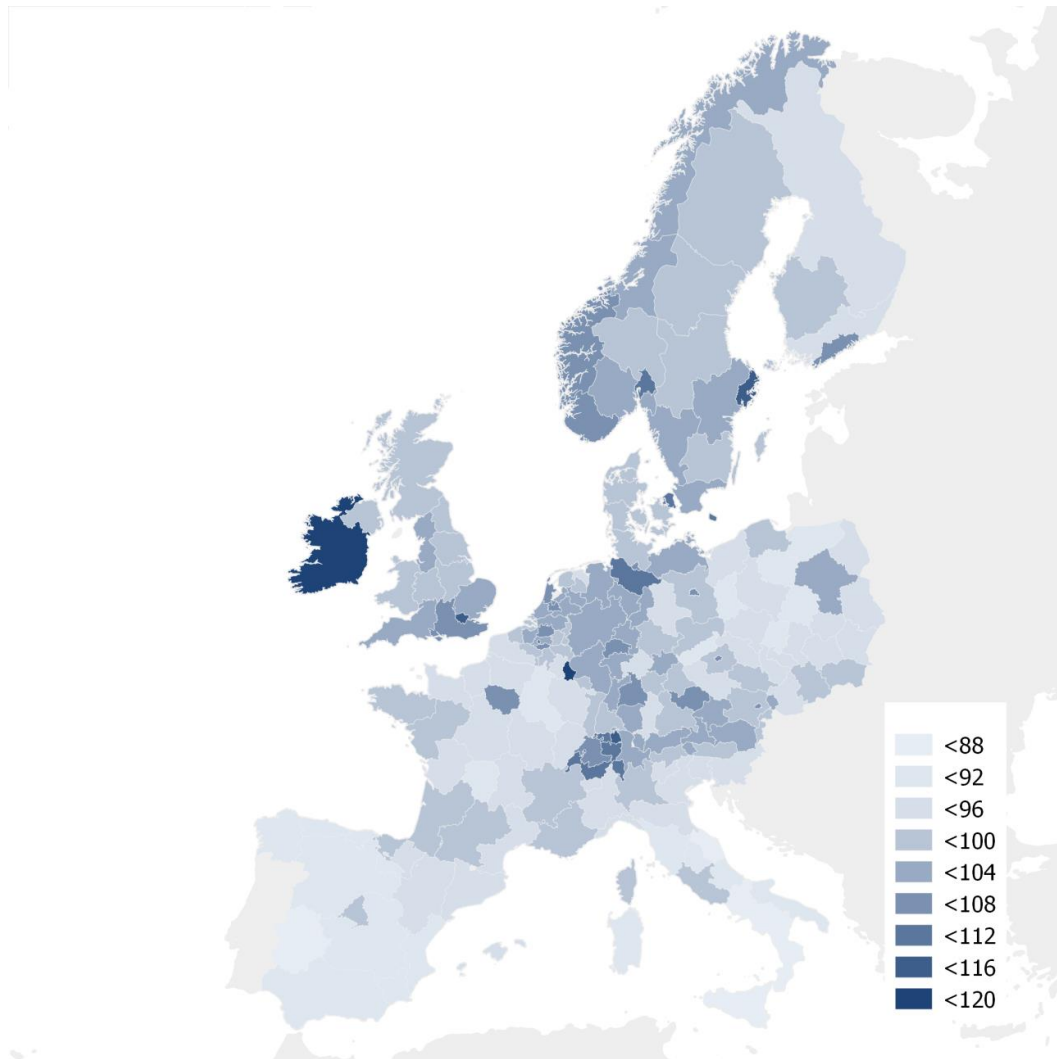


BAK Press Release: BAK Economic Potential Index



Average of TL 2 Regions in Western Europe and US = 100

Source: BAK Economics

Stockholm economically strongest region, ahead of London and Zurich

Basel/Zurich, 12th July 2018 – According to the BAK Economic Potential Index 2017, Stockholm is the region with the highest economic potential, followed by Greater London and Zurich. Among the top ten leading regions, there are three Scandinavian capital regions and six Swiss regions. They are characterised by a high economic performance as well as by substantial productivity advantages of their export industries. Zurich is the most attractive region throughout Europe. But while there is good economic potential in Central and Northern European regions, the Southern and Eastern regions are less competitive. However, the Eastern regions, especially Poland, have shown very promising dynamics during the last ten years due to their economic progress. The Southern European regions, most notably Spain, have significantly improved their attractiveness. The yearly BAK Economic Potential Index Report is published for the first time by BAK Economics and analyses 200 metropolitan and larger regions throughout Europe.

It is well known that regions have to be competitive in order to sustain and further develop their prosperity in a globalized world. What do regions need to be successful? Consistent economic growth, a high location quality for companies as well as for highly qualified individuals and an economic structure enabling outstanding future growth determine the economic potential of regions. These three characteristics – economic performance, attractiveness and competitiveness – are decisive. This is why we created the Economic Potential Index for European Regions.

Stockholm – the region with the highest economic potential

The Stockholm region ranks highest, a result driven by its industry structure (which shows an extraordinarily promising future growth potential) as well as by the competitiveness of its export-oriented industries. Stockholm has a high patent intensity, which implies that the region is fostering innovation and is therefore also highly attractive for companies. Stockholm is followed by Greater London, which shows the highest economic performance of all European Larger Regions. London has an outstanding and beneficial regulation of the labour market. Furthermore, the share of highly qualified manpower is highest in Greater London. The Brexit could, however, lower the attractiveness of London for the highly qualified, as it may become more difficult for EU nationals to stay and work in the UK. Zurich is the most attractive region throughout Europe for both talents and companies and scores very well with its past economic performance.

What about Southern Europe?

When considering the whole ranking of the BAK Economic Potential Index, a geographical gap becomes visible. While there is good economic potential in Central and Northern European regions, the Southern and Eastern ones are less competitive. The lower end of the ranking is made up of many Spanish regions. The five regions with the largest downturn in economic potential over the last 10 years are all located in Northern Spain. Nevertheless, Spanish regions have clearly improved their attractiveness, with the Balearic Islands offering the most attractive societal conditions for highly qualified talents. Also, at the bottom end of the ranking are Italian regions, which all have a low attractiveness for both talents and companies, mainly due to the high tax burden in Italy. Although the metropolitan area of Milano is among the bottom ten with respect to its attractiveness for talents, it has a very promising industry mix.

Rising star: Prague's industry mix has a future potential on the level of Paris and Zurich

The metropolitan area of Prague shows very high economic potential and scores almost as high as Paris, a result driven by its outstanding attractive taxes for both companies and talents. This also attracts highly educated workforce: employees with tertiary education amount to over 40 percent of the total labour force in Prague, which is higher than the average in Western Europe.

Furthermore, Prague ranks among the top ten regarding the potential of the industry structure. The growth potential of industries is determined by how much industries are expected to grow until 2030 and what the industry structure in the specific region looks like. Prague shows a higher growth potential than Western Europe thanks to its financial services, its IT services, its telecommunication and wholesale trade sector. However, Prague's capacity to compete, i.e. the productivity of Prague's export base, is below-average. This is mainly due to a lacking productivity advantage in the finance and insurance sector as well as slightly lower productivity in manufacturing than Western Europe.

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Further information

The report is available online on the [BAK Economics website](#).

The complete ranking of the 200 metropolitan and larger regions can be obtained via:
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More information about the BAK Economic Potential Index and further regional economic analysis is available on our website rea.bak-economics.com

Why measure economic potential?

In a globalized world, countries and regions need to successfully compete in order to sustain and further develop their prosperity. What determines the economic success of regions in the future?

The economic prospective of a region depends on its **economic performance**. For the wellbeing of its inhabitants the level of economic activity as well as the dynamic is important. How wealthy is the region? How fast does it grow and how many jobs are created? In addition, it is essential for a region to achieve additional value added to be distributed to render adoption processes smoother.

The future economic prospective is further determined by the current framework conditions and ability to retain and attract companies and talented people. Having a high **attractiveness** is crucial for a region's competitiveness in a globalized economy. Every talented employee is looking for a renowned and successful company and every company needs highly qualified employees in order to efficiently run a business. A high location quality is necessary to attract the talent pool necessary for the innovation climate in the region to foster innovation as the main driver of economic growth.

The potential inherent of the industry structure of a region is another important part of a regional assessment. What can be attained in the future given the economic structure of today? Particularly important is the **competitiveness** of the export-oriented industries in the region. Those industries are fundamental for the economic success of a region as they allow the region to participate in global division of labour and profit from the advantages of a global economy. These three aspects together build the economic potential of a region. In short; the region's past economic performance, its attractiveness and its competitiveness are decisive.

Published by BAK Economics AG the **BAK Economic Potential Index** allows for an international comparison of the current potential and the recent dynamics in economic potential using 26 individual indicators. The Index summarises the Economic Potential of a region in the three dimensions mentioned above, with a sub-index for each: economic performance, attractiveness and competitiveness.

What gets measured gets done!

BAK Economics AG, the independent Swiss research institute, offers economic analyses and forecasts since 1980 and provides consulting services on an empirical and quantitative level. BAK analyses industries at the regional level, including international comparisons of the quality of locations and economic policy issues. The BAK Regional Economic Database (RED) contains data on the economic and industry-specific development (more than 115 industries) and location attractiveness of over 1,900 regions in 24 countries.



BAK Performance Index

Real GDP per capita (at purchasing power parity in 2010)	50%
Real GDP growth (in the last 10 years)	25%
Employment growth (in the last 10 years)	25%



BAK Attractiveness Index

Companies	50%	Talents	50%
State		State	
Index of Global Accessibility		Index of Continental Accessibility	
Index of Regulation of Labor Markets		Human Freedom Index	
Index of Regulation of Product Markets		Index of Taxation of Highly Qualified Singles EUR 100'000	
Index of Taxation of Companies			
Business		Business	
Corruption Index		Growth of GVA-intensive jobs	
Doing Business Index		Share of GVA-intensive sectors jobs	
Share of GVA-intensive sectors		Work Force with Tertiary Education	
Market Size			
Science		Society	
Work Force with Secondary or Tertiary Education		Employment in Entertainment, Hotel and Restaurant Sector	
Patent Intensity		Employment in the Health Sector	
Total R&D Expenditures		Index of Quality of Universities	
Index of Quality of Universities			



BAK Competitiveness Index

Productivity Advantage of Export Base	50%
Industry Structural Potential Index	50%