

Composite measure of industrial performance for cross-country analysis

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A country's industrial performance can be assessed using a number of statistical indicators reflecting the level, growth and structure of industrial activities. However, policymakers prefer a single composite measure over a set of indicators to get an overall picture of their country's relative performance compared to that of other countries. The paper describes UNIDO's experience of constructing such a measure, namely the *Competitive Industrial Performance (CIP) index*, which considers countries' productive capacity, intensity of industrialization and impact on the world market as major components of industrial performance. The compilation of the CIP index, however, poses two major challenges. First, the composite measure for a broad international comparison can only be constructed when data are available for all indicators and if the computation methodology is uniform across the countries. Second, as the final result is a normalized index used for country ranking, any uncertainty in one of the indicators may result in a shift of a given country in the overall ranking. The primary data source for the compilation of the CIP index is UNIDO's database based on an underlying quality assurance framework for international comparability. To address the second problem, a sensitivity analysis is performed. The analysis reveals a substantially high correlation between the default CIP rankings and the alternatives, indicating that the composite measures are robust in a comparative assessment of countries' industrial performance.

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