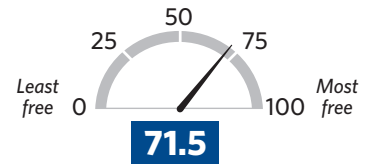


# MALAYSIA

## Economic Freedom Score



World Rank: **29** Regional Rank: **8**

**M**alaysia has undertaken structural reforms to enhance the entrepreneurial environment. Management of public finance has been relatively prudent, with gradual reductions in various government subsidies in recent years, and the corporate income tax rate will be reduced from 25 percent to 24 percent in 2016.

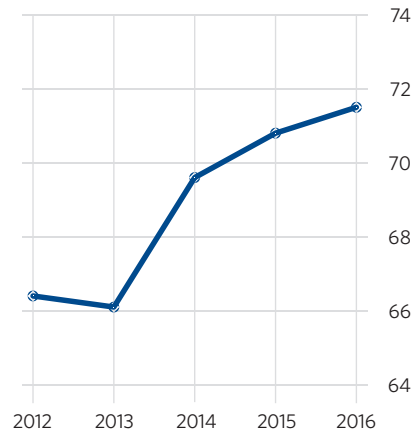
### ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **71.5 (up 0.7 point)**
- Economic Freedom Status: **Mostly Free**
- Global Ranking: **29th**
- Regional Ranking: **8th in the Asia-Pacific Region**
- Notable Successes: **Trade Freedom and Management of Public Finance**
- Concerns: **Corruption and Property Rights**
- Overall Score Change Since 2012: **+5.1**

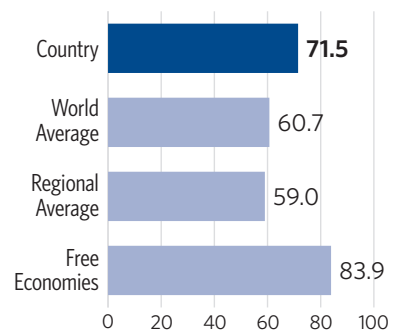
Malaysia's overall economic freedom continues to be constrained by systemic shortcomings that damage prospects for more vibrant long-term economic expansion. The perceived level of corruption has increased, and there is no sign of effective anti-corruption measures. The judicial system remains vulnerable to political interference.

**BACKGROUND:** The United Malays National Organization (UMNO) has ruled the ethnically and religiously diverse constitutional monarchy of Malaysia since independence in 1957. Widespread dissatisfaction with pro-Malay affirmative-action programs and corruption led to important opposition gains in the March 2008 elections. In the 2013 elections, the UMNO-led coalition retained power but for the first time failed to win more than 50 percent of the popular vote. The government maintains investments in such key sectors as banking, media, automobiles, and airlines. Malaysia is a leading exporter of electronics and information technology products; other industries include agricultural products and automobiles.

## Freedom Trend



## Country Comparisons



## Quick Facts

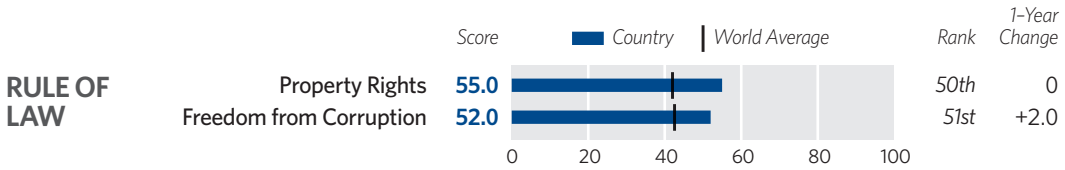
- Population:** 30.3 million
- GDP (PPP):** \$746.1 billion
- 6.0% growth in 2014
- 5-year compound annual growth 5.8%
- \$24,654 per capita
- Unemployment:** 2.0%
- Inflation (CPI):** 3.1%
- FDI Inflow:** \$10.8 billion
- Public Debt:** 57.0% of GDP

### How Do We Measure Economic Freedom?

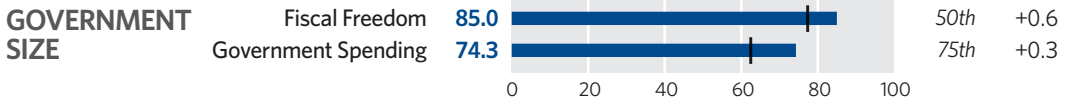
See page 467 for an explanation of the methodology or visit the *Index* Web site at [heritage.org/index](http://heritage.org/index).

2014 data unless otherwise noted.  
Data compiled as of September 2015.

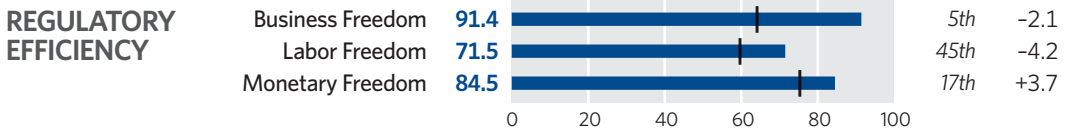
**THE TEN ECONOMIC FREEDOMS**



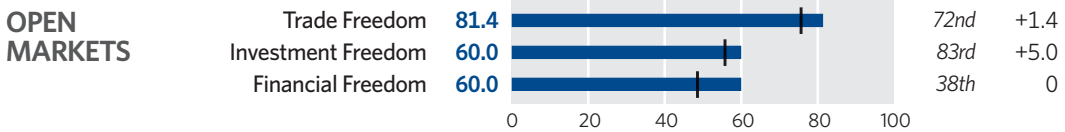
Government favoritism and the occasional lack of clear distinctions between public and private enterprises create conditions conducive to corruption. Officials regularly move back and forth between the private and public sectors, fostering cronyism and graft. The judiciary is subject to extensive executive branch influence. Arbitrary or politically motivated verdicts are common. The courts protect property rights adequately.



Malaysia's top individual and corporate income tax rates are 25 percent; the corporate rate is set to decline in 2016. Other taxes include a capital gains tax. The overall tax burden equals 15.8 percent of total domestic income. Government spending amounts to 29.3 percent of GDP. Large government spending projects have contributed to a budget deficit above 3 percent of GDP, and public debt equals 57 percent of total domestic output.



Steps to introduce greater regulatory efficiency have been implemented in recent years. With no minimum capital required, it takes only three procedures to start a business. Persistent labor market rigidity hampers dynamic job growth. In 2015, the IMF praised the government for taking bold fiscal action through a multi-year drive to reduce costly subsidies and ultimately remove remaining gasoline and diesel subsidies.



Malaysia's average tariff rate is 4.3 percent. Imported vehicles are subject to high tariffs. State-owned enterprises play a significant role in the economy. There are limits on foreign ownership levels in some industries. The financial sector remains stable. Measures to open the banking sector to greater competition have been adopted, but progress has been slow.

**Long-Term Score Change (since 1995)**

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	-15.0	Fiscal Freedom	+10.9	Business Freedom	+6.4	Trade Freedom	+14.4
Freedom from Corruption	-18.0	Government Spending	-4.0	Labor Freedom	-0.5	Investment Freedom	-10.0
				Monetary Freedom	+2.0	Financial Freedom	+10.0