

MACAU

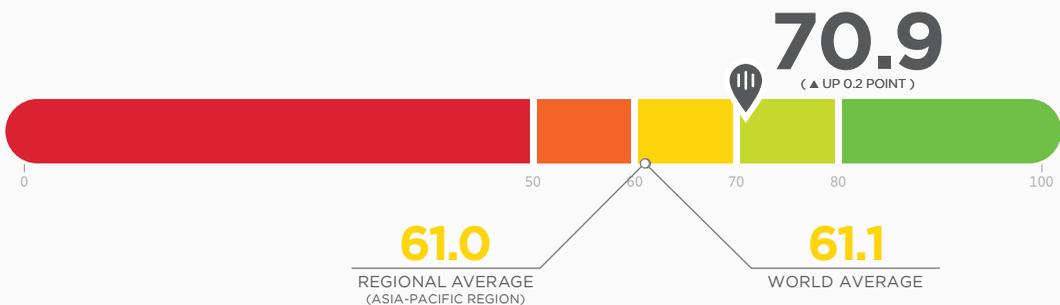
WORLD RANK: **34** | REGIONAL RANK: **9**

ECONOMIC FREEDOM STATUS: **MOSTLY FREE**

Macau's economic freedom score is 70.9, making its economy the 34th freest in the 2018 *Index*. Its overall score has increased by 0.2 point because of small improvements in the **tax burden** and **monetary freedom** indicators. Macau is ranked 9th among 43 countries in the Asia-Pacific region, and its overall score is above the regional and world averages.

Macau continues to face the challenges of managing its growing casino industry, risks from money-laundering activities, and the need to diversify the economy and reduce its dependence on gaming revenues. Its currency is closely tied to the Hong Kong dollar, which is also freely accepted in the territory. As a free port, Macau has long benefited from global trade and investment. Other growth areas include finance, insurance, and real estate. The entrepreneurial environment is generally efficient and streamlined, and property rights are generally respected. Taxation is low and relatively efficient.

ECONOMIC FREEDOM SCORE

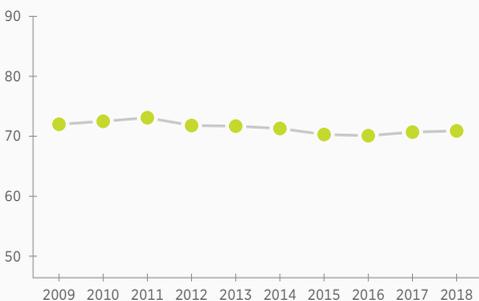


NOTABLE SUCCESSES:
Trade Freedom and
Investment Freedom

CONCERNS:
Rule of Law, Labor Freedom, and
Business Freedom

**OVERALL SCORE CHANGE
SINCE 2014:**
-0.4

FREEDOM TREND



QUICK FACTS

POPULATION:
0.7 million

GDP (PPP):
\$62.6 billion
-4.0% growth
in 2016
5-year compound
annual growth -1.3%
\$95,151 per capita

UNEMPLOYMENT:
2.7%

INFLATION (CPI):
2.4%

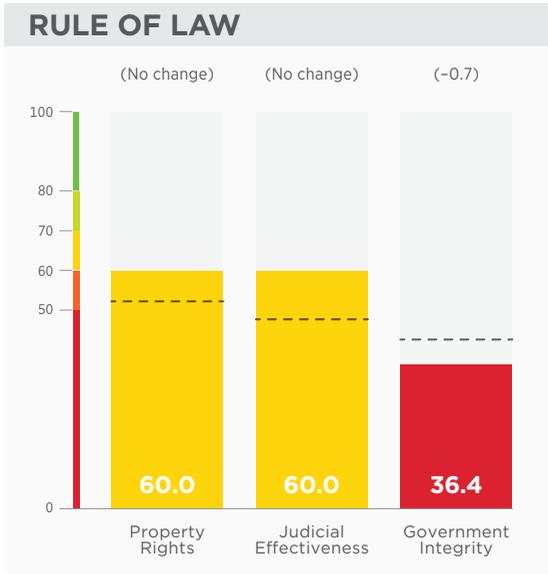
FDI INFLOW:
\$3.0 billion

PUBLIC DEBT:
0.0% of GDP

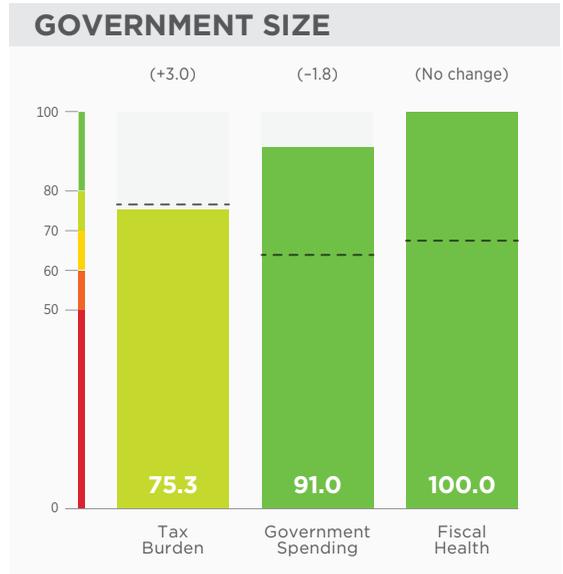
2016 data unless otherwise noted. Data compiled as of September 2017

BACKGROUND: Colonized by the Portuguese in the 16th century, Macau became a Special Administrative Region of the People's Republic of China in 1999, and its chief executive is appointed by Beijing. The world's largest gaming center, Macau is the only place in China where casinos are legal, and gaming-related taxes account for about 80 percent of government revenue. Traffic from the mainland decreased as a result of the PRC's high-profile 2013 anticorruption campaign but rebounded in 2017. High-end patrons still account for more than half of gambling revenue, but less wealthy visitors are seen as crucial to future growth. There is a paucity of attractions for nongambling tourists, and government efforts to encourage economic diversification face formidable constraints.

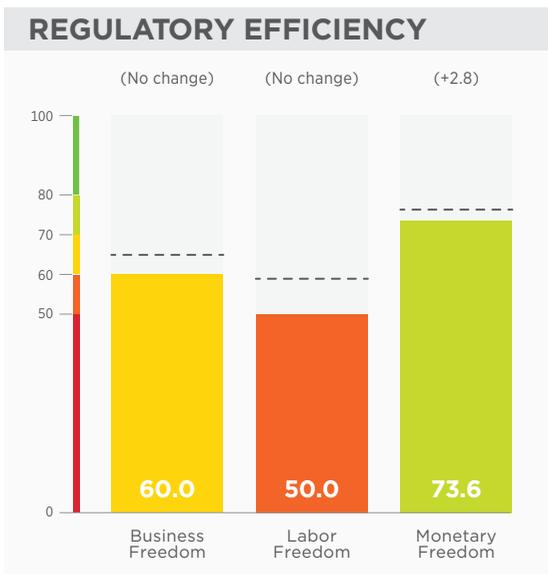
12 ECONOMIC FREEDOMS | MACAU



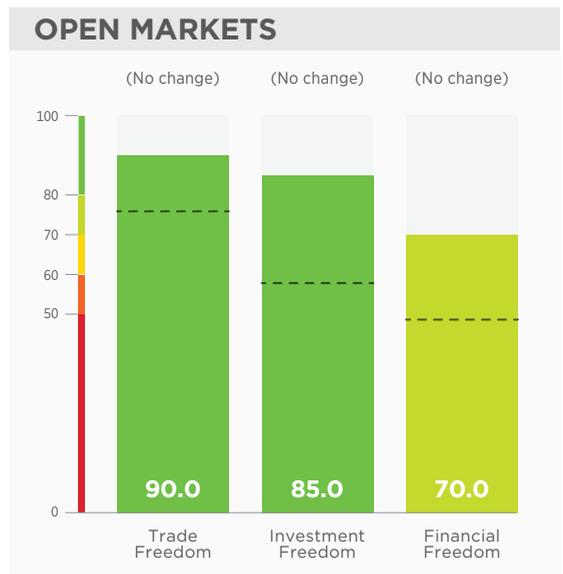
Private ownership of property and contractual rights are well established. There are no restrictions on foreign property ownership. Macau has its own judicial system with a high court; the legal framework is based largely on Portuguese law. Macau is not a party to the U.N. Anticorruption Convention or the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions.



The top personal income tax rate is 12 percent, and the top corporate tax rate is 39 percent. Gambling tax revenues are quite high. The overall tax burden equals 28.3 percent of total domestic income. Over the past three years, government spending has amounted to 17.4 percent of total output (GDP), and budget surpluses have averaged 14.7 percent of GDP. Macau has no public debt.



The overall regulatory structure is relatively transparent and efficient, with license requirements varying by type of economic activity. Macau's unemployment rate is low, and there is a chronic shortage of skilled workers. Monetary stability has been relatively well maintained, but the government funds generous subsidies to households, the elderly, and students, and some of these subsidies have been increased.



Trade is extremely important to Macao's economy; the combined value of exports and imports equals 110 percent of GDP. There are no tariffs on general imports. Nontariff barriers impede some trade. In general, government policies do not significantly deter foreign investment. The banking-dominated financial sector provides easy access to financing. Capital markets remain underdeveloped.