

MACAU

WORLD RANK:

34

REGIONAL RANK:

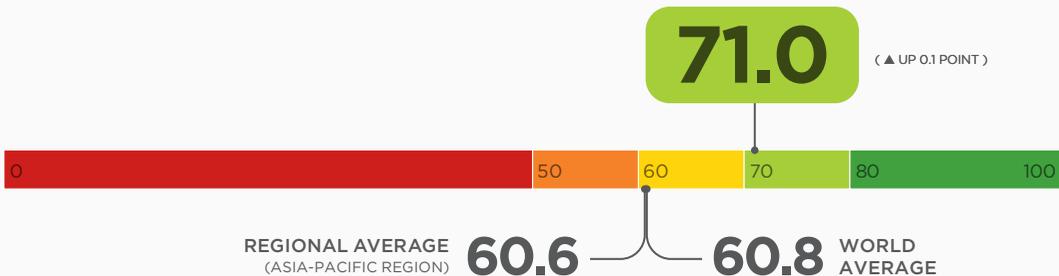
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ECONOMIC FREEDOM STATUS:
MOSTLY FREE

Macau's economic freedom score is 71.0, making its economy the 34th freest in the 2019 *Index*. Its overall score has increased by 0.1 point, with higher scores for **monetary freedom** and **tax burden** exceeding a decline in the score for **government integrity**. Macau is ranked 9th among 43 countries in the Asia-Pacific region, and its overall score is above the regional and world averages.

Challenges related to the country's booming casino industry include money-laundering risks and the need to diversify the economy and reduce dependence on gaming revenues. Macau's currency is pegged to the Hong Kong dollar, which is closely tied to the U.S. dollar. 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

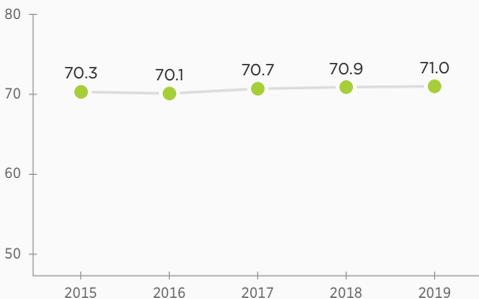


RELATIVE STRENGTHS:
Fiscal Health and
Government Spending

**HISTORICAL INDEX SCORE
CHANGE (SINCE 2009):**
-1.0

CONCERNS:
Government Integrity and
Labor Freedom

FREEDOM TREND



QUICK FACTS

POPULATION:
0.6 million

GDP (PPP):
\$71.8 billion
9.3% growth in 2017
5-year compound
annual growth -0.6%
\$111,629 per capita

UNEMPLOYMENT:
2.0%

INFLATION (CPI):
1.2%

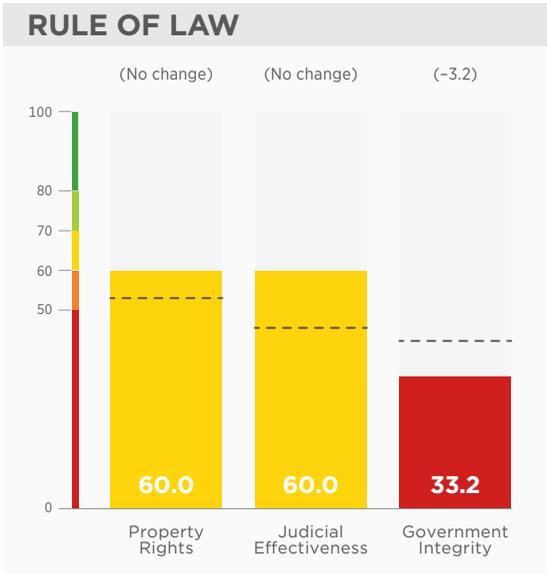
FDI INFLOW:
\$2.0 billion

PUBLIC DEBT:
0.0% of GDP

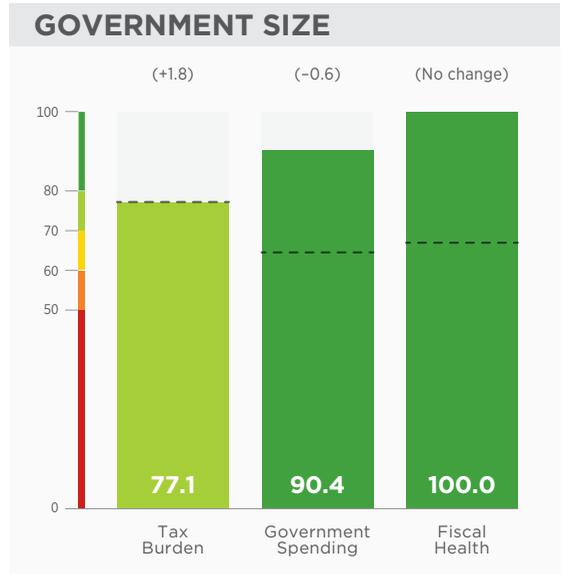
2017 data unless otherwise noted. Data compiled as of September 2018

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. The sector has rebounded since the end of the PRC's high-profile 2013 anticorruption campaign and has fueled a rise in per capita GDP. Gaming-related taxes account for about 80 percent of government revenues. High-end patrons still account for more than half of gambling revenue, but attracting more middle-class visitors is crucial to future growth. There is a paucity of attractions for nongambling tourists, and government efforts to encourage economic diversification face formidable constraints.

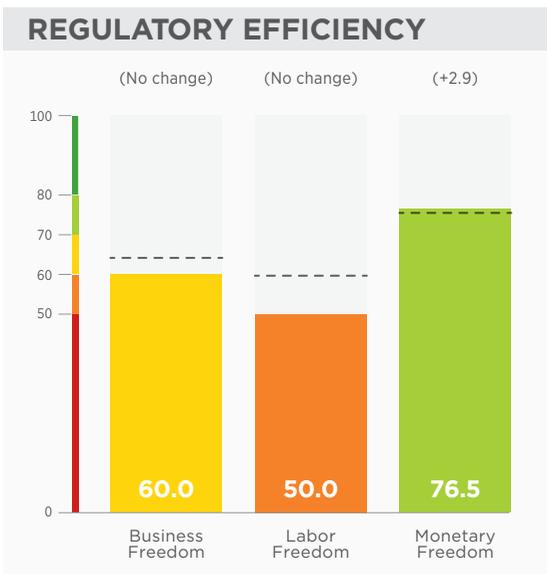
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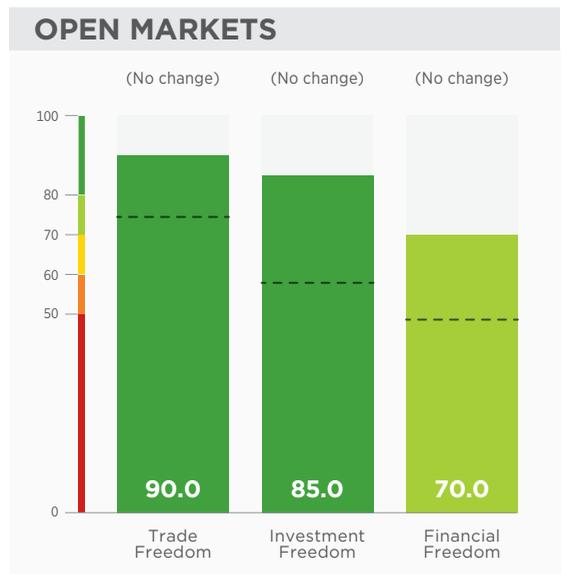
Although private ownership of property and contractual rights are well established, about 20 percent of land lacks clear title. There are no restrictions on foreign ownership. Macau has its own judicial system with a high court, but rapid economic expansion has left the judiciary understaffed. Public protests against a range of issues such as corruption, favoritism, and nepotism have increased in recent years.



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 25.0 percent of total domestic income. Over the past three years, government spending has amounted to 17.9 percent of the country's output (GDP), and budget surpluses have averaged 12.6 percent of GDP. Public debt is equivalent to 0.0 percent of GDP.



The overall regulatory environment is relatively transparent and efficient, with license requirements varying by type of economic activity. The economy lacks a dynamic and broad-based labor market. The government sets minimum standards for the terms and conditions of employment. Monetary stability has been relatively well maintained, but generous government subsidies to households, students, and the elderly increased in 2018.



The combined value of exports and imports is equal to 111.4 percent of GDP. The average applied tariff rate is 0.0 percent. As of June 30, 2018, according to the WTO, Macau had 31 nontariff measures in force. Macau is relatively open to foreign investment. The small financial system functions without undue government influence. Credit is allocated on market terms, and relatively sound regulation assures free flows of financial resources.