Malaysia’s economic freedom score is 74.7, making its economy the 24th freest in the 2020 Index. Its overall score has increased by 0.7 point due primarily to an increase in the judicial effectiveness score. Malaysia is ranked 6th among 42 countries in the Asia-Pacific region, and its overall score is well above the regional and world averages.

The Malaysian economy has been climbing the ranks of the mostly free for the past six years. Economic expansion during that time has been impressive as well.

The government means to keep its promises to implement an anticorruption plan and consolidate public debt, both of which would enhance economic freedom, and its prosecution of former Prime Minister Najib Razak on charges of orchestrating a multibillion-dollar fraud involving a government fund is a step in the right direction. Other steps are needed to strengthen government integrity by ending such practices as bribery, extortion, nepotism, cronyism, patronage, embezzlement, and graft.

**ECONOMIC FREEDOM SCORE**

![Economic Freedom Score Chart]

**RECENT FREEDOM TREND**

<table>
<thead>
<tr>
<th>Year</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>71.5</td>
</tr>
<tr>
<td>2017</td>
<td>73.8</td>
</tr>
<tr>
<td>2018</td>
<td>74.5</td>
</tr>
<tr>
<td>2019</td>
<td>74.0</td>
</tr>
<tr>
<td>2020</td>
<td>74.7</td>
</tr>
</tbody>
</table>

**HISTORICAL INDEX SCORE CHANGE (SINCE 1995): +2.8**

**REGIONAL AVERAGE** (ASIA-PACIFIC REGION) 61.1

**WORLD AVERAGE** 61.6

**UP 0.7 POINT**

**UNEMPLOYMENT:** 3.4%

**INFLATION (CPI):** 1.0%

**FDI INFLOW:** $8.1 billion

**PUBLIC DEBT:** 56.2% of GDP

**POPULATION:** 32.4 million

**GDP (PPP):** $999.4 billion

4.7% growth in 2018

5-year compound annual growth 5.2%

$30,860 per capita

**BACKGROUND:** In 2018 elections, the opposition Alliance for Hope defeated the long-ruling National Front, bringing 94-year-old Prime Minister Mahathir Bin Mohamad back to office for a second time. During his 1981-2003 tenure, Mahathir diversified the economy away from dependence on exports of raw materials and expanded manufacturing, services, and tourism. Running on his economic record, he crafted a winning political coalition in the wake of a massive scandal involving the state-run development board.

Mahathir has announced that he intends to transfer power to Anwar Ibrahim, a previously imprisoned former deputy prime minister and opposition leader, but has yet to effect such a transfer. Malaysia’s leading exports include consumer electronics, petroleum, chemicals, and palm oil.
Malaysian law affords strong protections to owners of real property. Real property titles are recorded in public records, and attorneys review transfer documentation to ensure the efficacy of title transfers. Malaysia's legal system generally reflects English common law. The independence of the judiciary has been strengthened in recent years. High-level corruption under the last government contributed to its defeat. Demands for bribes are commonplace.

The top individual income and corporate tax rates are 25 percent. Other taxes include a capital gains tax. The overall tax burden equals 13.6 percent of total domestic income. Government spending has amounted to 22.6 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 2.9 percent of GDP. Public debt is equivalent to 56.2 percent of GDP.

Processes for starting a business, construction permitting, obtaining electricity, registering property, trading across borders, and resolving insolvency have been improved. A chronic shortage of skilled labor has impeded economic growth. The new government is amending labor laws in an effort to boost competitiveness and combat forced labor. A new directly targeted fuel subsidy program utilizes direct cash handouts.

The total value of exports and imports of goods and services equals 132.3 percent of GDP. The average applied tariff rate is 4.0 percent, and 62 nontariff measures are in force. Foreign investment is officially welcome, and efforts to attract more flows have been made, but a lack of transparency may deter dynamic growth in new investment. The banking sector remains stable.