

# MALAYSIA

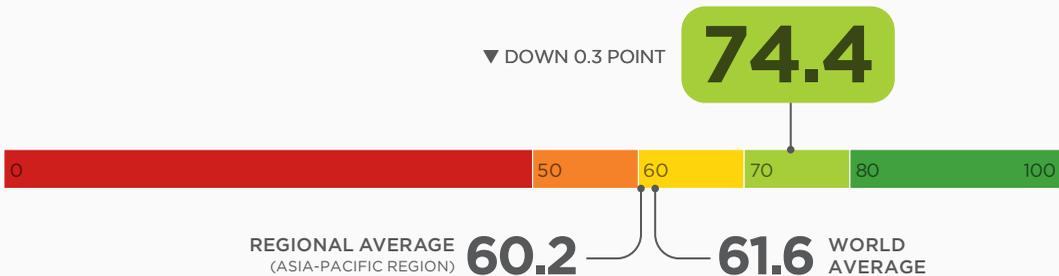
Malaysia's economic freedom score is 74.4, making its economy the 22nd freest in the 2021 *Index*. Its overall score has decreased by 0.3 point, primarily because of a decline in **judicial effectiveness**. Malaysia is ranked 5th among 40 countries in the Asia-Pacific region, and its overall score is above the regional and world averages.

The Malaysian economy maintained its ranking in the mostly free category this year. The government began to implement a multi-year anticorruption plan in 2019, and the genuine enhancement of economic freedom will require a concentrated campaign to end such practices as bribery, extortion, nepotism, cronyism, patronage, embezzlement, and graft. The financial sector, although large, lags in development behind the major Asian financial centers.

**IMPACT OF COVID-19:** As of December 1, 2020, 363 deaths had been attributed to the pandemic in Malaysia, and the economy was forecast to contract by 6.0 percent for the year.

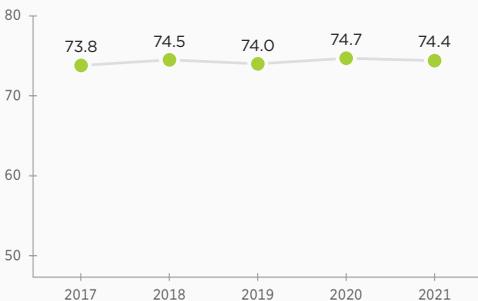


## ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +2.5

## RECENT FREEDOM TREND



## QUICK FACTS

**POPULATION:**  
31.9 million

**GDP (PPP):**  
\$1.1 trillion  
4.3% growth in 2019  
5-year compound annual growth 4.9%  
\$29,526 per capita

**UNEMPLOYMENT:**  
3.3%

**INFLATION (CPI):**  
0.7%

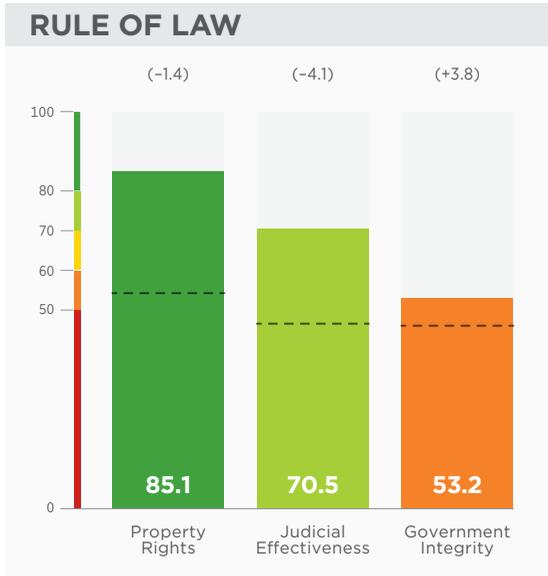
**FDI INFLOW:**  
\$7.7 billion

**PUBLIC DEBT:**  
57.2% of GDP

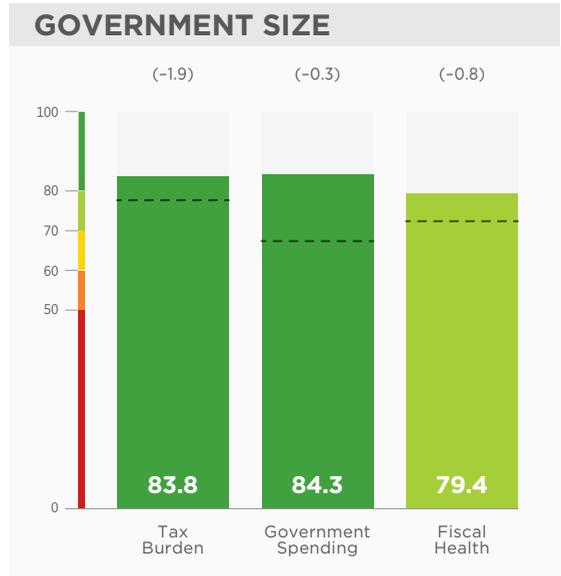
2019 data unless otherwise noted. Data compiled as of September 2020

**BACKGROUND:** In the 2018 elections, the opposition Pakatan Harapan coalition defeated the long-ruling Barisan Nasional, bringing 94-year-old Prime Minister Mahathir Bin Mohamad back to office for a second time. Running on his economic record, he crafted a winning political coalition in the wake of a massive scandal involving the state-run development board. Former Deputy Prime Minister Anwar Ibrahim was expected to succeed Mahathir, but the coalition fell apart. The result was a political crisis in which Mahathir resigned and was replaced by former United Malays National Organisation Deputy Chairman and former Pakatan Harapan member Muhyiddin Yassin. A snap election was expected in late 2020 or early 2021. Malaysia's leading exports include consumer electronics, petroleum, chemicals, and palm oil.

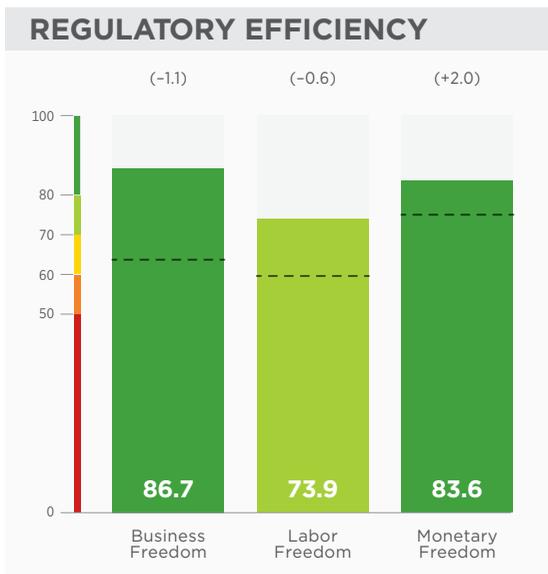
# 12 ECONOMIC FREEDOMS | MALAYSIA



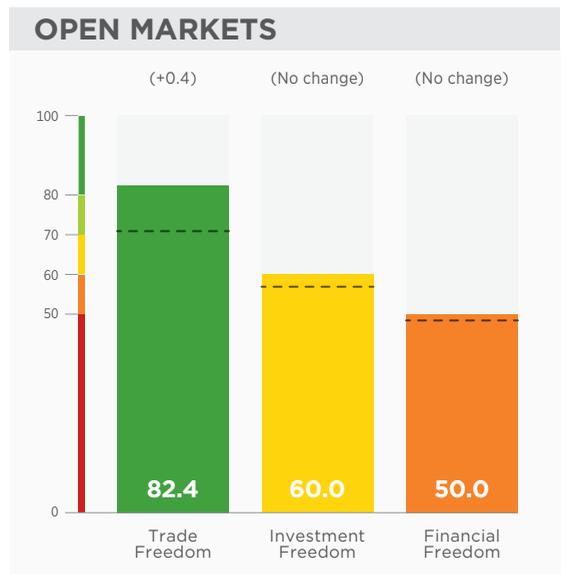
The law strongly protects owners of real property. Established protocols ensure the integrity of the property registration and titling systems. The judiciary is nominally independent but strongly influenced by the executive. A multi-year National Anti-Corruption Plan resulted from the multibillion-dollar Malaysia Development Berhad (IMDB) embezzlement scandal. It remains to be seen how robustly the plan will be implemented.



The top individual income tax rate has been increased to 30 percent, and the top corporate tax rate has been cut to 24 percent. The overall tax burden equals 12.0 percent of total domestic income. Government spending has amounted to 22.8 percent of total output (GDP) over the past three years, and budget deficits have averaged 3.0 percent of GDP. Public debt is equivalent to 57.2 percent of GDP.



The time it takes start a business has increased, and Malaysia has lost ground in business freedom in comparison to other countries. In addition, the labor force participation rate has decreased. The government continues to target its fuel subsidy program narrowly and efficiently.



Malaysia has 14 preferential trade agreements in force. The trade-weighted average tariff rate is 3.8 percent, and 70 nontariff measures are in effect. The government has taken steps to liberalize foreign investment policies, but there still are local equity participation requirements in some sectors. Regulatory adjustments in the financial sector include the easing of limits on foreign ownership in financial subsectors.