Malaysia’s economic freedom score is 67.3, making its economy the 42nd freest in the 2023 Index. Its score is 0.8 point lower than last year. Malaysia is ranked 8th out of 39 countries in the Asia–Pacific region, and its overall score is above the world and regional averages.

The economy has shown a moderate degree of resilience. Implementation of policies to support open markets and encourage a vibrant private sector is enhancing investment flows and improving entrepreneurial vitality. However, Malaysia has not done enough to promote the effective rule of law or to enhance and modernize its legal framework.

**BACKGROUND:** Malaysia is a multicultural democracy that has undergone multiple changes in leadership since its elections in 2018. The current governing coalition remains fragile, and it is expected that elections will be held either late in 2022 or in 2023. Malaysia has experienced healthy economic growth during the past decade. Exports account for more than 65 percent of the country’s GDP and for a significant share of its labor market. Principal exports include consumer electronics, petroleum, chemicals, and palm oil.
The overall rule of law is relatively well respected in Malaysia. The country’s property rights score is above the world average; its judicial effectiveness score is above the world average; and its government integrity score is above the world average.

Greater regulatory efficiency has been implemented in recent years, and licensing requirements are now less time-consuming and bureaucratic. Labor regulations are now more modern and flexible, but the labor market remains fragmented. The most recent available inflation rate is 2.5 percent.

The top individual and corporate tax rates are, respectively, 30 percent and 24 percent. The tax burden equals 11.4 percent of GDP. Three-year government spending and budget balance averages are, respectively, 24.2 percent and –4.0 percent of GDP. Public debt equals 69.0 percent of GDP.

The trade-weighted average tariff rate is 3.5 percent. The government has taken steps to liberalize foreign investment policies, but for some sectors, restrictions are still in place. Regulatory adjustments in the financial sector include the easing of limits on foreign ownership.