

# MALAYSIA

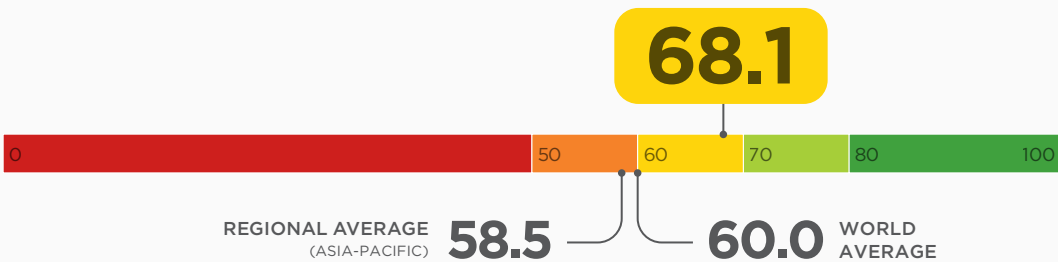
Malaysia's economic freedom score is 68.1, making its economy the 42nd freest in the 2022 *Index*. Malaysia is ranked 8th among 39 countries in the Asia-Pacific region, and its overall score is above the regional and world averages.

Economic growth slowed in Malaysia from 2017 through 2019, turned negative in 2020, and resumed in 2021. The country has recorded a 5.7-point overall loss of economic freedom since 2017 and has fallen from the "Mostly Free" category to the "Moderately Free" category. Government size is well calibrated, and **monetary freedom** and **trade freedom** are bright spots, but reforms are needed to upgrade investment and **financial freedom**. Problems related to **government integrity** need serious attention.

**IMPACT OF COVID-19:** As of December 1, 2021, 30,474 deaths had been attributed to the pandemic in Malaysia, and the government's response to the crisis ranked 46th among the countries included in this *Index* in terms of its stringency. The economy contracted by 5.6 percent in 2020.

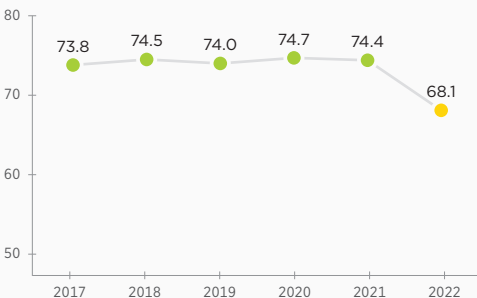


## ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): -3.8

## RECENT FREEDOM TREND



## QUICK FACTS

**POPULATION:**  
32.4 million

**GDP (PPP):**  
\$902.6 billion  
-5.6% growth in 2020  
5-year compound annual growth 2.7%  
\$27,402 per capita

**UNEMPLOYMENT:**  
4.6%

**INFLATION (CPI):**  
-1.1%

**FDI INFLOW:**  
\$3.5 billion

**PUBLIC DEBT:**  
67.5% of GDP

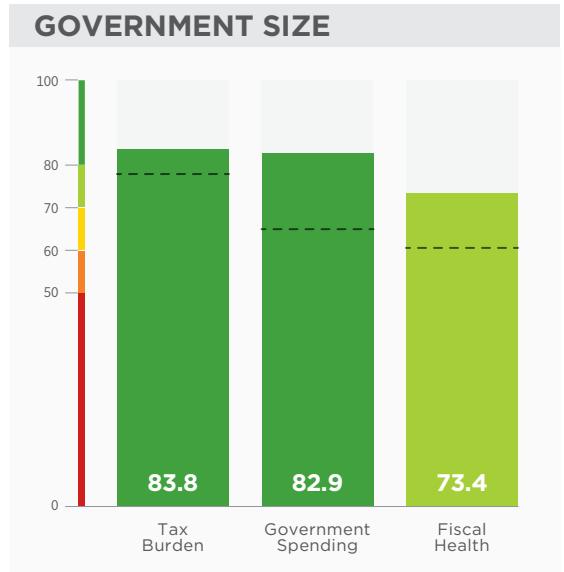
2020 data unless otherwise noted. Data compiled as of September 2021

**BACKGROUND:** In the 2018 election, 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 that ended when Mahathir resigned and was replaced by former United Malays National Organisation Deputy Chairman and former Pakatan Harapan member Muhyiddin Yassin. The governing coalition, however, maintains a small majority and is very fragile. Malaysia's leading exports include consumer electronics, petroleum, chemicals, and palm oil.

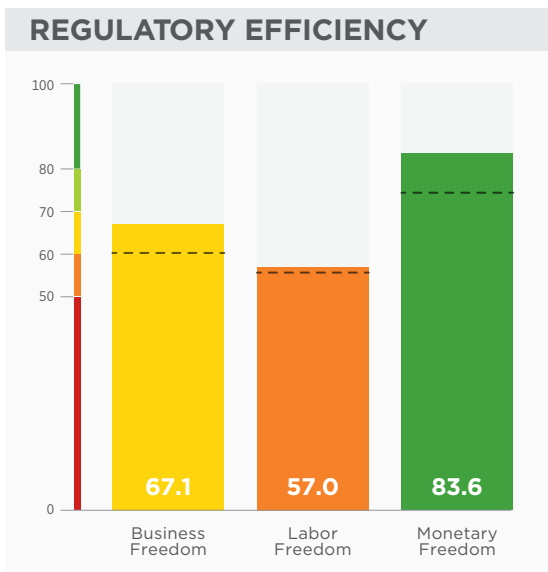
# 12 ECONOMIC FREEDOMS | MALAYSIA



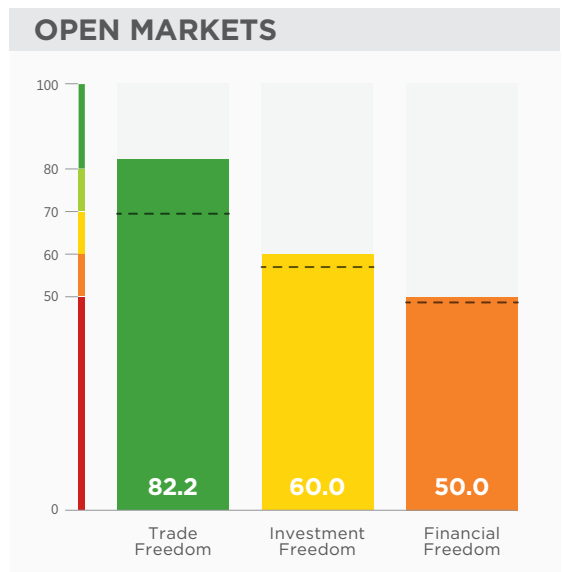
Protection of property rights is strong, and the property registration and titling system is reliable. Judicial independence is often compromised by extensive executive influence. Although hundreds of public officials were arrested for corruption and bribery in 2019 and 2020, the perceived special treatment accorded to a former prime minister and his wife in 2020 on charges related to the multibillion-dollar Malaysia Development Berhad (IMDB) embezzlement scandal stoked public outrage.



The top individual income tax rate is 30 percent, and the top corporate tax rate is 24 percent. The overall tax burden equals 12.0 percent of total domestic income. Government spending has amounted to 23.9 percent of total output (GDP) over the past three years, and budget deficits have averaged 3.3 percent of GDP. Public debt is equivalent to 67.5 percent of GDP.



Incorporation requirements have been simplified under the Companies Act of 2016. In 2018, the government noted the need to “establish an accountability mechanism for the implementation of regulatory reviews,” but little progress has been made. Until the advent of COVID-19, the economy was typically operating at or near full employment. The government continues to target its fuel subsidy program narrowly and efficiently.



Malaysia has 15 preferential trade agreements in force. The trade-weighted average tariff rate is 3.9 percent, and 74 non-tariff measures are in effect. 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. Despite the challenging external environment, the banking sector remains stable.