

# Malaysia's Performance in Index of Economic Freedom 2019

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IMD WORLD  
COMPETITIVENESS  
CENTER

## IMD WORLD COMPETITIVENESS YEARBOOK



# 2019

## **WORLD PERFORMANCE**

1. The Institute for Management Development (IMD), based in Lausanne Switzerland released its 31<sup>st</sup> edition of the World Competitiveness Yearbook this year. Singapore topples United States as world's most competitive economy, rises from 3<sup>rd</sup> to top spot, switching places with USA. Singapore is cited to possess policy stability & predictability, effective legal environment, and having business-friendly environment as their key attractiveness indicators. Hong Kong remains at the second place and tops in government efficiency. Switzerland ranks fourth and United Arab Emirates (UAE) makes it to the top five for the first time. This is followed by Netherlands, Ireland, Denmark, Sweden and Qatar filling up the remaining top ten rankings.
  
2. Ireland (7<sup>th</sup>), Saudi Arabia (26<sup>th</sup>), and Indonesia (32<sup>nd</sup>) make notable improvement by five, thirteen and eleven places respectively. In Asia region, other than Singapore and Hong Kong which top the overall ranking, Qatar (10<sup>th</sup>), Thailand (25<sup>th</sup>), and the Philippines (46<sup>th</sup>) also make significant improvement by four, five, and four places respectively. IMD is quoted that among the global factors that influence this year's ranking are the political and economic uncertainty where South Asia/Pacific outperforms while Europe softens in their performance.
  
3. The WCY 2019 ranks nations based on its competitiveness index:
  - i) 4 input factors;
  - ii) 20 sub-factors (5 sub-factors in each input factor);
  - iii) 332 criteria;  
(Ranked Criteria: 235 = 143 hard data + 92 survey data; 97 background information); and
  - iv) 63 countries/economies

4. The WCY 2019 also presents competitiveness ranking in four categories:
  - i) global (overall);
  - ii) by size (Populations greater than 20 million; and populations less than 20 million);
  - iii) by wealth (GDP per capita greater than US\$20,000 and GDP per capita less than US\$20,000); and
  - iv) by regions (Europe-Middle East-Africa, Asia-Pacific, and The Americas).



## **MALAYSIA'S PERFORMANCE IN THE WORLD COMPETITIVENESS YEARBOOK 2019**

5. The 31<sup>st</sup> edition of the WCY 2019 came after one year the new government coalition came into power. After experiencing declines in performance since 2016 (2016: 19<sup>th</sup>, 2017: 24<sup>th</sup>), Malaysia sustained its 22<sup>nd</sup> position for two consecutive years, reflecting positive sentiments of the business community towards the new government. It is also interesting to note improvement can be seen in institutional related indicators such as bribery and corruption, transparency, bureaucracy, justice, social cohesion and public finance in terms of rankings and value scored compared to previous year. All these indicators increase in value score more than 10% (ranging from 10.8% -public finances) to 31.1% - bribery and corruption).
6. Overall, Malaysia improves in Infrastructure factor, ranks 28<sup>th</sup> from 33<sup>rd</sup> last year, the highest ranking for Malaysia since 2016. While Malaysia improves in the Infrastructure factor, the other factors marginally decline in the performance thus resulting Malaysia to sustain the 22<sup>nd</sup> position. The Economic Performance ranks at 11<sup>th</sup> (2018: 8<sup>th</sup>), Government Efficiency, 24<sup>th</sup> (2018: 23<sup>rd</sup>), and Business Efficiency, 18<sup>th</sup> (2018: 17<sup>th</sup>). Despite the declines, Malaysia which is ranked at 11<sup>th</sup> in Economic Performance, is at a better position compared to Switzerland

(23<sup>rd</sup>), Denmark (26<sup>th</sup>), and Sweden (21<sup>st</sup>). In Government Efficiency factor, Malaysia (24<sup>th</sup>) is ranked just one place behind the USA which is at 23<sup>rd</sup> position. Malaysia is also among the top ranked nations in Business Efficiency, being ranked at 18<sup>th</sup> position as compared to Canada (16<sup>th</sup>), China (15<sup>th</sup>), and Finland (13<sup>th</sup>). In the meantime, in the Infrastructure factor, despite of the improvement made, Malaysia still lag behind countries such as Luxembourg (25<sup>th</sup>) and Hong Kong (22<sup>nd</sup>).

7. Maintained at 22<sup>nd</sup> position, Malaysia was overtaken by Iceland at 20<sup>th</sup> (2018: 24<sup>th</sup>) while United Kingdom slips to 23<sup>rd</sup> (2018: 20<sup>th</sup>). Malaysia continues to be ahead of Belgium (27<sup>th</sup>), Republic of Korea (28<sup>th</sup>), Japan (30<sup>th</sup>), and France (31<sup>st</sup>).
8. Compared to 30 countries in 2018, there are now 28 countries in the category of GDP per capita less than US\$20,000 in 2019 as Estonia and Greece are categorised into the GDP per capita more than US\$20,000 this year. Among 28 countries, Malaysia remains at 2<sup>nd</sup> position with GDP per capita valued at US\$10,937. In the category of populations greater than 20 million, Malaysia improves to 7<sup>th</sup> position (2017: 8<sup>th</sup>) among 29 countries, overtaking United Kingdom in the process. Within the Asia-Pacific region, Malaysia decline one position to 7<sup>th</sup> (2017: 6<sup>th</sup>) while remains 2<sup>nd</sup> in the ASEAN region (**Table 1**).

**Table 1: Malaysia's Performance by Peer Group**

















	World Competitiveness Yearbook (rank)		CHANGES
	2019	2018	
<b>GDP per Capita Less Than US\$ 20,000 (n=28)</b>	2	2	=
<b>Populations Greater Than 20 Million (n=29)</b>	7	8	 +1
<b>Asia Pacific Region (n=14)</b>	7	6	 -1
<b>ASEAN Region (n=5)</b>	2	2	=







9. At the factor level, **Economic Performance** which gives a macroeconomic evaluation of the domestic economy, declines to 11<sup>th</sup> position from 8<sup>th</sup> in 2018 due to decline in all sub-factors except in Prices sub-factor where Malaysia tops the rank, improves from 5<sup>th</sup> in 2018. This excellent performance was attributed by competitive apartment rent and gasoline prices indicators. Malaysia's performance in other sub-factors are Domestic Economy, 31<sup>st</sup> (2018: 16<sup>th</sup>), International Trade, 14<sup>th</sup> (2018: 9<sup>th</sup>), International Investment, 22<sup>nd</sup> (2018: 16<sup>th</sup>), and Employment, 16<sup>th</sup> (2018: 11<sup>th</sup>).
10. The **Government Efficiency** factor which measures the conduciveness of government policies also declines by one position to 24<sup>th</sup> (2018: 23<sup>rd</sup>). The sub-factors that have impacted the performance of this factor are Public Finance at 31<sup>st</sup> position (2018: 26<sup>th</sup>) and Business Legislation at 36<sup>th</sup> position (2018: 33<sup>rd</sup>). On the other hand, there are two sub-factors which recorded improvement namely Institutional Framework to 25<sup>th</sup> (2018: 28<sup>th</sup>), and Societal Framework to 35<sup>th</sup> (2018: 37<sup>th</sup>). Tax Policy maintains at 10<sup>th</sup> position for two consecutive years.
11. The **Business Efficiency** factor which measures the extent to which the national environment encourages enterprises to perform in an innovative, profitable and responsible manner, ranks 18<sup>th</sup> position from 17<sup>th</sup> position previously. This resulted from the performance in Productivity & Efficiency at 25<sup>th</sup> (2018: 24<sup>th</sup>), Labour Market at 7<sup>th</sup> (2018: 3<sup>rd</sup>) and Management Practices at 15<sup>th</sup> (2018: 14<sup>th</sup>). Finance sub-factor slightly improves to 23<sup>rd</sup> position (2018: 25<sup>th</sup>) while Attitudes and Values maintains at 16<sup>th</sup> position (2018: 16<sup>th</sup>).
12. The **Infrastructure** factor which measures the extent of basic, technological, scientific and human resources meet the need of business improves to 28<sup>th</sup> from 33<sup>rd</sup> previously. This is Malaysia's best position in this factor for the past four years. All sub-factors improve except Education. Basic Infrastructure

improves 4 positions to 14<sup>th</sup> (2018: 18<sup>th</sup>), Technological Infrastructure improves 9 places to 15<sup>th</sup> (2018: 24<sup>th</sup>), Scientific Infrastructure ranks at 28<sup>th</sup> position (2018: 29<sup>th</sup>) and Health and Environment improves one place to 41<sup>st</sup> position (2018: 42<sup>nd</sup>). Meanwhile, Education decline one position to 35<sup>th</sup> (2018: 34<sup>th</sup>).

13. In summary, 8 sub-factors show improvements in ranking, 2 sub-factors remained unchanged while 10 remaining sub-factors decline in performance.

**Table 2: Malaysia's Performance in the Competitiveness Inputs Factors**

	RANK		CHANGES
	2019 (n= 63)	2018 (n=63)	
<b>Overall Scoreboard</b>	22	22	=
<b>Economic Performance</b>	<b>11</b>	<b>8</b>	 <b>(-3)</b>
• Domestic Economy	31	16	 (-15)
• International Trade	14	9	 (-5)
• International Investment	22	16	 (-6)
• Employment	16	11	 (-5)
• Prices	1	5	 (+4)
<b>Government Efficiency</b>	<b>24</b>	<b>23</b>	 <b>(-1)</b>
• Public Finance	31	26	 (-5)
• Tax Policy	10	10	=
• Institutional Framework	25	28	 (+3)
• Business Legislation	36	33	 (-3)
• Societal Framework	35	37	 (+2)
<b>Business Efficiency</b>	<b>18</b>	<b>17</b>	 <b>(-1)</b>
• Productivity & Efficiency	25	24	 (-1)
• Labour Market	7	3	 (-4)
• Finance	23	25	 (+2)
• Management Practices	15	14	 (-1)
• Attitudes and Values	16	16	=

	RANK		CHANGES
	2019 (n= 63)	2018 (n=63)	
<b>Infrastructure</b>	<b>28</b>	<b>33</b>	 <b>(+5)</b>
• Basic Infrastructure	14	18	 (+4)
• Technological Infrastructure	15	24	 (+9)
• Scientific Infrastructure	28	29	 (+1)
• Health and Environment	41	42	 (+1)
• Education	35	34	 (-1)

n = number of countries

14. Table 3 and Table 4 present Malaysia's strength and areas for improvements.

Refer to **Appendix** for detailed performance of Malaysia in WCY 2019.

**Table 3: Strong Indicators**

No	Indicators	WCY 2019		WCY 2018	
		Rank	Value	Rank	Value
1.	Long-term unemployment (% of labour force, 2018)	6	0.20	5	0.20
2.	Current account balance (% of GDP, 2018)	6	9.46	4	12.81
3.	Office rent (Total occupation cost in the main city (US\$/Sq.M. per year, 2017)	6	267	11	267
4.	Gasoline prices (Premium unleaded gasoline (95 Ron) US\$ per litre, 2018)	7	0.55	7	0.51
5.	Unemployment rate (% of labor force, 2018)	9	3.30	9	3.40
6.	Consumer price inflation (Average annual rate, 2018)	9	0.97	53	3.80
7.	Exports of goods (% of GDP, 2018)	10	69.81	10	69.27
8.	Real GDP growth (% change, based on national currency in constant prices, 2018)	10	4.7	7	5.9
9.	Exchange rate stability (Parity change from national currency to SDR, 2018/2016)	3	0.009	52	0.091

**Table 3: Strong Indicators (continued)**

No	Indicators	WCY 2019		WCY 2018	
		Rank	Value	Rank	Value
10.	Consumption tax rate (Standard rate of VAT/GST, 2018)	7	6.00	7	6.00
11.	<i>Adaptability of government policy to changes in the economy is high (Score 1 to 10)</i>	9	6.54	7	6.34
12.	<i>Skilled labor is readily available (Score 1 to 10)</i>	5	6.88	11	6.45
13.	Science degrees (% of total first university degrees in science and engineering, 2014)	4	53.01	4	53.01
14.	Women with degrees (Share (%) of women who have a degree in the population 25-65, 2017)	4	58.5	7	53.6
15.	High-tech exports (% of manufactured exports, 2017)	4	28.15	4	42.97
16.	Investment in Telecommunications (% of GDP, 2018)	6	0.75	5	0.75
17.	Mobile Telephone costs (Monthly Blended Average Revenue per User, US\$, 2017)	9	6.1	36	18.6

*Note: perception data is in italics*

**Table 4: Areas for Improvements Indicators**

No	Indicators	WCY 2019		WCY 2018	
		Rank	Value	Rank	Value
1.	Start-up procedures (Number of procedures to start a business, 2018)	56	9.5	53	8.5
2.	Government budget surplus/deficit (% of GDP, 2018)	54	-3.73	49	-2.95
3.	Gini coefficient (Equal distribution of income scale: 0 (absolute equality) to 100 (absolute inequality, 2017)	52	46.30	55	46.26
4.	Redundancy costs (Number of weeks of salary, 2018)	52	17.2	52	17.2
5.	Government subsidies (To private and public companies as a percentage of GDP, 2018)	51	1.97	46	1.71
6.	<i>Foreign investors are free to acquire control in domestic companies (Score 1 to 10)</i>	51	5.79	49	5.80
7.	Female labor force (% of total labor force, 2018)	52	38.94	53	38.50



**Table 4: Areas for Improvements Indicators (continued)**

No	Indicators	WCY 2019		WCY 2018	
		Rank	Value	Rank	Value
8.	Total health expenditure (% of GDP, 2016)	56	3.8	55	4.0
9.	Energy intensity (Total energy consumed for each 1000 US\$ of GDP in MTOE, 2016)	55	189	53	174
10.	Medical assistance (Average number of inhabitants per physician and per nurse, 2015)	54	460.25	-	249.90
11.	Broadband subscribers (Number of subscriptions per 1000 inhabitants, 2017)	51	182	49	199
12.	Renewable energies (% of renewables in total energy requirements, 2016)	50	4.2	50	3.7

*Note: perception data is in italics*

Appendix

THE WORLD COMPETITIVENESS SCOREBOARD 2019 AND 2018

COUNTRIES	2019		2018	
	RANK	VALUE	RANK	VALUE
Singapore	1	100.00	3	98.55
Hong Kong	2	97.99	2	99.16
USA	3	97.12	1	100.00
Switzerland	4	96.01	5	97.14
UAE	5	95.89	7	95.66
Netherlands	6	94.37	4	97.53
Ireland	7	94.22	12	92.15
Denmark	8	93.43	6	96.39
Sweden	9	92.59	9	95.05
Qatar	10	91.95	14	88.89
Norway	11	91.69	8	95.42
Luxembourg	12	91.22	11	93.14
Canada	13	89.22	10	94.34
China Mainland	14	88.78	13	89.03
Finland	15	88.53	16	88.42
Taiwan	16	88.24	17	87.91
Germany	17	85.74	15	88.75
Australia	18	85.51	19	87.06
Austria	19	84.41	18	87.30
Iceland	20	83.13	24	83.18
New Zealand	21	83.10	23	83.86
<b>Malaysia</b>	<b>22</b>	<b>82.54</b>	<b>22</b>	<b>85.17</b>
United Kingdom	23	81.84	20	85.62
Israel	24	80.15	21	85.28
Thailand	25	77.23	30	79.45
Saudi Arabia	26	77.21	39	72.70
Belgium	27	77.07	26	80.84
Korea	28	76.50	27	80.12
Lithuania	29	76.23	32	76.89
Japan	30	74.75	25	81.31
France	31	74.34	28	79.96

**THE WORLD COMPETITIVENESS SCOREBOARD 2019 AND 2018  
(Continued)**

COUNTRIES	2019		2018	
	RANK	VALUE	RANK	VALUE
Indonesia	32	73.60	43	68.93
Czech Republic	33	73.48	29	79.51
Kazakhstan	34	72.83	38	72.80
Estonia	35	72.68	31	78.48
Spain	36	72.09	36	74.95
Slovenia	37	71.35	37	73.35
Poland	38	71.17	34	75.43
Portugal	39	69.28	33	76.22
Latvia	40	68.81	40	72.27
Cyprus	41	67.73	41	72.26
Chile	42	67.69	35	75.11
India	43	67.18	44	68.77
Italy	44	65.34	42	70.60
Russia	45	65.20	45	67.18
Philippines	46	64.73	50	64.66
Hungary	47	63.54	47	65.98
Bulgaria	48	61.65	48	65.68
Romania	49	60.50	49	64.92
Mexico	50	59.80	51	63.73
Turkey	51	59.67	46	66.61
Colombia	52	57.59	58	57.36
Slovak Republic	53	57.53	55	60.04
Ukraine	54	57.30	59	56.76
Peru	55	57.21	54	60.24
South Africa	56	57.10	53	60.78
Jordan	57	55.45	52	61.33
Greece	58	53.14	57	57.38
Brazil	59	50.95	60	55.80
Croatia	60	50.79	61	55.34
Argentina	61	49.04	56	57.99
Mongolia	62	45.19	62	52.62
Venezuela	63	20.11	63	27.51

**COMPETITIVENESS RANKINGS BY  
GDP PER CAPITA LESS THAN US\$20,000**

COUNTRIES	2019		2018	
	RANK	VALUE	RANK	VALUE
China Mainland	1	88.78	1	89.03
<b>Malaysia</b>	<b>2</b>	<b>82.54</b>	<b>2</b>	<b>85.17</b>
Thailand	3	77.23	3	79.45
Lithuania	4	76.23	5	76.89
Indonesia	5	73.60	10	68.93
Kazakhstan	6	72.83	8	72.80
Poland	7	71.17	6	75.43
Latvia	8	68.81	9	72.27
Chile	9	67.69	7	75.11
India	10	67.18	11	68.77
Russia	11	65.20	12	67.18
Philippines	12	64.73	17	64.66
Hungary	13	63.54	14	65.98
Bulgaria	14	61.65	15	65.68
Romania	15	60.50	16	64.92
Mexico	16	59.80	18	63.73
Turkey	17	59.67	13	66.61
Colombia	18	57.59	25	57.36
Slovak Republic	19	57.53	22	60.04
Ukraine	20	57.30	26	56.76
Peru	21	57.21	21	60.24
South Africa	22	57.10	20	60.78
Jordan	23	55.45	19	61.33
Brazil	24	50.95	27	55.80
Croatia	25	50.79	28	55.34
Argentina	26	49.04	23	57.99
Mongolia	27	45.19	29	52.62
Venezuela	28	20.11	30	27.51

**COMPETITIVENESS RANKINGS BY  
POPULATIONS GREATER THAN 20 MILLION**

COUNTRIES	2019		2018	
	RANK	VALUE	RANK	VALUE
USA	1	97.12	1	100.00
Canada	2	89.22	2	94.34
China Mainland	3	88.78	3	89.03
Taiwan	4	88.24	5	87.91
Germany	5	85.74	4	88.75
Australia	6	85.51	6	87.06
<b>Malaysia</b>	<b>7</b>	<b>82.54</b>	<b>8</b>	<b>85.17</b>
United Kingdom	8	81.84	7	85.62
Thailand	9	77.23	12	79.45
Saudi Arabia	10	77.21	15	72.70
Korea	11	76.50	10	80.12
Japan	12	74.75	9	81.31
France	13	74.34	11	79.96
Indonesia	14	73.60	17	68.93
Spain	15	72.09	14	74.95
Poland	16	71.17	13	75.43
India	17	67.18	18	68.77
Italy	18	65.34	16	70.60
Russia	19	65.20	19	67.18
Philippines	20	64.73	21	64.66
Mexico	21	59.80	22	63.73
Turkey	22	59.67	20	66.61
Colombia	23	57.59	26	57.36
Ukraine	24	57.30	27	56.76
Peru	25	57.21	24	60.24
South Africa	26	57.10	23	60.78
Brazil	27	50.95	28	55.80
Argentina	28	49.04	25	57.99
Venezuela	29	20.11	29	27.51

**COMPETITIVENESS RANKINGS BY  
ASIA – PACIFIC REGION**

COUNTRIES	2019		2018	
	RANK	VALUE	RANK	VALUE
Singapore	1	100.00	2	98.55
Hong Kong	2	97.99	1	99.16
China Mainland	3	88.78	3	89.03
Taiwan	4	88.24	4	87.91
Australia	5	85.51	5	87.06
New Zealand	6	83.10	7	83.86
<b>Malaysia</b>	<b>7</b>	<b>82.54</b>	<b>6</b>	<b>85.17</b>
Thailand	8	77.23	10	79.45
Korea	9	76.50	9	80.12
Japan	10	74.75	8	81.31
Indonesia	11	73.59	11	68.93
India	12	67.18	12	68.77
Philippines	13	64.73	13	64.66
Mongolia	14	45.19	14	52.62

**COMPETITIVENESS RANKINGS BY  
ASEAN REGION**

COUNTRIES	2019		2018	
	RANK	VALUE	RANK	VALUE
Singapore	1	100.00	1	98.55
<b>Malaysia</b>	<b>2</b>	<b>82.54</b>	<b>2</b>	<b>85.17</b>
Thailand	3	77.23	3	79.45
Indonesia	4	73.59	4	68.93
Philippines	5	64.73	5	64.66