

Malaysia's Performance in The Global Competitiveness Index 2019

Released on Wednesday, 9th October 2019

The Global Competitiveness Report 2019

Klaus Schwab, World Economic Forum



TOPLINE REPORT
MALAYSIA'S PERFORMANCE IN
THE GLOBAL COMPETITIVENESS REPORT (GCR) 2019

1. The Global Competitiveness Report (GCR) 2019, released by the World Economic Forum (WEF) on 9th October 2019 and published annually since 1979, provides leads to unlock economic growth, which remains crucial for improving living standards.
2. The report explores the relationship between competitiveness, shared prosperity and environmental sustainability, showing that there is no inherent trade-off between building competitiveness, creating more equitable societies that provide opportunity for all and transitioning to environmentally sustainable systems.
3. However, for a new inclusive and sustainable system, bold leadership and proactive policy-making will be needed, often in areas where economists and public policy professionals cannot provide evidence from the past. The report reviews emerging and promising 'win- win' policy options to achieve the three objectives of growth, inclusion and sustainability.
4. Introduced in 2018, the Global Competitiveness Index (GCI) 4.0 provides a detailed map of the factors and attributes that drive productivity, growth and human development in the era of the Fourth Industrial Revolution. This year's edition covers 141 economies, which account for 99% of the world's GDP.
5. The index is anchored in growth accounting economic literature and aims to measure the drivers of Total Factor Productivity' (TFP), the part of economic growth that is not explained by the growth in the factors of production. TFP can be interpreted as the efficiency with which these factors are used and is the main determinant of long-term economic growth.

6. The GCI 4.0 is the product of an aggregation of 103 individual indicators, derived from a combination of data from international organizations as well as from the World Economic Forum's Executive Opinion Survey. Indicators are organized into 12 pillars: Institutions, Infrastructure, ICT adoption, Macroeconomic stability, Health, Skills, Product market, Labour market, Financial system, Market size, Business dynamism and Innovation capability (Figure 1).

Figure 1: The Global Competitiveness Index (GCI) 4.0



7. From the 103 indicators composing the GCI 4.0 methodology, 47 qualitative data are sourced from the WEF's Executive Opinion Survey (EOS) and 56 quantitative data are based on statistics provided by reliable external sources suppliers. The 47 qualitative data accounted for 30% of the overall GCI score while the remaining 70% of the GCI score came from the 56 quantitative data. A summary of the composition for the 103 indicators is in Table 1.

Table 1: Composition of the 103 indicators in GCI 2019

Data	Indicator		Total
	Existing	New	
Quantitative (Hard data)	53	3	56
Qualitative (Survey data)	43	4	47
Total	96	7	103

8. A country's performance on the overall GCI results as well as each of its components is reported as a 'progress score' on a 0-to-100 scale, where 100 represents the 'frontier', an ideal state where an issue ceases to be a constraint to productivity growth. Each country should aim to move closer to the frontier on each component of the index. The GCI 4.0 allows economies to monitor progress over time.

9. Quantitative data were derived from internationally recognized organizations, notably the International Monetary Fund (IMF), World Bank Group, World Trade Organisation (WTO), United Nations Office on Drugs and Crime (UNODC), International Air Transport Association (IATA) and International Trade Centre (ITC).

10. The WEF's Executive Opinion Survey (EOS) provides a yearly evaluation of critical aspects of competitiveness for which statistical data is missing because it is either impossible or extremely difficult to measure on a global scale. The aim of the Survey is to capture reality as well as possible, and business leaders are arguably the best positioned to assess the business environment in which they operate. The number of respondents for Malaysia in the last two surveys are shown in Table 2.

Table 2: EOS Number of Respondents

Year	Total Respondents
Year 2019	83 Respondents
Year 2018	78 Respondents

11. Malaysia continues to be ahead of economies such as China (28th), Italy (30th) and Saudi Arabia (36th), ranked at 27th out of 141 economies, with a score of 74.6, from the frontier which scored 84.8. The top 30 economies are shown in Table 3. The full Global Competitiveness Index 2019 rankings is shown in Appendix 1.

Table 3: The Global Competitiveness Index 2019, Top 30 Economies

Economy	GCI 2019		GCI 2018	
	Rank	Score	Rank	Score
Singapore	1	84.8	2	83.5
United States	2	83.7	1	85.6
Hong Kong SAR	3	83.1	7	82.3
Netherlands	4	82.4	6	82.4
Switzerland	5	82.3	4	82.6
Japan	6	82.3	5	82.5
Germany	7	81.8	3	82.8
Sweden	8	81.2	9	81.7
United Kingdom	9	81.2	8	82.0
Denmark	10	81.2	10	80.6
Finland	11	80.2	11	80.3
Taiwan, China	12	80.2	13	79.3
Korea, Rep.	13	79.6	15	78.8
Canada	14	79.6	12	79.9
France	15	78.8	17	78.0
Australia	16	78.7	14	78.9

Economy	GCI 2019		GCI 2018	
	Rank	Score	Rank	Score
Norway	17	78.1	16	78.2
Luxembourg	18	77.0	19	76.6
New Zealand	19	76.7	18	77.5
Israel	20	76.7	20	76.6
Austria	21	76.6	22	76.3
Belgium	22	76.4	21	76.6
Spain	23	75.3	26	74.2
Ireland	24	75.1	23	75.7
United Arab Emirates	25	75.0	27	73.4
Iceland	26	74.7	24	74.5
MALAYSIA	27	74.6	25	74.4
China	28	73.9	28	72.6
Qatar	29	72.9	30	71.0
Italy	30	71.5	31	70.8

12. Among the APEC economies, Malaysia ranked 10th from 20 economies while in ASEAN economies, Malaysia remained at 2nd position ahead of seven other economies in the list. Malaysia's performance among APEC economies and in the ASEAN region are shown in Table 4 and Table 5 respectively.

Table 4: Performance of APEC economies

Rank in APEC	Economy	GCI 2019		GCI 2018	
		Rank	Score	Rank	Score
1	Singapore	1	84.8	2	83.5
2	United States	2	83.7	1	85.6
3	Hong Kong SAR	3	83.1	7	82.3
4	Japan	6	82.3	5	82.5

Rank in APEC	Economy	GCI 2019		GCI 2018	
		Rank	Score	Rank	Score
5	Taiwan, China	12	80.2	13	79.3
6	Korea, Rep.	13	79.6	15	78.8
7	Canada	14	79.6	12	79.9
8	Australia	16	78.7	14	78.9
9	New Zealand	19	76.7	18	77.5
10	MALAYSIA	27	74.6	25	74.4
11	China	28	73.9	28	72.6
12	Chile	33	70.5	33	70.3
13	Thailand	40	68.1	38	67.5
14	Russian Federation	43	66.7	43	65.6
15	Mexico	48	64.9	46	64.6
16	Indonesia	50	64.6	45	64.9
17	Brunei Darussalam	56	62.8	62	61.4
18	Philippines	64	61.9	56	62.1
19	Peru	65	61.7	63	61.3
20	Viet Nam	67	61.5	77	58.1

Table 5: Performance of ASEAN Economies

Rank in Asia Pacific	Economy	GCI 2019		GCI 2018	
		Rank	Score	Rank	Score
1	Singapore	1	84.8	2	83.5
2	MALAYSIA	27	74.6	25	74.4
3	Thailand	40	68.1	38	67.5
4	Indonesia	50	64.6	45	64.9
5	Brunei Darussalam	56	62.8	62	61.4
6	Philippines	64	61.9	56	62.1

Rank in Asia Pacific	Economy	GCI 2019		GCI 2018	
		Rank	Score	Rank	Score
7	Viet Nam	67	61.5	77	58.1
8	Cambodia	106	52.1	110	50.2
9	Lao PDR	113	50.1	112	49.3

13. From the 12 pillars measured in the GCI 4.0, Malaysia ranks among the top 25 for 6 pillars, with the highest pillar Financial system at 15th followed by Business dynamism at 18th, Product market and Labour market both at 20th, Market size at 24th and Institutions ranked at 25th.

14. For the remaining 6 pillars, Malaysia ranked 30th for both Skills and Innovation capability, 33rd for ICT adoption, 35th for Infrastructure and Macroeconomic stability and the lowest ranking is Health pillar at 66th out of 141 economies. Malaysia's performance in the 12 competitive pillars in GCR 2019 is shown in Table 6.

Table 6: Malaysia's Performance in 12 Competitiveness Pillars in GCR 2018 & GCR 2019

Factor & Pillar	GCR 2019		GCR 2018	
	Rank	Score	Rank	Score
Overall Scoreboard	27	74.6	25	74.4
Enabling Environment				
Pillar 1: Institutions	25	68.6	24	68.7
Pillar 2: Infrastructure	35	78.0	32	77.9
Pillar 3: ICT adoption	33	71.6	32	69.1
Pillar 4: Macroeconomic stability	35	100.0	1	100.0
Human Capital				

Factor & Pillar	GCR 2019		GCR 2018	
	Rank	Score	Rank	Score
Pillar 5: Health	66	81.2	62	82.6
Pillar 6: Skills	30	72.5	24	74.2
Markets				
Pillar 7: Product market	20	64.8	24	63.6
Pillar 8: Labour market	20	70.2	20	70.2
Pillar 9: Financial system	15	85.3	15	84.1
Pillar 10: Market size	24	73.4	23	73.0
Innovation Ecosystem				
Pillar 11: Business dynamism	18	74.6	19	73.8
Pillar 12: Innovation capability	30	55.0	30	55.5

15. Based on Table 6, Malaysia's performance showed improvement in 2 pillars namely, Product Market and Business Dynamism and sustained in 3 pillars which are Labour Market, Financial System and Innovation Capability. While, 7 pillars showed decline in Institutions, Infrastructure, ICT Adoption, Macroeconomic Stability, Health, Skills and Market Size.

16. At the indicator level, the following indicators achieved top five position have contributed to the performance of pillars and overall rankings:

- i. Inflation¹ (in %), ranks 1st;
- ii. Credit gap² (in %), ranks 1st;
- iii. *Companies embracing disruptive ideas* (1-7 best), ranks 3rd;
- iv. Conflict of interest regulation (0-10 best), ranks 4th;
- v. *Internal labour mobility* (1-7 best), ranks 4th;
- vi. *Burden of government regulation* (1-7 best), ranks 5th;
- vii. *Legal framework's adaptability to digital business models* (1-7 best), ranks 5th;
- viii. Liner shipping connectivity (0-100 best), ranks 5th; and

- ix. *Attitudes towards entrepreneurial risk* (1-7 best), ranks 5th.

Note * Indicators in *italic* are derived from the WEF Executive Opinion Survey 2019

¹ Countries with inflation rate within the range of 0.5% to 4% received the highest possible score of 100 hence number 1 ranking. Malaysia share this top position with 88 other countries such as Singapore, United States, Hong Kong and United Kingdom.

² Malaysia share the top position with 97 other countries for this indicator.

17. Meanwhile, the following indicators that posed challenges are listed below.

Additional indicators for further improvement are listed in Appendix 2.

- i. Road connectivity (0-100 best), ranks 133th;
- ii. Redundancy costs (weeks of salary), ranks 109th;
- iii. *Complexity of tariffs* (1-7 best), ranks 101th;
- iv. Freedom of the press (0-100 worst), ranks 100th; and
- v. Insolvency regulatory framework (0-16 best), ranks 98th.

18. From the analysis done by WEF for this report, the global findings that are relevant for economic progress and policy action include:

- i. **Enhancing competitiveness is still key for improving living standards.** Sustained economic growth remains a critical pathway out of poverty and a core driver of human development. There is overwhelming evidence that growth has been the most effective way to lift people out of poverty and improve their quality of life. For least-developed countries (LDCs) and emerging countries, economic growth is critical for expanding education, health, nutrition and survival across populations.

Economic growth does not happen in a vacuum. Some basic building blocks are required to jumpstart the development process, and more are needed to sustain it. The GCI makes it possible to identify specific constraints to growth or bottlenecks, as well as the causes behind episodes of economic recession or high volatility. Indeed, performance

on the GCI is a good indicator of resilience to shocks of various nature (e.g. related to global demand, commodity price, currency or credit conditions).

- ii. **The global economy is ill-prepared for a downturn after a lost decade for productivity-enhancing measures.** Over the past decade, growth in advanced economies has been anemic. Many emerging economies including Argentina, India, Brazil, Russia and China, are experiencing some slowdown or stagnation. In least-developed economies, growth remains well below potential and highly volatile. Although several factors explain this lackluster performance, persistent weaknesses in the drivers of productivity growth, highlighted by the GCI, are among the principal culprits.

The 2019 results of the GCI 4.0 reveal the size of the deficit in global competitiveness measures. The average GCI score across the 141 economies studied is 60.7, measured on a scale of 0 to 100, where 100 is the “frontier”, an ideal and hypothetical situation where a country achieves the perfect score on every component of the index. In other words, the global competitiveness gap measured as the distance to the frontier stands at almost 40 points.

- iii. **Policymakers must look beyond monetary policy to other policies, investments and incentives for reviving productivity growth.** Since the Great Recession, policy-makers have kept the global economy afloat primarily through ultra-loose and unconventional monetary policy. But despite the massive injection of liquidity, the world's four major central banks alone injected \$10 trillion between 2008 and 2017, productivity growth has continued to stagnate over the past decade.

Although loose monetary policy mitigated the negative effects of the global financial crisis, it may have also contributed to reducing productivity growth by encouraging capital misallocation. With extremely low (or negative) interest rates and ongoing deleveraging, banks have become less interested in lending to businesses and prioritized fee-generating and trading activities instead. Further, in allocating corporate loans, banks seem to have favoured firms that were not credit-constrained (and less risky) rather than credit-constrained ones that might have more productivity potential.

- iv. **It is possible for an economy to be growing, inclusive and environmentally sustainable, but few economies are on such a trajectory.** It has become evident that policy-makers face a choice when it comes to setting the right direction for growth through the “quality” of policies and public investments to proactively address challenges such as inequality and climate change. The perceived trade-offs between economic, social and environmental factors may emerge from a short-term and narrow view of growth but can be mitigated by adopting a holistic and longer-term approach to growth.

For example, Sweden, Denmark and Finland have not only become among the world's most technologically advanced, innovative and dynamic economies in the world, but are also providing better living conditions and better social protection, are more cohesive, and more sustainable than their peers at a similar level of competitiveness. The GCI shows that other countries have very different results on social and environmental factors for the same level of current competitiveness and must begin work today to get on the path to creating not just growing but also low-carbon and inclusive economies. It will take proactive, bold efforts by economic policymakers to choose a growth path that tackles the challenges of climate change and inequality.

- v. **Finding a balance between technology integration and human capital investments will be critical to enhancing productivity in the next decade while encouraging creativity and managing the destruction.** In most advanced and emerging economies, technology adoption and innovation have become priorities for governments and companies alike as a source of value creation, productivity growth and improved living standards. Technology can also improve access to basic services, working conditions, health outcomes and economic security.

Making technology and innovation part of an economy's DNA is challenging itself but governments must also account for enabling this change through human capital investments and mitigating the unintended adverse impacts of technological advancements on income distribution and social cohesion through a holistic approach.

APPENDIX 1

GLOBAL COMPETITIVENESS INDEX 2019 OVERALL RANKING

Economy	GCI 2019		GCI 2018	
	Rank	Score	Rank	Score
Singapore	1	84.8	2	83.5
United States	2	83.7	1	85.6
Hong Kong SAR	3	83.1	7	82.3
Netherlands	4	82.4	6	82.4
Switzerland	5	82.3	4	82.6
Japan	6	82.3	5	82.5
Germany	7	81.8	3	82.8
Sweden	8	81.2	9	81.7
United Kingdom	9	81.2	8	82.0
Denmark	10	81.2	10	80.6
Finland	11	80.2	11	80.3
Taiwan, China	12	80.2	13	79.3
Korea, Rep.	13	79.6	15	78.8
Canada	14	79.6	12	79.9
France	15	78.8	17	78.0
Australia	16	78.7	14	78.9
Norway	17	78.1	16	78.2
Luxembourg	18	77.0	19	76.6
New Zealand	19	76.7	18	77.5
Israel	20	76.7	20	76.6
Austria	21	76.6	22	76.3
Belgium	22	76.4	21	76.6
Spain	23	75.3	26	74.2
Ireland	24	75.1	23	75.7
United Arab Emirates	25	75.0	27	73.4
Iceland	26	74.7	24	74.5
Malaysia	27	74.6	25	74.4
China	28	73.9	28	72.6
Qatar	29	72.9	30	71.0
Italy	30	71.5	31	70.8

Economy	GCI 2019		GCI 2018	
	Rank	Score	Rank	Score
Estonia	31	70.9	32	70.8
Czech Republic	32	70.9	29	71.2
Chile	33	70.5	33	70.3
Portugal	34	70.4	34	70.2
Slovenia	35	70.2	35	69.6
Saudi Arabia	36	68.7	39	67.5
Poland	37	68.9	37	68.2
Malta	38	68.5	36	68.8
Lithuania	39	68.4	40	67.1
Thailand	40	68.1	38	67.5
Latvia	41	67.0	42	66.2
Slovak Republic	42	66.8	41	66.8
Russian Federation	43	66.7	43	65.6
Cyprus	44	66.4	44	65.6
Bahrain	45	65.4	50	63.6
Kuwait	46	65.1	54	62.1
Hungary	47	65.1	48	64.3
Mexico	48	64.9	46	64.6
Bulgaria	49	64.9	51	63.6
Indonesia	50	64.6	45	64.9
Romania	51	64.4	52	63.5
Mauritius	52	64.3	49	63.7
Oman	53	63.6	47	64.4
Uruguay	54	63.5	53	62.7
Kazakhstan	55	62.9	59	61.8
Brunei Darussalam	56	62.8	62	61.4
Colombia	57	62.7	60	61.6
Azerbaijan	58	62.7	69	60.0
Greece	59	62.6	57	62.1
South Africa	60	62.4	67	60.8
Turkey	61	62.1	61	61.6
Costa Rica	62	62.0	55	62.1

Economy	GCI 2019		GCI 2018	
	Rank	Score	Rank	Score
Croatia	63	61.9	68	60.1
Philippines	64	61.9	56	62.1
Peru	65	61.7	63	61.3
Panama	66	61.6	64	61.0
Viet Nam	67	61.5	77	58.1
India	68	61.4	58	62.0
Armenia	69	61.3	70	59.9
Jordan	70	60.9	73	59.3
Brazil	71	60.9	72	59.5
Serbia	72	60.9	65	60.9
Montenegro	73	60.8	71	59.6
Georgia	74	60.6	66	60.9
Morocco	75	60.0	75	58.5
Seychelles	76	59.6	74	58.5
Barbados	77	58.9	n/a	n/a
Dominican Republic	78	58.3	82	57.4
Trinidad and Tobago	79	58.3	78	57.9
Jamaica	80	58.3	79	57.9
Albania	81	57.6	76	58.1
North Macedonia	82	57.3	84	56.6
Argentina	83	57.2	81	57.5
Sri Lanka	84	57.1	85	56.0
Ukraine	85	57.0	83	57.0
Moldova	86	58.7	88	55.5
Tunisia	87	56.4	87	55.6
Lebanon	88	56.3	80	57.7
Algeria	89	56.3	92	53.8
Ecuador	90	55.7	86	55.8
Botswana	91	55.5	90	54.5
Bosnia and Herzegovina	92	54.7	91	54.2
Egypt	93	54.5	94	53.6
Namibia	94	54.5	100	52.7

Economy	GCI 2019		GCI 2018	
	Rank	Score	Rank	Score
Kenya	95	54.1	93	53.7
Kyrgyz Republic	96	54.0	97	53.0
Paraguay	97	53.6	95	53.4
Guatemala	98	53.5	96	53.4
Iran, Islamic Rep.	99	53.0	89	54.9
Rwanda	100	52.8	108	50.9
Honduras	101	52.7	101	52.5
Mongolia	102	52.6	99	52.7
El Salvador	103	52.6	98	52.8
Tajikistan	104	52.4	102	52.2
Bangladesh	105	52.1	103	52.1
Cambodia	106	52.1	110	50.2
Bolivia	107	51.8	105	51.4
Nepal	108	51.6	109	50.8
Nicaragua	109	51.5	104	51.5
Pakistan	110	51.4	107	51.1
Ghana	111	51.2	106	51.3
Cape Verde	112	50.8	111	50.2
Lao PDR	113	50.1	112	49.3
Senegal	114	49.7	113	49.0
Uganda	115	48.9	117	46.8
Nigeria	116	48.3	115	47.5
Tanzania	117	48.2	116	47.2
Côte d'Ivoire	118	48.1	114	47.6
Gabon	119	47.5	n/a	n/a
Zambia	120	46.5	118	46.1
Eswatini	121	46.4	120	45.3
Guinea	122	46.1	126	43.2
Cameroon	123	46.0	121	45.1
Gambia, The	124	45.9	119	45.5
Benin	125	45.8	123	44.4
Ethiopia	126	44.4	122	44.5

Economy	GCI 2019		GCI 2018	
	Rank	Score	Rank	Score
Zimbabwe	127	44.2	128	42.6
Malawi	128	43.7	129	42.4
Mali	129	43.6	125	43.6
Burkina Faso	130	43.4	124	43.9
Lesotho	131	42.9	130	42.3
Madagascar	132	42.9	n/a	n/a
Venezuela	133	41.8	127	43.2
Mauritania	134	40.9	131	40.8
Burundi	135	40.3	136	37.5
Angola	136	38.1	137	37.1
Mozambique	137	38.1	133	39.8
Haiti	138	36.3	138	36.5
Congo, Democratic Rep.	139	36.1	135	38.2
Yemen	140	35.5	139	36.4
Chad	141	35.1	140	35.5

* n/a = not available (the economies were not covered in GCR 2018)

APPENDIX 2

ADDITIONAL INDICATORS FOR FURTHER IMPROVEMENTS

No.	Indicator	Rank in GCR 2019
1	Terrorism incidence (0 – very high, 100 – no incidence)	87
2	Electricity access (% of population)	87
3	Cost of starting a business (% of GNI per capita)	86
4	Fixed-broadband Internet subscriptions (subscriptions per 100 population)	81
5	Time to start a business (in days)	80
6	Environment-related treaties in force count (out of 29)	79
7	Ratio of wage and salaried female workers to male workers (in %)	79
8	School life expectancy (in years)	78
9	Banks' regulatory capital ratio (% of total risk-weighted assets)	78
10	Labour tax rate (in %)	69
11	Homicide rate (per 100,000 population)	65
12	Healthy life expectancy (in years)	65
13	Railroad density (km/1,000 km ²)	63
14	Exposure to unsafe drinking water (% of population)	63
15	Trade tariffs (in %)	61
16	Trademark applications (per million population)	60
17	Mean years of schooling (in years)	59

No.	Indicator	Rank in GCR 2019
18	Workers' rights (0-100 best)	57
19	Incidence of corruption (0-100 best)	55
20	Budget transparency (0-100 best)	52
21	Renewable energy regulation (0-100 best)	50