FOR REFERENCE PURPOSES ONLY

# Analisis 20 Indikator Kritikal Daya Saing 2025

World Competitiveness Yearbook 2025

See more ↗

HD HARD DATA

| Factor: | Sub-Factor: | Indicator: |
|---|---|---|
| **4** Factor | **20** Sub-factor | **313** Indicators |

*This data dissection of World Competitiveness Indicators serves as a foundational guide for subject matter experts, facilitators, and participants to better understand Malaysia's current standing and performance gaps.*

*By breaking down the data, it enables more informed discussions and targeted recommendations for improvement.*

*These improvements should be directed primarily at strengthening the measurement aspects of the indicators to ensure more accurate, meaningful, and actionable outcomes.*

# TABLE OF CONTENT

04 **Setting the context**

09 **1.1.01**
Gross Domestic Product

24 **1.1.09**
Gross Fixed Capital Formation

36 **1.5.05**
Food Costs

49 **2.4.07**
Government Subsidies

59 **2.1.02**
Government Budget Surplus / Deficits (%)

71 **2.1.04**
Total General Government Debt (%)

81 **2.1.06**
Interest Payment

91 **2.2.07**
Corporate Tax Rate on Profit

102 **2.2.09**
Employer Social Security Tax Rate

112 **2.2.10**
Employee Social Security Tax Rate

122 **2.3.04**
Country Credit Rating

132 **2.3.14**
Rule of Law

141 **2.3.15**
Sustainable Development Goals

156 **2.3.16**
Democracy Index

165 **2.3.17**
Freely Elected Government

177 **3.3.03**
Financial Card Transactions

187 **3.3.04**
Access to Financial Services

196 **3.3.05**
Access to Financial Services- Gender Ratio

206 **3.3.13**
Stock Market Index

215 **3.3.18**
M&A Activity

# Setting the context

## Foundational Principles of Indicator-based Measurement

4th – 5th August 2025 | Doubletree by Hilton Hotel, Putrajaya

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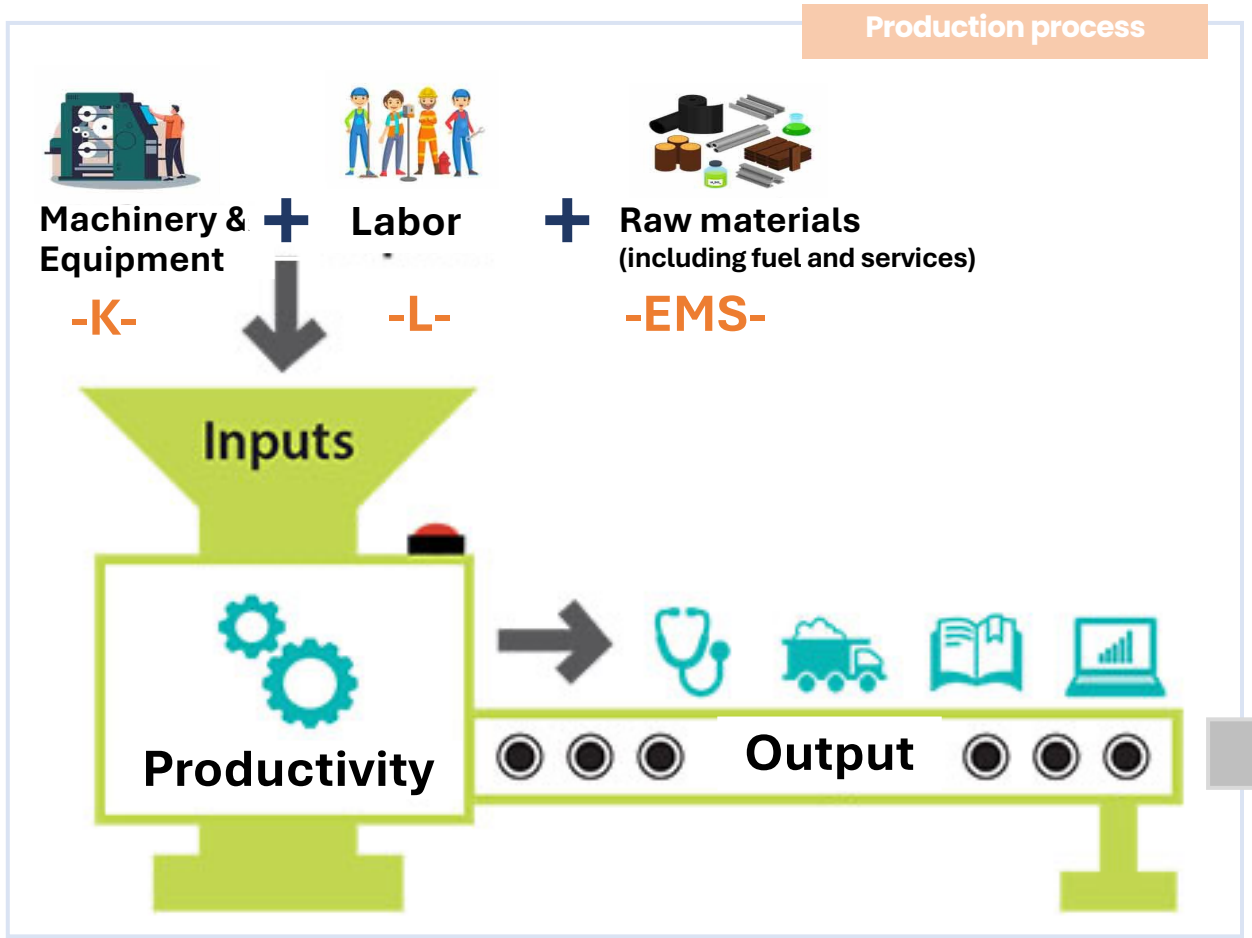
# The role of PRODUCTIVITY in generating GDP

## Productivity measures the efficiency of the use of INPUTS in producing OUTPUT




GDP = gross domestic product

In the field of economics, inputs are also grouped as **KLEMS**

Productivity improvements lead to greater output using the same inputs, which in turn translate into higher economic growth, better wages, more job opportunities, and overall improvements in societal well-being.

### Growth and well-being

- GDP growth
- Compensation of employees-to-GDP
- Employment creation
- Price stabilization
- .....

*The IMD World Competitiveness Ranking assesses how countries create and sustain environments that foster business competitiveness, with a **growing emphasis on the well-being of their populations***

# Designing short- and long-term interventions

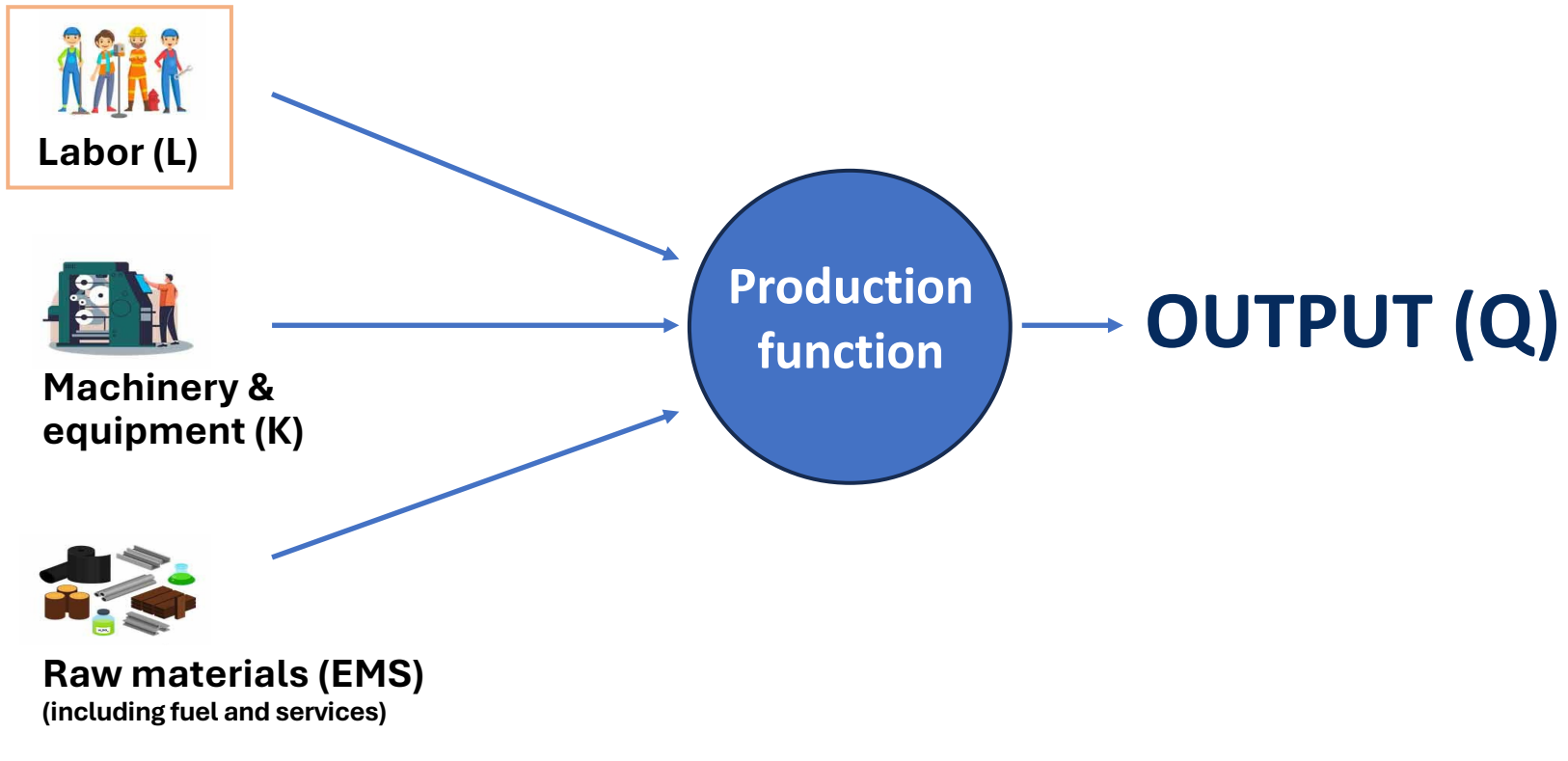
## Labor intervention is a short-term strategy and a *Quick Win* to increased productivity

**Short-term--- Q = f (L)**
(Short-Run Production Function)

- Focus on output changes **when only labor factors are changed**.
- This is where the role of the MPC is important, for example through training and upskilling intervention programs to increase labor productivity.

**Long-term--- Q = f (K,L,E,M,S)**
(Long-Run Production Function)

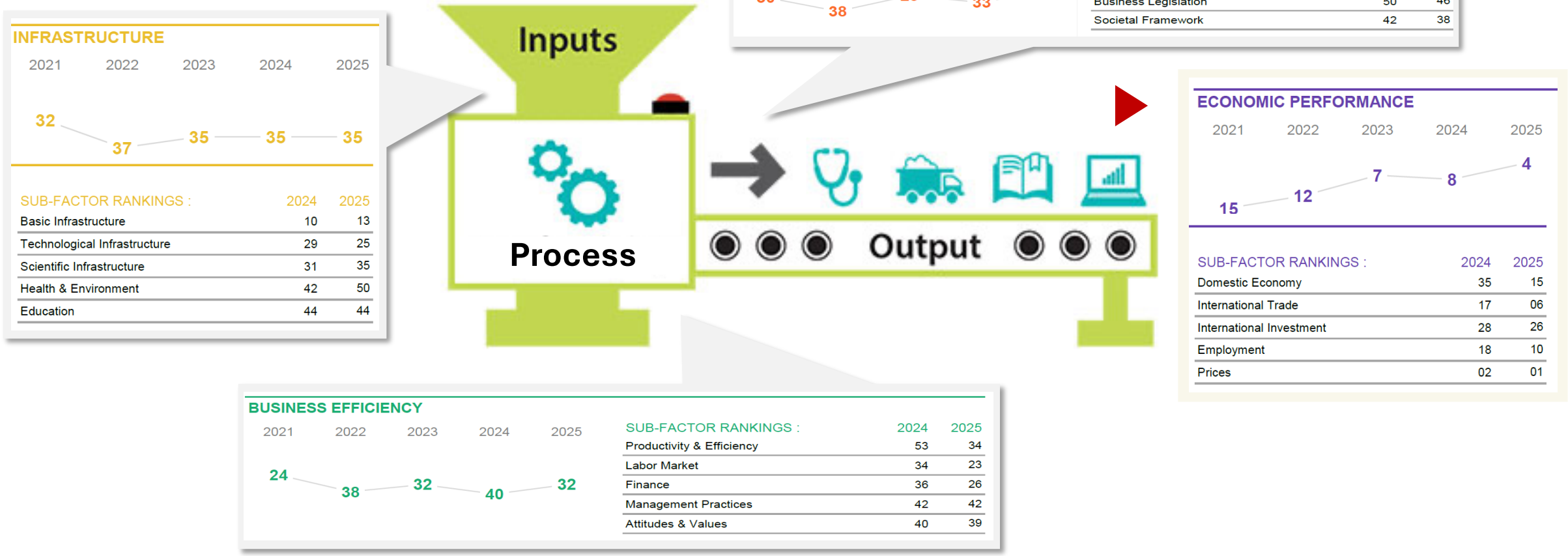
- **All inputs are changeable:** capital, technology, labor skills, and process innovation.
- The MPC plays a role in supporting industrial upgrading, technology modernization, and innovation drive to ensure sustainable productivity growth.




In the short term, other inputs such as capital are considered fixed because they take time and higher costs to change compared to more adaptable labor.

# Performance mismatch when strong outcomes but weak foundations

Malaysia's strong economic performance ranking (4th) signals resilience, **but the lagging scores in infrastructure, government, and business efficiency likely reflect underlying measurement issues rather than actual structural weakness**—highlighting the need to improve indicator reporting and data accuracy.




## INFRASTRUCTURE

| 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|
| 32 | 37 | 35 | 35 | 35 |

| SUB-FACTOR RANKINGS : | 2024 | 2025 |
|---|---|---|
| Basic Infrastructure | 10 | 13 |
| Technological Infrastructure | 29 | 25 |
| Scientific Infrastructure | 31 | 35 |
| Health & Environment | 42 | 50 |
| Education | 44 | 44 |

## GOVERNMENT EFFICIENCY

| 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|
| 30 | 38 | 29 | 33 | 25 |

| SUB-FACTOR RANKINGS : | 2024 | 2025 |
|---|---|---|
| Public Finance | 35 | 27 |
| Tax Policy | 11 | 11 |
| Institutional Framework | 31 | 20 |
| Business Legislation | 50 | 46 |
| Societal Framework | 42 | 38 |

## ECONOMIC PERFORMANCE

| 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|
| 15 | 12 | 7 | 8 | 4 |

| SUB-FACTOR RANKINGS : | 2024 | 2025 |
|---|---|---|
| Domestic Economy | 35 | 15 |
| International Trade | 17 | 06 |
| International Investment | 28 | 26 |
| Employment | 18 | 10 |
| Prices | 02 | 01 |

## BUSINESS EFFICIENCY

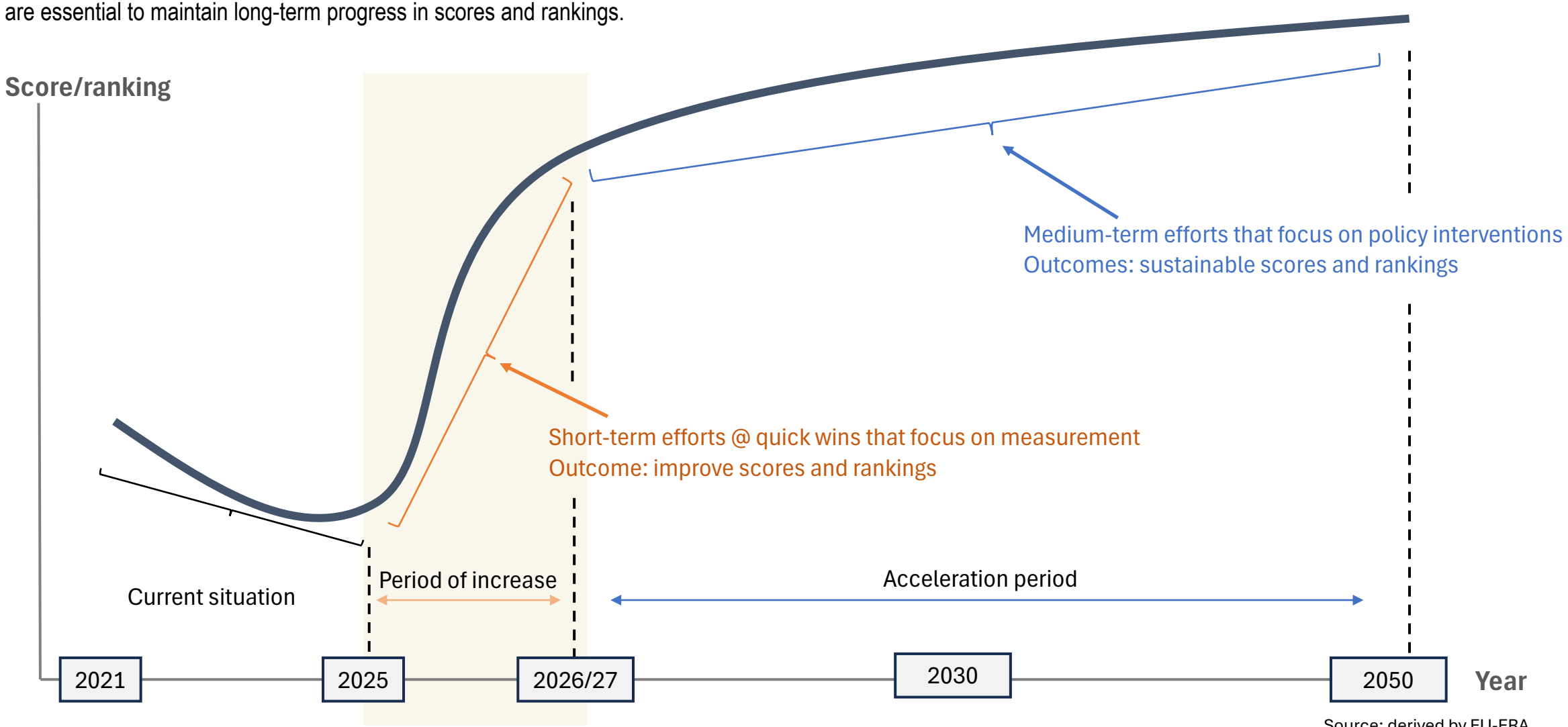
| 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|
| 24 | 38 | 32 | 40 | 32 |

| SUB-FACTOR RANKINGS : | 2024 | 2025 |
|---|---|---|
| Productivity & Efficiency | 53 | 34 |
| Labor Market | 34 | 23 |
| Finance | 36 | 26 |
| Management Practices | 42 | 42 |
| Attitudes & Values | 40 | 39 |

# Thus, focusing on measurement to drive competitiveness

## The “hockey stick curve” approach

Strategic focus on short-term measurement improvements can trigger a turning point, while sustained policy interventions are essential to maintain long-term progress in scores and rankings.




Source: derived by EU-ERA

ECONOMIC PERFORMANCE

# Domestic Economy

## 1.1.01 Gross Domestic Product

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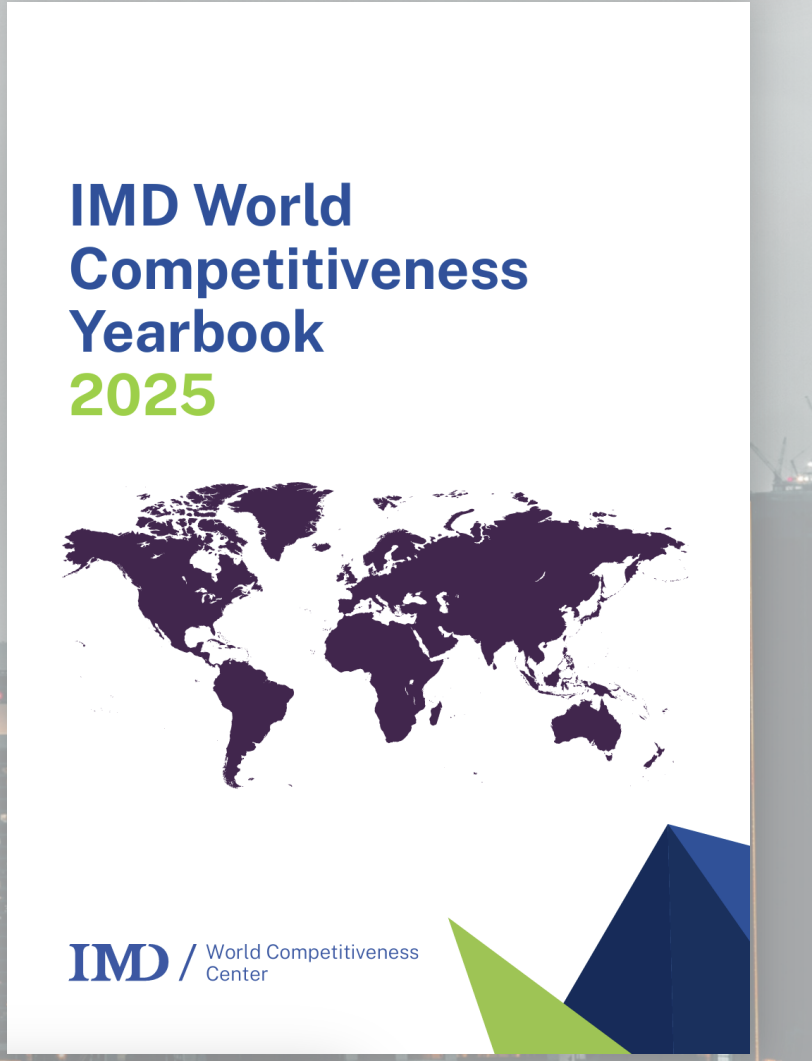



| Factor: | Sub-Factor: | Indicator: |
| --- | --- | --- |
| Economic Performance | Domestic Economy | **1.1.01** Gross Domestic Product |

# 1.1.01: Gross Domestic Product

## What is the IMD World Competitiveness Ranking?

Factor

**Economic Performance**

Macro-economic evaluation of the domestic economy, employment trends, and price.

Sub-Factor

**Domestic Economy**

Assesses the strength and growth dynamics of the domestic economic environment.

Indicator

**Gross Domestic Product**

| Score | Ranking |
|---|---|
| US$ 422.0 billion | 33 |

### Economic Performance

Macro-economic evaluation of the domestic economy, employment trends, and price.

- Domestic economy
- International trade
- International investment
- Employment
- Prices

### Government Efficiency

Extent to which government policies are conducive to competitiveness.

- Public finance
- Tax policy
- Institutional framework
- Business legislation
- Social framework

### Business Efficiency

Extent to which the national environment encourages enterprises to perform in an innovative, profitable, and responsible manner.

- Productivity
- Labor market
- Finance
- Management practices
- Attitude and values

### Infrastructure

Extent to which basic, technological, scientific, and human resources meet the needs of the business.

- Basic infrastructure
- Technological infrastructure
- Scientific infrastructure
- Health and environment
- Education

# 1.1.01: Gross Domestic Product

## Indicator overview sourced from IMD WCY 2025 Report

### INDICATOR DEFINED IN THE REPORT

The IMD WCY 2025 report, **not provided** the specific definitions in the IMD World Competitiveness Yearbook, we adopt the interpretation based on national sources or official definitions used by relevant government agencies and statistical bodies

***Source:*** *IMD World Competitiveness Yearbook 2025*

### INDICATOR MEASUREMENT

The technical notes in WCY 2025 **DOES NOT** include the detailed calculations pertaining to the indicator.

### DATA SOURCE USED IN WCY 2025

The WCY 2025 report states that this indicator may be derived from the following sources:

- OECD National Accounts
- National sources

***Source:*** *IMD World Competitiveness Yearbook 2025 (page 578)*

# 1.1.01: Gross Domestic Product

## Ranking as reported in IMD WCY 2025

### WHAT DOES THE SCORE INDICATE?

Domestic Economy - Size 1.1.01

GROSS DOMESTIC PRODUCT (GDP) 2024

US$ billions

| Ranking | | US$ billions |
|---|---|---|
| 01 | USA | 29,184.9 |
| 02 | China | 18,743.8 |
| 03 | Germany | 4,659.9 |
| 04 | Japan | 4,026.2 |
| 05 | India | 3,956.4 |
| 06 | United Kingdom | 3,643.8 |
| 07 | France | 3,164.9 |
| 08 | Italy | 2,372.8 |
| 09 | Canada | 2,241.3 |
| 10 | Brazil | 2,179.4 |
| 11 | Mexico | 1,929.7 |
| 12 | Korea Rep. | 1,869.7 |
| 13 | Australia | 1,796.3 |
| 14 | Spain | 1,722.7 |
| 15 | Indonesia | 1,388.8 |
| 16 | Türkiye | 1,323.3 |
| 17 | Netherlands | 1,226.0 |
| 18 | Saudi Arabia | 1,085.4 |
| 19 | Switzerland | 936.6 |
| 20 | Poland | 908.7 |
| 21 | Taiwan (Chinese Taipei) | 795.7 |
| 22 | Belgium | 665.1 |
| 23 | Argentina | 633.3 |
| 24 | Sweden | 610.1 |
| 25 | Ireland | 575.0 |
| 26 | UAE | 552.3 |
| 27 | Singapore | 547.4 |
| 28 | Thailand | 526.4 |
| 29 | Austria | 521.6 |
| 30 | Norway | 483.7 |
| 31 | Philippines | 461.5 |
| 32 | Denmark | 429.5 |
| 33 | Malaysia | 422.0 |
| 34 | Colombia | 418.5 |
| 35 | Hong Kong SAR | 406.9 |
| 36 | South Africa | 400.3 |
| 37 | Romania | 382.8 |
| 38 | Czech Republic | 345.0 |
| 39 | Chile | 330.3 |
| 40 | Peru | 312.0 |
| 41 | Portugal | 308.3 |
| 42 | Finland | 298.9 |
| 43 | Kazakhstan | 288.4 |
| 44 | New Zealand | 258.4 |
| 45 | Greece | 257.1 |
| 46 | Hungary | 222.9 |
| 47 | Qatar | 219.2 |
| 48 | Nigeria | 187.6 |
| 49 | Kuwait | 160.2 |
| 50 | Slovak Republic | 140.7 |
| 51 | Puerto Rico | 125.8 |
| 52 | Kenya | 121.9 |
| 53 | Venezuela | 120.8 |
| 54 | Bulgaria | 112.2 |
| 55 | Oman | 109.7 |
| 56 | Luxembourg | 93.2 |
| 57 | Croatia | 92.7 |
| 58 | Lithuania | 84.4 |
| 59 | Ghana | 82.8 |
| 60 | Slovenia | 72.5 |
| 61 | Jordan | 53.4 |
| 62 | Bahrain | 46.9 |
| 63 | Latvia | 43.5 |
| 64 | Estonia | 42.8 |
| 65 | Cyprus | 36.2 |
| 66 | Iceland | 33.5 |
| 67 | Mongolia | 23.6 |
| 68 | Botswana | 19.4 |
| 69 | Namibia | 13.4 |

***The higher the value, the higher the ranking.***

### RATIONALITY?

*A higher GDP value indicates that a country produces more goods and services within its borders, signifying a larger and more dynamic economy.*

*Countries with high GDP levels typically demonstrate strong industrial output, investment flows, and consumption demand — all of which contribute to sustained growth and economic influence.*

*In the IMD rankings, this translates into a higher score and improved position, as GDP size reflects a country's capacity to compete, trade, and attract global capital.*

*In 2025 (using 2024 data reference), the United States ranked first with a GDP of USD 29.18 trillion, followed by China (USD 18.74 trillion) and Germany (USD 4.08 trillion). Malaysia ranked 33rd with a GDP of USD 422.0 billion, below regional peers such as Singapore (USD 547.4 billion) and Thailand (USD 524.6 billion).*

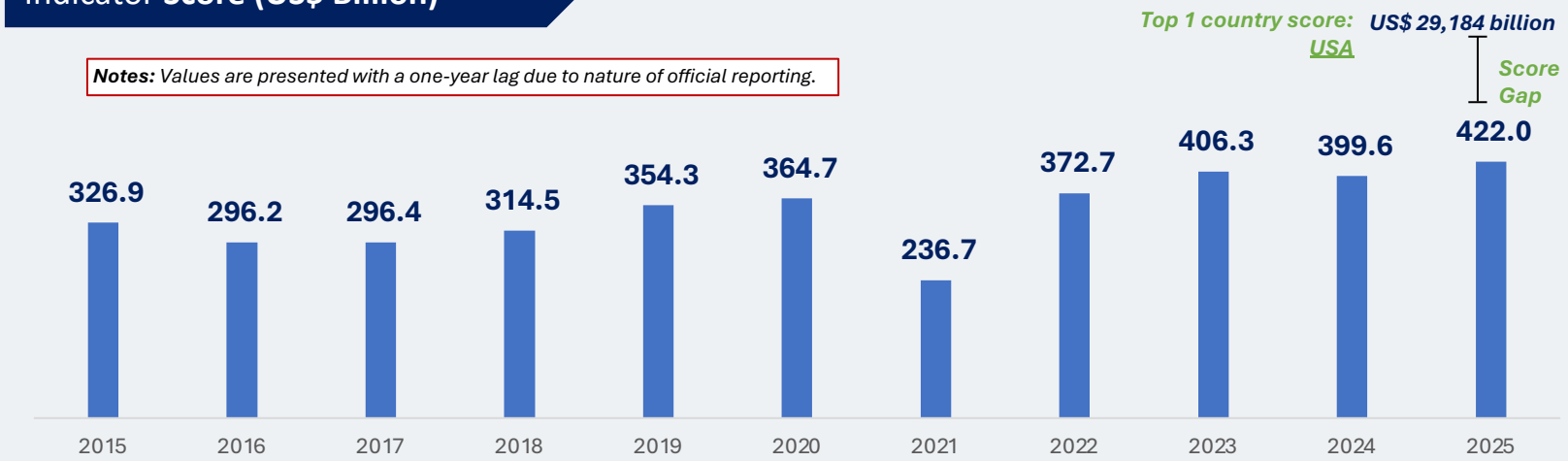
***Source:*** *IMD World Competitiveness Yearbook (WCY) 2025*

# 1.1.01: Gross Domestic Product

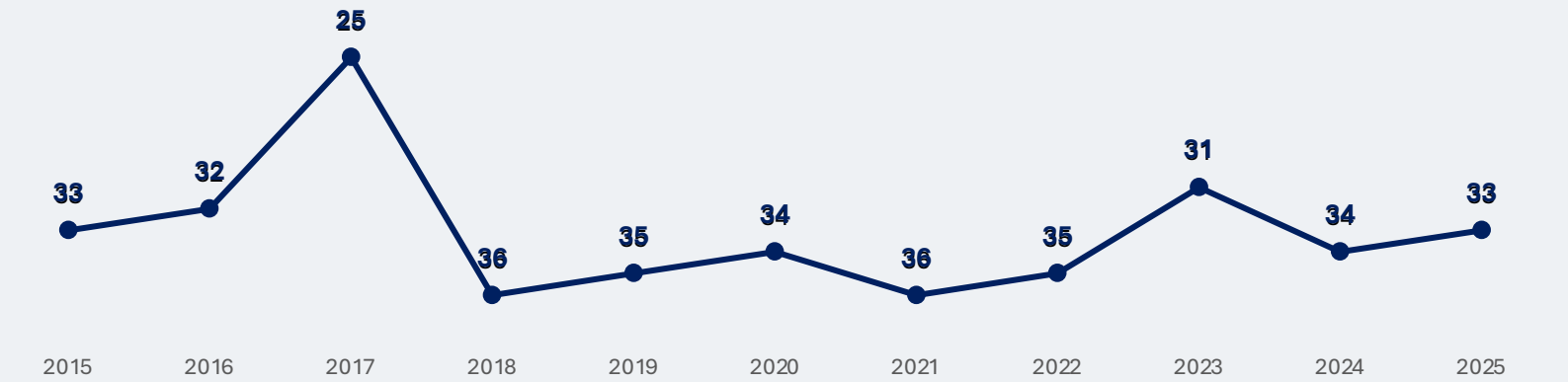
## Indicator performance over the years

### Indicator **Score (US$ Billion)**

**Notes:** *Values are presented with a one-year lag due to nature of official reporting.*




### Indicator **Rank (of 69 countries)**




***Source:*** *IMD WCY (various years)*

## HOW DO THE INDICATORS PERFORM ACROSS YEARS?

*Malaysia's GDP performance has shown a general upward trend in value, rising from USD 326.9 billion in 2015 to USD 422.0 billion in 2025, despite some temporary declines such as in 2021 due to pandemic-related economic disruptions.*

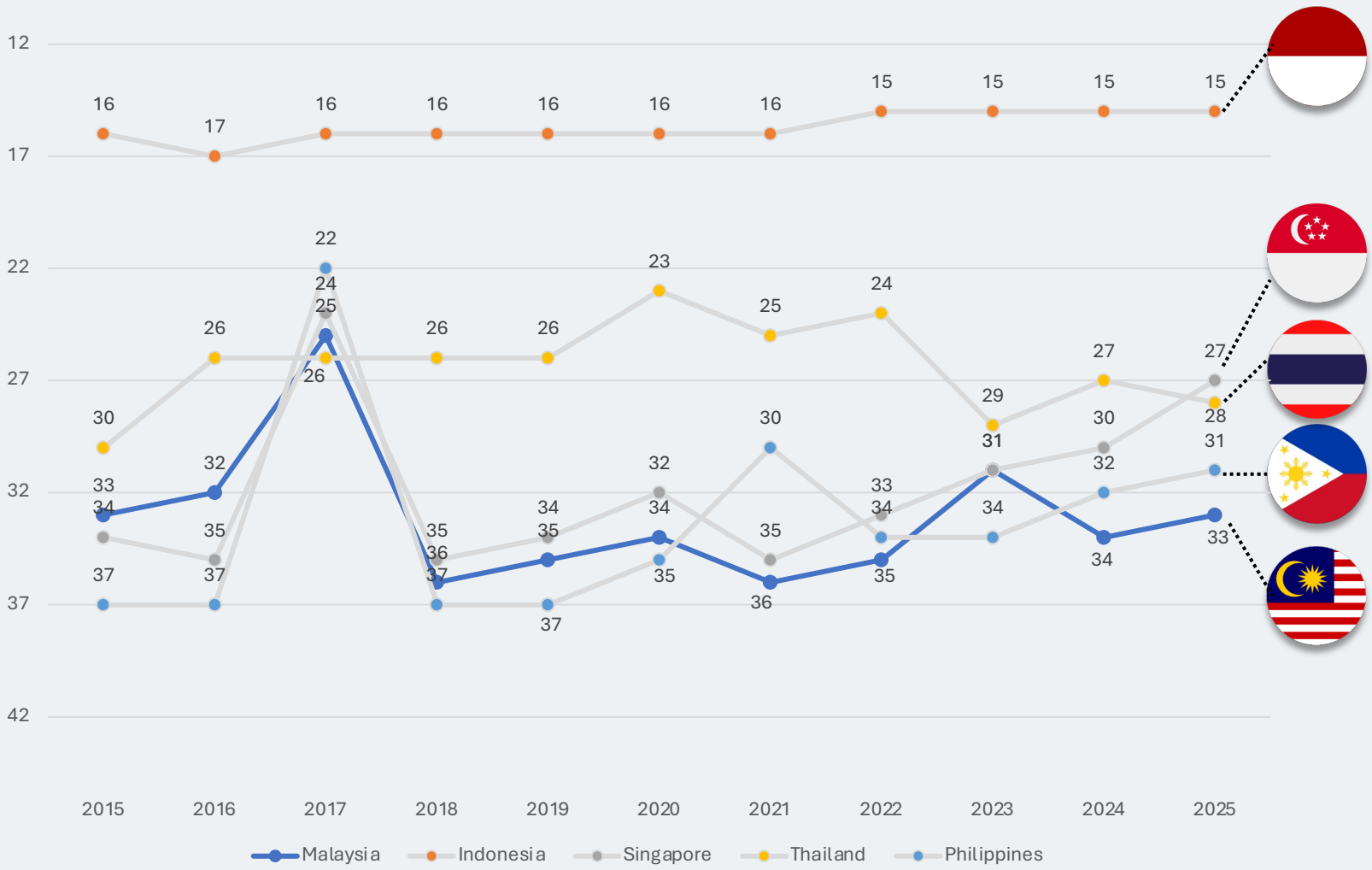
*However, Malaysia's ranking has remained relatively flat within the 31st–36th range over the last decade, indicating that other countries are growing at comparable or faster rates.*

*This reflects a widening score gap with top performers like the USA, highlighting the need for Malaysia to strengthen its investment, productivity, and industrial capacity to climb further.*

*While the absolute GDP value continues to improve, enhanced structural reforms are needed to improve relative standing in global competitiveness rankings.*

# 1.1.01: Gross Domestic Product

## Indicator performance over the years




**Source:** *IMD WCY (various years)*

## WHERE ARE MALAYSIA NOW? RANKS AMONG ASEAN COUNTRIES

*As of 2025, Malaysia ranks 33rd among 69 global economies in terms of GDP size, placing it 5th among ASEAN countries, behind Indonesia (15th), Singapore (27th), Thailand (27th), and the Philippines (31st).*

*Malaysia's position has remained relatively stable over the last decade, but it continues to trail regional peers with stronger domestic markets or strategic economic positioning.*

*Despite consistent improvements in GDP value, Malaysia's ranking progress is limited by a narrower industrial base, moderate investment growth, and high dependence on consumption.*

*To improve its regional standing, Malaysia must focus on increasing productivity, boosting private investment, and strengthening value-added exports to match ASEAN's top-tier economies.*

# 1.1.01: Gross Domestic Product

## Indicator footprint – tracking the data sources

| Phase & Institution Involvement | Data Source | Data Retrieval & Estimation | Publish |
|---|---|---|---|
| | PRIME MINISTER'S DEPARTMENT<br>DEPARTMENT OF STATISTICS MALAYSIA | IMD | IMD |
| **Description** | | | |
| **Gross Domestic Product** | Publish data based on **System of National Accounts** annually.<br>**Note:** *For other countries, the data are compiled from national sources or OECD National Accounts of respective countries.*<br>*Quarterly lagged* | IMD estimates indicator values based on the available data. | Malaysia in **2025**:<br>***Scored*** *US$ Billion*<br>**422.6**<br>***Ranked***<br>**33** th<br>IMD World Competitiveness Ranking |

# 1.1.01: Gross Domestic Product

## Understanding GDP dimensions and indicators

| Indicator | GDP | | GNI |
|---|---|---|---|
| Basis | Geographic (within borders) | | National ownership |
| Includes | Income from foreign firms in the country | VS | Income earned by citizens/firms abroad |
| Excludes | Income earned by nationals abroad | | Income generated by foreign entities locally |
| Best For | Domestic output analysis | | National income distribution and well-being |

**Gross Domestic Product (GDP)**
GDP measures the **total value of goods and services produced within a country's borders** in a given time period, regardless of the ownership of the production factors.

VS

**Gross National Income (GNI)**
GNI measures the **total income earned by a country's residents and businesses**, including income earned abroad, but **excluding income earned by foreigners within the country**.

**Examples**

**Jabil Circuit Sdn. Bhd.** operating in Malaysia boosts **GDP** but not necessarily GNI, as profits may be repatriated.

**Petronas investments abroad** contribute to **GNI** but not Malaysia's GD

# 1.1.01: Gross Domestic Product

## Detailed breakdown calculation of GDP

### Sectoral Approach

**Concept:**

**GDP is calculated by summing up the Gross Value Added (GVA) of all economic sectors within a country.**

$$GDP =$$
$$\sum (Gross\ Value\ Added\ by\ sector)$$
$$+$$
$$Taxes\ on\ products$$
$$-$$
$$Subsidies\ on\ products$$

**Steps:**

- Calculate **Output** (sales or total production value) for each sector.
- Subtract **Intermediate Consumption** (inputs purchased from other sectors).
- This gives you **GVA** for each sector.
- Add product taxes and subtract subsidies to get GDP.

### Expenditure Approach

**Concept:**

**GDP is the total spending on final goods and services in an economy over a period.**

$$GDP =$$
$$\text{Private Consumption } (C)$$
$$+$$
$$\text{Investment } (I)$$
$$+$$
$$\text{Government Spending } (G)$$
$$+$$
$$(X - M)$$

**Where:**

- **C =** Private Consumption
- **I =** Investment (capital formation)
- **G =** Government Spending
- **X =** Exports of goods/services
- **M =** Imports of goods/services

### Income Approach

**Concept:**

**GDP is calculated by summing up all incomes earned by factors of production in the economy.**

$$GDP =$$
$$Compensation\ of\ Employees$$
$$+$$
$$Gross\ Operating\ Surplus$$
$$+$$
$$Mixed\ Income$$
$$+$$
$$(Taxes\ on\ production - Subsidies)$$

**Key components:**

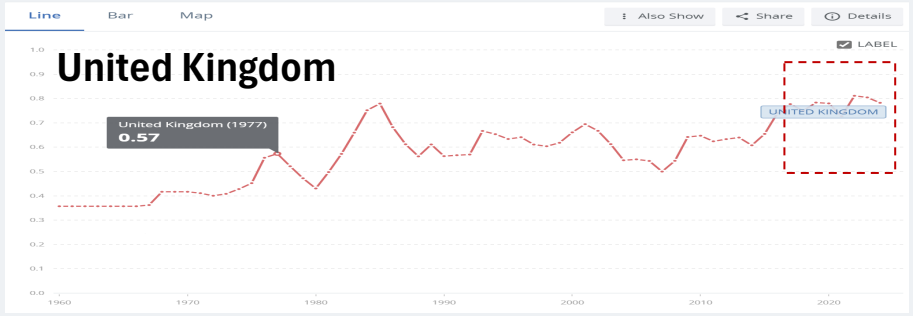
- **Compensation of Employees**: Wages and salaries, including social contributions.
- **Gross Operating Surplus:** Profits of corporations and government-owned enterprises.
- **Mixed Income:** Earnings of self-employed persons.
- **Net Taxes:** Taxes on production and imports minus subsidies.

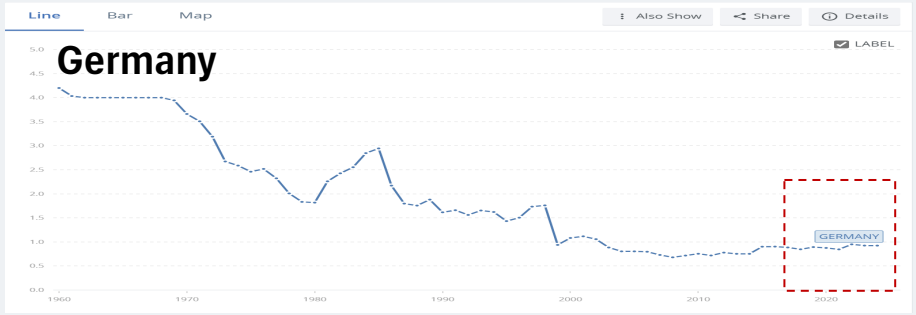
# 1.1.01: Gross Domestic Product

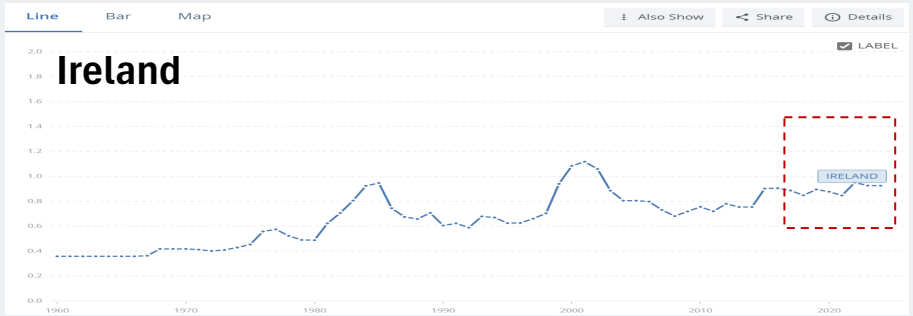
## GDP measured in US$ Dollar, therefore currency conversion and exchange rate fluctuations can influence a country's score and global ranking

*Malaysia's exchange rate has fluctuated significantly over the decades, especially during economic crises, which affects its GDP value when measured in US dollars.*

*Countries with high GDP like the UK, Germany, and Ireland tend to have more stable or lower exchange rate volatility, which supports stronger international purchasing power and ranking stability.*



# 1.1.01: Gross Domestic Product

## Simulated exchange rates reveal Malaysia's hidden GDP potential

### Simulation

**If we take average exchange of 3.3 / 4.0 (MYR-to-USD), we obtain the following scores for GDP.....a considerable higher level of performance...**

Using a simulated exchange rate of 3.3

Using a simulated exchange rate of 4.0

Using actual exchange rate

**Expected ranking in WCY**

*From 33rd to 24th*

| | | |
|---|---|---|
| 23 | Argentina | 633.3 |
| 24 | Sweden | 610.1 |
| 25 | Ireland | 575.0 |
| 26 | UAE | 552.3 |
| 27 | Singapore | 547.4 |
| 28 | Thailand | 526.4 |
| 29 | Austria | 521.6 |
| 30 | Norway | 483.7 |
| 31 | Philippines | 461.5 |
| 32 | Denmark | 429.5 |
| 33 | Malaysia | 422.0 |

moved up 8 positions

*There is significant potential to enhance Malaysia's GDP. Simulation results indicate that Malaysia's GDP performance—and consequently its global competitiveness ranking—could be substantially improved through exchange rate stabilization and structural reforms that strengthen currency fundamentals.*

# 1.1.01: Gross Domestic Product

## Exchange rate depreciation continues to impact Malaysia's GDP ranking despite nominal growth

***Source:*** *IMD World Competitiveness Yearbook (various years)*

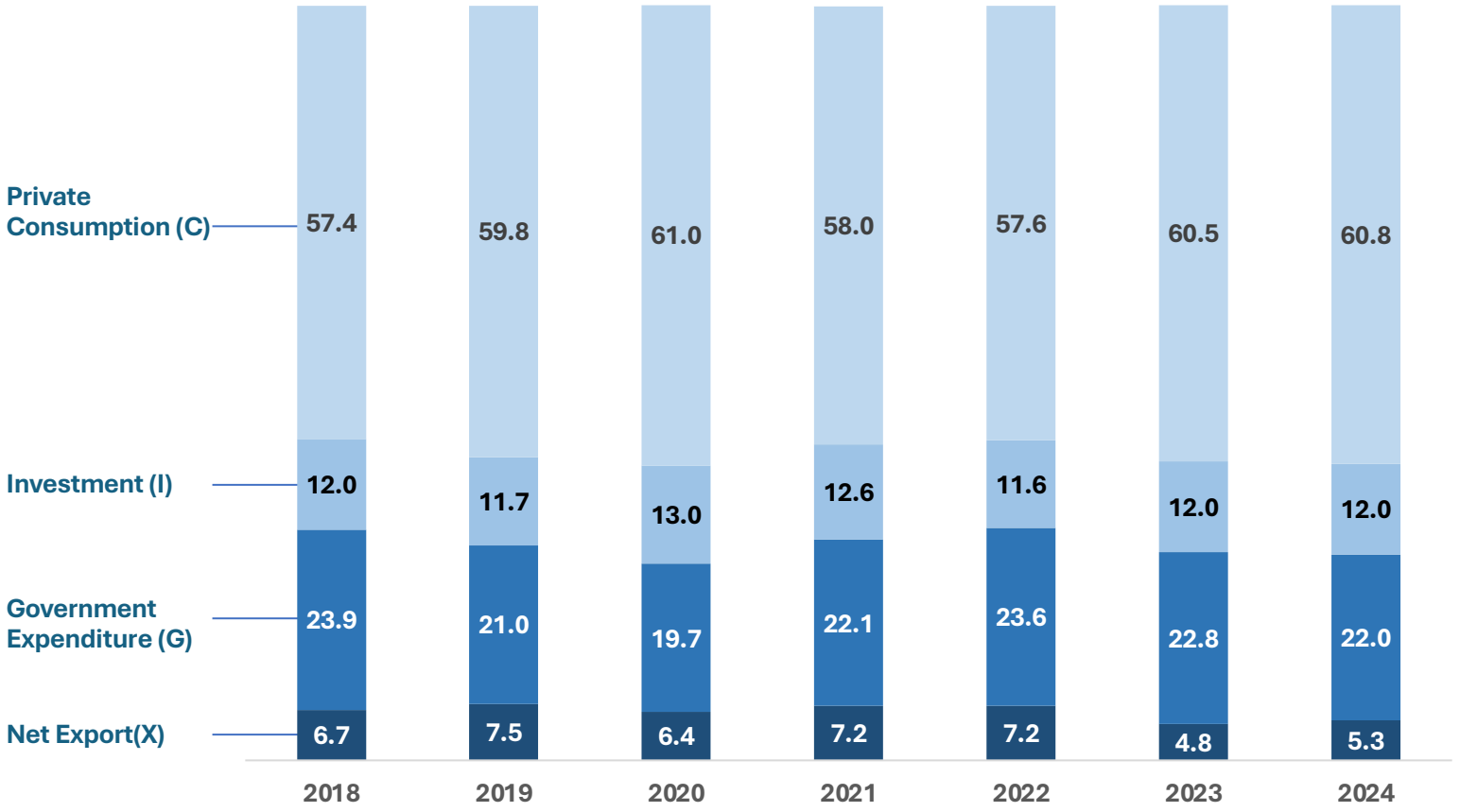
- *Malaysia's nominal GDP has shown steady growth over the past two decades, rising from USD 143.4 billion in 2005 to USD 421.9 billion in 2024, driven by ongoing expansion in domestic production and investment.*
- *However, the **depreciation of the Ringgit from RM3.79 to RM4.58 per US dollar over the same period** significantly reduced the value of Malaysia's GDP when measured in USD terms.*
- *In the IMD rankings, this contributed to a relatively stagnant position, as Malaysia's global GDP ranking remained within the 32nd to 39th range despite improvements in real output.*
- *This trend highlights **the impact of exchange rate movements on international competitiveness**, especially in dollar-denominated benchmarks like GDP rankings.*

# 1.1.01: Gross Domestic Product

## Balancing domestic consumption with investment and export growth for sustainable GDP expansion

### Source of growth

Economic growth originates from key demand-side drivers—private consumption, investment, government expenditure, and net exports (C+I+G+(X–M)).




- *Malaysia's GDP continues to **rely strongly on private consumption**, contributing over 57% annually since 2018. This trend highlights **the central role of household spending in driving national output**. Strong domestic demand has helped cushion the economy during periods of external volatility. However, this reliance also makes GDP growth vulnerable to changes in consumer sentiment.*

- *To sustainably elevate GDP performance, Malaysia must diversify its growth sources beyond consumption. This includes **increasing private and public investments in high-value sectors and digital infrastructure. Strengthening export capabilities through industrial upgrading and market diversification** is also crucial. Enhancing labor productivity and household income will further reinforce long-term growth momentum.*

## Recommendation for addressing the issue

### - Refining GDP accounting to reflect true domestic contributions

#### Policy Reference – South Korea

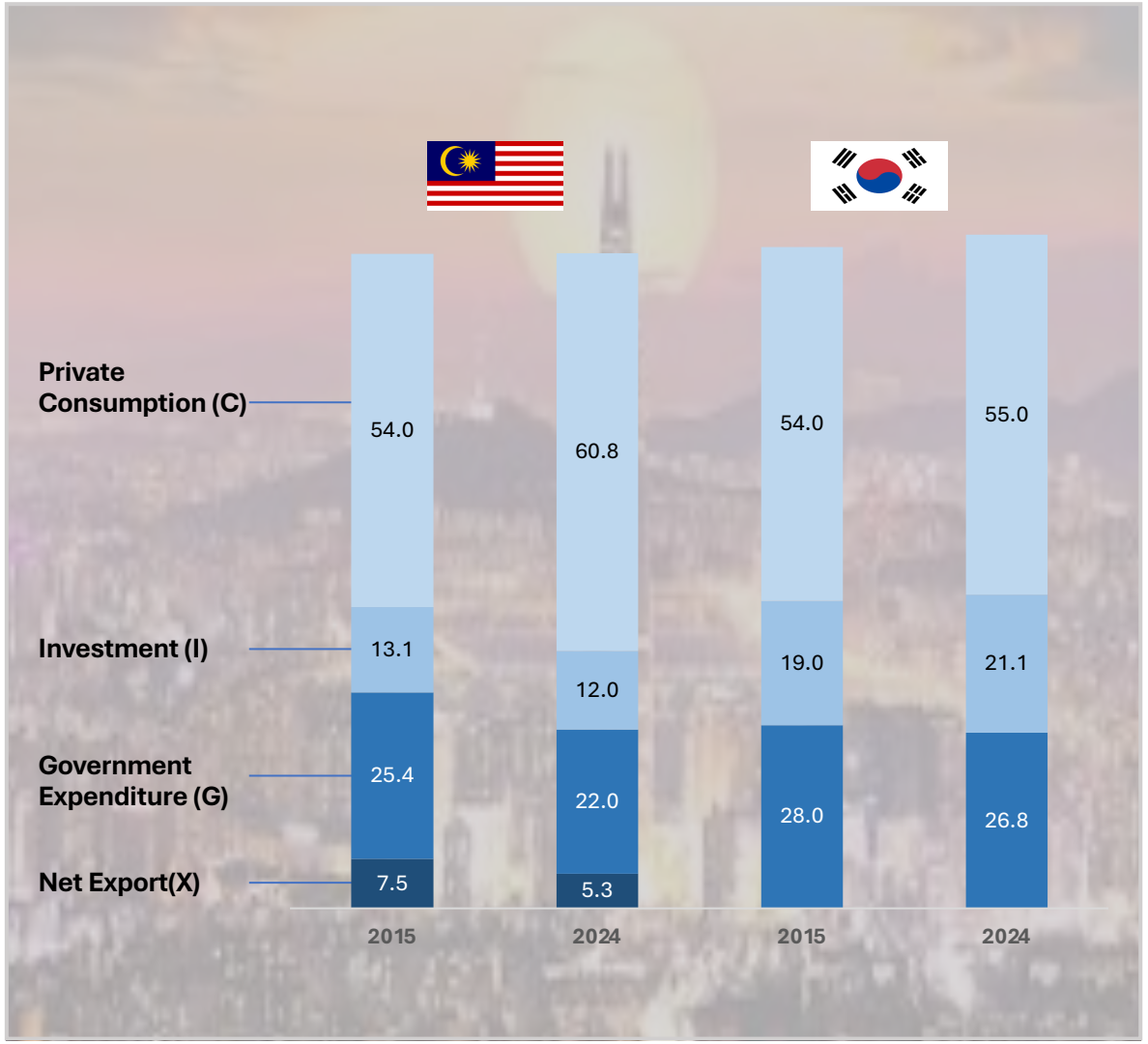
- Korea's policy direction emphasizes **productive investment and high-impact public spending** to stimulate domestic output.
- The country's GDP data structure reflects **robust economic fundamentals and structural efficiency.**

#### Proposed Recommendation for Malaysia

- Focus must be placed on **boosting investment** in high-productivity sectors and **enhancing the quality of public expenditure**.
- Policy recalibration should **encourage domestic capital formation, R&D, and infrastructure-linked expenditure** for longer-term gains.

#### Expected Outcomes

- Higher contribution from investment and government sectors will support **sustainable and inclusive growth.**
- Enhanced national economic capacity **and better alignment with long-term development goals**

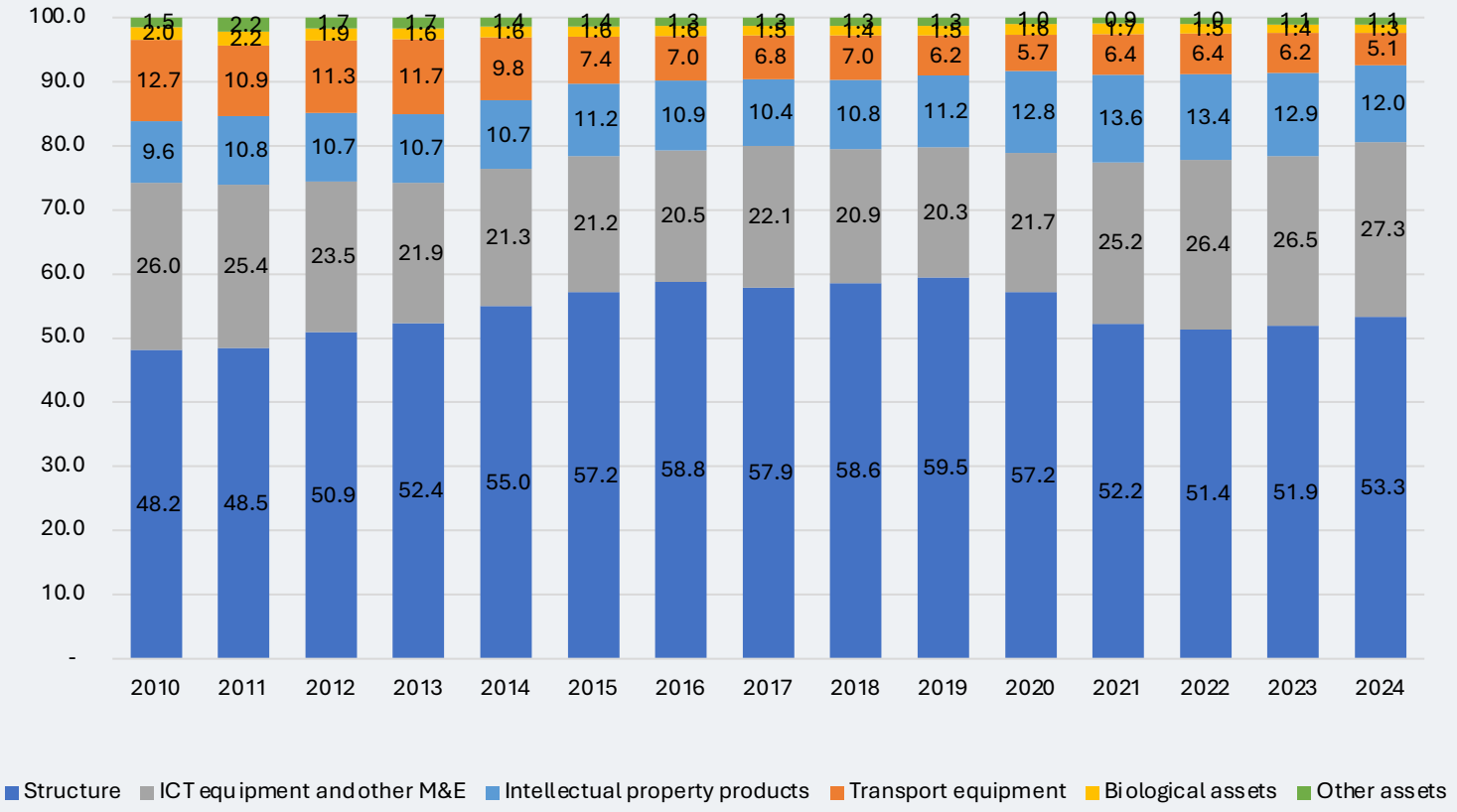


# 1.1.01: Gross Domestic Product

## Recommendation for addressing the issue

### - Enhance investment composition for productive GDP growth

Gross Fixed Capital Formation by type of assets %




***Source:*** *Estimated based on data sourced from DOSM (various years).*

- ***Malaysia's investment structure is still heavily dominated by building and structure assets, with relatively limited share allocated to ICT and intellectual property products.*** *This limits the long-term productivity gains typically associated with knowledge-intensive and digital-driven capital.*

- ***To support sustainable GDP growth, policies should focus on incentivizing higher investment in digital infrastructure, R&D assets, and innovation-related equipment, in line with global trends.*** *This shift can strengthen Malaysia's economic complexity and improve competitiveness in high-value sectors.*

ECONOMIC PERFORMANCE

# Domestic Economy

## 1.1.09 Gross Fixed Capital Formation

4th – 5th August 2025 | Doubletree by Hilton Hotel, Putrajaya

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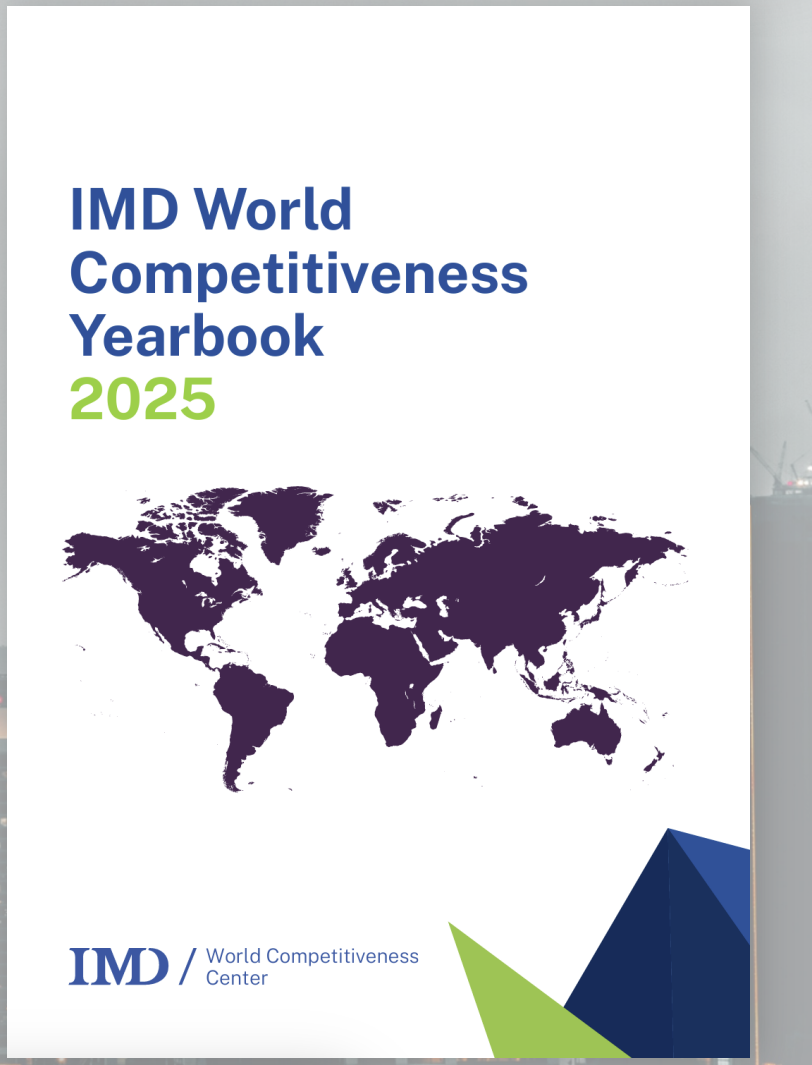
HD HARD DATA




| Factor: | Sub-Factor: | Indicator: |
| --- | --- | --- |
| Economic Performance | Domestic Economy | 1.1.09 Gross Fixed Capital Formation |

# 1.1.09: Gross Fixed Capital Formation (%)

## What is the IMD World Competitiveness Ranking?

**Factor** → **Economic Performance**

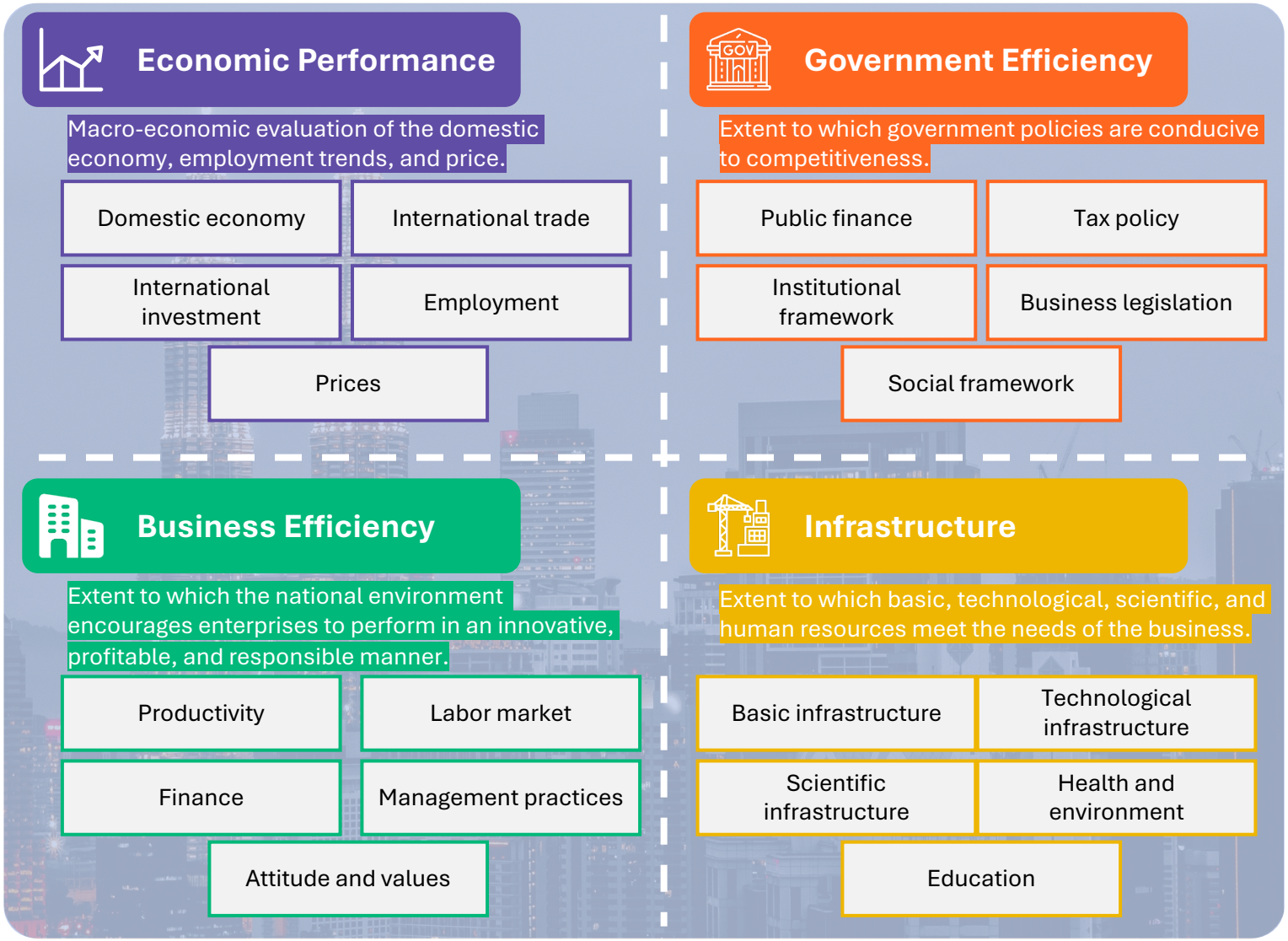
Macro-economic evaluation of the domestic economy, employment trends, and price.

**Sub-Factor** → **Domestic Economy**

Assesses the strength and growth dynamics of the domestic economic environment.

**Indicator** → **Gross Fixed Capital Formation**

| Score | Ranking |
|---|---|
| 20.6 % | 45 |



# 1.1.09: Gross Fixed Capital Formation (%)

## Indicator overview sourced from *IMD WCY 2025* Report

### INDICATOR DEFINED IN THE REPORT

The IMD WCY 2025 report, **not provided** the specific definitions in the IMD World Competitiveness Yearbook, we adopt the interpretation based on national sources or official definitions used by relevant government agencies and statistical bodies

***Source:*** *IMD World Competitiveness Yearbook 2025 (page 573)*

### INDICATOR MEASUREMENT

The technical notes in WCY 2025 **DOES NOT** include the detailed calculations pertaining to the indicator.

### DATA SOURCE USED IN WCY 2025

The WCY 2025 report states that this indicator may be derived from the following sources:

- OECD National Accounts
- National sources

***Source:*** *IMD World Competitiveness Yearbook 2025 (page 573)*

# 1.1.09: Gross Fixed Capital Formation (%)

## Ranking as reported in IMD WCY 2025

### WHAT DOES THE SCORE INDICATE?

Domestic Economy - Size 1.1.09

GROSS FIXED CAPITAL FORMATION (%) 2024

Percentage of GDP

| Ranking | | % | |
|---|---|---|---|
| 01 | China | 40.5 | 2023 |
| 02 | Nigeria | 35.4 | 2023 |
| 03 | Mongolia | 34.6 | |
| 04 | Qatar | 31.1 | 2022 |
| 05 | Türkiye | 31.0 | |
| 06 | Korea Rep. | 30.7 | |
| 07 | India | 29.6 | |
| 08 | Indonesia | 29.3 | |
| 09 | Saudi Arabia | 28.9 | |
| 10 | Bahrain | 27.5 | 2023 |
| 11 | Iceland | 26.4 | |
| 12 | Czech Republic | 26.2 | |
| 13 | Japan | 26.2 | |
| 14 | Estonia | 26.1 | |
| 15 | Romania | 25.7 | |
| 16 | Botswana | 25.6 | 2023 |
| 17 | Taiwan (Chinese Taipei) | 25.4 | |
| 18 | Switzerland | 25.1 | |
| 19 | Oman | 24.6 | 2023 |
| 20 | Australia | 24.5 | |
| 21 | Sweden | 24.4 | |
| 22 | Belgium | 24.4 | |
| 23 | Austria | 24.3 | |
| 24 | Kazakhstan | 24.3 | |
| 25 | New Zealand | 23.6 | |
| 26 | Croatia | 23.6 | |
| 27 | Philippines | 23.5 | |
| 28 | Chile | 23.5 | |
| 29 | Hungary | 23.4 | |
| 30 | Latvia | 23.1 | |
| 31 | Canada | 22.7 | |
| 32 | Lithuania | 22.6 | |
| 33 | France | 22.3 | |
| 34 | Thailand | 22.2 | |
| 35 | Denmark | 22.2 | |
| 36 | Italy | 22.0 | |
| 37 | Singapore | 21.9 | |
| 38 | Norway | 21.9 | |
| 39 | UAE | 21.6 | |
| 40 | Mexico | 21.6 | |
| 41 | USA | 21.6 | |
| 42 | Finland | 21.5 | |
| 43 | Germany | 20.9 | |
| 44 | Cyprus | 20.6 | |
| 45 | Malaysia | 20.6 | |
| 46 | Bulgaria | 20.4 | |
| 47 | Slovak Republic | 20.3 | |
| 48 | Slovenia | 20.1 | |
| 49 | Netherlands | 19.8 | |
| 50 | Portugal | 19.7 | |
| 51 | Spain | 19.5 | |
| 52 | Peru | 18.1 | |
| 53 | Kuwait | 17.7 | 2023 |
| 54 | Poland | 17.4 | |
| 55 | United Kingdom | 17.4 | |
| 56 | Kenya | 17.2 | 2023 |
| 57 | Ireland | 17.2 | |
| 58 | Colombia | 17.1 | |
| 59 | Brazil | 17.0 | |
| 60 | Hong Kong SAR | 16.3 | |
| 61 | Jordan | 15.9 | 2023 |
| 62 | Argentina | 15.8 | |
| 63 | Greece | 15.3 | |
| 64 | Puerto Rico | 14.8 | |
| 65 | South Africa | 14.5 | |
| 66 | Luxembourg | 14.3 | |
| 67 | Namibia | 14.1 | 2022 |
| 68 | Ghana | 9.8 | |
| - | Venezuela | - | |

***The higher the value, the higher the ranking.***

### RATIONALITY?

A higher gross fixed capital formation (GFCF) rate indicates that an economy is actively investing in fixed assets such as infrastructure, machinery, and equipment, which are vital for boosting future production capacity and long-term growth. Strong capital investment supports technological upgrades, enhances competitiveness, and builds economic resilience.

Countries with robust GFCF levels are better positioned to drive structural transformation, attract private investment, and sustain productivity gains over time. This indicator reflects an economy's commitment to reinvesting income into productive assets that lay the foundation for sustainable development.

In 2025 (based on data for 2024), China led with 40.5% of GDP allocated to GFCF, followed by Nigeria (35.4%) and Mongolia (34.6%). Malaysia ranked 45th with 20.6%, signaling moderate investment intensity relative to both global and regional peers such as Thailand (22.2%) and Indonesia (28.3%).

***Source:*** *IMD World Competitiveness Yearbook (WCY) 2025*

# 1.1.09: Gross Fixed Capital Formation (%)

## Indicator footprint – tracking the data sources

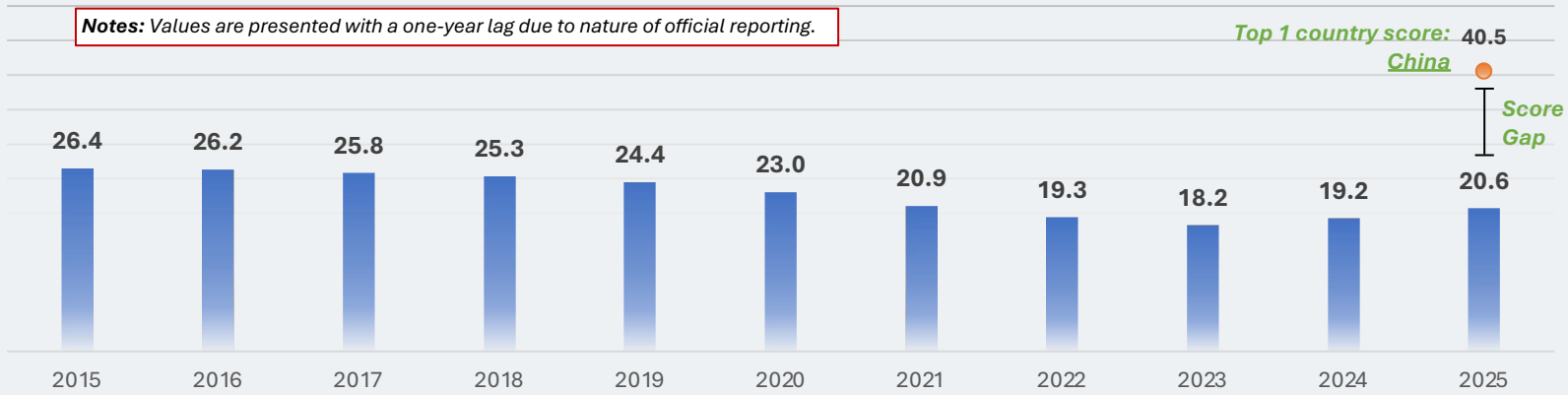
| Phase & Institution Involvement | Data Source | Data Retrieval & Estimation | Publish |
|---|---|---|---|
| | PRIME MINISTER'S DEPARTMENT<br>DEPARTMENT OF STATISTICS MALAYSIA | IMD | IMD |

| Description | | | |
|---|---|---|---|
| Gross Fixed Capital Formation | Publish data based on **System of National Accounts** annually.<br>**Note:** *For other countries, the data are compiled from national sources or OECD National Accounts of respective countries.*<br>*Quarterly lagged* | IMD estimates indicator values based on the available data. | Malaysia in **2025**:<br>***Scored*** 20.6 %<br>***Ranked*** 45th<br>IMD World Competitiveness Ranking |
| Gross Domestic Product | Publish data based on **System of National Accounts** annually.<br>**Note:** *For other countries, the data are compiled from national sources or OECD National Accounts of respective countries.*<br>*Quarterly lagged* | | |

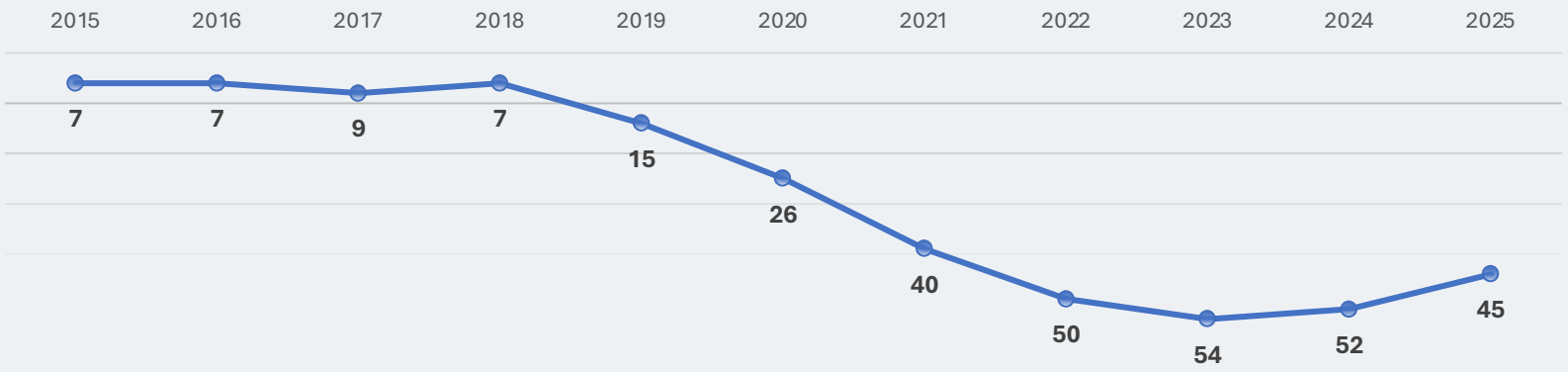
# 1.1.09: Gross Fixed Capital Formation (%)

## Indicator performance over the years

### Indicator **Score (% of GDP)**




### Indicator **Rank (of 69 countries)**




***Notes:*** *The percentage are at current price*
***Source:*** *IMD WCY (various years)*

## HOW DO THE INDICATORS PERFORM ACROSS YEARS?

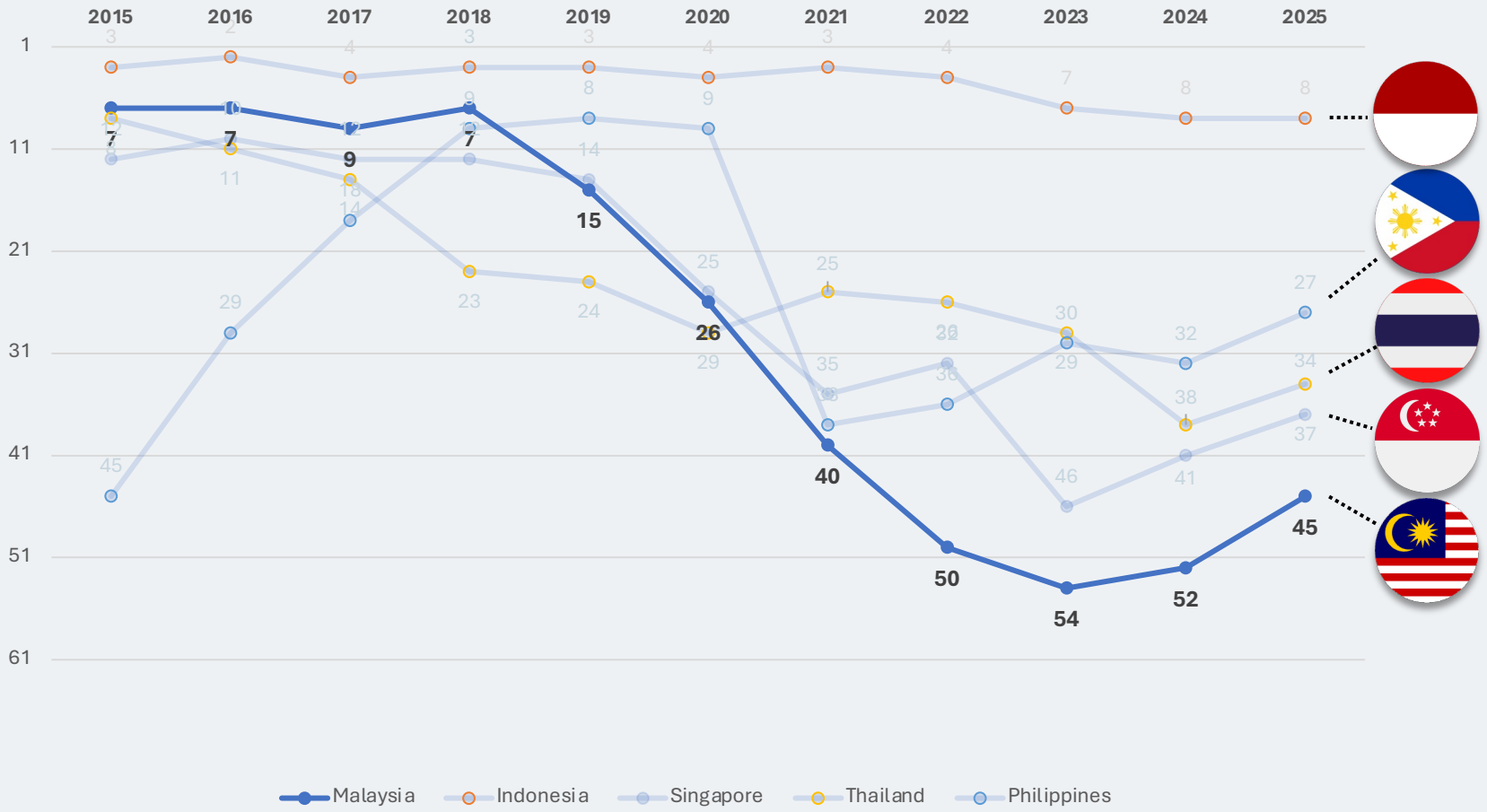
Malaysia's GFCF indicator declining from 26.4% of GDP in 2015 to 20.6% in 2025. This steady drop reflects a contraction in domestic investment activities, suggesting reduced momentum in expanding the country's productive capacity through capital formation. The gap with the top performer, China (40.5%), highlights Malaysia's limited progress in sustaining high levels of investment relative to GDP.

In terms of ranking, Malaysia has experienced a sharp decline—from 7th place in 2015 to 45th in 2025. The country slipped significantly after 2018, reaching its lowest position of 54th in 2023, before a mild rebound in subsequent years. This pattern signals that while other economies accelerated their capital investment, Malaysia's pace slowed, undermining its long-term competitiveness.

Overall, the indicator underscores the urgency to reinvigorate investment—particularly in infrastructure, technology, and industrial upgrading—to drive sustainable growth, enhance productivity, and close the widening gap in global capital formation rankings.

# 1.1.09: Gross Fixed Capital Formation (%)

## Indicator performance over the years




***Source:*** *IMD WCY (various years)*

## WHERE ARE MALAYSIA NOW? RANKS AMONG ASEAN COUNTRIES

Malaysia currently ranks 45th globally in GFCF (% of GDP), placing it among the lower tier within ASEAN. Singapore continues to outperform regional peers, maintaining a top-10 global position (8th in 2025), reflecting its consistent high investment intensity and capital deepening efforts.

Indonesia has steadily advanced over the years, climbing from 29th in 2015 to 20th in 2025, indicating sustained improvements in domestic investment. In contrast, Malaysia's GFCF ranking has weakened significantly, sliding from 7th in 2015 to 45th in 2025. Meanwhile, the Philippines has shown signs of catching up, improving from 45th to 27th during the same period.

Overall, Malaysia now trails all four major ASEAN comparators. The decline highlights the urgency to reinvigorate investment, particularly in infrastructure and productive sectors, to avoid being left behind in regional capital accumulation and future growth potential.

# 1.1.09: Gross Fixed Capital Formation (%)

## Understanding GFCF in Economic Terms

### GFCF definition from DOSM

GFCF is measured by the total value acquired, less disposal of fixed assets by the residents during the accounting period which are used repeatedly or continuously for production plus expenditure on services that adds value to the non-produced assets.

### GFCF Formula:

**GFCF** =

- *Acquisition of Fixed Assets*
- \+ *Built Own Fixed Assets*
- \+ *Major Improvements of Non-produced Assets*
- \+ *Major Improvements of Fixed Assets*
- \+ *Cost of Ownership Transfer of*
- − *Disposal or Selling of Fixed Assets*

**"GFCF is also known as investment in fixed assets that used repeatedly in the process of production for more than one year."**

***Source:*** *Department of Statistics Malaysia, DOSM (2025)*

### GFCF definition from System of National Accounts, SNA 2008

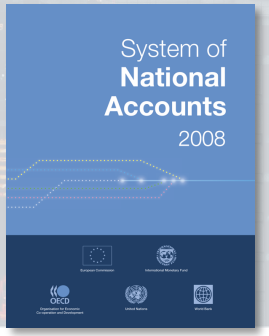
Gross fixed capital formation is measured by the total value of a producer's acquisitions, less disposals, of fixed assets during the accounting period plus certain specified expenditure on services that adds to the value of non-produced assets.

**GFCF Valuation** =

| | | |
|---|---|---|
| Value of fixed assets purchased | | Value of existing fixed assets sold |
| Value of fixed assets acquired through barter | | Value of existing fixed assets surrendered in barter |
| Value of fixed assets received as capital transfers in kind | = | Value of existing fixed assets surrendered as capital transfers in kind |
| Value of fixed assets retained by their producers for their own use, including the value of any fixed assets being produced on own account that are not yet completed or fully mature | | |

***"The GFCF that being defined and reported by DOSM are aligned with that of System of National Account 2008."***

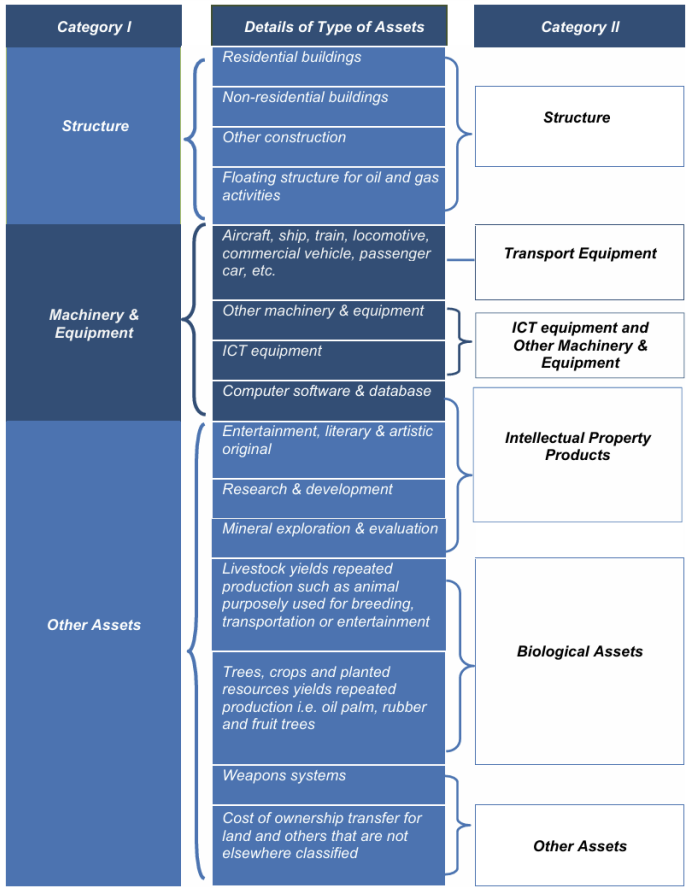
***Source:*** *System of National Accounts, SNA (2025)*



# 1.1.09: Gross Fixed Capital Formation (%)

## Disaggregating the Components of GFCF

### GFCF by type of assets




### GFCF by sectors

The Public and Private sectors classification provides a standard for the compilation of statistics that divide the resident economy into broad economic sector depending on whether they are controlled by government or otherwise.

The Public sector comprises all government units and all institutional units and also notional institutional units controlled directly or indirectly by government i.e. public corporation.

Private sector comprises all resident units operated by private enterprises except those controlled by government. Example of Private sector is household institution units, NPISHs and private corporations.

| Non-financial Corporation | Financial Corporation | General Government | NPISHs | Households |
|---|---|---|---|---|
| Public | Public | Public | Private | Private |
| Private | Private | | | |

### GFCF by kind of economic activity

| Kind of Economic Activity | Details Kind of Economic Activity |
|---|---|
| Agriculture | Rubber & Oil Palm |
| | Livestock & Fishing |
| | Other Agriculture |
| Mining and Quarrying | Crude Oil and Condensate |
| | Natural Gas |
| | Other Mining & Quarrying and Supporting Services |
| Manufacturing | Food, Beverages & Tobacco |
| | Textiles & Wood Products |
| | Petroleum, Chemical, Rubber & Plastic Products |
| | Non-metallic Mineral Products, Basic Metal & Fabricated Metal Products |
| | Electrical, Electronic & Optical products and Transport Equipment |
| Construction | Residential Buildings |
| | Non-Residential Buildings |
| | Civil Engineering |
| | Specialized Construction Activities |
| Services | Wholesale & Retail Trade |
| | Food & Beverage and Accommodation |
| | Transportation & Storage and Information & Communication |
| | Finance, Insurance, Real Estate and Business Services |
| | Other Services |

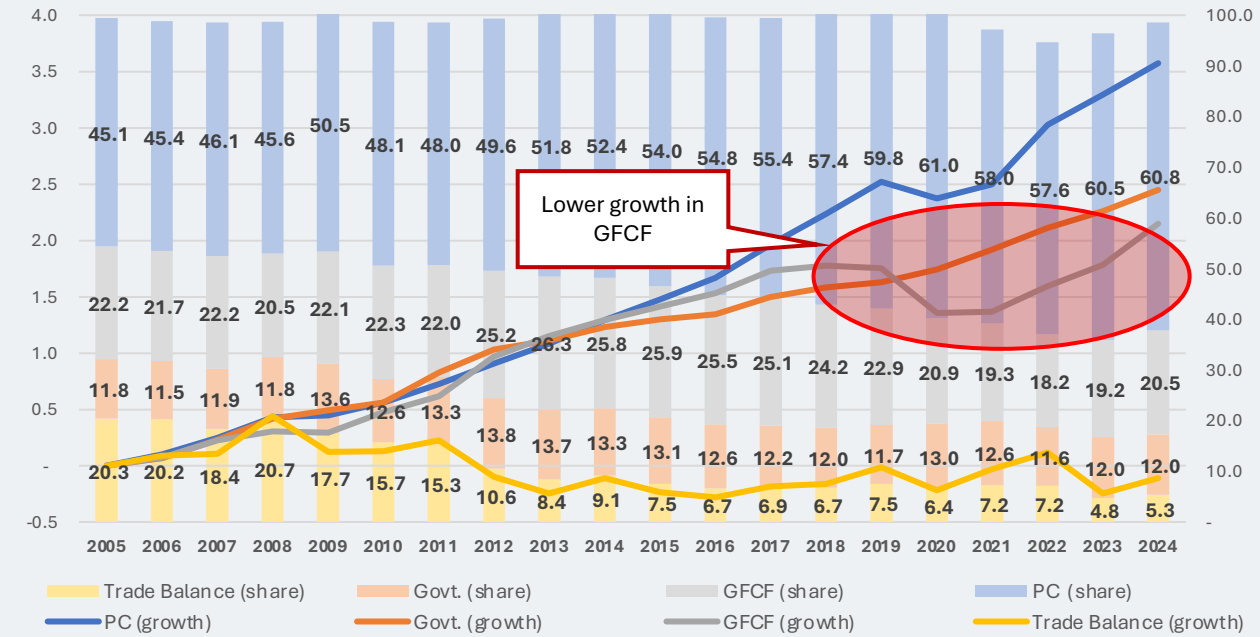
# 1.1.09: Gross Fixed Capital Formation (%)

## Slower GFCF Growth Dampens Malaysia's Investment Share Trajectory

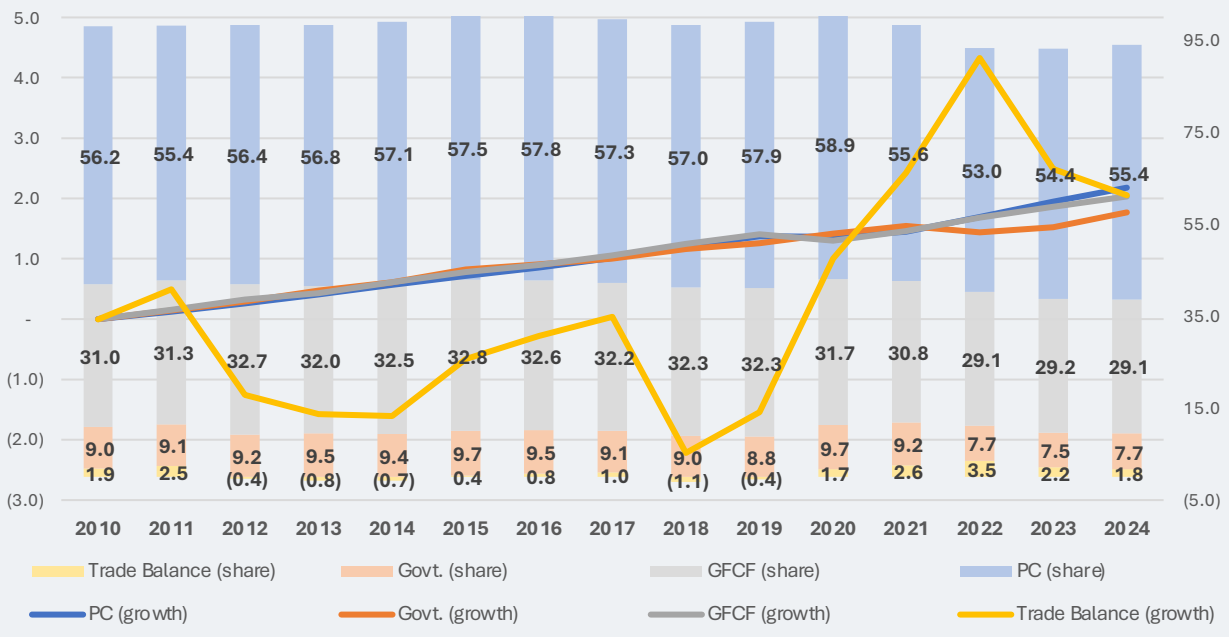
Malaysia's GFCF performance has shown a noticeable slowdown, particularly from 2019 onwards, with its share in GDP gradually declining from 23.0% in 2020 to 20.5% in 2024. This is largely attributed to weaker GFCF growth during the post-pandemic period, resulting in reduced investment contribution to overall GDP expansion.

In contrast, Indonesia's expenditure structure remains relatively stable with a steady GFCF share and growth pattern. This fixed composition supports consistent investment momentum, underscoring the role of structural stability in maintaining capital formation strength.

### Malaysia's GDP by Expenditure, current price (2006-2024)




### Indonesia's GDP by Expenditure, current price (2006-2024)




***Notes:*** *Growth are calculated in Index growth where bar graph are in share term.*
***PC*** *refers to Private Consumption.* ***Govt.*** *refers to Government Consumption.* ***GFCF*** *refers to Gross Fixed Capital Formation.* ***Trade Balance*** *refers to Exports minus Imports.*

***Source:*** *Estimated based on data sourced from DOSM and BPS Indonesia (various years).*

# 1.1.09: Gross Fixed Capital Formation (%)

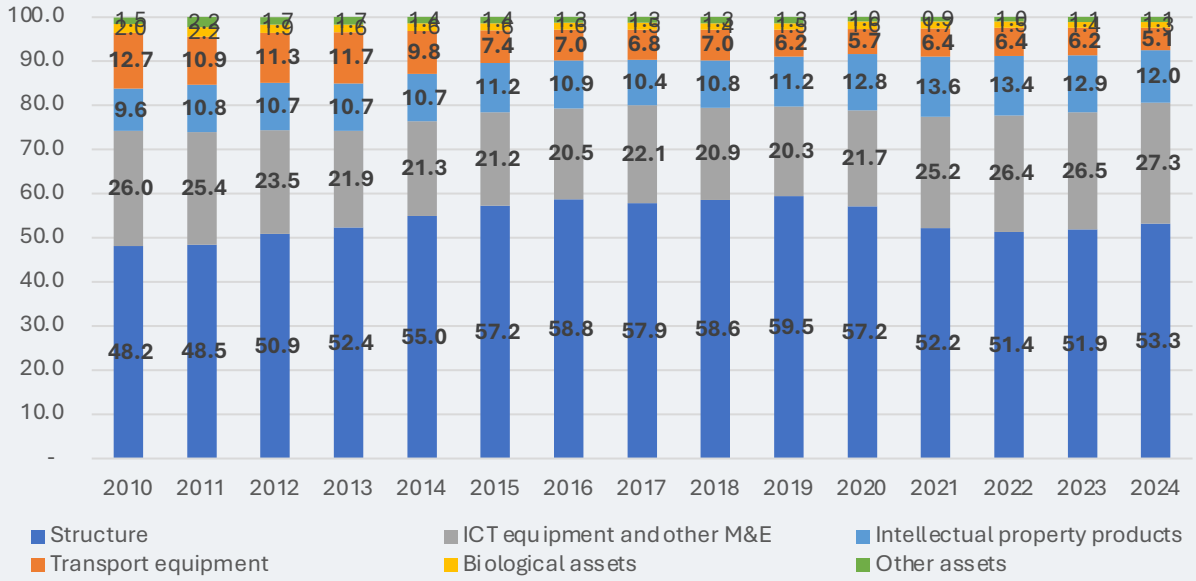
## Major Investment Components Drive the Decline in GFCF Share

Malaysia's GFCF is largely dominated by structure-related investments, which consistently account for more than half of total GFCF. This is followed by technology-based assets—including ICT equipment, intellectual property, and other machinery—as well as transport equipment, which collectively make up almost half of the total.

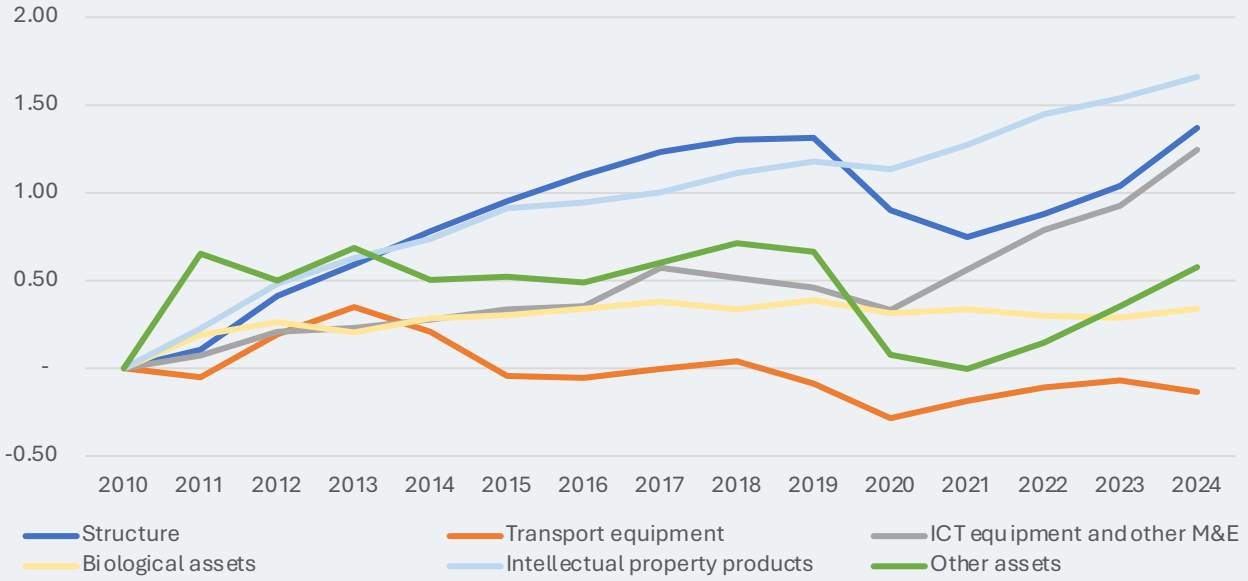
However, the decline in GFCF share to GDP in recent years is largely attributed to the sluggish performance of the major components: structure, transport equipment, and other assets. While technology-based assets show moderate growth, they are not yet sufficient to offset the contractions in the traditional and mobility-related segments.

### Malaysia's GFCF by asset, current price (2006-2024)

#### Contribution of each assets, %




#### Index growth (2010=100) of each assets



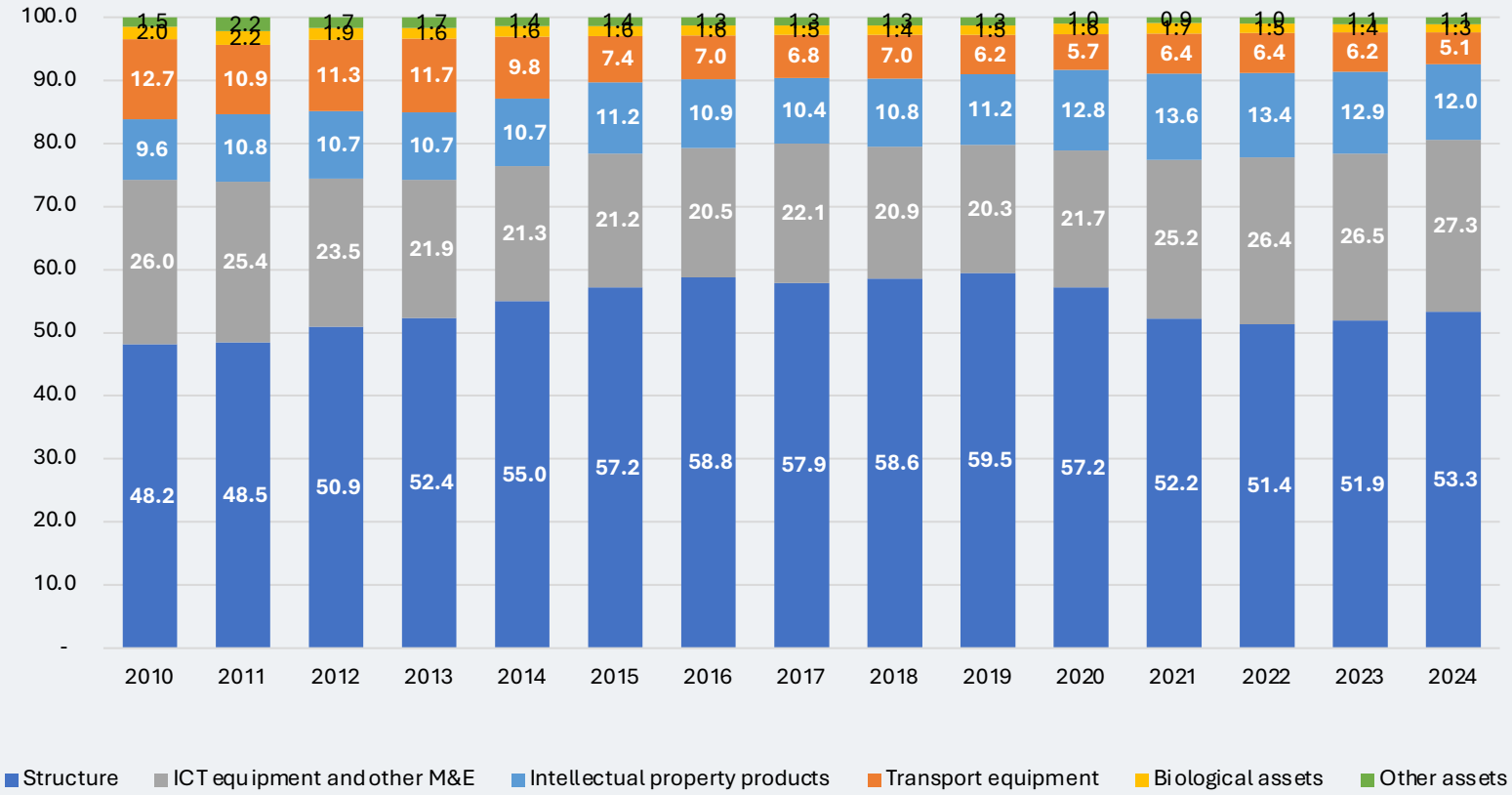

***Source:*** *Estimated based on data sourced from DOSM and BPS Indonesia (various years).*

# 1.1.09: Gross Fixed Capital Formation (%)

## Recommendation for addressing the issue

### - Refocusing Investment Composition Toward More Productive Assets

Gross Fixed Capital Formation by type of assets %




***Source:*** *Estimated based on data sourced from DOSM (various years).*

- *The declining share of GFCF in Malaysia's GDP is partly driven by stagnation in its main investment components, particularly in structure and transport equipment. These traditional assets* ***dominate the investment landscape but offer limited productivity spillovers****, resulting in slower capital deepening and weaker long-term competitiveness.*

- *To reverse this trend and enhance the growth quality,* ***Malaysia must reorient its investment mix toward more productive assets****—especially digital infrastructure, ICT equipment, and intellectual property. These capital types are strongly associated with innovation, automation, and technological upgrading, aligning with global investment shifts and productivity trends.*

ECONOMIC PERFORMANCE

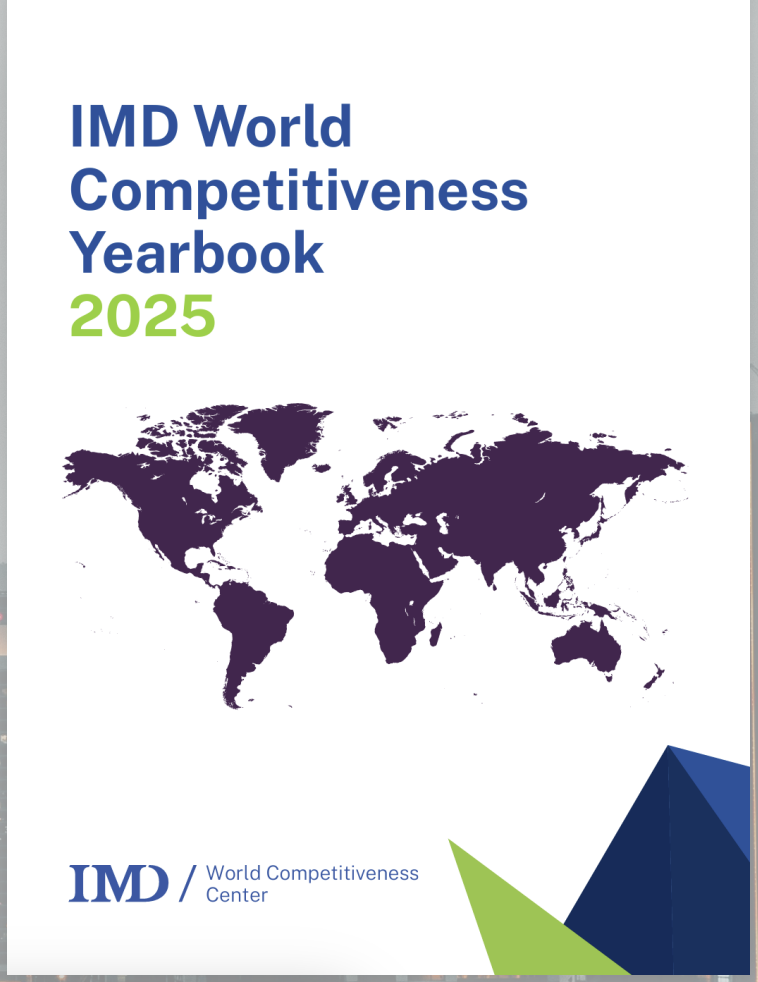
# Prices

## 1.5.05 Food Costs

4th – 5th August 2025 | Doubletree by Hilton Hotel, Putrajaya

See more ↗

HD HARD DATA




| Factor: | Sub-Factor: | Indicator: |
|---|---|---|
| Economic Performance | Prices | 1.5.05 Food Costs |

# 1.5.05: Food Costs

## What is the IMD World Competitiveness Ranking?

Factor

**Economic Performance**

Macro-economic evaluation of the domestic economy, employment trends, and price.

Sub-Factor

**Prices**

Tracks price stability, inflation rates, and their impact on the economy.

Indicator

**Food Costs**

| Score | Ranking |
|---|---|
| 26.26 % | 54 |

### Economic Performance

Macro-economic evaluation of the domestic economy, employment trends, and price.

- Domestic economy
- International trade
- International investment
- Employment
- Prices

### Government Efficiency

Extent to which government policies are conducive to competitiveness.

- Public finance
- Tax policy
- Institutional framework
- Business legislation
- Social framework

### Business Efficiency

Extent to which the national environment encourages enterprises to perform in an innovative, profitable, and responsible manner.

- Productivity
- Labor market
- Finance
- Management practices
- Attitude and values

### Infrastructure

Extent to which basic, technological, scientific, and human resources meet the needs of the business.

- Basic infrastructure
- Technological infrastructure
- Scientific infrastructure
- Health and environment
- Education

# 1.5.05: Food Costs

## Indicator overview sourced from *IMD WCY 2025* Report

### INDICATOR DEFINED IN THE REPORT

The IMD WCY 2025 report defines this indicator as total consumer expenditure on food and non-alcoholic beverages as a percentage of total household final consumption expenditures / percentage of household final consumption expenditures

***Source:*** *IMD World Competitiveness Yearbook 2025 (page 365)*

### INDICATOR MEASUREMENT

According to the technical notes in WCY 2025, the indicator can be simply calculated as follows:

***Food Costs*** =

$$\frac{Food\ and\ non\ alcoholic\ beverages}{Private\ final\ consumption\ expenditure} \times 100$$

Take note kalau pakai USD

***Source:*** *IMD World Competitiveness Yearbook 2025 (page 365)*

### DATA SOURCE USED IN WCY 2025

The WCY 2025 report states that this indicator may be derived from the following sources:

- Passport, Source: © Euromonitor International

***Source:*** *IMD World Competitiveness Yearbook 2025 (page 580)*

# 1.5.05: Food Costs

## Ranking as reported in *IMD WCY 2025*

### WHAT DOES THE SCORE INDICATE?

Prices 1.5.05

**FOOD COSTS** 2024

Percentage of household final consumption expenditures

| Ranking | | % |
|---|---|---|
| 01 | USA | 6.70 |
| 02 | Singapore | 6.80 |
| 03 | Ireland | 8.52 |
| 04 | United Kingdom | 8.85 |
| 05 | Switzerland | 8.93 |
| 06 | Australia | 9.57 |
| 07 | Canada | 9.73 |
| 08 | Austria | 10.00 |
| 09 | Hong Kong SAR | 11.31 |
| 10 | Korea Rep. | 11.33 |
| 11 | Puerto Rico | 11.34 |
| 12 | UAE | 11.38 |
| 13 | Germany | 11.45 |
| 14 | Norway | 11.63 |
| 15 | Netherlands | 11.78 |
| 16 | Denmark | 11.79 |
| 17 | Belgium | 12.34 |
| 18 | Finland | 12.36 |
| 19 | France | 12.46 |
| 20 | New Zealand | 12.78 |
| 21 | Spain | 12.81 |
| 22 | Sweden | 13.42 |
| 23 | Bahrain | 13.62 |
| 24 | Taiwan (Chinese Taipei) | 13.85 |
| 25 | Slovenia | 13.88 |
| 26 | Italy | 14.12 |
| 27 | Qatar | 14.56 |
| 28 | Czech Republic | 15.49 |
| 29 | Japan | 15.75 |
| 30 | Greece | 16.30 |
| 31 | Brazil | 16.46 |
| 32 | Hungary | 16.78 |
| 33 | South Africa | 16.78 |
| 34 | Portugal | 17.27 |
| 35 | Oman | 18.42 |
| 36 | Croatia | 18.52 |
| 37 | Poland | 18.90 |
| 38 | Kuwait | 19.19 |
| 39 | Latvia | 19.42 |
| 40 | Estonia | 19.45 |
| 41 | Lithuania | 19.47 |
| 42 | Slovak Republic | 19.96 |
| 43 | Chile | 20.14 |
| 44 | Saudi Arabia | 20.56 |
| 45 | Bulgaria | 20.63 |
| 46 | China | 20.69 |
| 47 | Türkiye | 22.97 |
| 48 | Colombia | 24.22 |
| 49 | Thailand | 24.24 |
| 50 | Jordan | 24.97 |
| 51 | Romania | 25.22 |
| 52 | Argentina | 25.27 |
| 53 | Mexico | 25.42 |
| 54 | Malaysia | 26.26 |
| 55 | Peru | 26.96 |
| 56 | India | 29.90 |
| 57 | Namibia | 30.56 2022 |
| 58 | Indonesia | 34.08 |
| 59 | Philippines | 36.16 |
| 60 | Ghana | 38.78 |
| 61 | Kenya | 42.82 |
| 62 | Kazakhstan | 50.86 |
| 63 | Venezuela | 51.97 |
| 64 | Nigeria | 59.36 |
| - | Botswana | - |
| - | Cyprus | - |
| - | Iceland | - |
| - | Luxembourg | - |
| - | Mongolia | - |

***The lower the value, the higher the ranking.***

### RATIONALITY?

Food costs, expressed as a percentage of household final consumption expenditures, are a critical indicator of economic wellbeing and cost of living. A lower percentage suggests that households spend a smaller share of their income on food, which typically reflects higher disposable income, greater food affordability, and better overall economic conditions.

From a policy and competitiveness perspective, countries where food costs consume a smaller portion of household budgets are generally considered more economically resilient. This implies that households can allocate more spending toward education, healthcare, savings, and other discretionary consumption, contributing to improved quality of life and economic diversification.

Lower food cost burdens also reflect efficiencies in food production, distribution systems, and government interventions (such as subsidies or price controls) that stabilize prices and protect consumers. Therefore, in the IMD ranking system, a lower food cost share is rewarded with a higher position, as it signals stronger household purchasing power and broader economic development.

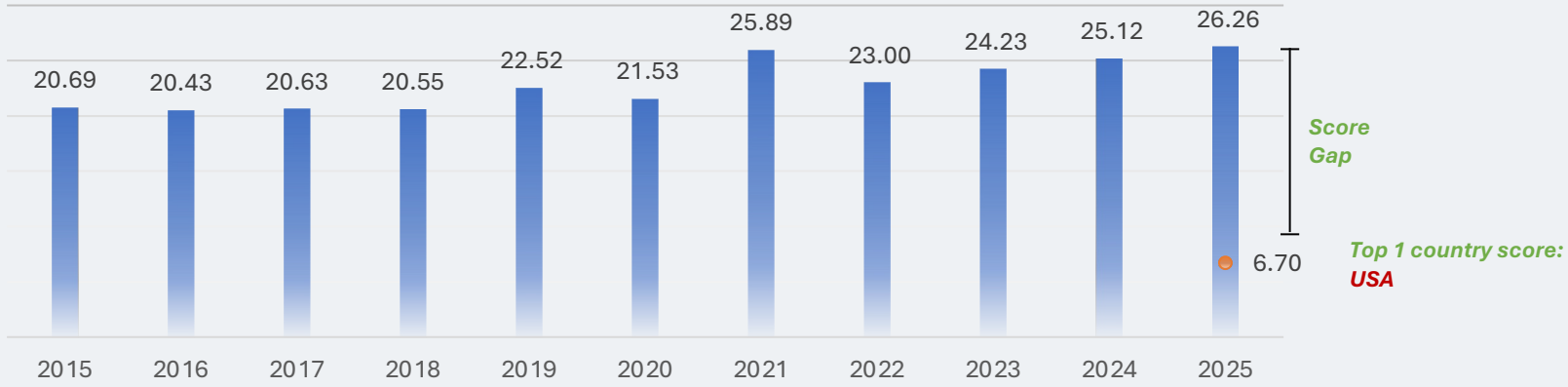
***Source:*** *IMD World Competitiveness Yearbook 2025*

# 1.5.05: Food Costs

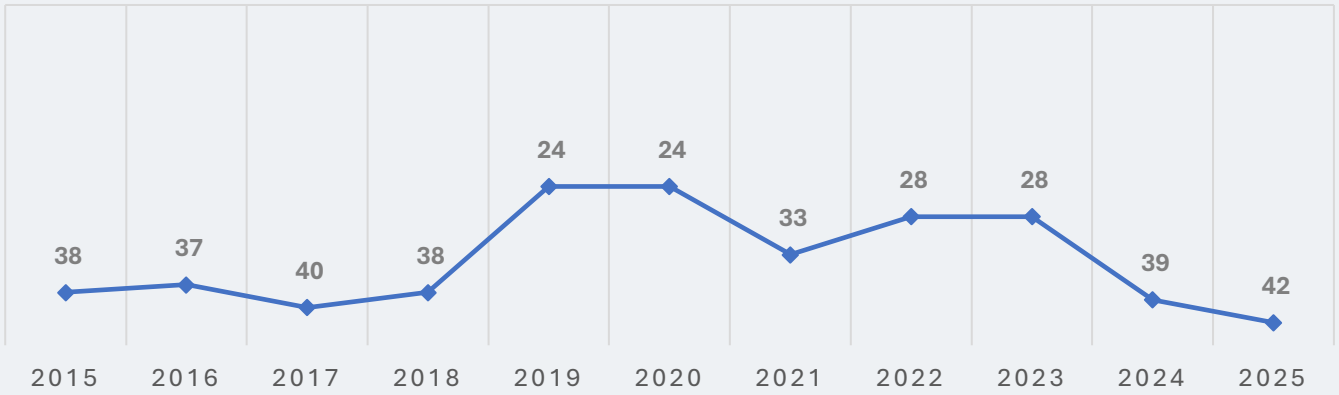
## Indicator performance over the years

### Indicator **Score (% of contribution)**

***Notes:*** *Data are presented with a one-year lag due to the nature of official reporting. For example, figures reported for 2025 are based on 2024 data.*




### Indicator **Rank (of 69 countries)**




***Source:*** *IMD World Competitiveness Yearbook (various years)*

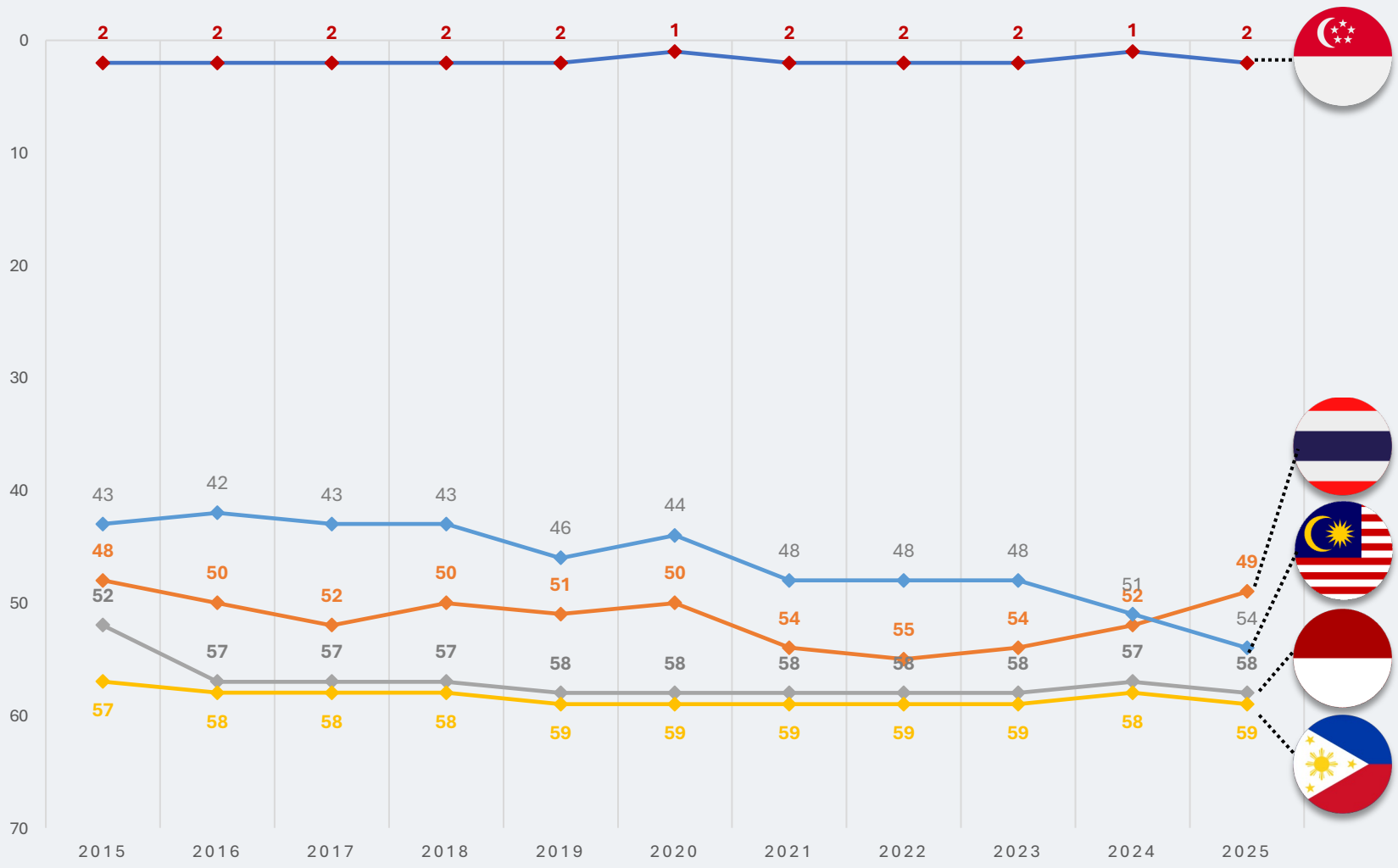
## HOW DO THE INDICATORS PERFORM ACROSS YEARS?

Malaysia's food cost indicator, which measures the share of household final consumption expenditure spent on food, has shown an upward trend over the years, increasing from 20.69% in 2015 to 26.26% in 2025. This indicates that a larger portion of household income is now being allocated to food, reflecting either rising food prices, stagnating income growth, or shifts in consumption patterns.

Correspondingly, Malaysia's ranking has deteriorated, dropping from 38th position in 2015 to 42nd in 2025 among 69 countries. This suggests that the country's relative competitiveness in terms of food affordability has declined, particularly when compared to top-performing economies like the United States, where households spend only 6.7% on food.

# 1.5.05: Food Costs

## Indicator performance over the years




***Source:*** *IMD WCY (various years)*

## WHERE ARE MALAYSIA NOW? RANKS AMONG ASEAN COUNTRIES

In 2025, Malaysia ranks 49th globally for food cost competitiveness, placing it third among the five ASEAN countries observed. Over the past decade, Malaysia's performance has been relatively stable, with rankings fluctuating modestly between 48th and 52nd since 2015. Despite minor improvements in recent years, Malaysia still trails behind Thailand and Singapore in this indicator.

Singapore consistently dominates the global rankings, maintaining either 1st or 2nd place throughout the entire period, indicating exceptional food cost efficiency. Thailand also shows steady performance, improving slightly from 48th in 2015 to 49th in 2025, staying close to Malaysia.

Indonesia experienced a gradual decline, falling from 52nd in 2015 to 54th in 2025. Meanwhile, the Philippines continues to rank lowest among its ASEAN peers, despite a slight improvement from 59th in 2024 to 59th again in 2025, remaining in the bottom 10 globally.

# 1.5.05: Food Costs

## Indicator footprint – Tracking the Data Sources

| Phase & Institution Involvement | Data Source | Compilation | Estimation | Data Retrieval | Publish |
|---|---|---|---|---|---|
| | BANK NEGARA MALAYSIA CENTRAL BANK OF MALAYSIA | International Institution | International Institution | IMD | IMD |

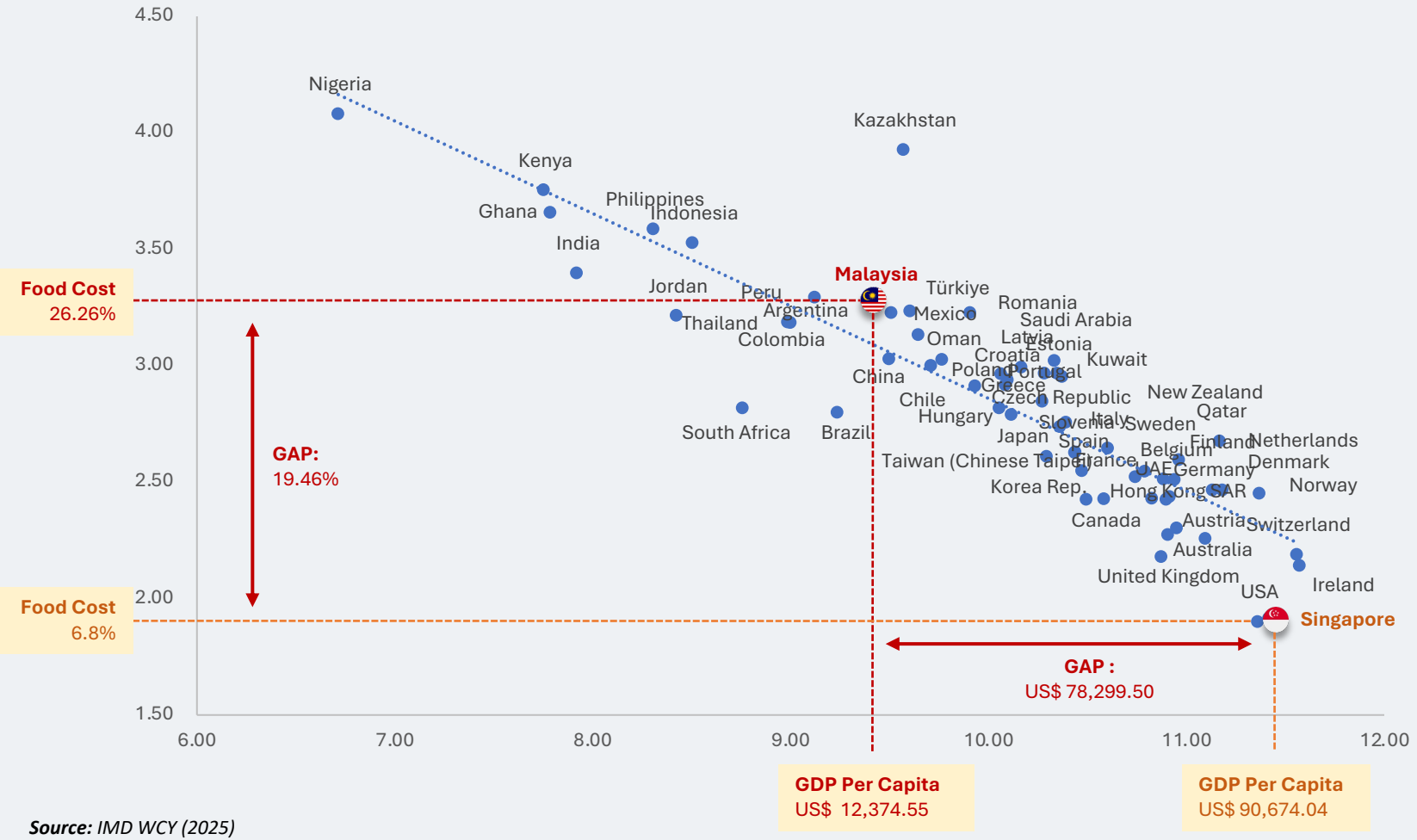
**Description**

| | | | | | |
|---|---|---|---|---|---|
| **Food Costs** | Publish data based on Payment Statistics "***GDP by type of Expenditure***" annually lagged 1 years. | Data compiled and integrated internationally with other country profiles by: EUROMONITOR INTERNATIONAL | Euromonitor International estimates indicator values based on the available data of consumption. | IMD retrieves data from Euromonitor International sources into their database. | Malaysia in **2025**: ***Scored*** 26.26% ***Ranked*** 54th IMD World Competitiveness Ranking |

# 1.5.05: Food Costs

## Derived Engel Curve

Tabulation of food costs and GDP per capita for 69 countries in the IMD WCY report




***Source:*** *IMD WCY (2025)*

Countries with higher income levels (measured by GDP per capita) tend to spend a lower proportion of their income on food. This inverse relationship is known as the **Engel Curve**, which reflects how food costs become a smaller part of total expenditure as income increases.

**Example from Graph:**

- **Malaysia** has a GDP per capita of **US$12,374.55** and a food cost share of **26.26%**.
- In contrast, **Singapore**, with a much higher GDP per capita of **US$90,674.04**, only allocates **6.8%** of income to food costs.

This comparison highlights how rising income levels enable households to allocate a smaller share of spending on necessities like food, allowing more flexibility for other areas such as education, healthcare, and leisure.

# 1.5.05: Food Costs

**Find out how much GDP per capita Malaysia needs to reach in order to reduce its food cost share from 26.26% to 6.8% like Singapore.**

If Malaysia want to reduce the food expenditure share from 26.26%, Malaysia must increase GDP per capita as follows:

- To **15%**: **US$ 21,653** (+75%)
- To **10%**: **US$ 32,479** (+162%)
- To **6.8%**: **US$ 47,787** (+286%)

These estimates assume food prices and consumption patterns remain stable and that food share behaves inversely with income.

Malaysia's GDP per capita **grew by US$ 407.33** from 2023 to 2024. From this figure, we can simulate two scenarios: i) Increase **US$ 407.** ii) **US$ 1,000** (optimist)

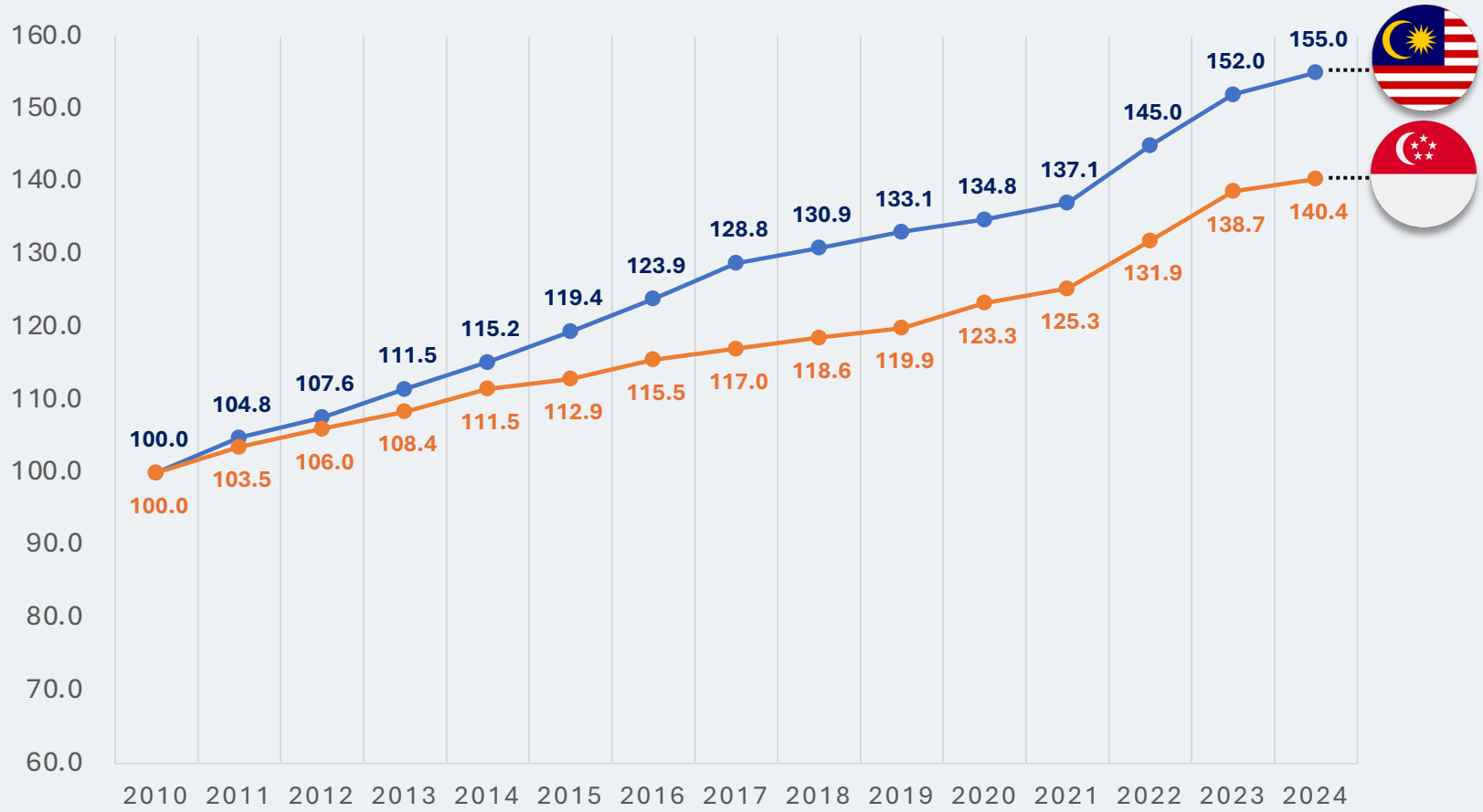
Malaysia would need:

| Target Food Cost | Years Needed (Current Trend) | Years Needed (US$ 1k/year) |
|---|---|---|
| **15%** | 23 years | 9 years |
| **10%** | 49 years | 20 years |
| **6.8%** | 87 years | 35 years |

# 1.5.05: Food Costs

## Comparison of food price inflation

Consumer price index of food and beverages in Malaysia and Singapore, 2010-2024




***Source:*** *Department of Statistics Malaysia (2025) and Department of Statistics Singapore (2025)*

The Consumer Price Index (CPI) for food and beverages in **Malaysia** has shown a **steeper increase** compared to **Singapore** over the period from 2010 to 2024.

- In 2010, both countries started at the same base index of **100**.
- By 2024, Malaysia's food and beverage CPI rose to **155.0**, while Singapore's reached **140.4**.

This indicates that the **rate of food and beverage inflation in Malaysia has been higher**, reflecting a **greater burden on household spending**. Malaysians now need to **spend more of their current income** to maintain the same level of food consumption.

# 1.5.05: Food Costs

## Household expenditure survey shows different reality

### Percentage of monthly household consumption expenditure

Jadual 3: Peratusan perbelanjaan penggunaan isi rumah bulanan purata, Malaysia, 2016 - 2022

*Table 3: Percentage of monthly household consumption expenditure, Malaysia, 2016 - 2022*

(%)

| Kumpulan perbelanjaan<br>*Expenditure group* | 2016 * | 2019 * | 2022 |
|---|---|---|---|
| 01 Makanan dan Minuman<br>*Food and Beverages* | 17.7 | 16.9 | 16.3 |
| Beras<br>*Rice* | 1.1 | 0.9 | 0.8 |
| Roti & bijirin lain<br>*Bread & other cereals* | 2.4 | 2.3 | 1.4 |
| Daging<br>*Meat* | 2.5 | 2.3 | 2.4 |
| Ikan & makanan laut<br>*Fish & seafood* | 3.9 | 2.3 | 3.8 |
| Susu, keju & telur<br>*Milk, cheese & eggs* | 1.1 | 1.0 | 1.3 |
| Minyak & lemak<br>*Oils & fats* | 0.5 | 0.5 | 0.7 |
| Buah-buahan<br>*Fruits* | 1.0 | 1.0 | 1.1 |
| Sayur-sayuran<br>*Vegetables* | 2.0 | 1.8 | 1.7 |
| Gula, jem, madu, coklat & manisan<br>*Sugar, jam, honey, chocolate & confectionery* | 0.6 | 0.6 | 0.5 |
| Keluaran makanan t.t.t.l<br>*Food products n.e.c* | 1.6 | 1.7 | 1.7 |
| Kopi, teh, koko & minuman bukan alkohol<br>*Coffee, tea, cocoa & non-alcoholic beverages* | 1.1 | 1.0 | 0.8 |

***Source:*** *Department of Statistics Malaysia (2023)*

There is a noticeable difference in the reported percentage of household expenditure on food and beverages between sources. According to the **Household Expenditure Survey (HES) 2022** by the **Department of Statistics Malaysia (DOSM)**, the share of monthly household consumption spent on food and beverages was **16.3%**, showing a decline from 17.7% in 2016.

In contrast, the **International Institute for Management Development (IMD)** uses a figure of **26.26%**, which is derived from **national accounts data**. This discrepancy may reflect differences in methodology, scope, or data sources used between HES and national accounts reporting.

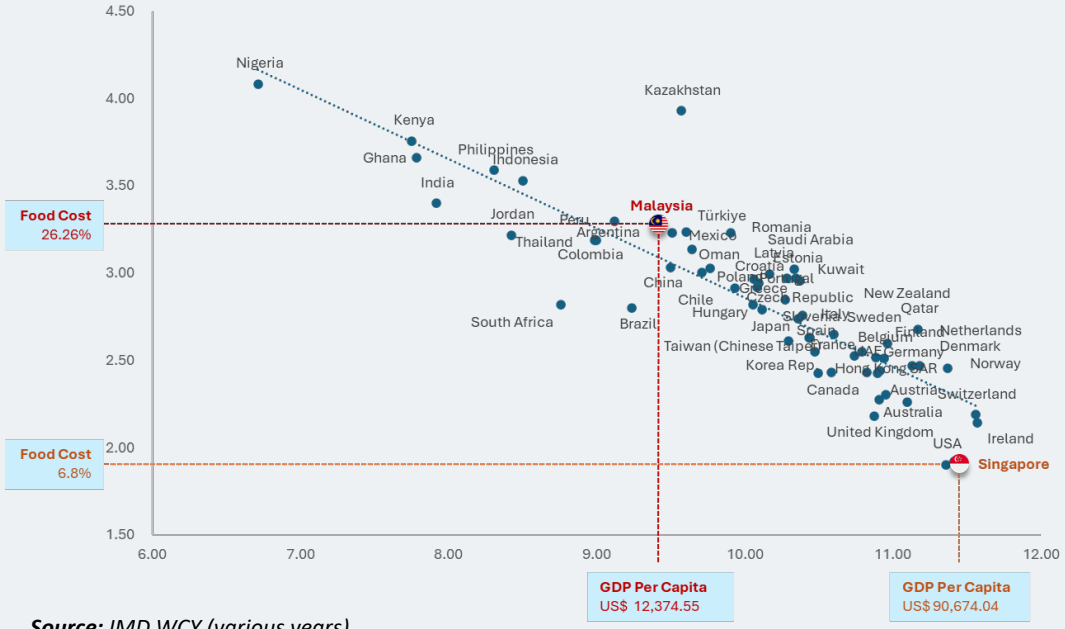
# 1.5.05: Food Costs

## Addressing key challenges 1 - increase income and reduce food costs

### Key Rationality

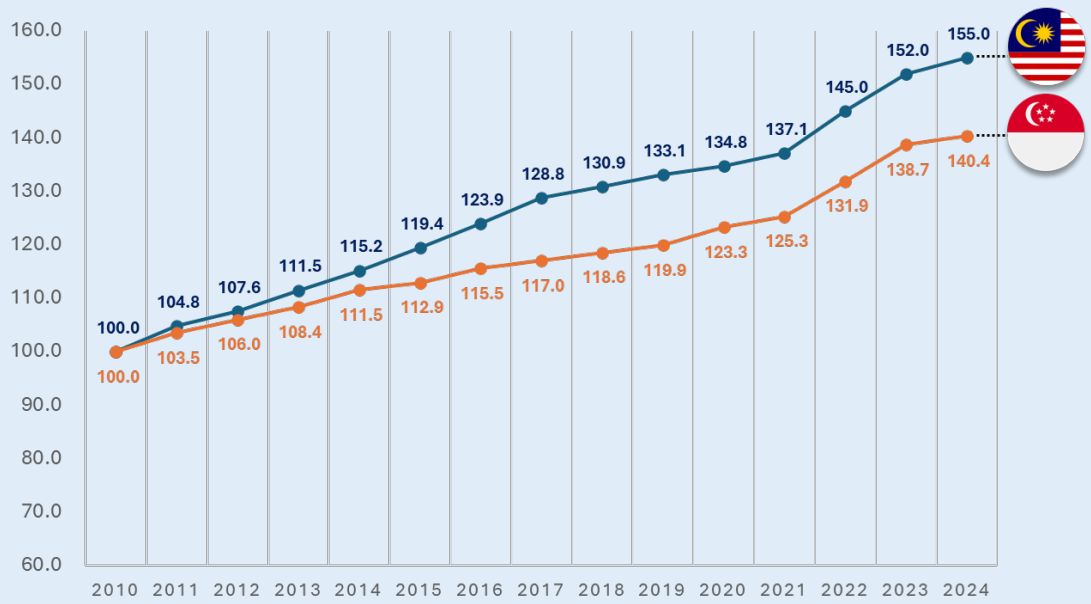
- Raising per capita incomes is needed to increase purchasing power and reduce the financial burden of essential spending. As illustrated by the Engel Curve, countries with higher GDP per capita, such as Singapore, tend to allocate a smaller share of income to food due to better income capacity and ultimately improving overall economic well-being and resilience.
- Stabilizing and reducing food price inflation is critical, especially as Malaysia's Consumer Price Index (CPI) for food and beverages has risen more steeply than in neighboring countries like Singapore. Persistent food inflation disproportionately affects lower- and middle-income households, forcing them to spend a larger share of income on basic necessities.

Tabulation of food costs and GDP per capita for 69 countries in the IMD WCY report




***Source:*** *IMD WCY (various years)*

Consumer price index of food and beverages in Malaysia and Singapore, 2010-2024




***Source:*** *Department of Statistics Malaysia (2025) and Department of Statistics Singapore (2025)*

# 1.5.05: Food Costs

## Addressing key challenges 2 - consideration of HES data in food cost assessment

Adopt the Household Expenditure Survey (HES) data as an alternative reference for food cost estimation, given that the percentage of food and beverage expenditure reported in HES is significantly lower than that derived from private consumption data in national accounts.

### Key Rationality

- The HES provides a more accurate reflection of actual household spending patterns, which may result in more realistic and comparable food cost indicators at the international level.
- Using HES data helps avoid overestimation and ensures consistency with micro-level data, offering a better basis for policy benchmarking and international reporting such as the IMD World Competitiveness Yearbook (WCY).

**Percentage of monthly household consumption expenditure**

Jadual 3: Peratusan perbelanjaan penggunaan isi rumah bulanan purata, Malaysia, 2016 - 2022

*Table 3: Percentage of monthly household consumption expenditure, Malaysia, 2016 - 2022*

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| Minyak & lemak<br>*Oils & fats* | 0.5 | 0.5 | 0.7 |
| Buah-buahan<br>*Fruits* | 1.0 | 1.0 | 1.1 |
| Sayur-sayuran<br>*Vegetables* | 2.0 | 1.8 | 1.7 |
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| Keluaran makanan t.t.t.l<br>*Food products n.e.c* | 1.6 | 1.7 | 1.7 |
| Kopi, teh, koko & minuman bukan alkohol<br>*Coffee, tea, cocoa & non-alcoholic beverages* | 1.1 | 1.0 | 0.8 |

***Source:*** *Department of Statistics Malaysia (2023)*

GOVERNMENT EFFICIENCY

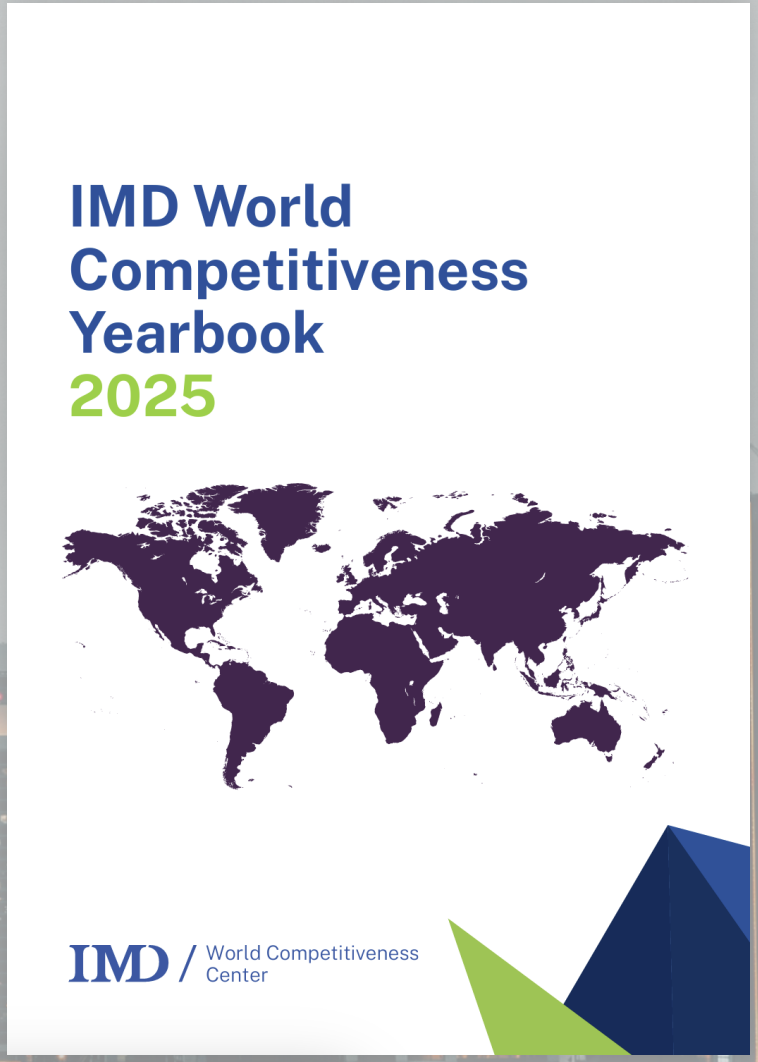
# Business Legislation

## 2.4.07 Government Subsidies

4th – 5th August 2025 | Doubletree by Hilton Hotel, Putrajaya

See more ↗

HD HARD DATA




| Factor: | Sub-Factor: | Indicator: |
|---|---|---|
| Government Efficiency | Business Legislation | **2.4.07** Government Subsidies |

# 2.4.07: Government Subsidies

## What is the IMD World Competitiveness Ranking?

**Factor**

**Government Efficiency**

Extent to which government policies are conducive to competitiveness.

**Sub-Factor**

**Business Legislation**

Examines the regulatory framework shaping business operations and entrepreneurship

**Indicator**

**Government Subsidies**

| Score | Ranking |
|---|---|
| 3.03% | 57 |

### Economic Performance

Macro-economic evaluation of the domestic economy, employment trends, and price.

- Domestic economy
- International trade
- International investment
- Employment
- Prices

### Government Efficiency

Extent to which government policies are conducive to competitiveness.

- Public finance
- Tax policy
- Institutional framework
- Business legislation
- Social framework

### Business Efficiency

Extent to which the national environment encourages enterprises to perform in an innovative, profitable, and responsible manner.

- Productivity
- Labor market
- Finance
- Management practices
- Attitude and values

### Infrastructure

Extent to which basic, technological, scientific, and human resources meet the needs of the business.

- Basic infrastructure
- Technological infrastructure
- Scientific infrastructure
- Health and environment
- Education

# 2.4.07: Government Subsidies

## Indicator overview sourced from IMD WCY 2025 Report

### INDICATOR DEFINED IN THE REPORT

Grants on current account by the General Government to (i) public corporations (ii) private enterprises and (iii) other sectors, to compensate for losses which are clearly the consequence of the price policies of the public authorities. Argentina, Botswana and Ghana: Budgetary Central Government. Argentina, Luxembourg, Romania and Switzerland: break in series. Bahrain: Includes Education subsidies and subsidies to private and public companies.

***Source:*** *IMD World Competitiveness Yearbook 2025 (page 585)*

### INDICATOR MEASUREMENT

According to the technical notes in WCY 2025, the indicator can be simply calculated as follows:

***Government subsidies (%) =***

$$\frac{Government\ subsidies\ to\ private\ and\ public\ companies}{Gross\ domestic\ product\ (current\ price)} \times 100$$

***Source:*** *IMD World Competitiveness Yearbook 2025 (page 413)*

### DATA SOURCE USED IN WCY 2025

The WCY 2025 report states that this indicator may be derived from the following sources:

- Eurostat
- IMF Government Finance Statistics
- National sources

***Source:*** *IMD World Competitiveness Yearbook 2025 (page 585)*

# 2.4.07: Government Subsidies

## Indicator performance over the years

### WHAT DOES THE SCORE INDICATE?

Business Legislation - Competition and Reg 2.4.07

**GOVERNMENT SUBSIDIES** 2024

To private and public companies as a percentage of GDP

| Ranking | | % | |
|---|---|---|---|
| 01 | Ghana | 0.03 | 2022 |
| 02 | Botswana | 0.09 | 2021 |
| 03 | Hong Kong SAR | 0.14 | 2022 |
| 04 | Qatar | 0.17 | 2022 |
| 05 | Brazil | 0.27 | 2023 |
| 06 | South Africa | 0.33 | 2022 |
| 07 | Lithuania | 0.34 | |
| 08 | USA | 0.37 | 2023 |
| 09 | Bahrain | 0.40 | |
| 10 | Kenya | 0.45 | 2023 |
| 11 | Mexico | 0.50 | 2023 |
| 12 | Cyprus | 0.50 | |
| 13 | Ireland | 0.51 | |
| 14 | Taiwan (Chinese Taipei) | 0.51 | |
| 15 | Philippines | 0.52 | |
| 16 | UAE | 0.55 | |
| 17 | Estonia | 0.66 | |
| 18 | Latvia | 0.71 | |
| 19 | Portugal | 0.75 | |
| 20 | Namibia | 0.82 | 2022 |
| 21 | Romania | 0.83 | |
| 22 | Saudi Arabia | 0.84 | |
| 23 | Slovenia | 1.11 | |
| 24 | Jordan | 1.14 | |
| 25 | Spain | 1.16 | |
| 26 | Finland | 1.17 | |
| 27 | Kazakhstan | 1.19 | |
| 28 | Mongolia | 1.19 | |
| 29 | Sweden | 1.21 | |
| 30 | Poland | 1.23 | |
| 31 | Denmark | 1.24 | |
| 32 | Australia | 1.26 | |
| 33 | Germany | 1.26 | |
| 34 | Canada | 1.30 | 2023 |
| 35 | Chile | 1.30 | 2023 |
| 36 | Luxembourg | 1.34 | |
| 37 | Netherlands | 1.36 | |
| 38 | India | 1.37 | 2023 |
| 39 | Japan | 1.38 | 2023 |
| 40 | Iceland | 1.41 | |
| 41 | Greece | 1.41 | |
| 42 | Croatia | 1.62 | |
| 43 | Italy | 1.66 | |
| 44 | Thailand | 1.66 | 2023 |
| 45 | Slovak Republic | 1.73 | |
| 46 | Colombia | 1.77 | 2023 |
| 47 | Czech Republic | 1.93 | |
| 48 | France | 1.97 | |
| 49 | Austria | 1.99 | |
| 50 | Norway | 2.01 | |
| 51 | United Kingdom | 2.03 | 2023 |
| 52 | Türkiye | 2.05 | 2023 |
| 53 | Hungary | 2.12 | |
| 54 | Bulgaria | 2.16 | |
| 55 | Indonesia | 2.33 | 2023 |
| 56 | Argentina | 2.66 | 2022 |
| 57 | Malaysia | 3.03 | 2023 |
| 58 | New Zealand | 3.10 | 2022 |
| 59 | Switzerland | 3.13 | 2023 |
| 60 | Belgium | 3.58 | |
| 61 | Oman | 4.19 | 2023 |
| 62 | Korea Rep. | 5.68 | 2023 |
| 63 | Puerto Rico | 7.91 | 2022 |
| - | China | - | |
| - | Kuwait | - | |
| - | Nigeria | - | |
| - | Peru | - | |
| - | Singapore | - | |
| - | Venezuela | - | |

***The lower the value, the higher the ranking.***

### RATIONALITY?

*This indicator measures the proportion of a country's GDP allocated to government subsidies directed at both public and private enterprises. Subsidies are often provided to compensate for losses stemming from government-imposed price controls or to support specific sectors in times of economic stress. A lower percentage of subsidies relative to GDP is generally considered favorable, as it reflects a less interventionist fiscal approach, stronger market efficiency, and better-targeted spending. Excessive subsidies, especially if not well-targeted, may distort competition, burden public finances, and reduce incentives for innovation and cost-efficiency. Hence, countries with lower government subsidy ratios typically score higher in competitiveness rankings due to stronger fiscal discipline and more sustainable economic management.*

***Source:*** *IMD World Competitiveness Yearbook (WCY) 2025*

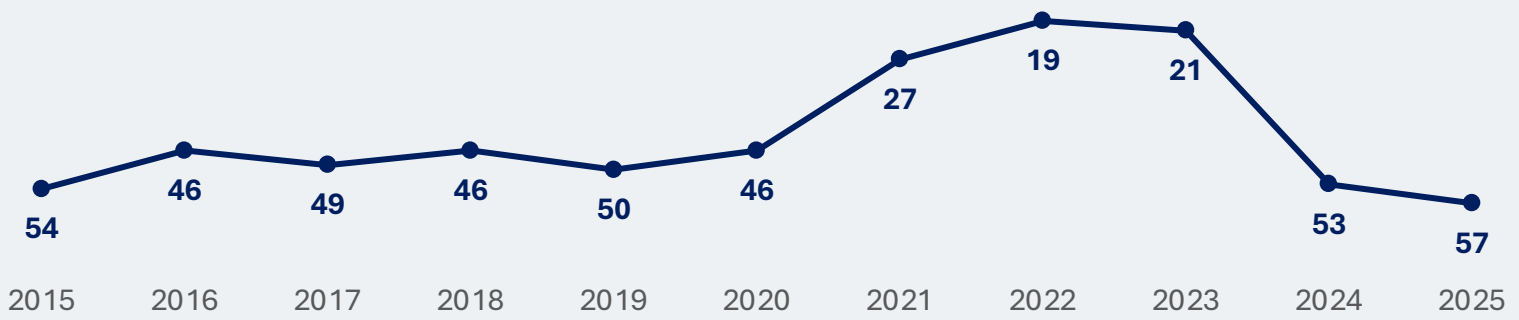
# 2.4.07: Government Subsidies

## Indicator performance over the years

### Indicator Score (% of GDP)

**Notes:** *Values are presented with a one-year lag due to nature of official reporting.*

### Indicator Rank (of 69 countries)




**Source:** *IMD WCY (various years)*

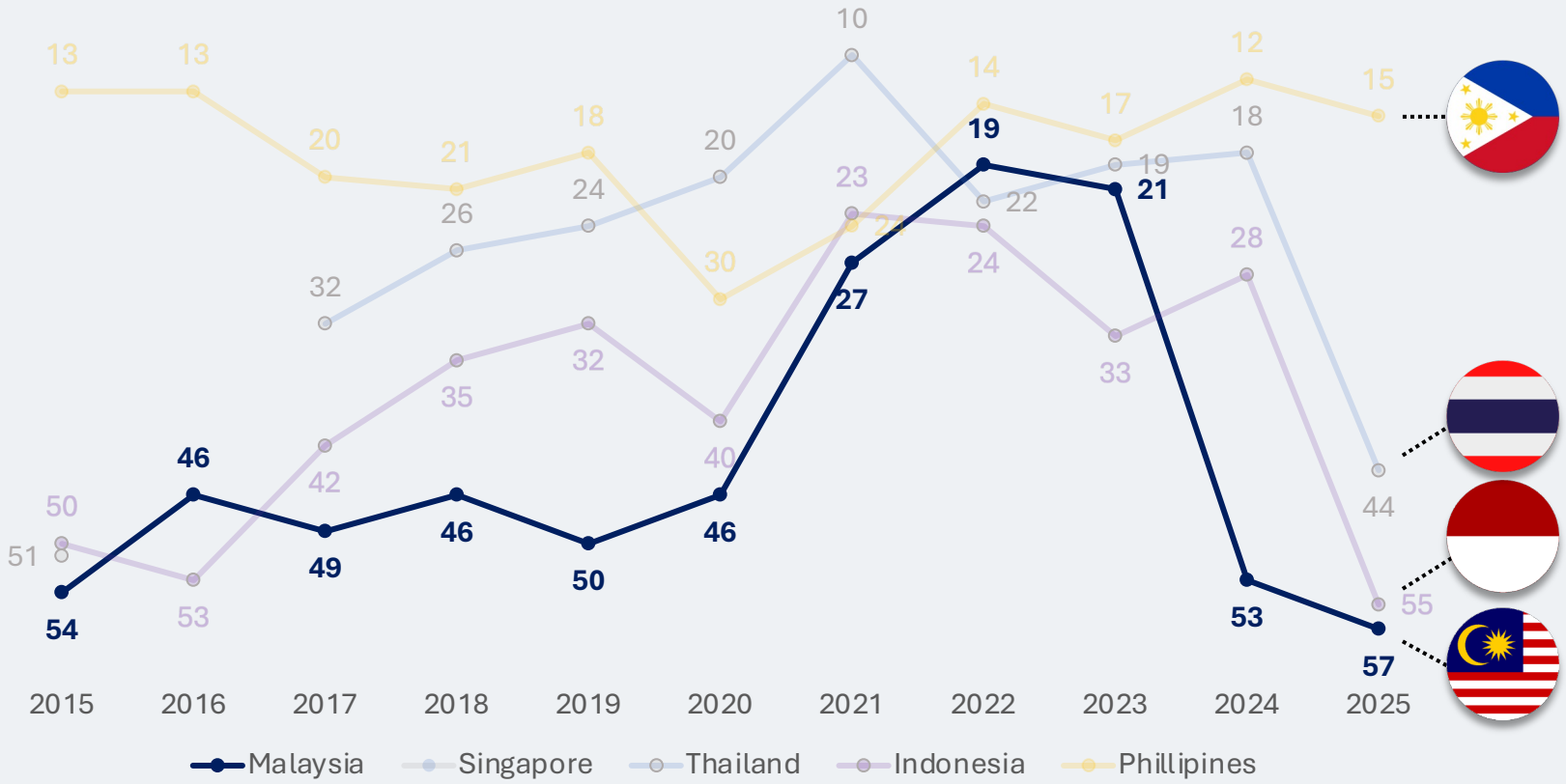
## HOW DO THE INDICATORS PERFORM ACROSS YEARS?

*Malaysia's government subsidies as a percentage of GDP have fluctuated over the years, reflecting shifts in fiscal policy and subsidy rationalization efforts. From a high of 3.71% in 2015, the indicator declined steadily to 1.08% in both 2022 and 2023, marking a clear downtrend aligned with efforts to reduce fiscal dependency on subsidies. However, in 2024 and 2025, the indicator rebounded significantly to 3.03%, indicating a renewed fiscal outlay, likely driven by inflation control measures and cost-of-living support during economic recovery.*

*In terms of global ranking, Malaysia improved steadily from 54th in 2015 to a peak of 19th in 2021, reflecting effective subsidy reform. However, rankings deteriorated again to 53rd in 2024 and 57th in 2025, suggesting that the renewed increase in subsidy spending may have affected fiscal efficiency. With the top-performing country (Ghana) reporting near-zero subsidies (0.03% of GDP), the gap highlights the need for Malaysia to balance social support with long-term fiscal sustainability.*

# 2.4.07: Government Subsidies

## Indicator performance over the years




***Source:*** *IMD WCY (various years)*
***Note****: Singapore is excluded from the ranking as it does not government subsidies data under this indicator.*

## WHERE ARE MALAYSIA NOW? RANKS AMONG ASEAN COUNTRIES

*Malaysia currently ranks the lowest among ASEAN countries covered under this indicator, placing 57th out of 69 economies in 2025. This marks a significant drop from 19th in 2021, highlighting persistent challenges in the transparency, classification, and fiscal efficiency of subsidies.*

*In contrast, countries like the Philippines and Thailand maintain top regional rankings, indicating better fiscal targeting and clearer alignment with international subsidy reporting standards. Notably, Singapore is excluded from this ranking as it does not report government subsidies under this indicator.*

# 2.4.07: Government Subsidies

## Indicator performance over the years

| Phase & Institution Involvement | Data Source | Compilation | Data Retrieval | Publish |
|---|---|---|---|---|
| | National institution | International Institution | IMD | IMD |

### Description

**Government Subsidies**

**Other countries**

Publish data based on national **Government Finance Statistics Yearbook** annually.

Data compiled and integrated internationally with other country profiles by:

IMD retrieves data from IMF and EUROSTAT sources into their database.

Malaysia in **2025**:

***Scored***

**3.03** %

***Ranked***

**57** th

MINISTRY OF FINANCE

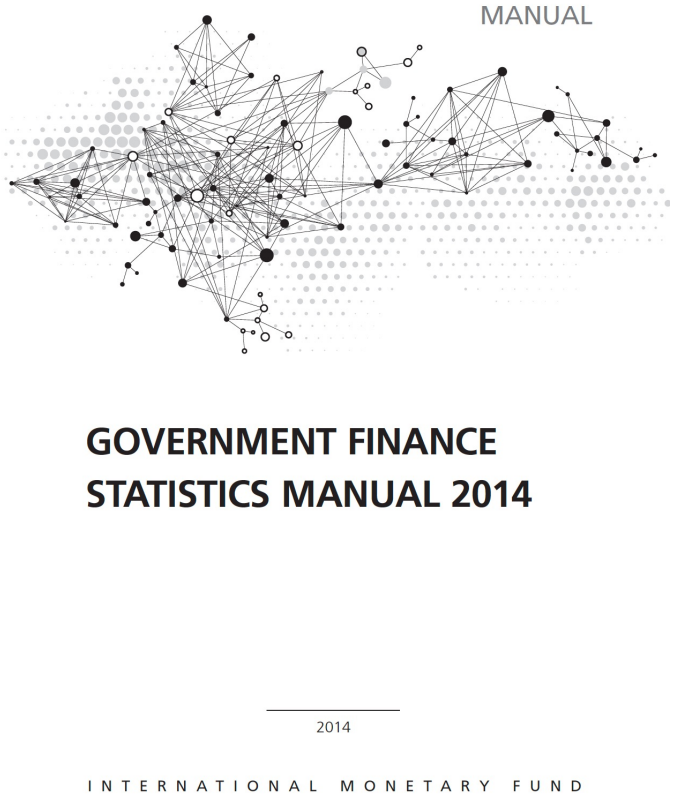
Data sources remain unclear, particularly where Malaysia does not publish precise data on subsidies provided to public corporations, private enterprises, and other sectors.

IMD retrieves data from MOF sources into their database.

# 2.4.07: Government Subsidies

## Benchmarking international practices – understanding subsidy components according to IMF standards

### International Monetary Fund




***Definition of subsidies for enterprises***

*Subsidies are current unrequited transfers that government units make to enterprises on the basis of the level of their production activities or the quantities or values of the goods or services they produce, sell, export, or import. Subsidies are receivable by resident producers or importers, and in exceptional cases, nonresident producers of goods and services.*

| Table 6.6 Detailed Classification of Subsidies (25) | |
|---|---|
| 25 | Subsidies[1] |
| 251 | To public corporations |
| 2511 | Public nonfinancial corporations |
| 2512 | Public financial corporations |
| 252 | To private enterprises |
| 2521 | Private nonfinancial enterprises |
| 2522 | Private financial enterprises |
| 253 | To other sectors[2] |

[1]Further breakdown/"of which" lines could identify whether these subsidies are subsidies on products or production.

[2]Further breakdown/"of which" lines could allow for the identification of subsectors and individual units (see Table 3.1).

***Subsidy on products***

*Subsidy payable per unit of a good or service. Th e subsidy may be a specific amount of money per unit of quantity of a good or service, or it may be calculated ad valorem as a specified percentage of the price per unit. A subsidy may also be calculated as the difference between a specified target price and the market price actually paid by a buyer.*

*These subsidies include:*

- *Trade-related subsidies*
- *Multiple exchange rate systems*
- *Losses by trading agencies*
- *Subsidies to domestic producers*
- *Compensation for pricing below production cost*
- *Below-market interest loans*

***Other subsidies on production***

*Subsidies that enterprises receive as a consequence of engaging in production but that are not related to specific products.*

*Included are:*

- *Wage subsidies*
- *Subsidies to reduce environmental impact,*
- *Operating grants to support daily business functions (excluding direct output support)*
- *Incentives for establishing in particular regions or sectors*
- *Support to encourage R&D or innovation broadly (not product-specific)*

***Subsidies do not include:***

- *Payments to households*
- *Payments not related to production*
- *Transfers that lack a production link*
- *Equity injections or capital transfers*
- *Debt forgiveness*
- *Tax relief or tax expenditures*
- *Government procurement at market price*
- *Below-cost sales not covered by transfers*

***Source:*** *Government Finance Statistics Manual 2014, IMF (page 131-134)*
*https://www.imf.org/external/Pubs/FT/GFS/Manual/2014/gfsfinal.pdf*

# Benchmarking international practices – understanding subsidy components according to IMF standards

## Eurostat

**Source:** *European system of accounts 2010, Eurostat (page 95)*
*https://ec.europa.eu/eurostat/documents/3859598/5925693/KS-02-13-269-EN.PDF*

### *Definition of subsidies for enterprises*

*Subsidies are current unrequited payments which general government or the institutions of the European Union make to resident producers. The following are examples of the objectives of giving subsidies:*

- *influencing levels of production;*
- *influencing the prices of products; or*
- *influencing the remuneration of the factors of production.*

*Subsidies are classified into:*

- *subsidies on products:*
  - *import subsidies;*
  - *other subsidies on products;*
- *other subsidies on production.*

### *Subsidy on products*

*Subsidies payable per unit of a good or service produced or imported.*

*The amount of subsidies on products can be specified in the following ways::*

- *a specific amount of money per unit of quantity of a good or service;*
- *a specified percentage of the price per unit;*
- *the difference between a specified target price and the market price paid by a buyer.*

***Import subsidies** consists of subsidies on goods and services that become payable when the goods cross the frontier for use in the economic territory or when the services are delivered to resident institutional units.*

***Other subsidies on products** that apply to products but do not fall under import subsidies or VAT-related supports. Instead, they cover a variety of specific support schemes, including:*

- *Price gap subsidies*
- *Per-unit output subsidies*
- *Subsidies for marketing or transportation Production-linked aids*
- *Payments reducing the sale price to the purchaser*

### *Other subsidies on production*

*Consist of subsidies except subsidies on products which resident producer units may receive as a consequence of engaging in production.*

*Included are:*

- *Wage subsidies*
- *Subsidies to reduce environmental impact,*
- *Operating grants to support daily business functions (excluding direct output support)*
- *Incentives for establishing in particular regions or sectors*
- *Support to encourage R&D or innovation broadly (not product-specific)*

***Subsidies do not include:***

- *Tax relief or tax expenditures*
- *Debt forgiveness*
- *Equity injections or capital transfers*
- *Government procurement at market price*
- *Social benefits to households*
- *Subsidies to final consumers*
- *VAT refunds*

# 2.4.07: Government Subsidies

## Recommendation to be considered – improving subsidy classification and transparency

Malaysia's current reporting lacks clarity and disaggregation in subsidy classification and coverage. Benchmarking against IMF and Eurostat practices reveals the need for consistent definitions, clearer exclusion criteria, and detailed breakdowns by recipient type.

### What Malaysia can improve?

- **Adopt clear subsidy classifications**
  Malaysia should adopt clear subsidy classifications aligned with international standards such as those of the IMF and Eurostat.

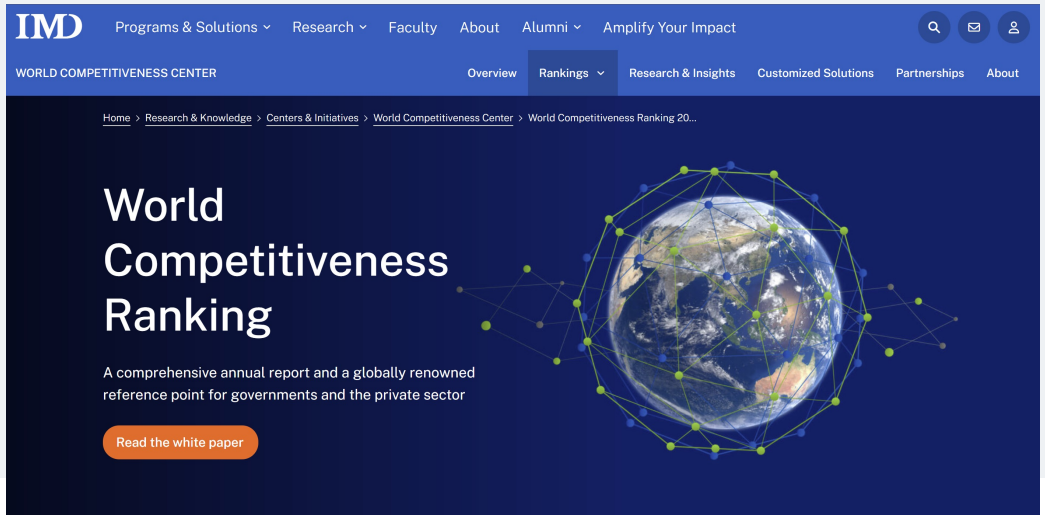
- **Improve data granularity**
  Malaysia should improve data granularity by institutionalizing detailed subsidy reporting in line with IMF and Eurostat practice.

- **Enhance transparency on what is not a subsidy**
  Malaysia should explicitly define what is excluded from subsidy calculations to avoid over-reporting or misreporting.

### Proposed Actions

**Request for disaggregated subsidy data for public corporations, private enterprises and other sectors**

- To enhance transparency and ensure alignment with international statistical standards such as the IMF and Eurostat, a detailed breakdown of government subsidies for public corporations, private enterprises and other sectors is requested.



GOVERNMENT EFFICIENCY

# Public Finance

## 2.1.02 Government Budget Surplus / Deficits (%)

4th – 5th August 2025 | Doubletree by Hilton Hotel, Putrajaya

See more ↗

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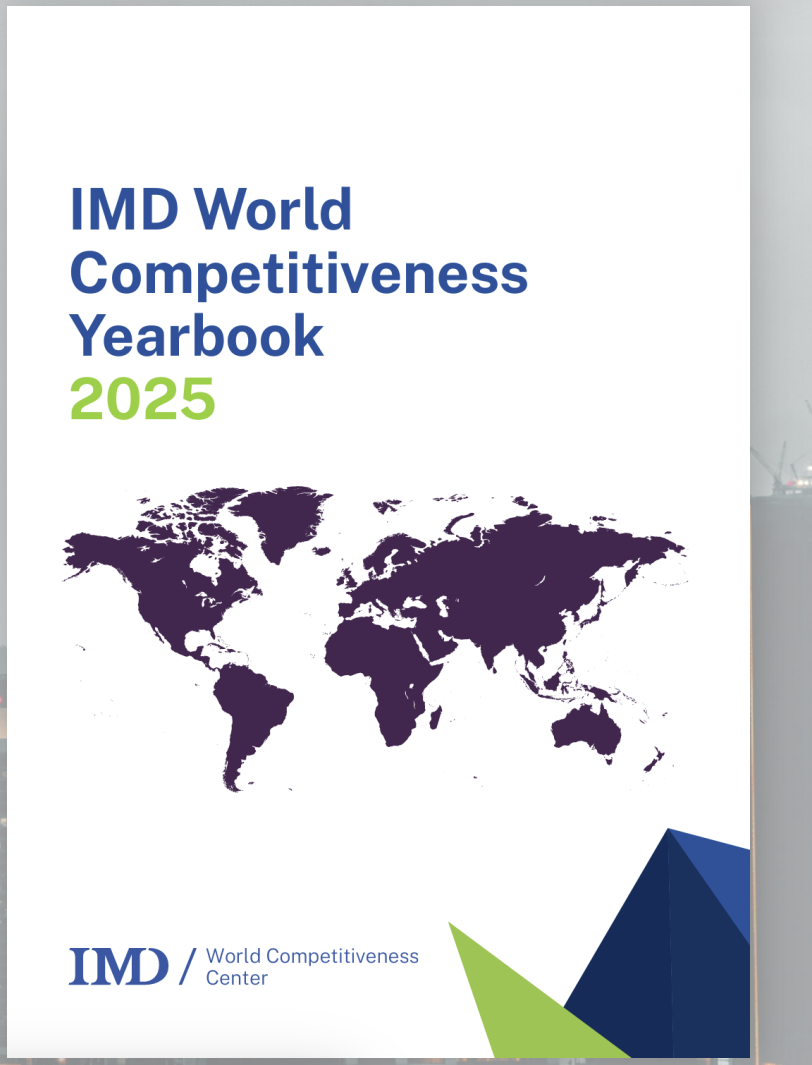



| Factor: | Sub-Factor: | Indicator: |
|---|---|---|
| Government Efficiency | Public Finance | **2.1.02** Government Budget Surplus / Deficits (%) |

# 2.1.02: Government Budget Surplus / Deficits (%)

## What is the IMD World Competitiveness Ranking?

**Factor:** Government Efficiency

Extent to which government policies are conducive to competitiveness.

**Sub-Factor:** Public Finance

Evaluates the sustainability and effectiveness of government revenue and expenditure management

**Indicator:** Government Budget Surplus / Deficits

| Score | Ranking |
|---|---|
| -3.95% | 45 |

### Economic Performance

Macro-economic evaluation of the domestic economy, employment trends, and price.

- Domestic economy
- International trade
- International investment
- Employment
- Prices

### Government Efficiency

Extent to which government policies are conducive to competitiveness.

- Public finance
- Tax policy
- Institutional framework
- Business legislation
- Social framework

### Business Efficiency

Extent to which the national environment encourages enterprises to perform in an innovative, profitable, and responsible manner.

- Productivity
- Labor market
- Finance
- Management practices
- Attitude and values

### Infrastructure

Extent to which basic, technological, scientific, and human resources meet the needs of the business.

- Basic infrastructure
- Technological infrastructure
- Scientific infrastructure
- Health and environment
- Education

# 2.1.02: Government Budget Surplus / Deficits (%)

## Indicator overview sourced from *IMD WCY 2025* Report

### INDICATOR DEFINED IN THE REPORT

Net lending (+)/ borrowing (-) is calculated as revenue minus total expenditure. This is a core GFS balance that measures the extent to which general government is either putting financial resources at the disposal of other sectors in the economy and nonresidents (net lending), or utilizing the financial resources generated by other sectors and nonresidents (net borrowing). This balance may be viewed as an indicator of the financial impact on general government activity on the rest of the economy and nonresidents (GFSM 2001, paragraph 4.17). Note: Net lending (+)/borrowing (-) is also equal to net acquisition of financial assets minus net incurrence of liabilities.

***Source:*** *IMD World Competitiveness Yearbook 2025 (page 581)*

### INDICATOR MEASUREMENT

According to the technical notes in WCY 2025, the indicator can be simply calculated as follows:

***Government Budget Surplus / Deficits (%) =***

$$\frac{(Govt.\,Revenue - Govt.\,Expenditure)}{Gross\ domestic\ product} \times 100$$

***Source:*** *IMD World Competitiveness Yearbook 2025 (page 415)*

### DATA SOURCE USED IN WCY 2025

The WCY 2025 report states that this indicator may be derived from the following sources:

- IMF World Economic Outlook April 2025

***Source:*** *IMD World Competitiveness Yearbook 2025 (page 581)*

# 2.1.02: Government Budget Surplus / Deficits (%)

## Ranking as reported in IMD WCY 2025

### WHAT DOES THE SCORE INDICATE?

Public Finance 2.1.02

GOVERNMENT BUDGET SURPLUS/DEFICIT (%) 2024

Percentage of GDP

| Ranking | | % |
|---|---|---|
| 01 | Kuwait | 21.37 |
| 02 | Norway | 12.78 |
| 03 | Oman | 6.16 |
| 04 | UAE | 5.40 |
| 05 | Cyprus | 4.52 |
| 06 | Denmark | 4.50 |
| 07 | Singapore | 4.49 |
| 08 | Ireland | 4.40 |
| 09 | Mongolia | 1.41 |
| 10 | Luxembourg | 1.03 |
| 11 | Argentina | 0.86 |
| 12 | Qatar | 0.71 |
| 13 | Portugal | 0.70 |
| 14 | Switzerland | 0.58 |
| 15 | Greece | -0.32 |
| 16 | Puerto Rico | -0.51 |
| 17 | Korea Rep. | -0.63 |
| 18 | Taiwan (Chinese Taipei) | -0.76 |
| 19 | Slovenia | -0.90 |
| 20 | Netherlands | -1.06 |
| 21 | Thailand | -1.28 |
| 22 | Lithuania | -1.30 |
| 23 | Kazakhstan | -1.61 |
| 24 | Estonia | -1.70 |
| 25 | Sweden | -1.72 |
| 26 | Latvia | -1.82 |
| 27 | Croatia | -2.14 |
| 28 | Canada | -2.15 |
| 29 | Australia | -2.16 |
| 30 | Czech Republic | -2.21 |
| 31 | Indonesia | -2.30 |
| 32 | Japan | -2.48 |
| 33 | Hong Kong SAR | -2.53 |
| 34 | Chile | -2.74 |
| 35 | Germany | -2.76 |
| 36 | Saudi Arabia | -2.84 |
| 37 | Bulgaria | -3.03 |
| 38 | Spain | -3.15 |
| 39 | Nigeria | -3.37 |
| 40 | Italy | -3.45 |
| 41 | Iceland | -3.48 |
| 42 | Venezuela | -3.55 |
| 43 | Namibia | -3.59 |
| 44 | Peru | -3.60 |
| 45 | Malaysia | -3.95 |
| 46 | Philippines | -4.00 |
| 47 | Finland | -4.21 |
| 48 | New Zealand | -4.37 |
| 49 | Belgium | -4.42 |
| 50 | Austria | -4.69 |
| 51 | Colombia | -4.73 |
| 52 | Hungary | -4.92 |
| 53 | Türkiye | -5.20 |
| 54 | Mexico | -5.49 |
| 55 | Kenya | -5.51 |
| 56 | United Kingdom | -5.75 |
| 57 | France | -5.78 |
| 58 | Slovak Republic | -5.83 |
| 59 | South Africa | -6.05 |
| 60 | Poland | -6.58 |
| 61 | Brazil | -6.63 |
| 62 | USA | -7.26 |
| 63 | China | -7.34 |
| 64 | India | -7.37 |
| 65 | Ghana | -7.68 |
| 66 | Jordan | -8.26 |
| 67 | Romania | -8.68 |
| 68 | Botswana | -10.30 |
| 69 | Bahrain | -10.71 |

***The higher the value, the higher the ranking.***

### RATIONALITY?

A higher government budget surplus (or lower deficit) reflects stronger fiscal discipline and effective public finance management. Countries with sound budget positions tend to have greater capacity to invest in infrastructure, social services, and crisis response without relying excessively on debt.

Maintaining a healthy fiscal balance also supports macroeconomic stability, investor confidence, and reduces vulnerability to external shocks. This indicator rewards economies with prudent spending policies, efficient tax systems, and forward-looking fiscal frameworks.

In 2025 (based on 2024 data), Malaysia recorded a fiscal deficit of -3.37% of GDP, ranking 43rd out of 69 economies. This position places Malaysia behind regional peers such as Singapore (ranked 7th) and Indonesia (31st), underscoring the urgency to enhance revenue generation and manage expenditures more efficiently. Structural reforms such as tax system enhancement—including VAT—may help close this fiscal gap over time.

***Source:*** *IMD World Competitiveness Yearbook (WCY) 2025*

# 2.1.02: Government Budget Surplus / Deficits (%)

## Indicator footprint – tracking the data sources

| Phase & Institution Involvement | Data Source | Compilation & Estimation | Data Retrieval | Publish |
|---|---|---|---|---|
| | National Institution → | International Institution → | IMD → | IMD |

## Description

### Government Budget

Raw data are collected

by:

MINISTRY OF FINANCE

Data are compiled, estimated and integrated internationally with other country profiles

by:

INTERNATIONAL MONETARY FUND

**Note:** *For other countries, the data are compiled from national sources for each respective countries.*

IMD retrieves data from IMF sources into their database.

Malaysia in **2025**:

***Scored***

**-3.95** %

***Ranked***

**45** th

### Gross Domestic Product

Publish data based on **System of National Accounts** annually

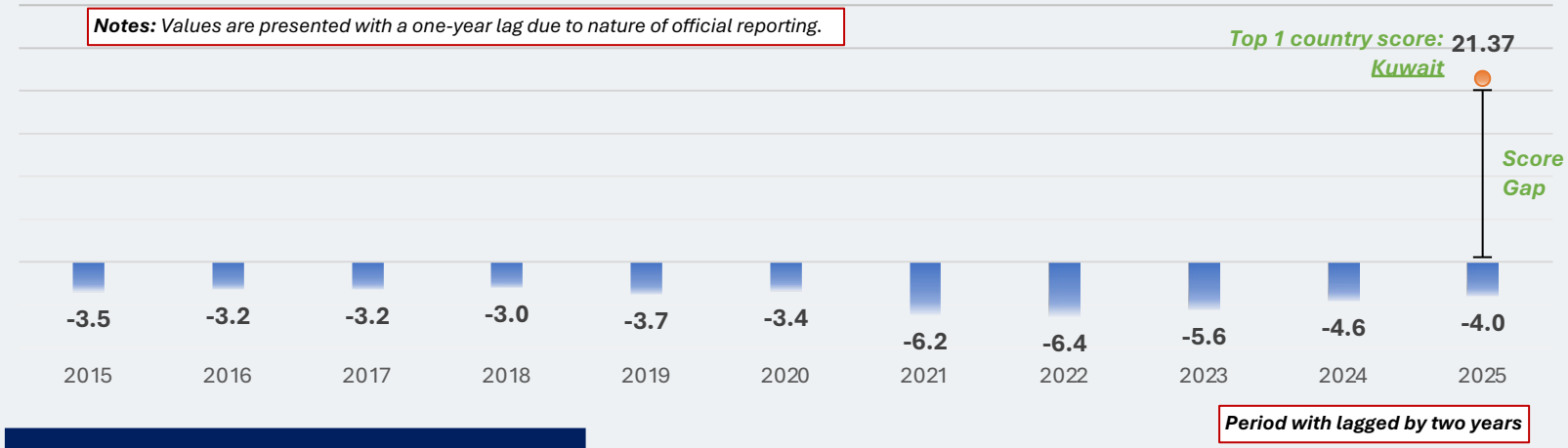
by:

PRIME MINISTER'S DEPARTMENT
DEPARTMENT OF STATISTICS MALAYSIA

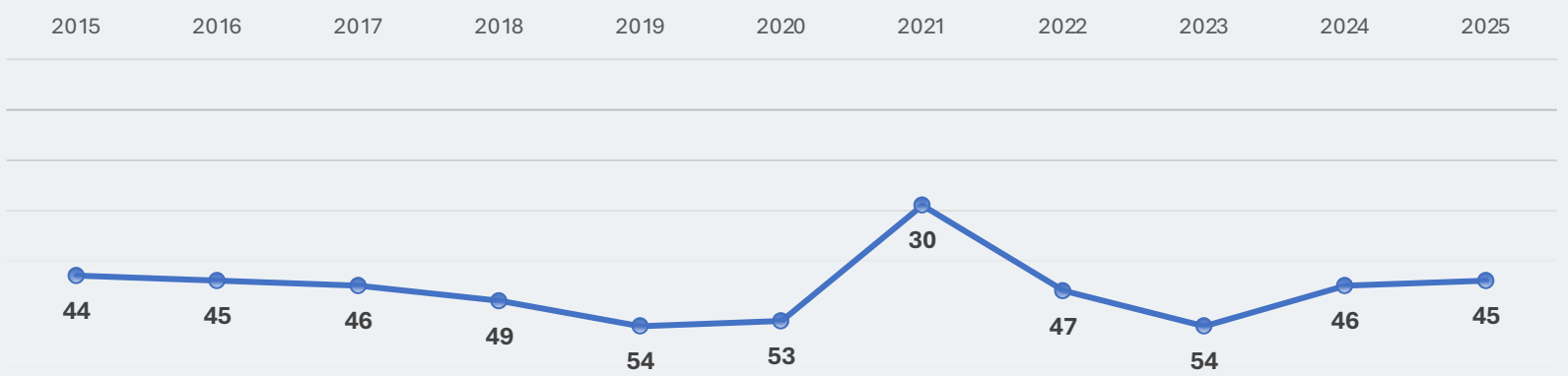
# 2.1.02: Government Budget Surplus / Deficits (%)

## Indicator performance over the years

### Indicator **Score (% of GDP)**




### Indicator **Rank (of 69 countries)**




**Source:** *IMD WCY (various years)*

## HOW DO THE INDICATORS PERFORM ACROSS YEARS?

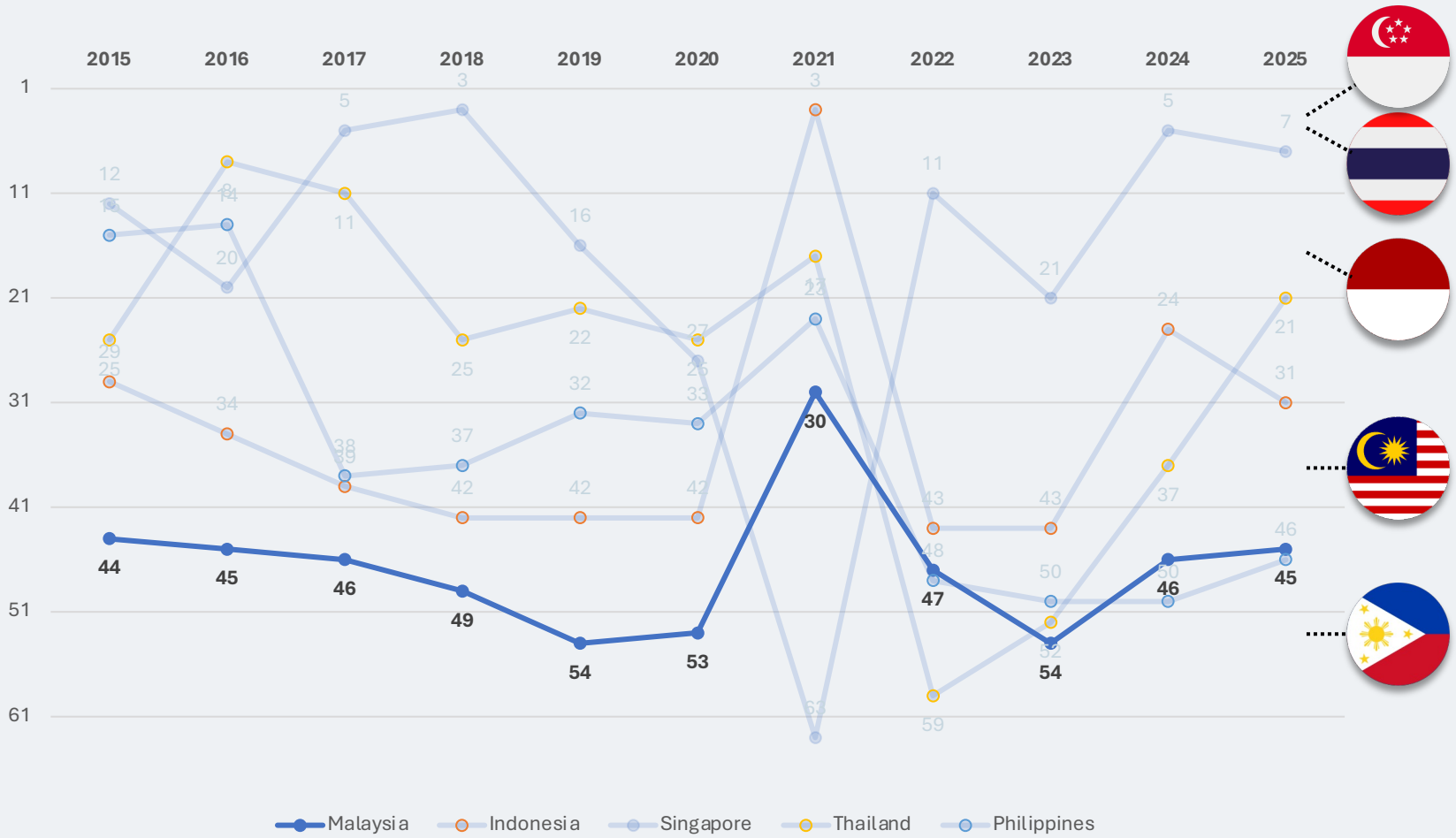
*Malaysia's fiscal position has remained in a persistent deficit over the past decade, averaging around -4% of GDP, with the sharpest decline recorded in 2021 at -6.2%. Although a gradual recovery is visible post-pandemic, Malaysia's fiscal balance still trails far behind the global top performer, Kuwait (+21.4%), reflecting limited fiscal room for counter-cyclical spending and development financing.*

*In terms of ranking, Malaysia has fluctuated within the lower-middle tier globally, ranging between 44th and 54th place. Despite slight improvements in recent years, the country has not achieved significant fiscal consolidation, which is crucial for macroeconomic stability and long-term growth.*

*Overall, this trend underscores the need for enhanced revenue mobilisation and expenditure efficiency. Introducing broader and more resilient tax instruments could support fiscal sustainability while aligning with long-term economic development.*

# 2.1.02: Government Budget Surplus / Deficits (%)

## Indicator performance over the years




**Source:** *IMD WCY (various years)*

## WHERE ARE MALAYSIA NOW? RANKS AMONG ASEAN COUNTRIES

*Malaysia currently ranks 45th globally in 2025, reflecting persistent fiscal deficits and limited fiscal flexibility. Within ASEAN, Malaysia trails behind Singapore and Thailand, both of which demonstrate stronger fiscal positions with better budgetary control and spending efficiency.*

*Indonesia has made steady progress, advancing from 30th place in 2015 to 21st in 2025. This improvement indicates stronger revenue mobilisation and fiscal consolidation efforts. Conversely, the Philippines has experienced considerable volatility, ranking 54th in 2025 and continuing to face structural fiscal challenges.*

*Overall, Malaysia's performance signals an urgent need to strengthen public finance strategies—particularly on revenue enhancement—to remain competitive within ASEAN and close the gap with advancing peers like Indonesia.*

# 2.1.02: Government Budget Surplus / Deficits (%)

## Understanding Government Budget in IMF contexts

### Definition of Government Budget

**Term used:**

| IMD WCY Report 2025: | IMF's WEO database: |
|---|---|
| Government Budget Surplus/Deficit | General Government Net Lending/Borrowing |

### General Government Net Lending/Borrowing Formula:

$$Govt.Revenue - Govt.Total\ Expenditure$$

**or**

$$Net\ acquisition\ of\ financial\ assets - Net\ incurrence\ of\ liabilities$$

This is a core GFS balance that measures the extent to which general government is either putting financial resources at the disposal of other sectors in the economy and nonresidents (net lending), or utilizing the financial resources generated by other sectors and nonresidents (net borrowing). This balance may be viewed as an indicator of the financial impact of general government activity on the rest of the economy and nonresidents (GFSM 2001, paragraph 4.17)

***Note:*** *General government includes Central Government; State Government; Local Government. General government also includes 79 statutory bodies with individual budgets.*

***Source:*** *WEO database April 2025, IMF (2025)*

**Table 4.1: Statement of Government Operations**

**TRANSACTIONS AFFECTING NET WORTH:**

REVENUE
- Taxes
- Social contributions [GFS]
- Grants
- Other revenue

EXPENSE
- Compensation of employees [GFS]
- Use of goods and services
- Consumption of fixed capital [GFS]
- Interest [GFS]
- Subsidies
- Grants
- Social benefits [GFS]
- Other expense

*NET/GROSS OPERATING BALANCE*[1]

**TRANSACTIONS IN NONFINANCIAL ASSETS:**

NET ACQUISITION OF NONFINANCIAL ASSETS[2]
- Fixed assets
- Change in inventories
- Valuables
- Nonproduced assets

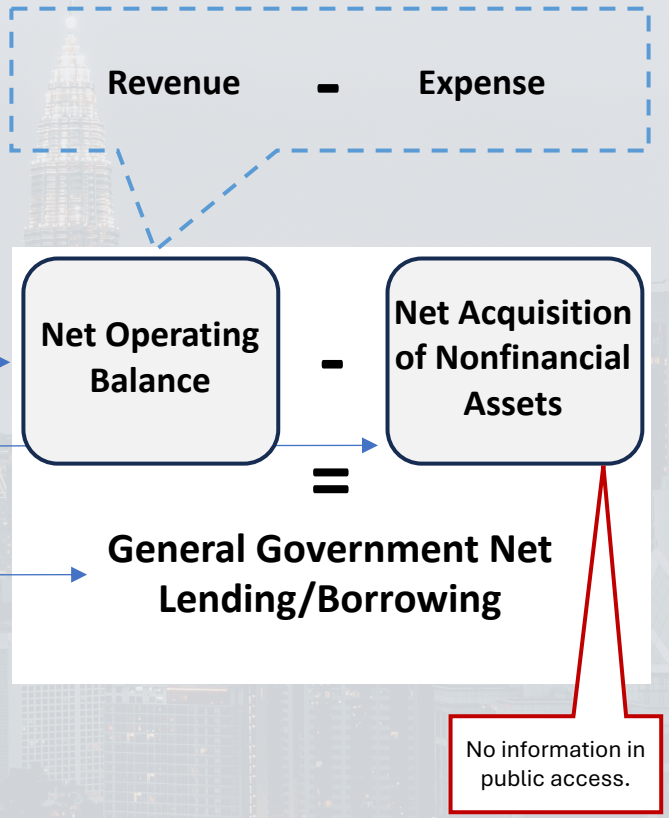
*NET LENDING/BORROWING [GFS]*[3]

**TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES (FINANCING):**

NET ACQUISITION OF FINANCIAL ASSETS
- Domestic
- Foreign

NET INCURRENCE OF LIABILITIES
- Domestic
- Foreign

[1]The net operating balance equals revenue minus expense. The gross operating balance equals revenue minus expense other than consumption of fixed capital.
[2]Acquisitions minus disposals and consumption of fixed capital.
[3]Net lending/borrowing equals the net operating balance minus the net acquisition of nonfinancial assets. It is also equal to the net acquisition of financial assets minus the net incurrence of liabilities.




***Source:*** *Government Finance Statistics Manual (GFSM) 2001, IMF*

# 2.1.02: Government Budget Surplus / Deficits (%)

## Comparing Revenue between MOF and IMF

### Classification in GFSM 2001:

**Table 5.1: Classification of Revenue**

| | |
|---|---|
| **1 Revenue** | **12 Social contributions [GFS]** |
| **11 Taxes** | 121 Social security contributions |
| 111 Taxes on income, profits, and capital gains | 1211 Employee contributions |
| 1111 Payable by individuals | 1212 Employer contributions |
| 1112 Payable by corporations and other enterprises | 1213 Self-employed or nonemployed contributions |
| 1113 Unallocable | 1214 Unallocable contributions |
| 112 Taxes on payroll and workforce | 122 Other social contributions |
| 113 Taxes on property | 1221 Employee contributions |
| 1131 Recurrent taxes on immovable property | 1222 Employer contributions |
| 1132 Recurrent taxes on net wealth | 1223 Imputed contributions |
| 1133 Estate, inheritance, and gift taxes | **13 Grants** |
| 1134 Taxes on financial and capital transactions | 131 From foreign governments |
| 1135 Other nonrecurrent taxes on property | 1311 Current |
| 1136 Other recurrent taxes on property | 1312 Capital |
| 114 Taxes on goods and services | 132 From international organizations |
| 1141 General taxes on goods and services | 1321 Current |
| 11411 Value-added taxes | 1322 Capital |
| 11412 Sales taxes | 133 From other general government units |
| 11413 Turnover and other general taxes on goods and services | 1331 Current |
| | 1332 Capital |
| 1142 Excises | **14 Other revenue** |
| 1143 Profits of fiscal monopolies | 141 Property income [GFS] |
| 1144 Taxes on specific services | 1411 Interest [GFS] |
| 1145 Taxes on use of goods and on permission to use goods or perform activities | 1412 Dividends |
| | 1413 Withdrawals from income of quasi-corporations |
| 11451 Motor vehicle taxes | 1414 Property income attributed to insurance policyholders |
| 11452 Other taxes on use of goods and on permission to use goods or perform activities | 1415 Rent |
| | 142 Sales of goods and services |
| 1146 Other taxes on goods and services | 1421 Sales by market establishments |
| 115 Taxes on international trade and transactions | 1422 Administrative fees |
| 1151 Customs and other import duties | 1423 Incidental sales by nonmarket establishments |
| 1152 Taxes on exports | 1424 Imputed sales of goods and services |
| 1153 Profits of export or import monopolies | 143 Fines, penalties, and forfeits |
| 1154 Exchange profits | 144 Voluntary transfers other than grants |
| 1155 Exchange taxes | 1441 Current |
| 1156 Other taxes on international trade and transactions | 1442 Capital |
| 116 Other taxes | 145 Miscellaneous and unidentified revenue |
| 1161 Payable solely by business | |
| 1162 Payable by other than business or unidentifiable | |

***Source:*** *Government Finance Statistics Manual 2001, IMF and MOF Budget Report*

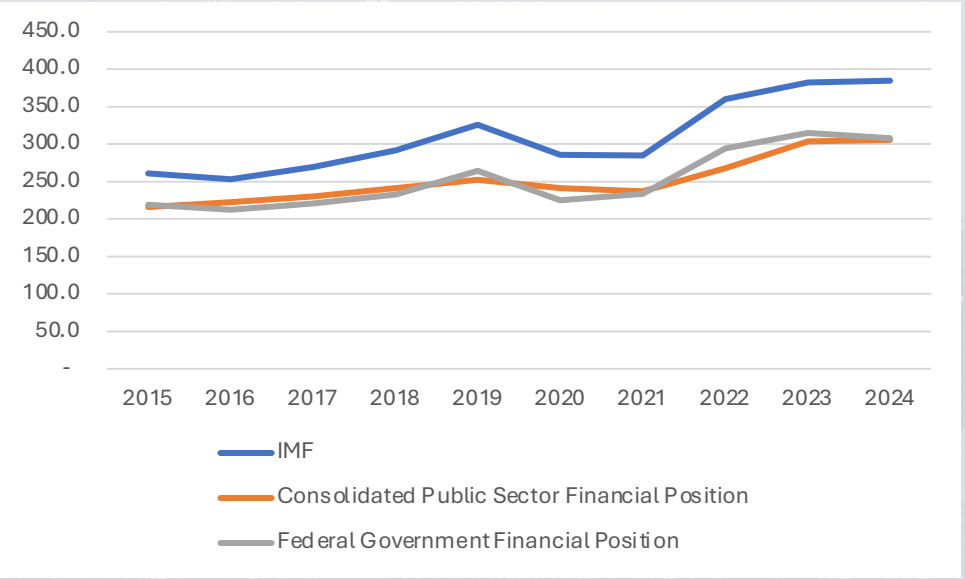
### Classification in MOF:

(based on Federal Revenue)

| Revenue |
|---|
| **Direct Tax** |
| Income Tax |
| *Individuals* |
| *Companies* |
| *Petroleum* |
| *Withholding and others* |
| Others |
| *Estate Duty* |
| *Stamp Duty* |
| *Real Property Gains Tax* |
| *Others* |
| **Indirect Tax** |
| Export Duties |
| Import Duties and Surtax |
| Excise Duties |
| Sales Tax |
| Service Tax |
| Goods and Services Tax |
| Others |
| **Non-Tax Revenue** |
| PETRONAS Dividend |
| Petroleum Royalty and Gas |
| Motor Vehicle License and Roadtax |
| Bank Negara Dividend |
| Others |
| **Non-Revenue** |
| Non-Revenue Receipts |
| Revenue from Federal Territories |

**Comparing Value**

### Government Revenue (RM bil.):




***Differences in reported revenue figures reflect uncertainties in scope and coverage definitions***

***Source:*** *WEO database and MOF's Budget Report*

# 2.1.02: Government Budget Surplus / Deficits (%)

## Comparing Total Expenditure between MOF and IMF

**Classification in GFSM 2001:**

**Table 6.1: Economic Classification of Expense**

| | |
|---|---|
| 2 | **Expense** |
| 21 | **Compensation of employees [GFS]** |
| 211 | Wages and salaries [GFS] |
| 2111 | Wages and salaries in cash [GFS] |
| 2112 | Wages and salaries in kind [GFS] |
| 212 | Social contributions [GFS] |
| 2121 | Actual social contributions [GFS] |
| 2122 | Imputed social contributions [GFS] |
| 22 | **Use of goods and services** |
| 23 | **Consumption of fixed capital [GFS]** |
| 24 | **Interest [GFS]** |
| 241 | To nonresidents |
| 242 | To residents other than general government |
| 243 | To other general government units |
| 25 | **Subsidies** |
| 251 | To public corporations |
| 2511 | To nonfinancial public corporations |
| 2512 | To financial public corporations |
| 252 | To private enterprises |
| 2521 | To nonfinancial private enterprises |
| 2522 | To financial private enterprises |
| 26 | **Grants** |
| 261 | To foreign governments |
| 2611 | Current |
| 2612 | Capital |
| 262 | To international organizations |
| 2621 | Current |
| 2622 | Capital |
| 263 | To other general government units |
| 2631 | Current |
| 2632 | Capital |
| 27 | **Social benefits [GFS]** |
| 271 | Social security benefits |
| 2711 | Social security benefits in cash |
| 2712 | Social security benefits in kind |
| 272 | Social assistance benefits |
| 2721 | Social assistance benefits in cash |
| 2722 | Social assistance benefits in kind [GFS] |
| 273 | Employer social benefits |
| 2731 | Employer social benefits in cash |
| 2732 | Employer social benefits in kind |
| 28 | **Other expense** |
| 281 | Property expense other than interest |
| 2811 | Dividends (public corporations only) |
| 2812 | Withdrawals from income of quasi-corporations (public corporations only) |
| 2813 | Property expense attributed to insurance policyholders [GFS] |
| 2814 | Rent |
| 282 | Miscellaneous other expense |
| 2821 | Current |
| 2822 | Capital |

**Classification in MOF:** (based on Federal Expenditure)

- Emolumen *Emoluments*
- Bayaran persaraan *Retirement charges*
- Bayaran khidmat hutang *Debt service charges*
  - Dalam negeri *Domestic*
  - Luar negeri *External*
- Pemberian dan serahan kepada kerajaan negeri *Grants and transfers to state governments*
  - Pemberian di bawah Perlembagaan *Constitutional grants*
  - Pemberian/pindahan lain[1] *Other grants/transfers[1]*
- Perkhidmatan dan bekalan *Supplies and services*
- Subsidi dan bantuan sosial *Subsidies and social assistance*
- Pembelian aset *Asset acquisition*
- Bayaran balik dan hapus kira *Refunds and write-offs*
- Pemberian kepada badan berkanun *Grants to statutory bodies*
- Lain-lain[2] *Others[2]*

**Jumlah** ***Total***

***Notes:***

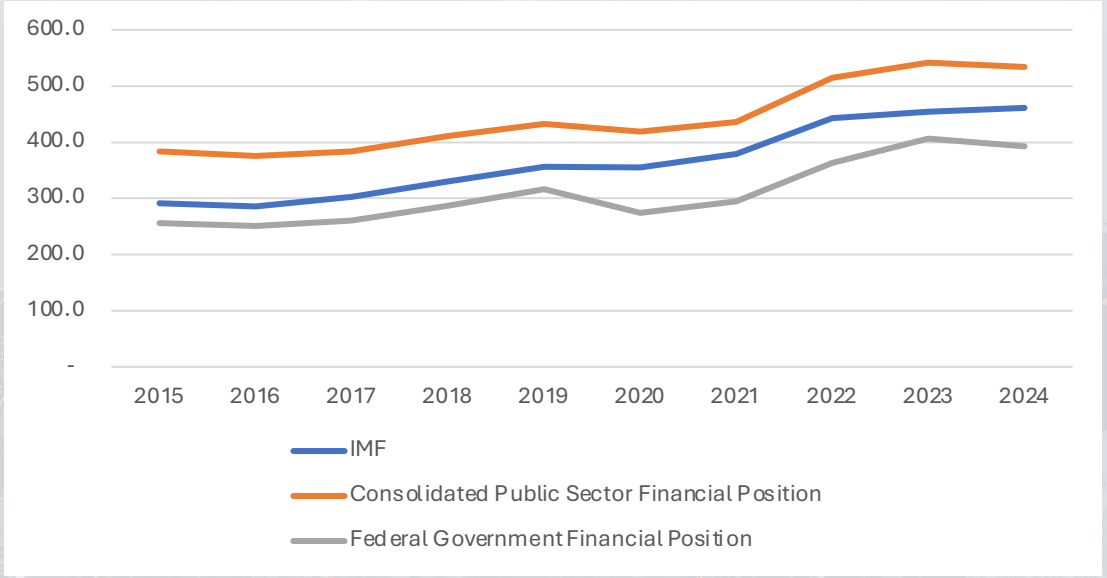
*1 Include grants/transfers other than those listed in the Federal Constitution.*

*2 Include grants to Statutory Funds, public corporations, international organisations, insurance claims and gratuities.*

***Source:*** *Government Finance Statistics Manual 2001, IMF and MOF Budget Report*

## Comparing Value

### Government Total Expenditure (RM bil.):




***Differences in reported total expenditure figures reflect uncertainties in scope and coverage definitions.***

***Source:*** *Estimated based on WEO database and MOF's Budget Report*

# 2.1.02: Government Budget Surplus / Deficits (%)

## Recommendation 1 – Clarifying Budget Data Alignment with MOF and IMF

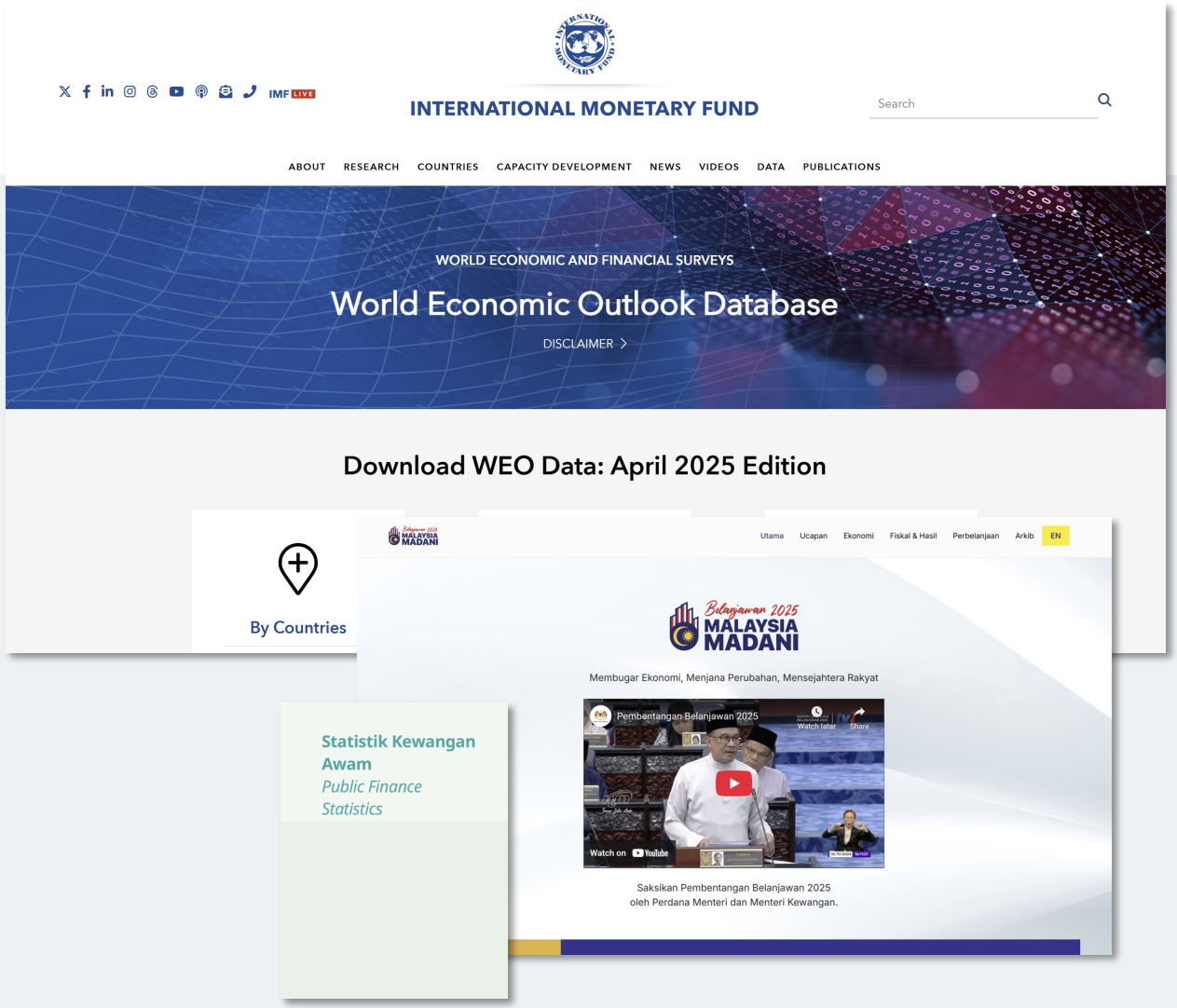
An engagement should be initiated with MOF and IMF to clarify whether the government budget data share the same classification, scope, and coverage as defined in international frameworks.

### Key Rationality

- **Scope Clarity:** Discrepancies in revenue and expenditure suggest differing coverage (e.g., inclusion of statutory bodies or public corporations).
- **Methodology Alignment:** IMF uses GFSM 2001 standards. Confirming MOF alignment ensures comparability and consistency.
- **Credibility:** Clear and harmonized definitions improve confidence in Malaysia's fiscal reporting and international ranking credibility.

### Proposed Actions

- **Initiate technical discussions** with MOF and IMF to clarify data boundaries and definitions.
- **Recommend publishing metadata** on scope and methodology to enhance transparency.

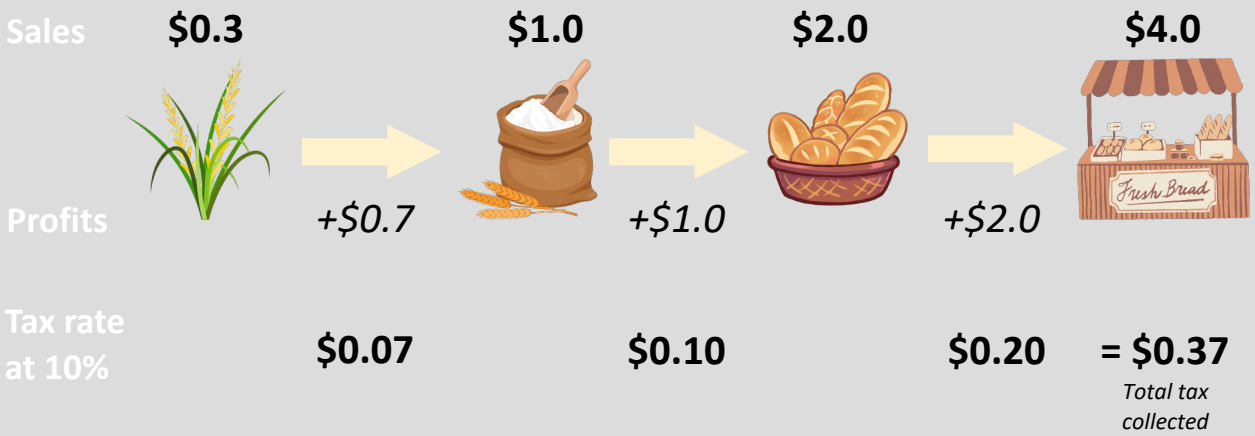


# Recommendation 2 – Reintroduce Goods & Services Tax

## Defining Goods & Services Tax (GST) / Value Added Tax (VAT)

*VAT is a broad-based consumption tax applied at each stage of the value chain—from production to retail—on the value added at each step. Unlike sales taxes, VAT is levied on both business-to-business (B2B) and business-to-consumer (B2C) transactions, making it more efficient and transparent.*

## How VAT works in practice:

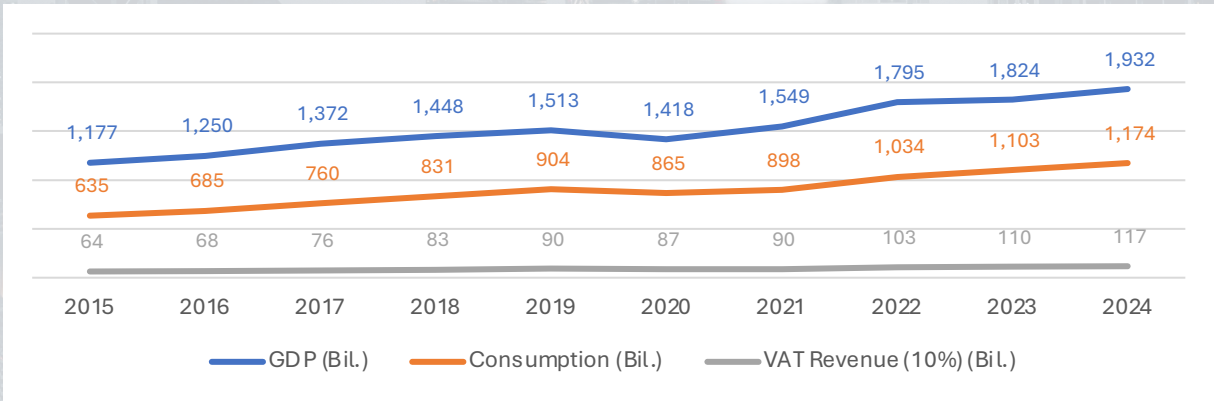



*Tax is levied on value added, not total sales. More value created, more tax generated.*

## Why choose the VAT instead of the conventional taxes ?

- **More Transparency:** VAT enhances traceability across the supply chain, reducing leakages and improving compliance.
- **Predictable and Consistent Revenue Flow:** VAT is based on consumption, making it less volatile than income- or trade-based taxes—especially during economic shocks.
- **Alignment with Economic Development:** VAT grows in tandem with consumption and economic expansion, ensuring that public revenue evolves with national development (aligned with the indicator's objective).

## Hypothetical Scenario of VAT (10%) revenue (in RM):




***Better economic performance → higher consumption → greater tax revenue.***

***Notes:*** *VAT are calculated at consumption, sub-component of GDP.*

GOVERNMENT EFFICIENCY

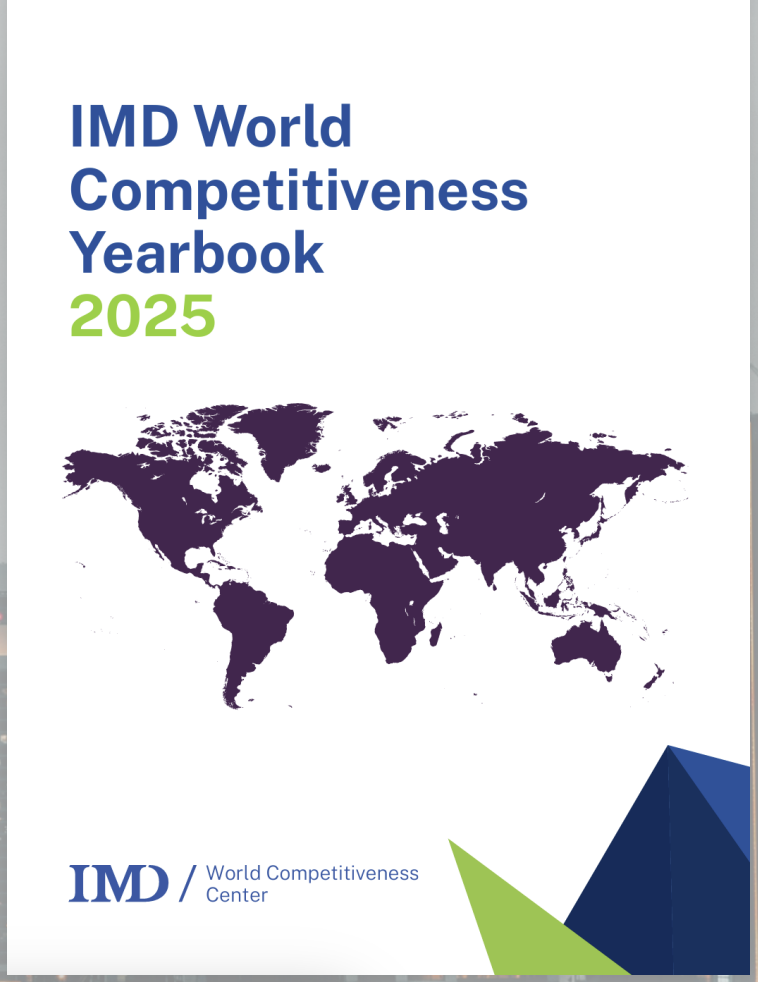
# Public Finance

## 2.1.04 Total General Government Debt (%)

4th – 5th August 2025 | Doubletree by Hilton Hotel, Putrajaya

See more ↗

HD HARD DATA




| Factor: | Sub-Factor: | Indicator: |
| --- | --- | --- |
| Government Efficiency | Public Finance | 2.1.04 Total General Government Debt (%) |

# 2.1.04: Total General Government Debt (%)

## What is the IMD World Competitiveness Ranking?

**Factor** → **Government Efficiency**

Extent to which government policies are conducive to competitiveness.

**Sub-Factor** → **Public Finance**

Evaluates the sustainability and effectiveness of government revenue and expenditure management

**Indicator** → **Total General Government Debt**

| Score | Ranking |
|---|---|
| 70.39% | 46 |

### Economic Performance

Macro-economic evaluation of the domestic economy, employment trends, and price.

- Domestic economy
- International trade
- International investment
- Employment
- Prices

### Government Efficiency

Extent to which government policies are conducive to competitiveness.

- Public finance
- Tax policy
- Institutional framework
- Business legislation
- Social framework

### Business Efficiency

Extent to which the national environment encourages enterprises to perform in an innovative, profitable, and responsible manner.

- Productivity
- Labor market
- Finance
- Management practices
- Attitude and values

### Infrastructure

Extent to which basic, technological, scientific, and human resources meet the needs of the business.

- Basic infrastructure
- Technological infrastructure
- Scientific infrastructure
- Health and environment
- Education

# 2.1.04: Total General Government Debt (%)

## Indicator overview sourced from *IMD WCY 2025* Report

### INDICATOR DEFINED IN THE REPORT

The IMD WCY 2025 report defines this indicator as gross debt consists of all liabilities that require payment or payments of interest and/or principal by the debtor to the creditor at a date or dates in the future. This includes debt liabilities in the form of SDRs, currency and deposits, debt securities, loans, insurance, pensions and standardized guarantee schemes, and other accounts payable. Thus, all liabilities in the GFSM 2001 system are debt, except for equity and investment fund shares and financial derivatives and employee stock options. Debt can be valued at current market, nominal, or face values (GFSM 2001, paragraph 7.110).

***Source:*** *IMD World Competitiveness Yearbook 2025 (page 581)*

### INDICATOR MEASUREMENT

According to the technical notes in WCY 2025, the indicator can be simply calculated as follows:

***Total General Government Debt (%)*** =

$$\frac{(Government\ Debt)}{Gross\ domestic\ product} \times 100$$

***Source:*** *IMD World Competitiveness Yearbook 2025 (page 416)*

### DATA SOURCE USED IN WCY 2025

The WCY 2025 report states that this indicator may be derived from the following sources:

- IMF World Economic Outlook April 2025

***Source:*** *IMD World Competitiveness Yearbook 2025 (page 581)*

# 2.1.04: Total General Government Debt (%)

## Ranking as reported in *IMD WCY 2025*

### WHAT DOES THE SCORE INDICATE?

Public Finance 2.1.04

**TOTAL GENERAL GOVERNMENT DEBT (%) 2024**

Percentage of GDP

| Ranking | | % |
|---|---|---|
| 01 | Kuwait | 3.01 |
| 02 | Hong Kong SAR | 9.46 |
| 03 | Puerto Rico | 17.06 |
| 04 | Bulgaria | 23.36 |
| 05 | Estonia | 23.61 |
| 06 | Kazakhstan | 24.64 |
| 07 | Taiwan (Chinese Taipei) | 25.73 |
| 08 | Türkiye | 25.97 |
| 09 | Luxembourg | 25.98 |
| 10 | Denmark | 27.99 |
| 11 | Saudi Arabia | 29.87 |
| 12 | UAE | 31.23 |
| 13 | Sweden | 32.64 |
| 14 | Botswana | 32.72 |
| 15 | Peru | 32.77 |
| 16 | Oman | 34.62 |
| 17 | Switzerland | 37.58 |
| 18 | Lithuania | 38.45 |
| 19 | Indonesia | 40.40 |
| 20 | Qatar | 41.27 |
| 21 | Ireland | 41.28 |
| 22 | Chile | 41.98 |
| 23 | Norway | 42.72 |
| 24 | Czech Republic | 42.97 |
| 25 | Netherlands | 43.29 |
| 26 | Mongolia | 44.36 |
| 27 | Latvia | 47.35 |
| 28 | Australia | 49.83 |
| 29 | New Zealand | 50.98 |
| 30 | Korea Rep. | 52.49 |
| 31 | Nigeria | 52.90 |
| 32 | Poland | 55.28 |
| 33 | Mexico | 56.09 |
| 34 | Philippines | 57.08 |
| 35 | Romania | 57.44 |
| 36 | Croatia | 57.56 |
| 37 | Slovak Republic | 58.02 |
| 38 | Iceland | 59.08 |
| 39 | Colombia | 61.28 |
| 40 | Thailand | 62.59 |
| 41 | Germany | 63.89 |
| 42 | Cyprus | 65.38 |
| 43 | Kenya | 65.59 |
| 44 | Slovenia | 67.05 |
| 45 | Namibia | 67.70 |
| 46 | Malaysia | 70.39 |
| 47 | Ghana | 70.51 |
| 48 | Hungary | 73.45 |
| 49 | South Africa | 76.36 |
| 50 | Austria | 81.18 |
| 51 | India | 81.21 |
| 52 | Finland | 82.53 |
| 53 | Argentina | 85.33 |
| 54 | Brazil | 87.28 |
| 55 | China | 88.33 |
| 56 | Portugal | 95.04 |
| 57 | Jordan | 95.91 |
| 58 | United Kingdom | 101.23 |
| 59 | Spain | 101.82 |
| 60 | Belgium | 104.49 |
| 61 | Canada | 110.77 |
| 62 | France | 113.03 |
| 63 | USA | 120.79 |
| 64 | Bahrain | 133.99 |
| 65 | Italy | 135.29 |
| 66 | Greece | 150.89 |
| 67 | Venezuela | 162.88 |
| 68 | Singapore | 177.00 |
| 69 | Japan | 236.66 |

***The lower the value, the higher the ranking.***

### RATIONALITY?

*A lower general government debt-to-GDP ratio reflects a country's stronger fiscal position and greater capacity to manage public finances sustainably. It indicates reduced dependency on borrowing and a healthier balance between revenue generation and expenditure obligations.*

*Countries with lower debt levels are generally better positioned to withstand economic shocks, attract investor confidence, and allocate more resources toward development priorities without being constrained by debt servicing burdens.*

*In the IMD rankings, a lower debt ratio contributes to a better score and global position, signaling fiscal prudence and long-term macroeconomic stability.*

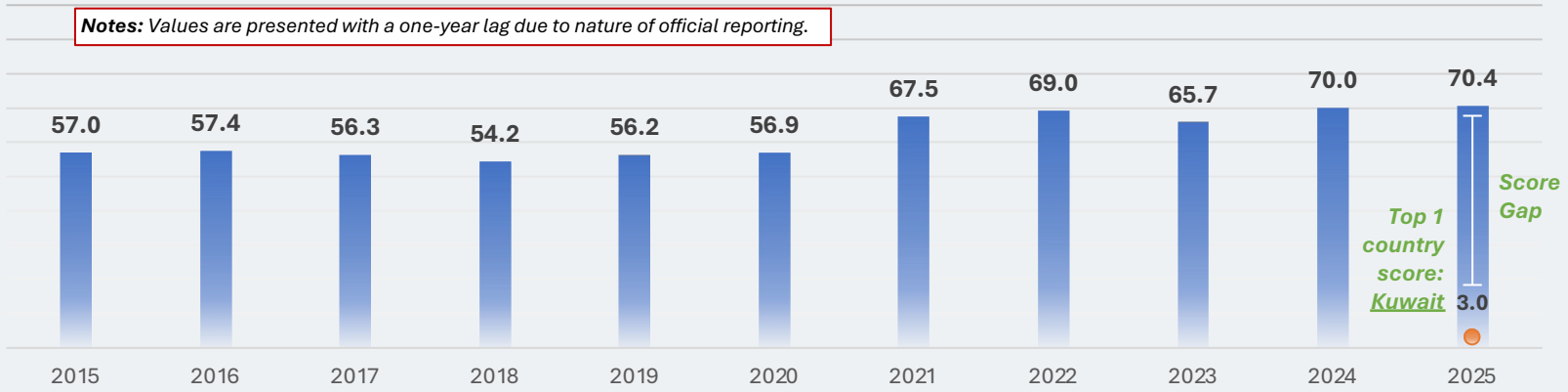
*In 2025 (based on 2024 data), Kuwait ranked first with the lowest debt ratio of 3.01%, followed by Hong Kong SAR (9.46%) and Puerto Rico (17.00%). Malaysia ranked 46th, with a general government debt level of 70.39%, placing it in the mid-tier globally and reflecting room for improvement in fiscal consolidation efforts.*

***Source:*** *IMD World Competitiveness Yearbook (WCY) 2025*

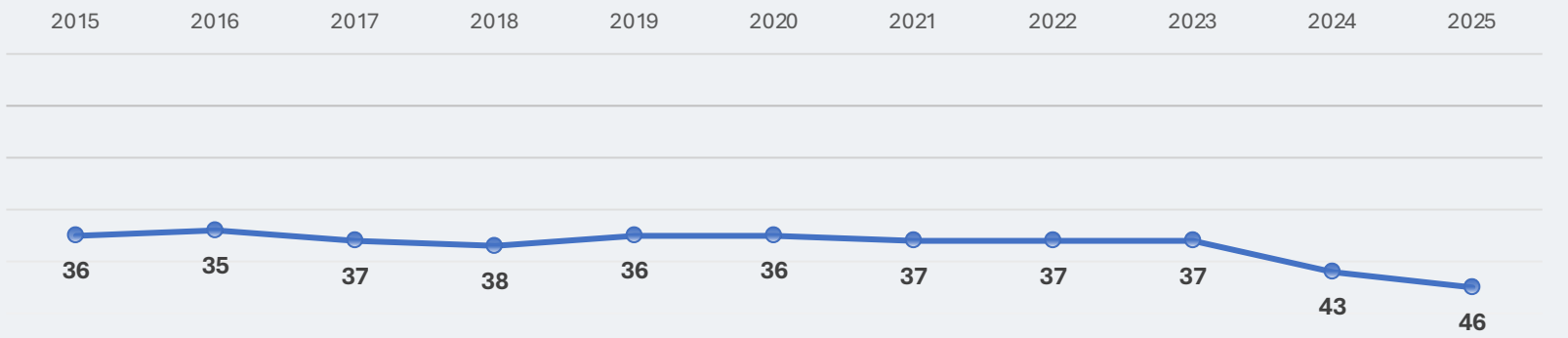
# 2.1.04: Total General Government Debt (%)

## Indicator performance over the years

### Indicator **Score (% of GDP)**




### Indicator **Rank (of 69 countries)**




**Source:** *IMD WCY (various years)*

## HOW DO THE INDICATORS PERFORM ACROSS YEARS?

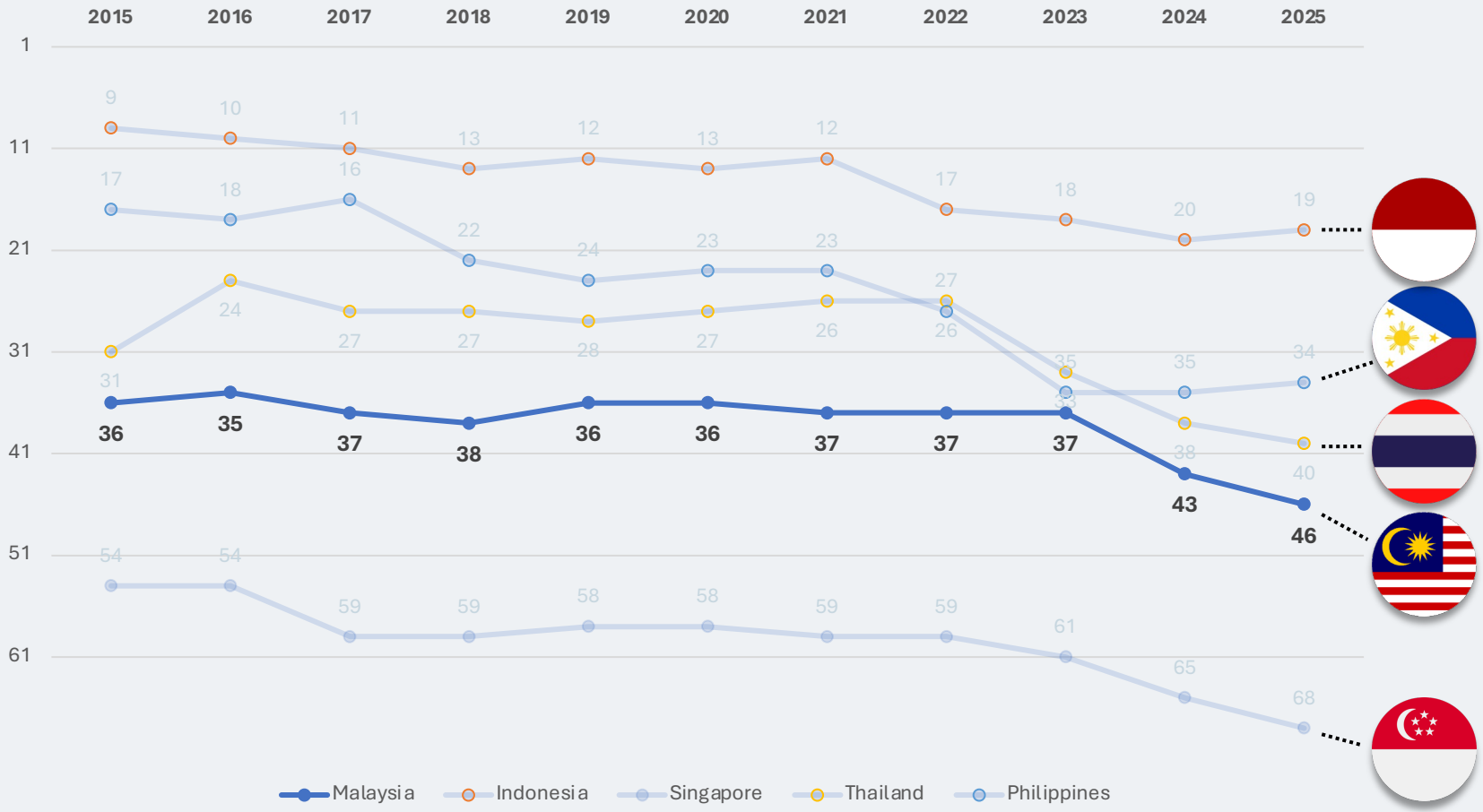
*Malaysia's government debt as a percentage of GDP has shown a steady upward trend over the past decade, increasing from 57.0% in 2015 to 70.4% in 2025. This reflects continued reliance on borrowings to finance development and fiscal operations, particularly during periods of economic uncertainty.*

*Despite this increase in debt levels, Malaysia's global ranking remained relatively stable in the mid-tier range, fluctuating between 35th and 38th from 2015 to 2023. However, the rank slipped to 46th in 2025, as peer countries adopted more aggressive fiscal consolidation strategies and reduced their debt burdens.*

*Overall, the indicator underscores the need for Malaysia to strengthen its fiscal position by improving revenue collection, optimizing expenditure efficiency, and managing debt sustainably to maintain macroeconomic resilience.*

# 2.1.04: Total General Government Debt (%)

## Indicator performance over the years




**Source:** *IMD WCY (various years)*

## WHERE ARE MALAYSIA NOW? RANKS AMONG ASEAN COUNTRIES

*Malaysia currently ranks 46th globally, maintaining one of the lowest positions among ASEAN countries, despite the declining trend in government debt. Malaysia's rank slipped from 36th in 2015 to 46th in 2025, reflecting slow relative improvement in fiscal consolidation compared to regional peers.*

*Indonesia has shown a relatively strong position, even after a decline from 9th to 19th over the same period. The Philippines improved steadily from 17th to 34th, while Thailand climbed from 31st to 40th, indicating gradual fiscal strengthening. All countries in the region recorded a downward trend in debt levels over the decade.*

*Singapore remains the lowest-ranked at 68th, largely due to its high gross debt. However, this is attributed to its unique fiscal structure—debt is issued not for financing deficits but for investment purposes, with proceeds managed under sovereign wealth entities. This explains the large debt figure, despite its sound fiscal management.*

# 2.1.04: Total General Government Debt (%)

## Indicator footprint – tracking the data sources

| Phase & Institution Involvement | Data Source | Compilation & Estimation | Data Retrieval | Publish |
|---|---|---|---|---|
| | National Institution → | International Institution → | IMD → | IMD |

## Description

**Government Budget**

**Gross Domestic Product**

Raw data are collected

by:

MINISTRY OF FINANCE

Publish data based on **System of National Accounts** annually

by:

PRIME MINISTER'S DEPARTMENT
DEPARTMENT OF STATISTICS MALAYSIA

Data are compiled, estimated and integrated internationally with other country profiles

by:

INTERNATIONAL MONETARY FUND

**Note:** *For other countries, the data are compiled from national sources for each respective countries.*

IMD retrieves data from IMF sources into their database.

Malaysia in **2025**:

***Scored***

***70.39%***

***Ranked***

***46th***

# 2.1.04: Total General Government Debt (%)

## Detailed component of Debt

### Components of Debt according to IMF

According to GFSM 2001, **all liabilities are considered debt**, except for equity and investment fund shares and financial derivatives and employee stock options. Below lists the liabilities in GFSM 2001:

**C. Classifications of Flows and Stocks in Assets and Liabilities *(concluded)***

| | Classification of transactions in assets and liabilities | Classification of holding gains in assets and liabilities | Classification of other changes in the volume of assets and liabilities | Classification of the stocks of assets and liabilities |
|---|---|---|---|---|
| **Liabilities** | **33** | **43** | **53** | **63** |
| **Domestic** | **331** | **431** | **531** | **631** |
| Currency and deposits | 3312 | 4312 | 5312 | 6312 |
| Securities other than shares | 3313 | 4313 | 5313 | 6313 |
| Loans | 3314 | 4314 | 5314 | 6314 |
| Shares and other equity (public corporations only) | 3315 | 4315 | 5315 | 6315 |
| Insurance technical reserves [GFS] | 3316 | 4316 | 5316 | 6316 |
| Financial derivatives | 3317 | 4317 | 5317 | 6317 |
| Other accounts payable | 3318 | 4318 | 5318 | 6318 |
| **Foreign** | **332** | **432** | **532** | **632** |
| Currency and deposits | 3322 | 4322 | 5322 | 6322 |
| Securities other than shares | 3323 | 4323 | 5323 | 6323 |
| Loans | 3324 | 4324 | 5324 | 6324 |
| Shares and other equity (public corporations only) | 3325 | 4325 | 5325 | 6325 |
| Insurance technical reserves [GFS] | 3326 | 4326 | 5326 | 6326 |
| Financial derivatives | 3327 | 4327 | 5327 | 6327 |
| Other accounts payable | 3328 | 4328 | 5328 | 6328 |

***Source:*** *Government Finance Statistics Manual (GFSM) 2001, IMF*

### Malaysia's available components of Debt in Public Access

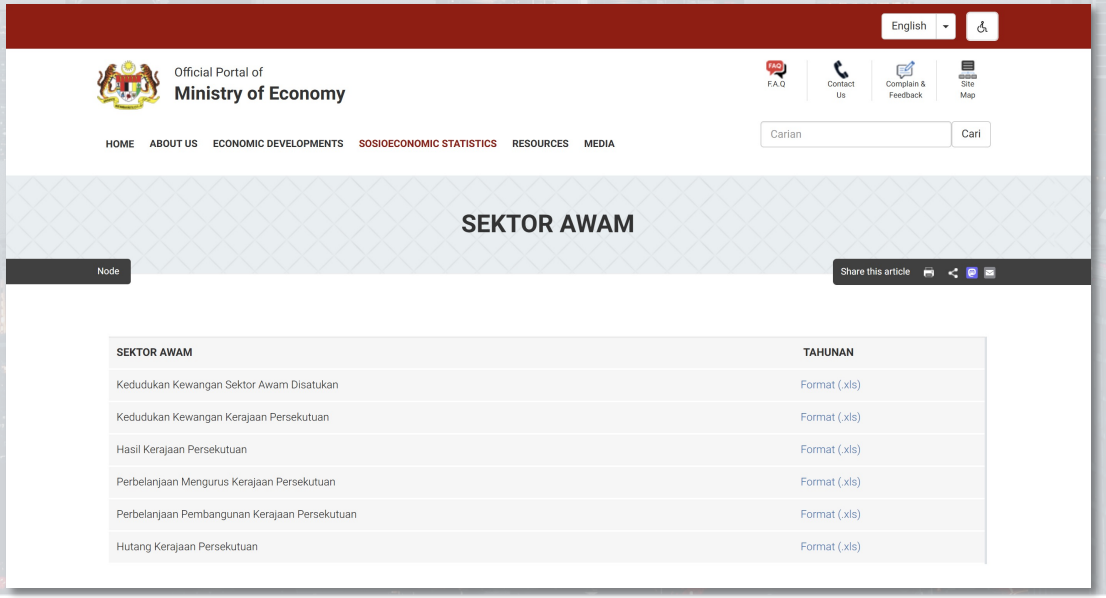
The publicly available debt components from Malaysia's sources provide only a partial view of the full debt classification outlined under GFSM 2001. Several instruments—such as financial derivatives, other accounts payable, and detailed liabilities by sector—are not explicitly reported, making it difficult to align with the comprehensive debt coverage prescribed by international standards.

**Total Debt**

**Domestic Debt**
- Malaysian Government Securities (MGS)
- Malaysian Treasury Bills (MTBs)
- Government Investment Issues (GIIs)
- Treasury Housing Loan Fund
- Syndicated Loan (Foreign Bank)

**Offshore Borrowing**
- Market
- Project
- Suppliers Credit
- Syndicated Loans
- IMF

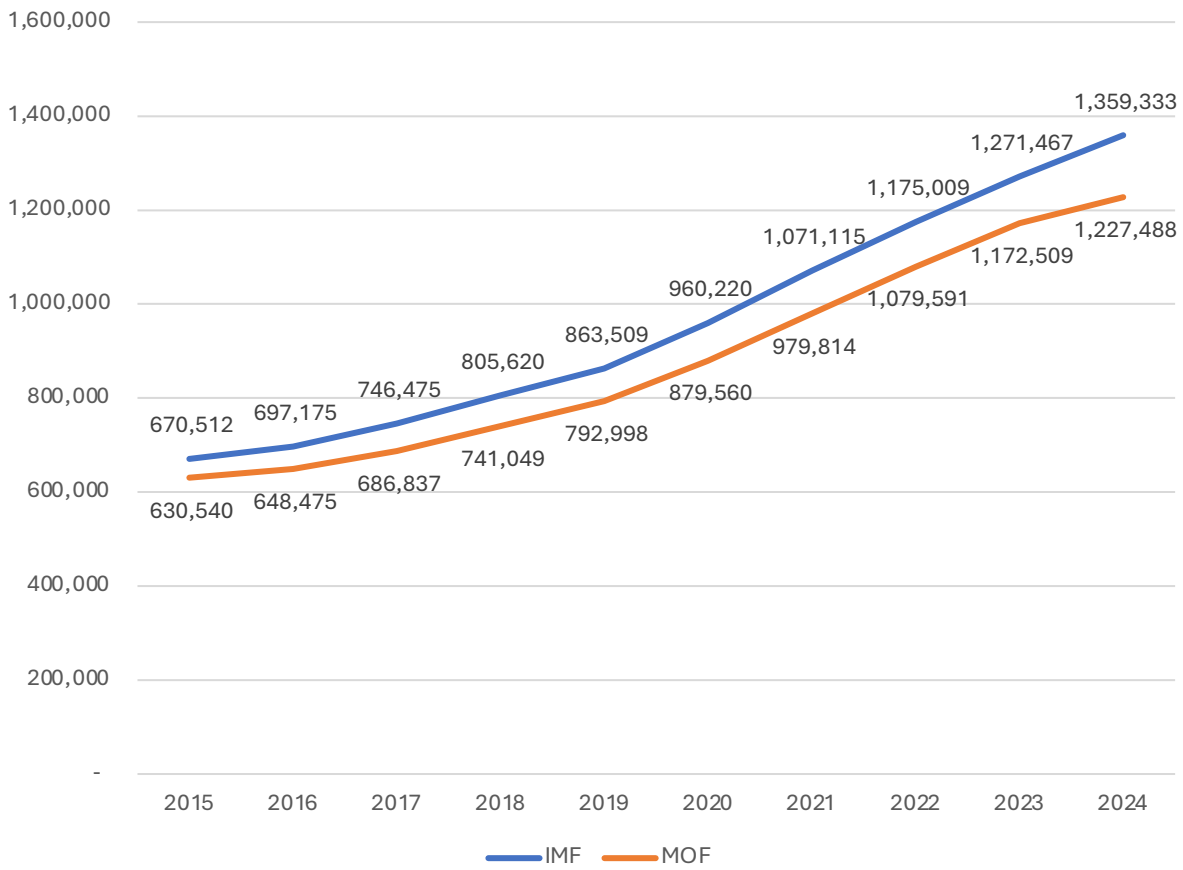
***Source:*** *Socioeconomic Statistics through Ministry of Economy website portal.*



# 2.1.04: Total General Government Debt (%)

## Comparing the Government Debt Value

### Government Debt in current price, 2015-2024(RM mil.)




***Source:*** *Estimated based on IMF and MOF data (2025)*

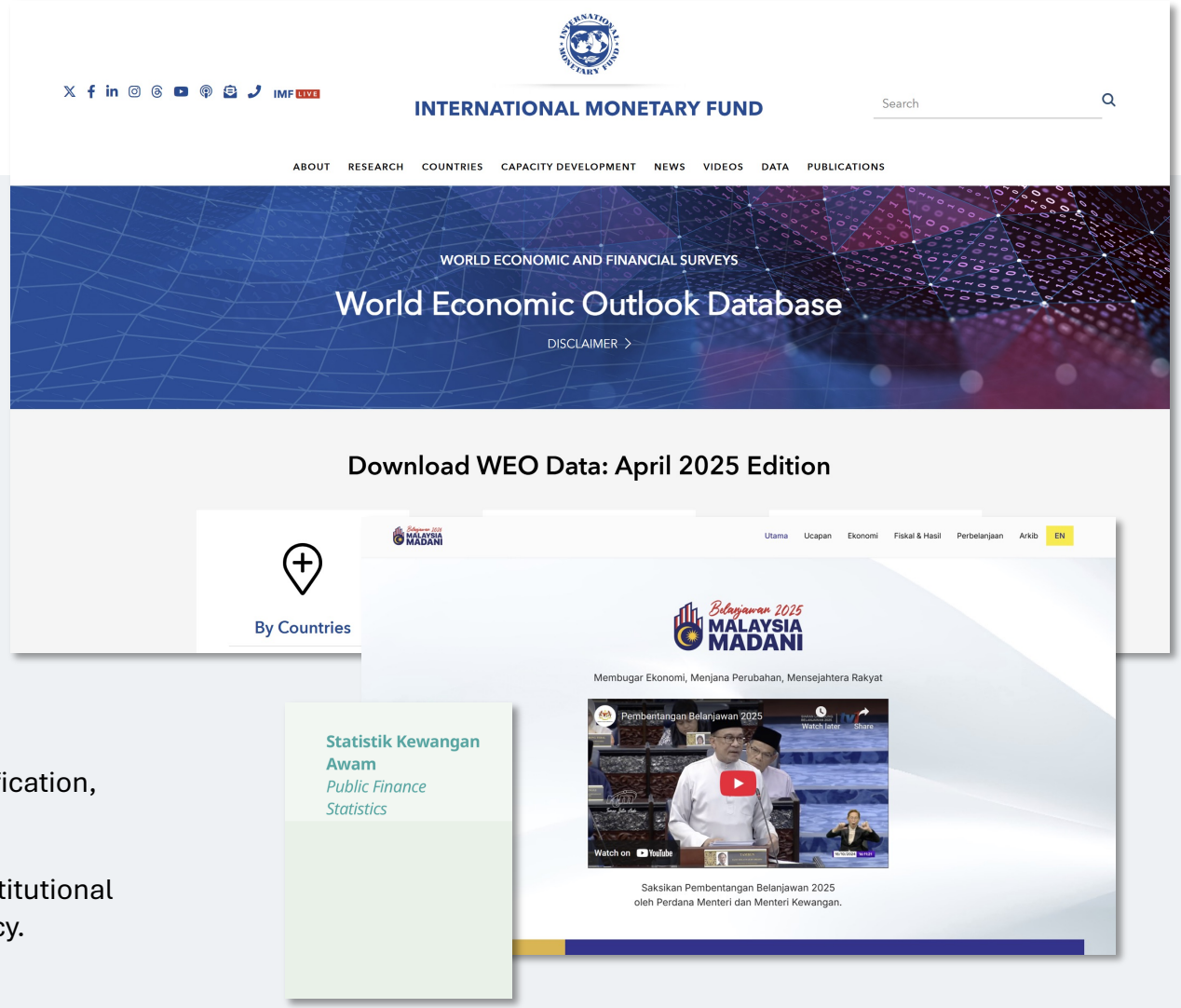
- *The comparison between IMF and MOF figures on Malaysia's government debt reveals a persistent gap across the years, suggesting* ***potential differences in scope, coverage, or classification****. While both sources display a consistent upward trend from 2015 to 2024, the magnitude of debt recorded by the IMF is consistently higher than the national figures reported by MOF.*

- *This discrepancy may stem from varying definitions of "general government" and whether specific liabilities—such as state-level debt, statutory bodies, or external borrowings—are fully incorporated. The IMF typically follows the GFSM 2001 framework, which includes all liabilities except equity and derivatives, while MOF's published data may reflect only the federal government's obligations or exclude certain instruments.*

# 2.1.04: Total General Government Debt (%)

## Recommendation 1 – Clarifying Government Debt Data Alignment with MOF and IMF

An engagement should be initiated with MOF and IMF to verify whether the government debt figures reported by both institutions adopt a consistent definition, scope, and coverage in accordance with international statistical standards such as GFSM 2001.




## Key Rationality

- **Scope Consistency:** Differences in reported debt levels suggest varying institutional coverage. Clarifying this ensures accurate fiscal comparisons.
- **Methodology Alignment:** IMF uses the GFSM 2001 framework which classifies all liabilities as debt. Confirming that MOF adheres to the same framework is critical for statistical comparability.
- **Credibility:** Harmonized definitions strengthen Malaysia's fiscal transparency, reinforce confidence among international observers.

## Proposed Actions

- **Initiate technical discussions** with MOF and IMF to clarify data boundaries, classification, and institutional coverage of reported government debt.
- **Recommend publishing metadata** to disclose detailed explanations on scope, institutional coverage, and alignment with GFSM to improve user understanding and transparency.

GOVERNMENT EFFICIENCY

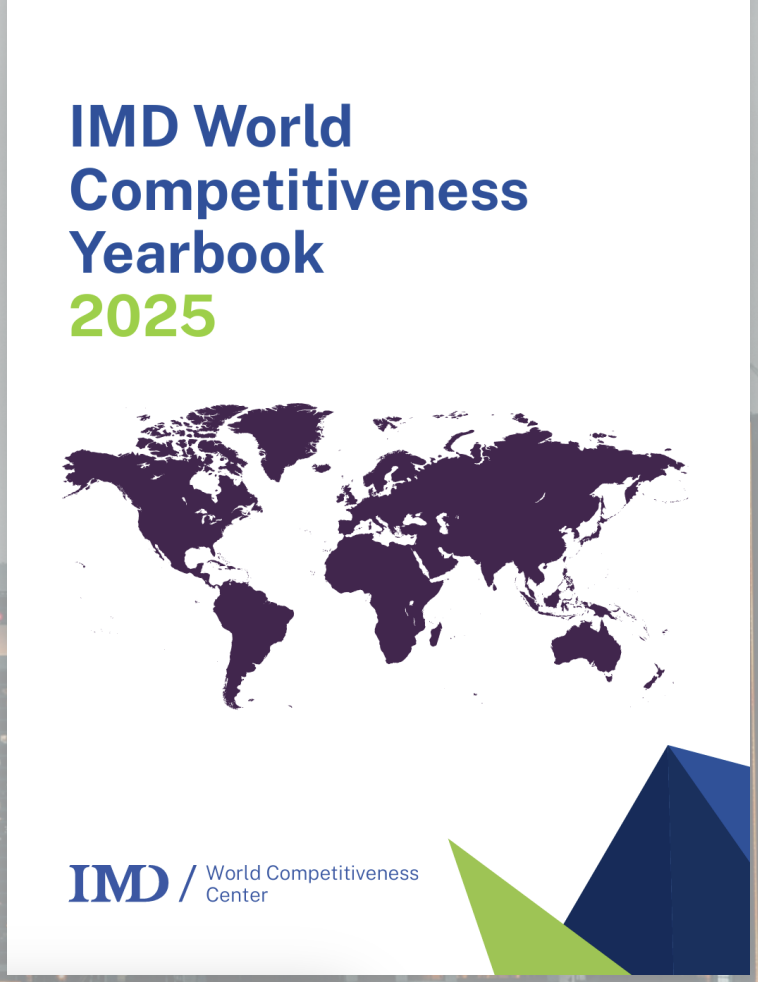
# Public Finance

## 2.1.06 Interest Payment

4th – 5th August 2025 | Doubletree by Hilton Hotel, Putrajaya

See more ↗

HD HARD DATA




| Factor: | Sub-Factor: | Indicator: |
| --- | --- | --- |
| Government Efficiency | Public Finance | 2.1.06 Interest Payment |

# 2.1.06: Interest Payment (%)

## What is the IMD World Competitiveness Ranking?

**Factor** → **Government Efficiency**

Extent to which government policies are conducive to competitiveness.

**Sub-Factor** → **Public Finance**

Evaluates the sustainability and effectiveness of government revenue and expenditure management

**Indicator** → **Interest Payment**

| Score | Ranking |
|---|---|
| 13.12% | 55 |

### Economic Performance

Macro-economic evaluation of the domestic economy, employment trends, and price.

- Domestic economy
- International trade
- International investment
- Employment
- Prices

### Government Efficiency

Extent to which government policies are conducive to competitiveness.

- Public finance
- Tax policy
- Institutional framework
- Business legislation
- Social framework

### Business Efficiency

Extent to which the national environment encourages enterprises to perform in an innovative, profitable, and responsible manner.

- Productivity
- Labor market
- Finance
- Management practices
- Attitude and values

### Infrastructure

Extent to which basic, technological, scientific, and human resources meet the needs of the business.

- Basic infrastructure
- Technological infrastructure
- Scientific infrastructure
- Health and environment
- Education

# 2.1.06: Interest Payment (%)

## Indicator overview sourced from IMD WCY 2025 Report

### INDICATOR DEFINED IN THE REPORT

Current revenue covers all nonrepayable government receipts other than grants. Break in series: general government since 2001, central government only for previous years. Hong Kong SAR: Figure represents interest payment for Government bonds and notes. Kazakhstan: Interests payment include expenses related to the payment of remuneration, related to the payment of interest on securities repos and related to the payment of interest on securities.

***Source:*** *IMD World Competitiveness Yearbook 2025 (page 581)*

### INDICATOR MEASUREMENT

According to the technical notes in WCY 2025, the indicator can be simply calculated as follows:

***Interest payment (%) =***

$$\frac{Total\ government\ interest\ payment}{Total\ current\ revenue} \times 100$$

***Source:*** *IMD World Competitiveness Yearbook 2025 (page 412)*

### DATA SOURCE USED IN WCY 2025

The WCY 2025 report states that this indicator may be derived from the following sources:

- IMF Government Finance Statistics
- Eurostat
- National sources

***Source:*** *IMD World Competitiveness Yearbook 2025 (page 581)*

# 2.1.06: Interest Payment (%)

## Indicator performance over the years

### WHAT DOES THE SCORE INDICATE?

Public Finance 2.1.06

**INTEREST PAYMENT (%)**

2024

Percentage of current revenue

| Ranking | | % | |
|---|---|---|---|
| 01 | Puerto Rico | 0.00 | 2022 |
| 02 | Nigeria | 0.06 | 2020 |
| 03 | Singapore | 0.41 | 2023 |
| 04 | Luxembourg | 0.64 | |
| 05 | Switzerland | 0.83 | 2023 |
| 06 | Hong Kong SAR | 1.13 | |
| 07 | Sweden | 1.34 | |
| 08 | Estonia | 1.39 | |
| 09 | Denmark | 1.44 | |
| 10 | Bulgaria | 1.60 | |
| 11 | Netherlands | 1.62 | |
| 12 | Lithuania | 2.10 | |
| 13 | Ireland | 2.17 | |
| 14 | Botswana | 2.18 | 2022 |
| 15 | Norway | 2.25 | |
| 16 | Germany | 2.26 | |
| 17 | Kazakhstan | 2.28 | |
| 18 | Taiwan (Chinese Taipei) | 2.37 | |
| 19 | Latvia | 2.56 | |
| 20 | UAE | 2.69 | |
| 21 | Cyprus | 2.82 | |
| 22 | Slovenia | 2.84 | |
| 23 | Austria | 2.94 | |
| 24 | Finland | 2.95 | |
| 25 | Czech Republic | 3.31 | |
| 26 | Croatia | 3.34 | |
| 27 | New Zealand | 3.40 | 2022 |
| 28 | Slovak Republic | 3.46 | |
| 29 | Saudi Arabia | 3.54 | |
| 30 | China | 3.73 | |
| 31 | Mongolia | 3.81 | |
| 32 | France | 4.01 | |
| 33 | Chile | 4.18 | 2023 |
| 34 | Japan | 4.32 | |
| 35 | Australia | 4.47 | |
| 36 | Belgium | 4.53 | |
| 37 | Argentina | 4.63 | |
| 38 | Portugal | 4.74 | |
| 39 | Korea Rep. | 4.99 | |
| 40 | Poland | 5.14 | |
| 41 | Qatar | 5.50 | 2022 |
| 42 | Spain | 5.80 | |
| 43 | Thailand | 6.18 | |
| 44 | Greece | 7.04 | |
| 45 | Romania | 7.47 | |
| 46 | Canada | 7.57 | 2023 |
| 47 | Peru | 8.09 | |
| 48 | Italy | 8.25 | |
| 49 | United Kingdom | 8.43 | 2023 |
| 50 | Iceland | 9.45 | |
| 51 | Türkiye | 10.18 | |
| 52 | Mexico | 11.73 | |
| 53 | Hungary | 11.81 | |
| 54 | USA | 12.02 | 2023 |
| 55 | Malaysia | 13.12 | |
| 56 | Philippines | 13.65 | |
| 57 | Indonesia | 13.95 | 2023 |
| 58 | Colombia | 15.47 | |
| 59 | Namibia | 15.53 | 2023 |
| 60 | India | 16.47 | |
| 61 | South Africa | 18.73 | 2023 |
| 62 | Brazil | 20.84 | |
| 63 | Jordan | 21.92 | |
| 64 | Kenya | 27.03 | 2023 |
| 65 | Bahrain | 27.50 | |
| 66 | Ghana | 47.27 | 2022 |
| - | Kuwait | - | |
| - | Oman | - | |
| - | Venezuela | - | |

***The lower the value, the higher the ranking.***

### RATIONALITY?

*The Interest Payment (% of Current Revenue) indicator in the IMD World Competitiveness Yearbook measures the proportion of government income that is allocated to servicing interest on public debt. In this context, a lower value is considered more competitive, as it indicates that a country is using a smaller share of its recurring revenue to fulfill debt obligations. This implies better fiscal discipline, more flexibility in budgetary planning, and stronger debt sustainability.*

*A lower interest burden suggests that governments have more fiscal space to allocate funds toward critical development priorities such as infrastructure, education, or social welfare. It is also often associated with lower sovereign risk, improved investor confidence, and better creditworthiness. On the other hand, a higher interest-to-revenue ratio may indicate a heavier debt load or less efficient debt management, reducing the resources available for growth-enhancing public investment.*

*In 2025, top-performing countries like Singapore (0.41%) demonstrates minimal interest payment obligations relative to revenue. Singapore tend to either maintain low debt levels or generate strong current revenues that easily cover financing costs.*

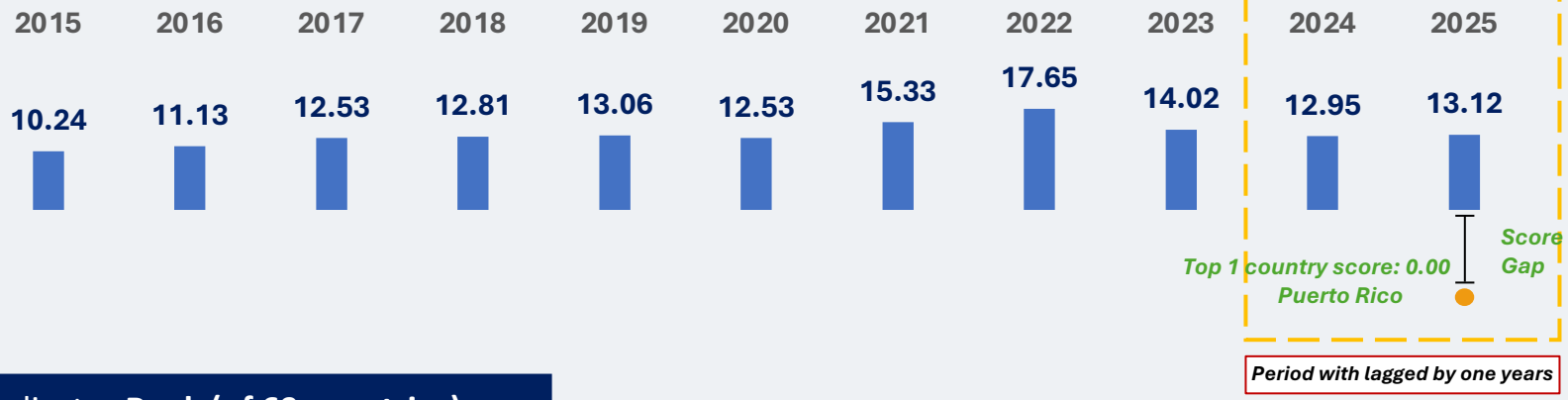
***Source:*** *IMD World Competitiveness Yearbook (WCY) 2025*

# 2.1.06: Interest Payment (%)

## Indicator performance over the years

### Indicator Score (% of GDP)

**Notes:** *Values are presented with a one-year lag due to nature of official reporting.*




### Indicator Rank (of 69 countries)

**Source:** *IMD WCY (various years)*

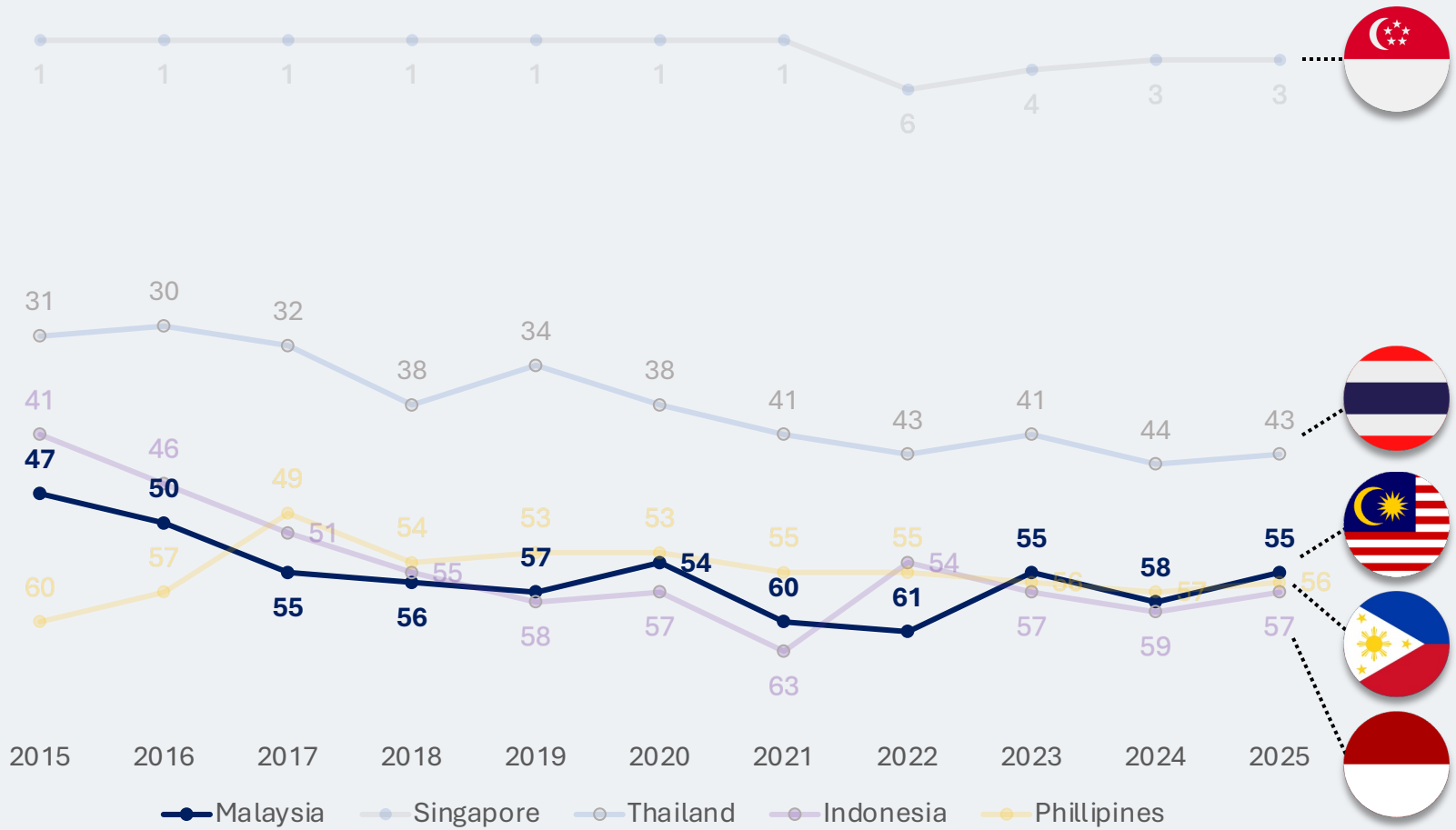
## HOW DO THE INDICATORS PERFORM ACROSS YEARS?

*Over the years, Malaysia's interest payments as a percentage of GDP have shown a mixed performance, reflecting underlying fiscal dynamics. From a relatively moderate level of 10.24% in 2015, the indicator rose steadily to 13.06% in 2019. A significant jump occurred post-2020, with interest payments escalating to 15.33% in 2021 and peaking at 17.65% in 2022. This surge likely reflects increased government borrowing to manage the fiscal pressures arising from the COVID-19 pandemic.*

*However, from 2023 onwards, there has been a gradual improvement, with the ratio declining to 14.02%, followed by further improvement to 12.95% in 2024. Nonetheless, the score slightly increased again to 13.12% in 2025, indicating that fiscal pressures remain persistent.*

# 2.1.06: Interest Payment (%)

## Indicator performance over the years




**Source:** *IMD WCY (various years)*

## WHERE ARE MALAYSIA NOW? RANKS AMONG ASEAN COUNTRIES

*In 2025, Malaysia ranks third among five key ASEAN countries in terms of interest payment performance, at 55th out of 69 countries. Malaysia is positioned behind Singapore (3rd) and Thailand (43rd), but ahead of Philippines (56th) and Indonesia (57th).*

*While Malaysia has shown signs of improvement since its lowest point in 2021 (60th), its relative position has remained largely stagnant in recent years. Compared to regional peers, Malaysia's fiscal burden from interest payments remains moderate but still calls for strategic reforms to strengthen competitiveness and reduce long-term debt servicing pressures.*

# 2.1.06: Interest Payment (%)

## Indicator footprint – tracking the data sources

| Phase & Institution Involvement | Data Source | Compilation | Data Retrieval | Publish |
|---|---|---|---|---|
| | National institution | International Institution | IMD | IMD |

**Description**

**Interest Payment (%)**

**Other countries**

Publish data based on national **Government Finance Statistics Yearbook** annually.

Data compiled and integrated internationally with other country profiles by:

IMF, eurostat

IMD retrieves data from IMF and EUROSTAT sources into their database.

MINISTRY OF FINANCE

Publish data based on national **Fiscal Outlook and Federal Government Revenue Estimates** annually.

IMD retrieves data from MOF sources into their database.

Malaysia in **2025**:

***Scored***

13.12 %

***Ranked***

55 th

# 2.1.06: Interest Payment (%)

## Source retrieval – which source is this data derived from?

Data sources for interest payment

**TABLE 3.1.** *Federal Government Operating Expenditure by Component, 2023 – 2025*

| COMPONENT | RM MILLION | | | CHANGE (%) | | | SHARE (%) | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2023 | 2024[1] | 2025[2] | 2023 | [illegible] | 2025[2] | 2023 | 2024[1] | 2025[2] |
| Emoluments | 91,860 | 99,760 | 105,917 | 4.[illegible] | 8.6 | 6.2 | 29.5 | 31.0 | 31.6 |
| Retirement charges | 34,080 | 34,446 | 40,560 | 8.5 | 1.1 | 17.7 | 10.9 | 10.7 | 12.1 |
| Debt service charges | 46,331 | 50,800 | 54,700 | 12.3 | 9.6 | 7.7 | 14.9 | 15.8 | 16.3 |
| Grants and transfers to state governments | 8,688 | 8,747 | 9,260 | 7.0 | 0.7 | 5.9 | 2.8 | 2.7 | 2.8 |
| Supplies and services | 35,898 | 39,210 | 40,654 | 3.5 | 9.2 | 3.7 | 11.5 | 12.2 | 12.1 |
| Subsidies and social assistance | 71,873 | 61,392 | 52,571 | 6.7 | -14.6 | -14.4 | 23.1 | 19.1 | 15.7 |
| Asset acquisition | 1,023 | 1,704 | 1,182 | 33.3 | 66.6 | -30.6 | 0.3 | 0.5 | 0.4 |
| Refunds and write-offs | 526 | 534 | 541 | -4.2 | 1.5 | 1.3 | 0.2 | 0.2 | 0.2 |
| Grants to statutory bodies | 15,753 | 15,645 | 16,304 | 12.4 | -0.7 | 4.2 | 5.1 | 4.9 | 4.9 |
| Others | 5,235 | 9,262 | 13,311 | -22.3 | 76.9 | 43.7 | 1.7 | 2.9 | 3.9 |
| **Total** | **311,267** | **321,500** | **335,000** | **6.3** | **3.3** | **4.2** | **100.0** | **100.0** | **100.0** |
| **% of GDP** | **17.1** | **16.5** | **16.1** | | | | | | |

[1] Revised estimate
[2] Budget estimate, excluding Budget 2025 measures
Source: Ministry of Finance, Malaysia

Data sources for revenue

**TABLE 6.2.** *Consolidated General Government Financial Position, 2023 – 2025*

| | RM MILLION | | | CHANGE (%) | | |
|---|---|---|---|---|---|---|
| | 2023 | 2024[1] | 2025[2] | 2023 | 2024[1] | 2025[2] |
| Revenue | 381,965 | 384,739 | 405,217 | 6.0 | 0.7 | 5.3 |
| Operating expenditure | 357,370 | 368,724 | 385,181 | 6.3 | 3.2 | 4.5 |
| **Current balance** | **24,595** | **16,015** | **20,036** | | | |
| Development expenditure | 97,020 | 92,333 | 90,967 | 29.1 | -4.8 | -1.5 |
| **Overall balance** | **-72,425** | **-76,318** | **-70,931** | | | |
| **% of GDP** | **-4.0** | **-3.9** | **-3.4** | | | |

[1] Revised estimate
[2] Budget estimate, excluding Budget 2025 measures
Source: Ministry of Finance, Malaysia

***Source:*** *Ministry of Finance Malaysia (2025)*

***Breakdown of calculation for 2023***

*Interest payment*

% of revenue = Total government interest payment / Total current revenue

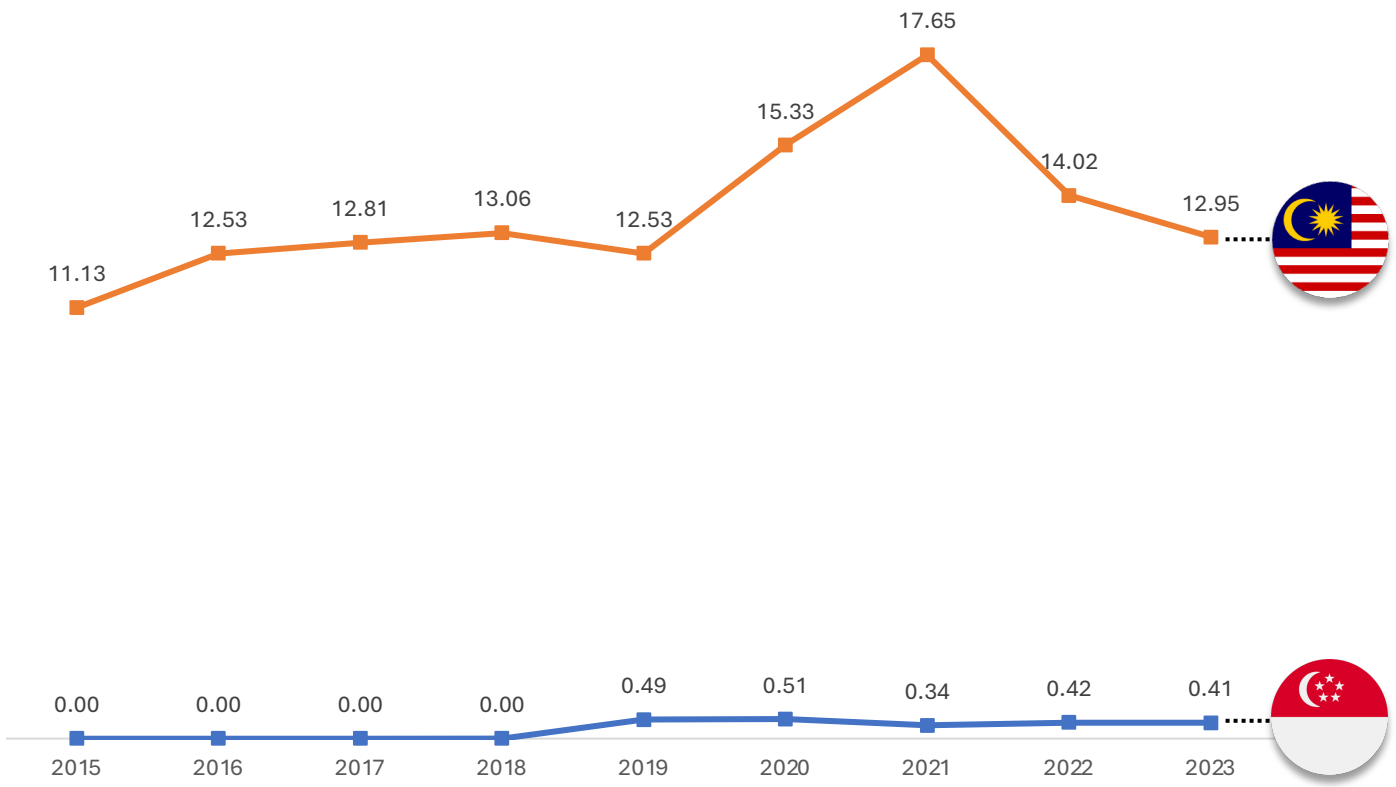
= 50.800 *RM billion* / 384.739 *RM billion*

= 13.20%

# 2.1.06: Interest Payment (%)

## Benchmarking – how Singapore maintains ultra-low debt servicing levels

Interest payment percentage of revenue in Malaysia and Singapore, 2010-2024 (%)




***Source:*** *IMD World Competitiveness Yearbook (various years)*

## How Singapore done

- **Singapore does not borrow to finance its government spending**
  - All borrowings are strictly used for investment purposes, such as funding the Central Provident Fund (CPF) or providing capital to sovereign investment entities like GIC and Temasek.
- **All debt issued by the Singapore government is fully backed by assets**
  - The funds raised are invested in high-performing financial instruments, and the investment returns help offset the cost of debt servicing.
- **Stable AAA credit rating = low interest rates**
  - With one of the strongest sovereign credit ratings (AAA) globally, Singapore can issue bonds at ultra-low yields.
- **Revenue strength and large reserve base**
  - Singapore has a diverse and stable revenue base: including GST, corporate income tax, individual income tax, and investment returns from national reserves

# 2.1.06: Interest Payment (%)

## Recommendation to be considered...

### Reintroduce a broader-based VAT (GST)

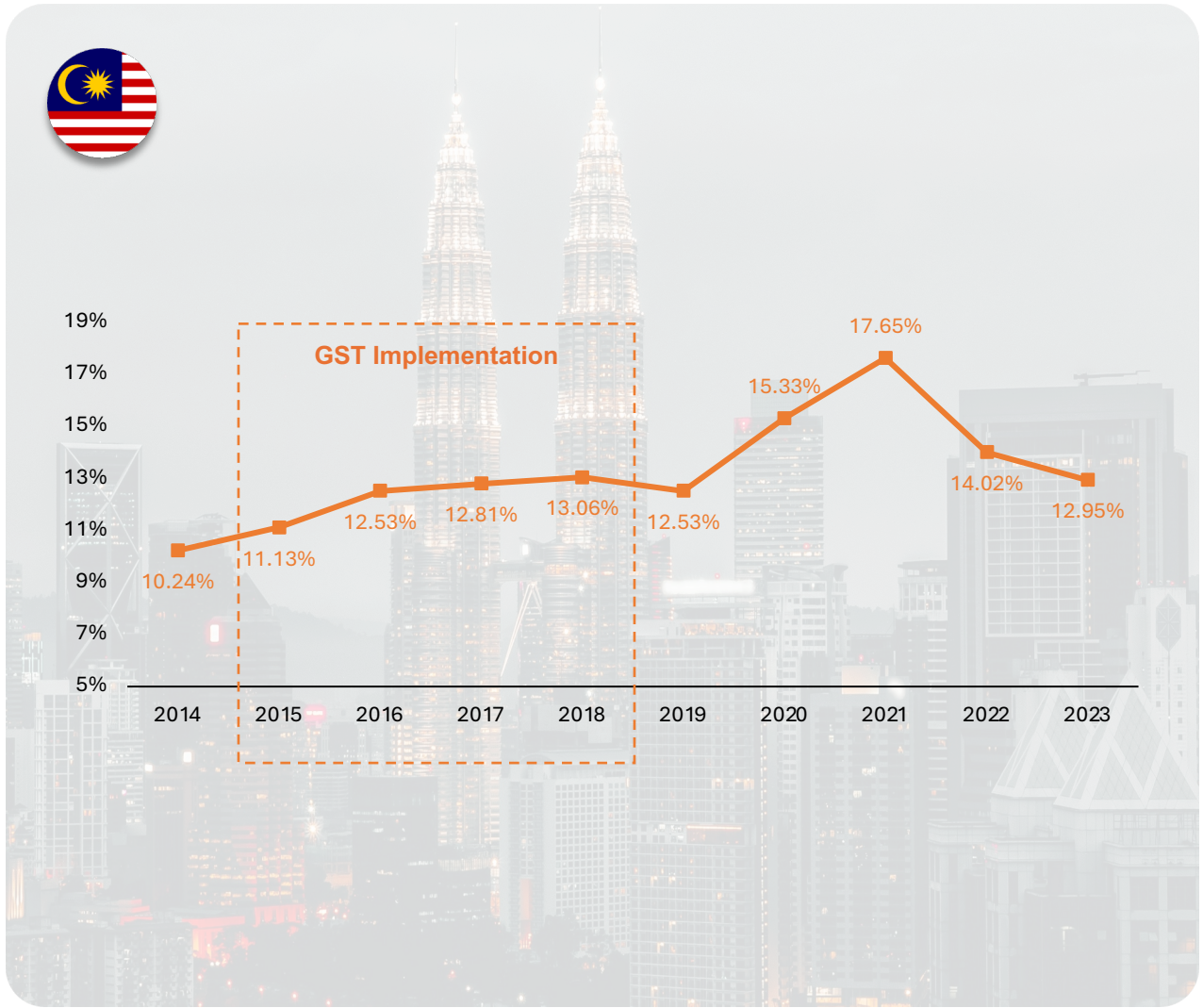
Malaysia can consider reintroducing a broader-based and more transparent GST system, drawing lessons from the shortcomings of the previous implementation. A reformed GST should:

- Be designed with clear exemptions or tiered structures to protect low-income households
- Include better communication and accountability mechanisms to build public trust
- Ensure that revenue collected is transparently linked to public service improvements

### Build revenue resilience via diversification

Malaysia should focus on diversifying and strengthening its revenue sources, including:

- Corporate and personal income taxes
- Investment returns from sovereign funds
- Efficient consumption taxes like VAT/GST.




***Source:*** *IMD World Competitiveness Yearbook (various years)*

GOVERNMENT EFFICIENCY

# Tax Policy

## 2.2.07 Corporate Tax Rate on Profit

4th – 5th August 2025 | Doubletree by Hilton Hotel, Putrajaya

See more ↗

HD HARD DATA

| Factor: | Sub-Factor: | Indicator: |
| --- | --- | --- |
| Government Efficiency | Tax Policy | **2.2.07** Corporate Tax Rate on Profit |

# 2.2.07: Corporate Tax Rate on Profit

## What is the IMD World Competitiveness Ranking?

**Factor** → **Government Efficiency**

Extent to which government policies are conducive to competitiveness.

**Sub-Factor** → **Tax Policy**

Assesses the competitiveness, structure, and impact of the national tax system.

**Indicator** → **Corporate Tax Rate on Profit**

| Score | Ranking |
|---|---|
| 24.00% | 40 |

### Economic Performance

Macro-economic evaluation of the domestic economy, employment trends, and price.

- Domestic economy
- International trade
- International investment
- Employment
- Prices

### Government Efficiency

Extent to which government policies are conducive to competitiveness.

- Public finance
- Tax policy
- Institutional framework
- Business legislation
- Social framework

### Business Efficiency

Extent to which the national environment encourages enterprises to perform in an innovative, profitable, and responsible manner.

- Productivity
- Labor market
- Finance
- Management practices
- Attitude and values

### Infrastructure

Extent to which basic, technological, scientific, and human resources meet the needs of the business.

- Basic infrastructure
- Technological infrastructure
- Scientific infrastructure
- Health and environment
- Education

# 2.2.07: Corporate Tax Rate on Profit

## Indicator overview sourced from *IMD WCY 2025* Report

### INDICATOR DEFINED IN THE REPORT

Maximum tax rate, calculated on profit before tax. Rates in effect on January 1, 2021 when available.

***Source:*** *IMD World Competitiveness Yearbook 2025 (page 412 and 583)*

### INDICATOR MEASUREMENT

The technical notes in WCY 2025 **DOES NOT** include the detailed calculations pertaining to the indicator.

### DATA SOURCE USED IN WCY 2025

The WCY 2025 report states that this indicator may be derived from the following sources:

- PricewaterhouseCoopers, “Resource Tax Manager”
- National sources

***Source:*** *IMD World Competitiveness Yearbook 2025 (page 583)*

# 2.2.07: Corporate Tax Rate on Profit

## Ranking as reported in *IMD WCY 2025*

### WHAT DOES THE SCORE INDICATE?

Tax Policy 2.2.07

**CORPORATE TAX RATE ON PROFIT** 2024

Maximum tax rate, calculated on profit before tax

| Ranking | | % | |
|---|---|---|---|
| 01 | Bahrain | 0.00 | |
| 02 | Hungary | 9.00 | |
| 02 | UAE | 9.00 | |
| 04 | Bulgaria | 10.00 | |
| 04 | Qatar | 10.00 | |
| 06 | Cyprus | 12.50 | 2022 |
| 06 | Ireland | 12.50 | |
| 08 | Kuwait | 15.00 | |
| 08 | Lithuania | 15.00 | |
| 08 | Oman | 15.00 | |
| 11 | Romania | 16.00 | |
| 12 | Hong Kong SAR | 16.50 | |
| 13 | Singapore | 17.00 | |
| 14 | Croatia | 18.00 | |
| 15 | Poland | 19.00 | |
| 15 | Slovenia | 19.00 | 2023 |
| 17 | Estonia | 20.00 | |
| 17 | Finland | 20.00 | |
| 17 | Kazakhstan | 20.00 | |
| 17 | Latvia | 20.00 | |
| 17 | Portugal | 20.00 | |
| 17 | Saudi Arabia | 20.00 | |
| 17 | Taiwan (Chinese Taipei) | 20.00 | |
| 17 | Thailand | 20.00 | |
| 25 | Switzerland | 20.50 | |
| 26 | Sweden | 20.60 | |
| 27 | Czech Republic | 21.00 | |
| 27 | Iceland | 21.00 | |
| 27 | Slovak Republic | 21.00 | 2023 |
| 27 | USA | 21.00 | |
| 31 | Austria | 22.00 | |
| 31 | Botswana | 22.00 | |
| 31 | Denmark | 22.00 | |
| 31 | Greece | 22.00 | |
| 31 | Indonesia | 22.00 | |
| 31 | Norway | 22.00 | |
| 31 | Türkiye | 22.00 | 2021 |
| 38 | Canada | 23.00 | |
| 39 | Japan | 23.20 | |
| 40 | Italy | 24.00 | |
| 40 | Korea Rep. | 24.00 | |
| 40 | Malaysia | 24.00 | |
| 43 | Germany | 24.58 | |
| 44 | Luxembourg | 24.94 | |
| 45 | Belgium | 25.00 | |
| 45 | Brazil | 25.00 | |
| 45 | Chile | 25.00 | |
| 45 | China | 25.00 | |
| 45 | France | 25.00 | |
| 45 | Ghana | 25.00 | |
| 45 | Mongolia | 25.00 | |
| 45 | Philippines | 25.00 | |
| 45 | Spain | 25.00 | |
| 45 | United Kingdom | 25.00 | |
| 55 | Netherlands | 25.80 | |
| 56 | South Africa | 27.00 | |
| 57 | New Zealand | 28.00 | |
| 58 | Peru | 29.50 | |
| 59 | Australia | 30.00 | |
| 59 | Kenya | 30.00 | |
| 59 | Mexico | 30.00 | |
| 59 | Nigeria | 30.00 | |
| 63 | Namibia | 31.00 | |
| 64 | Venezuela | 34.00 | |
| 65 | India | 34.94 | 2023 |
| 66 | Argentina | 35.00 | |
| 66 | Colombia | 35.00 | |
| 66 | Jordan | 35.00 | |
| 69 | Puerto Rico | 37.50 | |

***The lower the value, the higher the ranking.***

### RATIONALITY?

*A lower corporate tax rate is generally viewed as more business-friendly, signaling a conducive fiscal environment that encourages investment, entrepreneurship, and corporate expansion.*

*In global competitiveness rankings, countries with lower tax burdens on profit are often perceived as more attractive to businesses due to greater post-tax returns and improved cost-efficiency.*

*Hence, the ranking system rewards lower tax rates with higher positions, reflecting their positive impact on a country's economic dynamism and investment climate.*

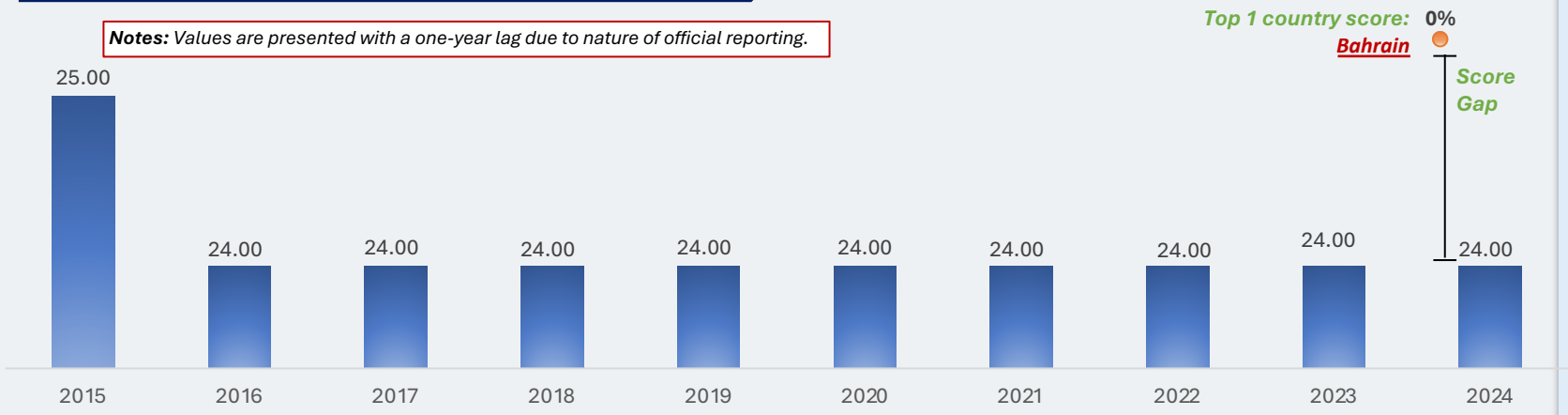
***Source:*** *IMD World Competitiveness Yearbook (WCY) 2025*

# 2.2.07: Corporate Tax Rate on Profit

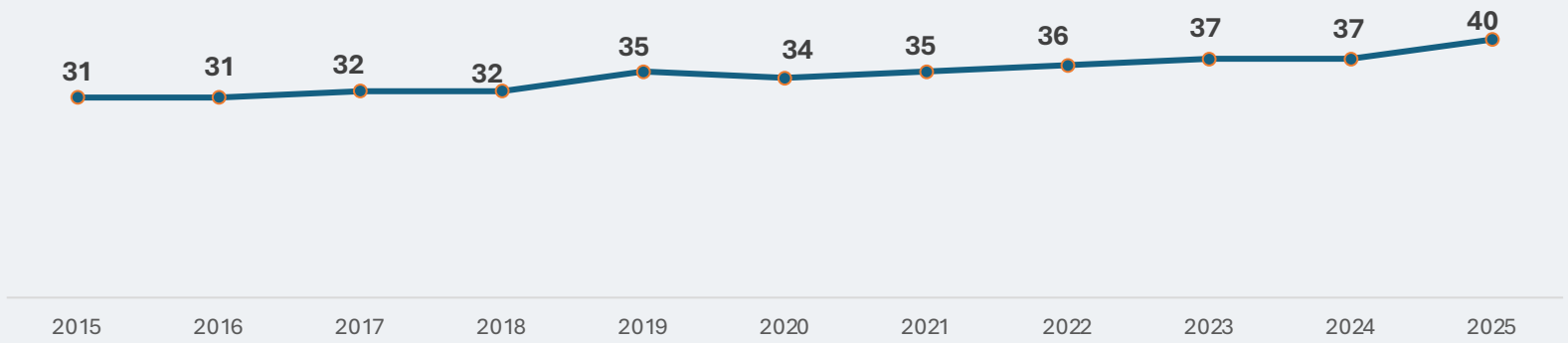
## Indicator performance over the years

### Indicator **Score (% of Corporate Tax Rate on Profit)**

**Notes:** *Values are presented with a one-year lag due to nature of official reporting.*




### Indicator **Rank (of 69 countries)**




**Source:** *IMD WCY (various years)*

## HOW DO THE INDICATORS PERFORM ACROSS YEARS?

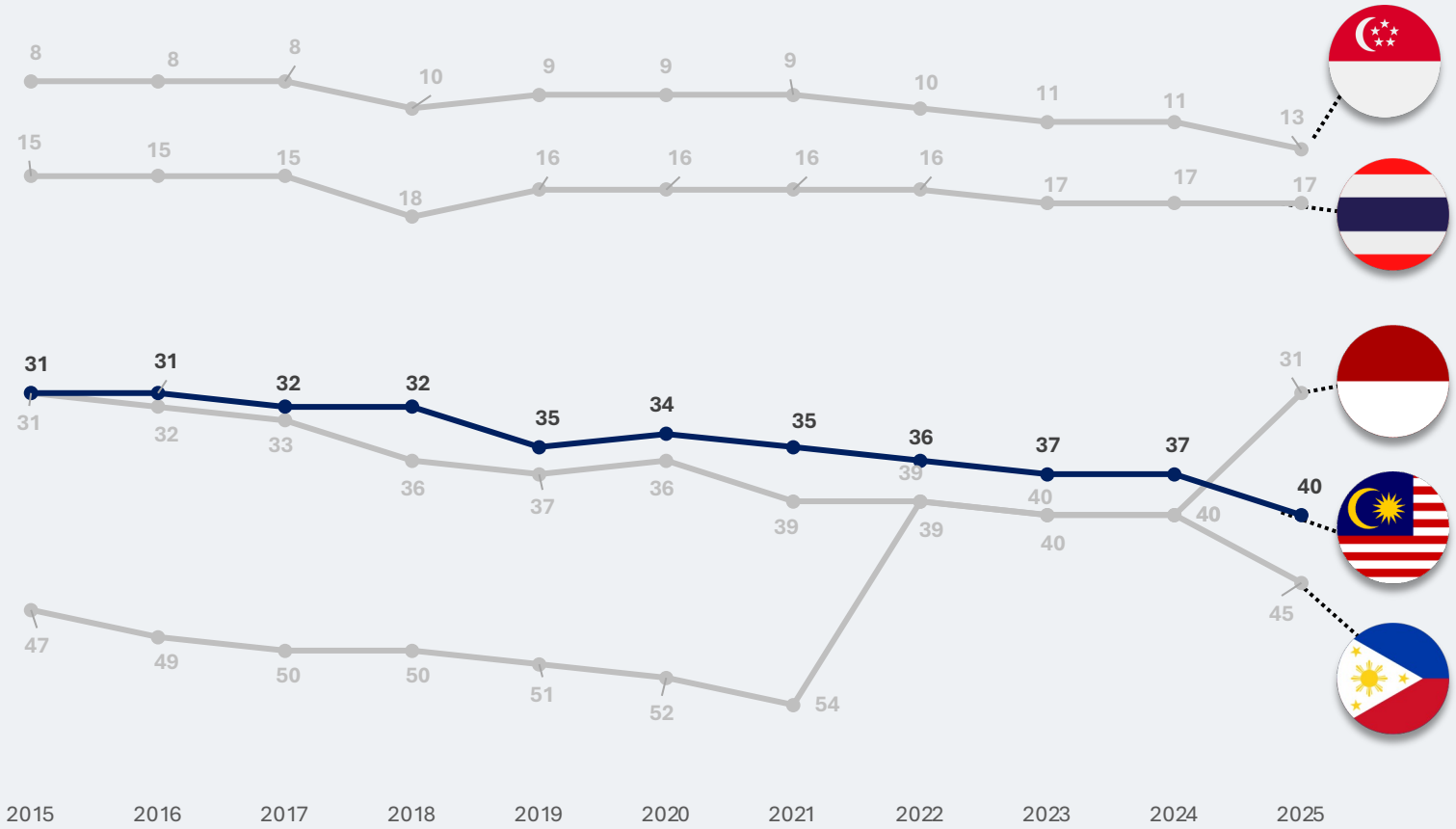
*Malaysia's corporate tax rate has remained constant at 24.00% since 2016. However, despite this stability in the tax rate, Malaysia's ranking has shown a gradual decline—from 31st position in 2015 to 40th in 2025 out of 69 countries.*

*This drop in ranking suggests that other countries have improved their competitiveness by reducing corporate tax rates over time, while Malaysia has remained unchanged.*

*As a result, the relative attractiveness of Malaysia's corporate tax regime has weakened, creating a widening score gap against the top performer, such as Bahrain with a 0% tax rate.*

# 2.2.07: Corporate Tax Rate on Profit

## Indicator performance over the years




***Source:*** *IMD WCY (various years)*

## WHERE ARE MALAYSIA NOW? RANKS AMONG ASEAN COUNTRIES

*As of 2025, Malaysia ranks 40th in corporate tax rate competitiveness among 69 countries assessed. Within ASEAN, Malaysia now shares the same position as Indonesia but trails behind Singapore (13th) and Thailand (17th).*

*The trend over the last decade shows Malaysia's relative position declining steadily from 31st in 2015. This reflects reduced competitiveness in tax policy, particularly as other ASEAN peers are either maintaining or improving their rankings.*

*The recent overtaking by Indonesia highlights the need for Malaysia to re-evaluate its corporate tax strategy to remain attractive for business and investment.*

# 2.2.07: Corporate Tax Rate on Profit

## Indicator footprint – Tracking the Data Sources

| Phase & Institution Involvement | Data Source | Compilation | Data Retrieval | Publish |
|---|---|---|---|---|
| | LHDN MALAYSIA | International Institution | IMD | IMD |

### Description

**Employer Social Security Tax Rate**

Tax rate of company was determined based on the year assessment done by *Lembaga Hasil Dalam Negeri* (LHDN) for:

- company with paid up capital not more than RM2.5 million and gross business income of not more than RM50 million and;
- company other than the above category

Data compiled and integrated internationally with other country profiles

by:

pwc

IMD retrieves data from PWC into their database.

Malaysia in **2025**:

***Scored***

**24.0** %

***Ranked***

**40** th

## Why 24%? Understanding the maximum tax rate reported by PWC and IMD

| Year Assessment 2023 - 2024 | | Percentage |
|---|---|---|
| • Company with paid up capital not more than RM2.5 million and gross business income of not more than RM50 million | | |
| | ○ On first RM150,000 | 15% |
| | ○ RM150,001 to RM600,000 | 17% |
| | ○ RM600,001 and Subsequent Balance | 24% |
| • Company other than the above category | | 24% |

pwc | Worldwide Tax Summaries

| Territory | Headline CIT rate (%) |
|---|---|
| Malaysia (Last reviewed 07 July 2025) | 24 |

***Source:*** *Employees Provident Fund (Malaysia) Statistic 2024*

PWC publishes the highest applicable corporate income tax (CIT) rate for each country, based on the most recent legislative and regulatory updates. This headline rate typically reflects the maximum tax imposed on corporate profits, regardless of preferential rates or exemptions available to specific categories of businesses (such as SMEs or companies with certain income thresholds).

The IMD adopts the maximum corporate tax rate as reported by PWC to ensure consistency and comparability across countries. By standardizing the data to reflect the highest statutory tax rate, IMD avoids discrepancies that could arise due to the existence of tiered or progressive tax structures within countries. This method ensures a level playing field for benchmarking tax competitiveness globally.

# 2.2.07: Corporate Tax Rate on Profit

## Recommendation for improvement – reduce corporate tax rate and increase employees' compensation

There is a recommendation to reduce the corporate tax rate by 10%. However, to ensure equitable growth, employee compensation should also be increased concurrently.

## Key Rationality

**Boosting Business Competitiveness**
Reducing corporate tax rates can attract foreign direct investment (FDI), enhance business profitability, and improve Malaysia's global competitiveness ranking.

**Ensuring Inclusive Economic Gains**
To avoid a regressive outcome, increased profits from lower corporate taxes should be equitably shared with employees through better wages and benefits, supporting household income growth and domestic demand.

Based on the simulation, **reducing corporate tax to 10%** while **increasing employee salaries by 10% may lead to a short-term drop in corporate tax collection**. However, this could be **offset by GDP expansion**, **increased consumption**, and **stronger income/SST revenues**. The policy mix must be accompanied by:

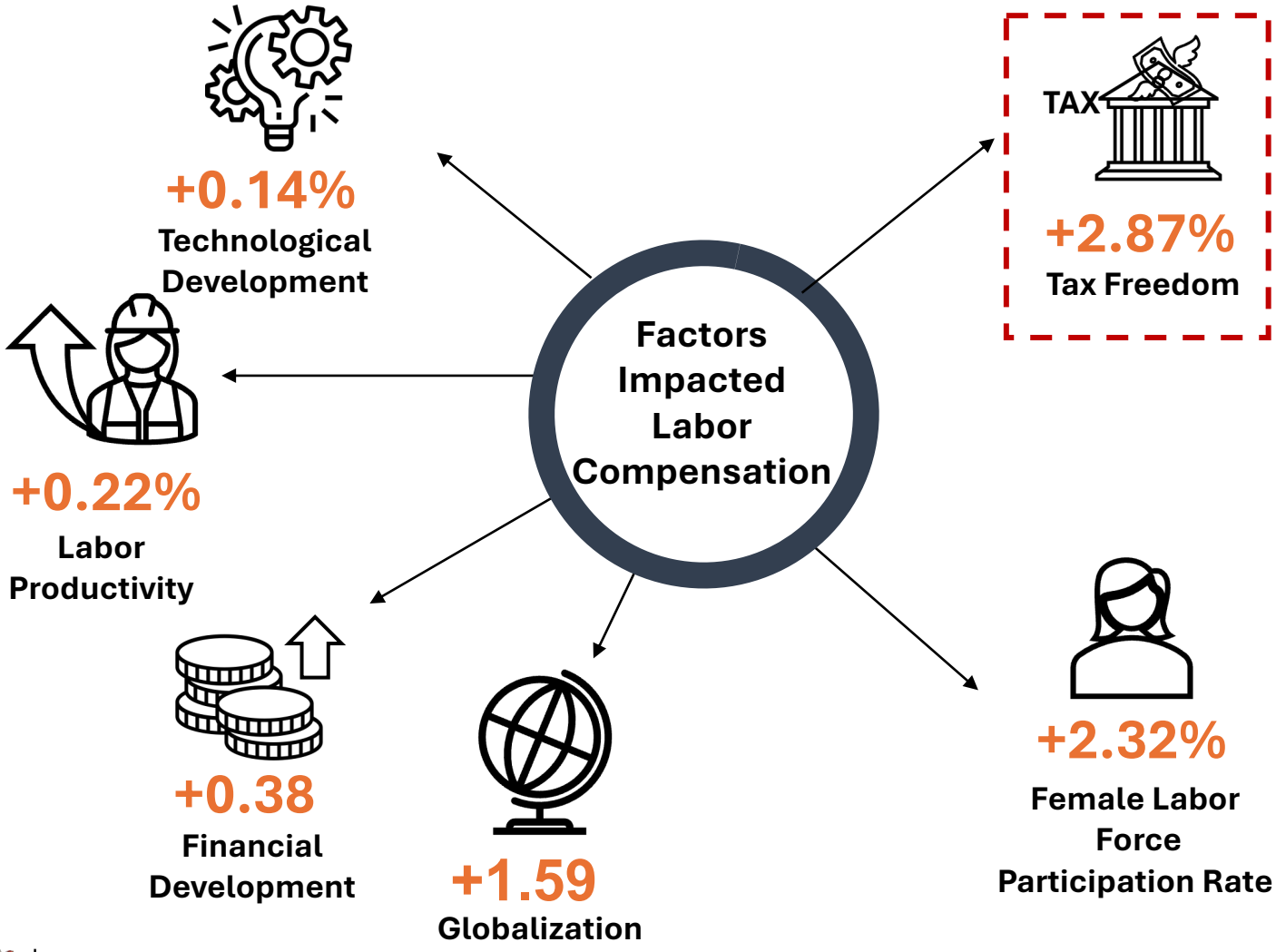
- Incentives to ensure reinvestment of tax savings.
- Monitoring wage pass-through to avoid inflation.
- Broader tax reform to preserve fiscal sustainability.

| | Before Tax Reform | After Tax Reform | Change |
|---|---|---|---|
| **Corporate Tax Rate** | 24% | 10% | ↓ |
| **Corporate Tax Collection** | RM 70–172B | RM 72–77B | More likely the same |
| **GDP (Nominal)** | RM 1.8T | RM 1.932T | +7.4% |
| **Employee Compensation** | RM 630B | RM 693B | +10% |
| **Private Consumption** | Increased | ↑↑ | Stimulated by wages |
| **Investment** | Neutral | ↑ | From retained earnings |
| **Total Tax Revenue (with income/SST growth)** | - | Partially offset | Potential net revenue neutral |

# 2.2.07: Corporate Tax Rate on Profit

## The biggest influences on labor compensation are tax freedom

*Elasticity magnitude that measures the percentage increase in labor compensation in response to the percentage increase in the factors.*




Tax relaxation to companies has a potential to increase labor compensation

Tax freedom is the exemption of tax to a certain company or economic sectors to increase its production of goods and services and thus increase compensation to employees.

# 2.2.07: Corporate Tax Rate on Profit

## Reducing tax burden increases labor compensation

*Tax burden measures the tax imposed by government to individual and businesses, as a percentage of GDP.*

Germany

*Germany has the **highest** share of **labor compensation** to the nation's GDP which is at **53.4%** in 2022 and the **lowest tax burden** at **59.9%** in 2019 compared to the other benchmarking countries.*

### List of tax (burden) in Germany

- Tax on personal income, profits & gains
- Tax on corporate income and gains
- Social security contributions
- Taxes on property
- Value added taxes
- Taxes on good and services (excluding VAT)

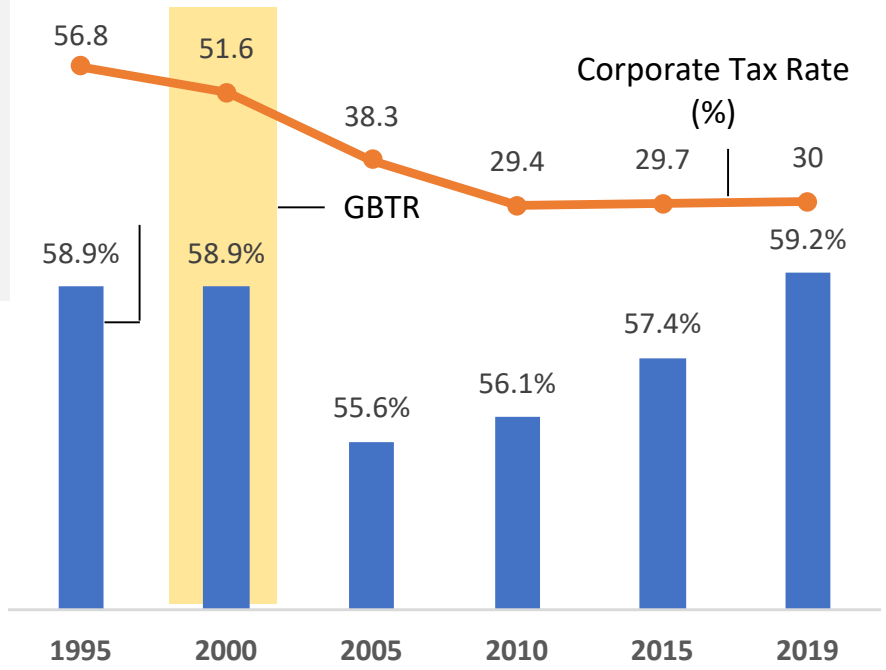
### List of German Business Tax Reform

- The rate of corporate income tax was reduced from 30% – 40% down to 25%
- The tax imputation system was abolished
- Partnerships and sole proprietorships are entitled to a tax free rollover of capital gains up to € 500,000 from the disposal of corporations

### German Business Tax Reform (GBTR)

German Business Tax Reform 2000-2001 happened to be one of the biggest change to the raise in wage (Nils aus dem Moore, 2014).

**Share of Compensation of Employees (%) and Corporate Tax Rate, 1995-2019**




**Source:** Jones Day (2002), Federal Ministry of Finance Germany (2000), Moore et al. (2014), IMF (2016)

GOVERNMENT EFFICIENCY

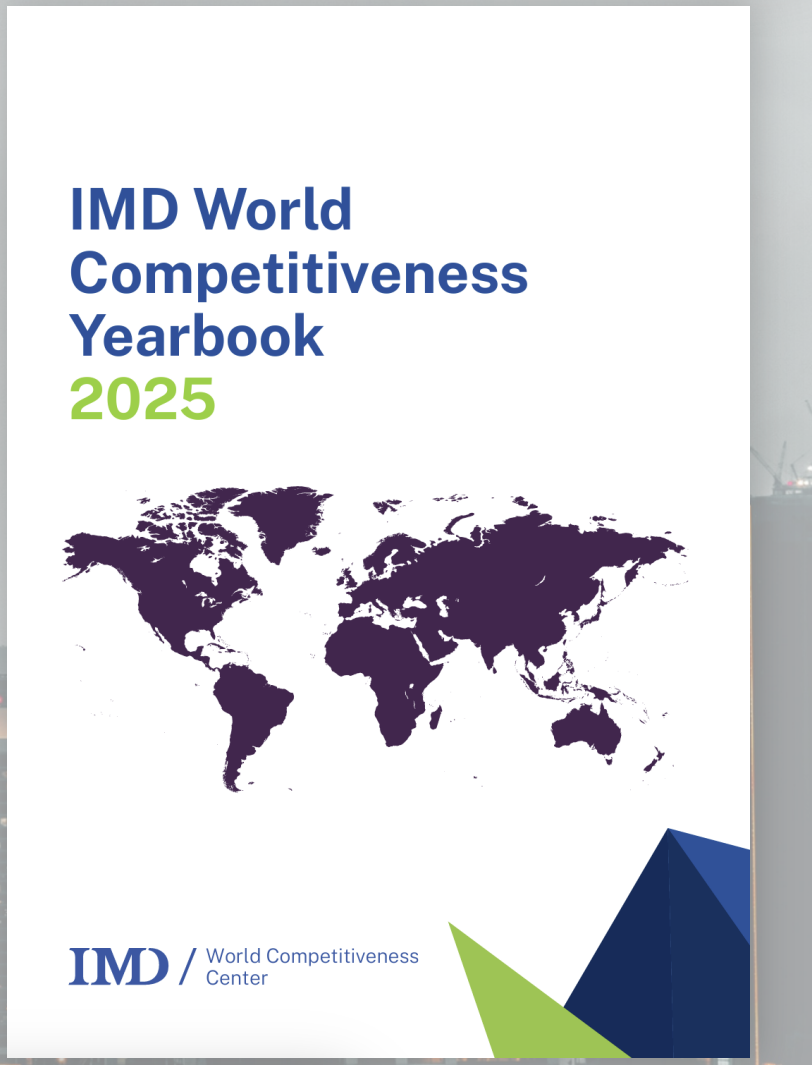
# Tax Policy

## 2.2.09 Employer Social Security Tax Rate

4th – 5th August 2025 | Doubletree by Hilton Hotel, Putrajaya

See more ↗

HD HARD DATA




| Factor: | Sub-Factor: | Indicator: |
| --- | --- | --- |
| Government Efficiency | Tax Policy | **2.2.09** Employer social security tax rate |

# 2.2.09: Employer Social Security Tax Rate

## What is the IMD World Competitiveness Ranking?

**Factor** → **Government Efficiency**

Extent to which government policies are conducive to competitiveness.

**Sub-Factor** → **Tax Policy**

Assesses the competitiveness, structure, and impact of the national tax system.

**Indicator** → **Employer Social Security Tax Rate**

| Score | Ranking |
|---|---|
| 13.00% | 33 |

### Economic Performance

Macro-economic evaluation of the domestic economy, employment trends, and price.

- Domestic economy
- International trade
- International investment
- Employment
- Prices

### Government Efficiency

Extent to which government policies are conducive to competitiveness.

- Public finance
- Tax policy
- Institutional framework
- Business legislation
- Social framework

### Business Efficiency

Extent to which the national environment encourages enterprises to perform in an innovative, profitable, and responsible manner.

- Productivity
- Labor market
- Finance
- Management practices
- Attitude and values

### Infrastructure

Extent to which basic, technological, scientific, and human resources meet the needs of the business.

- Basic infrastructure
- Technological infrastructure
- Scientific infrastructure
- Health and environment
- Education

# 2.2.09: Employer Social Security Tax Rate

## Indicator overview sourced from *IMD WCY 2025* Report

### INDICATOR DEFINED IN THE REPORT

The IMD WCY 2025 report defines this indicator as the total compulsory employer contributions to social security schemes as a percentage of employees' gross salary.

***Source:*** *IMD World Competitiveness Yearbook 2025 (page 412)*

### INDICATOR MEASUREMENT

The technical notes in WCY 2025 **DOES NOT** include the detailed calculations pertaining to the indicator.

***Source:*** *IMD World Competitiveness Yearbook 2025 (page 412)*

### DATA SOURCE USED IN WCY 2025

The WCY 2025 report states that this indicator may be derived from the following sources:

- KPMG
- National sources

***Source:*** *IMD World Competitiveness Yearbook 2025 (page 583)*

# 2.2.09: Employer Social Security Tax Rate

## Ranking as reported in *IMD WCY 2025*

### WHAT DOES THE SCORE INDICATE?

Tax Policy 2.2.09

**EMPLOYER SOCIAL SECURITY TAX RATE** 2024

%

| Ranking | | % | |
|---|---|---|---|
| 01 | Botswana | 0.0 | 2021 |
| 01 | Denmark | 0.0 | |
| 01 | Hong Kong SAR | 0.0 | 2021 |
| 04 | Namibia | 0.9 | 2021 |
| 05 | South Africa | 1.0 | |
| 06 | Lithuania | 1.8 | |
| 07 | Romania | 2.3 | |
| 08 | New Zealand | 3.0 | |
| 09 | Thailand | 5.0 | |
| 10 | Iceland | 6.4 | |
| 11 | Switzerland | 6.4 | |
| 12 | Kenya | 6.5 | |
| 13 | Mexico | 7.6 | |
| 14 | Puerto Rico | 7.7 | 2021 |
| 14 | USA | 7.7 | |
| 16 | Chile | 7.9 | |
| 17 | Canada | 8.3 | |
| 18 | Cyprus | 8.8 | |
| 19 | Peru | 9.0 | 2021 |
| 20 | Kazakhstan | 9.5 | |
| 20 | Philippines | 9.5 | |
| 22 | Nigeria | 10.0 | |
| 22 | Qatar | 10.0 | |
| 24 | Korea Rep. | 10.4 | |
| 25 | Ireland | 11.2 | |
| 26 | Kuwait | 11.5 | |
| 27 | Indonesia | 11.7 | |
| 28 | Australia | 12.0 | |
| 28 | India | 12.0 | |
| 28 | Oman | 12.0 | 2023 |
| 28 | Saudi Arabia | 12.0 | |
| 32 | UAE | 12.5 | |
| 33 | Hungary | 13.0 | |
| 33 | Malaysia | 13.0 | |
| 35 | Luxembourg | 13.5 | |
| 36 | Ghana | 13.5 | 2023 |
| 37 | United Kingdom | 13.8 | |
| 38 | Norway | 14.1 | |
| 39 | Jordan | 14.3 | |
| 40 | Mongolia | 14.5 | |
| 41 | Taiwan (Chinese Taipei) | 15.4 | |
| 42 | Japan | 15.8 | |
| 43 | Slovenia | 16.1 | |
| 44 | Croatia | 16.5 | |
| 45 | Singapore | 17.0 | |
| 45 | Venezuela | 17.0 | |
| 47 | Germany | 19.4 | |
| 48 | Bulgaria | 19.6 | |
| 49 | Bahrain | 20.0 | |
| 50 | Finland | 20.2 | |
| 51 | Argentina | 20.4 | |
| 52 | Colombia | 20.5 | |
| 52 | Türkiye | 20.5 | |
| 54 | Austria | 21.0 | |
| 55 | Poland | 22.1 | |
| 56 | Greece | 22.3 | |
| 57 | Netherlands | 23.2 | |
| 58 | Latvia | 23.6 | |
| 59 | Portugal | 23.8 | |
| 60 | China | 28.2 | |
| 61 | Brazil | 28.8 | |
| 62 | Spain | 29.9 | |
| 63 | Italy | 30.0 | |
| 64 | Sweden | 31.4 | |
| 65 | Czech Republic | 33.8 | |
| 65 | Estonia | 33.8 | |
| 67 | Belgium | 35.0 | |
| 68 | Slovak Republic | 35.2 | |
| 69 | France | 45.0 | |

***The lower the value, the higher the ranking.***

### RATIONALITY?

A lower employer social security tax rate is considered favorable in global competitiveness assessments as it directly reduces the cost of labor for businesses. This lowers the financial burden on employers when hiring or retaining workers, thereby enhancing business flexibility and supporting employment growth. Countries with lower contribution rates are often seen as offering a more conducive environment for private sector development, particularly for small and medium-sized enterprises (SMEs). It improves the affordability of expanding the workforce, encourages formal sector employment, and strengthens incentives for businesses to invest in human capital.

Moreover, from a macroeconomic perspective, competitive social security tax policies can attract foreign direct investment (FDI), as international firms frequently factor in payroll-related costs when evaluating operational locations. A moderate and efficient tax structure also reflects sound fiscal governance and alignment with private sector needs.

Hence, in benchmarking exercises such as the IMD World Competitiveness Yearbook, countries with lower employer social security tax rates are ranked higher, as this metric is interpreted as a proxy for a business-friendly labor cost structure that promotes competitiveness, employment, and investment.

***Source:*** *IMD World Competitiveness Yearbook 2025*

# 2.2.09: Employer Social Security Tax Rate

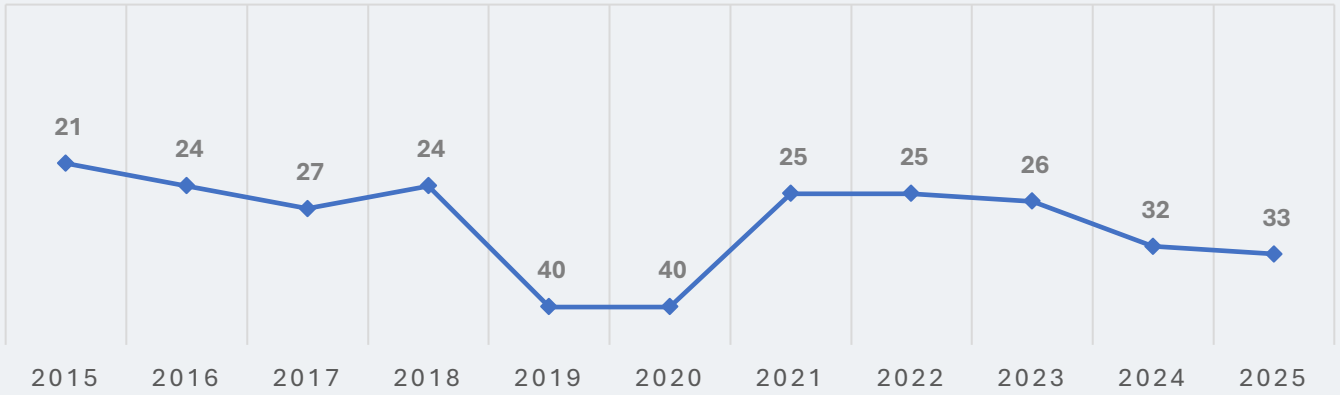
## Indicator performance over the years

### Indicator **Score (% of contribution)**

***Notes:*** *Data are presented with a one-year lag due to the nature of official reporting. For example, figures reported for 2025 are based on 2024 data.*

*Top 1 country score:* ***Denmark***

### Indicator **Rank (of 69 countries)**




***Source:*** *IMD World Competitiveness Yearbook (various years)*

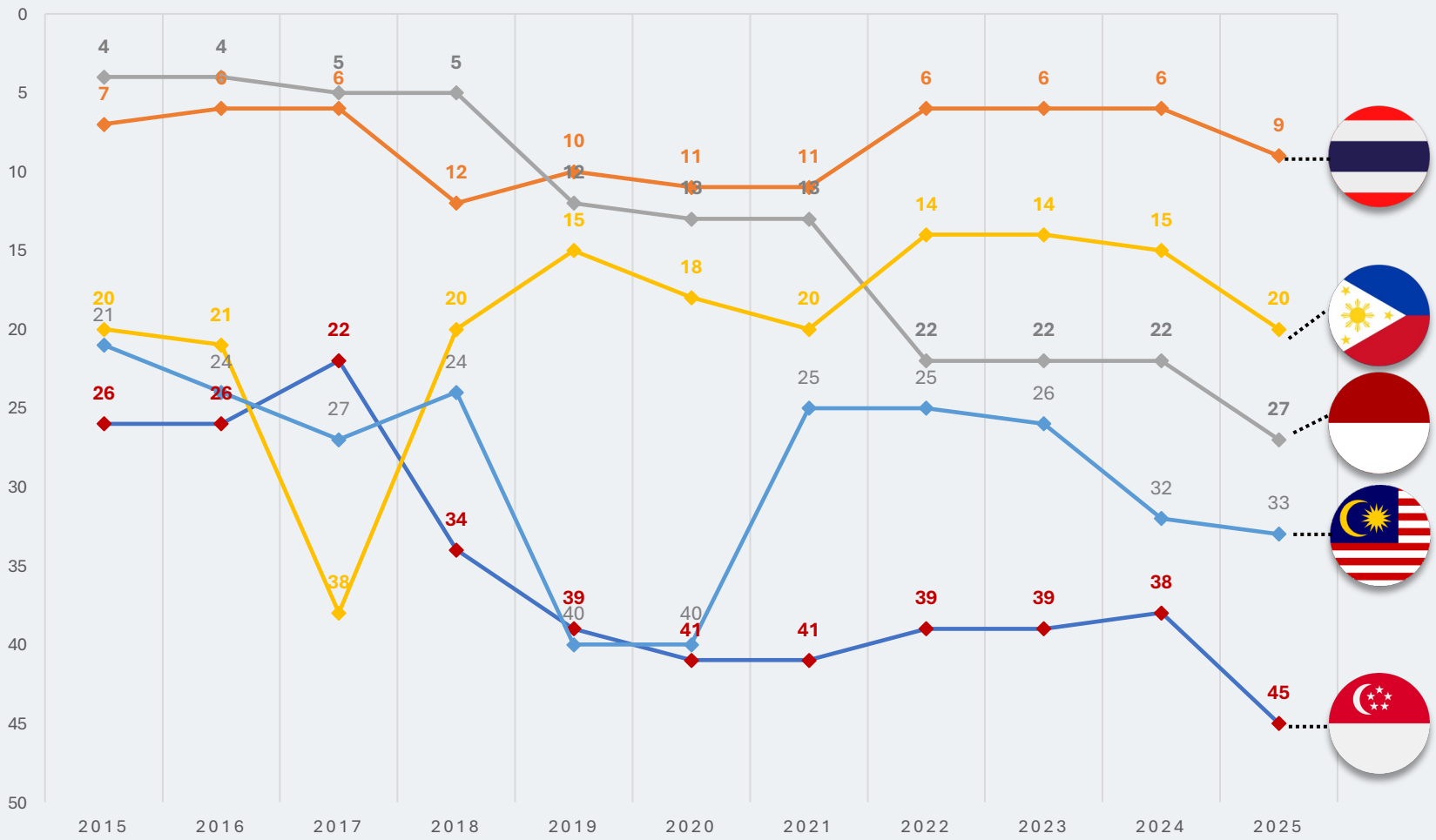
## HOW DO THE INDICATORS PERFORM ACROSS YEARS?

Over the period 2015 to 2025, Malaysia's employer social security tax rate has remained relatively stable, ranging between 10.53% and 13.00%. Despite this consistency, Malaysia's global ranking has fluctuated, indicating that even marginal changes in contribution rates or policy shifts in comparator countries can significantly affect competitiveness standings.

Between 2015 and 2018, Malaysia held stronger positions (ranking between 21st and 27th), but experienced a notable decline to 40th place in 2019 and 2020. Since then, Malaysia has shown gradual improvement, although its 2025 position at 33rd still reflects room for progress relative to more competitive economies such as Denmark and Hong Kong SAR, which report a 0% rate.

# 2.2.09: Employer Social Security Tax Rate

## Indicator performance over the years




***Source:*** *IMD WCY (various years)*

## WHERE ARE MALAYSIA NOW? RANKS AMONG ASEAN COUNTRIES

Malaysia currently ranks 33rd globally in 2025 for employer social security tax rate, placing 5th among the six ASEAN countries covered. Malaysia's position showed modest improvement from 41st in 2020 to 25th in 2021 and 2022, before gradually declining again. This indicates limited competitiveness gains relative to regional peers.

Thailand consistently outperformed its ASEAN neighbors, ranking within the global top 10 throughout the period and reaching 6th in recent years. The Philippines also improved steadily, achieving 14th to 20th positions from 2019 to 2025. Indonesia, after a drop to 26th in 2023, made gains to 22nd–27th by 2025.

Vietnam showed the sharpest leap, jumping from 38th in 2017 to 20th in 2018, and maintaining its position around the top 20 since then. In contrast, Singapore fell steadily from 20th in 2015 to 45th in 2025, now ranking the lowest among ASEAN economies.

# 2.2.09: Employer Social Security Tax Rate

## Indicator footprint – Tracking the Data Sources

| Phase & Institution Involvement | Data Source | Compilation | Data Retrieval | Publish |
|---|---|---|---|---|
| | KWSP EPF | International Institution | IMD | IMD |

## Description

| | | | | |
|---|---|---|---|---|
| **Employer Social Security Tax Rate** | Revised on the mandatory Employees Provident Fund (EPF) contribution rates by employer and employee. | Data compiled and integrated internationally with other country profiles by: KPMG | IMD retrieves data from KPMG and national sources into their database. | Malaysia in **2025**: ***Scored*** **13.0** % ***Ranked*** **33** rd |

# 2.2.09: Employer Social Security Tax Rate

## The mandatory Employees Provident Fund (EPF) contribution rates

**CONTRIBUTION RATES**

| Year | Employee | Employer | Total |
|---|---|---|---|
| 1952 - June 1975 | 5% | 5% | 10% |
| July 1975 - November 1980 | 6% | 7% | 13% |
| December 1980 - December 1992 | 9% | 11% | 20% |
| January 1993 - December 1995 | 10% | 12% | 22% |
| January 1996 - March 2001 | 11% | 12% | 23% |
| April 2001 - March 2002 | 9% | 12% | 21% |
| April 2002 - May 2003 | 11% | 12% | 23% |
| June 2003 - May 2004 | 9% | 12% | 21% |
| June 2004 - December 2008 | 11% | 12% | 23% |
| January 2009 - December 2010 | 8% | 12% | 20% |
| January 2011 - December 2011 | 11% | 12% | 23% |
| **January 2012 - February 2016** | | | |
| Income RM5,000 and less | 11% | 13% | 24% |
| Income more than RM5,000 | 11% | 12% | 23% |
| **March 2016 - December 2017** | | | |
| **Members below age 60** | | | |
| Income RM5,000 and less | 8% | 13% | 21% |
| Income more than RM5,000 | 8% | 12% | 20% |
| **Members age 60 until age 75** | | | |
| Income RM5,000 and less | 4% | 6.5% | 10.5% |
| Income more than RM5,000 | 4% | 6% | 10% |
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| **Members below age 60** | | | |
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| Income more than RM5,000 | 5.5% | 6% | 11.5% |
| **January 2019** | | | |
| **Members below age 60** | | | |
| Income RM5,000 and less | 11% | 13% | 24% |
| Income more than RM5,000 | 11% | 12% | 23% |
| **Members age 60 until age 75** | | | |
| Income RM5,000 and less | - | 4% | 4% |
| Income more than RM5,000 | - | 4% | 4% |

***Source:*** *Employees Provident Fund (Malaysia) Statistic 2024*

Malaysia's employer social security tax rate is closely tied to the mandatory Employees Provident Fund (EPF) contribution scheme, which represents the largest portion of statutory employer social protection obligations. The rates have evolved significantly since 1952, reflecting both macroeconomic shifts and demographic considerations such as ageing.

As of January 2019, employers contribute between 12% and 13% of an employee's monthly wage to the EPF for employees below age 60, depending on income level. For workers aged 60 and above, the employer contribution is reduced to 4%, reflecting a policy approach aimed at encouraging employment among older workers while balancing fiscal obligations for employers.

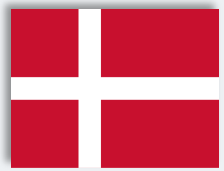
# 2.2.09: Employer Social Security Tax Rate

## Should we revisit our social security system? – Insights from Denmark's approach

This does not necessarily require a reduction in the employer's EPF contributions, as they serve as long-term retirement savings for employees. However, if the objective is to lower both employer and employee contributions specifically for social security purposes, a potential reform could involve revisiting the pension system structure—drawing lessons from Denmark's model, which relies more on general taxation than payroll-based contributions.

### Key Rationality

- Denmark's social protection model is built on a broad tax base, with social benefits financed primarily through general income taxes rather than employer or employee-specific levies. This structure allows for universal coverage while minimizing labor cost distortions.
- The 0% SSC rate recorded by the IMD is a function of classification, not policy absence. Since Denmark's welfare programs are not financed through employee wage-based contributions, they fall outside the scope of "compulsory employer social security contributions" as defined by IMD and KPMG. The country's full coverage of healthcare, pensions, unemployment benefits, and education is delivered through the national budget, rather than employee payroll deductions.



**Denmark's social security contributions**

### Social security contributions

The Danish social security system is financed primarily through ordinary tax revenue and only very limited social security contributions for employees and employers.

All individuals working in Denmark and fully tax liable to Denmark and who are covered by Danish social security must also pay labour market supplementary pension (ATP).

Danish social security contributions and in some cases foreign social security contributions are deductible from personal income for tax purposes. The employer is responsible for withholding and paying the contributions on behalf of their employees.

| Social security annual rates (2024) | DKK |
|---|---|
| Employee: | |
| ATP | 1,188 |
| Employer: | |
| ATP | 2,376 |
| Contribution to maternity fund, estimated | 1,350 |
| Industrial injuries insurance, estimated * | 5,000 |
| Other public social security schemes, partly estimated | 5,300 |

***Source:*** *PricewaterhouseCoopers 2024*

# 2.2.09: Employer Social Security Tax Rate

## Should we revisit our social security system? – Insights from Denmark's approach

### Denmark's welfare systems

| Social Benefit | How It's Funded |
|---|---|
| **Public healthcare** | General income taxes (not health insurance) |
| **Old-age pension (public)** | Taxes — not wage-based contributions |
| **Unemployment insurance (UI) — Optional** | Voluntary membership in UI funds (A-kasse) |
| **Disability and sickness benefits** | Tax-funded schemes |
| **Family and maternity leave** | Employer funds + tax-financed schemes |
| **Education (incl. university)** | Fully funded by the state |

***Source:*** *Denmark official website (https://denmark.dk/society-and-business/the-danish-welfare-state)*

While many countries use payroll-based SSC systems, Denmark does not maintain a traditional social insurance model. Instead, key protections such as healthcare, public pensions, and education are state-guaranteed and funded through progressive taxation. Marginal income tax rates in Denmark can reach up to 55.9%, ensuring adequate fiscal space for comprehensive welfare provisioning.

The only compulsory employer contributions are modest flat-rate amounts, such as:

- The ATP pension (~DKK 189 per month),
- Industrial injury insurance (AES), and
- Other minor levies.

Denmark's model highlights an alternative pathway to achieving comprehensive welfare coverage while maintaining labor market competitiveness.

*If we decide not to revise, consider ignoring this indicator—similar to Singapore.*

***We propose to ignore it due to the following reasons:***

- *Revising the system would require significant time and resources*
- *Any structural change may trigger significant conflict and resistance from various stakeholders*

GOVERNMENT EFFICIENCY

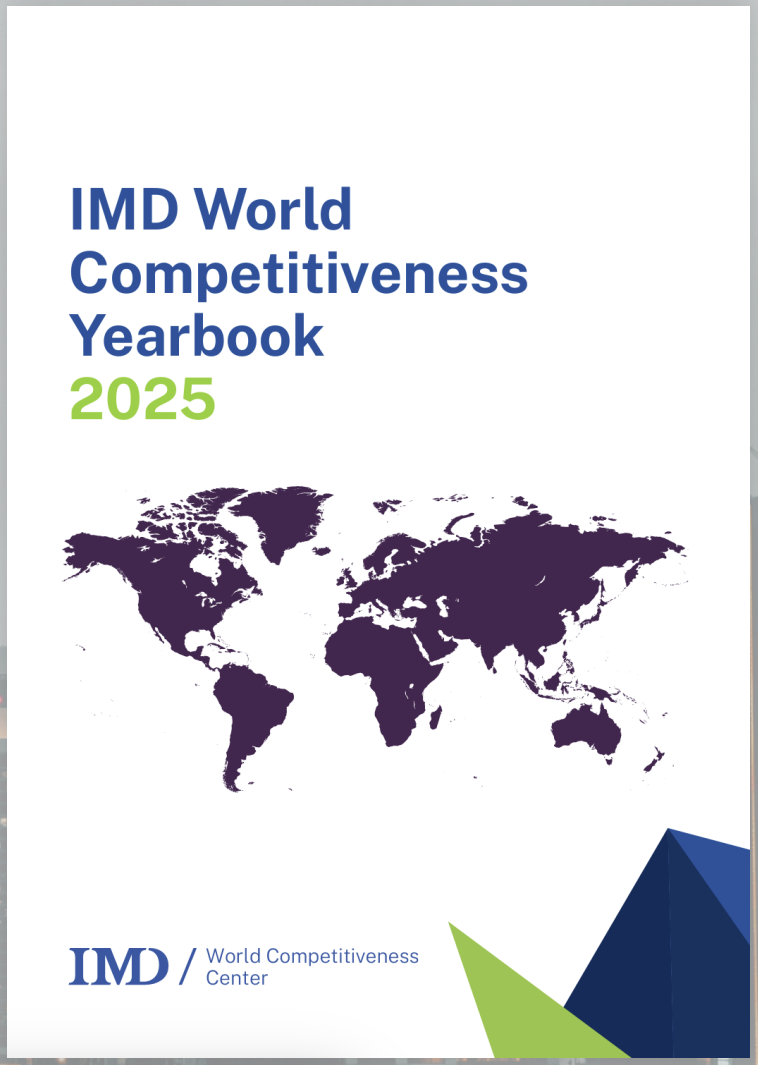
# Tax Policy

## 2.2.10 Employee Social Security Tax Rate

4th – 5th August 2025 | Doubletree by Hilton Hotel, Putrajaya

See more ↗

HD HARD DATA




| Factor: | Sub-Factor: | Indicator: |
| --- | --- | --- |
| Government Efficiency | Tax Policy | **2.2.10** Employee social security tax rate |

# 2.2.10: Employee Social Security Tax Rate

## What is the IMD World Competitiveness Ranking?

**Factor:** Government Efficiency

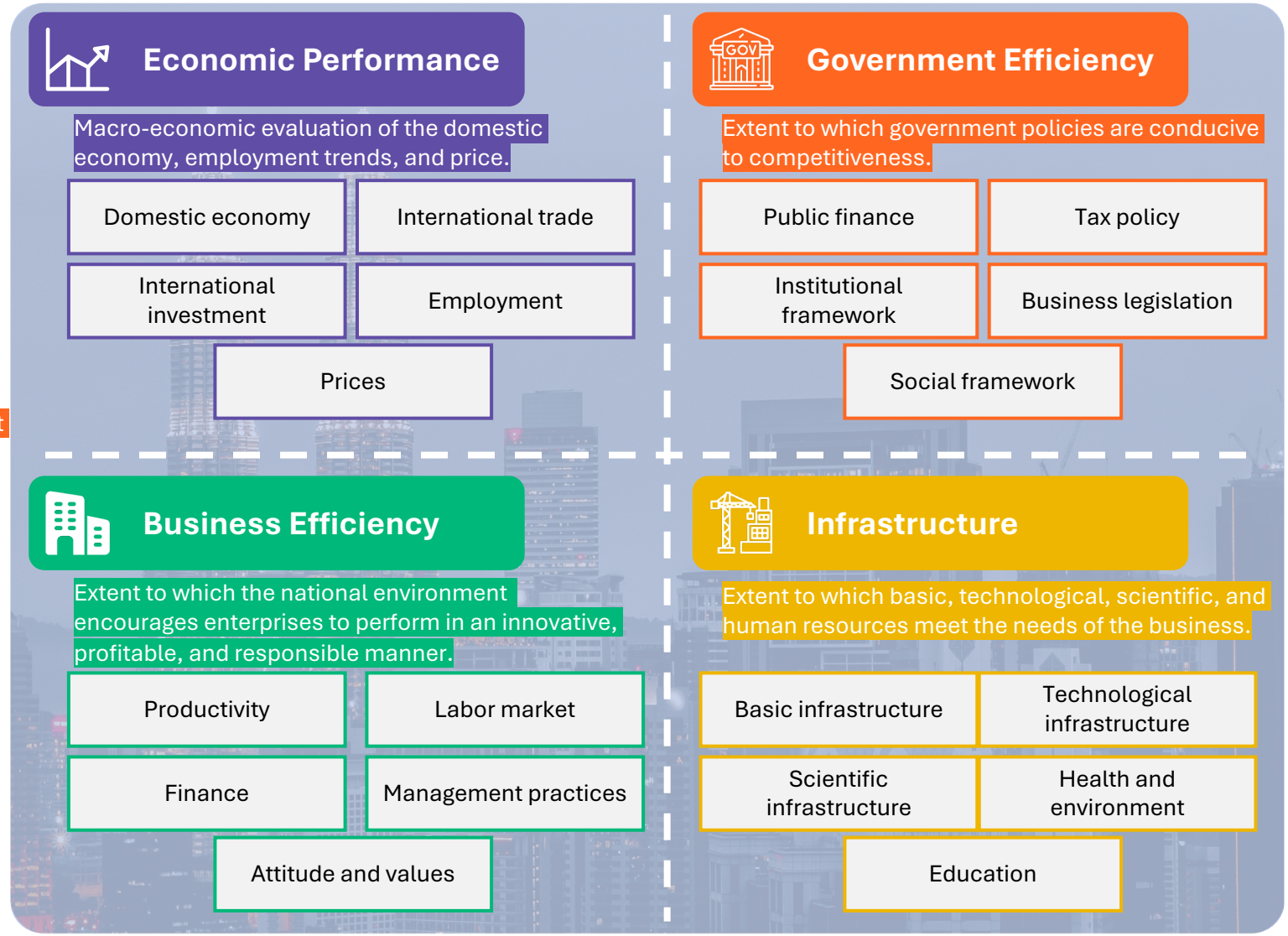
Extent to which government policies are conducive to competitiveness.

**Sub-Factor:** Tax Policy

Assesses the competitiveness, structure, and impact of the national tax system.

**Indicator:** Employee Social Security Tax Rate

| Score | Ranking |
|---|---|
| 11.00% | 42 |



# 2.2.10: Employee Social Security Tax Rate

## Indicator overview sourced from *IMD WCY 2025* Report

### INDICATOR DEFINED IN THE REPORT

The IMD WCY 2025 report defines this indicator as the total compulsory employee contributions to social security schemes as a percentage of employees' gross salary.

***Source:*** *IMD World Competitiveness Yearbook 2025 (page 412)*

### INDICATOR MEASUREMENT

The technical notes in WCY 2025 **DOES NOT** include the detailed calculations pertaining to the indicator.

***Source:*** *IMD World Competitiveness Yearbook 2025 (page 412)*

### DATA SOURCE USED IN WCY 2025

The WCY 2025 report states that this indicator may be derived from the following sources:

- KPMG
- National sources

***Source:*** *IMD World Competitiveness Yearbook 2025 (page 583)*

# 2.2.10: Employee Social Security Tax Rate

## Ranking as reported in *IMD WCY 2025*

### WHAT DOES THE SCORE INDICATE?

Tax Policy 2.2.10

**EMPLOYEE SOCIAL SECURITY TAX RATE** 2024

%

| Ranking | | % | |
|---|---|---|---|
| 01 | Botswana | 0.0 | 2021 |
| 01 | Denmark | 0.0 | |
| 01 | Hong Kong SAR | 0.0 | 2021 |
| 01 | Kazakhstan | 0.0 | |
| 05 | Namibia | 0.9 | 2021 |
| 06 | South Africa | 1.0 | |
| 07 | Mexico | 1.7 | |
| 08 | Australia | 2.0 | |
| 09 | Estonia | 3.6 | |
| 10 | Iceland | 4.0 | |
| 10 | Indonesia | 4.0 | |
| 12 | Ireland | 4.1 | |
| 13 | Philippines | 4.5 | |
| 14 | Qatar | 5.0 | 2021 |
| 14 | Thailand | 5.0 | |
| 14 | UAE | 5.0 | |
| 17 | Ghana | 5.5 | 2023 |
| 18 | Venezuela | 6.0 | |
| 19 | Taiwan (Chinese Taipei) | 6.1 | |
| 20 | Spain | 6.4 | |
| 21 | Switzerland | 6.4 | |
| 22 | Kenya | 6.5 | |
| 23 | Bahrain | 7.0 | |
| 23 | Oman | 7.0 | 2023 |
| 23 | Sweden | 7.0 | |
| 26 | Jordan | 7.5 | |
| 27 | Canada | 7.6 | |
| 28 | Puerto Rico | 7.7 | 2021 |
| 28 | USA | 7.7 | |
| 30 | Norway | 7.8 | |
| 31 | Nigeria | 8.0 | |
| 32 | Cyprus | 8.8 | |
| 33 | Korea Rep. | 9.4 | |
| 34 | Colombia | 10.0 | |
| 34 | Italy | 10.0 | |
| 34 | New Zealand | 10.0 | |
| 34 | Saudi Arabia | 10.0 | |
| 38 | China | 10.5 | |
| 38 | Kuwait | 10.5 | |
| 38 | Latvia | 10.5 | |
| 41 | Finland | 11.0 | |
| 42 | Czech Republic | 11.0 | |
| 42 | Malaysia | 11.0 | |
| 42 | Portugal | 11.0 | |
| 45 | Mongolia | 11.5 | |
| 46 | India | 12.0 | |
| 47 | Luxembourg | 12.5 | |
| 48 | Peru | 13.0 | 2021 |
| 49 | Belgium | 13.1 | |
| 50 | Slovak Republic | 13.4 | |
| 51 | Poland | 13.7 | |
| 52 | Bulgaria | 13.8 | |
| 53 | Greece | 13.9 | |
| 54 | Brazil | 14.0 | |
| 54 | Türkiye | 14.0 | |
| 54 | United Kingdom | 14.0 | |
| 57 | Japan | 14.8 | |
| 58 | Argentina | 17.0 | |
| 59 | Austria | 18.1 | |
| 60 | Chile | 18.4 | |
| 61 | Hungary | 18.5 | |
| 62 | Germany | 19.3 | |
| 63 | Lithuania | 19.5 | |
| 64 | Croatia | 20.0 | |
| 64 | Singapore | 20.0 | |
| 66 | Slovenia | 22.1 | |
| 67 | France | 23.0 | |
| 68 | Netherlands | 27.7 | |
| 69 | Romania | 35.0 | |

***The lower the value, the higher the ranking.***

### RATIONALITY?

A lower employee social security tax rate is advantageous for both workers and the broader economy, as it increases take-home pay and enhances disposable income. This can contribute to improved living standards, higher consumption, and ultimately, greater economic activity.

From a labor market perspective, reduced mandatory deductions strengthen work incentives, particularly for low- and middle-income earners. It also helps to reduce informal employment by making formal jobs more attractive and financially viable.

Countries with lower employee contribution rates are generally perceived as having labor-friendly policies, which can support talent retention and reduce the burden on household finances. Additionally, this can foster inclusive labor participation by easing entry for groups such as youth, women, and older workers who may be more sensitive to take-home pay constraints.

Therefore, in competitiveness benchmarks such as the IMD World Competitiveness Yearbook, lower employee social security tax rates are ranked more favorably, reflecting a policy environment that supports workforce participation, economic well-being, and formal employment growth.

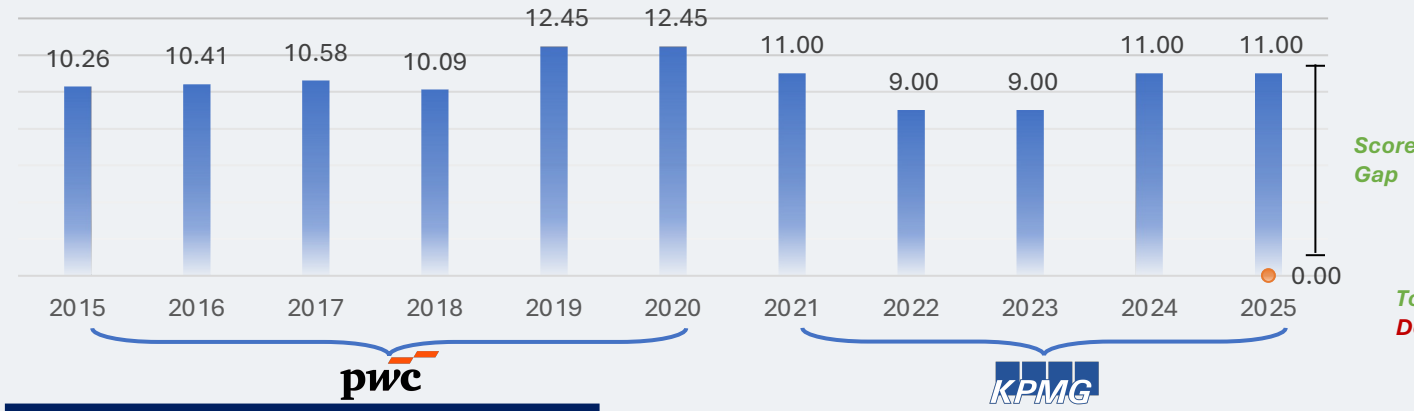
***Source:*** *IMD World Competitiveness Yearbook 2025*

# 2.2.10: Employee Social Security Tax Rate

## Indicator performance over the years

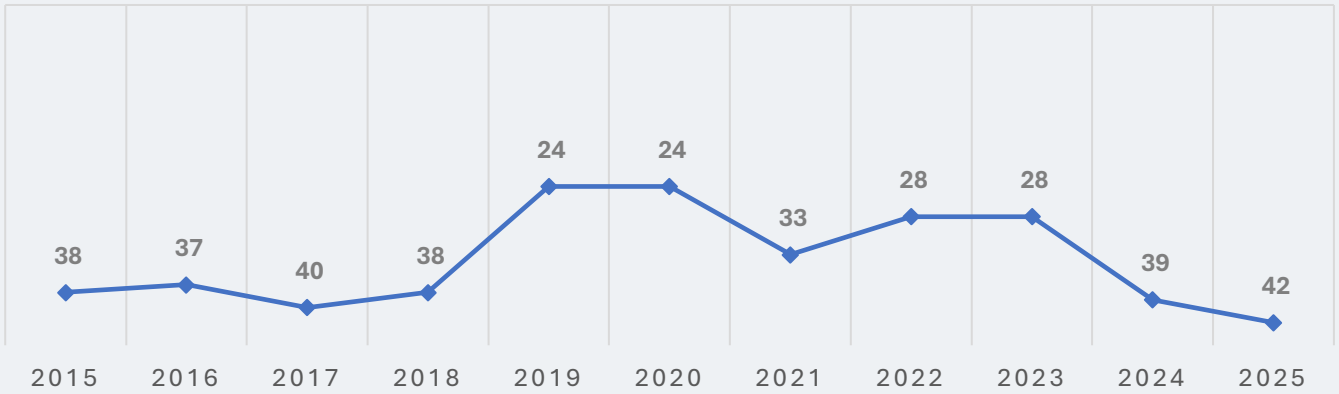
### Indicator **Score (% of contribution)**

***Notes:*** *Data are presented with a one-year lag due to the nature of official reporting. For example, figures reported for 2025 are based on 2024 data.*




*Top 1 country score:* ***Denmark***

### Indicator **Rank (of 69 countries)**




***Source:*** *IMD World Competitiveness Yearbook (various years)*

## HOW DO THE INDICATORS PERFORM ACROSS YEARS?

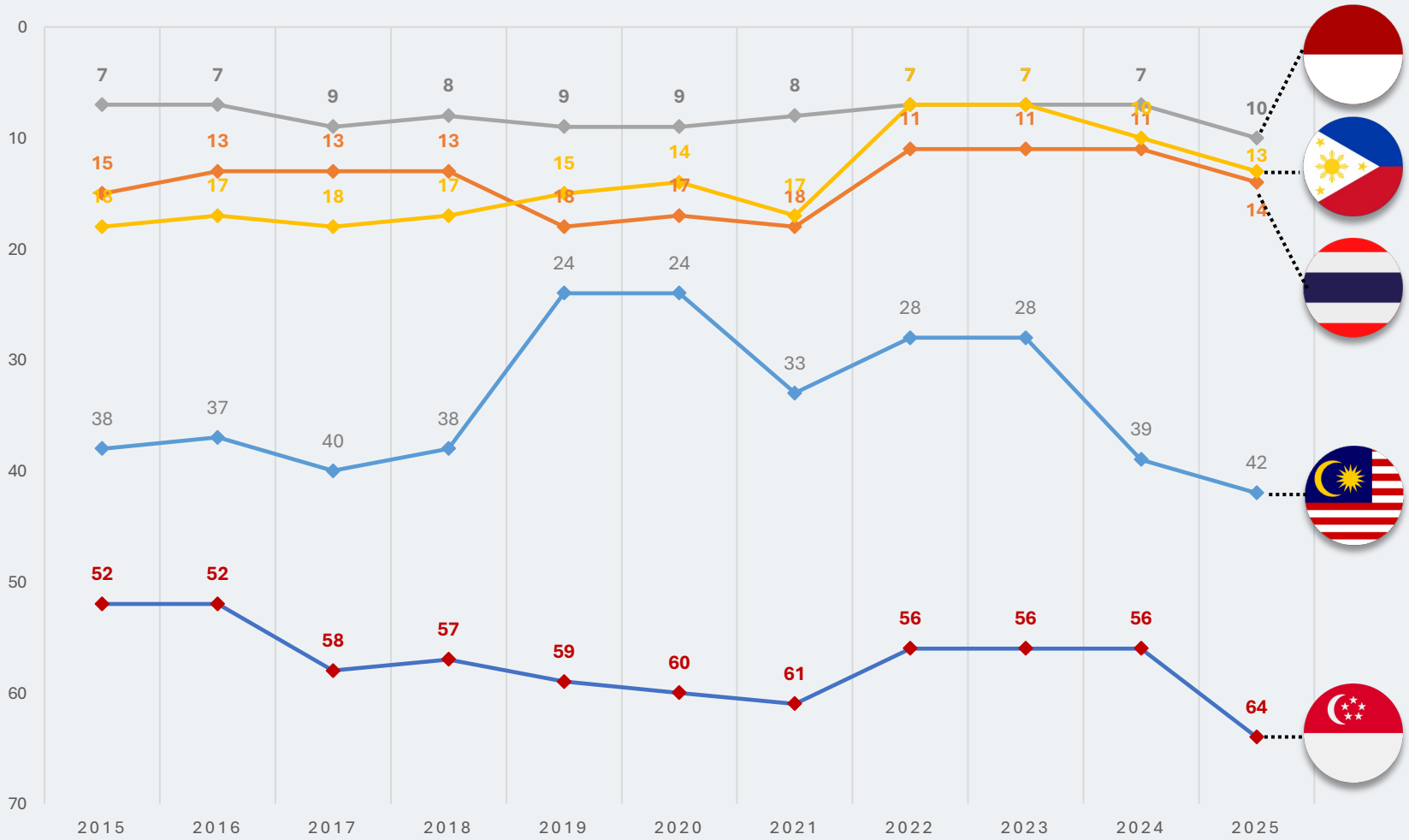
Malaysia's employee social security tax rate has fluctuated over the past decade, peaking at 12.45% in 2019–2020 before declining to 9.0% in 2022–2023, and stabilizing at 11.0% in 2024–2025. These shifts reflect adjustments in statutory contributions and policy recalibrations that impact employee take-home pay and labor cost dynamics.

Based on the tax rate, Malaysia's global ranking has declined from 24th in 2020 to 42nd in 2025 among 69 economies. This suggests that other countries may have undertaken more aggressive reforms or maintained consistently lower rates, thereby enhancing their comparative competitiveness.

The widening gap between Malaysia and the top performer (Denmark, at 0.00%) underscores the importance of optimizing contribution structures to balance social protection goals with labor market flexibility and international attractiveness for talent and investment.

# 2.2.10: Employee Social Security Tax Rate

## Indicator performance over the years




***Source:*** *IMD WCY (various years)*

## WHERE ARE MALAYSIA NOW? RANKS AMONG ASEAN COUNTRIES

Malaysia currently ranks 42nd globally in 2025 for employee social security tax rate, the lowest among the five ASEAN countries tracked. Despite some gains between 2021 (33rd) and 2023 (28th), Malaysia's position weakened again over the last two years, indicating a relative decline in competitiveness.

Indonesia continues to outperform its peers, securing 10th place globally in 2025 and remaining in the global top 10 consistently over the past decade. The Philippines shows a stable upward trend, improving from 18th in 2018 to 13th in 2025. Thailand also maintains strong performance, consistently ranked around 11th to 15th since 2015.

Vietnam exhibited moderate fluctuations, peaking at 24th in 2019–2020 but declined to 39th in 2024 and 42nd in 2025. Singapore lags the region, recording the steepest drop from 52nd in 2015 to 64th in 2025, reflecting persistent challenges in employer–employee cost structures.

# 2.2.10: Employee Social Security Tax Rate

## Indicator footprint – Tracking the Data Sources

| Phase & Institution Involvement | Data Source | Compilation | Data Retrieval | Publish |
|---|---|---|---|---|
| | KWSP EPF | International Institution | IMD | IMD |

**Description**

| | | | | |
|---|---|---|---|---|
| **Employer Social Security Tax Rate** | Revised on the mandatory Employees Provident Fund (EPF) contribution rates by employer and employee. | Data compiled and integrated internationally with other country profiles by: KPMG | IMD retrieves data from KPMG and national sources into their database. | Malaysia in **2025**: ***Scored*** **11.0** % ***Ranked*** **42** nd |

# 2.2.10: Employee Social Security Tax Rate

## The mandatory Employees Provident Fund (EPF) contribution rates

**CONTRIBUTION RATES**

| Year | Employee | Employer | Total |
|---|---|---|---|
| 1952 - June 1975 | 5% | 5% | 10% |
| July 1975 - November 1980 | 6% | 7% | 13% |
| December 1980 - December 1992 | 9% | 11% | 20% |
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| **Members age 60 until age 75** | | | |
| Income RM5,000 and less | 4% | 6.5% | 10.5% |
| Income more than RM5,000 | 4% | 6% | 10% |
| **January 2018 - December 2018** | | | |
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| **January 2019** | | | |
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| **Members age 60 until age 75** | | | |
| Income RM5,000 and less | - | 4% | 4% |
| Income more than RM5,000 | - | 4% | 4% |

***Source:*** *Employees Provident Fund (Malaysia) Statistic 2024*

Malaysia's employee social security tax rate is closely tied to the mandatory Employees Provident Fund (EPF) contribution scheme, which represents the largest portion of statutory employer social protection obligations. The rates have evolved significantly since 1952, reflecting both macroeconomic shifts and demographic considerations such as ageing.

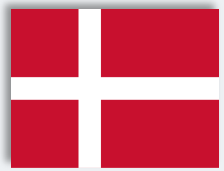
As of January 2019, employees contribute 11% of their monthly wage to the EPF for employees below age 60. For workers aged 60 and above, their contribution is exempted, reflecting a policy approach aimed at encouraging employment among older.

## Should we revisit our social security system? – Insights from Denmark's approach

This does not necessarily require a reduction in the employer's EPF contributions, as they serve as long-term retirement savings for employees. However, if the objective is to lower both employer and employee contributions specifically for social security purposes, a potential reform could involve revisiting the pension system structure—drawing lessons from Denmark's model, which relies more on general taxation than payroll-based contributions.

### Key Rationality

- Denmark's social protection model is built on a broad tax base, with social benefits financed primarily through general income taxes rather than employer or employee-specific levies. This structure allows for universal coverage while minimizing labor cost distortions.
- The 0% SSC rate recorded by the IMD is a function of classification, not policy absence. Since Denmark's welfare programs are not financed through employee wage-based contributions, they fall outside the scope of "compulsory employer social security contributions" as defined by IMD and KPMG. The country's full coverage of healthcare, pensions, unemployment benefits, and education is delivered through the national budget, rather than employee payroll deductions.



**Denmark's social security contributions**

### Social security contributions

The Danish social security system is financed primarily through ordinary tax revenue and only very limited social security contributions for employees and employers.

All individuals working in Denmark and fully tax liable to Denmark and who are covered by Danish social security must also pay labour market supplementary pension (ATP).

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| Social security annual rates (2024) | DKK |
|---|---|
| Employee: | |
| ATP | 1,188 |
| Employer: | |
| ATP | 2,376 |
| Contribution to maternity fund, estimated | 1,350 |
| Industrial injuries insurance, estimated * | 5,000 |
| Other public social security schemes, partly estimated | 5,300 |

***Source:*** *PricewaterhouseCoopers 2024*

# 2.2.10: Employee Social Security Tax Rate

## Should we revisit our social security system? – Insights from Denmark's approach

### Denmark's welfare systems

| Social Benefit | How It's Funded |
|---|---|
| **Public healthcare** | General income taxes (not health insurance) |
| **Old-age pension (public)** | Taxes — not wage-based contributions |
| **Unemployment insurance (UI) — Optional** | Voluntary membership in UI funds (A-kasse) |
| **Disability and sickness benefits** | Tax-funded schemes |
| **Family and maternity leave** | Employer funds + tax-financed schemes |
| **Education (incl. university)** | Fully funded by the state |

***Source:*** *Denmark official website (https://denmark.dk/society-and-business/the-danish-welfare-state)*

Under the Danish model, core social protection services, including public healthcare, old-age pensions, education (including university), and disability support, are fully financed through general taxation, particularly progressive income taxes. Denmark's marginal income tax rates are among the highest globally, reaching up to 55.9%, but these taxes are classified as general revenue and are not recorded as payroll-based social security contributions.

The only compulsory employee-side contributions in Denmark are minimal or symbolic. For example:

- The Labor Market Contribution (AM-bidrag) is a flat-rate 8% of gross income, classified as a tax and not a social security contribution.
- There are no mandatory payroll deductions for health insurance, unemployment insurance, or pension savings from the employee's side.

*If we decide not to revise, consider ignoring this indicator—similar to Singapore.*

***We propose to ignore it due to the following reasons:***

- *Revising the system would require significant time and resources*
- *Any structural change may trigger significant conflict and resistance from various stakeholders*

GOVERNMENT EFFICIENCY

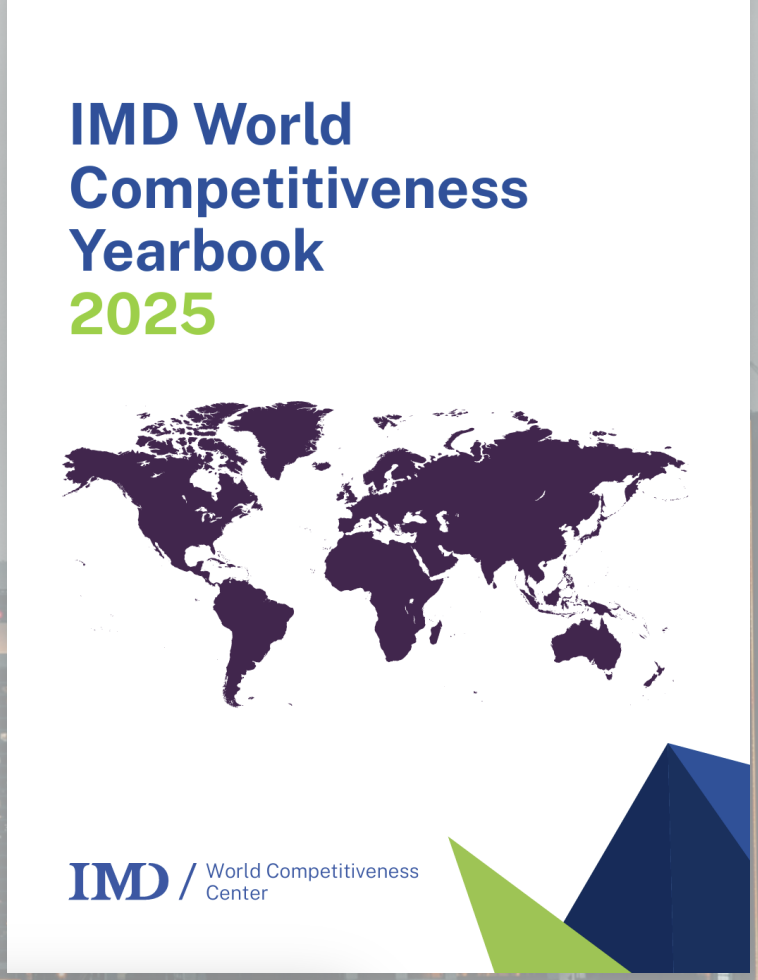
# Institutional Framework

## 2.3.04 Country Credit Rating

4th – 5th August 2025 | Doubletree by Hilton Hotel, Putrajaya

See more ↗

HD HARD DATA




| Factor: | Sub-Factor: | Indicator: |
| --- | --- | --- |
| Government Efficiency | Institutional Framework | **2.3.04** Employee Social Security Tax Rate |

# 2.3.04: Country Credit Rating

## What is the IMD World Competitiveness Ranking?

**Factor** → **Government Efficiency**

Extent to which government policies are conducive to competitiveness.

**Sub-Factor** → **Institutional Framework**

Reviews the quality, stability, and credibility of government institutions.

**Indicator** → **Country Credit Rating**

Score ——— Ranking

**41.00%** | 40

### Economic Performance

Macro-economic evaluation of the domestic economy, employment trends, and price.

- Domestic economy
- International trade
- International investment
- Employment
- Prices

### Government Efficiency

Extent to which government policies are conducive to competitiveness.

- Public finance
- Tax policy
- Institutional framework
- Business legislation
- Social framework

### Business Efficiency

Extent to which the national environment encourages enterprises to perform in an innovative, profitable, and responsible manner.

- Productivity
- Labor market
- Finance
- Management practices
- Attitude and values

### Infrastructure

Extent to which basic, technological, scientific, and human resources meet the needs of the business.

- Basic infrastructure
- Technological infrastructure
- Scientific infrastructure
- Health and environment
- Education

# 2.3.04: Country Credit Rating

## Indicator overview sourced from *IMD WCY 2025* Report

### INDICATOR DEFINED IN THE REPORT

The IMD WCY 2025 report defines this indicator as index of the three-country credit ratings Fitch, Moody's and S&P. Each rating, including the outlook, is converted to a numerical score from 20-0 and totalled for each country.

***Source:*** *IMD World Competitiveness Yearbook 2025 (page 584)*

### INDICATOR MEASUREMENT

The technical notes in WCY 2025 **DOES NOT** include the detailed calculations pertaining to the indicator.

### DATA SOURCE USED IN WCY 2025

The WCY 2025 report states that this indicator may be derived from the following sources:

- Fitch, Moody's
- S&P

***Source:*** *IMD World Competitiveness Yearbook 2025 (page 584)*

# 2.3.04: Country Credit Rating

## Ranking as reported in *IMD WCY 2025*

### WHAT DOES THE SCORE INDICATE?

Institutional Framework - Central Bank 2.3.04

**COUNTRY CREDIT RATING**

2024

Index (0-60) of three country credit ratings: Fitch, Moody's and S&P

| Ranking | | Index |
|---|---|---|
| 01 | Australia | 60.0 |
| 01 | Denmark | 60.0 |
| 01 | Germany | 60.0 |
| 01 | Luxembourg | 60.0 |
| 01 | Netherlands | 60.0 |
| 01 | Norway | 60.0 |
| 01 | Singapore | 60.0 |
| 01 | Sweden | 60.0 |
| 01 | Switzerland | 60.0 |
| 10 | Canada | 59.0 |
| 11 | New Zealand | 58.0 |
| 12 | USA | 57.7 |
| 13 | Austria | 57.0 |
| 14 | Finland | 56.7 |
| 15 | Taiwan (Chinese Taipei) | 54.0 |
| 16 | Qatar | 53.3 |
| 17 | Ireland | 53.0 |
| 17 | Korea Rep. | 53.0 |
| 19 | Hong Kong SAR | 52.7 |
| 20 | UAE | 52.5 |
| 21 | United Kingdom | 52.0 |
| 22 | Belgium | 51.7 |
| 23 | Czech Republic | 51.0 |
| 23 | France | 51.0 |
| 25 | Kuwait | 49.0 |
| 25 | Saudi Arabia | 49.0 |
| 27 | Estonia | 47.7 |
| 28 | China | 47.3 |
| 29 | Iceland | 47.0 |
| 29 | Japan | 47.0 |
| 31 | Slovenia | 46.0 |
| 32 | Lithuania | 45.0 |
| 33 | Slovak Republic | 44.7 |
| 34 | Chile | 43.7 |
| 35 | Portugal | 43.7 |
| 36 | Latvia | 43.3 |
| 37 | Poland | 43.0 |
| 38 | Croatia | 42.3 |
| 39 | Spain | 42.0 |
| 40 | Malaysia | 41.0 |
| 41 | Botswana | 40.5 |
| 42 | Cyprus | 40.3 |
| 43 | Thailand | 39.0 |
| 44 | Bulgaria | 37.7 |
| 45 | Philippines | 37.0 |
| 46 | Kazakhstan | 36.3 |
| 47 | Peru | 36.0 |
| 48 | Indonesia | 36.0 |
| 49 | Italy | 35.0 |
| 49 | Mexico | 35.0 |
| 51 | Hungary | 34.7 |
| 52 | Greece | 33.3 |
| 52 | India | 33.3 |
| 54 | Romania | 32.7 |
| 55 | Colombia | 31.7 |
| 56 | Oman | 30.0 |
| 57 | Brazil | 28.7 |
| 58 | South Africa | 25.0 |
| 59 | Namibia | 22.5 |
| 60 | Jordan | 22.3 |
| 61 | Bahrain | 20.0 |
| 62 | Türkiye | 18.4 |
| 63 | Mongolia | 18.0 |
| 64 | Nigeria | 14.7 |
| 65 | Kenya | 11.6 |
| 66 | Argentina | 8.4 |
| 67 | Ghana | 3.0 |
| 68 | Venezuela | 0.0 |
| - | Puerto Rico | - |

***The higher the value, the higher the ranking.***

### RATIONALITY?

*A higher employment percentage indicates that a larger share of the population is engaged in productive activities, which directly supports economic growth and competitiveness.*

*Countries with strong employment levels utilize their human capital effectively, boosting income generation, domestic demand, and overall economic stability.*

*In IMD rankings, this translates into a higher score and, consequently, a better position because active labor force participation is a key driver of national productivity and resilience.*

*In 2025 (using 2024 data reference), the United Arab Emirates ranked first with an employment rate of 77.83%, followed by Luxembourg (77.03%) and Qatar (72.06%). Malaysia ranked 38th, with an employment rate of 47.35%, placing it below regional leaders like Singapore (67.02%) and Thailand (61.70%).*

Malaysia reports 2023 data due to delays in official labor market releases. Other countries used early 2024 estimates or year-end figures to comply with IMD timelines.

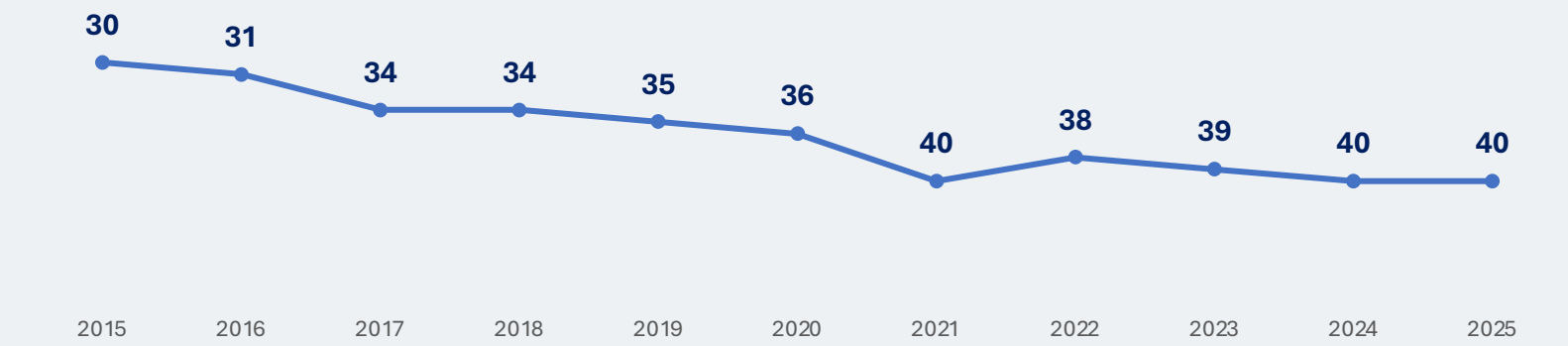
***Source:*** *IMD World Competitiveness Yearbook (WCY) 2025*

# 2.3.04 : Country Credit Rating

## Indicator performance over the years

### Indicator Score (% of total employment)

### Indicator Rank (of 67 countries)




**Source:** *IMD WCY (various years)*

## HOW DO THE INDICATORS PERFORM ACROSS YEARS?

*Malaysia's Country Credit Rating has seen a notable decline from a value of 72 in 2015 to 41 in 2025, signaling reduced investor confidence over the decade.*

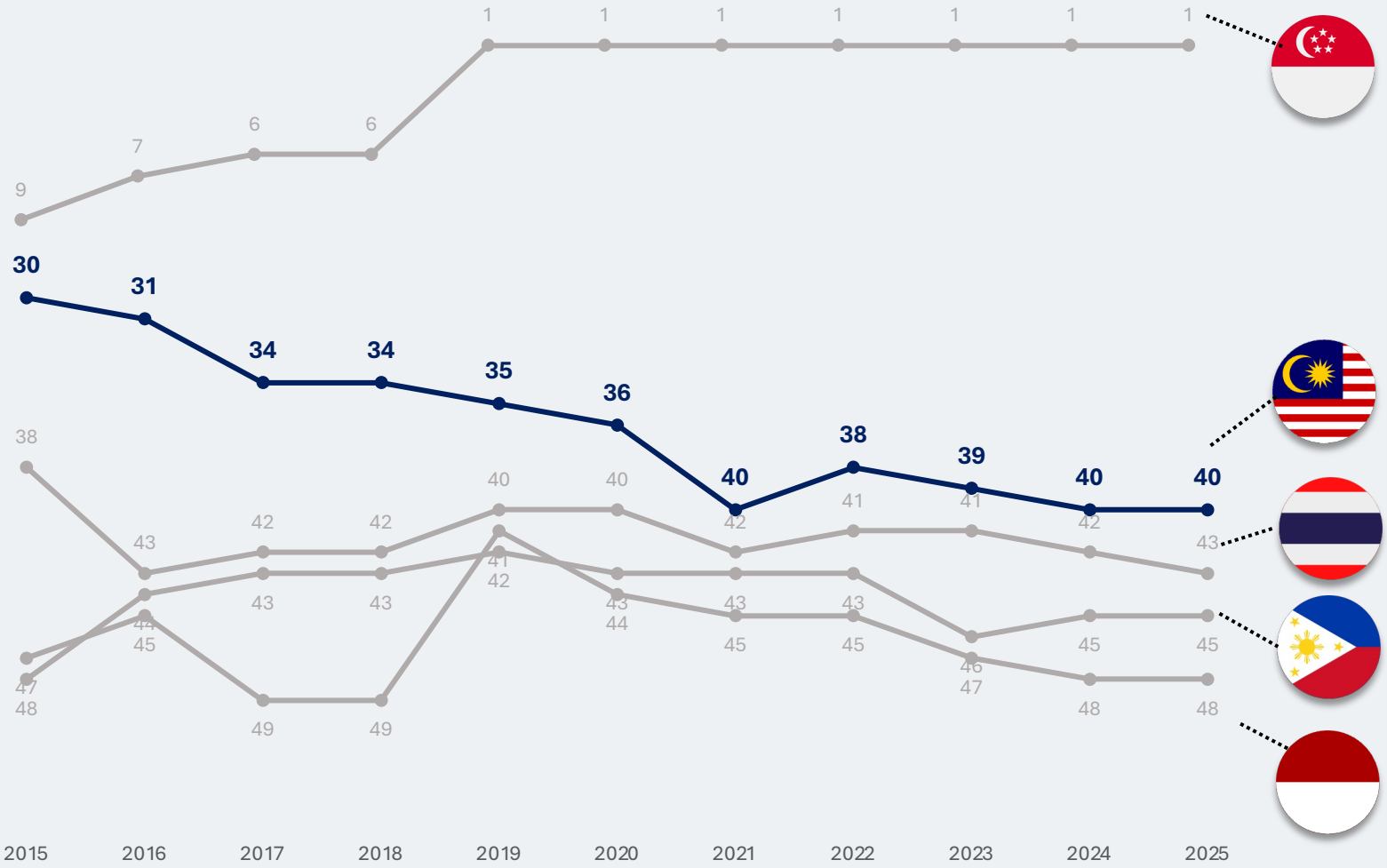
*The most significant drop occurred between 2018 and 2019, falling from 69.5 to 42, likely due to fiscal uncertainties and political instability.*

*Since 2020, the rating has stagnated around the low 40s, reflecting ongoing concerns about debt sustainability and governance quality.*

*Despite some regional recovery efforts, Malaysia's global rank slipped from 30th in 2015 to 40th in 2025, emphasizing the need for stronger macroeconomic reforms and creditworthiness measures.*

# 2.3.04 : Country Credit Rating

## Indicator performance over the years




**Source:** *IMD WCY (various years)*

## WHERE ARE MALAYSIA NOW? RANKS AMONG ASEAN COUNTRIES

*Among ASEAN countries, Singapore consistently holds the top position, reaching 1st place globally from 2019 to 2025, reflecting its unparalleled fiscal discipline, investor trust, and credit strength.*

*Malaysia, once at 30th in 2015, steadily declined to 40th by 2025, indicating weakening sovereign credit confidence and relative underperformance compared to its ASEAN peers.*

*Thailand and Indonesia remained in the lower half of the rankings throughout the decade, with minor fluctuations, while the Philippines showed persistent stagnation around the 43rd to 48th positions.*

*The contrast between Singapore and the rest of ASEAN underscores the importance of political stability, effective governance, and fiscal credibility in maintaining a strong country credit rating.*

# 2.3.04 : Country Credit Rating

## Indicator footprint – tracking the data sources

| Phase & Institution Involvement | Data Source | Compilation | Data Retrieval | Estimation | Publish |
|---|---|---|---|---|---|
| | International Institution → | International Institution → | IMD → | IMD → | IMD |

## Description

| Country Credit Rating | | | | | |
|---|---|---|---|---|---|
| 0-20<br>Total up by 3 indicator,<br>It will be 0-60<br><br>0 is the lowest,<br>60 is the highest | Publish data based on total score of combination between **Fitch Ratings, Moody's Ratings and S&P Global Ratings**. | Data compiled and integrated internationally with other country profiles<br><br>By:<br><br>1. Fitch Ratings<br>2. Moody's Ratings<br>3. S&P Global Ratings | IMD retrieves data from 3 different sources into their database. | IMD estimates indicator values based on the available data from 3 different sources to reach aggregate score. | Malaysia in **2025**:<br>***Scored*** 41 %<br>***Ranked*** 40 th<br> |

# 2.3.04 : Country Credit Rating

## Definition Differences

### Fitch Ratings

*Fitch credit ratings are expert opinions on the likelihood of an entity—such as a country or corporation—meeting its financial commitments.*

*Ratings range from 'AAA' (lowest risk) to 'D' (default), with investment-grade and speculative-grade categories to show relative credit risk levels.*

*These ratings are assigned not only to issuers but also to specific financial instruments like bonds or loans, and they reflect credit risk only—not market or liquidity risks.*

*Fitch also provides specialized credit opinions and assessments that are point-in-time views under hypothetical scenarios. All ratings are based on published criteria, developed collectively by Fitch analysts, and reflect relative rank, not exact probabilities of default..*

**Source:** *https://www.fitchratings.com/research/fund-asset-managers/rating-definitions-24-04-2023*

### Moody's Ratings

Moody's sovereign rating methodology evaluates a country's credit risk by analyzing both qualitative and quantitative factors.

It combines scores for economic strength, institutional quality, and fiscal strength—adjusted dynamically—to form an overall government financial strength score.

The final rating also considers potential event risks, and while the scorecard gives a rating range, the actual rating may differ based on other considerations and expert judgment.

**Source:** *https://ratings.moodys.com/api/rmc-documents/395819?utm_source=chatgpt.com.*

### S&P Global Ratings

S&P's sovereign rating criteria are calibrated based on the historical patterns of sovereign defaults and the unique credit strengths of governments.

Historical reviews show that most defaults result from poor policy choices that leave countries vulnerable to shocks like wars, political instability, or trade disruptions.

These events can quickly erode investor confidence, raising borrowing costs and leading to default.

Sovereigns are generally more creditworthy than corporations due to their authority to tax, legislate, and issue currency, which is why more sovereigns hold higher credit ratings compared to other sectors.

**Source:** *https://enterprise.press/wp-content/uploads/2017/05/Sovereign-Rating-Methodology.pdf?utm_source=chatgpt.com*

**In short, IMD aggregates creditworthiness from these reputable sources to produce a reliable and impartial Country Credit Rating Score, which directly influences a country's competitiveness ranking**

***As each agency incorporates distinct frameworks—Fitch focuses on repayment likelihood, Moody's emphasizes forward-looking resilience through scorecards, and S&P calibrates ratings based on historical default patterns and sovereign strengths***

# 2.3.04 : Country Credit Rating

## Recommendation to be considered – Engagement Needed

### 🔍 Survey or Questionnaire Use in Sovereign Rating (Not Present)

- **Fitch Ratings**: Employs a structured **Sovereign Rating Model (SRM)**—a quantitative regression framework using financial and macroeconomic indicators—and applies **qualitative overlays**. This model is repeatedly updated and used to predict ratings based on objective data—**no public surveys or questionnaires are involved.** fitchratings.com +15
- **Moody's Investors Service**: Utilizes a **scorecard-based method** incorporating factors like economic resiliency, fiscal strength, institution/governance strength, and susceptibility to event risk. While human judgment plays a role, there's **no public-facing questionnaire or survey of respondents**—ratings are based on internal data analysis and expert adjustments. ratings.moodys.com +2
- **S&P Global Ratings**: Follows a model centered around five key pillars—** governance, economy, fiscal, monetary, and external liquidity**. Ratings rely on quantitative and qualitative analysis rather than surveys. **No collection of public opinion surveys** or structured questionnaires is part of the methodology. ppiaf.org fitchratings.com

The purpose is to know how IMD estimate the data for Malaysia through 3 different sources.

This is because the surveys or questionnaires were not published publicly.

## Benchmarking - Singapore

### Key Rationality

- **Singapore excels in government efficiency and business performance**, consistently leading the rankings in key sub-factors like public finance, institutional framework, and productivity—fueled by strong growth in exports and capital formation
- The country's **technological infrastructure and policy agility** provide a competitive edge, with top-tier results across business efficiencies and readiness for innovation-driven transformation
- Meanwhile, Malaysia trails due to relative **underperformance in government and business efficiency**, as well as broader execution in institutional and infrastructure dimensions—areas that IMD survey data and hard indicators directly link to Singapore's lead

### Proposed Actions

- Malaysia should enhance institutional transparency, regulatory quality, and fiscal discipline to boost public confidence and policy impact.
- Accelerate Technological Readiness Investing in digital infrastructure and upskilling the workforce will improve Malaysia's adaptability to technological disruptions and innovation needs.
- Improve Business Agility and Productivity Streamlining bureaucratic processes and supporting SMEs with incentives and digital adoption will drive higher business efficiency.
- Enhance Export Competitiveness Diversifying export products and strengthening global trade relationships will elevate Malaysia's external trade performance, similar to Singapore's export-led growth.

GOVERNMENT EFFICIENCY

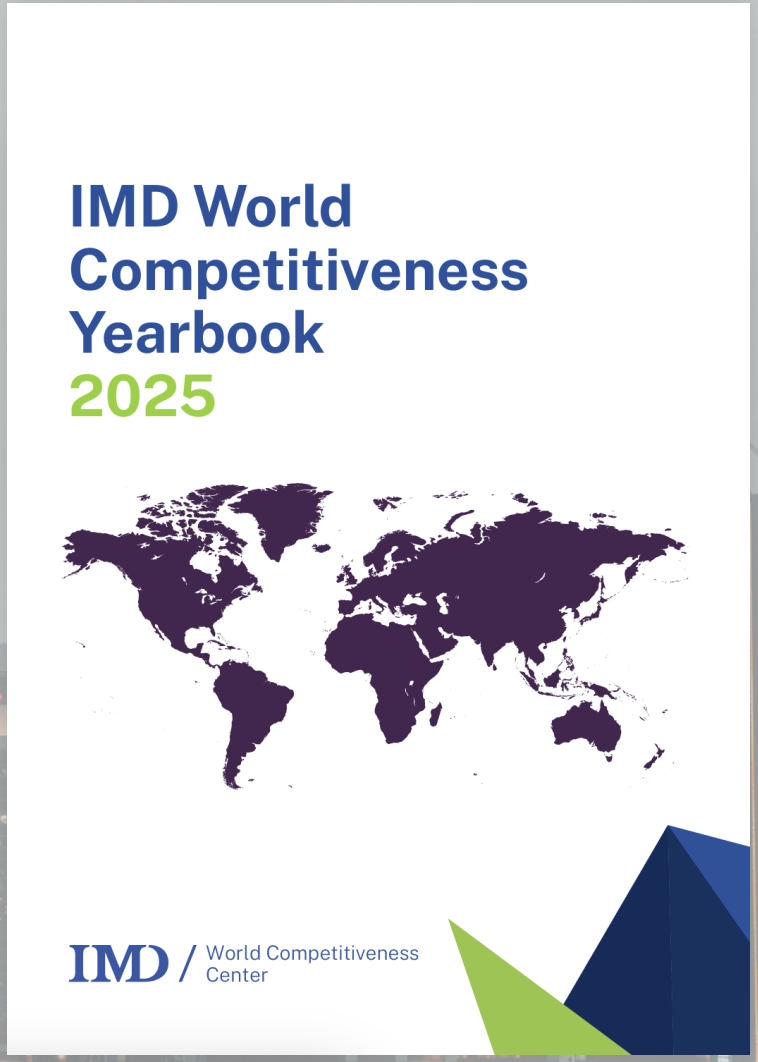
# Institutional Framework

## 2.3.14 Rule of Law

4th – 5th August 2025 | Doubletree by Hilton Hotel, Putrajaya

See more ↗

HD HARD DATA




| Factor: | Sub-Factor: | Indicator: |
| --- | --- | --- |
| Government Efficiency | Institutional Framework | **2.3.14** Rule of Law |

# 2.3.14: Rule of Law

## What is the IMD World Competitiveness Ranking?

Factor

**Government Efficiency**

Extent to which government policies are conducive to competitiveness.

Sub-Factor

**Institutional Framework**

Reviews the quality, stability, and credibility of government institutions.

Indicator

**Rule of Law**

| Score | Ranking |
|---|---|
| 67.45% | 37 |

### Economic Performance

Macro-economic evaluation of the domestic economy, employment trends, and price.

- Domestic economy
- International trade
- International investment
- Employment
- Prices

### Government Efficiency

Extent to which government policies are conducive to competitiveness.

- Public finance
- Tax policy
- Institutional framework
- Business legislation
- Social framework

### Business Efficiency

Extent to which the national environment encourages enterprises to perform in an innovative, profitable, and responsible manner.

- Productivity
- Labor market
- Finance
- Management practices
- Attitude and values

### Infrastructure

Extent to which basic, technological, scientific, and human resources meet the needs of the business.

- Basic infrastructure
- Technological infrastructure
- Scientific infrastructure
- Health and environment
- Education

# 2.3.14: Rule of Law

## Indicator overview sourced from *IMD WCY 2025* Report

### INDICATOR DEFINED IN THE REPORT

The World Bank Rule of Law Index uses multiple sources to capture perceptions of the extent to which agents have confidence in and abide by the rules of society, and in particular, the quality of contract enforcement, property rights, the police, and the courts, as well as the likelihood of crime and violence.

***Source:*** *IMD World Competitiveness Yearbook 2025 (page 402)*

### INDICATOR MEASUREMENT

The technical notes in WCY 2025 **DOES NOT** include the detailed calculations pertaining to the indicator.

***Source:*** *IMD World Competitiveness Yearbook 2025 (page 402)*

### DATA SOURCE USED IN WCY 2025

The WCY 2025 report states that this indicator may be derived from the following sources:

- Worldwide Governance Indicators

***Source:*** *IMD World Competitiveness Yearbook 2025 (page 579)*

# 2.3.14: Rule of Law

## Ranking as reported in IMD WCY 2025

### WHAT DOES THE SCORE INDICATE?

Institutional Framework - State Efficiency 2.3.14

RULE OF LAW

2023

Rule of Law Index

| Ranking | | index |
|---|---|---|
| 01 | Finland | 100.00 |
| 02 | Denmark | 99.53 |
| 03 | Norway | 99.06 |
| 04 | Switzerland | 98.58 |
| 05 | Singapore | 98.11 |
| 06 | Luxembourg | 97.64 |
| 07 | Austria | 97.17 |
| 08 | Iceland | 96.70 |
| 09 | New Zealand | 95.75 |
| 10 | Netherlands | 94.34 |
| 11 | Ireland | 93.87 |
| 12 | Sweden | 93.40 |
| 13 | Germany | 92.92 |
| 14 | Japan | 92.45 |
| 15 | Australia | 91.98 |
| 16 | Canada | 90.09 |
| 17 | Estonia | 89.62 |
| 18 | United Kingdom | 89.15 |
| 19 | USA | 88.68 |
| 20 | Belgium | 88.21 |
| 21 | Hong Kong SAR | 87.74 |
| 22 | Lithuania | 86.79 |
| 23 | Taiwan (Chinese Taipei) | 86.32 |
| 24 | Korea Rep. | 85.85 |
| 25 | France | 84.91 |
| 26 | Czech Republic | 84.43 |
| 27 | Portugal | 83.49 |
| 28 | Latvia | 83.02 |
| 29 | Slovenia | 82.55 |
| 30 | Qatar | 80.19 |
| 31 | UAE | 78.77 |
| 32 | Spain | 78.30 |
| 33 | Cyprus | 71.70 |
| 34 | Chile | 71.23 |
| 35 | Oman | 70.28 |
| 36 | Slovak Republic | 68.87 |
| 37 | Malaysia | 67.45 |
| 38 | Puerto Rico | 66.51 |
| 39 | Bahrain | 65.57 |
| 40 | Poland | 65.09 |
| 41 | Namibia | 64.62 |
| 42 | Romania | 64.15 |
| 43 | Hungary | 63.21 |
| 44 | Saudi Arabia | 62.74 |
| 45 | Botswana | 61.32 |
| 46 | Italy | 60.85 |
| 47 | Croatia | 59.43 |
| 48 | Kuwait | 58.96 |
| 49 | Jordan | 58.02 |
| 50 | Thailand | 57.55 |
| 51 | Greece | 57.08 |
| 52 | India | 56.13 |
| 53 | South Africa | 54.25 |
| 54 | Bulgaria | 53.77 |
| 55 | China | 52.83 |
| 56 | Ghana | 49.53 |
| 57 | Indonesia | 46.70 |
| 58 | Mongolia | 43.87 |
| 59 | Brazil | 41.98 |
| 60 | Kenya | 41.04 |
| 61 | Argentina | 37.74 |
| 62 | Philippines | 37.26 |
| 63 | Kazakhstan | 36.79 |
| 64 | Colombia | 35.85 |
| 65 | Türkiye | 32.55 |
| 66 | Peru | 30.19 |
| 67 | Mexico | 24.06 |
| 68 | Nigeria | 20.28 |
| 69 | Venezuela | 0.47 |

***The higher the value, the higher the ranking.***

### RATIONALITY?

*The Rule of Law indicator reflects the extent to which laws are effectively implemented and upheld, including the quality of contract enforcement, property rights, policing, and judicial systems.*

*A higher index value indicates stronger institutional trust, legal certainty, and lower risks of crime and corruption—factors that are essential for business confidence and national competitiveness.*

*The Rule of Law Index is measured on a scale from 0 to 100, where 0% indicates the weakest adherence to the rule of law and 100% represents the strongest.*

***Source:*** *IMD World Competitiveness Yearbook (WCY) 2025*

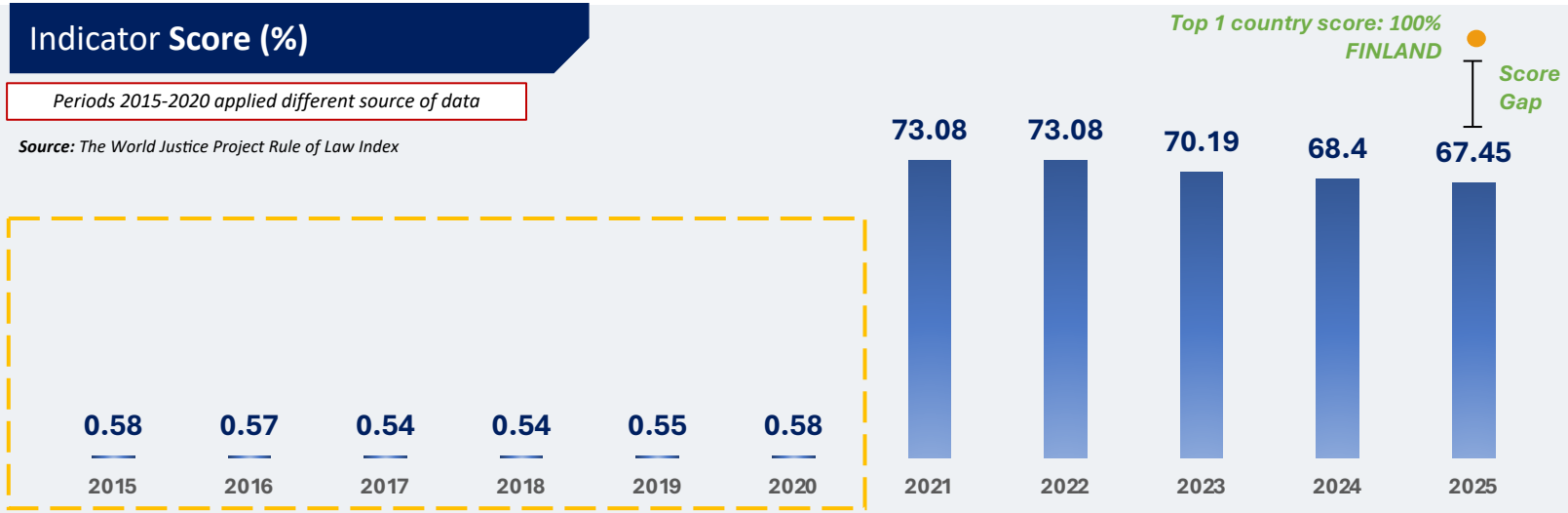
# 2.3.14: Rule of Law

## Indicator performance over the years

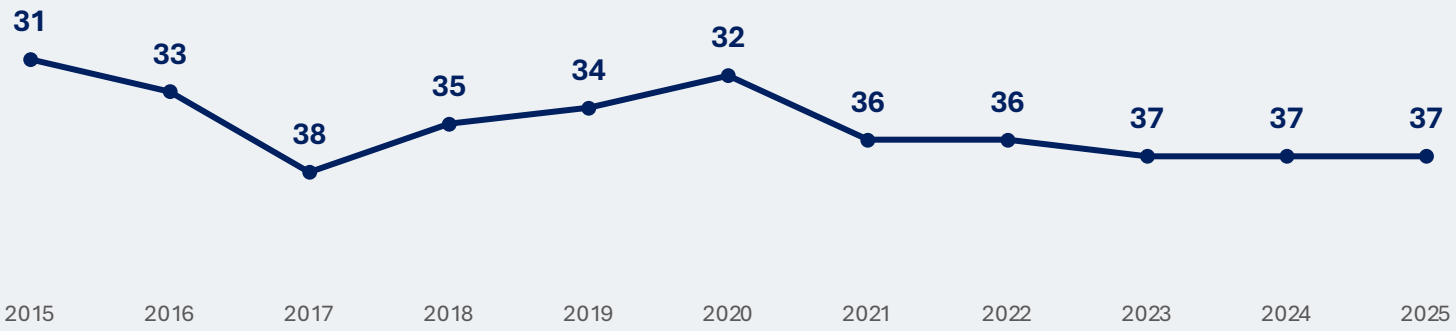
### Indicator **Score (%)**

*Periods 2015-2020 applied different source of data*

***Source:*** *The World Justice Project Rule of Law Index*




### Indicator **Rank (of 69 countries)**




***Source:*** *IMD WCY (various years)*

## HOW DO THE INDICATORS PERFORM ACROSS YEARS?

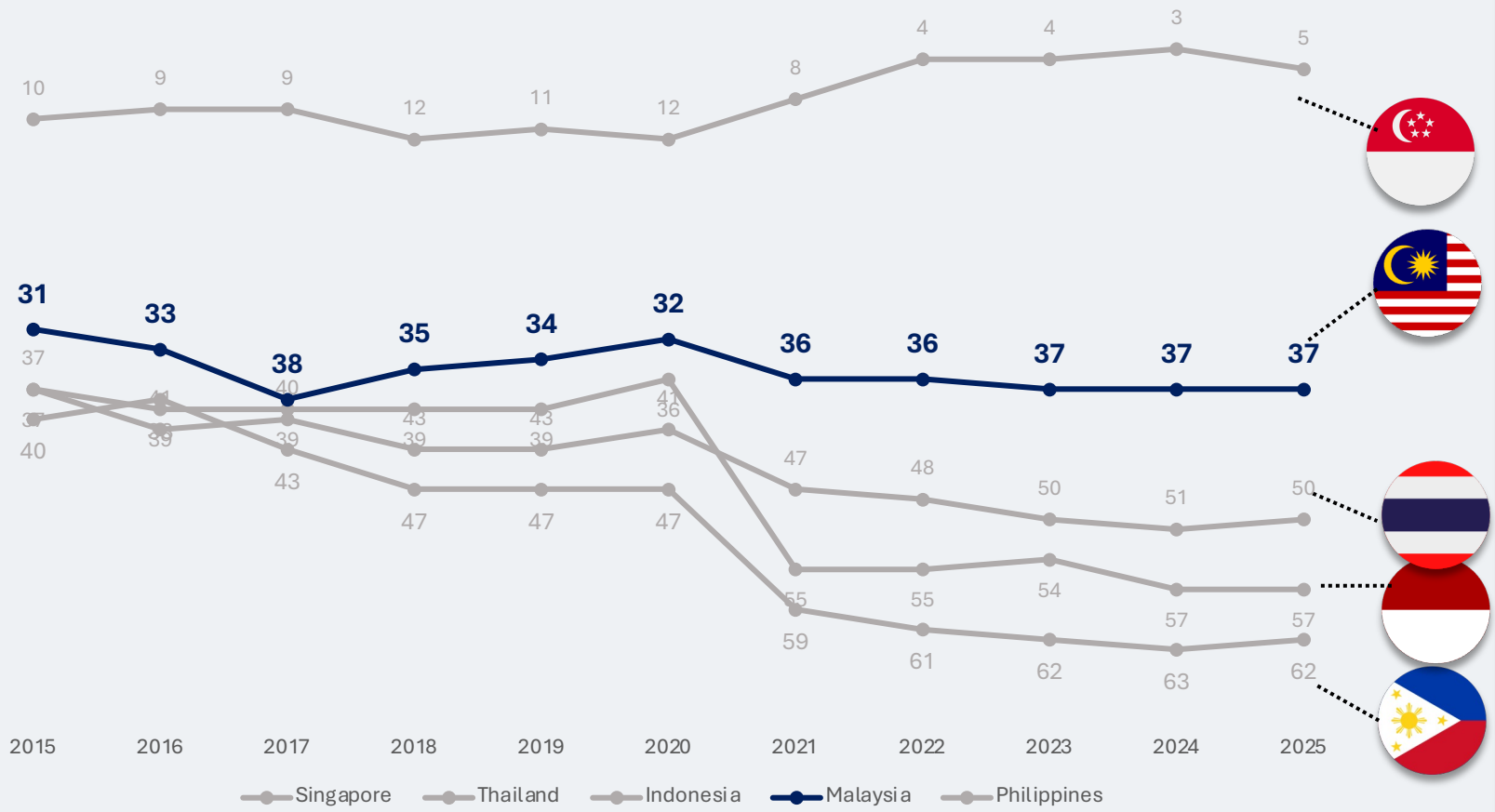
*Malaysia's Rule of Law score showed a gradual decline from 0.58 in 2015 to 0.54 in 2017, indicating weakening perceptions of legal integrity during that period.*

*A major jump occurred in 2021 when the scoring system likely shifted to a percentage-based scale, recording 73.08, but has since slightly declined to 67.45 by 2025.*

*Despite fluctuations in score, Malaysia's ranking remained stagnant at 37 from 2023 to 2025, suggesting that other countries in the region experienced similar legal governance trends.*

# 2.3.14: Rule of Law

## Indicator performance over the years




**Source:** *IMD WCY (various years)*

## WHERE ARE MALAYSIA NOW? RANKS AMONG ASEAN COUNTRIES

*From 2015 to 2025, Singapore consistently ranked highest in Rule of Law among ASEAN countries, with a top 5 position from 2022 onward, indicating strong legal governance and public trust.*

*Malaysia's ranking declined from 31 in 2015 to 37 in 2025, showing limited progress and stagnation in legal reforms compared to its neighbors.*

*Indonesia and the Philippines saw significant declines, especially after 2020, suggesting increasing governance challenges.*

*Meanwhile, Thailand's performance remained relatively stable but low, hovering around rank 50 throughout the last five years.*

# 2.3.14: Rule of Law

## Indicator footprint – tracking the data sources

| Phase & Institution Involvement | Data Source | Compilation | Data Retrieval | Publish |
|---|---|---|---|---|
| | WORLD BANK GROUP | International Institution | IMD | IMD |

## Description

**Rule of Law (%)**

**0 – 100**
**0 indicates weakest, 100 indicates strongest**

Publish data based on **Worldwide Governance Indicators** 3 years lagged .

Data compiled and integrated internationally with other country profiles

By:

World Governance Indicators
THE WORLD BANK
IBRD • IDA | WORLD BANK GROUP

IMD retrieves data from World Bank source into their database.

Malaysia in **2025**:

***Scored*** 67.45 %

***Ranked*** 37 *th*

## Understanding Rule of Law Survey (Freedom in the World)

**Recommendation to be considered**

**- "To have confidence in and abide by the rules of society"**

### Who Responds & Evaluates

- Freedom in the World (FIW) assessments are conducted by 128–136 in-house and external country analysts, supported by nearly 50 expert advisers from academia, think tanks, and human rights communities.

- Analysts rely on local contacts, review NGO reports, academic research, news coverage, and in-country information to prepare their reports, which are then vetted in regional review panels for consensus judgments.

### Target Respondent

- There is no public opinion poll or general population survey component in FIW; instead, analysts respond to a standard set of structured methodology questions (e.g. relating to arbitrary arrest, judicial independence, due process), rating each indicator on a scale of 0 to 4. **No survey/question were published by Freedom House.**

- These questions—often supplemented with clarifying sub-questions—guide the expert scoring, with each respondent justifying scores based on real-world observations rather than aggregated survey data

### Frequent Asked Questions

1. What is Freedom in the World?
2. What is the report's coverage period?
3. How far back in time does Freedom in the World go?
4. Where can I view all the past years' scores?
5. How does the scoring system work?
6. What topics do the scores cover?
7. What is the best score a country or territory can get?
8. What is the worst scoring a country or territory can get?
9. Can I view the scores for all indicators over time?
10. What happened to the 1–7 ratings?
11. How does Freedom in the World define its regions?
12. What qualifies as an "electoral democracy"?
13. How do the analysts decide on scores?
14. How many people are involved in the analysis process?
15. How do you guard against political bias in the analysis process?
16. Is Freedom in the World biased in favor of US or Western values?
17. Isn't economic growth more important than political rights in poorer countries?
18. Can a country's scores be affected by natural disasters, health crises, or climate change?
19. Why does Freedom in the World cover certain territories separately and not others?
20. Do a government's policies and activities abroad affect the scores of its own country?
21. Is it really possible to measure freedom?

***Source:*** *https://freedomhouse.org/reports/freedom-world/faq-freedom-world (various years)*

## Benchmarking - Singapore

**Recommendation to be considered**

**- "To have confidence in and abide by the rules of society"**

### Policy Reference – Singapore

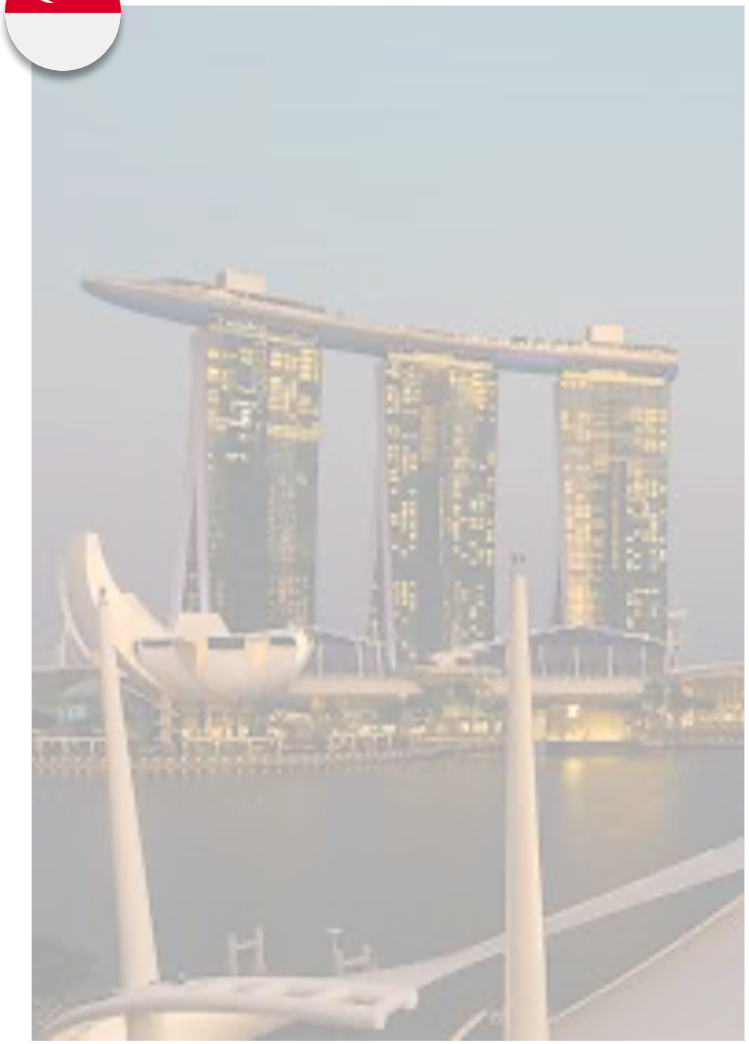
- Singapore maintains exceptionally high public trust in its **legal and law enforcement institutions** due to transparent governance, efficient courts, and strong public engagement.
- Judicial impartiality, low crime rates, and consistently fair contract enforcement **underpin a rule-of-law environment** that promotes both civic trust and economic confidence.

### Proposed Recommendation for Malaysia

- Adopt targeted reforms to enhance procedural transparency in the judiciary, strengthen police accountability mechanisms (e.g., expanding IPCC powers), and improve service efficiency in property and contract resolution.
- Simultaneously, public education campaigns and community engagement should be reinforced to rebuild confidence in institutional fairness.

### Expected Outcomes

- These reforms can reduce public skepticism, especially in sensitive legal and governance issues, while encouraging voluntary compliance and dispute resolution through formal systems.
- Over time, Malaysia can expect increased investor confidence, improved governance indicators, and stronger rule-of-law perceptions comparable to regional leaders like Singapore.



GOVERNMENT EFFICIENCY

# Institutional Framework

## 2.3.15 Sustainable Development Goals

4th – 5th August 2025 | Doubletree by Hilton Hotel, Putrajaya

See more ↗

HD HARD DATA

| Factor: | Sub-Factor: | Indicator: |
| --- | --- | --- |
| Government Efficiency | Institutional Framework | **2.3.15** Sustainable Development Goals |

## What is the IMD World Competitiveness Ranking?

**Factor**

**Government Efficiency**

Extent to which government policies are conducive to competitiveness.

**Sub-Factor**

**Institutional Framework**

Reviews the quality, stability, and credibility of government institutions.

**Indicator**

**Sustainable Development Goals**

Score | Ranking

**69.3%** | 49

### Economic Performance

Macro-economic evaluation of the domestic economy, employment trends, and price.

- Domestic economy
- International trade
- International investment
- Employment
- Prices

### Government Efficiency

Extent to which government policies are conducive to competitiveness.

- Public finance
- Tax policy
- Institutional framework
- Business legislation
- Social framework

### Business Efficiency

Extent to which the national environment encourages enterprises to perform in an innovative, profitable, and responsible manner.

- Productivity
- Labor market
- Finance
- Management practices
- Attitude and values

### Infrastructure

Extent to which basic, technological, scientific, and human resources meet the needs of the business.

- Basic infrastructure
- Technological infrastructure
- Scientific infrastructure
- Health and environment
- Education

# Indicator overview sourced from IMD WCY 2025 Report

## INDICATOR DEFINED IN THE REPORT

The Sustainable Development Report presents an updated SDG Index and Dashboards with a refined assessment of countries' distance to SDG targets. In 2019, the report has been successfully audited for the first time by the European Commission Joint Research Centre. New indicators have been included, primarily to refine the indicator selection on agriculture, diets, gender equality and freedom of speech. We have also added more metrics for international spillovers, including on fatal work accidents.

***Source:*** *IMD World Competitiveness Yearbook 2025 (page 584)*

## INDICATOR MEASUREMENT

The technical notes in WCY 2025 **DOES NOT** include the detailed calculations pertaining to the indicator.

***Source:*** *IMD World Competitiveness Yearbook 2025 (page 412)*

## DATA SOURCE USED IN WCY 2025

The WCY 2025 report states that this indicator may be derived from the following sources:

- Sustainable Development Report 2022

***Source:*** *IMD World Competitiveness Yearbook 2025 (page 581)*

# 2.3.15: Sustainable Development Goals

## Indicator performance over the years

### WHAT DOES THE SCORE INDICATE?

Institutional Framework - State Efficiency 2.3.15

**SUSTAINABLE DEVELOPMENT GOALS** 2024

Country performance on the 17 SDGs

| Ranking | | Global Index |
|---|---|---|
| 01 | Finland | 86.4 |
| 02 | Sweden | 85.7 |
| 03 | Denmark | 85.0 |
| 04 | Germany | 83.4 |
| 05 | France | 82.8 |
| 06 | Austria | 82.5 |
| 07 | Norway | 82.2 |
| 08 | Croatia | 82.2 |
| 09 | United Kingdom | 82.2 |
| 10 | Poland | 81.7 |
| 11 | Slovenia | 81.3 |
| 12 | Czech Republic | 81.3 |
| 13 | Latvia | 81.0 |
| 14 | Spain | 80.7 |
| 15 | Estonia | 80.5 |
| 16 | Portugal | 80.2 |
| 17 | Belgium | 80.0 |
| 18 | Japan | 79.9 |
| 19 | Iceland | 79.5 |
| 20 | Hungary | 79.5 |
| 21 | Slovak Republic | 79.4 |
| 22 | Switzerland | 79.3 |
| 23 | Italy | 79.3 |
| 24 | Netherlands | 79.2 |
| 25 | Canada | 78.8 |
| 26 | New Zealand | 78.8 |
| 27 | Ireland | 78.7 |
| 28 | Greece | 78.7 |
| 29 | Lithuania | 78.1 |
| 30 | Chile | 77.8 |
| 31 | Korea Rep. | 77.3 |
| 32 | Australia | 76.9 |
| 33 | Luxembourg | 76.8 |
| 34 | Romania | 76.7 |
| 35 | Bulgaria | 75.5 |
| 36 | Thailand | 74.7 |
| 37 | USA | 74.4 |
| 38 | Argentina | 74.4 |
| 39 | Brazil | 73.8 |
| 40 | Cyprus | 72.9 |
| 41 | Peru | 71.9 |
| 42 | Singapore | 71.4 |
| 43 | Kazakhstan | 71.1 |
| 44 | China | 70.9 |
| 45 | UAE | 70.5 |
| 46 | Türkiye | 70.5 |
| 47 | Colombia | 70.3 |
| 48 | Indonesia | 69.4 |
| 49 | Malaysia | 69.3 |
| 50 | Mexico | 69.3 |
| 51 | Jordan | 69.1 |
| 52 | Philippines | 67.5 |
| 53 | Namibia | 66.5 |
| 54 | Mongolia | 66.3 |
| 55 | Oman | 66.1 |
| 56 | Qatar | 64.9 |
| 57 | Saudi Arabia | 64.9 |
| 58 | India | 64.0 |
| 59 | Kuwait | 63.8 |
| 60 | Bahrain | 63.6 |
| 61 | Botswana | 63.4 |
| 62 | South Africa | 63.4 |
| 63 | Ghana | 63.0 |
| 64 | Venezuela | 62.5 |
| 65 | Kenya | 62.2 |
| 66 | Nigeria | 54.6 |
| - | Hong Kong SAR | - |
| - | Puerto Rico | - |
| - | Taiwan (Chinese Taipei) | - |

***The higher the value, the higher the ranking.***

### RATIONALITY?

*The Sustainable Development Goals (SDG) indicator reflects a country's overall performance across all 17 SDGs, based on normalized scores of multiple underlying indicators tied to social, economic, environmental, and institutional targets. The rationale for this indicator is to provide a composite measure of how well countries are progressing toward the 2030 Agenda for Sustainable Development, using a globally consistent methodology.*

*Higher values indicate broader progress and stronger alignment with SDG benchmarks such as poverty reduction, education, clean energy, and climate action. The index emphasizes balanced development across goals, encouraging countries not only to perform well in selective areas but to maintain inclusive and sustainable progress across all dimensions.*

***Source:*** *IMD World Competitiveness Yearbook (WCY) 2025*

## Indicator performance over the years

### Indicator **Score (% of GDP)**

### Indicator **Rank (of 69 countries)**

**Source:** *IMD WCY (various years)*

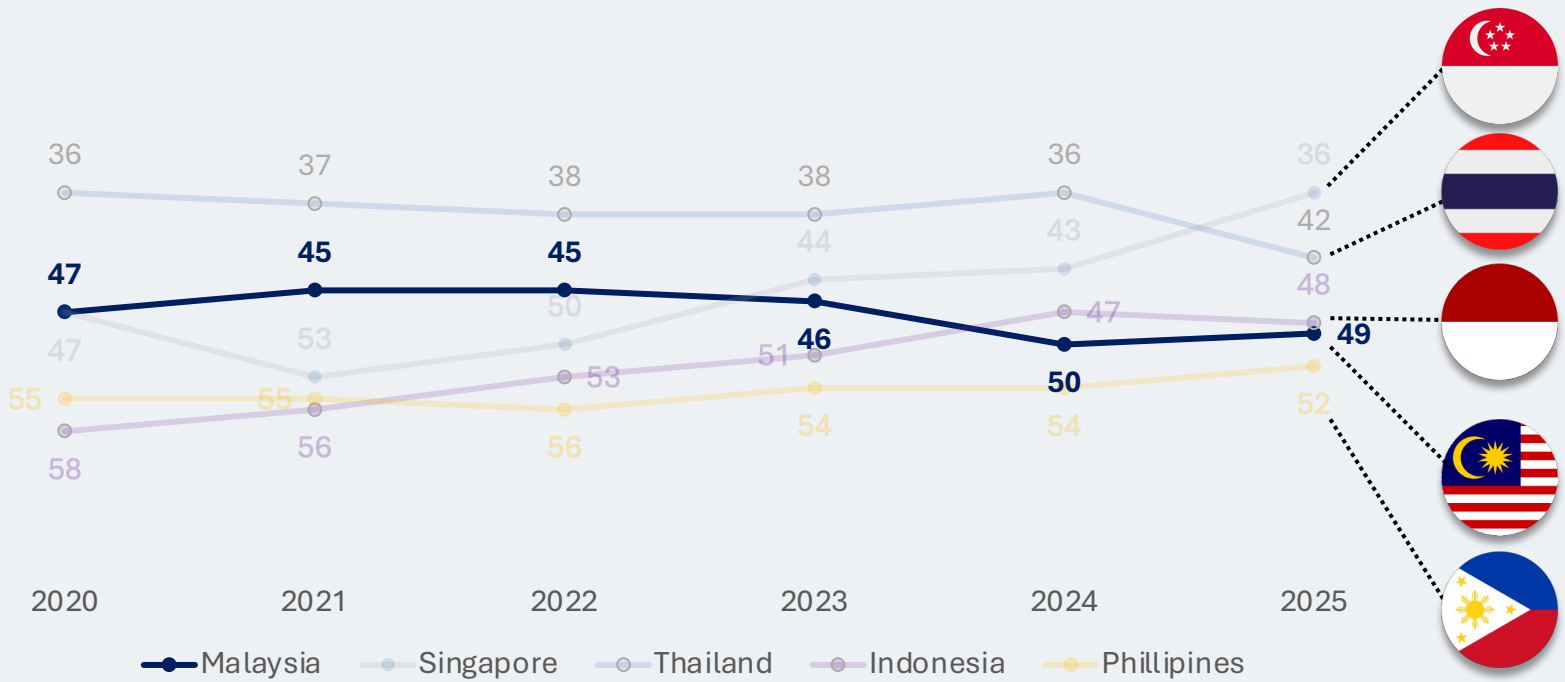
## HOW DO THE INDICATORS PERFORM ACROSS YEARS?

*Malaysia's SDG performance has remained relatively stable over the past five years, with minor fluctuations in score and global ranking. The SDG Index score peaked at 71.8 in 2021, before gradually declining to 70.4 in 2023, and then slightly dropping further to 69.3 in 2025. This represents a net decline of 2.5 points from its 2021 peak, suggesting a moderate loss in momentum across some of the 17 SDG goals.*

*In terms of ranking, Malaysia hovered around the mid-to-lower tier, ranging from 45th to 50th place out of 69 countries, with its 2025 position at 49th. While the overall index level remains relatively strong, the increasing gap from the top performer (Finland, 86.4) highlights room for improvement in SDG implementation and policy integration, particularly in areas lagging behind global benchmarks.*

# 2.3.15: Sustainable Development Goals

## Indicator performance over the years




***Source:*** *IMD WCY (various years)*

## WHERE ARE MALAYSIA NOW? RANKS AMONG ASEAN COUNTRIES

*In 2025, Malaysia is positioned 4th among five ASEAN countries assessed for SDG performance, ranking 49th globally. The leading ASEAN performer is Singapore (36th), followed by Thailand (42nd) and Indonesia (48th), with Malaysia narrowly ahead of the Philippines (52nd).*

*While Malaysia's ranking has remained relatively steady over the years, its regional standing has weakened, as both Thailand and Indonesia have shown upward progress. This shift reflects a relative stagnation in Malaysia's SDG advancement, reinforcing the need for more integrated, outcome-driven strategies to accelerate progress and close the regional gap.*

## Indicator performance over the years

| Phase & Institution Involvement | Data Source | Data Retrieval and Estimation | Publish |
|---|---|---|---|
| | Ministry of Economy | International Institution | IMD |

## Description

**Sustainable Development Goals**

Data was complied by the **National SDG Centre** based on from various ministry or agency based on the SDG indicator.

Data integrated and calculated by:

United Nations | Department of Economic and Social Affairs

Malaysia in **2025**:

***Scored***

**69.3** %

***Ranked***

**49** th

# 2.3.15: Sustainable Development Goals

## How is it calculated?

The SDG Global Index score is calculated through a structured six-step methodology to ensure transparency, comparability, and fairness across countries.

**1 Normalization of Indicators**

Raw indicator values are normalized on a 0–100 scale, where 100 represents the target (best) value and 0 the lower bound (worst-case).

**2 Indicator Aggregation (within goals)**

All normalized indicators under each SDG goal are averaged (equal weight) to produce Goal Score 1 to Goal Score 17.

**3 Equal Weighting (within & across goals)**

Each indicator within a goal and each goal across the index is given equal weight to ensure neutrality and comparability.

**4 Goal Score Aggregation**

The average of the 17 SDG goal scores is calculated using arithmetic mean to generate the overall SDG Global Index score.

**5 Handling of Missing Data**

Countries with ≥80% data coverage are included. For selected indicators, regional averages or standard assumptions may be applied.

**6 Target Benchmarking**

Targets (score = 100) are derived using a five-step hierarchy: SDG targets, science thresholds, top 5 performers, leave-no-one-behind principles.

SUSTAINABLE DEVELOPMENT GOALS

***Source:*** *UN DESA*

# 2.3.15: Sustainable Development Goals

## Expected ranking for WCY 2026

WCY 2025 uses data from the year 2024, while the UN has published the SDG Global Index Score report for 2025. Based on these datasets, Malaysia's position for this indicator is ...

**Declined from**

**49th**

Score:

**69.3**

**51st**

Score:

**69.5**

***Source:*** *UN DESA*

## Malaysia's SDG progress

*While there are pockets of progress, Malaysia's performance is imbalanced, and targeted interventions are crucial to uplift lagging SDGs and improve its future standing in the global index*

# 2.3.15: Sustainable Development Goals

## Detailed performance for each SDG goal

Attention is needed on red-flagged indicators under SDG5, SDG7, and SDG8, particularly on gender gaps, clean energy access, and labor rights.

| SDG1 – No Poverty | Value | Year | Rating | Trend |
|---|---|---|---|---|
| Poverty headcount ratio at $2.15/day (%) | 0.4 | 2025 | ● | ↑ |
| Poverty headcount ratio at $3.65/day (%) | 0.7 | 2025 | ● | ↑ |
| **SDG2 – Zero Hunger** | | | | |
| Prevalence of undernourishment (%) | 2.5 | 2022 | ● | ↑ |
| Prevalence of stunting in children under 5 years of age (%) | 21.2 | 2022 | ● | ↓ |
| Prevalence of wasting in children under 5 years of age (%) | 11.0 | 2022 | ● | ↓ |
| Minimum dietary diversity among children aged 6–23 months (%) | | | | |
| Prevalence of obesity, BMI ≥ 30 (% of adult population) | 22.1 | 2022 | ● | ↓ |
| Human Trophic Level (best 2–3 worst) | 2.4 | 2022 | ● | → |
| Cereal yield (tonnes per hectare of harvested land) | 3.8 | 2022 | ● | → |
| Sustainable Nitrogen Management Index (best 0–1.41 worst) | 0.4 | 2018 | ● | ↑ |
| Exports of hazardous pesticides (tonnes per million population) | 71.2 | 2022 | ● | |

| SDG3 – Good Health and Well-Being | | | | |
|---|---|---|---|---|
| Maternal mortality ratio (per 100,000 live births) | 26.4 | 2023 | ● | ↑ |
| Neonatal mortality rate (per 1,000 live births) | 4.1 | 2023 | ● | ↑ |
| Mortality rate, under-5 (per 1,000 live births) | 8.1 | 2023 | ● | ↑ |
| Incidence of tuberculosis (per 100,000 population) | 122.0 | 2023 | ● | → |
| New HIV infections (per 1,000 uninfected population, all ages) | 0.1 | 2023 | ● | ↑ |
| Age-standardized death rate due to cardiovascular disease, cancer, diabetes, or chronic respiratory disease in adults aged 30 to 70 years (%) | 19.9 | 2021 | ● | ↓ |
| Age-standardized death rate attributable to household air pollution and ambient air pollution (per 100,000 population) | 76.0 | 2019 | ● | |
| Traffic deaths (per 100,000 population) | 13.9 | 2021 | ● | ↑ |
| Life expectancy at birth (years) | 76.7 | 2023 | ● | ↗ |
| Adolescent fertility rate (births per 1,000 females aged 15 to 19) | 6.0 | 2022 | ● | ↑ |
| Births attended by skilled health personnel (%) | 99.8 | 2022 | ● | ↑ |
| Surviving infants who received 2 WHO-recommended vaccines (%) | 96.0 | 2023 | ● | ↑ |
| Universal health coverage (UHC) index of service coverage (worst 0–100 best) | 76.0 | 2021 | ● | ↗ |
| Subjective well-being (average ladder score, worst 0–10 best) | 6.0 | 2024 | ● | ↓ |

***Source:*** *UN DESA*

***Notes:***

■ Major challenges ■ Significant challenges ■ Challenges remain ■ SDG achieved ■ Information unavailable

↓ Decreasing → Stagnating ↗ Moderately improving ↑ On track or maintaining SDG achievement ● Information unavailable

## Detailed performance for each SDG goal

priority must be given to red-rated indicators under SDG5, SDG7, and SDG8 especially on gender equality gaps, declining clean energy access, and labor rights enforcement.

| SDG4 – Quality Education | | | | |
|---|---|---|---|---|
| Participation rate in pre-primary organized learning (% of children aged 4 to 6) | 82.9 | 2023 | ● | → |
| Net primary enrollment rate (%) | 90.9 | 2023 | ● | → |
| Lower secondary completion rate (%) | 87.5 | 2023 | ● | ↗ |
| Literacy rate (% of population aged 15 to 24) | 99.0 | 2022 | ● | ↑ |
| **SDG5 – Gender Equality** | | | | |
| Demand for family planning satisfied by modern methods (% of females aged 15 to 49) | 53.3 | 2024 | ● | → |
| Ratio of female-to-male mean years of education received (%) | 99.0 | 2022 | ● | ↑ |
| Ratio of female-to-male labor force participation rate (%) | 65.8 | 2024 | ● | → |
| Seats held by women in national parliament (%) | 13.5 | 2025 | ● | → |
| **SDG6 – Clean Water and Sanitation** | | | | |
| Population using at least basic drinking water services (%) | 97.2 | 2022 | ● | → |
| Population using at least basic sanitation services (%) | 96.0 | 2022 | ● | ↑ |
| Freshwater withdrawal (% of available freshwater resources) | 3.4 | 2022 | ● | ↑ |
| Anthropogenic wastewater that receives treatment (%) | 22.9 | 2015 | ● | ● |
| Scarce water consumption embodied in imports ($m^3$ $H_2O$ eq/capita) | 1,472.6 | 2024 | ● | → |

| SDG7 – Affordable and Clean Energy | | | | |
|---|---|---|---|---|
| Population with access to electricity (%) | 100.0 | 2022 | ● | ↑ |
| Population with access to clean fuels and technology for cooking (%) | 84.1 | 2022 | ● | ↓ |
| $CO_2$ emissions from fuel combustion per total electricity output ($MtCO_2$/TWh) | 1.5 | 2023 | ● | → |
| Renewable energy share in total final energy consumption (%) | 7.5 | 2021 | ● | → |
| **SDG8 – Decent Work and Economic Growth** | | | | |
| Adjusted GDP growth index (worst 0–100 best) | 68.7 | 2023 | ● | ● |
| Victims of modern slavery (per 1,000 population) | 6.3 | 2022 | ● | ● |
| Adults with an account at a bank or other financial institution or with a mobile-money-service provider (% of population aged 15 or over) | 88.4 | 2021 | ● | ↑ |
| Unemployment rate (% of total labor force, ages 15+) | 3.8 | 2025 | ● | → |
| Fundamental labor rights are effectively guaranteed (worst 0–1 best) | 0.58 | 2023 | ● | ↗ |
| Fatal work-related accidents embodied in imports (per million population) | 0.9 | 2018 | ● | → |
| Victims of modern slavery embodied in imports (per 100,000 population) | 33.6 | 2018 | ● | ● |

***Source:*** *UN DESA*

***Notes:***

■ Major challenges ■ Significant challenges ■ Challenges remain ■ SDG achieved ■ Information unavailable

↓ Decreasing → Stagnating ↗ Moderately improving ↑ On track or maintaining SDG achievement ● Information unavailable

## Detailed performance for each SDG goal

To improve Malaysia's SDG score, key gaps under SDG10, SDG12, SDG13, and SDG14 must be addresse especially inequality, pollution, and marine protection, which show major and declining trends.

| SDG9 – Industry, Innovation and Infrastructure | Value | Year | Rating | Trend |
|---|---|---|---|---|
| Rural population with access to all-season roads (%) | 97.6 | 2025 | ● | ↑ |
| Population using the internet (%) | 97.7 | 2023 | ● | ↑ |
| Mobile broadband subscriptions (per 100 population) | 129.1 | 2023 | ● | ↑ |
| Logistics Performance Index: Infrastructure Score (worst 1–5 best) | 3.6 | 2023 | ● | ↑ |
| The Times Higher Education Universities Ranking: Average score of top 3 universities (worst 0–100 best) | 53.2 | 2025 | ● | ↑ |
| Articles published in academic journals (per 1,000 population) | 1.2 | 2023 | ● | ↑ |
| Expenditure on research and development (% of GDP) | 1.0 | 2020 | ● | ↓ |
| Total patent applications by applicant's origin (per million population) | 49.3 | 2023 | ● | ↓ |
| **SDG10 – Reduced Inequalities** | | | | |
| Gini coefficient | 40.7 | 2021 | ● | → |
| Palma ratio | 1.9 | 2021 | ● | → |
| **SDG11 – Sustainable Cities and Communities** | | | | |
| Proportion of urban population living in slums (%) | 21.6 | 2022 | ● | → |
| Annual mean concentration of PM2.5 (µg/m$^3$) | 18.6 | 2023 | ● | ↗ |
| Access to improved water source, piped (% of urban population) | 99.0 | 2022 | ● | ↑ |
| Population with convenient access to public transport in cities (%) | 38.5 | 2020 | ● | ● |

| SDG12 – Responsible Consumption and Production | | | | |
|---|---|---|---|---|
| Municipal solid waste (kg/capita/day) | 1.3 | 2020 | ● | ● |
| Electronic waste that is not recollected (kg/capita) | 12.2 | 2022 | ● | ● |
| Production-based air pollution (DALYs per 1,000 population) | 1.3 | 2024 | ● | → |
| Air pollution associated with imports (DALYs per 1,000 population) | 5.2 | 2024 | ● | → |
| Production-based nitrogen emissions (kg/capita) | 36.3 | 2024 | ● | → |
| Nitrogen emissions associated with imports (kg/capita) | 43.1 | 2024 | ● | ↓ |
| Exports of plastic waste (kg/capita) | 0.5 | 2024 | ● | ↑ |
| **SDG13 – Climate Action** | | | | |
| $CO_2$ emissions from fossil fuel combustion and cement production ($tCO_2$/capita) | 8.5 | 2023 | ● | → |
| GHG emissions embodied in imports ($tCO_2$/capita) | 3.1 | 2024 | ● | → |
| $CO_2$ emissions embodied in fossil fuel exports (tonnes/capita) | 3.1 | 2024 | ● | ● |
| **SDG14 – Life Below Water** | | | | |
| Mean area that is protected in marine sites important to biodiversity (%) | 19.7 | 2023 | ● | → |
| Ocean Health Index: Clean Waters score (worst 0–100 best) | 56.1 | 2024 | ● | ↓ |
| Fish caught from overexploited or collapsed stocks (% of total catch) | 23.3 | 2018 | ● | ↑ |
| Fish caught by trawling or dredging (%) | 29.4 | 2019 | ● | ↓ |
| Fish caught that are then discarded (%) | 0.7 | 2019 | ● | ↑ |
| Marine biodiversity threats embodied in imports (per million population) | 0.2 | 2018 | ● | ● |

***Notes:***

■ Major challenges ■ Significant challenges ■ Challenges remain ■ SDG achieved ■ Information unavailable

↓ Decreasing → Stagnating ↗ Moderately improving ↑ On track or maintaining SDG achievement ● Information unavailable

***Source:*** *UN DESA*

## Detailed performance for each SDG goal

Malaysia's performance under SDG15, SDG16, and SDG17 reflects mixed progress while some governance and institutional indicators show strength, setbacks in biodiversity, press freedom, and fiscal capacity highlight areas that need renewed commitment and policy attention.

| | | | |
|---|---|---|---|
| **SDG15 – Life on Land** | | | |
| Mean area that is protected in terrestrial sites important to biodiversity (%) | 37.0 | 2023 | 🔴 → |
| Mean area that is protected in freshwater sites important to biodiversity (%) | 32.5 | 2023 | 🔴 → |
| Red List Index of species survival (worst 0–1 best) | 0.70 | 2023 | 🔴 ↓ |
| Permanent deforestation (% of forest area, 3-year average) | 0.9 | 2023 | 🔴 ↗ |
| Imported deforestation ($m^2$/capita) | 12.9 | 2022 | 🟡 ↑ |
| **SDG16 – Peace, Justice and Strong Institutions** | | | |
| Homicides (per 100,000 population) | 0.7 | 2021 | 🟢 ↑ |
| Crime is effectively controlled (worst 0–1 best) | 0.78 | 2023 | 🟡 ↑ |
| Unsentenced detainees (% of prison population) | 39.3 | 2021 | 🟡 ↓ |
| Birth registrations with civil authority (% of children under age 5) | 97.7 | 2022 | 🟡 ⚫ |
| Corruption Perceptions Index (worst 0–100 best) | 50.0 | 2024 | 🟡 → |
| Children involved in child labor (%) | | | ⚫ ⚫ ⚫ ⚫ |
| Exports of major conventional weapons (TIV constant million USD per 100,000 population) | 0.0 | 2019 | 🟢 ⚫ |
| Press Freedom Index (worst 0–100 best) | 56.1 | 2025 | 🟠 ↓ |
| Access to and affordability of justice (worst 0–1 best) | 0.58 | 2023 | 🟡 ↗ |
| Timeliness of administrative proceedings (worst 0–1 best) | 0.55 | 2023 | 🟠 → |
| Expropriations are lawful and adequately compensated (worst 0–1 best) | 0.50 | 2023 | 🟠 ↗ |
| **SDG17 – Partnerships for the Goals** | | | |
| Government spending on health and education (% of GDP) | 5.6 | 2023 | 🟠 ↓ |
| For high-income and all OECD DAC countries: International concessional public finance, including official development assistance (% of GNI) | | | ⚫ ⚫ ⚫ ⚫ |
| Other countries: Government revenue excluding grants (% of GDP) | 16.4 | 2022 | 🟠 ↓ |
| Corporate Tax Haven Score (best 0–100 worst) | * 0 | 2024 | 🟢 ⚫ |
| Shifted profits of multinationals (US$ billion) | * 0.0 | 2021 | 🟢 ⚫ |
| Statistical Performance Index (worst 0–100 best) | 80.4 | 2023 | 🟢 ↑ |
| Index of countries' support to UN-based multilateralism (worst 0–100 best) | 82.5 | 2025 | 🟢 ⚫ |

***Source:*** *UN DESA*

***Notes:***

- Major challenges
- Significant challenges
- Challenges remain
- SDG achieved
- Information unavailable
- ↓ Decreasing
- → Stagnating
- ↗ Moderately improving
- ↑ On track or maintaining SDG achievement
- ⚫ Information unavailable

## Benchmarking – learning from top countries

### Finland

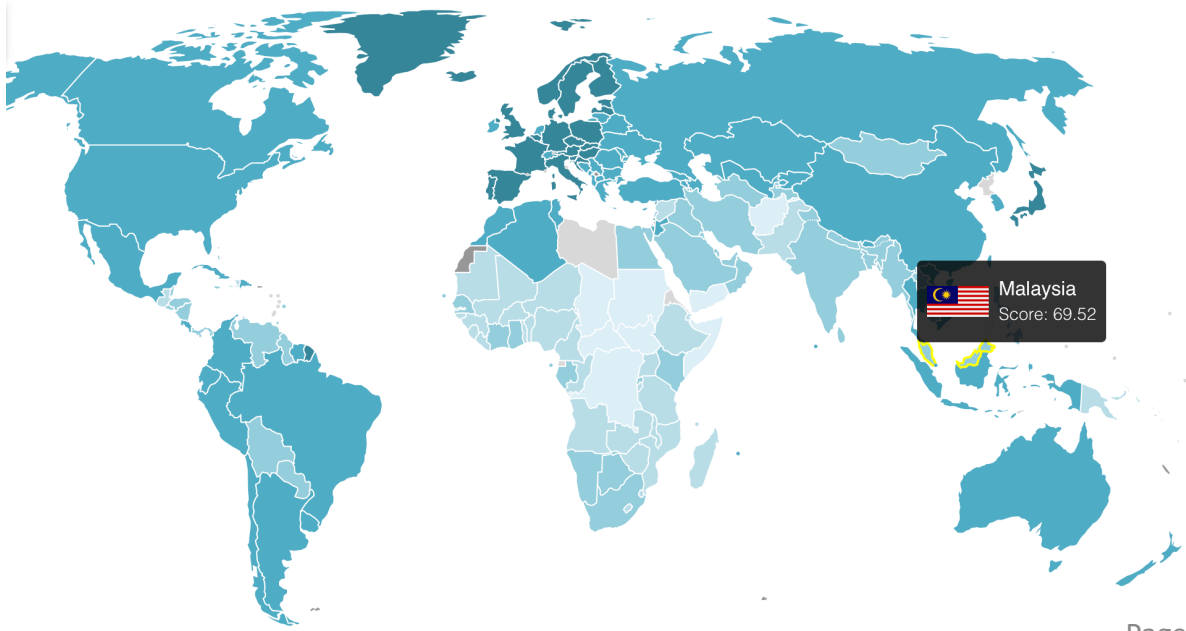
- Strong in environmental protection (SDG12–15), education, and institutional integrity.
- High-quality, disaggregated data is regularly published via national SDG dashboards.
- Multi-stakeholder governance involving civil society and academia ensures robust monitoring and accountability.

### Sweden and Denmark

- Strong in environmental protection (SDG12–15), education, and institutional integrity.
- High-quality, disaggregated data is regularly published through national SDG dashboards.
- Multi-stakeholder governance involving civil society and academia ensures robust monitoring and accountability.

### South Korea

- Exemplary in infrastructure (SDG9), digital access, and clean energy transition (SDG7).
- Leverages national innovation systems and data from private tech sectors to support performance.
- Demonstrates success in integrating R&D with sustainability priorities.

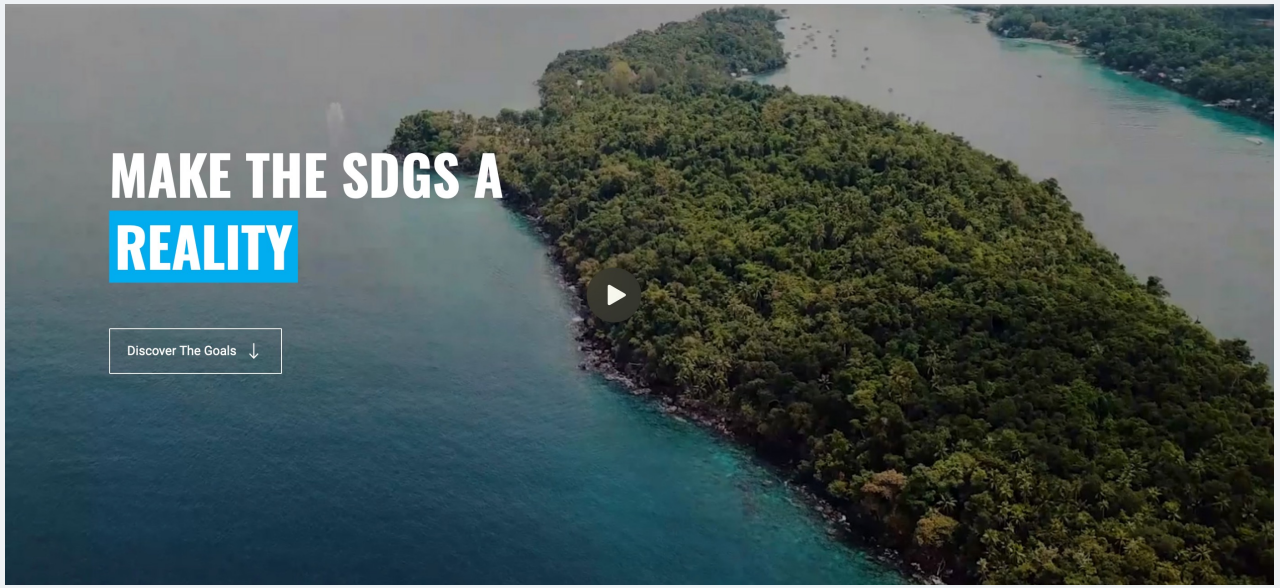


## Recommendation for improvement – ensuring data credibility and targeted SDG interventions

Malaysia's SDG score is influenced not only by its actual performance, but also by how accurately the data reflects that performance. This raises the question — are we being fairly represented?

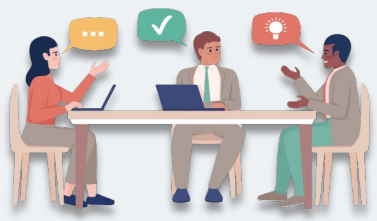
### Are we using the right data?

- **Where the SDG data is sourced from Malaysia's actual data or proxies**
- **Which indicators lack actual national data and use substitute or modelled data**
- **Strategic actions to improve data ownership, quality, and frequency.**




### Proposed Actions

- **Prioritize underperforming SDGs with red or yellow ratings**
  Focus immediate attention on SDGs marked in red (major challenges) and yellow (significant challenges), as these are the areas pulling down the national SDG Index score.
- **Modernize and integrate data system**
  ensure credible, timely, and policy-relevant SDG reporting, Malaysia must transition from siloed, manual, and fragmented data management to a modernized and integrated data ecosystem.



GOVERNMENT EFFICIENCY

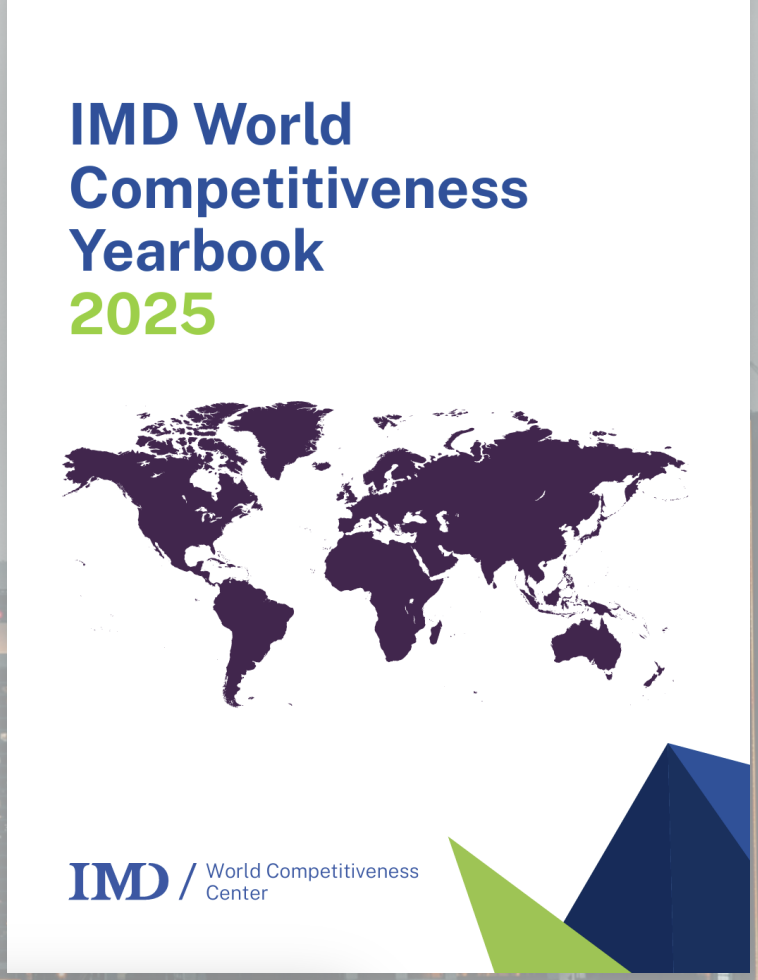
# Institutional Framework

## 2.3.16 Democracy Index

4th – 5th August 2025 | Doubletree by Hilton Hotel, Putrajaya

See more ↗

HD HARD DATA




| Factor: | Sub-Factor: | Indicator: |
| --- | --- | --- |
| Government Efficiency | Institutional Framework | **2.3.16** Democracy Index |

# 2.3.16: Democracy Index

## What is the IMD World Competitiveness Ranking?

Factor

**Government Efficiency**

Extent to which government policies are conducive to competitiveness.

Sub-Factor

**Institutional Framework**

Reviews the quality, stability, and credibility of government institutions.

Indicator

**Democracy Index**

| Score | Ranking |
|---|---|
| 7.11% | 39 |

### Economic Performance

Macro-economic evaluation of the domestic economy, employment trends, and price.

- Domestic economy
- International trade
- International investment
- Employment
- Prices

### Government Efficiency

Extent to which government policies are conducive to competitiveness.

- Public finance
- Tax policy
- Institutional framework
- Business legislation
- Social framework

### Business Efficiency

Extent to which the national environment encourages enterprises to perform in an innovative, profitable, and responsible manner.

- Productivity
- Labor market
- Finance
- Management practices
- Attitude and values

### Infrastructure

Extent to which basic, technological, scientific, and human resources meet the needs of the business.

- Basic infrastructure
- Technological infrastructure
- Scientific infrastructure
- Health and environment
- Education

# 2.3.16: Democracy Index

## Indicator Overview sourced from *IMD WCY 2025*

### WHAT DOES THE SCORE INDICATE?

Institutional Framework - State Efficiency 2.3.16

DEMOCRACY INDEX 2024

EIU Overall Democracy Index, © The Economist Intelligence Unit Limited

| Ranking | | Overall Score |
|---|---|---|
| 01 | Norway | 9.81 |
| 02 | New Zealand | 9.61 |
| 03 | Sweden | 9.39 |
| 04 | Iceland | 9.38 |
| 05 | Switzerland | 9.32 |
| 06 | Finland | 9.30 |
| 07 | Denmark | 9.28 |
| 08 | Ireland | 9.19 |
| 09 | Netherlands | 9.00 |
| 10 | Luxembourg | 8.88 |
| 11 | Australia | 8.85 |
| 12 | Taiwan (Chinese Taipei) | 8.78 |
| 13 | Germany | 8.73 |
| 14 | Canada | 8.69 |
| 15 | Japan | 8.48 |
| 16 | United Kingdom | 8.34 |
| 17 | Austria | 8.28 |
| 18 | Estonia | 8.13 |
| 18 | Spain | 8.13 |
| 20 | Czech Republic | 8.08 |
| 20 | Portugal | 8.08 |
| 22 | Greece | 8.07 |
| 23 | France | 7.99 |
| 24 | Puerto Rico | 7.85 |
| 24 | USA | 7.85 |
| 26 | Chile | 7.83 |
| 27 | Slovenia | 7.82 |
| 28 | Korea Rep. | 7.75 |
| 29 | Latvia | 7.66 |
| 30 | Belgium | 7.64 |
| 31 | Botswana | 7.63 |
| 32 | Lithuania | 7.59 |
| 33 | Italy | 7.58 |
| 34 | Poland | 7.40 |
| 35 | Cyprus | 7.38 |
| 36 | India | 7.29 |
| 37 | Slovak Republic | 7.21 |
| 38 | South Africa | 7.16 |
| 39 | Malaysia | 7.11 |
| 40 | Philippines | 6.63 |
| 41 | Mongolia | 6.53 |
| 42 | Argentina | 6.51 |
| 42 | Hungary | 6.51 |
| 44 | Croatia | 6.50 |
| 45 | Brazil | 6.49 |
| 46 | Namibia | 6.48 |
| 47 | Indonesia | 6.44 |
| 48 | Colombia | 6.35 |
| 49 | Bulgaria | 6.34 |
| 50 | Thailand | 6.27 |
| 51 | Ghana | 6.24 |
| 52 | Singapore | 6.18 |
| 53 | Romania | 5.99 |
| 54 | Peru | 5.69 |
| 55 | Mexico | 5.32 |
| 56 | Hong Kong SAR | 5.09 |
| 57 | Kenya | 5.05 |
| 58 | Türkiye | 4.26 |
| 59 | Nigeria | 4.16 |
| 60 | Jordan | 3.28 |
| 61 | Qatar | 3.17 |
| 62 | Kazakhstan | 3.08 |
| 63 | UAE | 3.07 |
| 64 | Oman | 3.05 |
| 65 | Kuwait | 2.78 |
| 66 | Bahrain | 2.45 |
| 67 | Venezuela | 2.25 |
| 68 | China | 2.11 |
| 69 | Saudi Arabia | 2.08 |

***The higher the score, the higher the ranking.***

### RATIONALITY?

*The Democracy Index captures the overall quality of democratic governance by assessing not only civil liberties and political freedoms, but also the substance of democratic practices. It is based on five interrelated dimensions namely electoral process and pluralism, civil liberties, functioning of government, political participation, and political culture.*

*A higher score reflects the presence of free and fair elections, accountable institutions, active citizen engagement, and a political environment that supports open discourse—all of which are critical to ensuring government legitimacy, public trust, and sustainable national competitiveness.*

*The Democracy Index is measured on a scale from 0 to 10, with 0 representing the lowest level of democracy and 10 the highest.*

***Source:*** *IMD World Competitiveness Yearbook (WCY) 2025*

# 2.3.16: Democracy Index

## Indicator overview sourced from *IMD WCY 2025* Report

### INDICATOR DEFINED IN THE REPORT

The Economist Intelligence Unit's index is based on the view that measures of democracy which reflect the state of political freedoms and civil liberties are not thick enough. They do not encompass sufficiently, or, in some cases, at all, the features that determine how substantive democracy is. Freedom is an essential component of democracy, but not, in itself, sufficient. In existing measures, the elements of political participation and functioning of government are taken into account only in a marginal and formal way.

Democracy Index is based on five categories: **electoral process and pluralism; civil liberties; the functioning of government; political participation; and political culture**. The five categories are interrelated and form a coherent conceptual whole. The condition of holding free and fair competitive elections, and satisfying related aspects of political freedom, is clearly the sine qua non of all definitions.

### INDICATOR MEASUREMENT

The technical notes in WCY 2025 **DOES NOT** include the detailed calculations pertaining to the indicator.

*MD World Competitiveness Yearbook 2025 (page 584)*

### DATA SOURCE USED IN WCY 2025

The WCY 2025 report states that this indicator may be derived from the following sources:

- The Economist Intelligence Unit Limited 2024

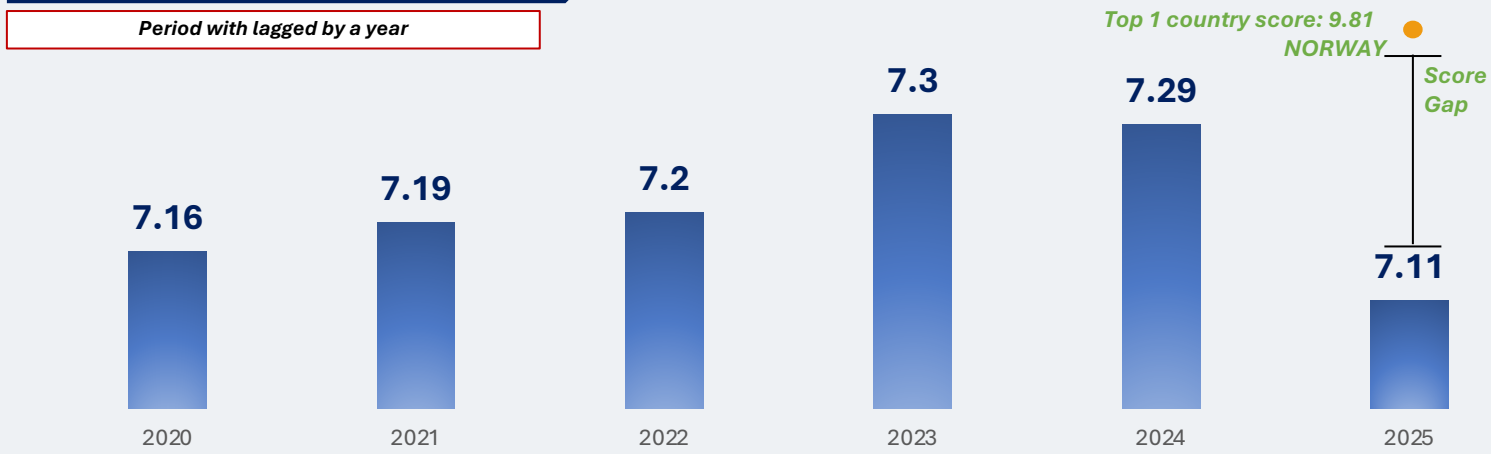
***Source:*** *IMD World Competitiveness Yearbook 2025 (page 584)*

# 2.3.16: Democracy Index

## Indicator performance over the years

### Indicator overall score

*Period with lagged by a year*




### Indicator Rank (of 67 countries)

**Source:** *IMD WCY (various years)*

## HOW DO THE INDICATORS PERFORM ACROSS YEARS?

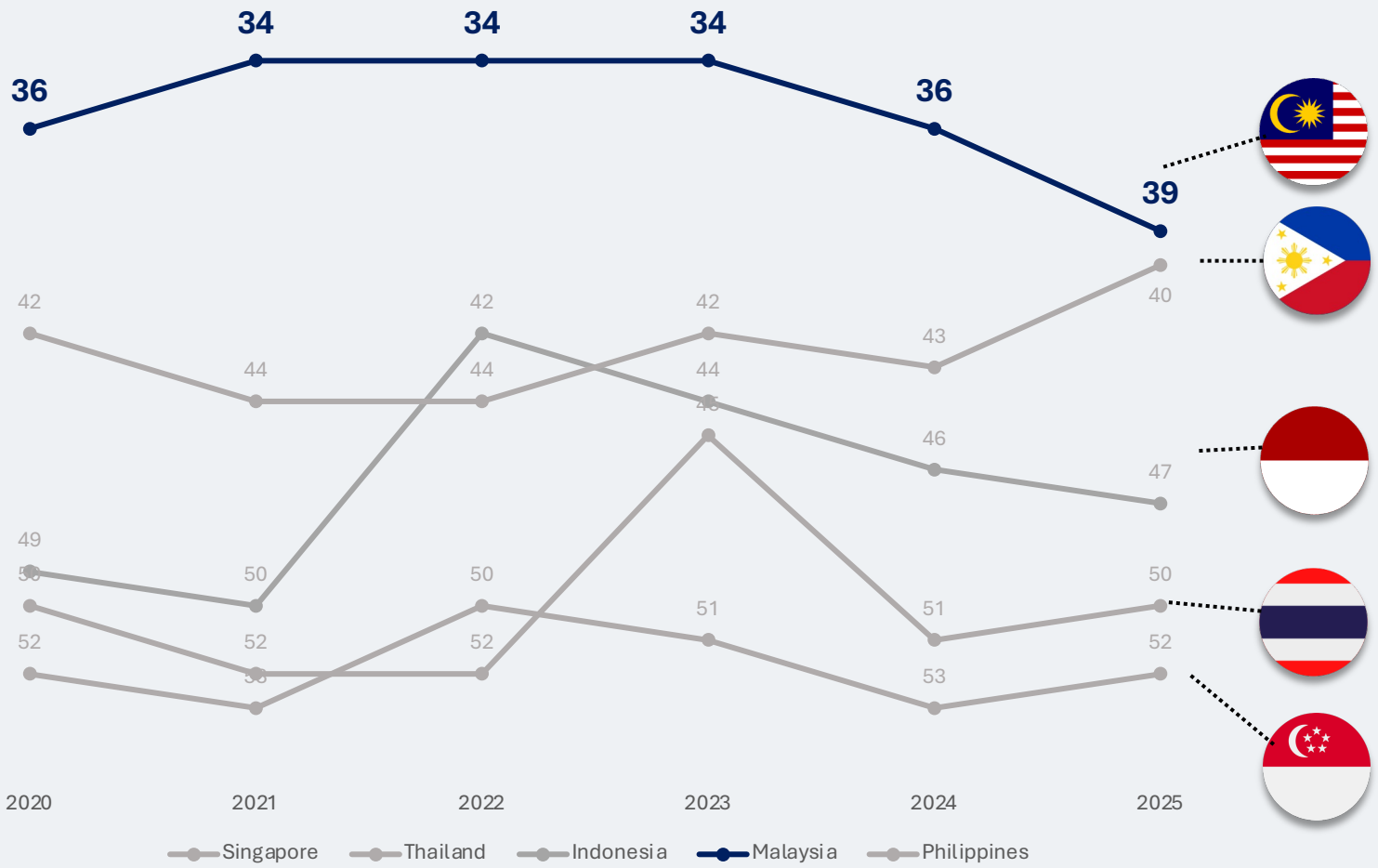
*From 2020 to 2025, Malaysia's Democracy Index score fluctuated slightly, peaking at 7.3 in 2023 before declining to 7.11 in 2025.*

*Despite relatively stable scores, Malaysia's global rank fell from 36th in 2020 to 39th in 2025, indicating other countries outpaced its democratic progress.*

*The downward trend suggests the need for renewed focus on electoral transparency, civil liberties, and institutional reforms to strengthen democratic resilience.*

# 2.3.16: Democracy Index

## Indicator performance over the years




***Source:*** *IMD WCY (various years)*

## WHERE ARE MALAYSIA NOW? RANKS AMONG ASEAN COUNTRIES

*From 2020 to 2025, Malaysia consistently held the highest Democracy Index rank among ASEAN peers, despite a drop from 34th in 2023 to 39th in 2025.*

*Countries like Indonesia and the Philippines trailed behind, while Singapore and Thailand remained in the 50s, reflecting slower democratic progress.*

*This suggests that although Malaysia leads regionally, its declining global position signals the need for strengthened democratic reforms to stay ahead.*

# 2.3.16: Democracy Index

## Indicator footprint – tracking the data sources

| Phase & Institution Involvement | Data Source | Compilation | Data Retrieval | Publish |
|---|---|---|---|---|
| | ECONOMIST INTELLIGENCE EIU | International Institution | IMD | IMD |

**Description**

**Democracy Index**

**0-10**

**0 indicate lowest, 10 indicate highest**

Publish data based on **the Economist Intelligence Unit (EIU)** .

Data compiled and integrated internationally with other country profiles

By:

ECONOMIST INTELLIGENCE EIU

IMD retrieves data from EIU's Democracy Index

Malaysia in **2025**:

***Scored***

***7.11***

***Ranked***

***39th***

# 2.3.16: Democracy Index

## Understanding Democracy Index assessment

### Purpose of Democracy Index

- EIU Democracy Index evaluates countries using 60 structured indicators grouped into five categories: **electoral process & pluralism, functioning of government, political participation, political culture, and civil liberties**

### Data Collection Process

| | |
|---|---|
| **Respondents** | EIU in-house analysts and regional country experts |
| **Questionnaire Format** | 60 indicators scored 0 / 0.5 / 1 (binary or 3-point) |
| **Public Opinion Use** | Integrated where available (e.g. WVS, Gallup); expert judgments fill gaps |
| **Scoring Process** | Indicators aggregated into five category scores → averaged to overall 0–10 index |
| **Governance** | Internal expert reviews and consistency checks across country analysts |

### Core Regime Types of Countries

Based on outcomes from survey, countries were classified into 4 groups:

**Authoritarian Regimes**

- Lack genuine elections and political freedoms
- power is often centralized, with little accountability or opposition.

**Hybrid Regime**

- Combine democratic elements with authoritarian practices
- often feature electoral irregularities and weakened rule of law

**Flawed Democracies**

- Hold regular elections but have issues like weak governance, limited political culture, or media restrictions.

**Full Democracies**

- Countries with strong institutions, political freedoms, and civil liberties
- elections are free and fair.

### Engagement Needed

- *To obtain the report of Malaysia's survey*

***Democracy Index Score:***

- *Full Democracies: 8.01-10.00*
- *Flawed Democracies: 6.01-8.00*
- *Hybrid Regimes: 4.01-6.00*
- *Authoritarian Regimes: 0.00-4.00*

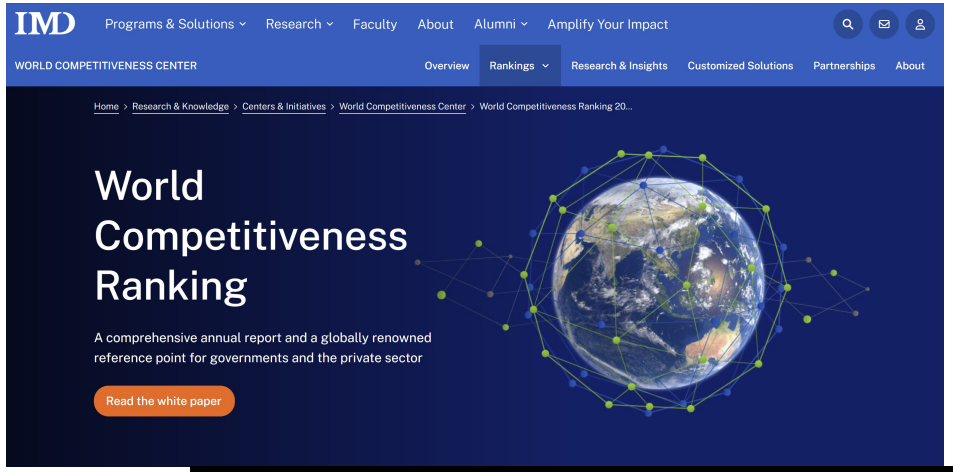
***Source:*** *https://freedomhouse.org/sites/default/files/2025-06/FIW25%20Methodology.pdf*

# 2.3.16: Democracy Index

## Recommendation to be considered – Engagement with Economist Intelligence Units

### Key Rationality

- Engaging with EIU allows Malaysia to understand the underlying factors affecting its democracy rating and tailor reforms accordingly.
- Without access to raw or clearly sourced data, transparency and targeted policy response become difficult, highlighting the need for clarity on data origins and methodology.
- Clarification is needed from EIU on whether the data originates from their internal sources or credible third-party surveys, including documentation of any survey instruments used




### Proposed Actions

- **Initiate formal dialogue** with EIU to request detailed methodological clarification and explore collaborative opportunities to reflect Malaysia's governance improvements more accurately.
- **Establish a national reporting task force** to track, compile, and submit relevant public data and democratic reforms to EIU and recognized survey providers, ensuring transparency and recognition in future assessments.

GOVERNMENT EFFICIENCY

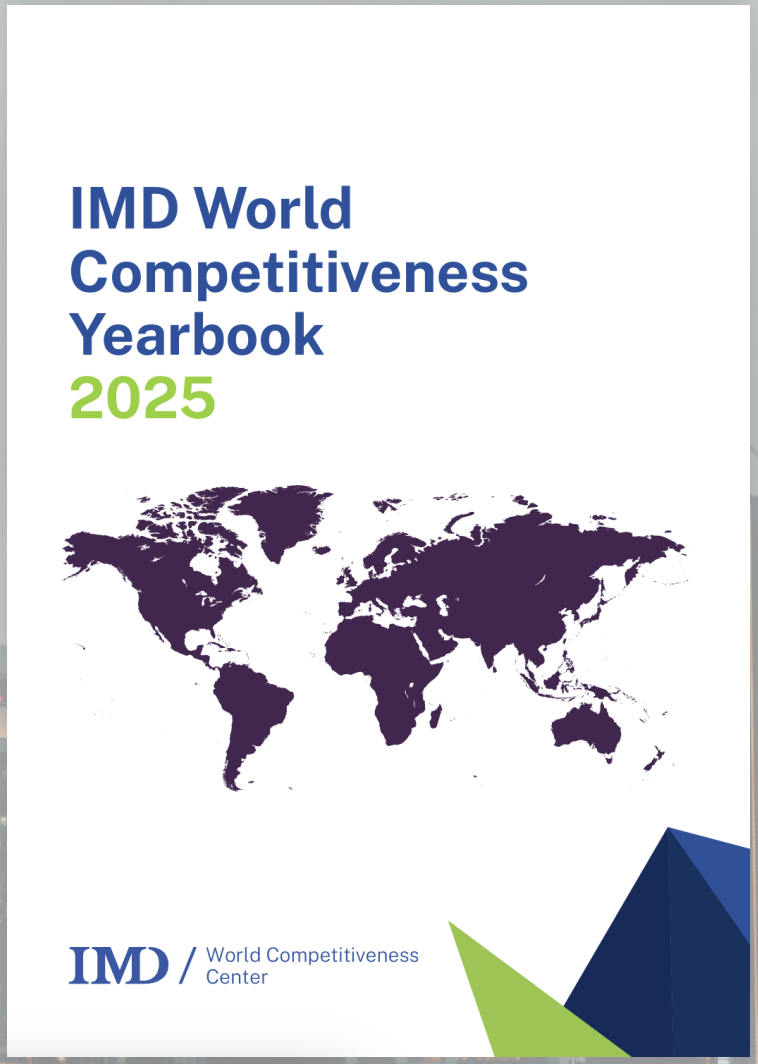
# Institutional Framework

## 2.3.17 Freely Elected Government

4th – 5th August 2025 | Doubletree by Hilton Hotel, Putrajaya

See more ↗

HD HARD DATA




| Factor: | Sub-Factor: | Indicator: |
| --- | --- | --- |
| Government Efficiency | Institutional Framework | **2.3.17** Freely Elected Government |

# 2.3.17: Freely Elected Government

## What is the IMD World Competitiveness Ranking?

**Factor** → **Government Efficiency**

Extent to which government policies are conducive to competitiveness.

**Sub-Factor** → **Institutional Framework**

Reviews the quality, stability, and credibility of government institutions.

**Indicator** → **Freely Elected Government**

| Score (scale 0-4) | Ranking |
|---|---|
| 2 | 49 |

### Economic Performance

Macro-economic evaluation of the domestic economy, employment trends, and price.

- Domestic economy
- International trade
- International investment
- Employment
- Prices

### Government Efficiency

Extent to which government policies are conducive to competitiveness.

- Public finance
- Tax policy
- Institutional framework
- Business legislation
- Social framework

### Business Efficiency

Extent to which the national environment encourages enterprises to perform in an innovative, profitable, and responsible manner.

- Productivity
- Labor market
- Finance
- Management practices
- Attitude and values

### Infrastructure

Extent to which basic, technological, scientific, and human resources meet the needs of the business.

- Basic infrastructure
- Technological infrastructure
- Scientific infrastructure
- Health and environment
- Education

# 2.3.17: Freely Elected Government

## Indicator Overview sourced from *IMD WCY 2025*

## WHAT DOES THE SCORE INDICATE?

Institutional Framework - State Efficiency 2.3.17

FREELY ELECTED GOVERNMENT 2024

Score (0-4) - Do the freely elected head of government and national legislative representatives determine the government policies?

| Ranking | | score |
|---|---|---|
| 01 | Australia | 4 |
| 01 | Austria | 4 |
| 01 | Belgium | 4 |
| 01 | Canada | 4 |
| 01 | Chile | 4 |
| 01 | Croatia | 4 |
| 01 | Cyprus | 4 |
| 01 | Czech Republic | 4 |
| 01 | Denmark | 4 |
| 01 | Estonia | 4 |
| 01 | Finland | 4 |
| 01 | France | 4 |
| 01 | Germany | 4 |
| 01 | Ghana | 4 |
| 01 | Greece | 4 |
| 01 | Iceland | 4 |
| 01 | India | 4 |
| 01 | Ireland | 4 |
| 01 | Italy | 4 |
| 01 | Japan | 4 |
| 01 | Korea Rep. | 4 |
| 01 | Latvia | 4 |
| 01 | Lithuania | 4 |
| 01 | Luxembourg | 4 |
| 01 | Mongolia | 4 |
| 01 | Netherlands | 4 |
| 01 | New Zealand | 4 |
| 01 | Norway | 4 |
| 01 | Portugal | 4 |
| 01 | Romania | 4 |
| 01 | Slovak Republic | 4 |
| 01 | Slovenia | 4 |
| 01 | Sweden | 4 |
| 01 | Switzerland | 4 |
| 01 | Taiwan (Chinese Taipei) | 4 |
| 36 | Argentina | 3 |
| 36 | Botswana | 3 |
| 36 | Brazil | 3 |
| 36 | Bulgaria | 3 |
| 36 | Colombia | 3 |
| 36 | Indonesia | 3 |
| 36 | Namibia | 3 |
| 36 | Philippines | 3 |
| 36 | Poland | 3 |
| 36 | South Africa | 3 |
| 36 | Spain | 3 |
| 36 | United Kingdom | 3 |
| 36 | USA | 3 |
| 49 | Hungary | 2 |
| 49 | Kenya | 2 |
| 49 | Malaysia | 2 |
| 49 | Mexico | 2 |
| 49 | Nigeria | 2 |
| 49 | Peru | 2 |
| 49 | Singapore | 2 |
| 49 | Türkiye | 2 |
| 57 | Kuwait | 1 |
| 57 | Thailand | 1 |
| 59 | Bahrain | 0 |
| 59 | China | 0 |
| 59 | Hong Kong SAR | 0 |
| 59 | Jordan | 0 |
| 59 | Kazakhstan | 0 |
| 59 | Oman | 0 |
| 59 | Puerto Rico | 0 |
| 59 | Qatar | 0 |
| 59 | Saudi Arabia | 0 |
| 59 | UAE | 0 |
| 59 | Venezuela | 0 |

***The higher the score, the higher the ranking.***

*The score for the "Freely Elected Government" indicator is measured on a scale from 0 to 4, where 4 is the highest and 0 is the lowest. A score of 4 indicates a strong democratic system where elections are free, fair, and reflect the true will of the people. Scores of 1 or 0 indicate serious weaknesses or the absence of free elections.*

### RATIONALITY?

*The Freely Elected Government indicator assesses the extent to which a country's executive leadership reflects the genuine will of the people through regular, free, and fair elections.*

*It captures the degree to which elected officials hold meaningful governing authority without undue interference from unelected entities or external forces.*

*A higher score signals strong electoral legitimacy, political accountability, and institutional trust—conditions that foster a stable governance environment and reinforce long-term national competitiveness.*

***Source:*** *IMD World Competitiveness Yearbook (WCY) 2025*

# 2.3.17: Freely Elected Government

## Indicator overview sourced from *IMD WCY 2025* Report

### INDICATOR DEFINED IN THE REPORT

Asks whether the freely elected head of government and national legislative representatives determine the government policies.

***Source:*** *IMD World Competitiveness Yearbook 2025 (page 584)*

### INDICATOR MEASUREMENT

The technical notes in WCY 2025 **DOES NOT** include the detailed calculations pertaining to the indicator.

*MD World Competitiveness Yearbook 2025 (page 584)*

### DATA SOURCE USED IN WCY 2025

The WCY 2025 report states that this indicator may be derived from the following sources:

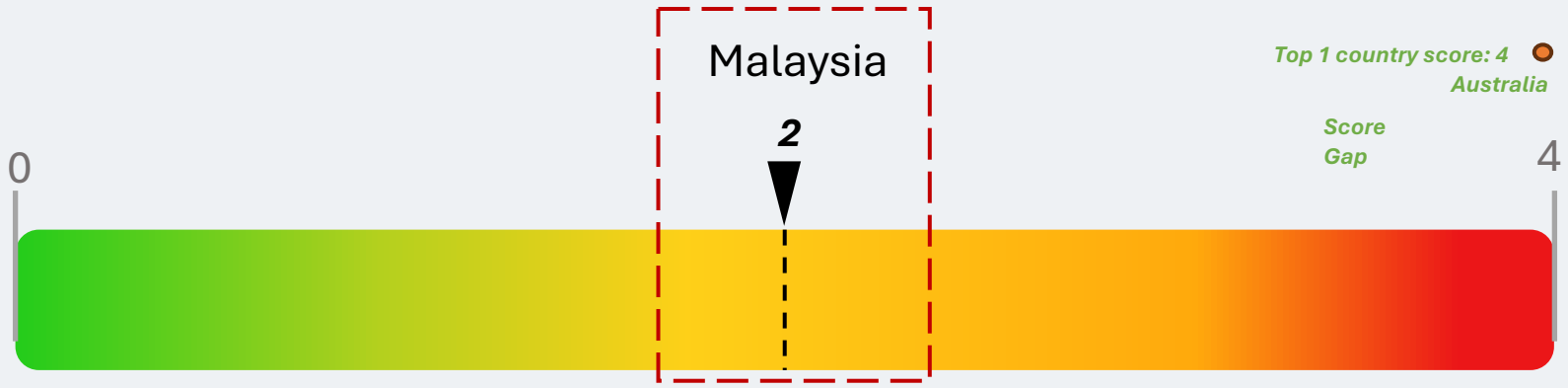
- Freedom House

***Source:*** *IMD World Competitiveness Yearbook 2025 (page 584)*

# 2.3.17: Freely Elected Government

## Indicator performance over the years

Indicator **score**




Indicator **Rank (of 59 countries)**

***Source:*** *IMD WCY (various years)*

## HOW DO THE INDICATORS PERFORM ACROSS YEARS?

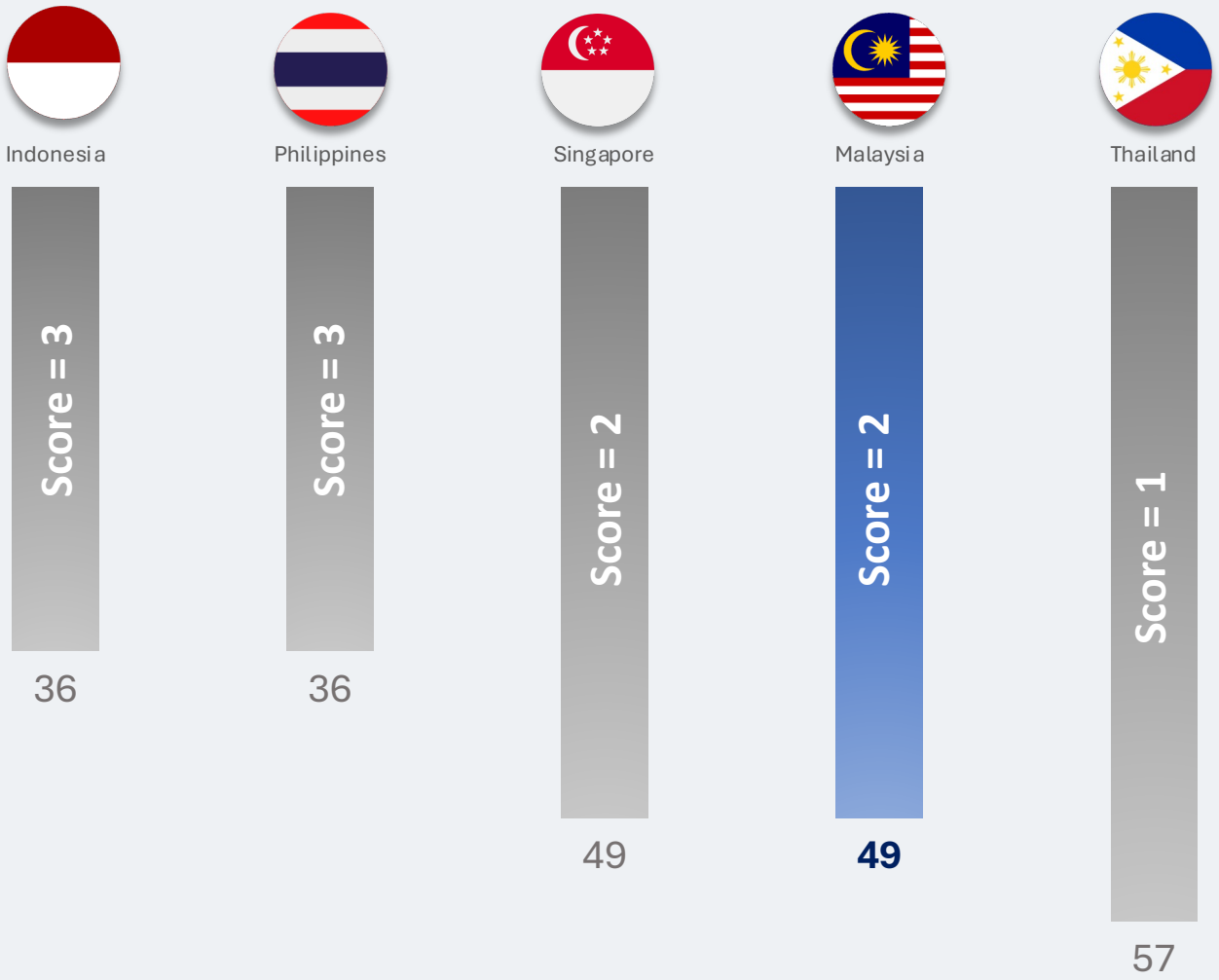
*In 2025, Malaysia scored 2 out of 4 for the Freely Elected Government indicator, placing it at 49th globally.*

*This reflects moderate progress in holding regular elections but highlights concerns around fairness, transparency, and political interference.*

*Continued reforms in electoral integrity and institutional independence are needed to improve democratic credibility.*

# 2.3.17: Freely Elected Government

## Indicator performance for 2025




***Source:*** *IMD WCY (2025)*

## WHERE ARE MALAYSIA NOW? RANKS AMONG ASEAN COUNTRIES

*In 2025, Indonesia and the Philippines led ASEAN in the Freely Elected Government indicator, both ranked 36th, signaling relatively stronger electoral systems and processes.*

*Malaysia and Singapore followed behind at 49th, suggesting more limited conditions for fully competitive and fair elections.*

*Thailand, ranking 57th, had the lowest standing, reflecting constraints in electoral freedoms or governance transitions.*

# 2.3.17: Freely Elected Government

## Indicator footprint – tracking the data sources

| Phase & Institution Involvement | Data Source | Compilation | Data Retrieval | Publish |
|---|---|---|---|---|
| | Freedom House | International Institution | IMD | IMD |

### Description

**Freely Elected Government**

Score (0-4) – Do the freely elected head of government and national legislative representatives determine the government policies

Publish data based on national **Freedom House**.

Data compiled and integrated internationally with other country profiles

By: Freedom House

IMD retrieves data from Freedom's Freedom in the World Report into their database.

Malaysia in **2025**:

***Scored***

**2**

***Ranked***

**49th**

# Understanding Freedom in the World (FIW) assessment

## Purpose of FIW

- Assesses territories separately if they are governed independently or have distinct political rights and civil liberties conditions.
- Consider territorial stability and political relevance, without taking sides in sovereignty disputes.

## Data Collection Process

**Who was tested?**
produced by136 in-house and external analysts, supported by around 45 expert advisers from academia, think tanks, and human rights organizations.

**How was it administered?**
Diverse sources and propose scores. These are reviewed in regional meetings involving Freedom House staff and advisers, leading to consensus-based final scores

**Sampling & governance:**

- Covers all recognized countries and select territories.
- A score of 0 means no freedom, while 4 reflects the highest level of freedom in that area.
- Emphasizes consistency, rigorous methodology, and impartiality, with final decisions made by Freedom House staff.

## Core Assessment Domains

The outcomes are classified into two main groups based on the assessment results.

### CIVIL LIBERTIES

1. Freedom of expression and belief
2. Associational and organizational rights
3. Rule of law
4. Personal autonomy and individual rights

### POLITICAL RIGHT

1. Electoral process
2. Political pluralism and participation
3. Functioning of government

**Who provides the scores?**
The assessments are made by selected experts from academia, think tanks, human rights NGOs, and civil society. Their evaluations are reviewed and finalized by Freedom House staff.

## WHAT MAKES FIW UNIQUE?

- *Freedom in the World is an annual global report on political rights and civil liberties, composed of numerical ratings and descriptive texts for each country and a select group of territories.*
- *Combines expert analysis with a consistent, transparent methodology to assess political rights and civil liberties across all countries and selected territories.*
- *Its ratings are shaped by a global network of analysts and advisors, ensuring a balanced perspective grounded in on-the-ground realities.*

***Source**: https://freedomhouse.org/sites/default/files/2025-06/FIW25%20Methodology.pdf*

# 2.3.17: Freely Elected Government

## Understanding Freedom Questionnaires - Malaysia's Score

### *Politic Rights (22/40 Scale)*

| | | | |
|---|---|---|---|
| ***A. Electoral Process*** | A1 | Was the current head of government or other chief national authority elected through free and fair elections? | 2/4 |
| | A2 | Were the current national legislative representatives elected through free and fair elections? | 2/4 |
| | A3 | Are the electoral laws and framework fair, and are they implemented impartially by the relevant election management bodies? | 2/4 |
| ***B. Political Pluralism and Participation*** | B1 | Do the people have the right to organize in different political parties or other competitive political groupings of their choice, and is the system free of undue obstacles to the rise and fall of these competing parties or groupings | 3/4 |
| | B2 | Is there a realistic opportunity for the opposition to increase its support or gain power through elections? | 3/4 |
| | B3 | Are the people's political choices free from domination by forces that are external to the political sphere, or by political forces that employ extra-political means? | 2/4 |
| | B4 | Do various segments of the population (including ethnic, racial, religious, gender, LGBT+, and other relevant groups) have full political rights and electoral opportunities? | 2/4 |
| ***C. Functioning of Government*** | C1 | Do the freely elected head of government and national legislative representatives determine the policies of the government? | 2/4 |
| | C2 | Are safeguards against official corruption strong and effective? | 2/4 |
| | C3 | Are safeguards against official corruption strong and effective? | 2/4 |

### Key Highlights

- *Malaysia scores low on political rights due to restrictions in party competition, media access, and electoral fairness.*
- *While political pluralism has improved with higher participation and occasional power transitions, systemic barriers persist—including biased enforcement of political association laws.*
- *These factors limit genuine competitive political engagement.*

**Source:** *https://freedomhouse.org/country/malaysia/freedom-world/2025*

# 2.3.17: Freely Elected Government

## Understanding Freedom Questionnaires - Malaysia's Score

### *Civil Liberties (31/60 Scale)*

| | | | |
|---|---|---|---|
| **D. Freedom of Expression and Belief. Electoral Process** | D1 | Are there free and independent media? | 2/4 |
| | D2 | Are individuals free to practice and express their religious faith or nonbelief in public and private? | 1/4 |
| | D3 | Is there academic freedom, and is the educational system free from extensive political indoctrination? | 2/4 |
| | D4 | Are individuals free to express their personal views on political or other sensitive topics without fear of surveillance or retribution? | 3/4 |
| **E. Associational and Organizational Rights** | E1 | Is there freedom of assembly? | 2/4 |
| | E2 | Is there freedom for nongovernmental organizations, particularly those that are engaged in human rights– and governance-related work? | 2/4 |
| | E3 | Is there freedom for trade unions and similar professional or labor organizations? | 2/4 |
| **F. Rule of Law** | F1 | Is there an independent judiciary? | 3/4 |
| | F2 | Does due process prevail in civil and criminal matters? | 2/4 |
| | F3 | Is there protection from the illegitimate use of physical force and freedom from war and insurgencies? | 2/4 |
| | F4 | Do laws, policies, and practices guarantee equal treatment of various segments of the population? | 1/4 |
| **G. Personal Autonomy and Individual Rights** | G1 | Do individuals enjoy freedom of movement, including the ability to change their place of residence, employment, or education? | 3/4 |
| | G2 | Are individuals able to exercise the right to own property and establish private businesses without undue interference from state or nonstate actors? | 2/4 |
| | G3 | Do individuals enjoy personal social freedoms, including choice of marriage partner and size of family, protection from domestic violence, and control over appearance? | 2/4 |
| | G4 | Do individuals enjoy equality of opportunity and freedom from economic exploitation | 1/4 |

**Source:** *https://freedomhouse.org/country/malaysia/freedom-world/2025*

### Key Highlights

- *Civil liberties in Malaysia are constrained by laws that restrict freedom of expression, assembly, and religious practice—especially for minority groups.*
- *The increased controls over digital media and use of sedition or defamation laws further hamper open discourse.*
- *As a result, citizens face notable limitations in personal autonomy and institutional freedom.*

# 2.3.17: Freely Elected Government

## Benchmarking - Japan

| | | Japan | Malaysia |
|---|---|---|---|
| **D2** | Are individuals free to practice and express their religious faith or nonbelief in public and private? | 4/4 | 1/4 |
| **F4** | Do laws, policies, and practices guarantee equal treatment of various segments of the population? | 3/4 | 1/4 |
| **G1** | Do individuals enjoy freedom of movement, including the ability to change their place of residence, employment, or education? | 4/4 | 1/4 |

***Source:*** *https://freedomhouse.org/country/japan/freedom-world/2025*

### Policy Reference – Japan

- Guarantees religious freedom under its constitution, upholds equal legal treatment for all citizens, and ensures unrestricted internal movement.
- These rights are implemented uniformly across the country, supported by consistent enforcement of civil liberties laws.

### Proposed Recommendation for Malaysia

- Malaysia should strengthen protections for religious minorities by ensuring legal neutrality across all faiths and eliminating enforcement biases.
- Additionally, equal legal treatment should be prioritized by reviewing policies that create structural disparities and by harmonizing inter-state travel regulations, especially in Sabah and Sarawak.

### Expected Outcomes

- These reforms would enhance Malaysia's civil liberties profile, reduce perceptions of discrimination and promote national cohesion.
- In the long term, improved equality and freedom of movement could boost international confidence and elevate Malaysia's standing in human rights and governance assessments.

# 2.3.17: Freely Elected Government

## Recommendation to be considered – constructive engagement with FIW

Malaysia's ranking in the "Freely Elected Government" indicator is based on expert assessments from **Freedom House's Freedom in the World (FIW) report**. This score comes from surveys filled out by a group of international and local analysts, academics, and rights experts. However, if these experts are unaware of Malaysia's reforms or do not have access to balanced, updated information, the scores may not fully reflect the country's actual progress. Therefore, increasing **constructive engagement with these contributors** can help ensure Malaysia is fairly and accurately represented.

### Key Rationality

- The final score is shaped by perception and expert judgment, not just raw data.
- Analysts rely heavily on public reporting, media, civil society input, and international visibility.
- Transparency and dialogue can help improve the quality and balance of assessments, especially in subjective indicators.

*Freedom in the World is an annual global report on political rights and civil liberties, composed of numerical ratings and descriptive texts for each country and a select group of territories.*

### Proposed Actions

**Knowledge Engagement**

- Organize expert briefings and roundtables with local researchers and Freedom House contributors to explain reforms.

**Narrative Building**

- Actively share updated progress reports on election reform, media openness, and civil liberties via trusted outlets.

BUSINESS EFFICIENCY

# Finance

## 3.3.03 Financial Card Transactions

4th – 5th August 2025 | Doubletree by Hilton Hotel, Putrajaya

See more ↗

HD HARD DATA

| Factor: | Sub-Factor: | Indicator: |
| --- | --- | --- |
| Business Efficiency | Finance | 3.3.03 Financial Card Transactions |

# 3.3.03: Financial Card Transactions

## What is the IMD World Competitiveness Ranking?

Factor

**Business Efficiency**

Extent to which the national environment encourages enterprises to perform in an innovative, profitable, and responsible manner.

Sub-Factor

**Finance**

Measures access to capital, quality of financial services, and financing conditions.

Indicator

**Financial Card Transactions**

Score | Ranking

**US $ 5,184** | 43

### Economic Performance

Macro-economic evaluation of the domestic economy, employment trends, and price.

- Domestic economy
- International trade
- International investment
- Employment
- Prices

### Government Efficiency

Extent to which government policies are conducive to competitiveness.

- Public finance
- Tax policy
- Institutional framework
- Business legislation
- Social framework

### Business Efficiency

Extent to which the national environment encourages enterprises to perform in an innovative, profitable, and responsible manner.

- Productivity
- Labor market
- Finance
- Management practices
- Attitude and values

### Infrastructure

Extent to which basic, technological, scientific, and human resources meet the needs of the business.

- Basic infrastructure
- Technological infrastructure
- Scientific infrastructure
- Health and environment
- Education

# 3.3.03: Financial Card Transactions

## Indicator overview sourced from IMD WCY 2025 Report

### INDICATOR DEFINED IN THE REPORT

Includes both card payment and ATM transactions.
Card Payment Transactions includes debit, credit, charge, store and prepaid transaction. Cyprus: Includes payments by resident PSPS with cards issued by resident PSPS and payments by non-resident PSPS with cards issued by resident PSPS.

***Source:*** *IMD World Competitiveness Yearbook 2025 (page 401)*

### INDICATOR MEASUREMENT

The technical notes in WCY 2025 **DOES NOT** include the detailed calculations pertaining to the indicator.

***Source:*** *IMD World Competitiveness Yearbook 2025 (page 401)*

### DATA SOURCE USED IN WCY 2025

The WCY 2025 report states that this indicator may be derived from the following sources:

- Passport, Source: © Euromonitor International
- National sources

***Source:*** *IMD World Competitiveness Yearbook 2025 (page 578)*

# 3.3.03: Financial Card Transactions

## Ranking as reported in IMD WCY 2025

### WHAT DOES THE SCORE INDICATE?

Finance - Bank Efficiency 3.3.03

**FINANCIAL CARD TRANSACTIONS** 2024

US$ per capita

| Ranking | | US$ | |
|---|---|---|---|
| 01 | USA | 38,134 | |
| 02 | Iceland | 28,125 | |
| 03 | Australia | 26,746 | |
| 04 | Singapore | 25,681 | |
| 05 | Hong Kong SAR | 23,608 | |
| 06 | United Kingdom | 23,320 | |
| 07 | Norway | 21,232 | |
| 08 | Denmark | 20,667 | |
| 09 | Kazakhstan | 20,287 | |
| 10 | Canada | 20,219 | |
| 11 | Luxembourg | 19,931 | 2020 |
| 12 | Ireland | 18,926 | |
| 13 | Korea Rep. | 17,442 | |
| 14 | UAE | 17,395 | |
| 15 | Puerto Rico | 16,865 | |
| 16 | Cyprus | 16,233 | |
| 17 | Austria | 15,648 | |
| 18 | France | 15,219 | |
| 19 | Netherlands | 14,184 | |
| 20 | Sweden | 13,937 | |
| 21 | Estonia | 13,792 | |
| 22 | China | 13,122 | |
| 23 | Italy | 12,448 | |
| 24 | Portugal | 12,420 | |
| 25 | Germany | 11,978 | |
| 26 | Slovenia | 11,936 | |
| 27 | Greece | 11,621 | |
| 28 | Spain | 10,750 | |
| 29 | Latvia | 10,598 | |
| 30 | Japan | 10,452 | |
| 31 | Croatia | 10,207 | |
| 32 | Czech Republic | 10,052 | |
| 33 | Taiwan (Chinese Taipei) | 9,805 | |
| 34 | Saudi Arabia | 9,099 | |
| 35 | Slovak Republic | 8,929 | |
| 36 | Lithuania | 8,890 | |
| 37 | Poland | 8,047 | |
| 38 | Bahrain | 7,804 | |
| 39 | Chile | 7,658 | |
| 40 | Hungary | 7,432 | |
| 41 | Romania | 7,063 | |
| 42 | Türkiye | 5,629 | |
| 43 | Malaysia | 5,184 | |
| 44 | Mongolia | 4,107 | |
| 45 | Brazil | 4,017 | |
| 46 | Mexico | 3,550 | |
| 47 | Colombia | 3,452 | |
| 48 | Argentina | 3,432 | |
| 49 | Oman | 3,232 | 2023 |
| 50 | Botswana | 2,848 | 2020 |
| 51 | Peru | 2,659 | |
| 52 | Thailand | 2,547 | |
| 53 | Philippines | 1,412 | |
| 54 | Indonesia | 1,279 | |
| 55 | Namibia | 1,033 | |
| 56 | South Africa | 850 | |
| 57 | India | 498 | |
| 58 | Ghana | 444 | 2023 |
| 59 | Nigeria | 140 | |
| 60 | Jordan | 28 | 2023 |
| 61 | Kenya | 8 | 2023 |
| - | Belgium | - | |
| - | Bulgaria | - | |
| - | Finland | - | |
| - | Kuwait | - | |
| - | New Zealand | - | |
| - | Qatar | - | |
| - | Switzerland | - | |
| - | Venezuela | - | |

***The higher the value, the higher the ranking.***

### RATIONALITY?

*A higher value of financial card transactions per capita indicates greater adoption of digital and cashless payment systems, reflecting financial sector efficiency and consumer trust in electronic transactions.*

*Countries with strong card usage demonstrate advanced banking infrastructure, higher formalization of transactions, and reduced cash dependency—contributing to greater economic transparency and traceability.*

*In the IMD rankings, this translates to better positioning as card usage reflects progress in financial technology, inclusion, and productivity in everyday economic activity.*

*In 2025 (based on 2024 data), Malaysia recorded USD 5,184 in card transactions per capita, placing it 43rd globally—behind regional peers like Singapore (4th, USD 25,681) and Hong Kong SAR (5th, USD 23,605).*

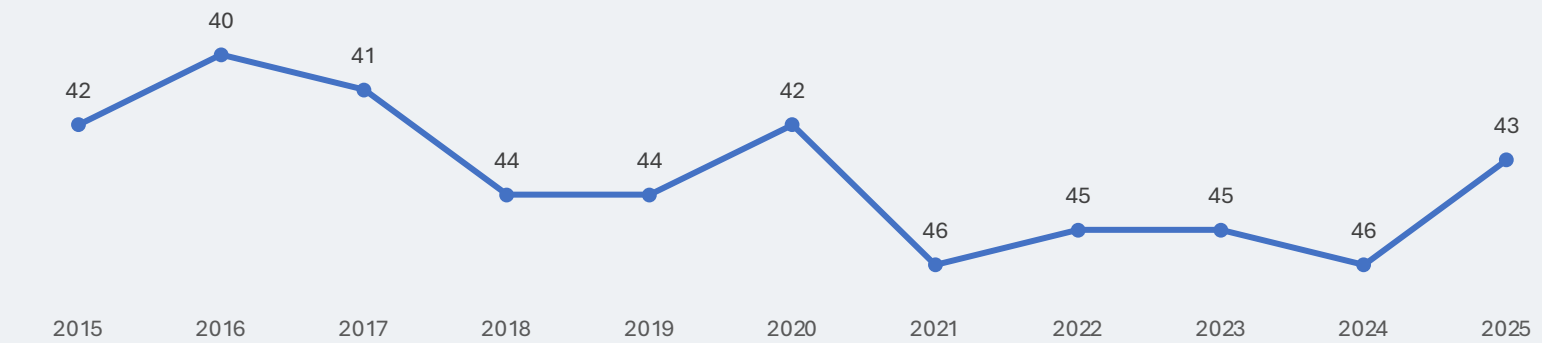
***Source:*** *IMD World Competitiveness Yearbook (WCY) 2025*

# 3.3.03: Financial Card Transactions

## Indicator performance over the years

### Indicator **Score (US$ per capita)**

### Indicator **Rank (of 69 countries)**




**Source:** *IMD WCY (various years)*

## HOW DO THE INDICATORS PERFORM ACROSS YEARS?

*Malaysia's financial card transactions per capita increased moderately from USD 4,185 in 2015 to USD 5,184 in 2025, reflecting gradual growth in cashless payment usage and digital finance adoption.*

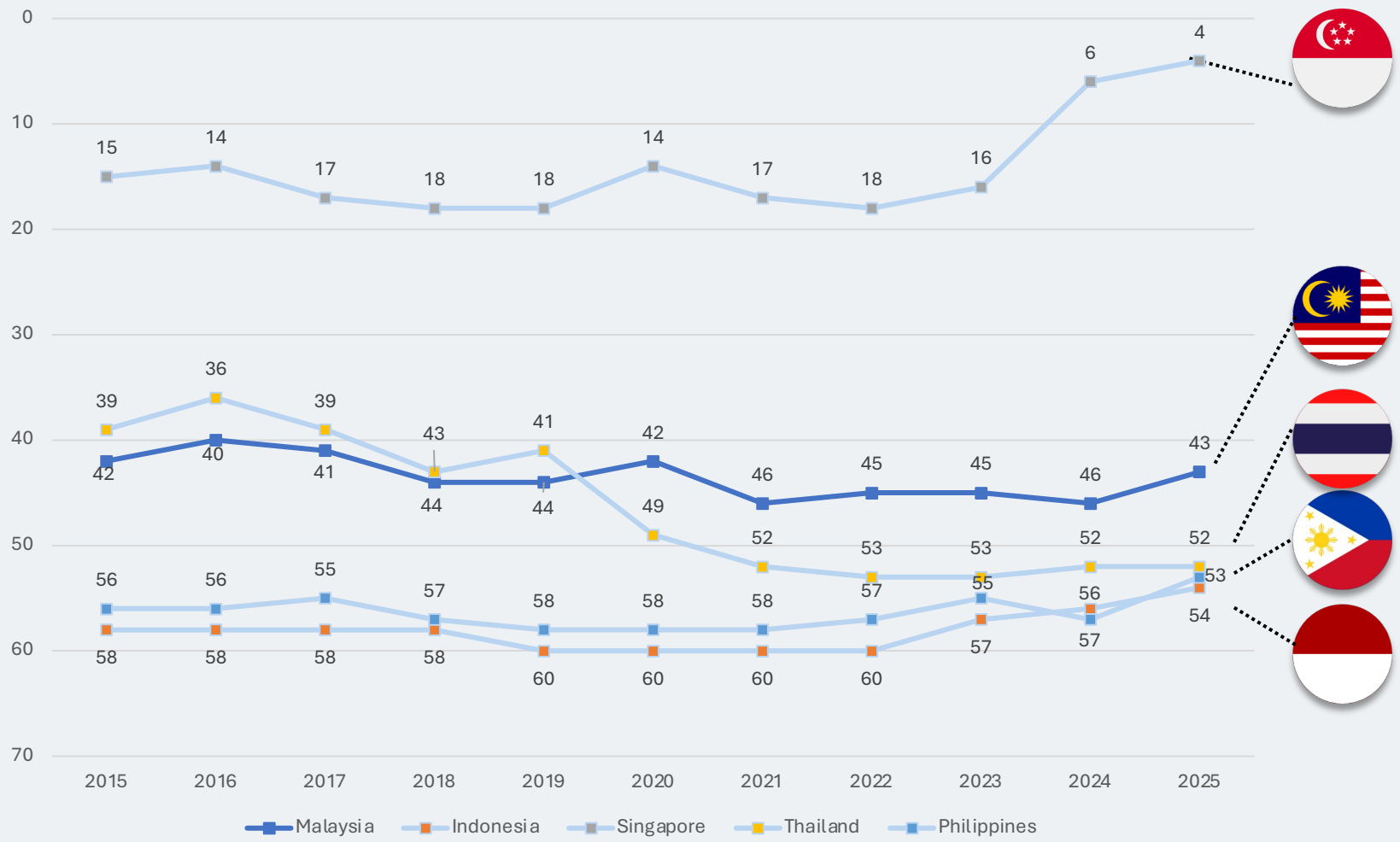
*However, the ranking trend has fluctuated between 40th and 46th over the past decade, indicating that Malaysia's growth pace remains behind more advanced digital economies.*

*Despite the upward trend in transaction value, Malaysia continues to face a performance gap compared to global leaders, especially those with stronger e-payment ecosystems and financial infrastructure.*

*To improve its ranking, Malaysia needs to accelerate card usage across rural and underserved groups, while also strengthening public trust, fintech penetration, and digital payment literacy.*

# 3.3.03: Financial Card Transactions

## Indicator performance over the years




**Source:** *IMD WCY (various years)*

## WHERE ARE MALAYSIA NOW? RANKS AMONG ASEAN COUNTRIES

*In 2025, Malaysia ranks 2nd among ASEAN countries for financial card transactions, placing 43rd globally, ahead of Thailand (52nd), the Philippines (53rd), and Indonesia (54th), but still behind regional leader Singapore (4th).*

*Malaysia has maintained a relatively stable position over the years, reflecting consistent but modest growth in digital and card-based payment adoption.*

*Singapore's rapid advancement highlights the benefits of a fully integrated digital financial ecosystem, while Malaysia continues to develop its infrastructure and user base.*

*To improve its ASEAN standing further, Malaysia needs to accelerate adoption among micro-enterprises, rural users, and informal sectors through inclusive fintech strategies and digital trust-building efforts.*

# 3.3.03: Financial Card Transactions

## Indicator footprint – Tracking the Data Sources

| Phase & Institution Involvement | Data Source | Compilation | Estimation | Data Retrieval | Publish |
|---|---|---|---|---|---|
| | BANK NEGARA MALAYSIA CENTRAL BANK OF MALAYSIA | International Institution | International Institution | IMD | IMD |

| Description | | | | | |
|---|---|---|---|---|---|
| **Financial Card Transactions** | Publish data based on Payment Statistics "***Transactions Per Capita***" annually lagged 1 years. | Data compiled and integrated internationally with other country profiles by: EUROMONITOR INTERNATIONAL | Euromonitor International estimates indicator values based on the available data of consumption. | IMD retrieves data from Euromonitor International sources into their database. | Malaysia in **2025**: ***Scored*** ***US$ per capita*** **5,184** ***Ranked*** **43rd** IMD World Competitiveness Ranking |

# 3.3.03: Financial Card Transactions

## Reconciling financial card transaction values

| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|---|
| **Transaction Value Per Capita (RM):** | | | | | | |
| CIC | 2,912.1 | 3,079.6 | 3,611.8 | 4,190.8 | 4,479.6 | 4,465.3 |
| Cheque[1] | 44,215.1 | 38,968.5 | 30,077.9 | 27,590.5 | 28,817.9 | 26,332.1 |
| **E-payments:** | **664,106.8** | **671,276.8** | **688,982.7** | **774,811.7** | **927,552.6** | **902,076.9** |
| Credit card | 4,151.1 | 4,413.6 | 3,898.4 | 4,241.8 | 5,440.3 | 5,984.7 |
| Charge card | 382.9 | 403.2 | 314.7 | 335.7 | 429.5 | 478.0 |
| Debit card | 1,236.5 | 1,608.4 | 1,826.6 | 2,400.9 | 3,638.7 | 4,136.8 |
| E-money | 338.7 | 559.2 | 901.9 | 1,526.4 | 2,180.1 | 3,193.3 |
| Interbank GIRO | 32,249.1 | 34,564.9 | 36,348.2 | 42,739.0 | 45,827.6 | 44,464.0 |
| Instant Transfer | 8,545.6 | 15,311.8 | 24,089.0 | 37,552.5 | 52,329.9 | 65,207.9 |
| Interbank direct debit | 1,179.7 | 1,305.5 | 1,376.3 | 1,624.9 | 1,957.7 | 2,084.6 |
| ATM[4] | 1,299.3 | 1,134.5 | 542.7 | 465.8 | 557.5 | 548.3 |
| Internet banking[5] | 141,427.4 | 143,291.4 | 154,018.7 | 177,550.9 | 234,924.1 | 230,339.0 |
| Mobile banking[6] | 1,817.9 | 3,272.0 | 7,824.5 | 12,128.3 | 16,062.2 | 19,054.8 |
| RENTAS - Third party transactions[7] | 462,327.1 | 455,848.2 | 446,636.0 | 480,399.0 | 549,200.5 | 510,026.2 |
| Intrabank direct debit and standing instructions | 9,490.1 | 9,564.2 | 11,205.7 | 13,846.6 | 15,004.4 | 16,559.3 |
| Financial Card Transaction (RM per capita) | 7,408.5 | 8,118.8 | 7,484.3 | 8,970.5 | 12,246.2 | 14,341.2 |
| Exchange Rate | 4.0 | 4.1 | 4.2 | 4.1 | 4.4 | 4.6 |
| Financial Card Transaction (US$ per capita) | 1,833.8 | 1,961.1 | 1,782.0 | 2,166.8 | 2,783.2 | 3,145.0 |
| Financial Card Transaction (US$ per capita) | 4,770.0 | 4,856.0 | 4,098.0 | 4,905.0 | 4,933.0 | 5,215.0 |

**BNM**
**IMD**

**Source:** *Bank Negara Malaysia and Department of Statistics, Malaysia*

*The Financial Card Transaction indicator captures the total transaction value per capita from payment cards and ATM usage.*
*It includes:*

- *Credit cards*
- *Charge cards*
- *Debit cards*
- *E-money and prepaid cards*
- *ATM transactions*

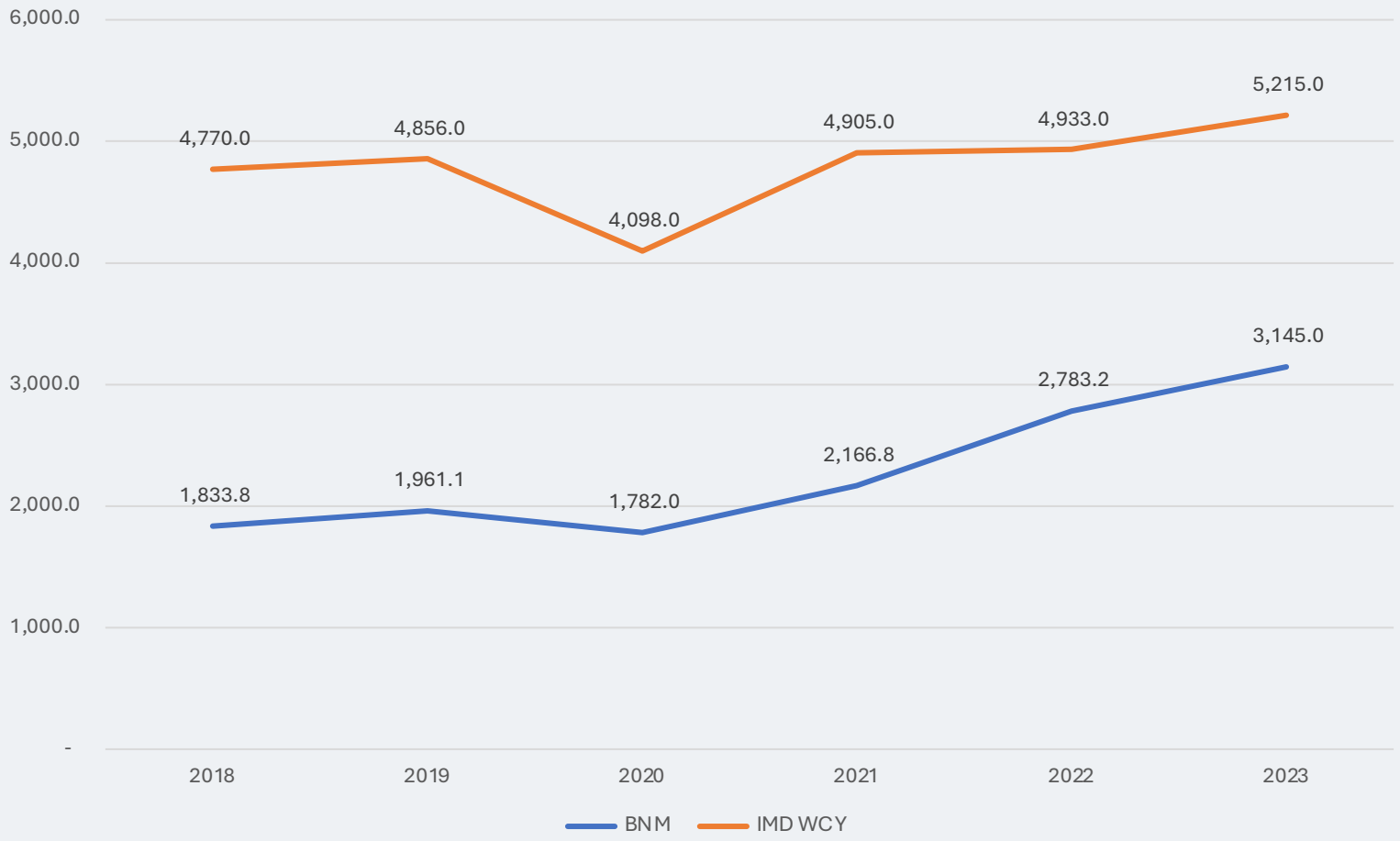
*These components represent both point-of-sale payments and cash withdrawals made using financial cards. By summing their per capita values, this indicator reflects the intensity of cashless payment adoption and card usage within the economy.*

*Higher values typically indicate greater digital transaction penetration, stronger banking access, and reduced reliance on cash.*

*The financial card transaction value reported by IMD (sourced from Euromonitor) may differ from Bank Negara Malaysia due to differences in data coverage and methodology.*

# 3.3.03: Financial Card Transactions

## **Recommendation to be considered -** Data discrepancies between IMD and DOSM




***Note:*** *The value is calculated in US dollars per capita, reflecting the total card-based transaction volume converted using the annual exchange rate.*

*There is a* ***noticeable discrepancy in financial card transaction values*** *reported by IMD (Euromonitor) and national sources.*

- ***Clarification is needed from Euromonitor regarding the scope of components included in their calculation.***
- ***Inquiry should be made on why the IMD figures consistently exceed national estimates.***
- ***Explanation from Bank Negara Malaysia is also essential to confirm which payment instruments are included under BNM's reporting for card-based transactions.***

*Understanding these methodological differences is important to ensure accurate representation of Malaysia's digital payment landscape in international rankings.*

# 3.3.03: Financial Card Transactions

## Addressing key challenges – Is Malaysia's financial card transaction value underestimated?

### Key Rationality

- There is a need to critically assess whether Malaysia's reported financial card transaction value (per capita, US$) fully reflects the **actual intensity of card usage** on the ground.
- Despite visible upward trends, the reported value remains significantly below comparator countries like Singapore — raising the question:

***"Are we underestimating Malaysia's actual transaction footprint due to data gaps, reporting scope, or classification issues?"***

Some possible reasons include:

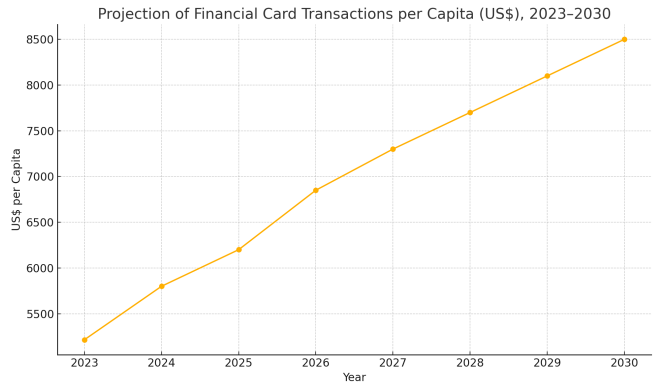
- Partial inclusion of e-wallets or mobile payments not captured under "card-based" transactions.
- Lower coverage from informal or small-merchant sectors.
- Exclusion of embedded financial services (e.g., ride-hailing, delivery platforms).

This warrants deeper engagement with data sources (BNM, DOSM, and Euromonitor) to refine the granularity and completeness of reporting.

### Forward Projection

- What is the Target Value?

Assuming current growth momentum continues, and digital payment adoption accelerates, Malaysia's financial card transaction value per capita may realistically reach:




These projections assume:

- Average annual growth rate of 7–10%
- Improvements in internet banking, credit access, and consumer digitization
- Stronger financial inclusion across B40 and rural populations

To realize this trajectory, targeted interventions are needed — particularly for expanding digital onboarding, infrastructure access, and trust in e-payment systems.

***Source:*** *Department of Statistics Malaysia (2025) and Department of Statistics Singapore (2025)*

BUSINESS EFFICIENCY

# Finance

## 3.3.04 Access to Financial Services

4th – 5th August 2025 | Doubletree by Hilton Hotel, Putrajaya

See more ↗

HD HARD DATA

| Factor: | Sub-Factor: | Indicator: |
| --- | --- | --- |
| Business Efficiency | Finance | **3.3.04** Access to Financial Services |

# 3.3.04: Access to Financial Services

## What is the IMD World Competitiveness Ranking?

**Factor:** Business Efficiency

Extent to which the national environment encourages enterprises to perform in an innovative, profitable, and responsible manner.

**Sub-Factor:** Finance

Measures access to capital, quality of financial services, and financing conditions.

**Indicator:** Access to Financial Services

| Score | Ranking |
|---|---|
| 88.37 % | 40 |

### Economic Performance

Macro-economic evaluation of the domestic economy, employment trends, and price.

- Domestic economy
- International trade
- International investment
- Employment
- Prices

### Government Efficiency

Extent to which government policies are conducive to competitiveness.

- Public finance
- Tax policy
- Institutional framework
- Business legislation
- Social framework

### Business Efficiency

Extent to which the national environment encourages enterprises to perform in an innovative, profitable, and responsible manner.

- Productivity
- Labor market
- Finance
- Management practices
- Attitude and values

### Infrastructure

Extent to which basic, technological, scientific, and human resources meet the needs of the business.

- Basic infrastructure
- Technological infrastructure
- Scientific infrastructure
- Health and environment
- Education

# 3.3.04: Access to Financial Services

## Indicator overview sourced from IMD WCY 2025 Report

### INDICATOR DEFINED IN THE REPORT

The IMD WCY 2025 report defines this indicator as the proportion of adults (15 years and older) with an account at a financial institution or mobile-money-service provider (% of adults aged 15 years and older).

***Source:*** *IMD World Competitiveness Yearbook 2025 (page 591)*

### INDICATOR MEASUREMENT

The technical notes in WCY 2025 **DOES NOT** include the detailed calculations pertaining to the indicator.

Proportion of adults with a bank account or mobile-money-service provider

### DATA SOURCE USED IN WCY 2025

The WCY 2025 report states that this indicator may be derived from the following sources:

- World Development Indicators (UN SDG Indicators Database-World Bank Global Financial Inclusion Database)
- National sources

***Source:*** *IMD World Competitiveness Yearbook 2025 (page 591)*

# 3.3.04: Access to Financial Services

## Ranking as reported in IMD WCY 2025

### WHAT DOES THE SCORE INDICATE?

Finance - Bank Efficiency 3.3.04

**ACCESS TO FINANCIAL SERVICES** 2021

Proportion of adults with a bank account or mobile-money-service provider

| Ranking | | % | |
|---|---|---|---|
| 01 | Denmark | 100.00 | |
| 01 | Iceland | 100.00 | |
| 03 | Germany | 99.98 | |
| 04 | Austria | 99.95 | |
| 05 | United Kingdom | 99.76 | |
| 06 | Netherlands | 99.73 | |
| 07 | Sweden | 99.69 | |
| 08 | Ireland | 99.66 | |
| 09 | Canada | 99.63 | |
| 10 | Finland | 99.53 | |
| 11 | Switzerland | 99.49 | |
| 12 | Norway | 99.48 | |
| 13 | Estonia | 99.38 | |
| 14 | Australia | 99.32 | |
| 15 | France | 99.24 | |
| 16 | Slovenia | 99.05 | |
| 17 | Belgium | 99.01 | |
| 18 | Luxembourg | 98.77 | 2017 |
| 19 | New Zealand | 98.75 | |
| 20 | Korea Rep. | 98.67 | |
| 21 | Japan | 98.49 | |
| 22 | Mongolia | 98.46 | |
| 23 | Spain | 98.30 | |
| 24 | Hong Kong SAR | 97.80 | |
| 25 | Singapore | 97.55 | |
| 26 | Italy | 97.29 | |
| 27 | Latvia | 96.62 | |
| 28 | Poland | 95.72 | |
| 29 | Slovak Republic | 95.62 | |
| 30 | Thailand | 95.58 | |
| 31 | USA | 94.95 | |
| 32 | Czech Republic | 94.94 | |
| 33 | Greece | 94.88 | |
| 34 | Taiwan (Chinese Taipei) | 94.71 | |
| 35 | Lithuania | 93.53 | |
| 36 | Cyprus | 93.13 | |
| 37 | Portugal | 92.65 | |
| 38 | Croatia | 91.80 | |
| 39 | China | 88.71 | |
| 40 | Malaysia | 88.37 | |
| 41 | Hungary | 88.22 | |
| 42 | Puerto Rico | 88.00 | |
| 43 | Chile | 87.06 | |
| 44 | UAE | 85.74 | |
| 45 | South Africa | 85.38 | |
| 46 | Venezuela | 84.39 | |
| 47 | Brazil | 84.04 | |
| 48 | Bulgaria | 83.97 | |
| 49 | Bahrain | 82.61 | 2017 |
| 50 | Kazakhstan | 81.11 | |
| 51 | Kuwait | 79.84 | 2017 |
| 52 | Kenya | 79.20 | |
| 53 | India | 77.53 | |
| 54 | Saudi Arabia | 74.32 | |
| 55 | Türkiye | 74.09 | |
| 56 | Argentina | 71.63 | |
| 57 | Namibia | 71.35 | |
| 58 | Romania | 69.12 | |
| 59 | Ghana | 68.23 | |
| 60 | Colombia | 59.72 | |
| 61 | Peru | 57.50 | |
| 62 | Indonesia | 51.76 | |
| 63 | Philippines | 51.37 | |
| 64 | Botswana | 51.03 | 2017 |
| 65 | Jordan | 47.12 | |
| 66 | Nigeria | 45.32 | |
| 67 | Mexico | 36.93 | 2017 |
| - | Oman | - | |
| - | Qatar | - | |

***The higher the value, the higher the ranking.***

### RATIONALITY?

*A higher percentage of access to financial services indicates broader inclusion of the adult population in formal banking or mobile money systems, which enhances economic participation and resilience.*

*Countries with near-universal access to banking infrastructure tend to experience better financial literacy, improved savings behavior, and stronger digital payment ecosystems.*

*In the IMD rankings, greater financial access is associated with higher scores due to its role in supporting efficient capital flow, entrepreneurship, and inclusive economic growth.*

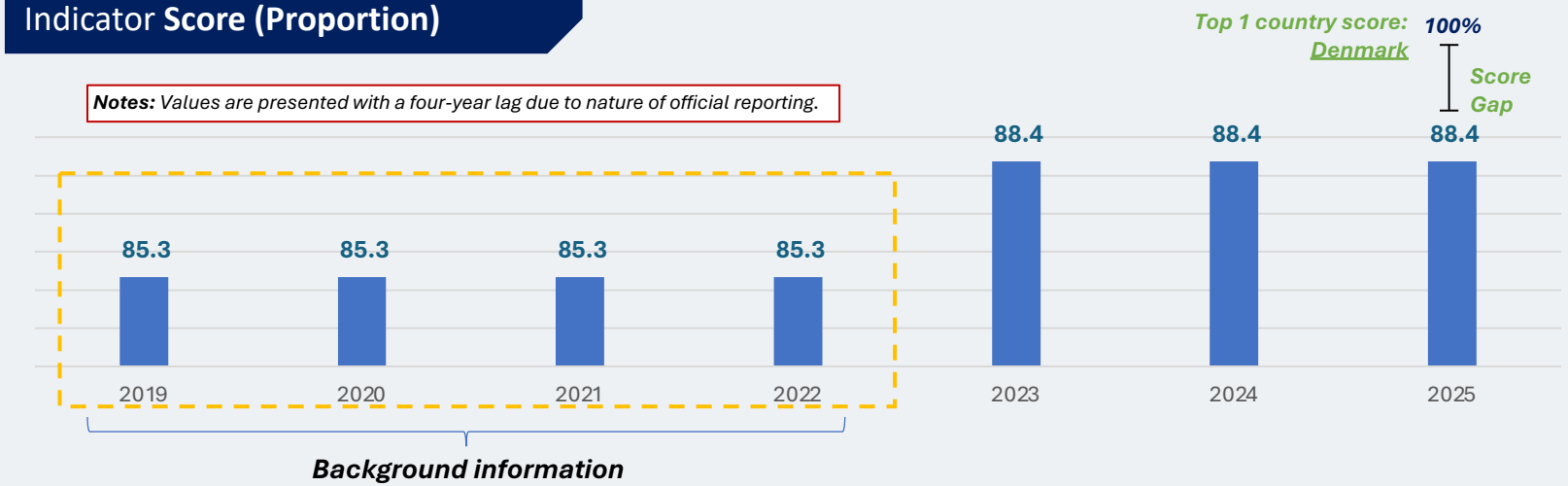
*In 2025, Malaysia ranked 40th globally with 88.37% of adults having access to financial services—behind peers such as Singapore (97.60%) and South Korea (98.70%), highlighting room for outreach to underserved communities.*

***Source:*** *IMD World Competitiveness Yearbook (WCY) 2025*

# 3.3.04: Access to Financial Services

## Indicator performance over the years

### Indicator Score (Proportion)




### Indicator Rank (of 69 countries)

**Source:** *IMD WCY (various years)*

## HOW DO THE INDICATORS PERFORM ACROSS YEARS?

*Malaysia's access to financial services improved from 85.3% in 2019–2022 to 88.4% in 2023 and remained steady through 2025, indicating better financial inclusion over time.*

*This progress reflects wider availability of formal banking and mobile money services, supported by digitalization and outreach to underserved populations.*

*However, Malaysia's ranking dropped from 36th to 41st in 2023 before recovering slightly to 40th in 2025, suggesting that other countries are advancing faster in expanding access.*

*To improve competitiveness, Malaysia must continue strengthening digital banking, expanding agent networks, and improving access in rural and informal segments of the economy.*

# 3.3.04: Access to Financial Services

## Indicator performance over the years

***Source:*** *IMD WCY (various years)*

## WHERE ARE MALAYSIA NOW? RANKS AMONG ASEAN COUNTRIES

*In 2025, Malaysia ranks 3rd among ASEAN countries for access to financial services, positioned 40th globally, behind Thailand (30th) and Singapore (25th), but ahead of Indonesia (62nd) and the Philippines (63rd).*

*Although Malaysia's access rate has improved to 88.4%, the relative pace of progress has been slower compared to top ASEAN performers.*

*Thailand has made significant gains in recent years, surpassing Malaysia in 2023 and maintaining its lead, while Singapore continues to dominate the region with near-universal access.*

*To close the regional gap, Malaysia must focus on expanding outreach to underserved populations, strengthening digital banking penetration, and enhancing trust in formal financial systems.*

# 3.3.04: Access to Financial Services

## Indicator footprint – Tracking the Data Sources

| Phase & Institution Involvement | Data Source | Compilation | Data Retrieval | Publish |
|---|---|---|---|---|
| | WORLD BANK GROUP | International Institution | IMD | IMD |

## Description

| | | | | |
|---|---|---|---|---|
| Access to Financial Services | Publish data based on **The Global Findex Database every three years** | Data compiled and integrated internationally with other country profiles<br><br>by:<br><br>WORLD BANK GROUP | IMD retrieves data from World Bank and national sources into their database. | Malaysia in **2025**:<br><br>***Scored***<br>88.37%<br><br>***Ranked***<br>40th<br><br> |

# 3.3.04: Access to Financial Services

## Understanding the indicator - survey design and methodology

### Survey question

| | | | |
|---|---|---|---|
| WP19548_R | FIN1 | | An account can be used to keep or save money, to make or receive payments, or to receive wages, government payments, or financial help. Do you currently have an account at a bank, a cooperative, the post office, or similar formal financial institution? Yes or no? |
| | | 1 | Yes |
| | | 2 | No |
| | | 3 | (DK) |
| | | 4 | (Refused) |

### Methodology

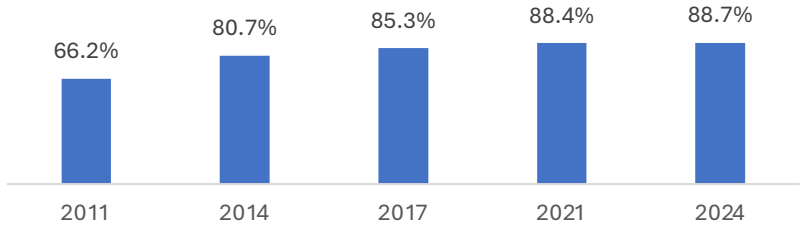


**Table A.1** Details of survey methodology for economies included in the Global Findex Database 2025 *(continued)*

| Economy | Region[a] | Income group | Data collection dates[b] | Number of interviews | Design effect[c] | Margin of error[d] | Mode of interviewing | Language(s) | Exclusions and other sampling details[e] |
|---|---|---|---|---|---|---|---|---|---|
| Malawi | SSA | Low | Sep 25–Oct 11 | 1,002 | 1.32 | 3.6 | Face to face (HH) | Chichewa, Chitumbuka, English | |
| Malaysia | EAP | Upper middle | Aug 2–Sep 23 | 1,000 | 1.76 | 4.1 | Face to face (HH) | Bahasa Melayu, English | |
| Mali | SSA | Low | Jul 18–Aug 10 | 1,000 | 1.41 | 3.7 | Face to face (HH) | Bambara, French | Gao, Kidal, Mopti, and Tombouctou regions were excluded from the sample for security reasons. Quartiers and villages with fewer than 50 inhabitants were also excluded. The excluded areas represent 23% of the population. |
| Malta | HI | High | April 10–Jun 3 | 1,006 | 1.22 | 3.4 | Landline and mobile telephone | English, Maltese | |
| Mauritania | SSA | Lower middle | Aug 15–Sep 5 | 1,000 | 1.68 | 4.0 | Face to face (HH) | French, Hassaniya Arabic, Pulaar | Some communes in Hodh Ech Chargui and Hodh El Gharbi regions were excluded from the sample for security reasons. The excluded areas represent approximately 4% of the population. |

*(Table continued next page)*

*The survey is conducted every three years based on the Global Findex survey*




*The indicator for Access to Financial Services is derived from survey-based responses to the Global Findex Database.*

*It measures the proportion of adults (15+) who report having an account at a bank or regulated financial institution.*

*In Malaysia, the survey was conducted face-to-face in Bahasa Melayu and English, with a sample size of 1,000 respondents.*

*The methodology includes a design effect of 1.76 and a margin of error of ±4.1%, based on data collected from 2 August to 23 September 2023.*

# 3.3.04: Access to Financial Services

## Recommendation to be considered – Engage directly with IMD and BNM

Current submissions rely heavily on survey-based estimates, which may not fully reflect the actual national landscape of financial access. This highlights the need to strengthen data validation by incorporating administrative data from local authorities such as BNM and DOSM. By improving the national reporting mechanism, Malaysia can ensure a more accurate, consistent, and credible representation in global indices such as the Global Findex and IMD WCY.

### Engage directly with IMD

**Key Rationality**

- To clarify the source of national data used by IMD
- To benchmark whether other countries use self-reported national sources (e.g. central banks or national statistics).

**Proposed Actions**

- Engage IMD to verify the source institution referenced in the Access to Financial Services indicator.
- Request a list of countries that submit national data directly.
- Assess possibility for Malaysia to adopt similar submission practices.

### Engage directly with BNM

**Key Rationality**

- To explore administrative data availability from BNM and DOSM for possible national reporting.
- To assess compatibility and completeness of local data sources.

**Proposed Actions**

- Conduct deep-dive discussions with BNM and DOSM.
- Validate existing data structures for compliance with Global Findex definitions.
- Explore coordinated national submission mechanism using administrative sources.

BUSINESS EFFICIENCY

# Finance

## 3.3.05 Access to Financial Services – Gender Ratio

4th – 5th August 2025 | Doubletree by Hilton Hotel, Putrajaya

See more ↗

HD HARD DATA

| Factor: | Sub-Factor: | Indicator: |
| --- | --- | --- |
| Business Efficiency | Finance | **3.3.05** Access to Financial Services – Gender Ratio |

# 3.3.05: Access to Financial Services – Gender Ratio

## What is the IMD World Competitiveness Ranking?

**Factor:** Business Efficiency

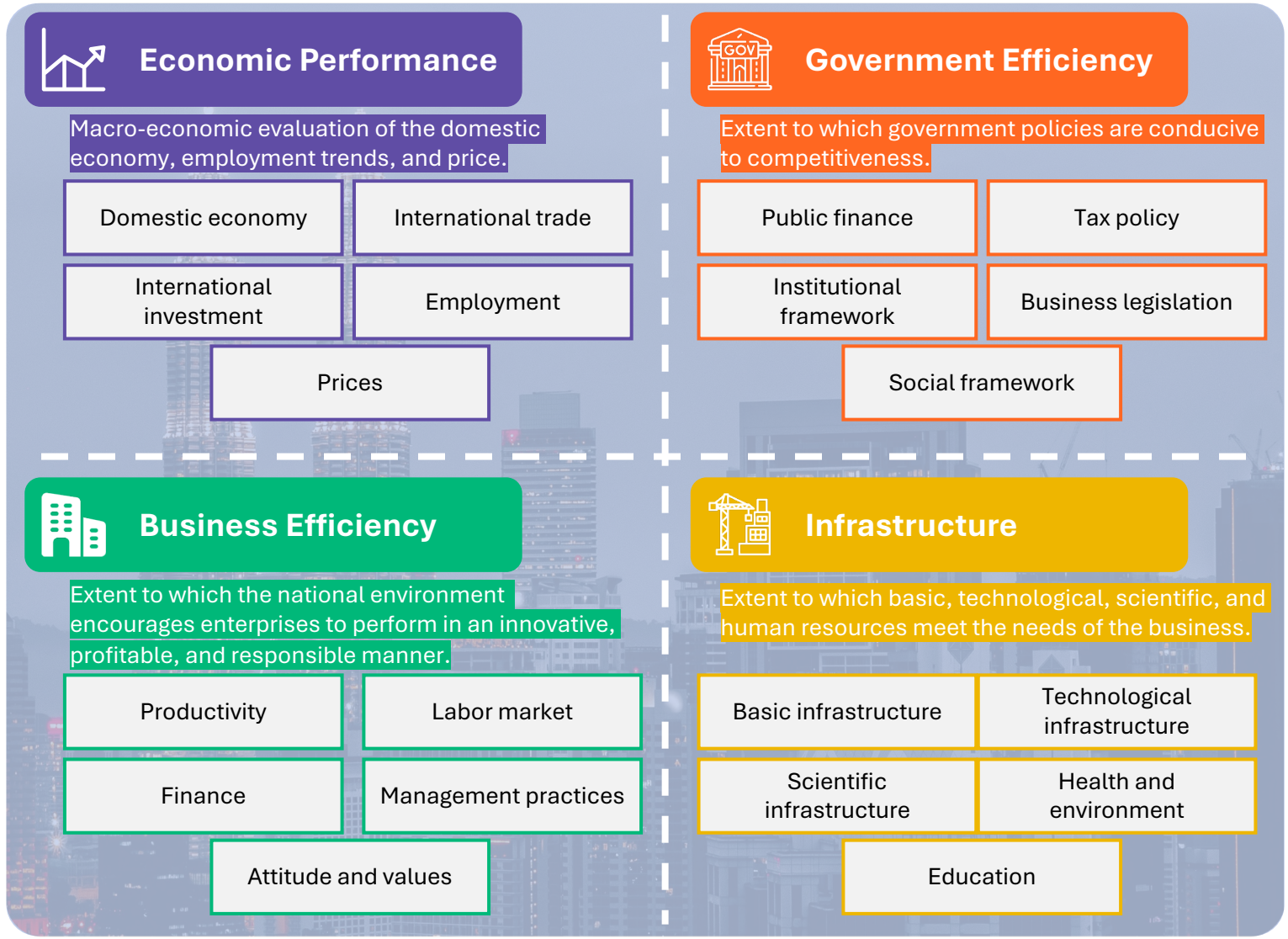
Extent to which the national environment encourages enterprises to perform in an innovative, profitable, and responsible manner.

**Sub-Factor:** Finance

Measures access to capital, quality of financial services, and financing conditions.

**Indicator:** Access to Financial Services – Gender Ratio

| Score | Ranking |
|---|---|
| 0.98 ratio | 39 |



# 3.3.05: Access to Financial Services – Gender Ratio

## Indicator overview sourced from IMD WCY 2025 Report

### INDICATOR DEFINED IN THE REPORT

The IMD WCY 2025 report defines this indicator as the proportion of adults (15 years and older) with an account at a financial institution or mobile-money-service provider (% of adults aged 15 years and older. Expressed as a ratio: males minus females. Taiwan (Chinese Taipei) : Financial institution account (% age 15+).

***Source:*** *IMD World Competitiveness Yearbook 2025 (page 591)*

### INDICATOR MEASUREMENT

The technical notes in WCY 2025 **DOES NOT** include the detailed calculations pertaining to the indicator.

Difference between the female and male access to a bank account or mobile-money-service provider 480

### DATA SOURCE USED IN WCY 2025

The WCY 2025 report states that this indicator may be derived from the following sources:

- World Development Indicators (UN SDG Indicators Database-World Bank Global Financial Inclusion Database)
- National sources

***Source:*** *IMD World Competitiveness Yearbook 2025 (page 591)*

# 3.3.05: Access to Financial Services – Gender Ratio

## Ranking as reported in IMD WCY 2025

### WHAT DOES THE SCORE INDICATE?

Finance - Bank Efficiency 3.3.05

**ACCESS TO FINANCIAL SERVICES - GENDER RATIO** 2021

Ratio of the female and male access to a bank account or mobile-money-service provider

| Ranking | | Ratio |
|---|---|---|
| 01 | Kazakhstan | 1.07 |
| 02 | Argentina | 1.06 |
| 03 | USA | 1.04 |
| 04 | Indonesia | 1.02 |
| 05 | Latvia | 1.02 |
| 06 | South Africa | 1.02 |
| 07 | France | 1.02 |
| 08 | UAE | 1.02 |
| 09 | Australia | 1.01 |
| 10 | Mongolia | 1.01 |
| 11 | Norway | 1.01 |
| 12 | New Zealand | 1.01 |
| 13 | Hong Kong SAR | 1.01 |
| 14 | Bulgaria | 1.01 |
| 15 | Japan | 1.01 |
| 16 | Sweden | 1.01 |
| 17 | Estonia | 1.00 |
| 18 | United Kingdom | 1.00 |
| 19 | Austria | 1.00 |
| 20 | India | 1.00 |
| 21 | Germany | 1.00 |
| 22 | Korea Rep. | 1.00 |
| 23 | Denmark | 1.00 |
| 23 | Iceland | 1.00 |
| 25 | Poland | 1.00 |
| 26 | Canada | 1.00 |
| 27 | Ireland | 1.00 |
| 28 | Italy | 1.00 |
| 29 | Netherlands | 0.99 |
| 30 | Belgium | 0.99 |
| 31 | Finland | 0.99 |
| 32 | Switzerland | 0.99 |
| 33 | Cyprus | 0.99 |
| 34 | Chile | 0.99 |
| 35 | Luxembourg | 0.99 2017 |
| 36 | Singapore | 0.99 |
| 37 | Spain | 0.98 |
| 38 | Slovenia | 0.98 |
| 39 | Malaysia | 0.98 |
| 40 | Taiwan (Chinese Taipei) | 0.98 |
| 41 | China | 0.97 |
| 42 | Greece | 0.97 |
| 43 | Czech Republic | 0.97 |
| 44 | Hungary | 0.97 |
| 45 | Slovak Republic | 0.97 |
| 46 | Croatia | 0.96 |
| 47 | Portugal | 0.95 |
| 48 | Namibia | 0.94 |
| 49 | Thailand | 0.94 |
| 50 | Lithuania | 0.93 |
| 51 | Brazil | 0.93 |
| 52 | Kenya | 0.91 |
| 53 | Romania | 0.90 |
| 54 | Venezuela | 0.89 |
| 55 | Colombia | 0.88 |
| 56 | Kuwait | 0.88 2017 |
| 57 | Bahrain | 0.87 2017 |
| 58 | Philippines | 0.85 |
| 59 | Peru | 0.85 |
| 60 | Ghana | 0.84 |
| 61 | Botswana | 0.83 2017 |
| 62 | Mexico | 0.81 2017 |
| 63 | Saudi Arabia | 0.78 |
| 64 | Türkiye | 0.73 |
| 65 | Nigeria | 0.63 |
| 66 | Jordan | 0.58 |
| - | Oman | - |
| - | Puerto Rico | - |
| - | Qatar | - |

***The higher the value, the higher the ranking.***

### RATIONALITY?

*A higher gender ratio (closer to 1 or above) reflects more equitable access to financial services between men and women, supporting inclusive economic participation and social development.*

*Countries with balanced gender access demonstrate stronger financial inclusion policies, better outreach to underserved women, and broader household-level financial empowerment.*

*In the IMD rankings, a more balanced gender ratio leads to higher scores, as it signifies fairer opportunities for saving, borrowing, and participating in the formal economy.*

*In 2025, Malaysia recorded a gender ratio of 0.98, ranking 39th globally—indicating near parity, but with slight room for improvement in women's access compared to men, especially in rural or informal sectors.*

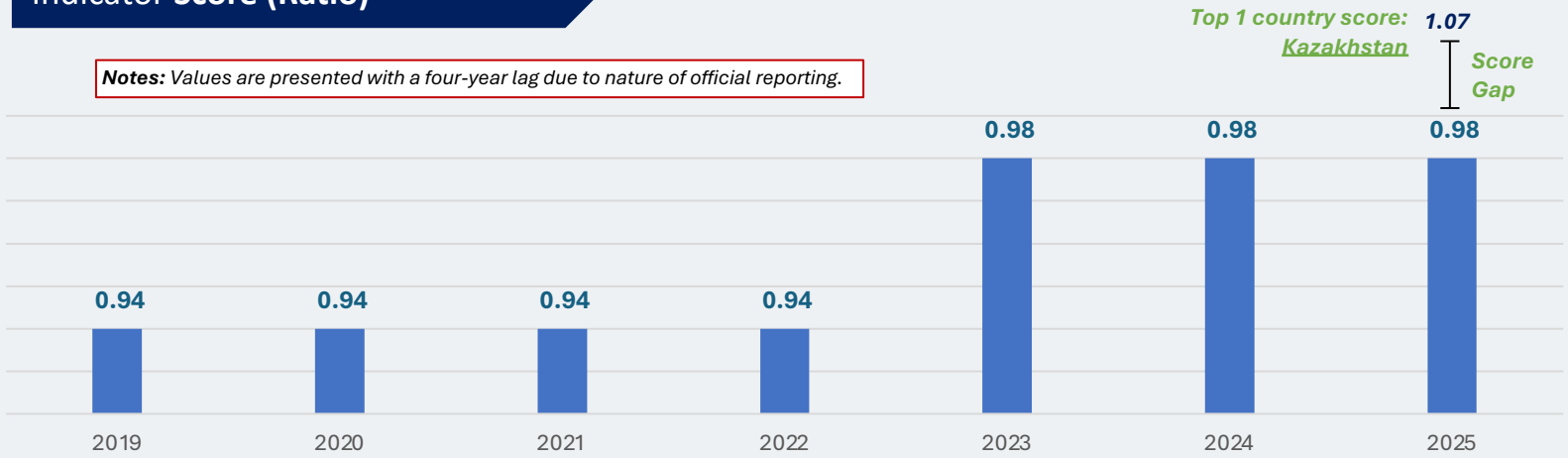
***Source:*** *IMD World Competitiveness Yearbook (WCY) 2025*

# 3.3.05: Access to Financial Services – Gender Ratio

## Indicator performance over the years

### Indicator **Score (Ratio)**

**Notes:** *Values are presented with a four-year lag due to nature of official reporting.*




### Indicator **Rank (of 69 countries)**

**Source:** *IMD WCY (various years)*

## HOW DO THE INDICATORS PERFORM ACROSS YEARS?

*Between 2019 and 2022, Malaysia maintained a stable gender ratio score of 0.94, reflecting a modest imbalance in financial access between males and females.*

*From 2023 onwards, the score improved to 0.98, indicating progress toward greater gender equality in banking and mobile money usage.*

*Malaysia's global ranking also improved, rising from 46th in 2019–2021 to 39th in 2023, and remained stable through 2025, showing consistent performance relative to global peers.*

*This upward trend reflects the country's growing focus on inclusive financial initiatives, but continued efforts are needed to reach full parity, especially among women in rural and informal segments.*

# 3.3.05: Access to Financial Services – Gender Ratio

## Indicator performance over the years

**Source:** *IMD WCY (various years)*

## WHERE ARE MALAYSIA NOW? RANKS AMONG ASEAN COUNTRIES

*In 2025, Malaysia ranks 3rd among ASEAN countries for gender equality in financial access, placed 39th globally, just behind Indonesia (4th) and Singapore (36th), but ahead of Thailand (49th) and the Philippines (58th).*

*Malaysia's ranking has shown steady improvement since 2022, indicating stronger progress in narrowing the gender gap in access to banking and mobile money services.*

*While Singapore has maintained a stable lead in the region, Indonesia stands out for having one of the highest gender ratios globally, reflecting strong inclusion for women.*

*Malaysia's focus should now shift toward sustaining this momentum by targeting rural women, informal workers, and youth segments through financial education and inclusive banking outreach.*

# 3.3.05: Access to Financial Services – Gender Ratio

## Indicator footprint – tracking the data sources

| Phase & Institution Involvement | Data Source | Compilation | Data Retrieval | Publish |
|---|---|---|---|---|
| | WORLD BANK GROUP | International Institution | IMD | IMD |

## Description

| | | | | |
|---|---|---|---|---|
| Access to Financial Services | Publish data based on **The Global Findex Database** every three years. | Data compiled and integrated internationally with other country profiles<br><br>by:<br>WORLD BANK GROUP | IMD retrieves data from World Bank and national sources into their database. | Malaysia in **2025**:<br>***Scored*** 88.37%<br>***Ranked*** 40th<br> |

# 3.3.05: Access to Financial Services – Gender Ratio

## Understanding the indicator - survey design and methodology

### Survey question

| | | | |
|---|---|---|---|
| WP19548_R | FIN1 | | An account can be used to keep or save money, to make or receive payments, or to receive wages, government payments, or financial help. Do you currently have an account at a bank, a cooperative, the post office, or similar formal financial institution? Yes or no? |
| | | 1 | Yes |
| | | 2 | No |
| | | 3 | (DK) |
| | | 4 | (Refused) |

### Methodology

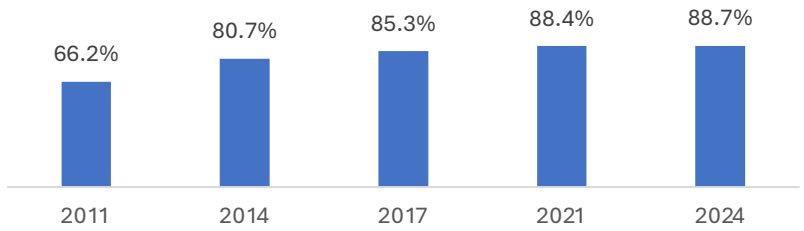


**Table A.1** Details of survey methodology for economies included in the Global Findex Database 2025 *(continued)*

| Economy | Region[a] | Income group | Data collection dates[b] | Number of interviews | Design effect[c] | Margin of error[d] | Mode of interviewing | Language(s) | Exclusions and other sampling details[e] |
|---|---|---|---|---|---|---|---|---|---|
| Malawi | SSA | Low | Sep 25–Oct 11 | 1,002 | 1.32 | 3.6 | Face to face (HH) | Chichewa, Chitumbuka, English | |
| Malaysia | EAP | Upper middle | Aug 2–Sep 23 | 1,000 | 1.76 | 4.1 | Face to face (HH) | Bahasa Melayu, English | |
| Mali | SSA | Low | Jul 18–Aug 10 | 1,000 | 1.41 | 3.7 | Face to face (HH) | Bambara, French | Gao, Kidal, Mopti, and Tombouctou regions were excluded from the sample for security reasons. Quartiers and villages with fewer than 50 inhabitants were also excluded. The excluded areas represent 23% of the population. |
| Malta | HI | High | April 10–Jun 3 | 1,006 | 1.22 | 3.4 | Landline and mobile telephone | English, Maltese | |
| Mauritania | SSA | Lower middle | Aug 15–Sep 5 | 1,000 | 1.68 | 4.0 | Face to face (HH) | French, Hassaniya Arabic, Pulaar | Some communes in Hodh Ech Chargui and Hodh El Gharbi regions were excluded from the sample for security reasons. The excluded areas represent approximately 4% of the population. |

*(Table continued next page)*

*The survey is conducted every three years based on the Global Findex survey*




*The indicator for Access to Financial Services is derived from survey-based responses to the Global Findex Database.*

*It measures the proportion of adults (15+) who report having an account at a bank or regulated financial institution.*

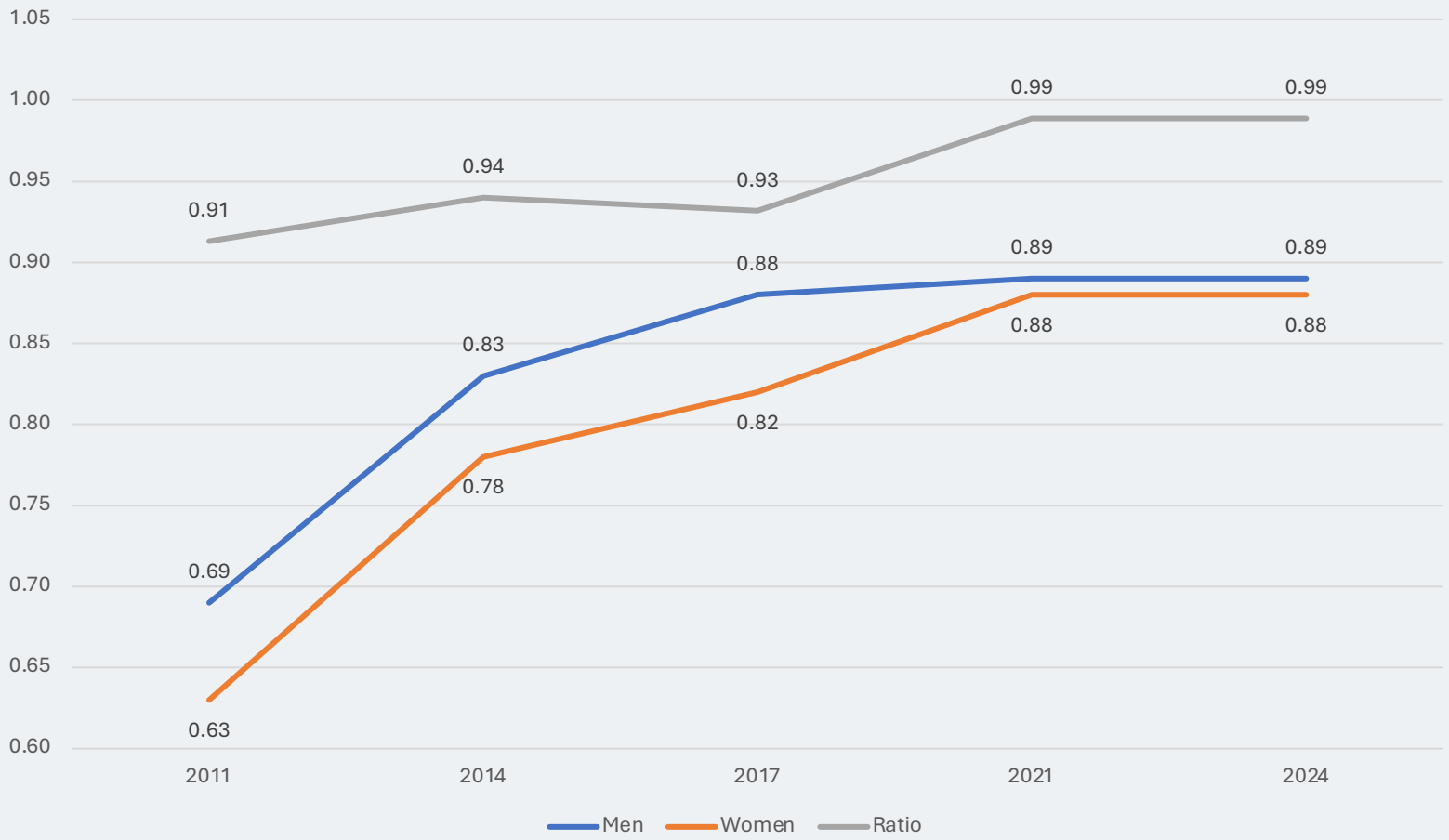
*In Malaysia, the survey was conducted face-to-face in Bahasa Melayu and English, with a sample size of 1,000 respondents.*

*The methodology includes a design effect of 1.76 and a margin of error of ±4.1%, based on data collected from 2 August to 23 September 2023.*

# 3.3.05: Access to Financial Services – Gender Ratio

## Gender comparison in financial account ownership

Account (%, age 15+) by gender, (2011, 2014, 2017, 2021 and 2024




*The gender gap in account ownership has narrowed steadily over the years. In 2011, men were significantly more likely than women to own a financial account, with a gap of 6 percentage points. By 2024, this disparity has nearly closed, with both genders reporting 88% ownership.*

*The gender ratio (female-to-male account ownership) improved from 0.91 in 2011 to 0.99 in 2024, indicating near gender parity in financial inclusion. This reflects positive progress in closing the financial access gap between men and women in Malaysia.*

## Recommendation to be considered – engage directly with IMD and BNM

Current submissions rely heavily on survey-based estimates, which may not fully reflect the actual national landscape of financial access. This highlights the need to strengthen data validation by incorporating administrative data from local authorities such as BNM and DOSM. By improving the national reporting mechanism, Malaysia can ensure a more accurate, consistent, and credible representation in global indices such as the Global Findex and IMD WCY.

### Engage directly with IMD

**Key Rationality**

- To clarify the source of national data used by IMD
- To benchmark whether other countries use self-reported national sources (e.g. central banks or national statistics).

**Proposed Actions**

- Engage IMD to verify the source institution referenced in the Access to Financial Services indicator.
- Request a list of countries that submit national data directly.
- Assess possibility for Malaysia to adopt similar submission practices.

### Engage directly with BNM

**Key Rationality**

- To explore administrative data availability from BNM and DOSM for possible national reporting.
- To assess compatibility and completeness of local data sources.

**Proposed Actions**

- Conduct deep-dive discussions with BNM and DOSM.
- Validate existing data structures for compliance with Global Findex definitions.
- Explore coordinated national submission mechanism using administrative sources.

BUSINESS EFFICIENCY

# Finance

## 3.3.13 Stock Market Index

4th – 5th August 2025 | Doubletree by Hilton Hotel, Putrajaya

See more ↗

HD HARD DATA

| Factor: | Sub-Factor: | Indicator: |
| --- | --- | --- |
| Business Efficiency | Finance | **3.3.13** Stock Market Index |

# 3.3.13: Stock Market Index (%)

## What is the IMD World Competitiveness Ranking?

Factor

**Business Efficiency**

Extent to which the national environment encourages enterprises to perform in an innovative, profitable, and responsible manner.

Sub-Factor

**Finance**

Measures access to capital, quality of financial services, and financing conditions.

Indicator

**Stock Market Index**

| Score | Ranking |
|---|---|
| 10.50 % | 34 |

### Economic Performance

Macro-economic evaluation of the domestic economy, employment trends, and price.

- Domestic economy
- International trade
- International investment
- Employment
- Prices

### Government Efficiency

Extent to which government policies are conducive to competitiveness.

- Public finance
- Tax policy
- Institutional framework
- Business legislation
- Social framework

### Business Efficiency

Extent to which the national environment encourages enterprises to perform in an innovative, profitable, and responsible manner.

- Productivity
- Labor market
- Finance
- Management practices
- Attitude and values

### Infrastructure

Extent to which basic, technological, scientific, and human resources meet the needs of the business.

- Basic infrastructure
- Technological infrastructure
- Scientific infrastructure
- Health and environment
- Education

# 3.3.13: Stock Market Index (%)

## Indicator overview sourced from *IMD WCY 2025* Report

### INDICATOR DEFINED IN THE REPORT

The IMD WCY 2025 report defines this indicator as stock market index is a hypothetical basket of securities designed to summarize the performance of stocks market. Usually all indexes are chain-linked, meaning that they are always calculated based on the price level of the previous trading day. The indexes are market weighted, calculated based on the change in the total market value from one point in time to another of all the shares included in the index. The figure for a certain time period refers to an average of daily data for that period.

***Source:*** *IMD World Competitiveness Yearbook 2025 (page 592)*

### INDICATOR MEASUREMENT

The technical notes in WCY 2025 **DOES NOT** include the detailed calculations pertaining to the indicator.

### DATA SOURCE USED IN WCY 2025

The WCY 2025 report states that this indicator may be derived from the following sources:

- Euromonitor International
- National sources

***Source:*** *IMD World Competitiveness Yearbook 2025 (page 584)*

# 3.3.13: Stock Market Index (%)

## Ranking as reported in *IMD WCY 2025*

### WHAT DOES THE SCORE INDICATE?

Finance - Stock Market Efficiency 3.3.13

**STOCK MARKET INDEX** 2024

Percentage change on index in national currency

| Ranking | | % |
|---|---|---|
| 01 | Argentina | 237.40 |
| 02 | Nigeria | 60.20 |
| 03 | Türkiye | 51.40 |
| 04 | Cyprus | 43.20 |
| 05 | Ghana | 41.60 |
| 06 | Hungary | 39.20 |
| 07 | Kazakhstan | 37.20 |
| 08 | Taiwan (Chinese Taipei) | 30.60 |
| 09 | Romania | 30.00 |
| 10 | Peru | 29.50 |
| 11 | USA | 26.70 |
| 12 | Slovenia | 26.40 |
| 13 | Japan | 25.10 |
| 14 | Croatia | 24.40 |
| 15 | India | 24.20 |
| 16 | Denmark | 22.70 |
| 17 | Bulgaria | 21.50 |
| 18 | Greece | 20.30 |
| 19 | Italy | 20.10 |
| 20 | Spain | 18.00 |
| 21 | Germany | 17.40 |
| 22 | Poland | 17.20 |
| 23 | Netherlands | 17.10 |
| 24 | Colombia | 16.60 |
| 24 | Czech Republic | 16.60 |
| 26 | Ireland | 14.50 |
| 27 | Sweden | 13.70 |
| 28 | Mongolia | 13.57 |
| 29 | Botswana | 13.50 |
| 30 | Canada | 13.30 |
| 31 | Brazil | 12.20 |
| 31 | Chile | 12.20 |
| 33 | Norway | 11.90 |
| 34 | Malaysia | 10.50 |
| 35 | Austria | 10.30 |
| 35 | Namibia | 10.30 |
| 37 | Australia | 9.70 |
| 38 | Puerto Rico | 8.83 |
| 39 | Saudi Arabia | 8.40 |
| 40 | Belgium | 8.20 |
| 41 | Korea Rep. | 7.00 |
| 42 | Indonesia | 6.50 |
| 42 | United Kingdom | 6.50 |
| 44 | Switzerland | 6.20 |
| 45 | France | 5.70 |
| 46 | Kuwait | 5.50 |
| 46 | Singapore | 5.50 |
| 48 | Kenya | 5.20 |
| 49 | Philippines | 5.10 |
| 50 | South Africa | 4.80 |
| 51 | Bahrain | 3.90 |
| 52 | Iceland | 2.00 |
| 53 | Lithuania | 1.80 |
| 54 | UAE | 1.60 |
| 55 | Mexico | 1.20 |
| 56 | New Zealand | 0.90 |
| 57 | Oman | -0.80 |
| 58 | Portugal | -1.20 |
| 59 | Qatar | -1.60 |
| 60 | Jordan | -2.30 |
| 61 | Finland | -2.40 |
| 62 | China | -3.70 |
| 63 | Slovak Republic | -4.60 |
| 64 | Hong Kong SAR | -5.40 |
| 65 | Luxembourg | -5.80 |
| 66 | Estonia | -6.00 |
| 67 | Thailand | -9.30 |
| 68 | Latvia | -13.90 |
| - | Venezuela | - |

***The higher the value, the higher the ranking.***

### RATIONALITY?

*A higher employment percentage indicates that a larger share of the population is engaged in productive activities, which directly supports economic growth and competitiveness.*

*Countries with strong employment levels utilize their human capital effectively, boosting income generation, domestic demand, and overall economic stability.*

*In IMD rankings, this translates into a higher score and, consequently, a better position because active labor force participation is a key driver of national productivity and resilience.*

*In 2025 (using 2024 data reference), the United Arab Emirates ranked first with an employment rate of 77.83%, followed by Luxembourg (77.03%) and Qatar (72.06%). Malaysia ranked 38th, with an employment rate of 47.35%, placing it below regional leaders like Singapore (67.02%) and Thailand (61.70%).*

Malaysia reports 2023 data due to delays in official labor market releases. Other countries used early 2024 estimates or year-end figures to comply with IMD timelines.

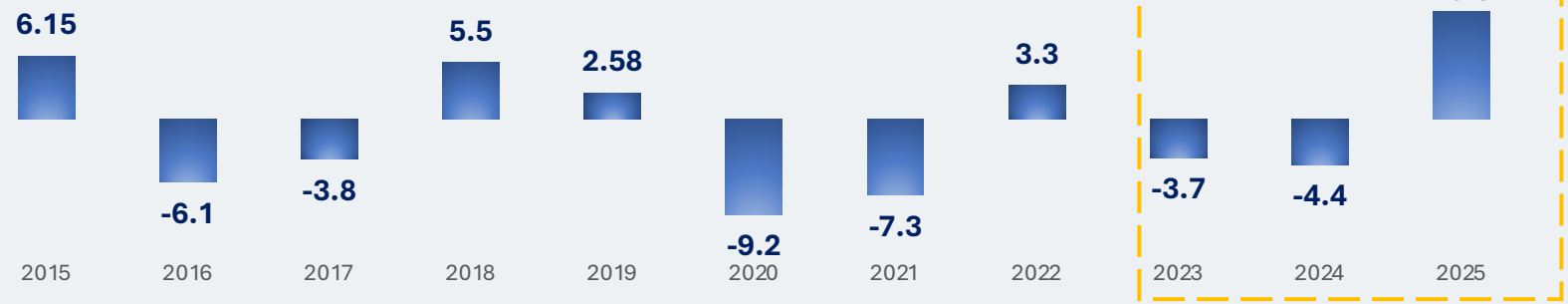
***Source:*** *IMD World Competitiveness Yearbook (WCY) 2025*

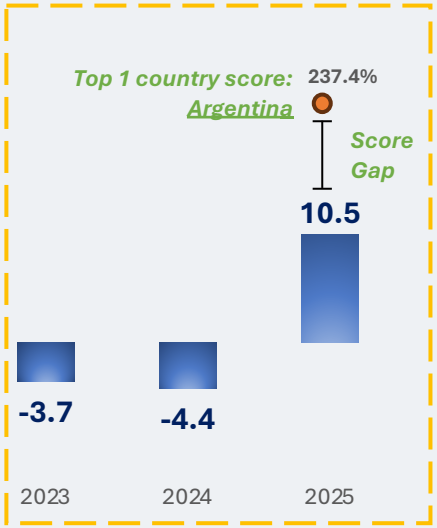
# 3.3.13: Stock Market Index (%)

## Indicator performance over the years

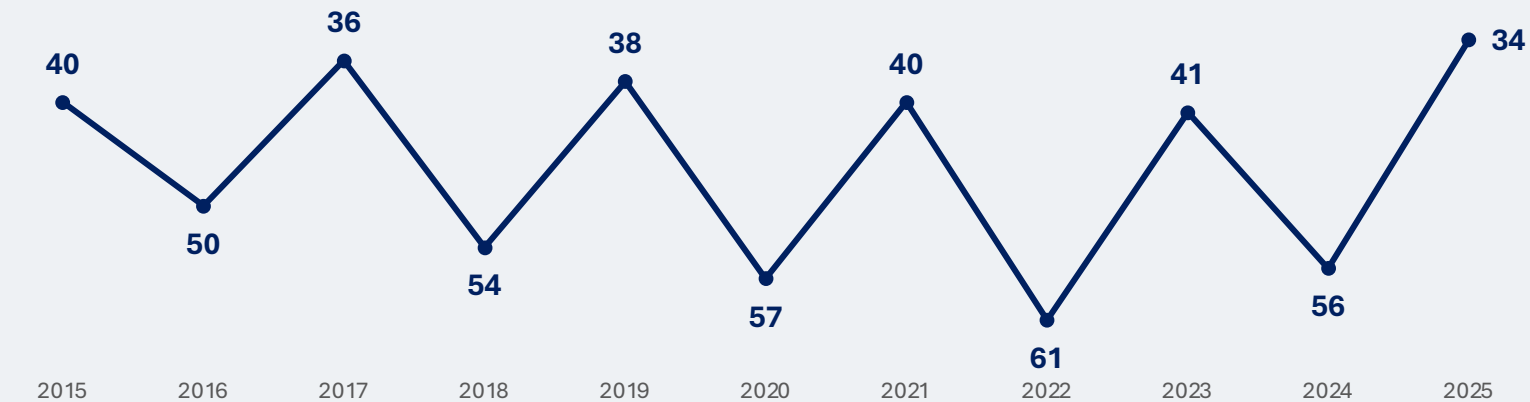
### Indicator **Score (% of change on index in national currency )**

**Notes:** *Values are presented with a one-year lag due to nature of official reporting.*




### Indicator **Rank (of 68 countries)**




***Source:*** *IMD WCY (various years)*

## HOW DO THE INDICATORS PERFORM ACROSS YEARS?

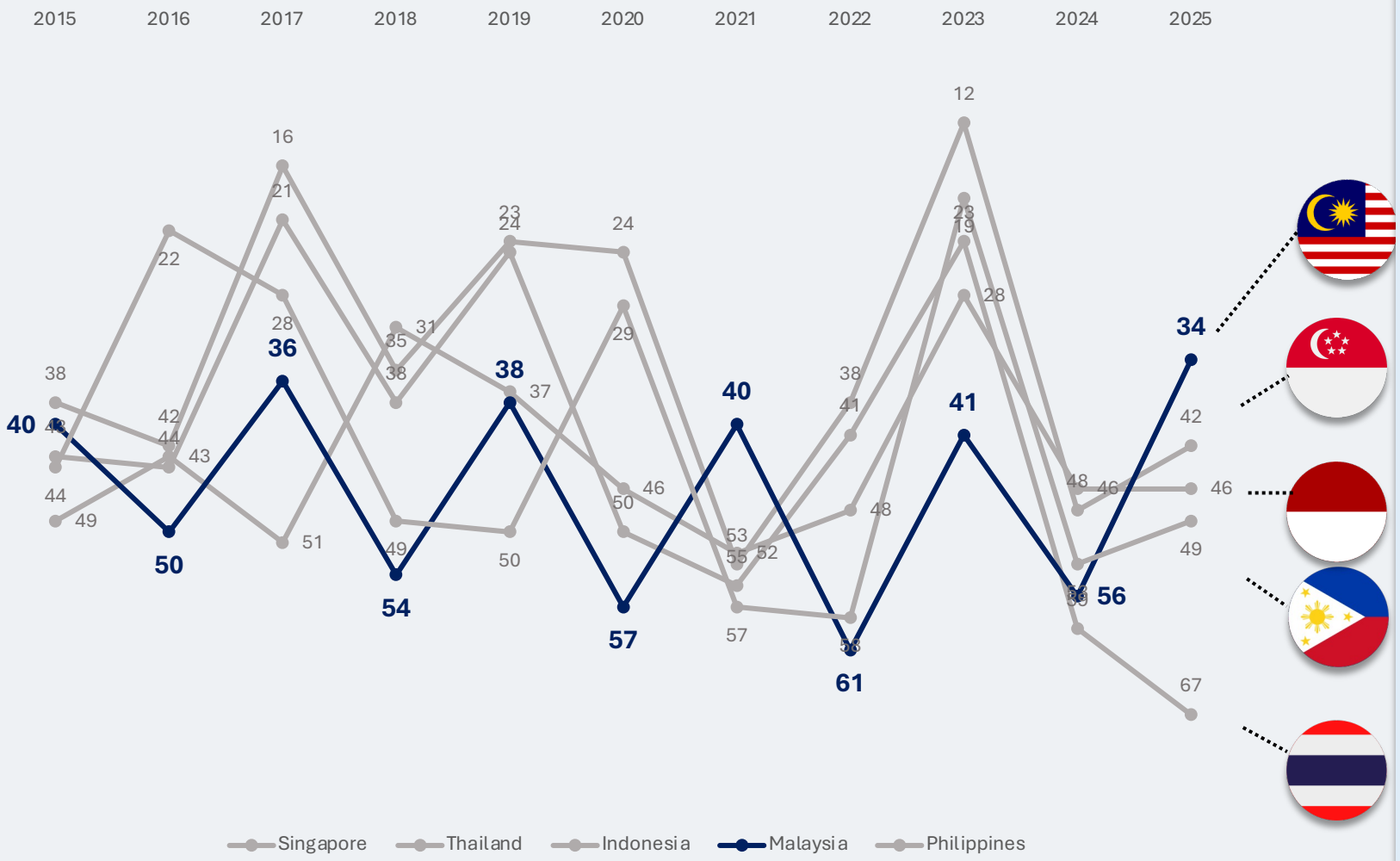
*Malaysia's stock market indicator shows a volatile trend over the decade, with notable fluctuations in performance. After recording a score of 6.15 in 2015, the index sharply declined to -6.1 in 2016 and -3.8 in 2017, before rebounding to 5.5 in 2018.*

*The market experienced further instability in subsequent years, particularly in 2020 (-9.2) and 2021 (-7.3), reflecting the economic impacts of global and domestic uncertainties. A recovery was observed in 2025, with the score rising significantly to 10.5, indicating renewed investor confidence and capital market activity. In terms of ranking, Malaysia has hovered within the mid-to-lower tier of global stock market performance. The country ranked 40th in 2015, dropped to 57th in 2020, and rebounded to 34th in 2025.*

*Despite the improved score in 2025, the overall ranking has fluctuated due to stronger growth by other nations in certain years, highlighting competitive pressures in global capital markets.*

# 3.3.13: Stock Market Index (%)

## Indicator performance over the years




**Source:** *IMD WCY (various years)*

## WHERE ARE MALAYSIA NOW? RANKS AMONG ASEAN COUNTRIES

*Malaysia currently ranks 34th globally in 2025, positioning it in the mid-tier among ASEAN countries. Singapore maintains a strong position (46th), though it has experienced fluctuations in ranking over the past decade. Thailand, despite reaching a peak position of 21st in 2017, has declined sharply to 67th in 2025, indicating recent market instability. Indonesia shows notable progress, improving from 38th in 2015 to 42nd in 2025 with several high-performing years in between, including a peak at 12th in 2023.*

*This trend signals increasing investor confidence and capital market development. In contrast, the Philippines remains the lowest-ranked in the region, placing 49th in 2025, and has struggled with consistency, reflecting deeper structural inefficiencies in its financial sector.*

# 3.3.13: Stock Market Index (%)

## Indicator footprint – tracking the data sources

| Phase & Institution Involvement | Data Source | Compilation | Data Retrieval | Publish |
|---|---|---|---|---|
| | EUROMONITOR INTERNATIONAL | International Institution | IMD | IMD |

**Description**

**Stock Market Index**

The data sources are unclear, as IMD claimed this indicator were taken from Euromonitor.

Data compiled and integrated internationally with other country profiles

By:

EUROMONITOR INTERNATIONAL

IMD retrieves data from Passport, Euromonitor International source into their database.

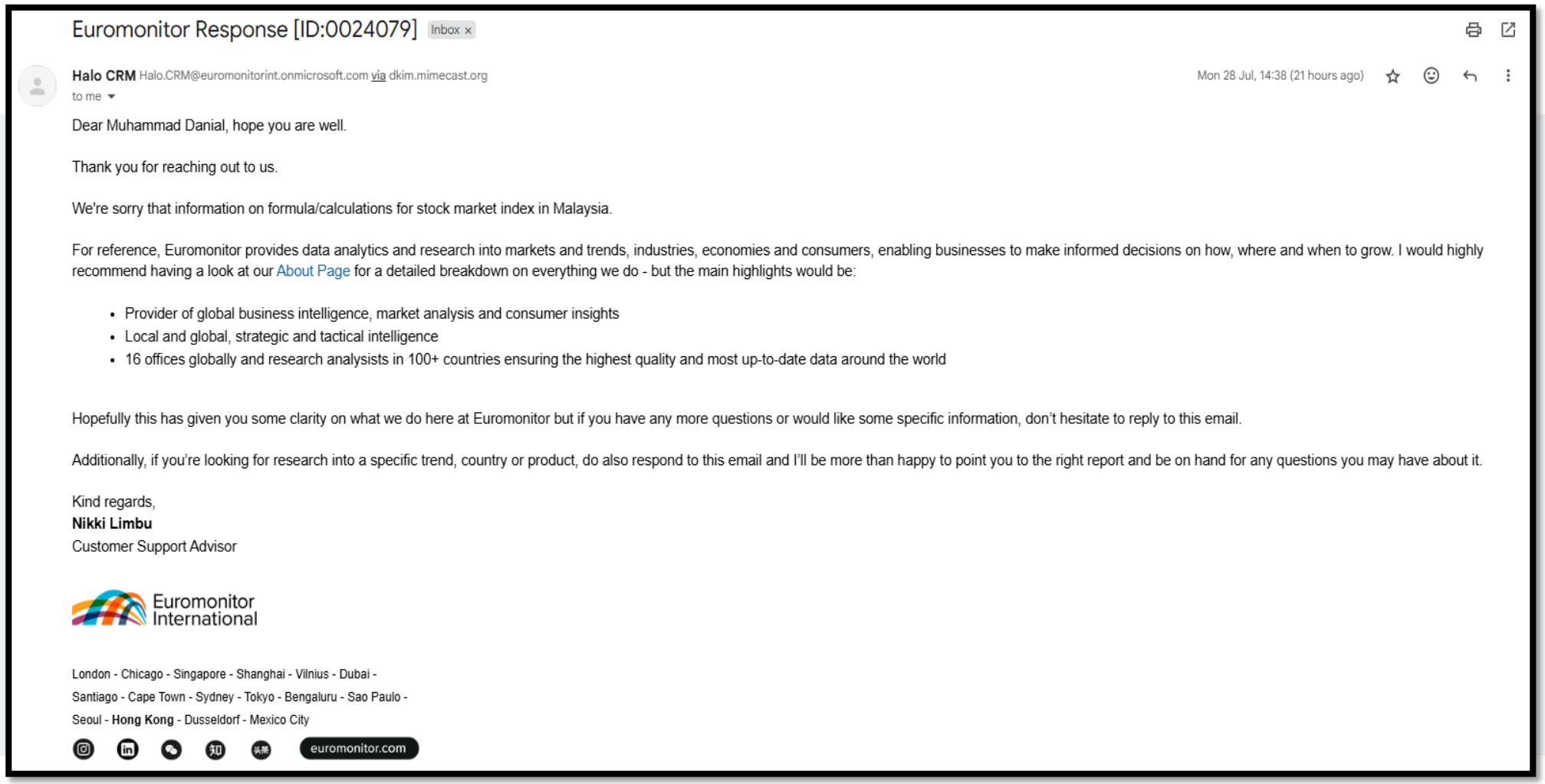
Malaysia in **2025**:

***Scored*** 10.5 %

***Ranked*** 34th

# 3.3.13: Stock Market Index (%)

## Recommendation to be considered 1 – engagement with Euromonitor International



Euromonitor Response [ID:0024079] Inbox ×

**Halo CRM** Halo.CRM@euromonitorint.onmicrosoft.com via dkim.mimecast.org
to me

Mon 28 Jul, 14:38 (21 hours ago)

Dear Muhammad Danial, hope you are well.

Thank you for reaching out to us.

We're sorry that information on formula/calculations for stock market index in Malaysia.

For reference, Euromonitor provides data analytics and research into markets and trends, industries, economies and consumers, enabling businesses to make informed decisions on how, where and when to grow. I would highly recommend having a look at our About Page for a detailed breakdown on everything we do - but the main highlights would be:

- Provider of global business intelligence, market analysis and consumer insights
- Local and global, strategic and tactical intelligence
- 16 offices globally and research analysists in 100+ countries ensuring the highest quality and most up-to-date data around the world

Hopefully this has given you some clarity on what we do here at Euromonitor but if you have any more questions or would like some specific information, don't hesitate to reply to this email.

Additionally, if you're looking for research into a specific trend, country or product, do also respond to this email and I'll be more than happy to point you to the right report and be on hand for any questions you may have about it.

Kind regards,
**Nikki Limbu**
Customer Support Advisor

Euromonitor International

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Santiago - Cape Town - Sydney - Tokyo - Bengaluru - Sao Paulo -
Seoul - **Hong Kong** - Dusseldorf - Mexico City

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As confirmed in our email correspondence with Euromonitor, obtaining detailed calculations or formulas for Malaysia's stock market index requires a specific research request.

By:

EUROMONITOR INTERNATIONAL

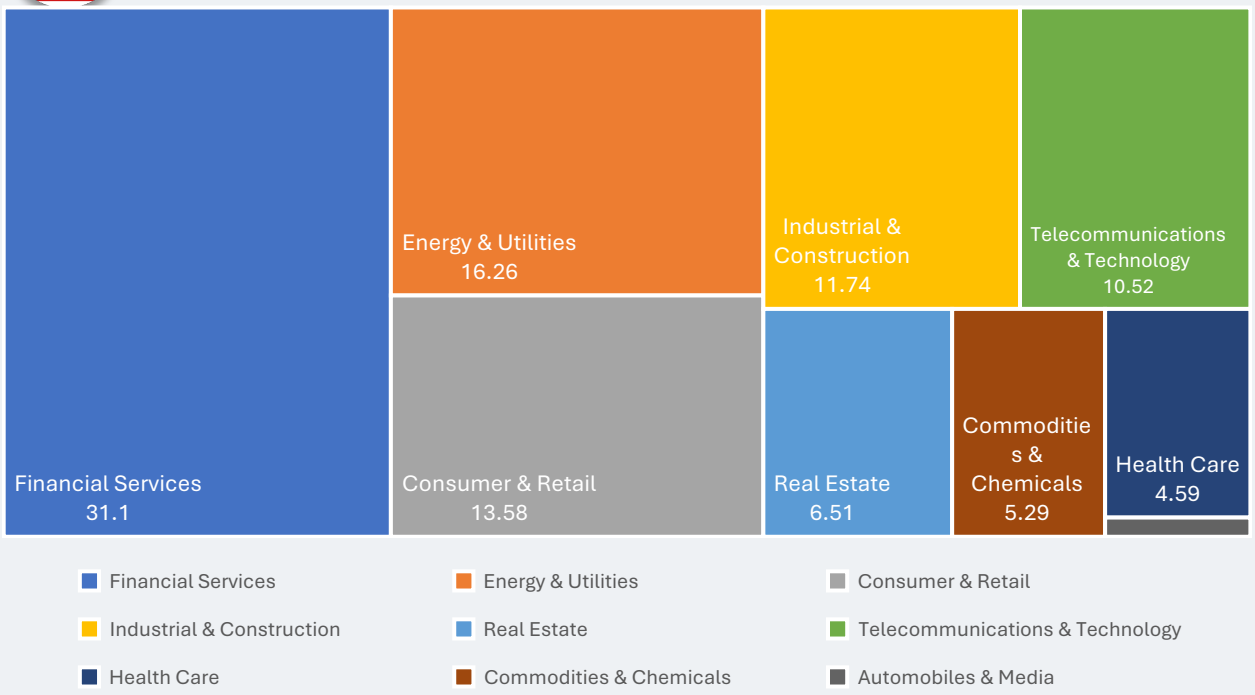
***Source:*** *Estimated based on data sourced from Taiwan Exchange Fack Book, TWSE (2025).*

# 3.3.13: Stock Market Index (%)

## Recommendation to be considered 2 – promotion technology concentration for market in Malaysia

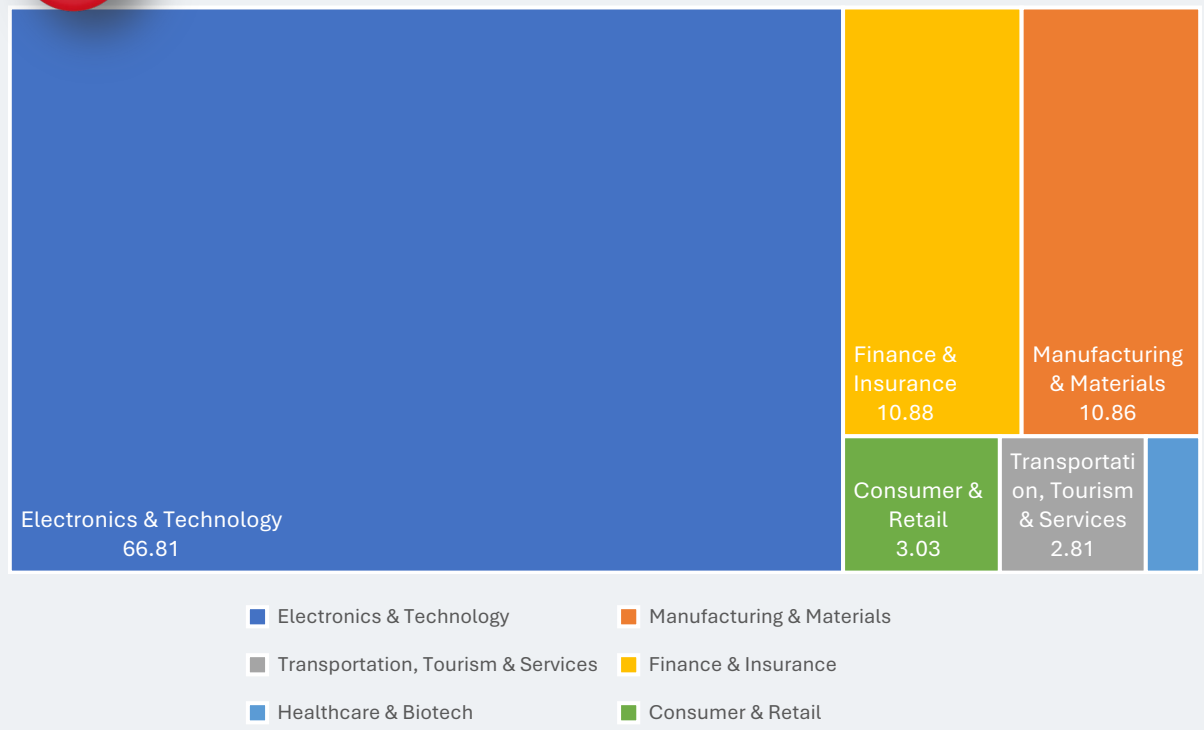
Taiwan outperforms Malaysia primarily due to its strong concentration in high-growth technology sectors, particularly Semiconductors (47.01%), Computer & Peripheral Equipment (6.6%), and Electronic Components (5.67%), which benefit from global demand and innovation. In contrast, Malaysia's market is heavily weighted toward low-growth, defensive sectors like Banks (29.86%) and Utilities (13.14%), limiting its upside potential. Taiwan's broader exposure to ICT and advanced manufacturing gives it a competitive edge, while Malaysia remains anchored in traditional industries such as Real Estate, Construction, and Consumer Staples.

### Data for Malaysia (Market Concentration %)




***Source:*** *Estimated based on data sourced from FTSE Bursa Malaysia Index Series, FBM (2025).*

### Data for Taiwan (Market Concentration %)




***Source:*** *Estimated based on data sourced from Taiwan Exchange Fack Book, TWSE (2025).*

BUSINESS EFFICIENCY

# Finance

## 3.3.18 M&A Activity

4th – 5th August 2025 | Doubletree by Hilton Hotel, Putrajaya

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HD HARD DATA

| Factor: | Sub-Factor: | Indicator: |
| --- | --- | --- |
| Business Efficiency | Finance | **3.3.18** M&A Activity |

# 3.3.18 : M&A Activity

## What is the IMD World Competitiveness Ranking?

Factor

**Business Efficiency**

Extent to which the national environment encourages enterprises to perform in an innovative, profitable, and responsible manner.

Sub-Factor

**Finance**

Measures access to capital, quality of financial services, and financing conditions.

Indicator

**M&A Activity**

| Score | Ranking |
|---|---|
| 0.193 | 55 |

### Economic Performance

Macro-economic evaluation of the domestic economy, employment trends, and price.

- Domestic economy
- International trade
- International investment
- Employment
- Prices

### Government Efficiency

Extent to which government policies are conducive to competitiveness.

- Public finance
- Tax policy
- Institutional framework
- Business legislation
- Social framework

### Business Efficiency

Extent to which the national environment encourages enterprises to perform in an innovative, profitable, and responsible manner.

- Productivity
- Labor market
- Finance
- Management practices
- Attitude and values

### Infrastructure

Extent to which basic, technological, scientific, and human resources meet the needs of the business.

- Basic infrastructure
- Technological infrastructure
- Scientific infrastructure
- Health and environment
- Education

# 3.3.18 : M&A Activity

## Indicator overview sourced from *IMD WCY 2025* Report

### INDICATOR DEFINED IN THE REPORT

Three years average of number of Mergers and Acquisitions divided by the number of listed domestic companies.

***Source:*** *IMD World Competitiveness Yearbook 2025 (page 590)*

### INDICATOR MEASUREMENT

According to the technical notes in WCY 2025, the indicator can be simply calculated as follows:

$$M\&A\ Activity = \frac{Number\ of\ Mergers\ and\ Acquisitions\ companies}{Listed\ Domestic\ Companies}$$

***Source:*** *IMD World Competitiveness Yearbook 2025 (page 473)*

### DATA SOURCE USED IN WCY 2025

The WCY 2025 report states that this indicator may be derived from the following sources:

- Refinitiv
- Thomson One Banker

***Source:*** *IMD World Competitiveness Yearbook 2025 (page 590)*

# 3.3.18: M&A Activity

## Ranking as reported in *IMD WCY 2025*

### WHAT DOES THE SCORE INDICATE?

Finance - Finance Management 3.3.18

**M&A ACTIVITY** 2024

Deals per listed company (three year average)

| Ranking | | number | |
|---|---|---|---|
| 01 | USA | 8.005 | |
| 02 | Luxembourg | 7.380 | |
| 03 | Ireland | 5.783 | |
| 04 | Czech Republic | 5.405 | |
| 05 | Estonia | 4.516 | |
| 06 | Germany | 3.175 | |
| 07 | Belgium | 3.041 | |
| 08 | Lithuania | 2.843 | |
| 09 | UAE | 2.592 | |
| 10 | Austria | 2.452 | |
| 11 | Latvia | 2.429 | |
| 12 | Switzerland | 2.366 | |
| 13 | Netherlands | 2.327 | 2023 |
| 14 | Italy | 2.276 | 2022 |
| 15 | Brazil | 1.691 | |
| 16 | Singapore | 1.527 | |
| 17 | France | 1.249 | 2023 |
| 18 | China | 1.142 | |
| 19 | Spain | 1.130 | |
| 20 | Puerto Rico | 1.074 | 2021 |
| 21 | New Zealand | 0.892 | |
| 22 | Hungary | 0.872 | |
| 23 | Portugal | 0.829 | 2021 |
| 24 | United Kingdom | 0.809 | 2021 |
| 25 | Japan | 0.769 | |
| 26 | Romania | 0.681 | |
| 27 | Mexico | 0.653 | |
| 28 | Australia | 0.629 | |
| 29 | South Africa | 0.588 | |
| 30 | Bahrain | 0.573 | |
| 31 | Korea Rep. | 0.555 | |
| 32 | Norway | 0.548 | 2023 |
| 33 | India | 0.544 | |
| 34 | Colombia | 0.518 | |
| 35 | Saudi Arabia | 0.478 | |
| 36 | Argentina | 0.467 | |
| 37 | Slovenia | 0.450 | |
| 38 | Cyprus | 0.407 | |
| 39 | Canada | 0.400 | |
| 40 | Denmark | 0.388 | 2020 |
| 41 | Kenya | 0.384 | |
| 42 | Kazakhstan | 0.370 | |
| 43 | Chile | 0.361 | |
| 44 | Finland | 0.339 | 2020 |
| 45 | Namibia | 0.335 | |
| 46 | Poland | 0.328 | |
| 47 | Qatar | 0.312 | |
| 48 | Greece | 0.301 | |
| 49 | Sweden | 0.300 | 2020 |
| 50 | Croatia | 0.295 | |
| 51 | Türkiye | 0.246 | |
| 52 | Iceland | 0.231 | 2020 |
| 53 | Nigeria | 0.206 | |
| 54 | Philippines | 0.199 | |
| 55 | Malaysia | 0.193 | |
| 56 | Slovak Republic | 0.162 | |
| 57 | Bulgaria | 0.155 | |
| 58 | Peru | 0.144 | |
| 59 | Thailand | 0.138 | |
| 60 | Hong Kong SAR | 0.136 | |
| 61 | Indonesia | 0.114 | |
| 62 | Kuwait | 0.111 | |
| 63 | Oman | 0.107 | |
| 64 | Botswana | 0.101 | |
| 65 | Ghana | 0.091 | |
| 66 | Jordan | 0.060 | |
| 67 | Taiwan (Chinese Taipei) | 0.039 | |
| 68 | Venezuela | 0.021 | 2020 |
| 69 | Mongolia | 0.006 | 2023 |

***The higher the value, the higher the ranking.***

### RATIONALITY?

*A higher employment percentage indicates that a larger share of the population is engaged in productive activities, which directly supports economic growth and competitiveness.*

*Countries with strong employment levels utilize their human capital effectively, boosting income generation, domestic demand, and overall economic stability.*

*In IMD rankings, this translates into a higher score and, consequently, a better position because active labor force participation is a key driver of national productivity and resilience.*

*In 2025 (using 2024 data reference), the United Arab Emirates ranked first with an employment rate of 77.83%, followed by Luxembourg (77.03%) and Qatar (72.06%). Malaysia ranked 38th, with an employment rate of 47.35%, placing it below regional leaders like Singapore (67.02%) and Thailand (61.70%).*

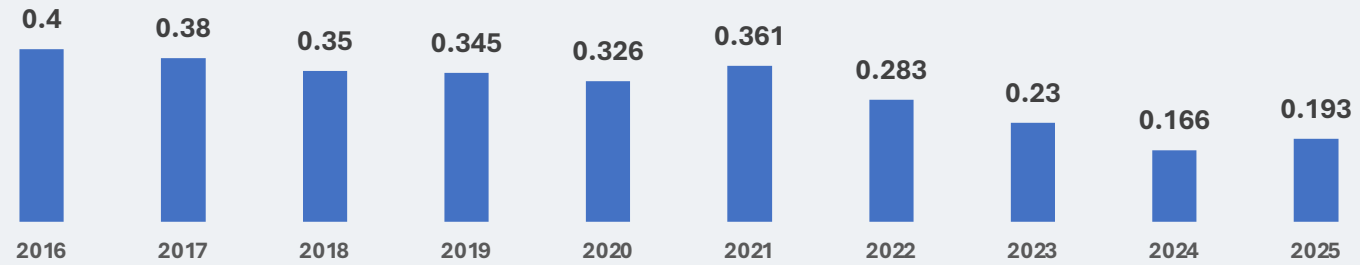
Malaysia reports 2023 data due to delays in official labor market releases. Other countries used early 2024 estimates or year-end figures to comply with IMD timelines.

***Source:*** *IMD World Competitiveness Yearbook (WCY) 2025*

# 3.3.18 : M&A Activity

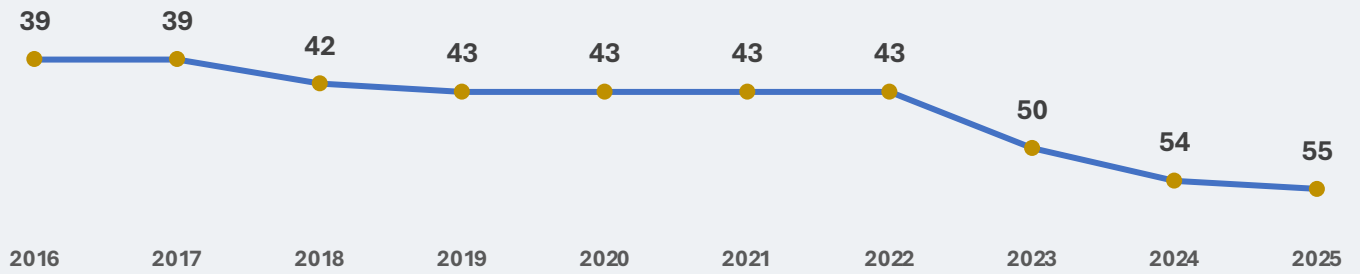
## Indicator performance over the years

### Indicator **Score (number of M&A divided by listed company)**




***For each year, the score represents average of three years***

### Indicator **Rank (of 69 countries)**




***Source:*** *IMD WCY (various years)*

## HOW DO THE INDICATORS PERFORM ACROSS YEARS?

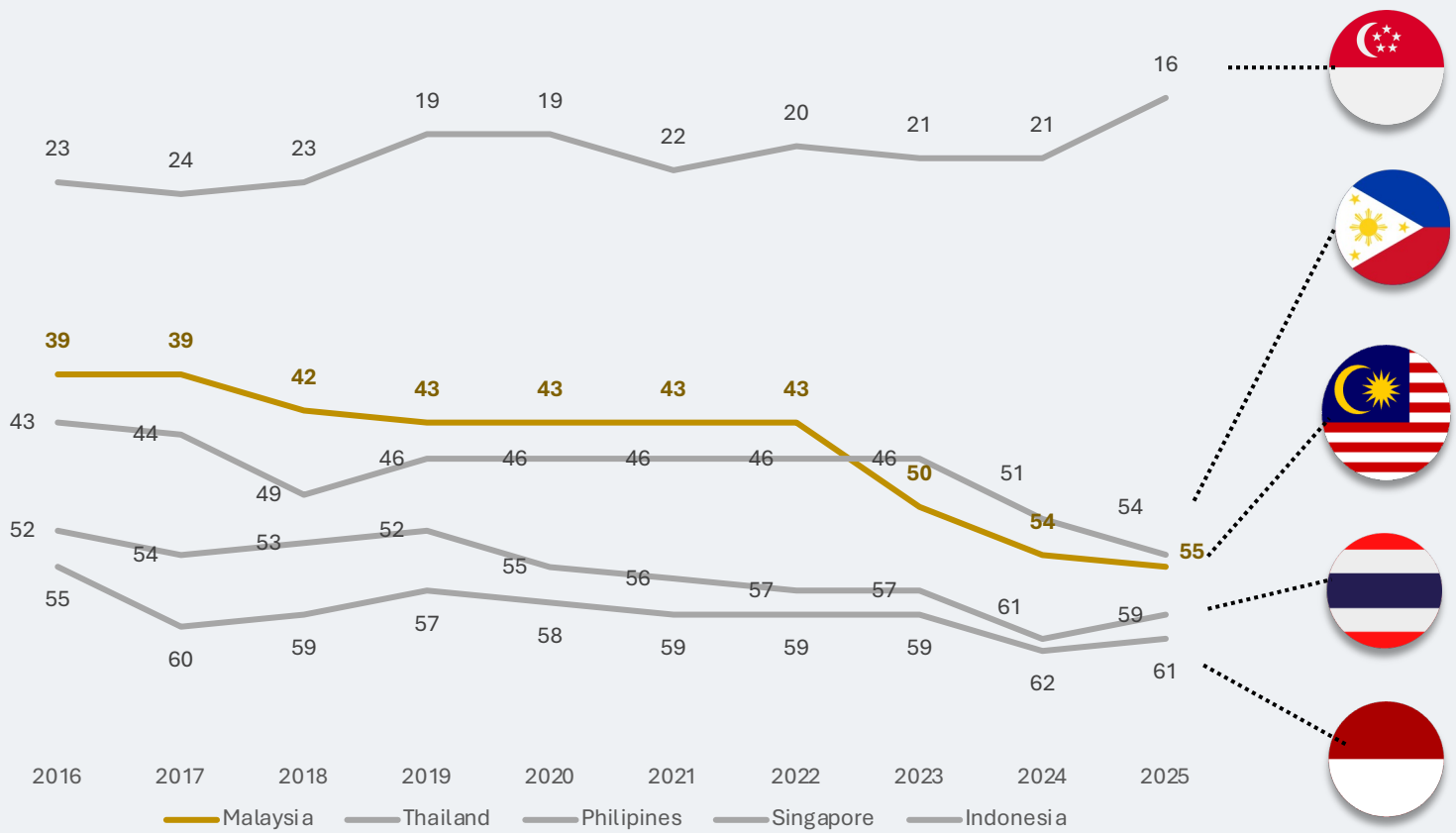
*From 2016 to 2021, Malaysia's M&A activity gradually declined, with the score dropping from 0.40 to 0.361 and its global ranking falling from 39th to 43rd. This showed a slow loss in competitiveness, although 2021 saw a brief improvement likely due to post-COVID business adjustments.*

*Between 2022 and 2024, the situation worsened. The M&A score dropped sharply to 0.166, and Malaysia's rank fell to 54th. This suggests a major slowdown in deal activity, likely caused by economic uncertainty, limited investor confidence, and less attractive conditions for mergers and acquisitions.*

*In 2025, there was a slight recovery in the score to 0.193, but Malaysia's ranking still dropped to 55th. This means other countries improved faster. To strengthen its position, Malaysia needs to improve tax policies, simplify regulations, and create a more investor-friendly environment to attract quality M&A deals.*

# 3.3.18 : M&A Activity

## Indicator performance over the years




**Source:** *IMD WCY (various years)*

## WHERE ARE MALAYSIA NOW? RANKS AMONG ASEAN COUNTRIES

*Malaysia's M&A activity ranking has dropped from 39th in 2016 to 55th in 2025, showing a consistent decline over the past decade. This puts Malaysia behind key ASEAN peers—Singapore (16th), Philippines (54th), Indonesia (61st), and Thailand (59th). The gap with Singapore is especially significant, reflecting the need for stronger M&A facilitation policies, such as tax incentives, streamlined approvals, and investor-friendly rules.*

*Without improvements, Malaysia risks falling further behind in attracting strategic investments and business consolidation opportunities.*

# 3.3.18 : M&A Activity

## Indicator footprint – tracking the data sources

| Phase & Institution Involvement | Data Source | Compilation | Data Retrieval | Publish |
|---|---|---|---|---|
| | National Institution → | International Institution → | IMD → | IMD |

**Description**

**M&A ACtivity**

The IMD data comes from LSEG, but we can't confirm it as LSEG is a paid source and not accessible.

Data compiled and integrated internationally with other country profiles by:

LSEG DATA & ANALYTICS

IMD retrieves data from LSEG and national source into their database.

Malaysia in **2025**:

***Scored***

**0.193**

***Ranked***

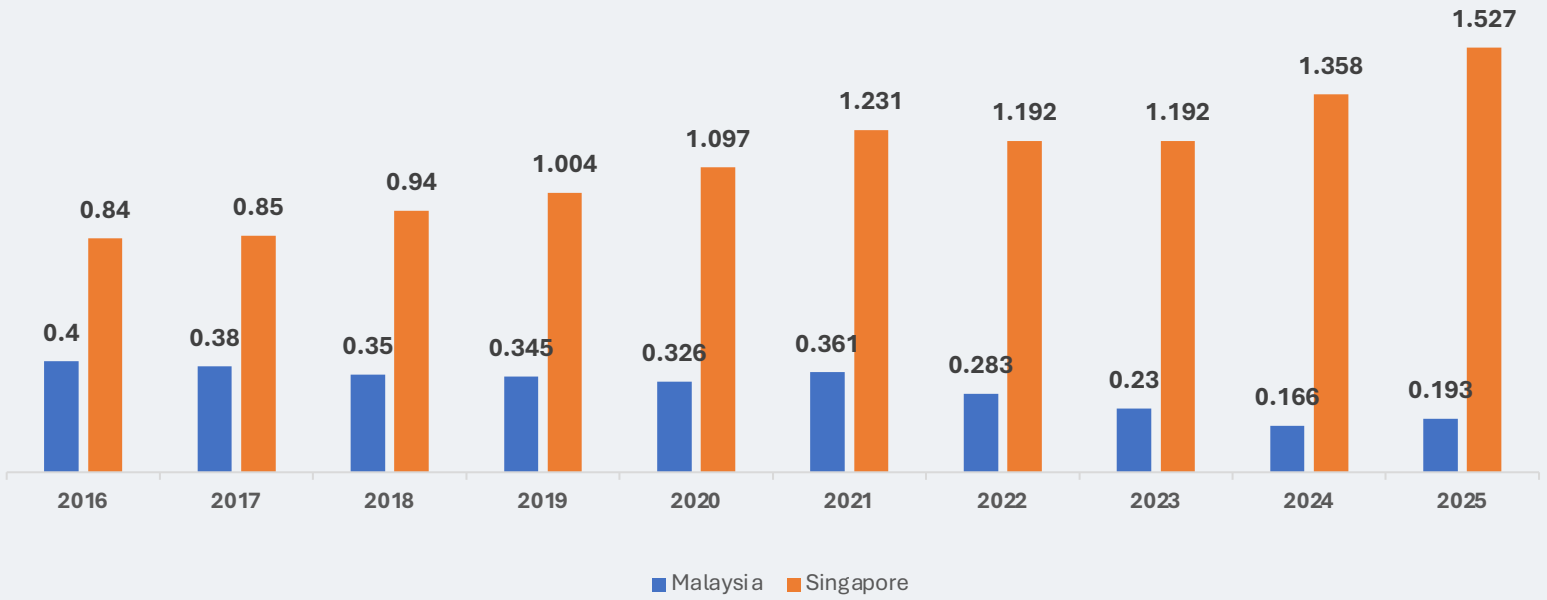
**55** *th*

## Benchmarking - Singapore

### Economic Expansion Incentive (EEIA)

**EEIA** stands for the **Economic Expansion Incentives (Relief from Income Tax) Act**, key policy tool used by the Government of **Singapore** to attract and support business growth, strategic investments, and corporate restructuring including **Mergers & Acquisitions (M&A)**.

### Comparison score of M&A Activity between Malaysia and Singapore




***Source:*** *IMD World Competitiveness Yearbook (various years)*

What Singapore Has Done (EEIA Framework)
Economic Expansion Incentives Act (EEIA) includes:

- **M&A Tax Allowance**: 25% of acquisition cost deductible over 5 years (up to S$40 mil)
- **Double Tax Deduction**: Legal/advisory fees up to S$100k
- **Stamp Duty Relief**: For qualifying M&A transactions and group restructurings
- **Advance Tax Rulings**: Pre-deal tax certainty from IRAS
- **No Capital Gains Tax**: Encourages more deal flow and exits

# 3.3.18 : M&A Activity

## Recommendation to be considered 1 – engage directly with LSEG

Malaysia is ranked 55th for M&A Activity in the IMD 2025 report by using data from LSEG (London Stock Exchange Group). However, this data source is not free and it requires a subscription so we can't see where the data comes from or how it was calculated.

When we try to compare the IMD numbers with official Malaysian sources like Securities Commission Malaysia and Bursa Malaysia, the figures don't match. This is likely because we don't know what kind of M&A data LSEG uses.

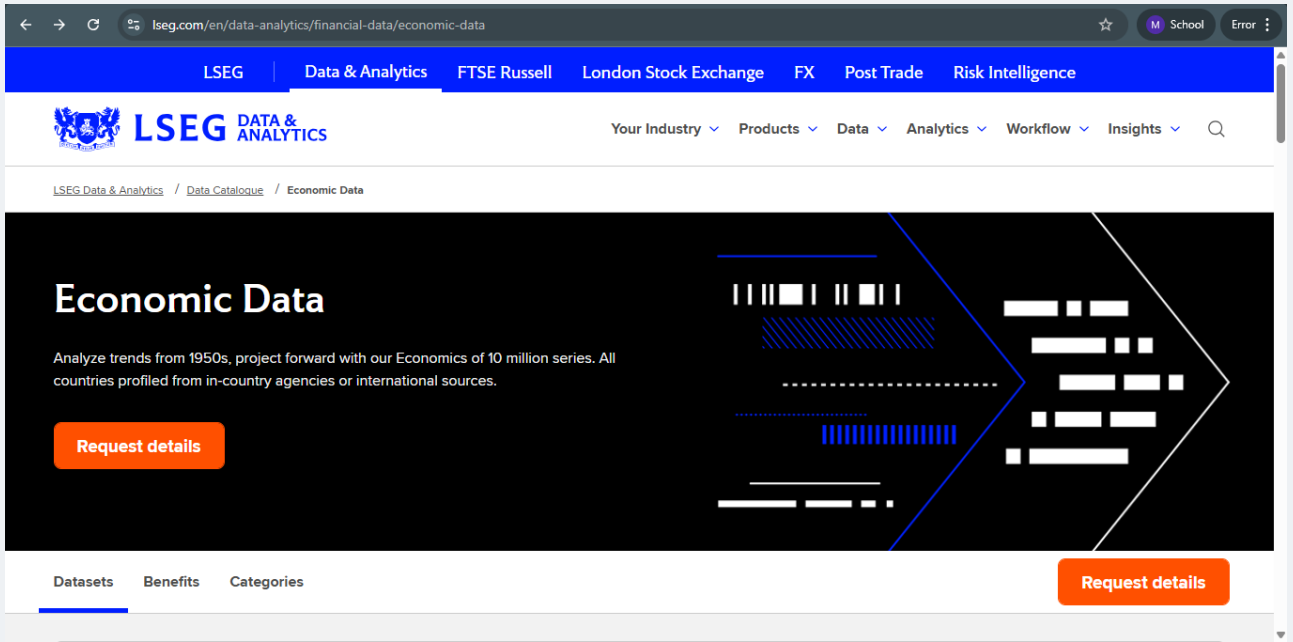
### Key Rationality

- Ensuring data transparency and traceability is essential for effective policymaking and international benchmarking.
- Without access to the underlying data and definitions used by IMD/LSEG, Malaysia cannot verify or challenge the ranking outcome, even if local figures tell a different story.

### Proposed Actions

**Engage Directly with LSEG or IMD**

- Initiate dialogue to understand their data sources, methodology, and definitions specific to Malaysia's M&A activity.



## Recommendation to be considered 2 – tax incentives

To grow M&A activity in Malaysia, the country should give better tax incentives, make the approval process faster and easier, and provide clear tax rules before deals are made. These steps similar to what Singapore is doing under its **EEIA policy** which can help reduce costs, build investor trust, and support more local and international business deals.

### Key Rationality

- One way to boost M&A activity in Malaysia is by making it easier for local companies to restructure without facing heavy taxes. Right now, mergers or internal changes can lead to extra tax costs, which may stop companies from improving how they operate.

- Another important step is to support small and medium-sized enterprises (SMEs) that want to merge or grow bigger. Many SMEs in Malaysia remain small and less competitive because they lack the resources to scale up. With the right support—such as grants, easier rules, or funding for mergers—these companies can combine their strengths, increase productivity, and better compete in local and global markets.

### Proposed Actions

| Action | Agency Lead |
|---|---|
| **Introduce M&A Tax Relief Scheme** | MOF / IRB / MITI |
| **Offer Stamp Duty Exemptions** | MOF / LHDN |
| **Launch Single Window M&A Clearance Unit** | SC / BNM / MITI |
| **Enable Advance Tax Ruling Service** | IRB / MOF |
| **Create SME Consolidation Incentive Grant** | MITI / SME Corp |
| **Deepen PE/VC Financing Ecosystem** | MOF / Securities Commission |

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