



**MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY**

**MEDIA RELEASE: MALAYSIA CONTINUES TO RANK AMONG 25 MOST COMPETITIVE NATIONS DESPITE A DROP IN RANKING**

1. Malaysia ranks at 24<sup>th</sup> position in the latest **World Competitiveness Yearbook (WCY) 2017** compiled by The Institute for Management Development (IMD), World Competitiveness Centre based in Lausanne, Switzerland. Despite a decline from 19<sup>th</sup> position last year, Malaysia remains in the top 25 most competitive nations among 63 economies including Hong Kong, Switzerland, Singapore, USA and Netherlands.
2. In this latest ranking, despite being overtaken by Finland, China, Ireland, Israel and Belgium, Malaysia continues to be ahead of Austria (25<sup>th</sup>), Japan (26<sup>th</sup>) and Korea Rep. (29<sup>th</sup>). Malaysia is ranked as 2<sup>nd</sup> most competitive economy within ASEAN as well as among 32 economies with GDP per capita less than USD20,000.
3. The IMD World Competitiveness Center, a research group at IMD business school in Switzerland, has published the rankings annually for the past 29 years. It compiles them using 261 indicators – 143 ‘hard’ data such as national employment, GDP growth and trade statistics; and 118 data from an Executive Opinion Survey. An additional 85 indicators are ranked and presented as background information. The WCY 2017 assessed economies based on four competitiveness factors: Economic Performance, Government Efficiency, Business Efficiency and Infrastructure.
4. For **Economic Performance** which takes into account the macro-economic evaluation of the domestic economy, Malaysia is ranked at 13<sup>th</sup> position (2016: 11<sup>th</sup>). Our strengths are gasoline prices (4<sup>th</sup> position), long-term unemployment (5<sup>th</sup> position) and unemployment rate (6<sup>th</sup>) which signals the success of our fiscal consolidation efforts and long-term economic policies. In fact, for the price sub-factor as a whole, we have improved to 3<sup>rd</sup> position (2016: 7<sup>th</sup>). Our main weaknesses are exchange rates (48<sup>th</sup> position), largely due to Ringgit volatility last year and GDP per capita (46<sup>th</sup> position).

5. For **Government Efficiency** which measures the extent to which government policies are conducive to competitiveness, Malaysia attained 25<sup>th</sup> position (2016: 18<sup>th</sup>). Our strengths are consumption tax rate (7<sup>th</sup> position) and collected total tax revenues (10<sup>th</sup> position), largely attributed to the implementation of GST. As a whole, our tax policy is ranked at 11<sup>th</sup> position. On the other hand, we still need to improve our performance in areas such as start-up procedures (53<sup>rd</sup> position).

6. For **Business Efficiency** factor which measures the extent to which the national environment encourages enterprises to perform in an innovative, profitable and responsible manner, Malaysia is ranked at 19<sup>th</sup> position (2016: 14<sup>th</sup>). Our strengths are on the use of big data and analytics (5<sup>th</sup> position) and the stock market capitalization (7<sup>th</sup> position). Malaysia is one of the few countries which have a structured Big Data Analytics (BDA) roadmap and we need to continuously increase the adoption of BDA across all sectors in the economy. Despite the growth of our female labour participation rate from 46.8% (2010) to 54.3% (2016), there is a lot more to be done as Malaysia is ranked at 53<sup>rd</sup> position in terms of female participation in the labour force.

7. For **Infrastructure** which measures the extent to which basic, technological, scientific and human resources meet the needs of business, Malaysia ranks at 32<sup>nd</sup> position (2016: 31<sup>st</sup>). Our strengths are largely in high-tech exports (4<sup>th</sup> position), investment in telecommunications (4<sup>th</sup> position) and public-private partnerships (8<sup>th</sup> position). Meanwhile, we are still behind in total health expenditure (59<sup>th</sup> position), medical assistance (53<sup>rd</sup> position) and renewable energies (52<sup>nd</sup> position).

8. Despite the drop in ranking, among the indicators in which Malaysia has shown significant improvements in terms of value are as follows:

- Mobile Broadband subscribers at 56.4% of mobile market (2016: 46.1%);
- Internet bandwidth speed at 8.2 Mbps (2016: 5.2 Mbps);
- Labor productivity (PPP) at US\$31.50 (2016: US\$28.63);
- Higher education achievement at 35.5% of population (2016: 33.5%);
- Number of patents in force at 17.5 per 100,000 inhabitants (2016: 15.8);
- Adjusted consumer price inflation at 1.04 (2016: 1.15);
- Government subsidies at 2.00% of GDP (2016: 2.45%);
- Youth unemployment at 10.50% of youth labor force (2016: 11.30%);
- Export concentration by product at 52.5% of total exports (2016: 56.0%);
- Cost-of-living index at 63.40 (2016: 71.90);

9. The challenging external environment in 2016 has somewhat affected the competitiveness of smaller economies, and Malaysia was not spared from this reality. The geopolitical uncertainties, China's economic slowdown and sharp movements in commodity prices have affected sentiment towards Malaysia and partly contributed to the decline in our ranking.

10. International Trade and Industry Minister, Dato' Sri Mustapa Mohamed said, "Malaysia managed to register a GDP growth of 4.2% in 2016 against the backdrop of challenging global economic landscape. However, it is clear that the current economic growth is by no means a guarantee of future competitiveness. We need to consistently be on the lookout for new trends shaping the global economy and ensure that our economy could adapt to this changing landscape to remain competitive".

11. "Malaysia must continue benchmarking itself against the top performing economies such as Hong Kong, Switzerland and Singapore, and undertake necessary actions to improve our competitiveness and productivity. The recently launched Malaysia Productivity Blueprint (MPB) on 8 May 2017 represents a holistic measure to target initiatives to open up potential productivity at national, sectoral and industrial level. The private sector will be playing a leading role with the support of the public sector in raising labour productivity towards achieving this target".

12. He added, "The decline in ranking is something that we take seriously and we will establish a taskforce comprising of representatives from the public and private sector to act upon the key areas for improvement. We have also begun undertaking necessary steps to improve our performance through MPB's five thrusts, namely building high-skilled workforce for the future, driving digitalization and innovation to companies across sectors, making industry accountable for productivity, forging a robust ecosystem to ensure effective implementation of regulations and securing a strong implementation mechanism through effective governance".

13. The IMD World Competitiveness Center has also published a separate **Digital Competitiveness Ranking** for the first time. Malaysia ranks at 24<sup>th</sup> position in this ranking where the top five positions were occupied by Singapore, Sweden, the USA, Finland and Denmark. This separate ranking measures countries' ability to adopt and explore digital technologies leading to transformation in government practices, business models and society in general.

14. “On the area of the digital competitiveness, Malaysia remains committed in driving digitalization and innovation through appropriate technological infrastructure, e-commerce and technology adoption across our economic sectors. The Digital Free Trade Zone (DFTZ), once completed, will position us among the leading countries in the global e-commerce market. We need to sustain this momentum and forge ahead”.

15. Looking ahead, Dato’ Sri Mustapa stressed the need for all parties to work harder in improving Malaysia’s position next year, “We have had good momentum so far in 2017 but we must not be complacent. The efforts targeted at improving Malaysia’s investment environment and promoting policies that would increase trade, reduce regulatory burden and strengthen the country’s technological capabilities will be intensified”,

16. “We have scored a number of successes through the Economic Transformation Program (ETP) and Government Transformation Program (GTP) implemented since 2010. For example, the setting up of the Rural and Urban Transformation Centers offering integrated initiatives in a number of cities across the country speak volumes of our commitment to deliver more efficient government services. Several key infrastructure projects are also targeted to be completed in 2017, including the Mass Rapid Transit (MRT) Line 1 and the second phase of the High-Speed Broadband project. These projects once completed will improve our competitiveness as a business destination”,

17. Dato’ Sri Mustapa added, “Despite the successful initiatives rolled out thus far, we acknowledge there’s a lot more to be done. Based on the current economic trends such as the stronger GDP growth in the first quarter this year, strengthening of Ringgit and robust export growth, as well as the continuous transformation of Malaysian economy, we hope there will be an improvement in our ranking next year”.

**Ministry of International Trade and Industry**

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