



MEDIA RELEASE

MALAYSIA'S RANKING IMPROVES BY FIVE POSITIONS TO BE THE 27TH MOST COMPETITIVE ECONOMY GLOBALLY

Malaysia's global competitiveness ranking has improved by five positions to 27th place, according to the World Competitiveness Ranking (WCR) 2023, compared to the 32nd spot for 2022. The improved ranking is a recognition of the Malaysian Government's overall efforts in strengthening its economic fundamentals, and more specifically, the Ministry of Investment, Trade & Industry's key policies and initiatives in positioning the country as the preferred destination for investment, business and trade.

The World Competitiveness Ranking (WCR) by the Institute for Management Development (IMD)'s World Competitiveness Centre (WCC) is a leading annual report on the competitiveness of countries published since 1989. Instead of looking at short term, reactionary measures, the ranking is an annual yardstick for policymakers to assess their progress against a holistic set of criteria measuring productivity and competitiveness.

The IMD's WCR is based on **336 competitiveness criteria** categorised into **four factors: Economic Performance, Government Efficiency, Business Efficiency, and Infrastructure**. The report details a country's competitiveness trends based on overall performance, challenges in the year under review, basic facts, competitiveness landscape, and peer group rankings. It also evaluates the evolution, as well as strengths and weaknesses of each economy over time. The 2023 edition provides extensive coverage of 64 economies. Ranked 27 among 64 economies, **Malaysia recorded improvement in all four competitiveness factors**, denoting the country's **encouraging and resilient progress against the lingering impact of the pandemic, global economic uncertainties and crisis, and multi-faceted domestic challenges**.

Minister of Investment, Trade & Industry, YB Senator Tengku Datuk Seri Utama Zafrul Aziz said, "We are pleased to note that Malaysia has improved to 27th place in the World

Competitiveness Index. For MITI, **what is key is on how we can improve further**. While Malaysia performed well in terms of its prices, basic infrastructure and tax policies, **we must earnestly address issues such as talent development of an industry-ready workforce; digital-first mindset for sectors; regulatory reforms for ease of doing business at national and sub-national levels; and the pursuit of sustainable development**. These are areas that MITI and its agencies are seriously working on through the upcoming **New Industrial Master Plan 2030**, which is set to reform Malaysia's manufacturing sector's foundations for us to become a more competitive economy."

The IMD Report also mentioned other areas that require a multi-Ministry and whole-of-government approach for improvement, and these include business legislation; education; and societal framework.

Datuk Kamaruzzaman Johari, Chairman of Malaysian Productivity Corporation (MPC), said, "The improvement in Malaysia's competitiveness ranking in WCR 2023 reflects our country's stability and resilience in the face of numerous challenges. MPC believes in pushing further to enhance productivity across all sectors that will improve overall competitiveness factors. Our focus is on key productivity drivers - talent development, technology adoption, and regulatory reform for a thriving business environment. MPC is committed to embedding ESG principles and fostering a sustainable economy. The green transition is inevitable as resource management determines competitiveness. As an IMD Partner Institute and Malaysia's focal point for WCR, MPC will work closely with the public and private sectors to elevate our country's competitiveness."

MITI's continued commitment to boosting Malaysia's global competitiveness

The Ministry of Investment, Trade and Industry (MITI) is optimistic that Malaysia's global competitiveness ranking can be improved further. The Ministry is committed to enhancing Malaysia's global competitiveness, given its effectual influence on Malaysia's investment, trade, and industrial development.

The **New Industrial Master Plan 2030 (NIMP 2030)**, set to be launched in August 2023, will focus on **advancing economic complexity; facilitating digitisation and technology for our manufacturing sector; pushing for carbon neutrality; as well as safeguarding economic security and inclusivity**. The NIMP2030 also aims to strongly support SMEs' participation in domestic and global value chains, as well as facilitate higher-skilled and higher-paying jobs for the *rakyat*.

MITI has identified **five sectors – aerospace, chemicals and petrochemicals, digital economy, electrical and electronics, and pharmaceuticals – that will drive industrial transformation, as well as enhance the manufacturing and exports of more complex products to further develop Malaysia into a knowledge-based economy.** The focus on these industries will also propel Malaysia's SMEs into high-yield and high-value market segments.

In terms of enhancing the ease of doing business, **MITI's agency, Malaysia Productivity Corporation (MPC), has been mandated to manage the unnecessary regulatory burdens on businesses by reducing issues and challenges related to government bureaucracy.** MPC will undertake a systematic regulatory review at all Ministries and Government Agencies, State Governments, and Local Authorities to mitigate bureaucratic issues including compliance costs; as well as inefficient use of resources and manpower to facilitate the ease of doing business at the national and sub-national levels. Malaysia's WCR ranking in the Business Legislation sub-factor improved from 50 in 2022 to 45 in 2023, and MPC's efforts are expected to directly improve further this sub-factor and positively impact WCR competitiveness factors of Government Efficiency and Business Efficiency.

MITI believes **the effort to increase Malaysia's global competitiveness must hinge on a Whole-of-Nation approach in finalising and implementing the NIMP2030, based on a concerted public-private strategy** that empowers all key stakeholders such as investors, businesses, SMEs and the rakyat, with sufficient regard for sustainability and inclusivity principles.

MINISTRY OF INVESTMENT, TRADE AND INDUSTRY (MITI)

20 JUNE 2023

About MITI

MITI is the key driver in making Malaysia the preferred destination for quality investments and enhancing the nation's rising status as a globally competitive trading nation. Its objectives and roles are oriented towards ensuring Malaysia's rapid economic development and help achieve the country's stated goal of becoming a developed nation.

Media enquiries:

Strategic Communications Unit, MITI

Tel : +603 6200 0083

Fax : +603 6206 4293

E-mail : alluks@miti.gov.my

APPENDIX 1:

Key Metrics on Malaysia's WCR improvement in 2023

WCR 2023 overall rankings show an encouraging uptrend for Malaysia:

1. Regional competitiveness rose from 8th in 2022 to 6th place in 2023 among Asia-Pacific countries, which reflects Malaysia's robust economic strategies.
2. In the category of 27 countries with a population totalling more than 20 million, Malaysia is ranked 8th (2022:11).
3. We remained the second most competitive nation within the ASEAN region and in the category of 24 countries with GDP per Capita Less Than US\$20,000.
4. A significant increase in the Economic Performance factor from 12 in 2022 to 7 in 2023 underscores Malaysia's economic strength and resilience.
5. The substantial improvement in the Domestic Economy sub-factor, from 50 in 2022 to 16 in 2023, attests to the successful implementation of domestic economic policies.
6. International Trade and Prices sub-factors bolstered Malaysia's performance, highlighting our expanding stature as an international trading nation.
7. International Investment and Employment sub-factors showed a slight decline, signifying areas for further policy intervention and strategic focus.

In terms of **Government Efficiency**:

1. Overall ranking improved from 38 in 2022 to 29 in 2023, marking a significant progress in public sector delivery and reform.
2. Improvements in Public Finance, Institutional Framework, Business Legislation, and Societal Framework sub-factors contributed to the increased ranking.
3. The Tax Policy sub-factor showed a slight decrease, highlighting the need for ongoing policy evaluation and potential refinement to maintain a competitive edge.
4. Business Legislation sub-factor improved from 50 in 2022 to 45 in 2023.

For the **Business Efficiency** factor:

1. There was a positive shift in ranking from 38 in 2022 to 32 in 2023, reflecting enhanced productivity and business processes within the country's business environment.
2. Business Efficiency improvement was contributed by the upswing in Productivity and Efficiency sub-factor with a 10-spot increase, followed by Finance, Management Practices, and Attitudes and Values sub-factors.
3. The overall improvement reflects Malaysia's effective efforts in enhancing the enabling environment for investment, trade, and businesses.
4. Nonetheless, the drop in the Labour Market sub-factor indicates that challenges in the workforce remain, with a call for focused interventions to enhance labour market efficiency.

With regard to the **Infrastructure** factor:

1. The overall ranking saw an increase from 37 in 2022 to 35 in 2023.
2. The significant improvement in the Basic Infrastructure sub-factor ranking, from 19 in 2022 to 8 in 2023, indicates advancement in Malaysia's infrastructure development strategies in providing for the *rakyat* and businesses' fundamental needs.
3. The overall ranking was also contributed by improvements in Technological Infrastructure, Scientific Infrastructure, and Health and Environment sub-factors.
4. However, a slight decline in the Education sub-factor indicates an area that demands a deeper attention, decisive intervention and investment.

Under the **Scientific Infrastructure sub-factor**, there appeared to have been a slowdown in R&D activities, as more resources were channelled towards post-COVID recovery efforts:

1. Malaysia's performance in Total Expenditure on R&D criteria declined from 1.06 per cent in WCR 2022 to 0.97 per cent in WCR 2023.
2. Business Expenditure on R&D criteria decreased from 0.47 per cent in WCR 2022 to 0.43 per cent in WCR 2023.