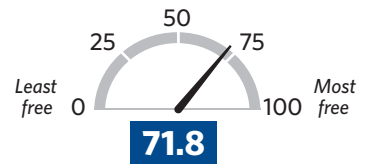


# MACAU

## Economic Freedom Score



World Rank: **19** Regional Rank: **6**

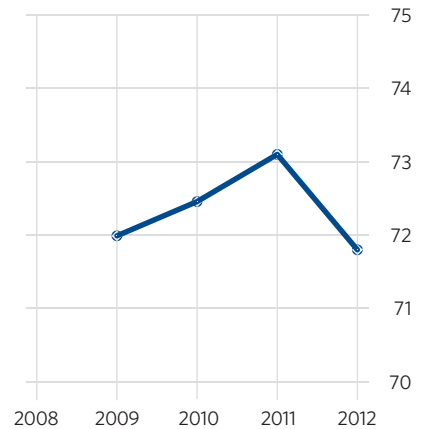
**M**acau's economic freedom score is 71.8, making its economy the 19th freest in the 2012 *Index*. Its overall score is 1.3 points worse than last year, mainly due to declines in labor freedom, freedom from corruption, and the control of government spending. Macau is ranked 6th out of 41 countries in the Asia-Pacific region, and its overall score is well above the world and regional averages.

As a free port, Macau has long benefited from global trade and investment. The entrepreneurial environment is generally efficient and streamlined, and property rights are relatively well respected. Foreign investors can conduct business on the same terms as nationals. Taxation is low and relatively efficient. Since opening up the gaming industry in 2002, Macau has attracted significant amounts of foreign investment. Other growth areas include finance, insurance, and real estate.

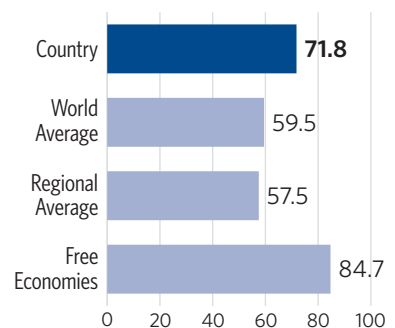
The services sector accounts for almost 90 percent of GDP and over 70 percent of total employment. Investment in resort and entertainment projects and related infrastructure has transformed Macau into one of the world's leading tourism destinations. The small economy, however, is in need of more committed structural reforms to enhance the foundations of economic freedom and improve prospects for more broadly based long-term economic development.

**BACKGROUND:** Macau became a Special Administrative Region of China in 1999. Like Hong Kong, it retains much of its historic political governance structure and economic system, although its chief executive is appointed by Beijing. Gambling revenues reportedly amounted to \$23.5 billion in 2010, and direct taxes on gambling account for well over half of all government revenue. Manufacturing of textiles and garments, once the mainstay of the economy, has largely migrated to the Chinese mainland. Macau's currency enjoys full convertibility with the Hong Kong dollar, which is pegged to the U.S. dollar.

## Freedom Trend



## Country Comparisons



## Quick Facts

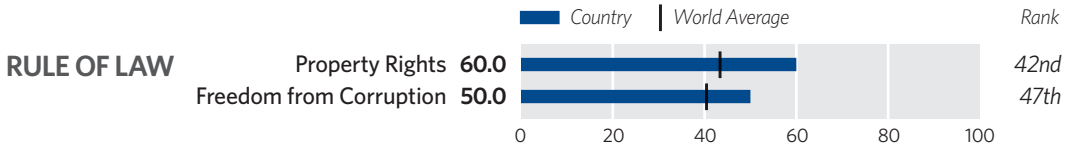
- Population:** 573,004
- GDP (nominal):** \$28.0 billion
- 26.4% growth in 2010
- 5-year compound annual growth n/a
- \$48,865 per capita (nominal)
- Unemployment:** 2.9%
- Inflation (CPI):** 2.8%
- FDI Inflow:** \$2.5 billion
- Public Debt:** 0 % of GDP

### How Do We Measure Economic Freedom?

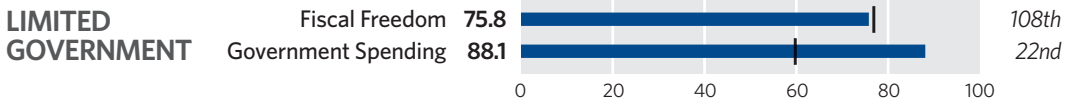
See page 455 for an explanation of the methodology or visit the *Index* Web site at [heritage.org/index](http://heritage.org/index).

2010 data unless otherwise noted.  
Data compiled as of September 2011.

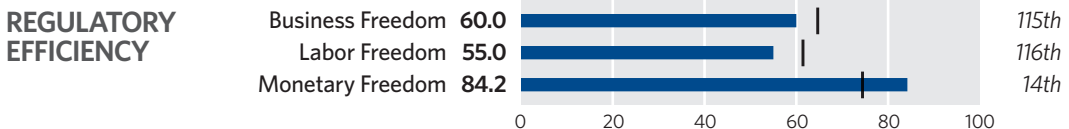
## THE TEN ECONOMIC FREEDOMS



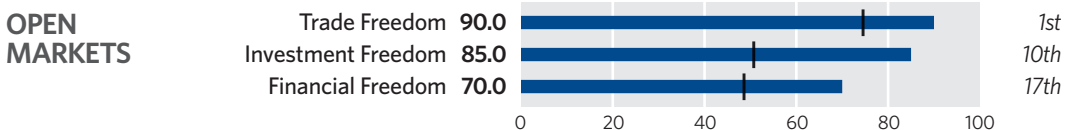
Macau has its own judicial system with a high court; the legal framework is based largely on Portuguese law. Property rights and commercial contracts are secure, but enforcement of intellectual property rights remains weak and inefficient. The Commission Against Corruption has powers of arrest and detention, and a public outreach campaign has led to a significant increase in the number of complaints handled.



The top income tax rate is 12 percent, and the top corporate tax rate is 39 percent. Gambling tax revenues are quite high, and overall tax revenue amounts to 27.4 percent of GDP. Government spending is equivalent to 19.9 percent of total domestic product. Gambling revenue has outpaced public spending growth, generating considerable surpluses.



The overall regulatory environment remains relatively efficient. License requirements vary by type of economic activity, but general business activities such as retail, wholesale, and business consultancies do not require a license. The economy continues to lack a dynamic and broad-based labor market, in part due to the absence of serious reform efforts. Monetary stability has been relatively well maintained.



The trade regime is open, with no tariffs imposed on imports. However, non-tariff barriers continue to raise the cost of trade. The government does not officially discriminate between foreign and domestic investors, but there are a few restrictions in services markets. A relatively small financial system, dominated by banking, provides easy access to financing. Capital markets remain underdeveloped.

### Score Changes

RULE OF LAW		LIMITED GOVERNMENT		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	0	Fiscal Freedom	-0.8	Business Freedom	0	Trade Freedom	0
Freedom from Corruption	-3.0	Government Spending	-5.2	Labor Freedom	-5.0	Investment Freedom	0
				Monetary Freedom	+0.8	Financial Freedom	0