

WORLD RANK: **74** | REGIONAL RANK: **14**

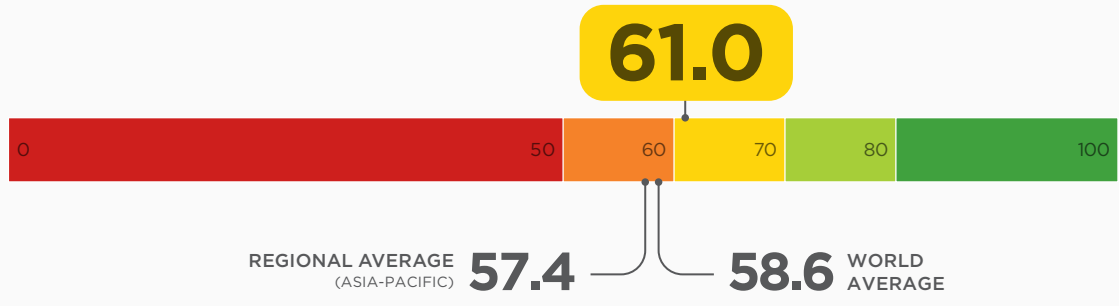
ECONOMIC FREEDOM STATUS: **MODERATELY FREE**

MICRONESIA

Micronesia’s economic freedom score is 61, making its economy the 74th freest in the 2024 *Index of Economic Freedom*. Its rating has decreased by 1.6 points from last year, and Micronesia is ranked 14th out of 39 countries in the Asia-Pacific region. The country’s economic freedom score is higher than the world and regional averages. Micronesia’s economy is considered “moderately free” according to the 2024 *Index*.

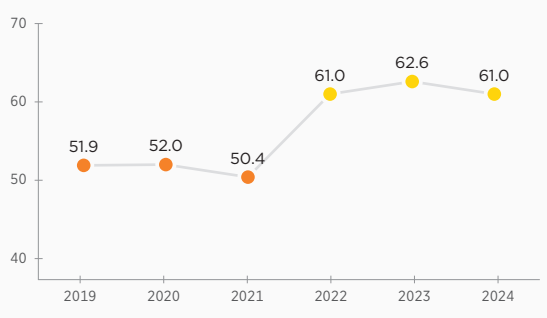
Poor governance and a lack of commitment to structural reform continue to discourage economic development in Micronesia. Long-standing problems include poor management of public finance and underdeveloped regulatory frameworks. The fragile rule of law and weak enforcement of property rights have driven many people into the informal sector. Micronesia is primarily a subsistence economy, and commercial fishing is the key industry. Private-sector jobs lag far behind public-sector jobs. Under a Compact of Free Association, the U.S. has provided economic assistance to Micronesia.

ECONOMIC FREEDOM SCORE



HISTORICAL INDEX SCORE CHANGE (SINCE 2009): +9.3

RECENT FREEDOM TREND

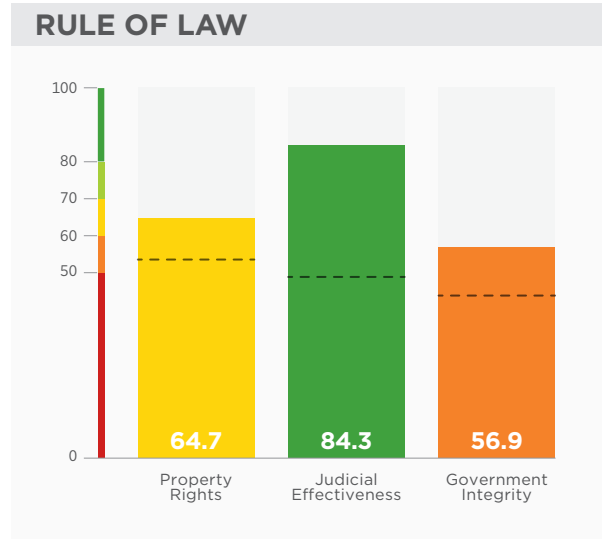


QUICK FACTS

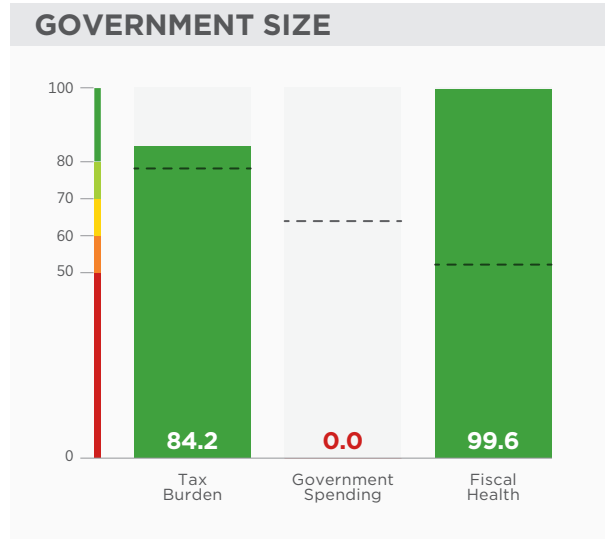
- POPULATION:** 0.1 million
- UNEMPLOYMENT:** 16.2%
- GDP (PPP):** \$388.0 million
- INFLATION (CPI):** 5.0%
- 0.6% growth in 2022
- FDI INFLOW:** n/a
- 5-year average growth rate: -0.8%
- PUBLIC DEBT:** 14.0% of GDP
- \$3,693 per capita

2022 data unless otherwise noted. Data compiled as of October 2023.

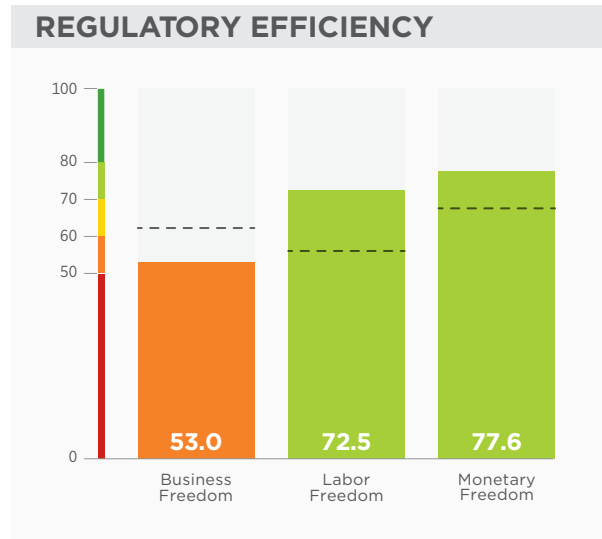
12 ECONOMIC FREEDOMS | MICRONESIA



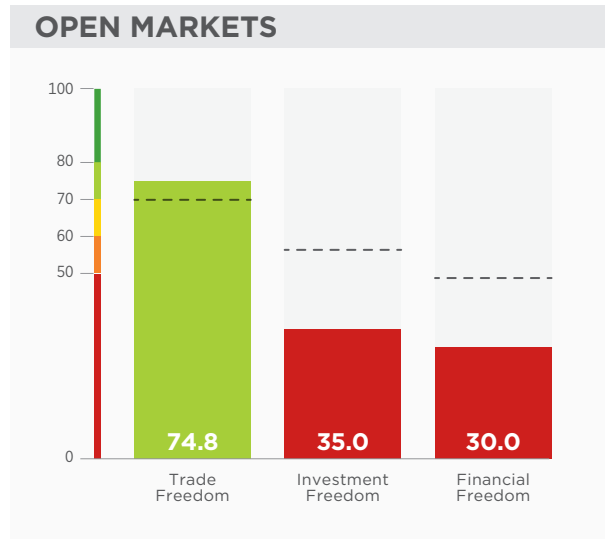
The overall rule of law is relatively well respected in Micronesia. The country's property rights score is above the world average; its judicial effectiveness score is above the world average; and its government integrity score is above the world average.



The top individual income tax rate is 10 percent, and the top corporate tax rate is 21 percent. The tax burden equals 32.2 percent of GDP. Three-year government spending and budget balance averages are, respectively, 58.8 percent and 6.4 percent of GDP. Public debt amounts to 14.0 percent of GDP.



Micronesia's overall regulatory environment is relatively well institutionalized but lacks efficiency. The country's business freedom score is far below the world average; its labor freedom score is above the world average; and its monetary freedom score is well above the world average.



The average tariff rate is 5.1 percent, but nontariff barriers and poor trade infrastructure limit trade freedom. Numerous impediments discourage foreign investment. High credit costs and scarce access to financing constrain the small private sector. Much of the population does not use formal banking.