

WORLD RANK: **143** | REGIONAL RANK: **31**

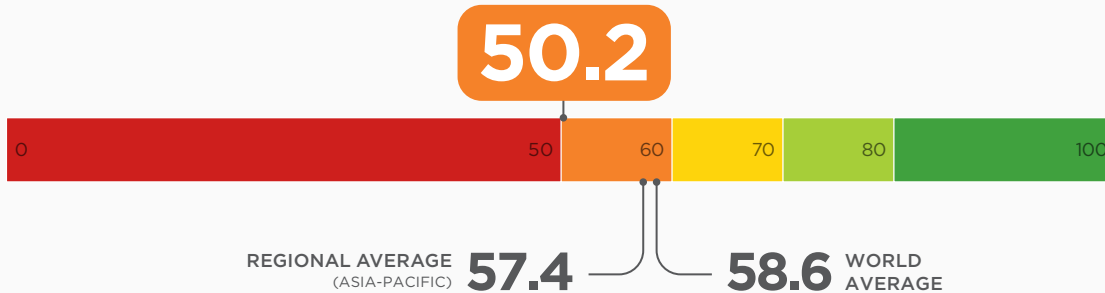
ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

TIMOR-LESTE

Timor-Leste's economic freedom score is 50.2, making its economy the 143rd freest in the 2024 *Index of Economic Freedom*. Its rating has increased by 3 points from last year, and Timor-Leste is ranked 31st out of 39 countries in the Asia-Pacific region. The country's economic freedom score is lower than the world and regional averages. Timor-Leste's economy is considered "mostly unfree" according to the 2024 *Index*.

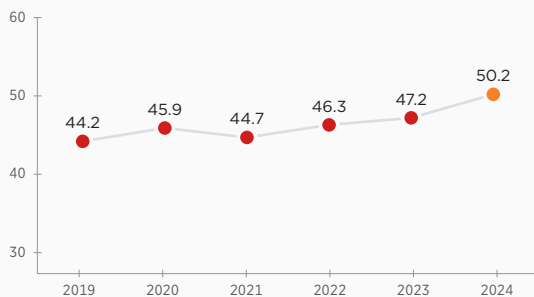
Timor-Leste's economic base is narrow, and political instability discourages lasting economic development. The state plays an outsized role in the economy. Private-sector development is also limited by burdensome regulation and an underdeveloped financial sector. The public sector accounts for about half of non-agricultural employment, and the formal labor market remains underdeveloped. Timor-Leste remains one of East Asia's poorest countries and is heavily dependent on foreign aid. Oil and gas account for more than 90 percent of GDP and 70 percent of government revenue.

ECONOMIC FREEDOM SCORE



HISTORICAL INDEX SCORE CHANGE (SINCE 2009): -0.3

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
1.3 million

GDP (PPP):
\$9.4 billion
3.9% growth in 2022
5-year average growth rate: 0.0%
\$7,064 per capita

UNEMPLOYMENT:
5.1%

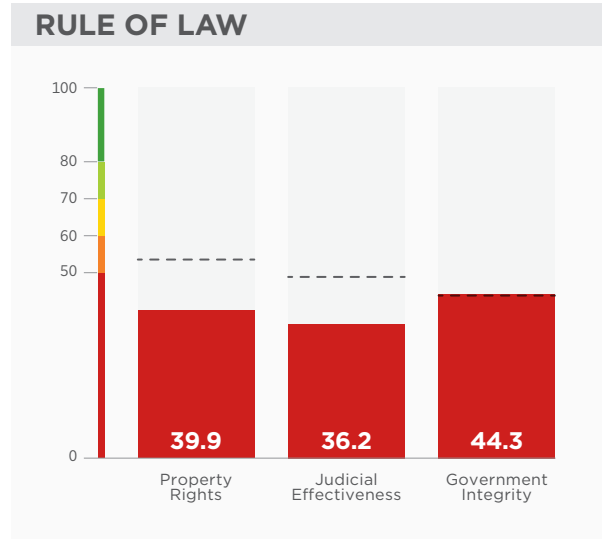
INFLATION (CPI):
7.0%

FDI INFLOW:
\$262.0 million

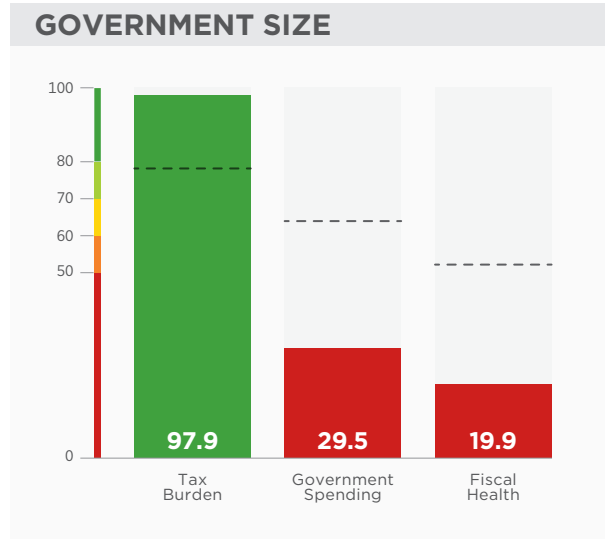
PUBLIC DEBT:
5.6% of GDP

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

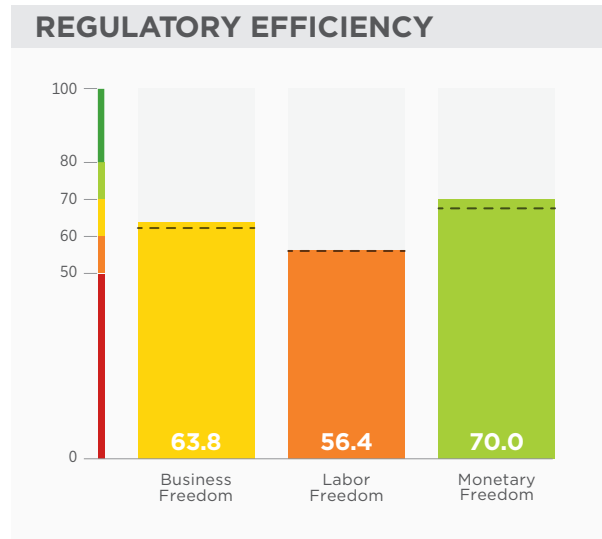
12 ECONOMIC FREEDOMS | TIMOR-LESTE



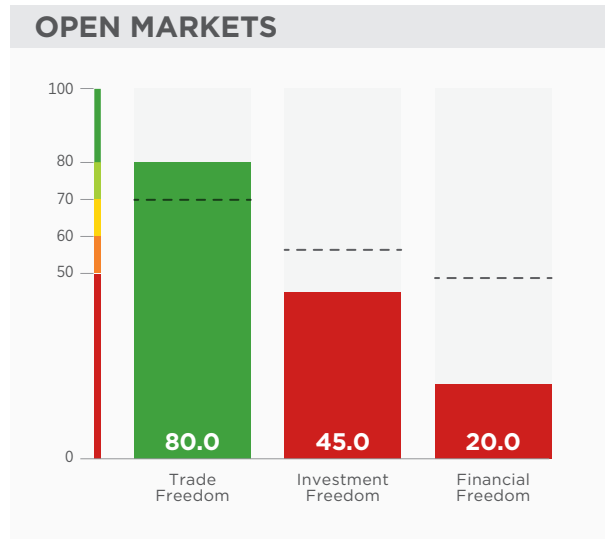
The overall rule of law is weak in Timor-Leste. The country's property rights score is below the world average; its judicial effectiveness score is below the world average; and its government integrity score is above the world average.



The top individual income tax rate is 10 percent, and the top corporate tax rate is 10 percent. The tax burden equals 3.5 percent of GDP. Three-year government spending and budget balance averages are, respectively, 48.5 percent and -19.4 percent of GDP. Public debt amounts to 5.6 percent of GDP.



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



The trade-weighted average tariff rate is 2.5 percent, and nontariff barriers distort trade flows. The investment environment is significantly limited by inadequate institutional capacity and poor infrastructure. The financial sector is very small and underdeveloped. The population has limited access to financial services.