



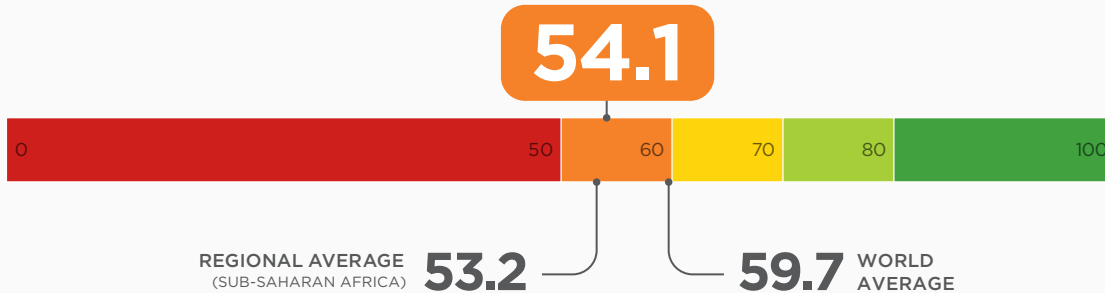
LESOTHO

Lesotho's economic freedom score is 54.1, making its economy the 125th freest in the 2025 *Index of Economic Freedom*. Its rating has increased by 2.2 points from last year, and Lesotho is ranked 23rd out of 47 countries in the Sub-Saharan Africa region. The country's economic freedom score is lower than the world average and higher than the regional average. Lesotho's economy is considered "mostly unfree" according to the 2025 *Index*.

WORLD RANK:	REGIONAL RANK:
125	23
ECONOMIC FREEDOM STATUS: MOSTLY UNFREE	

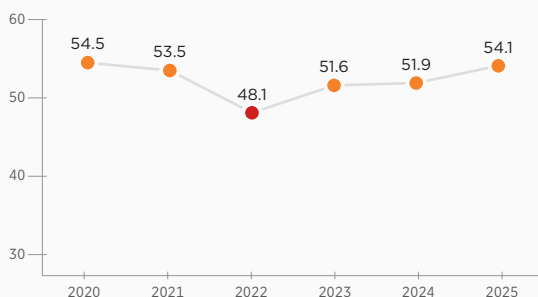
Lesotho lags far behind many other countries in its economic development, largely because of its failure to institute much-needed institutional reforms. The economy performs poorly in many of the four pillars of economic freedom. In particular, the rule of law is too weak to sustain meaningful economic progress. The regulatory system's efficiency remains limited. The labor market's rigidity continues to drive many Basothos into the informal economy. Inflation has moderated. The government influences prices through state-owned enterprises.

ECONOMIC FREEDOM SCORE



HISTORICAL INDEX SCORE CHANGE (SINCE 1996): +7.1

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
2.1 million

GDP (PPP):
\$6.7 billion
2.2% growth in 2023
3-year average growth rate: 1.8%
\$3,135 per capita

UNEMPLOYMENT:
16.5%

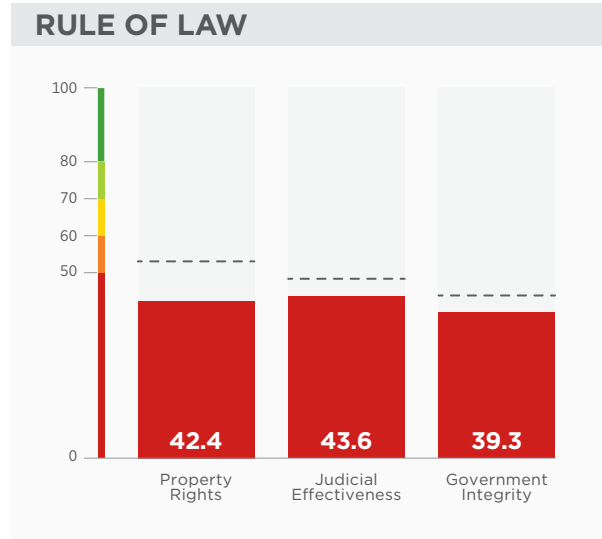
INFLATION (CPI):
6.3%

FDI INFLOW:
-\$8.0 million

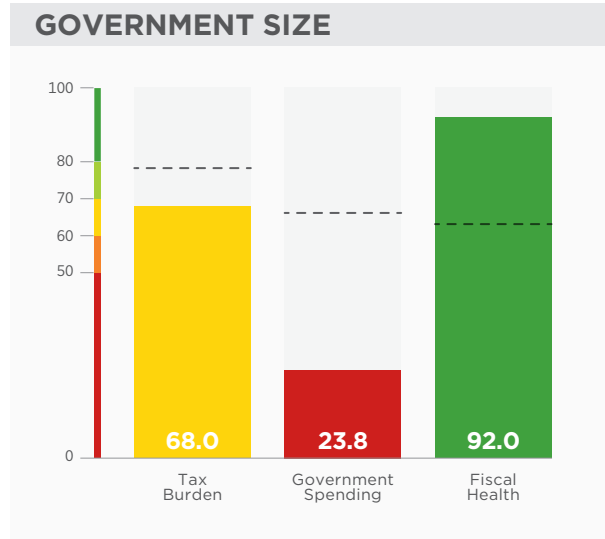
PUBLIC DEBT:
61.5% of GDP

2023 data unless otherwise noted. Data compiled as of November 2024.

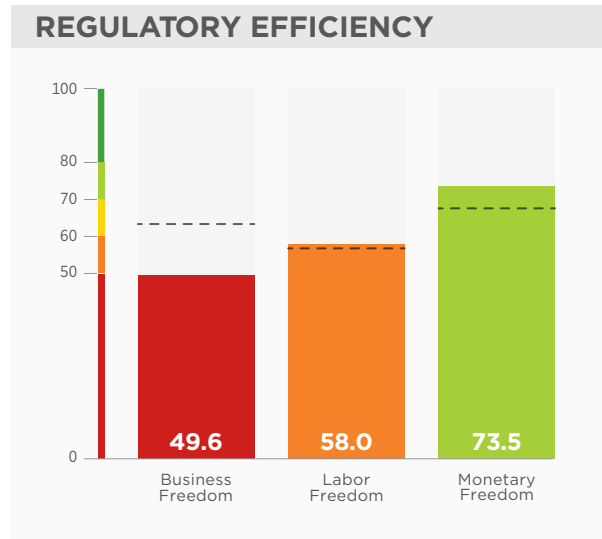
12 ECONOMIC FREEDOMS | LESOTHO



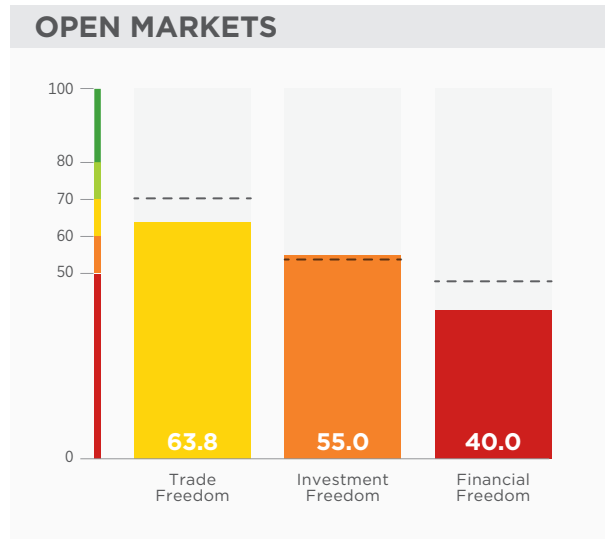
The overall rule of law is weak in Lesotho. The country's property rights score is below the world average; its judicial effectiveness score is below the world average; and its government integrity score is below the world average.



The top individual income tax rate is 35 percent, and the top corporate tax rate is 25 percent. The tax burden equals 36.8 percent of GDP. Three-year government spending and budget balance averages are, respectively, 50.4 percent and -0.5 percent of GDP. Public debt amounts to 61.5 percent of GDP.



Lesotho'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 above the world average.



The trade-weighted average tariff rate is 10.6 percent, and various nontariff barriers remain in force. Political fragmentation has stymied efforts to facilitate economic diversification, and investment inflows remain constrained. The high cost of credit discourages the development of a vibrant private sector.