

WORLD RANK: **158** | REGIONAL RANK: **36**

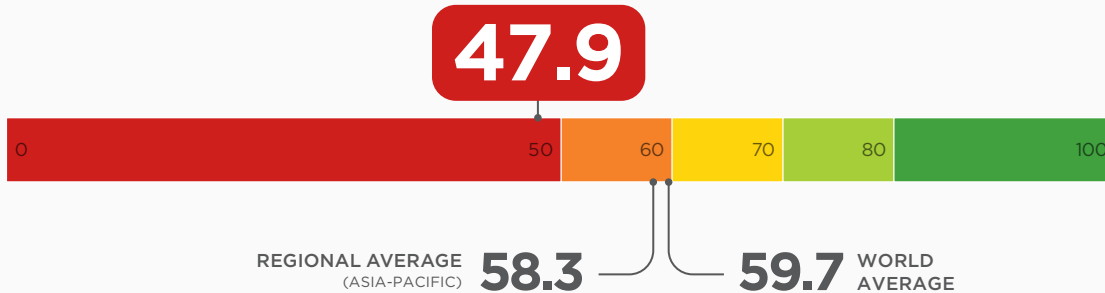
ECONOMIC FREEDOM STATUS: **REPRESSED**

TIMOR-LESTE

Timor-Leste's economic freedom score is 47.9, making its economy the 158th freest in the 2025 *Index of Economic Freedom*. Its rating has decreased by 2.3 points from last year, and Timor-Leste is ranked 36th 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 "repressed" according to the 2025 *Index*.

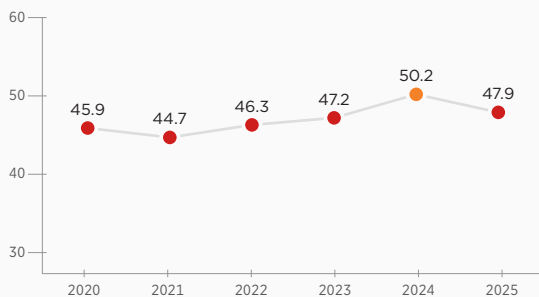
Timor-Leste's economic base is narrow, and political instability discourages lasting economic development. The state plays an outsized role in the economy. Private-sector development is also limited by burdensome regulation and an underdeveloped financial sector. The public sector accounts for about 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): -2.6

RECENT FREEDOM TREND

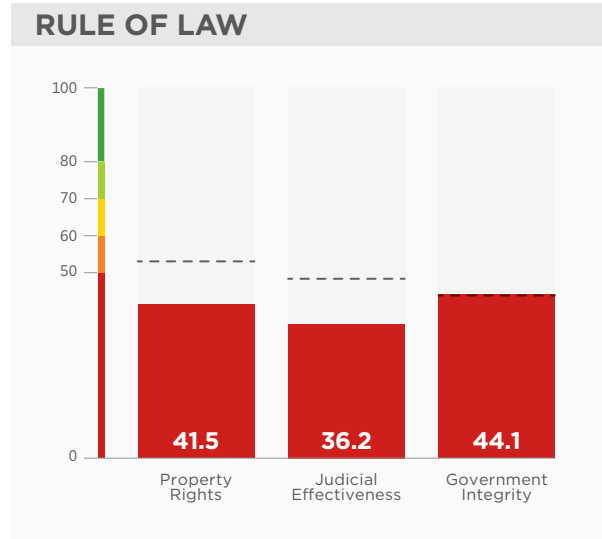


QUICK FACTS

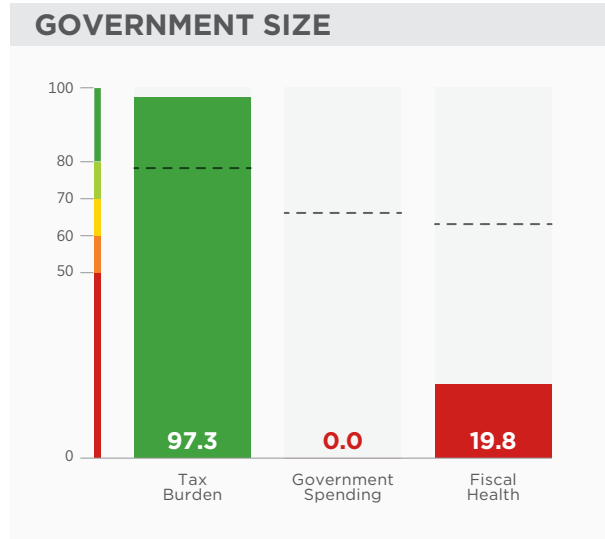
- POPULATION:** 1.4 million
- UNEMPLOYMENT:** 1.5%
- GDP (PPP):** \$7.0 billion
- INFLATION (CPI):** 8.4%
- 2.3% growth in 2023
- FDI INFLOW:** \$262.0 million
- 3-year average growth rate: 2.6%
- PUBLIC DEBT:** 10.9% of GDP
- \$5,152 per capita

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

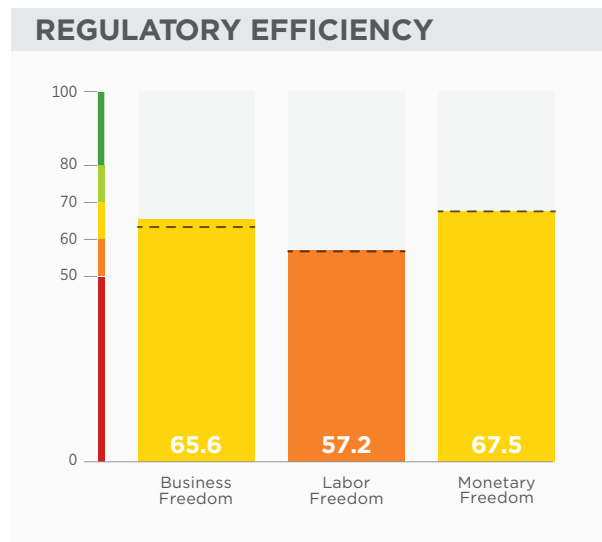
12 ECONOMIC FREEDOMS | TIMOR-LESTE



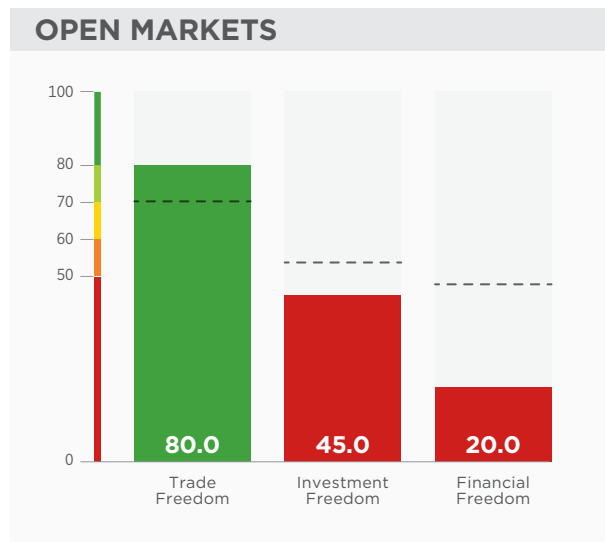
The overall rule of law is weak in Timor-Leste. The country's property rights score is below the world average; its judicial effectiveness score is below the world average; and its government integrity score is above the world average.



The top individual income tax rate is 10 percent, and the top corporate tax rate is 10 percent. The tax burden equals 8.6 percent of GDP. Three-year government spending and budget balance averages are, respectively, 58.8 percent and -27.2 percent of GDP. Public debt amounts to 10.9 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 below 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. Timorese have only limited access to financial services.