

WORLD RANK: **155** | REGIONAL RANK: **39**

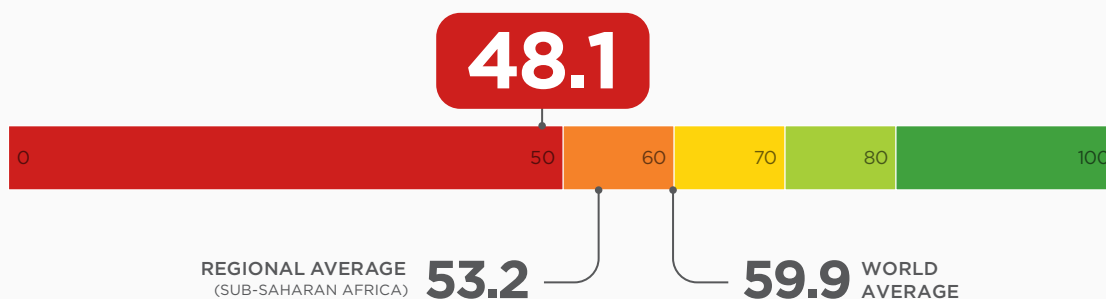
ECONOMIC FREEDOM STATUS: **REPRESSED**

ETHIOPIA

Ethiopia's economic freedom score is 48.1, making its economy the 155th freest in the 2026 *Index of Economic Freedom*. Its rating has not changed from last year, and Ethiopia is ranked 39th out of 47 countries in the Sub-Saharan Africa region. The country's economic freedom score is lower than the global and regional averages. Ethiopia's economy is considered "repressed" according to the 2026 *Index*.

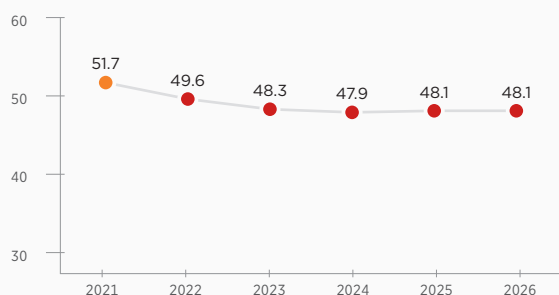
Progress toward greater economic freedom has been very uneven, and Ethiopia underperforms in many critical policy areas. The absence of an independent and fair judiciary weakens the rule of law and undermines prospects for the country's long-term economic development. Open-market policies have advanced only marginally. The weak and uncertain regulatory framework impedes expansion and diversification of the productive base. The formal labor market is underdeveloped. Employment regulations remain outmoded, but their enforcement is not stringent.

ECONOMIC FREEDOM SCORE



HISTORICAL INDEX SCORE CHANGE (SINCE 1995): +5.5

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
105.7 million

GDP (PPP):
\$443.3 billion
7.2% growth in 2025
3-year average growth rate: 7.5%
\$4,420 per capita

UNEMPLOYMENT:
3.4%

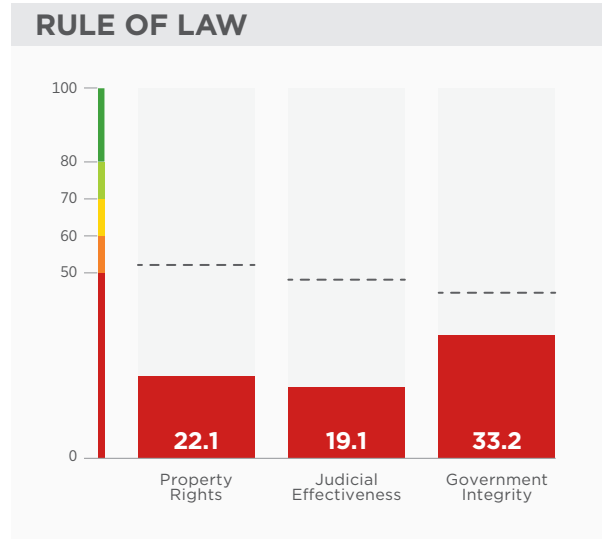
INFLATION (CPI):
21.0%

TRADE AS % OF GDP: 17.3%

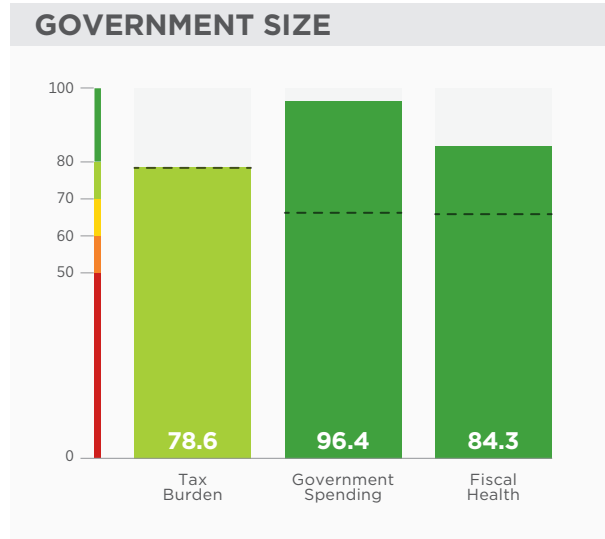
PUBLIC DEBT:
32.7% of GDP

2025 data unless otherwise noted. Data compiled as of January 2026.

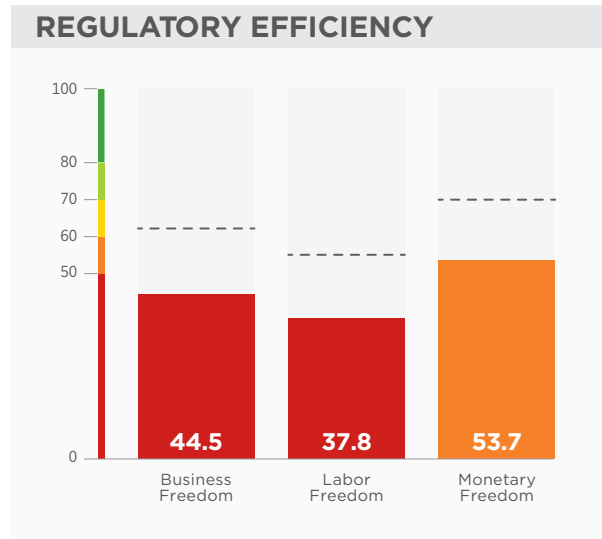
12 ECONOMIC FREEDOMS | ETHIOPIA



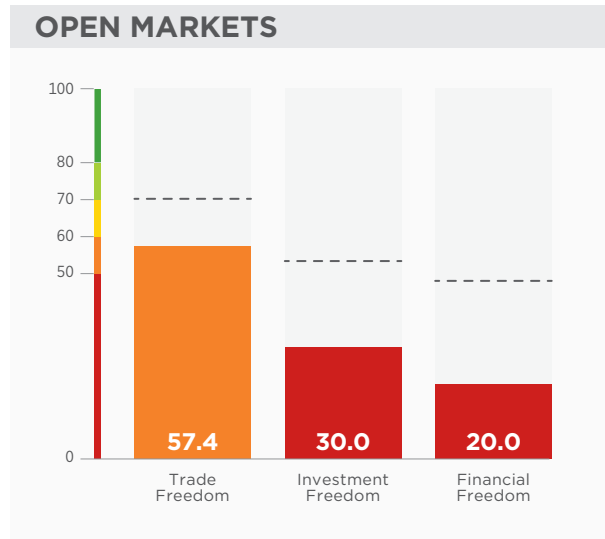
The overall rule of law is weak in Ethiopia. The country's property rights score is below the world average; its judicial effectiveness score is below the world average; and its government integrity score is below the world average.



The top individual income tax rate is 35 percent, and the top corporate tax rate is 30 percent. The tax burden equals 3.4 percent of GDP. Three-year government spending and budget balance averages are, respectively, 11.0 percent and -2.9 percent of GDP. Public debt amounts to 32.7 percent of GDP.



Ethiopia's overall regulatory environment is very inefficient and not conducive to entrepreneurial activity. The country's business freedom score is far below the world average; its labor freedom score is below the world average; and its monetary freedom score is well below the world average.



The trade-weighted average tariff rate is 11.3 percent, and nontariff barriers further undermine the freedom to trade. Lack of access to financing precludes entrepreneurial growth, and the investment environment is undermined by political and security challenges and lacks transparency.