

WORLD RANK:

129

REGIONAL RANK:

27

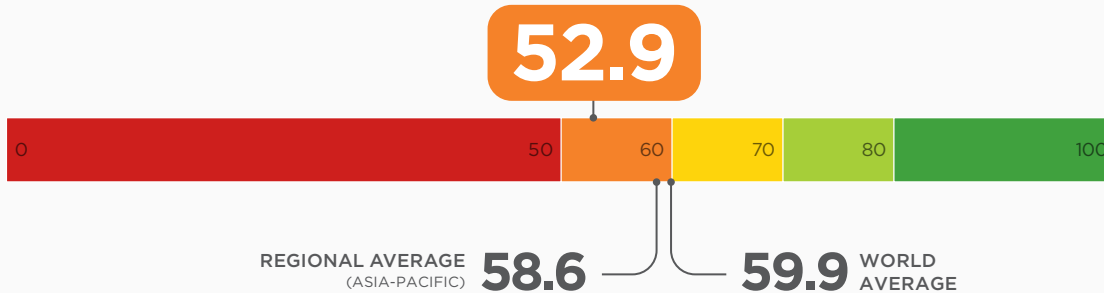
ECONOMIC FREEDOM STATUS:
MOSTLY UNFREE

NEPAL

Nepal's economic freedom score is 52.9, making its economy the 129th freest in the 2026 *Index of Economic Freedom*. Its rating has increased by 0.4 point from last year, and Nepal is ranked 27th out of 39 countries in the Asia-Pacific region. The country's economic freedom score is lower than the global and regional averages. Nepal's economy is considered "mostly unfree" according to the 2026 *Index*.

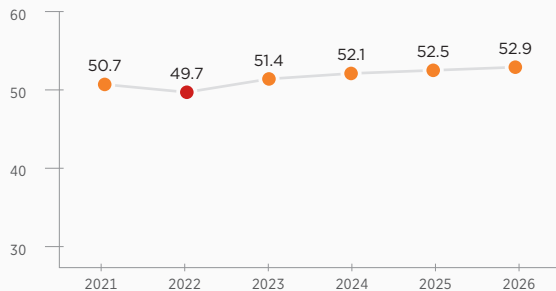
The government's statist approach to the economy seriously weakens economic freedom and development in Nepal. Corruption, a lack of transparency, and a burdensome business approval process impede much-needed expansion of private investment and production. Property rights are poorly protected by the inefficient judicial system, which is subject to substantial political influence. Despite some progress in streamlining the process for launching a business, other time-consuming and costly requirements reduce regulatory efficiency. Labor laws are restrictive. There is a talent drain, especially among educated youth.

ECONOMIC FREEDOM SCORE



HISTORICAL INDEX SCORE CHANGE (SINCE 1996): +2.6

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
31.1 million

GDP (PPP):
\$170.3 billion
4.3% growth in 2025
3-year average growth rate: 3.3%
\$6,140 per capita

UNEMPLOYMENT:
10.8%

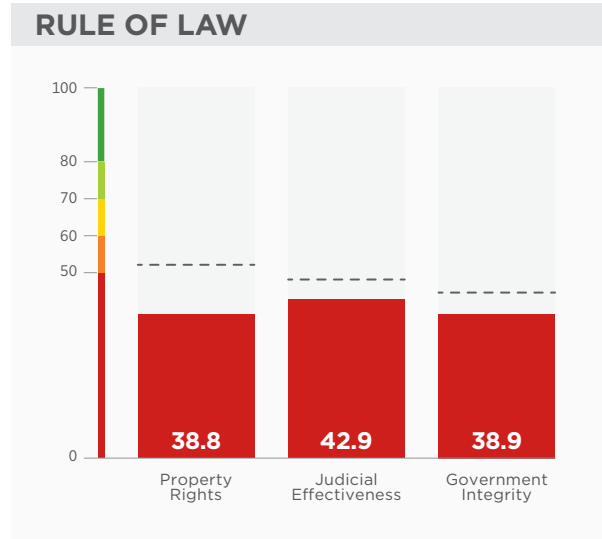
INFLATION (CPI):
5.4%

TRADE AS % OF GDP: 40.5%

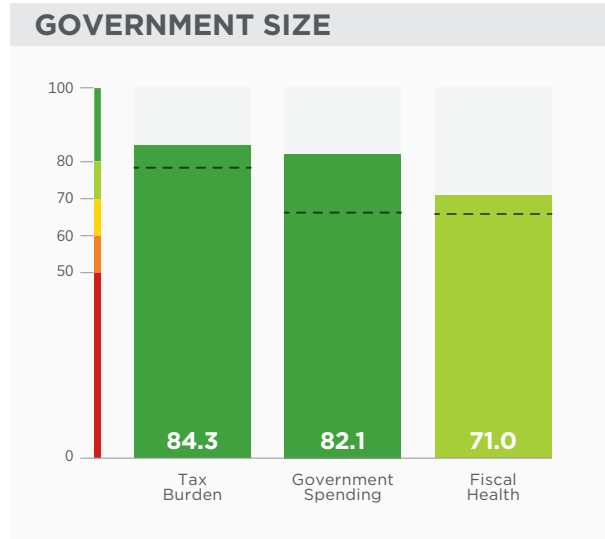
PUBLIC DEBT:
48.3% of GDP

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

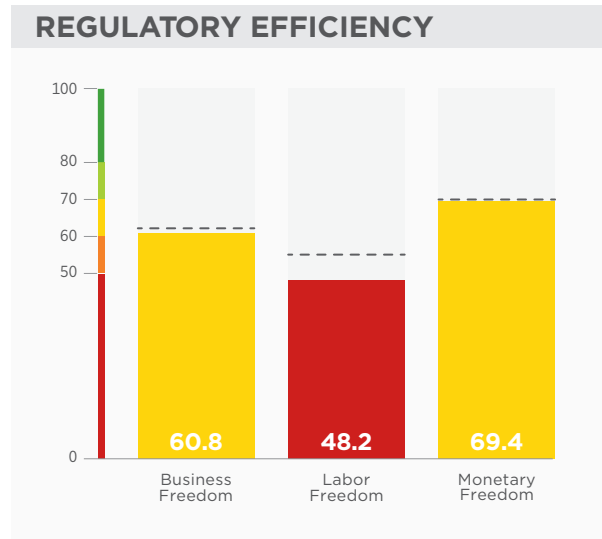
12 ECONOMIC FREEDOMS | NEPAL



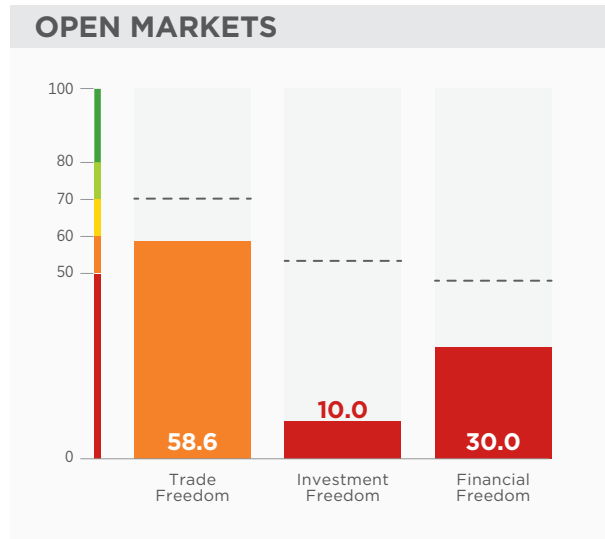
The overall rule of law is weak in Nepal. The country's property rights score is below the world average; its judicial effectiveness score is below the world average; and its government integrity score is below the world average.



The top individual income tax rate is 25 percent, and the top corporate tax rate is 25 percent. The tax burden equals 17.8 percent of GDP. Three-year government spending and budget balance averages are, respectively, 24.4 percent and -3.9 percent of GDP. Public debt amounts to 48.3 percent of GDP.



Nepal's overall regulatory environment is poorly institutionalized and inefficient. The country's business freedom score is below the world average; its labor freedom score is below the world average; and its monetary freedom score is below the world average.



The trade-weighted average tariff rate is 13.2 percent. The government's statist approach to economic management and development has been a serious drag on trade and investment activities. The financial sector is dominated by banking and remains underdeveloped and vulnerable to state interference.