

WORLD RANK:

144

REGIONAL RANK:

32

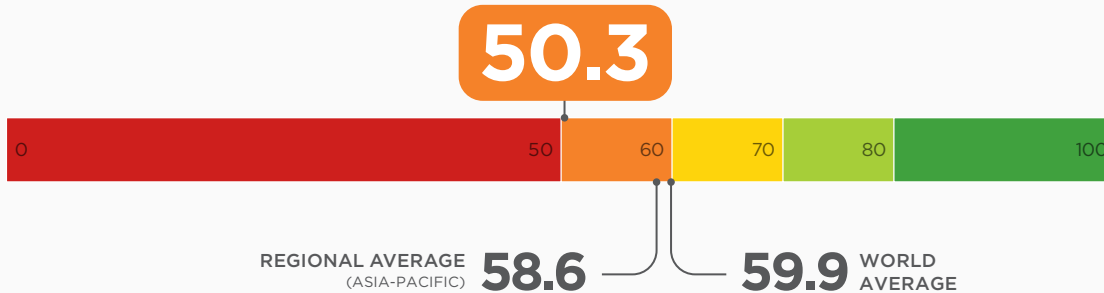
ECONOMIC FREEDOM STATUS:
MOSTLY UNFREE

SRI LANKA

Sri Lanka's economic freedom score is 50.3, making its economy the 144th freest in the 2026 *Index of Economic Freedom*. Its rating has increased by 0.9 point from last year, and Sri Lanka is ranked 32nd out of 39 countries in the Asia-Pacific region. The country's economic freedom score is lower than the global and regional averages. Sri Lanka's economy is considered "mostly unfree" according to the 2026 *Index*.

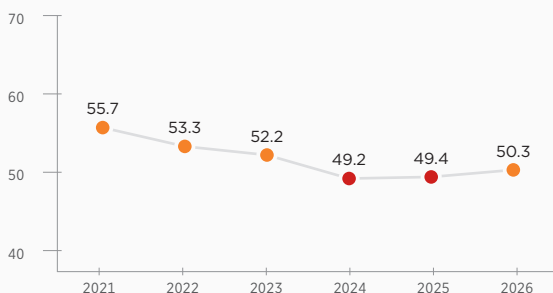
In a period of instability and uncertainty, challenges to economic freedom in Sri Lanka are considerable. The inefficient judicial system, susceptible to corruption and political influence, undermines property rights. The state's extensive presence in the economy discourages private-sector development. The overall regulatory framework is burdensome, and the unpredictable economic policy environment and state interference further increase the cost of conducting business. Labor regulations are rigid, and the labor market is underdeveloped. Monetary stability has been weakened, and inflationary pressure persists.

ECONOMIC FREEDOM SCORE



HISTORICAL INDEX SCORE CHANGE (SINCE 1995): -10.3

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
22.2 million

GDP (PPP):
\$343.1 billion
5.0% growth in 2025
3-year average growth rate: 1.3%
\$14,267 per capita

UNEMPLOYMENT:
5.0%

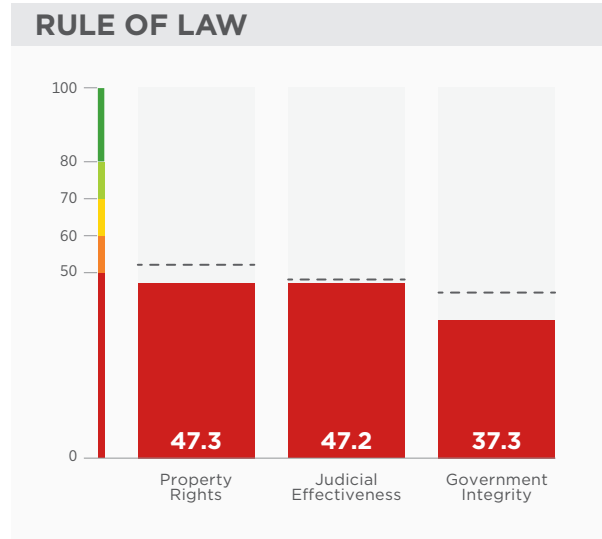
INFLATION (CPI):
1.2%

TRADE AS % OF GDP: 42.4%

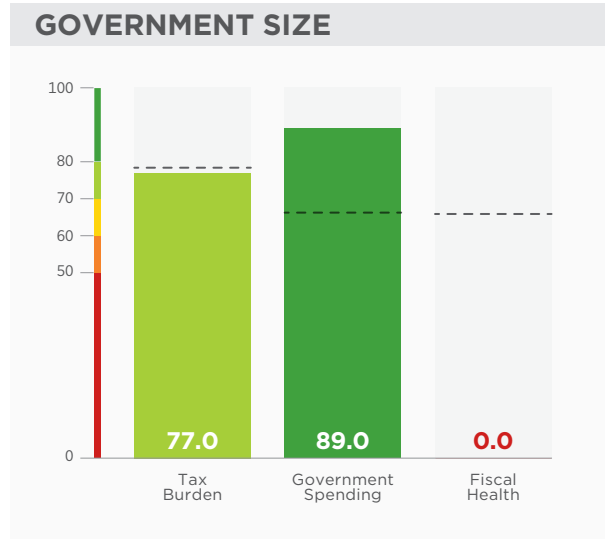
PUBLIC DEBT:
100.8% of GDP

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

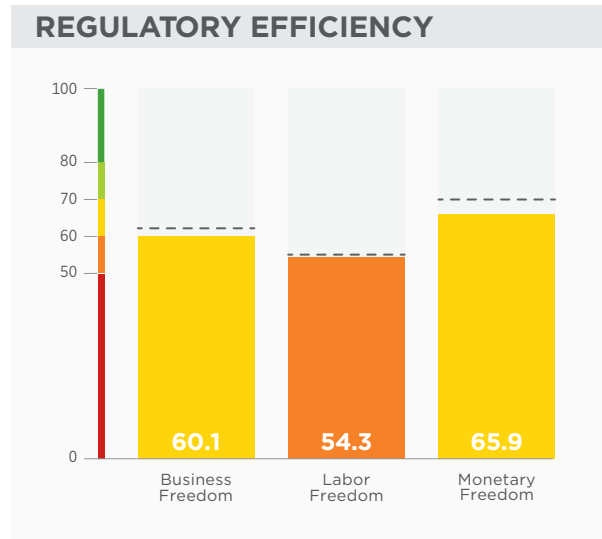
12 ECONOMIC FREEDOMS | SRI LANKA



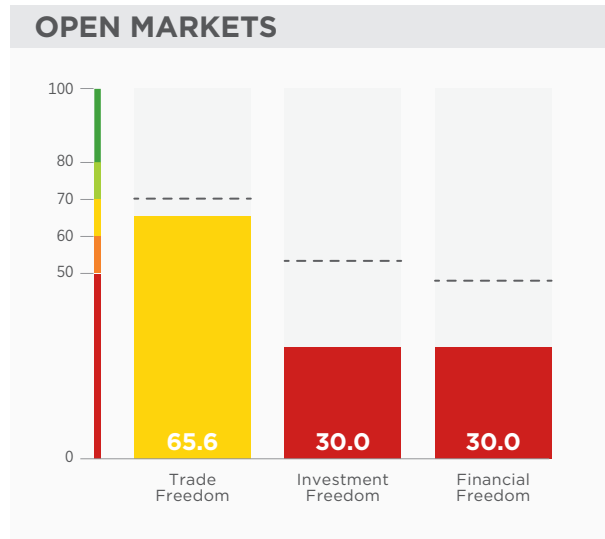
The overall rule of law is weak in Sri Lanka. The country's property rights score is below the world average; its judicial effectiveness score is below the world average; and its government integrity score is below the world average.



The top individual income tax rate is 36 percent, and the top corporate tax rate is 30 percent. The tax burden equals 10.0 percent of GDP. Three-year government spending and budget balance averages are, respectively, 19.1 percent and -8.1 percent of GDP. Public debt amounts to 100.8 percent of GDP.



Sri Lanka's overall regulatory environment is relatively well institutionalized but lacks efficiency. 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 7.2 percent, and extensive nontariff barriers are in force. Bureaucracy and inadequate infrastructure discourage the dynamic growth of private investment. Nonperforming loans remain a problem in the banking system, and the state continues to influence credit allocation.