

MALDIVES

WORLD RANK: REGIONAL RANK:

161

36

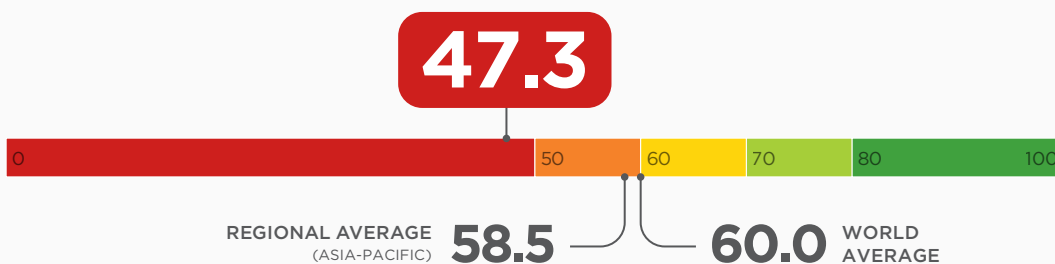
ECONOMIC FREEDOM STATUS:
REPRESSED

The Maldives' economic freedom score is 47.3, making its economy the 161st freest in the 2022 *Index*. The Maldives is ranked 36th among 39 countries in the Asia-Pacific region, and its overall score is below the regional and world averages.

After growing from 2017 through 2019, the Maldives' economy contracted in 2020 and recovered in 2021. During those five years, economic freedom at first strengthened but then weakened significantly. Driven down by weak scores for **fiscal health** and **business freedom**, the Maldives has recorded a 3.0-point overall loss of economic freedom since 2017 and has fallen from the "Mostly Unfree" category to the "Repressed" category. Although the economy is lightly burdened by taxes, **investment freedom** and **financial freedom** are very anemic.

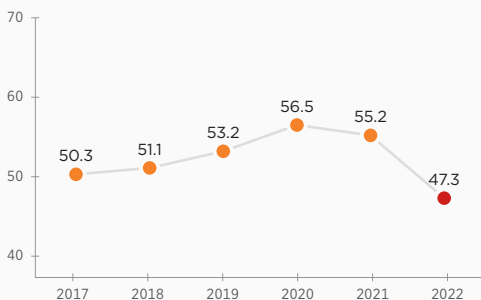
IMPACT OF COVID-19: As of December 1, 2021, 251 deaths had been attributed to the pandemic in the Maldives. The economy contracted by 32.2 percent in 2020.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 2009): -4.0

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
0.5 million

GDP (PPP):
\$7.4 billion
-32.2% growth in 2020
5-year compound annual growth -0.7%
\$19,609 per capita

UNEMPLOYMENT:
7.2%

INFLATION (CPI):
-1.6%

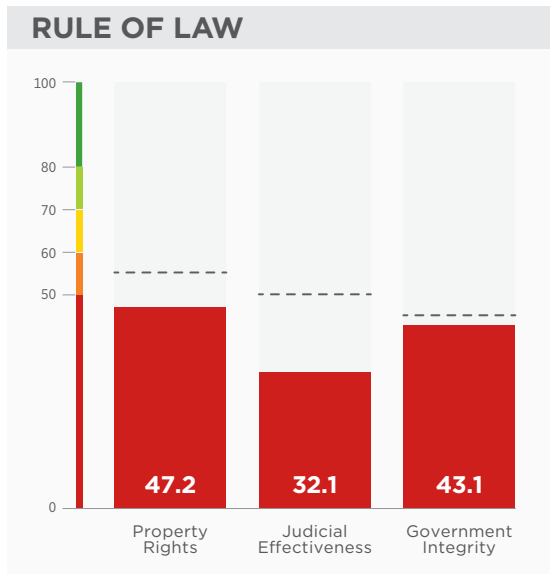
FDI INFLOW:
\$348.0 million

PUBLIC DEBT:
142.6% of GDP

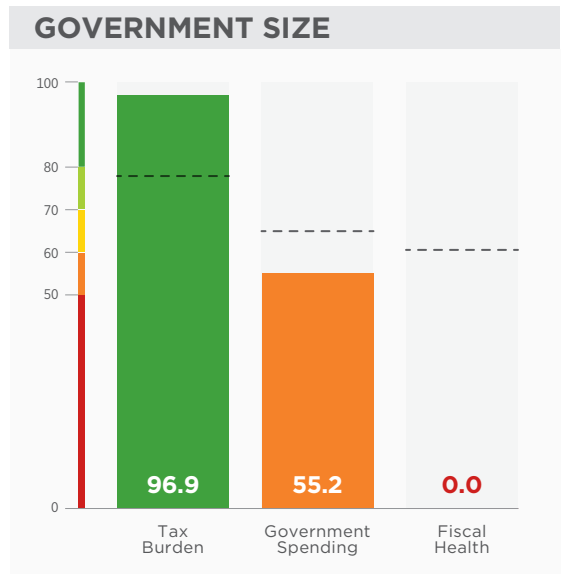
2020 data unless otherwise noted. Data compiled as of September 2021

BACKGROUND: The Muslim-majority Maldives archipelago lies southwest of India in the Arabian Sea. Ibrahim Mohamed Solih handily defeated incumbent President Abdulla Yameen in 2018 elections with a surprising 58 percent of the vote. Solih's Maldivian Democratic Party also won the most seats in the 2019 parliamentary elections. Current Parliament Speaker and former President Mohamed Nasheed (who is also one of Solih's close friends) survived an assassination attempt in May 2021. Political tensions increased when Yameen took actions to weaken democratic institutions, curtail civil liberties, and tilt the country away from India and toward China, from which he borrowed heavily. Driven by the rapid growth of its tourism and fisheries sectors, the Maldives has become a middle-income country.

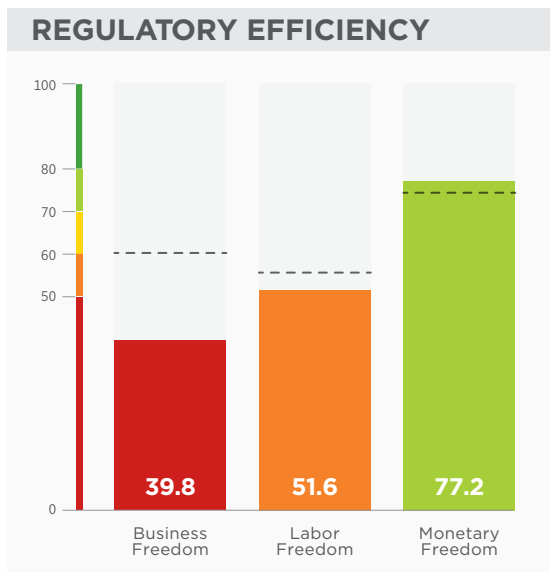
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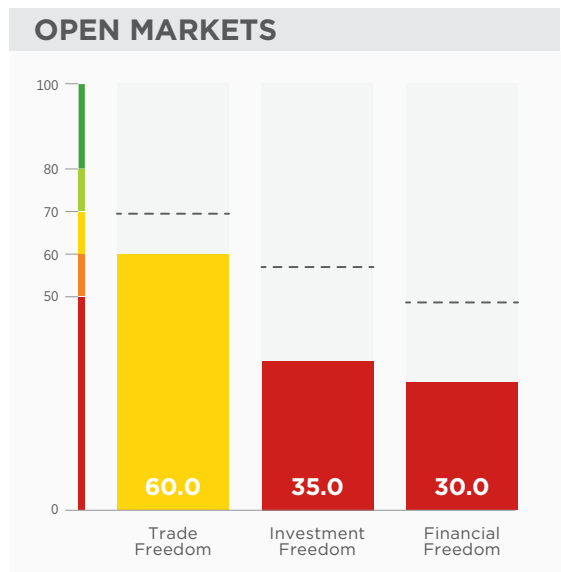
Property rights are limited. The state owns most land and leases it to private owners or developers. The judiciary is slow, politicized, often arbitrary, and subject to external influence. It is estimated that 25 percent of the country's judges have criminal records. Corruption is endemic at all levels of government. The enforcement of laws remains inconsistent and targets the political opposition. Some whistleblowers and journalists have been jailed.



The Maldives government levies no personal income or corporate tax. Bank profits are subject to a profits tax. The overall tax burden equals 17.5 percent of total domestic income. Government spending has amounted to 38.6 percent of total output (GDP) over the past three years, and budget deficits have averaged 11.9 percent of GDP. Public debt is equivalent to 142.6 percent of GDP.



Upgrades to telecommunications infrastructure have been extended to outer islands, but some further upgrades were slowed by COVID-19, which also has contributed to widespread job losses. About 70 percent of the labor force works in services. In 2021, according to the finance ministry, the government subsidized more than 60 percent of the price of staples (rice, sugar, flour) and funded higher subsidies for electricity and fuel.



The Maldives has two preferential trade agreements in force. The trade-weighted average tariff rate is 12.5 percent, and nontariff barriers persist. A new foreign investment code that still excludes several sectors from foreign participation and ownership was adopted in 2020. The financial sector is shallow and dominated by banking. Costly credit and limited access to financial services impede development of a vibrant private sector.