

WORLD RANK: REGIONAL RANK:

90

19

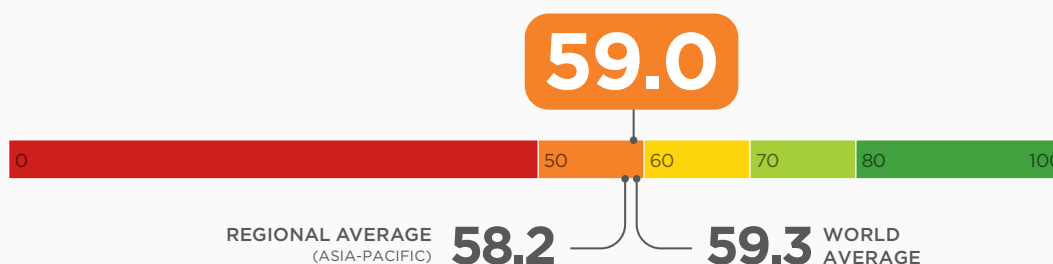
ECONOMIC FREEDOM STATUS:  
MOSTLY UNFREE

# BHUTAN

**B**hutan's economic freedom score is 59.0, making its economy the 90th freest in the 2023 *Index*. Its score has decreased 0.3 point from last year. Bhutan is ranked 19th out of 39 countries in the Asia-Pacific region, and its overall score is below the global average.

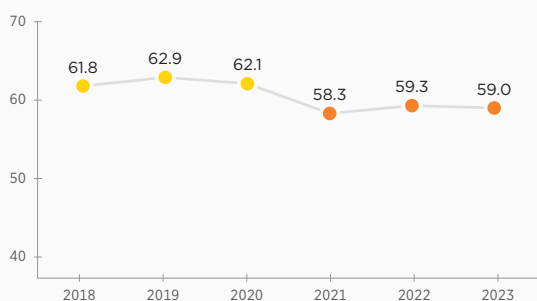
Bhutan is modernizing its economic structure. The public sector has long been the main source of economic growth, but the government now recognizes the importance of private-sector development and has assigned a higher priority to economic diversification, particularly in light of demographic shifts that will bring more young people into the labor market.

## ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 2009): +1.3

## RECENT FREEDOM TREND



## QUICK FACTS

**POPULATION:**  
0.8 million

**GDP (PPP):**  
\$8.9 billion  
-3.7% growth in 2021  
5-year compound  
annual growth 1.7%  
\$11,802 per capita

**UNEMPLOYMENT:**  
2.5%

**INFLATION (CPI):**  
8.2%

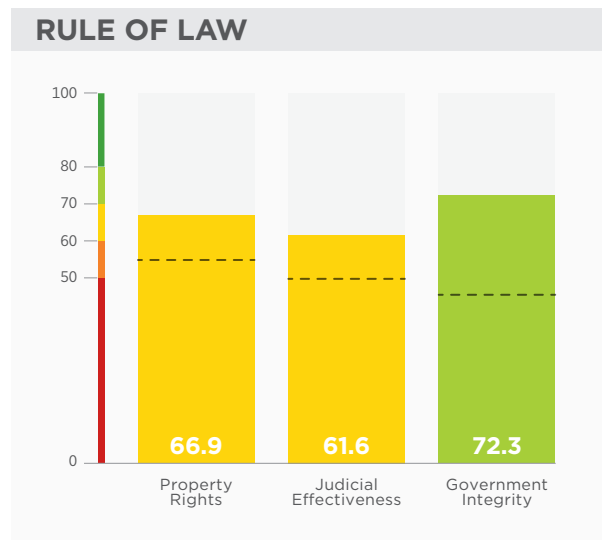
**FDI INFLOW:**  
\$1.6 million

**PUBLIC DEBT:**  
132.4% of GDP

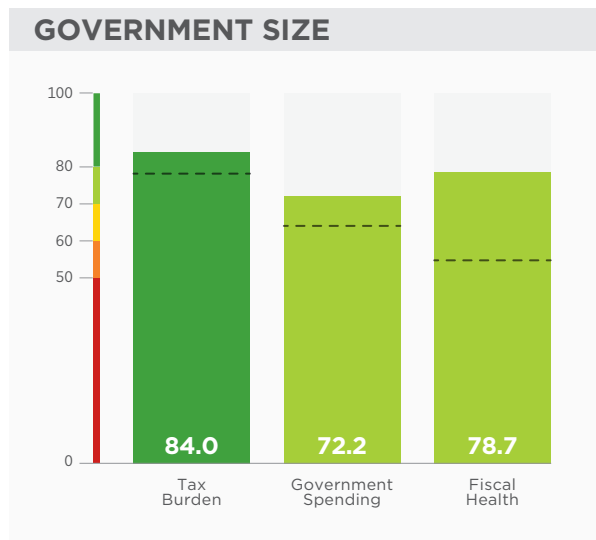
*2021 data unless otherwise noted. Data compiled as of September 2022*

**BACKGROUND:** The small Himalayan kingdom of Bhutan transitioned from absolute monarchy to constitutional parliamentary democracy in 2008 and is one of the world's smallest and least-developed economies. Until recently, the landlocked country was largely agrarian with few roads, little electricity, and no modern hospitals. Bhutan is in the throes of an economic crisis prompted by its zero-COVID policies and supply shortages that have been made worse by Russia's war in Ukraine. These crises have damaged tourism, diminished foreign exchange reserves, and prompted a spike in fuel and food prices. Bhutan's principal exports include ferroalloys, semi-finished iron, cement, dolomite, and carbides.

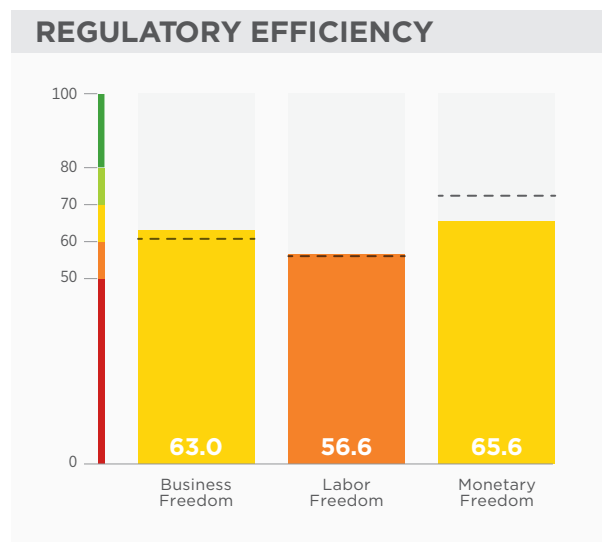
## 12 ECONOMIC FREEDOMS | BHUTAN



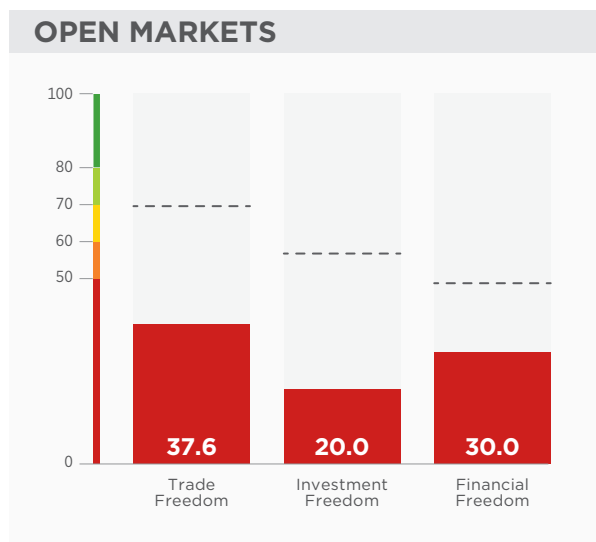
The overall rule of law is relatively well respected in Bhutan. The country's property rights score is above the world average; its judicial effectiveness score is above the world average; and its government integrity score is above the world average.



The top individual and corporate tax rates are, respectively, 25 percent and 30 percent. The tax burden equals 8.9 percent of GDP. Three-year government spending and budget balance averages are, respectively, 30.4 percent and -0.9 percent of GDP. Public debt equals 132.4 percent of GDP.



A modern regulatory framework has not been fully developed. Despite recent efforts, the enforcement of regulations continues to be inconsistent. The government has responded to labor shortages by initiating several skilling and reskilling programs. The most recent available inflation rate is 8.2 percent.



The trade-weighted average tariff rate is 23.7 percent, and layers of nontariff barriers significantly impede dynamic flows of trade. The underdeveloped investment framework limits opportunities to attract foreign investment. The financial sector is rudimentary.