

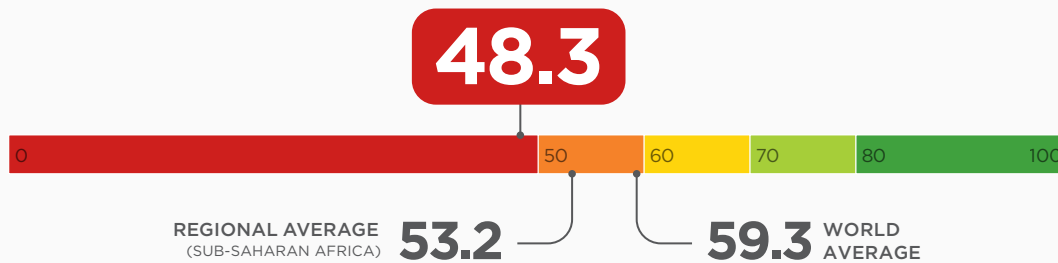
ETHIOPIA

WORLD RANK: **155** REGIONAL RANK: **38**
 ECONOMIC FREEDOM STATUS: **REPRESSED**

Ethiopia's economic freedom score is 48.3, making its economy the 155th freest in the 2023 *Index*. Its score is 1.3 points lower than last year. Ethiopia is ranked 38th out of 47 countries in the Sub-Saharan Africa region, and its overall score is below the world and regional averages.

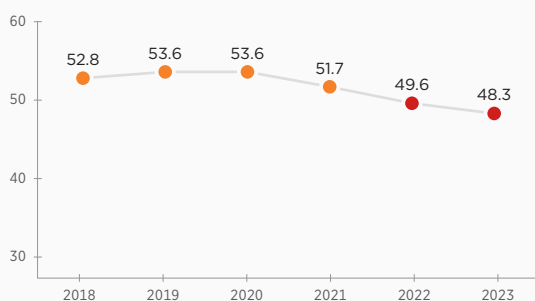
Progress toward greater economic freedom has been very uneven, and Ethiopia underperforms in many critical policy areas. The absence of an independent and fair judiciary weakens the rule of law and undermines prospects for long-term economic development. Corruption is pervasive, and government services are inefficient. Open-market policies have advanced only marginally.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +5.7

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
117.9 million

GDP (PPP):
\$312.8 billion
6.3% growth in 2021
5-year compound annual growth 7.9%
\$3,137 per capita

UNEMPLOYMENT:
n/a

INFLATION (CPI):
26.8%

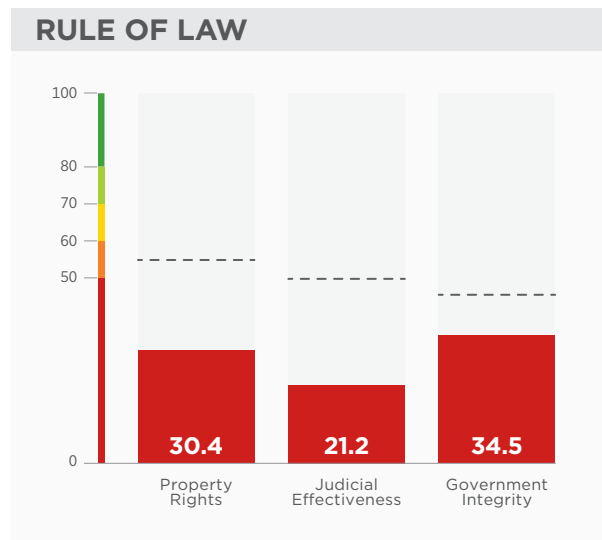
FDI INFLOW:
\$4.3 billion

PUBLIC DEBT:
53.0% of GDP

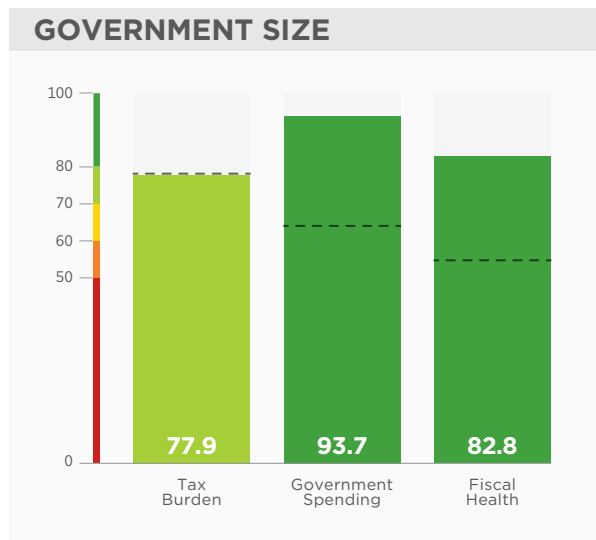
2021 data unless otherwise noted. Data compiled as of September 2022

BACKGROUND: A military junta deposed Emperor Haile Selassie in 1974 and established a socialist state. In 1991, the Ethiopian People's Revolutionary Democratic Front replaced the junta with a repressive one-party system dominated by the Tigray tribe. The marginalized Oromo tribe's protests led to the rise of Prime Minister Abiy Ahmed in 2018. A civil war broke out in 2020, and Abiy returned to power in 2021 after his Prosperity Party won a large majority of parliamentary seats following the imprisonment of some opposition leaders. The war has exacerbated the persistent challenges of high unemployment, poverty, and a large debt burden.

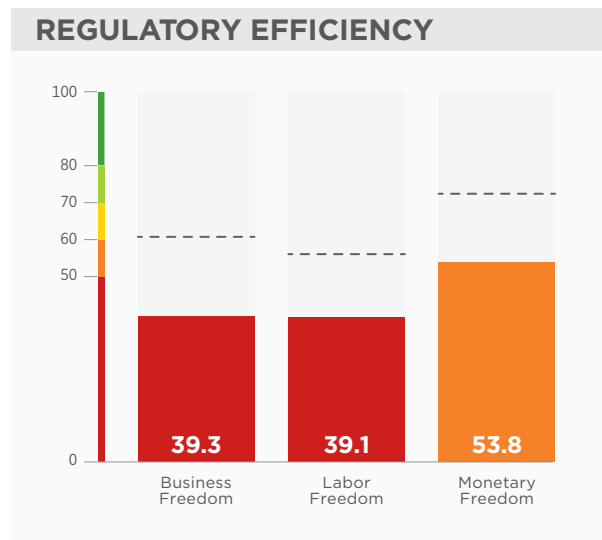
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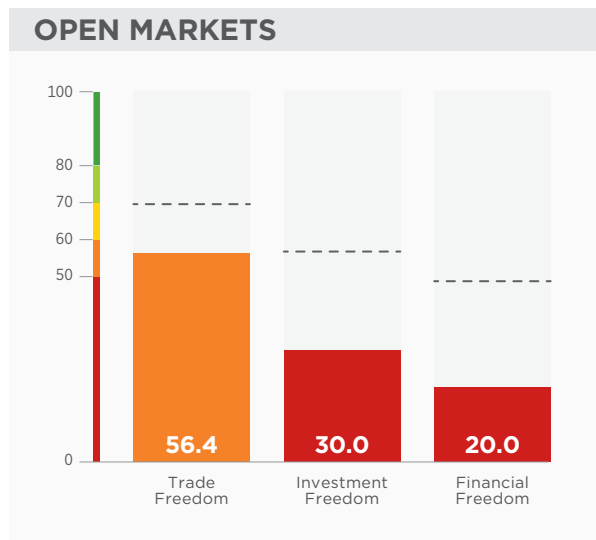
The overall rule of law is weak in Ethiopia. The country's property rights score is below the world average; its judicial effectiveness score is below the world average; and its government integrity score is below the world average.



The top individual and corporate tax rates are, respectively, 35 percent and 30 percent. The tax burden equals 9.2 percent of GDP. Three-year government spending and budget balance averages are, respectively, 14.5 percent and -2.7 percent of GDP. Public debt equals 53.0 percent of GDP.



The weak and uncertain regulatory framework impedes expansion and diversification of the productive base. The formal labor market is underdeveloped. Outmoded employment regulations remain a barrier to business, although enforcement is not stringent. The most recent available inflation rate is 26.8 percent.



The trade-weighted average tariff rate is 11.8 percent, and nontariff barriers further increase the cost of trade. Lack of access to financing precludes entrepreneurial growth. The investment environment is undermined by political and security challenges and lacks transparency.