



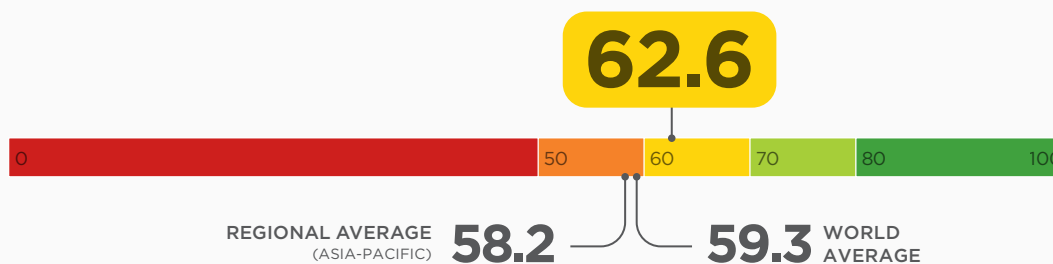
WORLD RANK: <b>66</b>	REGIONAL RANK: <b>11</b>
ECONOMIC FREEDOM STATUS: <b>MODERATELY FREE</b>	

# MICRONESIA

Micronesia's economic freedom score is 62.6, making its economy the 66th freest in the 2023 *Index*. Its score has increased by 1.6 points since last year. Micronesia is ranked 11th out of 39 countries in the Asia-Pacific region, and its overall score is higher than the world and regional averages.

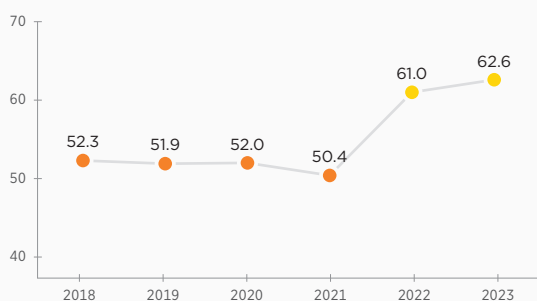
Poor governance and a lack of commitment to structural reform continue to discourage economic development in Micronesia. Long-standing problems include poor management of public finance and underdeveloped regulatory frameworks. The fragile rule of law and weak enforcement of property rights have driven many people into the informal sector.

## ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 2009): +10.9

## RECENT FREEDOM TREND



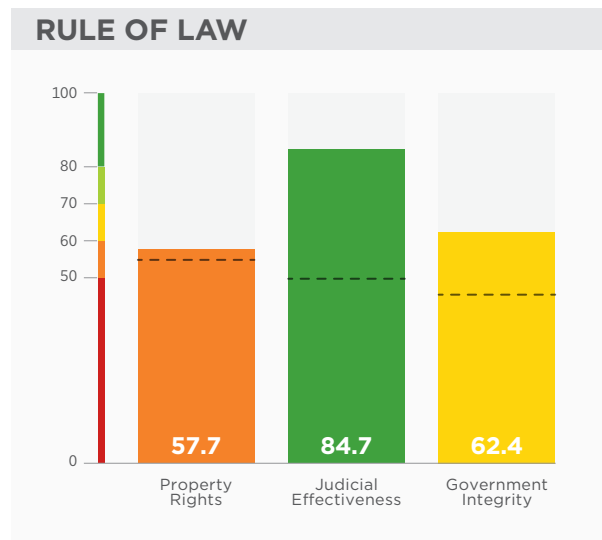
## QUICK FACTS

<b>POPULATION:</b> 0.1 million	<b>UNEMPLOYMENT:</b> 8.9%
<b>GDP (PPP):</b> \$0.4 billion -3.2% growth in 2021 5-year compound annual growth -0.2% \$3,459 per capita	<b>INFLATION (CPI):</b> 2.1%
	<b>FDI INFLOW:</b> \$0.0 million
	<b>PUBLIC DEBT:</b> 15.0% of GDP

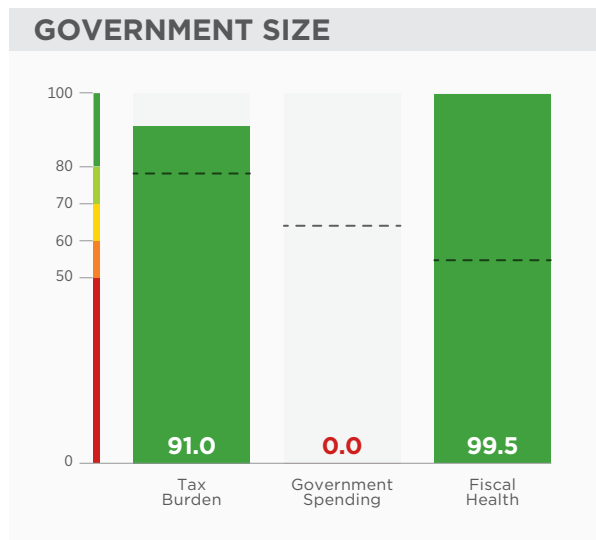
2021 data unless otherwise noted. Data compiled as of September 2022

**BACKGROUND:** In 1979, the eastern four island groups (Pohnpei, Chuuk, Yap, and Kosrae) of the South-west Pacific's widely scattered Caroline Islands adopted a constitution and became the Federated States of Micronesia. The 607-island archipelago's central government has limited powers. David Panuelo was elected president by a narrow margin in 2019. Elections for the unicameral parliament were held in March 2021. Under a Compact of Free Association signed in 1986 and up for renewal in 2023, the U.S. is responsible for Micronesia's defense and provides more than \$110 million annually in economic assistance. Economic activity consists largely of subsistence farming and fishing.

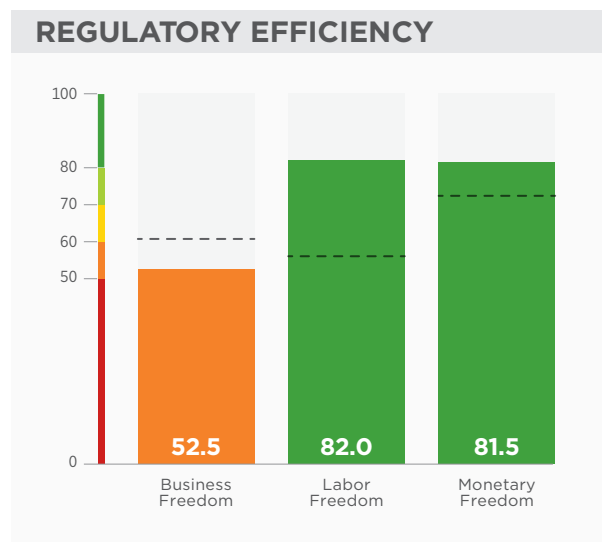
## 12 ECONOMIC FREEDOMS | MICRONESIA



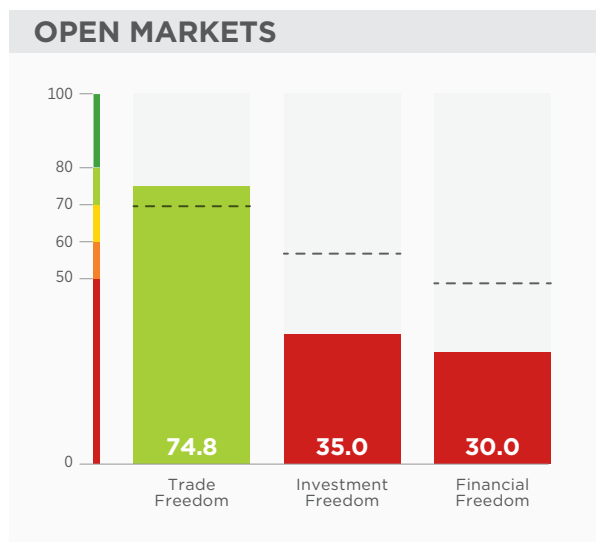
The overall rule of law is relatively well respected in Micronesia. The country's property rights score is above the world average; its judicial effectiveness score is above the world average; and its government integrity score is above the world average.



The top individual and corporate tax rates are, respectively, 10 percent and 21 percent. The tax burden equals 18.9 percent of GDP. Three-year government spending and budget balance averages are, respectively, 61.2 percent and 8.5 percent of GDP. Public debt equals 15.0 percent of GDP.



There is limited commercial activity. Government is the major player in larger towns, and Micronesia is primarily a subsistence economy. Commercial fishing is the key industry. Private-sector jobs lag far behind public-sector jobs. The most recent available inflation rate is 2.1 percent.



The average tariff rate is 5.1 percent, but nontariff barriers and poor trade infrastructure limit trade freedom. Numerous impediments discourage foreign investment. High credit costs and scarce access to financing constrain the small private sector. Much of the population does not use formal banking.