



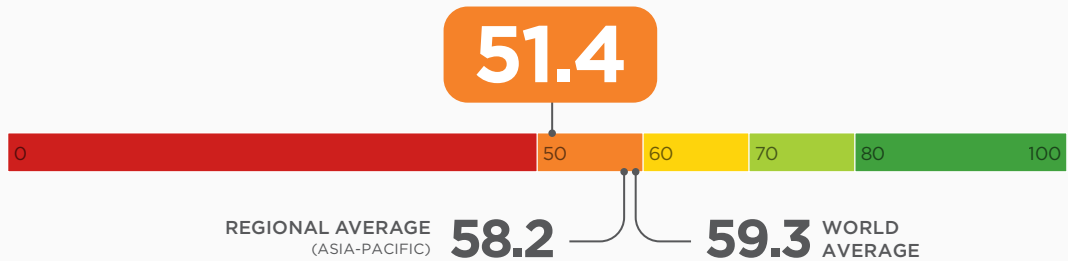
WORLD RANK: <b>142</b>	REGIONAL RANK: <b>30</b>
ECONOMIC FREEDOM STATUS: <b>MOSTLY UNFREE</b>	

# NEPAL

Nepal's economic freedom score is 51.4, making its economy the 142nd freest in the 2023 *Index*. Its score is 1.7 points higher than last year. Nepal is ranked 30th out of 39 countries in the Asia-Pacific region, and its overall score is below the world and regional averages.

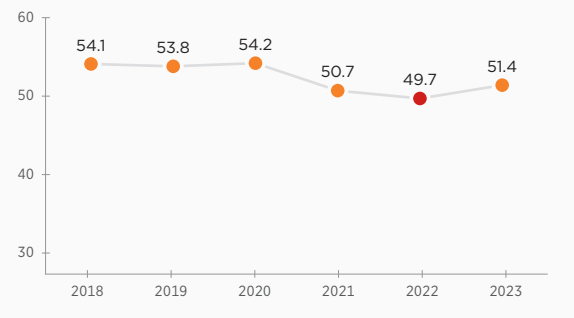
The government's statist approach to the economy seriously weakens economic freedom and development in Nepal. Corruption, a lack of transparency, and a burdensome business approval process impede much-needed expansion of private investment and production. Property rights are poorly protected by the inefficient judicial system, which is subject to substantial political influence.

## ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1996): +1.1

### RECENT FREEDOM TREND



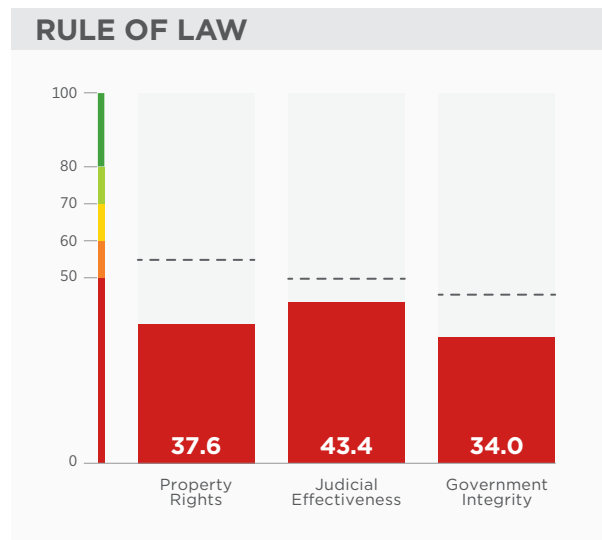
### QUICK FACTS

<b>POPULATION:</b> 3.0 million	<b>UNEMPLOYMENT:</b> 11.4%
<b>GDP (PPP):</b> \$124.9 billion 2.7% growth in 2021 5-year compound annual growth 4.8%	<b>INFLATION (CPI):</b> 3.6%
<b>FDI INFLOW:</b> \$196.0 million	<b>PUBLIC DEBT:</b> 45.8% of GDP

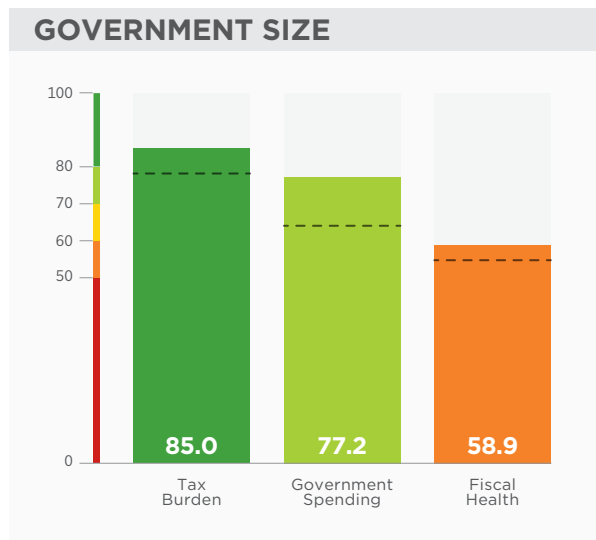
2021 data unless otherwise noted. Data compiled as of September 2022

**BACKGROUND:** The Kingdom of Nepal, a small Himalayan nation wedged between India and China, became a multiparty federal republic in 2008. Since then, its political life has been paralyzed by continuous instability. Nepal remains one of the world's poorest and least-developed countries. Sher Bahadur Deuba of the social democratic-leaning Nepali Congress Party became prime minister in 2021. China's growing footprint has become a source of contention with India, which traditionally has enjoyed an outsized influence on Nepal's foreign and economic policies. Nepal's principal exports include iron, steel, carpets, textiles, plastics, hollow tubes, beverages, and vegetables.

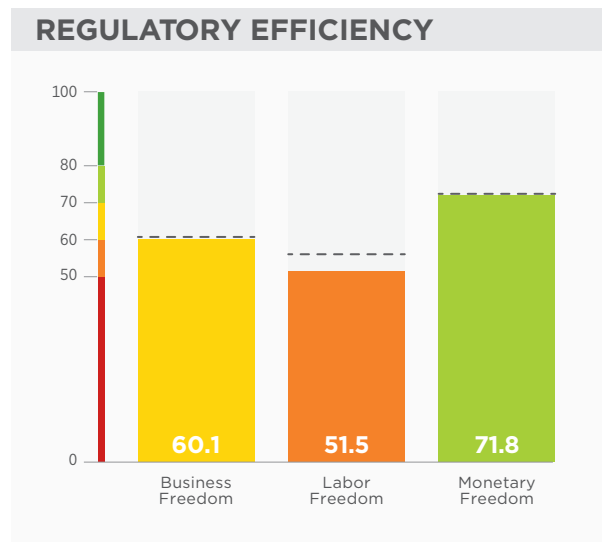
## 12 ECONOMIC FREEDOMS | NEPAL



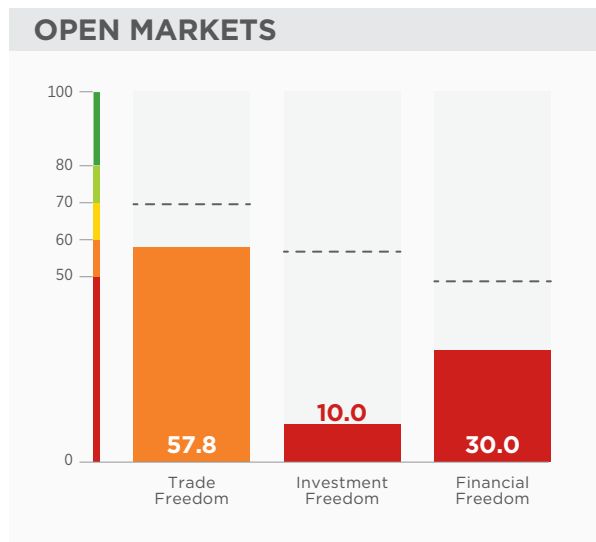
The overall rule of law is weak in Nepal. The country's property rights score is below the world average; its judicial effectiveness score is below the world average; and its government integrity score is below the world average.



The top individual and corporate tax rates are, respectively, 25 percent and 25 percent. The tax burden equals 15.7 percent of GDP. Three-year government spending and budget balance averages are, respectively, 27.6 percent and -4.8 percent of GDP. Public debt equals 45.8 percent of GDP.



Despite some progress in streamlining the process for launching a business, other time-consuming and costly requirements reduce regulatory efficiency. Labor laws are restrictive. There is a talent drain, especially among educated youth. The most recent available inflation rate is 3.6 percent.



The trade-weighted average tariff rate is 13.6 percent. The government's statist approach to economic management and development has had a seriously deterrent effect on trade and investment activities. The financial sector, dominated by banking, remains underdeveloped and vulnerable to state interference.