



WORLD RANK: **136** REGIONAL RANK: **28**

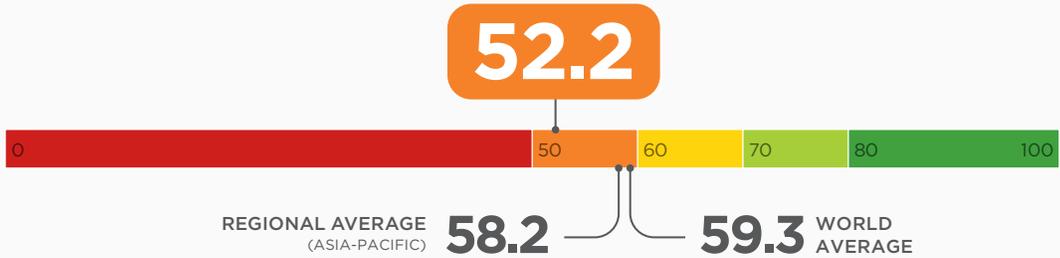
ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

# SRI LANKA

Sri Lanka's economic freedom score is 52.2, making its economy the 136th freest in the 2023 *Index*. Its score is 1.1 points lower than last year. Sri Lanka is ranked 28th out of 39 countries in the Asia-Pacific region, and its score remains below the world and regional averages.

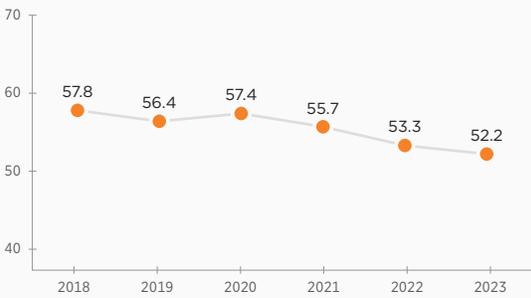
In a period of instability and uncertainty, challenges to economic freedom in Sri Lanka are considerable, particularly with respect to strengthening the fundamentals. Property rights are undermined by an inefficient judicial system that remains susceptible to corruption and political influence. The heavy state presence in the economy discourages private-sector development.

## ECONOMIC FREEDOM SCORE



HISTORICAL INDEX SCORE CHANGE (SINCE 1995): -8.4

## RECENT FREEDOM TREND



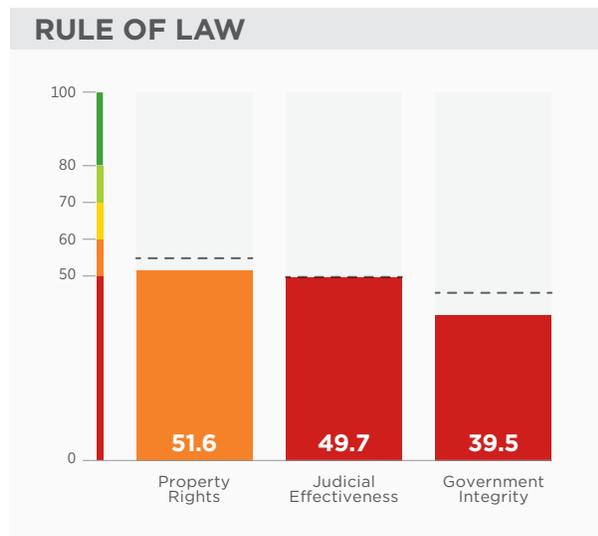
## QUICK FACTS

- POPULATION:** 22.2 million
- GDP (PPP):** \$312.7 billion  
3.6% growth in 2021  
5-year compound annual growth 1.8%  
\$14,190 per capita
- UNEMPLOYMENT:** 4.7%
- INFLATION (CPI):** 6.0%
- FDI INFLOW:** \$597.5 million
- PUBLIC DEBT:** 103.1% of GDP

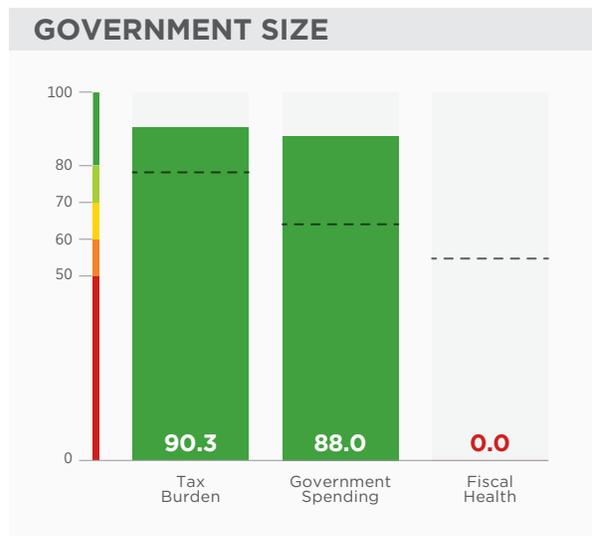
2021 data unless otherwise noted. Data compiled as of September 2022

**BACKGROUND:** Ceylon gained independence from the United Kingdom in 1948 and changed its name to Sri Lanka in 1972. In 2019, following a constitutional crisis and bombings by Islamist terrorists, former Defense Secretary Gotabaya Rajapaksa was elected president. He appointed his brother, former President Mahinda Rajapaksa, to be prime minister. In 2022, protests against deteriorating economic conditions forced both Rajapaksas to flee the country. The parliament chose former Prime Minister Ranil Wickremesinghe to serve as president. Religious and ethnic tensions between the Buddhist Sinhalese majority and Hindu Tamil minority persist. The economy is based on exports of processed commodities and garments.

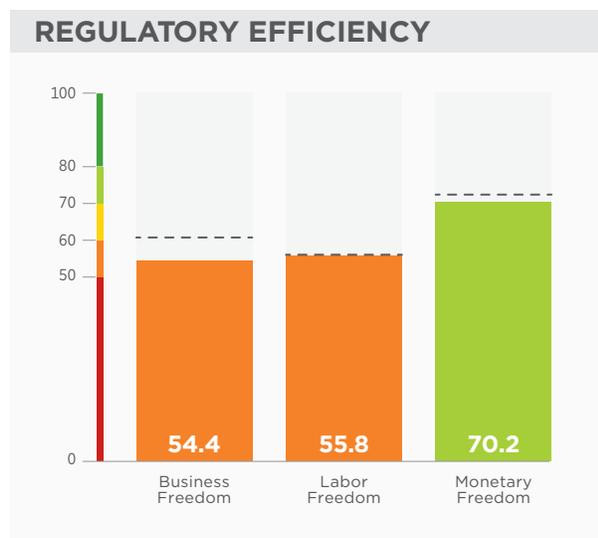
## 12 ECONOMIC FREEDOMS | SRI LANKA



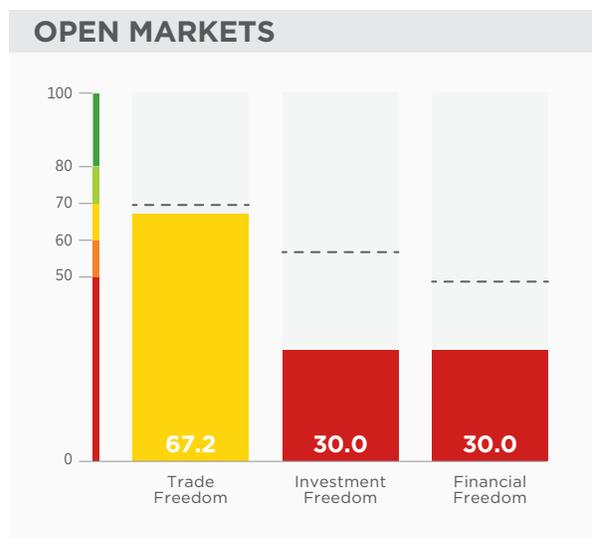
The overall rule of law is weak in Sri Lanka. The country's property rights score is below the world average; its judicial effectiveness score is above the world average; and its government integrity score is below the world average.



The top individual and corporate tax rates are, respectively, 18 percent and 24 percent. The tax burden equals 8.1 percent of GDP. Three-year government spending and budget balance averages are, respectively, 20.0 percent and -10.4 percent of GDP. Public debt equals 103.1 percent of GDP.



The overall regulatory framework is burdensome, and the unpredictable economic policy environment and state interference further increase the cost of conducting business. Labor regulations are rigid, and the labor market is underdeveloped. Monetary stability has been weakened, and inflationary pressure persists.



The trade-weighted average tariff rate is 6.4 percent, and extensive nontariff barriers are in force. Bureaucracy and inadequate infrastructure discourage the dynamic growth of private investment. Nonperforming loans remain a problem in the banking system, and the state continues to influence credit allocation.