

WORLD RANK: **159** | REGIONAL RANK: **35**

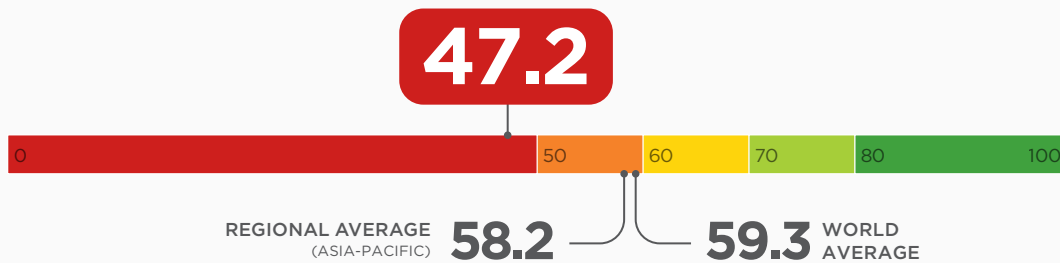
ECONOMIC FREEDOM STATUS: **REPPRESSED**

# TIMOR-LESTE

**T**imor-Leste's economic freedom score is 47.2, making its economy the 159th freest in the 2023 *Index*. Its score has increased by 0.9 point from last year. Timor-Leste is ranked 35th out of 39 countries in the Asia-Pacific region, and its overall score is well below the world and regional averages.

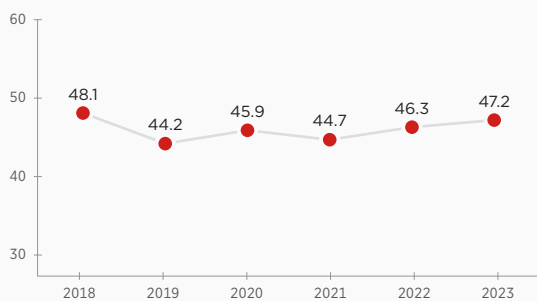
Despite improved freedom from corruption and investment freedom, economic freedom remains severely constrained in Timor-Leste. The economic base is narrow, and political instability discourages lasting economic development. The state plays an outsized role in the economy. Private-sector development is also limited by burdensome regulation and an underdeveloped financial sector.

## ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 2009): -3.3

## RECENT FREEDOM TREND



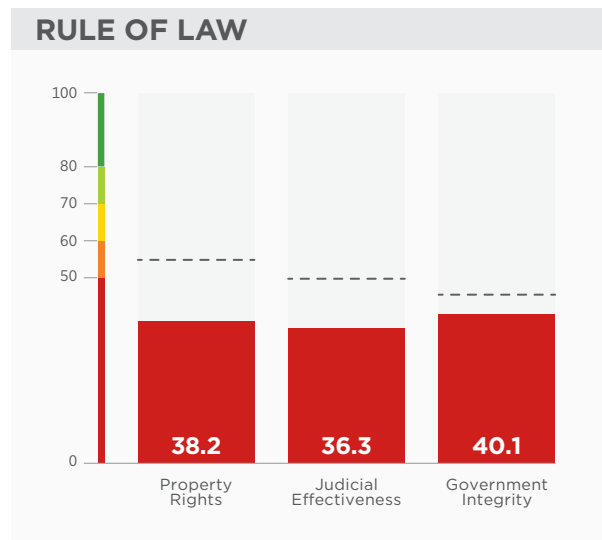
## QUICK FACTS

<b>POPULATION:</b> 1.3 million	<b>UNEMPLOYMENT:</b> 4.7%
<b>GDP (PPP):</b> \$5.4 billion 1.8% growth in 2021 5-year compound annual growth -1.7% \$4,053 per capita	<b>INFLATION (CPI):</b> 3.8%
	<b>FDI INFLOW:</b> \$85.3 million
	<b>PUBLIC DEBT:</b> 10.0% of GDP

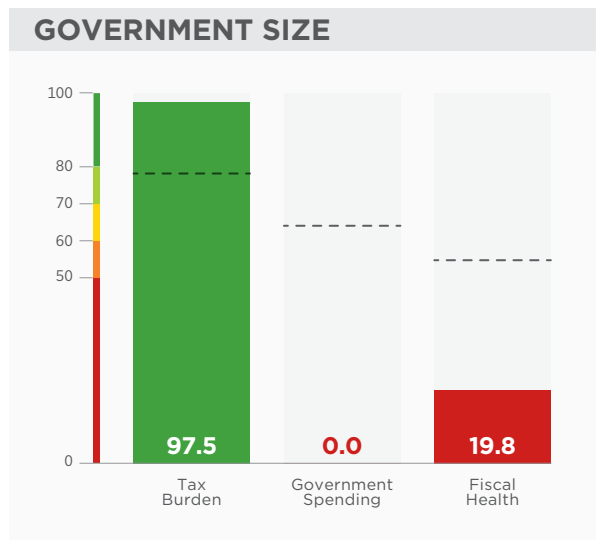
2021 data unless otherwise noted. Data compiled as of September 2022

**BACKGROUND:** The Democratic Republic of Timor-Leste gained independence from Indonesia in 2002 and has struggled to achieve political stability. Current President Jose Ramos-Horta, who served previously as president from 2007–2008 and 2008–2012, was reelected by an overwhelming margin in 2022. Timor-Leste remains one of the poorest countries in East Asia and is heavily dependent on foreign aid. Economic liberalization has largely stalled. Oil and gas account for more than 90 percent of GDP and 70 percent of government revenue. The technology-intensive oil industry has done little to create jobs.

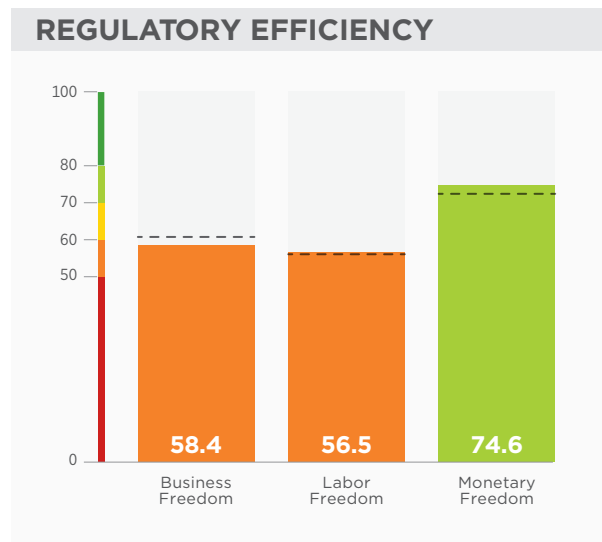
## 12 ECONOMIC FREEDOMS | TIMOR-LESTE



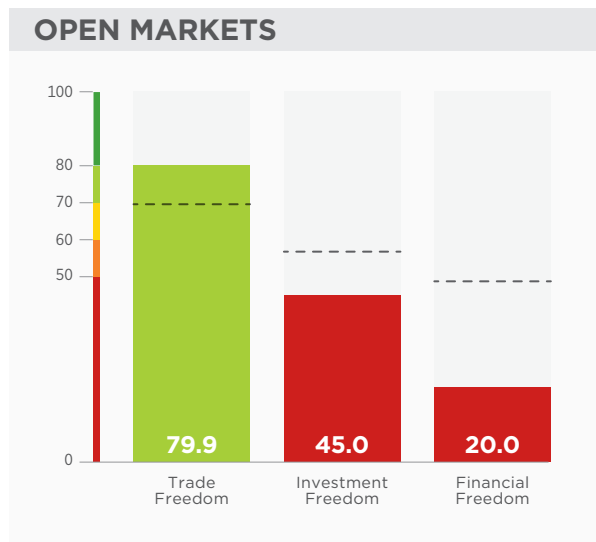
The overall rule of law is weak in Timor-Leste. The country's property rights score is below the world average; its judicial effectiveness score is below the world average; and its government integrity score is below the world average.



The top individual and corporate tax rates are 10 percent. The tax burden equals 7.3 percent of GDP. Three-year government spending and budget balance averages are, respectively, 68.9 percent and -25.8 percent of GDP. Public debt equals 10.0 percent of GDP.



The overall freedom to launch and operate a business remains constrained by a burdensome regulatory environment. The public sector accounts for about half of nonagricultural employment, and the formal labor market remains underdeveloped. Monetary stability has not been well established.



The trade-weighted average tariff rate is 2.5 percent, and nontariff barriers distort trade flows. The investment environment is significantly limited by inadequate institutional capacity and poor infrastructure. The financial sector is very small and underdeveloped. The population has limited access to financial services.