

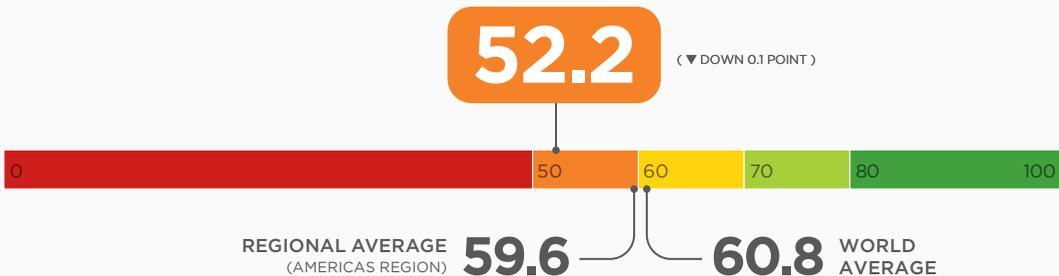
ARGENTINA

Argentina's economic freedom score is 52.2, making its economy the 148th freest in the 2019 *Index*. Its overall score has decreased by 0.1 point, with plunging scores for **fiscal health** and **government spending** outweighing improvements in **monetary freedom** and **property rights**. Argentina is ranked 26th among 32 countries in the Americas region, and its overall score remains below the regional and world averages.

Notwithstanding an ongoing crisis of confidence in the economy, President Mauricio Macri is sticking with his government's politically risky austerity plan of budget cuts and tax increases to close the fiscal gap. These unpopular measures include the continued unwinding of costly energy subsidies, which caused prices of regulated goods and services to rise and spiked inflation. If Macri can succeed in restoring fiscal health, he will be well positioned to improve government integrity and make the many other institutional and structural reforms that are needed to restore Argentina to its former levels of economic freedom.

WORLD RANK: **148** REGIONAL RANK: **26**
ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

ECONOMIC FREEDOM SCORE

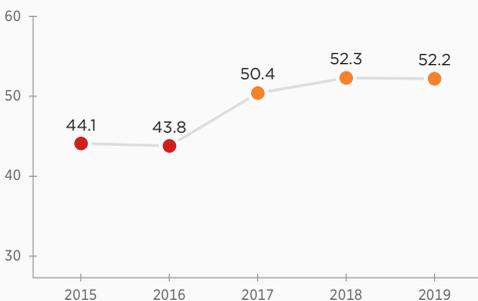


RELATIVE STRENGTHS:
Trade Freedom and Tax Burden

HISTORICAL INDEX SCORE CHANGE (SINCE 1995):
-15.8

CONCERNS:
Fiscal Health and Government Integrity

FREEDOM TREND



QUICK FACTS

POPULATION:
44.1 million

GDP (PPP):
\$920.2 billion
2.9% growth in 2017
5-year compound annual growth 0.7%
\$20,876 per capita

UNEMPLOYMENT:
8.5%

INFLATION (CPI):
25.7%

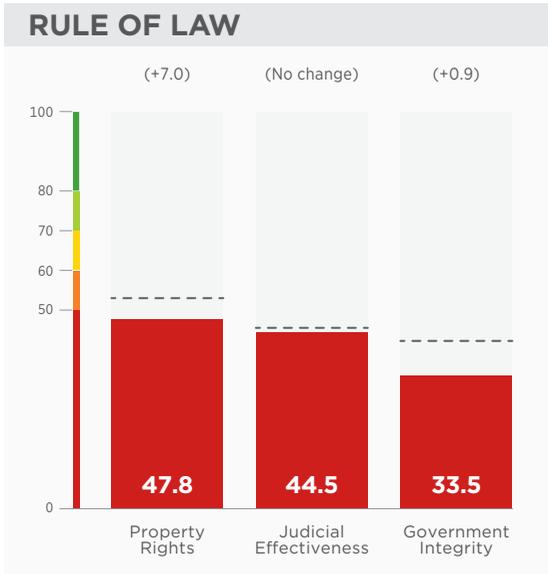
FDI INFLOW:
\$11.9 billion

PUBLIC DEBT:
52.6% of GDP

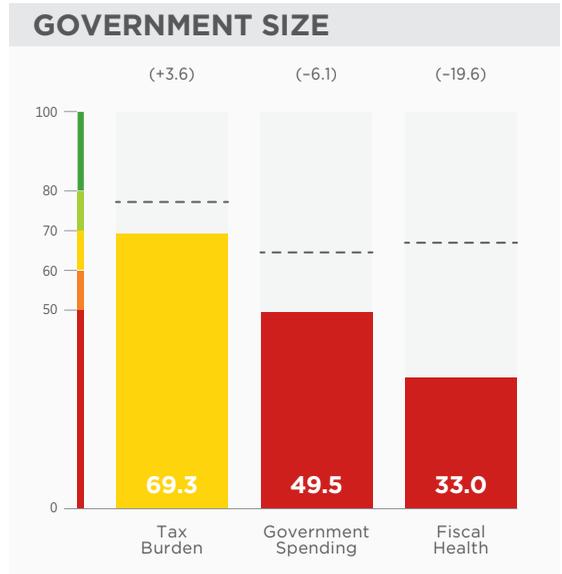
2017 data unless otherwise noted. Data compiled as of September 2018

BACKGROUND: Argentina is South America's second-largest country. Once one of the world's wealthiest nations, it has vast agricultural and mineral resources and a highly educated population, but it also has a long history of political and economic instability. Argentina's investment profile declined during the presidencies of Cristina Fernández de Kirchner and her late husband Néstor. Their legacy of statist protectionism and other Peronist policies isolated the country and led to economic stagnation. Center-right President Mauricio Macri began his four-year term in 2015 and has implemented a reformist agenda. Faced with an opposition-controlled Congress, weaker commodity prices, and a downturn in foreign investment, Macri was forced to seek a highly unpopular \$50 billion IMF bailout in 2018.

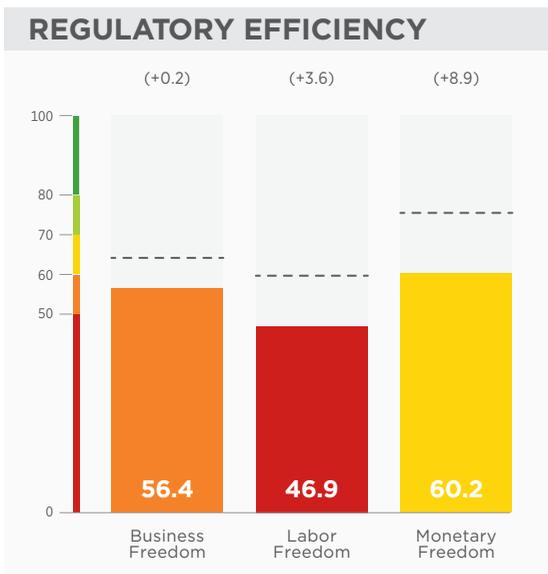
12 ECONOMIC FREEDOMS | ARGENTINA



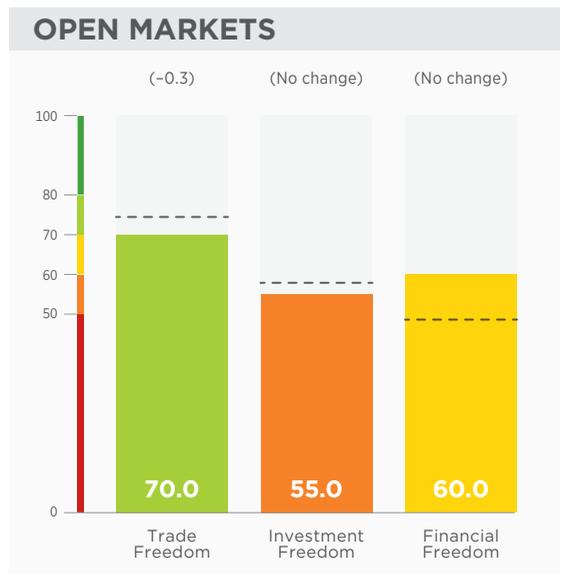
Secured interests in real property are recognized and enforced. The government has taken significant steps to improve the protection of intellectual property rights, but deficiencies persist within the patent and regulatory data protection regimes. President Macri has issued executive orders to improve judicial transparency, but the opposition-controlled Congress has blocked his comprehensive reforms to strengthen bureaucracy and reduce corruption.



The top individual income tax rate is 35 percent, and the top corporate tax rate is 30 percent. Other taxes include value-added, wealth, and financial transactions taxes. The overall tax burden equals 30.8 percent of total domestic income. Over the past three years, government spending has amounted to 41.0 percent of the country's output (GDP), and budget deficits have averaged 6.2 percent of GDP. Public debt is equivalent to 52.6 percent of GDP.



The Macri government has pursued a range of measures to improve the efficiency of business regulation. The president vetoed a labor law that would have kept firms from dismissing workers, arguing that it would depress the employment outlook by deterring investment. The government is removing price controls on fuel, oil, and natural gas and plans to cut energy and transportation subsidies in an effort to lower the fiscal deficit.



The combined value of exports and imports is equal to 25.0 percent of GDP. The average applied tariff rate is 7.5 percent. As of June 30, 2018, according to the WTO, Argentina had 126 nontariff measures in force. Openness to foreign investment is below average. The financial sector remains subject to government interference, but the presence of foreign banks has increased, and their assets have risen to approximately 30 percent of the total.