Iran’s economic freedom score is 49.2, making its economy the 164th freest in the 2020 Index. Its overall score has decreased by 1.9 points due to a plunge in the monetary freedom score that reflects soaring inflation. Iran is ranked 13th among 14 countries in the Middle East and North Africa region, and its overall score is well below the regional and world averages.

The Iranian economy has fallen back from mostly unfree into the ranks of the repressed, where it has resided for all but four years since its inclusion in the Index in 1996. Significant negative GDP growth in 2018, correlated with tightened U.S. sanctions, mirrored the deterioration in economic freedom.

Powerful interest groups, mostly linked to the security and religious establishments, are opposed to the pursuit of economic liberalization and reengagement with the global economy. Given Iran’s excessive reliance on the oil sector, sustainable economic growth will remain a long-term objective rather than a short-term possibility.

**ECONOMIC FREEDOM SCORE**

- **Score:** 49.2  ▼ DOWN 1.9 POINTS
- **World Average:** 61.6
- **Regional Average (Middle East/North Africa region):** 61.8

**HISTORICAL INDEX SCORE CHANGE (SINCE 1996):** +13.1

**RECENT FREEDOM TREND**

**QUICK FACTS**

- **Population:** 82.4 million
- **GDP (PPP):** $1.6 trillion
  - -3.9% growth in 2018
  - 5-year compound annual growth 2.8%
  - $19,557 per capita
- **Unemployment:** 12.0%
- **Inflation (CPI):** 31.2%
- **FDI Inflow:** $3.5 billion
- **Public Debt:** 33.2% of GDP

**BACKGROUND:** Iran’s economy, one of the Middle East’s most advanced before 1979, has been plagued by mismanagement, international sanctions, and pervasive graft. The repressive Islamic government is dominated by Shiite religious authorities. President Hassan Rouhani, reelected in 2017, has reportedly tried to steer a more pragmatic path, but Supreme Leader Ayatollah Ali Khamenei continues to promote radical policies. Iran has the world’s second-largest reserves of natural gas and fourth-largest reserves of crude oil. Although the 2015 nuclear agreement briefly allowed Tehran to expand oil exports, attract greater foreign investment, and increase trade, the reimposition of U.S. sanctions after Washington withdrew from the agreement in May 2018 has slashed Iran’s oil exports and pushed the country into a deepening recession.
### Rule of Law

| Freedom          | Score | Change
|------------------|-------|--------
| Property Rights  | 36.9  | +3.4   |
| Judicial Effectiveness | 37.1 | -4.2   |
| Government Integrity | 33.5 | -1.5   |

Iranians have the legal right to own property and establish private businesses, but the payment of bribes is often needed to register property or obtain business licenses. The judicial system is not independent, as the supreme leader controls the judiciary and uses it to silence critics of the regime. Corruption is pervasive. Criminal penalties for corruption exist, but the government uses them to target political opponents.

### Government Size

| Component          | Score | Change
|--------------------|-------|--------
| Tax Burden         | 81.0  | +0.1   |
| Government Spending| 89.2  | -0.6   |
| Fiscal Health      | 86.5  | -3.0   |

The top personal income tax rate is 35 percent, and the top corporate tax rate is 25 percent. All property transfers are subject to a standard tax. The overall tax burden equals 7.3 percent of total domestic income. Government spending has amounted to 19 percent of the country’s output (GDP) over the past three years, and budget deficits have averaged 2.7 percent of GDP. Public debt is equivalent to 33.2 percent of GDP.

### Regulatory Efficiency

| Freedom          | Score | Change
|------------------|-------|--------
| Business Freedom | 57.3  | -4.9   |
| Labor Freedom    | 50.7  | No change |
| Monetary Freedom | 49.0  | -11.1  |

Large numbers of state-owned enterprises and other firms controlled by Iranian security forces crowd out private-sector activity. Billions of dollars of nonperforming loans compromise the banking sector. Notable informal market activity endures. Since the Islamic Revolution, Iran’s government has maintained economically deleterious price controls and has funded subsidies that exceed $60 billion annually.

### Open Markets

| Freedom          | Score | Change
|------------------|-------|--------
| Trade Freedom    | 54.6  | No change |
| Investment Freedom | 5.0   | No change |
| Financial Freedom | 10.0  | No change |

The total value of exports and imports of goods and services equals 48.8 percent of GDP. The average applied tariff rate is 15.2 percent, and layers of nontariff barriers further restrict trade activity. The investment regime is heavily regulated by the state, and foreign investment is banned in many sectors. State-owned banks account for a majority of total banking-sector assets, and the allocation of credit is directed by state officials.