

WORLD RANK:

18

REGIONAL RANK:

3

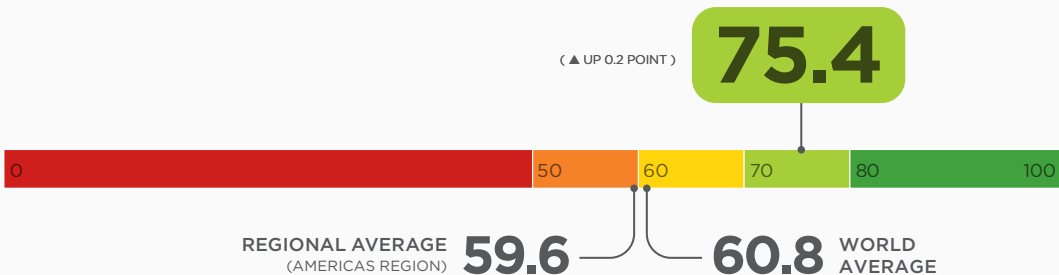
ECONOMIC FREEDOM STATUS:  
MOSTLY FREE

# CHILE

Chile's economic freedom score is 75.4, making its economy the 18th freest in the 2019 *Index*. Its overall score has increased by 0.2 point, with increases in **labor freedom**, **business freedom**, and **monetary freedom** offsetting a steep decline in **judicial effectiveness**. Chile is ranked 3rd among 32 countries in the Americas region, and its overall score is above the regional and world averages.

Expectations of more business-friendly policies and maintenance of Chile's long record of broadly sound macroeconomic policymaking by the Piñera government helped to boost confidence in 2018 and brought about a recovery in investment after four years of contraction. The government introduced tax reform measures and proposals to incentivize accelerated depreciation of capital investment in addition to new incentives for entrepreneurship and innovation. Chile's openness to global trade and investment and its transparent regulatory environment and strong rule of law continue to provide a solid basis for economic dynamism.

## ECONOMIC FREEDOM SCORE

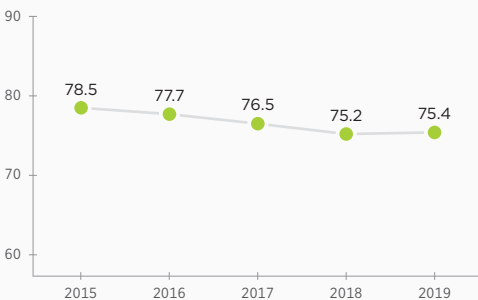


**RELATIVE STRENGTHS:**  
Fiscal Health and Trade Freedom

**HISTORICAL INDEX SCORE CHANGE (SINCE 1995):**  
+4.2

**CONCERNS:**  
Judicial Effectiveness and Government Integrity

## FREEDOM TREND



## QUICK FACTS

**POPULATION:**

18.4 million

**GDP (PPP):**

\$451.1 billion

1.5% growth in 2017

5-year compound annual growth 2.2%

\$24,537 per capita

**UNEMPLOYMENT:**

7.0%

**INFLATION (CPI):**

2.2%

**FDI INFLOW:**

\$6.7 billion

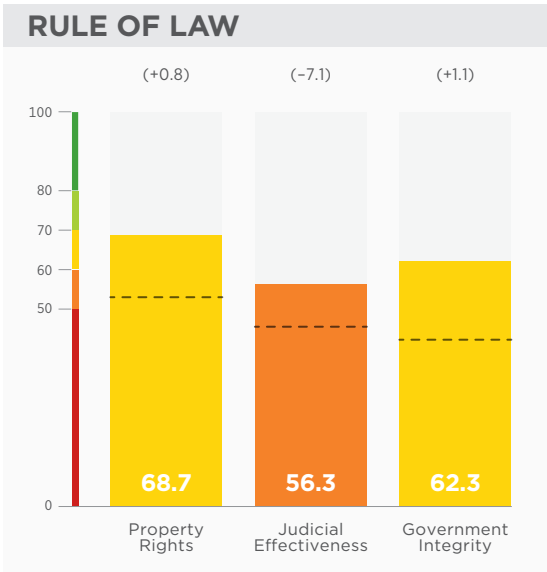
**PUBLIC DEBT:**

23.6% of GDP

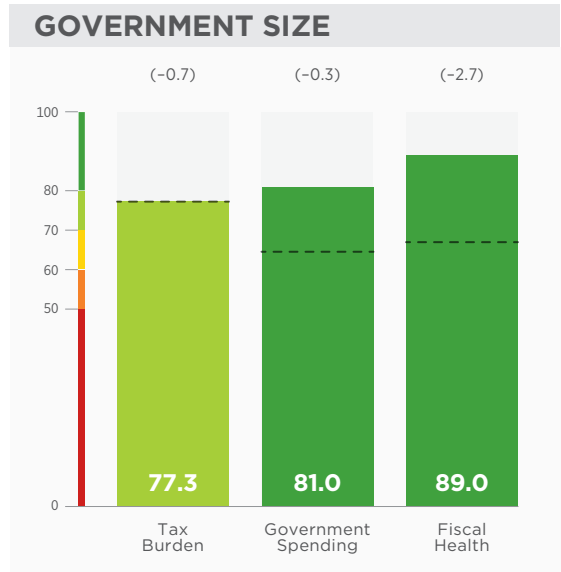
2017 data unless otherwise noted. Data compiled as of September 2018

**BACKGROUND:** Chile is the world's leading copper producer, and its exports of minerals, wood, fruit, seafood, and wine drive GDP growth. Center-right President Sebastian Piñera's efforts to repeal the socialist policies of his predecessor, Michelle Bachelet, have been slowed by his party's lack of a congressional majority. He also has had to deal with persistent student demonstrations demanding free education (a significant drain on the budget) and politically powerful trade unions' opposition to labor market reforms. Although its dependence on imported oil makes Chile vulnerable to volatility in global commodities markets, solid economic fundamentals undergirded an economic rebound in 2018. Chile retains the Pacific Alliance's best investment profile and benefits from many free-trade agreements.

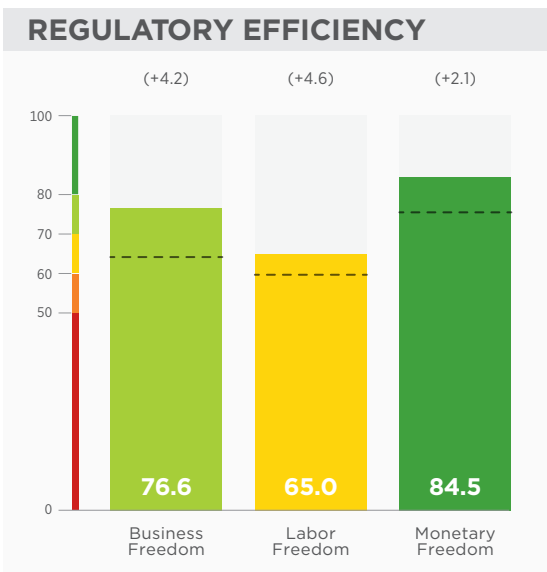
# 12 ECONOMIC FREEDOMS | CHILE



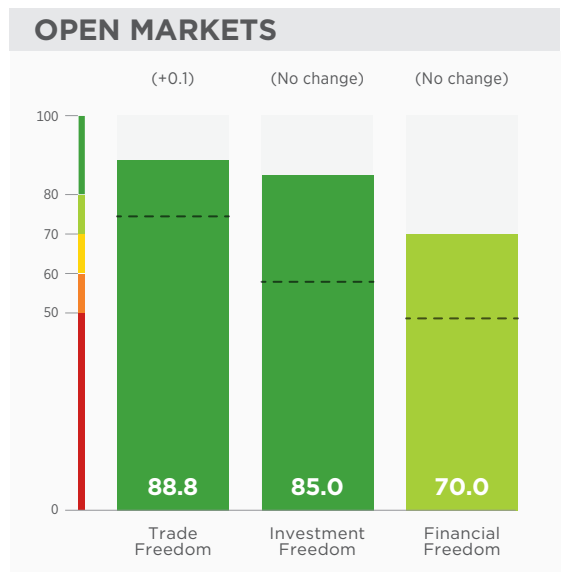
Real and intellectual property rights and contracts are strongly respected, and expropriation is rare. The judiciary is independent, and the courts generally enforce property and contractual rights competently and are free from political interference. Although Chile remains among the least corrupt countries in South America, a series of high-level scandals in 2016–2017 damaged former President Bachelet’s credibility.



The top individual income tax rate has been cut to 35 percent, but the top corporate tax rate has increased to 25 percent. The overall tax burden equals 20.4 percent of total domestic income. Over the past three years, government spending has amounted to 25.2 percent of the country’s output (GDP), and budget deficits have averaged 2.5 percent of GDP. Public debt is equivalent to 23.6 percent of GDP.



The overall regulatory framework facilitates entrepreneurial activity and productivity growth. Chile has made resolving insolvency easier by clarifying and simplifying provisions on liquidation and reorganization. Increases in the minimum wage have exceeded overall productivity growth in recent years. The government controls electricity and water prices, and a controversial system of price bands applies to sugar, wheat, gasoline, and automobile use.



The combined value of exports and imports is equal to 55.7 percent of GDP. The average applied tariff rate is 0.6 percent. As of June 30, 2018, according to the WTO, Chile had 107 nontariff measures in force. Chile has a successful record of attracting FDI, supported by its market-oriented policies. The financial system is sound and competitive, and credit is allocated on market terms. Nonperforming loans have decreased steadily.