

WORLD RANK: REGIONAL RANK:

20

2

ECONOMIC FREEDOM STATUS:
MOSTLY FREE

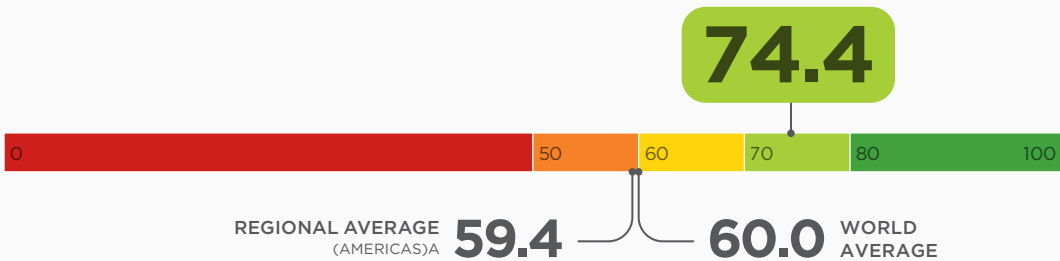
CHILE

Chile's economic freedom score is 74.4, making its economy the 20th freest in the 2022 *Index*. Chile is ranked 2nd among 32 countries in the Americas region, and its overall score is above the regional and world averages.

Chile's economic growth turned substantially negative in 2020 but recovered in 2021. Its five-year compound annual growth rate was only 0.4 percent. A five-year trend of gradually declining economic freedom has continued. With scores depressed by losses in **fiscal health** and **trade freedom**, Chile has recorded a 2.1-point overall loss of economic freedom since 2017 and has fallen into the lower half of the "Mostly Free" category. Rule of law remains strong, but **labor freedom** exhibits its weakness.

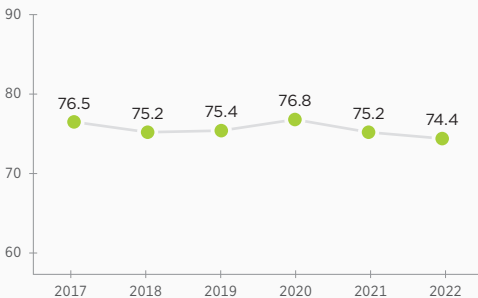
IMPACT OF COVID-19: As of December 1, 2021, 38,356 deaths had been attributed to the pandemic in Chile, and the government's response to the crisis ranked 121st among the countries included in this *Index* in terms of its stringency. The economy contracted by 5.8 percent in 2020.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +3.2

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
19.1 million

GDP (PPP):
\$454.7 billion
-5.8% growth in 2020
5-year compound annual growth 0.4%
\$23,366 per capita

UNEMPLOYMENT:
11.5%

INFLATION (CPI):
3.0%

FDI INFLOW:
\$8.4 billion

PUBLIC DEBT:
32.5% of GDP

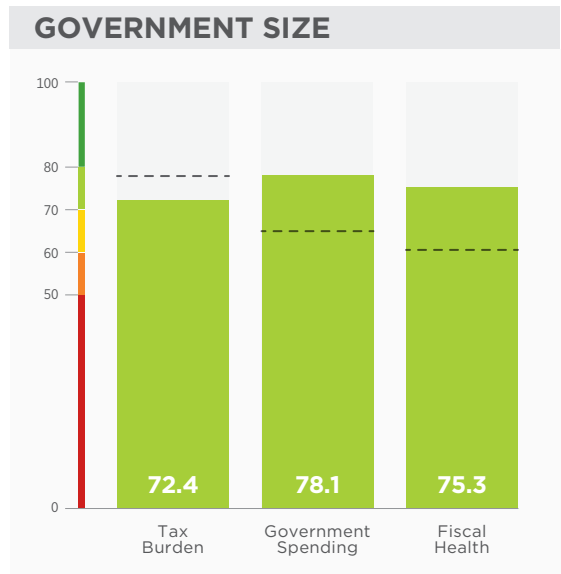
2020 data unless otherwise noted. Data compiled as of September 2021

BACKGROUND: Chile is the world's leading producer of copper, and growth in GDP is driven by exports of minerals, wood, fruit, seafood, and wine. A polarizing presidential election and the outcome of a contentious rewrite of the constitution of 1981 will shape Chilean politics in 2022 and beyond. The Constitutional Convention elected in May 2021 is dominated by the Left. Former center-right President Sebastian Piñera faced stiff resistance from left-leaning parties in Congress and violent protests that impeded his reform agenda. One of the protest leaders, 35-year-old leftist Gabriel Boric, was elected to succeed Piñera in December 2021. The challenge for the new government will be to protect the country's orthodox economic model while accommodating calls for expanded social welfare spending.

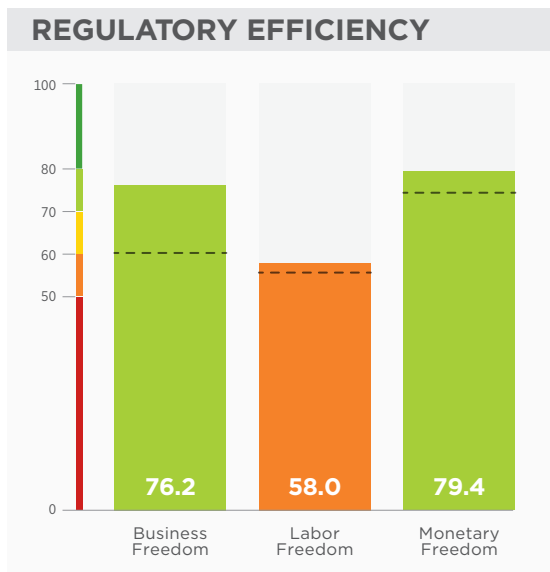
12 ECONOMIC FREEDOMS | CHILE



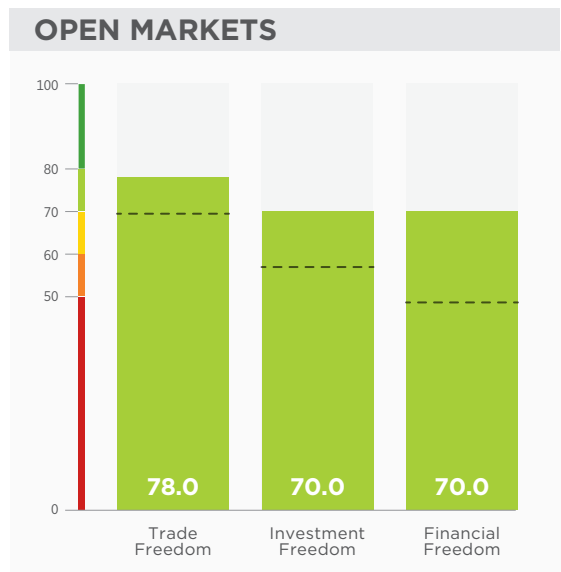
Chile has a sound legal framework, and private property rights are generally respected. Secured interests in real property are recognized and generally enforced, and expropriation is rare. The judiciary is independent, and the courts are largely competent in their enforcement of property and contractual rights and free from political interference. Chile was ranked Latin America's second least corrupt country in Transparency International's 2020 *Corruption Perceptions Index*.



The top individual income tax rate is 40 percent, and the top corporate tax rate is 27 percent. The overall tax burden equals 20.7 percent of total domestic income. Government spending has amounted to 27.0 percent of total output (GDP) over the past three years, and budget deficits have averaged 3.8 percent of GDP. Public debt is equivalent to 32.5 percent of GDP.



Environmental regulations have become extensive and unpredictable. In June 2019, the Ministry of Economy launched the Unified System for Permits (SUPER), an online single-window platform for 182 license and permit procedures that is intended to make it easier to obtain permits for investment projects. Labor laws are somewhat rigid but enforced evenly. The government increased numerous subsidies in 2021, especially for green energy projects.



Chile has 30 preferential trade agreements in force. The trade-weighted average tariff rate is 6.0 percent, and 107 non-tariff measures are in effect. Market openness to investment and a relatively efficient regulatory framework have provided a basis for economic dynamism over past decades. The competitive financial system facilitates high levels of bank usage and efficient access to financing.