

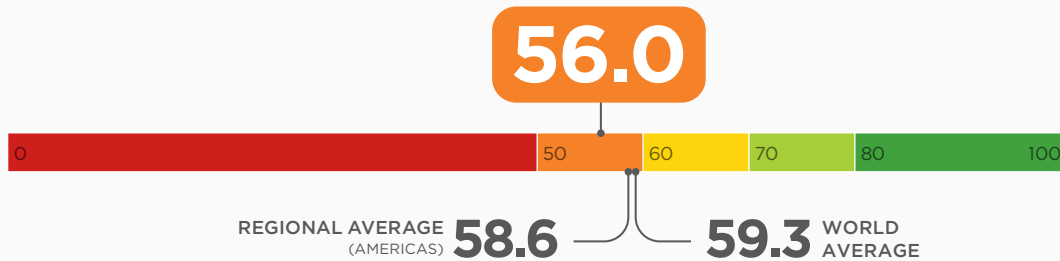
EL SALVADOR

WORLD RANK: **114** REGIONAL RANK: **23**
 ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

El Salvador's economic freedom score is 56.0, making its economy the 114th freest in the 2023 *Index*. Its score is 3.6 points lower than last year. El Salvador is ranked 23rd out of 32 countries in the Americas region, and its overall score is below the world average.

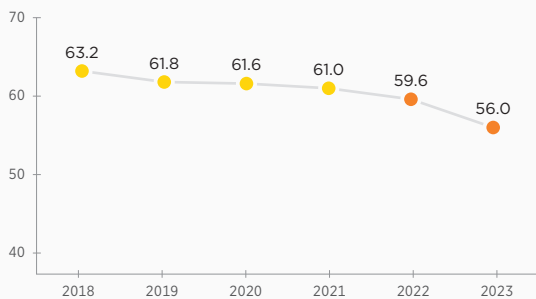
The regulatory environment supports trade, investment, and overall competitiveness, but institutional weaknesses continue to slow El Salvador's transition to greater economic freedom. Property rights are only moderately well protected, and the judicial system is relatively inefficient. Improved management of public finance is needed to eliminate chronic fiscal deficits.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): -13.1

RECENT FREEDOM TREND



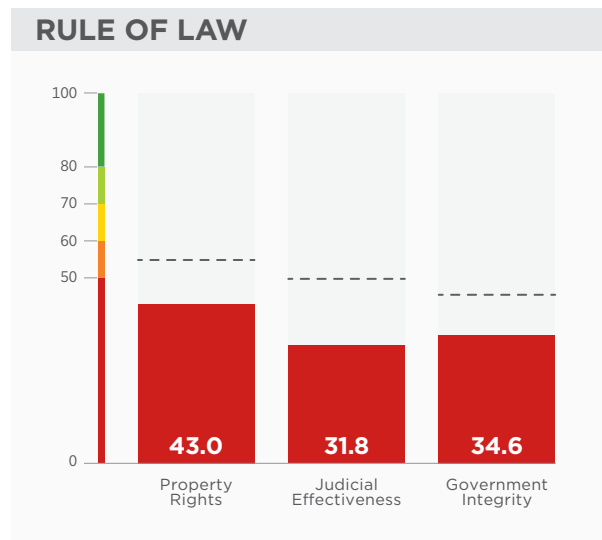
QUICK FACTS

POPULATION: 6.5 million	UNEMPLOYMENT: 5.0%
GDP (PPP): \$63.3 billion 10.3% growth in 2021 5-year compound annual growth 1.9%	INFLATION (CPI): 3.5%
	FDI INFLOW: \$314.2 million
	PUBLIC DEBT: 82.4% of GDP

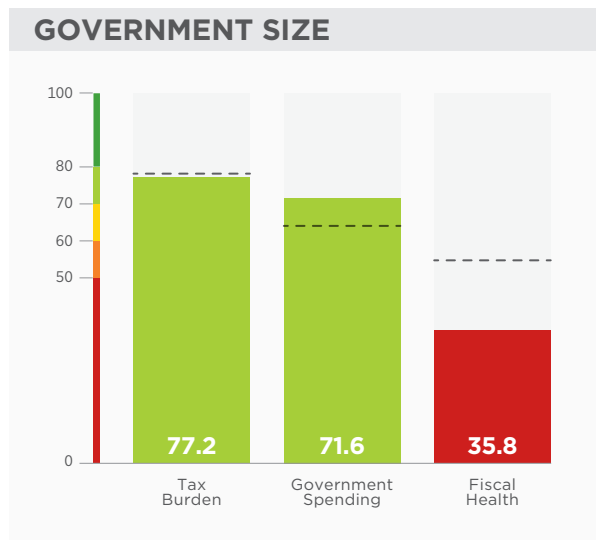
2021 data unless otherwise noted. Data compiled as of September 2022

BACKGROUND: Since his election in 2019, President Nayib Bukele, a former mayor with ties to the leftist Farabundo Martí National Liberation Front (FMLN), has consolidated power across the government. In 2021, his recently appointed Supreme Court allies lifted a constitutional reelection ban, raising concerns about authoritarian tendencies. Despite a hardened policy against violent gangs, the government has been accused of making pacts with gang leaders. Bukele has also continued to implement the controversial adoption of Bitcoin as one of the country's official currencies. El Salvador remains a key transshipment point for drug trafficking and a strategic location for growing Chinese influence.

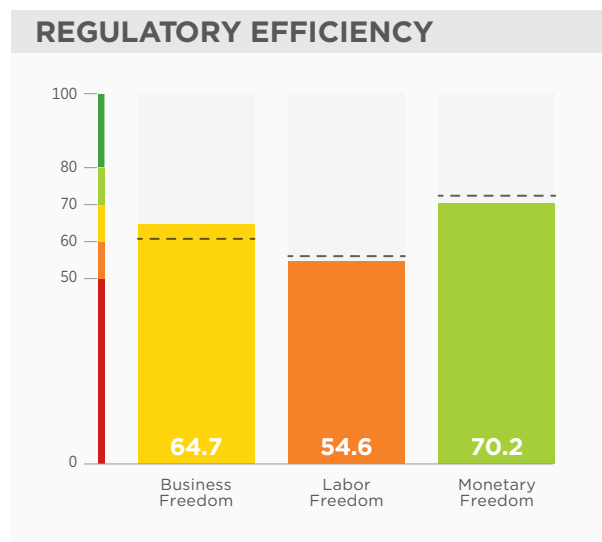
12 ECONOMIC FREEDOMS | EL SALVADOR



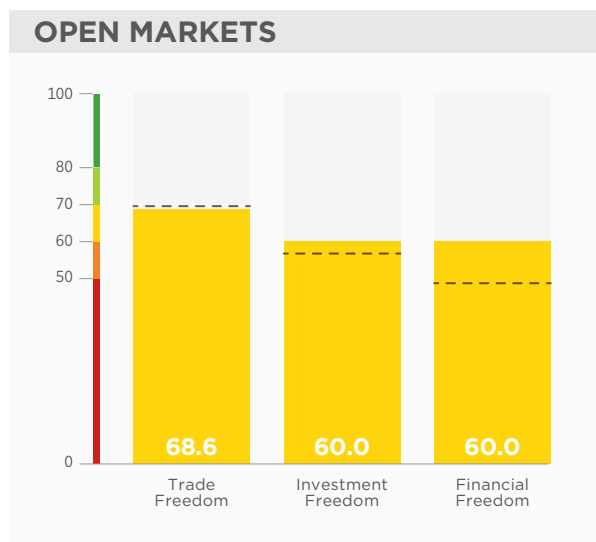
The overall rule of law is weak in El Salvador. The country's property rights score is below the world average; its judicial effectiveness score is below the world average; and its government integrity score is below the world average.



The top individual and corporate tax rates are 30 percent. The tax burden equals 21.9 percent of GDP. Three-year government spending and budget balance averages are, respectively, 30.8 percent and -5.6 percent of GDP. Public debt equals 82.4 percent of GDP.



Progress in easing constraints on El Salvador's business environment lags behind progress in other countries. The labor market lacks flexibility, and imbalances persist in the demand and supply of skilled workers. Price controls are imposed on a range of goods and services.



The trade-weighted average tariff rate is 8.2 percent, and layers of nontariff measures are in force. In general, foreign and domestic investors are treated equally. Banking is highly concentrated, and foreign banks can offer all of the services that domestic banks offer.