

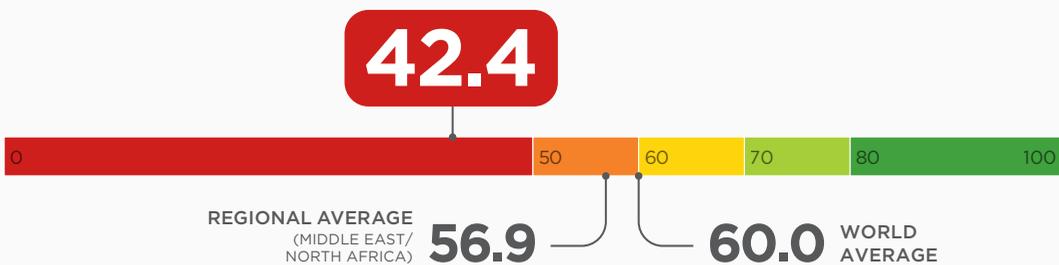
IRAN

Iran's economic freedom score is 42.4, making its economy the 170th freest in the 2022 *Index*. Iran is ranked last among 14 countries in the Middle East and North Africa region, and its overall score is below the regional and world averages.

Over the past five years, Iran has experienced very slow growth: an average of only 1.2 percent annually. A five-year trend of declining economic freedom has accelerated. Sinking under the weight of sharp drops in scores for **fiscal health** and **business freedom**, Iran has recorded an 8.1-point overall loss of economic freedom since 2017 and has fallen further in the "Repressed" category. Although taxes and **government spending** do not weigh heavily on the economy, all of the other 10 indicators for Iran reflect significant weaknesses.

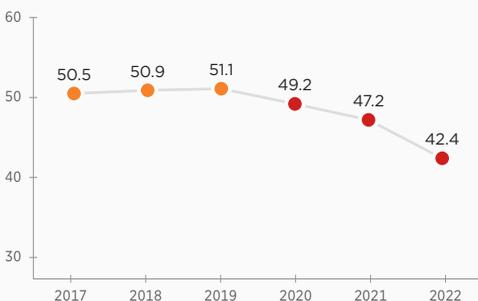
IMPACT OF COVID-19: As of December 1, 2021, 129,912 deaths had been attributed to the pandemic in Iran, and the government's response to the crisis ranked 18th among the countries included in this *Index* in terms of its stringency. The economy grew just 1.5 percent in 2020.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1996): +6.3

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
84.0 million

GDP (PPP):
\$1.1 trillion
1.5% growth in 2020
5-year compound
annual growth 1.2%
\$13,073 per capita

UNEMPLOYMENT:
11.0%

INFLATION (CPI):
36.5%

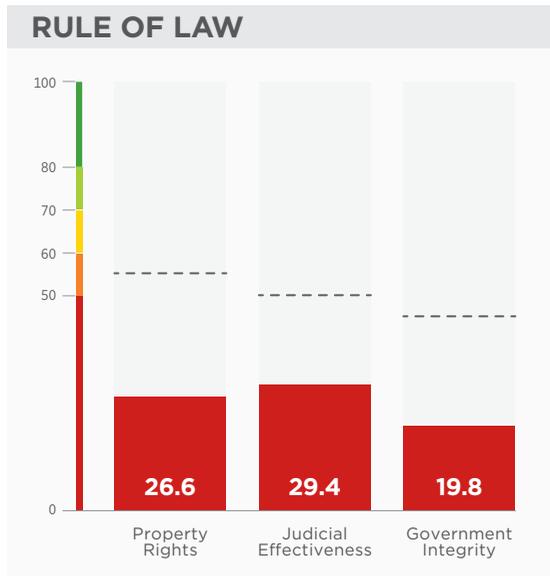
FDI INFLOW:
\$1.3 billion

PUBLIC DEBT:
42.8% of GDP

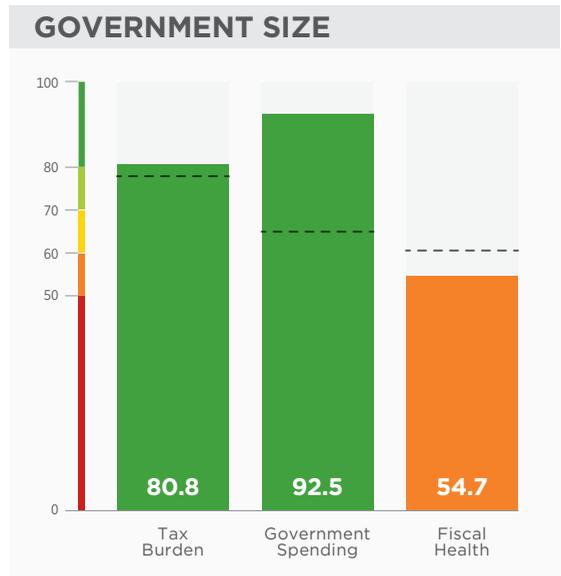
2020 data unless otherwise noted. Data compiled as of September 2021

BACKGROUND: Iran's economy, one of the Middle East's most advanced before 1979, has been undermined since then by mismanagement, international sanctions, and pervasive graft under a repressive Islamic government dominated by Shiite religious authorities. President Ebrahim Raisi, installed after rigged elections in June 2021, is a protégé of Supreme Leader Ayatollah Ali Khamenei. Iran has the world's second-largest reserves of natural gas and fourth-largest reserves of crude oil. U.S. sanctions imposed after Washington withdrew from the 2015 nuclear agreement in 2018 slashed Iran's oil exports and pushed the country into recession, but current talks could yield an agreement that allows Tehran to expand oil exports, attract greater foreign investment, and increase trade.

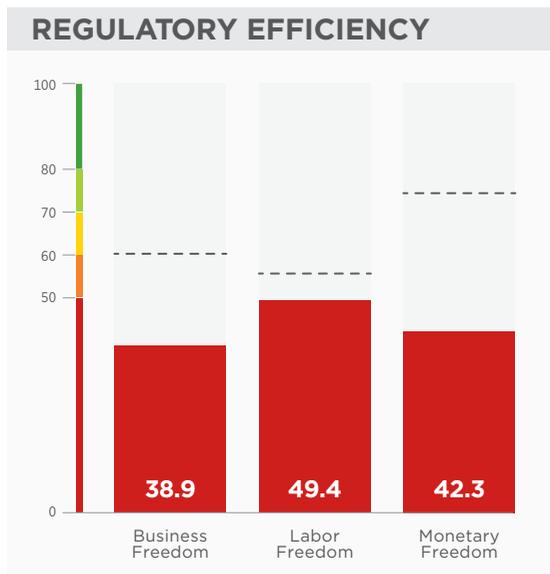
12 ECONOMIC FREEDOMS | IRAN



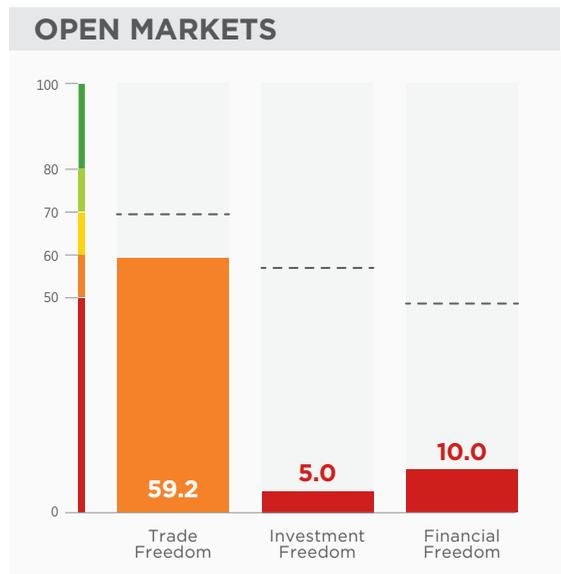
Iranians have the legal right to own property and establish private businesses, but powerful institutions such as the Revolutionary Guard limit fair competition and entrepreneurial opportunities. The judicial system is not independent of the supreme leader. The quality and availability of administrative services provided by the state are constrained by mismanagement, bribery, and rampant corruption. Anticorruption efforts target opponents of the regime.



The top individual income tax rate is 35 percent, and the top corporate tax rate is 25 percent. Other taxes include inheritance and real estate taxes. The overall tax burden equals 8.4 percent of total domestic income. Government spending has amounted to 15.8 percent of total output (GDP) over the past three years, and budget deficits have averaged 5.1 percent of GDP. Public debt is equivalent to 42.8 percent of GDP.



The bloated state-owned sector and companies controlled by Iranian security forces put private business owners at a disadvantage. Private businesses are often small-scale workshops, farms, manufacturers, or services. There is a shortage of skilled labor. Energy subsidies account for as much as 25 percent of GDP, and the government has increased its economically harmful price controls in the face of high inflation.



Iran has three preferential trade agreements in force. The trade-weighted average tariff rate is 12.9 percent. Iran is not a member of the World Trade Organization. The intrusive state continues to hold back economic development, undermining trade and investment flows. Government controls limit access to financing for businesses. State-owned commercial banks and specialized financial institutions account for the majority of banking-sector assets.