Argentina

Argentina's convergence towards higher income levels has been slow and uneven. Following years of unsustainable economic policies during which the gap with respect to OECD countries has widened, Argentina has undertaken a bold turnaround in policies, aiming to stabilise the economy and avoid another crisis. Argentina's GDP per capita is half the OECD average reflecting poor productivity performance and low employment and investment rates. More recently however, Argentina is experiencing one of its most long-lasting growth episodes, following a recession that ended in mid-2016.

Argentina's growth performance has been disappointing

ARGENTINA	Pre-crisis 2003-08	Post-crisis 2011-16
Levels		
GDP per capita**	15712 (33712)*	18734 (35776)*
GDP per employee**	39.0 (71.6)*	44.9 (76.2)*
Employment rate, %	54.9 (66.4)*	55.9 (66.8)*
Average annual growth rate		
GDP per capita	6.7 (2.8)*	-1.2 (1.4)*
GDP per employee	4.9 (1.8)*	-0.8 (0.9)*
Employment	2.8 (1.6)*	0.6 (1.0)*

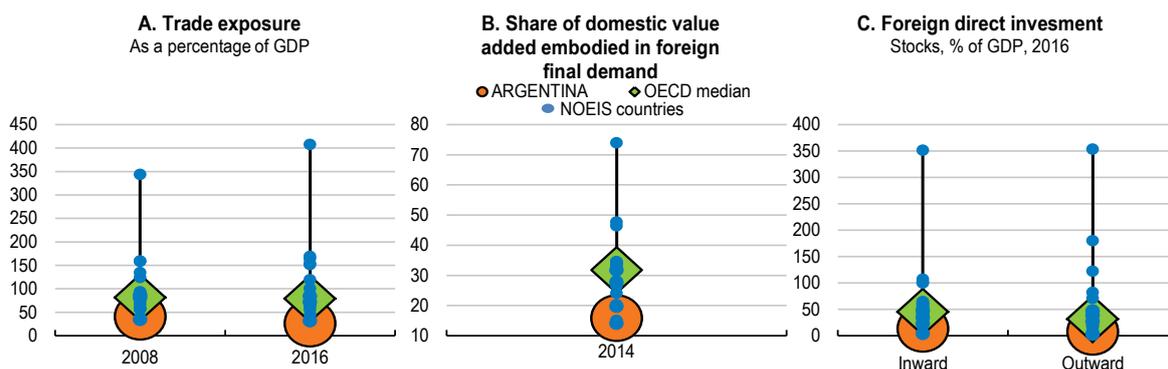*Notes:* * Unweighted OECD average in brackets.
** USD, constant 2010 PPPs and constant prices. Employment data for Argentina are ILO estimates and may not be directly comparable with other countries.
Source: OECD, National Accounts, Productivity, Labour Force Statistics and Income Distribution Databases, ILO, Key Indicators of the Labour Market.

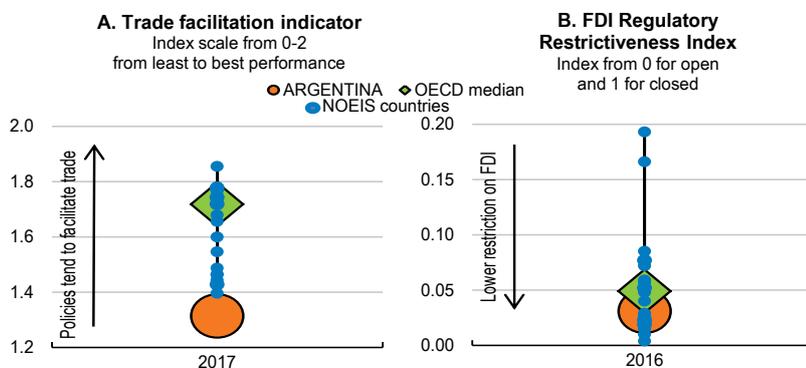**Argentina's exposure to trade, FDI and integration in global value chains is well below the OECD median**. Argentina's exposure to trade is limited reflecting a high concentration of exports in the agricultural and fisheries sectors as well as several structural reasons, such as restrictive regulation of its internal market, limited access to export financing and restrictions to imports of industrial goods. Tariff and non-tariff barriers for industrial goods have increased sharply between 2011 and 2015. Export performance in the industrial sector has stagnated, but it has been rising throughout the 2000s in the agricultural and fisheries sectors, where Argentina is a relevant global exporter. Services exports are around a fifth of the value of total exports, a relatively high proportion by Latin American standards. They are fairly well-diversified from a sector perspective; with a relatively strong performance in knowledge intensive sectors, such as professional and information and communication technology (ICT) services. Since 2016, the government has been gradually removing import restrictions. Moreover, Argentina is a member of the MERCOSUR customs union and Latin American Integration Association which have been promoting regional trade. More recently Argentina has started negotiate Free Trade Agreements, either bilaterally (with Chile and Mexico) or through the MERCOSUR (with the EU). Nonetheless, tariffs remain higher than in OECD countries and the OECD trade facilitation index suggests that border procedures are more burdensome than in most NOEIS countries. Restrictions on FDI are comparatively low, but Argentina attracts far less FDI inflows than other large Latin American countries, despite having more than 50 Bilateral Investment Agreements.

Argentina's exposure to trade and FDI is limited

A. Trade exposure
As a percentage of GDP

B. Share of domestic value added embodied in foreign final demand
● ARGENTINA   ◆ OECD median
● NOEIS countries

C. Foreign direct invesment
Stocks, % of GDP, 2016

Source: Panel A: OECD, Economic Outlook Database and World Bank, World Integrated Trade Solution; Panel B: OECD, TIVA Nowcast estimates Database; Panel C: OECD, Foreign Direct Investment Database and UNCTAD.
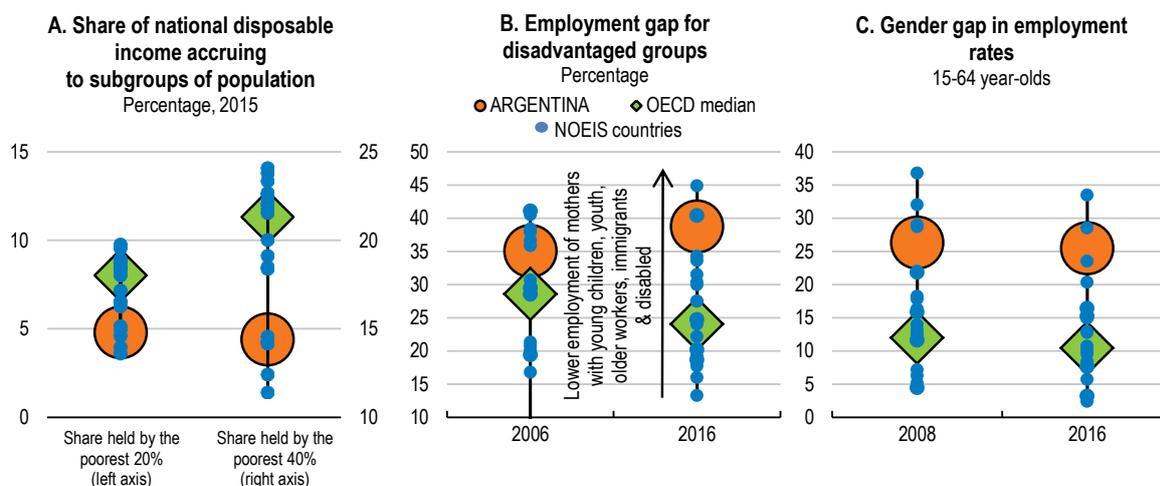
FDI faces few restrictions, while non-tariff barriers to trade are on the high side

A. Trade facilitation indicator
Index scale from 0-2
from least to best performance
● ARGENTINA   ◆ OECD median
● NOEIS countries

Policies tend to facilitate trade

B. FDI Regulatory Restrictiveness Index
Index from 0 for open
and 1 for closed

Lower restriction on FDI

Source: Panel A: OECD, OECD, Trade Facilitation Indicators Database; Panel B: OECD, FDI Regulatory Restrictiveness index database.

Argentina aims to reduce the high levels of inequality. Over the past decades, income inequality has increased. The share of national disposable income accruing to the low-income groups is less than in most OECD countries and a third of the population live in poverty, although the middle class remains larger than in other Latin American countries. The employment rate of traditionally disadvantaged groups – such as mothers with young children, youth, older workers, immigrants and disabled workers – is much lower than the employment rate of prime age males and this gap has increased over the past decade. Moreover, a third of employment is informal. The gender employment gap has narrowed in the past decade, although together with the gender income gap, it remains among the highest in NOEIS countries. Recent educational outcomes measured by PISA are available only for the city of Buenos Aires, which makes it difficult to assess the impact of the entire public school system. However, the available results remain below OECD standards. Moreover, students' socio-economic background strongly affects their performance.

Inequality in terms of household incomes and access to employment is high

A. Share of national disposable income accruing to subgroups of population
Percentage, 2015

B. Employment gap for disadvantaged groups
Percentage

C. Gender gap in employment rates
15-64 year-olds

Source: Panel A: OECD, OECD, Income Distribution Database and World Bank, World Development Indicators Database; Panel B: OECD (2018), OECD Jobs Strategy Analytical Volume, forthcoming; Panel C: OECD, Labour Force Statistics Database and ILO, Key Indicators of the Labour Market.

Inequality of opportunity remains high

Differences in PISA mean scores in mathematics and science performance
2015
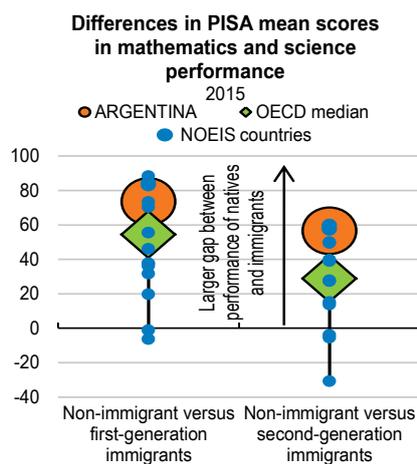
Note: For Argentina, data refer to the capital city of Buenos Aires.
Source: Panel A: OECD, PISA 2015 Results (Volume I): Excellence and Equity in Education, Annex B1.7 Results (tables): Immigrant background, student performance and students' attitudes towards science.

METADATA ANNEX

Economic openness

- **Trade exposure** is defined as exports and imports over GDP.
- **The share of domestic value added embodied in foreign final demand** is defined as domestic value added, from industry, meeting foreign final demand, as a percentage of industry value added. It can be considered as a measure of an industry's reliance on foreign final demand. Here, the denominator is value added adjusted to be consistent with final demand (both domestic and foreign).
- **Foreign Direct Investment stocks** are defined as the total level of direct investment at a given point in time, usually the end of a quarter or of a year. The outward FDI stock is the value of the resident investors' equity in and net loans to enterprises in foreign economies. The inward FDI stock is the value of foreign investors' equity in and net loans to enterprises resident in the reporting economy. For the Netherlands, FDI stock data exclude positions to and from resident Special Purpose Entities (SPEs); SPEs are entities whose role is to facilitate the internal financing of the MNE but that have little or no physical presence in an economy. Excluding such entities from the FDI statistics provides a better measure of the FDI of the country that is having a real impact on its economy.

Trade and FDI

- **The Services Trade Restrictiveness Index (STRI)** identifies which policy measures restrict trade. It provides policy makers information and measurement tools to improve domestic policy environment, negotiate international agreements and open up international trade in services. It can also help governments identify best practice and then focus their domestic reform efforts on priority sectors and measures. The index presented is a geometric average of all sectors and takes value from 0 to 1, where 0 is completely open and 1 is completely closed.
  Data are missing for Argentina and Peru.
- **Trade facilitation indicators (TFIs)** identify areas for action and enable the potential impact of reforms to be assessed and help governments to improve their border procedures, reduce trade costs, boost trade flows and reap greater benefits from international trade. The index takes values from 0-2 (least to best performance). The index presented is a simple average over 11 dimensions of the TFI.
  Data are missing for Iceland.
- **The FDI regulatory Restrictiveness Index** is gauging the restrictiveness of a country's foreign direct investment rules by looking at four main types of restrictions: foreign equity restrictions, discriminatory screening or approval mechanisms, restrictions on key foreign personnel and operational restrictions. Implementation issues are not addressed and factors such as the degree of transparency or discretion in granting approvals are not taken into account. The index takes values between 0 for open and 1 for closed.

Inequality

- **The share of national disposable income held by the poorest 20% and 40%** is defined as the share of income that accrues to subgroups of population indicated by deciles or quintiles.
  For the poorest 20%, data refer to 2014 for Argentina, Germany, Hungary, Luxembourg; 2012 for Japan.
- **The employment gap for disadvantaged groups** is expressed as a percentage of the benchmark group (prime-age male workers). Disadvantaged groups include mothers with young children, youth (15-19 years old) excluding those in full-time education or training, older workers (55-64 years old), non-natives and people with disabilities.
  Data are missing for Colombia and Costa Rica in 2006 and for Peru in 2006 and 2016.
- **The gender gap in employment rates** is defined as the difference between employment to population ratios of men and women aged 15-64. For Argentina and Peru, data refer to persons aged 15+.

Redistribution, activation and inequality of opportunities

- **The redistribution of the tax and transfers system** is measured as the difference between pre-tax and transfer and post-tax and transfers Gini coefficients, relative to the pre-tax and transfer Gini coefficient. The Gini coefficient measures the extent to which the distribution of income (or, in some cases, consumption expenditure) among individuals or households within an economy deviates from a perfectly equal distribution. The coefficient takes the value of 0 in the case of perfect equality and 100 for perfect inequality.
  Data refer to 2014 for Germany, Hungary, Luxembourg and Peru; 2012 for Japan. Data are missing for Argentina and Colombia.

- **Public expenditure on active labour market policies per unemployed** are measured by all social expenditure (other than education) which is aimed at the improvement of the beneficiaries' prospect of finding gainful employment or to otherwise increase their earnings capacity. It includes spending on public employment services and administration, labour market training, special programmes for youth when in transition from school to work, labour market programmes to provide or promote employment for unemployed and other persons (excluding young and disabled persons) and special programmes for the disabled. Data are expressed as a percentage of GDP per capita. Original data can be accessed under: http://stats.oecd.org/Index.aspx?DataSetCode=LMPEXP. *Data are missing for Argentina, Colombia, Costa Rica and Peru. For Canada, data include federal expenditures on programmes implemented by the provinces and territories, but do not generally include the provinces' and territories' additional or complementary funding of these programmes.*

- **Differences in PISA mean scores (average of mathematics and science) between natives and first and second generations of immigrants**. PISA assesses the extent to which 15-year-old students, near the end of their compulsory education, have acquired key knowledge and skills that are essential for full participation in modern societies
  Data are missing for Japan, Poland and Peru. For Argentina, data refer to the capital city of Buenos Aires.

- **The variance of educational achievement** is measured as the total variance in PISA scores in reading, mathematics and science, compared to the OECD (OECD=100). The Programme for International Student Assessment (PISA) assesses the extent to which 15-year-old students, near the end of their compulsory education, have acquired key knowledge and skills that are essential for full participation in modern societies. The variance components in mathematics, sciences and reading were estimated for all students in participating countries with data on socio-economic background and study programmes. The variance in student performance is calculated as the square of the standard deviation of PISA scores in reading, mathematics and science for the sample of students used in the analysis.
  For France, average of PISA scores in mathematics and reading only in 2015. For Argentina, data refer to the capital city of Buenos Aires.