



2017 MULTIDIMENSIONAL ECONOMIC SURVEY OF ARGENTINA

*Towards a more prosperous and
inclusive Argentina*

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Buenos Aires, July 2017



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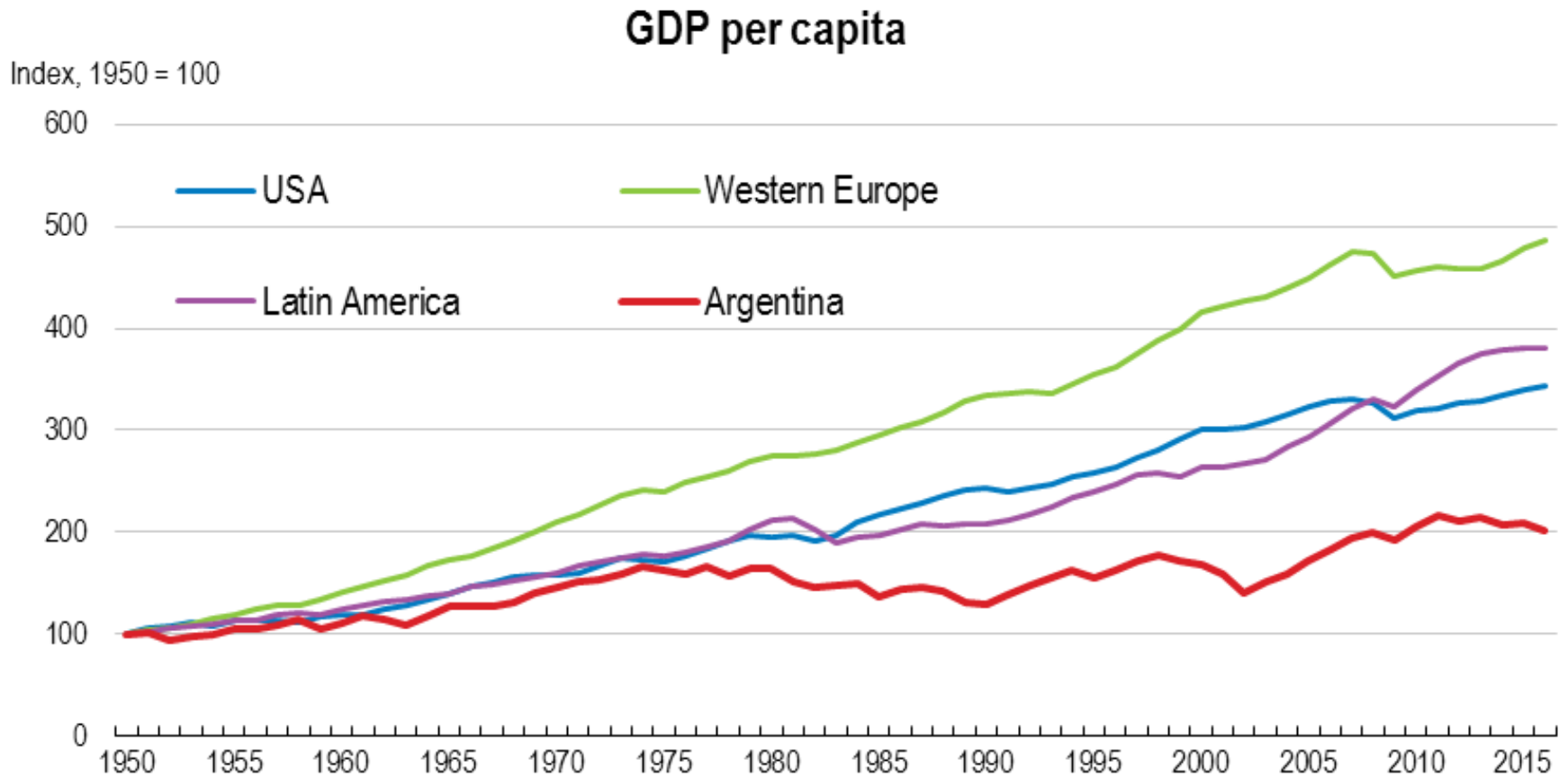


Main messages

- Following years of unsustainable economic policies, Argentina has undertaken ambitious reforms.
- But the work is far from being finished. Many challenges still lie ahead.



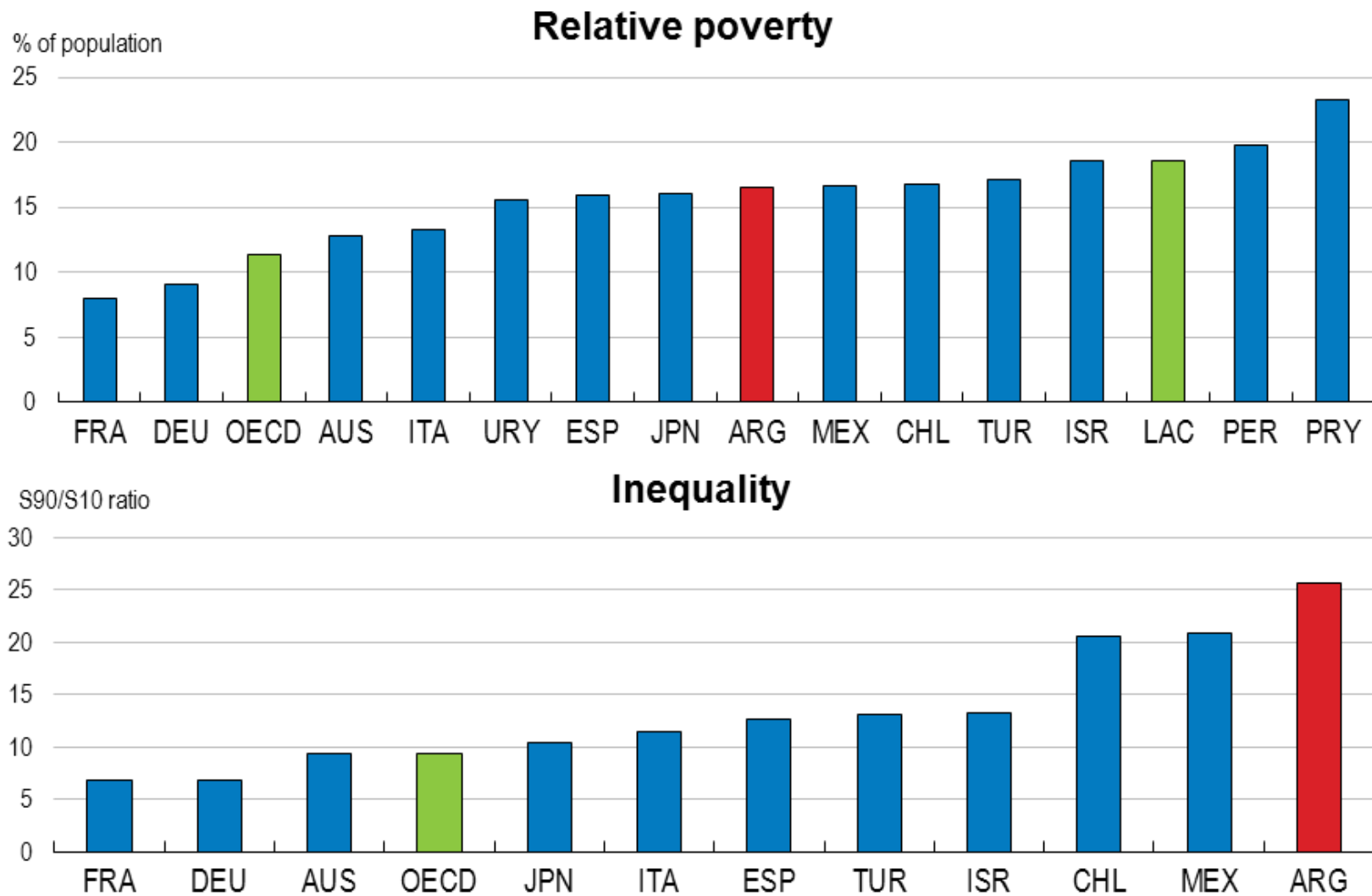
Argentina has lost grounds in terms of incomes



Source: OECD calculations based on Bolt and Van Zanden (2014) (see <http://www.ggdc.net/maddison/maddison-project/data.htm>).

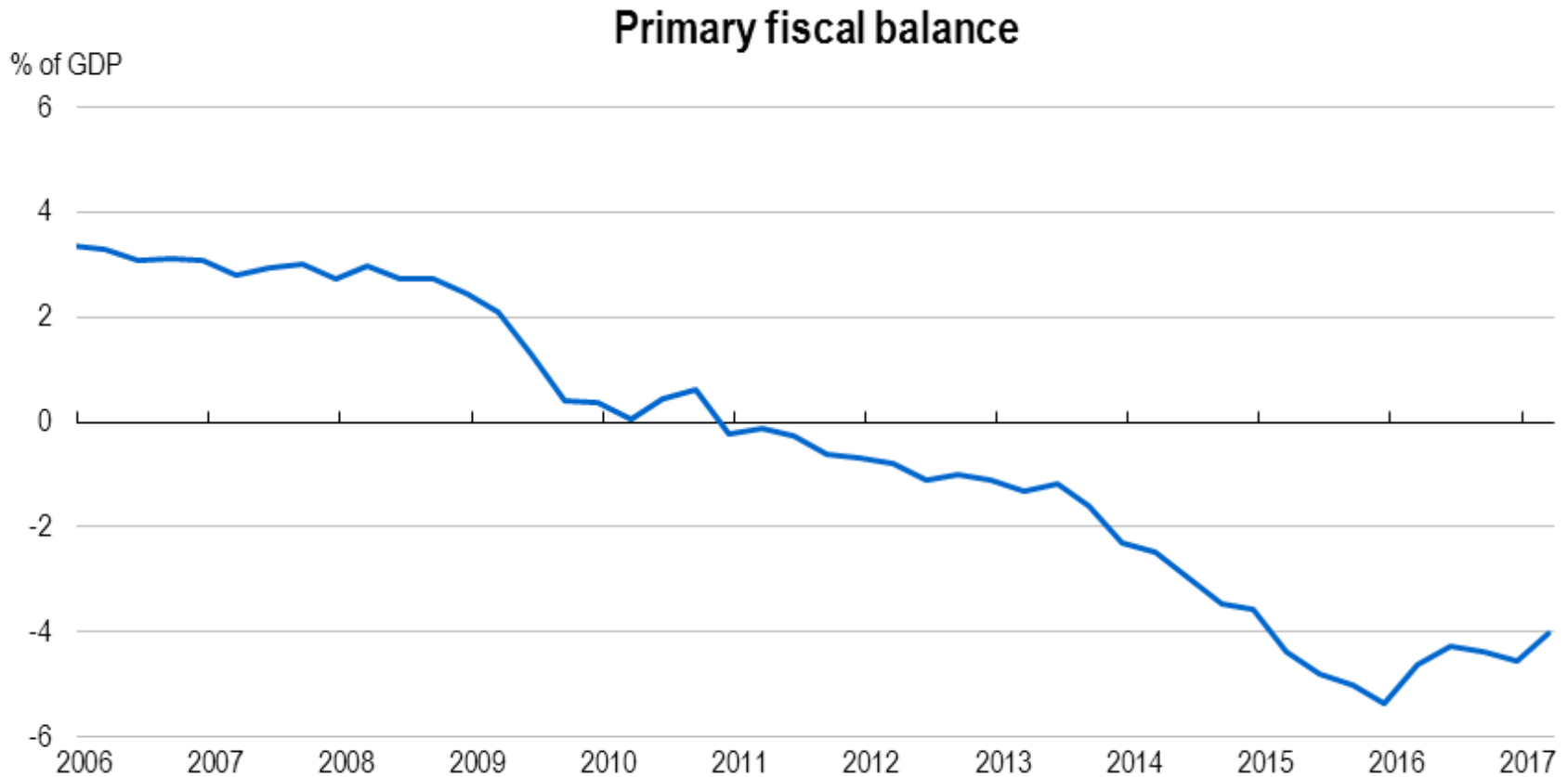


Poverty and inequality have fallen but remain very high





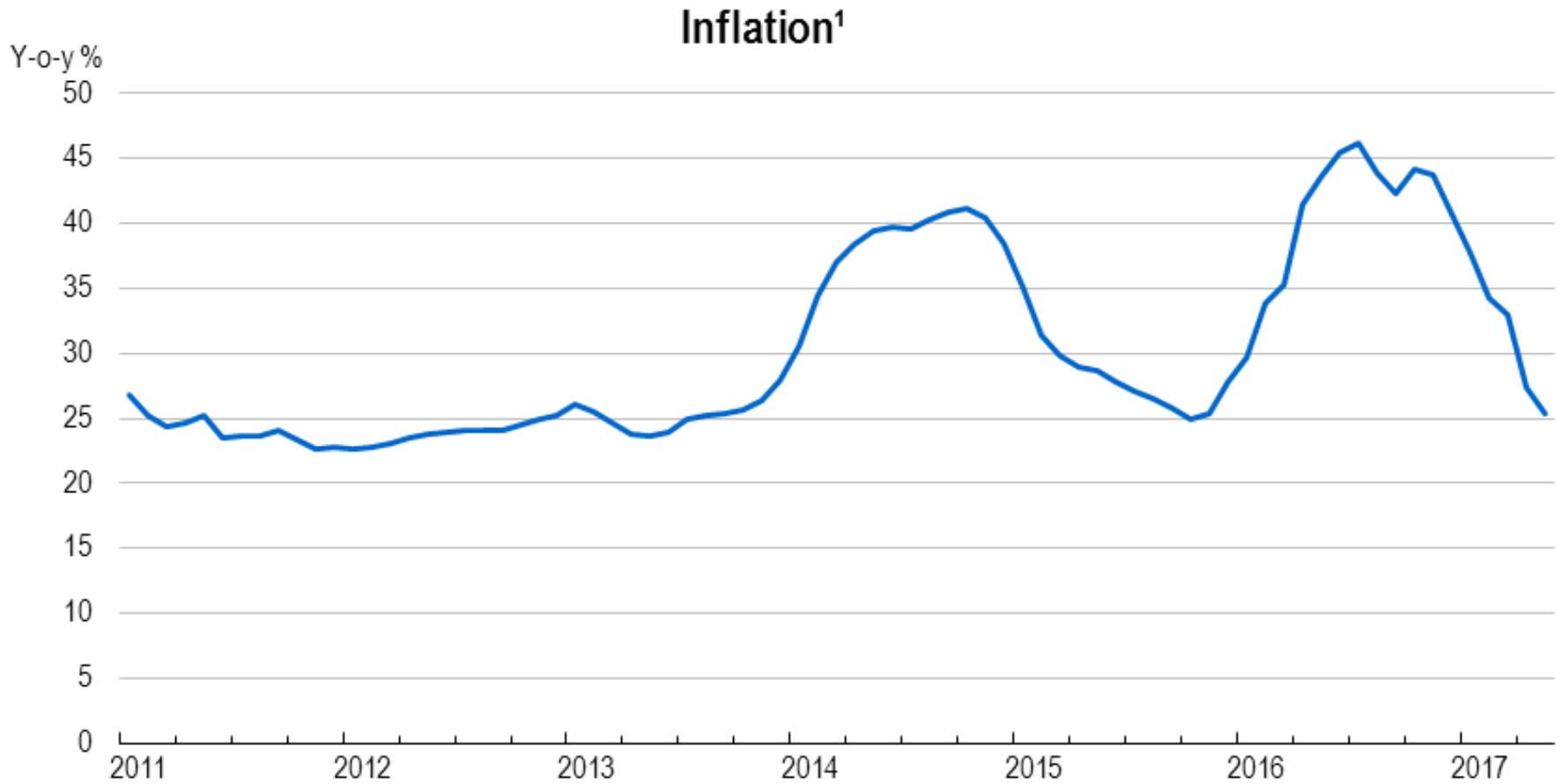
Significant macroeconomic imbalances have built up: Fiscal deficit



Source: CEIC, Datastream, Ministerio de Hacienda



Significant macroeconomic imbalances have built up: Inflation

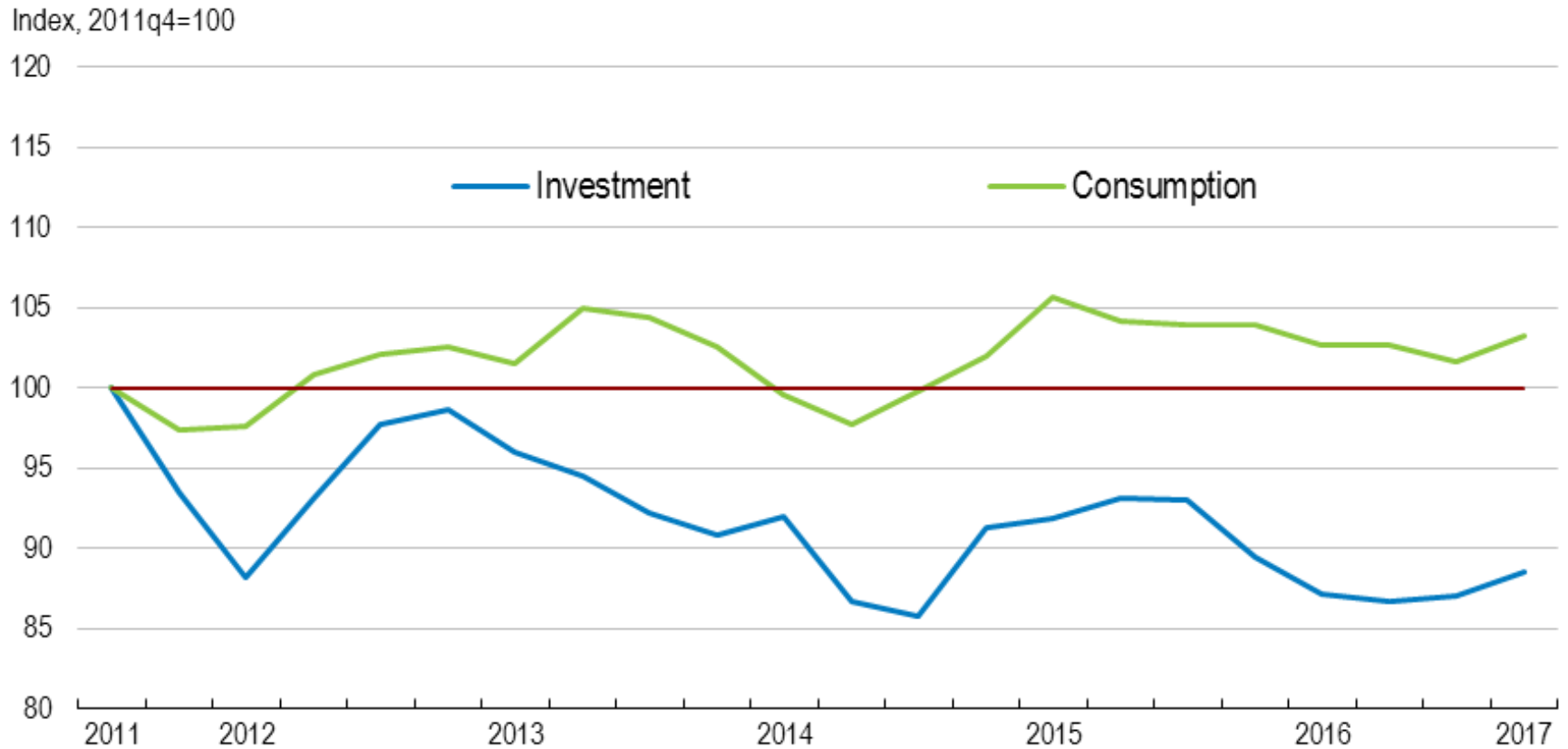


1. Based on the Congress CPI, only for the greater Buenos Aires area.
Source: INDEC, Diputados del Congreso Índice Nacional



Growth was not sustainable

Investment and consumption

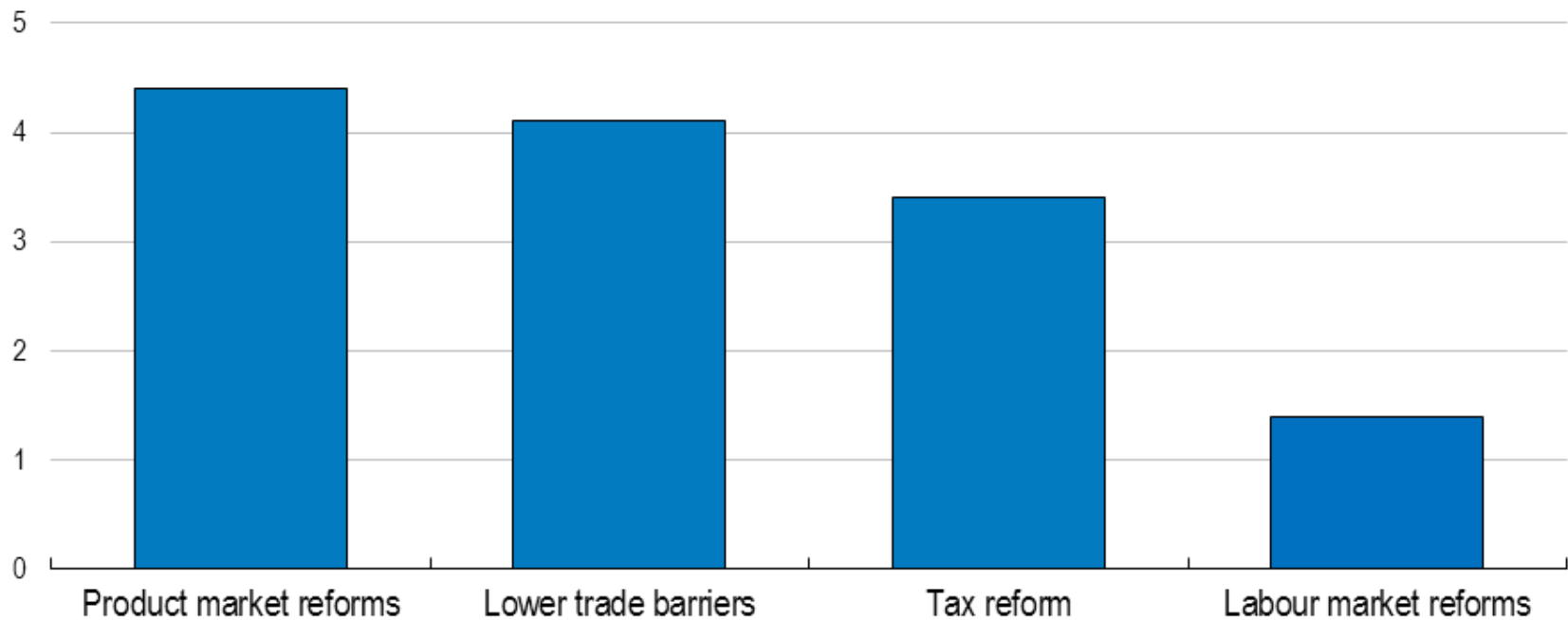


Source: INDEC



Further reforms will bring substantial benefits

Expected GDP gains over ten years from reforms in percent



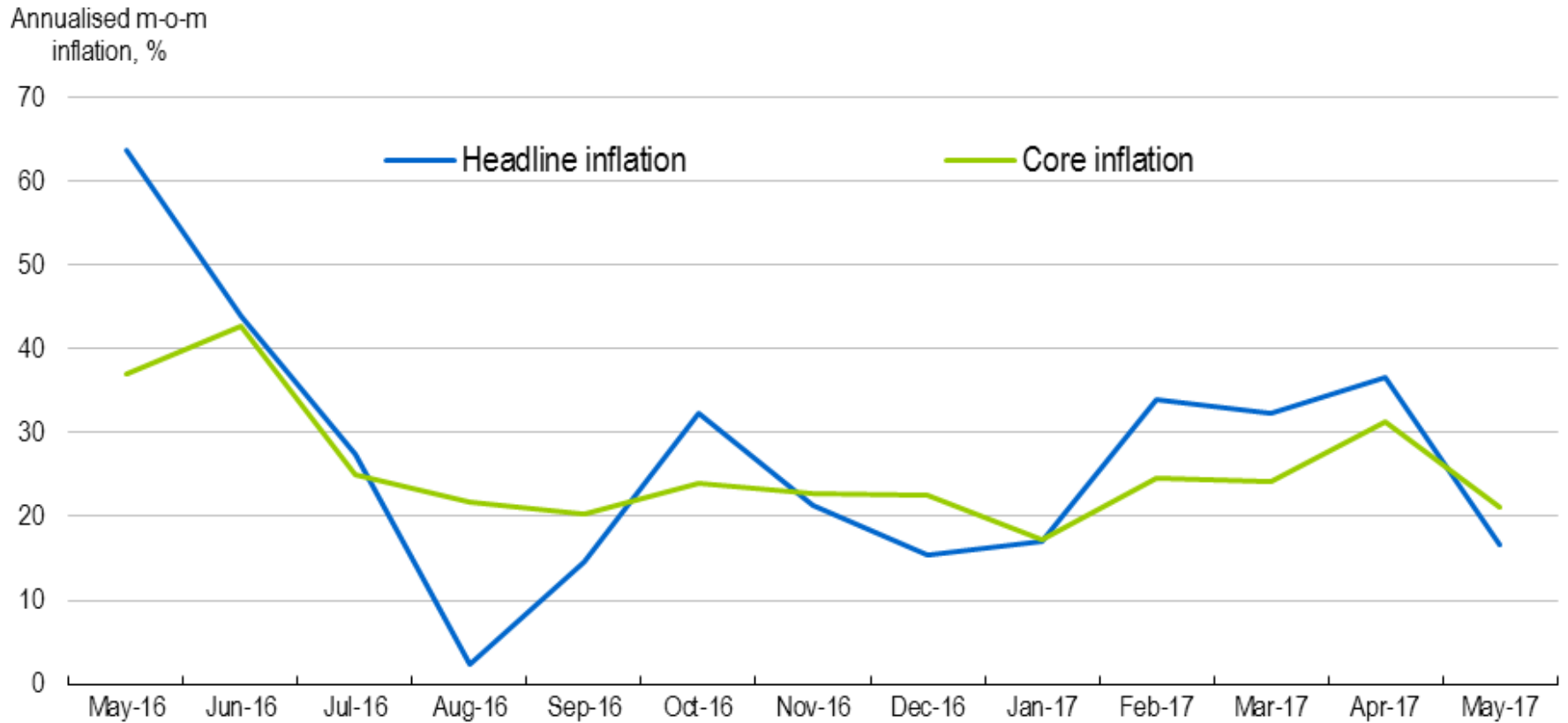
Source: OECD computations.



**First challenge:
Ensuring sound and sustainable
macroeconomics**



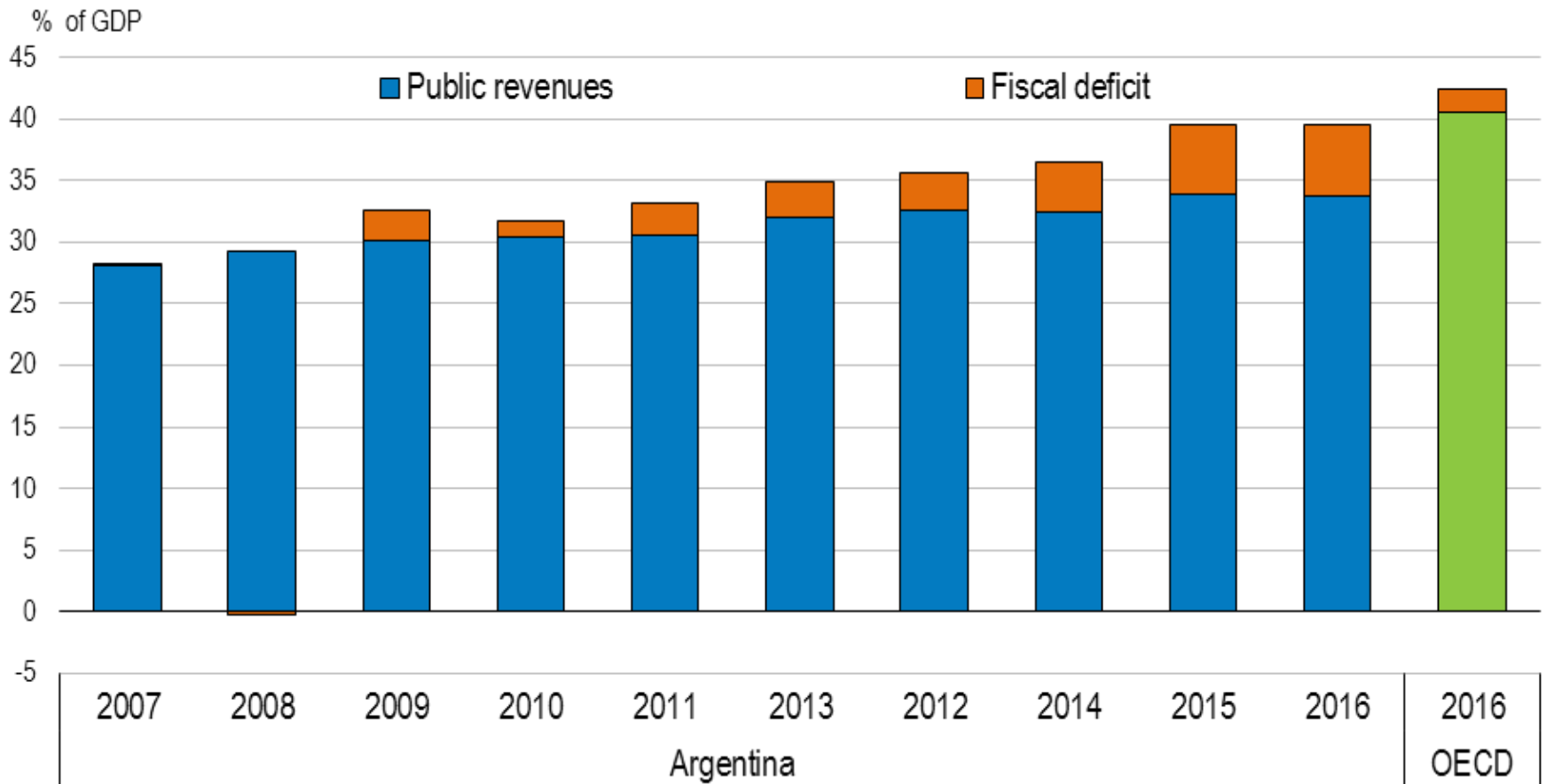
Bringing down inflation will be challenging



Source: BCRA, CEIC.

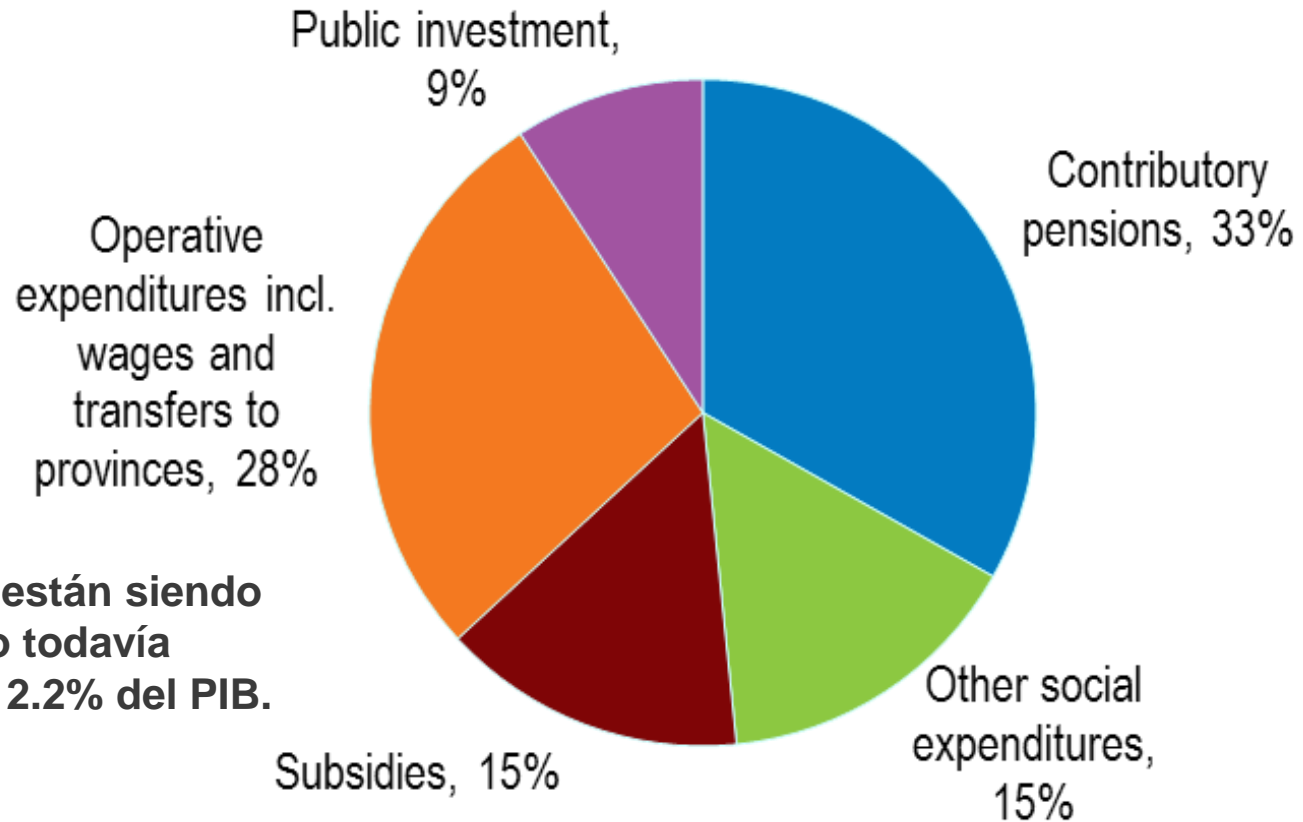


Public expenditure and taxes are high





There is scope for reducing expenditures



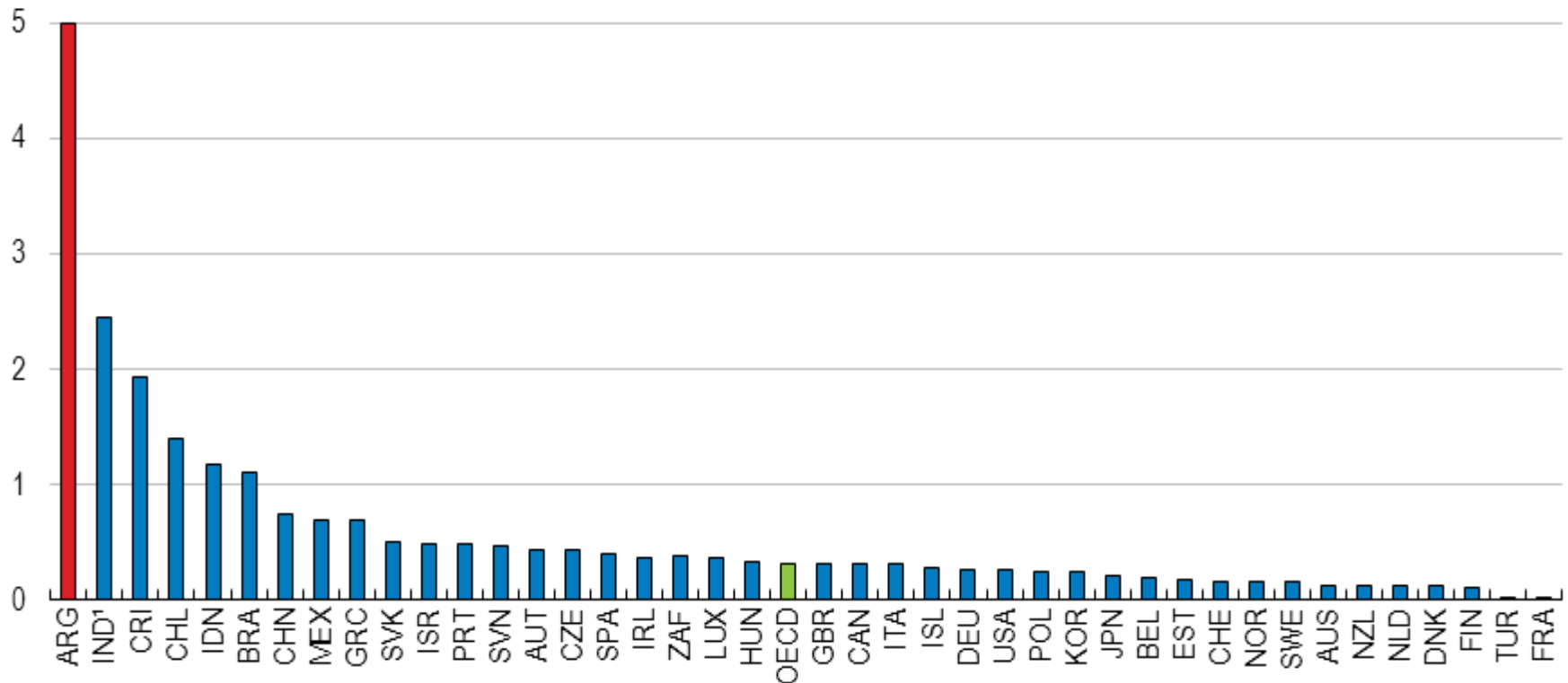
Los subsidios están siendo reducidos pero todavía representan el 2.2% del PIB.

Source: OECD calculations, Ministerio de Hacienda, OECD/IDB/CIAT (2016), Taxing Wages and Taxing Wages in Latin America and the Caribbean, OECD Publishing, Paris.



The tax system is not very efficient

Income threshold where single taxpayers start paying income tax, as a multiple of the average wage



1. For India, the average worker income is for the organised manufacturing sector as reported in the Annual Survey of Industries.

Source: OECD calculations for Argentina (based on 2016 data), Brazil, China, India, Indonesia and South Africa; and OECD Taxing Wages 2016 for the rest of the countries; OECD Government at a glance (2016).



Key recommendations

Macroeconomic policies

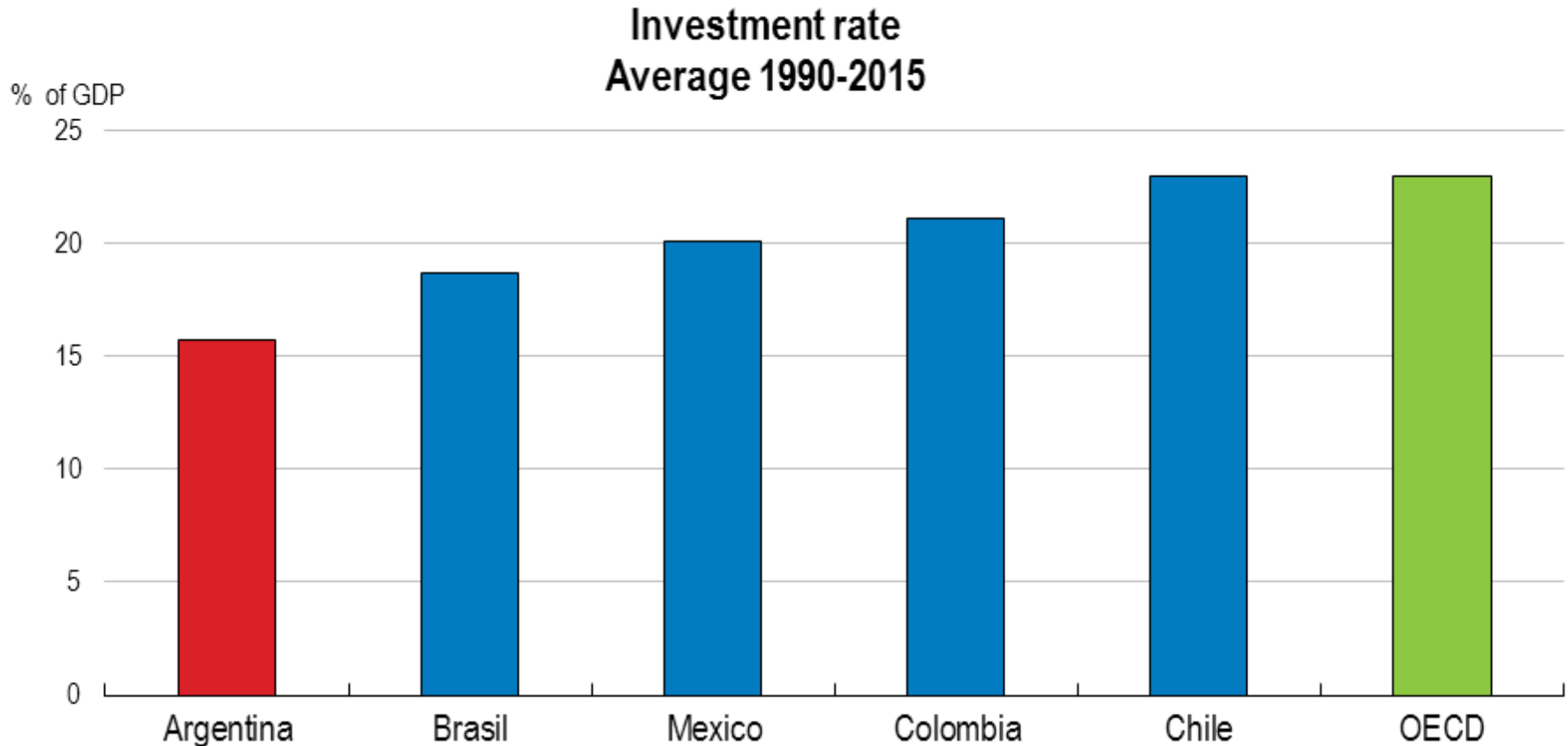
- Reinforce the independence of the Central Bank by limiting the possibilities for dismissal of the governor.
- Simplify the Central Bank's mandate, prioritising price stability.
- Continue to to pursue planned fiscal targets.
- Phase out energy subsidies, rationalise public employment and achieve further cost savings in state-owned enterprises.
- Undertake a revenue-neutral tax reform, including
 - - Lowering the income threshold where taxpayers start paying personal income taxes and ensuring a progressive rate schedule.
 - - Introducing progressivity into social security contributions.
 - - Phasing out the provincial turnover tax and financial transaction tax.



Second challenge: Raising productivity and living standards



Investment and productivity growth have been low

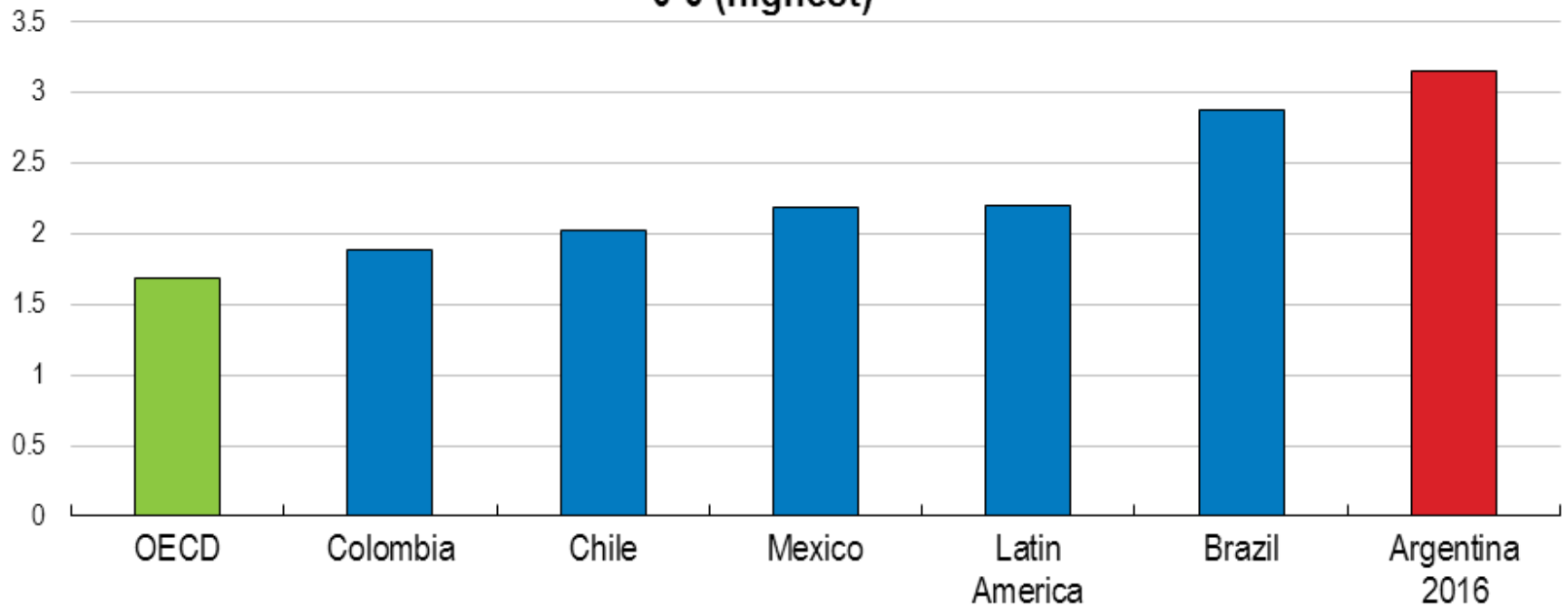


Source: OECD and CEP (Centro de Estudios de la Productividad).



Barriers to entrepreneurship are high and regulatory procedures are complex

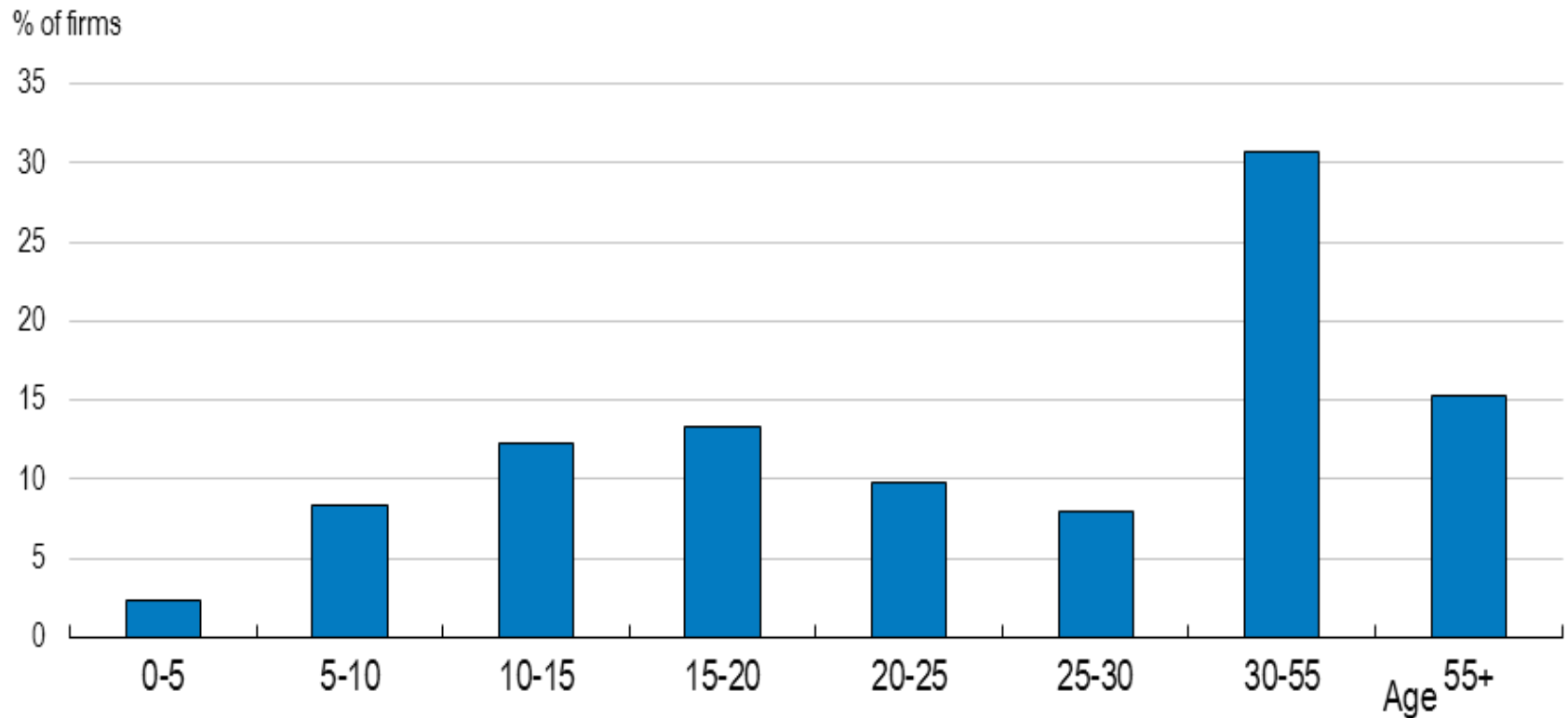
Barriers to entrepreneurship
0-6 (highest)



Source: OECD Product market regulation database



More young firms and start-ups are needed

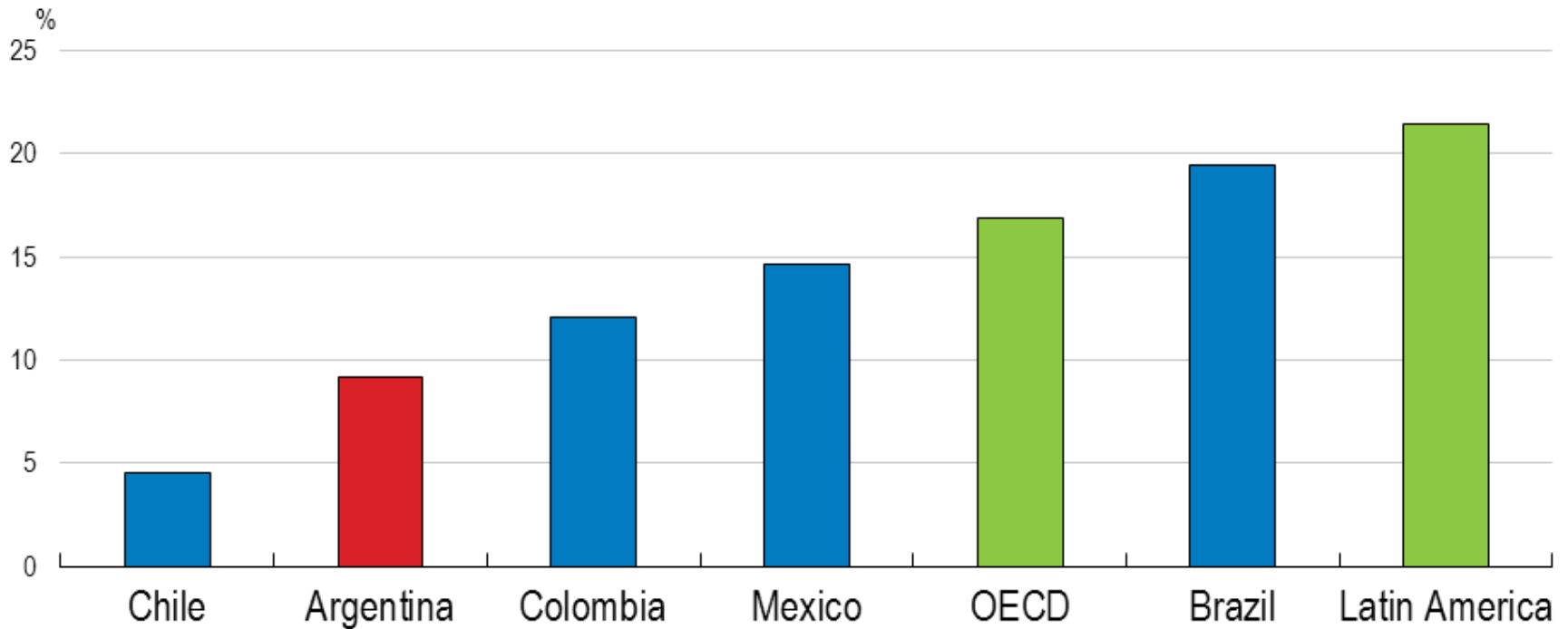


Source: OECD computations based on World Bank Enterprise survey database.



Few companies are headed by female managers

Percent of firms with a female top manager 2010 or latest year available

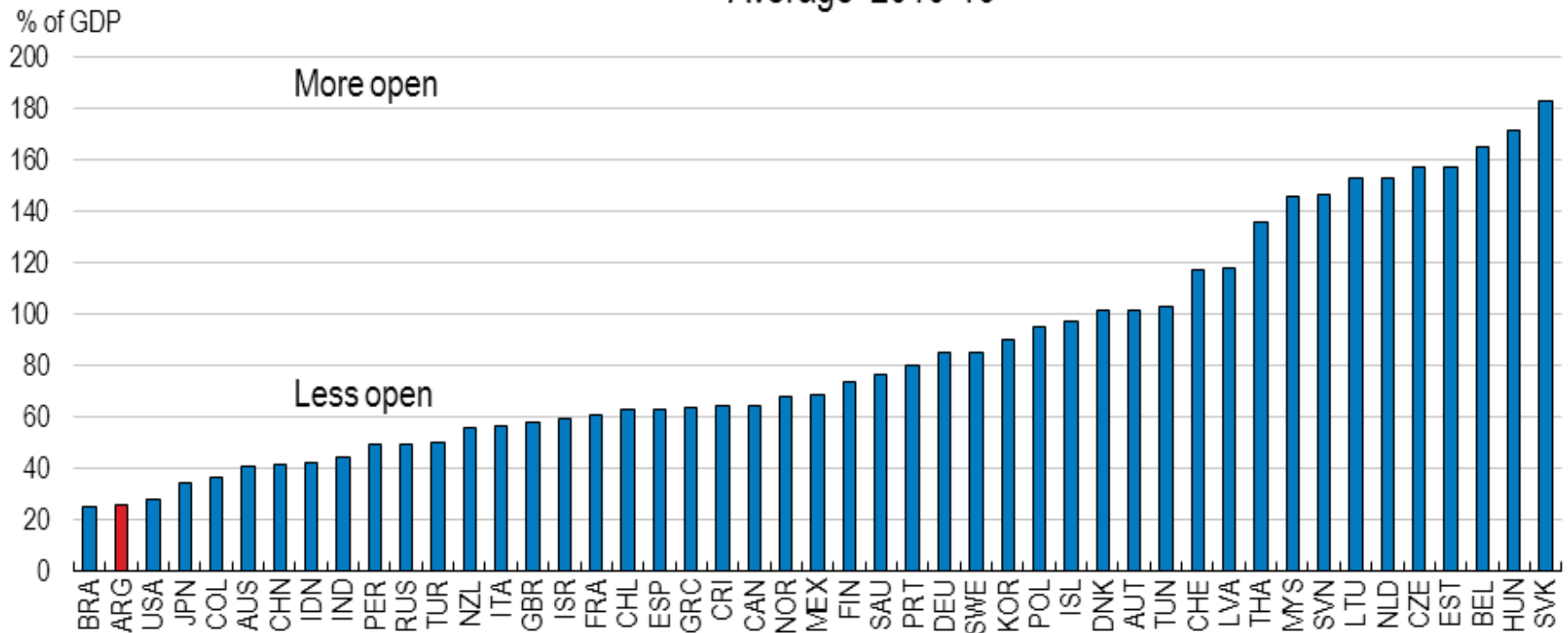


Source: World Bank Enterprise survey database.



Argentina is only sparsely integrated into the global economy

Imports plus exports as % of GDP
Average 2010-16

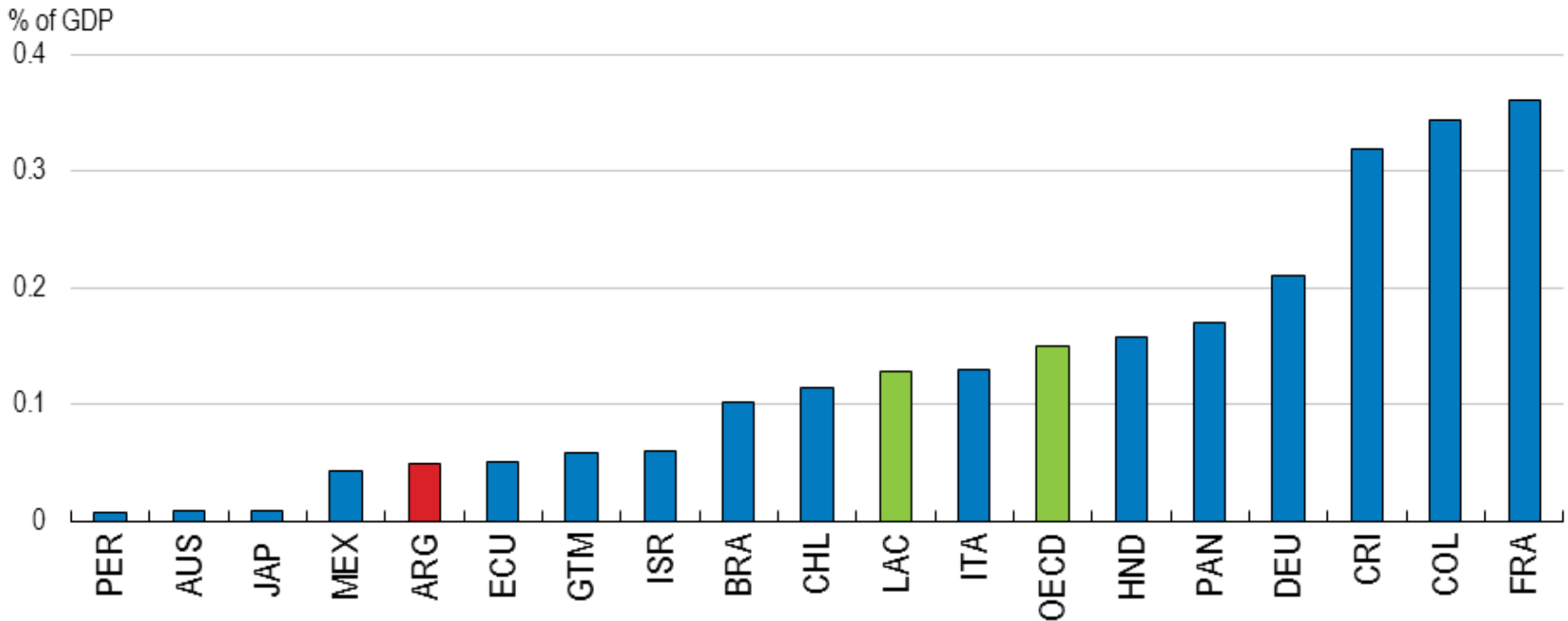


Source: IMF International Financial Statistics; OECD Economic Outlook 100 database;



Better training can help to find new jobs

Public spending in training programmes



Source: World Bank ASPIRE database and OECD Stats. Data pertain to 2014 or latest available year.



Key recommendations

Strengthening productivity and investment

- Simplify administrative procedures to start a company.
- Ensure that the competition authority has autonomy and adequate resources.
- Lower import tariffs and further reduce the application of non-automatic import licenses.
- Protect workers with unemployment insurance and training rather than strict labour regulations.
- Develop the vocational education system
- Better align curriculums with labour market needs.
- Promote gender equity.



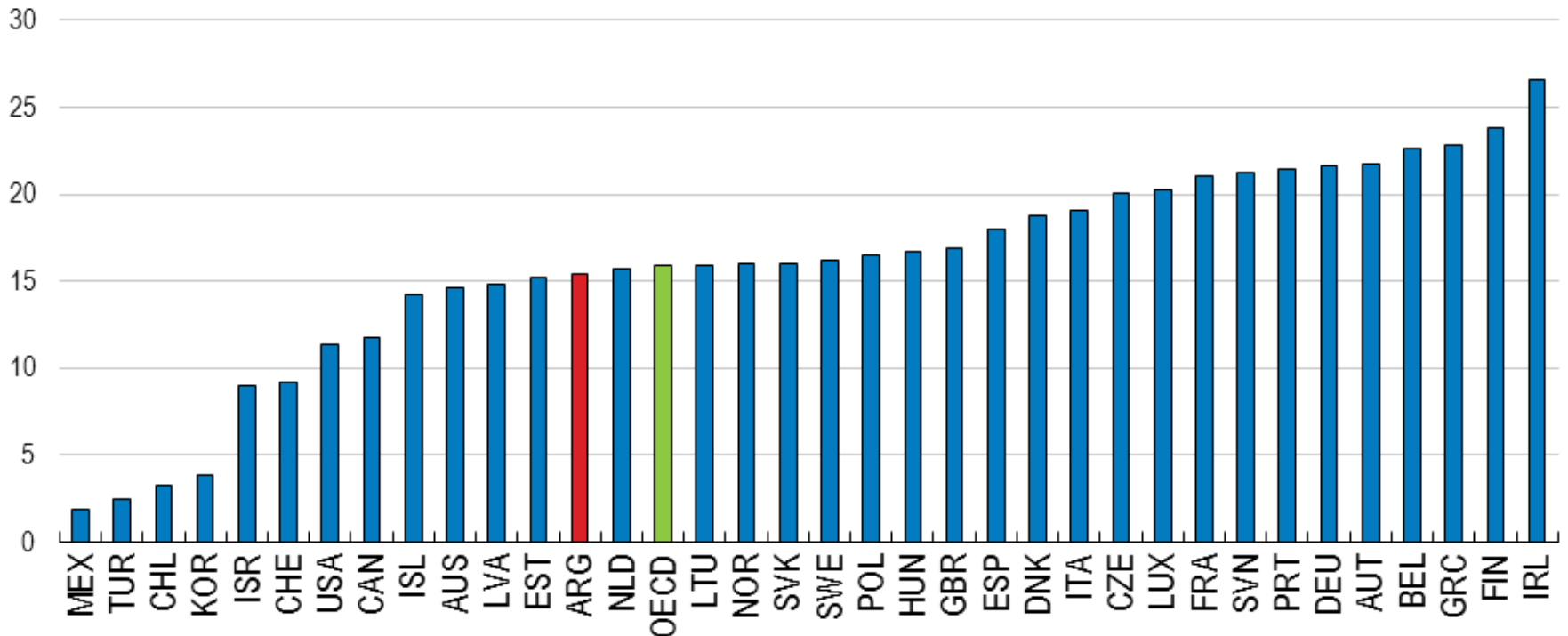
Third challenge: Reducing poverty and inequality



Transfer programmes reduce poverty and inequality

Reduction of inequality (GINI coefficient) due to taxes and transfers

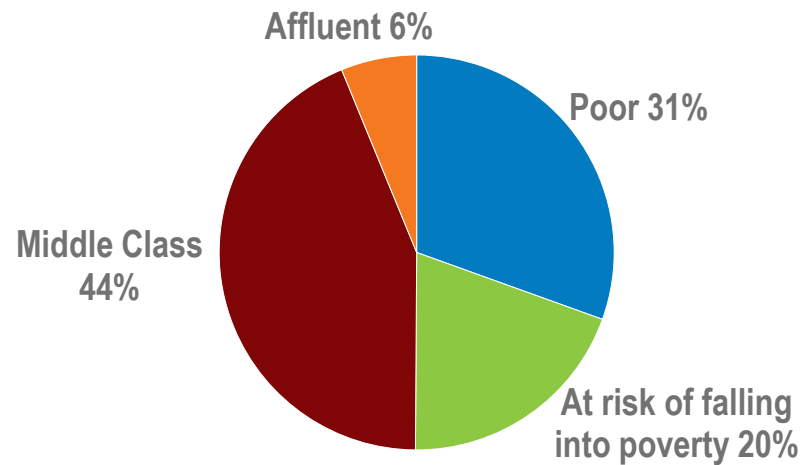
Percentage points



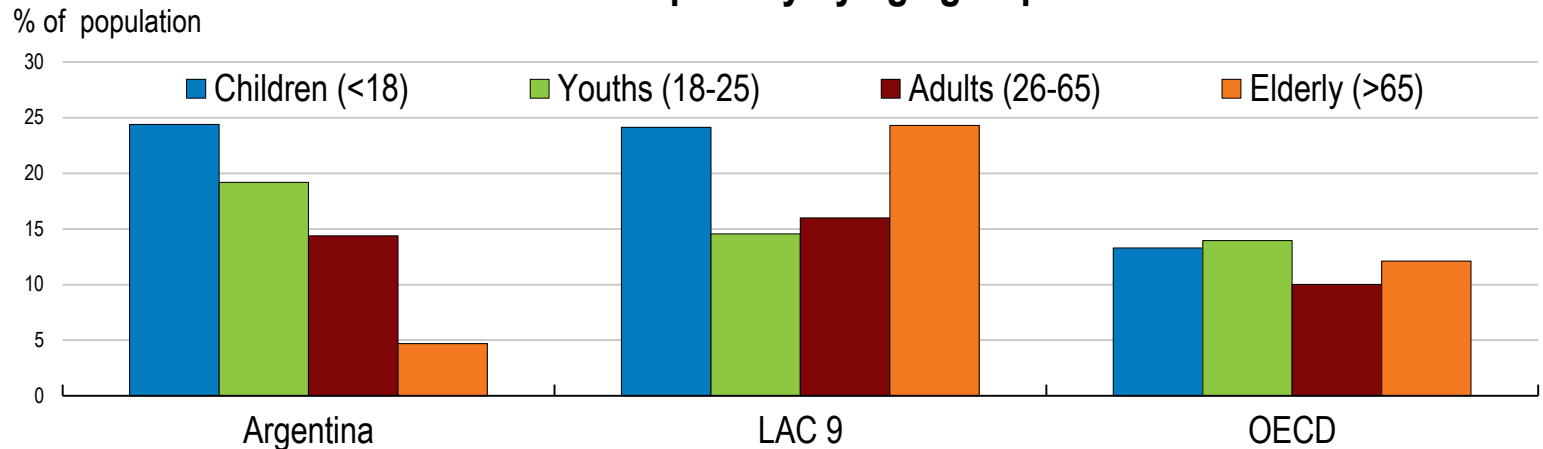
Source: OECD estimates.



Half the population is poor or at risk of falling into poverty, particularly children



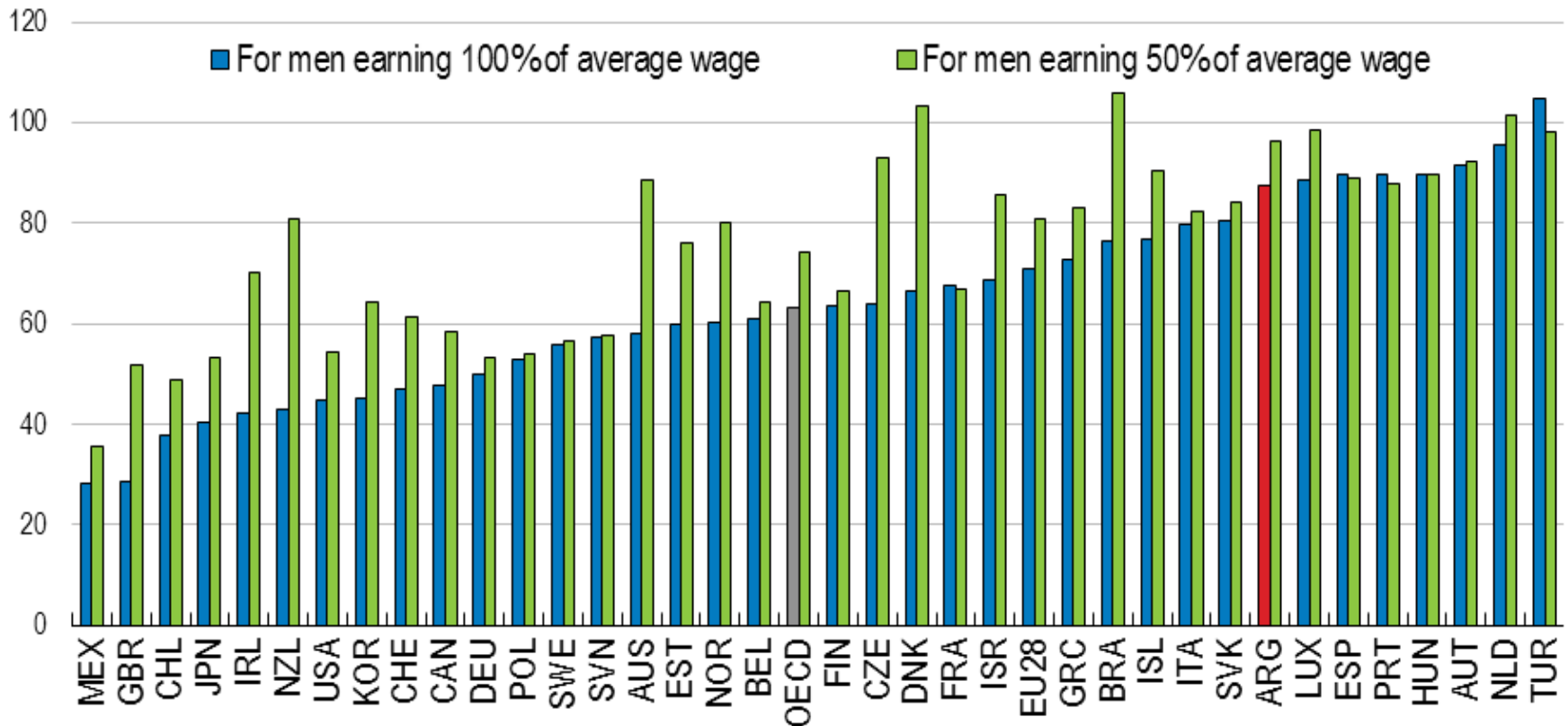
Relative poverty by age group





The sustainability of the pension system is at risk

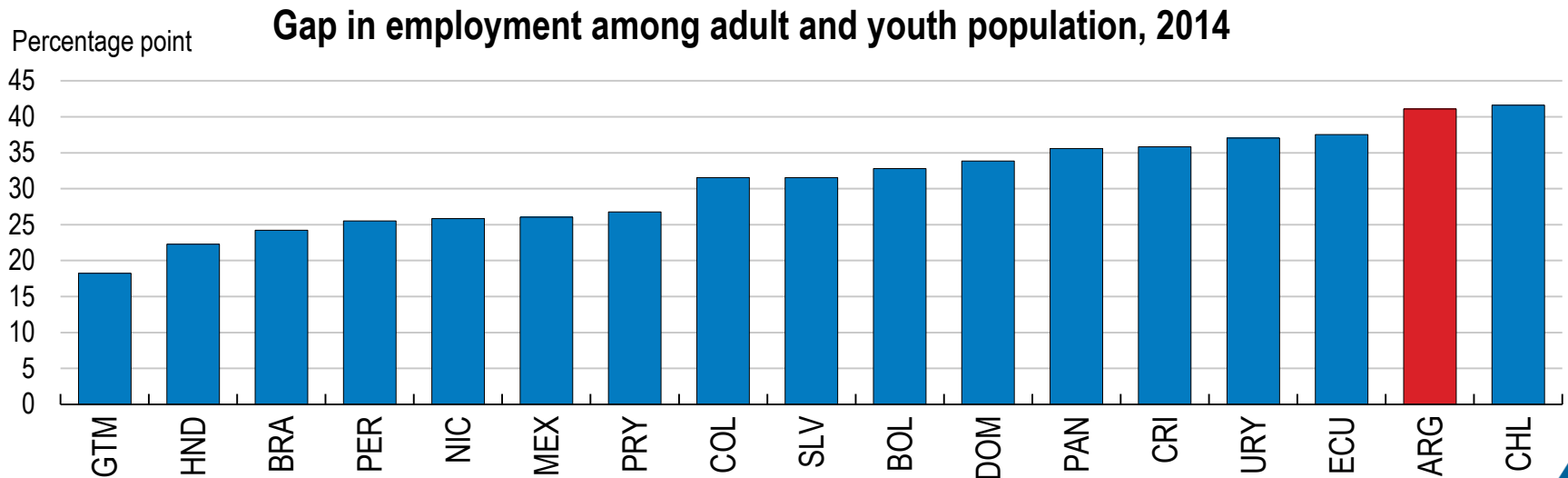
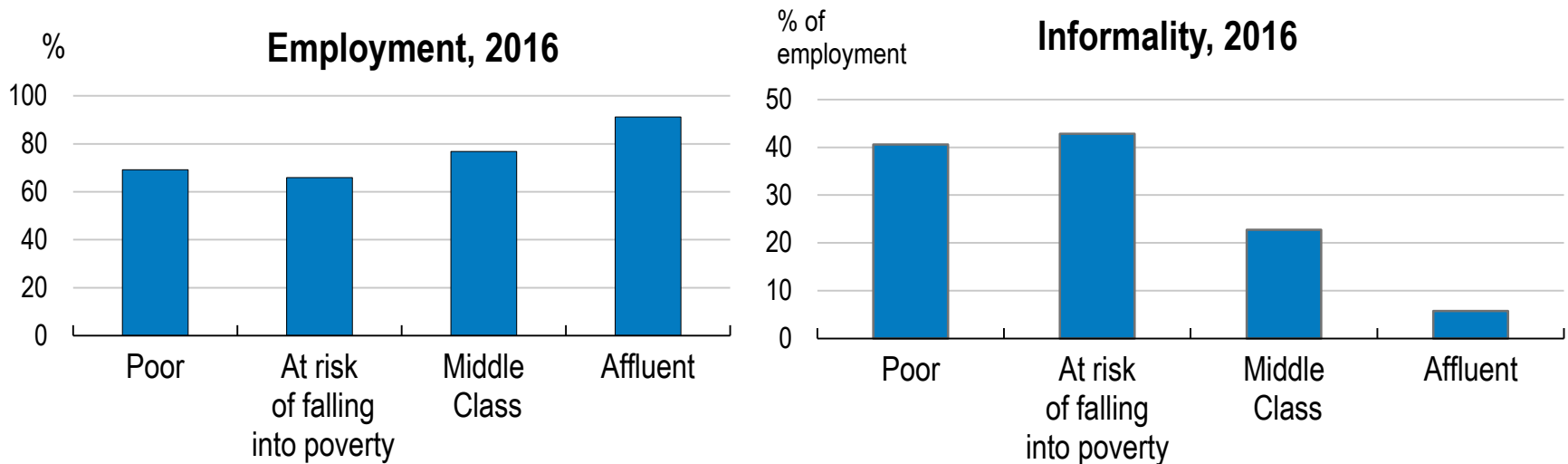
Pension levels are high relative to working-age wages



Source: OECD Pensions at a glance, 2016.



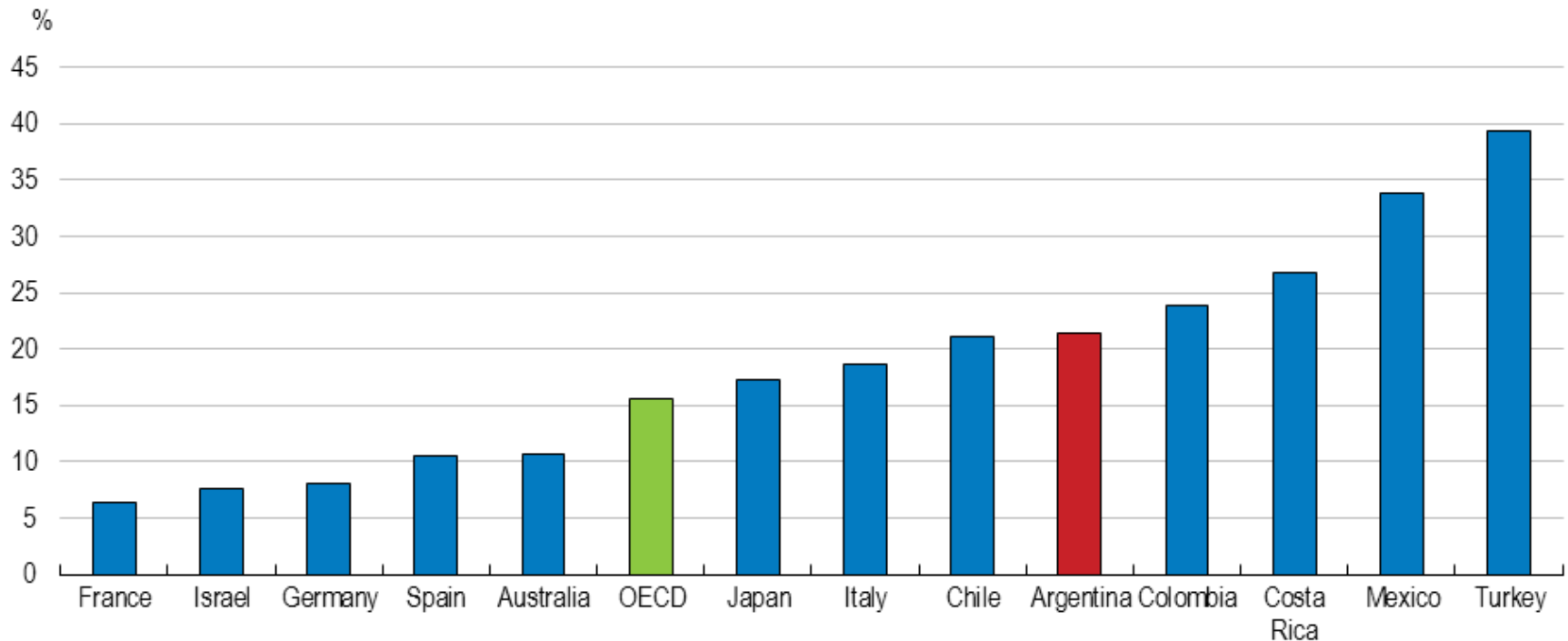
Creating quality jobs is crucial for eliminating poverty in a sustainable manner





Female labour participation is low

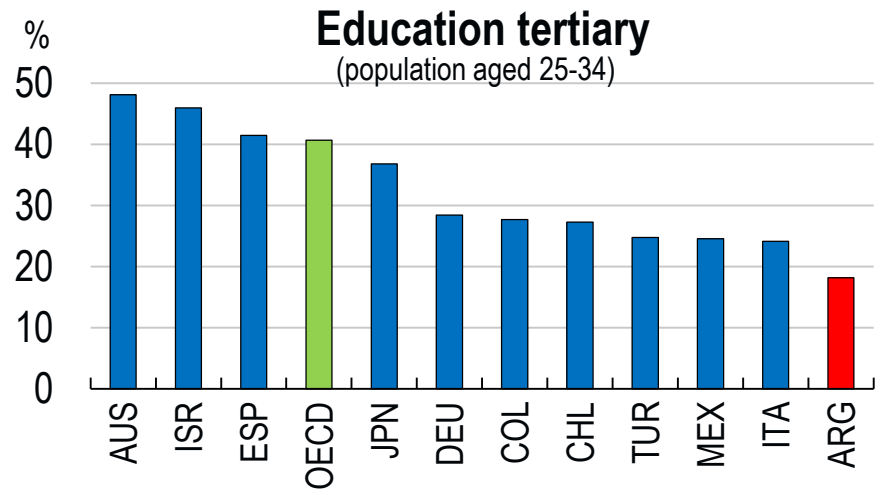
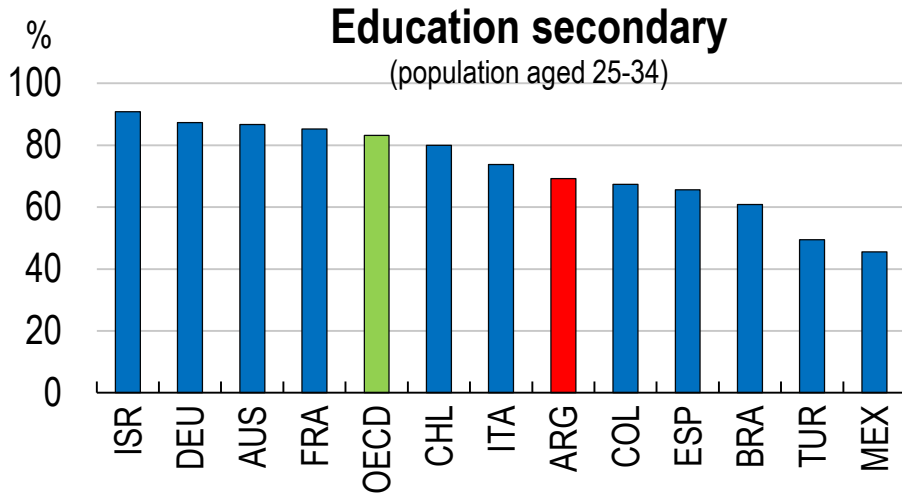
Differences in employment rate between men and women



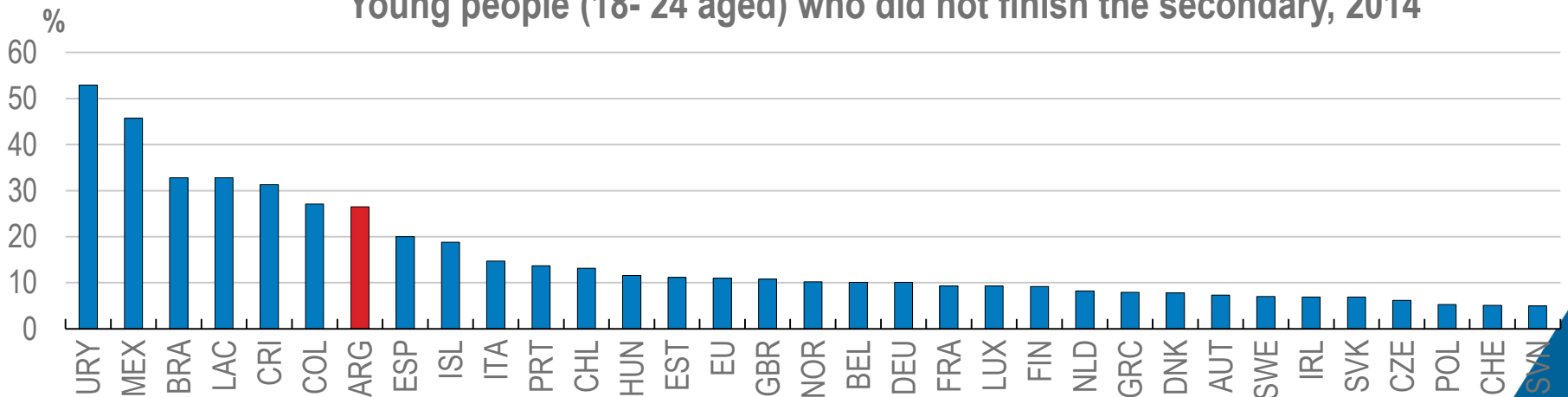
Source: OECDstat, 2015, EPH (INDEC), 2016 for Argentina.



Improving access, quality and equity in the education system is a priority



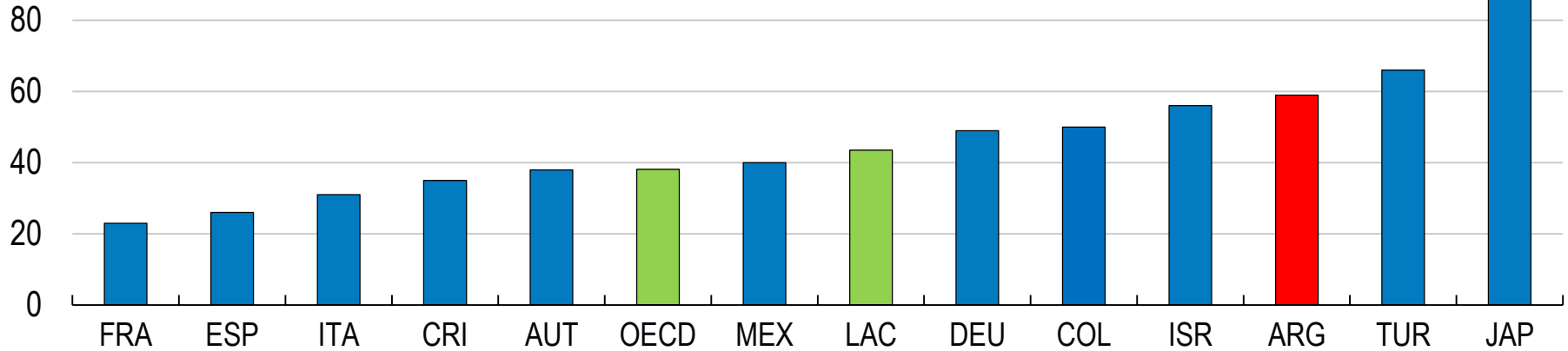
Young people (18- 24 aged) who did not finish the secondary, 2014



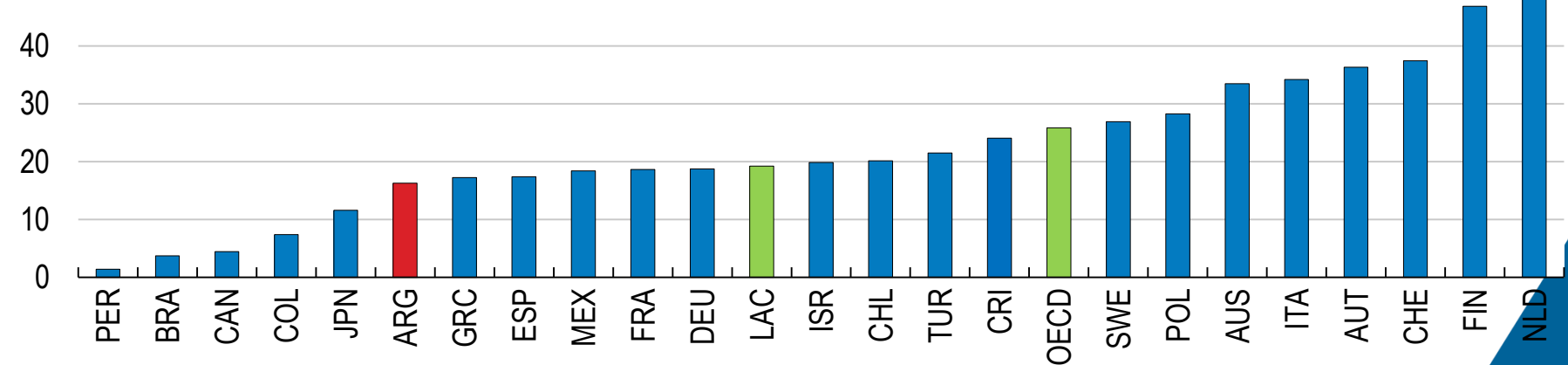


Improving skills brings short-term and long-term benefits

Percentage of firms identifying difficulty in filling jobs , 2016



Percentage of secondary students enrolled in vocational education 2015





Key recommendations

Reducing inequalities

- Integrate existing social protection programmes and allow them to share registries and targeting tools.
- Index pension benefits to consumer prices and align retirement ages for women to those for men.
- Merge teacher training institutions and strengthen their quality standards, governance, accounting requirements and transparency.
- Strengthen mechanisms to identify and support students at risk of dropping out through tutoring and individualised support..
- Expand early childhood education, promote flexible working time arrangements and extend paternity leave.
- Lower social security contributions temporarily for low-paid workers whose jobs are brought into the formal sector.
- Scale up training, employment services, and simplify administrative procedures to start a company
- Enforce formalisation and compliance with more labour inspections.

For more information...

<http://www.oecd.org/eco/surveys/economic-survey-argentina.htm>

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