

ARGENTINA

Substantial progress in restoring macroeconomic stability through fiscal consolidation and exchange rate reforms. Growth rebounded to 4.4 percent in 2025 and is projected at 3.6 percent in 2026. Inflation is declining. Poverty has eased, though high informality and inequality constrain inclusive growth. Balancing exchange rate flexibility, reserves accumulation, and disinflation poses risks, amid shallow buffers and heightened international volatility.

Key conditions and challenges

Argentina's recent efforts to address long-standing macroeconomic imbalances provide a more stable platform for economic recovery and poverty reduction. The country benefits from abundant natural resources, a relatively skilled labor force, and comparative advantages in agro-industry and services. However, decades of macroeconomic instability—driven by chronic fiscal imbalances, recurrent monetary financing of deficits, and a highly restrictive regulatory environment, have weakened productivity, discouraged private investment, and heightened vulnerability to shocks.

The current economic program aims to restore macroeconomic stability through fiscal consolidation, the gradual normalization of the exchange rate and capital account regime, and the removal of distortionary regulations. Nonetheless, the economy remains exposed to significant challenges, including limited fiscal and external buffers, inflation inertia, shallow financial intermediation, and infrastructure gaps that constrain productivity growth and job creation.

Argentina's household welfare reflects the contrast between lower inflation and weak job creation concentrated in informal,

Population ¹ million	Poverty ² millions living on less than \$8.30/day
45.9	6.9
Life expectancy at birth ³ years	School enrollment ⁴ primary (% gross)
77.4	102.5
GDP ⁵ current US\$, billion	GDP per capita ⁶ current US\$
665.8	14521.6

Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2024 (2021 PPPs). 3/ 2023. 4/ 2023. 5/ 2025. 6/ 2025.

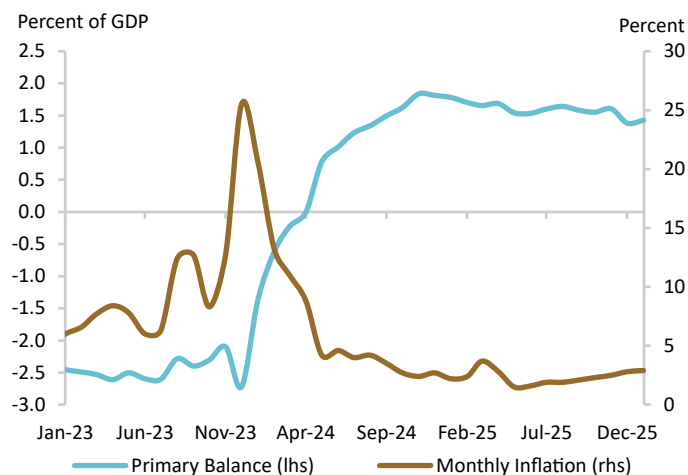
low-productivity activities, including self-employment and platform-based delivery work. While the poverty rate fell from 16.4 percent in 2023 to 15.2 in 2024 (at the US\$8.30 per day, 2021 PPP poverty line), below several regional peers, a sizable share of the population remains vulnerable.

Looking ahead, the key challenge is to consolidate macroeconomic stabilization while advancing structural reforms that support growth. Strengthening fiscal and external buffers, improving fiscal efficiency, accelerating infrastructure investment, and rebuilding human capital are critical to enhancing resilience, expanding formal employment, and enabling sustained poverty reduction.

Recent developments

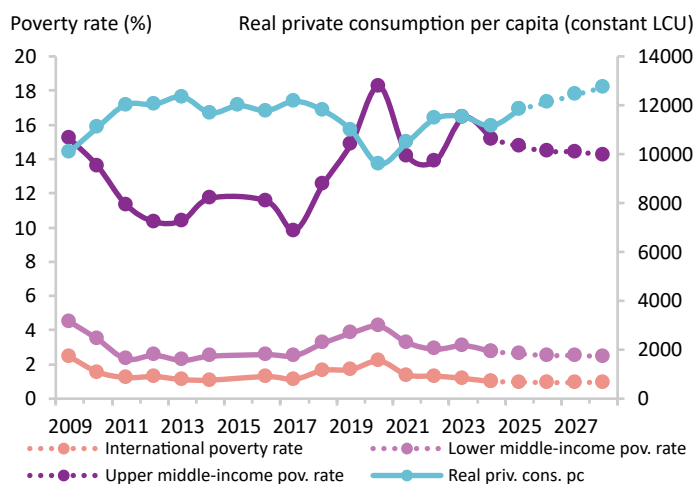
Real GDP grew by 4.4 percent in 2025, largely reflecting a favorable end-2024 base effect, alongside a gradual recovery in domestic demand and investment in energy, agriculture, and mining. Growth was tempered by the political cycle, with mid-term elections in October. Progress in strengthening fiscal and external sustainability supported a sharp decline in sovereign risk spreads, from around 2,000 basis points in January 2024 to about 600 basis points by March 2026.

FIGURE 1 / Central government primary balance and monthly CPI inflation



Sources: National Institute of Statistics and Censuses (INDEC), and Ministry of Economy.

FIGURE 2 / Actual and projected poverty rates and real private consumption per capita



Source: World Bank. Notes: See footnotes in table on the next page.

Fiscal consolidation remains a central pillar of the economic program. Expenditure restrained supported an overall fiscal surplus of 0.2 percent of GDP in 2025 at the Central Government, despite the elimination of the PAIS tax—a temporary tax on foreign exchange transactions introduced in 2019—and the reduction of export duties, both highly distortive sources of revenue.

To strengthen external sustainability, the government introduced an exchange rate band with crawling adjustments and a phased lifting of capital controls in April. The new regime helped close the foreign exchange gap and reduced volatility. However, increased dollarization ahead of the October elections—estimated at around 50 percent of broad money (M2)—tightened monetary conditions, requiring temporary U.S. liquidity support to preserve financial stability and maintain the course of the economic program. In January 2026, the band was further flexibilized by indexing its bounds to past inflation, replacing the fixed 1 percent monthly adjustment in place since April.

The Peso depreciated by 29 percent in 2025, correcting accumulated real exchange rate misalignments. While inflation declined sharply in 2024, monthly inflation began rising gradually from 1.5 percent in April 2025 to 2.9 percent by January 2026. Pass-through remained contained despite depreciation, suggesting better-anchored inflation expectations. Net international reserves remained negative, but the authorities initiated a plan to accumulate approximately US\$10 billion in 2026, with Central Bank foreign exchange purchases totaling approximately US\$3 billion since January.

Labor market gains in 2025 were uneven. Employment growth was concentrated in informal and self-employment, while registered private employment declined. Recent gains in real wages are at

risk, as informal sector wages have been lagging inflation in recent months. Inequality remains high—the Gini coefficient at 0.42 underscores persistent disparities. Poverty is estimated to have fallen to 14.7 in 2025 (US\$8.30/day, 2021 PPP), as first-semester disinflation more than offset the late-year rise in food prices.

Outlook

Real GDP is projected to grow by 3.6 percent in 2026, driven by a recovery in private consumption and sustained strength in investment and exports. A favorable agricultural season and large-scale investments in oil, gas, and mining will support tradables, while improved macro stability should bolster domestic demand. Fiscal discipline and a tight monetary policy will remain as the economic stabilization program's anchor, sustaining disinflation.

Fiscal consolidation is expected to continue in 2026, with a projected primary surplus of about 1.6 percent of GDP, supported by stronger revenues and continued expenditure restraint. A consistent fiscal and monetary program should place public debt on a declining path, reducing the debt-to-GDP ratio to about 65 percent by 2027. A more flexible exchange rate regime is expected to support reserve accumulation and gradually rebuild external buffers.

The outlook faces notable downside risks. Domestically, regulated price adjustments and greater exchange rate flexibility could slow disinflation. Externally, the conflict in the Middle East could also delay disinflation through higher fuel prices, particularly if the shock proves long-lasting. This would require a prolonged tight policy stance, weighing on growth.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	-1.9	-1.3	4.4	3.6	3.7	3.5
Private consumption	1.0	-2.9	6.4	2.7	2.9	2.8
Government consumption	2.1	-3.8	1.2	0.7	1.7	1.9
Gross fixed capital investment	-2.0	-17.2	20.4	8.4	8.4	7.2
Exports, goods and services	-9.5	19.8	6.1	4.6	5.8	4.9
Imports, goods and services	1.9	-10.2	27.5	4.0	5.9	5.0
Real GDP growth, at constant factor prices	-1.5	-1.4	4.4	3.6	3.7	3.5
Agriculture	-23.4	30.8	4.4	3.6	3.1	3.0
Industry	-0.2	-7.0	4.1	3.2	3.1	2.9
Services	0.8	-2.1	4.5	3.8	4.0	3.8
Employment rate (% of working-age population, 15 years+)	58.5	57.3	58.4	58.8	59.0	59.0
Inflation (private consumption deflator)	129.1	217.6	40.7	28.0	15.0	8.5
Current account balance (% of GDP)	-3.2	0.9	-1.3	-0.3	-1.0	-1.2
Net foreign direct investment inflow (% of GDP)	3.3	1.4	1.6	1.6	2.1	2.2
Fiscal balance (% of GDP)¹	-4.6	0.2	-0.1	0.2	0.4	0.6
Revenues (% of GDP)	33.8	32.3	31.4	30.7	31.3	31.2
Debt (% of GDP)¹	170.0	88.5	80.3	68.6	64.7	61.2
Primary balance (% of GDP)¹	-2.7	1.9	1.3	1.6	2.5	2.6
International poverty rate (\$3.00 in 2021 PPP)^{2,3}	1.2	1.0	0.9	0.9	0.9	0.9
Lower middle-income poverty rate (\$4.20 in 2021 PPP)^{2,3}	3.1	2.8	2.6	2.5	2.5	2.4
Upper middle-income poverty rate (\$8.30 in 2021 PPP)^{2,3}	16.4	15.2	14.7	14.5	14.4	14.2
GHG emissions growth (mtCO₂e)	-1.6	-1.7	2.2	2.8	3.7	4.1

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

1/ Fiscal data refer to the general government.

2/ Calculations based on SEDLAC harmonization, using 2024-EPHC-S2. Actual data: 2024. Nowcast: 2025. Forecasts are from 2026 to 2028.

3/ Projections using microsimulation methodology.