Box 2

ARGENTINA: HEADWAY IN THE STABILISATION PROCESS AND CHALLENGES FOR GROWTH

Argentina has made headway with macroeconomic stabilisation: inflation is down, the exchange rate is more stable and reserves are being accumulated. Yet these achievements coexist with weak activity and persistent financial and fiscal risks. The challenge is to cement the stability and transform it into investment, employment and steady growth. Structural reforms may help achieve this aim, although weak demand and tax revenue make it more difficult to sustain the recovery and the fiscal balance.

Headway in stabilisation, although risks remain high

Argentina has continued to make progress in macroeconomic stabilisation, although some vulnerabilities persist. Monthly inflation resumed its downward path, reaching 1.7% in August, half the March figure (3.4%), and core inflation also fell below 2%. These developments were accompanied by greater exchange rate stability and reserve accumulation (Charts 1, 2 and 3).

The Argentine peso has remained relatively stable in recent months, limiting one of the main channels through which inflationary pressures are transmitted. Meanwhile, the Central Bank of Argentina (BCRA) has maintained a net purchasing position in the foreign exchange market since the beginning of the year, accumulating purchases of around USD 14 billion up to September 2026. In addition,

Chart 1
Inflation

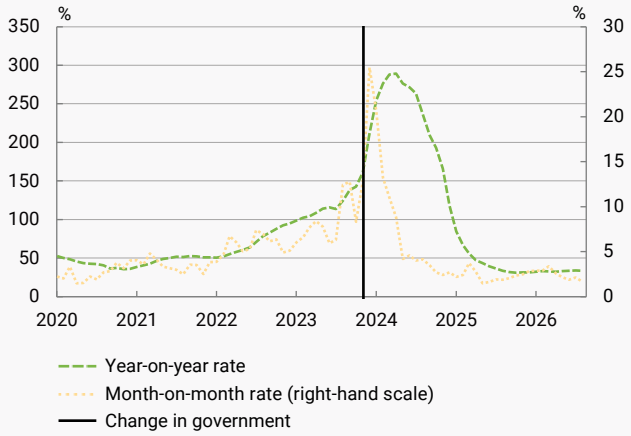


Chart 2
Foreign exchange reserves

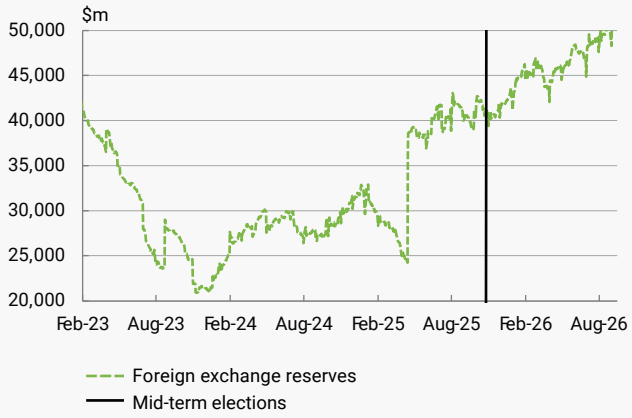
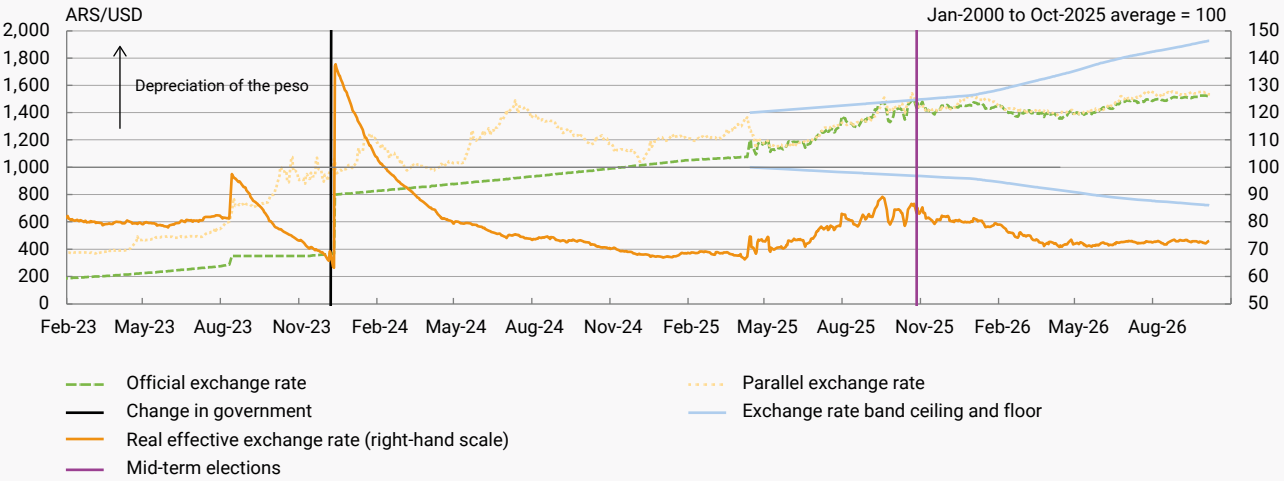


Chart 3
Exchange rates



SOURCES: LSEG Datastream and Banco Central de la República Argentina.

Box 2

ARGENTINA: HEADWAY IN THE STABILISATION PROCESS AND CHALLENGES FOR GROWTH (cont'd)

the main wholesale market interest rates have declined to 20%-24%, compared with levels above 33% at the beginning of the year.[1] The increase in international reserves, together with the improvement in financial conditions, has helped to strengthen macro-financial stability and perceptions of the country's creditworthiness.[2]

The reform of the Charter of the BCRA could help consolidate this progress. Its main amendments include a prohibition on the monetary financing of the Treasury, limits on the use of reserves for fiscal purposes and a redefinition of the BCRA's mandate.[3]

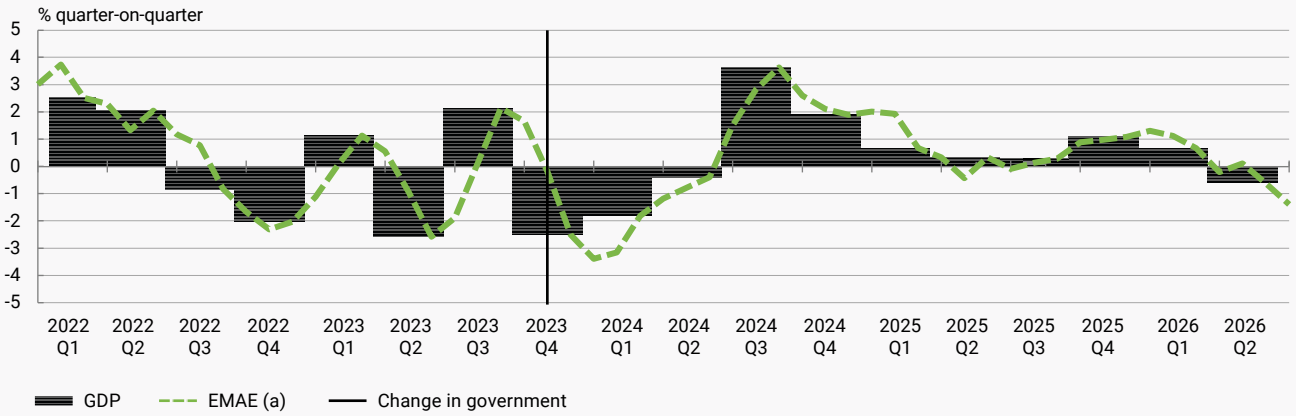
Nevertheless, stabilisation remains fragile. Inflation expectations for 2026 increased from around 22% year-on-year at the beginning of the year to close to 30% in August, pointing to slower disinflation than expected in early 2026. Furthermore, the tightening of financial conditions worldwide and rising political uncertainty ahead of the 2027 presidential elections could test the improvement in financial conditions observed in recent months, particularly with a very heavy public debt redemption schedule looming in 2027.

Weak economic activity

The progress made in consolidating the stabilisation process has coincided with a loss of momentum in economic activity during 2026, amid fiscal consolidation and monetary tightening. After growing by barely 0.7% quarter-on-quarter in 2026 Q1, GDP contracted by 0.6% in Q2, its first decline in two years (Chart 4). This was mainly attributable to a deterioration in domestic demand: private consumption fell by 2.4% and investment by 0.8%, the latter declining for the fifth consecutive quarter. The latest data suggest that this loss of momentum continued into the beginning of the third quarter, with July's leading indicator for activity recording a further broad-based decline. At the same time, consumer confidence fell by 14% between January and August,[4] amid a deterioration in disposable income and greater household pessimism, factors that continue to weigh on consumption decisions.

The labour market also deteriorated. The unemployment rate rose again in Q2 and the informal employment rate increased from 43.2% to 45.0% in barely a year. Overall,

Chart 4
Economic activity



SOURCES: LSEG Datastream, INDEC and Banco Central de la República Argentina.

a The EMAE is an economic activity index published by Argentina's National Institute of Statistics and Censuses (INDEC). Its quarter-on-quarter rate of growth is considered a sound leading indicator of Argentina's GDP.

1 Under the current monetary framework, which is based on the control of monetary aggregates, there is no benchmark policy rate.

2 The three rating agencies (Fitch, S&P and Moody's) upgraded Argentina to B-.

3 The reform was adopted by the Senate, but contained amendments to laws on the appointment and removal of central bank officials, requiring the draft Charter to return to the House of Representatives for these changes to be ratified.

4 Universidad Torcuato Di Tella's consumer confidence index.

Box 2

ARGENTINA: HEADWAY IN THE STABILISATION PROCESS AND CHALLENGES FOR GROWTH (cont'd)

these figures depict an economy struggling to achieve a sustained recovery in activity and domestic demand.

On the supply side, pronounced sectoral heterogeneity persists (Chart 5). Energy, mining and agriculture remain highly buoyant, but they are relatively capital-intensive activities, with limited capacity to create jobs. By contrast, more labour-intensive sectors – such as construction, trade and manufacturing – continue to lag behind. Construction has been hit hard as public works have come to a standstill, while manufacturing faces greater competition from imports amid the peso's real appreciation.

The loss of momentum is also starting to strain the public finances, the economic programme's main anchor.[5] Lower activity and weak consumption limit tax revenue. Therefore, the main challenge is to preserve the progress made in stabilisation and the fiscal balance, while fostering a more robust economic recovery.

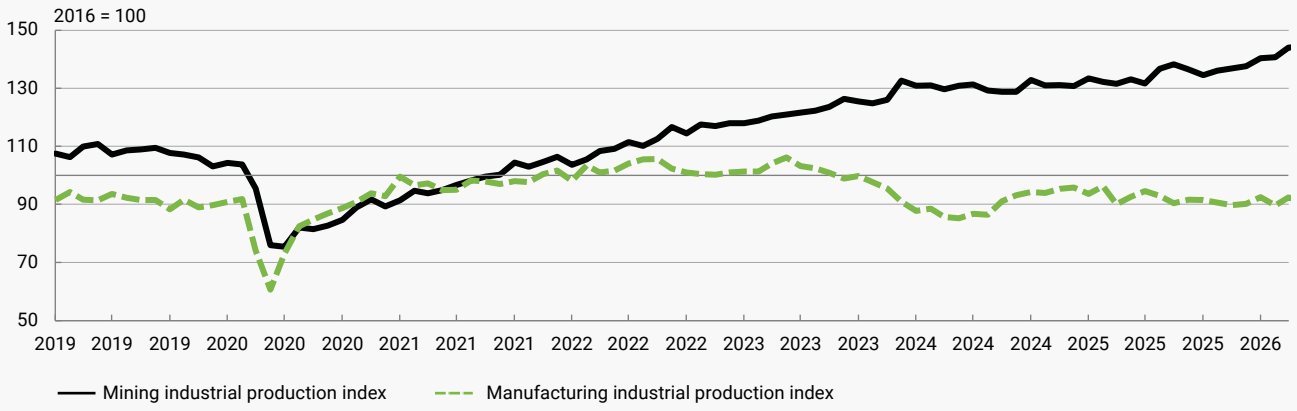
From stabilisation to growth: the role of reforms

The structural reforms under way could help to raise the economy's potential growth and spur a steadier recovery in investment and employment. To date, the measures have largely focused on deregulation and reducing administrative hurdles (Table 1). However, in 2026 more far-reaching reforms have started to take shape, geared towards changing some of the general frameworks governing how the economy works. Specifically, the labour market reform, in force since March 2026, aims to make the labour market more flexible through changes to hiring and severance arrangements, a reduction in non-wage labour costs and changes to the trade union framework.

In parallel, the reform of the Charter of the BCRA, which is still pending final approval, seeks to consolidate stabilisation at the institutional level by strengthening the price stability mandate and limiting monetary financing of the Treasury.

This agenda is complemented by public sector reorganisation, privatisation and new measures to open up trade and deregulate specific sectors. The challenge is no longer merely to stabilise the economy, but to transform that stability into investment, employment and sustained growth.[6]

Chart 5
Production indices



SOURCE: INDEC.

5 The National Public Sector recorded a fiscal deficit in June 2026, the first June of La Libertad Avanza's mandate with a primary deficit. In any event, the Government's draft budget for 2027 targets a fresh overall fiscal surplus of 0.2% of GDP for the Federal Government.

6 Elena Vidal. (2026). "Box 2. The macroeconomic stabilisation plan in Argentina". *Report on the Latin American economy. First half of 2026 - Banco de España.*

Box 2

ARGENTINA: HEADWAY IN THE STABILISATION PROCESS AND CHALLENGES FOR GROWTH (cont'd)

Table 1

Main structural reforms aimed at boosting market access and competition (December 2023-September 2026) (a)

Date	Public sector reforms and elimination of red tape
July 2024: Law 27,742	Authorises the Executive to close or restructure public sector entities (with various exceptions) and allows the full or partial privatisation of certain state-owned enterprises and a greater use of concession contracts
July 2024: Law 27,742	Reforms the administrative procedure to make it quicker, simpler, more effective and more efficient, incorporating positive administrative silence in certain circumstances
August 2024: Decree 747/2024	Eliminates frameworks that required the central government to procure certain goods and services from state-owned enterprises and allows competitive procurement processes involving private suppliers
July 2025: General Resolution 1073/2025	Speeds up procedures for firms seeking funding on the capital market
August 2025: Resolution 1199/2025	Allows provinces, municipalities and the City of Buenos Aires to continue projects by assuming their funding when the central government does not cover the expected outlays
February 2026: General Resolution 5824/2026	Updates the invoicing regime and allows monthly electronic settlements, in order to automate the collection of information required for VAT and income tax returns and reduce administrative burdens
June 2026: General Resolution 5/2026 of the Inspección General de Justicia	Advances the digitalisation of the companies register: eliminates paper copies for several procedures and allows the issuance and submission of entries with a digital signature, thereby reducing in-person formalities and duplicate documentation
	Labour market reform
July 2024: Law 27,742	Introduces a simplified labour register, removes certain penalties for undeclared employment and permits alternative employment termination schemes agreed in collective agreements, among other changes
February 2026: Labour Modernisation Law	Increases flexibility in employment termination arrangements and allows for collective bargaining at firm level
	Investment and sectoral reforms
July 2024: Law 27,742	Creates the Incentive Regime for Large Investments (RIGI), with benefits and regulatory stability for large-scale projects in sectors such as energy, mining, infrastructure, forestry, tourism and technology
July 2024: Law 27,742	Reforms the energy framework, extending freedom of contract and exports and adjusting the regulation of hydrocarbons, gas and electricity
July 2025: Decree 452/2025	Creates the National Gas and Electricity Regulatory Authority (ENReGE), combining the functions of Enargas and ENRE in a single regulator
August 2025: Decree 538/2025	Simplifies processes and administrative frameworks linked to the food sector and accelerates the process to update the Argentine Food Code
May 2026: General Resolution 4/2026 of the Inspección General de Justicia	Simplifies the foreign companies register framework: reduces documentation requirements, allows apostilled digital documentation and speeds up registrations, branches and legal representation
June 2026: General Resolutions 1145-1150/2026 of the Comisión Nacional de Valores	Extends automatic authorisation of offers to the public for marketable debt securities, shares, financial trusts and funds, largely replacing pre-approval with ex post audits
June 2026: Decree 482/2026	Updates the regulations implementing the Mining Investment Law: digitalises procedures, replaces pre-approvals with affidavits in certain cases and simplifies access to tax benefits
July 2026: Resolution 49/2026	Establishes a permanent and transparent framework for allocating national and international air traffic capacity and frequency, cementing the open skies policy

SOURCES: Ministerio de Desregulación y Transformación del Estado and OECD. (2025). *OECD Economic Surveys: Argentina 2025.*

a A total of 770 deregulation measures have been implemented to September 2026.

Box 2

ARGENTINA: HEADWAY IN THE STABILISATION PROCESS AND CHALLENGES FOR GROWTH (cont'd)

Table 1

Main structural reforms aimed at boosting market access and competition (December 2023-September 2026) (a) (cont'd)

	Trade liberalisation
December 2023: Resolution 1/2023	Abolishes the automatic and non-automatic import licensing framework and eliminates the need to process Argentine System of Imports (SIRA) requests
May 2024: Resolution 302/2024	Eliminates tariff-rate quotas for wheat and maize
August 2024: Decree 697/2024	Reduces or eliminates export duties on certain agricultural products
October 2024: Decree 908/2024	Reduces import tariffs on certain goods and eliminates reference export values
December 2024: Expiry of Law 27,541	Expiration of the PAIS tax on imports as the law lapsed
January 2025: Decree 33/2025	Reforms the anti-dumping system and limits the maximum duration of the measures to five years
September 2025: Resolution 357/2025	Eliminates 27 additional rules to the Supply Law, which established price controls and reporting and production requirements
October 2025: Resolution 546/2025	Simplifies vehicle imports by recognising international environmental certifications and certificates from accredited laboratories
December 2025: Decree 892/2025	Recognises international certifications, trials and standards for several imported goods, avoiding duplicate domestic certification
April 2026: Decree of Necessity and Urgency (DNU) 252/2026	Extends the In-Plant Customs Regime industry-wide, deferring or eliminating taxes on imported inputs depending on the destination of the end-product and eliminating prior sectoral agreements
January 2026: Decree 333/2025	Eliminates tariffs on imported mobile phones
May 2026: General Resolution 5842/2026 of the Agencia de Recaudación y Control Aduanero	Allows certain customs guarantees to be pledged via a digital affidavit in the system, reducing intermediation, financial costs and administrative burdens
July 2026: Resolutions 166/2026 and 593/2026	Eliminates procedures to export oil and gas and animal products
July 2026: Decree 604/2026	Eliminates caps on postal exports

SOURCES: Ministerio de Desregulación y Transformación del Estado and OECD. (2025). *OECD Economic Surveys: Argentina 2025.*

a A total of 770 deregulation measures have been implemented to September 2026.