

# ARGENTINA

**Table 1** **2023**

Population, million	46.5
GDP, current US\$ billion	646.6
GDP per capita, current US\$	13900.4
International poverty rate (\$2.15) <sup>a</sup>	0.6
Lower middle-income poverty rate (\$3.65) <sup>a</sup>	2.5
Upper middle-income poverty rate (\$6.85) <sup>a</sup>	10.9
Gini index <sup>a</sup>	40.7
School enrollment, primary (% gross) <sup>b</sup>	110.2
Life expectancy at birth, years <sup>b</sup>	76.1
Total GHG emissions (mtCO2e)	423.5

Source: WDI, Macro Poverty Outlook, and official data.  
a/ Most recent value (2022), 2017 PPPs.  
b/ Most recent WDI value (2022).

*An economic stabilization program is underway, underpinned by a strong fiscal adjustment, a correction in relative prices, and the strengthening of the Central Bank's balance sheet while maintaining exchange rate and capital controls. By mid-2024, the fiscal deficit was eliminated, and inflation markedly reduced. The economy is expected to contract 3.5 percent in 2024, and poverty to rise to 16.3 percent. Balancing inflation reduction and the removal of exchange controls presents considerable risks to the economic outlook.*

## Key conditions and challenges

Argentina's economy has stagnated over the past 17 years, with GDP per capita in 2023 at approximately the same level as in 2006. Despite abundant natural resources, high human capital, and strong comparative advantages in agriculture, energy, and key manufacturing sectors, growth has been hindered by exceptionally high macroeconomic volatility, driven by the monetary financing of fiscal deficits, and associated persistent high inflation. Capital and exchange rate controls, trade and market distortions, and abrupt changes in policy direction have deterred private investment and constrained growth. The presidential election cycle and a severe drought exacerbated these imbalances in 2023.

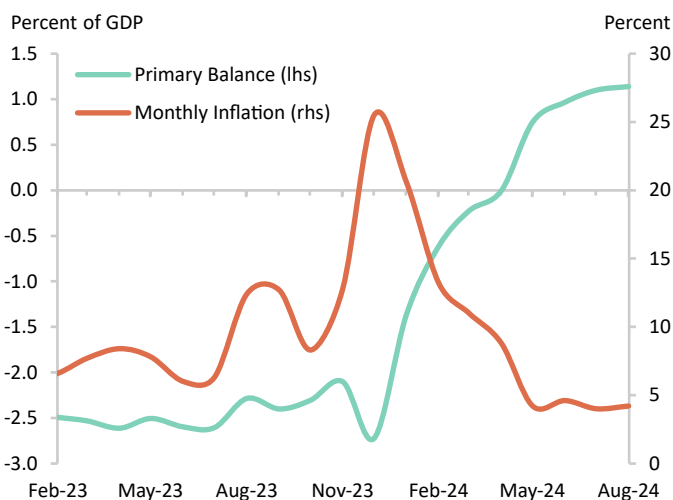
Although Argentina's poverty rates are relatively low compared to other Latin American and Caribbean countries, poverty increased over the last decade, bucking the regional downward trend. In 2023, average per capita household income was 40 percent less in real terms than in 2016, with the poor and vulnerable experiencing greater losses. Unemployment has remained low as informality acts as a stabilizer in the labor market. Informal employment now accounts for about 40 percent of all jobs. Post-pandemic, the primary driver of increased poverty has been rising inflation, especially the cost of food and necessities.

The government's focus is on addressing macroeconomic imbalances, restoring fiscal and external sustainability, reducing inflation, correcting price distortions, and lowering country risk. Complementing these efforts are policies aimed at facilitating trade and reducing market distortions. Key initiatives include reducing trade barriers, eliminating price controls, and removing subsidies, particularly in energy and transport. Establishing robust and credible fiscal sustainability is essential for maintaining Argentina's overall macroeconomic stability and reinforcing microeconomic reforms.

## Recent developments

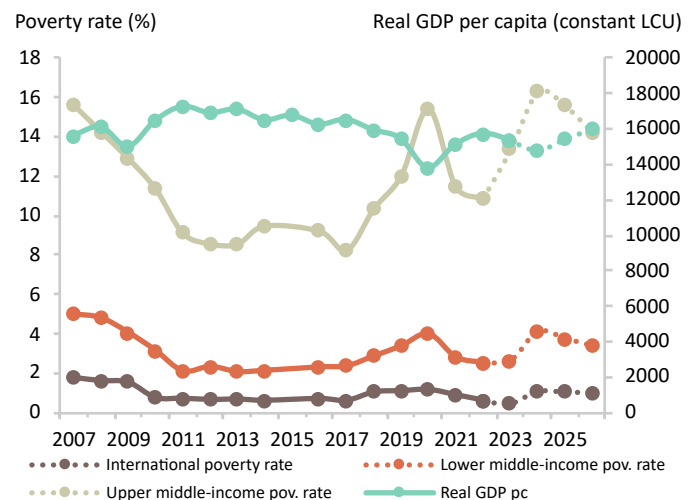
The economy contracted 1.6 percent in 2023 and the poverty rate reached an estimated 13.3 percent of the urban population (using a poverty line of US\$6.85/day per capita, per day PPP 2017). In December 2023, the newly elected government initiated a stabilization program anchored in fiscal discipline, the alignment of relative prices—including a 55 percent devaluation followed by a 2 percent monthly crawling peg—and the reduction of the monetary overhang while maintaining currency controls. The economy further contracted by 5.1 percent (y-o-y) in 2024Q1, with all sectors shrinking except agriculture, fishing, and mining. At the end of June, Congress approved a comprehensive reform package (Ley de Bases) aimed at deregulating markets and attracting investments.

**FIGURE 1 Argentina / Central government primary balance and monthly CPI inflation**



Source: World Bank staff calculations based on Ministry of Economy and INDEC. Note: Primary balance is calculated as the rolling 12 months as percent of GDP.

**FIGURE 2 Argentina / Actual and projected poverty rates and real GDP per capita**



Source: World Bank. Notes: see Table 2.

The stabilization program brought fiscal discipline and reduced inflation. In the first half of 2024, the government achieved a primary surplus of 1 percent of GDP, following a deficit of 2.7 percent in December 2023, mainly through a significant real reduction in spending, particularly on pensions. Inflation, which spiked to 25.5 percent (m-o-m) in December, steadily decreased to 4.2 percent by August. The current account balance turned positive in early 2024 (from a 3.2 percent of GDP deficit in 2023) and net international reserves were boosted in Q1 thanks to a more competitive peso and a delay in import payments. The gap between the official exchange rate and the blue-chip swap narrowed from over 200 percent to about 40 percent by June.

However, towards the end of Q2, the continued real appreciation of the peso alongside a reduction in international reserves and currency and capital controls, increased the risk perception of the economic program. Argentina's country risk, which had fallen to a low of 1,100 basis points (bps) in April, rose

to over 1,500 bps in July. Lower inflation improves welfare, but rising unemployment (from 5.7 percent in 2023Q4 to 7.7 percent in 2024Q1), could reverse these gains.

## Outlook

Real GDP is projected to contract by 3.5 percent in 2024, primarily due to the initial recessionary impacts of fiscal and price adjustments and a significant statistical carryover from 2023Q4. The decline is expected to come entirely from non-agricultural sectors. Agriculture is anticipated to recover following the 2023 drought, though its contribution will be diminished by low international prices for soy. An economic recovery is expected to start gradually in the second half of 2024 as real wages improve and the negative effects of fiscal adjustments begin to ease. Inflation is expected to continue to moderate towards the end of 2024. The current account balance is projected to record a

surplus of 0.6 percent in 2024, driven by agricultural recovery and reduced import demand. Growth is expected to accelerate in 2025 as the country continues to address macroeconomic imbalances.

The poverty rate is projected to increase to around 16 percent in 2024. Social assistance programs are well-targeted but are insufficient to fully offset the real income losses experienced by vulnerable and middle-income populations.

However, significant risks persist. External risks include global shocks such as ongoing declines in commodity prices and adverse climate conditions. These risks are intensified by the absence of fiscal buffers. Domestically, social vulnerabilities stemming from eroding incomes and limited legislative support could destabilize reform efforts. The limited legislative backing raises concerns about the sustainability of the fiscal adjustment process. Balancing inflation reduction with the lifting of exchange controls is complex. Rapid restoration of confidence is essential to regain access to capital markets for foreign currency debt servicing from 2025 onward.

**TABLE 2 Argentina / Macro poverty outlook indicators**

(annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
<b>Real GDP growth, at constant market prices</b>	10.4	5.3	-1.6	-3.5	5.0	4.7
Private consumption	9.5	9.4	1.0	-6.8	3.9	3.5
Government consumption	7.1	3.0	1.5	-18.4	1.7	3.2
Gross fixed capital investment	34.0	11.2	-2.0	-21.8	12.0	10.2
Exports, goods and services	8.5	4.6	-7.5	21.7	4.5	4.6
Imports, goods and services	18.6	17.8	1.7	-15.5	4.9	4.8
<b>Real GDP growth, at constant factor prices</b>	10.5	5.1	-1.5	-3.5	5.0	4.7
Agriculture	1.9	-2.8	-22.9	19.2	2.0	2.0
Industry	15.4	5.6	-0.2	-4.0	4.5	4.5
Services	9.6	6.0	0.8	-5.6	5.7	5.1
<b>Current account balance (% of GDP)</b>	1.4	-0.6	-3.2	0.6	0.6	0.8
<b>Net foreign direct investment inflow (% of GDP)</b>	1.1	2.1	3.2	0.8	0.3	0.6
<b>Fiscal balance (% of GDP)<sup>a</sup></b>	-4.4	-3.9	-4.6	0.0	0.9	0.8
<b>Revenues (% of GDP)</b>	33.4	33.9	31.8	31.6	33.1	33.4
<b>Debt (% of GDP)<sup>a</sup></b>	85.8	89.7	174.3	91.3	83.2	80.0
<b>Primary balance (% of GDP)<sup>a</sup></b>	-2.5	-1.8	-2.7	1.7	2.8	3.3
<b>International poverty rate (\$2.15 in 2017 PPP)<sup>b,c</sup></b>	0.9	0.6	0.5	1.1	1.0	1.0
<b>Lower middle-income poverty rate (\$3.65 in 2017 PPP)<sup>b,c</sup></b>	2.8	2.5	2.6	4.1	3.7	3.4
<b>Upper middle-income poverty rate (\$6.85 in 2017 PPP)<sup>b,c</sup></b>	11.4	10.9	13.3	16.3	15.6	14.2
<b>GHG emissions growth (mtCO2e)</b>	5.7	4.0	-2.9	-4.5	-0.2	1.6
<b>Energy related GHG emissions (% of total)</b>	41.0	42.7	41.4	38.5	37.1	36.0

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Fiscal data refer to the general government.

b/ Calculations based on SEDLAC harmonization, using 2023-EPHC-S2. Actual data: 2022 and 2023 (Preliminary). Nowcast: 2024. Forecasts are from 2025 to 2026.

c/ Projections using microsimulation methodology.