

4.4% Real GDP growth 2025 (+2.2% H1 2026)	~\$690 bn Nominal GDP 2025 (World Bank)	~\$14,900 GDP per head 2025; upper-middle income	70% Private consumption % of GDP 2025; investment 16%	\$11.3 bn Goods trade surplus 2025; energy surplus \$7.8 bn
31.5% CPI 2025 (211% in 2023; 33.5% y/y Aug 2026)	7.9% Unemployment Q2 2026; ~45% of workers informal	~92% Urban population; 46.4 m people	0.428 Gini, per-head household income (Q2 2026)	9 Sovereign defaults since 1827; latest 2020

STRUCTURE OF THE ECONOMY

AD COMPONENT	% OF GDP (2025)	REAL GROWTH 2025
Private consumption (C)	70	+7.9%
Investment (I)	16	+16.4%
Government (G)	14.9	+0.2%
Exports (X)	15.6	+7.6%

- Exports:** farm & agro ≈57%, soy ≈18%, energy ≈15% (H1 2026).
- Low I:** defaults and controls → savings kept in dollars, not invested.
- Currency substitution:** saving and house prices in US dollars → runs on the peso.

MAIN INDUSTRIES

- Agro-industry:** soy, maize, wheat; top soy meal and oil exporter.
- Beef:** exports restricted at times to hold down home prices.
- Vaca Muerta shale:** record energy surplus; crude oil the top single export in H1 2026.
- Mining:** lithium triangle; copper and gold under RIGI.
- Manufacturing:** cars to Brazil (Mercosur); output −2.1% Q2 2026.
- Services:** software (Mercado Libre), tourism, finance.

GROWTH STORY: TURNING POINTS

c.1900 Among richest countries on farm exports	1946 Perón: import substitution, state firms	1989 Hyperinflation, over 3,000%	1991 Convertibility: 1 peso = \$1 (currency board)
2001–02 Default, bank freeze, GDP −10.9%	2018 / 2020 \$57 bn IMF loan; 9th default; GDP −9.9%	2023–24 211% inflation; Milei devalues ~54%, fiscal surplus	2025–26 \$20 bn IMF deal, cepo lifted, labour reform

Crisis cycle: deficit → money printing or borrowing → inflation → run on the peso → devaluation, default or IMF rescue.

EIGHT PROBLEMS

PROBLEM	EVIDENCE	SPEC LINK
Sticky inflation	33.5% y/y (Aug 2026)	Expectations, cost-push
Poverty	32.3% (H1 2026)	Real incomes
Informality	~45% of workers	Tax base, productivity
Industry squeezed	Manufacturing −2.1% (Q2 2026)	Free trade vs protection
Debt & reserves	~78% of GDP; top IMF borrower	Public finances
Commodity / weather	2023 drought, GDP −1.6%	Primary dependency
Low investment	16% of GDP (2025)	LRAS, confidence
Credibility	Country risk ~500 bp	Government failure

INEQUALITY & DEVELOPMENT

- Poverty: 52.9% (H1 2024) → 28.2% (H2 2025) → 32.3% (H1 2026); tracks inflation vs wages.
- Gini 0.428 (Q2 2026); UK ≈0.33.
- Regional gap: Northeast 41.5% poor vs Patagonia 28.4% (H1 2026).
- High literacy, free universities: instability, not low capability, is the problem.

Cure or another 1991? For: surplus, inflation 211% → ~30%.
Against: strong peso, poverty rising again.

CLASSIC CHAINS USING ARGENTINA

Inflation: deficit → printed money → money supply ↑ → AD and expectations ↑ → peso falls → import prices ↑ → spiral.

Austerity: spending cut → no printing → expectations ↓ → inflation falls → but AD ↓ → output falls (2024).

Primary dependency: drought or soy price fall → exports ↓ → dollar shortage → peso falls → imported inflation.

A · DATA RECALL (1 MARK EACH)

1. Real GDP growth in 2025: _____
2. Annual inflation in 2023: _____
3. Annual inflation in 2025: _____
4. Peak poverty rate (H1 2024): _____
5. Unemployment rate, Q2 2026: _____
6. Year of the Convertibility plan: _____
7. Size of the 2025 IMF programme: _____
8. Gini coefficient (Q2 2026): _____

B · MATCH THE EVIDENCE TO THE ECONOMIC CONCEPT

ARGENTINA EVIDENCE	LETTER	CONCEPT
1. Savings and house prices held in US dollars		A. Primary product dependency
2. 2023 drought cuts exports, GDP falls		B. Inflation from monetary financing
3. Central bank prints money to fund the deficit		C. Currency substitution
4. "Blue" dollar far above the official rate		D. X-inefficiency behind protection
5. Tariff-protected Tierra del Fuego electronics		E. Labour market flexibility
6. 2026 law cuts severance costs		F. Parallel market caused by capital controls

C · COMPLETE THE CHAINS

1. Peso devalued → _____ → prices outpace wages → _____ → poverty rises.
2. Fiscal surplus → no money printing → _____ → _____.
3. Peso fixed to \$, inflation above US → _____ → _____ → current account worsens.

D · EXAM-STYLE QUESTIONS

Extract. Argentina recorded a primary fiscal surplus of 1.4% of GDP in 2025. Annual inflation fell from 211% in 2023 to 117.8% in 2024 and 31.5% in 2025. Real GDP grew 4.4% in 2025, led by private consumption (+7.9%). Poverty fell from 52.9% in H1 2024 to 31.6% in H1 2025.

(5 marks) With reference to the extract, explain one reason why the poverty rate in Argentina fell between 2024 and 2025.

(8 marks) Examine the likely effects on Argentina's economy of removing controls on buying foreign currency.

E · PLAN A 25-MARK ANSWER

(25 marks) Evaluate whether "shock therapy" (rapid fiscal tightening, devaluation and deregulation) is the best way for an emerging economy to reduce very high inflation.

ARGUMENTS FOR (WITH ARGENTINA EVIDENCE)	ARGUMENTS AGAINST / DIFFICULTIES
OVERALL JUDGMENT: IT DEPENDS ON...	

A · DATA RECALL

1. 4.4%
2. 211% (accept 211.4%)
3. 31.5%
4. 52.9% (accept about 53%)
5. 7.9%
6. 1991
7. \$20 billion
8. 0.428 (accept about 0.43)

B · MATCHING

1 → C · 2 → A · 3 → B · 4 → F · 5 → D · 6 → E

C · CHAINS

1. Import prices rise (cost-push, high pass-through) → real wages and benefits fall → more households below the basic-basket line.
2. Money supply growth slows / inflation expectations fall → inflation falls (but AD falls in the short run, so output and jobs may fall).
3. Real exchange rate rises / exports become less price competitive → exports fall and imports rise (as in the late 1990s).

D · EXAM-STYLE GUIDANCE

5 marks: Define absolute poverty or explain INDEC's basic-basket measure (1). Identify falling inflation from the extract: 117.8% (2024) to 31.5% (2025) (1–2). Explain the chain: slower price rises → wages and benefits stop losing value → real incomes rise → more households can afford the basket (2). Alternative: GDP +4.4% and consumption +7.9% → more jobs and hours. Must use extract data.

8 marks: Knowledge/application: one official exchange rate; gap with the "blue" rate closes; exporters stop holding back sales; foreign firms can send profits home, so FDI may rise. Analysis: chain from more dollar supply → stable peso → lower inflation expectations. Evaluation (2 points for full marks): risk of capital flight and a fall in the peso → imported inflation; depends on reserves (IMF \$20 bn, 2025) and fiscal credibility; political shocks, such as the September 2025 provincial vote, can trigger runs.

E · 25-MARK PLAN: POINTS TO LOOK FOR

For shock therapy

- Inflation 211% (2023) → 31.5% (2025); monthly 25.5% → under 3%.
- Fiscal surplus ended money-financed deficits.
- Fast credibility gain; country risk fell to ~500 bp.
- Gradualism under Macri (2016–18) failed.
- Growth returned: +4.4% in 2025.

Against / difficulties

- Recession in 2024; poverty spiked to 52.9%.
- Inflation sticky near 30% in 2026.
- Strong peso and imports squeeze industry (–2.1% Q2 2026).
- Political backlash; reforms may be reversed.
- Poverty rose again to 32.3% in H1 2026.

Judgment: shock therapy suits a country that has lost all credibility, as gradual plans will not be believed. It works only if the surplus is sustained and paired with social protection. Compare with Greece (austerity without devaluation) and Nigeria (2023 devaluation).