

# Argentina and the IMF in 2026: A Highly Unstable Stabilization

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## Key messages

- Argentina is heading toward a new review of its IMF agreement signed in April 2025, amid macroeconomic fragility, growing social tensions, and doubts about the program's sustainability.
- The country has failed to stabilize its economy or regain access to international capital markets. Following the 2024 recession, unemployment rose by 1.1%, informality reached 43%, and the policies implemented in 2025 have deepened the deterioration of employment, incomes, and social conditions.
- In addition, public debt raises serious sustainability concerns. Argentina accounts for more than one-third of the IMF's outstanding credit and has not regained market access. This further entrenches the country's dependence on extractive exports for debt repayment, with limited impact on job creation.
- Environmental deregulation and fiscal austerity are exacerbating these risks. The environmental budget has fallen by nearly 80% in real terms since 2023 and now represents just 0.033% of the national budget. Meanwhile, ongoing attempts to amend the Glacier Law to facilitate mining projects in these strategic ecosystems put access to water for more than 7 million people at risk.
- The 2025 agreement was approved by executive decree without congressional approval, in direct violation of Law 27.612. It is being implemented alongside reforms that face multiple legal challenges, thereby weakening the rule of law and legal certainty.

The International Monetary Fund (IMF) Board will in the coming weeks discuss a new review of the agreement signed with the Argentine government in April 2025. Throughout 2024 and 2025, several civil society organisations led by Fundación Ambiente y Recursos Naturales (FARN), Espacio de Trabajo Fiscal para la Equidad (ETFE), Recourse, and Equipo Transiciones, repeatedly expressed concern about the economic, social, and institutional sustainability of the program. In this context, the groups also warned about the progressive institutional weakening in Argentina since December 2023 and the risks this poses for the State's compliance with its human rights obligations.

The public policies implemented under this framework generate negative impacts on various macroeconomic indicators, particularly deteriorating the population's living conditions. The adjustment and structural reform measures carried out under the agreement have had a directly regressive effect on employment, income, social and environmental policies, and access to essential services, putting at risk Argentina's compliance with its international human rights commitments, especially economic, social, and environmental rights.

Even after eight years of IMF programs, Argentina's economy did not stabilise and access to capital markets was not restored/regained. The new agreement—signed without proper oversight and debate—consolidates the country as the IMF's main debtor, holding more than one-third of its outstanding loans, and highlights the failure of previous programs (Stand-By 2018 and Extended Fund Facility 2022), which did not restore access to voluntary financing, forcing Argentina to turn to IMF intervention for the third time in seven years.

Despite the IMF's own praise of the current administration, the country has had to seek financing outside the market again to avoid currency crises, including repurchase agreements with banks and assistance from the U.S. Treasury via the Exchange Stabilization Fund and a swap. In this context, persistent macroeconomic instability reinforces doubts about debt sustainability and the orientation of the IMF's recommendations.

This document aims to analyze the social context, the current state of fiscal and monetary policy, the external sector, environmental deregulation, and examine the non-compliance of the agreement with national and IMF regulations.

## Social Context

The current review takes place in a particularly delicate context. Argentina's economy shows signs of a weak recovery after the 2024 recession, characterized by sectoral heterogeneity. On one hand, a small set of activities is expanding due to advantages from natural resource exploitation (agriculture and livestock, mining, hydrocarbons) and financial intermediation. These are mostly low-labor-intensity activities. On the other hand, sectors such as industry, construction, and commerce are experiencing severe contraction, being labor-intensive, resulting in job losses not offset by the exporting sectors. The opening of imports through the dismantling of tariff measures has directly affected employment in industrial subsectors such as home appliances, agricultural machinery, and tires.

During the term of the agreement, clear signs of labor market deterioration are visible. [Public data](#) (Q4 2025) show a slight increase in unemployment (1.1% compared to 2023), with no change in underemployment or "job-seeking employment" (workers with jobs looking for other positions). Overall, there is greater pressure on the labor market, pushing wages downward. Formal employment destruction—both private and public—has only been partially offset by an increase in self-employment, mostly informal. This has pushed informality to 43% of employment, the highest level in the last decade.

Collective wage bargaining has weakened and shifted to individualised and other measures of bargaining, leading to inequalities between workers within and between different sectors. The depression of public administration wages, combined with deregulation policies, has led to a process of dismissal of workers, eroding state capacities. Since December 2023, [65,000](#) people have been affected.

As an employment creation strategy, the government promoted and achieved the approval of a labor reform ([Law No. 27,802](#)) in February 2026. Several aspects of this law violate foundational principles of Argentine labor law, something already recognized by courts that declared some key articles unconstitutional.

[Among controversial aspects](#), the new law changed compensation calculations, extended probation periods, created the "hours bank"<sup>1</sup>, reduced penalties for unregistered work and unpaid social contributions. The most criticized aspect was the creation of the [Labor Assistance Fund \(FAL\)](#), intended to finance possible severance payments from employer contributions. The FAL provides a hidden incentive for layoffs since employers who do not lay off employees still contribute. To avoid raising labor costs, the

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1. The "hours bank" allows employees to accumulate extra hours worked and use them later as time off, rather than being paid immediately. While it offers flexibility, it can weaken workers' rights by pressuring them to work more hours without immediate compensation and potentially reducing overtime pay.

law reduces employer social security contributions equivalently, undermining the social security fund, particularly affecting retirees and pensioners.

Retirees are among the populations most affected by the government's fiscal adjustment. As noted in previous reports, cuts to pensions have been central to austerity policies. This new funding shortfall due to the FAL, combined with the replacement of formal employment with lower-paid informal jobs, threatens the [sustainability of the pension system](#). Retirees have been holding weekly protests, harshly [suppressed](#) by the government. Minimum pensions (around USD 300 including the bonus) have fallen [9%](#) in real terms since the change of government.

## Fiscal and Monetary Policy

The national budget for 2026 was included as a central conditionality of the IMF agreement, and its fiscal consolidation targets led to regressive fiscal policy. Previous reports highlighted key features of this adjustment affecting wages, pensions, public works, and healthcare, among others. Notably, [higher education investment fell 45.6% compared to 2023, leading to real wage declines of over 34%](#). This represents both labor deterioration and a key institutional issue: a law on educational funding approved by Congress has not been respected, a situation challenged in court. The IMF should carefully assess this institutional issue, indicating non-compliance with the rule of law, which is dangerous for legal predictability.

[Austerity policies also create a "rebound" effect on revenue, producing a downward spiral of tax collection. By February 2026, tax revenue had fallen for seven consecutive months, prompting new fiscal adjustment measures.](#) The decline is not only due to lower activity but also due to government investment incentives and repatriation schemes, such as the [2024 asset regularization \(tax amnesty\) regime](#) and the 2025 [fiscal innocence law](#).

The government has not considered easing the largest-growing expense: debt interest payments ([95% increase accumulated by February 2026 vs. February 2025](#)). These grew with increasing domestic debt exposure, renewed monthly at higher reference rates. This tension peaked before the 2025 legislative elections and remained high, affecting households' real economy. [Recent Central Bank reports indicate record household debt defaults](#), also affecting companies, with potential negative impacts still developing.

High interest rates aim to retain pesos in the local financial system, limiting exchange rate pressure. The Central Bank began buying dollars in January 2026, but results were insufficient to offset debt payments, keeping net reserves [negative](#). Currency purchases are used to pay debt, while the Treasury issues instruments to absorb pesos, adding to fiscal pressure.

## Inflation

The government's anti-inflation plan relies on multiple economic tools, resulting in a socioeconomic deterioration spiral and increased political tension. Measures include fiscal austerity, wage control, and exchange rate containment, implemented erratically and discretionarily. Despite the negative impact, inflation has increased over the past nine months, throughout the IMF agreement term. [The anti-inflation program has not succeeded despite high costs.](#)

Controversy over potential data manipulation at the National Institute of Statistics and Census (INDEC) exacerbates criticism. Reported data increasingly diverge from daily reality. The director's resignation (who has been in office since 2019) due to [pressure](#) not to implement a new inflation measure illustrates this. Media [reports suggested the new methodology would have yielded higher inflation than reported, undermining the narrative of inflation control](#). Target revisions based on flawed data intensify public criticism of the IMF and the agreement.

## Uncertain Future for Capital Markets and Foreign Currency Inflows

Despite IMF and U.S. Treasury support, austerity policies, and approval of key reforms—such as the [Large Investment Incentive Regime \(RIGI\)](#) of the Ley Bases, offering 30-year tax, trade, and currency benefits, and recent labor reforms—the government has failed to issue international debt. Financial inflows relied on provincial placements at high rates ([>8% USD](#)) and private companies ([>USD 20 billion in 2025 at >8%](#)). This risky borrowing caused one of Argentina's largest energy companies, Grupo Albanesi, to [default](#).

Foreign direct investment (FDI) in 2025 was [negative](#), the [first](#) since 2003. While the trade balance remained positive overall, deficits with major partners increased. Depreciation of key partners' currencies, mainly the Brazilian real, raises concerns about worsening structural imbalances and trade outcomes. Positive trade results have been concentrated in energy, agriculture, and mining, while other sectors and regions experienced export declines.

## RIGI and Environmental Deregulation under the IMF Agreement

The IMF's [2025 staff report projects 35.7%](#) export growth between 2025–2030. [Recent agreements in 2018 and 2022](#) have had the highest IMF/export exposure ratios. The IMF emphasizes Argentina's "export potential" and relies on RIGI benefits, ignoring long-term impacts on the balance of payments and productive structure.

RIGI has attracted investments concentrated in primary and extractive sectors, with low employment impact and minimal productive linkages, [deepening extractivism and dismantling domestic industry](#). The 2026 [Decree 105/2026](#) extends upstream oil and gas inclusion, worsening this trend. RIGI also lacks [citizen participation, accountability, and safeguards for local communities, even in projects lasting up to 30 years](#).

Projected export growth, based on Vaca Muerta, LNG projects, and mining<sup>2</sup>, strongly incentivizes environmental deregulation. [Proposed Glacier Law changes](#) aim to facilitate such investments, threatening ecosystems and water rights. UN Human Rights Council experts called for Argentina's urgent attention, warning that weakening environmental assessments could violate international human rights and environmental obligations.

Fiscal policy reinforces this scenario. Overall, the share of public spending allocated to environmental policies is at its lowest level in the past decade, highlighting the low priority given to environmental protection within fiscal policy.

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2. The IMF Staff report [said](#) in 2025 that mining exports could increase 10-fold.

The environmental budget is at a historic low: in 2025, the budget for the Undersecretariat of Environment accounted for just 0.033% of total public spending, representing a real drop of nearly 80% compared to 2023. This occurs in the context of institutional weakening after the downgrade of the Ministry to an Undersecretariat, which has significantly reduced operational and budgetary capacity.

These cuts directly undermine state capabilities. In January 2026, wildfires in the province of Chubut burned over [50,000 hectares](#), coinciding with a sharp reduction in resources allocated to the National Fire Management Service (SNMF). In real terms, SNMF funding fell by 69.2% compared to 2023, which translated into a substantial reduction of key operational tools, limiting the state's ability to prevent, detect, and respond to emergencies.

From an institutional perspective, the transfer of the SNMF from the Environment Undersecretary to the Secretariat for Combating Narcotics and Organized Crime ([Decree 1134/2024](#)) is worrying. Furthermore, on July 7, 2025, through [Decree 463/2025](#), the national government ordered the dissolution of the National Fire Management Fund (FNMF), as part of a broader effort to eliminate trust funds. During the first two years of the administration, most of the trust funds that aim to safeguard fiscal resources for specific purposes have been closed down, further weakening the state's emergency response infrastructure.

## Non-Compliance with National Regulations

Following the 2018 Stand-By experience, which the [National Audit Office](#) questioned for failing to meet essential legal forms, [Law 27.612](#) (2021) requires all new IMF agreements to be approved by Congress.

Despite this, the 2025 IMF agreement was not legislatively approved. Instead, it was enacted by Executive [Decree No. 179/25](#), which did not meet constitutional requirements of necessity and urgency. Additionally, the Letter of Intent was signed by officials without delegated authority or proper technical opinions. Legal concerns about the agreement's origin add to criticisms of its implementation<sup>3</sup>. Fiscal adjustments are made discretionarily without an approved budget (the first budget under the current administration was passed only in December 2025) or legally required updates under high inflation.

Structural reforms accompanying the agreement faced multiple unconstitutionality claims, some validated by courts (e.g., labor reform and Ley Bases). Systematic non-compliance with University Financing Law (No. 27.795) exemplifies weak adherence to institutional rules.

These situations undermine the rule of law and democracy in Argentina. The IMF has a duty of due diligence to ensure compliance with domestic law when signing or implementing agreements.

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3. [Decree 268/25](#) does not address the grounds for annulment, as it was issued after the signing of the Letter of Intent.

## Non-Compliance with IMF Regulations

Conditions 2, 3, and 4 of the [IMF's Exceptional Access Policy](#) appear unlikely to be met:

### *Condition 2: Debt is sustainable in the medium term.*

Argentina's Central Bank's limited capacity to accumulate reserves, government reluctance to restructure debt, and large 2020 restructured bond maturities make the debt unsustainable in the period considered.

### *Condition 3: Return to capital markets is guaranteed.*

IMF repayments accelerate from 2028 onward and current market conditions, combined with Argentina's reluctance to access markets due to high costs and to undergo debt restructuring (something the IMF identified in a [self assessment](#) as one of the root causes of the failure of the 2018 program), make this impossible. Minister Caputo himself [admitted](#) this in February 2026.

### *Condition 4: Political and institutional capacity to implement the agreement exists.*

Non-compliance with national law and possible judicialization prevent assurance of this condition.

## Conclusion

Eight years of IMF programs did not help Argentina overcome structural constraints that caused the debt crisis. Instead, these deepened economic, social, and environmental imbalances, threatening long-term sustainability. Fiscal austerity, extractive dependency, and institutional weakening have neither stabilized the economy nor improved living conditions, while eroding state capacities and increasing authoritarian risks.

Specifically, the 2025 agreement presents serious inconsistencies: it violates national and IMF regulations, relies on an unsustainable fiscal strategy, and exposes the country to high balance-of-payments volatility amid changing external conditions. Without a clear future outlook, it fails to resolve unsustainable 2016–2018 external debt, external instability risks, or vulnerability to international shocks.

Implementation shows alarming deterioration of the rule of law, with decisions outside institutional mechanisms and judicially challenged reforms. This weakens program legitimacy and questions compliance with IMF safeguards and standards. Civil society organizations recommend that the IMF:

- Ensure full respect for the rule of law, implement policies and programs linked to the agreement within national legal frameworks, and avoid discretionary decisions bypassing Congress.
- Evaluate policy impacts and review debt sustainability analyses under the agreement, including Argentina's international obligations in climate policy and human rights.

- Guarantee effective civil society participation in IMF monitoring processes through formal consultation and follow-up channels.
- Include environmental and distributional impact assessments in the Conditionality Review, along with safeguards ensuring compliance with national legislation.

## Previous briefings:

[April 2024](#)

[October 2024](#)

[April 2025](#)

[October 2025](#)

### To reference this document:

Equipo Transiciones, ETFE, FARN, and Recourse (2026). Argentina and the IMF in 2026: A Highly Unstable Stabilization. Buenos Aires: Fundación Ambiente y Recursos Naturales.