# Macro scenario - Argentina

June 13, 2025

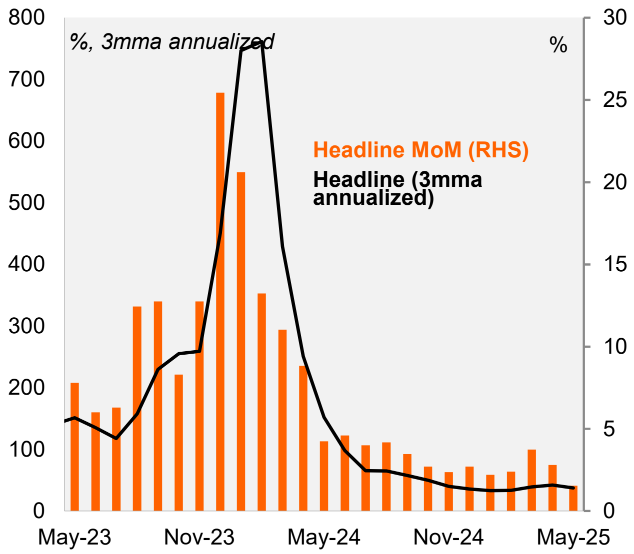
## Disinflation continues at a solid pace

- Inflation came in at 1.5% month-over-month in May, marking the lowest reading in five years. We revised our CPI forecast for YE25 to 27.5%, down from 30.0% in our previous scenario.
- Despite BCRA's absence from the spot market, the exchange rate hovers around the middle of the band. Meanwhile, the BCRA announced new measures to strengthen its reserves and the monetary framework. Our ARS year-end forecast remains ARS/USD 1,300.
- La Libertad Avanza, Milei's party, won the legislative election in the city of Buenos Aires. The Supreme Court condemned former president Cristina Fernández de Kirchner, permanently disqualifying her from holding public office. Additionally, government confidence increased 5.0% month over month, reaching 49.0% in May.
- We expect 5.2% GDP growth in 2025 supported by a solid carryover from 1Q25.

### Breaking the "2"

**Inflation is still the top priority.** CPI rose by 1.5% MoM in May, down from 2.8% in April and 3.7% in March. Thus, May's figure was the lowest since May 2020, during the pandemic, and since 4Q17, excluding that period. On an annual basis, inflation declined to 43.5%, from 47.3% in April, also supported by an annual base effect. Annualized quarterly inflation in May fell to 37.5%, down from 42.2% in the previous month. The deceleration of inflation since the lifting of capital controls mimics the exchange rate's performance, and seems to be gradually gaining credibility, as survey-based inflation expectations (as measured by the BCRA) gradually decline.

**Inflation**



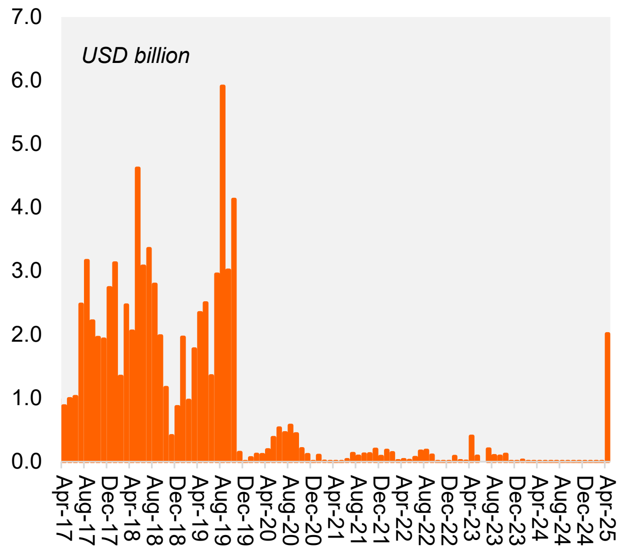

Source: Indec, Itaú

### Relative calm in the exchange rate market, at least for now

**Individuals demand USD, and the agricultural sector provides it.** Since the "cepo" was lifted on April 11, one million people purchased USD totaling USD 2.0 billion in April. Notably, the net tourism balance (including card payments abroad) reached a deficit of USD 860 million in April, the largest deficit for that month since 2018. Conversely, the agricultural sector's export liquidation reached USD 2.5 billion in April

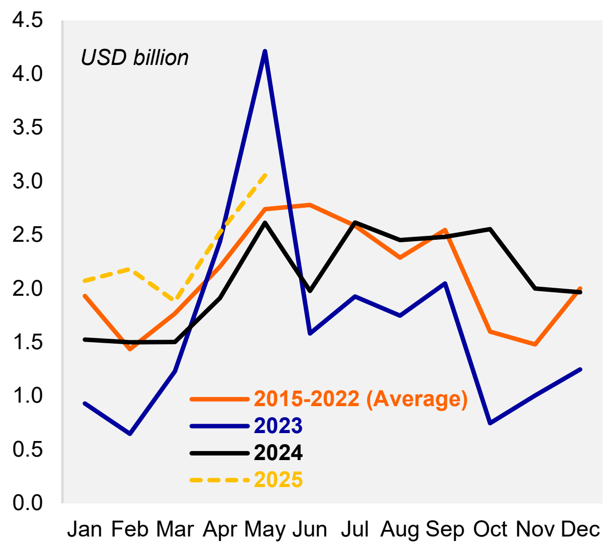
(+32.0% year over year) and USD 3.0 billion in May (+17.0% year over year), offsetting demand from individuals for savings and tourism purposes. However, the agricultural sector's supply of USD is not endless. Historically, it is concentrated between the second and third quarters of each year, following the end of the soybean and corn harvests. In this context, the BCRA chose to remain on the sidelines in the spot market. The exchange rate has fluctuated around the midpoint of the bands, and the difference between the official rate and the blue-chip swap rate has disappeared.

**USD purchases by individuals**




Source: BCRA

**Liquidation of cereal and oilseeds exports**

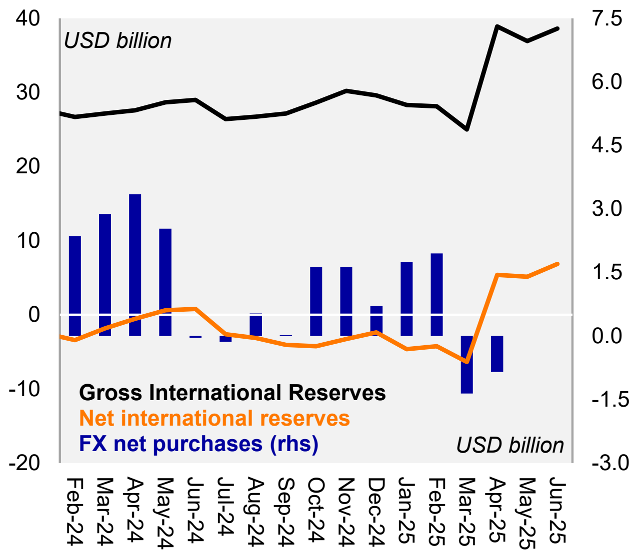



Source: CIARA-CEC

## Returning to the global market to increase net reserves

**Argentina's central bank announced new measures to strengthen its reserves and the monetary framework. To build foreign currency reserves, the central bank struck another repo line with foreign banks of USD 2.0 billion.** This measure follows a repo also with foreign banks in December 2024 for USD 1.0 billion. Additionally, the Ministry of Economy will permit the subscription of ARS bonds with dollars up to a monthly limit of USD 1.0 billion. This decision follows the recent issuance of a USD 1.0 billion 5-year bond (Bonte), which was subscribed entirely by foreign investors. **Regarding the monetary framework, the central bank will now focus its monetary policy on controlling monetary aggregates instead of fixing the interest rate, which was 29% until now. Thus, the interest rate will be determined endogenously by the market.** Additionally, the BCRA will eliminate potential sources of monetary expansion and will swap its own bonds for short-term bonds issued by the Treasury, thereby improving the monetary authority's balance sheet. Additionally, the BCRA will offer a new series of bonds (Bopreal) for pre-2025 debts and dividends and pre-December 12, 2023, commercial debts. These measures took place amid the first review of the central bank's net reserve accumulation target of USD 4.4 billion under the new agreement with the IMF.

**International reserves**



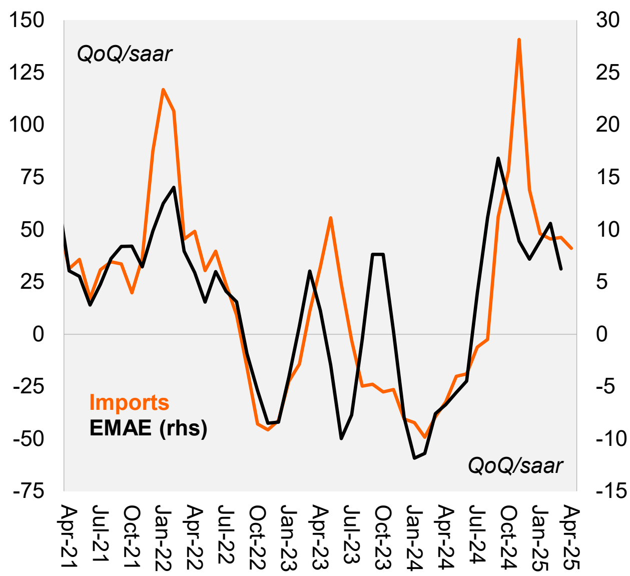

Source: BCRA

## Solid activity and lower trade surplus, amid higher imports

**Activity expanded across all sectors in 1Q25.** The monthly GDP proxy rose by 5.6% YoY in March and by 6.1% YoY in 1Q25 (+2.1% YoY in 4Q24). Despite a temporary sequential drop in March, activity expanded by 1.5% QoQ/SA in 1Q25 leaving the statistical carryover for 2025 at 4.5%. Primary activities rose by 5.3% YoY in the first quarter, while manufacturing expanded by 5.1% YoY in the same period. Services (including the commerce sector) rose by 2.3% YoY in the period, likely supported by the recovery of real wages. Construction rose by 4.9% YoY in the period due to a base effect amid the freezing of public works in the same period of 2024.

**The 12-month rolling trade balance fell to a surplus of USD 14.0 billion in April, down from USD 16.0 billion in the previous month.** Total imports rose by 41.0% qoq/saar in April, in line with the recovery of activity and a stronger currency. On the other hand, total exports fell by 11.8% qoq/saar in April. Thus, the seasonally-adjusted annualized trade balance fell to a surplus of USD 3.4 billion in April, from a surplus of USD 6.3 billion in the previous month.

**Activity and Imports**




Source: Indec, Itaú

## Positive news for Milei on several fronts

**The government is gaining momentum in the political arena.** Milei's candidate won the legislative election in the city of Buenos Aires, outperforming the polls by receiving about 30% of the votes. This victory was achieved by defeating both the Peronist and Macri candidates. Later, the Supreme Court unanimously rejected former President Cristina Fernández de Kirchner's appeal in a corruption case involving public works during her previous term. Consequently, Fernández de Kirchner will be unable to run for public office never again. Additionally, government confidence increased 5.0 percentage points month over month, reaching 49.0% in May. Overall, polls suggest that Milei's "La Libertad Avanza" party is favored to win the national midterm elections on October 26, 2025.

## Lower inflation

**We maintained our 2025 GDP growth forecast of 5.2%, mainly due to tracking in 1Q25.** In our view, the recent removal of certain capital controls and changes to the exchange rate framework should lead to more investment, while falling inflation contributes to greater private consumption. A positive outcome for the government in the midterm elections would create a more favorable environment for investment.

**We revised our CPI forecast for YE25 to 27.5%, down from 30.0% in our previous scenario.** Moreover, our official exchange rate remains at ARS/USD 1,300 for the end of 2025. We foresee downside risks for both variables, with several moving pieces on the horizon, including IMF targets, the midterm elections, and the performance of the ARS after the end of the high-season export liquidation period.

**We lowered our trade surplus forecast for 2025 to USD 8.0 billion, from USD 12.0 billion in our previous scenario due to stronger-than-expected imports. Consistently, we revised our current account deficit to 1.3% of GDP, also affected by higher net tourism expenditure abroad.**

**Andrés Pérez M.**
**Diego Ciongo**
**Soledad Castagna**

## Argentina | Forecasts and Data

| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025F | | 2026F | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Current | Previous | Current | Previous |
| **Economic Activity** | | | | | | | | | |
| Real GDP growth - % | -9.9 | 10.4 | 5.3 | -1.6 | -1.7 | **5.2** | 5.2 | **4.0** | 4.0 |
| Nominal GDP - USD bn | 385.3 | 487.3 | 632.3 | 602.7 | 632.2 | **733.8** | 733.8 | **745.4** | 745.4 |
| Population (millions) | 45.4 | 45.8 | 46.2 | 46.6 | 47.1 | **47.5** | 47.5 | **47.9** | 47.9 |
| Per Capita GDP - USD | 8,490 | 10,640 | 13,679 | 12,920 | 13,431 | **15,457** | 15,457 | **15,570** | 15,570 |
| Unemployment Rate - year avg | 11.6 | 8.8 | 6.8 | 6.1 | 7.2 | **7.0** | 7.0 | **7.0** | 7.0 |
| **Inflation** | | | | | | | | | |
| CPI - % (*) | 36.1 | 50.9 | 94.8 | 211.4 | 117.8 | **27.5** | 30.0 | **20.0** | 20.0 |
| **Interest Rate** | | | | | | | | | |
| Reference rate - eop - % | 38.00 | 38.00 | 75.00 | 100.0 | 32.0 | **29.0** | 29.0 | **20.0** | 20.0 |
| **Balance of Payments** | | | | | | | | | |
| ARS / USD - eop | 84.15 | 102.75 | 177.10 | 809 | 1033 | **1300** | 1300 | **1515** | 1515 |
| Trade Balance - USD bn | 12.5 | 14.8 | 6.9 | -6.9 | 18.9 | **8.0** | 12.0 | **8.0** | 15.0 |
| Current Account - % GDP | 0.9 | 1.4 | -0.7 | -3.5 | 1.0 | **-1.3** | -0.5 | **-1.7** | -1.0 |
| Foreign Direct Investment - % GDP | 1.1 | 1.4 | 2.4 | 4.0 | 1.8 | **2.5** | 2.5 | **3.0** | 3.0 |
| International Reserves - USD bn | 39.3 | 39.6 | 44.6 | 23.1 | 29.6 | **44.0** | 47.7 | **50.0** | 56.4 |
| **Public Finances** | | | | | | | | | |
| Primary Balance - % GDP (**) | -6.5 | -3.0 | -2.4 | -2.7 | 1.8 | **1.6** | 1.6 | **2.2** | 2.2 |
| Nominal Balance - % GDP (**) | -8.5 | -4.5 | -4.2 | -4.4 | 0.3 | **0.3** | 0.3 | **0.0** | 0.0 |
| Gross Public Debt - % GDP | 108.0 | 82.8 | 87.7 | 161.9 | 85.4 | **83.0** | 83.0 | **80.8** | 80.8 |
| Net Public Debt - % GDP (***) | 66.4 | 48.1 | 48.7 | 91.8 | 47.1 | **46.7** | 46.7 | **45.8** | 45.8 |

(*) National CPI since 2017.
(**) Excludes central bank transfer of profits from 2016.
(***) Excludes central bank and social security holding.
Source: Central Bank, INDEC and Itaú

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