Macro scenario - Argentina

February 27, 2026

Getting the job done

- The government continues moving forward with structural reforms, now with the labor reform, aided by stronger support in Congress. Looking forward, the government will likely advance with its reform agenda, first on taxes, and then social security, among others.
- We maintained our 2026 GDP growth forecast at 3.5% amid a better outlook for investment and private consumption, both aided by lower interest rates. On the other hand, we are more skeptical about the recovery of real wages given the persistent acceleration of inflation.
- We revised our inflation forecast for YE26 to 23.5% (with upside risks) from 20.0% in our previous scenario given higher than expected prints at the start of the year, even with a stronger ARS. We still foresee the exchange rate within the new band range throughout the year, reaching ARS/USD 1,700 by December helped by a weaker global USD.

Good news on the reform front

The labor reform is at the final legislative step. After the Senate's approval, the Lower House introduced adjustments to rules on worker wages during medical leave and approved the bill. The bill now returns to the Senate for final approval. The labor reform aims to reduce employer costs and includes the creation of a Labor Assistance Fund to finance dismissals, dynamic wages, time banks, splitting of holidays, limits on the right to strike and company-level negotiations. The bill's progress represents another victory for the government in Congress, following the Budget Law's approval at the end of 2025. Looking forward, the government will likely advance with its reform agenda, likely on taxes, and then social security, among others.

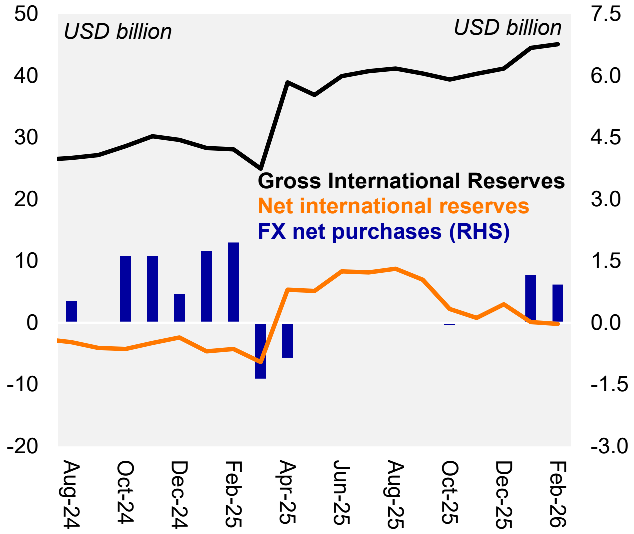
Labor reform main changes		
Topic	**Before**	**With the law**
Severance pay	Included 13th salary (SAC), vacations and other items	Calculated only on the normal and customary monthly salary (excludes 13th salary, vacations, bonuses)
Payment of labor court rulings	Immediate payment	Installments: up to 6 (large firms) / 12 (SMEs)
Labor Assistance Fund (FAL)	Did not exist	Mandatory fund financed by the employer (1% large firms / 2.5% SMEs)
Working hours	8 hours per day	Up to 12 hours with a working-time bank system
Overtime	Mandatory payment	May be compensated with time off
Probation period	3 months	Up to 8 months (12 months for SMEs)
Collective bargaining	Sector-level agreement predominates	Company-level agreement prevails
Employment relationship	Broad presumption of employment	Presumption is narrowed (greater weight to civil/commercial contracts)
Variable pay	Limited regime	“Dynamic pay” based on productivity is allowed
Non-wage benefits	More limited list	Expanded (canteen, childcare, training, medical reimbursements)
Updating of labor claims	Variable judicial criteria	CPI + 3% per year
Right to strike	General rules	Minimum coverage: 75% essential services / 50% key activities

Source: Itaú based on several sources

Catching up on reserve accumulation commitments

The BCRA's new reserve accumulation program, announced at the end of 2025, has led to purchases of USD 2.3 billion year-to-date. The BCRA targets USD 10 billion purchases in 2026 amid an expected increase in ARS demand from 4.2% of GDP to 4.8% of GDP by YE26. According to the BCRA, an additional increase in ARS demand of 1% of GDP could lead to purchases for additional USD 7 billion, subject to the supply of balance of payments flows, without generating inflationary pressures. Although the BCRA has shifted its monetary policy framework toward controlling monetary aggregates, the interest rate still plays a relevant role as a transmission mechanism, as it remains positive in real terms and above expected currency depreciation in order to contain potential pressures on the exchange rate. The purchase of reserves takes place amid ARS inflation-adjusted appreciation, aided by a weak global USD and the issuance of foreign currency debt by private companies and subnational governments. The start of the soybean harvest in early 2Q26 would provide the BCRA with more scope to continue and potentially accelerate purchases. Gross international reserves stand at USD 45 billion, while net reserves are close to zero. As history has shown, repeatedly, that reserves boosted by external borrowing may be fickle.

International reserves

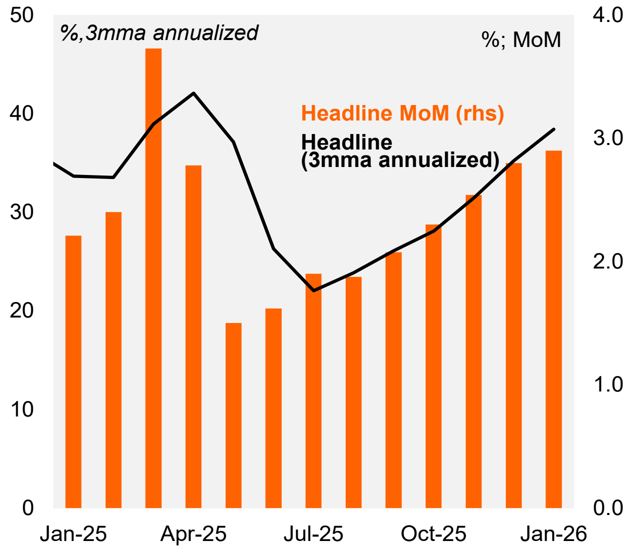


Source: BCRA

Inflation and activity bells are ringing

Inflation accelerated again in January despite a stronger ARS. Consumer prices rose 2.9% MoM in January, accelerating for the fifth consecutive month. On an annual basis, inflation rose for the third consecutive month to 32.4% in January, up from 31.5% in December 2025; the cyclical inflation low throughout the cycle was reached in October 2025 with the annual print at 31.3%. Even more noticeable, annualized quarterly inflation in January rose to 38.4%, up from 35.2% in the previous month. Adjustments in regulated prices will continue to pressure inflation in February, implying the disinflation process would be softer than we expected. Moreover, end-summer is an important wage negotiation season, which might lead to extra inflationary pressures.

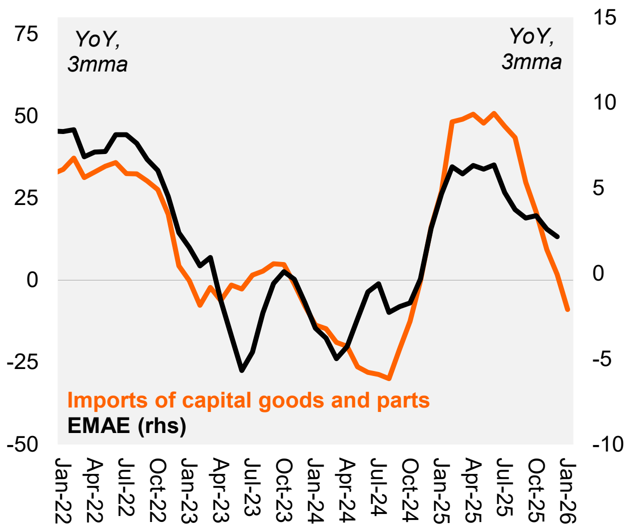
Inflation



Source: INDEC, Itaú

According to the EMAE (official monthly GDP proxy), economic activity expanded by 1.8% MoM/SA in December, following a contraction of 0.1% MoM/SA growth in November. Thus, activity expanded by 0.8% QoQ/SA in December, after growing 0.6% QoQ/SA in September. On an annual basis, activity rose by 3.5% in December and expanded by 2.2% in 4Q25 (3.3% yoy in 3Q25). Thus, the statistical carryover for 2026 stood at 0.8%. Looking ahead, leading indicators suggest weak data at the beginning of the year. The recent uptick in inflation has likely affected real wages, as VAT tax revenues dropped 12% YoY in real terms. On the other hand, imports of capital goods dropped by 9.0% YoY in the quarter ended in January.

Activity and imports



Source: INDEC

More gradual disinflation

We maintained our 2026 GDP growth forecast at 3.5%. A better outlook for investment and private consumption aided by lower interest rates should drive growth during the year, despite an apparently weak start. However, we are more skeptical about the recovery of real wages given higher than expected inflation at the start of the year.

We pencil in an even more gradual disinflation process this year. Higher than expected prints at the start of the year, even with a stronger ARS, led us to revise our inflation forecast for YE26 to 23.5% (with upside risks) from 20.0% in our previous scenario. Consequently, we also revised our forecast for TAMAR interest rate to 28.0% from 25.0% before. We still foresee the exchange rate within the new band range throughout the year, reaching ARS/USD 1,700 by December helped by a weaker USD.

Although we are constructive about 2026, we acknowledge that domestic uncertainty could increase in 2027, particularly due to the presidential elections in October of that year. The financial volatility and dollarization of portfolios observed in 2025, in the context of the midterm elections, could be even greater. Thus, investors' willingness to finance Argentina through market-based instruments and foreign direct investment will be crucial for the nominal side of the economy. The expectation of strong financial support from the United States will continue to be crucial in avoiding and mitigating bouts of volatility, as it did in 2025.

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Argentina | Forecasts and Data

	2022	2023	2024	2025F		2026F		2027F	
				Current	Previous	Current	Previous	Current	Previous
Economic Activity									
Real GDP growth - %	5.3	-1.6	-1.7	**4.5**	4.5	**3.5**	3.5	**3.0**	3.0
Nominal GDP - USD bn	632.3	602.7	632.2	**688.0**	686.2	**679.9**	630.4	**661.5**	632.8
Population (millions)	46.2	46.6	47.1	**47.5**	47.5	**47.9**	47.9	**48.3**	48.3
Per Capita GDP - USD	13,679	12,920	13,431	**14,492**	14,454	**14,203**	13,168	**13,703**	13,108
Unemployment Rate - year avg	6.8	6.1	7.2	**7.2**	7.2	**7.2**	7.2	**7.0**	7.0
Inflation									
CPI - %	94.8	211.4	117.8	31.5	-	**23.5**	20.0	**18.0**	15.0
Interest Rate									
Reference rate - eop - %	75.00	100.0	32.0	27.00	-	**28.00**	25.00	**22.00**	20.00
Balance of Payments									
ARS / USD - eop	177.10	809	1033	1459	-	**1700**	1700	**1950**	1900
Trade Balance - USD bn	6.9	-6.9	18.9	11.3	-	**10.0**	10.0	**12.0**	12.0
Current Account - % GDP	-0.7	-3.5	1.0	**-1.5**	-1.5	**-2.1**	-2.1	**-2.5**	-2.5
Foreign Direct Investment - % GDP	2.4	4.0	1.8	**1.5**	1.5	**2.0**	2.0	**2.0**	2.0
Gross International Reserves - USD bn	44.6	23.1	29.6	41.2	-	**50.0**	50.0	**55.0**	55.0
Net International Reserves - USD bn	8.9	-9.6	-4.9	0.3	-	**4.0**	4.0	**6.0**	6.0
Public Finance									
Primary Balance - % GDP	-2.4	-2.7	1.8	1.4	-	**1.5**	1.5	**1.5**	1.5
Nominal Balance - % GDP	-4.2	-4.4	0.3	0.2	-	**0.3**	0.3	**0.0**	0.0
Gross Public Debt - % GDP	87.7	161.9	85.4	**84.4**	84.4	**83.4**	83.4	**82.5**	82.5
Net Public Debt - % GDP	48.7	91.8	47.1	**47.5**	47.5	**47.4**	47.4	**47.3**	47.3

Source: Central Bank, INDEC and Itaú

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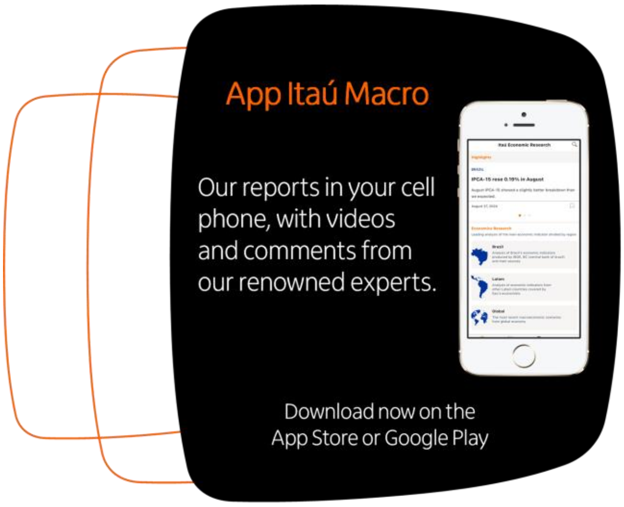

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