Macro scenario - Argentina

June 26, 2026

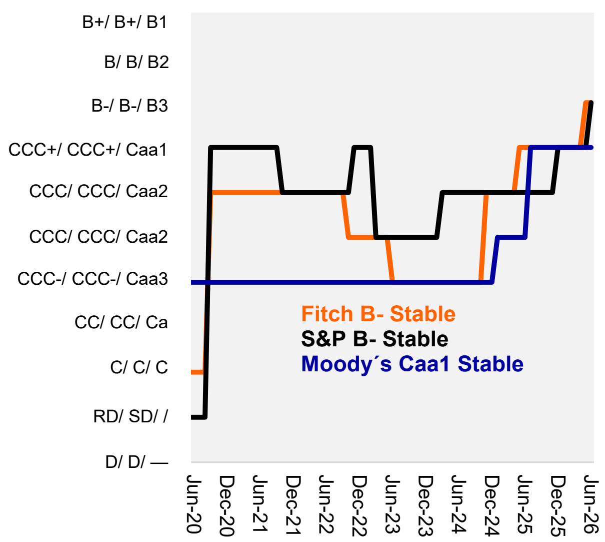
One step at a time

- Fitch and S&P upgraded Argentina's sovereign rating - from CCC to B- over the past month, reflecting progress in macroeconomic stabilization and strengthening of fiscal policy. Going forward, broader access to external financing and greater diversification of funding sources could act as catalysts for further upgrades.
- On the macro front, inflation eased at the margin, supported by a strong ARS, while activity indicators pointed to a mixed performance in 2Q26. We project inflation at 30.0% YoY by end-2026 and GDP growth of 3.5% for the year.
- Looking ahead, 2027 is likely to bring higher nominal volatility, driven by the presidential election cycle and a high probability of an El Niño event, which could negatively affect agricultural output. In this context, stronger reserve accumulation in the balance of 2026 would be key to enhance policy credibility and buffer external shocks, particularly given the central role of the agricultural sector in FX generation.

Climbing from the Bottom

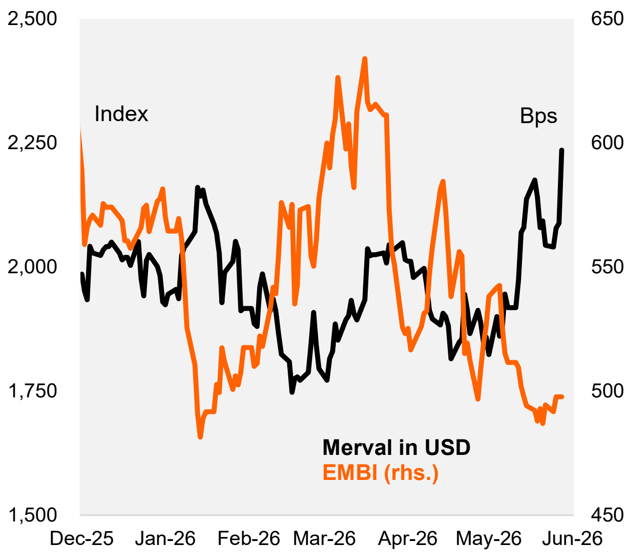
Fitch and S&P upgraded Argentina's sovereign credit recently, reflecting progress in the macroeconomic reform agenda and a reduction in key imbalances. The main driver, however, has been strengthening the fiscal framework, with the fiscal surplus emerging as the program's central anchor. The cumulative primary surplus reached 0.7% of GDP in year through May, while the overall surplus—including interest payments— printed at 0.2% of GDP. Argentine assets reacted favorably to the upgrades, with a notable compression in the country risk premium. The EMBI declined to 430 bps by mid-June, reaching its lowest level since 2018. Both agencies emphasized that further upgrades hinge on the sustained implementation of macroeconomic reforms, alongside progress in diversifying external financing sources. Meanwhile, the government is engaging multilaterals and private banks to secure guarantees and extend repo lines out to 2028, aiming to smooth the near-term amortization profile. Market participants are squarely focused on signals of a potential sovereign re-entry in global markets.

Credit rating



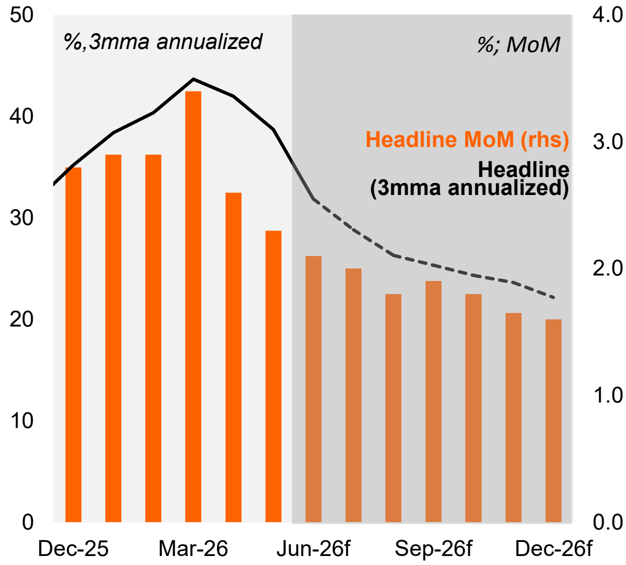
Source: Fitch, S&P, Moodys, Itaú

EMBI falls while MERVAL jumps



Source: Bloomberg

Inflation and expectations



Source: Indec and BCRA

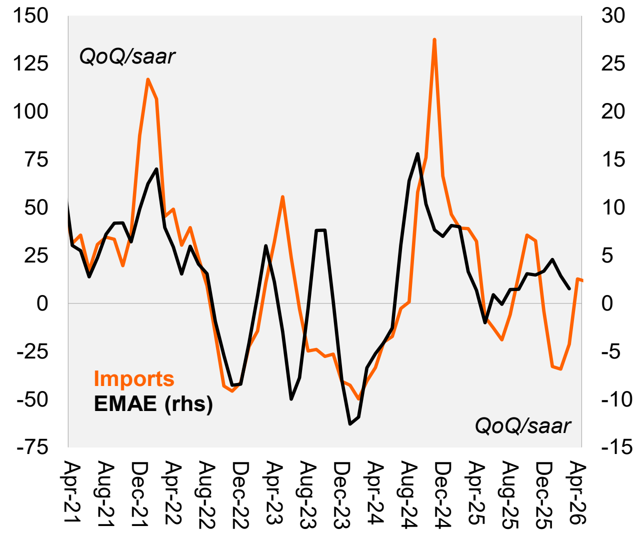
Disinflation trend strengthens

Headline CPI rose 2.1% MoM in May, the lowest monthly rise since September 2025. Quarterly annualized inflation fell to 37.6%, from 42.0% in April. However, in annual terms, inflation edged up to 33.2% (from 32.4%), while cumulative inflation reached 14.7% in the first five months of the year. Core inflation moderated to 1.9% MoM (from 2.3%), largely driven by restaurants and pharmaceuticals, with the annual rate easing slightly to 32.0%. According to the BCRA's analyst survey (REM), inflation expectations for end-2026 were unchanged at 30.5%— the first pause in upward revisions this year. Looking ahead, the survey points to continued disinflation, with annualized inflation running near 22% by 4Q26. Somewhat slower inflation is important, to the extent that it provides social and political support to the reform agenda.

Some positive news in 2Q26

GDP grew 0.7% qoq/sa in 1Q26, moderating from 1.2% in 4Q25 but coming in above the 0.4% qoq/sa implied by the monthly activity proxy (EMAE). On an annual basis, GDP rose 2.3% YoY, down from 3.3% YoY in 4Q25. The statistical carryover for 2026 stands at 1.8%. Turning to 2Q26, high-frequency indicators show mixed signals. External demand remained resilient, with exports and imports rising 70.8% (?!) and 11.4% QoQ/saar in May, respectively. Consumer confidence increased by 6.4% MoM in June, marking a second consecutive gain. However, domestic demand remains weak: retail sales edged up just 0.1% MoM/SA in May after a 1.3% contraction in April, as labor income continues to constrain purchasing power. In parallel, formal employment fell in April, marking a third consecutive drop. Manufacturing and construction contracted sequentially in April. On the credit side, peso-denominated inflation-adjusted lending stabilized in May and June after four months of contraction, likely supported by lower interest rates.

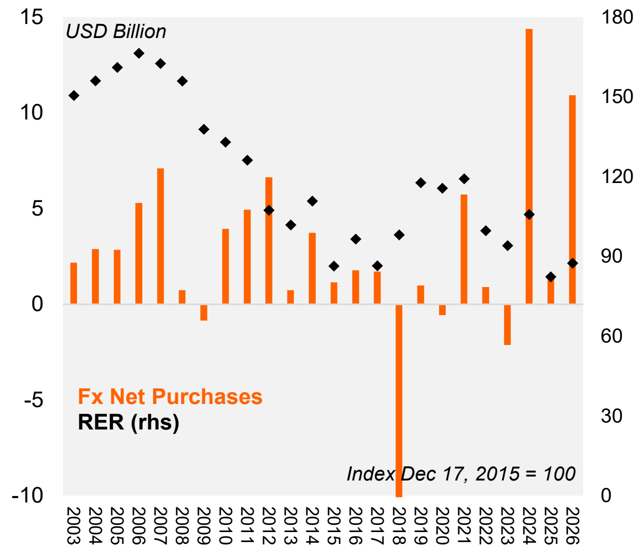
Activity and Imports



Source: INDEC

Fx Net Purchases and RER

Cumulative (Jan–Jun)



Source: BCRA

First goal reached

The central bank has purchased USD 11.0 billion year-to-date, exceeding its 2026 target of USD 10 billion. Notably, export volumes expanded by 15.5% YoY in the first five months of the year, supported by strong performance in agriculture, energy, and manufacturing—despite a real appreciation of the ARS of around 11% over the same period. According to the Finance Ministry, reserve accumulation has outperformed initial expectations and could reach up to USD 17 billion by year-end. Gross international reserves currently stand at USD 47.5 billion, while net reserves remain low at around USD 2.5 billion, highlighting the need for sustained FX purchases to strengthen external buffers.

Better outlook for the external sector

We maintain our 2026 GDP growth forecast at 3.5%, led by primary sectors—particularly agriculture, energy, and mining. The ongoing disinflation process and lower interest rates should underpin a recovery in real incomes and, consequently, private consumption. Private investment is projected to eventually turn the corner, although annual contractions in imports of capital goods suggest the trough has yet to be met. Moreover, a low statistical carryover from 1Q26 introduces downside risks to activity.

We keep our YE26 inflation forecast at 30.0%, supported by a strong ARS. While disinflation should continue in the coming months, the yearend print is likely to remain close to 2025 levels (31.5%), highlighting the challenges in the final phase of the disinflation process.

We revised our 2026 trade surplus forecast up to USD 24 billion, driven by a strong soybean harvest, a wider energy surplus amid higher prices, and subdued imports. A stronger-than-expected trade surplus should enable the central bank to scale up FX purchases, which have already reached USD 10.8 billion year-to-date. We now expect a broadly balanced current account (0.0% of GDP) for 2026, from a previous deficit of 0.5% of GDP.

As previously noted, we anticipate higher nominal volatility heading into the 2027 presidential elections, broadly consistent with patterns observed

ahead of the 2025 midterms. In this context, continued reserve accumulation—alongside expectations of sustained financial and geopolitical backing from the United States—should act as key anchors, helping to mitigate downside risks and contain potential stress episodes. **An adverse El Niño event remains a relevant tail risk to activity and inflation**

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Argentina | Forecasts and Data

	2022	2023	2024	2025	2026F		2027F	
					Current	Previous	Current	Previous
Economic Activity								
Real GDP growth - %	6.0	-1.9	-1.3	4.4	**3.5**	3.5	**3.0**	3.0
Nominal GDP - USD bn	633.5	605.8	637.3	671.5	**809.1**	809.1	**786.7**	786.7
Population (millions)	46.2	46.6	47.1	47.5	**47.9**	47.9	**48.3**	48.3
Per Capita GDP - USD	13,705	12,987	13,539	14,144	**16,902**	16,902	**16,296**	16,296
Unemployment Rate - year avg	6.8	6.1	7.2	7.4	**7.5**	7.5	**7.5**	7.5
Inflation								
CPI - %	94.8	211.4	117.8	31.5	**30.0**	30.0	**25.0**	25.0
Interest Rate								
Reference rate - eop - %	75.00	100.00	32.00	27.00	**26.00**	26.00	**25.00**	25.00
Balance of Payments								
ARS / USD - eop	177	809	1033	1459	**1600**	1600	**2100**	2100
Trade Balance - USD bn	6.9	-6.9	18.9	11.3	**24.0**	18.0	**24.0**	18.0
Current Account - % GDP	-0.6	-3.4	0.9	-1.1	**0.0**	-0.5	**0.0**	-0.8
Foreign Direct Investment - % GDP	2.4	4.1	1.8	0.5	**2.0**	2.0	**2.0**	2.0
Gross International Reserves - USD bn	44.6	23.1	29.6	41.2	**52.0**	52.0	**55.0**	55.0
Net International Reserves - USD bn	8.9	-9.6	-2.4	2.9	**6.0**	6.0	**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	-3.8	-4.4	0.3	0.2	**0.3**	0.3	**0.0**	0.0
Gross Public Debt - % GDP	87.7	161.9	84.7	80.6	**78.9**	78.9	**77.7**	77.7
Net Public Debt - % GDP	48.7	91.8	46.3	46.1	**45.6**	45.6	**45.4**	45.4

Source: Central Bank, INDEC and Itaú

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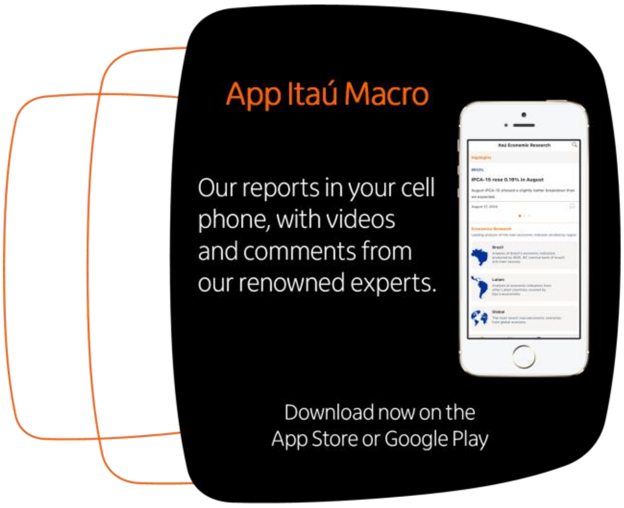

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