

# Macro scenario - Argentina



August 15, 2025

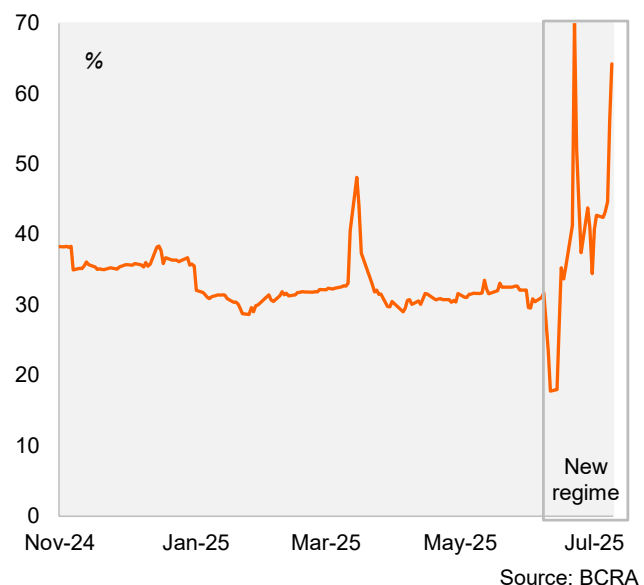
## Volatility increases as the election draws closer

- ▶ Despite the string of weaker-than-expected prints, we still forecast a bounce back in Argentina's 2025 GDP growth to 5.0%, albeit slightly down from 5.2% in our previous scenario.
- ▶ We maintained our inflation forecast for YE25 at 28.5% and the exchange rate at ARS/USD 1,400. Our scenario is characterized by a high level of uncertainty due to the upcoming electoral season and the expected significant reduction in fx inflows from the agricultural sector, coupled with strong demand from individuals for savings purposes.

### The new monetary scheme debuts with ups and downs

In June, the Central Bank adjusted its monetary framework to control monetary aggregates, leading to an endogenously determined interest rate. Also in June, the authorities announced that one-day LEFIs, instruments issued by the Treasury primarily held by banks for roughly 46% of the monetary base, would cease to exist by mid-July. This initially led to an expansion of the monetary base, causing a sharp reduction in the one-day repo rate from 29% to 12%, and increased demand for USD, resulting in a depreciation of the ARS within the band. The Treasury's strategy was to issue Lecaps to absorb the excess ARS, which led to higher ARS rates of 80%. More recently, the partial renewal in the following LECAPs auction brought rates back down to around 30% by the end of July. Volatility remains high as reflected by the peso debt auction in mid-August. The new regime has so far introduced greater volatility to the money market and may require more intervention to control ARS liquidity and prevent sudden spikes.

#### 1-day Repo rate



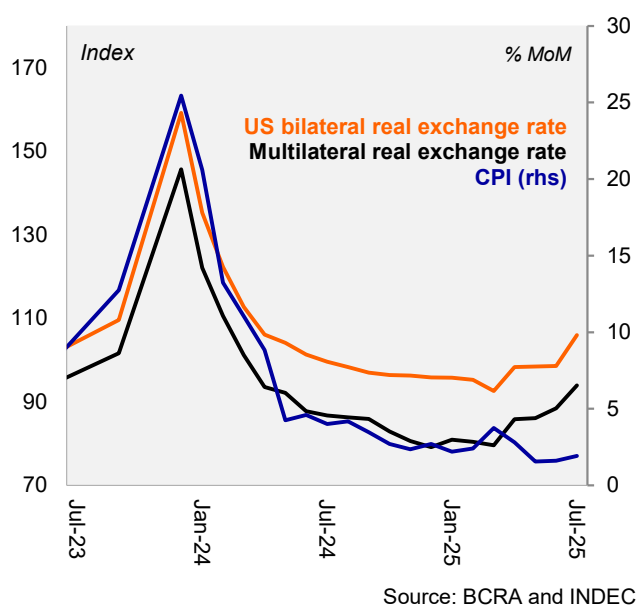
### A weaker ARS...

**The recent depreciation of the nominal ARS, amid a weaker USD globally and a stronger BRL, has somewhat improved Argentina's competitiveness.** The multilateral real exchange rate (RER) is currently 8.0% higher than it was one year ago and 19% higher than it was in December 2024. Notably, the Treasury purchased dollars last month, in some way validating a weaker ARS and providing some support to the trade accounts.

## ... with limited impact on prices for now

**Inflation rose by 1.9% MoM in July, up from 1.6% MoM in June. Moreover, there was a 10% nominal ARS depreciation that month.** On an annual basis, inflation fell to 36.6%, from 39.4% in June, also supported by an annual base effect. Annualized quarterly inflation in July fell to 22.3%, down from 26.6% in the previous month. Surveys published prior to the July print showed monthly inflation expectations between 1.7%, on average, between August and December.

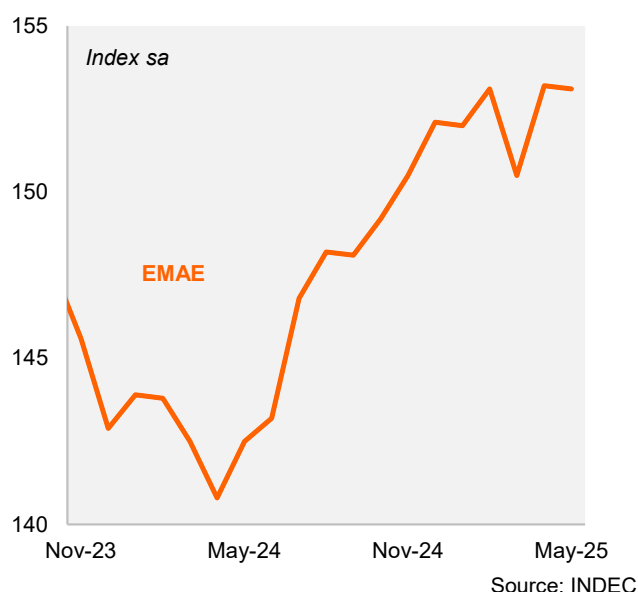
Real exchange rate



## Has growth plateaued?

**After a sharp recovery since mid-2024, activity appears to be stabilizing at the margin.** According to the EMAE (official monthly GDP proxy), activity fell by 0.1% QoQ/SA in the quarter ended in May, after growing 0.8% QoQ/SA in 1Q25. On an annual basis, activity rose by 5.0% in May and by 6.1% in the quarter ended in that month (+5.8% YoY in 1Q25), helped by an annual base effect. The level of economic activity has remained roughly flat since February. The recent increase in domestic rates may hinder credit in 3Q25, as reflected by the BCRA's 2Q25 bank credit survey. Separately, non-performing loans rose by 1.1pp year-to-date to 2.6% in May, with the ratio for families at 4.5% and for companies at 1.0%.

Economic activity. GDP proxy



## First test: passed with a waiver

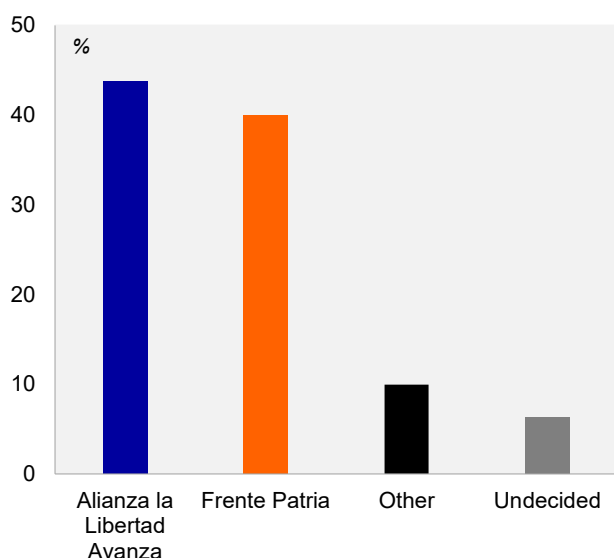
**The IMF Board completed the first review of the EFF program, unlocking a disbursement of around USD 2.0 billion.** This follows an initial disbursement of USD 12.0 billion in April. While most of the quantitative targets included in the EFF were met during the first review, the expected accumulation of net international reserves was not achieved by the mid-June deadline due to a sharp increase in USD sales for savings and tourism purposes, despite record dollar sales from the agricultural sector. Despite the more challenging external backdrop, the IMF board welcomed Argentina's stabilization program, highlighting the drop in inflation, the zero fiscal deficit target and earlier than anticipated recovery of access to international markets, albeit at high spreads.

## With elections approaching, confidence in the government remains high

**In Argentina, local elections are scheduled for September 7, and midterm national elections on October 26.** Both are seen as key indicators of the administration's support and its ability to implement additional structural reforms. With no primary elections this year (suspended by law) and Cristina Fernandez de Kirchner barred from running, the so-called bonaerenses (people of Buenos Aires) will elect deputies, senators, municipal councilors, and school advisors. The contest will be between the "Frente Patria" (Kirchnerism + Peronism) and "Alianza la Libertad Avanza" (La Libertad Avanza + PRO party).

Provincial polls show Alianza la Libertad Avanza as the favorite. However, the focus will likely be on who wins the third electoral district, where Peronism has historically been strongest. See our note on the upcoming elections [here](#).

#### Voting intention in the Province of Buenos Aires

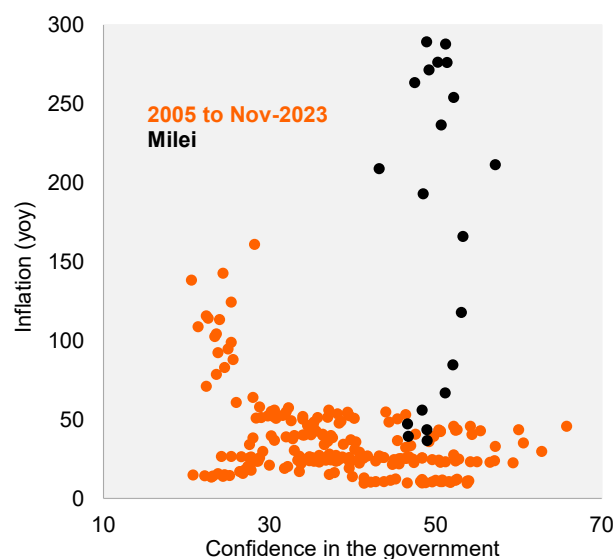


Source: Itaú based on several surveys

#### Confidence in the government rose in July.

According to the Universidad Torcuato Di Tella's monthly survey, confidence in the government increased by 4.9% MoM to 49.0% in July. Considering the July figure, confidence in the government is only 14.3% below the peak when the government took office in December 2023.

#### Inflation and confidence in the government



Source: UTDT, INDEC and City of Buenos Aires Government

#### Tweaking our growth forecast as nominal uncertainty remains elevated

**A string of weaker than expected activity prints in recent months led us to revise our forecast for this year down slightly to 5.0%, from 5.2% in our previous scenario.** We also revised our forecast for 2026 to 3.5%, from 4.0%, mostly due to a lower expected carry from 2025. Growth is still exceptional, reflecting progress on the stabilization and gradual liberalization of the economy over the last year.

**Higher rates to prevent a weaker ARS in real terms.** We now foresee the interest rate (wholesale Rate TAMAR) reaching 35% by YE25, up from 29.0% in our previous scenario.

**We maintained our year-end 2025 exchange rate forecast at ARS/USD 1,400 and inflation at 28.5%, assuming a contained pass-through for the rest of the year.** Elections later this year and the expected significant reduction in export liquidations from the agricultural sector, coupled with strong demand from individuals for savings, add layers of uncertainty to our forecast.

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

## Argentina | Forecasts and Data

	2020	2021	2022	2023	2024	2025F		2026F	
						Current	Previous	Current	Previous
<b>Economic Activity</b>									
Real GDP growth - %	-9.9	10.4	5.3	-1.6	-1.7	<b>5.0</b>	5.2	<b>3.5</b>	4.0
Nominal GDP - USD bn	385.3	487.3	632.3	602.7	632.2	<b>718.3</b>	740.2	<b>695.0</b>	749.6
Population (millions)	45.4	45.8	46.2	46.6	47.1	<b>47.5</b>	47.5	<b>47.9</b>	47.9
Per Capita GDP - USD	8,490	10,640	13,679	12,920	13,431	<b>15,130</b>	15,592	<b>14,517</b>	15,659
Unemployment Rate - year avg	11.6	8.8	6.8	6.1	7.2	<b>7.0</b>	7.0	<b>7.0</b>	7.0
<b>Inflation</b>									
CPI - % (*)	36.1	50.9	94.8	211.4	117.8	<b>28.5</b>	28.5	<b>20.0</b>	20.0
<b>Interest Rate</b>									
Reference rate - eop - %	38.00	38.00	75.00	100.0	32.0	<b>35.0</b>	29.0	<b>25.0</b>	20.0
<b>Balance of Payments</b>									
ARS / USD - eop	84.15	102.75	177.10	809	1033	<b>1400</b>	1400	<b>1630</b>	1630
Trade Balance - USD bn	12.5	14.8	6.9	-6.9	18.9	<b>8.0</b>	8.0	<b>8.0</b>	8.0
Current Account - % GDP	0.9	1.4	-0.7	-3.5	1.0	<b>-1.9</b>	-1.9	<b>-2.5</b>	-2.5
Foreign Direct Investment - % GDP	1.1	1.4	2.4	4.0	1.8	<b>2.0</b>	2.0	<b>3.0</b>	3.0
International Reserves - USD bn	39.3	39.6	44.6	23.1	29.6	<b>40.0</b>	40.0	<b>45.0</b>	45.0
<b>Public Finances</b>									
Primary Balance - % GDP (**)	-6.5	-3.0	-2.4	-2.7	1.8	<b>1.6</b>	1.6	<b>2.2</b>	2.2
Nominal Balance - % GDP (**)	-8.5	-4.5	-4.2	-4.4	0.3	<b>0.3</b>	0.3	<b>0.0</b>	0.0
Gross Public Debt - % GDP	108.0	82.8	87.7	161.9	85.4	<b>83.0</b>	83.0	<b>81.3</b>	80.8
Net Public Debt - % GDP (***)	66.4	48.1	48.7	91.8	47.1	<b>46.7</b>	46.7	<b>46.2</b>	45.8

(\*) National CPI since 2017.

(\*\*) Excludes central bank transfer of profits from 2016.

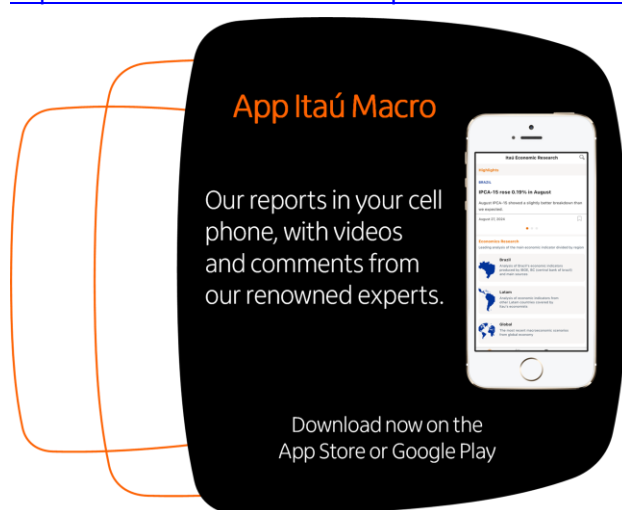
(\*\*\*) Excludes central bank and social security holding.

Source: Central Bank, INDEC and Itaú

## Macro Research – Itaú

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