

Macro scenario - Argentina



March 30, 2026

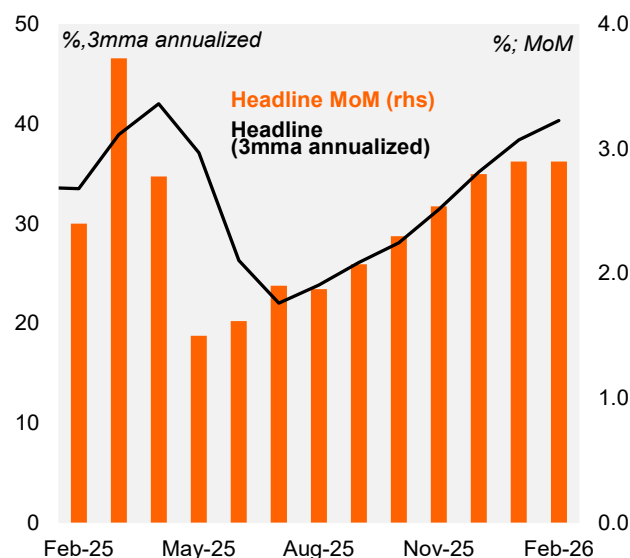
Sticky inflation

- ▶ We revised our YE26 inflation forecast to 27.5% (from 23.5% previously), as early-year readings have surprised to the upside, despite a stronger ARS. Moreover, higher fuel prices bring additional inflationary pressure.
- ▶ We still foresee GDP growth of 3.5% in 2026. However, persistent acceleration in inflation makes us more cautious regarding the recovery of real wages.
- ▶ The central bank has maintained its reserve-accumulation strategy, purchasing USD 4.0 billion year-to-date. Higher international oil prices coupled with favorable prospects for the soybean harvest led us to revise our trade surplus forecast up to USD 14 billion, up from USD 10 billion in our previous scenario.

A challenging “last mile” on inflation

Consumer prices increased 2.9% MoM in February, broadly in line with January’s pace, and slightly above consensus (again...). Annualized quarterly inflation in February accelerated to 40.4%, up from 38.4% in the previous month. On an annual basis, inflation rose for the fourth consecutive month to 33.1% in February, up from 32.4% in January 2026. More importantly, the monthly core reading accelerated in February, rising by 3.1% MoM, up from 2.6% in the previous month, led by higher meat prices. Annualized quarterly core inflation rose to 41.4%, up from 38.2% in the previous month. Inflation is likely to surpass 3% MoM in March, aided by fuel-price increases. The “last mile” of the disinflation process is proving to be challenging.

Inflation

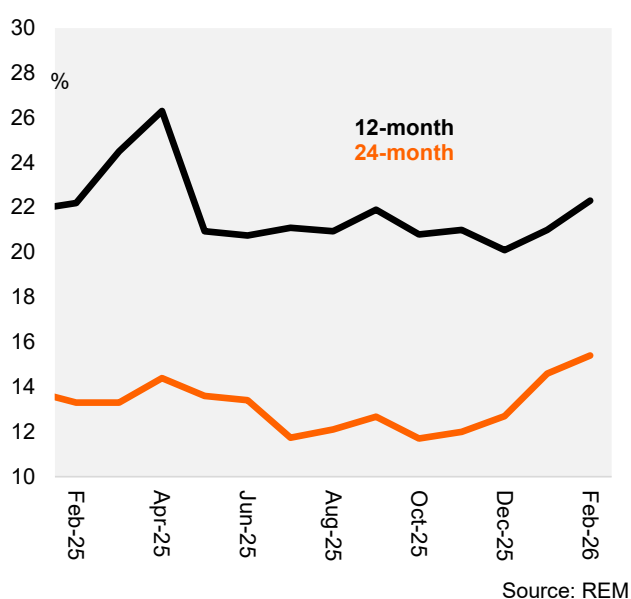


Source: Indec, Itaú

Inflation expectations also increased at the margin.

According to the latest central bank survey, analysts revised their projections higher for the next six months as well as for 2026 and 2027. Notably, expectations were already trending upward even before the latest upside inflation surprise. Stronger-than-expected inflation, combined with rising expectations, is adding pressure to ongoing wage negotiations—ultimately reinforcing domestic inflation inertia.

Survey-based inflation expectation

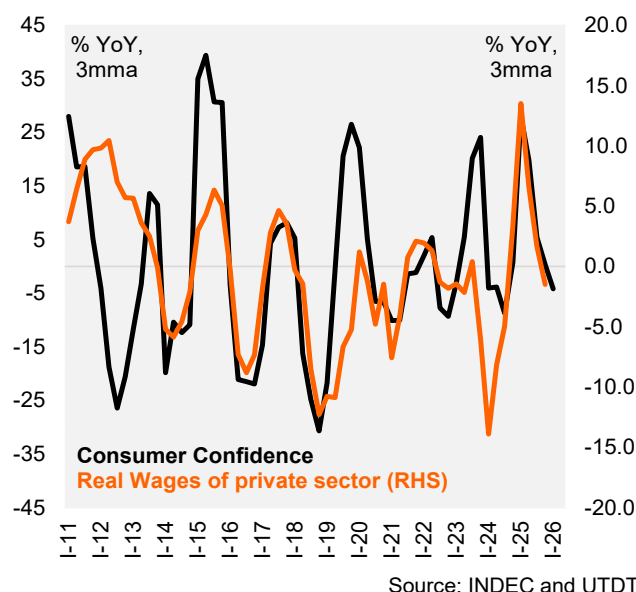


by 4.4% in 2025, marking the second consecutive year of positive annual growth. The statistical carryover into 2026 stands at 0.7%. Looking ahead, the acceleration in inflation over the last quarters has further eroded real wages, while consumer confidence fell 4.2% YoY in 1Q26. Regarding the labor market, employment contracted in 4Q25 (last available data) against same period one year ago, while unemployment rose to 7.5% in 4Q25, from 6.4% in 4Q24. Total imports fell by 7.1% in 1Q26, while real tax revenues did so by 8.8% during the first two months of the year, reflecting subdued domestic activity.

USD buying season

The central bank is maintaining its reserve-accumulation strategy. Year-to-date, the monetary authority has purchased USD 4.0 billion, against a minimum accumulation target of USD 10 billion for 2026, contingent on ARS demand dynamics. Although the BCRA has shifted its monetary policy framework toward monetary-aggregate targeting, interest rates remain a key transmission channel, staying above expected FX depreciation to limit exchange-rate pressures. A record soybean harvest should give the BCRA additional room to continue—and potentially accelerate—USD purchases during 2Q26. In parallel, the sovereign issued a new dollar-denominated bond, maturing in October 2027, still under the Milei administration, and other maturing in October 2028. The government is seeking to strengthen FX liquidity ahead of USD 4.0 billion in private-sector debt maturities in July. Authorities recently reiterated that they do not plan to access global markets in the near term and domestic financing is priority. Gross international reserves currently stand at USD 44 billion, while net reserves remain around USD -1.0 billion, underscoring the importance of continued FX accumulation.

Consumer Confidence and Real Wages

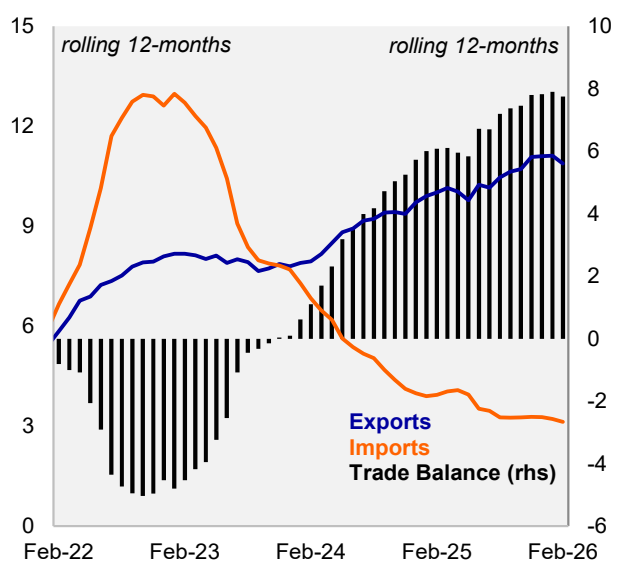


GDP expanded sequentially in 4Q25, while weak leading indicators cloud the outlook

GDP increased sequentially by 0.6% qoq/sa in 4Q25, matching the pace recorded in the previous quarter. On an annual basis, GDP expanded 2.1% YoY in 4Q25, slowing from 3.3% YoY in 3Q25. As a result, GDP grew

Higher international oil prices to boost terms of trade and inflation. The Middle East conflict is generating a net positive external impact for Argentina through improved terms of trade. As a net exporter of oil and derivative products (+USD 7.8 billion in 2025), the country stands to benefit from higher global energy prices. We estimate a 10% rise in oil prices would strengthen Argentina's energy trade balance by roughly USD 0.8 billion over a 12-month horizon. The Vaca Muerta shale formation also becomes even more profitable, particularly given YPF's estimated USD 45/bbl breakeven, which reinforces the potential for additional foreign investment inflows. However, the domestic implications are more mixed. Fuel accounts for 3.8% of the CPI basket, meaning higher oil prices translate directly into additional inflationary pressures. In fact, retail fuel prices increased by at least 7% in March, adding to near-term price momentum.

Energy Trade Balance



Source: INDEC

Disinflation process likely to take longer

Higher-than-expected prints at the start of the year, even with a stronger ARS, coupled with higher oil prices led us to revise our inflation forecast for YE26 to 27.5% with upside risks, from 23.5% in our previous scenario. Consequently, we also revised our forecast for the TAMAR interest rate to 30.0% from 28.0% before. We continue to expect the exchange rate to remain within the new FX band throughout the year, ending 2026 at around ARS/USD 1,700, supported by a stronger supply of foreign currency from the external sector.

We forecast GDP growth of 3.5% in 2026, underpinned by a firmer outlook for investment, alongside a favorable statistical carryover. That said, persistent acceleration in inflation poses headwinds to the real wage recovery, warranting a more cautious stance on the pace of the consumption rebound. Separately, leading indicators for investment such as imports of capital goods have yet to signal a recovery in the near term.

Improved outlook for the external sector. Higher international oil prices coupled with favorable prospects for the soybean harvest led us to revise our trade surplus forecast to USD 14 billion, up from USD 10 billion in our previous scenario. Consequently, we improved our forecast for current account balance to a deficit of 1.0% of GDP, from -2.1% in our previous scenario.

Looking ahead, domestic uncertainty may intensify in 2027, an election year. As seen in 2025, episodes of higher volatility and increased portfolio dollarization could emerge, adding noise to the macro environment. Nonetheless, expectations of continued financial support from the United States will remain a key stabilizing factor—crucial for preventing and mitigating periods of market stress.

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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	4.4	-	3.5	3.5	3.0	3.0
Nominal GDP - USD bn	632.3	602.7	632.2	671.5	-	650.8	679.9	675.5	661.5
Population (millions)	46.2	46.6	47.1	47.5	-	47.9	47.9	48.3	48.3
Per Capita GDP - USD	13,679	12,920	13,431	14,144	-	13,594	14,203	13,994	13,703
Unemployment Rate - year avg	6.8	6.1	7.2	7.4	-	7.5	7.2	7.5	7.0
Inflation									
CPI - %	94.8	211.4	117.8	31.5	-	27.5	23.5	21.0	18.0
Interest Rate									
Reference rate - eop - %	75.00	100.0	32.0	27.00	-	30.00	28.00	25.00	22.00
Balance of Payments									
ARS / USD - eop	177.10	809	1033	1459	-	1700	1700	2000	1950
Trade Balance - USD bn	6.9	-6.9	18.9	11.3	-	14.0	10.0	12.0	12.0
Current Account - % GDP	-0.7	-3.5	1.0	-1.1	-	-1.5	-2.1	-2.5	-2.5
Foreign Direct Investment - % GDP	2.4	4.0	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	50.0	55.0	55.0
Net International Reserves - USD bn	8.9	-9.6	-4.9	2.9	-	6.0	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

Macro Research – Itaú

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