

Macro scenario - Argentina



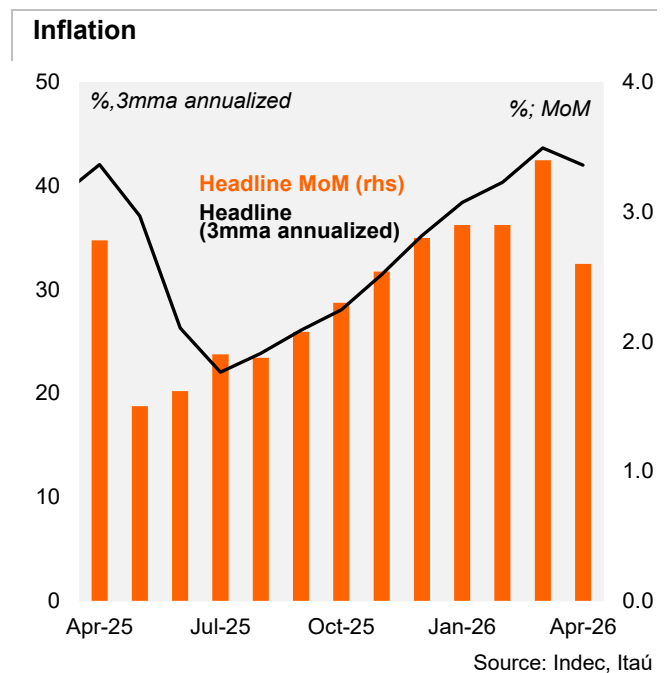
June 1, 2026

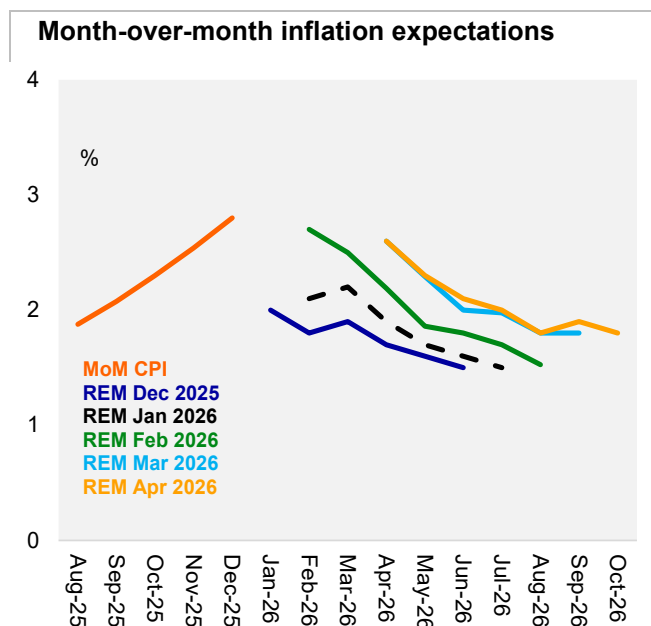
Disinflation Back on Track

- ▶ **Monthly inflation to trend down.** We expect further disinflation in the coming months, supported by a strong ARS, soft activity, and almost frozen domestic fuel prices. In fact, we now foresee the ARS ending the year at ARS/USD 1,600, from ARS/USD 1,700 in our previous scenario. Our YE26 inflation forecast stands at 30%.
- ▶ **Activity softened in 1Q26, reflecting weaker consumption amid softer real wages.** We maintain our 2026 GDP growth forecast at 3.5%, supported by robust investment prospects, easing financial conditions and exceptional agricultural performance. However, risks are tilted to the downside given a low statistical carryover.
- ▶ **The central bank continues accumulating reserves, purchasing USD 9.8 billion year to date.** A stronger expected trade surplus should allow the BCRA to continue or likely intensify the strategy in the coming months.

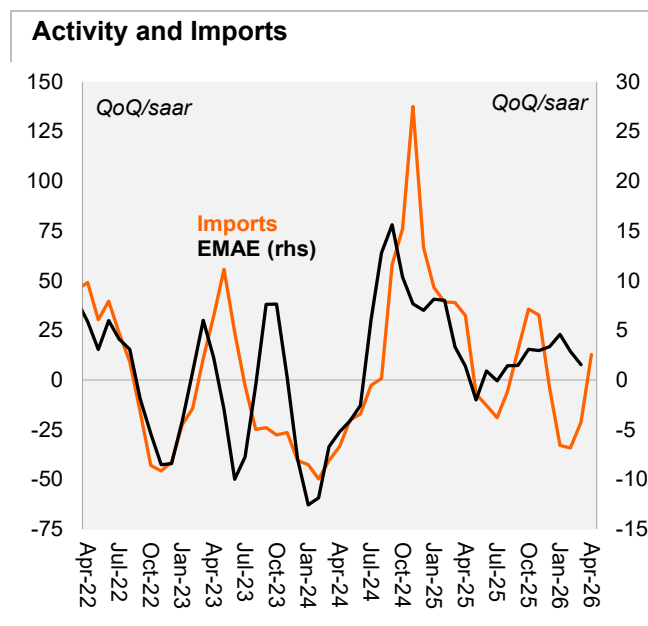
Inflation Reverses Its Upward Trend

Consumer prices increased by 2.6% MoM in April. This is important, in that the release marks the lowest reading since November last year. As a result, annualized quarterly inflation fell at the margin to 42.0%, from 43.7% in March. On an annual basis, inflation eased marginally to 32.4% in April, down from 32.6% in March 2026. Core rose by 2.3% MoM, down from 3.2% previously, mainly driven by higher housing and meals at restaurants. On an annual basis, core inflation fell to 32.4%, from 33.6% in March. Looking ahead, monthly inflation is expected to remain below 3.0% in the coming months, supported by the freeze in fuel prices and a strong ARS. While inflation expectations have been revised up this year, in line with upward inflation surprises, the market has consistently anticipated disinflation for the remainder of the year. Enhanced improvements in central bank communication that are in line with international best practice, including the quarterly publication of a monetary policy report (suspended for almost two years), followed by a press conference, should improve monetary policy transmission and contribute to anchor inflation expectations.





Source: REM



Source: INDEC

Activity lost momentum in 1Q26, while signals are mixed for 2Q26

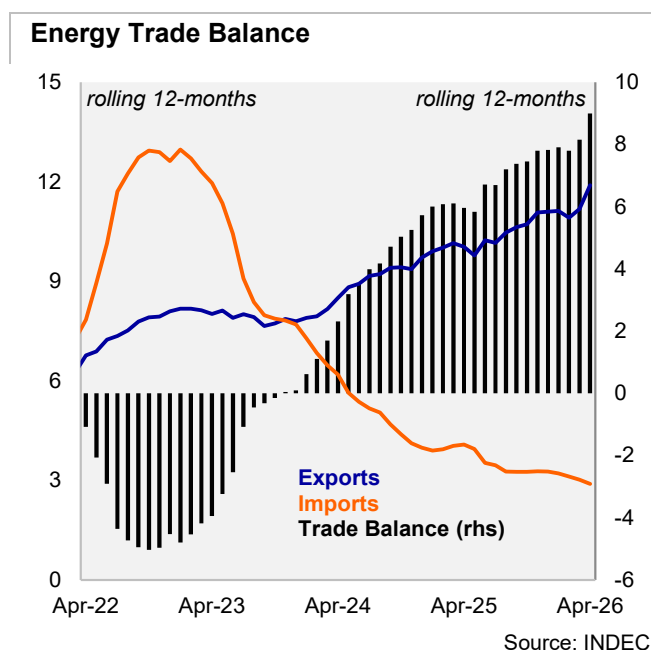
Economic activity expanded sharply on a monthly sequential basis in March but softened in 1Q26. The EMAE (monthly GDP proxy) rose 3.5% MoM/SA, after falling 2.7% MoM/SA in February and 0.2% MoM/SA in January. As a result, activity expanded by 0.4% QoQ/SA in 1Q26, decelerating from 0.8% in 4Q25. On an annual basis, output rose 5.5% YoY in March and 1.7% in 1Q26, down from 2.0% YoY in 4Q25. The statistical carryover for 2026 now stands at 1.3%.

High-frequency indicators delivered mixed signals in April–May. External demand remained resilient, with exports and imports rising 1.0% and 0.8% MoM/SA in April, respectively. In contrast, consumer confidence weakened sharply in April (-5.7% MoM), before rebounding partially by 1.3% in May. Moreover, retail sales dropped 1.3% MoM/SA in April as labor income continues to weigh on purchasing power. The expected deceleration of inflation, coupled with lower interest rates, should provide room for a recovery of purchasing power in the near term, and eventually private consumption.

Buying season continues, amid calm in the exchange rate market and wider trade surplus

The ARS has appreciated 14% in real terms against the USD year to date. Despite this, the central bank has purchased USD 9.8 billion in the same period, of a USD 10 billion target for 2026. More notably, export volumes expanded by 15% yoy in the first four months of the year, led by the agricultural sector, energy and manufacturing. In all, gross international reserves currently stand at USD 48.2 billion, while net reserves remain low at around USD 4.3 billion, underscoring the importance of sustained FX accumulation.

Better outlook for the external accounts. The 12-month trade surplus widened to USD 18.3 billion in April, up from USD 15.8 billion in March, while the seasonally adjusted annualized figures reached USD 23 billion. Export performance strengthened across all sectors, while imports remain weaker than one year ago. Furthermore, the rolling 12-month energy surplus reached USD 9.0 billion in April, up from USD 7.8 billion in December 2025 led by higher exports and weaker imports given higher production in the Vaca Muerta area. A larger trade surplus should allow the central bank to scale up its FX purchases during the rest of the year.



We revised our 2026 trade surplus forecast up to USD 18 billion, driven by trade performance in the year, coupled with a solid soybean harvest and wider oil surplus given higher prices. A larger than expected trade surplus should allow the central bank to scale up its FX purchases, which have already reached USD 9.8 billion year to date. **We expect now a current account deficit of 0.5% of GDP from 1.5% of GDP in our previous scenario.**

As previously highlighted, we expect increased nominal volatility in 2027 in the run-up to presidential elections, echoing the dynamics observed during the 2025 midterms. Against this backdrop, faster reserve accumulation and the expectation of continued financial and political support from the United States should remain a key stabilizing factor, helping to prevent—and, if needed, contain—episodes of market stress.

A hypothetical El Niño weather event also represents a potential risk scenario. From a growth perspective, excess rainfall could disrupt planting and harvesting cycles for major crops (wheat, soybeans, and corn), as rainfall would likely concentrate between late 2026 and 1Q27 in Argentina. On the construction side, significantly above-average precipitation could lead to temporary halts in both public and private projects, as seen during previous events such as 2016. From an inflation standpoint, the most direct transmission channel would be through meat prices. Flooding of grazing areas could disrupt livestock activity and slaughtering, tighten supply and putting upward pressure on prices. That said, sector specialists highlight that it is still too early to assess the likely intensity of the event and its macro impact on Argentina.

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

Stronger ARS amid soft activity should support disinflation in the coming months

We maintain our YE26 inflation forecast at 30.0%, supported by a stronger ARS and almost frozen domestic fuel prices. While we expect inflation to continue easing in the coming months, the year-end print is likely to remain broadly in line with last year's 31.5%, underscoring the increasing difficulty of delivering the final disinflation steps. The eventual need to adjust fuel prices brings an additional dose of caution to the inflation outlook.

We now foresee the ARS ending the year at ARS/USD 1,600, from ARS/USD 1,700 in our previous scenario. The strength of the ARS amid a weaker global USD and a larger trade surplus led us to expect a lower depreciation against the USD in the second half of the year.

We maintained our 2026 GDP growth forecast at 3.5%, supported by a constructive investment outlook, lower interest rates, and higher exports amid a record agricultural harvest and higher oil prices. However, a low statistical carryover given a soft 1Q26 introduces downside risks to our call.

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	798.9	786.7	790.3
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	16,689	16,296	16,371
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	1700	2100	2100
Trade Balance - USD bn	6.9	-6.9	18.9	11.3	18.0	14.0	18.0	12.0
Current Account - % GDP	-0.6	-3.4	0.9	-1.1	-0.5	-1.5	-0.8	-2.5
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

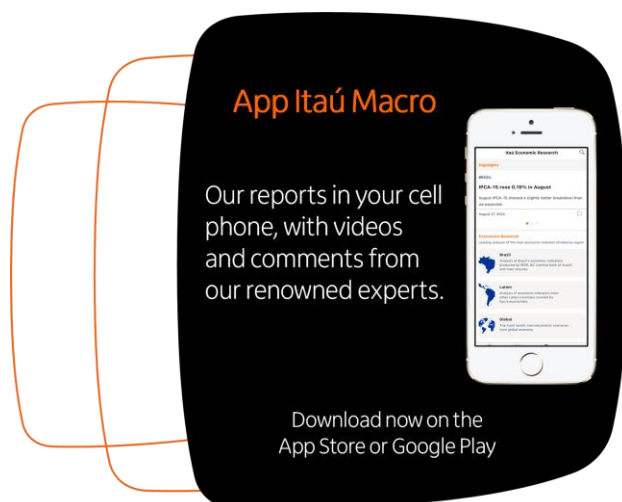
Source: Central Bank, INDEC and Itaú

Macro Research – Itaú

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