

Macro scenario - Argentina



November 13, 2025

Eyes on the prize

- ▶ Following the administration's better-than-expected results in the midterm elections, focus now shifts toward the reform effort.
- ▶ Our new scenario assumes the exchange rate bands will persist through yearend, leading us to expect the exchange rate at ARS/USD 1,500 by YE25, from ARS 1,600 in our previous scenario. Still, we cannot rule out tweaks to the depreciation pace, which could lead to a weaker ARS by yearend, complemented with reserve accumulation by the authorities. We foresee inflation reaching 29.5% by YE25, down from 30.5% previously, given stronger ARS.
- ▶ We maintained our GDP growth forecasts for 2025 and 2026 at 3.8% and 2.5%, respectively. Weak activity in 3Q25 and the low statistical carryover for 2026 lead us to exercise caution in our growth projections. However, the more favorable outlook for investment introduces upside risks to our 2026 growth forecast.

Reform tailwind

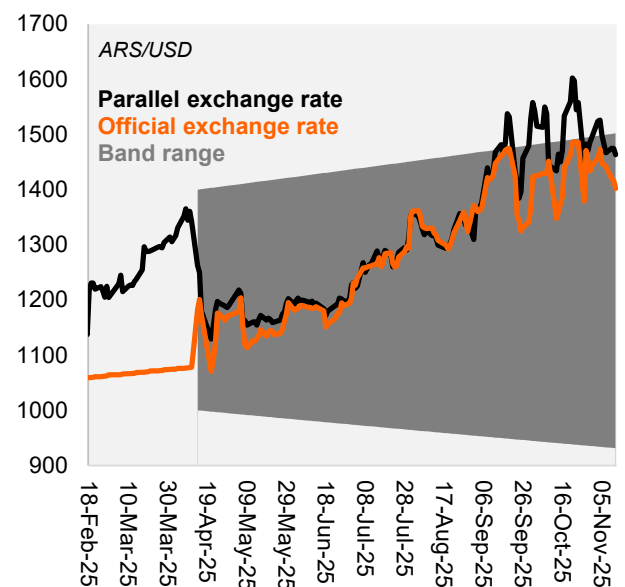
Following the incumbent's better-than-expected midterm results (see [here](#)), the government will likely push for greater momentum on a second phase of reforms. The "Bases" Law II, which builds on the bill approved in 2024 (see [here](#)), would include reforms to education, the labor market, natural resource exploitation, private property, and a tax framework. Importantly, President Milei recently met with most provincial governors (20 out of 24) to seek consensus on the reform agenda. Separately, the 2026 Budget bill discussion continues in Congress, with a fiscal balance still the main anchor of the program.

FX dilemmas

Before the midterm election held on October 26, in the midst of heightened pressure on Argentine assets, the central bank of Argentina and the U.S. Treasury sold USD in the spot market to defend the ceiling of the exchange rate band. Several officials stated that the exchange rate regime will not change, as the government seems to be focused on maintaining the exchange rate as an anchor and ensure the disinflation path continues. However, accumulating reserves is a priority, in our view, both to comply with the IMF program and to make foreign currency debt payments in 2026. As such, the authorities could achieve their obligations by placing

debt on the international market, receiving foreign direct investment, and purchasing dollars in the official exchange market.

Exchange rate



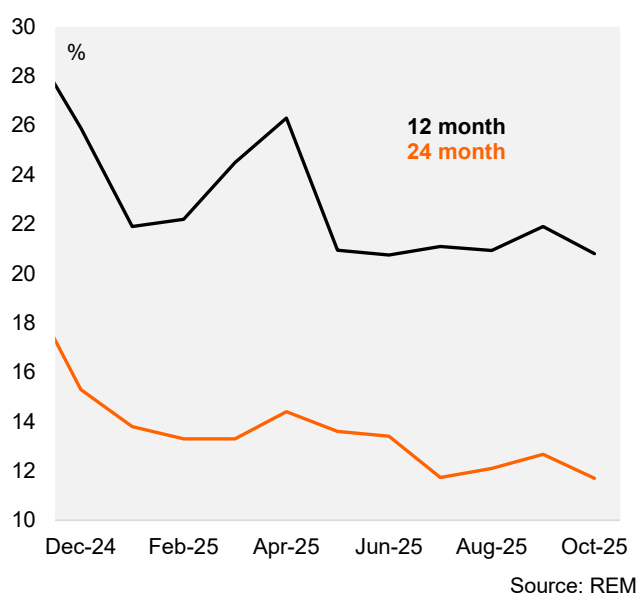
Source: Bloomberg

Disinflation has always been the primary goal

Inflation accelerated in October given weaker ARS amid political turmoil. Consumer prices rose 2.3% MoM in October, up from the previous month. On an annual basis, inflation declined to 31.3% from 31.8% in

September, supported by an annual base effect. Annualized quarterly inflation in October rose to 28.1%, up from 26.1% in the previous month. On a positive note, inflation expectations eased following a temporary increase amid political turmoil. According to the latest monthly survey by the central bank, inflation expectations for the next 12 months fell from 21.9% to 20.8% (median value), while those for the next 24 months dropped from 12.7% to 11.7%.

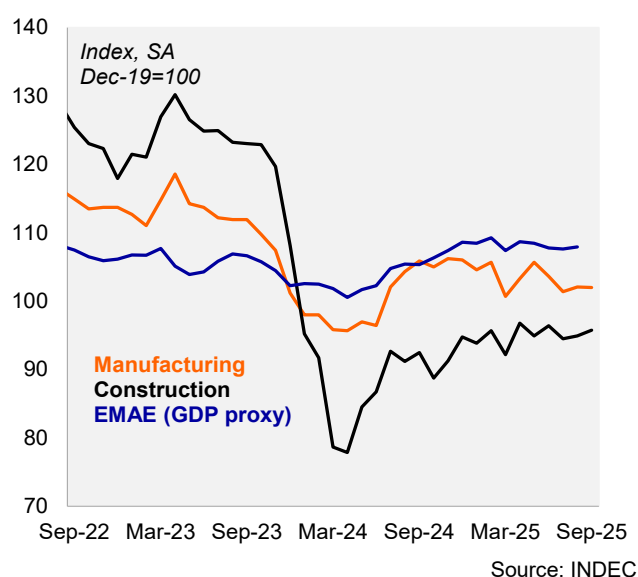
Inflation expectation



Financial volatility harms economic activity

According to the EMAE (official monthly GDP proxy), economic activity rose by 0.3% MoM/SA in August, after three consecutive monthly contractions. However, activity decreased 0.4% in the quarter ended in August after falling by 0.1% QoQ/SA in 2Q25. Leading indicators such as construction and manufacturing dropped in 3Q25, while tax collection dropped in October in real terms for the third consecutive month. Interest rates have declined since the mid-term election, which should gradually moderate pressure on weak credit demand, in the context of rising delinquency in the banking system, especially among households. In all, following the sequential GDP drop in 2Q25, a technical recession is likely in 3Q25.

Manufacturing and Construction



Fine-tuning our scenario

We maintained our 2025 and 2026 GDP growth forecasts at 3.8% and 2.5%, respectively. The weak activity in 3Q25 and the low statistical carryover for 2026 lead us to exercise caution in our growth forecast for next year. However, the more favorable outlook for investment after the recent election outcome introduces upside risks to our growth scenario.

We now forecast the exchange rate at ARS/USD 1,500 by YE25, compared to ARS/USD 1,600 in our previous scenario, close to the upper bound set at ARS/USD 1,527 for that period. For YE26 we foresee the exchange rate at ARS/USD 1,800, from 1,900 in our previous scenario. Given the authorities' strong defense of the current exchange rate regime with adjustable bands, a complete overhaul of the framework seems unlikely, yet it might be tweaked to allow for a higher ceiling, raising the pace of monthly depreciation. We cannot rule out a new agreement with the IMF that revises the program's targets, particularly in the monetary and exchange rate areas. In the medium term, completely lifting exchange controls remains a pending task. Another, crucial, medium term challenge is to materially lower the reliance on debt as a source of (short-term) reserves.

We now foresee inflation at 29.5% by YE25, down from 30.5% previously, given stronger ARS. We expect the wholesale rate (TAMAR) to be at 35% by the end of 2025, down from 45% in our previous scenario. This is due to recent changes in the minimum cash requirement to enhance liquidity management, as well as lower financial pressure following the election outcome. For 2026 we see the TAMAR rate at 25%, from 35% in our previous scenario.

Andrés Pérez M.
Diego Ciongo
Soledad Castagna

Argentina | Forecasts and Data

	2020	2021	2022	2023	2024	2025F		2026F	
						Current	Previous	Current	Previous
Economic Activity									
Real GDP growth - %	-9.9	10.4	5.3	-1.6	-1.7	3.8	3.8	2.5	2.5
Nominal GDP - USD bn	385.3	487.3	632.3	602.7	632.2	684.8	684.8	594.7	594.7
Population (millions)	45.4	45.8	46.2	46.6	47.1	47.5	47.5	47.9	47.9
Per Capita GDP - USD	8,490	10,640	13,679	12,920	13,431	14,426	14,426	12,423	12,423
Unemployment Rate - year avg	11.6	8.8	6.8	6.1	7.2	7.2	7.2	7.2	7.5
Inflation									
CPI - % (*)	36.1	50.9	94.8	211.4	117.8	29.5	30.5	20.0	20.0
Interest Rate									
Reference rate - eop - %	38.00	38.00	75.00	100.0	32.0	35.0	45.0	25.0	35.0
Balance of Payments									
ARS / USD - eop	84.15	102.75	177.10	809	1033	1500	1600	1800	1900
Trade Balance - USD bn	12.5	14.8	6.9	-6.9	18.9	8.0	8.0	10.0	10.0
Current Account - % GDP	0.9	1.4	-0.7	-3.5	1.0	-1.9	-1.9	-2.1	-2.1
Foreign Direct Investment - % GDP	1.1	1.4	2.4	4.0	1.8	1.5	1.5	2.0	2.0
International Reserves - USD bn	39.3	39.6	44.6	23.1	29.6	40.0	40.0	45.0	45.0
Public Finances									
Primary Balance - % GDP (**)	-6.5	-3.0	-2.4	-2.7	1.8	1.5	1.5	1.5	1.5
Nominal Balance - % GDP (**)	-8.5	-4.5	-4.2	-4.4	0.3	0.3	0.3	0.3	0.3
Gross Public Debt - % GDP	108.0	82.8	87.7	161.9	85.4	84.4	84.4	83.4	83.4
Net Public Debt - % GDP (***)	66.4	48.1	48.7	91.8	47.1	47.5	47.5	47.4	47.4

(*) National CPI since 2017.

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

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

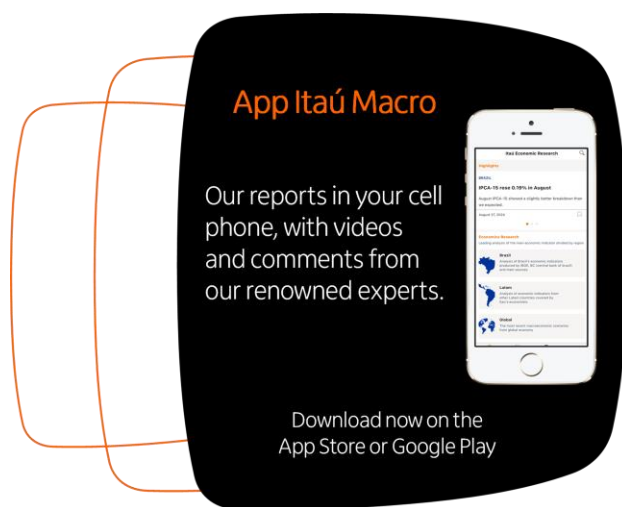
Source: Central Bank, INDEC and Itaú

Macro Research – Itaú

Mario Mesquita – Chief Economist

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