

Macro scenario - Argentina



December 17, 2025

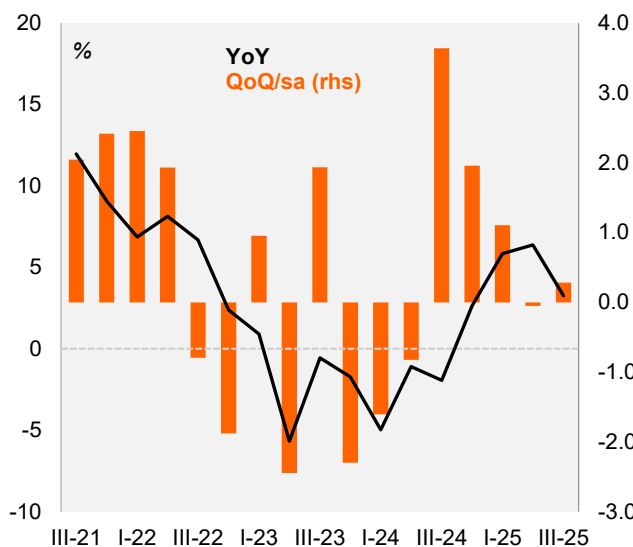
Upgrading growth

- ▶ We upgraded our 2025 and 2026 GDP growth forecasts to 4.5% and 3.5% respectively, following better-than-expected 3Q25 data, and leading indicators, among others.
- ▶ We revised our exchange rate forecast for YE25 to ARS/USD 1,450 from ARS/USD 1,500 in our previous scenario. For YE26 we foresee the exchange rate at ARS/USD 1,700, down from ARS/USD 1,800 previously. We expect lower inflation in 2026 supported by a stable ARS in real terms. We foresee inflation at 20.0% by YE26, down from 30.5% in YE25.

Activity expanded sequentially in 3Q25

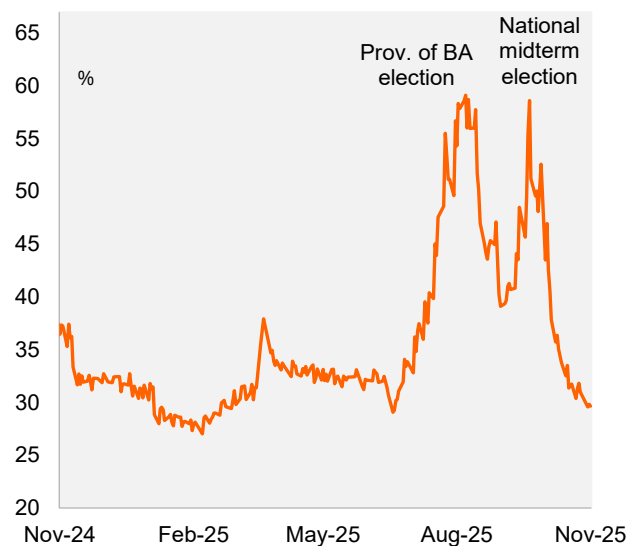
GDP rose by 3.3% yoy in 3Q25, decelerating from 6.4% in 2Q25. At the margin, GDP rose by 0.3% qoq/sa, snapping back from the 0.1% contraction in 2Q25 and taking the statistical carryover for 2025 to 4.3%. Looking ahead, leading indicators point to further gradual improvement, with consumer confidence rising sequentially in November, driven by willingness to purchase durable goods and real estate, and a better macroeconomic prospect. Moreover, interest rates have declined significantly since the mid-term election, which should lead to a recovery in credit demand.

GDP



Source: INDEC

Fixed-term deposit rate

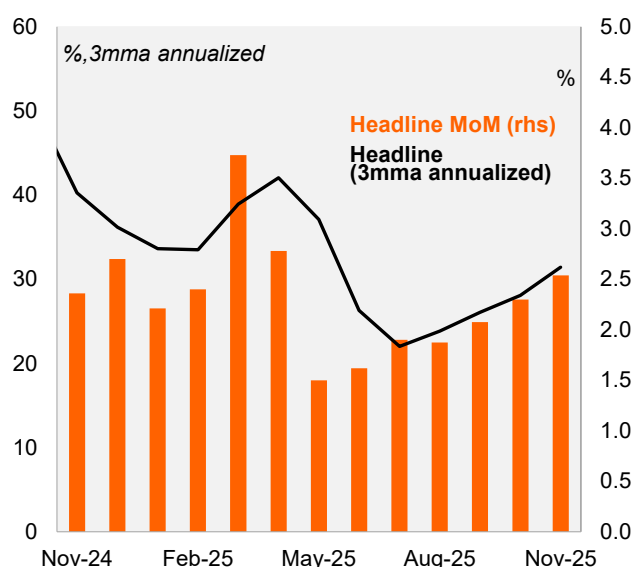


Source: BCRA

Hard to break the "2"

Inflation accelerated in November despite the appreciation of the ARS after the midterm election. Consumer prices rose 2.5% MoM in November, up from the previous month. On an annual basis, inflation rose to 31.4% from 31.3% in October, while annualized quarterly inflation in November rose to 31.5%, up from 28.1% in the previous month. Meanwhile, the BCRA's monthly survey of analysts estimates inflation at 2.1% MoM for December, 1.9% MoM for January, and 1.8% MoM for February.

Inflation



Source: Indec, Itaú

Investor sentiment improves

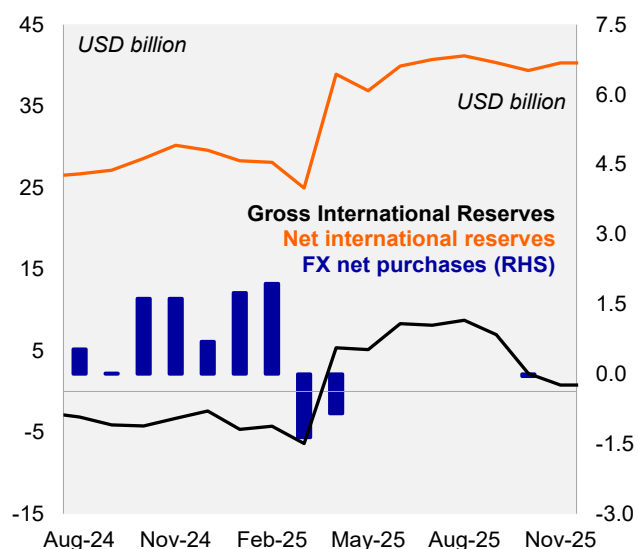
Argentina's EMBI index fell to 590 basis points by mid-December, down from 1,100 basis points in mid-October. In November, the private sector borrowed around USD 3.6 billion from global markets. The city of Buenos Aires returned to global markets issuing USD 600 million and the Santa Fe province issued USD 800 million (with bid-to-cover ratios of nearly 3x and 2x, respectively). In addition, the national government issued a local law bond in USD maturing in 2029 and raised USD 1.0 billion with a yield of 9.26%. However, the central bank has not accumulated international reserves, in the context of strong demand for USD from imports, tourism expenditures abroad and savings, amid a stronger ARS in real terms. In our view, a further decline in domestic risk premium rests on several factors, most importantly the government's ability to advance with the structural reform agenda, which appears to be more likely under the new congressional composition.

Fine-tuning the exchange rate and monetary framework

Argentina's central bank announced changes to the exchange rate band and a reserve accumulation program for 2026. Starting in 2026, the ceiling and floors of the exchange rate band will be adjusted monthly according to the last monthly inflation print (T-2). Under the current scheme, the bands widen at a constant monthly rate of 1%. According to BCRA's monthly analyst survey, monthly inflation is projected at 2.1% in December, 1.9% in January and 1.7% in February.

Additionally, the BCRA announced a reserve accumulation program based on money demand. Assuming monetary base growth of 4.2% to 4.8% of GDP, the BCRA expects to purchase USD 10 billion in the baseline scenario. The BCRA also announced that the USD purchase program will be compatible with daily liquidity and will account for a 5% share of the daily volume in the foreign exchange market. The BCRA also announced that it will continue to advance the process of normalizing bank reserve requirements. The BCRA reported that it will set the interest rate for 1-day repo operations. Overall, the new monetary and exchange rate regime is more flexible and favors purchasing USD to pay off foreign currency debt, which diminishes doubts about ARS appreciation in real terms and low net international reserves.

International reserves



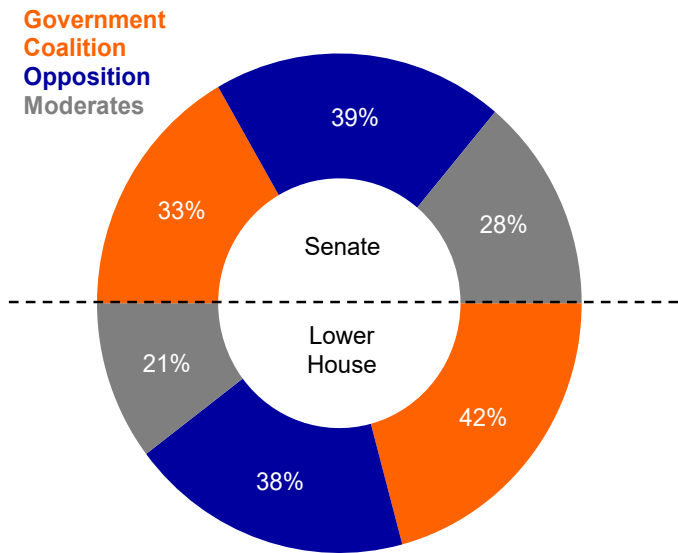
Source: BCRA

First test for the new congress: the 2026 Budget

The new Congress took office on December 10 as budget discussions dominate the agenda. President Milei called for extraordinary sessions to discuss and vote on the budget bill before the end of the year, since Congress is in recess from December 1 to the end of February. The government needs a simple majority in both the Lower Chamber (129 out of 257 seats), and the Senate (37 out of 72 seats) to pass the budget. As the government lacks a majority in both houses, negotiations are crucial. Moderates, primarily from provincial parties, comprise 28% of the Senate and 21% of the Lower Chamber (see chart). If the 2026 Budget is not approved before the end of the year, last year's budget will

automatically be extended, as has been the case for the last two years. The government also included other, structurally more important, bills in the agenda for the extraordinary sessions, such as labor modernization and a commitment to fiscal and monetary stability, among others.

Congress composition, share of total



Source: Itaú

The outlook for 2026 has improved, but there is more skepticism about 2027

We upgraded our 2025 GDP growth forecast from 3.8% to 4.5%, reflecting data revisions, a better-than-expected 3Q25, and leading indicators. Higher carryover, lower interest rates, and a more favorable investment outlook led us to also increase our 2026 GDP growth forecast to 3.5%, up from 2.5% previously.

The authorities announced that large-scale investment projects approved under the RIGI program totals USD 25 billion. However, since disbursements are gradual, the amount disbursed by 2027 will be significantly lower. The RIGI program's leading sectors are oil and gas and mining.

We still pencil in a gradual disinflation process during 2026 (20.0% from 30.5% in YE25) given our forecast for a stable ARS in real terms. We revised our exchange rate forecast for YE25 and YE26 to ARS/USD 1,450 and ARS/USD 1,700, respectively, down from ARS/USD 1,500 and ARS/USD 1,800 in our previous scenario. We expect the interest rate (wholesale rate TAMAR) at 25% by YE26, from 30% by YE25 (down from our previous call of 35%).

2027 is a different story. Although investor sentiment and the outlook for 2026 improved after the better-than-expected outcome for the incumbent, 2027 (October 24) will be marked by the presidential election. The sharp and sudden bout of financial volatility leading up to this year's midterm elections looms large for yearend 2027 nominal forecasts. Investors' willingness to finance Argentina through market-based instruments and foreign direct investment, as well as the demand for USD hedging, will be crucial for economic growth, particularly for the nominal side of the economy. Conversely, support from the United States could play a crucial role in mitigating volatility, as it did this year.

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Argentina | Forecasts and Data

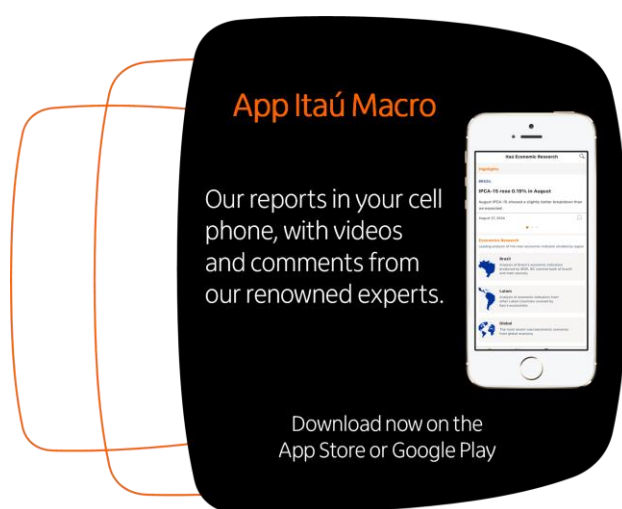
	2020	2021	2022	2023	2024	2025F		2026F		2027F
						Current	Previous	Current	Previous	Current
Economic Activity										
Real GDP growth - %	-9.9	10.4	5.3	-1.6	-1.7	4.5	3.8	3.5	2.5	3.0
Nominal GDP - USD bn	385.3	487.3	632.3	602.7	632.2	686.2	684.8	630.4	594.7	632.8
Population (millions)	45.4	45.8	46.2	46.6	47.1	47.5	47.5	47.9	47.9	48.3
Per Capita GDP - USD	8,490	10,640	13,679	12,920	13,431	14,454	14,426	13,168	12,423	13,108
Unemployment Rate - year avg	11.6	8.8	6.8	6.1	7.2	7.2	7.2	7.2	7.2	7.0
Inflation										
CPI - %	36.1	50.9	94.8	211.4	117.8	30.5	29.5	20.0	20.0	15.0
Interest Rate										
Reference rate - eop - %	38.00	38.00	75.00	100.0	32.0	30.0	35.0	25.0	25.0	20.0
Balance of Payments										
ARS / USD - eop	84.15	102.75	177.10	809	1033	1450	1500	1700	1800	1900
Trade Balance - USD bn	12.5	14.8	6.9	-6.9	18.9	8.0	8.0	10.0	10.0	12.0
Current Account - % GDP	0.9	1.4	-0.7	-3.5	1.0	-1.9	-1.9	-2.1	-2.1	-2.5
Foreign Direct Investment - % GDP	1.1	1.4	2.4	4.0	1.8	1.5	1.5	2.0	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	47.0
Public Finances										
Primary Balance - % GDP	-6.5	-3.0	-2.4	-2.7	1.8	1.5	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	0.0
Gross Public Debt - % GDP	108.0	82.8	87.7	161.9	85.4	84.4	84.4	83.4	83.4	82.5
Net Public Debt - % GDP	66.4	48.1	48.7	91.8	47.1	47.5	47.5	47.4	47.4	47.3

Source: Central Bank, INDEC and Itaú

Macro Research – Itaú

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