Research

JUNE 2025

Argentina Economic Outlook

Main messages. Global Outlook

Economic uncertainty

US tariffs have risen sharply. Although levies on China are now around 30%, lower than the expected 60% and well below the post- “Liberation Day” peak of 145%, they remain high and the uncertainty about where they will eventually settle is a persistent source of risk. In this context, and given prospects of large fiscal deficits, the US risk premium has risen. Growth remains resilient and inflation has eased, despite early signs of tariff-related deterioration.

Growth outlook

Protectionism and uncertainty will weigh on economic activity. Growth will likely slow more than previously anticipated in the US, but not necessarily in China and the Eurozone. In the former, lower-than-expected US tariffs back an upward revision of growth forecasts. In the latter, the impact of expected US tariffs will likely be mitigated by fiscal spending, mainly in defense.

Inflation and rates outlook

Tariffs are likely to push US inflation higher, prompting the Fed to keep rates unchanged for longer. Monetary easing could resume by the end of 2025 if price pressures prove transitory. The rate-cutting cycle could be over, or at least near to the end, in the Eurozone, and remains underway in China.

Risks

Lingering policy uncertainty and rising US risk premium are important sources of concern. Tariff risks have risen, but now appear more balanced. **Iran-Israel conflict** and protracted Ukraine war hit energy prices, risk supply shock; limited market impact, so far

Main messages. Local Outlook

Improvement in the macroeconomic fundamentals

In recent months, **the government has begun to put the economy in order through a combination of greater fiscal discipline, a gradual opening of the foreign exchange market, and a new monetary scheme focused on controlling the quantity of money.** Added to this, the agreement with the IMF helped to reduce uncertainty about the Government's ability to meet its financial commitments.

Economic recovery continues, at different speeds

We project that GDP growth will reach 5.5% in 2025, continuing the momentum started in the second half of last year. **Sectoral heterogeneity prevails**. There is a greater boost in durable goods, while mass consumption and manufacturing industry are laggards. Exports and investment show dynamism, while consumption is yet to capture the improvement in real wages and employment more progressively.

Smooth exit from FX controls

The government eased a large part of the exchange restrictions. Currently, individuals and non-residents operate in a more liberalized environment. Starting in 2026, companies will be able to repatriate dividends abroad. **A floating exchange rate regime with crawling bands was put into place**. Prices reacted better than expected after these changes, with inflation in May being the lowest in five years. **We project inflation of 30% in 2025 and 18% in 2026**.

The external accounts are becoming challenging

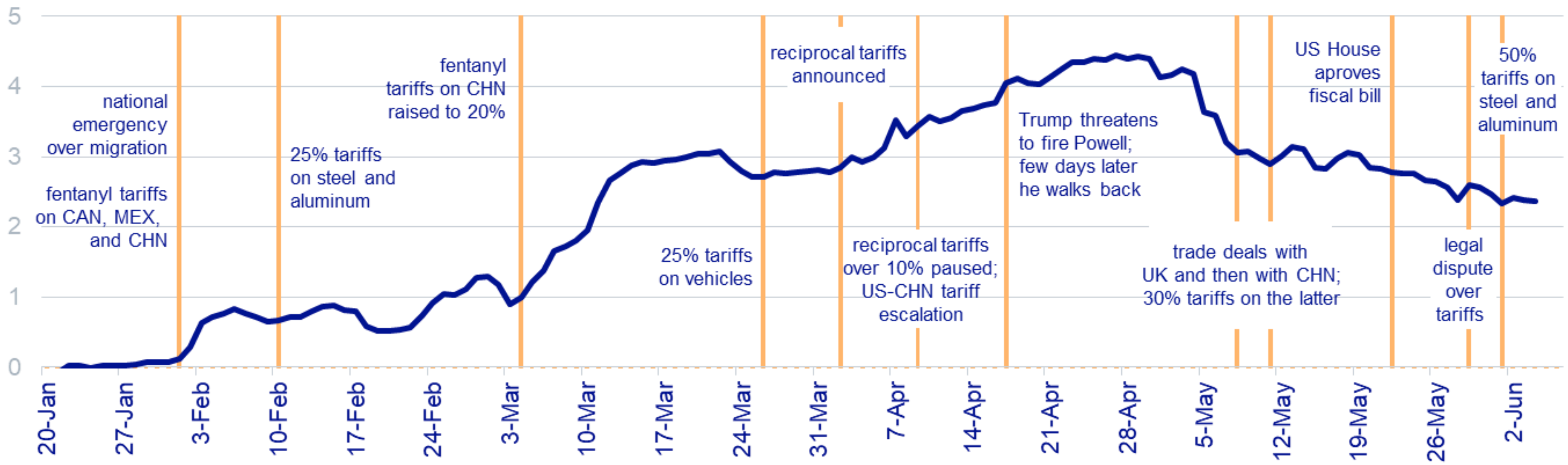
We expect a limited growth in exports of 2.5%, anticipating a **greater momentum in the Oil & Gas sector**. However, the current account deficit **is expected to reach 1.8% of GDP in 2025**. The recent widening of the external deficit reflects stronger imports of goods and services, in line with the economic recovery and the gradual easing of restrictions, alongside a more appreciated exchange rate.

1. ARGENTINA ECONOMIC OUTLOOK

Global outlook

Uncertainty remains in place

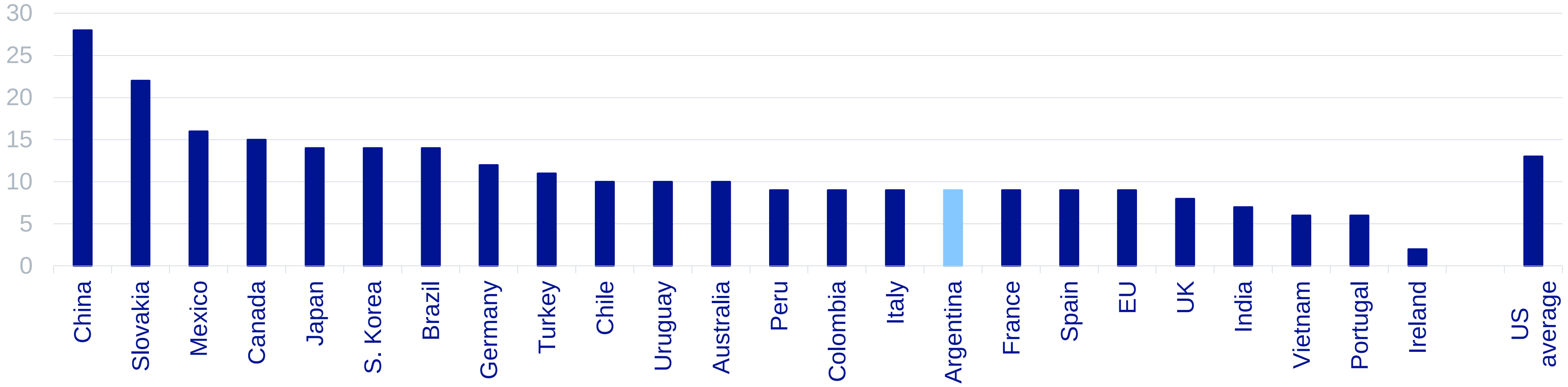
BBVA RESEARCH ECONOMIC POLICY UNCERTAINTY INDEX: UNITED STATES (*)
(28-DAY MOVING AVERAGE, AVERAGE SINCE 2017 EQUALS TO ZERO)



(*) Last available data: June 4, 2025
Source: BBVA Research.

US tariffs have risen sharply and erratically

US TARIFFS: ESTIMATED INCREASE SINCE THE BEGINNING OF 2025 UNTIL JUNE 9, 2025 (*)
(PP)

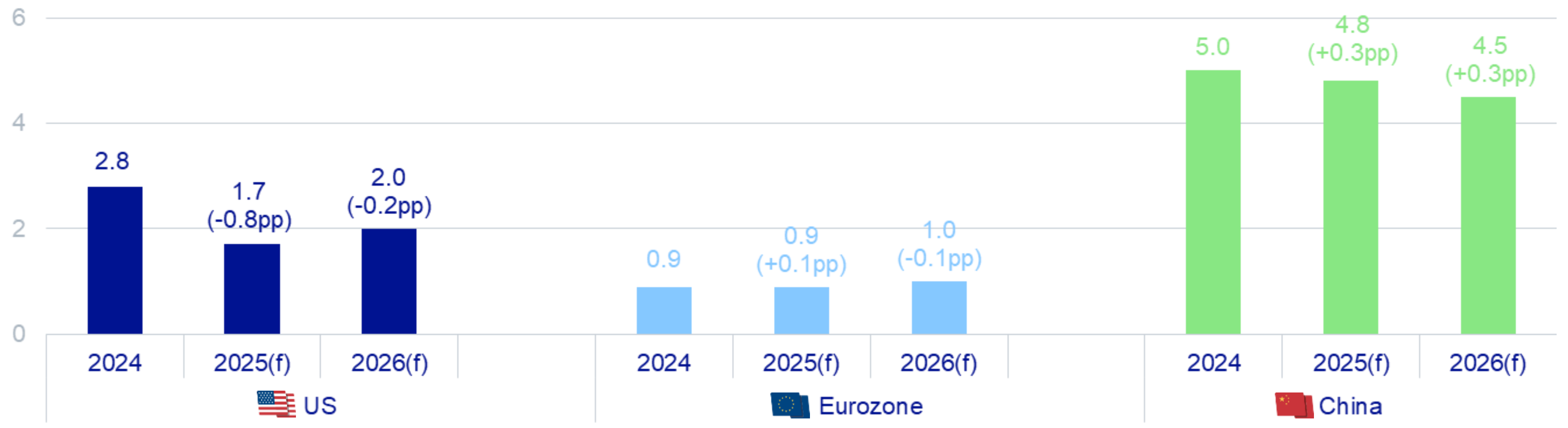


(*) Based on i) 25% tariffs on vehicles and vehicles parts and 50% tariffs o aluminum and steel (lower rates for the UK, Mexico and Canada), ii) 0% tariffs on pharmaceutical goods, oil, copper and selected electronic goods, iii) fentanyl tariffs on China, Mexico and Canada, and iv) 10% reciprocal tariffs.
Source: BBVA Research.

After some de-escalation, US tariffs rose again in late May/25, with levies on steel and aluminum reaching 50%; trade negotiations continue, and disputes over the legal validity of the tariffs remain unresolved

Growth prospects have deteriorated in the US, but not in China or the Eurozone

GDP GROWTH (*)
(%, CHANGE WITH RESPECT TO PREVIOUS FORECAST IN PARENTHESES)



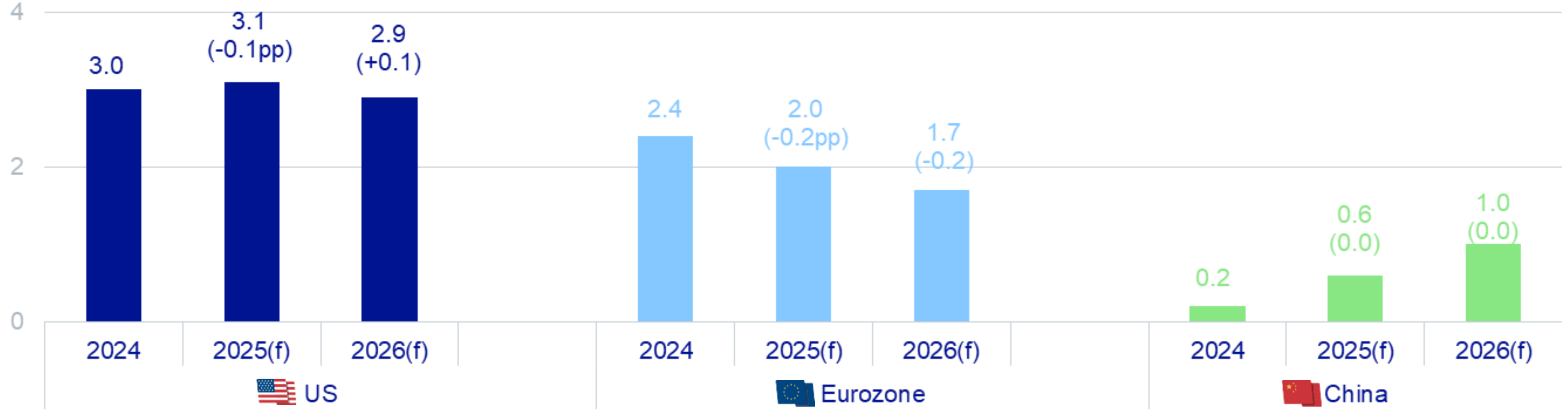
(*) Global GDP grew by 3.4% in 2024 and is forecast to expand by 3.0% in 2025 and 3.1% in 2026, respectively three and two decimal points below the expected in 1Q25.
(f): forecast.
Source: BBVA Research

Weaker US growth on higher uncertainty, weaker 1Q25 data (to be partially offset by a 2Q25 rebound); growth will be backed by lower US tariffs and economic stimuli in China, and by defense and infrastructure spending as well as by lower inflation and interest rates in the Eurozone

Inflation is still likely to rebound in the US following tariff hikes, and to remain contained in the Eurozone and China

HEADLINE CPI INFLATION

(Y/Y %, AVERAGE OF THE PERIOD, CHANGE WITH RESPECT TO PREVIOUS FORECAST IN PARENTHESES)

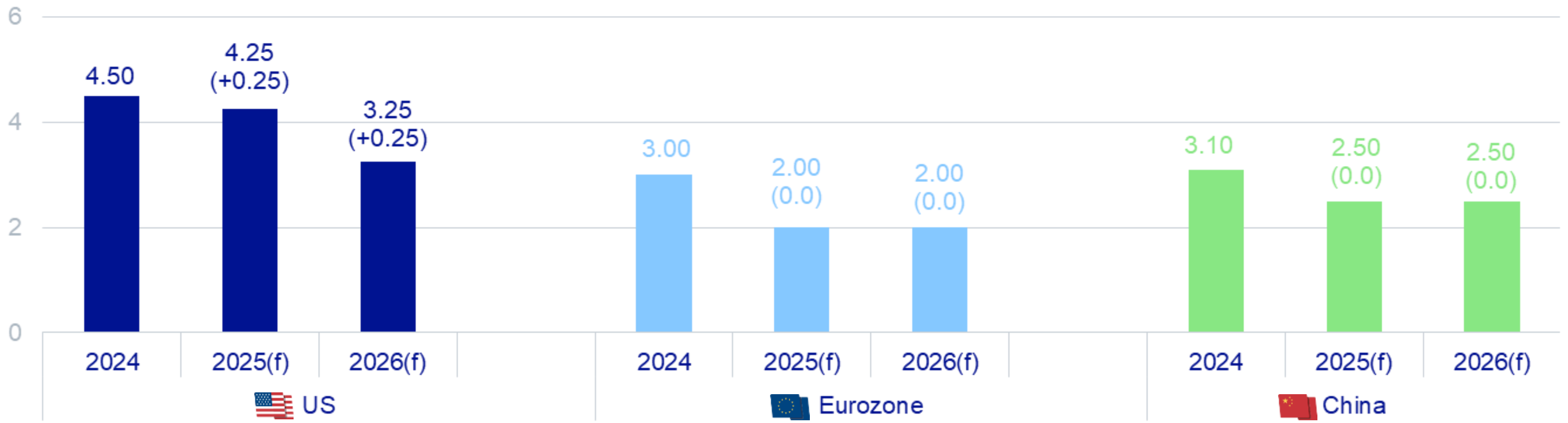


(f): forecast.
Source: BBVA Research

Lower energy prices and weak demand pressures support controlled inflation, except in the US, where tariffs are likely to raise production costs—at least in the short term; a stronger euro is also likely to keep price pressures limited in Europe

The Fed will keep rates unchanged for longer given tariff uncertainty; ECB monetary tightening is (likely) over

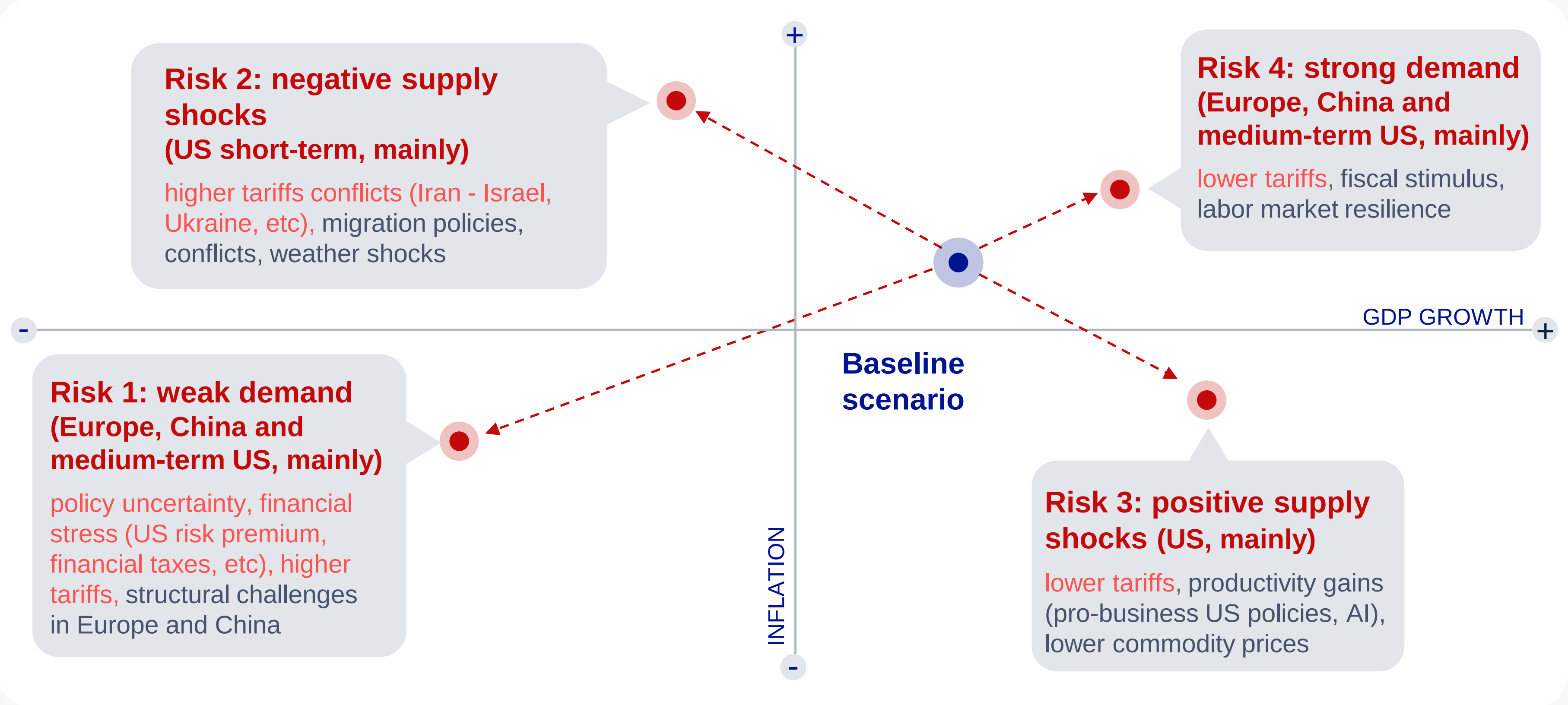
POLICY INTEREST RATES (*)
(%, END OF PERIOD, CHANGE WITH RESPECT TO PREVIOUS FORECAST IN PARENTHESES)



(f): forecast.
(*) In the case of the Eurozone, interest rates of the deposit facility.
Source: BBVA Research.

The Fed is forecast to cut rates once this year (in 4Q25), but the easing cycle would continue in 2026, at least if inflation rebound on tariffs proves to be temporary; in the Eurozone, rates are forecast to remain at 2%, but growth concerns and controlled inflation could pave the way for extra cuts

Risks: mainly on greater uncertainty and rising US risk premium; tariff risks are also higher, but more balanced

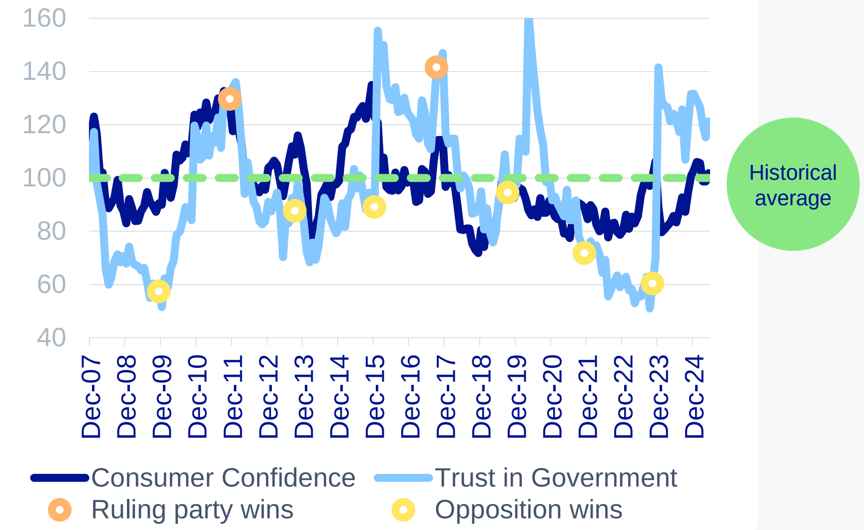


2. ARGENTINA ECONOMIC OUTLOOK

Local overview

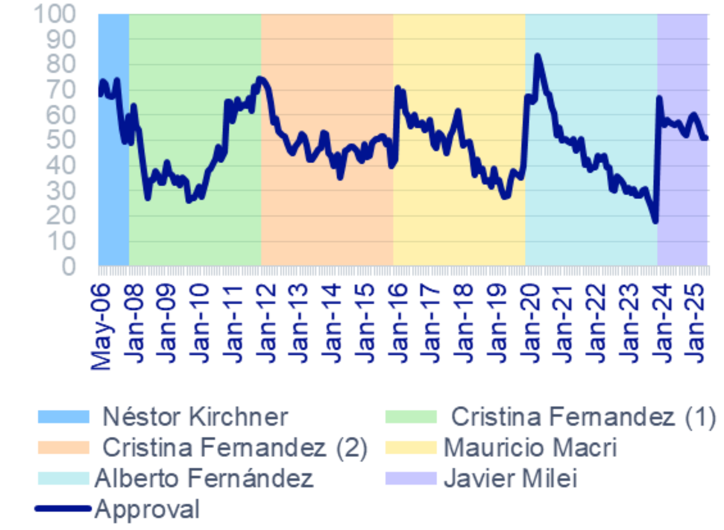
The government's approval ratings remain high ahead of the upcoming elections

CONFIDENCE INDICATORS
(AVERAGE HISTORICAL BASELINE = 100)



Source: Universidad Torcuato Di Tella and BBVA Research.

PRESIDENTIAL APPROVAL RATING
(IN %)

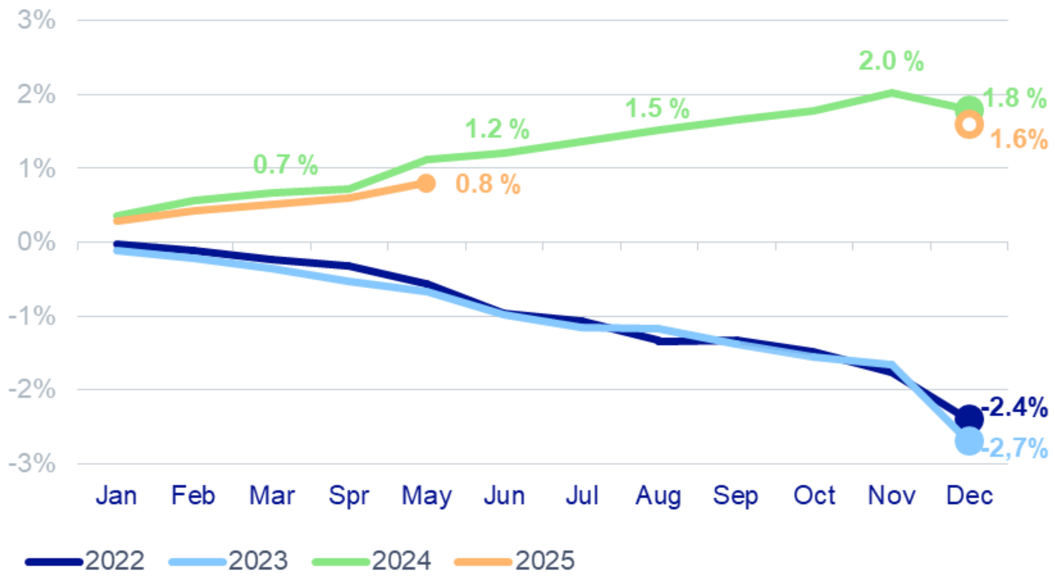


Source: Poliarquía and BBVA Research.

The Treasury sustains the fiscal surplus…

Since the beginning of its term, the government has prioritized balancing public accounts, which is the cornerstone of its stabilization plan. **We estimate that fiscal conduct will be maintained and a primary surplus of 1.6% of GDP** will be achieved by 2025.

PRIMARY FISCAL BALANCE
(AS % OF GDP; ACCUMULATED TO MAY)



Source: Ministry of Economy and BBVA Research.

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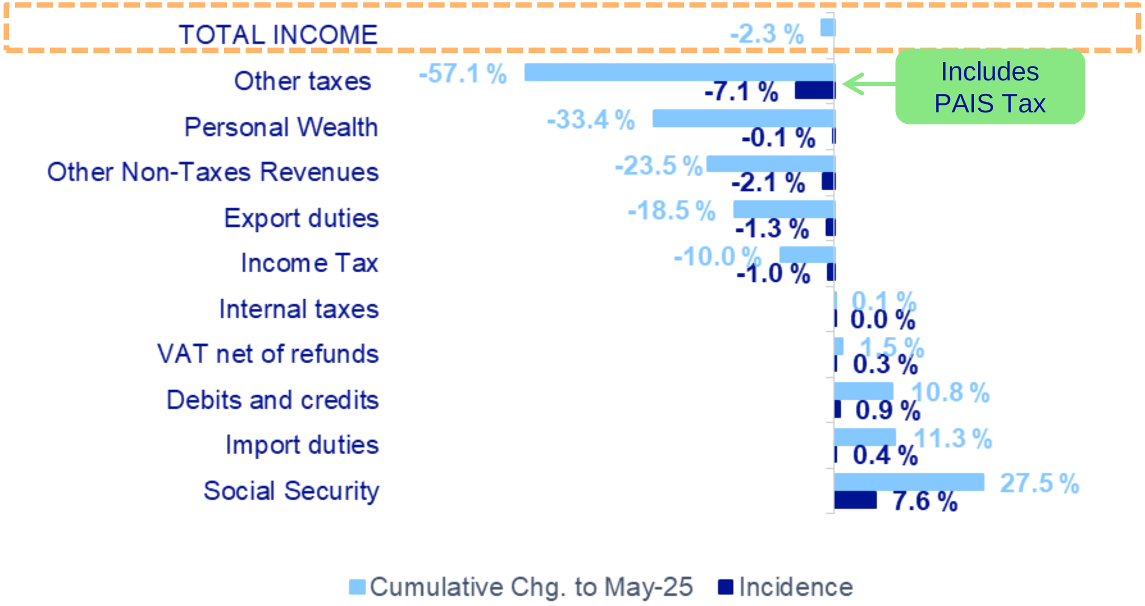
... even lowering taxes, which puts pressure on revenues

After the sharp adjustment in spending in 2024**, there is limited room for more cuts**. The challenge today is to strengthen economic growth to improve revenues without tax increases. The end of the PAIS tax resulted in a significant decrease in tax revenue.

CUMULATIVE TAX COLLECTION THROUGH MAY
(CUMULATIVE % CHANGE AND IMPACTS)



Source: Ministry of Economy and BBVA Research.

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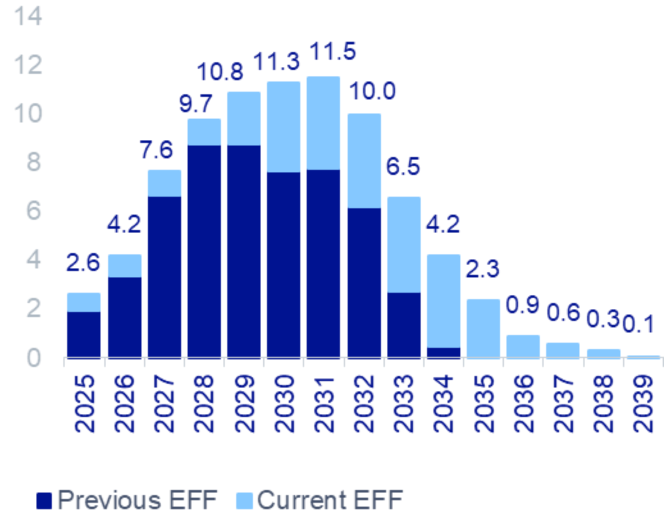
The government began "phase 3" of the economic program with the support of the IMF

DEBT OBLIGATIONS TO THE IMF
(USD BILLION)



Source: Ministry of Economy and BBVA Research. For the estimation of future maturities, it is assumed that all new IMF disbursements are made in line with the schedule pre-announced in the April 2025 EFF.

- **The government reached an agreement with the IMF on a new** Extended Fund Facility (EFF) worth USD 20 billion. The goal was to strengthen the BCRA's reserves and lift exchange restrictions. The initial disbursement was USD 12 billion, with USD 3 billion to be paid in the remainder of 2025.
- **Other (multi-year) disbursements totaling USD 22 billion** were also agreed with the World Bank, IDB, and other multilateral institutions. The swap with China was refinanced for one year and the U.S. Treasury announced that it could support Argentina with a contingent line.

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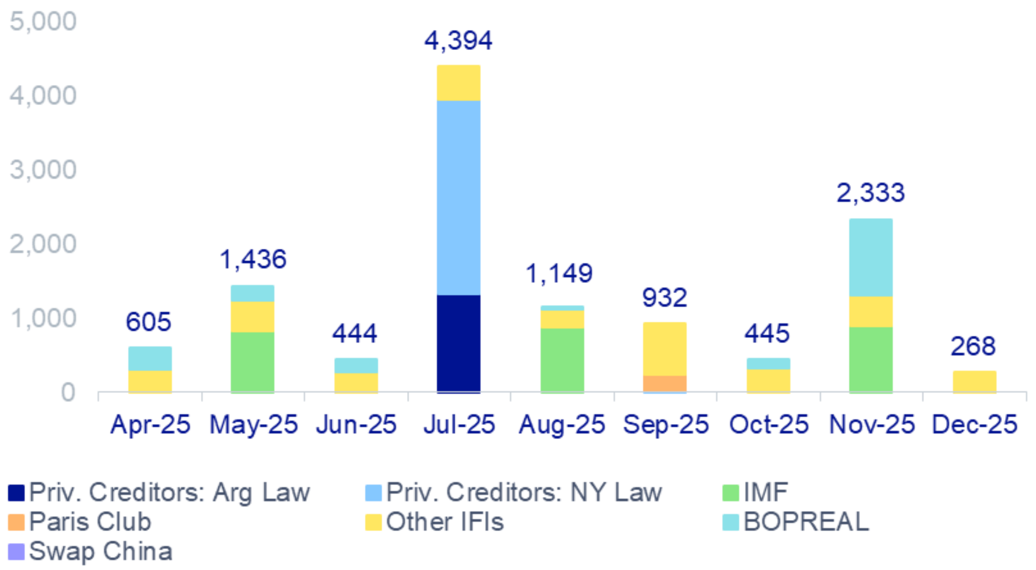
This clears up the uncertainty about the payment of public debts

Disbursements from the IMF, World Bank, and IDB **would contribute to reducing country risk** and mitigate uncertainty surrounding future debt payments until mid-2026. This would enable Argentina to refinance its debt in global markets by the end of 2025.

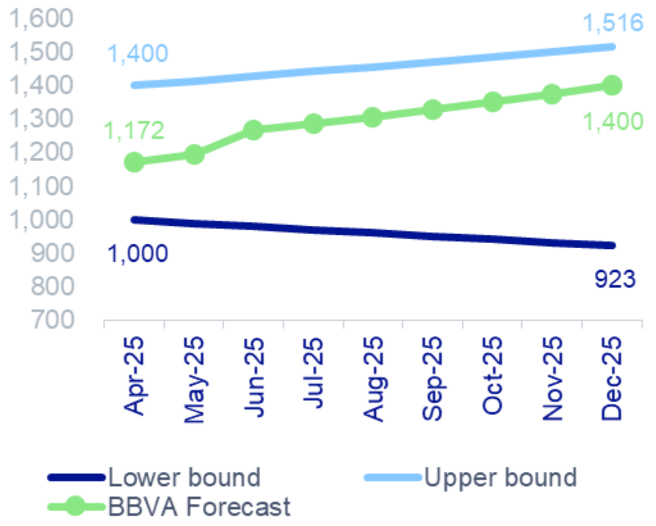
MATURITIES OF PUBLIC DEBT IN FOREIGN CURRENCY
(MILLIONS OF USD)



Source: Ministry of Economy and BBVA Research.

The inflow of new funds enabled changes to be made in the exchange rate regime and the easing of currency controls

NEW EXCHANGE RATE REGIME
(ARS/USD END OF PERIOD)

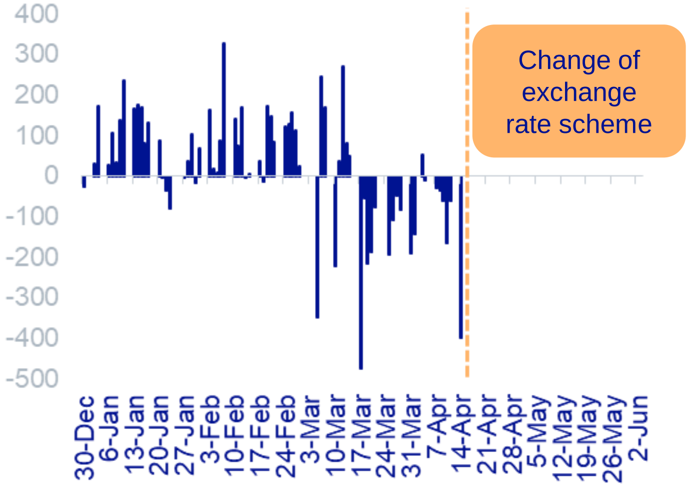


Source: Ministry of Economy and BBVA Research

- In mid-April, the BCRA abandoned the crawling-peg scheme and moved to a **floating exchange rate system within crawling bands**, setting a lower and an upper limit that are updated month by month.
- The upper band started at 1,400 ARS/USD and increases at a rate of 1% monthly, while the lower band started at 1,000 ARS/USD and declines at 1% monthly.
- Restrictions on individuals and non-residents were relaxed, while the repatriation of dividends from companies generated from January 1, 2025 was enabled.

Reserves increased after the disbursement and the BCRA stopped intervening directly in the official market

PURCHASE AND SALE OF FOREIGN CURRENCY OF THE BCRA (MILLIONS OF USD)



Source: BCRA and BBVA Research

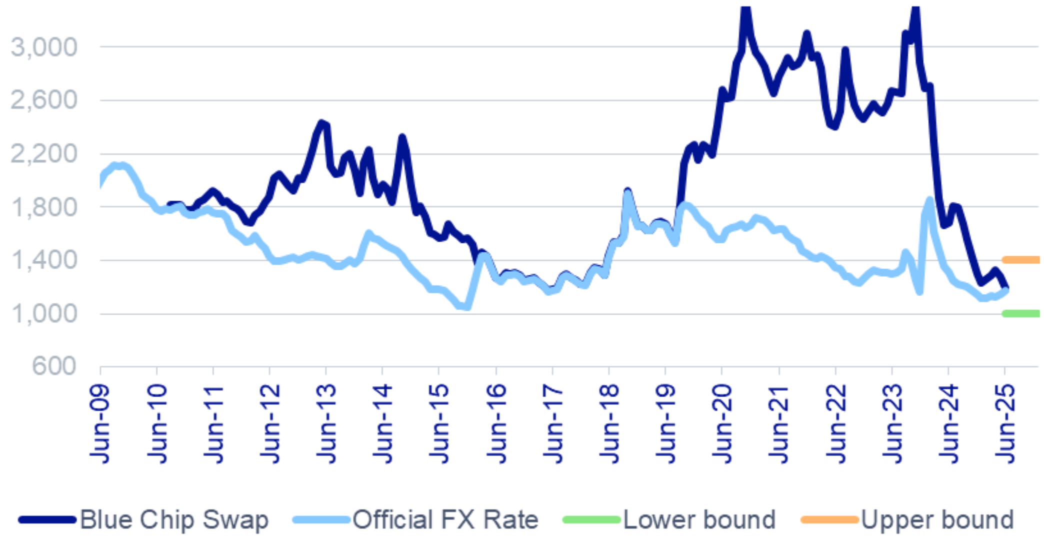
GROSS INTERNATIONAL RESERVES (IN USD BILLION)

Source: BCRA and BBVA Research.

The new system is a good transition to a flexible regime

The upper limit of $1,400 is close to the historical average and makes the upper band credible. Pre-election volatility may push the dollar close to the highest band by September, but the BCRA has the power to contain it. We expect greater flotation to begin in 2026 as the program and reform agenda become more consolidated.

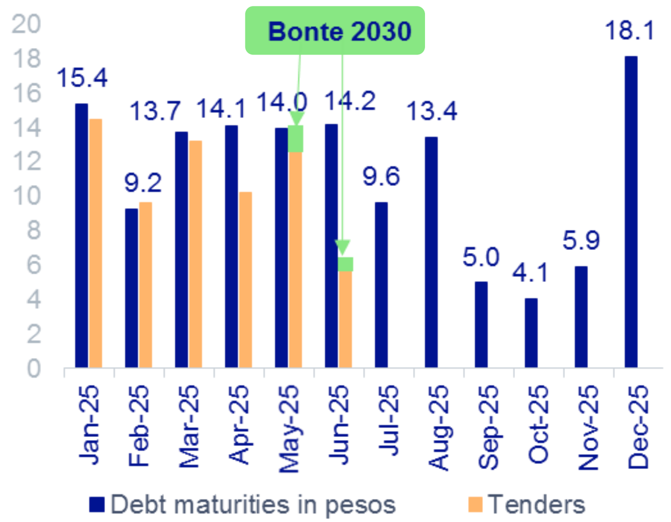
REAL EFFECTIVE EXCHANGE RATE
(ARS/USD AT TODAY'S PRICES)



Source: Ministry of Economy, BCRA and BBVA Research.

The Treasury resumes debt issuance with foreign investor participation to accumulate reserves

PUBLIC DEBT MATURITIES AND TENDERS IN PESOS (TRILLIONS OF ARS)

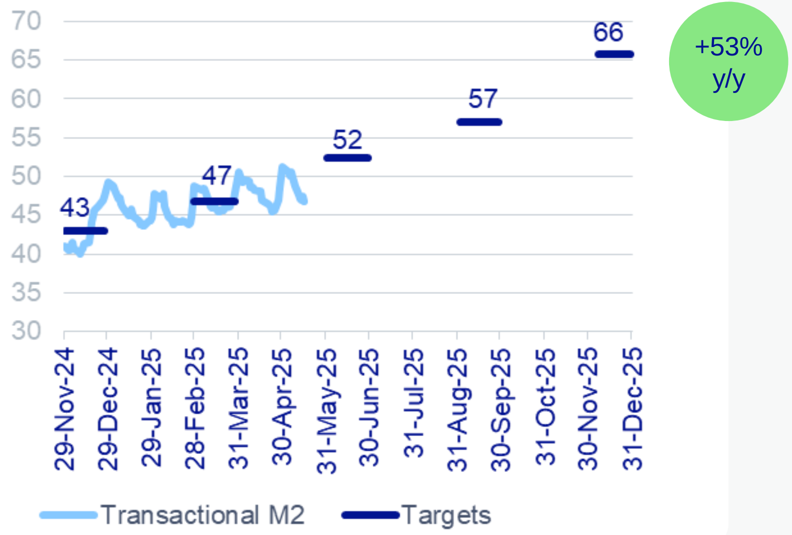


Source: Ministry of Economy and BBVA Research

- **The government announced the acceptance of USD to purchase local debt in the primary market** (from residents and non-residents) with a maturity period exceeding one year. It will allocate up to USD 1 billion per month in 2025.
- This mechanism allows it to **accumulate foreign currency by issuing debt in pesos**. It also implies Argentina's return to international debt markets. In May and June, USD 1.5 billion of Bonte 2030 was issued (a bond in pesos, with a fixed rate of 29.5%).
- This practice allows for some **replacement of local creditors** (mainly banks, which could allocate those funds to credit) with non-residents.

The monetary regime was also changed, establishing growth targets for the "transactional M2"

NEW MONETARY AGGREGATES REGIME
(TRILLIONS OF ARS)



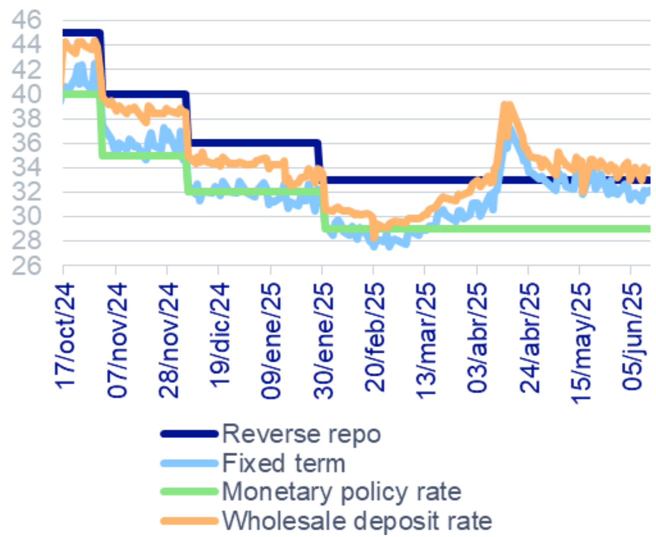
- Along with the easing of currency controls, the nominal cap of ARS 48 trillion on the Broad Monetary Base* has been removed and a shift was made toward a more standard and less restrictive **monetary-aggregates framework.**
- The new regime imposes targets on "transactional M2," which is the sum of currency in circulation and non-interest-bearing demand deposits. This sum may grow by up to 53% y/y in 2025, implying positive **remonetization of the economy** in real terms.

Source: IMF, BCRA and BBVA Research

* BMA is the sum of Monetary Base, Treasury deposits in the BCRA and LEFIs.

In this context, the government will eliminate LEFIs, making LECAPs the central instrument for interest rates

INTEREST RATES
(% ANR)

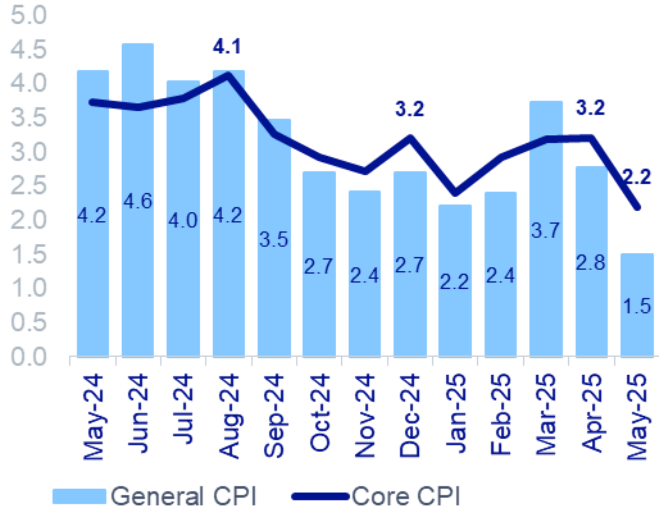


- In July, the Government will eliminate the Fiscal Liquidity Bills (LEFIs), currently in the banks' portfolio. 1-3 month LECAPs will begin to be tendered every 15 days.
- The BCRA may carry out market operations to influence liquidity, but the central idea is that interest rates are defined by market conditions under an aggregates-control scheme.
- We expect market interest rates to fall, but slower than inflation (rising in real terms).

Source: Ministry of Economy and BBVA Research

Although the core component shows resilience, inflation surprised on the downside after the lifting of currency controls

HEADLINE INFLATION AND CORE INFLATION (M/M % CHANGE)



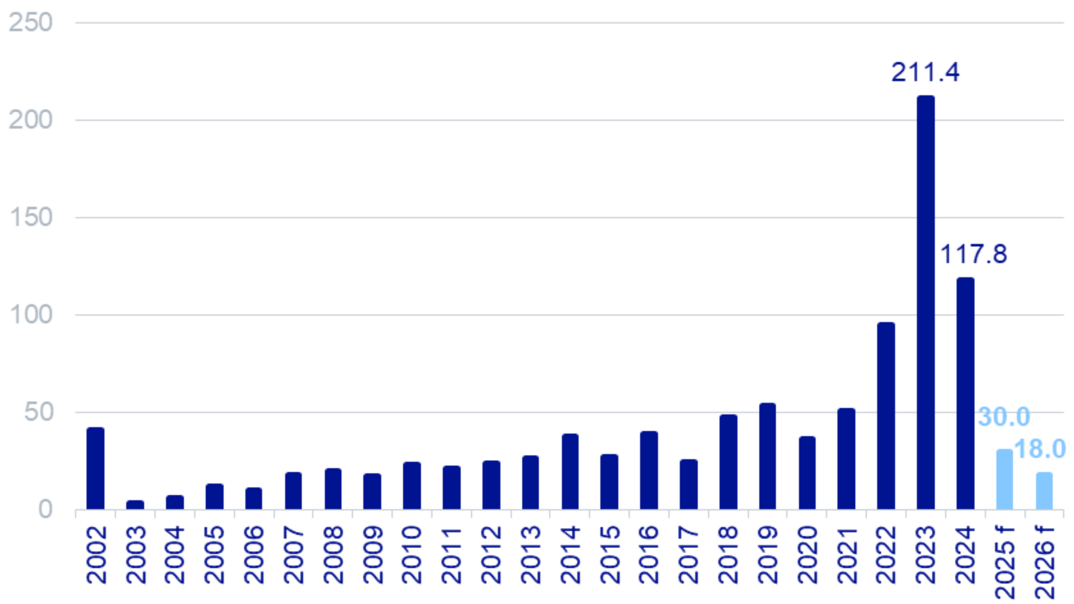
Source: INDEC and BBVA Research.

- National inflation in May was 1.5%, **the lowest record in 5 years**.
- Easing currency controls without causing exchange rate shocks defused the prospect of depreciation **and anchored inflation expectations on a downward path**. This is how the floor of 2% m/m was broken for the first time in more than four years.
- **We estimate inflation in June to be 1.8% monthly**, remaining below 2% for the second consecutive month, although with less downward momentum.

We project that disinflation will deepen in the coming months

As the exit from the previous exchange rate scheme was better than expected, with no price corrections in Q2, we return to our previous scenario, with an **inflation projection of 30% y/y for 2025** (previous: 35%). However, regulated prices still require corrections that could keep inflation close to 2% m/m in the coming months.

HEADLINE INFLATION
(Y/Y % CHANGE)



Source: INDEC and BBVA Research.

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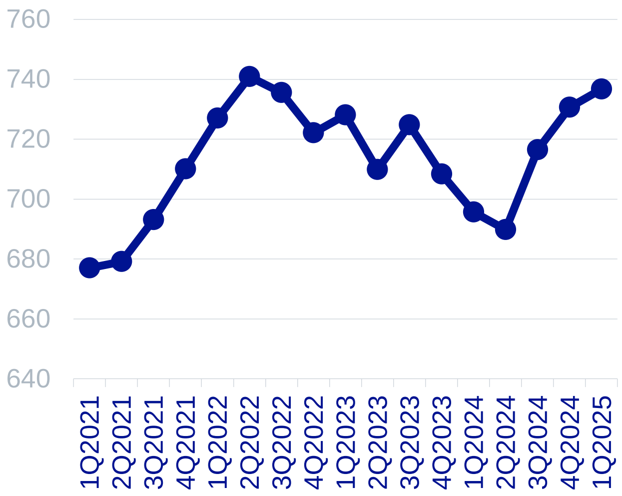
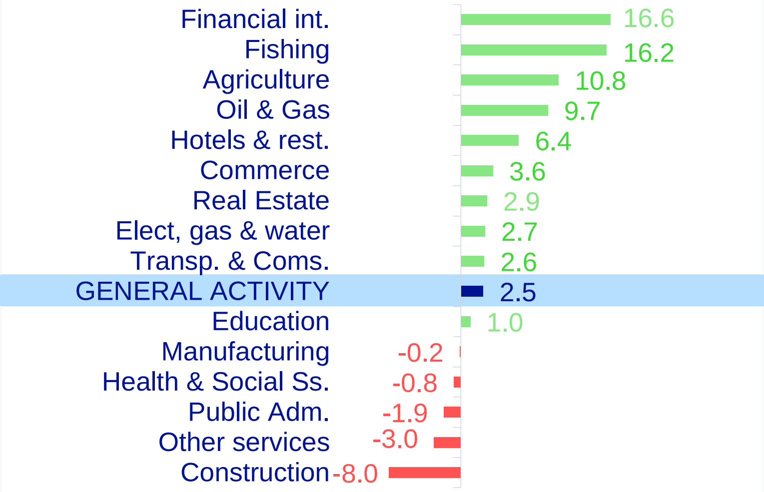
Economic activity continues to rise, with mixed signals across sectors

SEASONALLY ADJUSTED QUARTERLY GDP
(IN BILLIONS OF ARS, AT 2004 PRICES)



Source: INDEC and BBVA Research.

PERFORMANCE BY ECONOMIC SECTOR
(ACCUMULATED % CHANGE BETWEEN Q4'23 AND Q1'25 SEASONALLY ADJUSTED)

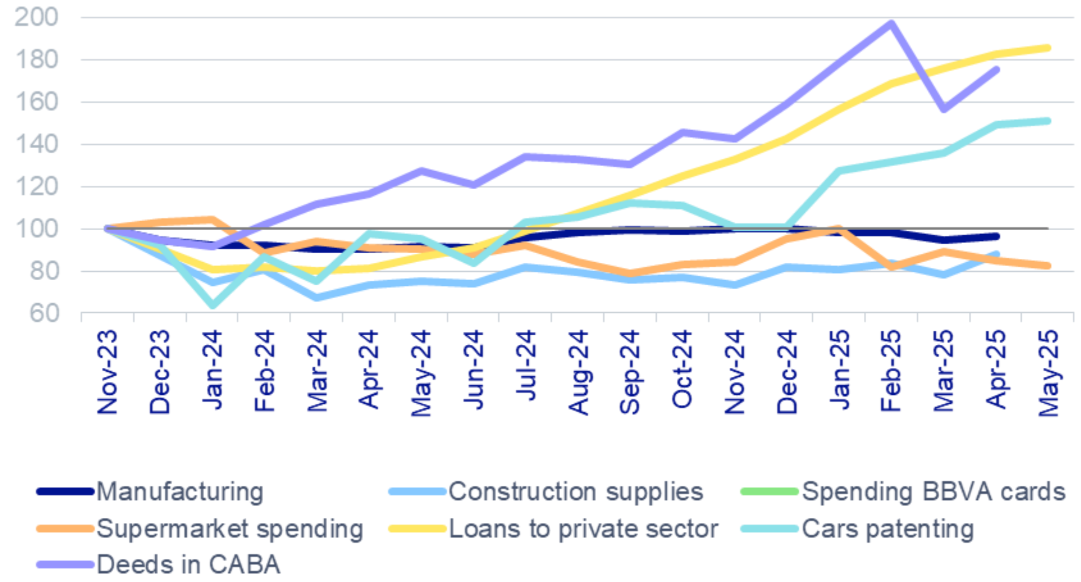


Source: INDEC and BBVA Research.

Recovery is fragmented, with stronger performance in durable goods

The disparity remains in the rate at which the private consumption of durable goods and credit are recovering compared to retail spending, construction, and the manufacturing industry average. There is no disruptive take-off, although it is sustained.

SELECTED SECTOR INDICATORS
(BASE JAN'23 = 100; SERIES NOT SEASONALLY ADJUSTED)



Source: INDEC, Grupo Construya, BCRA, ACARA, Colegio de Escribanos CABA and BBVA Research.

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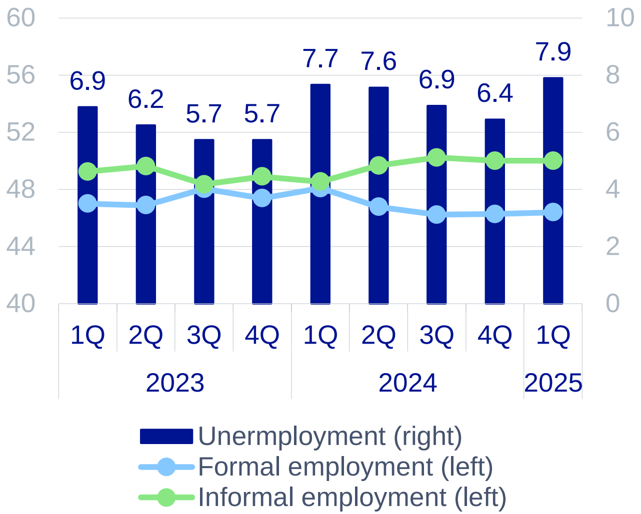
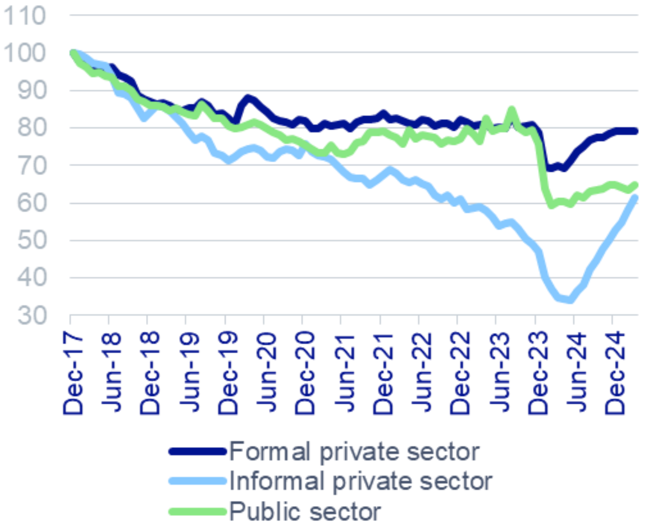
The labor market showed signs of cooling in Q1’25 while the process of wage recomposition continues

UNEMPLOYMENT AND EMPLOYMENT RATES BY TYPE
(IN %; UNEMPLOYMENT RATE = UNEMPLOYED/EAP)



Source: INDEC and BBVA Research.

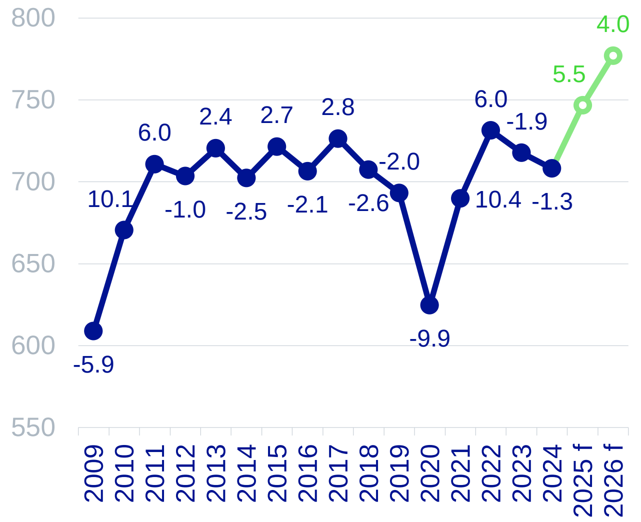
PERFORMANCE OF REAL WAGES BY TYPE (BASE DEC'17 = 100)



Source: INDEC and BBVA Research.

We maintain our annual growth forecast at 5.5% for 2025 and 4% for 2026

GDP: ANNUAL LEVEL AND CHANGES
(IN BILLIONS OF ARS; CHANGE IN % Y/Y)

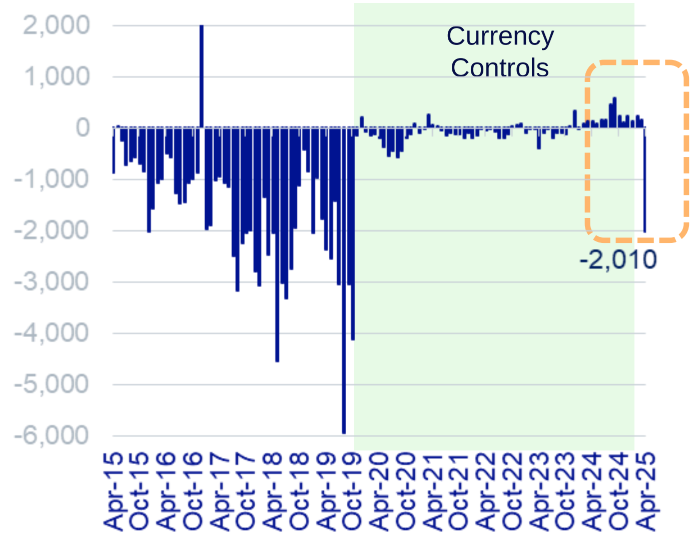


Source: INDEC and BBVA Research.

- The drivers of this behavior will come from the **dynamism of private investment and exports**. Consumption will recover at the pace of the recomposition of real wages and the availability of credit.
- Despite sector heterogeneity, optimism persists as economic stabilization consolidates, laying a **firmer foundation for sustained growth**.
- It is key to advance in the agenda of structural reforms to underpin productivity.

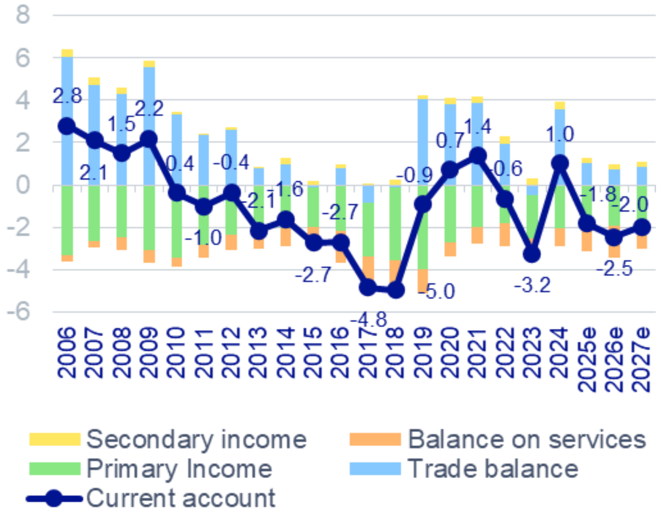
External position weakens in 2025, with an increase in imports and demand for foreign currency

FORMATION OF FOREIGN ASSETS IN THE NON-FINANCIAL PRIVATE SECTOR (MILLION DOLLARS)



Source: INDEC and BBVA Research.

CURRENT ACCOUNT OF THE BALANCE OF PAYMENTS AND ITS COMPONENTS (% GDP)

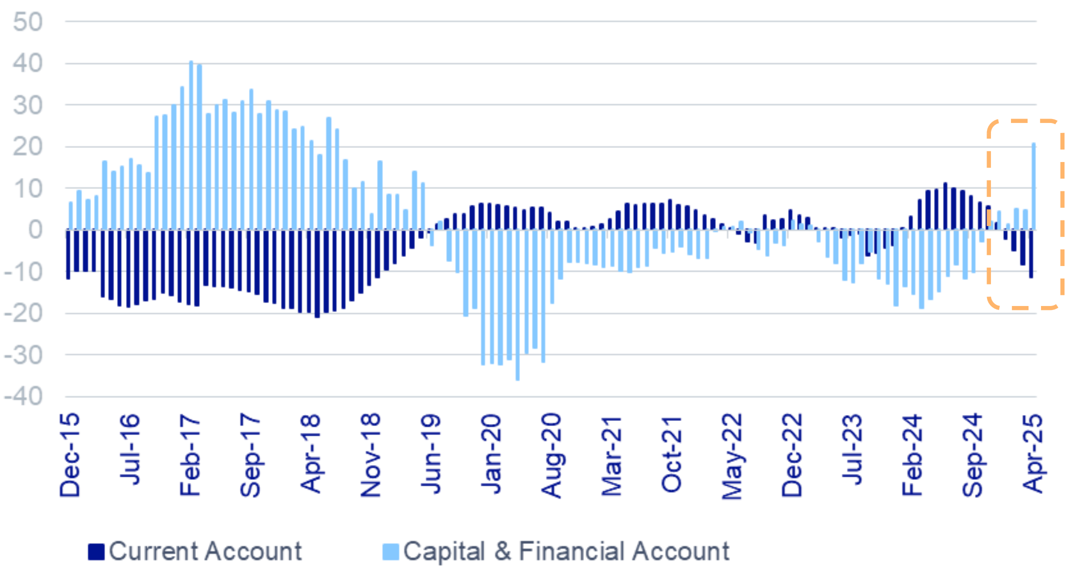


Source: INDEC and BBVA Research.

Capital inflows are once again key for external accounts

The deterioration of the current account is still limited and it is offset by the increase in capital inflows, mainly from multilaterals and, now, other non-resident portfolio investors. The easing of restrictions on dividends could boost Foreign Direct Investment, which would be added to the projects under the RIGI.

EXCHANGE BALANCE: CURRENT ACCOUNT AND CAPITAL AND FINANCIAL ACCOUNT (MILLIONS OF DOLLARS, 12-MONTH MOBILE SUM)



Source: INDEC and BBVA Research.

3. ARGENTINA ECONOMIC OUTLOOK

Conclusions

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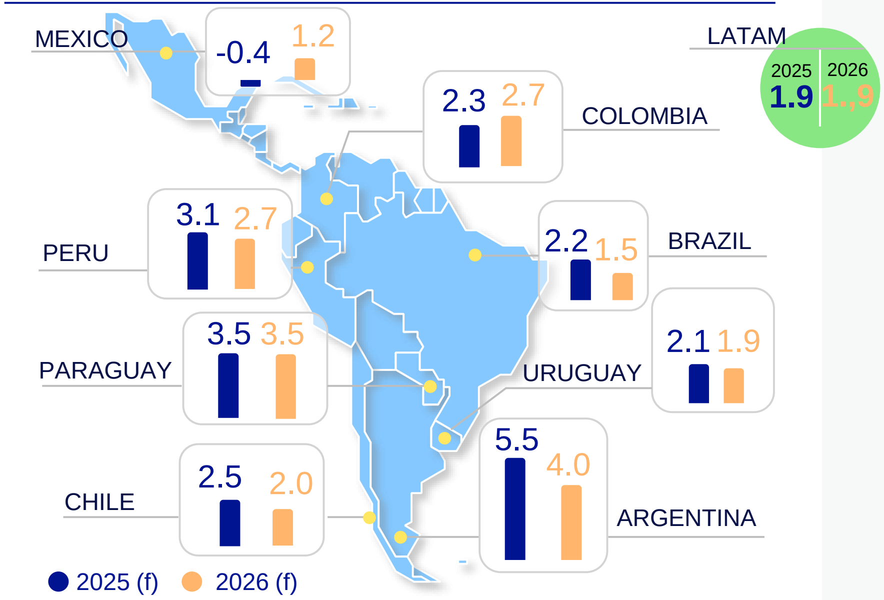
Argentina's growth will outpace that of the region

GDP GROWTH
(Y/Y % CHANGE)



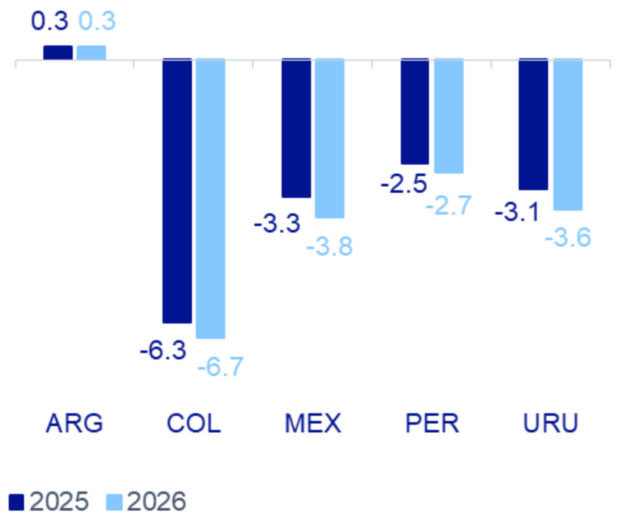
Source: INDEC and BBVA Research.

- With the stabilization plan in place, Argentina **will experience growth exceeding that of its regional peers** and the global average by 2025-2026.
- In LATAM, growth will stabilize at around 1.9% in that period, in part, due to an **unfavorable cycle in Mexico and Brazil**, and a **less favorable global environment.**
- Global uncertainty postpones investments at the regional level. However, **the Argentine cycle looks more attractive** and will be one of the main drivers of local growth, with RIGI* playing a key role.

* Incentive Regime for Large Investments.

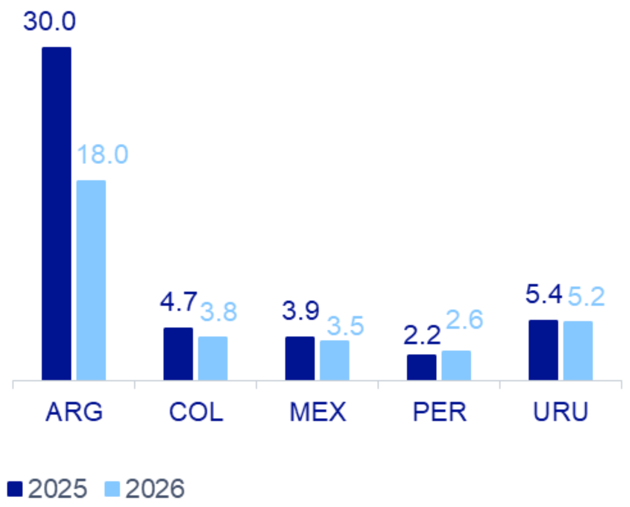
Fiscal consolidation supports the disinflation process but regional gap remains significant

LATAM COUNTRIES FISCAL RESULT
(% of GDP)



Source: BBVA Research.

INFLATION IN LATAM COUNTRIES
(Y/Y % CHANGE)



Source: INDEC and BBVA Research.

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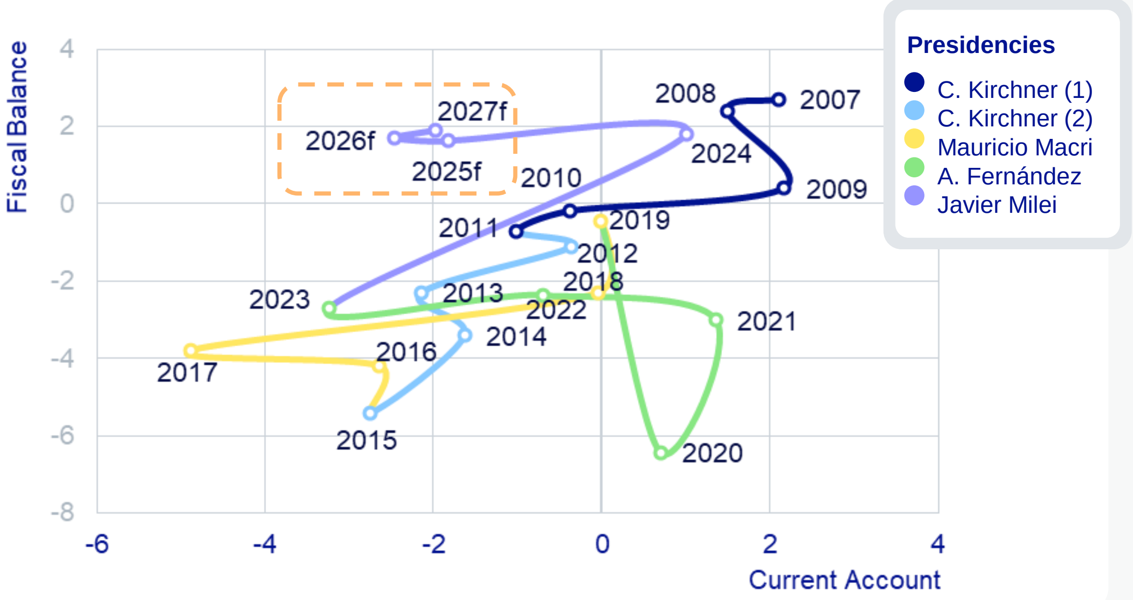
Macroeconomic rebalancing underway, driven by improved fiscal and external positions

Projections for the period from 2025 to 2027 indicate an unusual convergence, reflecting a commitment to macroeconomic stabilization through fiscal discipline and accumulation of reserves.

CURRENT ACCOUNT AND PRIMARY RESULT
(% GDP)



Source: INDEC and BBVA Research.

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Macroeconomic forecasts

Argentina	2022	2023	2024	2025f	2026f
GDP (% y/y)	5.3	-1.6	-1.7	5.5	4.0
Inflation (% y/y, EOP)	95	211	118	30	18
Exchange Rate (vs USD 31/Dec.)	177.1	808	1,033	1,400	1,633
Wholesale interest rate* (% EOP)	69	121	35	28	19
Private consumption (% y/y)	9.4	1.0	-4.2	5.8	2.0
Government expenditure (% y/y)	3.0	1.5	-3.2	2.5	2.3
Investment (% y/y)	11.2	-2.0	-17.4	24.7	19.1
Primary Fiscal Result (% GDP)	-2.4	-2.7	1.8	1.6	1.7
Financial Fiscal Result (% GDP)	-4.2	-4.4	0.3	0.3	0.3
Current account (% GDP)	-0.6	-3.2	1.0	-1.8	-2.5
Public Debt (% GDP)	85.0	156.6	83.2	81.3	71.2

*In 2022 and 2023: BADLAR; from 2024: TAMAR.

Source: INDEC and BBVA Research.

Disclaimer

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Research