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OCTOBER 2025

Argentina Economic Outlook

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Key Messages | Global Outlook

Growing concern about U.S. policies. Tariffs have risen more than anticipated and both immigration measures and attacks on the Fed have been harsher than expected. Despite signs of moderation, the global economy remains resilient. Growth has exceeded expectations and inflation has surprised to the downside in the U.S. Markets have exhibited a favorable tone, supported by expectations of additional Fed cuts.

Global growth is expected to moderate from 3.3% in 2024 to 3.0% in 2025 and 3.1% in 2026. Despite fiscal support, looser monetary conditions and the rise of AI, activity will be affected by increased protectionism, limits on immigration, uncertainty, geopolitical tensions... Still, recent data suggest that its impact will be more gradual than anticipated.

Tariffs will keep U.S. inflation relatively high, at around 3% in 2025–26. However, slowing growth would allow the Fed to lower interest rates to 3% in 2026. In Europe, inflation would remain close to target and interest rates at 2%.

The risk of more negative scenarios increases in an environment of high uncertainty, recurring shocks, weaker global cooperation and possible disruptions. Along with trade and immigration policies, threats to the Fed's autonomy are among the biggest concerns.

Key Messages | Local Outlook

Volatility reconfigures the economic landscape

The economy is operating in a context marked by political and exchange rate uncertainty. The electoral outcome in the Province of Buenos Aires and the elimination of the LEFIs in July increased volatility in financial markets, reflected in higher interest rates and renewed pressures on the exchange rate. This unstable environment has led the private sector to adopt a more cautious stance, slowing decision-making and weighing on expectations for the last quarter of the year.

Economic activity cools

After a good 1Q2025, the economy decelerated and is experiencing a slowdown in the sectors most sensitive to rate hikes. Formal employment is stagnating and informal employment is growing, which cushions unemployment but deteriorates job quality. Real wages began to recover, although unevenly and concentrated in segments of higher productivity.

Fiscal discipline consolidates the equilibrium

The fiscal front remains the strongest component of the economic program. After the adjustment in 2024, primary spending is moderating and revenues are holding firm, allowing the balance to be maintained with a better mix between discipline and social containment. A primary surplus of 1.6% of GDP is projected for 2025, and 1.7% for 2026, exceeding targets agreed with the IMF.

Outlook based on stability and funding

The economy reaches the end of 2025 with mixed results: fiscal stability and disinflation, but less dynamism in activity. Going forward, growth will depend on the normalization of the financial front and a recalibration of the exchange rate regime, in a political context that will continue to shape expectations.

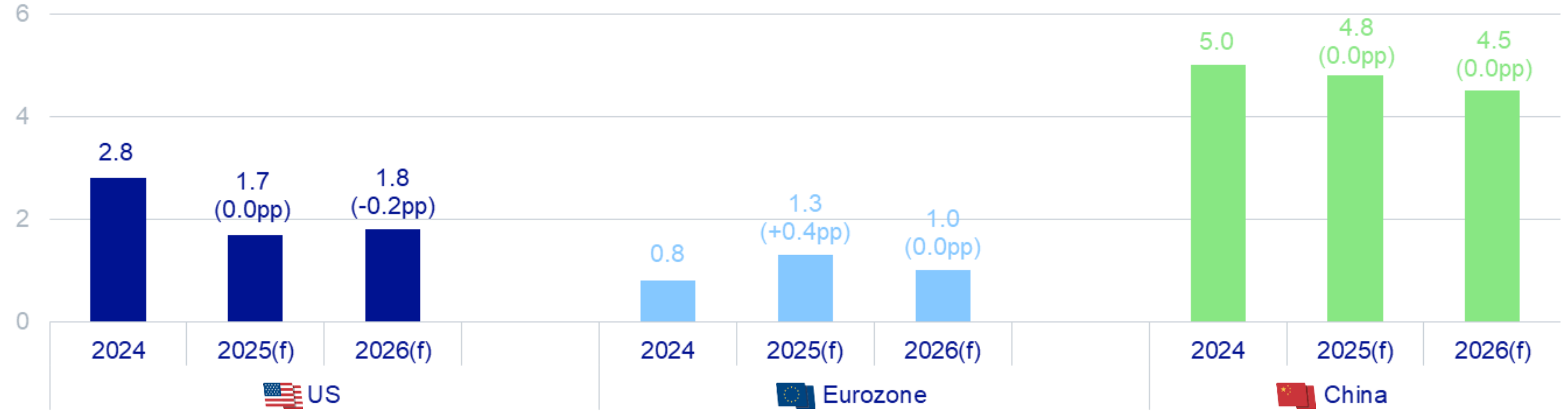
1. ARGENTINA ECONOMIC OUTLOOK

Global outlook

Global growth is forecast to moderate gradually moving forward, from 3.3% in 2024 to 3.0% in 2025 and 3.1% in 2026

GDP GROWTH

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



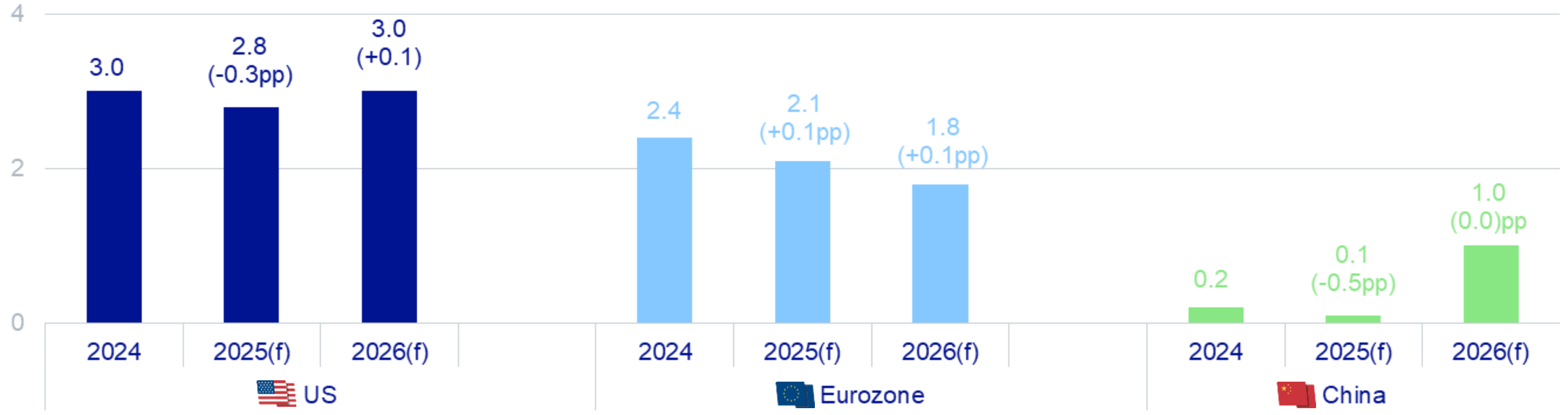
(*) Global GDP grew by 3.3% in 2024 and is forecast to expand by 3.0% in 2025 and 3.1% in 2026, unchanged in comparison to previous forecasts.
(f): forecast.
Source: BBVA Research

In the US, more disruptive policies favor weaker growth despite supportive 2Q25 GDP data and positive AI effects; in Europe, recent data support higher growth in 2025, while 2026 outlook stays unchanged: defense stimulus to offset tariff impact; in China, slowdown prospects remain in place

Inflation: tariff effects are still expected; mostly unchanged prospects in Europe; lingering deflation risks in China

HEADLINE CPI INFLATION

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



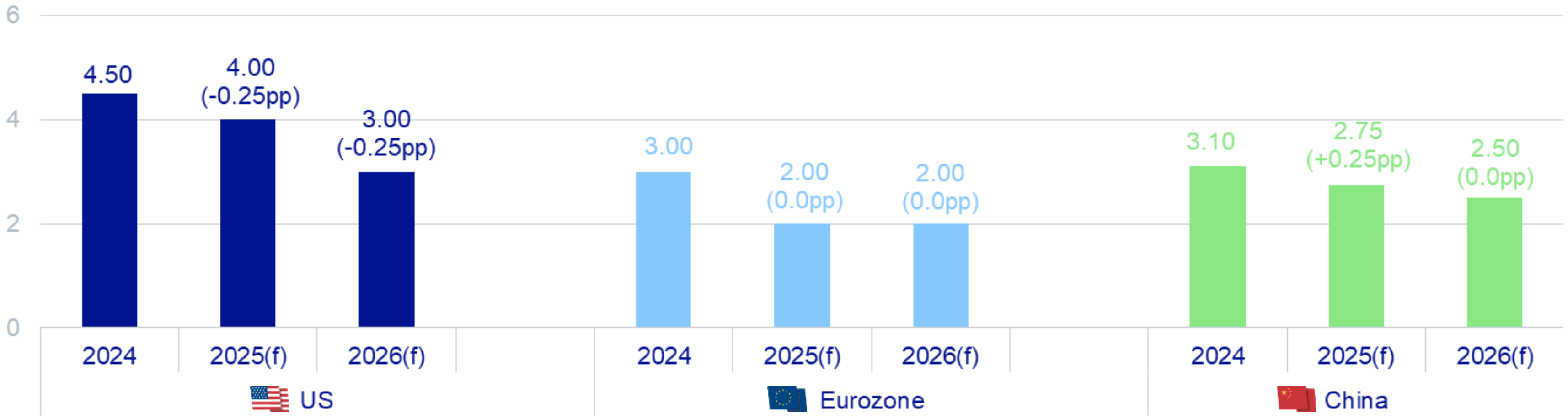
(f): forecast.
Source: BBVA Research

US inflation has surprised downward, but tariffs and immigration curbs will keep it around 3%; in the Eurozone inflation will likely be slightly higher than previous forecasts but still very close to 2%; In China, moving out of the low-inflation regime is proving increasingly challenging

A more dovish Fed will keep easing monetary conditions, likely lowering rates to 3% in 2026; ECB to hold at 2%

POLICY INTEREST RATES(*)

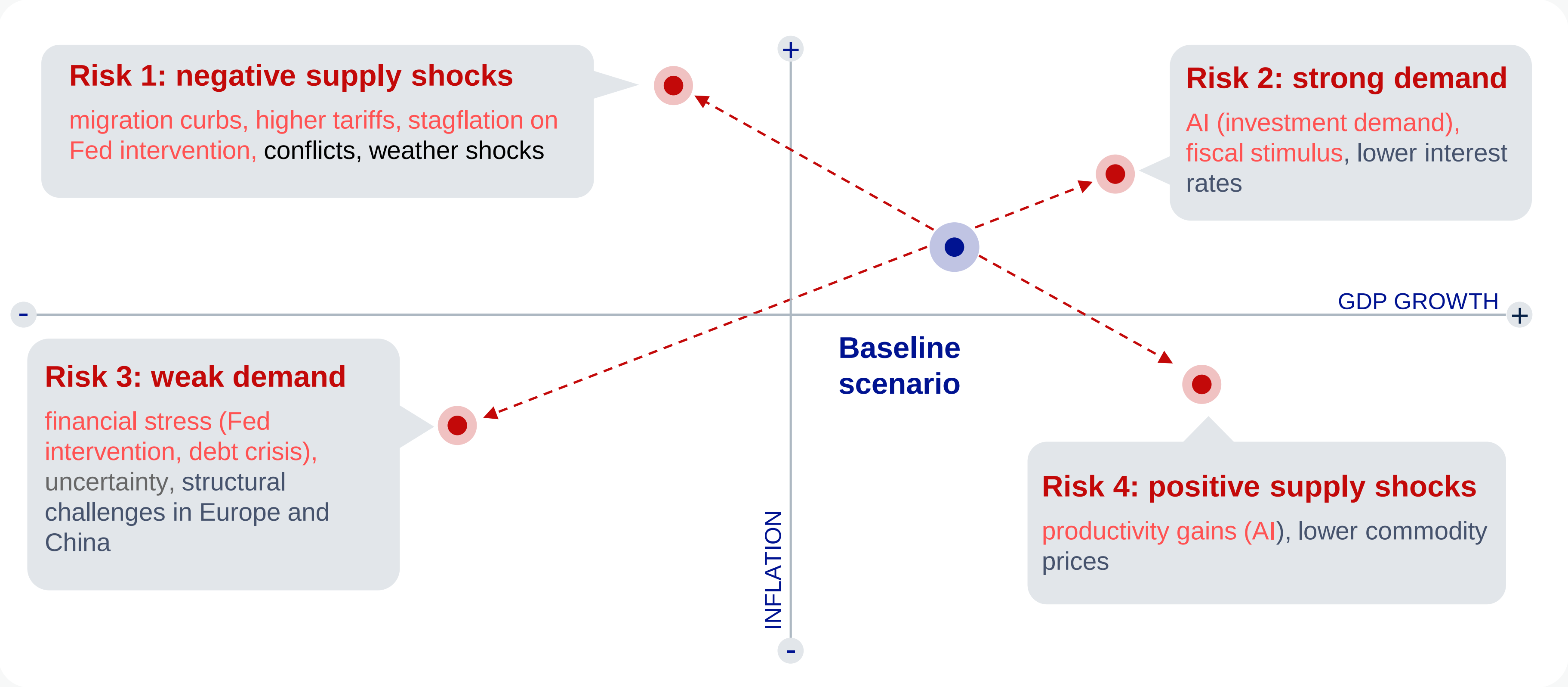
(%, END OF PERIOD, CHANGE WITH RESPECT TO PREVIOUS FORECAST IN PARENTHESES)



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

Fed's easing path towards 3% in 2026 will depend on upcoming inflation and labor market outcomes; the risk is that rates are cut twice, rather than only once, in 4Q25; ECB expected to hold rates at 2%, with risk of one more cut on weak growth, trade uncertainty, and euro strength

Risks are mounting amid heightened uncertainty, recurring shocks, weaker global cooperation and potential non-linearities



2. ARGENTINA ECONOMIC OUTLOOK

Local overview

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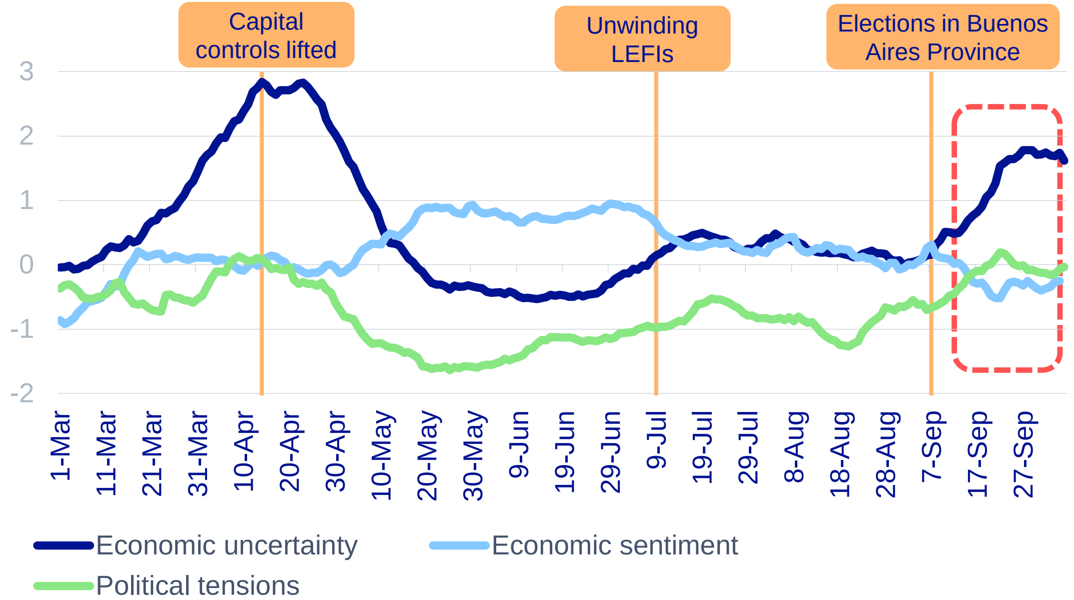
The race to the midterms shaped the economic environment in the 3Q25

After a period of relative stability following the lifting of capital controls in April, the unwinding of LEFIs reignited economic uncertainty in July. The intensification of political campaigns in August and the electoral results in Buenos Aires Province in September further fueled political and financial tensions.

INDEX OF POLITICAL AND ECONOMIC TENSIONS
(POSITIVE VALUE INDICATES HIGHER STRESS AND NEGATIVE VALUE, LOWER STRESS)



Source: BBVA Research based on sentiment analysis of media news (GDELT database).

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Timeline of events that led to a recalibration of market expectations

JUL 2025		AUG 2025			SEP 2025				OCT 2025	
10		13	19	25	7	18	22 – 25	29 – 30	1 – 8	9 – 14
Unwinding LEFIs		Debt auction with low rollover			LLA defeat in Buenos Aires Province (BAP)		U.S. support for the government	Markets show signs of distrust in the government	Allegations against Espert (LLA)	U.S. Treasury sells USD in FX market
		Increase in reserve requirements			"Black Monday" for local assets		Temporary elimination of export duties	U.S. reiterates its support but does not give details	Withdrawal from BAP candidacy	Currency swap announced
Rate fluctuations			Scandal over alleged audios of the head of ANDIS							
Plunge from 35% to 15%	Rise to 70% and stabilization at 50%	Greater rigidity in bank controls	First leaked audios surface	More audios released	Rise in country risk		Fall in country risk		Political distrust increases	Trump meets Milei in U.S.
					Exchange rate volatility					
			Breakup of the LLA bloc in Congress	Hardening of the opposition	ARS/USD depreciation	Test of the upper limit of the exchange rate band	ARS/USD appreciation	ARS/USD depreciation	Increased caution in the markets	High volatility

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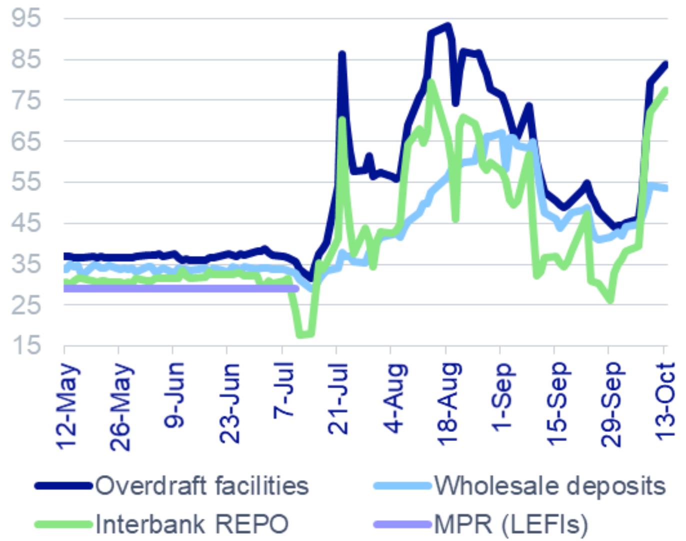
After the LEFI unwinding on July 10, interest rate volatility in the economy intensified

INTEREST RATES
(% NOMINAL ANNUAL RATE)

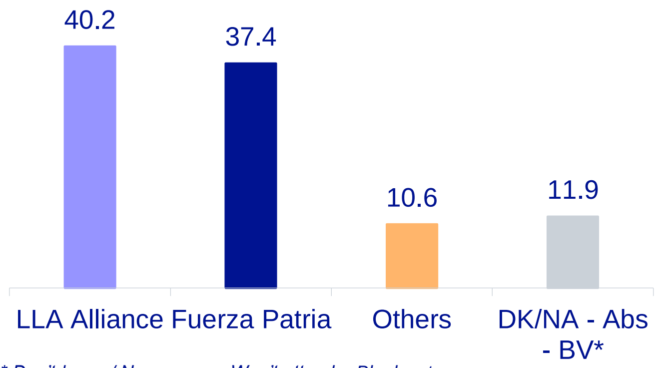


Source: BCRA and BBVA Research.

- **The government eliminated the main monetary** policy instrument on July 10 (the LEFIs) and switched to a framework of controlling monetary aggregates without a reference interest rate.
- **This triggered volatility in rates** (mainly in the shortest ones), which went from around 30% to over 60%.
- After the elections in Buenos Aires Province on September 7, **the BCRA induced a drop** to 40% on average, but interest rates skyrocketed again by mid- October.
- **We expect temporarily high rates until the elections**, and then we project a downward rebalancing to levels of close to 10% annualized in real terms.

The result of the election in the Buenos Aires Province recalibrated expectations and triggered financial pressure

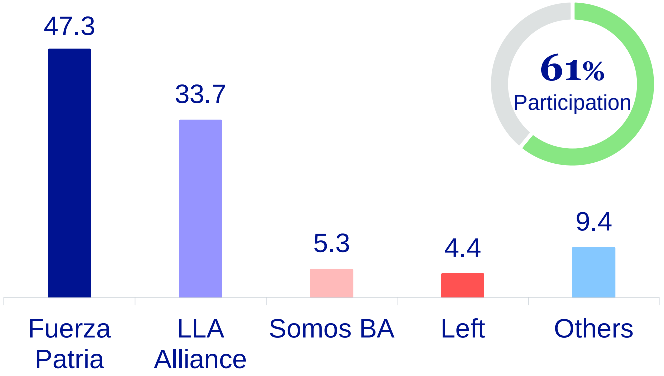
SUMMARY OF POLLS FOR THE LEGISLATIVE ELECTIONS IN BUENOS AIRES PROVINCE (IN % OF RESPONDENTS)



** Don't know / No answer – Won't attend – Blank vote*

Source: Several polls and BBVA Research.

RESULTS OF THE LEGISLATIVE ELECTIONS IN BUENOS AIRES PROVINCE (IN %)

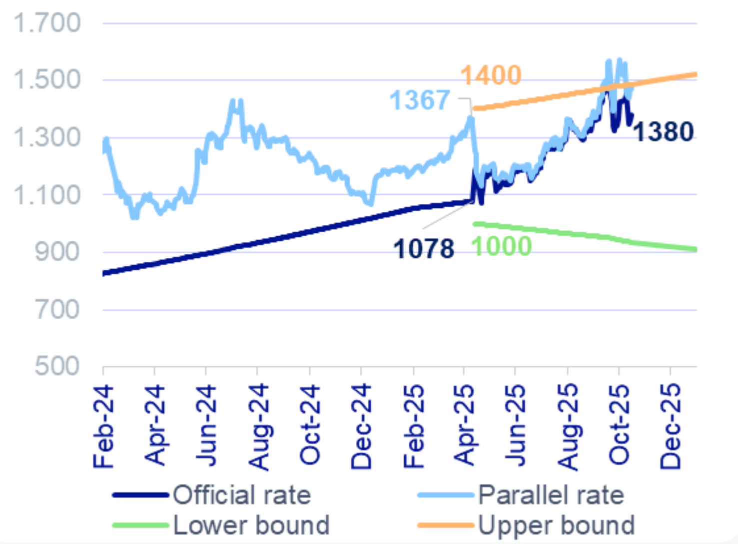


Source: Buenos Aires Province Government and BBVA Research.

The difference in the Province of BA between Fuerza Patria (Peronism) and LLA was much greater than what the polls and the market anticipated. In addition, participation was the lowest ever recorded. That result generated a recalibration of expectations: the country risk rose from 900 to 1,200 bp and the Merval fell 17% in dollars

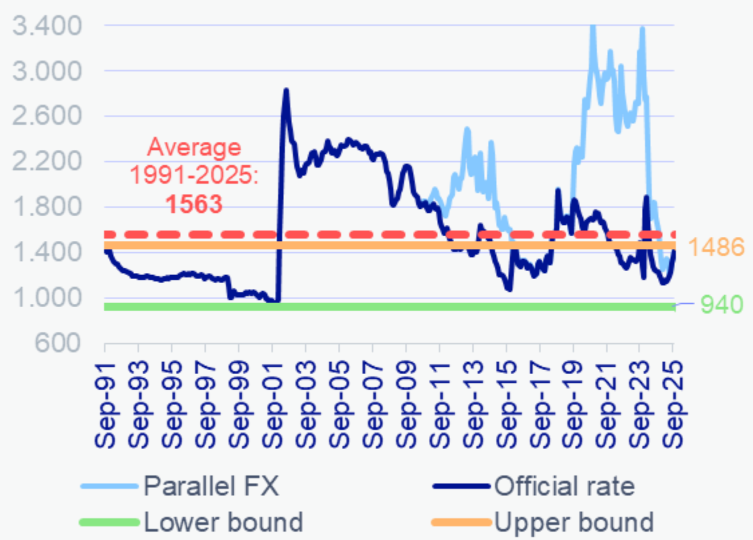
The FX tested the ceiling of the band, and the government is strongly seeking to prevent it from exceeding that parity…

EXCHANGE RATE AND CRAWLING BANDS
(PESOS PER DOLLAR)



Source: BCRA, Alphacast and BBVA Research.

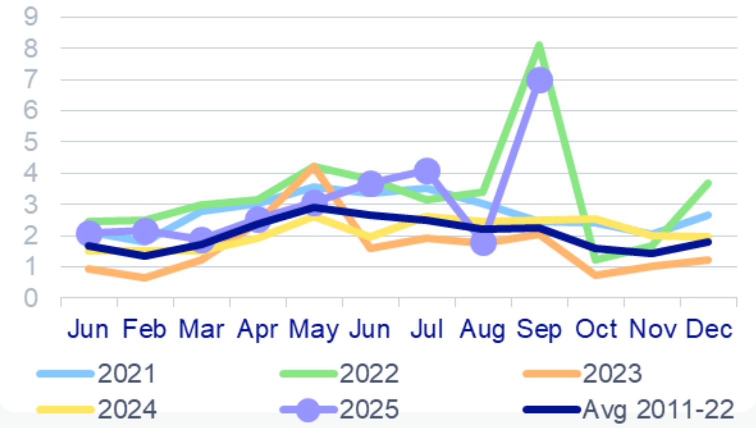
REAL EFFECTIVE EXCHANGE RATE
(ARS PER DOLLAR, AT TODAY'S CONSTANT PESOS)



Source: BCRA, Alphacast and BBVA Research.

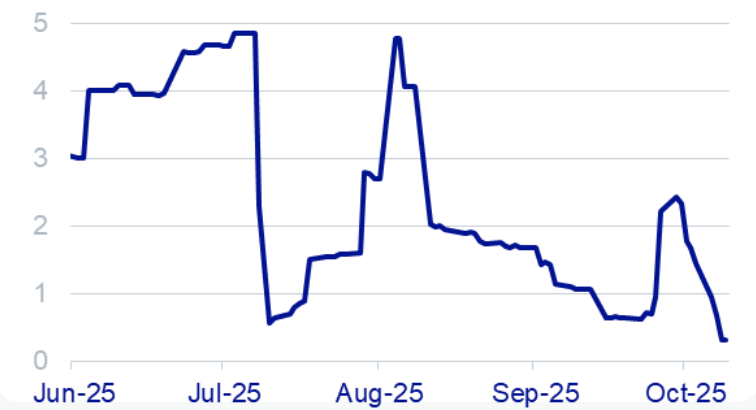
…for which it has resorted to various mechanisms to intervene in the price of the dollar

GRAIN AND OILSEED EXPORTS
(USD; BILLION)



Source: CIARA-CEC and BBVA Research.

GOVERNMENT USD DEPOSITS IN THE BCRA
(USD; BILLION)

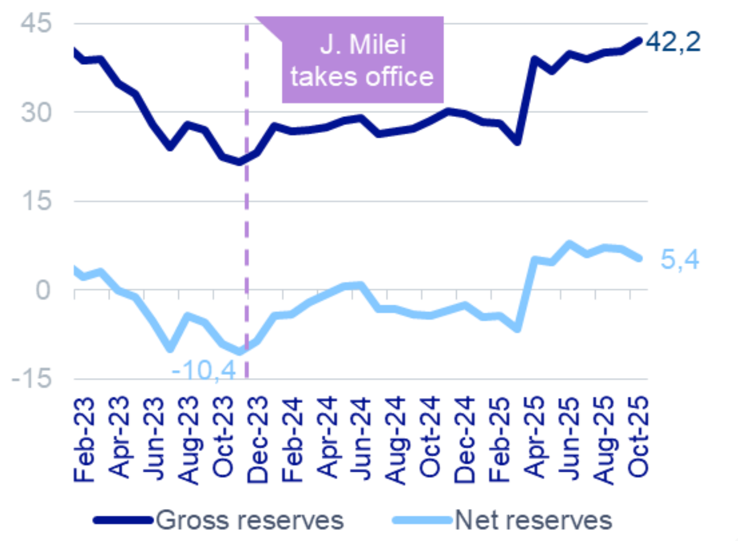


Source: BCRA and BBVA Research.

The government implemented several measures to prevent the FX rate from exceeding the ceiling of the band: a temporary reduction to 0% in export taxes on agriculture, restrictions to curb arbitrage between the official and parallel dollar rates, and acceleration of financing talks with the U.S. Treasury, the World Bank, and the IDB

The U.S. government responded with unprecedented support for Milei's administration

INTERNATIONAL RESERVES
(USD, BILLION)

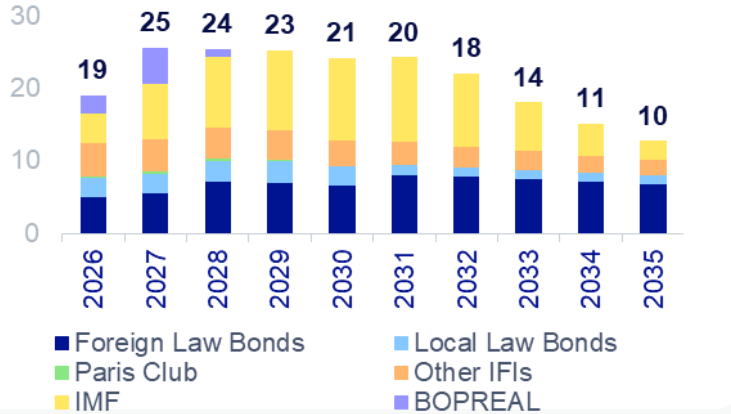


- At Milei's request, the Trump administration announced support for Argentina through various financing mechanisms.
- The possibility of a currency swap for USD 20 billion, a stand-by credit facility and possible purchases of Argentine debt in the primary and secondary markets were announced.
- The funding dissipates uncertainty regarding the payment of the public debt in 2026. We expect this agreement to be settled after the elections and before the payment of USD 4.3 billion coming due in January 2026.

Source: BCRA and BBVA Research.

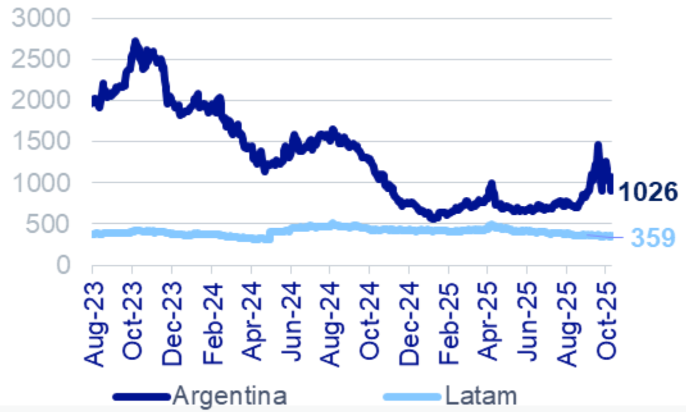
The most significant impact of the potential U.S. financing will be on the public debt repayment capacity

FOREIGN-CURRENCY PUBLIC DEBT MATURITY PROFILE (USD BILLION)



Source: Ministry of Economy and BBVA Research.

COUNTRY RISK: ARGENTINA AND LATAM (EMBI, BASIS POINTS)

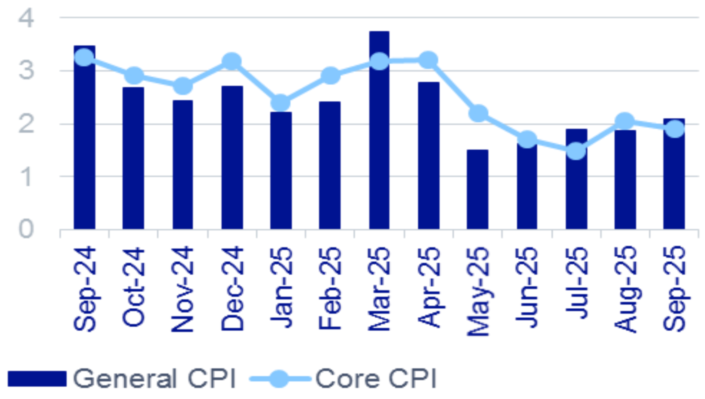


Source: Alphacast and BBVA Research.

The support of the U.S. government will be key to assessing Argentina's debt repayment capacity for the remainder of the term. Significant funding would support the bonds at least until early 2027. This front will be a government priority after the elections.

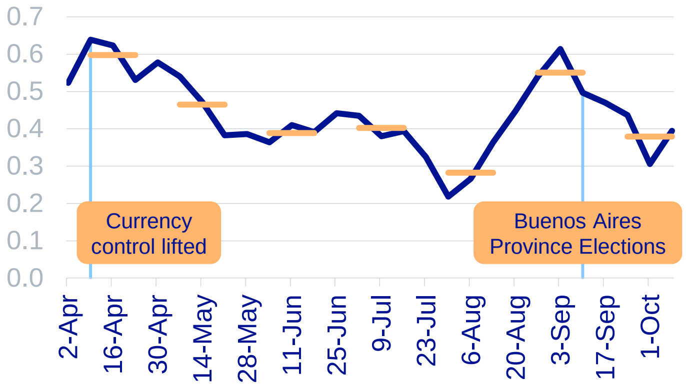
The pass through of the exchange rate volatility to prices was limited, although with a certain upturn in September

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



Source: INDEC and BBVA Research.

GENERAL WEEKLY INFLATION
(IN %; 4-WEEK MONTHLY AVG.



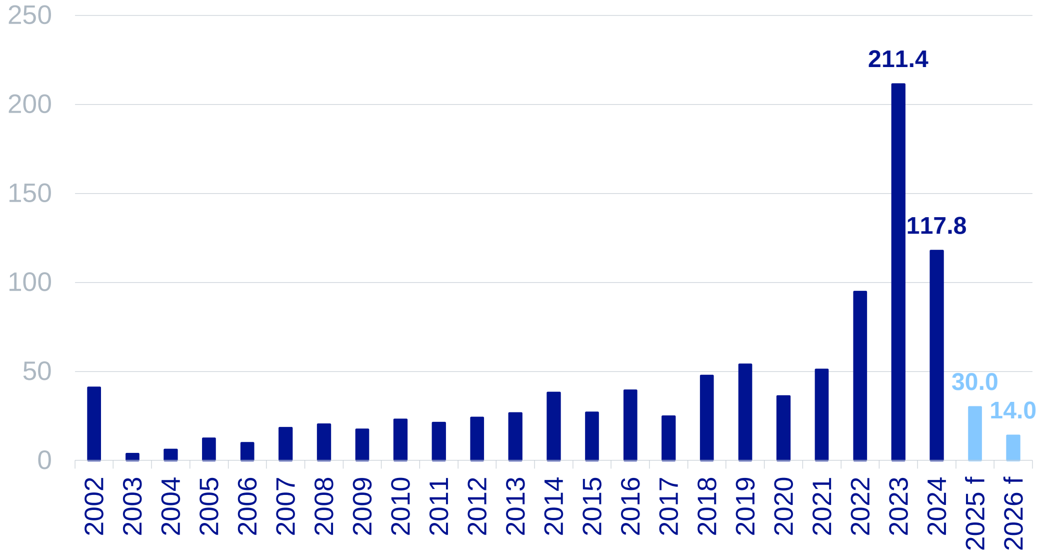
Source: Alphacast and BBVA Research.

Inflation surprised on the downside for most of the year, reflecting fiscal discipline and a very low exchange rate pass-through to prices. However, recent episodes show that price levels remain exposed to exchange rate and political shocks

Inflation expectations remain anchored

Our inflation forecast for 2025 is maintained at 30%. Inflation expectations for the coming years maintain a bias toward stability, provided the current macro consistency persists.

HEADLINE INFLATION
(Y/Y % CHANGE)



Source: INDEC and BBVA Research.

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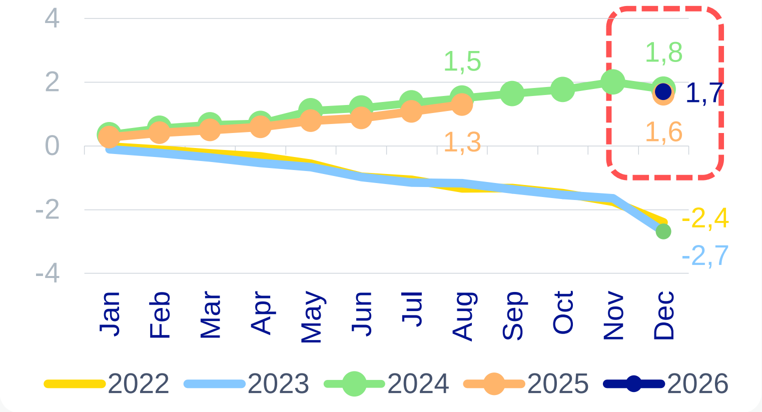
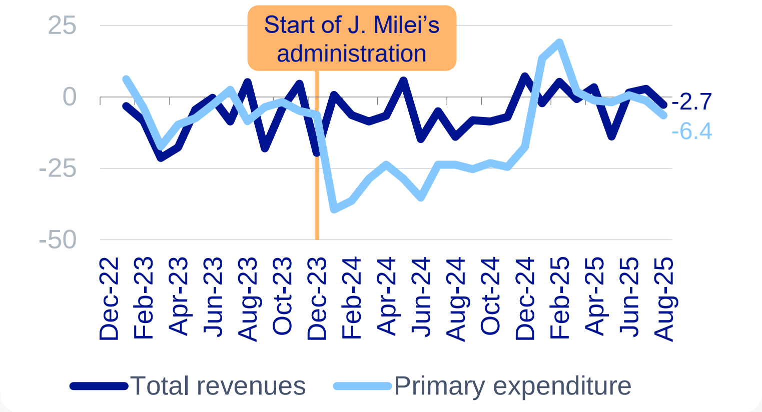
The fiscal front remains solid with a moderation in spending and a sustained surplus outlook

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



Source: Ministry of Economy and BBVA Research.

TOTAL INCOME AND PRIMARY EXPENDITURE (Y/Y % CHG. IN REAL TERMS)



Source: Ministry of Economy and BBVA Research.

Following the 2024 adjustment, primary spending shows a moderate and selective recovery, maintaining the fiscal surplus with a more balanced approach between discipline and social containment. A primary surplus of 1.6% of GDP is expected in 2025 and 1.7% in 2026, exceeding the IMF's targets.

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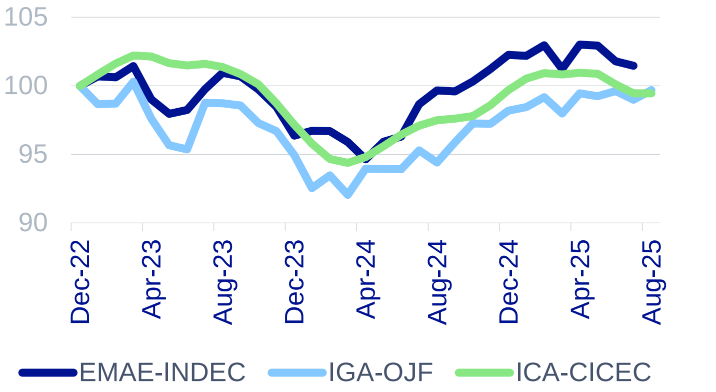
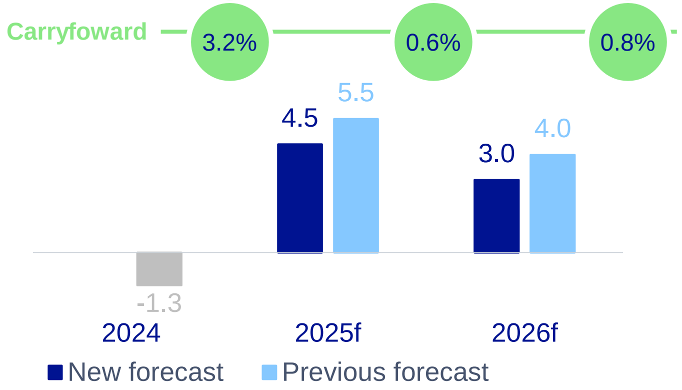
The economy is losing momentum and moderating its growth outlook due to volatility and high interest rates

GENERAL ACTIVITY INDICATORS
(BASE DEC'22 = 100)



Source: INDEC, OJF & Asociados, CICEC and BBVA Research.

GDP: CURRENT AND PREVIOUS FORECAST
(IN % Y/Y; CONSTANT PRICES)



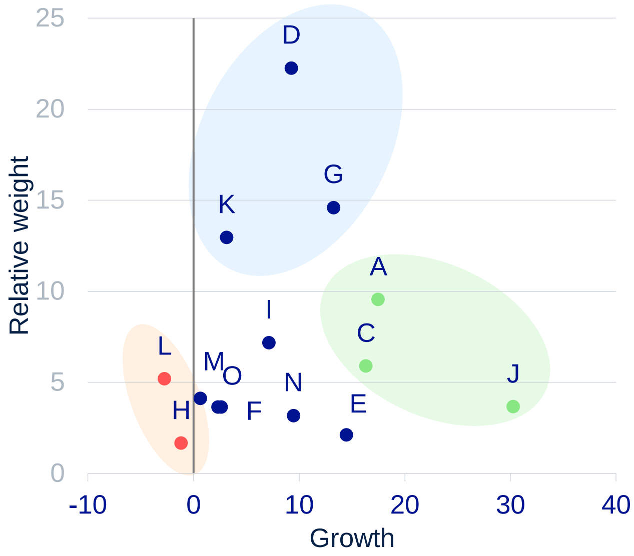
Source: INDEC and BBVA Research.

After the good start to the year, the economy began to show signs of cooling. The financial volatility and rising interest rates are weighing on investment and consumption, slowing down economic activity. With this framework, we revise the growth forecast downward: 4.5% for 2025 and 3.0% for 2026

Strong dynamism in sectors with limited impact

Moderate growth is observed in key sectors, driven by factors with limited impact on GDP and by lagging performance in others. While Agriculture, Mining and Financial Intermediation saw strong growth, the most relevant sectors (Industry, Commerce and Business Activities) showed more limited progress

CUMULATIVE ECONOMIC GROWTH BY SECTOR
(IN %; PERIOD DEC'23-JUL'25; RELATIVE WEIGHT IN GDP)



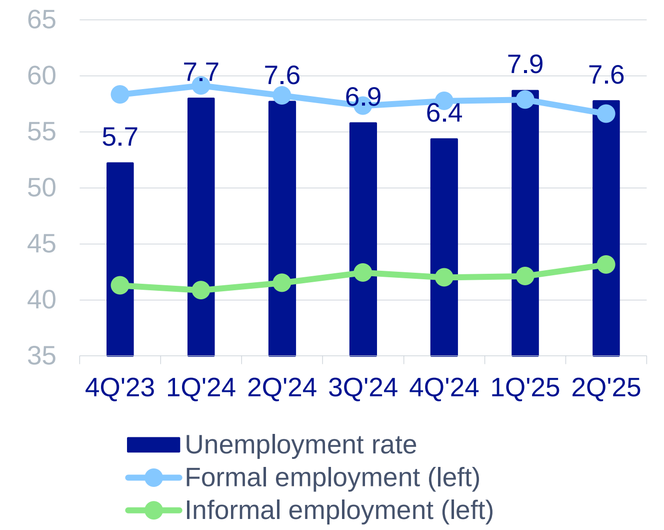
A. Agriculture, livestock and forestry
B. Fishing*
C. Mining and hydrocarbons
D. Manufacturing industry
E. Electricity, gas and water
F. Construction
G. Trade
H. Hotels and restaurants
I. Transportation and communications
J. Financial intermediation
K. Business and Real Estate activity
L. Public Administration and Defense
M. Teaching
N. Social and Health services
O. Other services

**Not included in the chart due to low relative weight (0.4%) and high volatility.*

Source: INDEC and BBVA Research.

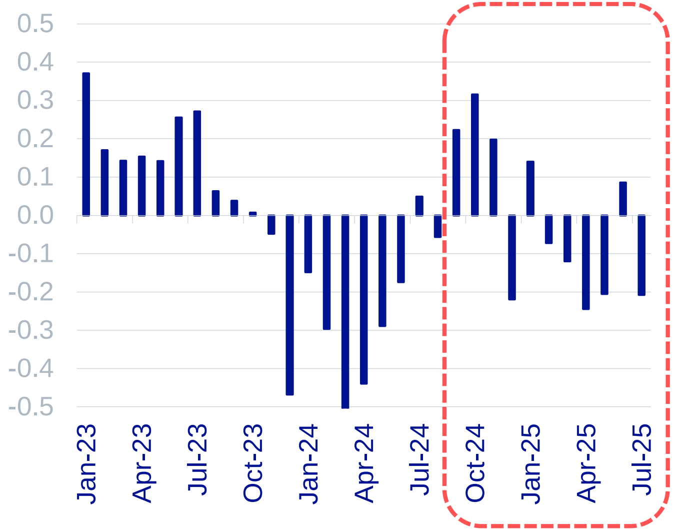
Labor market fragility: Formal employment on the decline and informality on the rise which cushions unemployment

LABOR MARKET INDICATORS
(IN %)



Source: INDEC and BBVA Research.

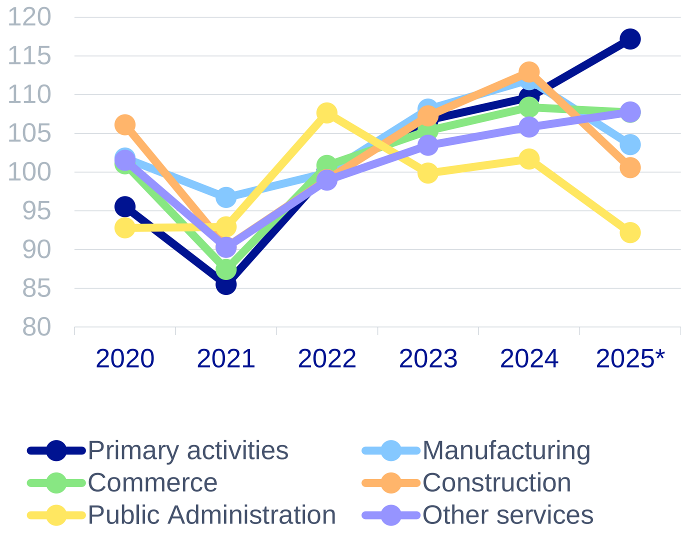
NET FORMAL EMPLOYMENT CREATION*
(IN %; DIFFERENCE BETWEEN HIRING AND TERMINATION RATES OF REGISTERED EMPLOYEES)



Source: Ministry of Human Capital and BBVA Research.
** It only includes urban employment of companies with 10 or more employed people in all sectors, except primary activities.*

Some sectors are showing signs of labor weakening due to slowed activity and recent volatility

EMPLOYMENT TRENDS BY SECTOR
(ANNUAL AVERAGE; BASE 1T'20=100)



* First half-year.
Source: Ministry of Human Capital and BBVA Research.

- The **disparities in the labor** dynamics of the sectors help explain why unemployment rose again in 1Q25.
- In **industry and construction**, labor-intensive sectors, the slowdown in investment and high leverage ratios are already translating into declines in employment. For its part, **commerce** still supports the creation of jobs, although with less dynamism than in 2024.
- Primary **activities (in particular, Mining and Oil & Gas) show notable sustained improvements** , but their capital-intensive nature limits the aggregate contribution.

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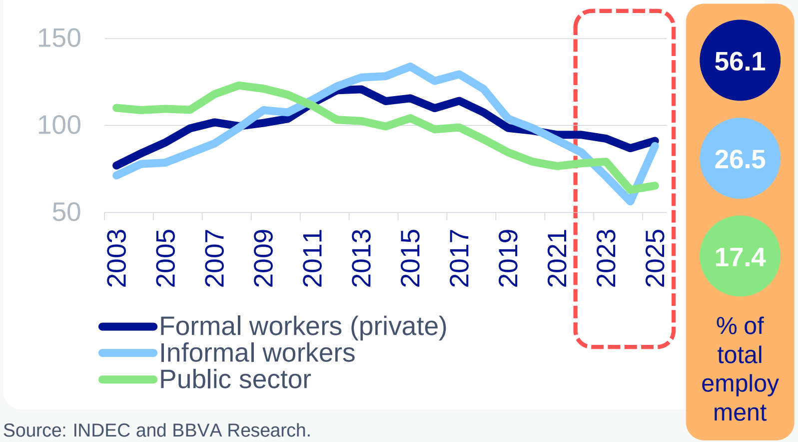
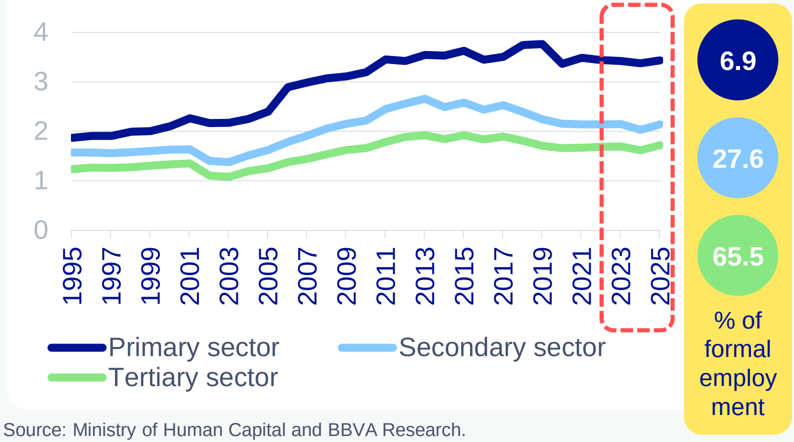
Real wages continue to recover, although gaps between sectors and activities persist

REAL WAGES BY SECTOR
(AVERAGE HISTORICAL BASELINE = 100)



Source: INDEC and BBVA Research.

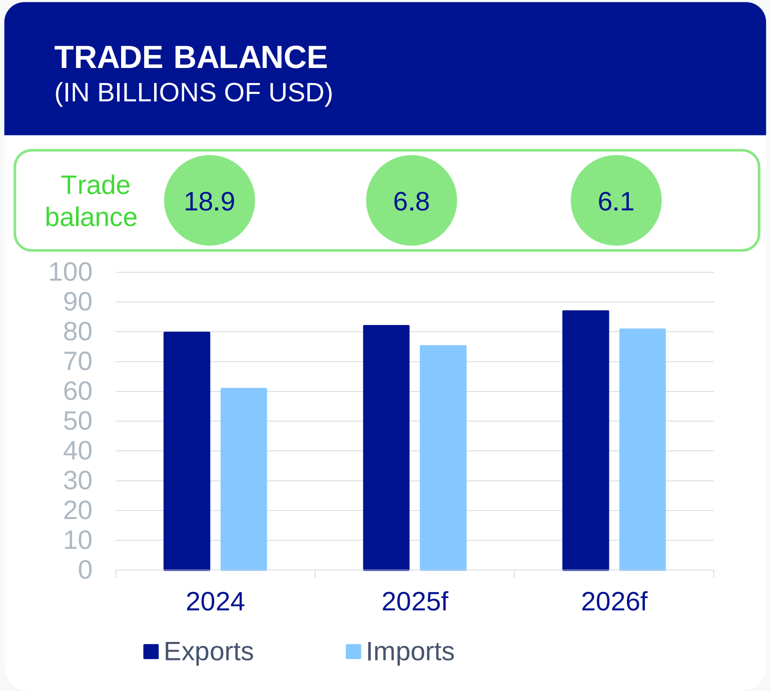
REAL WAGES, FORMAL PRIVATE SECTOR
(ANNUAL AVERAGE; IN MILLIONS OF CONSTANT ARS AT TODAY'S PRICES)



Source: Ministry of Human Capital and BBVA Research.

Real wages are rebounding after years of decline, though unevenly, with growth concentrated in the private sector. Within the formal segment, the primary sector pays higher wages but employs fewer people, and the tertiary sector accounts for most of the formal segment, albeit with lower salaries

Higher exports from the agricultural and energy sectors strengthen the trade balance



Source: INDEC and BBVA Research.

- The **temporary reduction in export duties** encouraged the liquidation of foreign currency from agriculture sector, which together with the good performance of Oil & Gas and mining, is sustaining exports.
- The **growing share of energy and mining** mitigates the relative dependence on agricultural exports.
- This boost helps to offset the **greater import** pressure derived from the economic recovery.
- The combination of agriculture, energy and mining **broadens the export basket** and reinforces the sustainability of the surplus.

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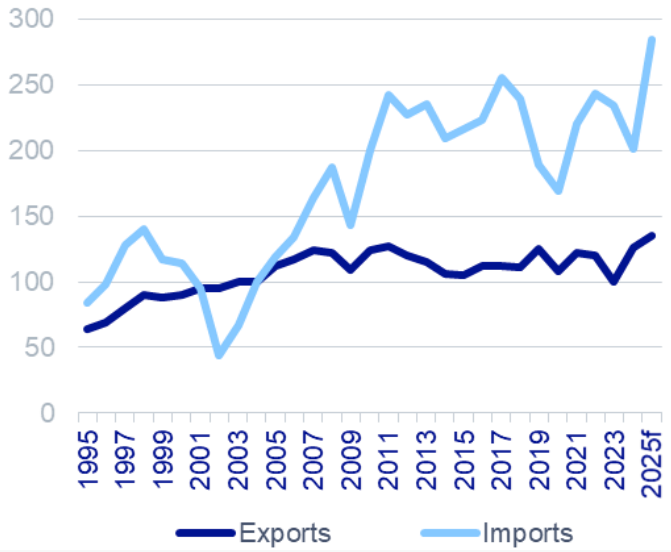
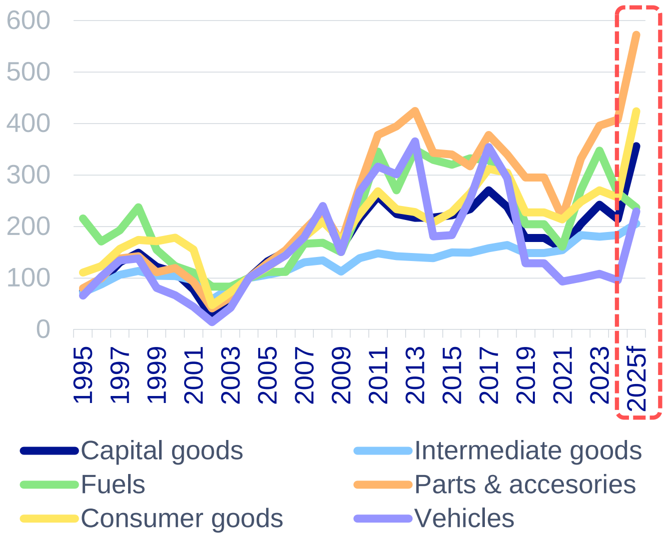
The trade surplus in goods persists despite import pressure, which is at an all-time high

TRADE BALANCE
(GOODS, QUANTITY INDEX 2004 = 100)



Source: INDEC and BBVA Research.

IMPORTS, BY ECONOMIC USE
(QUANTITY INDEX 2004 = 100)

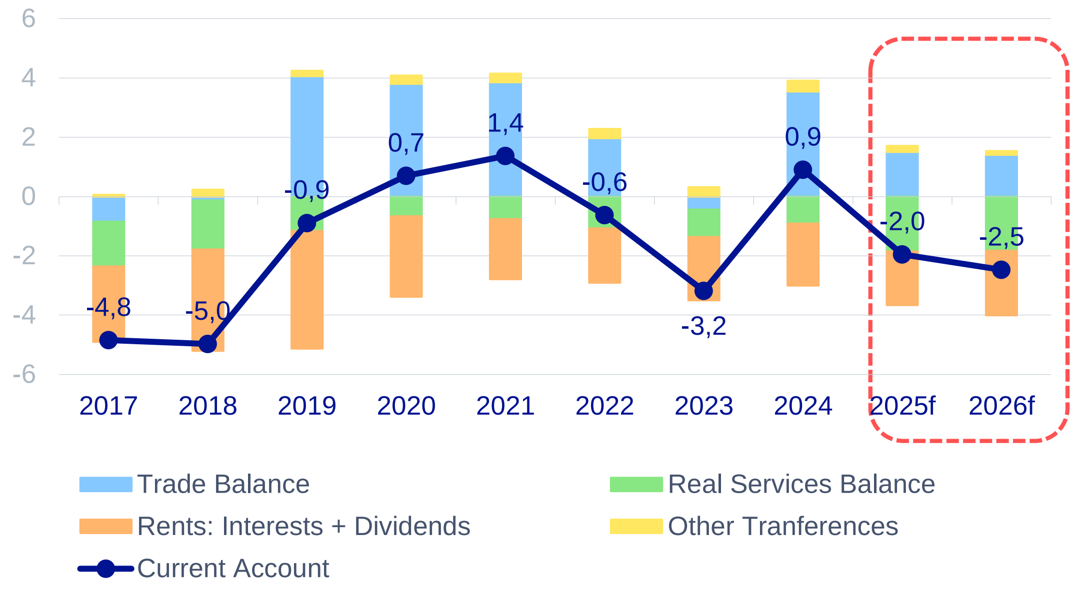


Source: INDEC and BBVA Research.

But the external accounts are deteriorating

The current account is back in negative territory due to the strong outflow of foreign currency in real services (mainly tourism), and interest payments.
However, compared to previous episodes, **the imbalance remains contained**, supported by the export dynamism of agriculture, energy and mining.

CURRENT ACCOUNT BALANCE AND COMPONENTS
(% OF GDP)



Source: INDEC and BBVA Research.

3. ARGENTINA ECONOMIC OUTLOOK

Conclusions

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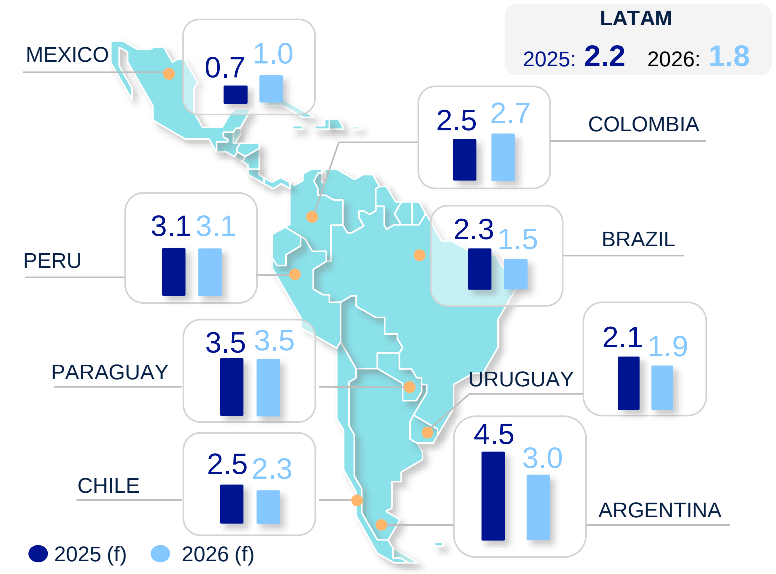
Argentina maintains higher growth than the region in 2025

GDP GROWTH
(Y/Y % CHANGE)



- Despite the difficulties surmounted and the challenges it faces, **Argentina's growth forecasts are higher than** those of other countries in the region.
- In LATAM, growth stands at 2.2 for 2025 due to a **less favorable cycle in Mexico and Brazil**, but complemented by a more favorable environment in Colombia, Peru and Chile.
- **Argentina's attractiveness for investments in the region has slowed** down due to the episodes of volatility it has experienced in recent months.

Source: INDEC and BBVA Research.

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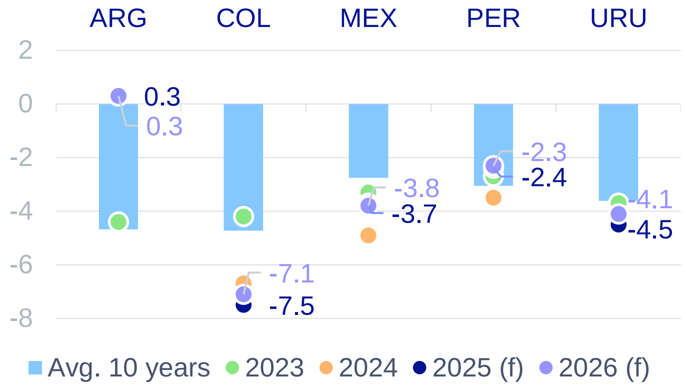
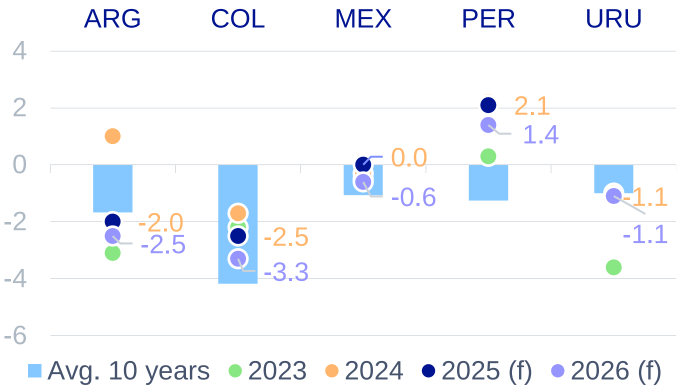
And shows a more orderly fiscal front, although with a greater external challenge

FISCAL BALANCE
(IN % OF GDP)



CURRENT ACCOUNT BALANCE
(IN % OF GDP)



(f) forecast
Source: BBVA Research, with data from the Central Banks and Ministries of Economy of the region

Fiscal soundness provides an anchor of stability in the short term, but it is not enough on its own to sustain confidence. The external deficit is consolidated as Argentina's main macro vulnerability, reflecting the tension between the recovery of demand and the need for foreign currency

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However, the current scenario poses contrasts between anchors of stability and vulnerability hotspots

Political and exchange rate fragility

The defeat in Buenos Aires Province, the erratic monetary policy and the setbacks in Congress increased uncertainty and FX pressures.

Solid fiscal commitment

Despite the political tension, the government ratifies the course towards a primary surplus, both in 2025 and 2026.

Low international reserves

The level of international reserves remain far below the optimal to endure potential external shocks and macrofinancial volatility.

Elections and reforms

The October elections will determine the government’s capacity to advance with structural reforms. Without a majority of its own, it will depend on its ability to reach agreements in the Congress.

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Macroeconomic forecasts

Argentina	2022	2023	2024	2025f	2026f
GDP (% y/y)	6.0	-1.9	-1.3	4.5	3.0
Inflation (% y/y, EOP)	95	211	118	30	14
Exchange Rate (vs. USD, Dec 31)	177	808	1,033	1,510	1,730
Wholesale interest rate* (% EOP)	69	121	35	30	19
Private consumption (% y/y chg.)	9.5	1	-2.9	7.1	1.6
Government expenditure (% y/y chg.)	2.8	2.1	-3.8	-0.2	1.4
Investment (% y/y chg.)	10.5	-2	-17.2	24.2	13.8
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	-2.0	-2.5
Public Debt (% GDP)	85.0	156.6	83.2	81.4	74.8

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

Source: INDEC, BCRA and BBVA Research.

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