

DECEMBER 2025

Argentina Economic Outlook

Main messages. Global outlook.

The global economy remains unstable but is performing better than expected. The AI boom is boosting aggregate demand, adding to other tailwinds like fiscal stimulus, lower interest rates, financial wealth effects, and low energy prices. Together, they are offsetting the negative—but so far milder than expected—effects of protectionism, migration curbs, and uncertainty.



Global growth will likely be around 3.2% between 2025 and 2027—higher than previously anticipated, but slightly below the two-decade average. Growth is projected to stay near 2% in the US, slightly above 1% in the Eurozone, and to slow in China from 5% in 2025 to 4% in 2027. Short-term forecasts have been revised slightly upwards, mainly due to positive incoming data.



Inflation prospects remain broadly unchanged.

In the US, tariffs and other shocks will likely keep inflation near 3%, limiting the Fed's room to further cut rates. In the Eurozone, inflation is expected to stay around 2%, with no further monetary easing anticipated. In China, deflation concerns may prompt some (limited) rate cuts.



Risks are now somewhat more balanced.

Tariffs, migration policies, US policy uncertainty, and geopolitical tensions remain key concerns. However, upside risks linked to AI are growing. Beyond boosting demand, AI could eventually lift productivity. A stock market correction, however, remains a distinct possibility.



Main messages. Argentina

After the volatility of 3Q and the midterm elections, the year ends with a marked improvement in expectations. The election result renewed society's broad support for the economic program. We maintain our forecast for GDP growth at 4.5% and 3% for 2025 and 2026 with persistence of sectoral heterogeneity.



In 2025 and 2026, the primary fiscal result is expected to reach a surplus of 1.6% of GDP. This will help preserve fiscal and monetary balance and guide expectations for the disinflation process, projected at 30% this year and 14% in 2026.



Following high interest rate volatility in Q3, the Govt. induced a rate cut to approximately 30%. Monetary policy will now prioritize capping volatility (keeping real rates positive), normalizing reserve requirements, and enhancing transparency in monetary aggregate control.



The CB modified its FX policy: bands will be inflation-adjusted since January, and a reserve accumulation program (linked to money demand) was launched. While a positive step for the country's financial standing, it remains insufficient to ensure balance sheet resilience during volatility episodes.

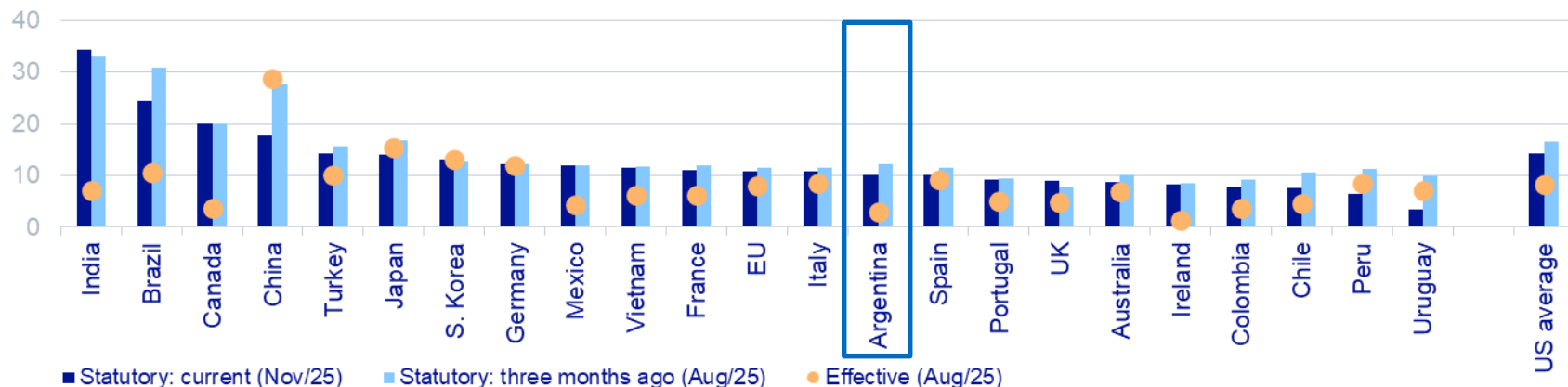


1. ARGENTINA ECONOMIC OUTLOOK

Global outlook

Supply headwinds: US tariffs have recently declined, with effective rates in general below statutory levels

US STATUTORY AND EFFECTIVE TARIFFS: ESTIMATED INCREASE SINCE THE BEGINNING OF 2025^(*) (PP)

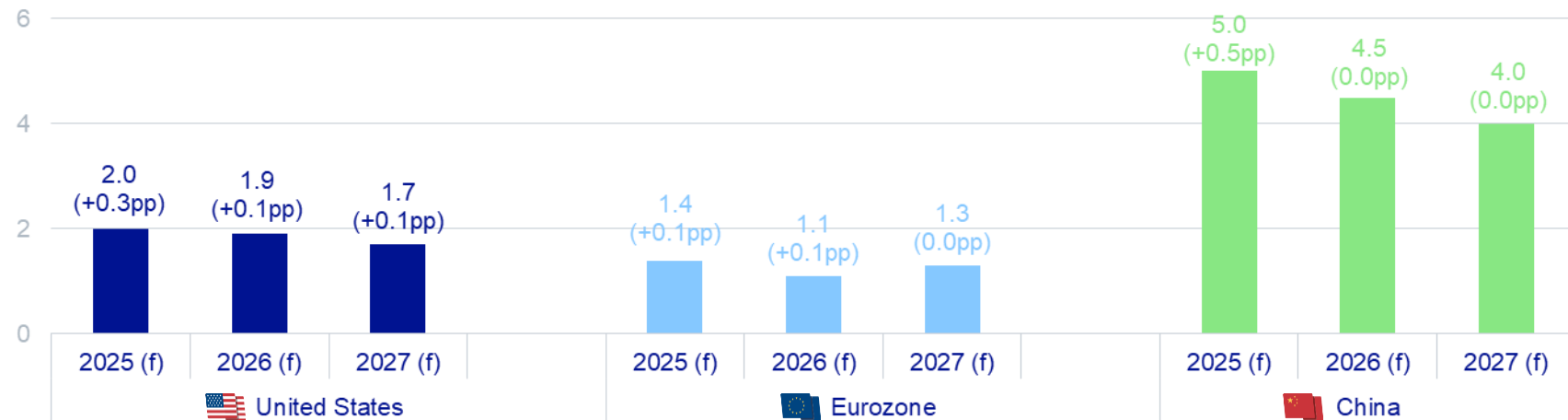


(*) Statutory tariffs: BBVA Research calculation following recent trade deals and US announcements. Based on general tariffs set for each country (reciprocal and/or fentanyl), specific tariffs on some sectors (steel, aluminum, automobiles, autoparts, pharma...). Considering measures announced until November 26. Sectoral weights are calculated according to 2024 trade flows. Effective tariffs: BBVA Research calculations (total US tariff revenues divided by total US imports, by country) based on data from the USITC. Source: BBVA Research

US trade deals—including with China—and exemptions for some goods (mainly agricultural) imply lower tariff levels; yet uncertainty persists, mainly due to possible legal overruling of reciprocal and fentanyl tariffs

Growth forecasts have been revised slightly to the upside, mostly on incoming data

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



(*) Global GDP is forecast to grow 3.2% in 2025, 3.1% in 2026 and 3.2% in 2027, respectively 0.2pp, 0.0pp and 0.0 higher than the previous forecasts.

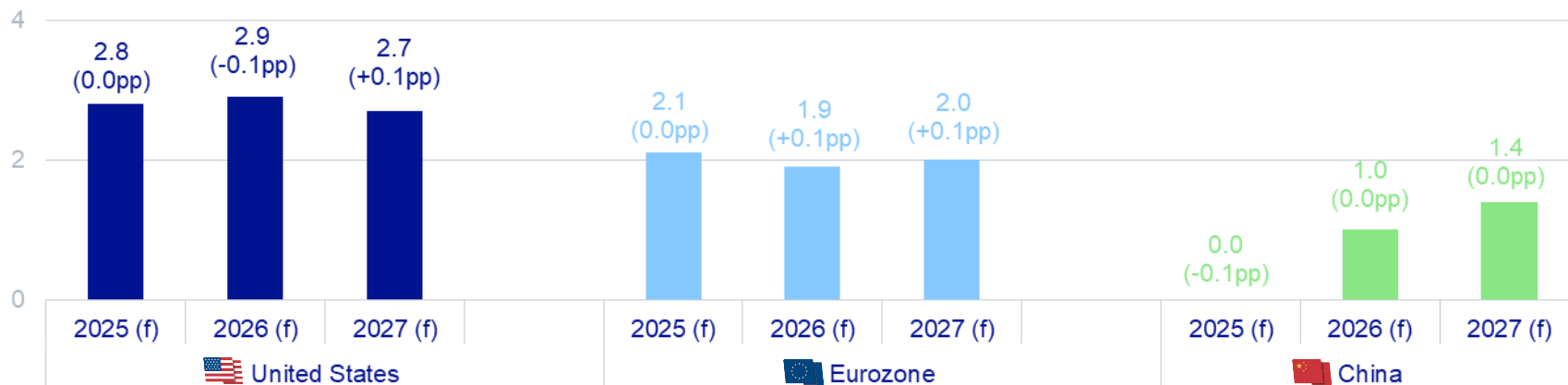
(f): forecast.

Source: BBVA Research

The negative impact of tariffs and other supply shocks is expected to be broadly offset by AI demand (mainly in the US) and fiscal spending (mainly in the Eurozone); higher AI-driven productivity is an upward risk in the medium term; a structural slowdown is still expected in China

Inflation prospects remain broadly unchanged, with smaller downside risks in Europe and upward risks in the US

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

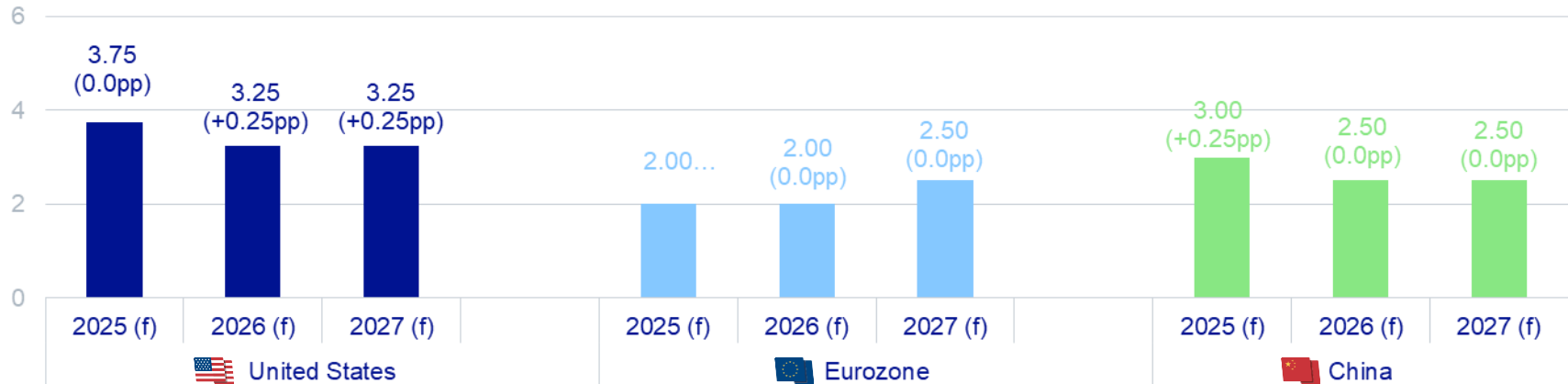


(f): forecast.
Source: BBVA Research

Inflation is still expected to hover around 3% in the US, driven by tariffs, and near 2% in the Eurozone; in China, while further government measures are anticipated to address deflation concerns, risks remain tilted to the downside

Growth resilience and inflation pressures will limit the Fed easing; no additional cuts by the ECB are expected

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



(f): forecast.

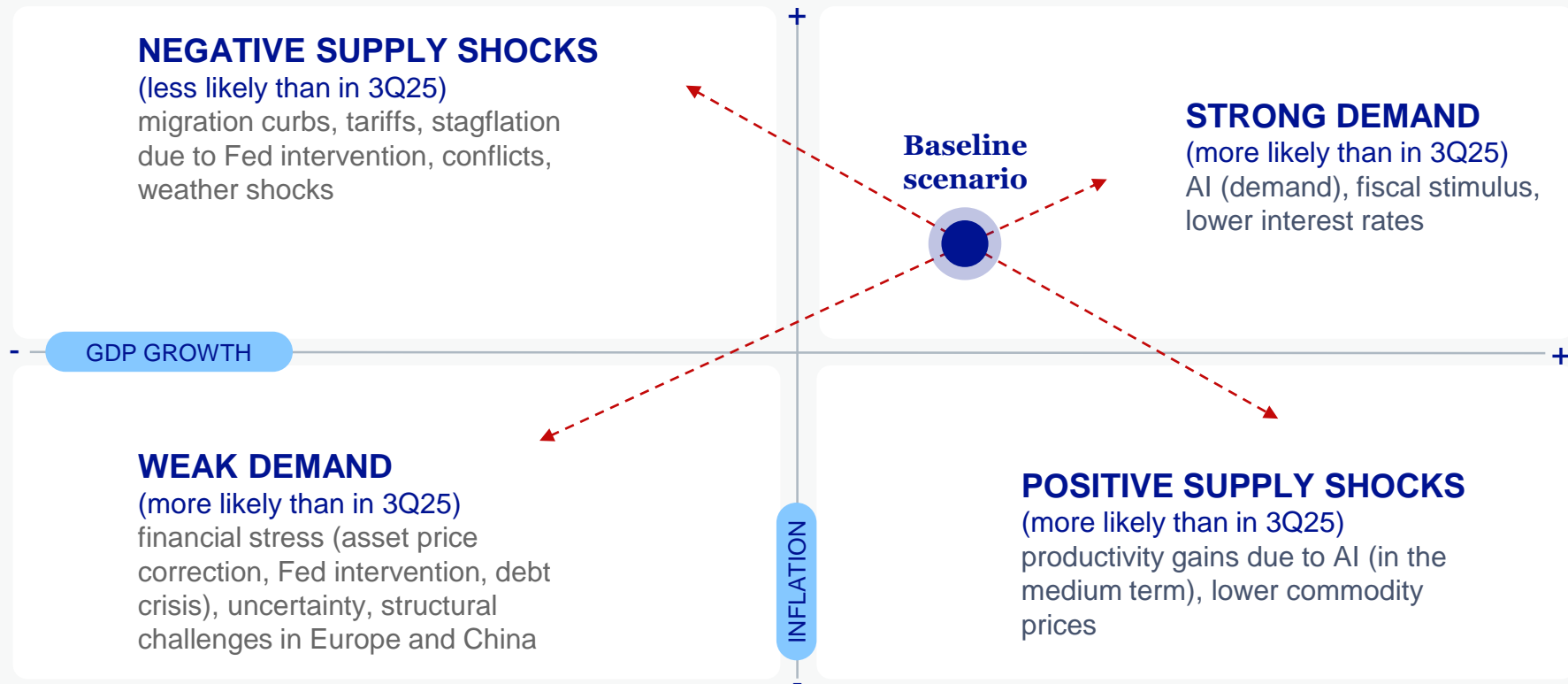
(*) In the case of the Eurozone, interest rates of the deposit facility.

Source: BBVA Research

US rates are now closer to neutral levels and the convergence to the (higher-than-expected) terminal rate could be more gradual, but there is uncertainty related to the upcoming changes in the Fed board; in the Eurozone, there is room for rates to get closer to the estimated neutral rate in the medium run

More balanced risks: rising odds of medium-term AI productivity gains amid persistent supply concerns

GLOBAL ECONOMY: MAIN RISKS AROUND BBVA RESEARCH BASELINE SCENARIO

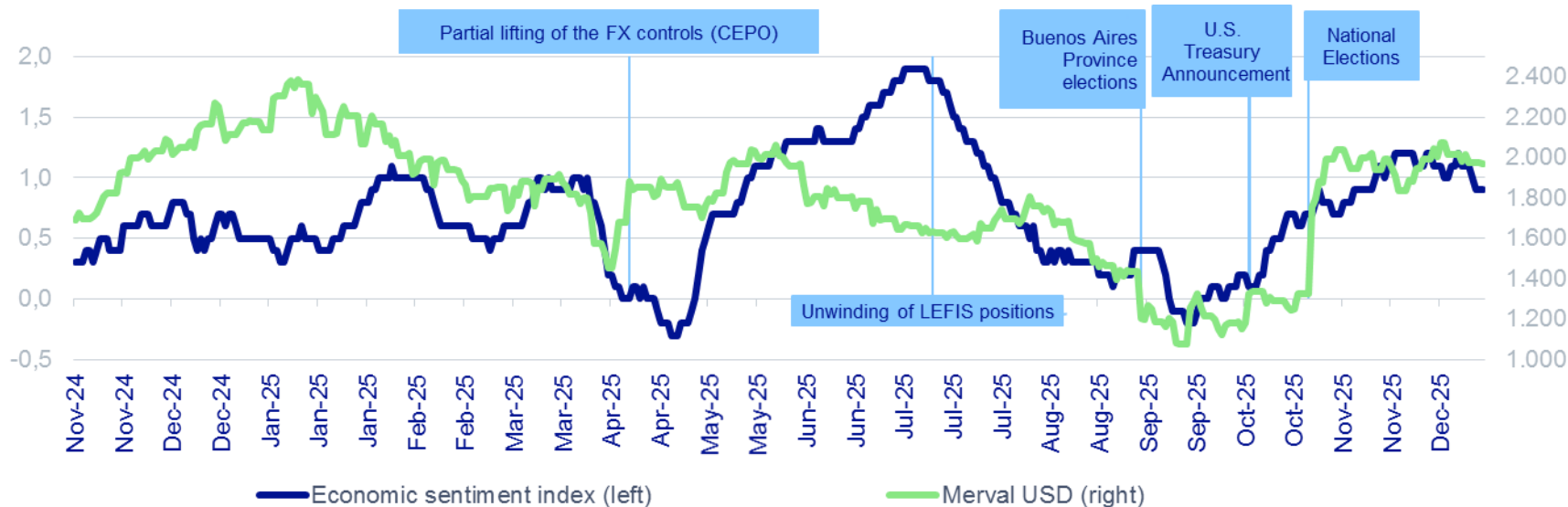


2. ARGENTINA ECONOMIC OUTLOOK

Local overview

After a Q3 with high volatility, 2025 ends with an improvement in expectations...

BBVA RESEARCH ECONOMIC SENTIMENT INDEX AND Merval IN DOLLAR

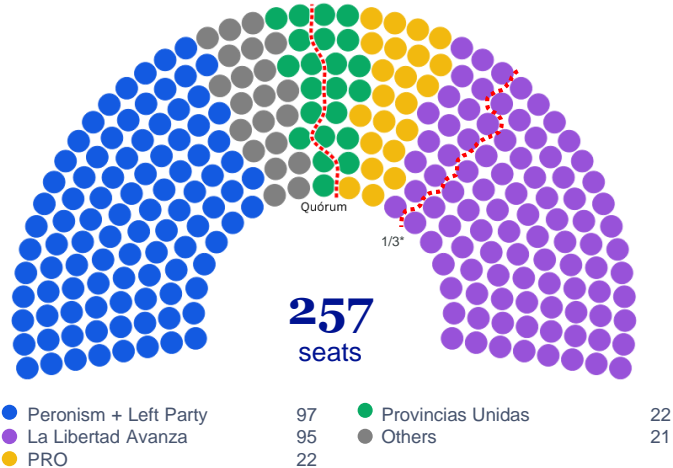


BBVA Economic Sentiment Index: Index based on the tone and coverage associated with GDELT searches, positive (negative) values indicate better (worse) perception compared to the average for the period from 2017 to the present. Low ($x < -1$); Neutral ($-1 \leq x \leq 1$); High ($1 < x \leq 3$); Extreme ($x > 3$).
Source: BBVA Research

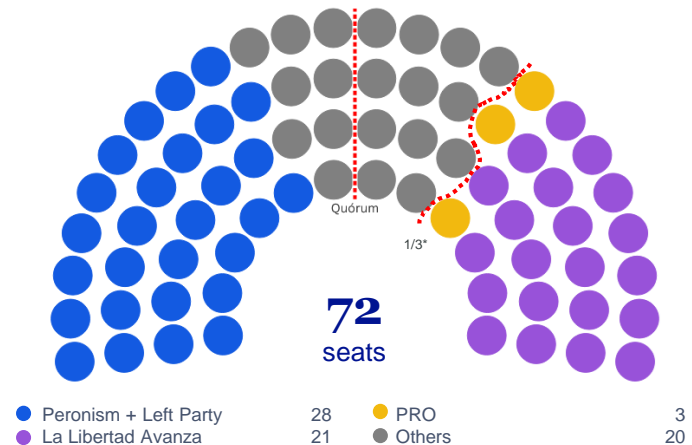
... and a new political scenario, where the ruling party secured more than 1/3 of both Houses

COMPOSITION OF THE NATIONAL CONGRESS

LOWER HOUSE



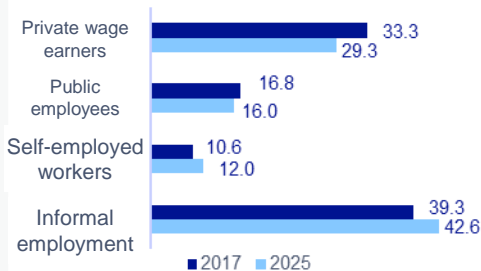
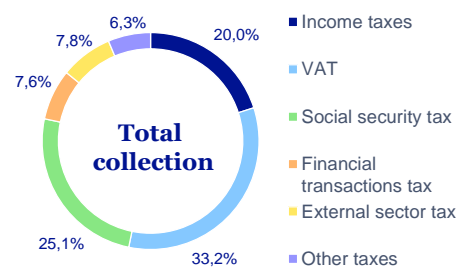
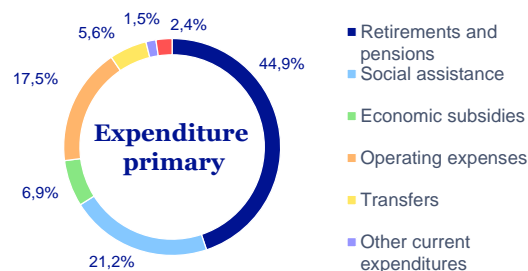
UPPER HOUSE



* 1/3 of the votes of each House is the number of votes required to uphold presidential vetoes,
Source: BBVA Research

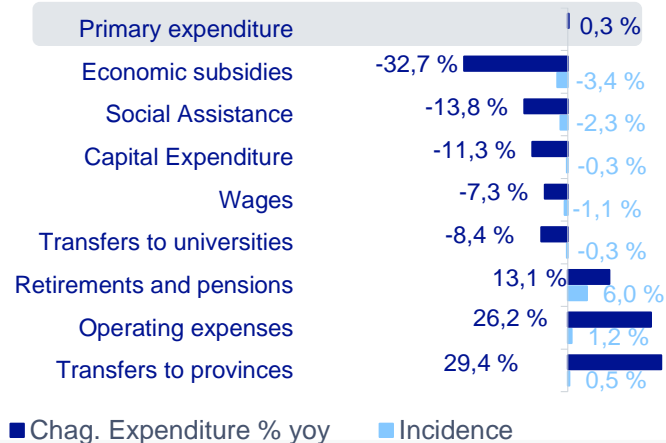
**LLA + PRO will control more than a third of the Senate and 40% of the Lower House.
This configuration will give the government greater legislative power to safeguard presidential vetoes
and undertake structural reforms.**

Structural reforms: the government will kick off with the labor market and the tax system

Reform	Labor	Tax	Social Security																																															
Objective	Modernize the arranging system, reduce litigation, promote formalization and job creation.	Simplify the tax system, reduce the effective tax burden on the private sector and increase competitiveness.	Reorganize the pension system and reduce its structural deficit.																																															
Context	<p>The current scheme – based on high compensation, rigid sectoral agreements and high tax contributions – discourages formal employment and penalizes SMEs. The system generates incentives for labor informality, which is 43%.</p> <p><u>SHARE OF TOTAL EMPLOYMENT</u></p>  <table><caption>Share of Total Employment</caption><thead><tr><th>Category</th><th>2017</th><th>2025</th></tr></thead><tbody><tr><td>Private wage earners</td><td>33.3</td><td>29.3</td></tr><tr><td>Public employees</td><td>16.8</td><td>16.0</td></tr><tr><td>Self-employed workers</td><td>10.6</td><td>12.0</td></tr><tr><td>Informal employment</td><td>39.3</td><td>42.6</td></tr></tbody></table>	Category	2017	2025	Private wage earners	33.3	29.3	Public employees	16.8	16.0	Self-employed workers	10.6	12.0	Informal employment	39.3	42.6	<p>The current regime is complex and distortive: More than 160 different taxes, with overlap between the three levels of the State (nation, provinces and cities), but only two taxes (VAT and income tax) are responsible for the majority (53%) of tax collection. The current regime reduces the competitiveness of national production.</p>  <table><caption>Total collection</caption><thead><tr><th>Category</th><th>Percentage</th></tr></thead><tbody><tr><td>Income taxes</td><td>20.0%</td></tr><tr><td>VAT</td><td>33.2%</td></tr><tr><td>Social security tax</td><td>25.1%</td></tr><tr><td>Financial transactions tax</td><td>7.6%</td></tr><tr><td>External sector tax</td><td>7.8%</td></tr><tr><td>Other taxes</td><td>6.3%</td></tr><tr><td>Other current expenditures</td><td>1.5%</td></tr></tbody></table>	Category	Percentage	Income taxes	20.0%	VAT	33.2%	Social security tax	25.1%	Financial transactions tax	7.6%	External sector tax	7.8%	Other taxes	6.3%	Other current expenditures	1.5%	<p>Pension spending represents 45% of primary expenditure and is a structural source of deficit. The system is fragmented, with more than 200 special regimes. Fiscal sustainability requires reformulating the scheme due to the demographic dynamics of the aging population.</p>  <table><caption>Expenditure primary</caption><thead><tr><th>Category</th><th>Percentage</th></tr></thead><tbody><tr><td>Retirements and pensions</td><td>44.9%</td></tr><tr><td>Social assistance</td><td>21.2%</td></tr><tr><td>Economic subsidies</td><td>6.9%</td></tr><tr><td>Operating expenses</td><td>17.5%</td></tr><tr><td>Transfers</td><td>5.6%</td></tr><tr><td>Other current expenditures</td><td>1.5%</td></tr><tr><td>Other current expenditures</td><td>2.4%</td></tr></tbody></table>	Category	Percentage	Retirements and pensions	44.9%	Social assistance	21.2%	Economic subsidies	6.9%	Operating expenses	17.5%	Transfers	5.6%	Other current expenditures	1.5%	Other current expenditures	2.4%
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Economic relevance	Potential to reactivate formal employment and attract productive investment.	Direct impact on investment, competitiveness and formalization.	Key to long-term equilibrium in fiscal accounts and the pension system.																																															

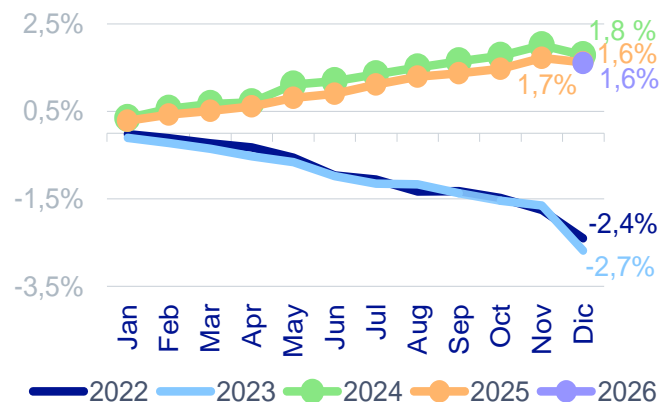
The electoral result showed a substantial society's support for the government's policy

CUM. PRIMARY EXPENDITURE JAN-NOV 2025 (Y/Y % CHD. IN REAL TERMS AND INCIDENCE)



Source: BBVA Research on data from the Ministry of Economy

CUMULATIVE PRIMARY FISCAL RESULT (% OF GDP)

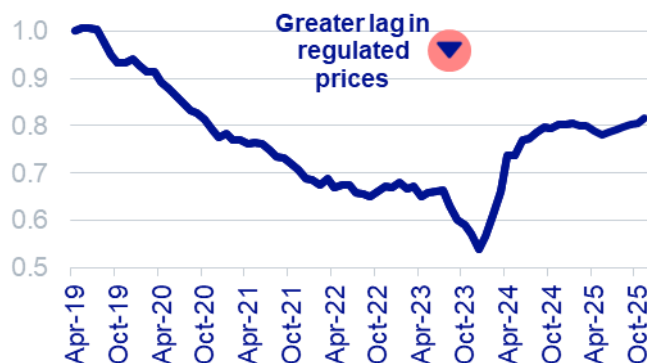


Source: BBVA Research on data from the Ministry of Economy

We expect the government to maintain fiscal balance as a pillar of its economic policy and to comply with it in both 2025 and 2026. Now the challenge will focus on passing laws that make it more permanent (tax scheme, fiscal rules, pensions), along with continuing to regularize utility subsidies.

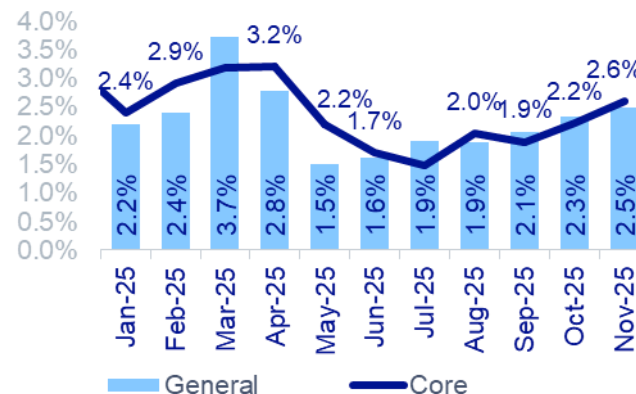
While reducing subsidies cuts fiscal spending, it may also hinder disinflation...

PENDING INCREASES IN REGULATED PRICES
(REGULATED INDEX/CORE INDEX)



Source: BBVA Research based on data from INDEC

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



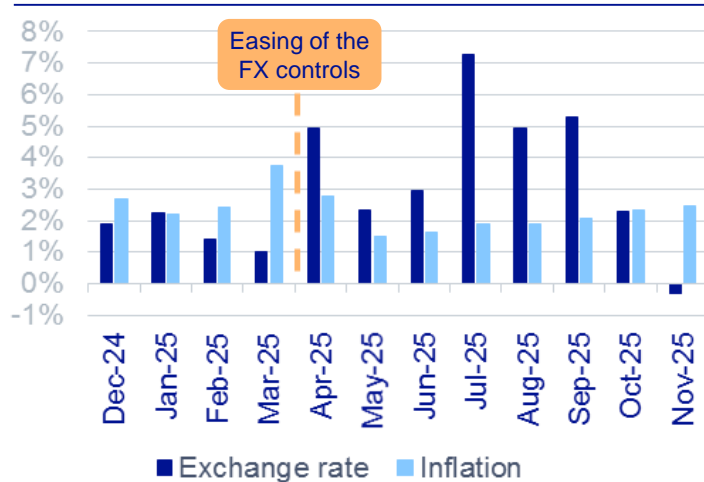
Source: BBVA Research based on data from Haver

In recent months, regulated prices have once again gained ground, partially recovering the lag compared to other prices. This, together with the sharp rise in the wholesale price of meat (37% in October and November) and pre-election financial volatility, have contributed to the recent acceleration of monthly inflation since May of this year.

... although the pass-through from the exchange rate devaluation to prices has been very contained since June

INFLATION AND EXCHANGE RATE

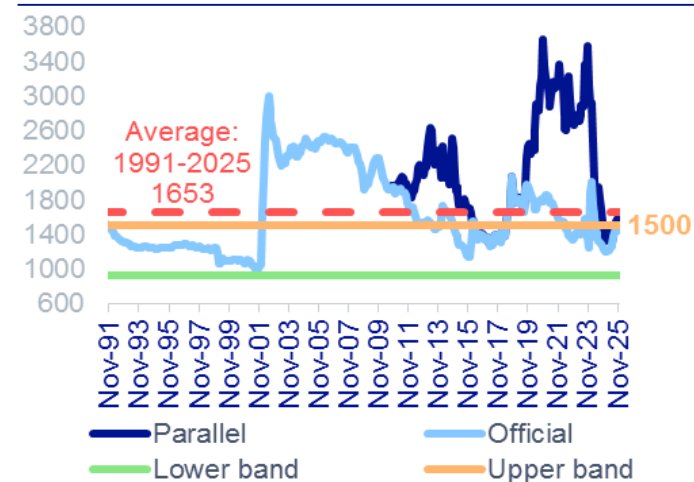
(M/M % CHG.)



Source: INDEC and BCRA

REAL EXCHANGE RATE

(AT TODAY'S PRICES)

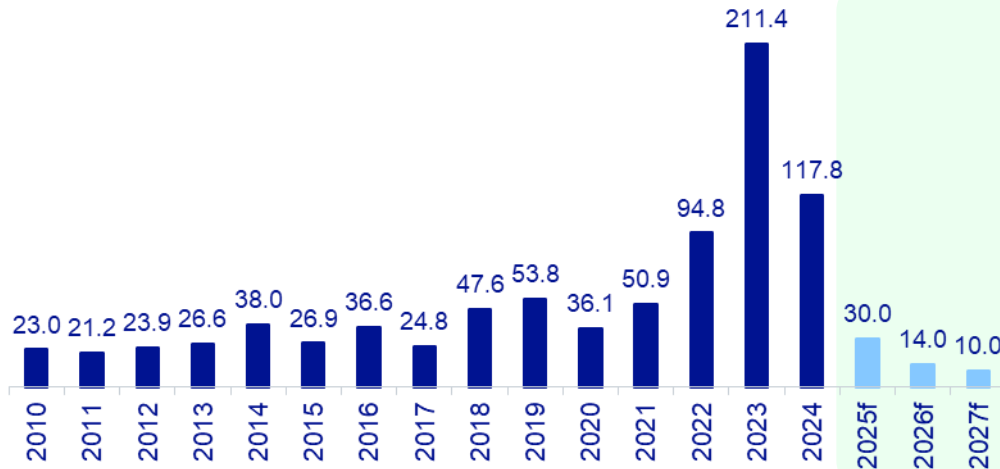


Source: BBVA Research based on data from the BCRA and Alphacast

The low pass-through of the devaluation to prices allowed a recovery of the real exchange rate of 20% between April and November.

The fiscal-monetary balance anchors medium term expectations which paves the way for a deeper disinflation

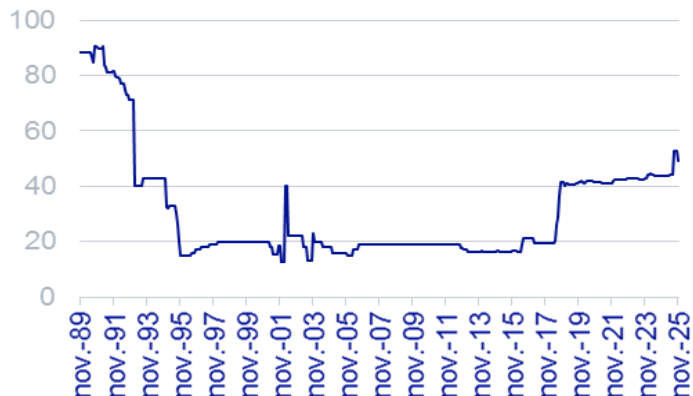
CONSUMER PRICE INDEX (Y/Y % CHANGE)



- The government has performed much better than expected in terms of inflation in its first two years in office.
- The ongoing relative price corrections in regulated sectors are currently limiting the pace of CPI convergence.
- Inflation is expected to moderate in the coming year compared to 2025. Nevertheless, achieving single-digit annual inflation will take longer, supported by the necessary persistence of positive real interest rates.

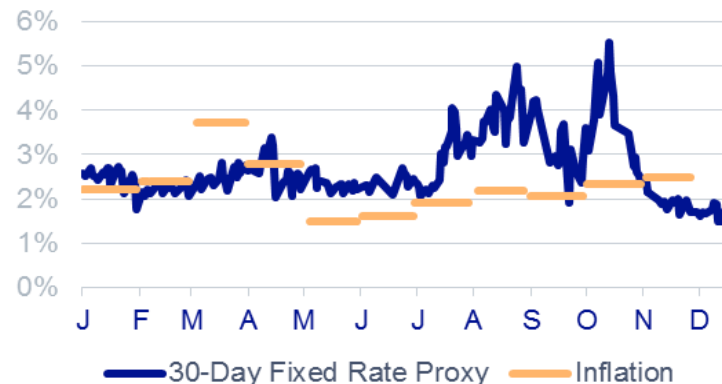
The end of electoral uncertainty allowed a normalization of the monetary policy framework

BANKS' RESERVE REQUIREMENTS FOR SIGHT DEPOSITS (% OF DEPOSITS)



Source: BBVA Research based on data from the BCRA

MARKET INTEREST RATE (30-DAY PROXY FIXED RATE SOVEREIGN INSTRUMENT YIELD, MONTHLY RATE)



Source: BBVA Research based on data from Alphacast

With the reduction of pre-electoral financial pressure, the CB induced an interest rates cut and began to dismantle regulations it had imposed on liquidity in Q3. It lowered the non-interest-bearing reserve requirement for sight deposits by 3.5 pp and reduced the minimum daily reserve position from 100% to 75% of the monthly requirement. We expect this trend to continue in the coming months.

Interest rates have fallen since the elections and are now in line with expected inflation

INTEREST RATES AND ANNUALIZED MONTHLY INFLATION (ANNUAL RATE)

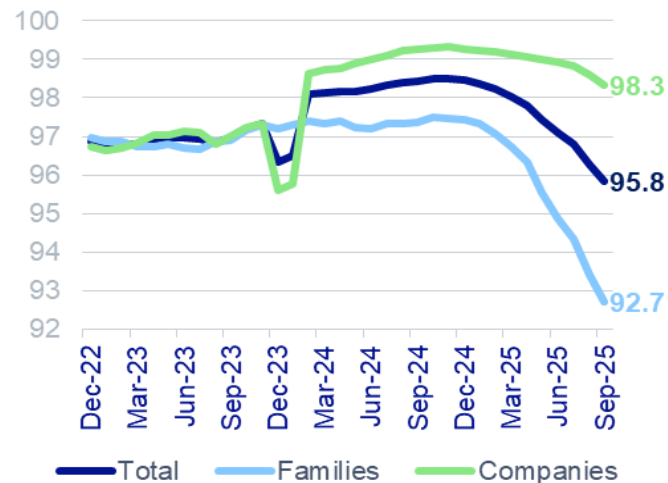


- Interest rates were highly above inflation from July to October. This was not sustainable beyond the elections due to its negative impact on activity and the fiscal balance.
- Following the elections, the CB and the government cut interest rates and eased liquidity management.
- Consequently, the annual TAMAR fell from 65% in October to 27%, and rate volatility was significantly reduced.
- We project that in the short term they will remain at these levels, given that they are already in line with the coming month's expected inflation. We expect the government to keep real interest rates positive at around 5-7% per year.

The rise and volatility of interest rates slowed demand for credit, which impacted on NPLs

PORTFOLIO QUALITY

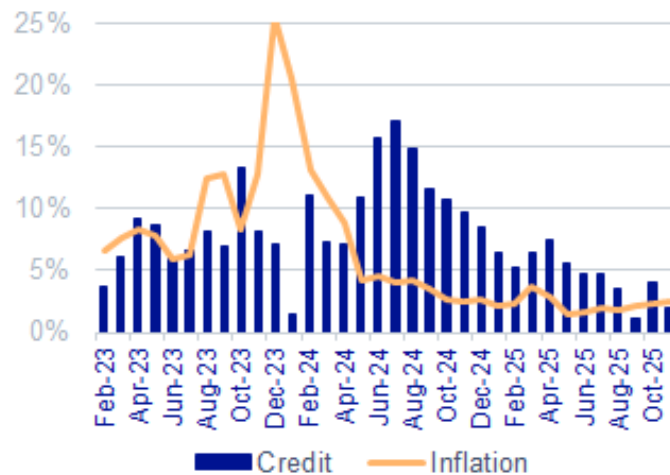
(PERFORMING PORTFOLIO AS % OF THE TOTAL)



Source: BCRA and BBVA Research

ARS CREDIT TO THE PRIVATE SECTOR

(M/M % CHG.)

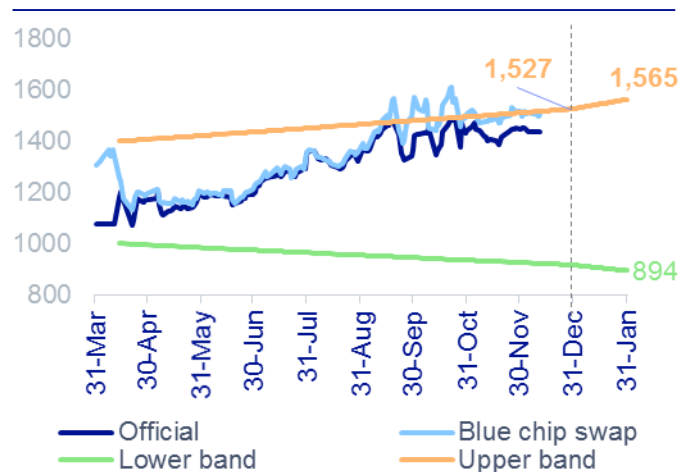


Source: BCRA and BBVA Research

Loans to families deteriorated the most, particularly personal loans and credit cards. In the business segment, the impact was substantially lower. Credit slowed but the year-on-year increase in real terms will be approximately 40% in 2025

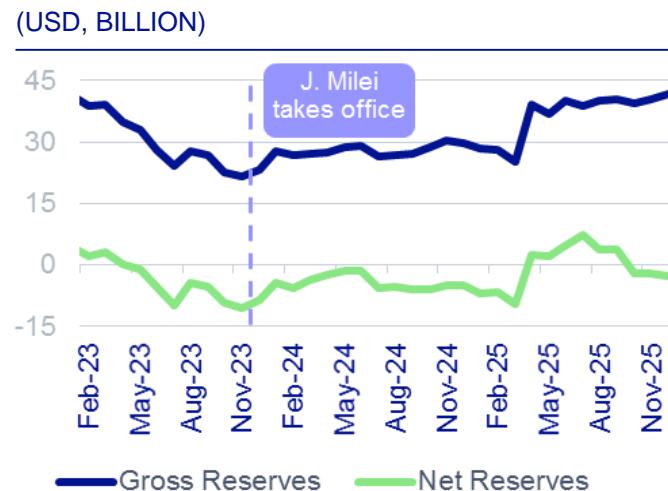
The BCRA will adjust FX bands by inflation since 2026 and launched a reserve accumulation program

EXCHANGE RATE (PESOS PER DOLLAR)



Source: BBVA Research based on INDEC data

INTERNATIONAL RESERVES (USD, BILLION)



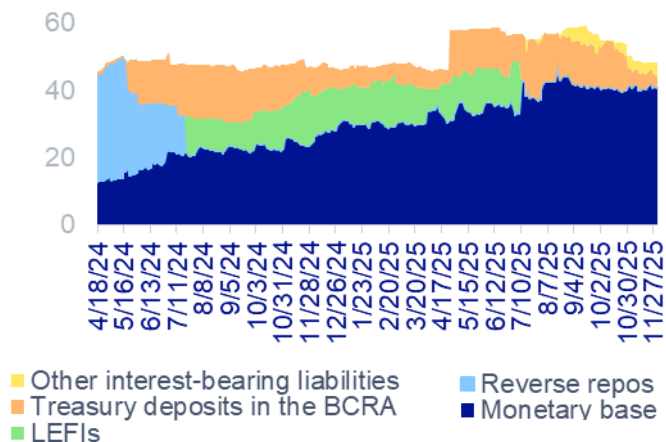
Source: BBVA Research from Balanza de Pagos

After facing pressure in the run-up to the elections, the exchange rate stabilized near the upper band, without substantial intervention by the Government. As of 2026, FX bands will be updated by monthly inflation, thus preventing the upper limit from appreciating in real terms. This move provides some room to purchase international reserves, but it remains insufficient to consolidate a solid path.

The government announced that it will purchase reserves at a pace consistent with the growth in money demand...

BROAD MONETARY BASE

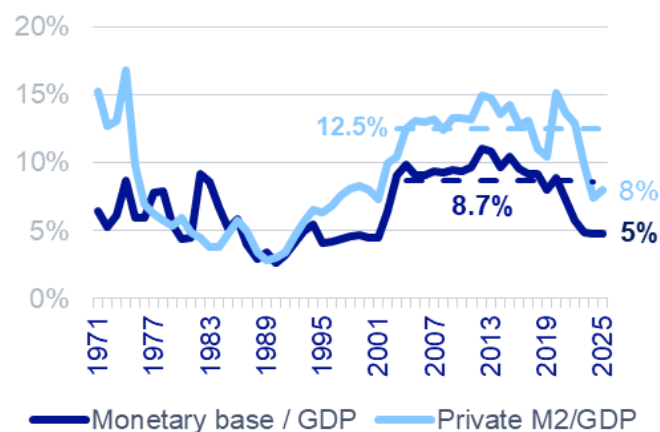
(PESOS, TRILLION)



Source: BCRA and BBVA Research

MONETARY AGGREGATES

(% OF GDP)



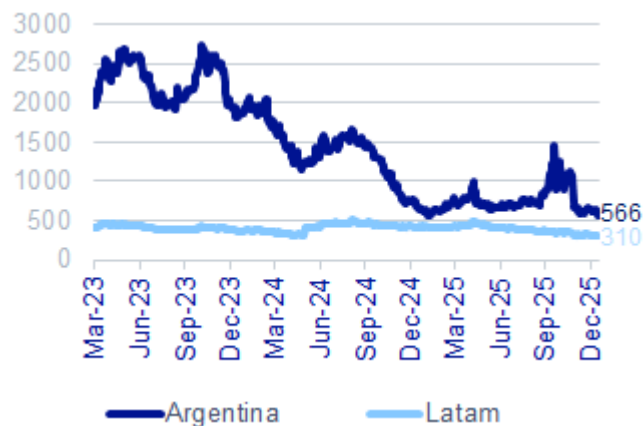
Source: Ministry of Economy and BBVA Research

The monetary base stands at 4.5% of GDP, while the 2002-24 average was 8.7%. Returning to the average would allow for the purchase of USD 24 billion, but this would take place over a period of no less than 2-3 years. The administration aims to build reserves without expanding the Central Bank's interest bearing liabilities. Official estimates suggest reserve purchases could reach \$10bn during 2026.

... this would be further facilitated if the government re-access international markets

COUNTRY RISK

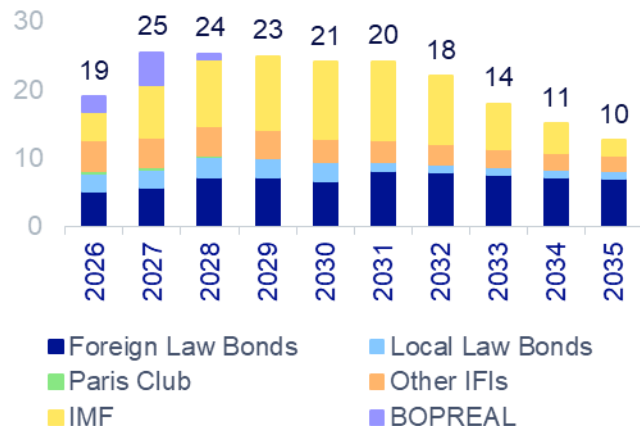
(EMBI, BP)



Source: Alphacast and BBVA Research

FOREIGN CURRENCY PUBLIC DEBT

MATURITY PROFILE (USD, BILLION)



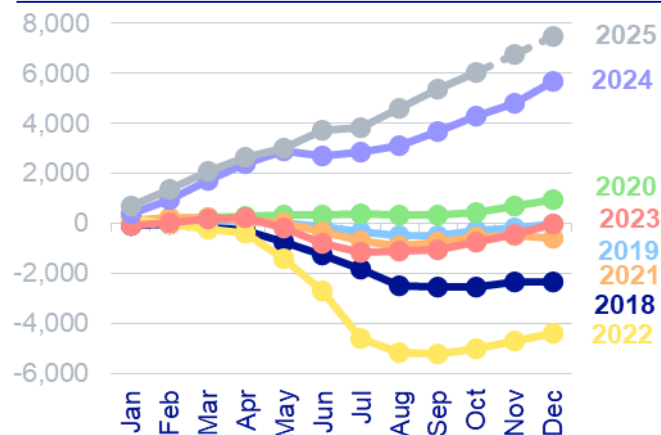
Source: Ministry of Economy and BBVA Research

The government seeks to access international debt markets to avoid using reserves for debt payment. The issuance of USD 910 million of the 2029 bond under local law was a first step in that direction, and we expect it to soon carry out liability management operations to extend maturities. Country risk could compress toward around 450 bp.

A structural shift in exports provides a chance to bring stability to the country's external balance

ENERGY SECTOR TRADE BALANCE

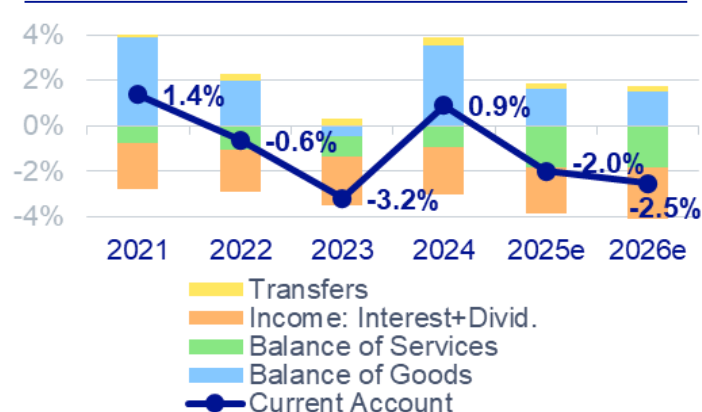
(USD, BILLION)



Source: BBVA Research based on INDEC data

CURRENT ACCOUNT BALANCE

(% GDP)

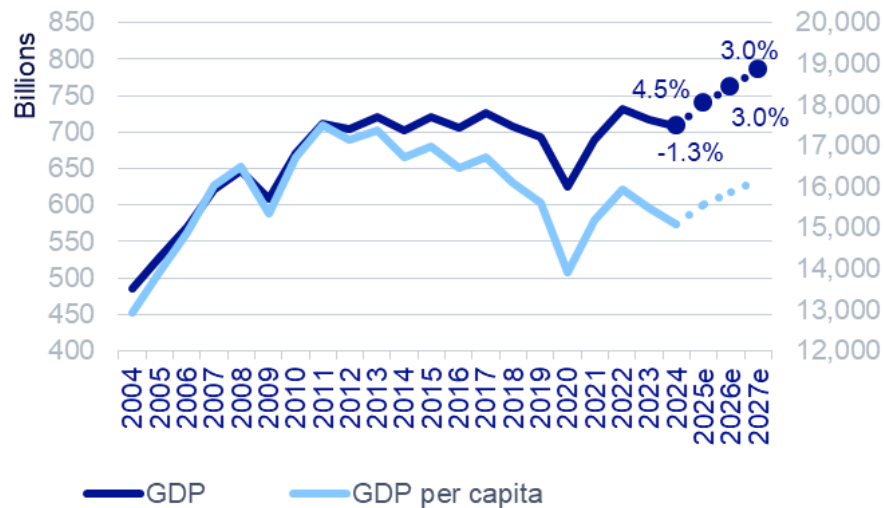


Source: BBVA Research based on INDEC data

The energy sector keeps increasing its trade surplus (expected to end the year at USD 8 billion), bolstering external accounts. Imports of goods and services (tourism) together with the high demand for foreign currency for hoarding offset this growth. We forecast a current account deficit of 2% of GDP in 2025 and 2.5% in 2026.

We expect Argentina to string together 3 consecutive years of growth for the first time since 2008

GROSS DOMESTIC PRODUCT AND GDP PER CAPITA (CONSTANT 2004 ARS; Y/Y % CHG.)



- After years of stagnation, the government's structural reforms could increase Argentina's potential GDP, boosting a sustainable growth path.
- Since 2011, investment has remained volatile and low, and national savings have lagged behind, forcing reliance on external financing or fiscal deficits. With population growth, GDP per capita has deteriorated over the years.
- Greater macroeconomic stability coupled with a better business environment would allow investment and exports to drive growth in the coming years. GDP per capita is projected to reach its pre-2022 peak by 2026.

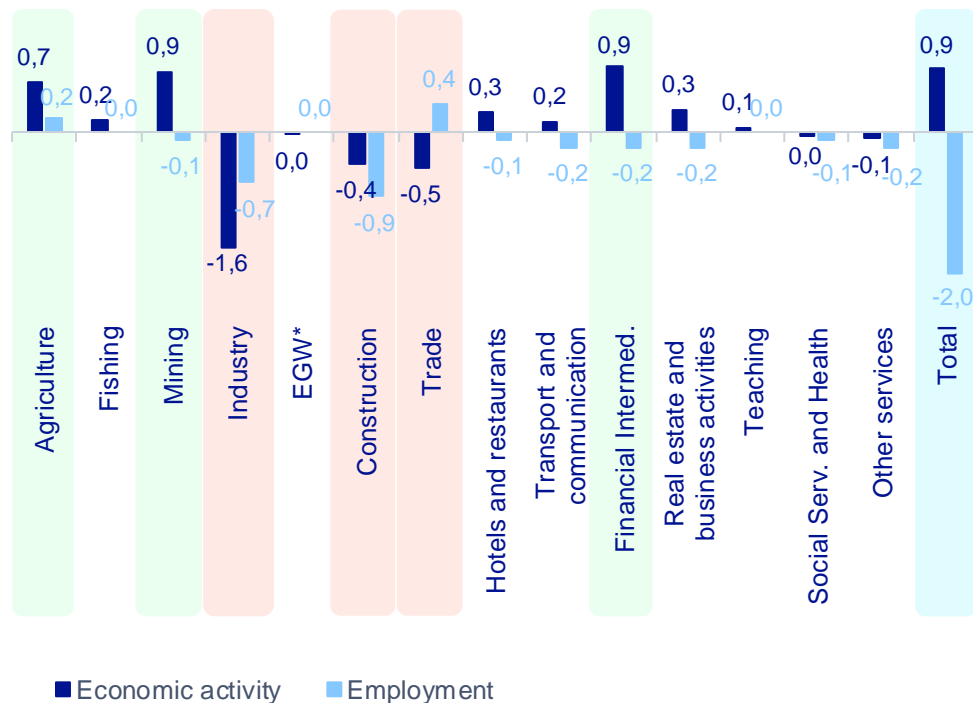
The challenge will focus on sectoral heterogeneity and job creation

The most dynamic sectors continue to be capital-intensive, while those experiencing the sharpest declines are labor-intensive.

In 2026, economic activity will maintain its heterogeneous nature, though with a gradual convergence toward more balanced growth.

Within this framework, the labor market is expected to show progress—an outlook that could be accelerated by potential labor reforms, favoring formal employment, which currently remains stagnant.

CONTRIBUTION TO ECONOMIC ACTIVITY AND FORMAL EMPLOYMENT (NOV'23 TO SEP'25; SERIES SEASONALLY ADJUSTED)



* Electricity, Gas and Water Supply.
Source: INDEC, SIPA and BBVA Research.

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)	95.0	211.0	118.0	30.0	14.0
Exchange Rate (vs. USD, Dec 31)	177.1	808.0	1,033	1,510	1,730
Wholesale interest rate* (% EOP)	69	121	35	28	19
Private consumption (% y/y)	9.5	1.0	-2.9	7.3	0.8
Government expenditure (% y/y)	2.8	2.1	-3.8	0.7	1.5
Investment (% y/y)	10.5	-2.0	-17.2	17.8	9.2
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	-2.0	-2.5
Public Debt (% GDP)	85.0	156.6	83.2	81.4	74.8

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