

# Argentina Economic Outlook

December 2025

**BBVA Research Argentina**

# Robust improvement in expectations after the elections

*Following the episodes of volatility during 3Q25, financial pressures eased in the 4Q. The midterm election results signaled renewed political backing for the administration's economic policy, providing the ruling coalition with sufficient legislative strength to uphold presidential vetoes and advance key structural reforms. In this context, we maintain our GDP growth forecasts of 4.5% for 2025 and 3.0% for 2026, alongside sustained fiscal equilibrium, despite lingering vulnerabilities within the current exchange rate regime.*

## Global outlook: persistent uncertainty with better-than-anticipated performance

The global economy continues to face shifting conditions, yet performance has exceeded initial projections. The rapid expansion of Artificial Intelligence (AI) is bolstering aggregate demand, adding to existing tailwinds such as fiscal stimulus, easing monetary conditions, wealth effects, and moderated energy costs. Together, these factors currently offset the drag from rising protectionism, tighter migration policies, and ongoing policy uncertainty. In this context, global growth is projected to stabilize near 3.2% through 2027, with the United States expanding at around 2%, the Eurozone slightly above 1%, and China gradually decelerating toward 4%.

Inflationary expectations remain anchored. In the US, potential tariff increases and structural cost pressures will keep inflation close to 3%, limiting the scope for further FED easing. The Eurozone continues to target inflation near 2%, while China may resort to targeted rate cuts to counter deflationary risks. Overall risks appear balanced, with AI-driven productivity gains providing upside potential, though the possibility of an equity market correction remains a downside risk.

## Local outlook

### Fiscal policy: public accounts remain solid

Fiscal discipline remains the cornerstone of the government's stabilization program. As of November 2025, the primary surplus reached 1.7% of GDP, in line with the 1.6% year-end target. This outcome was achieved despite a 13.1% y/y real increase in pension payments and a 2.2% real contraction in tax revenues. After accounting for debt service, a financial surplus of 0.3% of GDP is projected for 2025, marking a second consecutive year of fiscal consolidation.

Looking ahead to 2026, the policy focus will be on preserving these gains. However, the scope for further expenditure cuts is narrowing following the sharp adjustments implemented in 2024.

Additional consolidation will likely depend on utility price recalibrations to further reduce subsidies. Fiscal sustainability will increasingly rely on GDP growth, given that 52% of revenues—derived from VAT and Income Tax—are pro-cyclical. In parallel, the administration is expected to accelerate asset divestments and privatizations.

## **Inflation: fiscal-monetary anchor drives disinflation**

While monthly inflation edged up from a 1.5% floor in May to 2.5% in November, the underlying fiscal-monetary anchor continues to support the disinflation process. We project year-end inflation of 30% in 2025, decelerating toward 14% in 2026.

The recent acceleration was driven mainly by a 16.3% increase in regulated prices, outpacing the 12.6% rise in core CPI since May-25, alongside a sharp increase in meat prices (+37% during Oct–Nov). Notably, the pass-through from the 21.4% currency depreciation during this period remained significantly lower than historical benchmarks.

## **Monetary policy: normalization following pre-election volatility**

After a period of acute volatility—during which interbank rates spiked above 100% APR—the Central Bank has begun transitioning toward a more normalized monetary framework. The CB will intervene in the interbank market to establish an interest rate floor and will rely on active repo facilities to dampen volatility. It has also signaled a gradual reduction in reserve requirements, which remain elevated by historical standards.

The new framework prioritizes the management of monetary aggregates as the main target, without reliance on a single policy rate, and is supported by the resumption of quarterly Monetary Policy Reports, enhancing forward guidance. As a result, market rates declined sharply following the elections. The TAMAR rate fell from 65% in October to around 27%, broadly aligning with short-term inflation expectations. We expect interest rates to stabilize above expected inflation, implying a positive real rate of 500–700 basis points, consistent with continued disinflation.

## **Exchange rate policy: a positive (yet modest) step forward**

In November and December, the combination of record corporate and government (sovereign and sub-sovereign) dollar debt issuances, along with excellent expectations for wheat exports (projected to reach USD 4 billion, well above the 2014-24 average of USD 2.5 billion) and an improvement in the real exchange rate during the second half of the year (over 20% above 2025 lows), provide some stability to external accounts at year-end. Regardless, the need to face net external debt payments of USD 13 billion in 2026 and USD 20 billion in 2027 makes it vital for the Government to focus on regaining market access to roll over at least a portion of these obligations. This would facilitate the accumulation of international reserves without being forced to allocate foreign currency purchases toward those payments.

Along these lines, the CB announced a modification to the FX rate band scheme, which will be updated based on past inflation (instead of the current 1% monthly rate) starting in 2026. It also launched an international reserve accumulation program, which is key to strengthening the Central Bank's balance sheet and improving the perception of country risk. Argentina's history of debt defaults necessitates a demonstration of repayment capacity; therefore, this strategy is

crucial to improving the likelihood of re-accessing markets at sustainable rates. We expect market-friendly liability management operations during the 1Q26 to improve the debt maturity profile in hard currency, which could in turn drive an improvement in country risk toward 450 bp.

## **External sector: energy and mining bolster the current account**

We project a current account deficit of 2.0% of GDP in 2025 and 2.5% in 2026, alongside a merchandise trade surplus of USD 8.9 billion in 2025. This resilience in the trade balance reflects a structural shift: the rapid expansion of hydrocarbons and mining exports (oil, gas and lithium) is increasingly offsetting the growth in imports.

Nevertheless, the services balance remains under pressure due to outbound tourism. In addition, retail purchases of foreign currency and the gradual easing of capital controls (which will allow for dividend repatriation from 2026), also trigger some pressures on the external accounts. Foreign Direct Investment under the RIGI framework is expected to accelerate next year, with more than USD 12 billion in approved projects (plus additional 15 projects under analysis). Financial inflows (both portfolio and FDI flows) will be essential to rebuild international reserves under the current economic framework.

## **Economic activity: growing but heterogeneously across sectors**

In 3Q25, GDP expanded by 0.3% q/q (s.a.) and 3.3% y/y, bringing cumulative growth to 5.2% y/y. The recovery remains uneven. Energy, Mining and Financial Intermediation continue to act as the main growth engines. Energy and Mining expanded by 10.3% y/y, but with a limited impact on employment due to their capital-intensive nature. In contrast, Manufacturing continues to struggle (-2.4% y/y), while Construction shows a nascent but still subdued recovery (+1.0% y/y).

We maintain our GDP growth forecasts of 4.5% for 2025 and 3.0% for 2026. The main challenge remains the labor market, where informality and non-wage employment stand at 52% of total employees. The labor modernization reforms currently under discussion in Congress are therefore critical to translating macroeconomic growth into sustained formal job creation.

## **Conclusions**

The year concludes with a strengthened political position for the administration following midterm elections, reflecting a degree of social consensus regarding the continuity of the current economic program. This shift has influenced market expectations, resulting in a reduction in sovereign risk premiums. This compression of spreads enabled the National Government to carry out its first USD-denominated debt issuance in the domestic market since 2018. Furthermore, after the electoral cycle, the normalization of monetary policy has led to a sharp reduction in nominal interest rates, though these will remain positive in real terms (adjusted for expected inflation).

For 2026, the outlook suggests a continued disinflationary trend alongside a second consecutive year of positive GDP growth. In this context, it is likely that the Government will seek to access international credit markets during the first quarter (1Q26). While recent adjustments to the exchange rate framework are moving toward a more sustainable regime, further liberalization of

the foreign exchange market is expected throughout the year. This process may align with the seasonal increase in agricultural exports during the second quarter (2Q26), potentially facilitating the establishment of a more permanent monetary and exchange rate regime.

Simultaneously, while aggregate economic activity has resumed growth, there is an increasing divergence in performance across different sectors. Managing this sectoral heterogeneity and its effects on the labor market represents a significant (if not the main) policy challenge ahead. Consequently, the focus remains on structural reforms to the tax system and labor regulations aimed at improving competitiveness and boosting employment creation. The legislative process for these reforms is expected to involve negotiation and potential amendments to the Executive Branch's original proposals. While the final timeline remains subject to congressional approval, a significant portion of these changes is projected to be enacted during the first half of 2026. Such reforms are intended to affect productivity and support a sustainable growth trajectory over the medium term.

#### MACROECONOMIC FORECASTS - ARGENTINA

	2022	2023	2024	2025 (f)	2026 (f)
GDP (% y/y)	6.0	-1.9	-1.3	4.5	3.0
Inflation (% y/y fdp)	94.8	211.4	117.8	30.0	14.0
Exchange rate (vs USD 31/Dec)	177	808	1,033	1,510	1,730
Monetary policy rate (% eop)*	75.0	100.0	34.3	28	19
Private consumption (% y/y)	9.5	1.0	-2.9	7.3	0.8
Public consumption (% y/y)	2.8	2.1	-3.8	0.7	1.5
Investment (% y/y)	10.5	-2.0	-17.4	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

\* End of period.

## AVISO LEGAL

El presente documento, elaborado por el Departamento de BBVA Research, tiene carácter divulgativo y contiene datos, opiniones o estimaciones referidas a la fecha del mismo, de elaboración propia o procedentes o basadas en fuentes que consideramos fiables, sin que hayan sido objeto de verificación independiente por BBVA. BBVA, por tanto, no ofrece garantía, expresa o implícita, en cuanto a su precisión, integridad o corrección.

Las estimaciones que este documento puede contener han sido realizadas conforme a metodologías generalmente aceptadas y deben tomarse como tales, es decir, como previsiones o proyecciones. La evolución histórica de las variables económicas (positiva o negativa) no garantiza una evolución equivalente en el futuro.

El contenido de este documento está sujeto a cambios sin previo aviso en función, por ejemplo, del contexto económico o las fluctuaciones del mercado. BBVA no asume compromiso alguno de actualizar dicho contenido o comunicar esos cambios.

BBVA no asume responsabilidad alguna por cualquier pérdida, directa o indirecta, que pudiera resultar del uso de este documento o de su contenido.

Ni el presente documento, ni su contenido, constituyen una oferta, invitación o solicitud para adquirir, desinvertir u obtener interés alguno en activos o instrumentos financieros, ni pueden servir de base para ningún contrato, compromiso o decisión de ningún tipo.

Especialmente en lo que se refiere a la inversión en activos financieros que pudieran estar relacionados con las variables económicas que este documento puede desarrollar, los lectores deben ser conscientes de que en ningún caso deben tomar este documento como base para tomar sus decisiones de inversión y que las personas o entidades que potencialmente les puedan ofrecer productos de inversión serán las obligadas legalmente a proporcionarles toda la información que necesiten para esta toma de decisión.

El contenido del presente documento está protegido por la legislación de propiedad intelectual. Queda expresamente prohibida su reproducción, transformación, distribución, comunicación pública, puesta a disposición, extracción, reutilización, reenvío o la utilización de cualquier naturaleza, por cualquier medio o procedimiento, salvo en los casos en que esté legalmente permitido o sea autorizado expresamente por BBVA en su sitio web [www.bbvarresearch.com](http://www.bbvarresearch.com).