BBVA Research

MARCH 2026

Argentina Economic Outlook

Main messages. Global outlook

Global growth soft-landed in 2025, despite slowdown fears linked to geopolitical tensions, policy uncertainty, and US tariffs. The global economy proved resilient, supported by falling inflation and interest rates, fiscal stimulus, AI adoption, and low energy prices.

The outbreak of war in Iran adds a new headwind for the global economy. A short-lived conflict with limited macro impact remains the baseline, but uncertainty has risen. A more prolonged war that keeps energy prices and financial tensions elevated would lift inflation while also weakening growth.

Global growth could remain relatively dynamic, around 3.2% in 2026-27, driven by economic policies and AI-related spending, provided the war in Iran is brief. While inflation has lately eased, several factors could keep it more persistent than expected, particularly in the US.

Despite larger uncertainty, the Fed is still likely to cut rates after pausing in 1H26, favoring a weaker US dollar. The ECB is not expected to deliver further cuts. Still, if the Middle-East turmoil persists, central banks would again face the reinforced trade-off between higher inflation and weaker demand.

Main messages. Argentina

The increase in geopolitical risk in the Middle East has, for now, a limited impact on Argentina, and could even be slightly positive through commodity prices. The main source of risk stems from the financial channel and external financing conditions.

Argentina enters 2026 with a more consistent macroeconomic program, based on fiscal balance, a restrictive monetary policy, and greater exchange rate flexibility. This process is taking place in a context of still-significant social support and progress on the reform agenda, **although the labor market remains the main source of concern.**

Economic activity is showing signs of recovery, driven by export sectors and some rebound in consumption, although with marked heterogeneity. The labor market remains weak, with growth in informal employment and limited dynamism in registered employment, while the external sector continues to be a source of vulnerability.

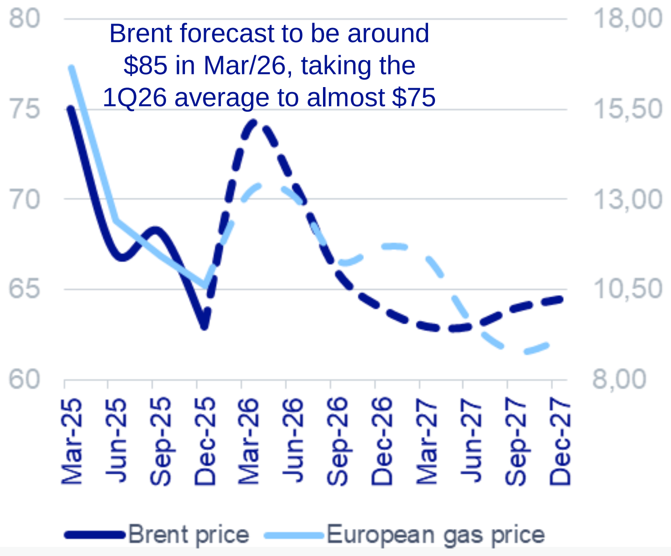
The 2026 outlook presents a window of opportunity to consolidate macroeconomic stability and advance structural reforms. The main challenges lie in maintaining fiscal balance, improving job quality, and strengthening the external sector, with the aim of achieving more sustained growth.

1. ARGENTINA ECONOMIC OUTLOOK

Global outlook

Middle-East tensions: a temporary conflict, with limited macro impact, is likely, despite large uncertainty

ENERGY PRICES: BBVA RESEARCH FORECASTS (BRENT: USD/BARREL, GAS: USD/MMBtu; QUARTERLY AVERAGES)



Source: BBVA Research based on data from Haver

The war in Iran can affect the global economy through different channels: i) higher energy prices, ii) supply disruptions, iii) financial risk-off, and iv) weaker confidence.

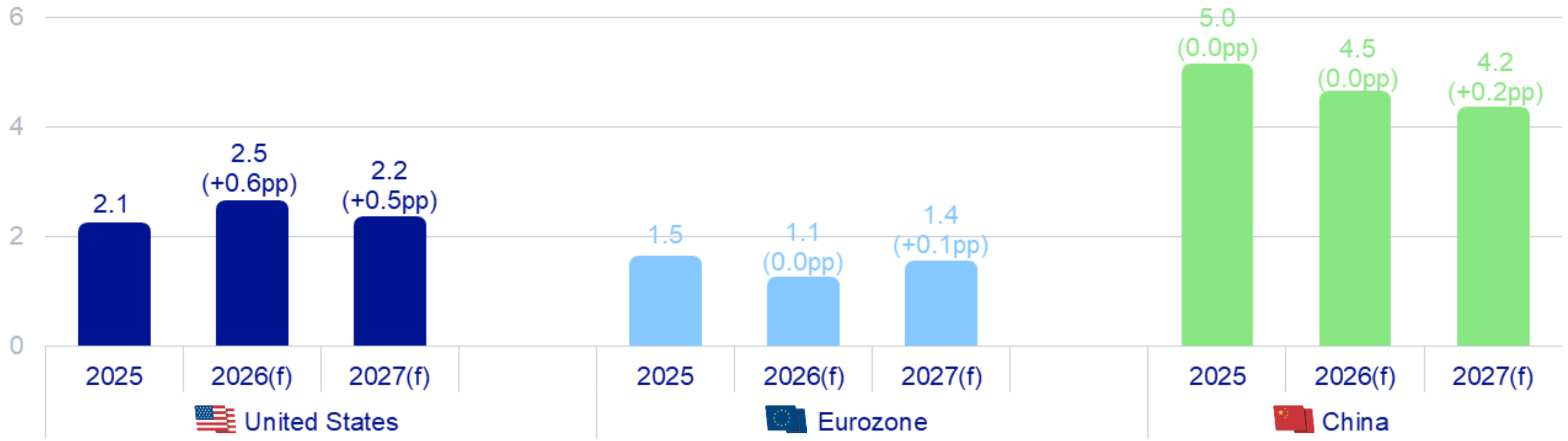
Measures to reduce the transmission of global energy prices to domestic markets and support economic activity are likely.

A short war would allow energy prices, financial conditions and confidence to normalize soon, limiting negative effects on inflation and growth.

A more prolonged conflict would imply a sharp negative shock to the global economy, mainly for net energy importers (Europe, China) and riskier assets (particularly in emerging markets).

Global growth is likely to remain dynamic, driven by policy tailwinds and AI, at least if the Iran war proves short-lived

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

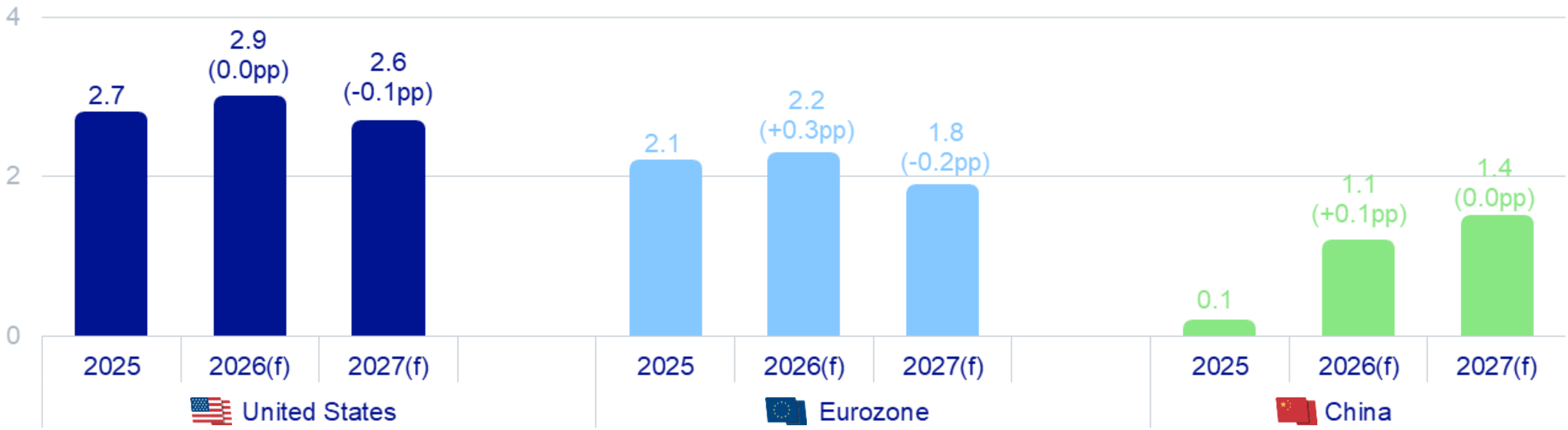


(*) Global GDP is forecast to grow 3.2% in 2025, 3.2% in 2026 and 3.3% in 2027, respectively 0.0pp, 0.1pp and 0.1 higher than the previous forecasts.
(f): forecast.
Source: BBVA Research

Incoming data and expectations of a larger AI-driven contribution support growth prospects, especially in the US, and offset the negative effects of a temporary rise in energy prices, which weighs more on the Eurozone than on the US or China

Inflation will remain relatively high in the US, and is likely to be slightly 2% in the Eurozone and to edge up in China

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

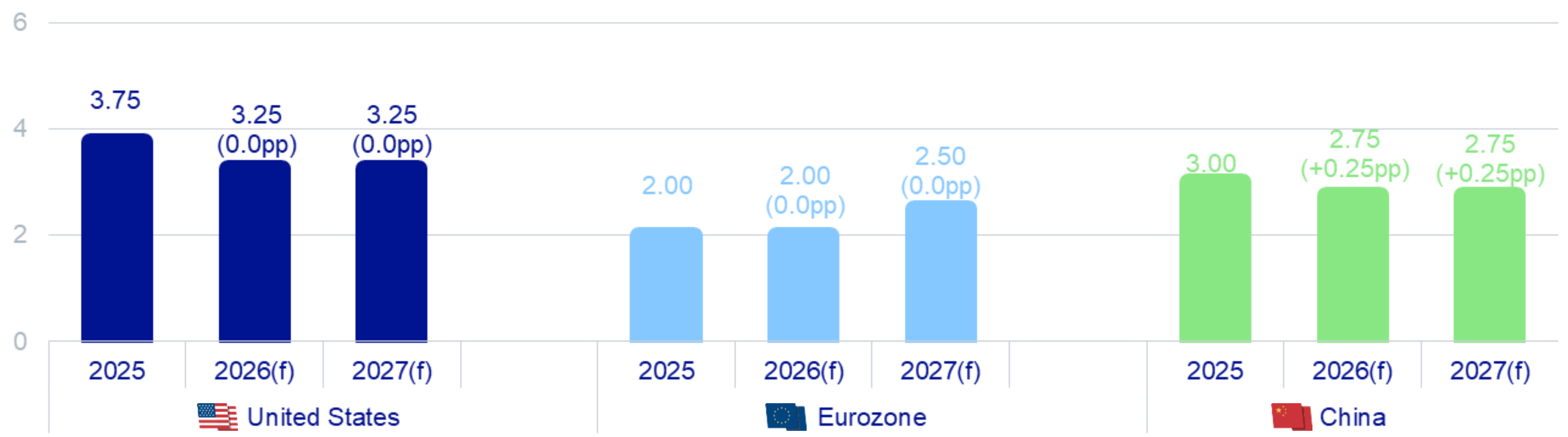


(f): forecast.
Source: BBVA Research

Energy prices, resilient demand, US tariff pass-through, sticky euro-area services inflation, and China's "anti-involution" drive, among other factors, are likely to keep global inflation under pressure

Higher energy prices could reduce the room for monetary easing, especially if they prove persistent

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

A more prolonged war in Iran would lift inflation and weaken demand, posing a dilemma for central banks, which would nonetheless be more likely to turn hawkish, especially the Fed, given greater inflation concerns in the US

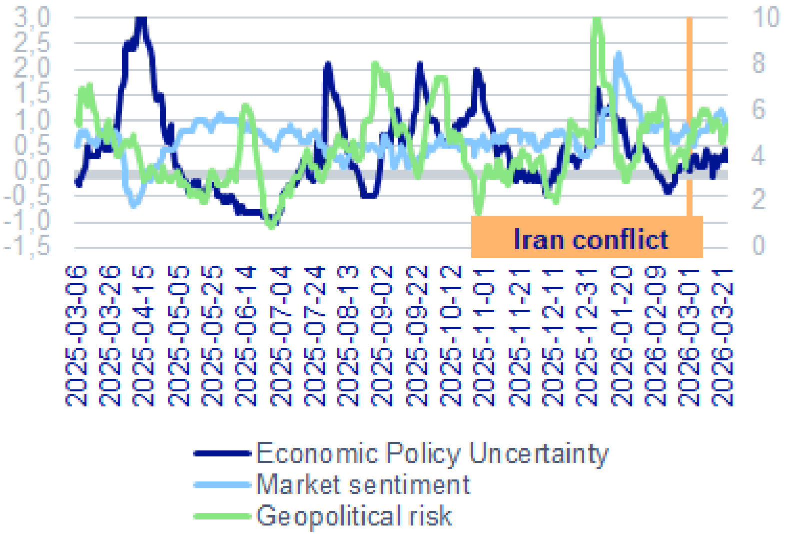
Research

2. ARGENTINA ECONOMIC OUTLOOK

Local overview

Rising geopolitical risk increases global uncertainty, but its impact on Argentina remains limited

ARGENTINA: ECONOMIC UNCERTAINTY AND GEOPOLITICAL RISK (INDICES)



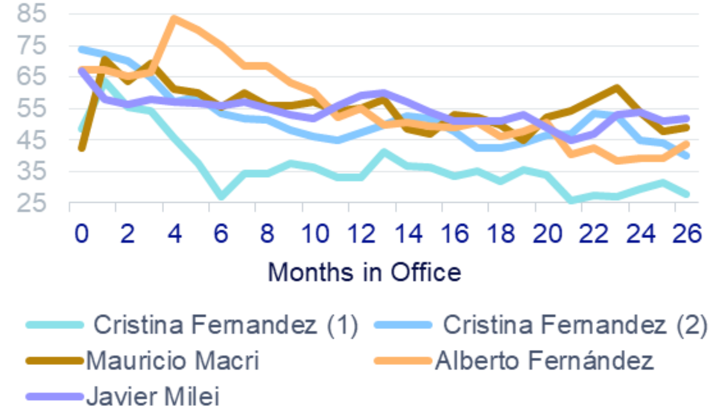
Indices based on the tone and media coverage associated with GDELT searches; values indicate better/worse perception relative to the average for the period from 2017 to the present.

- The conflict in the Middle East has heightened global geopolitical uncertainty.
- So far, **no significant deterioration has been observed or is expected in Argentina's macroeconomic indicators**.
- The impact the trade balance would be positive, given Argentina's commodity export profile.
- The main risk is linked to market conditions, as a potential deterioration could lead to a more demanding financing environment, particularly for emerging economies.
- This shock will add from 1p.p. to 2 p.p. to 2026 annual domestic inflation.

Source: GDELT and BBVA Research

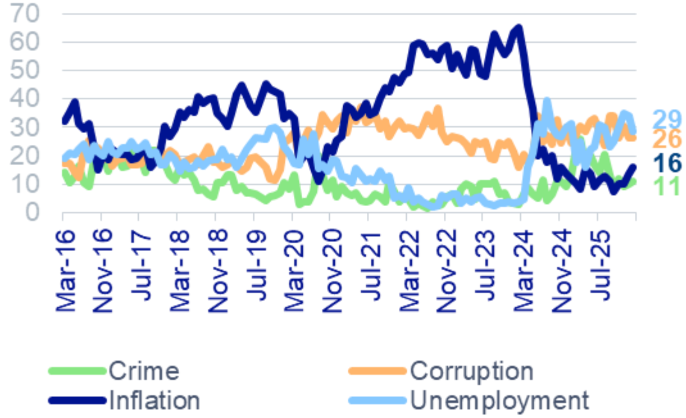
Public opinion surveys remain favorable toward the government, with unemployment as the main concern

PRESIDENTIAL APPROVAL
(% AFFIRMATIVE ANSWER)



Source: BBVA Research based on Poliarquía data

MAIN CONCERNS
(%)

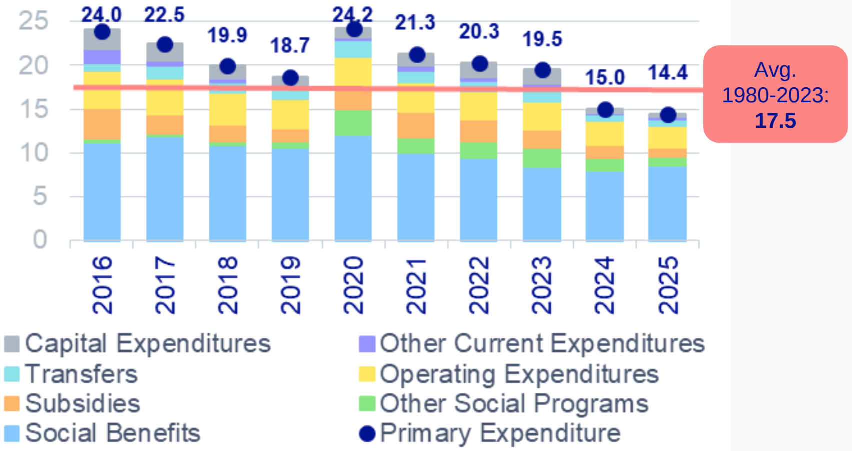


Source: BBVA Research based on Synopsis data

The approval of the labor reform, the bilateral agreement with the U.S., and the ratification of the EU–Mercosur agreement reflect the government's ability to advance politically. However, labor market performance remains the main source of social concern

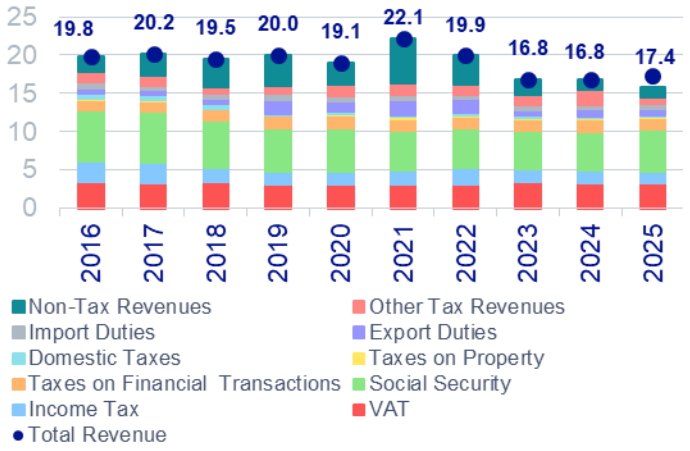
Second year of administration with a fiscal surplus, due to spending reduction and lower tax burden

PRIMARY EXPENDITURE
(GDP %)



Source: BBVA Research based on Ministerio de Economía and INDEC data

TOTAL INCOME
(GDP %)

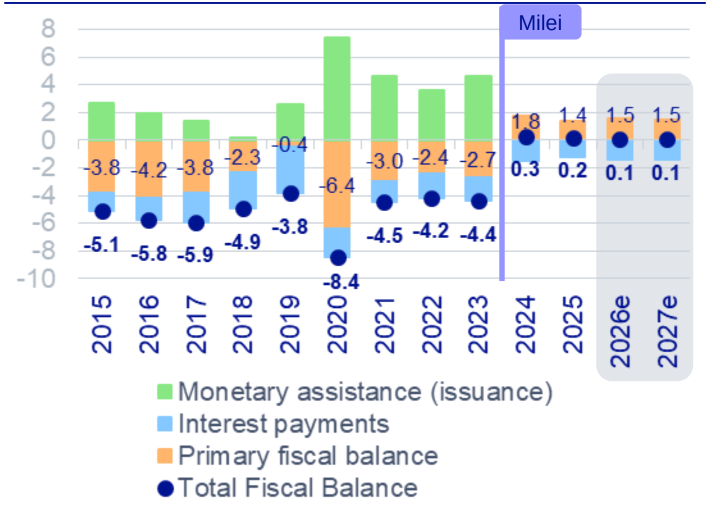


Source: BBVA Research based on Ministerio de Economía and INDEC data

Maintaining fiscal balance and further reducing taxes will require improvements in spending efficiency and revenue capacity, rather than new across-the-board cuts

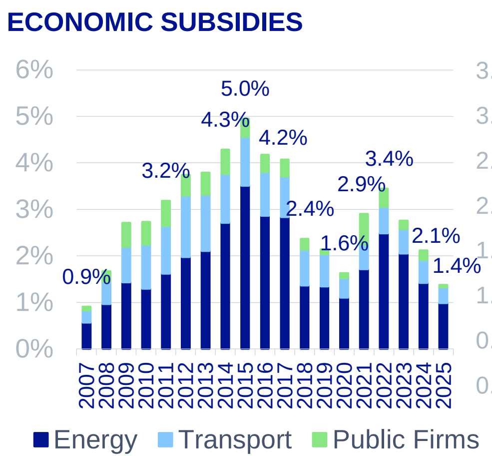
Fiscal discipline will continue, but faces challenges

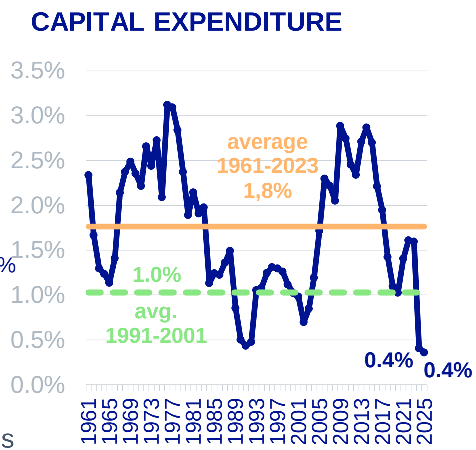
FISCAL BALANCE
(% GDP)



Source: BBVA Research based on Ministerio de Economía and INDEC data

EXPENDITURE MANAGMENT: CUTS AND CHALLENGES
(% GDP)

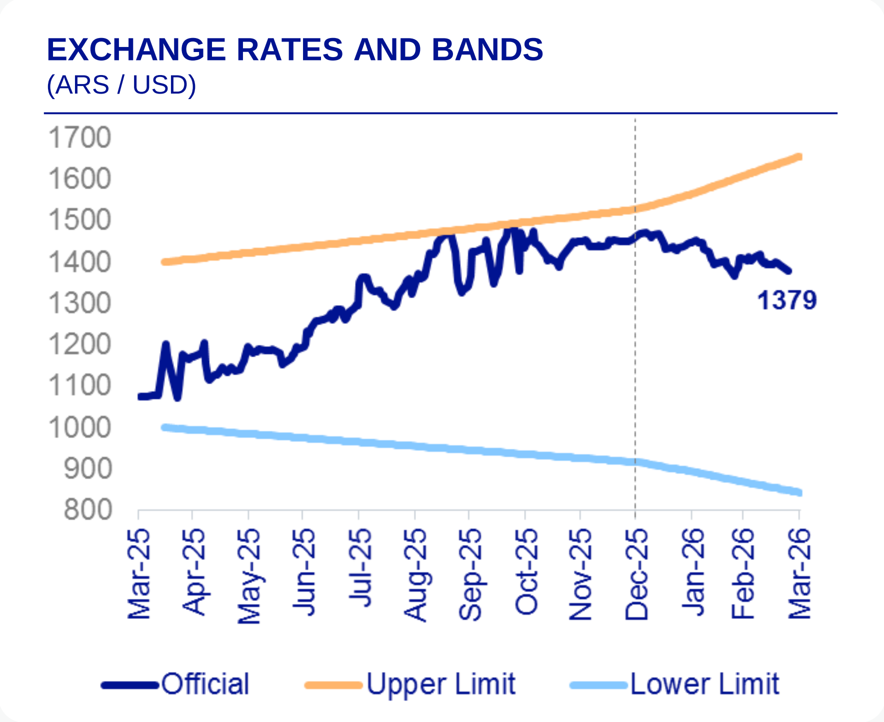




Source: BBVA Research based on Ministerio de Economía and INDEC data

On the expenditure side, the reduction of subsidies is expected to continue, while the challenge remains to rebuild infrastructure investment to improve productivity without compromising a positive fiscal outcome

Central Bank introduced a more flexible exchange rate regime …

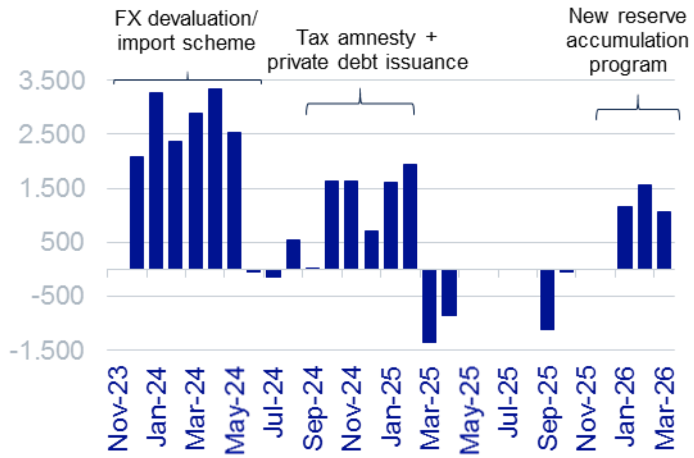


- Inflation-adjusted bands prevent further real appreciation of the exchange rate and function as an intermediate framework toward greater floating…
- … however, they introduce inflation inertia (indexation to past inflation) and are vulnerable to external shocks, since the upper band is 20% above the current exchange rate.
- We project a gradual depreciation in line with nominal dynamics within the bands (1,760 ARS/USD by Dec-2026 and 2,000 by Dec-2027), with risks of volatility, especially toward 2027 (presidential elections)

Source: BBVA Research based on BCRA and INDEC data

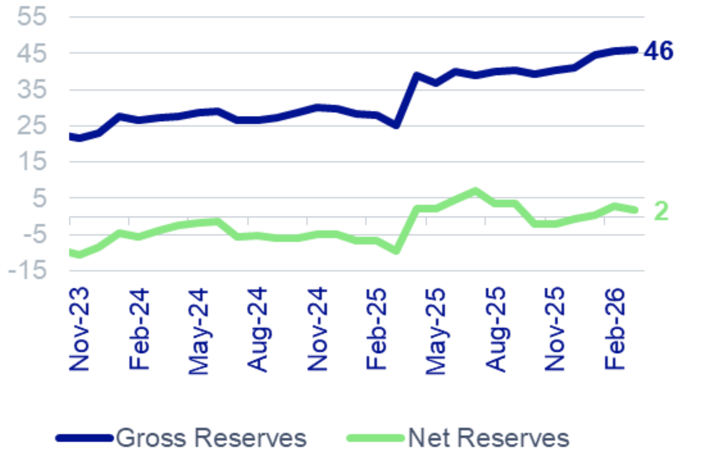
… and a reserve accumulation program, which is advancing faster tan expected

BCRA NET USD PURCHASES (USD MILLIONS)



Source: BBVA Research based on BCRA.

GROSS AND NET INTERNATIONAL RESERVES (USD MILLIONS)

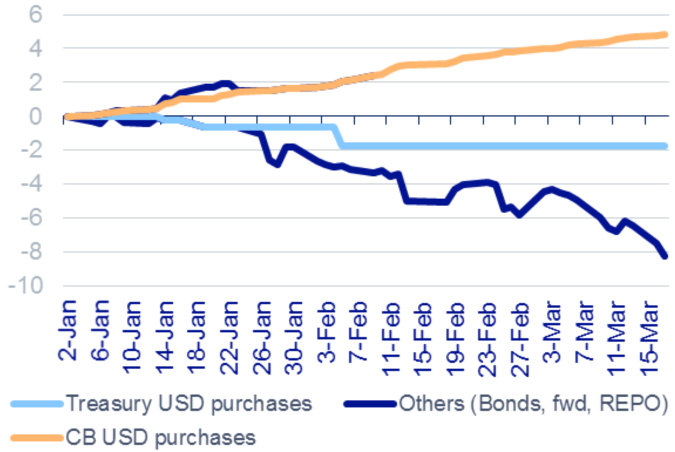


Source: BBVA Research based on BCRA.

The Central Bank has purchased more than USD 3.8 billion in 2026, at a pace exceeding what was anticipated in December by the institution. This process strengthens its balance sheet; however, it is necessary to secure alternative sources of financing to avoid using these reserves to service external debt (which has happened since the beginning of the current administration).

The government is reabsorbing the pesos issued through reserve purchases

SOURCES OF MONETARY ISSUANCE
(ARS TRILLION; ACCUM. YTD)



Source: BBVA Research based on Ministerio de Economía and BCRA. data

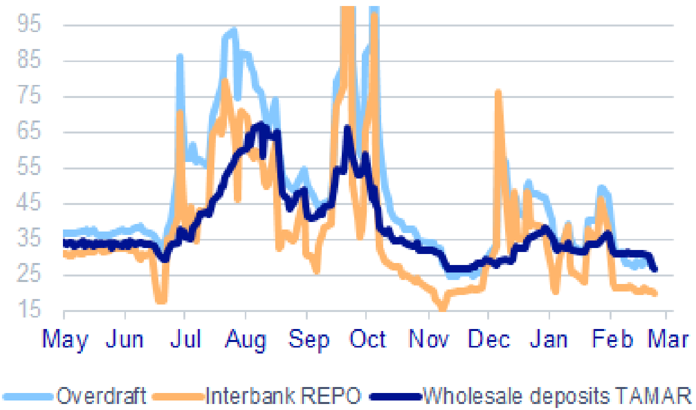
PUBLIC DEBT PAYMENTS IN ARS
(ARS TRILLIONS)

Source: BBVA Research based on Ministerio de Economía data.

The Central Bank and the National Treasury have absorbed the liquidity injection through reserve accumulation via debt rollovers above 100%, Treasury FX purchases to service external debt, Central Bank reverse repos, among other factors. As a result, money supply remains contained

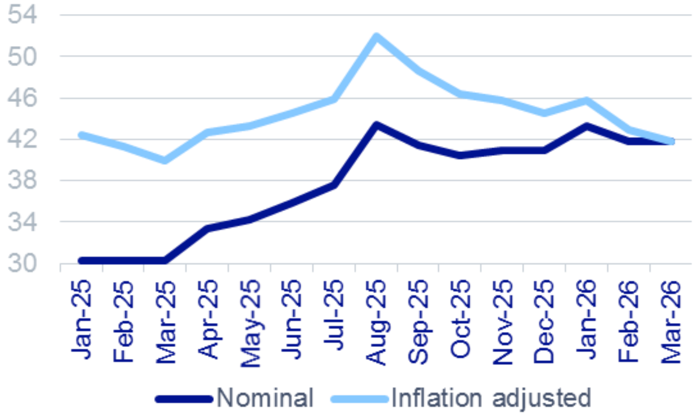
The monetary aggregate targeting framework tends to make interest rates more volatile

INTEREST RATE
(NAR)



Source: BBVA Research based on BCRA,

MONETARY BASE (ARS TRILLIONS, CURRENT PRICES AND CONSTANT PRICES OF MAR-26)

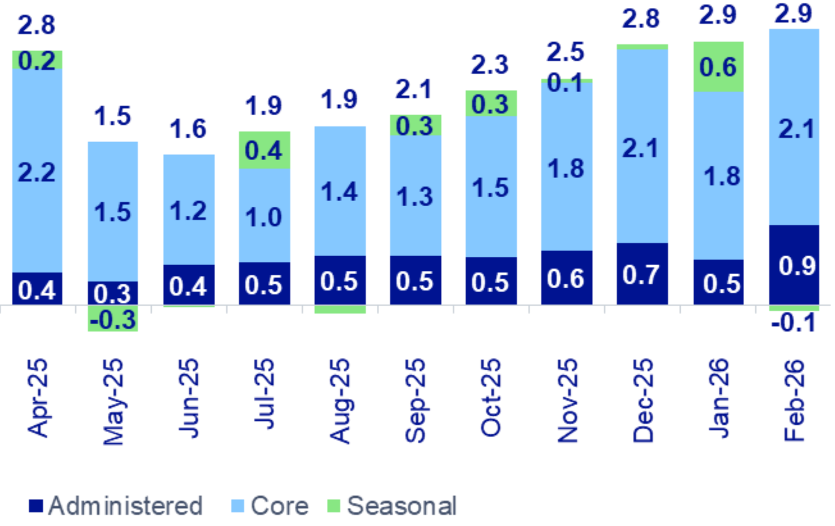


Source: BBVA Research based on BCRA.

In the short term, interest rates are expected to align with expected inflation, accompanied by a moderation in short-term rate volatility compared to what was observed in 2H25. This environment could support the recovery of economic activity and credit, while maintaining the disinflation process

The adjustment in regulated prices and seasonal factors explain the recent inflation acceleration

INFLATION BY COMPONENTS
(VAR M/M %)

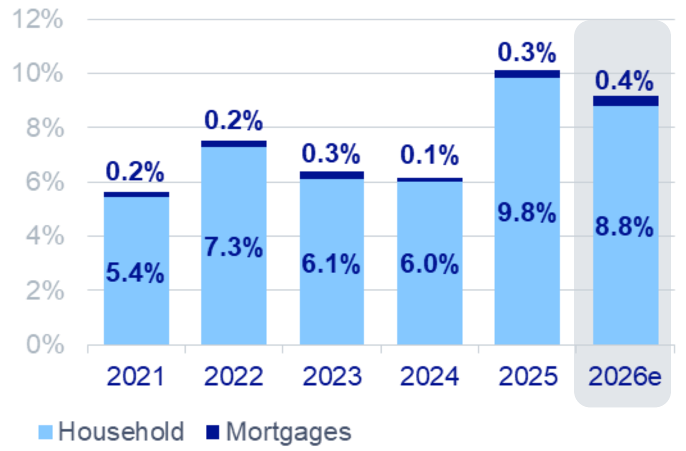


- Regulated prices, meat prices, and the pass-through from exchange rate depreciation in the second half of 2025 explain the recent inflation acceleration.
- Fiscal balance anchors expectations of disinflation going forward, so we expect a slowdown in 2026.
- However, disinflation will not be linear, particularly in a context of relative price normalization.
- We project inflation to reach 24% in 2026 and 15% in 2027.

Source: BBVA Research based on INDEC data

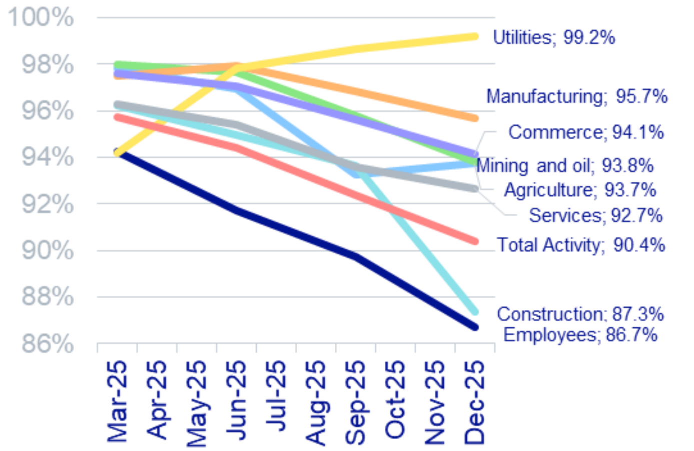
High (and volatile) interest rates have deteriorated credit portfolio quality, especially among households…

HOUSEHOLDS FINANCIAL BURDEN
(% OF DISPOSABLE INCOME)



Source: BBVA Research based on Ministerio de Economía and INDEC data

PERFORMING QUALITY
(% OF PERFORMING PORTFOLIO IN ARS)

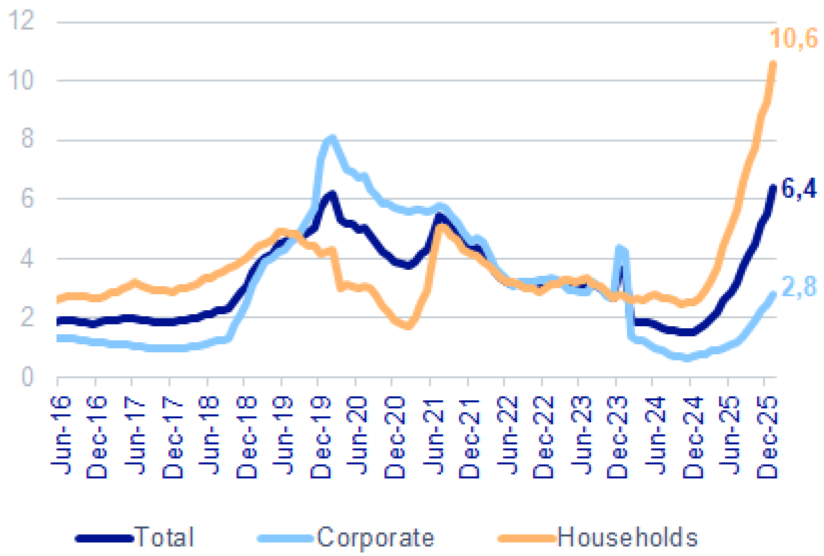


Source: BBVA Research based on Ministerio de Economía and INDEC data

The financial burden of household grew in 2025, but remains low compared to most of economies in the world. NPLs in households (due to high rates in 2025) surged since mid-2025, and it transmitted partially to firms through weaker consumption and margins

… and this has led to a rise in system-wide Non-Performing loans

NON PERFORMING LOANS
(% OF TOTAL LOANS)

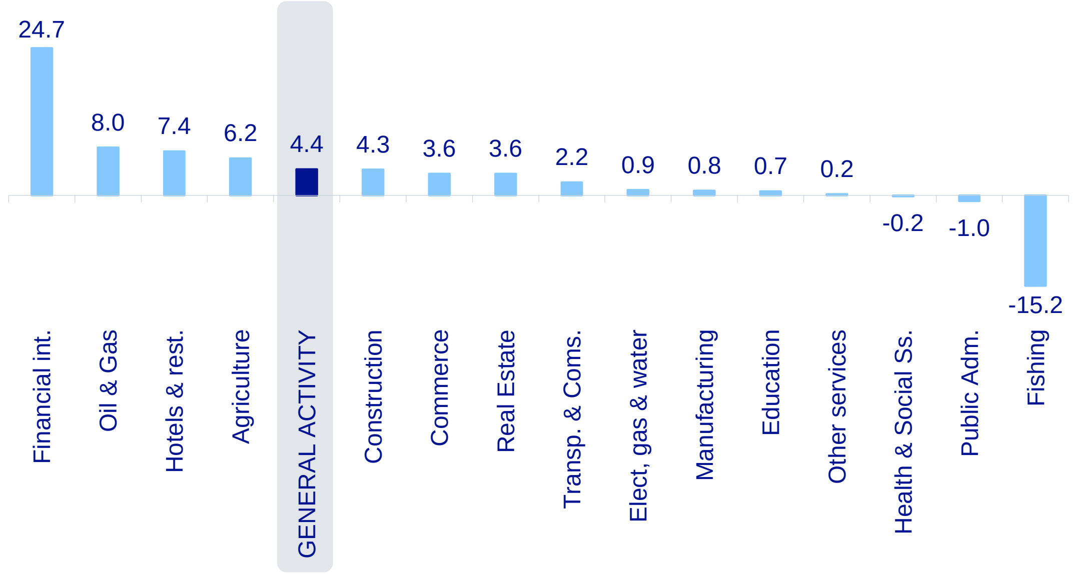


Source: BBVA Research based on BCRA data

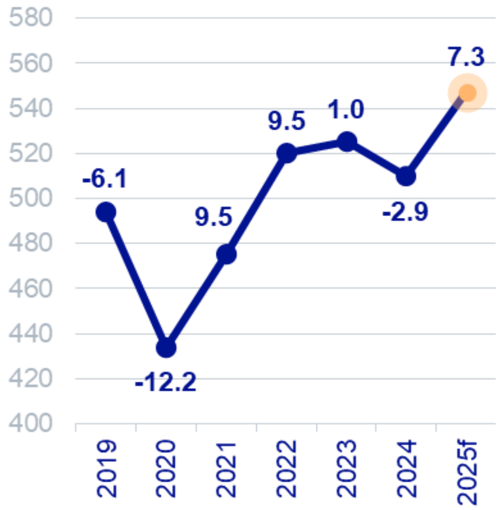
- Non-performing loans are concentrated in households (10.6%, the highest level in 20 years), particularly in consumer credit, while firms show lower levels (2.8%) but with some stress in SMEs. Mortgage loans remain with very low default rates (~1.2%)
- We expect the credit arrears to continue rising until mid-2026, due to the lagged effects of high interest rates and previous economic weakness. It should then stabilize and decline toward the end of 3Q26, alongside macroeconomic improvement and lower rate volatility

The agricultural sector, mining, Oil&Gas and the financial sector are the main drivers behind the GDP growth

ECONOMIC ACTIVITY BY SECTOR
(VAR Y/Y; 2025)



PRIVATE CONSUMPTION
(VAR. % Y/Y)

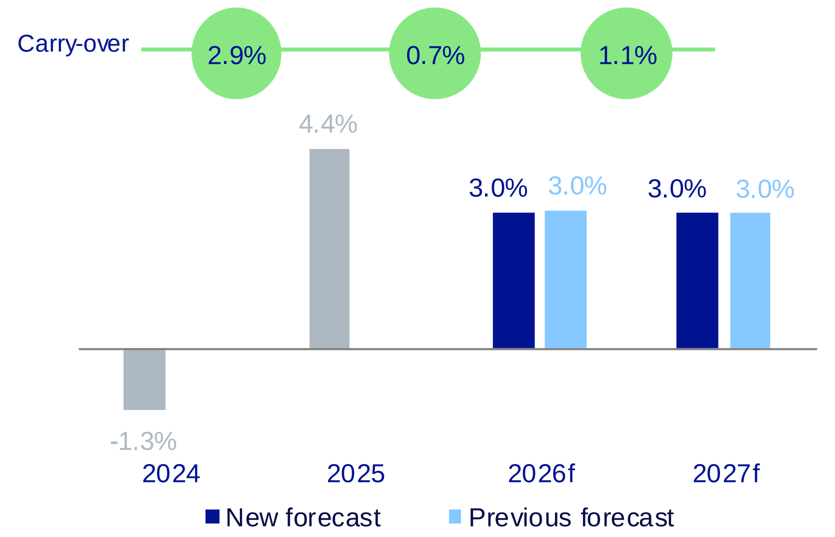


Source: BBVA Research based on INDEC data

Source: BBVA Research based on INDEC data

Investment and the external sector will drive the economy amid an heterogeneous context

GDP
(% CHANGE AND CARRY-OVER EFFECT)

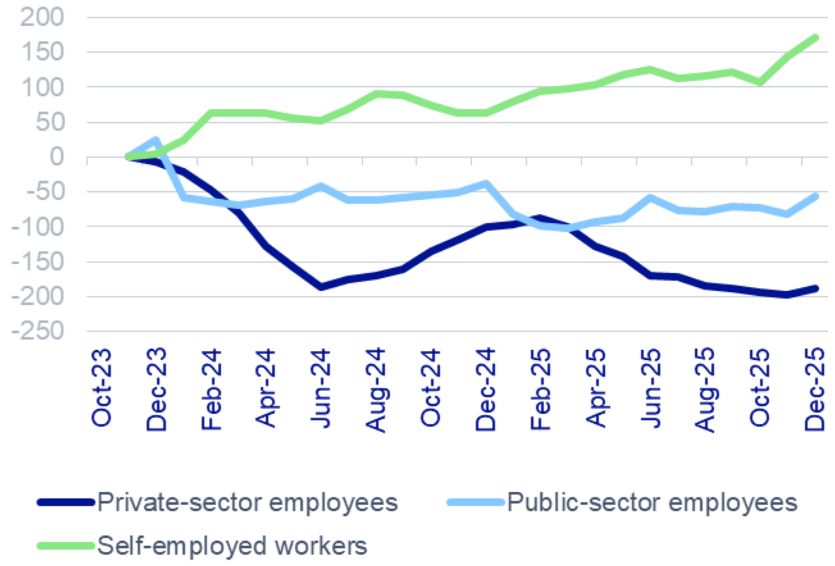


- The maturity of the energy sector, incentives under the RIGI framework, mining expansion, and agricultural activity are expected to drive short-term growth.
- Consumption will also contribute through improving real wages and lower interest rates.
- We maintain our GDP growth forecast at 3% for both 2026 and 2027, supported mainly by export sector dynamism and investment.

Source: BBVA Research based on INDEC data

Unemployment remains contained due to growth in self-employment and lower-quality jobs

REGISTERED EMPLOYMENT
(VAR. M/M, THOUSNADS OF JOBS; SEASONALLY ADJUSTED)

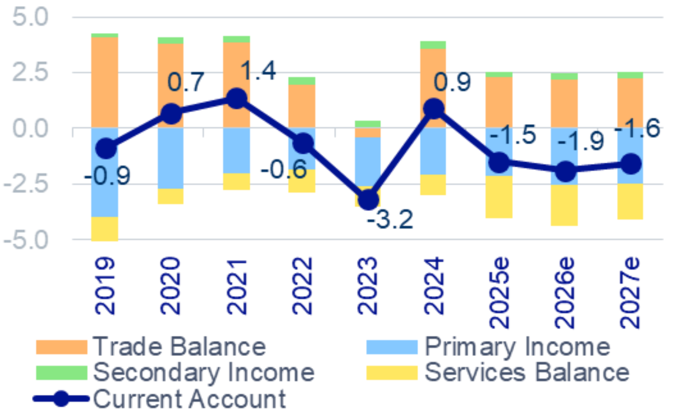


Source: BBVA Research based on INDEC data

- The unemployment rate remains around 7,5%, but the formal private employment has declined since Milei took office.
- Labor absorption has been driven by self-employment and informality.
- In this context, the recently passed Labor Modernization Law (Nº 27802) aims to promote formalization and improve job quality through lower taxes, simplified rules, and incentives for better labor agreements.

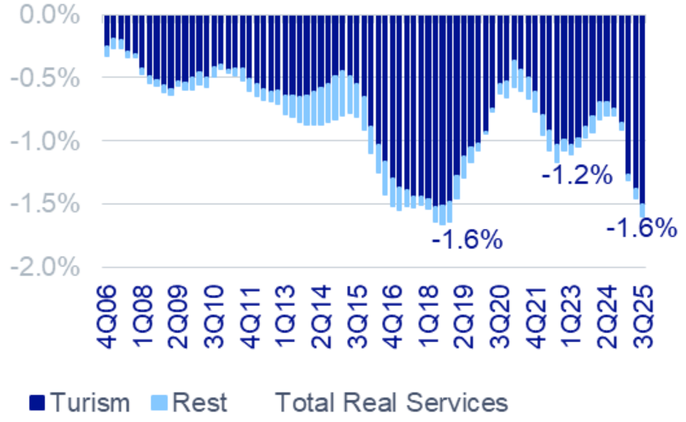
The external deficit remains at manageable levels, supported by good performance of merchandise trade

CURRENT ACCOUNT AND COMPONENTS
(GDP %)



Source: BBVA Research based on Ministerio de Economía and INDEC data

REAL SERVICES; TOURISM
(4-QUARTER MOVING SUM, GDP %)

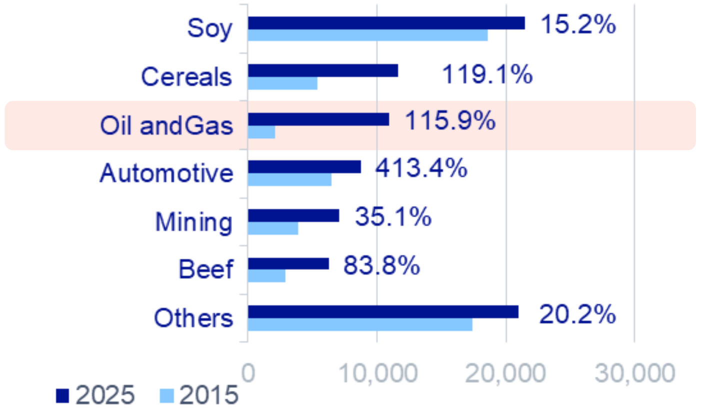


Source: BBVA Research based on Ministerio de Economía and INDEC data

However, the deficit in real services—led by tourism—and income outflows will limit improvements in the external balance. We forecast a current account deficit of 1.9% of GDP in 2026.

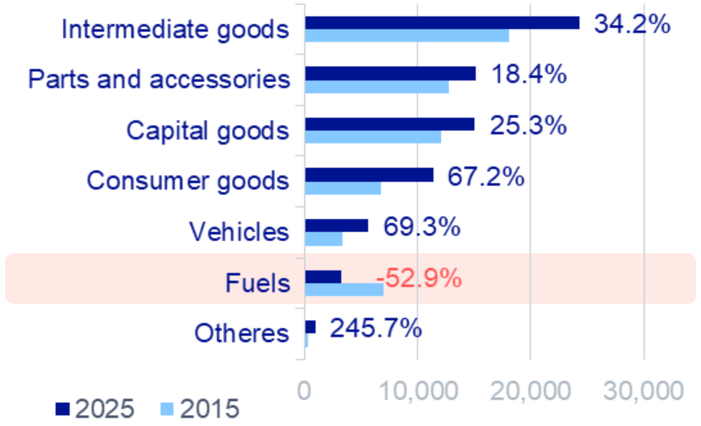
The energy sector is gaining prominence in external trade

MAIN EXPORT SECTORS
(2025 AND 2015, USD MILLINOS AND VAR. %)



Source: BBVA Research based on Ministerio de Economía and INDEC data

MAIN IMPORTS BY ORIGIN
(25 AND 2015, USD MILLINOS AND VAR. %)

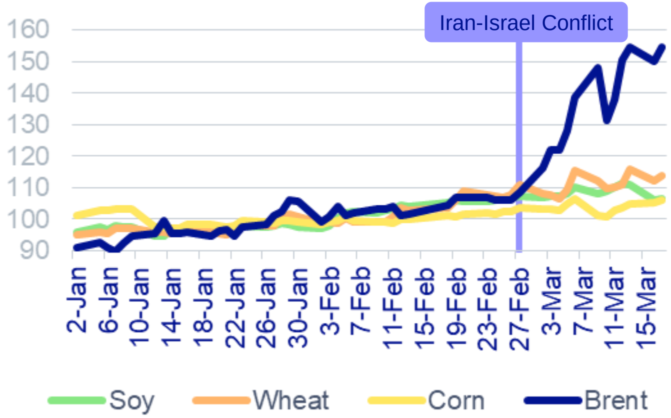


Source: BBVA Research based on Ministerio de Economía and INDEC data

Energy exports currently represent 12.5% of total exports, making it the third-largest export complex, with strong growth potential alongside mining

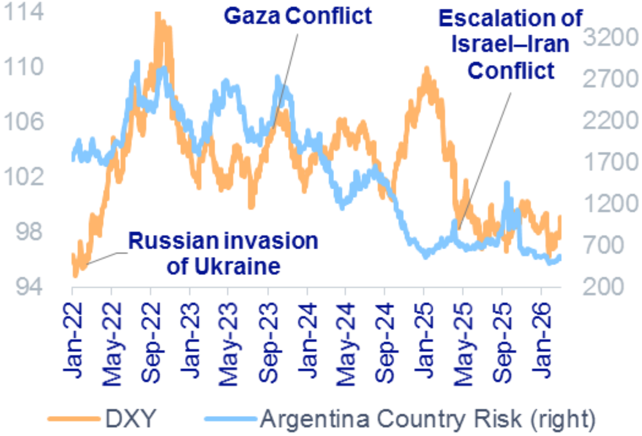
The conflict in the Middle East could improve the terms of trade but increase financial risks

COMMODITIES PRICES
(AVG. JAN-FEB = 100)



Source: BBVA Research based on Alphacast data

DOLLAR INDEX AND COUNTRY RISK
(100 = APR-22, EMBI)



Source: BBVA Research based on Alphacast data

A further escalation of the conflict could drive an increase in emerging markets' country risk, worsening market conditions for future debt issuances. The USD's role as a store of value would reverse its recent weakness, putting pressure on the ARS/USD exchange rate

Global shock with limited domestic impact

- More uncertain global context
- Limited impact on Argentina
- Net positive effect from international prices

Greater macroeconomic consistency

- Consolidated fiscla balance
- Restrictive monetary policy
- Improvement in the exchange rate regime (but not sufficient)

Heterogeneous recovery

- Uneven sectoral recovery
- Weak labor market
- Moderate external deficit

2026 presents conditions to advance pending reforms aimed at normalizing macroeconomic balances and reducing vulnerabilities in the monetary, exchange rate, and debt management fronts

Macroeconomic forecasts

Argentina	2023	2024	2025	2026f	2027f
GDP (% y/y)	-1.9	-1.3	4.4	3.0	3.0
Inflation (% y/y, EOP)	211.4	117.8	31.5	24.0	15.0
Exchange Rate (vs. USD, Dec 31)	808	1,033	1,459	1,760	2,000
Monetary policy rate (% EOP)	100	34.3	28.9	20.0	17.0
Private consumption (% y/y)	1.0	-2.9	7.9	2.7	2.5
Government expenditure (% y/y)	2.1	-3.8	0.2	-1.2	2.4
Investment (% y/y)	-2.0	-17.2	16.4	7.1	12.1
Unemployment rate (as % EAP)	6.1	7.1	7.4	6.9	6.2
Primary Fiscal Result (% GDP)	-2.7	1.8	1.4	1.5	1.5
Financial Fiscal Result (% GDP)	-4.4	0.3	0.2	0.1	0.1
Current account (BoP, % GDP)	-3.2	0.9	-1.5	-1.9	-1.6
Public Debt (% GDP)	156.6	83.2	77.7	73.1	70.2

Source: BBVA Research

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