

March inflation reached 3.4% MoM, marking the highest monthly reading in the last 12 months.

BBVA Research Argentina

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Summary

March inflation reached 3.4% MoM (32.6% YoY, with a 9.4% cumulative increase in 2026), exceeding market expectations (CB-Consensus: 3.0% MoM) for the sixth consecutive month.

The seasonal impact of education costs due to the start of the academic year, rising beef prices, and the partial effect of fuel price hikes (expected to continue into April) drove inflation to its highest monthly level in a year. Beyond these factors, which primarily affected regulated prices, core inflation averaged 3.0% during the first quarter of the year.

The prospect of a prolonged conflict in the Middle East—resulting in higher oil prices than initially anticipated—combined with a reduction in passive interest rates to approximately 20% APR (with the wholesale TAMAR rate at 23%) and the acceleration of reserve accumulation by the Central Bank, which injects liquidity into the economy, suggests a slower disinflation process than originally projected. **Consequently, we have revised our 2026 inflation forecast upward to 29%.**

Component analysis

Core Inflation: Stood at 3.2% MoM (34% YoY), accelerating from 3.1% MoM in February. Beef remains a primary driver, contributing 0.6 p.p. to the monthly total. However, given that its YoY variation reached 54% in March (over 20 points above general inflation), we anticipate a significant deceleration for this commodity in the coming months, as evidenced by current livestock prices.

Regulated Prices: Rose by 5.1% MoM (39% YoY), driven by **Education** (12.1% MoM, 39% YoY), **Transportation** (4.1% MoM, 36% YoY) due to fuel costs, and **Housing, Water, Gas, and Other Fuels** (3.7% MoM, 46% YoY). Over the last six months, regulated prices have increased 4.3 p.p. more than core inflation, reflecting a partial realignment of public utility rates.

Seasonal Prices: Recorded a 1.0% MoM increase in March (+14% YoY).

Outlook

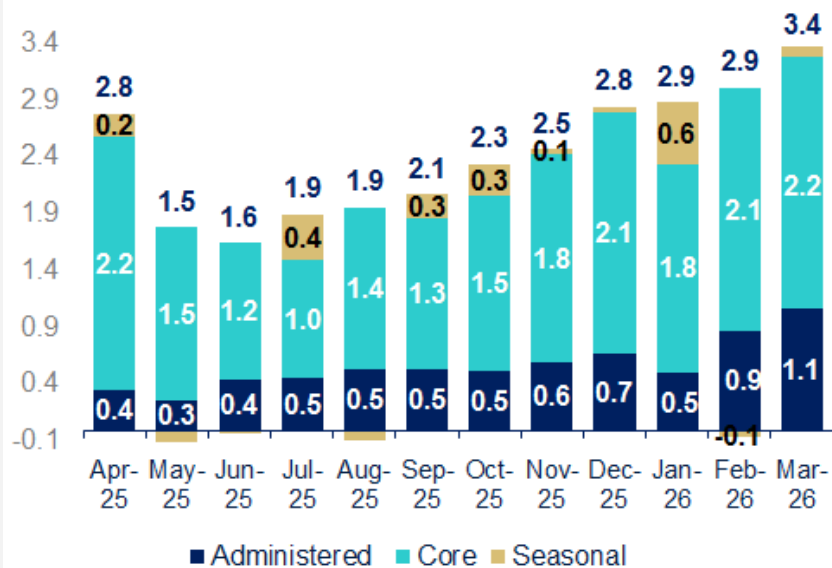
Several price adjustments have already been announced in April, led by increases in public transportation and tolls which range between 4.6% and 4.9% in the Buenos Aires region. Additionally, there are notable hikes in essential services including a 4% rise in water utilities, a 3.5% increase in telecommunications, and a 2.9% adjustment for prepaid healthcare, while electricity rates are set to increase by 2.5%.

Additionally, a 23% increase in fuel prices, implemented in stages throughout March and early April, will add a floor of 0.8 percentage points to this month's figures. **We project April inflation to settle at 2.9% MoM.**

Regarding the international context, the Middle East conflict has persisted longer than expected, with oil prices exceeding initial forecasts. Based on current data, we estimate a direct impact of 1 percentage point on annual inflation, while indirect effects could exceed 1.5 percentage points. The government could mitigate this impact by limiting the pass-through of energy generation costs to electricity and gas bills, or partially through transport subsidies; however, this remains unlikely given the priority of maintaining fiscal balance.

Due to the aforementioned inflationary inertia, geopolitical tensions, and current monetary and reserve policies, we have adjusted our 2026 inflation projection to 29%.

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