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Argentina Economic Outlook

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Challenges amid the consolidation of macroeconomic stabilization

The Argentine economy continues to move through a phase of macroeconomic consolidation, supported by fiscal balance, a deceleration in inflation, and greater exchange rate stability. Nevertheless, the recovery in economic activity continues to display significant disparities across sectors and regions, resulting in an economy advancing at different speeds.

Global Outlook: Slower Growth and Inflationary Pressures

Global economic activity continues to demonstrate resilience despite the recent uptick in inflation and the somewhat tighter financial conditions resulting from the conflict in Iran. The momentum associated with the development of artificial intelligence continues to underpin global growth, but economic expansion is expected to be moderate, particularly in Europe. Even so, the baseline scenario continues to point toward a gradual rather than abrupt slowdown, provided that energy prices begin to moderate during the second half of 2026.

Against this backdrop, inflation is expected to exceed previous forecasts and remain above 3% in both the United States and Europe during the second half of 2026. In the absence of significant second-round effects, inflation should resume a moderating trajectory in 2027. Consequently, the Federal Reserve is likely to keep policy rates unchanged at least until mid-2027, while the European Central Bank may implement only limited additional rate increases.

The balance of risks has become more evenly distributed following the agreement reached between the United States and Iran. The use of strategic petroleum reserves has helped contain a sharper contraction in demand; however, this mechanism provides only temporary relief, and vulnerabilities would increase should the conflict resume. Other significant sources of uncertainty remain, including developments in artificial intelligence, US economic policies, tensions in sovereign debt markets, and extreme weather events as the potential materialization of a severe El Niño phenomenon in Latin America. The interaction of these factors could amplify volatility and weaken growth and inflation prospects.

Domestic Outlook: Macroeconomic Consolidation Supports a New Phase of Growth

Fiscal Sector: Discipline Remains the Primary Macroeconomic Anchor

Argentina completed the first five months of 2026 maintaining its fiscal surplus trajectory, posting a cumulative primary surplus of approximately 0.7% of GDP and an overall fiscal surplus of around 0.2% of GDP. Nevertheless, both indicators show a slight moderation

relative to levels recorded one year earlier, reflecting a dynamic in which the real contraction in public expenditure is no longer fully offsetting weak tax revenue performance.

The composition of public finances is becoming increasingly relevant. On the revenue side, fiscal collections continue to reflect a partial and uneven economic recovery. Taxes linked to economic activity and consumption—particularly VAT—are exhibiting weak performance in real terms, while export duties have been affected by lower tax rates and changes in the composition of exports. This dynamic has been partially offset by stronger performance in corporate income tax collections and by a growing—although still limited—contribution from extraordinary revenues associated with privatizations and other non-recurring sources.

On the expenditure side, fiscal consolidation continues to rely on prudent spending management. Lower operating expenditures, reduced transfers to provincial governments, and public investment levels that remain historically low have offset the automatic indexation of pension benefits and targeted increases in other spending categories, thereby preserving the fiscal surplus as the principal anchor of the macroeconomic stabilization process.

We maintain our forecast of a primary fiscal surplus of 1.5% of GDP in both 2026 and 2027, although the challenge will be to sustain the fiscal surplus as the scope for additional expenditure cuts narrows. The recovery of tax revenues associated with stronger economic growth will become increasingly important to preserve medium-term fiscal sustainability.

Inflation: Signs of Moderation Following a Year of Acceleration

Disinflation regained momentum during the second quarter of 2026 following a period of temporary reacceleration initially triggered by the third-quarter 2025 electoral shock and subsequently by the correction of relative prices. Between July 2025 and March 2026, inflation was driven by adjustments in public utility and transportation tariffs, the—albeit limited—pass-through from FX rate increases, higher beef prices, and rising fuel costs resulting from the conflict in the Middle East. These factors temporarily interrupted the disinflation process observed during the initial phase of the stabilization program.

Beginning in the second quarter of 2026, the normalization of meat prices and the absorption of the impact stemming from higher oil prices contributed to a moderation in monthly inflation. Monthly inflation reached 2.6% in April and 2.1% in May, a trend that is also evident in core inflation measures and in June high-frequency indicators. Lower inflation inertia, together with FX rate stability and reduced financial market volatility, has helped consolidate this downward trajectory. However, significant differences persist in the dynamics of goods, services, and regulated prices, suggesting that the process of relative price normalization has not yet been completed. Consequently, we project year-end inflation of 2.9% in December 2026.

The convergence toward lower inflation levels is expected to continue over the coming years, albeit at a more gradual pace than that observed since the beginning of the stabilization process. Progress will depend increasingly on fiscal discipline, FX rate stability, and the anchoring of inflation expectations.

Monetary policy: Pragmatism and Lower Volatility

Monetary policy entered a phase of reduced volatility and gradual normalization of financial conditions during 2026. Following the tensions observed during the second half of 2025, the Central Bank of Argentina (BCRA) implemented measures aimed at stabilizing liquidity conditions and strengthening monetary policy transmission, contributing to a sustained decline in interest rates and greater financial predictability. This shift in approach has enabled a moderation of monetary conditions without jeopardizing the disinflation process. The TAMAR¹ rate stood at 23% in May, and we expect it to converge toward levels close to 21% by December 2026.

This adjustment is intended to support the recovery of private-sector credit in a context where non-performing loan ratios have reached their highest levels in the past 21 years. Under this scenario, real interest rates would remain positive, supporting the anchoring of expectations and demand for local-currency-denominated assets.

Nevertheless, financial normalization remains incomplete. Elevated non performing levels accumulated during the period of heightened monetary volatility continue to constrain credit expansion, particularly in segments linked to household consumption. While lower interest rates should contribute to stabilizing asset quality during the second half of the year, the recovery in credit activity is likely to be more gradual than during the initial stages of the stabilization process.

Foreign Exchange Market: Stability Despite Central Bank FX Purchases

The new exchange rate framework operated in an orderly manner in the first half of 2026, fostering greater FX market stability and a significant accumulation of international reserves. Foreign currency supply was supported by improved energy terms of trade, the resilience of the agricultural export sector, and a substantial volume of corporate and provincial debt issuance—which has totaled approximately USD 13 billion since November 2025. These factors enabled the Central Bank to conduct net reserve purchases around USD 11 billion without generating significant pressure on the exchange rate. This recovery in international reserves is a significant achievement of the period, although Argentina's external position still exhibit certain vulnerabilities relative to other economies in the region. In this context, reserve accumulation will remain a key objective of economic policy.

We project the FX rate to reach ARS 1,760 per U.S. dollar by year-end 2026, consistent with a gradual depreciation path and the continuation of the disinflation process. In 2027, although the short-term outlook does not point to significant FX rate tensions, the concentration of debt maturities next year and the still limited level of net international reserves remain important challenges. The normalization of access to capital markets is a key factor in reducing these vulnerabilities and preserving FX rate stability throughout the next electoral cycle.

1: TAMAR: The BCRA's benchmark interest rate for wholesale peso time deposits with maturities of 30–35 days, calculated as a volume-weighted average of transactions above the minimum threshold established by the BCRA, currently ARS 1 billion.

External Sector: A Transformation Driven by Energy

The external sector continues to represent a strength of the Argentine economy. In the first 5 months of 2026, the trade balance improved significantly, accumulating a surplus of USD 11.8 billion (USD 1.9 billion in the same period of 2025), driven by record exports and more moderate import growth. Export performance was supported both by the traditional contribution of the agro-industrial complex and by the growing prominence of the energy sector.

The energy balance is consolidating its role as one of the main drivers of external performance. Beyond short-term fluctuations in international commodity prices, expanding production in Vaca Muerta and the maturation of investments undertaken in recent years are enabling sustained growth in energy exports and a structural reduction in import requirements. This process is strengthening foreign currency generation and beginning to alleviate one of the historical constraints on Argentina's long-term economic growth.

We maintain a constructive outlook for the external sector over the coming years. Nevertheless, we project moderate current account deficits of 0.3% and 0.2% of GDP in 2026 and 2027, respectively, reflecting stronger domestic demand and the persistence of a services deficit, particularly in tourism. Even so, the strengthening of the energy sector will continue to provide an important source of external resilience and offsetting support.

Economic Activity: Expansion with Limited Diffusion

Economic activity continued to recover during the first quarter of 2026, although significant disparities persist across sectors and regions. Activities linked to natural resources, energy, mining, and financial services have led the expansion, benefiting from improved external conditions, new investment flows, and productivity gains. By contrast, sectors with a greater capacity to generate employment—such as manufacturing, construction, and the retail sector—have experienced a more gradual recovery.

This sectoral composition helps explain one of the defining characteristics of the current economic environment: macroeconomic stabilization is advancing more rapidly than the recovery of employment and household consumption. Formal job creation remains limited and increasingly concentrated in regions associated with extractive and energy-related activities, while major urban centers continue to exhibit weaker dynamics.

We maintain our GDP growth forecast of 3.0% for both 2026 and 2027, supported primarily by private investment and the export sector. The main challenge will be to broaden the diffusion of growth toward more labor-intensive sectors and to translate macroeconomic progress into more visible improvements for households and businesses.

Financial System: Moderate Growth in Peso Lending, Stronger in USD

The financial system is showing signs of normalization following the period of heightened

monetary and financial volatility observed during the second half of 2025. Lower interest rates, greater exchange rate stability, and declining inflation have supported a gradual recovery in financial intermediation, reflected in stronger growth of both deposits and credit.

However, normalization remains partial. The sharp increase in non performing recorded over recent quarters, particularly in segments linked to household consumption, continues to constrain credit expansion. Although recent indicators suggest that the deterioration in asset quality is stabilizing, improvements in credit quality are expected to be gradual and will continue to depend on developments in economic activity, employment, and real incomes.

Against this backdrop, we project local-currency lending to expand by 37% during 2026, while U.S. dollar-denominated credit is expected to increase by 46%, driven primarily by trade financing to the export sector. On the funding side, we estimate deposit growth of 17% in U.S. dollars and 41% in local currency, in an environment characterized by a growing preference for term financial instruments and a gradual deepening of financial intermediation.

Conclusions

The Argentine economy continues to advance along a path of macroeconomic stabilization whose results are becoming increasingly visible. Fiscal consolidation, declining inflation, greater FX rate stability, and the recovery of international reserves have helped correct several of the major imbalances accumulated over the past decade and have laid a more favorable foundation for sustainable growth. At the same time, structural transformations are emerging that have the potential to alter some of the historical constraints facing the Argentine economy. The growing prominence of the energy sector, the expansion of natural resource-based exports, and the strengthening of the external sector are enhancing foreign currency generation capacity and broadening medium-term investment opportunities.

Economic growth, however, continues to display uneven performance across sectors and regions. While some activities show remarkable dynamism, formal employment creation, consumption recovery, and income growth evolve at a more gradual pace. The objective is to ensure that macroeconomic progress reaches a broader segment of the economy.

Our baseline scenario projects GDP growth of 3.0% in 2026 and 2027 and a gradual reduction in macroeconomic imbalances. Nevertheless, important vulnerabilities remain, including the low level of net international reserves, the financing needs scheduled for 2027—within a context shaped by the electoral calendar—and the challenge of translating macroeconomic stabilization into sustainable improvements in employment, consumption, and social indicators.

The risk landscape continues to be shaped by global volatility, which could translate into higher inflation and more restrictive financing conditions for Argentina. In addition, the potential materialization of a severe El Niño event could adversely affect agricultural production, commercialization channels, and related logistics sectors.

MACROECONOMIC FORECASTS – ARGENTINA

	2023	2024	2025	2026 (f)	2027 (f)
GDP (% y/y)	-1.9	-1.3	4.4	3.0	3.0
Inflation (% y/y fdp)	211.4	117.8	31.5	29.0	20.0
Exchange rate (vs USD 31/dec)	808	1,033	1,459	1,760	2,200
Monetary policy rate (% eop)*	100	34.3	28.9	21.0	20.0
Private consumption (% y/y)	1.0	-2.9	7.9	2.7	2.0
Public consumption (% y/y)	2.1	-3.8	0.2	-1.2	1.4
Investment (% y/y)	-2.0	-17.2	16.4	7.1	12.2
Unemployment (% 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 (% GDP)	-3.4	0.9	-1.1	-0.3	-0.2
Public debt (% GDP)	155.8	82.6	78.4	74.6	70.7

*TAMAR since 2024.

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