

OCTOBER 2026

Argentina Outlook

Global | Main Messages

The global economy is growing, with high but contained inflation and limited financial stress. AI, defense spending, and central banks' commitment to inflation are helping to offset the impact of tensions in the Middle East, which are keeping energy prices high, and the rise in long-term sovereign yields.



Growth prospects remain virtually unchanged. In the US, GDP is expected to grow by slightly more than 2%. China's growth will continue to moderate to around 4%. The outlook for the Eurozone is improving this year and will remain stable next year, despite higher oil prices, interest rates, and inflation.



Commodity prices will keep inflation high in the short term. A moderation is likely in 2027 if geopolitical tensions ease. Tighter monetary policy will also help contain it: official interest rates are expected to rise soon to 4.25% in the US and 2.75% in the Eurozone.



Uncertainty remains very high. Escalations in the Middle East or Ukraine, climate shocks, rising public debt and sovereign yields, protectionism, and AI could erode global resilience and generate instability. Higher oil prices for a longer period would increase inflation and interest rates.



Argentina | Main Messages

Disinflation continues, though it is not a linear process



Against a backdrop of exchange rate stability and lower nominal inertia, inflation declined from the levels recorded in 1H26. We expect monthly inflation to average around 1.5% toward year-end, bringing annual inflation to 29% in 2026.

In 2027, we expect inflation to continue its downward trend, approaching 20% annually.

Economic activity loses momentum, while employment continues to lag



Economic activity is slowing, with persistent sectoral heterogeneity and weak formal employment. This poses downside risks to our 2026 and 2027 growth forecasts, which nevertheless remain positive, supported by exports and investment.

Record-high exports reshape the growth pattern



Strong dynamism in agriculture, energy and mining will push exports to a record high of around USD 102 billion in 2026, driven by high commodity prices and higher export volumes. Trade surpluses exceeding USD 24 billion in both 2026 and 2027 will help bring the current account into balance.

Exchange rate stability allows interest rates to align with inflation



Favorable external conditions enabled the BCRA to purchase more than USD 14.5 billion in 2026 while maintaining exchange rate stability. Interest rates have also aligned with inflation. We expect the exchange rate to reach ARS 1,630 per USD by year-end, with interest rates remaining positive in real terms, at around 3%-5% annualized.

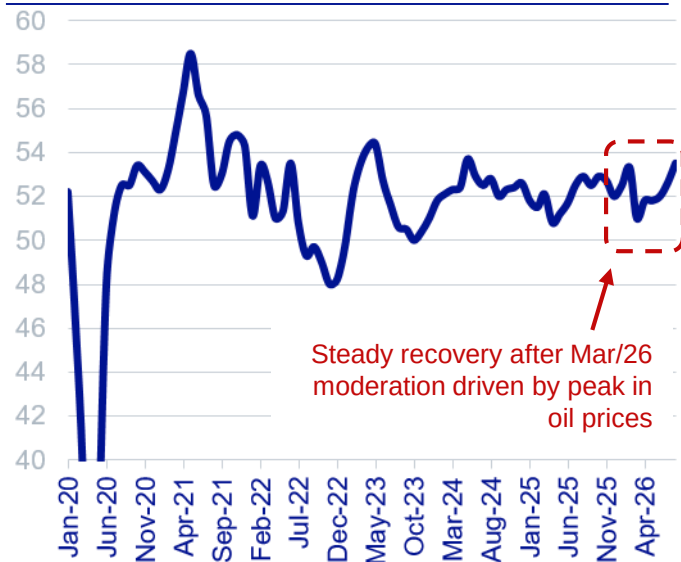
1. THE SITUATION IN ARGENTINA

Global situation

The global economy remains resilient despite persistent shocks

GLOBAL COMPOSITE PMI

(HIGHER THAN 50: EXPANSION; LOWER THAN 50: CONTRACTION)



GLOBAL HEADWINDS

- geopolitical fragmentation, conflicts
- energy and commodity shocks
- climate shocks
- rising public debt and long-term yields
- policy uncertainty
- protectionism
- China's structural slowdown
- ageing

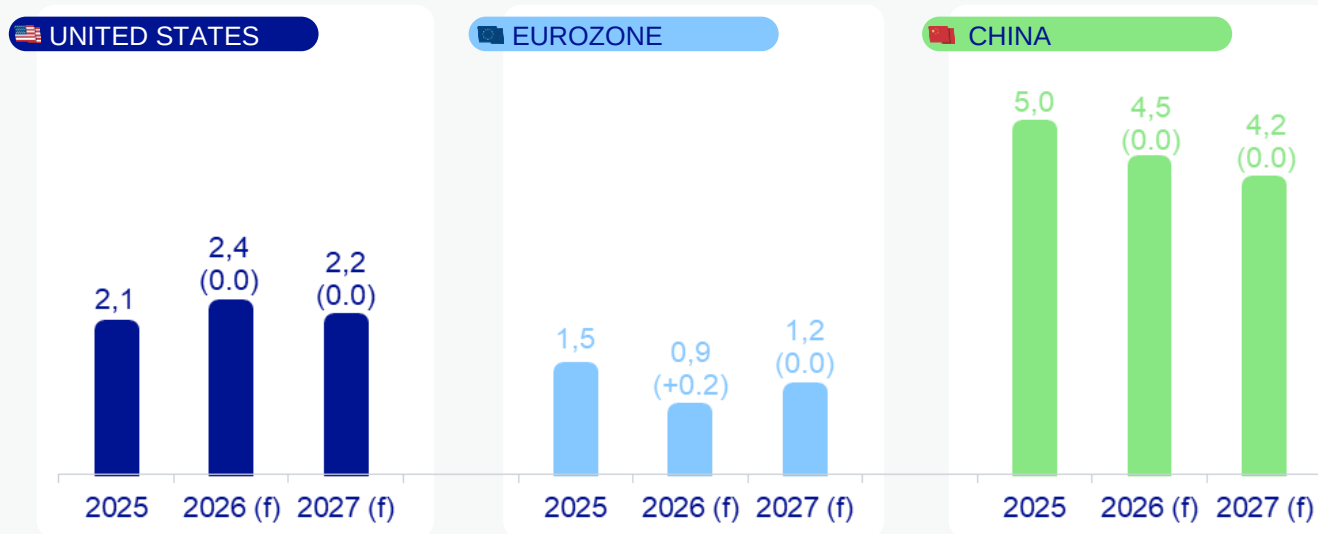
GLOBAL TAILWINDS

- AI adoption
- defense spending
- inflation-focused central banks
- solid private balance sheets
- fiscal impulse
- resilient labor markets
- supply-chain reconfiguration
- green investment, energy diversification

Broadly unchanged GDP forecasts despite a better outlook for Europe this year, supported by stronger incoming data

GDP GROWTH (*)

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



Growth is expected to be slightly above 2% in the US and converge to 4% in China, despite 2Q26 negative surprises.

In **Europe**, the impact of higher interest rates will be mostly offset by the effects of a weaker euro

(*) After expanding by 3.5% in 2025, global GDP is still forecast to grow by 3.1% in 2026 and by 3.3% in 2027 (unchanged figures).

(f): forecast.

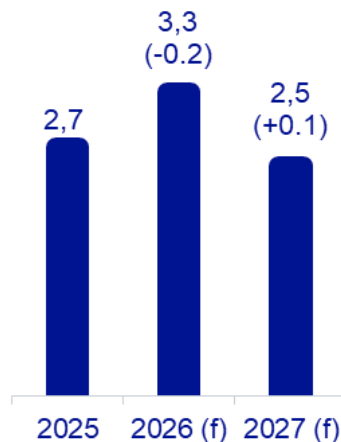
Source: BBVA Research

Commodity prices and demand resilience will help to keep inflation under pressure, at least in the short-run

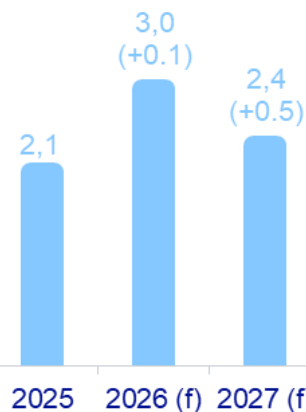
HEADLINE CPI INFLATION

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

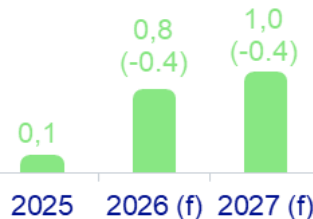
UNITED STATES



EUROZONE



CHINA



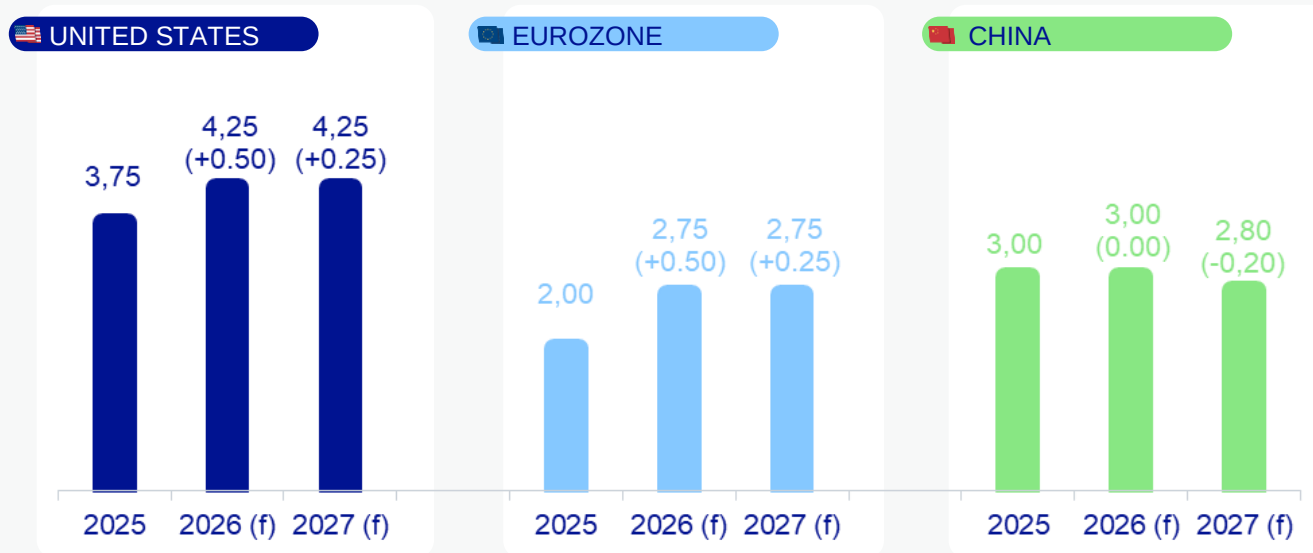
Inflation will remain high, above previous expectations in Europe, amid higher energy prices and resilient growth

It is forecast to ease next year, with core prices staying contained, provided energy prices decline as assumed

Fed and ECB are set to hike again in Dec/26 and keep rates on hold in 2027, despite upside risks

POLICY INTEREST RATES (*)

(%, END OF PERIOD, CHANGE WITH RESPECT TO PREVIOUS FORECAST IN PARENTHESES)



Policy rates will be higher than previously expected to address increasingly challenging inflation risks

Further tightening will likely be limited, if inflation eases as expected during 2027, but risks are tilted upwards

(f): forecast.

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

Source: BBVA Research

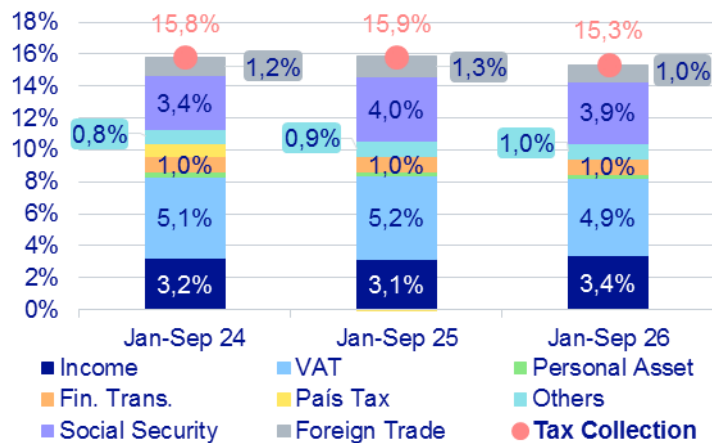
2. ARGENTINA OUTLOOK

Local Outlook

The fiscal anchor remains, but achieving a financial surplus is becoming more demanding

TAX REVENUE BY TAX

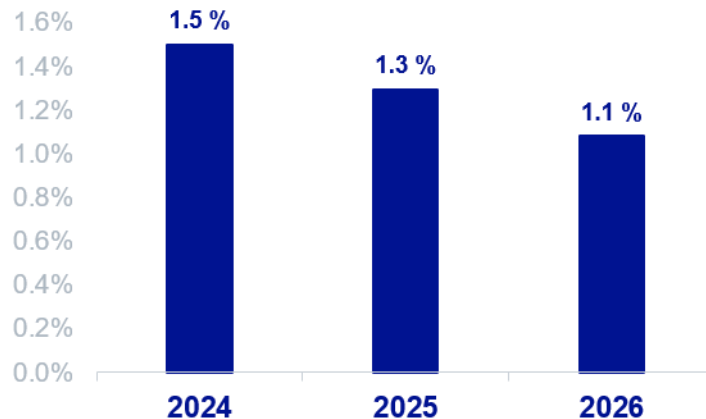
(AS A % OF GDP)



Source: BBVA Research based on data from the Ministry of Economy

ACCUMULATED PRIMARY BALANCE

JAN-AUG (AS A % OF GDP)

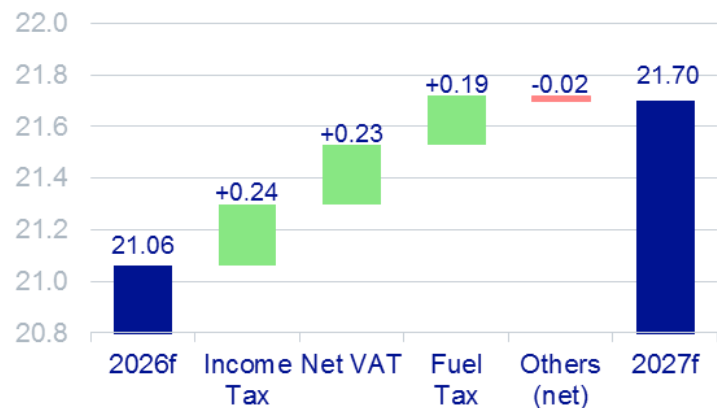


Source: BBVA Research based on data from the Ministry of Economy

So far this year, revenue has fallen by 3.0% year-on-year in real terms, while spending has decreased by 2.5% in real terms. Thus, the room for further adjustments is increasingly limited.

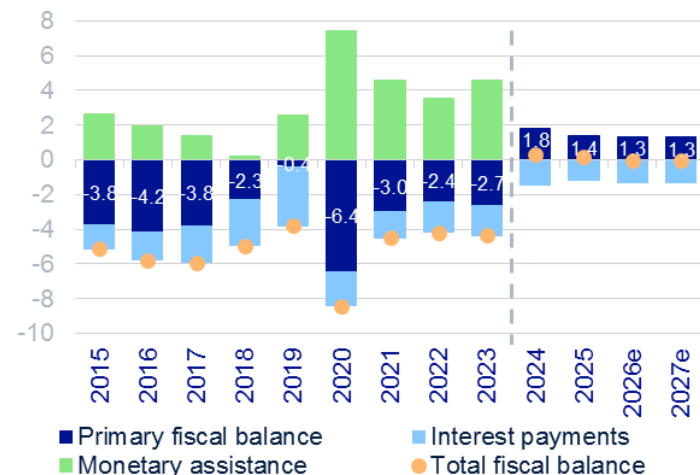
The fiscal strategy outlined in the Budget 2027 aims to recover revenue through economic growth

COMPOSITION OF THE PROJECTED REVENUE INCREASE IN THE BUDGET (% GDP)



Source: BBVA Research based on the 2027 Budget

FISCAL BALANCE AND MONETARY ASSISTANCE (% GDP)



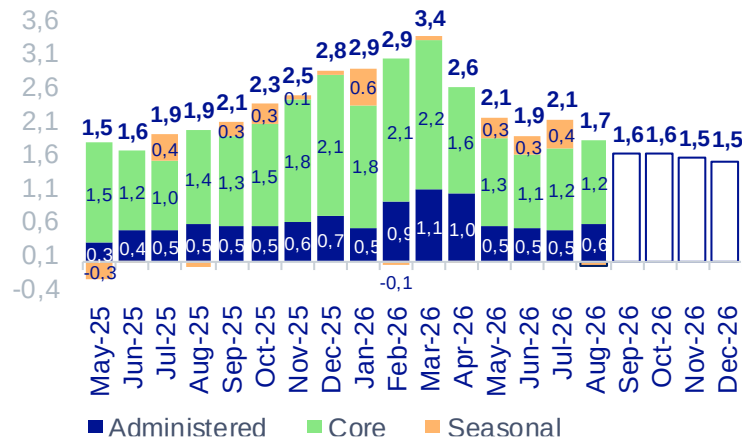
Source: BBVA Research based on Ministry of Economy

Fiscal consolidation is entering a new phase, with less room for further spending cuts as some expenditure categories begin to recover in real terms following the initial adjustment. We forecast a primary surplus of 1.3% of GDP in both 2026 and 2027.

Disinflation is progressing in 3Q26, but the process remains nonlinear and subject to temporary setbacks

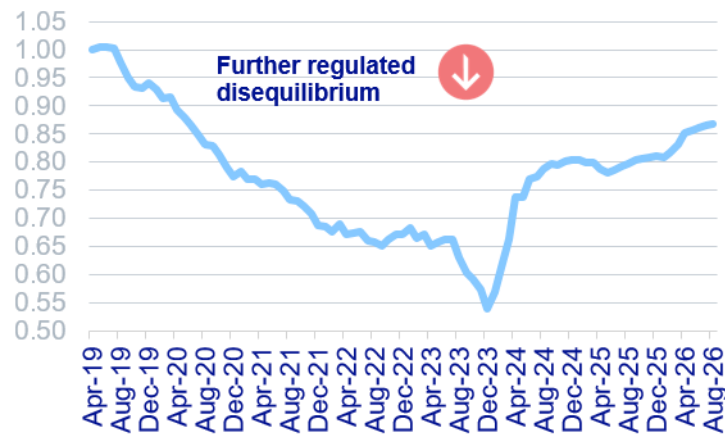
CONTRIBUTION TO GENERAL INFLATION

(% M/M CHANGE AND CONTRIBUTIONS)



Source: INDEC and BBVA Research

LAG IN REGULATED PRICES VERSUS CORE INFLATION (APR-19 = 1)



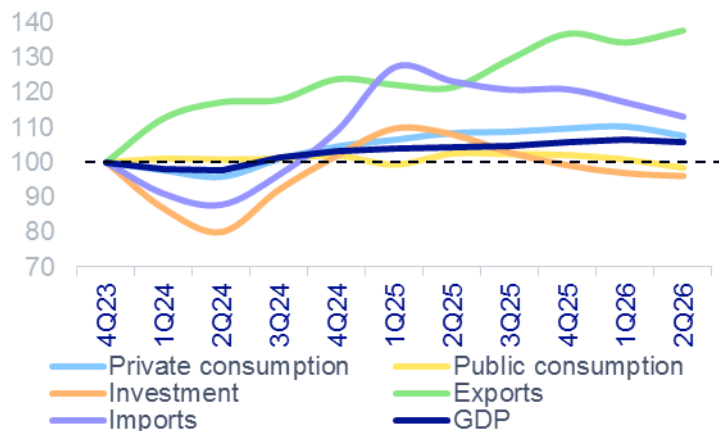
Source: INDEC and BBVA Research.

We expect monthly inflation to average 1.55% in 4Q26, bringing annual inflation to 29% in 2026. In 2027, lower inflationary inertia, a slower adjustment in regulated prices, and positive real interest rates will contribute to further disinflation, bringing annual inflation down to 20%.

Past the initial stabilization phase, the challenge is to sustain and broaden export-driven growth

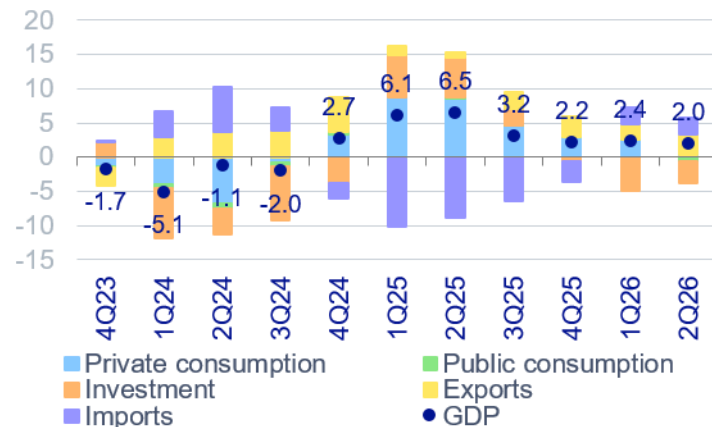
GDP EVOLUTION BY COMPONENT

(BASE Q4 2023 = 100; SEASONALLY ADJUSTED SERIES)



CONTRIBUTION TO GDP GROWTH

(Y/Y % CHANGE)



Source: INDEC and BBVA Research.

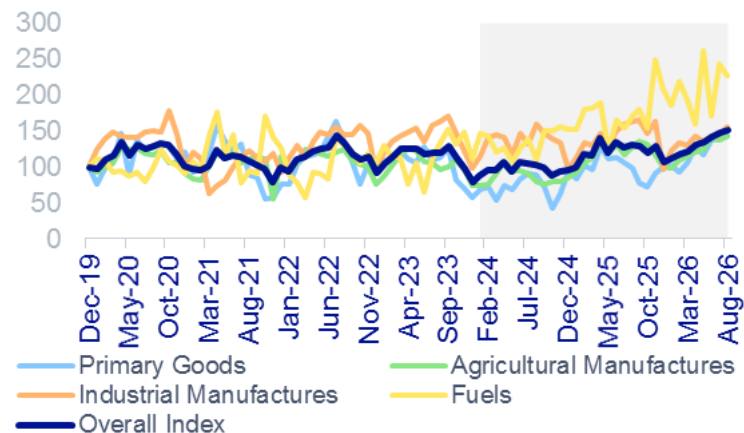
Source: INDEC and BBVA Research.

Recent economic activity figures (Jul-26 EMAE; -1.4% y/y; -2.9% m/m s.a.) came in negative, reinforcing downside risks to our 2026 growth projections. We are maintaining our 3% y/y forecast for 2027, driven by the export sector and investment.

The agricultural, energy, and mining sectors are driving exports to a record high this year

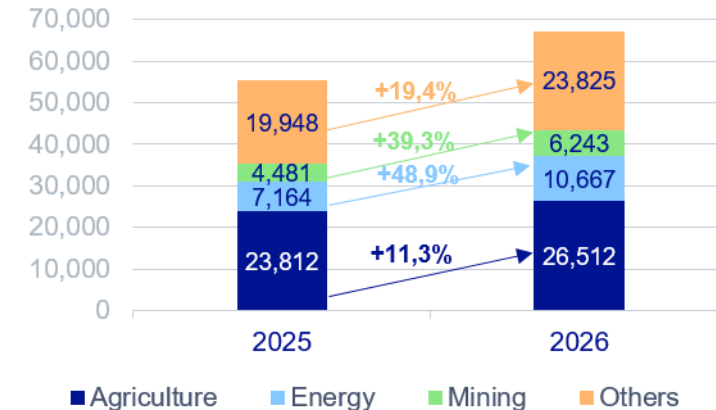
EXPORTED VOLUME: MAJOR CATEGORIES

(BASE INDEX DEC-19 = 100)



MAIN EXPORT SECTORS

(JAN-AUG, USD MILLION AND Y/Y CHANGE)



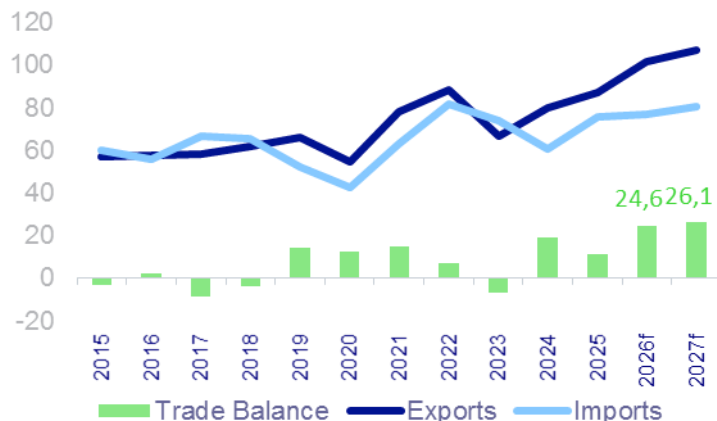
Source: INDEC and BBVA Research

Source: INDEC and BBVA Research.

Exports will reach a record USD 102 billion, driven by favorable export prices and growing export volumes, with energy exports doubling their December 2023 level.

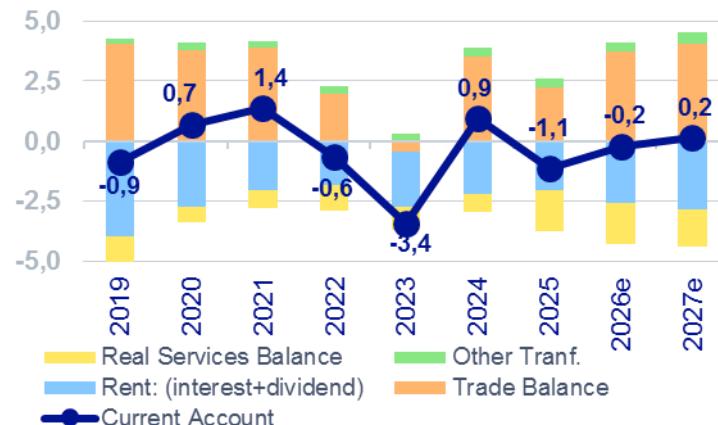
The high trade surplus allows for a balanced current account

EXPORTS, IMPORTS, AND TRADE BALANCE
(IN BILLIONS OF USD)



Source: INDEC and BBVA Research

BALANCE OF PAYMENTS
(% GDP)

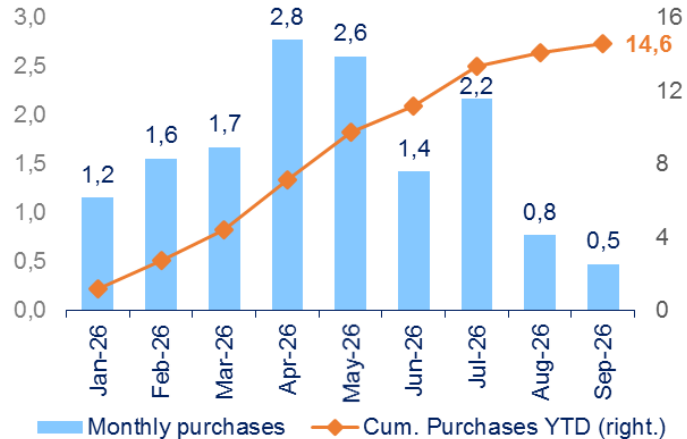


Source: INDEC and BBVA Research

The merchandise trade surpluses of more than USD 24 billion expected for this year and next will offset the outflow of foreign currency due to dividends and interest payments, thus reverting the current account deficit by 2027.

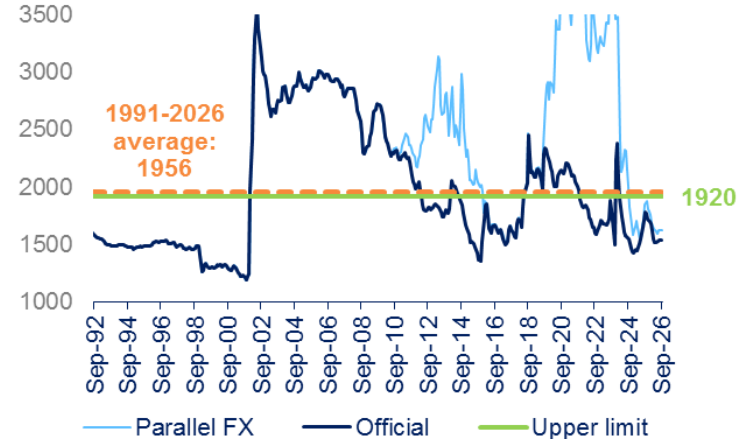
The Central Bank took advantage of this situation to accumulate reserves amid a strengthening peso

CB'S USD NET PURCHASES ON THE OFFICIAL FX MARKET (BILLIONS OF USD)



Source: BCRA and BBVA Research

REAL EFFECTIVE EXCHANGE RATE
(USD/ARS, AT TODAY'S PRICES)



Source: BCRA, Alphacast, and BBVA Research

The BCRA purchased over USD 14.6 Bn, exceeding initial expectations. The peso has only depreciated by 4,5% so far this year. We project an upward trend in the FX rate during 4Q26, reaching 1,630 ARS/USD by the end of 2026, which would imply an increase of 11.7% y/y, while inflation would reach 29%. We estimate that the exchange rate will rise 25% in 2027, exceeding the projected inflation of 20%.

The government announced the financial program for 2026 and 2027

NATIONAL GOVERNMENT FINANCIAL PROGRAM: NEEDS AND RESOURCES IN FOREIGN CURRENCY (USD, BILLIONS)

CREDITORS	Oct-Dec 2026	2027	SOURCES	Oct-Dec 2026	2027
Private bondholders	0.1	10.6	"Secured" funds	3.4	9.7
Local Law	0.1	5.1	IMF Disbursements	0.9	1.7
Foreign Law	0.0	5.4	Roll-over by IFIs	1.1	5.0
IMF	1.1	7.4	Treasury deposits at BCRA	1.4	3.0
Paris Club	0.0	0.3	Plans/announcements by Gov't	2.2	6.5
Other IFIs	1.1	5.0	Privatizations	0.6	1.5
IFI-guaranteed bank credit	0.0	0.2	Debt issuance (LOCAL market)	0.8	5.0
BOPREAL	0.1	4.2	IFI-guaranteed bank credit	0.8	0.0
REPOs (BCRA)	0.1	0.5	TOTAL SOURCES (B)	5.6	16.2
TOTAL OBLIGATIONS (A)	2.6	28.2	A-B: NET NEEDS (+) / FUNDS (-)	-3.0	12.0

Source: BBVA Research, Ministry of Economy and IMF

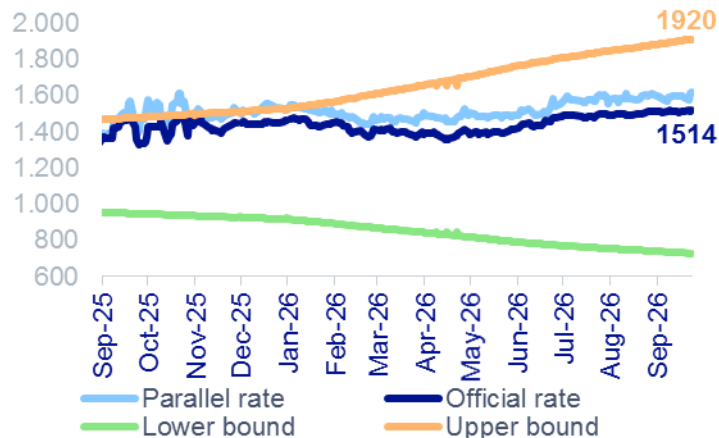
The government postponed issuing debt in the international market to resort to lower-cost alternatives: local USD bonds, REPO facilities with international banks, multilateral loans, and dollar purchases using peso-denominated debt issuance.

The assumptions behind the announced financial program appear optimistic, mainly the placement of USD 5 billion in bonds in the local market in 2027 and the additional need for USD 12 billion, which would be obtained from reserves or other unspecified alternative sources.

The plan is feasible but not very resilient to severe political or climatic shocks. It has last-resort backups (such as the swap line with the US Treasury), although relying on them is inadvisable in the baseline scenario.

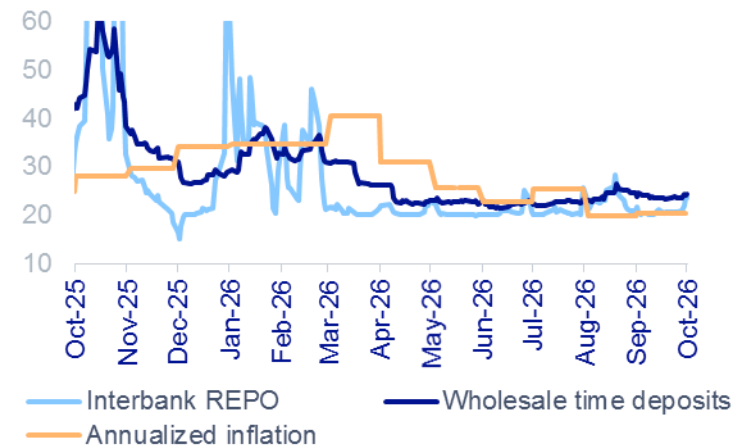
Exchange rate stability allowed for an easing of interest rates in 2026, but now short-term rates are in line with inflation

EXCHANGE RATES AND FLOATING BANDS
(USD/ARS)



Source: BCRA, Alphacast, INDEC, and BBVA Research.

INTEREST RATES AND INFLATION
(% NOM. ANNUAL RATES)

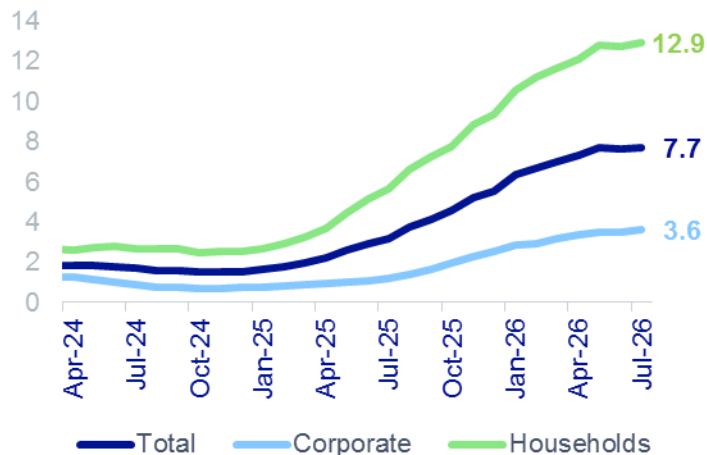


Source: BCRA and BBVA Research.

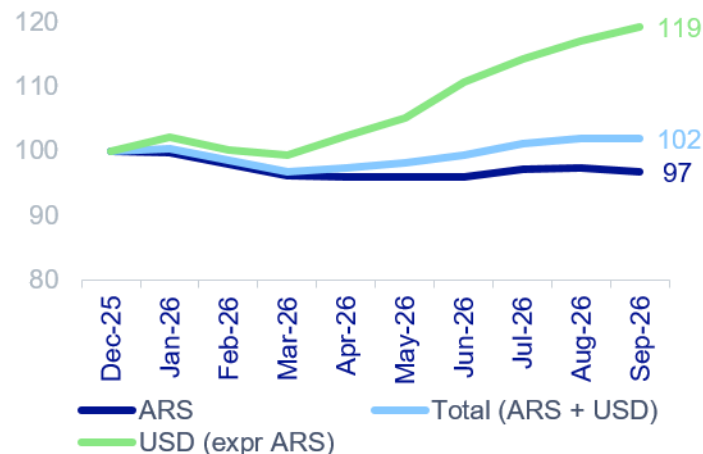
The FX rate stability of 2026 allowed for a substantial reduction in benchmark interest rates in 1H26. From June onwards, they converged to levels aligned with inflation. Looking ahead, we project that the reference rate for the system (TAMAR) will remain slightly above inflation, around 3-5% real annualized.

The increase in NPLs stopped since May, and we project a very gradual decline starting in Q4 2026

FINANCIAL SYSTEM NON-PERFORMING LOANS (% OF TOTAL PORTFOLIO)



CREDIT EVOLUTION IN 2026, ADJUSTED FOR INFLATION, BY CURRENCY (DEC-25 = 100)



Source: BCRA and BBVA Research.

Source: BCRA and BBVA Research.

The slowdown in credit is contributing to a slower decline of NPLs. This year, USD-denominated loans (+41%) have been the main driver of total credit growth (+26%), while peso-denominated loans (20%) have grown below inflationary levels. We expect the decrease in NPLs to contribute to some credit recovery in 2027.

...helping to navigate the highly uneven evolution of the economy

The recovery is no longer driven by a single, unified force: some sectors are already on an expansionary path, while others continue to undergo adjustment or restructuring processes. The convergence of these trajectories will be key to sustaining growth in the coming years.

TOTAL PRODUCTION AND BY SECTOR OF ACTIVITY (GROWTH AND DECLINE BY QUARTER; SEASONALLY ADJUSTED SERIES)

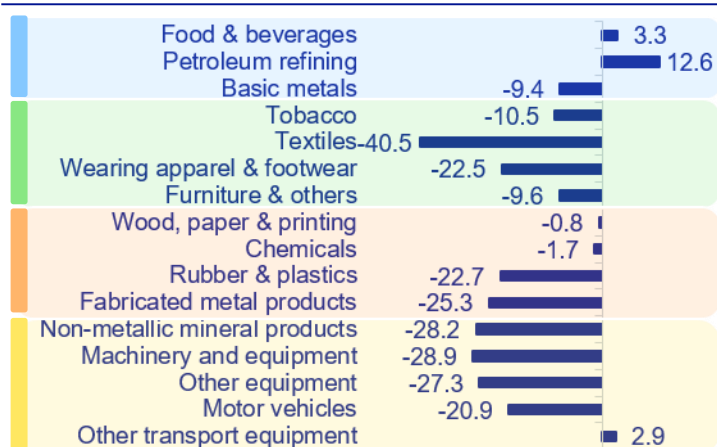
	2023		2024			2025				2026	
	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q
General Activity											
Agriculture & livestock											
Fishing											
Oil & Gas											
Manufacturing											
Electricity, gas & water											
Construction											
Commerce											
Hotels & restaurants											
Transp. & Comms.											
Financial intermediation											
Real Estate											
Public Administration											
Education											
Health & Social Ss.											
Other services											

Note: Red indicates falling and green, growth.

External demand is creating a growing gap within the industry

INDUSTRIAL PRODUCTION BY BRANCH

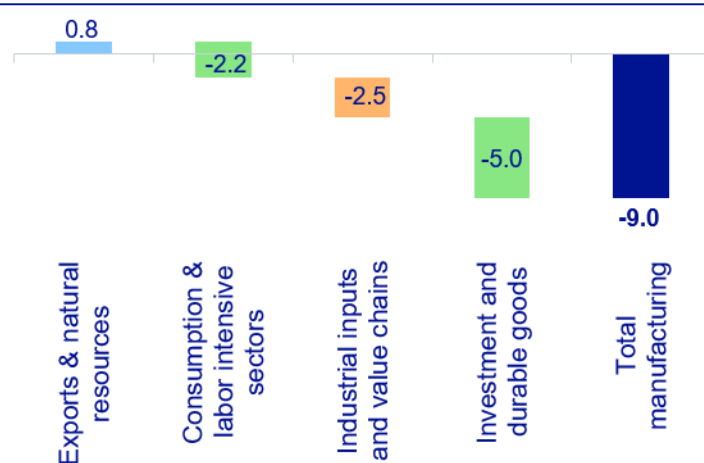
(IN %; VAR. ACUM. NOV'23 TO JUL'26; SERIES S.E.)



Source: INDEC and BBVA Research

CONTRIBUTION TO GROWTH BY GROUP

(IN P.P.; ACCUM. NOV'23 TO JUL'26; SERIES S. E.)



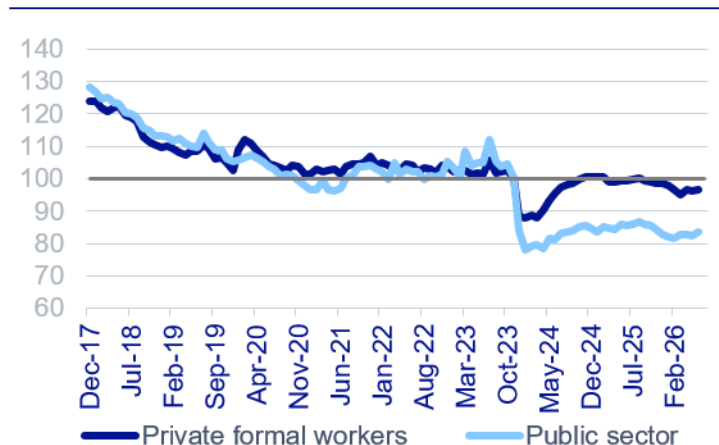
Source: INDEC and BBVA Research

Export-oriented sectors are mitigating the industrial contraction, while those more dependent on consumption, construction, and local intermediate demand continue to adjust. The challenge lies in converting export advantages into greater local production density.

The economic framework is still failing to create formal employment

REAL WAGES BY SECTOR

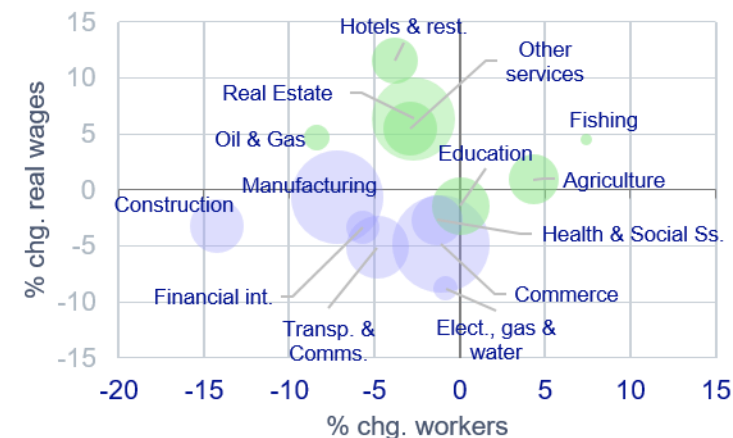
(AVG. NOV'23 = 100)



Source: INDEC, BCRA, and BBVA Research.

FORMAL PRIVATE EMPLOYMENT AND REAL

WAGES BY SECTOR (CUMULATIVE % CHANGE BETWEEN NOV'23 AND JUN'26)



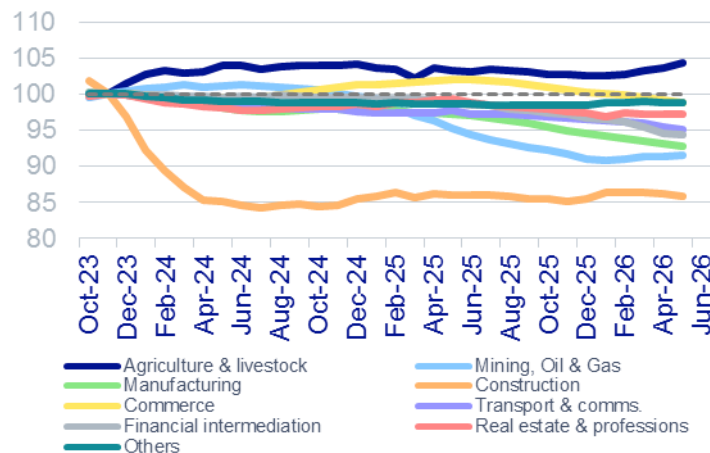
Note: The size of the bubble represents the relative weight of formal employment in each sector.
Source: Ministry of Human Capital, Central Bank of Argentina (BCRA), and BBVA Research.

The sectors leading the economy are not yet generating enough formal employment, and although some show improvements in real wages, industry, construction, commerce, and other labor-intensive activities continue to lag behind in both employment and purchasing power.

Labor market adjustments are driven more by the composition and quality of employment

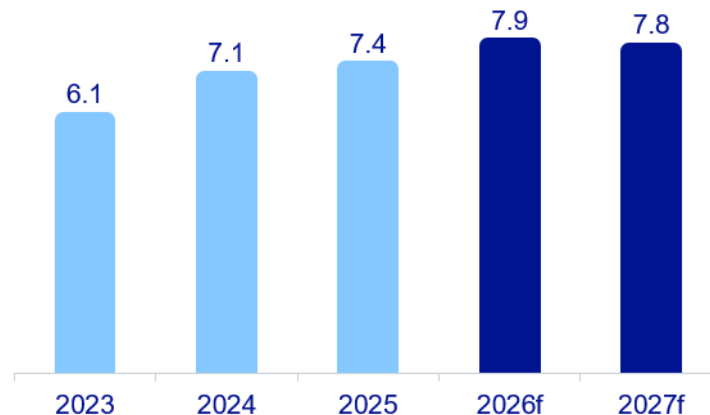
REGISTERED EMPLOYMENT BY SECTOR

(BASE NOV 2023 = 100; SEASONALLY UNADJUSTED SERIES)



UNEMPLOYMENT RATE

(IN %)



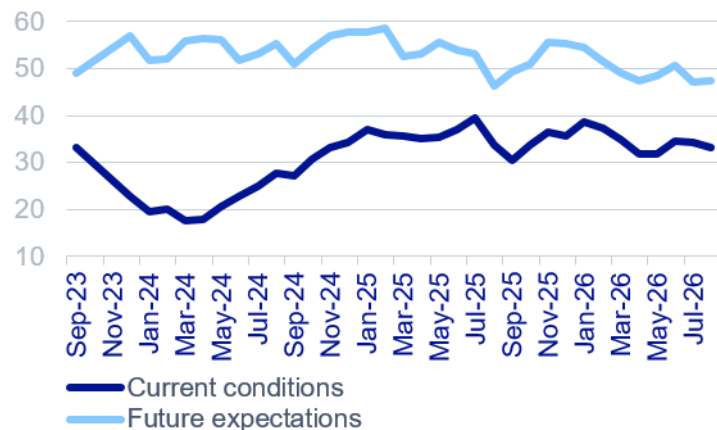
Source: INDEC, Ministry of Human Capital, and BBVA Research.

Source: INDEC and BBVA Research.

The expansion of informal employment and self-employment partially offsets the loss of formal salaried jobs, limiting the rise in unemployment. The trade-off is a lower average quality of employment and a weaker recovery in labor income.

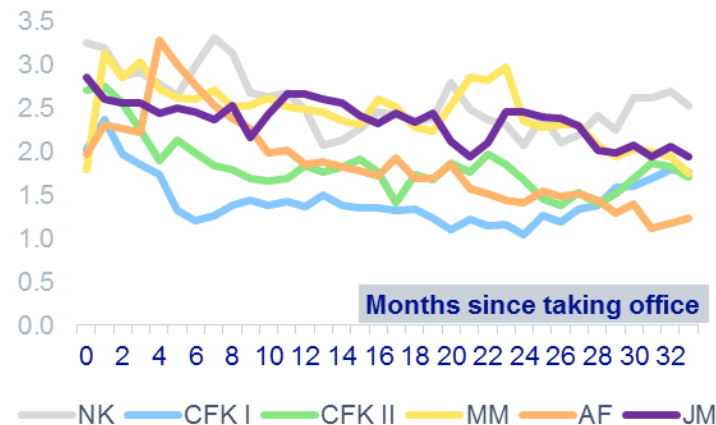
Expectations remain relatively resilient despite weaker economic activity

EXPECTATIONS (CONSUMER CONFIDENCE INDEX) (HISTORICAL AVERAGE = 100)



Source: Torcuato Di Tella University and BBVA Research.

GOVERNMENT CONFIDENCE INDEX BY ADMINISTRATION (VALUES BETWEEN 0 AND 5)

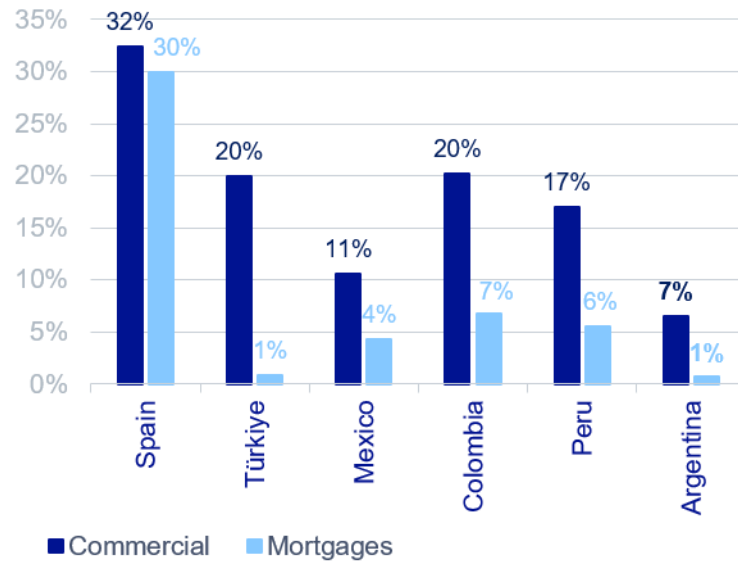


Source: Torcuato Di Tella University and BBVA Research.

Despite the decline in approval ratings during 2026, public support remains comparatively higher than during the four previous administrations at the same point in their terms.

The government is implementing measures to boost lending, focusing on the dollar and mortgage segments

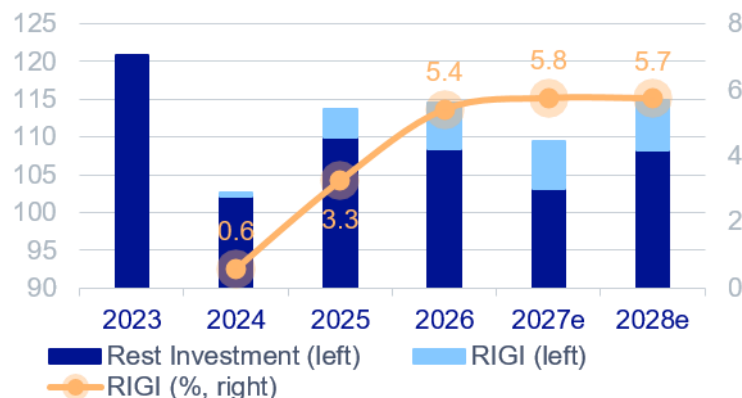
COMMERCIAL AND MORTGAGE CREDIT (% OF GDP)



- **Regulation flexibility: USD-denominated loans for non-exporting companies.** Each bank will be able to allocate up to 15% of its dollar deposits to these credit lines. To mitigate risk, banks will be required to set aside an additional 25% of capital and verify that the company can repay the loan even if the peso depreciates against the dollar.
- **New funds to finance mortgage loans.** The FGS (Sustainability Guarantee Fund) has already begun auctioning funds for mortgage loans: in the first round, it allocated \$200 billion to 13 banks, within a program of up to \$2 trillion. Banks can lend these funds at a rate no higher than UVA + 7.5%.
- **These measures aim to further boost credit, which, despite recent growth, has significant growth potential compared to other countries.**

The RIGI boosted investment, but the effective flows have not yet reached macroeconomic scale

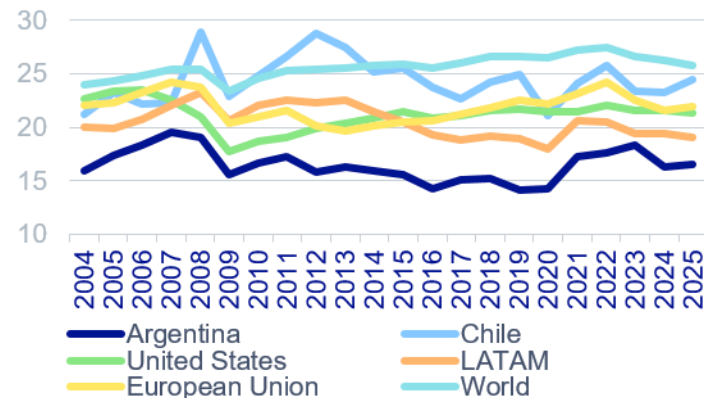
INVESTMENT AND INCENTIVE REGIME FOR LARGE INVESTMENTS (RIGI) (IN BILLIONS OF USD AND AS A % OF TOTAL INVESTMENT)



RIGI = Incentive Regime for Large Investments

Source: INDEC, Ministry of Economy, and BBVA Research

INVESTMENT IN SELECTED COUNTRIES AND REGIONS (% OF GDP)



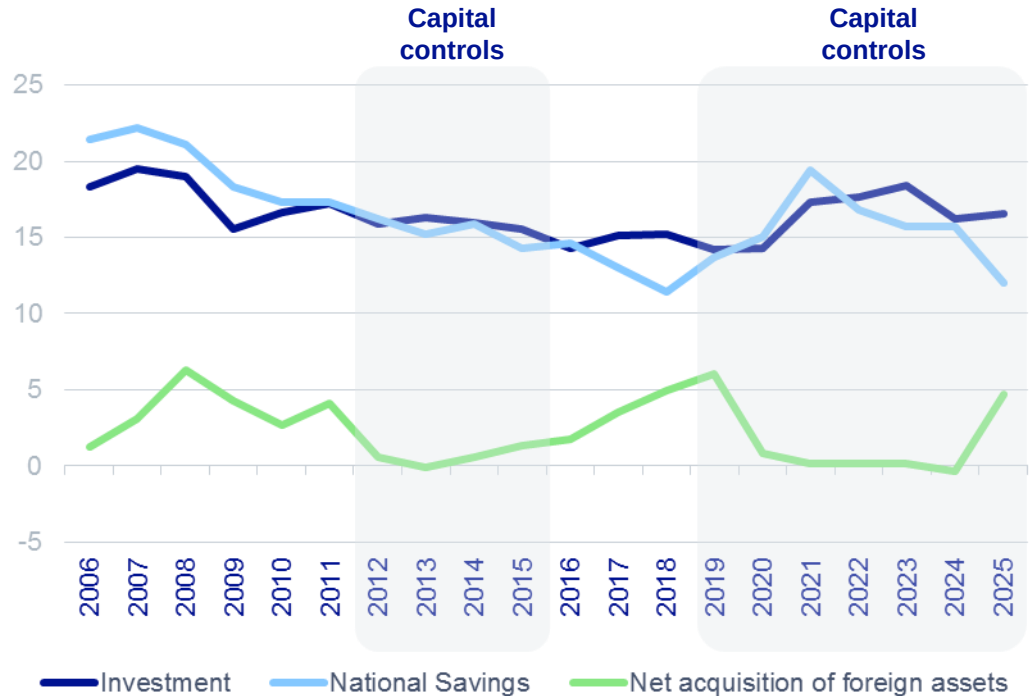
Source: INDEC, IMF, and BBVA Research

Investment associated with the RIGI is gaining ground, but its impact on capital formation remains limited. Its effect will depend on the speed of implementation and the complementary investments it mobilizes. It can be a catalyst, but it does not replace a broader recovery in investment.

The challenge is not just to save more, but to channel those savings into domestic investment

Argentina faces not only a problem of low savings, but also of channeling them effectively. Fiscal balance frees up resources for the private sector, but transforming this improvement into greater investment requires that savings once again find attractive, long-term domestic instruments. Greater financial deepening would help keep savings intermediated domestically and directed toward productive investment.

INVESTMENT, SAVING AND EXTERNAL ASSET FORMATION (EAF)
(% OF GDP)



Source: INDEC, BCRA, and BBVA Research.

3. ARGENTINA OUTLOOK

Conclusions

The challenge of transforming stabilization into growth



Stabilization is consolidating

- Fiscal surplus, but with greater demands
- Inflation falling to 29% and 20% in 2026 and 2027
- Accumulation of int'l reserves
- Greater monetary and exchange rate consistency



The growth pattern is changing

- Greater weight of agriculture, energy, and mining
- Record exports of USD 102 billion
- Uneven sectoral recovery
- Lower labor intensity of dynamic sectors



Challenges of Recovery

- Recovering Investment
- Expanding Credit
- Channeling Household Savings
- Improving Employment and Income
- Consolidate economic activity growth

Macroeconomic forecasts

ARGENTINA	2023	2024	2025f	2026f	2027f
GDP (% YoY)	-1.9	-1.4	4.5	3.0	3.0
Inflation (% YoY eop)	211.4	117.8	31.5	29.0	20.0
Exchange rate (vs USD eop)	808	1033	1459	1630	2040
Monetary Policy Rate (% eop)*	100	34.3	28.9	21.0	20.0
Private Consumption (% YoY)	1.0	-2.9	8.6	2.8	2.7
Public Consumption (% YoY)	2.3	-3.0	0.4	-2.5	2.4
Investment (% YoY)	-2.5	-17.5	16.2	-0.3	12.1
Unemployment Rate (as % EAP)	6.1	7.1	7.4	7.9	7.8
Primary Fiscal Balance (% GDP)	-2.7	1.8	1.4	1.3	1.3
Fiscal Balance (% GDP)	-4.3	0.3	0.2	0.1	0.1
Current Account (BoP, % GDP)	-3.4	0.9	-1.1	-0.2	0.1
Public Debt (% GDP)	154.5	82.5	78.1	72.6	72.5

* Since 2024, TAMAR.

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