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October inflation came in above expectations, although core inflation eased

BBVA Research Argentina

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Summary

National CPI inflation stood at 2.2% m/m in October (33.1% y/y and 26.3% year to date), accelerating for the second consecutive month and coming in well above the market analysts' consensus forecast (BCRA's Market Expectations Survey, or REM: 1.8% m/m). The monthly reading was the highest in six months.

Despite the acceleration in headline inflation, core inflation (1.5% m/m) registered its lowest reading in 15 months, indicating that the disinflation process has not become unanchored. However, seasonal factors and the adjustment in regulated prices pushed headline inflation above the 1.9% average recorded over the previous five months.

In light of the upside surprise in the monthly inflation reading and its impact on indexed prices, which are expected to contribute to inflation going forward, we have revised our 2026 year-end inflation forecast upward, from 29.5% to 31%.

Component analysis

Core inflation was 1.5% m/m in October (30.7% y/y), down from 1.7% in September. The monthly rate was the lowest in 15 months, and core inflation has remained below 2% m/m for six consecutive months. This suggests that the economy remains on a trend path toward price stabilization, albeit at a much slower pace than expected.

Regulated prices rose 2.9% m/m (43.7% y/y), their steepest increase in six months. The main driver was the "Housing, water, electricity, gas and other fuels" category, which rose 4.2% m/m, driven by the removal of benefits for cold-climate areas. Regulated prices have risen 35.2% year to date, 11.6 percentage points above core inflation. This reflects the price adjustments implemented by the national government and provincial authorities; despite these increases, regulated prices remain below cost-recovery levels.

Finally, seasonal prices rose 5.5% m/m (28.2% y/y), accelerating sharply from 2.9% m/m in the previous month. This was primarily due to a 10.5% m/m increase in vegetable and legume prices.

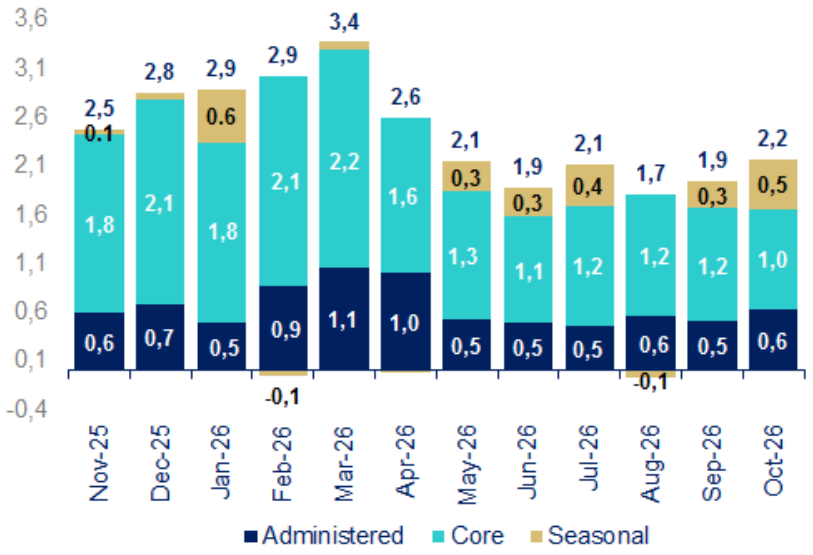
Outlook

In November, increases in several regulated prices are expected to continue. Public transport fares will rise by around 4%, while electricity and gas tariffs will also be adjusted, with increases varying by region and provider. In addition, prepaid healthcare plans are set to rise by 1.7%–2.9%, and water tariffs are expected to increase by 1.5%–2%.

Although the economy's structural dynamics still support our view that underlying inflation is on a stabilization path, disinflation is proceeding much more gradually than expected. There is also some scope to slow the adjustment of regulated prices and support a further decline in inflation in the near term, without changing the economic program, although the impact of such measures would be limited.

Against this backdrop, we have revised our inflation forecasts upward to 31% for 2026 and 22% for 2027.

CONTRIBUTION TO HEADLINE (MONTHLY RECORD)



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