Research

Argentina Economic Outlook

March 2025

Creating Opportunities

Main messages. Global

RECENT DEVELOPMENTS

The global economy is facing major geopolitical and economic shifts with uncertain consequences, mostly due to the policies of the new Trump administration. US growth remains resilient despite recent negative signs, while the Eurozone stays weak and China recovers. Inflation continues above target, mainly in the US. The Fed has kept rates steady and the ECB has continued its easing cycle in 1Q25.

GROWTH OUTLOOK

Global growth is set to slow amid rising uncertainty and protectionism. While some recent growth momentum supports upward forecast revisions for the US and China, both are still expected to decelerate. In the Eurozone, growth prospects have worsened as trade and geopolitical uncertainty weigh negatively, but fiscal spending (particularly in defense) may provide support.

INFLATION AND RATES OUTLOOK

US inflation is expected to rise, partly due to tariffs, while in the Eurozone it should converge to target. The Fed will likely hold rates steady in the near term, but monetary easing could resume from 2H25. The ECB is preparing to end its easing cycle as monetary conditions are now less restrictive; two rate cuts in 2Q25 are still likely. Controlled inflation should clear the path for lower interest rates in China.

RISKS

The balance of risks for the global economy remains skewed to the downside. The main source of concerns are higher US tariffs and persistent uncertainty. Even though talks on ending the war in Ukraine are a positive development, geopolitical risks will remain in the radar.

Main messages. Argentina

POLITICAL OUTLOOK

Public support for Milei's administration remains high, making him the President with the highest approval rating after 15 months in office since Néstor Kirchner (2003-2007). The *Libragate* case slightly eroded the president's image but had no significant economic impact. However, it made evident the need for greater care in government communication.

FISCAL RESULT

After reaching fiscal equilibrium in 2024, we expect the government to repeat the result in 2025 despite the challenge posed by the smaller tax base and little room for further spending cuts. The growth in economic activity will help boost revenue, along with future sales of public assets.

MONETARY POLICY

A re-monetization process of the economy is taking place thanks a strong credit growth, in a context of zero monetary issuance to finance fiscal needs. Interest rates are beginning to reflect upward pressures due to the need to roll over Treasury debt maturities in pesos, the reduction of systemic liquidity, and incipient exchange rate pressures.

INFLATION

Monetary tightening and the exchange rate policy continue to slow down price increases. We forecast an inflation of 30% for this year (from 118% in 2024). The economic recovery, the improvement in real wages and the pending adjustment of administered prices impose a challenge to disinflation.

Main messages. Argentina

EXCHANGE RATE

We expect the government to maintain the crawling-peg scheme until October elections (with minor changes after the agreement with the IMF), in order to moderate the usual pre-electoral volatility. Over the course of the year, we anticipate a gradual dismantling of FX restrictions, accelerating only after the midterms. Our forecast for the exchange rate is 1,400 ARS/USD for Dec.'25.

ECONOMIC ACTIVITY

The economic recovery that began in the second half of 2024 supports our forecast of 5.5% growth in 2025, based on a rebound of private consumption and investment. The dynamics of the GDP in 2025 will be characterized by a very heterogeneous recovery across sectors.

EXTERNAL SECTOR

In 2025, a current account deficit of 1.4% of GDP is expected, driven by an increase in imports of goods and services, associated with the economic rebound and rising outbound tourism, further boosted by a strengthened ARS. The current account deficit will be partially offset by the growing surplus in the energy trade balance.

RISKS

The main risk factor is a potential weakening of popular support for the government, which could hinder efforts to achieve fiscal and monetary equilibrium. This risk will become increasingly relevant as the electoral calendar advances.

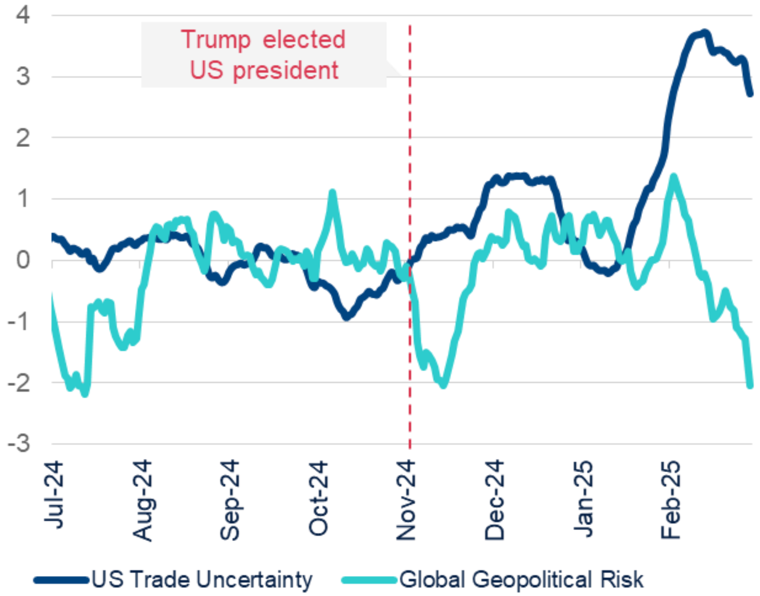
BBVA Research

01

Global Economic Outlook March 2025

The policies of the new U.S. administration create a new environment of significant uncertainty

US TRADE UNCERTAINTY AND GLOBAL GEOPOLITICAL RISK INDEXES (*)
(MEAN SINCE JAN/23 EQUALS TO 0; 28-DAY MOVING AVERAGE)



(*) Last available data: March 5th, 2025
Source: BBVA Research Geopolitics Monitor.

- Higher uncertainty on Trump's policies:
  - Trade: 20% tariffs on China, 25% on some Western allies (later delayed), 25% tax on steel and aluminum, etc., along with various threats of further protectionism measures
  - Other: policies to tighten immigration controls, promote fossil fuel production, cut public spending while favoring lower taxes, reduce US support for multilateral institutions, etc.
- Short-term geopolitical risk has eased lately on talks to end the war in Ukraine and Israel-Hamas truce, taking some pressure off energy prices.
- Still, geopolitics will remain a concern given latent US rivalry with China and the rising US tensions with Western allies, which are triggering a determined increase in defense spending in Europe.

The new US administration's erratic policies are set to bring major shifts, posing growing challenges to the global economy

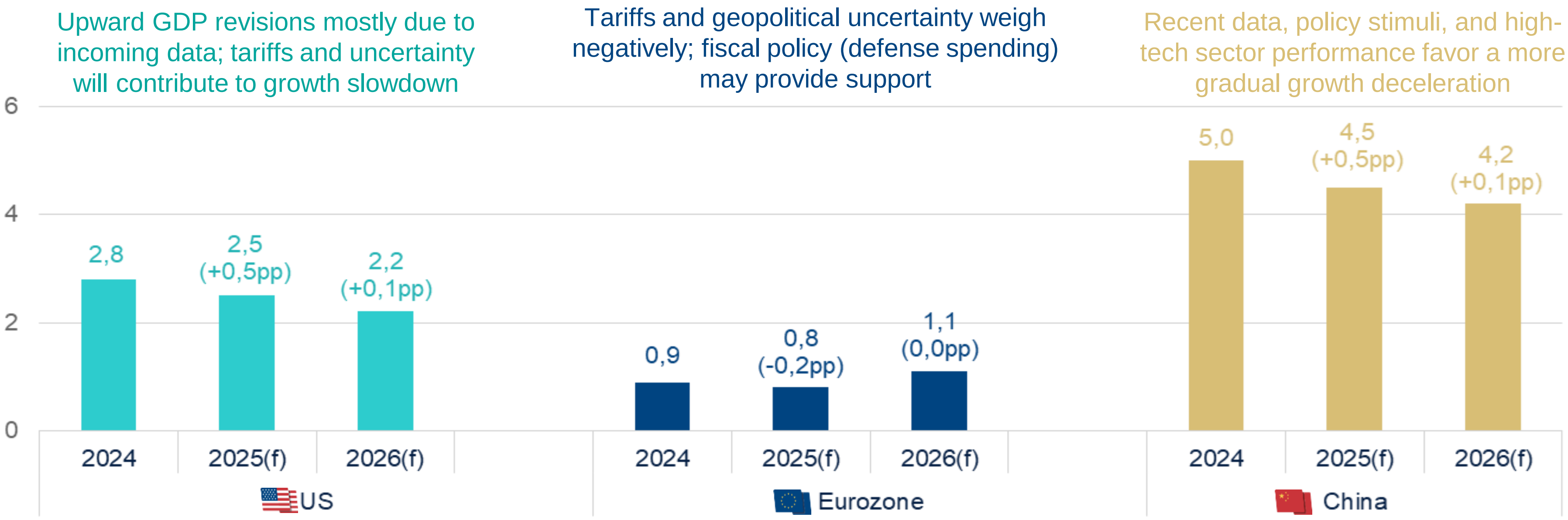
BBVA RESEARCH BASELINE SCENARIO ON MAIN TRUMP POLICIES

TRADE POLICY	US tariffs are more than a negotiating tool. Working assumption: a 10% blanket tariff from 2Q25 and 60% tariffs on China from 2H25.
GEOPOLITICS	No changes in the current status quo; risks are tilted to the downside, although the eventual end of the war in Ukraine will have positive effects.
MIGRATION	No strong impact on labor markets; deportations will rise, but not sharply.
FISCAL POLICY	Deficits will be large, pressured by low taxes, despite some spending cuts.
MONETARY POLICY	The Fed will remain independent, but Trump’s criticism may create noise.
DEREGULATION	No significant positive effects are being assumed.

Growth is expected to lose momentum amid rising uncertainty and protectionism, despite positive incoming data in the U.S. and China

GDP GROWTH

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

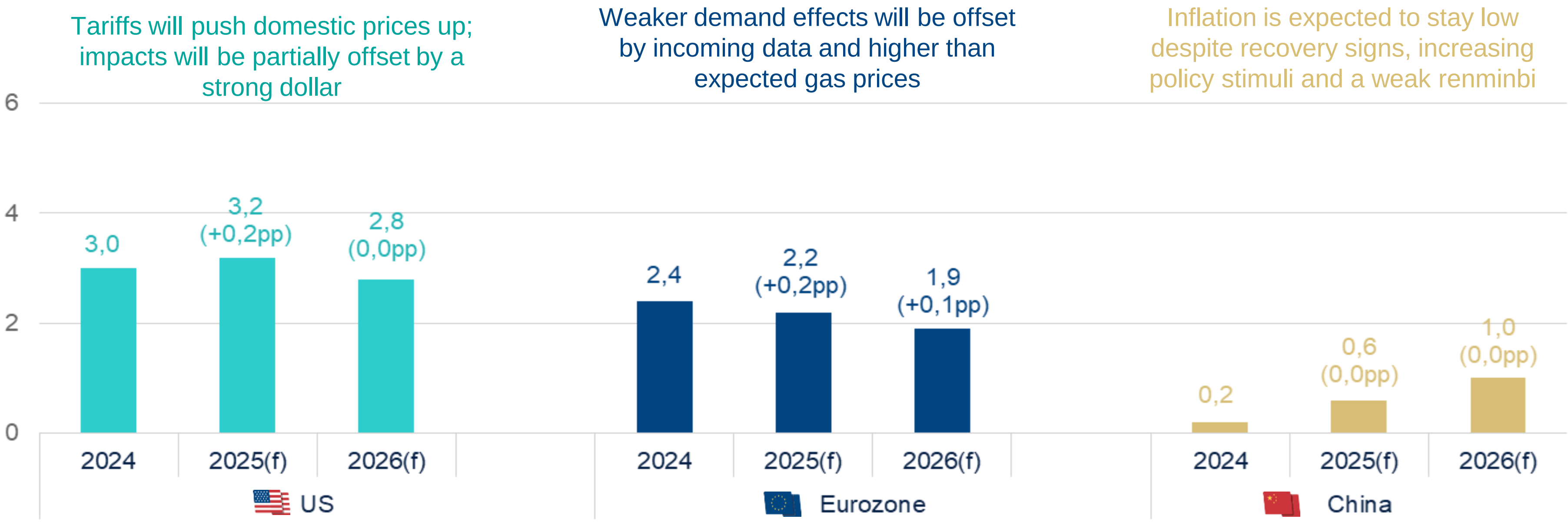


(f): forecast.
Source: BBVA Research.

US inflation is set to rise further, partly due to tariffs, while in the Eurozone it will likely keep converging to target

HEADLINE CPI INFLATION

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

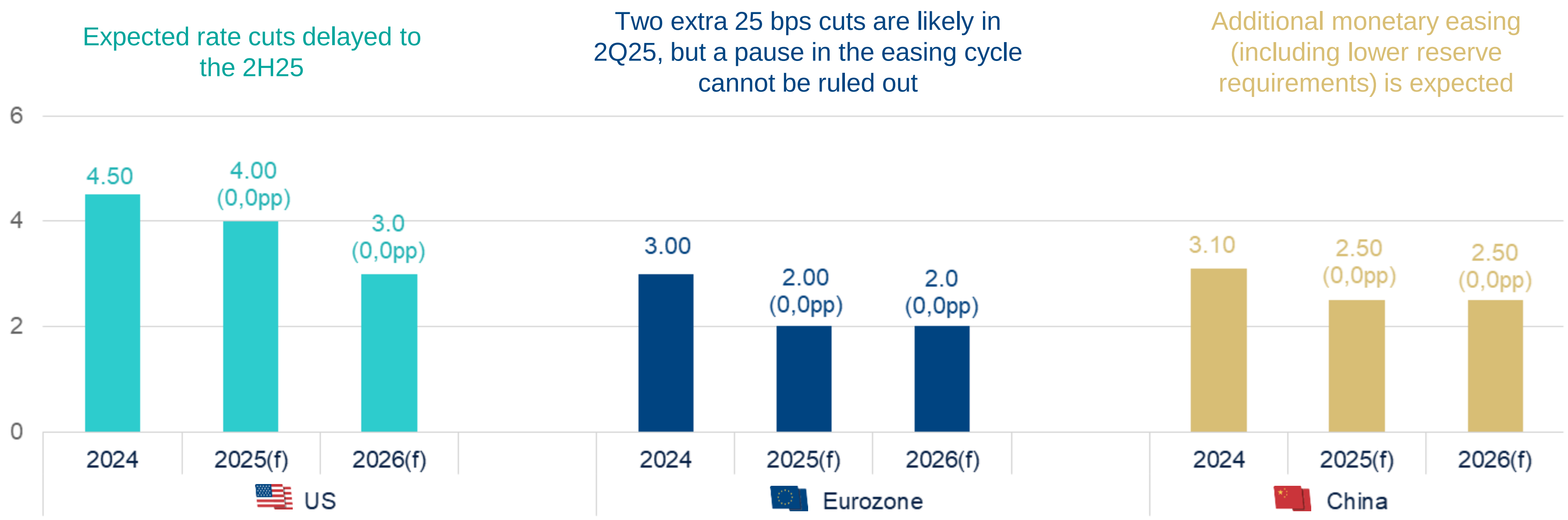


(f): forecast.
Source: BBVA Research.

The Fed will hold rates steady before resuming cuts in 2H25; the ECB is preparing to end its easing cycle but extra reductions in 2Q25 are still likely

POLICY INTEREST RATES (*)

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



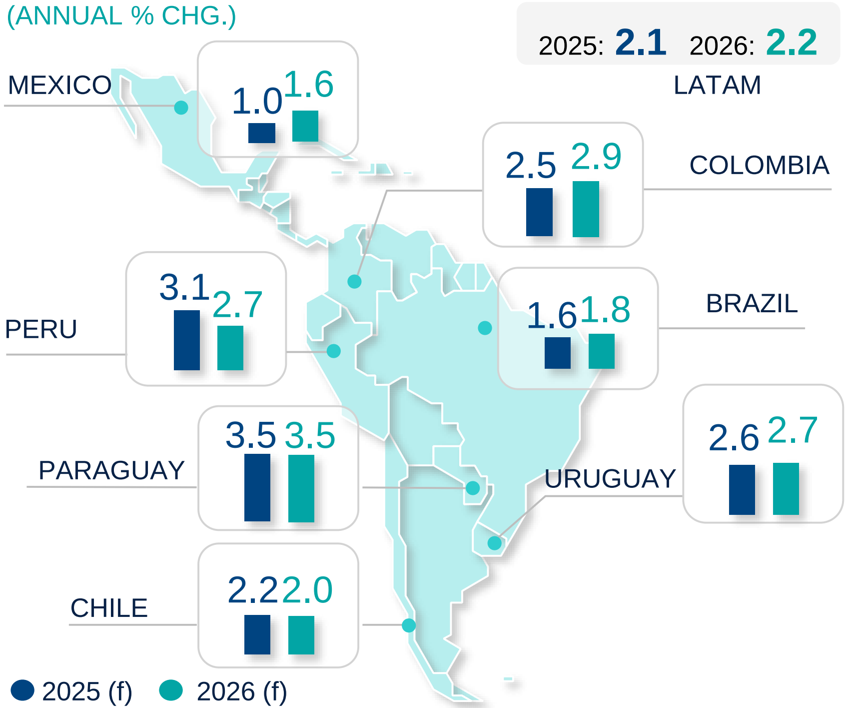
(f): forecast.

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

Source: BBVA Research.

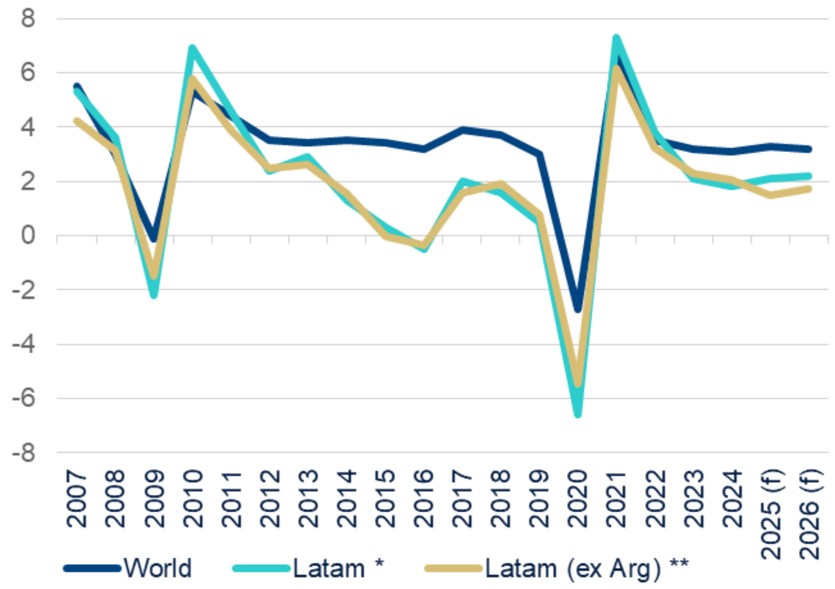
The region's growth will stabilize at around 2.2%, below global growth, highlighting one of the main regional challenges

GDP GROWTH
(ANNUAL % CHG.)



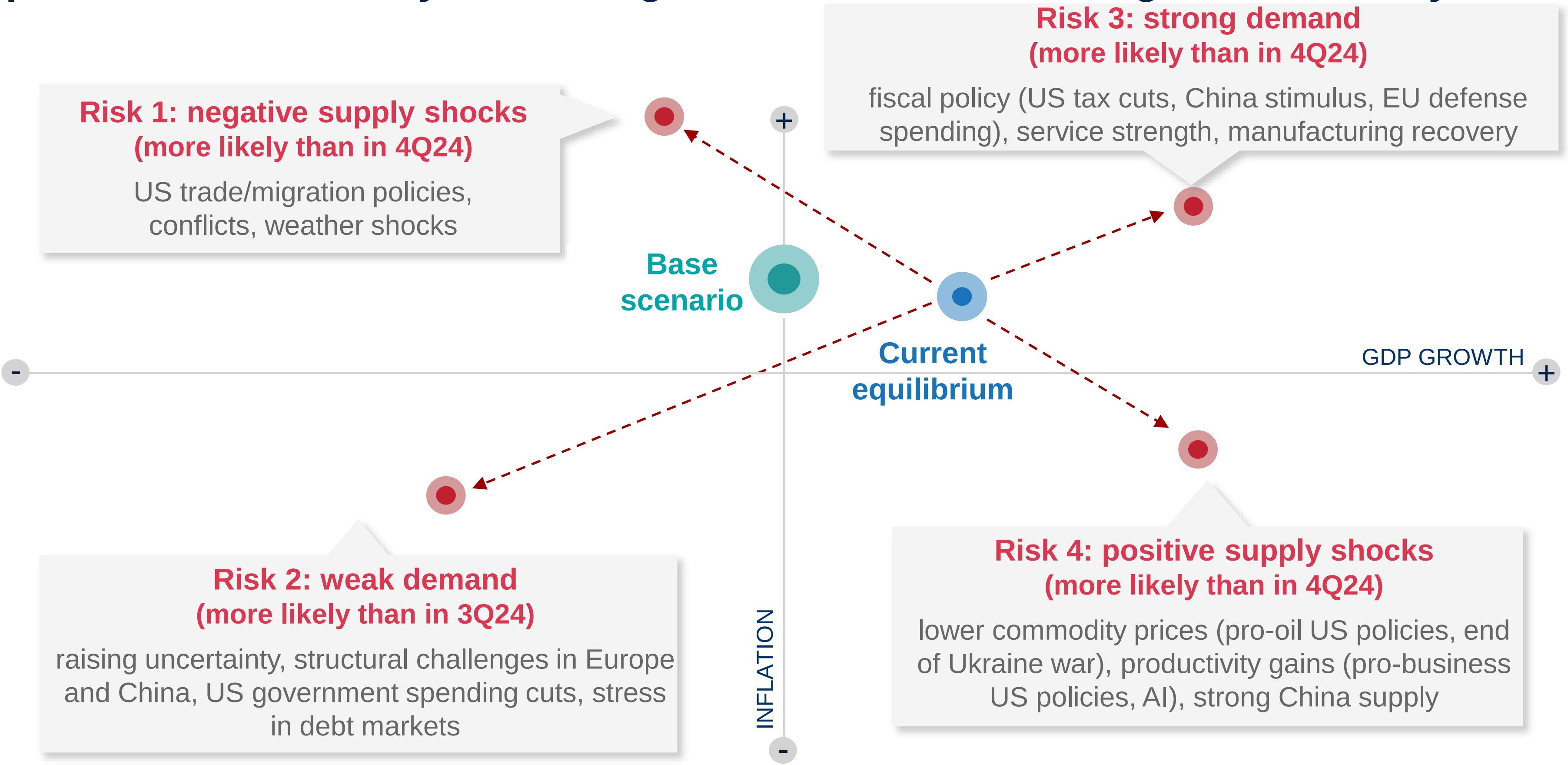
(f): forecast
Source: BBVA Research.

WORLD AND LATAM GDP
(%)



(f): BBVA Research forecasts.
(**): Includes Brazil, Chile, Colombia, Mexico, Peru, Paraguay and Uruguay.
(*): Includes Argentina, Brazil, Chile, Colombia, Mexico, Paraguay, Peru and Uruguay.

Risks continue to build up: US trade policies and the negative impact of persistent uncertainty are among the main threats to the global economy



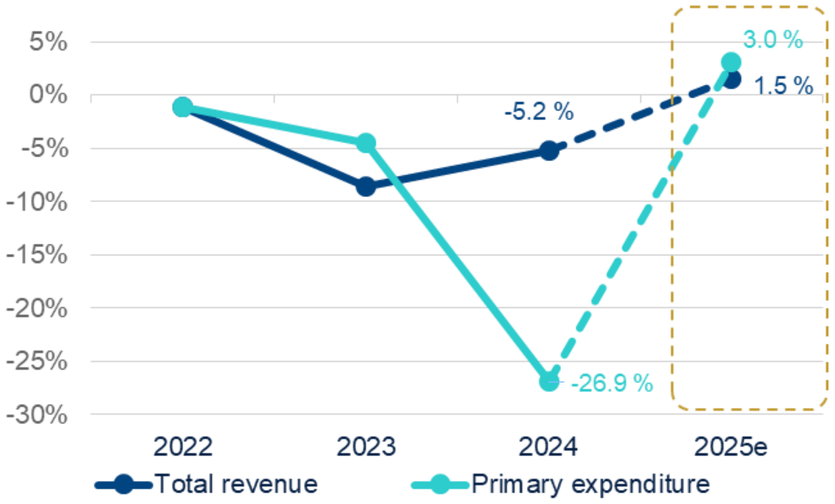
BBVA Research

Argentina Economic Outlook – March 2025

Creating Opportunities

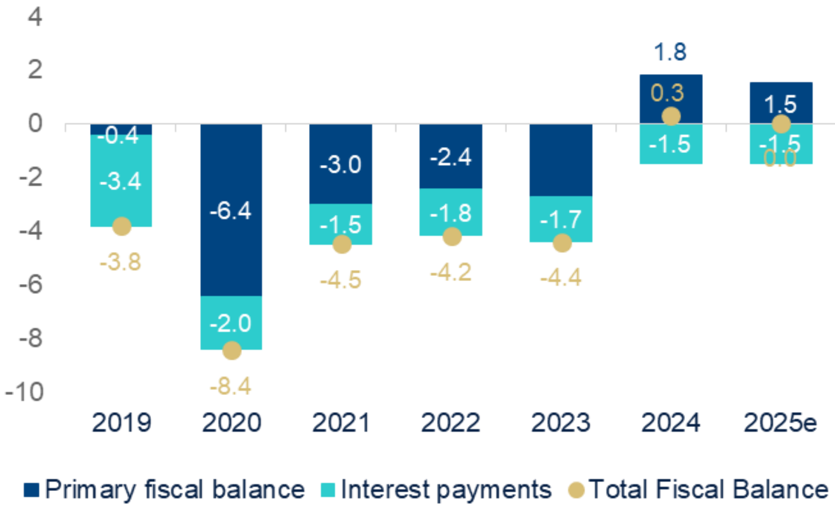
After the fiscal equilibrium achieved in 2024, we expect a similar outcome this year, as increased economic activity will offset the elimination of the PAIS tax

FISCAL REVENUE AND PRIMARY EXPENDITURE
(CHG. % REAL, Y/Y)



Source: INDEC, Ministry of Economy and BBVA Research.

FISCAL BALANCE
(% OF GDP)

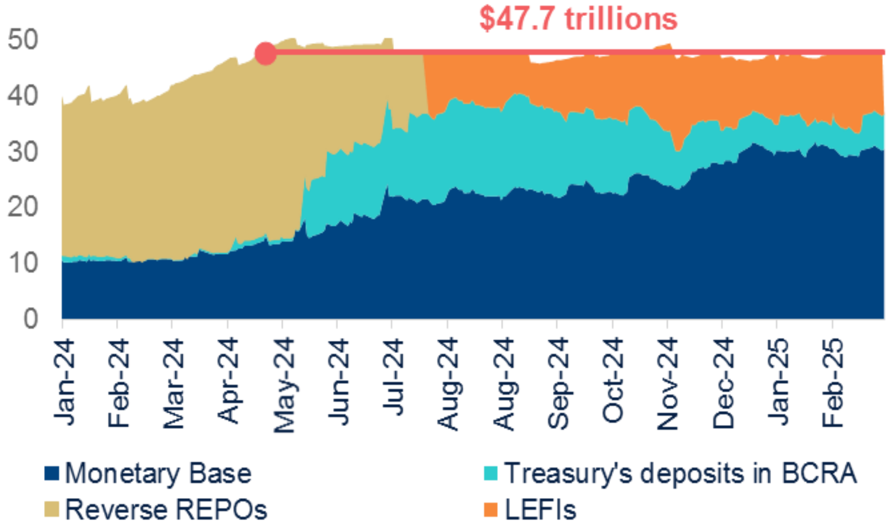


Source: Ministry of Economy and BBVA Research.

In 2025, the growth in economic activity will improve tax collection, offsetting the elimination of the PAIS tax and the temporary reduction of export duties. This will help soften the contraction in spending, which, after the significant adjustment in 2024, has less room to continue with further cuts.

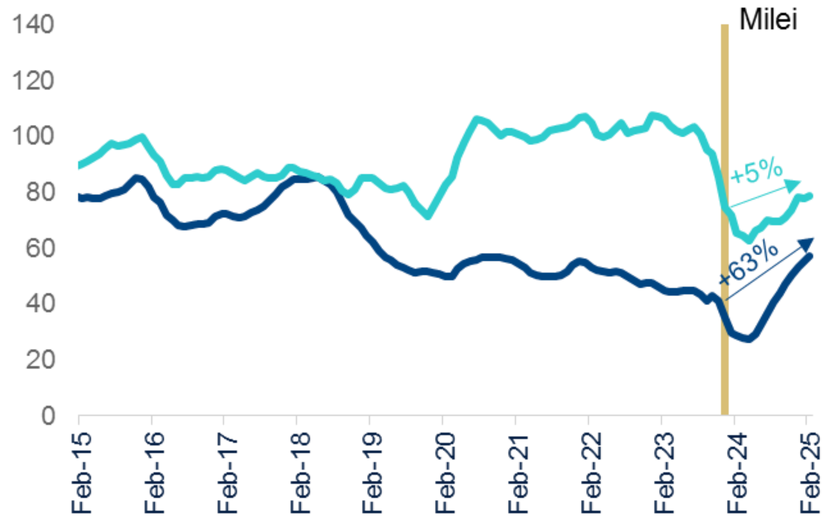
Despite not issuing money to assist the Treasury (thanks to fiscal equilibrium), the economy is being remonetized due to credit expansion

MONETARY SCHEME: CEILING TO THE "BROAD MONETARY BASE" (TRILLIONS OF ARS)



Source: INDEC, Ministry of Economy and BBVA Research.

CREDIT AND DEPOSITS IN PESOS (TRILLIONS OF CONSTANT PESOS OF FEB.-25; ADJ. BY CPI; PRIVATE SECTOR)

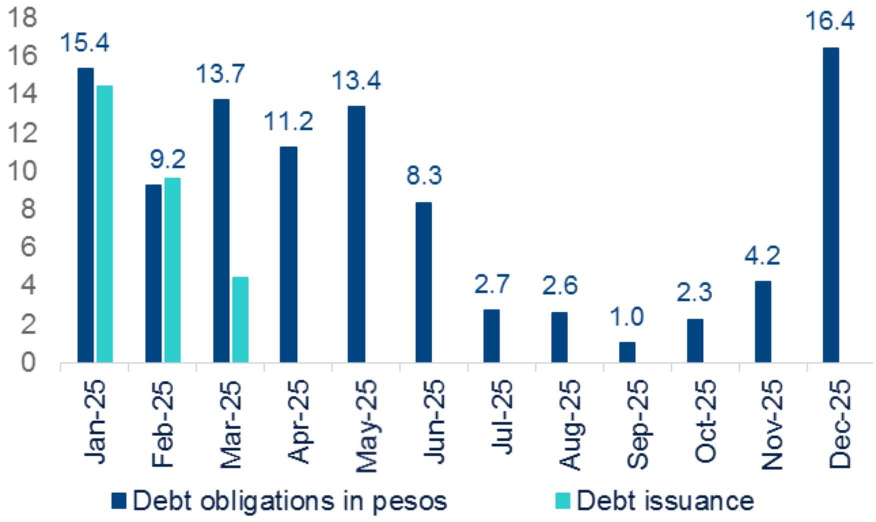


Source: BCRA, INDEC and BBVA Research.

The government continues to comply with the monetary scheme of capping the broad monetary base, while the economy is being remonetized thanks to a strong expansion of credit, which is beginning to reduce liquidity due to the slow growth of deposits.

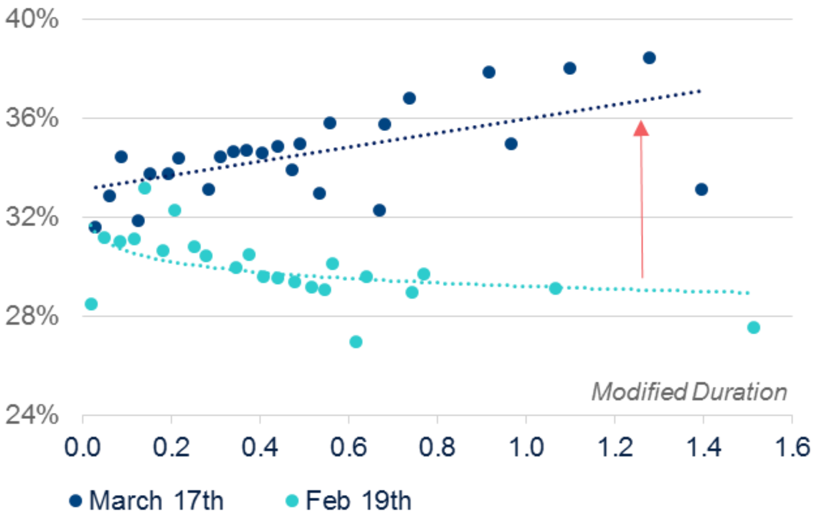
The need to roll over peso debt maturities, the reduction in systemic liquidity and exchange rate pressures put upward pressure on interest rates

PUBLIC DEBT IN PESOS: MONTHLY PAYMENTS
(TRILLIONS OF PESOS)



Source: Ministry of Economy and BBVA Research

INTEREST RATES OF FIXED-RATE BONDS IN PESOS
(% ANNUAL RATE)

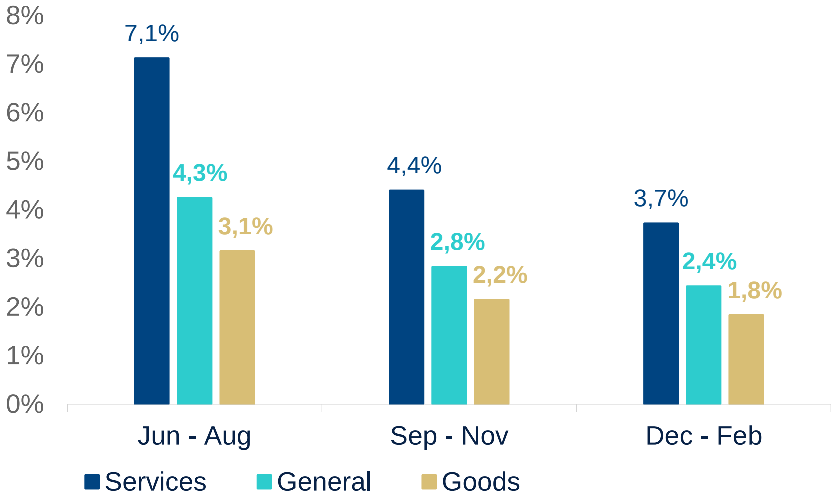


Source: Alphacast and BBVA Research

The government faces large peso debt maturities through June. To ensure refinancing, it offers shorter bills (less than 6 months) at higher interest rates than those of the last few months. Due to the need to refinance payments and the reduction of excess liquidity, it is expected that Treasury bond rates will show some downward resistance.

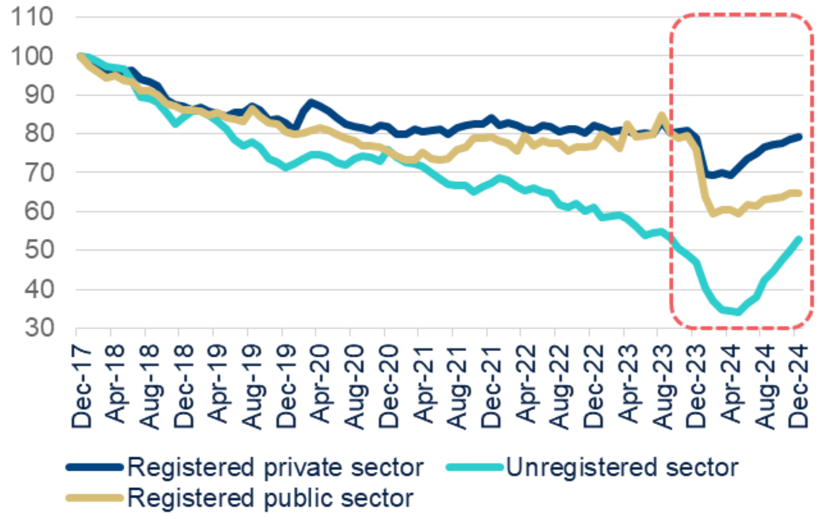
Prices continue to decelerate, but services and utility prices put a floor on inflation, which is forecasted to reach 30% this year

HEADLINE INFLATION, GOODS AND SERVICES
(MONTHLY AVERAGE)



Source: INDEC and BBVA Research.

PERFORMANCE OF REAL WAGES BY SECTOR
(DEC.'17 = 100)

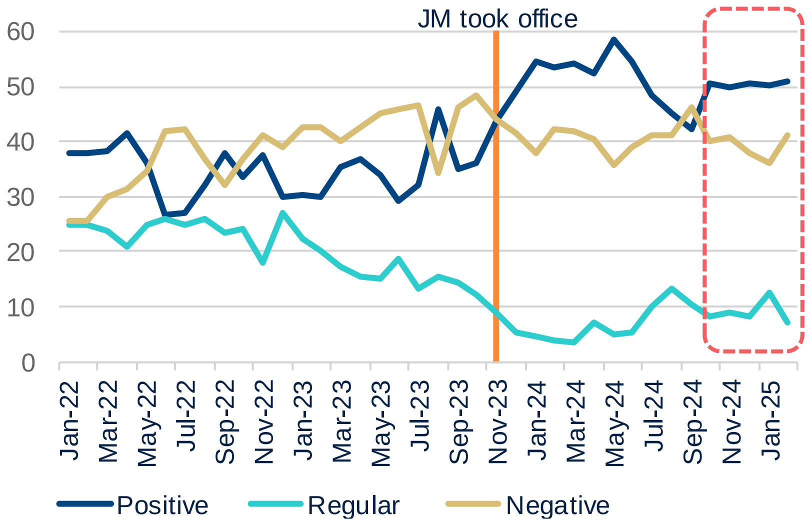


Source: INDEC and BBVA Research.

The pending adjustment of regulated prices and the recovery of real wages (which in turn drive the cost of services), hinder the disinflation process. The crawling peg of the currency will contribute to curb prices, at least until the elections or the implementation of a new FX regime.

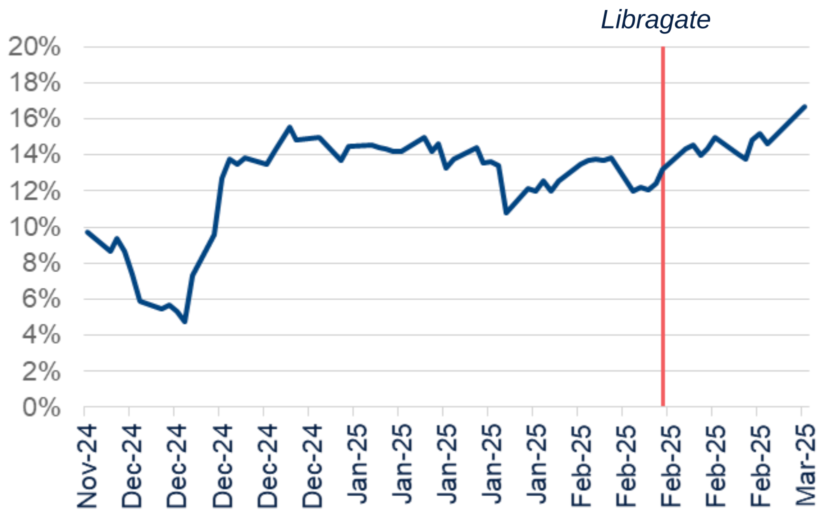
"*Libragate*": minor damage to the President's image, but little economic impact...

IMAGE OF JAVIER MILEI
(SURVEY CONDUCTED BETWEEN MARCH 1 AND 5)



Source: Giacobbe Consultores and BBVA Research.

GAP BETWEEN THE OFFICIAL AND PARALLEL EXCHANGE RATES (% OF THE OFFICIAL RATE)

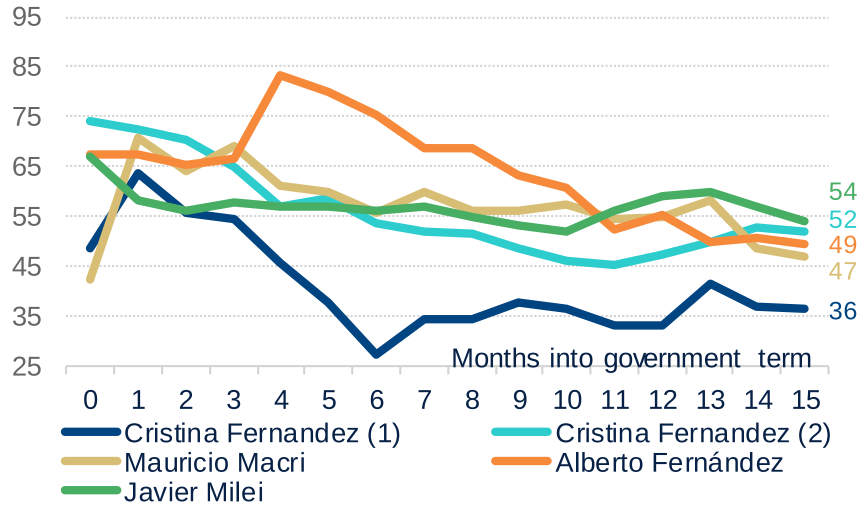


Source: Alphacast, BCRA and BBVA Research.

The event had almost no economic impact, but it eroded the president's image. However, Milei remains the most relevant political figure at the national level with the highest positive image and the lowest negative image (the only one with a net positive image). The market did not punish the price of the ARS nor did it show a deterioration in the perception of risk in the bond prices.

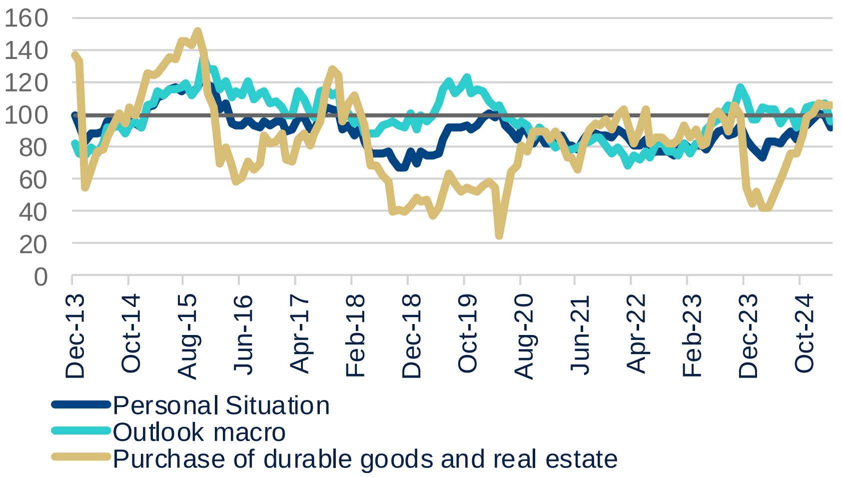
… since the sustained economic stabilization keeps the support for the government at high levels

PRESIDENTIAL APPROVAL
(% RESPONDENTS)



Source: Poliarquía and BBVA Research.

CONSUMER CONFIDENCE INDEX BY COMPONENT
(HISTORICAL AVERAGE = 100)

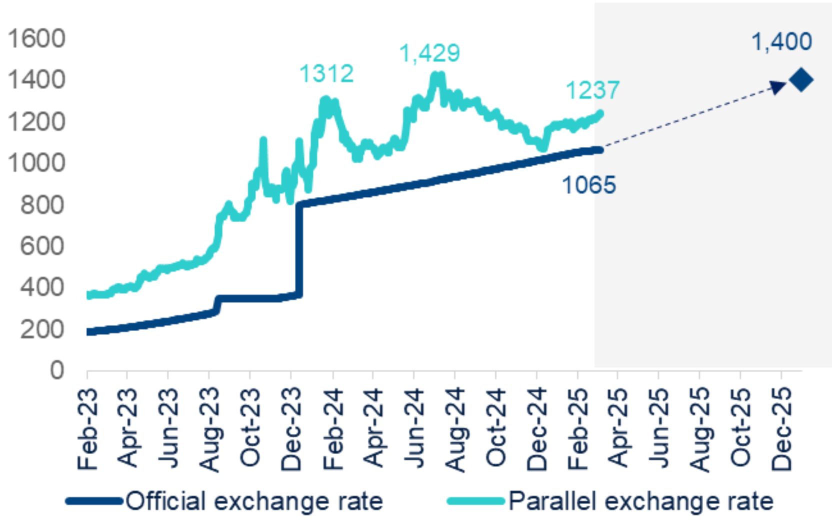


Source: UTDT and BBVA Research.

Despite the strong macroeconomic adjustment, Javier Milei is the president with the highest approval rating in the first 15 months of his administration since Nestor Kirchner (2003-07). The macroeconomic improvement fosters confidence, as reflected in the growing willingness to make significant expenditures, such as on durable goods and real estate.

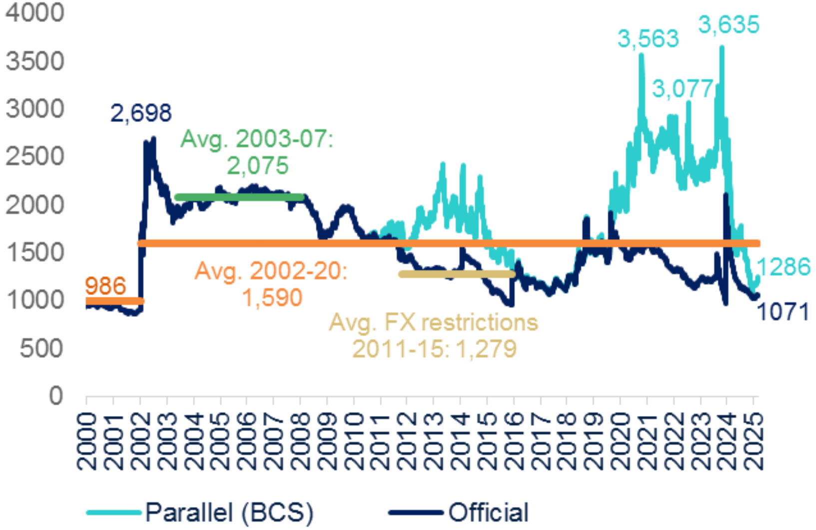
In February, the BCRA slowed down the *crawling peg* of the currency from 2% to 1% m/m

NOMINAL EXCHANGE RATE
(PESOS PER USD)



Source: BCRA, Alphacast and BBVA Research.

REAL EFFECTIVE EXCHANGE RATE
(CONSTANT PRICES OF MARCH 21TH 2025; ARS/USD)

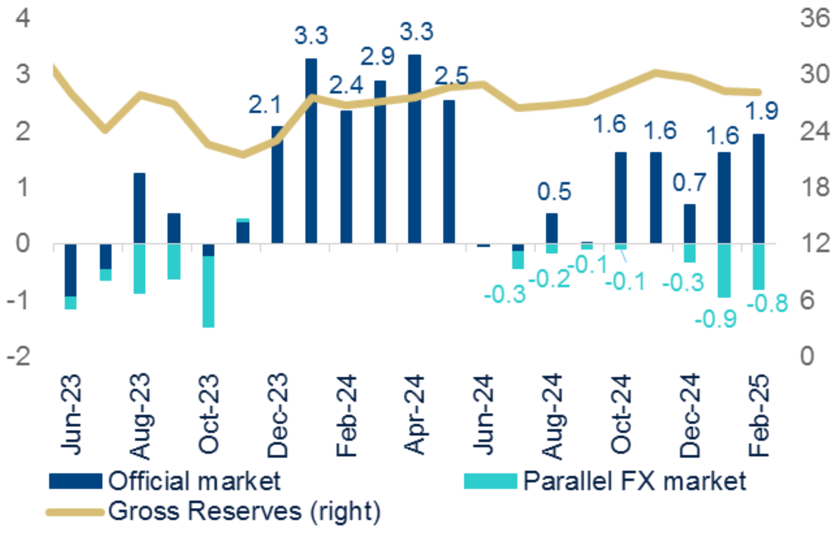


Source: INDEC and BBVA Research.

The BCRA slowed down the depreciation of the official exchange rate from 2% to 1% m/m, and we expect it to maintain a strategy along these lines until the elections, postponing a more significant exchange rate deregulation. We maintain our forecast of USD/ARS 1,400 for the end of 2025.

The CB continues to buy foreign currency in the official market, but the stock of reserves is not increasing due to debt payments and sales in the parallel markets

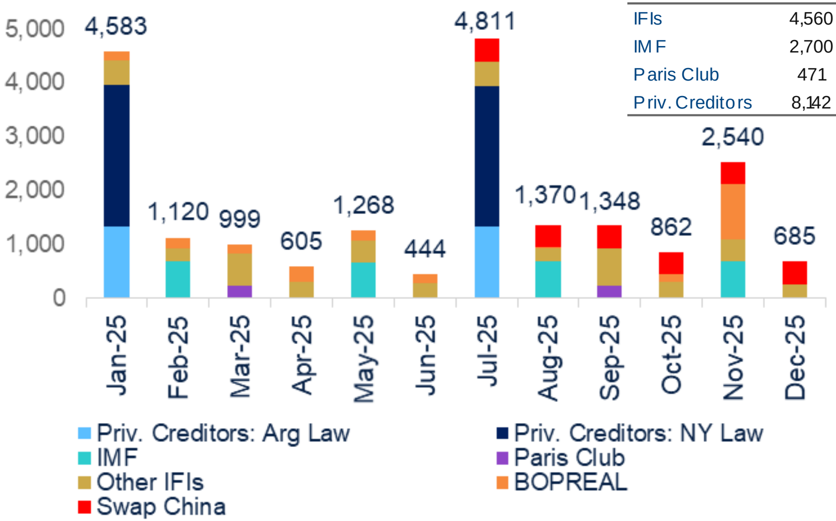
PURCHASE AND SALE OF USD BY THE BCRA
(BILLIONS OF USD)



Source: BCRA and BBVA Research.

PUBLIC DEBT MATURITIES IN FOREIGN CURRENCY (MILLIONS OF USD)

2025	
Total	20,712
Swap China	2,500
BOPREAL	2,340
IFIs	4,560
IMF	2,700
Paris Club	471
Priv. Creditors	8,142

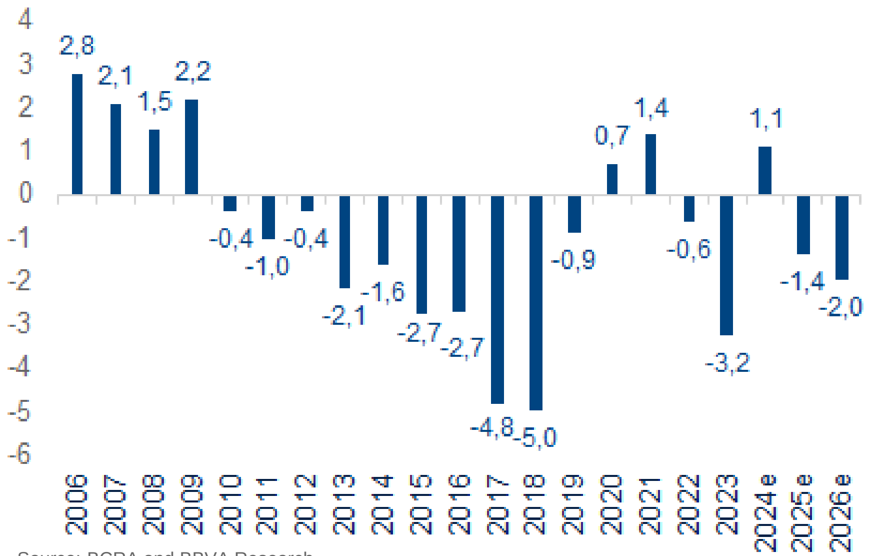


Source: Ministry of Economy and BBVA Research.

The BCRA has bought USD 3.0 billion since the beginning of 2025, but has also sold foreign currency in parallel markets for about half that amount. In addition, the debt payments that the government is making explain the reason behind the stability of the reserves, despite several successive months of purchases in the official market.

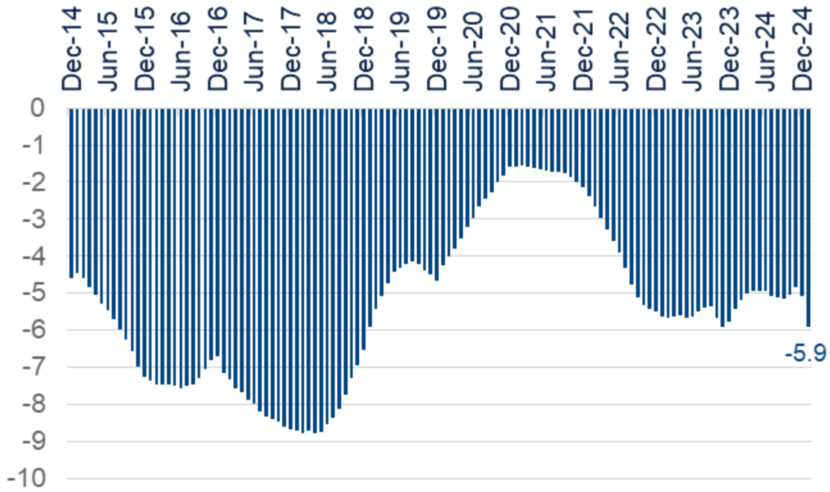
Economic growth, which boosts imports, and outbound tourism, deteriorate the current account, but still toward contained deficit levels

CURRENT ACCOUNT BALANCE
(% OF GDP)



Source: BCRA and BBVA Research.

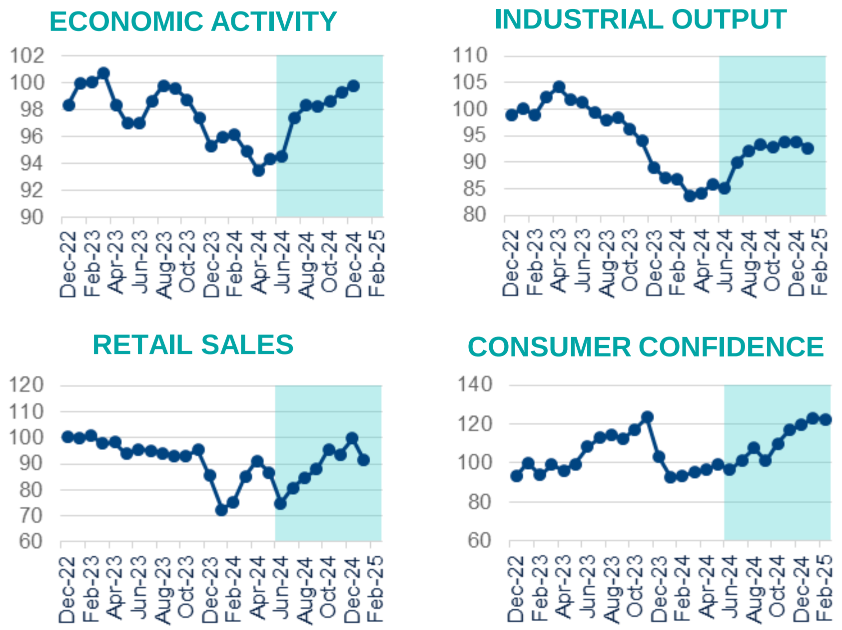
TOURISM BALANCE
(12-MONTH MOVING SUM, IN BILLIONS OF USD)



Source: BCRA and BBVA Research.

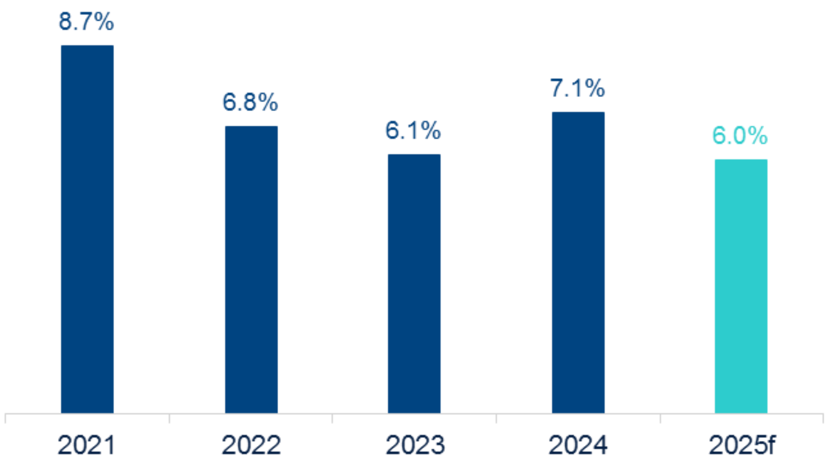
Within exports, the contribution of the energy sector will stand out, estimated to be around USD 10 billion. However, the higher level of GDP will give a new boost to imports of goods and services, which will also be encouraged by the elimination of the PAIS tax and the FX appreciation.

The economic recovery achieved in the latter part of last year moderated the fall in GDP to -1.7% in 2024



Note: Charts based on 100 = January 2023.
Source: INDEC, BCRA, UTDT and BBVA Research.

UNEMPLOYMENT RATE
(% OF LABOR FORCE)

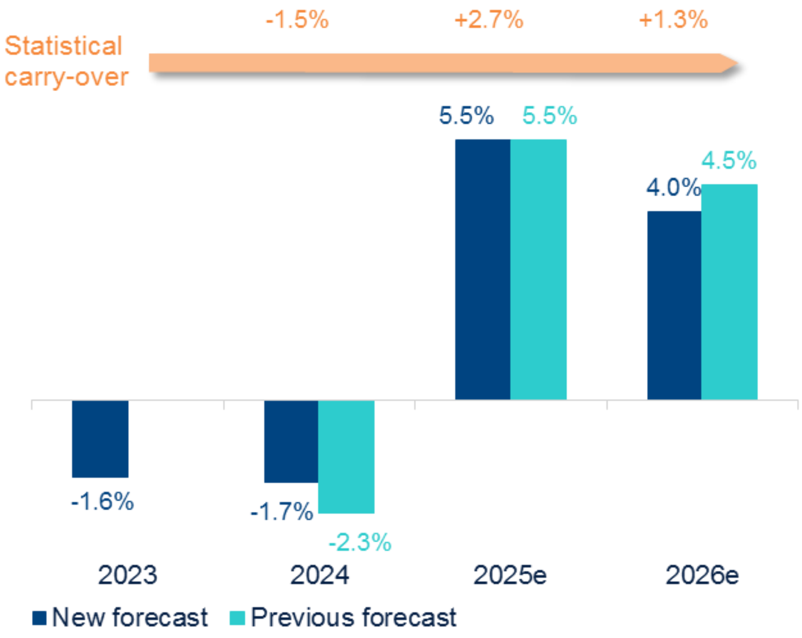


Source: INDEC and BBVA Research.

The strong recovery in the second part of the year did not reach all sectors of the economy, resulting in a very uneven sectoral growth. Employment also began to recover, but with divergent dynamics for the private and public sectors.

We maintain our forecast of 5.5% GDP growth in 2025

GROSS DOMESTIC PRODUCT
(CHG. % Y/Y AND STATISTICAL CARRY-OVER)

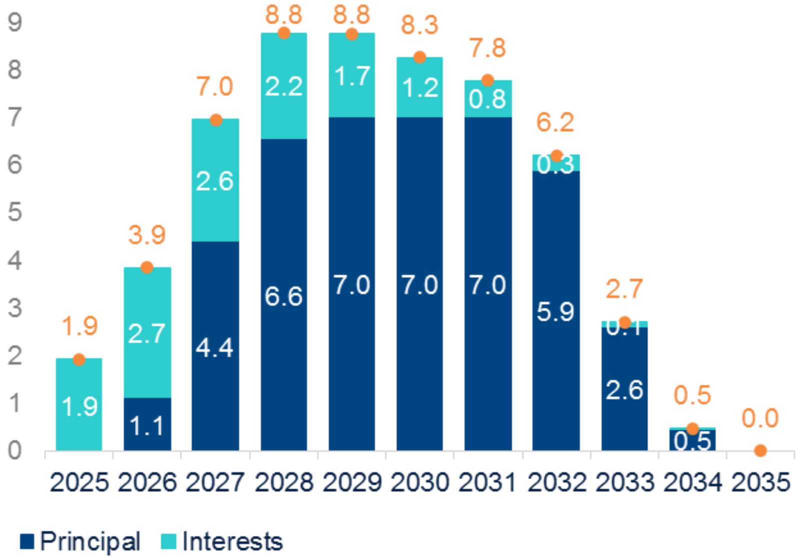


Source: INDEC and BBVA Research.

- GDP in 2024 had a larger rebound than expected and left a better statistical effect for 2025. However, we maintain this year's growth forecast at 5.5% due to the postponement of FX liberalization.
- Driven by the recovery of real wages and employment, private consumption will be the component that makes the largest contribution to economic growth.
- At the sectoral level, heterogeneous behavior persists: construction, industry and commerce continue to be the underperforming sectors, while primary activities (agriculture, oil & gas, mining) performed much better.

The government is making progress with the IMF: a new program including fresh funds and roll-over until 2028-29. The key discussion is the FX market

ARGENTINA'S DEBT OBLIGATIONS WITH THE IMF
(BILLIONS OF USD)



Source: IMF, Ministry of Economy and BBVA Research.

- The government issued a decree to Congress to approve the agreement with the IMF and received a favorable vote in the Lower House. This is sufficient for legislative approval.
- The program will be a 10-year Extended Fund Facilities Agreement (EFF). It would include the refinancing of principal payments for the next 4 years and additional funds that could reach up to USD 10 billion, to pay interest to the IMF and capitalize the Central Bank.
- The fiscal-monetary front is in line with what the IMF is asking for, so the core of the negotiation is the FX market, where we expect some flexibility on behalf of both sides to reach an agreement in the 2Q25.

Table of macroeconomic forecasts

	2020	2021	2022	2023	2024	2025f	2026f
GDP (% YoY)	-9.9	10.4	5.3	-1.6	-1.7	5.5	4.0
Inflation (% YoY, eop)	36.1	50.9	94.8	211.4	117.8	30.0	18.0
Exchange rate (vs USD Dec 31)	84.1	102.8	177.1	808.5	1,033	1,400	1,623
Monetary Policy Rate (% eop)	37.1	36.7	75.0	100	32.0	24.0	20.0
Private Consumption (% YoY)	-12.2	9.5	9.4	1.0	-4.2	5.8	2.0
Public Consumption (% YoY)	-2.0	7.1	3.0	1.5	-3.2	2.5	2.3
Investment (% YoY)	-13.1	34.0	11.2	-2.0	-17.4	24.7	19.1
Primary Fiscal Balance (% of GDP)	-6.4	-3.0	-2.4	-2.7	1.8	1.5	1.5
Fiscal Balance (% of GDP)	-8.4	-4.5	-4.2	-4.4	0.3	0.0	0.0
Current Account (% of GDP)	0.7	1.4	-0.6	-3.2	1.1	-1.4	-2.0
Public Debt (% of GDP)	103.8	80.6	85.0	156.6	83.3	80.8	73.2

Source: BBVA Research.

Disclaimer

This document has been prepared by BBVA Research Department. It is provided for information purposes only and expresses data, opinions or estimations regarding the date of issue of the report, prepared by BBVA or obtained from or based on sources we consider to be reliable, and have not been independently verified by BBVA. Therefore, BBVA offers no warranty, either express or implicit, regarding its accuracy, integrity or correctness.

Any estimations this document may contain have been undertaken according to generally accepted methodologies and should be considered as forecasts or projections. Results obtained in the past, either positive or negative, are no guarantee of future performance.

This document and its contents are subject to changes without prior notice depending on variables such as the economic context or market fluctuations. BBVA is not responsible for updating these contents or for giving notice of such changes.

BBVA accepts no liability for any loss, direct or indirect, that may result from the use of this document or its contents.

This document and its contents do not constitute an offer, invitation or solicitation to purchase, divest or enter into any interest in financial assets or instruments. Neither shall this document nor its contents form the basis of any contract, commitment or decision of any kind.

With regard to investment in financial assets related to economic variables this document may cover, readers should be aware that under no circumstances should they base their investment decisions on the information contained in this document. Those persons or entities offering investment products to these potential investors are legally required to provide the information needed for them to take an appropriate investment decision.

This report has been prepared by:

Chief Economist
Marcos Dal Bianco
marcos.dalbianco@bbva.com

Federico Forte
Principal Economist
federico.forte@bbva.com

Adriana Haring
Senior Economist
aharing@bbva.com

Mario Iparraguirre
Senior Economist
mario.iparraguirre@bbva.com

Juan Manuel Manías
Principal Economist
juan.manias@bbva.com

Tomás Triantafilo
Economist
tomasteodoro.triantafilo@bbva.com

ENQUIRIES TO: BBVA Research: 111 Córdoba Avenue, 25th Floor. C1054AAA - Buenos Aires (Argentina).
Tel.: (+54) 11 4348-0000 - www.bbvaresearch.com

Research

Argentina Economic Outlook

March 2025

Creating Opportunities