

# ARGENTINA

ECONOMIC REPORT MAY

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2020



Cámara de Industria y Comercio  
Argentino-Alemana  
Deutsch-Argentinische  
Industrie- und Handelskammer

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# Argentinian Economy

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**05/2026**

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## INTRODUCTION

The most important aspects of the report are the following:

### OBJECTIVES

The report presents a diagnosis of the current economic situation and the outlook for the coming year. It highlights the economic policy constraints and their impact on the key variables (economic activity, inflation and exchange rate).

### CONTENTS

- International context. How the world will change in the coming years.
- Diagnosis of the current local economic situation.
- Economic policy after the parliamentary elections.
- What are the possible scenarios and the associated probabilities.
- Projections of the most important variables under several possible scenarios.

### VARIABLES CONSIDERED IN THE PROJECTIONS

- International context: growth and inflation in the main economies.
- Activity: GDP, private consumption, investment, exports, imports, unemployment rate.
- Prices: real inflation (Ecolatina CPI).
- Nominal and real exchange rates.
- Fiscal policy: expenditure, tax collection, budget out-turn, financing gap.
- External sector: exports, imports, trade surplus.
- Labor market: labor demand, unemployment, nominal and real wages.

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## OVERVIEW

### Economic Outlook: Argentina's Dual-Track Economy

Over the past month, incoming data confirmed a **widening divide within the Argentine economy**: financial calm and exchange-rate stability coexist with a sharp deterioration in real-sector activity, particularly in labor-intensive industries and those oriented toward the domestic market.

The **global backdrop** briefly appeared to stabilize when U.S.–Iran negotiations got underway, but the absence of swift, tangible outcomes continues to **fuel financial uncertainty** (oil prices, for instance, remain highly volatile). Against this backdrop, the Government not only reached a **staff-level agreement with the IMF** on the second review of the current program (Board approval — and the associated disbursements — is still pending) but also secured fresh financing and guarantee arrangements with other Multilateral Development Banks.

On the domestic front, the **exchange-rate framework continued to show resilience**. Despite the appreciation of the peso in recent sessions, the exchange rate held broadly stable well below the upper band ceiling (currently sitting 20% from the ceiling, compared with just 4% in December 2025). In parallel, the BCRA stepped up its purchasing pace, acquiring more than USD 2,700 M in April, bringing year-to-date purchases to more than USD 7,000 M so far in 2026. Unlike in prior months, April's BCRA purchases **translated into an effective build-up** of Net Reserves, which turned positive for the first time since sovereign debt payments made early in 2026.

What explains the BCRA's outsized FX purchases? We can identify both **structural and cyclical drivers**. On the structural side, the key factor remains the already-noted **shift in the export mix**, with energy and mining steadily gaining ground over recent years — together accounting for the entirety of the goods trade surplus in 2025.

Beyond this structural shift, several **cyclical factors have reinforced the dynamic in recent months**: **1) A broad-based rally in commodity prices** across Argentina's export basket (driven not only by the oil price surge, but also by gains in agricultural and mining commodities); **2) Lower import volumes** reflecting pre-election front-loading and the slowdown in certain sectors; **3) The arrival of FX proceeds from the main harvest** (the agricultural sector has accelerated its FX liquidation since late March); **4) The contribution of financial-account inflows** (including bank loans, corporate bond placements, and provincial public bonds); and **5) Contained FX demand** stemming from near-term expectations of ample USD supply (tied to harvest

liquidation), making peso-denominated positions attractive even at low interest rates.

On the monetary policy front, the Government continues to maintain **interest rates at low levels** in a bid to revive credit and thus support economic growth. As noted, the cyclical uptick in FX supply has allowed authorities to temporarily sidestep the typical interest rate–exchange rate trade-off. Along the same lines, the acceleration in BCRA purchases has injected additional pesos into the economy, enabling the Treasury to post strong results in its debt auctions (rollover above 100%) without significantly tightening system liquidity.

Against this backdrop of relative financial and FX calm, the Government has faced **headwinds on other fronts in recent months**. Most notably, **inflation** has been rising for several consecutive months, reaching 3.4% month-on-month in March — the highest monthly reading in the past twelve months. The upward trend was driven mainly by transitory factors (higher beef prices, fuel cost increases related to the conflict, upward corrections in regulated tariffs, seasonal price adjustments, etc.), although core inflation also edged higher.

In the wake of this inflationary acceleration, **real wages in the formal sector posted six consecutive months of declines** (likely to be seven once the March data is released), accumulating a 4.3% fall since September. Alongside this deterioration, concerns have grown over **household loan delinquency** (1 in 10 borrowers are struggling to service their debt obligations) and trends in formal private-sector employment.

As a result of these dynamics, **economic activity posted a sharp and unexpected monthly decline** in February. The EMAE (the official monthly economic activity proxy) fell 2.6% month-on-month — the steepest drop since the Milei administration took office. Beneath the headline figure, **the two-speed pattern persists**: despite the agricultural sector's contraction following the end of the wheat harvest, commodity-intensive winners (mining and energy) continue to offset in aggregate the ongoing downturn affecting labor-intensive sectors (manufacturing, construction, and retail trade).

At this juncture, sectoral and geographic divergence appears to **begin to erode public patience**: The Government Confidence Index fell 12% in April, approaching the lows of the Milei administration. While it remains at relatively elevated levels (around 40% approval — comparable to Macri and well above Alberto Fernández at the same stage of his term), uncertainty is mounting over the potential **electoral impact** of this trend should it persist heading into next year's presidential election.

In the near term, **the Government should see improving news on both fronts** (financial and real). On the FX front, harvest liquidation and incoming financial-account inflows should support the BCRA's purchasing program. On the real side, leading

activity indicators point to a recovery in March. Meanwhile, private inflation estimates signal a significant deceleration through April. Should the exchange rate remain broadly stable over the coming months, a downward inflation trend could emerge, setting the stage for a gradual recovery in real wages. As always, **the key uncertainties cluster around the second half of the year**, when seasonal FX supply dries up and the familiar *trade-offs* re-emerge.

### Political Outlook: A Less Popular Milei Reshapes Political Incentives and Expectations

1. *Milei's approval decline is the sharpest of his tenure and it carries real political consequences*

*The erosion in Milei's approval ratings is the steepest recorded throughout this political cycle. It comes just six months after the 2025 midterm victory, against a backdrop of mounting economic headwinds.*

2. *The primary effect is a misalignment of incentives among political actors*

*The erosion of public support disrupts the incentive structure for other actors to back Milei. Coalition-building becomes more fraught, and decision-making grows costlier.*

3. *It also shapes the 2027 electoral outlook, raising the risk of a runoff.*

*It also shapes projections for 2027—most notably by increasing the likelihood of a runoff scenario, with all its attendant implications.*

Six months after a resounding midterm election victory, Javier Milei is navigating the most challenging phase in his relationship with public opinion. What has emerged is **a meaningful decline in his approval ratings**—one not seen at any previous point in this cycle. This erosion of his social base has been driven by a combination of economic pressures—chiefly the decline in real purchasing power—and political setbacks, particularly the corruption-related scandals that have tarnished the government's reputation.

It is striking that this downturn should arrive so quickly on the heels of such a decisive ruling-party victory. Yet that very anomaly invites a reassessment of how the October 2025 result should be read. If the government is facing this deterioration so early, it is reasonable to conclude that the victory owed less to genuine enthusiasm for the ruling coalition than to **rejection of the opposition alternative**.

Whatever interpretation one assigns to the October 2025 result, this decline in Milei's approval **has tangible effects on political dynamics**. In particular, it reshapes the incentive structure for other political actors. Those in the opposition are emboldened to harden their stance, drawing legitimacy from the prevailing social discontent. Those who had been inclined to cooperate are now raising the price of that cooperation—or withdrawing it altogether, in response to growing dissatisfaction with the administration.

In this environment, the negotiations required to build legislative majorities become more complex, and policy decisions more costly. This reverses the impression left by the extraordinary session period, when the government appeared capable of advancing its agenda with relatively little resistance. In fact, since **February, Congress has once again become a hostile arena** for the ruling coalition, complicating the swift advancement of the reform agenda outlined by the President at the opening of the ordinary legislative session.

Milei's declining approval also weighs on projections for 2027, altering both the political landscape and the relationships among key actors. Most notably, it raises the probability that the President will need to contest his **re-election bid in a runoff**, which carries significant implications.

Runoff systems demand the construction of broad majorities—more than half the vote—and ruling parties across the region have historically struggled to meet that threshold. Re-election rates in these scenarios fall below 50%, partly because it is easier to forge a negative majority against the incumbent than to assemble a positive coalition in its favour.

In Argentina, the historical record on runoffs—2015 and 2023—has been **unfavourable for incumbent administrations**. Moreover, in Milei's case, his limited appetite for ideological moderation could pose an additional obstacle, since runoffs typically demand a pivot toward the centre to win over undecided voters. The central question, then, is whether Milei can adapt to the strategic demands of a runoff. Ultimately, this erosion of popularity and electoral competitiveness shifts the baseline from which to assess the 2027 strategy. It raises the question of whether the President can sustain a go-it-alone growth strategy—consolidating his own political space—or whether he will need to move toward building broader alliances.

The weaker his electoral position as the vote approaches, the greater the pressure to make concessions and prioritise a strategy of expansion over one of ideological purity. In that regard, **he still has a "spare tyre"**: the option of aligning with compatible sectors to build a broader coalition—one that maximises his competitiveness and enables him to meet the defining challenge of any runoff: securing more than half the vote.

## ACTIVITY

### Economic output posts its steepest decline in over two years

- **The Monthly GDP Proxy (EMAE) contracted 2.6% s.a. in February, reversing the 0.4% gain recorded in January and snapping two consecutive months of growth. This is the sharpest monthly decline since December 2023. On a year-over-year basis, output was down 2.1%, pulling activity back to July 2025 levels—marginally below the 2025 full-year average (-0.4%).**

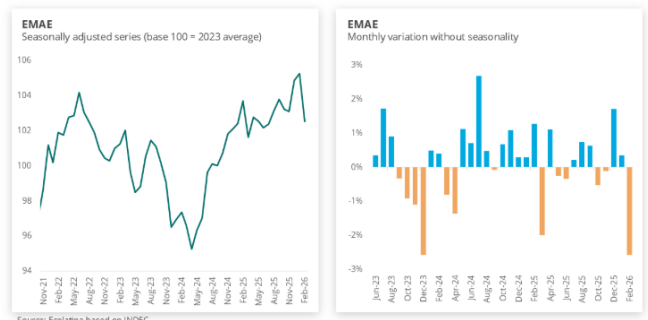
- **Several one-off factors amplified the monthly drop. Agriculture posted a sharp correction after the outsized January reading driven by the wheat harvest; stripping out that sector, the EMAE would have fallen roughly 1% s.a. Manufacturing deepened its slide, consistent with the 4.0% monthly decline already flagged by the industrial production index (IPI), while retail trade shed close to 2%. Together, these three sectors account for the bulk of the overall contraction.**

- **March high-frequency indicators sent mixed signals. On the positive side, automobile output rose 5% s.a. (+0.4% y/y) and vehicle registrations edged up 0.2% s.a. (+1.2% y/y). Construction also held up: the Construya Index gained 1.3% s.a. (+11.1% y/y) and cement shipments rose 4.0% s.a. (+11.6% y/y). Consumer-side data, however, disappointed—consumer confidence fell 5.3% s.a., landing 4.7% below its March 2025 level, while consumer credit dipped 0.4% s.a. (still +17.5% y/y).**

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ACTIVITY LOSES THE GAINS OF RECENT MONTHS

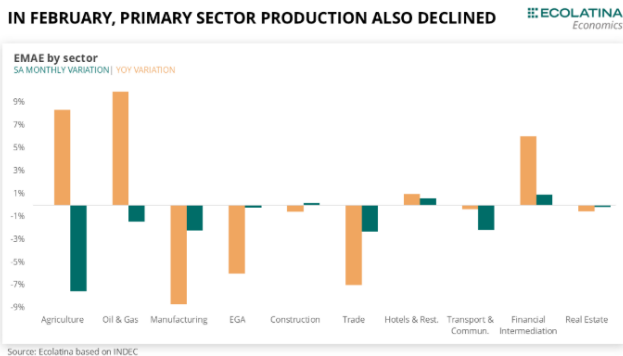
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**Several one-off factors amplified the size of the monthly decline.** Agriculture posted a sharp correction after the outsized

January reading driven by the wheat harvest. Stripping out that sector, **the EMAE would have fallen roughly 1% s.a.** Manufacturing deepened its slide, consistent with the 4.0% monthly decline already flagged by the industrial production index (IPI), while retail trade shed close to 2%. Together, these three sectors account for the bulk of the overall contraction.

Beneath the headline, the economy continues to display a two-speed pattern: growth remains concentrated in the primary and extractive sectors—with mining and oil emerging as the key drivers—while labor-intensive sectors continue to underperform. Mining and quarrying expanded 9.9% y/y and agriculture rose 8.4% y/y. By contrast, **manufacturing contracted 8.7% y/y**, retail trade fell 7.0% y/y, and construction was essentially flat (-0.6% y/y).



The February reading leaves manufacturing 16% below its 2025 average and 24% below its 2023 average—a deterioration corroborated by business surveys: **some 50.9% of firms report order books below normal levels**, and 31.3% describe their company's current situation as poor. The main constraints on production are weak domestic demand (cited by 52.5% of firms), competition from imports (11.5%), and economic uncertainty (7.2%). Looking ahead, **17.3% of manufacturers plan to cut headcount over the next three months**, with only 3.7% expecting to add staff.

A similar picture emerges in retail trade surveys. Some 37.3% of firms rate current business conditions as poor, versus only 5.3% who view them as favorable. Access to credit remains a binding constraint: 30.7% of respondents find it difficult to obtain, and only 2.7% find it easy. Weak demand is the dominant drag on activity (58.7%), followed by labor costs (17.3%) and, to a lesser extent, financing costs (6.7%). On the employment outlook, **the picture remains contractionary**: 24.0% of firms plan to reduce headcount in the coming months.

## 2026 Outlook

March high-frequency data sent mixed signals. **Industry-side indicators were encouraging**: automobile output rose 5% s.a. (+0.4% y/y) and vehicle registrations edged up 0.2% s.a. (+1.2%

y/y). **Construction also showed resilience**: the Construya Index gained 1.3% s.a. (+11.1% y/y) and cement shipments rose 4.0% s.a. (+11.6% y/y). **Consumer-side data, however, disappointed**: consumer confidence fell 5.3% s.a., landing 4.7% below its March 2025 level, while consumer credit dipped 0.4% s.a. (still +17.5% y/y).

Going forward, **the easing cycle that began in March should offer some relief**, supporting a gradual credit recovery. The start of the main harvest season provides an additional tailwind—boosting not only agriculture but also transport and agro-industrial activity—while a pickup in mining output could lend further support. That said, the sectors that carry the most weight in employment continue to weaken. Accounting for March's expected performance, a potential statistical rebound, and the trajectory heading into Q2—particularly if a meaningful disinflation trend is confirmed—we maintain our view that the economy **will expand by more than 2.5% y/y on a full-year basis in 2026—a significantly more moderate pace than last year**, with statistical carry-over accounting for nearly 1 p.p. of that growth.

## PRICES

### Q1 Inflation Closes In on 10%

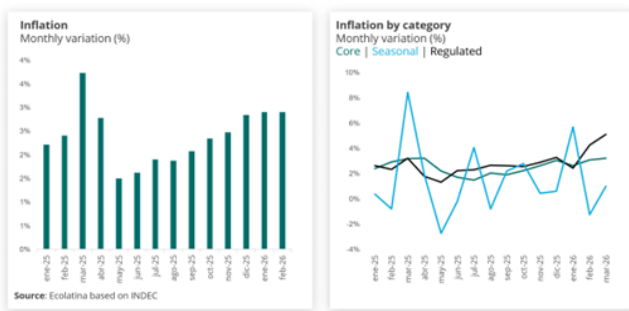
- **INDEC's National CPI rose 3.4% in March, accelerating 0.5 p.p. relative to both January and February and posting its highest monthly reading since March 2025. Inflation accumulated 9.4% over the first quarter of the year and reached 32.6% year-on-year.**

- **By category, Regulated prices posted the largest monthly increase (+5.1%), followed by Core CPI (+3.2%), while Seasonal prices rose 1.0% over the month.**

- **According to our GBA Ecolatina CPI estimates, inflation came in at 2.4% in April. The continued pass-through from fuel price adjustments and certain utility tariff increases -including a 4% water tariff hike in Greater Buenos Aires and public transport fares- kept upward pressure on the index, though the one-off factors that had driven March readings were no longer present, such as the typical education and clothing price increases, alongside a deceleration in meat prices.**

**INDEC's National CPI rose 3.4% in March**, accelerating 0.5 p.p. relative to the first two months of the year. The reading surprised to the upside, coming in 0.4 p.p. above the REM median forecast for March. Accumulated inflation reached 9.4% in the first quarter and 32.6% year-on-year.

Q1 Inflation Closes In on 10%



**By category**, Regulated prices posted the largest monthly increase (+5.1%), followed by Core CPI (+3.2%), while Seasonal prices rose 1.0% over the month.

The acceleration in **regulated prices** was primarily driven by increases in gas, water, and electricity tariffs (+4.6%) and public transport fares (+5.2%). Education also contributed significantly (+12.1%), reflecting the start of the school year. Additionally, fuel prices surged (+7.0% at the national level) following the rise in oil prices amid the Middle East conflict. Combined, fuel and education added 0.6 p.p. to headline inflation.

In the same vein, **INDEC's wholesale price index** -which tracks prices at the production stage- also rose 3.4% in the month, with the increase in oil prices alone contributing 2 p.p. to the index.

**Core inflation** accelerated once again (+0.1 p.p. relative to February, +33.6% year-on-year), posting its highest monthly reading since April of last year. Two factors stood out within the core basket: meat prices, which rose 7.0% at the national level and have accumulated a 37% increase since November following a sharp rise in wholesale prices; and rents, which climbed 3.6% in March and have consistently run above the headline rate, averaging 4.1% over the past twelve months.

The Central Bank's (BCRA) measure of **underlying inflation** - which strips meat and rent from the core basket- came in at 2.4% in March, below the readings of the other categories. That said, it remained above the year-to-date average (+2.1%) and also showed some acceleration relative to prior months.

**Seasonal prices** posted the lowest year-on-year increase among all categories (+14.3%) and the smallest monthly change, supported by declines in fruit (-2.0%) and vegetables (-2.3%).

At the division level, the largest monthly increase was recorded in **Education** (+12.1%), driven by private school fee adjustments, followed by **Transportation** (+4.1%) -reflecting higher public transport fares and fuel prices- and **Housing, Water, Electricity, Gas & Other Fuels** (+3.7%). At the other

end of the spectrum, the smallest increases were seen in **Household Equipment & Maintenance** (+1.3%) and **Basic Goods & Services** (+1.7%).

Consistent with a trend observed for several months, goods inflation (+3.0%) continued to run below services inflation (+4.2%). Several factors explain this divergence: **(i)** utility tariff adjustments, which feed directly into services; **(ii)** lagging real wages, a key cost driver for private services prices; and **(iii)** trade liberalization and a more appreciated real exchange rate, which reduce the cost of imported goods and compress the room for price increases on locally produced items.

### Impact on Our Projections

**According to our GBA Ecolatina CPI estimates**, inflation came in at 2.4% in April. The continued pass-through from fuel price adjustments -including a carry-over effect from March, as increases were phased in throughout the month- and certain utility tariff hikes (water and public transport) kept upward pressure on the index. However, the one-off factors that had driven March readings were no longer present, including the typical education and clothing price increases and a deceleration in meat prices, which rose by slightly less than 2%.

**We therefore expect Q2 inflation to decelerate**, moving away from the ~3% monthly pace recorded over the first three months of the year. That said, the full-year outlook remains constrained by the data accumulated so far: for inflation to reach the 27% year-on-year figure implied by the REM median forecast, prices would need to average just 1.7% per month between April and December. With wage negotiations already decoupled from the government's official guideline, inflationary inertia will complicate this objective- regardless of what may happen in any given month.

That said, we do not expect an inflationary spiral either. Exchange rate stability remains a key anchor for near-term price pressures, even in a context of significant reserve accumulation by the Central Bank.

Our base case scenario is therefore for inflation to settle broadly around 2% per month for much of the year- a more stable dynamic, but still well above the government's disinflation targets. Under this path, **year-on-year inflation would exceed 30% in December, a level similar to that recorded in 2025.**

## FISCAL POLICY

### March with primary and financial surplus

- The National Public Sector posted a primary surplus of ARS 0.93 trillion in March and a positive financial result of ARS 0.48 trillion, facing interest payments of ARS 0.44 trillion during the month. With this performance, the cumulative primary surplus reached approximately 0.5% of GDP, with a financial result of 0.2% of GDP.

- In real terms, March's primary surplus was the lowest in the past three years: 6% below the figure recorded in March 2025 and 28% below March 2024. This outcome reflects a trend already anticipated by tax revenue dynamics, in a context where expenditure has been adjusting to sustain the balance in the face of lower income.

- Among the main developments, the Government reached a technical agreement with the International Monetary Fund (IMF) that will unlock a pending disbursement of USD 1,000 million following Board approval. A relevant aspect of the agreement is the reduction of the primary surplus target for 2026, which was lowered from 2.2% to 1.4% of GDP (-0.8 p.p.). While a deceleration in tax revenues has been observed in recent months, the relaxation of the target primarily reflects the recent dynamics of Treasury financing. In particular, the greater use of fixed-rate capitalizable instruments has allowed interest payments to be reduced in the short term by deferring their accrual to maturity dates.

The National Public Sector posted a primary surplus of ARS 0.93 trillion and a positive financial result of ARS 0.48 trillion in March, facing interest payments of ARS 0.44 trillion during the month.

In this way, the primary surplus reached ARS 5.4 trillion in the first quarter of the year, including the extraordinary revenue of ARS 1.1 trillion recorded in January from the privatization derived from the award of the equity stake in the hydroelectric power plants. With this performance, the cumulative primary result reached approximately 0.5% of GDP, with a financial result of 0.2% of GDP.

In real terms, March's primary surplus was the lowest in the past three years: -6% below the figure recorded in March 2025 and -28% below March 2024. This outcome reflects a trend already anticipated by tax revenue dynamics, in a context where expenditure has been adjusting to sustain the balance in the face of lower income.

### The accounts in detail

In March, total revenues fell -5.8% y/y in real terms, accumulating eight consecutive months in negative territory. Against

this backdrop, the downward trend was maintained, reaching the lowest level in the past ten years (excluding the months of steepest declines during the pandemic, in April and May 2020).

Tax revenues declined -5.7% y/y in real terms, with broad-based contractions across virtually all categories. Activity-linked taxes recorded the sharpest falls. In this regard, the Income Tax posted a decline of -23.9% y/y in real terms, the steepest drop in the past nine months. Meanwhile, net VAT fell -4.2% y/y, with a more pronounced deterioration in the component linked to foreign trade (DGA), in line with subdued import performance. Additionally, Social Security contributions fell -2.8% y/y, reflecting the negative trend observed in formal employment and real wages.

Regarding foreign trade taxes, both showed a further contraction: Export Duties fell -33.9% y/y and Import Duties declined -14.6% y/y. Behind this performance lies the slowdown in imports, which posted a -11.8% y/y decline in the first two months of the year. In contrast, the Other taxes category grew 16.2% y/y, driven by higher fuel tax revenues (+34.9% y/y in real terms), following the update of tax rates.

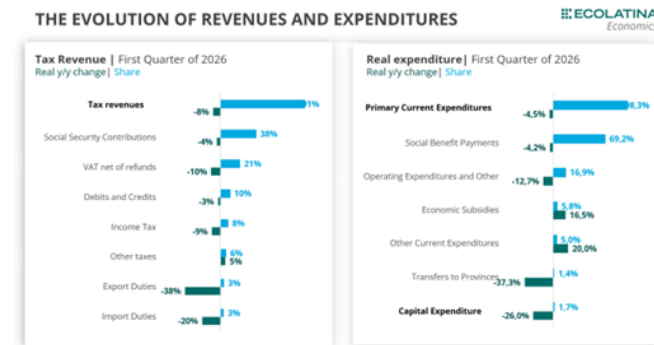
On the expenditure side, primary spending fell -5.8% y/y in real terms, mirroring the decline in revenues for the month and once again reflecting the contractionary stance required to sustain the primary surplus. Thus, it accumulated a -5.0% y/y contraction in the first quarter of the year.

Current primary expenditures fell -5.3% y/y in the month (-4.5% y/y in the first quarter), while capital spending -as in previous months- showed a sharper contraction (-24.1% y/y and -26.0% y/y in the first three months of the year), landing slightly above March 2024 levels (when public works were practically at a standstill), but at historical lows for the series.

Within current expenditure, economic subsidies and transfers to provinces both posted declines. In the case of subsidies, the contraction was -49.8% y/y in real terms, falling -71.6% y/y below March 2024 levels. It is worth noting that the gap between accrued and actually paid amounts by the National Government reached a considerable magnitude during the month, meaning some recomposition of this line item in the very near term cannot be ruled out. In fact, on a cumulative basis through the first quarter, subsidies showed a real improvement of 16.5% y/y. As for provinces, discretionary transfers fell -69.4% y/y, accumulating a -37.7% y/y contraction in the quarter.

Social Benefit Payments declined -3.7% y/y, given that approximately 70% of social spending remains indexed -concentrated in Pensions and the Universal Child Allowance (AUH). Within this category, PAMI contributions stood out, posting a real decline of -26.7% y/y. However, the Other programs line

item, which groups more discretionary expenditures, showed a more contained contraction (-1.1% y/y).



Source: Ecolatina based on the Ministry of Economy

### Outlook for the remainder of the year

Among the main developments, **the Government reached a technical agreement with the IMF that will unlock a pending disbursement of USD 1,000 million following Board approval.** A relevant aspect of the agreement is the reduction of the primary surplus target for 2026, which was lowered from 2.2% to 1.4% of GDP (-0.8 p.p.). While a deceleration in tax revenues has been observed in recent months, the relaxation of the target primarily reflects the recent dynamics of Treasury financing. In particular, the greater use of fixed-rate capitalizable instruments has allowed interest payments to be reduced in the short term by deferring their accrual to maturity dates. However, the recent financing strategy has also seen a greater share of indexed instruments, which limits debt erosion through inflation and could imply a higher interest burden going forward, reinforcing the need to sustain elevated rollover levels.

On the revenue side, tax performance is expected to remain subdued for as long as consumption-linked sectors fail to show a clear sign of improvement, given that the revenue structure is heavily dependent on activity-linked taxes (primarily VAT, Income Tax, and Social Security contributions). Along these lines, **April posted another decline in tax revenues**, with a real contraction estimated at around -7% y/y on a cumulative basis through the first four months of the year.

Economic activity has been displaying a highly heterogeneous performance across sectors, with primary industries (agriculture, oil, gas, and mining) driving the aggregate figure, while sectors linked to manufacturing, construction, and commerce are still operating well below end-2023 levels (prior to the exchange rate correction that followed the new administration's inauguration). In this context, **the Government may in the coming months turn to higher extraordinary revenues -as seen in January- or to new financing sources that help sustain the aggregate result.**

One of the key open questions going forward is the margin available to sustain this level of primary surplus without advancing more structural changes to the expenditure framework. In particular, the strategy of executing below accrued amounts in certain line items -such as economic subsidies, transfers to provinces, and PAMI benefits- may contribute in the short term, but tends to require corrections in subsequent months. **Added to this is the fact that approximately 70% of spending is indexed to past inflation**, which limits room for maneuver and concentrates the adjustment in a narrow set of line items. In this context, one notable development is the discontinuation of programs such as *Volver al Trabajo*, aimed at reducing outlays in specific segments of non-indexed spending.

**Also noteworthy is the Government's recent decision to extend coparticipation advances to a group of provinces for up to ARS 0.4 trillion**, which must be repaid within the same fiscal year. While this type of mechanism can help address subnational liquidity pressures in the short term following the decline in revenues, it nonetheless implies a temporary reallocation of resources that could condition the dynamics of public accounts in the months ahead.

**In summary**, if economic activity continues to fail to drive revenue growth in the coming months, the primary surplus will increasingly depend on extraordinary revenues, new financing sources, or cuts to non-indexed spending items to meet its 2026 target.

## EXTERNAL SECTOR

### Record trade surplus in Q1

- **In March, the trade balance posted a surplus of USD 2,523 M, accumulating USD 5,486 M over the first three months of the year — the highest first-quarter cumulative balance since at least 1992 (in current prices).**

- **This result was underpinned by an all-time monthly record in exports, which reached USD 8,645 M (+30.1% y/y), driven primarily by higher volumes, with broad-based gains across all categories.**

- **Imports totaled USD 6,122 M, up 1.7% year-on-year and 0.4% in seasonally adjusted terms versus February. However, the increase was entirely explained by higher prices (+5.8%), as volumes declined 3.7%.**

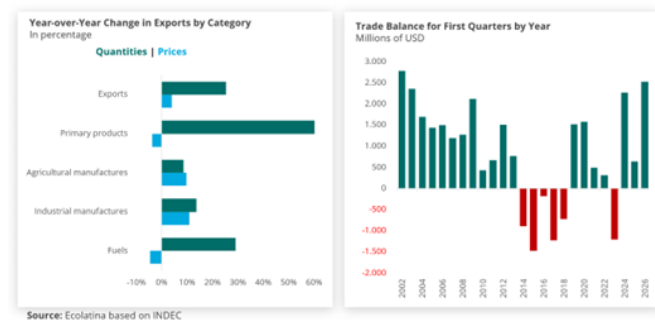
**In March, the trade balance posted a surplus of USD 2,523 M**, marking 28 consecutive months in which exports exceeded imports. Year-to-date, the cumulative surplus stands at USD

5,486 M — the highest first-quarter figure since 1992 in current prices and since at least 2009 in constant prices.

**This outcome was supported by an all-time monthly record in exports, which reached USD 8,645 M (+30.1% y/y).** In constant-price terms, however, the volume exported was the highest since October 2022. On a seasonally adjusted basis, external sales rose 28% versus February, with most of the momentum coming from quantities: export volumes grew 25.3% y/y, while prices advanced just 3.9%.

At a more granular level, **gains were broad-based across all categories. Primary Products** led the increase, totaling USD 2,349 M (+56.2% y/y), driven entirely by volumes (+62.7%) amid a slight decline in prices (-3.8%). **Manufactures of Industrial Origin (MOI)** followed with USD 2,401 M (+26.4% y/y), reflecting improvement in both volumes (+13.6%) and prices (+10.8%). **Fuels and Energy** reached USD 1,235 M (+23.4% y/y), as higher volumes (+29.1%) more than offset lower prices (-4.5%). **Manufactures of Agricultural Origin**, in turn, recorded an 8.5% rise in volumes and a 9.7% increase in prices, bringing total external sales to USD 2,659 M (+18.9% y/y).

Record exports for a first quarter

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A structural factor that continues to gain relevance is the growing contribution of the energy and mining sectors. In March, **fuel and energy exports hit an all-time high in current prices at USD 1,235 M (+23.2% y/y), yielding a wide sectoral trade surplus of USD 1,090 M** — even before fully incorporating the impact of changes in international oil prices. In parallel, **the mining sector, according to data from the Secretariat of Mining, recorded exports of USD 896 M in the month (USD 2,409 M in Q1)** and accumulated a surplus of USD 2,031 M during the first quarter.

The overall trade surplus is largely explained by the energy and mining sectors. **On a year-to-date basis, these two sectors contributed USD 4,389 M in surplus**, meaning that, once excluded, **the remaining trade balance narrows considerably to roughly USD 1,100 M.** In this context, the agricultural sector's surplus acts as a further offset to the structural deficit of the industrial sector.

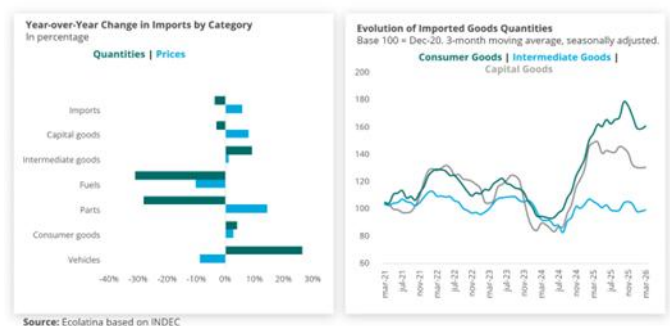
Along these lines, the agricultural sector once again played a central role in export dynamics. According to the Rosario Board of Trade, **agro-industrial shipments totaled 10.2 million tons in March**, 35% above March 2025 and 42% above the five-year average. Cereals, which account for 20% of the total year-on-year increase in exports, grew 39.2% y/y to USD 1,953 M, led primarily by the wheat harvest.

As for Manufactures of Industrial Origin, growth was significant, although the improvement remains concentrated in natural resource-linked categories. **The precious stones and metals segment stands out, with export values up 65% versus Q1 2025**, as a 70% surge in prices more than compensated for a 3% drop in volumes. Accordingly, the dynamism observed in MOI appears to be driven largely by the primary sector and the prevailing international price environment.

**On the import side, purchases totaled USD 6,122 M (+1.7% y/y), an increase explained entirely by higher prices (+5.8% y/y)**, given that volumes fell 3.7% y/y. In seasonally adjusted terms, imports edged up 0.4% versus February, but volumes have exhibited a broad-based decline since mid-2025. This trend reflects the subdued activity in the sectors most reliant on imported inputs.

By end-use, performance was mixed. **Intermediate Goods (+10.2% y/y)** and **Consumer Goods (+6.6% y/y)** posted notable gains, driven mainly by higher volumes (+9.2% y/y and +4.0% y/y, respectively), while **Capital Goods (+4.5% y/y)** grew on a price effect (+8.0% y/y), as volumes declined (-3.1%). In contrast, **Parts and Accessories for Capital Goods (-18.1% y/y)** and **Fuels and Lubricants (-38.5% y/y)** registered significant drops. **Passenger Motor Vehicles** totaled USD 459 M, up 17.3% y/y. Finally, the **"Other"** category — which mainly comprises door-to-door courier shipments — reached USD 107 M (+105.9% y/y).

Imports stagnant at the start of the year

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Lastly, **the terms-of-trade index** — which measures the ratio between export and import prices — fell 1.8% y/y in March. Had March 2025 prices prevailed, the trade surplus would have been USD 2,537 M.

### An export boom under the new international price environment?

Regarding the agricultural outlook, the Rosario Board of Trade estimates that Argentina could harvest a record corn crop of 67 Mt, 34% above the previous cycle and 28% above the prior all-time high of 52.5 Mt two years ago. For the soybean campaign, output is estimated at 48.0 Mt, 2.9% below last year's 49.5 Mt. Persistent rainfall, however, has raised concerns about the pace of commercialization: **soybean harvest progress stood at 18% by late April, 7 percentage points behind the five-campaign average.**

The sector is also being affected by the Middle East conflict and its impact on energy markets. **While the war has pushed expected commodity prices higher, production costs have risen disproportionately.** The December 2026 wheat futures position averaged USD 190/t at the start of the year and peaked at USD 221/t (+16%); fertilizer prices, however, climbed nearly five times as much as the cereal (+57%). This distortion in relative prices has eroded the input-output ratio: whereas 2.7 tons of wheat were needed to purchase one ton of urea at the beginning of 2026, that figure has risen to 4.3 tons.

Nevertheless, higher crude prices benefit the domestic oil sector. Although March's trade balance does not yet capture the 63% increase in crude prices one month after the outbreak of the conflict, **this impact should be reflected in energy exports in the coming months.** Even in the event of a resolution of hostilities, capital destruction precludes an immediate restoration of supply to pre-conflict levels, underpinning a higher price floor over the medium term.

**On the import side, purchases are likely to face a ceiling going forward, insofar as economic activity — and industrial output in particular — does not stage a sustained recovery.** In this context, demand for inputs and intermediate goods would remain subdued, capping any significant expansion in total imports. That said, certain categories linked to final consumer goods could continue to show some momentum. Additionally, unlike in prior periods, there is no longer evidence of front-loading of imports, which would also help moderate the pace of growth.

## EXCHANGE RATE AND MONETARY POLICY

### The Treasury's Quest to Relieve Pressure on the BCRA

- The BCRA announced a series of exchange rate and monetary policy measures. On one hand, it took a further step toward monetary normalization by easing reserve requirements and re-entering the REPO market. On the other hand, it introduced a set of capital control relaxations while broadening the cross-restriction mechanism to prevent dollar outflows from the financial system and channel a larger share of foreign currency deposits into the weekly Treasury auctions.

- On that note, the Treasury increased the issuance cap for Bonares at the close of April. The strategy leaves the door open to expanding the total offering of these instruments (currently capped at USD 4 bn), which — alongside IMF Board approval and the corresponding USD 1 bn disbursement, and ongoing multilateral negotiations (the World Bank's Board has a USD 2 bn guarantee pending approval) — would effectively close the dollar financing program for 2026. This would strengthen the outlook for reserve accumulation, with April BCRA purchases hitting a record driven by dollar loans that reached their highest level for a fourth month of the year since the end of the Convertibility regime.

- Indeed, the FX market outlook remains favorable for the BCRA's reserve accumulation program at least through mid-year. In the near term, agricultural sector contributions will increase as the bulk harvest enters its peak settlement period, while the energy and mining sectors will continue providing a steady flow of foreign currency. This, in turn, strengthens the FX market outlook, encourages further hard-dollar debt issuance by corporates and banks, and reduces the risk of a pickup in retail FX demand. The key variable will be how much of the BCRA's FX purchases can translate into genuine reserve accumulation — a question closely tied to the Treasury's need to refinance its dollar obligations at some point in 2026, a process it has been pursuing through ongoing multilateral negotiations.

April closes as an eventful month on the exchange rate and monetary policy front. **The Central Bank of Argentina (BCRA) announced a series of measures related to capital controls.** On the relaxation side: **1)** Individuals will no longer be required to settle export proceeds through the official FX market; **2)** The deadline for foreign currency repatriation from local parent companies to subsidiaries was extended from 60 to 180 days, and from 180 to 365 days for exports in the textile industry and other key sectors; **3)** Access to the FX market is now permitted three days before the maturity of corporate

bonds and trade payables, and FX hedging on external liabilities is now allowed — a measure closely tied to the recent surge in foreign-law corporate bonds issuances; and **4)** Legal entities may now access the FX market to repay principal on intra-company financial debt, subject to securing a refinancing agreement.

Beyond these relaxations, **the measure that drew the most attention was the broadening of the cross-restriction mechanism.** Individuals who transfer foreign currency abroad will be barred from purchasing dollar-settled sovereign bonds for 90 days. The rationale is to curb FX outflows and eliminate the incentive for a financial arbitrage at a time when dollar liquidity is abundant (USD deposits are at record highs) and the spread between the CCL and MEP exchange rates remains elevated. This channel had generated USD 1.35 bn in FX outflows during the first quarter.

In the near term, **the tightened restriction simultaneously serves two goals of the economic program.** Limiting foreign currency transfers abroad keeps dollars within the local financial system, boosting reserve requirements and the BCRA's firepower in the FX market. At the same time, **it aims to make hard-dollar Treasury bonds more attractive,** since the restriction will not apply to the purchase of dollar-denominated bonds subscribed in primary issuances, provided they are held for at least 15 days. In short, it limits dollar outflows while steering the pool of foreign currency deposits toward the monthly hard-dollar debt auctions run by the Treasury.

On that note, **at the last auction of the month the Treasury increased the issuance cap for Bonares.** The ceiling for hard-dollar bonds was raised from USD 0.25 bn to USD 0.35 bn, with the additional USD 0.1 bn allotment for the second auction day kept unchanged. Under this framework, the Treasury placed the full amount available for the bond maturing in 2027 (AO27) and approximately USD 0.4 bn for the one maturing in 2028 (AO28).

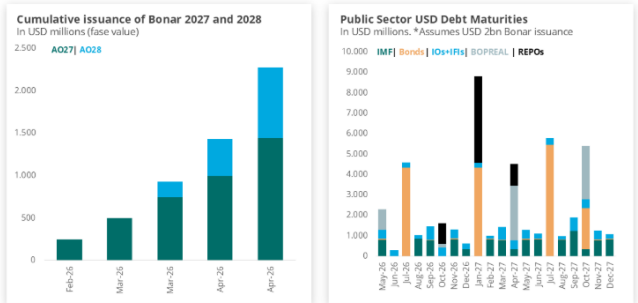
Separately, **the IMF's technical staff approved the second review of the program.** The review — which dated back to October of last year and had been delayed due to the electoral calendar — will unlock a USD 1 bn disbursement once approved by the Fund's Executive Board.

Key highlights from the IMF staff report include: **1)** On the fiscal front, the financial balance target is maintained, with a primary surplus of 1.4% of GDP, alongside references to future fiscal, tax, and pension reforms; **2)** The report explicitly calls for avoiding interest rate volatility — consistent with the "endogenous rate" framework and in line with the BCRA's approach over the past two months — while also encouraging credit expansion, though it confirms that monetary policy will maintain a tightening bias; **3)** On reserves, net international reserves are expected to increase by approximately USD

8 bn in 2026, which would require securing dollar financing and continued BCRA purchases of at least USD 10 bn; and **4)** Regarding foreign currency financing, potential sources cited include local hard-dollar bond issuances, asset sales (privatizations), BCRA REPOs, and multilateral lending.

On that last point, **the World Bank confirmed it has submitted for Board approval a USD 2 bn guarantee** (complemented by the IDB with a USD 5 bn financing package, of which USD 0.55 bn will take the form of guarantees) aimed at rolling over dollar-denominated debt — pending Board approval. Beyond the multilateral backing, what remains open are the final size of the private-sector component, the eventual interest rate, and the repayment schedule. The key question is whether Minister Caputo will act on his stated commitment to avoid tapping Wall Street and instead seek limited funding through international banks (such as REPOs) and multilateral institutions — or whether he attempts some form of international bond placement, setting the stage for a gradual return to global capital markets.

BONAR BONDS TO HELP TACKLE SHORT-TERM DEBT

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Source: Ecolatina based on BCRA and MECOM.

Against this backdrop, **we expect the Treasury to avoid purchasing the remaining dollars from the BCRA,** and will likely opt for some combination of expanding local hard-dollar debt issuance and drawing on multilateral loans. **With these moves, the dollar financing program would be virtually closed for 2026.** Running the numbers: assuming Treasury dollar deposits at USD 0.52 bn (as of April 27, the latest available figure), full rollover of multilateral and financial maturities, IMF approval of the two remaining reviews this year, and monthly hard-dollar bond issuances up to the stipulated cap (USD 2 bn for AO27 and AO28 combined), the remaining financing need through December would be approximately USD 2.5 bn — virtually the amount currently under negotiation with the World Bank.

In line with the IMF's second review, **the BCRA took a further step toward monetary policy normalization.** The central bank reduced the minimum daily reserve integration requirement from 75% to 65%. This ratio had reached 100% in August of last year — a level that contributed to upward interest rate volatility — and has been gradually brought down with greater

resolve since December. In addition, the range of eligible assets for reserve integration was expanded: minimum (60-day) and maximum (760-day) holding periods for primary-market sovereign bonds were eliminated, giving banks greater flexibility to manage their liquidity positions.

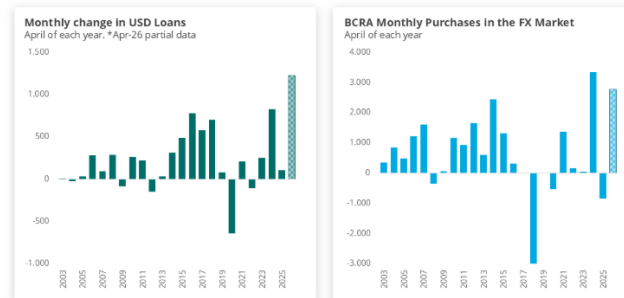
**The BCRA also returned to the REPO market.** The format mirrors last year's arrangement: operations are conducted during a 30-minute window after the close of the trading session, at a rate equal to the day's weighted average rate plus 500 basis points. **This re-establishes a *sui generis* rate corridor:** a floor of 20% offered in the *simultáneas (Pases)* market, and a ceiling of 25% through the REPO window. We use the term *sui generis* because the current ceiling does not function like the former active Pases facility, which was offered directly by the BCRA at a pre-set rate — effectively capping interbank funding costs, since exceeding that rate made central bank borrowing the cheaper option. That said, the REPO window still acts as a moderating mechanism, discouraging sharp rate spikes during periods of peso scarcity, particularly around the close of the trading session.

Against this backdrop, **peso interest rates continued to converge toward the 20% nominal annual rate offered by the BCRA in the *simultáneas* market.** More importantly, the authorities' more decisive liquidity injections — expanding banks' liquidity buffers — have helped dissipate rate volatility in recent months, reducing uncertainty for investment decisions. In numbers, both lending and deposit rates declined: the TAMAR fell from an average of 32% NAR to 23% NAR between February and April, while overdraft rates dropped from 38% to 26% NAR. This reflects the successive easing measures implemented by the BCRA, which have allowed financial institutions to build up their liquidity cushions.

Notably, **the exchange rate maintained a downward trend throughout the month**, trading below ARS 1,400 per dollar for 30 consecutive sessions from mid-March through end-April. On a monthly average basis, the dollar decreased 1% MoM, making April one of the months with the largest average distance to the upper band of the exchange rate corridor — second only to May 2025, the first full month under the crawling band regime.

Amid low interest rates and a stable exchange rate, **the BCRA closed April with record purchases totaling USD 2.77 bn.** For context, this ranks as the second-highest April figure in over a decade — the first being April 2024, also under the current administration. The key distinction, however, is that the FX market at that time operated under strict capital controls, including a staggered access calendar for importers and no FX access for individuals.

RECORD USD LOANS BOOST BCRA DOLLAR PURCHASES

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Source: Ecolatina based on BCRA.

The natural follow-up question is **what is driving the BCRA's strong FX market performance.** The overarching factor is the **increased credibility of the exchange rate framework**, which creates a virtuous cycle by dampening FX demand — both retail and wholesale — while encouraging dollar settlement. That said, the FX market has been buoyed by a rising supply of financial dollars. With agricultural settlements remaining relatively stable in April — at around USD 0.125 bn per day on average according to CIARA-CEC, compared to USD 0.127 bn in March — financial inflows were the key driver of recent FX market performance, as was the case in March. Corporate bond (ON) issuances continued to climb (+USD 1.3 bn), with the Province of Chubut adding a USD 0.65 bn placement, but dollar-denominated loans were the standout factor. Through April 28, dollar loans grew by USD 1.2 bn, marking the strongest April performance since the end of the Convertibility regime — even in real terms.

As a closing remark, **the FX market outlook remains favorable for the BCRA's reserve accumulation program** at least through mid-year. In the near term, agricultural sector contributions will increase as the bulk harvest (soja and maiza) enters its peak settlement period, while the energy and mining sectors will continue providing a steady flow of foreign currency. This, in turn, strengthens the FX market outlook and encourages further hard-dollar debt issuance by corporates and banks, while reducing the risk of a pickup in retail FX demand. The key variable will be how much of the BCRA's FX purchases can translate into genuine reserve accumulation — a question closely tied to the Treasury's need to refinance its dollar obligations at some point in 2026, a process it has been pursuing through ongoing multilateral negotiations.

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## ECONOMIC INDICATORS AND PROJECTIONS

	Monthly or Quarterly Indicators					Annual Indicators		
	Unit of measure	Date	Last Data	Date	Next Data	2025	2026p	2027p
<b>Activity</b>								
GDP	YoY %	IV Q 25	2,1	I Q 26	0,7	4,4	2,7	2,9
Total Consumption	YoY %	IV Q 25	3,4	I Q 26	1,0	6,7	2,3	2,5
Total Investment	YoY %	IV Q 25	-2,1	I Q 26	-6,8	16,4	1,7	6,8
<b>Prices</b>								
INDEC National CPI <sup>(1)</sup>	YoY %	mar.-26	3,4	apr.-26	2,5	31,5	30,3	22,7
<b>Foreign Exchange</b>								
Nominal FX <sup>(1)</sup>	ARS / USD	apr.-26	1381	may.-26	1396	1448	1743,3	2193
Real Multilateral. ARS/USD(1)	Dec. 01=100	apr.-26	1,2	may.-26	1,2	1,4	1,3	1,4
<b>Fiscal Situation. Year Accum.</b>								
Total Incomes	% GDP	mar.-26	3,3	apr.-26	4,4	15,9	15,0	14,9
Primary Expenditures	% GDP	mar.-26	2,8	apr.-26	3,8	14,6	13,6	13,5
National Primary Balance <sup>(2)</sup>	% GDP	mar.-26	0,5	apr.-26	0,6	1,4	1,4	1,5
<b>Foreign Sector</b>								
Exports	USD BN	mar.-26	8,6	apr.-26	8,9	87,1	94,8	98,1
Imports	USD BN	mar.-26	6,1	apr.-26	6,4	75,8	77,2	85,4
Trade Balance	USD BN	mar.-26	2,5	apr.-26	2,5	11,3	17,7	12,8
<b>Balance of Payments</b>								
Current Account balance	USD BN	IV Q 25	-1,5	I Q 26	2,3	-7,6	-5,3	-13,2
<b>Interest Rates</b>								
Monetary Policy Rate <sup>(1)</sup>	%	apr.-26	20,0	may.-26	20,0	20,0	18,0	18,0
Private Banks BADLAR <sup>(1)</sup>	%	apr.-26	20,4	may.-26	23,1	26,7	22,5	21,2

(1) Annual Indicators. December Average

(2) Excludes SDR allocation in 2021

(2) Excludes extraordinary resources