Santiago Bausili: Finance, economics and investments

Speech by Mr Santiago Bausili, President of the Central Bank of Argentina, at a presentation on "Finance, economics and investments", at the Expo EFI, Buenos Aires, 29 April 2026.

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The objectives set by the stabilization program that we started implementing at the end of 2023 are in line with the objectives of a traditional stabilization program: on the one hand, to reduce inflation and anchor expectations of the evolution about prices; and on the other, to stabilize the exchange rate. Success in reducing inflation and stabilizing the exchange rate provides a context of financial stability that encourages the development of economic activity, making GDP grow. If supported by solid fundamentals, such as fiscal and monetary order, it is possible to anchor long-term expectations.

After the financial shock stemming from the mid-term election hedging, the stabilization program has performed in accordance with its design over the past two months.

Interest rates and interest rate volatility declined significantly; inflation expectations remained anchored on a downward path; the exchange rate remained stable; and the BCRA purchased more reserves than anticipated by the market. This dynamic is helping to establish a virtuous cycle of expectations, thereby extending planning horizons and fostering more forward-looking decision-making. As a result, we are beginning to observe early signs of recovery in both lending and economic activity.

The amalgamation of these factors is very promising for the next stage of the stabilization program, with output returning to a growth path and coming back to the disinflation process.

Last year's shock came at a cost. Uncertainty led to the deferral of investment and consumption decisions, weighing on economic activity. Interest rates increased and, under a monetary scheme based on controlling the amount of money, greater volatility in interest rates was to be expected. These movements in interest rates affected production costs. Financial hedging is an additional cost for the economy, which must be paid, particularly when the adverse scenario it was intended to hedge against does not materialize.

The strength of the fundamentals-particularly fiscal and monetary order-has enabled these costs to be absorbed quickly and orderly. We are entering a stage in which evidence shows that these effects are receding.

Paradoxically, last year's shock both tested and validated the economic program. We emerged from it in a position of strength.

I will now address four topics: (i) the external balance, (ii) the domestic balance, (iii) the exchange rate and monetary framework, and (iv) the credit cycle.

(i) The external balance is more robust than in the past

Argentina's foreign stability now is based on four pillars that are worth breaking down.

The first pillar is cyclical. Last year's domestic shock-dollarization ahead of the October elections-is reversing strongly. Household demand for dollars fell sharply after the elections: those pesos that were previously withdrawn from the financial system are now remaining as deposits and loans in dollars. The corporate sector has likewise adjusted its position: currency hedging is being unwound and companies returning to capital markets to finance the investment cycle. Postponing investment decisions due to uncertainty is a thing of the past.

The second pillar is the reserve accumulation program. The BCRA has purchased USD6.9 billion so far this year, significantly exceeding market expectations. This has enabled further progress in easing foreign exchange restrictions: in line with what we announced in April 2025, foreign companies have distributed more than USD1.3 billion in dividends so far this year. This is the first time this has occurred in six years. Restrictions on portfolio investment have also been relaxed, while maintaining a prudential bias seeking to prevent short-term capital movements.

The third pillar is structural. Since the easing of the foreign exchange rate in April 2025, exports measured in quantities reached a new historical high every month. The foreign exchange market normalization and the reduction of export duties have improved profitability in agricultural sectors. The energy and mining sectors are expected to increase for years: RIGI projects are already generating foreign exchange flows of nearly USD1 billion during their investment stage, and export projects are expected to come on stream by the end of the year. Argentina's export outlook has changed structurally. The foreign exchange crises of the past have left a lasting mark. Many Argentinians have not yet fully incorporated this new external sector structure into their decision-making.

The fourth pillar is fiscal. The elimination of the fiscal deficit-an achievement that many considered impossible-has broken the historical correlation between fiscal imbalances and current account deficits. This represents, in itself, a structural safeguard on the balance of payments. Current account dynamics are driven by the private sector. If there is a current account deficit, it will be because the private sector can finance that deficit. If there is a current account surplus, it will be the private sector that defines how the resources generated by that surplus will be allocated.

As a result, gross international reserves have increased by USD5 billion so far this year. The agreement with the IMF foresees an additional USD3 billion in purchases over the rest of the year.

The conflict in Iran triggered an increase in energy prices and altered the global inflationary outlook. Emerging markets have faced foreign currency depreciation, interest rates hikes, and volatility. Argentina, in contrast, stands out for the first time. The peso remains stable. Interest rates in the local market have continued to decline. Argentine stocks have appreciated.

That difference is not a coincidence: it is once again the consequence of strong fundamentals.

Although counterfactual, it is clear that a similar shock would have had markedly different effects on Argentina four years ago, without the current position of energy exporter and with fiscal and monetary imbalances.

(ii). The domestic balance: resuming the disinflationary path

The CPI of recent months generated debate. There are negative aspects, and there are elements that allow us to be optimistic when we analyze the behavior of prices in detail.

On the negative side, the price index increased more than desired, and that, at a general level, it could be indicated that there was a change in trend in the level of monthly inflation.

We believe that this is temporary. There was a jump in prices as a result of the fall in the money demand last year, coupled with some changes in relative prices. Market expectations remain well anchored and also point to a disinflationary process ahead.

I would like to emphasize that monetary policy remains focused on ensuring that inflation in Argentina converges toward international inflation level. In these months, this implies making sure that the impact of relative price changes does not translate into second-round inflationary impulses.
The relative prices that have exhibited the largest movements in recent months include:

- Meat prices, which have recorded significant month-on-month increases since November last year. High-frequency indicators suggest that this trend may have reversed by April. These increases are due to specific dynamics of that particular market. Pork and poultry prices did not follow this pattern, indicating an absence of inflationary inertia, rather an a generalized shock.
- Utility rates, which were adjusted between January and March to reflect exchange rate movements during the pre-election period.
- Education, which exhibits a seasonal pattern, with adjustments typically concentrated in March following summer vacations between December and February. This price gets decoupled from the rest of the economy, resulting in a discrete impact on that month's price index.
- Lastly, oil prices. Unfortunately, we were just finishing digesting the adjustments in relative prices, when the conflict in Iran had an impact-which it is not clear yet if it will be temporary or persistent. This shock in fuel prices is affecting economies worldwide in a similar manner.

It is important to note that the movements in the foreign exchange rate-with modifications in the regime in the past year (removal of exchange clamp, floating exchange rate bands, elections and geopolitical shock)-had no impact on the prices of goods. This is a very important milestone for a bi-monetary economy such as Argentina's.

I conclude this review of recent inflation dynamics by emphasizing that the effects of the sharp decline in the money demand observed in the run-up to last year's elections have been contained as effectively as possible, and that, as the impact of relative price adjustments dissipates, the disinflationary process is expected to resume. Private sector expectations remain unchanged. Both the REM survey and inflation breakeven indicators point to a gradual convergence toward lower inflation over the course of the year.

The end objective remains unchanged. Core inflation measures and high-frequency indicators support this assessment.

(iii). Foreign exchange and monetary policy

The foreign exchange rate regime with expanding bands was originally conceived with two objectives: (1) to facilitate a gradual transition toward a free-floating regime without focusing on a change of foreign exchange regime that would result in speculative behavior, and (2) to contain devaluation expectations in a post-shock environment, where fear can dominate decision-making and there are narratives of abrupt exchange rate adjustments (e.g., "the dollar will reach ARS2,000). The adjustment introduced to the band scheme as of January completed this transition to a floating exchange rate. Few people today think about the band ceiling. Currently, the ceiling is ARS1,700, 20% above the current exchange rate. For context, 20% is the exchange rate movement observed in one year.

Argentina now has a free-floating exchange rate regime, which retains the protective features of the band ceiling at a real exchange rate level that remains broadly uncontested, while also functioning as an automatic stabilizer. In other words, at that exchange rate that today would be ARS1,700, foreign exchange flows would be expected to turn decisively inward, thereby automatically ensuring exchange rate stability.

It is also important to note that the structure of the exchange rate regime is no longer in question. Four months ago, it was argued that accumulating reserves under the exchange rate band regime would not be possible. That view is no longer supported by the evidence.

Monetary policy in 2026 is being conducted within a markedly different context from that of 2024 and 2025. The BCRA no longer carries a stock of remunerated liabilities to be absorbed. The monetary base has expanded-from 2.5% to 4.1% of GDP-[L11] absorbing the elimination of these liabilities and the record reserve purchases. This new starting point creates renewed room for further remonetization. It is worth recalling that Argentina has historically operated with levels of monetization that double the current level in real terms. In contrast to earlier phases-when reducing remunerated liabilities was the policy priority-current conditions make it both appropriate and natural to accommodate increases in the money demand through reserve accumulation.

As for the performance of the monetary regime, market interest rates had been on a declining trend before the recent global shock, and that has continued since the beginning of the war in Iran.

The BCRA actively worked to reduce short-term interest rate volatility: greater flexibility in reserve requirements, normalization of intraday liquidity requirements, and promotion of bank reintermediation through mutual funds. Volatility dropped. This has been supported by the continued strengthening of the BCRA's balance sheet. In the coming days, the 2025 financial statements will be approved, reflecting the highest level of net worth in the past ten years.

One aspect of monetary policy that deserves to be highlighted is the role of the Treasury in the liquidity dynamics of the system. The Treasury is the market participant with the greatest impact on liquidity stocks: its refinancing operations generate substantial fluctuations in the system's positions. Towards the end of the first quarter, the Treasury seems to have adjusted its liquidity position. The BCRA incorporates the Treasury's participation in the liquidity market in a coordinated manner, as an integral part of the conduct of its monetary policy.

And this is directly linked to credit and economic activity.

(iv). The credit cycle

As regards the credit cycle, I will begin by recalling the framework in which the current situation occurs. Our financial system has undergone structural changes in the last two years:

- The level of nominal variables has changed very significantly,
- Successful handling of importers' trade-related liabilities,
- Removal of price controls,
- Removal of artificial caps on interest rates, and
- Removal of compulsory lending.

The business of banks has changed significantly. With lower inflation and ongoing deregulation, operational efficiency will become increasingly critical. Banks reduce their transactional business to return to their core function of financial intermediation: taking deposits and granting loans with a growing share directed to the private sector rather than the public sector. Since December 2023, the financial system's exposure to the government has been reduced by half, while banks' exposure to the private sector has doubled.

Credit to the private sector previously accounted for less than 4% of GDP-a level that was, for practical purposes, non-existent. Today credit remains very low relative to the needs of the economy, but it is beginning to play a more relevant role.

If there is no credit, there can be no default. When credit expanded, delinquency appeared.

In this process, both borrowers and lenders have had to relearn how to give and take credit. For borrowers, inflation always absorbed the final installments of a loan in pesos. But that is over.

Banks, on the other hand, have had to rebuild their databases and reconstruct the credit histories of their clients: the scoring system. The initial wave of credits was, somehow, granted blindly, without knowing who the money was being lent to.

This learning process faced last year's interest rate shock, which exacerbated the challenge.

As noted in the BCRA's latest Report on Banks, published last Friday, the increase in non-performing loans that began in the second half of last year has been concentrated in personal loans, and, at the aggregate level, non-performing loans had not yet reached their peak as of February. However, there are encouraging signs of recovery. The level of deterioration in loan portfolios slows down, and more recent data for March and April shows further improvements. Measured in pesos, the impact of marginal non-performing loans is losing relevance in the financial system. In such a broad financial system, the data are mixed, with some banks having seen delinquency peak in January, others in February, and some in March. The system is gradually strengthening.

Argentina's banking sector remains highly robust, it has three times the level of capital required by international standards, and loans remain very low at a national level. The important thing is that conditions are once again in place for loans to resume their growth path.

The dollar-denominated segment of banks' balance sheets is concentrated in business loans, where non-performing loans remain at historic levels. Loans in dollars has already regained momentum, increasing by USD4 billion so far this year. This is an increase of 22% in four months.

In conclusion, our course is clearly defined.

Our ultimate goal is crystal clear:

A stable economy that grows with predictability.

To achieve this, we are going to maintain fiscal balance. We are going to continue to strengthen the BCRA's balance sheet anchored in reserves. We are going to move towards a less regulated and more open economy.

Thank you.