

Monthly Economic Newsletter



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KEY DATA

Inflation. January CPI rose 2,9% monthly (32.4% y-o-y). It is the highest monthly increase since May 2025.

HIGHLIGHTS

Argentina.

Monthly inflation rates remain on the rise, but such acceleration might continue in the next months. As long as the Gov't achieves the Congress approval of its pro-market bills, official statistics look far from endorsing some private views on an emerging stagflation or an unavoidable recession-cum-inflation scenario..

In the first two months of this year the Argentine Central Bank purchased USD 2.4 Bn, a level higher than even those of the most optimistic forecasts. This led to the appreciation of the local currency and a decline in the country risk premium (EMBI+ Argentina) towards 500 b.p. However, the relatively tight monetary policy remains keeping interest rates at higher levels than those compatible with a rebound of the local aggregate demand.

Global markets. The US Supreme Court ruled against President Trump's "reciprocal" import duties without the previous Congressional approval. This leads to higher uncertainty, as well as the expectations of changes in the current monetary policy, if Trump's nominee Kevin Warsh will take the Fed's chair after Jerome Powell's term ends in May.

LOOKING AHEAD

Argentina. The National Congress is currently passing the pro-market bills sent by President Milei in last December. Some new bills to promote new structural reforms are expected to be delivered to the Congress in the next months.

MERCOSUR-EU Agreement. The agreement between both blocks is being approved by Argentina's Congress. It is expected that the other members of MERCOSUR will also approve this agreement.

Russia vs. Ukraine. The war continues without any definition, but Ukraine has consolidated the recovery of part of its territory. Nobody expects the end of the war, but it is not so clear that Russia might rely on sufficient economic and human resources to cope with a long-term war.