

International Commentary — September 8, 2025

# Argentina's Transition to a Post-Peronism Economy is in Flux

## Summary

In resounding fashion, political parties associated with the left-leaning Peronist ideology defeated candidates associated with President Milei's La Libertad Avanza (LLA) Party at Buenos Aires Province elections this past weekend. While the Province is a Peronist stronghold, the margin of defeat for Milei and LLA raises concerns around the longevity of Argentina's current reform agenda, and ultimately, the transition to a post-Peronism economy. Midterm elections in October are the true test of whether Argentina can pave a new economic future, but recent developments certainly raise questions about whether appetite for long-lasting change exists.

Following a trip to Argentina earlier this year, we flagged that markets were too optimistic on Milei and LLA's ability to dominate midterm elections. We left Buenos Aires feeling market participants had priced Argentina to perfection, and believed that there was a more elevated likelihood Argentina backslides into another period of currency crisis and sovereign default than we initially thought. In response to our visit, we reduced our probability of Milei/LLA success at the midterms sharply, and following the Province election results, we are once again cutting the likelihood of LLA winning a sizable number of seats at the midterms. Our base case scenario is still centered around Milei and LLA performing well, but our confidence in that scenario unfolding has taken another hit. In this report, we update our scenario analysis for Argentina, and would direct readers to focus on the higher likelihood of Peronism returning.

While we have not wavered off our outlook for a weaker Argentine peso over the course of our forecast horizon, the balance of risk is now firmly tilted to the downside. The Argentine peso is under pressure in response to the Province elections, and while Argentina's Treasury is likely to intervene in FX markets in an attempt to stabilize the currency, a lack of reserve firepower should limit the effectiveness of any currency defense. Our base case long-term USD/ARS exchange rate forecasts may be hit earlier than we expected, while we cannot rule out crisis conditions, especially now that most capital controls are lifted. In addition, we will update our scenario analysis and forecasts to reflect our latest thoughts and market moves as the October midterm approaches.

We also added links to recent research reports focused on Argentina, including our travel takeaways publication from a few months ago.

[Latin America Elections Outlook: August 2025](#)

[Argentina Travel Takeaways: July 2025](#)

[Argentina's Tidal Wave of a Sea Change, But Did The Crest Come Too Soon?: April 2025](#)

Economist(s)

**Brendan McKenna**International Economist | Wells Fargo Economics  
Brendan.McKenna@wellsfargo.com | 212-214-5637

## Buenos Aires Province elections stir concern for Argentina's shift to a post-Peronism economy

### Peronism Returns

**Likelihood: 40%**

**Scenario:** Milei's reform agenda is appreciated and recognized; however, a combination of displeasure with the disregard of the state, lack of anti-Kirchner sentiment and corruption allegations prompt voters to opt for a return to Peronism. While Peronist parties do not win majorities in either house of congress, Peronist candidates win new seats in the Senate and Chamber at the expense of LLA and PRO.

**Policy Platform:** While Milei remains President, his ability to enact reforms is severely disrupted. Milei can implement select policies by decree, but additional fiscal reform as well as tax and labor reform fails to materialize. Full policy paralysis unfolds, and Peronist parties begin to position for a possible return to the presidency in 2027. Looser fiscal policy unfolds over the next two years in an effort to rally support for Milei and LLA heading into 2027 elections.

**Monetary Policy:** In an effort to prevent capital outflows, BCRA policymakers tighten monetary policy. Broad monetary base shrinks and policy rates move higher to defend the peso.

**Argentine Peso Outlook:** Worst case scenario for the peso. ARS depreciates sharply as policy backslide and worsening political risk get priced into Argentine financial markets. Despite FX intervention to stabilize the currency, ARS remains under extreme pressure going forward.

- **Q4-2025 USD/ARS Forecast: ARS1700**
- **Q4-2026 USD/ARS Forecast: ARS2000**

### PRO Outperforms

**Likelihood: 5%**

**Scenario:** Support for Milei-style reforms and a non-Peronist policy platform has momentum; however, PRO candidates outperform as voters express displeasure with Milei's perceived contentious rhetoric and disregard for state institutions. Rather than aligning with Milei, voters choose to support legislative candidates led by former President Mauricio Macri.

**Policy Platform:** PRO partially steps back from the LLA alliance to position the party for 2027 presidential elections. Fiscal adjustments remain intact and new economic reforms are proposed, although little progress is made over the second half of the Milei administration. A degree of policy paralysis materializes, although lingering capital controls are lifted and Argentina re-enters capital markets. Sovereign risk premium remains somewhat elevated.

**Monetary Policy:** BCRA policymakers allow for only a slightly larger broad monetary base, while policy rate cuts are also gradual due to a greater degree of political risk.

**Argentine Peso Outlook:** ARS depreciation pressure builds due to the likelihood of a stalled reform agenda and fracturing of the political right. Fears of a return to Peronism percolate as reform-minded politicians are at odds. ARS depreciates at a more rapid pace relative to our base case.

- **Q4-2025 USD/ARS Forecast: ARS1500**
- **Q4-2026 USD/ARS Forecast: ARS1700**

### Milei/LLA Victory

**Likelihood: 55%**

**Base Case:** Popular support for Milei's anarcho-capitalist fiscal adjustment and broader economic reform agenda carries La Libertad Avanza (LLA) to a strong performance in midterms. LLA candidates combine to win >40% of the total vote in the Senate and Chamber as the electorate supports policies that result in softer inflation, FX stability and a broader move away from Peronism.

**Policy Platform:** LLA's alliance with PRO continues and prioritizing reforms persist. Milei secures presidential veto override protection and moves forward with further fiscal adjustment, although to a more modest degree relative to his first few years in office. Remaining capital controls are lifted, the central bank re-starts FX reserve purchases and Argentina re-accesses international debt capital markets with a USD bond issuance.

**Monetary Policy:** Political stability under Milei allows the central bank to expand the monetary base and lower policy rates; however, monetary policy settings remain restrictive.

**Argentine Peso Outlook:** LLA success allows for remaining capital controls to be lifted immediately. In the context of a mandate for further reforms, ARS has little immediate reaction to a fully liberalized exchange rate regime. We do, however, continue to forecast a weaker peso going forward.

- **Q4-2025 USD/ARS Forecast: ARS1400**
- **Q4-2026 USD/ARS Forecast: ARS1600**

Source: Wells Fargo Economics

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**Economics Group**

|                   |                          |              |                                     |
|-------------------|--------------------------|--------------|-------------------------------------|
| Tim Quinlan       | Senior Economist         | 704-410-3283 | Tim.Quinlan@wellsfargo.com          |
| Sam Bullard       | Senior Economist         | 704-410-3280 | Sam.Bullard@wellsfargo.com          |
| Nick Bennenbroek  | International Economist  | 212-214-5636 | Nicholas.Bennenbroek@wellsfargo.com |
| Sarah House       | Senior Economist         | 704-410-3282 | Sarah.House@wellsfargo.com          |
| Azhar Iqbal       | Econometrician           | 212-214-2029 | Azhar.Iqbal@wellsfargo.com          |
| Charlie Dougherty | Senior Economist         | 212-214-8984 | Charles.Dougherty@wellsfargo.com    |
| Michael Pugliese  | Senior Economist         | 212-214-5058 | Michael.D.Pugliese@wellsfargo.com   |
| Brendan McKenna   | International Economist  | 212-214-5637 | Brendan.Mckenna@wellsfargo.com      |
| Jackie Benson     | Economist                | 704-410-4468 | Jackie.Benson@wellsfargo.com        |
| Shannon Grein     | Economist                | 704-410-0369 | Shannon.Grein@wellsfargo.com        |
| Nicole Cervi      | Economist                | 704-410-3059 | Nicole.Cervi@wellsfargo.com         |
| Delaney Conner    | Economic Analyst         | 704-374-2150 | Delaney.Conner@wellsfargo.com       |
| Ali Hajibeigi     | Economic Analyst         | 212-214-8253 | Ali.Hajibeigi@wellsfargo.com        |
| Azhin Abdulkarim  | Economic Analyst         | 212-214-5154 | Azhin.Abdulkarim@wellsfargo.com     |
| Anagha Sridharan  | Economic Analyst         | 704-410-6212 | Anagha.Sridharan@wellsfargo.com     |
| Andrew Thompson   | Economic Analyst         | 704-410-2911 | Andrew.L.Thompson@wellsfargo.com    |
| Coren Miller      | Administrative Assistant | 704-410-6010 | Coren.Miller@wellsfargo.com         |

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