EDITORIAL

ARGENTINA VERSUS TÜRKIYE: WHEN DISINFLATION STRATEGIES ARE COMPARED, THE PICTURE IS NOT ROSY IN ARGENTINA

Among emerging markets, Argentina and Türkiye stand out for their particularly high consumer price inflation, currently standing at around 30% year-on-year in both countries. However, the monthly increase rate has fallen sharply – from around 8% in Argentina and 4% in Türkiye on average in 2023 to around 2% for both countries during the summer of 2026. The economic policy strategies adopted by governments and monetary authorities to bring inflation under control are very different. However, their consequences are too, and they are not positive for Argentina.

HUGELY DIFFERING ECONOMIC POLICIES THAT ARE NOT REFLECTED IN OVERALL ECONOMIC GROWTH

In Argentina, since Javier Milei took office, the strategy has been based on:

1/ A highly restrictive fiscal policy,

2/ A monetarist policy[1] entirely focused on the objective of disinflation, entailing high volatility in monetary interest rates,

3/ An exchange-rate regime which is still constrained by fluctuation bands.

In Türkiye, the strategy is based on:

1/ A fiscal policy of measured control of the public deficit,

2/ A monetary policy of interest-rate guidance compatible with a disinflationary path that can be revised as a result of unforeseen events,

3/ A floating exchange rate regime with occasional and limited interventions by the central bank should the lira drift off course.

In short, the Argentine government has opted for shock therapy, while the Turkish government and central bank have opted for flexible orthodoxy.

So far, Argentina's growth has held up well against the shock therapy. GDP has grown by just 4% since 2023 (compared with 8% for Türkiye), but this underperformance is actually a good result. Indeed, shock therapy is generally followed by a period of recession that can last several years, as was the case in Poland in the early 1990s.

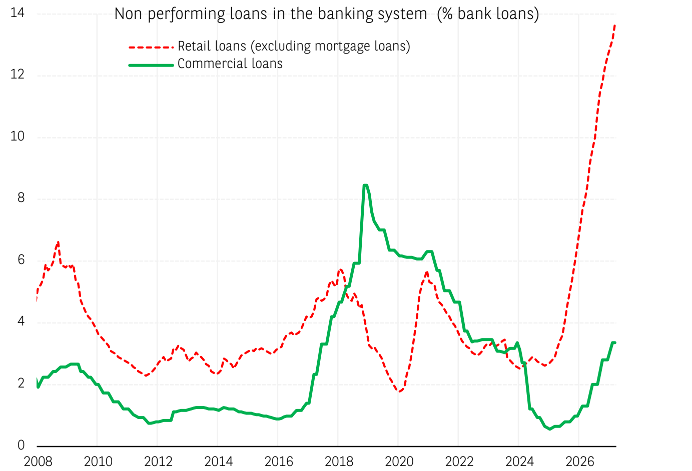
Therefore, when judged against the two main macroeconomic indicators, the results of the two economic policy strategies are positive, as inflation has fallen sharply and growth has been strong or resilient.

HOWEVER, IN ARGENTINA, MILLIONS OF HOUSEHOLDS HAVE SEEN THEIR CREDITWORTHINESS DWINDLE AS A RESULT OF ECONOMIC POLICY

The Argentine authorities have received a *satisfecit* from the IMF for the radical economic policy pursued by Javier Milei's government. This radical shift was needed not only to curb inflation, but also to restore public finances. However, Argentina's macroeconomic picture contains a worrying grey area, as households' ability to repay non-mortgage loans has very worryingly deteriorated since spring 2025, both in terms of the speed and scale of the decline – a situation not seen since 2008.

1 Growth in monetary aggregates is the only instrument.

Significant deterioration in the creditworthiness of Argentine households



SOURCE: CENTRAL BANK OF ARGENTINA (BCRA), BNP PARIBAS

The Central Bank of Argentina estimates that 5.8 million people are more than 90 days in arrears on their loan repayments, and around half of these loans are viewed as irrecoverable. In Türkiye, there has also been an increase in non-performing loans for household loans excluding mortgage loans, but to a much lesser extent (from just under 3% at the end of 2023 to around 4.5% at present).

Growth in Argentina has been particularly unbalanced since 2024, as it has been driven mainly by the agricultural sector (+50% since 2023), the fishing sector (+14%) and the mining sector (+24%). Conversely, activity in the construction sector contracted by 13%, while manufacturing-sector activity fell by 9%. Growth has also been driven by the financial-intermediation sector. Activity in this sector has likely benefited from the easing of exchange controls. However, growth has been so strong (+23% since 2023) that it has been fuelled by rising household debt, as households have faced a major shock to their incomes.

The federal government's wage bill has fallen by 0.7 pp of GDP since 2023, while it has risen by 1.2 pp in Türkiye. In Argentina, the recession in the aforementioned economic sectors has led to a 3% fall in private-sector wage employment and a 9% fall in real wages.

Conversely, in Türkiye, both figures have risen by 6% and 27%, respectively. Finally, in Argentina, current transfers to households from the federal government have fallen by 2 pp of GDP, compared with a reduction of 1.1 pp in Türkiye[2].

Against this backdrop, Argentine households have been forced to take on debt. The sharp upturn in bank lending from mid-2024 onwards, coupled with easier access to credit proposed by major retail chains and loans at exorbitant interest rates offered by new-economy firms to their employees, have fuelled debt traps. In Argentina, the average real interest rate on personal loans stood at 64% in August, compared with 30% in Türkiye[3].

A RISK OF PROLONGED STAGNATION OR EVEN RECESSION IN ARGENTINA

The IMF does not view the rise in non-performing loans as a risk to the Argentine economy, as the household debt ratio is low (at around just 5% of GDP), a level well below other Latin American countries. Furthermore, the rise in corporate non-performing loans remains contained. However, lending to households, excluding mortgages, accounts for around 50% of the banking sector's total lending to the private sector, which is still 22% of the total assets.

In summary, while Milei's government's shock therapy, implemented since 2024, has undeniably succeeded in tackling inflation, millions of Argentine households have been caught in a debt trap, which is not the case in Türkiye. The risk of a systemic credit crisis for the Argentine banking system may be low. But the risk of prolonged stagnation or even a recession is very high. Indeed, household consumption is bound to slow sharply. Growth will then rely exclusively on agricultural and mining-product exports, which look set to experience a loss of momentum.

François Faure
francois.faure@bnpparibas.com

2 In Türkiye, this is a pro-cyclical decline, whereas in Argentina, the decline is due to restrictive measures, particularly around subsidies.

3 These average rates do not include credit-card interest rates, which are by far the highest. Furthermore, in Türkiye, the rate includes mortgage rates, meaning that the comparable rate with Argentina is higher. However, this would only marginally reduce the gap.