

Base SCENARIO

ECONVIEWS
ECONOMÍA Y FINANZAS

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OUR PREMISES

International scenario

- Although international inflation has moderated, it will not immediately return to the pre-pandemic level. This makes the central banks of the US and the Eurozone cautious about lowering rates in 2024. In its last meeting, the Federal Reserve indicated that it would only lower the rate, which today is at 5.25-5.50%, in the second half.
- The wars in Europe and the Middle East, the presidential elections in the United States this year, with the possibility that Donald Trump will return and apply a protectionist economic program, and the tension between China and Taiwan weigh on international trade and could result in greater inflation and lower growth.
- Even if the record harvest of 2023 is not repeated, Brazil will grow at a good pace this year, around 1.8%. Latin America would grow around 1.9% in 2024, 0.6 points less than last year.

Local scenario

- One of the main axes of the economic program is to achieve fiscal balance this year. We believe that the government will try, but probably will not be able to get there. We already saw complications in Congress when attempts were made to raise taxes. Now the government is going to try to make tax reforms again within the "May Pact." We think that the year will end with primary balance and a fiscal deficit of 2% of GDP. A result like this would be more than positive.
- The correction of relative prices will continue in the coming months. The emphasis will be on reducing subsidies by raising utilities. More fiscal resources will also be sought with the increase in the fuel tax, which affects the final price. We expect double-digit inflation rates at least through April. Once the relative price adjustment ends, we believe that monthly inflation will remain at around 7-8% and to get below that number a stabilization plan will be needed. By the end of this year we project inflation of 235%.
- We think that the Central Bank will have to accelerate the crawling peg to prevent the real exchange rate from falling further behind. Our vision is that it needs to remain high to encourage exports, do the opposite with imports and rebuild the stock of reserves. We believe that this fiscal devaluation scheme (80/20 dollar and PAIS tax on dollar purchases) will disappear towards the middle of the year with the unification of the exchange market.
- We expect activity to suffer in the first half of the year due to the increase in inflation, with its consequent fall in real wages. Agriculture, gas, oil and mining will grow, although they will not be enough for the economy to grow. The negative statistical carryover is also a factor against it, so we expect GDP to contract 3% in 2024.

Base Scenario

	2022	2023 E	2024 F	2025 F	2026 F
Inflation (Dec/Dec)	94.8%	211.4%	235.0%	85.0%	20.0%
Inflation (Annual average)	72.4%	133.5%	296.7%	124.7%	38.8%
Official exchange rate ARS/USD (Dec)	177.1	808.5	2,353.6	4,001.9	4,522.8
Official exchange rate ARS/USD (annual average)	133.6	317.2	1,425.9	3,371.8	4,307.4
Devaluation of official exchange rate (Dec/Dec)	72.4%	356.4%	191.1%	70.0%	13.0%
Blue chip swap rate ARS/USD (Dec)	340.8	972.8	2,353.6	4,001.9	4,522.8
Spread with official exchange rate	92.4%	20.3%	0.0%	0.0%	0.0%
Real exchange rate ARS/USD (Dec-2001=100)	129.8	196.4	176.3	166.1	160.3
Real devaluation (Dec/Dec)	-5.6%	51.3%	-10.6%	-5.8%	-3.5%
Real effective exchange rate ARS/USD (Dec-2001=100)	135.5	210.0	185.8	175.9	170.6
Exchange rate USD/EUR (Dec)	1.07	1.10	1.09	1.11	1.08
Exchange rate BRL/EUR (Dec)	5.29	4.85	4.97	5.09	5.11
Policy rate (Dec)	75.0%	100.0%	100.0%	60.0%	25.0%
Policy rate (annual average)	58.7%	101.0%	105.0%	85.0%	33.8%
Badlar rate (private banks, Dec)	69.4%	109.8%	95.0%	57.5%	24.0%
Activity and employment					
GDP (real growth)	5.0%	-1.6%	-3.0%	8.0%	3.0%
Private consumption (real growth)	9.7%	1.1%	-2.5%	8.1%	3.1%
Investment (real growth)	11.1%	-1.4%	-7.1%	8.8%	5.0%
Investment (as % of GDP, at current prices)	17.9%	19.3%	19.2%	19.3%	19.3%
Exports (real growth)	5.8%	-5.1%	23.6%	7.4%	3.8%
Imports (real growth)	17.9%	0.7%	-10.3%	8.0%	3.0%
GDP (ARS billion)	82,436	186,497	702,411	1,710,635	2,408,373
GDP (USD billion)	630.2	629.0	515.9	517.9	562.0
Unemployment (in %)	6.8%	6.6%	8.7%	7.6%	6.8%
Real formal wages, SIPA (% annual average)	0.3%	-2.0%	-3.0%	4.0%	3.0%
Monetary variables					
Monetary base (ARS billion, Dec)	5,204	9,608	27,385	60,238	81,304
(% Dec/Dec)	42.4%	84.6%	185.0%	120.0%	35.0%
Annual average as % of GDP	4.9%	3.3%	2.3%	2.4%	2.7%
Currency in circulation (ARS billion, Dec)	3,720	6,621	16,903	33,809	43,957
(% Dec/Dec)	54.0%	78.0%	155.3%	100.0%	30.0%
Annual average as % of GDP	3.3%	2.3%	1.5%	1.4%	1.5%
Private M2 (ARS billion, Dec)	11,576	31,222	74,261	159,989	195,383
(% Dec/Dec)	69.1%	169.7%	137.8%	115.4%	22.1%
Annual average as % of GDP	9.6%	8.4%	6.6%	6.5%	6.9%



	2022	2023 E	2024 F	2025 F	2026 F
Deposits and loans					
Deposits in ARS (priv. and pub., ARS billion, Dec)	18,278	39,777	123,762	262,667	315,211
<i>Annual average as % of GDP</i>	16.2%	15.0%	11.3%	11.3%	11.8%
<i>(%, Dec/Dec)</i>	91.1%	117.6%	211.1%	112.2%	20.0%
Private deposits in ARS (ARS billion, Dec)	15,179	32,714	96,185	211,594	253,900
<i>(%, Dec/Dec)</i>	96.9%	115.5%	194.0%	120.0%	20.0%
Private deposits in USD (USD billion, Dec)	15.7	14.5	18.8	22.4	26.0
Loans in ARS (priv. and pub., ARS billion, Dec)	7,403	17,908	59,420	142,358	224,405
<i>Annual average as % of GDP</i>	7.1%	6.2%	5.0%	5.8%	7.3%
<i>(%, Dec/Dec)</i>	64.9%	141.9%	231.8%	139.6%	57.6%
Private loans in ARS (ARS billion, Dec)	6,704	15,390	47,998	112,786	179,871
<i>(%, Dec/Dec)</i>	67.6%	129.6%	211.9%	135.0%	59.5%
Commercial (ARS billion, Dec)	2,490	6,369	19,108	44,908	69,612
<i>(%, Dec/Dec)</i>	77.6%	155.8%	200.0%	135.0%	55.0%
Consumption (ARS billion, Dec)	3,053	6,762	22,409	52,656	81,626
<i>(%, Dec/Dec)</i>	63.9%	121.5%	231.4%	135.0%	55.0%
Collateralized (miles de millones dic.)	831	1,536	4,284	10,062	20,636
<i>(%, Dec/Dec)</i>	63.2%	84.8%	178.9%	134.8%	105.1%
Private loans in USD (USD billion, Dec)	3.5	3.5	4.7	7.1	9.5
Fiscal accounts					
Tax revenues (% del PBI)	24.2%	22.6%	23.0%	23.5%	23.5%
Primary expenditures (% of GDP) ¹	20.4%	19.8%	17.3%	17.0%	16.5%
Fiscal revenues (% of GDP)	17.7%	17.0%	17.3%	18.0%	18.5%
Primary balance (% of GDP) ¹	-2.7%	-2.7%	0.0%	1.0%	2.0%
Interests (% of GDP)	1.8%	3.3%	2.0%	2.0%	2.0%
Fiscal balance (% of GDP) ¹	-4.5%	-6.0%	-2.0%	-1.0%	0.0%
EMBI Global Argentina (spread in bps, Dec)	2,196	1,907	800	600	500
Gross public debt (% of GDP)	85.2%	89.4%	90.4%	88.9%	87.4%
Net public debt ² (% of GDP)	46.1%	47.2%	48.2%	46.7%	45.2%
External accounts					
International price of soybeans (USD/tonne, annual avg.)	570	520	440	460	460
Export of goods (USD billion, FOB)	88.4	66.8	84.8	91.6	97.1
Import of goods (USD billion, CIF)	81.5	73.7	68.1	72.2	77.2
Trade balance (FOB-CIF, USD billion)	6.9	-6.9	16.7	19.4	19.9
Current account (USD billion)	18.7	-24.0	8.0	10.0	10.0
Current account (% of GDP)	3.0%	-3.8%	1.6%	1.9%	1.8%
Gross international reserves (USD billion, Dec)	44.9	23.1	36.9	45.0	53.0
Net international reserves (USD billion, Dec)	7.7	-8.6	3.7	11.8	19.8

1. Current methodology (PIPs "under the line"); excludes rents from primary debt issuance and revenues from 5G auction

2. Excludes intra-public sector debt.

Source: EconViews

BASE SCENARIO



	Exchange rates				Headline inflation		Interest rates		Economic activity (EMAE)
	ARS/USD	ARS/EUR	USD/EUR	BRL/USD	m/m	y/y	Policy rate	Private Badlar	last 12 m.
Jan-23	186.88	202.98	1.09	5.07	6.0%	98.8%	75.0%	69.4%	4.8%
Feb-23	197.15	208.51	1.06	5.24	6.6%	102.5%	75.0%	69.4%	4.2%
Mar-23	208.99	226.52	1.08	5.06	7.7%	104.3%	78.0%	72.4%	3.9%
Apr-23	222.58	245.28	1.10	4.99	8.4%	108.8%	91.0%	87.5%	3.0%
May-23	239.33	255.79	1.07	5.06	7.8%	114.2%	97.0%	91.9%	1.8%
Jun-23	256.68	280.03	1.09	4.79	6.0%	115.6%	97.0%	92.3%	0.7%
Jul-23	275.28	302.62	1.10	4.72	6.3%	113.4%	97.0%	92.9%	0.1%
Aug-23	350.02	379.45	1.08	4.95	12.4%	124.4%	118.0%	113.4%	-0.4%
Sep-23	350.01	369.96	1.06	5.03	12.7%	138.3%	118.0%	113.9%	-0.8%
Oct-23	350.01	370.17	1.06	5.04	8.3%	142.7%	133.0%	128.6%	-1.1%
Nov-23	360.53	392.47	1.09	4.92	12.8%	160.9%	133.0%	129.9%	-1.3%
Dec-23	808.48	892.24	1.10	4.85	25.5%	211.4%	100.0%	109.8%	-1.6%
Jan-24	826.25	893.67	1.08	4.95	20.6%	254.2%	100.0%	109.7%	-2.4%
Feb-24	842.75	910.42	1.08	4.97	15.0%	282.1%	100.0%	108.9%	-2.9%
Mar-24	859.61	938.69	1.09	4.91	12.0%	297.4%	100.0%	110.0%	-3.6%
Apr-24	928.37	1008.52	1.09	4.91	10.0%	303.3%	100.0%	110.0%	-3.4%
May-24	1002.64	1083.52	1.08	4.91	9.0%	307.9%	100.0%	110.0%	-2.6%
Jun-24	1082.85	1164.07	1.08	4.91	9.0%	319.6%	100.0%	110.0%	-2.3%
Jul-24	1516.00	1653.95	1.09	4.92	12.0%	341.9%	120.0%	120.0%	-2.6%
Aug-24	1667.60	1846.03	1.11	4.94	9.0%	328.4%	120.0%	120.0%	-3.1%
Sep-24	1834.36	2059.98	1.12	4.95	9.0%	314.1%	120.0%	120.0%	-3.5%
Oct-24	2017.79	2243.11	1.11	4.96	8.3%	314.1%	100.0%	100.0%	-3.8%
Nov-24	2179.21	2397.86	1.10	4.96	7.0%	292.8%	100.0%	95.0%	-3.8%
Dec-24	2353.55	2563.02	1.09	4.97	7.0%	235.0%	100.0%	95.0%	-3.0%
Jan-25	2518.30	2746.21	1.09	5.00	7.0%	197.2%	100.0%	96.7%	-1.9%
Feb-25	2694.58	2942.48	1.09	5.00	7.0%	176.5%	100.0%	95.6%	-0.8%
Mar-25	2856.26	3123.32	1.09	5.00	7.5%	165.4%	100.0%	95.7%	0.7%
Apr-25	3027.63	3315.26	1.10	5.02	6.5%	156.9%	100.0%	96.0%	1.6%
May-25	3209.29	3518.99	1.10	5.02	6.0%	149.9%	100.0%	95.8%	2.2%
Jun-25	3401.85	3735.23	1.10	5.04	6.0%	143.0%	100.0%	95.8%	3.1%
Jul-25	3552.89	3906.40	1.10	5.05	5.0%	127.8%	80.0%	76.7%	4.3%
Aug-25	3659.48	4029.08	1.10	5.05	4.5%	118.4%	80.0%	76.7%	5.6%
Sep-25	3769.26	4155.61	1.10	5.05	4.0%	108.4%	80.0%	76.7%	6.7%
Oct-25	3846.53	4246.57	1.10	5.06	3.7%	99.5%	60.0%	57.5%	7.5%
Nov-25	3923.46	4337.39	1.11	5.03	3.1%	92.2%	60.0%	57.5%	8.1%
Dec-25	4001.93	4430.14	1.11	5.09	3.0%	85.0%	60.0%	57.5%	8.0%

Long Term Base Scenario

	2022	2023 E	2024 F	2025 F	2026 F	2027F
Inflation (Dec/Dec)	94.8%	211.4%	235.0%	85.0%	20%	15%
Official exchange rate ARS/USD (Dec)	177	808	2,354	4,002	4,523	5,066
Devaluation of official exchange rate (Dec/Dec)	72.4%	356.4%	191.1%	70.0%	13.0%	12.0%
Spread with official exchange rate	92.4%	20.3%	0.0%	0.0%	0.0%	0.0%
Real exchange rate ARS/USD (Dec-2001=100)	130	196	176	166	160	160
Real devaluation (Dec/Dec)	-5.6%	51.3%	-10.2%	-5.8%	-3.5%	-0.2%
Policy rate (Dec)	75.0%	100.0%	100.0%	60.0%	25.0%	20.0%
GDP (real growth)	5.0%	-1.6%	-3.0%	8.0%	3.0%	2.5%
Private consumption (real growth)	9.7%	1.1%	-2.5%	8.1%	3.1%	2.5%
Investment (real growth)	11.1%	-1.4%	-7.1%	8.8%	5.0%	4.6%
GDP (USD billion)	630.2	634.9	531.3	532.9	578.3	612.1
Unemployment (in %)	6.8%	6.6%	8.7%	7.6%	6.8%	6.0%
Primary balance (% of GDP)	-2.7%	-2.7%	0.0%	1.0%	2.0%	0.5%
Country risk (BPS)	2,196	1,907	800	600	500	400
Export of goods (USD billion, FOB)	88.4	66.8	84.8	91.6	97.1	102.9
Trade balance (USD billion)	6.9	-6.9	16.7	19.4	19.9	21.0
Current Account (USD billion)	18.7	-24.0	8.0	10.0	10.0	11.0

	2028 F	2029 F	2030 F	2031 F	2032 F	2033 F
Inflation (Dec/Dec)	12.0%	10.0%	10.0%	10.0%	8%	8%
Official exchange rate ARS/USD (Dec)	5,470.7	5,799.0	6,146.9	6,515.7	6,776.4	7,047.4
Devaluation of official exchange rate (Dec/Dec)	8.0%	6.0%	6.0%	6.0%	4.0%	4.0%
Spread with official exchange rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Real exchange rate ARS/USD (Dec-2001=100)	158.2	156.3	154.3	152.5	150.5	148.5
Real devaluation (Dec/Dec)	-1.2%	-1.2%	-1.2%	-1.2%	-1.3%	-1.3%
Policy rate (Dec)	18.0%	15.0%	12.0%	12.0%	10.0%	10.0%
GDP (real growth)	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Private consumption (real growth)	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Investment (real growth)	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
GDP (USD billion)	646.8	686.8	730.0	776.0	824.3	880.3
Unemployment (in %)	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
Primary balance (% of GDP)	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
Country risk (BPS)	400	350	350	300	300	300
Export of goods (USD billion, FOB)	106.0	109.1	111.3	113.6	115.8	118.0
Trade balance (USD billion)	21.7	22.3	21.9	21.4	21.0	20.0
Current Account (USD billion)	11.7	12.3	11.9	11.4	11.0	10.0

(+54 11) 5252-1035
La Pampa 1534
Buenos Aires
www.econviews.com
Twitter: @econviews

Miguel A. Kiguel
Director
mkiguel@econviews.com

Delfina Colacilli
Economist
dcolacilli@econviews.com

Andrés Borenstein
Chief economist
aborenstein@econviews.com

Pamela Morales
Economist
pmorales@econviews.com

Alejandro Giacoia
Economist
agiacoia@econviews.com

Rafael Aguilar
Economist
raguilar@econviews.com