

Base SCENARIO

ECONVIEWS
ECONOMÍA Y FINANZAS

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OUR PREMISES

International scenario

- In its last meeting, the Federal Reserve reaffirmed that it would lower the rate by 75 basis points this year, but raised the projected rate for 2025 and 2026, based on assumptions of a stronger economy and lower unemployment in the US.
- 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 implement 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 1.9%. Latin America would grow around 1.9% in 2024, 0.6 points less than last year.

Local scenario

- One of the key points of the economic program is to achieve fiscal balance this year. We think the government will try, but it will probably not make it. We estimate the year will end with a balanced primary result and a fiscal deficit of 2% of GDP. In any case, a result like this would be well received by the market.
- Monthly inflation figures will remain declining, but high due to the increase in regulated prices. The emphasis will be on reducing subsidies through the adjustment of utility bills and transport rates. We expect double-digit inflation rates until April. Once the relative price adjustment ends, we believe that monthly inflation will remain at around 6%. To get below that number, a stabilization plan will be needed. It could be similar to the Austral plan, the Israeli plan, the Real plan, convertibility, or even the dollarization. We expect it to be launched in early 2025.
- We see inconsistencies in exchange rate policy. We think the Central Bank will have to accelerate the crawling peg to avoid the real exchange rate from becoming more overvalued. We expect the unification of the market towards the middle of the year. At that time, the Central Bank will have a higher stock of international reserves.
- The lifting of exchange market restrictions will lead to a change in monetary policy. There can no longer be financial repression. The real interest rate must be higher than the current one to sustain the demand for pesos and avoid pressures on the exchange market.
- We expect activity to suffer in the first half of the year as a result of macroeconomic corrections. Agriculture, oil & gas, and mining will help, although they will not be enough for the economy to grow. The negative statistical carryover is also a negative factor, so we expect GDP to contract 3.3% in 2024.



Base Scenario

	2022	2023 E	2024 F	2025 F	2026 F
Inflation (Dec/Dec)	94.8%	211.4%	215.0%	35.0%	20.0%
Inflation (Annual average)	72.4%	133.5%	282.6%	75.4%	26.5%
Official exchange rate ARS/USD (Dec)	177.1	808.5	2,021.0	2,368.0	2,842.1
Official exchange rate ARS/USD (annual average)	133.6	317.2	1,291.3	2,148.1	2,653.7
Devaluation of official exchange rate (Dec/Dec)	72.4%	356.4%	150.0%	17.2%	20.0%
Blue chip swap rate ARS/USD (Dec)	340.8	972.8	2,021.0	2,368.0	2,842.1
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	161.3	143.5	147.1
Real devaluation (Dec/Dec)	-5.6%	51.3%	-15.8%	-11.0%	2.5%
Real effective exchange rate ARS/USD (Dec-2001=100)	135.5	210.0	175.6	157.0	161.7
Exchange rate USD/EUR (Dec)	1.07	1.10	1.09	1.11	1.08
Exchange rate BRL/EUR (Dec)	5.29	4.85	4.98	5.07	5.10
Policy rate (Dec)	75.0%	100.0%	80.0%	35.0%	20.0%
Policy rate (annual average)	58.7%	101.0%	89.6%	40.4%	28.8%
Badlar rate (private banks, Dec)	69.4%	109.8%	72.0%	31.5%	18.0%
Activity and employment					
GDP (real growth)	5.0%	-1.6%	-3.3%	8.0%	2.5%
Private consumption (real growth)	9.7%	1.1%	-6.0%	8.1%	2.5%
Investment (real growth)	11.1%	-1.9%	-7.0%	8.8%	4.5%
Investment (as % of GDP, at current prices)	17.9%	19.1%	18.8%	18.6%	18.9%
Exports (real growth)	5.8%	-6.7%	16.6%	7.4%	3.8%
Imports (real growth)	17.9%	2.2%	-9.7%	8.0%	2.5%
GDP (ARS billion)	82,436	189,780	682,299	1,272,026	1,643,982
GDP (USD billion)	630.2	640.0	549.8	596.2	624.1
Unemployment (in %)	6.8%	6.1%	7.7%	6.6%	5.8%
Real formal wages, SIPA (% annual average)	0.3%	-1.2%	-8.0%	14.0%	10.0%
Monetary variables					
Monetary base (ARS billion, Dec)	5,204	9,608	26,426	39,635	49,556
(% Dec/Dec)	42.4%	84.6%	175.0%	50.0%	25.0%
Annual average as % of GDP	4.9%	3.3%	2.4%	2.4%	2.5%
Currency in circulation (ARS billion, Dec)	3,720	6,629	18,563	27,843	34,802
(% Dec/Dec)	54.0%	78.2%	180.0%	50.0%	25.0%
Annual average as % of GDP	3.3%	2.3%	1.6%	1.7%	1.8%
Private M2 (ARS billion, Dec)	11,576	31,248	74,934	112,397	136,270
(% Dec/Dec)	69.1%	169.9%	139.8%	50.0%	21.2%
Annual average as % of GDP	9.6%	8.4%	6.9%	7.1%	7.3%



	2022	2023 E	2024 F	2025 F	2026 F
Deposits and loans					
Deposits in ARS (priv. and pub., ARS billion, Dec)	18,278	39,747	122,882	180,390	216,460
<i>Annual average as % of GDP</i>	16.2%	14.9%	11.9%	12.0%	12.2%
<i>(%, Dec/Dec)</i>	91.1%	117.5%	209.2%	46.8%	20.0%
Private deposits in ARS (ARS billion, Dec)	15,179	32,700	96,451	144,683	173,594
<i>(%, Dec/Dec)</i>	96.9%	115.4%	195.0%	50.0%	20.0%
Private deposits in USD (USD billion, Dec)	15.7	14.5	19.5	23.1	26.7
Loans in ARS (priv. and pub., ARS billion, Dec)	7,403	17,910	70,481	109,969	157,415
<i>Annual average as % of GDP</i>	7.1%	6.1%	5.7%	7.0%	8.1%
<i>(%, Dec/Dec)</i>	64.9%	141.9%	293.5%	56.0%	43.1%
Private loans in ARS (ARS billion, Dec)	6,704	15,391	55,412	86,180	121,870
<i>(%, Dec/Dec)</i>	67.6%	129.6%	260.0%	55.5%	41.4%
Commercial (ARS billion, Dec)	2,490	6,369	23,565	36,521	49,312
<i>(%, Dec/Dec)</i>	77.6%	155.8%	270.0%	55.0%	35.0%
Consumption (ARS billion, Dec)	3,053	6,762	23,666	36,666	49,491
<i>(%, Dec/Dec)</i>	63.9%	121.5%	250.0%	54.9%	35.0%
Collateralized (miles de millones dic.)	831	1,536	5,222	8,407	16,873
<i>(%, Dec/Dec)</i>	63.2%	84.8%	239.9%	61.0%	100.7%
Private loans in USD (USD billion, Dec)	3.5	3.5	7.3	9.7	12.1
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%	17.0%	16.5%	16.0%
Fiscal revenues (% of GDP)	17.7%	17.0%	17.0%	17.5%	18.0%
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)	62.9%	57.7%	70.2%	62.6%	59.8%
Net public debt ² (% of GDP)	34.0%	27.3%	33.2%	29.7%	28.4%
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	84.2	90.8	96.1
Import of goods (USD billion, CIF)	81.5	73.7	66.6	70.4	75.1
Trade balance (FOB-CIF, USD billion)	6.9	-6.9	17.6	20.4	21.0
Current account (USD billion)	18.7	-24.0	8.0	10.0	10.0
Current account (% of GDP)	3.0%	-3.7%	1.5%	1.7%	1.6%
Gross international reserves (USD billion, Dec)	44.9	23.1	37.1	45.0	53.0
Net international reserves (USD billion, Dec)	7.7	-8.6	5.9	14.0	22.0

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%	-2.1%
Feb-24	842.25	909.88	1.08	4.97	13.2%	276.2%	100.0%	108.9%	-2.7%
Mar-24	857.42	925.41	1.08	5.02	12.0%	291.3%	80.0%	70.9%	-3.4%
Apr-24	874.57	942.66	1.08	4.98	10.0%	297.1%	80.0%	72.0%	-3.2%
May-24	927.04	997.90	1.08	4.95	9.0%	301.6%	80.0%	72.0%	-2.5%
Jun-24	982.66	1056.36	1.08	4.92	7.0%	305.6%	80.0%	72.0%	-2.2%
Jul-24	1375.73	1480.74	1.08	4.93	12.0%	327.2%	100.0%	90.0%	-2.5%
Aug-24	1499.54	1616.01	1.08	4.94	8.8%	313.3%	100.0%	90.0%	-3.1%
Sep-24	1634.50	1763.63	1.08	4.95	8.0%	295.9%	100.0%	90.0%	-3.5%
Oct-24	1765.26	1910.60	1.08	4.96	8.0%	294.8%	90.0%	81.0%	-3.9%
Nov-24	1888.83	2050.64	1.09	4.97	6.5%	272.9%	85.0%	76.5%	-4.0%
Dec-24	2021.05	2200.92	1.09	4.98	6.0%	215.0%	80.0%	72.0%	-3.3%
Jan-25	2021.05	2203.95	1.09	5.00	3.2%	169.5%	50.0%	45.0%	-2.4%
Feb-25	2021.05	2206.98	1.09	5.00	3.1%	145.4%	50.0%	45.0%	-1.3%
Mar-25	2021.05	2210.01	1.09	5.00	3.5%	126.8%	50.0%	45.0%	0.1%
Apr-25	2021.05	2213.05	1.10	5.02	2.2%	110.7%	50.0%	45.0%	1.1%
May-25	2061.47	2260.40	1.10	5.02	2.2%	97.6%	40.0%	36.0%	1.7%
Jun-25	2102.70	2308.76	1.10	5.04	2.2%	88.7%	35.0%	31.5%	2.6%
Jul-25	2144.75	2358.15	1.10	5.05	2.5%	72.7%	35.0%	31.5%	3.8%
Aug-25	2187.65	2408.60	1.10	5.05	2.1%	62.0%	35.0%	31.5%	5.2%
Sep-25	2231.40	2460.12	1.10	5.05	2.1%	53.2%	35.0%	31.5%	6.3%
Oct-25	2276.03	2512.73	1.10	5.06	2.5%	45.4%	35.0%	31.5%	7.3%
Nov-25	2321.55	2566.47	1.11	5.03	2.2%	39.5%	35.0%	31.5%	8.0%
Dec-25	2367.98	2621.35	1.11	5.07	2.6%	35.0%	35.0%	31.5%	8.0%

Long Term Base Scenario

	2022	2023 E	2024 F	2025 F	2026 F	2027F
Inflation (Dec/Dec)	94.8%	211.4%	215.0%	35.0%	20%	15%
Official exchange rate ARS/USD (Dec)	177	808	2,021	2,368	2,842	3,212
Devaluation of official exchange rate (Dec/Dec)	72.4%	356.4%	150.0%	17.2%	20.0%	13.0%
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	161	143	147	148
Real devaluation (Dec/Dec)	-5.6%	51.3%	-17.9%	-11.0%	2.5%	0.7%
Policy rate (Dec)	75.0%	100.0%	80.0%	35.0%	20.0%	20.0%
GDP (real growth)	5.0%	-1.6%	-3.3%	8.0%	2.5%	2.5%
Private consumption (real growth)	9.7%	1.1%	-6.0%	8.1%	2.5%	2.5%
Investment (real growth)	11.1%	-1.9%	-7.0%	8.8%	4.5%	4.6%
GDP (USD billion)	630.2	640.0	549.8	596.2	624.1	645.3
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	84.2	90.8	96.1	101.7
Trade balance (USD billion)	6.9	-6.9	17.6	20.4	21.0	22.4
Current Account (USD billion)	18.7	-24.0	8.0	10.0	10.0	12.4

	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)	3,532.7	3,780.0	4,044.6	4,327.7	4,544.1	4,771.3
Devaluation of official exchange rate (Dec/Dec)	10.0%	7.0%	7.0%	7.0%	5.0%	5.0%
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)	149.1	148.7	148.2	147.8	147.3	146.8
Real devaluation (Dec/Dec)	0.7%	-0.3%	-0.3%	-0.3%	-0.3%	-0.3%
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)	674.2	707.5	746.3	787.2	829.7	877.2
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)	104.5	107.3	109.2	111.0	112.8	118.0
Trade balance (USD billion)	23.2	24.0	23.8	23.6	23.4	20.0
Current Account (USD billion)	13.2	14.0	13.8	13.6	13.4	10.0

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