

Base SCENARIO

ECONVIEWS
ECONOMÍA Y FINANZAS

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OUR PREMISES

International scenario

- The CPI and employment data for April in the United States came out more in line with the Federal Reserve's narrative that inflation is falling slowly and the economy is not overheated. A rate cut of 25 bps is most likely projected this year, although there are also chances of two drops.
- The wars in Europe and the Middle East, the presidential elections in the US 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 may result in higher inflation and lower growth.
- The projected growth for Brazil is stated above 2%, but inflation expectations have also increased and the market expects the Central Bank to keep rates in double digits this year, to contain exchange rate volatility and counteract a lax fiscal policy.

Local scenario

- The government does not plan to remove exchange restrictions in the short term. It also seems less likely that there will be a stabilization plan such as the Austral or Convertibility plan. We think that exchange rate unification can occur in December. For the next few months we estimate that the crawling peg will continue at 2%. By the end of the year we see a dollar of 1,560 pesos with the unified market. The alternative we see to this scenario is that if the BCRA fails to accumulate reserves, it will have to float the exchange rate before December.
- Maintaining exchange restrictions and the PAIS tax on dollar purchases will help on the fiscal side. We believe that from now on the government will need to improve the quality of the adjustment (reestablish the income tax and cut subsidies). These reforms are included in the fiscal package, but it is doubtful whether Congress will approve it soon. We think that the year will end with a primary surplus of 0.5% of GDP and a fiscal deficit of 1%.
- One of the negative consequences of not removing restrictions is that the recovery of activity will be slower. For the entire year we estimate a drop of 3.6%. If we take the GDP without agriculture, the contraction would be more than 6%. Thinking about 2025, we see a recovery as long as the macro stabilizes and inflation is controlled. It must be taken into account that it is an election year and that generates additional noise.
- We believe inflation will stabilize between 5.5 and 6% monthly in the coming months. This means that it will continue to go down, but will find a limit that is difficult to break due to inertia. For the entire year, we estimate 165%. Once the exchange restrictions are removed, we project that the interest rate will rise again.



Base Scenario

	2022	2023	2024 F	2025 F	2026 F
Inflation (Dec/Dec)	94.8%	211.4%	165.0%	59.0%	30.0%
Inflation (Annual average)	72.4%	133.5%	241.5%	85.7%	38.9%
Official exchange rate ARS/USD (Dec)	177.1	808.5	1,562.7	2,293.6	2,936.6
Official exchange rate ARS/USD (annual average)	133.6	317.2	968.4	1,955.6	2,688.9
Devaluation of official exchange rate (Dec/Dec)	72.4%	356.4%	93.3%	46.8%	28.0%
Blue chip swap rate ARS/USD (Dec)	340.8	972.8	1,562.7	2,293.6	2,936.6
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	149.9	141.8	143.2
Real devaluation (Dec/Dec)	-5.6%	51.3%	-25.4%	-5.4%	1.0%
Real effective exchange rate ARS/USD (Dec-2001=100)	135.5	210.0	152.2	144.7	146.8
Exchange rate USD/EUR (Dec)	1.07	1.10	1.08	1.11	1.05
Exchange rate BRL/EUR (Dec)	5.29	4.85	5.05	5.09	5.15
Policy rate (Dec)	75.0%	100.0%	80.0%	45.0%	25.0%
Policy rate (annual average)	58.7%	101.0%	58.3%	54.2%	30.0%
Badlar rate (private banks, Dec)	69.4%	109.8%	64.0%	36.0%	20.0%
Activity and employment					
GDP (real growth)	5.0%	-1.6%	-3.6%	5.0%	5.0%
Private consumption (real growth)	9.7%	1.1%	-6.3%	5.0%	5.1%
Investment (real growth)	11.1%	-1.9%	-4.8%	6.3%	6.6%
Investment (as % of GDP, at current prices)	17.9%	19.1%	18.9%	19.1%	19.4%
Exports (real growth)	5.8%	-6.7%	16.6%	7.4%	3.8%
Imports (real growth)	17.9%	2.2%	-9.9%	5.0%	5.0%
GDP (ARS billion)	82,436	189,780	597,940	1,169,584	1,697,655
GDP (USD billion)	630.2	642.9	637.9	607.5	637.7
Unemployment (in %)	6.8%	6.1%	7.7%	6.6%	5.8%
Real formal wages, SIPA (% , anual average)	0.3%	-1.2%	-5.0%	3.4%	6.5%
Monetary variables					
Monetary base (ARS billion, Dec)	4,822	9,144	26,151	44,978	62,067
(%, Dec/Dec)	42.5%	89.6%	186.0%	72.0%	38.0%
Annual average as % of GDP	4.9%	3.3%	2.8%	3.0%	3.0%
Currency in circulation (ARS billion, Dec)	3,385	6,024	16,868	29,015	40,036
(%, Dec/Dec)	51.9%	77.9%	180.0%	72.0%	38.0%
Annual average as % of GDP	3.3%	2.3%	1.7%	1.9%	2.0%
Private M2 (ARS billion, Dec)	10,699	25,132	67,501	120,161	163,043
(%, Dec/Dec)	69.4%	134.9%	168.6%	78.0%	35.7%
Annual average as % of GDP	9.6%	8.4%	7.0%	7.8%	8.0%

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	2022	2023	2024 F	2025 F	2026 F
Deposits and loans					
Deposits in ARS (priv. and pub., ARS billion, Dec)	18,278	39,746	114,085	205,433	277,311
<i>Annual average as % of GDP</i>	16.2%	14.9%	12.7%	13.7%	14.1%
<i>(%, Dec/Dec)</i>	91.1%	117.5%	187.0%	80.1%	35.0%
Private deposits in ARS (ARS billion, Dec)	15,179	32,697	86,636	155,965	210,536
<i>(%, Dec/Dec)</i>	96.9%	115.4%	165.0%	80.0%	35.0%
Private deposits in USD (USD billion, Dec)	15.7	14.5	20.3	23.9	27.5
Loans in ARS (priv. and pub., ARS billion, Dec)	7,403	17,907	58,259	120,785	182,346
<i>Annual average as % of GDP</i>	7.1%	6.1%	5.7%	7.6%	8.8%
<i>(%, Dec/Dec)</i>	64.9%	141.9%	225.3%	107.3%	51.0%
Private loans in ARS (ARS billion, Dec)	6,704	15,389	45,395	91,248	133,638
<i>(%, Dec/Dec)</i>	67.6%	129.6%	195.0%	101.0%	46.5%
Commercial (ARS billion, Dec)	2,490	6,369	19,743	39,486	57,262
<i>(%, Dec/Dec)</i>	77.6%	155.8%	210.0%	100.0%	45.0%
Consumption (ARS billion, Dec)	3,053	6,760	20,283	40,564	58,816
<i>(%, Dec/Dec)</i>	63.9%	121.4%	200.0%	100.0%	45.0%
Collateralized (miles de millones dic.)	831	1,536	3,072	6,605	10,899
<i>(%, Dec/Dec)</i>	63.2%	84.8%	100.0%	115.0%	65.0%
Private loans in USD (USD billion, Dec)	3.5	3.5	9.0	12.6	16.2
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%	16.9%	16.5%	16.0%
Fiscal revenues (% of GDP)	17.7%	17.0%	17.4%	17.5%	18.0%
Primary balance (% of GDP) ¹	-2.7%	-2.7%	0.5%	1.0%	2.0%
Interests (% of GDP)	1.8%	3.3%	1.5%	2.0%	2.0%
Fiscal balance (% of GDP) ¹	-4.5%	-6.0%	-1.0%	-1.0%	0.0%
EMBI Global Argentina (spread in bps, Dec)	2,196	1,907	1,000	600	500
Gross public debt (% of GDP)	62.1%	58.8%	66.4%	68.1%	66.0%
Net public debt ² (% of GDP)	33.6%	32.5%	36.7%	37.6%	36.5%
External accounts					
International price of soybeans (USD/tonne, annual avg.)	570	520	468	421	400
Export of goods (USD billion, FOB)	88.4	66.8	70.7	76.6	83.2
Import of goods (USD billion, CIF)	81.5	73.7	56.5	60.5	65.3
Trade balance (FOB-CIF, USD billion)	6.9	-6.9	14.2	16.2	17.8
Current account (USD billion)	-4.3	-21.5	4.2	6.2	7.8
Current account (% of GDP)	-0.7%	-3.3%	0.7%	1.0%	1.2%
Gross international reserves (USD billion, Dec)	44.9	23.1	33.4	40.0	48.0
Net international reserves (USD billion, Dec)	7.7	-8.6	1.4	8.0	16.0

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%	-2.3%
Mar-24	857.42	925.41	1.08	5.02	11.0%	287.9%	80.0%	70.9%	-3.2%
Apr-24	876.75	935.05	1.07	5.19	8.8%	289.4%	60.0%	50.8%	-2.9%
May-24	895.25	970.54	1.08	5.24	6.0%	283.0%	40.0%	33.4%	-2.2%
Jun-24	913.16	997.17	1.09	5.25	6.0%	283.2%	40.0%	32.0%	-1.9%
Jul-24	931.42	1020.52	1.10	5.20	5.5%	280.1%	40.0%	32.0%	-2.2%
Aug-24	950.05	1044.42	1.10	5.15	5.5%	256.7%	40.0%	32.0%	-2.8%
Sep-24	969.05	1068.86	1.10	5.10	5.5%	233.7%	40.0%	32.0%	-3.3%
Oct-24	988.43	1082.33	1.10	5.08	5.5%	225.1%	40.0%	32.0%	-3.8%
Nov-24	1008.20	1095.91	1.09	5.07	5.5%	204.0%	40.0%	32.0%	-4.0%
Dec-24	1562.71	1686.16	1.08	5.05	9.4%	165.0%	80.0%	64.0%	-3.6%
Jan-25	1625.21	1758.21	1.08	5.00	7.0%	135.1%	80.0%	64.0%	-3.2%
Feb-25	1690.22	1833.33	1.08	5.00	5.0%	118.0%	60.0%	48.0%	-2.8%
Mar-25	1757.83	1911.64	1.09	5.00	5.0%	106.2%	60.0%	48.0%	-1.7%
Apr-25	1810.57	1974.12	1.09	5.02	4.0%	97.0%	60.0%	48.0%	-1.2%
May-25	1864.88	2038.63	1.09	5.02	3.8%	92.9%	60.0%	48.0%	-1.0%
Jun-25	1920.83	2105.23	1.10	5.04	3.6%	88.5%	50.0%	40.0%	-0.4%
Jul-25	1978.45	2173.99	1.10	5.05	3.4%	84.7%	50.0%	40.0%	0.5%
Aug-25	2037.81	2244.98	1.10	5.05	3.4%	81.0%	50.0%	40.0%	1.6%
Sep-25	2098.94	2318.28	1.10	5.05	3.2%	77.1%	45.0%	36.0%	2.6%
Oct-25	2161.91	2393.96	1.11	5.06	3.0%	72.9%	45.0%	36.0%	3.6%
Nov-25	2226.77	2472.08	1.11	5.03	3.0%	68.8%	45.0%	36.0%	4.5%
Dec-25	2293.57	2552.74	1.11	5.09	3.0%	59.0%	45.0%	36.0%	5.0%

Long Term Base Scenario

	2022	2023	2024 F	2025 F	2026 F	2027 F
Inflation (Dec/Dec)	94.8%	211.4%	165.0%	59.0%	30%	20%
Official exchange rate ARS/USD (Dec)	177	808	1,563	2,294	2,937	3,465
Devaluation of official exchange rate (Dec/Dec)	72.4%	356.4%	93.3%	46.8%	28.0%	18.0%
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	150	142	143	144
Real devaluation (Dec/Dec)	-5.6%	51.3%	-23.7%	-5.4%	1.0%	0.8%
Policy rate (Dec)	75.0%	100.0%	80.0%	45.0%	25.0%	20.0%
GDP (real growth)	5.0%	-1.6%	-3.6%	5.0%	5.0%	2.6%
Private consumption (real growth)	9.7%	1.1%	-6.3%	5.0%	5.1%	2.6%
Investment (real growth)	11.1%	-1.9%	-4.8%	6.3%	6.6%	4.6%
GDP (USD billion)	630.2	642.9	637.9	607.5	637.7	667.1
Unemployment (in %)	6.8%	6.1%	7.7%	6.6%	5.8%	5.0%
Primary balance (% of GDP)	-2.7%	-2.7%	0.5%	1.0%	2.0%	0.5%
Country risk (BPS)	2,196	1,907	1,000	600	500	400
Export of goods (USD billion, FOB)	88.4	66.8	70.7	76.6	83.2	87.7
Trade balance (USD billion)	6.9	-6.9	14.2	16.2	17.8	18.4
Current Account (USD billion)	-4.3	-21.5	4.2	6.2	7.8	8.4

	2028 F	2029 F	2030 F	2031 F	2032 F	2033 F
Inflation (Dec/Dec)	15.0%	12.0%	10.0%	10.0%	8%	8%
Official exchange rate ARS/USD (Dec)	3,881.0	4,269.1	4,568.0	4,887.7	5,132.1	5,388.7
Devaluation of official exchange rate (Dec/Dec)	12.0%	10.0%	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)	144.1	145.0	144.6	144.2	143.7	143.2
Real devaluation (Dec/Dec)	-0.2%	0.7%	-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)	698.6	732.5	768.6	810.7	854.4	903.4
Unemployment (in %)	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
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)	90.0	92.4	94.9	97.6	100.4	118.0
Trade balance (USD billion)	18.5	18.7	18.9	19.2	19.6	20.0
Current Account (USD billion)	8.5	8.7	8.9	9.2	9.6	10.0

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

Miguel A. Kiguel
Director
mkiguel@econviews.com

Rafael Aguilar
Economist
raguilar@econviews.com

Andrés Borenstein
Chief economist
aborenstein@econviews.com

Pamela Morales
Economist
pmorales@econviews.com

Alejandro Giacoia
Economist
agiacoia@econviews.com

Leila García
Analyst
lgarcia@econviews.com