

# Base Scenario

**ECONVIEWS**  
ECONOMÍA Y FINANZAS

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## **OUR PREMISES**

### **International scenario**

- After the failure of four banks in the course of a few days, the Federal Reserve advanced with an additional rise in the reference interest rate by 25 bps, below the 50 bps expected just a few weeks earlier. In this context, the market now expects the rate hike to have ended or, at most and with less probability, to increase another 25 bps. This implies a lower expected strength of the dollar in the coming months.
- Agricultural production in Brazil will set a new record and our main trading partner is expected to position itself as the world's largest exporter of soybeans and corn. The abundant world agricultural supply could mean lower grain prices despite the historic drought in Argentina, but higher oil prices could put a floor for them.

### **Local scenario**

- Projections for agricultural production continued to worsen in recent weeks due to the drought. The impact in terms of foreign currency income is estimated at around 22 billion dollars. The good news is that the rains have returned, and production could recover towards the end of the year and in 2024.
- Economic activity, which began 2023 with a negative statistical carryover, will be impacted by the sharp drop in agricultural production. But the drought will also imply a direct effect on industries related to agriculture, transportation and regional economies. In turn, the lower availability of dollars will imply that the industry as a whole will face shortages of inputs as import restrictions increase. In this context, we adjust our GDP growth forecast to -4.5%.
- The drop in exports and imports will imply a strong reduction in the collection of taxes on foreign trade. In addition, the drop in economic activity will also affect those taxes linked to it. We expect tax revenues to fall by more than one point of GDP, while social spending will grow as we get closer to the elections. We adjust our primary deficit projection to 3.6% of GDP.
- Inflation continued to accelerate in February and March and everything indicates that the new floor is 6% per month, although we believe that in the second semester the monthly average will be higher given the electoral volatility and the uncertainty regarding the adjustments in relative prices -especially of the exchange rate- that the new administration will have to carry out. We have revised our projection upwards to 115% for December.



## Base Scenario

	2019	2020	2021	2022 F	2023 F	2024 F
Inflation (Dec/Dec)	53.8%	36.1%	50.9%	94.8%	115.0%	90.0%
Inflation (Annual average)	53.5%	42.0%	48.4%	72.4%	105.2%	125.1%
Official exchange rate ARS/USD (Dec)	59.9	84.1	102.8	177.1	460.5	828.9
Official exchange rate ARS/USD (annual average)	48.3	70.6	94.9	131.2	261.4	676.4
Devaluation of official exchange rate (Dec/Dec)	58.4%	40.5%	22.1%	72.4%	160.0%	80.0%
Blue chip swap rate ARS/USD (Dec)	74.6	140.3	203.1	340.8	667.8	994.7
Spread with official exchange rate	24.6%	66.8%	97.7%	92.4%	45.0%	20.0%
Real exchange rate ARS/USD (Dec-2001=100)	151.5	158.3	137.1	129.4	162.8	158.9
Real devaluation (Dec/Dec)	5.6%	4.5%	-13.4%	-5.6%	25.8%	-2.4%
Real effective exchange rate ARS/USD (Dec-2001=100)	177.5	179.5	147.3	135.4	165.7	158.1
Exchange rate USD/EUR (Dec)	1.12	1.22	1.14	1.07	1.03	0.99
Exchange rate BRL/EUR (Dec)	4.02	5.19	5.57	5.29	5.25	5.30
Policy rate (Dec)	55.0%	38.0%	38.0%	75.0%	80.0%	40.0%
Policy rate (annual average)	65.6%	39.0%	38.0%	58.7%	77.7%	70.8%
Badlar rate (private banks, Dec)	39.4%	34.3%	34.1%	69.4%	74.0%	37.0%
<b>Activity and employment</b>						
GDP (real growth)	-2.0%	-9.9%	10.4%	5.2%	-4.5%	0.0%
Private consumption (real growth)	-6.1%	-13.7%	10.0%	9.4%	-4.5%	-0.1%
Investment (real growth)	-16.0%	-13.0%	33.4%	10.9%	-7.5%	4.7%
Investment (as % of GDP, at current prices)	14.2%	14.0%	17.1%	17.3%	17.3%	18.5%
Exports (real growth)	9.8%	-17.7%	9.2%	5.7%	-11.3%	8.3%
Imports (real growth)	-18.7%	-18.5%	22.0%	17.4%	-8.9%	-0.4%
GDP (ARS billion)	21,558	27,196	46,282	82,650	160,279	362,591
GDP (USD billion)	446.8	385.0	487.7	630.0	613.1	536.0
Unemployment (in %)	9.8%	11.5%	8.8%	6.8%	8.0%	8.5%
Real formal wages, SIPA (% annual average)	-6.0%	-1.9%	0.4%	0.3%	-2.0%	-1.5%
<b>Monetary variables</b>						
Monetary base (ARS billion, Dec)	1,895	2,470	3,654	5,204	9,367	19,204
(%, Dec/Dec)	34.5%	30.3%	47.9%	42.4%	80.0%	105.0%
Annual average as % of GDP	6.5%	8.0%	6.6%	5.4%	4.5%	3.9%
Currency in circulation (ARS billion, Dec)	921	1,540	2,229	3,385	5,924	12,146
(%, Dec/Dec)	34.9%	67.1%	44.8%	51.9%	75.0%	105.0%
Annual average as % of GDP	3.6%	4.8%	4.1%	3.4%	2.9%	2.5%
Private M2 (ARS billion, Dec)	2,232	4,098	6,315	10,696	19,701	44,809
(%, Dec/Dec)	39.9%	83.6%	54.1%	69.4%	84.2%	127.5%
Annual average as % of GDP	8.4%	12.4%	11.2%	10.3%	9.5%	8.9%

# BASE SCENARIO



	2019	2020	2021	2022 F	2023 F	2024 F
<b>Deposits and loans</b>						
Deposits in ARS (priv. and pub., ARS billion, Dec)	3,203	6,054	9,566	18,273	34,297	80,715
<i>Annual average as % of GDP</i>	13.5%	18.0%	16.9%	16.8%	16.4%	15.9%
<i>(%, Dec/Dec)</i>	20.0%	89.0%	58.0%	91.0%	87.7%	135.3%
Private deposits in ARS (ARS billion, Dec)	2,616	4,861	7,711	15,175	28,595	67,797
<i>(%, Dec/Dec)</i>	34.7%	85.8%	58.6%	96.8%	88.4%	137.1%
Private deposits in USD (USD billion, Dec)	18.3	15.1	15.3	15.7	15.9	18.3
Loans in ARS (priv. and pub., ARS billion, Dec)	2,514	3,204	4,490	7,403	14,036	33,425
<i>Annual average as % of GDP</i>	11.7%	11.8%	9.7%	9.0%	8.8%	9.2%
<i>(%, Dec/Dec)</i>	16.6%	27.4%	40.1%	64.9%	89.6%	138.1%
Private loans in ARS (ARS billion, Dec)	1,808	2,705	4,001	6,704	12,564	30,077
<i>(%, Dec/Dec)</i>	17.4%	49.6%	47.9%	67.6%	87.4%	139.4%
Commercial (ARS billion, Dec)	517	925	1,402	2,490	4,489	10,789
<i>(%, Dec/Dec)</i>	27.5%	78.8%	51.6%	77.6%	80.3%	140.3%
Consumption (ARS billion, Dec)	932	1,289	1,862	3,053	5,830	13,921
<i>(%, Dec/Dec)</i>	19.7%	38.3%	44.4%	63.9%	91.0%	138.8%
Collateralized (miles de millones dic.)	294	317	509	831	1,621	3,870
<i>(%, Dec/Dec)</i>	-4.5%	7.8%	60.7%	63.2%	95.0%	138.7%
Private loans in USD (USD billion, Dec)	10.7	5.3	4.1	3.5	2.8	3.5
<b>Fiscal accounts</b>						
Tax revenues (% del PBI)	23.3%	24.4%	23.8%	23.9%	22.0%	23.5%
Primary expenditures (% of GDP) <sup>1</sup>	18.5%	24.2%	21.3%	20.1%	20.0%	17.5%
Fiscal revenues (% of GDP)	18.3%	17.8%	18.0%	17.4%	16.3%	17.5%
Primary balance (% of GDP) <sup>1</sup>	-0.2%	-6.4%	-3.3%	-2.6%	-3.6%	0.0%
Interests (% of GDP)	3.4%	2.0%	1.5%	1.8%	2.0%	2.0%
Fiscal balance (% of GDP) <sup>1</sup>	-3.6%	-8.4%	-4.8%	-4.4%	-5.6%	-2.0%
EMBI Global Argentina (spread in bps, Dec)	1,744	1,350	1,703	2,196	1,500	750
Gross public debt (excluding GDP warrants, % of GDP)	72.7%	87.8%	74.5%	61.0%	64.7%	74.1%
Net public debt <sup>2</sup> (% of GDP)	43.6%	52.7%	42.1%	35.2%	38.8%	44.4%
<b>External accounts</b>						
International price of soybeans (USD/tonne, annual avg.)	327	350	510	540	500	460
Export of goods (USD billion, FOB)	65.1	54.9	77.9	88.4	67.5	79.4
Import of goods (USD billion, CIF)	49.1	42.4	63.2	81.5	67.4	64.0
Trade balance (FOB-CIF, USD billion)	16.0	12.5	14.8	6.9	0.1	15.4
Current account (USD billion)	-3.5	3.1	6.7	-3.8	-14.4	8.0
Current account (% of GDP)	-0.8%	0.8%	1.4%	-0.6%	-2.3%	1.5%
Gross international reserves (USD billion, Dec)	44.8	39.4	39.7	44.9	36.4	43.9
Net international reserves (USD billion, Dec)	12.6	3.8	2.3	7.7	0.1	5.0

1. Current methodology (PIPs "under the line"); excludes rents from primary debt issuance

2. Excludes intra-public sector debt and GDP warrants, includes holdouts.

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-21	87.30	105.95	1.21	5.46	4.0%	38.5%	38.0%	34.2%	-10.0%
Feb-21	89.83	108.45	1.21	5.60	3.6%	40.7%	38.0%	33.6%	-10.0%
Mar-21	91.99	107.88	1.17	5.63	4.8%	42.6%	38.0%	34.1%	-8.1%
Apr-21	93.56	112.43	1.20	5.44	4.1%	46.3%	38.0%	34.1%	-4.0%
May-21	94.69	115.75	1.22	5.22	3.3%	48.8%	38.0%	34.1%	-0.9%
Jun-21	95.73	113.48	1.19	4.97	3.2%	50.2%	38.0%	34.1%	1.2%
Jul-21	96.69	114.77	1.19	5.21	3.0%	51.8%	38.0%	34.1%	3.3%
Aug-21	97.75	115.42	1.18	5.15	2.5%	51.4%	38.0%	34.2%	5.4%
Sep-21	98.74	114.35	1.16	5.44	3.5%	52.5%	38.0%	34.2%	6.8%
Oct-21	99.72	115.29	1.16	5.64	3.5%	52.1%	38.0%	34.1%	8.1%
Nov-21	100.93	114.41	1.13	5.62	2.5%	51.2%	38.0%	34.1%	9.3%
Dec-21	102.75	116.81	1.14	5.57	3.8%	50.9%	38.0%	34.1%	10.4%
Jan-22	105.02	117.96	1.12	5.30	3.9%	50.7%	40.0%	37.6%	11.0%
Feb-22	107.44	120.54	1.12	5.16	4.7%	52.3%	42.5%	39.9%	11.9%
Mar-22	110.98	122.80	1.11	4.74	6.7%	55.1%	44.5%	41.8%	11.1%
Apr-22	115.31	121.55	1.05	4.97	6.0%	58.0%	47.0%	44.4%	9.3%
May-22	120.16	128.97	1.07	4.73	5.1%	60.7%	49.0%	45.8%	8.8%
Jun-22	125.22	131.25	1.05	5.26	5.3%	64.0%	52.0%	50.6%	8.4%
Jul-22	131.23	134.09	1.02	5.17	7.4%	71.0%	60.0%	55.6%	7.9%
Aug-22	138.71	139.50	1.01	5.18	7.0%	78.5%	69.5%	63.9%	7.5%
Sep-22	147.32	144.35	0.98	5.42	6.2%	83.0%	75.0%	69.1%	7.0%
Oct-22	156.90	155.06	0.99	5.18	6.3%	88.0%	75.0%	69.5%	6.8%
Nov-22	167.26	174.03	1.04	5.19	4.9%	92.4%	75.0%	69.5%	6.2%
Dec-22	177.13	189.56	1.07	5.29	5.1%	94.8%	75.0%	69.4%	5.2%
Jan-23	186.88	202.98	1.09	5.07	6.0%	98.8%	75.0%	69.4%	5.1%
Feb-23	197.15	208.51	1.06	5.24	6.6%	102.5%	75.0%	69.4%	4.3%
Mar-23	208.99	226.47	1.08	5.06	7.0%	103.0%	78.0%	72.2%	3.7%
Apr-23	220.43	238.19	1.08	5.11	6.0%	102.9%	78.0%	72.2%	2.7%
May-23	232.56	250.51	1.08	5.16	5.3%	103.4%	78.0%	72.2%	1.3%
Jun-23	245.81	263.97	1.07	5.21	5.8%	104.4%	78.0%	72.2%	-0.2%
Jul-23	260.56	278.93	1.07	5.22	6.5%	102.7%	78.0%	72.2%	-1.4%
Aug-23	276.20	294.74	1.07	5.22	6.8%	102.3%	78.0%	72.2%	-2.6%
Sep-23	292.77	311.45	1.06	5.23	7.0%	103.9%	78.0%	72.2%	-3.5%
Oct-23	310.34	329.10	1.06	5.24	7.5%	106.1%	78.0%	72.2%	-4.1%
Nov-23	328.96	347.74	1.06	5.24	6.5%	109.2%	78.0%	72.2%	-4.5%
Dec-23	460.54	474.35	1.03	5.25	8.0%	115.0%	80.0%	74.0%	-4.5%

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