MONTHLY REPORT

ECONVIEWS
ECONOMÍA Y FINANZAS

November 2023
Issue #233

Milei: big hopes, big challenges

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THE MONTH AT A GLANCE

RECENT DEVELOPMENTS

- The Federal Reserve held rates at 5.25-5.50% again at its November meeting. With CPI inflation at 3.2% year-on-year last month, analysts think the tightening cycle is over and rate cuts could begin as soon as May 2024.
- Javier Milei won the run-off against Minister of Finance Massa with 56-44 of the vote. In this transition period, he has shown himself open to dialogue with the rest of the political system. Argentine bonds (+20%) and equity (+24%) rallied the week after Milei's win. Country risk fell to 1,993 basis points.
- Luis Caputo, Minister of Finance and president of the Central Bank during the Macri administration, was confirmed as Milei's Minister of Economy this week, after accompanying the president-elect to a trip to Washington to speak with US and IMF officials. The position of Central Bank governor is unoccupied.
- The Central Bank retook a 4.3% monthly crawling peg for the official rate after November 15th, devaluating from ARS 350 to 360. However, exporters are allowed to enter dollars at 50% the official rate and 50% the BCS. It kept the Leliq policy rate at 133% despite pressure to hike as inflation accelerates.
- The informal exchange rate reached a peak of ARS 1,070 after Milei won, but then lowered to 895.

FIGURE OF THE MONTH

Imports on a cash basis were

2.7 bn

in October, the lowest figure since June 2020, while accrued imports were 5.8 bn, a sign of the growing debt.

TO BE ALERT

Banks renovated only

25%

of Leliq maturities after the run-off election, shifting to 1-day repos.

WHAT'S COMING NEXT?

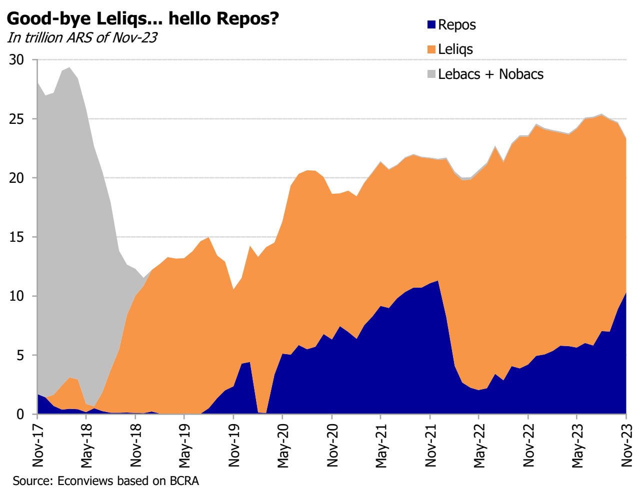
- Markets expect Milei will devaluate the official exchange rate early on, if not full unification. Dollar futures for December 2023 jumped from ARS 667 to 780 after his victory and the BCS parallel spread is trading at ARS 836, an 132% spread with the official rate. The breakeven between inflation and exchange-rate indexed bonds show the market is pricing a 41% real devaluation over the summer.
- Frozen utilities and a pegged exchange rate got monthly inflation down to 8.3% in October, but we see it back at 11.6% in November. The pass-through from the devaluation may lead to 20% figures in December and January, and we expect double-digit figures through Q1 and Q2 of 2024.
- Milei has promised to lower taxes and spending. The primary deficit will end 2023 around 2.7% of GDP, although after factoring taxes paid in advance, the removal of taxes on dollar purchases after devaluating and floating debt, the starting point will be closer to 4%. The likely candidates for spending cuts in 2024 are energy subsidies and public works.
- Dollarization appears out of the picture for now, but it is unclear what Milei will do with the stock of Leliqs, the Central Bank's 28-day remunerated liabilities. Talks of a plan to convert them into dollar bonds led banks to shift their portfolio into 1-day repos.

SUMMARY OF MAIN INDICATORS

	Last	Previous		Last	Previous
Economic activity			**Financial data**		
Economic activity (MoM s.a.)	0.0%	1.2%	Inflation (monthly)	8.3%	12.7%
Consumer confidence (MoM)	5.3%	4.0%	FX spread (21day avg.)	150.6%	162.0%
Industrial activity (MoM s.a.)	0.2%	0.5%	Country risk (bps 21day avg.)	2,382	2,534
International accounts			**External data**		
Current Account (USD BN)	-6.35	-5.38	Soybean price (per ton, 21day avg.)	494.2	472.1
CB Reserves (USD BN 21day avg.)	22.03	26.03	Brazilian activity (MoM s.a.)	-0.1%	-0.8%
Primary balance (ARS BN)	-330.34	-380.47	Financial Conditions Index	21.0	27.5

Source: Econviews based on multiple sources - working days only

GRAPH OF THE MONTH:



Source: Econviews based on BCRA

RECENT ECONOMIC DEVELOPMENTS

OCT	NOV	NOV	NOV	NOV	NOV	NOV
31st	1st	15th	19th	25th	28th	30th
Econviews Monthly #232: The dilemmas of the two-man elections + special report on scenarios for 2024	**Government allows an 8-10% increase in gas prices**, helping to normalize supply after days of shortages.	After three months pegged at ARS 350, **Central Bank resumes crawling peg for official exchange rate** at 4.3% monthly.	**Milei wins run-off election against Minister Massa by 56-44 difference**, dollar bonds rally 20% and equity up 24%.	Ex-Macri administration **Demian Reidel says he will not be Central Bank chief**, leaving position empty.	**Milei meets with US and IMF authorities in Washington**, accompanied by his to-be Finance Minister Luis Caputo.	**Econviews Monthly #233**

POLITICS

In another surprise, libertarian Javier Milei was elected president in the run-off election on November 19th. Although in previous days polls had him ahead of Minister of Finance Sergio Massa, few predicted the 56-44 margin. In the three-week transition, Milei has shown some signs of moderation, such as maintaining diplomatic protocol with China, Brazil, and the Vatican, and has not insisted on dollarization. However, he is struggling to fill his cabinet. There have been rumors of key areas going to figures from other political parties, such as JxC's Patricia Bullrich in Labor or the Province of Córdoba's Minister of Finance to the Social Security Fund, but these have not been all confirmed. Milei will take office on December 10th.

IMF

IMF authorities met with members of Milei's economic team in past days. The Fund is against dollarization but would support Milei's fiscal plan, which according to announcements would include an adjustment in utility rates, something the Fund has pressed for. There have been talks of fresh funding. Under the current schedule, Argentina is set to receive USD 3.3 billion in December and another 3 billion over 2024, though it faces maturities of 8.2 billion over the next 12 months counting capital and interest.

ECONOMIC ACTIVITY

After posting 1.2% monthly growth in August, activity stayed flat (+0%) in September. Agriculture slumped 2.6%, cutting short its recovery from the drought. Manufacturing (+0.2%) stayed afloat while construction (-0.1%) retreated slightly. Activity in retail (-1.8%) and transport (-0.8%) fared badly against August, but the rebound in fishing (+16%), mining (+1.3%) and utilities like electricity and gas (+4.2%) helped compensate this effect. In year-on-year terms, the economy contracted 0.7% and accumulated a 1.5% contraction in the first 9 months of 2023. We expect GDP to fall 1% in the full year and 2% in 2024, due to fallout from the devaluation and fiscal adjustment, although agriculture's recovery from the drought will cushion the fall.

INFLATION

Monthly inflation slowed from 12.7% in September to 8.3% in October, after two months with the exchange rate pegged at 350 and no adjustments in energy or transport utilities in Buenos Aires. Communication (+12.6%) and apparel (+11%) rose the most, while food and beverage prices (+7.7%) increased less than the general index. In year-on-year terms, inflation is running at 142.7%. The first three weeks of November had weekly inflation around 2.3-2.5%, but many prices rose sharply after the election, as businesses and retailers seek to get ahead of a likely devaluation. We expect monthly inflation to jump to 11.6% this month and 20% in December, ending 2023 at 195% year-on-year. High inflation rates will continue into Q1-2024.

MONETARY SECTOR

The Central Bank did not hike rates after the run-off election, leaving the Leliq policy rate at 133%, an 11% effective monthly rate, more or less neutral *ex ante* in November but very negative considering forecasts for December and Q1-2024. Milei has been unclear on what he plans to do with the stock of Leliqs and banks renovated only 25% of maturities since the election. They have shifted from the 28-day letters into 1-day repos. Some economists close to Milei have hinted at a plan to convert Leliqs into Treasury bonds in dollars, in our view a bad idea. The official exchange rate is at ARS 360 after the BCRA retook a crawling peg on November 15th. The BCS trades at ARS 835, an 132% spread.

FISCAL ACCOUNTS

October's primary deficit stood at ARS 330 billion in October, accumulating 1.6% of GDP in ten months of 2023. Without the increased tax rates on dollar purchases for imports of services, goods and freight, the figure would be closer to 1.9%. Export taxes are still doing badly due to the drought and fell 62% year-on-year, while income tax receipts slumped 22%. However, the tax on credits and debits recovered 10% in part due to VAT refunds for electronic payments. Primary spending decreased 1.7% mainly thanks to cuts in economic subsidies (-42%). We expect a 2.7% of GDP primary deficit for the full year, thought the "real" deficit will be closer to 3-4%. With more cuts in subsidies and public works, it could fall below 1% in 2024.

I.Milei: big hopes, big challenges

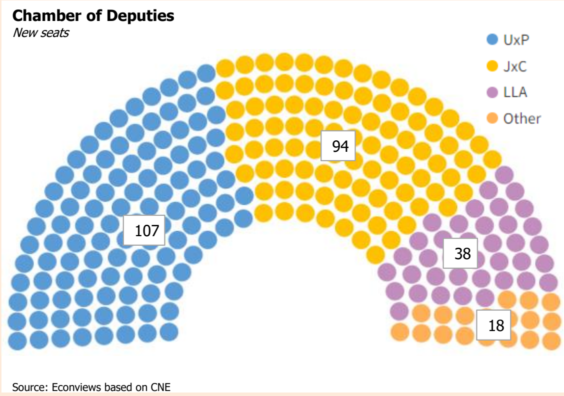
Milei has been elected with roughly 56% of the popular vote, which means that he has a strong mandate to go ahead with his plan for stabilization and structural reforms. On the other hand, he has a small representation in Congress, including only seven senators out of a total of 72, and hence he will have to work with the opposition to get the approval of most laws. None of the 24 governors belong to his party and is thin on the ground in terms of union support and more importantly an army of public managers to implement the reforms.

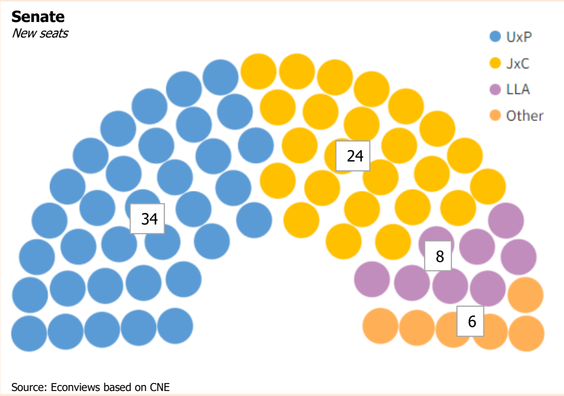
The new government receives a very challenging economic legacy. This includes large imbalances including a large fiscal deficit, negative international reserves to the tune of ten billion dollars, an overvalued currency, tight restrictions on imports that are jeopardizing production and generating shortages of critical inputs, a stock of commercial external debt due to the inability to pay imports of 55 billion dollars, and a web of controls on price and imports.

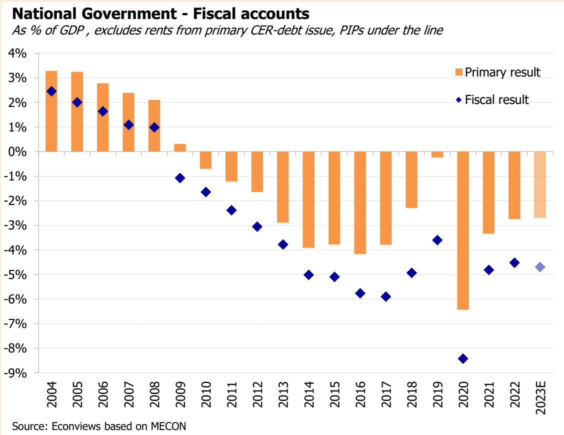
Milei has repeatedly stated that his long-term objective is to move back to a market economy and to free prices. He is also determined to unify the foreign exchange market, though not immediately, to open up the economy to international trade, to eliminate the overall fiscal deficit, and other policy measures that would make the Argentine economy resemble many of the economies of the region.

He also has stated that he is determined to respect contracts and property rights and that he will not restructure the domestic or the external debt. At the same time, he seems to have backtracked on the idea of dollarization, as he recognizes that that the Central Bank does not have dollars to do it in the near future.

The big question is the timing, sequencing, and depth of the policy measures. It is also critical to think about the potential technical and political obstacles that he is likely to face during the implementation. Where to start to undo this mess? The three most pressing problems are the need to increase international reserves, which requires a depreciation of the currency, the elimination or relaxation of the FX restrictions, and to reduce the fiscal deficit, which requires a reduction in government expenditures and increases in utility rates.







No snowball

The elected president has stated that to relax the restrictions one would need to reduce the burden of the leliqs. This might be putting the cart before the horse, because the large stock of leliqs is the result of a large stock of pesos, which is in fact the real problem.

More importantly, the stock of leliqs does not show a snowballing effect, because the real interest rate on the leliqs has remained lower than the rate of inflation. It was 8.5% of GDP two years ago and it is expected to be 9.4% of GDP at the end of the year. Perhaps it could be a problem in the future, but so far, the Central Bank has maintained real interest rates in negative territory and has been able to roll them over.

The removal of the FX restrictions does present some challenges. The chief challenge is the commercial debt of importers that has increased by 25 billion dollars recently and cannot be paid in one stroke in a country with no reserves. In addition, there is a stock of "undesired" pesos that corporations have in Argentina as a result of the inability to access dollars to pay dividends or other obligations abroad, which is estimated to be around 8 billion dollars. If those pesos try to buy dollars all at once, the foreign exchange market would face significant pressures on the exchange rate and hence on inflation. On the other hand, maintaining the restrictions as it is right now would imply shortages of inputs and some key goods (such as medical supplies) and a deepening of the anticipated recession.

The alternative would be to maintain restrictions for the stock of commercial debts and for some of the pesos that are trapped in Argentina (such as for dividends that have not been paid) and removing them for all new current account transactions (namely imports of goods and services). In the meantime, the exchange rate for commercial transactions could float freely, namely because the Central Bank does not have the capacity to fix it as it does not have reserves. There could also be a second exchange rate for all other transactions, that could be the blue chip swap or a financial exchange rate.

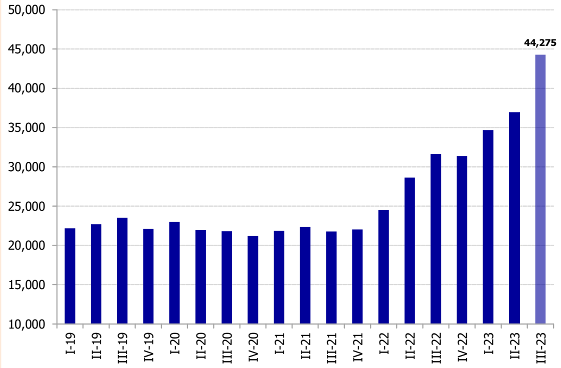
The second issue is the reduction in the fiscal deficit. This is a priority, as it is a requirement to regain control over the growth of money supply as well as to avoid a new default and regain access to the financial markets. Most of the reduction in the deficit needs to come from lower government expenditures, which can probably be reduced by 2.5% of GDP. The rest needs to come from a reversal of the reduction in income tax that Massa implemented recently and from fewer tax credits and exceptions.

If the government removes the FX restrictions for the flows, maintains the one for the stocks, adjusts the exchange rate and reduces the fiscal deficit one can anticipate an increase in reserves. There should be a larger increase in the second quarter when the bulk of the soybean crop takes place. This process could be strengthened if the government quickly reaches a new agreement with the IMF, as we expect, and it finds a way to pay the interest on the debt with the private sector in January that is roughly 1.4 billion dollars, which we think will be done.

The privatizations of public enterprises, the tax reform, the pension reform, and other structural reforms should come in a second stage, as well as the much expected reduction in inflation.

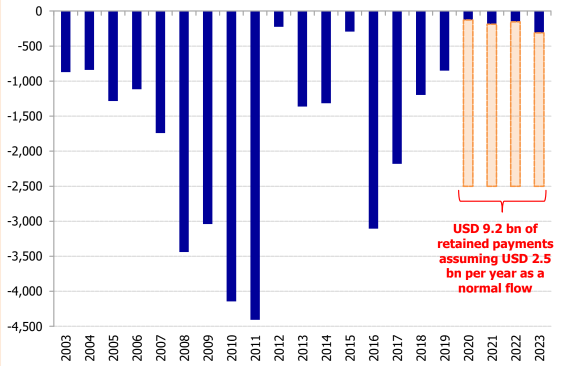
Milei has an ambitious program to stabilize the economy and regain macroeconomic balance restore economic growth. The long-term objectives are clear and in the right direction, and if everything goes well dollarization will be put in the back burner. The big challenge is to avoid problems in the implementation, to choose the right sequencing and to maintain popular support through this period. Markets have responded favorably with a big rally, but they will look closely at the evolution of the policies.

Goods imports debt
In million USD



Source: Econviews based on BCRA & own estimates

Dividends Payments
Annual cumulative - In million USD



Source: Econviews based on BCRA

Primary result: 2023E vs 2024E
Revenues and expenditures for the national government, as a % of GDP

	2022	2023E	2024E	Variation
Revenues	**17.7%**	**16.8%**	**16.3%**	-0.5%
VAT	3.2%	3.5%	3.1%	-0.4%
Income tax	2.1%	1.8%	1.3%	-0.5%
Social security	5.2%	5.2%	5.0%	-0.2%
Personal assets tax	0.2%	0.2%	0.1%	-0.1%
Export duties	1.8%	0.6%	1.9%	1.3%
Import taxes	0.6%	0.6%	0.8%	0.2%
Tax on dollar purchases	0.4%	0.8%	0.0%	-0.8%
Primary expenditures	**20.4%**	**19.5%**	**17.4%**	-2.1%
Social spending	11.3%	11.0%	10.9%	-0.1%
Economic subsidies	2.6%	2.1%	1.1%	-1.0%
Energy	2.0%	1.6%	0.8%	-0.9%
Transport	0.6%	0.5%	0.4%	-0.1%
Wages	2.4%	2.4%	2.3%	-0.1%
Transfers to provinces	0.7%	0.6%	0.6%	-
CAPEX	1.6%	1.5%	0.7%	-0.8%
Other adjustments (*)			**0.5%**	
Primary deficit	**-2.7%**	**-2.7%**	**-0.5%**	
Advance payment of taxes*		-0.4%		
Cost of "soybean dollar"		-0.3%		
"Structural" primary deficit		**-3.4%**		

*income tax and personal assets tax
Source: Econviews based on Min. of Economy and own forecasts

II.X-ray of registered employment in Argentina

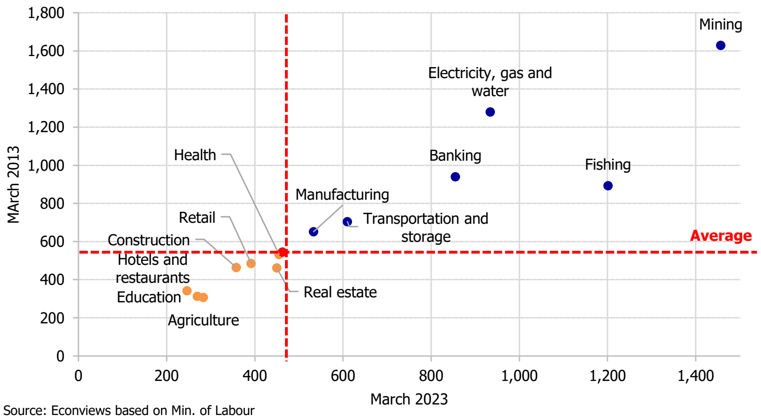
The dynamics of private employment have exhibited a significant stagnation in the last decade, with changes in its composition that include a decrease in the number of young individuals and an increase in the participation of women.

A superficial view would show an increase in formal labour in the last decade or so. But not all that glitters is gold. It is crucial to note that this expansion originates from a substantial increase in single-tax payers and salaried employees in the public sector. While this fact inflates the overall figures, it encapsulates an underlying reality: **the proliferation of low-quality job positions**, a phenomenon that emerged in an adverse macroeconomic context. Simultaneously, high-quality jobs did not experience significant growth; however, they also did not undergo evident destruction.

During the last 10 years, out of the 2.2 million formal positions created, only 300,000 were in the private sector. Breaking down the stock of labour as of the second semester of 2023, we find approximately 3 million independent workers, 3.5 million in the public sector, and 6.8 million in the private sector. Zooming in on the private sector, 38% of individuals are employed in small establishments, characterized by having fewer than 50 employees. On the other hand, 35% are hired by medium-sized firms (between 50 and 500 employees), while 26% hold positions in large-scale companies, exceeding 501 employees. Currently, there are 533 thousand private employers, of which 36.8% are sole proprietors, and 59.3% belong to small-sized establishments. Only 3.6% are classified as medium-sized, and a minimal 0.3% are considered large employers. These figures underscore the **predominance of smaller-sized enterprises in the Argentine business landscape.**

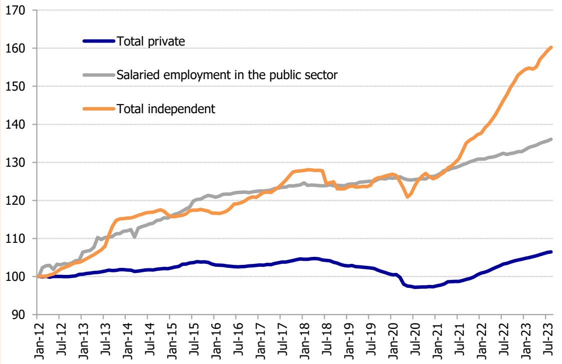
From a sectoral perspective, the key players are retail, manufacturing industry, real estate, and business activities, as well as the fields of transportation, communication, and education. These sectors collectively account for approximately three-quarters of the workforce in the private sector. If we were to go back a decade and compare the distribution of industry branches, the picture would be virtually identical.

Private wages by sector
SIPA- AR$ at October-23 prices, in thousands



Source: Econviews based on Min. of Labour

Evolution of registered employment
Jan-2012=base 100, s.a.



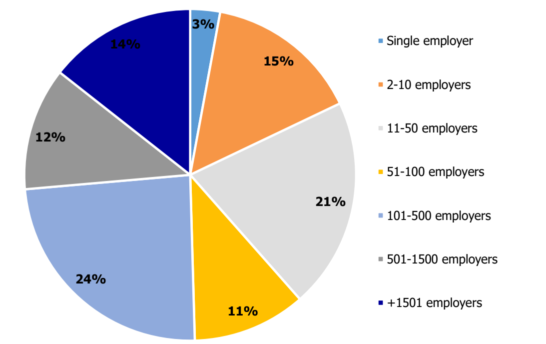
Source: Econviews based on Min. of Labour

Formal employment
Seasonally adjusted

	Q2-2013	Q2-2018	Q2-2023
Private salaried jobs (A)	**6,104,969**	**6,143,002**	**6,362,663**
By gender			
Women	1,984,623	2,148,503	2,258,259
Men	4,120,346	3,994,499	4,104,404
By age			
18-24 years	854,817	721,314	702,672
+25 years	5,250,152	5,421,688	5,659,991
Domestic workers (B)	**420,604**	**482,197**	**466,840**
Total private (A+B)	**6,530,028**	**6,751,836**	**6,829,503**
Government salaried jobs (C)	**2,785,121**	**3,159,831**	**3,441,064**
Self-employed (D)	423,982	403,827	401,668
Single-tax payers (E)	1,393,458	1,601,266	1,964,545
Social single-tax payers (F)	194,107	412,162	597,719
Total independent(D+E+F)	**2,011,548**	**2,417,255**	**2,963,932**
TOTAL	**10,901,638**	**11,720,088**	**12,767,658**

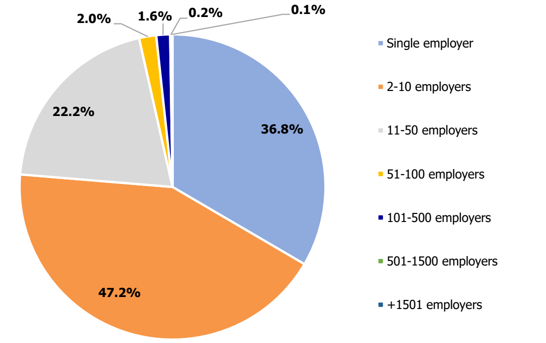
Source: Econviews based on Min. of Labour

Distribution of employees according to employer size
June-2023



Source: Econviews based on AFIP

Distribution of employers according to employer size
June-2023



Source: Econviews based on AFIP

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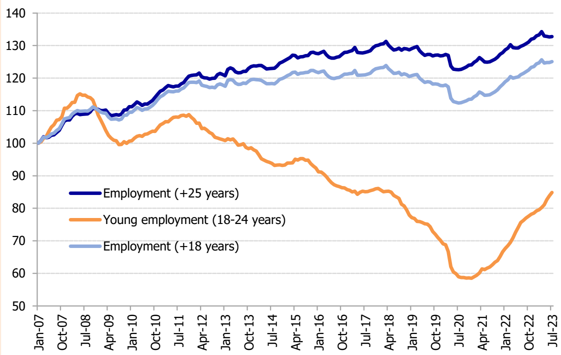
This phenomenon points to a structural characteristic in the labour market. Even when examining the evolution of real wages, we note that **some sectors, such as agriculture, education, and gastronomy, are characterized by paying salaries below the average**. In parallel, those sectors that have historically positioned themselves above the average salary have managed to maintain that position over the years. Within this latter group are industrial workers, transport professionals, bankers, and those in the energy, mining, and fishing sectors. When compared to March 2013, incomes experienced an average erosion of 15% end-to-end. Except for fishing, all activities were impacted, with the most severe effects felt by workers in hotels and restaurants (-28%), followed by the energy sector (-27%), and construction (-23%).

Age matters

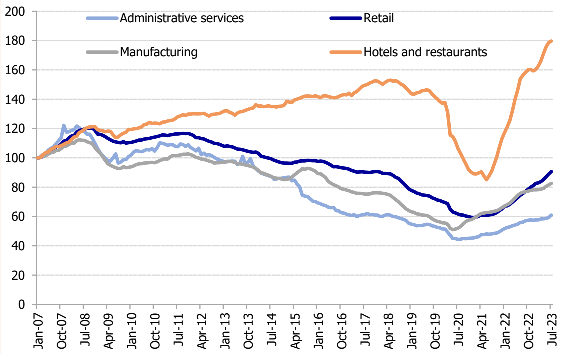
In the case of the young population, aged between 18 and 24, a decline in employment has been noticeable since 2013. However, in recent months, there has been a recovery in job positions after reaching its lowest point during the pandemic. According to data published by the Ministry of Production until July 2023, the employment level has reached a figure comparable to that recorded in 2017 and 2018, totalling 722 thousand positions. The post-pandemic recovery was primarily driven by the sectors of gastronomy and hotels (+34.3% average YoY), commerce (+16.6%), and industry (+15.8%). In these sectors, the participation of young individuals is significant, accounting for approximately 50%. This data highlights a shift compared to the situation 10 years ago when administrative activities held a prominent position instead of hospitality services. However, it should be noted that **these four major areas (gastronomy and hotels, commerce, industry, and administrative activities) have historically maintained their pre-eminence in the young labour market.**

Evolution of registered employment by age
Jan-2007=base 100, s.a.



Source: Econviews based on Min. of Production

Youth employment by industry
Jan-2007=base 100, s.a.

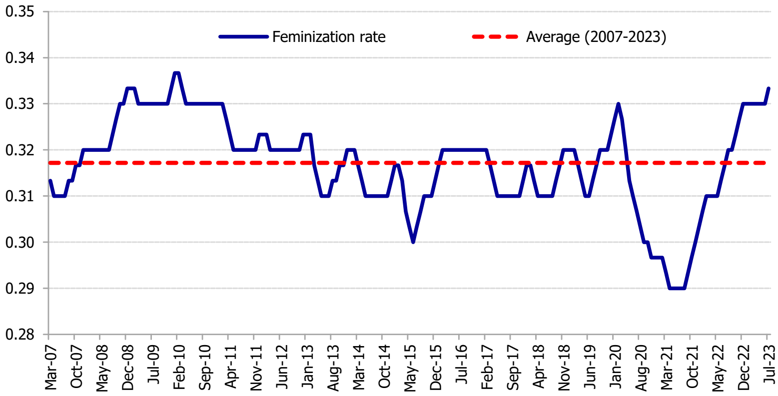


Source: Econviews based on Min. of Production

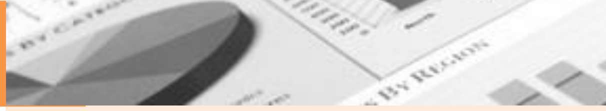
Gender matters

The feminization rate in youth employment, reflecting the proportion of women in the total workforce, currently stands at 33.3%. This is 1.6 percentage points above the average for the period between 2007 and 2023, and 2.3 percentage points higher than in July 2007.

Feminization rate in youth employment
3 month moving average



Source: Econviews based on Min. of Production



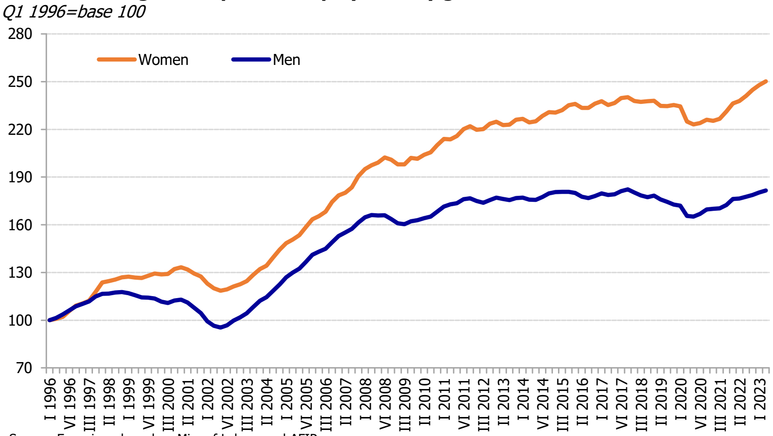
Throughout this period, there has been an increase in the feminization rate, with a greater inclusion of young women in sectors such as transportation and storage, real estate, hospitality, and professional and scientific fields. Conversely, in sectors where traditionally there was a higher female presence, such as finance and education, there has been a decrease in participation, although their participation remains relatively high.

Salaries by sector

In July, considering the measurement at October prices, the average real salary for young individuals stood at 286,000 AR$. In relative terms, the hospitality and administrative activities sectors pay below the average of all sectors, a trend that has persisted for at least the past sixteen years. Conversely, the commerce sector, which used to offer salaries above the average, is currently aligned with it due to the inflationary acceleration experienced in recent months. The branches that significantly stand out above the rest in terms of salaries are mining, with a salary of 776,000 AR$, and the sector related to electricity supply, which has a salary of 553,000 AR$. It is important to note that only 1% of young individuals participate in these areas.

Regarding the gender dimension, disparities in private employment are evident and are not limited solely to the young population, as mentioned earlier. The participation of women in the labour market has experienced significant growth compared to men. Starting from 900 thousand positions in the first quarter of 1996, the current figure records a total of 2.2 million women employed in the private sector, according to the latest AFIP data. With a **national feminization rate of 33.4%**, it is noteworthy that in some provinces such as Córdoba, Buenos Aires, Tierra del Fuego, and Río Negro, this indicator is even higher. In terms of work activities, **women tend to concentrate mainly in the sectors of retail, education, health, and industry,** in descending order of concentration from higher to lower.

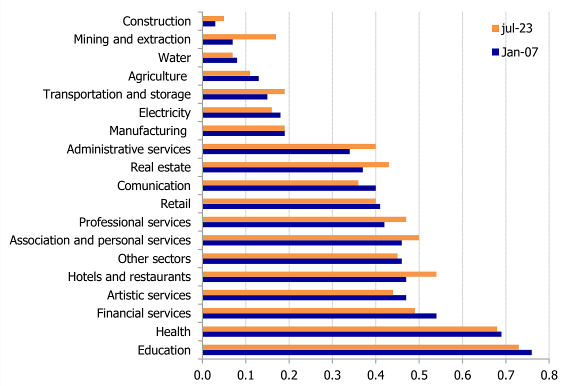
Evolution of registered private employment by gender
Q1 1996=base 100



Source: Econviews based on Min. of Labour and AFIP

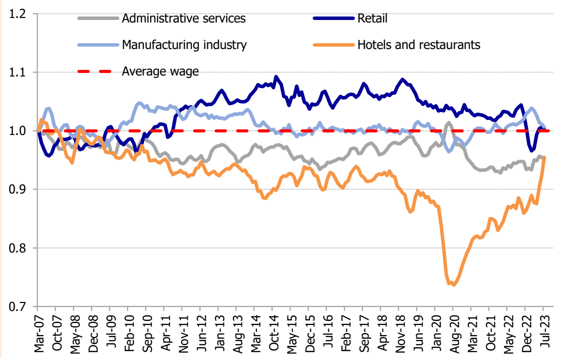
The increase in female employment is accompanied by greater resilience in real wages compared to those of males. This trend becomes evident from July 2021, when there is a divergence in the lines.

Feminization rate in youth employment by industry



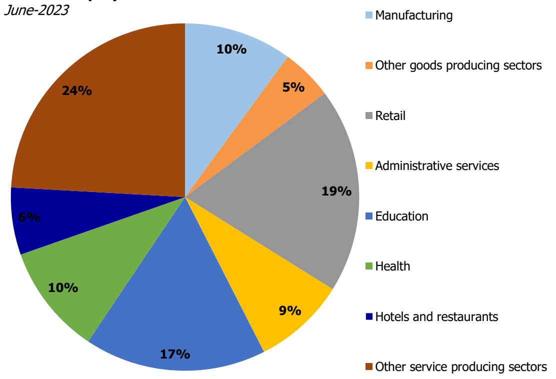
Source: Econviews based on Min. of Production

Youth employmemt: relative real salaries by industry
Moving average (3 months), Mar-2007=base 1, s.a.



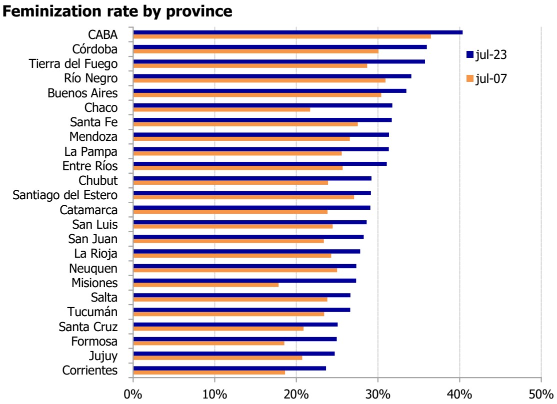
Source: Econviews based on Min. of Production

Female employment: distribution of activities
June-2023

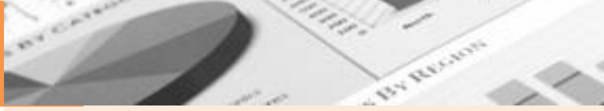


Source: Econviews based on AFIP

Feminization rate by province

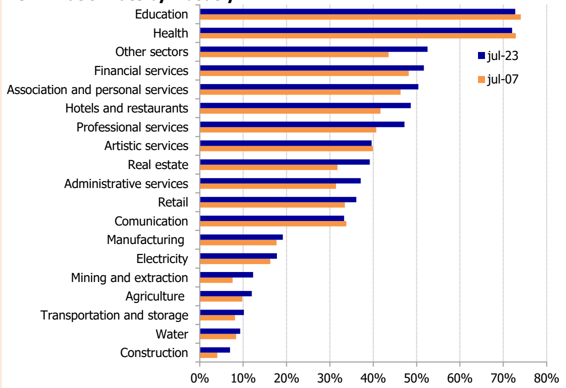


Source: Econviews based on Min. of Production



According to the latest data for June, based on companies' declarations to AFIP, women have an average salary of 693,000 AR$, while men have an average salary of 807,000 AR$, resulting in a gender pay gap of 16.4%. Although all sectors, except for construction and communications, show a positive pay gap in favour of men, some are more pronounced, such as in the case of the financial system (24.9%), personal and association services (22.2%), and administrative services (22.0%). Historically, industrial sectors, commerce, hospitality, and gastronomy, as well as transportation, have managed to reduce wage gaps and are now more equitable.

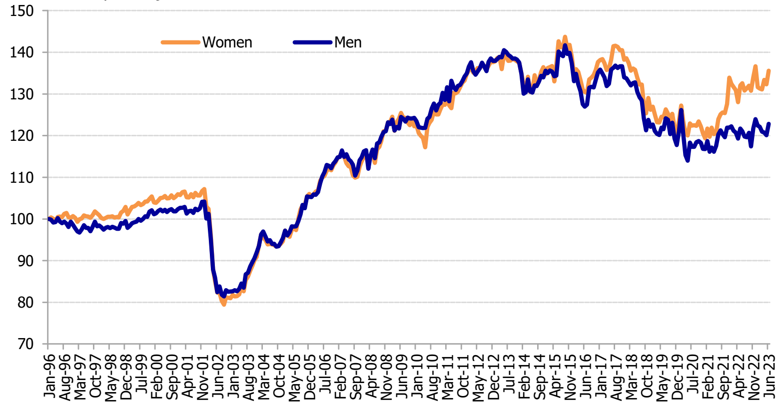
Feminization rate by indsutry



Source: Econviews based on Min. of Production

Real wages

At october-23 prices, jan-1996 base 100, s.a.



Sorce: Econviews based on AFIP and Min. of Labour

Real wages by industry

June-2023, at october-2023 prices AR$

	Women	Men	Gender based - Wage gap
Construction	581,768	479,637	-21.3%
Water	924,126	927,097	0.3%
Transportation and storage	742,822	810,636	8.4%
Agriculture	346,867	377,296	8.1%
Mining and extraction	1,626,036	2,048,358	20.6%
Electricity	1,125,879	1,411,742	20.2%
Manufacturing	665,170	772,730	13.9%
Communication	1,116,626	1,107,192	-0.9%
Retail	505,531	583,895	13.4%
Administrative services	361,426	463,463	22.0%
Real estate	427,825	515,324	17.0%
Artistic services	432,797	536,583	19.3%
Professional services	663,649	778,476	14.8%
Hotels and restaurants	322,151	367,606	12.4%
Association and personal services	488,408	628,002	22.2%
Banking	1,116,626	1,487,027	24.9%
Health	618,273	761,238	18.8%
Education	417,898	471,325	11.3%
Average	**693,549**	**807,090**	**16.4%**

Source: Econviews based on AFIP

Stagnant, yet with changes. **The structure of the labour market shows some weakness in terms of the availability of "higher-quality" job positions**. This poses a significant challenge for the upcoming administration, as they have explicitly stated during the electoral campaign that the private sector should play a primary role in absorbing workers transitioning from the public sector. On the other hand, the loss of purchasing power of salaries will become more evident and, in a context of social vulnerability, will add to the list of top-priority issues on the policy agenda to address.

Historical Gender based - Wage gap by industry

At october-2023 prices AR$

	jun-98	jun-02	jun-06	jun-10	jun-14	jun-18	jun-22
Mining	2.7%	7.5%	14.9%	24.0%	28.2%	24.8%	23.5%
Manufacturing	28.1%	23.9%	23.3%	22.8%	18.3%	15.4%	14.1%
Electricity, gas and water	23.0%	23.4%	24.3%	25.9%	24.3%	22.2%	20.9%
Retail	21.4%	19.8%	19.6%	18.7%	16.9%	17.0%	14.8%
Hotels and restaurants	14.0%	14.5%	14.7%	15.1%	14.8%	13.7%	12.7%
Transport and storage	1.2%	-2.8%	16.0%	15.3%	11.9%	9.5%	9.5%
Banking	36.0%	36.2%	32.4%	28.2%	25.6%	25.1%	23.7%
Rental and business activities	16.9%	19.5%	19.9%	21.6%	19.8%	21.7%	20.5%
Education	14.3%	11.9%	2.4%	0.3%	-1.5%	-0.3%	-2.7%
Health	31.5%	31.9%	21.7%	24.2%	24.8%	22.4%	18.6%

Source: Econviews based on Min. of Labour

Base Scenario

	2019	2020	2021	2022 E	2023 E	2024 E
Inflation (eop)	53.8%	36.1%	50.9%	94.8%	195.0%	185.0%
Exchange rate ARS/USD (eop)	59.9	84.1	102.8	177.1	800.3	2,016.8
Exchange rate ARS/USD (eop, YoY)	58.4%	40.5%	22.1%	72.4%	351.8%	152.0%
Real exchange rate ARS/USD (eop, Dec-01=100)	151.5	158.3	137.1	129.4	206.3	187.9
Paralell exchange rate ARS/USD (eop)	74.6	140.3	203.1	340.8	960.4	2,016.8
Spread with official exchange rate (eop)	24.6%	66.8%	97.7%	92.4%	20.0%	0.0%
Gross reserves (USD billion, eop)	44.8	39.4	39.7	44.9	24.3	36.3
Net international reserves (USD billion, eop)	12.6	3.8	2.3	7.7	-10.0	2.0
Policy rate (eop)	55.0%	38.0%	38.0%	75.0%	160.0%	80.0%
GDP (YoY)	-2.0%	-9.9%	10.7%	5.0%	-1.0%	-2.0%
Formal wages in real terms (aop, YoY)	-6.0%	-1.9%	0.4%	0.3%	-2.0%	-2.5%
Primary result (% GDP)*	-0.2%	-6.4%	-3.3%	-2.7%	-2.7%	-0.5%
Fiscal result (% GDP)*	-3.6%	-8.4%	-4.8%	-4.1%	-4.7%	-2.5%
EMBI Argentina (spread in bps, eop)	1,770	1,372	1,703	2,196	1,900	800
Public net debt (% GDP)	43.6%	52.7%	45.5%	46.1%	47.2%	45.0%
Current account (% GDP)	-0.8%	0.7%	1.4%	-0.7%	-2.7%	1.7%

Source: EconViews

*Excludes rents from primary debt issuance in 2022; PIPs below the line in 2019

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