

THE WEEK AT A GLANCE

ECONVIEWS
ECONOMÍA Y FINANZAS

October 4th, 2021



Transitory **Needs**
and Permanent
Problems

Page 2



The **Economy**
Will Grow
at Least **8%** This
Year

Page 4



Dollar
Shortage

Page 6



Poverty Is Structural
and Will Take a
Long Time to Go
Down

Page 8

(+54 11) 5252-1035
Carlos Pellegrini 1149
Buenos Aires

www.econviews.com
www.facebook.com/econviews
Twitter: @econviews

Miguel A. Kiguel
Director

mkiguel@econviews.com

Isaías Marini
Economist

imarini@econviews.com

Andrés Borenstein
Chief Economist

aborenstein@econviews.com

Alejandro Giacoia
Economist

agiacoia@econviews.com

Víctor Ruilova
Senior Economist

vruilova@econviews.com

Rafael Aguilar
Analyst

raguilar@econviews.com



Editorial: Transitory Needs and Permanent Problems

This week the government announced a plan for 55-year-old women and 60-year-old men to obtain their retirement if they are unemployed and meet a contribution requirement. The logic of the measure is that it is not easy for this group reintegrating into the labor market, much more after the shock of the pandemic. But this problem is not new, and the idea arises coincidentally after an electoral defeat and 45 days before the next election. The new norm (which comes out by decree) seems to be very related to a political necessity. This is one of many decisions made after the September 12 defeat that will undoubtedly impact the 2021 fiscal numbers.

Political needs expressed in expenditures have a long history in Argentina and are not even the exclusive property of Peronist governments. Macri also increased expenditures in 2017 and after losing the primaries in 2019. However, this time the government is falling into one of the capital sins of public policy: committing to permanent expenditures to cover transitory needs.

The fiscal cost is not exorbitant, but it is not negligible either. It is estimated that there will be about 30,000 beneficiaries with a retirement of ARS 50,000 a month, that is, about ARS 1,500 million a month, ARS 20,000 million year. While this is for less than 5 years, the benefit is permanent. It would probably have been better to think of re-training plans that are not only cheaper, but also generate improvements for individuals and for the labor supply. The 55- and 60-year-olds are not old enough to be thrown out of the workforce.

The restriction for meat exports, now partially alleviated, is another example where, by trying to make the inflation of an item fall, a flagship business for Argentina is affected, and thus investment and employment. **When a market is lost, it does not recover overnight.**

These microeconomic anecdotes are then paid for in the macro. The years of fiscal surplus from 2003 to 2007 gave rise to a decade and a half of deficit when 3 million retirees joined with the moratoriums. Again, there are arguments to justify the greater pension coverage, only that the financing came from temporary income given by the abnormal price of commodities. We can add to this list the nationalization of the AFJPs at the end of 2008 that provided financing to the government for some years, at the cost of shrinking the capital market and reducing the availability of financing to the state, provinces and especially to the private sector.

While the state offers permanent expenditures to temporary problems, there are shortcomings in the administration that generate long-term problems as well. To cite an example, until a few days ago it was not known which international flights would operate in the month of October. It is true that Covid-19 generated the need to be flexible, but this goes much further. And there are many more examples.

The good news is that the defeat imposed limits, such as the one seen in the case of the project presented for the nationalization of deposits, to which the ruling bloc immediately turned its back, signaling that there are lines that would not be crossed. It is also true that there would not be short-term benefits and the noise that such a measure would generate could be detrimental to the government's chances of reversing the result.

LAST WEEK IN REVIEW

✓ In July, **sales in supermarkets grew 4.2% y/y in real terms and 2.8% against the previous month seasonally adjusted**. Wholesale self-services had a higher year-on-year growth (7.9%) but fell 2.2% in the monthly comparison. A relevant data of the month was that one of shopping centers, whose sales grew 40.6% compared to June. The year-on-year comparison shows a growth of 285.7%, although this number is strongly influenced by the low comparison base.

✓ In last Tuesday's bond auction, **the Treasury obtained financing for ARS 190 billion**. In this way, it managed to refinance 105% of the month's maturities.

✓ The **consumer confidence index prepared by Di Tella University rose 1.9% in September**. This increase was driven by the improvement in the macroeconomic situation (+ 4.1%) and durable and real estate (+4.6) categories. On the other hand, the perception of the personal situation worsened 2.1%.

✓ According to INDEC data, in July, **salaries grew 4.9% in nominal terms m/m**. Within the registered sector, the highest increase was in those corresponding to the public sector, while private-sector workers perceived increases of 5.2%. The most affected item was that of unregistered wage earners, with a monthly increase of 2.4%. With these increases, total wages had a variation of 47.4% compared to a year ago and 28.9% so far this year, both figures below inflation (51.8% and 29.1% respectively).

NEXT WEEK'S HIGHLIGHTS

✓ On **Tuesday 5**, data on **production, sales and export of cars** will be known.

✓ On **Tuesday 5** the Treasury will hold the **first bond auction** of October.

✓ On **Tuesday 5** data on **cement shipments** will also be published.

✓ On **Thursday 7**, the **manufacturing production** indicator for August will be published.

✓ On **Thursday 7** the **construction activity** data will be published.

✓ On **Thursday 7**, the Central Bank will publish the **REM survey** on economic and monetary indicators.

Market dashboard

Weekly, monthly and yearly variations

	Last data	w/w	m/m	y/y	
Official exchange rate ARS/USD	98.9	0.2%	1.0%	28.5%	▲
Blue Chip Swap	175.9	1.1%	3.0%	18.2%	▲
Blue Chip Swap "SENEBI"	193.4	-0.9%	9.0%	-	▼
Parallel	183.5	-0.8%	1.7%	24.0%	▼
CB reserves (USD million)	42,848	-284	-3246	+1479	▼
Policy rate (Leliq)	38.0%	0 p.p.	0 p.p.	0 p.p.	▬
Badlar rate (private banks)	34.2%	-0.06 p.p.	+0.06 p.p.	+4.50 p.p.	▼
Merval (in ARS)	77,579	2.5%	3.8%	77.7%	▲
Country Risk (spread in %)	1,616	-0.9%	8.5%	19.7%	▼
Official exchange rate BRL/USD	5.44	1.0%	4.9%	-4.3%	▲
Soybean (USD/ton)	454.1	-4.0%	-3.7%	21.1%	▼
Oil - Brent (USD/barrel)	81.6	3.4%	9.7%	111.9%	▲

Note: arrow depends on weekly variation

Stoplight for Economic Activity

Seasonally adjusted variations

		m/m	q/q	LD vs previous Q	
Industrial production	Jul-21	-2.6%	0.4%	2.2%	●
Automobile production	Aug-21	-10.5%	6.9%	-13.5%	●
Steel production	Aug-21	-5.7%	3.3%	-5.6%	●
Poultry production	Jul-21	-5.5%	-4.9%	-2.2%	●
Dairy production	Aug-21	-0.3%	1.2%	-0.5%	●
Beef production	Jul-21	-4.2%	-9.0%	-1.6%	●
Real Estate transactions (CABA)	Aug-21	-4.4%	6.1%	-2.5%	●
Flour Production	Jul-21	-0.5%	-0.5%	1.7%	●
Oil production	Aug-21	-2.0%	2.0%	-1.2%	●
Gas production	Aug-21	1.9%	5.8%	3.5%	●
Cement production	Aug-21	-3.0%	-0.2%	-2.0%	●
Construction activity	Jul-21	2.1%	0.3%	6.1%	●
Retail sales	Aug-21	2.5%	11.1%	8.5%	●
Gas sales	Aug-21	1.3%	5.3%	9.5%	●
Motorcycle licenses	Aug-21	-3.1%	20.7%	4.5%	●
Use of electricity	Aug-21	-3.0%	-1.5%	-5.4%	●
Subway rides (CABA)	Aug-21	16.5%	58.1%	48.8%	●
Imports CIF	Aug-21	-0.5%	7.6%	1.6%	●
Exports FOB	Aug-21	11.6%	15.2%	15.0%	●
Loans in ARS to private sector	Aug-21	0.8%	-4.1%	0.0%	●
VAT-DGI Revenues	Aug-21	0.1%	-1.0%	2.5%	●
Formal private jobs (SIPA)	Jul-21	0.5%	-0.1%	0.7%	●
Formal private jobs (EIL)	Aug-21	0.2%	0.0%	0.2%	●
Consumer confidence	Sep-21	1.9%	12.1%	8.3%	●
Government confidence	Sep-21	-14.7%	-4.4%	-9.7%	●

Note: stoplight color depends on monthly variation

The Economy Will Grow at Least 8% This Year

- ✓ *Economic activity advanced 0.8% in July, without seasonality, hand in hand with new re-openings, although it is still below 2019*
- ✓ *Industry and construction lose momentum, and the protagonists of the coming months will be the services sector; the first estimate of our nowcast for August points to a decrease of between 0.1% and 0.4% compared to July*
- ✓ *We expect GDP in 2021 to end up growing 8% or somewhat more, leaving a statistical carryover close to 1 p.p. for 2022, which we project at 2.5%, although there are downside risks*

Economic activity posted a good rise in July, better than expected. In effect, the EMAE reported an advance of 0.8% monthly (without seasonality) and 11.7% year-on-year, slightly above the 0.5% per month that we expected at Econviews. Behind the increase was the easing of restrictions due to the pandemic, which led to a notable improvement in consumption in the monthly comparison. And after the poor results of the PASO, the government accelerated the re-openings.

In this sense, the official strategy for November will go through propping up consumption by combining subsidies and the lifting of restrictions. The problem is that Industry and Construction will no longer accompany. Even so, **July left a statistical drag of 7.9% and we expect the economy to rebound 8% this year: we see little growth from here to the end of the year.**

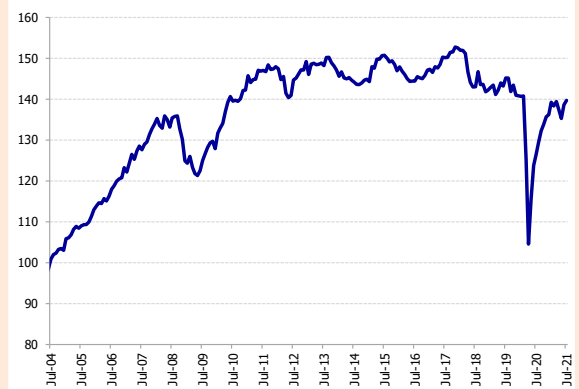
Consumption: how much margin is there until the end of the year?

With the advance of vaccination and the collapse of Covid cases, a reopening process began in June that was accelerated in recent weeks and gave rise to all kinds of openings that have been accentuated in recent days: mass shows, nightclubs, subway stations and even football games. In parallel, after the reopening of wage-agreements, for the second half of the year salary increases were defined that will allow an improvement in the real salary, but without managing to match inflation: **the improvement will be felt in the pockets from here until the end of the year, but it has an expiration date.**

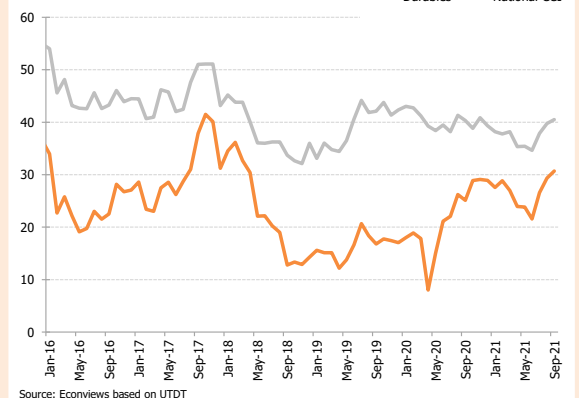
Consumer confidence increased in recent months, hand in hand with fewer restrictions, increased salaries and financing programs with subsidized installments, which have an impact on durable goods. With an advance of 1.9% in September, the index prepared by the Di Tella University grew for the third consecutive month and reached the highest level since November last year, when the first wave of Covid-19 began to subside leading to the flexibilization of the lockdown.

The financing programs help, but they may not be having the impact that the government wants. Until July, the consumption of household appliances financed with the "Now 12" program did not have a visible acceleration, but

Economic Activity
INDEC - EMAE, seasonally adjusted series 2004=100



Consumer confidence
In levels



Source: Econviews based on UTDT

with the launch of "Now 24" and "Now 30", in August we will probably see an improvement in the sales of household appliances and partially in construction materials, but we do not expect a boom. For its part, the "Prevía" program (which in turn can be combined with "Now 12") will give an extra boost to the tourism sector, which is waking up from a coma induced by the pandemic and quarantine. **However, card consumptions until September do not seem to show much dynamism: taking averages, since January 2021 they have not beat monthly inflation.**

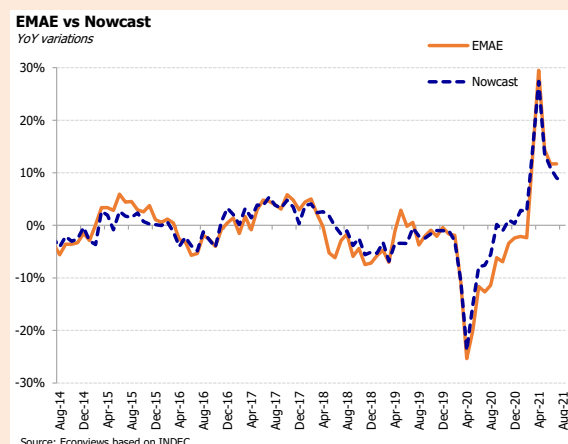
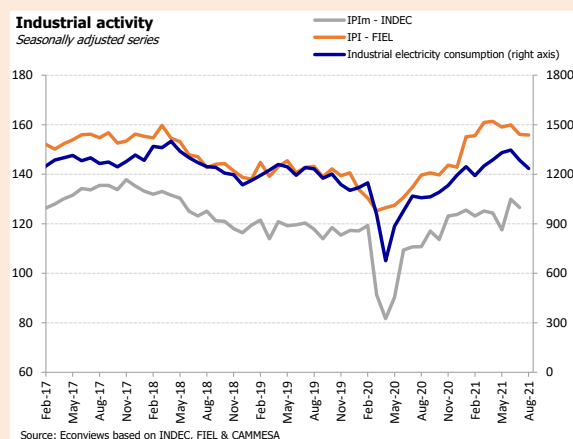
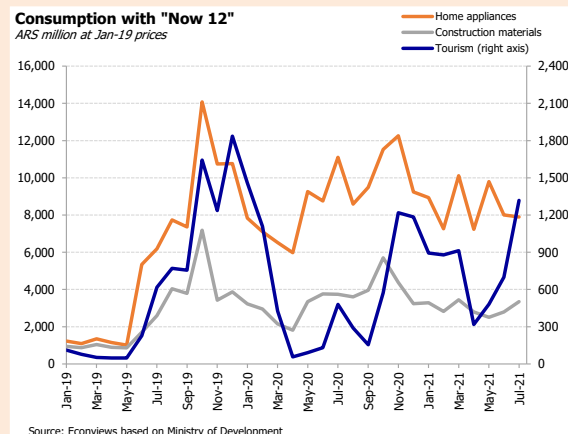
In this context, those sectors that benefit from re-openings will be the most dynamic. Bars and restaurants, shopping malls and shops, and transport are the clearest examples. **But the advance of inflation sooner rather than later will end up liquefying wage increases, and consumption will gradually lose momentum. And the other limiting factor comes from the FX front:** after the elections, the most likely scenario is that the Central accelerates the monthly depreciation, making imported goods more expensive and therefore leading to higher inflation.

Industry and construction: from momentum to stagnation

Industry and construction, without a doubt, were the sectors that recovered the fastest after the debacle of the hard months of quarantine. And much of the statistical carryover from 2020 to 2021 was due to their effect. **But the factors that drove the advance of both have been diluted in recent months and limitations begin to flourish.**

The industry fell in July and we expect it to remain at similar levels in August. The Industrial Production Index prepared by FIEL recorded a decrease of 0.2% per month without seasonality and the electricity consumption of the industries fell 4.2%, although it improved slightly in September. **But the trend for the next few months is slightly negative, although the performance will be heterogeneous between sectors.** In relative terms, the producers of mass consumer goods will perform better, but those sectors with a strong dependence on imported inputs already face bottlenecks. Precisely, **the main obstacle to the recovery of activity in the coming months is the closure of imports, which is already being felt in a number of sectors, especially the automotive sector.**

For its part, construction managed to advance in July, but this was due to the rebound in small-scale public works. But the demand for inputs for private works is stagnant, and until July, spending on construction materials through "Now 12" was 40% in real terms below the peak of last October, although it will surely improve marginally in the next months. **But the protagonists of the recovery will no longer be neither industry nor construction. Between now and the end of the year, services will take the lead.** For August, the first estimation of our nowcast model indicates a year-on-year variation of 8.6%, which implies that August would be between -0.4% and -0.1% below July, without seasonality. In other words, the lower dynamism of the industry may not have been fully offset by greater commercial activity.



The reactivation in perspective and what 2022 has in store for us

The collapse of the Argentine economy in 2020 was not only one of the largest in our history, but it was one of the deepest at the international level. In the region, only Peru surpassed us with a contraction of 11.1% in GDP. But with an estimated rebound of 9.8%, the recovery will be faster than Argentina. And the same will happen with other economies in the region. In the monthly comparison, in July Argentine activity was slightly above Mexico, which was complicated in recent months by the rebound in Covid cases. **And yet, comparing against 2019, all the main economies in the region will have recovered to a greater extent than Argentina.**

What can we expect in 2022? If the economy actually ends up growing by 8%, as we believe at Econviews, the statistical drag that 2021 would leave would be close to 1 percentage point. In our baseline scenario, the economy would grow 2.5% next year, but political and macroeconomic instability raises big questions. In the first half of the year, the government will have to make a series of adjustments, especially if an agreement is reached with the IMF in the first part of the year. With the extremely low level of reserves, the Central will be forced to accelerate the depreciation of the exchange rate, but this will affect inflation. Failure to do so (and without an unexpected dollar shower as it happened this year), not only would there be no dollars to finance the recovery, but the risk of a discretionary exchange rate jump would multiply. And the impact on the real economy and inflation would be much more serious. **The government will need to be careful about the path it chooses, although an agreement with the IMF could give the economic program some consistency. Maintaining the status quo is not a viable option.**

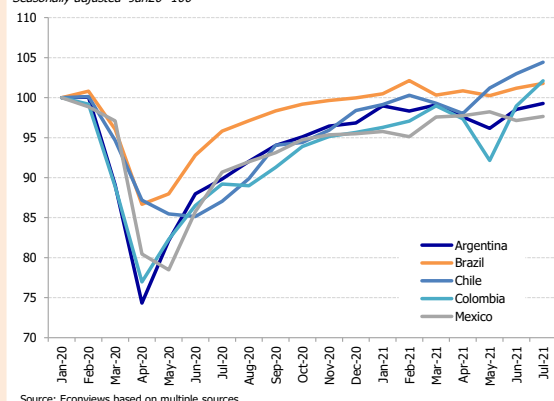
Dollar Shortage

- ✓ *In September, the CB's intervention was negative by US\$ 950 million, cutting a streak of 9 consecutive months of net purchases*
- ✓ *The low accumulation of net international reserves given the all-time high level of the soybean price is striking, although it has an explanation*
- ✓ *The theory says that if you want to keep a fixed FX policy together with an expansionary monetary policy, what you will end up sacrificing is the level of international reserves*

The last three days of the week the CB lost US\$ 313 million because of the FX market intervention. Is the beginning of a period that surely will be increasingly adverse? Everything makes us think that this situation will worsen even more, given that the soybean exports, even though it will continue at high levels, will be lower on the margin, and that the demand of dollars to acquire imports for production and to buy tourism services will increase vis-a-vis the reopening that the government is starting. **Looking at**

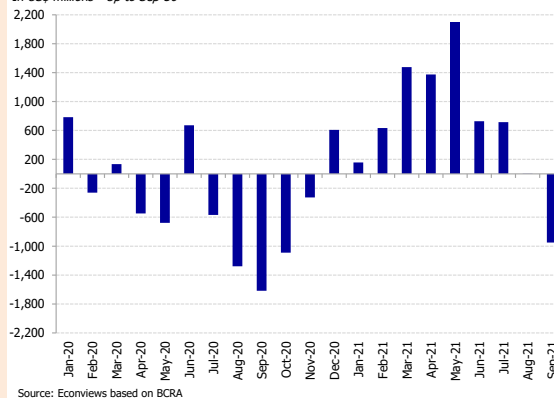
Monthly estimators of economic activity

Seasonally adjusted - Jan20=100



CB FX Market Intervention

In US\$ millions - Up to Sep-20



the net international reserves' numbers, one can conclude that there will be a dollar shortage!

In September the intervention was negative by US\$ 950 million, cutting a streak of 9 consecutive months of net purchases. **The accumulated balance for the year is positive by US\$ 6.221 million, although it did little to increase the net international reserves, which only increased by around US\$ 1 billion** (discounting the SDRs that will serve to meet the debt payments with the IMF), a miniscule amount to face the pressures that will come in the remainder of 2021 in the upcoming of a complex panorama, both politically and economically.

The low accumulation of reserves is striking given the historical level of the soybean price throughout 2021. **More than US\$ 25 billion brought the harvest from January to September, US\$ 10 billion more than last year,** explained largely due to the bullish cycle of commodities that has been experienced since the end of 2020. Even anticipating that the seasonality of the last quarter is the lowest of the year, we will surely have between 6,000 and 6,500 million dollars more in the last quarter of the year in the same comparison.

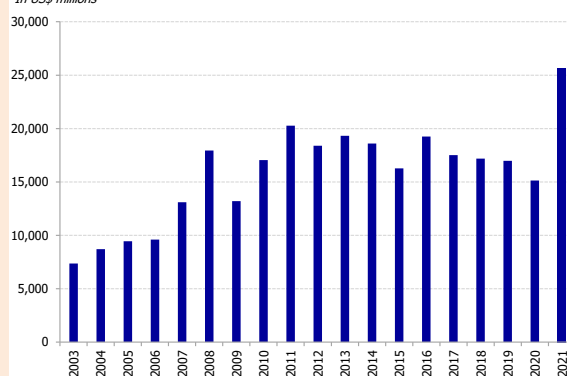
And where do all those dollars go? On the one hand, foreign currency is demanded to produce. The recovery is requiring an amount of dollars that puts to the government in a complex situation. If you allow more imports to enter, you put pressure on the FX market, but if you want to maintain control of the FX rate, you must stop them and restrain the supply of inputs and components, at least partially, to the industry. Something that is already happening anyway. On the other hand, the BCS generates perverse incentives, for importers it is profitable to over-value their imports.

Dollars are also demanded for services, in particular tourism, which until now were not a factor, but which with the reopening of borders, coinciding with the beginning of summer, can begin to play. In the years prior to the pandemic, no less than US\$ 1.25 billion were demanded for travel payments and credit card consumption abroad. After more than a year and a half of borders with an extreme degree of closure, the flexibility can mobilize many to opt for foreign vacations.

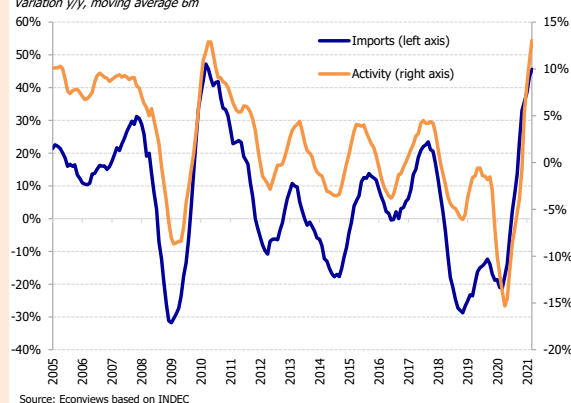
On the other hand, dollars are also being used to sustain intervention in the parallel FX market. The cost of keeping the MEP / CCL gap capped by around 75% was almost US\$ 300 million in September and US\$ 1,700 so far this year. Going forward, this international reserve absorption factor will continue to drain, with little effectiveness incidentally, as the free version of the CCL, SENEBI, begins to become more popular. When a market intervenes, sooner or later, another one that is free of regulation ends up appearing.

Finally, if we must talk about pressures on the FX market, the greatest of all will be the issue to finance the Treasury that will take place in the last quarter of the year. The theory says that if you want to keep the FX rate fixed and carry out expansionary monetary policy, what you will end up sacrificing are international reserves. Said and done, the 2 points of GDP of fiscal deficit that we expect for the fourth quarter, will be financed entirely via the

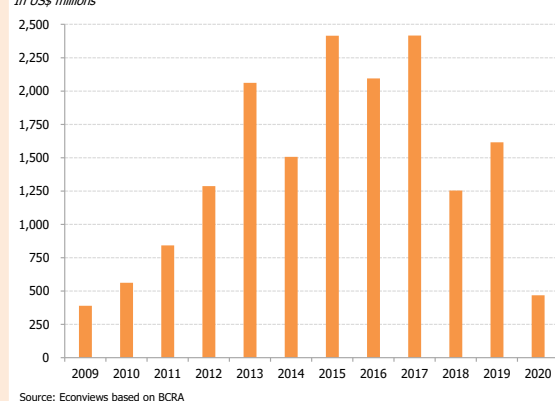
Oilseed and cereal export proceeds, Jan-Sep of each year
In US\$ millions



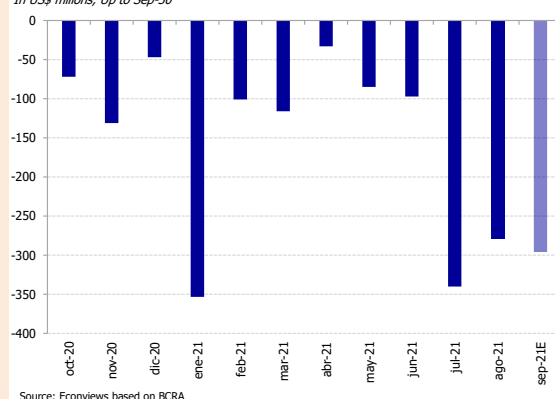
Activity and Imports
Variation y/y, moving average 6m



Tourism Balance, Q4 of each year
In US\$ millions



The cost of BCS market intervention
In US\$ millions, Up to Sep-30



monetary financing. Market roll-over comes just above 100%, that is, renewing the maturities and not much more.

All in all, we expect that the combination of an adverse seasonality of agricultural exports and the boost in imports of goods and services, due to the reopening, will end up reducing the surplus of the current account. The deficit in the financial account, largely explained by the hoarding financed with the oversupply of pesos that the CB will generate, this will end up being greater than the meager surplus and will lead to a loss of reserves of just over US\$ 1,200 million, leaving a pitiful balance of 1 billion for all of 2021.

Balance of Payments

In million USD - Cash basis, net of SDRs and IMF payments

	2020	Ene-Ago 2021	Sep-Dic 2021	2021E
Current Account	322	7,414	54	7,468
Balance of Goods	8,492	12,648	3,209	15,857
Exports of Goods	50,357	51,824	25,059	76,883
Imports of Goods	41,867	39,176	21,850	61,026
Balance of services	-1,595	-1,834	-1,215	-3,049
Interests	-6,528	-3,379	-1,980	-5,359
Profits	-128	-76	-24	-100
Transfers	82	55	64	119
Financial Account	-8,139	-5,090	-1,310	-6,400
Foreign Investment	1,059	474	280	754
Portfolio	35	8	3	11
Net Loans	-7,258	-3,246	-850	-4,096
Multilaterals	759	-1,154	540	-614
Hoarding	-3,053	455	-962	-507
Others	319	-1,627	-321	-1,948
Reserves Purchases	-7,726	2,324	-1,256	1,068

Source: Econviews based on BCRA

Poverty Is Structural and Will Take a Long Time to Go Down

- ✓ Poverty fell (marginally) while indigence rose, standing at 40.6% and 10.7%, respectively. Poverty in children is 54.3%
- ✓ The percentage of indigents as a share of the poor reached 26%, the highest since INDEC became credible again
- ✓ An improvement in the targeting of spending can lower poverty, but it will hardly make it go under 30% without a comprehensive economic program

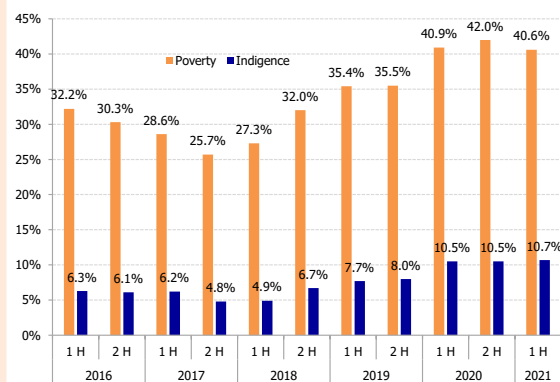
The poverty data of 40.6% for the first semester of the year was not surprising. **It was in line with the Econviews and most social policy experts' projections.** And it is a problem because the economy in the first semester of the year was much stronger than in the previous semester (4.3% according to the seasonally adjusted GDP) and poverty fell marginally from 42%.

Furthermore, indigence rose. This implies that on the one hand the state provided less in terms of aid and the greater openness of the economy was not enough to provide even a meager income to a group of people to at least get out of indigence. In total, there are 18.4 million people living under the poverty line, of which almost 5 million have serious eating problems.

An interesting fact is that poverty in the suburbs fell to 45.3%, a lower value than in the two previous semesters. The record was the previous semester with 51%. One hypothesis is that people out of need or fatigue lost their fear of Covid-19 and went out to look for work or casual jobs.

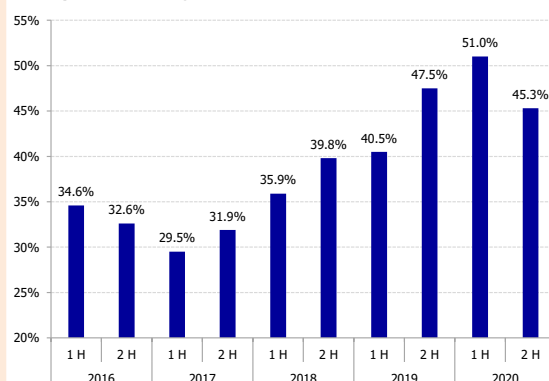
The most embarrassing data is that of childhood. 54.3% of children between 0 and 14 are poor in Argentina. And this tends to correlate with school

Population below the poverty and indigence line



Source: Econviews based on INDEC

Poverty in districts of greater BA



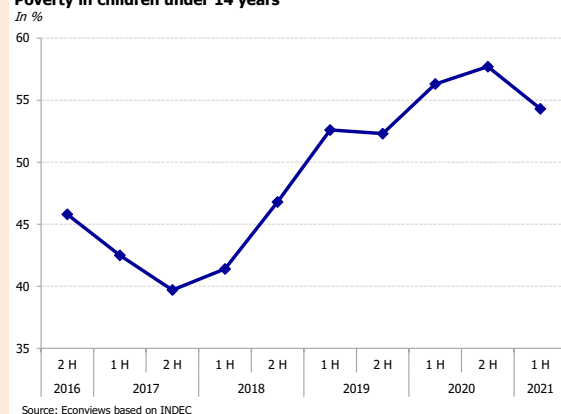
Source: Econviews based on INDEC

dropouts and other deficiencies that in some way mortgage not only the future on a personal level, but also reduce the stock of human capital in Argentina, and therefore the potential GDP. The great danger is that the pandemic has not only caused a temporary drop in income but also a permanent drop in the next generation. It must be said, however, that there has been an improvement from the 57.7% poverty rate in the second half of 2020. The lowest number in the recent series is 39.7% in the second half of 2017. That is, it is a very structural problem that is exacerbated by the recession and pandemic.

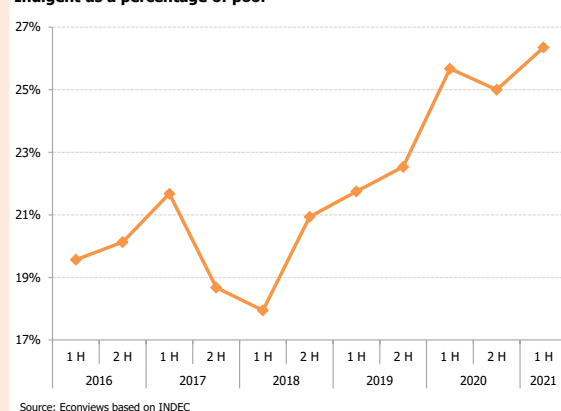
A number that does not make the government look good is the rise of the indigent as a percentage of the poor, which reached 26%, the highest since INDEC became credible again. Back in 2002 when poverty exceeded 50%, one in two poor people was indigent. But the implementation of the House Chiefs plan and later the “AUH” reduced this proportion. Clearly the disappearance of the Emergency Family Income program played a role in the first semester of the year, causing some poor, not indigent, to end up being so. The indigence/poverty ratio floor occurred just before the macro crisis of 2018 and at that time almost 18% of the poor were indigent.

Poverty rose among older adults from 11.9 to 13.8%, which seems logical given the fall in the purchasing power of pensions. In any case, this age group is by far the one that suffers the least poverty, which is probably explained by the very good pension coverage that Argentina has.

Poverty in children under 14 years



Indigent as a percentage of poor



Pobreza por grupos de edad

En %

	2016		2017		2018		2019		2020		2021
	2 S	1 S	2 S	1 S	2 S	1 S	2 S	1 S	2 S	1 S	1 S
0 - 14 años	45.8	42.5	39.7	41.4	46.8	52.6	52.3	56.3	57.7	54.3	
15 - 29 años	36.2	34.6	31.3	32.9	38.6	42.3	42.5	49.6	49.2	48.5	
30 - 64 años	25.8	24.2	21.1	23.2	27.6	30.4	30.5	36.2	37.2	36.3	
64 años o más	7.4	6.4	6.3	6.9	9.0	10.4	11.3	11.4	11.9	13.8	
Total	30.3	28.6	25.7	27.3	32.0	35.4	35.5	40.9	42.0	40.6	

Fuente: Econviews en base a INDEC

The regional perspective on poverty has an “outlier” in the City of Buenos Aires, with 13.9%, having fallen from 17.3% in the first half of last year. Another district with a relatively low level of poverty is Comodoro Rivadavia with 23.9%. There are 4 agglomerates of the 31 surveyed by INDEC that have more than 50% poverty: Concordia, Resistencia, Santa Fe and La Banda, from more to less poor. In the interior agglomerates, poverty rose from 40 to 42.3%. Catamarca, La Rioja, Santiago del Estero and San Luis is where it rose the most. This is also true when compared to 2018: the poverty rate rose to almost 49%, but to 41% in the GBA and 58% in the interior of the country. In other words, the exchange rate appreciation is bad news for the interior, but this goes beyond a FX issue.

Although social plans are relatively cheap compared to energy and transport subsidies, the problem is that it will not be easy to get out of this situation. While cutting economic subsidies requires political will because the spreadsheet is done, the poverty gap (how much income a household lacks to stop being poor) is ARS 25,186 per month per household at June prices, about 28,309 pesos at October prices. We have just over 4.5 million poor households, which would imply an additional 3.5% of GDP expenditure. It must be understood that the total family income of 37,803 pesos that poor households receive on average already includes social plans, unemployment insurance, retirement and any other income that comes from work or rent. Given Argentina's fiscal numbers, it is clear that this money to reduce poverty has to come from work flows and for that it is necessary to invest, improve productivity and grow. There is no margin to do it with public spending that is financed with more taxes or with issuance. Something may come from making spending more efficient, but you shouldn't get too excited about that. Some simulation can make us conclude that with some growth in 2022 and 2023 plus the end of Covid-19, an improvement in the targeting of spending (more infrastructure and fewer subsidies, for example) poverty may go down, but thinking that the next government can catch it below 30% is a utopia. Probably the most logical range is that the next Argentine president starts with at least a third of the poor country and 40% of the children in that situation.

The implications of these numbers are many. **The deficit is social and educational as well as fiscal, and help will be needed for a long time to reverse this situation.** If our projections are true, what is coming is a meager growth of perhaps 2.5% in 2022 and an increase in inflation that hits low-income households much harder than the average for society. The real devaluation that we expect is ambiguous. In the first place, it's damaging because it makes food that weighs heavily in poor households more expensive, but at the same time a weaker peso is correlated with greater job opportunities for those with low human capital as more jobs appear in sectors such as construction and textiles.

Poverty by region

1st semester 2021

Top 5 least poor

Ciudad Autónoma de Buenos Aires	13.9
Comodoro Rivadavia - Rada Tilly	23.9
Bahía Blanca - Cerri	31.7
Río Gallegos	34.7
Viedma - Carmen de Patagones	34.8

Top 5 poorest

Formosa	47.4
Santiago del Estero - La Banda	50.2
Gran Santa Fe	50.5
Gran Resistencia	51.9
Concordia	56.1

Source: Econviews based on INDEC

Poverty gap

In ARS of Oct-21

