

Base Scenario

ECONVIEWS
ECONOMÍA Y FINANZAS

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OUR PREMISES

Internacional scenario

- Little by little, international inflation is returning to pre-pandemic levels. The economy continues to grow at a healthy pace in the US and is slowing down in the Eurozone. In this context, the Fed kept the rate at 5.50% in November but left the door open for further increases. Rates will remain above 5% throughout 2024.
- Brazil could grow around 3% in 2023 and 1.6% in 2024. Inflation is expected to close the year at around 5%, and the Central Bank is expected to keep the policy rate in double digits until the second half of 2024.
- The price of oil has exhibited higher volatility in recent weeks, influenced by the geopolitical context. We do not anticipate a return to the peaks of 2022, but commodities, particularly energy, continue to pose a risk to global disinflation.

Local scenario

- Our baseline scenario was updated following the general elections. We assume that Massa has a higher probability of becoming the new president. The idea of a complete correction of relative prices and the implementation of a well-designed stabilization plan has become less clear. The official exchange rate adjustment in December will be of a lesser magnitude than what is necessary, around 50%. While this doesn't reach the historical average, it represents an improvement compared to the current situation. Combined with the current pace of price increases, this will maintain high inflation rates (in double digits) in the first months of 2024. By the end of next year, we project an inflation rate of 240%.
- From here on, we expect the real economy to feel the impact of the devaluation after the PASO (Primary elections) and the rise in inflation. The decline in real wages will affect consumption, causing the economic wheel to slow down. Reduced agricultural activity, the scarcity of dollars, import restrictions, decreased disposable income, and uncertainty will lead to an economic contraction this year. Based on the positive data from August, we have improved our projection to a 2% GDP contraction in 2023. In 2024, the agricultural sector should reverse the negative numbers and help the economy moderate its decline.
- We believe that the exchange rate will remain stable at 350 pesos until the runoff election, and after that, the freeze will come to an end. Currently, the most likely scenario is the return of the crawling peg. We still think that there will be another jump in December. The monetary policy rate increased by 15 points in October and will stay at this level until the change of government, at which point it is expected to rise again.



Base Scenario

	2021	2022	2023 F	2024 F	2025 F
Inflation (Dec/Dec)	50.9%	94.8%	185.0%	240.0%	110.0%
Inflation (Annual average)	48.4%	72.4%	131.0%	267.0%	139.0%
Official exchange rate ARS/USD (Dec)	102.8	177.1	567.0	1,893.7	3,845.5
Official exchange rate ARS/USD (annual average)	95.8	133.6	298.5	1,261.0	2,901.1
Devaluation of official exchange rate (Dec/Dec)	22.1%	72.4%	220.1%	234.0%	103.1%
Blue chip swap rate ARS/USD (Dec)	203.1	340.8	1,020.6	2,461.8	4,230.1
Spread with official exchange rate	97.7%	92.4%	80.0%	30.0%	10.0%
Real exchange rate ARS/USD (Dec-2001=100)	137.1	129.4	151.9	153.6	152.3
Real devaluation (Dec/Dec)	-13.4%	-5.6%	15.1%	1.2%	-0.9%
Real effective exchange rate ARS/USD (Dec-2001=100)	147.3	135.4	153.6	147.6	147.0
Exchange rate USD/EUR (Dec)	1.14	1.07	1.05	1.08	1.10
Exchange rate BRL/EUR (Dec)	5.57	5.29	4.95	5.00	5.06
Policy rate (Dec)	38.0%	75.0%	145.0%	110.0%	70.0%
Policy rate (annual average)	38.0%	58.7%	104.8%	125.8%	82.5%
Badlar rate (private banks, Dec)	34.1%	69.4%	139.7%	105.9%	67.4%
Activity and employment					
GDP (real growth)	10.7%	5.0%	-2.0%	-0.5%	6.5%
Private consumption (real growth)	10.4%	9.7%	0.0%	-0.2%	6.7%
Investment (real growth)	33.8%	11.1%	-5.7%	-0.2%	7.3%
Investment (as % of GDP, at current prices)	17.6%	17.9%	17.8%	18.8%	18.8%
Exports (real growth)	8.5%	5.8%	-3.8%	25.4%	7.4%
Imports (real growth)	20.4%	17.9%	-5.7%	-2.7%	6.5%
GDP (ARS billion)	46,346	82,436	186,210	693,068	1,716,992
GDP (USD billion)	487.0	630.2	657.4	574.8	608.9
Unemployment (in %)	8.8%	6.8%	6.9%	8.3%	7.2%
Real formal wages, SIPA (% annual average)	0.4%	0.3%	-2.0%	-2.0%	1.0%
Monetary variables					
Monetary base (ARS billion, Dec)	3,654	5,204	9,887	33,123	81,494
(%, Dec/Dec)	47.9%	42.4%	90.0%	235.0%	146.0%
Annual average as % of GDP	6.1%	4.9%	3.5%	3.0%	3.2%
Currency in circulation (ARS billion, Dec)	2,415	3,720	7,170	24,141	52,395
(%, Dec/Dec)	47.5%	54.0%	92.7%	236.7%	117.0%
Annual average as % of GDP	3.9%	3.3%	2.5%	2.2%	2.2%
Private M2 (ARS billion, Dec)	6,843	11,576	26,307	89,189	200,299
(%, Dec/Dec)	56.5%	69.2%	127.3%	239.0%	124.6%
Annual average as % of GDP	10.6%	9.6%	9.1%	8.2%	8.2%

BASE SCENARIO



	2021	2022	2023 F	2024 F	2025 F
Deposits and loans					
Deposits in ARS (priv. and pub., ARS billion, Dec)	9,566	18,278	46,992	160,682	361,350
<i>Annual average as % of GDP</i>	16.8%	16.2%	15.7%	14.9%	15.0%
<i>(%, Dec/Dec)</i>	58.0%	91.1%	157.1%	241.9%	124.9%
Private deposits in ARS (ARS billion, Dec)	7,711	15,179	39,445	134,130	303,972
<i>(%, Dec/Dec)</i>	58.6%	96.9%	159.9%	240.0%	126.6%
Private deposits in USD (USD billion, Dec)	15.3	15.7	14.7	15.3	17.1
Loans in ARS (priv. and pub., ARS billion, Dec)	4,490	7,403	19,005	66,739	161,587
<i>Annual average as % of GDP</i>	8.0%	7.1%	6.3%	6.1%	6.5%
<i>(%, Dec/Dec)</i>	40.1%	64.9%	156.7%	251.2%	142.1%
Private loans in ARS (ARS billion, Dec)	4,001	6,704	16,984	57,748	134,265
<i>(%, Dec/Dec)</i>	47.9%	67.6%	153.3%	240.0%	132.5%
Commercial (ARS billion, Dec)	1,402	2,490	6,863	23,314	53,770
<i>(%, Dec/Dec)</i>	51.6%	77.6%	175.6%	239.7%	130.6%
Consumption (ARS billion, Dec)	1,862	3,053	7,602	25,867	61,669
<i>(%, Dec/Dec)</i>	44.4%	63.9%	149.0%	240.2%	138.4%
Collateralized (miles de millones dic.)	509	831	1,775	6,040	13,282
<i>(%, Dec/Dec)</i>	60.7%	63.2%	113.5%	240.3%	119.9%
Private loans in USD (USD billion, Dec)	4.1	3.5	3.6	4.4	6.8
Fiscal accounts					
Tax revenues (% del PBI)	23.8%	23.9%	23.0%	23.0%	23.0%
Primary expenditures (% of GDP) ¹	21.3%	20.1%	19.5%	18.8%	18.0%
Fiscal revenues (% of GDP)	18.0%	17.4%	16.8%	17.2%	17.0%
Primary balance (% of GDP) ¹	-3.3%	-2.6%	-2.7%	-1.6%	-1.0%
Interests (% of GDP)	1.5%	1.8%	2.0%	2.0%	2.0%
Fiscal balance (% of GDP) ¹	-4.8%	-4.4%	-4.7%	-3.6%	-3.0%
EMBI Global Argentina (spread in bps, Dec)	1,703	2,196	2,200	1,400	1,000
Gross public debt (% of GDP)	80.5%	85.2%	89.4%	90.0%	90.0%
Net public debt ² (% of GDP)	45.5%	46.1%	47.2%	45.0%	43.0%
External accounts					
International price of soybeans (USD/tonne, annual avg.)	510	540	500	460	450
Export of goods (USD billion, FOB)	77.9	88.4	67.7	87.7	91.2
Import of goods (USD billion, CIF)	63.2	81.5	75.4	76.0	91.2
Trade balance (FOB-CIF, USD billion)	14.8	6.9	-7.7	11.7	0.0
Current account (USD billion)	6.7	-3.8	-18.0	15.0	10.0
Current account (% of GDP)	1.4%	-0.6%	-2.7%	2.6%	1.6%
Gross international reserves (USD billion, Dec)	39.7	44.9	24.3	32.3	38.3
Net international reserves (USD billion, Dec)	2.3	7.7	-8.0	0.0	6.0

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

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-22	105.02	117.96	1.12	5.30	3.9%	50.7%	40.0%	37.6%	11.3%
Feb-22	107.44	120.54	1.12	5.16	4.7%	52.3%	42.5%	39.9%	12.1%
Mar-22	110.98	122.80	1.11	4.74	6.7%	55.1%	44.5%	41.8%	11.3%
Apr-22	115.31	121.55	1.05	4.97	6.0%	58.0%	47.0%	44.4%	9.4%
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%	8.3%
Jul-22	131.23	134.09	1.02	5.17	7.4%	71.0%	60.0%	55.6%	7.8%
Aug-22	138.71	139.50	1.01	5.18	7.0%	78.5%	69.5%	63.9%	7.3%
Sep-22	147.32	144.35	0.98	5.42	6.2%	83.0%	75.0%	69.1%	6.8%
Oct-22	156.90	155.06	0.99	5.18	6.3%	88.0%	75.0%	69.5%	6.6%
Nov-22	167.26	174.03	1.04	5.19	4.9%	92.4%	75.0%	69.5%	6.0%
Dec-22	177.13	189.56	1.07	5.29	5.1%	94.8%	75.0%	69.4%	5.0%
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	279.78	1.09	4.79	6.0%	115.6%	97.0%	92.3%	0.8%
Jul-23	275.28	302.81	1.10	4.73	6.3%	113.4%	97.0%	92.9%	0.2%
Aug-23	350.02	378.02	1.08	4.96	12.4%	124.4%	118.0%	113.4%	-0.3%
Sep-23	350.01	371.01	1.06	5.04	12.7%	138.3%	118.0%	113.9%	-0.7%
Oct-23	350.01	371.01	1.06	5.04	10.0%	146.5%	133.0%	127.9%	-1.2%
Nov-23	378.01	400.69	1.06	4.93	11.6%	162.2%	133.0%	128.1%	-1.7%
Dec-23	567.01	595.36	1.05	4.95	14.3%	185.0%	145.0%	139.7%	-2.0%
Jan-24	612.37	646.06	1.06	4.98	16.0%	211.8%	145.0%	139.6%	-2.8%
Feb-24	673.61	714.03	1.06	5.00	12.0%	227.5%	145.0%	139.6%	-3.3%
Mar-24	943.06	1004.36	1.07	5.00	16.0%	252.8%	155.0%	149.3%	-4.0%
Apr-24	1027.93	1099.89	1.07	5.00	14.0%	271.0%	155.0%	149.2%	-4.0%
May-24	1115.31	1193.38	1.07	5.00	11.3%	283.1%	130.0%	125.2%	-3.6%
Jun-24	1210.11	1294.81	1.07	5.00	9.5%	296.0%	120.0%	115.6%	-3.3%
Jul-24	1312.97	1408.16	1.07	5.00	9.5%	307.7%	110.0%	105.9%	-3.3%
Aug-24	1418.00	1524.35	1.08	5.00	8.5%	293.4%	110.0%	105.9%	-3.5%
Sep-24	1524.35	1642.49	1.08	5.00	8.0%	276.8%	110.0%	105.9%	-3.3%
Oct-24	1638.68	1769.77	1.08	5.00	8.5%	271.7%	110.0%	105.9%	-2.8%
Nov-24	1761.58	1906.91	1.08	5.00	8.0%	259.7%	110.0%	105.9%	-1.9%
Dec-24	1893.70	2045.20	1.08	5.00	8.0%	240.0%	110.0%	105.9%	-0.5%



Long Term Base Scenario

	2021	2022	2023F	2024F	2025F	2026F
Inflation (Dec/Dec)	50.9%	94.8%	185.0%	240.0%	110.0%	70%
Inflation (Annual average)	48.4%	72.4%	131.0%	267.0%	139.0%	84%
Official exchange rate ARS/USD (Dec)	102.8	177.1	567.0	1,893.7	3,845.5	6,305.9
Official exchange rate ARS/USD (annual average)	95.8	133.6	298.5	1,261.0	2,901.1	5,119.3
Devaluation of official exchange rate (Dec/Dec)	22.1%	72.4%	220.1%	234.0%	103.1%	64.0%
Blue chip swap rate ARS/USD (Dec)	203.1	340.8	1,020.6	2,461.8	4,230.1	6,305.9
Spread with official exchange rate	97.7%	92.4%	80.0%	30.0%	10.0%	0.0%
Real exchange rate ARS/USD (Dec-2001=100)	137.1	129.4	151.9	153.6	152.3	150.6
Real devaluation (Dec/Dec)	-13.4%	-5.6%	17.3%	1.2%	-0.9%	-1.1%
Policy rate (Dec)	38.0%	75.0%	145.0%	110.0%	70.0%	50.0%
Badlar rate (private banks, Dec)	34.1%	69.4%	139.7%	105.9%	67.4%	48.1%
GDP (real growth)	10.7%	5.0%	-2.0%	-0.5%	6.5%	0.5%
Private consumption (real growth)	10.4%	9.7%	0.0%	-0.2%	6.7%	0.5%
Investment (real growth)	33.8%	11.1%	-5.7%	-0.2%	7.3%	2.9%
GDP (ARS billion)	46,346	82,436	186,210	693,068	1,716,992	3,142,857
GDP (USD billion)	487.0	630.2	657.4	574.8	608.9	626.5
Unemployment (in %)	8.8%	6.8%	6.9%	8.3%	7.2%	6.4%
Primary balance (% of GDP)	-3.3%	-2.6%	-2.7%	-1.6%	-1.0%	1.0%
Export of goods (USD billion, FOB)	77.9	88.4	67.7	87.7	91.2	97.1

	2027F	2028F	2029F	2030F	2031F	2032F
Inflation (Dec/Dec)	45.0%	30.0%	20.0%	15.0%	12.0%	10%
Inflation (Annual average)	53.3%	36.3%	24.3%	17.2%	13.3%	11%
Official exchange rate ARS/USD (Dec)	8,891.3	11,292.0	13,211.6	14,797.0	16,128.8	17,257.8
Official exchange rate ARS/USD (annual average)	7,633.0	10,144.3	12,306.9	14,055.5	15,508.9	16,734.0
Devaluation of official exchange rate (Dec/Dec)	41.0%	27.0%	17.0%	12.0%	9.0%	7.0%
Blue chip swap rate ARS/USD (Dec)	8,891.3	11,292.0	13,211.6	14,797.0	16,128.8	17,257.8
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)	150.1	150.3	150.2	149.9	149.6	149.1
Real devaluation (Dec/Dec)	-0.3%	0.1%	-0.1%	-0.2%	-0.2%	-0.3%
Policy rate (Dec)	40.0%	28.0%	20.0%	15.0%	12.0%	10.0%
Badlar rate (private banks, Dec)	38.5%	27.0%	19.3%	14.4%	11.6%	9.6%
GDP (real growth)	1.5%	3.0%	3.0%	3.0%	3.0%	3.0%
Private consumption (real growth)	1.5%	3.0%	3.1%	3.0%	3.0%	3.0%
Investment (real growth)	3.7%	5.0%	5.0%	5.0%	5.0%	5.0%
GDP (ARS billion)	4,863,252	6,786,510	8,646,350	10,387,228	12,068,852	13,721,610
GDP (USD billion)	646.3	675.7	707.2	742.5	781.0	822.3
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%
Export of goods (USD billion, FOB)	103.0	107.1	111.4	115.8	120.4	125.3

Fuente: EconViews

BASE SCENARIO



Alternative Scenario: In this scenario, assuming Milei secures the presidency, we first rule out the idea of dollarization. We believe he may try a plan that more closely resembles what Juntos por el Cambio proposed. We think there are several areas where he can move more quickly than Massa.

The first aspect is related to the exchange rate. Upon taking office, he would allow the exchange rate to float, and the market would likely push it to a level around 100% higher. Another aspect is the adjustment of tariffs. We believe the correction of tariff imbalances will be more substantial. This is also linked to the fiscal side. With reduced subsidies for energy and transportation, he could potentially reduce the deficit more than the ruling party's candidate. The more significant adjustment of relative prices will result in higher inflation in the first months of the following year, which will then gradually decrease.

All these adjustments will have an impact on economic activity, causing a somewhat greater decline compared to the alternative scenario. However, in the long term, the growth prospects are better. In terms of reforms, we believe Milei will attempt to make changes in labor and tax legislation, as well as in trade openness. The main challenge will come from the fact that his political structure is relatively small, and he will need support from other parties to pass all these projects.

Alternative Scenario

	2021	2022	2023F	2024F	2025F	2026F	2027F
Inflation (Dec/Dec)	50.9%	94.8%	195.0%	235.0%	75.0%	43%	30%
Inflation (Annual average)	48.4%	72.4%	132.2%	303.7%	95.3%	57%	34%
Official exchange rate ARS/USD (Dec)	102.8	177.1	756.0	2,150.5	3,548.5	4,932.9	6,215.4
Official exchange rate ARS/USD (annual average)	95.8	133.6	314.2	1,549.0	2,879.8	4,292.8	5,603.1
Devaluation of official exchange rate (Dec/Dec)	22.1%	72.4%	326.8%	184.5%	65.0%	39.0%	26.0%
Blue chip swap rate ARS/USD (Dec)	203.1	340.8	982.8	2,150.5	3,548.5	4,932.9	6,215.4
Spread with official exchange rate	97.7%	92.4%	30.0%	0.0%	0.0%	0.0%	0.0%
Real exchange rate ARS/USD (Dec-2001=100)	137.1	129.4	195.6	171.1	165.3	164.8	163.7
Real devaluation (Dec/Dec)	-13.4%	-5.6%	51.1%	-12.5%	-3.4%	-0.3%	-0.7%
Policy rate (Dec)	38.0%	75.0%	160.0%	80.0%	60.0%	30.0%	28.0%
Badlar rate (private banks, Dec)	34.1%	69.4%	154.1%	77.0%	57.8%	28.9%	27.0%
GDP (real growth)	10.7%	5.0%	-2.0%	-1.5%	7.5%	1.5%	2.5%
Private consumption (real growth)	10.4%	9.7%	0.0%	-1.3%	7.7%	1.4%	2.5%
Investment (real growth)	33.8%	11.1%	-5.7%	-1.1%	8.2%	3.7%	4.5%
GDP (ARS billion)	46,346	82,436	190,388	768,292	1,570,537	2,472,722	3,367,005
GDP (USD billion)	487.0	630.2	654.0	515.3	556.6	583.9	606.7
Unemployment (in %)	8.8%	6.8%	6.9%	8.3%	7.2%	6.4%	6.0%
Primary balance (% of GDP)	-3.3%	-2.6%	-2.7%	-1.6%	-1.0%	1.0%	0.5%
Export of goods (USD billion, FOB)	77.9	88.4	67.7	89.2	92.7	98.7	104.7

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