

Argentina 2025 outlook: Fiscal restraint undeterred



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Agenda

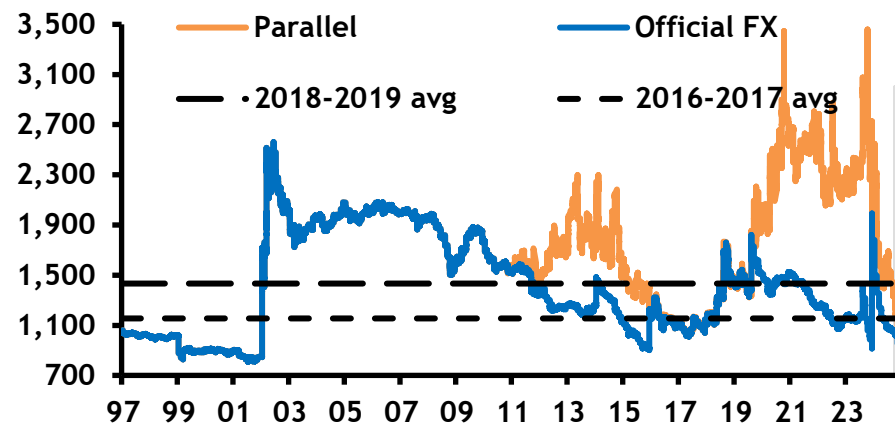
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The path ahead: Crossing the Rubicon

- The first year of the Milei administration has seen notable advances in terms of stability. The policy objectives for 2025 are straightforward. To lay down the foundations of sustainable growth ahead, the country needs to release the capital controls and have market access before end 2025. On the former, we believe the conditions will be in place for the administration to start walking this path by 1Q25. But the administration has consistently signaled its aversion to any potential discontinuity regarding financial volatility jeopardizing the disinflation trend. A higher stock of gross (not net) reserves would help to dissipate these fears. On this front, higher reserves are likely to be sourced from increased reserve requirements on FX deposits mobilized out of cash, financial inflows linked to public sector future obligations (as for example fresh financial resources from multilateral institutions), and also private sector inflows (e.g. corporate external debt issuance).
- A gradual release of capital controls, in our view, will help to accelerate economic growth as well as the disinflation trend. Financial inflows, favored by the RIGI framework and the proximity to the new US administration may prove a source of FX reserves more relevant than the current account surplus (though this depends on whether the administration decides to intervene in the FX market). Upon the release of the capital controls, we envision a managed FX float regime, rather than free float. A heavy macroprudential set up would also likely be deemed necessary, as the experiences of other bimonetary regimes suggest. A logical conclusion following the policy evolution would be to have market access.
- The policy decision to elevate the national savings stock would thus enter its second phase in 2026. That second phase would build on increased representation in Congress to move ahead with broad based macro reforms that would serve to elevate private sector savings, as for example labor and pension reforms. Fiscal institutions that engrave the fiscal order on stone are also expected. That would allow the so desired reduction of the tax burden falling on the private sector.
- A final word on the real exchange rate debate. It's by now clear that the stabilization effort is not based on a competitive real exchange rate to secure a current account surplus and thus having the central bank elevating the stock of international reserves. The policy setup is for real: it is based on increasing the national savings stock, giving thus space for the private sector to grow its spending without risking binding external financial restrictions. With higher structural national savings, the real exchange rate must appreciate. We thus expect a bit more real appreciation for the coming year, which should not work against the sustainability of either growth or the current account. Of course, we see the macro and micro reforms, together with the fiscal order that we take as given, as necessary conditions for the relative non tradable prices to prove sustainable from 2026/27 onwards.

Historical REER

Official and parallel FX rate at current prices



Source: BCRA and J.P. Morgan

Argentina: economic indicators

	Average 2018-22	2023	2024f	2025f	2026f
Real GDP, % change	0.0	-1.6	-2.6	5.5	4.0
Consumption ¹	-0.5	1.0	-4.6	3.0	2.5
Investment ¹	-0.2	-0.5	-5.7	5.2	3.0
Net trade ¹	0.7	-2.0	7.8	-2.7	-1.5
Consumer prices, % oya	49.0	134.0	220.0	37.0	20.0
% Dec/Dec	54.9	210.1	118.4	25.0	14.8
Government balance, % of GDP	-5.0	-5.0	0.3	0.0	0.0
Merchandise trade balance (US\$ bn)	12.1	0.0	19.3	16.0	19.1
Current account balance	-5.1	-18.0	2.3	3.5	6.5
% of GDP	-1.0	-2.8	0.3	0.5	0.8
International reserves, (US\$ bn)	46.5	17.4	32.7	36.3	40.8

1. Contribution to growth of GDP.

2. Debt with original maturity of less than one year.

3. Exports of goods, services, and net transfers.

Source: BCRA and J.P. Morgan

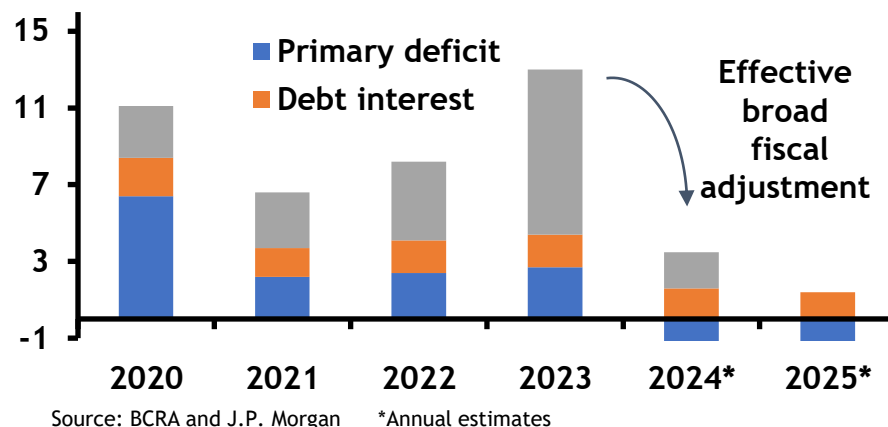
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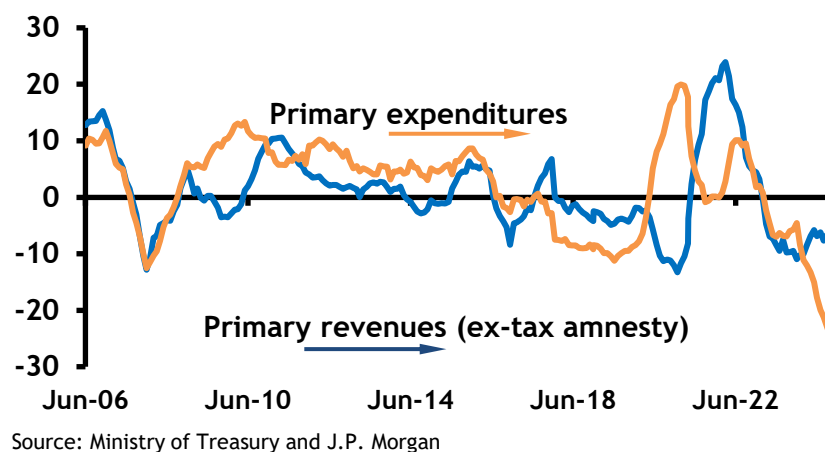
The fiscal linchpin: Restraint is the rule

- We have stressed for years that the main macroeconomic issue, the genesis of the Great Stagflation the country endured for years (if not decades), was the chronic fiscal deficit. The current administration sided with this idea, and did not hesitate to correct the deficit, even with the activity and social costs associated to the adjustment. The results are clear.
- Through November, the primary surplus recorded 1.9% of GDP (versus a 1.7% of GDP shortfall reported in the same period last year). The YTD headline balance posted a 0.6% of GDP surplus, vs. a 3.1% of GDP shortfall in the same period last year. On a last 12-month basis, the headline print is already showing a 0.1% of GDP surplus, compared with a 4.4% shortfall at the end of 2023. The quality of the adjustment has also been improving, increasing its sustainability. We expect 2024 annual primary surplus at 1.9% of GDP, consistent with a 0.3% headline surplus on the year, the largest since 2010.
- Going forward, to sustain a balanced fiscal budget, fiscal consolidation would need to rely on further revenue increase amid more limited room to continue adjusting expenditures. Indeed, the elimination of the “PAIS” tax by December 23 together with the absence of the one-off income tax advances next year could imply less revenues jointly for around 2% of GDP. Activity revival coupled with full-year income tax revenues should compensate for such shortfalls.
- Also, a nuance still needs to be ironed out. Looking at “below the line” financing needs becomes very relevant going into next year, as most of the peso debt issued is zero-coupon. Indeed, we calculate interest payments capitalized from LECAPs/Boncaps for about 1.0% of GDP in 2024 and 1.5% in 2025. We estimate close to 16% of GDP in local currency debt amortizations maturing in full-year 2025. Against this backdrop, both securing zero headline deficit and also peso debt rollover become key to close the financing gap next year. Our estimates show that if the government rolls 85% of the peso debt maturing next year, the financing gap would widen to US\$13bn. Admittedly, the maintenance of capital controls would facilitate peso debt rollover, as evidenced this year. But as highlighted by MinFin Caputo recently, a new IMF agreement with fresh resources, which they expect to close within the first four months of the year, would help the administration to advance towards (a gradual) release of capital controls next year, without risking financial stability. ³

Consolidated public sector deficit
% of GDP



Primary revenues and expenditures
%oya last 12 months, deflated by CPI



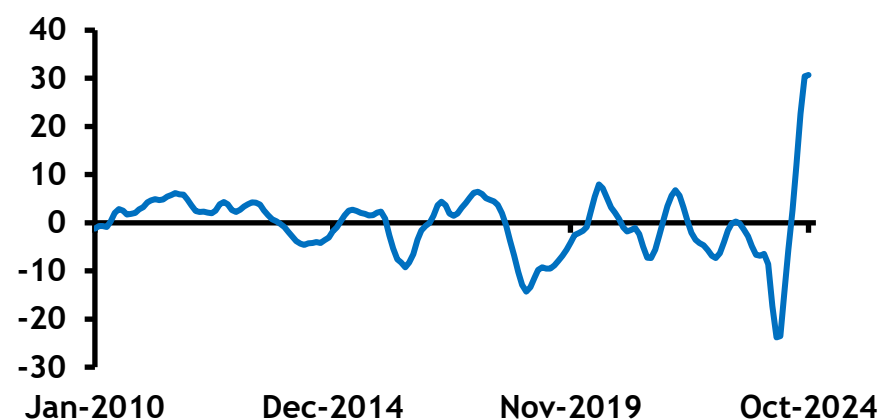
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Phoenix unleashed: A bi-monetary economy in the making

- First and foremost, real peso demand is increasing. The main barometer helping to defend this statement has been the evolution of real local currency credit, which is running at a pace not seen in the last 15 years. As new credit elevates deposits, they also grow, though at a slower pace for now.
- On stocks, while the public sector impact on monetary base has been contractionary (no monetary financing in either currency, which means the Treasury needs to purchase FX to serve external debt), secondary private sector money creation has been pushing the monetary base higher. As a share of GDP, we estimate the monetary base at close to 4 % of GDP by December, compared to 3% by the end of April. When it comes to the broad monetary base (defined as monetary base + LEFI stock + Treasury deposits at the BCRA), the stock stood at ARS48bn, with the monetary base 42% below this 'target' signaled by the monetary authority as a level deemed with the recovery of peso stability. If the broad monetary base is deflated by the stock of gross reserves, the implied exchange rate sits at 1,492, 29% above the parallel FX rate.
- 3% of GDP “financial inflow” lifts all boats:** A bi-monetary economy is the aim of the administration. Thus, the hard currency of the financial system is also of extreme importance, far and beyond the discussion of the public sector hard currency assets and liabilities. On this front, after a successful tax amnesty and signalling that confidence is growing in stability, total banking deposits have increased by around 4% of GDP since mid-August. Particularly noteworthy is the increase in hard currency private sector deposits driven by a tax amnesty, which have leapt US\$13bn higher over that period, to a level of US\$31.5bn. That is equivalent to 2% of GDP, or 68% of the public sector's hard currency debt service next year.
- It is also worth noting that banks are already intermediating the added FX liquidity in the system. FX banking credit has increased by 53% since mid-August. FX credit is only granted to the tradable sector as per regulation, a macroprudential measure aimed to avoid the adverse macroeconomic effects of FX balance sheet mismatches on stability. Another point worth stressing is that, also per regulation, firms need to sell the FX credit proceeds to the central bank, which immediately helps to accelerate the pace of net reserve accumulation beyond the minimum legal reserve requirement threshold.
- The fact that locals maintain the FX deposits in the system is also a sign of increased credibility. Against this backdrop, when asked about the evolution of BCRA reserves we insist on focusing on liquid reserves in the short run, and not net reserves.

Private ARS credit

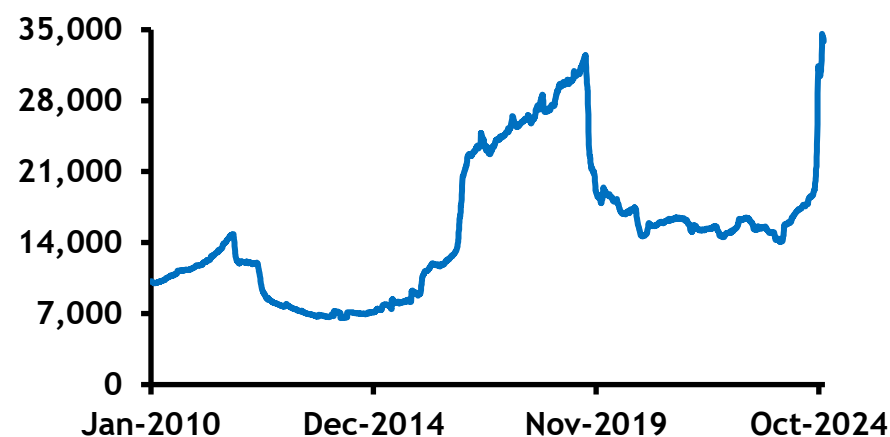
% 3m/3m



Source: BCRA and J.P. Morgan

Private USD deposits

US\$m



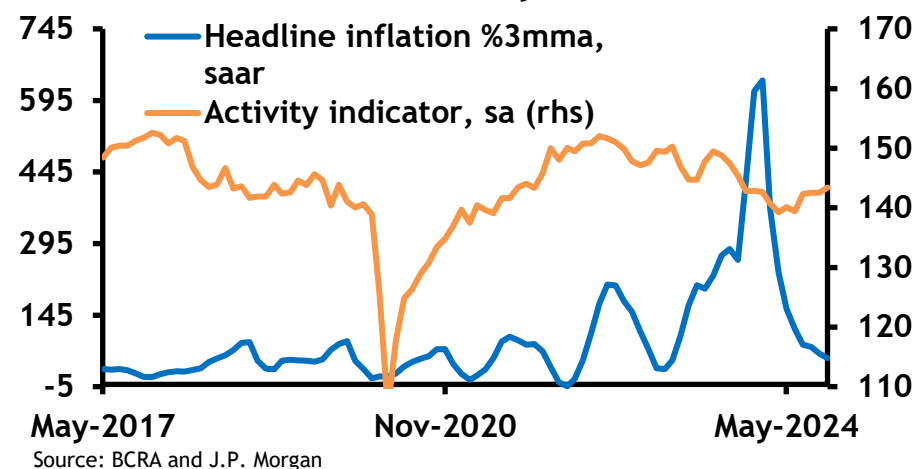
Source: BCRA and J.P. Morgan

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2025: Growth revival, inflation tanks

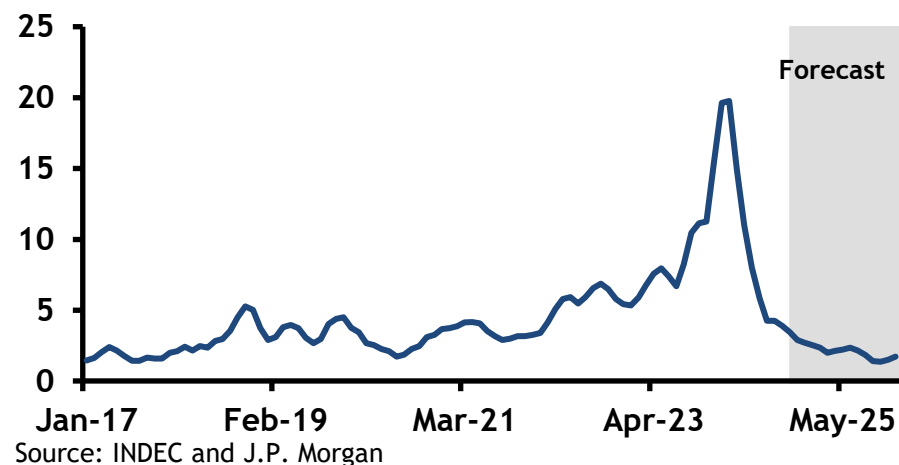
- Headline CPI increased 2.4%/m/m in November (166%oya and 112% YTD), below our (2.7%) and market (2.8%) expectations. The monthly inflation print thus continued on a declining path, from 2.7%/m/m the prior month and a 3.4% average through October, touching July 2020 lows. Both core and regulated CPI printed in line with our expectations, with the downward inflation surprise fully explained by the deflation reported in seasonal prices.
- We expect Dec 25 inflation at 25%, from 118% by end-2024. Our forecast is consistent with a modest rebound in headline CPI in December, driven by the usual year-end seasonality and the acceleration of food CPI observed in the last week of November, increasing statistical carryover into December. After the November CPI release, MinFin Caputo indicated that the time to decelerate the crawling peg to a 1% monthly level is getting closer. Our base scenario is for monthly inflation to average 2.0% in 1Q25, under the assumption the administration decelerates the crawling peg to 1% from January. This is consistent with year-end 2025 inflation at 25%oya.
- Activity continues to improve, with the 3Q quarterly national accounts report and the October activity index both indicating a stronger-than-expected recovery in the third quarter, which is extending into the fourth quarter. The data confirm that the recession is over and suggest it was shallower than initially feared. The October report showed a 0.6%/m/m increase in activity (seasonally adjusted), with the 3m/3m smoother sequential momentum at +12.7%ar, down from 16.4% in 3Q. Looking ahead, the recovery is expected to continue, supported by increasing real wages and pensions due to inflation deceleration, higher capital expenditures, normalization of inventories, and firm export growth. Forecasts have been adjusted, with 2024 and 2025 projections now at -2.6%/y/y and +5.5%/y/y, respectively.

Headline Inflation and activity indicator



Headline CPI

% 3mma, annualized

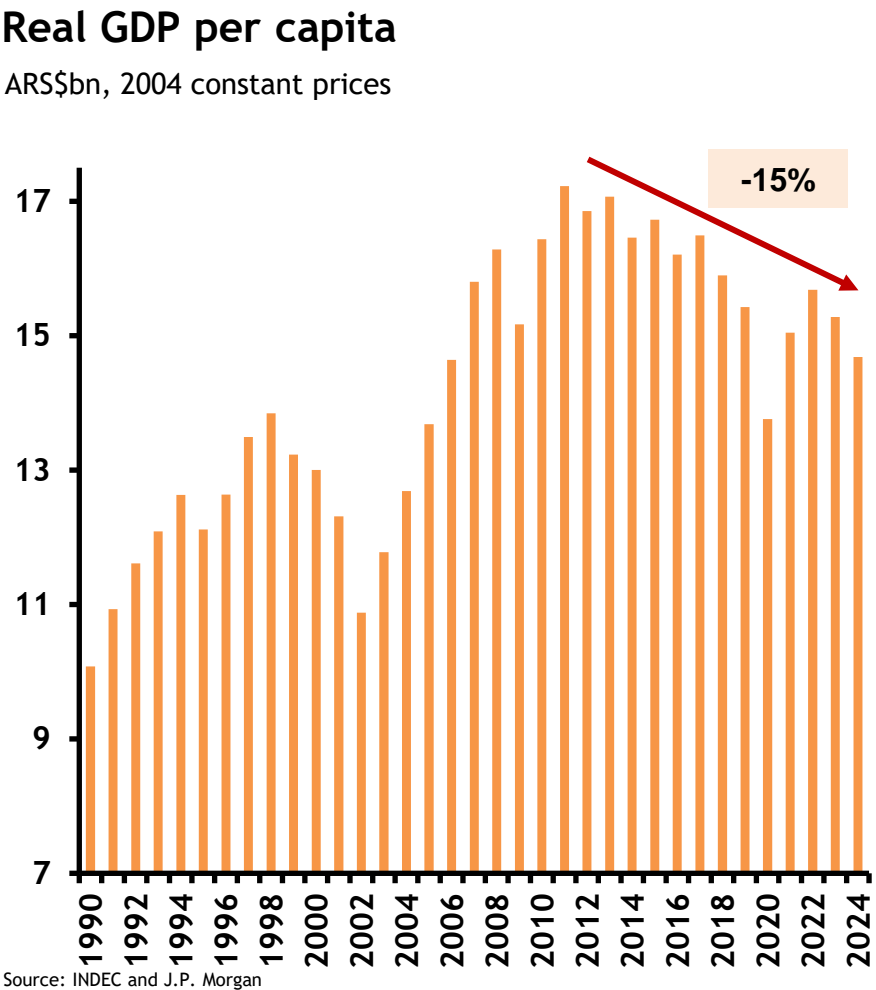
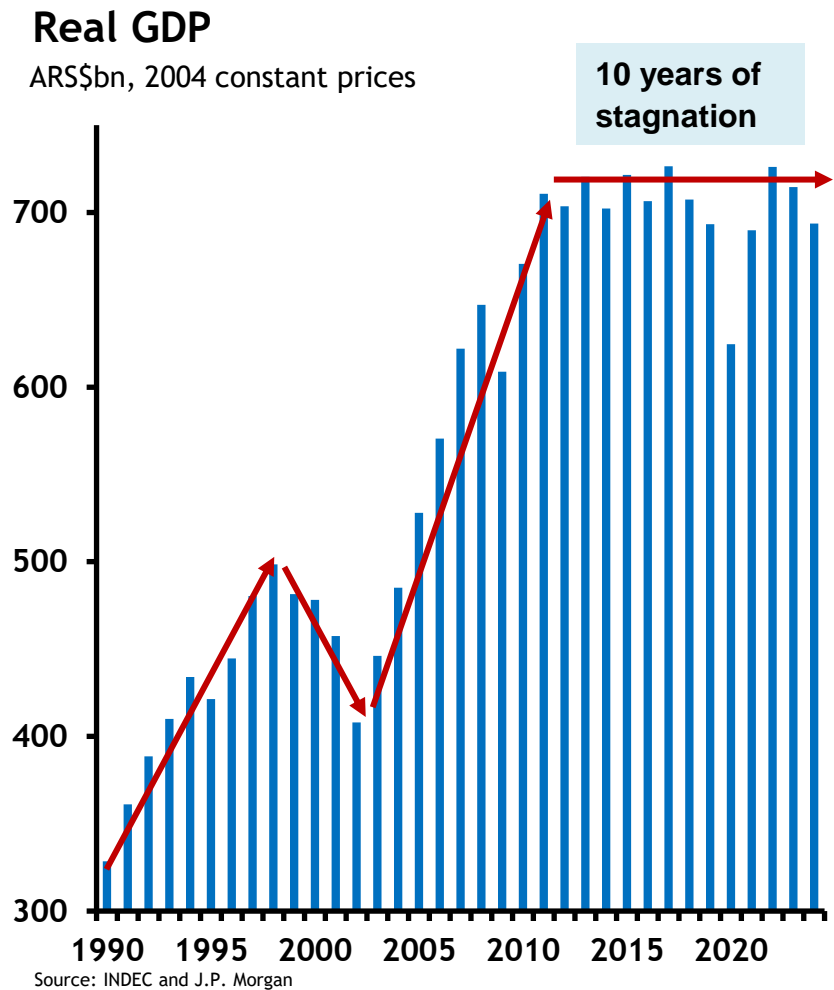


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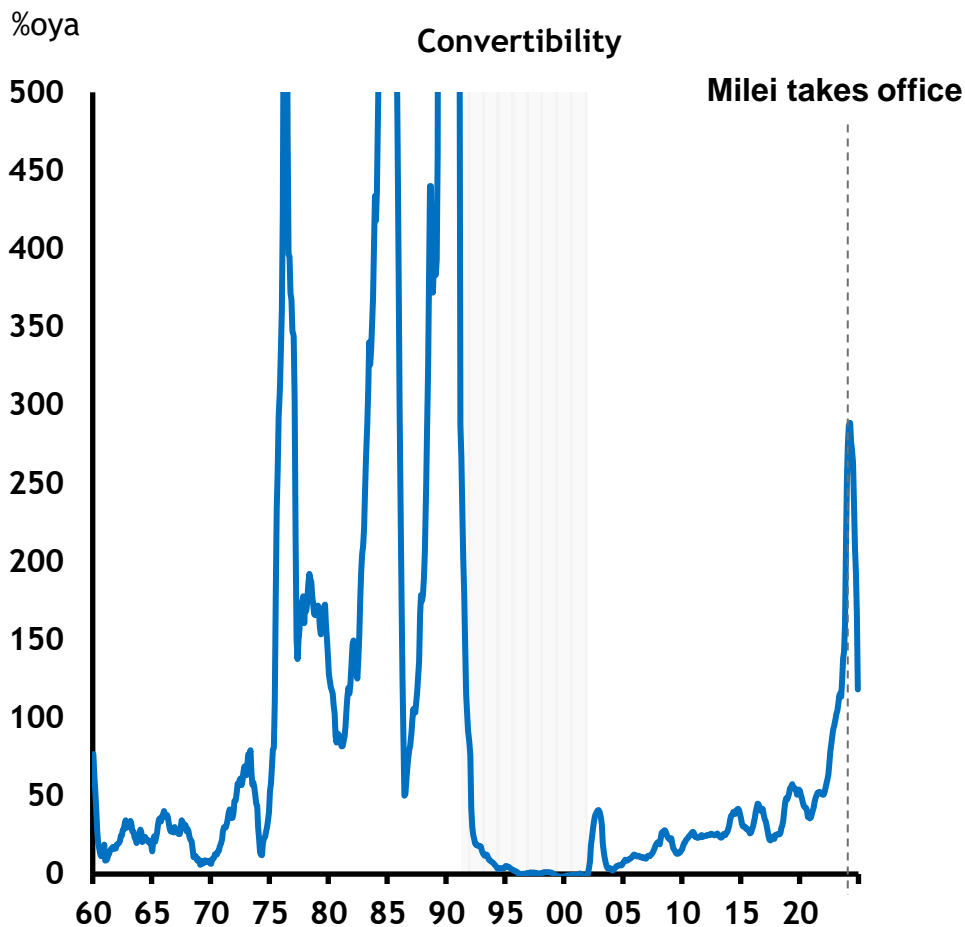
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Pre regime-change backdrop:
Stagnation and declining GDP per capita



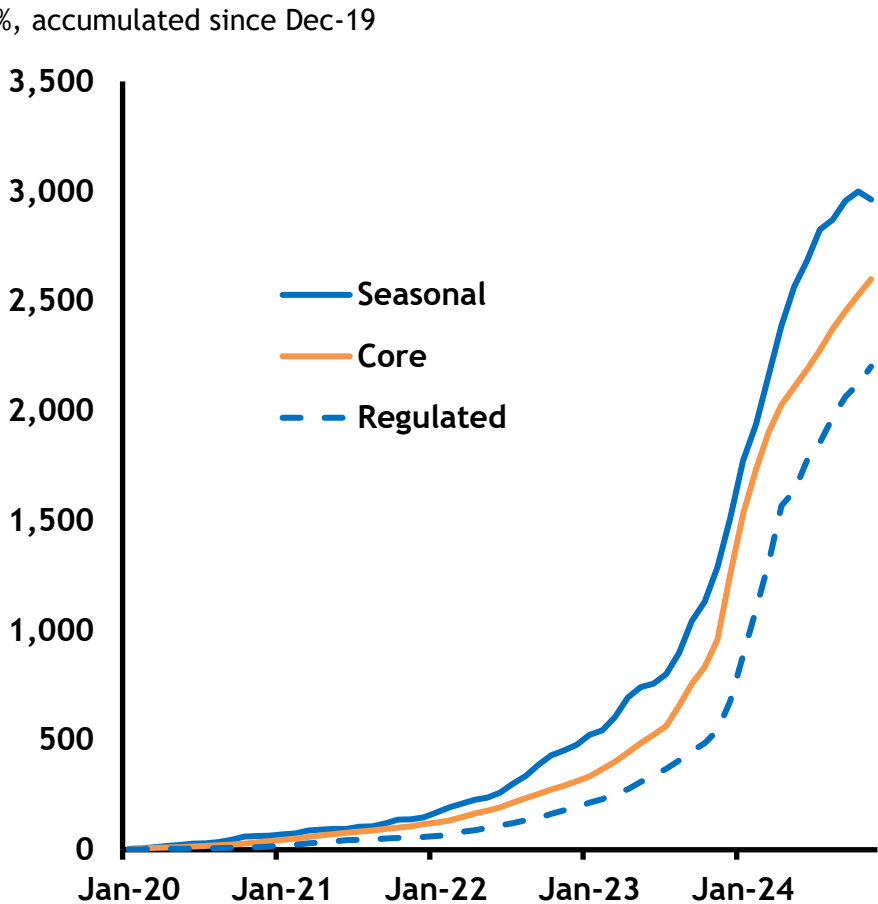
Pre regime-change backdrop:
Breaking with decades of fiscal dominance

Inflation



Source: INDEC and J.P. Morgan

Inflation by component

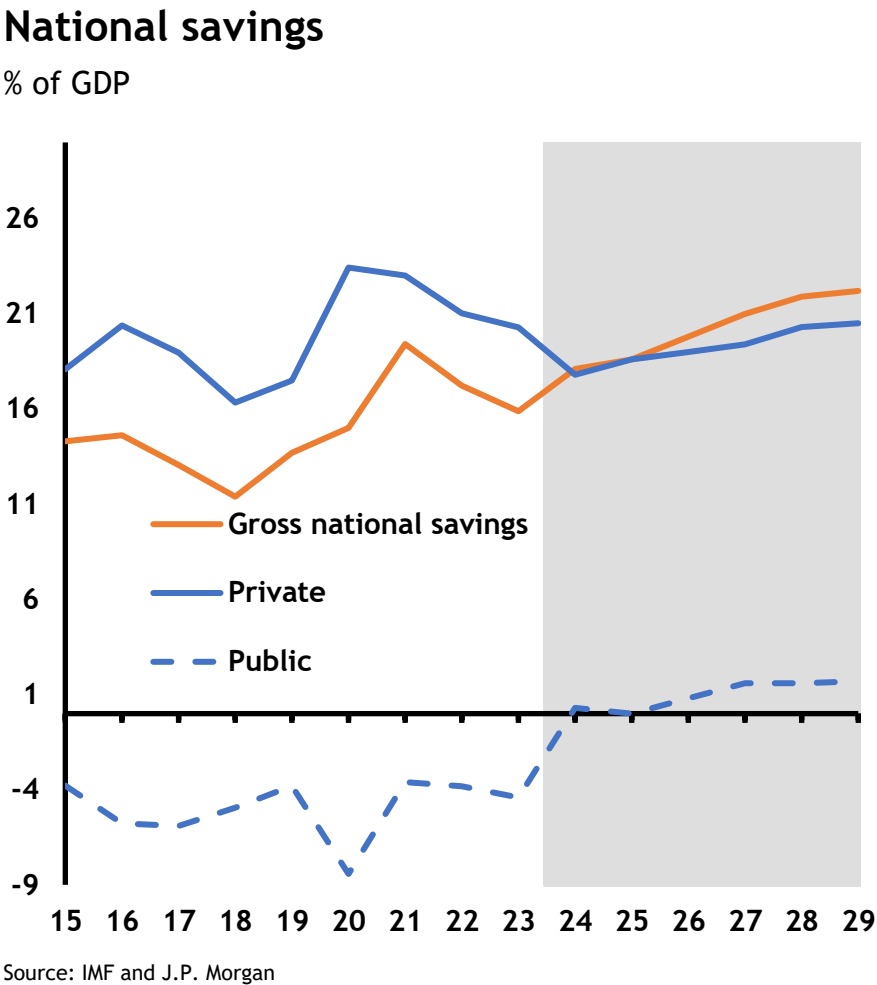


Source: INDEC and J.P. Morgan

Pre regime-change backdrop :
Extremely low domestic savings



Source: INDEC and J.P. Morgan

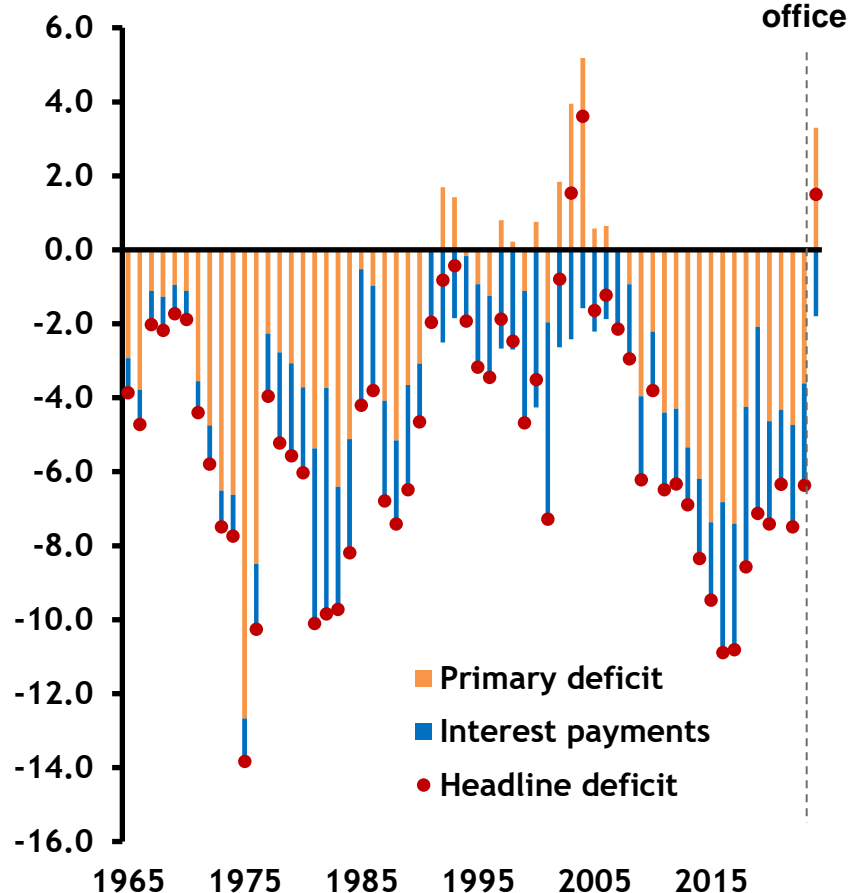


Regime change strategy:

(I) Increase domestic savings via shutting down dis-savings source (fiscal deficit) and increasing private sector savings via structural reforms and de-regulation

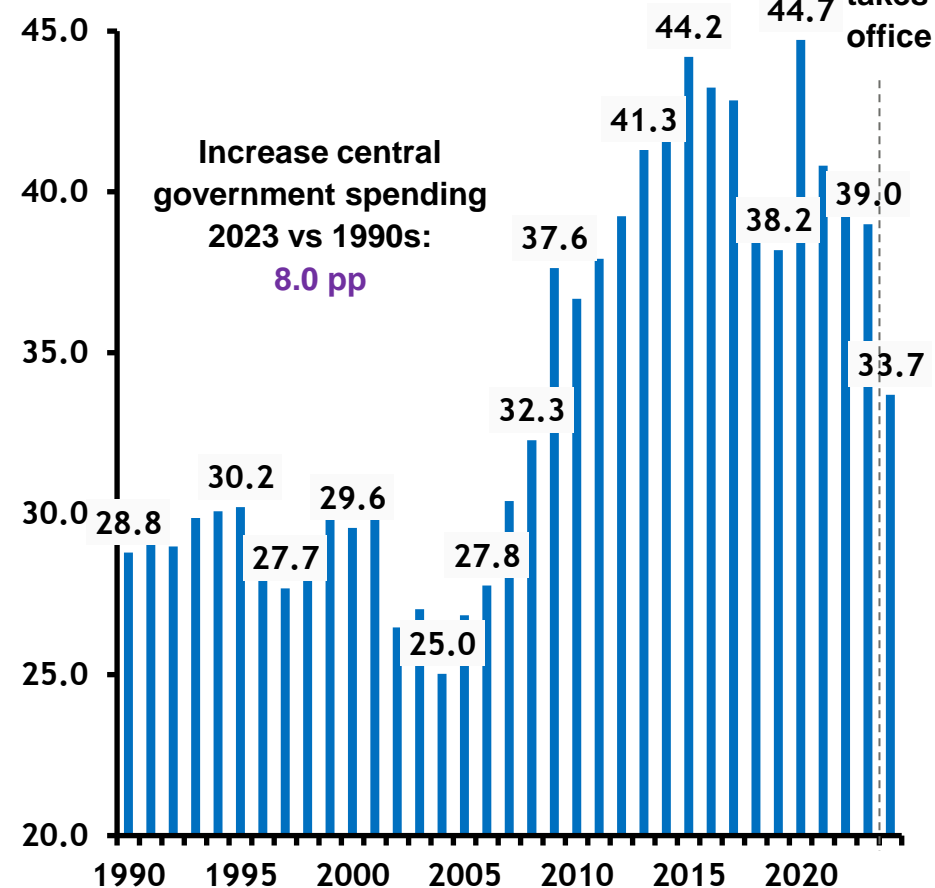
Primary and Headline balance

% of GDP, Accrued Federal Government



Public sector expenditure

% of GDP, Consolidated Public Sector

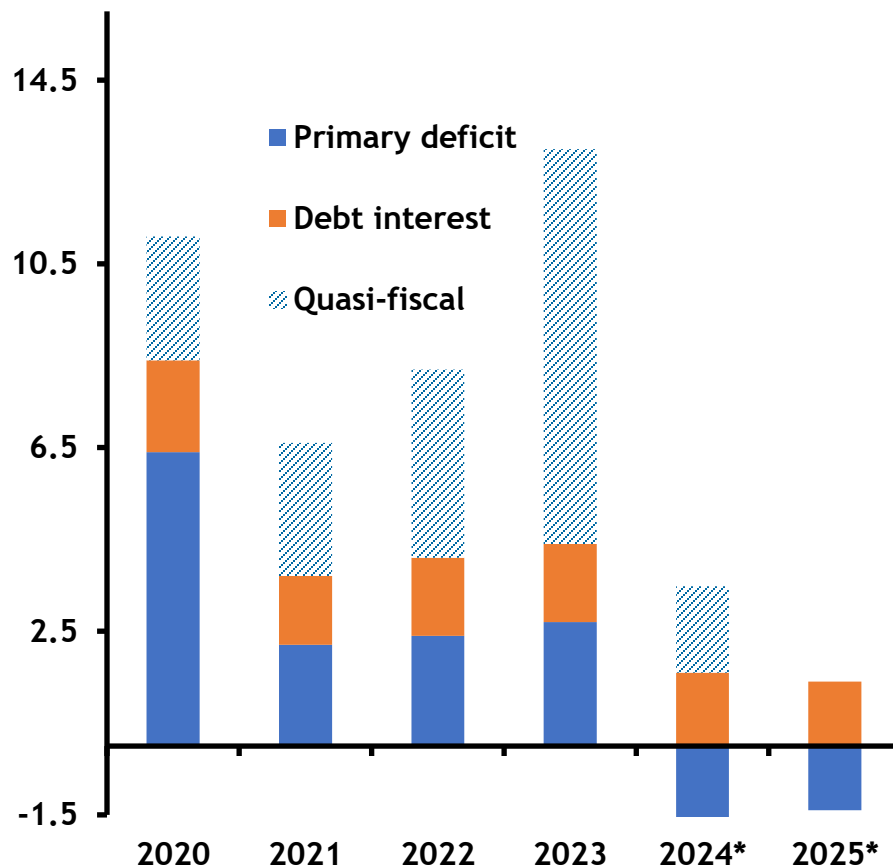


Regime change strategy:

(II) Stabilization effort relying in a frontloaded reduction of local currency stocks, amid commitment to null fiscal deficit

Consolidated public sector deficit

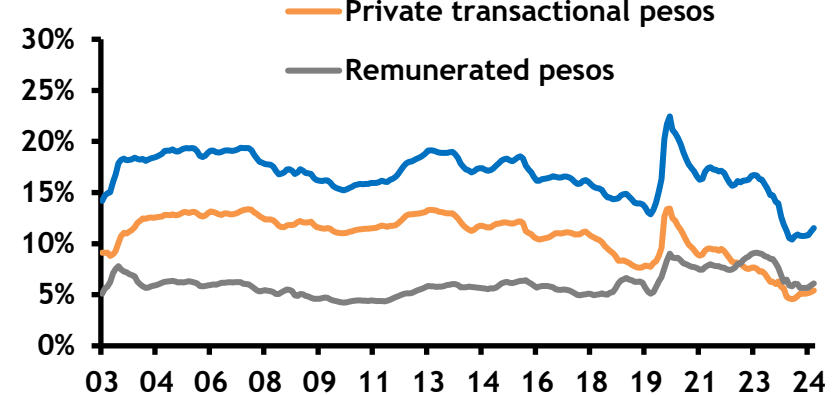
% of GDP



Source: BCRA and J.P. Morgan *2024 and 2025 are forecasts

Private M3

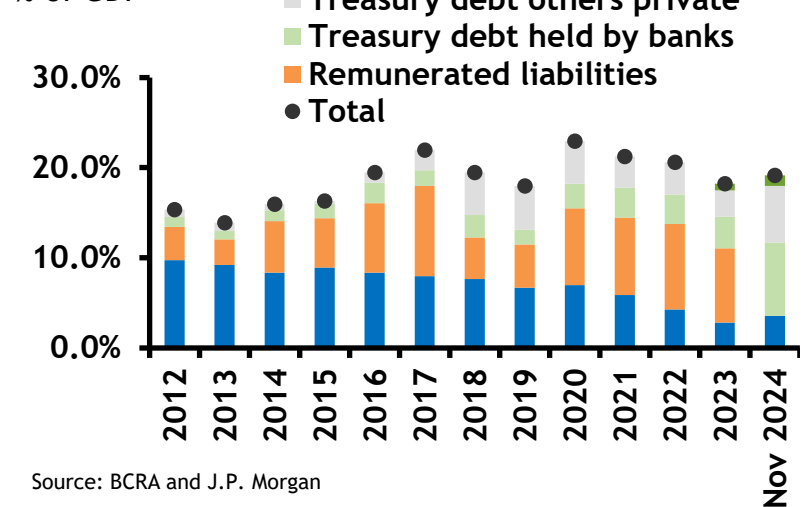
% of GDP



Source: BCRA and J.P. Morgan

Peso stocks

% of GDP



Source: BCRA and J.P. Morgan

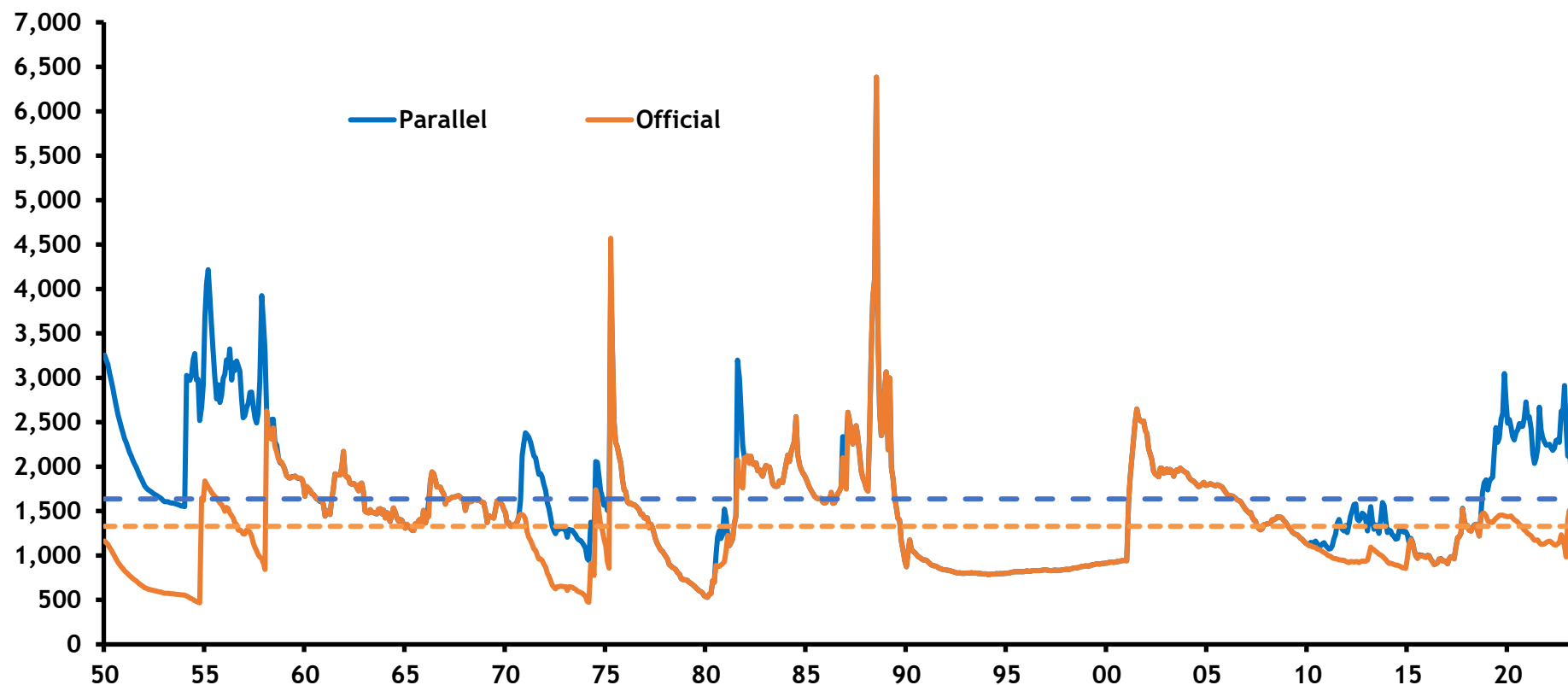
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Regime change strategy:

(III): Attempt to minimize risks linked to the release of capital controls, what embeds costs

Real exchange rate

Official and parallel FX rate at current prices



Source: BCRA and J.P. Morgan

Source: BCRA and J.P. Morgan

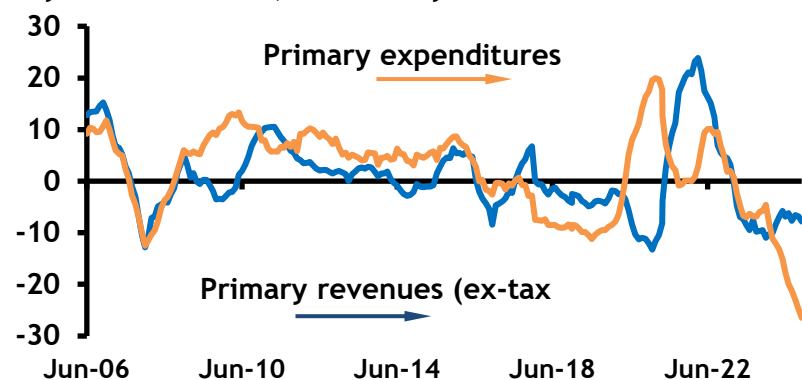
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A frontloaded fiscal effort, and commitment to a balanced budget (which will continue to be challenged by politics)

Primary revenues and expenditures

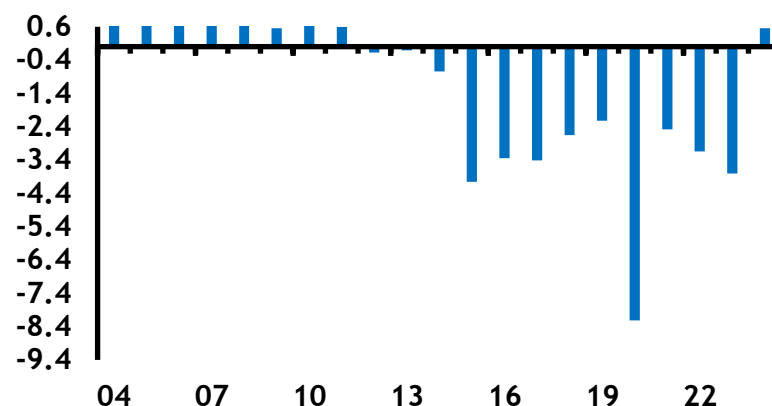
% oya last 12 months, deflated by CPI



Source: Ministry of Treasury and J.P. Morgan

Headline balance

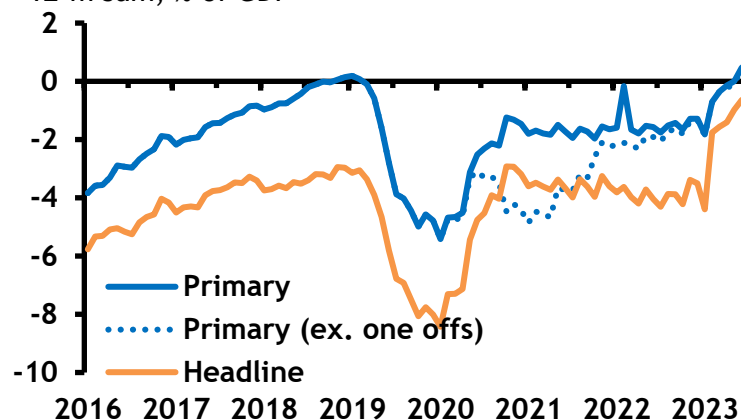
% of GDP



Source: Ministry of Treasury and J.P. Morgan

Fiscal deficit

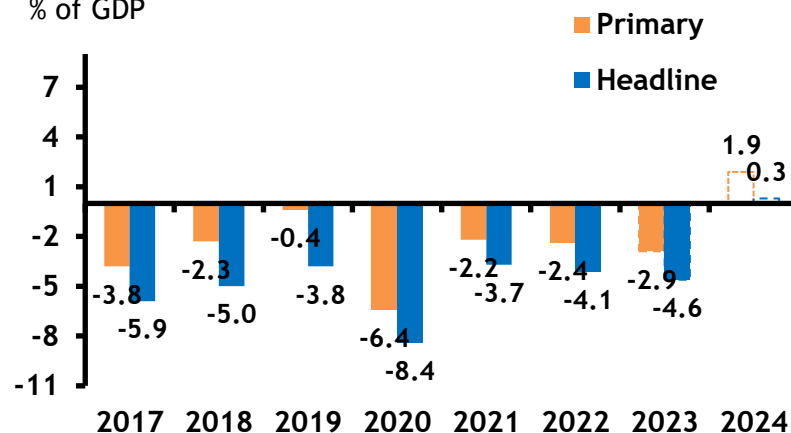
12-m sum, % of GDP



Source: Ministry of Treasury and J.P. Morgan

Primary and headline deficit

% of GDP

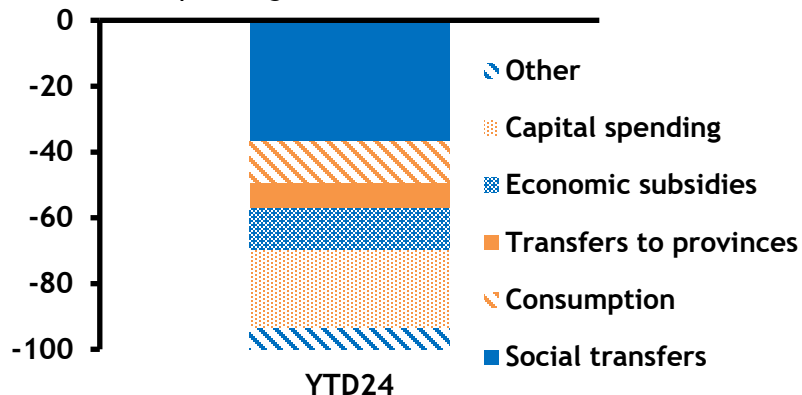


Source: Ministry of Treasury and J.P. Morgan

The quality of the fiscal improves, activity-related revenues bounce back

YTD expenditures contraction

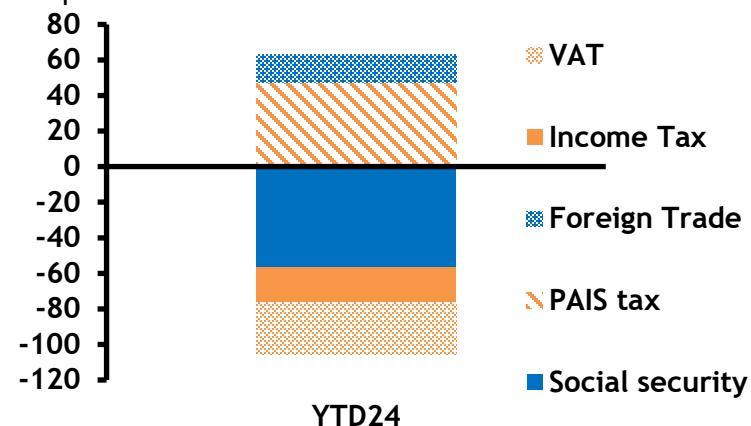
% of total spending contraction



Source: Ministry of Treasury and J.P. Morgan

YTD revenues decline

%-pt contribution of YTD real variation



Source: Ministry of Treasury and J.P. Morgan

Central Government Fiscal revenues

	%oya, real terms		%m/m, sa	
	Nov-24	YTD	Nov-24	Nov-24
Total tax revenues	4.7	-5.5	1.7	32.7
Total tax revenues (ex. Exports, PAIS and one-off income taxes)	3.5	-12.8	0.1	52.3
Activity related taxes	0.4	-6.4	3.0	22.0
VAT	-2.7	-9.6	-1.0	23.3
o/w VAT DGA (foreign trade-related)	-3.9	-8.1	-5.4	113.9
o/w VAT DGI (consumption-related)	-2.1	-10.4	1.2	-4.1
Income taxes	8.0	-11.8	21.9	16.0
Foreign trade-related taxes	49.0	16.7	4.1	37.2
o/w exports related	119.1	44.3	14.9	8.4
o/w imports related	-0.9	-3.7	-5.2	106.6
PAIS tax	-25.6	77.5	16.6	-92.8
Social security related	8.8	-10.0	1.3	36.6

Source: MHyFP and J.P. Morgan

2024 fiscal consolidation

%oya, real terms	2022	2023	2024
	Jan-Dec	Jan-Dec	Jan-Nov
Primary revenues (ex. Property rents)	-0.4	-3.7	-6.5
VAT	1.7	9.8	-8.7
Income Tax	2.5	-13.3	-11.1
Foreign trade	-31.4	-48.1	16.3
Social security	12.6	0.5	-10.2
Primary spending	3.7	-4.6	-28.5
Social transfers	4.0	-4.3	-18.4
Consumption	3.2	3.1	-22.2
Transfers to Provinces	-10.3	-1.4	-67.8
Economic subsidies	-1.1	-25.0	-32.2
Other (including SOE balance)	2.3	3.2	-36.5
Capital spending	21.1	8.8	-78.1
Average inflation	72.4	133.3	276.0

Source: Ministry of Treasury and J.P. Morgan

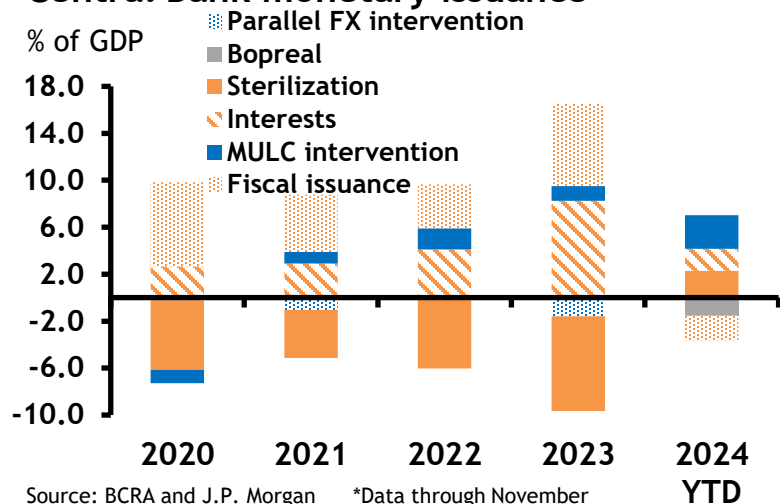
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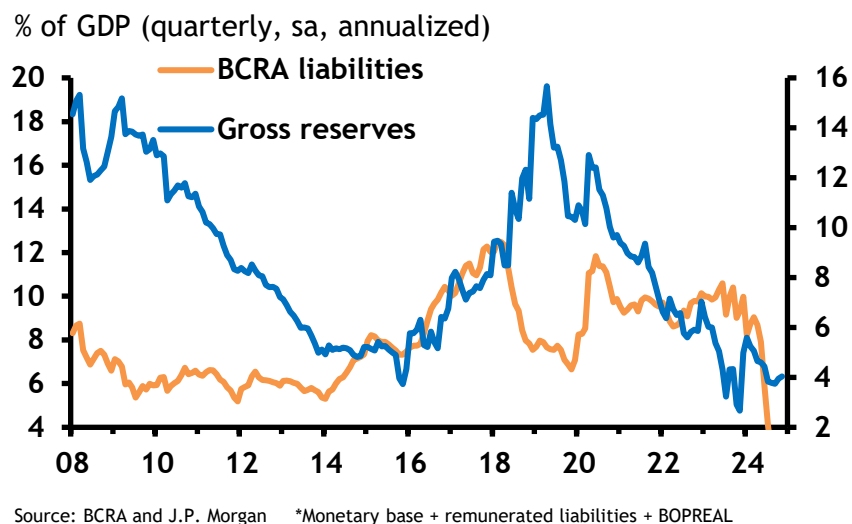
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Central Bank balance sheet has improved on the local currency side

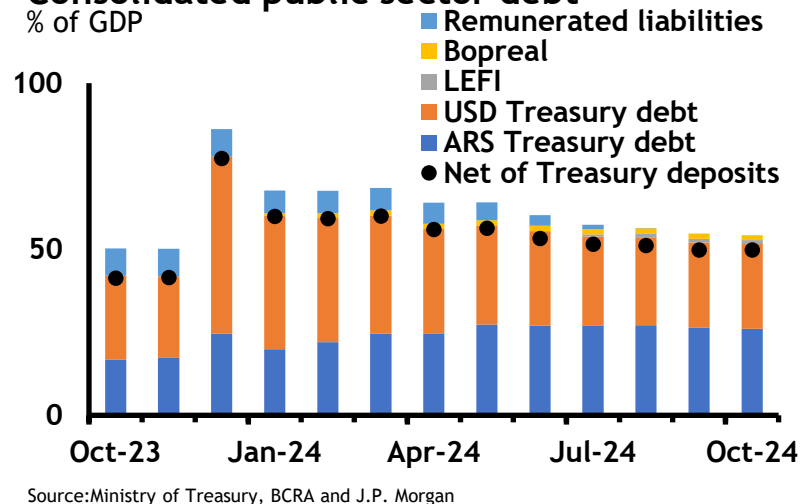
Central Bank monetary issuance



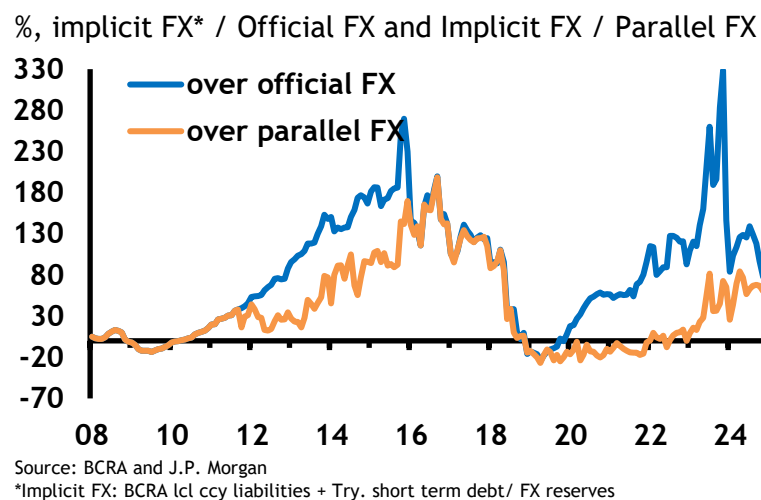
Central Bank balance sheet



Consolidated public sector debt



Implicit FX gap



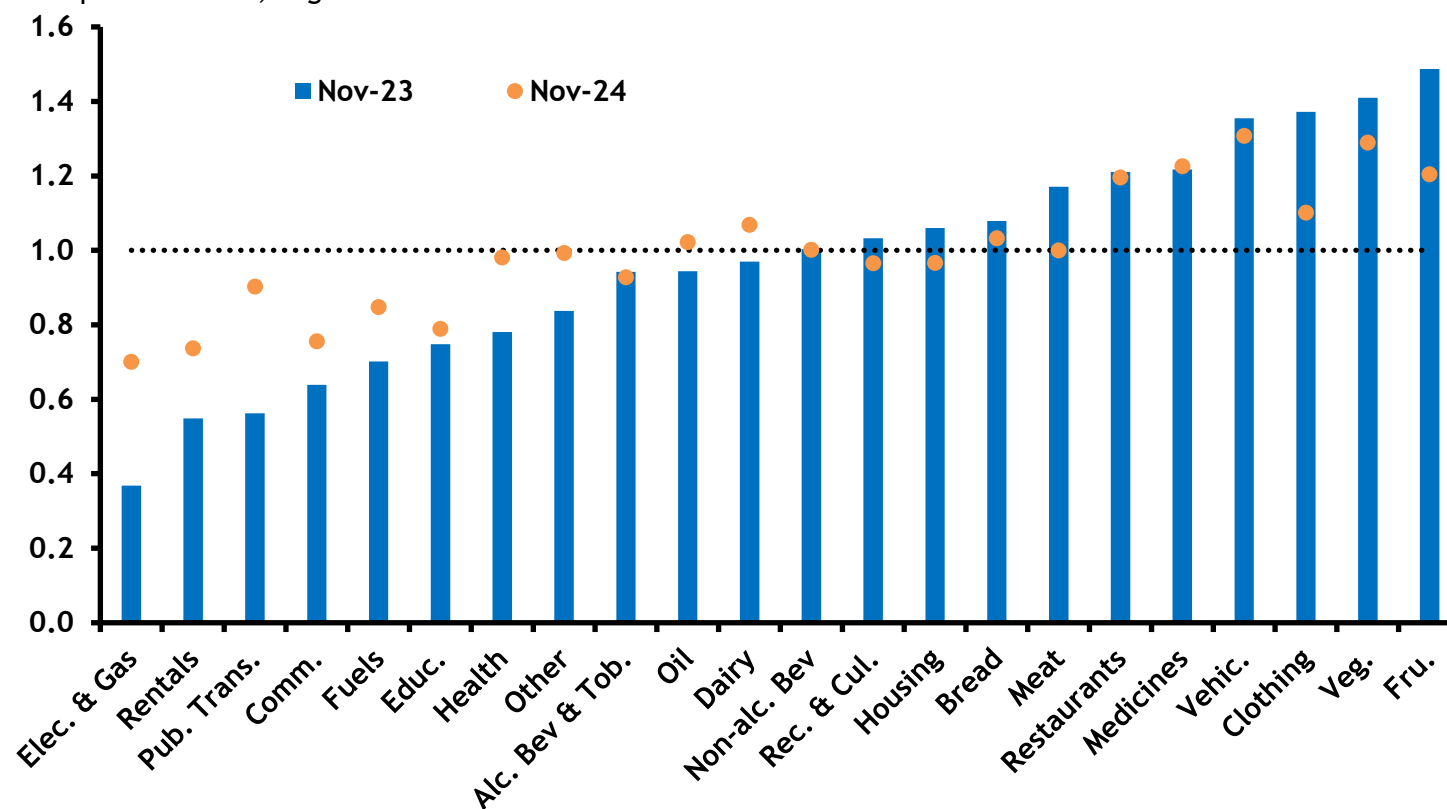
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Relative prices adjustment continues

Relative prices adjustment

CPI Groups / Headline, avg. 1H19 = 1

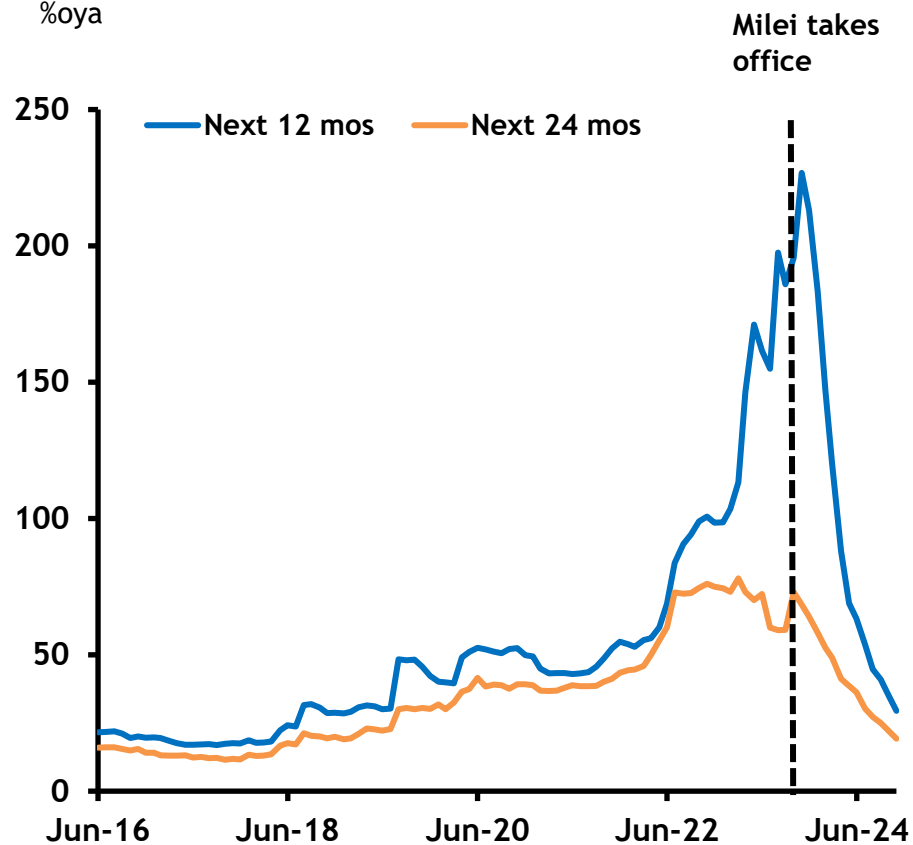


Source: INDEC, BCRA and J.P. Morgan

Inflation expectations collapsed

Inflation expectations

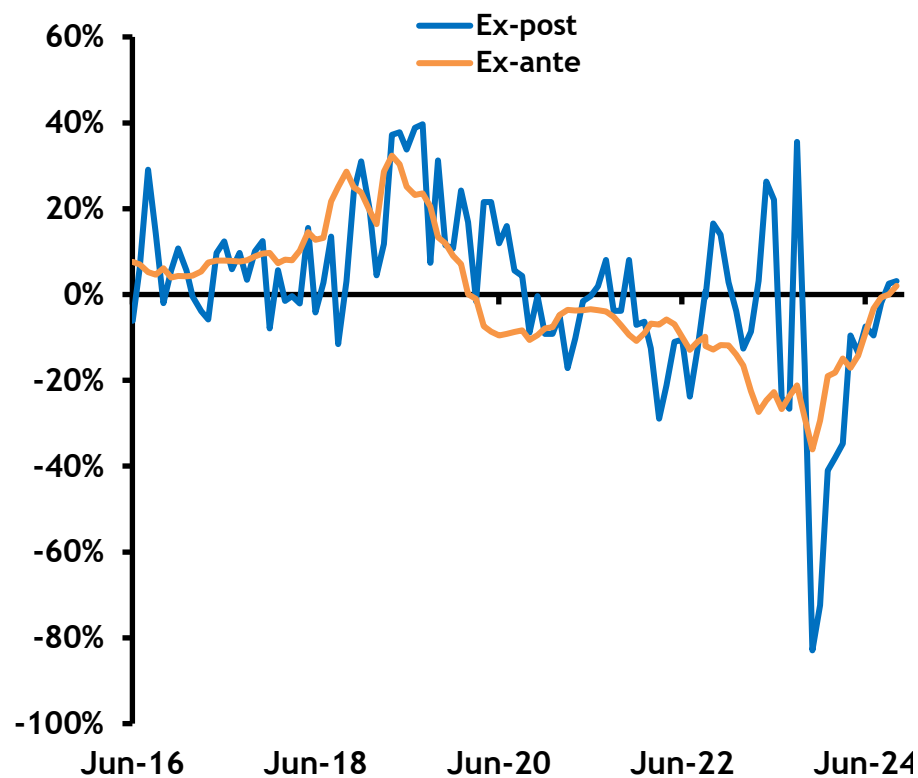
%oya



Source: BCRA and J.P. Morgan

Ex-post and ex-ante policy rate

Annual policy rate deflated by realized and expected inflation



Source: BCRA

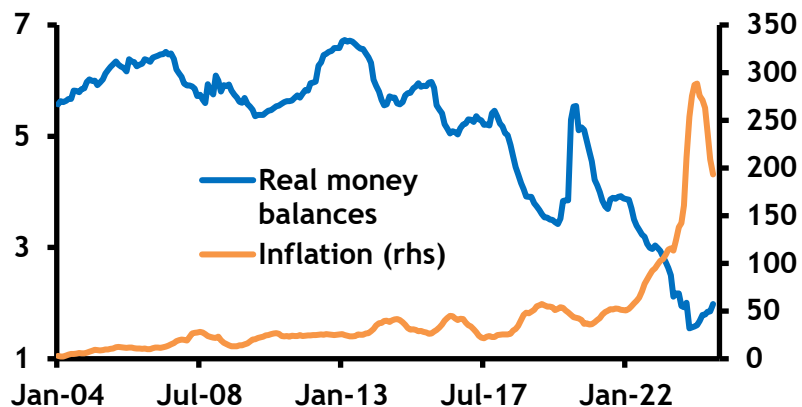
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Re-monetization unfolding, crowding in

Real money balances and inflation

Money incirculation/PY, sa (lhs), inflation %oya (rhs)



Source: BCRA and J.P. Morgan

Real money

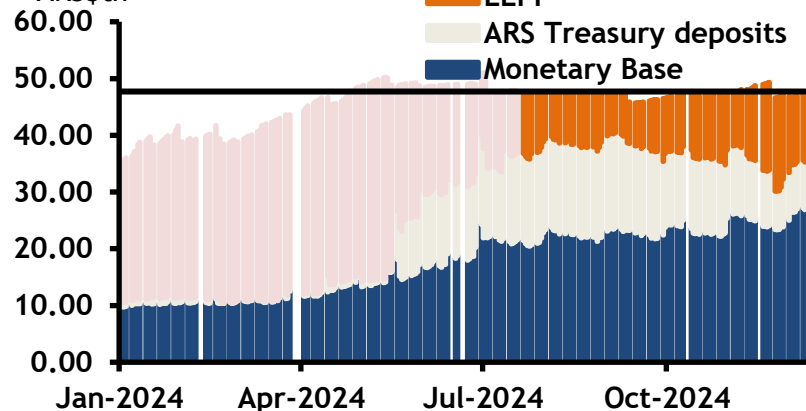
AR\$tn, money in circulation + deposits, real terms



Source: BCRA and J.P. Morgan

Broad Monetary Base

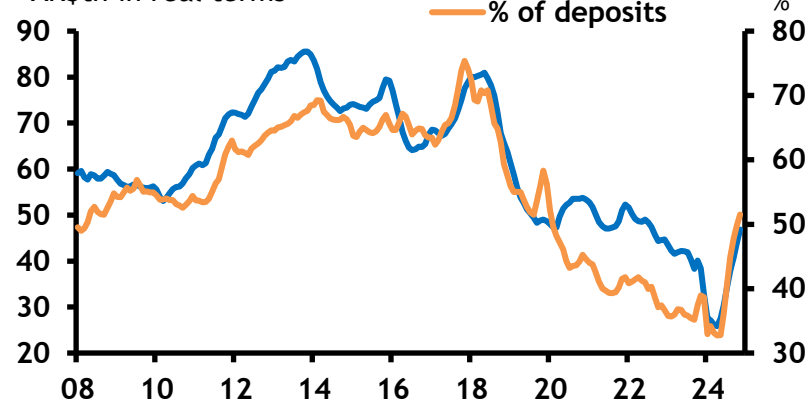
AR\$tn



Source: BCRA and J.P. Morgan

Credit

AR\$tn in real terms



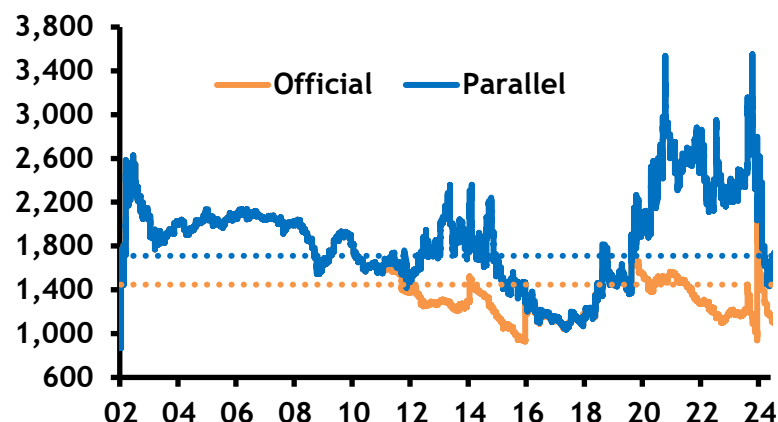
Source: BCRA and J.P. Morgan

J.P. Morgan

REER appreciation is here to stay (if domestic savings continue to move higher)

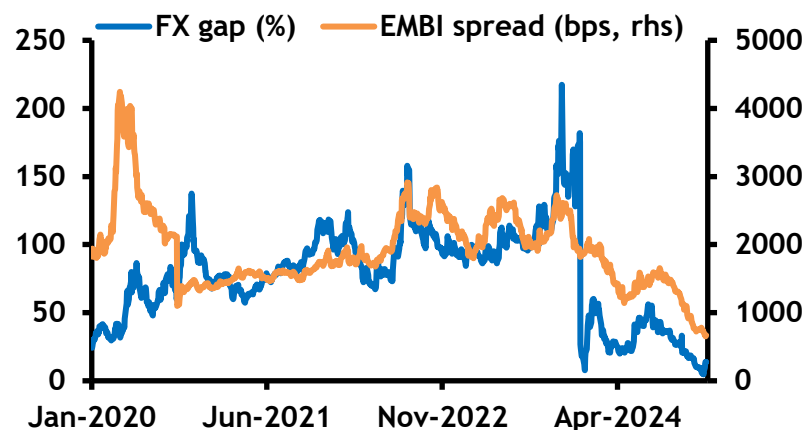
Historical REER

Official and parallel FX rate at current prices



Source: BCRA and J.P. Morgan

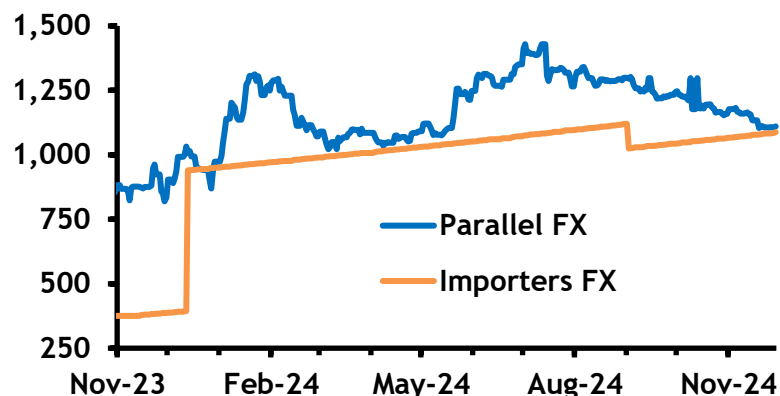
FX gap and EMBI spread



Source: BCRA and J.P. Morgan

Parallel FX vs. Importers FX

ARS/USD

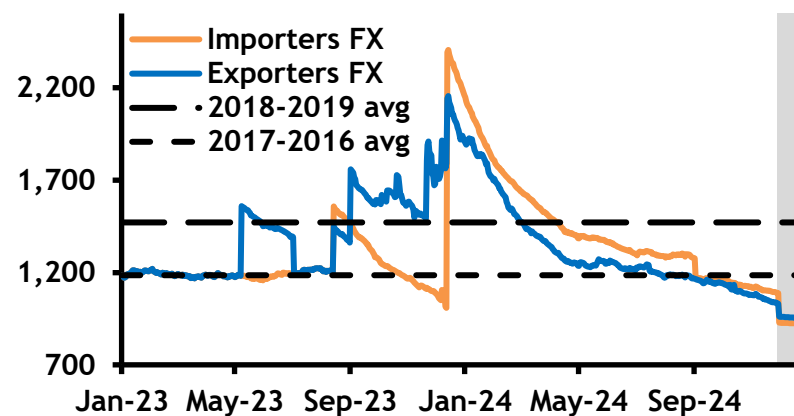


Source: BCRA and J.P. Morgan

Importers FX: Official FX + 17.5% "PAIS tax"

Historical REER

Importers and Exporters FX rate at current prices



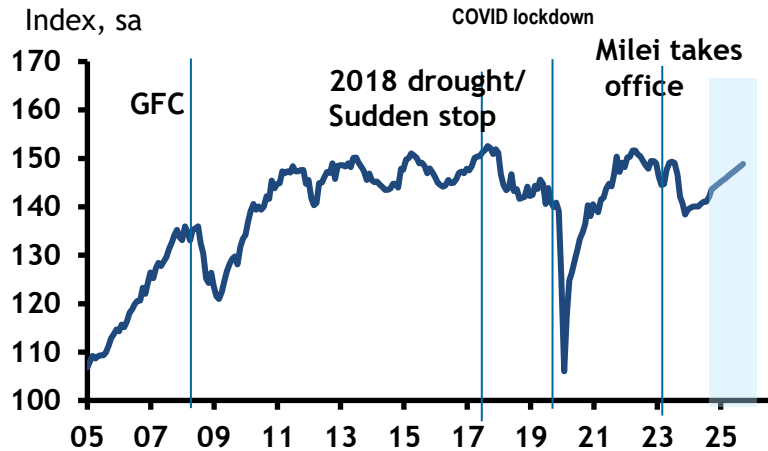
Source: BCRA and J.P. Morgan

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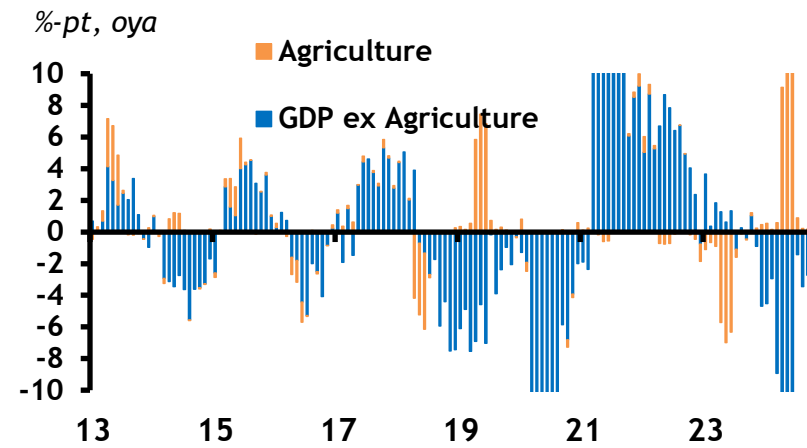
A stronger than expected economic rebound

Real activity recovery speeds up



Source: INDEC and J.P. Morgan

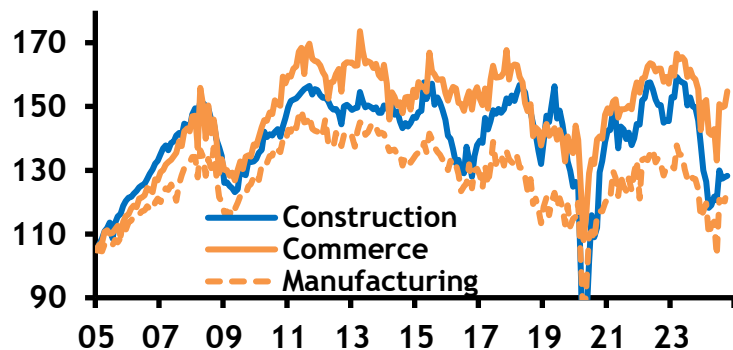
Contribution to economic activity



Source INDEC and J.P. Morgan

Commerce, manufacturing and construction

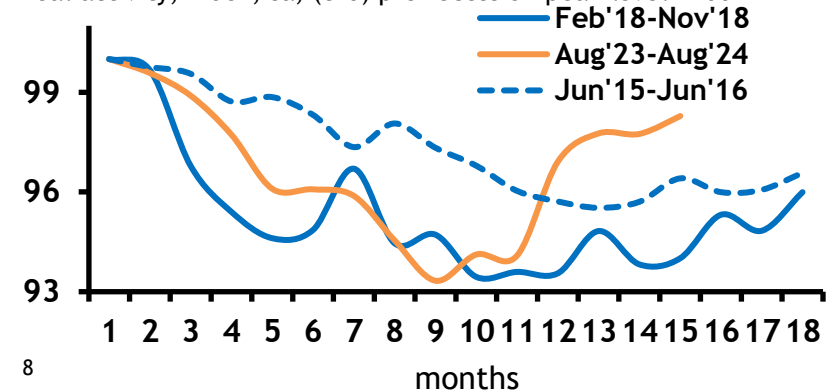
Index, 2004=100, sa by JPMorgan



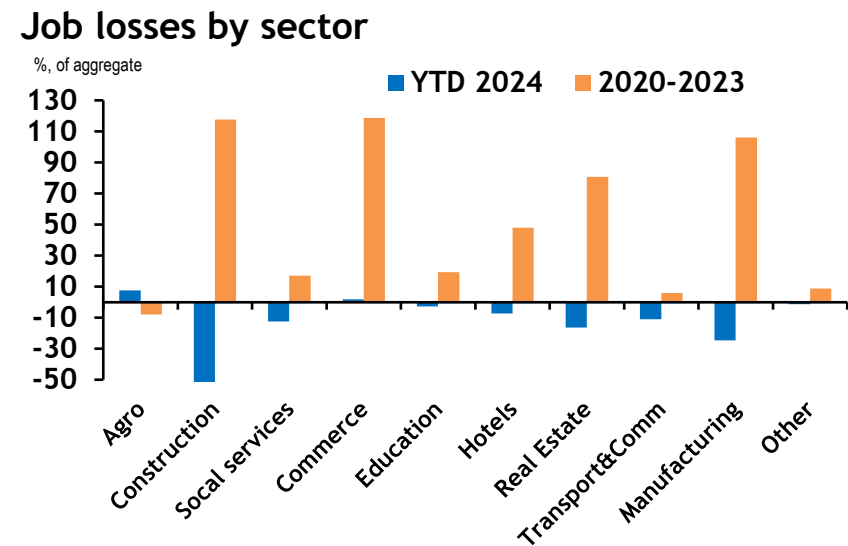
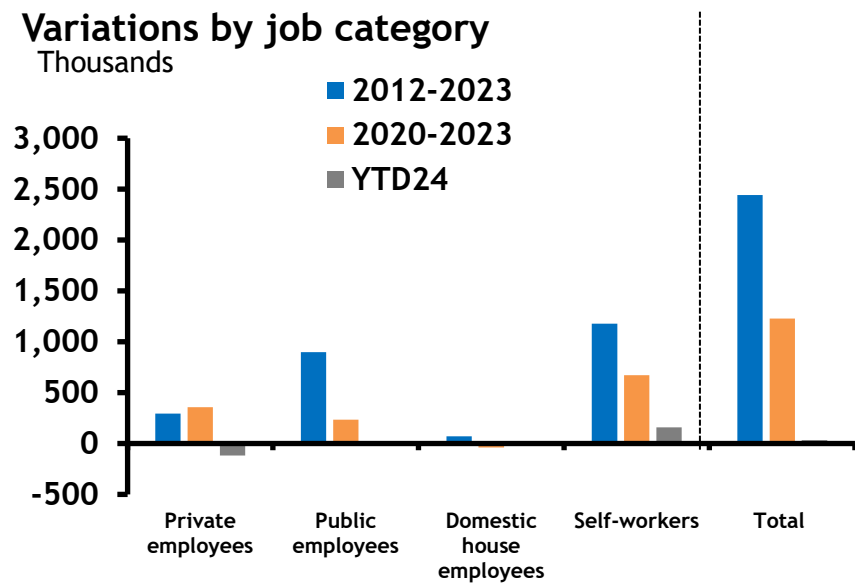
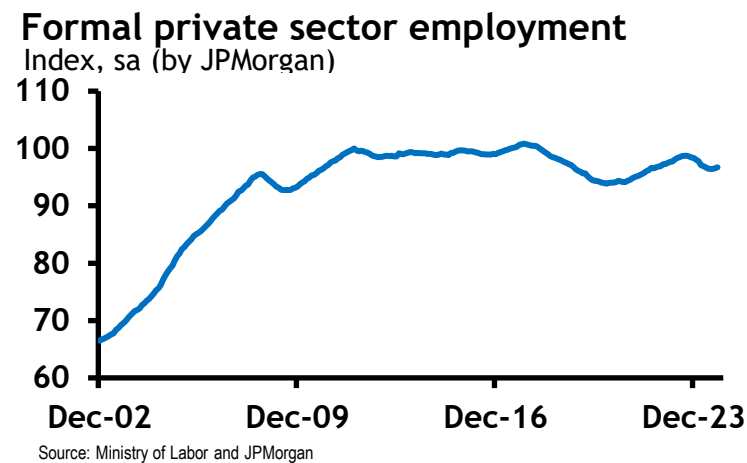
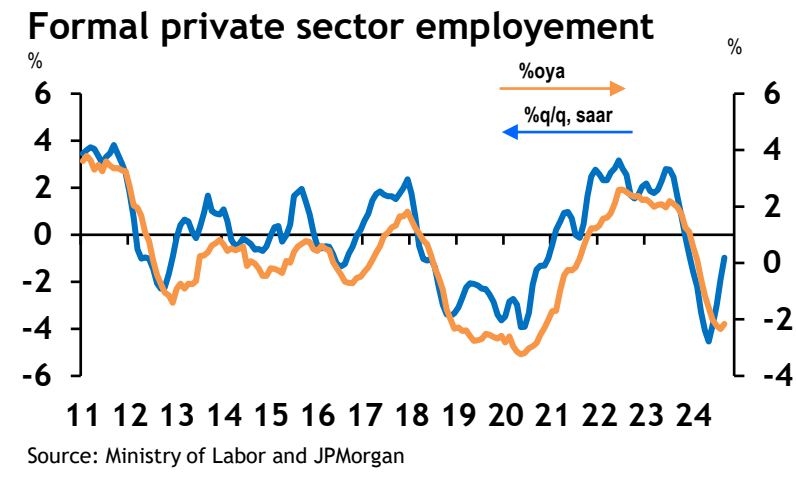
Source INDEC and J.P. Morgan

Comparing the current recession to prior events

Real activity, index, sa, (t=0) pre recession peak level =100



Employment revives from the lows, though quality remains subdued

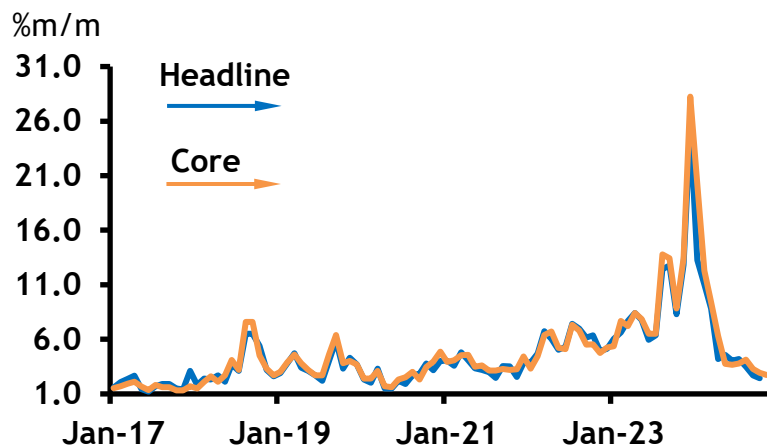


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The disinflation process continues to gain momentum

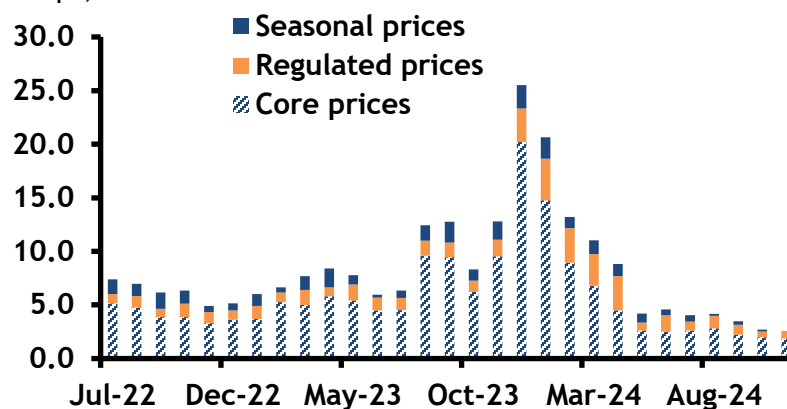
Headline and core National-CPI



Source: INDEC and J.P. Morgan

National-CPI

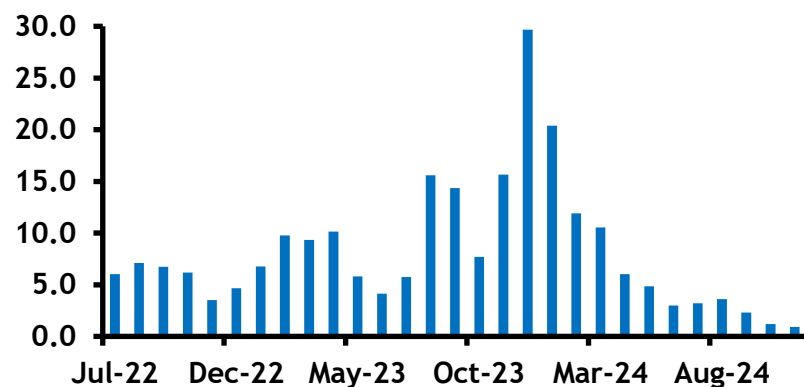
%-pt, contribution to headline CPI



Source: INDEC and J.P. Morgan

Food CPI

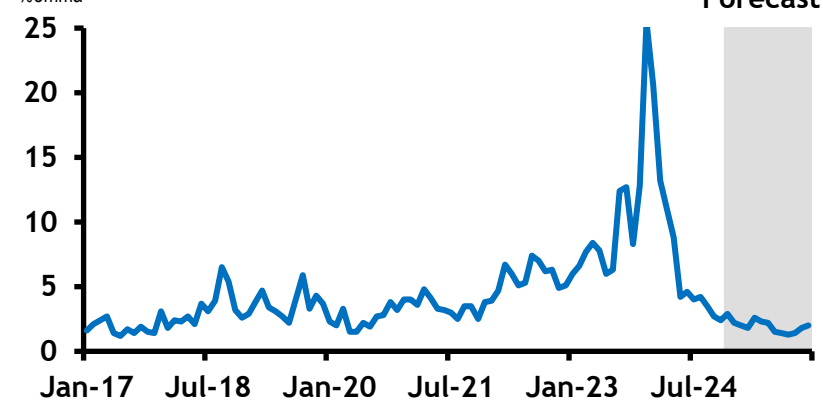
%m/m



Source: INDEC and JPMorgan

Headline CPI

%3mma



Source: INDEC and J.P. Morgan

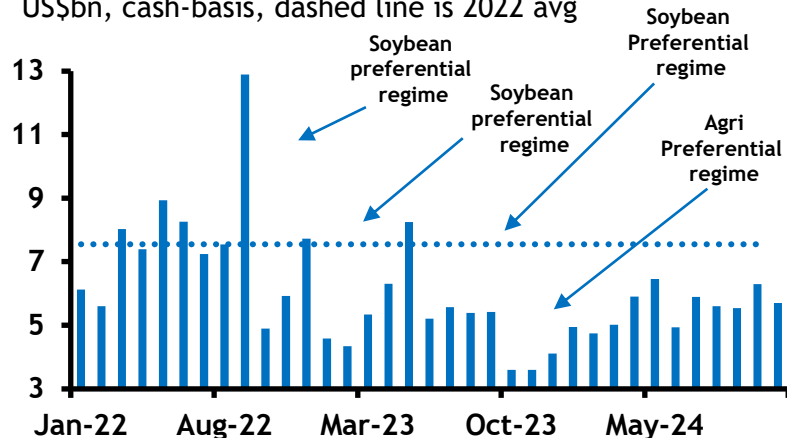
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Export inflows pick up after red 3Q amid narrowing FX gap

Exports inflows

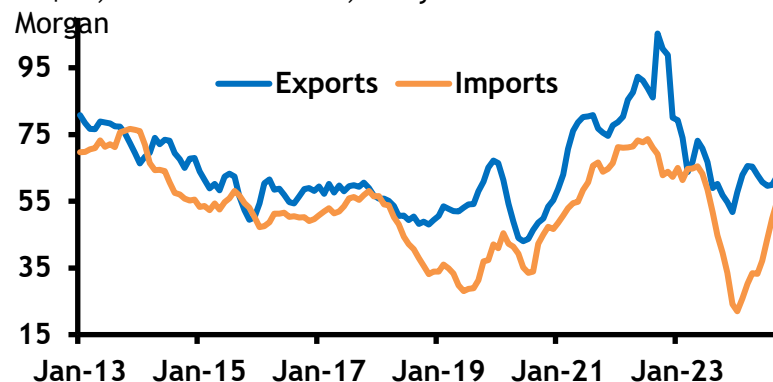
US\$bn, cash-basis, dashed line is 2022 avg



Source: BCRA and J.P. Morgan

Cash-basis exports and imports

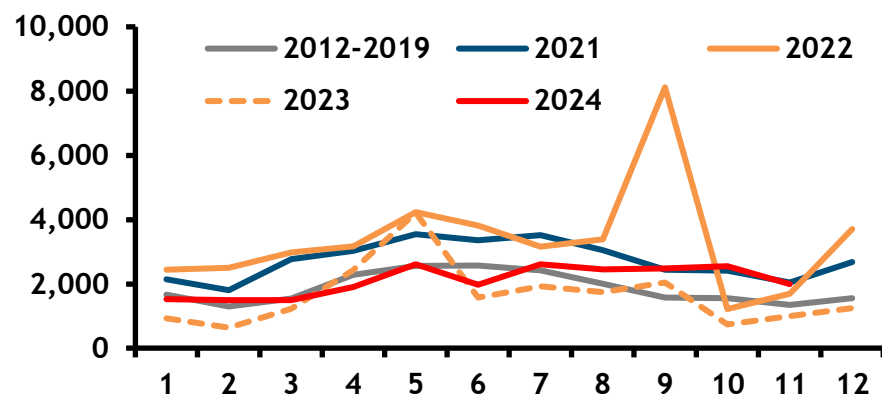
US\$bn, 3mma annualized, sa by J.P.



Source: BCRA and J.P. Morgan

Export inflows from the cereals complex

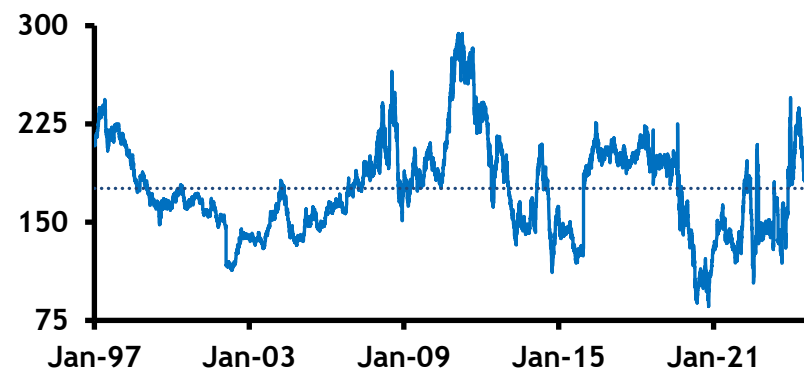
\$mn



Source: CIARA-CEC and J.P. Morgan

Soybean exporter income*

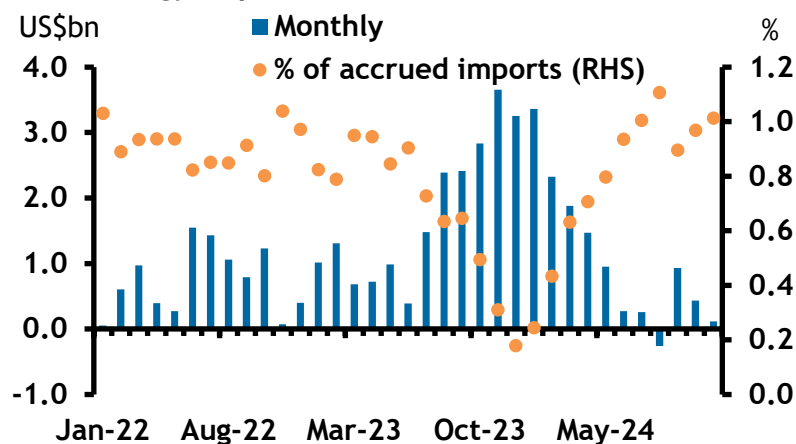
US\$



Source: BCRA, Rofex and J.P. Morgan *(Soybean FOB prices * USD/ARS current prices) - DEX

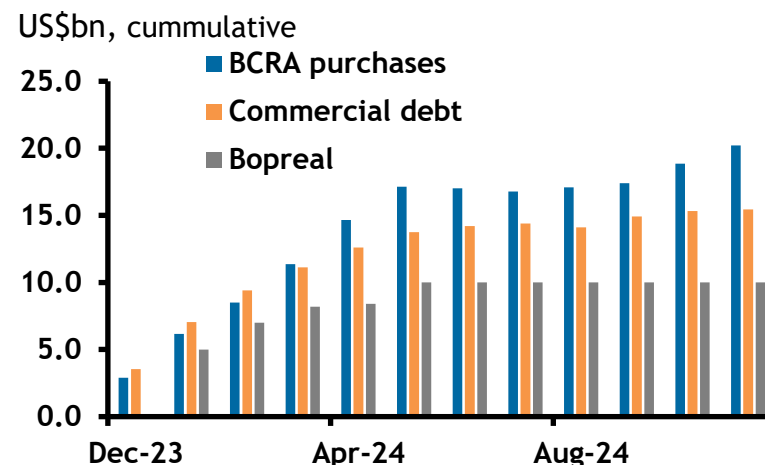
Normalization of import payments and tourism outflows add pressure on current account

Non-energy imports commercial debt



Source: BCRA and J.P. Morgan

BCRA reserves accumulation framework



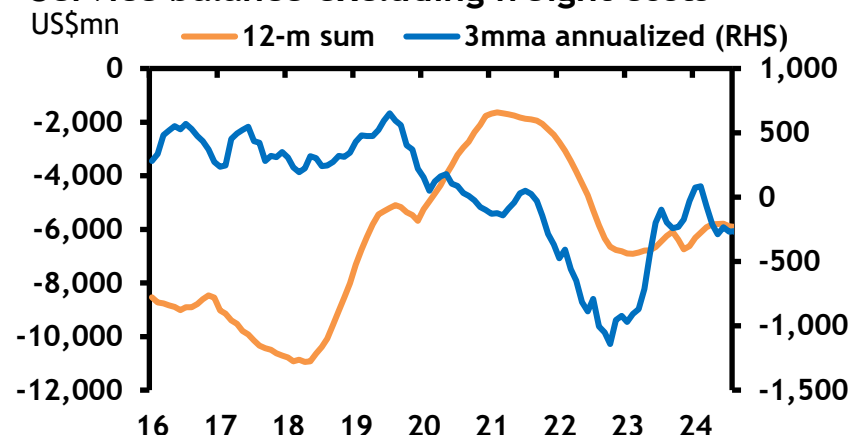
Source: BCRA and J.P. Morgan

Tourism net outflows



Source: BCRA and J.P.Morgan

Service balance excluding freight costs

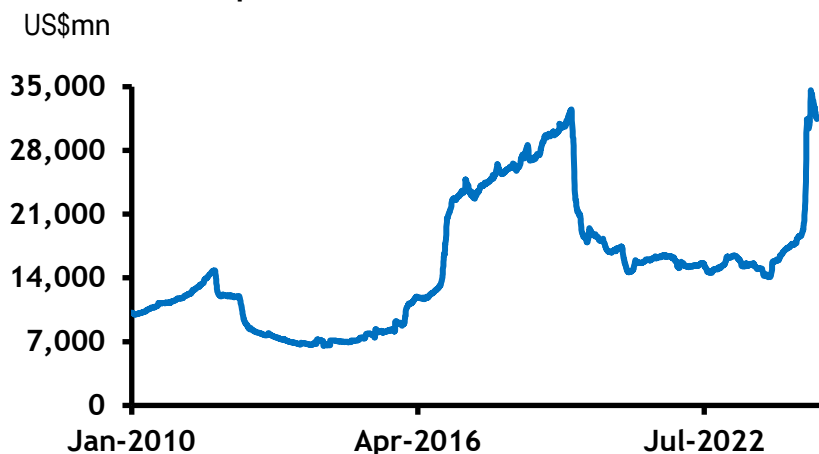


Source: BCRA and J.P.Morgan

J.P.Morgan

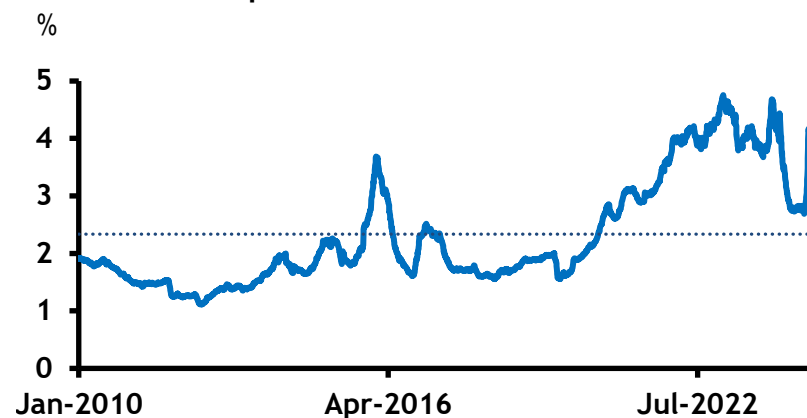
Tax amnesty brought almost 3% of GDP in FX deposits

Private USD deposits



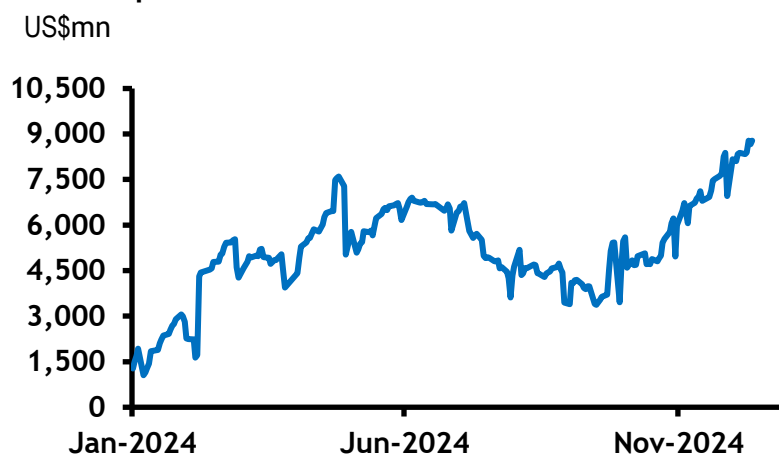
Source: BCRA and J.P. Morgan

Private USD deposits/ Credit



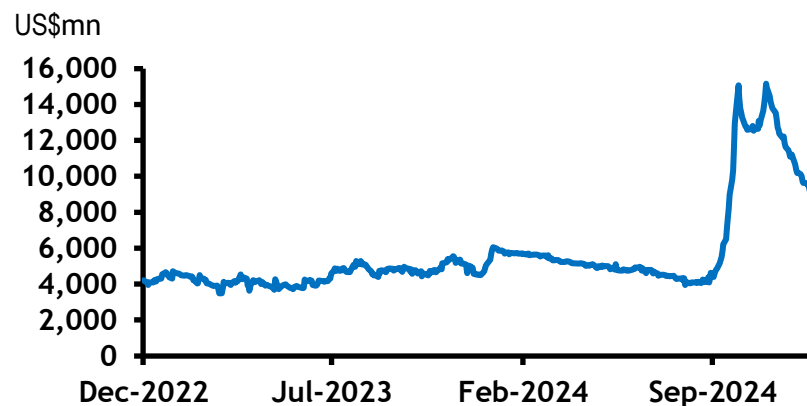
Source: BCRA and J.P. Morgan

Gross liquid reserves



Source: BCRA and J.P. Morgan

USD cash in banks



Source: BCRA and J.P. Morgan

Evolution of external payment capacity: Gross and liquid reserves recover

BCRA gross and net international reserves

US\$bn

	31-Dec-23	31-Jan-24	31-Mar-24	30-Jun-24	30-Sep-24	31-Oct-24	30-Nov-24	23-Dec-24
Gross int. reserves	23.1	27.6	27.1	29.0	27.2	28.6	30.2	32.7
Banks' USD RR at BCRA	9.1	9.8	8.9	8.3	10.6	12.5	13.5	14.3
USD financing from BIS	2.3	2.2	0.5	0.1	0.1	0.1	0.1	0.1
China Swap Line	18.3	18.3	18.0	17.8	18.5	18.3	18.0	17.8
Other liabilities	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9
Bopreal (next 12 mos amortizations)			1.5	2.0	2.2	2.3	2.4	2.4
Net BCRA reserves (estimation)	-8.6	-4.5	-3.7	-1.1	-6.2	-6.5	-5.7	-3.8
Gold holdings	4.1	4.1	4.3	4.6	5.2	5.4	5.3	5.2
BCRA's net reserves ex-gold	-12.7	-8.6	-8.0	-5.7	-11.5	-12.0	-11.0	-9.0
Gross Dollar liquid reserves*	-1.6	3.1	4.2	6.5	3.3	4.8	6.9	9.6

Source: BCRA and J.P. Morgan *Gross reserves ex. SDRs, gold, China Swap Line and BIS

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The REER continues trending lower with the current crawling peg policy

Reference REER values

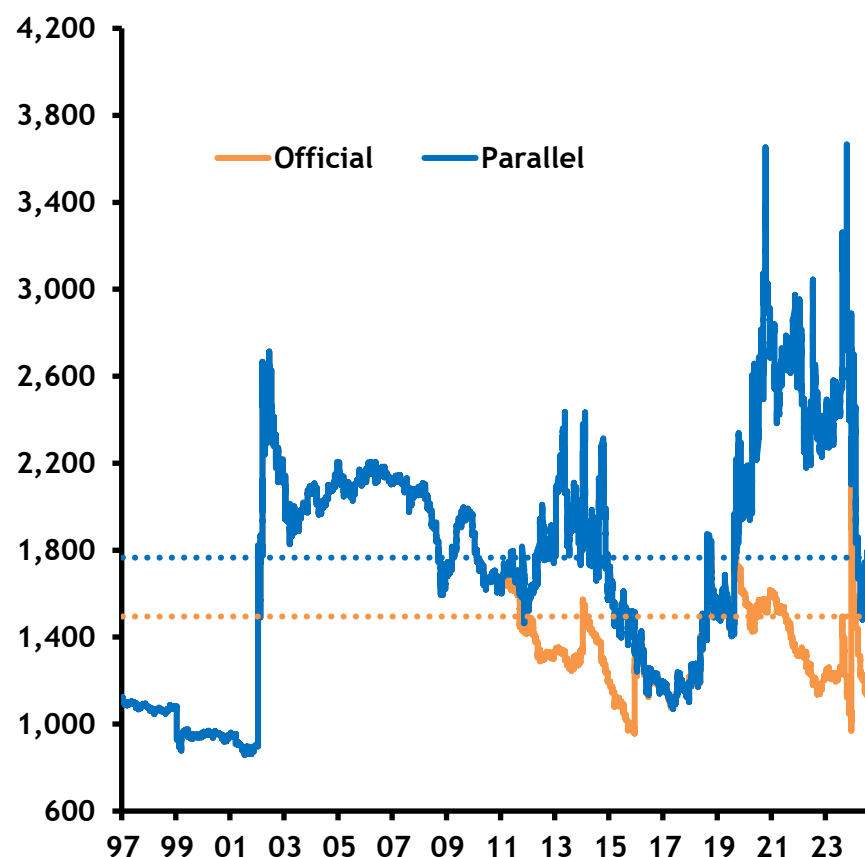
Real exchange rate at current prices, period average

	Official FX	Parallel FX
Current	1,020	1,122
Rodrigazo (peak)	4570	
"Tablita"	625	
Falkland Islands War	1766	3198
Eighties average (pre-hiper)	1916	1933
Hyperinflation (peak)	6383	
March 1991 (Convertibility Plan)	1069	
Convertibility average (1992-2001)	845	
Convertibility crisis (2002)	2481	
Nestor Kirchner (2003-2007)	1808	
CFK I (2008-2011)	1264	1278
CFK II (2012-2015, capital and FX controls)	949	1335
Mauricio Macri (2016-2019)	1124	1161
Pre-sudden stop	982	
Post-sudden stop	1330	1400
Alberto Fernandez (2020-2023)	1272	2378
Milei (overshooting Dec 23)	1404	2119
Milei (2024)	1175	1545

Source: BCRA and J.P. Morgan

Historical REER

Official and parallel FX rate at current prices

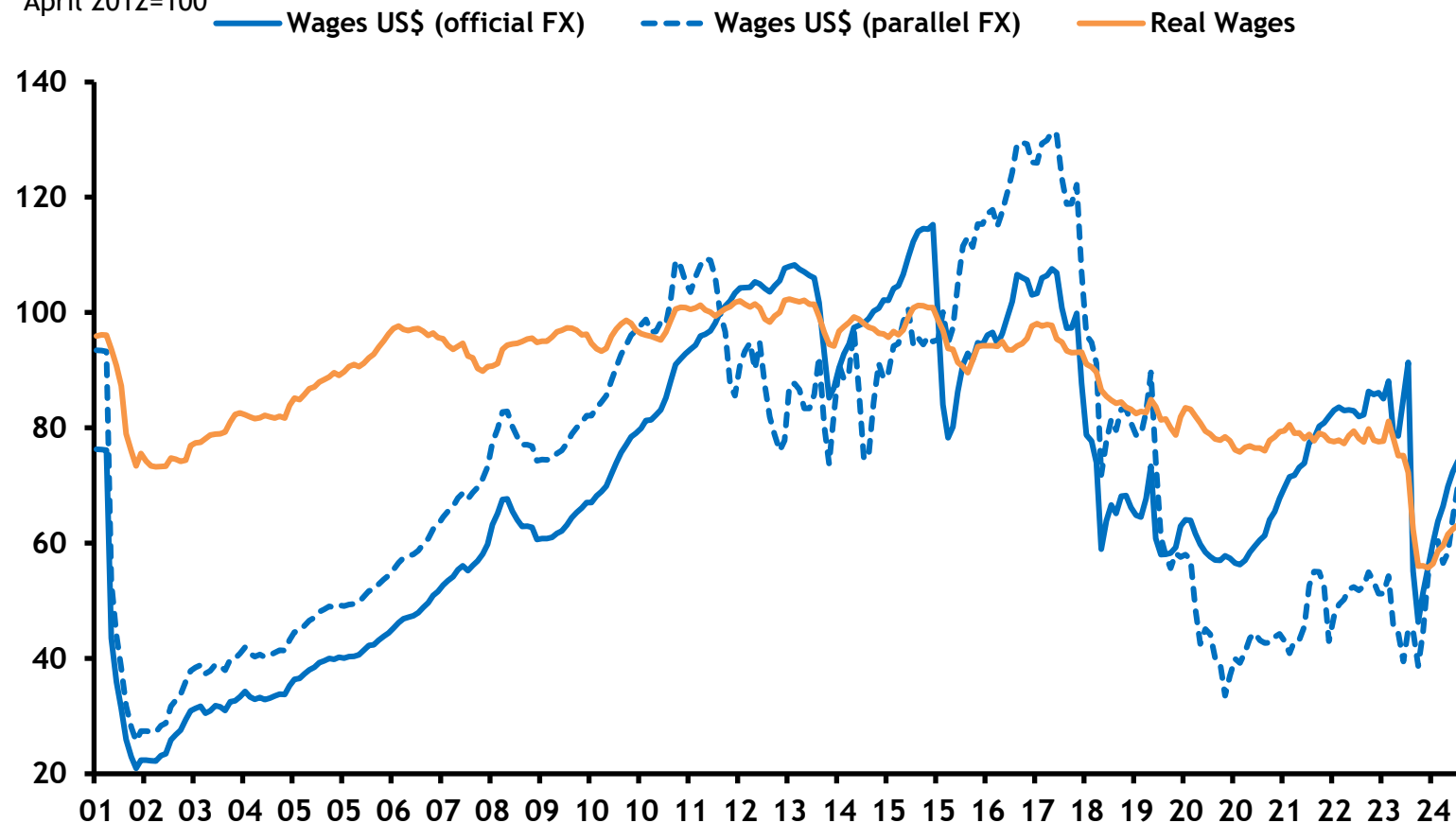


Source: BCRA and J.P. Morgan

Wages in USD jump from the lows

Wages in USD

April 2012=100

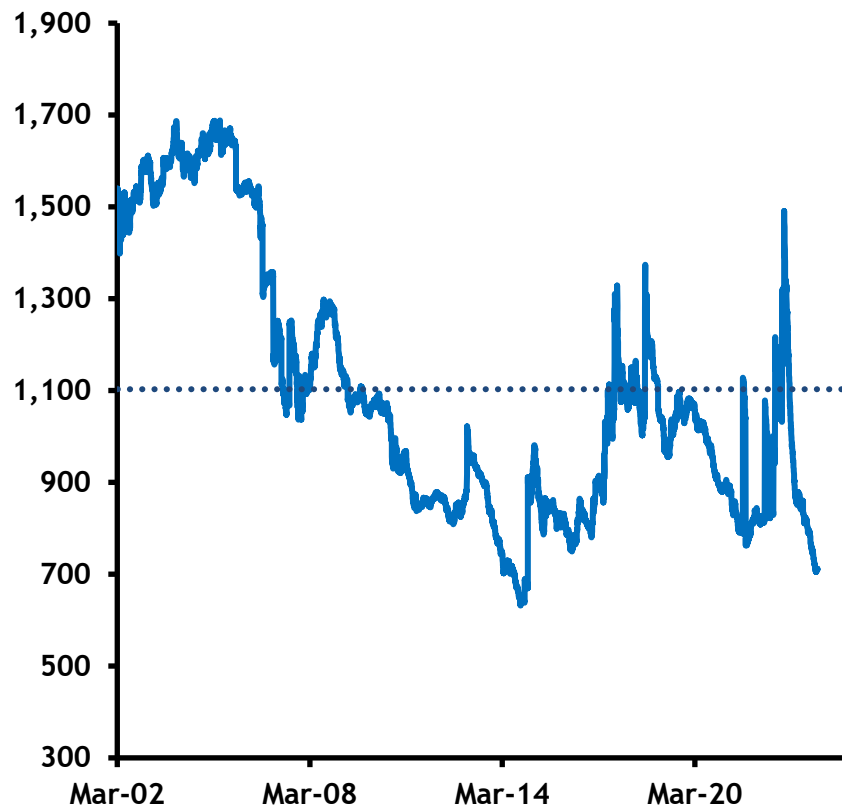


Source: INDEC and J.P. Morgan

2025: Soybean prices a drag, energy a tailwind

Historical soybean REER

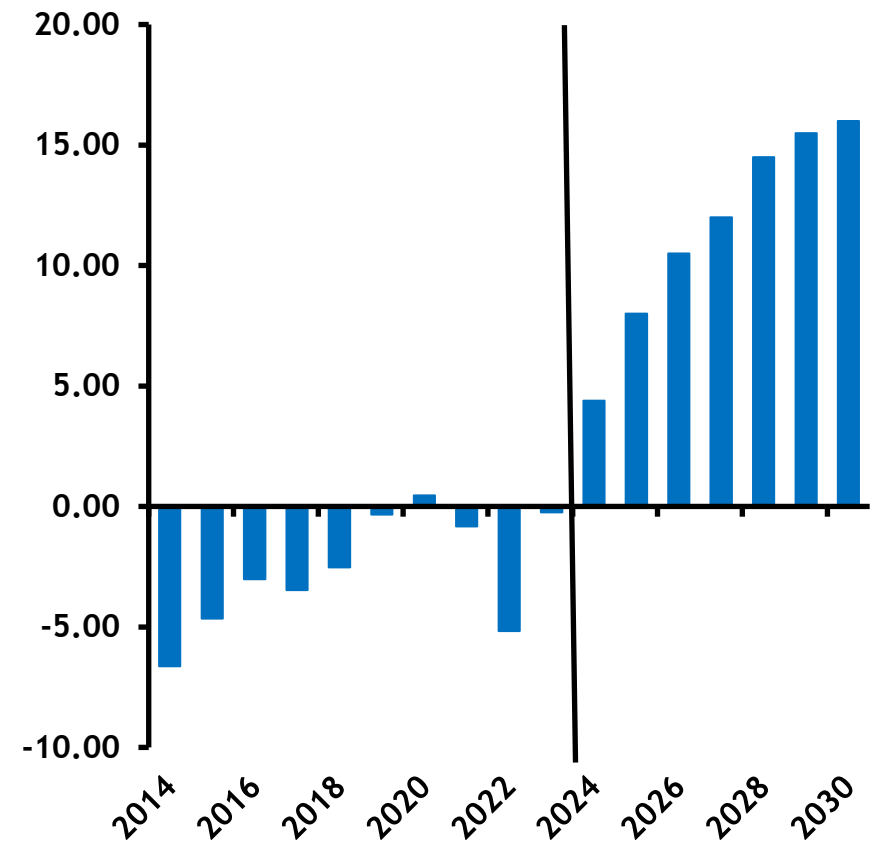
Exporters FX* - DEX, at current prices



Source: BCRA and J.P. Morgan *Exporters FX when in place

Projected energy trade balance

US\$bn



Source: J.P. Morgan

RIGI confirmed projects already amount to \$11.7bn

Confirmed RIGI projects

	Investor	Province	Amount (US\$mn)	% of GDP	Project description
1	PAE	Rio Negro	2900	0.52	Gas liquefaction vessel to export the hydrocarbon from Vaca Muerta. The total investment is US\$7 billion, but 70% will be used to rent the ship.
2	YPF, Pluspetrol, Vista, Chevron, Shell, PAE y Pampa	Rio Negro	3000	0.54	Vaca Muerta Sur oil pipeline project, promoted by YPF together with other oil companies. 70% of the amount, US\$1.8bn, would be provided via International Banks.
3	Minas Argentinas S.A.	San Juan	1000	0.18	Gold mining at the Gualcamayo field
4	Posco	Salta/Catamarca	1000	0.18	"Sal de oro" project to develop lithium carbonate production.
5	YPF Luz	Mendoza	220	0.04	Building of the first stage of the El Quemado solar park in Las Heras, Mendoza.
6	Galán Lithium	Catamarca	200	0.04	Expansion of the Hombre Muerto Oeste (HMW) Project, a mining development that seeks to produce high-quality lithium chloride, which will be converted into battery-grade lithium carbonate.
7	Sidersa	Buenos Aires	300	0.05	Construction of a steel plant.
8	Rio Tinto	Salta	2500	0.45	Rincón Project
9	Central Puerto y Banco Mundial	Jujuy	600	0.11	140km power transmission line to supply mining companies with renewable energy.
Total			11720	1.55	

Source: Local press and J.P.Morgan

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Net reserves to recover through 2027

BASE CASE

BCRA net international reserves evolution

USDbn	Nov-24	Dec-24	Forecasts		
			2025	2026	2027
Gross int. Reserves	30.2	32.7	36.3	40.8	46.8
Banks' USD RR at BCRA	13.5				
China Swap Line	18.0				
Bopreal and other	4.3				
Net int. reserves	-5.7	-4.2	-0.6	3.9	9.9
Net reserves chg		1.5	3.6	4.5	6.0
Current account		0.5	6.5	6.5	8.0
IMF net		0.0	0.0	0.0	0.0
Other IFIs , net		1.0	0.0	0.0	0.0
Market debt		0.0	-2.9	0.0	0.0
Parallel FX intervention		0.0	0.0	0.0	0.0
China swap debt payment		0.0	0.0	-2.0	-3.0
Bopreal amortization		-0.2	-2.0	-2.0	-2.0
Rest		0.0	2.0	2.0	3.0
Gross USD liquid reserves (ex-gold)	7.4	9.1	12.6	17.1	23.1
Gross USD liquid reserves (including gold)	12.8	14.5	18.0	22.5	28.5
Gross USD liquid reserves (including gold), under no market access	12.8	14.5	15.3	16.7	21.8

Source: J.P. Morgan

Zooming in on medium-term reserves accumulation

External Uses and Sources

Forecasts

	2024	2025	2026	2027
A. Current account	2.2	3.5	6.5	8.0
i. Merchandise (FOB-FOB)	19.4	16.0	19.0	20.0
Exports	67.8	83.0	87.0	90.0
Imports	48.5	67.0	65.0	67.0
ii. Services	-5.6	-5.5	-5.5	-5.5
iii. Income	-12.2	-8.6	-9.0	-8.5
Interests payments	-11.6	-8.3	-8.6	-8.1
iv. Other	0.5	1.6	2.0	2.0
B. Capital account	0.2	0.2	0.2	0.2
C. Financial account	3.1	-3.0	-8.9	-13.1
i. FDI inflow, net	1.3	2.5	4.0	5.0
ii. Portfolio flows	1.8	-5.5	-13.9	-19.1
1. Private Sector (net)	6.5	0.0	-3.0	-3.0
2. Public Sector (a+b+c+d+e)	-4.7	-5.5	-10.9	-16.1
a. Bonds, private sector, (in USD)	-1.0	-3.2	-5.8	-6.7
b. IMF	0.9	0.0	-1.1	-4.4
c. IFIs + bilateral credit	-4.0	0.0	0.0	0.0
d. BOPREAL*	-0.6	-2.3	-2.0	-2.0
e. China swap line	0.0	0.0	-2.0	-3.0
iii. Other investment	0.0	0.0	1.0	1.0
D. Change in net reserves (A+B+C)	5.3	0.7	-2.2	-4.9
E. Change in net reserves (Assuming IMF roll over and market access since 2H25)	-	3.6	4.5	6.0

Source: INDEC and J.P. Morgan

Assumptions:

GDP growth: 2024: -2.6%/y, 2025: 5.5%/y, 2026: 3%, 2027: 3.5%

Energy balance: 2024: US\$4.4bn surplus, 2025: US\$5bn, 2026: US\$7bn, 2027: US\$10bn

CIARA-CEC proceeds: 2024: US\$22bn, 2025: US\$27bn, 2026: US\$28bn, 2027: US\$28bn

Soybean prices at around US\$450 per ton (current level US\$380)

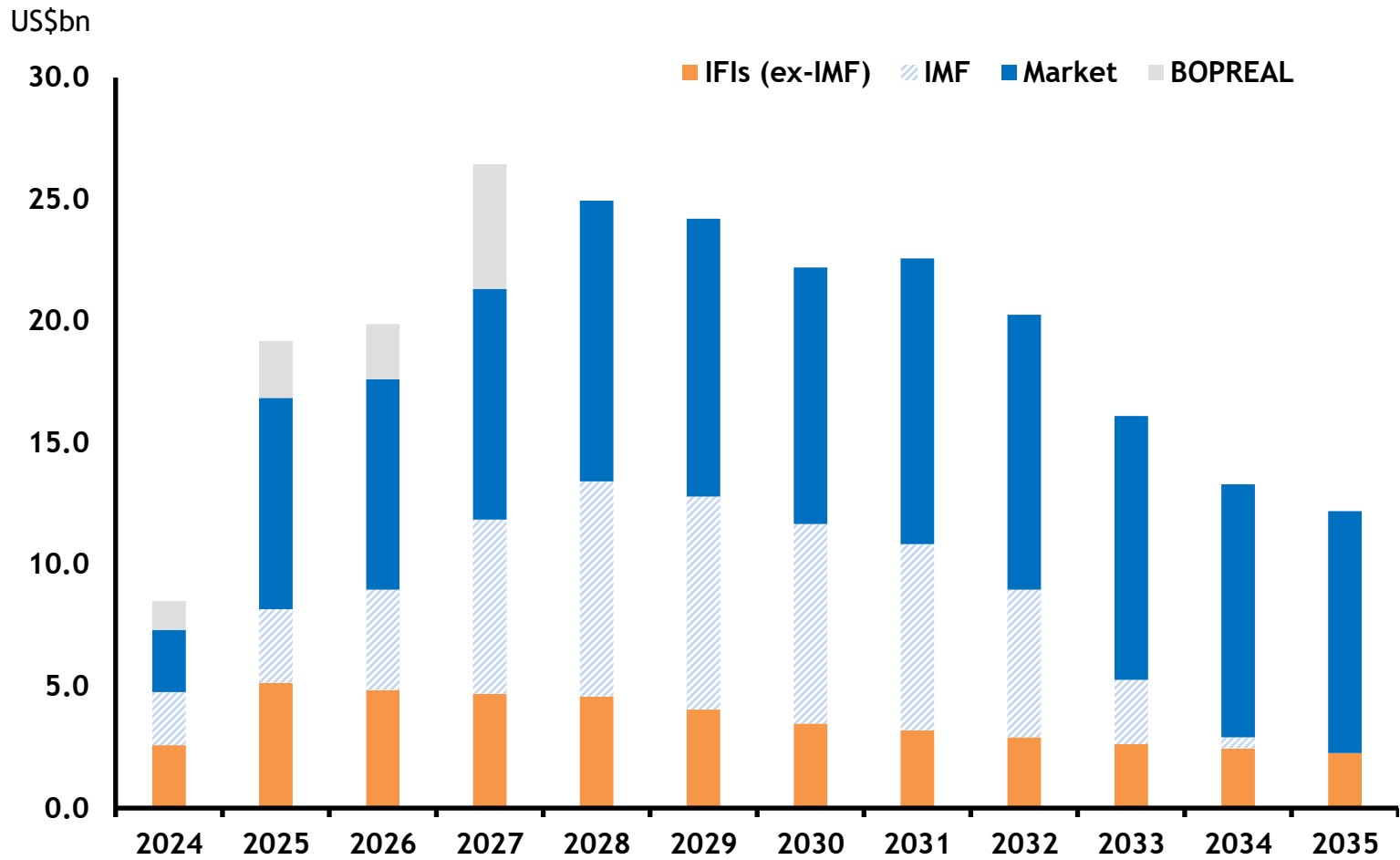
FX market unification (elimination of blend FX) by 1Q25

Market access by 2H25

For conservative purposes, we don't include new IMF or multilateral financing

Market access by end-2025 is paramount to secure stability

Hard Currency Debt Service



Treasury's financing program: Fiscal anchor and peso debt rollover remain key in 2025

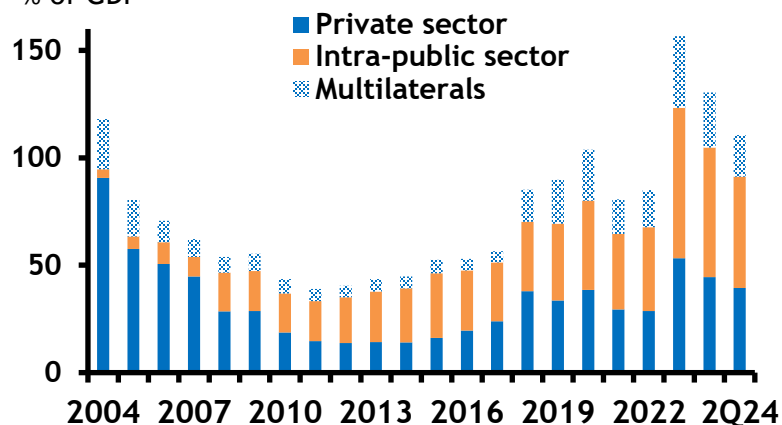
	2025f		
	ARSbn	\$bn	% GDP
<i>In local ccy</i>			
A1. Needs	115,435	101.3	14.6
i. Primary deficit	-11,000	-9.6	-1.4
ii. Interest payments	1,617	1.4	0.2
iii. Local currency debt amortizations	124,818	109.5	15.8
o/w private sector	71,699	62.9	9.1
o/w public sector	53,119	46.6	6.7
B1. Sources	130,318	114.3	16.5
iv. Excess financing from prior period	5,500	4.8	0.7
v. Debt issuance	124,818	109.5	15.8
vi. BCRA assistance	0	0.0	0.0
C1. Peso Gap	14,883	13.1	1.9
<i>In hard currency</i>			
A2. Needs	19,266	16.9	2.4
i. FX ints	9,462	8.3	1.2
ii. FX principal amortizations	9,804	8.6	1.2
o/w IFI	3,420	3.0	0.4
IMF	0	0.0	0.0
Other	3,420	3.0	0.4
o/w market	6,384	5.6	0.8
B2. Sources	6,270	5.5	0.8
iii. IFIs	0	0.0	0.0
o/w IMF	0	0.0	0.0
o/w Others	0	0.0	0.0
iv. Market	0	0.0	0.0
v. Deposits at BNY	1,710	1.5	0.9
vi. Deposits at BCRA in USD	4,560	4.0	2.3
C2. Dollar Gap	-12,996	-11.4	-1.6
Financial Gap, 100% peso rollover	1,887	2	0.2
Financial Gap, 85% peso rollover	-14,836	-13	-1.9

Source: Ministry of Economy and J.P. Morgan. *Nominal GDP 2025: ARS791bn.

Argentina's public sector debt stock

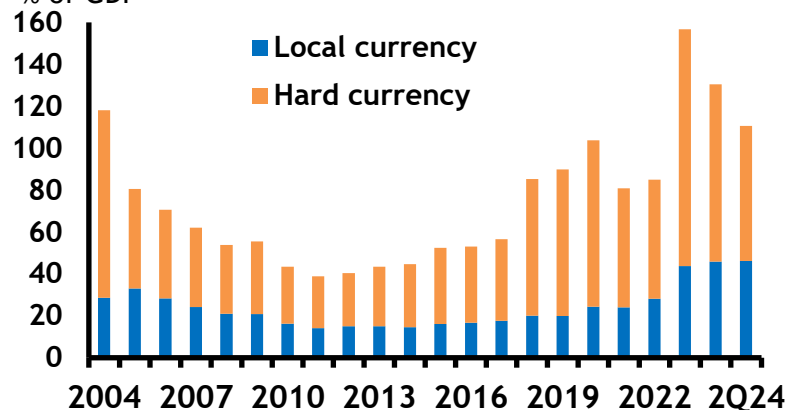
Debt stock by creditor

% of GDP *



Debt stock by currency

% of GDP



Public sector debt stock

Oct-24

	US\$bn	% of GDP
Federal Government Debt Stock	449.9	77.7
Excluding debt held by Public Sector	336.9	56.9
<i>Hard Currency Debt</i>	265	44.7
o/w IMF	42.2	7.1
o/w IFIs and Bilateral	36.6	6.2
o/w Market	105.7	17.9
o/w BCRA USD debt	10.8	1.8
o/w IOUs	69.2	11.7
<i>Domestic Currency Debt</i>	185.4	31.3
o/w Bonds and Bills	175.1	29.6
Other intra-public sector holdings		
o/w Liquidity Bills (LEFI)	10.3	1.7

Source: Ministry of Economy and J.P. Morgan *GDP is J.P Morgan 2024 estimate

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Argentina: Mid-term election

Table 1: Midterm election calendar

Month	Date	Event
May	15	Registration of electoral alliances
	25	Registration of lists
June	4	Start of the electoral campaign
	29	Start of the audiovisual campaign
July	6	City of BA legislative election
	9	Prohibition of public management acts
	26	Prohibition of publishing polls
August	3	Primaries, Open, Simultaneous, and Mandatory Elections
	27	Submission of candidate lists
	27	Start of the electoral campaign
September	21	Start of the audiovisual campaign
October	1	Prohibition of public management acts
	18	Prohibition of publishing polls

Source: J.P.Morgan

Senate

Party/Group	Current Senators	Seats at Risk
Unión por la Patria	14	6
La Libertad Avanza	6	0
PRO and Allies	9	2
Moderates	24	8
Opposition	33	8

Notes: Quorum 37; 1/3 24

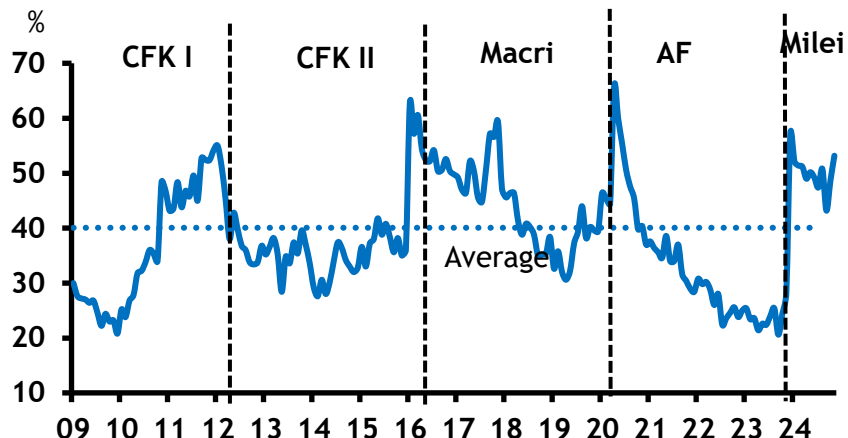
Deputies

Group/Party	Current Deputies	Seats at Risk
Opposition	104	47
La Libertad Avanza	39	8
Moderates	69	43
PRO and Allies	45	25

Notes: Quorum 129, 1/3 86

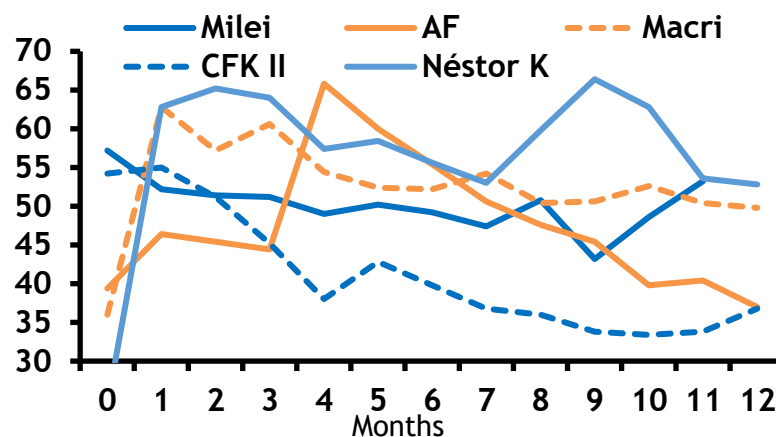
Argentina: Milei's approval rate has proved resilient to the domestic demand plunge, though polarization increases

Government Confidence Index



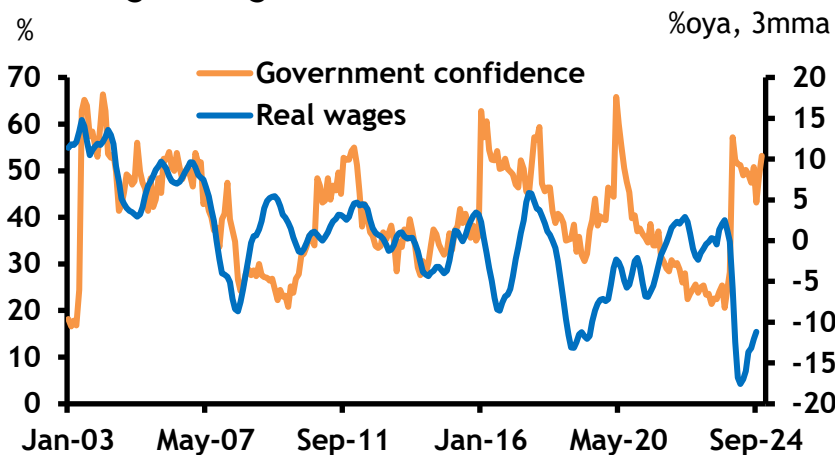
Source: Di Tella and J.P. Morgan

Government Confidence Index - Comparison



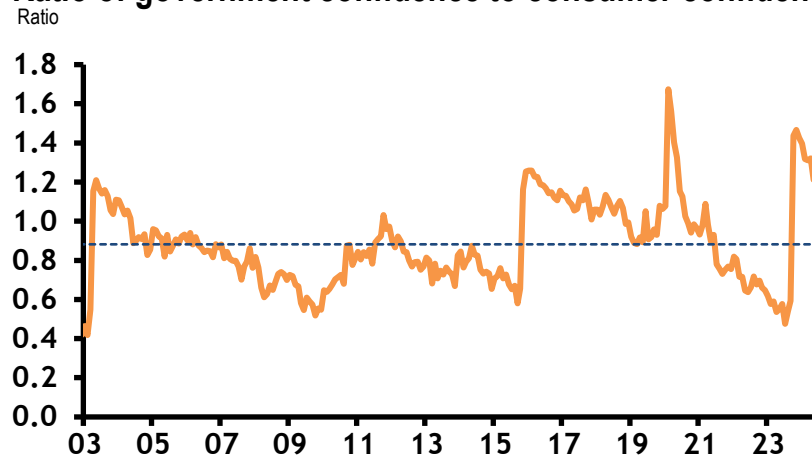
Source: Di Tella and J.P. Morgan

Real wages and government confidence



Source: INDEC, Ministry of Treasury and J.P. Morgan

Ratio of government confidence to consumer confidence



Source: Di Tella and J.P. Morgan

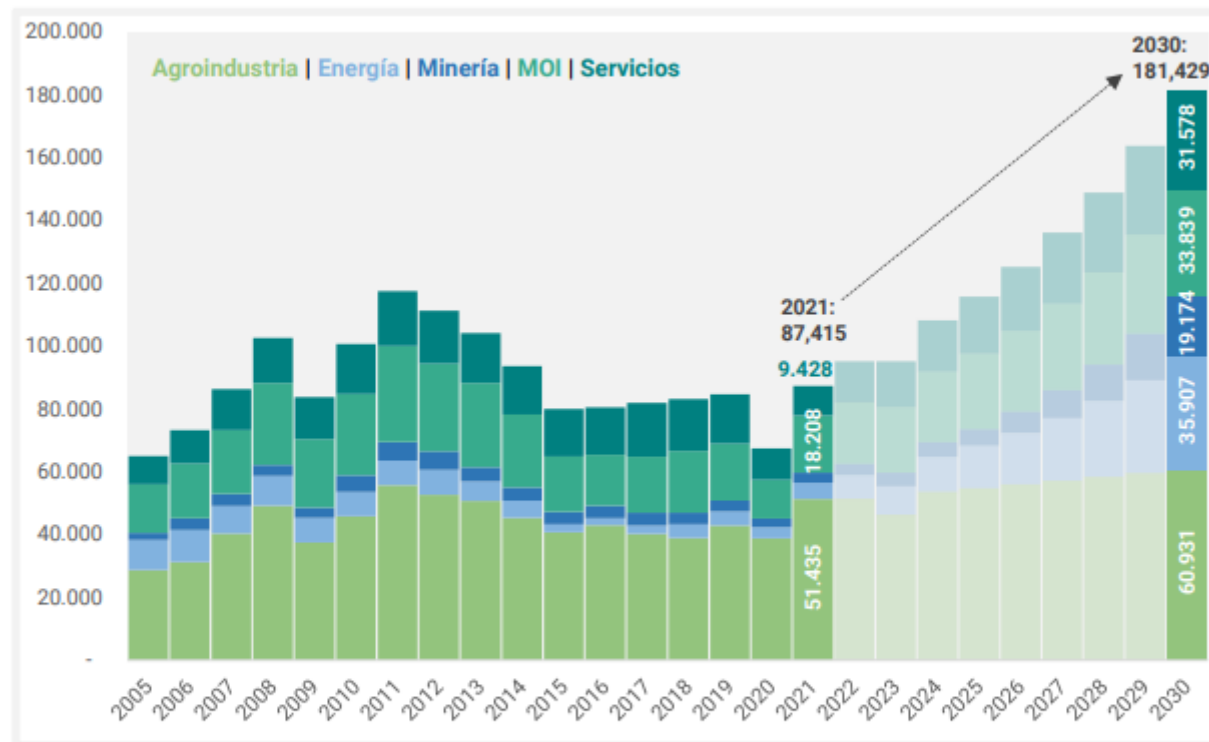
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The way ahead: Ripe opportunity to double exports to increase net domestic savings...

Goods and services exports 2030 projection

US\$mn, 2021 constant prices



Source: INDEC, Ministry of Production, Secretariat of Energy, Secretariat of Agriculture, OCDE-FAO, IEA

... mainly in the energy and mining sectors

Energy exports 2030 forecasts

US\$mn

Product	2021	2030 (f)	Exports increase
Oil	3,599	24,638	21,039
Gas	636	8,203	7,567
Green hydrogen	0	2,200	2,200
Rest*	866	866	0
Total	5,101	35,907	30,806

Source: Production Ministry , Programa Productivo 2030 *Electric energy

Mining exports 2030 forecasts

US\$mn

Product	2021	2030 (f)	Exports increase
Lithium	208	8,730	8,522
Metals	2,906	9,839	6,933
Rest*	129	605	476
Total	3,243	19,174	15,931

Source: Production Ministry *Potassium and non-metals

... with potential to also increase traditional exports (agro industry)

Agricultural exports 2030 forecasts

US\$mn

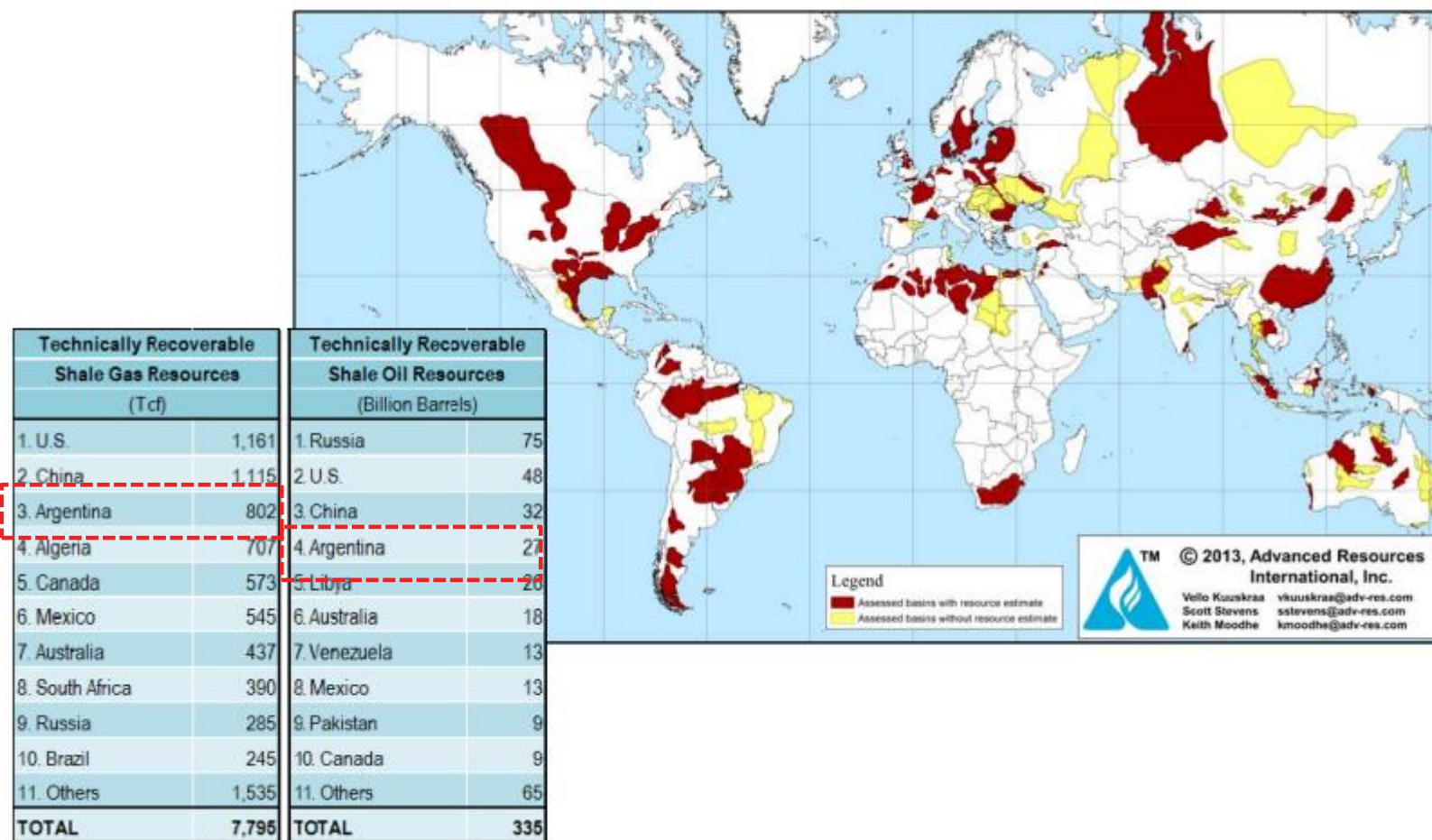
Product	2021	2030 (f)	Exports increase
Oilseeds	25,865	27,521	1,656
Soy beans	23,341	24,185	844
Sunflower	1,330	1,914	584
Peanut	1,027	1,072	45
Olive	167	350	183
Cereals	13,624	14,869	1,245
Corn	9,100	9,034	-66
Wheat	3,130	4,055	925
Barley	638	1,009	371
Sorghum	543	537	-6
Rice	213	234	21
Meat	3,527	6,912	3,385
Total	43,016	49,302	6,286

Source: Production Ministry

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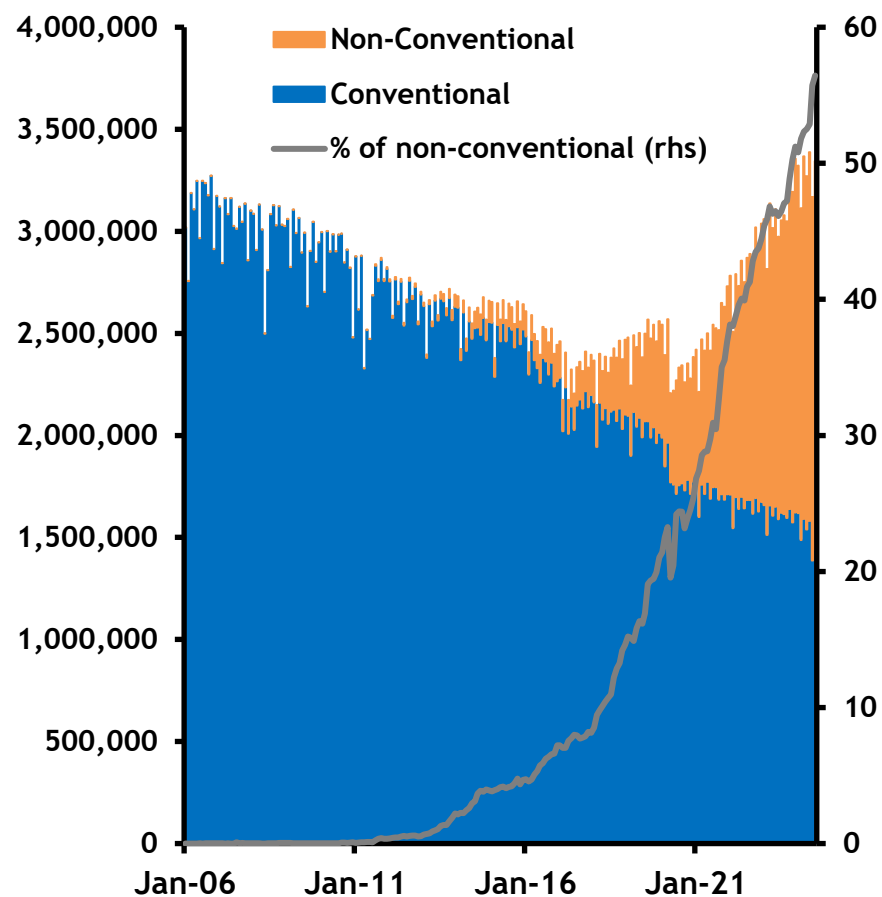
O&G: One of the largest reserves in the world



Source: Energy Information Administration (EIA), 2013.

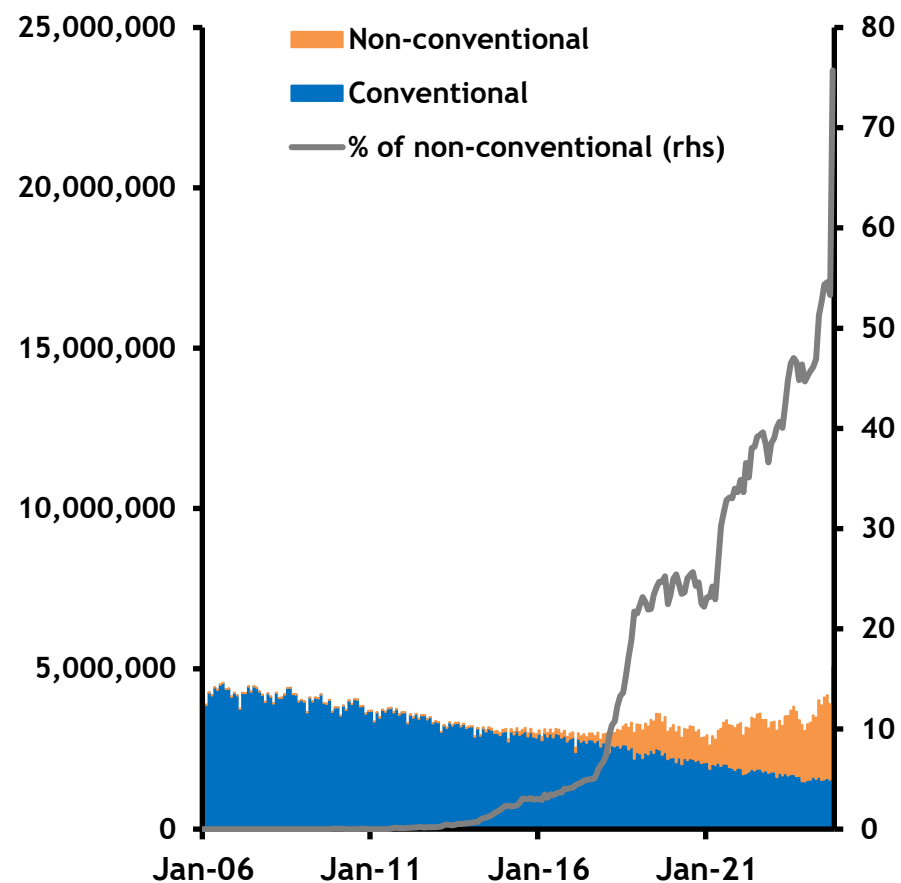
Oil and gas: Non-conventional oil and gas production has started to pick up

Oil production



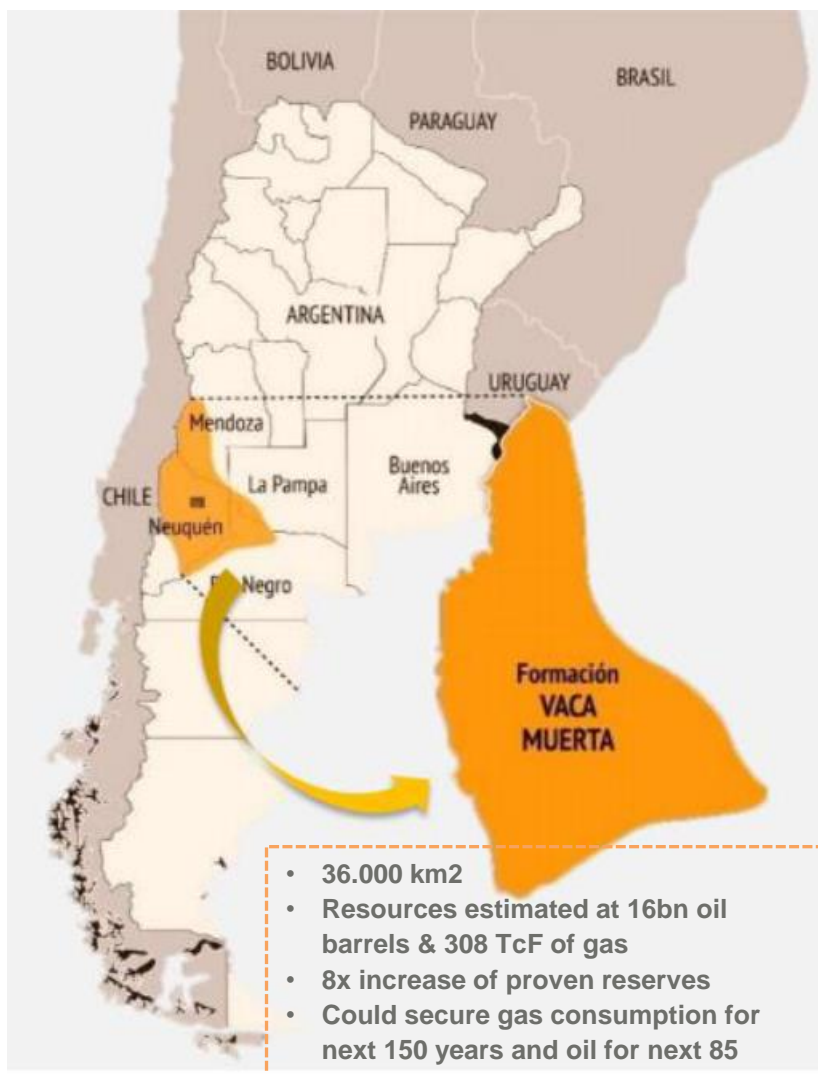
Source: Secretary of Energy and J.P. Morgan

Gas production



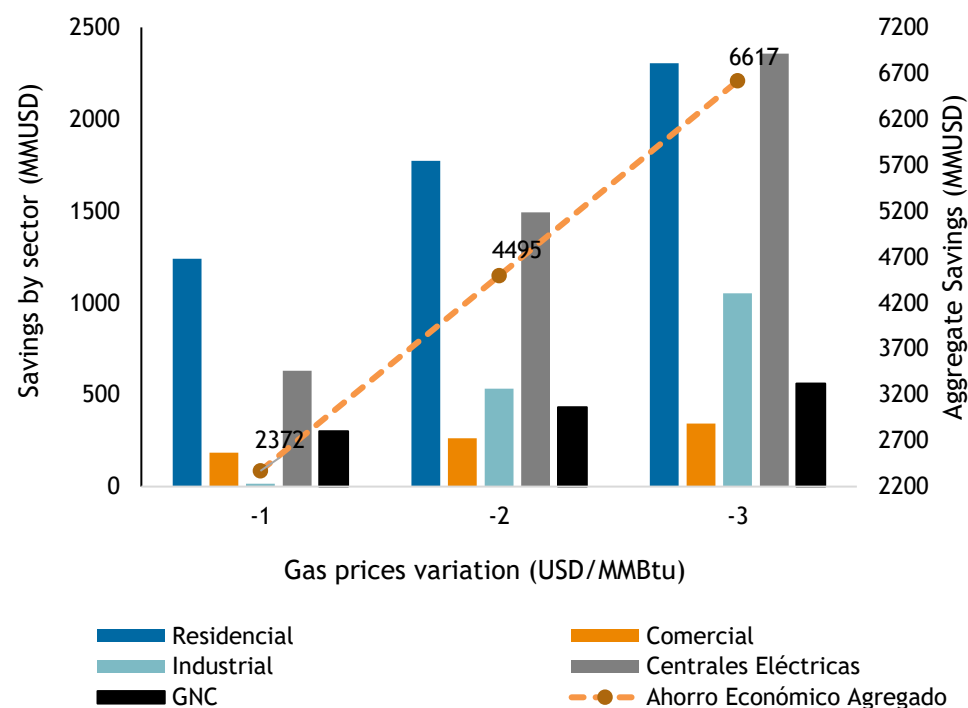
Source: Secretary of Energy and J.P. Morgan

Vaca Muerta potential



Source: ENARGAS

Vaca Muerta: Potential economic savings



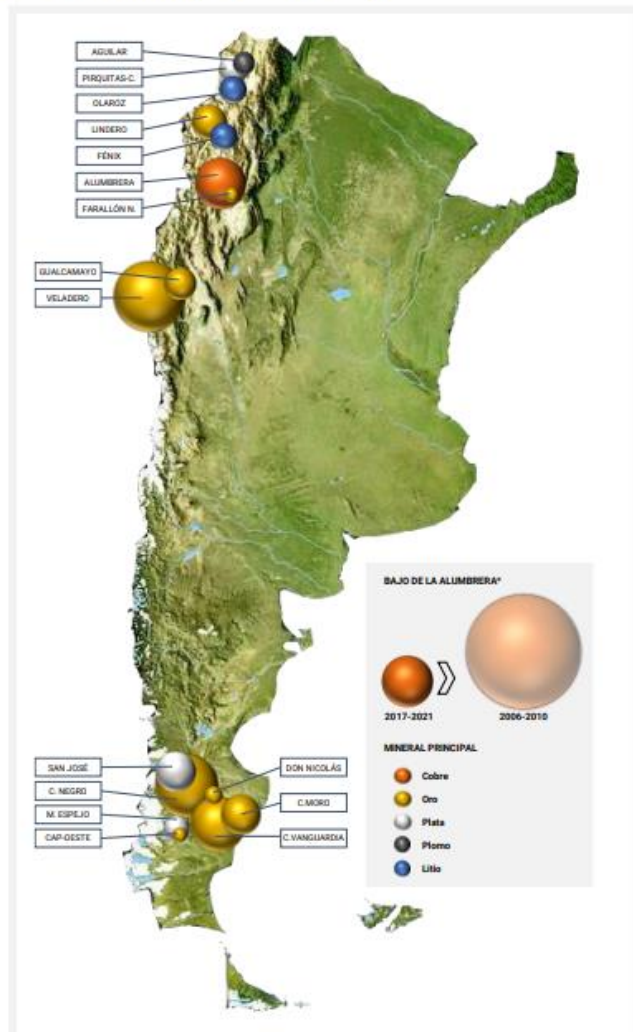
Source: Production Ministry

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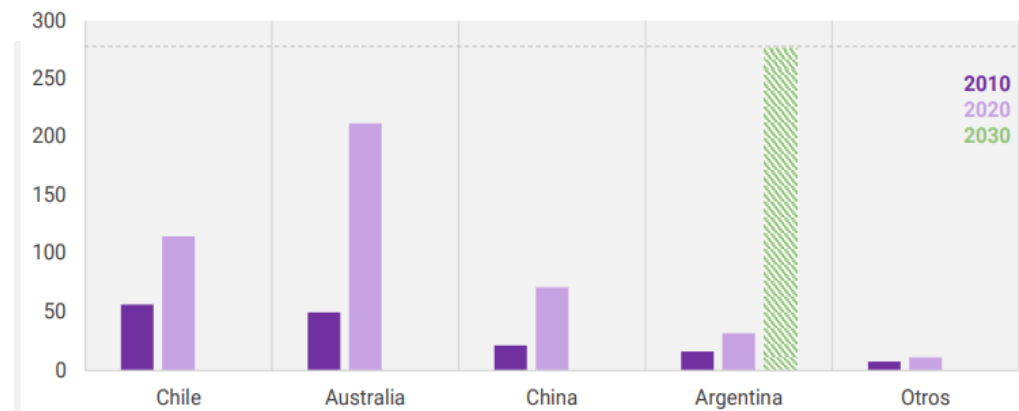
Mining: A sector with huge potential



Source: USGS (2021)

Global lithium production

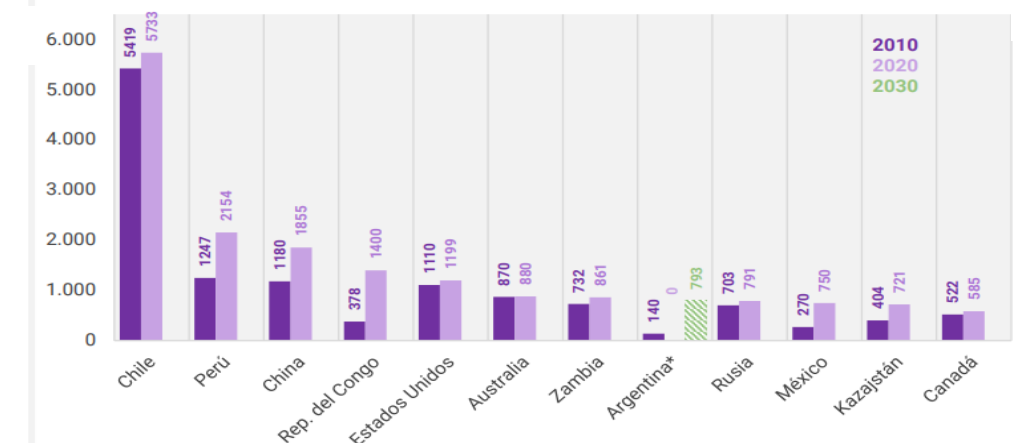
mn of tce



Source: USGS (2021)

Global copper production

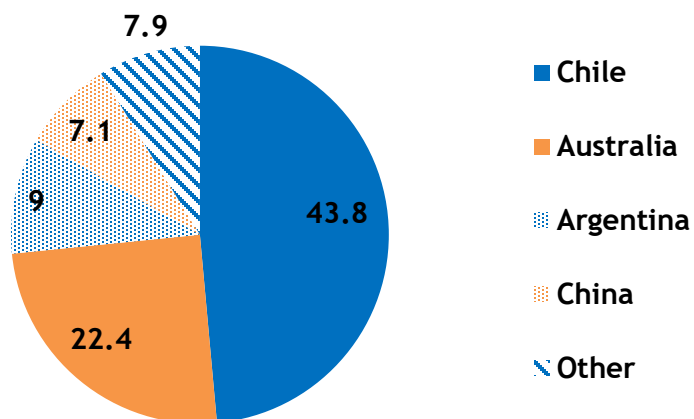
mn of tons



Source: USGS (2021)

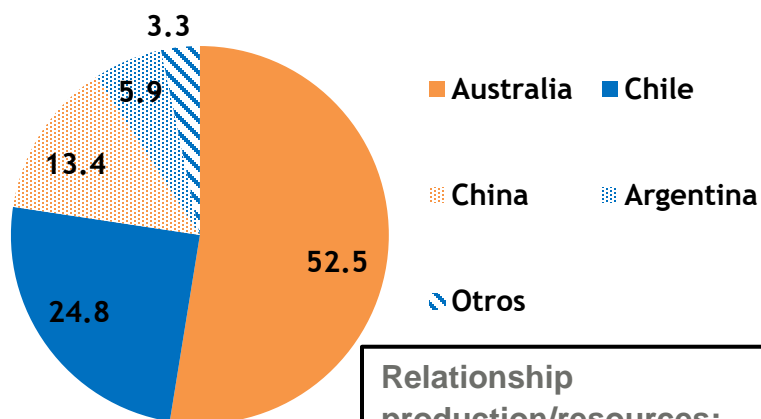
Zooming into lithium

Lithium reserves



Source: USGS and J.P. Morgan

Lithium production



Source: USGS and J.P. Morgan

Relationship production/resources:

- Chile: 0.27%
- Argentina: 0.33%
- Australia: 0.75%



CAPEX
7,607.6e M USD*



IDENTIFICABLE RESOURCES
106.5 Mt



POTENCIAL PRODUCTION
LCE 291,000 tn/year

6

CONSTRUCTION

- 1 - CAUCHARI | OLAROS
- 2 - CENTENARIO | RATONES
- 3 - MARIANA
- 4 - SAL DE ORO
- 5 - SAL DE VIDA
- 6 - TRES QUEBRADAS

2

FEASIBILITY (FS)

- 7 - PASTOS GRANDES
- 8 - SALAR DEL RINCÓN

20

ADVANCED EXPLORATION

- 17 - ANCASTI
- 18 - ANTOFALLA NORTE
- 19 - ARIZARO
- 20 - GALLEGO
- 21 - INCAHUASI
- 22 - KARACHI SALAR ESCONDIDO
- 23 - LAGUNA VERDE
- 24 - LOS SAPITOS
- 24 - MINA SISIFO - MINA PATILLA
- 26 - PULAR
- 27 - RÍO GRANDE
- 28 - SAL DE LA PUNA
- 29 - SAL DE LOS ÁNGELES
- 30 - SALAR DE ANTOFALLA | A XIII Y BOLLAND VI
- 31 - SALAR DE ARIZARO (1)
- 32 - SALAR DE ARIZARO (2)
- 33 - SALAR TOLLILLAR
- 34 - SALINAS GRANDES
- 35 - SINCERA
- 36 - VIRGEN DEL VALLE LITIO

3

PREFEASIBILITY

- 9 - CAUCHARI
- 10 - KACHI
- 11 - SALAR DE CAUCHARI

5

PEA (Preliminary Economic Assessments)

- 12 - CANDELAS
- 13 - HOMBRE MUERTO NORTE
- 14 - HOMBRE MUERTO OESTE
- 15 - POZUELOS (PPG)
- 16 - RINCÓN

* Mt: millions of tons - m3: cubic meters - Mm3: million cubic meters - Moz: million of ounces kt: thousands of tons - koz: thousand of ounces
M USD: Million of dollars - e: Estimated
* This CAPEX estimated number includes projects in different stages of progress that are not described in this portfolio.

Source: USGS and J.P. Morgan

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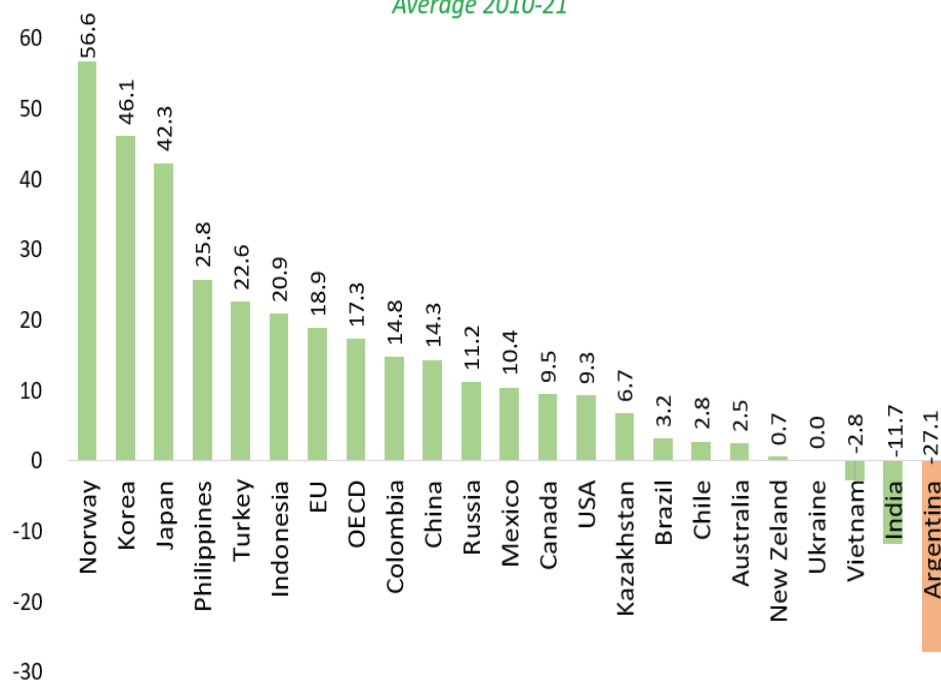
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An opportunity to expand the agro sector potential by improving incentives

Producer support estimate (%PSE)

mn of tons

Average 2010-21

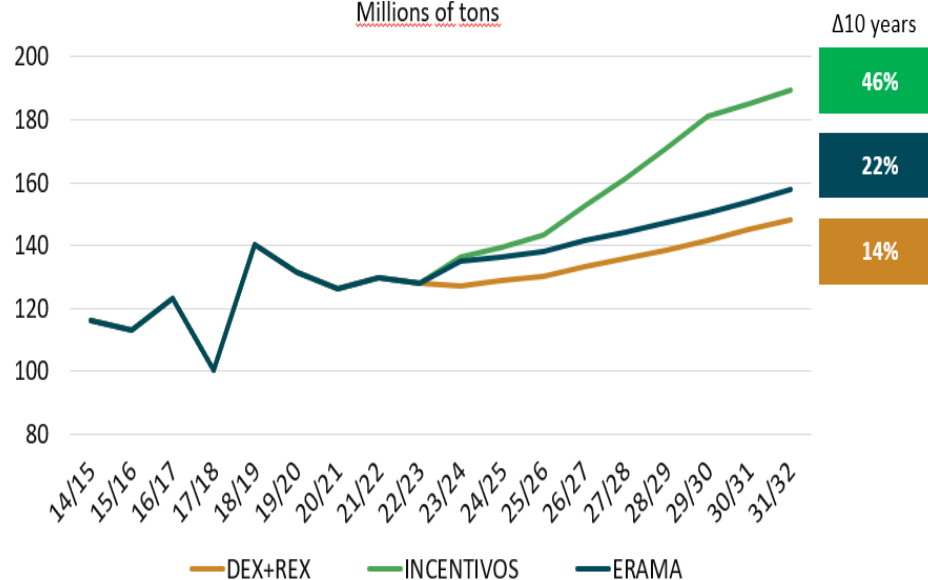


Source: Grain Stock Exchange and J.P. Morgan

Crop Production in Argentina at 2031/32

mn of tons

Millions of tons



Source: Grain Stock Exchange and J.P. Morgan

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Services also matter: Tourism and the knowledge economy

Services exports 2030 forecasts

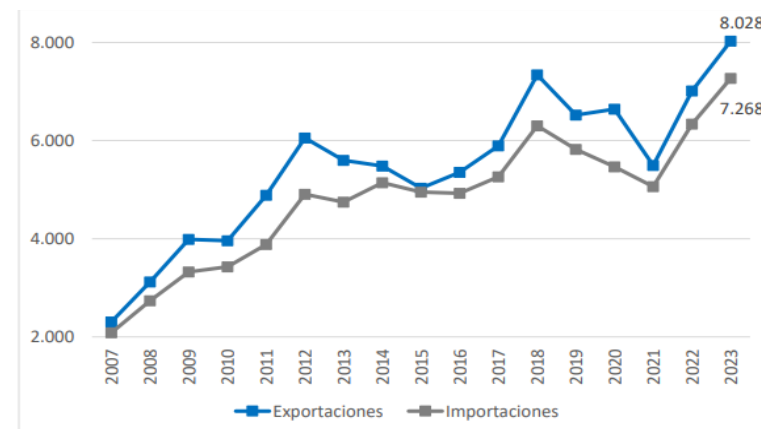
US\$m

Product	2021	2030 (f)	Exports increase
Turism	445	9,048	8,603
Knowledge	6,690	18,000	11,310
Rest*	2,293	4,530	2,237
Total	9,428	31,578	22,150

Source: Production Ministry *Mostly merchandised transportation

Knowledge services exports and imports

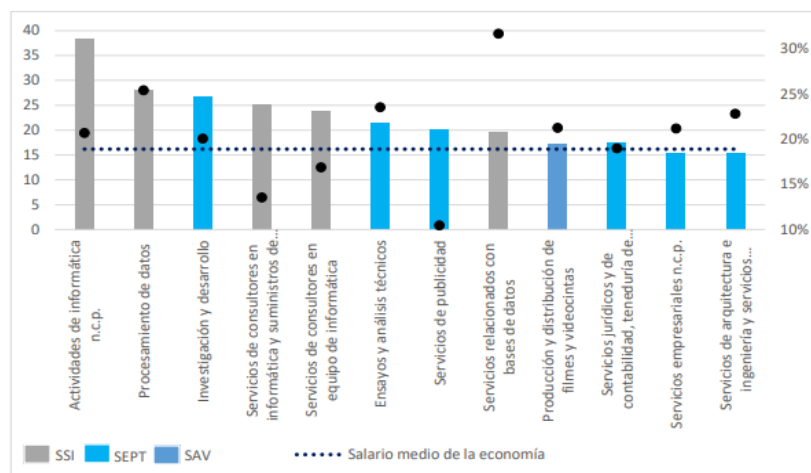
US\$m



Source: OEC and INDEC

Knowledge sector remuneration

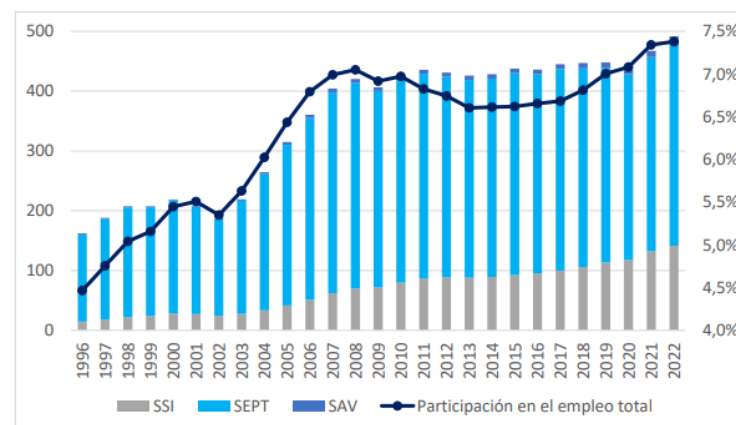
US\$ thousand



Source: OEC and INDEC

Knowledge sector formal employment

Thousand people



Source: OEC and INDEC

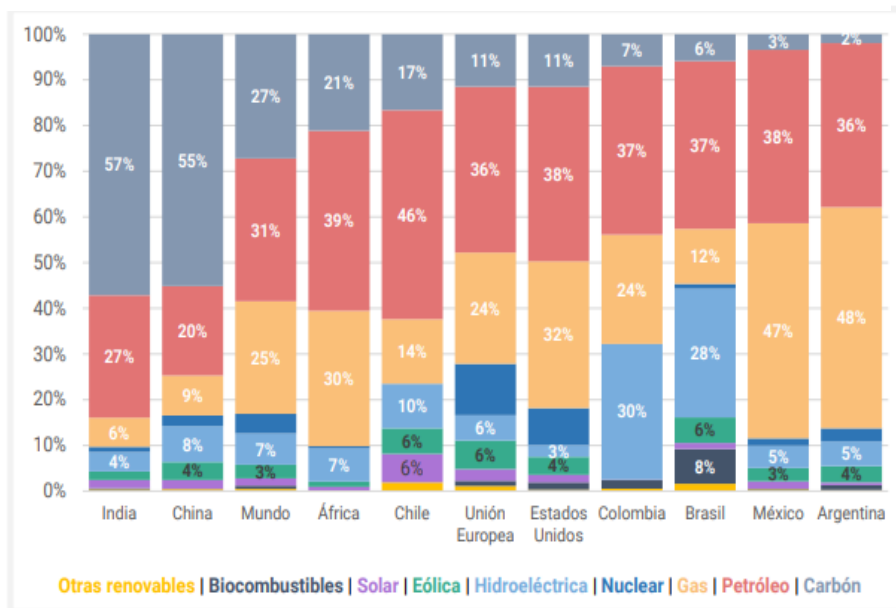
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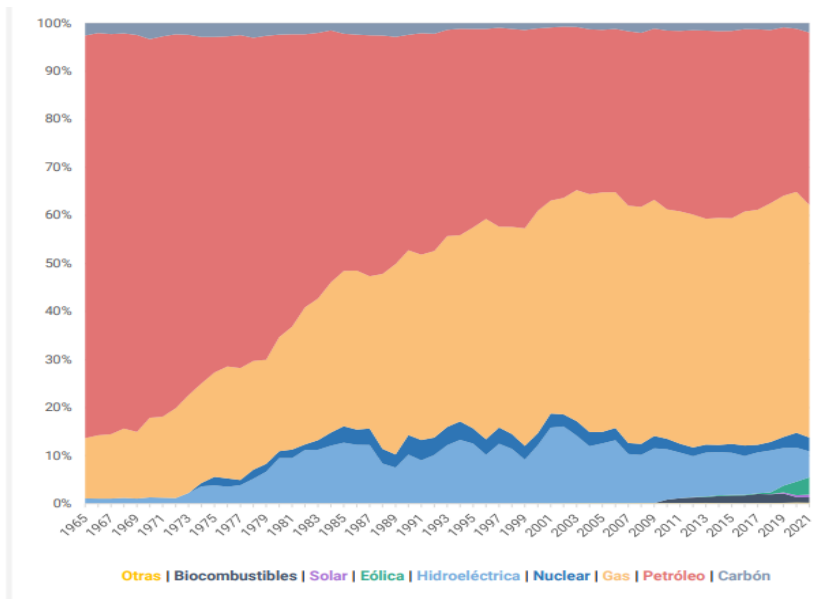
Where do we stand on the green energy transition?

Energetic matrix composition



Source: BP Statistical Review of World Energy

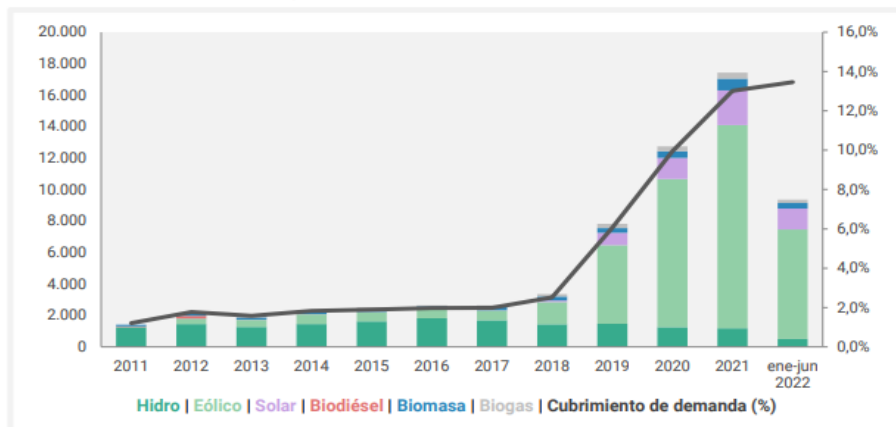
Argentina Energetic matrix composition



Source: BP Statistical Review of World Energy

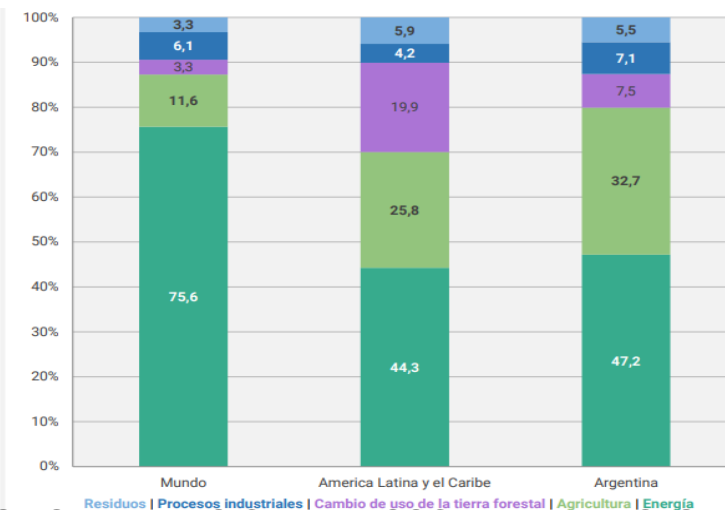
Renewable energy generation

PORCENTAJE, EJE DERECHO), 2011-2021



Source: Ministry of Production and Secretariat of Energy

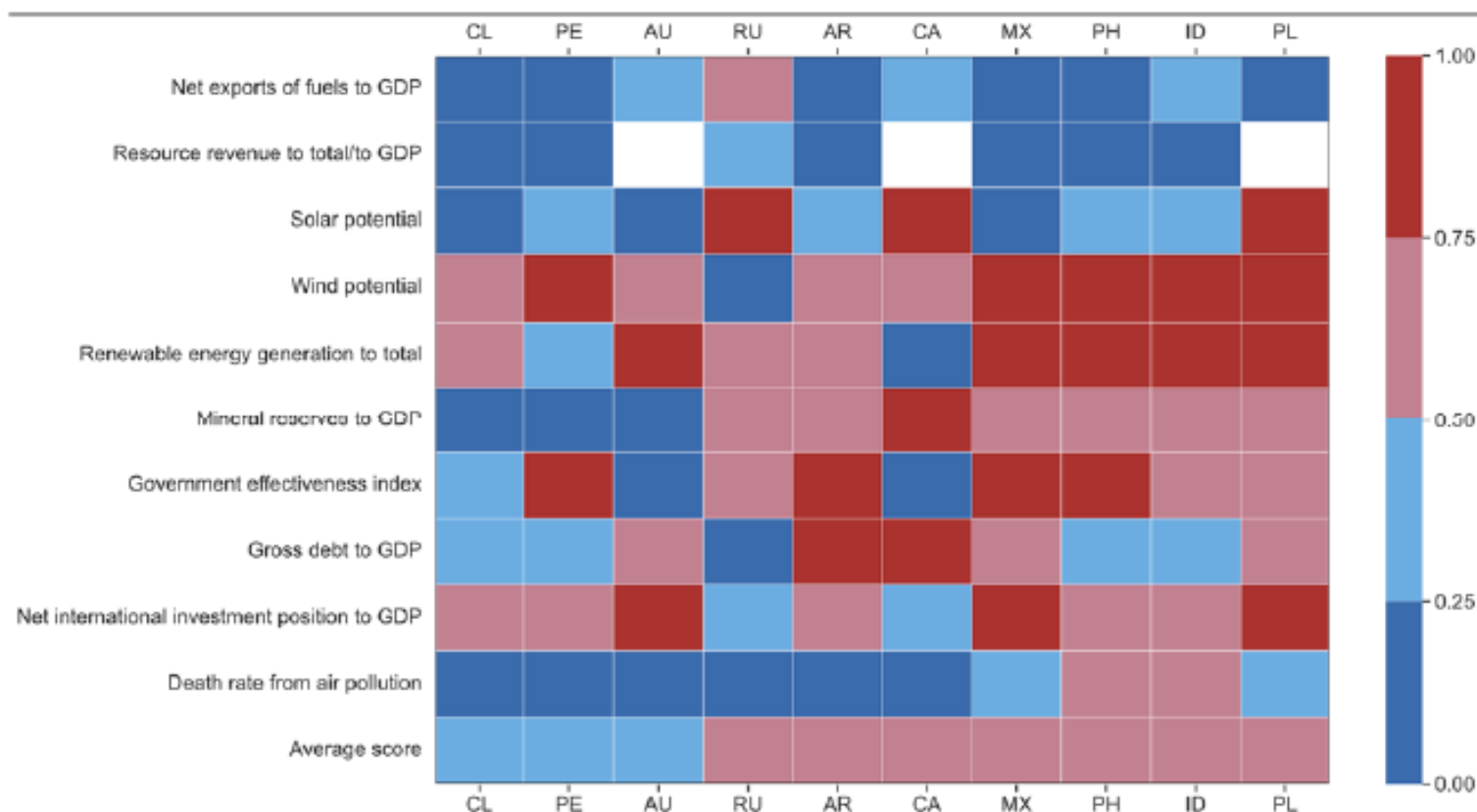
GHG emission (2019)



Source: Ministry of Production and Secretariat of Energy

The energy transition and its macroeconomic effects

Energy transition commodities exporters' relative exposure to the transition



The data are normalised such that 1 indicates the maximum degree of vulnerability, while zero represents the lowest degree of vulnerability. The normalisation via the min-max technique has been reversed arbitrarily for certain variables in order to provide a homogenous interpretation to the colours and values. The sample used for the min-max normalisation comprises the countries of BIS members. Blank cells refer to missing data.

Sources: World Bank; IMF; Datastream; Solargis; ESMAP; Trucost; USGS; BIS; authors' calculations.

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