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ARGENTINA

February 2024

SEVENTH REVIEW UNDER THE EXTENDED ARRANGEMENT UNDER THE EXTENDED FUND FACILITY, REQUESTS FOR REPHASING OF ACCESS, EXTENSION OF THE ARRANGEMENT, WAIVERS OF NONOBSERVANCE OF PERFORMANCE CRITERIA, MODIFICATION OF PERFORMANCE CRITERIA, AND FINANCING ASSURANCES REVIEW—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR ARGENTINA

In the context of the Seventh Review Under the Extended Arrangement Under the Extended Fund Facility, Requests for Rephasing of Access, Extension of the Arrangement, Waivers of Nonobservance of Performance Criteria, Modification of Performance Criteria, and Financing Assurances Review, the following documents have been released and are included in this package:

- A **Press Release** including a statement by the Chair of the Executive Board.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on January 31, 2024, following discussions that ended in January 2024, with the officials of Argentina on economic developments and policies underpinning the IMF arrangement under the Extended Arrangement Under the Extended Fund Facility. Based on information available at the time of these discussions, the staff report was completed on January 18, 2024.
- A **Staff Supplement,** updating information on recent developments, **and Supplementary Letter of Intent.**
- A **Statement by the Executive Director** for Argentina.

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

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PRESS RELEASE

PR24/31

IMF Executive Board Completes the Seventh Review of the Extended Arrangement Under the Extended Fund Facility for Argentina

FOR IMMEDIATE RELEASE

- The Executive Board's decision enables an immediate disbursement of around US$4.7 billion (or SDR3.5 billion) to support the new authorities' strong policy efforts to restore macroeconomic stability and bring the program back on track.
- An ambitious stabilization plan is being implemented to correct severe policy slippages in the final quarters of 2023. The plan is centered on the establishment of a strong fiscal anchor along with policies to durably bring down inflation, rebuild reserves, and tackle distortions and long-standing impediments to growth.
- The path to stabilization will be challenging, requiring steadfast policy implementation and agile policymaking. Clear communication and well-targeted social assistance will be critical to build social and political support for the program.

Washington, DC – January 31, 2024: The Executive Board of the International Monetary Fund (IMF) completed today the seventh review of the extended arrangement under the Extended Fund Facility (EFF) for Argentina. The Board's decision enables an immediate disbursement of around US$4.7 billion (or SDR3.5 billion) to support the authorities' upfront policy efforts and strong commitments to restore macroeconomic stability and help Argentina meet its balance of payments needs. This brings total disbursements under the arrangement to about US$ 40.6 billion[1].

In completing the review, the Executive Board assessed that key program targets through end-December 2023 were missed by large margins due to severe policy setbacks, requiring the approval of waivers of nonobservance. The Board approved waivers of non-observance associated with the introduction of temporary measures that gave rise to the introduction or intensification of exchange restrictions and multiple currency practices. In addition, program targets were modified, in line with the authorities' initial actions and ambitious plans to bring the program back on track, and restore macroeconomic stability while protecting the most vulnerable. The Board also approved an extension of the arrangement through December 31, 2024, along with some rephasing of planned disbursements within the existing envelope of the program.

At the conclusion of the Executive Board's discussion, Ms. Kristalina Georgieva, Managing Director and Chair made the following statement:

"Following completion of the last reviews, Argentina's already large imbalances and distortions grew more acute, and the program went significantly off track, reflecting the inconsistent policies of the previous government. Amidst this difficult inheritance—elevated and rising

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[1] Argentina's 30-month EFF arrangement, with access of SDR 31.914 billion (equivalent to around US$44 billion, or about 1000 percent of quota), was approved on March 25, 2022 (see Press Release No. 22/89).

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inflation, depleted reserves, and high poverty levels—the new administration is taking bold actions to restore macroeconomic stability and begin to address long-standing impediments to growth. These initial actions averted a balance of payments crisis, although the path to stabilization will be challenging.

“The agreed ambitious stabilization plan is centered on the establishment of a strong fiscal anchor that ends all central bank financing of the government. The achievement of a primary fiscal surplus of about 2 percent of GDP this year will be underpinned by a combination of temporary import-related taxes and the strengthening of fuel taxes, alongside efforts to streamline energy and transport subsidies, administrative costs, and lower-priority discretionary spending. Social assistance is also being reinforced to support the most vulnerable and safeguard the real value of pensions. Over time, higher-quality fiscal measures are envisaged to deliver structural improvements in revenue and spending and secure consolidation and more equitable burden sharing.

“Following the exchange rate realignment, FX policy should continue to secure reserve accumulation goals. Important steps are being taken to address the large commercial debt overhang and create a more transparent and rules-based system to import. In addition, the authorities are committed to eliminate remaining distortive exchange restrictions and multiple currency practices in the near term, and to develop plans for gradually unwinding capital flow management measures, as conditions permit.

“The monetary policy stance should evolve to support money demand and disinflation while the monetary policy framework and operations will be adjusted to strengthen its anchoring role. Further strengthening the central bank’s balance sheet remains a priority.

“Efforts are underway to correct large and extensive relative price misalignments, reform the energy sector, and create a simpler, rules-based, and market-oriented economy. Barriers to growth, formal employment, and trade are being addressed, while a more predictable regulatory framework is envisaged to boost investment and unlock Argentina’s energy and mining potential.

“Agile policymaking and contingency planning will be essential, and further measures may be needed to secure program objectives and durably restore stability. Clear communication and well-targeted social assistance remain imperative, as well as continued efforts to build social and political support for the program.”

INTERNATIONAL MONETARY FUND

ARGENTINA

January 18, 2024

SEVENTH REVIEW UNDER THE EXTENDED ARRANGEMENT UNDER THE EXTENDED FUND FACILITY, REQUESTS FOR REPHASING OF ACCESS, EXTENSION OF THE ARRANGEMENT, WAIVERS OF NONOBSERVANCE OF PERFORMANCE CRITERIA, MODIFICATION OF PERFORMANCE CRITERIA, AND FINANCING ASSURANCES REVIEW

EXECUTIVE SUMMARY

Context. Since completion of the last reviews, Argentina's imbalances and distortions have become dangerously acute, while the program has gone significantly off-track, reflecting highly expansionary and inconsistent policies of the previous administration. The fiscal deficit rose further, international reserves were depleted and reliance on interventionist measures intensified, leading to triple digit inflation, a further deterioration of the central bank's balance sheet and a sharp rise in importers' commercial debt. The new administration has begun to take bold actions to restore macroeconomic stability and address many of the long-standing impediments to growth and investment. These initial actions are starting to bear fruit, although the path to stability will be challenging. Efforts are underway to build the social and political support for the stabilization plan, with a divided Congress and a fragile social situation presenting important implementation challenges.

Program performance. Key performance criteria, including for the fiscal primary balance and net international reserves, were missed by large margins, on account of policy setbacks which ran counter to program commitments. In the absence of the necessary macroeconomic adjustment, central bank interventions in various markets intensified, along with increasing reliance on FX distortions, multiple currency practices (MCPs) and exchange restrictions. Meanwhile, progress on the limited structural agenda halted.

A new stabilization program. Against the backdrop of an exceptionally challenging economic and social situation, the new authorities have developed and are implementing an ambitious stabilization plan. The plan is centered on the establishment of a strong fiscal anchor (consistent with a large upfront adjustment

of around 5 percentage points of GDP), along with key actions to rebuild reserves, boost the trade balance (to achieve twin surpluses), correct large and extensive relative price misalignments, strengthen the central bank's balance sheet, and create a simpler, rules-based, and market-oriented economy. It also envisages the scaling up of social assistance to protect the most vulnerable. An Emergency Decree has been issued and an Omnibus bill has been submitted to Congress to help underpin these efforts. Key features of the agreed plan are as follows:

- **Program baseline.** Tight fiscal policies and the initial FX correction are expected to weigh heavily on domestic demand, with real GDP contracting by about 2¾ percent this year. Meanwhile, inflation will accelerate in the near term as relative price misalignments and other price controls are unwound, although disinflation is expected to kick in shortly thereafter, based on the implementation of tight policies. The current account will move into surplus (strengthening by over 4 percentage points of GDP this year), supported by a rebound in agricultural exports and further improvements in the energy balance, along with a sharp import compression. The economy would begin to recover in late 2024, as initial headwinds fade and distortions are lifted, although policies will need to remain tight to preserve current account surpluses and support a further buildup in reserves.

- **Fiscal policy.** The authorities intend to achieve a primary surplus of 2 percent of GDP this year, consistent with overall balance, mainly through a combination of temporary (trade-related) taxes and efforts to reduce administrative costs, energy and transport subsidies, discretionary transfers to provinces and state-owned enterprises, and infrastructure spending. The program supports the authorities' efforts to safeguard the overall balance over time, including through improvements in the efficiency of the tax and expenditure systems, some of which will require support from Congress.

- **Social protection.** The authorities have significantly reinforced social assistance through the child allowance and food stamp programs, while also moving away from social programs distributed through intermediaries and preserving the real value of pensions through discretionary bonuses. Further expansion of assistance may be necessary as conditions evolve.

- **FX policy and reserves.** Following the initial large step devaluation in mid-December, the authorities are committed to keep exchange rate policy consistent with reserve accumulation goals and a market-based regime avoiding the previous approach of managing the parallel and futures FX markets. A simpler rules-based system of import access has been created along with a process to address the large commercial debt overhang, by offering a limited amount of USD instruments to importers that properly register their commercial debts. The new authorities, having introduced temporary measures that contravene Article VIII, are committed to continue to eliminate all exchange restrictions and MCPs in the near term and to develop a roadmap to this end. Together, these policies are expected to lead to an important buildup in reserves through end-2024 (US$10 billion), and to create the conditions for a return to reserve adequacy over the medium term.

- **Monetary policy.** In the context of tight capital controls, the central bank eased the monetary policy stance and streamlined the operational framework. Monetary policy is expected to evolve to support money demand and disinflation, including through the establishment of a nominal anchor. Actions will continue to be taken to reduce the large peso overhang, gradually strengthen the central bank's balance sheet and streamline commercial bank regulations.

- **Financing strategy.** Consistent with the fiscal program, the authorities will not seek any form of net financing for the government. On the domestic side, a strategy is being executed to extend maturities, while reducing reliance on FX-indexed instruments. The program is fully financed for its remaining duration and is expected to pave the way for Argentina to return to external markets in a timeframe commensurate with debt refinancing needs.

- **Structural policy.** The authorities are determined to address the long-standing impediments to growth, employment, and exports, while also boosting Argentina's vast energy and mining potential. Recent regulatory and legislative initiatives represent a step in this direction, although the program will ensure that these are properly sequenced and prioritized.

Program modalities. Given Argentina's large near-term balance of payments needs and strong efforts already underway to restore macroeconomic stability, purchases under the seventh review are proposed at SDR 3.5 billion. In line with the authorities' plans for a more ambitious fiscal and external adjustment, program targets are being strengthened, including to prohibit central bank credit to the government. An extension of the arrangement (and corresponding rephasing) through December 31, 2024, is also requested to provide additional time to complete the remaining three reviews, and ensure that the program delivers on its objective of restoring Argentina's medium-term external viability.

Program and enterprise risks. The authorities' strong ownership and electoral mandate to eliminate fiscal deficits and long-standing impediments to growth (many benefiting vested interests) mitigate implementation risks. That said, program risks remain elevated, reflecting the very difficult inheritance, as well as a complex political and social backdrop, with a fragmented Congress, falling real wages, and high poverty. Meanwhile, there are risks that the policy package may not initially deliver on its objectives, requiring agile policymaking, contingency planning, and the need to broaden further social assistance. That said, even if the authorities are unable to fully meet their ambitious policy goals, important steps would still have been taken to correct Argentina's severe imbalances. Against this backdrop, enterprise risks remain significant, although potential for large near-term arrears has significantly declined.

Approved By
Rodrigo Valdés, Luis Cubeddu (both WHD), Ceyla Pazarbasioglu, and Mark Flanagan (both SPR)

Discussions took place virtually and in person since late November 2023, with the new authorities visiting Washington, DC from November 28–29, 2023, and a staff team visiting Buenos Aires, Argentina, from January 5–10, 2024. The team was led by L. Cubeddu and A. Ahuja and comprised T. Kass-Hanna, M. Perks, J. Schauer, J. Yépez Albornoz (all WHD), A. Lagerborg (FAD), G. Otokwala (LEG, joined virtually), C. de Barros Serrao (MCM), K. Elfayoumi (SPR, joined virtually), and B. Kelmanson (Resident Representative). S. Hua (WHD) provided research analysis and M. Machado Damasio (WHD) provided document management support. The team met with L. Caputo (Economy Minister), S. Bausili (Central Bank President), N. Posse (Chief of Cabinet), and their teams. Mr. Madcur (OED) attended the meetings.

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CONTEXT

1. **Since completion of the fifth and sixth reviews, Argentina's already large imbalances and distortions have grown even more acute, and the program has gone significantly off-track.** In the context of the elections, policy making deteriorated further, with many of the measures taken by the previous administration running counter to program objectives and further complicating the inheritance of the new administration. Inconsistent policies led to a higher fiscal deficit, a depletion of international reserves and increased interventionist measures, resulting in triple digit inflation, a further deterioration of the central bank's balance sheet, a sharp rise in importers' commercial debt, and continued reliance on the complex web of FX distortions, MCPs and exchange controls. Social conditions have deteriorated further, with falling real wages and poverty levels reaching 20-year highs.

2. **Meanwhile, Argentina's deep medium-term challenges remain unaddressed.** The country has stagnated over the past decade, despite different governments and policy approaches. Real GDP per capita is down over 10 percent since 2011, reflecting weak investment and declining productivity in the context of rising labor informality (Box 1). Argentina's long history of fiscal dominance has not only led to persistent high inflation but a high degree of financial dollarization and a narrow domestic saving base. High barriers to investment, formal employment, and trade persist, with market distortions and rent-seeking incentives intensifying with the expansion of a complex system of administrative FX and price controls.

3. **Against this backdrop, the new administration has begun implementing a bold stabilization plan to bring the program back on track.** The plan, which is far more ambitious than that of recent administrations, is centered on the establishment of a strong fiscal anchor, along with key actions to rebuild reserves, correct large and multiple relative price misalignments, strengthen the central bank's balance sheet, and create a simpler, rules-based, and market-oriented economy. It also envisages the scaling up in social assistance to protect the most vulnerable. An ambitious Emergency Decree has been issued and an Omnibus bill has been submitted to Congress to underpin these efforts. The authorities' initial actions are starting to bear fruit—most notably, reserves have been boosted—although the path to stability will be challenging.

4. **While the Milei administration arrives with a strong reform mandate, a fragmented Congress and a delicate social situation pose implementation challenges.** President Milei recorded a very strong victory in the November run-off election, winning with about 56 percent of the vote and 21 out of 24 provinces (including the city of Buenos Aires). He ran on a campaign promising to cut fiscal deficits and tackle long-standing impediments to growth, which he explained would be associated with near-term economic costs. However, implementing the proposed reform agenda will require building political and social support. This implies forming broader coalitions in Congress, as the President's own party (La Libertad Avanza) has minorities both in the lower house (37 out of 257 deputies) and the senate (7 out of 72 senators). Meanwhile, given the very delicate social situation, further efforts will be needed to secure adequate burden sharing and support for the most vulnerable.

A DIFFICULT INHERITANCE

Inconsistent policies and mismanagement of the drought pushed the Argentine economy to the brink of a full-blown balance of payments crisis. Policies to stimulate domestic demand fueled even higher fiscal deficits and inflation, weakened the trade balance, and fully depleted reserves, with additional external commercial indebtedness and a complex web of FX controls and distortions adding to the inheritance. This section describes developments ahead of the Milei administration assuming office.

5. **Economic activity, and especially consumption, was relatively robust through Q3:2023, although high frequency indicators point to an initial turn in these dynamics.** Real GDP growth was stronger than anticipated through Q3:2023, led by an incipient recovery of the agricultural sector, following the drought, with only a mild softening of activity in the services and manufacturing sectors. Capacity utilization reached multi-year highs, consistent with unemployment rates near multi-year lows (5.7 percent in Q3) and continued weak private investment. High-frequency indicators, however, point to some deceleration in activity since October, as earlier unsustainable growth dynamics started to reach their limits.

6. **Inflation has risen further and become dangerously unanchored reflecting uncertainties and policy setbacks.** Monthly inflation accelerated to 12.8 percent in November (over 320 percent annualized), with unanchored policies and political uncertainties fueling a much-higher-than-anticipated exchange rate passthrough following the small step devaluation in mid-August. Inflation expectations (12-months ahead) reached around 230 percent in late-November, reflecting the likelihood of a significant FX correction given the unsustainable external position.

7. **Social indicators have deteriorated further.** Despite declines in headline unemployment rates, labor market conditions turned precarious as employment gains were increasingly centered in the informal sector. Rising inflation has also led to a further contraction in average real wages (down 1.5 percent y/y in October), with declines especially acute for informal sector workers (down 18.6 percent). In fact, real wages are now 23 percent below 2016 levels, despite the appreciation of the currency (¶8), suggesting rising corporate profit margins in the context of market distortions and limited openness. Meanwhile, poverty rates rose above 40 percent in S1:2023, with extreme poverty exceeding 9 percent and over 55 percent of children living below the poverty line. These indicators are estimated to have worsened further in the final months of 2023.

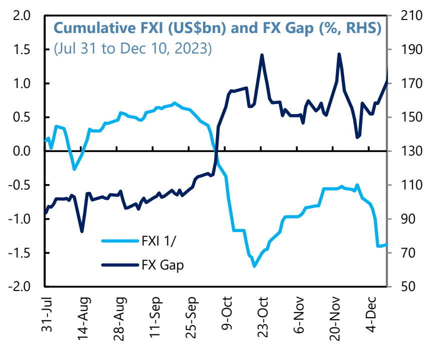
8. **The trade deficit widened further in the context of rising FX misalignment.** The goods trade deficit reached a cumulative US$8.0 billion through November, compared to a surplus of US$5.8 billion during the same period in 2022, while the services deficit remained elevated at US$6.5 billion. This deterioration reflected the drought-related declines in

Balance of Payments 2022-23
(in US$ billions)

	2022 Jan-Nov	2023 Jan-Nov
Trade balance	-0.7	-14.5
Goods trade balance	5.8	-8.1
Goods exports	82.3	61.4
Goods imports	-76.5	-69.5
o/w non-energy imports	-64.1	-61.9
Services balance 1/	-6.5	-6.4
Public net interest and amortizations	0.9	-10.2
o/w: IMF	1.7	-7.5
o/w: others IFIs and private	-0.8	-2.8
Commercial debt flows 2/	12.8	17.5
Imports	12.4	17.8
Exports	0.5	-0.3
Other private flows	-14.7	-15.8
Reserves change (+, increase)	-1.7	-23.1
Memo:		
Goods importers' debt stock	34.4	49.2
in percent of year imports	48.6	70.3

Sources: BCRA, INDEC and Fund staff estimates.
1/ 2023 figure is a preliminary estimate.
2/ Includes FDI and other investment trade financing.

exports and relatively robust non-energy imports supported by expansionary policies, a grossly misaligned real exchange rate and stockpiling incentives amid a record high FX gap (ranging between 150–200 percent). In fact, the real exchange rate by December 10 was estimated to be 35–40 percent above medium-term fundamentals, and 15–20 percent more appreciated than before the August step devaluation, reflecting a decision to peg the exchange rate despite a very high inflation passthrough.



Sources: BCRA; and Fund staff calculations.
1/ Includes interventions in official and parallel FX markets.

9. As a result, reserves were fully depleted and import financing ballooned. Net international reserves reached negative US$11.2 billion through December 7, and hard currency liquid reserves were completely exhausted, also reflecting large interventions in the parallel FX markets (¶15). Gross international reserves also fell to multi-year lows, with close to zero reserve coverage, after excluding the swap lines. Meanwhile, the system of import controls (SIRA) led to a further increase in importers' commercial debt, with the overall stock reaching around US$30 billion above the historical norm. While the activation of the PBOC swap (US$4.9 billion) also helped to support balance of payments needs in 2023, the obligations are falling due this year.

International Reserves
(in US$ billion, at current rates)

		2023
	end-2022	Dec-7th
1. Gross International Reserves	**44.6**	**21.2**
a. Gross liabilities	35.8	32.4
Swap lines	21.9	21.1
PBOC (envelop)	18.8	18.3
of which activated		4.9
of which used (est.)		4.9
BIS	3.0	2.8
RR FX deposits	12.1	9.4
Other (incl. desposit insurance)	1.9	1.9
Sedesa	1.8	1.9
Other	0.1	0.0
2. Net International Reserves (=1-a)	**8.8**	**-11.2**
b. Gold	3.6	4.0
c. SDR	5.8	0.0
d. Liquid reserves (2-b-c)	-0.6	-15.2
Memorandum item		
FX liquidity	12.8	0.0

Sources: BCRA and IMF Staff calculations.

10. In 2023, fiscal policy turned expansionary to support demand and real incomes ahead of the elections. The cumulative primary deficit rose to 1.8 percent of GDP through November, as declines in real revenues (6 percent y/y) largely from the drought, were not fully offset by real spending cuts (-5 percent), although the accumulation of new arrears (taking the stock to an estimated 1.5 percent of GDP by early December) suggest that the underlying deficit may have been larger.[1] Following the earlier slippages caused by the new pension moratorium and large public wage hikes, additional expansionary measures were adopted in September, including: (i) freezing energy and transport prices (e.g., pushing natural gas cost recovery ratios below multi-year lows of 30 percent); (ii) extending temporary bonuses to workers and pensioners; and (iii) providing tax breaks to firms and households, including through the approval of legislation raising the personal income tax (PIT) floor to 15 times the minimum wage (such that only 1 percent of formal sector workers would pay taxes

Extra Cost of Fiscal Measures
(Percent of GDP)

	2023	2024
Total	**1.3**	**1.4**
Bonuses and subsidized credits	0.4	-
Freeze on energy and transport tariffs	0.2	0.8
Higher PIT floor	0.2	0.6
VAT exemptions	0.2	-
Other tax exemptions/incentives	0.3	-

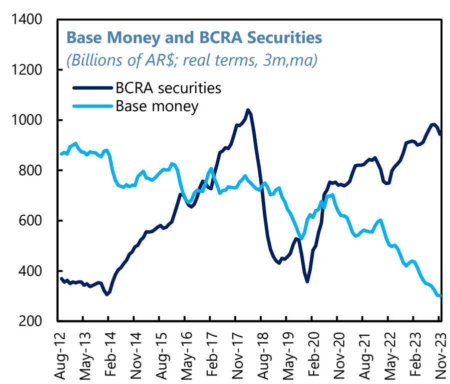
Source: Staff calculations.

[1] The cumulative figures exclude one-off revenues (0.2 percent of GDP) from the sale of communication licenses, which are treated below the line.

on their wage income). The cost of these tax and spending measures is estimated to have exceeded 1.3 percent of GDP in 2023, but this would be carried over to 2024 if not reversed (¶25).

11. Fiscal slippages and uncertainties fueled domestic financing difficulties. The higher fiscal deficits were largely financed by the central bank. While direct central bank transfers were capped at around 0.9 percent of GDP, central bank purchases of government securities from the secondary market, which enabled the public sector (the social security fund, FGS) and private banks to enter primary auctions, accelerated to 3.9 percent of GDP through early December. Meanwhile, banks exercised their put options on government securities and investors increasingly opted for inflation and USD-linked instruments.[2] On the external front, budget support and project financing disbursements from multilateral creditors and development banks were generally in line with expectations (US$2 billion through Q3:2023), although project financing from bilateral creditors, related to construction of a large hydropower plant, was delayed.

12. Central bank balance sheet vulnerabilities became more acute. The central bank expanded its issuance of securities to sterilize the liquidity injections associated with the purchases of government securities and their carrying costs, in the context of faltering peso demand. The stock of BCRA securities stood at close to 9 percent of annualized GDP as of end-November, while the quality of central bank assets deteriorated further. Not only were net international reserves exhausted, but also the share of FX-linked securities (*Ledivs*) rose further, and asset quality deteriorated (over 80 percent of BCRA's assets were in the form of government paper, a good portion of which were non-marketable and low- or non-interest-bearing securities). In the context of uncertainties, banks shifted away from 28-day securities (*Leliqs*) to more liquid overnight securities (*Pases Pasivos*) as depositors moved to more liquid demand deposits.[3]



13. The banking system remained sound, yet highly transactional, and increasingly exposed to the public sector. Commercial banks remained highly capitalized (31 percent of risk-weighted assets) and liquid (56 percent of total assets), with low non-performing loans (3 percent of loans) and high profitability (return on assets of around 3 percent). These dynamics largely reflected their high exposure (close to 50 percent of assets) to the public sector, in the context of a further contraction in real private credit (down 16.5 percent y/y as of November), the latter hampered by complex banking regulations and interest rate controls. Consistent with weak peso demand, private sector peso deposits fell further in real terms (about 20 percent y/y), driven largely by a drop in fixed-term deposits (down 30 percent y/y).

[2] The BCRA's put options are sold ahead of primary auctions to give the banks the right to sell the bond back to the central bank at a future date at a price based on the previous day's prices, plus a penal rate of 0.3 percent.

[3] Positively, the BCRA fully unwound its exposure in the non-deliverable futures market, which peaked at US$6.7 billion earlier in 2023, and halted issuances of new *Ledivs* (which reached US$5 billion in early-December).

14. Reliance on ad-hoc distortive intervention and administrative measures intensified. In reaction to various bouts of FX market pressures, the central bank sold close to US$4 billion in the parallel exchange market in 2023, despite the tightening of regulations to curb trading in these markets. Meanwhile, since completion of the last reviews, new FX schemes were adopted and expanded to encourage export liquidation and contain the FX gap, first by temporarily allowing agriculture exporters to settle 25 percent of their proceeds in the parallel market (75 percent in the MULC), and subsequently allowing all exporters to settle 50 percent of their proceeds in the parallel market (50 percent in the MULC). On the import side, withholding taxes on credit card purchases abroad were raised sharply, while FX controls were tightened to limit cash import payments.[4] Overall, the previous administration left behind an unprecedented and extensive set of MCPs and exchange restrictions that led to serious distortions and rent-seeking incentives.

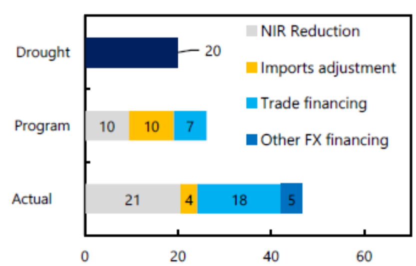
PROGRAM PERFORMANCE

15. Following completion of the combined fifth and sixth reviews, egregious policy setbacks, many contrary to program understandings, again pushed the EFF significantly off track (Figure 1 and MEFP Tables 1–2).

- **Fiscal.** The primary fiscal balance target through end-September was missed, and the end-December target is estimated to have been missed by an even larger margin, owing to the highly expansionary policies ahead of the elections. The cash deficit also underestimates the underlying fiscal deterioration, as domestic arrears grew significantly during Q4, exceeding the end-December targets, despite efforts by the new administration to clear the backlog after taking office in mid-December.

- **Reserves.** The end-December net international reserve accumulation was missed by a large margin (about US$15 billion at the end of the previous administration), and despite efforts by the new administration to reverse earlier trends (¶17). More generally, even with program flexibility to accommodate the evolving impact of the drought (through lower reserve targets), estimates through end-November suggest deviations largely reflected the previous authorities' failure to adjust to shocks, which complicated the future inheritance. Instead, they ran down reserves (US$21 billion, through end-November) and encouraged a large increase in import financing (US$18 billion), which together went well beyond the direct impact of the drought (US$20 billion).

Response to the Drought: Program vs. Actual Adjustment & Financing
(US$ bn, changes relative to the 3rd review)



*Data through end-November

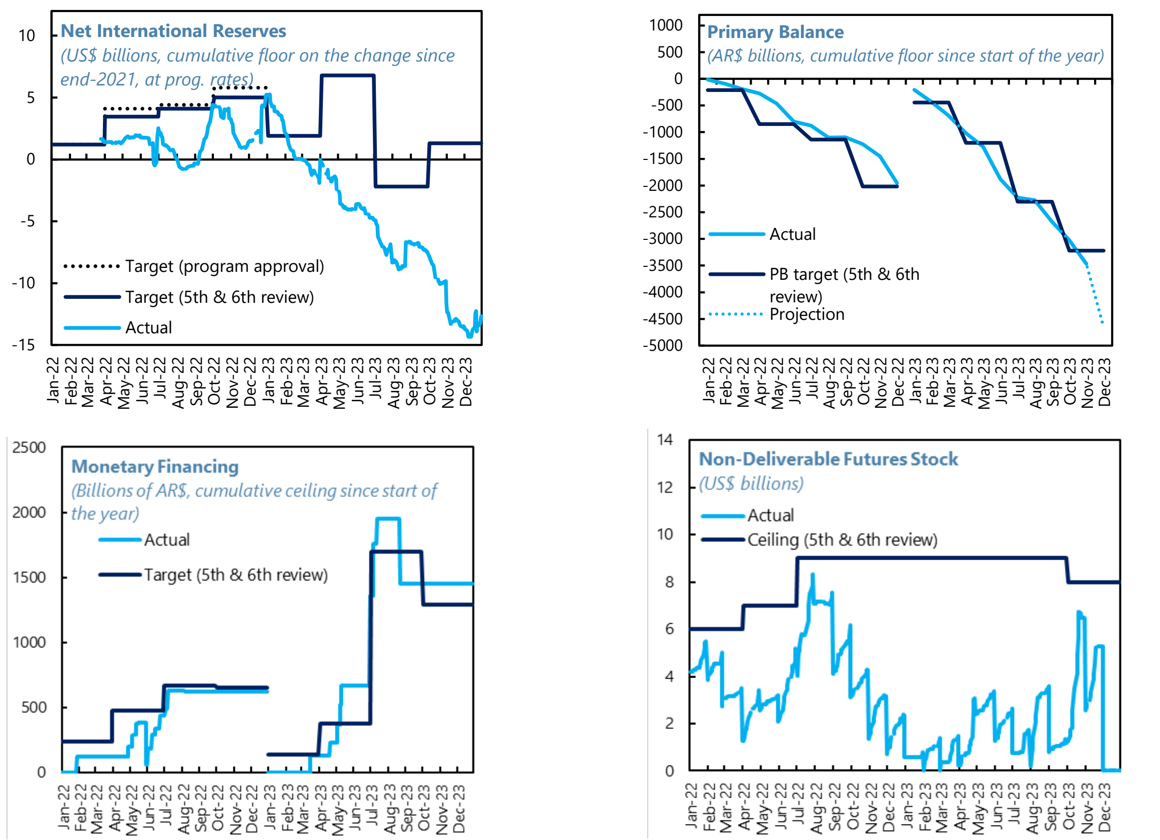
- **Monetary.** The target on direct central bank financing of the fiscal deficit through end-December was missed and underlying deviations were much larger given continued heavy interventions in the secondary government bond market. On the more positive side, the central

[4] The surcharge on such purchases rose to 155 percent, including: (i) a 30 percent tax on FX access (*impuesto país*); (ii) a 100 percent withholding income tax (up from 45 percent); and (iii) a 25 percent withholding wealth tax.

bank's holdings in the NDF market were fully unwound at end-November, right before the new administration assumed office.

- **Structural.** Progress in implementing the program's structural agenda stalled. The authorities submitted a draft 2024 Budget to Congress, consistent with the previously agreed primary deficit target of 0.9 percent of GDP, **(September 15, 2023, SB),** although elections precluded a debate on budget priorities and its adequacy. Tax compliance improvement plans were also developed **(December 15, 2023, SB).** That said, most other SBs were not met, including (i) issuance of a new resolution updating electricity prices to maintain overall cost recovery objectives **(end-August, 2023, SB),** following a decision to freeze energy tariffs which was extended to urban transport tariffs; (ii) publication of enhanced quarterly report for public corporations and trust funds **(reset to end-October, 2023, SB);** (iii) completion of an in-depth study of tax expenditures **(end-November, 2023, SB);** and (iv) development of a strategy to durably improve the BCRA balance sheet **(reset to end-October, 2023, SB),** where instead policy actions went in the direction of undermining central bank finances.

Figure 1. Argentina: Performance Relative to Key Program Targets, 2022–23 1/



Sources: National authorities and Fund staff calculations.
1/ Data through end-2023. Targets are set on an end-quarter basis. Published data on the primary balance goes through end-November 2023, where the outturn was adjusted for one-off revenues from fifth-generation mobile phone licenses.

THE STABILIZATION PLAN

16. The authorities are implementing an ambitious stabilization plan to tackle the difficult inheritance, while also addressing long-standing impediments to growth. The stabilization plan is anchored on an almost unprecedented fiscal consolidation (see Box 2) to end all forms of central bank financing of the public sector and support a large external adjustment to achieve twin fiscal and current account surpluses. This fiscal adjustment is being supported by (i) enhanced social spending targeted at the most vulnerable households; (ii) a strengthening of the FX regime to rebuild reserves and restore external viability, along with efforts to eliminate MCPs and exchange restrictions, including recently introduced ones; (iii) a strengthening of the monetary policy framework and the central bank's balance sheet; and (iv) efforts to improve the profile of domestic debt, while reducing indebtedness. In tandem, an extensive set of initiatives have been proposed to create a more market-based economy and remove structural impediments holding back productivity, investment, formal employment, and trade.

17. Initial bold actions on multiple fronts have steered the country from a full-blown crisis, although the path ahead remains challenging. Since assuming office, the Milei administration has implemented an impressive set of measures that: (i) cut bureaucratic costs and unwound costly tax rebates implemented in the final months of 2023; (ii) corrected the exchange rate misalignment; (iii) eliminated the previous opaque system of import controls (removing some exchange restrictions), and started to address the large importer debt overhang; (iv) streamlined monetary policy instruments and reduced the peso debt overhang; and (v) lifted price controls, and adjusted (outdated) regulated prices to better reflect costs. An ambitious Emergency Decree and an Omnibus bill, which include initiatives to underpin stabilization efforts, have been submitted to Congress and efforts are underway to build the needed political and social support. These initial actions have led to a strong turnaround in reserves (with net central bank FX purchases exceeding US$4.5 billion since assuming office), a narrowing in the FX gap (from 190 to around 40–50 percent), and a sharp improvement in Argentine asset prices trading abroad. The authorities have been able to stop the need to intervene in the various FX and debt markets.[5] Inflation in December reached 25.5 percent m/m, largely reflecting the step devaluation, although efforts to establish a strong fiscal anchor have helped to limit the initial pass-through thus far. That said, market conditions remain volatile, and the economic and social situation will likely deteriorate in the short term as imbalances are addressed.

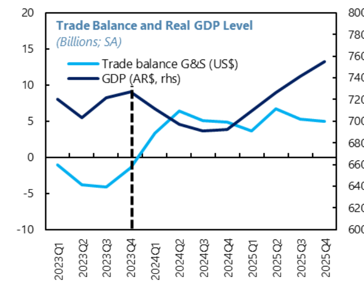
Active Policy (Baseline) Outlook

In the near-term, the economy is projected to move into a stagflation period, as relative prices are corrected, and fiscal/external flow imbalances are sharply reduced. Inflation is projected to decline gradually after an initial burst, and the economy could begin to recover in late 2024 as policy headwinds fade and severe distortions are removed, although potential growth will remain subdued

[5] Since the November elections, sovereign spreads have fallen by around 500 basis points (to around 1900 bps), while asset prices of Argentine firms trading abroad have risen by over 40 percent on average and some corporates are now starting to tap international capital markets.

until proposed market reforms are adopted and begin to invigorate activity. Sustained twin (fiscal/external) surpluses are expected to arise and will be critical to safeguard fiscal and external sustainability.

18. As deep imbalances are corrected, growth and domestic demand are projected to contract sharply, with a recovery expected to begin in late 2024. After shrinking by an estimated 1.1 percent in 2023 (versus -2.5 percent at the fifth and sixth reviews), real GDP is projected to contract by about 2.8 percent in 2024, although the cyclical recovery in agriculture masks a much larger contraction of around 5.2 percent for non-agriculture. The large upfront fiscal consolidation and the extensive relative price corrections are expected to depress domestic demand while supporting net exports.[6] As headwinds from policy tightening fade and distortions are lifted, the economy is expected to rebound starting in late 2024, led by a pickup in private investment. Beyond 2024, real GDP growth is projected to rebound to around 5 percent next year, with output levels returning to trend by 2028. Potential growth over the medium term is conservatively assumed at around 2.3 percent, slightly higher than the long-run historical average (2 percent), partly reflecting the potential impact of market reforms.



Sources: INDEC; and Fund staff calculations.

19. After an initial jump, inflation is projected to fall gradually. Inflation reached 25.5 percent m/m in December (up from around 13 percent m/m in November) and is projected to remain above 25 percent m/m in January, as relative price misalignments and other price controls are unwound. This is expected to be followed by a gradual disinflation process, with monthly inflation reaching single-digit levels during the second quarter of 2024, conditional on the delivery of the assumed fiscal consolidation, improvements in the monetary policy framework and narrowing of corporate profit margins as recession conditions set in and market distortions are lifted.[7] Beyond 2024, annual (end-of-period) inflation is projected to decline gradually from around 150 percent this year to single digits over the next five years, supported by continued tight policies and a recovery in money demand from historically low levels.

20. The external position is expected to improve sharply. The current account balance is projected to quickly swing from a deficit of 3.5 percent of GDP (US$20 billion) in 2023 to a surplus of about 0.9 percent of GDP (US$5.5 billion) in 2024, underpinned by a cyclical improvement in grain exports (which are expected to kick in during Q2/Q3:2024), and a sharp policy-induced compression in imports (with increases in saving outpacing declines in investment), also supported by correction

[6] The fiscal multiplier is conservatively assumed at around 0.5, with additional drags in 2024 coming from the assumed real exchange rate correction. Estimates are generally consistent with the literature on consolidation (see Carrière-Swallow and others, 2021) where multipliers tend to be lower in countries with high debt, a history of monetary financing of the deficit, labor informality, and expenditure/revenue inefficiencies.

[7] Corporate margins rose sharply in recent years, contrary to real wages, which are expected to remain subdued during 2024, and gradually improve with the economic recovery.

to the exchange rate misalignment.[8] These improvements, along with an assumed orderly and gradual unwinding of the commercial debt overhang (¶36), will continue to support reserve accumulation—net international reserves are expected to rise by about US$10 billion between the time the new administration took office in December 2023 and end-2024 (versus losses of US$17 billion in 2023). Beyond this year, sustained trade surpluses, particularly in energy and mining, and FDI inflows are projected to enable additional reserve accumulation of US$5–10 billion per year over the medium term (with reserve coverage rising from around 50 percent in 2024 to reach 100 percent of ARA metric by 2029). Argentina is expected to re-access international capital markets by late-2025, mainly to refinance a portion of external debt liabilities falling due. The program would help deliver these dynamics via a properly aligned real exchange rate (see Annex I for a preliminary External Sector Assessment), a much stronger public sector savings-investment balance, and structural improvements in Argentina's energy and mining balance.

21. A strong and sustainable fiscal position is expected to strengthen public debt sustainability. Public debt remains sustainable, but not with high probability. The active baseline assumes the primary fiscal balance moves from a deficit of 3 percent of GDP to a surplus of around 2 percent this year, reaching a steady-state primary surplus of 2.5 percent of GDP from 2025 onwards (almost double the previous commitment of a 1.3 percent of GDP surplus), consistent with an overall fiscal balance. In this scenario, gross public debt would fall from 86 percent of GDP in 2024 to below 42 percent of GDP by 2030, with gross financing needs averaging 10 percent of GDP during the same period. (See Debt Sustainability Annex II for details). That said, external debt service obligations would remain large over the medium term (averaging US$21 billion during 2026–29) and depending on the scale of the final judgments in the international litigation cases against Argentina (including YPF), public debt could initially spike and investors' confidence in Argentine sovereign securities could dampen (See DSA). Sustained fiscal and external surpluses will be critical to reduce sovereign spreads and regain market access.

Revised Macroeconomic Baseline, 2022–2024

		SR (Aug.)	Proj.	SR (Aug.)	Proj.
	2022	2023	2023	2024	2024
GDP growth (avg, %)	5.0	-2.5	-1.1	2.8	-2.8
Non-agro GDP	5.7	-1.2	-0.3	1.1	-5.2
Inflation (avg, %)	72.4	115.2	133.5	80.3	253.4
Inflation (eop, %)	94.8	120.0	211.4	60.0	149.4
Primary fiscal balance (% of GDP)	-2.4	-1.9	-3.0	-0.9	2.1
Federal government debt (% GDP)	84.7	89.5	154.5	79.9	86.2
Federal government debt (% annualized Q4 GDP)	67.2	68.4	102.1	65.7	71.4
Overall fiscal balance (% GDP)	-4.2	-4.1	-5.2	-4.0	0.0
Current account balance (% GDP)	-0.7	-0.6	-3.5	1.2	0.9
Change in net int'l reserves (US$bn)1/	6.5	-4.7	-17.3	8.2	7.0
Monetary financing (% GDP) 2/	3.1	3.0	5.0	0.0	0.0

Sources: National authorities and Fund staff estimates and projections.
1/ Net International Reserves (NIR) are gross reserves net of swap lines, deposit insurance, reserve requirements on FX deposits, and other reserves liabilities. At current rates.
2/ Up to 2023 includes profit transfers, advances (adelantos) and secondary market purchases. For 2024 includes also issuance of new non-marketable government bonds and treasury buybacks, including that from December 21 2023.

[8] The real exchange rate, following an initial overshooting, is expected to gradually appreciate and converge to its equilibrium level by mid-2024, including the impact of the higher tax on FX access for imports.

Risks

22. The program remains subject to very high levels of uncertainty, with risks still skewed to the downside. While the new administration received a strong popular mandate for adjustment and reform, political support for key reform legislation could face delays or not materialize, undermining stabilization efforts. Given the delicate social situation, and the fact that benefits from the stabilization plan will take time to materialize, the risks of social unrest cannot be discounted, even with some reinforcement of the social safety net. In addition, the severe imbalances and uncertainties about the impact of policies mean that the stabilization package may not deliver the intended results. On the external front, a slowdown in key trading partners, sharply lower commodity export prices, and a deterioration in global financial conditions could also frustrate stabilization efforts. That said, even if the authorities are unable to fully meet their ambitious policy goals, important steps would still have been taken to correct Argentina's severe imbalances. Moreover, there are also upside risks to productivity, investment, and exports, especially if confidence is quickly restored and market reforms are accelerated.

23. As such, agile policymaking and communication would be essential to mitigate risks, as well as efforts to build broader societal support. Strong ownership will be critical for the plan's success. As the history of stabilization programs shows that they are often difficult to get right from the start, policies will almost certainly need to be recalibrated to evolving outcomes. Recognizing large uncertainties, the authorities will sustain their pragmatic approach and continue to adapt policies to changing circumstances to ensure program objectives are met. For example, if congressional support for key fiscal reform legislation was to fall short, alternative policy measures open to the Executive would need to be accelerated to secure the primary fiscal surplus targets, including by redoubling efforts to control cash and manage expenditures, improve tax compliance, and streamline tax expenditures, while FX policy would need to adjust more nimbly to achieve reserve accumulation goals. Ensuring adequate targeted social assistance will be critical as well as building societal support for the reform efforts. Clear communication will be essential to achieve the intended result, and efforts should continue to be made to explain the severity of the crisis, while avoiding overpromising and then disappointing.

24. Fund enterprise risks remain significant. Completion of the seventh review, following corrective actions taken by the authorities, will help mitigate *financial risks*, including reducing the risk of the emergence of arrears to the Fund in the near term, as well as *reputational* risks associated with failing to assist a member facing severe crisis and a large balance of payments need. Nevertheless, enterprise risks cannot be fully mitigated. On the *business* side, large imbalances and uncertainties create challenges for program design, increasing the likelihood of missed targets and undermining program credibility and broader macroeconomic stability. *Reputational risks* also remain, with the program anchored on a large and potentially painful fiscal adjustment, in the context of an already fragile political and social situation. In this context, the envisaged reinforcement of well-targeted social spending, contingency planning, and agile policymaking will be key to maximize the chances of success. Restoring Argentina's medium-term external viability and ensuring a gradual reduction in Fund exposure, will ultimately hinge on the ability to build the broad political and social support needed to implement the program.

Fiscal Policy

25. The authorities are implementing a large frontloaded fiscal consolidation to achieve a primary surplus of around 2 percent of GDP in 2024. This is consistent with reaching an overall fiscal balance, requiring an unprecedented adjustment of about 5 percent of GDP through a balanced set of expenditure and revenue measures, while also allowing for additional social assistance to protect the most vulnerable. Initial measures have focused on discretionary spending cuts as well as actions to unwind the previous administration's policy slippages, including by (i) not renewing the costly VAT exemptions,[9] and the expansion of subsidized loans to retirees and formal workers; (ii) raising bus and rail fares in the Buenos Aires metropolitan area by 45 percent (frozen since August 2023), with further increases in line with inflation; (iii) launching the formal process to adjust electricity and gas tariffs (also frozen since August 2023); and (iv) prohibiting the extension of public hiring contracts signed in 2023. Social assistance has also been scaled up (¶28).

Fiscal Adjustment, 2024
(in % of GDP)

	Program's Objectives	
Fiscal Objective for 2024	2% of GDP primary surplus	
Required Fiscal Consolidation	**5.0**	
1. Revenue Measures	**1.7**	
Import taxes	0.8	
Export taxes	0.5	*
Unwind PIT exemptions	0.4	*
2. Expenditure Measures	**2.9**	
Reduction in subsidies	0.7	
Phase out workfare program	0.4	
Wage bill and administrative reforms	0.5	
Capital spending	0.7	
Pension reform 1/	0.1	*
Lower transfers to SOEs/Provinces	0.5	
3. Boost Direct Cash Transfers (-)	**-0.7**	
4. Unwinding Drought	**0.8**	
5. Additional Measures 2/	**0.3**	

Source: Argentinian authorites and Fund staff estimates.
*/ Requires congressional approval.
1/ Freeze indexation formula.
2/ Additional measures later in the year to compensate unwinding of export taxes.

26. Initially, the consolidation will be underpinned by an expenditure adjustment of about 3 percent of GDP. Key measures include: (i) reductions in inefficient *energy subsidies*, with initial increases in electricity (over 200 percent) and gas (over 150 percent) tariffs effective February, following public hearings where the authorities are expected to outline their plans to move to cost recovery **(*prior action*),** along with continued increases in urban *transport* fares (except for those receiving social assistance); (ii) some compression of the government *operating costs* from a reorganization of the national administration; (iii) reduction in the public sector *wage bill* through the release of workers hired in 2023 and efforts to contain wage adjustments (including to avoid excessive price-wage dynamics); (iv) strict prioritization of *capital spending*, focusing on construction of critical pipelines and railroads, close-to-complete projects, and a pause on new public tenders; and (v) cuts in *transfers to provinces*, which would continue to have the capacity to internally finance other projects and essential maintenance needs, and *state-owned enterprises* to initiate reform and prepare for potential privatization.

27. On the revenue side, the authorities will look initially to a mix of temporary taxes and reform of the PIT. The unwinding of drought conditions is expected to add about 0.8 percent of GDP to revenues. Regarding temporary taxes, the authorities have: (i) an already-in-place increase in

[9] While the PIT measure was approved by Congress in September 2023, the measure to extend VAT exemptions passed the lower house but was not discussed by the senate.

the tax on FX access (*impuesto pais)* on most goods and services imports to a rate of 17.5 percent (from an average of 7.5 percent in late 2023);[10] (ii) a proposed increase in *export taxes,* contained in the Omnibus bill, for all non-agricultural exports (to 15 percent from an average of 7 percent). The authorities intend to reverse the previous administration's increase in the *PIT* threshold and strengthen the PIT regime. The initiative to reform the PIT is being finalized and will be sent as a separate bill to Congress in the near future.

28. Social spending is being significantly reinforced through well-targeted programs and by preserving real pensions (Box 3). Transfers to vulnerable families have been expanded through a doubling in the universal child allowance program (*AUH*) and a 50 percent increase in the food stamp program (*Tarjeta*), and discretionary bonuses are being provided to retirees and social allowance recipients to preserve their purchasing power. In this regard, the authorities are committed to preserve the real value of pensions at end-2023 levels through discretionary increases, as allowed for in the Omnibus bill, which contemplates eliminating the complex backward-looking *pension indexation* formula that has led to an important real erosion in pension benefits over the past years.[11] In addition, efforts are underway to (i) rationalize the inefficient social programs, including those distributed via intermediaries (e.g. the workfare program *Potenciar Trabajo*); (ii) better protect informal worker households without children, which are currently underserved by the social safety net; and (iii) strengthen the integration of relevant administrative databases, with support from the World Bank, to improve the targeting and efficient delivery of social assistance ***(proposed end-September 2024, SB)*****.** Close monitoring and proactive policymaking will be critical, particularly through the initial period of high and uncertain inflation, as additional social support may be required within the fiscal envelope.

29. The program will support an evolution of the measures to improve the quality of the fiscal plan, safeguard the primary surplus goal, and thus strengthen Argentina's fiscal anchor. Acknowledging uncertainties around revenue outcomes and the temporary nature of trade-related taxes, the authorities are reviewing additional high-quality measures to undertake during S2:2024, including by improving tax compliance (for which Fund technical assistance has been sought), strengthening excises (the Omnibus law contemplates a reform of tobacco excises), and further streamlining tax expenditures (e.g., harmonizing VAT rates across goods). Efforts are also underway, with the support of the Fund and World Bank, to replace the current tariff segmentation scheme with one that better targets subsidies toward the basic energy consumption basket for vulnerable households, in line with broader energy efficiency and climate goals, with details to be published by April ***(proposed end-May 2024, SB)*****.**

30. Strong cash and expenditure management and control will be critical to meet fiscal objectives. As an initial step, the authorities have cleared the large excess domestic expenditure

[10] This was also accompanied by efforts to streamline and reduce withholding taxes on imports, which together with a more uniform *impuesto pais*, effectively reduced distortions associated with multiple exchange rates. Withholding taxes remain on tourism and US dollar access (30 percent versus 120 percent previously), on luxury goods (45 percent versus 70 percent) and digital services (45 percent).

[11] The authorities also committed not to provide another pension moratoria or to extend the 2023 scheme.

arrears (around 0.6 percent of GDP) accumulated in S2:2023, by drawing on surplus liquidity in decentralized accounts of government entities (e.g., trust funds and public companies). Efforts are also underway to (i) strengthen spending controls, including over decentralized public entities; and (ii) improve cash management, with consideration given to transferring the daily balances from the state-owned bank (Banco de la Nacion) to the central bank and ensuring that all central government entities are included in the treasury single account.

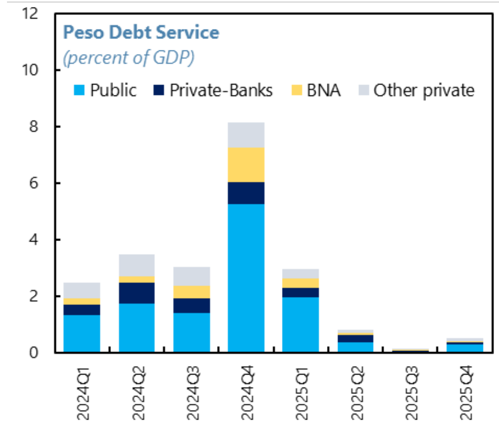
31. Beyond 2024, the authorities are committed to maintain a primary surplus of 2.5 percent of GDP (broadly overall balance), while continuing to deliver structural improvements. The success of the stabilization plan will depend on sustained fiscal discipline, which has often proved elusive in previous adjustment episodes, as well as improvements in the quality of consolidation to ensure its inclusive and growth-friendly nature. In this regard, the authorities plan to submit to congress a Draft 2025 Budget consistent with overall balance goals **(*proposed September 15, 2024, SB*),** and are committed to identifying the needed measures to achieve the fiscal target while also fully unwinding the tax on FX access for imports (*impuesto pais*) and streamlining withholding taxes on imports (set to expire end-2024). The authorities are beginning to develop plans in various areas with the support of development partners (World Bank, IADB and IMF), with further details and timetable to be defined in future reviews. These initiatives will also require some public consultation and coordination across government. The main reform areas include:

- Enhancing the efficiency and simplicity of the **tax system,** including by reorienting the system away from distortive (trade and financial transactions) taxes towards proven and more efficient taxes.[12]
- Strengthening the sustainability and equity of the **pension system,** including by having a more appropriate rule-based indexation formula to preserve pensioners' current purchasing power over the long run, once the disinflation process is well in train.
- Rationalizing **SOEs,** by initially conducting a triage exercise and developing plans to improve their governance and accountability.
- Increasing the efficiency of **public employment,** through an initial review of employment in the national administration, decentralized public entities and subnational governments.
- Improving the coverage, targeting, efficiency, and governance of the **social safety net,** which will require continued efforts to improve coordination and reduce fragmentation of the system.
- Revamping the **fiscal framework,** by establishing a fiscal anchor and strengthening federal-subnational coordination to achieve goals at the national level.

[12] To support an ambitious consolidation path, reforms will need to be revenue neutral initially or even positive, since savings from expenditure compression and improvements from tax compliance will take time to materialize. Over time, an expanded tax base could create room for rate reductions and lower distortionary taxes.

Financing

32. With no new net financing needs, the authorities are focused on improving the profile of domestic debt. Successful primary auctions in December 2023 and January 2024, raising around 1.6 percent of GDP in net financing, have enabled the authorities to begin rebuilding cash buffers, meet private external debt service obligations, and buy back government debt held by the central bank to maintain net zero credit to government, including puts **(*prior action*).**[13] In addition, the authorities are shifting away from FX-linked toward inflation-linked bonds as they seek to gradually move to fixed-rate securities and extend the treasury yield curve. To this end, they will develop and execute a plan aimed at extending maturities of a portion of the domestic debt coming due this year **(*end-March 2024, SB*).** The authorities also committed to stop all BCRA financing of the public sector, including through profit distributions and purchases of government debt in the secondary market. Furthermore, purchases of government securities related to the exercise of put options by the BCRA are expected to be fully compensated by government redemption of securities held by the BCRA, consistent with the strengthened zero ceiling on monetary financing under the program.



33. On the private external front, gradually re-accessing international capital markets is a top priority. The authorities have recently met interest payments to private bondholders (US$1.5 billion) and intend to continue to respect contracts. They are focused on addressing fiscal and external imbalances, which they view as essential to reduce sovereign spreads and gradually regain international market access (assumed for late 2025). Their intention is not to increase external indebtedness, but to better manage the large obligations falling due. The Omnibus bill submitted to Congress includes proposals to modify the Law on Financial Administration (LAF) aimed at (i) providing more flexibility to the Executive to conduct liability management operations, and (ii) lifting the limits for the issuance of debt instruments in foreign currency and under foreign law. For the latter, the existing LAF framework, which requires that a borrowing ceiling is set in the annual budget law, will remain in place. Efforts are also underway to review the legal framework for conducting debt operations, for which IMF technical assistance is being requested by the authorities to help align the law with international good practices, including for more comprehensive reforms that would support robust management of debt portfolio risks.

34. In addition, support from official creditors is being mobilized to reverse earlier setbacks. Disbursements from official creditors last year fell roughly US$430 million short of target, driven largely by delayed disbursements from non-Paris Club creditors, relating to the large

[13] Proceeds from the initial auction were used to buy back government paper held by the BCRA to comfortably cover the recent and future issuance of *Letras Intransferibles* to the BCRA, in exchange for hard currency in order to meet interest payments to external bondholders.

hydropower dam. Against this backdrop, official creditors are currently projected to provide US$1.3 billion in net financing this year. The authorities have received assurances from multilateral development banks (World Bank and IADB) and regional development banks, who are also considering shifting their portfolio towards fast-disbursing project loans for the purpose of financing increased social assistance.[14] Program projections assume that non-Paris Club creditors revive the delayed disbursements from last year and secure this year's commitment (US$785 million). This is also critical to ensure the Paris Club's comparability of treatment (bilateral agreements with the pending Paris Club creditors were recently completed).

Exchange Rate Policy

35. Following a significant exchange rate realignment, FX policy will continue to be carefully calibrated to secure a decisive reserve accumulation trend. Before the large December step devaluation of roughly 120 percent, the REER was estimated to be around 35–40 percent stronger than the level implied by medium-term fundamentals. The devaluation (moving the nominal official exchange rate from 360 ARS/USD to 800 ARS/USD) enabled an initial real overshooting, which has been instrumental in immediately rebuilding reserves and averting a balance of payments crisis.[15] Following the exchange rate overshooting, the authorities set the initial official crawl rate at 2 percent per month to help anchor inflation, while communicating that fiscal policy remained their primary policy anchor. The FX correction also permitted the BCRA to abandon previous approaches of intervening in the parallel FX and NDF markets and to lift certain restrictions for operating in these markets. Going forward, the authorities agreed that FX policy will evolve in a manner consistent with reserve accumulation goals that avoids a rapid erosion of earlier competitiveness gains, while the new monetary policy anchor (¶38) would assume the role of anchoring inflation.

36. Important steps are being taken to normalize trade flows and address the large commercial debt overhang (Box 4). Shortly after assuming office, the government eliminated the opaque system of controls for access to FX for imports (SIRA/SIRASE), replacing it with a transparent, rules-based system that includes an automatic mechanism for the payment of new imports based on priorities. In addition, given the indispensable need to rebuild reserves and normalize import flows (critical for containing inflation and supporting exports), the authorities have developed and are starting to execute a strategy to help ensure an orderly solution to this debt stock to normalize trade flows **(*prior action*).** A new BCRA FX-denominated instrument, with maturities up to 2027, is being auctioned to eligible importers that register and verify their

[14] The Development Bank of Latin America and the Caribbean (CAF) provided a loan for US$960 million in December 2023 to support the payment of a repurchase to the Fund for roughly the equivalent amount. Following, reimbursement the CAF committed to a disbursement for US$700 during the course of 2024.

[15] The de facto devaluation has been higher since this was accompanied by an expanded and higher FX access tax for imports (resulting in an initial effective exchange rate on imports of around 940 ARS/USD), and a decision to maintain the current export promotion scheme, such that 20 percent (previously 50 percent) of exports could be liquidated though the parallel FX market *(contado con liquidacion, CCL*).

commercial debt, subject to penalties for falsified information.[16] The BCRA intends to limit the instrument's subscription based on the projected availability of FX reserves, with an indicative cap of US$5 billion on the first series. So far, subscription has reached US$1.3 billion, with the deadline expiring at end-February. This demand-driven approach is expected to give importers predictable access to a dollar instrument, while deferring access to the official FX market (preserving reserves) and absorbing peso liquidity. Demand is expected to come mainly from large firms and multinationals operating in Argentina, whose suppliers are willing to accept the USD bond as promise of payment. The securities could also be sold at a discount or used as collateral for loans. Depending on the effectiveness of this initial strategy, the authorities will consider further solutions as necessary in close consultation with IMF staff.

37. The authorities are committed to eliminating MCPs and exchange restrictions, while gradually unwinding CFMs as conditions permit. Since the fifth and sixth reviews, a large number of measures have been introduced, of which one has been assessed to constitute a modification of an existing MCP and an intensification of an exchange restriction, and two others have been assessed as intensifications of exchange restrictions, leading to the non-observance of the associated PCs (¶15). Since taking office, the new administration has taken important steps to reduce MCPs, exchange restrictions and other distortions, including streamlining and substantially shortening delayed FX access for imports, reducing withholding taxes, and letting a significant amount of FX controls expire (see Table 1). The authorities are planning to (i) eliminate the remaining preferential export scheme by June 2024 **(*structural benchmark*);** and (ii) fully unwind the *impuesto pais* (and other withholding taxes on imports) by end-2024, or earlier as conditions permit. Meanwhile, the authorities are committed to unwind any remaining MCPs and exchange restrictions this year and to develop a roadmap to this end **(end-March 2024, SB; reset to end-June 2024),** recognizing that CFMs cannot be lifted immediately and will gradually be unwound as conditions permit, supported by an initial strategy to be laid out later this year. In fact, the pace will need to be carefully calibrated and prioritized, conditional on improvements in macroeconomic imbalances.

Monetary Policy

38. The monetary policy framework has been streamlined, although it will need to continue to evolve to help anchor inflation. Decisive fiscal and exchange rate actions have allowed the BCRA to temporarily ease monetary policy and streamline its operational framework by (i) ceasing auctions of the 28-day LELIQ; (ii) designating the overnight rate on *Pases Pasivos* as the new policy interest rate;[17] and (iii) raising banks' regulatory limits for holding government securities, following an emergency decree raising the issuance limit of short-term government bonds. Going forward, the authorities agreed that the monetary policy stance would need to be tightened to support money demand and disinflation. Meanwhile, they are committed to developing and

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[16] Registered debts through January 10 reached US$21 billion, compared the survey-estimated overall commercial debt of about US$60 billion.

[17] The overnight rate has been set at 100 percent y/y in nominal terms (171 percent y/y in effective annual terms) or the equivalent of 8.7 percent m/m, compared to an expected monthly inflation rate of 27 percent in January.

adopting a new monetary policy framework and operations, with the support of Fund technical assistance, to strengthen liquidity management and the central bank's inflation anchoring role **(*proposed end-April 2024, SB*).** This is critical to help limit the exchange passthrough to inflation and complement the important expectation anchoring role that fiscal and exchange rate policies are currently playing.

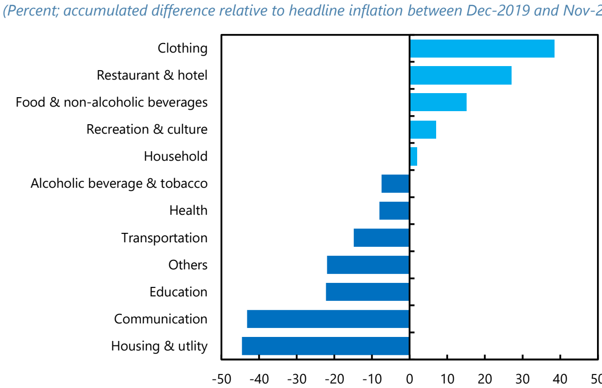
39. The authorities have developed and are implementing an ambitious plan to gradually strengthen the central bank balance sheet. The plan is centered on eliminating all direct and indirect monetary financing of the fiscal deficit, as well as prohibiting all profit distributions. This is being complemented by ongoing efforts to boost reserves (including through the FX correction), and real money demand as the stabilization plan takes hold (through an organic reduction of central bank liabilities). The authorities would aim to (i) encourage a very gradual shift from BCRA securities to government securities, as conditions allow; (ii) enhance the quality of central bank assets; and (iii) further adopt international accounting standards to transparently lay out the BCRA's vulnerabilities and establish a target equity range.

40. Bank regulations will be progressively streamlined to support monetary transmission and credit allocation. All commercial interest rates (current deposit floors/lending caps) and lending quotas are being reviewed, and credit incentive schemes are expected to be steadily unwound, which will allow for a streamlining of deductions on reserve requirements.[18] These actions will support demand compression, and enhance the monetary policy transmission, credit allocation, and banks' ability to adjust to the evolving monetary policy framework.

Supply-Side Policies and Deregulation

41. The authorities are committed to creating a more rules-based, market-oriented economy. The authorities agreed that Argentina's economy is marred by a vast array of relative price misalignments, market distortions and regulatory barriers that favors vested interests, and discourage investment, formal employment, and productivity. OECD and World Bank indicators suggest product and labor markets are overly regulated and rigid, impediments to trade and FDI are strong, and general governance is weak. The recently issued Emergency Decree (DNU) aims to de-regulate the economy, foster competition in traditionally protected sectors (airspace, healthcare, housing, pharmaceutical,

Relative Price Distortions
(Percent; accumulated difference relative to headline inflation between Dec-2019 and Nov-2023)



Sources: INDEC; Haver Analytics; and Fund staff calculations.

[18] The popular household credit subsidy scheme for the purchase of nationally produced products (Ahora 12) as well as the Financing Line for Productive Investment (LFIP) that grants subsidized credits for the development of small and medium-sized enterprises will be gradually phased out, including by reducing the generosity of payment plans.

transport, and tourism)[19] and enhance labor market flexibility (by reducing hiring and firing costs). The DNU also seeks to prepare the ground for future privatization of SOEs (by changing their legal status), amend the custom code to liberalize exports, and reinforce the power of private contracts. Efforts are underway to build societal support for the proposed reforms since the DNU requires non-objection from at least one chamber of Congress. Some key provisions are being challenged by the Courts, suggesting that the implementation process will be challenging.

42. Initial steps have been undertaken to boost investment and exports in the strategic energy and mining sectors (Box 5). Regarding the energy sector, alignment of retail fuel prices with international prices, the proposal to eliminate the domestic oil price ceiling, together with market-based pricing of electricity and natural gas utilities, will support investment in the shale oil and gas reserves, subsequently boosting energy exports. Legislation has also been submitted to Congress to strengthen regulations and improve incentives for long-term investment in energy and mining, including green metals.

43. The authorities are committed to enhance transparency and governance. Their initial reforms are aimed at reducing opportunities for rent-seeking (e.g., elimination of the opaque import control system), and addressing corruption. To this end, the authorities agreed to deepen efforts to improve the efficiency of public spending, including by gradually seeking those public-private partnerships that limit fiscal risks and strengthening public procurement. The authorities also committed to further strengthen the AML/CFT framework, in line with international standards by approving the pending reforms to Law 25.246 and implementing the necessary mitigating measures to address the shortcomings identified in the 2022 National Risk Assessment.

PROGRAM ISSUES

44. The attached Letter of Intent (LOI) and Memorandum of Economic and Financial Policies (MEFP) describe the authorities' progress in implementing their new economic stabilization plan and set out future policy commitments. The Technical Memorandum of Understanding (TMU) clarifies program definitions and the various quarterly targets. Program targets have been revised, consistent with the authorities' strong policy anchors and program implementation, including the corrective actions to address large policy slippages under the previous administration.

45. Program rephasing. The authorities request: (i) a modest frontloading of SDR 1 billion of the pending purchases under the EFF (totaling SDR 4.914 billion) is proposed; (ii) a rephasing of access associated with the remaining three reviews to May, August, and November with end-March, end-June, and end-September test dates, respectively; and (iii) an extension of the period of the current arrangement by shifting the expiration date from September 24, 2024 to December 31, 2024. The frontloading would support the strong initial actions of the new authorities, especially

[19] As shown in the text chart, inflation of goods in protected sectors (e.g., clothing) far exceeded average inflation, and especially inflation in regulated sectors (energy, transport). The proposed relative price realignments should help correct these disparities, while reducing profit margins in protected sectors.

given the acute short-term balance of payment needs in Q1:2024, with large exports liquidation only starting in Q2:2024. The extension would allow the time necessary to assess the authorities' implementation of the stabilization plan, in particular the reserve accumulation trajectory, and ensure that the necessary policies, including for example the 2025 Budget, are in place during the program to resolve Argentina's medium-term balance of payments needs. Upon completion of the seventh review, Argentina will have access to the equivalent of SDR 3.5 billion, which Argentina plans to apply to meet its near-term balance of payments needs. The authorities intend to reimburse CAF for the amounts associated with the December repurchases (SDR 690 million) and have also committed that the remaining SDRs will remain in the holding account for the exclusive use of meeting Fund obligations as they fall due (LOI).

46. Quantitative targets: The authorities are requesting:

- *Waivers of nonobservance for*:
    i. PCs on NIR accumulation, the primary deficit, domestic spending arrears, and monetary financing for end-December, on the basis of recently implemented corrective actions to realign the exchange rate and commitments and measures already undertaken towards stronger fiscal targets in 2024;
    ii. Continuous PCs related to the imposition or intensification of exchange restrictions and the introduction or modification of MCPs on the basis of: (i) the temporary nature of one of the measures, which has been eliminated and (ii) for others, corrective actions, including the request for Board approval of such measures on a temporary basis, consistent with plans to phase out the measures and recently-adopted reforms to streamline the FX system.
- *Modification of targets*. New quarterly PCs are proposed through end-June 2024, and ITs set through end-September 2024. The proposed targets have been adjusted consistent with the new administration's significantly more ambitious stabilization plan, notably:[20]
    i. the *primary fiscal balance* target is consistent with the 2 percent of GDP surplus for 2024 (versus the previous a 0.9 percent of GDP deficit);
    ii. the *NIR accumulation* target from December 10, 2023, to end-September 2024 has been set to support the targeted realization of US$7.6 billion;
    iii. All *monetary financing* of the treasury has been eliminated, with an expanded definition to include secondary market purchases of government securities;
    iv. a tighter ceiling on *domestic spending arrears* has been introduced, based on the average of the final two weeks of the quarter (rather than the quarterly average);

[20] Revisions have also been made to the adjustor on NIR, reflecting updated projections on external disbursements, while the adjustor on the primary balance has been removed.

v. an updated indicative *social spending* floor has been defined, reflecting the need for additional social support to protect the most vulnerable and ensure a socially sustainable adjustment;

vi. the IT on central bank *stock of positions in the NDF market* has been removed, on the basis of the new administration's strong commitments (MEFP).

47. Prior actions. Apart from the many upfront actions taken outside of any formal understanding with the Fund (¶17), to further underpin the program, the authorities will: (i) develop and begin implementing a strategy to help ensure an orderly solution to the external commercial debt stock to normalize trade flows; (ii) begin rebuilding cash buffers and buy back government debt held by the central bank to maintain net zero credit to government, including puts; and (iii) complete public hearings outlining proposals for electricity and gas tariff increases, with an initial adjustment in February and a path consistent with program targets to reduce energy subsidies by 0.5 percent of GDP in 2024.

48. Structural benchmarks. Six new SBs are being proposed: (i) publication of detailed reforms of the current tariff segmentation scheme to better target subsidies on the basic energy basket for vulnerable households **(*end-May 2024, SB*);** (ii) the refinement of the monetary policy framework and operations, to ensure it is well anchored with clear and well communicated medium-term objectives consistent with price stability **(*end-April 2024, SB*);** (iii) eliminating the existing preferential export scheme **(*end-June 2024, SB*);** (iv) strengthening the integration of relevant administrative databases to improve the targeting and efficient delivery of social assistance, with World Bank technical assistance ***(end-September 2024, SB)*;** (v) submission to Congress of the Draft 2025 Budget consistent with the overall fiscal balance objective **(*September 15, 2024, SB*);** and (vi) develop and execute a plan aimed at extending maturities of a portion of the domestic debt coming due this year **(*end-March 2024, SB*).** In addition, the existing SB on the development and publication of a roadmap for the gradual easing of FX controls is proposed to be reset **(*end-March 2024, SB; proposed reset to end-June 2024*).** Since the authorities are already implementing an ambitious plan to gradually improve the BCRA balance sheet, the resetting of the related missed ***end-October 2023, SB*** is not proposed. The missed ***end-August 2023 SB*** and ***end-October 2023 SB*** involving updating of electricity prices are superseded by the more ambitious measures included in the energy-related ***prior action*** and proposed ***end-May 2024, SB*.** Given the need for prioritization, in the context of ongoing macro-stabilization efforts, the other fiscal missed SBs involving enhanced quarterly reporting for public corporations and trust funds ***(end-October 2023, SB)*** and the study of tax expenditures ***(end-November 2023, SB)*,** are not proposed to be reset at this stage.

49. Financing assurances. Official creditors have provided firm financing commitments over the remainder of the program. Multilateral development banks, including the World Bank, Inter-American Development Bank (IADB), and the Development Bank of Latin America and the Caribbean (CAF) are committed to provide net financing of around US$1 billion during 2024 in the form of budget support and project loans. Other bilateral creditors have committed to disburse US$1.4 billion during 2024, equivalent to total annual net financing of around US$0.3 billion, including to support the construction of a large hydroelectric powerplant project and associated power transmission lines. Argentina has also agreed with Paris Club creditors to restructure legacy debt, with repayment by September 2028. The revised program baseline assumes NIR accumulation of about US$7 billion during 2024, with a projected trade (goods and services) surplus of around US$20 billion, and net FDI flows of US$9 billion, more than offsetting net external debt obligations. CFMs will continue to play a supportive role in limiting capital outflows.

50. Capacity to repay. Argentina's capacity to repay remains subject to exceptional risks and has weakened since the fifth and sixth reviews due to policy slippages and mismanagement. Steadfast policy implementation of the new stabilization plan will be essential to deliver sustained reserve accumulation and secure resumption of market access in late 2025, ahead of repayments to the Fund in 2026 (Table 13). The program baseline envisages a gradual improvement in reserve coverage, with accumulation of US$5–10 billion per year over the medium term, although Argentina's rising export potential, especially in energy and mining, provides some upside. Full implementation of the new stabilization plan and completion of the EFF arrangement will be needed to address balance of payments needs, including remaining the Fund obligations related to the 2018 SBA, and those from the current EFF arrangement, which start coming due in late-2026. Over the medium term, Fund debt service obligations are projected to remain very large at around 7 percent of exports, or 13 percent of gross reserves, with outstanding Fund credit only declining gradually below 6 percent of GDP by 2027.

51. Jurisdictional issues. Since the fifth and sixth reviews, three measures have been introduced, including: (i) a restriction of access to the FX market for saving purposes for beneficiaries of the Argentine Integrated Pension System (SIPA) that are receiving financing provided under the ANSES credit scheme; (ii) a requirement for FX authorization for all FX transactions (removed after one day) and (iii) an increase in the tax on purchase of foreign currency. These new measures have given rise to a modification of an MCP as well as intensification of existing exchange restrictions, with measures (i) and (iii) subject to Fund approval under Article VIII, Section 2(a), and 3 (see Annex III), while measure (ii) has since been removed. They resulted in the nonobservance of the performance criteria on the non-imposition/intensification of restrictions on the making of payments and transfers for current international transactions and on non-introduction/modification of MCPs. The measures are maintained for balance of payments reasons, are temporary, are expected to be gradually eliminated over the arrangement period as conditions allow, and do not give rise to an unfair competitive advantage over other members or discriminate among members.

Table 1. Argentina: Measures Taken Since Program Approval Giving Rise to Exchange Restrictions/MCPs

Measure	Assessment	Status
2nd Review		
Preferential exchange rate for exporters of soybeans and derivates	new MCP	Expired
Preferential exchange rate for non-resident tourists	new MCP	Remains in place
Reduction in annual limits on undelayed FX access for goods imports and restriction of FX market access beyond those limits for certain import categories	Intensification of exchange restrictions	Expired
Implementation of a system of annual limits on the amount of foreign exchange that can be immediately accessed for payments of imports of services	Intensification of exchange restrictions	Expired
Inclusion of Transactions with Argentine Certificates of Deposits Representative Foreign Shares (CEDEARS) instruments to the list of capital market transactions that cannot be undertaken 90 days prior to and after access to the official FX market is granted	Intensification of exchange restrictions	Expired
3rd Review		
Reinstatement of preferential exchange rate for exporters of soybeans and derivates	new MCP	Expired
Extension of 30 percent tax to purchases of foreign currency for the payment of a) personal, cultural and recreational services and b) the importation of a list of luxury goods	Intensification of exchange restrictions/modification of MCP	Remains in place
4th Review		
Restriction of individuals who participate in the pension buyback scheme from accessing the FX market for a period of twelve months	Intensification of exchange restrictions	Remains in place
5th/6th Review		
Preferential exchange rate for exporters of soybeans and derivates and other regional products.	new MCP	Expired
Preferential exchange rate and list of eligible products changed	Modification of MCP	Expired
New tax on purchase of foreign currency for payment of a) certain professional services (25 percent) and b) transportation services and imported goods with exemptions for essential goods (7.5 percent)	New exchange restriction/new MCP	Partially replaced
Prohibition on accessing FX market for making payments for imports of soybeans until the export proceeds for the soybean product have been received	New exchange restriction	Remains in place
Prohibition on accessing the FX market by exporters that do not fulfill the FX surrender requirement	New exchange restriction	Removed
BCRA authorization requirement for FX market access for specific professional services if payment is made earlier than 60 calendar days after the service was provided	Intensification of exchange restrictions	Expired
BCRA authorization requirement for FX market access for payments of interests to non-resident related counterparty	Intensification of exchange restrictions	Remains in place
Extension of the non-CCL transaction affidavit period to 180 days for CCL transactions with securities under foreign law and extension of the affidavit requirement for non-CCL transactions before access to the FX market to the whole company group	Intensification of exchange restrictions	Remains in place
Extension of requirement to Argentinian provinces to refinance 60 percent of the principal amount of external loans before accessing the FX market for repayments of the remaining 40 percent	Intensification of exchange restrictions	Expired
Restriction of individuals who have debt with the National Security Administration (ANSES) from accessing the FX market	Intensification of exchange restrictions	Remains in place
7th Review		
Restriction on beneficiaries of and contributors to the Argentine Integrated Pension System (SIPA) who receive financing provided under the ANSES credit scheme from accessing the FX market for as long as the loan remains unpaid.	Intensification of exchange restrictions	Remains in place
All requests for FX required authorization of the BCRA.	Intensification of exchange restrictions	Removed (after one day)
Increase in tax on purchase of foreign currency from 7.5 to 17.5 percent for transportation services and imported goods with exemptions for essential goods.	Modification and intensification of an existing MCP and exchange restriction	Remains in place

Sources: Annex III, IMF Country Report No. 23/133 Further Supplementary Information, IMF Country Report No. 22/388 Annex II, IMF Country Report No.22/322 Annex II, IMF Country Report No. 23/312 Annex III.

Note: Separately, staff is working with the authorities to assess measures that may constitute Capital Flow Management Measures under the IMF's Institutional View on the Liberalization and Management of Capital Flows.

52. Safeguards. The BCRA has made progress in implementing some of the 2022 safeguards assessment recommendations, but many others face delays. Periodic reporting on risk management to the Board has been introduced. Further work is needed in other areas, including to update an emergency liquidity assistance framework, finalize the BCRA's IT security policy, and conduct an external quality review of the internal audit function. Furthermore, while important efforts are underway to strengthen the BCRA's balance sheet, more work is necessary to improve its financial and institutional autonomy. This includes reform of the BCRA's legal framework and full adoption of international financial reporting standards (IFRS), which is an important anchor to sustainably strengthen transparent reporting of the BCRA balance sheet. Staff will continue to engage with the new BCRA leadership on the outstanding recommendations.

53. Arrears policy. Under the Fund's Lending into Arrears policy, staff assesses that the authorities continue to make good faith efforts to resolve arrears to (i) external private creditors that did not participate in the 2005/10 debt exchange or did not settle under the terms provided in 2016 and those to which there is debt outstanding from the 2001 default (about US$2.35 billion total); and (ii) Mobil Exploration, where negotiations remain underway on a repayment plan on principal claims (US$196 million). New external obligations have arisen to Bolivia for around US$200 million, related to the non-payment of overdue invoices and interest in 2023. In this regard, the new Argentine authorities have resumed payments to Bolivia as they work with them on a payment plan to clear all of the inherited arrears by August 2024. Similarly, the new Argentine authorities and new Paraguayan authorities have deepened discussions on payment arrangements for overdue obligations owed to a binational Paraguayan and Argentine entity (Yacyreta) related to energy imports in 2023 (around US$100 million). Two external arrears claims remain under litigation: (i) Bpifrance Assurance Export, where the firm filed an appeal with the Supreme Court of Justice on December 2, 2022, after the Court of Appeal had rejected the extraordinary appeal submitted by the agency on grounds of statute of limitations; and (ii) Titan Consortium I, LLC, where a legacy claim is currently under litigation on grounds of statute of limitations. The authorities affirmed that no other external arrears were incurred since the fifth and sixth reviews.

EXCEPTIONAL ACCESS

54. On the basis of the new authorities' ambitious stabilization plan, all four exceptional access (EA) criteria are satisfied, subject to implementation of pending actions. In particular, staff assesses that the authorities have strong ownership of and ability to secure the implementation of the stabilization plan, which is essential to restore macroeconomic stability and external viability. Importantly, given the exceptionally difficult economic inheritance and program implementation challenges associated with a fragmented Congress and a very fragile social situation, staff's EA assessment remains subject to finely balanced judgements.

- ***Criterion 1.*** *The member is experiencing or has the potential to experience exceptional balance of payments pressures on the current account or capital account resulting in a need for Fund financing that cannot be met within the normal limits.*
    - **Staff assesses this criterion as met.** Argentina is experiencing exceptional balance of payments pressures on the financial account, which have been aggravated by extensive policy setbacks by the previous administration. In addition to decisively implementing the new stabilization plan, meeting the very large external debt service obligations during 2024 will continue to require financial support from the Fund beyond its normal access limits, as well as the broader support of the international community.

- ***CRITERION 2.*** *A rigorous and systematic analysis indicates that there is a high probability that the member's debt is sustainable in the medium-term; where the member's debt is considered sustainable but not with a high probability, exceptional access would be justified if financing provided from sources other than the Fund, although it may not restore sustainability with high probability, improves debt sustainability and sufficiently enhances the safeguards for Fund resources.*

  - **Staff assess that debt is sustainable, but not with high probability.** Under the revised baseline and policy framework, Argentina's public debt is sustainable, but not with high probability (see **Annex II**). More favorable debt dynamics from 2024 onwards, relative to the time of the fifth and sixth reviews, reflect the assumed implementation of the new administration's ambitious stabilization and growth plan. While the recent realignment (and overshooting) of the real exchange rate will significantly increase the public debt to GDP ratio at end-2023, the subsequent projected normalization of the currency to medium-term fundamentals, supported by consistent macroeconomic policies, will enable improvements in Argentina's external balance and repayment capacity. Meanwhile, the new stabilization plan is expected to support demand for peso denominated assets, facilitating the refinancing of domestic debt obligations in the context of a gradual easing of capital controls. In this regard, the plan to extend a portion of 2024 domestic debt maturities is an important step in mitigating near-term rollover risks. However, this assessment continues to remain subject to very high risks and hinges critically on decisive policy implementation, including over the medium term, to deliver the assumed improvement of fiscal and external imbalances. As such, margins for maneuver remain extremely limited. Meanwhile, adequate safeguards are in place if needed to secure debt sustainability. Specifically, in the event that adverse shocks materialize, there would be sufficient restructurable FX debt to the private sector potentially available after the program to secure debt sustainability and hence enhance safeguards for Fund resources.

- ***CRITERION 3.*** *Staff judges that the member has prospects of gaining or regaining access to private capital markets within a timeframe and on a scale that would enable the member to meet its obligations falling due to the Fund.*

  - **Staff assesses that this criterion continues to be met.** External sovereign bond prices continue to trade at distressed levels, but have risen considerably, on account of the new authorities' bold initial actions and strong commitment to respect contracts and restore external viability. The recent tapping of international capital markets by Argentine corporates also represents an early positive signal. Argentina's productivity and competitiveness should be supported by lifting the many external and domestic distortions, the implementation of market reforms (product, labor, trade, governance), and the strengthening of regulatory frameworks to support Argentina's export potential in strategic areas, including energy and mining. This would support the gradual easing of CFMs, which will in turn help further support productivity and FDI. This assessment, however, continues to be subject to a high degree of uncertainty as implementation challenges could complicate the new authorities' ability to restore external viability, and in particular, efforts should be made to engage in legal processes related to the recent sovereign debt litigation rulings associated with YPF and GDP-linked warrants (amounting to roughly US$17 billion). Overall, continued implementation of the stabilization plan will be key to continue to boost reserve coverage and allow the sovereign to gradually regain access to international private capital market starting in 2025, on a scale that would enable repayment to the Fund by the time payments begin falling due in late 2026.

- ***Criterion 4.*** *Staff judges that the policy program provides a reasonably strong prospect of success, including not only the member's adjustment plans but also its institutional and political capacity to deliver that adjustment.*

  - **Staff assesses that this criterion is met,** subject to delivery of pending prior actions. The new administration is strongly committed to restore macroeconomic stability and address the many impediments that are holding back growth and investment, while protecting the most vulnerable. President Milei was elected with a very strong popular mandate, following a campaign based on rapidly eliminating fiscal deficits and moving towards a more open and rules-based economy, while also explaining that this transition would come with near-term economic and social costs. Initial actions to quickly reach an overall fiscal balance, correct relative price misalignments, strengthen the central bank balance sheet, and eliminate the highly distortive import control schemes is a clear demonstration of the new authorities' strong ownership and willingness to implement necessary actions, including additional actions to reduce energy subsidies and the commercial debt overhang (***prior actions***). Furthermore, while views across the political spectrum diverge on some elements of the new administration's ambitious reform agenda, staff's discussions with political consultants and members of various political parties, including the opposition, suggests that there is core support in Congress to make progress in key areas related to stabilizing the macroeconomy and reducing imbalances. While the authorities' ownership and conviction support the program's prospects of success, and there are strong prospects for support of core program elements, this assessment will continue to be subject to risks. This reflects the very complex and delicate political and social situation, including the new administration's nascent relationship with Congress, which could deteriorate as adjustment efforts take hold. In the event that these risks materialize, the authorities are prepared to implement contingency plans, and have the levers to further tighten spending (while scaling up social assistance) and mobilize revenues (through tax compliance and reduced tax expenditures) to secure fiscal targets, and to adjust FX policy to deliver reserve accumulation goals. This lends further support to staff's assessment.

STAFF APPRAISAL

55. Following the fifth and sixth reviews, an intensification of inconsistent policies in the latter months of 2023 pushed the economy towards a balance of payments crisis, and the program completely off track. Expansionary policies ahead of the elections led to a further rise in the fiscal deficit, a depletion of international reserves, and increased reliance on interventionist and distortive measures. As a result, inflation accelerated sharply to the highest levels in 30 years, the public sector's balance sheet deteriorated further, and the backlog of private external commercial debt rose sharply. Key performance criteria were missed by large margins and the regime of MCPs and exchange restrictions grew even more complex.

56. Against this backdrop, staff welcomes the new administration's initial bold actions and determination in implementing an ambitious stabilization plan to restore macroeconomic stability and bring the program back on track. The authorities' initial actions and commitment to achieve twin fiscal and current account surpluses are commendable. Noteworthy, have been early efforts to (i) eliminate the fiscal deficit, including by unwinding some earlier damaging measures; (ii) rebuild reserves, including through a large, decisive correction of the FX misalignment and the streamlining of distortive FX controls; (iii) strengthen the central banks' balance sheet, while reducing debt rollover risks; and (iv) create a simpler, rules-based, and market-oriented economy, abandoning the previous approach of distortive interventions and controls. As a result, the economy has steered away from a full-blown balance of payments crisis, although the path to macroeconomic stability will be a challenging one—with conditions likely to worsen before they get better—requiring sustained policy implementation.

57. The program is appropriately centered on rapidly addressing the underlying problem of fiscal dominance, although further efforts will be required to strengthen the quality and durability of the proposed consolidation over time. Staff welcomes the commitment to achieve a primary surplus of 2 percent of GDP this year, consistent with an adjustment of 5 percentage points of GDP, and to eliminate all forms of central bank financing of the budget. It supports the thrust of the measures to secure fiscal consolidation, although distortive measures like trade taxes will need to be replaced over time by higher-quality fiscal measures that improve the structure and efficiency of the tax system, and strengthen the design of the utility subsidy, pension, and provincial transfer systems. In this regard, continued effort will be needed to secure timely approval of fiscal legislation, including to strengthen the personal income tax regime, as well as the eventual passage of a budget for 2025 that embeds the needed pivot in fiscal measures.

58. Staff applauds initial efforts to scale up social assistance to protect the most vulnerable, and additional support may be needed going forward. Given the very delicate social situation, with already high poverty rates, and the fact that the stabilization will be associated with near-term economic costs, social assistance through the child allowance and food stamp programs should be reinforced as needed. In tandem, efforts should continue, drawing on inputs from the development partners, to improve the targeting and efficiency of social programs, and mechanisms should be devised to protect poor households from the needed relative price realignments. In addition, staff agrees that there is a need to preserve the real value of pensions given their sharp decline in recent years, notably through discretionary increases while a more appropriate pension indexation mechanism is developed.

59. Following the much-needed correction of the FX misalignment, FX policy will need to be carefully calibrated to support reserve accumulation. Care will need to be taken to avoid a rapid unwinding of the earlier competitiveness gains to secure a current account surplus consistent with reserve accumulation goals. Staff welcomes the commitment to move to a more market-based regime and the abandonment of the previous approach of intervening in the parallel and non-deliverable futures FX markets, which only drain reserves and add to vulnerabilities.

60. Staff welcomes the elimination of the previous opaque system of import controls and efforts to secure an orderly resolution of the large commercial debt overhang. To improve the import process, the cumbersome system of administrative import controls (SIRA/SIRASE) has been appropriately replaced by a simpler and more transparent rules-based system of access to official FX. Meanwhile, steps are underway to address the large commercial debt overhang through the establishment of a scheme to better organize FX access for importers that properly register and verify their commercial debts, while not adding to central bank or government public debt. These initiatives are expected to relieve near-term FX pressures, progressively regularize trade flows, and provide the needed predictability for stronger production and employment.

61. Efforts to eliminate MCPs and exchange restrictions should be continued, supported by a roadmap, while plans should be developed to unwind CFMs as imbalances are addressed. Staff welcomes the recent streamlining of FX restrictions and controls following the large FX correction. However, further steps will be required to eliminate remaining MCPs and exchange restrictions, including by eliminating the tax on FX access to imports during the course of this year. The export incentive scheme (allowing liquidation in the FX parallel markets) should also be removed. A plan should also be developed to secure an orderly and appropriately sequenced phasing out of CFMs and prudent exchange rate unification as imbalances are addressed and conditions allow.

62. Meanwhile, the monetary policy stance and framework will need to evolve to support money demand and better anchor inflation. Following the initial easing of the policy stance to address the peso overhang, monetary policy will need to adjust to support money demand and disinflation. Meanwhile, a speedy transition to a new monetary policy framework and operations is also needed to strengthen the central bank's anchoring role, and staff welcomes the authorities' commitment to develop a plan to this end. Staff will engage closely and provide technical assistance on this important issue.

63. Staff welcomes the priority to gradually strengthen the central bank's balance sheet and mitigate domestic rollover risks. Immediate elimination of monetary financing, along with realignment of the exchange rate and rebuilding of reserves, will be essential to BCRA balance sheet repair. Over time, disinflation would help restore real money demand, permitting a reduction in BCRA liabilities. Strengthening BCRA operational independence and governance is a key priority, along with efforts to gradually strengthen the quality of BCRA assets while furthering the application of international accounting standards. On the government's domestic debt, staff welcomes the shift away from FX-linked instruments to limit vulnerabilities, as well as plans to extend maturities and mitigate near term refinancing risks.

64. Meanwhile, on the external front, continued decisive policy implementation will be critical to catalyze official support and allow a gradual re-accessing of international capital markets starting in 2025. Staff welcomes efforts to mobilize official financing to support the authorities reform agenda and social assistance needs. While completion of bilateral agreements with Paris Club creditors is noteworthy, continued efforts are needed to mobilize support from non-Paris Club creditors for the completion of key infrastructure projects. Staff agrees with the authorities' focus on restoring fiscal and external viability to bolster creditworthiness and an eventual gradual re-access to international private capital markets. The authorities' continued engagement in legal processes related to litigation cases against Argentina in international courts would also help support this process.

65. Initial efforts to address long-standing impediments to growth are welcome, although these will need to be properly prioritized and sequenced. Staff welcomes efforts to create a more open, rules-based and market-oriented economy, and supports initiatives that aim to curtail excessive regulations holding back growth, employment, and trade. Reforms, however, will need to be properly sequenced to avoid adding to dislocation costs while the economy is adjusting to relative price changes. Meanwhile, efforts to unlock Argentina's energy and mining potential through more predictable regulatory frameworks remain crucial.

66. With program and enterprise risks remaining significant, agile policymaking and contingency planning will be essential. Delays in securing political support for key reform legislation could complicate program implementation, while the risks of unrest cannot be discounted given the near-term social costs associated with the stabilization plan. As such, efforts to build societal support for the program remains indispensable as well as adequate and well targeted social assistance. As with any stabilization program, policies will likely need to be recalibrated to adapt to changing circumstances and ensure program objectives are met. Should risks materialize, additional policy measures will need to be deployed, including tighter spending controls, improved tax compliance, and streamlining of tax expenditures to secure fiscal targets, along with nimble FX policy adjustment to achieve reserve accumulation goals. Continued clear communication will be essential to manage expectations and maintain support for the program.

67. Staff supports the authorities' request for an extension of Board approval to maintain MCPs and exchange restrictions on a temporary basis, as well as Board approval to maintain intensified exchange restrictions and a modified MCP. The authorities have requested: (i) a 12-month extension of the previously approved MCPs and exchange measures; and (ii) Board approval of intensified exchange restrictions and one modified MCP. They have committed to gradually eliminate these measures over the program period as conditions allow and new stronger macroeconomic adjustment policies take effect. Staff supports the requested extension and new Board approvals, given that the measures are temporary and maintained for balance of payments purposes. Given strong corrective actions, and the temporary nature of one of the measures which has been eliminated, staff also supports the waivers of nonobservance of the PC on the non-imposition/intensification of restrictions on the making of payments and transfers for current international transactions and on non-introduction/modification of MCPs. These policies do not give rise to an unfair competitive advantage over other members or discriminate amongst members.

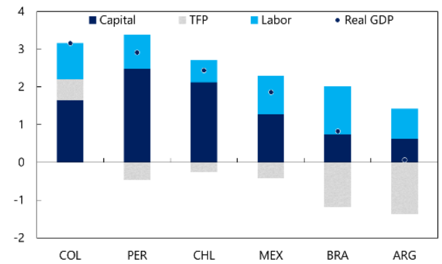
68. On the basis of the authorities' initial policy actions and ownership to implement their stabilization plan, staff recommends completion of the seventh review and extension of the program through end-2024. Staff supports the requests for waivers on the basis of the recently implemented corrective actions and new policy commitments. Staff also supports the requested modification of key program targets, and recommends completion of the financing assurances review, including given Argentina's proven commitment to remain current with the Fund and ongoing good faith efforts to resolve its external arrears.

Box 1. Structural Impediments to Growth

Argentina has a long history of boom-bust cycles, with average real per capita growth well below EM and regional peers. This underperformance has been especially acute since the end of the commodity boom in 2011, with falling living standards leading to a rise in poverty and informality. Aside from macroeconomic instability, growth has been held back by structural impediments to factor accumulation and productivity growth, which have recently become more pervasive.

Argentina's real per capita income has fallen by over 10 percent between 2011 and 2023, owing to sharp declines in aggregate productivity and only modest contributions from capital and labor services. This is in contrast with regional peers, where living standards have improved over the same period, despite limited productivity gains. Longer-term trends show weaker performance relative to peers, especially on the productivity front, with the exception of the mid-1990s, where pro-market reforms lifted productivity growth, although these efforts were short-lived.

Real GDP Growth Decomposition
(average betweeen 2012-2023, in percentage points)



Sources: Penn World Tables (2012-2019); and Fund staff calculations (2020-2023).

This underperformance in part reflects high regulatory and trade barriers, as well as weak governance, across various markets. This assessment is supported by the IMF's Structural Reform Database (2020), as well as more recent surveys conducted by the OECD (Sectoral Product Market Reform, 2018) and the World Bank (World Governance Indicators, 2022).

- According to various indicators and surveys, Argentina is among countries with the tightest product market regulations, reflecting high trade tariffs, entry barriers in the services and network sectors, administrative burdens on start-ups, and state involvement in business operations. At the sector level, these barriers are particularly strong in air transport, e-communications, retail/distribution and professional services. In addition, strict job protection laws, collective wage bargaining, and a powerful labor litigation industry may have worked to discourage formal employment, by increasing the costs of doing business and limiting the ability of firms to adjust to shocks. The recent expansion of ad-hoc administrative controls and interventions have likely moved Argentina further away from a predictable and rules-based system.

- Meanwhile, latest governance indicators (2022) point to weaknesses relative to peers and some deterioration relative to previous assessments (2018). Governance weaknesses manifest in: (i) a weak enforcement of property rights; (ii) perception of the lack of a sufficiently efficient and independent justice system; and (iii) inefficiencies in government operations and public procurement, reflecting in part a fragmented and complex bureaucracy.

There is scope to significantly boost growth, but this will require a well-sequenced plan to deregulate and open the economy. The proposed Emergency Decree seeks to address some of the long-standing impediments to investment, formal employment and trade, including by: (i) deregulating services and network industries (e.g. real estate, pharmacies, retail, tourism, air transport); (ii) creating a more flexible labor market through the easing of hiring and firing bottlenecks; and (iii) paving the way for streamlining state-owned enterprises. While some of the proposed reforms represent a step in the right direction, their success will depend on how they are prioritized, sequenced and implemented, including to ensure that the growth dividends are appropriately shared. IMF research based on major reform packages in EMDEs points to significant output gains (around 4 percent in two years and 8 percent in four years), especially in countries like Argentina with large initial structural gaps.[1]

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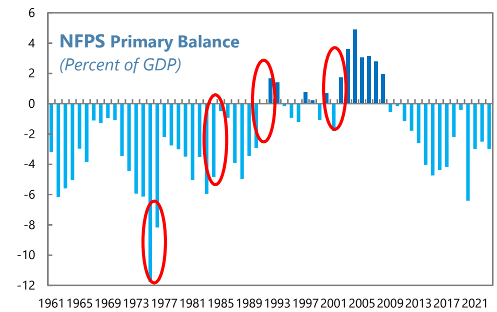
[1] See IMF Staff Discussion Notes by Budina et al. (2023) and Aligishiev et al. (2023). These studies also suggest sequencing labor market and private finance reforms for a second stage.

Box 2. Fiscal Policy from a Historical Perspective

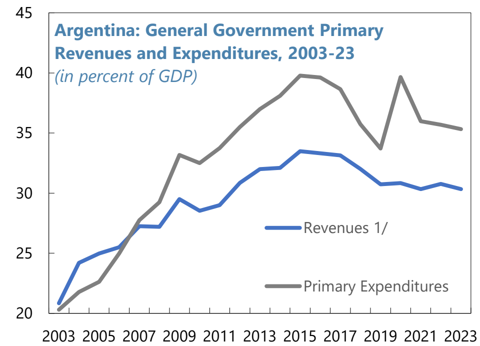
Chronic weak public finances are at the root of Argentina's long history of boom-bust cycles and persistent high inflation. A historical and cross-country context highlights how sustained fiscal discipline is key to the success of stabilization programs.

Argentina has a long history of fiscal dominance, with only periodic large consolidation episodes, and these generally proved to be unsustainable. Argentina has run primary surpluses in only 13 of the past 63 years, with over half of these supported by the large terms-of-trade windfalls of the early 2000s. Moreover, large fiscal adjustments (exceeding 3 percentage points of GDP) have been uncommon (red ovals). They tended to take place in the context of stabilization plans—*the 1977 Tablita Plan, the 1985 Austral Plan, the 1991–92 Convertibility Plan, and during the 2002–03 Crisis*—yet efforts to sustain fiscal discipline did not last.[1]



Source: National authorities and IMF staff calculations

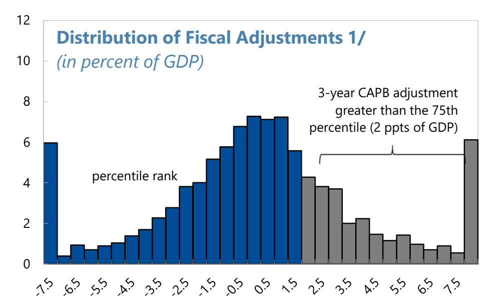
The structure and size of the public sector is no longer sustainable. Initially supported by the commodity boom, Argentina increased the size of the public sector by close to 20 percent of GDP between 2003–2016, with general government primary spending currently exceeding 35 percent of GDP. Given difficulties sustaining revenues, large primary fiscal deficits emerged that were financed either externally or through the central bank, both resulting in similar boom/bust episodes that ended with high inflation and FX pressures. In addition, spending increases and lack of an efficient revenue sharing agreement between the federal and provincial governments, led to increased reliance on distortive taxes at the federal (i.e., trade and financial transaction taxes) and provincial (i.e., turnover tax) levels, with the tax burden increasingly falling on a shrinking share of workers and firms, adding to redistribution challenges.[2]



Sources: MECON and Fund staff calculations.
1/ Excludes trade and FX taxes.

While the size of the proposed consolidation is exceptional from a historical perspective, initial crisis conditions in Argentina warrant a large expenditure-based consolidation.

- **Size/pace of adjustment.** The plan for a frontloaded adjustment of about 5 percent of GDP is large, both from an Argentina and a cross-country perspective (above the 75th percentile of EMDEs). While successful adjustments are normally more gradual (over 3–5 years), some frontloaded consolidations, typically after crises, were successfully sustained. For instance, following a banking crisis, Turkey delivered a sustained consolidation by targeting a primary surplus of 6.5 percent of GDP during 2000–08, with privatization of state-owned enterprises (SOEs) also helping to alleviate financing needs. Brazil in the early 2000's is also another example of a successful large consolidation.



1/ Data cover annual observations from 1990 to 2019 for MAC advanced and emerging economies. Percent of sample in vertical axis.

- **Composition of adjustment.** Studies show that the more durable fiscal adjustments were generally underpinned by expenditure-based reforms.[3] This would be consistent with the authorities' goal of streamlining subsidies, strengthening the sustainability of the pension system, improving the targeting and governance of the social safety net, and rationalizing SOEs. Temporary reliance on trade-related (and other distortive) taxes is

Box 2. Fiscal Policy from a Historical Perspective (Concluded)

expected to gradually be unwound, through reforms aimed at improving the efficiency of the tax system and overall tax compliance. Social assistance will need to be scaled up in order to ensure that the adjustment is politically and socially sustainable.

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[1] The convertibility regime weathered the tequila crisis (1994) yet was unable to sustain reforms and adjust to subsequent shocks (Asian/Russian crises, Brazil depreciation of the late 1990s).

[2] It is estimated that the share of workers with formal private sector jobs has fallen to around 20 percent, further complicating the government's ability to finance the growing welfare system (see Levy Yeyati, E. (2020), "After the Default: Argentina's Unsustainable "20/80" Economy").

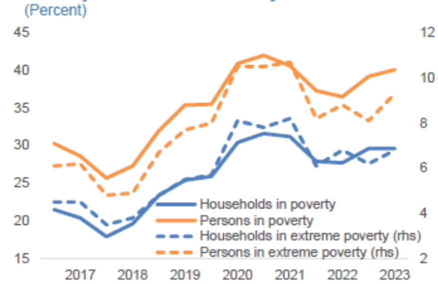
[3] See Escolano, J. Jaramillo, L. Mulas-Granados, C. and Terrier, G. (2014), "How Much is A Lot? Historical Evidence on the Size of Fiscal Adjustments" IMF Working Paper 14/179.

Box 3. Reinforcing Social Assistance

The stabilization program will need to include a temporary expansion of targeted social support to protect the most vulnerable from the initial burst in inflation and contraction in activity. This box describes poverty and its key drivers, and highlights the need for additional well-targeted support and efforts to address gaps in the safety net.

Argentina has seen a trend increase in poverty, amidst accelerating inflation and falling real wages. Latest statistics through S1:2023, suggest that poverty climbed to 40 percent, with 56 percent of children below the poverty line and almost 10 percent of the population in extreme poverty. Preliminary estimates (based on World Bank models) suggest that overall poverty has risen to around 45 percent more recently, driven by increases in the price of the basic consumption basket (up 190 percent y/y through November), and declines in real wages of informal workers (down 20 y/y in October).

Poverty and Extreme Poverty
(Percent)



Source: INDEC.

Argentina's strong and broad social safety net has helped to partly mitigate the impact on vulnerable households, although gaps in coverage exist and inefficiencies remain. For the elderly population, pension coverage is almost universal, with minimum benefit amounts exceeding the national poverty line. As a result, pensioners represent just 4 percent of the poor, with poverty rates among the elderly at 13 percent. The more vulnerable portions of the working age population with children receive assistance mainly through the universal child allowance (*AUH*), the food stamp program (*Programa Alimentar*), as well as a cash transfer program provided to adult students (*Progresar*). These means-tested programs benefit around one third of the poor population and are generally effective, well managed, and supported by MDBs.[1] Additional assistance (0.5 percent of GDP) is delivered through a workfare (*Argentina Trabaja*), although concerns have emerged over its targeting and efficiency, as the assistance is channeled through costly intermediaries. While coverage is generally broad, adult poor informal workers without children tend to be left out of the safety net.

Main Social Assistance Programs

Program	Coverage Description	Beneficiaries (mls)	Cost in 2022 (% of GDP)
Total Social Assistance			3.7
Universal Child Allowance (AUH)	Child benefit for unemployed or informal workers with means-testing, with child health and education conditionality.	4.0	0.5
Contributory Family Allowances (incl. SUAF child allowance)	Child benefit for salaried workers (below minimum tax threshold), including benefits for unemployed and pensioners.	5.5	0.7
National Institute of Services for Retirees and Pensioners (INSSJP)	Medical benefits to population 70+ without pension benefits.	> 4.0	0.8
Other	Other programs		1.8
Programa Alimentar (food stamps)	Cash transfers through debit card for food items to a sub-group of AUH beneficiaries.	2.3	0.5
Argentina Trabaja (welfare to work)	Income support for participation in social and community economic activities organized by 'cooperativas'.	1.3	0.5
Progresar (scholarships)	Cash transfer to adult students from low-income households, conditional on participation in education programs.	1.8	0.2

Source: IMF, World Bank, and authorities.

Box 3. Reinforcing Social Assistance (Concluded)

Social support has already been reinforced to mitigate the initial effects of the stabilization program, although further efforts will be needed along with improvements in the targeting and efficiency of the system.

- Following the devaluation, the new administration immediately doubled *AUH* transfers and raised those of *Programa Alimentar* by 50 percent. Preserving the purchasing power of these well-managed programs, as well as universal pension (PUAM) benefits, will be key, especially during the initial rise in inflation and economic recession.
- Additional temporary social support may be required to allow lower- and middle-class households to cope with the large initial correction of relative price misalignments (fuel, utilities, medical insurance, etc.). Importantly, timely (advance or concurrent) social support measures will be needed to mitigate the impact of the energy price reform.
- Over time, further efforts are needed to improve the targeting and address gaps in the social safety net. Upgrading the current individual-level social database to household-level will be key to improve targeting and address coverage gaps, but this is likely to require a multi-year investment. A comprehensive diagnostic review, which is being conducted in collaboration with the World Bank, will be a critical first step to begin this process.

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[1] The current EFF includes an indicative floor on spending for these three high-quality programs to protect the most vulnerable.

Box 4. Importers' Debt Overhang

This box describes the rise in Argentina's importers' debt under the previous government and the new administration's strategy to gradually unwind these inherited stock obligations and normalize trade flows.

Argentina's private external commercial debt has grown to an all-time high.[1] In the context of an overvalued exchange rate, the importers' debt stock grew to around US$60 billion by September, roughly US$30 billion above the recent historical average, with most of the increase related to goods imports. As a share of imports, importers' debt rose to around 60 percent, far above the 40 percent average during 2017–19. Meanwhile, exporters' debt has remained relatively unchanged.

Importers' Debt
(in US$bn)

	Dec-21	Sep-23 [1]	Change
Importers' Debt	30.4	57.3	26.8
Goods	22.0	44.3	22.3
Services	8.4	12.9	4.5
Financing			
Intra company loans	18.4	34.1	15.7
Trade financing	9.9	20.3	10.4
Banks	2.0	2.2	0.1
Other	0.1	0.7	0.5
Sector			
Industrial manufacturing	12.3	26.9	14.6
Mining	3.0	3.8	0.8
Trade	6.7	12.6	6.0
Other	8.5	13.9	5.4
Maturity /2			
Immediate /3	14.1	25.4	11.3
0-3 months	9.2	21.3	12.0
3-6 months	1.3	2.4	1.1
6+ months	5.8	8.2	2.4
Memo:			
Debt to 12-mth imports (percent)	39.9	58.4	18.5
Debt accumulation to 12-mth imports (percent)	2.6	16.1	13.5

Sources:
1/ Based on staff estimates.
2/ estimated based on maturity of intra-company and trade financing for commercial and financial debt.
3/ includes payments due and no agreed maturity.

The commercial debt increase has been mainly financed by short-term intra- and inter-company lending, with no increase in domestic financial sector exposure. About 60 percent of the debt was held by companies of the same group (in the form of FDI), with most of the rest provided by foreign exporters through trade credit. This new lending carries a maturity of up to 3 months and is concentrated in the manufacturing and trade sectors, to which the exposure of the domestic financial system remains small and unchanged since 2021.

The new administration has adopted a market-friendly strategy to unwind the large stock overhang in an orderly fashion. Given the large commercial debt overhang and the pressing need to rebuild reserves, the strategy aims to relieve near-term FX pressures while offering importers more predictable access to official FX to help ease trade constraints and protect production and employment. For the commercial debt accumulated before December 13, 2023, eligible importers, whose debt has been properly registered and verified,[2] can purchase new BCRA-issued FX swaps (BOPREAL), payable in USD with maturities of up to 4 years at varying interest rates.[3] Demand is expected to come mainly from large firms and multinationals. Importers with immediate need to service FX debt can either use these instruments in collateralized borrowing, sell them in the secondary market[4] (likely at a discount), or simply use them as a payment promise. A limited sum of BOPREAL maturing in 2024 will also be issued starting

Box 4. Importers' Debt Overhang (Concluded)

February to enable small firms to pay down their FX obligations. The FX swap would not be associated with any form of public debt. That said, to limit "quasi-fiscal" risks (which could be realized if the real exchange rate weakens significantly from current depreciated levels) the authorities will issue a limited amount of these instruments, the bulk of which will take place over the coming weeks.[5]

In parallel, the authorities have launched a more transparent system to normalize new import flows, critical to help contain inflation and support exports. The opaque and cumbersome SIRA/SIRASE system has been replaced with a more transparent, rules-based system for access to FX for imports (SEDI). While the SEDI still defers access to FX for imports to limit pressure on scarce reserves, the average delay of 45 days is much shorter than the 90–160 days under SIRA, and there is an automatic mechanism for payment based on very clear priorities. Importantly, non-automatic imports licensing (and associated allocation formula) has been removed, lifting distortive and nontransparent quantitative caps on imports. Strong policy anchors and improvements in reserve coverage, will allow for prompt graduation away from FX access restrictions on imports and a normalization of the commercial debt stock (which is expected to rise in the near-term).

1/ Data are based on a comprehensive firm survey of the full population of firms in Argentina.

2/ To limit past irregularities, importers must go through a stringent debt registration process. As of January 10, 2024, US$21 billion of debt out of a total of near US$60 billion had been registered, of withUS$16.5 billion is held by large companies, US$2.5 billion by medium-sized companies, and US$2 billion by small and micro companies. Debt that has been canceled through other mechanisms, without a transfer of currency, exceeded $2 billion.

3/ In December 2015 through 2016, a similar approach was followed to address accumulated commercial debt in previous years, although the size of overhang was significantly smaller than currently. During 2016, commercial debt dropped by more than US$6 billion, driven in part by a sharp compression in imports (about US$4 billion).

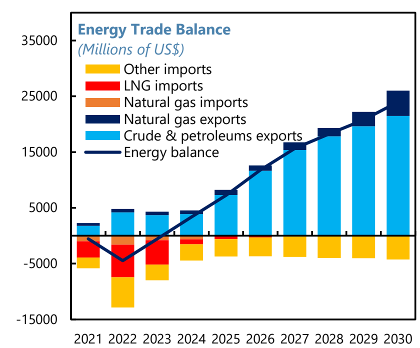
4/Importers repaying commercial debt by exchanging BOPREAL for FX via the parallel market will not lose access to the official market.

5/ The window for the initial US$5 billion of longer-dated instruments closes at end-February and issuance of each instrument (three series in total) will be limited, subject to the projected availability of FX reserves. As of January 11, subscriptions reached US$1.2 billion.

Box 5. Energy and Mining Sector: Potential Balance of Payments Implications

Argentina's energy balance is expected to swing into surplus in 2024, with upside potential over the medium term.

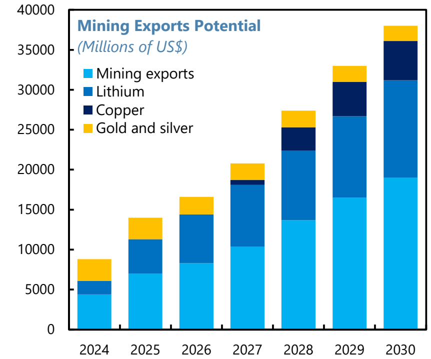
Energy baseline: In the near term, the baseline already incorporates a shift to a surplus of US$3.3 billion in 2024, from a deficit of US$0.6 billion in 2023, reflecting a lower energy imports bill. Completion of the initial stages of the gas pipeline increased domestic gas transportation capacity to 11 million cubic meters per day in 2023. Transport capacity is expected to double in 2024 to 22 million cubic meters per day and reduce LNG imports by a further US$3.5 billion, subject to the completion of compression plants. Beyond 2024, completion of the pipeline's next phase and the North pipeline's flow reversal, targeted for mid-2025, are projected in the program baseline to reduce imports by a further US$0.7 billion per year.



Energy (medium-term) upside risks: There is significant potential for an additional strengthening of the energy balance driven by export growth, especially to neighboring countries. Based on independent assessments, crude oil exports could rise steadily from around 100 kbbl/d in 2023 to 900 kbbl/d by 2030, generating an extra US$14 billion of annual exports. The potential export of LNG also provides significant upside, though this would also require major infrastructure investment to construct liquefaction terminals. These ambitious figures remain however conditional on an adequate macroeconomic and regulatory framework to help meet an estimated US$40 billion investment gap over the medium-term.

Box 5. Energy and Mining Sector: Potential Balance of Payments Implications (Concluded)

Similarly, the mining sector could deliver a near five-fold increase in its exports over the medium term. Three quarters of the potential increase could come from lithium exports (US$12 billion), with the remainder mainly coming from copper exports (US$5 billion), where production is expected to start in 2027, alongside smaller amounts of gold and silver exports. Achieving this potential will require the delivery and execution of important investment—so far US$17 billion of mining investments have been announced, with 6 projects already under construction and more than 70 at advanced stages according to the mining ministry. These dynamics are reflected in the program baseline for FDI inflows over the medium-term. The impact on the trade balance remains uncertain however, given the expected high imports component in the early stages of mining projects.



Realizing these investments will depend on securing macroeconomic stability but also crucially on planned reforms to improve the predictability of the investment regime. The recently submitted Omnibus bill includes a wide set of policies (including 40 amendments to the hydrocarbon law) to incentivize investment, particularly in the energy and mining sectors. Key elements include: (i) a 30-year fiscal stability guarantee at the federal level to limit uncertainty around the tax regime going forward; (ii) for enterprises with large initial capital investment needs and an extended cashflow profile (e.g., copper mining), relaxation of surrender requirements to pay foreign contractors and service providers, as well as restrictions on dividends and income distributions to foreign parent companies and contracted service providers.

The ultimate impact on Argentina's medium-term balance of payments and international reserves will depend on the interaction of multiple factors. Net FX gains in Argentina will much depend on the agreed contracts with foreign partners, including the fiscal regime (specifying profit sharing), and the share of foreign goods and services in projects' construction and operations. On this front, it will be critical to strengthen the transparency and governance of national resources, including project tendering at the federal and provincial levels as well as clarifying the role of the state-owned company (YPF), and ensuring the transfer of knowledge and positive spillovers to the rest of the economy.[1]

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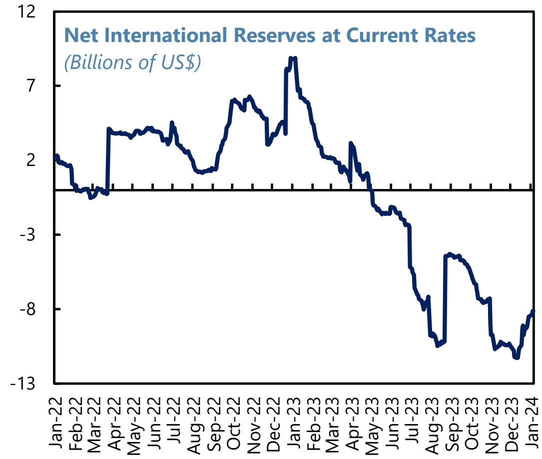
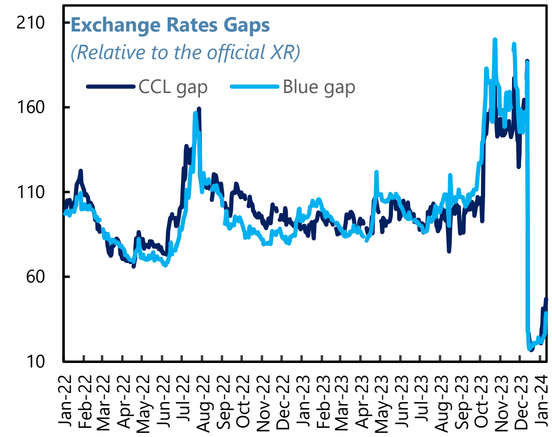
[1] Argentina joined the Extractive Industries Transparency Initiative (EITI) in 2019 and launched the SIACAM Initiative in 2022 (a mining information system open to the public.

Figure 2. Argentina: Financial Market Developments, 2022–24

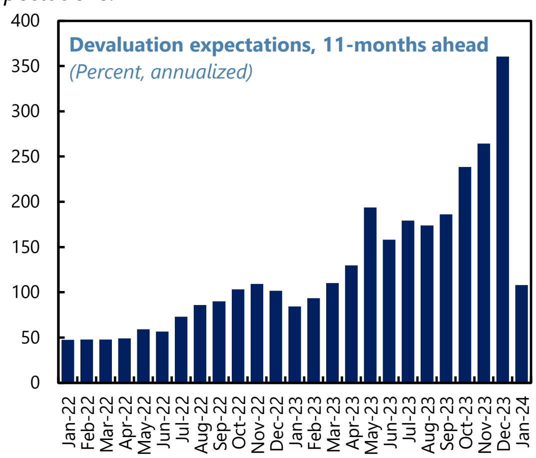
After being fully depleted, net international reserves have begun picking up after the December devaluation…



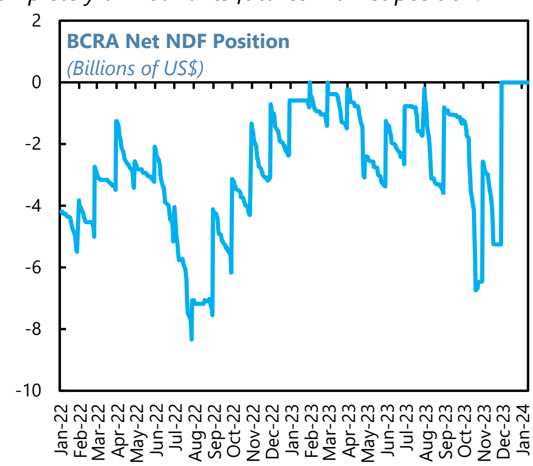
…and FX market pressures have fallen sharply from historic highs…



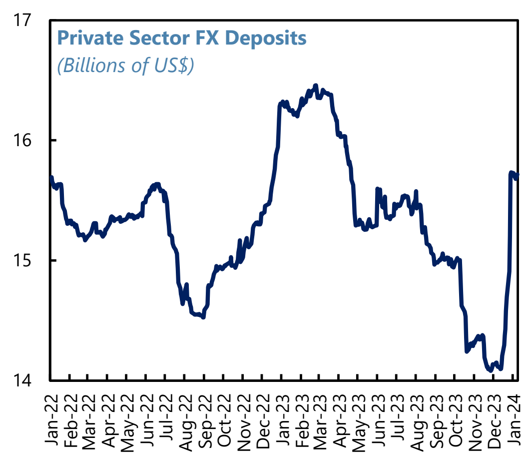
… along with a significant reduction in devaluation expectations.



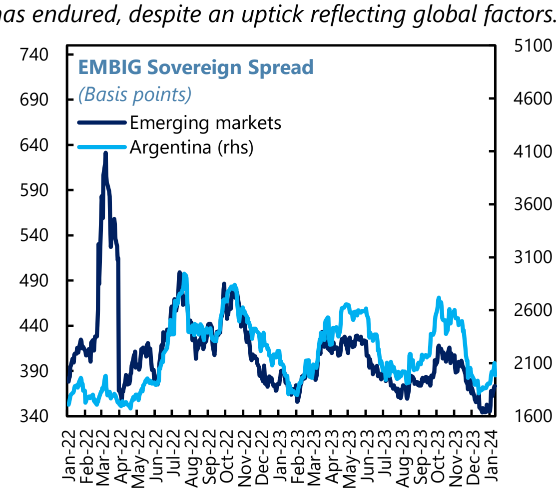
Meanwhile, after increasing interventions, BCRA has completely unwound its futures market position.



After a period of sustained drawdown, private FX deposits have recovered rapidly…



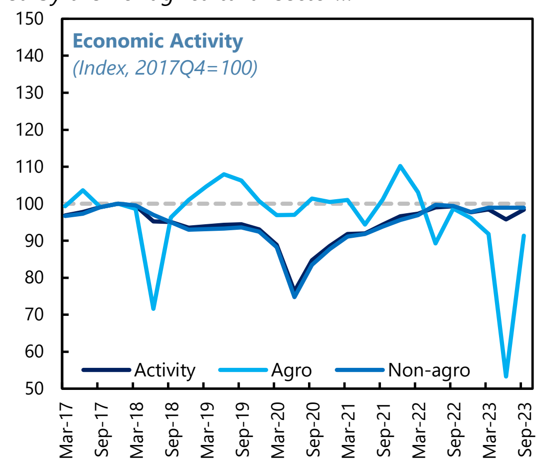
…and the decline in spreads that followed the elections has endured, despite an uptick reflecting global factors.



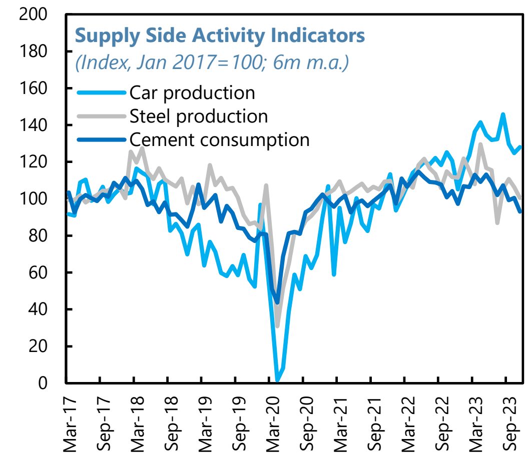
Source: Argentine authorities; BCRA; IMF, WEO database; and IMF staff calculations.

Figure 3. Argentina: Economic Activity and the Trade Balance Developments

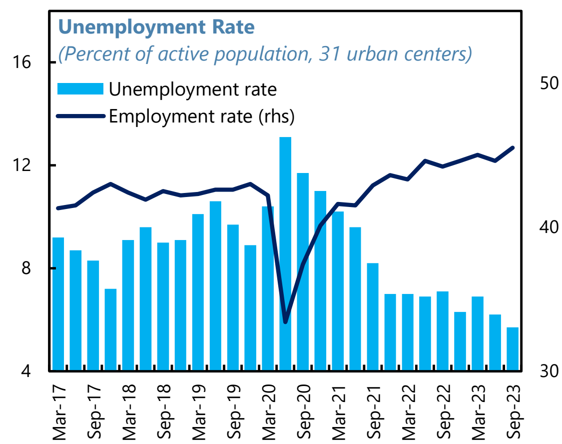
Activity remained relatively robust through Q3:2023, led by the nonagricultural sector…



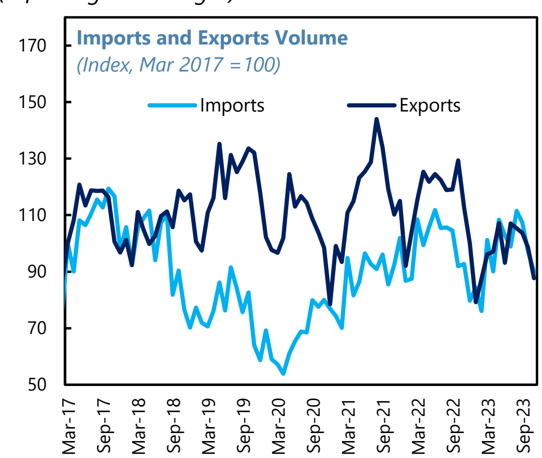
…although high frequency indicators start to show signs of a contraction in some sectors.



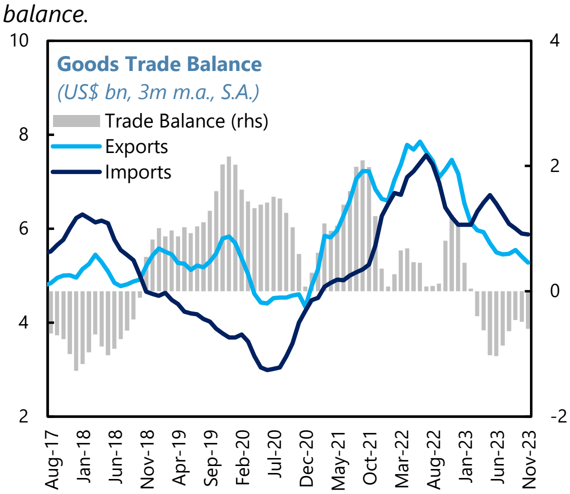
Employment indicators through Q3:2023 were strong, with unemployment near historic lows…



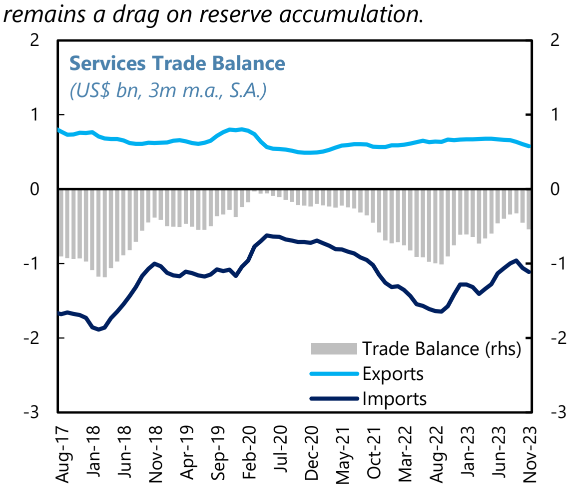
…and imports have been robust, despite lower exports (reflecting the drought) and FX restrictions…



…resulting in a further deterioration of the goods trade balance.



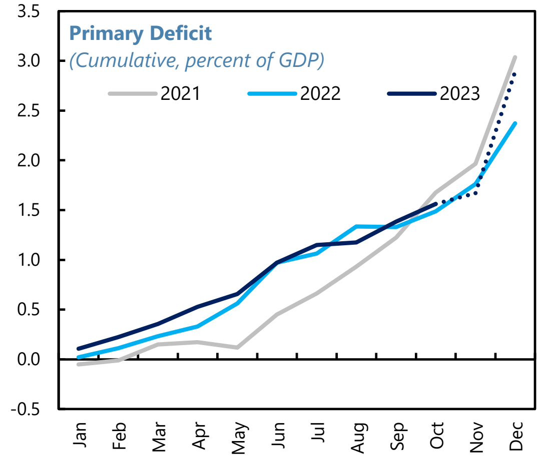
The services trade deficit has narrowed somewhat, yet remains a drag on reserve accumulation.



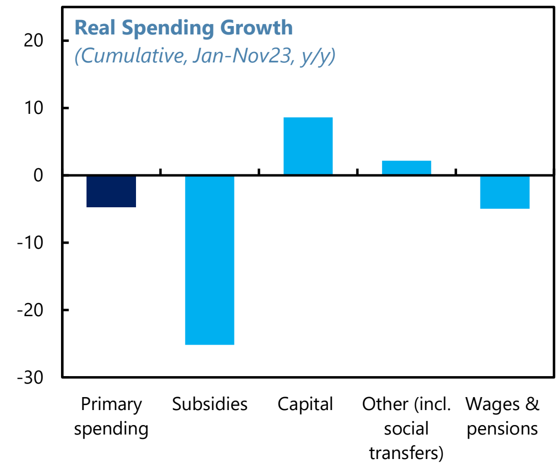
Source: Argentine authorities; BCRA; Haver Analytics; and IMF staff calculations.

Figure 4. Argentina: Fiscal and Financing Developments

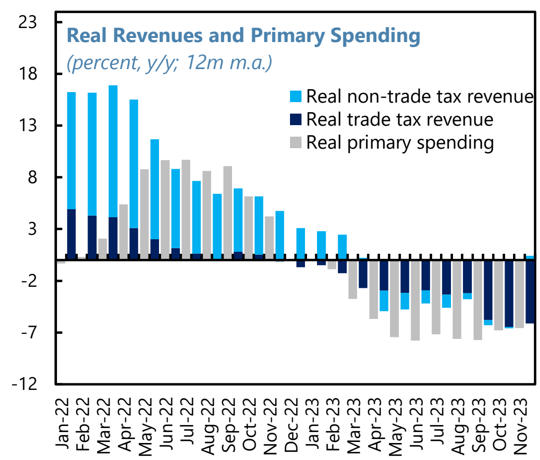
The primary deficit is estimated to have continued growing through year-end…



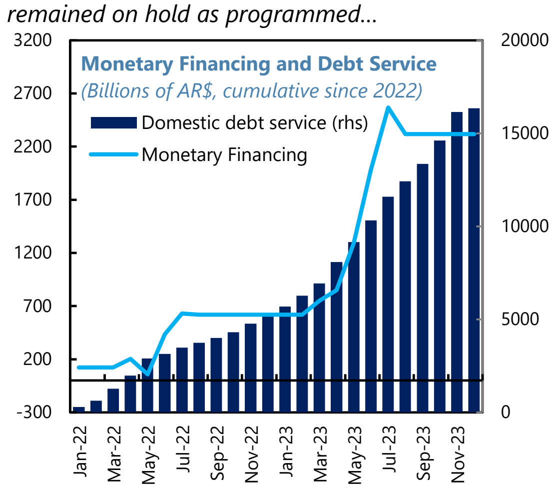
…with a modest real spending contraction…



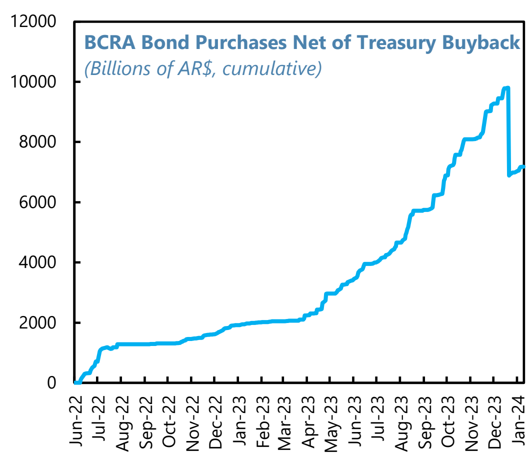
…more recently matched by declines in real revenues, especially export taxes on account of the drought.



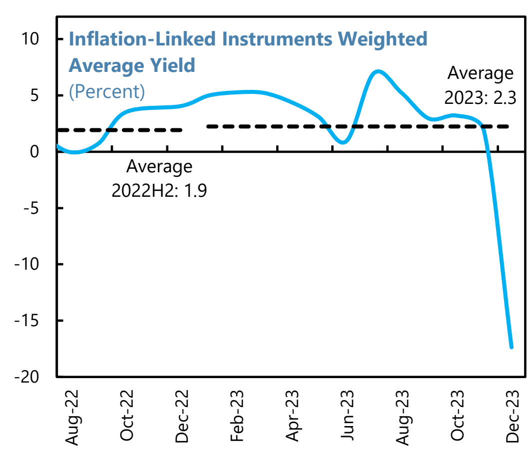
Direct monetary financing of the fiscal deficit remained on hold as programmed…



…yet BCRA continued to purchase in the secondary debt market, before a recent large Treasury buyback.

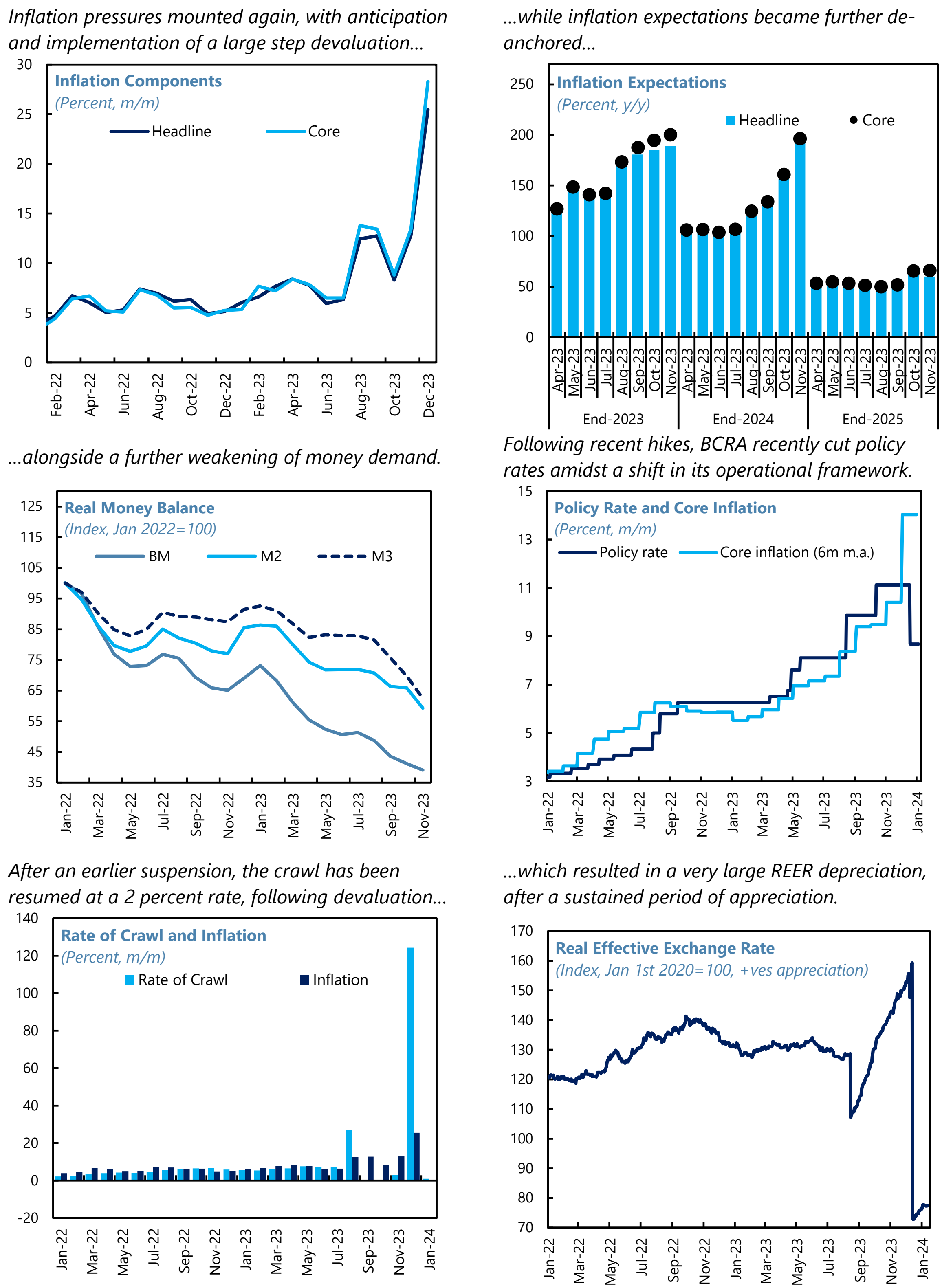


Meanwhile inflation-linked bond yields fell sharply, likely due to seasonal factors and rising inflation.



Source: Argentine authorities, IMF WEO Database, Bloomberg, BCRA, IMF staff calculations.

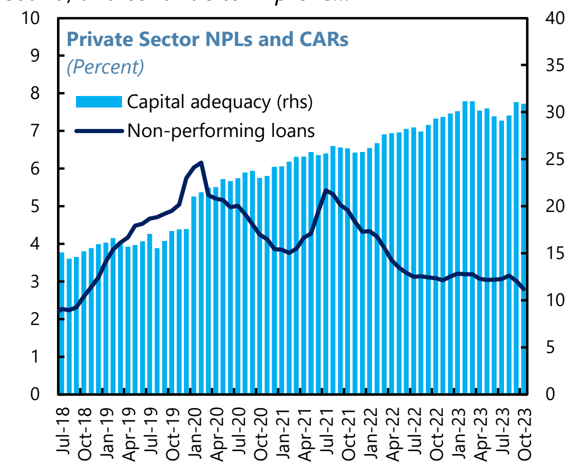
Figure 5. Argentina: Inflation and Monetary Developments



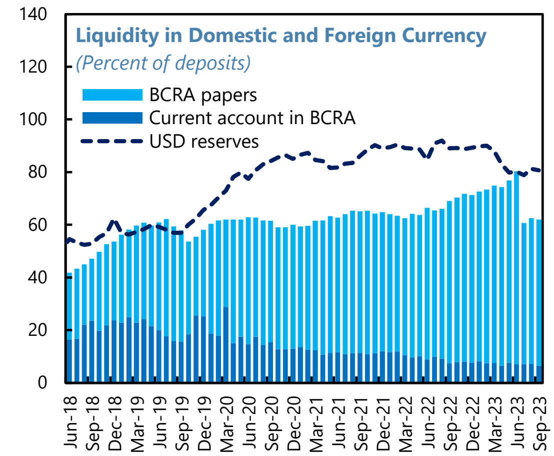
Source: Argentine authorities, BCRA's REM, Haver, IMF WEO database, IMF staff calculations.

Figure 6. Argentina: Banking Sector Developments

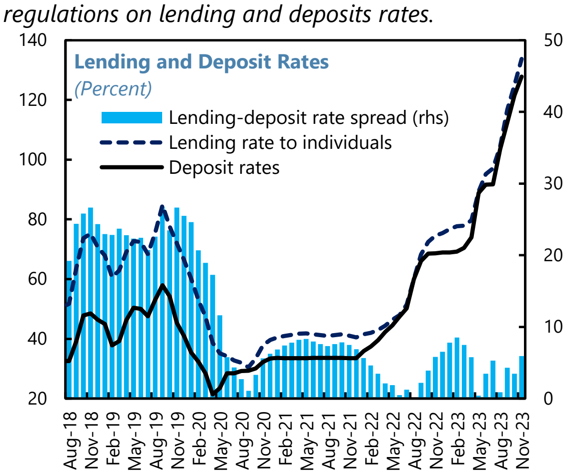
Banking sector capitalization and credit quality remain sound, and continue to improve…



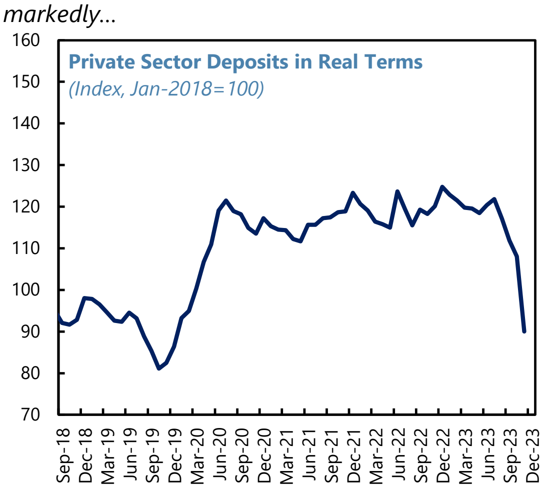
…with sufficiently liquid buffers…



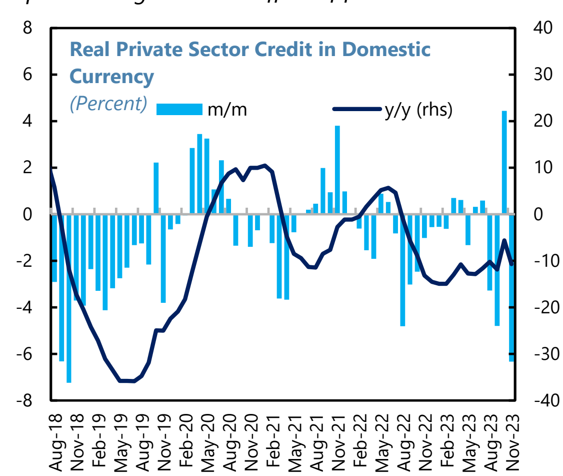
…despite declining net interest margins, reflecting regulations on lending and deposits rates.



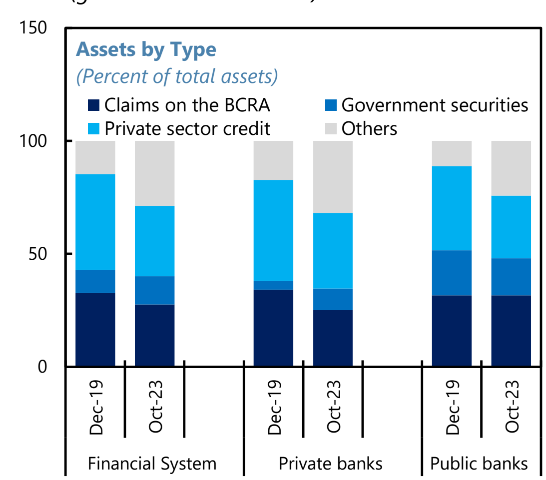
Amidst policy uncertainty, peso deposits declined markedly…



…while private credit demand remains weak, reflecting in part the higher cash buffers of firms…



…and banks maintain their high exposure to the public sector (government and BCRA).



Source: Argentine authorities; BCRA; Bloomberg L.P.; IMF, WEO database; IMF staff calculations.

Table 2. Argentina: Selected Economic and Financial Indicators

		SR (Aug.)	Proj.	SR (Aug.)			Proj.			
	2022	2023	2023	2024	2024	2025	2026	2027	2028	2029
	(Annual percentage changes unless otherwise indicated)									
National Income and Prices										
GDP at constant prices	5.0	-2.5	-1.1	2.75	-2.8	5.0	4.5	3.9	3.1	2.3
Non-agro GDP at constant prices	5.7	-1.2	-0.3	1.1	-5.2	5.0	4.5	4.0	3.1	2.2
Domestic demand	7.8	-1.0	3.1	-0.9	-11.0	5.2	4.6	4.0	3.1	2.3
Consumption	8.4	0.6	2.0	-0.6	-7.8	3.6	2.7	2.3	2.3	2.3
Private	9.7	0.0	1.6	-1.2	-6.7	3.5	3.0	2.5	2.5	2.5
Public	1.9	3.6	4.4	2.4	-13.6	4.5	0.9	1.1	1.1	1.1
Investment	11.1	-7.4	4.0	-2.0	-23.6	12.7	12.8	10.6	6.3	2.3
Exports	5.8	-11.1	-12.7	23.8	26.8	6.5	5.0	4.6	3.8	3.3
Imports	17.9	-3.4	6.2	3.2	-15.2	7.2	5.3	4.8	4.0	3.2
Net exports (percent contribution to real GDP)	-3.1	-1.4	-4.3	3.7	9.4	-0.3	-0.1	-0.1	-0.1	0.0
Output gap (percent of potential GDP)	1.7	-4.4	-0.4	-3.7	-5.6	-3.9	-2.2	-0.8	0.0	0.0
Inflation (eop)	94.8	120.0	211.4	60.0	149.4	45.0	25.0	12.0	10.0	8.0
Inflation (avg)	72.4	115.2	133.5	80.3	253.4	59.6	31.8	17.5	10.4	8.9
GDP deflator	69.8	112.4	135.6	80.3	253.1	58.4	31.1	17.4	10.4	8.9
	(Percent of GDP unless otherwise indicated)									
Savings-Investment Balance										
Gross national savings	17.2	16.2	16.2	17.1	17.8	18.6	19.7	21.3	22.2	22.4
Private	21.1	20.2	20.5	20.8	17.8	17.9	20.2	20.2	20.7	20.6
Public	-3.9	-4.0	-4.2	-3.7	0.0	0.7	-0.4	1.2	1.5	1.9
Gross domestic investment	17.9	16.8	19.7	15.9	16.9	17.7	18.7	20.2	20.9	21.0
Private	14.7	13.9	17.4	13.0	14.1	15.1	16.2	17.6	18.4	18.5
Public	3.2	2.9	2.3	2.9	2.8	2.6	2.6	2.5	2.4	2.4
External Sector										
Current account balance	-0.7	-0.6	-3.5	1.2	0.9	0.9	1.0	1.2	1.4	1.5
Trade balance	0.9	0.8	-1.6	2.8	3.3	3.6	3.6	3.6	3.7	3.8
Foreign direct Investment (net)	2.1	6.0	3.1	7.7	1.5	1.4	1.6	1.9	1.9	1.9
Total external debt	58.8	64.2	113.7	55.8	56.8	57.3	51.9	46.7	44.1	41.9
Gross international reserves (US$ billions)	44.6	38.8	23.1	47.2	30.1	36.1	41.1	47.1	55.1	65.1
Net international reserves (US$ billions)	8.8	4.1	-8.5	12.3	-1.5	4.5	9.5	15.5	23.5	33.5
Terms of trade (percent change) 1/	-3.2	-1.4	-6.5	-3.4	-8.3	-1.6	-0.9	-0.8	-1.2	-1.6
Federal Government Operations										
Revenues 2/	18.0	17.6	16.6	18.1	18.6	18.4	18.1	18.0	18.0	18.0
Primary expenditure 3/	20.4	19.6	19.5	19.0	16.5	15.8	15.6	15.5	15.5	15.5
Primary balance 4/	-2.4	-1.9	-3.0	-0.9	2.1	2.5	2.5	2.5	2.5	2.5
Overall balance	-4.2	-4.1	-5.2	-4.0	0.0	0.4	-1.0	0.4	0.5	0.7
Federal government debt	84.7	89.5	154.5	79.9	86.2	79.5	69.5	59.8	53.5	47.9
Official creditors	16.8	18.7	36.5	16.0	17.2	17.4	15.6	13.4	11.7	10.2
Private creditors	33.8	34.0	56.0	31.8	27.7	26.1	23.8	20.8	19.0	17.3
of which: FX-denominated debt	19.9	21.6	40.8	18.4	19.9	19.7	17.6	15.9	15.1	5.8
Public entities	34.1	36.9	62.0	32.1	41.3	36.0	30.1	25.5	22.7	20.4
Money and Credit										
Monetary base	6.3	5.0	5.0	5.5	5.5	5.9	6.2	6.5	6.6	6.7
BCRA fiscal financing 5/	3.1	3.0	5.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
BCRA securities	12.7	15.4	16.1	13.1	9.2	8.7	8.1	7.5	6.9	6.6
BCRA quasi-fiscal cost	5.2	6.0	6.1	5.0	3.9	2.9	2.3	1.3	0.9	0.7
Memorandum Items										
Consolidated public sector balance (percent of GDP) 6/	-9.0	-10.0	-10.4	-8.7	-3.9	-2.2	-2.7	-0.1	0.6	1.1
Poverty rate (percent)	39.2	...	...	...	...	...	...	...	...	...
Unemployment rate (avg, percent)	6.8	7.4	6.6	7.2	8.0	7.5	7.2	7.0	7.0	7.0
GDP per capita (in US$, nominal)	13,556	...	...	...	...	...	...	...	...	...
Federal government debt (share of annualized Q4 GDP)	67	68.4	102.1	65.7	71.4	68.9	64.2	56.8	51.5	46.3
Monetary base (share of annualized Q4 GDP)	5.0	4.0	3.3	4.6	4.6	5.1	5.7	6.1	6.4	6.5
BCRA securities (share of annualized Q4 GDP)	10.1	12.2	10.7	11.0	7.6	7.5	7.4	7.1	6.6	6.4

Sources: National authorities and Fund staff estimates and projections.

1/ Based on global price trends. Excludes changes in supply side factors, like climate conditions or structural changes in energy balance.

2/ Non-tax revenues in 2022 include 0.3 percent of GDP income from issuance of inflation linked debt securities. This income is excluded from revenues in 2023. Proceeds from 5G phone license auctions treated as below-the-line financing.

3/ Includes COVID-related spending in 2022.

4/ Primary balance excludes BCRA profit transfers.

5/ Up to 2023 includes profit transfers, advances (adelantos) and secondary market purchases. For 2024 includes also issuance of new non-marketable government bonds and treasury buybacks, including that from December 21 2023.

6/ Includes the overall balance of federal and provincial government, and the quasi-fiscal deficit of the BCRA.

Table 3. Argentina: External Balance of Payments

		SR (Aug)	Proj.	SR (Aug)	Proj.					
	2022	2023	2023	2024	2024	2025	2026	2027	2028	2029
					In billion USD					
Current Account	**-4.3**	**-3.8**	**-22.7**	**7.1**	**5.5**	**4.9**	**5.9**	**7.3**	**9.0**	**10.3**
Trade balance in goods	12.4	7.5	-3.6	20.6	21.8	22.2	23.1	24.1	25.1	26.3
o/w Energy trade balance	-3.6	1.3	-0.6	1.9	3.4	4.3	5.4	6.7	7.7	8.8
o/w Non-energy trade balance	16.0	6.2	-3.0	18.7	18.4	17.9	17.6	17.3	17.4	17.5
Exports f.o.b.	88.5	71.5	66.4	87.7	79.3	84.2	88.4	93.0	97.8	101.8
Imports f.o.b.	76.2	64.0	70.0	67.1	57.6	62.0	65.3	69.0	72.7	75.4
Trade balance in services	-6.9	-2.9	-6.8	-3.6	-2.2	-2.2	-1.7	-1.1	-0.4	0.0
Exports	14.5	22.2	22.2	23.3	23.4	25.1	26.8	28.5	30.2	31.7
Imports	21.4	25.1	29.0	26.9	25.6	27.3	28.4	29.6	30.7	31.7
Primary income balance 1/	-11.9	-10.3	-14.3	-12.0	-16.3	-17.3	-17.8	-17.9	-18.2	-18.5
of which Public sector interest (gross)	-4.6	-7.2	-7.1	-8.3	-8.3	-8.4	-8.3	-8.1	-8.8	-8.6
of which: IMF charges	-1.9	-3.3	-3.2	-3.5	-3.4	-3.5	-3.5	-3.3	-2.9	-2.3
of which: other official interest	-0.7	-1.7	-1.7	-2.0	-2.1	-2.1	-2.1	-2.1	-2.2	-2.2
of which: Private (bond holders)	-2.1	-2.2	-2.2	-2.8	-2.7	-2.8	-2.7	-2.6	-3.7	-4.0
Secondary income, net	2.1	1.9	2.0	2.1	2.2	2.2	2.3	2.3	2.4	2.5
Capital Account	**0.2**	**0.2**	**0.2**	**0.2**	**0.2**	**0.2**	**0.2**	**0.2**	**0.2**	**0.2**
Financial Account 2/	**-15.3**	**-24.6**	**-16.7**	**-7.2**	**-10.5**	**-6.1**	**-9.3**	**-11.2**	**-12.6**	**-15.2**
Foreign direct investment, net 3/	13.3	11.9	19.9	4.7	9.0	7.7	9.7	11.8	12.5	13.5
excl. excess importers' debt	5.3	6.0	6.4	7.7	8.0	11.2	13.2	15.3	16.0	17.0
Portfolio investment, net 2/	-9.2	-7.9	-8.3	-6.2	-8.5	-10.8	-11.1	-11.8	-14.1	-16.2
of which: amortization by general government	-5.5	-1.7	-1.9	-1.1	-1.5	-4.0	-4.1	-4.7	-6.5	-7.5
Derivatives, net	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other investment, net 2/ 3/	-19.5	-28.6	-28.3	-5.7	-10.9	-3.0	-7.8	-11.2	-11.0	-12.5
IMF repurchases	-16.8	-17.7	-17.7	-4.6	-4.5	0.0	-1.1	-4.4	-6.5	-7.1
Other official repayments	-2.5	-3.5	-3.5	-2.8	-2.8	-2.9	-2.8	-2.8	-2.9	-3.0
Other items net	-0.2	-7.4	-7.0	1.6	-3.6	0.0	-3.9	-4.0	-1.6	-2.4
Errors and Omissions	**3.4**	**0.0**	**-1.3**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Overall Balance	**-22.8**	**-28.1**	**-37.9**	**0.1**	**-4.8**	**-1.0**	**-3.3**	**-3.7**	**-3.5**	**-4.7**
Financing	**22.8**	**28.1**	**37.9**	**-0.1**	**4.8**	**1.0**	**3.3**	**3.7**	**3.5**	**4.7**
IMF Financing	23.4	16.0	12.7	3.2	6.5	0.0	0.0	0.0	0.0	0.0
Other official financing 4/	4.3	4.6	4.6	4.2	4.2	4.1	4.0	4.0	3.9	3.9
New bonds financing to general government 5/	2.0	1.8	2.0	0.8	1.1	3.0	4.3	5.7	7.5	10.8
Gross official reserves change (increase: -)	-6.9	5.8	18.6	-8.3	-7.0	-6.0	-5.0	-6.0	-8.0	-10.0
					In percent of GDP					
Current Account	**-0.7**	**-0.6**	**-3.5**	**1.2**	**0.9**	**0.9**	**1.0**	**1.2**	**1.4**	**1.5**
Trade balance in goods	2.0	1.2	-0.6	3.4	3.6	4.0	3.9	3.8	3.8	3.8
o/w Energy trade balance	-0.6	0.2	-0.1	0.3	0.6	0.8	0.9	1.1	1.2	1.3
o/w Non-energy trade balance	2.5	1.0	-0.5	3.1	3.1	3.2	3.0	2.8	2.6	2.5
Exports, f.o.b.	14.1	11.6	10.2	14.4	13.2	15.1	14.9	14.8	14.8	14.7
Imports f.o.b.	12.1	10.4	10.7	11.0	9.6	11.1	11.0	11.0	11.0	10.9
Trade balance in services	-1.1	-0.5	-1.0	-0.6	-0.4	-0.4	-0.3	-0.2	-0.1	0.0
Primary income, net	-1.9	-1.7	-2.2	-2.0	-2.7	-3.1	-3.0	-2.8	-2.7	-2.7
Secondary income, net	0.3	0.3	0.3	0.3	0.4	0.4	0.4	0.4	0.4	0.4
Capital Account	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Financial Account 2/	**-2.4**	**-4.0**	**-2.6**	**-1.2**	**-1.7**	**-1.1**	**-1.6**	**-1.8**	**-1.9**	**-2.2**
Foreign direct investment, net 3/	2.1	1.9	3.1	0.8	1.5	1.4	1.6	1.9	1.9	1.9
excl. importers' debt	0.8	0.9	1.0	1.3	1.3	2.0	2.2	2.4	2.4	2.4
Portfolio investment, net	-1.5	-1.3	-1.3	-1.0	-1.4	-1.9	-1.9	-1.9	-21.3	-23.3
Derivatives, net	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other investment, net 2/ 3/	-3.1	-4.7	-4.3	-0.9	-1.8	-0.5	-1.3	-1.8	-1.7	-1.8
Errors and Omissions	**0.5**	**0.0**	**-0.2**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Overall Balance	**-3.6**	**-4.6**	**-5.8**	**0.0**	**-0.8**	**-0.2**	**-0.6**	**-0.6**	**-0.5**	**-0.7**
Financing	**3.6**	**4.6**	**5.8**	**0.0**	**0.8**	**0.2**	**0.6**	**0.6**	**0.5**	**0.7**
IMF Financing	3.7	2.6	1.9	0.5	1.1	0.0	0.0	0.0	0.0	0.0
Other official financing 4/	0.7	0.8	0.7	0.7	0.7	0.7	0.7	0.6	0.6	0.6
New bonds financing to general government 5/	0.3	0.3	0.3	0.1	0.2	0.5	0.7	0.9	1.1	1.6
Gross official reserves (increase: -)	-1.1	0.9	2.9	-1.4	-1.2	-1.1	-0.8	-1.0	-1.2	-1.4
Memorandum Items:										
Exports volumes (percent change)	-2.2	-16.4	-17.0	33.4	31.3	5.5	4.7	4.5	4.3	3.7
Imports volumes (percent change)	10.7	-11.8	-2.9	2.5	-16.5	6.5	5.3	4.9	4.1	3.3
Importers' debt (US$ billion)	31.4	37.5	41.4	32.2	42.4	38.4	34.4	30.4	26.4	22.4
Importers' debt to imports ratio	41.2	58.7	59.1	47.9	73.7	62.0	52.6	44.1	36.3	29.7
Trading partners imports growth (percent change)	3.5	1.4	-1.0	3.1	3.6	4.0	3.8	3.6	3.6	3.6
External debt (US$ billions)	273.8	277.1	271.1	281.3	277.1	279.6	282.3	283.1	282.9	283.4
of which: External public debt	195.9	196.3	191.5	195.3	193.7	192.6	191.9	189.4	185.6	182.4
Gross international reserves (US$ billions)	44.6	38.8	23.1	47.2	30.1	36.1	41.1	47.1	55.1	65.1
in months of imports of goods and services	5.5	5.2	2.8	6.0	4.3	4.8	5.3	5.7	6.4	7.3
in percent of ARA	72.1	66.1	39.6	78.2	50.5	60.3	66.7	74.0	82.0	99.1
GIR change (US$ billions)	4.9	-4.2	-21.5	8.3	7.0	6.0	5.0	6.0	8.0	10.0
Net international reserves (US$ billions)	8.8	4.1	-8.5	12.3	-1.5	4.5	9.5	15.5	23.5	33.5
NIR change (US$ billions) 6/	4.8	-4.7	-16.4	8.2	7.0	6.0	5.0	6.0	8.0	10.0
Net IMF (purchases - repurchases - charges; US$ billions)	4.8	-5.0	-8.3	-4.8	-1.5	-3.5	-4.6	-7.7	-9.4	-9.5
Terms of Trade (percent change)	-3.2	-1.4	-6.5	-3.4	-8.3	-1.6	-0.9	-0.8	-1.2	-1.6

Sources: National authorities and Fund staff estimates and projections.

1/ The larger share of dividend outflows to foreigners are typically retained as FDI inflows through the financial account.

2/ Excludes new bond financing to GG, disbursements from the IMF and other IFIs as well as changes in reserves.

3/ FDI includes intra-company trade financing; other investment net includes inter-company trade financing.

4/ Includes bilateral and multilateral official financing, as well as Paris Club.

5/ Includes financing from nonresidents in the domestic market in USD and ARS.

6/ NIR (program definition) corresponds to GIR minus gross official liabilities with maturities of under one year. For the purpose of the program, NIR accumulation is assessed at program exchange rates and excludes Paris club payments. Gross official liabilities include fund disbursements net of payments excluding the net financing component over the program period.

Table 4a. Argentina: Federal Government Operations
(In Billions of Argentine Pesos)

		SR (Aug)	Proj.	SR (Aug)	Proj.					
	2022	2023	2023	2024	2024	2025	2026	2027	2028	2029
	(in billions of Argentine pesos)									
Revenues	**14,854**	**29,991**	**31,946**	**57,468**	**122,261**	**201,756**	**271,650**	**330,443**	**375,459**	**418,642**
Tax revenues	9,152	17,974	18,786	35,390	81,209	126,178	162,811	196,485	223,327	247,881
Social security contributions	4,274	9,438	10,075	18,327	33,251	62,555	90,466	111,231	127,017	142,398
Nontax revenues 1/	1,428	2,580	3,085	3,751	7,801	13,023	18,372	22,727	25,114	28,363
Primary Expenditures	**16,809**	**33,278**	**37,626**	**60,286**	**108,444**	**173,768**	**233,711**	**284,120**	**323,520**	**360,186**
Wages	2,450	5,448	6,114	9,944	17,163	28,981	38,907	48,384	54,690	60,784
Goods and services	657	1,304	1,491	2,351	2,336	4,041	5,738	6,740	7,763	8,454
Pensions	6,288	12,958	13,158	26,301	42,999	71,313	97,044	118,533	134,858	152,061
Current transfers to private sector	5,203	9,446	11,284	14,808	38,014	60,877	80,635	96,950	111,168	122,426
Social assistance	3,064	5,546	7,255	9,726	29,661	52,562	75,229	93,540	106,601	117,560
Subsidies	2,139	3,935	4,064	5,082	8,353	8,315	5,405	3,410	4,567	4,866
of which: energy	1,657	2,626	3,029	3,493	6,967	7,115	4,444	2,345	3,404	3,482
Current transfers to public sector 2/	879	1,547	2,214	2,537	3,948	2,198	3,006	3,668	4,172	4,648
Capital spending 3/	1,332	2,575	3,366	4,346	3,983	6,358	8,381	9,845	10,868	11,813
Primary Balance	**-1,956**	**-3,287**	**-5,680**	**-2,818**	**13,817**	**27,988**	**37,939**	**46,322**	**51,939**	**58,456**
Interest Payments	**1,493**	**3,725**	**4,257**	**9,769**	**13,629**	**23,424**	**52,537**	**38,836**	**42,454**	**42,049**
Overall Balance	**-3,449**	**-7,012**	**-9,936**	**-12,588**	**189**	**4,564**	**-14,597**	**7,487**	**9,485**	**16,408**
Financing	**3,449**	**7,012**	**9,936**	**12,588**	**-189**	**-4,564**	**14,597**	**-7,487**	**-9,485**	**-16,408**
Treasury Deposits (+, drawdown) 4/	**-813**	**1,795**	**2,102**	**906**	**-1,117**	**0**	**0**	**0**	**0**	**0**
External	**1,008**	**-784**	**-1,942**	**130**	**3,173**	**58**	**-108**	**-7,962**	**-15,849**	**-13,426**
IMF (net)	866	-489	-1,491	-430	2,173	0	-2,835	-12,726	-20,749	-23,935
Other official (net) 5/	239	307	327	767	1,456	2,227	3,004	3,488	2,387	4,663
Private (net) 6/	-97	-602	-779	-207	-456	-2,170	-277	1,276	2,513	5,847
Issuances	198	20	20	139	462	4,406	8,233	12,375	18,275	22,761
Amortization	296	622	799	346	918	6,576	8,510	11,099	15,763	16,914
Domestic	**3,254**	**6,001**	**9,776**	**11,551**	**-2,245**	**-4,622**	**14,705**	**475**	**6,364**	**-2,982**
Private (net) 7/	2,885	3,080	6,591	10,314	-2,245	-4,622	14,705	475	6,364	-2,982
Issuance	7,848	16,030	18,653	29,223	3,957	94,662	43,916	75,615	63,026	71,783
Amortization	4,963	12,950	12,062	18,909	6,202	99,283	29,211	75,140	56,662	74,765
Public entities (net)	858	2,921	3,185	1,237	0	0	0	0	0	0
BCRA (net)	686	2,727	2,934	797	0	0	0	0	0	0
of which: BCRA transfers 8/	620	1,291	1,698	0	0	0	0	0	0	0
Other public entities	172	194	250	440	0	0	0	0	0	0
Other 9/	-489	0	0	0	0	0	0	0	0	0

Sources: National authorities and Fund staff estimates and projections.

1/ Non-tax revenues deviate from GFSM 2014 accounting with the exclusion of BCRA profit transfers. Non-tax revenues in 2022 include 0.3 percent of GDP income from issuance of inflation linked debt securities. This income is excluded from revenues from 2023 onwards. Proceeds from 5G phone license auctions treated as below-the-line financing.

2/ Includes discretionary transfers to provinces, transfers to state-owned enterprises (SOEs), and transfers to universities (excluding wages).

3/ Includes federal capital transfers to provinces.

4/ Deposit accumulation in 2022 largely reflects Federal Government deposits at the BCRA related to IMF purchases.

5/ Assumes repayment of Paris Club legacy obligations by 2028, consistent with the deal reached in October 2022.

6/ Under domestic and external law.

7/ Includes Banco Nacion and other public entities.

8/ Includes temporary advances and profit distributions.

9/ Corresponds to cash management operations of the non-financial public sector entities (-, deposits).

Table 4b. Argentina: Federal Government Operations

(Percent of GDP)

		SR (Aug)	Proj.	SR (Aug)	Proj.					
	2022	2023	2023	2024	2024	2025	2026	2027	2028	2029
			(Percent of GDP)							
Revenues	**18.0**	**17.6**	**16.6**	**18.1**	**18.6**	**18.4**	**18.1**	**18.0**	**18.0**	**18.0**
Tax revenues	11.1	10.6	9.8	11.2	12.3	11.5	10.8	10.7	10.7	10.7
of which: Trade and FX taxes 1/	3.2	2.4	2.2	2.9	3.6	2.5	1.9	1.8	1.7	1.5
Social security contributions	5.2	5.6	5.2	5.8	5.1	5.7	6.0	6.1	6.1	6.1
Nontax revenues 2/	1.7	1.5	1.6	1.2	1.2	1.2	1.2	1.2	1.2	1.2
Primary Expenditures	**20.4**	**19.6**	**19.5**	**19.0**	**16.5**	**15.8**	**15.6**	**15.5**	**15.5**	**15.5**
Wages	3.0	3.2	3.2	3.1	2.6	2.6	2.6	2.6	2.6	2.6
Goods and services	0.8	0.8	0.8	0.7	0.4	0.4	0.4	0.4	0.4	0.4
Pensions	7.6	7.6	6.8	8.3	6.5	6.5	6.5	6.5	6.5	6.5
Current transfers to private sector	6.3	5.6	5.9	4.7	5.8	5.5	5.4	5.3	5.3	5.3
Social assistance	3.7	3.3	3.8	3.1	4.5	4.8	5.0	5.1	5.1	5.1
Subsidies	2.6	2.3	2.1	1.6	1.3	0.8	0.4	0.2	0.2	0.2
of which: energy	2.0	1.5	1.6	1.1	1.1	0.6	0.3	0.1	0.2	0.1
Current transfers to public sector 3/	1.1	0.9	1.2	0.8	0.6	0.2	0.2	0.2	0.2	0.2
Capital spending 4/	1.6	1.5	1.7	1.4	0.6	0.6	0.6	0.5	0.5	0.5
Primary Balance	**-2.4**	**-1.9**	**-3.0**	**-0.9**	**2.1**	**2.5**	**2.5**	**2.5**	**2.5**	**2.5**
Interest Cash	**1.8**	**2.2**	**2.2**	**3.1**	**2.1**	**2.1**	**3.5**	**2.1**	**2.0**	**1.8**
Overall Balance	**-4.2**	**-4.1**	**-5.2**	**-4.0**	**0.0**	**0.4**	**-1.0**	**0.4**	**0.5**	**0.7**
Financing	**4.2**	**4.1**	**5.2**	**4.0**	**0.0**	**-0.4**	**1.0**	**-0.4**	**-0.5**	**-0.7**
Treasury Deposits (+, drawdown) 5/	**-0.9**	**1.1**	**0.9**	**0.4**	**-0.2**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
External	**1.2**	**-0.5**	**-1.0**	**0.0**	**0.5**	**0.0**	**0.0**	**-0.4**	**-0.8**	**-0.6**
IMF (net)	1.1	-0.3	-0.8	-0.1	0.3	0.0	-0.2	-0.7	-1.0	-1.0
Other official (net) 6/	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.2
Private (net) 7/	-0.1	-0.4	-0.4	-0.1	-0.1	-0.2	0.0	0.1	0.1	0.3
Issuances	0.2	0.0	0.0	0.0	0.1	0.4	0.5	0.7	0.9	1.0
Amortization	0.4	0.4	0.4	0.1	0.1	0.6	0.6	0.6	0.8	0.7
Domestic	**3.9**	**3.5**	**5.1**	**3.6**	**-0.3**	**-0.4**	**1.0**	**0.0**	**0.3**	**-0.1**
Private (net) 8/	3.5	1.8	3.4	3.3	-0.3	-0.4	1.0	0.0	0.3	-0.1
Issuance	9.5	9.4	9.7	9.2	0.6	8.6	2.9	4.1	3.0	3.1
Amortization	6.0	7.6	6.3	6.0	0.9	9.0	1.9	4.1	2.7	3.2
Public entities (net)	1.0	1.7	1.7	0.4	0.0	0.0	0.0	0.0	0.0	0.0
BCRA (net)	0.8	1.6	1.5	0.3	0.0	0.0	0.0	0.0	0.0	0.0
of which: BCRA transfers 9/	0.8	0.8	0.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other public entities	0.2	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Other 10/	-0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum Items:										
Real primary expenditure growth (percent change)	-1.1	-6.8	-6.8	0.5	-18.5	0.4	2.0	3.5	3.2	2.2
Structural primary balance 11/	-2.7	-1.6	-2.5	-0.4	2.0	2.5	2.5	2.5	2.5	2.5
BCRA secondary market purchases	2.3	2.2	4.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Federal government debt 12/	84.7	89.5	154.5	79.9	86.2	79.5	69.5	59.8	53.5	47.9
as a share of annualized Q4 GDP	67.2	68.4	102.1	65.7	71.4	68.9	64.2	56.8	51.5	46.3

Sources: National authorities and Fund staff estimates and projections.

1/ Includes exports taxes, imports taxes, and FX access tax (impuesto pais).

2/ Non-tax revenues deviate from GFSM 2014 accounting with the exclusion of BCRA profit transfers. Non-tax revenues in 2022 include 0.3 percent of GDP income from issuance of inflation linked debt securities. This income is excluded from revenues from 2023 onwards. Proceeds from 5G phone license auctions treated as below-the-line financing.

3/ Includes discretionary transfers to provinces, transfers to state-owned enterprises (SOEs), and transfers to universities (excluding wages).

4/ Includes federal capital transfers to provinces.

5/ Deposit accumulation in 2022 largely reflects Federal Government deposits at the BCRA related to IMF purchases.

6/ Assumes repayment of Paris Club legacy obligations by 2028, consistent with the deal reached in October 2022.

7/ Under domestic and external law.

8/ Includes Banco Nacion and public entities other than BCRA and FGS.

9/ Includes temporary advances and profit distributions.

10/ Corresponds to cash management operations of the non-financial public sector entities (-, deposits).

11/ Adjusts for the economic and commodity price cycles; in percent of potential GDP. Adjusts also for one-offs due to the drought (i.e., temporary import taxes and preferential FX regimes).

12/ Includes federal debt held by the BCRA and FGS.

Table 5. Argentina: General Government Operations 1/

		SR (Aug)	Proj.	SR (Aug)			Proj.			
	2022	2023	2023	2024	2024	2025	2026	2027	2028	2029
	(Percent of GDP unless otherwise indicated)									
Revenues	**34.0**	**33.8**	**32.2**	**34.7**	**34.5**	**34.9**	**34.7**	**34.8**	**34.9**	**35.1**
Tax revenues	24.1	24.3	22.4	25.2	25.5	25.2	24.7	24.7	24.8	25.0
Federal	11.1	10.6	9.8	11.2	12.3	11.5	10.8	10.7	10.7	10.7
Provincial co-participated	7.9	8.5	7.5	8.6	8.1	8.7	8.7	8.9	9.0	9.1
Provincial own	5.1	5.2	5.1	5.5	5.1	5.1	5.1	5.2	5.2	5.2
Social security contributions	6.8	6.9	6.8	7.2	6.4	7.1	7.4	7.4	7.5	7.5
Federal	5.2	5.6	5.2	5.8	5.1	5.7	6.0	6.1	6.1	6.1
Provincial	1.6	1.4	1.6	1.4	1.4	1.4	1.4	1.4	1.4	1.4
Other revenues	3.1	2.6	3.0	2.3	2.6	2.6	2.6	2.6	2.6	2.6
Federal	1.7	1.5	1.6	1.2	1.2	1.2	1.2	1.2	1.2	1.2
Provincial	1.4	1.1	1.4	1.1	1.4	1.4	1.4	1.4	1.4	1.4
Primary Expenditures 2/	**35.7**	**35.4**	**34.0**	**35.2**	**32.3**	**32.0**	**31.5**	**31.4**	**31.3**	**31.3**
Wages	10.0	10.9	10.8	10.9	9.8	10.1	9.8	9.8	9.8	9.9
Federal	3.0	3.2	3.2	3.1	2.6	2.6	2.6	2.6	2.6	2.6
Provincial	7.1	7.7	7.6	7.7	7.2	7.4	7.2	7.2	7.2	7.3
Goods and services	2.3	2.4	2.1	2.3	1.8	1.4	1.4	1.3	1.3	1.3
Federal	0.8	0.8	0.8	0.7	0.4	0.4	0.4	0.4	0.4	0.4
Provincial	1.5	1.6	1.4	1.5	1.4	1.1	1.0	0.9	0.9	0.9
Pensions	9.7	9.7	8.7	10.4	8.6	8.7	8.7	8.7	8.6	8.7
Federal	7.6	7.6	6.8	8.3	6.5	6.5	6.5	6.5	6.5	6.5
Provincial	2.0	2.1	1.9	2.1	2.0	2.2	2.2	2.2	2.2	2.2
Transfers to the private sector	7.7	6.9	7.2	6.1	7.2	6.9	6.8	6.7	6.7	6.6
Federal	6.3	5.6	5.9	4.7	5.8	5.5	5.4	5.3	5.3	5.3
Provincial	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4
Capital spending	3.2	2.9	2.3	2.9	2.8	2.6	2.6	2.5	2.4	2.4
Federal 3/	1.2	1.3	1.3	1.3	0.6	0.6	0.6	0.5	0.5	0.5
Provincial	2.0	1.6	1.0	1.6	2.2	2.0	2.0	2.0	1.9	1.9
Other	2.7	2.7	2.9	2.7	2.3	2.3	2.3	2.4	2.4	2.4
Federal	0.4	0.4	0.6	0.4	0.4	0.1	0.1	0.1	0.1	0.1
Provincial	2.3	2.3	2.3	2.3	1.9	2.2	2.2	2.3	2.3	2.3
Primary Balance	**-1.7**	**-1.6**	**-1.8**	**-0.5**	**2.2**	**2.9**	**3.2**	**3.4**	**3.6**	**3.7**
Federal government	-2.4	-1.9	-3.0	-0.9	2.1	2.5	2.5	2.5	2.5	2.5
Provincial government	0.6	0.3	1.1	0.4	0.1	0.3	0.7	0.9	1.1	1.2
Interest (cash)	**2.1**	**2.4**	**2.4**	**3.2**	**2.2**	**2.2**	**3.6**	**2.2**	**2.1**	**1.9**
Overall Balance	**-3.9**	**-4.0**	**-4.2**	**-3.7**	**0.0**	**0.7**	**-0.4**	**1.2**	**1.5**	**1.9**
Memorandum Items										
General Gov't structural primary balance 4/	-2.2	-0.9	-1.3	0.3	2.6	3.2	3.3	3.4	3.6	3.8
Federal structural primary balance	-2.7	-1.6	-2.5	-0.4	2.0	2.5	2.5	2.5	2.5	2.5
Provincial structural primary balance	0.5	0.7	1.2	0.7	0.6	0.7	0.8	0.9	1.1	1.2
Consolidated public sector balance 5/	-9.0	-10.0	-10.4	-8.7	-4.0	-2.4	-2.9	-0.2	0.5	1.1
Federal government debt	84.7	89.5	154.5	79.9	86.2	79.5	69.5	59.8	53.5	47.9
of which: net of debt held by public entities 6/	50.6	52.6	92.5	47.8	44.9	43.5	39.4	34.3	30.8	27.5
Federal government debt (share of annualized Q4 GDP)	67.2	68.4	102.1	65.7	71.4	68.9	64.2	56.8	51.5	46.3
Provincial government debt	5.2	4.0	6.7	2.8	2.9	2.2	1.9	1.6	1.3	0.8
BCRA securities	12.7	15.5	16.1	13.2	9.7	9.2	8.5	7.9	7.3	7.0

Sources: National authorities and Fund staff estimates and projections.

1/ Includes federal and provincial governments. The primary balance excludes BCRA profit transfers.
2/ Includes transfers to municipalities, but excludes municipal spending.
3/ Excludes discretionary capital transfers from federal government to the provinces, which are included in provincial capital spending.
4/ Adjusts for the economic and commodity price cycles; in percent of potential GDP. Adjusts also for one-offs (in 2023 around 0.5 percent of GDP due to the drought).
5/ Includes the overall balance of federal and provincial government, and the quasi-fiscal deficit of the BCRA.
6/ Gross federal debt, net of debt held by BCRA and FGS.

Table 6a. Argentina: Summary Operations of Central Bank

(End of Period, Unless Otherwise Indicated)

		SR (Aug)	Est.	SR (Aug)			Proj.			
	2022	2023	2023	2024	2024	2025	2026	2027	2028	2029
					(In billions of Argentine pesos)					
Net Foreign Assets	**4,027**	**7,021**	**2,002**	**16,475**	**12,779**	**34,890**	**56,524**	**80,031**	**112,121**	**152,792**
Gross foreign assets	7,900	15,254	18,654	29,697	40,540	81,307	113,363	142,274	179,063	223,480
Gross foreign liabilities	3,872	8,234	16,652	13,223	27,761	46,417	56,839	62,242	66,942	70,688
Net Domestic Assets	**1,176**	**1,532**	**7,606**	**1,076**	**23,415**	**30,046**	**36,847**	**38,352**	**26,484**	**2,918**
Credit to the public sector (net)	15,736	39,783	90,482	64,552	201,321	320,017	387,077	410,170	425,013	430,884
of which: Temporary advances to federal government	2,793	3,691	4,091	3,691	4,091	4,091	4,091	4,091	4,091	4,091
of which: Non-marketable government bonds	10,942	26,653	54,461	43,851	129,660	216,793	265,469	290,705	312,655	330,149
of which: Other credit and gvt. deposits (net)	2,001	9,438	31,930	17,009	67,570	99,133	117,517	115,375	108,267	96,644
Credit to the financial sector, excl. securities	-2,136	-4,574	-7,351	-6,816	-12,058	-21,051	-23,689	-25,836	-20,541	-20,984
BCRA securities	-10,483	-26,164	-31,058	-41,692	-60,544	-95,772	-121,183	-136,654	-143,660	-153,462
Official capital and other items	-1,940	-7,513	-44,466	-14,967	-105,304	-173,148	-205,357	-209,328	-234,328	-253,520
Monetary Base	**5,204**	**8,553**	**9,608**	**17,551**	**36,194**	**64,936**	**93,371**	**118,383**	**138,605**	**155,710**
Currency issued	4,095	6,921	7,435	13,538	28,105	49,849	68,726	87,408	101,889	112,947
Bank deposits at the BCRA (peso-denominated)	1,109	1,632	2,173	4,013	8,088	15,086	24,645	30,976	36,715	42,763
					(Percent of GDP)					
Net Foreign Assets	**4.9**	**4.1**	**1.0**	**5.2**	**1.9**	**3.2**	**3.8**	**4.4**	**5.4**	**6.6**
Gross foreign assets	9.6	9.0	9.7	9.4	6.2	7.4	7.5	7.8	8.6	9.6
Gross foreign liabilities	4.7	4.8	8.7	4.2	4.2	4.2	3.8	3.4	3.2	3.0
Net Domestic Assets	**1.4**	**0.9**	**4.0**	**0.3**	**3.6**	**2.7**	**2.5**	**2.1**	**1.3**	**0.1**
Credit to the public sector	19.1	23.4	47.0	20.4	30.6	29.1	25.8	22.4	20.4	18.5
of which: Temporary advances to federal government	3.4	2.2	2.1	1.2	0.6	0.4	0.3	0.2	0.2	0.2
of which: Non-marketable government bonds	13.3	15.7	28.3	13.8	19.7	19.7	17.7	15.9	15.0	14.2
of which: Other credit and gvt. deposits (net)	2.4	5.6	16.6	5.4	10.3	9.0	7.8	6.3	5.2	4.2
Credit to the financial sector, excl. securities	-2.6	-2.7	-3.8	-2.1	-1.8	-1.9	-1.6	-1.4	-1.0	-0.9
BCRA securities	-12.7	-15.4	-16.1	-13.1	-9.2	-8.7	-8.1	-7.5	-6.9	-6.6
Official capital and other items 1/	-2.4	-4.4	-23.1	-4.7	-16.0	-15.8	-13.7	-11.4	-11.2	-10.9
Monetary Base	**6.3**	**5.0**	**5.0**	**5.5**	**5.5**	**5.9**	**6.2**	**6.5**	**6.6**	**6.7**
Currency issued	5.0	4.1	3.9	4.3	4.3	4.5	4.6	4.8	4.9	4.9
Bank deposits at the BCRA (peso-denominated)	1.3	1.0	1.1	1.3	1.2	1.4	1.6	1.7	1.8	1.8
Memorandum Items:										
NFA (billions of USD)	22.7	17.8	2.5	26.2	9.5	15.5	20.5	26.5	34.5	44.5
Quasi-fiscal deficit (percent of GDP) 2/	5.2	6.0	6.1	5.0	3.9	2.9	2.3	1.3	0.9	0.7
Monetary expansion from (percent of GDP)										
Temporary advances and profit transfers	0.8	0.8	0.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Secondary market purchases	2.3	2.2	4.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Export promotion schemes 3/	0.7	0.3	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Sources: Banco Central de la República Argentina (BCRA) and Fund staff estimates and projections.

1/ Projects no distribution of profits.

2/ Calculated as interest expenses minus interest income as recorded in the BCRA statement of income.

3/ Reflects the additional peso liquidity issued due to the difference between the preferential and official exchange rate.

Table 6b. Argentina: Summary Operations of the Banking Sector
(End of Period, Unless Otherwise Indicated)

		SR (Aug)	Proj.	SR (Aug)	Proj.					
	2022	2023	2023	2024	2024	2025	2026	2027	2028	2029
	(In billions of Argentine pesos)									
Net Foreign Assets	**777**	**1,670**	**3,316**	**2,950**	**6,297**	**11,147**	**13,650**	**15,819**	**18,980**	**20,042**
Net Domestic Assets	**18,557**	**37,012**	**49,442**	**66,135**	**131,006**	**217,092**	**298,049**	**363,379**	**406,604**	**455,205**
Credit to the public sector	2,396	2,807	6,987	3,303	17,112	19,785	19,537	12,838	14,125	17,212
Gross credit to public sector	6,137	9,040	14,364	18,970	37,514	52,758	64,623	64,206	70,480	75,342
Deposits from the public sector	-3,740	-6,233	-7,377	-15,666	-20,403	-32,973	-45,086	-51,369	-56,356	-58,130
Claims on the central bank	14,109	33,175	41,341	54,098	76,722	125,565	162,532	202,371	211,297	228,716
Holdings of central bank securities	10,483	26,164	31,058	41,692	53,712	84,349	107,196	136,654	143,660	153,462
Reserves at central bank	3,254	6,207	9,527	10,831	20,149	36,140	48,337	56,814	57,259	63,750
Other	372	804	756	1,575	2,861	5,077	7,000	8,903	10,378	11,505
Claims on the private sector	9,086	18,799	23,089	36,218	67,123	132,196	198,632	249,023	296,055	337,097
US$ denominated	688	1,738	3,388	3,094	6,299	11,181	14,536	16,900	19,297	21,634
AR$ denominated	8,398	17,061	19,701	33,124	60,824	121,015	184,095	232,123	276,757	315,463
Net capital, reserves, and other assets	-7,035	-17,769	-21,975	-27,485	-29,951	-60,455	-82,652	-100,853	-114,873	-127,820
Liabilities with the Private Sector	**19,334**	**38,683**	**52,758**	**69,085**	**137,303**	**228,239**	**311,699**	**379,198**	**425,584**	**475,247**
Local currency deposits	16,437	32,314	40,058	59,615	118,647	200,382	278,481	348,437	402,637	452,483
Foreign currency deposits	2,897	6,369	12,699	9,470	18,656	27,857	33,218	30,761	22,947	22,764
in US$ billions	16.4	16.2	15.7	15.0	13.8	12.4	12.0	10.2	7.1	6.6
	(Percent GDP)									
Net Foreign Assets	**0.9**	**1.0**	**1.7**	**0.9**	**1.0**	**1.0**	**0.9**	**0.9**	**0.9**	**0.9**
Net Domestic Assets	**22.5**	**21.8**	**25.7**	**20.9**	**19.9**	**19.8**	**19.8**	**19.8**	**19.5**	**19.6**
Credit to the public sector (net)	2.9	1.7	3.6	1.0	2.6	1.8	1.3	0.7	0.7	0.7
Gross credit to public sector	7.4	5.3	7.5	6.0	5.7	4.8	4.3	3.5	3.4	3.2
Deposits of the public sector	-4.5	-3.7	-3.8	-4.9	-3.1	-3.0	-3.0	-2.8	-2.7	-2.5
Claims on the central bank	17.1	19.5	21.5	17.1	11.7	11.4	10.8	11.0	10.1	9.8
Holdings of central bank securities	12.7	15.4	16.1	13.1	8.2	7.7	7.1	7.5	6.9	6.6
Reserves at central bank	3.9	3.7	4.9	3.4	3.1	3.3	3.2	3.1	2.7	2.7
Other	0.5	0.5	0.4	0.5	0.4	0.5	0.5	0.5	0.5	0.5
Credit to the private sector	11.0	11.1	12.0	11.4	10.2	12.0	13.2	13.6	14.2	14.5
of which: Dollar denominated	0.8	1.0	1.8	1.0	1.0	1.0	1.0	0.9	0.9	0.9
of which: Peso denominated	10.2	10.0	10.2	10.4	9.2	11.0	12.2	12.7	13.3	13.6
Net capital, reserves, and other assets	-8.5	-10.5	-11.4	-8.7	-4.6	-5.5	-5.5	-5.5	-5.5	-5.5
Liabilities with the Private Sector	**23.5**	**22.8**	**27.4**	**21.8**	**20.9**	**20.8**	**20.7**	**20.7**	**20.4**	**20.4**
Local currency deposits	19.9	19.0	20.8	18.8	18.0	18.2	18.5	19.0	19.3	19.5
Foreign currency deposits	3.5	3.7	6.6	3.0	2.8	2.5	2.2	1.7	1.1	1.0
Memorandum Items:										
M3 (AR$ billions) 1/	22,649	43,409	57,801	77,713	163,145	264,358	374,107	475,904	556,168	621,070
M3 (percent of GDP)	27.5	25.5	30.0	24.5	24.8	24.1	24.9	26.0	26.7	26.7
M3 (as a ratio of monetary base)	4.4	5.1	6.0	4.4	4.5	4.1	4.0	4.0	4.0	4.0
Credit to the private sector, real (eop, y/y percent change)	-12.9	-6.0	-19.4	20.4	16.6	35.8	20.2	11.9	8.1	5.4

Sources: Banco Central de la República Argentina (BCRA) and Fund staff estimates and projections.

1/ Private M3* that includes Private M3 and private sector deposits in foreign currency

Table 7. Argentina: Summary Public and External Debt 1/

	2022	2023	2024	2025	2026	2027	2028	2029
		Proj.						
	(in billions of U.S. dollars, unless otherwise stated)							
Public Debt								
Gross Federal Debt	**394.1**	**368.4**	**420.8**	**387.8**	**378.4**	**362.8**	**343.3**	**324.4**
(in percent of GDP)	*84.7*	*154.5*	*86.2*	*79.5*	*69.5*	*59.8*	*53.5*	*47.9*
BCRA Debt (Securities)	**59.2**	**38.5**	**44.9**	**42.5**	**43.9**	**45.2**	**44.2**	**44.7**
(in percent of GDP)	*12.7*	*16.1*	*9.2*	*8.7*	*8.1*	*7.5*	*6.9*	*6.6*
Combined Federal Gov't and BCRA	**294.8**	**259.1**	**264.1**	**254.8**	**258.5**	**253.1**	**241.7**	**230.7**
(in percent of GDP)	*63.4*	*108.7*	*54.1*	*52.2*	*47.5*	*41.7*	*37.7*	*34.1*
Memorandum Items								
Gross Federal Debt Held by Private Sector 2/	**157.3**	**133.6**	**135.4**	**127.5**	**129.6**	**126.5**	**122.2**	**116.9**
(in percent of GDP)	33.8	56.0	27.7	26.1	23.8	20.8	19.0	17.3
Gross Federal Debt in Domestic Currency 3/	**131.2**	**105.5**	**148.4**	**112.9**	**101.1**	**85.7**	**68.0**	**50.3**
(in percent of GDP)	28.2	44.3	30.4	23.2	18.6	14.1	10.6	7.4
Gross Federal Debt in Foreign Currency	**262.9**	**262.9**	**272.4**	**274.9**	**277.3**	**277.1**	**275.3**	**274.1**
(in percent of GDP)	56.5	110.3	55.8	56.4	50.9	45.7	42.9	40.5
Gross Federal debt debt (share of annualized Q4 GDP)	*67.2*	*102.1*	*71.4*	*68.9*	*64.2*	*56.8*	*51.5*	*46.3*
Nominal GDP (in U.S. dollars)	465.4	238.4	488.2	487.7	544.5	606.8	641.8	677.1
Overall External Debt								
Gross External Debt (includes holdouts)	**273.8**	**271.1**	**277.1**	**279.6**	**282.3**	**283.1**	**282.9**	**283.4**
(in percent of GDP)	*58.8*	*113.7*	*56.8*	*57.3*	*51.9*	*46.7*	*44.1*	*41.9*
By Debtor								
Public sector	195.9	191.5	193.7	192.6	191.9	189.4	185.6	182.4
Federal government	145.9	142.8	148.9	147.0	144.6	138.6	130.5	55.7
Other public sector 4/	50.0	48.6	44.8	45.6	47.3	50.8	55.1	126.6
Private sector	77.9	79.6	83.4	87.0	90.4	93.8	97.3	101.0
Financial	5.3	5.5	6.8	8.0	9.1	10.3	11.6	12.9
Non-financial	72.6	74.1	76.6	79.0	81.3	83.4	85.7	88.1
By Creditor								
Debt to official creditors	81.2	77.3	80.6	81.7	81.8	78.6	73.2	67.0
Debt to banks	7.4	7.6	8.9	10.1	11.3	12.4	13.7	15.0
Debt to other private creditors	185.1	186.2	187.6	187.7	189.3	192.1	196.0	201.4
By Maturity								
Long-term	221.4	218.8	224.5	226.7	229.2	229.0	227.7	227.2
Short-term	30.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0

Sources: National authorities and Fund staff estimates and projections.

1/ Local currency debt assessed at end of period exchange rate.

2/ Includes Banco Nacion and public entities other than BCRA and FGS. Decline between 2022 and 2023 reflects exchange rate dynamics (see footnote 3) and reduced private sector holdings reflecting BCRA purchases of securities from the secondary market and debt buyback operations.

3/ Decline between 2022 and 2023 reflects the step devaluations in August and December. Local currency debt denominated in pesos and adjusted for inflation remains broadly unchanged.

4/ Includes external debt of BCRA (swap lines), and provincial governments.

Table 8. Argentina: Federal Government Gross Financing Needs and Sources

(In Millions of U.S. Dollars)

			Proj.									
					2024			2025	2026	2027	2028	2029
	2022	2023	Q1	Q2	Q3	Q4	Year					
Primary Fiscal Deficit	**14,886**	**19,538**	**-6,025**	**-4,979**	**-1,731**	**117**	**-12,618**	**-14,233**	**-14,958**	**-15,899**	**-16,517**	**-17,458**
Interest	**10,443**	**9,962**	**2,263**	**1,491**	**3,234**	**2,080**	**9,069**	**8,439**	**17,228**	**10,006**	**10,596**	**9,653**
External	1,722	2,979	1,399	511	1,383	493	3,786	3,968	3,934	3,893	3,991	3,886
Official (non-IMF)	667	1,706	567	503	552	487	2,109	2,131	2,127	2,117	2,104	2,068
Private	1,055	1,273	832	9	831	6	1,677	1,837	1,808	1,777	1,887	1,818
Domestic	7,834	6,982	865	980	1,851	1,587	5,283	4,470	13,293	6,113	6,604	5,768
Public entities 1/	409	1,152	428	124	389	124	1,064	2,488	2,877	2,848	2,859	2,816
Private 2/	8,312	5,830	437	856	1,461	1,464	4,218	1,982	10,416	3,264	3,746	2,951
Amortizations	**64,144**	**68,995**	**12,230**	**5,681**	**10,002**	**4,719**	**32,633**	**141,187**	**21,078**	**92,771**	**31,189**	**80,224**
External	4,769	6,235	949	593	1,608	516	3,657	6,285	6,173	6,654	7,915	7,595
Official (non-IMF)	2,507	3,516	922	476	931	493	2,822	2,941	2,817	2,845	2,903	2,544
Private	2,262	2,719	27	117	676	24	834	3,344	3,355	3,809	5,012	5,052
Domestic	59,375	62,760	11,281	5,088	8,395	4,203	28,976	134,903	14,905	86,117	23,274	72,629
Public entities 3/	21,406	21,723	9,401	1,639	6,009	572	17,621	84,415	3,389	60,327	5,255	50,300
Private 2/	37,969	41,037	1,880	3,449	2,386	3,631	11,355	50,488	11,517	25,790	18,018	22,329
IMF Debt Service	**18,642**	**20,978**	**2,815**	**2,804**	**1,504**	**858**	**7,980**	**3,473**	**4,603**	**7,691**	**9,503**	**10,053**
of which: Amortization	16,774	17,740	1,943	1,943	648	0	4,534	0	1,118	4,368	6,598	7,148
Total Needs	**108,115**	**119,472**	**11,283**	**4,997**	**13,009**	**7,775**	**37,064**	**138,867**	**27,950**	**94,570**	**34,771**	**82,472**
Treasury deposits (+, drawdown) 4/	-5,545	5,834	-4,487	1,118	2,639	-226	-956	0	0	0	0	0
IMF	0	0	0	0	0	0	0	0	0	0	0	0
Official (not IMF)	4,334	4,630	1,040	1,040	1,040	1,040	4,159	4,073	4,002	4,042	3,662	3,936
Public entities 5/	27,973	32,808	9,401	1,639	6,009	572	17,621	84,415	3,389	60,327	5,255	50,300
Private sector issuances 2/	61,557	63,531	678	402	2,790	5,839	9,709	50,378	20,560	30,201	25,854	28,236
Total Sources	**84,714**	**106,804**	**6,632**	**4,199**	**12,478**	**7,225**	**30,534**	**138,867**	**27,950**	**94,570**	**34,771**	**82,472**
Total Gap	**23,401**	**12,668**	**4,651**	**797**	**532**	**550**	**6,530**	**0**	**0**	**0**	**0**	**0**
IMF Disbursements	23,401	12,668	4,651	797	532	550	6,530	0	0	0	0	0
Memorandum Items												
Deposit stock	9,482	3,648	8,134	7,016	4,377	4,603	4,603	4,603	4,603	4,603	4,603	4,603
Primary fiscal deficit (percent of GDP)	2.4	3.0	-0.5	-0.5	-0.5	-0.5	-2.1	-2.5	-2.5	-2.5	-2.5	-2.5

Sources: National authorities and Fund staff estimates and projections.

1/ Includes BCRA.

2/ Includes Banco Nacion and public entities other than BCRA and FGS.

3/ Includes BCRA and FGS.

4/ Deposit accumulation in 2022 largely reflects Federal Government deposits at the BCRA related to IMF purchases.

5/ BCRA and FGS are assumed to roll over 100 percent of amortizations and capitalize interest.

Table 9. Argentina: External (Residency) Gross Financing Needs and Sources

(In Millions of U.S. Dollars)

			Proj.									
			2024					2025	2026	2027	2028	2029
	2022	2023	Q1	Q2	Q3	Q4	year					
Imports G&S	97,558	99,037	19,145	21,576	22,079	20,312	83,112	89,279	93,783	98,579	103,372	107,169
FDI payments	2,076	2,337	561	594	539	549	2,243	2,315	2,366	2,406	2,433	2,455
Interest federal government	2,034	2,934	1,374	545	1,374	545	3,837	4,030	4,000	3,970	5,418	5,856
to IFIs (excl IMF)	667	1,706	527	527	527	527	2,109	2,131	2,127	2,117	2,243	2,217
to private creditors FX	866	1,205	831	1	831	1	1,665	1,832	1,804	1,776	3,072	3,523
to private creditors AR$	501	23	16	16	16	16	64	67	69	77	104	116
Interest provincial government	710	951	339	167	344	158	1,008	943	834	764	475	377
Amortization federal government	8,009	5,462	909	912	1,583	912	4,317	6,902	6,881	7,506	9,415	10,415
to IFIs (excl IMF)	2,507	3,516	706	706	706	706	2,822	2,941	2,817	2,845	2,903	2,960
to private creditors FX	0	0	0	3	674	3	681	3,335	3,335	3,807	5,766	6,689
to private creditors AR$	5,502	1,946	203	203	203	203	814	627	729	854	746	767
Amortization provincial government	274	1,074	474	403	292	389	1,558	2,225	2,193	2,165	1,099	881
Debt service to IMF	18,642	20,978	2,805	2,805	1,509	861	7,980	3,473	4,603	7,691	9,412	9,494
of which interest and charges	1,868	3,238	861	861	861	861	3,445	3,473	3,485	3,323	2,905	2,346
Other outflows (net)	12,631	16,544	4,140	3,548	4,677	3,091	15,456	12,139	17,067	18,121	16,582	17,984
Total Needs	**141,934**	**149,317**	**29,746**	**30,549**	**32,397**	**26,819**	**119,511**	**121,306**	**131,726**	**141,201**	**148,205**	**154,632**
Exports G&S	103,003	88,637	22,438	27,959	27,164	25,143	102,704	109,271	115,180	121,508	128,071	133,463
FDI Inflows	15,409	22,237	4,437	3,472	1,582	1,706	11,197	9,997	12,022	14,201	14,913	15,914
Borrowing of federal government	6,350	6,668	1,323	1,323	1,323	1,323	5,294	7,026	8,259	9,732	11,460	14,740
from IFIs (excl IMF)	4,334	4,630	1,040	1,040	1,040	1,040	4,159	4,073	4,002	4,042	3,936	3,948
from private creditors FX	49	69	64	64	64	64	257	2,259	3,459	4,759	6,674	9,909
of which international market issuance	0	0	0	0	0	0	0	1,500	2,500	3,500	5,000	6,000
from private creditors AR$	1,967	1,969	219	219	219	219	877	694	798	931	850	883
Borrowing of provincial government	689	507	197	197	197	197	786	1,012	1,265	1,761	1,761	515
Reserve Drawdown (- = accumulation)	-6,918	18,600	-3,300	-3,200	1,600	-2,100	-7,000	-6,000	-5,000	-6,000	-8,000	-10,000
Total Sources	**118,534**	**136,649**	**25,096**	**29,751**	**31,866**	**26,269**	**112,982**	**121,306**	**131,726**	**141,201**	**148,205**	**154,632**
Total Gap	**23,401**	**12,667**	**4,651**	**797**	**532**	**548**	**6,530**	**0**	**0**	**0**	**0**	**0**
IMF Disbursements	23,401	12,668	4,651	797	532	550	6,530	0	0	0	0	0

Sources: National authorities and Fund staff estimates and projections.

Table 10. Argentina: Federal Government Debt by Creditor, 2017–2023 1/

	2017	2018	2019	2020	2021	2022	2023 2/
				(in billions of U.S. dollars)			
Total Gross Federal Government Debt	**320.9**	**332.2**	**323.4**	**335.7**	**364.5**	**394.1**	**426.8**
Debt Held by Official and Private Creditors	**165.1**	**206.0**	**206.5**	**214.9**	**224.3**	**235.7**	**240.5**
Official Sector	*29.6*	*57.9*	*73.4*	*76.6*	*72.8*	*78.3*	*77.8*
Multilateral	21.3	51.0	68.0	71.1	68.0	73.7	73.2
IMF	-	28.3	44.1	46.0	41.0	45.7	41.6
Other IFIs	21.3	22.8	23.9	25.1	27.1	28.0	31.6
Bilateral	8.3	6.9	5.4	5.5	4.8	4.7	4.7
Paris Club 3/	5.5	3.7	2.1	2.4	1.9	2.0	1.7
Non-Paris Club	2.8	3.2	3.3	3.1	2.9	2.7	2.9
Private Sector 4/	*135.5*	*148.0*	*133.1*	*138.3*	*151.5*	*157.3*	*162.6*
Foreign Law	67.2	64.9	66.6	68.5	67.7	66.2	66.7
Bonds with new contractual clauses	41.3	40.4	41.2	43.5	42.8	41.3	42.0
Bonds with old contractual clauses	25.8	24.6	24.3	25.0	24.8	24.6	24.4
Other	0.0	0.0	1.1	0.1	0.1	0.4	0.3
Domestic Law	65.5	80.3	64.1	69.8	81.2	88.8	93.4
FX denominated	41.1	45.4	27.6	21.2	26.2	24.0	28.6
ARS denominated	24.4	34.8	36.5	48.5	55.0	64.8	64.8
Pending Restructuring from 2005/10 5/	2.9	2.8	2.4	2.5	2.6	2.3	2.5
Debt Held by the Public Sector 6/	**155.8**	**126.2**	**116.9**	**120.9**	**140.3**	**158.5**	**186.4**
				(Percent of GDP)			
Total Gross Federal Government Debt	**56.5**	**85.2**	**89.8**	**103.8**	**80.8**	**84.7**	**...**
Debt Held by Official and Private Creditors	**29.1**	**52.8**	**57.4**	**66.4**	**49.7**	**50.6**	**...**
Official Sector	*5.2*	*14.9*	*20.4*	*23.7*	*16.1*	*16.8*	...
Multilateral	3.8	13.1	18.9	22.0	15.1	15.8	...
IMF	-	7.2	12.3	14.2	9.1	9.8	...
Other IFIs	3.8	5.8	6.6	7.8	6.0	6.0	...
Bilateral	1.5	1.8	1.5	1.7	1.1	1.0	...
Paris Club	1.0	1.0	0.6	0.7	0.4	0.4	...
Non-Paris Club	0.5	0.8	0.9	1.0	0.6	0.6	...
Private Sector 4/	*23.9*	*38.0*	*37.0*	*42.8*	*33.6*	*33.8*	...
Foreign Law	11.8	16.7	18.5	21.2	15.0	14.2	...
Bonds with new contractual clauses	7.3	10.4	11.4	13.4	9.5	8.9	...
Bonds with old contractual clauses	4.6	6.3	6.8	7.7	5.5	5.3	...
Other	0.0	0.0	0.3	0.0	0.0	0.1	...
Domestic Law	11.5	20.6	17.8	21.6	18.0	19.1	...
FX denominated	7.2	11.7	7.7	6.6	5.8	5.2	...
ARS denominated	4.3	8.9	10.1	15.0	12.2	13.9	...
Pending Restructuring from 2005/10 5/	0.5	0.7	0.7	0.8	0.6	0.5	...
Debt Held by the Public Sector 6/	**27.4**	**32.4**	**32.5**	**37.4**	**31.1**	**34.1**	**...**
Memorandum Items:							
FX-Denominated Debt held by private and official sector	140.7	171.1	170.0	168.8	169.2	170.8	...
(percent of GDP)	24.8	43.9	47.2	52.2	37.5	36.7	...
Debt held by private sector nonresidents	100.0	103.2	82.5	76.1	74.0	66.5	...
(percent of GDP)	17.6	26.5	22.9	23.5	16.4	14.3	...
Provincial Debt	35.6	29.1	26.6	26.6	26.9	21.9	...
(percent of GDP)	6.3	7.5	7.4	8.2	6.0	4.7	...

Source: National authorities.

1/ Debt is based on the authorities' data and estimated using eop exchange rate. Debt to GDP ratio presented is based on average GDP.

2/ Data as of November 30 using November's eop exchange rate (359.9 ARS/USD).

3/ Includes the revised Paris Club debt stock agreed as part of the restructuring deal in October 2022.

4/ Private sector includes Banco Nacion and other public entities.

5/ Includes over US$ 2 bn of debt not included in the exchange offer (based on Decrees 1735/04 and 563/10), and US$ 0.1 bn of debt outstanding from the 2001 default that was not eligible for exchanges.

6/ Public sector includes BCRA and FGS.

Table 11. Argentina: International Investment Position, 2018–2023

	In millions of US dollars						In percent of GDP					
	2018	2019	2020	2021	2022	2023 Q3	2018	2019	2020	2021	2022	2023 Q3
Net IIP	**65,630**	**113,155**	**121,925**	**122,247**	**116,019**	**81,522**	**12.6**	**25.7**	**32.1**	**25.4**	**18.5**	**12.5**
Direct Investment	-30,362	-27,630	-44,386	-57,438	-71,878	-91,778	-5.8	-6.3	-11.7	-11.9	-11.5	-14.1
Equity and Investment Fund Shares	-6,626	-4,697	-12,505	-25,150	-31,951	-40,342	-1.3	-1.1	-3.3	-5.2	-5.1	-6.2
Debt Instruments	-23,735	-22,933	-31,881	-32,288	-39,927	-40,735	-4.5	-5.2	-8.4	-6.7	-6.4	-6.3
Portfolio Investment	-52,404	-2,548	11,641	18,685	25,970	19,670	-10.0	-0.6	3.1	3.9	4.1	3.0
Equity and Investment Fund Shares	22,433	31,840	37,919	47,267	35,911	28,237	4.3	7.2	10.0	9.8	5.7	4.3
Debt Securities	-74,838	-34,388	-26,278	-28,581	-9,940	-8,567	-14.3	-7.8	-6.9	-5.9	-1.6	-1.3
Financial Derivatives	-1,296	-543	-128	-397	-339	-339	-0.2	-0.1	0.0	-0.1	-0.1	-0.1
Other Investment	83,906	99,028	115,411	121,735	117,667	130,896	16.1	22.5	30.4	25.3	18.7	20.1
Other Equity	3,074	3,223	3,364	3,520	3,684	3,870	0.6	0.7	0.9	0.7	0.6	0.6
Debt Instruments	80,832	95,805	112,047	118,215	113,983	127,025	15.5	21.7	29.5	24.5	18.2	19.5
Reserve Assets	65,786	44,848	39,387	39,662	44,598	23,073	12.6	10.2	10.4	8.2	7.1	3.5
Assets	**377,521**	**397,180**	**399,135**	**417,768**	**424,777**	**416,187**	**72.2**	**90.1**	**105.1**	**86.7**	**67.7**	**63.9**
Direct Investment	42,228	42,828	40,985	42,452	44,832	47,169	8.1	9.7	10.8	8.8	7.1	7.2
Equity and Investment Fund Shares	42,228	42,828	40,985	42,452	44,832	47,169	8.1	9.7	10.8	8.8	7.1	7.2
Debt Instruments	0	0	0	0	0	0	0.0	0.0	0.0	0.0	0.0	0.0
Portfolio Investment	60,789	69,294	70,388	80,693	73,550	70,921	11.6	15.7	18.5	16.7	11.7	10.9
Equity and Investment Fund Shares	33,370	39,500	41,676	51,600	41,512	41,461	6.4	9.0	11.0	10.7	6.6	6.4
Debt Securities	27,419	29,794	28,712	29,093	32,038	29,460	5.2	6.8	7.6	6.0	5.1	4.5
Financial Derivatives	13	11	17	0	0	0	0.0	0.0	0.0	0.0	0.0	0.0
Other Investment	208,705	240,198	248,358	254,961	261,795	275,024	39.9	54.5	65.4	52.9	41.7	42.2
Other Equity	3,074	3,223	3,364	3,520	3,684	3,870	0.6	0.7	0.9	0.7	0.6	0.6
Debt Instruments	205,631	236,975	244,994	251,441	258,111	271,154	39.4	53.8	64.5	52.2	41.1	41.6
Reserve Assets	65,786	44,848	39,387	39,662	44,598	23,073	12.6	10.2	10.4	8.2	7.1	3.5
Liabilities	**311,891**	**284,026**	**277,210**	**295,521**	**308,758**	**334,665**	**59.7**	**64.5**	**73.0**	**61.3**	**49.2**	**51.3**
Direct Investment	72,589	70,458	85,371	99,890	116,710	138,948	13.9	16.0	22.5	20.7	18.6	21.3
Equity and Investment Fund Shares	48,854	47,525	53,490	67,602	76,783	87,512	9.3	10.8	14.1	14.0	12.2	13.4
Debt Instruments	23,735	22,933	31,881	32,288	39,927	40,735	4.5	5.2	8.4	6.7	6.4	6.3
Portfolio Investment	113,193	71,842	58,747	62,008	47,580	51,250	21.7	16.3	15.5	12.9	7.6	7.9
Equity and Investment Fund Shares	10,937	7,661	3,757	4,333	5,601	13,224	2.1	1.7	1.0	0.9	0.9	2.0
Debt Securities	102,257	64,182	54,990	57,674	41,979	38,026	19.6	14.6	14.5	12.0	6.7	5.8
Financial Derivatives	1,309	554	145	397	339	339	0.3	0.1	0.0	0.1	0.1	0.1
Other Investment	124,799	141,170	132,947	133,226	144,128	144,128	23.9	32.0	35.0	27.6	23.0	22.1
Other Equity	0	0	0	0	0	0	0.0	0.0	0.0	0.0	0.0	0.0
Debt Instruments	124,799	141,170	132,947	133,226	144,128	144,128	23.9	32.0	35.0	27.6	23.0	22.1
Memorandum items												
Debt liabilities	250,791	228,286	219,818	223,189	226,034	222,889	48.0	51.8	57.9	46.3	36.0	34.2

Sources: National authorities and Fund staff estimates.

Table 12. Argentina: Financial Soundness Indicators, 2017–2023

	2017	2018	2019	2020	2021	2022	2023*
	(Percent, end-of-period)						
Financial System							
Capital Adequacy							
Regulatory Capital to Risk-Weighted Assets	15.6	16.0	17.5	24.2	26.2	29.9	30.9
Regulatory Tier 1 Capital to Risk-Weighted Assets	14.1	14.2	15.5	22.3	24.7	28.8	30.4
Assets Quality							
Non-performing Loans Net of Provisions to Capital	-3.0	-2.4	0.3	-4.4	-1.2	-1.5	-0.9
Non-performing Loans to Total Gross Loans	1.8	3.1	5.7	3.9	4.3	3.1	2.8
Earnings and Profitability							
Return on Assets1/	2.7	4.1	5.4	2.4	1.1	2.0	3.8
Return on Equity 1/	23.4	36.1	46.4	16.4	7.2	11.4	20.2
Liquidity							
Liquid Assets to Total Assets (Liquid Asset Ratio)	30.0	41.8	43.2	48.0	50.6	54.0	56.2
Liquid Assets to Short Term Liabilities	45.5	60.1	62.0	69.2	74.1	77.8	77.8
Net Open Position in Foreign Exchange Capital	11.1	9.4	8.0	12.4	11.7	29.3	43.8
Private Banks							
Capital Adequacy							
Regulatory Capital to Risk-Weighted Assets	15.3	16.8	19.5	25.5	27.0	31.6	31.1
Regulatory Tier 1 Capital to Risk-Weighted Assets	13.4	14.4	16.9	23.0	25.1	30.2	30.3
Assets Quality							
Non-performing Loans Net of Provisions to Capital	-2.4	-0.6	-2.1	-6.2	-2.6	-2.0	-1.5
Non-performing Loans to Total Gross Loans	1.8	3.1	4.4	2.2	2.9	1.8	1.6
Earnings and Profitability							
Return on Assets 1/	3.2	4.2	7.5	2.7	1.3	1.7	3.7
Return on Equity 1/	26.6	35.6	60.3	16.6	7.6	9.1	18.7
Public Banks							
Capital Adequacy							
Regulatory Capital to Risk-Weighted Assets	16.2	14.7	13.6	21.9	25.0	27.5	30.9
Regulatory Tier 1 Capital to Risk-Weighted Assets	15.4	14.1	13.0	21.3	24.4	27.0	30.8
Assets Quality							
Non-performing Loans Net of Provisions to Capital	-4.7	-6.3	4.9	-0.7	1.3	-0.6	-0.2
Non-performing Loans to Total Gross Loans	1.6	2.7	7.8	6.6	6.5	5.3	4.8
Earnings and Profitability							
Return on Assets 1/	2.0	4.0	2.0	2.1	1.0	2.6	4.2
Return on Equity 1/	18.5	38.6	20.2	17.2	7.4	16.9	23.8

Sources: Banco Central de la República Argentina (BCRA) and IMF database.
* Data as of October 2023, except for liquidity indicators, which are as of September 2023 (December 2022 for liquid assets to short-term liabilities).
1/ Accumulated during the year; with inflation-adjustment starting from 2020.

Table 13. Argentina: Indicators of Fund Credit, 2024–2032

(In Millions of SDRs, Unless Otherwise Specified)

	2024	2025	2026	2027	2028	2029	2030	2031	2032	Total (2024-2032)
Existing and Prospective drawings (30-month EFF)	4,914	...	...	...	...	...	...	...	...	
(in percent of quota)	154.2									
(Projected Debt Service to the Fund based on Existing and Prospective Drawings) 1/										
Amortization 1/	3,412.5	0.0	833.3	3,250.0	4,841.7	5,319.0	5,319.0	5,319.0	4,485.7	32,780.2
GRA charges 1/	1,608.6	1,626.0	1,624.3	1,544.7	1,347.9	1,084.6	814.1	542.6	275.2	10,467.9
GRA surcharges 1/	765.4	777.5	776.4	729.6	613.7	458.9	299.7	139.9	12.7	4,573.7
of which level-based	510.2	518.3	517.6	486.4	409.1	305.9	199.8	93.3	8.5	3,049.1
time-based	255.1	259.2	258.8	243.2	204.6	153.0	99.9	46.7	4.2	1,524.6
GRA service charge 1/	24.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	24.6
SDR assessments and charges 1/	208.7	208.0	208.1	208.1	208.2	208.0	208.1	208.1	208.2	1,873.4
Total debt service 1/	6,019.6	2,611.5	3,442.1	5,732.4	7,011.4	7,070.5	6,640.8	6,209.6	4,981.7	49,719.6
(in percent of exports of G&S)	8.2	3.3	4.1	6.5	7.6	7.3	6.6	6.0	4.8	
(in percent of GDP)	1.4	0.6	0.8	1.3	1.5	1.4	1.2	1.1	0.8	
(in percent of GIR)	27.9	10.1	11.1	15.5	16.4	12.5	9.7	8.6	7.8	
(Projected Level of Credit Outstanding based on Existing and Prospective Drawings) 1/										
Outstanding stock 1/	31,914.0	31,080.7	27,830.7	22,989.0	17,670.0	12,351.0	7,032.0	2,546.3	477.3	
(in percent of quota)	1,001.3	975.1	873.2	721.3	554.4	387.5	220.6	79.9	15.0	
(in percent of GDP)	7.3	7.7	6.5	5.1	3.7	2.5	1.3	0.4	0.1	
(in percent of GIR)	147.7	120.7	89.4	62.3	41.4	21.8	10.3	3.5	0.7	
Memorandum items:										
Exports of goods and services (US$ mn)	102,704	110,099	116,425	122,906	128,971	134,824	140,942	142,726	144,532	
Gross International Reserves (US$ mn)	30,046	35,794	43,294	51,294	59,294	78,903	94,968	100,736	88,591	
Quota	3,187.3	3,187.3	3,187.3	3,187.3	3,187.3	3,187.3	3,187.3	3,187.3	3,187.3	

Source: Fund staff estimates and projections.

1/ Assumes that all purchases will be made.

Table 14a. Argentina: Schedule of Reviews and Purchases
(Fifth and Sixth Reviews)

Available on or after	Original Amounts SDR millions	% Quota	Conditions 1/
March 25, 2022	7,000	220	Approval of Arrangement
May 10, 2022	3,000	94	First Review and end-March 2022 performance criteria
September 10, 2022	3,000	94	Second Review and end-June 2022 performance criteria
December 10, 2022	4,500	141	Third Review and end-September 2022 performance criteria
March 10, 2023	4,000	125	Fourth Review and end-December 2022 performance criteria
June 10, 2023	3,000	94	Fifth Review and end-June 2023 performance criteria
August 21, 2023	2,500	78	Sixth Review and end-June 2023 performance criteria
November 1, 2023	2,500	78	Seventh Review and end-September 2023 performance criteria
March 10, 2024	800	25	Eighth Review and end-December 2023 performance criteria
June 10, 2024	800	25	Ninth Review and end-March 2024 performance criteria
September 1, 2024	814	26	Tenth Review and end-June 2024 performance criteria
Total	31,914	1,001	

Sources: Fund staff calculations.

1/ Apart from periodic performance criteria, conditions also include continuous performance criteria.

Table 14b. Argentina: Schedule of Reviews and Purchases
(Proposed)

Available on or after	Original Amounts SDR millions	% Quota	Conditions 1/
March 25, 2022	7,000	220	Approval of Arrangement
May 10, 2022	3,000	94	First Review and end-March 2022 performance criteria
September 10, 2022	3,000	94	Second Review and end-June 2022 performance criteria
December 10, 2022	4,500	141	Third Review and end-September 2022 performance criteria
March 10, 2023	4,000	125	Fourth Review and end-December 2022 performance criteria
June 10, 2023	3,000	94	Fifth Review and end-June 2023 performance criteria
August 21, 2023	2,500	78	Sixth Review and end-June 2023 performance criteria
January 15, 2024	3,500	110	Seventh Review and end-December 2023 performance criteria
May 10, 2024	600	19	Eighth Review and end-March 2024 performance criteria
August 10, 2024	400	13	Ninth Review and end-June 2024 performance criteria
November 10, 2024	414	13	Tenth Review and end-September 2024 performance criteria
Total	31,914	1,001	

Sources: Fund staff calculations.

1/ Apart from periodic performance criteria, conditions also include continuous performance criteria.

Annex I. External Sector Assessment (Preliminary)[1]

Overall Assessment: *The external position in 2023 was weaker than the level implied by medium-term fundamentals and desirable policies, an assessment based holistically on elevated external debt vulnerabilities, depleted international reserves, and no access to international capital markets. The sustained implementation of an ambitious stabilization plan will be required to strengthen the external current account (CA) and reserve coverage to secure external sustainability.*

Potential Policy Responses: The new authorities are starting to embark on ambitious stabilization plan anchored on an upfront fiscal consolidation and a correction of the FX misalignment to bring down inflation, strengthen the trade balance, rebuild international reserves, regain market access, and safeguard fiscal and external debt sustainability. In addition, structural reforms will be required to boost Argentina's competitiveness, export capacity and FDI. As stability and confidence are reestablished, a gradual conditions-based easing of CFM measures will be needed, while any remaining MCPs and exchange restrictions should be phased out as early as possible.

<table>
<tr><td>Foreign Asset and Liability Position and Trajectory</td><td colspan="6">Background. By end-Q3 2023, Argentina's external gross liabilities reached at 51.9 percent of GDP, US$29.9 billion higher than end of 2022 levels, and above the level of 50 percent of GDP at the end of 2017. However, the NIIP remained positive, reaching 13.9 percent of GDP (up 11.5 percentage points since the end of 2017), driven by continued private capital outflows and deleveraging by firms, despite tight CFM measures.
Assessment. In 2020, Argentina restructured $82 billion (21.4 percent of GDP) in domestic- and foreign-law sovereign FX debt held by the private sector, with cash flow relief of $34 billion during 2020–30. Additional relief was secured during 2021, as provincial governments restructured $13 billion of foreign-law FX debt obligations, with total cash flow savings estimated at about $6.5 billion for 2021–27. Gross debt and debt-service obligations remain substantial and meeting these obligations over the medium term will depend on implementation of a strong economic reform plan that boosts FDI and restores market access.</td></tr>
<tr><td>2023Q3 (% GDP)</td><td>NIIP: 13.9</td><td>Gross Assets: 65.9</td><td>Res. Assets: 4.1</td><td>Gross Liab.: 51.9</td><td colspan="2">Debt Liab.: 31.8</td></tr>
<tr><td>Current Account</td><td colspan="6">Background. The CA reached a deficit of 3.5 percent of GDP in 2023 (est.), down from a deficit of 0.7 percent in 2022, on account of a sharp reductions in exports (due to the drought) but importantly the absence of a sufficient compression in imports, which remained robust. The CA balance is projected to reach a surplus of 0.9 percent in 2024, driven by significant demand compression following the recent exchange rate correction and fiscal consolidation underway. In the medium term, the CA is expected to stabilize around 1.5 percent of GDP, reflecting tight policies and reforms to support a stronger energy and services trade balances.
Assessment. The cyclically adjusted CA balance is estimated to have reached a deficit of 2.2 percent of GDP in 2023, with an estimated transitory impact from the drought at about 1.5 percent of GDP.[2] While the EBA CA norm is estimated at a surplus of 0.4 percent of GDP (preliminary estimate), the IMF staff judges the near- to medium-term CA norm to be closer to 1.5 percent of GDP, consistent with the need to bring down external debt service to more manageable levels and pave the way for market access. The difference implies an adjustment to the norm of 1.1 percent of GDP. As such, the IMF staff assesses the CA gap to be –3.7 ±1 percent of GDP.[1]</td></tr>
<tr><td>2023 (% GDP)</td><td>CA: –3.5</td><td>Cycl. Adj. CA: –2.2</td><td>EBA Norm: 0.4</td><td>EBA Gap: –2.6</td><td>Other Adj.: -0.4</td><td>Staff Gap: –3.7</td></tr>
<tr><td>Real Exchange Rate</td><td colspan="6">Background. The average REER, after depreciating by more than 35 percent between 2017 and 2019, appreciated by about 26 percent during 2020–22 and is estimated to have remained generally unchanged through early-December 2023. In mid-December, the new authorities implemented a step devaluation of about 120 percent in an effort to correct the large exchange rate misalignment. Following the decision, the REER is estimated to have moved 45 percent below the 2022 average.</td></tr>
</table>

[1] This is a preliminary assessment for 2023; a final assessment will be provided in the 2024 External Sector Report.

	Assessment. The IMF staff-assessed CA gap implies a REER gap of about 30 percent in 2023 (with an estimated elasticity of 0.12 applied). Meanwhile, preliminary results from the EBA REER index model suggests a REER gap of 25 percent, while the EBA REER level model estimates a gap of 9.5 percent, with the estimate surrounded by significant uncertainty. Overall, the IMF staff assesses the REER gap before the step devaluation to be in the range of 30 to 35 percent.
Capital and Financial Accounts: Flows and Policy Measures	**Background.** Strict CFM and MCP measures were introduced in late 2019 to contain capital outflows. In the context of rising FX pressures (the gap between the parallel and official exchange rate rose to above 150 percent during Q3/Q4:2023) and challenges in accumulating reserves, these measures intensified further last year, including through (i) incentives to encourage the export liquidation, (ii) taxes on FX access for imports of goods and services, and (iii) financing requirements for imports to limit short-term FX demand, which led to an unprecedented rise in private commercial debt. **Assessment.** CFM and MCP measures have generally helped to contain capital outflows yet have introduced serious distortions and added to external vulnerabilities. Importantly, these measures are not a substitute for sound macroeconomic policies. While CFMs are needed in the near term as imbalances are being addressed, exchange restrictions and MCP measures should be phased out as early as possible.
FX Intervention and Reserves Level	**Background.** Gross international reserves reached $23 billion in 2023, its lowest level since 2004 and $21 billion lower relative to 2022. Meanwhile, net international reserves, after excluding swap lines with other central banks, reserve requirements on domestic dollar deposits, and deposit insurance, reached negative $9.2 billion. Despite CFM measures, reserve accumulation has been challenged by the lack of imports adjustment amid a historically severe drought and continued capital flight (also through import over invoicing) in the context of extremely high devaluation expectations. **Assessment.** Gross international reserves are estimated to have stood at about 36 percent of the IMF's composite metric in 2023. The authorities have embarked on ambitious stabilization and reform plan to boost the trade balance and improve reserve coverage, which in turn is essential to pave the way for market access and the easing of CFM measures over the medium term. Importantly, the new authorities have eliminated the previous opaque system of administrative import controls (SIRA/SIRASE), replacing it by a simpler, more transparent, and rules-based system of import access, with a much shorter delayed FX access restrictions (45 days relative to 90–180 days under the previous regime).
[1] The actual impact of the drought on exports was over 3 percent of GDP in 2023 (+cyclical contribution); however, imports did not sufficiently adjust (-cyclical contribution), following historical episodes, suggesting a net cyclical impact closer to 1.5 percent of GDP.	

Annex II. Application of the Sovereign Risk and Debt Sustainability Framework

Table 1. Argentina: Risk of Sovereign Stress

Horizon	Mechanical signal	Final assessment	Comments
Overall	…	High	The exceptional level of current uncertainty amid elevated inflation and low reserve levels, and risks around the necessary eventual re-entry to international markets indicate that overall risks of sovereign stress continue to be high.
Near term 1/	n.a	n.a	Not applicable.
Medium term	High	Moderate	The mechanical signal of high risk is driven by the widening of the fanchart resulting from the temporary spike in the debt-to-GDP ratio due to valuation effects in the context of the strong exchange rate devaluation. Staff asseses medium-term risks at moderate, as debt-to-GDP ratios will decline rapidly as the overshooting of the real effective exchange rate (REER) unwinds and stabilizes at its long-term level and fiscal consolidation accelerates. While there is substantial uncertainty around the baseline debt trajectory, the implementation of a more ambitious fiscal consolidation and the plan to extend the maturities of a portion of domestic debt coming due in 2024, should help contain financing risks.
Fanchart	High	…	
GFN	Moderate	…	
Stress test	Cont. Liab.	…	
Long term	…	High	Given Argentina's susceptibility to adverse shocks, need to maintain tight fiscal policy, and re-enter international debt markets in 2025, there are relevant risks of a renewed episode of sovereign stress over the longer term. Full implementation of the program will help contain these risks.
Sustainability assessment 2/	…	Sustainable but not with high probability	There are good prospects for debt stabilization and acceptable rollover risks, consistent with debt sustainability. However, substantial uncertainty around the baseline indicates high risks to this assessment.
Debt stabilization in the baseline			Yes

DSA Summary Assessment

The Sovereign Risk and Debt Sustainability Framework (SRDSF) tools indicate that debt is sustainable but not with high probability, although overall risks of sovereign stress are high.

At a medium-term horizon, staff assesses risks to be moderate, unchanged from the fifth and sixth reviews. The GFN module continues to show moderate risk, including because vulnerabilities are contained somewhat by the 2020 restructuring, the new administration's more ambitious fiscal consolidation plan, and the reduction in the exchange rate misalignment. Valuation effects from the exchange rate adjustment caused a sharp but temporary increase in the debt-to-GDP ratio for 2023, which artificially widened the fanchart and caused the mechanical signal to flash red. Going forward, the debt-to-GDP ratios will decline rapidly as the overshooting of the real effective exchange rate (REER) unwinds and stabilizes at its long-term level and fiscal consolidation accelerates. This will in turn help to increase the demand for peso denominated assets, helping to meet still-high gross financing needs. Plans to extend maturities for a portion of domestic debt coming due in 2024 are assumed to reduce gross financing needs in the near term. Over the longer-term, 10-year fanchart analysis points to debt sustainability (albeit with substantial risks), including of a potential renewed round of sovereign stress as Argentina needs to re-enter international debt markets and buffers are likely to remain limited.

Risks to the updated baseline are exceptionally high, particularly given the fragile initial reserve position. In this context, the assessment of moderate risk of sovereign distress in the medium term still hinges critically on the steadfast implementation of macroeconomic policies by the new administration. Securing twin (fiscal and current account) surpluses will be essential to tackle debt vulnerabilities and rebuild external buffers. Notably, failure to achieve the rapid consolidation and shift to a fiscal surplus would imply greater near-term financing pressures, and higher gross financing needs over the medium- to long-term. In this context, contingency planning and agile policy making remain indispensable to improve the likelihood of program success, with additional macroeconomic policy adjustments potentially required.

Latent structural vulnerabilities remain including: the low and undiversified export base, thin domestic capital markets, high shares of foreign currency and non-resident debt, and contingent liabilities from provinces' FX debt and possible compensation payments from international court rulings. In this context, sustaining the large and frontloaded consolidation, including beyond the program, along with efforts to deepen domestic capital markets and structural reforms to boost growth and exports, remain essential to mobilize domestic saving, strengthen reserves, and improve prospects of international market access, which in turn would strengthen debt-servicing capacity.

Source: Fund staff.

Note: The risk of sovereign stress is a broader concept than debt sustainability. Unsustainable debt can only be resolved through exceptional measures (such as debt restructuring). In contrast, a sovereign can face stress without its debt necessarily being unsustainable, and there can be various measures—that do not involve a debt restructuring—to remedy such a situation, such as fiscal adjustment and new financing.

1/ The near-term assessment is not applicable in cases where there is a disbursing IMF arrangement. In surveillance-only cases or in cases with precautionary IMF arrangements, the near-term assessment is performed but not published.

2/ A debt sustainability assessment is optional for surveillance-only cases and mandatory in cases where there is a Fund arrangement. The mechanical signal of the debt sustainability assessment is deleted before publication. In surveillance-only cases or cases with IMF arrangements with normal access, the qualifier indicating probability of sustainable debt ("with high probability" or "but not with high probability") is deleted before publication.

A. Assessment of Debt Sustainability

1. Staff assesses that Argentina's debt remains "sustainable, but not with high probability". This assessment is based on four tools: (i) a Debt Fanchart analysis that provides information on the prospects for debt stabilization; (ii) a GFN Financeability module which indicates whether rollover risks are at acceptable levels; (iii) a crisis prediction model which gives a probability of unsustainable debt (e.g., events involving sovereign default and restructuring); and (iv) contingent liability analysis to illustrate potential debt surprises from outside the current central government debt perimeter. The team's judgment is also informed by other important elements which, in this case, includes the results of a 10-year Debt Fanchart, and an updated assessment of whether federal government debt and debt service—excluding intra-public sector debt obligations to the central bank (BCRA) and the social security trust fund (FGS) — remains manageable over the medium to long term, despite near-term challenges.[1] The assessment is predicated on the successful implementation of the new stabilization plan, involving significant efforts to realign and harmonize the FX regime amid a more ambitious and frontloaded fiscal consolidation path, which together should secure twin (fiscal and current account) surpluses. Actions to strengthen the BCRA balance sheet and extend the maturities of domestic debt, also remain critical. Moreover, medium-term debt and external sustainability also hinge on the gradual resumption of international market access starting in late 2025 and a conditions-based unwinding of capital flow measures (see Box 1).

2. The staff assessment has been updated to reflect new policy commitments and recent actions (a large FX realignment and planned extension of domestic debt maturities), against the backdrop of rising imbalances. Primary deficits led to an increase in public debt of roughly the equivalent of over US$60 billion between end-2021 and November-2023, with much of this increase (US$46 billion) absorbed by other public sector entities, including the BCRA who purchased government securities from the secondary markets, as private sector appetite diminished during this period. For end-2023, valuation effects related to the large nominal FX correction are expected to result in a temporary sharp spike in the public debt to GDP ratios (average nominal US$ GDP drops), including because over 90 percent of peso debt is now linked to the US$ or to

Federal Government Debt, 2021-24 1/

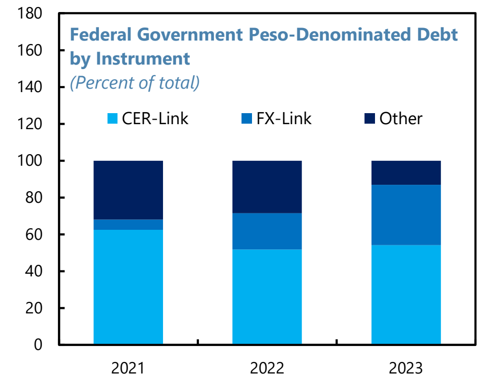
	2021	2022	2023 *Proj.*	2024 *Proj.*	2021	2022	2023 *Proj.*	2024 *Proj.*
	(in US$ billions)				*(in percent of GDP)*			
Gross Federal Debt	**365**	**394**	**368**	**421**	**80.8**	**84.7**	**154.5**	**86.2**
By debtor								
Official Sector	73	78	87	84	16.1	16.8	36.5	17.2
Private Sector	151	157	134	135	33.6	33.8	56.0	27.7
Public Sector 2/	140	158	148	202	31.1	34.1	62.0	41.3
By currency								
Local currency	109	131	106	148	24.2	28.2	44.3	30.4
Foreign currency	255	263	263	272	56.6	56.5	110.3	55.8
Memorandum items								
Gross Federal Debt *(as a share of eop GDP)*	…	…	…	…	68.9	67.2	102.1	71.4
BCRA secondary market purchases	0	11	6	0	0	2.3	2.7	0
Nominal GDP 3/	451	465	238	488	…	…	…	…

Sources: Argentine authorities and Fund staff estimates.
1/ Debt based on data provided by the authorities and estimated using end-of-period exchange rates. Debt-to-GDP ratio is based on average period GDP.
2/ Public sector includes the central bank (BCRA) and the social security fund (FGS).
3/ Calculated using period average peso denominated GDP and end-of-period peso/USD exchange rate.

[1] The March 2020 Staff Technical Note on Public Debt Sustainability set out indicative targets for projected debt and debt service, excluding obligations to the BCRA and FGS, at the time consistent with an assessment of sustainable debt with high probability.

inflation.[2] Going forward, the debt-to-GDP ratios will decline rapidly as the overshooting of the real effective exchange rate (REER) unwinds and stabilizes at its long-term level and fiscal consolidation accelerates (see Table 5).

B. Medium-Term Risk Analysis



Sources: MECON; and Fund staff calculations.

3. The GFN Financeability Module continues to point to moderate risk. Baseline GFNs average around 11 percent of GDP over the 2024–29 period (around 7 percent of GDP for debt held by the private and official sector), reflecting the more frontloaded and ambitious fiscal consolidation strategy, which is also expected to support a gradual shift towards longer-maturity instruments. However, given near-term stability challenges, reliance on inflation-linked (CER-linked) debt instruments are assumed to persist over the near and medium term (implying a lower interest bill, while the inflation uplift is captured in the amortization), although reliance on FX-linked instruments has already ceased. At end-November 2023, banks' exposure to government debt remained moderate at around 16 percent of banking system assets, which in the context of a somewhat higher GFN index, suggests banks have continued to find space to finance the government, despite stressed conditions.[3] That said, Argentina's banking system remains small (assets of 40 percent of GDP), and despite strong capital buffers and low NPLs, its ability to further absorb government debt securities, in case of stress, may be complicated by its exposure to the broader public sector, which, after including central bank securities stands at around 40 percent of total assets. Argentina's low export base, high financial dollarization, and still weak policy credibility are also key vulnerabilities for absorbing GFNs.[4] Maintaining the strong and ambitious fiscal anchor will substantially reduce financing risks, which are also partially mitigated by the large share of FX debt held by IFIs, the large share of overall debt held by the public sector, and strict capital controls. Meeting FX obligations will be challenging, however, especially as repayments to official creditors (particularly the Fund) ramp up starting in late 2026, and will require decisive progress in reducing fiscal and external imbalances to restore international market access.

4. The debt fanchart module points to high risk of sovereign stress, due to the temporary sharp increase in the debt-to-GDP ratio, following the step devaluation at end-2023. Gross public debt is estimated to have reached around 154 percent of GDP at end-2023, reflecting mainly the large nominal devaluation in December and the revision to the nominal USD GDP (which is projected to be 45 percent lower in 2023 compared to the fifth and sixth reviews). Debt is projected

[2] The 2023 stock of debt using the year-average exchange rate, rather than the-end-of-period rate, is equivalent to around 60 percent.

[3] In the stress scenario, the domestic banking sector would have to absorb additional issuances, equivalent to 27 percent of assets, similar to the results at the fifth and sixth reviews.

[4] Historical volatility, largely due to weak fundamentals, has tended to translate into large macroeconomic shocks.

to decline to around 48 percent of GDP by end–2029 (below the level at the previous review), largely reflecting the impact of the much stronger fiscal path on debt dynamics. The probability of debt stabilization under the baseline continues to be high (around 90 percent). However, given the sharp increase in the initial debt-to-GDP ratio as a result of the step devaluation, uncertainty as proxied by the fanchart width is significantly higher than in the fifth and sixth reviews, which triggers a mechanical signal of high risk of debt distress for the overall medium-term index.[5] However, in staff's view, the mechanical signal does not adequately capture Argentina's medium-term risk, as debt-to-GDP ratios is expected to decline rapidly as the overshooting of the REER unwinds and stabilizes at its long-term level and fiscal consolidation accelerates. While there is substantial uncertainty around the baseline debt trajectory, the implementation of a more ambitious fiscal consolidation and planned extension of domestic debt maturities help to contain financing risks.

5. Contingent liability analysis also remains consistent with moderate medium-term risks of sovereign stress. The illustrative contingent liability shock scenario indicates the potential risks of debt surprises coming from outside the current central government debt perimeter or from compensation payments stemming from unfavorable international court rulings. The shock is tailored for Argentina's circumstances by simulating a one-off debt materialization (6 percent of GDP), equivalent to the total stock of provincial debt or the combined potential compensation payments from ongoing litigation cases.[6] In this scenario, public debt would spike at around 154 percent of GDP, hovering 90 percent of GDP by end-2024 and falling back to around 50 percent of GDP by 2028, while GFNs would remain somewhat elevated at around 14 percent of GDP by 2029. The team does not assess provincial debt to have a high risk of becoming a contingent liability to the central government, as demonstrated by the non-bailout approach taken during the 2020 provincial debt restructuring. However, depending on the scale of the final judgments in the international litigation cases against Argentina, investors' confidence in Argentine sovereign securities could dampen, impacting its ability to regain market access in a timely fashion. In this context, agile policymaking will remain indispensable, with additional macroeconomic policy adjustments necessary if risks materialize to safeguard debt sustainability in the medium term.

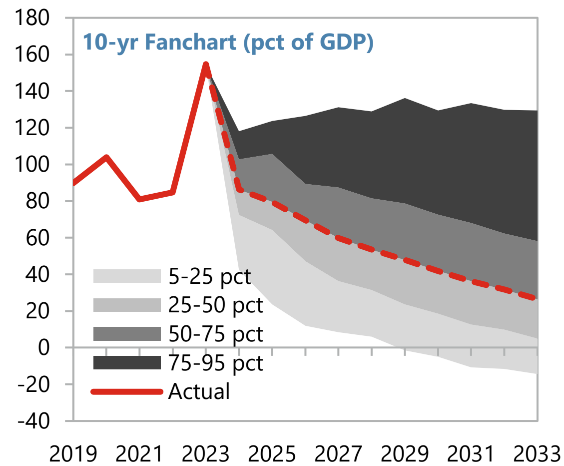
C. Longer-Term Risk Analysis

6. A long-term fan chart analysis points to debt sustainability, albeit with substantial risks. The probability of debt stabilization in a fan chart ending in 2033 is close to 80 percent, consistent with debt sustainability, although with substantial risks. Over the medium to long term, Argentina will need to refinance maturing debt obligations from the 2020 debt restructuring as well as Fund repurchases, likely at less favorable financing terms (in the new context of higher global

[5] If the analysis uses the period average exchange rate to convert USD denominated debt to pesos for 2023, then the fan chart and the overall medium-term index remain moderate, with the fanchart width and overall index being lower than in the fifth and sixth reviews.

[6] Argentina is facing two cases of litigation in London and New York courts. The English case relates to a claim by a consortium of four hedge funds against Argentina related to the English-law, euro-denominated GDP-linked warrants issued in the 2005 debt exchange. The New York case concerns a multi-billion-dollar claim relating to losses by former YPF shareholders following the nationalization of the energy company in 2012.

interest rates). Capacity to repay will depend on successful implementation of the more aggressive fiscal consolidation plan and the correction of other key macroeconomic imbalances, an improvement in domestic debt market conditions, adequate reserve levels and the re-access of international private credit markets (see Box 1).



7. Moreover, while debt (and debt service) held by the official and private sectors is projected to remain manageable in the medium- to long-term, buffers remain very limited. Federal debt (excluding debt held by the BCRA and FGS) would fall slightly above the 40 percent of GDP threshold set in The March 2020 Technical Note (consistent at the time with an assessment of sustainable debt with high probability). GFNs *(for public debt not in the hands of other public entities)* between 2025–2032 are projected to be within the 5 percent of GDP March Technical Note target. However, with buffers nearly exhausted, large and sustained domestic financing will be required going forward, along with efforts to improve the maturity structure, to ensure a gradual conditions-based easing of capital flow measures.

Box 1. SRDSF Key Macroeconomic and Financing Assumptions

The SRDSF reflects the updated program baseline given the Milei administration's intentions of a more ambitious and upfront fiscal consolidation path, the elimination of monetary financing, and a realignment of the exchange rate and other relative prices. The successful implementation of the stabilization plan, mainly maintaining the fiscal consolidation and reserve accumulation pace, will be crucial for domestic debt market development, and the eventual easing of CFMs, with Argentina's re-access to international capital markets.

Macroeconomic Assumptions

- *Real GDP* is projected to contract by 2.8 percent in 2024, reflecting the effects of fiscal consolidation and relative price correction. Growth is expected to settle at 2.3 percent over the medium term and the output gap to close by 2028. The assumed potential growth is modestly higher than in previous reviews (2.3 vs. 2 percent), but consistent with the new administrations reform efforts to remove market distortions and regulatory barriers to investment, employment, and trade (with only a minor near-term impact).
- The *nominal FX realignment* in December 2023 resulted in a large depreciation of the *REER* (much larger than the estimated misalignment of around 30 percent) ensuring an initial overshooting to quickly rebuild reserves. With tight macroeconomic policies delivering a relatively fast disinflation, the REER is expected to converge to the level consistent with medium-terms fundamentals and remain there through the forecast horizon.
- *Inflation (eop)* is projected to increase from about 95 percent in 2022 to around 215 percent in 2023 and 149 percent in 2024 mainly because of the exchange rate and relative price adjustments. Average inflation is expected to exceed 250 percent in 2024, decline to around under 60 percent in 2025, and to reach single digits in 2029.
- Fiscal consolidation is projected to accelerate, with the *primary balance* moving from a deficit of 3 percent of GDP in 2023 to a surplus of 2 percent of GDP in 2024 (consistent with overall balance), and reaching a steady-state primary surplus of 2.5 percent of GDP from 2025 onwards (significantly stronger than the 1.3 percent at the fifth and sixth reviews).

Box 1. SRDSF Key Macroeconomic and Financing Assumptions (Concluded)

- *Capital flow management measures (*CFMs) are assumed to remain in place over the near-to medium term (albeit with targeted easing in key sectors), limiting outflows (given the large peso overhang) and supporting the balance of payments. That said, CFMs will gradually be eased as conditions allow—imbalances are addressed, and reserve coverage improves. This will also permit a *gradual return to international markets starting in late 2025*.
- *Gross international reserves* are assumed to recover at a slighter faster pace in the medium-term than in previous reviews due to the FX correction and more aggressive fiscal consolidation, but still only reaching 2022 levels (i.e., pre-drought) levels by 2026, reflecting the very large losses during 2023 (US$ 22 billion).

Financing Assumptions

- *External official financing.* Annual official net financing remains unchanged relative to the fifth and sixth reviews, with average annual contributions of 0.3 percent of GDP from MDBs, through 2024 and beyond. Projected repayments to the Paris Club reflect the October 2022 joint declaration, stretching out to 2028, consistent with program reserve accumulation and debt sustainability goals. The portion of the central bank bilateral FX swap with the PBOC that was drawn in 2023 (about US$4.9 billion) was not included in public debt analysis as the value of the activated portion falls below the risk-based de-minimis threshold of 1 percent of GDP. The activated swap is assumed to be refinanced in 2024, in line with ongoing efforts to secure this.

Key DSA Financing Assumptions

	2023	2024	2025	2026	2027	2028	2029
External Financing							
Official (ex. IMF)							
Disbursements (USD billions)	4.3	4.6	4.2	4.1	4.1	3.8	3.8
Net financing (USD billions)	1.8	1.1	1.3	1.1	1.2	1.2	0.8
Nominal interest rate (percent)	4.4	4.1	3.8	3.8	3.8	3.8	3.8
International markets							
Issuance (USD billions)	...	...	1.5	2.5	3.5	5.0	6.0
Spread (basis points)	...	...	450	450	450	450	450
Maturity (years)	...	...	7	7	7	7	7
Grace period (years)	...	...	4	4	4	4	4
Peso Market Financing							
Instruments (share)							
Short-term (fixed rate)	25	25	25	25	25	10	5
CER-linked (2-year maturity)	75	65	65	65	65	65	65
Long-term (3/4-year maturity)	0	10	10	10	10	25	30
Real Interest Rate (percent)	3.0	-33.0	2.5	3.3	4.0	4.5	4.5

Sources: Fund staff assumptions and projections.

- *External private sector financing*. Debt service on FX-denominated debt to foreign private creditors is assumed to follow the 2020 restructuring schedule, with modest new issuance in international markets from late 2025 onwards.[1] No foreign-financed debt buybacks or repo operations are assumed. The gap between FX debt issuances with scheduled amortizations will be covered in part by a stronger external position and slightly higher reserve accumulation in the medium-term.
- *BCRA financing of the fiscal deficit.* Direct transfers, after reaching 0.9 percent of GDP in 2023, are projected to be zero from 2024 onwards. Meanwhile, no further intervention in the secondary debt market is assumed.
- *Domestic market financing*. The program baseline assumes overall fiscal balance in 2024 (there is no need to mobilize net financing) and the implementation of plans to extend the maturities of a portion of domestic debt coming due in 2024. Given that it would take at least 18–24 months to stabilize inflation, the financing strategy maintains reliance on inflation (CER)-linkers in the near term, with a more gradual shift to fixed rate issuances over the medium to long-term. The medium-term debt strategy continues to assume a gradual strengthening of the domestic debt market, underpinned by the strong fiscal anchor, and a market-oriented liability management strategy. Real rates are expected to rise gradually to 4½ percent by 2028, consistent with a gradual unwinding of CFMs and with the cost of accessing international markets. Downside risks to this financing strategy remain, although sustaining an overall fiscal balance will ensure no further indebtedness, facilitating market access to refinance existing obligations.

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[1] Lower than in previous reviews.

Table 2. Argentina: Debt Coverage and Disclosures

						Comments
1. Debt coverage in the DSA: 1/	CG	GG	NFPS	CPS	Other	
1a. If central government, are non-central government entities insignificant?					No	

2. Subsectors included in the chosen coverage in (1) above:

		Subsectors captured in the baseline	Inclusion	Comments
CPS / NFPS / GG: expected / CG	1	Budgetary central government	Yes	
CPS / NFPS / GG: expected / CG	2	Extra budgetary funds (EBFs)	No	Not applicable
CPS / NFPS / GG: expected / CG	3	Social security funds (SSFs)	No	Excludes FGS/ANSES liabilities
CPS / NFPS / GG: expected	4	State governments	No	Excludes state govt liabilities
CPS / NFPS / GG: expected	5	Local governments	No	Excludes local govt liabilities
CPS / NFPS	6	Public nonfinancial corporations	No	
CPS	7	Central bank	No	
CPS	8	Other public financial corporations	No	

3. Instrument coverage:	Currency & deposits	Loans	Debt securities	Oth acct. payable 2/	IPSGSs 3/

4. Accounting principles:	Basis of recording		Valuation of debt stock		
	Non-cash basis 4/	Cash basis	Nominal value 5/	Face value 6/	Market value 7/

5. Debt consolidation across sectors:	Consolidated	Non-consolidated

Color code: chosen coverage (green) | Missing from recommended coverage (red) | Not applicable (grey)

Reporting on Intra-Government Debt Holdings

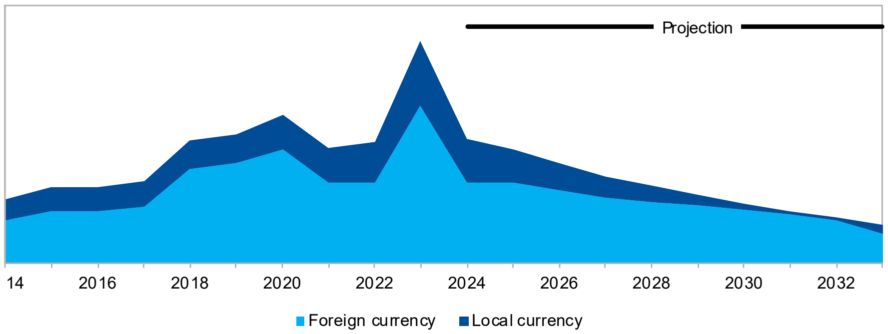
Issuer \ Holder		Budget. central govt	Extra-budget. funds	Social security funds	State govt.	Local govt.	Nonfin. pub. corp.	Central bank	Oth. pub. fin corp	Total
1	Budget. central govt									0
2	Extra-budget. funds									0
3	Social security funds									0
4	State govt.									0
5	Local govt.									0
6	Nonfin pub. corp.									0
7	Central bank									0
8	Oth. pub. fin. corp									0
	Total	0	0	0	0	0	0	0	0	0

1/ CG=Central government; GG=General government; NFPS=Nonfinancial public sector; PS=Public sector.
2/ Stock of arrears could be used as a proxy in the absence of accrual data on other accounts payable.
3/ Insurance, Pension, and Standardized Guarantee Schemes, typically including government employee pension liabilities.
4/ Includes accrual recording, commitment basis, due for payment, etc.
5/ Nominal value at any moment in time is the amount the debtor owes to the creditor. It reflects the value of the instrument at creation and subsequent economic flows (such as transactions, exchange rate, and other valuation changes other than market price changes, and other volume changes).
6/ The face value of a debt instrument is the undiscounted amount of principal to be paid at (or before) maturity.
7/ Market value of debt instruments is the value as if they were acquired in market transactions on the balance sheet reporting date (reference date). Only traded debt securities have observed market values.

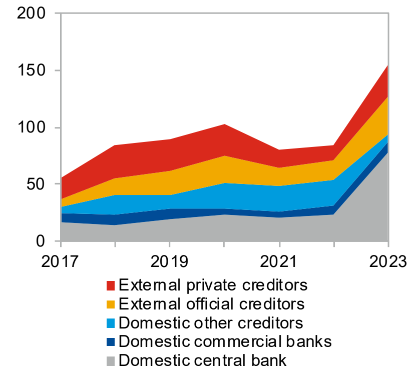
Commentary: The coverage in this SRDSA is gross federal (central government) debt held by the private, official and public sectors. The DSA does not include GDP warrants, debt of the provinces or municipalities, or debt of the central bank. Staff does not judge the exclusion of provincial debt as a significant contingent liability risk, as demonstrated by the federal government's non-bailout approach to the recent provincial debt restructuring. Under the risk-based approach (see SM/20/169), central bank bilateral FX swaps that were drawn in June and July of 2023 were not included in public debt as the BCRA extinguished the swap position, bringing the value of the activated swaps below the de-minimis threshold of 1 percent of GDP and thus not included in public debt for DSA purposes. Nevertheless, the central bank's weak balance sheet is a key contingent liability, necessitating a strategy to strengthen both its finances and governance.

Table 3. Argentina: Public Debt Structure Indicators

Debt by Currency (Percent of GDP)

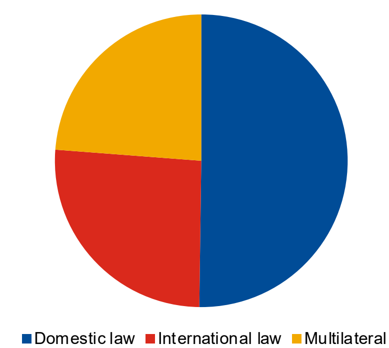


Public Debt by Holder (percent of GDP)



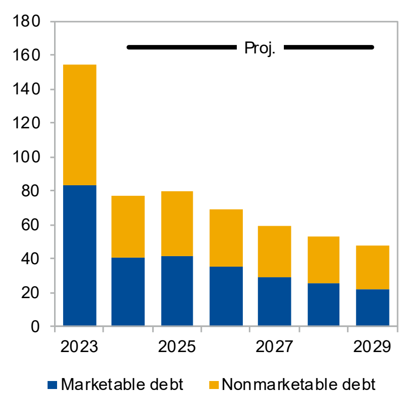
Note: The perimeter show n is central government.

Public Debt by Governing Law, 2023 (percent)



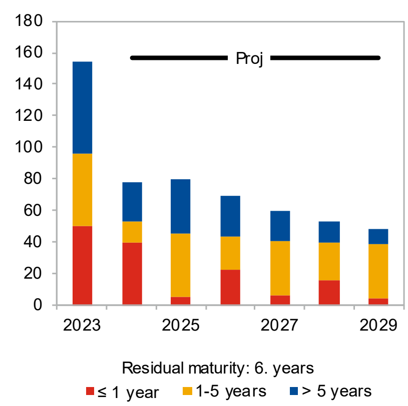
Note: The perimeter show n is central government.

Debt by Instruments (percent of GDP)



Note: The perimeter show n is central government.

Public Debt by Maturity (percent of GDP)



Note: The perimeter show n is central government.

Commentary: Foreign-currency denominated debt w ill continue to dominate over the long term. With inflation remaining high and unanchored, the financing strategy assumes reliance on inflation (CER)-linkers, w ith an increase in maturity and shift tow ards fixed rate instruments envisaged only in the medium term. The large share of FX debt is held by IFIs, and the large share of overall debt held by the intra-public sectors (including non-marketable instruments), mitigates rollover risks.

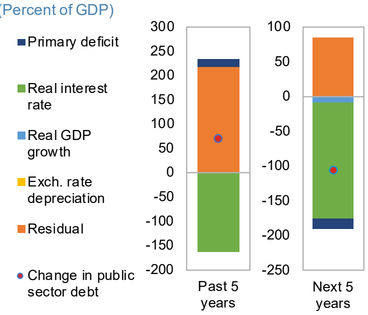
Table 4. Argentina: Realism of Baseline Assumptions

Forecast Track Record 1/	t+1	t+3	t+5
Public debt to GDP			
Primary deficit			
r - g			
Exchange rate depreciaton			
SFA			
	real-time	t+3	t+5
Historical Output Gap Revisions 2/			

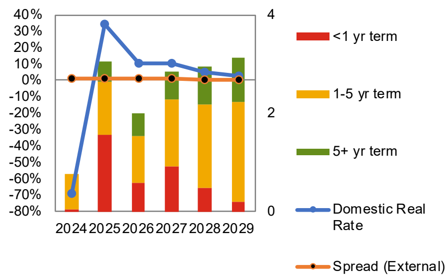
Comparator Group:
Emerging Markets, Commodity Exporter, Program

Color Code:
Optimistic
> 75th percentile
50-75th percentile
25-50th percentile
< 25th percentile
Pessimistic

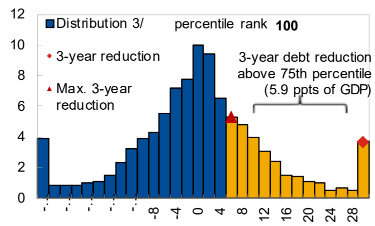
Public Debt Creating Flows
(Percent of GDP)



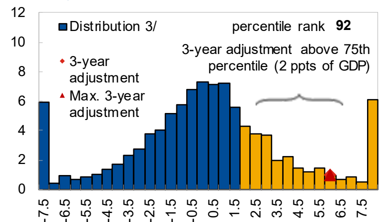
Bond Issuances (bars, debt issuances (RHS, %GDP); lines, avg marginal interest rates (LHS, percent)) 4/



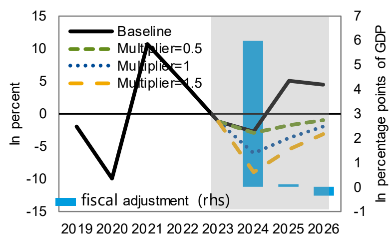
3-Year Debt Reduction
(Percent of GDP)



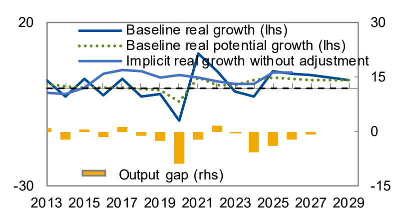
3-Year Adjustment in Cyclically-Adjusted Primary Balance (percent of GDP)



Fiscal Adjustment and Possible Growth Paths
(lines, real growth using multiplier (LHS); bars, fiscal adj. (RHS)



Real GDP Growth
(in percent)



Commentary: Forecast track record analysis point to baseline optimism, particularly the debt reduction and exchange rate paths, in line with the staff assessment that risks to the baseline remain exceptionally high. Argentina's extreme economic volatility makes it difficult to achieve high forecast accuracy over long periods of time. Moreover, the program baseline assumes a significant and sustained macroeconomic adjustment to address underlying imbalances and help Argentina emerge from its prolonged period of crisis. Envisaged fiscal consolidation appears relatively optimistic, but the projected consolidation is broadly in line with other succesful stabilization episodes. Bond issuance analysis is consistent with resumption of international market access from 2025 onwards, with modest initial issuances. While projected medium-term growth is optimistic relative to the 10-year average (reflecting recent volatility and crises), it is in line with the removal of economic distortions and the implementation of growth-enhancing reforms.

Source : IMF Staff.

1/ Projections made in the October and April WEO vintage.

2/ Calculated as the percentile rank of the country's output gap revisions (defined as the difference between real time/period ahead and final estimates in the latest October WEO) in the total distribution of revisions across the data sample.

3/ Data cover annual observations from 1990 to 2019 for MAC advanced and emerging economies. Percent of sample on vertical axis.

4/ Bond issuances include all bonds (external and domestic). Real interest rates on domestic issuances are calculated by subtracting GDP deflator growth from nominal marginal interest rates on issuances. For external issuances, spreads with the 10-year US Treasury rates are calculated.

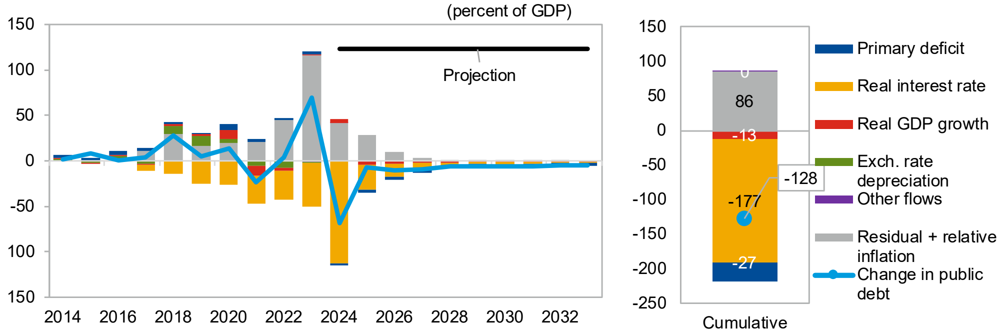
Table 5. Argentina: Baseline Scenario

(Percent of GDP, Unless Indicated Otherwise)

	Actual	Medium-term projection						Extended projection			
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Public debt	154.5	86.2	79.5	69.5	59.8	53.5	47.9	41.9	36.3	31.7	26.4
Change in public debt	69.9	-68.3	-6.7	-10.0	-9.7	-6.3	-5.6	-6.0	-5.6	-4.6	-5.3
Contribution of identified flows	-15.0	-31.2	-16.1	-8.6	-6.4	-4.2	-3.5	-3.4	-3.1	-2.2	-2.0
Primary deficit	3.0	-2.1	-2.5	-2.5	-2.5	-2.5	-2.5	-2.5	-2.5	-2.5	-2.5
Noninterest revenues	24.1	26.7	27.0	26.8	26.9	26.9	26.9	26.9	26.9	26.9	26.9
Noninterest expenditures	27.1	24.6	24.5	24.3	24.3	24.3	24.3	24.3	24.3	24.3	24.3
Automatic debt dynamics	-17.1	-29.2	-13.6	-6.1	-3.9	-1.7	-0.9	-0.9	-0.6	0.3	0.5
Int. rate-growth differential	-47.7	-108.0	-32.0	-17.8	-10.2	-5.0	-3.6	-4.1	-3.4	-2.7	-2.2
Real interest rate	-48.6	-112.4	-27.9	-14.4	-7.6	-3.2	-2.3	-3.1	-2.5	-1.9	-1.5
Real growth rate	0.9	4.4	-4.1	-3.4	-2.6	-1.8	-1.2	-1.1	-0.9	-0.8	-0.7
Real exchange rate	-1.0	…	…	…	…	…	…	…	…	…	…
Relative inflation	31.5	78.7	18.5	11.7	6.3	3.3	2.6	3.3	2.9	3.0	2.7
Other identified flows	-0.9	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Contingent liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other transactions	-0.9	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gross financing needs	9.1	5.2	23.4	4.9	15.2	5.3	12.0	4.3	10.0	5.2	6.6
of which: debt service	6.1	7.3	25.9	7.5	17.8	7.9	14.5	6.8	12.5	7.8	9.2
Local currency	3.9	1.9	20.6	3.9	13.3	2.8	8.8	1.6	4.9	0.8	2.2
Foreign currency	2.2	5.4	5.4	3.6	4.4	5.1	5.7	5.3	7.6	6.9	7.0
Memo:											
Real GDP growth (percent)	-1.1	-2.8	5.0	4.5	3.9	3.1	2.3	2.3	2.3	2.3	2.3
Inflation (GDP deflator; percent)	135.6	253.1	58.4	31.1	17.4	10.4	8.9	11.4	10.9	10.4	9.9
Nominal GDP growth (percent)	133.5	241.9	67.0	36.7	22.0	13.8	11.4	14.0	13.4	12.9	12.4
Effective interest rate (percent)	1.9	3.5	4.5	6.4	4.1	4.3	4.0	4.1	4.1	4.6	4.7

Contribution to Change in Public Debt

(percent of GDP)



Staff commentary: Public debt is projected to decline over the long term, reflecting the baseline assumptions of a more ambitious and frontloaded fiscal consolidation path. Lower FX misalignments will be conducive to more stable macroeconomic conditions. Sustained fiscal consolidation (including beyond the program), along with efforts to further deepen domestic capital markets and boost exports and productivity, remain essential to mobilize domestic saving, strengthen reserves, and improve prospects of international market access, which in turn would strengthen debt-servicing capacity. The large residuals in 2023 and 2024 can be explained by stock-flow adjustments given the differences between end-of-period and period average exchange rates given the sharp exchange rate adjustments in 2023.

Table 6. Argentina: Medium-Term Risk Analysis

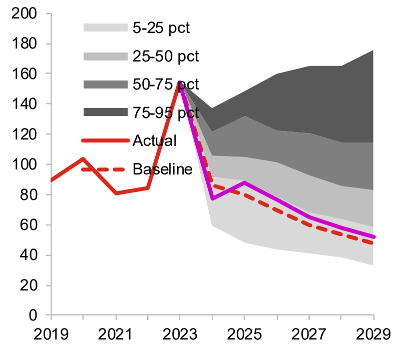
Debt Fanchart and GFN Financeability Indexes

(percent of GDP unless otherwise indicated)

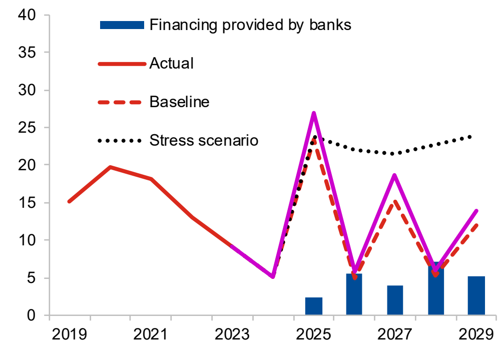
Module	Indicator	Value	Risk index	Risk signal	Emerging Markets, Commodity Exporter, Program (0 25 50 75 100)
Debt fanchart module	Fanchart width	141.9	2.1	…	
	Probability of debt not stabilizing (pct)	10.53	0.1	…	
	Terminal debt level x institutions index	55.8	1.2	…	
	Debt fanchart index	**…**	**3.36**	**High**	
GFN finance-ability module	Average GFN in baseline	11.0	3.8	…	
	Bank claims on government (pct bank assets)	15.0	4.9	…	
	Chg. in claims on govt. in stress (pct bank assets)	27.1	9.1	…	
	GFN financeability index	**…**	**17.7**	**Moderate**	

Legend: Interquartile range; Argentina

Final Fanchart (pct of GDP)



Gross Financing Needs (pct of GDP)

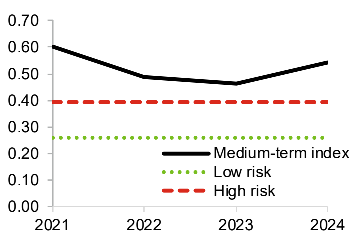


Triggered stress tests (stress tests not activated in gray)

Banking crisis | Commodity prices | Exchange rate | Contingent liab. | Natural disaster

Medium-Term Index

(index number)



Medium-Term Risk Analysis

	Low risk threshold	High risk threhsold	Weight in MTI	Normalized level
Debt fanchart index	1.1	2.1	0.5	0.7
GFN financeability index	7.6	17.9	0.5	0.3
Medium-term index (MTI)	0.3	0.4	…	0.5, High

Prob. of missed crisis, 2024-2029 (if stress not predicted): 81.8 pct.

Prob. of false alarm, 2024-2029 (if stress predicted): 3.4 pct.

Commentary: The medium-term risk assessment of high risk is driven by the widening of the fanchart resulting from the temporary spike in the debt-to-GDP ratio due to valuation effects in the context of the strong exchange rate devaluation. Staff asseses medium-term risks at moderate, as debt-to-GDP ratios will decline rapidly as the overshooting of the real effective exchange rate (REER) unwinds and stabilizes at its long-term level and fiscal consolidation accelerates. While there is substantial uncertainty around the baseline debt trajectory, the implementation of a more ambitious fiscal consolidation and the plan to extend the maturities of a portion of domestic debt coming due in 2024, should help contain financing risks.

Table 7. Argentina: Decomposition of Public Debt and Debt Service by Creditor, 2023–2025 1/

	Debt Stock (end of period)			Debt Service			
	30-Nov-23			2024	2025	2024	2025
	(In US$ bn)	*(Percent total debt)*	*(Percent GDP) 2/*	*(In US$ bn)*		*(Percent GDP)*	
Total	424.37	100.00	79.37	139.57	61.61	24.52	9.77
External	139.77	32.94	26.14	15.35	12.95	2.70	2.05
Multilateral creditors [3,4]	73.18	17.24	13.69	11.33	6.55	1.99	1.04
IMF	41.57	9.79	7.77	7.49	2.74	1.32	0.43
World Bank	9.45	2.23	1.77	0.89	0.89	0.16	0.14
CAF	4.43	1.04	0.83	0.86	0.81	0.15	0.13
IADB	16.25	3.83	3.04	1.89	1.93	0.33	0.31
FONPLATA	0.47	0.11	0.09	0.10	0.08	0.02	0.01
BIE	0.22	0.05	0.04	0.02	0.03	0.00	0.00
BCIE	0.58	0.14	0.11	0.05	0.05	0.01	0.01
Other Multilaterals	0.20	0.05	0.04	0.03	0.03	0.01	0.00
OFID	0.16	0.04	0.03	0.02	0.02	0.00	0.00
IFAD	0.04	0.01	0.01	0.01	0.01	0.00	0.00
Bilateral Creditors[3]	4.66	1.10	0.87	1.09	1.08	0.19	0.17
Paris Club	1.71	0.40	0.32	0.46	0.48	0.08	0.08
Non-Paris Club	2.94	0.69	0.55	0.63	0.60	0.11	0.09
o/w: China	2.79	0.66	0.52	0.61	0.58	0.11	0.09
T-Bills	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Bonds	61.59	14.51	11.52	2.85	5.25	0.50	0.83
Commercial creditors	0.35	0.08	0.07	0.09	0.08	0.02	0.01
Domestic	284.59	67.06	53.23	124.2	48.7	21.82	7.71
T-Bills	78.32	18.46	14.65	20.4	11.38	3.58	1.80
Bonds	190.91	44.99	35.70	94.9	35.59	16.67	5.64
Loans	15.37	3.62	0.00	8.9	1.68	1.57	0.27

1/As reported by country authorities according to their classification of creditors, including by official and commercial. Debt coverage is the same as the DSA, except for holdouts, which is included in the DSA but not in this table. External versus domestic is based on residency definition.

2/ Using eop exchange rate in November.

3/ Non-Paris Club Bilateral includes Paris Club member creditor performing obligations that were not reprofiled in 2014. Paris Club includes only those obligations that were subject to reprofiling in 2014.

4/Multilateral creditors are simply institutions with more than one official shareholder and may not necessarily align with creditor classification under other IMF policies (e.g. Lending Into Arrears).

Annex III. Update on the Foreign Exchange Regime as it Applies to Exchange Restrictions and Multiple Currency Practices

This Annex provides an update on measures taken with respect to Argentina's FX regime that give rise to exchange restrictions or multiple currency practices (MCPs) subject to Fund jurisdiction under Article VIII, Sections 2(a) and 3. It also provides details of other FX measures that were assessed as not constituting MCPs or exchange restrictions.

1. Overview. Since the completion of the combined fifth and sixth reviews under the extended arrangement in August 2023, Argentina has taken a number of measures with respect to its foreign exchange regime that (i) modify an existing MCP and (ii) intensify existing exchange restrictions. While one of these measures has since been repealed, the others remain in place alongside most of the previously identified exchange restrictions and MCPs.

2. General FX Measures. Argentina has introduced a large number of changes to its foreign exchange regime since the completion of the combined 5th and 6th reviews. While many of these changes introduced further complexity in the FX system, they did not give rise to new exchange restrictions or MCPs. The following are some examples:

- Before it was ultimately terminated, several changes were made to the LEDIV bond, which many viewed as a hedge against devaluation, to make it more appealing.
- Similarly, export incentive schemes similar to the soy dollar arrangements were introduced and modified a number of times, requiring a portion of FX inflows to be surrendered to the FX market but also allowing the remaining portion to be sold on the CCL at a premium. As the relevant measures do not specify a specific exchange rate for the sale of export proceeds unlike the previous soy dollar schemes, and transactions in the CCL market are not considered exchange transactions, staff has not made a finding of new or modified MCPs.
- Changes were also made to the previously introduced withholding tax system applied on the purchase of FX for certain purposes but given that this tax regime gives rise to an MCP based on the *potential* deviation of the effective exchange rate of exchange transactions subject to tax and the prevailing market exchange rate, the changes in the coverage and the rate of tax do not give rise to a modification of MCPs.
- Changes were also made to the bilateral payment arrangements with Uruguay and Paraguay (see BCRA Communication "A" 7834), mainly expanding the range of goods and services subject to the agreements.

3. New Import Payment Arrangements. The new administration introduced a new system of payment for imports replacing the cumbersome SIRA/SIRASE mechanism. While the new system retains certain elements of the old (including the requirement of BCRA consent for advance payment for imports or payment between related parties), overall, it is more streamlined and transparent than the previous arrangement applicable to payments for imports. The previous general requirements that importers must provide a declaration of not accessing the CCL market for 90 (180) days and that the requester should not be included in the tax authorities' database of apocryphal invoices or documents have been maintained. Staff assesses that, overall, the new system does not intensify the preexisting exchange restrictions. On a related note, the new administration introduced an FX-denominated instrument to help importers clear outstanding stock of commercial debts accumulated until December 12, 2023. The BCRA announced the conditions of the new instrument "made up of three series of Bonds for the Reconstruction of a Free Argentina (BOPREAL)." While subscription is in pesos and therefore there is an implied exchange, staff also does not assess this mechanism as giving rise to either an exchange restriction or MCP as there is no exchange of currencies. The BOPREAL can also be used for the payment of tax obligation at a specified exchange rate but since the use of the FX denominated bond for the payment of tax obligation in peso does not involve an exchange transaction, the requirement to use a specific exchange rate is not considered as giving rise to an MCP.

4. **Exchange Restrictions and MCPs.** Some of the measures introduced both before and since the new administration took office, however, give rise to intensification of existing restrictions and modification of an MCP:

a. Restriction on beneficiaries of the Argentine Integrated Pension System (SIPA) and workers contributing to SIPA who receive financing provided under the ANSES credit scheme pursuant to Decree No. 463/23 from accessing the FX market for as long as the loan remains unpaid. This provision **intensified an existing exchange restriction.**

b. Stipulation under BCRA Communication "A" 7915 of December 11, 2023, that as of December 11, 2023, all requests for FX required authorization of the BCRA. This measure, which **intensified an existing exchange restriction,** was repealed the next day (Communication "A" 7916).

c. Increase of the PAIS rate to 17.5 percent for transportation services and imported goods with exemptions for essential goods, which amounts to a **modification of an MCP and intensification of existing exchange restrictions** arising from the imposition of this tax on the purchase of FX.

Appendix I. Letter of Intent

Buenos Aires, Argentina
January 18, 2024

Ms. Kristalina Georgieva
Managing Director
International Monetary Fund
Washington, DC 20431

Dear Ms. Georgieva,

Argentina, under the leadership of President Milei, is charting a new course. One that respects liberty and private property and unleashes the power of markets for the benefit of all Argentines who have suffered decades of declining living standards arising from the wrong economic policies.

The path ahead will be difficult and challenging as it requires reversing clearly failed yet stubbornly ingrained policies, and privileges enjoyed by the few. We received the worst economic, financial and social inheritance of our history, an economy on the verge of a full-blown crisis, due to chronic and widespread macroeconomic imbalances.

Upon assuming office, we were confronted with a perilous collapse of 5 percent in industrial activity, and runaway inflation already at a daily rate of 1.5 percent—close to hyperinflation. We faced imminent payments to the IMF and international bondholders of over US$2.5 billion. With insufficient international reserves left at the Central Bank, we confronted the risk of not being able to honor our external obligations. International liquid reserves were depleted, and net international reserves had plunged to an alarming negative US$10.3 billion. In sum, the wrong economic policies had led to a loss of access to private financing and put access to critical multilateral financing at risk. Furthermore, a misaligned official exchange rate, and an opaque and multiple tiered FX-regime resulted in record levels of import demand, exhausting import financing and risking the collapse of export and domestic supply chains, threatening a shortage of final goods. The backlog in import payments—commercial debt representing a short term drain on international reserves—had increased from an average of US$30 billion to US$60 billion.

In addition, the 2023 overall fiscal deficit exceeded 5 percent of GDP—reaching some 15 percent of GDP when taking quasi-fiscal costs into account. Monetization of the 2023 fiscal deficit by the Central Bank reached 5 percent of GDP, stoking inflation, creating a large peso overhang, and significantly weakening the monetary authority’s balance sheet. And all of this against a backdrop of the previous government progressively raising the tax burden on the formal sector to one of the highest in the world. This meant directly taxing, and indirectly inflating away, the hard-earned income of Argentine workers and undermining the competitiveness of national companies. Real wages have declined, and informality and poverty levels have risen. Today, over 50 percent of all Argentines live below the poverty line, and that number is near 60 percent for children.

The responsibility and accountability of the outgoing administration had long since evaporated.

Our administration has taken on the historic challenge of carrying out immediate and simultaneous macroeconomic and microeconomic reforms. Throughout the recent electoral campaign, and since taking office, we have consistently and clearly communicated to society the grave situation facing the country. We are vocal about our determination and commitment to address the deep macroeconomic imbalances as well as the many impediments that have held back economic performance over so many decades and reversed the course of previous social progress.

We are in the process of implementing an orthodox and ambitious stabilization plan intended to correct the extensive policy slippages of the previous administration to avoid the collapse of the economy, so as to bring the current program back on track. Our program is anchored on a strong and long overdue reduction of the fiscal deficit—which has been at the core of Argentina's failures—along with policies to correct the FX and relative price misalignments (e.g., public transportation tariffs which covered less than 8 percent of the service cost, and lower-tier of energy bills which accounted for only 15 percent of actual production costs).

Our policies will strengthen the central bank balance sheet, address the commercial debt overhang, and aspire to reach a position of strength from which we can proceed to unwind capital flow management measures as conditions permit. In the process, we will be inevitably uncovering the rampant inflation concealed behind long standing price controls. We are therefore making every effort to protect the most vulnerable of the Argentine society and to ensure that the burden of the adjustment falls on those receiving excessive privileges.

Our efforts to restore economic stability are being accompanied by a battery of reforms to boost Argentina's economic potential, held back by unnecessary regulations, distortions favoring special interests, and government overreach throughout the economy. We are confident that with the steadfast implementation of our policies, our country has the unique opportunity to become, once again, a prosperous nation. We are optimistic that a very low leveraged corporate sector and a large pool of high-quality human capital, combined with policies to integrate Argentina into the world economy will work together once the country completes an orderly exit from the prior regime and pursues a strategy of economic freedom.

Much work remains, and we are committed to continue along this path. In this context, we are engaging with Congress, with the provinces, and various stakeholders, to build the necessary societal and political support for the reforms that Argentina urgently needs.

In the attached Memorandum of Economic and Financial Policies (MEFP), dated January 17, 2024, we outline the key policies of our economic program to bring the current IMF arrangement under the Extended Fund Facility (EFF) back on track. These include measures aimed at:

- **Immediately reaching an overall fiscal balance for the central government, while supporting the most vulnerable.** Our program is anchored on an ambitious fiscal adjustment of about 5 percent this year, achieved through a balanced combination of expenditure and, initially, temporary revenue measures, that provide space for scaling up social assistance. Public spending is being sharply rationalized through various cuts in ill-targeted and inefficient energy and transportation subsidies, public employment, capital spending, and transfers to provinces and state-owned SOEs. Revenues are being mobilized through a temporary increase in export taxes and the FX access tax (*impuesto pais*), as well as efforts to reverse the damaging changes to the personal income tax. Over time, we will seek to safeguard our consolidation and improve the quality of adjustment, including through reforms that strengthen and simplify the tax system, improve the sustainability and equity of the pension system, and that continue to reduce the burden while increasing the efficiency of public spending, including in the areas of subsidies, social programs, and infrastructure.

- **Realigning, improving, and simplifying the FX regime and rebuilding reserves.** We recently realigned our official exchange rate, which together with the temporary (and simplified) set of taxes on FX access for imports, are crucially helping to rebuild international reserves from historic lows. In parallel, we have dismantled the opaque and complex administrative system of import controls (SIRA/SIRASE), replacing it with a transparent rules-based system. Critical efforts are also underway to implement a prudent and market-based strategy to transparently address the large external commercial debt overhang, while protecting activity, employment, and reserves. Central bank purchases from the official market since assuming office reached US$4.6 billion, and we expect this trend to continue, allowing net international reserves to reach US$-1.5 billion by end-2024. Meeting these objectives will require the continued implementation of tight policies, and exchange rate policy that remains consistent with our reserve accumulation goals.

- **Strengthening the domestic debt market and maintaining technical support and financing from multilateral institutions.** We have already started to rebuild cash buffers in anticipation of our near-term needs, while also buying back government debt held by the BCRA to maintain net zero credit to government. We will continue to strengthen the domestic government debt market by gradually reviving fixed-rate instruments, building the treasury yield curve, and preemptively extending maturities of a portion of the domestic debt coming due this year. We will continue to work closely with our development partners, including the Inter-American Development Bank (IADB) and World Bank (WB), to secure net financing along with technical support for our reform efforts.

- **Addressing the peso overhang, strengthening the central bank balance sheet and enhancing the monetary policy framework.** To durably address inflation, we immediately eliminated any type of monetary financing of the budget, and furthermore, have ceased auctions of the 28-day Leliqs. We are gradually eliminating excessive regulation of the financial sector to improve policy transmission and ultimately support private credit. We will work to refine our monetary policy and operational frameworks to ensure they are well anchored with clear and well communicated medium-term objectives to ensure price stability. We have requested Fund technical assistance to support this effort. We have developed and are implementing a plan to strengthen the central bank's financial position, focused on the elimination of all monetary financing of the public sector alongside the accumulation of international reserves.

Based on our ambitious initial policy actions and commitments going forward, we request completion of the seventh review of the arrangement, as well as the rephasing of disbursements in the amount of SDR 3.5 billion. Without our bold and rapid action, Argentina risked falling into arrears with the Fund only ten days after our new administration took office given the schedule of obligations, the fact that earlier program targets had been missed, and that liquid reserves had been depleted. Moreover, the rephasing will provide support to address our near-term balance of payment needs and lend additional credibility to our stabilization efforts. The IMF's upfront support is being complemented by ongoing support from other key official creditors, including the IADB, WB, and the Development Bank for Latin America and the Caribbean (CAF), with the latter already providing us with bridge financing for US$960 million to help meet FX obligations to the Fund in December. Official financing efforts are expected to be accompanied by critical technical assistance to support our broader reform agenda, including in the areas of fiscal policy and social assistance. Primarily on account of past policy slippages, we **request Executive Board approval of:**

- **Waivers of nonobservance** for: (i) the performance criterion (PC) on the primary balance, the PCs on the federal government stock of domestic arrears, net international reserve (NIR) accumulation and monetary financing of the fiscal deficit for end-December 2023; (ii) the continuous PC on not introducing or modifying multiple currency practices; and (iii) the continuous PC on not imposing or intensifying exchange restrictions based on the corrective actions undertaken and commitments as set forth in the MEFP.

- **Modifications and rephasing of program targets** for NIR, the fiscal primary deficit, monetary financing, and domestic arrears. The requested modifications reflect the updated macroeconomic framework and the stronger and more comprehensive policies underpinning our stabilization plan. Meanwhile, the requested rephasing also includes revised test and availability dates to facilitate the timely assessment of the implementation of our new policy package through end-2024.

- **Exchange restrictions and multiple currency practices** under Article VIII, Sections 2(a) and 3, on the grounds that measures (mainly legacy) have been imposed for balance of payments reasons and are temporary and non-discriminatory in nature. Finally, we also request completion of the **financing assurances review,** recognizing the need for continued steadfast efforts to mobilize domestic and external financing.

We are committed to ensuring the timely payment of our obligations to the IMF, and to maintain all SDRs purchased in the context of the 7th Review (net of the amounts provided by the CAF associated with the December Fund repurchase) in our holding account for the exclusive use of meeting Fund obligations as they fall due. We are confident that our stabilization plan and the ambitious policies that underpin it are adequate to restore stability and ensure achievement of the new program targets, yet we stand ready to take any additional measures that may become appropriate for this purpose. We will consult with the IMF on the adoption of these measures, and in advance of any revision contained in the MEFP, in accordance with the Fund's policies on such consultation and will refrain from any policy that would not be consistent with the program's objectives and commitments herein.

The program will continue to be monitored through frequent reviews, quantitative performance criteria, indicative targets, and structural benchmarks as described in the attached MEFP and Technical Memorandum of Understanding (TMU). Underscoring our commitment to transparency, we consent to the IMF's publication of this letter, the MEFP, the TMU, and the accompanying Executive Board documents.

Yours sincerely,

/s/	/s/
Luis Caputo	Santiago Bausili
Minister of Economy of the Republic of Argentina	President, Central Bank of the Republic of Argentina

Attachment I. Argentina: Memorandum of Economic and Financial Policies Update

January 18, 2024

I. Context

1. **Since taking office, and against a backdrop of an exceedingly difficult economic, financial and social inheritance, we have started to implement an ambitious plan to restore macroeconomic stability and address Argentina's deep-seated challenges.** Our government received an economy in crisis and on the verge of a full-blown collapse, with acute macroeconomic imbalances, rising market distortions, and high levels of poverty. Tackling these challenges requires a sharp break from past failed attempts at gradualism. Our stabilization plan is one of shock therapy, anchored on eliminating fiscal deficits, strengthening the central bank balance sheet, and restoring external viability. Doing what needs to be done. We are taking immediate actions to reach an overall fiscal balance, reduce monetary issuance from fiscal and quasi-fiscal sources, and are starting to again accumulate reserves, following a long overdue major realignment of the exchange rate. These macroeconomic stabilization efforts will be accompanied by a broad deregulation of Argentina's economy that have held back productivity, private investment, formal employment, and social progress at the microeconomic level. We understand these reforms will be associated with unavoidable near-term costs and are making all the efforts to ensure adequate burden sharing and protection of the most vulnerable. We believe, however, that the steadfast implementation of our plan will durably reduce inflation and set the basis for reversing decades of decline and rebuilding a more prosperous country, benefiting all Argentines.

2. **We are committed to resetting Argentina's relationship with the IMF, by putting the EFF program back on-track and establishing more ambitious targets.** Our planned actions aim at correcting severe policy slippages of the previous government and strengthening the overall objectives of the program. We are now on track to significantly overshoot the previous fiscal, monetary, and external targets for 2024 and are committed to continuing to implement our ambitious medium-term policy agenda. To this end, we recently issued an Emergency Decree (DNU) to deregulate our economy (¶24) and submitted an Omnibus Law to support our stabilization and fiscal consolidation plans (¶11), and are now seeking congressional support for these initiatives. Given progress thus far and commitments herein, we are requesting completion of the seventh review.

3. **Our vision and early actions are already having a positive impact.** Since December 12: (i) reserves have reversed their declining trend, with the BCRA purchasing over US$4.6 billion; (ii) the gap between the official and parallel exchange rate has narrowed sharply (from 190 percent to around 30–50 percent); and (iii) Argentine corporates are starting to gradually re-access international capital markets to manage their external liabilities. The road ahead is long and

challenging and steadfast implementation of our plan remains critical to durably restore stability and set the Argentine economy on a different path.

II. A Difficult Inheritance

4. Our administration has inherited an economy with rising and severe imbalances, distortions, and vulnerabilities. In the absence of needed macroeconomic adjustment, policies relied excessively on administrative controls and distortions, with deleterious effects on macroeconomic stability.

- ***High public deficits and no market access.*** Sustained fiscal deficits have added to public debt and reliance on inflationary (central bank) financing. Fiscal policy became especially expansionary ahead of the elections, leading to both an unprecedented rise in the inflation tax (5 percent of GDP) and a large buildup in domestic arrears, in the absence of domestic and external market access. Meanwhile, consolidation efforts going forward have been undermined, including by the recent decision to raise the Personal Income Tax (PIT) floor.

- ***Inflation in triple digits and a weakened central bank.*** Unsustainable fiscal deficits financed by the central bank were the root cause of persistent, high inflation. Annual headline inflation reached over 160 percent in November, despite repressed inflation from vast administrative price controls. Vulnerabilities have also increased with the rapid expansion of BCRA interest-bearing liabilities to sterilize the liquidity injections associated with the BCRA's direct and indirect support of the Treasury and the carrying costs of these liabilities, which reached 260 percent in annual effective terms, in the context of faltering peso demand.

- ***Depleted reserves and an unsustainable increase in importers' debts.*** NIR reached an alarming negative US$10.3 billion in early December, driven by opaque policy mismanagement, a loose macroeconomic policy mix and misaligned exchange rate, which were misguidedly focused on unsustainably boosting domestic demand. In the absence of macroeconomic policy adjustment, reliance on administrative controls and distortions increased further, leading to an unprecedented increase in importers' commercial debt—US$30 billion above the historical norm—complicating the future balance of payments, despite the projected cyclical improvement in agricultural production, further adding pressure to the parallel exchange rate given the dire prospects for the availability of hard currency in the future.

- ***Social conditions have become even more fragile.*** High and accelerating inflation has led to a further erosion of private sector wages, with informal workers being the hardest hit. Poverty is now estimated to have risen to around 45 percent at end-2023, and a staggering 60 percent of our children live in poverty, putting our country's future at risk.

5. Meanwhile, structural impediments to growth have become more severe. A proliferation of price controls and distortions have left the economy riddled with severe resource misallocation. The over-regulated product, labor, and financial markets have suffocated productivity, private sector investment and formal employment. Consequently, since 2011, Argentina's real income per-capita has fallen by 11 percent and growth potential has stagnated.

III. Program Performance

6. The Fund-supported program went further and significantly off track since the fifth and sixth reviews on account of egregious policy slippages and unwillingness to adjust to shocks.

- *Key performance criteria were missed by large margins* due to inconsistent and expansionary policies, many contrary to program commitments. The end-September target for the primary fiscal balance was missed with deviations estimated to be even larger by end-2023. Similarly, end-2023 targets for net international reserves, domestic arrears, and the direct monetary financing of the fiscal deficit were missed, although the deviations would have been remarkably larger without our recent actions to align the exchange rate and boost reserves.

- *Progress on structural benchmarks (SBs) also stalled dramatically.* Deadlines were missed in important areas, including efforts to: (i) improve the monitoring and transparency of public finances; (ii) adjust energy tariffs; (iii) develop a strategy to improve the financial position of the BCRA balance sheet; and (iv) develop a roadmap for gradually unwinding FX controls.

IV. Stabilization Plan and Outlook

7. We are determined to address the severe macroeconomic imbalances as well as the many impediments holding back economic and social progress. We are in the process of implementing an ambitious stabilization program and are engaging with congress, provincial governors, and other stakeholders to secure as broad political and social support as possible. Our plan is centered on a strong fiscal anchor that aims at a zero overall fiscal balance, along with the elimination of net new central bank financing of the public sector. This is being complemented by (i) a scaling up of targeted social assistance to support the most vulnerable; (ii) the strengthening and simplification of our FX regime; (iii) efforts to improve the central bank's balance sheet and address the large peso overhang, as well as simplifying and reorienting monetary policy to improve the management of domestic liquidity with a focus on reducing inflation; and (iv) initiatives to dismantle structural and regulatory impediments to growth. Our policies will be properly sequenced, including to allow for a progressive easing of CFMs, as conditions permit.

8. In the near-term, the stabilization program will be associated with a needed realignment of the economy as imbalances are addressed. Tight fiscal policies and the initial FX correction are expected to weigh heavily on domestic demand. Non-agricultural real GDP is projected to contract by around 5 percent, with overall real GDP growth projected at -2.8 percent in 2024. Meanwhile, monthly inflation is expected to accelerate to over 20 percent in the initial months, as relative price misalignments and other price controls are unwound (including *precios justos*). That said, disinflation is expected to commence shortly thereafter, with monthly inflation reaching single-digit levels by mid-2024, as the impact of tight macroeconomic policies takes hold. The external current account is projected to move into surplus, supported by a marked import compression, cyclical improvements in agricultural exports and structural improvements in the energy balance, as well as general competitiveness gains. This will facilitate reserve accumulation of at least US$7 billion in 2024, and close to US$10 billion since the administration took office on December 10 (against losses of US$20 billion through December 9, 2023). The pace of reserve accumulation will also depend on our efforts to provide an orderly solution to the pent-up currency demand from importers' debt overhang those prior policies fueled. That said, potential upside to reserve accumulation exists as the private sector is already tapping international capital markets.

9. We are optimistic that over the medium term, sustained fiscal discipline and structural improvements will contribute to lifting potential growth, safeguarding macroeconomic stability and enhancing the country's creditworthiness. We expect the economy to begin to recover in late 2024, as initial headwinds fade and distortions are lifted, although policies will need to remain tight to support disinflation and reserve accumulation. Growth is projected to rebound to around 5 percent in 2025, with output levels returning to trend by 2029. Potential growth is conservatively projected to remain relatively modest at around 2.3 percent per annum, but we see significant upside from implementation of our pro-market reform agenda as well as the significant structural transformation of the energy and mining sectors. We expect annual inflation to decline gradually to single digits in the outer years of the projection horizon, supported by continued tight policies, a recovery in money demand, and efforts to limit indexation. Meanwhile, sustained trade surpluses will enable additional reserve accumulation of US$5–10 billion per year over the medium term, and a gradual re-access to international capital market for the public sector by late 2025.

Revised Macroeconomic Baseline, 2022–2024

		5th/6th Rev	7th Rev	5th/6th Rev	7th Rev
	2022	2023	2023	2024	2024
GDP growth (avg, %)	5.0	-2.5	-1.1	2.8	-2.8
Non-agro GDP	5.7	-1.2	-0.3	1.1	-5.2
Inflation (avg, %)	72.4	115.2	133.5	80.3	253.4
Inflation (eop, %)	94.8	120.0	211.4	60.0	149.4
Primary fiscal balance (% of GDP)	-2.4	-1.9	-3.0	-0.9	2.0
Overall fiscal balance (% GDP)	-4.2	-4.1	-5.2	-4.0	0.0
Current account balance (% GDP)	-0.7	-0.6	-3.5	1.2	0.9
Change in net int'l reserves (US$bn)1/	6.5	-4.7	-20.0	8.2	9.7
Change in importers´ debt (goods and services; US$bn)	10.7	10.5	25.8	-6.0	2.4
Net change in NIR and importers´ debt (US$bn) 2/	-4.2	-15.2	-45.8	14.2	7.3
Monetary financing (% GDP) 3/	3.1	3.0	5.0	0.0	0.0

Sources: National authorities and Fund staff estimates and projections.
1/ Net International Reserves (NIR) are gross reserves net of swap lines, deposit insurance, reserve requirements on FX deposits, and other reserves liabilities. For 2023, the measure is cumulative up to December 9, 2023; for 2024, the measure is cumulative starting December 10, 2023; at current rates.
2/ The change in importers' debt is added with a negative sign to the change in NIR to reflect the drag on reserves and future reserve accumulation potential due to the policies that led to the extraordinary buildup in commercial debt.
3/ Up to 2023 includes profit transfers, advances (adelantos) and secondary market purchases. For 2024 includes also issuance of new non-marketable government bonds and treasury buybacks, including that from December 21 2023.

10. Our baseline remains subject to elevated risks and uncertainties, yet we remain fully committed to adapt and strengthen our policies as necessary to meet our objectives. Given the scale of the challenges and the unavoidable shock approach, the impact of our stabilization plan on the near-term economic outlook is subject to significant uncertainty. Meanwhile, the world economy is increasingly prone to shocks, resulting in volatile global financial conditions and commodity prices, with potential negative impacts on Argentina as well as other emerging economies. In this context, we stand ready to quickly adapt our economic policies to changing circumstances to ensure our program objectives are met and ensure sufficient targeted social assistance to mitigate the potential impact on the most vulnerable. More generally, it remains critical to rebuild Argentina's buffers and improve resilience in a more shock-prone world.

V. Program Policies

A. Fiscal Policy

11. We are committed to reaching a primary fiscal surplus of 2 percent of GDP—well above the previous program target of a 0.9 percent of GDP primary deficit—by end-2024 through a large, frontloaded consolidation. Our unprecedented ambition is based on a strong conviction that chronic fiscal deficits are the root cause of current high and accelerating inflation, disruptive debt restructurings, distortive CFMs and constrained productivity growth. The administration's goal of a 2 percent of GDP primary surplus for 2024, which is broadly consistent with an overall fiscal balance, would imply an adjustment of around 5 percent of GDP, well above the previously targeted consolidation effort of about 1 percent of GDP. The fiscal adjustment will be underpinned by a balanced set of expenditure and temporary revenue measures to ensure both rapid convergence to desired results and adequate burden sharing and the protection of the most vulnerable. In this regard, and in line with existing legal provisions, the 2023 budget has been extended, enabling us to keep tight controls over nominal spending. We are also committed to higher quality tax and spending reforms over time, for which new measures will be developed and adopted.

- **Expenditure cuts will be underpinned by:**
  - The rationalization of inefficient **energy subsidies,** which initially will be supported by an adjustment in electricity and gas tariffs starting in February, to align them with rising generation, transportation, and distribution costs and secure the 0.5 percent of GDP reduction in energy subsidies. To this effect, we plan to complete public hearings outlining proposals for the above tariff increases ***(prior action).*** These adjustments are being accompanied by increases in **urban transport** tariffs.
  - Strict prioritization of ***capital spending***, including: (i) protecting the gas pipelines and essential maintenance; (ii) completing ongoing projects that are in advanced stage; (iii) pausing new public tenders and seeking opportunities to shift infrastructure investment to the private sector.

- Cuts in transfers to ***provinces and state-owned enterprises*****,** as a first step to reform and privatization.

- Reductions in government ***operating costs*****,** with the reorganization of the national administration, including cuts in the number of ministries to generate administrative efficiencies.

- A streamlining in the oversized public sector ***wage bill*** by the immediate release of workers hired in 2023 and efforts to rationalize wage increases.

- **Revenue increases are expected to be supported in the near-term through:**

  - A temporary increase in ***trade-related taxes,*** including by (i) expanding the coverage of the tax on FX access *(impuesto pais*) to all goods and services imports, while increasing the rate to 17.5 percent from the previous average rate of 7.5 percent; and (ii) increasing export duties for all non-agricultural exports (to 15 percent from an average of 7 percent) to capture windfall gains from the sharp FX correction and make room for higher social spending. The Omnibus bill included the proposal to temporarily raise export taxes.

  - Efforts to reverse the recent increase in the **PIT threshold,** including to support provincial finances. To this end, we anticipate that separate legislation will be submitted to congress.

- **Given the critical inherited social situation, social spending will be reinforced through programs targeted at the vulnerable and by measures aimed to immediately arrest last year's inflation-driven erosion in pensions.**

  - An initial strengthening of the **pension regime,** through the elimination of the pension indexation formula, along with efforts to preserve the real value of pensions, especially for lower-income pensioners through discretionary increases, has been announced by the new administration. The initiative to eliminate indexation was included in the Omnibus Bill presented to congress. Furthermore, no pension moratoria will be granted, and the most recent scheme will not be extended.

  - A strengthening of ***social spending,*** including by streamlining social programs distributed through intermediaries (e.g., *Potenciar Trabajo)* and significantly reinforcing targeted transfers to the vulnerable through: (i) the high-quality universal child allowance (*AUH*) and food stamp (*Tarjeta*) programs; (ii) expanding support to informal workers with no children currently outside the safety net. In this context, we are also working to remove existing obstacles and improve the targeting and efficient delivery of our social support. As a first step, and with World Bank technical assistance, we will strengthen the integration of relevant administrative databases **(*proposed end-September 2024, SB*).**

12. As the situation evolves, additional measures could be contemplated to safeguard consolidation this year and improve the quality of the adjustment. Proposals are being developed for implementation during the second half of 2024, aimed at further strengthening excises, streamlining vast tax incentives/breaks, and boosting tax compliance. Furthermore, we will publish details of our reforms to the current tariff segmentation scheme to better target subsidies on the basic energy basket for vulnerable households, consistent with broader energy efficiency goals ***(proposed end-May 2024, SB)*.** Our plans will be developed in consultation with IMF and World Bank staff.

13. In tandem, and after reducing the overhang of arrears to suppliers incurred by the previous administration, we are strengthening expenditure controls and cash management. As an initial step, we have cleared the large overhang of domestic arrears (paying down ARS 1 trillion that had accumulated in Q4:2023) and re-established our creditworthiness to private sector suppliers. We are improving our public spending controls, particularly for decentralized public entities, to secure budget surpluses in the context of revenue uncertainties. In this regard, our cash management is also being strengthened, with consideration given to (i) transferring balances from the state-owned bank (Banco de la Nacion) to the central bank, and (ii) ensuring that balances of all central government entities (including trust funds) be included in the treasury single account.

14. Beyond 2024, we are committed to developing reforms to secure a durable, growth-friendly, and inclusive consolidation. Looking ahead, we are committed to maintaining our ambitious fiscal approach, by delivering overall fiscal balance in 2025 and in line with this will submit our draft 2025 budget to congress, outlining key assumptions and policies, by September 15, 2024 **(*proposed SB*).** With the support of the World Bank and IADB, work is underway to develop proposals to: (i) enhance the efficiency and simplicity of the tax system, including by reorienting the system away from distortive taxes towards proven and more efficient direct and indirect taxes; (ii) strengthen sustainability and equity of the pension system; (iii) rationalize state-owned enterprises (SOEs), starting with a triage exercise and developing plans to improve their governance and accountability; (iv) increase the efficiency of public employment through a review of employment in the national administration and decentralized public entities; (v) strengthen the targeting and governance of the social safety net and (vi) revamp the fiscal framework and improve the coordination and information sharing across the various levels of government. A timetable for implementation of these reforms will be developed in the context of the next reviews.

B. Financing Policy

15. We are committed to strengthening the domestic debt market and eliminating the fiscal deficit, so as to end monetary financing. Achieving overall fiscal balance will remove the burden of monetary financing on the BCRA, allowing us to focus on strengthening its balance sheet while the Treasury refinances existing peso debt obligations in a more sustainable fashion through the domestic capital markets. Our initial successful auctions, enabled us to begin rebuilding cash buffers, anticipating 2024 financing needs, and buy back government debt held by the central bank to maintain net zero credit to government, including puts **(*prior action*)**. Our goal remains to strengthen the domestic government debt market by gradually reviving fixed-rate instruments, building the treasury yield curve, and preemptively extending maturities. To this end, we will develop and execute a plan aimed at extending maturities of a portion of the domestic debt coming due this year ***(proposed end-March, 2024 SB)*****.**

16. We are working to secure net financing and technical support from official creditors, and in parallel to gradually re-access international capital markets.

- We are successfully navigating a period of large FX debt service payments to private bondholders and official creditors, through recent policy adjustments aimed at boosting reserves and mobilizing official support, including from the Development Bank of Latin America and the Caribbean (CAF). We are continuing to work closely with our development partners, including the IADB and WB, to increase and bring forward net financing to strengthen reserves and secure technical support for our reform efforts. Similarly, the BCRA intends to maintain its swap lines with the People's Bank of China (PBOC), and is working on options to refinance funded tranches.

- Our central goal remains to regain international capital market access, not with the objective of increasing net external indebtedness, but to manage external obligations in a manner that supports external resilience and growth. The current program assumes access to markets is re-established by end 2025, although the private sector is likely to do so much earlier.

- Efforts are underway to resolve outstanding official obligations related to commercial arrangements. In this regard, we have resumed payments to Bolivia as we work with them on a payment plan to clear all of the inherited arrears by August 2024 and are continuing our good faith efforts to discuss payment arrangements under the binational (Paraguayan-Argentine) entity Yacyreta. In parallel, we are engaged in legal processes related to international court cases against Argentina, including that regarding the nationalization of the state-owned oil company (YPF).

C. Monetary Policy

17. To support stabilization efforts, the BCRA's has streamlined its operational framework. Auctions of the 28-day central bank paper (*Leliq*) ceased in mid-December, with the overnight (*pases pasivos)* rate becoming the sole policy instrument. The monetary policy stance and framework are expected to evolve over time to support money demand and the disinflation process. To this end, and as fiscal dominance is addressed, we are working to refine our monetary policy framework and operations, to ensure they are well anchored with clear and well communicated medium-term objectives to ensure price stability **(*proposed end-April, 2024 SB*).** To support these efforts, we have requested technical assistance from the Fund.

18. Strengthening the BCRA balance sheet remains a top priority. We have developed and are implementing a plan to strengthen the central bank's financial position, focused on the elimination of all monetary financing of the fiscal deficit alongside the accumulation of international reserves following the needed adjustment of FX policy. This plan fulfils the previously missed structural benchmark. The disinflation path is also expected to contribute by restoring real money demand from current historical lows, permitting a recomposition of BCRA liabilities. We intend to sustain these efforts and complement them with actions to gradually strengthen the quality of BCRA assets, while furthering the application of international accounting standards.

19. To improve monetary transmission and credit allocation, efforts are also underway to unwind financial sector controls and policy distortions. All commercial interest rates (deposit floors/lending caps) and lending quotas are being reviewed, while longstanding credit incentive schemes are being phased out. These reforms will permit a streamlining of deductions on reserve requirements and enhance monetary policy transmission. Importantly, they will also improve credit allocation (private credit is near historic lows), and banks' ability to adjust to the evolving monetary policy framework.

D. Exchange Rate Policy

20. A properly aligned FX regime is essential to boost reserves and support broader stabilization efforts. Faced with a significantly overvalued peso, we embarked on a large step devaluation on December 12, taking the nominal exchange rate from 360 ARS/USD to 800 ARS/USD. In parallel, we temporarily expanded *impuesto pais* (meaning importers effectively purchase FX at around 940 ARS/USD) and maintained the previous export promotion scheme, with a reduced share of proceeds (20 percent) temporarily channeled to the parallel exchange rate market (*contado con liquidacion,* CCL). The official monthly crawl rate was set at 2 percent to serve as a complementary nominal anchor in the price formation process, as fiscal consolidation and reserve accumulation proceeds. These policies have already boosted reserves (¶3) and we will continue to ensure that exchange rate policy remains consistent with our reserve accumulation goals. Moreover, given our actions to address relative price misalignments, we have created the conditions to abandon the previous approach of intervening to manage the parallel or futures FX markets, while also eliminating some of the regulations limiting their fluid operation. This change is evidenced by reducing to zero the stock of dollar futures (NDFs) and stopping the sale of hard currency bonds in pesos in the parallel FX markets.

21. This is being complemented by a gradual rationalization and a rapid increase in the transparency and simplicity of the FX regime. This requires sustained efforts to eliminate complex distortions, inefficiencies and discretionary and opaque FX and trade-related controls. Importantly, we have dismantled the opaque and burdensome system of administrative import controls (SIRA/SIRASE), replacing it with a transparent, rules-based system that includes an automatic mechanism for the payment of imports over time. In addition, we have streamlined the number of exchange restrictions and associated distortions, and will continue to do so, including by: (i) eliminating the existing preferential export scheme (80 percent MULC / 20 percent CCL) **(*proposed end-June 2024, SB*);** and (ii) fully unwinding the *impuesto pais* and streamlining withholding taxes on imports by end-2024, or earlier as conditions permit.

22. In the context of scarce reserves, we are implementing a prudent and market-friendly strategy that seeks to unwind the large external commercial debt overhang transparently,

while protecting activity and employment. Given the sheer size of the importers' debt and the immediate pressing need to rebuild reserves, we have developed and are starting to execute a strategy to help ensure an orderly solution to this debt stock to normalize trade flows (***prior action***). This goal is critical to loosen constraints on cross-border supply chains and therefore avoid unnecessary added burden on the productive sector. In this regard, the BCRA has created three series of new FX-denominated instruments (BOPREAL), with maturities up to 4 years and varying interest rates. The window for subscriptions will close by end-February and issuance of each instrument will be limited, subject to the projected availability of FX reserves. In addition, holders of the initial US$5 billion of longer-dated instruments will be able to apply 70 percent of these to settle tax liabilities, creating an incentive while limiting the FX drain upon maturity. Importantly, a rigorous independent trade registry process has been created to provide transparency and avoid perceived over-reporting of commercial debts. The new security is intended to provide predictability for importers, while absorbing peso liquidity, and alleviating near-term FX pressures. Importantly, structured as an FX swap transaction, it does not imply a subsidy or public indebtedness (by BCRA or Treasury) as the commercial obligation remains between private entities.

23. Our goal is to eventually unify the exchange rate and lift FX controls, as conditions permit. To this end, we are accelerating work in developing a roadmap for the gradual unwinding of FX controls **(*reset to end-June 2024, SB*),** which will need to be carefully calibrated, contingent on progress in implementing our stabilization plan. Greater predictability in this regard will also help encourage foreign direct investment and growth. We note that the recent policy shift, in the context of strong corporate balance sheets, has already opened private sector access to the external debt market, much earlier than expected.

E. Structural Policies and Deregulation

24. We are committed to sweeping market-oriented reforms to unlock Argentina's potential. As a first step towards unwinding excessive regulations and distortions (favoring vested interests), we issued an Emergency Decree (DNU 70/2023) with over 300 measures aimed at enhancing competition in many sectors (housing, transport, airspace, healthcare, pharmaceutical, tourism) and strengthening labor market flexibility through cuts in hard-to-predict fines on layoffs, above and beyond severance pay, and removal of other hiring and firing bottlenecks. The repeal of anachronistic laws that discouraged investment (Land Law, Supply Law, etc.) or more recent laws that distorted markets (Rent Law, Shelf Law), is one of the central aspects of the DNU. The DNU also changed the legal status of SOEs (to facilitate future privatization), amended the customs code (to eliminate export limits), and reinforced the power of private contracts, by freeing them from restrictions in the civil and commercial codes. The DNU will be followed by legislative initiatives implementing the proposed changes and regulations to safeguard competition.

25. We are determined to boost investment and exports in strategic sectors. To this effect, retail fuel prices have been adjusted to better reflect costs, and we are proposing to eliminate domestic oil price controls. The latter together with stronger regulations and proper pricing of electricity and natural gas utility sectors are expected to boost investment and exports in Argentina's vast shale oil and gas reserves. In addition, we submitted legislation to strengthen regulation and create incentives for long-term investment in strategic sectors, like energy and mining, including green metals.

26. We are committed to seriously strengthen transparency and governance. While our reforms are expected to reduce rent-seeking opportunities (e.g., elimination of SIRA/SIRASE), it remains critical to tackle pervasive corruption and strengthen government accountability. Consideration will be given to conducting a comprehensive governance assessment, with Fund technical support, to help identify priorities to underpin our medium-term strategy in this area. In our efforts to improve public spending efficiency, we will seek public-private partnerships that limit fiscal risks, and review/strengthen the public procurement processes. The latter will involve extending the coverage of the two government websites (COMPR.AR and CONTRAT.AR) and reforming the outdated Procurement Law (Ley de Compras). Finally, we are also committed to boost our AML/CFT framework and define a path forward in accordance with FATF Recommendations as well as an assessment of the proposed reforms to the AML/CFT legislation and the results of the 2022 National Risk Assessment.

VI. Program Monitoring and Targets

27. To support our strong corrective actions and new policy commitments, we have requested an overhaul of program conditionality and monitoring to ensure the program remains on track. Implementation of the policies under the program will continue to be monitored through prior actions (PAs), revised quantitative performance criteria (QPCs), indicative targets (ITs), continuous performance criteria (PCs), and structural benchmarks (SBs). Revised quarterly and monthly targets will be set to strengthen the policy anchors and program implementation, reflecting the stronger and more comprehensive policies underpinning our stabilization plan. To facilitate the timely assessment of the implementation of our new policy package through end-2024, we are also requesting a rephasing and extension of program targets. The attached Technical Memorandum of Understanding (TMU) defines the quantitative performance criteria and indicative targets under the program. The quantitative targets for end-March 2024, end-June 2024, and end-September 2024—along with continuous PCs and ITs—are set out in Table 1. The PAs and SBs are set out in Table 2.

Table 1. Argentina: Quantitative Performance Criteria and Indicative Targets 1/ 2/
(In Billions of Argentine Pesos, Unless Otherwise Stated)

	2022															
	end-Mar				end-June				end-Sept				end-Dec			
	Target	Adjusted	Actual	Status	Target	Adjusted	Actual	Status	Target	Adjusted	Actual	Status	Target	Adjusted	Actual	Status
Fiscal targets																
Performance Criteria																
1. Cumulative floor on the federal government primary balance 3/ 7/	-222.3	-210.9	-192.7	Met	-874.4	-848.6	-800.7	Met	-1156.8	-1136.0	-1096.1	Met	-2015.7	-2017.2	-1955.1	Met
2. Ceiling on the federal government stock of domestic arrears 4/	535.9	...	336.2	Met	612.2	...	489.4	Met	654.0	...	589.7	Met	654.0	...	615.5	Met
Continuous Performance Criterion																
3. Non-accumulation of external debt payments arrears by the federal government	0.0	...	0.0	Met	0.0	...	0.0	Met	0.0	...	0.0	Met	0.0	...	0.0	Met
Indicative Targets																
4. Cumulative floor on social assistance spending (Asignación Universal para Protección Social, Tarjeta, Progresar)	151.9	...	164.2	Met	332.2	...	343.4	Met	565.3	...	562.4	Not Met	810.8	...	817.6	Met
Monetary targets																
Performance Criteria																
5. Cumulative floor on the change in net international reserves of BCRA 5/ 7/	1.200	1.245	1.568	Met	3.450	2.950	2.703	Not met	4.100	3.600	4.591	Met	5.00	5.04	5.43	Met
6. Cumulative ceiling on central bank financing of the federal government 3/	236.8	...	122.0	Met	475.8	...	435.1	Met	665.4	...	620.1	Met	654.0	...	620.1	Met
Indicative Target																
8. Ceiling on the central bank stock of non-deliverable futures 6/	6.000	...	1.249	Met	7.000	...	4.358	Met	9.000	...	3.131	Met	9.000	...	0.587	Met

Sources: National authorities and Fund staff estimates and projections.
1/ Targets as defined in the Technical Memorandum of Understanding (TMU).
2/ Based on program exchange rates defined in the TMU.
3/ Flows from January 1 through December 31.
4/ Includes intra-public sector transfers (transferencias figurativas).
5/ In billions of U.S. dollars. The change is measured against the value of NIR on December 31, 2021 of US2.277 billion. It excludes payments to Paris Club from September 2022 onwards.
6/ In billions of U.S. dollars. The stock of non-deliverable futures on December 31, 2021 stood at US$ 4.185 billion, as defined in the TMU.
7/ Targets subject to adjustors as defined in the TMU.

Table 1. Argentina: Quantitative Performance Criteria and Indicative Targets 1/ 2/ (Continued)

(In Billions of Argentine Pesos, Unless Otherwise Stated)

	2023															
	end-Mar				end-Jun				end-Sep				end-Dec			
	Target	Adjusted	Actual	Status	Target	Adjusted	Actual	Status	Target	Adjusted	Actual	Status	Target	Adjusted	Actual	Status
Fiscal targets																
Performance Criteria																
1. Cumulative floor on the federal government primary balance 3/ 7/ 8/	-441.5	-441.9	-689.9	Not Met	-1181.4	-1201	-1880.7	Not Met	-2335.7	-2143.2	-2962.8	Not Met	-3286.5	-3094.0	-5774.6	Not Met
2. Ceiling on the federal government stock of domestic arrears 4/	1177.4	...	709.0	Met	1177.4	...	1051.6	Met	1359.8	...	1224.1	Met	1359.8	...	1647.8	Not Met
Continuous Performance Criterion																
3. Non-accumulation of external debt payments arrears by the federal government	0.0	0.0	0.0	Met	0.0	...	0.0	Met	0.0	...	0.0	Met	0.0	...	0.0	Met
Indicative Targets																
4. Cumulative floor on social assistance spending (Asignación Universal para Protección Social, Tarjeta, Progresar) 3/	239.3	...	315.6	Met	500.4	...	650.5	Met	948.4	...	1132.2	Met	1338.5	...	1677.4	Met
Monetary targets																
Performance Criteria																
5. Cumulative floor on the change in net international reserves of BCRA 5/ 7/	1.90	2.4	0.1	Not Met	6.8	6.5	-4.7	Not Met	-2.2	-2.6	-7.4	Not Met	1.3	0.9	-12.4	Not Met
6. Cumulative ceiling on central bank financing of the federal government 3/	139.3	...	130.0	Met	372.8	...	1358.0	Not Met	1699.7	1699.7	1698.0	Met	1291.2	...	1698.0	Not Met
Indicative Target																
7. Ceiling on the central bank stock of non-deliverable futures 6/	9.000	...	0.224	Met	9.000	...	0.771	Met	9.000		1.202	Met	8.000	...	0.000	Met

Sources: National authorities and Fund staff estimates and projections.
1/ Targets as defined in the Technical Memorandum of Understanding (TMU).
2/ Based on program exchange rates defined in the TMU.
3/ Flows from January 1 through December 31.
4/ Includes intra-public sector transfers (transferencias figurativas).
5/ In billions of U.S. dollars. The change is measured against the value of NIR on December 31, 2021 of US2.277 billion. It excludes payments to Paris Club from September 2022 onwards.
6/ In billions of U.S. dollars. The stock of non-deliverable futures on December 31, 2021 stood at US$ 4.185 billion, as defined in the TMU.
7/ Targets subject to adjustors as defined in the TMU.
8/ End-December 2023 number is a preliminary projection. Final outturns will be shared with the Board following publication on January 22, 2024, ahead of the Seventh Review Board meeting.

Table 1. Argentina: Quantitative Performance Criteria and Indicative Targets 1/ 2/ (Concluded)

(In Billions of Argentine Pesos, Unless Otherwise Stated)

	2024				Indicative Targets 2024
	end-Mar		end-June		end-Sep
	Program IT CR 23/312	Proposed	Program IT CR 23/312	Proposed	Proposed
Fiscal targets					
Performance Criteria					
1. Cumulative floor on the federal government primary balance 3/	-317.1	962.4	-951.3	1925	2887.3
2. Ceiling on the federal government stock of domestic arrears 4/	2536.7	5264.6	2536.7	5264.6	5264.6
Continuous Performance Criterion					
3. Non-accumulation of external debt payments arrears by the federal government	0.0	0.0	0.0	0.0	0.0
Indicative Targets					
4. Cumulative floor on social assistance spending (Asignación Universal para Protección Social, Tarjeta, Progresar) 3/	588.6	1177.2	1126.0	2252.0	4308.1
Monetary targets					
Performance Criteria					
5. Cumulative floor on the change in net international reserves of BCRA 5/ 7/ 8/	4.3	6.0	7.3	9.2	7.6
6. Cumulative ceiling on net central bank financing of the federal government 8/	0.0	0.0	0.0	0.0	0.0
Indicative Target					
7. Ceiling on the central bank stock of non-deliverable futures 6/	7.000	-	6.000	-	-

Sources: National authorities and Fund staff estimates and projections.
1/ Targets as defined in the Technical Memorandum of Understanding (TMU).
2/ Based on program exchange rates defined in the TMU, which were updated for this review.
3/ Flows from January 1 through December 31.
4/ Includes intra-public sector transfers (transferencias figurativas). Definition changed compared to CR 23/312, with average stock now measured over the last two weeks of the quarter.
5/ In billions of U.S. dollars.
6/ Discontinued starting in 2024.
7/ Targets subject to adjustors as defined in the TMU.
8/ Definition changed compared to CR 23/312, with cumulative flows now measured starting from December 10, 2023. Central bank financing now also includes broader definition and shifted to net concept.

Table 2. Argentina: Structural Benchmarks

Proposed Prior Actions	Sector	Status	Completion Date
1. Complete public hearings outlining proposals for electricity and gas tariff increases, with an initial adjustment in February and a path consistent with program targets to reduce energy subsidies by 0.5 percent of GDP in 2024.	Fiscal Structural		
2. Buy back government debt held by the central bank to maintain net zero credit to government, including puts.	Financing / Monetary		
3. Develop a strategy, in consultation with the Fund, to help ensure an orderly solution to the large external commercial debt overhang and normalize trade flows.	Monetary/ FX Policy		
Proposed New/Modified Structural Benchmarks	**Sector**	**Status**	**Completion Date**
1. Develop and execute a plan aimed at extending the maturities of a portion of the domestic debt coming due in 2024.	Financing		end-March, 2024
2. Refinement of the monetary policy framework and operations, to ensure it is well anchored with clear and well communicated medium-term objectives consistent with price stability.	Monetary/ FX Policy		end-April, 2024
3. Publication of detailed reforms of the current tariff segmentation scheme to better target subsidies on the basic energy basket for vulnerable households.	Fiscal Structural		end-May, 2024
4. Eliminating the existing preferential export scheme.	FX Policy		end-June, 2024
5. Strengthen the integration of relevant administrative databases, working with World Bank technical assistance, to improve the targeting and efficiency of social support.	Fiscal Structural		end-September, 2024
6. Develop and publish a roadmap, in consultation with Fund staff, for the gradual easing of FX controls outlining the necessary conditions and objectives.	Monetary/ FX Policy		end-March, 2024; Reset to end-June, 2024
7. Submit to Congress the draft 2025 budget, consistent with overall balance, outlining key macroeconomic assumptions and underlying policies.	Fiscal Structural		September 15, 2024

Table 2. Argentina: Structural Benchmarks (Concluded)

Previously Agreed Structural Benchmarks	Sector	Status	Completion Date
1. Issuance of a new resolution, subject to legal requirements, updating electricity prices for residential consumers, as well as other commercial users, for September–October 2023 as follows: level 1 residential consumers will move to the monomic price, level 2 residential consumers a 30 percent increase, level 3 residential consumers a 53 percent increase, 'other' commercial users a 20 percent increase, small commercial users a 20 percent increase, municipal streetlighting a 20 percent increase.	Fiscal Structural	Not met	end-August, 2023
2. Issuance of a new resolution, subject to legal requirements, updating electricity prices for residential consumers, as well as commercial users for November-January, to maintain the overall cost recovery objective.	Fiscal Structural	Not met	end-October, 2023
3. Submit to Congress the Draft 2024 Budget consistent with the agreed primary deficit of 0.9 percent of GDP and include an elaboration of the key macroeconomic assumptions and the underlying policies for 2024.	Fiscal Structural	Met	September 15, 2023
4. Complete an in-depth study of tax expenditures and their fiscal impact on the federal budget, in consultation with IMF staff where needed, including: (i) a description of main policy objective; (ii) assessment of the main beneficiaries, and (iii) an evaluation of net benefits and compliance.	Fiscal Structural	Not met	end-November, 2023
5. Develop in consultation with Fund staff, compliance improvement plans for key individual taxes (VAT, CIT, PIT).	Fiscal Structural	Met	December 15, 2023
6. Develop in consultation with Fund staff, compliance improvement plans for customs.	Fiscal Structural		End-June, 2024
7. Avoid additional taxes on financial transactions.	Fiscal Structural		Continuous
8. Develop in consultation with Fund staff, a strategy to durably improve the BCRA financial position, drawing on recommendations from the Fund's Safeguard Assessment.	Monetary/ FX Policy	Not Met	end-December, 2022; Reset to end-October, 2023
9. Publish first enhanced quarterly report for public corporations and trust funds including a breakdown of assets and liabilities, based on 2022 data and quarterly data through 2022Q4.	Fiscal Structural	Not Met	end-March, 2023; Reset to end-October, 2023
10. Develop and publish a roadmap, in consultation with Fund staff, for the gradual easing of FX controls outlining the necessary conditions and objectives.	Monetary/ FX Policy		end-June, 2023; Reset to end-March, 2024

Attachment II. Argentina: Technical Memorandum of Understanding Update

January 18, 2024

1. This Technical Memorandum of Understanding (TMU) sets out the understandings regarding the definitions of the performance criteria (PCs) and indicative targets (ITs), that will be applied under the Extended Arrangement under the Extended Fund Facility starting from the eighth review, as specified in the Memorandum of Economic and Financial Policies (MEFP) and its attached tables. It also describes the methods to be used in assessing the program's performance and the information requirements to ensure adequate monitoring of the targets.

2. For program purposes, all foreign currency-related assets, liabilities, and flows will be evaluated at "program exchange rates" as defined below, with the exception of items affecting government fiscal balances, which will be measured at current exchange rates. The program exchange rates are those that prevailed on December 29, 2023. Accordingly, the exchange rates for the purposes of the program are shown in Text Table 1. For the purpose of setting program PCs and ITs, inflation is based on an average annual point estimate of 253.4 percent in 2024, although this will be subject to important uncertainties.

Table 1. Argentina: Program Exchange Rates 1/

Argentine Pesos to the US dollar	808.45
Argentine Pesos to the SDR	1,084.67
Argentine Pesos to the Euro	893.90
Argentine Pesos to the Canadian dollar	611.95
Argentine Pesos to the British pound	1,031.02
Argentine Pesos to the Renminbi	113.85
Gold price (US$/ounce)	2,064.45

1/ Rate published by the BCRA as of December 29, 2023.

3. Any variable that is mentioned herein for the purpose of monitoring a PC or IT and that is not explicitly defined, is defined in accordance with the Fund's standard statistical methodology, such as the Government Finance Statistics (GFS) Manual 2014 and the Public Sector Debt Statistics Guide. For any variable or definition that is omitted from the TMU but is relevant for program targets, the authorities of Argentina shall consult with the staff on the appropriate treatment to reach an understanding based on the Fund's standard statistical methodology.

QUANTITATIVE PERFORMANCE CRITERIA: DEFINITION OF VARIABLES

Cumulative Floor on the Federal Government Primary Balance

4. **Definitions:** The Federal government (*Sector Público Nacional No Financiero*) for the purposes of the program consists of the central administration, the social security institutions, the decentralized institutions (*Administración Nacional*), and PAMI, fiduciary funds, and other entities and enterprises of the federal government.

5. **Definitions:**

- The primary balance of the federal government is measured above-the-line and defined in accordance with the monthly and annual reporting of the "*Esquema IMIG*", with additional as needed adjustments to reflect 2014 GFS Manual accounting practices. This is equivalent to total revenues (*ingresos totales*, according to "Esquema IMIG") minus primary spending (*gastos primarios*). Revenues are recorded on a cash basis and include tax revenues (*ingresos tributarios*), revenue income (*rentas de la propiedad*), other current revenues (*otros ingresos corrientes*), and capital revenues (*ingresos de capital*). For the purposes of assessing the floor of the primary deficit, revenues exclude any type of financial transfers from the Central Bank (including *Utilidades* and *Adelantos Transitorios*), interest income from intra-public sector holding of securities and debt obligations, proceeds from the sale of financial assets (including privatization proceeds through the sale of shares), proceeds from the sale of licenses/permits (including payments for mobile phone or broadcast licenses, and natural resource permits), revenue income from the issuance of government debt that is part of non-tax revenues (*resto rentas de la propiedad*), and special drawing rights (SDRs) allocated by the Fund or received bilaterally from other IMF members.

- Federal government primary expenditure is recorded on a cash basis and includes spending on social protection (*prestaciones sociales*), economic subsidies (*subsidios económicos*), operational expenses (*gastos de funcionamiento*), current transfers to provinces (*transferencias corrientes a provincias*), other current spending (*otros gastos corrientes*), and capital spending (*gastos de capital*), which includes capital transfers to provinces.

- Government-funded, public-private partnerships will be treated as traditional public procurements. Federal government obligations associated with public private partnerships would be recorded transparently in budget data and measured as part of the Federal government deficit as they occur (on a cash basis).

- Costs associated with divestment operations or liquidation of public entities, such as cancellation of existing contracts or severance payments to workers, will be allocated to current and capital expenditures accordingly.

- All primary expenditures (including fines) that are directly settled with bonds or any other form of non-cash liabilities will be recorded as spending above-the-line and will therefore contribute to a decrease in the primary balance. This only excludes the settlement of liabilities related to pensions, revenue sharing and expenditure allocation, with the provinces and the Autonomous City of Buenos Aires, associated with court proceedings that are either finalized or pending as of March 3, 2022, and payments of arrears as per ICSID or similar arbitration rulings.

6. Measurement: The Federal government's primary balance will be measured at each test date as the cumulative value starting from the beginning of each calendar year.

7. Monitoring: All fiscal data referred to above and needed for program monitoring purposes will be provided to the Fund with a lag of no more than 25 calendar days after the end of each month.

Ceiling on Federal Government Accumulation of Domestic Arrears

8. Definition: Domestic arrears are defined as the floating debt, that is the difference between primary spending recorded on an accrual basis (*gasto devengado*, from the SIDIF system) and primary spending recorded on a cash basis (*base caja,* from the Treasury). This includes intra-public transfers (*transferencias figurativas*), and primary spending for personnel (*gasto en personal*), acquisition of goods and services (*bienes y servicios*), nonprofessional services (*servicios no profesionales*), capital expenditures (*bienes de uso*), and transfers (*transferencias*).

9. Measurement: The arrears are measured on a daily basis. Arrears will be capped at 0.8 percent of GDP (ARS 5,264,553 million) for the daily average of the final two weeks of each quarter.

10. Monitoring: Daily data on the stock of arrears (and underlying spending on an accrual and cash basis), recorded at daily frequency will be provided to the Fund with a lag of no more than 25 calendar days after the end of each month.

Cumulative Floor on the Change in Net International Reserves of BCRA

11. Definitions:

- **Net international reserves (NIR)** of the BCRA are equal to the balance of payments concept of NIR defined as the U.S. dollar value of gross official reserves of the BCRA minus gross official reserve liabilities. Non-U.S. dollar denominated foreign assets and liabilities will be converted into U.S. dollar at the program exchange rates.

- **Gross official reserve assets** are defined consistently with the Sixth Edition of the Balance of Payments Manual and International Investment Position Manual (BPM6) as readily available claims on nonresidents denominated in foreign convertible currencies. They include BCRA's (i) monetary claims, (ii) free gold, (iii) holdings of SDRs, including all Fund disbursements since March 25, 2022 (iv) the reserve position in the IMF, (v) holdings of fixed income instruments and (vi) net cash balances within the Latin American Trade Clearing System (ALADI). Excluded from reserve assets are any assets that are pledged, collateralized, or otherwise encumbered, claims on residents, claims in foreign exchange arising from derivatives in foreign currency vis-à-vis domestic currency (such as futures, forwards, and options), precious metals other than gold, assets in nonconvertible currencies and illiquid assets.

- **Gross official reserve liabilities** in foreign currencies include (i) foreign currency liabilities with original maturity of one year or less, (ii) Fund cumulative disbursements, except for the net financing component of the program (SDR 3.166 billion), net of cumulative Fund payments that have taken place from March 25, 2022 onwards,[1] (iii) any deliverable forward foreign exchange (FX) liabilities with original maturity of one year or less on a net basis defined as the long position minus the short position payable in foreign currencies directly undertaken by the BCRA or by any other financial institutions on behalf of the BCRA. Neither the Federal government's foreign liabilities nor its FX deposits at the BCRA are considered as gross foreign liabilities of the BCRA. The foreign currency swaps with the People's Bank of China (including the activated and nonactivated portions) and with the BIS, the foreign exchange bank reserve requirements, SEDESA, ALADI and other non-resident deposits would be considered, for program purposes, as a foreign exchange liability of the BCRA with a maturity of one year or less.

12. Measurement: The change in net international reserves will be measured as the cumulative change in the stock of NIR at each test date relative to the stock on December 10, 2023.

13. Monitoring: Foreign exchange asset and liability data at the BCRA will be provided to the Fund at daily frequency within two days.

14. Adjustor:

- **Official non-project loans and grants:** The NIR targets will be adjusted upward (downward) by the surplus (shortfall) in program loan disbursements and grants from multilateral institutions (including the BCIE, EIB, IBRD, IADB and CAF) and bilateral partners, relative to the baseline projection reported in Text Table 2. The value of the downward adjustor, i.e., in the event of a shortfall of loans and grants, would be capped at a cumulative of US$750 million in each calendar year. Program loan disbursements are defined as external loan disbursements (excluding project financing disbursements and IMF disbursements) from official creditors for the financing of the general government.

Table 2. Argentina: Program Loan Disbursements from Multilateral and Bilateral Sources
(Baseline Projection)

	(In millions of US$) 1/
end-March 2024	66
end-June 2024	199
end-September	437
end-December 2024	950

1/ Cumulative from January 1.

[1] In case of a delayed Fund disbursement, until the disbursement, Fund cumulative disbursements may be reported as negative by the difference between the sum of repurchases within the scheduled date and actual date of disbursement and the value of Fund cumulative disbursements prior to the repurchase.

15. Definitions: Central bank (BCRA) financing to the government includes (i) overdraft transfers from the BCRA to the Federal Government (*Adelantos Transitorios*), (ii) distribution of profits (*Utilidades*), (iii) the acquisition of government debt in the primary market or by direct purchases from public institutions, (iv) issuance of new non-marketable government bonds (*Letras Intransferibles*), and (v) purchase of government securities in the secondary markets, including transactions that are bilateral, conducted at MAE and BYMA, or made at other parties' discretion from application of regulation A7291 and the execution of "put options" on government securities (under A7555 and A7716). Net financing of the Federal Government is defined as the amount of financing to the government net of cash transfers from the Federal Government to the BCRA to repurchase government securities, reduce the stock of overdraft transfers or the stock of non-marketable government bonds or recapitalize the BCRA. Transactions done in the context of debt exchanges or rollover of non-marketable government bonds are excluded from this definition.

16. Measurement: The cap of cumulative flows on net financing is set to zero in 2024.

17. Clarification: Any decrease in the stock of *Adelantos* shall only reflect cash payments of this amount in pesos by the Treasury to the BCRA. Transfer of *Letras Intransferible*s to the BCRA will not reduce the stock of *Adelantos*.

18. Monitoring: Daily data will be provided to the Fund within two days. The flow of BCRA net financing to the government will be measured at each test date as the cumulative value starting from December 10, 2023. Given the unpredictability of secondary market purchases and time needed to offset them, these will be measured up to the end of the month prior to the target date.

Continuous Performance Criteria

Federal Government Non-Accumulation of External Debt Payments Arrears

19. Definitions:

- **Debt**[2] will be understood to mean a current, i.e., not contingent liability, created under a contractual arrangement through the provision of value in the form of assets (including currency) or services and which requires the obligor to make one or more payments in the form of assets (including currency) or services, at some future point(s) in time; these payments will discharge the principal and/or interest liabilities incurred under the contract. Debts can take several forms; the primary ones being as follows:

    i. Loans, i.e., advances of money to the obligor by the lender made on the basis of an undertaking that the obligor will repay the funds in the future (including deposits, bonds, debentures, commercial loans and buyers' credits) and temporary exchanges of assets that are equivalent to fully collateralized loans under which the obligor is required

[2] As defined in paragraph 8(a) of the Guidelines on Public Debt Conditionality in Fund Arrangements, attached to Executive Board Decision No. 16919-(20/103), adopted October 28, 2020.

to repay the funds and usually pay interest, by repurchasing the collateral from the buyer in the future (such as repurchase agreements and official swap arrangements);

ii. Suppliers' credits, i.e., contracts where the supplier permits the obligor to defer payments until sometime after the date on which the goods are delivered or services are provided; and

iii. Leases, i.e., arrangements under which property is provided which the lessee has the right to use for one or more specified period(s) of time that are usually shorter than the total expected service life of the property, while the lessor retains the title to the property. For the purpose of the program, the debt is the present value (at the inception of the lease) of all lease payments expected to be made during the period of the agreement excluding those payments that cover the operation, repair or maintenance of the property.

Under the definition of debt set out in this paragraph, arrears, penalties, and judicially awarded damages arising from the failure to make payment under a contractual obligation that constitutes debt are debt. Failure to make payment on an obligation that is not considered debt under this definition (e.g., payment on delivery) will not give rise to debt.

- **External debt.** Only for the purposes of this program, and consistent with the definition set out in the IMF's Balance of Payments Manual, external debt is determined according to the residency criterion, (and, as such, would encompass nonresident holdings of Argentine law peso and foreign currency debt).

- **External arrears:** External debt payment arrears for program monitoring purposes are defined as external debt obligations (principal and interest) falling due after March 3, 2022, that have not been paid, considering the grace periods specified in contractual agreements.

20. **Coverage:** This performance criterion covers the federal government. This performance criterion does not cover (i) arrears on trade credits, (ii) arrears on debt subject to renegotiation or restructuring; and (iii) arrears resulting from the nonpayment of commercial claims that are the subject of any litigation initiated prior to March 3, 2022.

21. **Monitoring:** This PC will be monitored on a continuous basis.

Exchange Restrictions, MCPs, Bilateral Payment Agreements and Import Restrictions

22. Consistent with commitments in IMF arrangements, we will seek not to: (i) impose or intensify any exchange restrictions, (ii) introduce or modify Multiple Currency Practices (MCPs), (iii) conclude bilateral payment agreements that are inconsistent with Article VIII; and (iv) impose or intensify import restrictions for balance of payment reasons (continuous performance criteria).

QUANTITATIVE INDICATIVE TARGETS: DEFINITION OF VARIABLES

Cumulative Floor on Federal Government Spending on Social Assistance Programs

23. Definition: Social spending for the purpose of the program is computed as the cumulative sum of all federal government spending (both current and capital) on the following social assistance programs:

- *Asignación Universal para Protección Social, which includes the following sub-programs: Asignación Universal por Hijo, Asignación por Embarazo, and Ayuda Escolar Anual*
- *Tarjeta Alimentar*
- *Progresar*

24. Monitoring: Data will be provided to the Fund with a lag of no more than 25 calendar days after the end of each month.

OTHER INFORMATION REQUIREMENTS

25. In addition to providing any data and information staff request to monitor program implementation, the authorities will also provide the following data so as to ensure adequate monitoring of economic variables:

Daily

- Nominal exchange rates; total currency issued by the BCRA; deposits held by financial institutions at the BCRA; total liquidity assistance to banks through normal BCRA operations, including overdrafts; and interest rates on overnight deposits.
- Disaggregated data of BCRA's international reserve assets by source with a lag of three days.
- Aggregated data on banks' foreign exchange positions, provided in the following categories: public national; public provincial; private domestic; private foreign; and small banks.
- Data on gross BCRA sales and purchases of securities settled in different currencies, for each market segment and at transaction price in the applicable currency, will be provided to the Fund with a daily frequency, with a lag of three days.
- Data on BCRA position of non-deliverable futures by maturity, to be provided within two working days.
- Data on BCRA government securities purchased and sold in the secondary market by maturity and mechanism, and corresponding price and quantities, with a lag of three days.
- Data on the outstanding stock of BCRA put options on government bonds.

Weekly

- BCRA balance sheet.
- Daily data on BCRA-issued securities by type of security and interest rate.
- Weekly data on (i) the stock of BOPREAL by series, (ii) the maturity profile of BOPREAL, (iii) interest payments on BOPREAL and (iv) the stock of the debt registry.
- Daily data on sales and purchases of securities settled in different currencies, recorded and provided by the *Comision Nacional de Valores,* including trading by the BCRA. This information will include a report of the daily estimation of total stocks and implicit exchange rate of the most representative securities transacted in the CCL and MEP modalities and operations.
- Daily data on Treasury deposits in SDRs at the BCRA.
- Daily data on flows in and out of the BCRA's SDR holding account including amount and purpose.

Fortnightly

- Interest rates on domestic debt instruments including LELITE, LEDES, LECER, LEPAS, BONAR, BONTE, BONAD and BONCER at different maturities.
- Information on outstanding debt instruments (local and global debt): maturity, currency, legislation, characteristics (DL, Dual, CER, fixed), holders (banks, FXI, insurance, corporates, foreigners, BCRA, FGS, BNA, provinces).
- Daily data on external financing from each multilateral and bilateral creditor, broken down by budget support and project financing, and by largest bilateral projects.

Monthly

- Federal government operations including monthly cash flow from the beginning to the end of the current fiscal year (and backward revisions as necessary), with a lag of no more than 25 days after the closing of each month, according to both the format of the *Informe Mensual de Ingresos y Gastos* (IMIG) and to the format of the *Cuenta Ahorro Inversion Financiamiento* (AIF). Specific reporting will include details on:

   i. Revenues from sales of physical assets, licenses, and permits (and 12-month projections for future sales of such assets).

   ii. Income related to the issuance of government debt securities (*resto de rentas de la propiedad*).

- Data on the stock of domestic arrears by ministry or agency.

- Fiscal financing sources (below-the-line), including BCRA transfers, issuance of domestic public securities, financing from within the non-financial public sector, external financing, and other financing schemes. Data to be provided with a lag of no more than 25 days after the closing of each month. Detailed quarterly financing plan for the coming twelve months, including the aforementioned sources, to be provided one month in advance.

- External financing received and projections for the coming four quarters, with loans and grants categorized by program and project. Data to be provided with a lag of no more than 25 days after the closing of each month.

- On federal debt:

  i. Domestic and external debt service (amortization and interest payments) of the federal government, with a lag of no more than 25 days after the closing of each month. Projected monthly federal government debt amortization/repayments and interest payments (local currency and FX bonds, treasury bills, Eurobonds, domestic loans, external commercial and external official loans). This would include both direct and guaranteed debt. In the case of issuance of government guaranteed debt, the name of the guaranteed individual/institution shall be included.

  ii. Information on the stock of external arrears will be reported on a continuous basis.

  iii. Federal government debt stock by currency, as at end month, including by (i) creditor (official, commercial domestic, commercial external); (ii) instrument (local currency and FX denominated bonds, treasury bills, Eurobonds, domestic loans, external commercial and external official loans); and (iii) direct and guaranteed.

  iv. The balances of the (federal) government at the central bank and in the commercial banking system needed to determine the cash position of the (federal) government.

- Required and excess reserves of the banking sector in local and foreign currency.

- Balance sheets of other financial corporations (non-deposit taking), including holdings of federal and provincial debt and of the BCRA instruments within one month after month end.

- Data on the total loans value of all new federal government-funded public private partnerships.

Quarterly

- Federal government transfers to the provinces and the Autonomous City of Buenos Aires related to the settlement of liabilities associated with pensions, revenue sharing and expenditure allocation, as well as payments of arrears as per ICSID or similar arbitration rulings.

- On provincial government operations, with a lag of no more than two months after the closing of each quarterly, according to the format defined by the Ministry of Finance.

- On provincial debt:

i. Quarterly data on the provincial government debt stock by currency, provided within two months following the closing of each quarter, including by (i) creditor (official, commercial domestic, commercial external; (ii) instrument (local currency and FX denominated bonds, treasury bills, Eurobonds, domestic loans, external commercial and external official loans); and (iii) direct and guaranteed.

ii. Quarterly domestic and external debt service (amortization and interest payments) of the provincial governments, provided within two months following the closing of each quarter.

iii. Quarterly projections for the following semester for provincial government debt amortization/repayments and interest payments, at least 30 days before the end of each quarter. This would include local currency and FX bonds, treasury bills, Eurobonds, domestic loans, external commercial and external official loans, and both direct and guaranteed debt. In the case of issuance of government guaranteed debt, the name of the guaranteed individual/institution shall be included.

INTERNATIONAL MONETARY FUND

ARGENTINA

January 29, 2024

SEVENTH REVIEW UNDER THE EXTENDED ARRANGEMENT UNDER THE EXTENDED FUND FACILITY, REQUESTS FOR REPHASING OF ACCESS, EXTENSION OF THE ARRANGEMENT, WAIVERS OF NONOBSERVANCE OF PERFORMANCE CRITERIA, MODIFICATION OF PERFORMANCE CRITERIA, AND FINANCING ASSURANCES REVIEW—SUPPLEMENTARY INFORMATION AND SUPPLEMENTARY LETTER OF INTENT

Approved By
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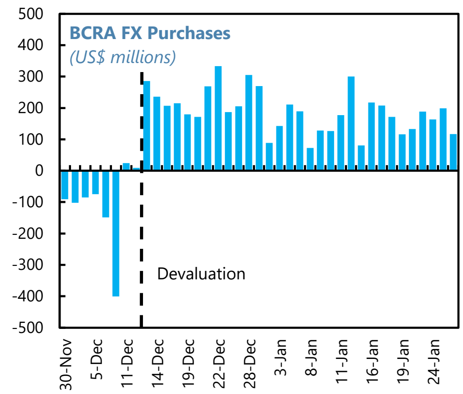
Prepared by the Argentina team of the Western Hemisphere Department

This supplement provides an update on developments since the issuance of the Staff Report (EBS/24/5) circulated to the Executive Board on January 18, 2024, along with a supplementary Letter of Intent. Specifically, it provides details on recent market and economic developments, along with an update on program performance, including critical policy actions for this review. The thrust of the staff appraisal remains unchanged.

RECENT DEVELOPMENTS AND POLICIES

1. **Reserve coverage improved further in the context of a sharp demand contraction.** The central bank has continued buying FX in the official market, with cumulative purchases since December 10, 2023, reaching US$5.9 billion as of January 26, 2024, reversing previous trends. Argentine bond prices continue to outperform emerging market peers yet remain at distressed levels (35-40cents on the USD), and the FX gap is now hovering around 50 percent. High frequency data confirms a contraction in activity and shift to a trade surplus, on account of the new administration's tighter policies and exchange rate realignment.[1] Preliminary data also suggests some slowdown in inflation during January.



Source: BCRA.

2. **Official data confirm large fiscal slippages in 2023.** As anticipated, the cumulative primary deficit reached 2.9 percent of GDP in 2023, well above the 1.9 percent of GDP target (see Table 1). For the year as a whole, declines in real revenues (down 7 percent y/y), largely reflecting lower export duties (58 percent y/y) from the drought, were not sufficiently offset by cuts in real primary spending (down only 5 percent y/y), with the bulk of the deficit financed by the central bank. In the final weeks of the year, the new administration sought to contain spending and normalize the large stock of inherited domestic arrears.

3. **Building on the upfront actions taken since assuming office, the new authorities recently completed all agreed prior actions.**

- **Energy.** Consistent with commitments to rationalize inefficient energy subsidies, the authorities have completed public hearings and outlined their proposals for gas and electricity tariff adjustments (***prior action***). Following an initial step up in February, gas and electricity prices will quickly reach cost recovery by April 2024, except for the most vulnerable households, in line with the programmed reduction in energy subsidies by 0.5 percent of GDP this year. To this end, initial details of a new subsidy scheme were unveiled, aimed at improving the targeting of subsidies for vulnerable households (based on basic energy consumption depending on household size and location) to become effective this April.

- **Importer debt.** The authorities have developed a market-friendly strategy to address the large importer debt overhang **(*prior action*)** and are well advanced in its implementation. Subscriptions to the first-series, longer-dated FX securities reached US$4.1 billion of the allotted US$5 billion, and the second and third shorter-dated series will be offered starting February, (up

[1] Economic activity fell by 1.4 percent m/m in November, with high-frequency indicators pointing to an even deeper and broader contraction since then. December trade data also shows a swing to surplus (US$1 billion) from a deficit in November (US$0.6 billion), reflecting a large compression in import volumes (15 percent m/m SA) and a rebound in export volumes (11 percent m/m SA).

to US$5 billion), for small and medium-sized enterprises.[2] Meanwhile, the total stock of registered commercial debt for imports (accumulated before December 13, 2023) reached US$42.6 billion, net of US$8.5 billion of debt canceled without access to the official FX market.

- **Limits to central bank credit.** The government continues to meet its commitment to maintain zero net credit from the BCRA while strengthening the BCRA's balance sheet. From December 10 to January 26, the Treasury has placed ARS7.5 trillion (3.9 percent of 2023 GDP) of debt through primary auctions and used a portion of the proceeds (ARS3.8 trillion) to buy back debt from the BCRA **(*prior action*),** including to offset any BCRA secondary market purchases related to the exercise of puts by banks, keeping net central bank credit to the government below zero (ARS -1.2 trillion). The Treasury has also announced a new auction of longer maturity CER-linked instruments, with the proceeds to be used to finance another debt buyback from the BCRA.

4. Social assistance has been further expanded. Building on the doubling of the universal child allowance (*AUH)* and 50 percent increase in food stamps (*Programa Alimentar*) in January, a further 100 percent increase in food stamps was announced, effective February, to restore the purchasing power of vulnerable households. This support comes in additon to the discretionary bonuses for pensioners and social allowance recipients, with the latter also exempted from urban transport price increases. The additional social spending can be accommodated within the fiscal envelope for the program.

5. Negotiations with Congress continue to garner support for the government's fiscal and other proposed legislation and the expected timeline remains generally unchanged. To expedite approval, the government recently announced its decision to treat separately the fiscal elements included in the Omnibus bill, which is expected to be debated in the Lower House later this week. With regards fiscal measures, the authorities now plan to normalize fuel excises starting in February, which will permit an earlier-than-planned discarding of export duties, thereby strengthening the quality of the fiscal adjustment. In addition, legislation was recently submitted to Congress to undo the costly personal income tax changes implemented in the run-up to the 2023 elections,[3] which will be treated together with initiatives to reform the complex pension indexation formula and encourage asset repatriation. The authorities are of the view that the new legislative approach improves the likelihood of congressional approval of relevant legislation for the program and remain committed to take the necessary measures to meet the program targets (see attached January 29 Letter of Intent).

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[2] The central bank also enabled access to the official FX market for around 10,000 micro, small and medium-sized enterprises (MSME) with registered debts up to US$0.5 million to settle their commercial debts over the next three months. This group represents about 80 percent of all MSMEs and 70 percent of all companies in the registry.

[3] The proposal contemplates setting a higher non-taxable gross income floor (ARS1,250,000 per month versus ARS2,340,000 currently), with quarterly inflation-linked updates of the floor and PIT brackets. The lower threshold would increase the share of workers paying the PIT (to around 7 percent, from 1 percent currently), with revenue yields of about 0.4 percent of GDP per year at the federal level.

Table 1. Argentina: Quantitative Performance Criteria and Indicative Targets (Updated) 1/ 2/

(In Billions of Argentine Pesos, Unless Otherwise Stated)

	2023															
	end-Mar				end-Jun				end-Sep				end-Dec			
	Target	Adjusted	Actual	Status	Target	Adjusted	Actual	Status	Target	Adjusted	Actual	Status	Target	Adjusted	Actual	Status
Fiscal targets																
Performance Criteria																
1. Cumulative floor on the federal government primary balance 3/ 7/	-441.5	-441.9	-689.9	Not Met	-1181.4	-1201	-1880.7	Not Met	-2335.7	-2143.2	-2962.8	Not Met	-3286.5	-3094.0	-5483.3	Not Met
2. Ceiling on the federal government stock of domestic arrears 4/	1177.4	...	709.0	Met	1177.4	...	1051.6	Met	1359.8	...	1224.1	Met	1359.8	...	1647.8	Not Met
Continuous Performance Criterion																
3. Non-accumulation of external debt payments arrears by the federal government	0.0	0.0	0.0	Met	0.0	...	0.0	Met	0.0	...	0.0	Met	0.0	...	0.0	Met
Indicative Targets																
4. Cumulative floor on social assistance spending (Asignación Universal para Protección Social, Tarjeta, Progresar) 3/	239.3	...	315.6	Met	500.4	...	650.5	Met	948.4	...	1132.2	Met	1338.5	...	1677.4	Met
Monetary targets																
Performance Criteria																
5. Cumulative floor on the change in net international reserves of BCRA 5/ 7/	1.90	2.4	0.1	Not Met	6.8	6.5	-4.7	Not Met	-2.2	-2.6	-7.4	Not Met	1.3	0.9	-12.4	Not Met
6. Cumulative ceiling on central bank financing of the federal government 3/	139.3	...	130.0	Met	372.8	...	1358.0	Not Met	1699.7	1699.7	1698.0	Met	1291.2	...	1698.0	Not Met
Indicative Target																
7. Ceiling on the central bank stock of non-deliverable futures 6/	9.000	...	0.224	Met	9.000	...	0.771	Met	9.000		1.202	Met	8.000	...	0.000	Met

Sources: National authorities and Fund staff estimates and projections.
1/ Targets as defined in the Technical Memorandum of Understanding (TMU).
2/ Based on program exchange rates defined in the TMU.
3/ Flows from January 1 through December 31.
4/ Includes intra-public sector transfers (transferencias figurativas).
5/ In billions of U.S. dollars. The change is measured against the value of NIR on December 31, 2021 of US2.277 billion. It excludes payments to Paris Club from September 2022 onwards.
6/ In billions of U.S. dollars. The stock of non-deliverable futures on December 31, 2021 stood at US$ 4.185 billion, as defined in the TMU.
7/ Targets subject to adjustors as defined in the TMU.

Appendix I. Supplementary Letter of Intent

Buenos Aires, Argentina
January 29, 2024

Ms. Kristalina Georgieva
Managing Director
International Monetary Fund
Washington, DC 20431

Dear Ms. Georgieva,

Since our January 18 letter, we have continued implementing our ambitious stabilization plan. More recently, the economic and monetary authorities have advanced decisively in resolving the overhang of importer debt, finalized public hearings to realign energy utility tariffs, and have further strengthened the central bank's balance sheet, including by continuing to ensure zero net credit to government (all prior actions) while doubling our efforts to enhance our social spending to protect the most vulnerable. We have continued to accumulate reserves—over US$5.9 billion since December 10, allowing us to stay current on all external debt service—and high frequency indicators suggest inflation is gradually falling.

On the legislative front, we submitted a bill to Congress aimed at creating a more rules-based and market-oriented economy providing the backbone for future growth and development. We strongly believe that this Omnibus bill represents an inflection point in Argentina's history. To facilitate approval by Congress of the bill at the earliest possible date, we separated most of the fiscal package contained in it.

Progress is being made on the fiscal side as we are now running a primary surplus, consistent with reaching an overall fiscal balance this year. This reflects the administration's ongoing efforts to mobilize revenues, including from temporary sources, and to limit discretionary spending. In this context, we are committed to use all available options to support our fiscal path and targets, including by using our executive discretion starting February to progressively normalize fuel excises. Certain features of the Omnibus bill, which are expected to be approved soon, will support fiscal consolidation, and negotiations continue on other aspects including to improve the personal income tax system and eliminate the current distortive pension indexation mechanism, while preserving the real value of pensions through discretionary bonuses.

We reaffirm our unwavering commitment to implement our program. We recognize that the stabilization process will be challenging and, as previously indicated, we will continue to adjust our policies as needed to meet the program objectives.

Yours sincerely,

/s/	/s/
Luis Caputo	Santiago Bausili
Minister of Economy of the Republic of Argentina	President, Central Bank of the Republic of Argentina

Statement by Mr. Madcur on Argentina
January 31, 2024

On behalf of the Argentinean authorities, we thank Mr. Cubeddu, Mr. Ahuja, and the entire IMF mission team for the constructive and in-depth policy dialogue and engagement facilitating the process to speedily reach a staff-level agreement and for the staff report on the Seventh Review under the Extended Fund Facility for Argentina.

We would like to emphasize that, after a stretched electoral process—which included from primaries in mid-August to a second-round presidential election in mid-November—President Milei won with about 56 percent of the vote. On December 10, he was sworn into office and appointed a highly reputable, experienced, and competent new cabinet, including Economy Minister Luis Caputo, and Central Bank President Santiago Bausili, both of whom have also brought a strong group of economists.

Following a collaborative transition with the previous economic team, the new administration straightaway announced, and promptly started to implement a striving stabilization plan, focused on immediately attaining overall fiscal balance, rebuilding reserves, realigning relative prices, streamlining monetary and external policies, while boosting social assistance to contain the most vulnerable. The core of the new policy package is to chart a new course to allow Argentina to initially solve its lingering macroeconomic imbalances, and ultimately establish a sound path towards inclusive and sustained growth.

Key performance criteria were missed by large margins by end-2023; nevertheless, the new team is fully determined to bring the program back on track building up on the initial set of corrective measures, with a fiscal anchor at the centerstage to resolve the perpetual problem of fiscal dominance, and through the establishment of even more ambitious targets than those originally set, along with a renewed and thorough ownership of the program. These elements—a commitment to fiscal discipline and program ownership—are undisputable components of any successful stabilization program, yet in the past they were either only temporarily present, or simply absent. They are all undeniably present now.

The new plan is also comprehensive in scale and ambition. It not only envisages corrective measures, some of which are already bearing fruit, to durably reduce macroeconomic imbalances, but also a set of high-quality policies to help unlock Argentina's extraordinary potential in agriculture, energy, mining, technology, and other strategic sectors. These efforts are being underpinned by measures contained in both the already effective Emergency Decree, and the proposed Omnibus legislation, which is already under deliberation in our Congress. There is a broader structural agenda to complement the initial corrective measures that aims to create a market-oriented economy to boost investment and job creation and help improve Argentina's creditworthiness, with a gradual resumption of international private capital markets access by the end of next year, based on the country improving its creditworthiness.

The stabilization plan

The new authorities' policy package has an ultimate objective of attaining twin fiscal and current account surpluses, as essential elements to bring down inflation and restore fiscal and external sustainability.

To this end, a frontloaded **fiscal consolidation** of 5 percent of GDP is envisaged to reach an overall fiscal balance, ending monetary financing once and for all. The fiscal correction is anchored in a combination of expenditure and revenues measures. On the spending side, which will contribute to much of the adjustment, beyond cutting discretionary items of the national administration to reduce operating costs and reverting expansionary actions such as VAT exemptions, the most relevant actions include reducing energy and transport subsidies, rationalizing the public sector wage bill, realigning capital expenditures to new priorities, and curbing transfers to provinces and state-owned enterprises. On the revenue side, building up on the positive impact of the unwinding of the drought (0.8 percent of GDP), taxes on FX access for imports access were temporarily raised (to 17.5 percent from a previous level of 7.5 percent). Moreover, there are two important tax-increase initiatives being considered in Congress. The Omnibus bill is proposing a temporary rise in export taxes, with different rates for agricultural and non-agricultural exports. Meanwhile, an initiative is also being discussed to increase the personal income tax threshold.

The authorities recognize that higher quality measures will be needed in late 2024 and beyond to improve the efficiency of the tax and spending system. Plans are being developed, with technical assistance from the IMF, IDB, and World Bank, to improve tax compliance, rationalize the tax system, enhance the targeting of subsidies, improve the sustainability of the pension system, reinforce coordination at provincial levels, and improve governance of SOEs.

Importantly, efforts are underway to enhance **social spending** to protect the most vulnerable, and to safeguard the value of pensions in real terms. This very delicate social situation requires upmost attention.

On the **exchange rate policy**, soon after inauguration, the authorities implemented a large step devaluation of 120 percent, taking the nominal official exchange rate from 360 ARS/USD to 800 ARS/USD, and set the initial crawling rate at 2 percent per month to provide a nominal complementary anchor for inflation. Foreign exchange policy is expected to evolve in a manner consistent with the vital target of reserve accumulation. In addition, significant steps have been taken to normalize trade flows, and a scheme has been created to provide an orderly solution to the large commercial debt stock, while also protecting activity and employment. Initial auctions have attracted north of USD4 billion. The authorities have streamlined exchange restrictions and multiple currency practices and are committed to eliminate them by the end of this year. Furthermore, the authorities' goal is to ultimately unify the FX and lift CFMs, as conditions permit, and are expediting the development of a roadmap for their gradual unwinding.

The new FX framework has allowed stable central bank interventions in the official market, with purchases of about US$6 billion. We expect this trend to continue, facilitating a reserve accumulation of at least US$7 billion in 2024, which is about US$10 billion since the administration took office, supported mainly by the new policy set, along with strong export improvement as the 2023 severe drought unwinds.

Similarly, **monetary policy** is expected to evolve to support money demand and disinflation goals, and the monetary framework will be strengthened to ensure the central bank can play an anchoring role. Following the elimination of Leliqs (28-day central bank securities), priority will be given to continue to strengthen the central bank balance sheet, including by stopping any form of monetary financing of the fiscal deficit. Finally, bank regulations will also be gradually realigned for a better monetary transmission, and credit allocation.

On the **financing** front, focus is being given to securing the rollover of domestic obligations. The successful auctions through January 2024, resulted in net financing of about 1.6 percent of the GDP, allowing the Treasury to rebuild cash buffers and even buyback government debt held by the central bank. In tandem, we have deepened our engagement with multilateral and regional development banks to mobilize financing and technical support and we are working closely with all bilateral creditors to secure the delivery of committed financing.

The authorities are resolute to boost investment and export on strategic sectors, while also improving the business environment. These undertakings will not only expand Argentina's productive capacity and enhance external resilience, but also contribute to global energy security and climate goals. On top of the realignment of relative prices, completion of a series of projects for field development as well as for crude and gas transportation could boost crude exports by US$8 billion over the medium term. Meanwhile, numerous mining projects (copper, lithium, gold, and silver) underway could also add to Argentina's export capacity, with the potential of expanding opportunities in battery production and the electro-mobility sectors; in addition, prospects for LNG exports are being explored. All these projects will require significant time and investment. An improved investment framework is already included in the medium-term initiatives of the authorities, along with their continued efforts to improve transparency and governance, by further strengthening the AML/CFT framework in line with international standards.

Conclusion

This is a new era for Argentina. The potential is immense, but the path ahead is not free of difficulties; with conditions getting worse before getting better. Moving forward through this tough terrain requires leadership, conviction, and expertise. Notably, President Milei bluntly explained his ideas and initiatives during the campaign, and even more explicitly in his inauguration speech. And a strong majority of people have significantly backed his policies and vision. This social support is the foundation for the new stabilization and growth plan. Society has decided it is about high time there is a change, and this social support, from the bottom up, is what is driving the political support for the program.

Our authorities reaffirm their strengthened commitment to the policies and objectives of the economic program supported by the IMF arrangement under the Extended Fund Facility (EFF), and to meeting the enhanced program's targets and structural conditionality for the remainder of the program. On the basis of the bold actions taken so far and our demonstrated strong commitment and ownership to the program, we encourage Executive Directors to support the seventh review under the extended arrangement under the Extended Fund Facility, the requests for waivers of applicability and nonobservance of performance criteria, the modification of performance criteria, the temporary exchange restrictions, the multiple currency practices, the rephasing of access, and the financing assurances review.