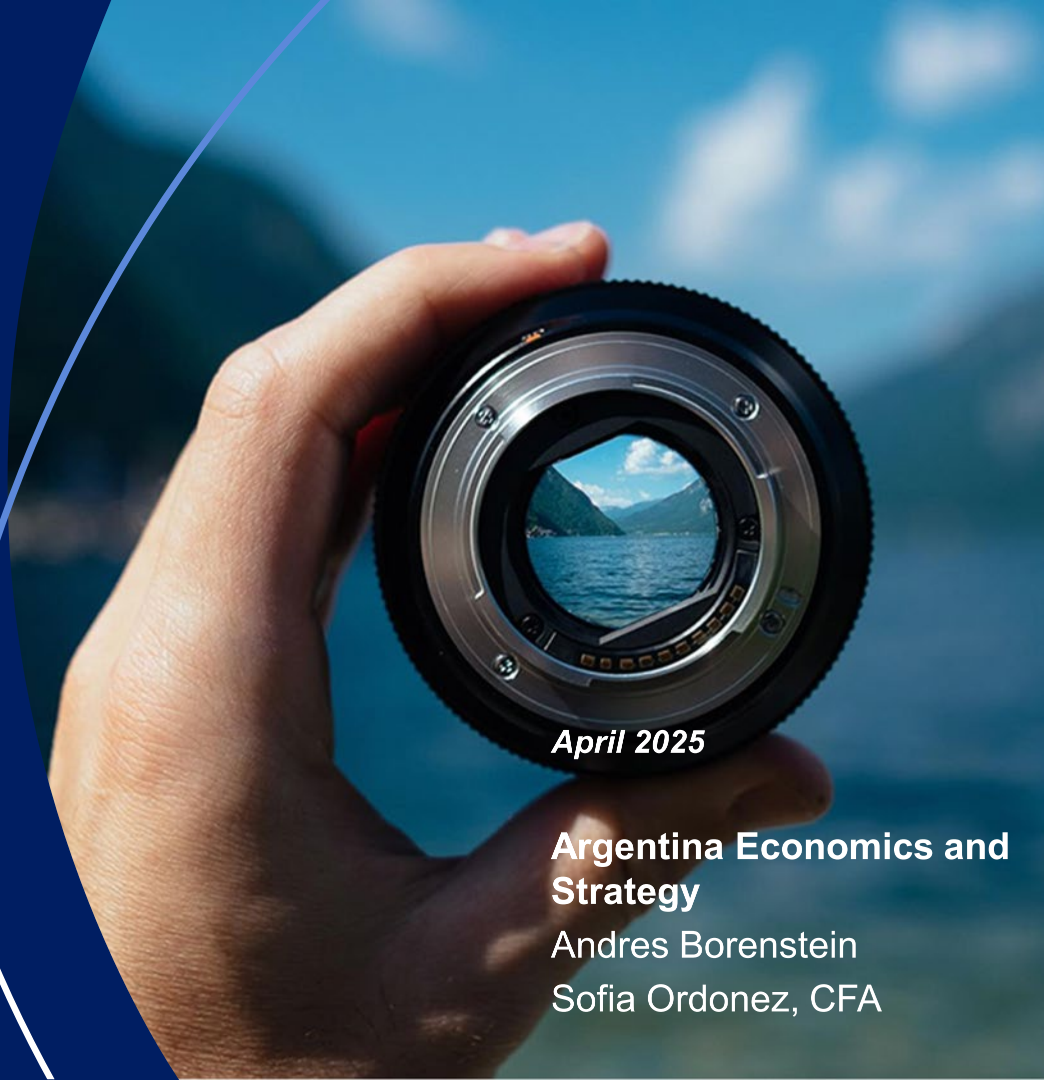
To float or not to float

The timing for capital control lifting under discusión can cloud a good set of fundamental.



April 2025

Argentina Economics and Strategy

Andres Borenstein

Sofia Ordonez, CFA

Three pillars: fiscal, structural reforms, and FX as nominal anchor

The government's economic plan is based on 3 main pillars that aim to correct decades of imbalances: i) a strong fiscal anchor, ii) structural reforms to increase productivity, and iii) a new monetary/FX framework, which includes using the official FX as a nominal anchor.

Fiscal adjustment

The administration's strong fiscal commitment is the cornerstone of its plan. The government has made significant progress on the fiscal side, posting primary surpluses every month this year through a combination of income measures and a tough expenditure adjustment.

Structural reforms

Structural/ microeconomic reforms are underway. The government published a "mega" decree in December and passed the Pillars Law/Fiscal package in Congress, all of which aim to increase the efficiency/productivity

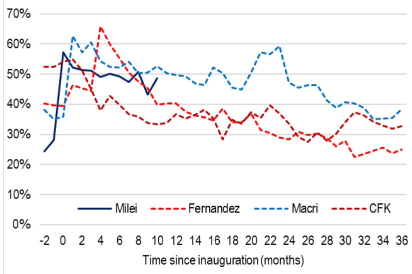
Monetary/ FX policy

FX policy is the weakest link in the government's strategy.

The government made significant progress on inflation.

Public support, the political anchor?

For a government with a weak representation in Congress, the high level of public support has been vital to executing its adjustment plan and passing legislation.



The government has delivered solid results on the fiscal side, made significant progress on reducing inflation and made headway in cleaning up BCRA's balance sheet. FX policy is the elephant in the room.

The three key milestones for Argentina in 2025

Macro fundamentals remain solid. We expect growth of around 6%, primary surplus of 1.5% and current account deficit of less than 1% of GDP.

IMF Agreement

The agreement will be for USD 20 billion. The timing of the disbursements is still under negotiations. Argentina aspires to receive at least USD 8 billion cash, which would take it to positive territory in net international reserves.

Lifting FX restrictions

The billion-dollar question is when and how. We think that a complete opening of the gates will not come until after the mid-term elections. But we are confident that the Central Bank will make changes in the direction of lifting controls. Some of them are potential concessions to IMF staff.

Mid-term elections

The government retains high popularity, roughly in the high 50s. There is a lot of discussion about potential alliances with Macri's party. Cristina Kirchner may participate and can potentially be the most voted option in PBA. That could create ripples in the market, but is not a game changer. We think that the government can get around 40% of the vote and will consolidate a solid block in Congress to defend its policies.

Fiscal: Key messages

From the chainsaw to the scalpel

- Fiscal surplus is non-negotiable. The government wll likely cut more taxes after eliminating the PAIS tax, reducing export taxes and cutting taxes on luxury cars.
- Tax revenues are coming in better than expected.
- The chainsaw will work on and off this year, making room for some discretionary transfers to provinces and a little more public infrastructure after the decimation of 2024.
- Some of the 2024 spending cuts will be more noticeable this year, as they were executed in 2H24 or because the cost of redundancies was paid in 2024.

Fiscal policy: The fiscal surplus is non-negotiable

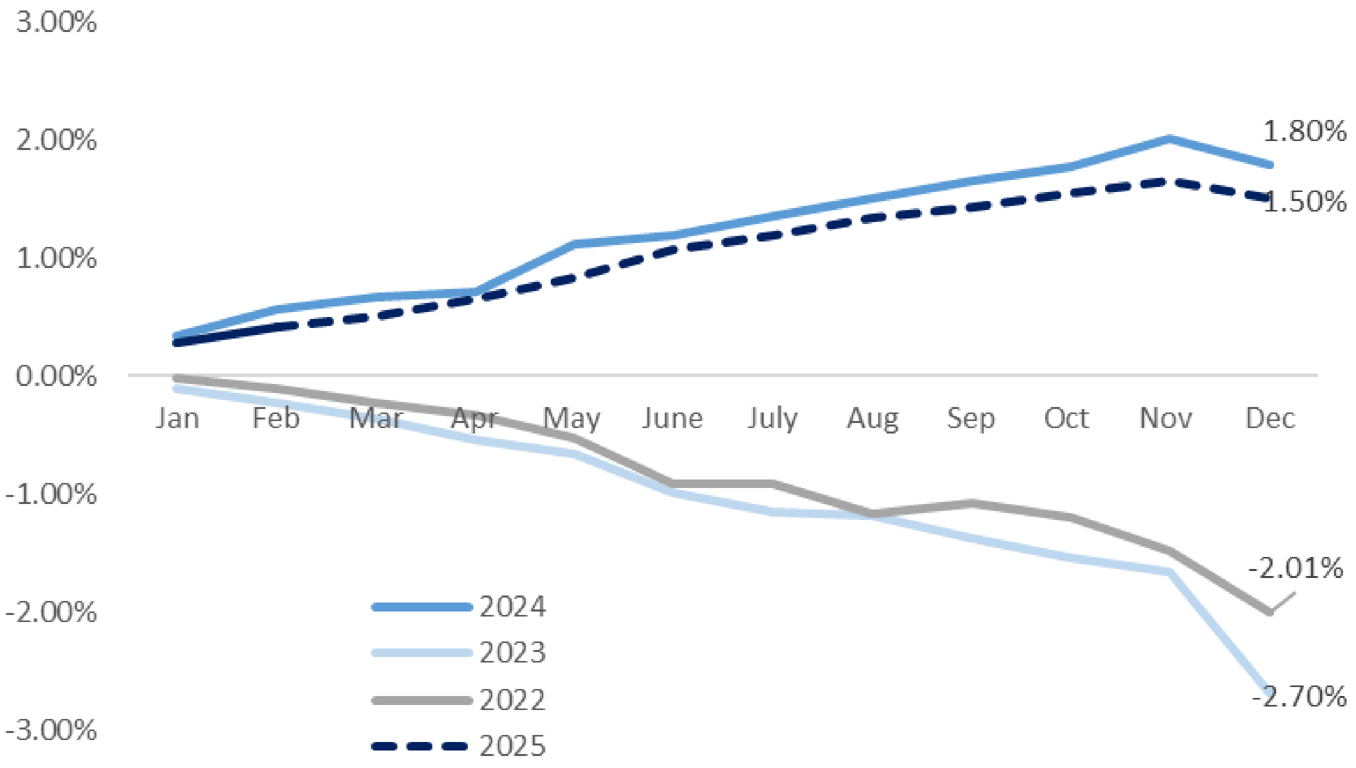
The strong fiscal commitment is the cornerstone of the plan and the main novelty versus previous stabilization attempts

- 2024 was the “year of the chainsaw”. Milei & Caputo have built strong credibility in this area, posting a primary surplus every month since taking office.
- We estimate a 1.5% primary surplus for 2025, even after cutting export taxes and a special tax on cars. This would represent an overall surplus of 0.2% of GDP. There is upside risk for this scenario.
- There is room to do more public infrastructure spending and give more discretionary transfers to provinces, especially to districts willing to cut local taxes, one of the nightmares of the Argentine tax system.

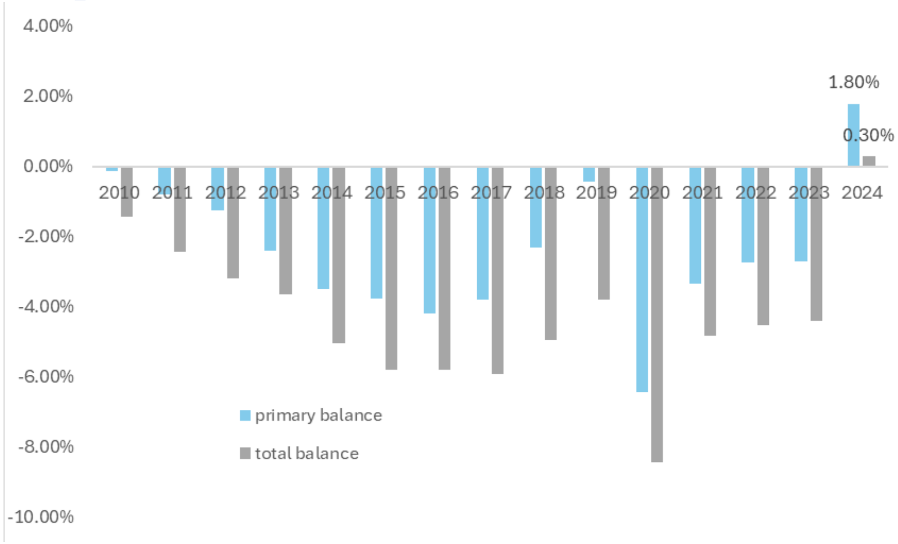
All figures in % of GDP	2023	2024	2025
Primary spending	**19.58%**	**15.13%**	**14.76%**
Pensions	6.75%	6.17%	6.23%
Subsidies to E&T.	2.08%	1.51%	1.29%
Social programs ex	2.97%	3.38%	3.17%
Opex including salaries	3.30%	2.70%	2.50%
Provinces (discretionary)	0.75%	0.25%	0.40%
Capex	1.60%	0.41%	0.65%
Other	2.14%	0.71%	0.52%
Total revenues	**16.89%**	**16.92%**	**16.28%**
Tax revenues	14.96%	15.55%	15.26%
Interest & dividend incom	1.02%	0.77%	0.45%
Other income	0.91%	0.60%	0.57%
Primary balance	**-2.70%**	**1.80%**	**1.52%**
Interest payments	**1.70%**	**1.49%**	1.30%
Toal balance	-4.40%	0.30%	0.22%

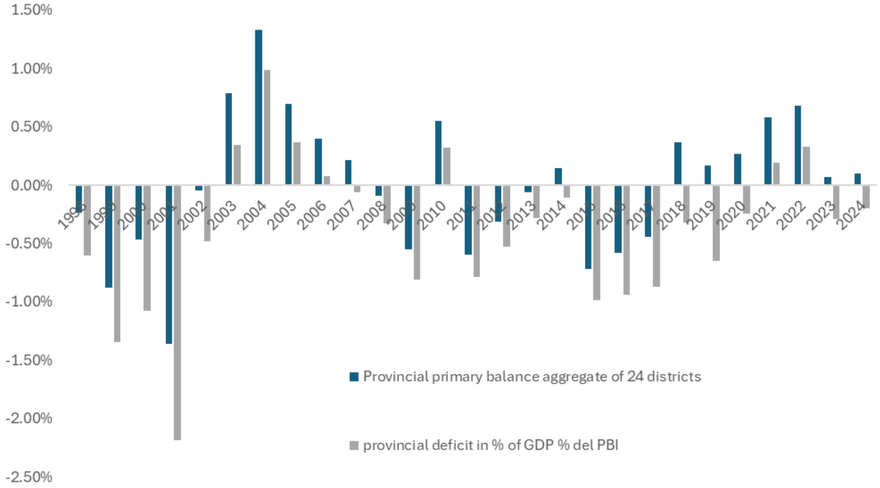
Source: Ministry of Economy, BTG Pactual

Slightly below 2024, but this is an election year



Fiscal policy: Fiscal deficit/surplus in perspective





Source: Ministry of Economy, BTG Pactual

- Provinces have run 7 years of primary surpluses. The flip side is that most have increased taxes. But with strong federal tax collections, there is space for surpluses to continue even if local taxes are reduced. Jurisdiction competition (voting with your feet) will be the name of the game in 2026.

Source: Ministry of Economy, BTG Pactual

- First surplus in 15 years. It was a matter of political conviction.

Argentina's tax structure

VAT, social security and income tax should recover with economic activity.

Year/tax	VAT	Income	Social security	Export tax	Tax on debits & credits (IOF)	Wealth tax	Import duties	Pais	Total tax take Federal government	Federal government share	Provinces
2012	7.22%	5.25%	6.66%	2.32%	1.67%	0.28%	0.63%	N/D	**25.77%**	**74.13%**	**25.87%**
2013	7.44%	5.48%	6.86%	1.66%	1.69%	0.31%	0.70%	N/D	**25.65%**	**73.86%**	**26.14%**
2014	7.23%	5.83%	6.50%	1.84%	1.68%	0.31%	0.66%	N/D	**25.54%**	**73.89%**	**26.11%**
2015	7.27%	6.41%	6.74%	1.28%	1.64%	0.31%	0.60%	N/D	**25.83%**	**73.36%**	**26.64%**
2016	7.12%	5.29%	6.55%	0.87%	1.61%	0.24%	0.69%	N/D	**25.28%**	**74.14%**	**25.86%**
2017	7.18%	5.21%	6.61%	0.62%	1.62%	0.21%	0.66%	N/D	**24.19%**	**71.55%**	**28.45%**
2018	7.49%	5.03%	5.96%	0.77%	1.59%	0.10%	0.73%	N/D	**22.94%**	**68.48%**	**31.52%**
2019	7.11%	5.09%	5.40%	1.85%	1.62%	0.14%	0.74%	N/D	**23.30%**	**68.35%**	**31.65%**
2020	7.00%	5.39%	5.46%	1.42%	1.66%	0.76%	0.73%	0.50%	**24.39%**	**66.32%**	**33.68%**
2021	7.02%	5.12%	4.98%	2.08%	1.62%	0.60%	0.80%	0.24%	23.81%	**68.16%**	**31.84%**
2022	7.06%	5.71%	5.02%	2.00%	1.63%	0.51%	0.77%	0.42%	24.18%	**67.38%**	**32.62%**
2023	7.73%	4.59%	4.85%	0.81%	1.64%	0.52%	0.70%	0.79%	22.46%	**66.62%**	**33.38%**
2024	7.43%	4.50%	4.94%	1.04%	1.63%	0.40%	0.66%	1.33%	22.68%	**66.98%**	**33.02%**

Export taxes and IOF to be cut when fiscal numbers permit. But these two levies go to federal coffers, so the reduction/cut will need to be negotiated with provinces to share the burden somehow. In the last decade, the Federal government lost 7 points of share of the total tax take levied af Federal level.

Fiscal policy: Tax revenues are marching in

Tax revenues as % of GDP, net of automatic transfers to provinces

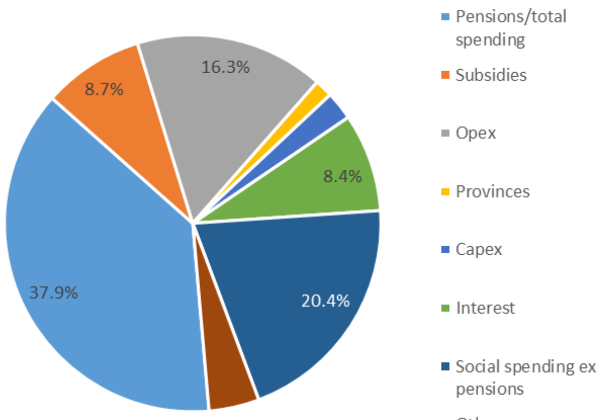
Tax revenues attributable to Federal government	2023	2024	2025
VAT	3.47%	3.27%	3.57%
Income	1.62%	1.57%	1.84%
Social security	4.85%	4.77%	5.14%
Credits and debits	1.57%	1.57%	1.60%
Export taxes	0.81%	1.01%	1.32%
Import duties	0.70%	0.64%	0.72%
Pais	0.79%	1.29%	0.00%
Fuel tax	0.22%	0.34%	0.45%
Wealth tax	0.20%	0.15%	0.13%
Other	0.71%	0.44%	0.49%
Total	**14.96%**	**15.03%**	**15.26%**

Source: Minsitry of Finance, BTG Pactual

- We have estimated better revenues from income and VAT based on growth elasticities. Social security revenues are surprising us with real growth of 30%.
- Export taxes are bouncing back despite the cuts. The comparison base of 2024 is low.

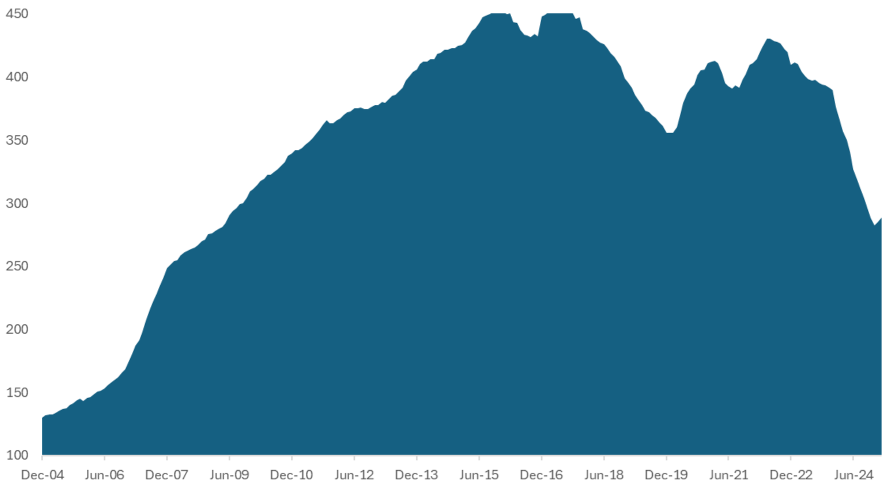
Fiscal policy: The chainsaw in motion

How does Argentina's government spend? LTM to Feb 2025



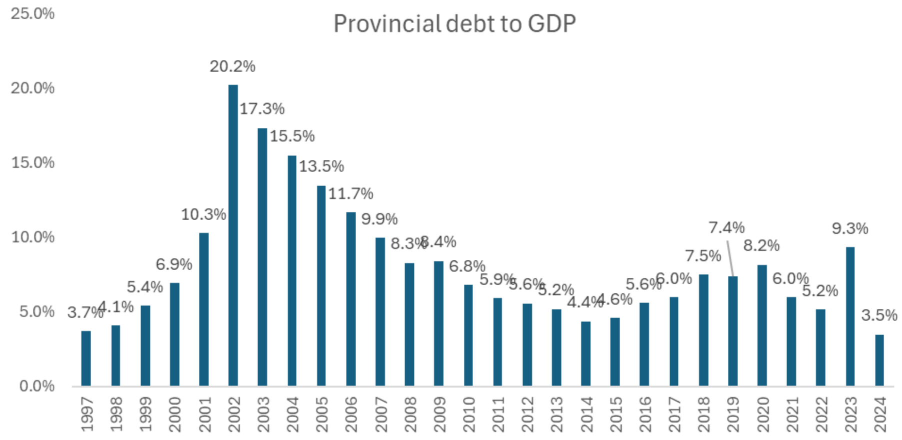
Source: Ministry of Finance, BTG Pactual

Primary spending LTM Jan 2004= 100

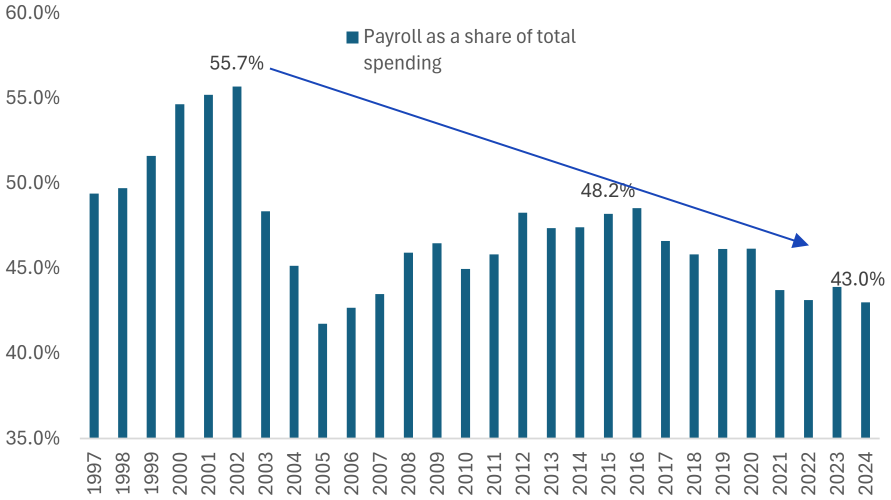


- In 2024 primary spending was 19% below 2019's tally (Macri) and 36% below 2015 (CFK). It grew marginally in the last 2 months, but nothing to write home about. It is the dynamic of pensions with lower inflation.

Fiscal policy: Provinces are doing just fine



Source: Argentine government, BTG Pactual



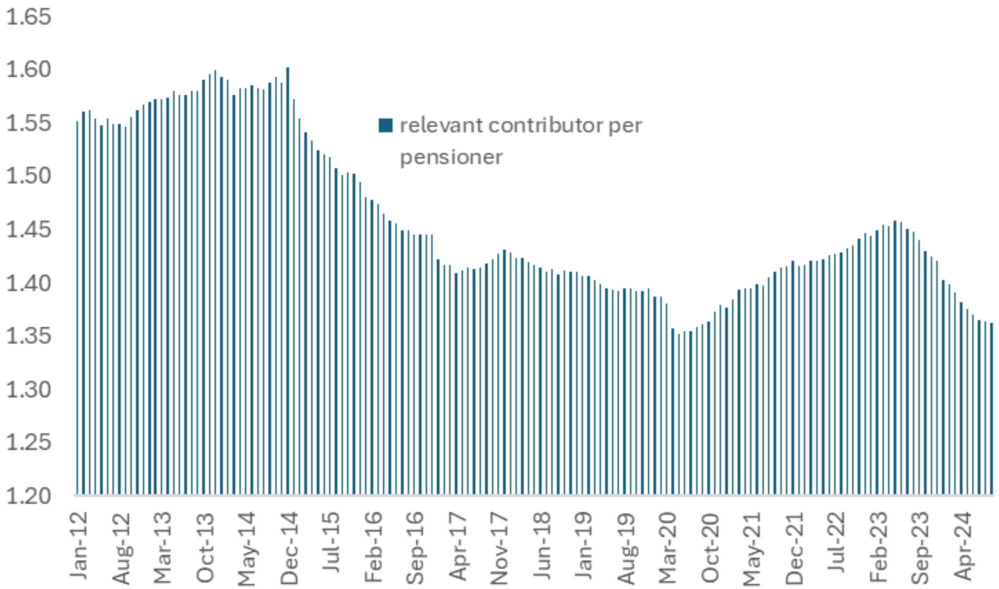
Source: Argentine government, BTG Pactual

Part of this story is good management, but part is currency appreciation, as a large part of the debt is in USD. As a % of current revenues, debt represents just 24%, down from 56% in 2024 and 31% in 2023

Reducing the share of payrolls provides more flexibility to provincial budgets.

Why social security reform is important

Half of the pensioners have not contributed or did so marginally



"Relevant" excludes domestic work and mono-tax contributors, as their contribution is too low in comparison with benefits

- To finance the social security system, the federal government uses the proceeds of other taxes on top of social security contributions.
- A reshuffling of the system would make it sustainable and fairer. It should be in the legislative agenda for 2026, as well as a tax reform and a more fundamental labor reform.
- Cutting informal work would also add a lot to social security sustainability, but no realistic program can achieve that in the short term.

Why tax reform is important

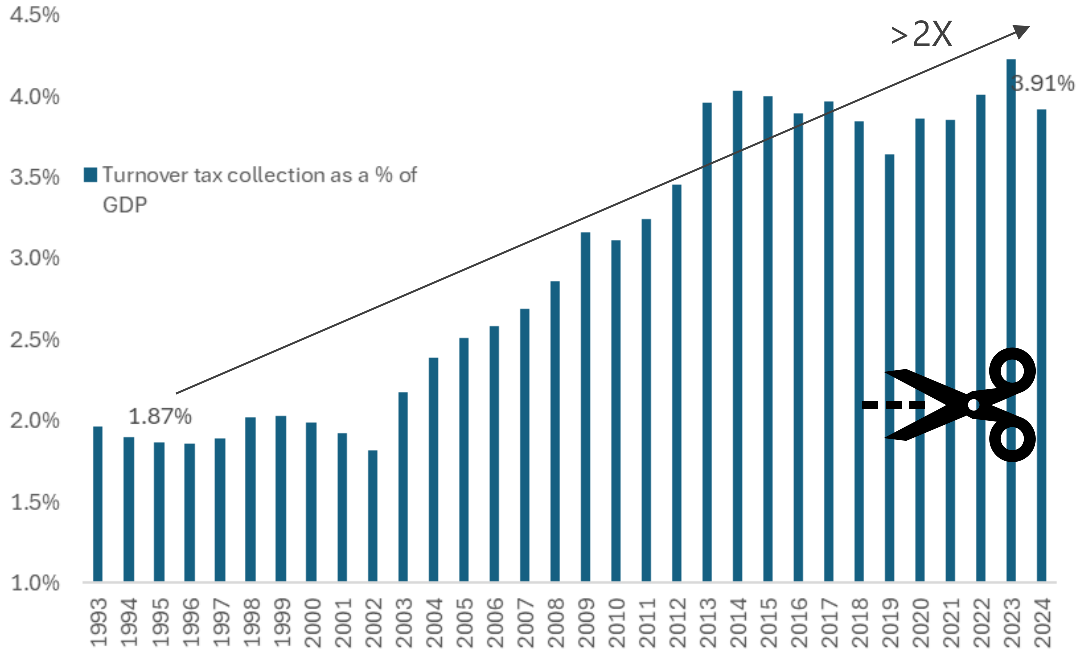
A very inefficient labyrinth

- Argentina has 165 taxes, of which 41 are levied at the federal level. Provinces have 26 taxes and municpalities 98.

- Most of the federal taxes are shared with provinces through the tax sharing scheme. The government promises to narrow the number of levies to 6. But it will require an effort from provincial governments.

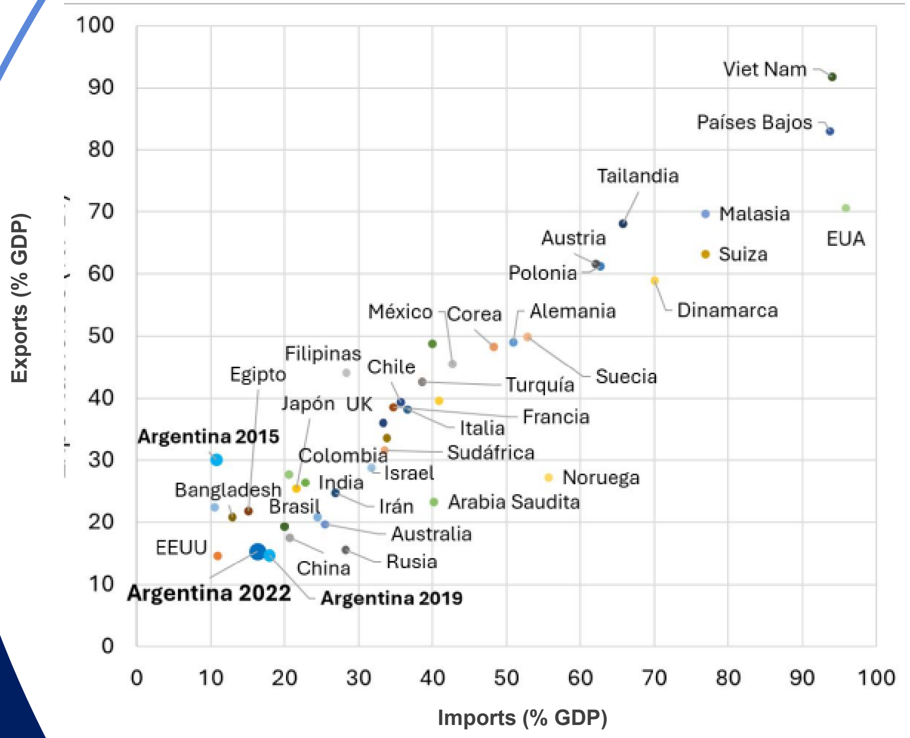
- The turnover tax is one of the most inefficient provincial taxes, as it cascades along the value chains. To make matters worse, there is a withholding provincial tax mechanism that leaves many companies with tax credits - a very inefficient use of capital.

- Provinces should rely on property taxes. This could be a potential offsetter of the strong peso.



Structural reform highlights

- The government passed two critical legislation items last year this year: the Pillars Law and the fiscal package, and a “mega” decree in December. These contained reforms to improve efficiency within the public administration and provide incentives for investment and growth.
- The government aims to replicate Cavallo’s “deregulation decree” from 1991, the cornerstone of Argentina's productivity boost along with macro stability in the nineties.
- There was a mild labor reform, the authorization to privatize several public companies, and a new Regime for Large Investments (RIGI), with generous tax benefits for projects over USD200mn in specific sectors such as infrastructure, mining and oil & gas.
- Effects of these initiatives are hard to measure and will take time to show up, but they should eventually improve productivity, reduce costs for companies, and provide higher welfare for consumers.



Source: Argentine government, BTG Pactual

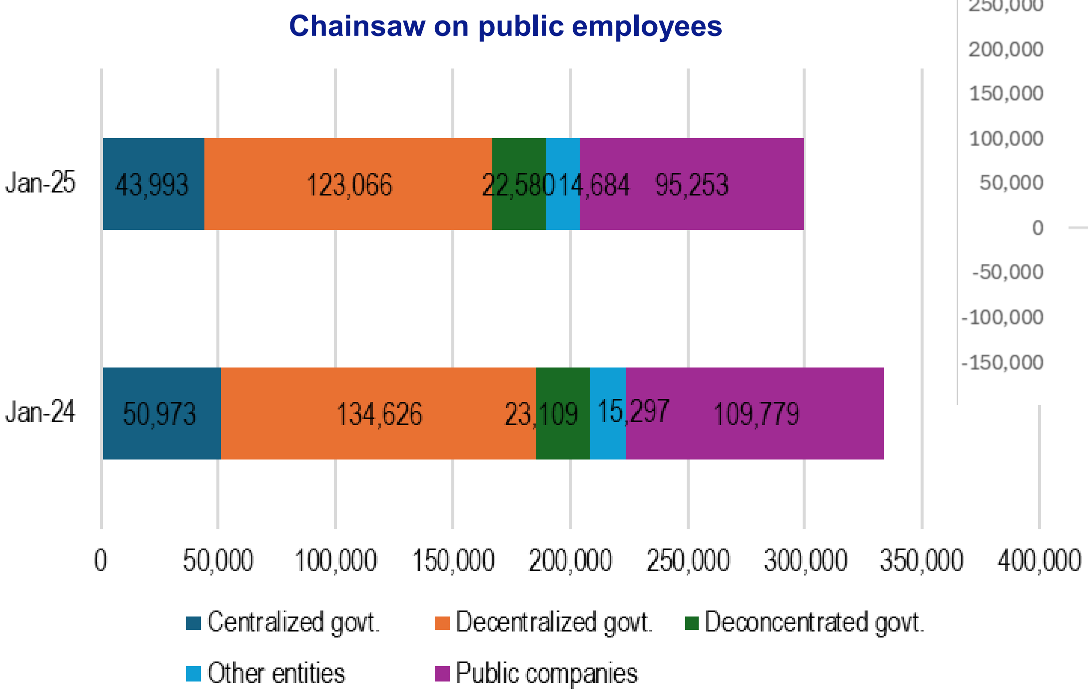
Structural reforms: A more open economy

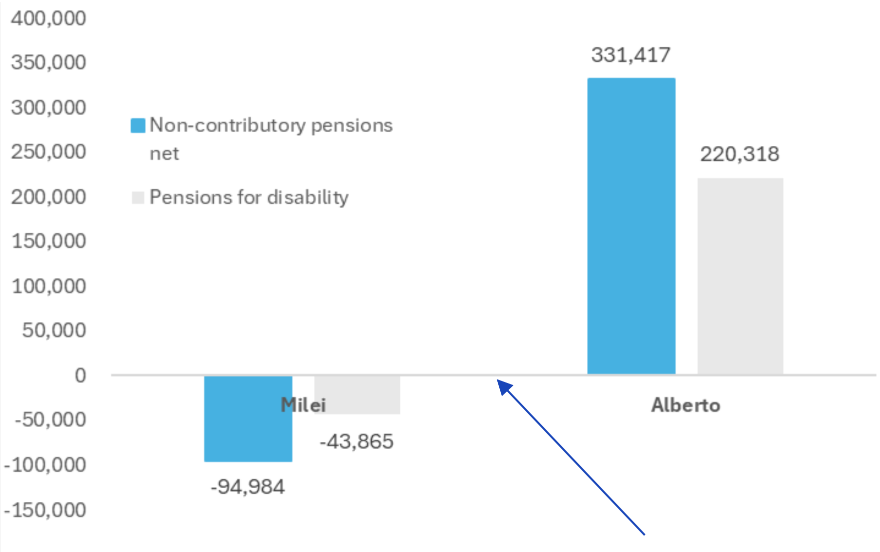
Inputs & machinery	Previous tariff	New tariff	Final goods	Previous tariff	New tariff
Tires (cars and trucks)	35%	16%	Motorbikes & bikes	35%	20%
Herbicides	35%	12.6%	Small appliances	35%	20%
Fertilizers	~5%	0%	Fridges	35%	20%
Plastic inputs	12.6%	6%	Washing machines	35%	20%
Lycra and Polyester	12.6%	2%/6%	Energy drinks	35%	20%
Irrigation equipment	12.6%	2%	Sunglasses	35%	20%
Matrices	35%	12.6%	Sunscreen	25%	18%
31 machineries	12.6%	2%	Roasted coffee	35%	20%

Source: Argentine government, BTG Pactual

The government's chief goal is to give breathing space to value chains by lowering input prices and reducing margins to improve consumers' welfare. The reduction in duties was possible because the previous government had used Mercosur's exceptions.

Structural reforms: Shrinking the size of the State



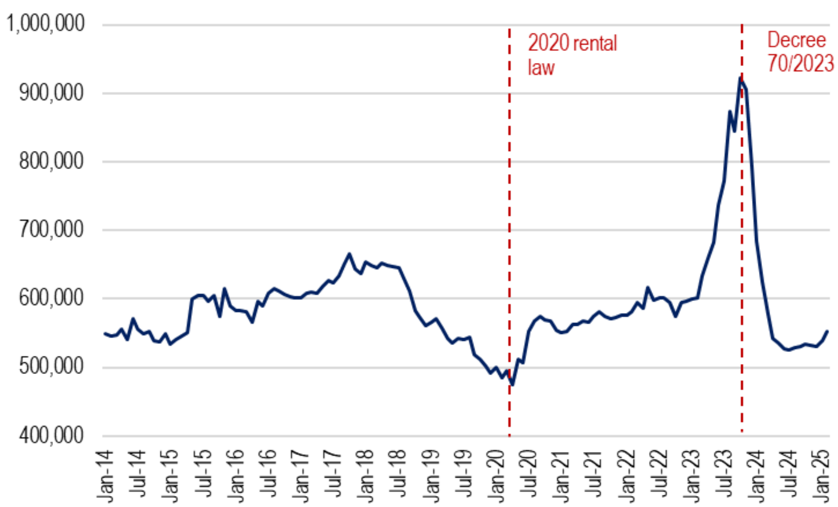


Chainsaw on non-contributory pensions, some of which are based on political favors, especially the disability pensions. Argentina still has 1.2mn disability pensions out of a population of 47mn. There are municipalities with a share of disabled residents that would not resist any serious test.

Structural reforms: underway

The new rental law is an example of how reasonable policies improve market conditions

Rent prices in Buenos Aires (at today's prices)



Source: CABA, INDEC, BTG Pactual

Area available for renting in Buenos Aires

Source: CABA, INDEC, BTG Pactual

This is a case of improving consumers' welfare. It should provide political capital to Milei for this reform

Structural reforms: RIGI stimulus

The government hopes that the new Regime for Large (RIGI) Investments will help to boost growth in the near term.

RIGI's main conditions

		RIGI	General regime
Eligible sectors	Foresty, tourism, infrastructure, mining, technology, steel, energy, oil & gas.		
Minimum investment amount		USD200mn	
Tax incentives	**Income tax**	25%	35%
	Accelerated amortization	Yes, for fixed assets and infrastructure	No
	Dividends	7%, 3.5% after 7 years	7%
	VAT	Payment through "fiscal credit certificates" in investment phase.	21%
	Debits and credits	Income tax deductible	1.2%
	Import taxes	0%	Varies
	Export taxes	0% for up to 3 years	Varies
FX incentives	In the investment phase, companies will not be required to sell US dollars from Companies will be able to retain up to 20% of US dollars from export sales after 2 Projects will be exempt from any future restrictions or access to the exchange		

Source: Argentine government, BTG Pactual

¿Can the Regime for Large Investments (RIGI) boost growth? Yes, potentially, but likely not much in the short term.

Structural reforms: List of RIGI projects submitted

Natural resources + 1 steel project

Status	Investor	Project	Sector	Province	Amount (USDbn)
Approved project	YPF Luz	El Quemado	Wind energy	Mendoza	0.2
	Galan Lithium	Hombre Muerto Oeste	Lithium	Catamarca	0.2
	Posco	Sal de Oro	Lithium	Salta/Catamarca	1
	Minas Argentinas	Gualcamayo	Mining	San Juan	1
	YPF	Vaca Muerta Sur	Oil & gas	Rio Negro	2.5
Announced projects	PAE	PAE-Golar	Oil & gas	Rio Negro	2.9
	Sidersa	Steel plant	Steel	Buenos Aires	0.3
	PCR	Wind farm	Wind energy	Salta/Catamarca/Jujuy	0.3
	Rio Tinto	Rincon	Lithium	Salta	2.7
	McEwen Copper	Los Azules	Mining	San Juan	0.2
Total					**11.3**

Source: Argentine government, Bloomberg, BTG Pactual

There are a few others in the pipeline such as the JV between Shell and YPF in the LNG project

De-regulation examples

Simplification, deregulation and de-bureaucratization

- It was very difficult for a supermarket or any other public place to set up car electric chargers. Now anybody can do it.
- Importers had to leave merchandise to be inspected in port facilities. Now they can take it to government warehouses, a much cheaper alternative.
- Open skies agreements with several countries, leading to airlines being allowed to operate flights with foreign crews.
- Reduce ´conflictivity´ in labor contracts.

- Structural change to reduce margins, for instance changing anti-dumping policies.
- Facilitate imports in some key insutrial inputs in order to reduce costs along the value chains of users of steel, aluminium, petrochemicals and others. This tends to reduce incumbents’ margins.
- Reduce customs costs that are twice as much as the Latin American average and orders of magnitude more than in the OECD.

Inflation: Downtrend, interrupted

The government reduced the crawling peg from 2% m/m to 1% m/m on February 1.

Prudent monetary and fiscal policies eliminate the risk of too much money printing.

A more open economy helps to reduce margins in some tradeable sectors.

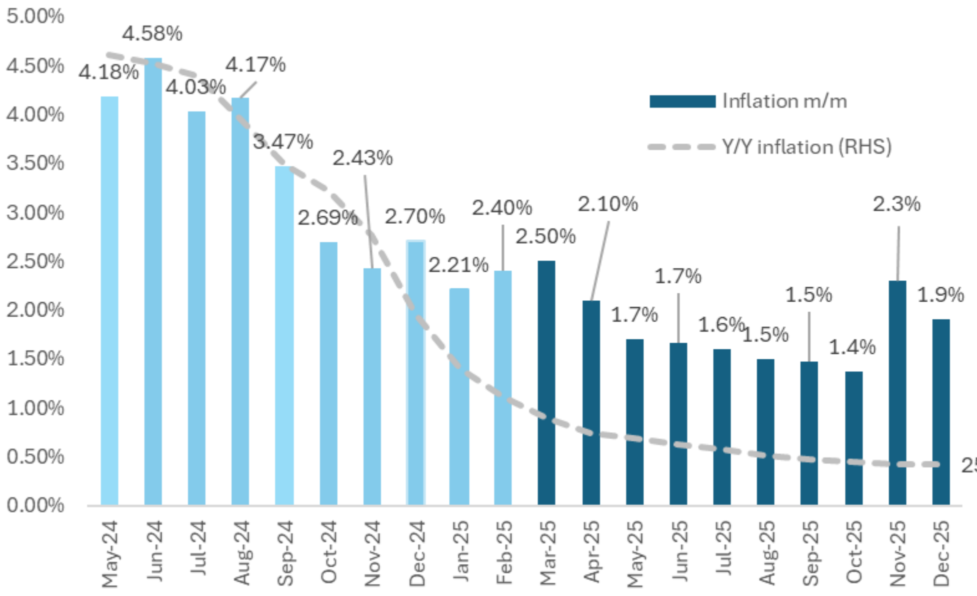
Risks:

Output gap is not very high. So, high growth could put pressure on prices. Monitoring investment and bottlenecks will be critical in the final stages of the stabilization plan

Argentina no longer controls prices, and the basic goods basket rose just 0.9% in January. This fosters the cultural change Milei is after

Inflation: Downtrend, interrupted

Headline prices have behaved better than we expected, with inertia playing a smaller role than we anticipated.



Source: INDEC, BTG Pactual

Wage adjustments

Union	Agreement date	# est. union members ('000)	Jan-25	Feb-25	Mar-25
Food industry workers (FTIA)	Mar-25	200		2%	1.90%
Domestic workers	Mar-25		2.6%		
Construction (UOCRA)	Feb-25	500	1.8%	1.5%	1.0%
Provincial government employees (ATE-PBA)	Feb-25	83		7.0%	1.9%
Restaurant workers (UTHGRA)	Feb-25	450	1.8%	1.5%	1.0%
National government employees (UPCN)	Feb-25	400	1.5%	1.2%	
National police force	Feb-25		1.5%	1.2%	5.0%
Retail (FAECyS)	Jan-25	1800	1.7%	1.7%	1.6%
Truck drivers	Jan-25	200	1.8%	1.5%	
Metallurgical (UOM)	Jan-25	180	1.8%	1.5%	1.0%
Sports clubs (UTEDYC)	Jan-25	160			5.0%
Transportation (UTA)	Jan-25	70	3.4%		
Building superintendents (FATERyH)	Jan-25	60	1.8%	1.5%	
Rural workers (UATRE)	Dec-25	120	3.4%	2.8%	
Banks (AB)	Nov-24	80	2.4%	2.7%	2.2%
Gas station workers (SOESGyPE)	Nov-24	70	2.0%		
Weighted-average			1.8%	1.7%	1.6%

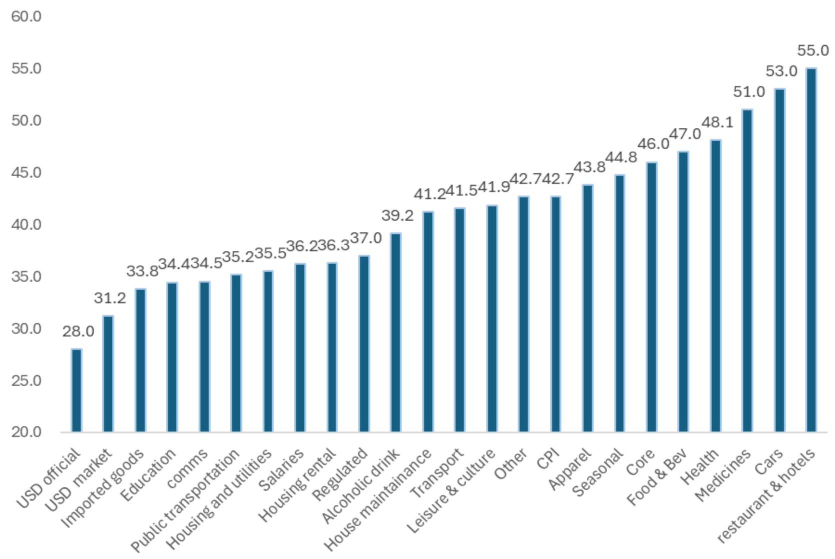
- Inflation rose in February to 2.4% and March will be again 2.4% or higher according to some measurements.
- We have adjusted the year-end inflation to 25.3% from 23.6%. The break-even inflation in the market is close to 30%.

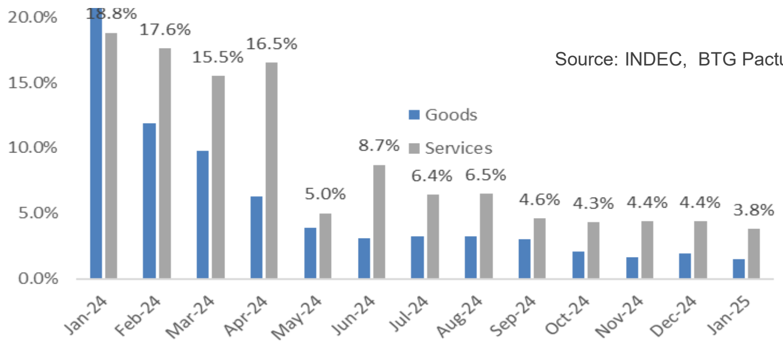
Inflation: The only way is down

The relative price adjustment means that it is hard to be as optimistic as the market, where break-evens trade at around 22 (up from 19-20%)

- One reason for being optimistic is that the inertia has been more benign than most analysts expected. Inflation inertia is one of the worst enemies of stabilization plans, and past stabilization plans in Argentina have used different ad-hoc policies to mitigate it.
- Inertia occurs because, after high inflation episodes, some prices always lag. The government is focused on making leading prices fall at least in relative terms. For instance, imported goods prices decreased for 4 months in a row between Sept and Dec and grew well below average in Jan. The normalization of the import market had an impact on inflation!
- In the last few months, services prices have increased at least twice as much as prices of goods, in what looks like the first approach to relative price adjustment.
- There is more work to do. Most prices are expensive, measured in terms of salaries or electricity tariffs or USD when we compare them with December 2018 levels, which could be used as a reference for “normalized” levels.

Price increases from Dec 2018 to Feb 2025





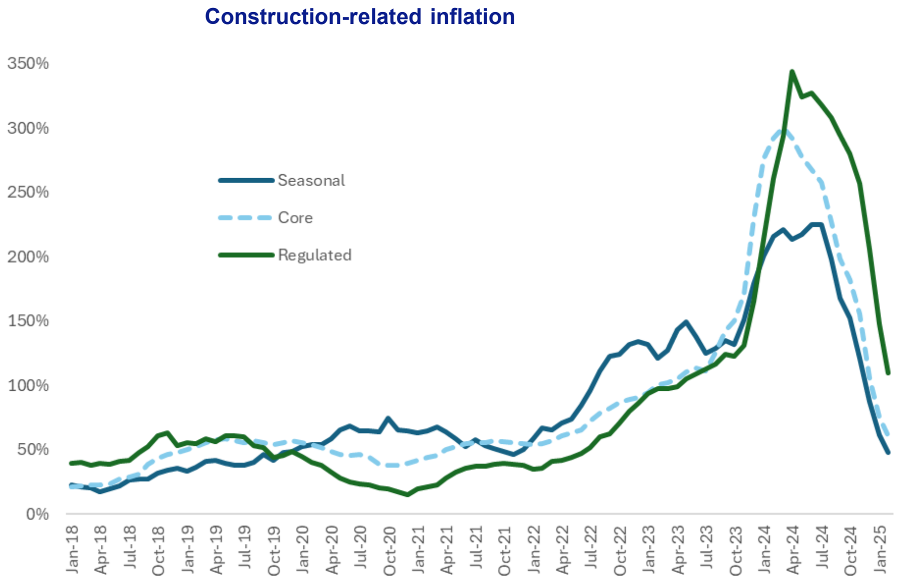
Source: INDEC, BTG Pactual

Monthly inflation by sector

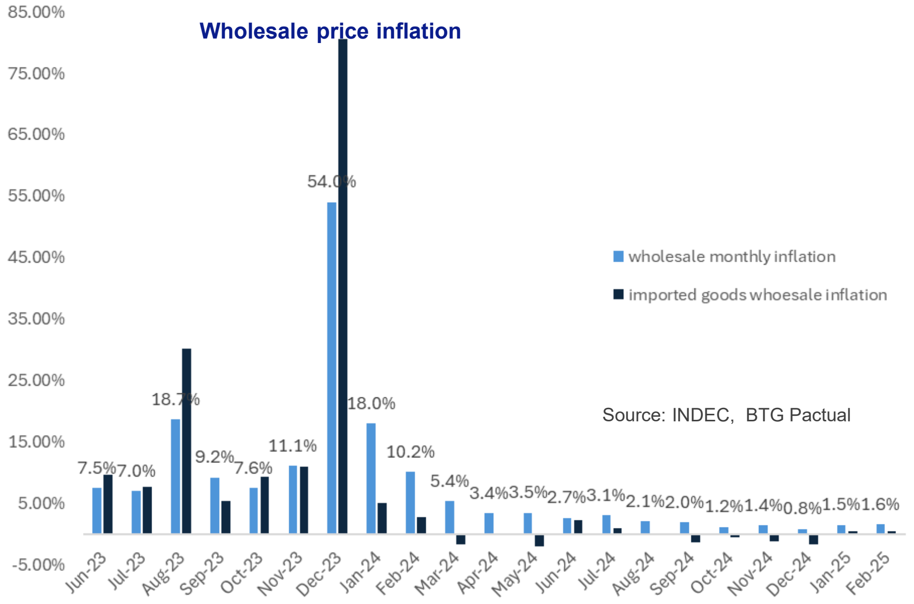
Lagging prices tend to catch up, such as utilities and education

	Food & Bev	Alcoholic drink	Aparel	Housing and utilities	House maintainance	Health	Transport	comms	Leisure & culture	Education	restaurant & hotels	Other
Dec-23	29.68%	20.23%	17.24%	13.82%	30.68%	32.59%	31.66%	15.59%	20.19%	6.22%	21.59%	32.71%
Jan-24	20.40%	21.02%	11.93%	14.01%	22.33%	20.45%	26.29%	25.10%	24.01%	0.86%	19.45%	44.36%
Feb-24	11.90%	17.67%	7.23%	20.22%	10.33%	13.57%	21.61%	24.71%	8.58%	9.93%	11.16%	16.59%
Mar-24	10.55%	12.31%	10.92%	13.25%	5.03%	12.21%	12.97%	15.94%	8.51%	52.71%	8.31%	9.57%
Apr-24	6.02%	5.49%	9.63%	35.63%	6.50%	9.13%	6.26%	14.17%	7.14%	8.59%	7.29%	5.68%
May-24	4.85%	6.68%	3.55%	2.53%	3.23%	0.69%	3.98%	8.21%	4.56%	7.64%	5.55%	4.30%
Jun-24	3.01%	2.06%	2.72%	14.27%	2.29%	4.75%	3.93%	5.31%	5.62%	5.74%	6.28%	2.75%
Jul-24	3.21%	6.12%	1.63%	6.01%	3.45%	5.85%	2.61%	3.54%	5.67%	4.19%	6.47%	3.45%
Aug-24	3.63%	3.04%	2.06%	7.05%	4.26%	4.14%	5.10%	4.85%	3.68%	6.57%	4.84%	2.27%
Sep-24	2.30%	2.20%	6.04%	7.31%	2.69%	3.33%	3.41%	2.98%	2.13%	4.31%	3.66%	3.34%
Oct-24	1.20%	3.00%	4.43%	5.39%	2.61%	3.56%	1.22%	2.06%	2.86%	3.45%	4.26%	2.81%
Nov-24	0.91%	4.00%	1.89%	4.46%	1.51%	2.92%	3.42%	1.54%	3.01%	5.11%	3.62%	2.28%
Dec-24	2.21%	2.50%	1.55%	5.28%	0.95%	2.11%	2.24%	5.05%	2.79%	2.22%	4.58%	2.14%
Jan-25	1.85%	2.42%	-0.66%	4.03%	1.62%	2.38%	1.23%	2.35%	2.46%	0.55%	5.34%	2.47%
Feb-25	3.24%	1.31%	0.42%	3.75%	1.01%	2.05%	1.73%	2.29%	2.93%	2.34%	2.26%	2.93%

Wholesale and construction inflation also moving down quickly



Source: INDEC, BTG Pactual

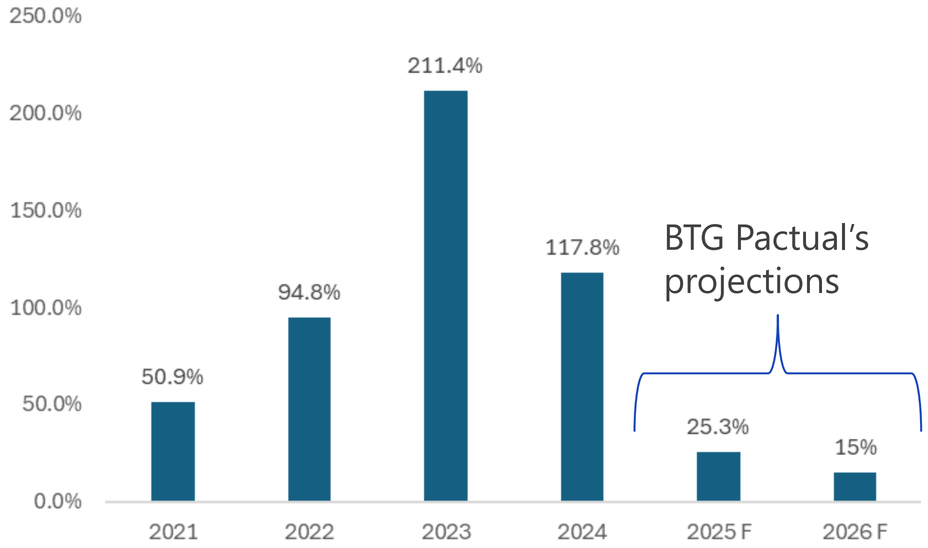


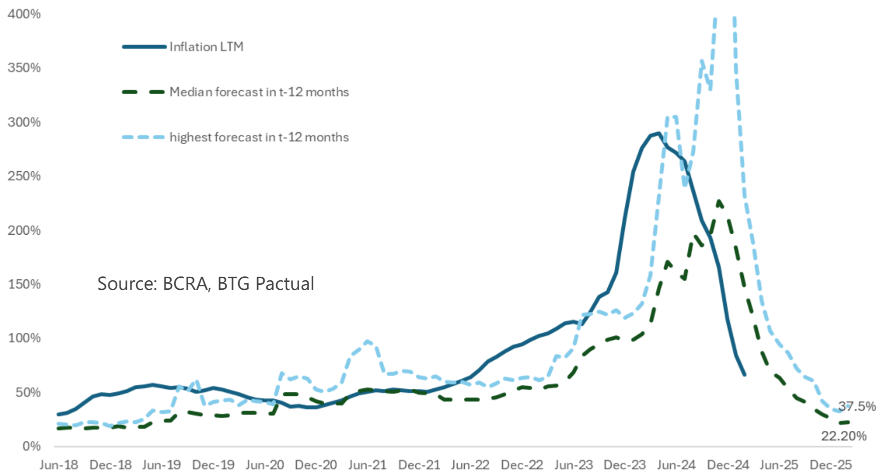
4 months in a row of deflation in imported goods, explained by the removal of the PAIS tax, but also margin adjustments, which were abnormally high given the difficulties for importing goods. In January deflation stopped, but the increase was below the crawling peg.

Even if it's not perfect, Argentina's disinflation looks successful

btg pactual

There are costs such as an overvalued peso. But the political mileage of achieving this trajectory is immense. If that mileage is used to foster structural reform, the chances of success are high.





Economic activity

A V-shaped recovery

There are three pillars to help growth in 2025…

i) Real salaries will keep on recovering, so should employment figures.

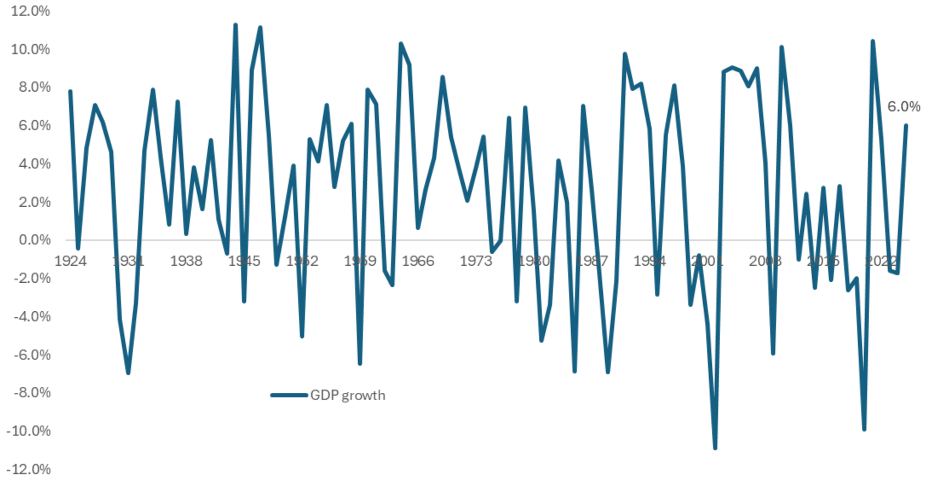
ii) Credit will swell disposable income by close to 5 points of GDP.

iii) Low comparison base of a few sectors, such as construction, will help the growth accounting.

There are two main external risks

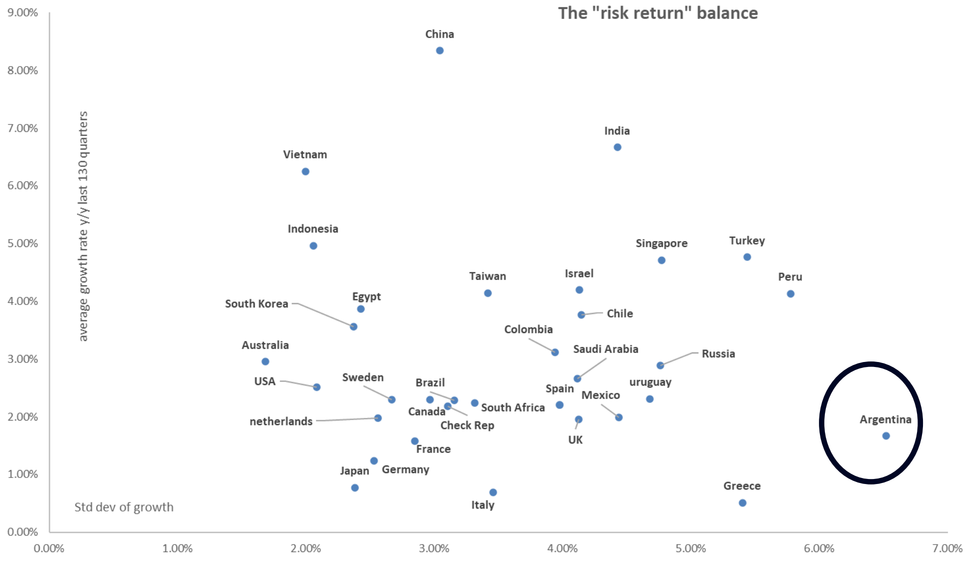
1) FX uncertainty could slow down the recovery in a context of scarce international reserves and restrictions.
2) The international situation is providing some headwinds

The long-term goal is to improve the "risk-return" equation



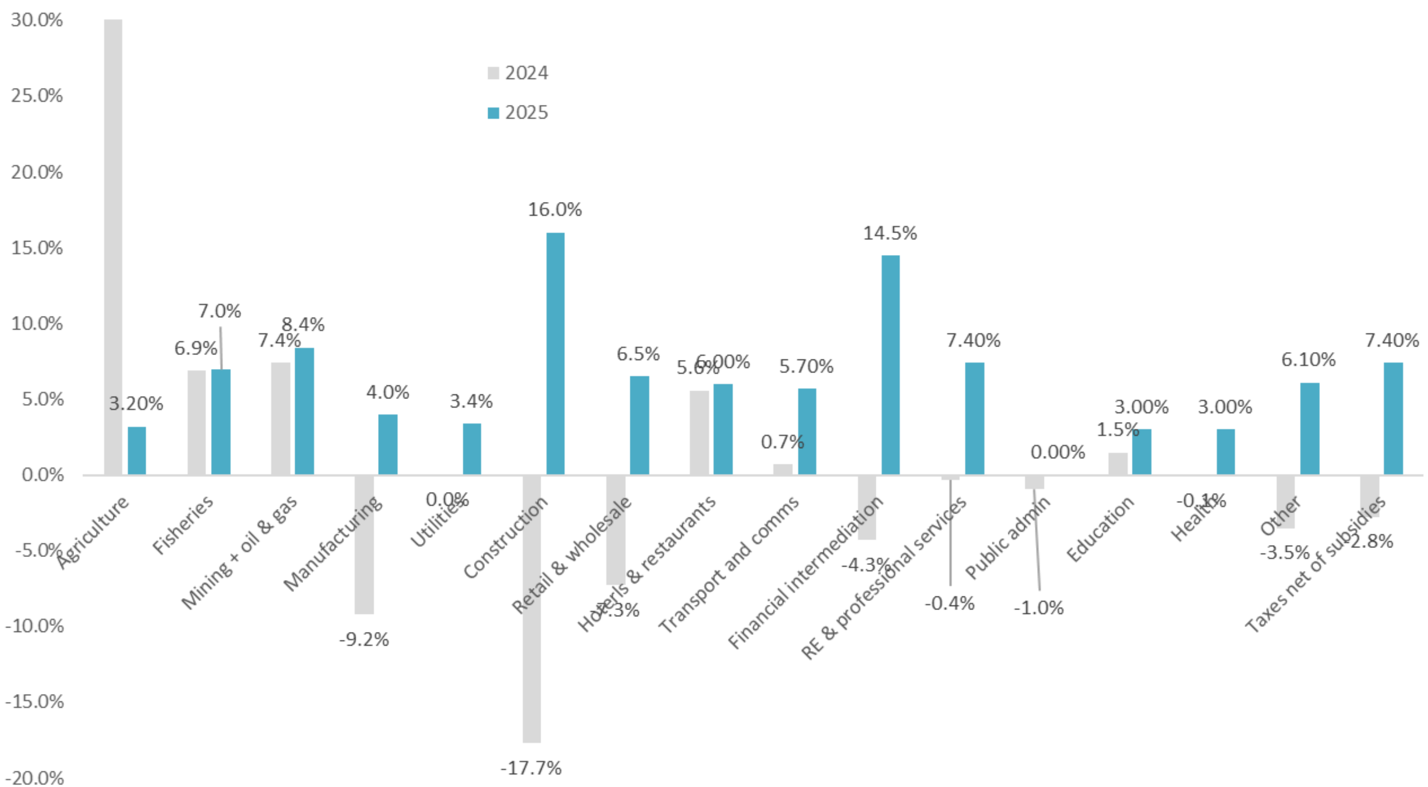
Argentina has been the most volatile among the G20+. But the reward has been paltry growth, only surpassing some EU countries and Japan. If Mieli's approach works well, Argentina should move up initially, and then over time it should construct institutionality to reduce volatility. We are more convinced about short term growth than the insitutitional improvement case. But we have not lost hope on the latter.

Ending the boom-and-bust cycle must have lasting consequences on Argentina's risk premium. One indicator to track this will be whether at least some Argentine money returns.



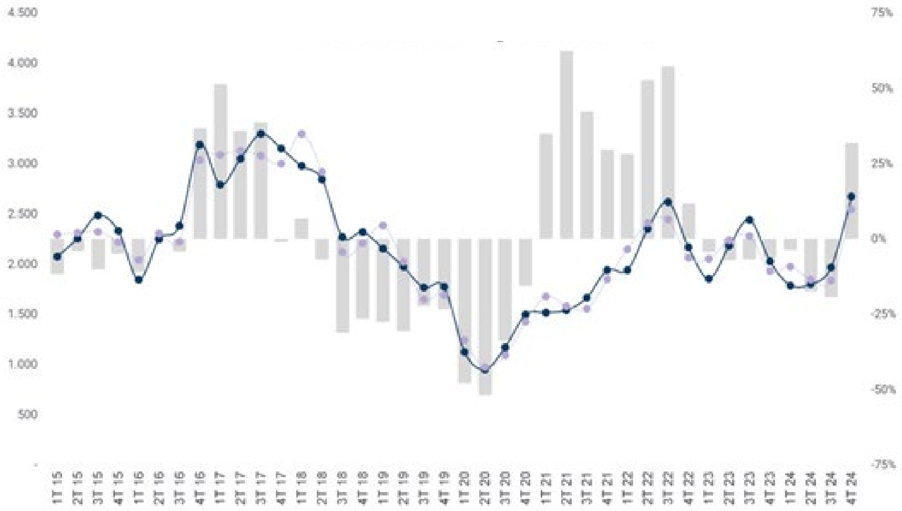
GDP growth by sector

Construction and financial intermediation to shine in 2025

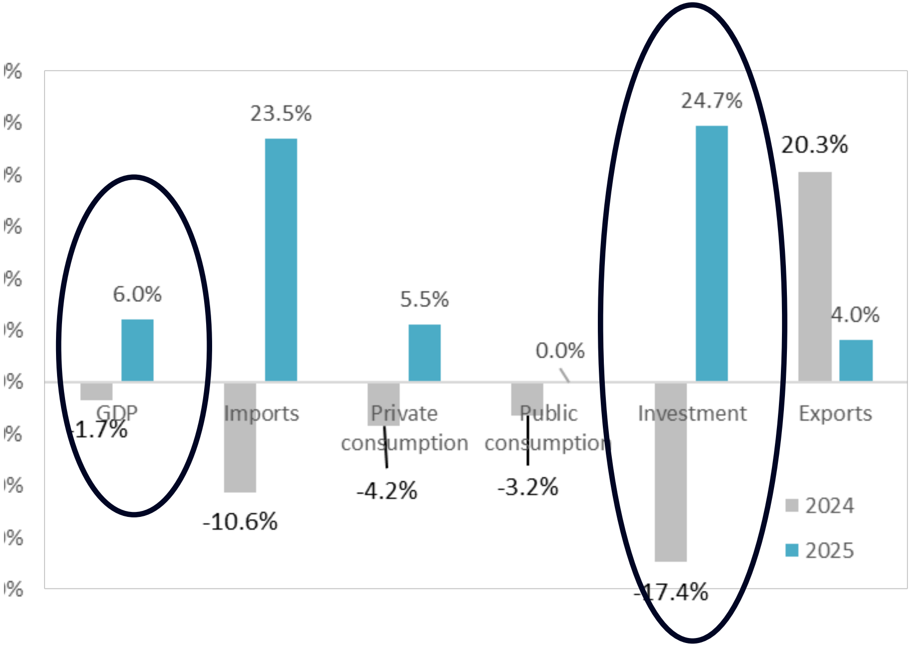


Good investment prospects

Capital goods imports

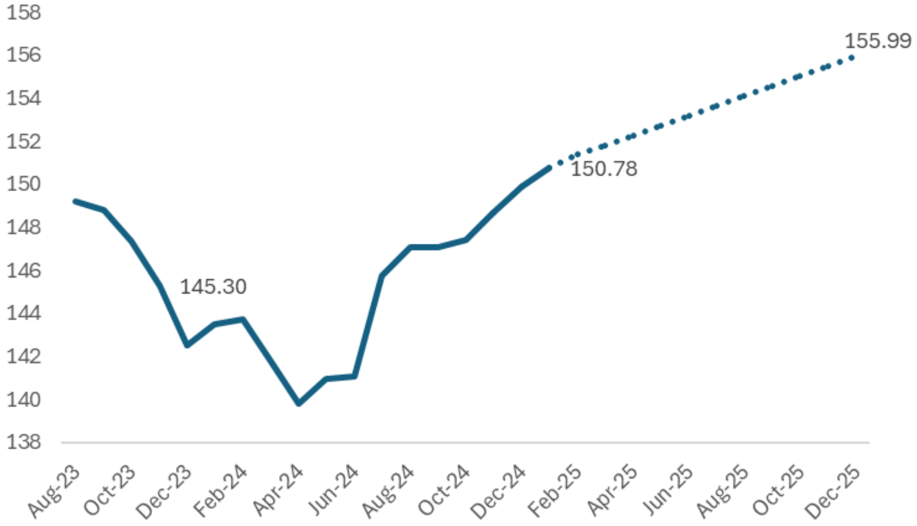


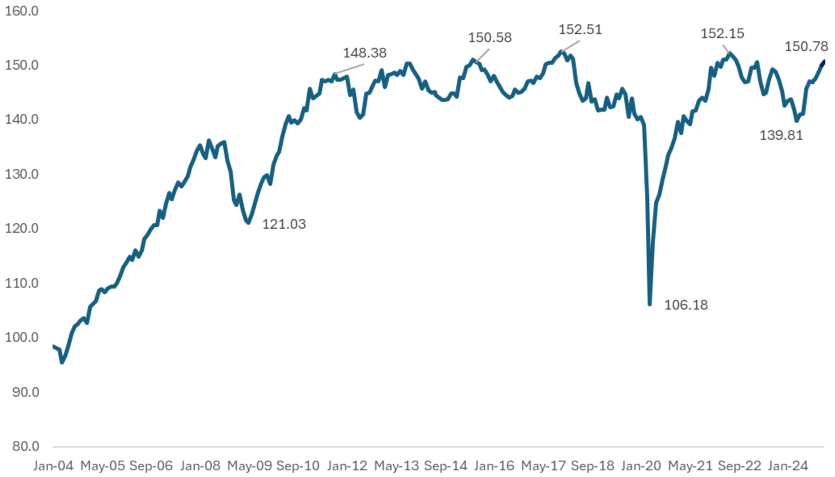
Capital goods imports are a good leading indicator for investments and they did well in Q4 (formal GDP data not out yet)



Economic activity: A V-shaped recovery

Economic activity is on an uptrend. 2024 closed at -2.4% or slightly better, and we expect GDP to jump 6% in 2025 even considering a mediocre harvest.





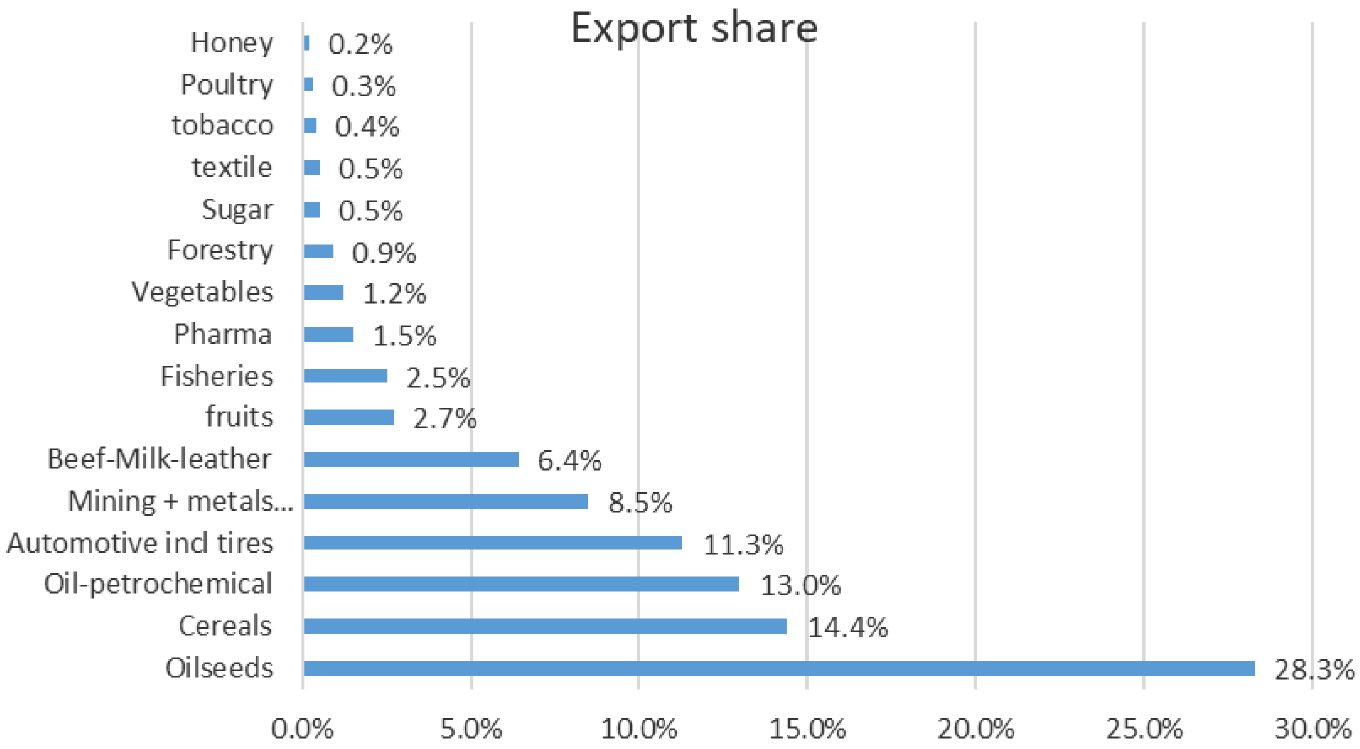
Source: INDEC, BTG Pactual

The economic recovery was indeed V-shaped. The carryover effect for 2025 exceeds 3%, so it is difficult not to be optimistic on this year's numbers.

Argentina's GDP is slightly higher than in 2011. This means that the average Argentinean is 10% poorer than a decade ago.

Argentina export sectors in 2024

Soybeans, corn, crude oil and light trucks

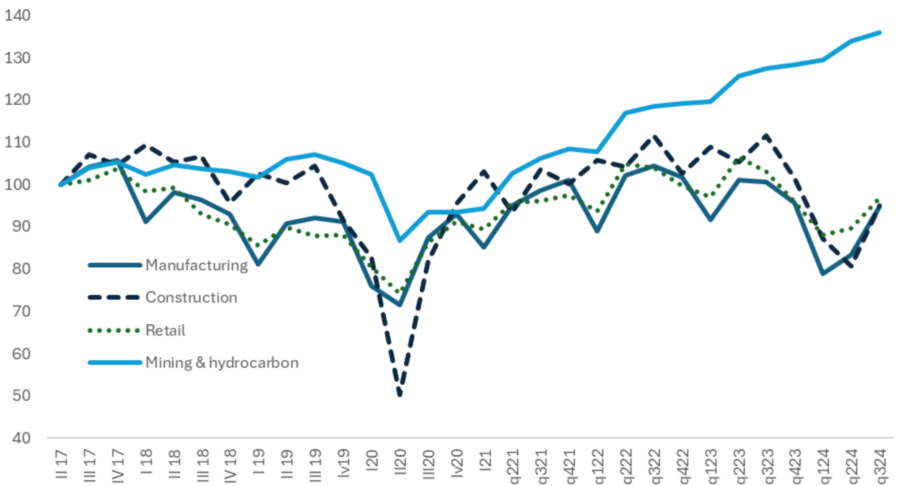


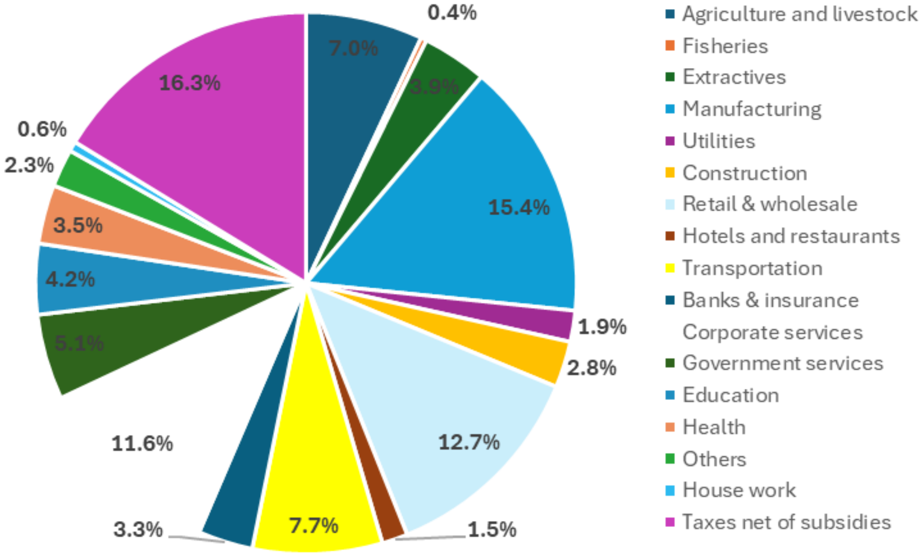
Overwhelming majority of natural resources and byproducts. Argentina is a hub of light trucks and is one of its industrial strengths on top of food products. Over the years, we expect oil and gas + mining to gain share. Fruits have a chance if the cost of capital continues dropping, although they are sensitive to appreciation.

Structure of the economy

Mining and hydrocarbons are gaining share

The economy is made up of 63% services and 37% goods. Manufacturing and retail activities are the most important sectors and the biggest employers. Farming and lifestock is 7% of GDP but its value chain is way wider, including transportation and food processing, the chief industrial sector.

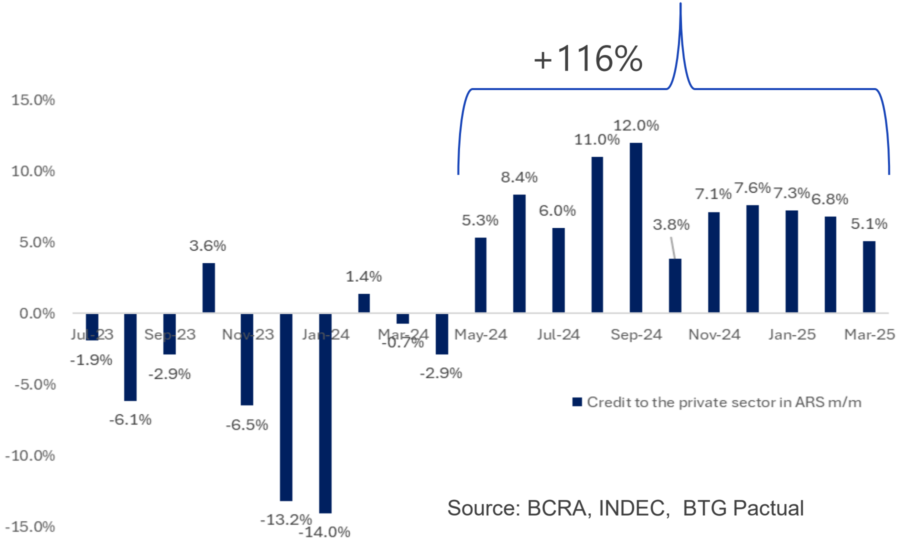




The boom of Vaca Muerta has made Neuquén the province with the biggest increase in private payrolls.

Economic activity: Credit is an ace up the sleeve: banks´ portfolios grow with low NPLs

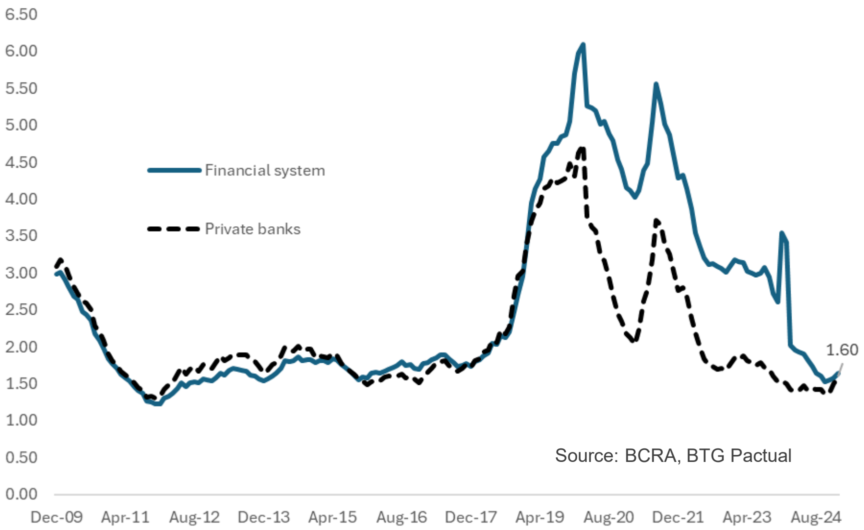
Credit to the private sector in ARS m/m seasonally adjusted in real terms



Source: BCRA, INDEC, BTG Pactual

The surge in the stock of credit from May 24 to Mar 2025 has increased the amount of money to consume or invest by over USD35bn. Dollar loans rose from USD3bn to USD14bn. So, more than 5 points of GDP in disposable income.

NPLs under control across the system

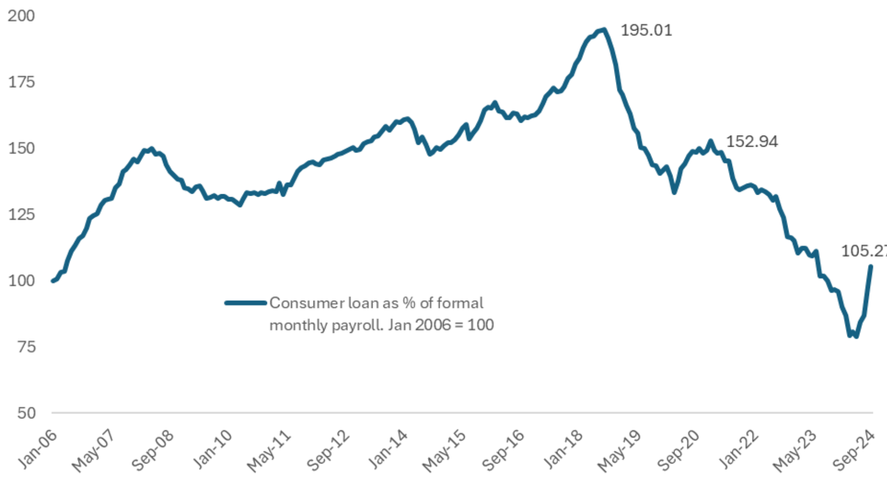


Source: BCRA, BTG Pactual

Credit-to-GDP is around 10% counting USD and ARS. So, NPLs should remain subdued for a while.

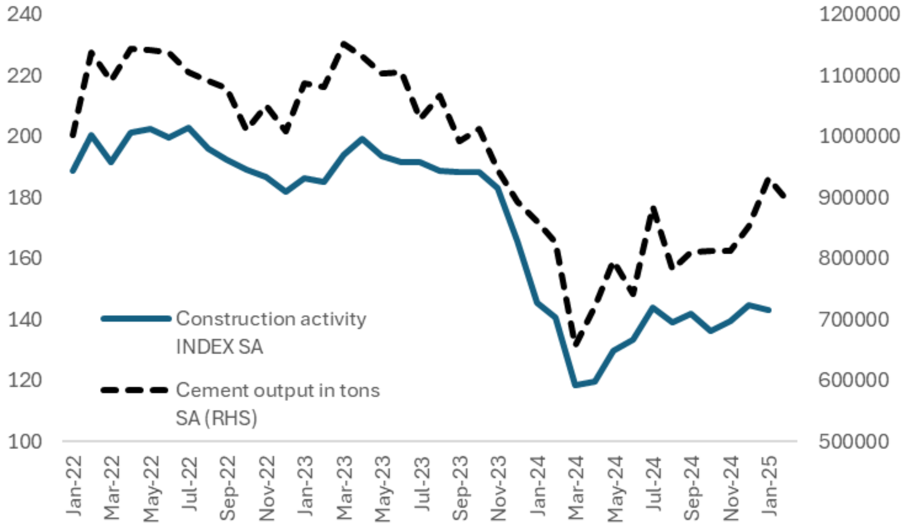
A lot more space to grow in terms of credit

The Argentine society is completely unleveraged



Banks have liquidity, excess capital, technology and human capital to make the financial system deeper. The regulatory framework is also quite modern.

Economic activity: Construction outlook



Source: INDEC, BTG Pactual

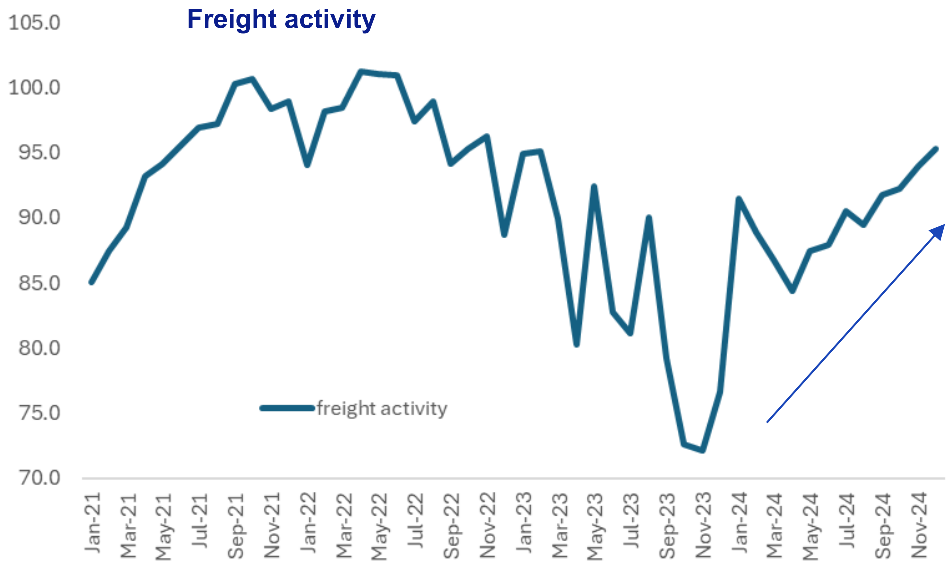
Cement output improved sequentially in December and January. February was not as good, but it rained a lot. This is a decent leading indicator for this ailing sector.

The sector is upbeat after 18 difficult months

Source: INDEC, BTG Pactual

The recent increase in property prices and the availability of mortgages (13% of transactions include a mortgage vs 4% a year ago) offset the fact that construction in USD has become much more expensive than before. In the medium term, Argentina should focus on building units for the middle class. Asphalt is moving up, a sign that public works are resuscitating.

Economic activity: An insight into manufacturing sectors

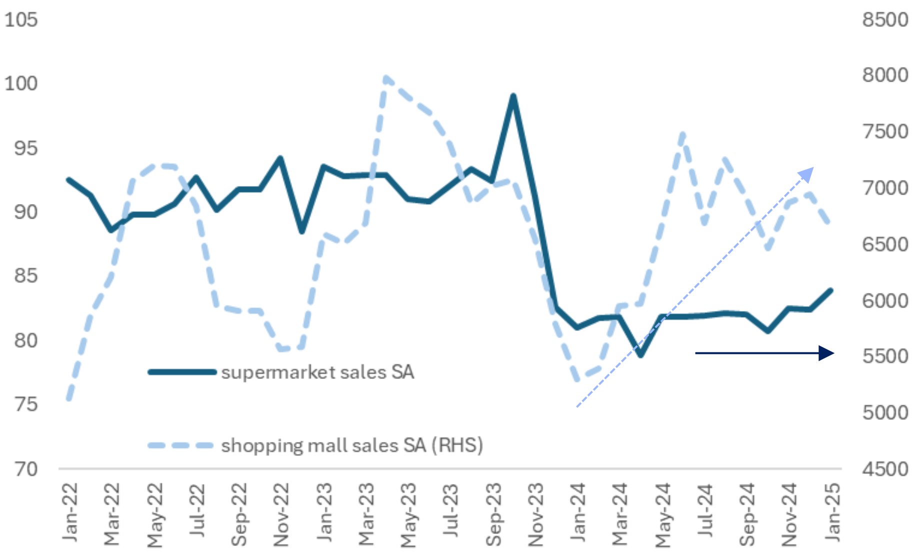


Sources: INDEC, Acero and BTG Pactual

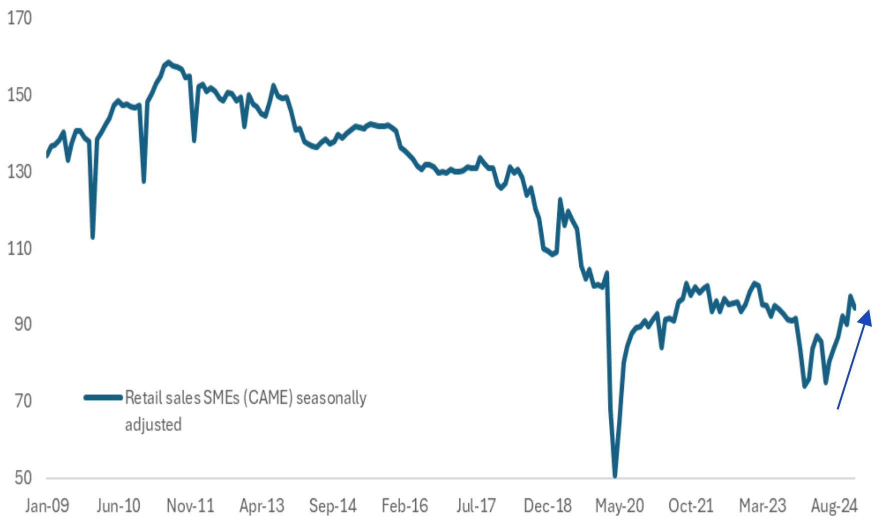
The manufacturing sector will not shine. It is affected by import competition and low margins for exporters, given the strength of the ARS. But this will imply sub-par growth rather than a contraction. There will probably be a lot of heterogeneity in this sector. Those supplying the oil & gas sector will do much better than the textile sector or toy makers, for instance. Freight activity has been increasing, which is consistent with an economic recovery.

A zoom into some key sectors

The cyclical consumption seems to have woken up. It is still below previous peaks



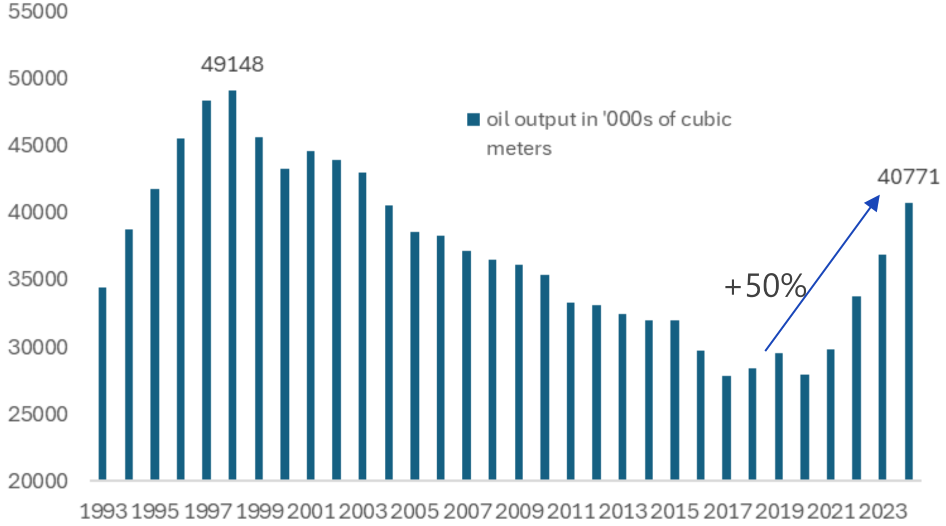
Source: INDEC, BTG Pactual



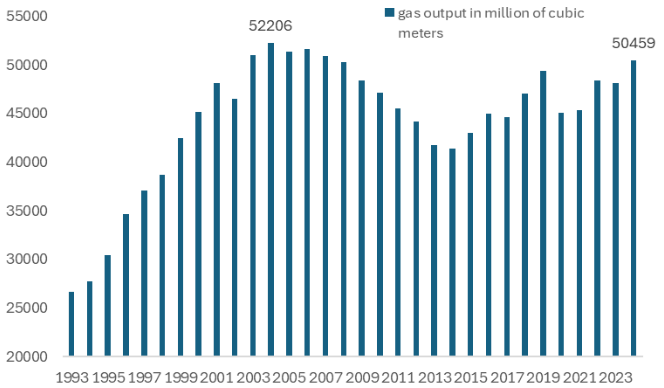
Source: Came, BTG Pactual

Shopping mall sales have reactivated.
Supermarkets are still lagging behind

Economic activity: Oil and Gas

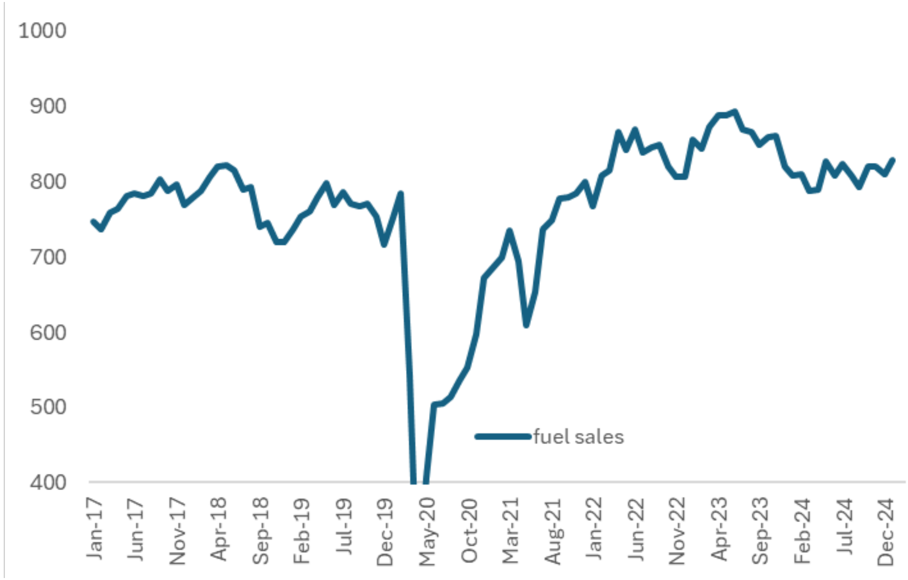


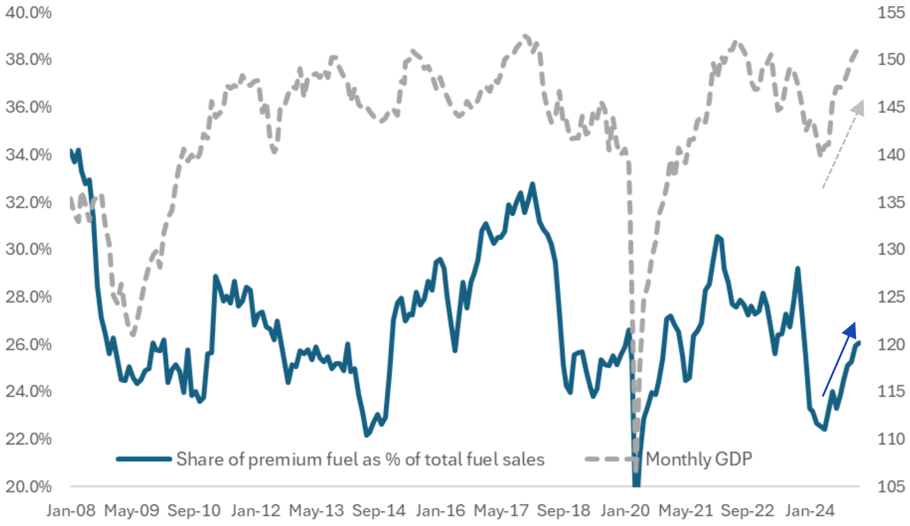
In 2024, around 55% of the oil produced and 62% of the gas was unconventional. Neuquen Rrovince, home to Vaca Muerta, has increased the # of jobs by 19.8% in 5 years against the national average of 3.4%. Argentina is producing around 150% of the crude oil it needs. When gas infrastructure is ready, Argentina should not only export more but should also reduce the cost of generating electricity.



Source: Energy Secretariat, BTG Pactual

Downstream is more stable, but with good vibes

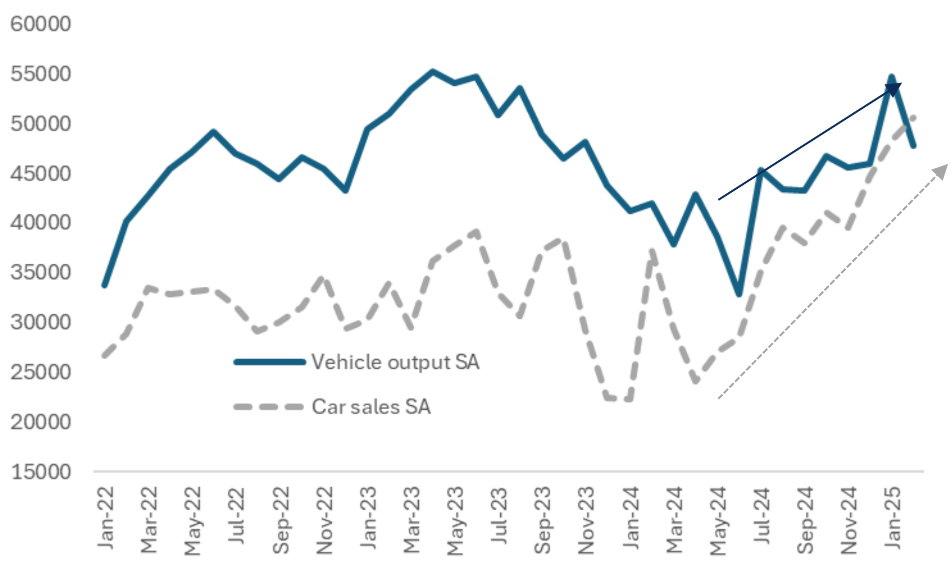


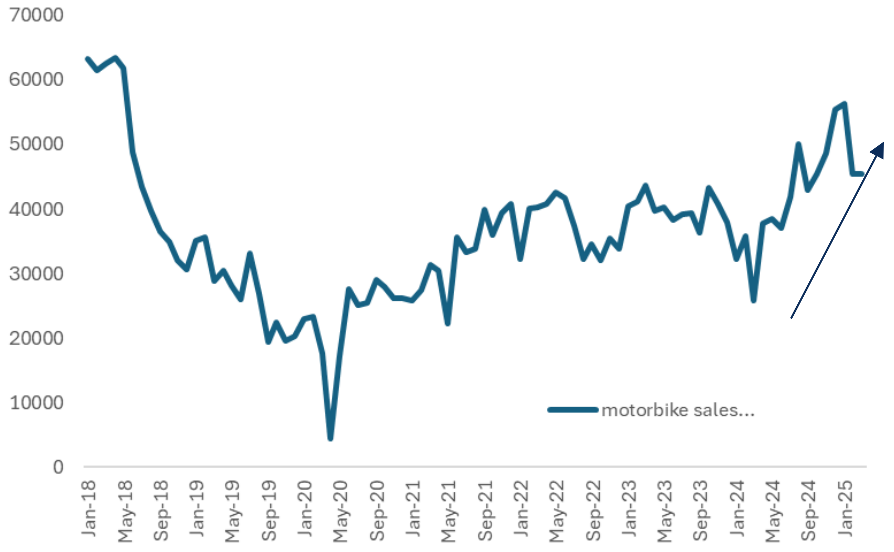


Sources: Secretary of Energy and INDEC

The share of premium fuels is growing with economic activity

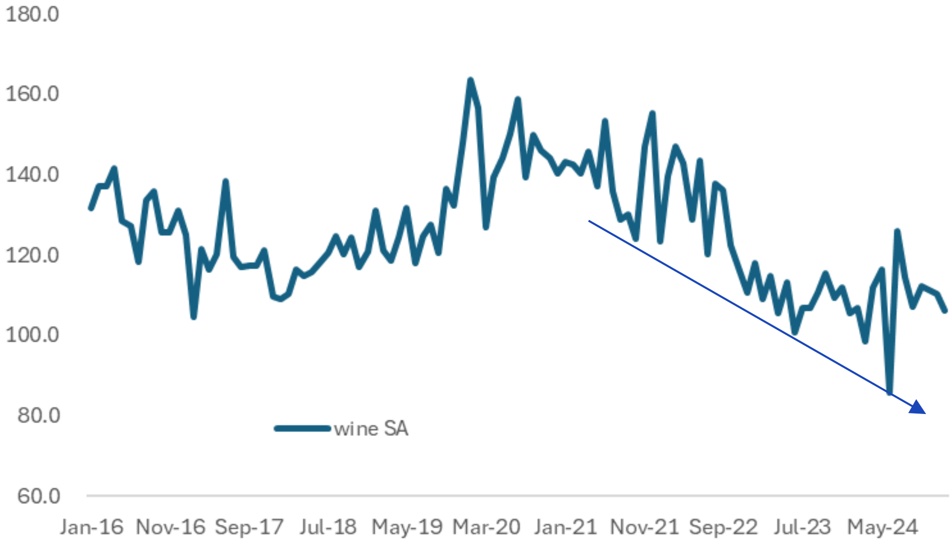
Automotive sector in better shape than manufacturing



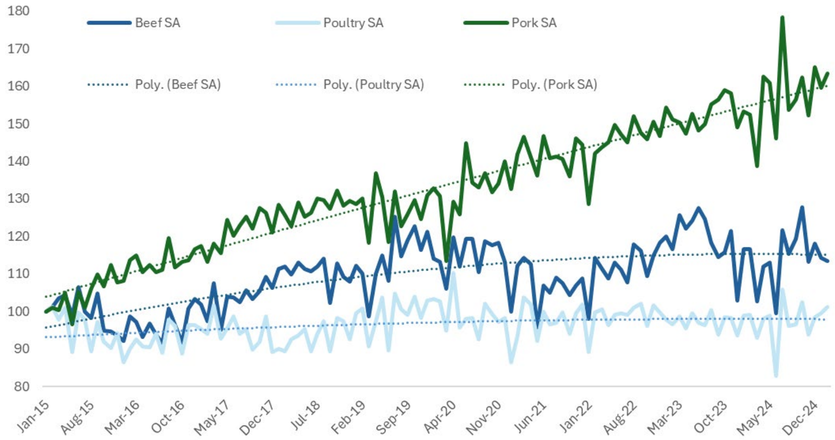


Three things work in favor of this sector: i) more credit availability, ii) easing of imports vis-a-vis previous government and iii) recent reduction in taxes for cars. In Argentina, 60% of production is exported and 53% of local consumption (and increasing) is imported. February was weaker for motorbikes, but it is at a high level though. The worrying sign came from automotive exports, which fell in both January and February. A slowdown in Brazil is bad news for this sector.

Heterogeneity is the name of the game



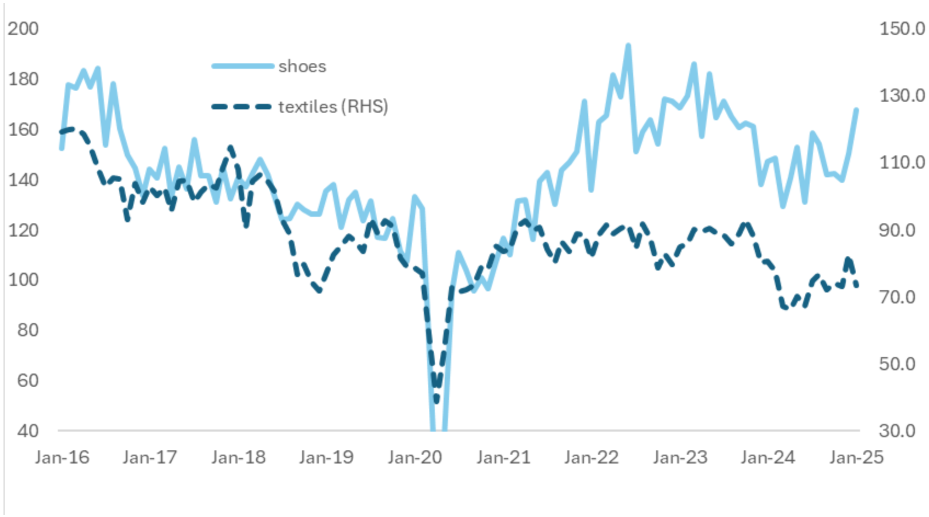
Chicken or beef? None. It’s pork!



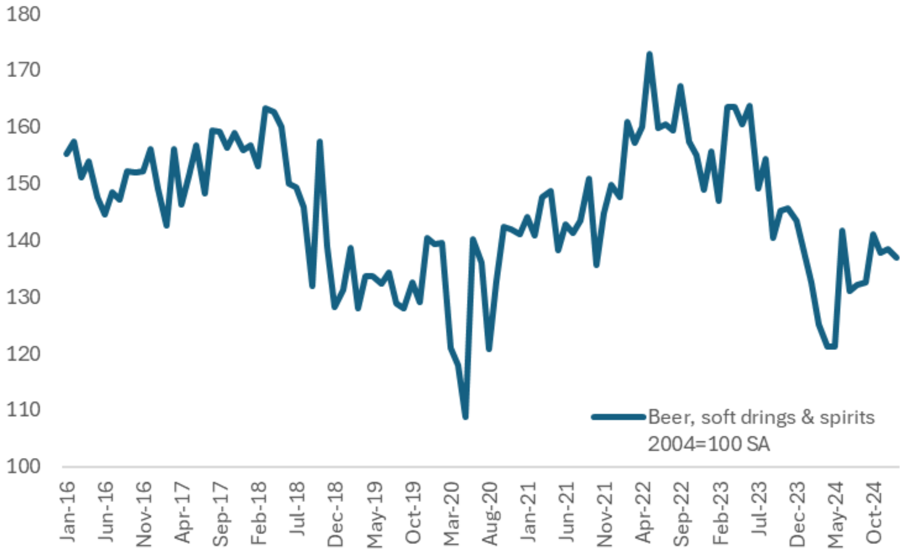
Wine is in a tough spot. High costs in USD and weak global demand are a problem for volume. Mendoza is trying to add value through tourism in the high-end wineries. Tariff on French wine for US imports could be a mild positive surprise.

Argentina has a lot of opportunities in protein. Poultry is doing better than it looks given the increase in the weight of chicken over time. Pork has been the success of the decade. Rebuilding the stock of cattle is the challenge in beef. The government now allows companies to export livestock, which may not be good for the sector. Deregulation in the leather industry is a plus.

Beverages and footwear are off their lows, but textiles are in a more difficult position

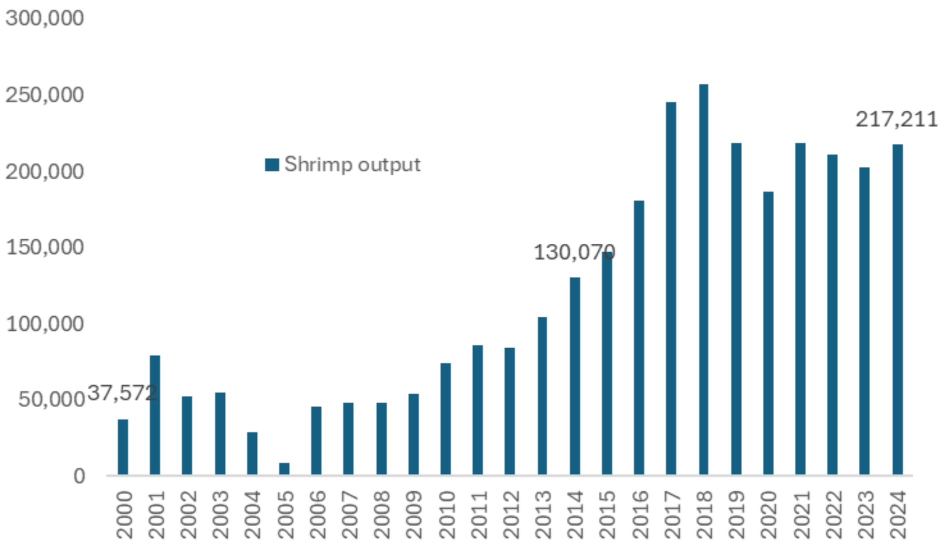


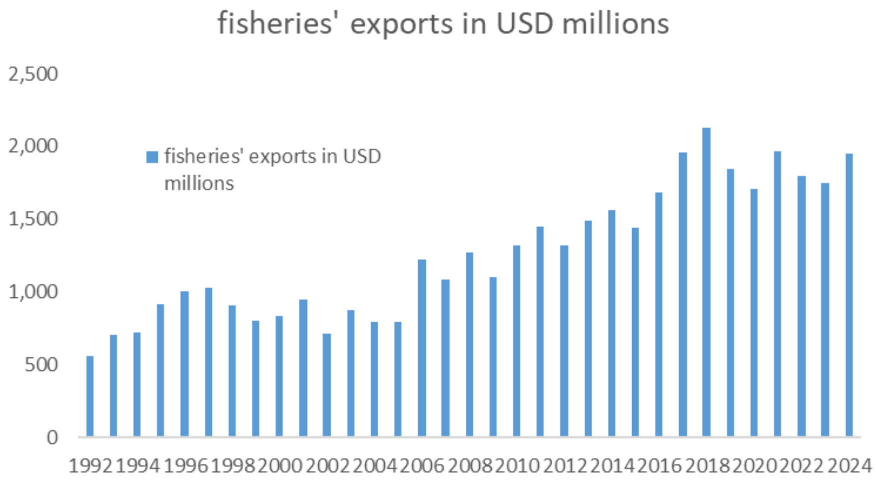
Import competition is going to hurt these sectors. From self-imports to change of business models. Still, gloom has not yet reflected in output numbers.



Beverages are recovering, but from a very low base. FX helps these companies, as they are generating more USD cashflows.

Fisheries, a silent export business

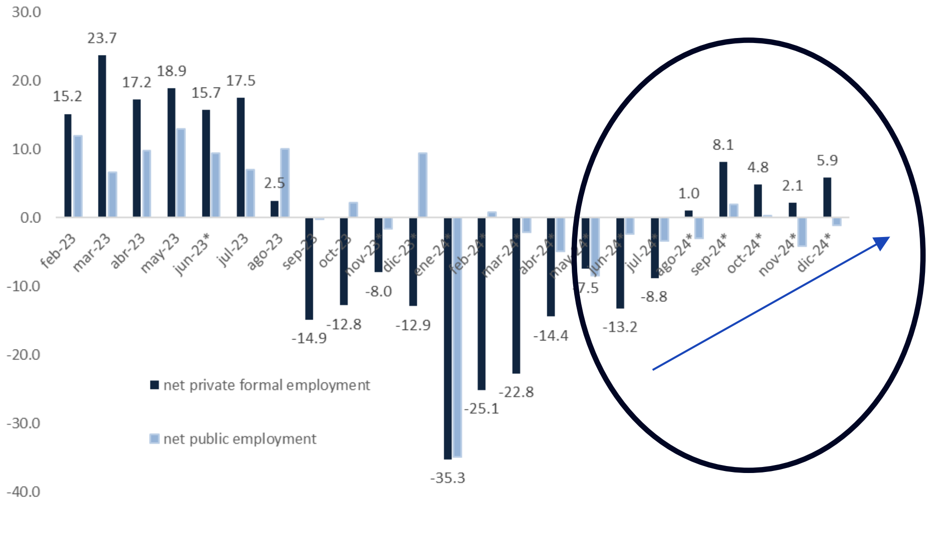




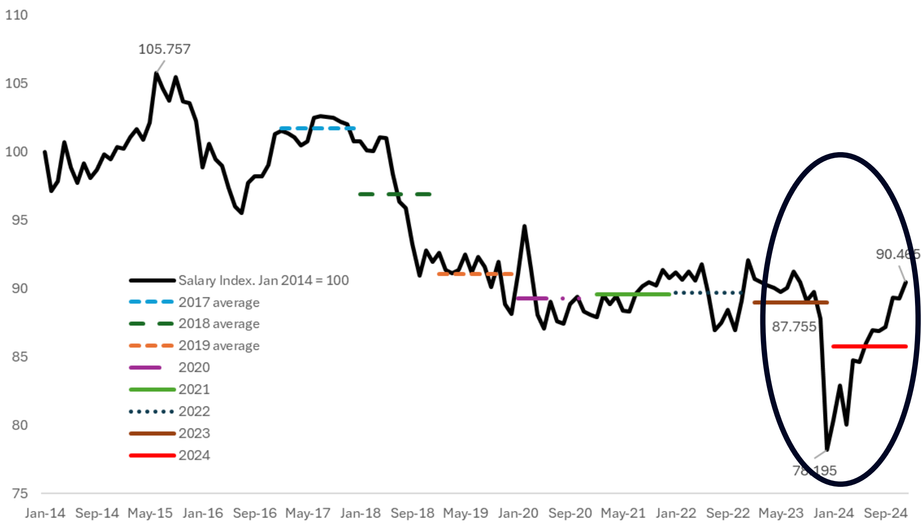
Argentina exports around USD2bn in fish-related products. It could do more if it can develop the “harvesting” business. Today, it is mostly about shrimp, hake, and squid. This is an important business for Mar del Plata and a few Patagonian ports.

Economic activity: The job market is improving

Salaries are almost in a "V-shaped" recovery, but jobs are still down.

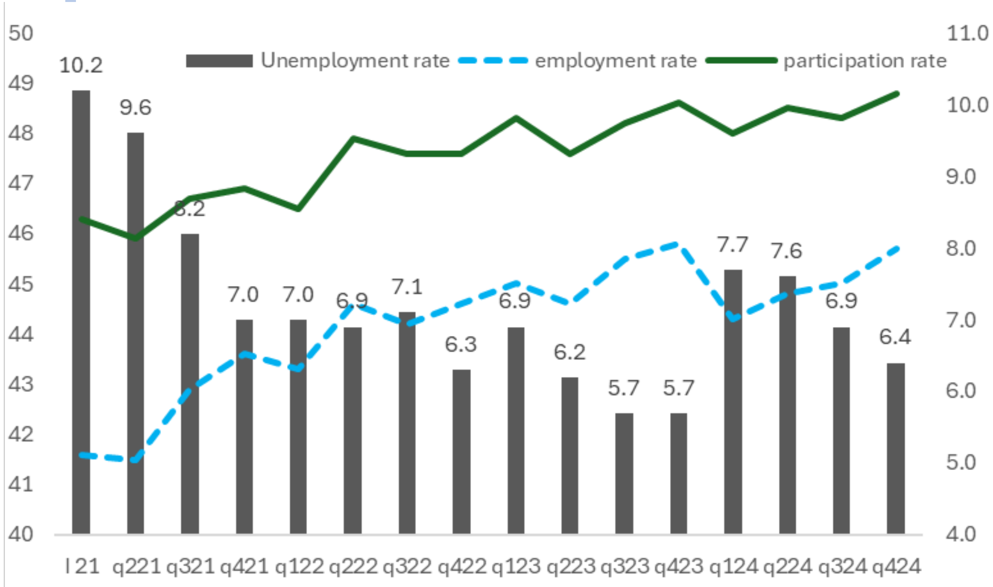


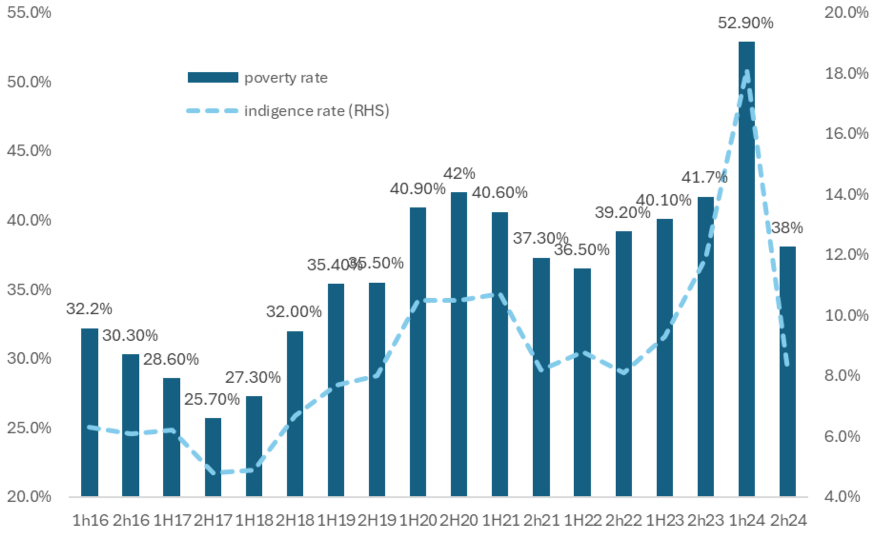
Source: Ministry of Labor

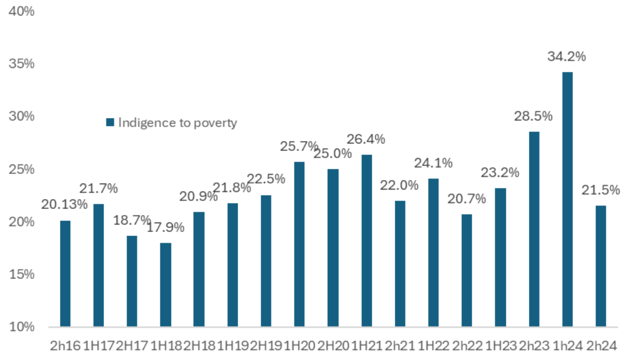


Over 100K jobs have been lost since Milei took over. The situation is starting to improve with 5 months of net gains. Salaries recovered fast, as unions have been bargaining above inflation. The real improvement will slow down. Also, as more construction workers join the sample, indices reflecting average salaries will flatten.

Economic activity: Unemployment and the social context





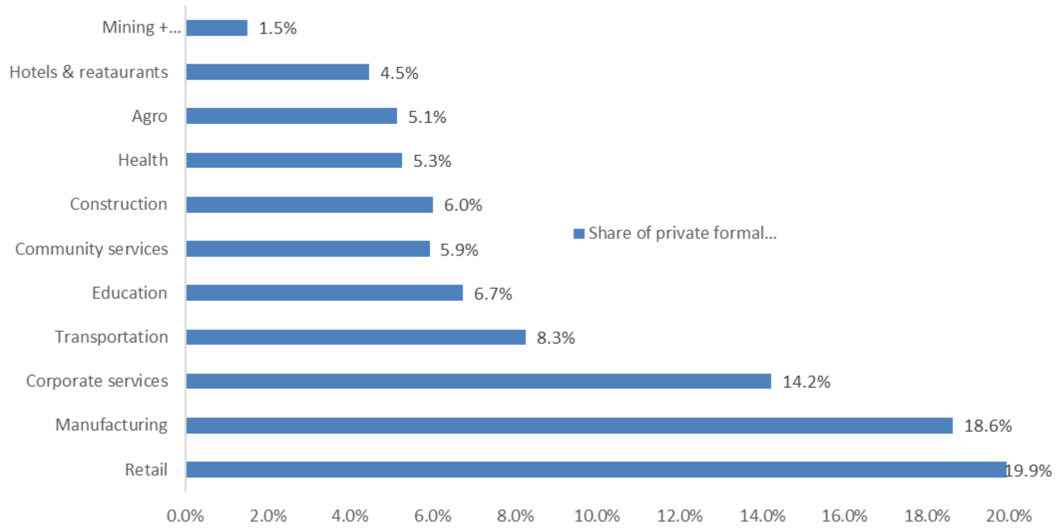


Unemployment is relatively low and is likely to remain in the 6-7% range during 2025. Lower inflation and economic recovery will help to take poverty ratios to the 33-35% range in 2025. The extreme poverty is also falling as a share of poverty.

Employment features: provinces and sectors

Oil and gas sector is growing nicely, but it is capital-intensive

Province	Employment growth y/y	Quarterly growth SA	% of formal private employemnt
Buenos Aires	-2.24%	0.29%	31.47%
Ciudad de BA	-0.72%	0.18%	24.25%
Cordoba	-2.11%	-0.22%	8.31%
Santa Fe	-2.16%	0.06%	8.15%
Mendoza	1.27%	0.90%	3.95%
Tucuman	0.58%	-0.16%	2.56%
Salta	-1.48%	-0.89%	2.02%
Entre Rios	-2.31%	0.09%	2.18%
Neuquen	2.69%	0.19%	2.35%
Rio Negro	-0.78%	-0.45%	1.76%
Misiones	-4.44%	0.14%	1.65%
San Juan	-3.22%	1.00%	1.25%
Chaco	-4.07%	0.71%	1.18%
Jujuy	-0.4%	0.77%	0.95%



Vaca Muerta rules

Economic activity monitor: finally greens are coming

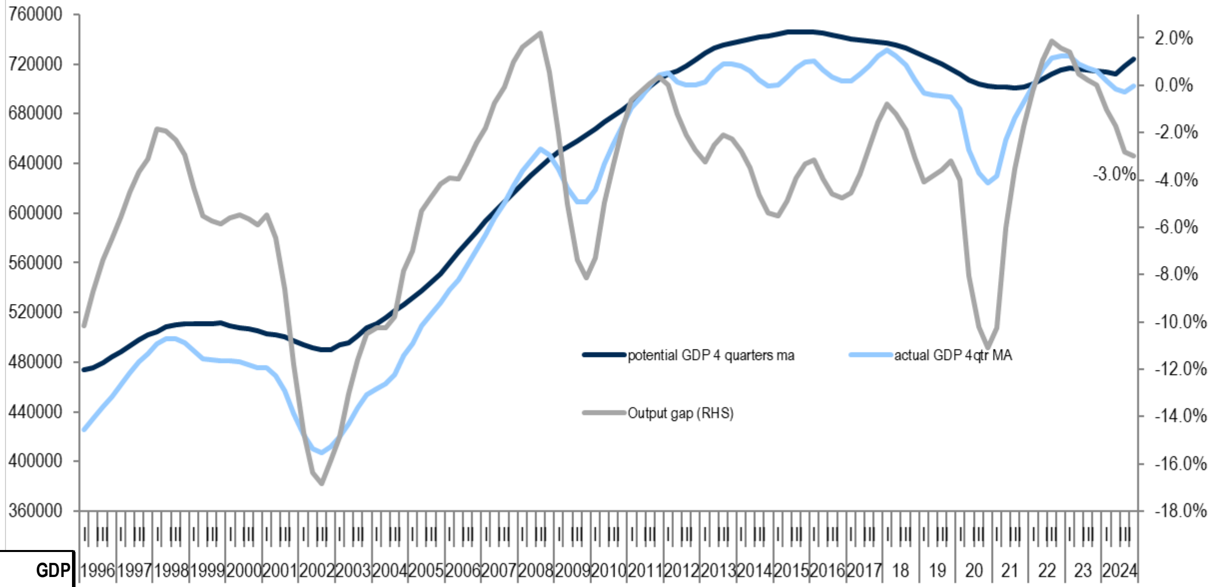
btg pactual

All data m/m SA	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Latest vs Nov23
Monthly GDP	0.1%	3.3%	0.9%	0.0%	0.3%	0.9%	0.8%	0.6%			3.8%
Exports	-3.1%	-1.3%	-0.2%	2.4%	3.7%	0.8%	0.6%	-1.3%	1.8%		34.9%
Imports	-1.5%	11.5%	-10.9%	32.3%	-0.6%	-4.3%	8.9%	2.3%	8.9%		18.9%
VAT ex customs	4.9%	-1.0%	7.3%	-9.2%	6.8%	0.1%	-0.3%	4.7%	-3.6%	-1.9%	-3.4%
Manufacturing	-1.0%	5.8%	2.3%	1.2%	-0.5%	1.2%	0.0%	-1.3%			-1.5%
Beef	-11.9%	22.1%	-5.1%	3.4%	7.0%	-11.4%	4.3%	-3.2%	-0.7%		-6.6%
Poultry	-16.2%	27.9%	-9.3%	0.4%	6.1%	-8.4%	5.0%	1.1%	1.6%		3.0%
Pork	-9.1%	22.1%	-13.9%	1.8%	3.8%	-6.3%	8.5%	-3.3%	2.3%		3.2%
Flour	-14.5%	11.5%	1.9%	-3.7%	7.2%	-4.4%	1.2%	3.0%	1.5%		2.0%
Oilseed crushing	1.5%	19.0%	-12.2%	27.2%	3.1%	-8.3%	4.2%	-5.6%	-14.8%		52.1%
Milk output	3.6%	2.9%	-1.4%	1.6%	0.6%	0.6%	0.4%	-1.7%	-0.1%		0.1%
Cement output	-7.0%	19.4%	-11.6%	3.7%	0.2%	0.0%	5.0%	9.2%	-4.1%		-5.6%
Asphalt	-2.6%	33.6%	-15.0%	14.1%	3.8%	7.7%	11.6%	8.6%			50.4%
Steel output	-9.4%	8.8%	7.5%	3.7%	-8.0%	-0.6%	-11.9%	11.4%	17.5%		-5.4%
Oil	-1.7%	2.8%	4.4%	1.8%	-0.6%	1.3%	0.7%	-0.7%	-0.4%		12.0%
Gas	-3.4%	1.6%	-5.4%	4.2%	-3.3%	-2.4%	-3.1%	10.5%	3.4%		11.7%
Electricity	-13.3%	14.7%	-1.2%	-4.8%	4.8%	-1.9%	-5.6%	8.0%	8.2%		10.4%
Fuel	-2.3%	2.1%	-2.0%	-1.9%	3.5%	0.2%	-1.3%	1.8%	-2.2%		-6.0%
Construction activity	2.5%	7.9%	-3.2%	2.0%	-4.0%	2.3%	3.6%	-1.0%			-21.9%
Real estate transactions city of BA	-5.4%	10.9%	-0.8%	-2.0%	11.7%	-2.0%	12.0%	13.3%	11.7%		102.1%
Car sales	5.0%	23.9%	12.3%	-3.8%	8.0%	-3.9%	13.2%	7.9%	4.9%		73.1%
Motorbike registrations	-3.5%	13.0%	19.4%	-14.1%	5.5%	7.2%	13.8%	1.8%	-19.5%	0.1%	11.5%
Supermarket sales	0.0%	0.1%	0.3%	-0.2%	-1.6%	2.2%	-0.1%	1.9%			-7.9%
Shopping mall sales	12.5%	-10.5%	8.4%	-4.8%	-6.5%	6.3%	1.0%	-4.0%			1.7%
Retail sales (CAME)	-12.6%	8.0%	3.8%	3.8%	6.2%	-2.8%	8.1%	-3.8%	3.6%		5.8%
Consumer Confidence	-2.8%	5.0%	6.0%	-5.9%	8.8%	6.1%	2.3%	2.9%	-0.3%	-6.7%	-7.2%
Confidence in the government	-2.0%	-3.7%	7.2%	-15.0%	12.2%	9.9%	-0.3%	-1.9%	-1.8%	-5.4%	71.6%
Wages private sector formal workers	1.6%	1.1%	-0.1%	0.3%	2.4%	0.0%	1.3%				3.1%
Credit to the private sector in ARS	8.5%	6.1%	10.6%	12.1%	4.1%	7.1%	7.4%	6.4%			39.9%
NPL ratio	1.82	1.73	1.65	1.61	1.53	1.55	1.57	1.6%			#N/A
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]				[illegible]

Argentina needs to get investments

The output gap is not big

The productivity objective is key. Milei & Caputo think in terms of the currency board magic.



	Period	Capital	Labor	TFP	GDP
Long term	1980-2024	0.50%	0.86%	0.45%	1.80%
convertibility-today	1993-2024	0.65%	0.86%	0.56%	2.07%
Convertibility stand alone	1993-1998	0.44%	0.41%	2.21%	3.4%
Since 1999	1999-2024	0.70%	0.97%	0.10%	1.8%
kirchner	2003-2015	1.05%	1.24%	2.42%	4.70%
CFK total	2008-2015	1.34%	0.53%	-0.19%	1.67%
CFK2	2012-15	1.24%	0.30%	-1.41%	0.13%
Macri	2016-19	0.62%	0.93%	-2.66%	-1.11%
Alberto	2020-2023	0.70%	1.26%	-1.38%	0.59%

Negative productivity. It is like forgetting about something you knew.

FX policy: the question everybody asks

The official FX was used as a nominal anchor to curb inflation, leading to an appreciation of the FX.

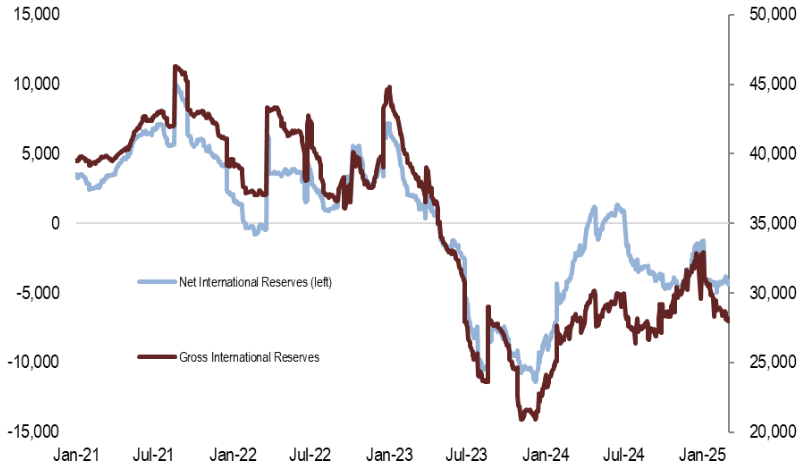
We think the FX is overvalued, but it will not be a problem soon.

The current FX is similar to the average currency board FX. However, the 2024 economy has export taxes and is less productive

FX policy: NIR remains in negative territory

The official FX was used as a nominal anchor to contain inflation, leading to an appreciation of the FX. The government announced a reduction in the crawling peg to 1% m/m as of February. We think the FX is overvalued, but not severely so.

26-Mar-25	USDbn
Gross International Reserves	**26.3**
PBoC swap	17.9
RRR	12.0
SEDESA & Other	1.9
Net International Reserves	**-5.5**
Gold	6.0
SDRs	0.0
Net Liquid International Reserves	**-11.5**
BOPREAL maturities (up to Feb-2025)	1.0
Net International Reserves (inc. BOPREAL)	**-6.5**

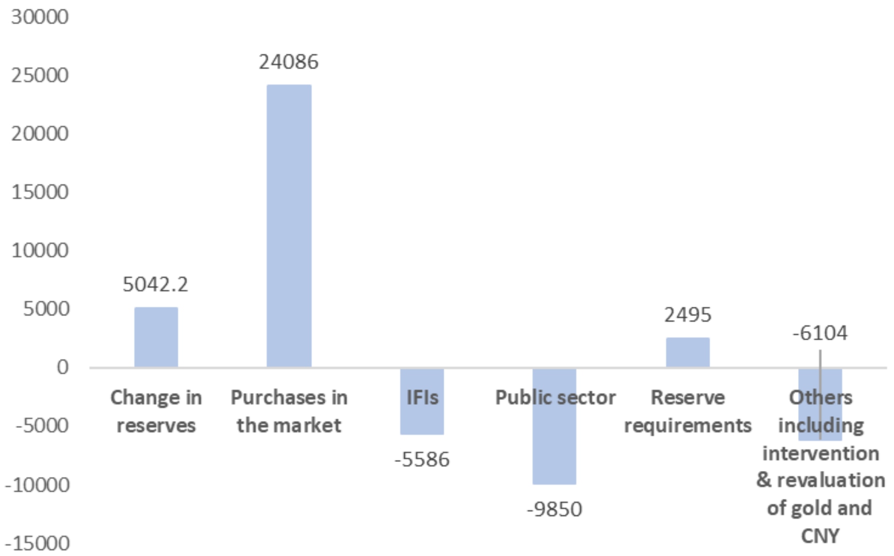


Source: BCRA, BTG Pactual

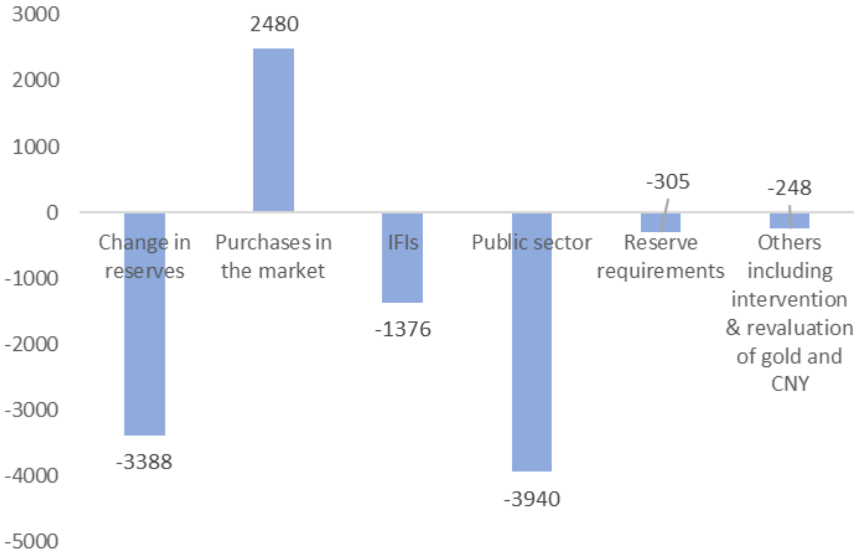
Reserve arithmetics

The Central Bank buys a lot, but cannot retain all that it buys

Flow of reserves since Milei took over to March 27th 2025

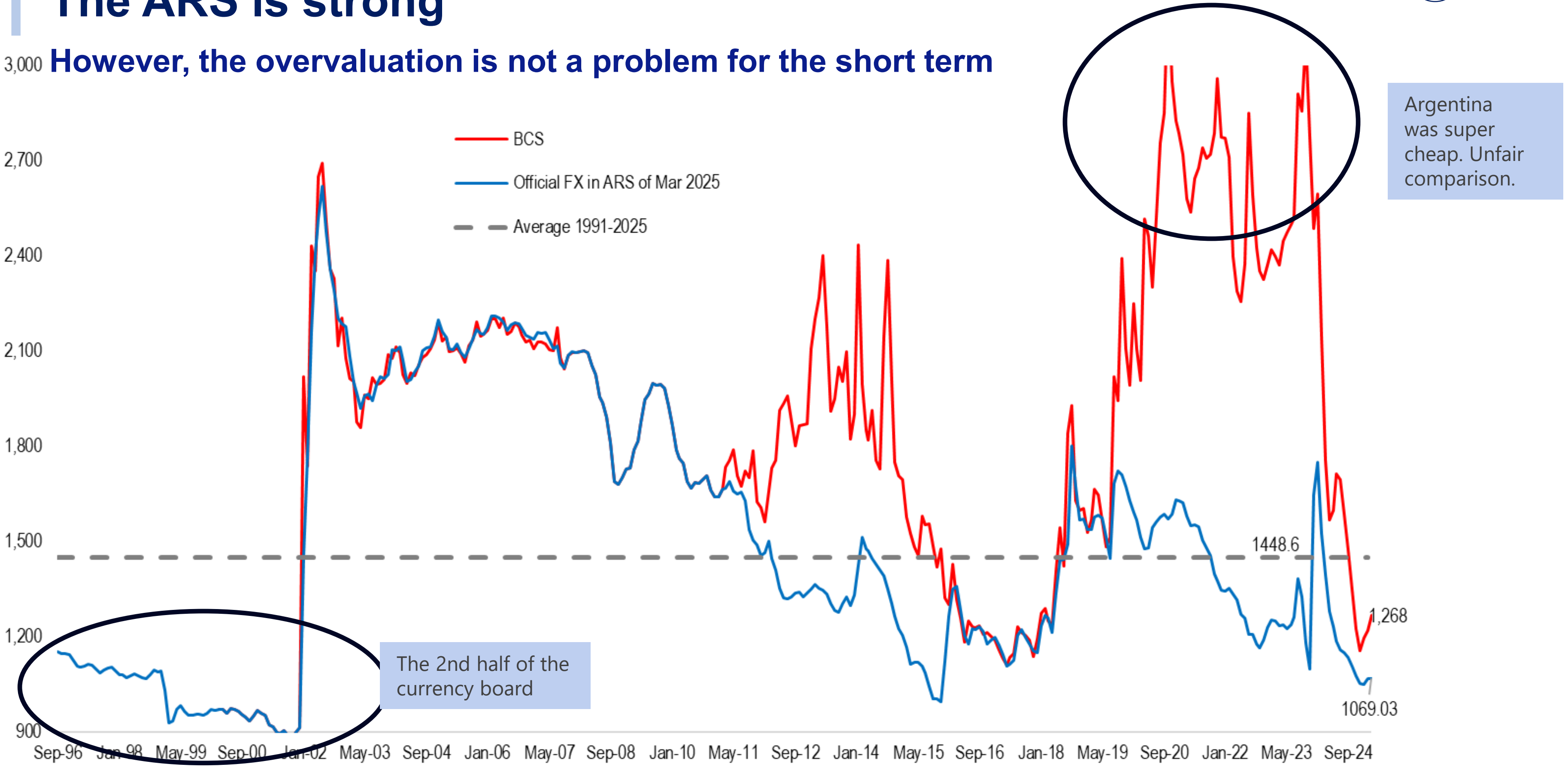


Flow of reserves YTD



The ARS is strong

However, the overvaluation is not a problem for the short term

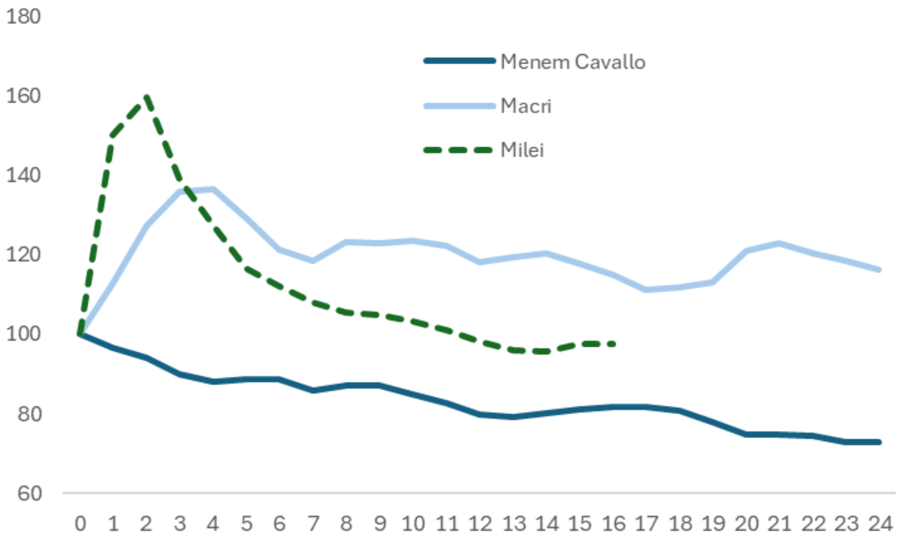


Source: INDEC, Bloomberg, BTG Pactual

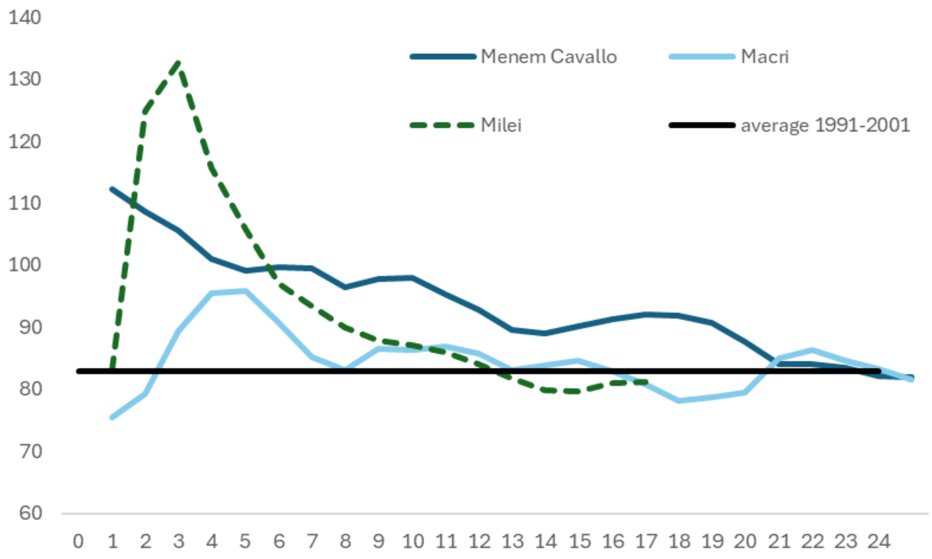
Appreciation in previous stabilizations

Real exchange rate since the stabilization program started.

Start of the stabilization equals 100. Multilateral REER



Multilateral real exchange rate in absolute numbers (higher number means weaker ARS)

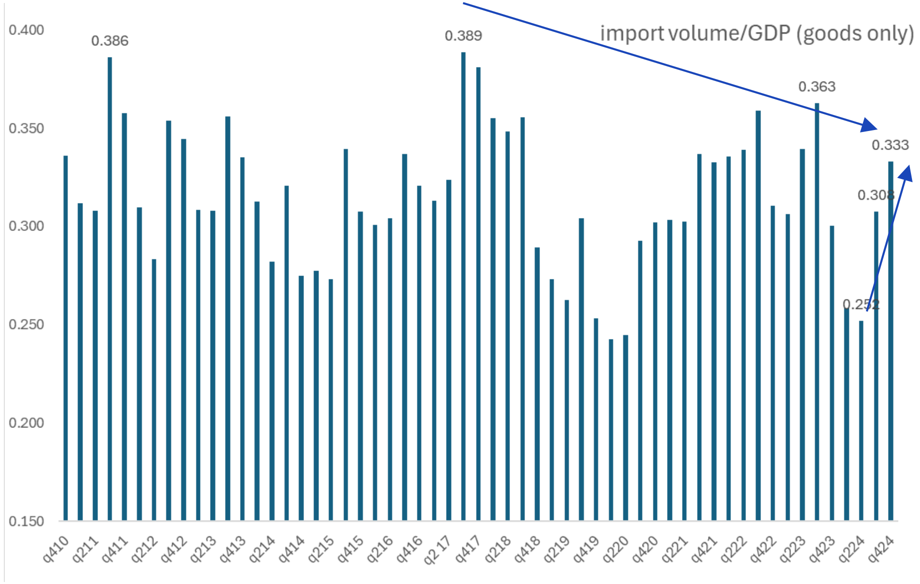


Source: BCRA, BTG Pactual

FX policy: The elephant in the room

The official FX was used as a nominal anchor to contain inflation, leading to an appreciation of the ARS. We think the FX is overvalued, but not severely so.

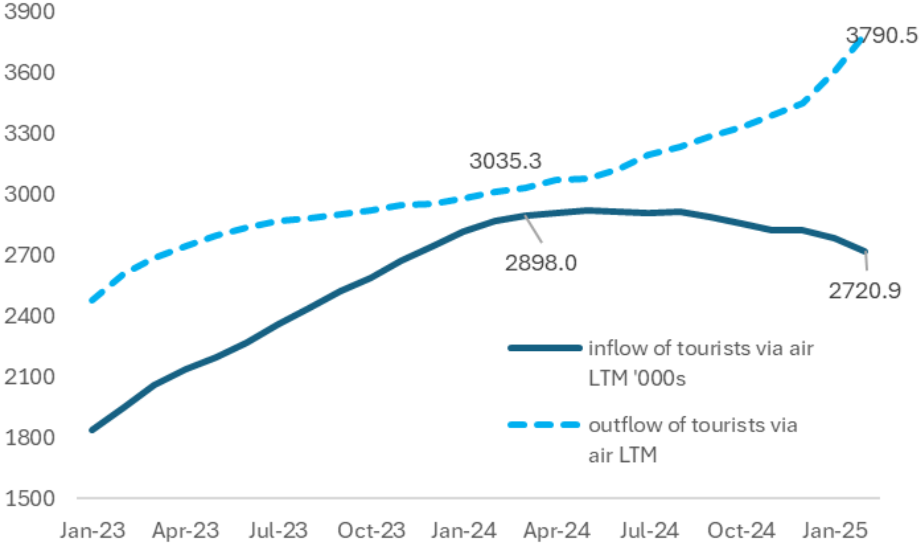
- The ARS is stronger than at any point in the Macri era.
- Nonetheless, the starting point is good, as Argentina will post a current account surplus of around USD3bn or 0.5% of GDP this year measured on a cash basis and a slightly lower number on an accrual basis.
- A rise in imports is the worst-kept secret in town. Two reasons for that: imports were abnormally low, given that many firms overstocked in the last months of the previous administration, and new imports this year were subdued due to the recession.
- A similar analysis can be made for tourism, although numbers are hard to estimate given that Argentines pay for international spending both using the official FX market as alternative markets. The balance for international travel reached a USD5.9bn deficit in the last 12 months. We fear this number can only grow in the coming months, with further FX appreciation in the cards.



Source: BCRA, BTG Pactual

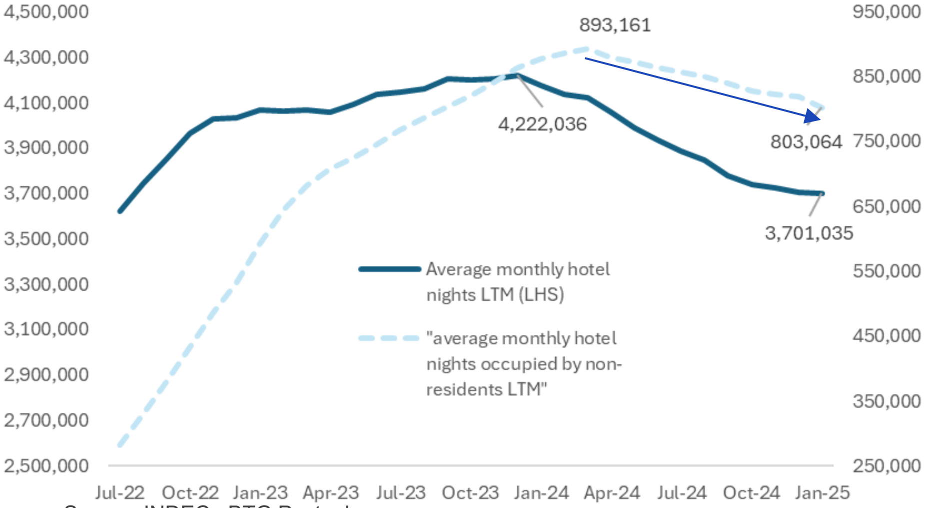
FX policy: Tourism is a 2-way problem

It affects both the current account and domestic economic activity



Source: INDEC, BTG Pactual

60K nights lost (non-residents) from the highs, which was not "equilibrium" as Argentina was quite cheap then. 500K nights lost overall.



Source: INDEC, BTG Pactual

FX policy: The elephant in the room

There is a current account deficit in the making, but it should not be problematic

- The strong peso is going to lead to current account deficits. But the increase in energy exports will mean that those deficits do not run out of control.
- We expect the financial account to provide the dollars needed to finance the CAD through FDI, private debt and, to a lesser extent, portfolio investment.
- We do not see carry trade as a defining factor.
- These estimates assume the end of the "blend" at the end of April.

All cash basis	*FY 24*	*2025 (F)*	*2026 (f)*
Current account in USD Mn	**1,695**	**(7,054)**	**(10,900)**
Goods balance	18,677	8,776	10,300
-Exports	66,897	77,126	86,000
-Imports	48,220	68,350	75,700
Service Balance	(4,875)	(6,900)	(7,900)
-Tourism	(5,688)	(7,500)	(7,850)
Interest	(11,850)	(8,700)	(10,200)
Dividends	(245)	(250)	(3,000)
Transfers	(12)	20	-100
Financial Account	**4,302**	16,550	12,900
FDI	89	1,000	4,200
Portfolio	(77)	750	2,700
IFI	(1,091)	12,000	(1,000)
Loans & bonds net	5,513	6,800	7,000
Intervention	(1,446)	(4,000)	0
Others	1,314	-	0
Change in reserves net of RR and valuation	**6,065**	**9,496**	**2,000**
Change in reserves	**6,539**	**10,296**	**3,300**
GDP in USD millions	**632,537**	**755,488**	**783,658**
CA as % of GDP	**0.27%**	**-0.93%**	**-1.39%**

Source: BCRA, BTG Pactual

FX policy: The elephant in the room

Looking at the current account surplus

- There is both a jump in exports and imports.
- On the export side, we assume more exports in some sectors such as oil & gas, but also the vanishing of the "blend" dollar, which means that exports will all go through the FX market at one point.
- Imports will grow robustly, as the combination of an economic recovery, a strong peso and a more open economy creates an environment to import more.

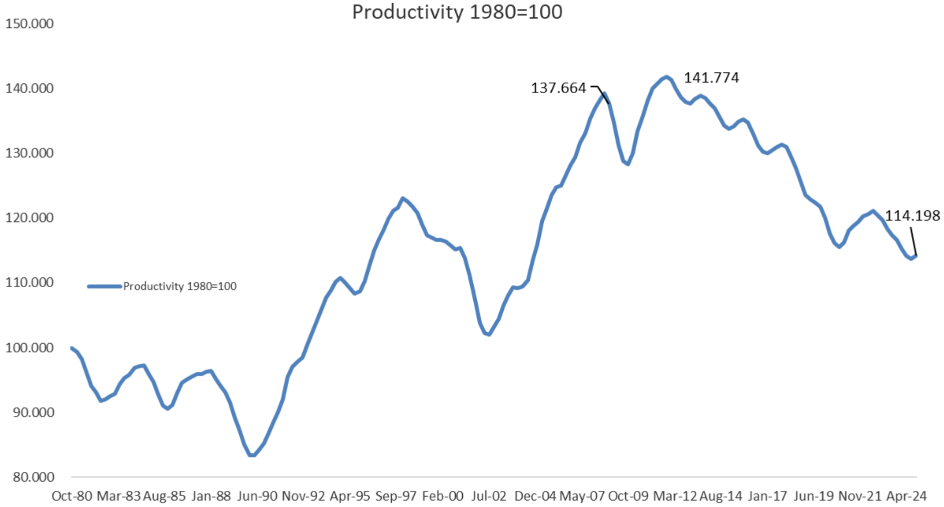
Trade balance of goods on cash basis	Balance 2022	2023	2024	2025	2026
Oilseeds and cereals	39611	16102	20135	20080	24000
Food	8464	6994	7719	8200	8990
Mining	3476	3098	3408	4600	5800
Other agriculture and livestock	2539	2301	2772	3350	4500
IT	-238	-137	-96	-210	-400
Paper	-785	-666	-539	-930	-1500
Textiles	-844	-748	-646	-1488	-2140
Oil	-930	1651	3656	7114	11000
Metals	-1877	-1035	-862	-1680	-2511
Cars	-1910	89	-3026	-6900	-7500
Other manufacturing	-1992	-1407	-1152	-1750	-2800
Electricity	-3723	-1721	-1064	-1450	-1450
Retail & wholesale	-5112	-3162	-3075	-5600	-7500
Machinery & equipment	-5561	-3687	-2844	-5750	-6770
Chemicals, rubber	-5919	-2543	-3840	-6350	-7700
Other	-3382	-2643	-1869	-2460	-3719
Total	**21817**	**12486**	**18677**	**8776**	**10300**
Total exports	**90533**	**61663**	**66897**	**77126**	**86000**
Total Imports	**68715**	**49178**	**48220**	**68350**	**75700**

Source: BCRA, BTG Pactual

Productivity can offset appreciation as it did in the 90s

The comparison with the currency board

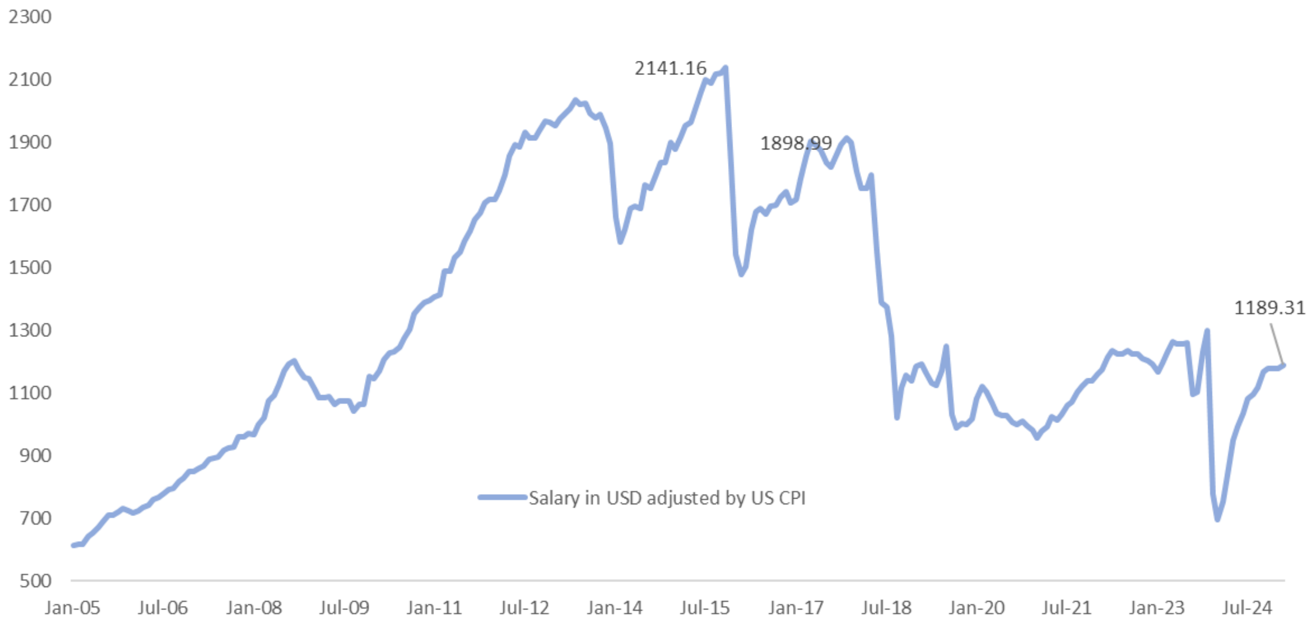
- The government insists that the currency was more appreciated during the currency board (in some way, a golden age for Argentina). Using the multilateral exchange rate as a base, the FX is quite similar. At October's prices, the average for that period was USDARS962, mostly in line with today's FX.
- One problem with that comparison is that during the currency board, there were no export taxes, so the effective exchange rate for exporting oil and agricultural products was much more competitive than it is today. Additionally, there were fewer taxes and regulations.
- More importantly, policies implemented during the convertibility led to a jump in productivity that Argentina does not enjoy today.
- The government has embarked on a set of micro and macro reforms with the view of creating a productivity shock. However, the experience from the Macri administration shows that the effect of these reforms on productivity takes time to materialize.



Source: INDEC, BTG Pactual

Salaries in USD are not that expensive

The overvaluation is present, but it is not as bad as some show it



Monetary policy

Finding a new framework is the key

The economy needs more pesos to function in an environment of stronger economic activity and lower inflation.

The supply of those pesos should come from buying dollars in the market, which requires a hefty surplus in the financial account.

The government also flirts with the idea of an endogenous dollarization to ensure that Milei's successor has fewer degrees of freedom.

A complete dollarization is sub-optimal and would create difficulties in the banking system, given the lack of a lender of last resource

The monetary framework while the cepo is alive

Key questions of the scheme

Can the Central Bank still print money?

Yes. There are two sources. i) Banks can redeem LEFIs if they want to lend more (higher demand for pesos). If the CB buys back LEFIs, the monetary base grows. ii) Treasury has around ARS10tn deposited in the Central Bank. There could be a crowding-in process. So, this is fuel to sustain credit growth

Can the Central Bank intervene in the BCS market?

Yes. They can sterilize the increase in the money base resulting from the government buying dollars in the official market. This process could reduce the supply of ARS but reduces the stock of reserves. The Central Bank profits from the spread between the two FX rates (today at c. 25%)

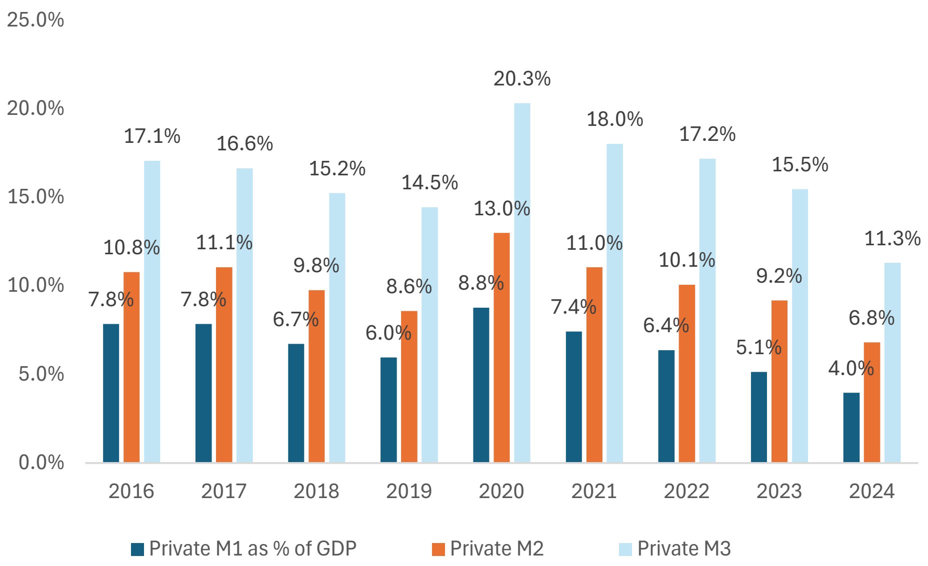
How much is the money overhang? How much does it matter?

There is much debate about that. We believe that the only significant source of overhang is the number of unpaid dividends from multinational firms, which they are unlikely to be allowed to repatriate fully when the government lifts restrictions. Our view is that flows are more important than stocks (reserves and ARS overhang).

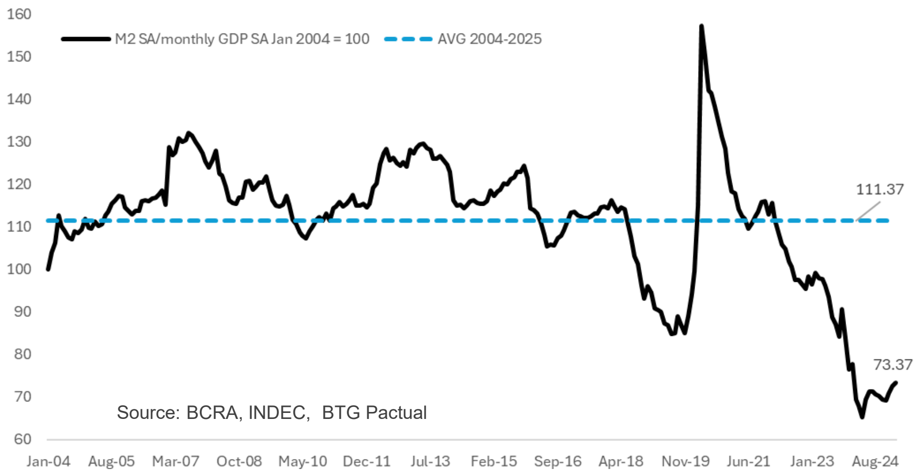
Monetary policy: How much money is there in the economy?

Ample room to grow unless the dollar circulates more widely (it very well may, but perhaps not as widely as the government would like)

An economy with not too much money



Monthly M2 seasonally adjusted to EMAE (proxy GDP) until Feb 2025

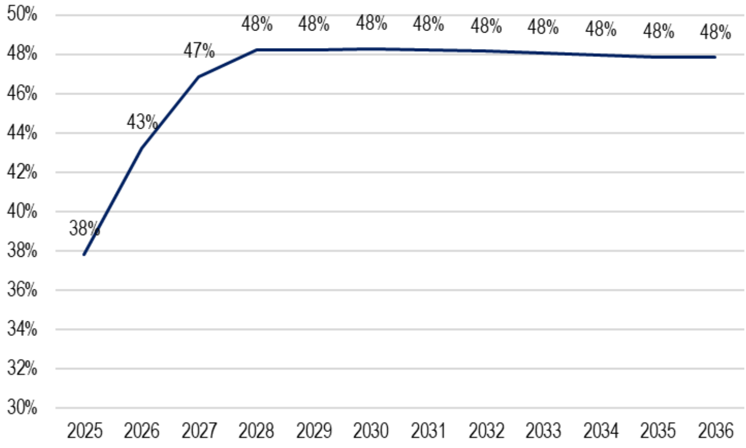


The government will need to print more and not less if the economy grows!!

Debt matters: Is Argentina's debt sustainable?

Argentina's current private debt-to-GDP ratio, at around 38% (using avg. FX for the year), could go up initially, after FX restrictions are lifted, but would eventually converge to levels of around 48%

Dynamics under continued fiscal restraint, 2.5% potential growth



We assume ARS debt payments are either fully rolled over or paid with excess cash from the government's fiscal surplus, while USD payments post-2025 are refinanced in international markets.

We assume as part of the exercise that Argentina obtains USD8bn in fresh money from the IMF, increasing the initial stock of net debt..

We believe Argentina's debt dynamics could converge to a sustainable path without a compulsory debt restructuring down the road, though this path requires a high primary surplus and lower refinancing costs

Source: Ministry of Economy, IMF, BTG Pactual

Debt matters: Is Argentina’s debt sustainable?

Argentina’s debt ratio does not appear exceptionally high compared to “peers”.

	Credit rating (S&P)	GDP growth (% y/y) 2025E	Primary balance (% GDP) 2024E	Current account balance (% GDP) 2025E	CPI (y/y%) 2025E	NIR USDbn	NIR as of	NIR % GDP	General govt. debt (% GDP) - 2024E	Government external debt (% GDP)-2024E
Nigeria	B-	3.2%	-0.9%	-0.7%	21.0%	N/A	-	-	31%	20%
Ecuador	B-	1.6%	-0.9%	3.1%	1.7%	-7.6	Dec-24	-6%	57%	43%
Egypt	B-	4.1%	2.0%	-6.4%	16.0%	38.2	Jun-24	10%	91%	26%
El Salvador	B-	2.5%	0.2%	-0.9%	1.8%	3.5	Dec-24	10%	87%	37%
Angola	B-	3.0%	4.0%	4.1%	18.9%	11.0	Dec-24	10%	62%	50%
Cameroon	B-	4.2%	-0.5%	-3.5%	3.4%	N/A	-	-	40%	30%
Iraq	B-	4.1%	-4.0%	-3.4%	3.5%	N/A	-	-	46%	21%
Bolivia	CCC+	2.2%	-5.7%	-5.8%	4.0%	1.55	Dec-24	3%	45% *	33%
Pakistan	CCC+	3.2%	0.9%	-0.9%	10.6%	-12.3	Jun-24	-3%	69%	31%
Argentina	**CCC**	**5.7%**	**1.8%**	**-0.7%**	**23.0%**	**-4**	**Feb-25**	**-1%**	**38%****	**21%**
Average B-		**3.2%**	**0.0%**	**-1.1%**	**9.5%**			**5.9%**	**59%**	**32%**

Argentina’s net debt-to-GDP level of 38% is in line with the average for selected peers from the B- credit rating category and is even lower than for certain countries such as Egypt. Moreover, growth expectations for this year are stronger for that cohort. The only categories in which Argentina is performing worse are inflation, although it remains on a clear downtrend, and the level of net international reserves, which we believe the IMF program will tackle adequately.

Source: Ministry of Economy, IMF, BTG Pactual

Summary of economic forecasts

	2021	2022	2023	2024 E	2025 F	2026F
GDP growth (%, y/y)	10.4%	5.3%	-1.6%	-1.8%	5.7%	5.0%
CPI (%)	50.9%	94.8%	211.4%	118%	23%	15%
Official exchange rate (USDARS, EOP)	102.8	177.1	808.5	1,033	1,374	1,549
Blue-chip swap (USDARS, EOP)	200.9	336.6	966.4	1,190	1,415	1,549
FX gap (%)	95.5%	90.0%	19.5%	15.3%	3.0%	0.0%
Net international reserves (USDbn)	2.3	7.7	-10.1	-2.5	8.4	12.1
Monetary policy rate (%, EOP)	38%	75%	100%	32%	23%	11%
Primary balance (% GDP)	-3.0%	-2.4%	-2.7%	1.8%	1.5%	1.5%
Overall balance (% GDP)	-3.6%	-4.2%	-4.4%	0.3%	0.2%	0.2%
Trade balance (USDn, cash basis)	15.3	21.8	12.5	18.7	11.5	13.3
Current account (USDmn, cash basis)	5.6	4.8	-3.6	1.7	-5.0	-7.9
Current account (% GDP, cash basis)	1.1%	0.8%	-0.6%	0.3%	-0.6%	-1.0%