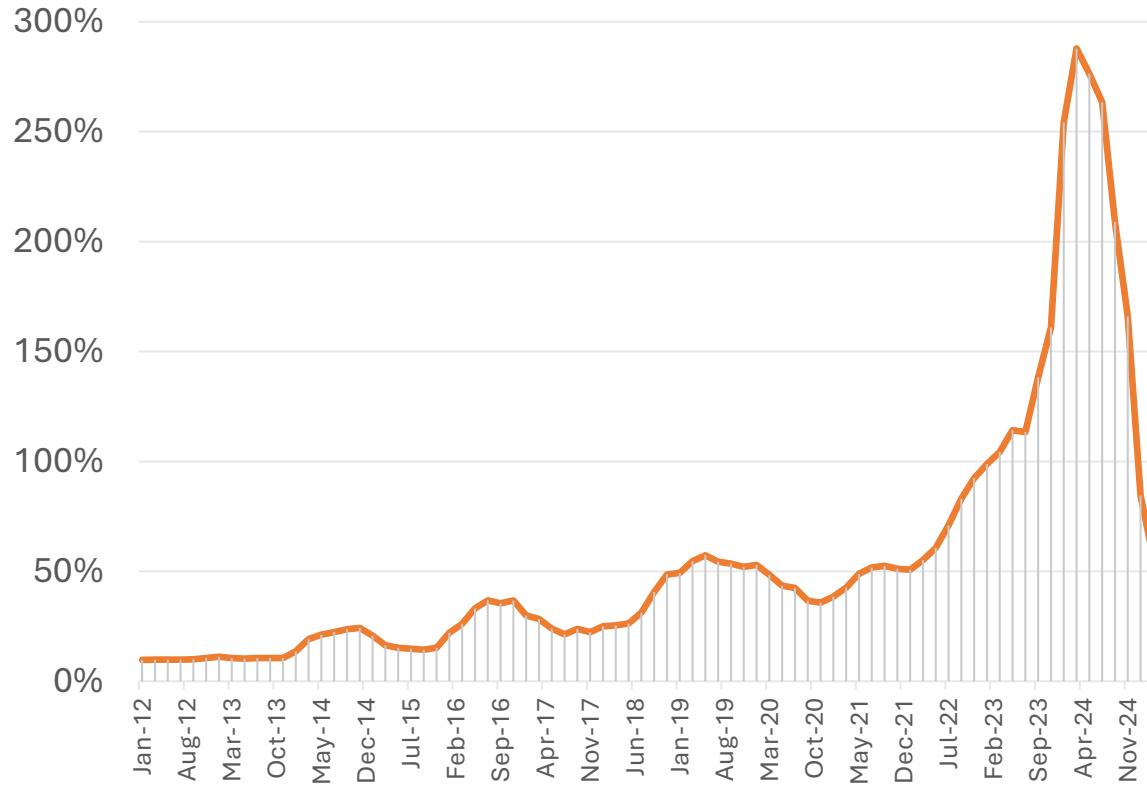


The Argentina-IMF saga's New Season

Alejandro Werner

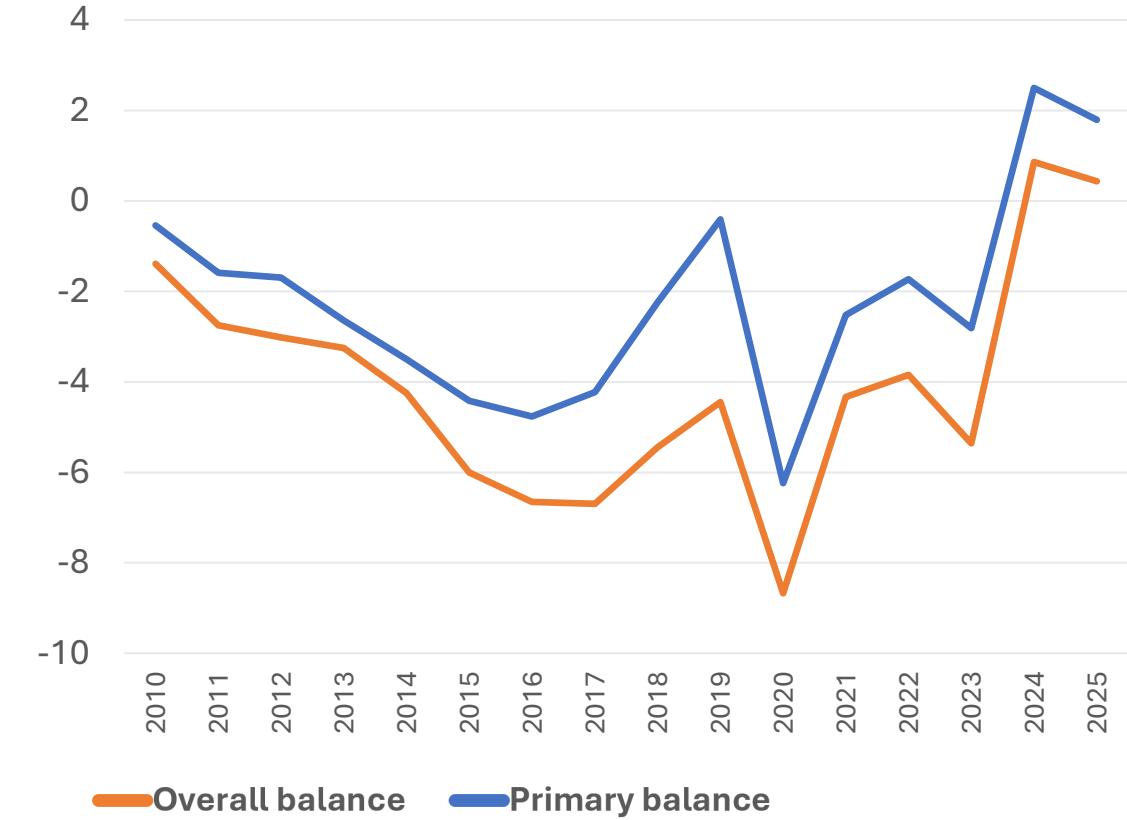
June 2025

A Successful Exchange Rate Based Stabilization (ERBS) Anchored in a Historic Fiscal



Source: IMF (Fiscal Monitor) April 2025

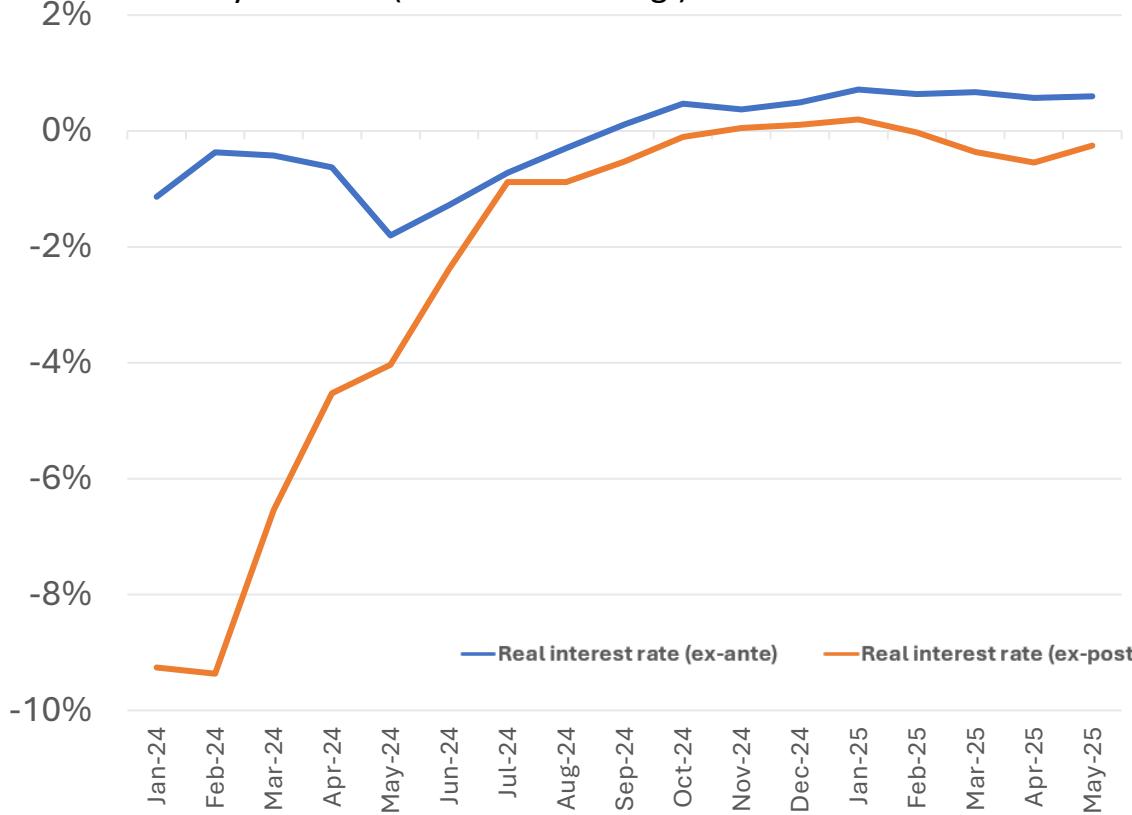
Primary and overall fiscal balance
Yearly, as percentage of GDP



As expected in an ERBS, low interest rates and an appreciated currency...

Real monetary policy

Percentage. *Ex-ante*: Monetary policy rate discounted by expected monthly inflation for the next 12 months and *Ex-post*: Monetary policy rate discounted by observed monthly inflation (3-month mov avg.)*



Source: Calculated based on data from Central Bank of Argentina via Alphacast

*Monthly inflation projections are polled by the Central Bank on a monthly basis.

Multilateral real exchange rate

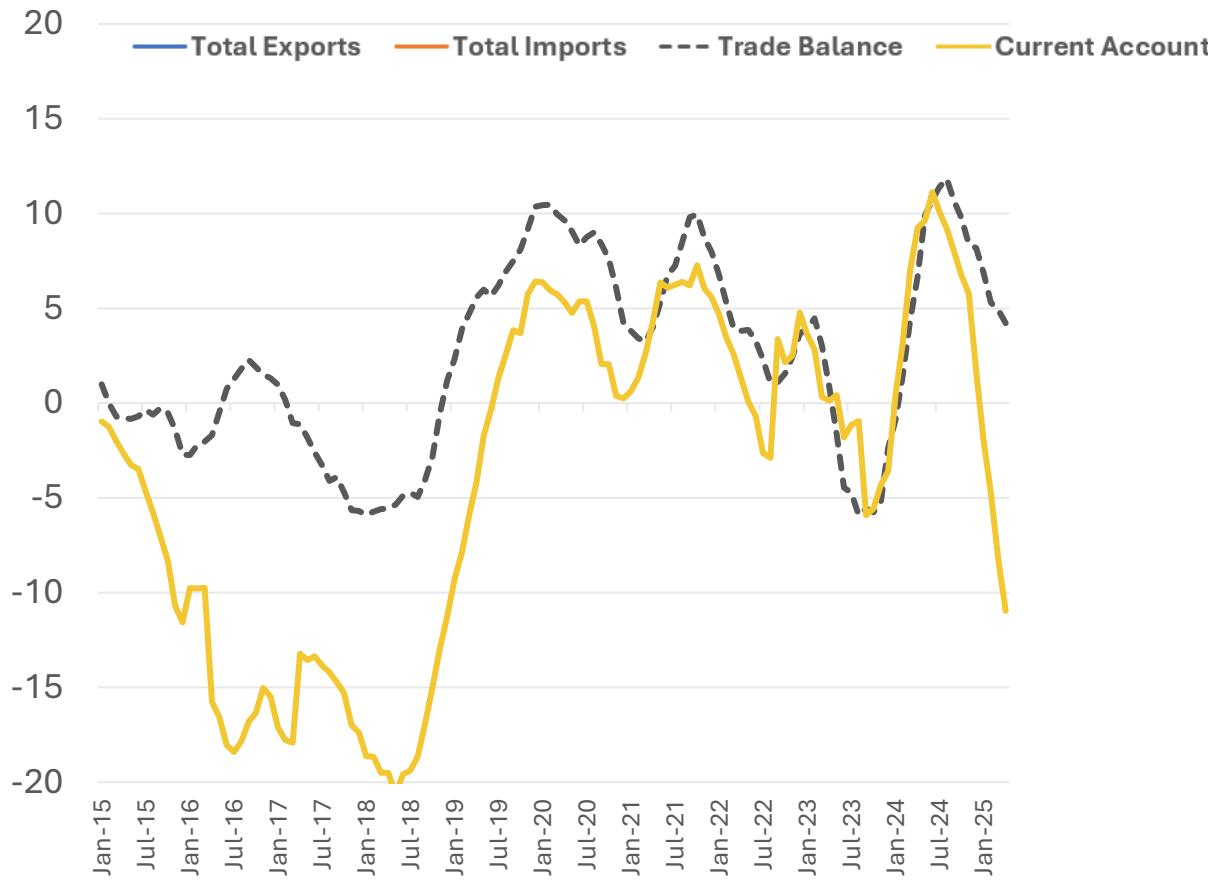
Jan 2012 – May 2025 (Index, 100 = mid-Dec 2015)



Are deteriorating the current account and trade balance

Current Account and Trade Balance

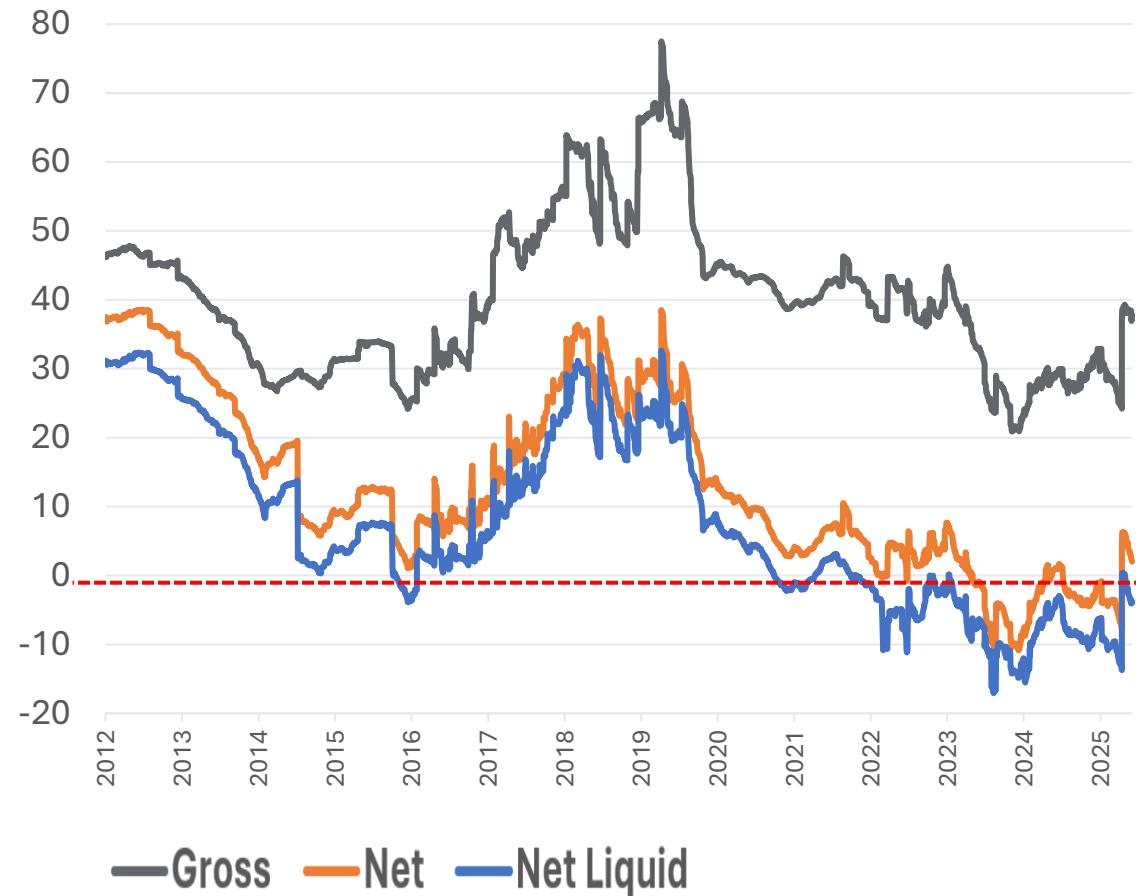
Jan 2015 – Apr 2025, trailing 6-month sum*, billion USD



Source: Calculated with data from Argentina's Central Bank and INDEC in Alphacast

*The Current Account is measured through a trailing 12-month sum.

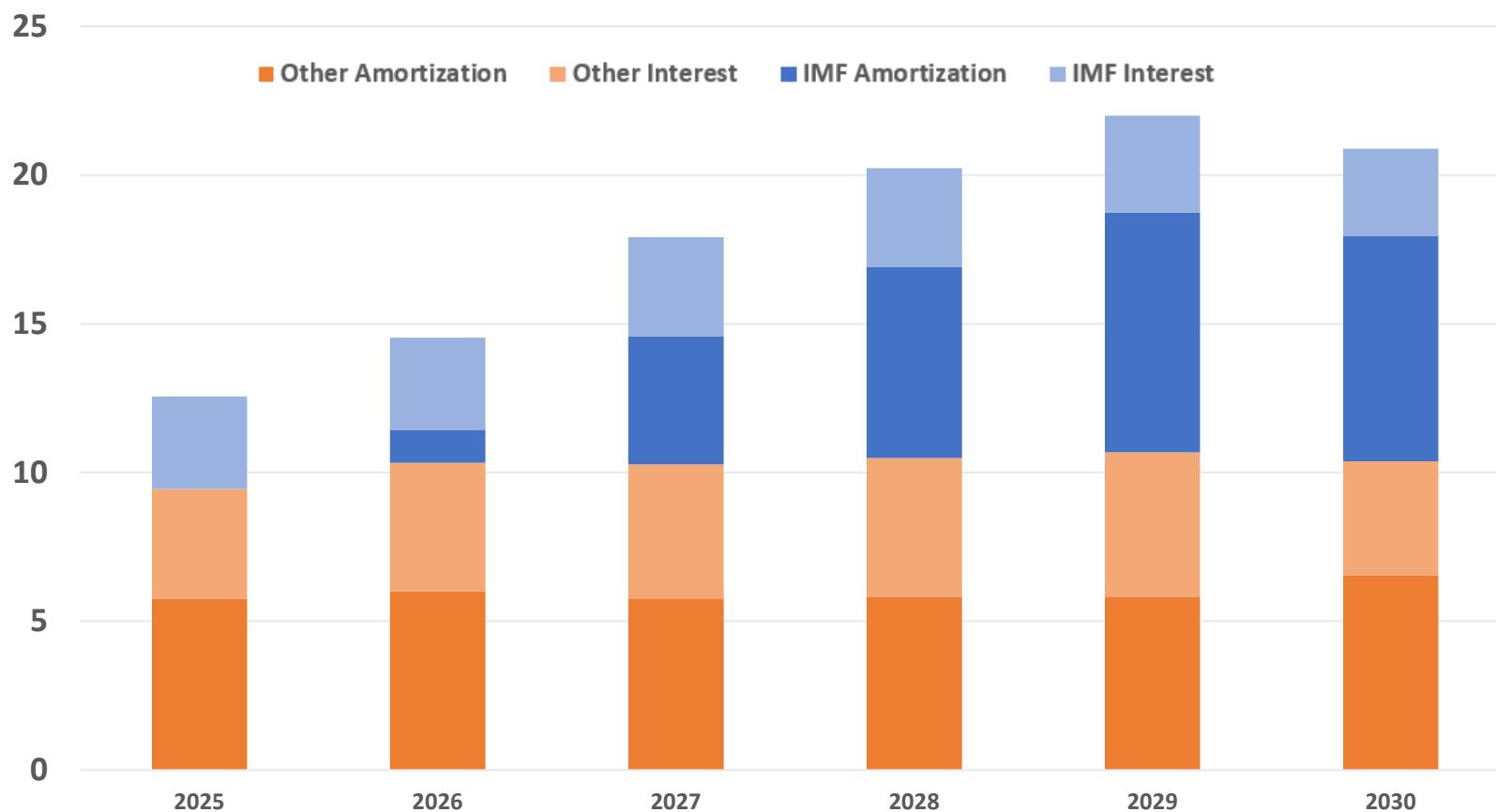
International Reserves (USD)



Argentina faces important external debt service obligations in the next 4 years (and more than 6bn in the rest of 2025)

Financing needs for external debt amortizations and interest of the federal government

2025 -2030 (billion USD)



Source: IMF, April 2025

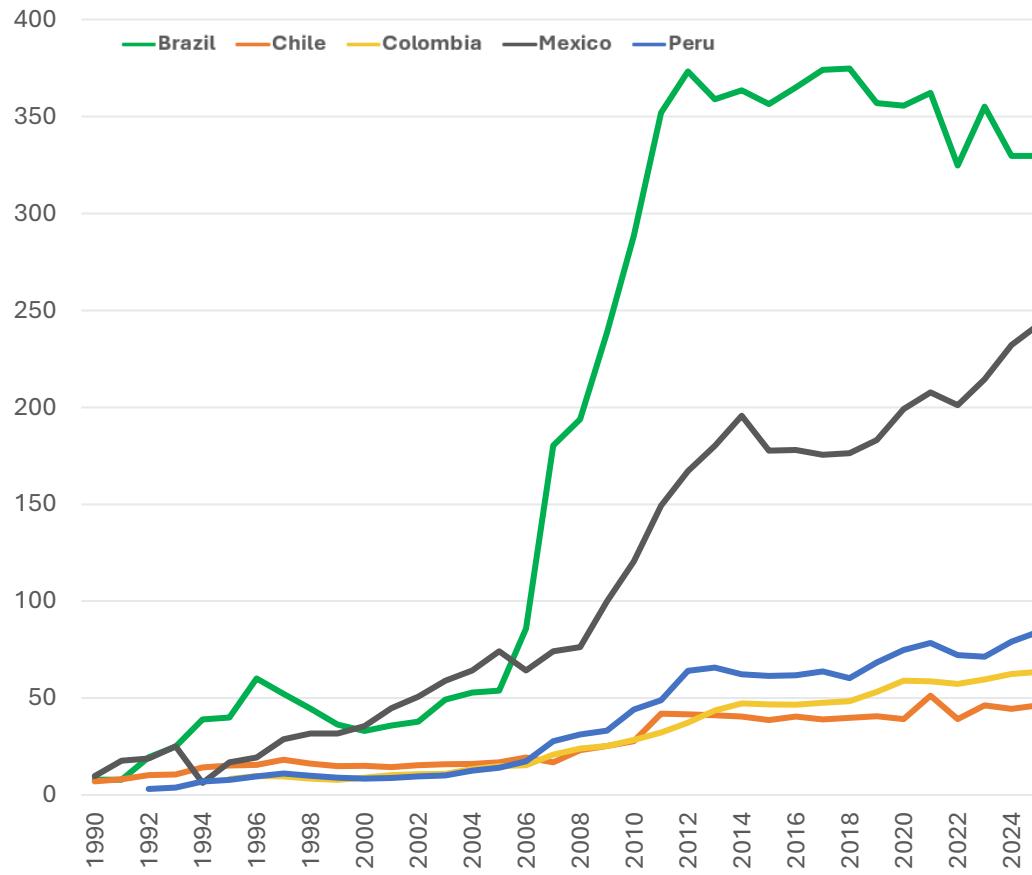
Reserves

Argentina faces rising external debt servicing needs in the coming years. 43% of its debt servicing obligations between 2025 and 2030 are with the IMF.

The Commodity boom, low rates and the lessons from financial scares lead LAC IT's to accumulate “large” levels of reserves. Explicit reserve accumulation programs were put in place. The academic literature has identified the lack of reserves and appreciated currencies as important determinants of currency crises.

Total reserve assets

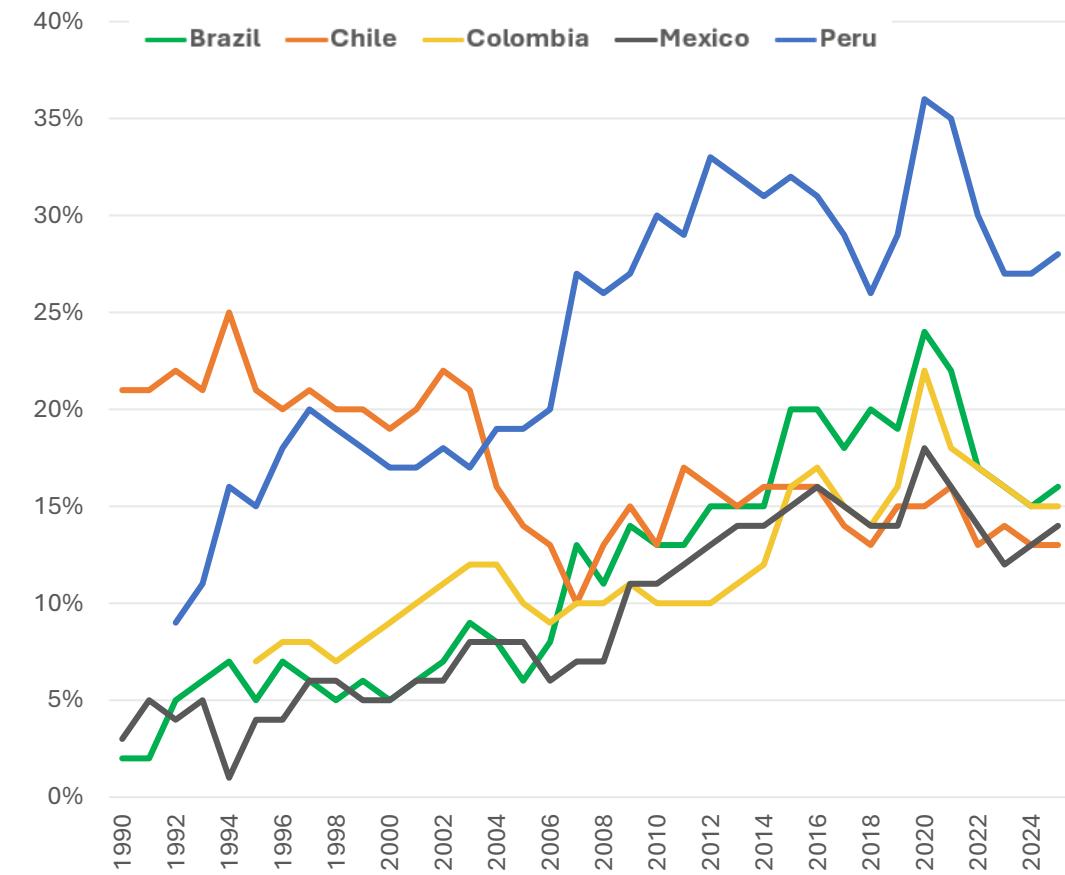
1990-2025, billion USD



Source: IMF, April 2025; Central Bank of Mexico

Total reserve assets

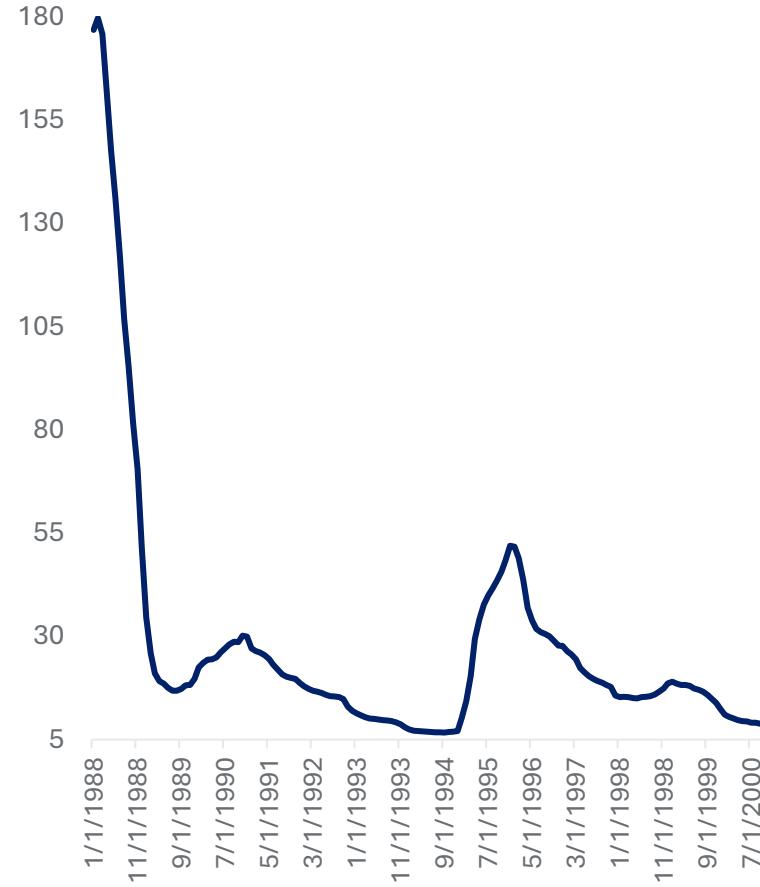
1990-2025, % of GDP



In many instances positive supply side developments take longer to materialize than what authorities expect and markets are willing to finance. The 1994 Tequila crisis is a good example of this and the perils of ERBS.

Mexico's Inflation

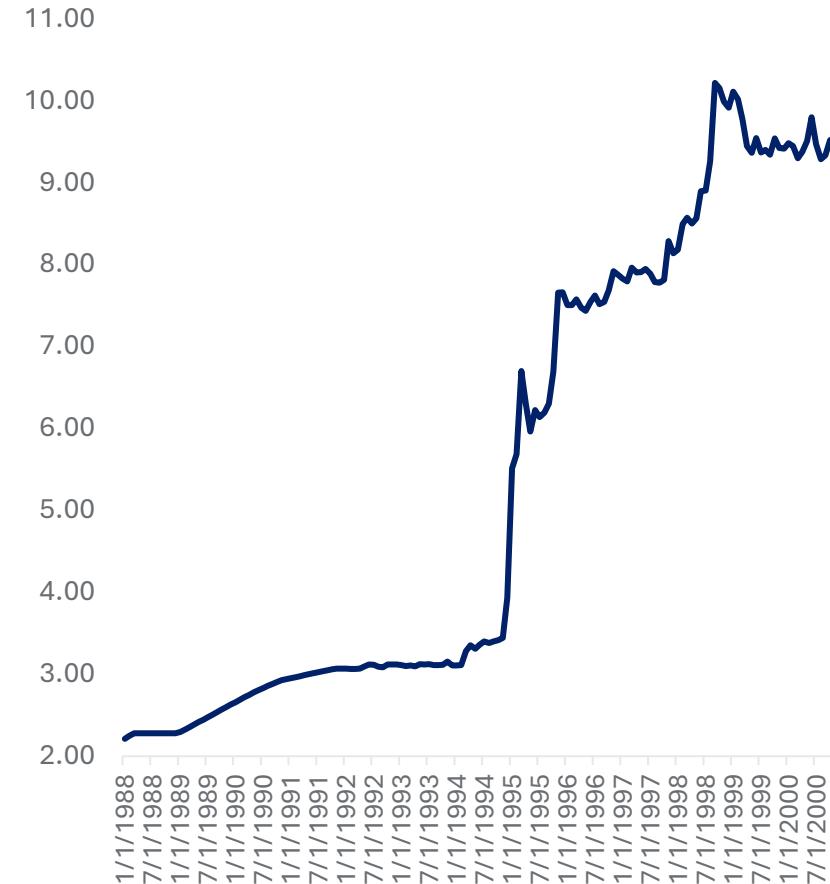
annual, %



Source: BANXICO

Mexico's Nominal Exchange Rate

USDMXN



Source: BANXICO

Mexico's Real Exchange Rate

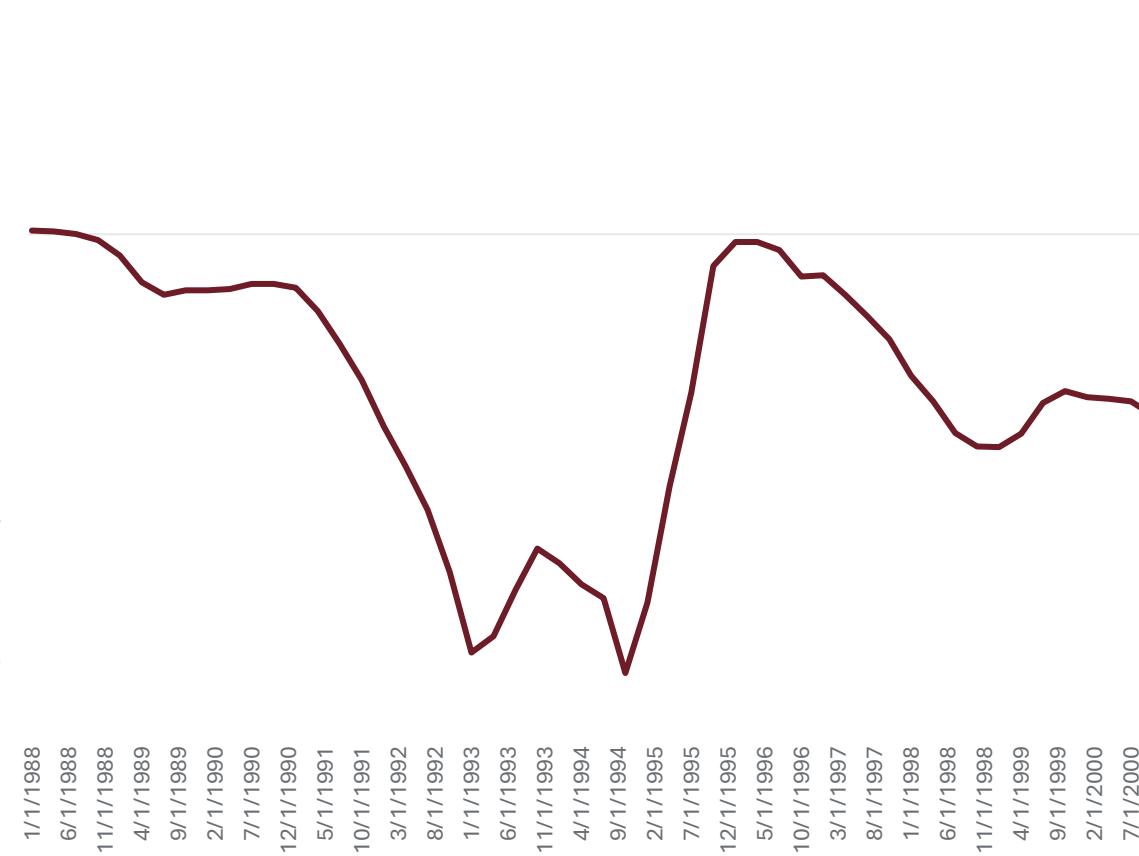
Index Aug1982=100



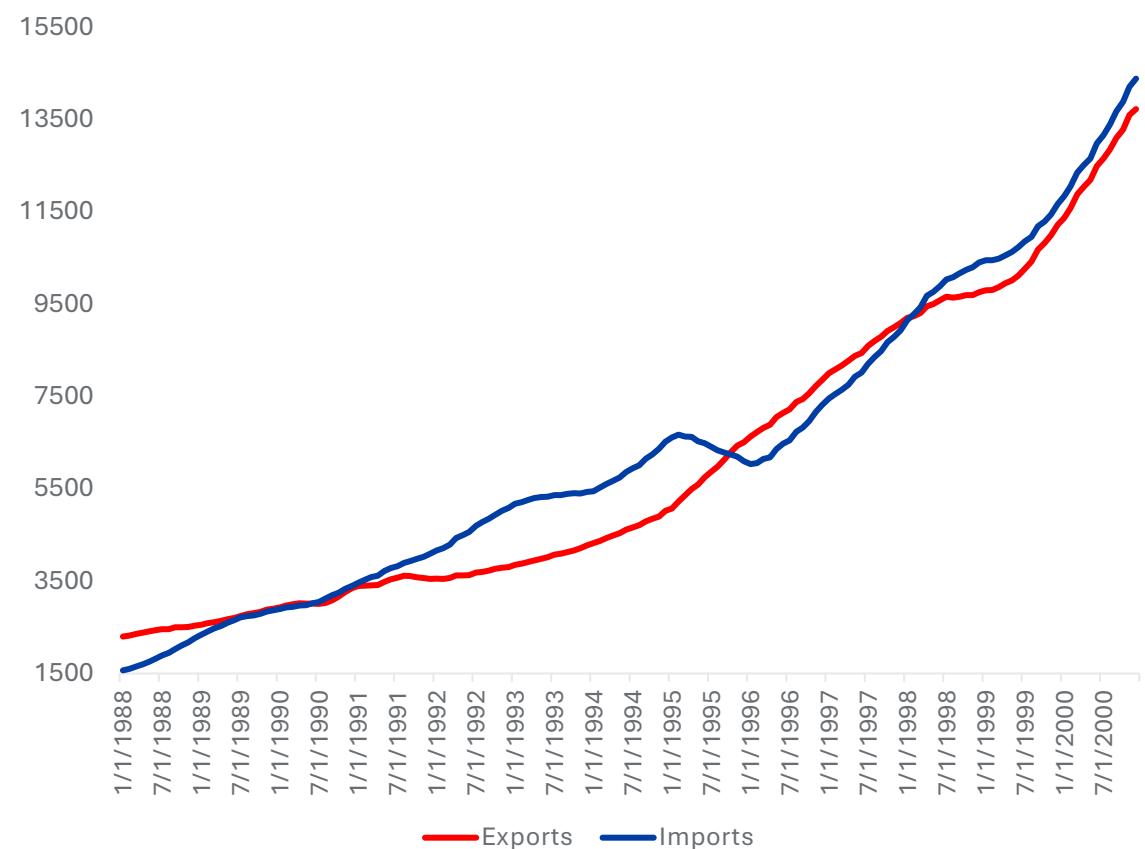
Source: BANXICO

Current Account and Trade

Mexico's Current Account as % of GDP



Mexico's Exports and Imports USD Million (12 moving average)



Source: INEGI

- Midterm Elections in October: Is the strong currency policy insurance to consolidate political capital and after the election the Government will be more accommodating to reserve accumulation and slower disinflation?
- If Milei does well in the midterms, he should take advantage of the political window to seek congressional approval for significant reforms (pensions, taxes, labor, etc). Also, the 2026 budget and 2027 budget targets should be approved by Congress and the primary surplus should increase as interest payments will go up.
- The Central Bank should introduce an important reserve accumulation policy.
- However, if government insists on a strong currency policy to accelerate disinflation, fragilities will be built up in the second half of the Administration running the risk of a disorderly move of the currency.
- Next IMF review end June: sticking point is reserve accumulation. Next disbursement covers debt service to the Fund.
- IMF: Maximum exposure under this program will be below the total approved during Macri's program, even more so in real terms. So, if Argentina faces negative external shocks there is space for augmentation.

The Argentina-IMF saga's New Season

Alejandro Werner

June 2025