INTERNATIONAL MONETARY FUND

IMF Country Report No. 25/95

ARGENTINA

April 2025

REQUEST FOR AN EXTENDED ARRANGEMENT UNDER THE EXTENDED FUND FACILITY—PRESS RELEASE; STAFF REPORT; STAFF SUPPLEMENT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR ARGENTINA

In the context of the Request for an Extended Arrangement Under the Extended Fund Facility, 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 April 11, 2025, following discussions that ended in March 2025, 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 April 7, 2025.
- An **Assessment of the Risks to the Fund and the Fund's Liquidity Position.**
- A **Staff Supplement,** updating information on recent developments.
- 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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International Monetary Fund
Washington, D.C.

PRESS RELEASE

PR25/101

IMF Executive Board Approves 48-month US$20 billion Extended Arrangement for Argentina

FOR IMMEDIATE RELEASE

- The IMF Executive Board approved a 48-month Extended Fund Facility (EFF) arrangement for Argentina totaling US$20 billion (or 479 percent of quota), with an immediate disbursement of US$12 billion, and a first review planned for June 2025 with an associated disbursement of about US$2 billion. The program is expected to help catalyze additional official multilateral and bilateral support, and a timely re-access to international capital markets.
- Building on the authorities' strong track record, the arrangement supports the transition to a new phase of their stabilization and growth plan to entrench macroeconomic stability, strengthen external sustainability, and deepen structural reforms to create a more open and market-oriented economy.
- Policy priorities will center on sustaining a strong fiscal anchor, transitioning to a more robust monetary and FX regime, with greater exchange rate flexibility, and advancing reforms to foster productivity, competitiveness, and growth.

Washington, DC – **April 11, 2025:** The Executive Board of the International Monetary Fund (IMF) approved today a 48-month extended arrangement under the Extended Fund Facility (EFF) for Argentina amounting to SDR 15.267 billion (equivalent to about US$20 billion, or 479 percent of quota). The Executive Board's decision allows the authorities an immediate disbursement of SDR 9.2 billion, equivalent to about US$12 billion, to be followed by a first review planned for June 2025 with an associated disbursement of about US$2 billion. The new arrangement follows a request by the Argentine authorities for medium-term balance of payments assistance to support the next phase of their stabilization and reform agenda. The program is expected to catalyze further official financing from multilateral sources —notably from the World Bank Group and IDB—and bilateral sources, and seeks to facilitate a timely return to international capital markets.

The authorities' IMF-supported program aims to consolidate the impressive initial gains from recent policy efforts—anchored by strong fiscal and monetary adjustment and deregulation efforts—while addressing Argentina's remaining macroeconomic vulnerabilities. The program supports a path toward entrenching macroeconomic stability, strengthening external sustainability, and laying the foundation for stronger and more resilient growth.

Key pillars of the program include maintaining a strong fiscal anchor, transitioning towards a more robust monetary and FX regime, with greater exchange rate flexibility in the context of a gradual easing of FX restrictions, and advancing a broad range of structural reforms to foster a more dynamic, market-oriented economy. Continued steadfast policy implementation and strong contingency planning will be critical to secure program success, especially given elevated and rising global risks.

Following the Executive Board discussion, Ms. Kristalina Georgieva, Managing Director and Chair, made the following statement:

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"The Argentine authorities' decisive implementation of their stabilization plan, centered on a strong fiscal anchor and broad structural reforms, has yielded rapid disinflation, a solid economic recovery, and incipient improvements in social indicators. Despite this early progress, Argentina continues to face vulnerabilities and structural challenges, including limited external buffers to address elevated and rising global risks as well as impediments to strong and sustainable growth.

"Against this backdrop, the authorities are embarking on a new phase of their stabilization plan, supported by a four-year Extended Arrangement under the IMF's Extended Fund Facility to entrench macroeconomic stability, strengthen external viability, and secure a timely re-access to international capital markets. Policy priorities center on (i) sustaining the strong fiscal anchor; (ii) facilitating an immediate transition toward a more robust monetary and FX policy framework; and (iii) deepening reforms to create a more open and market-based economy.

"Building on the authorities' commitment to a zero-deficit target and track record of delivering the first fiscal surplus in almost two decades, the program focuses on strengthening the quality and durability of the fiscal anchor. This will be supported by ongoing spending discipline, efficiency measures, and well-sequenced reforms of the tax, revenue sharing, and pension systems. Efforts will continue to provide sufficient fiscal space for priority social assistance and priority infrastructure spending.

"The authorities will transition toward a new FX regime with greater exchange rate flexibility to rebuild external buffers and better manage shocks. This transition is being supported by the establishment of an enhanced monetary targeting framework with strict limits on central net domestic assets to support money demand and disinflation, thereby limiting FX sales. These steps are complemented by a carefully sequenced easing of distortive FX restrictions, combined with prudent macroprudential policies to avoid currency mismatches.

"Building on the impressive ongoing efforts to deregulate the economy, the program seeks to deepen structural reforms to boost Argentina's growth, including via its vast potential in energy and mining. Efforts will focus on further (i) strengthening product and labor market flexibility, and gradually opening the economy; (ii) improving state efficiency and its regulatory predictability; and (iii) enhancing governance and transparency, including by further aligning anti-corruption and AML/CFT frameworks with international standards.

"Against the global backdrop of elevated and escalating risks, the authorities' have contingency plans in place, to be complemented by agile policy making in the context of program reviews to refine macroeconomic policies as needed to meet program objectives and durably restore stability. Clear communication will remain imperative, as well as the need for broadening the social and political support for Argentina's ambitious reform program."

INTERNATIONAL MONETARY FUND

ARGENTINA

April 7, 2025

REQUEST FOR AN EXTENDED ARRANGEMENT UNDER THE EXTENDED FUND FACILITY

EXECUTIVE SUMMARY

Context. Inheriting an economy on the verge of a balance of payment crisis, the Milei administration implemented a stabilization plan centered on a strong fiscal anchor, an initial large step devaluation (followed by a crawling peg), and an ambitious deregulation agenda. This has yielded a rapid disinflation, the first primary surplus in almost two decades, an initial turnaround in reserves, and a strengthened balance sheet of the central bank, all of which contributed to sharply lower sovereign spreads. Despite the adjustment, the economy and real wages have been recovering since mid-2024, supporting rapid improvements in social indicators. Nevertheless, Argentina's vulnerabilities and challenges are substantial, as external buffers remain very weak, inflation is still elevated, and many structural impediments to investment and employment persist. Recognizing remaining challenges and sharply rising global risks, the authorities are requesting medium-term balance of payments assistance under a new Extended Fund Facility (EFF) arrangement to address Argentina's weak balance of payments position, maintain external and internal stability and create conditions for stronger and more sustainable growth.

Program objectives. The new program reinforces the authorities' efforts to address remaining balance of payments problems, entrench macroeconomic stability, strengthen external viability, and deepen structural reforms to create a more market-oriented economy. Key policies include: (i) maintaining a strong fiscal anchor and enhancing the durability and quality of the policies underpinning it; (ii) transitioning toward exchange rate flexibility, while gradually lifting FX restrictions; and (iii) continuing the implementation of supply-side reforms to boost productivity, competitiveness and governance. Sustained policy implementation will be necessary to secure fiscal sustainability, decisively improve reserve coverage, ensure a timely re-access to international capital markets, and strengthen Argentina's resilience to shocks.

- **Fiscal policy.** The program is anchored on continued implementation of the authorities' overall fiscal balance anchor, consistent with the primary surplus rising from about 1¼ percent of GDP this year to around 2½ percent of GDP over the medium term. This underlying improvement will be supported by ongoing spending

discipline and efficiency measures, as well as well-sequenced reforms of the tax, revenue sharing, and pension systems.

- **Financing.** The financing strategy will continue to focus on reducing rollover risks on peso debt by extending maturities and gradually replacing FX- and inflation-linked securities with fixed-rate instruments as disinflation proceeds. On the external side, decisive implementation of the program and an early build up in reserves are expected to lead to a further narrowing of sovereign spreads and facilitate a timely re-access to international capital markets at more favorable (and sustainable) terms by early 2026. Staff assesses that firm financing assurances are in place from multilateral creditors and bilateral creditors, who are also supporting the authorities' stabilization and growth plans.

- **FX and monetary policies.** The program envisages an immediate transition to more robust monetary and exchange rate frameworks to improve Argentina's ability to adjust to shocks while rebuilding reserves and supporting disinflation. Under the new FX framework, the exchange rate will initially float within a sufficiently wide exchange rate band to permit price discovery, with FX purchases within the band consistent with reserve accumulation goals. Additionally, the current broad monetary base ceiling will be replaced by a conventional monetary aggregate framework alongside strict limits to the BCRA's net domestic assets. Short-term monetary rates will play a more active role to support these frameworks in strong coordination with the Treasury. The framework would evolve over time towards a fully flexible exchange rate in the context of a bi-monetary system, where the peso and U.S. dollar coexist.

- **Structural policies.** The program deepens reforms to create a more open and market-based economy, including through continued implementation of the authorities' landmark legislation (*Ley Bases*) and a new regime to encourage large investments in strategic sectors. Emphasis will be given to: (i) increasing product and labor market flexibility, while addressing trade and competitiveness barriers; (ii) lowering the state footprint by rationalizing functions and structures; and (iii) improving governance by strengthening procurement processes and aligning anti-corruption and AML/CFT frameworks with international best practices. Measures to deal with potential dislocation effects from these reforms would be important, as would the need to ensure burden sharing.

Program baseline. Real GDP growth is expected to expand by about 5½ percent this year, and converge to about 3 percent over the medium term, supported by the implementation of a growth-oriented reform agenda and strong prospects in the energy and mining sectors. Inflation is expected to fall to around 18–23 percent in end-2025 and reach single digits by 2027, supported by tight policy settings. The external current account balance is projected to shift from a surplus of 1 percent of GDP to a slight deficit this year, reflecting less favorable terms of trade and a cyclical recovery in domestic demand. Over the medium term, a strict adherence to the fiscal anchor, along with a more robust monetary/FX regime with greater exchange rate flexibility to address shocks and strengthen aggregate demand management, are expected deliver a broadly balanced external current account and improved reserve coverage, supported also by higher foreign direct investment (FDI).

Risks and contingency plans. Downside risks remain elevated. External conditions have deteriorated with the recent intensification of trade tensions, and continuation of this could weigh on global demand, leading to tighter global financial conditions and lower commodity prices for some time, negatively impacting Argentina's growth and external prospects. On the domestic side, still-fragile social conditions and the upcoming electoral cycle could add to volatility and challenge program implementation. That said, upside risks from the steady implementation of the government's reform agenda cannot be discarded. Against this backdrop, understandings have been reached on strong contingency plans to address shocks and help secure program objectives. Nonetheless, enterprise risks associated with the new program remain elevated, particularly given the already large exposure and history of challenging programs with Argentina.

Program modalities. To support their policy efforts, the authorities have requested a 48-month EFF arrangement with access equivalent to SDR 15.267 billion (about US$ 20 billion, or 479 percent of quota), with 60 percent of this access being disbursed upon program approval. The program envisages a first review in June and a second review in late-2025, with disbursements of SDR 1.529 billion (US$ 2 billion) and SDR 0.763 billion (US$ 1 billion), respectively. The program will shift to semi-annual reviews over 2026–29, with disbursements of about SDR 0.545 billion (US$ 0.7 billion) for each of the remaining seven reviews. In addition to US$ 2 billion in budget support from the World Bank and IADB, the program is also expected to catalyze additional official financing from other sources, as well as capacity building support to help implement the authorities' ambitious reform agenda. Program performance will be monitored with a set of quantitative performance criteria (QPCs), indicative targets (ITs), and structural benchmarks (SBs).

Approved By
Luis Cubeddu (WHD), Mark Flanagan (SPR)

Discussions took place in Buenos Aires, Washington, D.C., and virtually between October 2024–March 2025. The team included L. Cubeddu, A. Ahuja, and B. Joshi (heads), L. Antoun de Almeida, J.M. Fournier, T. Kass-Hanna, J. Yépez Albornoz (all WHD), C. Gómez Osorio (FAD), G. Otokwala (LEG), S. Mulema (MCM), K. Elfayoumi and M. Ivanyna (both SPR), M. Szafowal (Local Economist), B. Kelmanson (outgoing Resident Representative), and M. Alier (incoming Resident Representative). R. Snipeliski and M. Markevych (both LEG) joined part of the discussions. R. López Palazzo (WHD) provided research assistance and M. Machado Damasio (WHD) provided document management. The team met with L. Caputo (Economy Minister), S. Bausili (BCRA President), J. L. Daza (Economic Policy Secretary), C. Guberman (Budget Secretary), P. Quirno (Finance Secretary), V. Werning (BCRA Vice President) and their teams. Mr. Madcur (OED) participated in the discussions.

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CONTEXT

1. The ambitious stabilization plan of the Milei administration managed to avert a full-blown crisis and brought the previous Fund-supported program back on track. The plan was centered on a bold and frontloaded fiscal adjustment of over 5 percentage points of GDP and an upfront exchange rate adjustment (followed by a crawling peg), leading to a significant reduction in the monetary overhang and an important improvement in the central bank's balance sheet, which initiated a turnaround in the country's external position. The plan also included a substantial expansion of targeted social assistance, and a pioneering deregulatory reform agenda aimed at creating a more open and market-oriented economy, including by sharply curtailing distortive rent-seeking activities. These policies brought the previous 2022 EFF arrangement back on track, and the seventh and eighth reviews were completed. The authorities opted not to complete the remaining reviews to pursue a new arrangement, although key fiscal and external targets through end-2024 would have been met with margins.

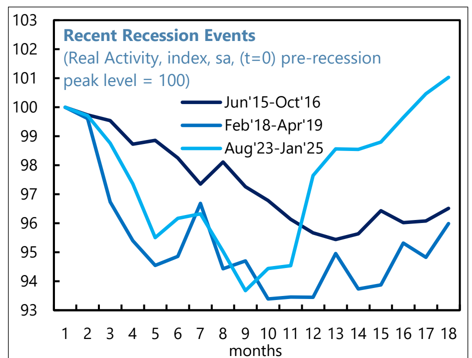
2. The stabilization plan has yielded impressive results. Despite the sharp macroeconomic adjustment, the economy has been expanding since May 2024, supported by a recovery in real wages and credit, as well as confidence effects from the plan. Meanwhile, monthly inflation has fallen sharply to its lowest levels since mid-2020 which, together with the recovery in activity and enhanced social assistance, has led to a drastic reduction in poverty and an overall improvement in social conditions. The ongoing easing of distortive FX restrictions and deregulatory reforms is improving market functioning in key sectors (housing, transport, communication) and resource allocation, leading to improvements in consumer welfare. Argentine asset prices have rallied since end-2023, reaching multi-year highs, despite some recent correction.

3. That said, important vulnerabilities and structural challenges remain, in the context of rising global risks. Despite initial improvements in reserve coverage, the level of net international reserves (NIR) remains extremely low, falling more recently on account of rising trade deficits amid uncertainties over the direction of FX policy and a considerably more challenging global backdrop. Argentina has yet to re-enter international capital markets and faces large FX debt service payments to private and official creditors over the near and medium term. Inflation is still high, and concerns linger over the quality of the central bank's assets. Structural impediments to growth and competitiveness persist, including because of an inefficient and complex tax system, a still relatively closed economy, and limited—yet improving—flexibility in key labor and product markets. Meanwhile, the social situation remains delicate with about 38 percent of the population still living in poverty and elevated levels of informality.

4. The requested EFF arrangement builds on the gains thus far and supports the next phase of the authorities' stabilization plan. Against the backdrop of recent improvements in macroeconomic conditions, and recognizing rising external risks, the authorities see an opportunity to pivot to a new program that facilitates the transition toward a more robust FX and monetary framework while providing greater clarity on policies over the medium term. The new four-year EFF (for 479 percent of quota) would provide balance of payments support to boost reserves while catalyzing financing from other official creditors, facilitating a timely re-access to international capital markets that would yield a gradual reduction in Argentina's exposure to the Fund after the program period. In contrast to previous programs, Fund resources will not be used to finance budget deficits.[1] Building on lessons from recent Ex Post Evaluations (see Box 1),[2] the new program aims to: (i) maintain the strong fiscal anchor while enhancing the durability and quality of the underpinning policies; (ii) enhance the monetary and FX policy regime, with upfront measures to improve Argentina's reserve coverage and its ability to absorb shocks; and (iii) deepen structural reforms to boost investment, formal employment, competitiveness and governance. Continued decisive program implementation, in the context of greater exchange rate flexibility, would help entrench disinflation, safeguard fiscal and external sustainability, and boost Argentina's medium-term growth prospects. The new proposed arrangement continues to be subject to the exceptional access policy because of both the proposed high upfront access (359 percent of quota in the first twelve months) and large Fund credit outstanding to Argentina (currently 976 percent of quota).

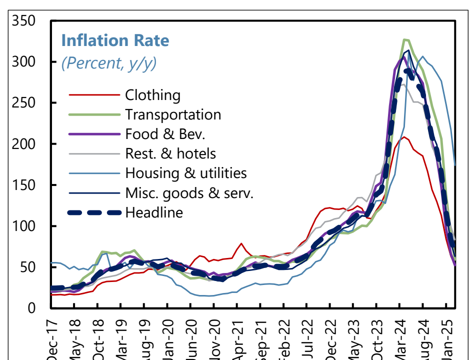
RECENT DEVELOPMENTS

5. **A strong economic recovery is underway.** After a three-quarter recession that saw activity drop by almost 6 percent, real GDP rebounded in H2:2024, to about 4 percent q/q in Q3:2024 and 1.3 percent q/q in Q4:2024, marking this recovery as the fastest observed in recent recessionary cycles. This turnaround has been driven largely by a rebound in domestic demand, underpinned by improvements in confidence, and robust growth in real wages (up 10 percent between June and December) and real bank credit as deregulatory reforms proceed. High-frequency indicators suggest that this strong growth momentum has continued into early 2025. The economic recovery, however, remains uneven—while agriculture has recovered given improved weather conditions following last year's drought, sectors like construction and manufacturing still lag in annual terms, in the context of still-subdued formal employment growth.



Sources: INDEC and Fund staff calculations.

6. **The strong disinflation process continues.** Monthly headline inflation fell from 25.5 percent in December 2023 (and 211 percent y/y), following the exchange rate adjustment, to 2.4 percent in February 2025 (67 percent y/y), with especially large declines in goods and wholesale inflation, which are now trending below 2 percent m/m, supported also by lower import tariffs and a slower rate of crawl. This drastic

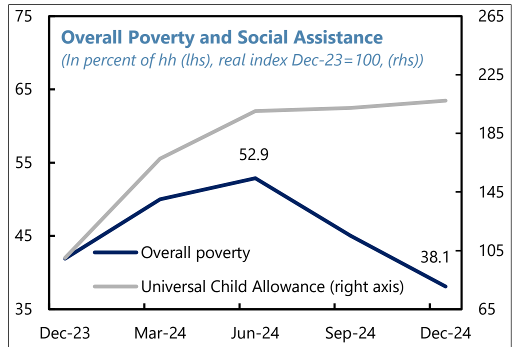


Sources: INDEC; Haver Analytics; and Fund staff calculations.

[1] Contrary to the outset of previous Fund-supported programs in 2018 and 2022, Argentina is now running a sizeable fiscal primary surplus, and a smaller current account deficit (after posting a surplus in 2024).

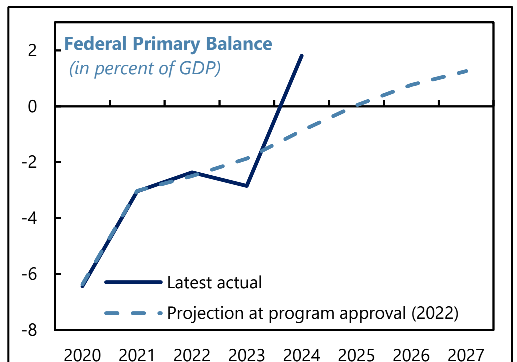
[2] See the Ex Post Evaluations (EPEs) of the 2018 SBA and 2022 EFF.

decline took place despite the correction in relative prices (with some regulated prices having risen by as much as 500 percent y/y) and unwinding of distortive price controls (see Box 2). Importantly, inflation expectations have become better anchored given improved credibility of the fiscal adjustment commitment, the strengthening the central bank's balance sheet, and tight monetary conditions, which are also supporting a re-monetization of the economy (see ¶10).



Sources: WB poverty analysis, INDEC, ANSES.
Note: Overall poverty is in percent of households, estimated from household surveys.

7. **Social conditions have improved, though remain fragile.** After peaking at 53 percent in H1:2024—the highest since 2003—the poverty rate has decreased rapidly to 38.1 percent by end-2024, with estimates pointing to further declines since. Similarly, extreme poverty has fallen to 8.2 percent (from 18 percent) over the same period (see Box 3). This improvement reflects the success of the stabilization plan in entrenching rapid disinflation, a sharp pickup in real wages (as the recession was associated with limited employment costs), and the V-shaped economic recovery. Improved social indicators also reflect the authorities' decision to scale up social assistance spending, especially for mothers and children (which doubled in real terms), and protect the real value of pensions by reforming the complex pension indexation formula. Despite these important improvements, poverty remains elevated (especially among children), and more than half of the labor force is working on the informal sector.



Sources: MECON and Fund staff estimates.
Note: Projections are displayed as dashed lines.

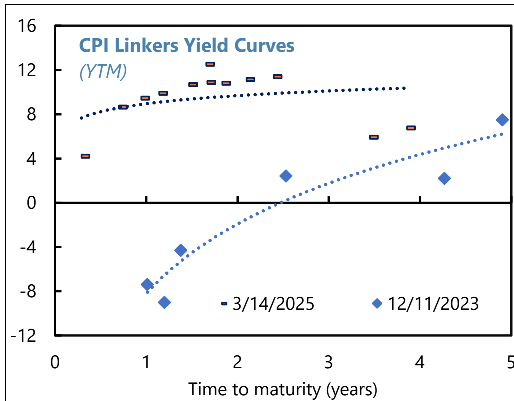
8. **Strict fiscal discipline remains the key policy anchor.** The government posted a cash primary surplus of about 1.8 percent of GDP in 2024, a significant turnaround from a deficit of nearly 3 percent of GDP deficit in 2023 and above the fiscal target under the previous program. The adjustment was driven mainly by a sharp contraction in primary spending (down 30 percent y/y), with deep cuts in subsidies, pensions, provincial transfers, and capital spending, aided further by President Milei's vetoes of non-budgeted congressional spending initiatives in higher education and pensions. Spending priorities have also shifted—with important expansions in targeted social assistance and security spending. This result was consistent with an overall cash surplus (0.3 percent of GDP).[3] The commitment to the fiscal anchor has continued into 2025, with the government posting a cumulative primary surplus of about 0.5 percent of GDP through February, driven by buoyant tax revenues on account of a strong cyclical

[3] Calculated based on the authorities' reported cash interest payments of 1.5 percent of GDP. The cash interest bill excludes the nominal component of interest on inflation-indexed bonds as well as the accrual component on zero-coupon bonds, both of which are treated below the line by the authorities (worth about 2.5 percent of GDP, excluding intra-public sector interest payments). These below-the-line interest payments are however recorded in the current debt stock, as they are treated akin to principal payments.

recovery (up 9 percent y/y in real terms), which enabled an expansion in real primary spending (up 19 percent y/y), though from a low base.

9. Strong fiscal and domestic financing efforts have materially reduced debt rollover risks. Domestic financing risks have eased, with a series of voluntary debt exchanges supporting an extension of the debt maturity profile and a shift away from inflation-indexed debt in favor of fixed-rate instruments. This has been complemented by agile Treasury cash management, along with a shift toward positive real rates on Treasury securities amid lower inflation expectations. Specifically, fiscal surpluses have enabled the Treasury to accumulate peso and FX deposits at the BCRA, which were used to cover all FX obligations due to bondholders in January (US$4.3 billion), with a balance still available to meet a large fraction of the obligations coming due in July (US$4.3 billion). This was complemented by a central bank repo operation (US$1 billion) with international investment banks to boost near-term liquidity.[4] After peaking at over 2500 bps in November 2023, sovereign spreads now stand around 950 bps, rising more recently on account external and domestic uncertainties.

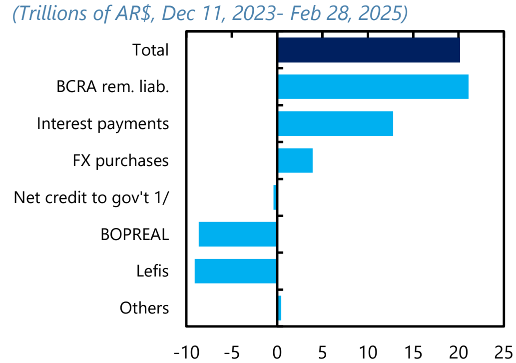
CPI Linkers Yield Curves
(YTM)



Sources: Bloomberg L.P. and Fund staff estimates.

10. Monetary and FX policies have been instrumental in supporting disinflation. Sustained fiscal surpluses has allowed the elimination of central bank financing of the government, and proactive debt management has bolstered the central bank's balance sheet, supported also by a decision to replace BCRA peso-remunerated securities with Treasury liabilities and close most of the BCRA put options. Along with improvements in the BCRA's balance sheet, the exchange rate anchor (a monthly crawl rate of 2 percent, which was reduced to 1 percent in February 2025) and enhancements to the monetary framework have also helped facilitate disinflation. Specifically, the BCRA established a cap on "broad" base money[5] and implemented an interest rate corridor by introducing a monetary policy (reverse repo *or Lefi*) rate and an active repo window to provide liquidity to banks. Monetary policy rates have shifted to positive in real ex ante terms, with declines in inflation and inflation expectations allowing the BCRA to reduce the policy rate from an annual nominal rate of 117 percent in end-2023 to 29

Factors of Monetary Base Growth
(Trillions of AR$, Dec 11, 2023- Feb 28, 2025)



Sources: BCRA; and Fund staff calculations.
1/ Includes put exercise, secondary market operations, new NTTS and treasury buybacks.

[4] The repo is payable over 28 months, with a spread of 475bps and collateralized by roughly US$2 billion of central bank FX debt (BOPREAL). The 5 syndicated international banks are obliged to hold the collateral on their balance sheet.

[5] The broad monetary base, as defined by the BCRA, is the sum of the monetary base, LeFi instruments held by banks, and Treasury peso deposits at the central bank. The cap was set at around ARS 48 trillion.

percent currently. As a result, private peso demand has recovered sharply (from very low levels), with money base growth being largely offset by the issuance of BOPREAL instruments and rising bank holdings of short-term Treasuries (LeFis). These actions have not only improved the transmission of monetary policy, but also spurred a rapid expansion of peso-denominated credit (see ¶13).

11. After registering a surplus in 2024, the trade balance has narrowed sharply more recently. The improvement last year is explained mainly by a turnaround in the goods trade balance, which shifted from a deficit of around US$4 billion in 2023 to a cumulative surplus of US$15 billion through December 2024, owing to strong import volume compression (-15 percent y/y) and export volume expansion (28 percent y/y), the latter largely reflecting a rebound in agricultural exports following the drought. The surplus was also supported by a structural improvement in the energy balance (up over US$5 billion relative to 2023), reflecting a steady expansion of domestic energy production and transport capacity (see Box 4), which led to higher energy exports (29 percent y/y, volume) and a contraction in energy imports (-45 percent y/y). That said, these strong trade surpluses have moderated markedly since H1:2024, on account of the recovery in domestic demand, in the context of a more appreciated currency in real terms and easing of distortive current account restrictions, including the elimination of the FX access tax (*impuesto pais)* by end-2024 (see Annex III).[6] These trends have continued during the Q1:2025, as evidenced by a further import expansion, with tourism outflows reaching their highest levels since 2018.

Argentina: External Sector Developments, 2023-24
(in billions of U.S. dollars)

	2023	2024	Diff.	2024 H1	2024 H2
Goods balance (cash) 1/	**-3.7**	**15.2**	**18.9**	**10.5**	**4.7**
Goods balance (accrual)	-6.9	27.3	34.2	10.7	8.3
Export blend	-4.7	-12.7	-8.0	-6.1	-6.6
Imports through CCL/MEP	7.9	8.9	1.0	5.9	3.0
Services balance (cash) 2/	**-6.2**	**-4.9**	**1.3**	**-1.2**	**-3.7**
Financial flows	**-5.9**	**-4.2**	**1.7**	**0.0**	**-4.3**
Commercial debt	16.2	3.4	-12.8	5.1	-1.7
Public 3/	-11.5	-12.3	-0.8	-6.8	-5.5
o/w IMF	-8.4	-2.4	6.0	-0.1	-2.3
CCL/MEP interventions	-3.9	-1.0	2.9	0.0	-1.0
Other private 4/	-6.7	5.7	12.4	1.8	3.9
o/w asset repatriation 5/	-2.0	9.2	11.2	2.9	6.3
o/w portfolio and FDI (cash)	0.3	0.5	0.2	0.4	0.1
NIR change	**-15.8**	**6.0**		**9.3**	**-3.3**
Memorandum items:					
Goods exports (accrual)	66.8	79.8	13.0	38.2	41.6
Goods imports (accrual)	73.7	60.8	-12.9	27.5	33.3

Sources: BCRA and Fund staff calculations.
1/ Net of changes in commercial debt.
2/ Nets out unsurrendered exports FX proceeds and services related trade financing.
3/ Includes disbursements net of debt service payments (interest and amortization).
4/ Includes net private flows (asset repatriation, FDI, portfolio), non-public primary and secondary income, as well as valuation effects.
5/ Domestic FX credit surrendered through official FX market, FX sales by private sector.

12. Meanwhile, reserve accumulation has lagged since mid-2024, despite strong resident inflows. Gross private financial flows rose during 2024 driven by resident asset repatriation (following the tax amnesty on undeclared FX assets amounting to about US$9 billion)[7], corporate bond net

[6] Effective February (and through June), export taxes on agricultural products were reduced: soybeans (from 33 to 26 percent), soybean derivatives (from 31 to 24.5 percent), and wheat and corn (both from 12 to 9.5 percent). In addition, export duties for other products (e.g., cotton, rice, sugar, tobacco, wine) were permanently eliminated.

[7] The flows associated with the tax amnesty are estimated as the increase in domestic FX borrowing after the amnesty's announcement relative to the pre-amnesty trend.

issuances (US$0.5 billion) and some increase in trade financing (about US$3 billion), although the latter have reversed since H1:2024 given amortization payments and shorter mandated delays on imports.[8] However, these factors were more than offset during the course of the year by: (i) debt service obligations to bondholders (about US$10 billion including obligations on bonds related to importer debts, BOPREAL); (ii) net debt payments to official creditors (US$3.5 billion); and (iii) discretionary interventions in the FX parallel markets (US$1 billion). Net FDI flows have remained limited so far, in part reflecting the acquisition of several foreign companies by local buyers. NIR, after rising by around US$6 billion during 2024, has declined since by US$4.0 billion through end-March, reflecting a weaker trade balance, rising interventions in the parallel FX markets (US$ 2 billion), as well as growing external and domestic uncertainties. NIR currently stands at negative US$6.4 billion, consistent with gross international reserve coverage of only about 20 percent of the ARA metric. Overall, while the external position has improved relative to 2023, it is still assessed to be weaker than the level implied by medium-term fundamentals and desirable policies, on the account of the need to improve reserve coverage and to regain international market access (see Annex I).

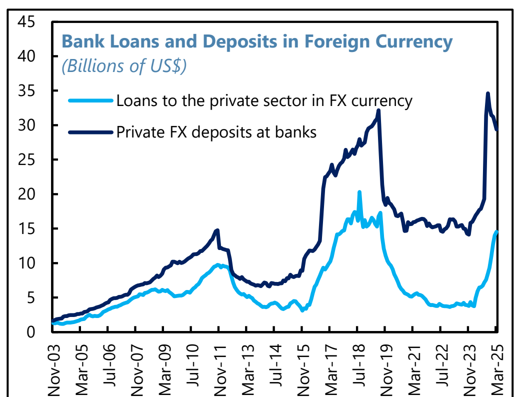
Argentina: International Reserves 1/

(in billions of U.S. dollars, at current rates, end of period)

	2023	2024	Latest
1. Gross international reserves	**9.6**	**16.6**	**13.1**
a. Gross liabilities	18.2	19.0	18.8
b. Central bank swaps 2/	7.2	4.8	4.8
c. Banks' RR FX deposits	9.1	12.2	11.9
d. Deposit insurance (Sedesa)	1.9	2.0	2.0
2. Net international reserves (=1-a)	**-8.5**	**-2.4**	**-5.6**
e. Gold	4.1	5.2	6.1

Sources: BCRA and IMF staff calculations.
1/ Includes valuation effects. Data as of March 27, 2025.
2/ Excluding the unactivated share of the PBOC swap (about US$13 bn) and BIS credit facility (about US$3 bn, unwound in April 2024).

13. **The financial sector remains generally stable, with an incipient credit expansion to the private sector from very low levels.** Continued efforts to improve the transmission of monetary policy and reduce distortions hampering credit deepening regulations comprise: (i) eliminating mandatory minimum interest rates on deposits and limits on bank lending rates; (ii) limiting access to repurchase agreements (repos) solely to entities regulated by the BCRA; and (iii) downsizing credit incentive schemes, eliminating compulsory lending to micro, small- and medium-sized enterprises (MSMEs), and narrowing the range of credit products eligible for differentiated minimum reserve requirement benefits. While private peso bank credit currently stands at only 7 percent of GDP, these actions have supported a rapid expansion of peso-denominated credit (up almost 80 percent since April 2024 in real terms) and a reduction in banks' exposure to the public sector (from about 46 percent at end-2023 to 35 percent in January 2025). Meanwhile, on the FX front, the relative stability of bank FX deposits following the tax amnesty for undeclared assets has led



Sources: BCRA and Fund staff estimates.

[8] The commercial debt backlog has been normalized—the overlap between cash and accrual imports reached 100 percent by end-2024, compared to about 30 percent in end-2023.

to a gradual rise in FX bank credit to exporting firms, which have also been able to issue FX bonds at favorable rates (well below sovereign rates). Banks remain highly liquid (37 percent for peso deposits and 67 percent for FX deposits), well capitalized (29 percent of risk-weighted assets), and with limited currency mismatches.[9]

14. A steady implementation of the deregulation and market reform agenda continues. The authorities have continued implementing the landmark structural legislations from the December 2023 Deregulatory Emergency Decree (DNU) and the June 2024 *Ley Bases,* which focus on deregulating markets, modernizing (and reducing the scope of) the state, and easing barriers to external trade and investment (see Box 5). Early reforms in product markets, including network industries and services (such as air and land travel, and the rental market) are already leading to greater competition and market dynamism, as administrative and regulatory burdens are reduced. Additionally, efficiency and governance of state functions are being enhanced through the: (i) closure of several decentralized autonomous agencies and trust funds, (ii) rationalization and eventual privatization in some cases of state-owned enterprises (SOEs), and (iii) automation and digitalization of administrative processes. Already enacted labor market reforms are expected to facilitate more flexible wage negotiations and simplification of termination processes. Lastly, easing of both tariff and non-tariff barriers (including excessive anti-dumping duties), along with significant improvements in customs operations, are enhancing competition and improving consumer welfare. Beyond the direct positive impacts on efficiency and productivity, these supply-side reforms are expected to constrain the scope for rent-seeking and corruption by vested interests.

MACROECONOMIC OUTLOOK AND RISKS

15. Baseline projections assume strong policy implementation and provision of timely external financing to facilitate the transition of the economy from a stabilization to recovery phase (Tables 1–8).

- **Real GDP Growth.** After contracting by around 1.7 percent in 2024, real GDP is projected to expand by 5.5 percent in 2025, driven by robust domestic demand and statistical carryover effects from stronger underlying growth dynamics during H2:2024. Annual growth is expected to converge to around 3 percent over the medium term (well above the last decade's average of about zero percent), as stability and pro-market reforms bear fruit (see Box 5).

- **Inflation.** Given fast disinflation during the final months of 2024 and better-anchored inflation expectations, annual inflation is projected to fall to around 18–23 percent by end-2025, from 118 percent at end-2024. The strong fiscal anchor and the strengthened monetary and FX policy framework (see ¶23–24) is expected to support a further recovery in peso demand and underpin a sustained reduction in inflation over the medium term.

[9] Existing law prohibits banks to use FX deposits to lend to firms lacking FX-related revenues. A regulation that broadened this ban to include banks' own FX funding (beyond FX deposits) was repealed in February 2025.

- **Fiscal.** The baseline assumes a primary surplus of 1.3 percent of GDP in 2025, in line with the draft 2025 budget and consistent with the fiscal anchor of an overall cash balance. The primary surplus, however, could be higher if revenues overperform or if the interest bill rises. Continued stringent spending discipline, along with fiscal reforms in the tax, revenue sharing and pension areas, should continue to reinforce the fiscal anchor. The primary surplus is projected to rise to around 2½ percent over the medium term, as overall interest costs are expected to rise consistent with a gradual easing of FX restrictions and the projected refinancing of FX bonds.

Argentina: Macroeconomic Baseline, 2024-2029

		Proj.				
	2024	2025	2026	2027	2028	2029
GDP growth (avg, %)	-1.7	5.5	4.5	4.0	3.2	3.1
Non-agro GDP	-3.1	5.8	4.7	4.1	3.3	3.2
Inflation (eop, %)	117.8	[18-23]	[10-15]	7.5	7.5	7.5
Primary fiscal balance (% of GDP)	1.8	1.3	2.2	2.5	2.5	2.5
Overall fiscal balance (% GDP) 1/	0.3	0.0	0.0	0.4	0.4	0.4
Current account balance (% GDP)	1.0	-0.4	-0.3	0.2	0.6	1.1
Change in net int'l reserves (US$bn) 2/	4.9	4.0	8.0	12.5	16.0	19.0
Gross int'l reserves (% of ARA) 3/	22.2	47.7	56.4	67.3	79.3	91.2

Sources: National authorities and Fund staff estimates and projections.
1/ Excludes interest payments of zero-coupon bonds issued prior to 2025, which are recorded below the line.
2/ As defined in the TMU, NIR are gross reserves net of swap lines, deposit insurance, reserve requirements on FX deposits, and other reserves liabilities. NIR exclude changes in net Fund credit starting in 2025. At program rates.
3/ GIR exclude the unactivated share of the PBoC swap (near US$ 13 bln).

- **External.** The external current account balance is expected to shift from a surplus of 1 percent of GDP to a deficit of 0.4 percent of GDP this year, reflecting a less favorable terms of trade, cyclical recovery of domestic demand, and further easing of current account restrictions (see ¶24). Strict adherence to the fiscal anchor, along with an orderly transition to a more robust monetary and FX regime, with greater exchange rate flexibility to address shocks, are expected deliver a broadly balanced external current account and improved reserve coverage over the medium term (reaching 100 percent of the ARA metric by 2030). This will also be supported by structural reforms to encourage FDI and leverage Argentina's vast energy and mining potential (see Box 4), although it will be critical to ensure the proper management of export windfalls to limit Dutch disease risks.[10] Meanwhile, the large amount of assets held abroad by the Argentine private sector (estimated at over US$200 billion), alongside a corporate sector with very low debt levels and strong balance sheets, bodes well for stronger capital inflows in the period ahead, encouraged by the lifting of restrictions on new capital inflows, and a planned gradual full liberalization of capital flows (see Box 6).

16. Risks to the outlook remain elevated and tilted to the downside. A more challenging external backdrop clouds the outlook, given recent intensification of trade tensions the continuation of which could weigh on global demand, and lead to tighter global financial conditions and further

[10] FDI is expected to be supported by the new large investment incentive scheme (RIGI), providing tax and other regulatory certainties to investors. The scheme has attracted over US$12 billion investment bids.

declines in commodity prices for some time, negatively impacting Argentina's growth prospects and ability to re-access international capital markets in a timely manner. Preliminary analysis suggests that while the direct impact of the recent U.S. tariffs on Argentina is expected to be small (given limited trade links), the knock effects of continued high and widely applied tariffs could be sizeable, underscoring the importance of strong contingency planning.[11] On the domestic side, climate shocks could weigh on growth and stability, while uncertainties arising from the upcoming electoral cycle could add to volatility and challenge implementation of the government's reform agenda. That said, upside risks are sizeable, as sustained program implementation, in the context of generally improving fundamentals and vast potential in the energy and mining sectors, could lead to stronger growth and more favorable market-access terms.

OBJECTIVES AND POLICIES UNDER THE EXTENDED FUND FACILITY ARRANGEMENT

17. The new program aims to enhance the consistency and predictability of macroeconomic policies to durably address domestic and external imbalances and catalyze additional financing. Specifically, it will aim to (i) entrench macroeconomic stability, both domestic and external; (ii) support policies that would boost long-term growth prospects and living standards; and (iii) enable a timely re-access to international capital markets to help address large balance of payment needs, while allowing a gradual reduction in Fund exposure. The program comprises three policy pillars:

- **Fiscal Policy:** Safeguarding the fiscal anchor by improving the quality of fiscal consolidation and maintaining adequate social and infrastructure spending.

- **FX and Monetary Policy:** An immediate transition to a more robust FX and monetary policy framework involving initially a sufficiently flexible exchange rate regime within bands, targets for reserve accumulation, tight monetary conditions, and a well-calibrated easing of remaining FX restrictions and controls.

- **Structural Reforms:** Further actions would be taken to address Argentina's multifaceted structural challenges through market reforms and de-regulation efforts, which would complement an overhaul of the tax system and improvements in governance frameworks.

18. The program's success is predicated on progress across the three policy pillars, with contingency plans as a backstop in the context of rising global risks. The fiscal anchor and enhancements to monetary policy are designed to deliver stability and support the transition to a more robust FX regime that allows the real exchange rate to converge to its equilibrium and strengthens Argentina's external position. The liberalization of FX restrictions has been calibrated to be gradual to remove one potential source of instability during this stabilization process. Still, against

[11] Argentine exports to the United States reached US$ 6.5 billion (about 1 percent of GDP) in 2024. As such, the direct impact of the 10 percent tariff is small (under 0.1 percent of GDP), even after considering the higher U.S. tariffs on aluminum and steel imports (exports to US are worth only US$0.6 billion).

a backdrop of elevated external and domestic risks, contingency plans are necessary to secure an orderly transition process, and the authorities are prepared to tighten fiscal and monetary policies, among other adjustments, as needed (see ¶27). Credible and durable macroeconomic stability would reduce the borrowing costs Argentina currently faces, thus securing fiscal and external sustainability and laying the groundwork for the envisioned re-access to international capital markets. Medium-term growth would be further boosted by the well-sequenced implementation of structural reforms, which are necessary to lift living standards and further reduce poverty, thereby boosting social and political support for the program.

A. Fiscal Policy

19. Fiscal policy will continue to be consistent with the authorities' zero overall deficit fiscal rule. A simple rule represents a necessary approach to break from Argentina's long history of fiscal dominance and central bank financing of the deficit, which have resulted in high and persistent inflation and frequent boom-bust episodes.[12] This rule is expected to continue to anchor spending discipline and ensure fiscal sustainability, given the absence of fiscal space and elevated budget rigidities,[13] which prevent implementation of more typical rule allowing for counter-cyclical policies. Once fiscal consolidation is firmly entrenched and credibility is strengthened, consideration could be given to adjust the fiscal framework towards a more flexible approach deployed by other countries involving a debt anchor and expenditure-based operational targets.

20. The authorities will target a cash primary surplus of 1⅓ percent of GDP to achieve their overall balance target in 2025.[14] Revenue losses arising from the elimination of *impuesto pais,* last year's pre-payment of wealth taxes, and the temporary reduction in export taxes on key agricultural products are expected to be partly compensated by revenue yields from last year's reinstatement of the personal income tax and the projected cyclical recovery. Meanwhile, primary spending is projected to remain contained (growing by 3 percent y/y in real terms), although spending priorities will shift, with further cuts in subsidies and improvements in public sector efficiency offsetting increases in pensions (consistent with the indexation formula) and public

Argentina: Fiscal Adjustment, 2025
(percent of GDP, national government)

1. Unwinding of one-off revenues	**-1.3**
Elimination of PAIS tax	-1.1
Impact from 2023 devaluation	-0.2
Fiscal Package (tax moratorium, tax amnesty, wealth tax)	-0.2
Export tax (base effect)	0.2
2. Revenue measures	**0.4**
PIT reform	0.2
Fuel excises	0.3
Temporary reduction in export taxes	-0.1
3. Expenditure measures	**0.8**
Reduction in subsidies	0.6
Better targeting of social assistance	0.2
4. Higher tax buoyancy and spending indexation	**-0.3**
Social security contributions	0.6
Non-tax revenues	-0.3
Pension spending	-0.6
4. Other expenditures	**-0.1**
Total	**-0.5**

Sources: MECON and IMF staff estimates.

[12] Argentina as run a fiscal primary surplus in only 13 of the last 65 years, many of these during the commodity boom of the early to mid-2000s.

[13] Over half of all primary spending is indexed to inflation and a large share of revenues (over 40 percent) are co-participated with subnational governments.

[14] The overall fiscal balance would be about 0.2 pp of GDP lower assuming the accrued-but-not paid real component of the interest for zero-coupon bonds were to be recorded above the line.

investment (from low levels) while also maintaining adequate social assistance. In light of difficulties in securing congressional approval of the draft 2025, the authorities issued a decree extending the 2023 budget for an additional year, while committing to take the needed measures to achieve overall fiscal balance (as demonstrated during 2024).

21. Over the medium term, structural fiscal reforms will be required to support the fiscal anchor and associated improvements in the primary surplus. Strengthening the quality of policies underpinning the fiscal anchor will require deeper revenue and spending reforms (and technical assistance from the Fund and other development partners is expected to support these efforts):

- ***Tax policy and revenue administration reforms.*** Given the already high statutory tax rates, focus will be given to improving the efficiency, progressivity, and compliance within the tax system. Efforts are underway to develop an ambitious revenue-neutral tax reform (relative to 2022, see Box 7) that gradually removes the most distortive taxes (on trade and financial transactions), reduces inefficient tax expenditures (provided for certain groups and regions), and significantly simplifies the tax system (MEFP ¶16, first bullet). A reform proposal will be shared with Fund staff (**end-December 2025, *SB***) and its implementation, which will require congressional approval, is expected to start no later than 2026. The tax reform will be complemented by ongoing efforts to strengthen tax and customs administration,[15] with the implementation of a Compliance Risk Management (CRM) framework along with other recommendations informed by the findings of the tax administration diagnostic tool (TADAT) completed in March 2024. Meanwhile, to improve fiscal incentives and discipline across various levels of government, the authorities intend to complement the tax reform at the federal level, with a reform of the revenue-sharing system, which is also expected to tackle the highly distortive and complex set of provincial and municipal taxes (MEFP ¶16, second bullet).

- ***Spending quality and efficiency.*** The program will build on the authorities' broader objective of keeping expenditures in check with the objective of bringing public expenditure as a percentage of GDP to pre-2005 levels, while improving the state's efficiency and quality of public goods. On the energy front, tariffs will continue to be broadly aligned with cost recovery levels for higher income households and commercial users, while efforts will be made to replace the complex tariff segmentation scheme with a single energy subsidy for low-income households (MEFP ¶16, third bullet). In addition, to alleviate pressure on the energy market's payment chain, a reform aimed at improving competition in the wholesale electricity market will be adopted (***end-November 2025, SB***). Importantly, the authorities are preparing a comprehensive reform of the pension system, focusing on enhancing both its equity and sustainability (***end-December 2026, SB***). The proposed initiative would aim to streamline the current fragmented system and better align contributions with benefits, including to boost labor market formality.

- ***Public financial management.*** Building on the considerable progress thus far, the authorities' agenda comprises (i) closing all but one of the extra-budgetary trust funds *(**end-December 2025,***

[15] The revenue administration agency AFIP was replaced with a new entity called ARCA with the goal of improving collection efficiency, with these efforts supported by the World Bank and IADB.

SB**)* with the ultimate goal of retaining only the fiduciary fund for residential gas subsidies, as stated in *Ley Bases*; (ii) developing a plan to eliminate inefficient extra-budgetary entities (MEFP ¶16, fourth bullet), in order to also enhance their governance ***(end-September 2025, SB); (iii) strengthening institutional capacity to ensure transparent privatization of state-owned enterprises (SOEs) included in *Ley Bases*, including by publishing an assessment of such enterprises, alongside a plan for their privatization and concessions ***(end-September 2025, SB)***; (iv) improving the targeting and efficiency of social programs, by harmonizing different administrative databases into a single social registry (*Sistema de Indicadores Sociales*, SIS) in collaboration with developing partners ***(end-December 2025, SB)***; and (v) enhancing cash management by expanding the coverage of the integrated system of financial information (*Sistema Integrado de Información Financiera*, e-SIDIF) to include other government bodies and agencies ***(end-December 2025, SB).***

- ***Fiscal frameworks.*** To give even greater predictability to fiscal policy, the authorities will prepare and publish a medium-term fiscal framework to guide budget preparation and execution, as well as a detailed fiscal risk statement that identifies key risks and mitigation strategies (***end-September 2026, SBs***). In addition, the Fiscal Responsibility Legislation will be amended to enshrine the zero-overall fiscal deficit rule into law (***end-December 2026, SBs***), although consideration could be given to adapting the law over time, including to better manage shocks (MEFP ¶16, fifth bullet).

B. Financing Policy

22. A well-designed debt management strategy, along with strong adherence to program objectives, are essential to secure Argentina's debt sustainability. Under baseline policies, net public debt (excluding the intra-public sector components) is projected to decline from about 52 percent of GDP at end-2024 to around 31 percent of GDP by end-2030, conditional on sustained implementation of program policies leading to a timely re-access to international capital markets at reasonable rates and conditions. Public debt is judged to be sustainable, but not with high probability (Annex II), especially given relatively large gross financing needs over the medium term (averaging 8 percent of GDP, excluding intra-government debt service). To secure sustainability and refinancing of these debt obligations, agile public debt management should continue, supported by financing from official creditors. Specifically:

- ***Peso debt strategy:*** A gradual lifting of FX controls and restrictions would imply more onerous domestic financing conditions, especially with the Treasury bearing the full cost of conducting monetary policy (MEFP ¶17).[16] Continued efforts will be needed to reduce domestic financing risks, including by extending the maturity profile and improving the structure of the debt

[16] The government issued a new one-year instrument - Letra Fiscal de Liquidez (LeFi) – in July 2024, at a nominal value of ARS$20 trillion (3.5 percent of GDP), replacing some of the government securities on the BCRA balance sheet equivalent in market value, with these instruments becoming the main tool for conducting monetary policy. The interest rate applicable to the LeFi is variable and equals the monetary policy rate set by the BCRA, with interest costs being capitalized. The LeFi can only be traded with banks at nominal value and is not a marketable instrument. A special Treasury account has been set up at the BCRA in which the interest cost incurred by the BCRA on monetary policy is deposited, thereby ensuring that this interest expense does not result in an increase in the monetary base.

instruments as disinflation proceeds. Meanwhile, debt management will be further strengthened by enhancing the predictability of auctions and building benchmark bonds to support secondary market liquidity and price discovery.

- ***External financing strategy with private creditors:*** Decisive program implementation and an early build up in reserves is expected to lead to a narrowing of sovereign spreads and a re-access to international capital markets at more favorable (and sustainable) terms by early 2026 (MEFP ¶18).[17] The financing would not be used to increase external indebtedness, but rather to better manage the large obligations falling due, with the authorities committing to early reductions in Fund exposure if conditions permit. Meanwhile, efforts will continue to address pending litigation as well as reach understandings to address the outstanding obligations where final judgments have been reached.[18]

- ***External financing strategy with official creditors:*** Official creditors—mainly the World Bank and the Inter-American Development Bank (IADB)—are projected to provide US$2 billion in net financing after interest payments in 2025 to support the authorities' fiscal and social reform efforts, including through budget support operations that would rebuild reserves (MEFP ¶19). Staff assesses that firm financing assurances from China are in place to refinance the drawn portion of the People's Bank of China (PBOC) swap (US$5 billion) falling due starting in mid-2025 and renew financing of the hydro-dam project in line with implementation progress.

C. Monetary and Exchange Rate Policies

23. The program will support a transition toward a robust monetary and FX policy framework that durably brings down inflation and rebuilds external buffers. The establishment of a credible fiscal anchor and better anchored inflation expectations presents an opportunity to begin the transition to a more flexible exchange rate regime that would allow Argentina to better balance domestic and external stability objectives. To support this transition, the monetary framework will evolve, with private M2 as an intermediate target and strict limits on net domestic assets serving as an additional nominal anchor in the context of a widening exchange rate band system. Drawing on the successful experience of countries (such as Peru and Uruguay) that durably reduced inflation and strengthened external stability in the context of a high and persistent dollarization, the program will provide a pathway to a fully flexible exchange rate in the context of a bi-monetary system, where the peso and U.S. dollar coexist.

[17] Kogan and others (2024) find that strong reform implementation under an IMF arrangement, with successful completion of reviews, is associated with sustained reduction in sovereign spreads with notable improvements over the first four quarters, on average.

[18] Argentina faces litigation cases in New York related to (i) claims regarding the treatment of GDP-linked warrants issued in the 2005 debt exchange; and (ii) losses by former YPF shareholders, following the nationalization of the energy company in 2012, where the country was found liable for US$16 billion, but it has since appealed the ruling. Staff will continue to treat the pending non-finalized cases as contingent liabilities. A final judgment was delivered against Argentina in London (on GDP-linked warrants), with the country liable for EUR1.6 billion where negotiations are underway to define a repayment schedule, this finalized litigation has been added to DSA's public debt baseline.

24. The transition to this new framework will take time and require upfront actions to begin to strengthen policy buffers and frameworks to secure its early success. These actions include:

- **Enhancing FX flexibility.** Given the progress in reducing inflation, consolidating the fiscal anchor, and strengthening the central bank's balance sheet, the program will support an immediate transition toward a more flexible exchange rate framework, enabling Argentina to decisively rebuild reserves, limit overvaluation risks, and regain international market access on a timely basis, while better adjusting to shocks. Under the new framework, the exchange rate would float within a sufficiently wide exchange rate band to permit price discovery, with FX purchases within the band consistent with reserve accumulation goals. The NIR (net of Fund disbursements) is set to increase by at least US$4 billion this year (***performance criterion***), although this could be higher if market access is reestablished earlier. The NIR target remains one of the main anchors of the new program (MEFP ¶20). The authorities also do not expect to intervene in either the non-deliverable futures (NDF) markets or the parallel FX markets, unless disorderly market conditions arise.

- **Refining the monetary framework.** Over this transition, monetary policy will remain tight to support peso demand and disinflation. The authorities will abandon the current broad monetary base ceiling (of ARS 47.7 trillion) and will instead monitor closely the dynamics of private M2 (net of remunerated deposits).[19] Strict limits on net domestic assets would be established to provide an additional nominal anchor (***indicative target***), with short-term policy interest rates playing a more active role to support the band and a gradual re-monetization of the economy, in strong coordination with the Treasury (MEFP ¶21).[20] In this regard, in the event of negative shocks to money demand, interest rates will adjust accordingly to secure adherence to the strict NDA limits through sterilization operations involving both the BCRA and Treasury as needed. The new monetary framework will be supported by improvements in monetary transmission following recent actions to rationalize the reserve requirement regime and improve bank liquidity management.

- **A gradual lifting of remaining FX restrictions and controls.** The move toward the new monetary and FX regime would permit the unwinding of distortive FX restrictions, a process already in train (see Annex III), initially focusing on lifting current account restrictions (notably the elimination of the export incentive scheme and reduction of delays on import payments) and on easing the ability of households to convert peso deposits into USD.[21] Importantly, this liberalization will be gradual, as the existing withholding taxes (30 percent) on outbound tourism and FX credit card purchases by households would remain in place to limit risks from capital outflows.

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[19] Private M2 (net of remunerated deposits) comprises payment systems, currency in circulation, checks, and non-remunerated sight peso deposits for the non-financial private sector.

[20] Monetary policy at the bounds of the band would react endogenously (i.e., policy and market interest rates would adjust freely to protect the band), as FX interventions will not be sterilized, absorbing peso liquidity at the upper end. Moreover, policy and market rates will adjust within the band as necessary to keep NDA within the agreed limits.

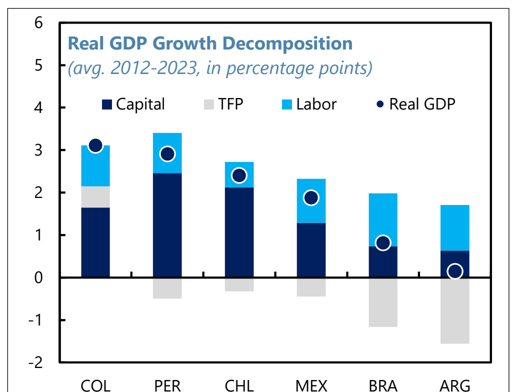
[21] The current limit on households purchase of USD (US$200 per month) would be eliminated.

Moreover, capital account restrictions[22] applying to the large FX backlog on dividends and intra-company debt payments will also be eased only gradually, although restrictions on new capital flows (beyond those already allowed in the large investment incentive scheme, RIGI) will be lifted.

25. Efforts will continue to facilitate a sustainable expansion of private credit. Credit to the private sector is expected to expand along with a further decline in the public sector's exposure, as fiscal consolidation and re-monetization proceeds (MEFP ¶22). In this context, credit quality will require closer monitoring, regulations will be gradually aligned with Basel III standards on risk-based supervision, and macroprudential policies will continue to contain FX mismatches (ensuring that FX lending backed by FX deposits is limited to exporters). In addition, the regulatory framework will evolve taking into consideration the fast-growing nonbank financial institutions (NBFIs) and Fintech industry, with enhancements in institutional capacities to guard against cyber and cross-border money laundering risks (see ¶26, second bullet).

D. Structural Policies

26. Ongoing reforms will boost productivity and create a more market-based economy. While durably strengthening macroeconomic fundamentals is a necessary condition for sustainable growth, the authorities are committed to complement this by continuing to address deep-seated structural challenges that have held back improvements in living standards—in contrast with regional peers, Argentina's real per capita income shrank by over 10 percent during 2011–23. Specifically, the newly created Ministry of Deregulation and State Transformation will continue to implement the landmark structural legislation (*Ley Bases*) and pursue additional reforms to deregulate and open the economy, mindful of capacity and political constraints and the need to limit dislocation effects. Salient reform areas include:



Sources: Penn World Tables; and Fund staff calculations.

- ***Market functioning.*** Carefully sequenced reforms will further strengthen product and labor market flexibility while reducing barriers to entry to encourage competition and formal employment. Building on the deregulatory agenda advanced since December 2023 in key network and services industries (e.g., rental market, as well as airline, road transportation, and pharmaceutical industries), the authorities will extend these efforts by reducing entry barriers and improving competition in other sectors (e.g., navigation, processed food, fertilizers and herbicides). These efforts will be supported recent enhancements and implementation of the Competition Law, as well as ongoing assessments of anti-trust practices in specific industries. Taken together, these reforms are helping to improve resource allocation and to address excessive profit margins of earlier years. On the labor market front, following reforms aimed at

[22] For the purposes of Article VIII, Section 2 of the IMF's Articles of Agreements (on exchange restrictions), these transactions are considered "current transactions".

allowing greater flexibility to negotiate wage and the severance regime at the sectoral level, efforts will continue to encourage adherence to the new framework, while consideration is given to a broader reform of the labor markets. More generally, these market reforms will need to be complemented by a reform of the tax system (see ¶21), as well as active labor market policies to support mobility of workers toward sectors with greater potential and greater comparative advantage, especially as import restrictions are lifted.

- ***State deregulation and governance.*** Efforts to consolidate state entities (trust funds, state offices, SOEs) and professionalize public service will continue to improve the efficiency of the state and rationalize unnecessary functions/structures (MEFP ¶24), while ensuring an adequate provision of key public goods and services,[23] and improving public financial management (see ¶21, third bullet). Following the introduction of automatic authorization or tacit approval procedures, which significantly lifted administrative burdens on business operations, efforts will continue reduce bureaucracy and red tape including through the expansion of the digitalization of administrative processes. In addition, the program will also support the authorities' governance agenda (MEFP ¶25, first bullet) aimed at (i) improving the efficiency and transparency of public procurement processes; (ii) strengthening anticorruption frameworks, including by updating the Public Ethics Law;[24] and (iii) developing implementing the recommendations from the recent FATF report (MEFP ¶25, second bullet), where early priority will be given to actions aimed at mitigating cross-border money laundering risks *(**end-September 2025, SB**)*. These reforms will be conducted in collaboration with Fund and other development partners.

- ***Trade and FDI.*** The authorities will continue to gradually lift tariff and non-tariff trade barriers as fiscal conditions permit (MEFP ¶23). These efforts are being supported by the World Bank's Fiscal and Competitiveness budget support loan, which includes actions to expand agro-industrial export volumes (5 percent y/y in 2026) and facilitate access to intermediate and capital products, including by reducing customs clearance duration. In addition, the authorities will secure an effective, transparent, and evenhanded implementation of RIGI, intended to provide tax and regulatory predictability to incentivize large investment and encourage the development of strategic sectors (especially energy, mining, agro-industry, and knowledge economy).[25] This would be complemented by efforts to address Argentina's large infrastructure gaps, including by securing the budget resources needed for the timely completion of priority public infrastructure projects, including the second phase of the gas pipelines. A new regulatory framework for public-private partnerships, supported by the World Bank, is expected to encourage private sector

[23] During 2024, the federal government cut 34,000 redundant jobs (11 percent y/y), which together with prudent wage policy, supported a 0.6 percent of GDP reduction in the wage bill. Meanwhile, public enterprises achieved a surplus for the first time in 16 years, reflecting better management practices and efficiency measures.

[24] Improvements to the Public Ethics Law are aimed at bringing the legislation in line with Argentina's international obligations (UNCAC) and international standards and good practices (e.g., the G20 High-Level Principles for Preventing and Managing 'Conflict of Interest' in the Public Sector, the G20 High Level Principles on Asset Disclosure, and the Jakarta Statement on Principles for Anti-Corruption Agencies).

[25] Investment commitments totaling US$12.5 billion over the medium term, primarily from energy and mining companies, have already been agreed or announced.

participation in infrastructure projects deemed of public interests. Close coordination with provincial governments is also envisaged during this process.

E. Contingency Plans

27. Against a backdrop of elevated risks, the authorities stand ready to recalibrate policies to evolving outcomes to meet program objectives. Should external or domestic risks materialize, and FX pressures emerge, the authorities are prepared to tighten fiscal and monetary policies, among other adjustments, as needed. Specifically:

- Liquidity conditions would be tightened as needed (with interest rates rising endogenously) if negative shocks to money demand arise, consistent with the strict NDA ceiling, with the central bank and Treasury acting in coordination.
- Fiscal policy would also be tightened as required to safeguard reserve accumulation and stability, through measures available to the executive. Moreover, should revenues disappoint, the authorities would reduce primary expenditure accordingly, while any revenue overperformance would be either saved or used to reduce distortive export taxes (if the windfall is permanent) to support competitiveness.
- The pace and sequencing of easing FX restrictions would be adjusted as needed (e.g., through a more gradual clearing of the dividend backlog) to safeguard stability. In addition, agile debt management would continue to secure the refinancing of domestic debt.

PROGRAM MODALITIES

28. ***Financing needs.*** Large balance of payments needs are expected to persist over the medium term on account of significant and rising public sector FX debt service obligations to private and official creditors (from US$15 to US$25 billion between 2025 and 2029), as well as from other obligations mainly related to the backlog on dividend and trade debt (of US$12–18 billion). Early and sustained policy implementation to deliver adequate current account balances and sufficiently large net FDI flows (see ¶15, fourth bullet), together with official external financing commitments from the Fund and other official creditors, are expected to boost reserve coverage, and secure a gradual re-access to international market access.

Argentina: External Gross Financing Needs
(in US$ billions; accrual basis)

	2025	Average 2026-30
A. Financing needs (1+2-3) (- = net outflows)	**-47.0**	**-50.0**
1. Public sector	-13.6	-21.1
FX bondholders and BOPREAL	-6.0	-6.4
IMF	-3.1	-8.9
Other official	-4.5	-5.7
2. Other 1/	-13.7	-18.4
Provinces	-1.2	-0.7
Private	-12.4	-17.6
3. Gross reserve accumulation	19.7	10.6
B. Financing sources (1+2+3) (+ = net inflows)	**31.8**	**47.9**
1. Current account credits 2/	7.3	15.6
2. Private FX flows (incl. FDI) 3/	17.8	27.4
o/w: to public sector	0.5	6.4
3. Other official	**6.7**	**5.0**
C. External financing gap (A+B)	**-15.2**	**-2.1**

Source: IMF staff estimates.
1/ Includes income balances excluding public interest payments + net private assets formation + FDI assets + portfolio investment assets + errors and omissions.
2/ Current account net of interest payments.
3/ Includes net FDI + commercial and financial debt and private portfolio flows + other residual flows.

29. ***Access and duration.*** Given the structural nature of its balance of payments needs, the authorities are requesting a 48-month extended arrangement under the Extended Fund Facility (EFF) with total access of 479 percent of quota (equivalent to SDR 15.267 billion, about US$20 billion) to support implementation of their ambitious policy reform plan. Fund purchases will be used as budget support, with disbursements then used to buy back the *Letras Intransferibles* from the central bank. This will strengthen the BCRA's balance sheet by rebuilding its international reserve position, which will address a key source of balance of payments needs. The proposed arrangement would involve an increase in overall exposure by the end of the program (from 976 to 1115 percent of quota), given Fund repurchases of SDR11 billion from September 2026 to April 2029. This support would be on top of the savings enabled by the October 2024 Review of Fund Charges and the Surcharge Policy, which is estimated to have reduced Argentina's debt service servicing costs to the Fund by about US$2 billion over 2025–29.[26]

30. ***Phasing.*** In light of large balance of payments needs associated with a strong policy effort to immediately ease FX restrictions and transition towards greater exchange rate flexibility, which is also an important safeguard for program success, the program proposes an upfront disbursement of SDR 9.160 billion (US$12 billion or 60 percent of total access).[27] The program envisages a first review in June and a second review in late-2025, with disbursements of SDR 1.529 billion (US$2 billion) and SDR 0.763 billion (US$1 billion), respectively. The program will shift to semiannual reviews during 2026–29, with disbursements of SDR 545 million (about US$714 million) for each of the remaining seven reviews.

31. ***Capacity to repay.*** Staff assesses that Argentina's capacity to repay the Fund remains subject to exceptional risks, hinging critically on early policy actions and sustained implementation of the stabilization plan to deliver reserve accumulation goals and secure the resumption of market access by the time repurchases to the Fund come due (see Table 12). The room to maneuver remains limited, especially in the context of low reserve buffers, high FX debt service obligations, a history of capital flow volatility, and a more shock-prone external environment. The Fund's exposure would peak at SDR 43.1 billion in 2026 (the largest exposure in the history of the Fund), exceed 100 percent of gross international reserves until end-2027, and remain above 1,000 percent of quota until end-2029. Total Fund obligations would peak at over SDR 8.9 billion in 2030, leading to somewhat higher overall gross external financing needs, which would average about 9 percent of GDP (excluding intra-public sector debt service) in the forecast period. Peak obligations to the Fund would constitute about 9 percent of projected exports and 15 percent of projected central bank reserves and would persist at high levels for several years after the end of the program period.[28]

32. ***Financing assurances.*** Firm financing assurances are in place from official creditors over the next 12 months with good prospects for the remainder of the program. Net financing from the MDBs, including the World Bank and the Inter-American Development Bank (IADB) is projected to reach

[26] See Review of Charges and the Surcharge Policy—Reform Proposals.

[27] While the initial disbursement is well above the levels observed in recent EA programs, it is similar to the upper end of the range for earlier broad-based and ambitious stabilization programs in large emerging markets involving substantial upfront fiscal consolidation, a transition to FX flexibility, and other structural and/or banking sector reforms (closest to Türkiye 2002, somewhat above Mexico 1995, and well above Brazil 2002).

[28] This compares to peak obligations of 26 of projected exports and 33 percent of projected central bank reserves for the 2018 SBA (after augmentation) and, respectively, 21 percent and 40 percent for the 2022 EFF.

US$2 billion this year. Staff assesses that firm financing commitments from China are in place, including through a refinancing of the activated portion of the PBOC swap line, as well as the financing of a hydro-dam project conditional on implementation progress (as the Argentine authorities work to overcome environmental and labor-related issues).

33. ***Program conditionality.*** Program performance will be monitored with a set of quantitative performance criteria (QPCs), indicative targets (ITs), and structural benchmarks (SBs)—see Tables 1 and 2 in the attached Memorandum of Economic and Financial Policies (MEFP). The Technical Memorandum of Understanding (TMU) clarifies program definitions and the various quarterly targets.

- ***QPCs*** include: (i) a cumulative floor on the federal government primary balance; (ii) a cumulative floor on the change in net international reserves of the BCRA; (iii) a cumulative ceiling on BCRA financing of the federal government; and (iv) a ceiling on the federal government stock of domestic arrears.

- ***Continuous QPCs*** on non-accumulation of external payments arrears.

- ***ITs*** setting a ceiling on the change in the BCRA's net domestic assets (NDA) and a cumulative floor on the coverage of social assistance programs provided by the federal government.

- ***Prior actions.*** The EFF arrangement is subject to the following prior actions: (i) publication of a press release by the BCRA clarifying the new monetary and FX regime, consistent with the introduction of an exchange rate band; (ii) publication of BCRA resolutions easing current account and capital account restrictions; and (iii) issuance of an Emergency and Necessity Decree (DNU) eliminating the export incentive scheme (80/20).

- ***Structural benchmarks.*** The following structural benchmarks would support macro-critical actions: (i) develop a revenue-neutral tax reform that improves the equity and efficiency of the system; (ii) implement resolution 21/2025 to deregulate the wholesale electricity market with the objective of boosting investment and ultimately improving the viability of the sector; (iii) present to Congress a diagnostic report and proposal for pension reform; (iv) eliminate all fiduciary funds (with the exception of the fiduciary fund for residential gas subsidies); (v) develop a plan to streamline inefficient extra-budgetary entities, in order to also enhance their governance; (vi) publish a report on the SOEs included in *Ley Bases*, alongside guidelines and a plan for their privatization and concession; (vii) complete the integration of relevant administrative databases into a single social registry to improve the targeting and efficiency of social support; (viii) develop options for reforming the complex revenue sharing system, between federal and provincial governments; (ix) submit to Congress the draft 2026 budget, consistent with the zero-overall budget deficit rule, with a medium-term fiscal framework, and a detailed fiscal risk statement and adverse scenarios; (x) present a plan to revamp the Fiscal Responsibility Legislation; and (xi) publish the Fund TA report on a AML/CFT reform roadmap for improvements to address cross-border ML risks and the implementation of risk-based exemptions to enhance public sector efficiency.

34. *Safeguards assessment.* To support the enhanced monetary and FX framework further progress will be necessary in (i) strengthening the BCRA's balance sheet and its autonomy over time, including through legal reforms to the BCRA Charter, (ii) ensuring full adherence to international financial reporting standards (IFRS), and (iii) enhancing the BCRA's IT security policy and cybersecurity framework. An updated safeguards assessment will be completed by the first program review, of which some of the priority recommendations may feed into conditionality under the program.

35. *Jurisdictional issues.* Performance criteria will be established on the non-introduction and non-intensification of exchange restrictions and non-introduction and non-modification of multiple currency practices.[29] Despite progress in eliminating FX restrictions and controls, Argentina continues to maintain many exchange restrictions and one multiple currency practice subject to Fund approval under Article VIII, Sections 2(a) and 3 (see Annex III). Exchange restrictions include general restrictions on access to foreign exchange for current international transactions, restrictions on payment for imports and on access to FX for invisible transactions (such as dividends, family remittances, interest and amortization of external loans), and an MCP arising from a 30 percent withholding tax on the purchase of foreign exchange by individuals for travel allowance and savings, the importation of a list of luxury items and payment for certain services. The authorities are requesting Board approval to maintain these exchange restrictions and the MCP on a temporary basis (they will be phased out during the period of the arrangement). Staff supports the authorities' request as the conditions for approval are met—i.e., they are temporary (with their elimination underpinned by strong policy adjustments and reflected in a plan), maintained for balance of payment reasons, and in the case of the measures giving rise to an MCP do not give Argentina unfair competitive advantage over other members. Nor do these measures discriminate among members (although these come at the cost of substantial distortions).

36. *Lending into arrears.* Staff assesses that the authorities continue to make good faith efforts under the Fund's Lending into Arrears policy 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), with the authorities closely monitoring evolving relations with these creditors; and (ii) Mobil Exploration, where negotiations remain underway on a repayment plan on principal claims (US$196 million). Meanwhile, 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. Staff also judges that adequate safeguards remain in place for the use of Fund resources, and Argentina's reform efforts are not undermined by developments in creditor-debtor relations. Financing assurances reviews will continue to be conducted at each review of the EFF arrangement until the external arrears to private bondholders are resolved.

[29] For the purpose of the program, narrowing the scope or lowering the rates of the withholding tax assessed as giving rise to MCPs by the Fund will not constitute a modification.

37. *Statistics.* Fund technical assistance will continue to support the authorities in implementing the updated weights for the Consumer Price Index. These are expected to be finalized and rolled out by the time of the second review of the program.

EXCEPTIONAL ACCESS

38. Staff assesses that Argentina meets all four exceptional access (EA) criteria. This assessment is premised on the authorities' steadfast and early implementation of the new policy package and, critically, on their commitment to adjust policies as needed in response to shocks to ensure program objectives are achievable (backed by their actions to date). That said, staff's assessment of the EA criteria will need to be closely considered at all program reviews given inherent uncertainties in Argentina's situation.

- ***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 judges this criterion as met.** Argentina continues to experience exceptional balance of payments pressures on the financial account, and although these are gradually being addressed, they remain very demanding. In addition to implementing the program, meeting the large external debt service obligations during 2025 and beyond will continue to require that the Fund maintain its exposure above normal access limits, with the continued support of the broader 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 judges this criterion as met.** Under staff's proposed baseline of strong and sustained policy implementation, staff assesses Argentina's public debt to be sustainable in the medium term but not with high probability (see Annex II). Consistent with the Fund's EA framework, staff also assesses that adequate safeguards would be in place to meet EA2. Specifically, should adverse shocks materialize, sufficient restructurable FX debt to the private sector would potentially be available after the new program to improve debt sustainability and enhance safeguards for Fund resources. This assessment is robust to delays in market access. Staff's assessment hinges on the sustained implementation of the proposed fiscal consolidation path and the broader set of policy reforms to durably reduce inflation, boost reserve coverage, strengthen Argentina's medium-term growth and harness the country's critical energy wealth.

- ***Criterion 3.*** *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 judges this criterion as met.** The enhanced credibility of the fiscal anchor has resulted in credit upgrades and a sharp compression of external sovereign bond spreads, although these have jumped more recently due in part to rising global uncertainties. A repo agreement to boost near-term liquidity was finalized (with spreads around 475 bps) and key Argentine corporates have issued FX-denominated bonds at very favorable spreads (of around 300–500 bps) in recent months. The authorities have already set aside FX deposits to cover a portion of their obligations due in July 2025, further underpinning confidence and willingness stay current. They are actively considering and planning how to re-access markets as conditions permit and prospects for doing so at more favorable rates during the remainder of 2025 and beyond are strong[30] given (i) further planned actions to support the overall fiscal balance anchor; (ii) planned upfront enhancements to the monetary and FX regime to sustain external surpluses, rebuild reserves and strengthen resilience; and (iii) ongoing pro-market reforms to boost productivity, competitiveness, and governance. The planned unwinding of FX restrictions is also expected to support FDI and the projected structural improvements in Argentina's energy and mining external balance, enhancing confidence about Argentina's FX repayment capacity. A new Fund program with significant upfront support, combined with these policy efforts and safeguards to ensure their proper use, are expected to catalyze official support and timely market access.

- ***Criterion 4.*** *The policy program of the member 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 this criterion as met, given the authorities' actions to date and their commitment to and staff's expectation of early implementation of key FX policies.**

  - The authorities' strong ownership and impressive implementation track record provides a unique starting point for implementing the next phase of the stabilization plan. They have brought the previous 2022 EFF back on track, delivering the largest fiscal consolidation in decades, which has resulted in a faster-than-expected disinflation and economic recovery. In addition, the Milei administration has demonstrated pragmatism, leveraging the powers granted to the Executive by the Argentine constitution to deliver on its stabilization plan. Despite holding a minority position in Congress and lacking provincial representation, the administration successfully secured congressional approval for key structural and fiscal reforms (e.g., *Ley Bases*) and most (18 out of 24) governors have since signed a pact outlining

[30] Several international credit agencies have raised credit ratings for Argentina and there are also good prospects of Argentina rejoining the EMBI index (which bodes well for additional capital inflows).

key economic principles.[31] Meanwhile, presidential vetoes have been deployed to resist non-budgeted congressional spending initiatives in the politically sensitive areas of higher education and pensions, and decrees have been used to safeguard the fiscal anchor, including by extending the 2023 budget into 2024 and more recently 2025.[32]

- Overall, program success hinges on the authorities' ability to build and sustain broad social and political support for the new Fund-supported reform program. The administration issued a Decree of Necessity and Urgency (DNU) to secure financing under a new Fund-supported program, which was later ratified by a majority in the Lower House of congress with the support of several opposition parties.[33] This supports staff's assessment. However, it will be essential for the program to continue to deliver on the disinflation and growth front, while also ensuring adequate social assistance and fairer burden-sharing, to sustain social and political support over the life of the program.

- Fulfilment of this criterion also reflects staff's assessment of the authorities' commitment to upfront enhancements to the monetary and FX policy framework and to contingency plans as needed. Completion of the set of prior actions (consistent with staff's expectation) will demonstrate Argentina's resolve to tackle key long-standing challenges related to its monetary and FX policy frameworks that will support external surpluses and reserve accumulation. Articulation of specific contingency plans within the Executive's control lends confidence to their application, if needed.

ENTERPRISE RISKS

39. The Fund faces several major enterprise risks associated with going ahead with the new program as designed. Although near-term financial risks have declined since the approval of the 2022 EFF, they remain elevated over the medium term as repurchase obligations rise in tandem with those of the private bondholders. Business risks (lack of program success) are also high given the complex economic, social, and political landscape, with additional challenges arising from the forthcoming mid-term elections and the more difficult global outlook. Reputational risks could arise, especially if the program goes off track with higher levels of Fund exposure, complicating the Fund's future engagement in Argentina. Importantly, evenhandedness concerns could arise if the Fund were to be perceived as treating Argentina differently from other members. That said, delaying in favor of further actions to mitigate risks or not proceeding with a new program with adequate financing would also raise enterprise risks. These would include not supporting an administration with a very strong

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[31] Policy commitments under the July 2024 "*Pacto de Mayo*" include: (i) adherence to fiscal balance; (ii) public spending cuts to maintain general government spending at 25 percent of GDP; (iii) reforms to the pension, tax, revenue-sharing and labor market systems; and (iv) supporting natural resource production and becoming more open to trade.

[32] To support this, Congress recently approved a suspension of primary elections (normally slated for August) this round, thereby delaying by a few months campaigning ahead of the October mid-term elections.

[33] The Fund staff has received a legal opinion issued as part of Argentina's legislative process in which the Attorney General of the Treasury (*Procurador General del Tesoro)* confirmed that the approach adopted is in full compliance with domestic law and, having been ratified by one of the chambers, the DNU cannot be overturned.

policy implementation track record and substantive actions taken to veer the country away from a full-blown crisis. Elements of the new program should help contain the risks of proceeding now. The new program has strong ownership and starts with markedly different initial conditions compared to previous Fund-supported programs in Argentina, most notably a fiscal surplus and, thus, no support to meet the fiscal financing requirement. On balance, the program represents a critical opportunity for the Fund to support Argentina's decisive reform efforts that could restore external viability by rebuilding reserves, facilitating a timely re-access to international capital markets, and catalyzing much-needed FDI.

STAFF APPRAISAL

40. Staff recognizes the authorities' important efforts in stabilizing Argentina's economy. Since end-2023, the Milei administration has managed to decisively tackle inflation through the adherence to an ambitious fiscal anchor and actions aimed at repairing the central bank balance sheet. These have been complemented by deregulatory and market reforms, along with efforts to eliminate Argentina's vast set of distortions and controls. Despite the sharp macroeconomic adjustment, economic activity is recovering strongly, real wages are increasing, and poverty indicators are firmly on their way down, supported also by a significant expansion in targeted social assistance. Ownership is strong and there has been time to observe a convincing track record.

41. However, Argentina continues to face important vulnerabilities and structural challenges, against the backdrop of elevated and rising global risks. Despite an initial turnaround in the country's external position, reserves coverage remains very weak, and the government has not yet accessed international capital markets. More work is needed to anchor inflation and durably strengthen the country's external position and resilience to a more complex global backdrop. Many structural obstacles to growth and competitiveness persist, including an inefficient and complex tax system, a relatively closed economy, and still-limited flexibility in key labor and product markets. While improving, the social situation also remains fragile, characterized by widespread labor informality.

42. The new EFF aims to support the next phase of the authorities' ambitious stabilization plan to deepen and sustain recent stabilization and growth gains. The new multi-year program is aimed at supporting Argentina's balance of payments, through a strong policy package with immediate upfront actions to better balance domestic and external stability objectives, thereby setting the foundation for stronger and more sustainable growth. The authorities' program is rightly focused on reforms to strengthen the quality of the fiscal anchor, to facilitate an immediate transition toward a more robust monetary and FX policy framework, and to deepen reforms to create a more open and market-based economy. These reforms will allow Argentina to better navigate rising global trade tensions and uncertainties.

43. Fiscal policy must remain anchored, although steps are needed to improve the quality and durability of the authorities' chosen target. Staff commends the authorities' overall fiscal balance anchor, and initial actions taken to rationalize energy subsidies, strengthen expenditure discipline and controls, and improve the targeting and governance of social assistance. It will be critical to adjust the primary fiscal surplus as needed to safeguard domestic and external stability and secure fiscal sustainability. Going forward, enhancing the quality of the fiscal anchor will require reforms aimed at (i) improving the efficiency and equity of the tax system, (ii) strengthening the revenue sharing system and fiscal discipline incentives across levels of government; and (iii) boosting the sustainability of the pension system. These efforts will need to be well-sequenced and mindful of capacity constraints, where technical assistance from development partners is expected, as well as the need to build political consensus.

44. An agile debt management strategy will be crucial in reducing peso rollover risks and ensuring timely re-entry to international capital markets. Staff welcomes ongoing progress in improving the domestic debt structure, including by extending maturities, shifting away from inflation and FX-linked securities, and extinguishing most put options on Treasury securities. These efforts should be accompanied by actions to enhance the predictability of auctions and expand the range of benchmark bonds to support secondary market liquidity and price discovery. On the external front, it remains critical to decisively rebuild external buffers and re-access international capital markets in a timely and sustainable manner, with the objective of better managing external obligations (while not increasing net indebtedness). Meanwhile, while strong financing assurances are in place, efforts to mobilize additional multilateral and bilateral official financing should continue.

45. A more robust FX regime is essential to sustain a strong external balance of payments and lasting external stability. While prudent fiscal policy is a necessary condition to safeguard stability, it is not a sufficient one and will require appropriate monetary and FX policies to secure medium-term external viability. Staff supports the authorities' ultimate objective to move to a fully flexible exchange rate in the context of a bi-monetary system, where the peso and U.S. dollar would coexist. However, it also recognizes that transitioning to this new regime will take time and require immediate actions to strengthen policy buffers and frameworks to secure its early success. In this regard, Staff agrees with the authorities' decisions to gradually lift FX restrictions and allow the exchange rate to float within a sufficiently wide exchange rate band, to permit price discovery, while also allowing FX purchases to meet reserve accumulation goals. Strict implementation of the new framework is essential to improve the economy's ability to adjust to the more difficult external environment and still-rising risks, rebuild reserves, and secure a timely re-entry to capital markets.

46. The transition to the new FX regime will require a very proactive monetary policy. Staff welcomes the decision to transition from the current broad monetary base ceiling to a more robust monetary framework, underpinned by a limit on central bank net domestic assets. Under this new framework, short-term policy interest rates are expected to play a more active role to support the exchange rate bands, and boost peso demand, including through central bank sterilization operations conducted in coordination with the Treasury. Efforts should continue to streamline the reserve requirement regime and to maintain prudent macroprudential policies to avoid FX mismatches.

47. Deregulatory and market reforms should be deepened. Staff welcomes implementation of the authorities' landmark structural legislation (*Ley Bases*) and new regime to encourage large investments in strategic sectors. Efforts should also continue in developing a detailed roadmap of reforms aimed at: (i) increasing product and labor market flexibility, along with a further careful opening of the economy; (ii) strengthening the efficiency of the state; and (iii) improving governance and transparency, including by aligning anti-corruption and AML/CFT frameworks with international best practices.

48. The authorities must be prepared to implement the agreed contingency measures to secure program objectives, especially in the context of the current external environment involving elevated global risks. The program faces significant risks, primarily due to global trade tensions as well as uncertainties surrounding the upcoming electoral cycle. If these tensions are sustained or if further risks materialize, this could increase volatility and hinder implementation of the government's reform agenda. Importantly, safeguarding stability and growth gains will require that the authorities stand ready to aggressively tighten fiscal and monetary policies as appropriate. Meanwhile, the pace and sequencing of easing FX restrictions may also need to be adjusted to manage risks.

49. Continued ownership and broadening political and social support will be essential for program success. Priority should be given on continuing to deliver on the disinflation and growth front, while also ensuring adequate social assistance and fairer burden sharing in the resource reallocation process. Resulting broader support for the economic program will become especially important in future reviews as many of the structural measures under the program—tax, revenue sharing, pension, and labor reforms, which are essential to improve the quality and durability of fiscal consolidation and unlock competition—will require Congressional support. Attention will need to be given to policies that mitigate potential dislocation costs from reforms and ensure a level playing field in regulation.

50. Staff supports the authorities' request for a 48-month EFF with access equivalent to SDR 15.267 billion (479 percent of quota). The authorities have developed an ambitious program to support the transition to the next phase of their stabilization and growth plan. Their policy actions since taking office in December 2023 serve as a strong testament to their ownership and commitment to the program's success. Moving forward, consistent and decisive program implementation and clear communication will be integral to fostering broad-based understanding of the program's key actions and enabling the program to achieve its objectives. Despite strong program safeguards and the authorities' track record of strong policy implementation, vulnerabilities remain high, especially given very weak reserve coverage, large FX obligations over near to medium term, and elevated and rising global risks. However, on balance, the program as calibrated offers a singular opportunity to help lift Argentina out of its prolonged crisis. Staff supports the authorities' request for Board approval to maintain, on a temporary basis, the exchange restrictions and one MCP in place. These measures meet the criteria for Board approval, as they are maintained for balance of payment reasons, are temporary, and the MCP does not discriminate among members or give Argentina an unfair competitive advantage over other members

Box 1. The Ex-Post Evaluation of Exceptional Access Under the 2022 EFF Arrangement

The Ex-Post Evaluation (EPE) evaluates program design and performance under Argentina's 2022 Extended Fund Facility Arrangement (2022 EFF). This box summarizes the EPE's main findings and recommendations and highlights how lessons learned are being considered in the design of the new arrangement.

The Fund approved the 2022 EFF amid extremely complex circumstances, and against the backdrop of large imbalances, shocks from the global pandemic and the War on Ukraine, as well as the legacy of the 2018 Stand-by Arrangement (with its large and concentrated repayments during 2022–23). Argentina's long history of macroeconomic instability and difficult Fund programs as well as a government resistant to deep economic reforms added to these challenges.

Against this backdrop, the policy strategy underpinning the 2022 EFF was deemed less ambitious relative to what was needed to resolve Argentina's BoP problem and restore medium-term external viability. The report finds that, when taken together, the safeguards envisaged by various elements of the overall risk management framework—including the strength of program policies, capacity to repay assessment, and exceptional access criteria—were insufficiently strong to contain risks to the Fund. In particular, the EPE states that insufficient consideration was given to FX flexibility to address underlying shocks. Despite this, it recognizes that the program helped ease Argentina's financial burden stemming from the 2018 SBA, may have obviated even worse outcomes (involving large and difficult to manage arrears), and provided a vehicle for a significant turnaround by the new government that took office in December 2023.

Amid exceptional risks to the Fund, the EPE calls for reflection on the following issues:

- Whether the ***Fund's current lending policy framework*** is well suited to manage complex cases where repurchase obligations to the Fund are very large—and comprise a significant part of a member's BoP problem—and/or the resolution of a deeply entrenched BoP problem through a single Fund arrangement does not appear feasible. Protecting the Fund's lending standards in such situations calls for further consideration of alternative options and/or risk mitigants.
- Whether enhancements to the **assessments of members' capacity to repay** are necessary to appropriately guide the design of program safeguards and the Fund's lending decisions, especially when subject to "exceptional risks."
- Whether the Fund's decision to provide **technical assistance to facilitate debt restructuring outside of a Fund-supported program** was adequate and warranted. While such technical assistance (TA) may have been understandable considering the very difficult circumstances and counterfactuals, it may have sent questionable signals to investors given that the TA was not anchored in a policy scenario backed by actual commitments.
- Whether the practice of repeatedly **approving program reviews on the basis of "temporary" FX restrictions and controls** should be reconsidered, especially if these become substitutes for needed policy adjustments to achieve program target and address the underlying BoP problem.

Importantly, the EPE underscores the importance of **strong and transparent contingency policy plans** in the presence of high implementation risks, and a **timely and comprehensive discussion of enterprise risks.** It also highlights that involuntary **debt operations are not a substitute for strong policies and can often undermine market access.**

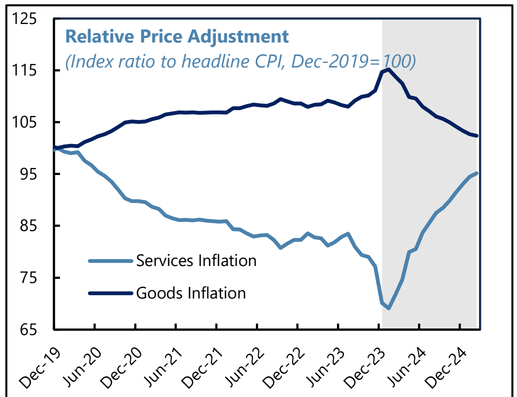
Many **findings of the EPE have been incorporated** into the design of the proposed new EFF. They include: (i) ensuring strong upfront actions, mainly to gradually unwind FX restrictions and increase FX flexibility; (ii) maintaining adherence to strong fiscal discipline and the sustained elimination of monetary financing; (iii) ensuring stronger program ownership by aligning policies with the Milei administration's ambitious reform agenda; and (iv) putting greater emphasis on reforms to address bottlenecks to sustainable and robust growth. The inactivated portion of the PBOC swap has been removed from gross reserves, allowing a more accurate assessment of the capacity to repay.

Recommendations from the 2018 SBA EPE have also been taken into consideration, including by ensuring (i) greater burden sharing with other official creditors; (ii) agreement on contingency planning in case shocks materialize; and (iii) agreement on clear and implementable limits to foreign exchange sales in the context of a wide-enough exchange rate band. The strong ownership and performance track record, the frontloading of policy actions on the FX policy front, and the absence of budget support needs, help to mitigate concerns over the proposed frontloading, although risks remain elevated.

Box 2. Disinflation and Relative Price Adjustments in Argentina

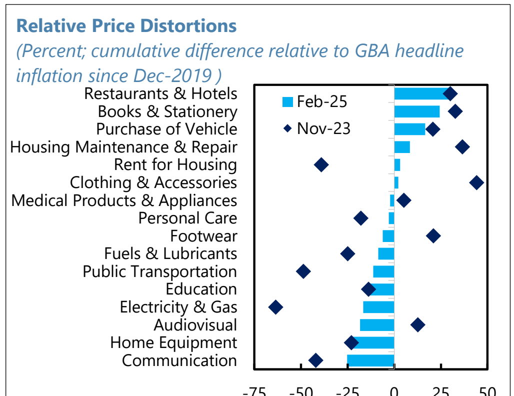
This box examines the drivers of the rapid disinflation since late 2023, and the associated changes in relative prices.

During 2020–23, the rise in inflation was largely driven by sharper increases in goods inflation. Loose fiscal policy financed by money creation sent annual inflation into triple digits, despite heavy-handed price controls and repressed prices on regulated services (utilities, transport, communication). During this period, goods inflation outpaced services inflation, reflecting not only regulated price policies, but also an intensification of import restrictions (including SIRA/SIRASE) that translated into higher goods prices and corporate margins, in the context of limited competition. Between December 2019 and November 2023, overall prices rose by cumulative 894 percent, with the price of goods rising 1½ times more than the price of services. These trends are also consistent with the evolution of real wages, which fell by 9.3 percent between December 2019 and November 2023.



Sources: INDEC and Fund Staff calculations.

Since late-2023, and following an initial FX correction, the rapid disinflation has been driven by the price of tradable goods, also supported by trade liberalization measures. A very sharp fiscal consolidation and improvement of the central bank balance sheet underpinned an unprecedented disinflation process—with headline monthly inflation dropping from a peak of 25 percent in December 2023 to 2.4 percent in February 2025, with six-month-ahead expectations narrowing below 2-percent. This decline took place despite the dismantling of price controls and important increases in regulated prices, necessary to reduce large subsidies in energy and transport. As such, disinflation has been driven by sharper decline in goods inflation supported by the crawling peg regime and a gradual easing of import restrictions, in the form of tariffs and nontariff barriers as well as associated taxes (the *impuesto pais* was eliminated in December 2024, after a being in place for five years). Efforts to deregulate the economy and create competition, are starting to impact the price formation process in key sectors, like real estate and air transport. While overall prices have risen by 186 percent since November 2023, the rise in services prices (253 percent) has outpaced by more than 1½ times the rise in goods prices, consistent with a 17 percent increase in real wages since their lowest level of March 2024.



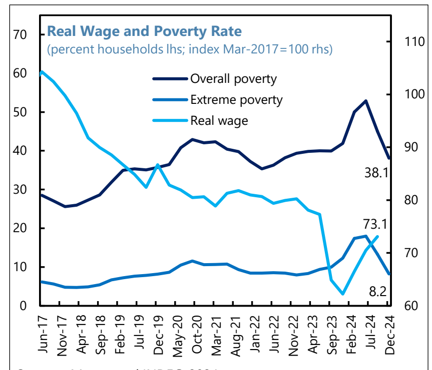
Sources: INDEC; Haver Analytics; and Fund staff calculations.

Despite impressive efforts, challenges remain in further bringing down inflation while correcting relative price misalignments and allowing key prices to adjust to shocks. In particular, macroeconomic policies should remain tight to support a further reduction in services inflation (still above a three-month average of 3½ percent m/m), while efforts continue to bring utilities closer to cost recovery (currently at 80 percent) and to contain potential wage pressures (Argentina's wages in USD are back to early 2018 levels and are now above comparable wages in peer countries). Further declines in goods inflation should be supported by a further opening of the economy to trade, while the transition to a more robust monetary and FX regime will help avoid a misallocation of resources between tradable and non-tradable sectors and overvaluation risks.

Box 3. Poverty and Social Assistance Trends in Argentina

This box provides an overview of social conditions in Argentina and recent measures to support the most vulnerable.

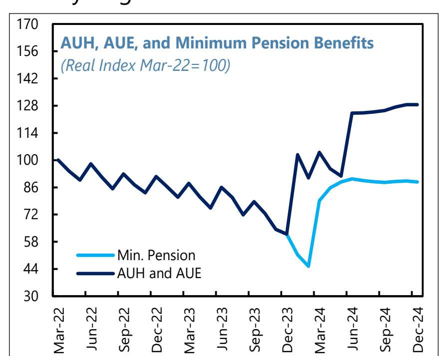
Until recently, Argentina's social conditions had deteriorated since 2017. These trends reflected macroeconomic instability in the form of high and persistent inflation, falling real wages, and rising informality. Over this period, income per capita has fallen by 11.3 percent, compared to a rise of 5 percent for the average peer Latin American economy (Brazil, Chile, Colombia, Mexico, Peru, Uruguay, Paraguay).



Sources: Mecon and INDEC, 2024.

Since mid-2024, however, social conditions have improved sharply with the implementation of the stabilization plan. While early necessary policy adjustment efforts pushed poverty rates to around 53 percent in H1:2024—the highest since 2003—poverty rates have declined sharply to 38.1 percent through end-2024, with similar improvements in extreme poverty (from 18 to 8.2 percent over the same period).[1] The authorities' emphasis on reducing inflation has been pivotal in reversing the initial increase in poverty, which have been also supported by a faster-than-anticipated recovery in demand and real wages.

Reforms in key social assistance programs have also been instrumental. Benefits under flagship conditional cash-transfer programs—the universal child allowance (AUH) and food support (*Alimentar*)—nearly doubled in real terms since November 2023. In March 2024, adjustments to social transfers in line with inflation were introduced with the overall assistance now covering about 100 percent of the basic food basket (compared to 55 percent back then). Meanwhile, benefits, which previously targeted families with children under 14, were expanded in September 2024 to cover 500,000 more children up to the age of 17. About 66 percent of children under 14 live under the poverty line, compared to 30 percent for those aged 65 or older. The attention on child-focused programs helps correct an imbalance that favors older adults spending at nearly three times more on non-contributory pensions. World Bank estimates suggest that without the higher cash benefits and coverage under these two programs, aimed mainly at poor children and mothers, extreme poverty may have been 20 percent higher. In addition, efforts have been made to address the decline in the real value of pensions, through the introduction of a more transparent pension indexation formula (linked to inflation) as well as one-off transfers to vulnerable pensioners. These actions led to a 38 percent increase in the real minimum pension since November 2023.



Sources: INDEC; ANSES and Fund staff calculations.

Further advances in durably reducing poverty will require additional policy efforts.

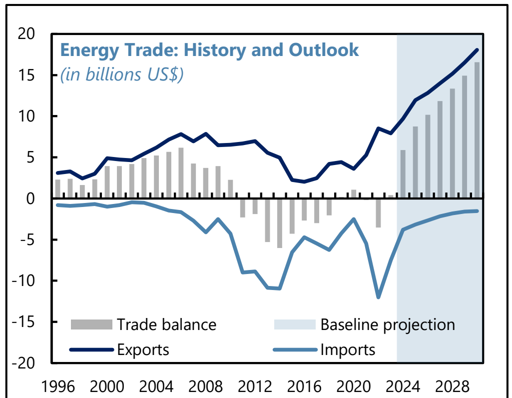
- Success in durably stabilizing the economy and strengthening growth prospects will require tight macroeconomic policies and implementation of supply-side reforms to boost productivity, investment and formal employment, as well as measures to support labor mobility to sectors with greater comparative advantage.
- While disinflation is expected to continue improving the real value of pensions and social assistance (due to the indexation formula), further efforts will be required to protect the most vulnerable and expand the coverage and efficiency of social assistance. While Argentina's social safety net is relatively strong (covering 40 percent of the informal population younger than 65), some segments of the population continue to lack coverage (childless workers in the informal sector). Advancing in the creation of a single social registry could also help to ensure that social programs effectively reach the most vulnerable, while efforts continue to improve the governance and efficiency of programs at the federal and provincial levels.

1/ This box includes inputs from the World Bank's Latin America Unit in the Poverty and Equity Global Practice. Argentina's national poverty (extreme poverty) line is defined at around US$15.3 (US$6.9) per day per adult and above the lines used in other countries. Based on the international poverty line of $6.85/day PPP, Argentina's overall poverty rate at 13 percent in 2023 is low compared to the regional LAC average at around 25 percent (see *World Bank Poverty Assessment, 2024*).

Box 4. Argentina's Energy and Mining Potential

This box describes the evolution of the energy sector and its medium-term prospects, drawing policy implications.

Energy balance. The energy trade surplus reached almost US$6 billion in 2024, in stark contrast to the energy deficits of the previous decade. The improvement last year (US$5.5 billion) were driven by increased exports (US$1.8 billion) and lower imports (of US$3.7 billion) mainly on account of (i) a rapid rise in oil and natural gas production at *Vaca Muerta* shale field, supported by significant upstream investment over 2022–24 of about US$30 billion;[1] (ii) improvements in transportation infrastructure, including upgrades to an oil pipeline (allowing expansion of oil exports to Chile); and the construction of a natural gas compression station (allowing partial substitution of LNG imports); and (iii) ongoing transition to renewable energy sources.[2]



Sources: INDEC and Fund staff estimates.

- ***Near-term outlook.*** The energy balance is set to improve by an additional US$3 billion in 2025 as major infrastructure projects come online. These include the expansion of an oil pipeline from *Vaca Muerta* to seaports (adding 200 thousand bpd), the reversal of the northern gas pipeline; and the construction of two additional compression plants. The latter two are expected to reduce natural gas imports by an additional 40 percent.
- ***Medium-term outlook.*** The energy sector is poised to generate a trade surplus of US$15–18 billion by 2030 and add about ½ percentage points in annual real GDP growth. These projections are supported by the current upstream investments and further improvements in infrastructure, including: a new oil pipeline to the south (expected by 2027) a second stage of the gas pipeline (expected by mid-2026) and a new LNG floating facility (expected by 2027). The latter is expected to add 10–12mm^3/d to natural gas export capacity (doubling current exports). Risks are tilted to the upside—a further expansion in infrastructure, now in the planning stages, could allow the energy balance to reach as much as US$ 30 billion by 2030.[3] The net impact on reserves would, however, be smaller as expanding shale energy production requires continued import-intensive investment.

Mining sector. Prospects are also favorable for the expansion in metals, Argentina also has some of the world's largest copper and lithium reserves, with some analysts projecting a ten-fold increase in exports from the current level (US$0.7 billion). These projections are backed by the ongoing projects already at the production or development stage, as well as announcements of several additional projects, including those related to the RIGI regime (e.g., a US$2.5 billion lithium project by Rio Tinto).

Policy implications. Harnessing Argentina's vast potential will require durable macroeconomic stability, as well as stronger and more predictable tax and regulatory frameworks (that also safeguard a level playing field, especially vis-à-vis the state-owned energy company), to attract the needed investments to expand production. As such, the RIGI regime needs to be transparently implemented and accompanied by a credible plan to ease remaining FX restrictions, as well as improved coordination with provincial governments. More generally, macroeconomic policies should be properly designed to ensure that a portion of the energy and mining windfall are saved (to limit Dutch disease) and used to strengthen international reserves. Lower world energy prices remain a downside risk.

1/ Energy production in now at a 20-year maximum, with the country now producing 700 thousand bpd of oil and 150mm3/d of natural gas. The *Vaca Muerta* shale fields account for about one third of overall production, and most of the recent growth. About 30 percent of oil and 7 percent of natural gas was exported in 2024.

2/ Solar and wind energy sources represent about 15 percent of the total electricity supply—a six-fold increase since 2018, substituting mostly hydrocarbon sources.

3/ US Energy Information Administration estimates the recoverable resources at the *Vaca Muerta* field at 16 billion barrels of oil (a resource horizon of about 60 years at current production levels) and 9 trillion cubic meters of natural gas (a resource horizon of 160 years). Potential for wind (south) and solar (north) generation are also very strong.

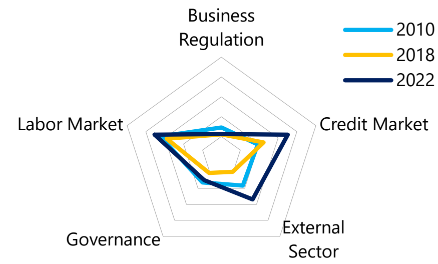
4/ Some projects are backed by signed agreements and memorandums of understanding. For example, a recently signed agreement between the state-run YPF and Shell on expanding LNG facilities.

Box 5. Potential Growth Impact of Structural Reforms[1]

This box analyzes the potential output gains from structural reform efforts that would begin to close existing gaps (or bottlenecks to growth) relative to a frontier emerging economy.

In late-2023, Argentina faced important structural impediments to growth, which had aggravated over the past decade. Based on available cross-country data through 2022, structural gaps widened sharply across most categories, especially on the external sector and credit front, reflecting increased FX restriction as well as increased price and interest rate controls, which intensified through 2023. Governance indicators also weakened, likely reflecting increased rent-seeking in the context of rising import controls and growing concerns in the application of the rule of law. Meanwhile, labor markets remained highly inflexible, with serious barriers to formal employment from high payroll taxes and hiring/firing costs, while bureaucratic and administrative burdens added to the cost of doing business (see Box panel chart).

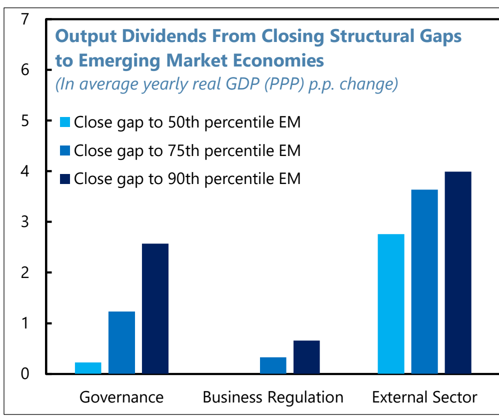
Argentina - Evolution of Structural Gaps
(Compared to Emerging Markets Frontier)



The ambitious reform efforts underway, if sustained, could yield significant benefits over the medium-term. Important efforts have been made in streamlining business regulation, and reducing external and credit restrictions, with important positive spillover effects on governance. The proposed easing of FX restriction under the program, the expected return to international capital markets, and efforts to simplify and improve the efficiency of the tax reform should help close structural gaps and impediments to growth and productivity.

Based on IMF analysis in Budina and others (2023), staff quantified the potential output impact of these reforms. Results suggest that by bringing levels of governance and business regulation reforms closer to EMs in the 75th percentile range (e.g. Poland, Costa Rica) Argentina could boost output by over 1½ ppts per year over five years, while reducing external restrictions in line with EMs in the 50th percentile range (e.g. Brazil) could increase output by an additional 2¾ ppts per year over the same period. A more disaggregated analysis suggests that governance and doing business reforms should *continue* to focus on enhancing regulatory quality and easing administrative requirements, where gaps are largest relative to frontier EMs. Meanwhile, unlocking the full potential from external sector liberalization will require not only reducing tariff and non-tariff trade barriers but also enhancing financial openness and liberalizing the exchange rate regime, as proposed under the program.

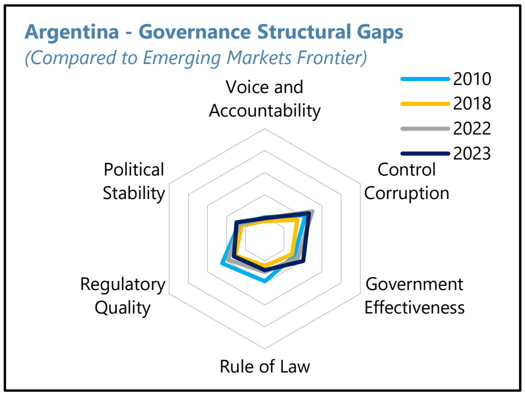
Output Dividends From Closing Structural Gaps to Emerging Market Economies
(In average yearly real GDP (PPP) p.p. change)

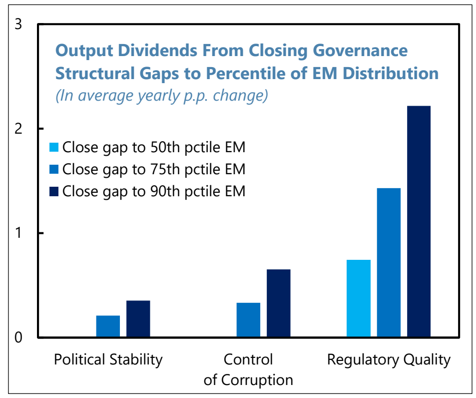


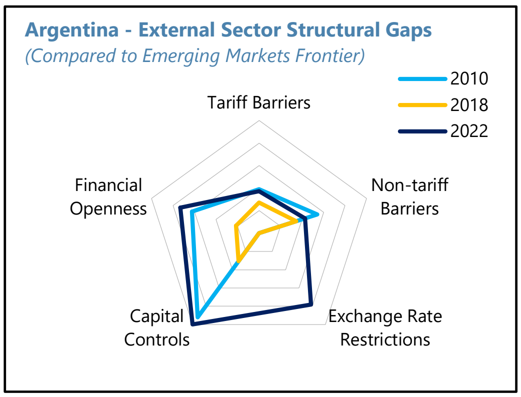
The durability of these gains will depend on the sequencing and social support for these reforms. Openness reforms should proceed while efforts are also made to improve overall competitiveness (i.e., reducing excessive tax and regulatory burdens) and enhance the economy's ability to adjust to shocks. IMF research suggests that reform priorities and sequencing must account for economic, social, and political considerations. It has shown that labor and credit markets reforms would be more effective and less socially disruptive after a first wave of reforms in the areas of governance, business regulation and the external sector removes the most binding barriers to growth. Better communication, inclusive policy design, and strong institutional frameworks are effective strategies to raise awareness, correct misperceptions, and foster trust—critical elements to building social acceptability, hence increasing the likelihood of implementation and sustainability of reforms (Oct 2024 WEO Chapter 3, IMF).

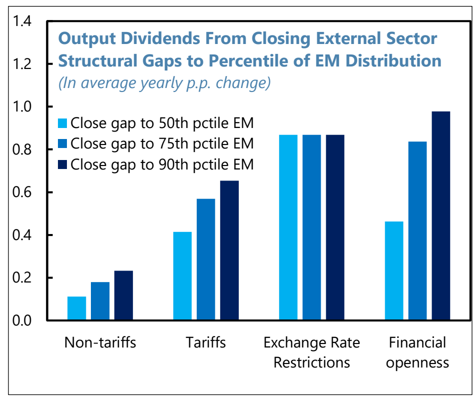
1/ Box includes inputs from the IMF Research Department (Andrea Medici and Marina M. Tavares). Frontier is defined as the best performing economy across emerging markets in each reform indicator (each year).

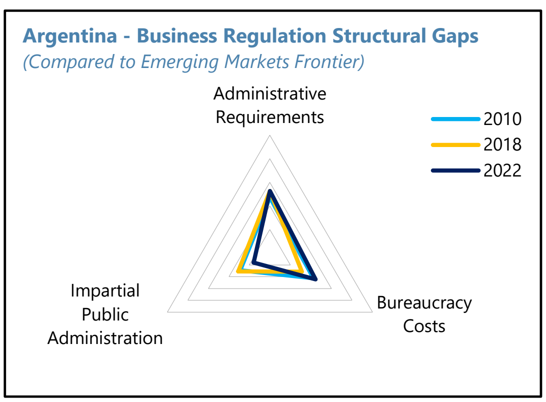
Box 5. Potential Growth Impact of Structural Reforms (Continued)

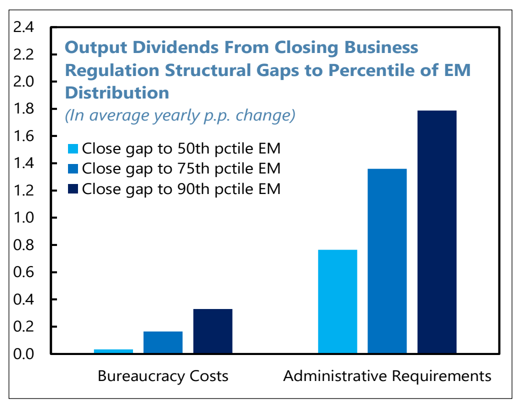












Source: Fraser Institute (2023 release), World Bank, and IMF staff calculations.
Note: The spider charts on the left column show the structural gaps between Argentina and the Emerging Market frontier for a given year, in areas of governance, business regulation, and external sector. Structural gaps range between 0 and 1, where a lower value implies the country is closer to the frontier, and vice versa. On the right column, each chart shows the average additional annual growth (in pp.) in response to a reform which would see Argentina closing the gap to the 75th percentile of the Emerging Market distribution. We use the average of coefficients over 4 to 5 years and showcase only the statistically significant results at the 10% level.

Box 5. Potential Growth Impact of Structural Reforms (Concluded)

Summary the various deregulation and market reforms implemented since December 2023.

State Transformation, Efficiency, Transparency and Accountability

Eliminate 16 trust funds and more than 300 state offices with overlapping or obsolete tasks.

Create of special unit to monitor SOEs, improve transparency/governance, while advancing the privatization agenda.

Establish public sector hiring standards (e.g., subject to test-passing).

Require state branches to initiate retirement process of eligible employees (around 10,000).

Implement a *positive silence* principle to around 500 proceedings requiring state clearance.

Strengthen transparency in the use of public resources by state universities, decentralized offices, and SOEs. Specifically: (i) state branches can no longer hire staff/services and purchase goods through subcontracts with state universities, (ii) state universities must adopt electronic procurement platforms; (iii) all public administration entities must adopt digital platform for the management of public resources and payments.

Business Deregulation

Remove state control on prices, market intervention, supermarket restrictions, mandatory weekly price reporting, and other excessive paperwork.

Ministries must submit a list of decrees/laws/resolutions to repeal or streamline. Citizens can submit online proposals on deregulation of specific areas and procedures.

Deregulate, reduce entry barriers and foster competition across a very wide range of sectors like agribusiness, airlines, overland transport, healthcare, insurance, pharmaceutical, and energy.

Credit and Capital Markets Deregulation

Complete deregulation of warrants, now applicable to cover any type of good, be issued by any type of company, and be traded without restrictions on free platforms.

Simplify framework to allow SMEs and financial trusts to issue low/medium amounts of securities without previous authorization of the securities commission (CNV).

Allow productive sectors to finance the purchase of machinery by issuing IOUs, whose value fluctuates with the price of the good being produced.

External Trade and FDI Reform

Repeal export/import bans, ease export/import taxes. Reduce of custom costs and non-tariff barriers (e.g., discretionary import delays, opaque financial assessments, excessive anti-dumping protection).

Repeal Buy Argentine Law, and public procurement quota prioritizing specific domestic suppliers.

Remove surcharges, reference values, and redundant compliance stamps.

Allow importers to move shipping containers awaiting customs clearance to private warehouses, thereby reducing customs costs.

Establish large investment incentive program (RIGI) to attract investment in projects over US$ 200 million.

Labor Deregulation

Allow self-employed individuals to hire up to 3 employees without a contract-based relationship.

Give employers registering informal workers entitlement to a partial write-off of unpaid employers' social security contributions.

Streamline workers' registration process and extension of probation period.

Repeal presumption of an undisclosed hiring contract whenever a vendor systematically issues invoices on account of the services supplied to firms.

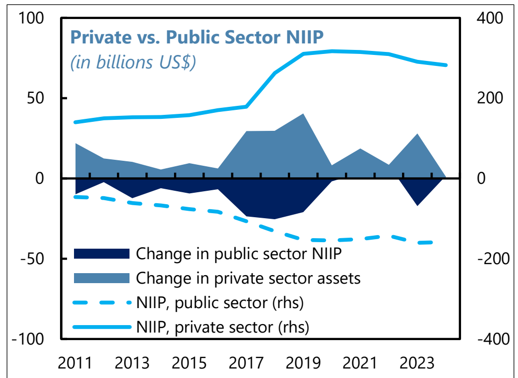
Allow option of replacing current severance payments framework by a mutual agreement between parties.

Allow workers to choose their health insurance (9% of wage), eliminating compulsory union intermediation.

Box 6. Evolution of the Private Sector Balance Sheet and Capital Inflows

This box examines trends in the private sector's external balance sheet, drawing lessons on sustaining asset repatriation.

The external balance sheet of the private sector has remained resilient. The private sector has a positive net international investment position, at 45 percent of GDP, with about two-thirds of assets in the form of cash and deposits (mainly of households), on account of the long history of currency crises and high inflation. Meanwhile, gross external indebtedness of the corporate sector is near historical lows—well below at the end of the "Convertibility period" and somewhat lower (2 ppts of GDP) than that during 2017-19 (see Table)—with most large publicly-traded Argentine companies having low and declining net debt to earnings ratios. Similarly, financial sector external liabilities—historically a trigger for many BoP crises in emerging markets—are now almost nonexistent. This is in stark contrast to the late 1990s and a result of strong regulations put in place following the early 2000s crisis to prevent FX mismatches in the future. Banks' overall net FX position is small and within prudential limits—about 67 percent of banks' FX assets comprise cash in vaults and deposits at the BCRA. A key exception is commercial (importers') debt backlog, which rose during 2022–23 as a result of distortive FX restrictions and controls. While relatively high, the risks are contained as about two-thirds of the backlog is intra-company (with higher propensity to rollover). The backlog has also been on a downward trajectory since mid-2024 due to actions to reduce import restrictions and to reprofile them through central bank securities (BOPREALs).



Source: INDEC.

Corporate Sector External Debt Over Time

(in percent of GDP)

	2024 Q3	2017-19 average	1998-2000 average
Financial debt	**6.6**	8.9	19.5
o/w financial sector	**0.4**	1.0	8.2
o/w non-fin. sector	**6.2**	7.9	11.3
Commercial debt 1/	**10.1**	6.2	3.9

Source: BCRA, staff calculations

1/ The 1998-2000 average is an estimate based on the financial to commercial debt ratio.

Healthy private balance sheets and strong/credible macroeconomic policies should support continued capital inflows and asset repatriation. Against a backdrop of early stabilization gains, FX borrowing by the Argentine corporate sector from banks and local capital markets rose to about US$1½ billion per month, facilitated by a tax amnesty-driven surge in FX deposits (US$11 billion).[1] Staff analysis finds that these trends should continue if the right mix of macroeconomic policies lead to a durable improvement in the public sector's external balance sheet.[2] This is also expected to be supported by the RIGI regime and the gradual lifting of FX restrictions on new investments, although it will be essential that the strong prudential framework remains in place to limit FX risks and mismatches (current regulations do not permit banks to lend in FX to entities that do not have direct or indirect income from foreign trade operations if funded through FX deposits). Additionally, it will be critical to ensure that FX loans are associated with appropriately tight reserve requirements, liquidity buffers, capital surcharges, and higher capital risk weighting to maintain a supportive environment for sustainable capital inflows. Stronger reserve coverage should also discourage self-insurance, thereby encouraging asset repatriation.

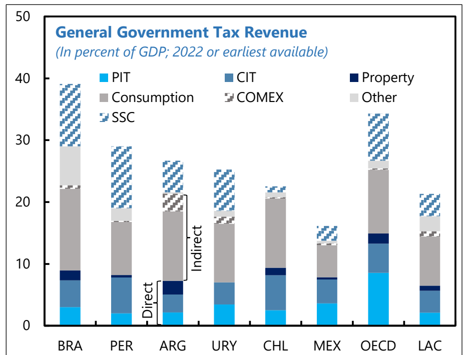
1/ FX borrowing proceeds need to be surrendered in the official FX market for the borrower to have access to it for debt repayment. Given the current level of FX deposits in the banking system, an increase in the credit-to-deposit ratio to the 2019 levels would add US$5–10 billion to NIR.

2/ Analysis using data over the last 30 years suggests that a US$1 increase in public sector's IIP is associated with decline in the external assets of the private sector of US$0.6.

Box 7. Argentina's Tax System and Reform Considerations

This box describes the structure of Argentina's tax system and discusses reform options going forward.

Argentina's tax system remains overly complex and distortive, with an overall burden that hampers growth and competitiveness. General government tax revenues, which reached 22 percent of GDP in 2022, are high by regional standards, especially considering Argentina's narrow tax base and weak compliance, in the context of fairly high statutory rates. The are more than 155 taxes, adding to administrative burdens, although only six taxes of them (CIT, social security contributions, VAT, financial transaction, export taxes, and provincial turnover tax) represent over 80 percent of overall tax revenues. From an equity perspective, the high reliance on indirect taxes, which represent over half of all taxes, reduces progressivity, with tax exemptions (including to support production in regions like Tierra del Fuego) also contributing to inequities. Reliance on distortive taxes is especially high, with export taxes, financial transaction taxes, and the cascading provincial turnover tax (which does not allow for deduction of taxes paid at earlier stages) representing around one-third of all taxes. The latter weigh against external competitiveness, financial deepening, and the overall cost of doing business.



Sources: OECD, Mecon and Fund staff estimates.

The federal nature of the tax system adds to coordination challenges, undermining its predictability and efficiency. The three levels of government—federal, provincial, and municipal—can establish, regulate, and enforce taxes. Major taxes (CIT, payroll, personal wealth, excises, and the VAT) are collected by the federal government and transferred to provinces according to a complex revenue-sharing formula ("coparticipación"), with provinces receiving around 60 percent of the total tax collection. In addition, trade and financial transactions taxes are set and collected by the federal government although these are not co-participated with the provinces. Meanwhile, provinces collect mainly turnover, stamp, real estate taxes, with municipalities also charging additional taxes on activities and consumption. Years of macroeconomic instability and limited fiscal discipline at all levels of government have aggravated the tax structure, with the federal increasing its reliance on distortive non-co-participated taxes, and provinces raising turnover taxes and other fees in the face of lower federal transfers, and little incentives to curtail spending.

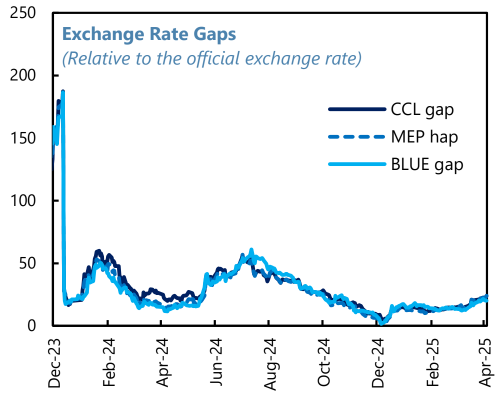
Argentina requires a substantial overhaul of its tax system to strengthen the fiscal anchor, while boosting efficiency and equity. While there have been efforts in unwinding a costly PIT reform, eliminating distortive import taxes, and temporarily reducing export taxes, a more fundamental reform of the system is urgently needed, including to create a more level playing field for Argentine firms. A revenue-neutral tax reform should seek to:

- Gradually reduce distortive taxes on exports and financial transactions, replacing these with simpler and better administered direct taxes on households and corporates. This would require harmonizing the rate of *monotributo* and improving the transition of small taxpayers to the general tax system. In addition, the CIT needs substantial simplification, with consideration given to having lower statutory rates but also to streamlining deductions and exemptions, and profit transfer abuses. In particular, tax expenditures (estimated at 3.5 percent of GDP), which only benefit certain groups/regions, need to be curtailed.
- At the provincial level, the distortive provincial taxes should be phased out and greater emphasis given to improve the valuation of real estate and land assets (including of large agricultural producers), among others by strengthening existing asset registries. The taxation of energy and mining resources deserves further study and coordination, especially given incentives already in place under the RIGI regime.
- At all levels, efforts to simplify the system (eliminating taxes that do not collect much) will be essential along with improvements in tax and customs administration, through modernized information systems, better coordination, and adoption of risk-based compliance improvement plans.

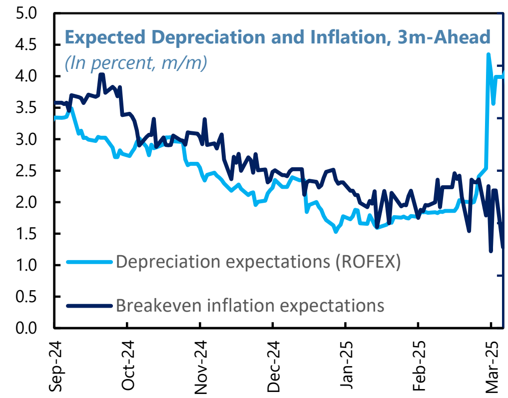
The tax reform should also be accompanied by a reform to the revenue-sharing system and fiscal responsibility frameworks. This is necessary to better balance incentives for fiscal efficiency and discipline across levels of government (in line with the 2024 *Pacto de Mayo* agreement signed by most provincial governors).

Figure 1. Argentina: Recent Market Developments, 2023–25

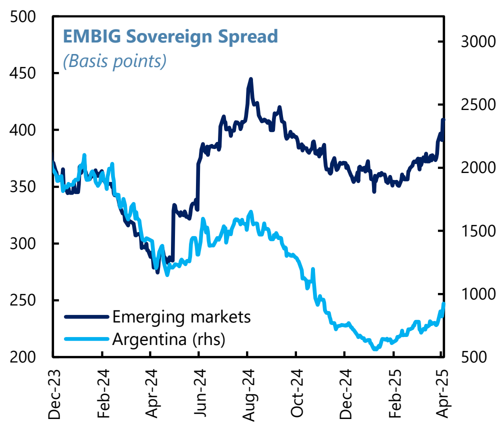
FX pressures fell sharply in late 2024, but FX gaps have widened to 15–25 percent more recently…



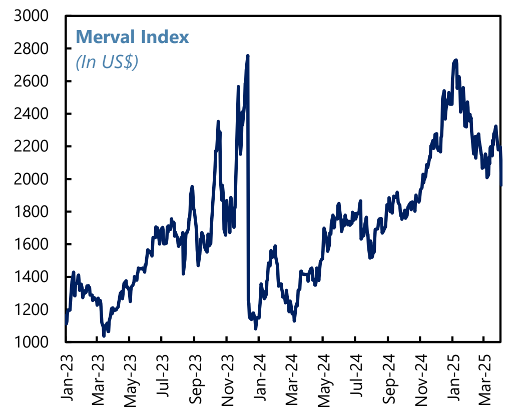
…and near-term depreciation expectations have increased, while breakeven inflation expectations continue to decline.



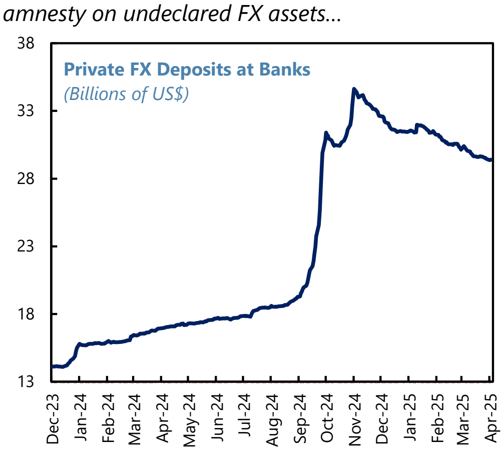
After compressing sharply in early January 2025, sovereign spreads widened to over 900 bps…



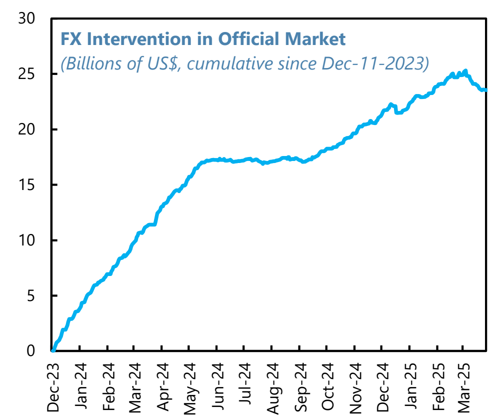
…with the domestic stock market exhibiting similar trends on account of rising global and domestic uncertainties.



Private FX deposit inflows soared in late 2024 led by the tax amnesty on undeclared FX assets…



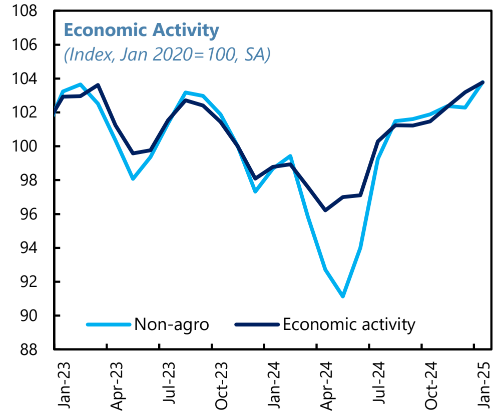
…supporting BCRA FX purchases and reserve accumulation, although uncertainties have led to FX sales more recently.



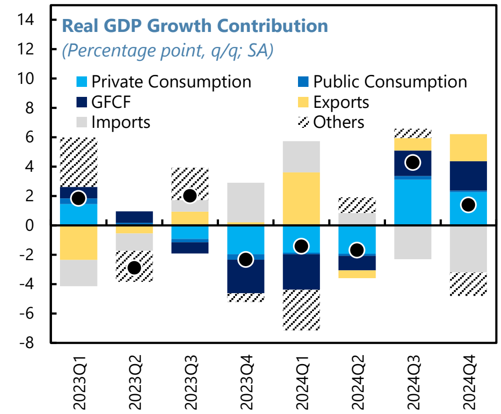
Source: BCRA; Bloomberg Finance L.P.; Haver Analytics; and IMF staff calculations.

Figure 2. Argentina: Economic Activity and Trade Balance Developments

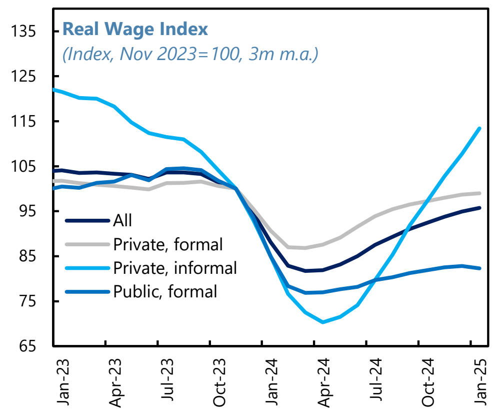
A full recovery from the sharp recession that started in Q4:2023 is being led by the non-agricultural sector…



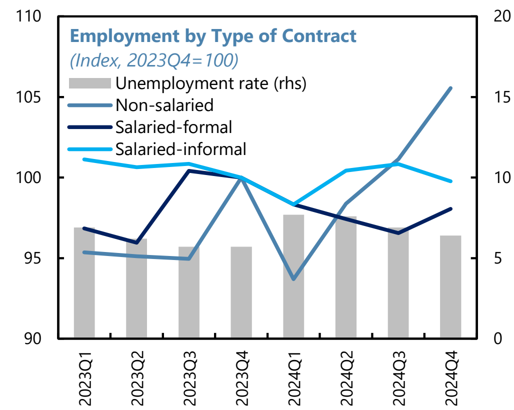
…as domestic demand rebounded in the second half of 2024, notably private consumption and investment.



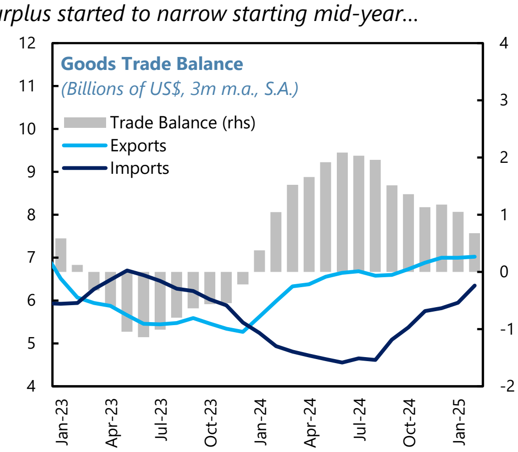
Real wages have also recovered their late 2023 levels, driven by private informal wages from very low levels…



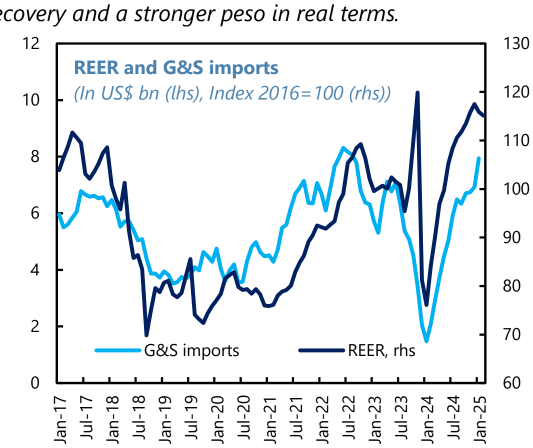
…and employment indicators have gradually improved, while salaried formal employment is still lagging.



After a sharp improvement in early 2024, the trade surplus started to narrow starting mid-year…



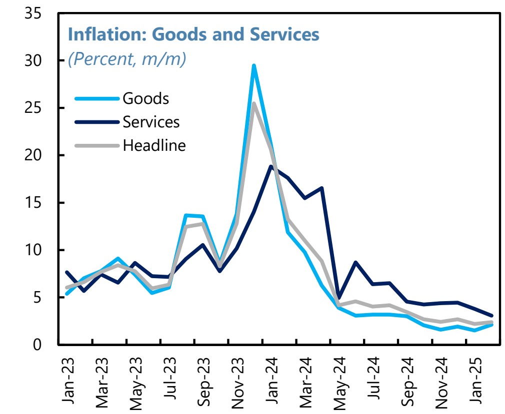
…driven by a sharp pick-up in imports amid economic recovery and a stronger peso in real terms.



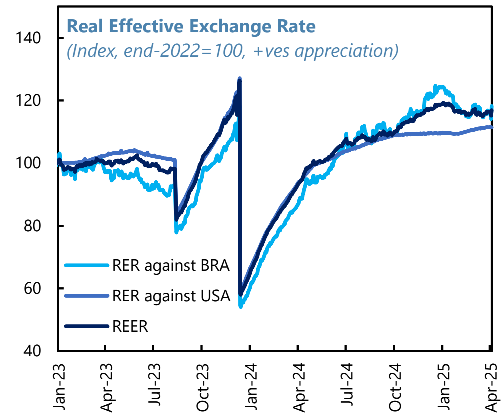
Sources: INDEC; BCRA; Haver Analytics; and IMF staff calculations.

Figure 3. Argentina: Inflation and Monetary Developments

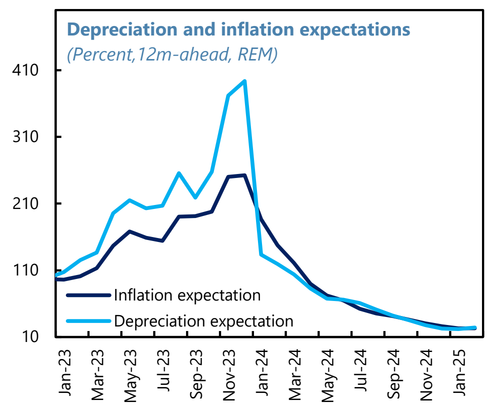
After having spiked in December 2023, sequential inflation decreased sharply to four-year lows…



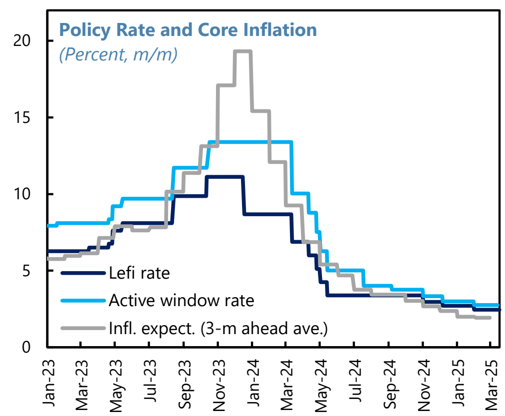
…yet it remained consistently higher than the crawling peg leading to real ER appreciation.



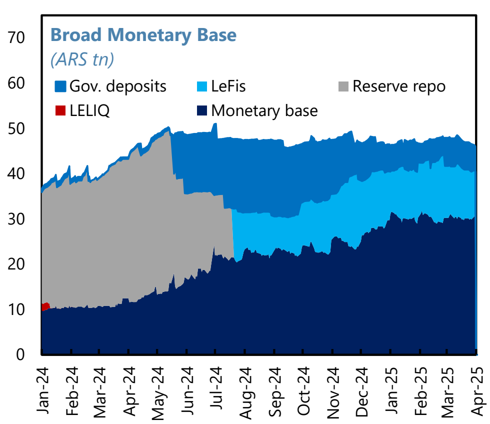
A relative anchoring of inflation and depreciation expectations…



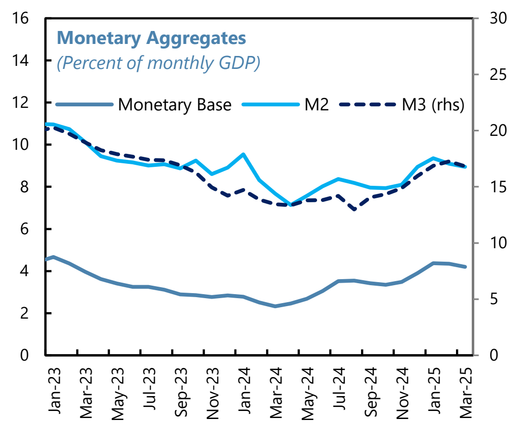
…helped in turning ex-ante real interest rates firmly into positive territory.



Strong adherence to the broad money target…



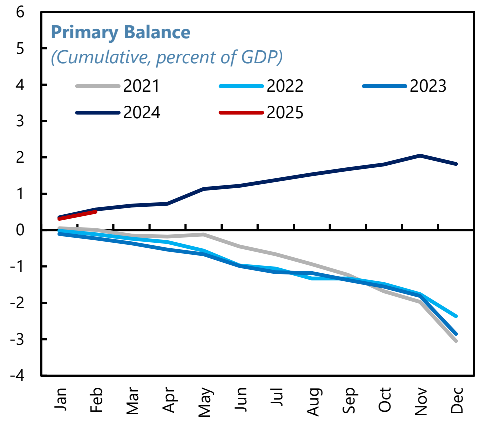
…has partly supported an incipient recovery in money demand.



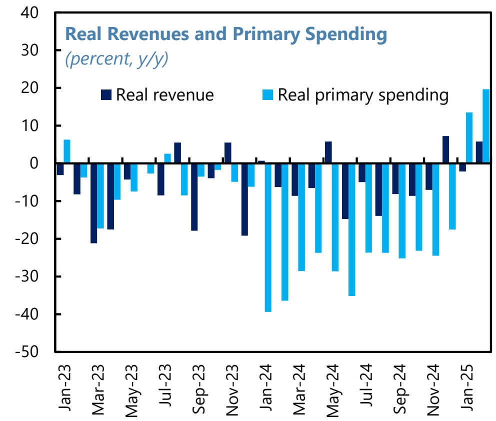
Sources: INDEC; BCRA; Haver Analytics; and IMF staff calculations.

Figure 4. Argentina: Fiscal and Financing Developments

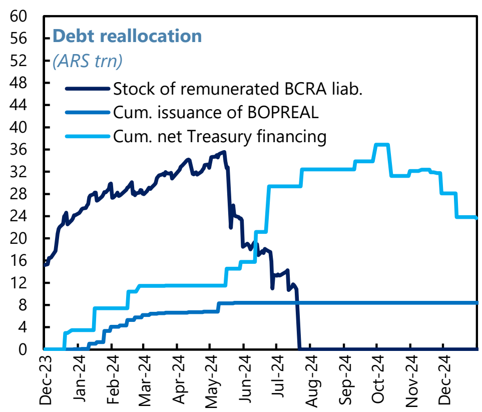
The government posted the first fiscal surplus in 2024 in over 16 years…



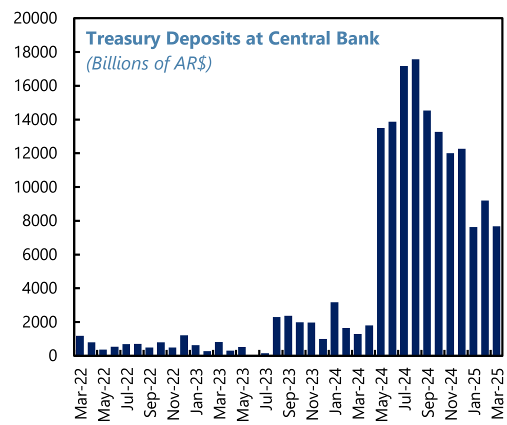
…driven mainly by sharp real spending cuts.



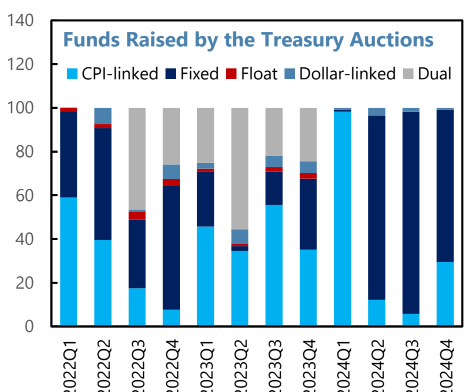
Net issuance in the context of fiscal surpluses supported the recapitalization of the BCRA, and…



…the buildup of cash buffers.

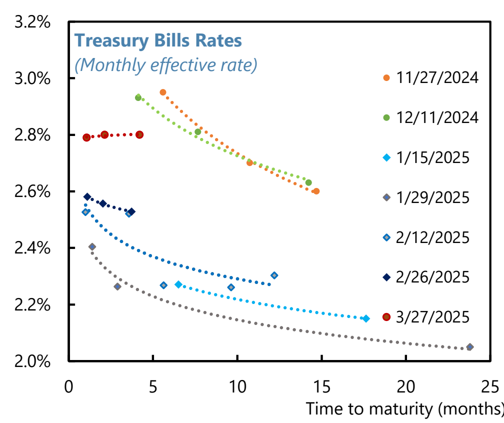


The peso financing strategy has shifted toward fixed rate instruments…



Date corresponds to placement date.

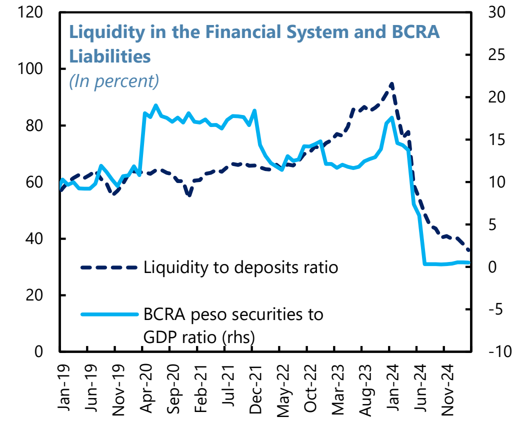
…while rates of peso instruments have increased in the context of tighter liquidity conditions.



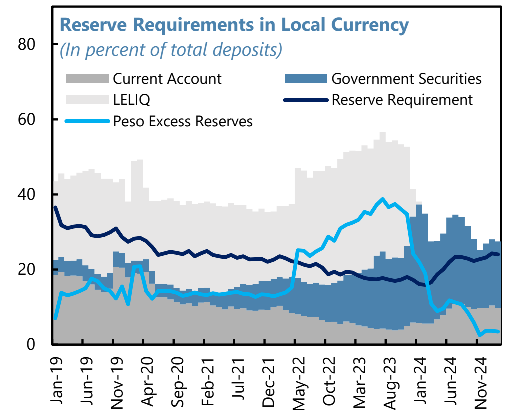
Sources: MECON; Bloomberg Finance L.P.; BCRA; and IMF staff calculations.

Figure 5. Argentina: Banking Sector Developments

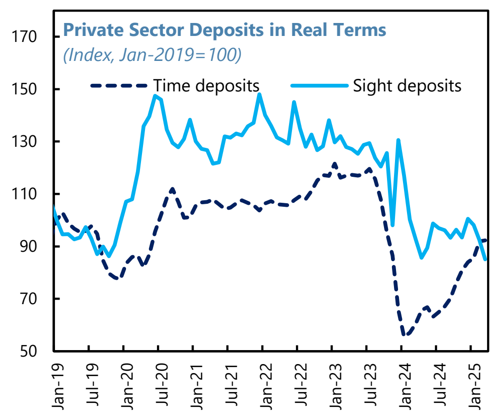
Liquidity has been mopped up with the reduction of BCRA peso securities…



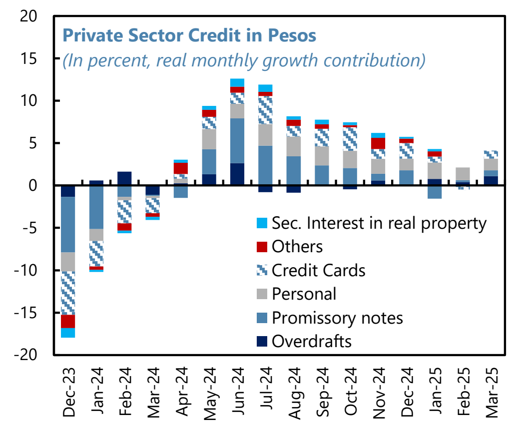
…as reserve requirements are becoming more binding.



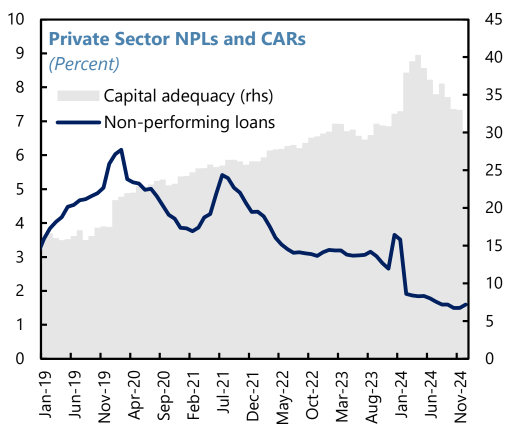
Demand for time deposits is increasing as confidence in peso is restored…



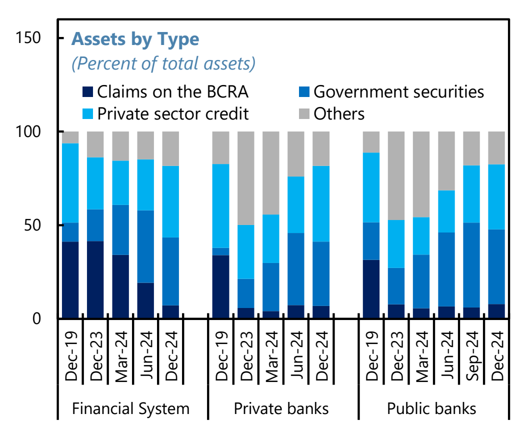
…while private credit is growing even faster amid fast disinflation.



Banks continue to be strongly capitalized and non-performing loans have fallen.



Banks are shifting their asset portfolios away from the public sector (government and BCRA) instruments.



Sources: BCRA and IMF staff calculations.

Table 1. Argentina: Selected Economic and Financial Indicators, 2023–30

	2023	2024	2025	2026	2027	2028	2029	2030
			Proj.					
	(Annual percentage changes unless otherwise indicated)							
National Income and Prices								
GDP at constant prices	-1.6	-1.7	5.5	4.5	4.0	3.2	3.1	3.0
Non-agro GDP at constant prices	-0.5	-3.1	5.8	4.7	4.1	3.3	3.2	3.0
Domestic demand	0.4	-8.5	7.1	4.3	3.3	2.6	2.7	2.8
Consumption	1.1	-4.1	3.2	2.7	2.3	2.3	2.3	2.3
Private	1.0	-4.2	3.0	2.6	2.5	2.5	2.5	2.5
Public	1.5	-3.2	4.2	3.3	1.1	1.1	1.1	1.1
Investment	-2.0	-17.4	18.5	8.5	5.9	3.7	4.3	4.5
Exports	-7.5	23.2	8.1	5.3	5.0	4.7	4.1	3.6
Imports	1.7	-10.6	14.6	4.4	2.4	2.1	2.5	2.8
Net exports (percent contribution to real GDP)	-2.0	7.5	-1.7	0.1	0.6	0.6	0.4	0.2
Output gap (percent of potential GDP)	-0.8	-4.9	-2.7	-1.2	-0.3	-0.1	0.0	0.0
Inflation (eop)	211.4	117.8	[18-23]	[10-15]	7.5	7.5	7.5	7.5
Inflation (avg)	133.5	219.9	[33-38]	[12-17]	9.4	7.5	7.5	7.5
	(Percent of GDP unless otherwise indicated)							
Savings-Investment Balance								
Gross national savings	15.3	16.8	16.9	18.0	19.1	19.9	20.7	21.3
Private	20.7	16.0	16.5	16.6	17.3	18.2	19.1	19.8
Public	-5.4	0.9	0.4	1.4	1.8	1.7	1.6	1.5
Gross domestic investment	18.6	15.8	17.3	18.3	18.9	19.3	19.7	20.1
Private	15.3	14.1	15.1	16.1	16.6	17.0	17.3	17.8
Public	3.3	1.7	2.2	2.2	2.2	2.3	2.3	2.3
External Sector								
Current account balance	-3.2	1.0	-0.4	-0.3	0.2	0.6	1.1	1.2
Trade balance	-1.4	2.7	1.3	1.5	1.9	2.3	2.6	2.6
Foreign direct Investment (net)	3.2	1.4	0.9	1.4	1.1	1.1	1.0	1.0
Total external debt	121.6	49.2	45.8	44.3	44.6	45.2	43.7	41.8
Gross international reserves (US$ billions) 1/	10.1	16.6	36.3	44.6	54.3	65.3	77.0	89.0
Net international reserves (US$ billions) 2/	-8.5	-2.4	2.4	10.4	22.9	38.9	57.9	79.4
Change in net international reserves 2/	-17.3	6.1	4.8	8.0	12.5	16.0	19.0	21.5
Terms of trade (percent change) 3/	-6.6	-4.1	0.9	1.3	0.4	-0.3	-0.4	-0.8
Federal Government Operations								
Revenues 4/	16.7	16.9	16.8	17.3	17.4	17.4	17.4	17.4
Primary expenditure	19.6	15.1	15.4	15.1	14.9	14.9	14.9	14.9
Primary balance 5/	-2.8	1.8	1.3	2.2	2.5	2.5	2.5	2.5
Overall balance 6/	-5.1	0.3	0.0	0.0	0.4	0.4	0.4	0.4
Federal government debt	155.4	85.3	73.1	68.2	65.1	63.3	59.3	55.7
Official creditors	33.3	13.8	15.2	14.7	14.4	13.8	12.4	10.5
Private creditors	59.6	37.6	29.0	24.6	22.9	21.7	19.9	18.6
of which: FX-denominated debt	40.1	17.1	14.2	13.6	13.5	13.3	12.6	12.1
Public entities	62.5	33.9	28.9	28.9	27.9	27.8	27.0	26.5
Money and Credit								
Monetary base	5.0	5.1	6.1	7.0	7.6	7.9	8.1	8.3
BCRA securities	16.2	1.7	1.4	1.0	0.0	0.0	0.0	0.0
BCRA quasi-fiscal cost 7/	8.4	1.6	-0.5	-0.5	-0.5	-0.5	-0.5	-0.6
Memorandum Items								
Poverty rate (percent, H2)	41.7	38.1	...	...	...	...	...	...
Unemployment rate (avg, percent)	6.1	7.2	6.3	6.0	6.0	6.0	6.0	6.0
GDP per capita (in US$, nominal)	13,879.5	...	...	...	...	...	...	...
Monetary base (share of annualized Q4 GDP)	3.4	4.2	5.6	6.4	7.2	7.5	7.7	7.9
BCRA securities (share of annualized Q4 GDP)	11.0	1.4	1.3	1.0	0.0	0.0	0.0	0.0

Sources: National authorities and Fund staff estimates and projections.

1/ Excludes unactivated portion of the PBoC swap line (US$13 billion). Includes net Fund disbursements.

2/ As defined in the TMU, NIR are gross reserves net of swap lines, deposit insurance, reserve requirements on FX deposits, and other reserves liabilities. NIR exclude changes in net Fund credit starting in 2025. At current rates.

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

4/ Proceeds from 5G phone license auctions in 2023 are excluded.

5/ Primary balance excludes BCRA profit transfers.

6/ Excludes interest payments of zero-coupon bonds issued prior to 2025, which are recorded below the line.

7/ Net interest income at current prices, adjusted from BCRA statement of income flows at constant prices.

Table 2. Argentina: External Balance of Payments, 2023–30

	2023	2024	2025	2026	2027	2028	2029	2030
			Proj.					
			In billion USD					
Current Account	**-21.0**	**6.3**	**-2.7**	**-2.0**	**1.4**	**4.5**	**7.9**	**9.5**
Trade balance in goods	-2.9	22.4	18.4	19.9	22.3	24.9	27.0	28.4
o/w Energy trade balance	0.4	5.9	8.9	10.2	11.7	13.1	14.5	16.1
o/w Non-energy trade balance	-3.3	16.5	9.5	9.7	10.6	11.8	12.5	12.3
Exports f.o.b.	66.8	79.8	82.6	87.7	92.6	97.8	103.1	108.1
Imports f.o.b.	69.8	57.4	64.2	67.8	70.3	72.9	76.1	79.7
Trade balance in services	-6.4	-5.5	-9.8	-9.5	-8.9	-8.3	-7.9	-8.0
Exports	16.1	17.1	18.4	20.5	22.4	24.3	26.2	27.6
Imports	22.5	22.6	28.2	30.0	31.4	32.6	34.1	35.6
Primary income balance 1/	-13.5	-12.8	-13.9	-15.0	-14.7	-14.8	-14.0	-13.9
of which Public sector interest (gross)	-7.1	-8.3	-7.6	-8.5	-8.8	-9.2	-8.5	-8.4
of which: IMF charges	-3.2	-3.4	-3.1	-3.5	-3.5	-3.2	-2.9	-2.4
of which: other official interest	-1.7	-2.2	-2.1	-2.7	-2.9	-3.1	-2.5	-2.4
of which: Private (bond holders)	-2.2	-2.6	-2.4	-2.3	-2.5	-2.9	-3.2	-3.6
Secondary income, net	1.9	2.2	2.6	2.6	2.6	2.7	2.8	3.0
Capital Account	**0.2**	**0.3**	**0.2**	**0.2**	**0.2**	**0.2**	**0.2**	**0.2**
Financial Account 2/	**-14.3**	**-4.2**	**-0.1**	**-1.2**	**-4.2**	**-6.3**	**-9.7**	**-10.2**
Foreign direct investment, net 3/	20.9	8.7	6.2	9.8	7.8	7.7	7.7	7.7
excl. change in importers' debt	7.4	8.7	12.5	16.0	12.0	10.0	10.0	10.0
Portfolio investment, net 2/	-7.4	-7.8	-0.4	3.0	3.6	2.3	2.2	2.8
of which: amortization by general government	-1.9	-1.3	-3.9	-3.1	-3.3	-4.8	-5.2	-4.7
Derivatives, net	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other investment, net 2/ 3/	-27.7	-5.1	-5.9	-14.0	-15.6	-16.3	-19.5	-20.7
IMF repurchases	-17.7	-4.5	0.0	-1.1	-4.3	-6.4	-8.1	-9.5
Other official repayments	-3.5	-2.8	-2.4	-2.9	-3.0	-3.0	-3.0	-3.2
Other items net	-6.5	2.3	-3.5	-10.0	-8.3	-6.9	-8.5	-8.1
Errors and Omissions	**6.0**	**2.5**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Overall Balance	**-41.0**	**-0.1**	**-2.6**	**-3.0**	**-2.5**	**-1.6**	**-1.6**	**-0.5**
Financing	**41.0**	**0.1**	**2.6**	**3.0**	**2.5**	**1.6**	**1.6**	**0.5**
IMF Financing	12.7	5.4	15.2	1.4	1.4	1.4	0.7	0.0
Other official financing 4/	4.6	0.0	6.7	5.0	5.0	5.0	5.0	5.0
New bonds financing to general government 5/	2.0	0.8	0.5	4.9	5.8	6.2	7.6	7.6
Gross official reserves change (increase: -) 6/	21.7	-6.1	-19.7	-8.3	-9.6	-11.0	-11.7	-12.0
			In percent of GDP					
Current Account	**-3.2**	**1.0**	**-0.4**	**-0.3**	**0.2**	**0.6**	**1.1**	**1.2**
Trade balance in goods	-0.5	3.6	2.7	2.8	3.1	3.5	3.7	3.7
o/w Energy trade balance	0.1	0.9	1.3	1.4	1.6	1.8	2.0	2.1
o/w Non-energy trade balance	-0.5	2.6	1.4	1.4	1.5	1.7	1.7	1.6
Exports, f.o.b.	10.3	12.7	12.1	12.3	12.9	13.7	14.0	13.9
Imports f.o.b.	10.8	9.2	9.4	9.5	9.8	10.2	10.3	10.3
Trade balance in services	-1.0	-0.9	-1.4	-1.3	-1.2	-1.2	-1.1	-1.0
Primary income, net	-2.1	-2.0	-2.0	-2.1	-2.0	-2.1	-1.9	-1.8
Secondary income, net	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**
Financial Account 2/	**-2.2**	**-0.7**	**0.0**	**-0.2**	**-0.6**	**-0.9**	**-1.3**	**-1.3**
Foreign direct investment, net 3/	3.2	1.4	0.9	1.4	1.1	1.1	1.0	1.0
excl. change in importers' debt	1.1	1.4	1.8	2.2	1.7	1.4	1.4	1.3
Portfolio investment, net	-1.1	-1.2	-0.1	0.4	0.5	0.3	0.3	0.4
Derivatives, net	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other investment, net 2/ 3/	-4.3	-0.8	-0.9	-2.0	-2.2	-2.3	-2.6	-2.7
Errors and Omissions	**0.9**	**0.4**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Overall Balance	**-6.3**	**0.0**	**-0.4**	**-0.4**	**-0.4**	**-0.2**	**-0.2**	**-0.1**
Financing	**6.3**	**0.0**	**0.4**	**0.4**	**0.4**	**0.2**	**0.2**	**0.1**
IMF Financing	2.0	0.9	2.2	0.2	0.2	0.2	0.1	0.0
Other official financing 4/	0.7	0.0	1.0	0.7	0.7	0.7	0.7	0.6
New bonds financing to general government 5/	0.3	0.1	0.1	0.7	0.8	0.9	1.0	1.0
Gross official reserves (increase: -)	3.3	-1.0	-2.9	-1.2	-1.3	-1.5	-1.6	-1.6
Memorandum Items:								
Exports volumes (percent change)	-16.6	27.8	4.9	4.7	4.6	4.4	3.8	3.5
Imports volumes (percent change)	-4.1	-13.6	11.5	4.6	2.5	2.2	2.6	2.8
Importers' debt (US$ billion)	31.4	48.0	42.0	40.0	38.0	36.0	34.0	32.0
Importers' debt to imports ratio	45.0	83.6	65.5	59.0	54.1	49.4	44.7	40.2
Trading partners imports growth (percent change)	-1.9	4.4	3.3	3.9	3.5	3.5	3.5	3.3
External debt (US$ billions)	287.8	276.1	290.1	297.6	304.2	310.0	315.6	317.4
of which: External public debt	183.4	174.8	185.8	185.3	181.8	175.2	168.8	159.0
Gross international reserves (US$ billions) 6/	10.1	16.6	36.3	44.6	54.3	65.3	77.0	89.0
in months of imports of goods and services	1.3	2.5	4.7	5.5	6.4	7.4	8.4	9.3
in percent of ARA	14.0	22.2	47.7	56.4	67.3	79.3	91.2	102.9
Net international reserves (US$ billions) 7/	-8.5	-2.4	2.4	10.4	22.9	38.9	57.9	79.4
NIR change (US$ billions) 7/	-17.3	6.1	4.8	8.0	12.5	16.0	19.0	21.5
Net IMF (purchases - repurchases - charges; US$ billions)	-8.3	-2.5	12.1	-3.2	-6.3	-8.2	-10.2	-11.8
Terms of Trade (percent change)	-0.1	4.0	9.1	1.3	0.4	-0.3	-0.4	-0.8

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/ Excludes unactivated portion of the PBoC swap line (US$13 billion). Includes net Fund disbursements.

7/ As defined in the TMU, NIR are gross reserves net of swap lines, deposit insurance, reserve requirements on FX deposits, and other reserves liabilities. NIR exclude changes in net Fund credit starting in 2025. At current rates.

Table 3a. Argentina: Federal Government Operations, 2023–30
(In Billions of Argentine Pesos)

	2023	2024	2025	2026	2027	2028	2029	2030
			Proj.					
			(in billions of Argentine pesos)					
Revenues	**32,045**	**98,109**	**133,278**	**164,340**	**188,218**	**208,936**	**231,625**	**256,597**
Tax revenues	19,025	60,721	79,136	103,639	119,534	132,483	146,935	163,386
Social security contributions	9,620	29,444	45,329	49,267	56,126	62,700	69,234	75,892
Non-tax revenues 1/	3,400	7,944	8,813	11,435	12,558	13,753	15,455	17,319
Primary Expenditures	**37,485**	**87,613**	**122,758**	**143,360**	**161,259**	**178,576**	**198,205**	**219,537**
Wages	6,309	15,515	21,785	25,703	29,421	32,630	35,931	39,042
Goods and services	1,413	3,365	5,225	5,522	6,473	7,591	7,709	8,905
Pensions	12,914	35,733	54,996	65,685	75,749	85,721	95,014	106,717
Current transfers to private sector	11,449	28,329	33,598	38,186	39,523	40,991	45,843	50,364
Social assistance	7,470	19,603	25,488	30,308	34,767	38,395	43,253	48,004
Subsidies	4,015	8,726	8,109	7,877	4,757	2,597	2,589	2,359
of which: energy	2,952	6,484	5,128	6,303	3,450	1,650	1,505	1,179
Current transfers to public sector 2/	2,329	2,301	3,975	4,284	5,302	5,643	6,521	6,630
Capital spending 3/	3,070	2,369	3,179	3,980	4,791	6,000	7,187	7,880
Primary Balance	**-5,440**	**10,496**	**10,520**	**20,980**	**26,958**	**30,360**	**33,420**	**37,060**
Interest Payments 4/	**4,269**	**8,641**	**10,183**	**20,622**	**22,158**	**25,139**	**27,774**	**31,313**
Overall Balance	**-9,709**	**1,855**	**337**	**358**	**4,800**	**5,221**	**5,645**	**5,747**
Financing	**9,709**	**-1,855**	**-337**	**-358**	**-4,800**	**-5,221**	**-5,645**	**-5,747**
Treasury Deposits (+, drawdown)	**1,731**	**-11,146**	**0**	**0**	**0**	**0**	**0**	**0**
External	**-3,213**	**1,620**	**19,287**	**5,586**	**3,101**	**-84**	**-2,573**	**-6,856**
IMF (net)	-1,504	837	17,638	452	-4,328	-8,377	-13,208	-17,941
Other official (net) 5/	627	968	4,948	2,684	3,104	3,373	3,590	3,752
Private (net) 6/	-2,335	-184	-3,299	2,449	4,326	4,920	7,046	7,333
Issuances	21	3,117	549	6,510	8,665	9,755	12,214	12,775
Amortization	2,356	3,301	3,848	4,061	4,339	4,835	5,169	5,442
Domestic	**11,155**	**7,670**	**-19,624**	**-5,944**	**-7,901**	**-5,137**	**-3,072**	**1,109**
Private (net) 7/	7,782	7,670	-7,338	-5,944	-7,901	-5,137	-3,072	1,109
Issuance	18,938	71,313	67,463	71,771	43,010	27,573	42,442	34,915
Amortization	11,081	63,643	74,800	77,715	50,911	32,710	45,515	33,806
Public entities (net)	3,373	0	-12,286	0	0	0	0	0
BCRA (net)	3,043	0	-12,286	0	0	0	0	0
of which: BCRA transfers 8/	1,698	0	0	0	0	0	0	0
Other public entities	331	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. Proceeds from 5G phone license auctions are also excluded.

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/ Excludes interest payments of zero-coupon bonds issued prior to 2025, which are recorded below the line.

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.

Table 3b. Argentina: Federal Government Operations, 2023–30

(Percent of GDP)

	2023	2024	2025	2026	2027	2028	2029	2030
			Proj.					
			(Percent of GDP)					
Revenues	**16.7**	**16.9**	**16.8**	**17.3**	**17.4**	**17.4**	**17.4**	**17.4**
Tax revenues	9.9	10.5	10.0	10.9	11.0	11.0	11.0	11.1
of which: Trade and FX taxes 1/	2.3	2.8	1.9	1.9	1.9	1.9	1.9	1.9
Social security contributions	5.0	5.1	5.7	5.2	5.2	5.2	5.2	5.2
Non-tax revenues 2/	1.8	1.4	1.1	1.2	1.2	1.1	1.2	1.2
Primary Expenditures	**19.6**	**15.1**	**15.4**	**15.1**	**14.9**	**14.9**	**14.9**	**14.9**
Wages	3.3	2.7	2.7	2.7	2.7	2.7	2.7	2.7
Goods and services	0.7	0.6	0.7	0.6	0.6	0.6	0.6	0.6
Pensions	6.7	6.2	6.9	6.9	7.0	7.1	7.1	7.2
Current transfers to private sector	6.0	4.9	4.2	4.0	3.7	3.4	3.4	3.4
Social assistance	3.9	3.4	3.2	3.2	3.2	3.2	3.2	3.3
Subsidies	2.1	1.5	1.0	0.8	0.4	0.2	0.2	0.2
of which: energy	1.5	1.1	0.6	0.7	0.3	0.1	0.1	0.1
Current transfers to public sector 3/	1.2	0.6	0.5	0.5	0.5	0.5	0.5	0.5
Capital spending 4/	1.6	0.4	0.4	0.4	0.4	0.5	0.5	0.5
Primary Balance	**-2.8**	**1.8**	**1.3**	**2.2**	**2.5**	**2.5**	**2.5**	**2.5**
Interest Cash 5/	**2.2**	**1.5**	**1.3**	**2.2**	**2.0**	**2.1**	**2.1**	**2.1**
Overall Balance	**-5.1**	**0.3**	**0.0**	**0.0**	**0.4**	**0.4**	**0.4**	**0.4**
Financing	**5.1**	**-0.3**	**0.0**	**0.0**	**-0.4**	**-0.4**	**-0.4**	**-0.4**
Treasury Deposits (+, drawdown)	**0.9**	**-1.9**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
External	**-1.7**	**0.3**	**2.4**	**0.6**	**0.3**	**0.0**	**-0.2**	**-0.5**
IMF (net)	-0.8	0.1	2.2	0.0	-0.4	-0.7	-1.0	-1.2
Other official (net) 6/	0.3	0.2	0.6	0.3	0.3	0.3	0.3	0.3
Private (net) 7/	-1.2	0.0	-0.4	0.3	0.4	0.4	0.5	0.5
Issuances	0.0	0.5	0.1	0.7	0.8	0.8	0.9	0.9
Amortization	1.2	0.6	0.5	0.4	0.4	0.4	0.4	0.4
Domestic	**5.8**	**1.3**	**-2.5**	**-0.6**	**-0.7**	**-0.4**	**-0.2**	**0.1**
Private (net) 8/	4.1	1.3	-0.9	-0.6	-0.7	-0.4	-0.2	0.1
Issuance	9.9	12.3	8.5	7.5	4.0	2.3	3.2	2.4
Amortization	5.8	11.0	9.4	8.2	4.7	2.7	3.4	2.3
Public entities (net)	1.8	0.0	-1.5	0.0	0.0	0.0	0.0	0.0
BCRA (net)	1.6	0.0	-1.5	0.0	0.0	0.0	0.0	0.0
of which: BCRA transfers 9/	0.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other public entities	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum Items:								
Real primary expenditure growth (percent change)	-6.8	-26.9	3.1	2.0	2.8	3.1	3.2	3.0
Structural primary balance 10/	-3.2	2.5	1.9	2.5	2.6	2.5	2.5	2.5
BCRA secondary market purchases	4.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Federal government debt 11/	155.4	85.3	73.1	68.2	65.1	63.3	59.3	55.7
Official	33.3	13.8	15.2	14.7	14.4	13.8	12.4	10.5
Private sector	59.6	37.6	29.0	24.6	22.9	21.7	19.9	18.6
Of which: In foreign currency	40.1	17.1	14.2	13.6	13.5	13.3	12.6	12.1
Public sector entities	62.5	33.9	28.9	28.9	27.9	27.8	27.0	26.5

Sources: National authorities and Fund staff estimates and projections.

1/ Includes exports taxes, imports taxes, and FX access tax (impuesto pais) which expired in late 2024.

2/ Non-tax revenues deviate from GFSM 2014 accounting with the exclusion of BCRA profit transfers. Proceeds from 5G

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/ Excludes interest payments of zero-coupon bonds issued prior to 2025, which are recorded below the line.

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/ Adjusts for the economic and commodity price cycles; in percent of potential GDP. Adjusts also for one-offs due to the drought in 2023 (i.e., temporary import taxes and preferential FX regimes).

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

Table 4. Argentina: General Government Operations, 2023–30 1/

(Percent of GDP)

	2023	2024	2025	2026	2027	2028	2029	2030
			Proj.					
	(Percent of GDP unless otherwise indicated)							
Revenues	**32.5**	**32.3**	**33.1**	**34.6**	**34.8**	**34.8**	**34.8**	**34.8**
Tax revenues	22.5	23.2	23.5	25.6	25.7	25.8	25.7	25.8
Federal	9.9	10.5	10.0	10.9	11.0	11.0	11.0	11.1
Provincial co-participated	7.5	7.3	8.5	9.7	9.6	9.7	9.6	9.6
Provincial own	5.1	5.5	5.1	5.1	5.1	5.1	5.1	5.1
Social security contributions	6.7	6.5	7.3	6.8	6.8	6.8	6.8	6.8
Federal	5.0	5.1	5.7	5.2	5.2	5.2	5.2	5.2
Provincial	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6
Other revenues	3.3	2.5	2.3	2.2	2.3	2.1	2.3	2.2
Federal	1.8	1.4	1.1	1.2	1.2	1.1	1.2	1.2
Provincial	1.5	1.1	1.1	1.0	1.1	1.0	1.1	1.1
Primary Expenditures 2/	**35.3**	**29.8**	**31.3**	**30.9**	**31.0**	**30.9**	**31.1**	**31.1**
Wages	10.7	9.6	9.8	9.8	9.8	9.8	9.8	9.8
Federal	3.3	2.7	2.7	2.7	2.7	2.7	2.7	2.7
Provincial	7.4	6.9	7.1	7.1	7.1	7.1	7.1	7.1
Goods and services	2.3	2.0	2.1	2.0	1.9	1.8	1.8	1.8
Federal	0.7	0.6	0.7	0.6	0.6	0.6	0.6	0.6
Provincial	1.6	1.4	1.4	1.4	1.3	1.2	1.2	1.2
Pensions	8.9	8.2	9.1	9.1	9.4	9.6	9.8	9.9
Federal	6.7	6.2	6.9	6.9	7.0	7.1	7.1	7.2
Provincial	2.1	2.0	2.2	2.2	2.4	2.5	2.7	2.7
Transfers to the private sector	7.4	6.2	5.6	5.4	5.1	4.8	4.8	4.8
Federal	6.0	4.9	4.2	4.0	3.7	3.4	3.4	3.4
Provincial	1.4	1.3	1.4	1.4	1.4	1.4	1.4	1.4
Capital spending	3.3	1.7	2.2	2.2	2.2	2.3	2.3	2.3
Federal 3/	1.2	0.4	0.4	0.4	0.4	0.5	0.5	0.5
Provincial	2.1	1.3	1.8	1.8	1.8	1.8	1.8	1.8
Other	2.7	2.0	2.4	2.4	2.5	2.5	2.5	2.5
Federal	0.5	0.1	0.2	0.2	0.2	0.2	0.2	0.2
Provincial	2.3	1.9	2.2	2.2	2.3	2.3	2.3	2.3
Primary Balance	**-2.8**	**2.5**	**1.8**	**3.7**	**3.9**	**3.9**	**3.7**	**3.7**
Federal government	-2.8	1.8	1.3	2.2	2.5	2.5	2.5	2.5
Provincial government	0.0	0.7	0.5	1.5	1.4	1.3	1.2	1.1
Interest (cash) 4/	**2.5**	**1.6**	**1.4**	**2.3**	**2.1**	**2.1**	**2.1**	**2.2**
Overall Balance	**-5.4**	**0.9**	**0.4**	**1.4**	**1.8**	**1.7**	**1.6**	**1.5**
Memorandum Items								
General Gov't structural primary balance 5/	-3.1	3.5	2.6	4.0	4.0	3.9	3.7	3.7
Federal structural primary balance	-3.2	2.5	1.9	2.5	2.6	2.5	2.5	2.5
Provincial structural primary balance	0.1	1.1	0.7	1.6	1.4	1.3	1.2	1.1
Consolidated public sector balance 6/	-13.7	-0.7	1.0	1.9	2.2	2.2	2.1	2.1
Federal government debt	155.4	85.3	73.1	68.2	65.1	63.3	59.3	55.7
of which: net of debt held by public entities 7/	92.9	51.4	44.2	39.4	37.2	35.6	32.3	29.2
Federal government debt (share of annualized Q4 GDP)	105.4	71.1	53.9	47.8	44.6	43.1	40.6	53.1
Provincial government debt	9.3	3.1	2.2	1.3	1.0	0.8	0.7	1.1
BCRA securities	16.2	1.7	1.4	1.0	0.0	0.0	0.0	0.0

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/ Includes only federal government interest payments. Excludes interest payments of zero-coupon bonds issued prior to 2025, which are recorded below the line.

5/ 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).

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

7/ Gross federal debt, net of debt held by BCRA and FGS.

Table 5a. Argentina: Summary Operations of the Central Bank, 2023–30

(End of Period, Unless Otherwise Indicated)

	2023	2024	2025	2026	2027	2028	2029	2030
			Proj.					
			(In billions of Argentine pesos)					
Net Foreign Assets (NFA)	**2,005**	**12,190**	**39,380**	**56,265**	**78,313**	**105,766**	**132,879**	**163,197**
Gross foreign assets	18,654	30,603	61,936	81,720	106,821	137,233	166,004	198,051
Gross foreign liabilities	16,650	18,414	22,556	25,455	28,508	31,466	33,125	34,854
Net Domestic Assets (NDA)	**7,603**	**17,539**	**8,934**	**10,134**	**3,526**	**-10,759**	**-24,729**	**-40,820**
Credit to the public sector (net)	46,709	62,027	68,741	80,018	82,609	85,160	87,014	88,918
of which: Temporary advances to federal government	1,776	2,865	2,824	2,824	2,824	2,824	2,824	2,824
of which: Non-marketable government bonds	12,917	20,177	10,800	12,188	13,649	15,066	15,860	16,688
of which: Other credit and gvt. deposits (net)	32,017	38,986	55,118	65,006	66,136	67,271	68,330	69,406
Credit to the financial sector, excl. securities	-7,351	-12,630	-16,182	-21,572	-27,763	-33,290	-37,498	-41,993
BCRA securities	-31,058	-9,664	-11,202	-9,822	-165	-165	-165	-165
Official capital and other items	-696	-22,193	-32,422	-38,489	-51,155	-62,464	-74,079	-87,580
Monetary Base	**9,608**	**29,729**	**48,315**	**66,399**	**81,839**	**95,008**	**108,150**	**122,376**
Currency issued	7,435	19,988	31,865	45,906	58,876	69,325	79,616	90,988
Bank deposits at the BCRA (peso-denominated)	2,173	9,740	16,450	20,493	22,963	25,683	28,534	31,388
			(Percent of GDP)					
Net Foreign Assets	**1.0**	**2.1**	**5.0**	**5.9**	**7.2**	**8.8**	**10.0**	**11.1**
Gross foreign assets	9.7	5.3	7.8	8.6	9.9	11.4	12.5	13.4
Gross foreign liabilities	8.7	3.2	2.8	2.7	2.6	2.6	2.5	2.4
Net Domestic Assets	**4.0**	**3.0**	**1.1**	**1.1**	**0.3**	**-0.9**	**-1.9**	**-2.8**
Credit to the public sector	24.4	10.7	8.6	8.4	7.6	7.1	6.5	6.0
of which: Temporary advances to federal government	0.9	0.5	0.4	0.3	0.3	0.2	0.2	0.2
of which: Non-marketable government bonds	6.7	3.5	1.4	1.3	1.3	1.3	1.2	1.1
of which: Other credit and gvt. deposits (net)	16.7	6.7	6.9	6.8	6.1	5.6	5.1	4.7
Credit to the financial sector, excl. securities	-3.8	-2.2	-2.0	-2.3	-2.6	-2.8	-2.8	-2.9
BCRA securities	-16.2	-1.7	-1.4	-1.0	0.0	0.0	0.0	0.0
Official capital and other items 1/	-0.4	-3.8	-4.1	-4.0	-4.7	-5.2	-5.6	-5.9
Monetary Base	**5.0**	**5.1**	**6.1**	**7.0**	**7.6**	**7.9**	**8.1**	**8.3**
Currency issued	3.9	3.5	4.0	4.8	5.4	5.8	6.0	6.2
Bank deposits at the BCRA (peso-denominated)	1.1	1.7	2.1	2.2	2.1	2.1	2.1	2.1
Memorandum Items:								
NDA (as per TMU definition, in billions of pesos) 2/	15,052	29,872	44,653	53,504	59,164	61,717	62,467	63,878
NFA (billions of USD)	2.5	11.8	31.3	39.7	49.3	60.4	72.0	84.1
Monetary base (share of annualized Q4 GDP)	3.4	4.2	5.6	6.4	7.2	7.5	7.7	7.9
BCRA securities (share of annualized Q4 GDP)	11.0	1.4	1.3	1.0	0.0	0.0	0.0	0.0
Quasi-fiscal deficit (percent of GDP) 3/	8.4	1.6	-0.5	-0.5	-0.5	-0.5	-0.5	-0.6

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

1/ Projects no distribution of profits.

2/ Average of December of each year. Per the TMU definition, the scope differs from NDA in the main table, including with considering FX deposits at the BCRA, and Fund disbursements under this new arrangement as foreign liabilities. At program rates.

3/ Net interest income at current prices, adjusted from BCRA statement of income flows at constant prices.

Table 5b. Argentina: Summary Operations of the Banking Sector, 2023–30

(End of Period, Unless Otherwise Indicated)

	2023	2024	2025	2026	2027	Proj. 2028	2029	2030
	(In billions of Argentine pesos)							
Net Foreign Assets (NFA)	**4,513**	**11,166**	**11,591**	**13,081**	**13,847**	**16,759**	**17,817**	**20,585**
Net Domestic Assets (NDA)	**48,115**	**101,463**	**130,554**	**165,887**	**197,088**	**228,137**	**259,204**	**291,866**
Credit to the public sector	9,643	46,642	29,848	29,997	25,248	26,049	30,719	34,867
Gross credit to public sector	19,264	70,199	62,523	66,722	61,006	60,789	64,314	68,056
Deposits from the public sector	-9,620	-23,557	-32,676	-36,726	-35,758	-34,740	-33,594	-33,189
Claims on the central bank	41,849	25,053	36,120	47,026	57,074	66,418	74,558	83,101
Holdings of central bank securities	31,058	559	139	139	165	165	165	165
Reserves at central bank	9,987	22,294	32,641	42,074	50,735	58,982	66,042	73,390
Other	804	2,200	3,339	4,813	6,175	7,272	8,352	9,546
Claims on the private sector	23,748	78,471	117,733	147,604	181,593	212,802	239,252	270,268
US$ denominated	3,261	12,500	22,577	30,462	39,835	46,681	51,553	56,906
AR$ denominated	20,488	65,971	95,156	117,141	141,758	166,121	187,698	213,362
Net capital, reserves, and other assets	-27,126	-48,702	-53,146	-58,740	-66,827	-77,132	-85,325	-96,369
Liabilities with the Private Sector	**52,627**	**112,629**	**142,145**	**178,968**	**210,936**	**244,896**	**277,021**	**312,452**
Local currency deposits	39,844	80,140	106,920	134,817	156,322	180,354	204,354	230,805
Foreign currency deposits	12,783	32,490	35,225	44,152	54,613	64,542	72,667	81,647
	(Percent GDP)							
Net Foreign Assets	**2.4**	**1.9**	**1.5**	**1.4**	**1.3**	**1.4**	**1.3**	**1.4**
Net Domestic Assets	**25.1**	**17.5**	**16.4**	**17.4**	**18.2**	**19.0**	**19.5**	**19.8**
Credit to the public sector (net)	5.0	8.1	3.8	3.2	2.3	2.2	2.3	2.4
Gross credit to public sector	10.1	12.1	7.9	7.0	5.6	5.1	4.8	4.6
Deposits of the public sector	-5.0	-4.1	-4.1	-3.9	-3.3	-2.9	-2.5	-2.3
Claims on the central bank	21.9	4.3	4.5	4.9	5.3	5.5	5.6	5.6
Holdings of central bank securities	16.2	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Reserves at central bank	5.2	3.8	4.1	4.4	4.7	4.9	5.0	5.0
Other	0.4	0.4	0.4	0.5	0.6	0.6	0.6	0.6
Credit to the private sector	12.4	13.5	14.8	15.5	16.8	17.7	18.0	18.3
of which: Dollar denominated	1.7	2.2	2.8	3.2	3.7	3.9	3.9	3.9
of which: Peso denominated	10.7	11.4	12.0	12.3	13.1	13.8	14.1	14.5
Net capital, reserves, and other assets	-14.2	-8.4	-6.7	-6.2	-6.2	-6.4	-6.4	-6.5
Liabilities with the Private Sector	**27.5**	**19.4**	**17.9**	**18.8**	**19.5**	**20.4**	**20.8**	**21.2**
Local currency deposits	20.8	13.8	13.4	14.2	14.4	15.0	15.4	15.7
Foreign currency deposits	6.7	5.6	4.4	4.6	5.0	5.4	5.5	5.5
Memorandum Items:								
M3 (AR$ billions) 1/	52,692	117,032	148,167	186,550	219,872	255,271	288,757	325,688
M3 (percent of GDP)	27.5	20.2	18.6	19.6	20.3	21.3	21.7	22.1
M3 (as a ratio of monetary base)	5.5	3.9	3.1	2.8	2.7	2.7	2.7	2.7
Credit to the private sector, real (eop, y/y percent change)	-16.1	51.7	25.0	11.9	14.4	9.0	4.6	5.1

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

1/ Private and public M3 in pesos.

Table 6. Argentina: Summary Public and External Debt, 2023–30 1/
(In Billions of U.S. Dollars, Unless Otherwise Stated)

	2023	2024	2025	2026	2027	2028	2029	2030
			Proj.					
	(in billions of U.S. dollars, unless otherwise stated)							
Public Debt								
Gross Federal Debt	**367.9**	**478.7**	**462.6**	**458.2**	**444.0**	**433.9**	**428.0**	**422.5**
(in percent of GDP)	*155.4*	*85.3*	*73.1*	*68.2*	*65.1*	*63.3*	*59.3*	*55.7*
BCRA Debt (Securities)	**38.4**	**9.4**	**8.9**	**6.9**	**0.1**	**0.1**	**0.1**	**0.1**
(in percent of GDP)	*16.2*	*1.7*	*1.4*	*1.0*	*0.0*	*0.0*	*0.0*	*0.0*
Combined Federal Gov't and BCRA	**406.3**	**488.1**	**471.5**	**465.1**	**444.1**	**434.0**	**428.1**	**422.6**
(in percent of GDP)	*171.6*	*87.0*	*74.5*	*69.3*	*65.2*	*63.4*	*59.3*	*55.7*
Memorandum Items								
Gross Federal Debt Held by Private Sector 2/	**141.1**	**211.1**	**183.3**	**165.5**	**155.8**	**148.9**	**143.7**	**141.3**
(in percent of GDP)	59.6	37.6	29.0	24.6	22.9	21.7	19.9	18.6
Gross Federal Debt in Domestic Currency	**105.4**	**221.6**	**198.7**	**189.4**	**172.9**	**163.9**	**158.7**	**188.7**
(in percent of GDP)	44.5	39.5	31.4	28.2	25.4	23.9	22.0	24.9
Gross Federal Debt in Foreign Currency	**262.5**	**257.1**	**263.9**	**268.8**	**271.1**	**270.1**	**269.3**	**233.9**
(in percent of GDP)	110.9	45.8	41.7	40.0	39.8	39.4	37.3	30.8
Nominal GDP (in U.S. dollars)	236.7	561.0	632.9	671.5	681.6	685.1	721.4	759.0
Overall External Debt								
Gross External Debt (includes holdouts)	**287.8**	**276.1**	**290.1**	**297.6**	**304.2**	**310.0**	**315.6**	**317.4**
(in percent of GDP)	*121.6*	*49.2*	*45.8*	*44.3*	*44.6*	*45.2*	*43.7*	*41.8*
By Debtor								
Public sector	183.4	174.8	185.8	185.3	181.8	175.2	168.8	159.0
Federal government	145.3	134.9	149.1	150.9	149.5	144.6	138.6	129.0
Other public sector 3/	38.1	39.9	36.7	34.5	32.3	30.6	30.2	30.0
Private sector	104.4	101.3	104.3	112.3	122.4	134.7	146.7	158.4
Financial	4.2	4.2	5.2	6.7	8.6	10.8	13.2	15.8
Non-financial	100.2	97.1	99.1	105.6	113.9	124.0	133.5	142.6
By Creditor								
Debt to official creditors	77.3	75.4	94.8	97.2	94.9	90.4	84.3	76.6
Debt to banks	7.6	8.9	10.2	11.5	13.0	14.4	15.8	17.3
Debt to other private creditors	202.9	191.9	185.2	188.9	196.4	205.2	215.5	223.4
By Maturity								
Long-term	235.2	230.0	224.0	230.0	230.6	227.1	223.3	218.7
Of which: Public sector	24.9	22.3	28.3	27.3	26.3	25.3	25.3	25.3

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.

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

Table 7. Argentina: Federal Government Gross Financing Needs and Sources, 2023–30 1/

(In Millions of U.S. Dollars, Unless Otherwise Stated)

			Proj.					
	2023	2024	2025	2026	2027	2028	2029	2030
Primary Fiscal Deficit	**18,347**	**-11,455**	**-9,044**	**-15,766**	**-17,831**	**-18,022**	**-18,541**	**-18,766**
Interest	**11,474**	**8,030**	**5,654**	**12,394**	**11,329**	**11,595**	**12,143**	**13,061**
External	3,064	4,049	3,709	4,316	4,500	4,663	4,851	3,841
Official (non-IMF)	1,706	2,427	2,075	2,707	2,891	3,054	3,242	2,149
Private	1,358	1,623	1,634	1,609	1,609	1,609	1,609	1,692
Domestic	8,410	3,981	1,944	8,078	6,829	6,932	7,292	9,219
Public entities 1/	1,430	1,429	505	1,420	1,829	2,204	2,391	3,199
Private 2/	6,980	2,552	1,439	6,657	5,000	4,728	4,901	6,020
Amortizations	**70,183**	**110,892**	**120,293**	**95,629**	**90,556**	**62,297**	**89,634**	**28,742**
External	10,461	6,593	5,745	6,013	5,773	5,824	5,832	6,535
Official (non-IMF)	2,516	2,990	2,437	2,961	2,903	2,954	2,964	2,380
Private	7,945	3,603	3,308	3,052	2,870	2,870	2,868	4,155
Domestic	59,722	104,299	114,547	89,617	84,783	56,474	83,802	22,207
Public entities 3/	22,350	34,844	50,240	31,216	51,108	37,057	58,550	7,739
Private 2/	37,372	69,455	64,307	58,401	33,675	19,417	25,252	14,468
IMF Debt Service	**20,986**	**7,647**	**3,101**	**4,207**	**7,635**	**9,745**	**11,317**	**10,512**
of which: Amortization	17,747	4,535	0	1,104	4,308	6,417	8,051	7,565
Total Needs	**120,990**	**115,115**	**120,003**	**96,464**	**91,689**	**65,615**	**94,552**	**33,549**
Treasury deposits (+, drawdown)	5,837	-12,164	0	0	0	0	0	0
Official (not IMF)	4,630	4,046	6,691	4,978	4,956	4,956	4,956	3,580
Public entities 4/	33,976	34,844	39,678	31,216	51,108	37,057	58,550	7,739
Private sector issuances 2/	63,874	82,940	58,471	58,826	34,180	22,158	30,324	22,230
of which: international market issuance	0	0	0	4,000	5,000	5,000	6,000	6,001
Total Sources	**108,317**	**109,667**	**104,840**	**95,020**	**90,244**	**64,170**	**93,830**	**33,549**
Total Gap	**12,673**	**5,448**	**15,163**	**1,444**	**1,445**	**1,445**	**722**	**0**
IMF Disbursements	12,673	5,448	15,163	1,444	1,445	1,445	722	0
Memorandum Items								
Primary fiscal balance (percent of GDP)	-2.8	1.8	1.3	2.2	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/ BCRA and FGS are assumed to roll over 100 percent of amortizations and capitalize interest.

Table 8. Argentina: External (Residency) Gross Financing Needs and Sources, 2023–30

(In Millions of U.S. Dollars)

	2023	2024	Proj. 2025	2026	2027	2028	2029	2030
Imports G&S	92,300	79,998	92,378	97,815	101,630	105,531	110,171	115,313
FDI payments	2,961	2,689	2,336	2,245	2,226	2,271	2,292	2,317
Interest federal government	2,934	3,909	3,765	4,327	4,835	5,490	5,239	5,710
to IFIs (excl IMF)	1,706	2,237	2,075	2,707	2,891	3,054	2,459	2,449
to private creditors FX	1,205	1,609	1,622	1,618	1,943	2,435	2,779	3,260
to private creditors AR$	23	63	67	1	1	1	0	0
Interest provincial government	951	966	760	633	513	475	377	325
Amortization federal government	5,445	4,132	6,376	5,944	6,324	7,778	8,157	7,896
to IFIs (excl IMF)	3,516	2,826	2,437	2,879	3,006	3,006	3,006	3,174
to private creditors FX	0	582	2,848	2,857	3,302	4,755	5,136	4,704
to private creditors AR$	1,929	724	1,091	209	16	17	15	18
Amortization provincial government	1,074	1,388	1,862	1,841	1,766	1,221	979	759
Debt service to IMF	20,986	7,913	3,101	4,620	7,785	9,658	10,948	11,813
of which interest and charges	3,239	3,378	3,101	3,516	3,478	3,241	2,898	2,354
Other outflows (net)	21,670	7,713	2,140	6,321	3,066	1,808	3,229	2,621
of which NFA formation (incl. tourism outflows)	16,457	15,603	13,709	15,387	16,197	4,400	0	0
of which private sector net debt payments	2,466	1,298	-8,065	-12,208	-11,508	0	0	0
of which trade credits	-7,929	2,749	1,095	221	-630	0	0	0
Total Needs	**148,321**	**108,707**	**112,717**	**123,745**	**128,146**	**134,232**	**141,392**	**146,754**
Exports G&S	82,948	96,899	101,020	108,179	115,049	122,093	129,265	135,694
FDI Inflows	23,867	11,431	8,500	12,000	10,000	10,000	10,000	10,000
Borrowing of federal government	6,651	787	7,156	9,898	10,725	11,159	12,514	12,541
from IFIs (excl IMF)	4,630	0	6,691	4,978	4,956	4,956	4,956	4,956
from private creditors FX	69	0	0	4,710	5,752	6,185	7,543	7,567
of which international market issuance	0	0	0	4,000	5,000	5,000	6,000	6,001
from private creditors AR$	1,952	787	465	210	17	17	15	18
Borrowing of provincial government	507	233	618	565	565	565	565	565
Federal government	0	0	0	0	0	0	0	0
Provincial government	507	233	618	565	565	565	565	565
Reserve Drawdown (- = accumulation)	21,675	-6,091	-19,740	-8,340	-9,637	-11,028	-11,674	-12,046
Total Sources	**135,648**	**103,258**	**97,554**	**122,301**	**126,701**	**132,788**	**140,670**	**146,754**
Total Gap	**12,673**	**5,448**	**15,163**	**1,444**	**1,445**	**1,445**	**722**	**0**
IMF Disbursements	12,673	5,448	15,163	1,444	1,445	1,445	722	0

Sources: National authorities and Fund staff estimates and projections.

Table 9. Argentina: Federal Government Debt by Creditor, 2018–24 1/

	2018	2019	2020	2021	2022	2023	2024
				(in billions of U.S. dollars)			
Total Gross Federal Government Debt	**332.2**	**323.4**	**335.7**	**364.5**	**394.1**	**367.9**	**478.7**
Debt Held by Official and Private Creditors	**206.0**	**206.5**	**214.9**	**224.3**	**235.7**	**220.0**	**288.6**
Official Sector	*57.9*	*73.4*	*76.6*	*72.8*	*78.3*	*78.9*	*77.5*
Multilateral	51.0	68.0	71.1	68.0	73.7	74.2	73.8
IMF	28.3	44.1	46.0	41.0	45.7	40.6	40.6
Other IFIs	22.8	23.9	25.1	27.1	28.0	33.7	33.2
Bilateral	6.9	5.4	5.5	4.8	4.7	4.7	3.8
Paris Club 2/	3.7	2.1	2.4	1.9	2.0	1.6	1.3
Non-Paris Club	3.2	3.3	3.1	2.9	2.7	3.1	2.5
Private Sector 3/	*148.0*	*133.1*	*138.3*	*151.5*	*157.3*	*141.1*	*211.1*
Foreign Law	64.9	66.6	68.5	67.7	66.2	66.7	64.1
Bonds with new contractual clauses	40.4	41.2	43.5	42.8	41.3	42.0	39.7
Bonds with old contractual clauses	24.6	24.3	25.0	24.8	24.6	24.4	24.2
Other	0.0	1.1	0.1	0.1	0.4	0.3	0.3
Domestic Law	80.3	64.1	69.8	81.2	88.8	74.4	143.0
FX denominated	45.4	27.6	21.2	26.2	24.0	28.6	27.7
ARS denominated	34.8	36.5	48.5	55.0	64.8	43.4	115.3
Holdouts and finalized litigations 4/	2.8	2.4	2.5	2.6	2.3	2.4	4.0
Debt Held by the Public Sector 5/	**126.2**	**116.9**	**120.9**	**140.3**	**158.5**	**147.9**	**190.1**
				(Percent of GDP)			
Total Gross Federal Government Debt	**85.2**	**89.8**	**103.8**	**81.0**	**84.5**	**155.4**	**85.3**
Debt Held by Official and Private Creditors	**52.8**	**57.4**	**66.4**	**49.9**	**50.5**	**92.9**	**51.4**
Official Sector	*14.9*	*20.4*	*23.7*	*16.2*	*16.8*	*33.3*	*13.8*
Multilateral	13.1	18.9	22.0	15.1	15.8	31.3	13.1
IMF	7.2	12.3	14.2	9.1	9.8	17.1	7.2
Other IFIs	5.8	6.6	7.8	6.0	6.0	14.2	5.9
Bilateral	1.8	1.5	1.7	1.1	1.0	2.0	0.7
Paris Club 2/	1.0	0.6	0.7	0.4	0.4	0.7	0.2
Non-Paris Club	0.8	0.9	1.0	0.6	0.6	1.3	0.4
Private Sector 3/	*38.0*	*37.0*	*42.8*	*33.7*	*33.7*	*59.6*	*37.6*
Foreign Law	16.7	18.5	21.2	15.1	14.2	28.2	11.4
Bonds with new contractual clauses	10.4	11.4	13.4	9.5	8.8	17.8	7.1
Bonds with old contractual clauses	6.3	6.8	7.7	5.5	5.3	10.3	4.3
Other	0.0	0.3	0.0	0.0	0.1	0.1	0.0
Domestic Law	20.6	17.8	21.6	18.0	19.0	31.4	25.5
FX denominated	11.7	7.7	6.6	5.8	5.1	12.1	4.9
ARS denominated	8.9	10.1	15.0	12.2	13.9	18.3	20.6
Holdouts and finalized litigations 4/	0.7	0.7	0.8	0.6	0.5	1.0	0.7
Debt Held by the Public Sector 5/	**32.4**	**32.5**	**37.4**	**31.2**	**34.0**	**62.5**	**33.9**
Memorandum Items:							
FX-Denominated Debt held by private and official sector	171.1	170.0	168.8	169.2	170.8	176.7	173.4
(percent of GDP)	43.9	47.2	52.2	37.6	36.6	74.6	30.9
Debt held by private sector nonresidents	103.2	82.5	76.1	74.0	66.5	64.1	58.5
(percent of GDP)	26.5	22.9	23.5	16.5	14.2	27.1	10.4
Provincial Debt	29.1	26.6	26.6	26.9	24.3	22.1	…
(percent of GDP)	7.5	7.4	8.2	6.0	5.2	9.3	…

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/ Includes the revised Paris Club debt stock agreed as part of the restructuring deal in October 2022.
3/ Private sector includes Banco Nacion and other public entities.
4/ Includes over US$ 2 bn of debt not included in the exchange offer (based on Decrees 1735/04 and 563/10), US$ 0.1 bn of debt outstanding from the 2001 default that was not eligible for exchanges, and finalized litigation cases.
5/ Public sector includes BCRA and FGS.

Table 10. Argentina: International Investment Position, 2018–24

	In millions of US dollars							In percent of GDP						
	2018	2019	2020	2021	2022	2023	2024	2018	2019	2020	2021	2022	2023	2024
Net IIP	**65,630**	**113,155**	**123,302**	**124,438**	**122,995**	**108,343**	**59,312**	**12.6**	**25.7**	**32.5**	**25.9**	**19.5**	**16.7**	**9.2**
Direct Investment	-30,362	-27,630	-44,063	-56,772	-70,846	-80,763	-123,041	-5.8	-6.3	-11.6	-11.8	-11.3	-12.5	-19.0
Equity and Investment Fund Shares	-6,626	-4,697	-12,310	-24,461	-31,131	-28,872	-68,555	-1.3	-1.1	-3.2	-5.1	-4.9	-4.5	-10.6
Debt Instruments	-23,735	-22,933	-31,753	-32,311	-39,715	-51,890	-54,486	-4.5	-5.2	-8.4	-6.7	-6.3	-8.0	-8.4
Portfolio Investment	-52,404	-2,548	12,307	19,544	31,514	37,739	21,894	-10.0	-0.6	3.2	4.1	5.0	5.8	3.4
Equity and Investment Fund Shares	22,433	31,840	38,758	48,202	41,919	46,258	44,717	4.3	7.2	10.2	10.0	6.7	7.1	6.9
Debt Securities	-74,838	-34,388	-26,451	-28,658	-10,405	-8,519	-22,822	-14.3	-7.8	-7.0	-6.0	-1.7	-1.3	-3.5
Financial Derivatives	-1,296	-543	-128	-397	-339	-853	-1,678	-0.2	-0.1	0.0	-0.1	-0.1	-0.1	-0.3
Other Investment	83,906	99,028	115,799	122,401	118,067	142,146	145,500	16.1	22.5	30.5	25.5	18.8	22.0	22.5
Other Equity	3,074	3,223	3,364	3,520	3,684	3,837	3,916	0.6	0.7	0.9	0.7	0.6	0.6	0.6
Debt Instruments	80,832	95,805	112,435	118,881	114,383	138,310	141,584	15.5	21.7	29.6	24.7	18.2	21.4	21.9
Reserve Assets	65,786	44,848	39,387	39,662	44,598	10,073	16,564	12.6	10.2	10.4	8.3	7.1	1.6	2.6
Assets	**377,521**	**397,180**	**399,967**	**418,942**	**432,432**	**439,016**	**455,879**	**72.2**	**90.1**	**105.3**	**87.2**	**68.7**	**67.8**	**70.4**
Direct Investment	42,228	42,828	41,206	43,223	45,781	49,539	52,497	8.1	9.7	10.8	9.0	7.3	7.7	8.1
Equity and Investment Fund Shares	42,228	42,828	41,206	43,223	45,781	49,539	52,497	8.1	9.7	10.8	9.0	7.3	7.7	8.1
Debt Instruments	0	0	0	0	0	0	0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Portfolio Investment	60,789	69,294	71,307	81,928	80,408	89,469	102,487	11.6	15.7	18.8	17.0	12.8	13.8	15.8
Equity and Investment Fund Shares	33,370	39,500	42,805	52,914	48,534	55,094	64,532	6.4	9.0	11.3	11.0	7.7	8.5	10.0
Debt Securities	27,419	29,794	28,503	29,014	31,874	34,375	37,955	5.2	6.8	7.5	6.0	5.1	5.3	5.9
Other Investment	208,705	240,198	248,050	254,129	261,644	289,928	284,247	39.9	54.5	65.3	52.9	41.6	44.8	43.9
Other Equity	3,074	3,223	3,364	3,520	3,684	3,837	3,916	0.6	0.7	0.9	0.7	0.6	0.6	0.6
Debt Instruments	205,631	236,975	244,686	250,609	257,960	286,091	280,331	39.4	53.8	64.4	52.2	41.0	44.2	43.3
Reserve Assets 1/	65,786	44,848	39,387	39,662	44,598	10,073	16,564	12.6	10.2	10.4	8.3	7.1	1.6	2.6
Liabilities	**311,891**	**284,026**	**276,664**	**294,504**	**309,437**	**330,673**	**396,567**	**59.7**	**64.5**	**72.8**	**61.3**	**49.2**	**51.1**	**61.2**
Direct Investment	72,589	70,458	85,269	99,995	116,627	130,302	175,538	13.9	16.0	22.4	20.8	18.5	20.1	27.1
Equity and Investment Fund Shares	48,854	47,525	53,516	67,684	76,912	78,412	121,052	9.3	10.8	14.1	14.1	12.2	12.1	18.7
Debt Instruments	23,735	22,933	31,753	32,311	39,715	51,890	54,486	4.5	5.2	8.4	6.7	6.3	8.0	8.4
Portfolio Investment	113,193	71,842	59,000	62,384	48,894	51,730	80,593	21.7	16.3	15.5	13.0	7.8	8.0	12.4
Equity and Investment Fund Shares	10,937	7,661	4,047	4,712	6,615	8,836	19,815	2.1	1.7	1.1	1.0	1.1	1.4	3.1
Debt Securities	102,257	64,182	54,953	57,671	42,279	42,894	60,777	19.6	14.6	14.5	12.0	6.7	6.6	9.4
Financial Derivatives	1,309	554	145	397	339	860	1,690	0.3	0.1	0.0	0.1	0.1	0.1	0.3
Other Investment	124,799	141,170	132,250	131,728	143,577	147,782	138,747	23.9	32.0	34.8	27.4	22.8	22.8	21.4
Other Equity	0	0	0	0	0	0	0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt Instruments	124,799	141,170	132,250	131,728	143,577	147,782	138,747	23.9	32.0	34.8	27.4	22.8	22.8	21.4
Memorandum items														
Debt liabilities	250,791	228,286	218,957	221,711	225,571	242,566	254,010	48.0	51.8	57.6	46.1	35.8	37.5	39.2

Sources: National authorities and Fund staff estimates.

1/ Reserve assets exclude the unactivated portion of the PBoC swap (about US$13 billion), which is now part of other invesment on the assets side.

Table 11. Argentina: Financial Soundness Indicators, 2018–24
(Percent, End-of-Period)

	2018	2019	2020	2021	2022	2023	2024
	(Percent, end-of-period)						
Financial System							
Capital Adequacy							
Regulatory Capital to Risk-Weighted Assets	16.0	17.5	24.2	26.2	29.9	32.5	30.6
Regulatory Tier 1 Capital to Risk-Weighted Assets	14.2	15.5	22.3	24.7	28.8	31.8	30.4
Assets Quality							
Non-performing Loans Net of Provisions to Capital	-2.4	0.3	-4.4	-1.2	-1.5	-1.6	-1.5
Non-performing Loans to Total Gross Loans	3.1	5.7	3.9	4.3	3.1	3.7	1.5
Earnings and Profitability							
Return on Assets 1/	4.1	5.4	2.4	1.1	2.0	5.3	4.1
Return on Equity 1/	36.1	46.4	16.4	7.2	11.4	26.9	15.7
Liquidity							
Liquid Assets to Total Assets (Liquid Asset Ratio) 1/	41.8	43.2	48.0	49.2	52.1	49.0	25.9
Liquid Assets to Short Term Liabilities	60.1	62.0	69.2	72.0	75.1	73.9	39.3
Net Open Position in Foreign Exchange Capital	9.4	8.0	12.4	11.7	29.3	59.8	11.5
Private Banks							
Capital Adequacy							
Regulatory Capital to Risk-Weighted Assets	16.8	19.5	25.5	27.0	31.6	33.8	27.3
Regulatory Tier 1 Capital to Risk-Weighted Assets	14.4	16.9	23.0	25.1	30.2	32.8	27.0
Assets Quality							
Non-performing Loans Net of Provisions to Capital	-0.6	-2.1	-6.2	-2.6	-2.0	-1.4	-2.0
Non-performing Loans to Total Gross Loans	3.1	4.4	2.2	2.9	1.8	1.6	1.5
Earnings and Profitability							
Return on Assets 1/	4.2	7.5	2.7	1.3	1.7	4.8	3.1
Return on Equity 1/	35.6	60.3	16.6	7.6	9.1	23.4	12.5
Public Banks							
Capital Adequacy							
Regulatory Capital to Risk-Weighted Assets	14.7	13.6	21.9	25.0	27.5	30.8	36.0
Regulatory Tier 1 Capital to Risk-Weighted Assets	14.1	13.0	21.3	24.4	27.0	30.8	36.0
Assets Quality							
Non-performing Loans Net of Provisions to Capital	-6.3	4.9	-0.7	1.3	-0.6	-1.9	-1.0
Non-performing Loans to Total Gross Loans	2.7	7.8	6.6	6.5	5.3	7.2	1.4
Earnings and Profitability							
Return on Assets 2/	4.0	2.0	2.1	1.0	2.6	6.2	5.5
Return on Equity 2/	38.6	20.2	17.2	7.4	16.9	33.7	19.7

Sources: Banco Central de la República Argentina (BCRA) and IMF database.
1/ As of Q3:2024.
2/ Accumulated during the year; with inflation-adjustment starting from 2020.

Table 12. Argentina: Indicators of Fund Credit, 2025–34

(In Millions of SDRs, Unless Otherwise Specified)

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	Total (2025-2034)
Existing and Prospective drawings	11,452	1,090	1,090	1,090	545	0	0	0	0	0	
(in percent of quota)	359	34	34	34	17	0	0	0	0	0	
Amortization 1/	0	833	3,250	4,842	6,074	7,137	7,319	6,667	4,432	2,886	43,442
GRA charges 1/	1,379	1,581	1,563	1,461	1,314	1,080	814	545	323	181	10,241
GRA surcharges 1/	749	912	899	823	714	540	342	142	8	0	5,128
of which level-based	545	663	654	599	519	393	249	103	6	0	3,730
time-based	204	249	245	224	195	147	93	39	2	0	1,399
GRA service charge 1/	57	5	5	5	3	0	0	0	0	0	76
SDR assessments and charges 1/	158	156	156	156	156	156	156	156	156	156	1,560
Total debt service 1/	2,342	3,487	5,874	7,287	8,261	8,913	8,631	7,510	4,919	3,223	60,448
(in percent of exports of G&S)	3.0	4.2	6.7	7.9	8.4	8.7	8.1	6.8	4.4	2.9	
(in percent of GDP)	0.4	0.6	1.1	1.3	1.5	1.5	1.4	1.2	0.7	0.4	
(in percent of GIR)	8.5	10.3	14.2	14.7	14.2	13.2	11.6	8.6	5.4	3.5	
Outstanding stock 1/	42,552.0	42,808.7	40,648.7	36,897.0	31,367.9	24,230.5	16,911.4	10,244.0	5,811.6	2,925.4	
(in percent of quota)	1,335.0	1,343.1	1,275.3	1,157.6	984.2	760.2	530.6	321.4	182.3	91.7	
(in percent of GDP)	8.2	7.9	7.5	6.8	5.6	4.1	2.7	1.6	0.9	0.4	
(in percent of GIR)	153.7	125.9	98.5	74.4	53.8	36.0	22.8	11.7	6.3	3.2	
Memorandum items:											
Exports of goods and services (US$ mn)	101,020	108,179	115,049	122,093	129,265	135,694	141,122	145,355	147,195	149,057	
GDP (US$ bn)	683	714	715	712	738	776	817	860	905	952	
Gross International Reserves (US$ mn)	36,304	44,645	54,282	65,310	76,984	89,030	98,301	115,420	121,476	122,496	
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	3,188.3	3,189.3	

Source: Fund staff estimates and projections.

1/ Assumes that all purchases will be made.

Table 13. Argentina: Proposed Schedule of Reviews and Purchases

Available on or after	Original Amounts SDR millions	% Quota	US$ 1/	Conditions 2/
April 11, 2025	9,160	287	12,151	Program Approval
June 15, 2025	1,529	48	2,028	First Review and mid-June 2025 performance criteria
November 15, 2025	763	24	1,012	Second Review and end-September 2025 performance criteria
May 15, 2026	545	17	723	Third Review and end-March 2026 performance criteria
November 15, 2026	545	17	723	Fourth Review and end-September 2026 performance criteria
May 15, 2027	545	17	723	Fifth Review and end-March 2027 performance criteria
November 15, 2027	545	17	723	Sixth Review and end-September 2027 performance criteria
May 15, 2028	545	17	723	Seventh Review and end-March 2028 performance criteria
November 15, 2028	545	17	723	Eighth Review and end-September 2028 performance criteria
March 15, 2029	545	17	723	Ninth Review and end-December 2028 performance criteria
Total	15,267	479	20,251	

Sources: Fund staff calculations.

1/ 1 SDR=1.326480 USD, as of March 26, 2025.

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

Annex I. External Sector Assessment

<table>
<tr><td colspan="7">Overall Assessment: On a preliminary basis, the external position in 2024 was weaker than the level implied by medium-term fundamentals and desirable policies. Economic fundamentals improved substantially since end-2023. Nevertheless, net international reserves remain critically low and sovereign spreads, while down sharply, are still elevated. The external assessment (which is mainly based on data through end-2024) is subject to exceptionally high uncertainty and could evolve overtime as structural reforms that boost competitiveness and productivity proceed.
Policy Responses: Continued program implementation, centered on a strong fiscal anchor, a tight monetary policy stance, a more sustainable FX regime and structural reforms, is necessary to maintain a strong trade balance, attract FDI, rebuild international reserves, regain market access, and safeguard external sustainability. A more flexible exchange rate, along with a gradual easing of remaining exchange controls, a cautious approach to prudential policies and competitiveness reforms, are key to build resilience and support sustainable longer-term capital inflows to boost Argentina's vast external potential, including in energy and mining.</td></tr>
<tr><td>Foreign Asset and Liability Position and Trajectory</td><td colspan="6">Background. Argentina's NIIP turned from a negative US$60 billion in 1999 to a positive US$120 billion in 2020–23 as macroeconomic mismanagement and growing public sector's external liabilities triggered an exodus of private-sector savings and dampened valuations of Argentine assets.[1] In 2024, however, these dynamics changed, as the ambitious stabilization plan delivered an increase in reserve assets (US$6 billion), some decline in the public sector's external debt (US$3 billion) and strong resident inflows, supported by a tax amnesty on undeclared FX assets. Meanwhile, Argentina's corporates, with healthy balance sheets and limited leverage, have started tapping international capital markets while normalizing trade credit liabilities, and gross liabilities increased reflecting better valuations of direct and portfolio investments in Argentina.
Assessment. Despite recent progress, vulnerabilities remain high. Argentina's large positive NIIP mostly reflects private sector holdings of external (low-yielding) assets, while the government's foreign position remains in deep negative territory as of end-2024 and reserve levels remain low.[2]</td></tr>
<tr><td>2024 (% GDP)</td><td>NIIP: 10.6</td><td>Gross Assets:81.3</td><td>Res. Assets: 3[3]</td><td colspan="2">Gross Liab.: 70.1</td><td>Ext. Debt.: 49.2</td></tr>
<tr><td>Current Account</td><td colspan="6">Background. The CA reversed from a deficit of 3.4 percent of GDP in 2023 to a surplus of 1 percent of GDP in 2024, driven by a significant demand compression amid fiscal consolidation and exchange rate correction (at end-2023), along with a recovery in grain exports (following the drought) and a further improvement in the energy balance. The CA balance, which has narrowed since mid-2024 on account of the strong economic recovery, peso appreciation, and easing of many import taxes and restrictions, is projected to reach a deficit of 0.4 percent in 2025. Prudent policies, including adoption of an enhanced monetary and FX regime, and continued implementation of productivity and competitiveness reforms are projected to support a small CA surplus over the medium term, with structural improvements in the energy and mining balance playing an important role.
Assessment. The 2024 cyclically adjusted CA balance was estimated to hover between -0.9 and 0.1 percent of GDP, reflecting uncertainties, including regarding the size/contribution of the output gap amid structural changes and easing of FX restrictions. Considering Argentina's weak reserve coverage and large external gross liabilities, external sustainability considerations suggest a CA norm ranging between 0.6 (as suggested by the EBA approach) and 1.2 percent of GDP, which would be consistent with bringing reserves near 100 percent of the ARA metric over the medium-term while avoiding a further increase in gross external liabilities.[4] Reflecting the above uncertainties, IMF staff assesses the CA gap in 2024 to be in the range of (–2 and -0.5) percent of GDP, in part explained by the need to continue to strengthen the country's fiscal position (given projected increases in the interest bill).</td></tr>
<tr><td>2024 (% GDP, est.)[5]</td><td>CA:
1</td><td>Cycl. Adj. CA:
(–0.9; 0.1)</td><td>EBA Norm:
0.6</td><td>EBA Gap:
(–1.5; -0.5)</td><td>Staff Adj[6]:
(0; 0.5)</td><td>Staff Gap:
(–2; -0.5)</td></tr>
</table>

Real Exchange Rate	**Background.** The REER, after depreciating by more than 25 percent between end-2016 and end-2019, appreciated by over 30 percent over 2020–23, before the exchange rate correction in December 2023. Since then, the REER has appreciated by over 40 percent through 2025 Q1, reflecting diminishing but still positive inflation differentials vis-à-vis trading partners, in the context of the crawling peg regime. Both price-based and wage-based REER indices exhibit similar pattern, although wage adjustments have occurred with some lags, likely reflecting shifting profit margins. **Assessment.** The staff-assessed CA gap implies a REER gap of between 15 and 25 percent relative to Q1:2025, which is also broadly consistent with the EBA REER models. However, this assessment is subject to exceptionally high uncertainty, consistent with the wide confidence interval around the CA gap assessment and large residuals. A stronger exchange rate over the medium term could be justified provided the ongoing ambitious structural reforms deliver stronger productivity and competitiveness, and sustained FDI to safeguard improvements in the energy balance (many of the needed infrastructure enhancements and downstream investment have already taken place).
Capital and Financial Accounts: Flows and Policy Measures	**Background.** Since end-2023, important steps have been taken to ease FX restrictions and controls. For example, (i) the period for accessing imports was reduced to 30 days (compared to 90–180 days); (ii) distortionary FX access tax, *impuesto pais* was eliminated; (iii) norms ("parking periods") for accessing the parallel exchange rate were eased; (iv) a market-based solution to import and dividend payment backlogs was implemented (through BCRA FX denominated securities, BOPREALs); and (vi) the preferential exchange rate for tourism inflows was eliminated. In addition, a tax amnesty was implemented, which successfully encouraged resident inflows. That said, critical current account and capital account restrictions remained in place during 2024 and early 2025. **Assessment.** While CFMs have supported stability, they are not a substitute for sound macroeconomic policies. Their careful removal, along with greater exchange rate flexibility, is necessary to support the next stage of the stabilization plan to boost reserves and regain sovereign market access. Strong private sector's balance sheets—characterized by low corporate indebtedness and a large, positive private sector's IIP—provide a solid foundation for continued capital inflows, although tight prudential policies remain necessary to ensure the sustainability of these flows and avoid currency mismatches.
FX Intervention and Reserves Level	**Background.** Gross international reserves fell sharply (by over US$20bn) in 2023, pushing NIR to dangerously low levels (negative US$11bn). The stabilization plan delivered a remarkable turnaround in reserves, with NIR rising by US$6bn during 2024. That said, reserve accumulation has been more challenging since mid-2024, and NIR now stands at negative US$5bn. Strong BCRA FX purchases in 2024 (US$25bn through end-February 2025) have been largely offset by large public FX debt obligations (US$17bn of Treasury and BCRA) and FX sales in the parallel FX markets (US$2.5bn). **Assessment.** Reserve coverage remains highly inadequate. Gross international reserves are estimated at about 23 percent of the IMF's composite metric as of end-2024.[3]
1/ Statistical analysis using data from the last 30 years suggests that a US$1 increase in public sector's IIP is associated with a US$0.6 decrease in private sector's external assets. 2/ Reflecting the IIP's high vulnerabilities, Argentina's primary income is about -2 percent of GDP, despite positive NIIP. 3/ Reserve assets exclude the inactivated portion of the bilateral swap with the PBoC (about 2 percent of GDP). 4/ The CA norm is somewhat lower than previous assessments, reflecting in part improved medium-term growth prospects and potential for greater FDI and resident asset repatriation (reducing the CA adjustment needed to close the reserves gap). 5/ Based on the EBA October 2024 update. Final assessment will be provided in the 2025 External Stability Report. 6/ Based on the external sustainability approach.	

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	Despite significant recent improvements in economic fundamentals, overall risks of sovereign stress continue to be high given exceptionally high economic uncertainty amid still elevated inflation and low reserve levels, and risks around the necessary eventual re-entry to international markets.
Near term 1/	n.a.	n.a.	Not applicable.
Medium term	Moderate	Moderate	Staff continues to assess medium-term risks as moderate, while the mechanical risk signal improved from high to moderate following the unwinding of the impact of the 2023 step devaluation on the fanchart width. The debt-to-GDP ratio declined rapidly in 2024 with the unwinding of the overshooting of the real effective exchange rate (REER) and is expected to continue to decline over the medium term, given the authorities' commitment to strict fiscal discipline. While there is substantial uncertainty around the baseline debt trajectory, the implementation of an ambitious fiscal consolidation and the recent maturity extensions of a large portion of domestic debt, should help contain financing risks.
Fanchart	Moderate	...	
GFN	Moderate	...	
Stress test	Cont. Liabty.	...	
Long term	...	High	Given Argentina's susceptibility to adverse shocks, need to maintain tight fiscal policy, and re-enter international debt markets in 2026, there are relevant risks of a renewed episode of sovereign stress over the longer term. Full adherence to program objectives 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

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

At a medium-term horizon, staff assesses risks to be moderate, unchanged from the eighth review of the 2022 EFF. The GFN module continues to show moderate risk, including because vulnerabilities are contained somewhat by the establishment of a strong fiscal anchor that targets overall fiscal balance. Going forward, debt-to-GDP ratio is expected to decline rapidly as the REER stabilizes at its long-term level and the strong fiscal anchor is maintained. Over the longer term, the 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 a still fragile 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 the stabilization plan. Securing twin (fiscal and current account) surpluses will be essential to tackle debt vulnerabilities and rebuild external buffers. Notably, failure to adhere to the fiscal anchor would imply greater 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 arising from a deterioration in provincial finances. In this context, sustaining the fiscal anchor, 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 (i.e., events involving sovereign default and restructuring); and (iv) contingent liability analysis to illustrate potential debt surprises from outside the current federal government debt perimeter. Staff'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 net federal government (Treasury) 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]

2. This assessment is predicated on a successful implementation of the program to address still-significant imbalances and structural challenges. Sustaining the strong fiscal anchor, which will require further increases in the primary surplus (see ¶4), along with efforts to transition to a more flexible exchange rate regime and gradually ease FX restrictions, will be essential to establish internal and external balance and boost reserve accumulation. These policy actions, together with upfront Fund financing and ongoing structural reforms, should help catalyze a timely re-access to international market access to safeguard medium-term debt and external sustainability. Gross public debt is projected to fall from around 86 percent of GDP in 2024 to around 56 percent of GDP by 2030 on the back of continued adherence to the strong fiscal anchor well as growth enhancing deregulatory and pro-market reforms. These projections incorporate obligations related to Fund disbursements, even when these are used by the government to buy back Treasury debt held the BCRA. While gross Treasury debt may be unchanged, net Treasury debt and consolidated public sector debt rise by the amount of the disbursement.[2] Ultimately, the program baseline assumes that Fund resources will be used to strengthen the BCRA reserve buffers.

3. Initial steps to stabilize the economy have already started to improve debt dynamics, including at the consolidated public sector level.

- Gross federal government (Treasury) debt, after increasing to over 150 percent of GDP in 2023, has fallen to 85 percent of GDP in 2024 given large exchange rate valuation effects and a sharp fiscal adjustment (of over 5 percentage points of GDP). This reduction took place despite the cost of partly recapitalizing the BCRA (about 2.5 percent of GDP), when short-term Treasury securities (Lecaps, Lefis) replaced BCRA short-term paper (*pases*) and the government assumed the interest

[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.

[2] The DSA assumes that FX denominated Treasury debt held by the BCRA (*Letras Instranferibles)* maturing in 2025 are bought back at face value (US$11 billion).

cost of this debt. The cost of the recapitalization was limited by earlier efforts to reduce the monetary overhang, including through early reliance on financial repression (which prevailed through mid-2024).

- Net Treasury debt—which excludes intra-public sector holdings (BCRA and FGS) that are subject to lower roll-over risks—fell to 51 percent of GDP by end-2024 (compared to 93 percent of GDP in 2023), with roughly 20 percent of GDP of Treasury peso debt held by the private sector. Peso debt was generally unchanged relative to 2023 as a share of GDP, due in part to the limited cost of recapitalizing the BCRA.

- At the (net) consolidated level—including BCRA debt (remunerated peso liabilities, BOPREAL, and the activated portion of the PBoC swap line) net of Treasury deposits at the BCRA—debt reached 52 percent of GDP at end-2024 (compared to 111 percent in 2023). This reduction was due in part to declines in consolidated *peso* debt, which fell from 35 percent of GDP in 2023, to around 19 percent of GDP last year, reflecting in part financial repression in early 2024 and the recent increase in peso demand and higher credit (allowing banks to reduce liquidity held at BCRA).

Table 2. Argentina: Public Sector Debt, 2023–26 1/

			Proj.				*Proj.*	
	2023	2024	2025	2026	2023	2024	2025	2026
	(in US$ billion)				*(in percent of GDP)*			
1. Gross federal debt (DSA perimeter)	**367.9**	**478.7**	**462.6**	**458.2**	**155.4**	**85.3**	**73.1**	**68.2**
2. Federal debt (excl. intra-public sector holdings)	**220.0**	**288.6**	**279.7**	**264.3**	**92.9**	**51.4**	**44.2**	**39.4**
2a. FX debt	173.8	173.4	186.6	190.5	73.4	30.9	29.5	28.4
IMF	40.6	40.6	55.7	56.1	17.1	7.2	8.8	8.3
Official Sector	38.3	37.0	40.7	42.8	16.2	6.6	6.4	6.4
Private Sector	92.5	91.8	86.1	87.7	39.1	16.4	13.6	13.1
Holdouts and finalized litigation	2.4	4.0	4.0	4.0	1.0	0.7	0.6	0.6
2b. LC debt	46.2	115.3	93.2	73.8	19.5	20.5	14.7	11.0
3. Intra-public sector Treasury debt 2/	**147.9**	**190.1**	**182.9**	**193.8**	**62.5**	**33.9**	**28.9**	**28.9**
4. BCRA liabilities 3/	**43.5**	**12.3**	**11.7**	**9.7**	**18.4**	**2.2**	**1.8**	**1.4**
4a. FX debt 3/	5.1	12.0	11.6	9.6	2.1	2.1	1.8	1.4
4b. LC debt	38.4	0.3	0.1	0.0	16.2	0.0	0.0	0.0
5. Treasury Deposits at the BCRA	**1.2**	**11.9**	**11.9**	**11.9**	**0.5**	**2.1**	**1.9**	**1.8**
6. Net consolidated public sector debt (6=2+4-5)	**262.2**	**289.0**	**279.5**	**262.1**	**110.8**	**51.5**	**44.2**	**39.0**
6b. Net consolidated LC debt (6b=2b+4b-5)	83.3	103.6	81.3	62.0	35.2	18.5	12.9	9.2

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. The debt stock is higher than the ones included in MEcon's monthly debt reports because they include i) capitalized interest payments until maturity, ii) holdouts, and iii) claims related to the finalized London litigation case on the GDP warrants.
2/ Public sector includes the central bank (BCRA) and the social security fund (FGS).
3/ Includes BOPREAL, the PBoC swap line, and other small FX liabilities.

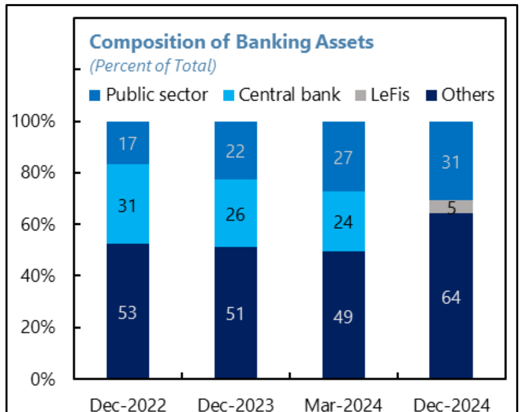
4. **However, further fiscal efforts will be required to secure debt sustainability, as FX restrictions are unwound and the structure of debt is adjusted.** Interest payments are forecast to

rise from 1.3 percent of GDP in 2025, to about 2.1 percent of GDP on average during in 2026–30 on average as the capital account liberalization proceeds and the structure of public debt moves away from inflation-linked and zero-coupon instruments.[3] These projections are consistent with the government's zero overall fiscal balance anchor and will require implementation of fiscal reforms in key areas such as taxes, revenue sharing and pensions.

B. Medium-Term Risk Analysis

5. The GFN Financeability Module continues to point to moderate risk. Baseline GFNs are projected to remain high and average around 13 percent of GDP over the 2025–30 period (around 9 percent of GDP for debt held by the private and official sector).

- This reflects a series of underlying vulnerabilities, from a long history of economic mismanagement and defaults. Despite strong debt management efforts, given the long history of imbalances, the share of indexed debt is projected to only fall gradually, while the maturity on peso debt will be extended slowly over the medium term, as disinflation proceeds.[4] Meanwhile, the banking system remains small (with assets of about 35 percent of GDP) and its exposure to the sovereign is still relatively large, despite the recent expansion of private credit on account of the fiscal consolidation efforts and enhanced confidence, as banks have reduced their excess liquidity holding.[5] In addition, Argentina's low export base and high financial dollarization adds to the challenges of absorbing GFNs.[6]



Sources: BCRA, and IMF staff estimations.

- These vulnerabilities are partially mitigated by a series of factors including (i) the availability of Treasury peso deposits at commercial banks and the BCRA (around ARS 17 trillion at end-2024); (ii) the large share of overall held by other public sector entities (not subject to rollover risks); (iii) the banking system's ability to sustain large exposure to the consolidated public sector, although in the context of strict capital controls; and (iv) the fact that a large share of FX debt

[3] Currently, about 40 percent of peso debt has capitalized interest payments which are recorded below the line. In 2025, these are estimated at about 1.6 percent of GDP in nominal terms (excluding intra-public sector interest payments).

[4] About 80 percent of issuances during Q2–Q4:2024 were in the form of fixed-rate instruments, thus reducing the share of inflation-linked instruments in domestic debt from around 80 to 60 percent between Q1 and Q4:2024.

[5] Exposure of the domestic banking sector to the consolidated public sector (including the BCRA) fell to around 36 percent of all assets by end-2024, from over 50 percent at end-2023.

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

held by IFIs, at more favorable terms and conditions, while also recognizing that very high levels of senior debt could complicate market access.

- Against this backdrop, reducing refinancing vulnerabilities, including to secure a timely re-access international capital markets, will require sustained fiscal efforts and agile debt management. Given small export base and limited FX generation capacity, meeting FX obligations will require sustained efforts to strengthen the balance of payments through improved competitiveness and reforms that encourage stable FDI, including to leverage Argentina's energy and mining potential.

6. **The debt fanchart module shows a moderate risk of sovereign stress.** While the probability of debt stabilization under the baseline continues to be high (around 97 percent), it remains subject to substantial uncertainty as proxied by the width of the fanchart. Reducing these uncertainties will require moving to a more sustainable exchange rate regime that limits overvaluation risks and safeguards external sustainability, especially in the context of frequent external shocks.

7. **Contingent liability analysis is consistent with moderate medium-term risks of sovereign stress.** The illustrative contingent liability shock scenario indicates potential risks of debt surprises coming from outside the current central government debt perimeter or from compensation payments arising from unfavorable international court rulings. The shock is tailored for Argentina's circumstances by simulating a one-off debt materialization (of 6 percent of GDP), equivalent to the total stock of provincial debt or the combined potential compensation payments from ongoing sovereign debt litigation cases. While debt dynamics are very close to the baseline in contingency scenarios, efforts should continue to (i) maintain the non-bailout approach on provincial debts; and (ii) resolve the pending litigation cases.[7] Related to the latter, early agreement should also be sought on the repayment terms for the London judgement (for EUR 1.6 billion, which is included in the staff's debt stock). Moreover, agile policymaking will remain indispensable, with additional macroeconomic policy adjustments necessary, if risks from contingent liabilities materialize.

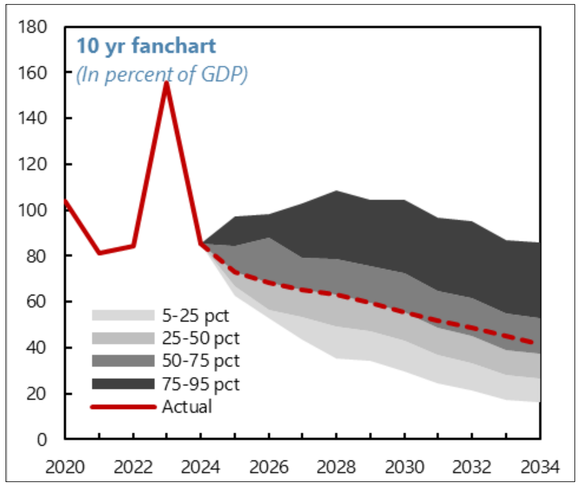
C. Longer-Term Risk Analysis

8. **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 2034 is close to 97 percent, consistent with debt sustainability, although with substantial risks. Over the medium to long term, Argentina will need to refinance part of its maturing debt obligations from the 2020 debt restructuring as well as Fund repurchases, including those arising from the new program. Capacity to repay will depend on a strong adherence to the fiscal anchor along with a transition to a more

[7] Argentina has faced litigation cases in London and New York related to claims regarding the treatment of GDP-linked warrants issued in the 2005 debt exchange, although a final judgment was delivered against Argentina in the London case. Argentina also faces litigation in New York related to losses by former YPF shareholders, following the nationalization of the energy company in 2012. The country was found liable for US$16 billion but has since appealed the ruling.

sustainable monetary and FX regime to strengthen reserve coverage and safeguard a timely re-access to international capital markets.

9. **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 below 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 around the 5-percent-of-GDP (also consistent with the March 2022 Technical Note target). However, with external buffers nearly exhausted and still large near-term domestic financing, greater focus on improving the maturity and structure of peso debt will be required, especially as FX restrictions are being eased.



Box 1. SRDSF Key Macroeconomic and Financing Assumptions

The SRDSF reflects the government's commitment to establish a strong fiscal anchor (a zero overall deficit), the elimination of monetary financing, and the elimination of FX and relative price distortions. A successful implementation of the program, mainly sustaining fiscal consolidation and increasing the reserve accumulation pace, will be crucial for domestic debt market development and the gradual easing of CFMs, with Argentina's timely re-access to international capital markets.

Macroeconomic Assumptions

- *Real GDP, after* contracting by about 1.7 percent in 2024, is expected to expand by 5.5 percent in 2025 with growth gradually converging towards potential (of about 3 percent) over the medium term, as output gaps are closed. Potential growth estimates are consistent with the assumed reform efforts aimed at removing regulatory barriers and other bottlenecks to investment, employment, and trade.
- *The REER* is projected to *gradually* converge to a level consistent with medium-term fundamentals over the medium term, in the context of greater FX flexibility and a careful unwinding of remaining FX restrictions.
- *Inflation (eop), after peaking at* about 211 percent y/y in 2023 and falling to around 118 percent in 2024, is projected to reach 18–23 percent by end-2025 supported by strong adherence to the fiscal anchor, and tight monetary policy. Annual inflation is expected to reach single digits in 2027.
- *The primary fiscal surplus* is projected to reach to 1.3 percent of GDP in 2025 (compared to 1.8 percent of GDP in 2024), consistent with the authorities' overall cash balance definition. The primary surplus is projected to converge to a steady-state primary surplus of 2.5 percent of GDP, as interest payments rise in tandem with the easing of FX restrictions and adjustments to the debt structure.
- *Capital flow management measures (*CFMs) are assumed to be gradually eased. As imbalances are addressed, and reserve coverage improves, a gradual *return to international markets* is expected to start in early 2026.
- *Gross international reserves* are assumed to recover from around 24 percent of the ARA metric at end-2024 to around 100 percent by 2030, consistent with the adoption of a more sustainable FX regime.

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

Financing Assumptions

- *External official financing.* Gross external official financing (excluding the Fund) is expected to reach about US$6.7 billion in 2025, with large contributions from the World Bank and IDB (around US$2.5 billion each) resulting in positive net financing after accounting for interest payments of about US$2 billion. Annual official net financing (before interest payments) is expected to average around 0.3 percent of GDP over the forecast period. 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 central bank bilateral FX swap from the PBOC that was drawn in 2023, as well as the central bank repo agreement with international banks (US$1 billion), were not included in public debt as their values do not cross the *de-minimis* threshold of 1 percent of GDP. The activated PBOC swap is assumed to be refinanced in 2025, in line with the authorities' ongoing efforts to secure this.
- *External private sector financing*. Debt service on FX-denominated debt to foreign private creditors is assumed to follow the 2020 restructuring schedule, with modest net new issuances in international markets from 2026 onward, including to reduce Fund exposure. No foreign-financed debt buybacks or additional repo operations are assumed. The gap between FX debt issuances with scheduled amortizations will be covered in part by a stronger external position and reserves over the medium term. Argentina is assumed to initially re-access capital markets at spreads between 400–500 basis points (in line with some Argentine corporates).
- *BCRA financing of the fiscal deficit (direct or indirect)* will be prohibited.
- *Domestic market financing*. Given that it would take at least 18–24 months to reliably entrench the disinflation process, the financing strategy maintains some reliance on inflation (CER)-linkers in the near term, given the gradual shift to fixed-rate issuances. Real interest rates are expected to rise gradually to 5½ percent by 2029, consistent with a gradual unwinding of CFMs and with the cost of accessing international markets. Meanwhile, reliance on long-term instruments is assumed to increase over the medium term.

Argentina: Key DSA Financing Assumptions

	2025	2026	2027	2028	2029	2030
External Financing						
Official (ex. IMF)						
Disbursements (USD billions)	6.7	5.0	5.0	5.0	5.0	5.0
Net financing (USD billions)	4.3	2.0	2.1	2.0	2.0	2.0
Nominal interest rate (percent)	3.9	3.8	3.8	3.8	3.8	3.8
International markets						
Issuance (USD billions)	0.0	4.0	5.0	5.0	6.0	6.0
Spread (basis points)	550	500	450	450	450	450
Maturity (years)	7	7	7	7	7	7
Grace period (years)	4	4	4	4	4	4
Peso Market Financing						
Instruments (share, percent)						
Short-term (fixed rate)	50	50	30	30	30	30
CER-linked	50	40	40	20	20	20
Long-term (fixed rate)	0	10	30	50	50	50
Real Interest Rate (percent)	4.0	4.0	4.7	5.0	5.4	5.6

Sources: Fund staff assumptions and projections.

Table 3. 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	
1 Budgetary central government					Yes	
2 Extra budgetary funds (EBFs)					No	Not applicable
3 Social security funds (SSFs)					No	Excludes FGS/ANSES liabilities
4 State governments					No	Excludes state govt liabilities
5 Local governments					No	Excludes local govt liabilities
6 Public nonfinancial corporations					No	
7 Central bank					No	
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		

(Row groupings: CPS covers 1–8; NFPS covers 1–6; GG: expected covers 1–5; CG covers 1–3.)

Color code: chosen coverage | Missing from recommended coverage | Not applicable

Reporting on Intra-Government Debt Holdings

Issuer \ Holder	Budget. central govt	Extra-budget. funds (EBFs)	Social security funds (SSFs)	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

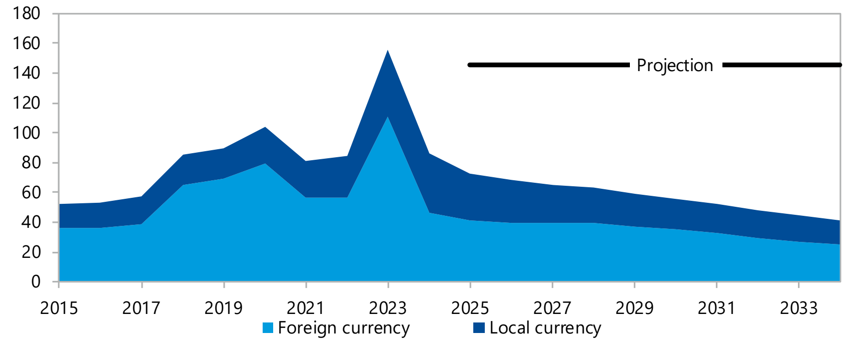
1/ CG=Central government; GG=General government; NFPS=Nonfinancial public sector; PS=Public sector.
2/ Stock of arrears could be used as a proxy in the absence of accrual data on other accounts payable.
3/ Insurance, Pension, and Standardized Guarantee Schemes, typically including government employee 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. Central bank bilateral FX swaps were not included in public debt for DSA purposes, as their amount is lower than the de-minimis threshold of 1 percent of GDP.

Table 4. Argentina: Public Debt Structure Indicators

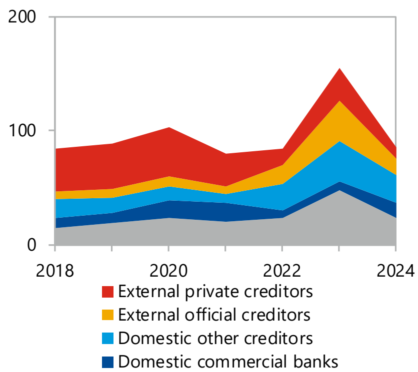
Debt by Currency (Percent of GDP)

Debt by Currency (Percent of GDP)



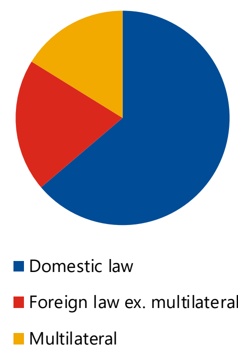
Note: The perimeter shown is central government.

Public Debt by Holder (Percent of GDP)



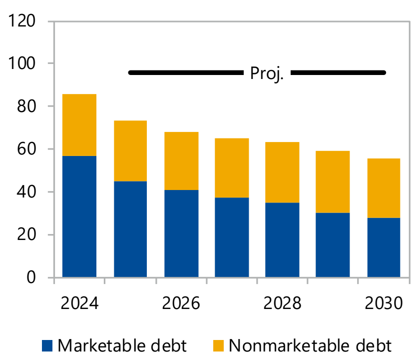
Note: The perimeter shown is central government.

Public Debt by Governing Law, 2024 (percent)



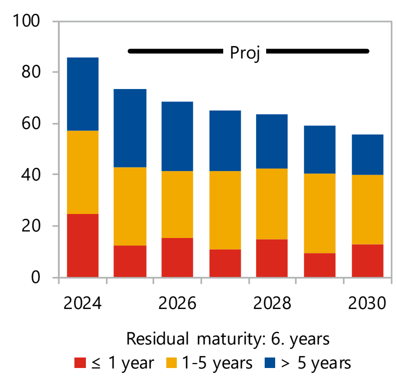
Note: The perimeter shown is central government.

Debt by Instruments (Percent of GDP)



Note: The perimeter shown is central government.

Public Debt by Maturity (Percent of GDP)



Note: The perimeter shown is central government.

Commentary: Foreign-currency denominated debt will continue to dominate over the long term. The government's debt management strategy has focused on deindexing debt and extending its maturity, with issuances relying mainly on fixed rate instruments (over 80 percent) since Q2:2024. Nonetheless, given near-term still high annual inflation and uncertainties about the disinflation pace in the year ahead, some reliance on inflation-linked (CER-linked) debt instruments is assumed to persist over the near and medium term. The large share of FX debt held by IFIs, and the large share of overall debt held by the intra-public sectors (including non-marketable instruments), mitigates rollover risks.

Table 5. 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			

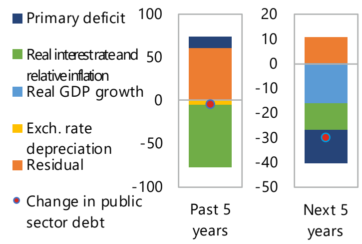
	real-time	t+3	t+5
Historical Output Gap Revisions 2/			

Comparator Group:
Emerging Markets, Commodity Exporter, Program

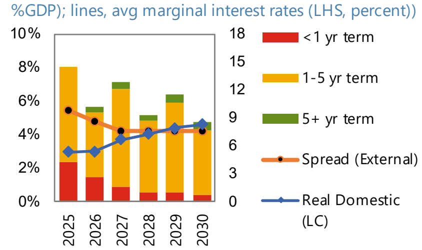
Color Code:

Optimistic	> 75th percentile
	50-75th percentile
Pessimistic	25-50th percentile
	< 25th percentile

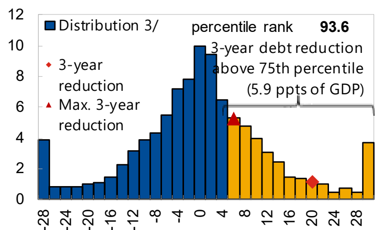
Public Debt Creating Flows
(Percent of GDP)



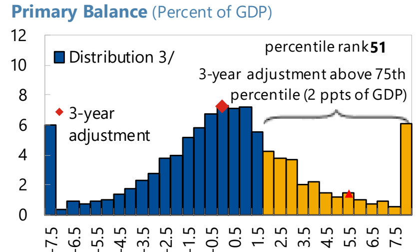
Bond Issuances (Bars, debt issuances (RHS, %GDP); lines, avg marginal interest rates (LHS, percent))



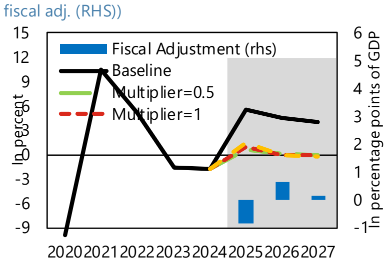
3-Year Debt Reduction
(Percent of GDP)



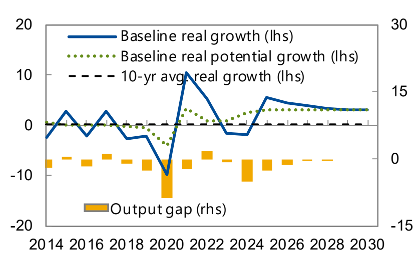
3-Year Adjustment in Cyclically-Adjusted Primary Balance (Percent of GDP)



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 analyses 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 estimates

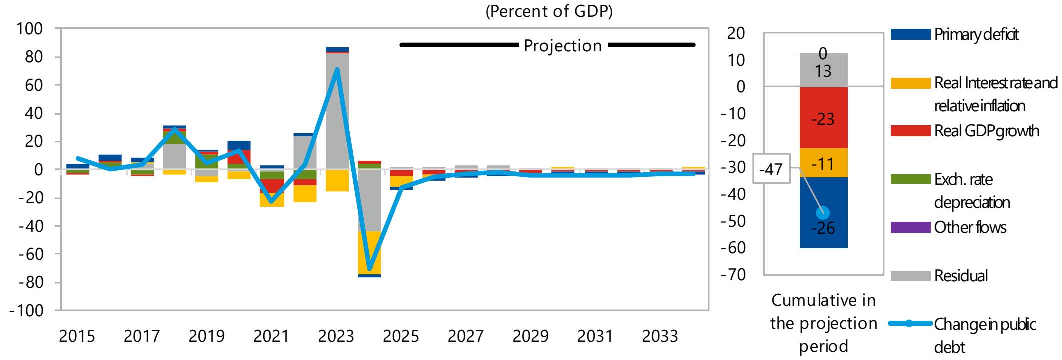
3/ Data cover annual obervations from 1990 to 2019 for MAC advanced and emerging economies. Percent of sample on vertical axis.

Table 6. Argentina: Baseline Scenario
(Percent of GDP, Unless Indicated Otherwise)

	Actual	Medium-term projection						Extended projection				
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Public debt	85.3	73.1	68.2	65.1	63.3	59.3	55.7	52.0	48.5	45.1	41.8	38.2
Change in public debt	-70.1	-12.2	-4.9	-3.1	-1.8	-4.0	-3.7	-3.6	-3.5	-3.4	-3.3	-3.6
Contribution of identified flows	-26.3	-13.8	-7.4	-5.8	-4.6	-4.5	-4.2	-4.1	-4.0	-3.9	-3.8	-3.8
Primary deficit	-1.8	-1.3	-2.2	-2.5	-2.5	-2.5	-2.5	-2.5	-2.5	-2.5	-2.5	-2.5
Noninterest revenues	24.2	25.3	26.9	27.0	27.1	27.0	27.0	27.0	27.0	27.0	27.0	27.0
Noninterest expenditures	22.4	24.0	24.7	24.5	24.6	24.5	24.5	24.5	24.5	24.5	24.5	24.5
Automatic debt dynamics	-24.5	-12.5	-5.2	-3.3	-2.1	-2.0	-1.7	-1.6	-1.5	-1.4	-1.3	-1.3
Real interest rate and relative inflation	-30.8	-8.0	-2.0	-0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.1
Real interest rate	-104.2	-17.4	-6.3	-3.3	-2.0	-2.0	-1.8	-1.8	-1.6	-1.5	-1.4	-1.3
Relative inflation	73.4	9.3	4.3	2.6	2.0	2.0	1.9	1.7	1.6	1.5	1.4	1.3
Real growth rate	2.7	-4.5	-3.2	-2.6	-2.0	-1.9	-1.7	-1.6	-1.5	-1.4	-1.3	-1.2
Real exchange rate	3.7	...	...	...	...	...	...	...	...	...	...	...
Other identified flows	0.0	0.0	0.0	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	0.0
(minus) Interest Revenues	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other transactions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Contribution of residual	-43.8	1.6	2.5	2.7	2.8	0.5	0.5	0.5	0.5	0.5	0.5	0.2
Gross financing needs	19.6	17.3	12.1	14.3	10.8	14.1	9.7	13.0	10.5	11.3	9.2	9.0
of which: debt service	21.4	18.6	14.3	16.8	13.4	16.6	12.2	15.5	13.0	13.8	11.7	11.5
Local currency	16.3	14.4	10.2	12.4	8.0	9.7	6.7	7.9	5.9	7.1	5.2	1.2
Foreign currency	5.1	4.2	4.1	4.4	5.4	7.0	5.5	7.6	7.0	6.7	6.4	5.7
Memo:												
Real GDP growth (percent)	-1.7	5.5	4.5	4.0	3.2	3.1	3.0	3.0	3.0	3.0	3.0	3.0
Inflation (GDP deflator; percent)	206.3	30.4	14.5	9.4	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5
Nominal GDP growth (percent)	202.6	37.3	19.7	13.7	10.9	10.9	10.7	10.7	10.7	10.7	10.7	10.7
Effective interest rate (percent)	3.4	2.4	4.1	3.9	4.0	4.0	4.1	4.0	4.0	4.1	4.2	3.9

Contribution to Change in Public Debt

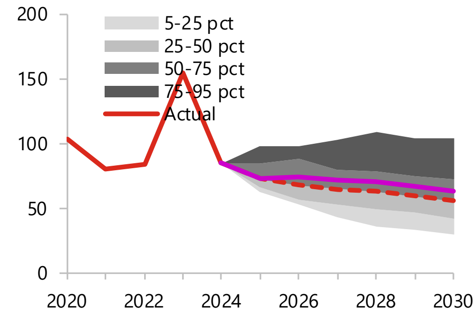
(Percent of GDP)



Commentary: Public debt is projected to decline over the long term, reflecting the baseline assumptions of strong adherence to the fiscal anchor of a zero overall deficit. Lower FX misalignments will be conducive to more stable macroeconomic conditions. 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 re-access, which in turn would strengthen debt-servicing capacity. The large residuals in 2024-25 can be explained by stock-flow adjustments given the differences between end-of-period and period average exchange rates in the context of FX adjustments. The reduction of the effective interest rate in 2025 reflects the sucess in recent auctions to place debt at longer maturities and at lower yields as well as the placement of zero-coupon bonds. Over time, the effective interest rate is projected to increase with the easing of FX controls.

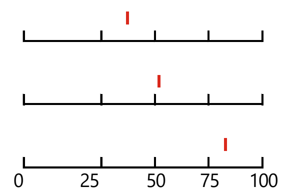
Table 7. Argentina: Medium-Term Risk Analysis

Final Fanchart (Percent of GDP)

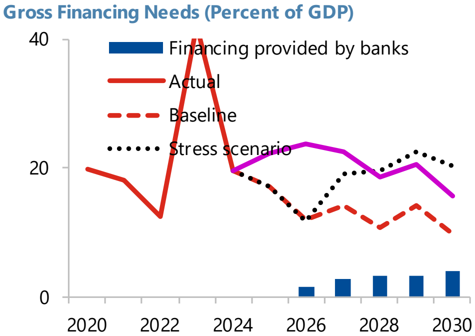


Debt fanchart module

	Value	Contrib 1/	Percentile in peer group 2/
Fanchart width *(percent of GDP)*	74.2	1.1	
Probability of debt non-stabilizaiton *(percent)*	3.0	0.0	
Terminal debt-to-GDP x institutions index	40.4	0.9	
Debt fanchart index (DFI)		2.0	
Risk signal: 3/		**Moderate**	

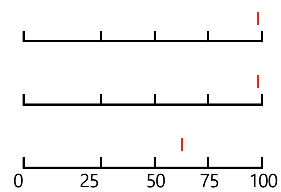


Gross Financing Needs (Percent of GDP)



Gross financing needs (GFN) module

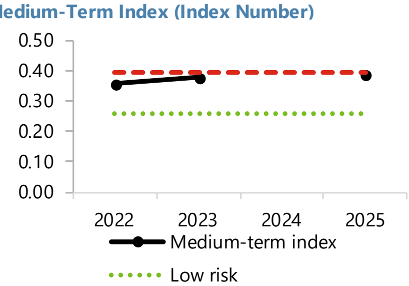
	Value	Contrib 1/	Percentile in peer group 2/
Average baseline GFN *(percent of GDP)*	13.1	4.5	
Initial Banks' claims on th gen. govt *(pct bank assets)*	30.1	9.8	
Chg. In banks' claims in stress *(pct banks' assets)*	9.1	3.1	
GFN financeability index (GFI)		17.3	
Risk signal: 4/		**Moderate**	



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

	Value	Value (normalized)	Weight	Contribution
Debt fanchart index	2.0	0.4	0.5	0.2
GFN finaceability index	17.3	0.3	0.5	0.2
Medium-term index		0.4		
Risk signal: 5/		**Moderate**		
Final assessment:		**Moderate**		

Prob. of missed crisis, 2025-2030, if stress not predicted: 27.3 pct.
Prob. of false alarms, 2025-2030, if stress predicted: 10.2 pct.

Commentary: Staff asseses medium-term risks as moderate, as debt-to-GDP ratio is projected to decline over the medium term in the context of a strong adherence to the fiscal anchor and more stable macroeconomic conditions. While there is substantial uncertainty around the baseline debt trajectory, maintaining a fiscal balance helps to contain financing risks.

Source: IMF staff estimates and projections.

1/ See Annex IV of IMF, 2022, Staff Guidance Note on the Sovereign Risk and Debt Sustainability Framework for details on index calculation.
2/ The comparison group is emerging markets, commodity exporter, program.
3/ The signal is low risk if the DFI is below 1.13; high risk if the DFI is above 2.08; and otherwise, it is moderate risk.
4/ The signal is low risk if the GFI is below 7.6; high risk if the DFI is above 17.9; and otherwise, it is moderate risk.
5/ The signal is low risk if the GFI is below 0.26; high risk if the DFI is above 0.40; and otherwise, it is moderate risk.

Table 8. Argentina: Decomposition of Public Debt and Debt Service by Creditor, 2025–2026 1/

	Debt Stock (end of period)			Debt Service			
	31-Jan-25			2025	2026	2025	2026
	(In US$ bn)	*(Percent total debt)*	*(Percent GDP) 2/*	*(In US$ bn)*		*(Percent GDP)*	
Total	483.8	100.0	86.2	119.6	69.0	15.8	7.6
External	131.2	27.1	23.4	10.0	13.3	1.3	1.5
Multilateral creditors 3/ 4/	75.4	15.6	13.4	6.4	7.6	0.8	0.8
IMF	40.6	8.4	7.2	2.3	3.4	0.3	0.4
World Bank	10.7	2.2	1.9	1.0	1.1	0.1	0.1
CAF	4.8	1.0	0.8	0.8	0.7	0.1	0.1
IADB	17.5	3.6	3.1	2.0	2.2	0.3	0.2
FONPLATA	0.6	0.1	0.1	0.1	0.1	0.0	0.0
BIE	0.2	0.0	0.0	0.0	0.0	0.0	0.0
BCIE	0.8	0.2	0.1	0.1	0.1	0.0	0.0
Other Multilaterals	0.2	0.0	0.0	0.0	0.0	0.0	0.0
OFID	0.1	0.0	0.0	0.0	0.0	0.0	0.0
IFAD	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bilateral Creditors 3/	3.6	0.7	0.6	0.8	0.9	0.1	0.1
Paris Club	1.3	0.3	0.2	0.5	0.3	0.1	0.0
Non-Paris Club	2.3	0.5	0.4	0.4	0.6	0.0	0.1
o/w: China	2.1	0.4	0.4	0.3	0.6	0.0	0.1
T-Bills	0.3	0.1	0.1	0.3	-	0.0	-
Bonds	51.7	10.7	9.2	2.4	4.7	0.3	0.5
Commercial creditors	0.3	0.1	0.0	0.1	0.1	0.0	0.0
Domestic	352.6	72.9	62.9	109.6	55.7	14.5	6.2
T-Bills	138.1	28.5	24.6	68.9	1.1	9.1	0.1
Bonds	206.5	42.7	36.8	36.7	53.9	4.8	6.0
Loans	8.1	1.7	0.0	4.0	0.7	0.5	0.1

1/ As reported by country authorities according to their classification of creditors, including by official and commercial. Debt coverage is the same as in the DSA, except for holdouts and litigations related to the London GDP warrant case (totalling about US$4 billion), which are included in the DSA but not in this table. The debt stock is higher than the ones reported in MEcon's monthly debt reports, as they include capitalized interest rate payments until maturity (as opposed to accrued until the cut-off date). External versus domestic is based on residency definition.

2/ Using eop exchange rate in December.

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. Foreign Exchange Regime as it Applies to Current International Transactions[1]

1. Argentina continues to maintain many restrictions on access to the official foreign exchange market (Mercado Unico y Libre de Cambios or "MULC") for payments and transfers for current international transaction. Most of these measures were in place at the time of the approval of the Extended Arrangement for Argentina in March 2022 and the Board granted approval to maintain them on a temporary basis. At that time, these ranged from general restrictions on access to the FX market to restrictions on payments for imports, invisible transactions (transfers of dividends, profits, wages, remittances etc.), payments of interests and amortization of loans, and Multiple Currency Practices (MCPs) arising from exchange taxes (*Impuesto Pais*, also found to be an exchange restriction), withholding taxes on FX purchases, and the parallel market.[2]

2. Over 2022 and 2023, Argentina's reliance on exchange restrictions and multiple currency practices subject to Fund jurisdiction intensified.[3] Many new restrictions and MCPs were introduced, existing measures were modified, and the FX market grew increasingly more segmented.[4] Some of the measures (such as soy dollar and other incentive schemes) were short-lived, but many were intended to remain for a longer period. These measures were, however, approved by the Executive Board as they were introduced primarily for balance of payments reasons and the authorities committed to unwind them as market conditions improved.

3. Beginning in December 2023, Argentina started a gradual and significant process of liberalizing the FX regime (Table III.1). The authorities have streamlined and substantially shortened delayed FX access for imports, reduced withholding taxes, allowed a number of FX controls and exchange taxes to lapse. Specifically, measures to further ease exchange controls include: (i) a gradual reduction of FX access delays, resulting in an across-the-board waiting period not exceeding 30 days after arrival in Argentina for nearly all goods and services, while some goods like fuel have no waiting period and 90 days for services imported from related entities; (ii) removal of restrictions on making advance payment on capital goods and payment "at sight" (before the goods arrive in Argentina) with own dollars since December 2024; (iii) allowing MSMEs to access FX from the MULC in advance for up to 20 percent of capital goods purchases;[5] (iv) extending the

[1] As important changes to the FX system are expected to be implemented as a prior action for the approval of the arrangement, staff will issue a supplement to update the information in this annex, as needed.

[2] See EBS/22/14, Supplement 2 (March 2022).

[3] For a summary of changes introduced under the program which were found to amount to intensification of exchange restrictions or modification of MCPs, see Table 1, EBS/24/5. The table includes changes made up to the completion of the 7th review.

[4] For a summary of changes introduced under the program which were found to amount to intensification of exchange restrictions or modification of MCPs, see Table 1, EBS/24/5. The table includes changes made up to the completion of the 7th review under the 2022 EFF arrangement.

[5] Advance payments can be made in full, without restrictions, with FX obtained from the CCL but this would restrict the importer's access to the MULC for 90 days before and after the transaction.

period for mandatory surrender of FX proceeds from five to 20 days for most goods, and from 15 to 30 days for some agricultural goods; (v) further easing restrictions on BOPREAL transactions to make the new instruments more attractive; (vi) streamlining the withholding taxes, resulting in one withholding tax of 30 percent; (vii) repealing the preferential exchange rate for non-resident tourists which was assessed as giving rise to an MCP; (viii) adjusting the level and scope of Impuesto Pais and ultimately letting it lapse, thereby eliminating many of the MCPs and exchange restrictions relating to exchange taxes; (ix) allowing interest payment on intercompany debt accruing from January 1, 2025; and (x) aligning the delay to transition from the CCL and MEP for transaction of securities under foreign law to the one for securities under domestic law (90 days).

4. Importantly, the central bank issued FX-denominated instruments (BOPREAL) to unwind the large stock of importers' debt overhang and dividend payments to non-residents. For commercial debt accumulated before December 13, 2023, eligible importers, whose debt had been properly registered and verified, could purchase these securities, settled in pesos and payable in USD with maturities of up to 4 years at varying interest rates. Importers with immediate need to service FX debt could either use these instruments in collateralized borrowing, sell them in the secondary market, or simply use them as a payment promise. The BCRA extended eligibility to dividend backlogs with additional issuance in May 2024. Further, an additional tranche of BOPREAL was issued in January 2025 to provide collateral for a repurchase operation. The BOPREAL can also be used for the payment of tax obligation at a specified exchange rate and to settle dividend payments to non-resident investors.

5. The rest of this annex sets out the exchange restrictions and MCPs in place at the time of issuance of the current staff report.

Exchange Restrictions

6. Staff assesses that the measures giving rise to exchange restrictions can be summarized under the following broad headings:

a. *General Restriction*: Argentina maintains exchange restrictions arising from limitations on access to the foreign exchange market for making any payments or transfers for current international transactions, which prevent access to the official foreign exchange market (MULC) unless the requester has not in the previous and subsequent 90 days undertaken certain transactions in the securities market (CCL).

b. *Restrictions on Payments for Imports*: Argentina maintains exchange restrictions arising from restrictions on payments for imports of goods and services, as follows:

(i) delayed access to and limitations on the amounts of FX that can be accessed for import payments. There is currently a 30-day delay to obtain FX for import of goods;

(ii) limitations on advance payments for imports;

(iii) limitations on payments for imports of luxury goods;

(iv) a preauthorization requirement for payments of services to related parties; and

(v) a prohibition on accessing FX market for making payments for imports of soybeans until the export proceeds for the soybean product have been received.

c. *Invisible Transactions*: Argentina maintains exchange restrictions on payments for invisible transactions, as follows:

(i) limitations on accessing the FX market to make transfers of foreign currency abroad as profits and dividends to non-resident shareholders; and

(ii) limitations on access to FX by resident individuals for invisible transactions (e.g., savings, wages, salaries, family remittances, medical expenses, educational expenses) and other current account transfers and for non-residents for transferring abroad proceeds from current international transactions.

d. *Restrictions on payments of interest and amortization on external loans*: Argentina maintains exchange restrictions on payment of interest on and moderate amounts of amortization of external loans, as follows:

(i) limitations on access to foreign exchange for payment of external indebtedness which require that all external debt proceeds have been surrendered into the local exchange market prior to accessing foreign exchange to service external debt;[6]

(ii) mandatory refinancing requirements;

(iii) limitations on advance payments of debt; and

(iv) prior BCRA consent for payments of principal (including amortization) to related parties; and

(v) BCRA authorization requirement for FX market access for payments of interests to non-resident related counterparty.

e. *Pension Restrictions*. Restriction of individuals who participate in the pension buyback scheme from accessing the FX market for a period of twelve months. Restrictions of individuals who have debt with the National Security Administration (ANSES) from accessing the FX market. There are also restrictions on beneficiaries of and contributors to the

[6] In April 2024, the central bank introduced resolution A7994 providing an exemption for exporters to access the official foreign exchange market to settle external debt (both capital and interest) given if certain criteria are met, including that the settlement is made with newly borrowed funds from a domestic financial institution via foreign credit line.

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.

MCPs

7. **Argentina also maintains an MCP arising from the 30 percent withholding exchange tax on the purchase of foreign exchange by individuals** for (i) travel allowance (and savings), (ii) the importation of a list of luxury goods, and (iii) the payment of certain professional services (including digital services). Under the current MCP policy, an MCP arises where an official action results in an actual exchange rate spread that differs unreasonably from the normal commercial costs and risks of exchange transactions (exchange rate spreads which are not considered "commercially reasonable"), i.e., exceed the permissible margins specified in the MCP policy.

8. **The previous finding of an MCP arising from the spread relative to the parallel (blue) market does not meet the requirement of the current policy.** Given that parallel (blue) market transactions are illegal, the Fund determined in line with the new policy that the spread relative to that market (the Blue Market) would not give rise to an MCP.

9. **On June 13, the Executive Board granted approval to retain the MCPs and exchange restrictions then in place on a temporary basis.** The Board approved that Argentina may maintain these exchange restrictions and MCPs for a period of 12 months beginning June 13, 2024, or the date of the completion of the next Article IV consultation with Argentina.

10. **The multiple currency practice (MCP) and the other exchange controls come at the cost of substantial distortions.** FX restrictions affect international trade and investment operations not only because some operations are not allowed, but also because their complexity and numerous changes create operational costs and policy uncertainty that can discourage investment. However, FX restrictions are focused on impeding outflows, thereby reducing balance of payment needs. Meanwhile, proceeds of the withholding tax yields fiscal revenues that contribute to the fiscal surplus and in turn to the reduction in sovereign risk, further easing BOP pressures.

Table 1. Argentina. Key FX Regulations and Trade Tariff Changes Since December 13, 2023

FX Access For Imports
On December 13, 2023, the SEDI system with rule-based delay (four installments of 30, 60, 90 and 120 days after imports for most imports) replaced by the SIRA/SIRASE system with discretionary delays. 1/
SMEs' access to the FX market to pay backlogs up to USD 500,000 (02/2024), and to pay most imports after 30 days (04/2024).
FX delay gradually reduced throughout 2024, to reach 30 days for goods and services (11/2024), except intra-group services.
Use of own dollars or local USD financing for spot and deferred payment of any good, and adv. payments of capital goods (12/2024).
BOPREAL Securities to Handle Backlogs
For imports before December 13, 2023, importers could purchase FX securities (BOPREAL) payable in USD with maturities up to four years. Extension to dividends in April 2024. Large primary subscribers may pay backlogs with part of their exports (11/2024).
FX Taxes
Increase in the main rate of the tax on purchase of foreign currency (*Impuesto Pais*) from 7.5 to 17.5 percent, and witholding tax rates unified at 30 percent (12/2023).
Phasing out of *Impuesto Pais*: main rate reduced from 17.5 to 7.5 percent in September 2024, and expiration in end 2024 (former MCP).
Trade Tariffs
Reduction of imports tariffs include on some consumer (from 26-35 from to 16-20 percent), intermediate (from 12.6-18 to 0-6 percent), and capital goods (from 12.6-35 percent to 2-20 percent), in May 2024, October 2024 and March 2025.
Elimination of export duties on various beef, pork and dairy products, and 25% reduction for various meat chains (08/2024).
Reduction of export tariffs on soy products (31-33 to 24.5-26 percent), wheat, corn, barley, sorghum (12 to 9.5 percent), and sunflower (7 to 5.5 percent) from end-January to end-June 2025. Elimination of export duties for leather, cotton, sugar, peanuts and other goods.
Surrender Requirement
At least 80 percent surrender requirement at the official market, the rest at the parallel (CCL) market (December 2023).
Annual threshold of services export exemption increased gradually from USD 12,000 to reach USD 36,000 on January 2025.
Surrender requirement delay increased from 5 to 20 days for most goods, and from 15 to 30 days for some agricultural goods (11/2024).
Implementation of the decree 929/2013 reducing the surrender requirement for oil and gas, up to 20 percent of production (12/2024).
FDI Inflows, Interest and Debt Payments
Repeal of the requirement to reschedule 60 percent of financial capital service (01/2024).
Repeal of prior approval for new interest payments on commercial debt (07/2024) and on intercompany debt (01/2025).
The RIGI scheme for large FDI inflows eases the surrender requirement and allows repatriation of capital inflows and profits (08/2024).
Firms allowed to buy foreign currency for debt service from 60 days before the due date instead of 5 days (11/2024).
Trust funds can access the official market to repay USD bonds within the country if they had surrended the proceeds (12/2024).
Parrallel Markets, Preferential Exchange Rates
Reduction of the parking period to one day (12/2023).
Repeal of the preferential exchange rate for non-resident tourists with a special bank account (former MCP, 05/2024).
Repeal of restrictions to access to the CCL and MEP markets associated with Covid-19 and other public support (07/2024).
Reduction of the transition delay from the CCL and MEP to the official market to 90 days for foreign-law securities' transactions (09/2024).
90-day delay for banks to sell debt securities in the MEP market after their primary subscription in the CCL market (January 2025).

1/ Exceptions included 0 day for a set of energy goods, transportation, tourism, health, digital and bank operative services, 30 days for goods related to health care and food, fertilizers and other inputs; 90 days for a set of services, and 180 days for cars and luxury products.

Appendix I. Letter of Intent

Buenos Aires, Argentina
April 6, 2025

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

Dear Ms. Georgieva,

Our once-in-a-generation plan—under the resolute leadership of President Milei—to stabilize and remake the Argentine economy, is already yielding historic results, far exceeding expectations and targets under the previous Fund-supported program, which expired in December 2024.

We avoided a full-blown balance of payments crisis, delivered the first overall fiscal surplus in almost two decades, normalized regulated utility prices rapidly and still brought inflation under control from the verge of hyperinflation, by eliminating central bank's interest-bearing liabilities and accumulating the largest annual purchase of reserves from the private sector in decades. We achieved this while fully honoring our financial obligations, shoring up record-level commercial and bilateral arrears, procuring broad financial support from all our bilateral and multilateral creditors, and recently also from private international banks.

In parallel, we embarked on a comprehensive program to lower tariff and non-tariff trade barriers, eliminate most multiple currency practices, reduce taxes, deregulate the economy, enhance competition, and unwind excessive state control to unleash investment and entrepreneurship. Our economy is growing again, poverty rates are falling to levels that prevailed prior to the adjustment process, and there is sustained broad-based social support for our stabilization and reform efforts, reflecting our commitment to re-orient spending toward the poorest and most vulnerable. Resident capital repatriation has surprised positively, corporates are fluidly accessing foreign financing, and sovereign spreads have fallen sharply although they remain volatile due to rising global uncertainties.

Against the backdrop of our impressive track record, and cognizant of a more complex global backdrop, we are intent on implementing the next phase of our stabilization and growth plan, the centerpiece of which will remain our resolute commitment to the fiscal balance anchor and sound monetary policy. Reforms will center on instituting conventional monetary aggregate management, continuing to carefully ease distortive FX restrictions, and transitioning to a more flexible exchange rate regime while preserving hard-earned progress on disinflation. This comprehensive framework aims to add buffers against potential external risks, rebuild international reserves, eventually regain international market access on favorable terms and thereby contribute to a resilient currency competition regime. To support the ongoing economic recovery, continued reforms will help create a more open and market-based economy, while improving governance and transparency.

To support the implementation of the next phase of our plan, **we are requesting a new Extended Arrangement under the Extended Fund Facility** for a period of 48 months, in the amount of SDR 15.267 billion (equivalent to around US$20 billion, or 479 percent of Argentina's quota), with an initial disbursement of SDR 9.160 billion (equivalent to US$12 billion) upon program approval. The initial disbursement will be followed by a first review in June 2025 and a second review by end-2025, with disbursements of SDR1.529 billion (US$2 billion) and SDR0.763 billion (US$1 billion), respectively. IMF financing would result in a reduction in the Treasury's gross indebtedness, as disbursements will be used to strengthen the central bank balance sheet by rebuilding its international reserve position, through buy back by the Treasury of Letras Intransferibles from the BCRA. It is worth highlighting that consistent with our domestic law, President Milei issued an Emergency and Necessity Decree (Nº 179/2025) authorizing the Executive to seek this financing under a new IMF-supported program. Furthermore, the Decree was backed by a comfortable majority when ratified by the Lower House of the Honorable Congreso de la Nación Argentina, and as such cannot be overturned.

We expect IMF support to catalyze additional financing from other official creditors, especially from the World Bank and the Inter-American Development Bank, and to facilitate our goal of responsibly re-accessing international capital markets. Given our commitment to overall fiscal surpluses, any new financing will be used to refinance debt falling due or reduce exposure to the Fund.

We are fully committed to adhere to the commitments laid out in the attached Memorandum of Economic and Financial Policies (MEFP) and Technical Memorandum of Understanding (TMU) and are confident that our far reaching and ambitious stabilization and growth plan will secure program targets. That said, we stand ready to take any additional measures that may become appropriate for this purpose and will consult with IMF staff on the adoption of these measures in accordance with the Fund's policies while refraining from policies inconsistent with the program's objectives and commitments herein. The program will be monitored through regular reviews, quantitative performance criteria, indicative targets, and structural benchmarks. Underscoring our commitment to transparency, we consent to the IMF's publication of this letter, the MEFP, the TMU, and accompanying Staff Report that will also be submitted for Executive Board consideration. In this regard, we are also requesting Executive Board approval of exchange restrictions and one multiple currency practice under Article VIII, on grounds that these measures have been imposed for balance of payments reasons, are temporary, non-discriminatory in nature, and do not give Argentina unfair competitive advantage over other members. These measures will be phased out during the period of the arrangement.

Finally, we wish to express our appreciation for your continued support to Argentina as we further strengthen economic stability and build a more prosperous nation for the benefit of all its citizens.

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 (2)

Attachment I. Argentina: Memorandum of Economic and Financial Policies

April 6, 2025

A. Context

1. Our administration took office on December 10, 2023, with Argentina veering towards hyperinflation and on the verge of a full-blown balance of payment crisis. In the first weeks of December 2023, prices were growing at a daily clip of 1 percent, on the back of rampant monetary financing of an unsustainable fiscal deficit, which shattered the central bank's balance sheet. The economy was also contracting sharply, with most Argentines suffering, amid rising unemployment and dramatically lower real wages (down about 20 percent y/y). External imbalances mirrored internal fiscal excesses, with our FX buffers fully depleted as net international reserves (NIR) fell to negative US$11 billion, in the context of record high exchange rate gaps (over 150 percent) and sovereign spreads (over 2500bps). A complex web of FX restrictions, and the proliferation of price controls, resulted in severe relative price distortions and rent-seeking opportunities for a lucky few, which discouraged investment and constrained productivity. Importers' debt reached the staggering amount of $50 billion as of December 2023, leaving the country on the brink of a payment-chain collapse.

2. The resolute ownership and implementation of our once-in-a generation plan quickly restored macroeconomic stability, bringing the previous Fund-supported program back on track.[1] Our administration has, since day one, been implementing a comprehensive stabilization plan aimed at breaking Argentina's long history of fiscal dominance, high inflation, and state overreach, which curtailed economic freedoms, impoverished the population, and hindered economic growth. During our first year in office we have exceeded many expectations, posting the first fiscal surplus in 14 years and sharply reducing inflation, while abandoning price controls, deregulating the economy and correcting relative price misalignments. The current account moved from a large deficit to a large surplus last year, enabling a turnaround in international reserves and a gradual easing of many FX restrictions. Targets for end-2024 were met with substantial margins. Markets have taken notice—sovereign spreads have fallen and the exchange rate gap has narrowed, although conditions remain volatile due to rising global uncertainties. Meanwhile, Argentine corporates are tapping capital markets at even lower spreads, on account of their strong balance sheets and the country's vast opportunities and potential.

3. Rapid stabilization gains have led to a recovery in activity and improvements in social indicators, supporting continued broad-based social support for our program. Sharply lower inflation—which can be best seen as an onerous tax on the poor—and a substantive expansion in

[1] The inherited Extended Arrangement under the Extended Fund Facility (EFF), which expired in December 2024, was approved in March 2022 for an amount of SDR 31,914 million (equivalent to US$44 billion, or 1,001 percent of Argentina' quota at the Fund).

targeted social assistance are leading to a rapid reduction in poverty and a recovery in real wages. Meanwhile, activity and demand have been recovering since April 2024, supported by our continued efforts to deregulate the economy, enhance competition, and unwind excessive state control, which for decades have been holding back investment and entrepreneurship. Political and social support for our vision remains strong. Following congressional approval of the fiscal package and the omnibus structural reform legislation (Ley de Bases) in mid-2024, agreement was reached with a vast majority of the governors on key policy principles and commitments (Pacto de Mayo). These encompassed, among others, the protection of private property, a steadfast pledge to maintain fiscal balance, commitment to labor and tax reforms, and the promotion of international trade, all aimed at rebuilding Argentina's foundations and steering the country back onto the path of growth and prosperity. More importantly, our tangible and impressive results are boosting credibility and the population's support for the ongoing transformation.

4. **We are now ready to transition to the next phase of our stabilization and growth plan, that could also be supported by a new Fund arrangement.** Sustaining these impressive gains will require deepening reforms, while maintaining our unwavering commitment to the fiscal anchor. Building on an impressive reduction in imbalances, this next phase will involve transitioning to a more flexible exchange rate framework enhancing our ability to adjust to shocks, rebuild reserves, and ultimately lift all FX restrictions. This will be complemented by deeper supply-side reforms to boost Argentina's growth and export potential. To support these reforms, we hereby formally request a new four-year Extended Arrangement under the Extended Fund Facility (EFF) for an amount of SDR 15.267 billion (equivalent to US$20 billion, or 479 percent of the quota), and an upfront disbursement for SDR 9.160 billion (US$12 billion) to be made available upon program approval. The initial disbursement will be followed by a first review in June 2025 and a second review in late-2025, with disbursements of SDR1.529 billion (US$2 billion) and SDR0.763 billion (US$1 billion), respectively. The program would result in the reduction of the Treasury's gross indebtedness, as IMF resources would be used to buy back Letras Intransferibles from the BCRA, thereby improving the quality of the central bank's balance sheet and boosting its international reserves. The new Fund-supported program is expected to catalyze financing from other official creditors, further boost our credibility and market sentiment, and support the re-access to international capital markets at more favorable terms as our resolute policy implementation continues.

B. Recent Developments

5. **The economy is recovering robustly in the context of a much faster-than-expected disinflation.** Following a sharp contraction during H1:2024, real GDP started to expand again, supported by robust real wage and credit growth. High frequency indicators suggest that a V-shape recovery has taken hold, driven by the private sector in the absence of any fiscal impulse, with the economy operating well above November 2023 levels. Meanwhile, monthly headline inflation fell from over 25 percent in December 2023 to 2.4 percent in February 2025, with particularly remarkable declines in goods and wholesale inflation, which are now trending below 2 percent m/m. This historic disinflation has taken place despite the correction of relative price misalignments (with some

regulated prices having risen by as much as 500 percent y/y) and unwinding of distortive price controls. Importantly, inflation expectations have become much better anchored on account of our proven commitment to achieve overall fiscal balance, eliminate all sources of monetary expansion, and strengthen the central bank's balance sheet.

6. The fiscal deficit has been eradicated. We achieved an historically unprecedented fiscal adjustment of about 5 percentage points of GDP from the beginning of 2024, driven primarily by real expenditures cuts of roughly 30 percent y/y, along with more progressive measures on the revenue side. These cuts took place against the backdrop of lower real revenues (down 5 percent), with temporary emergency measures (tax amnesty/moratorium, wealth tax advance, and impuesto pais) taken to help preserve spending in key areas. We prioritized spending on social assistance of the most vulnerable sectors and homeland and borders security, which implied sharp cuts in the size of the national administration, untargeted subsidies, wasteful provincial transfers, and spending on lower-priority infrastructure projects. Specifically, we have doubled in real terms the benefits of our flagship conditional cash-transfer programs for young mothers and children, eliminated costly social assistance intermediaries, and closed 21 out of 31 extra-budgetary trust funds, known to have serious governance issues. In line with our commitment to reduce the tax burden on Argentines, the yields from fiscal measures approved in Congress by end-June 2024 allowed us to reduce the FX access tax on imports (impuesto pais) in September 2024, and fully eliminate it, as promised, in December 2024. The commitment to fiscal surpluses remains in place going forward; this year, a cumulative primary surplus of 0.5 percent of GDP has been delivered through February 2025.

7. The government's sound debt management strategy has improved the domestic and external debt outlook. New peso issuances and a series of voluntary debt exchanges have prioritized fixed-rate and longer maturity instruments, resulting in a reduction in the share of inflation- and dollar-linked instruments from about 90 to 60 percent during 2024, as well as in an increase in the average peso debt maturity in primary market issuances. These combined measures, including the most recent voluntary debt exchange of peso instruments falling due between May and November this year, have resulted in the average maturity of fixed rate instruments now reaching about 9 months, compared to 3 months in late 2023. To further strengthen rollover prospects, these efforts have been complemented by a significant increase in Treasury cash buffers at the BCRA account. On the FX front, the Treasury paid private FX bondholders in January (US$4.3 billion) and has accumulated FX deposits to cover a large share of the July payment (US$4.3 billion). Net flows from other IFIs were neutral in 2024, with refinancing commitments from key bilateral creditors.

8. The BCRA's balance sheet has been further strengthened, along with improvements in monetary policy transmission and financial intermediation. Fiscal surplus and active debt management have supported FX purchases while enabling the government to buy back its securities, replace BCRA peso remunerated securities with Treasury liabilities, and eliminate most of the risky put options, which represented a significant uncontrolled source of monetary expansion. At the same time, the BCRA has maintained a cap on its broad-based money aggregates and operationalized an interest rate corridor by announcing a monetary policy (reverse repo) rate and creating an active repo window to provide liquidity to banks. Moreover, bank reserves are being normalized as a monetary policy tool, through the rationalization of the reserve requirement system (by phasing out implicit rate subsidies and increasing cash reserves) and elimination of interest rate limits. These actions are not only improving monetary policy transmission but also encouraging bank lending to the private sector. In fact, since May, real bank credit to the private sector has been growing at an average monthly rate of 7 percent—from a low base—along with reduced bank exposure to the public sector. The BCRA, in turn, completed in January a US$1 billion repo operation with international investment banks to boost near-term liquidity at favorable rates and with strong market demand.

9. The external position has improved markedly since end-2023, with balance of payments surpluses supporting a strong improvement in reserve coverage. The accrual goods and services trade balance shifted from a cumulative deficit of US$9 billion in 2023 to a cumulative surplus of US$17 billion in 2024, owing to a strong policy-induced import compression, a step devaluation in December 2023, an expansion in agricultural exports following the 2023 drought, and structural improvements in the energy balance. Private capital inflows rose sharply too, driven by improvements in confidence, and helped by the tax amnesty, which has yielded through November 2024 about US$32 billion in declared assets from Argentine residents. Trade surpluses combined with net private inflows and financing allowed the BCRA to purchase more than US$20 billion in reserves during 2024, enabling the payment of Treasury FX debt obligations (for over US$12 billion) and the accumulation of about US$10 billion in net international reserves (NIR) relative to mid-December 2023. Against the backdrop of rising global risks, NIR has weakened somewhat since end-2024; BCRA made strong FX purchases in January and February that were broadly used to meet external debt service obligations, allowing us to reduce external debt.

10. Historic reforms—consistently implemented from day one—to deregulate markets, ease trade and investment barriers, and modernize the state are already bearing fruit. Competition in critical sectors, such as rental markets, air and land travel, and over-the-counter medicines, is being enhanced, resulting in significant improvements in consumer welfare (with lower prices and increased choice). FX restrictions have been significantly eased, including through the elimination of distortive import taxes and the adoption of new systems to secure prompt and transparent access to FX for most current account transactions. The recently launched large investment regime (RIGI), which aims to encourage investment in strategic sectors by providing tax and regulatory predictability, has already attracted investment bids of roughly US$12.5 billion. Meanwhile, in line with our commitment to make the state more efficient, we have halved the number of ministries from 18 to 8, closed loss-making inefficient state-owned enterprises (SOEs), and reduced the headcount of civil servants by 11 percent in 2024.

C. Objectives, Outlook, and Risks

11. Despite substantial progress, we recognize that continued efforts are needed to address remaining macroeconomic challenges and obstacles to long-term growth. We are committed to further strengthening the sustainability of our fiscal effort, through reforms that further streamline spending while reducing the tax burden as conditions permit. Rebuilding reserves from low levels, regaining market access, and managing rising global risks will require further enhancements to our FX and monetary regime, along with continuing our careful and sequenced easing of FX restrictions. Continued focus on growth- and employment-enhancing reforms will catalyze Argentina's vast potential for the benefit of all.

12. Early and sustained implementation of the next phase of our stability and growth plan will deepen the ongoing recovery and disinflation process.

- **Real GDP** is expected to expand by 5.5 percent in 2025 (after contracting by around 1.7 percent last year), supported by the continued recovery in real wages as well as reforms aimed at easing costly FX restrictions, and bottlenecks to investment and employment. Beyond this year, the economy is projected to expand by about 4.5 percent in 2026, before converging to trend. Furthermore, we believe that sustained implementation of the fiscal anchor and growth enhancing reforms could even push Argentina's real per capita GDP growth above 4 percent (as argued by Martinez and Nicolini 2024).

Argentina: Selected Economic Indicators, 2024–26

		Proj.	
	2024	2025	2026
GDP growth (avg, %)	-1.7	5.5	4.5
Non-agro GDP	-3.1	5.8	4.7
Inflation (eop, %)	117.8	[18-23]	[10-15]
Overall fiscal balance (% GDP)	0.3	0.0	0.0
Current account balance (% GDP)	1.0	-0.4	-0.3
Change in net int'l reserves (US$bn) 1/	4.9	4.0	8.0

Sources: National authorities and Fund staff estimates and projections.

1/ As defined in the TMU, NIR are gross reserves net of swap lines, deposit insurance, reserve requirements on FX deposits, and other reserves liabilities. NIR exclude changes in net Fund credit starting in 2025. At program rates.

- **Inflation** is projected to fall to 20 percent y/y by end-2025, underpinned by the strong fiscal anchor and enhancements in the monetary and FX regime, with ranges reflecting well known uncertainties around the recovery in peso demand. Inflation is projected to converge close to single digits by late 2026. Disinflation will continue to be underpinned by our unwavering commitment to tight fiscal and monetary policies (see ¶15 and 21), along with a stronger BCRA's balance sheet.

- **The external current account** is projected to remain broadly balanced in 2025, moving from a surplus of about 1 percent of GDP in 2024 to a small deficit of 0.4 percent this year, as structural improvements in the energy balance are offset by less favorable terms of trade and the projected domestic demand recovery. Tight fiscal policies and enhancements in the FX regime are expected to contain import growth and trade deficits, while confidence and reforms support stronger capital inflows, especially FDI, as well as a timely re-access to international capital markets as conditions permit. The balance of payments is projected to continually improve our reserve coverage this year (NIR rising by US$4 billion) and over the medium term.

13. Risks to the outlook remain elevated, mainly due to a more difficult external environment. The external backdrop has become much more challenging mainly reflecting risks from rising global trade tensions, which could result in tighter global financial conditions, lower commodity prices, and a weaker outlook for Argentina's key trading partners. The probability of weather-related shock and uncertainties ahead of the October mid-term elections could add to these challenges. That said, upside risks are also significant, as sustained program implementation could deliver faster and stronger access to international capital markets, while market reforms could lead to earlier and stronger improvements in productivity.

14. Against this backdrop, our policies will continue to adapt to changing circumstances to ensure our program objectives are met. Should external or domestic risks materialize, and FX pressures emerge, we stand ready to aggressively tighten fiscal and monetary policies, among other adjustments, as appropriate. Consistent with the draft 2025 budget, revenue shortfalls would be offset by expenditure cuts, while revenue overperformance could be saved or used to reduce the most distortive taxes (see also ¶16). Meanwhile, we will continue to oppose any new spending initiative proposed by Congress that risks our fiscal anchor and stand ready to consider alternatives, as needed. While reducing the overall tax burden remains a key objective, if necessary, consideration will be given to an early rationalization of tax expenditures and a strengthening in the design of excises.

D. Program Policies

Fiscal Policy

15. Strict fiscal discipline will continue to be a key anchor of our stabilization program. Building on last year's overall surplus, we affirm our commitment to maintain our target of an overall fiscal balance in the years ahead. For 2025, this should result in a primary balance surplus of 1.3 percent of GDP, but will be stronger should interest expenditures end up being higher than currently projected. We will take the needed measures to ensure adequate absorption so that the unprecedented disinflation process continues. The consolidation will be underpinned by continued strict spending, with further reduction in untargeted subsidies and improvements in state efficiency, allowing us to also re-prioritize spending towards social assistance, pensions, and priority infrastructure. Meanwhile, improvements in tax buoyancy from the ongoing economic recovery, as well as last year's personal income tax reform, are expected to largely compensate for the elimination of impuesto pais, the recent temporary reduction in export duties, as well as one-off revenues (resulting from last year's tax moratorium and amnesty, wealth tax advancement). Higher-than-projected revenues will generally be saved, although consideration will also be given to reducing the most distortive taxes should this windfall prove more permanent. Beyond this year, efforts will continue to focus on further strengthening the quality and durability of our fiscal anchor, especially through carefully sequenced reforms, including to improve the tax, revenue sharing, and pension systems (see below). In that regard, we will present to Congress in September a draft 2026 budget law ***(end-September 2025, SB)*** outlining our spending priorities while staying consistent with our zero-overall budget deficit rule.

16. Fiscal structural reforms will aim to consolidate the quality of the ongoing adjustment and transformation of the public sector.

- **Tax policy and administration.** Given already high statutory tax rates and excessively distortive and complex tax system, our efforts will focus on improving the system's efficiency, simplicity, equity, and compliance, while reducing the tax burden on the Argentine people. We will develop and, at an appropriate stage, share with Fund staff a comprehensive revenue-neutral tax reform proposal that simplifies the tax system by drastically reducing the number of taxes ***(end-December 2025, SB)***. The plan envisages the harmonization of VAT rates and across-the-board rationalization of costly tax expenditures, which will also provide space to gradually phase out distortive trade and financial transactions taxes. In parallel and building on the recent restructuring of the revenue administration agency, efforts will continue to improve the efficiency and transparency of tax and custom collection, including by strengthening the compliance risk management framework, with technical support from development partners.

- **Revenue sharing and fiscal frameworks.** To enhance fiscal discipline and proper burden sharing across levels of government, we will continue to engage with provinces and municipalities to encourage them to reduce their heavy reliance on distortive taxes, and streamline their own operations. In this regard, consideration will be given to reforming the revenue sharing system and enhancing fiscal discipline incentives of subnational governments, in line with commitments in the Pacto de Mayo signed last year. As a first step, we will work to enhance the fiscal reporting of provinces.

- **Spending quality and efficiency.** Our fiscal anchor is designed with the broader objective of keeping expenditures in check while improving the state's efficiency and quality of public goods (see next bullet and ¶s 24-25). In this regard, we have continued to broadly align tariffs with cost recovery for higher income households and commercial users, and are considering simplifying the current energy subsidy scheme for lower income users. Moreover, we have issued new regulation and started the process with the objective of the normalization of the wholesale electricity market (Mercado Electrico Mayorista MEM) by end-November 2025 ***(end-November 2025, SB)***. In addition, we will work on the preparation of a comprehensive revision of the **pension system**, aimed at improving its equity and sustainability. The initiative being contemplated should simplify a highly fragmented system and improve the relationship between contributions and benefits, and is expected to be presented to Congress next year ***(end-December 2026, SB)*** given the many challenges that need to be addressed.

- **Public financial management reforms.** Building on the considerable progress thus far, our administration will (i) continue to close all but one of the extra-budgetary trust funds ***(end-December 2025, SB)*** with the ultimate goal of just leaving the fiduciary fund for residential gas subsidies open, as stated in Ley Bases; (ii) developing a plan to eliminate inefficient extra-budgetary entities, in order to also enhance their governance ***(end-September 2025, SB)****;* (iii) strengthen our institutional capacity to ensure transparent privatization of SOEs included in Law number 27.742, and publish a report of such SOEs, alongside a roadmap for their privatization and concessions ***(mid-November 2025, SB)***; (iv) improve the targeting and efficiency of social programs, by harmonizing different administrative databases into a single social registry (Sistema de Indicadores Sociales, SIS) ***(end-December 2025, SB)***; and (v) enhance cash management by expanding the coverage of the integrated system of financial information (Sistema Integrado de Información Financiera, e-SIDIF) to include other government bodies and agencies ***(end-December 2025, SB)***.

- **Fiscal frameworks.** Building on recent progress, in tandem with the draft 2026 budget, we will publish a medium-term fiscal framework that includes a more detailed fiscal risk analysis with adverse scenarios ***(end-September 2025, SBs)***, and publish a plan to revamp the Fiscal Responsibility Legislation to enshrine our zero-deficit fiscal rule into law ***(end-December 2026, SBs).***

Financing Policy

17. Our domestic debt management strategy will continue to prioritize enhancing the debt outlook. Building on the de-indexation and maturity extension that took place in 2024, and a series of successful voluntary debt exchanges, we will seek to further strengthen the peso debt market and enhance the domestic debt profile and outlook. Focus will be given to building a yield curve with benchmark bonds to support secondary market liquidity and price discovery, with sufficient buffers to strengthen confidence. Consideration will be given to outlining the domestic financing strategy, including the expected composition of financing by creditor and instrument.

18. Our FX financing strategy focuses on re-accessing international markets in a timely manner, including to smooth obligations over the medium term. We are committed to continue fulfilling obligations to private bondholders, while keeping overall FX-denominated debt unchanged, consistent with our zero-deficit rule. Sustained implementation of our plan, including enhancements in the monetary and FX policies, will help to further reduce sovereign spreads and allow us to regain market access at more reasonable rates to refinance our foreign-currency-denominated debt obligations. These efforts will not only support debt sustainability, but also permit an eventual reduction in Fund exposure as conditions permit. In addition, we will continue our engagement with claimants regarding our pending international litigation cases.

19. Our strong program, supported by the new Fund arrangement, is expected to catalyze support from other official creditors. Net financing after interest payments from multilateral and regional developments banks are projected to reach at least US$2 billion during 2025. The World Bank and Inter-American Development Bank (IADB) are expected to provide net financing to support our fiscal and social reform efforts, including through budget support operations that would rebuild reserves. Support from key bilateral official creditors will continue. Specifically, we remain engaged with the PBOC regarding the activated portion of the swap falling due during 2025-26 (about US$5 billion) and work is well advanced toward renewing the financing of the hydro-dam project. Final financing assurances will be sought ahead of IMF Board consideration.

Monetary and Exchange Rate Policies

20. The gradual transition towards greater exchange rate flexibility and easing of FX restrictions, will be key elements of the next phase of our stabilization plan. Given the progress in reducing inflation, consolidating the fiscal anchor, and healing the central bank's balance sheet, conditions are becoming appropriate for the lifting of most FX restrictions and a more flexible exchange rate. Enhancements to the monetary and exchange rate framework seek to improve our ability to adjust to shocks while rebuilding reserves and reinforcing the anchors of the ongoing disinflation process (i.e., fiscal, monetary, and exchange rate). In this context, we will rely on tight macroeconomic policies to ensure an orderly transition in the context of evolving market conditions. Over the medium term, and as conditions permit, we plan to move to a fully flexible exchange rate regime where the peso and US dollar coexist, consistent with Argentina's bi-monetary economy. In this regard, measures continue to be taken to foster currency competition, including by allowing businesses to publish prices and receive payments in US dollars.

21. Monetary policy will remain tight to support stability and disinflation. Building on the success of our broad base money limit, and our commitment to strengthen the public sector's balance sheet and rebuild net international reserves ***(performance criterion)***, the current ARS 47.7 trillion broad monetary base ceiling will be replaced by a conventional monetary aggregate framework. An ***indicative ceiling*** on central bank net domestic assets (NDA) will be established as the nominal anchor for inflation, and consistent with a balanced re-monetization of the economy. Our commitment to zero monetary financing of (a) any Treasury deficit or (b) interest payments due on BCRA liabilities, remains in place. Our monetary framework and tight monetary policy will continue to encourage peso demand and safeguard stability, while maintaining our prudent reserve requirements regime. Should money demand prove weaker than anticipated, NDA would adjust accordingly, in coordination with the Treasury.

22. Efforts will continue to facilitate a responsible expansion of private credit. The BCRA will continue to rationalize the reserve requirement regime to further improve monetary transmission and encourage private credit (which remains very low at under 6.9 percent of GDP). As bank deposits grow, private sector credit is expected to expand along with a relative decline in public sector's exposure. In this context, credit quality will need to be closely monitored, while bank regulations are gradually aligned with Basel III standards on risk-based supervision. Macroprudential policies will continue to ensure that FX mismatches are contained—FX lending with FX deposits are limited to exporters. The regulatory framework will evolve taking into consideration the fast-growing nonbank financial institutions (NBFIs) and Fintech industry. Finally, we will continue to enhance our institutional capacities to guard against cyber and cross-border money laundering risks (see ¶25).

Structural Policies and Governance

23. Greater focus is now being given to addressing deep-seated structural impediments to growth, investment, and external competitiveness. Building on the recent successful reforms in key sectors (transport, real estate, retail), our administration will continue to deregulate other sectors and reduce entry barriers to improve resource allocation, promote competition, and enhance consumer welfare. Particular attention will be given to ensure a transparent and evenhanded implementation of the large investment regime (RIGI), to mobilize investment already committed and encourage new investments, including in energy, mining, agroindustry, and knowledge services. Building on the 2024 labor regulation reforms to enhance flexibility and reduce excessive hiring/firing costs, efforts will center on encouraging firms and workers to adhere to the new framework to boost formal employment. Meanwhile, we will continue to gradually phase out tariff and non-tariff trade barriers, as conditions permit, while proceeding with other reforms (including of the tax system) to facilitate the reallocation of resources towards more competitive sectors. The resolute implementation of this agenda is expected to boost potential growth and reverse Argentina's secular decline in productivity and living standards.

24. We will deepen efforts to reduce the state's footprint in the economy while increasing its efficiency. Reforms will aim to further rationalize redundant public employment and services, eliminate the preferential treatment of public entities, and enhance the efficiency and governance of SOEs. To this end, we plan to improve the capacity of federal workers and make sure their compensation is similar across government bodies, including through the centralization of payroll decisions and human resources management.

25. A further strengthening of governance and security will be a critical complement to the ongoing transformation.

- **Governance and transparency.** Building on efforts to tackle rent seeking by vested interest (including through the elimination of import controls and of intermediaries of social assistance programs), we will strengthen anticorruption frameworks (including by updating the Public Ethics Law) and the efficiency and transparency of and public procurement processes, particularly for large investment projects, while also updating the regulatory framework and improving monitoring mechanisms. In addition, efforts will continue to strengthen the competition and anti-trust agencies to secure firms operate on a level playing field, including vis-à-vis public subnational entities. We are considering a reform to the Public Ethics Law, originally enacted in 1999, recognizing the need for an update to address contemporary legal and institutional challenges related to public integrity. The reform is essential to align the law with the evolving landscape of governance and accountability. Additionally, it seeks to ensure that the national legal framework adheres to the international conventions to which Argentina is a party, further reinforcing the commitment to transparency and ethical conduct in public institutions.
- **Anti Money Laundering and Combating the Financing of Terrorism.** Strengthening the AML/CFT frameworks is critical to our reform efforts, including with regard to our broader security policies. Implementing key recommendations of the Financial Action Task Force (FATF)

remains a top priority, where close collaboration with the Fund and other experts is expected. As a key step, we will publish a Fund TA report on the implementation of several of these recommendations, where early priority will be given to actions aimed at mitigating cross-border money laundering risks, with an emphasis on strategic analysis, monitoring and mitigation of cross-border ML/TF risk, while including risk-based exemptions to enhance public sector efficiency ***(end-November 2025, SB)***.

Table 1. Argentina: Proposed Quantitative Performance Criteria and Indicative Targets 1/ 2/

(In Billions of Argentine Pesos, Unless Otherwise Stated)

	end-Mar 2025	end-May 2025	June 13 2025	end-Sep 2025	end-Dec 2025	end-Mar 2026
	Estimations	*Indicative Targets*	*Targets*	*Targets*	*Indicative Targets*	*Indicative Targets*
Fiscal targets						
Performance Criteria						
1. Cumulative floor on the federal government primary balance 3/	3,643.7	6,070.0	…	9,300.0	10,519.9	4,200.0
2. Ceiling on the federal government stock of domestic arrears 4/	6,360.6	6,360.6	…	6,360.6	6,360.6	7,615.7
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	0.0
Indicative Target						
4. Floor on the coverage of social assistance programs (AUH, Tarjeta Alimentar) (percent of basic consumption basket)	95.0	95.0	95.0	95.0	95.0	95.0
Monetary targets						
Performance Criteria						
5. Cumulative floor on the change in net international reserves of BCRA 5/ 6/	-4.9	…	-0.5	-0.6	4.0	2.5
6. Cumulative ceiling on net central bank financing of the federal government 7/	…	…	0.0	0.0	0.0	0.0
Indicative Target						
7. Ceiling on the Change in the BCRA's Net Domestic Assets 8/	5,826.0	…	8,954.1	14,297.7	14,781.4	20,223.4

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 test date of each calendar year.

4/ Includes intra-public sector transfers (transferencias figurativas). Average stock measured over the last two weeks before test date.

5/ In billions of U.S. dollars.

6/ Targets exclude changes in the net IMF credit since the start of the program, and are subject to adjustors as defined in the TMU. Targets are cumulative from the end of 2024 to each test date.

7/ Cumulative flows since the start of the program.

8/ Changes in monthly average from December 2024 to each test date, subject to adjustors as defined in the TMU. For June 2025, change from December 2024 average to May 14-June 13 average.

Table 2. Argentina: Proposed Structural Benchmarks

Proposed Prior Action	Sector	Status	Completion Date
1. Publication of a press release by the BCRA clarifying the new monetary and FX regime, consistent with the introduction of an exchange rate band.	Monetary / FX policy		
2. Publication of BCRA resolutions easing current account and capital account restrictions.	Monetary/FX Policy		
3. Issuance of an Emergency and Necessity Decree (DNU) eliminating the export incentive scheme (80/20)	Monetary/FX Policy		
Proposed Structural Benchmarks	**Sector**		**Completion Date**
1. Publish a report of the SOEs included in Law number 27.742, alongside a roadmap for their privatization and concessions, prepared by the SOE Transformation Agency.	Fiscal/ Structural		mid-November 2025
2. Publish guidelines needed to ensure an efficient and transparent privatization process of SOEs included in Law number 27.742.	Fiscal/ Structural		mid-November 2025
3. Develop a plan to eliminate inefficient extra-budgetary entities, in order to also enhance their governance.	Fiscal/ Structural		end-September 2025
4. Submit to Congress the draft 2026 budget, consistent with the zero-overall budget deficit rule. The draft budget will contain a medium-term fiscal framework, including a detailed fiscal risk statement and adverse scenarios.	Fiscal/ Structural		end-September 2025
5. Eliminate all fiduciary funds (with the exception of the fiduciary fund for residential gas subsidies).	Fiscal/ Structural		end-December, 2025
6. Implement resolution 21/2025 to deregulate the wholesale electricity market (*Mercado Electrico Mayorista MEM)*	Fiscal/ Structural		end-November 2025
7. Publish Fund TA report on the implementation of several of the key FATF recommendations, with early priority on monitoring and strategic analysis measures to address cross-border ML risks and the implementation of risk-based exemptions to enhance public sector efficiency.	Financial/ Governance		end-November 2025
8. Complete the integration of relevant administrative databases into a single social registry (*Sistema de Indicadores Sociales*, SIS), working with World Bank technical assistance, to improve the targeting and efficiency of social support.	Fiscal/ Structural		end-December 2025
9. Develop (and share with Fund staff) a proposal to enhance the efficiency and simplicity of the tax system. The proposal should envisage the rationalization of costly tax expenditures, which will provide space to gradually phase out distortive trade and financial transactions taxes.	Fiscal/ Structural		end-December 2025
10. Implement the expansion in the coverage of the integrated system of financial information (*Sistema Integrado de Información Financiera*, e-SIDIF), working with the IDB, to include other government bodies and agencies announced in decree 1093/2024.	Fiscal/ Structural		end-December, 2025
11. Present to Congress a diagnostic and revision option report to the pension system, aimed at improving its equity and sustainability. The initiative should simplify a highly fragmented system and improve the relationship between contributions and benefits.	Fiscal/ Structural		end-December, 2026
12. Present a plan to revamp the Fiscal Responsibility Legislation.	Fiscal/ Structural		end-December, 2026

Attachment II. Argentina: Technical Memorandum of Understanding

April 6, 2025

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, 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 January 31, 2025. Accordingly, the exchange rates for the purposes of the program are shown in Text Table 1.

Table 1. Program Exchange Rates

Argentine Pesos to the US dollar	1,053.50
Argentine Pesos to the SDR	1,373.58
Argentine Pesos to the Euro	1,097.43
Argentine Pesos to the Canadian dollar	731.24
Argentine Pesos to the British pound	1,311.71
Argentine Pesos to the Renminbi	145.42
Gold price (US$/ounce)	2,808.08

1/ Rate published by the BCRA as of Jan 31, 2025.

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, the Balance of Payments Manual (sixth edition) 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 Fund 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), property revenue income (rentas de la propiedad), other current revenues (otros ingresos corrientes), 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 the start date of the program, 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 (gastos de capital), and transfers (transferencias).

9. **Measurement:** The arrears are measured on a daily basis. Arrears will be capped at about 0.8 percent of GDP (ARS 6,360.6 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, (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 net purchases from the start date of the program onwards, (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 swap with the People's Bank of China, the foreign exchange bank reserve requirements, SEDESA, ALADI and other non-resident deposits would be considered, for program purposes, as gross official reserve liabilities.

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 31, 2024.

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

14. Adjustors:

- **Official non-project borrowing 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 borrowing and grants from official 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 borrowing and grants, would be capped at a cumulative of US$4 billion 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 and/or the BCRA.

Table 2. Program Loan Disbursements from Multilateral and Bilateral Sources

(Baseline Projection)

	(in millions of US$) 1/
end-March 2025	2,387
end-June 2025	3,061
end-September 2025	4,726
end-December 2025	5,173

1/ Cumulative from January 1, 2025.

- **FX debt issuance:** The NIR targets for calendar year 2025 will be adjusted upward by the amount of gross external borrowing by the Federal Government and by the BCRA from private creditors in foreign currency from the start date of the program until end-2025. The value of the upward adjustor would be capped at a cumulative of US$1,500 million.

Cumulative Ceiling on the BCRA's Net Financing of the Federal Government

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 issuance 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 increases of peso deposits at the BCRA,[1] 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 and transactions with government instruments used to conduct monetary policy, including the LeFi (Letras Fiscales de Liquidez), are excluded from this definition.

16. Measurement: The cap of cumulative flows on net financing since the start of the program is set to zero.

17. Clarification: Any decrease in the stock of Adelantos shall only reflect cash payments of this amount by the Treasury to the BCRA. Transfer of Letras Intransferibles 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 program start date. 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.

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. External debt is determined according to the residency criterion (and, as such, would encompass nonresident holdings of Argentine law peso and foreign currency debt). 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,

[1] Increases in Treasury peso deposits will be truncated at zero, so that any reduction in Treasury peso deposits does not lead to an increase in the BCRA's net financing of the federal government.

[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.

debentures, commercial loans and buyers' credits) and temporary exchanges of assets that are equivalent to fully collateralized loans under which the obligor is required 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 the start date of the program, 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 debt commercial claims that are being liquidated prior to the start date of the program.

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 not: (i) impose or intensify any exchange restrictions, (ii) introduce or modify Multiple Currency Practices (MCPs), as elaborated in the TMU, (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). Narrowing the scope or lowering the rates of the withholding tax assessed as giving rise to MCPs by the Fund will not constitute a modification as defined under the PC.

Indicative targets

Ceiling on the Change in the BCRA's Net Domestic Assets

23. Definition. Net Domestic Assets (NDA) of the BCRA are defined as the difference between base money and net international reserves measured at program exchange rates as defined above. Base money is equal to the sum of banknotes and coins issued by the BCRA plus banks' accounts at the BCRA denominated in pesos. The reserve requirement is defined as the peso-denominated reserves on account at the BCRA that banks are required to keep by regulation on average each month.

24. The ceiling applies to the monthly average of NDA for the final month of each quarter. The change will be calculated with respect to the average of the month of December 2024 which was ARS 29,872.0 billion.

25. Monitoring. Data will be provided to the Fund on a daily basis with a lag of no more than 2 days.

26. Adjustors:

- **Official non-project borrowing and grants.** The NDA targets will be adjusted downward (upward) by the surplus (shortfall) in program loan disbursements and grants from multilateral institutions (including the BCIE, EIB, IBRD, IADB and CAF) and borrowing and grants from official bilateral partners, relative to the baseline projection reported in Text Table 2. The value of the upward adjustor, i.e., in the event of a shortfall of borrowing and grants, would be capped at a cumulative of US$4 billion 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 and/or the BCRA.

- **Reserve requirement.** The NDA ceiling will be adjusted if the minimum reserve requirement on commercial banks is changed after the start date of the program. The ceiling will be increased (decreased) by the same peso amount as the increase (decrease) in required reserves due to regulatory changes. The BCRA will reach agreement with IMF staff prior to making any changes to the levels or structure of reserve requirements.

- **FX debt issuance:** The NDA ceiling for calendar year 2025 will be adjusted downward by the amount of gross external borrowing by the Federal Government and by the BCRA from private creditors in foreign currency from the start date of the program until end-2025. The value of the downward adjustor would be capped at a cumulative of US$1,500 million.

Floor on the Coverage of Social Assistance Programs Provided by the Federal Government

27. Definition: The target will be calculated as the percentage of the basic consumption basket (canasta básica alimentaria) covered by the benefits from the following programs:

- *Asignación Universal para Protección Social, which includes the following sub-programs: Asignación Universal por Hijo, and Asignación por Embarazo.*

- *Tarjeta Alimentar*.

28. Monitoring: Data will be provided to the Fund with a lag of no more than 25 calendar days after the end of each month. The indicative target will be measured as the average of the coverage in the six months prior to the test date. The social assistance benefit will be measured for an adult-equivalent.

OTHER INFORMATION REQUIREMENTS

29. 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 closing exchange rates of the Argentinian peso against the U.S. dollar; 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.

- Daily data on FX sales and purchases in the official and forwards FX markets showing the minimum, maximum and weighted average of exchange rate of the Argentinian peso against the U.S. dollar at the time of these FX sales and purchases and amount in US dollar.

- Daily data on the daily FX closing rates.

- 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 one day.

- Daily data on BCRA-issued securities by type of security and interest rate.

- 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.

- Daily data on external financing from each multilateral and bilateral creditor, broken down by budget support and project financing, and by largest bilateral projects.

- Data on the outstanding stock of BCRA put options on government bonds.

Weekly

- BCRA balance sheet.

- 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.

- Weekly data of the following international reserve liabilities for the purpose of the computation of net international reserves at current rate and at program rate: (i) swap lines, (ii) regulatory requirement FX deposits, (iii) Sedesa liabilities, (iv) SDR Buffer, (v) BOPREAL liabilities of maturing in less than one year and (vi) other liabilities.

- Weekly data of (i) Gold and (ii) SDR components of international reserves.

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).

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.

- Fiscal financing sources (below-the-line), 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.

ARGENTINA

ASSESSMENT OF THE FUND'S FINANCIAL EXPOSURE AND LIQUIDITY POSITION

April 7, 2025

Approved by
Zuzana Murgasova (FIN) and Mark Flanagan (SPR)

Prepared by the Finance Department and the Strategy, Policy, and Review Department.

CONTENTS

TABLES

INTRODUCTION

1. **Argentina is requesting a 48-month extended arrangement under the Extended Fund Facility (EFF) with access of SDR 15.3 billion—currently equivalent to US$20.3 billion, amounting to 479 percent of quota.** The proposed phasing is highly frontloaded, with a first purchase equivalent to SDR 9.2 billion, about US$12 billion (287 percent of quota), available upon approval and a total of SDR 11.5 billion, about US$15 billion (359 percent of quota), available in the first twelve months of the arrangement. This would amount to about 75 percent of total access under the program. After the first three purchases, the other purchases are proposed to be spread evenly across seven semiannual reviews (Table 1).

Table 1. Argentina: Proposed EFF – Access and Phasing

Availability Date 1/		SDR millions	Percent of quota		
			Purchase	Cumulative	Credit Outstanding
2025	April	9,160.0	287.4	287.4	1263.1
	June	1,529.0	48.0	335.4	1311.1
	November	763.0	23.9	359.3	1335.0
2026	May	545.0	17.1	376.4	1352.1
	November	545.0	17.1	393.5	1350.9
2027	May	545.0	17.1	410.6	1334.1
	November	545.0	17.1	427.7	1294.9
2028	May	545.0	17.1	444.8	1241.4
	November	545.0	17.1	461.9	1178.8
2029	March	545.0	17.1	479.0	1122.4
	Total	15,267.0	479.0		

Source: IMF Finance Department.
1/ After approval of the arrangement, all subsequent purchases will be contingent on the completion of a review and compliance with performance criteria to be established under the arrangement.

2. **This note assesses the risks to the Fund's exposure and its liquidity position arising from the proposed EFF arrangement for Argentina.** The assessment is provided in accordance with the policy on exceptional access (EA) and based on the assumption that all four EA criteria are met.[1]

[1] See paragraph 5 of Decision No 14064-(08/18), adopted 2/22/2008, as amended, and *The Acting Chair's Summing Up of the Review of Access Policy Under the Credit Tranches and the Extended Fund Facility*, and *Access Policy in Capital Account Crises—Modifications to the Supplemental Reserve Facility and Follow-Up Issues Related to Exceptional Access Policy* (3/5/03).

PAST FUND ARRANGEMENTS AND RECENT DEVELOPMENTS

3. Argentina has been the largest user of Fund resources since 2018 (Table 2). Argentina had several arrangements during the 1980s and 1990s, and had credit outstanding to the Fund continuously from 1983 through January 4, 2006, when Argentina repaid all its obligations to the Fund and cancelled the September 2003 SBA the following day. Subsequently, there was no Fund credit outstanding until June 2018, when the Fund approved a 36-month SBA with access of SDR 35.4 billion, of which 70 percent (SDR 24.8 billion) was planned to be treated as precautionary. Access was augmented at the time of the first review in October 2018 to SDR 40.7 billion (US$57 billion, or 1,277 percent of quota) without any of the amount planned to be treated as precautionary. The 2018 SBA went off track in August 2019 and was ultimately cancelled in July 2020. Four out of twelve planned reviews were completed, with SDR 31.9 billion (78 percent of total access) disbursed.

4. A 30-month EFF was approved in March 2022. Access under the EFF was SDR 31.9 billion (1,001.3 percent of quota or about US$44 billion). This was equivalent to the total disbursements made under the 2018 SBA (including repurchases of SDR 3.2 billion made in 2021 and early 2022 before approval of the EFF), in a context of low reserves and no market access with large Fund repurchases representing a major component of Argentina's BoP needs. This was the second-largest non-precautionary arrangement in Fund history, after the 2018 SBA. Eight of the planned ten reviews were completed, with the arrangement ultimately expiring without completion of the ninth or tenth reviews.[2] A total of SDR 31.1 billion (97 percent of total access) was disbursed—an amount of Fund credit similar to that disbursed under the 2018 SBA, but with scheduled repurchases spanning 2026-2034, contrasting with the concentration of repurchases under the 2018 SBA during 2021-2024.

5. While the 2022 EFF did not achieve its original macroeconomic objectives, a major course correction helped Argentina make important strides toward macroeconomic stabilization during 2024. An Ex-Post Evaluation (EPE) of the 2022 EFF was completed in January 2025.[3] It found that the combination of a gradualist reform strategy, large adverse shocks, and progressively weaker implementation resulted in outcomes substantially worse than in the baseline by end-2023, with inflation exceeding 200 percent, liquid FX reserves fully depleted, and external bond spreads reaching about 2,500 basis points. After the November 2023 election of President Milei, the authorities implemented a sharp fiscal consolidation to bring the overall budget to balance and an exchange rate devaluation of 120 percent, while discontinuing monetary financing. This strengthened public finances, substantially reduced money growth and central bank quasi-fiscal

[2] The fifth and sixth reviews were combined and completed in August 2023. The seventh review included a rephasing and extension of the arrangement by three months to December 31, 2024.

[3] *Ex-Post Evaluation of Exceptional Access Under the 2022 Extended Fund Facility Arrangement* (EBS/24/155, 12/20/2024).

losses, reduced inflation after a large initial spike, and allowed some accumulation of FX reserves, although the intense macroeconomic instability inherited from the previous phase of the program, and the sharp policy adjustment to address it, took a heavy toll on economic activity. Overall, there has been important progress, with a substantial reduction in inflation, and economic activity beginning to recover in the second half of 2024. However, the path to a durable resolution of Argentina's Balance of Payments problem remains challenging, with NIR remaining negative and large upcoming public and external debt obligations.

Table 2. Argentina: IMF Financial Arrangements and Fund Exposure

Year	Type of New Arrangement	Date of Arrangement	Date of Expiration or Cancellation	Amount of New Arrangement	Amount Drawn	Fund Exposure 1/
2000	SBA 2/	10-Mar-2000	23-Jan-2003	16,936.8	9,756.3	3,880.3
2001						11,121.1
2002						10,547.5
2003	SBA	24-Jan-2003	31-Aug-2003	2,174.5	2,174.5	10,446.2
	SBA	20-Sep-2003	5-Jan-2006	8,981.0	4,171.0	
2004						9,073.0
2005						6,655.7
2006						0.0
:						:
:						:
2017						0.0
2018	SBA	20-Jun-2018	24-Jul-2020	40,714.0	31,913.7	20,213.7
2019						31,913.7
2020						31,913.7
2021						29,260.3
2022	EFF	25-Mar-2022	31-Dec-2024	31,914.0	31,100.0	34,215.9
2023						30,412.5
2024						31,100.0
2025	EFF	*Apr-25*	*Mar-29*	15,267.0		*42,552.0*
2026						*42,808.7*
2027						*40,648.7*
2028						*36,897.0*
2029						*31,367.9*
2030						*24,230.5*
2031						*16,911.4*
2032						*10,244.0*
2033						*5,811.6*
2034						*2,925.4*
2035						*1,271.7*
2036						*681.3*
2037						*272.5*
2038						*45.4*
2039						*0.0*

Source: IMF Finance Department.
1/ As of end-December, unless otherwise stated. Figures including transactions under the proposed program are in italics. Fund exposure is derived assuming purchases are made as per the schedule in Table 1 and Argentina remains current on all its scheduled repurchases.
2/ The amount reflects also two augmentations including SDR 6.1 billion under the Supplemental Reserve Facility (SRF).

6. Argentina remains the Fund's largest borrower, with credit outstanding of SDR 31.1 billion as of end-March 2025. The outstanding amount reflects the purchases made under the 2022 EFF, as repurchases under the 2018 SBA were completed in July 2024. Repurchases under the 2022 EFF are scheduled to start in September 2026, with peaks in 2029 through 2031 at SDR 5.2 billion annually, and will conclude in 2034. Projected debt service to the Fund under the 2022 EFF, including repurchases, charges, and surcharges, will peak at SDR 6.2 billion in 2029.

DEBT SITUATION AND OUTLOOK

7. Despite favorable dynamics in 2024, Argentina's external debt vulnerabilities remain elevated (Table 3). External debt in U.S. dollar terms remained relatively stable in 2021-23 as a rise in commercial debt (trade credit and FDI debt), caused by the restrictions on import payments through the official FX market, including a lengthening of mandated delays after which importers can purchase FX, was offset by a gradual reduction of non-trade (financial) debt by both public and private sectors amid tight capital controls and limited market access. In 2024, the commercial debt backlog began to unwind, and the public sector debt continued to decline as a result of the ambitious stabilization program by the authorities with sovereign spreads, nevertheless, remaining elevated. A tax amnesty in H2:2024 helped reduce the external debt further, as it prompted Argentines to repatriate assets and invest them in sovereign and corporate bonds. The total external debt-to-GDP ratio is below the median of recent exceptional access (EA) cases (Figure 1, Panel B). However, external public sector debt[4] is elevated and accounts for almost two thirds of Argentina's external debt, broadly unchanged since the 2018 SBA. About 44 percent of the public external debt is owed to the official sector, with the IMF being the single largest creditor. Short-term debt represents about a quarter of total external debt (see Annex II in the staff report of the request for the EFF arrangement).

8. Argentina's external debt service burden is sizable relative to its exports and international reserves (Table 4). Total external debt service averaged about 15 percent of GDP in 2021-24. Although the ratio of external debt service to exports of goods and services was somewhat lower in 2024 than at the inception of the 2018 SBA or 2022 EFF, it was well above the median among recent EA cases (Figure 1, Panel C). The ratio of external debt service to reserves at end-2024 was above both the median of recent EA cases and broadly aligned with the ratios at the inception of the previous two programs (Figure 1, Panel D). Under the baseline of the proposed EFF, external debt service would subside but remain elevated in 2025-26, at about 11 percent of GDP on average, of which 0.5 percent of GDP per year are obligations to the Fund, mainly reflecting interest payments, while repurchases under the 2022 EFF come due after Q2:2026 (Table 5).

[4] Comprises federal government, the BCRA and provincial governments.

Table 3. Argentina: External Debt Structure

	2019	2020	2021	2022	2023	2024
Overall External Debt			*(in billions of U.S. dollars)*			
Gross External Debt (includes holdouts)	**278.5**	**271.4**	**266.7**	**276.2**	**287.8**	**276.1**
By Debtor						
Public sector	197.4	193.8	190.5	189.3	183.4	174.8
Federal government	155.9	152.6	146.8	145.9	145.3	134.9
Other public sector 1/	41.5	41.1	43.7	43.4	38.1	39.9
Private sector	81.1	77.7	76.2	86.9	104.4	101.3
Financial	8.8	6.5	5.7	4.8	4.2	4.2
Non-financial	72.3	71.2	70.5	82.1	100.2	97.1
o/w inter-company lending	22.9	31.8	32.3	39.7	51.9	54.5
By Creditor						
Debt to official creditors	95.6	76.6	72.8	81.2	77.3	75.4
Debt to banks	16.7	13.9	7.8	7.4	7.6	8.9
Debt to other private creditors	166.2	181.0	186.1	187.5	202.9	191.9
By Maturity						
Long-term	214.8	232.0	225.2	229.0	235.2	230.0
Of which: Public sector	29.4	27.1	28.4	27.0	24.9	22.3
Overall External Debt			*(in percent of GDP)*			
Gross External Debt (includes holdouts)	77.4	83.9	59.3	59.2	121.6	49.2
By Debtor						
Public sector	54.8	59.9	42.4	40.6	77.5	31.2
Federal government	43.3	47.2	32.6	31.3	61.4	24.1
Other public sector 1/	11.5	12.7	9.7	9.3	16.1	7.1
Private sector	22.5	24.0	16.9	18.6	44.1	18.1
Financial	2.4	2.0	1.3	1.0	1.8	0.8
Non-financial	20.1	22.0	15.7	17.6	42.3	17.3
o/w inter-company lending	6.4	9.8	7.2	8.5	21.9	9.7
By Creditor						
Debt to official creditors	26.6	23.7	16.2	17.4	32.6	13.4
Debt to banks	4.6	4.3	1.7	1.6	3.2	1.6
Debt to other private creditors	46.2	56.0	41.4	40.2	85.7	34.2
By Maturity						
Long-term	59.7	71.8	50.1	49.1	99.4	41.0
Short-term	17.7	12.2	9.2	10.1	22.2	8.2
Of which: Public sector	8.2	8.4	6.3	5.8	10.5	4.0

Sources: National authorities; and IMF staff estimates.
1/ Includes external debt of BCRA (swap lines), and provincial governments.

Table 4. Argentina: External Debt Service

	2020	2021	2022	2023	2024
	(in millions of U.S. dollars)				
Total external debt service	97,020	99,083	94,181	86,903	73,305
of which:					
Federal	9,662	12,514	38,504	29,365	15,953
Multilateral	3,851	8,070	19,428	25,249	11,889
Of which: IMF	1,471	5,127	18,642	20,986	7,913
Other IFIs	2,380	2,943	786	4,263	3,976
Bilateral	676	758	2,388	959	1,087
Private (non-resident bondholders)	5,136	3,686	16,688	3,157	2,978
BCRA	22,929	23,455	21,862	20,594	17,794
Private 1/	64,430	63,114	33,815	36,944	39,558
	(in percent of GDP)				
Total external debt service	25.5	20.6	15.0	13.4	11.7
of which:					
Federal	2.5	2.6	6.1	4.5	2.5
Multilateral	1.0	1.7	3.1	3.9	1.9
Of which: IMF	0.4	1.1	3.0	3.2	1.3
Other IFIs	0.6	0.6	0.1	0.7	0.6
Bilateral	0.2	0.2	0.4	0.1	0.2
Private (non-resident bondholders)	1.4	0.8	2.7	0.5	0.5
BCRA	6.0	4.9	3.5	3.2	2.8
Private 1/	17.0	13.1	5.4	5.7	6.3

Source: National authorities; and IMF staff estimates.
1/ Includes a small amount of provincial debt service.

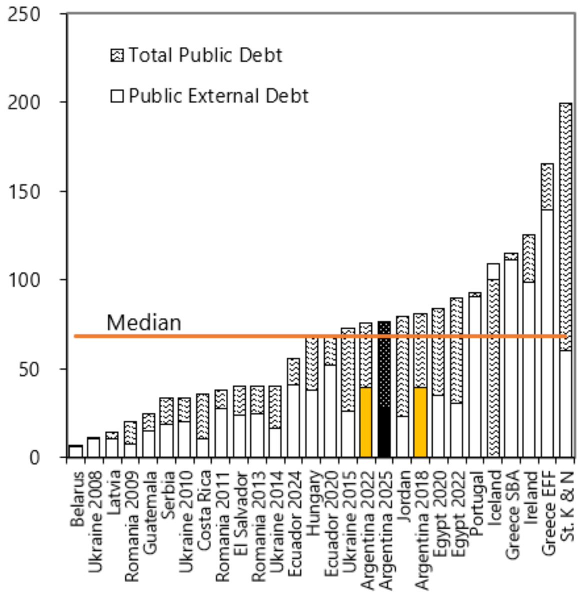
9. **Public debt is assessed to be sustainable but not with high probability.** Gray zone solvency and liquidity tests are met (including in scenarios of delayed market access). Gross federal government (Treasury) debt, after increasing to over 150 percent of GDP in 2023, has fallen to 86 percent of GDP in 2024 given large exchange rate valuation effects and a sharp fiscal adjustment (of over 5 percentage points of GDP). The debt is projected to fall further to about 56 percent of GDP by 2030 on the back of continued adherence to the strong fiscal anchor well as growth enhancing deregulatory and pro-market reforms. Despite the favorable dynamics, Argentina's debt remains above the median at the time of approval of recent EA cases (Figure 1, Panel A). Overall risks to debt sustainability are judged to be significant, and sustainability is subject to a successful implementation of the program.[5] External shocks and policy slippages could jeopardize macroeconomic stability, delay the return to international capital markets, and limit prospects for improving external debt servicing capacity over the medium term.

[5] See the debt sustainability analysis (DSA) provided in the staff report for the 2025 Request for the Extended Arrangement under the Extended Fund Facility for the detailed staff assessment.

Figure 1. Argentina: Debt Ratios for Exceptional Access Arrangements 1/

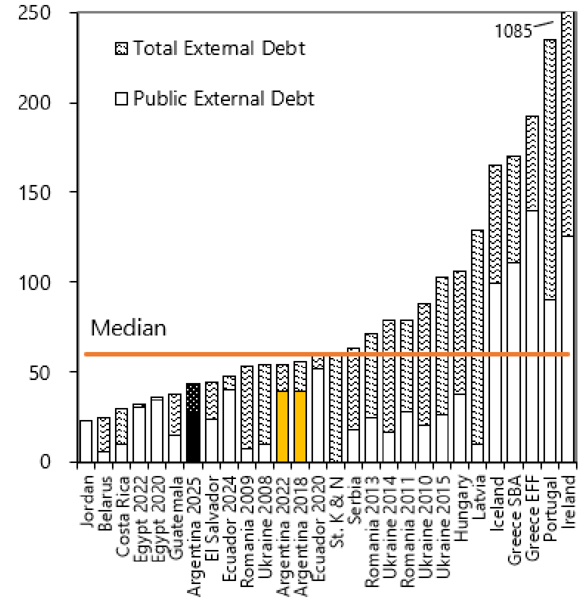
A. Total Public Debt and Public External Debt

(in percent of GDP)



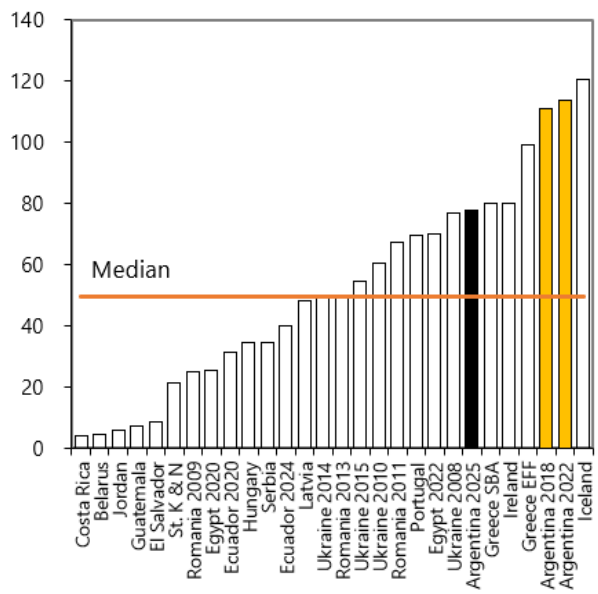
B. Total External debt and Public External Debt

(in percent of GDP)



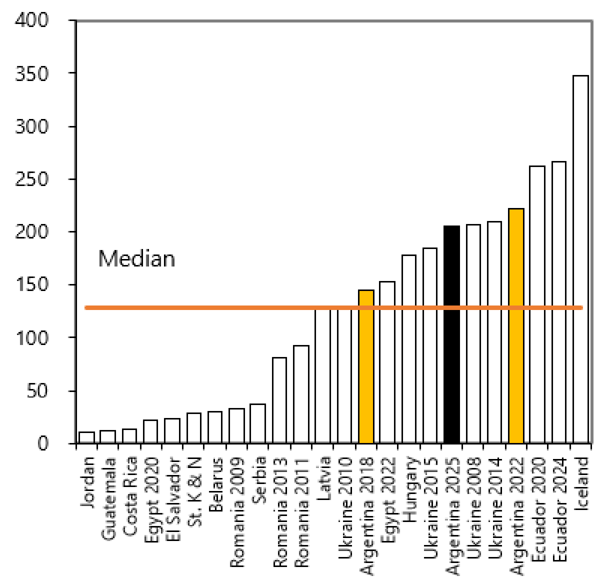
C. External Debt Service

(in percent of exports of goods and services)



D. External Debt Service 2/

(in percent of gross international reserves)



Sources: National authorities; and IMF staff estimates.

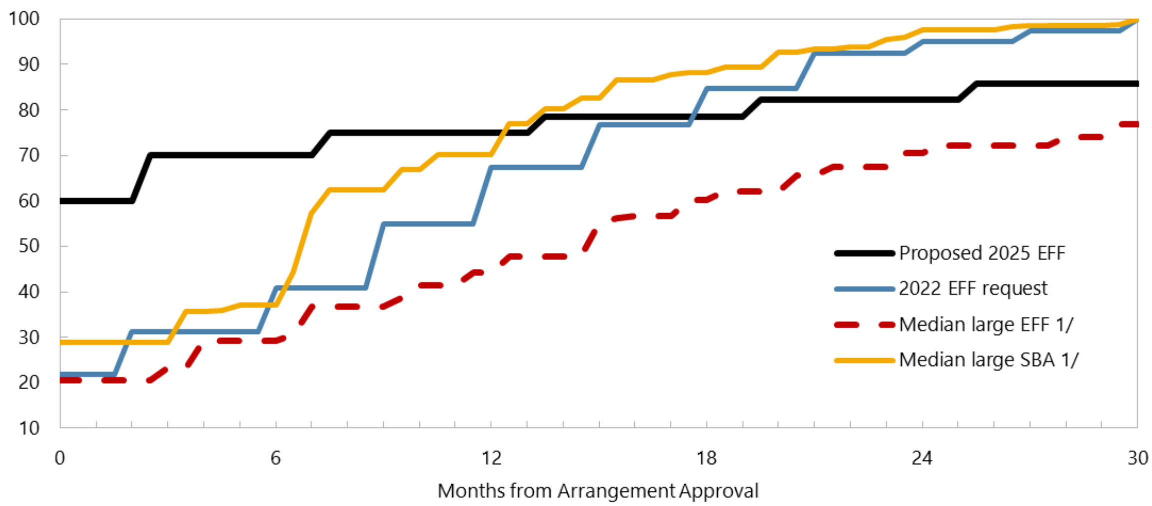
1/ Estimates as reported in relevant staff reports on the request or augmentation of SBAs or EFF arrangements approved since September 2008. For Argentina, ratios reflect 2024 data.

2/ Excluding arrangements with members belonging to the euro area at the time of the approval of the arrangement: Greece, Ireland, and Portugal.

ACCESS AND PHASING

10. The proposed arrangement would exceed normal annual access limits (NAAL), with a higher proportion of access available within the first year than any other EFF arrangement. The proposed annual access of 359 percent of quota in the first twelve months of the arrangement would exceed the NAAL (200 percent of quota) by SDR 5.1 billion. The absolute amount of the initial disbursement would be among the largest in the history of the Fund, second only to Argentina's 2018 SBA. The initial disbursement of 60 percent of total access under the arrangement would be unprecedented for an EFF, putting it well above that of the median large EFF (20 percent), the 2022 EFF (22 percent), the median large SBA (29 percent), Argentina's 2018 SBA (30 percent), and the most frontloaded large SBA (Turkey, 2002, 57 percent), even though SBAs are of shorter duration and tend to be more frontloaded by design (Figure 2).

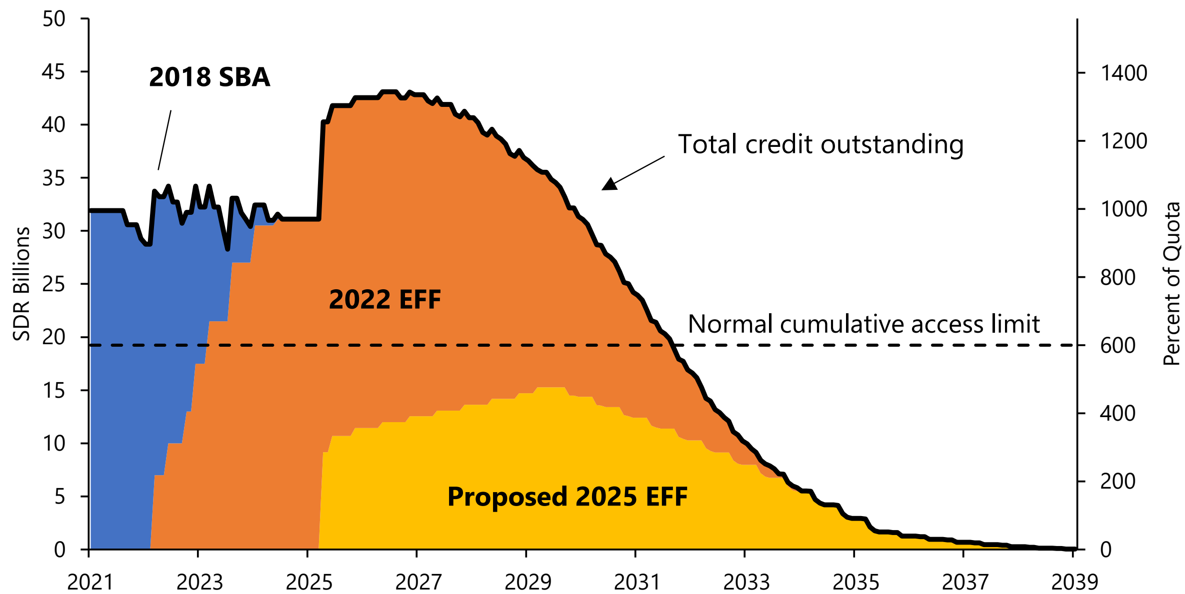
Figure 2. Argentina: Phasing: Proposed EFF and Other Large Arrangements
(cumulative access in percent of total access under the arrangement)



Source: IMF Finance Department.
1/ Other arrangements among the Fund's 20 largest arrangements.

11. The proposed total access of SDR 15.3 billion would keep Argentina's Fund credit outstanding above normal cumulative access limits (NCAL) for an extended period, with credit outstanding at the end of the EFF higher by 139 percent of quota than the pre-program level. Given Argentina's existing credit outstanding, the initial disbursement would raise Argentina's Fund credit outstanding to 1,263 percent of quota, SDR 21.1 billion higher than the NCAL of 600 percent of quota. Peak Fund credit to Argentina, assuming disbursements are made as scheduled under the proposed arrangement, is projected to reach SDR 43.1 billion in 2026 (1,352 percent of quota; Figure 3). This would be the Fund's largest-ever exposure in absolute terms, about SDR 8.9 billion higher than the peaks during the 2022 EFF (SDR 34.2 billion in December 2022 and March 2023). Credit outstanding would remain elevated, reaching SDR 35.5 billion at the end of the program in April 2029 (1,115 percent of quota), and remaining above the NCAL until September 2031.

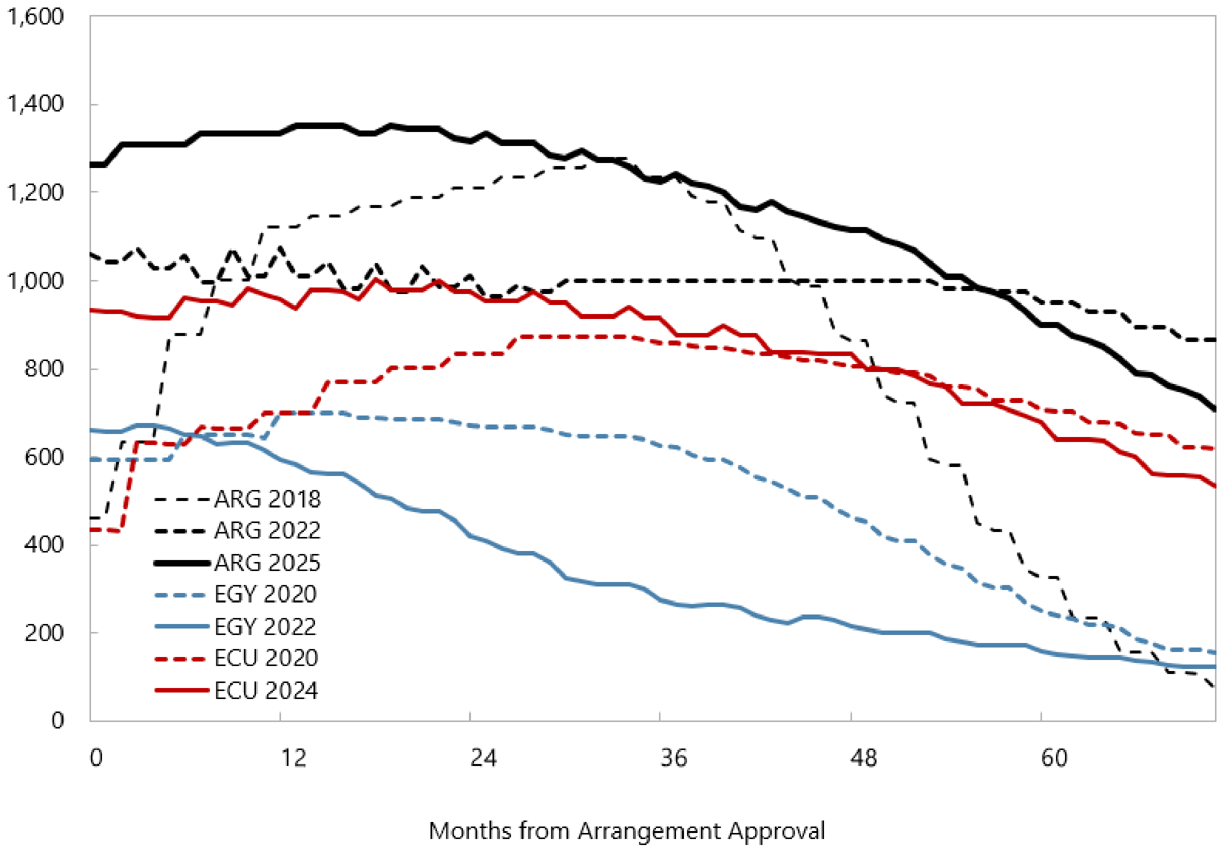
Figure 3. Argentina: Actual and Projected Fund Credit Outstanding



Source: IMF Finance Department.

12. Argentina's credit outstanding as a percent of quota would remain higher for longer than in recent EA arrangements for other countries. The path of the Fund credit/quota ratio would be above the paths of credit/quota ratios in the other EA arrangements approved since the 2016 reform of EA policy (Figure 4). Credit outstanding for Argentina as a share of quota would be on average 300 percentage points higher than the recent non-Argentina program with the next-highest path of projected credit outstanding, the 2024 Ecuador EFF. Fund credit to Argentina would exceed NCAL for six-and-a-half years from program approval, which is surpassed in length only by the EFFs for Greece, Ireland, Portugal, and the 2022 Argentina EFF.

Figure 4. Argentina: Expected Credit Outstanding in GRA Exceptional Access Cases 1/
(in percent of quota)

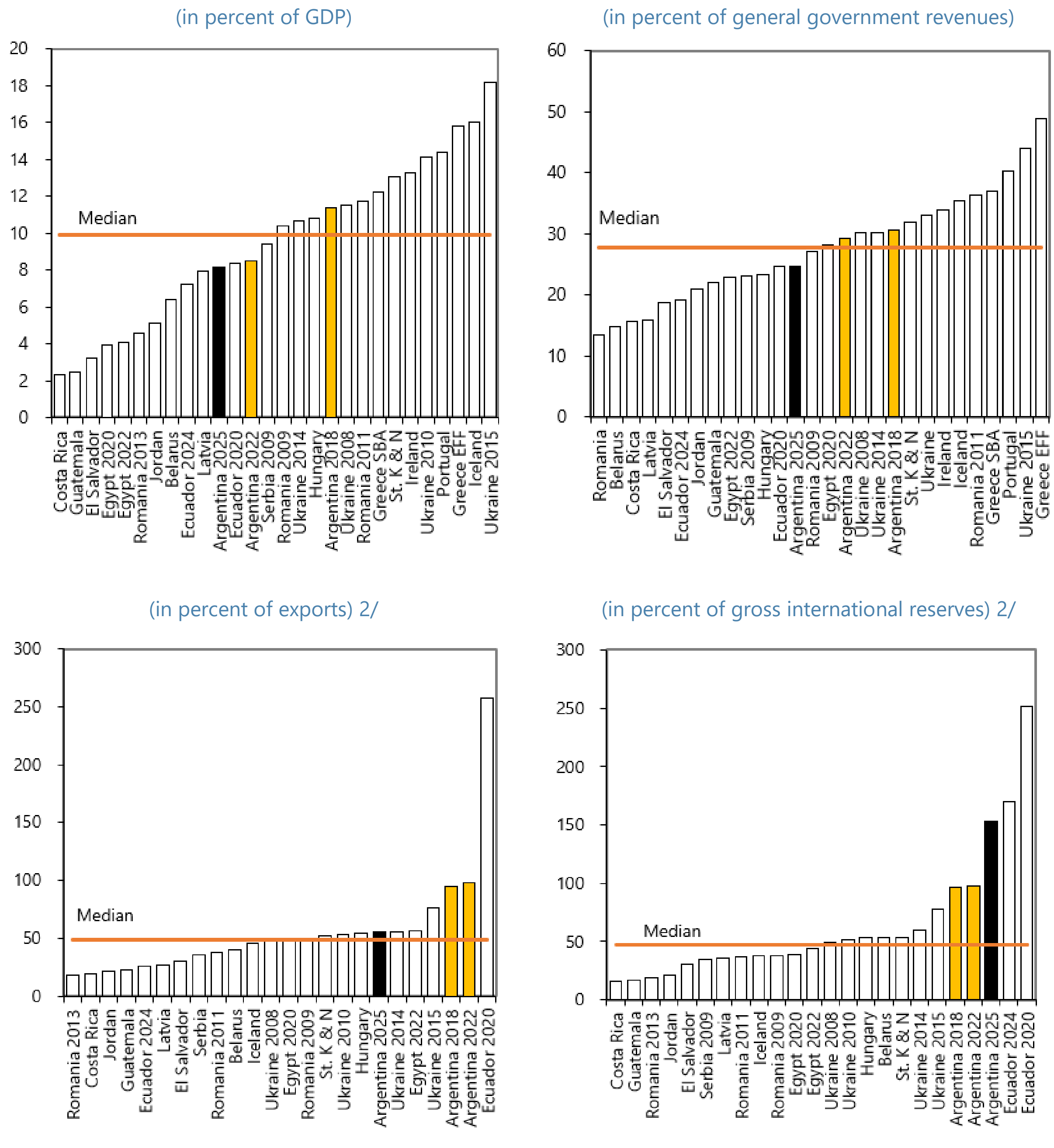


Source: IMF Finance Department.
1/ Credit outstanding as projected at time of request for program approval or augmentation, covering all approved EA arrangements since the reform of the EA policy in 2016. ARG 2018 shows the augmentation at the time of the first review. The x-axis shows time in years, starting with 0 at the month of program approval.

CAPACITY TO REPAY

13. **Argentina's peak exposure in percent of GIR would be substantially above both the median EA case and ratios during the previous two arrangements.** Fund credit outstanding over GIR would peak at 154 percent of GIR in 2025 (Table 5). This would be more than three times as high as the median of 47 percent for recent EA cases and exceed the peak ratios during the previous two arrangements, though Argentina's Fund credit/GIR ratio would be projected to decrease substantially from 2026 onwards owing to a sizable projected increase in GIR. Argentina's exposure in percent of total exports is projected to peak above the median EA case. Compared to other EA arrangements, Argentina's peak exposure would be near the median both in percent of GDP and in percent of general government revenue (Figure 5).

Figure 5. Argentina: Recent Exceptional Access Cases: Peak Total Fund Exposure 1/



Sources: National authorities; IMF Finance Department; and IMF staff estimates.
1/ Estimates as reported in relevant staff reports on the request or augmentation of SBAs or EFF arrangements approved since September 2008.
2/ Excluding arrangements with members belonging to the euro area at the time of the approval of the arrangement: Greece, Ireland, and Portugal.

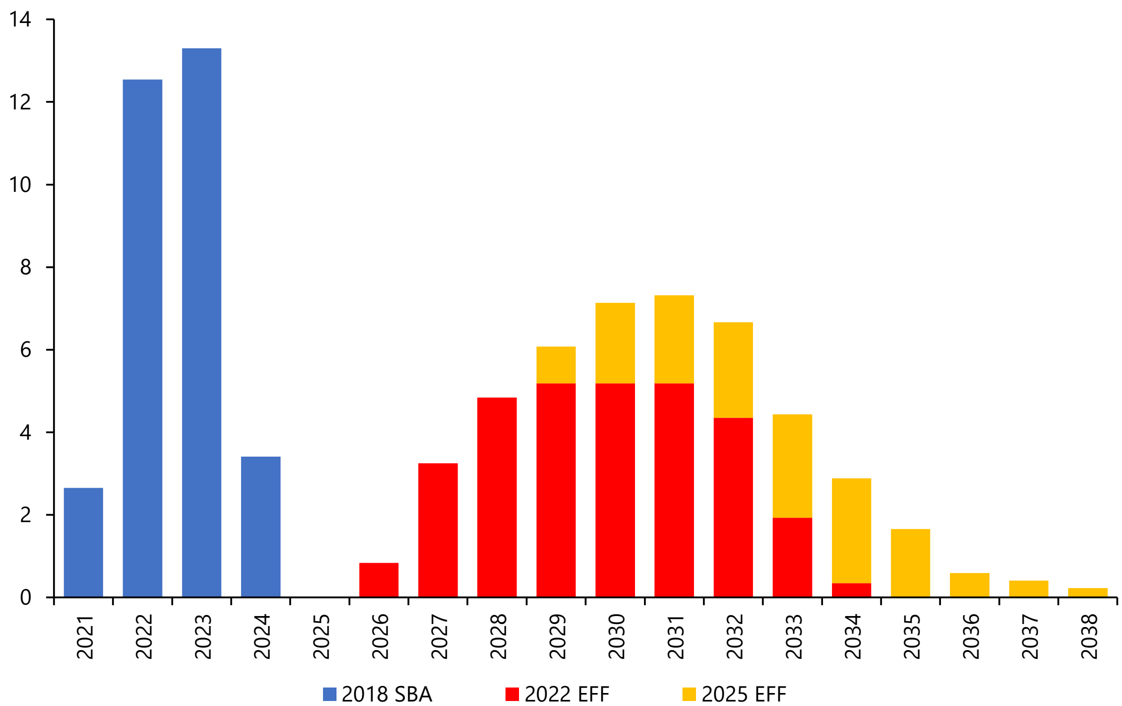
Table 5. Argentina: Capacity to Repay Indicators

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Exposure and repayments (in millions of SDR)										
GRA credit to Argentina	42,552.0	42,808.7	40,648.7	36,897.0	31,367.9	24,230.5	16,911.4	10,244.0	5,811.6	2,925.4
(In percent of quota)	1,335.0	1,343.1	1,275.3	1,157.6	984.2	760.2	530.6	321.4	182.3	91.8
Charges and surcharges due on GRA credit	2,342.1	2,653.6	2,623.9	2,445.6	2,186.5	1,775.7	1,312.4	842.7	486.4	337.1
Debt service due on GRA credit	2,342.1	3,487.0	5,873.9	7,287.3	8,260.5	8,913.2	8,631.5	7,510.2	4,918.8	3,223.3
Debt and debt service ratios										
In percent of GDP										
Total external debt	42.5	41.7	42.5	43.5	42.8	40.9	38.9	37.3	35.9	34.6
External debt, public	27.2	25.9	25.4	24.6	22.9	20.5	18.0	15.9	14.0	12.2
GRA credit to Argentina	8.2	7.9	7.5	6.8	5.6	4.1	2.7	1.6	0.9	0.4
Total external debt service	10.9	10.7	11.6	12.1	11.9	11.7	10.3	10.2	10.2	8.1
Debt service due on GRA credit	0.4	0.6	1.1	1.3	1.5	1.5	1.4	1.2	0.7	0.4
In percent of gross international reserves										
Total external debt	799.2	666.7	560.5	474.6	409.9	356.5	323.2	277.9	267.5	269.1
External debt, public	511.9	415.1	334.9	268.3	219.3	178.6	149.4	118.3	104.2	94.7
GRA credit to Argentina	153.7	125.9	98.5	74.4	53.8	36.0	22.8	11.7	6.3	3.2
Debt service due on GRA credit	8.4	10.2	14.2	14.7	14.2	13.2	11.6	8.6	5.4	3.5
In percent of exports of goods and services										
GRA credit to Argentina	55.2	51.9	46.4	39.8	32.0	23.6	15.8	9.3	5.2	2.6
Total external debt service	73.9	70.4	71.9	70.4	68.1	67.2	59.6	60.6	62.5	51.9
Debt service due on GRA credit	3.0	4.2	6.7	7.9	8.4	8.7	8.1	6.8	4.4	2.9
In percent of total external debt										
GRA credit to Argentina	19.2	18.9	17.6	15.7	13.1	10.1	7.0	4.2	2.4	1.2
In percent of total external debt service										
Debt service due on GRA credit	4.1	6.0	9.3	11.2	12.4	12.9	13.6	11.3	7.1	5.5
In percent of public external debt										
GRA credit to Argentina	30.0	30.3	29.4	27.8	24.5	20.2	15.2	9.9	6.1	3.3
In percent of public external debt service										
Debt service due on GRA credit	9.8	14.4	21.9	25.0	27.2	28.7	26.6	22.7	15.1	18.6

Source: IMF Finance Department.

14. In contrast to the concentrated repayment schedule for the 2018 SBA, Argentina would face lower yearly repurchases, albeit still sizable in percent of quota, and over a more prolonged period. Repurchases under the 2022 EFF and the proposed arrangement would overlap between 2029 and 2034 and peak at SDR 7.3 billion in 2031, compared to a peak of SDR 13.3 billion in SBA repurchases during 2023 (Figure 6). Debt service to the Fund would exceed 100 percent of quota each year during 2026-2034, and 200 percent of quota each year during 2028-2032. Peak debt service ratios under the proposed arrangement would be below those projected upon approval of the previous two arrangements, which incorporated the compressed repayments of the 2018 SBA obligations (Figure 7). Total external debt service would peak at 74 percent of exports in 2025, above the median for recent EA cases of around 58 percent. Peak debt service to the Fund as a percent of exports and as a percent of GIR would be near the median EA case. The ratio for debt service to the Fund to general government revenues would instead remain below the median of recent EA arrangements.

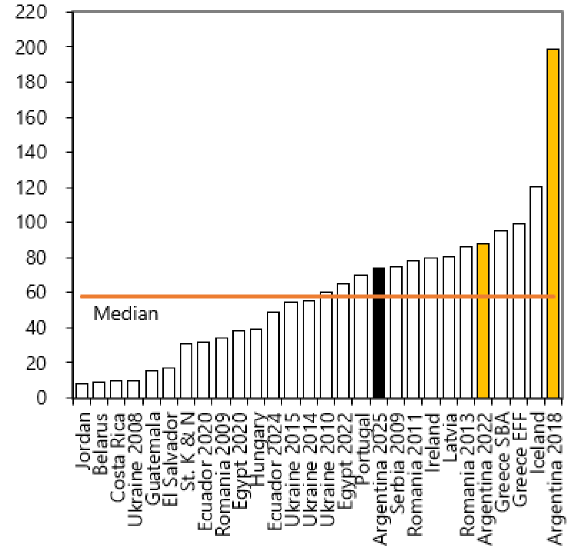
Figure 6. Argentina: Recent and Prospective Repurchases
(in billions of SDRs)



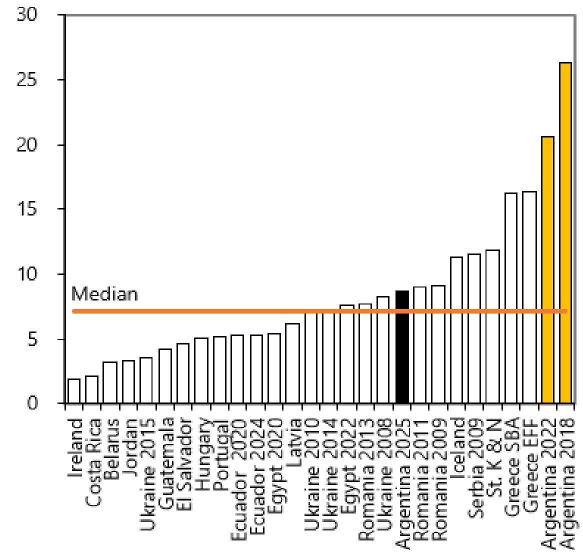
Source: IMF Finance Department.

Figure 7. Argentina: Peak Debt Service Ratios for Recent Exceptional Access Cases /1

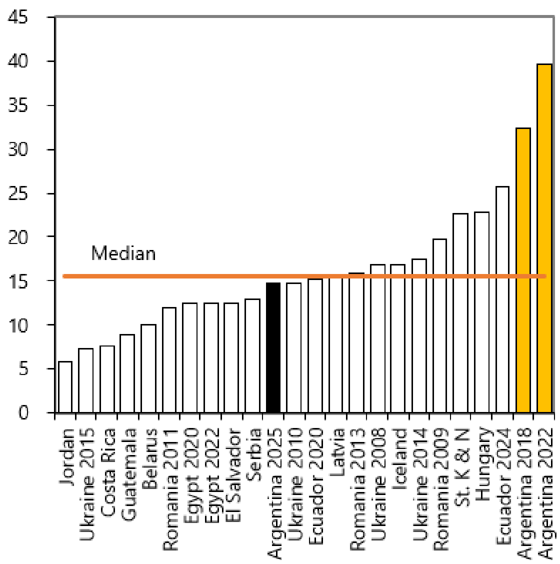
Total External Debt Service In Percent of Exports of Goods and Services



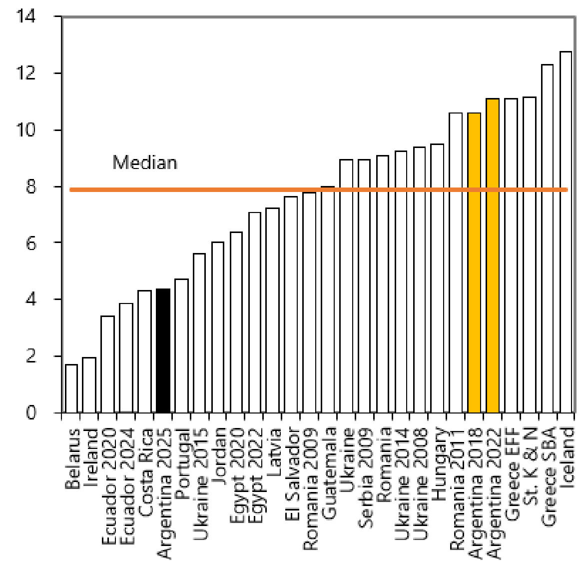
Debt Service to the Fund In Percent of Exports of Goods and Services



Debt Service to the Fund In Percent of Gross International Reserves 2/



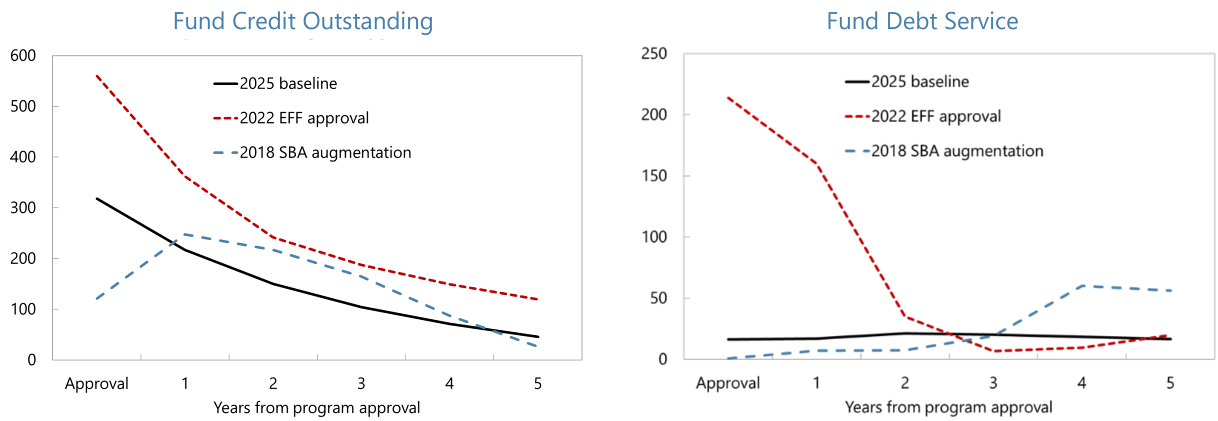
Debt Service to the Fund In Percent of General Government Revenues



Sources: National authorities; IMF Finance Department; and IMF staff estimates.
1/ Estimates as reported in relevant staff reports on the request or augmentation of SBAs or EFF arrangements approved since September 2008.
2/ Excluding arrangements with members belonging to the euro area at the time of the approval of the arrangement: Greece, Ireland, and Portugal.

15. Standard CtR indicators based on GIR also do not account for the sizeable gap between Argentina's GIR and NIR.[6] As noted in the Ex-Post Evaluation of the 2022 EFF, the standard CtR indicators are thus likely to overstate the available FX liquidity buffers.[7] End-2024 GIR amounted to US$16.6 billion and NIR amounted to negative US$2.4 billion. Although NIR have improved since the end of 2023, when Fund debt service as a percent of NIR peaked during repayment of the SBA, NIR remain weak (around negative US$6 billion) and have decreased in early 2025, undoing some of the 2024 accumulation. However, owing to a substantial projected increase in NIR during the program, CtR indicators based on NIR for Argentina show that Fund credit outstanding as a percent of NIR is projected to generally be lower for the proposed arrangement than for the 2018 SBA or 2022 EFF (Figure 8).

Figure 8. Argentina: Capacity to Repay Indicators: Projections at Program Approvals
(in percent of net international reserves)1/



Sources: Country staff reports; and IMF Finance Department.
1/ Using NIR as defined under the 2022 EFF for comparability over time.

16. Capacity to repay indicators hinge critically on projections of a substantial increase in reserves, which in turn rely on the projected large volumes of financial inflows. Argentina's amortization of public external debt in the coming years, due to the Fund and other creditors, is substantially higher than proposed Fund disbursements, with a large proportion of the public gross external financing requirement to be filled by international market issuance (Figure 9), which, given that it would be Argentina's most sustained period of market access in recent decades, underscores the risks. Lower-than-projected financial inflows would also pose risks to the projected increase in GIR and NIR, and by extension to Argentina's CtR. Indeed, downside risks to GIR projections that materialized during Argentina's previous arrangements weighed on CtR, illustrating the high

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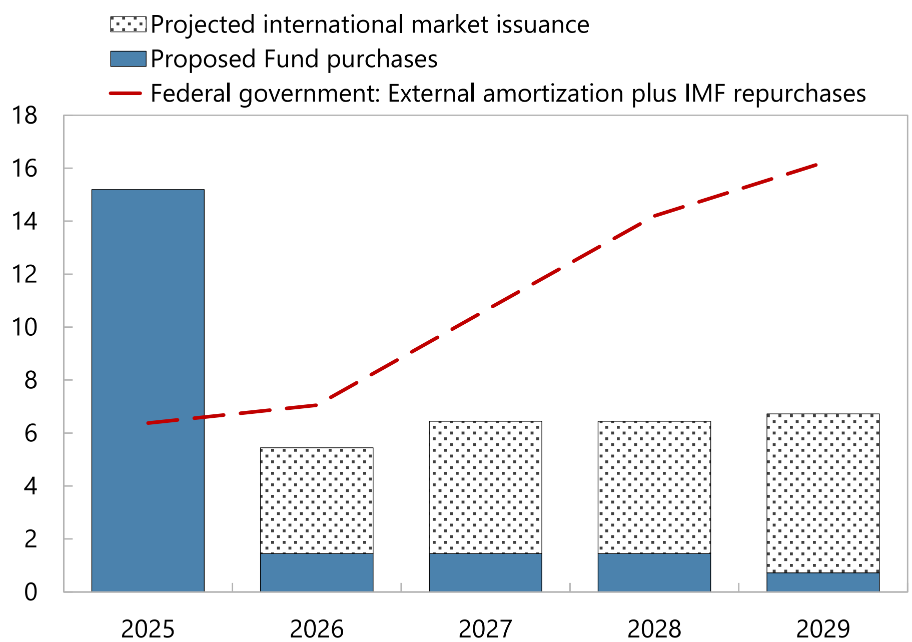
[6] Cross-country analysis has found NIR to be more closely linked to payments stress in some cases. See *2024 Mid-Year Risk Update*, FO/DIS/24/46 (05/24/2024).

[7] See Argentina: Ex-post Evaluation of Exceptional Access under the 2022 Extended Fund Facility Arrangement-Press Release; Staff Report; and Statement by the Executive Director for Argentina, January 2025, IMF.

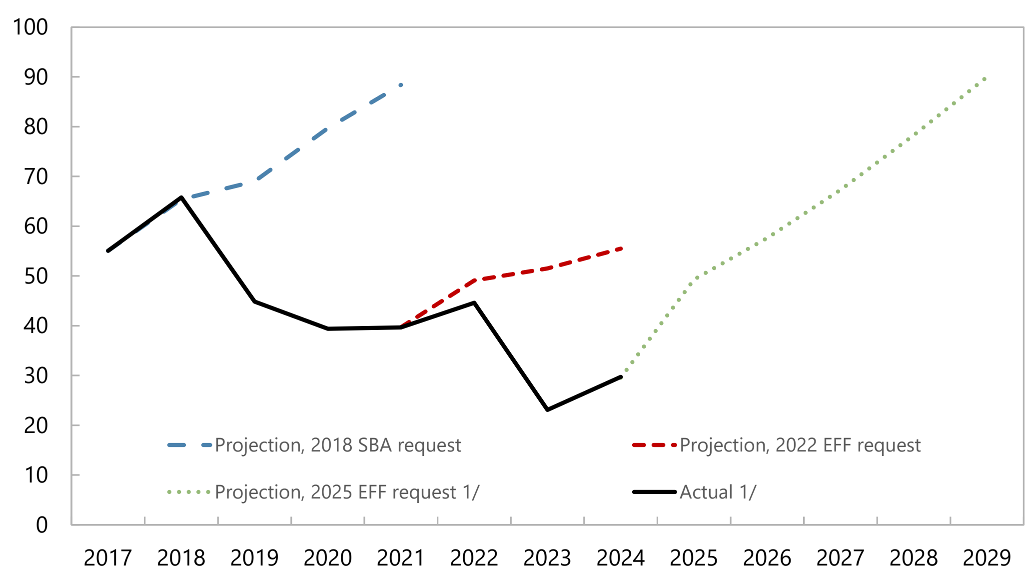
sensitivity of the CtR assessment to assumptions about reserve accumulation driven by sharply increasing financial inflows (Figure 10).

Figure 9. Argentina: External Financing Flows
(in billions of U.S. dollars)



Source: IMF staff estimates and projections.

Figure 10. Argentina: Gross International Reserves: Projections and Outturns
(in billions of U.S. dollars; end of period)



Source: Country staff reports.
1/ Includes unactivated portion of PBoC swap for comparability with earlier periods.

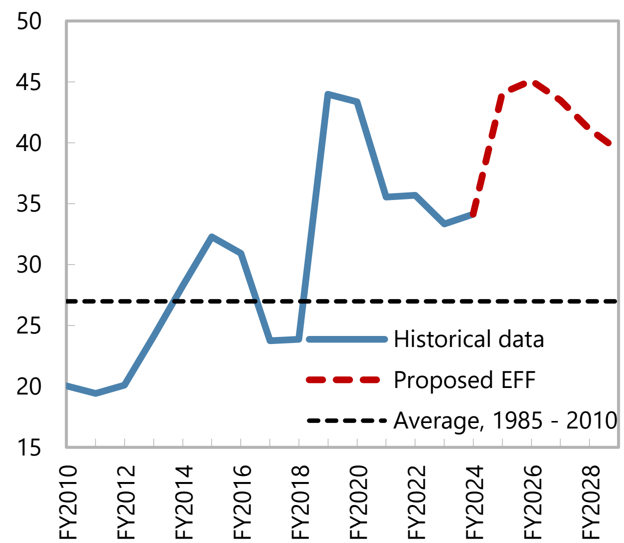
RISKS TO THE FUND'S AGGREGATE FINANCIAL POSITION

The combination of exceptional risks to Argentina's capacity to repay and the large absolute size of its Fund exposure under the proposed arrangement pose unique financial risks to the Fund. The large proposed increase in credit to Argentina would raise concentration of the lending portfolio, keep the Fund exposure to Argentina well above precautionary balances (PBs), and raise concentration of income and associated risks. By contrast, Fund liquidity would remain at adequate levels.

17. The proposed arrangement would raise credit concentration of the lending portfolio, returning it to the peak experienced during the 2018 SBA and keeping it high throughout the program. Fund credit to Argentina would rise from 36.9 percent of GRA credit outstanding to a projected 43.1 percent at the time of approval—a share comparable to the recent peaks in FY 2019 and FY 2020 during the 2018 SBA (Figure 11). Its share would remain above 40 percent until FY 2028, well above the 1985-2010 average of 27 percent for the largest borrower. The share of Fund GRA credit outstanding to the top five borrowers would increase from 75.3 percent to 77.7 percent of total credit (Table 6). The share of GRA credit to Western Hemisphere borrowers would increase to 54.6 percent, from the current 49.6 percent.

Figure 11. Argentina: Top Borrower Share of GRA Portfolio

(in percent of GRA credit outstanding)



Source: IMF Finance Department.

Table 6. Argentina: Indicators of GRA Finances

	As of 3/31/2025
Liquidity measures	
Current one-year Forward Commitment Capacity (FCC) 1/	176,225
Impact of approval on FCC 2/	-15,267
(in percent of current one-year FCC)	-8.7
Prudential measures	
Fund GRA credit outstanding to Argentina upon approval 3/	40,260
In percent of current precautionary balances	155.4
In percent of projected total GRA credit outstanding upon approval	43.1
Fund GRA credit outstanding to top five borrowers	63,371
In percent of current precautionary balances	244.7
In percent of total current GRA credit outstanding	75.3
In percent of total GRA credit outstanding upon approval 3/	77.7
ARG's GRA charges/surcharges in FY26 in percent of current residual burden sharing capacity	249.0
Memorandum items	
Fund's precautionary balances (Projections for end-April 2025)	25,900
Fund's residual burden-sharing capacity 4/	927

Sources: National authorities; IMF Finance Department; and IMF staff estimates.
1/ The Forward Commitment Capacity (FCC) is defined as the Fund's stock of usable resources less undrawn balances under existing arrangements, plus projected repurchases during the coming 12 months, less repayments of borrowing due one year forward, less a prudential balance. The FCC does not include resources under the New Arrangements to Borrow or 2016 Bilateral Borrowings Agreements.
2/ A single country's negative impact on the FCC is defined as the country's sum of Fund credit and undrawn commitments minus repurchases one-year forward.
3/ Projected credit outstanding for Argentina at time of approval of the proposed arrangement, which amounts to the scheduled first purchase.
4/ Burden-sharing capacity is calculated based on the floor for remuneration which, under current policies, is 85 percent of the SDR interest rate. Residual burden-sharing capacity is equal to the total burden-sharing capacity minus the portion being utilized to offset deferred charges.

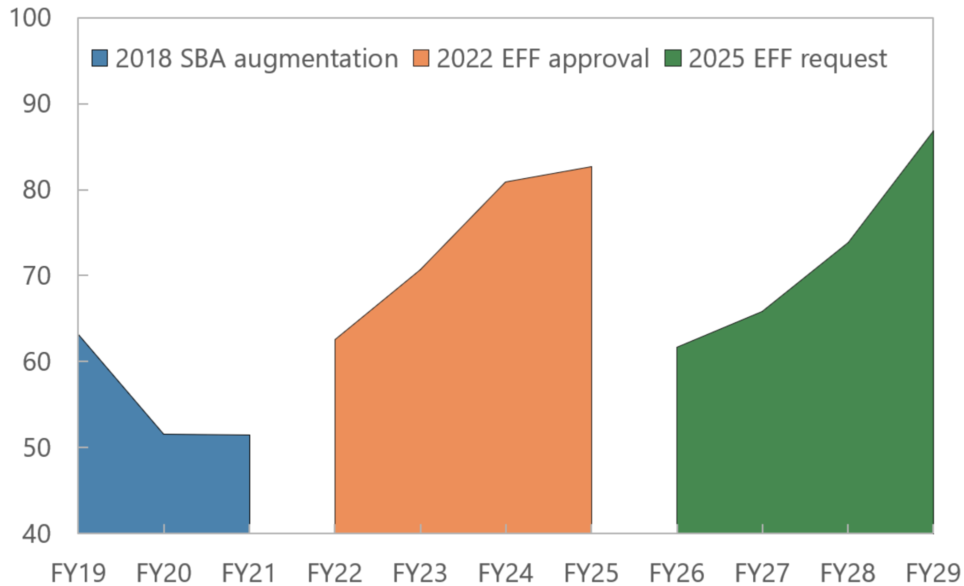
18. **Fund credit to Argentina would substantially exceed PBs early in the program and remain above PBs throughout the program, following a path similar to what was projected at the time of the 2022 EFF request.** The ratio of PBs to Argentina's credit outstanding would be around 64 percent upon approval, and is projected to rise to around 87 percent by FY2029 (Figure 12).[8] With the projected higher level of Argentina's credit outstanding broadly balanced by recent and projected increases in PBs, this implies a similar profile of coverage as for the 2022 EFF,

[8] For an updated assessment of PB adequacy see *Review of the Fund's Income Position for FY 2025 and FY 2026* (April 2, 2025). Relative to the proposed program, the Review assumed an Argentina EFF of the same size with somewhat less frontloaded phasing.

as the Argentina exposure would exceed the Fund's PBs by a large margin for many years to come.[9] As noted by the EPE of the 2022 EFF, the large exposure size poses risks of accommodation of program outcomes insufficient to restore medium-term viability in order to avoid large and difficult-to-manage arrears.[10]

Figure 12. Argentina: Precautionary Balances Coverage: Projections at Program Approvals

(precautionary balances as percent of Fund credit to Argentina)



Sources: Country staff reports; and IMF Finance Department.

19. The proposed arrangement would generate substantial additional income for the Fund, while also raising income concentration risks. The annual capacity of the BSM in 2022 was SDR 70 million.[11] Owing to higher global interest rates it has since increased significantly to SDR 927 million as of end-March 2025. This compares to SDR 1,294 million in charges and surcharges paid by Argentina in 2022 and SDR 2,309 million projected for FY2026 under the proposed arrangement, implying gaps of SDR 1,224 million in 2022 and SDR 1,382 million in FY2026

[9] Expectations laid out in the framework for PBs are that PBs would cover the largest exposure "most of the time." See Review of the Adequacy of the Fund's Precautionary Balances, IMF (2024)

[10] *Ex-Post Evaluation of Exceptional Access Under the 2022 Extended Fund Facility Arrangement* (EBS/24/155, 12/20/2024).

[11] Under the BSM, the Fund's creditor and debtor members contribute temporary financing in equal amounts to cover the amount of "deferred charges" (charges and surcharges overdue by six months or more). This is achieved through increases in the rate of charge paid by debtor members and reductions in the rate of remuneration to creditor members.

that could not be covered by the symmetric BSM in the event that Argentina incurred arrears on Fund charges and surcharges.[12]

20. The Fund's liquidity would remain at adequate levels upon approval of the arrangement. The forward commitment capacity is projected to decrease by 8.7 percent at the time of the first purchase, from SDR 176 billion to around SDR 161 billion. While this is a significant decrease, it is lower than the 18 percent decrease projected for the 2022 EFF approval and the Forward Commitment Capacity (FCC) would remain well within the 140 to 180 billion range experienced since 2020.

ASSESSMENT

21. The proposed EFF arrangement for Argentina will provide financial support for the authorities' economic program to help address the country's balance of payments needs. The program aims to sustain the progress achieved so far in strengthening macroeconomic stability, including by supporting the planned transition toward greater exchange rate flexibility, while progressively eliminating FX restrictions and controls and boosting reserve coverage. Strong program implementation is expected to catalyze other official financing and support a timely return to international capital markets.

22. Argentina's capacity to repay its obligations to the Fund remains subject to exceptionally high credit risks. Credit outstanding by the end of the program in April 2029 would increase by over SDR 4 billion (139 percent of quota) from current levels and would remain over 1,000 percent of quota until November 2029. As the Fund's largest single exposure, credit outstanding to Argentina would remain elevated compared to the approved path in other recent EA cases, and most notably relative to international reserves and total external debt. Indicators of Argentina's debt service to the Fund are within ranges typical of other recent EA arrangements, supported by the substantial projected increase in reserves, but would persist at high levels for several years after the end of the program period. Past underperformance of reserves relative to projections illustrates the potential risks to Argentina's capacity to repay. In this context, capacity to repay hinges critically on early policy actions and sustained implementation of the stabilization plan to deliver reserve accumulation goals and secure the resumption of market access by the time repurchases to the Fund come due.

23. Risks are expected to rise over the coming years as Argentina's FX debt service obligations increase. Despite the reduced debt payments following the recent reform of the Fund's charges and surcharges policy, the risks of arrears to the Fund are not insignificant given the repurchase obligations beginning in September 2026, at the same time that large FX debt service obligations to private bondholders are coming due.

[12] In the event that deferred charges exceeded the symmetric capacity of the BSM, deferred charges in excess of the BSM capacity would be covered by GRA borrowers in proportion to their Fund credit outstanding by raising the rate of charge, and a Board review of the BSM would be triggered.

24. Given its size and Argentina's CtR risks, the aggregate risks to the Fund's financial position from the Argentina exposure remain elevated. The proposed arrangement would increase Argentina's Fund credit outstanding by over SDR 10 billion, making Argentina the Fund's highest-ever exposure. This would increase credit concentration risks and income risks, with scheduled charges and surcharges exceeding the buffering capacity of the BSM. While precautionary balances have increased in recent years, they would remain below Argentina's credit outstanding throughout the program period. In addition, the large exposure size poses risks of accommodation of program outcomes insufficient to restore medium-term viability in order to avoid large and difficult-to-manage arrears.

25. On account of the proposed arrangement, the Fund's liquidity would decline but remain adequate. On approval of the arrangement the Fund's FCC would be reduced by SDR 15.3 billion (8.7 percent), albeit remaining within its recent range.

26. Steadfast delivery of program commitments will be essential to mitigate financial risks to the Fund, yet even with full program implementation residual risks will remain high. Risks are partially mitigated by the authorities' track record of adhering to their strong fiscal anchor, as well as their commitment to continue meeting all FX obligations, ease distortive FX restrictions, and finally gradually transition to a more flexible exchange rate regime. Risks are also partially mitigated by the proposed burden sharing and financing assurances from other multilateral and bilateral partners, as well as the authorities' commitment to make early repurchases to the Fund (thereby reducing Fund exposure), should market access materialize sooner and in larger volumes than anticipated. Nevertheless, residual risks remain substantial in the context of the elevated risks to Argentina's economic outlook and the exceptional risks to the Fund's finances posed by the Argentina exposure.

INTERNATIONAL MONETARY FUND

ARGENTINA

April 11, 2025

REQUEST FOR AN EXTENDED ARRANGEMENT UNDER THE EXTENDED FUND FACILITY—SUPPLEMENTARY INFORMATION

Prepared By | Western Hemisphere Department

This supplement provides an update on developments since the issuance of the Staff Report (EBS/25/25) circulated to the Executive Board on April 7, 2025. In addition to details on recent developments, it provides a description of the prior actions implemented by the Argentine authorities to immediately transition to a new monetary and FX regime and begin to unwind the remaining FX restrictions and controls.

Market Developments

1. **Market conditions have remained volatile in recent weeks, reflecting rising domestic and global uncertainties.** Since mid-March, Argentine asset prices have been under some pressure, initially on speculation regarding details of the new Fund-supported program, and more recently on concerns over rising global trade tensions (Figure 1). Sovereign spreads have surged to about 900 basis points, mirroring broader trends across emerging markets, while prices of Argentine commodity exports have dropped. Meanwhile, FX gaps have risen to around 25-27 percent (from 10 percent earlier in the year), impacting inflation and inflation expectations. Monthly headline inflation in March rose to 3.7 percent (compared to 2.4 percent in February). Net international reserves have fallen further to around negative US$7 billion, with recent trends in part reflecting some acceleration in import payments and delays in export liquidation, which could reverse with program implementation.

Prior Actions

2. **Building on their impressive program track record and ownership, and recognizing the more challenging global backdrop, the authorities have initiated their transition toward a more robust monetary and FX regime.** The BCRA issued a press statement today establishing a new monetary and FX regime effective immediately, with the following features *(prior action)*:

- **A new FX regime**. The BCRA will transition from a crawling peg regime to an exchange rate band regime. The band will initially have a range between ARS/USD 1,000 and 1,400, within which the exchange rate will be allowed to fluctuate (allowing for price discovery), without a target for a specific exchange rate level. Consistent with the authorities' objective to gradually increase exchange rate flexibility over time, the upper and lower ends of the band will respectively increase and decrease, on a daily basis, and consistent with a monthly crawl rate of 1 percent, effectively widening the band over time.

- **FX intervention rules.** The BCRA will enforce adherence to the band by purchasing FX offered at the floor of the band and selling FX at the ceiling of the band. Within the band, the BCRA will purchase FX at its discretion, including when facing large FX liquidations, and in line with program objectives, including reserve accumulation goals. FX sales within the band are not envisaged. More generally, FX interventions will be unsterilized and consistent with the authorities' monetary program and objective of ensuring a smooth functioning of markets.

- **Monetary policy.** To secure an orderly transition to the new FX regime, the BCRA will introduce a new monetary policy framework. The broad base money ceiling will be abandoned and replaced by a more traditional monetary targeting framework (with close monitoring of private M2, excluding remunerated deposits). Strict limits on net domestic assets of the BCRA will serve as an additional nominal anchor, ensuring interest rates play a more active role in supporting a gradual re-monetization of the economy, and in addressing potential liquidity shocks.

3. The transition to the new regime is being complemented by a gradual easing of FX restrictions and controls. Specifically, the BCRA Board approved amendments to resolutions effective immediately that would *(prior actions):*

- **Ease import restrictions.** The BCRA approved amendments: (i) eliminating delays in access to FX for payments for the import of final goods and services (going from 30 to zero days); (ii) easing restrictions for import of capital goods; and (iii) temporarily eliminating the 90-day cross-restriction for importers who have accessed the parallel FX markets before the introduction of the new FX regime from accessing the official market. The latter opens a temporary window to enable firms that had traded in the parallel FX markets to transition to the official market. That said, the BCRA will maintain the cross restriction between the official and parallel FX markets for new transactions, as well as the existing limits on accumulating open FX positions.

- **Ease dividend and intra-company debt payments.** The BCRA approved amendments (i) eliminating all restrictions on access to foreign exchange for payment of corporate dividend payments from new flows of earnings reported in financial statements starting in 2025. Meanwhile, the stock of legacy dividends and intra-company debt payments (acquired before January 1, 2025) will be cleared gradually, through a subscription with pesos of a USD-denominated bond to be issued by the BCRA. The terms and conditions of these new bonds are expected to be defined shortly.

- **Ease restrictions on individuals.** The BCRA approved amendments that would allow individuals to access freely the FX market, by lifting the US$200 monthly cap on FX purchases, and eliminating all administrative restrictions on FX purchases by individuals (e.g., on beneficiaries of utility subsidies and social assistance programs who were not allowed to purchase FX in the official market). That said, the withholding taxes on individual FX credit card purchases and tourism outflows will remain at 30 percent.

4. Additional steps are being taken to unify the FX markets, by ensuring that all export liquidation takes place in the official FX market. Specifically, the President signed an Executive Decree (DNU) eliminating the export incentive scheme, whereby 20 percent of exports could be liquidated in the parallel FX market *(prior action)*. The DNU will be published in the official gazette shortly and will go into effect on April 14, 2025.

Other Policies and Actions

5. The BCRA reached final agreement with the PBOC to refinance for an additional 12 months the activated portion of the swap line (worth about US$5 billion).

6. Against a more complex backdrop, macroeconomic policies are also being tightened. Consistent with the commitment to maintain a strong fiscal anchor, the government plans to adopt measures to boost the primary fiscal surplus for 2025 by 0.3 percent of GDP (to 1.6 percent of GDP), through reductions in transfers supported by identified improvements in the governance and efficiency of spending programs.

Supplementary Staff Appraisal

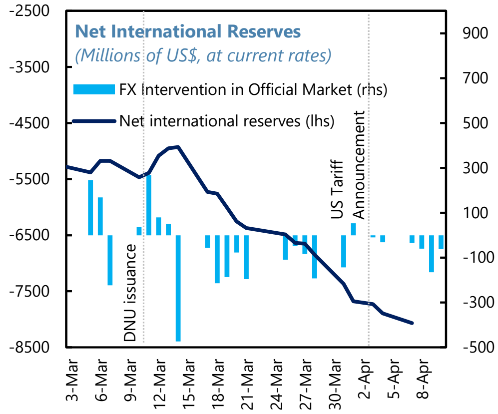
7. With completion of the three critical prior actions, the thrust of the staff appraisal remains unchanged.

- Completion of key prior actions on the monetary and FX policy front, combined with strict application of the fiscal anchor, will be crucial to rebuild reserves and help support a timely re-access to international capital markets. They further validate staff's assessment that the authorities have the technical and political capacity to implement the program as designed (exceptional access criterion 4).

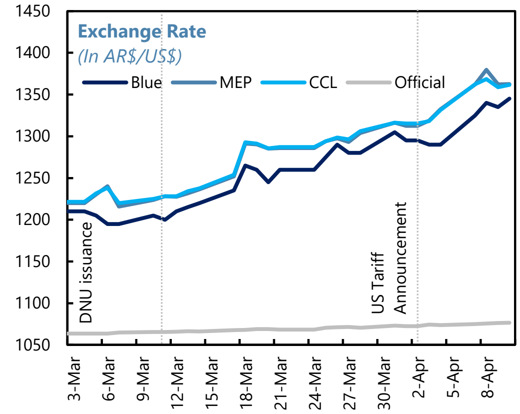
- The more challenging global backdrop underscores the importance of agile policy making and contingency planning. There is joint recognition that sustained global trade tensions and uncertainties, could negatively impact Argentina through real and financial channels, and the authorities should stand ready to further tighten macroeconomic policies as needed to secure program objectives.

Figure 1. Argentina: Recent Market Developments, March 1 to April 10, 2025

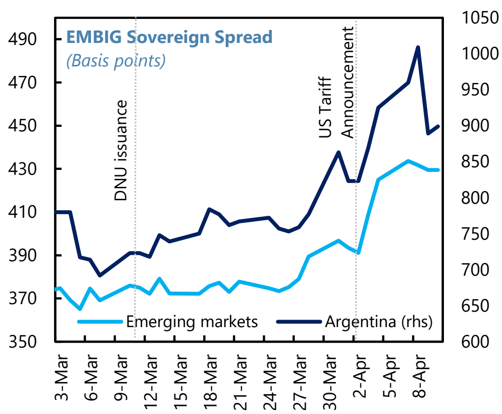
Since mid-March, NIR has fallen reflecting BCRA FX sales and payment of FX debt service obligations…



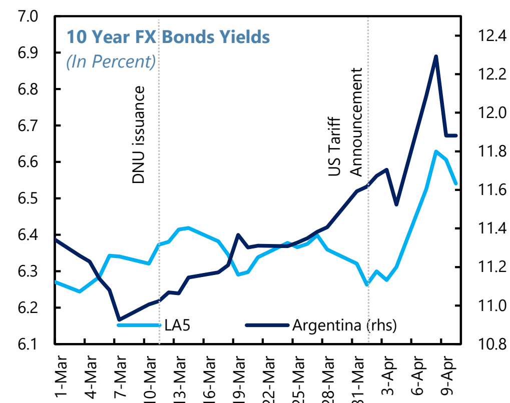
…while parallel exchange rates have weakened reflecting rising domestic and global uncertainties.



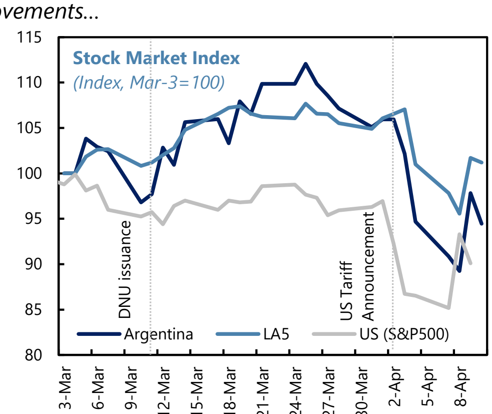
Similarly, sovereign spreads have risen, mirroring movements across most EMs…



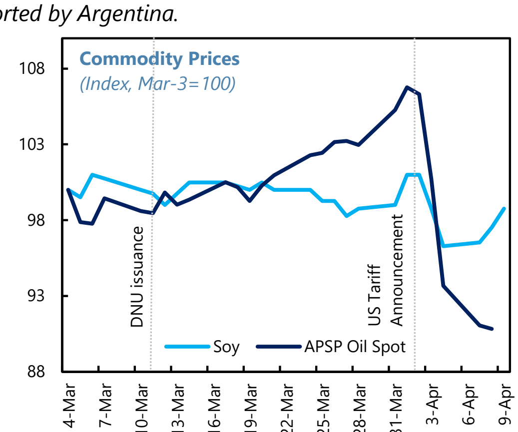
…consistent with a jump in FX bond yields, although market conditions remain volatile.



Elevated uncertainties have given rise to sharp stock price movements…



…as well as softer global commodity prices, including those exported by Argentina.



Source: BCRA; Bloomberg Finance L.P.; Haver Analytics; and IMF staff calculations.
Note: LA5 countries show the median for Brazil, Chile, Colombia, Mexico and Peru.

Statement by Leonardo Madcur, Executive Director for Argentina and Adrian Nador, Senior Advisor to Executive Director
April 11, 2025

We thank the Board, Management, and the entire team for their hard work, which has resulted in the development of a strong program. Through extensive discussions and thorough collaboration, this achievement comes at a critical moment for Argentina.

The program's timeliness is grounded on extraordinary adjustments to fiscal and monetary policies already implemented, distinguishing it from all previous initiatives that have led us to this point. This remarkable groundwork, combined with President Milei's unwavering commitment to maintaining overall fiscal balance as a cornerstone of the program and beyond, alongside strict monetary discipline in the fight against inflation, significantly enhances the program's prospects for success when compared to its predecessors. Having sought solutions countless times before, it would not make sense to turn away now, when conditions are finally more advantageous.

The program accurately tackles Argentina's key macroeconomic remaining challenge: the low levels of international reserves. This is more important given the uncertainty following recent global market volatility. Notably, Argentina's economy is currently less exposed to speculative attacks on its currency or flight-to-quality pressures than other economies, more integrated to global financial markets. Factors such as the country's limited direct exposure to recent tariff-related developments and the absence of speculative foreign holdings in local assets make it well positioned to advance into the next phase of the stabilization and growth program. This phase prominently features an immediate transition to a more flexible exchange rate and carefully calibrated phasing out of foreign exchange restrictions.

The significance of the robust fiscal and monetary anchors already in place as the first line of defense of the stabilization process to ensure the appropriate use of Fund resources cannot be overstated. Unlike previous programs, IMF disbursements will no longer serve to support the budget but will instead bolster the Central Bank's balance sheet, thereby providing stronger support to the peso and solidifying the ongoing disinflation process.

Furthermore, safeguards and meticulously crafted contingency plans, developed in collaboration with staff, ensure that resources are utilized as intended. These measures enable greater flexibility while creating adequate space for price discovery within a band for the exchange rate, thereby further reinforcing stability and confidence in the system.

When considering the weighting and balancing of risks, along with a temporary increase in exposure to Argentina, the support for a new program this time will not rely on faith or trust in the authorities' commitments. Instead, it will be based on an assessment of their past actions and a forecast of their future capabilities, grounded in their successful track record. Unlike previous instances, there is no need to advise the authorities on the importance of advancing structural reforms under an administration led by a libertarian economist. Instead, fostering a collaborative and enriching dialogue on the timing and sequence of these reforms is more fitting.

Furthermore, the increasing uncertainty stemming from the global economy makes this program timely to support Argentina while there is still an opportunity to transition to the next phase of the stabilization and growth program. This is crucial, especially with more than six months ahead of the mid-term elections in Argentina, before the agenda becomes a political football—a scenario somewhat inevitable given Argentina's history with IMF programs.

In all democracies, reforms can be undone or reversed; this risk to any program is inherent and reflects the beauty of the democratic system, despite its flaws. It is ultimately up to the people to decide their own destiny. Notably, the current President, with less than 15 percent of seats in both Chambers of Congress and no formal alliance with other political parties, managed to secure Congressional support for the landmark Ley Bases. Additionally, a comfortable majority vote (129:108) in the Lower Chamber recently shielded the DNU, allowing for a new IMF program. The opposition lawmakers' positive votes are a testament to the widespread societal support for the President's strategy to resolve Argentina's entrenched economic problems. Given the low representation of the new party, combined with the fact that half of the Lower Chamber and a third of Senate seats are at stake in the upcoming elections, the ruling party is bound to expand its presence in Congress.

Beyond Congress representation, the majority of Argentines voted on a new approach to resolving the longstanding problems of the Argentine economy and remains hopeful that it will bear fruit. After 16 months of impressive results, there is now a record to assess and an agenda to move forward.

To conclude, my authorities have reaffirmed their commitment to a new program design that maximizes its likelihood of success, which is why regaining market access is a pivotal element of such design. Furthermore, allowing a steadfast transition to a new FX framework will pave the way to re-gaining market access sooner.

Overall, we concur with the staff that the proposed program offers a unique opportunity to help lift Argentina out of its prolonged crisis, and support the Argentine people who have demonstrated that such an extraordinary adjustment can be compatible with growth and meaningful reduction of poverty levels, therefore surpassing all the expectations that the IMF might have envisioned.