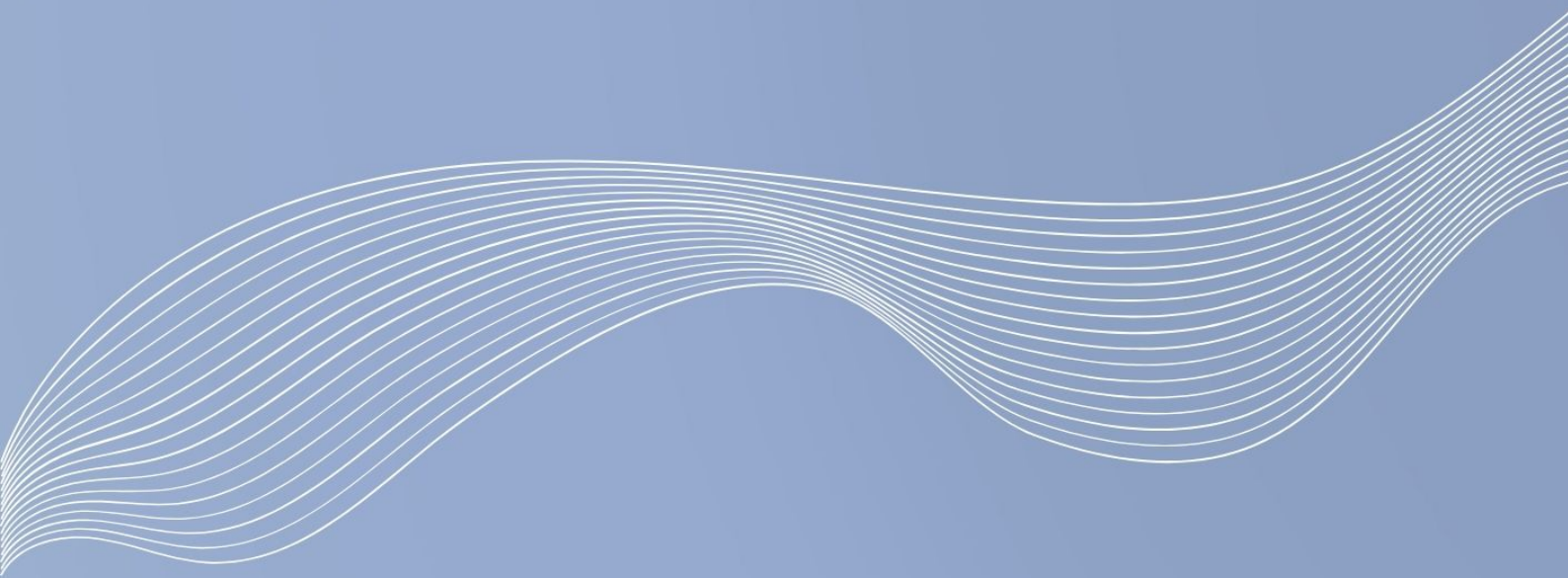APRIL 2024

ARGENTINE ECONOMIC OUTLOOK

CEI Centre for International Economy

ARGENTINE ECONOMIC OUTLOOK

Argentina in the world

With a Gross Domestic Product (GDP) of USD 641.7 billion[1], Argentina is the third largest economy in Latin America, following Brazil and Mexico. It is ranked in the fifth position in terms of per capita GDP (USD 13,754), in this case following Uruguay, Guyana, Panama and Chile. In addition, its more than 46 million inhabitants[2] place it as the fourth most populated country in the region.

Its high agricultural production capacity has turned Argentina into one of the main food producers in the world, with large-scale agricultural and livestock industries. Argentina is among the leading exporters of soybean and its byproducts and among the main producers of lemons, vegetable oils and milk, just to mention a few examples. Likewise, the quality of Argentine beef is recognised worldwide and the sector has managed to recover its traditional positioning and add new destinations, such as the United States, Canada, China and Mexico.

Argentina also has an important mining wealth. It is ranked in the third place as global lithium reserve, tenth in gold, and it comes among the first ten silver producers. In addition to its conventional oil and gas reserves, it is ranked fourth at world level in shale oil reserves and second in shale gas reserves.

It has dynamic industrial complexes, as is the case of the automotive industry, which, with preferential access to the main markets in the region, has become the most relevant sector concerning manufactured product exports. There are also other fast-growing sectors, such as renewable energy, biotechnology, and knowledge-based services, among others. Out of the total Latin American unicorn firms[3] fourteen are Argentine-based.

It also has a skilled workforce, recognised for its technical skills, creativity and versatility, and ranks second among Latin American countries in the United Nations Development Programme's Human Development Index[4].

---

[1] Year 2023, according to data from the Ministry of Economy.
[2] 46,654,581 people according to INDEC estimates by 1 July 2023.
[3] Companies with a stock market value of over USD 1 billion. Until 2020, there were five: Mercado Libre, Despegar, Globant, OLX and Auth0. In 2021, eight more were added: Vercel (software), Aleph (digital media marketing and advertising), Tienda Nube (e-commerce), Ualá (fintech), Mural (teleworking solutions), Bitfarms (cryptocurrency mining), Satellogic (aerospace company) and, most recently (2022), Technisys (technology for banks and fintech) and Moolec Science (biotechnology).
[4] 2021-2022 Ranking.

State of the real economy

- *In 2023, after two years of growth, the Argentine economy underwent a 1.6% year-on-year decline in the level of activity.*

- *The drought suffered by our country was reflected in a historic collapse of the agriculture, livestock, hunting and forestry sector (-20.2%), which was accompanied by a 2.1% drop in the manufacturing industry. On the other hand, the sector that had the greatest impact in preventing a further decline in GDP was mining and quarrying, which grew by 7.2%.*

- *According to the Monthly Economic Activity Estimator (EMAE, for its acronym in Spanish), in the first month of 2024, the Argentine economy continued its decline. In January, the indicator showed a 4.3% year-on-year (y-o-y) negative variation, mainly accounted for by the decrease in industry (-11.3% y-o-y).*

- *The Industrial Production Index (IPI) also fell in January (-12.4%), while construction, as measured by the Synthetic Indicator of Construction Activity (ISAC, for its acronym in Spanish), decreased 21.7%.*

- *The Installed Industrial Capacity Utilization (UCII, for its acronym in Spanish) reached a 65.6% average in 2023 (in 2022 it had been 66.5%, the highest value in the series published by INDEC, National Institute of Statistics and Censuses), while in January 2024 the UCII fell to 54.6%, a level 7.7 p.p. lower than in the same month of 2023.*

- *Despite the drop in economic activity, during 2023 around 266,000 people entered the social security system. The number of registered workers in December of that year amounted to 13.4 million.*

- *The unemployment rate in the fourth quarter of 2023 reached 5.7% of the economically active population, 0.6 p.p. below that of the same quarter of 2022 and the lowest figure in the series published by INDEC.*

- *In 2023, Argentina exported goods for USD 66.8 billion, a fall of 24.5% and USD 21.6 billion with respect to 2022, as a result of lower volumes shipped (-16.4%) and lower export prices (-9.7%). In the first two months of 2024, on the other hand, exports of goods increased by 7.5% y-o-y and reached USD 10.9 billion.*

- *Imports of goods in 2023 totalled USD 73.7 billion, a 9.6% y-o-y fall accounted for by the decrease in both prices (-5.8%) and quantities (-4.1%). In contrast, in the first two months of the year foreign purchases fell 16.3% y-o-y (reaching USD 8.7 billion).*

- *The balance of trade in goods accumulated a USD 6.9 billion deficit in 2023, when in 2022 it had reached a USD 6.9 billion surplus. In the first two months of 2024, on the other hand, the result was positive (USD 2.2 billion) and reversed the sign of the first two months of 2023, when a USD 232 million deficit was recorded.*

- *Exports of services grew 14.1% y-o-y in 2023 and amounted to USD 16.5 billion, while imports grew 6.6% y-o-y (reaching USD 22.8 billion). This resulted in a trade deficit of USD 6.3 billion, USD 631 million less than in 2022.*

- *The current account deficit in 2023 was USD 21.5 billion, representing 3.3% of GDP (and a year-on-year increase of 2.7 p.p.).*

- *The international reserves of the Central Bank of the Argentine Republic (BCRA, for its acronym in Spanish) at the end of 2023 stood at USD 23.1 billion, which represented a 48.3% year-on-year decrease; however, in the first quarter of 2024 they grew 17.6%.*

- *In 2023, the National Public Sector (NPS) recorded a primary deficit of 2.9% of GDP, which represents an increase of 0.5 p.p. with respect to 2022. Likewise, it recorded a financial deficit of 6.1% of GDP, a year-on-year increase of 1.9 p.p.. However, in the first months of 2024 the NPS registered two consecutive months of primary and financial surplus for the first time since 2011. The positive result, after interest payments, was almost 0.2% of GDP.*
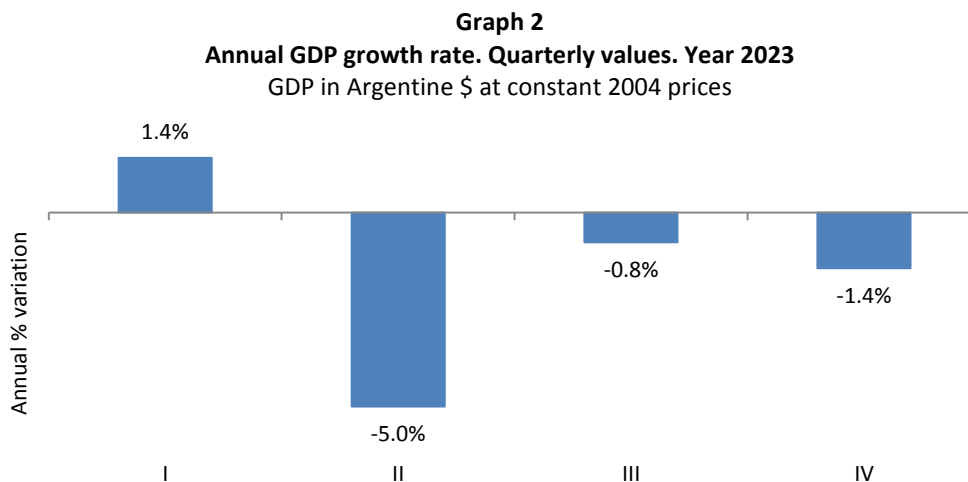
Level of activity

In 2023, after two years of growth, the Argentine economy suffered one of the worst droughts in its history, which was the main cause of the drop in GDP, which fell by 1.6% year-on-year (Graph 1).

Graph 1
GDP annual growth rate. Years 2006-2023
GDP in Argentine $ at constant 2004 prices
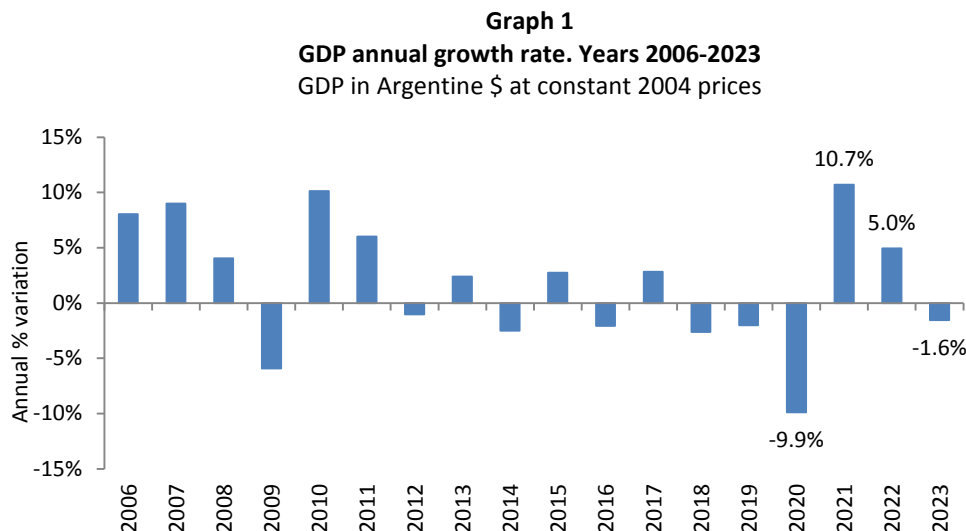
Source: CEI based on INDEC

After a first quarter of growth, the remaining quarters presented negative results. In the fourth quarter of 2023 (latest available data), the drop was 1.4% (Graph 2).

Graph 2
Annual GDP growth rate. Quarterly values. Year 2023
GDP in Argentine $ at constant 2004 prices
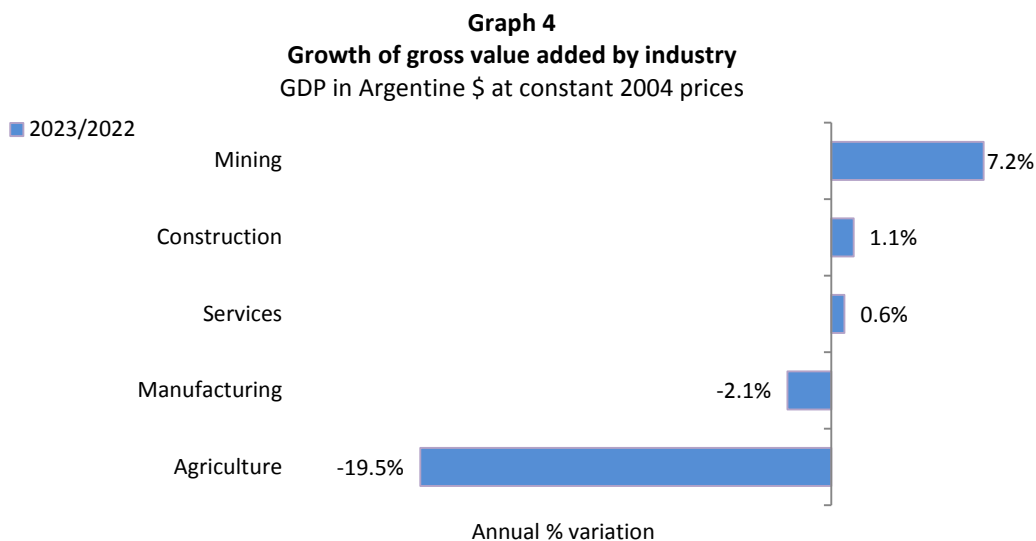

Source: CEI based on INDEC

The negative economic performance of the economy during 2023 was determined by the fall in exports (-6.7%) and investment (-1.9%); however, private consumption grew 1.1% and public consumption 1.2% (Graph 3). Last year, the investment/GDP ratio was 21.15%[5], which meant a year-on-year fall of 0.07 p.p. with respect to 2022.

---

[5] Regarding GDP at constant prices.

Graph 3
Year-on-year growth rate of GDP components
GDP in Argentine $ at constant 2004 prices
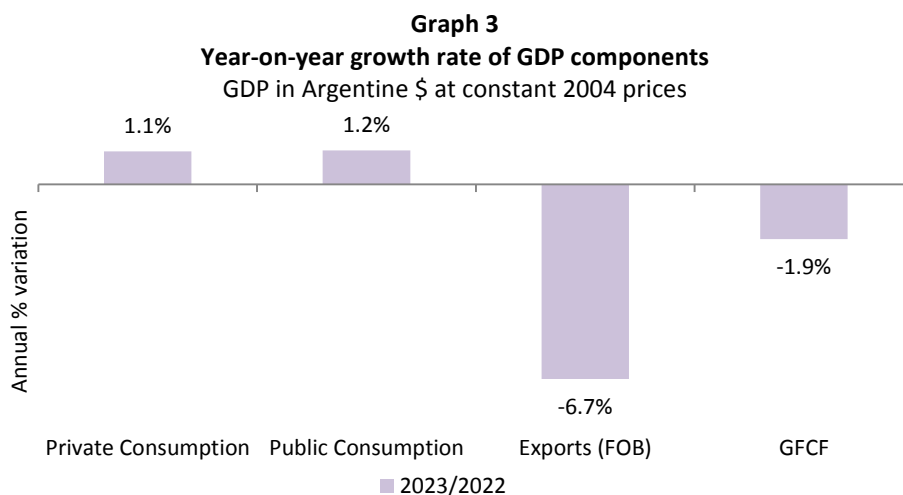
Source: CEI based on INDEC

In 2023, at the sector level, a historic fall suffered by the agriculture, livestock, hunting and forestry sector (-20.2%)[6] stands out, as a result of the aforementioned drought, which was accompanied by a 2.1% decrease in the manufacturing industry. In turn, a sector that had the greatest impact in avoiding a further decline in GDP was mining and quarrying, with a positive variation of 7.2%. Within industry, the branches of activity with the highest growth in 2023 were the manufacture of coke, petroleum refining products and nuclear fuel (5.3%), manufacture of clothing (4.7%), manufacture of transport equipment n.e.c. (4.5%) and manufacture of motor vehicles (3.0%). Among services, those that grew the most were services auxiliary to financial activities (10.2%), food activity services (8.4%) and hotel services (4.8%).

Graph 4
Growth of gross value added by industry
GDP in Argentine $ at constant 2004 prices

Source: CEI based on INDEC

According to the Monthly Economic Activity Estimator, Argentina's economy continued its decline in January 2024. In the first month of the year, the indicator showed a 4.3% y-o-y negative variation. The descent in activity that took place in January is mainly accounted for by the fall in manufacturing industry (-11.3% y-o-y) and trade(-8.2%), while among the sectors that had a positive result, agriculture, livestock, hunting and forestry stand out with an 11.1% y-o-y growth.

---

[6] If the fisheries sector is added to agriculture, livestock, hunting and forestry, the fall was 19.5% (Graph 4).

According to the Industrial Production Index, the downturn in the sector that occurred in 2023 continued at the beginning of 2024. In January of this year, the indicator registered a 12.4% year-on-year drop. On the other hand, construction –as measured by the ISAC– presented negative year-on-year rates both in January 2024 (latest available data) and in the accumulated 2023 (21.7% and 3.0%, respectively).

Graph 5
EMAE, IPI and ISAC (year 2023 and January 2024)
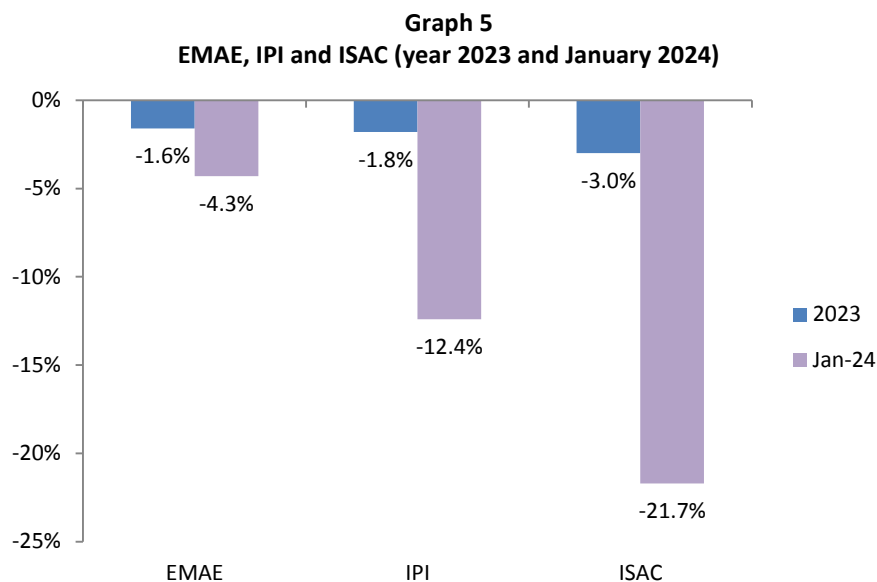
Source: CEI based on INDEC

The Installed Industrial Capacity Utilization indicator averaged 65.6% during 2023 , a value somewhat lower (0.9 p.p.) than its average in 2022, while in the first month of 2024 (January is characterised by a seasonal decline in activity), the UCII fell to 54.6%, a level 7.7 p.p. lower than in the same month of 2023.

The sectors with installed capacity utilisation above the general level in 2023 were: petroleum refining (82.2%), basic metal industries (78.1%), paper and cardboard (76.0%) non-metallic mineral products (72.7%), and chemical substances and products (72.0%). On the contrary, the sector blocks with the lowest utilisation of installed capacity were: rubber and plastic products (55.5%), textile products (54.9%), and metal-mechanics except automotive (53.7%).

Social indicators

During 2023, around 266,000 people were incorporated into one of the modalities involving registration in the social security system (the number of registered workers in December of that year reached 13.4 million). However, in November last year, this indicator changed the sign of the percentage variation, which had been positive since June 2020 (Graph 6).

In turn, private formal employment, which had an uninterrupted growth between August 2020 and August 2023, showed a negative value in September last year (-0.1%) after three years. In any case, in 2023 about 78,600 people gained access to formal salaried jobs in private companies.

The unemployment rate in the fourth quarter of 2023 reached 5.7% of the economically active population , 0.6 p.p. below that of the same quarter of 2022 and the lowest figure in the series published by INDEC (beginning in 2016); while the activity rate was 48.6%, 1.0 p.p. higher than that of the fourth quarter of 2022.

Graph 6
Labour market

Unemployment rate

Registered workers (seasonally adjusted series)
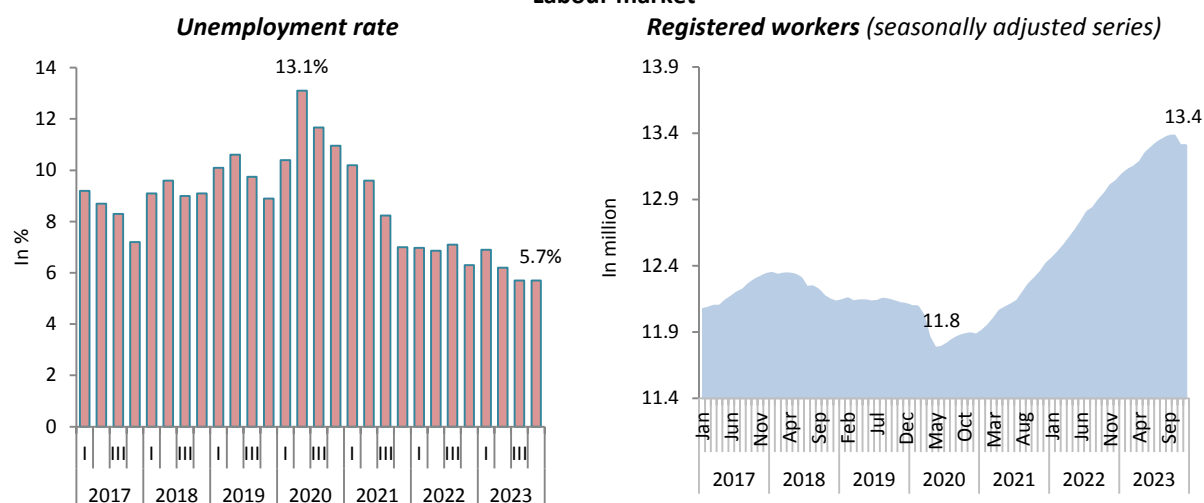
Source: CEI based on INDEC and Secretariat for Labour, Employment and Social Security

The latest published poverty figures indicate that, by the second half of 2023 41.7% of the population was below the poverty line, while 11.9% of the people were in a condition of extreme poverty. This presupposes a 1.6 p.p. rise in poverty values with respect to the first six months of 2023, and of 2.5 p.p. with respect to the second semester of 2022. Extreme poverty, in turn, rose by 2.6 p.p. and 3.8 p.p. with respect to both periods.

Prices

In 2023, annual inflation was 211.4%, the highest value for a calendar year since 1990 (Table 1). This year, Argentina continues in a process of strong price growth, although since December 2023 –when the index reached 25.5%, the highest monthly value in the series currently published by INDEC (which begins in 2016)– monthly CPI values fell to 20.6% in January and 13.2% in February.

Table 1
Price index and Nominal exchange rate – % variation

Year	CPI National Total		Nominal exchange rate ($ per USD)	
	Cumulative twelve months	Cumulative first two months	Cumulative twelve months	Cumulative first two months
2021	50.9%	7.8%	22.1%	6.8%
2022	94.8%	8.8%	72.4%	4.6%
2023	211.4%	13.1%	356.4%	11.3%
February 2024	276.2%	36.6%	327.2%	4.2%

Source: CEI based on INDEC and BCRA

The monthly depreciation of the peso against the dollar accelerated in 2023. In the twelve months of the year the peso depreciated 356.4%, mainly due to the monthly values of August (27.2%) and December (124.2%). In the first two months of 2024, the peso depreciated by only 4.2%.

Foreign trade

After a historic record 2022 in terms of foreign trade, in 2023 the drought that affected agricultural production caused a sharp decline in exports. Last year, USD 66.8 billion were exported, representing a USD 21.7 billion loss compared to 2022 exports and a 24.5% y-o-y decrease. In addition to the lower volumes shipped abroad (-16.4%), export prices fell (-9.7%) in a context of falling commodity values, which had reached record highs during 2022.

Among the exports most affected by the drought are: soybean meal and pellets (-USD 4.0 billion), wheat (-USD 3.3 billion), maize (-USD 3.1 billion), crude soybean oil (-USD 3.0 billion) and soybeans (-USD 2.3 billion); on the contrary, some of the products with export growth during 2023 were soybean oil excluding crude (USD 248 million), passenger motor vehicles (USD 215 million), goods motor vehicles (USD 191 million) and unalloyed aluminium.

Imports, in turn, amounted to USD 73.7 billion in 2023, with a 9.6% year-on-year drop (-USD 7.8 billion). As in the case of exports, there was a decrease in both prices (-5.8%) and quantities (-4.1%). Of note were the lower prices and quantities imported of fuels and lubricants, and the increase in prices and quantities imported of parts and accessories for capital goods.

Among the main imported products that fell in 2023 were fuels: gas oil (-USD 2.4 billion), liquefied natural gas (-USD 767 million), natural gas in gaseous form (-USD 816 million); and fuel oil (-USD 435 million). Meanwhile, the products with the largest increases in imports during the year were soybeans (USD 3.5 billion) from Paraguay, Brazil, Bolivia and Uruguay, which covered the shortages in local production resulting from the drought and necessary for processing into exportable goods such as soybean oil and meal, and parts for engines, electric generators, generators and electric rotary converters (USD 168 million).

The main export markets during 2023 were Brazil with a share of total foreign sales of 17.8%, the EU (10.3%), the United States (8.5%), and China (7.9%), while Argentina's main suppliers were the same countries: Brazil (23.5%), China (19.7%), the EU (14.5%), and the United States (11.7%).

The trade balance accumulated a USD 6.9 billion deficit in 2023 (a USD 6.9 billion surplus had been achieved in 2022), due to a greater fall in exports (-24.5%) than in imports (-9.6%).

In the first two months of 2024, exports of goods reached USD 10.9 billion, representing a y-o-y rise of 7.5%, accounted for by a 16.8% increase in quantities that outweighed the 8.0% drop in prices. The most significant increases were in the exports of wheat (USD 754 million, mainly to Brazil), soybean meal and pellets (USD 233 million), crude petroleum oils (USD 210 million) and soybean oil excluding crude (USD 76 million), while the largest decreases were in crude soybean oil (-USD 180 million), natural gas in gaseous form (-USD 77 million) and sorghum (-USD 29 million).

Imports of goods, on the other hand, reached $ 8.7 billion in the first two months of the year, which represents a year-on-year drop of 16.3%, as a result of reductions of 4.5% and 12.3% in prices and quantities, respectively. The most significant decreases were in purchases of diesel oil (-USD 535 million), electric energy (-USD 84 million) and fuel oil (-USD 84 million); while those of soy beans (USD 103 million), vehicles for transporting people with a cylinder capacity >1500 cm^3 and <=3000 cm^3 (USD 84 million); and gas turbine parts (USD 59 million) grew.

The increase in exports and the fall in imports resulted in a USD 2.2 billion surplus trade balance of goods in the first two months of the year, which reversed the sign of the same period in 2023, when it had recorded a USD 232 million deficit.

Graph 7
Annual trade in goods
Exports, imports and balance
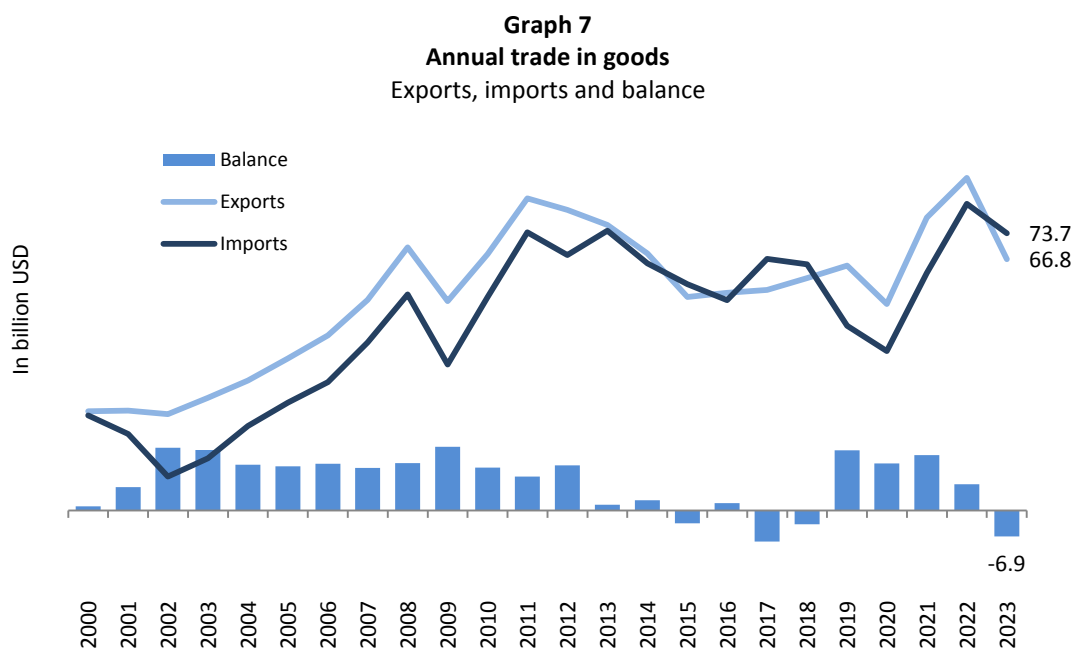
Source: CEI based on INDEC

Regarding foreign trade in services, in 2023 Argentina had a negative balance of USD 6.3 billion, which implied a deficit USD 631 million lower than in 2022. The fall in the negative balance is mainly explained by the improvement in the transport services trade result (USD 687 million), caused by lower expenditures on import freights, and by the improvement in the travel balance (USD 276 million).

Services exports grew 14.1% y-o-y in 2023 and reached USD 16.5 billion, while imports grew 6.6% y-o-y (reaching USD 22.8 billion). The main services exports in 2023 corresponded to knowledge-based services (KBS), and within this group, business services. KBS exports amounted to USD 8.5 billion and are at their highest levels ever, with a 2.8% year-on-year growth. Travel also stands out among services exports, with revenues of USD 5.4 billion.

Graph 8
**Annual trade in services**
Exports, imports and balance
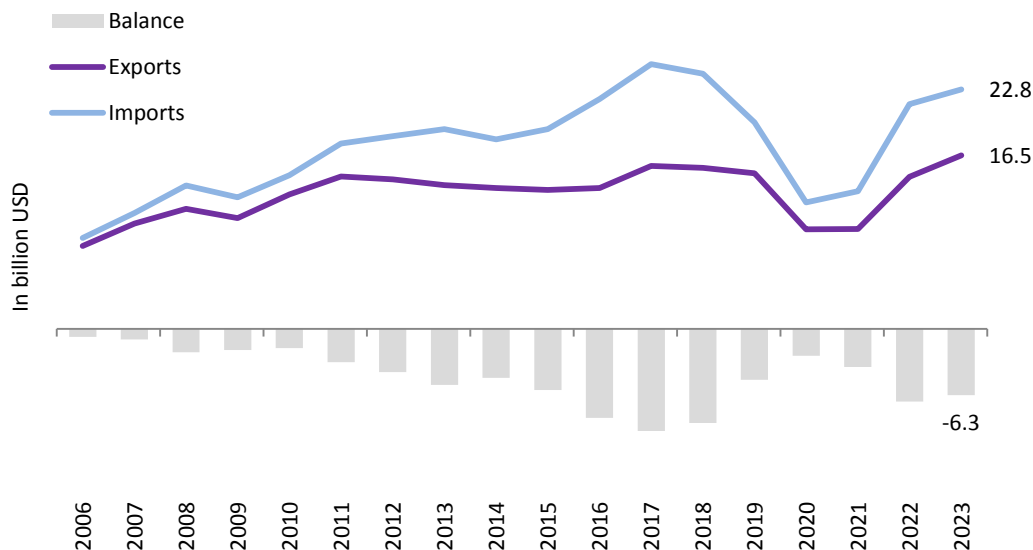
Source: CEI based on INDEC

International accounts

In 2023, the net flow of foreign direct investment (FDI) totalled USD 22.9 billion (3.6% of GDP), a value that exceeded that of the previous year by 48.7% (1.1 p.p. higher in relation to GDP) and the highest value in the series published by INDEC, which begins in 2006.

In turn, as in 2022, the current account presented a negative sign in 2023. The annual deficit amounted to USD 21.5 billion, 3.3% of GDP (a year-on-year increase of 2.7 p.p. in the deficit).

Graph 9
Current account balance
In % of GDP
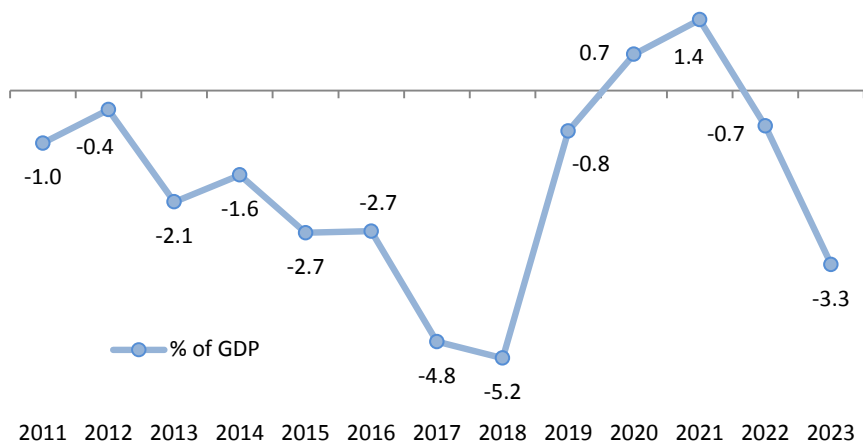
Source: CEI based on INDEC

During 2023, the Central Bank (BCRA) experienced a sharp fall in international reserves: at the end of 2022 they amounted to USD 44.6 billion, while on the last business day of 2023 they reached USD 23.1 billion, a year-on-year decline of 48.3% (-USD 21.6 billion). In 2024, the trend changed and the BCRA started to accumulate reserves: on the last working day of March (27 March 2024) they reached USD 27.1 billion, 17.6% more than at the end of last year.

Graph 10
International reserves
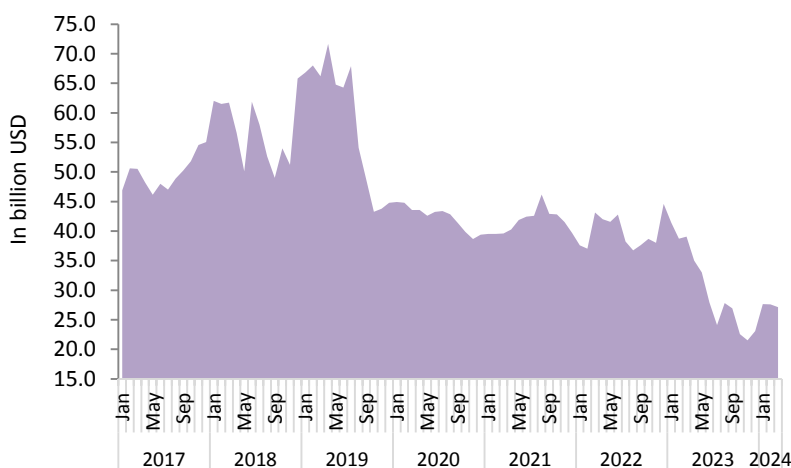
Source: CEI based on BCRA

Fiscal sector

In 2023, the National Public Sector (NPS) recorded a primary deficit of $ 5.5 trillion (2.9% of GDP), which represents a 0.5 p.p. increase with respect to 2022. Likewise, it registered a financial deficit of $ 11.7 trillion (6.1% of GDP), a year-on-year increase of 1.9 p.p.

In the first months of 2024, however, the NPS recorded two consecutive months of primary and financial surplus for the first time since 2011. The positive result, after interest payments, was almost 0.2% of GDP.

Public debt[7] by 31 December 2023 amounted to USD 370.7 billion (157.9% of GDP[8]), representing a y-o-y fall of 6.5%[9], though a 72.6 p.p.[10] growth with relation to GDP. Foreign currency debt by the end of 2023 amounted to 113.7% of GDP[11], while foreign debt at that time represented 59.2% of the product, 28.1 p.p. more than a year before.

---

[7] Value of central government gross debt.

[8] According to the methodology of the Secretariat for Finance of the Ministry of Economy, the debt as a percentage of output uses the average of GDP for the last four quarters, expressed in dollars at the end-of-period exchange rate.

[9] Relative to GDP, it represents a year-on-year growth of 72.7 p.p.

[10] The increase in debt with relation to GDP is accounted for by the December 2023 devaluation (124.2%) and the methodology for the calculation used by the Ministry of Economy that takes into account the exchange rate at the end of the period.

[11] 56.7 p.p. higher than the percentage of GDP reached in 2022.

Graph 11
Gross public debt by currency (in % of GDP)
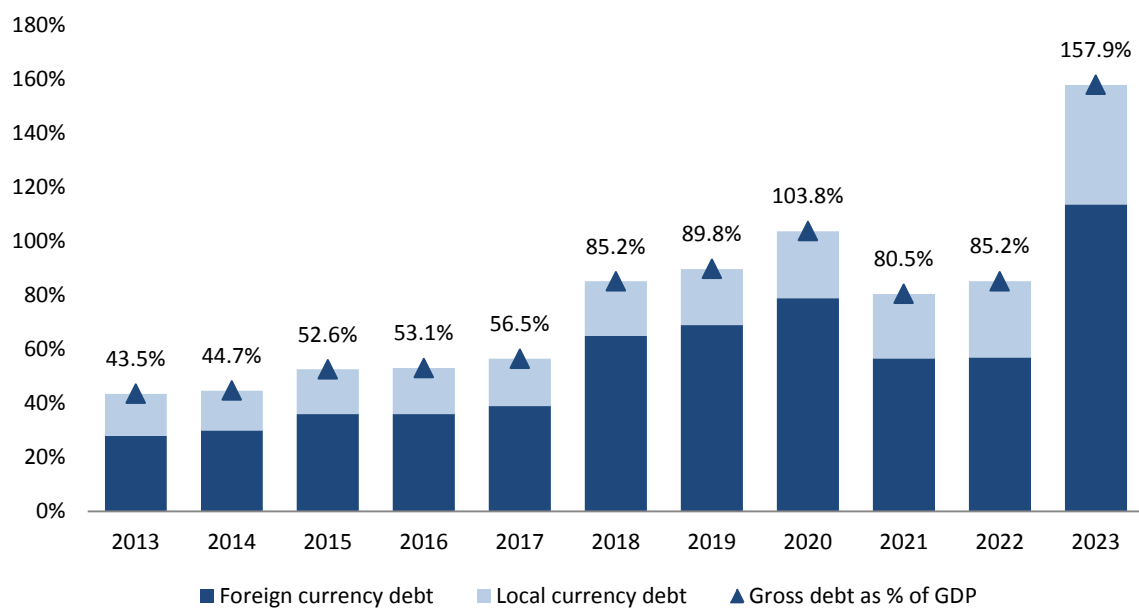
Source: CEI based on Ministry of Economy

ARGENTINE ECONOMIC OUTLOOK

Closing date of this issue: 31 March 2024

Ministry of Foreign Affairs, International Trade and Worship
Argentine Republic