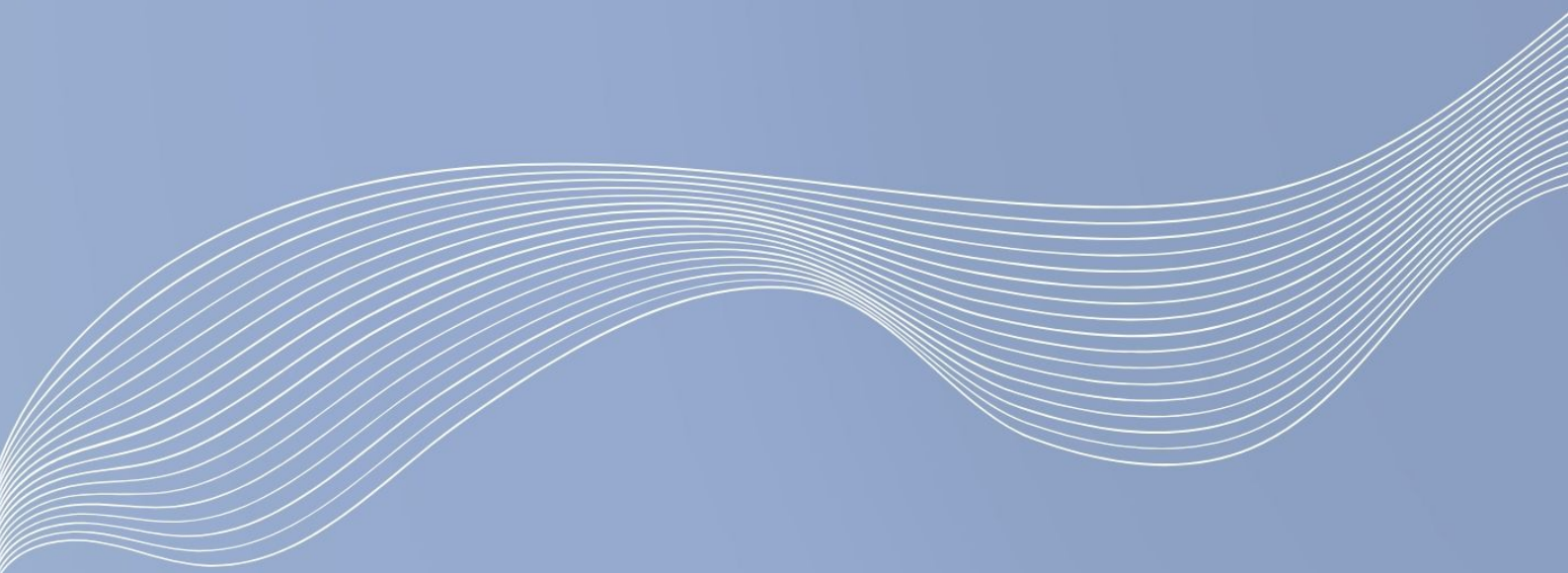


OCTOBER 2024

# 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<sup>1</sup>, Argentina is the second economy in South America, following Brazil. It is ranked fourth in terms of per capita GDP<sup>2</sup> (USD 13,872), in this case following Uruguay, Guyana and Chile; and its over 47 million inhabitants<sup>3</sup> rank it as the third most populated country in South America.

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. It 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 significant mining wealth. It is ranked in the third place as global lithium reserve, tenth in gold, and it comes among the top 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, such as the automotive industry, which, with preferential access to the main markets of the region, has become the most relevant sector concerning manufactured products 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<sup>4</sup>, fourteen are Argentine-based.

Moreover, it has a skilled workforce, acknowledged for its technical capabilities, creativity and versatility, and it is ranked second in Latin America in the Human Development Index produced by the United Nations Development Programme<sup>5</sup>.

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<sup>1</sup> Year 2023, according to data from the Ministry of Economy.

<sup>2</sup> Year 2023, according to data from the World Bank.

<sup>3</sup> 47,067,641 people according to estimates by INDEC by 1 July 2024.

<sup>4</sup> Companies with a stock market value over USD 1 billion. Until 2020, there were five: Mercado Libre, Despegar, Globant, OLX and Auth0. In 2021, seven more were added: Vercel (software), Aleph (social 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).

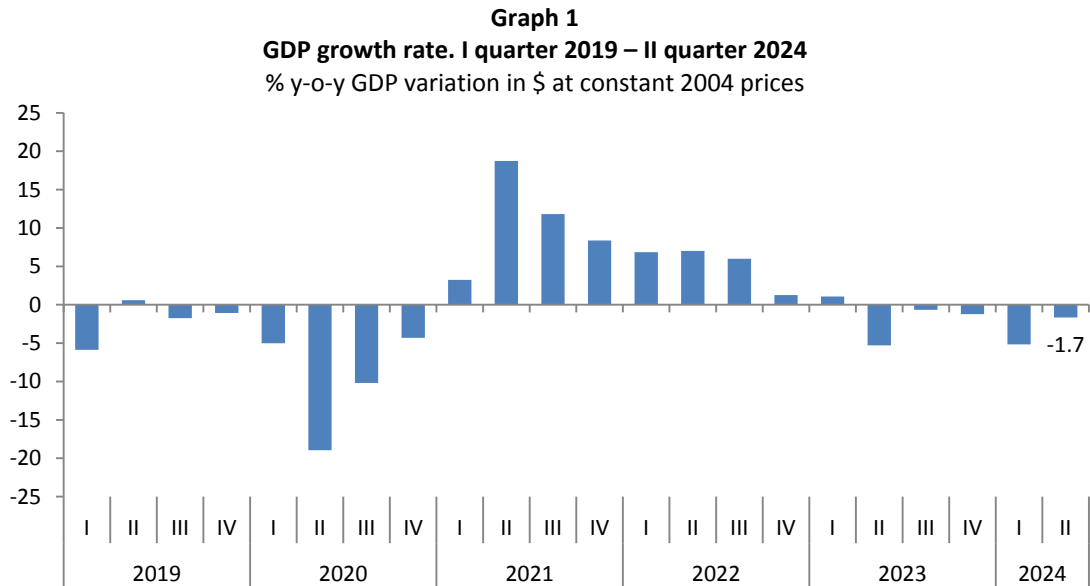
<sup>5</sup> Index corresponding to the year 2022.

## State of the real economy

- In the second quarter of 2024, Argentina's GDP fell by 1.7% year-on-year, representing the fifth consecutive quarter of decline in economic activity.
- The sector that had the greatest impact on this fall was the manufacturing industry (-17.4%), followed by wholesale and retail trade (-15.7%) and construction (-22.2%), while the strong recovery of agriculture, livestock, hunting, forestry and fishing (79.5%) mitigated the drop in GDP.
- According to the monthly estimator of economic activity (EMAE, for its name in Spanish), in July 2024 the Argentine economy continued with the trend of the first semester. In that month, the indicator had a negative 1.3% y-o-y variation (the cumulative January-July fell 3.1%).
- The industrial production index (IPI, for its name in Spanish) also decreased between January and July this year, falling 14.6%, while construction, as measured by the synthetic indicator of construction activity (ISAC, for its name in Spanish), did so by 30.9%.
- The installed industrial capacity utilization (UCII, for its name in Spanish) was 59.7% in July 2024, a value 5.3 p.p. lower than that recorded during the same month of 2023, but 5.2 p.p. higher than that in June 2024.
- In June 2024, the number of workers registered under one of the modalities of the social security system amounted to 13.3 million, 13,000 people more than the previous month and 39,200 more than those registered in June 2023.
- In the second quarter of 2024, the unemployment rate reached 7.6% of the economically active population (EAP), 1.4 p.p. above that of the same quarter of 2023.
- Between January and August 2024, exports of goods reached USD 52.2 billion, representing a 14.8% year-on-year rise. This is accounted for by a 23.4% increase in the quantities exported that exceeded the 7.0% drop in prices.
- In the first eight months of the year, imports of goods totalled USD 38.0 billion and fell 26.3% in year-on-year terms, as a result of reductions by 4.0% and 23.2% in prices and imported quantities, respectively.
- The trade balance reached a surplus of USD 14.2 billion, while a deficit of USD 6.2 billion had been recorded between January and August 2023.
- Service exports grew 1.7% in the second quarter of 2024 to reach USD 3.8 billion; imports in turn fell 7.7% (USD 4.9 billion) and the remaining deficit was of USD 1.1 billion (in the second quarter of 2023 it had been USD 1.6 billion).
- Between April and June 2024, the current account registered a surplus for the second consecutive quarter. In that period, the positive balance amounted to USD 3.5 billion (2.2% of GDP), which represents a change of sign compared to the same period in 2023, when a deficit of USD 6.6 billion (3.9% of GDP) had been recorded.
- Contrary to what had happened in 2023, when the Central Bank of the Argentine Republic (BCRA, for its name in Spanish) experienced a sharp drop in international reserves, these grew in 2024: by 30 September 2024, they reached USD 27.2 billion, 17.8% more than at the end of last year.
- In the first eight months of the year, the National Public Sector (SPN, for its name in Spanish) yielded a financial surplus of approximately 0.4% of GDP (and a primary surplus of approximately 1.5% of GDP).
- Public debt by 30 June 2024 amounted to USD 442.5 billion (110.5% of GDP), which represents a reduction with respect to the value at the end of last year of 46.1 p.p. with relation to GDP.

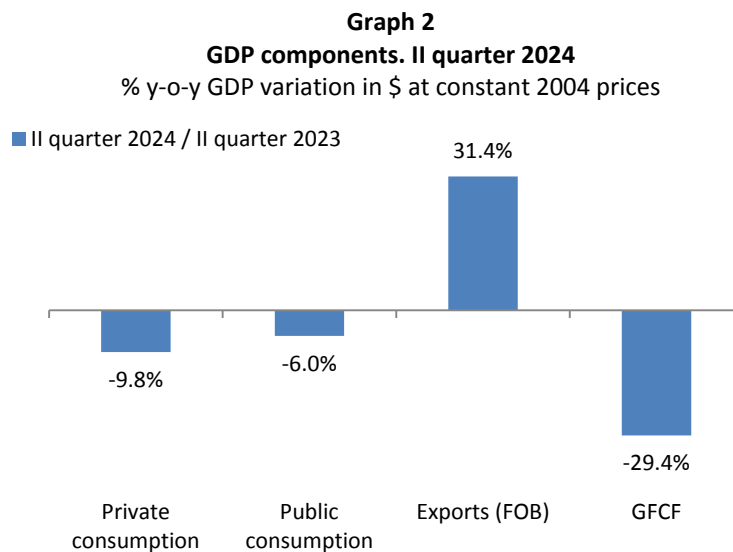
### Level of activity

In the second quarter of 2024, Argentina's GDP fell 1.7% year-on-year, following the 5.1% decline recorded in the first three months of the year, thus completing the fifth consecutive quarter of decline in economic activity.



Source: CEI based on INDEC

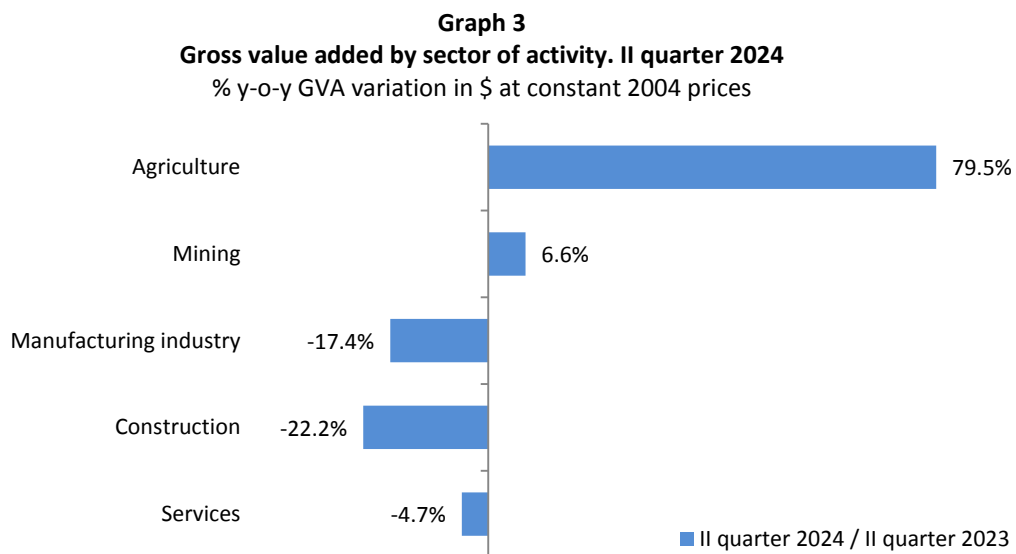
The negative economic performance during the first quarter of 2024 was determined by the fall in investment (-29.4% year-on-year), private consumption (-9.8%) and public consumption (-6.0%). The only component of demand that registered an increase between April and June 2024 were exports, which rose 31.4%. On the other hand, the investment/GDP ratio was 15.3%<sup>6</sup> in the second quarter of 2024, which meant a 6.1 p.p. reduction with respect to the same period of 2023.



Source: CEI based on INDEC

<sup>6</sup> Relative to GDP at constant prices.

At sector level, in the second quarter of the year, the recovery of the agriculture, livestock, hunting and forestry sector can be highlighted, with a growth of 81.2% compared to the same period in 2023, when the effects of the historical drought suffered by our country were recorded. However, this increase did not compensate for the sharp falls recorded in the manufacturing industry (-17.4%), wholesale and retail trade (-15.7%) and construction (-22.2%), the sectors that had the greatest impact on the decline in economic activity. Within the manufacturing industry, the branches of activity that suffered the greatest setbacks were the manufacture of furniture and mattresses (-41.5%), the manufacture of non-metal mineral products (-34.3%), the manufacture of radio, television and communications equipment and apparatuses (-31.3%) and the manufacture of machinery and equipment n.e.c. (-27.7%). Among services, the largest falls recorded were retail and wholesale trade (-15.7%) and financial intermediation (-9.8%).



Source: CEI based on INDEC

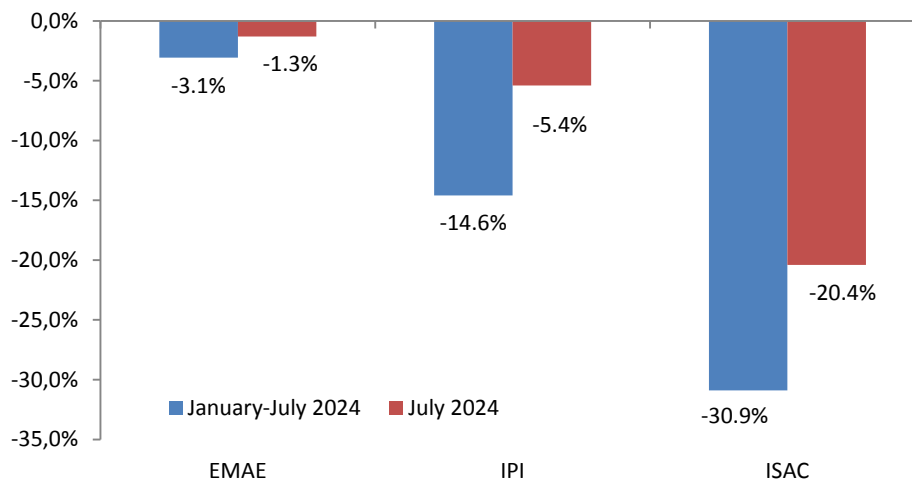
According to the monthly estimator of economic activity (EMAE, for its name in Spanish), in July 2024, the Argentine economy fell 1.3% with respect to the same month in 2023, while in the cumulative January-July period, the decline in activity was 3.1%, with respect to the first seven months of last year.

The decrease in activity that took place in July was mainly explained by a drop in the manufacturing industry (-5.6% y-o-y), wholesale and retail trade (-5.3%) and construction (-14.8%), while among the sectors that had a positive result, agriculture, livestock, hunting and forestry stood out with a 23.6% y-o-y rise and the exploitation of mines and quarries with 5.7%.

According to the industrial production index (IPI, for its name in Spanish), the sector's activity in July had a 5.4% descent, representing the 11<sup>th</sup> consecutive year-on-year fall of the indicator that is monthly published. In turn, between January and July this year, the IPI experienced a y-o-y fall of 14.6%.

Likewise, the economic indicators of construction activity (ISAC, for its name in Spanish) published by INDEC showed negative y-o-y rates both in July 2024 and in the accumulated January-July of this year (20.4% and 30.9%, respectively).

**Graph 4**  
**EMAE, IPI and ISAC. July 2024 and accumulated January-July 24**  
y-o-y % variation



Source: CEI based on INDEC

The installed industrial capacity utilization (UCII, for its name in Spanish), in July 2024 was 59.7%, a value 5.3 p.p. lower than that recorded during the same month of 2023, but 5.2 p.p. higher than that in June 2024.

The sectors with installed capacity utilisation above the overall level in July 2024 were: petroleum refining (83.1%), chemical substances and products (65.7%), food and beverage products (65.4%), basic metal industries (61.5%) and paper and cardboard (60.3%). In contrast, the sector blocks with the lowest utilisation of installed capacity were: editing and printing (48.8%), tobacco products (47.9%) and rubber and plastic products (44.0%).

### **Social indicators**

In June 2024, the number of registered workers under one of the modalities of the social security system totalled 13.3 million<sup>7</sup>, 13,000 more people than the previous month and 39,200 people additional to those recorded in June 2023 (Graph 5).

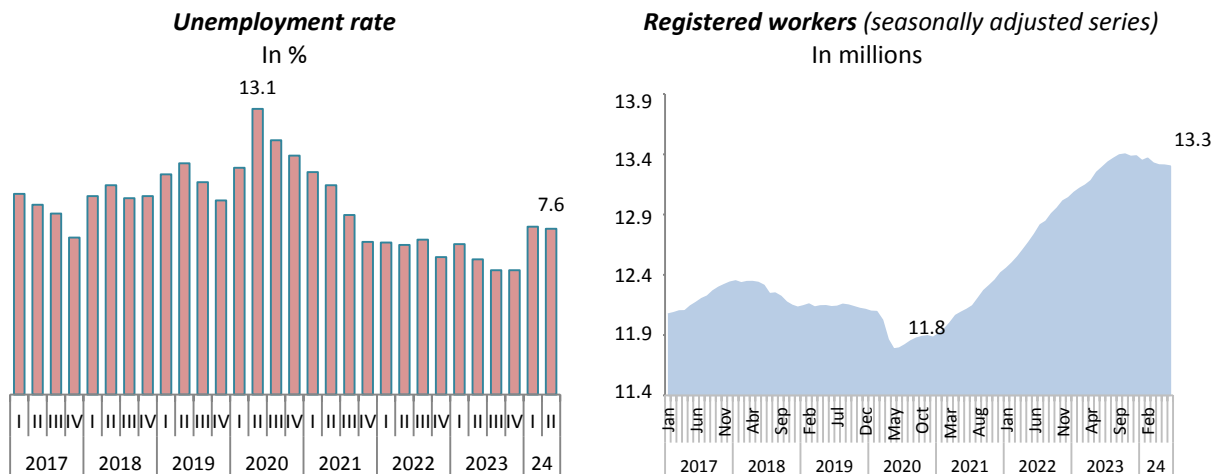
Formal private employment<sup>8</sup> recorded a monthly variation of -0.2% and a y-o-y variation of -2.3% (a drop of 12,600 and 149,900 workers, respectively). Independent work, meanwhile, varied positively with respect to May (0.8%, 24,500 more workers) and year-on-year (7.0%, 210,100 workers), which is explained by an increase in the number of *monotributistas* (workers registered in the simplified regime for small taxpayers) (contributors increased by 1.9% in June from May, and year-on-year by 11.1%).

The unemployment rate in the second quarter of 2024 reached 7.6% of the economically active population (EAP), 1.4 p.p. above the same quarter of 2023; while the activity rate stood at 48.5%, 0.9 p.p. higher than that of last year's second quarter.

<sup>7</sup> Seasonally adjusted series.

<sup>8</sup> Seasonally adjusted series.

**Graph 5**  
**Labour market. Years 2017-2024**



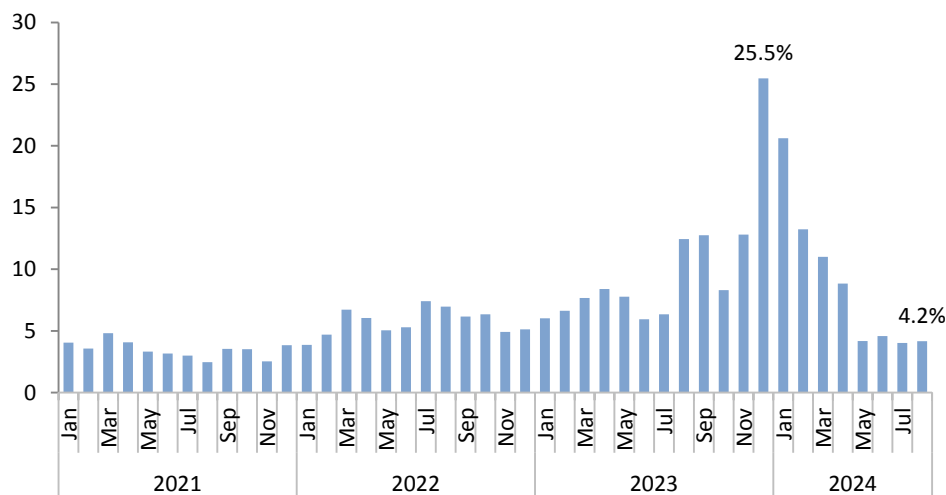
Source: CEI based on INDEC and the Secretariat for Labour, Employment and Social Security

The latest published poverty figures indicate that, in the first half of 2024, 52.9% of the population was below the poverty line, while 18.1% of the people were in extreme poverty. This presupposes an 11.2 p.p. increase in poverty values compared to the second half of 2023, and a 12.8 p.p. rise in relation to the first half of said year. Extreme poverty, in turn, rose by 6.2 p.p. and 8.8 p.p., respectively.

### Prices

In 2023 annual inflation was 211.4%, the highest value in a calendar year since 1990. In 2024 Argentina continues undergoing a price increase process, although since December 2023, when the index reached 25.5% (the highest value in the series published by INDEC, starting in 2016), the monthly values of the CPI have significantly decreased. The latest available data for the month of August was 4.2% (Graph 6).

**Graph 6**  
**Consumer price index. January 2021 - August 2024**  
% monthly variation



Source: CEI based on INDEC

The monthly depreciation of the peso against the dollar accelerated in 2023 (356.4%), mainly due to the values of August (27.2%) and December (124.2%). In contrast, in 2024, the depreciation of the peso is around 2% per month, and until September it accumulated 20.1% (in that month it was 1.9%).

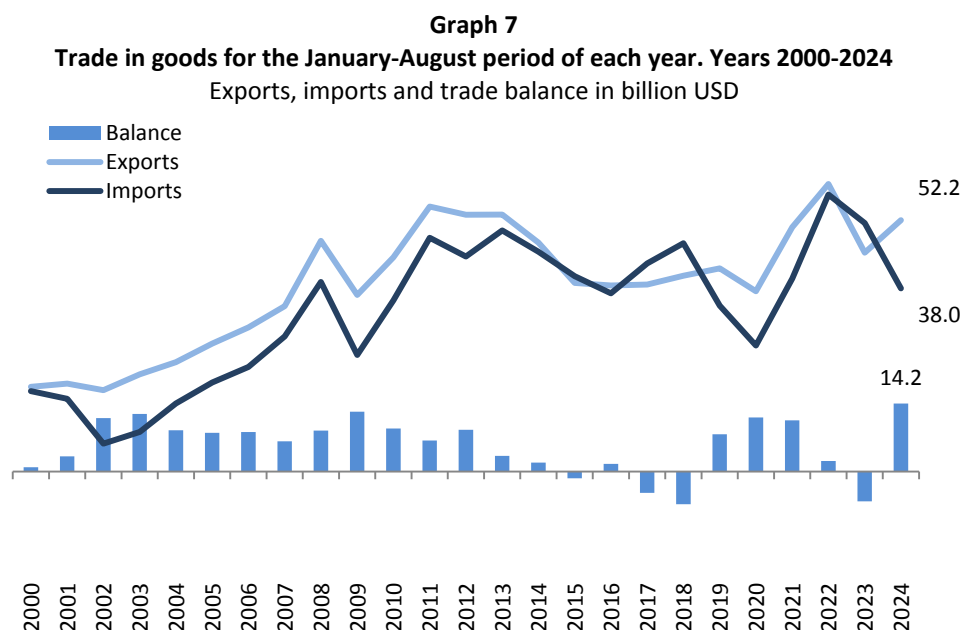
### **Foreign trade**

In the first eight months of the year, exports reached USD 52.2 billion, representing a 14.8% year-on-year rise. This is accounted for by a 23.4% increase in the quantities exported that exceeded the 7.0% drop in prices. In turn, imports totalled USD 38.0 billion and fell 26.3% in year-on-year terms, as a result of reductions by 4.0% and 23.2% in prices and imported quantities, respectively. As a result, the trade balance showed a surplus of USD 14.2 billion, when in the first eight months of 2023 a USD 6.2 billion deficit had been recorded.

The main export destinations were Brazil, with a 16.3% share, the EU, with 9.7%, China, with 8.8% and the United States, with 7.9%. In turn, the most remarkable countries of origin of imports were: Brazil, with 22.4% of the total imported, China, with 17.1%, the EU, with 15.4%, and the United States, with 11.5%. The largest surpluses were obtained in trade with Chile (USD 3.7 billion), Vietnam (USD 1.8 billion), Peru (USD 1.5 billion), India (USD 1.4 billion), and Saudi Arabia (USD 900 million); while the main deficits were recorded with China (-USD 1.9 billion), Paraguay (-USD 1.6 billion) and Germany (-USD 1.2 billion).

The imports of crude petroleum oils (USD 1.3 billion), soybeans (USD 1.3 billion), soybean flour and pellets (USD 1.3 billion) and wheat (USD 1.2 billion) rose. In turn, the largest falls occurred in lithium carbonates (-USD 186 million), unwrought silver (-USD 171 million), grains of barley (-USD 166 million) and vehicles for the transport of persons (-USD 150 million).

With respect to imports, the most significant falls occurred in purchases of soybeans (-USD 2.1 billion), liquefied natural gas (-USD 1.1 billion) and parts of telephones and devices for broadcasting, transmitting or receiving (-USD 906 million); while those of vehicles for the transport of people (USD 405 million) and vehicles for the transport of goods (USD 133 million) went up.



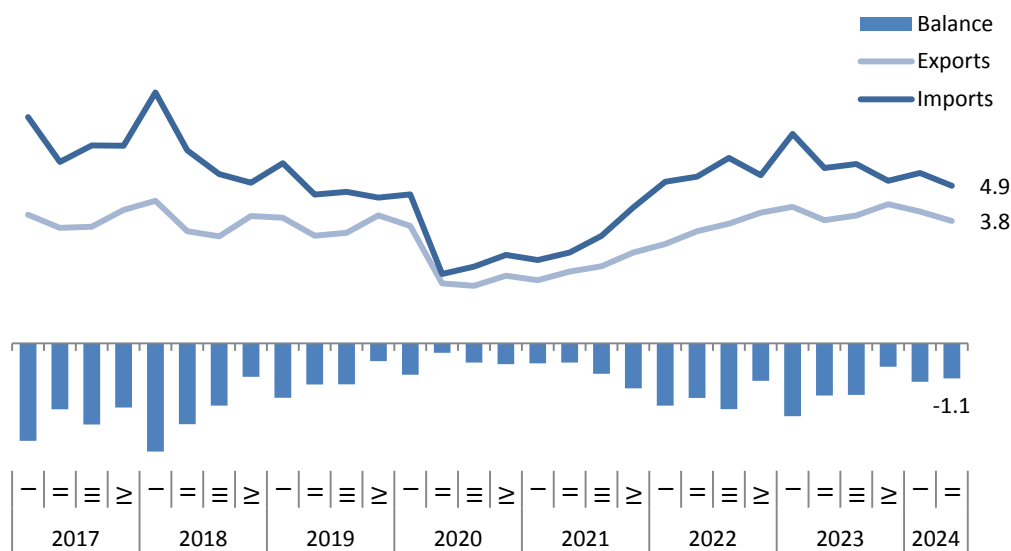
Fuente: CEI based on INDEC



Regarding trade in services, in the second quarter of 2024, exports amounted to USD 3.9 billion and imports to USD 4.9 billion, for which reason the deficit was of USD 1.1 billion, representing a USD 479 million improvement with respect to the balance observed in the same period of the previous year. This dynamic can be accounted for by a USD 415 million fall (-7.7% y-o-y) in the imports of services and a rise in exports of USD 63 million (1.7% y-o-y).

The improved balance is mainly the result of the decrease in the deficit in transportation account (USD 453 million). In the second quarter of 2024, the main exports corresponded to knowledge-based services (KBS), and within this group, to business services. KBS exports amounted to USD 2.2 billion, with an 8.0% year-on-year rise. Exports of services also include travel, with revenues of USD 962 million.

**Graph 8**  
**Trade in services. I quarter 2017 - II quarter 2024**  
Exports, imports and trade balance in billion USD



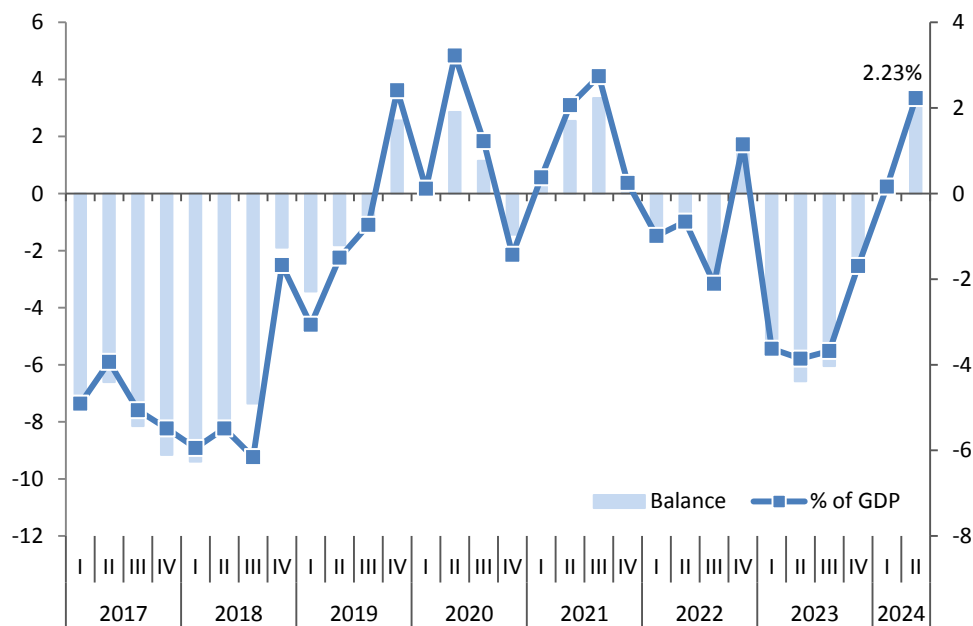
Source: CEI based on INDEC

### **International accounts**

In the second quarter of 2024, foreign direct investment (FDI) totalled USD 2.6 billion (1.7% of GDP), a value that was lower by 51.6% (1.5 p.p. lower than GDP) than that recorded in the same period of the previous year.

In turn, between April and June, the current account registered a surplus for the second consecutive quarter. While in the first three months of the year the result had been USD 215 million (0.16% of GDP), in the second quarter of 2024 the positive balance amounted to USD 3.5 billion (2.23% of GDP), which represents a change of sign compared to the same period of 2023, when a deficit of USD 6.6 billion (3.86% of GDP) had been recorded.

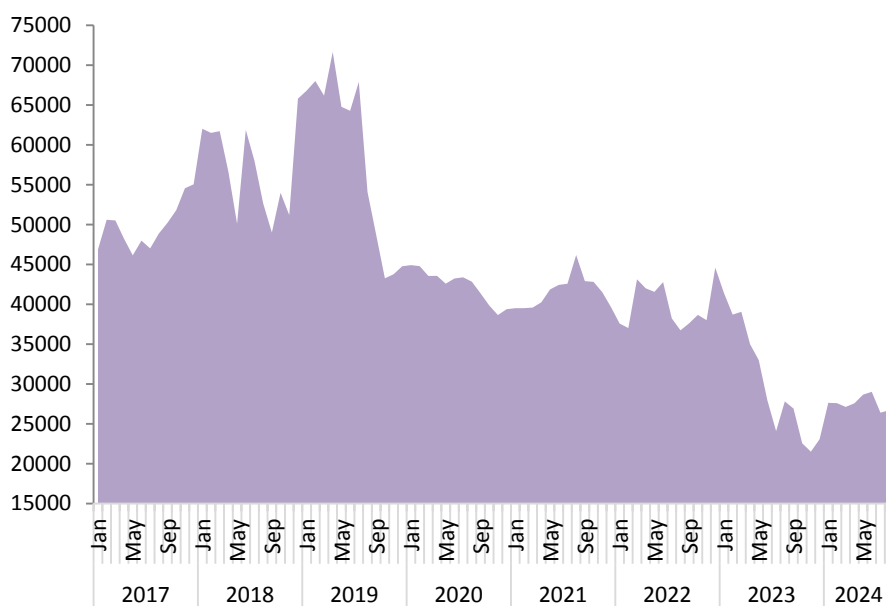
**Graph 9**  
**Current account balance. I quarter 2017 – II quarter 2024**  
In billion USD (left axis) and in % of GDP (right axis)



Source: CEI based on INDEC

In 2023, the Central Bank of the Argentine Republic (BCRA, for its name in Spanish) experienced a sharp fall in international reserves: at the end of 2022 these amounted to USD 44.6 billion, while on the last business day of 2023, they reached USD 23.1 billion, a y-o-y decrease of 48.3% (-USD 21.6 billion). In 2024, the trend changed and the BCRA started to accumulate reserves: according to the latest data available, by 30 September 2024 they amounted to USD 27.2 billion, 17.8% more than by the end of last year.

**Graph 10**  
**International reserves. January 2017 – September 2024**  
In million USD



Source: CEI based on BCRA

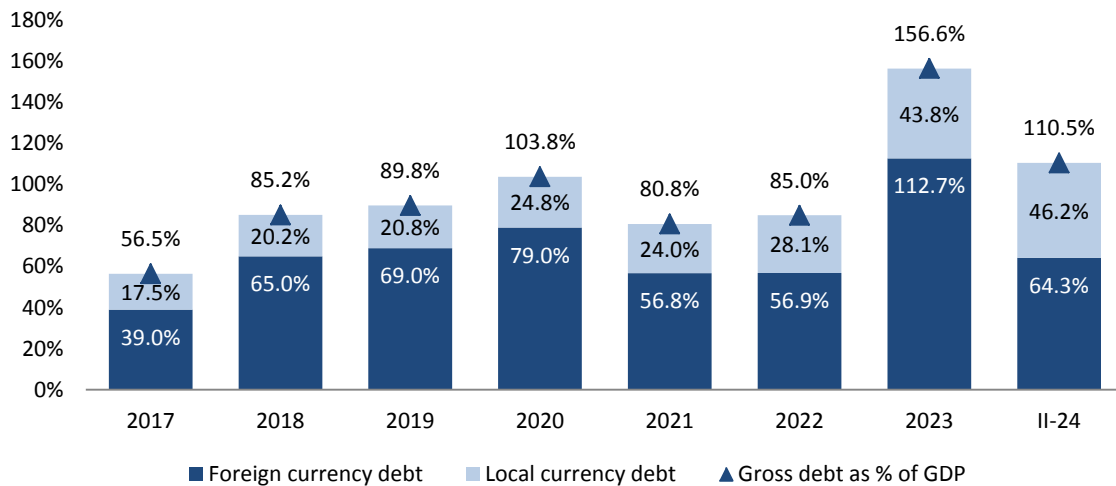
### **Fiscal sector**

In August, the National Public Sector (SPN, for its name in Spanish) recorded a primary surplus of \$ 899.7 billion and a financial surplus of \$ 3.5 billion, following a payment of interest on public debt net of intra-public sector interests of \$ 896.1 billion.

In the first eight months of the year, the National Public Sector yielded a financial surplus of approximately 0.4% of GDP (and a primary surplus of approximately 1.5% of GDP).

Finally, public debt<sup>9</sup> by 30 June 2024 amounted to USD 442.5 billion (110.5% of GDP<sup>10</sup>), representing a decrease with respect to the value of 46.1 p.p. recorded at the end of last year (with relation to GDP<sup>11</sup>). Foreign currency debt in the second quarter of 2024 reached 64.3% of GDP, while the external debt accounted for 34.5% of GDP.

**Graph 11**  
**Gross public debt by currency. Years 2017-2023 and II quarter 2024**  
In % of GDP



Source: CEI based on Ministry of Economy

<sup>9</sup> Value of the gross debt of the central administration.

<sup>10</sup> According to the methodology of the Secretariat of Finance of the Ministry of Economy, the debt as a percentage of output data uses the average GDP for the last four quarters, expressed in dollars from the end-of-period exchange rate.

<sup>11</sup> Exchange rate at the end of the period.

# ARGENTINE ECONOMIC OUTLOOK

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Closing date: 30 September 2024



Ministry of Foreign Affairs,  
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