

# Argentina's Stabilization Program: Reversing *Terminal Stage* Fiscal Dominance over Monetary Policy

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BANCO CENTRAL  
DE LA REPÚBLICA ARGENTINA

# Argentina Stabilization Program: Reversing *Terminal Stage* Fiscal Dominance over Monetary Policy

- I. **OVERVIEW: The Stages of Monetary Submission to Fiscal Policy**
- II. **ARGENTINA IN THE 20<sup>th</sup> CENTURY: Stylized Fiscal, Monetary and Inflation Facts**
- III. **ARGENTINA 2009-19: Transition from Structural (Stage 2) to Systemic (Stage 3) Fiscal Dominance**
- IV. **ARGENTINA 2020-23: Descent into Terminal (Stage 4) Fiscal Dominance**
- V. **ARGENTINA'S 2024 STABILIZATION PROGRAM: A Swift Reversal of Terminal Stage Fiscal Dominance**

# Argentina Stabilization Program: Reversing Terminal Stage Fiscal Dominance over Monetary Policy

## I. OVERVIEW: The Stages of Monetary Submission to Fiscal Policy

- Key Research on Fiscal Dominance in Closed & Open Economies
- Progression of Fiscal Dominance in Closed & Open Economies (Stage 1, 2, & 3)
- Mechanics of Fiscal Dominance in Open Economies (Stage 2, 3 & 4)

## II. ARGENTINA IN THE 20<sup>th</sup> CENTURY: Stylized Fiscal, Monetary and Inflation Facts

## III. ARGENTINA 2009-19: Transition from Structural (Stage 2) to Systemic (Stage 3) Fiscal Dominance

## IV. ARGENTINA 2020-23: Descent into Terminal (Stage 4) Fiscal Dominance

## V. ARGENTINA'S 2024 STABILIZATION PROGRAM: A Swift Reversal of Terminal Stage Fiscal Dominance

Progression	Economy	References
Stage 1	Closed	<ul style="list-style-type: none"> <li>Sargent &amp; Wallace (1981): Some Unpleasant monetarist arithmetic</li> <li>Aiyagari &amp; Gertler (1985): The Backing of Government Bonds and Monetarism</li> </ul>
	Open	<ul style="list-style-type: none"> <li>Rodriguez, C. (1978): A Stylized Model of the Devaluation-Inflation Spiral</li> <li>Krugman (1979): A model of Balance of Payment Crises</li> <li>Savastano (1992): Collapse of a Crawling Peg Regime in the Presence of a Government Budget Constraint</li> </ul>
Stage 2	Closed	<ul style="list-style-type: none"> <li>BIS (2023): Monetary and Fiscal Policy: Safeguarding Stability and Trust, Chapter 2, Annual Economic Report.</li> </ul>
	Open	<ul style="list-style-type: none"> <li>Vegh, C. et al. (2017). Between a Rock and a Hard Place: The Monetary Policy Dilemma in Latin America and the Caribbean. LAC Semiannual Report. Washington, D.C.: World Bank.</li> <li>BIS (2019): Monetary Policy Frameworks in EMEs: Inflation Targeting, the Exchange Rate and Financial Stability, Chapter II, Annual Economic Report.</li> </ul>
Stage 3	Closed	<ul style="list-style-type: none"> <li>Canzoneri et al (2010): The Interaction Between Monetary and Fiscal Policy, Handbook of Monetary Economics, Vol. 3, pp. 935-999</li> </ul>
	Open	<ul style="list-style-type: none"> <li>Heymann &amp; Leijonhufvud. High Inflation Chapter 3 &amp; 4. Clarendon Press. Oxford.</li> <li>Calvo and Guidotti (1990): Indexation and the Maturity of Government Bonds: An Exploratory Model</li> <li>Werning, I. (2024): Optimal Taxation under Financial Repression</li> <li>Rodriguez, C. (1986): <i>“Un análisis estilizado de la reforma financiera de Julio 1982”</i></li> </ul>

Progression	Severity	Trigger	Type of Economy	Pathway* (Fiscal Dominance)	Short Term Symptoms	Diagnosis (Monetary Policy)
Stage 1	Cyclical Risk	<b>Goals:</b> Conflict over policy goals between Treasury & Central Bank	Closed	$\uparrow fd$ and $\uparrow y \Rightarrow \uparrow i^{cb}$	$\uparrow \pi$	<b>Risk for Price Stability:</b> Lack of coordination leads to potential deviations from CB policy goals
			Open	$\uparrow fd$ and $\uparrow y \Rightarrow \uparrow i^{cb}$	$\downarrow e$ $\uparrow CAD$	
Stage 2	Structural Risk	<b>Instruments:</b> Loss of Central Bank operational independence to Treasury	Closed	$\uparrow fd$ and $\downarrow i^{cb} \Rightarrow \uparrow y, \pi^e$	$\uparrow \pi$ $\uparrow i^T$	<b>Monetary Management:</b> Treasury's Interference redefines CB policy goals
			Open	$\uparrow fd$ and $\downarrow i^{cb} \Rightarrow \uparrow y, \pi^e$ $\uparrow fd$ and $\downarrow e \Rightarrow \uparrow y, \uparrow e^e$	$\uparrow e$ $\uparrow CAD$ $\downarrow R$ $\uparrow CAD$ $\uparrow i^T$	
Stage 3	Systemic Risk	<b>Balance Sheet:</b> Loss of Treasury's access to markets compromises Central Bank's balance sheet	Open	$\uparrow fd, \uparrow i^T$ and $\uparrow M \Rightarrow \uparrow \pi^e$	$\uparrow i^{cb}$ $\downarrow R$ $\uparrow \pi$ $\uparrow e$	<b>Rising Monetary Liabilities:</b> Transfer of resources deteriorates the CB Balance Sheet
				$\uparrow fd, \uparrow i^T$ and $\downarrow R \Rightarrow \uparrow e^e$	$\uparrow i^{cb}$ $\uparrow R$ $\uparrow \pi$ $\uparrow e$	<b>Declining Reserve Assets:</b> Transfer of resources deteriorates the CB Balance Sheet

\*fd = Fiscal Deficit; y = Domestic Demand; M = Monetary Liabilities; R = Reserve Assets;  $\pi$  = Inflation; e = Exchange Rate, i = interest rate; CAD = Current Account Deficit

Exercise of Fiscal Dominance over	Mechanism Used to Avoid Fisc. Adj.	Intervention	Consequences	
			Intended	Unintended
Standard Central Bank Liquidity Management	Price Interventions	Spot FX →	↓ Inflation	↓ FX Reserves
		FX Futures →	↓ Spot FX	↑ <i>Expected</i> Base Money
	Balance Sheet Transfers to Treasury	Local Currency →	↑ Overdraft Transfers ↑ Dividend Payouts	↑ Base Money
		Foreign Currency →	↑ Treasury IOUs	↓ FX Reserves
Non-Standard CB Liquidity Management	Quantitative Restrictions	FX Regulation →	↓ Int. Rate, ↓ Spot FX ↑ Treasury roll-over	↓ FX Reserves ↑ Shadow Spot FX
	Contractual Commitments	Int. Rate & Bank Reg. →	↑ Int. Rate, ↑ Puts/CB Bids on Banks' Treasury Bonds	↓ Real Base Money

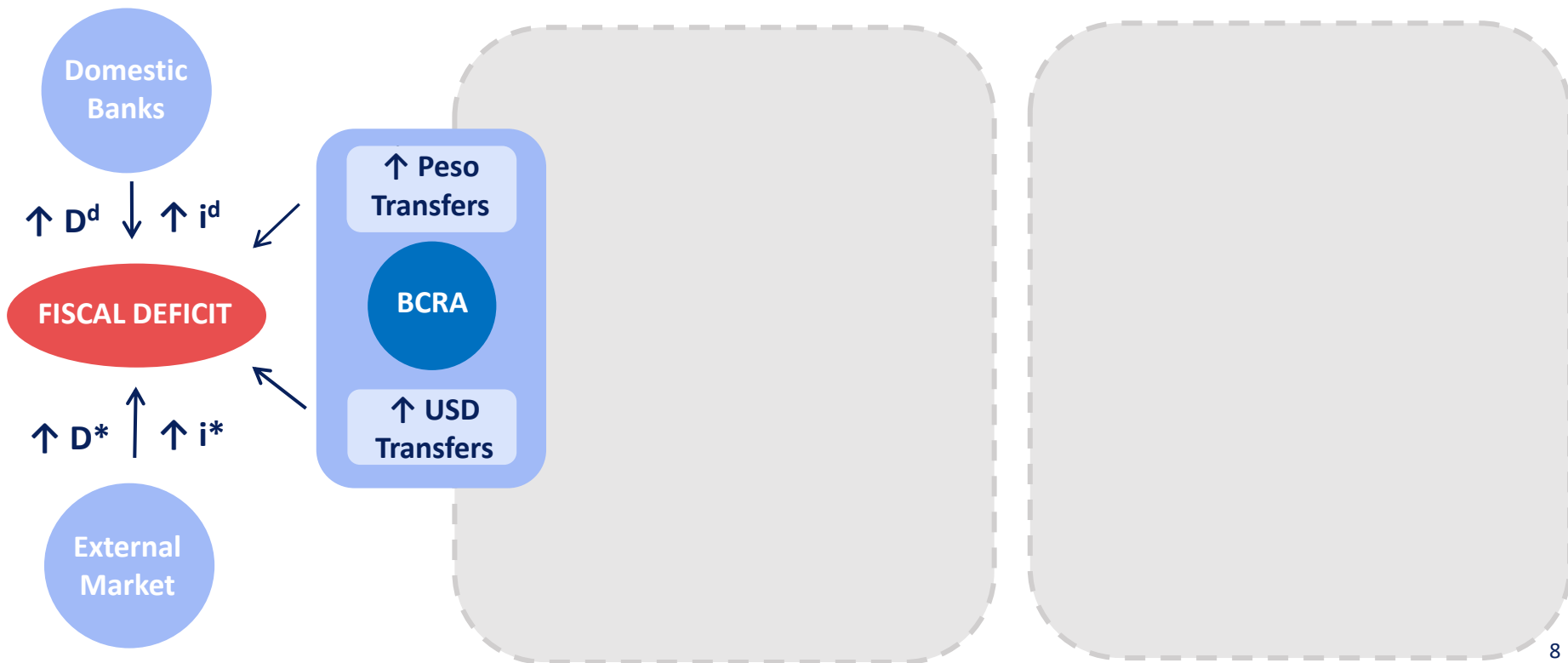
# Argentina Stabilization Program: Reversing Terminal Stage Fiscal Dominance over Monetary Policy

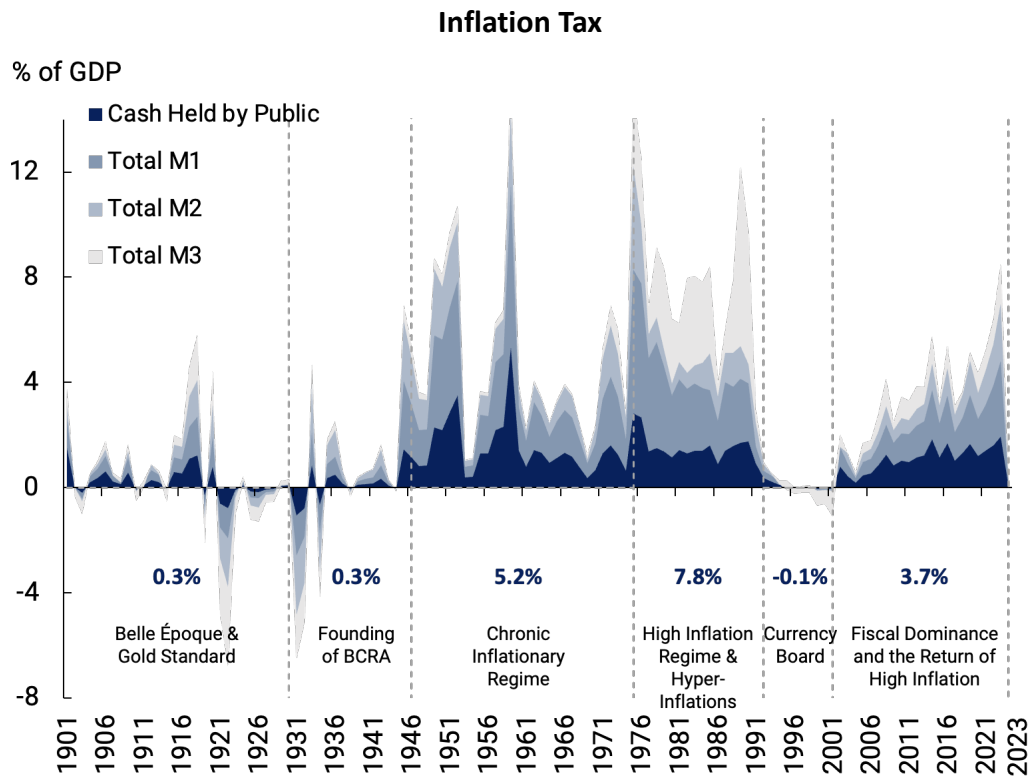
- I. **OVERVIEW: The Stages of Monetary Submission to Fiscal Policy**
- II. **ARGENTINA IN THE 20th CENTURY: Stylized Fiscal, Monetary and Inflation Facts**
  - **High Fiscal Deficits & High Inflation Have Prevailed in the Post-Bretton Woods Era**
  - **Fiscal Imbalances Have Promoted External Imbalances (and Vice-Versa)**
  - **Monetary Policy Has Adopted a "Back Seat Approach", Undermining Savings and Credit**
- III. **ARGENTINA 2009-19: Transition from Structural (Stage 2) to Systemic (Stage 3) Fiscal Dominance**
- IV. **ARGENTINA 2020-23: Descent into Terminal (Stage 4) Fiscal Dominance**
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### STAGE 2: STRUCTURAL RISK

### STAGE 3: SYSTEMIC RISK

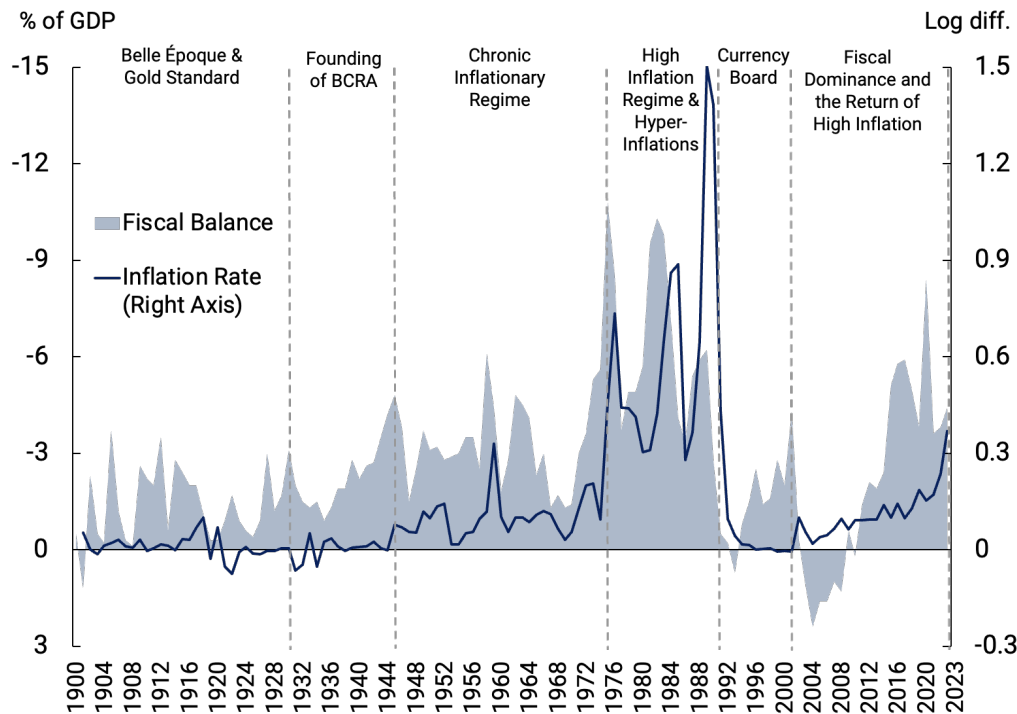
### STAGE 4: TERMINAL RISK



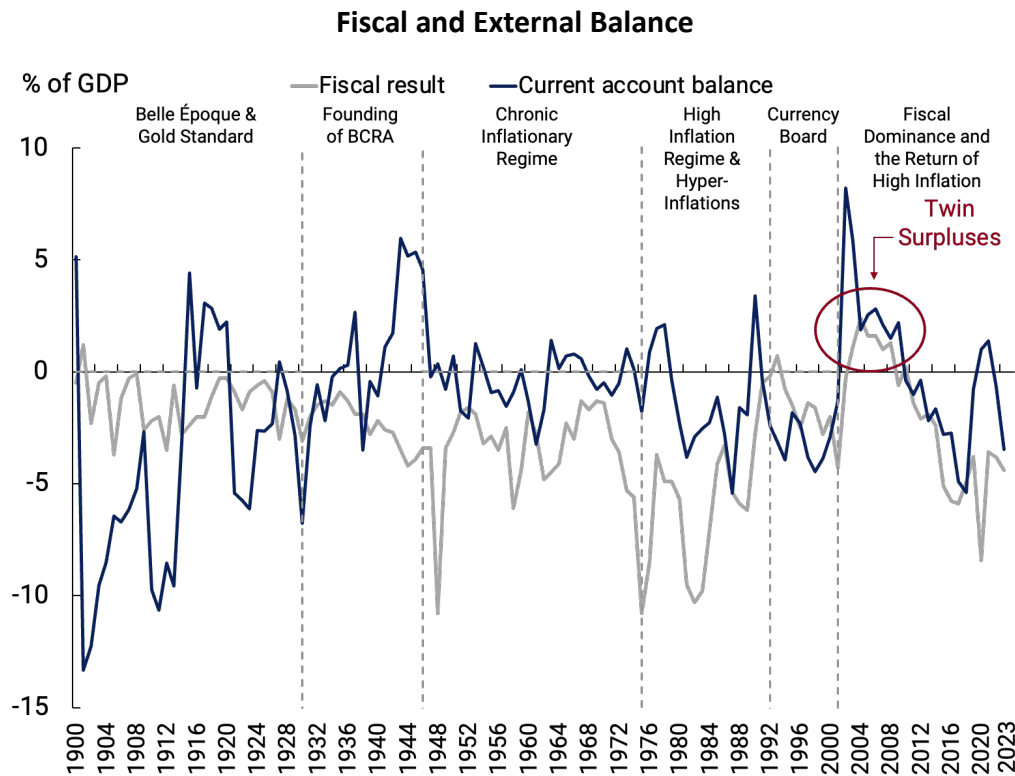


Note | The Periods Show the Average Inflation Tax Collection in % of GDP.  
Source | BCRA.

Fiscal Balance and Inflation Rate

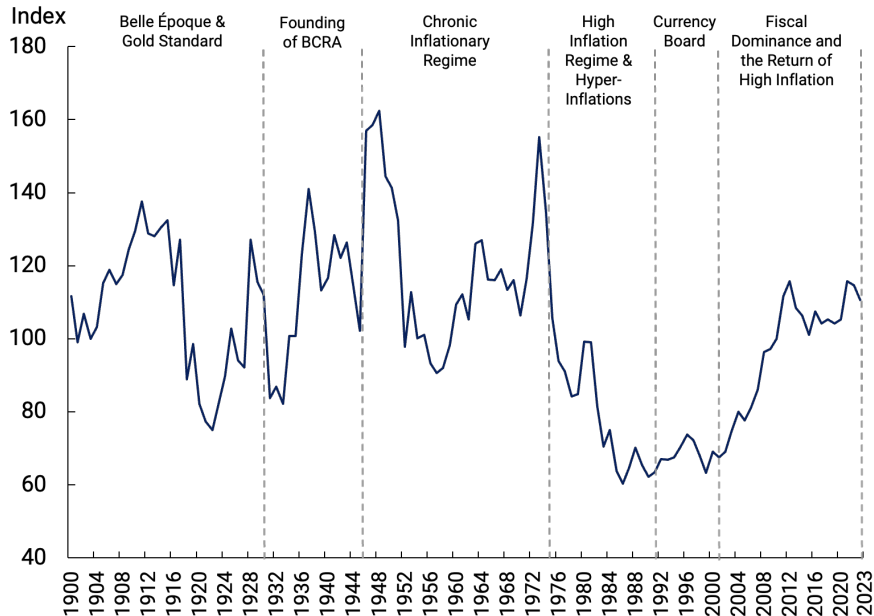


Source | BCRA.



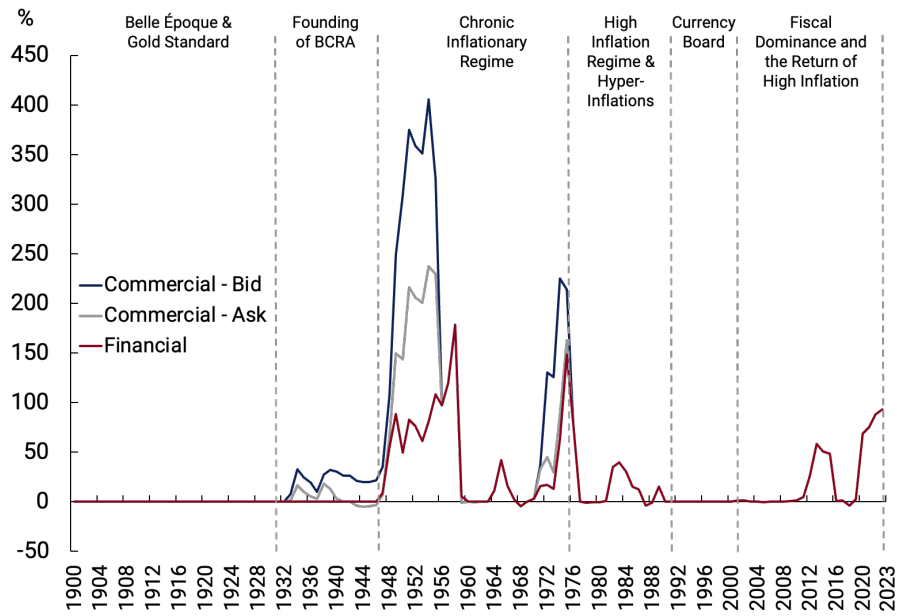
Source | BCRA.

Terms of Trade



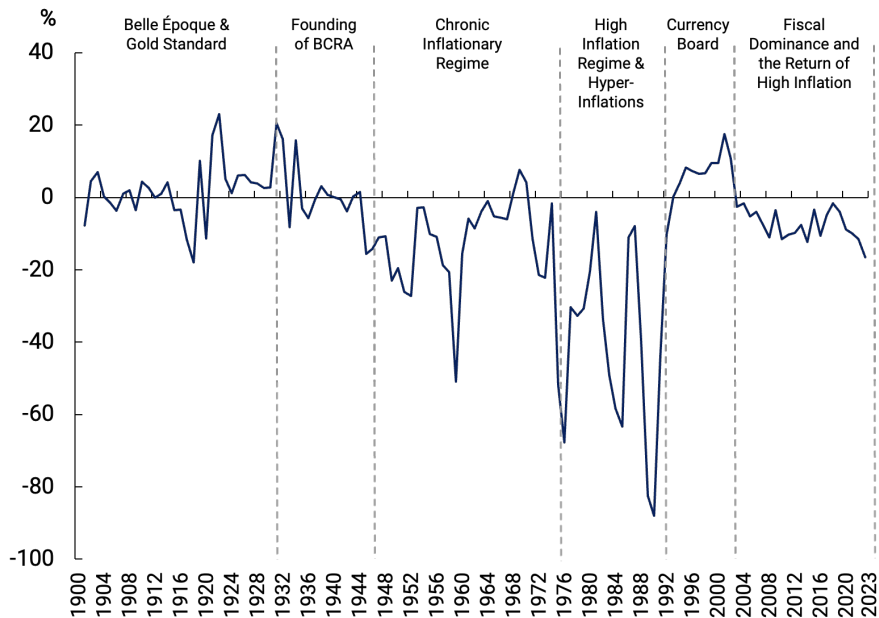
Source | BCRA.

FX Gap (Shadow FX Rate vs Official FX Rate)



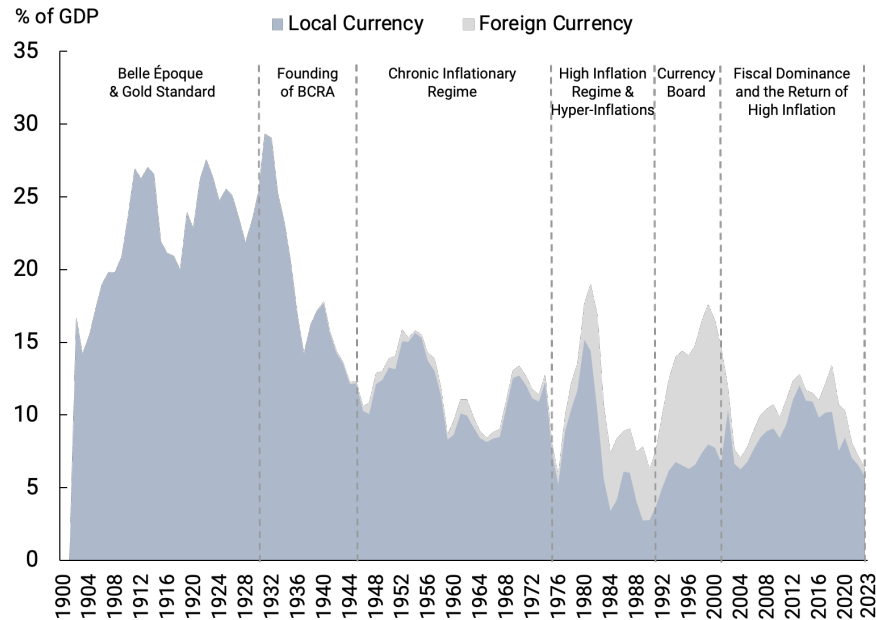
Source | BCRA.

Ex-Post Real Bank CD Interest Rate



Source | BCRA.

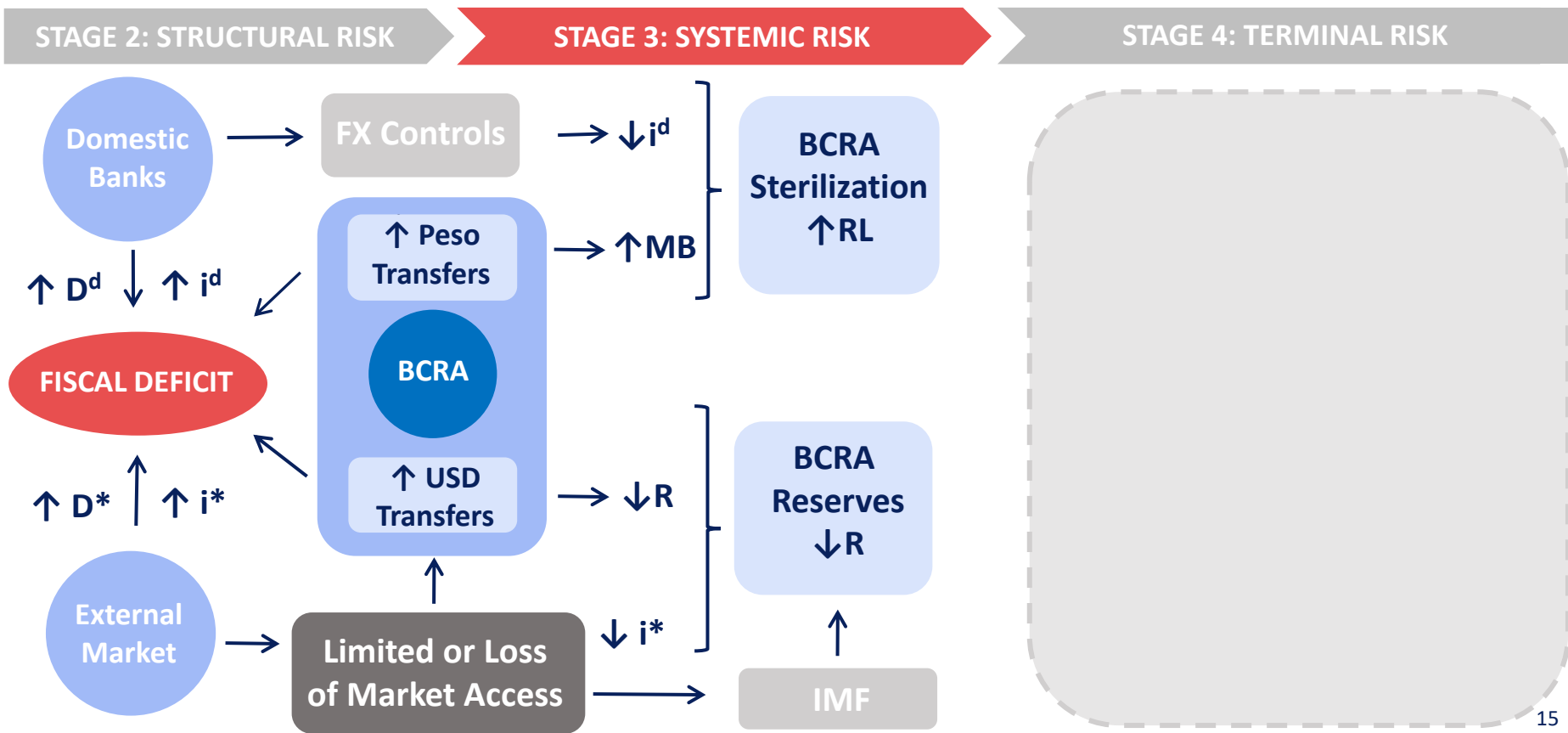
Loans to the Private Sector



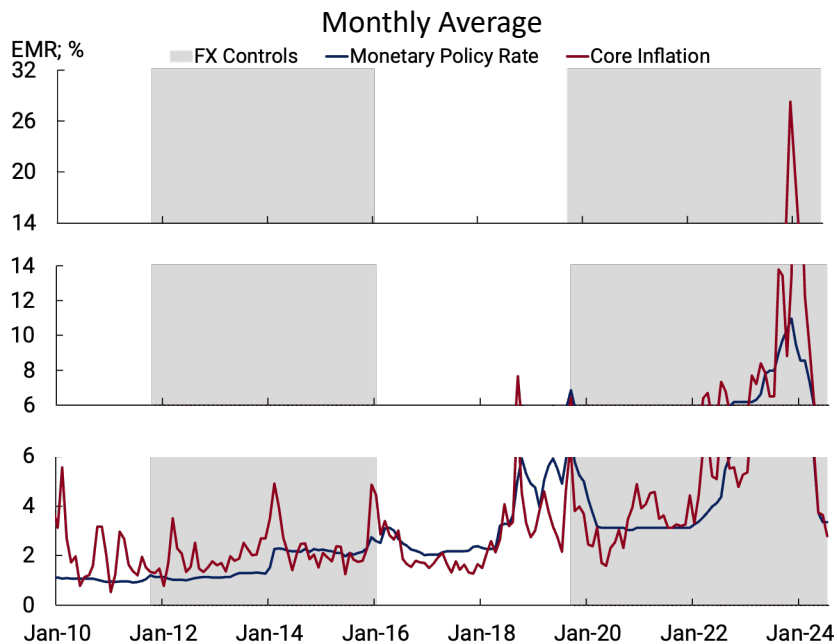
Source | BCRA.

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- III. ARGENTINA 2009-19: Transition from Structural (Stage 2) to Systemic (Stage 3) Fiscal Dominance
  - BCRA Tools (FX Controls, Int Rates & Futures Book) Served to Accommodate Fiscal Deficits
  - BCRA Balance Sheet (Monetary & Reserve Financing) Served to Fund Fiscal Deficits
- IV. ARGENTINA 2020-23: Descent into Terminal (Stage 4) Fiscal Dominance
- V. ARGENTINA'S 2024 STABILIZATION PROGRAM: A Swift Reversal of Terminal Stage Fiscal Dominance

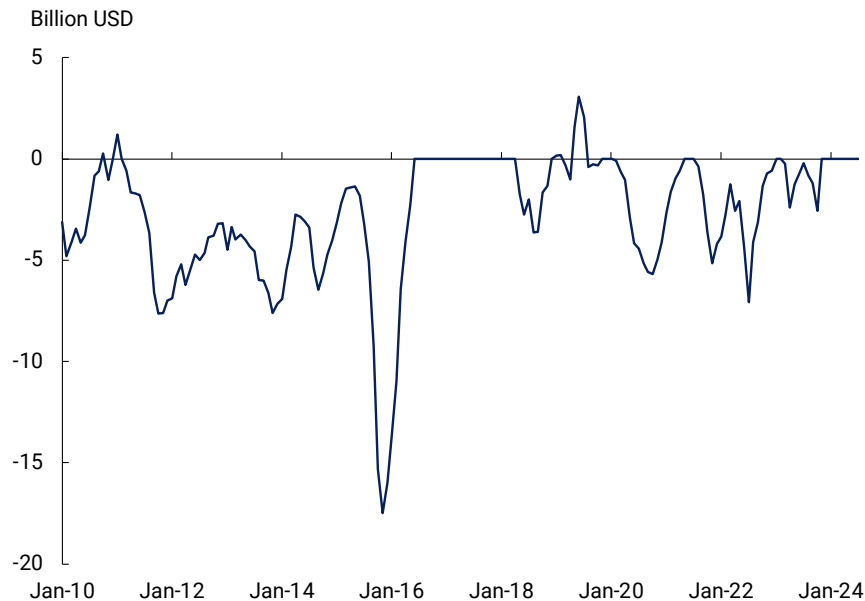


**BCRA Monetary Policy Rate**



Source | BCRA.

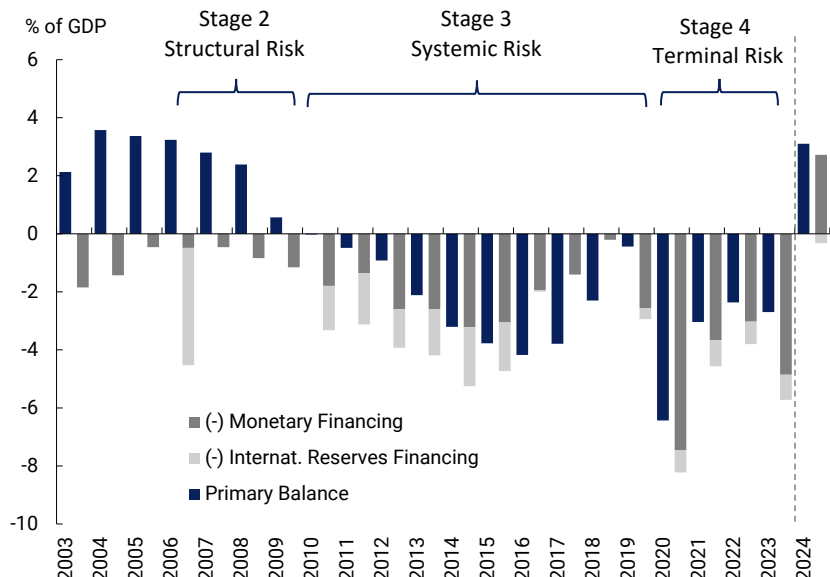
**BCRA Short USD Futures**



Source | BCRA.

**Prior to 2016 BCRA Interest Rates were Negative in Real Terms and FX Controls and FX Futures Were Imposed to Postpone Adjustments while Fiscal Deficits were Allowed to Accumulate**

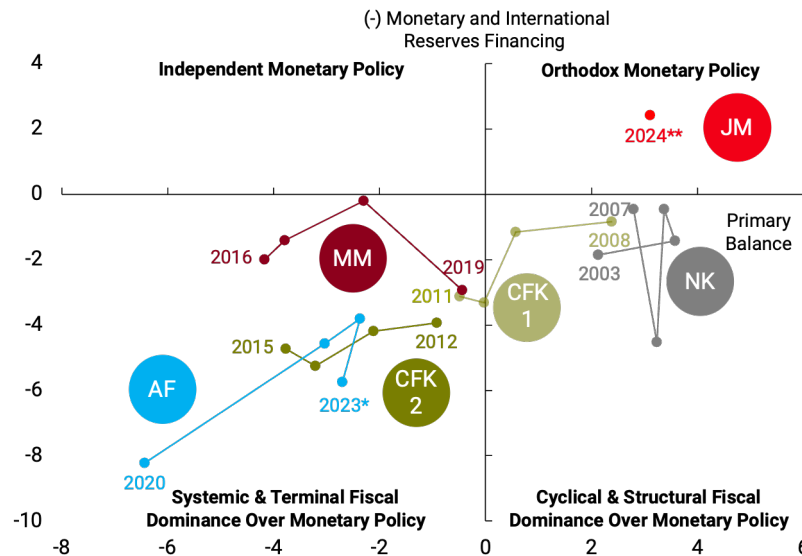
Monetization and International Reserve Financing of Fiscal Deficits



Note | For 2021 SDR Allocation of \$427.4 Billion is not Considered. For 2022 Excess Primary Income from Primary Debt Placement is not Included. 2024: Jan-Jun Seasonally Adjusted Annualized Fiscal Balance. Monetary (Temporary Loans + Dividend Payouts + PUTs and BIDs on Banks net of LECAPs backup at BCRA) and International Reserves Financing (IOUs Placement) since 10<sup>th</sup> Dec-23 to Jul-24.

Source | BCRA from Ministry of Economy data and INDEC data.

Primary Balance and BCRA Financing of Treasury Across Presidential Terms  
% of GDP

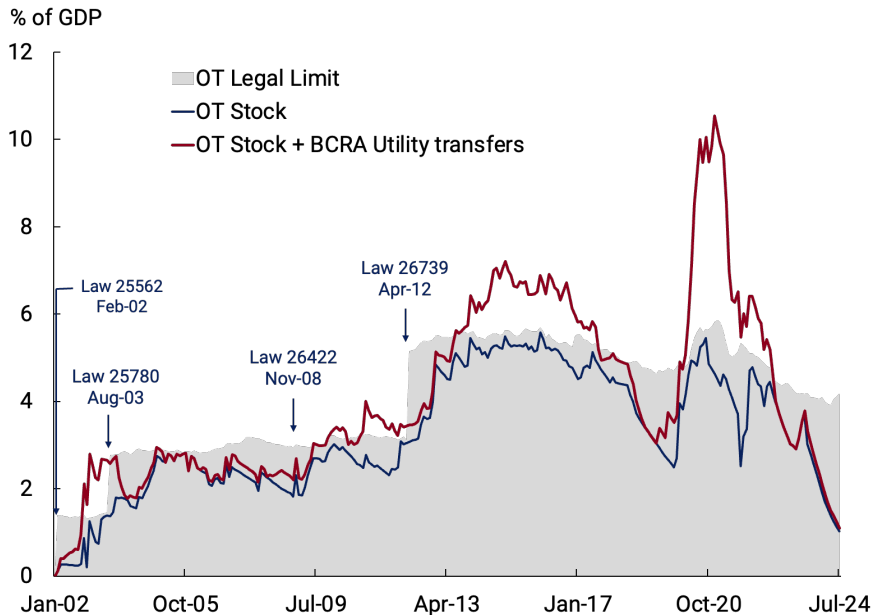


\*Monetary and International Reserves Financing up to 9<sup>th</sup> Dec-23.

\*\*Jan-Jun Seasonally Adjusted Annualized Fiscal Balance. Monetary and International Reserves Financing since 10<sup>th</sup> Dec-23 up to Jul-24.

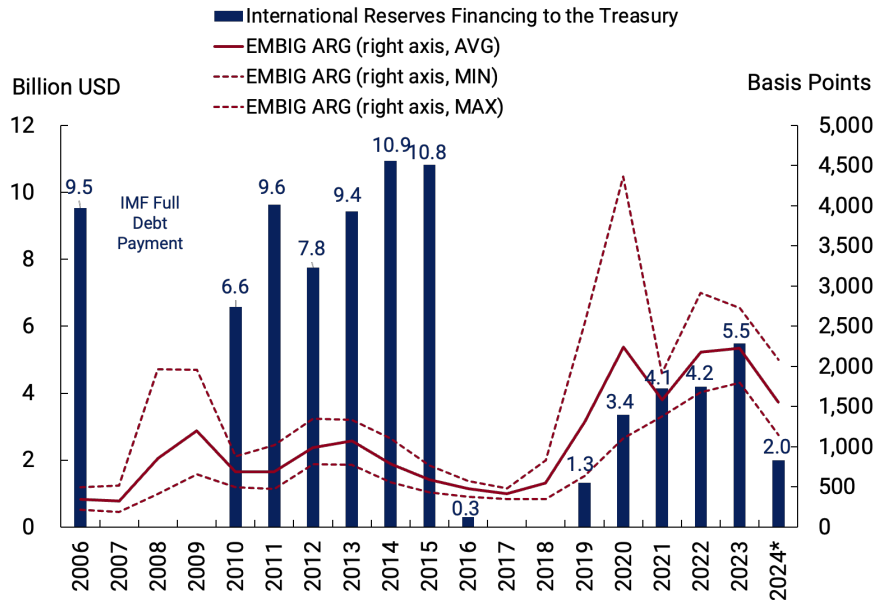
Source | BCRA.

### BCRA's Peso Transfers to the National Treasury



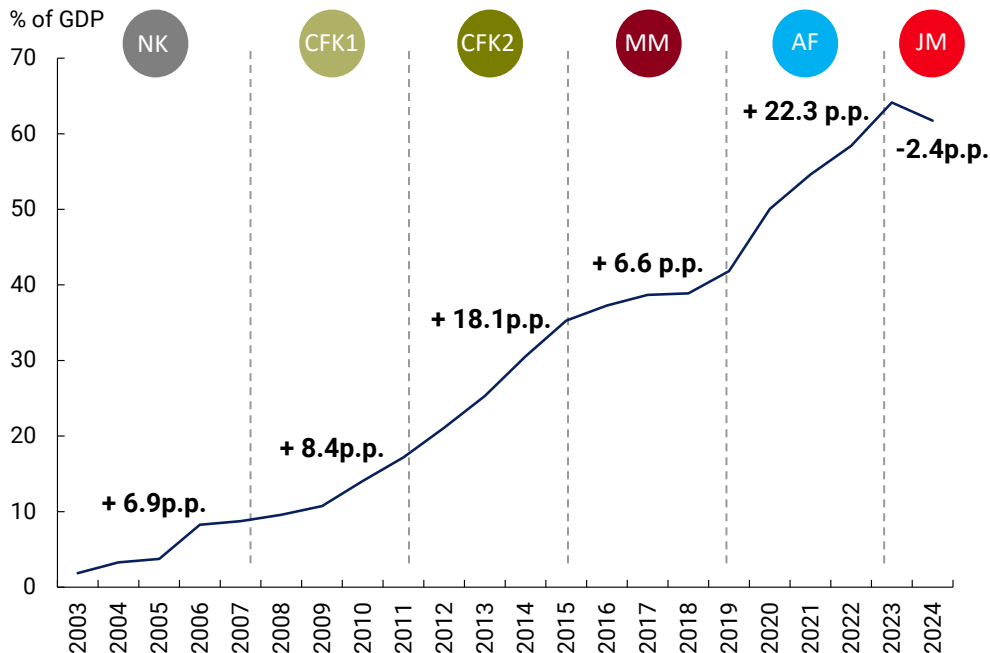
Source | BCRA from Ministry of Economy Data and INDEC Data.

### BCRA's USD Transfers to the National Treasury Against Non-Transferable Treasury Bills



\*Data up to 31<sup>st</sup> Jul-2024  
Source | BCRA and Bloomberg Data.

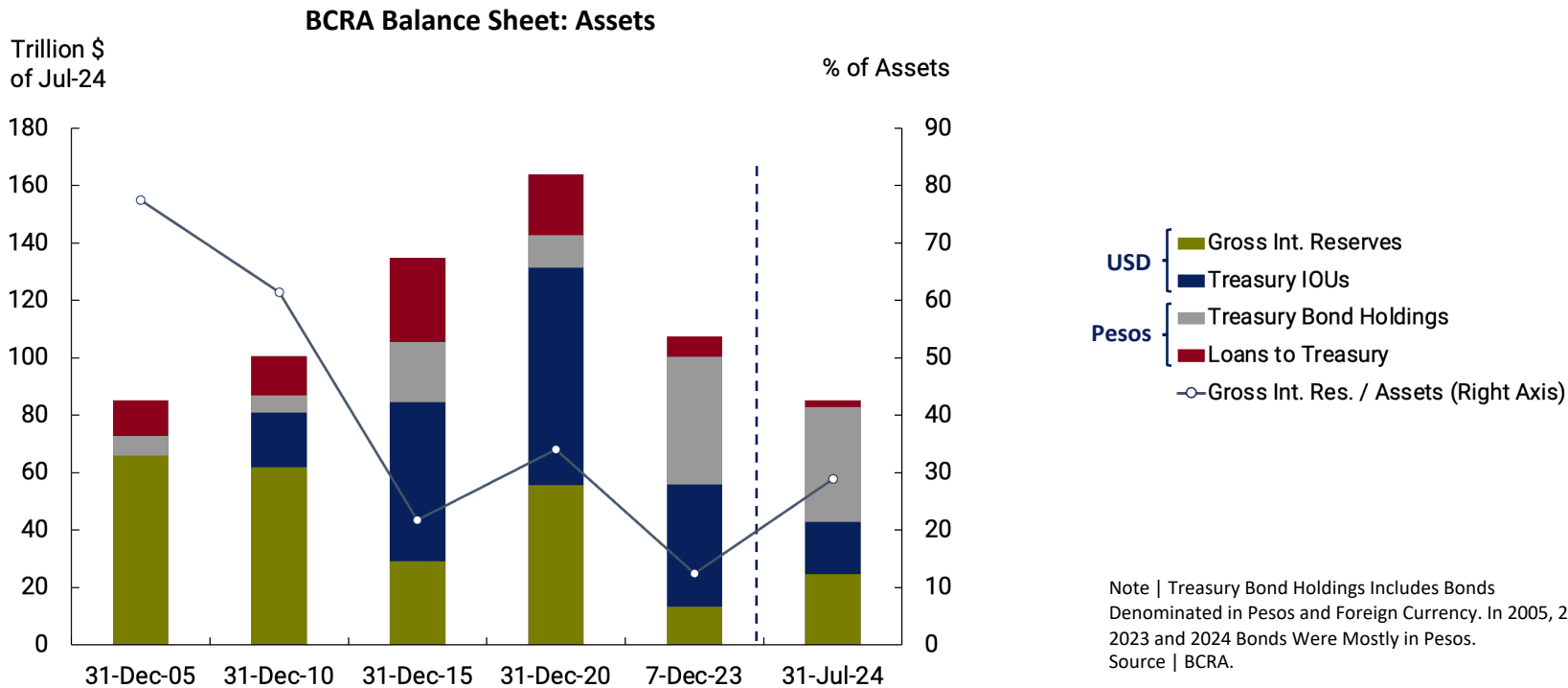
Sum of BCRA Financing (Monetary and Reserves)



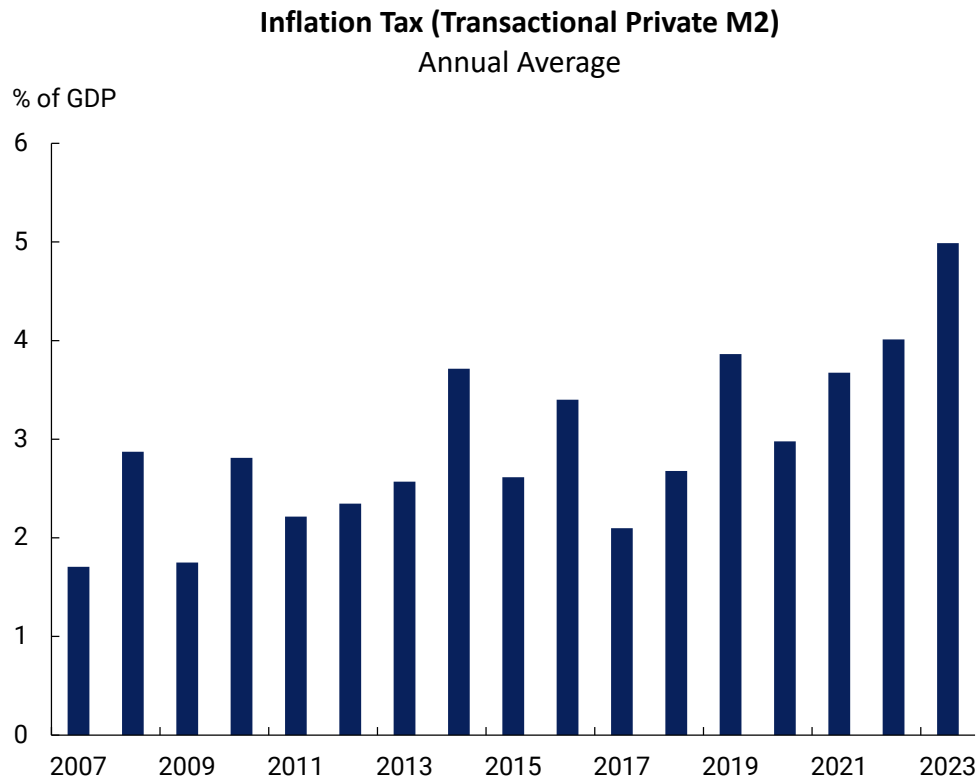
Note | 2024: Monetary and Reserves Financing since 10<sup>th</sup> Dec-23 to Jul-24.  
Source | BCRA and INDEC data.

	Presidential Term				
	NK	CFK1	CFK2	MM	AF
<i>Fiscal Performance &amp; Effort</i>					
4-Year Sum of Primary Balance (p.p. of GDP)	+13.0	+2.4	-10.0	-10.7	-14.5
Primary Balance, Final vs Inherited (Change in p.p.)	+0.7	-3.3	-3.3	+3.3	-2.3
<i>BCRA Financing of Treasury (Peso + USD)</i>					
Peso: Sum of Monetization (p.p. of GDP)	2.8	5.2	11.5	6.1	19.0
USD: Sum of Int. Reserve Financing (p.p. of GDP)	4.0	3.3	6.6	0.4	3.3
Total Financing	6.9	8.4	18.1	6.6	22.3
<i>Fiscal Dominance Ratios</i>					
Monetization/Primary Deficit (%)	...	...	114	57	131
Sum of Int. Reserves Financing / Initial NIR (%)	74	38	100	43	141

Source | BCRA, Ministry of Economy and INDEC data.



**BCRA's Gross Reserves Collapsed from 80% of Total Assets to 25% During the Period of Systemic Fiscal Dominance, and Eventually Bottomed to 10% by the End of the Terminal Stage**



Source | BCRA.

# Argentina Stabilization Program: Reversing Terminal Stage Fiscal Dominance over Monetary Policy

## I. OVERVIEW: The Stages of Monetary Submission to Fiscal Policy

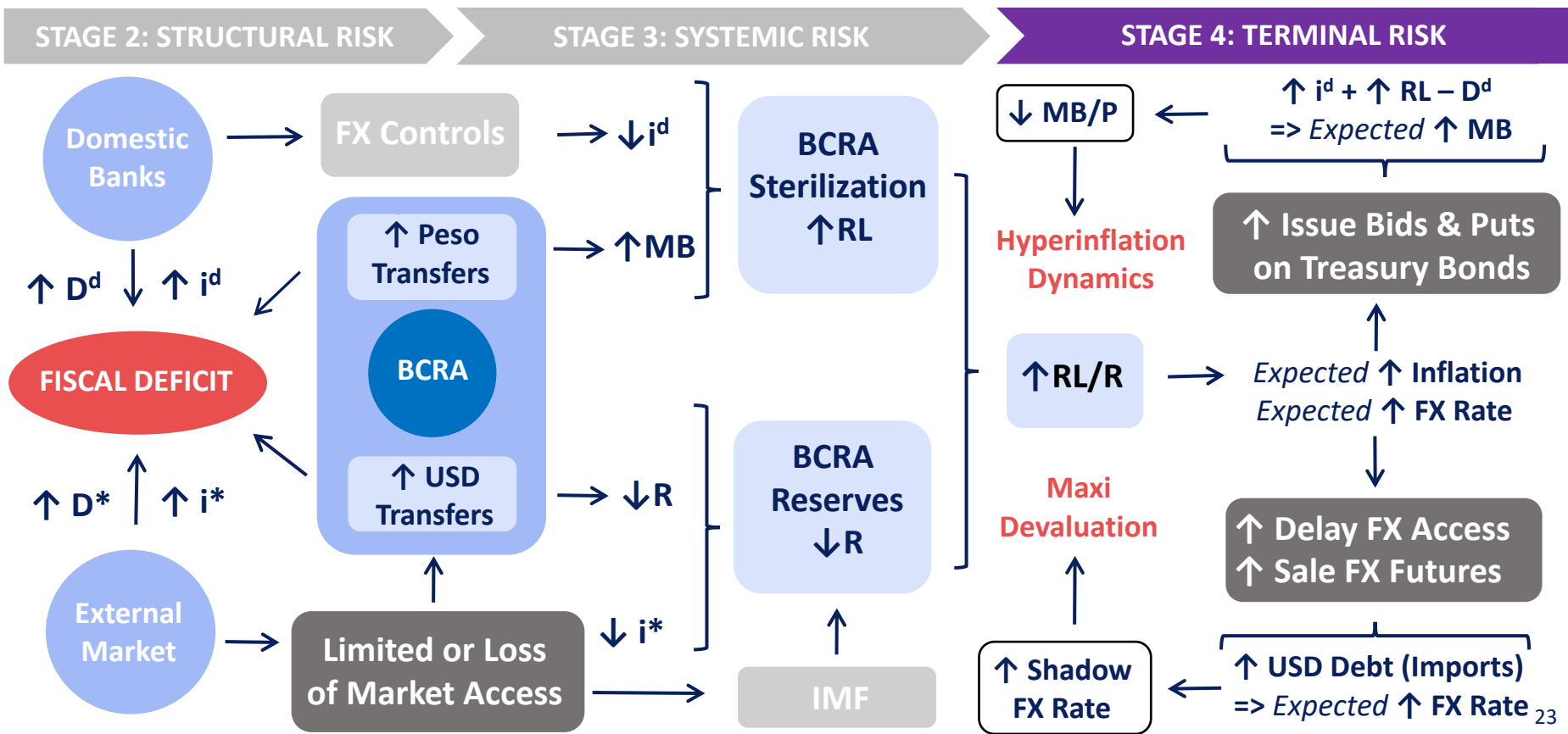
## II. ARGENTINA IN THE 20<sup>th</sup> CENTURY: Stylized Fiscal, Monetary and Inflation Facts

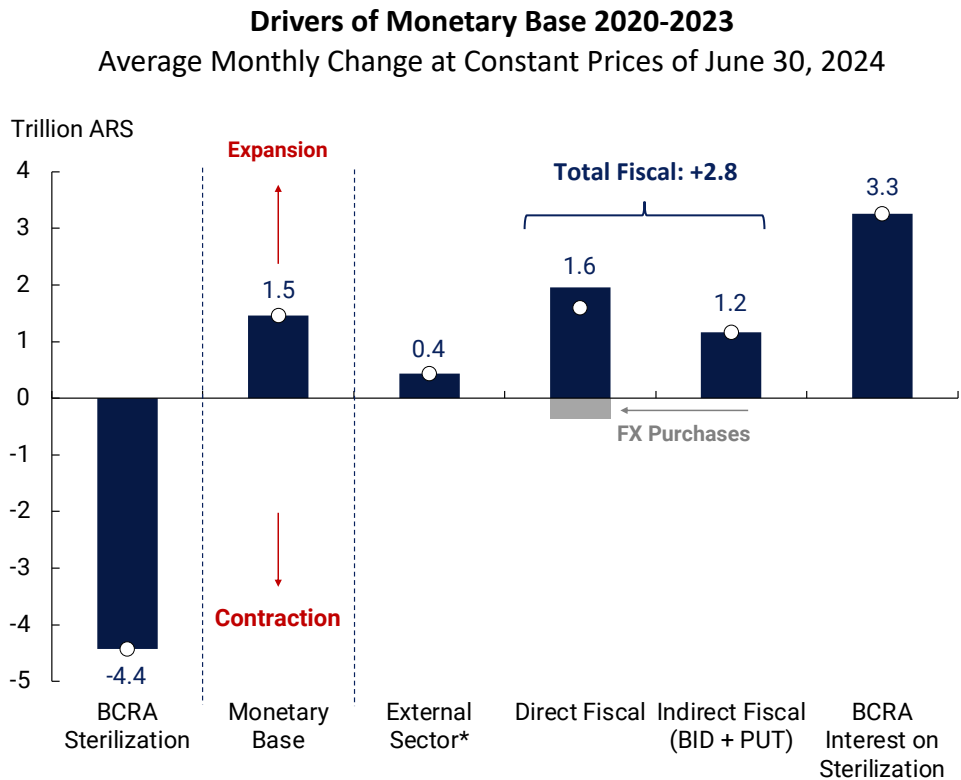
## III. ARGENTINA 2009-19: Transition from Structural (Stage 2) to Systemic (Stage 3) Fiscal Dominance

## IV. ARGENTINA 2020-23: Descent into Terminal (Stage 4) Fiscal Dominance

- Fiscal Deficits Persisted Even After the Debt was Restructured (2020) and After the IMF' Program (2022)
- Divergence Between BCRA Remunerated Liabilities and Net Reserves Reaches Extreme
- Interest on BCRA Sterilization Becomes Major Source of Endogenous Money Growth
- Contractual Commitments (CB Bids & Puts) Shifts Dominance from Fiscal to Banking System

## V. ARGENTINA'S 2024 STABILIZATION PROGRAM: A Swift Reversal of Terminal Stage Fiscal Dominance





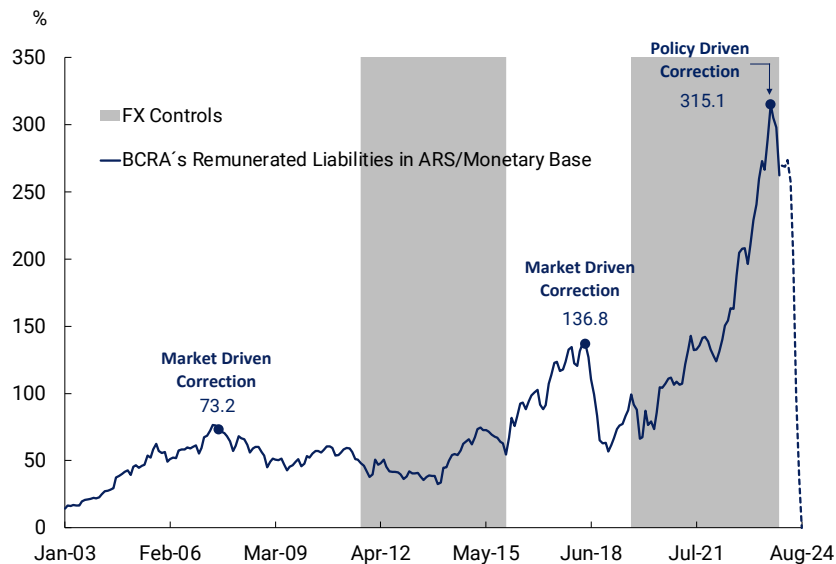
\*Excludes Fiscal Foreign Exchange Purchases.  
Source | BCRA.

**BCRA's Remunerated Liabilities in ARS**  
Monthly Average, at Constant Prices of July 2024



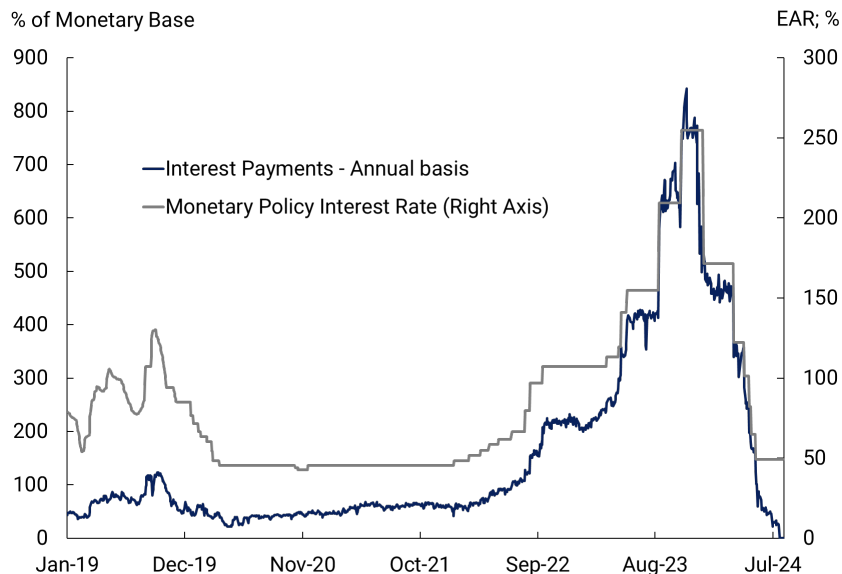
Source | BCRA.

**BCRA Remunerated Liabilities in ARS**  
As Percentage of the Monetary Base



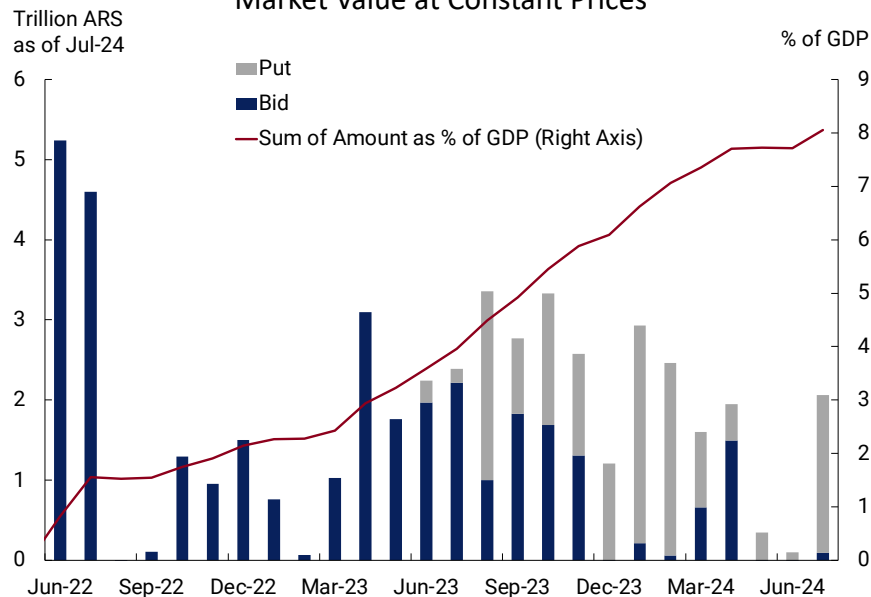
Source | BCRA.

**Interest Payments on BCRA's Remunerated Liabilities and Policy Rate**



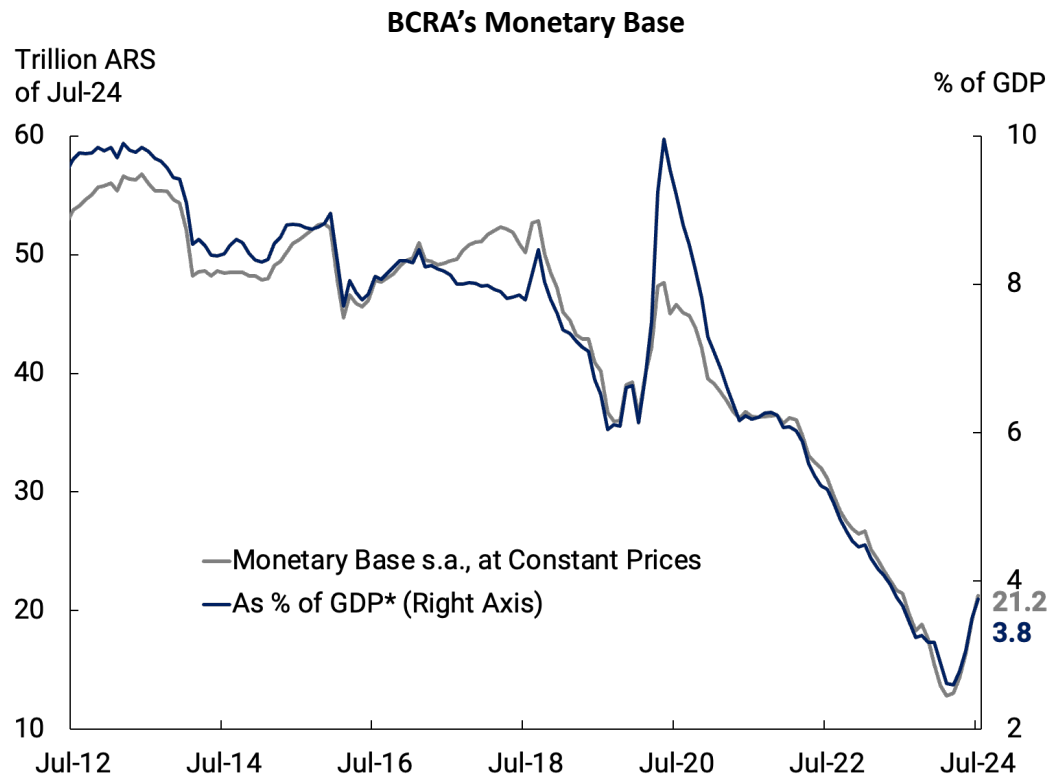
Note | Data as of August 2<sup>nd</sup>, 2024.  
Source | BCRA.

**Banks Exercise (vs BCRA) of Bid and Put's on Treasury Holdings Market Value at Constant Prices**



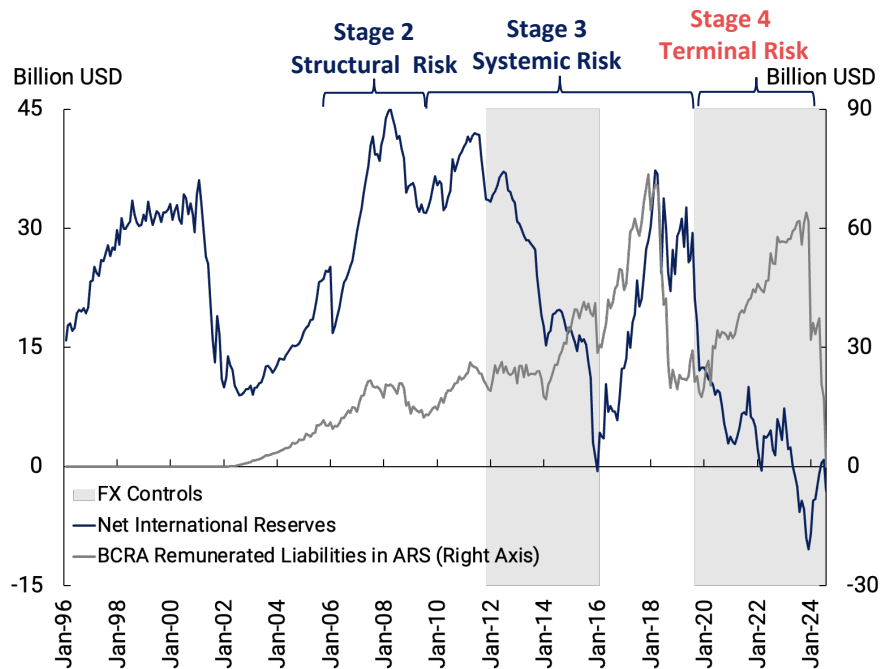
Source | BCRA.

**BCRA Sterilization Defeated its Own Purpose as Policy Rate Hikes Only Served to Create New Money Supply at a Fast Pace and Raise Inflation Expectations. The Exercise of Bids and Puts Created "Banking System Dominance"**



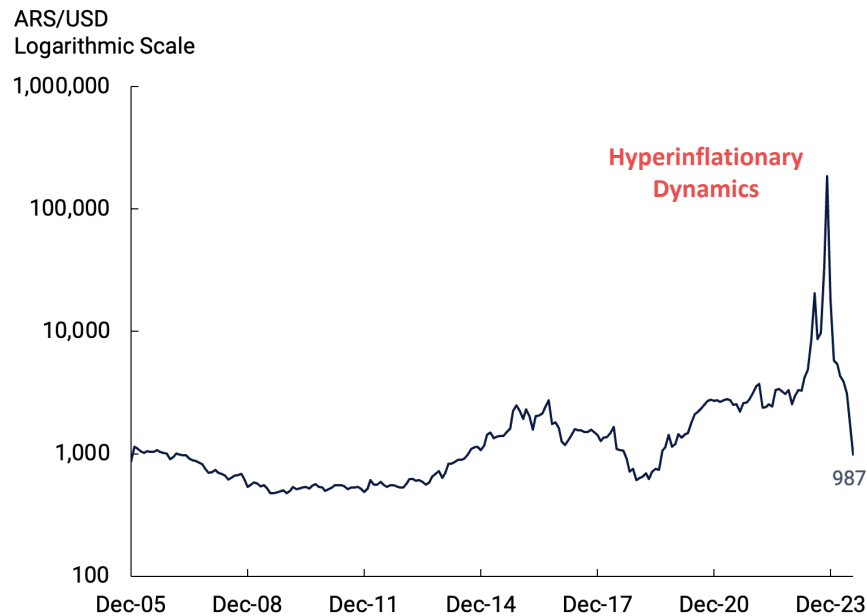
\*Calculated on GDP s.a. ; 3 Months Moving Average.  
Source | BCRA.

**BCRA Net International Reserves and Remunerated Peso Liabilities**



Note | Net International Reserves are Gross Reserves minus BIS and France Bank debt, FX Bank Reserves, SEDESA, USD repos, LEBAC in USD and Swap with China.  
Source | BCRA.

**Ratio of BCRA Remunerated Liabilities to Net Reserves  
Excluding Liabilities with Foreign Residents**



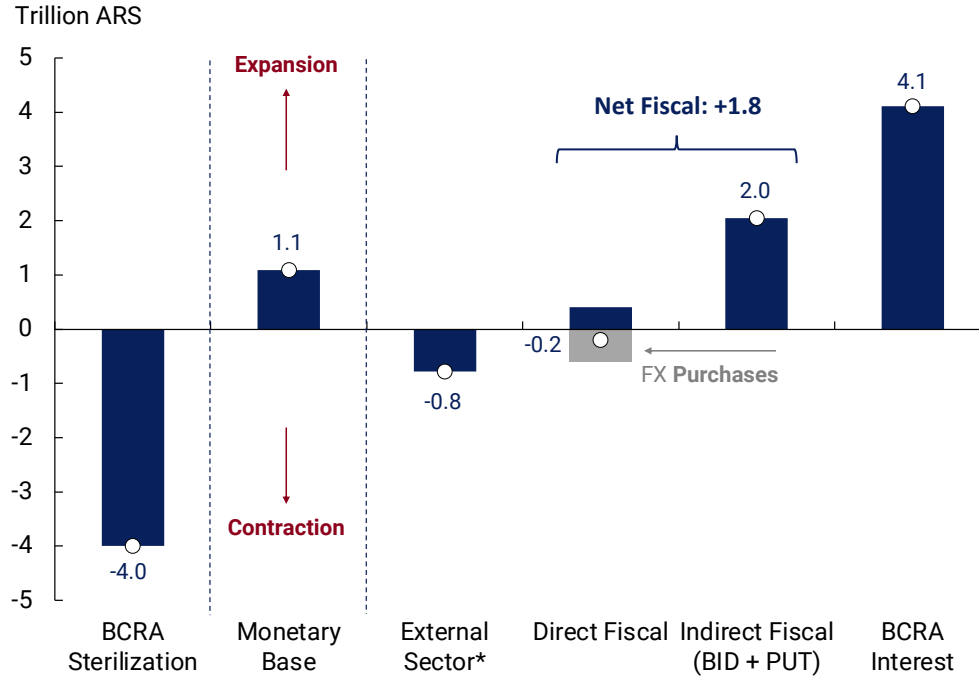
Note | Data as of July 30<sup>th</sup>, 2024.  
Source | BCRA.

**The Extreme Divergence Between Liabilities and Reserves Left the Economy on the Brink of Hyperinflation**

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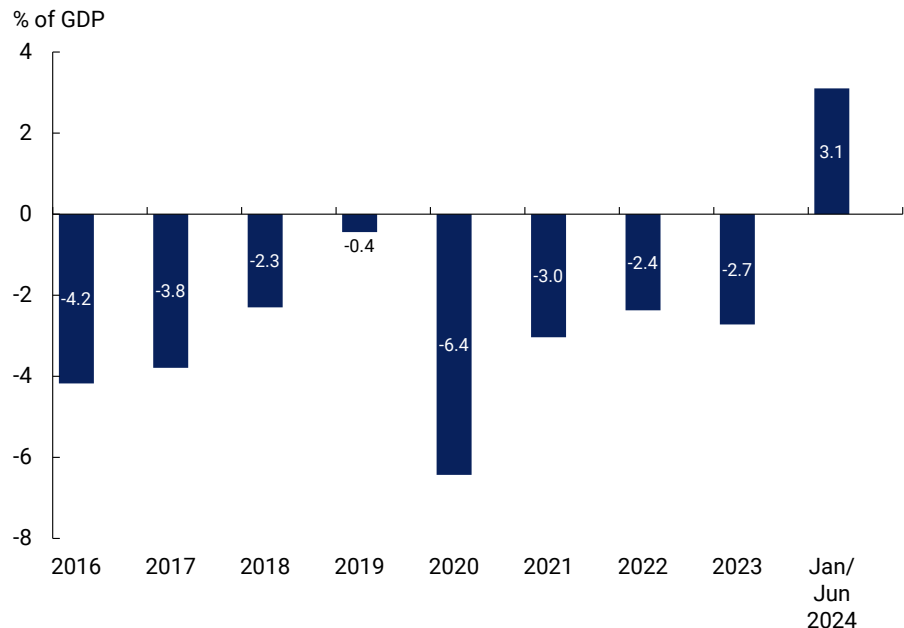
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  - **Avoiding Hyperinflation: Eliminating "Fiscal Dominance" over Monetary Policy from Day 1**
  - **Anchoring the Money Supply: Tackling "Quasi-Fiscal Dominance" over Monetary Policy**
  - **Remonetizing a Bi-Monetary Economy: Reversing "Fiscal Crowding Out" of the Private Sector**

**Drivers of Monetary Base 2023 (Up to December 10<sup>th</sup>)**  
Average Monthly Change at Constant Prices of June 30<sup>th</sup>, 2024



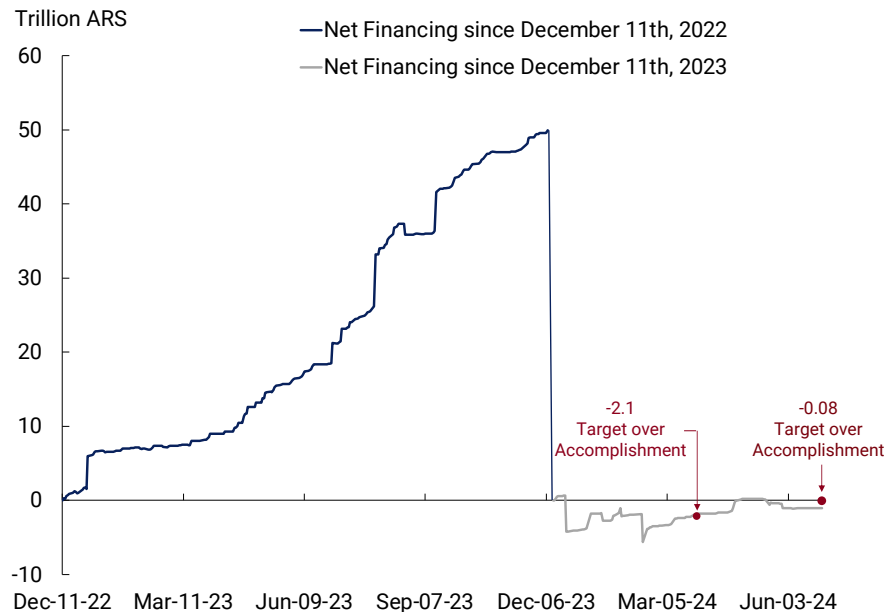
\*Excludes Fiscal Foreign Exchange Purchases.  
Source | BCRA.

### Primary Balance of the Non-Financial Public Sector



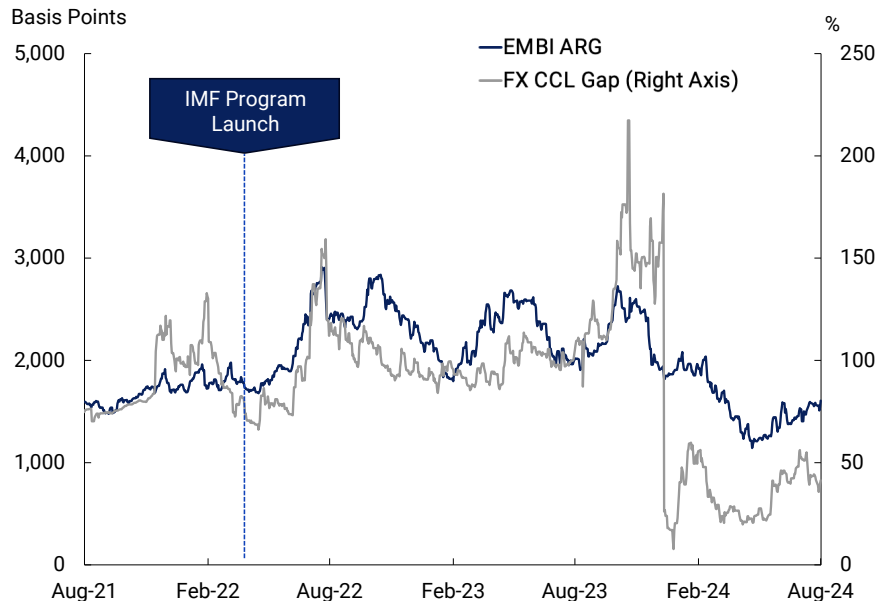
Note | Jan/ Jun 2024: Seasonally Adjusted Annualized Primary Balance  
 Source | BCRA and Ministry of Economy.

### Sum of Net Financing At Constant Prices of June 30<sup>th</sup>, 2024



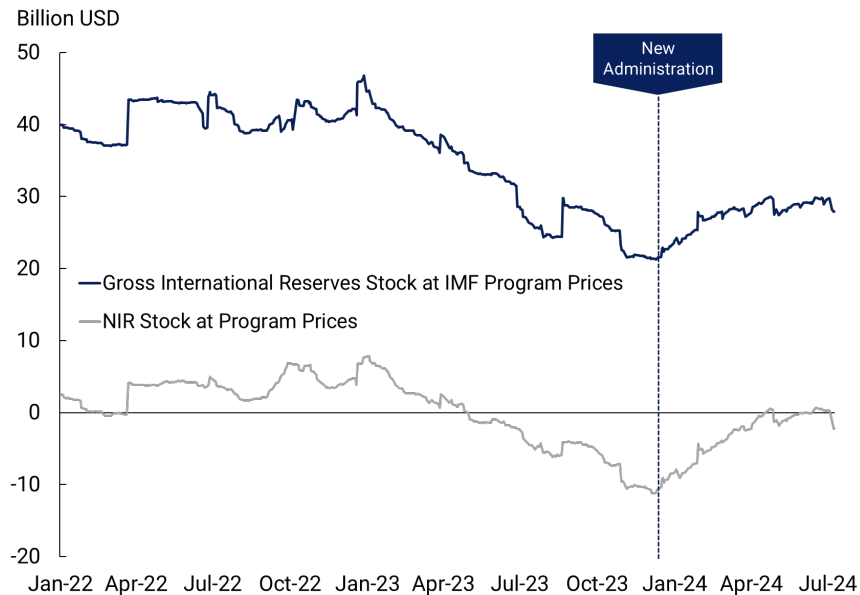
Source | BCRA.

Argentine Government Debt Spreads and FX GAP

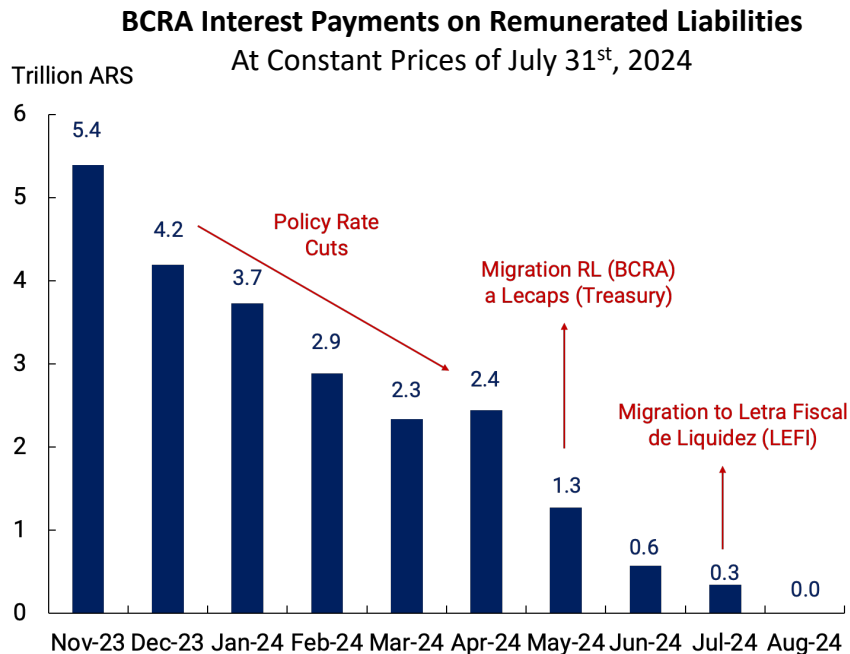


Source | Bloomberg.

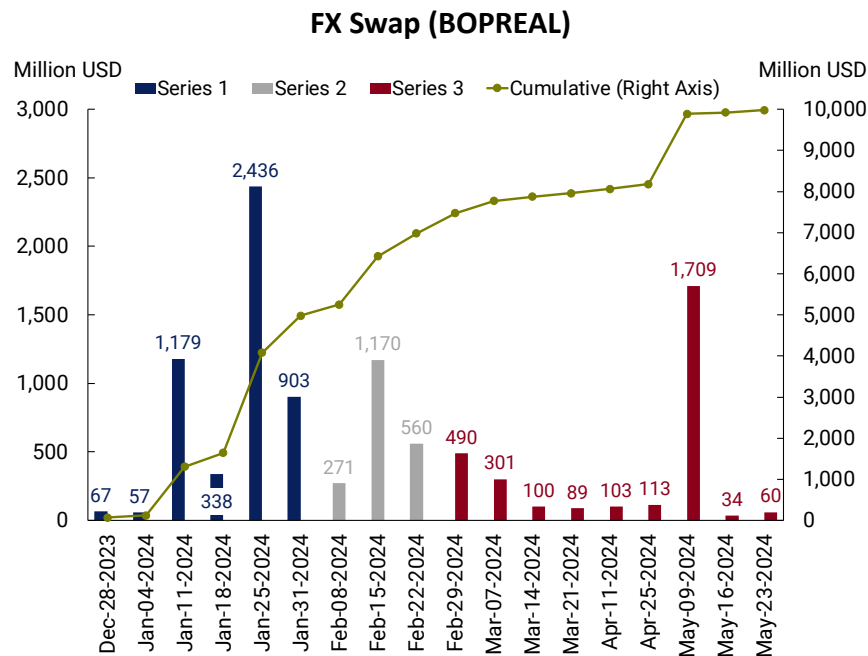
BCRA Reserves Stocks



Note | Data as of July 11<sup>th</sup>, 2024.  
Source | BCRA.



Source | BCRA.

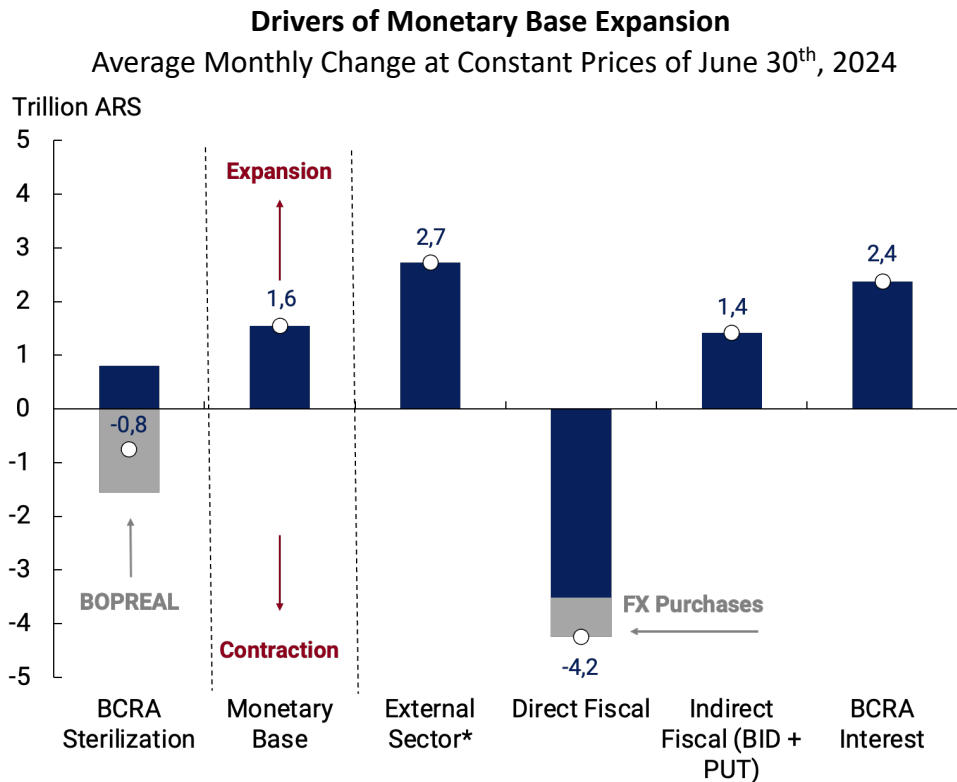


Source | BCRA.

**Monetary Flexibility (Rate Cuts) was Instrumental to Reduce Endogenous Money Supply and Inflation Expectations while Policy Creativity (FX Swaps) were able to Transform a Large Stock of FX Demand into Flows**

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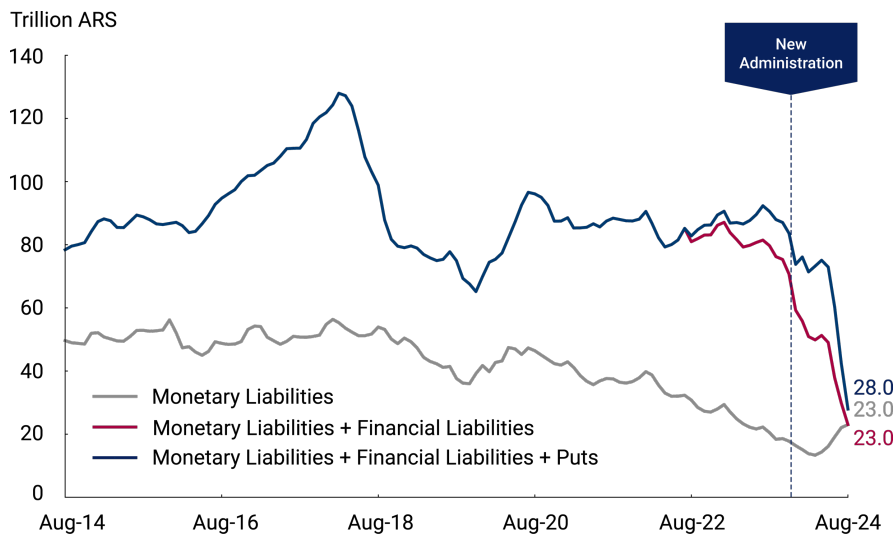
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  - **Remonetizing a Bi-Monetary Economy: Reversing "Fiscal Crowding Out" of the Private Sector**



\*Excludes Fiscal Foreign Exchange Purchases.  
Source | BCRA.

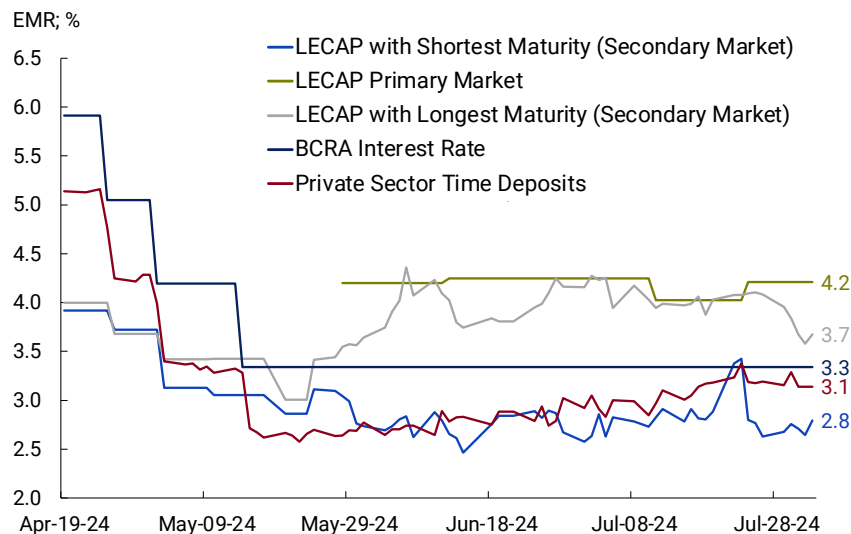
**BCRA's Liabilities and Contingencies (Bids+Puts)**

At Constant Prices of August 2024



**Interest Rates**

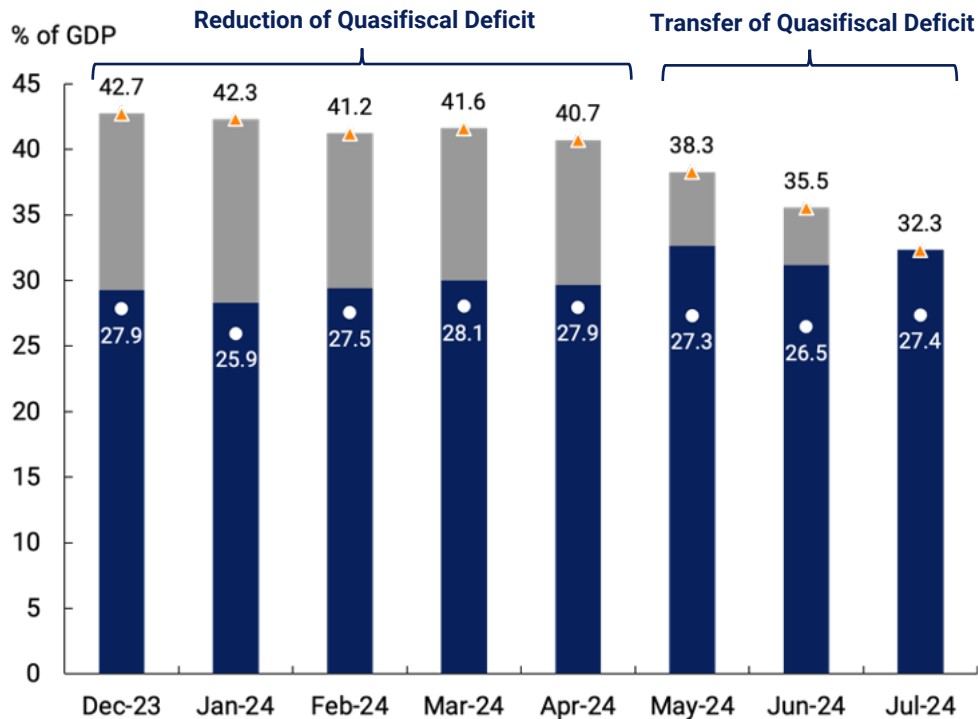
Monthly Average



Source | BCRA.

Note | BCRA's Remunerated Liabilities in Foreign Currencies are Excluded. Data as of July 10<sup>th</sup>, 2024.  
 Note | Through Communication 'A' 7546 Issued on July 12<sup>th</sup>, 2022, the BCRA Enabled the Auctioning of Put Options on Sovereign Bonds. Source | BCRA.

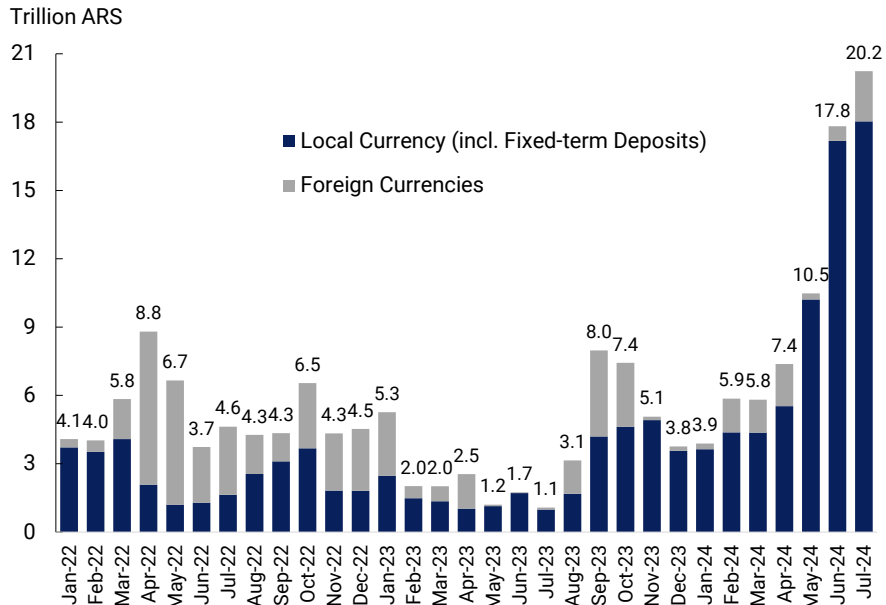
Treasury and BCRA. Net Consolidated ARS Debt



- BCRA Remunerated Liabilities in ARS (A)
- Treasury Public Debt in ARS (Excluding BCRA Securities Holdings) (B)
- ▲ Consolidated ARS Debt (A+B)
- B Net of National Treasury ARS Deposits

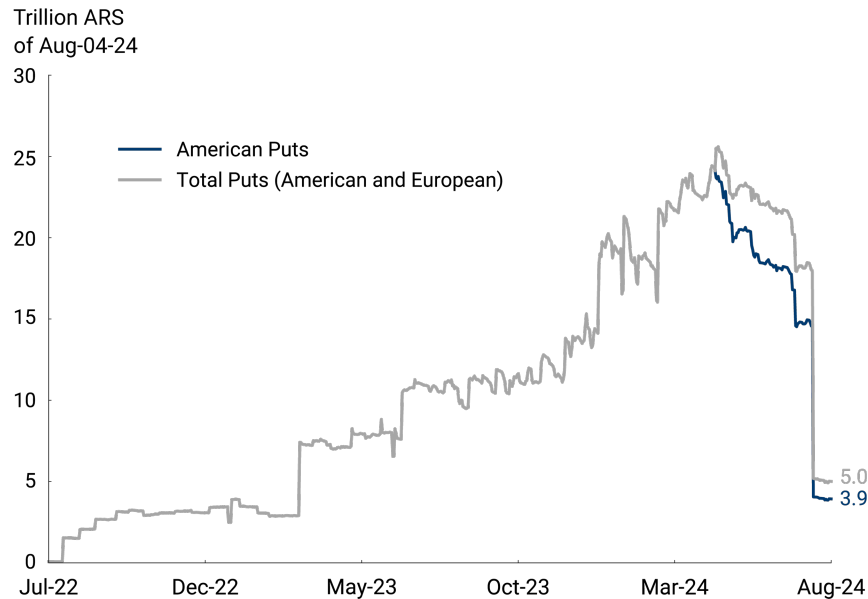
Note | ARS Deposits Considers Treasury Deposits in BNA (Including Fixed-term Deposits) and in BCRA Accounts.  
 July estimated | National Treasury Public Debt Includes ARS 9.6 trn. of LEFI Holdings of Banks (in Exchange for Passive Repos from the BCRA).  
 Source | BCRA, INDEC and Secretary of Finance.

Treasury's Liquid Peso Deposits  
At Constant Prices of June 2024



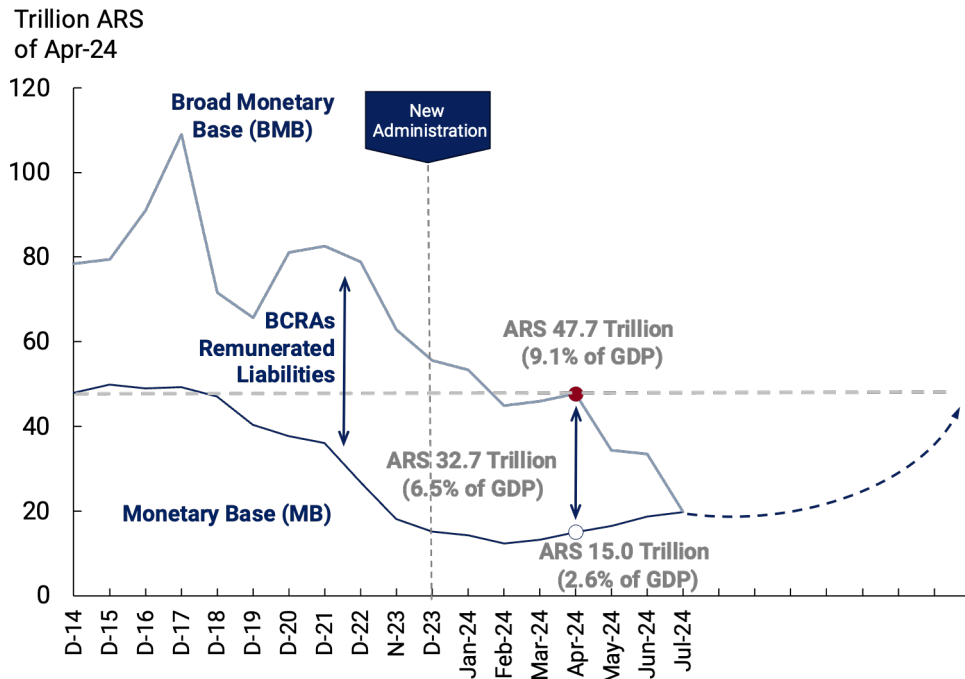
Note | Data as of July 31<sup>st</sup>.  
Source | BCRA.

Stock of Puts Held Against BCRA by Banks on Treasury Holdings  
Market Value at Constant Prices



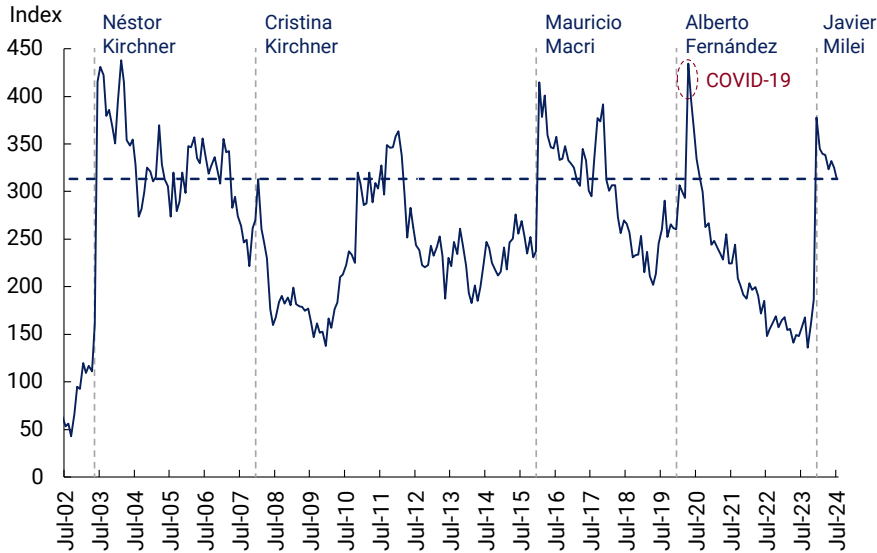
Source | BCRA.

**Monetary Base and Broad Monetary Base**  
Includes BCRA's Remunerated Liabilities



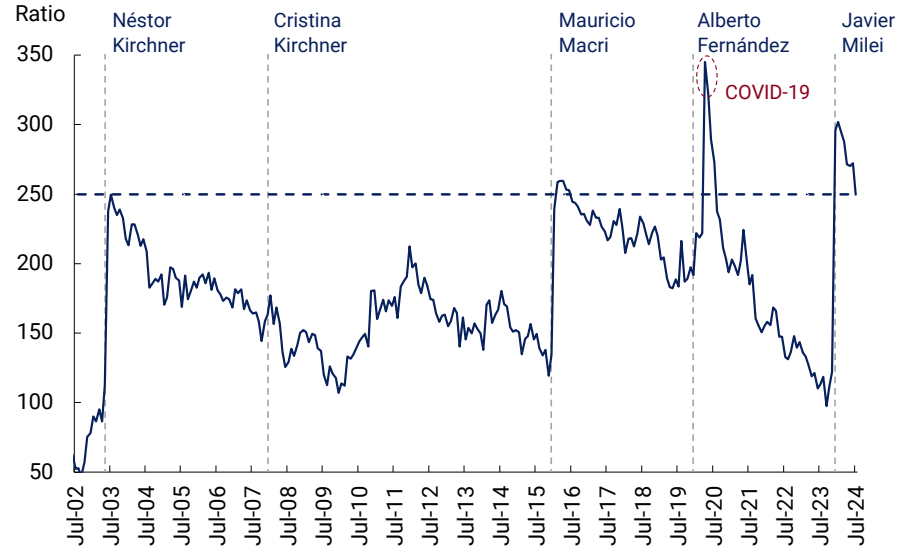
Source | BCRA.

Confidence in Government Index



Source | BCRA from Universidad Torcuato Di Tella data.

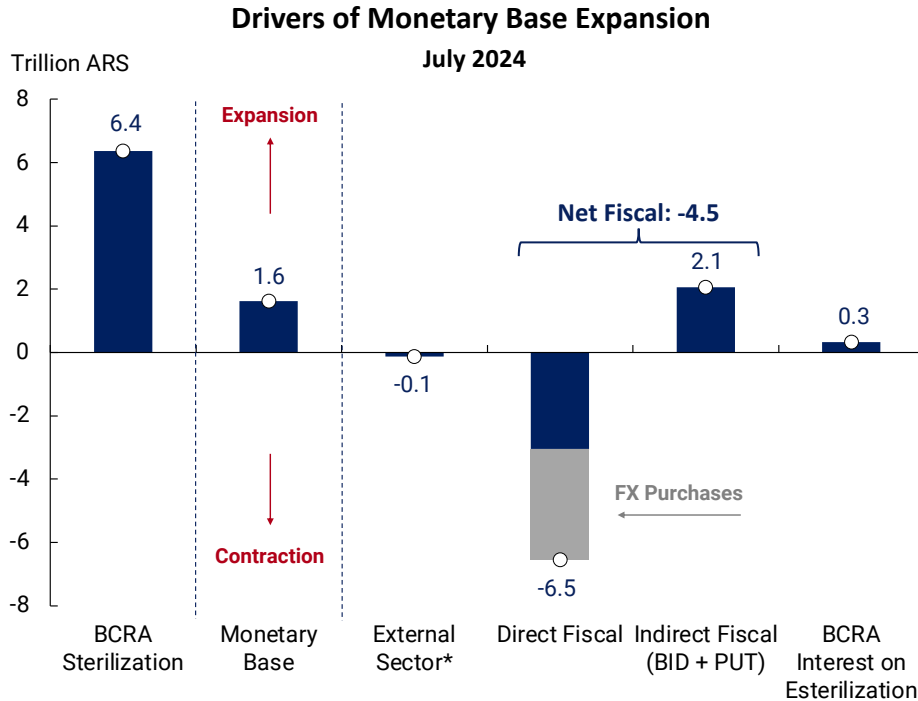
Cyclically Adjusted Confidence: Ratio of Standardized Confidence in Government Index to Consumer Confidence Index



Source | BCRA from Universidad Torcuato Di Tella data.

# Argentina Stabilization Program: Reversing Terminal Stage Fiscal Dominance over Monetary Policy

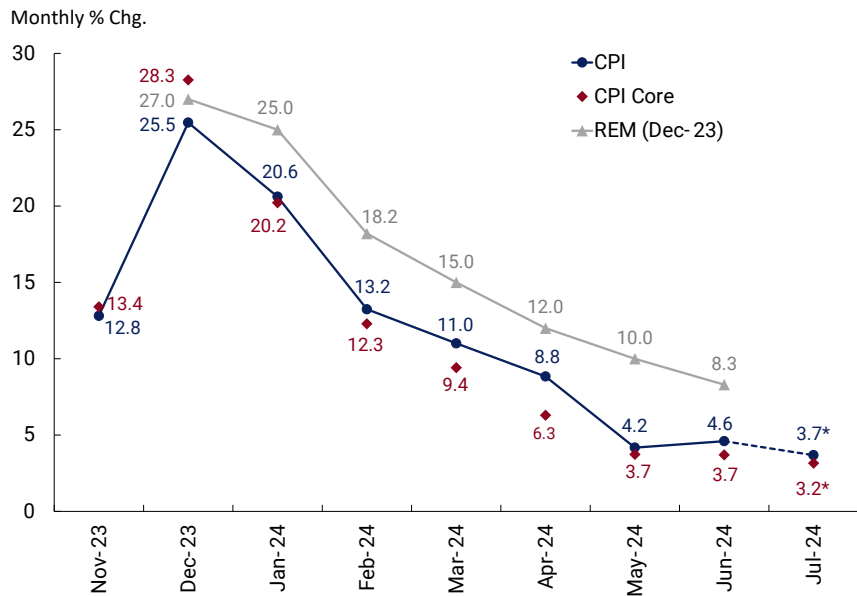
- I. **OVERVIEW: The Stages of Monetary Submission to Fiscal Policy**
- II. **ARGENTINA IN THE 20<sup>th</sup> CENTURY: Stylized Fiscal, Monetary and Inflation Facts**
- III. **ARGENTINA 2009-19: Transition from Structural (Stage 2) to Systemic (Stage 3) Fiscal Dominance**
- IV. **ARGENTINA 2020-23: Descent into Terminal (Stage 4) Fiscal Dominance**
- V. **ARGENTINA'S 2024 STABILIZATION PROGRAM: A Swift Reversal of Terminal Stage Fiscal Dominance**
  - **Avoiding Hyperinflation: Eliminating "Fiscal Dominance" over Monetary Policy from Day 1**
  - **Anchoring the Money Supply: Tackling "Quasi-Fiscal Dominance" over Monetary Policy**
  - **Remonetizing a Bi-Monetary Economy: Reversing "Fiscal Crowding Out" of the Private Sector**



\*Excludes Fiscal Foreign Exchange Purchases.  
Source | BCRA.

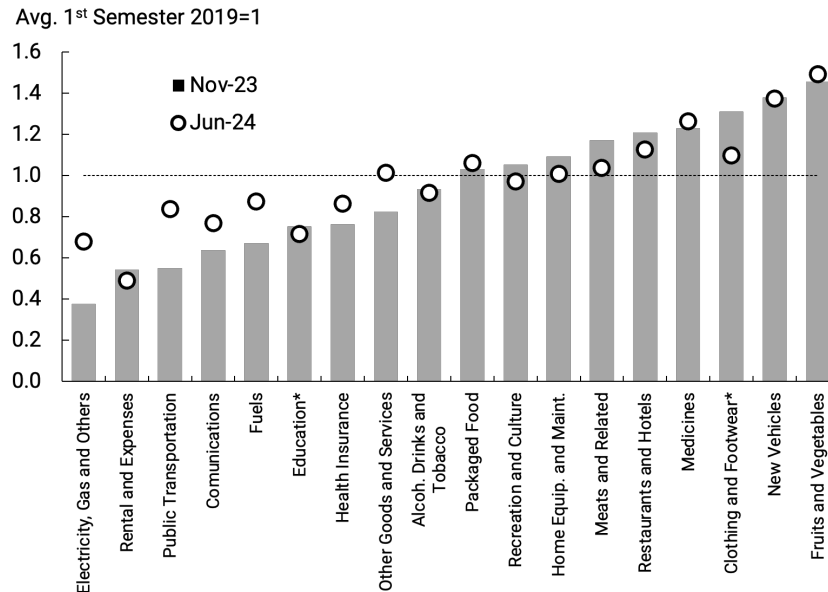
**Bank Liquidity will Serve as a Source of Growth for the Monetary Base and Money Multiplier but Only When Driven by Growth in Money Demand and Demand for Credit. Repatriation will also Fuel Remonetization in USD**

### Headline CPI: Consensus Forecasts (REM) vs. Actual Data



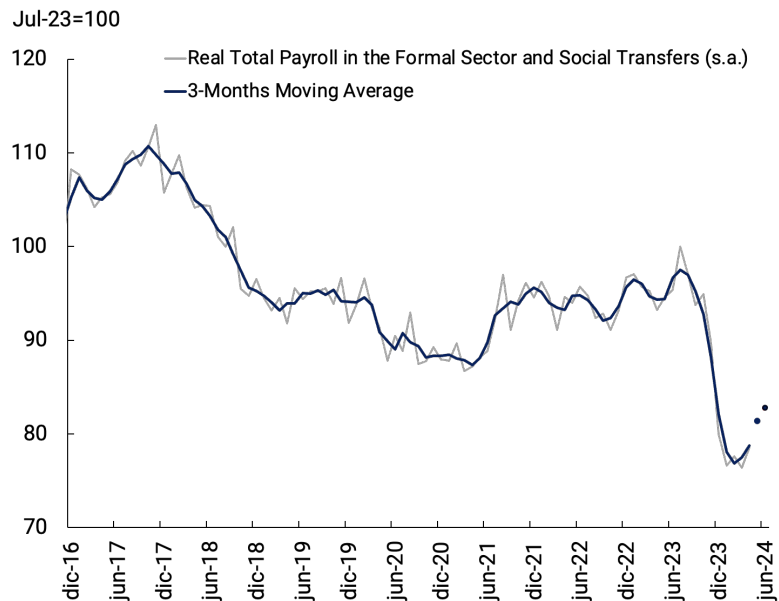
\* Forecast Included in [Argentina Stage II: Establishing an Orthodox Monetary Framework, July 2024](#)  
Source | BCRA.

### Relative Prices CPI Groups/Headline



\*Data as of Jun-24 in Relation to Jun-19 Compared to Data as of Nov-23 in Relation to Nov-18, to Address Seasonal Considerations.  
Source | BCRA from INDEC.

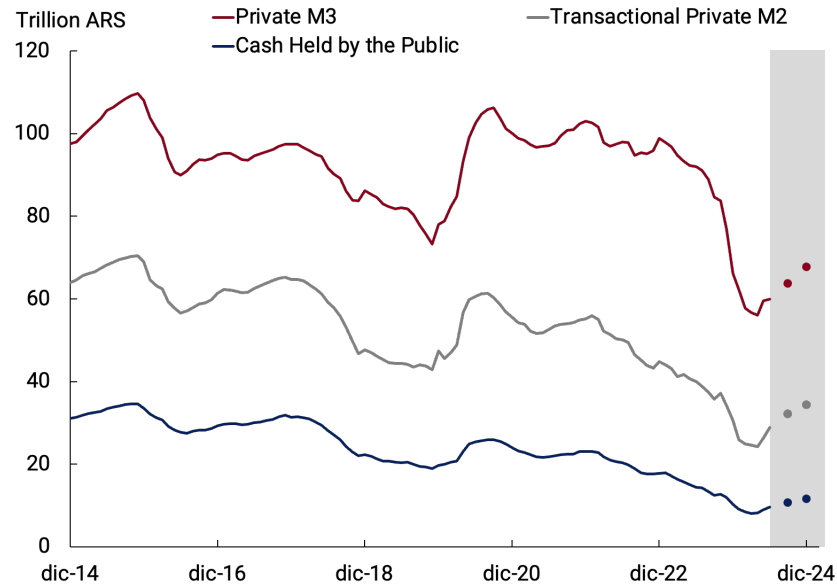
### Household Payroll (Salaries + Social Transfers)



Source | BCRA from INDEC, Labor Employment and Social Security Secretariat, and Ministry of Economy

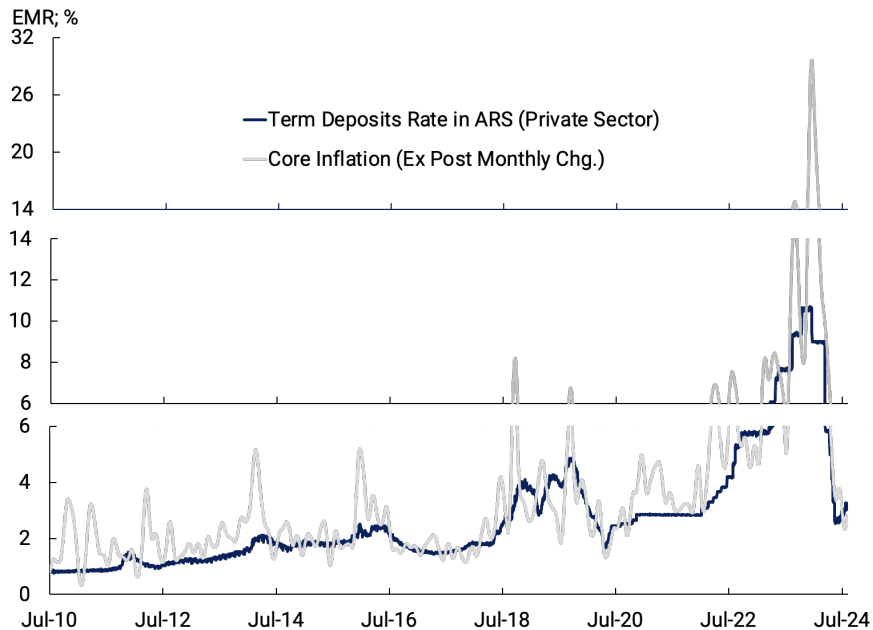
### Monetary Aggregates

Seasonally Adjusted at Constant Prices of June, 2024



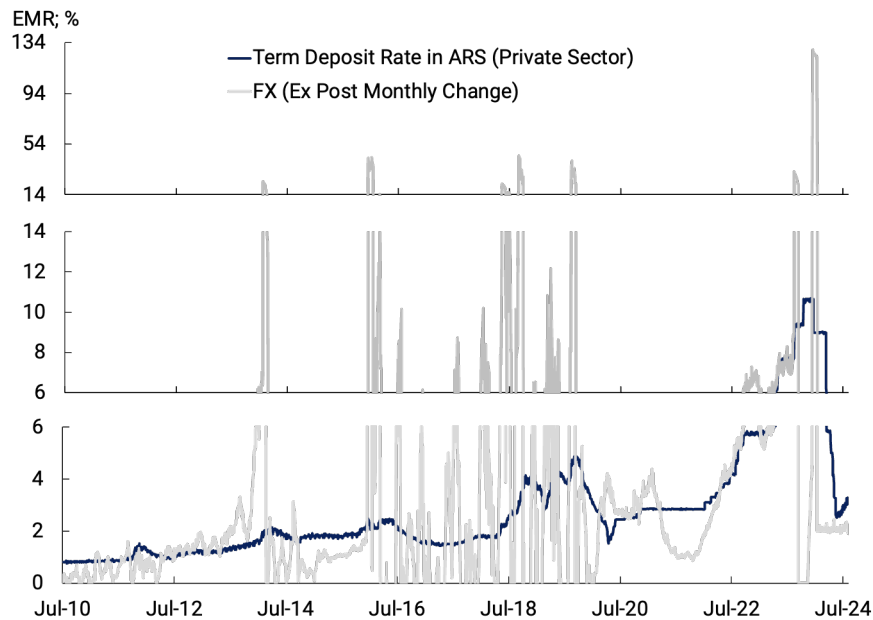
Source | BCRA.

### Interest Rate and Inflation



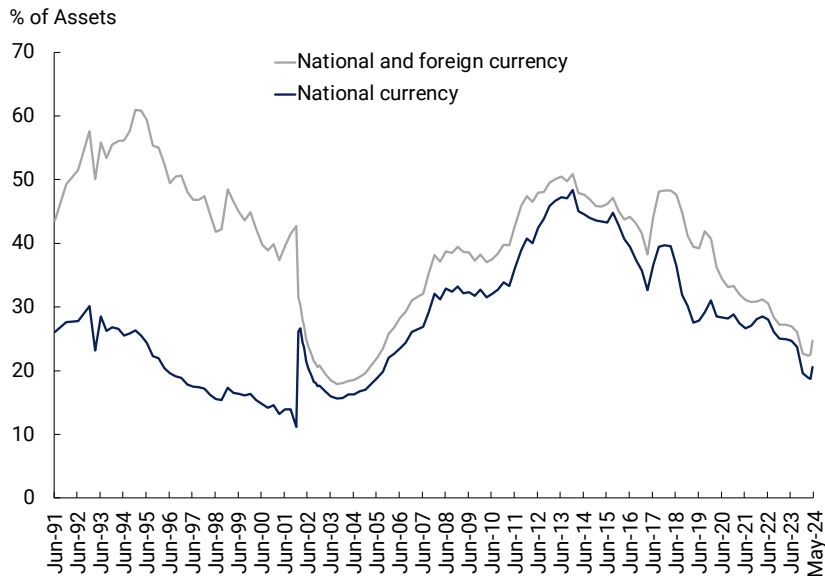
Source | BCRA

### Interest Rate and FX Change



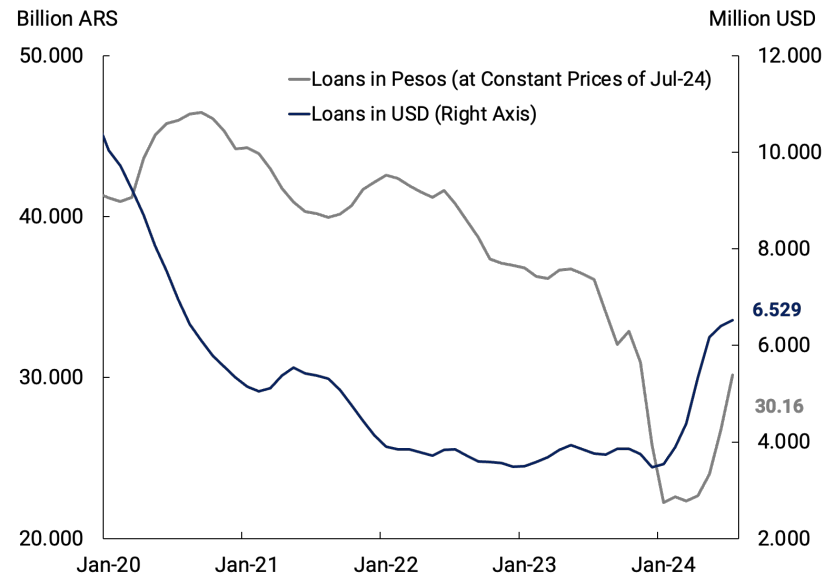
Source | BCRA.

### Credit to the Private Sector As % of Total Assets of the Financial System



Source | BCRA.

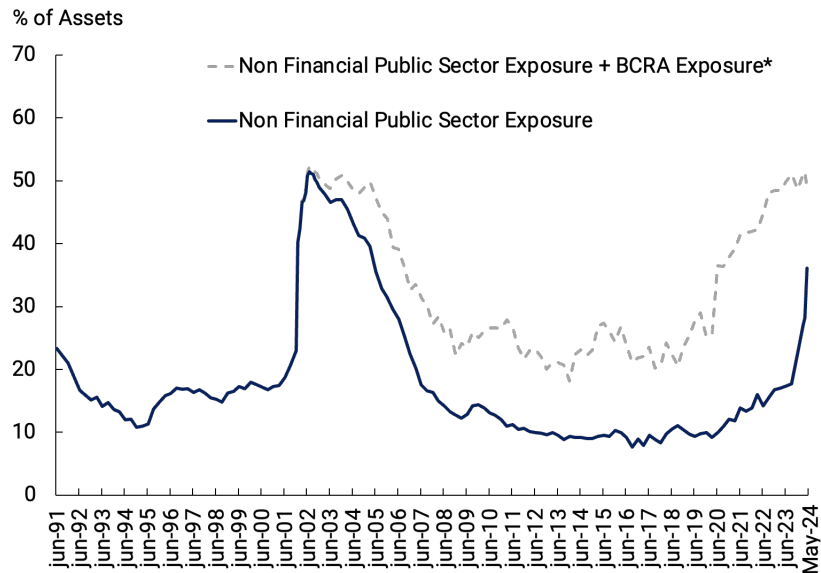
### Loans in Pesos and Foreign Currency



Source | BCRA.

**Policy Flexibility (Rate Cuts) was Instrumental to Reduce Endogenous Money Supply and Inflation Expectations while Policy Creativity (FX Swaps) were able to Transform FX Demand from Stocks into Flows**

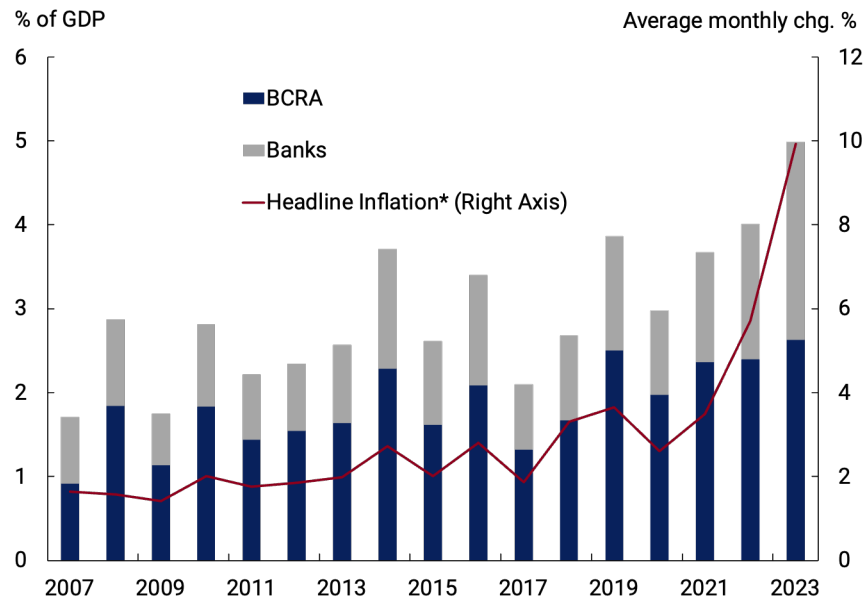
### Banking Systems' Public Sector Exposure As % of Total Assets – Financial System



\*Bills, Notes and Repos.

Source | BCRA.

### Inflation Tax (Transactional Private M2) Annual Average



**Transparency: Banks' True Exposure to Public Sector Revealed by Price Rise on Bond Holdings and Transfer of BCRA's Quasi-Fiscal Balance Back to Treasury. Banks Will Need to Pursue Loan Growth as Their Take of the Inflation Tax Dwindles**

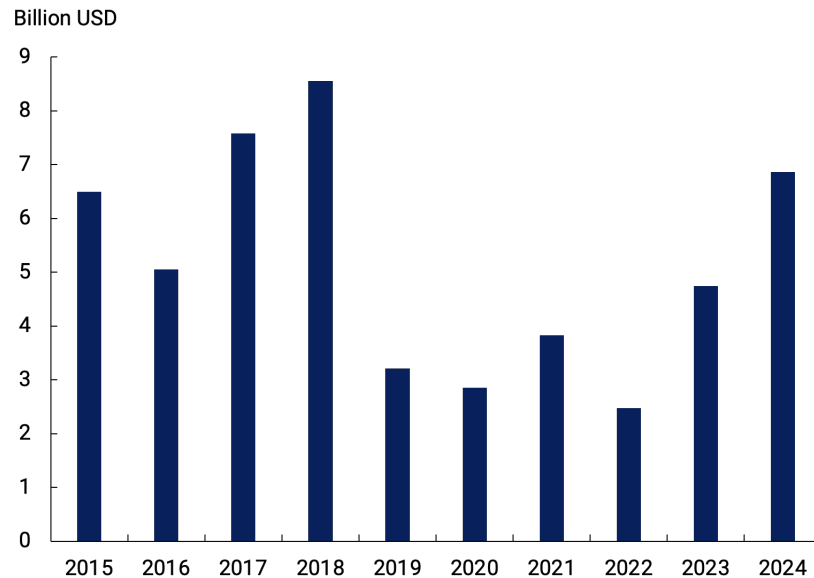
### Leverage Ratios of Publicly Traded Argentine Corporates

Net Debt Ratio = (Gross Debt – Cash) / EBITDA

Net Leverage	2Q19	4Q19	2Q20	4Q20	2Q21	4Q21	2Q22	4Q22	2Q23	4Q23	1Q24
YPF	2.0x	2.2x	3.0x	5.0x	2.7x	1.6x	1.3x	1.2x	1.4x	1.7x	1.7x
Vista	1.6x	1.1x	2.4x	3.5x	1.7x	0.8x	0.6x	0.4x	0.5x	0.5x	0.6x
TGS	0.7x	0.8x	0.8x	0.9x	0.6x	0.3x	0.2x	0.2x	-0.1x	0.1x	0.1x
TGN	0.4x	0.3x	0.1x	0.2x	0.5x	-0.9x	-1.1x	0.4x	-0.8x	-0.8x	-3.5x
Transener	0.2x	0.1x	0.1x	-0.1x	0.0x	-0.6x	-0.2x	-0.6x	-0.3x	-0.3x	-0.6x
Pampa Energía	1.8x	1.8x	2.2x	2.1x	1.6x	1.3x	1.3x	1.2x	1.1x	0.9x	1.1x
Central Puerto	1.1x	1.5x	1.4x	2.4x	2.1x	1.5x	1.2x	0.8x	0.3x	0.8x	1.1x
GEMSA	2.5x	3.3x	3.5x	3.8x	4.8x	5.1x	4.4x	4.9x	5.8x	6.3x	6.6x
MSU Energy	8.3x	8.1x	7.9x	6.3x	5.0x	4.7x	4.8x	4.9x	4.9x	4.8x	4.7x
Genneia		4.4x	3.5x	3.3x	3.4x	3.0x	2.8x	2.8x	2.8x	3.2x	3.3x
YPF Luz		3.5x	3.9x	3.9x	3.1x	2.3x	2.1x	2.1x	2.0x	2.1x	2.2x
Telecom Arg	1.3x	1.6x	1.5x	1.8x	1.8x	2.0x	2.1x	2.2x	2.3x	3.2x	2.4x
Loma Negra	0.8x	0.8x	1.2x	0.1x	0.1x	-0.1x	0.0x	0.4x	0.8x	0.9x	1.3x
Ternium Arg	0.8x	0.1x	-0.4x	-0.9x	-0.6x	-0.8x	-1.0x	-1.2x	-1.0x	-1.1x	-1.4x
IRSA	2.6x	3.6x	4.5x	2.6x	4.6x	5.6x	1.7x	1.4x	1.8x	1.3x	1.5x

Note | Leverage = Net Debt / EBITDA  
 Net Debt = Gross Debt – Cash and Equivalents  
 Source | Latin Securities.

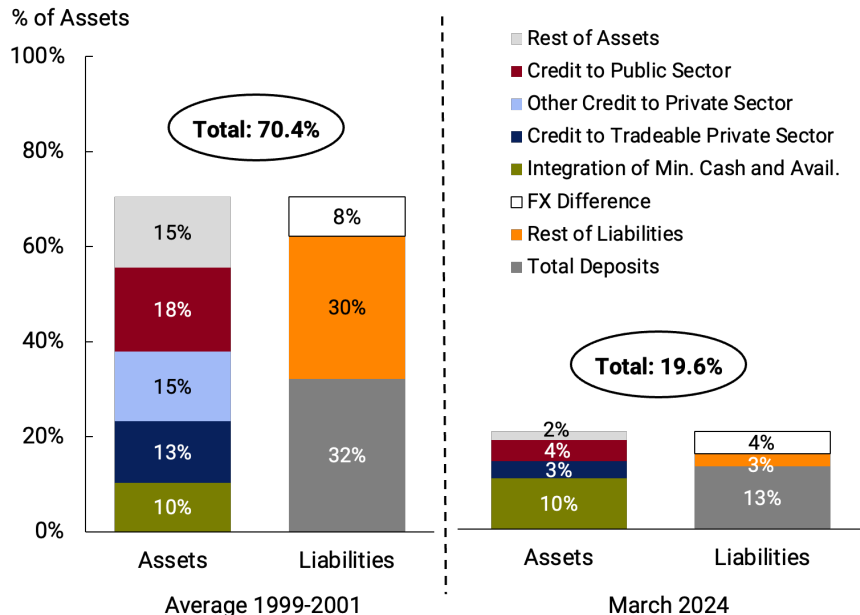
### Total Finance in Capital Markets 1st Semester



Note | Valued at MEP Exchange Rate.  
 Source | CNV.

### Banking Sector Balance Sheet in Foreign Currency

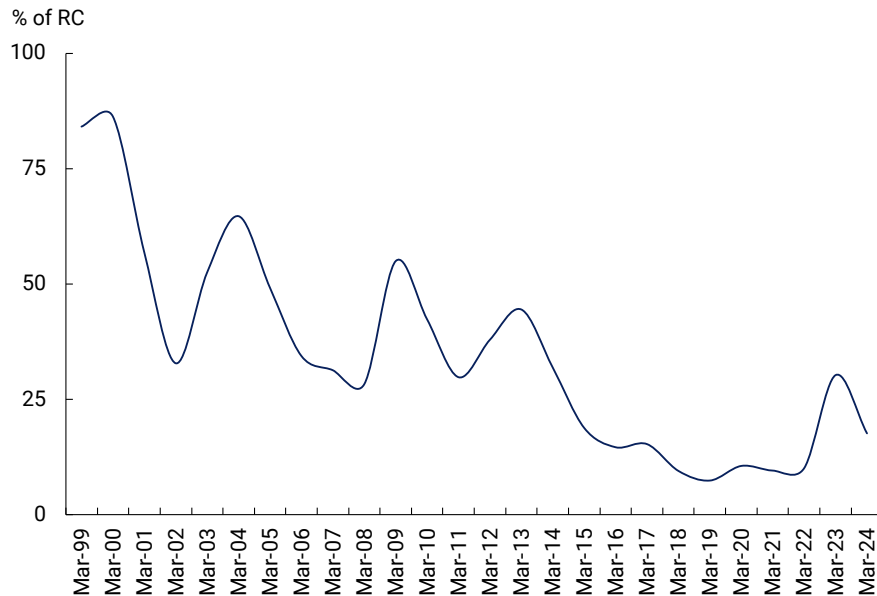
Financial System



Source | BCRA.

### Banking System Foreign Currency Mismatch\*

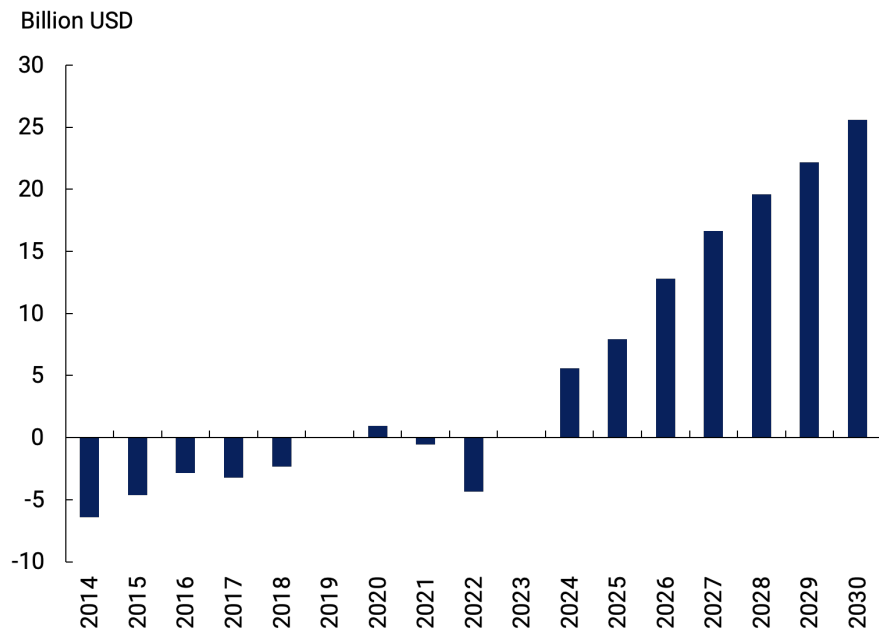
As % of Regulatory Capital (RC)



\*Assets - Liabilities + Net Undelivered Term Purchases (Off-balance Accounts).

Source | BCRA.

### Projected Energy Trade Balance



Source | BCRA

### Investment Opportunities in the Energy Sector

Sector	Projects	Deadline Until	Billion USD
Oil Production & Infrastructure	◦ Upstream Investments: Andes Project (Auction of Oil Areas) and Development of Vaca Muerta	2027	7,4
	◦ Petrochemicals and Biofuels: New Fertilizer Plant, Agrochemicals Plant, Polyduct and Maritime Terminal and Port Expansion and Refinery Reconversion)	2030	3,8
Gas Production & Infrastructure	◦ Shale Gas Wells	2026	4,8
	◦ Gas Pipelines for the Internal Market	2026	6,8
	◦ Export Gas Pipelines	2027	9,1
Generation and Transportation Renewable	◦ LNG (Plant, Ship and Gas pipeline)	2027	14,5
	◦ Transportation System Expansion	n.d.	4,6
	◦ Wind projects (Green Hydrogen)	2032	2,0*
	◦ Sustainable Aviation Fuels (SAF)	2027	0,4
	◦ Bioethanol	2026	0,3
	◦ Cogeneration	2026	0,6
<b>Total</b>			<b>54,3</b>

\*Million USD for Each GW of Installed Wind Power.

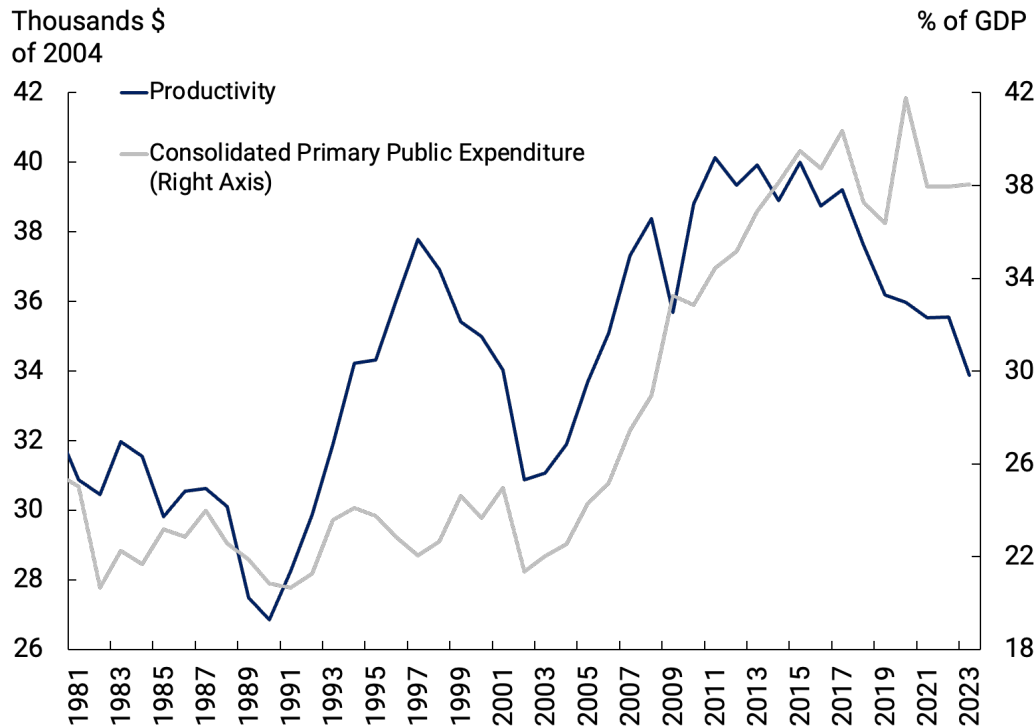
Source | BCRA From Ministry of Economy

## Declaration of May 2024: Commitments Signed by Federal & 18 Provincial Governments

1. Protection of **Private Property**.
2. Non-negotiable Commitment to **Fiscal Balance**.
3. Reduction of General **Government Spending** to 25% of GDP.
4. High Quality **Education**: Initial, Primary and High School; 100% Literacy, 0% Dropout Rate.
5. **Tax Reform** to Reduce Tax Burden, Simplify the System and Promote Trade.
6. Proposal for a **Federal Tax Sharing System** with Provinces, Fostering Responsibility and Progress.
7. Prioritize Exploitation of **Natural Resources** Endowment.
8. Modern **Labor Reform**, Oriented to Promote Labor Formality.
9. **Pension Reform** Aimed at a Sustainable System that Prioritizes Pensioners Compliant with Deductions.
10. **Openness to International Trade**.

Note | The Pact Was Signed on July 9th by the President of the Nation and by 18/24 Governors of Subnational Districts. Only 6 Governors of Provinces did Not Sign it: Buenos Aires, La Pampa, Formosa, Tierra del Fuego, La Rioja y Santa Cruz (whose governor would later sign it).

Productivity and Consolidated Public Primary Expenditure



Note | Productivity = GDP/Total Employment. Consolidated Primary Public Expenditure of 2023 is Estimated.  
 Source | BCRA From Ministry of Economy and INDEC

**Thank you**