PRESS RELEASE NO. 22/89

IMF Executive Board Approves 30-month US$44 billion Extended Arrangement for Argentina and Concludes 2022 Article IV Consultation

March 25, 2022

Washington, DC: The Executive Board of the International Monetary Fund (IMF) approved today a 30-month extended arrangement under the Extended Fund Facility (EFF) for Argentina amounting to SDR 31.914 billion (equivalent to US$44 billion [1] (file:///Q:/COM/MR/Press%20Releases/2022/PR2289%20-%20Argentina%20-%20IMF%20Executive%20Board%20Approves%2030-month%20US$44%20billion%20Extended%20Arrangement%20for%20Argentina%20and%20Concludes%202022%20Article%20IV%, or 1000 percent of quota) and concluded the 2022 Article IV Consultation. [2] (file:///Q:/COM/MR/Press%20Releases/2022/PR2289%20-%20Argentina%20-%20IMF%20Executive%20Board%20Approves%2030-month%20US$44%20billion%20Extended%20Arrangement%20for%20Argentina%20and%20Concludes%202022%20Article%20IV% The Executive Board's decision allows the authorities an immediate disbursement of SDR 7.0 billion, equivalent to US$9.656 billion. The EFF arrangement aims to provide Argentina with balance of payments and budget support that is backed by measures designed to strengthen debt sustainability, tackle high inflation, boost reserves, address the country's social and infrastructure gaps and promote inclusive growth.

The authorities' IMF-supported program, which was recently approved by the Argentine National Congress, aims to strengthen public finances and start reducing persistently high inflation through a multi-pronged strategy involving a gradual elimination of monetary financing of the fiscal deficit and an enhanced monetary and exchange rate policy framework. The program also envisages steps to strengthen the domestic peso debt market, the effectiveness of government spending, labor and gender inclusion, and the competitiveness of key sectors.

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

"While an economic and employment recovery is underway, Argentina continues to face exceptional economic and social challenges, including depressed per capita income, elevated poverty levels, persistent high inflation, a heavy debt burden, and low external buffers. Against this backdrop, the authorities' economic program sets pragmatic and realistic objectives, along with credible policies to strengthen macroeconomic stability and begin to address Argentina's deep-seated challenges. Important financial commitments secured from Argentina's international partners will support the authorities' reform efforts and improve the country's external buffers. Strong political and social consensus is key to sustain the implementation of the reform agenda, including over the medium term, which is essential to address the country's long-standing vulnerabilities.

"The program contains a carefully calibrated set of economic policies. A sustained and growth-friendly fiscal consolidation will strengthen debt sustainability and allow for the elimination of the monetary financing of the fiscal deficit, which will help to start tackling persistent and high inflation. In addition, an enhanced monetary and exchange rate framework delivering positive real interest rates and a competitive real exchange rate will help support the demand for peso assets and improve reserve coverage. These actions will help pave the way for an eventual, conditions-based, easing of foreign exchange controls.

"Importantly, the program includes policies to strengthen the domestic peso debt market, enhance the effectiveness and transparency of government spending, promote labor and gender inclusion, and improve the sustainability and efficiency of key sectors.

"Risks to the program are exceptionally high and spillovers from the war in Ukraine are already materializing. In this context, early program recalibration, including the identification and adoption of appropriate measures, as needed, will be critical to achieve the program's objectives."

Executive Board Assessment [3] (file:///Q:/COM/MR/Press%20Releases/2022/PR2289%20-%20Argentina%20-%20IMF%20Executive%20Board%20Approves%2030-month%20US$44%20billion%20Extended%20Arrangement%20for%20Argentina%20and%20Concludes%202022%20Article%2

Executive Directors broadly agreed with the thrust of the staff appraisal. Noting the fragile economic, financial, and social situation in Argentina, which has been aggravated by the pandemic and, more recently, by the spillovers from the war in Ukraine, Directors supported the Argentine authorities' request for an Extended Arrangement under the Fund's Extended Fund Facility. They underscored that strong ownership as well as sustained and steadfast implementation of the authorities' program will be critical to strengthen economic stability and begin to address Argentina's deep-seated challenges.

Directors emphasized that a credible, sustained, and growth-friendly fiscal consolidation is key to strengthen debt sustainability and discontinue monetary financing of the fiscal deficit. They stressed the need to improve the efficiency and fairness of, and compliance with, the tax system. Directors called for improvements in the structure of spending, including by reducing costly and untargeted energy subsidies while expanding infrastructure spending. They stressed the need for protecting well-targeted social assistance programs and for a prudent management of the wages and pensions.

Directors underscored the criticality of reducing persistent high inflation and rebuilding international reserves. To support this, they stressed the importance of ending monetary financing and implementing the enhanced monetary policy framework to deliver positive real interest rates and encourage peso demand. Directors underscored the importance of maintaining a competitive real exchange rate and adapting the capital flow management framework—over time and as conditions permit—to secure trade surpluses, encourage long term inflows, and boost reserve accumulation, which would enable an eventual re access to international capital markets.

Directors called for structural reforms that address Argentina's long-standing structural vulnerabilities. They emphasized the importance of strengthening the domestic peso debt market; enhancing the sustainability and efficiency of key sectors, including energy; and promoting labor and gender inclusion. Directors stressed the need to strengthen the investment climate by gradually removing economic distortions and providing a more predictable regulatory framework, including in strategic sectors. They also called for improving governance, including by boosting the efficiency and transparency of public spending and reinforcing the AML/CFT regime.

Directors agreed that the program is subject to exceptionally high risks. They recognized Argentina's vulnerability to external shocks and implementation difficulties given the complex social and political situation. Noting that the spillovers from the war in Ukraine are materializing, Directors welcomed the authorities' agreement to bring forward the first review of the program and urged them to recalibrate policies, as needed, to secure the fiscal objectives and contain second-round inflationary effects from rising commodity prices.

Directors noted that the elevated exposure to Argentina over an extended period creates major financial and reputational risks for the Fund. As these risks cannot be fully mitigated through program design and contingency planning, Directors agreed that finely balanced judgements will be needed when assessing difficult tradeoffs that are likely to arise during the life of the program.

Directors concurred that beyond the program period, further efforts will be required to cement stability and address longstanding structural challenges. In particular, they agreed that over the medium term, Argentina will need to further strengthen debt sustainability, bolster the central bank's balance sheet and its governance framework, and tackle regulatory barriers to productivity, investment, and formal employment. Some Directors called on the authorities to incorporate some of these reforms in the current program to increase its credibility.

Argentina: Selected Economic and Financial Indicators

Population (2013): 41.5 million Quota (current; millions SDR / % total): 2,117 / 0.89 Main products and exports: soybeans, automobiles, corn	Est.	Proj.	
Per capita GDP (2014): US$12,873 Gini coefficient (2011): 0.45			
	2021	2022	2023
	(Annual percentage change)		
National income and prices			
GDP at constant prices	10.2	3.5 - 4.5	2.5 - 3.5
Consumer price index (eop)	50.9	38.0 - 48.0	34.0 - 42.0
	(Percent of GDP unless otherwise indicated)		
External sector			
Current account balance	1.3	0.5	0.4
Trade balance	3.2	2.4	2.3
Foreign direct Investment (net)	1.1	1.3	1.6
Gross international reserves (US$ billions)	39.7	49.1	51.5
Change in Net International Reserves (US$ billions) 1/	-1.5	5.8	4.0
Terms of trade (percent change)	9.4	-0.1	-4.1
REER (avg., percent change)	4.3	...	...
Federal government operations			
Federal primary balance 2/	-3.0	-2.5	-1.9
Revenues	18.2	18.2	18.6
Primary expenditures	21.2	20.7	20.5
Federal overall balance	-4.5	-4.0	-3.4
Federal government debt	80.6	74.4	74.3
excluding intra public sector 3/	49.6	47.8	49.4
Monetary operations			

Monetary base	7.9	7.5	7.5
Monetary financing of the fiscal deficit	3.7	1.0	0.6
BCRA securities	10.9	9.3	9.1
BCRA quasi-fiscal cost	3.3	3.3	2.9

Sources: National authorities and Fund staff estimates and projections.

1/ TMU definition.
2/ Primary balance excludes BCRA profit transfers.
3/ Excludes federal government debt held by the BCRA and the Social Security Fund (FGS).

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[1] (file:///Q:/COM/MR/Press%20Releases/2022/PR2289%20-%20Argentina%20-%20IMF%20Executive%20Board%20Approves%2030-month%20US$44%20billion%20Extended%20Arrangement%20for%20Argentina%20and%20Concludes%202022%20Article%20IV%
US dollar amounts have been calculated using today's exchange rate: (SDR 0.724951/US$).

[2] (file:///Q:/COM/MR/Press%20Releases/2022/PR2289%20-%20Argentina%20-%20IMF%20Executive%20Board%20Approves%2030-month%20US$44%20billion%20Extended%20Arrangement%20for%20Argentina%20and%20Concludes%202022%20Article%20IV%
Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team collects economic and financial information, and discusses with officials the country's economic developments and policies. The staff prepares a report, which forms the basis for discussion by the Executive Board.

[3] (file:///Q:/COM/MR/Press%20Releases/2022/PR2289%20-%20Argentina%20-%20IMF%20Executive%20Board%20Approves%2030-month%20US$44%20billion%20Extended%20Arrangement%20for%20Argentina%20and%20Concludes%202022%20Article%20IV%
At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summings up can be found here: http://www.IMF.org/external/np/sec/misc/qualifiers.htm.

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