

Argentina: Another Budget Surplus in February; Spending Restraint Will Be Needed Through the Year (Armella)

Bottom Line: The government's overall fiscal balance posted another surplus in February. An ARS\$1.18tn positive primary balance in the month, less interest on debt of ARS\$0.87tn, led to an overall surplus of ARS\$310.7bn for the public sector.

Government revenues grew 75.8% yoy with tax revenues up 81.6%, firmer than the 66.9% yoy inflation print in February. Total expenditure, in turn, grew a somewhat higher 81.3% yoy with primary spending up by a higher 98.8% yoy in February.

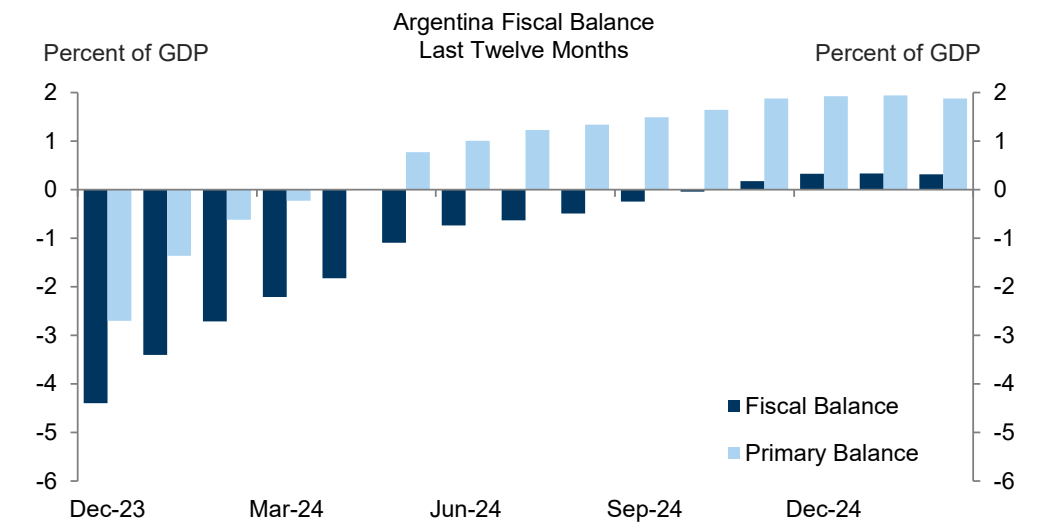
Overall, we expect the unwavering commitment to fiscal discipline of President Milei to continue as a swift fiscal adjustment, resulting in a balanced budget, is the cornerstone of the macroeconomic rebalancing program being implemented in Argentina. We note, however, that primary expenditure grew at a faster pace than revenue in January and February. Additional spending restraint will be needed through the year to meet the zero-balance target.

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DETAILS:

1. The government's primary fiscal balance registered a ARS\$1.18tn surplus in February. Interest on debt tracked at ARS\$0.87tn, leading to a ARS\$310.7bn overall balance surplus in the month.
2. For the trailing 12-months, the primary balance remained at around 1.9% of GDP in February. The overall balance, in turn, tracked at 0.3% of GDP similar to that in January and 2024 as a whole.
3. In February, government revenues rose by 75.8% yoy supported by the still high year-on-year inflation, social security contributions (+120.0% yoy) as well as income taxes (+121.8% yoy). Revenue from other sources linked to economic activity such as financial transactions taxes and VAT, grew by 74.7% and 71.1% yoy, respectively compared to the 66.9% yoy inflation in February.
4. Total expenditure, in turn, expanded by a higher 81.3% yoy in February with primary spending up 98.8% yoy. Social security spending increased 118.8% yoy, and the government's wage bill increased by a lower 55.0% yoy.
5. Economic subsidies (e.g., energy and transportation) increased only 5.9% yoy in February (64.7% yoy in January). Energy subsidies fell 42.5% yoy in February (up 96.8% yoy in January) and account for about 1.1% of GDP over the trailing 12 months. Transportation subsidies, in turn, increased by a lower 113.8% yoy (40.4% yoy in January) and account for 0.4% of GDP in the last 12 months.

The Government’s Commitment to Fiscal Discipline Continued in February



Source: Ministry of Economy, Goldman Sachs Global Investment Research

Disclosure Appendix

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