



# Views From the Ground: Argentina

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*Argentina is a rich, but previously mismanaged country. Between its abundance of resources across energy, materials, and agriculture, it's no surprise that the country used to be one of the world's wealthiest nations.<sup>1</sup> We believe that Argentina could return to prosperity by simply having a government that doesn't get in the way. Now, the country has a leader who is not only standing back but is quickly fixing previous mistakes and giving Argentina a shot at sustainable success. We recently flew to Buenos Aires and met with leaders across the country's largest banks, utilities, drillers, and tech companies along with members of the Central Bank and the Ministry of Finance. Below we cover insights gleaned on our trip, focusing on politics, natural resources, and potential growth catalysts.*

## Key Takeaways

- **Undervalued:** Argentina's main exchange, BYMA (Bolsas y Mercados Argentinos), pointed to the country's market cap/GDP (gross domestic product) ratio at 12% versus 38% in Brazil and 53% in Chile.<sup>2</sup>
- **Dropping Inflation:** Senior Central Bank officials said that fiscal consolidation and containing inflation are President Javier Milei's top priorities by a long shot. Unlike what we see in many EM economies, we expect him to tighten spending ahead of the midterm elections.
- **Loan Growth:** Three major banks we spoke with shared the goal of growing credit-to-GDP levels above 40% over the next few years. Private debt/GDP levels remain at roughly 10% (versus 52% in Brazil) and banks are only beginning to introduce mortgages and auto loans.<sup>3</sup>
- **Becoming an Energy Powerhouse:** Estimates from the country's three leading energy producers suggest that Argentina could become the second largest energy producer in Latin America (ahead of Colombia and Venezuela) before 2030.
- **Support:** Waiters, taxi drivers, reporters, and CEOs that we talked with showed support for Milei. Some suggested there was no alternative, some praised his economic plan, and others just said that lower inflation (monthly inflation has dropped from above 25% in December of 2023 to nearly 2% in January and February of 2025) has allowed them to create a monthly budget.<sup>4</sup>

## Political Change: From Evita to EBITDA

Often mischaracterized as "radical," Javier Milei's actions have been anything but, as the president as proved himself as amongst the most economically orthodox leaders in the world. Over the past 70 years, Argentina has faced frequent currency crises, hyper-inflation, large fiscal deficits, and various defaults – the majority of which came from unorthodox government policies. Milei is flipping the old system on its back. Since taking office in December 2023, and despite having a minority in the Senate, he has amassed a long list of accomplishments, including devaluing the currency (with a goal of a free exchange), cutting fiscal spending, reducing government inefficiencies, passing the Laye de Bases Bill (a set of pro-business initiatives), making market friendly appointments to key government positions, making significant progress on an new International Monetary Fund (IMF) deal, and introducing a new framework to attract foreign direct investment (FDI) known as RIGI. In recent months, inflation has fallen sharply, GDP growth has picked up, and Argentinians are excited about Argentina again.<sup>5</sup>

## Unlocking Potential: Monetizing Natural Resources

Argentina appears positioned to unlock its vast natural resource potential and evolve into a global commodity powerhouse. Beyond its renowned agricultural sector, the country boasts one of the largest reserves of non-conventional gas, oil, lithium, and copper in the world. In terms of materials, the country boasts the third largest reserves of lithium and fourth largest of copper.<sup>6</sup> The IMF forecasts potential increases in copper and lithium exports of over roughly 100% and 600% respectively by 2030.<sup>7</sup> On the energy side, while Argentina once outproduced Brazil in oil, years of macroeconomic instability and energy nationalism have stunted growth. However, Milei's policies are breaking down these roadblocks and opening the doors to private/public partnerships, foreign direct investment, and a substantial boost in production and exports. We believe Argentina will be the second largest energy producer in Latin America (ahead of Venezuela and Colombia) by 2030. The 2024 Regime of Large Investments (RIGI) is a game changer, offering investment incentives to strategically important sectors like energy and mining – with significant implications for copper and liquified natural gas (LNG) production. We spoke to various industry leaders, and capex projects are well on their way, leading us to expect potential ramp-ups in production and free cash-flow in the coming years.

## Catalysts: What Next?

Looking forward, we see seven potential catalysts to continue driving Argentina back to a position of sustainable and profitable growth.



- **IMF Deal:** Argentina's Congress recently approved the government to move forward with IMF negotiations, and the IMF is reportedly considering a USD 20bln package to be announced before the end of April.<sup>8</sup>
- **Investment:** We expect the sharp increase in investor confidence to translate into increased foreign direct investment. The RIGI plan expires at the end of 2026, leading us to expect a wave of investment over the next year and a half.
- **Elections:** The 2025 midterm elections present a key opportunity for Milei to strengthen his economic mandate.
- **Capital Controls:** Floating the peso represents a major step in normalizing economic policy and bolstering foreign exchange reserves.
- **Earnings:** The sharply improving macroeconomic outlook will likely translate into earnings growth, potentially providing the next driver beyond the compression of risk premiums.
- **Index Inclusion:** Milei's economic policies could allow MSCI to reclassify Argentina back to Emerging Markets status, which could bring significant flows into the market.
- **Trump:** While we refrain from making a prediction here, only 8% of Argentine exports currently go to the United States. Over the past year, Trump and Milei have displayed a public friendship, leading many to believe a free trade agreement could be in the works. Given the growing demand for rare minerals in the U.S., Trump's desire for lower energy prices (via increased supply), and escalating trade tension between the U.S. and larger trade partners, we would not be surprised to see an agreement.

## Conclusion

Despite excellent performance across Argentine equities, our conversations with market participants signaled that mainstream international capital has barely begun to touch Argentina. The country is no longer a part of the MSCI Emerging or Frontier Markets Indexes, and many allocators have not felt the need to pay attention. This may explain the market's valuation multiple (6.94x PE for the MSCI Argentina Index versus 18.74x for the S&P 500 Index) for now, but we see opportunity for this spread to compress rapidly.<sup>9</sup>

## Footnotes

1. BBC News. (2023, Aug 31). 'We're the country of beef, but we only eat chicken': Argentina is divided over the new president's plans for its troubled economy.
2. BYMA investor meeting. March 17, 2025.
3. CEIC Data. Argentina private debt: % of nominal GDP. CEIC. Retrieved March 20, 2025.
4. Bloomberg LP. Data accessed on March 25, 2025.
5. Bloomberg LP. Data as of March 14, 2025.
6. Center for Strategic and International Studies. (2024, Mar 25). Leveraging Argentina's Mineral Resources for Economic Growth.
7. Nasdaq. (2024, Aug 29). Argentina's mining exports set to double by 2027, led by lithium and copper production.
8. Reuters. (2025, Mar 21). IMF to Consider \$20 Billion Argentina Deal in Informal Meeting, Bloomberg News Reports.
9. Bloomberg LP. Data as of March 20, 2025.

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Information provided by Global X Management Company LLC.

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