

ARGENTINA: ABRUPT DEPARTURE OF ECONOMY MINISTER RAISES RISKS OF ADDITIONAL CAPITAL CONTROLS



19/07/2022

Filed under [Country news](#)

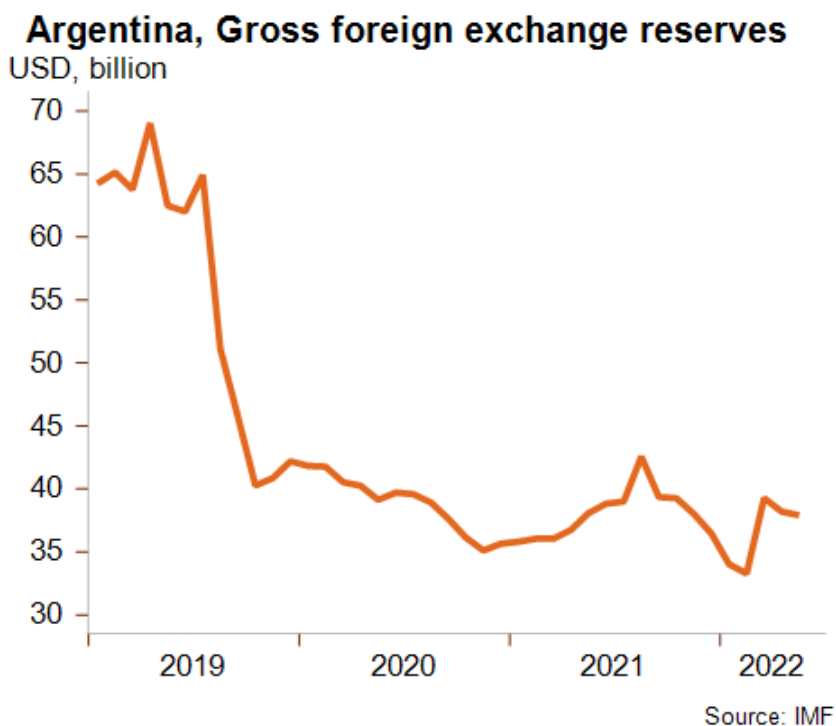
[SHARE ARTICLE](#)

of the more orthodox figures in the government of leftist President Hernandez. He renegotiated the IMF programme that is providing necessary liquidity, and enacted some fiscal consolidation measures. Guzmán was replaced by the more unorthodox Silvina Batakis on 4 July. Though she said she would continue the IMF programme – but insisted on some alterations – and favour fiscal balance, she also warned of further limitations on access to US dollars for tourism.

Impact

Argentina is facing a **tight liquidity situation**. As Argentina is a net fuel importer, the high fuel prices are weighing on the country’s foreign exchange reserves, despite strict currency controls. Adherence to the IMF programme is critical as it provides necessary liquidity at every review. The graph below – containing data up to June 2022 – illustrates this as the IMF review and consequent liquidity disbursement in March 2022 significantly increased the foreign exchange reserves. Nevertheless, the departure of Guzmán and other more orthodox officials shows the clear rising influence of unorthodox fractions in the government led by Vice President Christina Fernandez de Kirchner. As a result, more and prolonged interventionist policies, tighter exchange controls, broader import and export restrictions and higher fiscal spending are to be expected. Consequentially, access to foreign exchange is likely to be further restricted and potentially even a derailment of the IMF programme is on the cards.

In this overall context, Argentina’s medium- to long-term political risk rating remains in category 7/7. Moreover, the outlook is negative for the short-term political risk rating (6/7) amid tight currency controls.



Analyst: Jolyn Debuyscher – J.Debuysscher@credendo.com

19/07/2022

Filed under **Country news**