

9. Greater global uncertainty requires prompt action on structural problems

After more than a year in charge of the country's administration, the government is more settled and has been able to implement important reforms while demonstrating rationality and governance, obtaining approval of key legislation such as the Budget with 70% of the vote in spite of having a minority in both chambers of parliament. Looking back, some of the potential economic risks that were glimpsed at the beginning of its management are being left behind. However, the most important remaining challenges are to secure a path of sustainable growth and reduce the still high rate of inflation.

With regard to external risks, the risk of the impact of a slowdown in China's growth in the wake of its unresolved structural problems remains latent. Concerns about the policy that the new US government may carry out seem to be confirmed and it is already a fact that global uncertainty will be greater. This could affect Argentina now that it has emerged from its financial isolation and is more vulnerable to the volatility of international capital markets. If the Federal Reserve were to implement a more abrupt interest rate hike than our base scenario, this would affect the necessary flow of financing required by Argentina this year.

However, in a relatively uncertain international scenario regarding the future of trade agreements, a gradual increase in international interest rates and a moderate deterioration in the terms of trade, it is clear that the main challenge for Argentina is to improve its competitiveness and increase the momentum of its exports. Government initiatives in this regard range from an ambitious infrastructure plan to the reduction of the tax burden on companies via sectorial agreements to increase labour productivity. In all cases, reaching consensus with provincial governments, trade unions, business chambers and opposition legislators to advance in this direction is an inescapable step, albeit not without social and political difficulties, in solving the structural problems of Argentina.

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