

Argentina: Tight race to the finish line

Argentina will hold a presidential election on Oct. 22, with a fiery Libertarian economist Javier Milei, an economy minister Sergio Massa, and a center-right former security minister Patricia Bullrich competing in a tight race to reach the presidential palace.

After what we have seen in the primaries, nothing should be written in stone. The countdown has started and each candidate is intensifying media appearances, driving their campaigns nationwide, refining speeches, etc.

Predictions about the general elections should be considered highly speculative. The latest polls from the Camara Nacional Electoral taken from the different surveys on average gives Milei a small advantage with 34.6% of the voters' intention, Massa holds 31.2% and Bullrich 25.8%.

As a reminder to win in the first round, a candidate has to obtain more than 45% of voters or more than 40% with a more than 10-point lead over the second place. If no candidate reaches this threshold, the top two will continue to a runoff on Sunday, Nov 19.

Recent polls suggest that a runoff is inevitable.

What are the possible scenarios?

It is most likely that Milei will pass to the second round to face Bullrich or Massa.

A first round result that forces a second round runoff between Milei and Bullrich will tend to favour Bullrich.

Despite the hostility between the pro-business centre-right Bullrich and Massa's Peronists, voters from both parties would likely ally to prevent Milei's election.

In case a second round confronts Milei and Massa, then the situation becomes more unpredictable since Milei and Bullrich compete in part for the same constituency.

Bullrich's pro-business, liberal base would be more prone to cast their votes for a liberal candidate over the Peronist Massa.

WHAT IF.....

Milei becomes president

If Milei wins the presidency and follows his proposal to abandon the peso and replace it with the U.S. Dollar, in order to bring the inflation under control it could also have consequences; for example, a run on Argentinian banks and severe social unrest between late 2023 and early 2024. Many Argentines will get rid of their pesos as fast as they can out of fear that the upcoming dollarization will happen at a higher exchange rate.

The collapse of trust in the peso could turn Argentina's already high inflation rate into a possible hyperinflation; therefore, this measure and its consequences are hard to predict.

Bullrich becomes president

Unlike Milei, Bullrich has not promised to dollarize the Argentine economy, and has instead proposed to severely reduce Argentina's fiscal deficit to fight inflation.

She also said that under her government Argentina would progressively evolve into a two-currency system in which the peso coexists with the U.S. Dollar. Even though the dollar eventually will become the dominant currency, the proposal is meant to dissipate fears for an immediate dollarization at a high exchange rate.

Massa becomes president

A victory of Massa also could trigger inflation but only limited social unrest because of the government's connections with organizations representing low-income social groups. Massa would be considered the continuity candidate, which means he will not introduce any drastic reforms. A victory of Massa would also suggest that Argentina will maintain its welfare payments and subsidies, which upon almost half of the population depends; however, this scenario would leave the country's long-standing economic issues largely unaddressed, meaning that high inflation, an unfriendly business climate, and constant economic volatility would persist.

The outcome of the coming presidential election, or potential November second-round runoff, will define how Argentina responds to the myriad challenges it faces in the years ahead. The three main candidates offer radically different visions of the future and solutions to how Argentina will tackle rampant inflation, fund public services, and adapt to a changing climate. Whoever wins will face huge challenges in stabilizing Argentina's ailing economy and restoring people's faith in the government.

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