

ARGENTINA UPDATE: CONFIRMED WINDS OF CHANGE

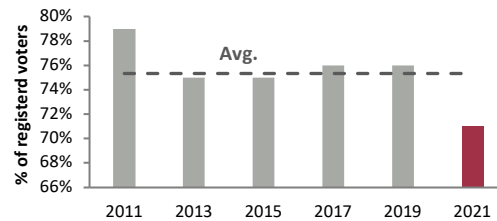


November 2021

On Sunday November 14, 2021, the Argentinean electorate went to the ballot for their legislative midterms. The country saw near complete repetition of the results after a dismissal primary election for the ruling government. The Peronists faced national defeat by losing the majority in the Senate for the first time since 1983. In the Province of Buenos Aires, the government managed to rally its support base by closing a 5% gap over the primaries in a technical tie. The following piece will look into the details of the election and will discuss future scenarios under a new legislative landscape.

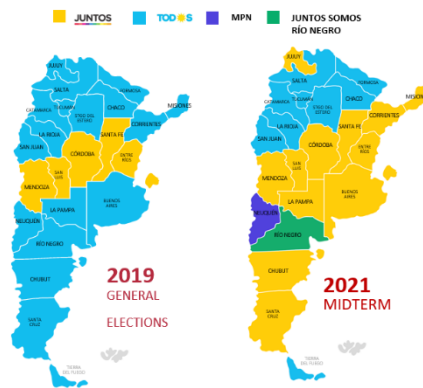
The legislative midterms were held in a challenging environment of soaring inflation (over 50%), and the pandemic, both factors that contribute to lower support for the incumbents. The global pandemic has also resulted in lower participation rates in the latest elections across Latin America, mainly Peru and Mexico. This effect was seen in Argentina as well, as the participation rate for the elections were 71% above the 68% on the primaries but still well below the historical average of 75%.

Historical participation rate



Source: Compass, DNE.

RESULTS BY PROVINCE



Source: Compass Group.

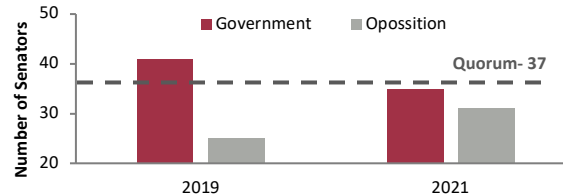
Even though the November elections are less relevant in terms of overall policy, they took place after a primary election that resulted in a cabinet power grab by the more radical parts of the Peronist party. On the national scale, the government saw a major defeat from winning 19 provinces in the Presidential election of 2019 to just retaining nine over the weekend. However, while not a major feat, the government managed to reverse the results in the Province of Buenos Aires from a defeat of 5% in the primaries to a technical tie; the government achieved 38% of the vote while the opposition received 39%.

The election also brought several interesting cases of anti-establishment votes such as the rise of the political outsider Javier Milei, an exuberant media economist who has no political experience, yet he received 17% of the vote in Buenos Aires under a libertarian platform. This outcome combined with an historical low turnout, are signals of the degree of disenchantment of the electorate with the current government and the political establishment.

The government finds itself in a difficult situation over the second half of its mandate as it has lost five seats in the senate, standing at 35 below the required 37 to form quorum. This could pose challenges for its legislative agenda and provide a platform for the opposition.

The next weeks will be crucial in Argentina as the President Alberto Fernandez will need to align himself between the radical parts of his government under the Vice President Cristina Fernandez and an empowered opposition. Dependent on this decision will be the outcome of the negotiations with the IMF that need to be resolved over the next six months for Argentina to avert a new default. This electoral result opens a new way for the country to enter a more sustainable policy mix. However, this will be dependent on how the President manages to position himself among a polarized Congress.

Government loses Senate Quorum



Source: Compass, DNE.

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