Tomorrow's Affairs
Analysis of today
Assessment of tomorrow

By: Daniel Lacalle

# Milei's first-year success is not a miracle; it's economic logic

Javier Milei's first year in office has been an enormous success, particularly when we put it in the context of the disaster he inherited from socialist Peronism.

When Milei assumed office, the Argentine economy was in a state of complete collapse. In 2023, the GDP experienced a 2.5% decline compared to 2022, with monthly inflation reaching a high of 25.5%, threatening Venezuela-style hyperinflation.

The country's risk had escalated to over 2000 basis points, with over 50% of the population at risk of poverty and 20% experiencing extreme poverty.

Additionally, the socialist Peronist administration left a bankrupt central bank with $13 billion of negative net reserves and a demolished currency with more than eleven state-imposed exchange rates—all of them fake, made to steal dollars from the public—and the gap between the official exchange rate and the “blue” market rate reached a 300% difference. Argentina was following the path of Venezuela, Cuba, and Nicaragua.

Kirchnerism did not sink the currency, the economy, and the income of Argentinians due to incompetence, but by design: to create a dependent society enslaved to the predatory state like in Venezuela, Cuba, and Nicaragua.

The socialist Kirchner Peronists thought that the poisoned legacy they left would cause the next government to collapse. They were wrong.

## Decisive budget cuts

In one year, Milei has been able to turn the economy around. How? With decisive and unnegotiable budget cuts, pro-market policies, and deregulation.

Milei has proven that immediate and decisive budget cuts work. Now the economy is growing faster than expected, dollar deposits are soaring, and poverty rates are lower than the Cristina Kirchner and Alberto Fernandez administrations left. The "chainsaw," as Milei calls it, works.

The first step was to stop the fiscal bleeding. Argentina has not had a balanced budget since 2008.

Milei implemented drastic and immediate budget cuts to reduce bloated political spending and unnecessary items. He has closed eleven months with a budget surplus and used the extra revenue to help the most disadvantaged.

Milei also adopted immediate measures to heal the monetary disaster he inherited. A key element was to realign the exchange rate (“make it honest”) and start healing the balance sheet of the central bank.

> Milei slashed political spending, stopped printing an increasingly useless currency

A bankrupt central bank with 13 billion dollars in negative net reserves meant greater money printing in the future, which would have created higher inflation and poverty in the future.

Milei slashed political spending, stopped printing an increasingly useless currency, and immediately demolished inflation, which has fallen from an insane 25% per month to a 2.7% in the last reading.

In annualised terms, the rate of inflation has plummeted from 324% to 38% between 2023 and 2024.

A lot more must be done, and Milei is working on new tax cuts and de-regulation as well as measures to end the inflation cancer, but we must remember that he has slashed a trend that would have taken annualised inflation to 500% in 2024.

## The lowest inflation in four

## years

Milei has achieved the lowest inflation in four years and, with it, made the largest tax cut in recent history, demolishing the inflationary tax.

Country risk has fallen from 2000 basis points to 630 points, the lowest level since 2018, while dollar deposits and loans have risen to an all-time high. Furthermore, real wages are increasing faster than anticipated, and poverty is rapidly decreasing.

Milei implemented his surgical measures in April 2024 with the Law on Foundations and Starting Points for the Freedom of Argentines, known as the 'omnibus law.'

> Despite the legacy of Kirchnerism's ticking time bomb, Argentina has maintained a fiscal surplus for twelve months

Despite the legacy of Kirchnerism's ticking time bomb, Argentina has maintained a fiscal surplus for twelve months, thanks to an unprecedented adjustment of political spending and state clientelism.

Milei's budgetary measures have broken through twelve years of continuous public deficits. In 2024, Milei has accumulated a surplus of 0.5 percent of GDP between January and October 2024, compared to deficits of 3.6, 3.8, and 4.4 percent of GDP for the entirety of the fiscal years 2021, 2022, and 2023.

The results are compelling.

## Decrease in poverty

According to data from the National Institute of Statistics and Data (INDEC) in its permanent household survey (EPH), Peronism made poverty skyrocket from a brutal 36% to 54.9%.

During its period of power, socialist Peronism added 3.5 million new poor people, totalling 19.5 million poor citizens, of whom 6.5 million were children.

The rate of extreme poverty skyrocketed from 10% to 20.3%. An out-of-control inflation created by printing currency to finance excessive government spending, which skyrocketed from 10% monthly to 25.5% monthly, impoverished the Argentine citizen at an unusual speed.

> Slashing political spending and mending the monetary disaster has helped the Milei government reduce poverty sharply

Slashing political spending and mending the monetary disaster has helped the Milei government reduce poverty sharply from 51% to 38.9% of the population.

The drastic decrease in poverty can be attributed to the reduction in inflation and the relative increase in the purchasing power of labour income in the middle sectors.

Extreme poverty decreased from 10% to 8.5% when comparing the third quarters of 2023 and 2024, according to Agustín Salvia, coordinator of the Social Debt Department of UCA.

Milei's policies have lifted eight million people out of poverty. The economy, which analysts did not expect to leave recession before 2025, is already growing fast in the third quarter, +3.9%, and will likely offset the entire decline inherited from Peronism this year.

Consensus estimates show that Argentina will likely be one of the fastest-growing economies in the world in 2025, at +5% GDP growth.

## The next steps are critical

The data from Milei's first year is spectacular. Fast economic growth, full recovery from the poisoned inheritance of socialism, reduction of poverty, and rapid mending of public finances

and monetary imbalances.

In 2025, if the economy grows as expected and inflation continues under control, the Argentine citizens will have recovered real wages destroyed by socialism.

The next steps are critical. Milei must implement measures that will impede any other government from resuming the currency destruction and political use of the central bank; he has promised to cut the rate of 90% of the taxes in the nation and continue eliminating trade and business barriers.

*Argentina is not living an experiment with Milei. It is living the return to sanity - Daniel Lacalle*

Argentina is not living an experiment with Milei. It is living the return to sanity. The experiment in 21st-century socialism was nauseating. It destroyed a prosperous country like Argentina in order to obscenely enrich its political leaders.

According to Bloomberg's consensus, Argentina's economy will be among the fastest-growing in the world in 2025, recovering 100% of the economic output loss left over from socialism.

Milei's miracle is to restore hope to a wonderful country and remind the world that gradualism fails. Gradualism is the perpetuation of misery. In 2025, Argentina will have the largest tax cut in history and continue with the path to prosperity. Freedom advances.