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Country Coverage

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Argentina: Mid-Term Elections – Milei's Waterloo?

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Argentina

Mid-Term Elections - 2025

- + The Milei Ascendancy is dependent upon the Argentine public (and Congress) giving him a remarkably long leash by historical standards
- + Exchange controls have been (mainly) lifted, on the back of an IMF deal and attendant cash injection, without the expected rush for the door by peso holders
- + The opposition Peronists are in chaos, with infighting between the forces of Cristina Kirchner (promoting her ne'er-do-well son) ranged against those of Axel Kicillof (the governor of Buenos Aires province) for future power
- + There is a selective recuperation of the economy, driven more by construction and exports than consumer demand
- + Mining activity is in overdrive with the three legs, lithium, copper and gold all under massive development despite lithium prices still being in the doghouse
- + The half-term elections to the Chamber of Deputies give an opportunity for the non-Peronist forces to improve their position, merely because the election is renewing the seats of those elected on a Kirchnerite high-tide in 2019
- ✗ It is rare to find a President, with policies working, to be as bad-tempered and permanently rancorous as Milei
- ✗ Inflation is lower, yet prices still rise, and the country is becoming known as one of the most expensive travel destinations in the world
- ✗ The “audios scandal” has broken in time to sabotage the LLA’s effort to improve their situation in the Buenos Aires province elections
- ✗ The “crypto-incompetence” scandal has been sidelined but bubbles along and shows up a degree of naivety on the part of the President
- ✗ The Administration has seen vetoes overturned by Congress as it proves harder for Milei to cobble together majorities for any of his actions

Context

The 7th of September 2025 is the date on which elections for the province of Buenos Aires will take place. The latter is Argentina’s largest province by far with nearly half of the country’s population living in this bloated province (including the sprawling suburbs of the megalopolis).

Then on the 26th of October of 2025 there will be half-term elections for the Argentine Chamber of Deputies (with around half of seats renewing).

The national election represents the first chance for the Libertarians led by Milei to capture a majority in

the Congress, where they have hitherto been thwarted on multiple fronts by reliance on the “comfort of strangers” (essentially parties in the centre and on the right).

The provincial election renews half of the deputies (i.e. 46) and senators (i.e. 23) and offered the faint chance to Milei of capturing this massive constituency from the Peronists that have long-dominated the area and used it as a springboard for national dominance. Even if the chances of taking this area from the Peronists using a coalition of Libertarians and fellow travellers seems unlikely, the side benefit is creating ructions within the fractious Peronists. The forces of Kirchnerism, the supporters of the current governor Axel Kicillof and a third minor grouping allied with former economics minister and failed Presidential candidate of 2023, Sergio Massa, had a bitter fight for dominance in the preselections.

The Massa troops sat on the fence and let the other two groups fight tooth and nail over the positioning of their candidates on the various lists for the eight super-districts (*secciones*) that make up the provincial assembly.

Media events though have taken over in recent weeks significantly weakening LLA’s chances in the provincial battle. Whether effective action can ameliorate the situation at the national level in the nearly two months until the national election remains to be seen.

Referendum on Success

The world over mid-term elections are seen as opportunities to give a slap to incumbents who have not performed as promised. They may also serve as a chance to rein in over-reaching or over-weaning administrations that have let power go to their heads.

Right from the get-go of the Milei Administration the mid-terms have been targeted as the best chance that the incoming president would have to level the fairly difficult legislative landscape he inherited with the legislative elections that accompanied his rise (back in October of 2023) only changed half the chamber of deputies and one third of the Senate. His party, La Libertad Avanza (LLA), was little more than a focus group before then and had less than a handful of deputies (he being one of them) and yet the ramshackle organization managed to deliver LLA the presidency but largely delivered seats to the PRO, lead by Mauricio Macri and Patricia Bullrich.

The perpetual struggle to cobble together majorities to pass legislation began early on when Milei was presented with the reality that he had a mandate as President, but not as autocrat. Log-rolling and haggling with the dreaded *la casta* (the political and economic caste) has consumed much energy, delivered more than a few rebuffs and made him permanently hot under the collar and perma-grumpy.

As someone who had spent one term in Congress already he should have known how the game worked but then again his voting bloc was so small in those days pre-2023, and that of the Kirchnerites so



monolithic, that he was rarely asked to compromise his principles to support them (but on occasion, let the records show, he did).

His goals since December of 2023 have been fourfold:

- Get his legislation passed and “have his way”
- Steal support from his erstwhile political fellow-travellers in the PRO, Radicals et al.
- Haggle with and browbeat provincial governors of all political flavours (except the Great Satan, Axel Kicillof, the governor of the all-mighty Buenos Aires province)
- Sow confusion and discord in the ranks of the Peronist opposition, setting the Dogs of War loose between the two main factions (Kirchnerites versus Kicillof) and have the smallest faction, that of failed candidate Sergio Massa, running interference in the camps of the other two

The Audios

Curiously, the case of crypto-incompetence (i.e. \$Libra) more directly involved Milei (as the *spruiker* for what was essentially a scam) than the latest “audios” scandal but it the latter which is doing more damage.

Just when Milei has crossed the bed of hot coals that was the formulation of the lists for the upcoming mid-terms, a massive scandal broke out which has become muddled with a variety of other wrong-doings such as the Fentanyl case (largely involving Kirchnerite factotums) and the CPAC/suitcases scandal. It’s strange how suitcases are a recurring theme in Argentine high politics. Indeed, one of the songs in the musical “Evita” is “Another Suitcase in Another Hall”.

The suitcase scandal has been pushed off page one a few months back as no-one knew enough of what was in them to make anything stick, but there was a subtheme of Karina Milei in these and other events that makes her look less like Evita and more like Lady Macbeth.

In the latest pratfall of the Milei Administration is a series of recordings of the ex-official Diego Spagnuolo which exploded on the scene a fortnight ago and have soured considerably the outlook for the Libertarians in the mid-terms.

Spagnuolo was formerly in charge of the ANDIS (Agencia Nacional de Discapacidad - an agency for the disabled) that was recorded detailing the collection of bribes for the purchase of pharmaceuticals, with the supposed beneficiaries including Karina Milei and her “associate” Eduardo ‘Lule’ Menem. The latter is a (murkily) distant cousin of Martin Menem, the speaker of the Lower House (and nephew of Carlos Menem). Karina Milei’s voice supposedly appears on one of the audios.

Who recorded (and how), then leaked, these recordings remains undisclosed. Was it done by Kirchnerite enemies or the “foe within”, the SIDE (the national intelligence agency)?

In any case, their release prompted the Federal judge Sebastián Casanello, and prosecutor Franco Picardi, to launch raids, order the confiscation of mobile telephones and then they slapped a ban on those involved from leaving the country. Amongst those in the dragnet were the Kovalivkers, the owners of the Suizo Argentina pharmacy chain.

The atrocious official silence, aggravated by Spagnuolo remaining mute over his own voice messages, compounded the President's decision to remove his friend and (now former) personal lawyer from his post. Also removed was Daniel Garbellini, one of the directors of whom Spagnuolo complained had been imposed upon him to manage "the slush fund."

Against the Current

On Sunday last the Mesopotamian province of Corrientes voted for a new governor and its provincial deputies. This was far from the first swallow of Libertarian summer, and more like dead canary down a coal mine.

The victory of the ruling party (the Radicals – Union Civica Radical) was confirmed, headed by the current Governor Gustavo Valdés, who put forward his brother, Juan Pablo Valdés, as a candidate to succeed him until 2029. The UCR are sometimes fellow travellers of Milei at the Federal level but increasingly divided as to whether this is the best strategy.

With 67.17% of the votes counted, the UCR's victory in the first round was sealed, with 51.45% of the votes. Then came the Peronist, Martín Ascúa (Limpiar Corrientes – Clean Up Corrientes), with 20.13%, and the former governor Ricardo Colombi (Eco), with almost 16.82% and the Libertarian candidate, Lisandro Almirón, trailing in at fourth with a mere 9.62% of the votes. This was deemed to be a massive failure of the national organization headed by Karina Milei and Undersecretary Eduardo "Lule" Menem.

If Javier Milei was grumpy before this then the early hours of the next day must have seen the Presidential crockery flying in the Casa Rosada.

The one thing to be said though is that Corrientes is a country apart (as are quite a few provinces) and the LLA was never going to win here, but still two years into the Libertarian project the forces of Milei should have taken votes from the "others" instead of having them taken from the LLA.

Ornery Forces – A Red-Letter Day for Milei

A new low was reached recently when various major projects that Milei had tried to veto fell victim to the massed forces of the other parties in the Senate. And this was all on one day.

Taking matters into their own hands, the Senators increased funding for public universities and passed a one-year declaration of emergency for pediatric health care. The move was a response to demands made by workers from the Garrahan, a leading pediatric hospital, that have been involved in an ongoing salary dispute with the government.

Milei had been trying to starve out the public university system and yet senators passed a bill covering university deficits in 2024 and 2025, along with a mandatory call for collective bargaining. The initiative received 58 votes in favor, 10 against, and three abstentions. Last year, the Senate passed a similar bill to increase university funding, which the president vetoed on the ground that it endangered fiscal balance.

Lawmakers also struck down five decrees Milei issued just before the end of his delegated legislative powers on July 9th. The decrees stripped numerous government organisms of their autonomy, these were:

- The National Genetic Data Bank
- The Merchant Marine,
- The National Theater Institute,
- The National Commission for Public Libraries,
- The National Roads Agency (Dirección Nacional de Vialidad)
- The National Road Safety Agency
- The National Transport Regulation Commission

If the decrees had been allowed to be implemented then those bodies would no longer have been able to manage their own budget and resources and would be under the purview of the ministries.

These types of entities have often been used as sinkholes of corruption in the past by being put at several removes from central supervision, though that is not to say they are corrupt at the moment. Some saw the move to bring them “in-house” as a halfway house to the abolition of some of them.

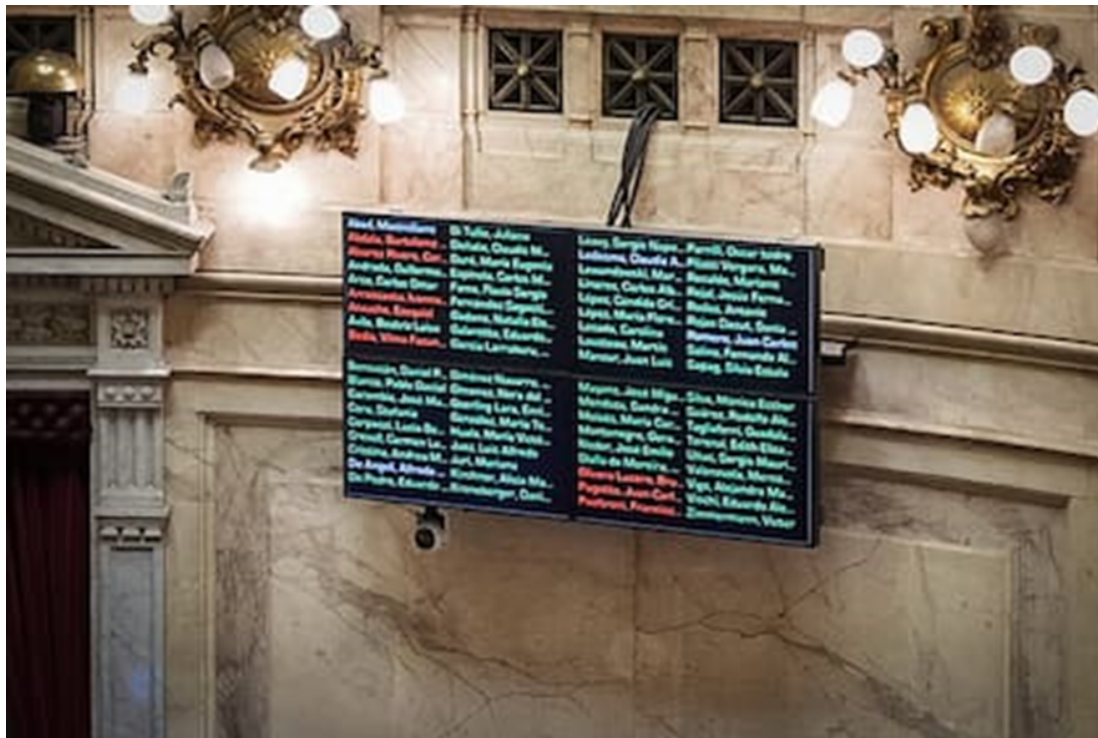
Vialidad, in particular, with its oversight of 40,000 kms of roads was seen as a piggybank for the corrupt (particularly in the Kirchnerite years) and its dissolution was supposed to presage the privatization of many routes.

As far as the Merchant Marine is concerned, the decree proposed foreign-flagged vessels to operate under national registration, relaxed labor requirements, and eliminated various controls. The previous regime had been somewhat of an Argentine version of the US’s Jones Act.

The government also tried to reduce the status/powers of the Instituto Nacional de Tecnología Industrial (Industrial Technology National Institute - INTI) and the Instituto Nacional de Tecnología Agropecuaria (Agricultural Technology National Institute - INTA). The INTI dictates the quality standards of certain products, such as milk or natural gas. It is the only institution in Argentina that can establish the measurements used for industrial production in the country, a sort of National Standards Board. The INTA is devoted to agricultural research and development.

These plans were likewise thwarted.

All Peronist and provincialist blocs, as well as parts of PRO and the UCR opposed the government's decisions. Meanwhile, support for the Casa Rosada was limited to the LLA and the parts of PRO. Below can be seen the voting board for the Senate on one of the laws, with the pitiful number of those voting No in red.



Source: La Nación

In typical fashion, the President resorted to X to berate the senators on, accusing them of “voting for laws that will destroy the economic program.” He also accused them of “cynicism,” as the vote coincided with a new compensation package that will see Senators’ remuneration bumped up to AR\$10.2mn (approximately US\$7,800) starting from November.

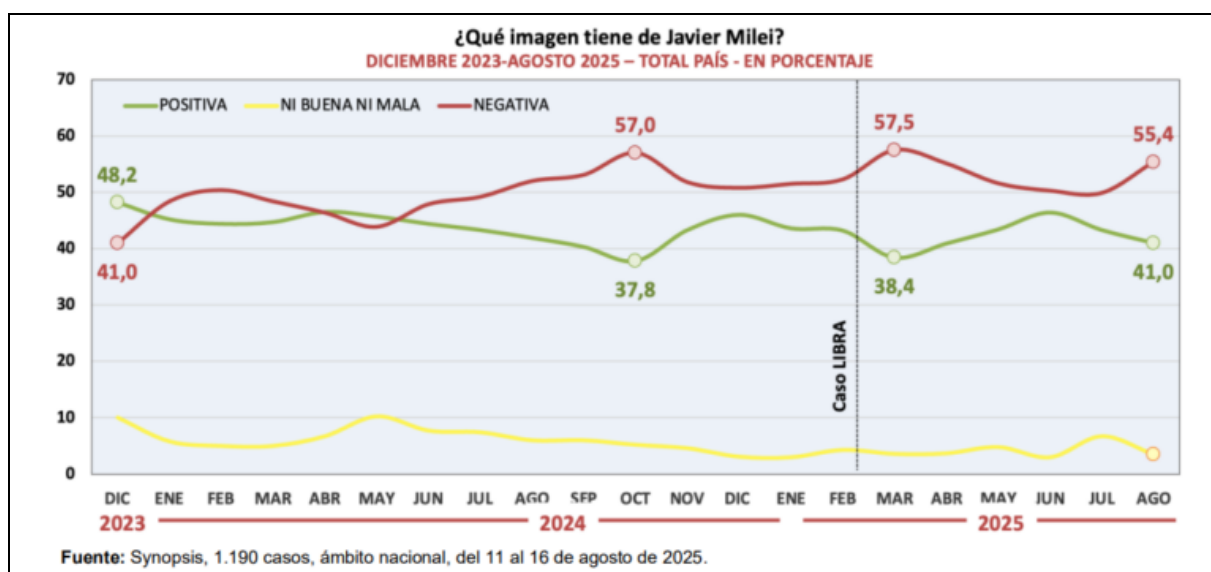
Once again, we see heavy-handedness at work. Some of the measures could have been achieved in a more pacific environment as everyone knows the corruption potential of the various QUANGOS that Milei had in his sights. However, his bay out with the bathwater strategy and his caginess on his ultimate intentions towards these bodies just got up the hackles of the legislators.

Beyond this, we would note that the VP, Victoria Villaruel, heads the Senate and she was a major force in haggling in the Senate in Milei Year One. He has progressively sidelined and snubbed her (and advanced his sister) with the result that Villaruel (who has a casting vote) was scarcely evident in the hand-to-hand combat on these measures to Milei’s regret. But does he regret sidelining her, probably

not.

The Best Laid Plans of Mice & Men

Well, Argentina can be somewhat of a bubble, and the polling numbers that look so “disastrous” for Milei after two years in power are to die for in the minds of Donald Trump, Keir Starmer or just about any political leader in the West. A 55% disapproval rating would be almost a blessed relief for Starmer or Trump. This is also in the context that Milei has delivered on a lot of what he promised, while few other leaders get so much done in their first two years in power.



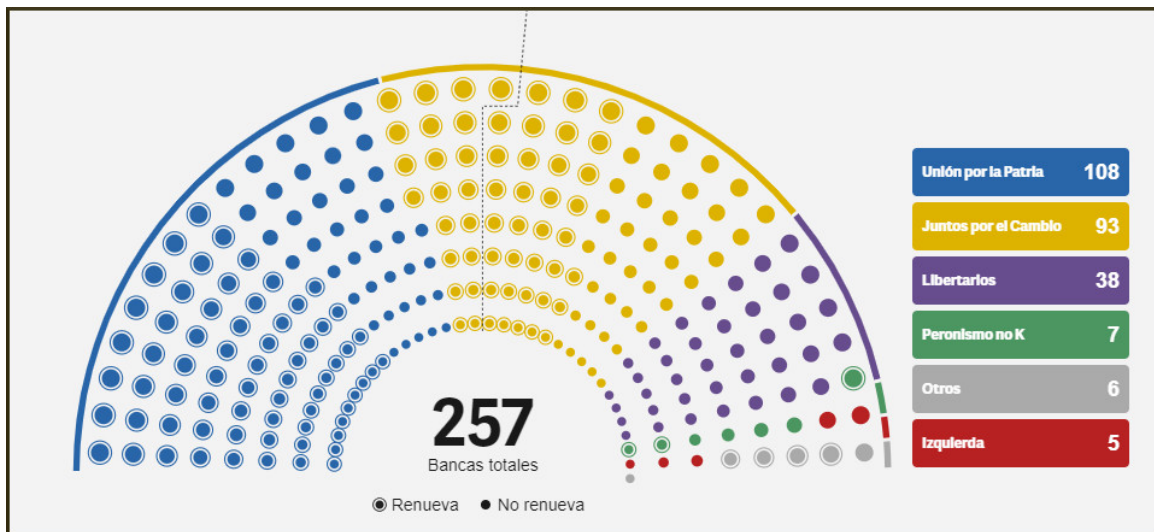
Source: Synopsis

We would not be so bold as to say inflation is under control, but it is certainly way less than before, and some things are even declining in price. However, a lot more is required to wind back from a position where the country is one of the most expensive places in terms of food items and consumer goods. Utilities are still ridiculously cheap but, clothing, in particular, is outrageously expensive and buyers, on our last visit, seemed to be on strike against elective purchases. It is cheaper to pay for the airfare and shop in Miami when plain white T-shirts can be as much as US\$55. Milei has focused on the macro and done little to improve the micro issues.

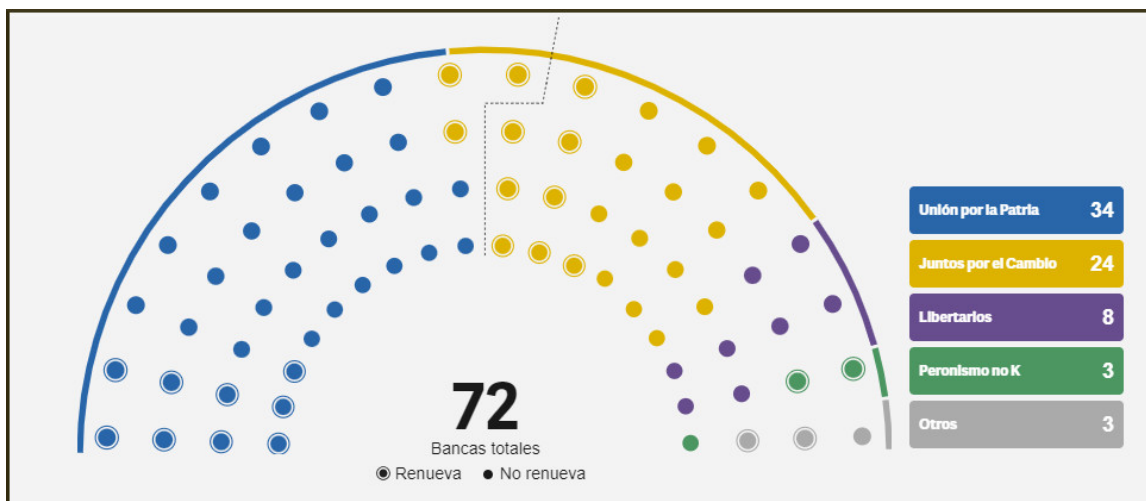
The Legislative State of Play

The Argentine legislative elections will be held on Sunday, the 26th of October 2025, renewing 127 of the 257 seats in the Chamber of Deputies for the legislative period 2025–2029, along with 24 of the 72 seats in the Senate of the Nation for the period 2025–2031.

The state of the Lower House, in the wake of the 2023 elections that swept Milei to power, can be seen below:



The current state of the Senate at that time is shown below:



These graphics provide a snapshot of what things were like when Milei ascended to power. However, due to heavy-handed actions and persuasive tactics that seemed more like bludgeoning, the Juntos X Cambio block has fractured and now can no longer be regarded as friendly/compliant.

In his first year in power, the Administration won 83% of the votes on laws proposed, meanwhile in its second year the Administration lost 94% of the votes. This flip was caused by Milei falling out with various provincial governors that he attempted to suborn and simultaneously browbeat. Then there was his rough treatment of his allies in the Juntos X Cambio bloc where he scantily distributed political benefits in his first year and has spent the last year, with his sister and the Menem “cousins”, trying to cobble together a Libertarian Ascendancy to unseat members of his own “coalition” in the mid-terms. Understandably they have not taken kindly to this.

The interesting thing about the Senate seat renewals is that it is only some provinces that renew their Senate representation this time. In other countries with staggered Senate elections (the US and Australia come to mind) half or a third of senators for all states are up for grabs. In Argentina this time, it will only be in eight districts that Senate renovation will take place. These are the Capital (CABA), Entre Rios, Rio Negro, Neuquen, Tierra del Fuego, Salta, Santiago del Estero and Chaco.

None of the seats being renewed is held by LLA, so it faces no downside. Its upside is limited though also, with maybe a seat in the Capital or Salta going its way.

Chamber of Deputies

Seats Held & Renewing

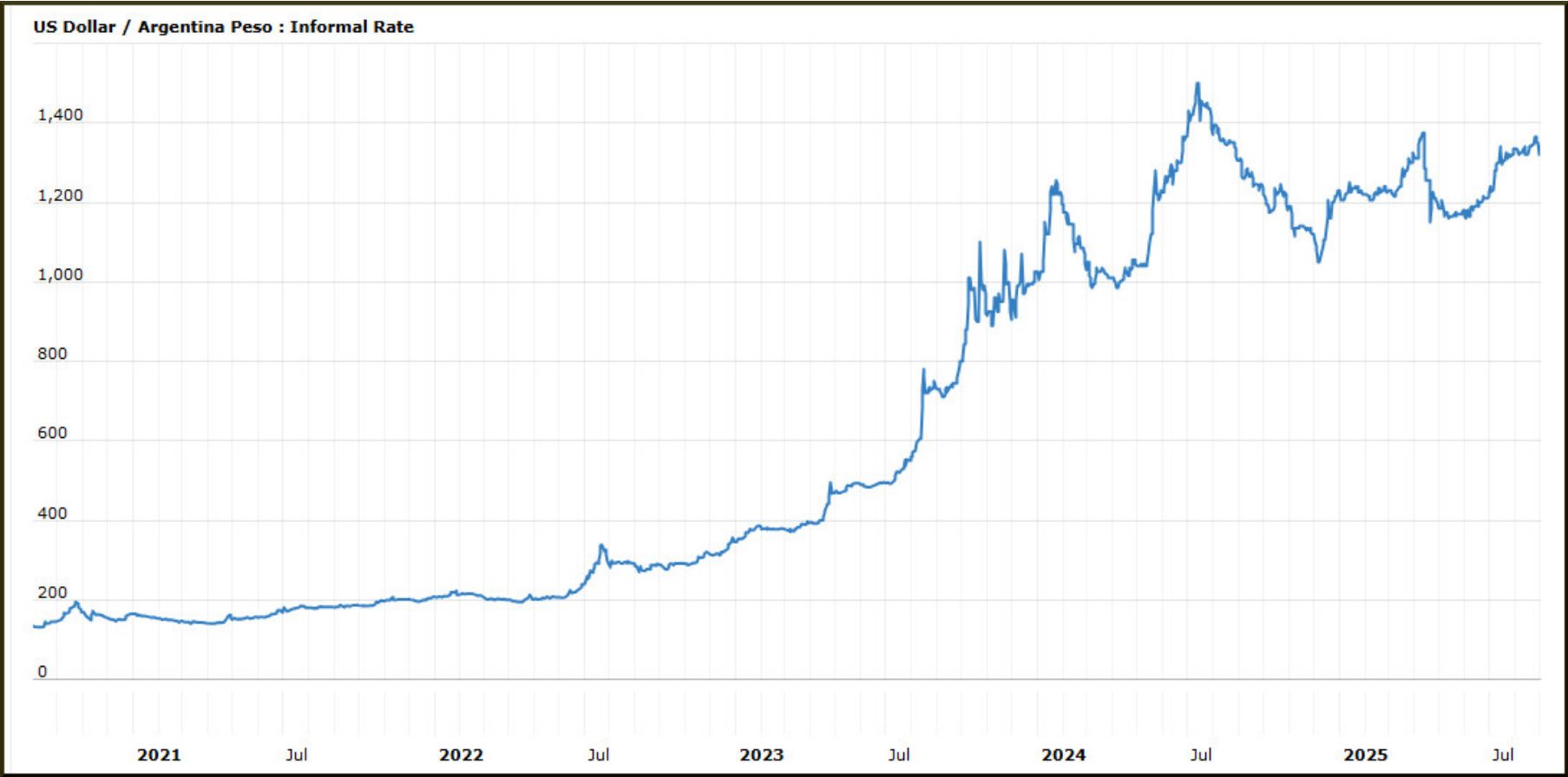
	Seats	
	Total	Renewing
<u>Unión por la Patria</u>	98/257	46/127
<u>La Libertad Avanza</u>	37/257	8/127
<u>PRO</u>	35/257	21/127
<u>Unión Cívica Radical</u>	14/257	11/127
<u>Encuentro Federal</u>	15/257	7/127
<u>Democracia para Siempre</u>	12/257	9/127
<u>Innovación Federal</u>	8/257	3/127
<u>Liga del Interior - ELI</u>	6/257	3/127
<u>Coalición Cívica</u>	6/257	4/127
<u>FIT-Unidad</u>	5/257	4/127

Milei has played a dangerous game in the epic battle of the lists. He managed to shrink the number of PRO people in strategic positions in electable places on the lists while advancing his own troops. Thus, if the voters repudiate his offering due to all the reasons detailed by us above then he is effectively jumping out of the legislative plane without a parachute. He has made it a vote for Libertarians or little else (on his side of the aisle). This potentially strengthens transient allies such as the UCR.

Et tu, Brute? As Milei has stabbed his erstwhile fellow travellers in the back, so a resurgence of the UCR (as the perennial “not the Peronists”) could see him staring at massed ranks of ornery Radicals ready for revenge and focusing their sights on the presidential elections of 2027.

The Peso Unbound

In mid-April in a surprise, but not unsurprising, move the Milei administration “liberated” the exchange rate of the peso and abolished the much-loathed *cepo*, a combination of exchange controls and a proliferation of exchange rates. The abolition was not quite as all-encompassing as painted as it introduced a dirty float with a band with the US\$ being “worth” AR\$1,000 to \$1,400.



Even pundits did not know what would happen, but the psychological effect alone propelled the peso AR\$200 higher, prompting the government to state that it would not allow the currency to strengthen to under AR\$1000. This was a level that we had not thought we would see again. It was the magic number that we had [written](#) in March of last year as being a possible base for introduction of a new *Convertibilidad* scheme, echoing Menem & Cavallo's enormously successful regime that reigned from 1991 to 2001.

There followed a brief window in which *Convertibilidad* at AR\$1,000 to the US\$ could have been introduced. A further set of reforms at that time spurred the BCRA to offer to buy pesos at AR\$1,000, when the official rate was AR\$1,115.

The Administration must now be kicking itself that it did not go to a *Convertibilidad* scheme or redenominate the currency (i.e. lopping off zeros) when it had the chance, for the currency started to weaken with perceptions that Milei is almost entirely at the mercy of an ornery Congress.

Some Futurology

It may not be true. but the feeling that the "lion is lying down with *la casta*" is spreading. Certainly, the court of the Lion King is not immune to the attractions of filthy lucre even if the leader is not motivated by personal gain. In this there are echoes of the reign of Carlos Menem. The recent Netflix series tellingly portrayed the former president as a hail-fellow, well-met reformer, surrounded by a host of grifters on the make. Sounds familiar in 2025.

While Milei's election was directly a response to public fatigue with the economic malaise and corruption of the Kirchnerite administrations, the public could have gone with the Bullrich alternative, if they'd wanted the less devilish they knew. Instead, the voters eschewed that candidate because they wanted a clean break with what Milei called *la casta*, essentially the entrenched political and economic elites.

Everyone knew the turnaround would be long and tough and it proved to be the case. However, that so many incidents should have shown Milei and his inner circle to be dialoguing with, haggling with and compromising with *la casta* that this is the real generator of dismay amongst the voting public. Beyond that, Milei has turned out to be permanently angry and disgruntled and everyone is a target for his ire. As is known, Trump is prone to lashing but has his good days and bad days. Milei only seems to have bad days. In particular he has been vicious against the Establishment press, even though they did not particularly talk him down before his election and were disposed to give him benefit of the doubt in the first months of his Administration, instead he came out fighting and turned his chainsaw upon friend and foe alike.

The reaping of all this sowing may be a poor outcome for LLA in the mid-terms. We had suspected the harvest of additional Deputies would never be great as too many enemies had been made, and the recovery has not been generalized enough. Now it seems almost certain that the protest vote will not be

kind to Milei's grouping. One lives in hope that it will be the centre right, rather than the Kirchnerites (of Kicillof crowd), that will be the beneficiaries of the distaste for Milei's personal style (which needs to be discriminated from his policy agenda).

Milei has pulled off one of the swiftest financial corrections in Argentine history (or indeed anywhere) in swinging massive fiscal deficits, that fed inflation, into a surplus. Institutionalizing these changes by reforming QUANGOS is being blocked by legislators as they see these potential lucrative sources when the gaze into their own political crystal balls and see their parties returning to power. "Softly, softly, catchee monkey" is seemingly not a saying that translates into Spanish for Milei. An approach of mugging, one by one, his targets has been eschewed in favour of the grand gesture and omnibus laws and decrees that are not well thought out. This has let his political friends and foes coalesce to show they have residual muscle.

While the Peronists have the most to lose in the October midterms, due to their large number of seats at stake, the political chessboard may just end up with as many arrayed against the Libertarian forces because overweening confidence and a massive lack of tact have come back to spank the President, his sister and the Menem Resurgency.

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