ARGENTINA MACROECONOMIC PERSPECTIVES

Weekly Market Strategy Report

July 10, 2019

May activity figures signal the start of the rebound, although the recovery is still heterogeneous

Economic Indicators as of 07/05					
Indicator	**Value**	**Week**	**Month**	**Year**	**Outlook**
Exchange Rate (ARS/USD)*	$ 43,18	⇧	⇩	⇧	🟡
Badlar Rate	48,44%	⇧	⇩	⇧	🔴
7 day Leliq rate	59,90%	⇩	⇩	⇧	🟡
Country Risk bps	786	⇩	⇩	⇧	🟡
GDP yoy (last Q)	-5,80%			⇩	🟡
Inflation Indec yoy	57,30%		⇧	⇧	🔴
Industrial Production yoy (EMI)	-6,90%		⇩	⇩	🔴
Reserves (000s mill USD)	63,74	⇩	⇩	⇧	🟢
Tax Revenue yoy	52,10%		⇧	⇧	🟡
Merval Index	41756	⇩	⇧	⇧	🟡

*up means depreciation

Outlook: green, yellow or red signals wether the variable will have a favorable, neutral or unfavorable variation in the short run

HIGHLIGHTS

- Construction activity rose 2.3% m/m seasonally adjusted in May, strengthening the positive trend of the past four months. Although the main driver is public infrastructure works which increased consequence of the upcoming Presidential election, the private sector also showed improvements. Private sector payrolls rose four straight months, creating close to 12.000 new jobs between January and April. Furthermore, permits surged 22.5% yoy and touched their maximum level in over a year.

- Additionally, industrial production rose 0.6% mom seasonally adjusted in May. After touching a minimum in the first quarter, the trend reversal is more evident. While most major categories remain negative, the recovery is being led by metal industries, oil sector and activities linked to the agriculture sector.

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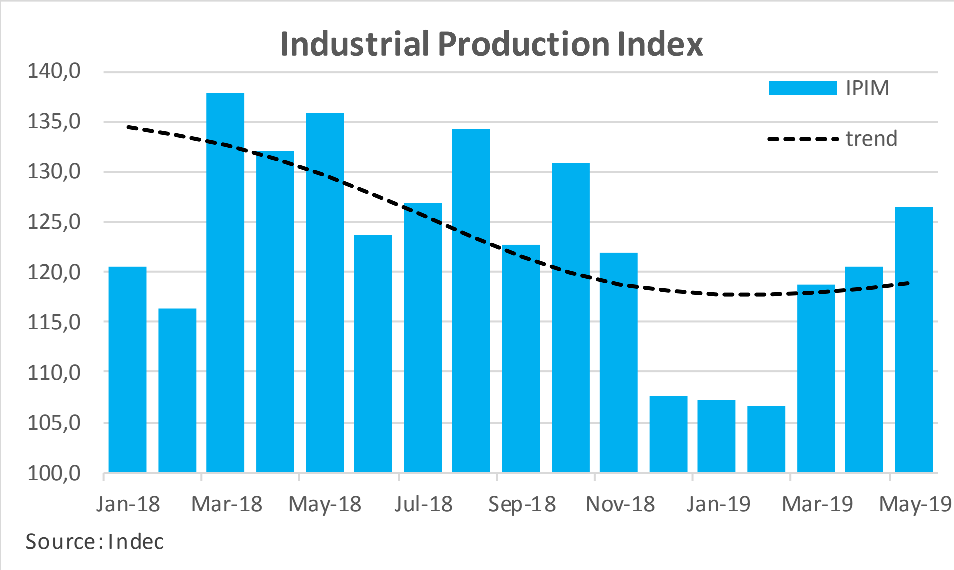

- The strengthening of the peso during the past month and the gradual rate cut by the Central Bank, drove interest rate and exchange rate estimates for the coming months down, although end of year figures were unchanged. Moreover, the outlook for inflation and growth remained stable, similar to the previous month´s report.

Market Expectations Survey (REM) - BCRA - June 2019

	Reference	Median National CPI	Median Core National CPI	Monetary policy rate	Nominal exchange rate	GDP at constant prices
Jun-19	var. % m/m	2,6	2,6			
Jul-19	var. % m/m	2,5	2,5	61,65	44,1	
Aug-19	var. % m/m	2,4	2,5	61,05	46,0	
Sep-19	var. % m/m	2,3	2,3	60,00	47,5	
Oct-19	var. % m/m	2,2	2,3	60,00	48,8	
Nov-19	var. % m/m	2,1	2,2	57,00	49,7	
Dec-19	var. % m/m	2,2	2,2	55,00	50,2	
2019	var. % yoy	40,0	41,5	55,00	50,2	-1,4
Next. 12 months	var. % yoy	30,0	30,6	42,45	55,0	
2020	var. % yoy	27,0	26,0	35,00	61,1	2,2

Argentina: Economic Indicators From July 1st to July 5th					
Date	**Indicators**	**Period**	**Cons.**	**Prior**	**Actual**
Mon 01	Tax revenue	Jun	--	$444.2b	$454.4b
Tue 02	Central Bank Survey BCRA	Jun	--	--	--
Wed 03	Vehicle domestic sales Adefa	Jun	--	27947	36501
	Vehicle production Adefa	Jun	--	30280	23916
	Vehicle Exports Adefa	Jun	--	21834	17401
Thu 04	Construction activity ISAC m/m sa	May	--	-0.3%	2.3%
	Construction activity ISAC y/y	May	--	-7.5%	-3.4%
	Industrial Production IPIM m/m sa	May	--	2.3%	0.6%
	Industrial Production IPIM y/y	May	--	-8.8%	-6.9%
Fri 05	7-day Leliq base rate - BCRA	5 jul	--	62.69%	59.90%

Argentina: Economic indicators This week				
Date	**Indicators**	**Period**	**Cons.**	**Previous**
Fri 12	7-day Leliq base rate – BCRA	12 jul	--	59.90%

Argentina Long Run Economic Indicators						
	Exante - May 2019			**EconViews - June 2019**		
Indicator	**2018**	**2019E**	**2020E**	**2018**	**2019E**	**2020E**
Real GDP - yoy	-2,5%	-1,9%	0,7%	-2,5%	-1,8%	2,5%
Investments - yoy	-5,8%	-18,6%	0,1%	-5,8%	-10,5%	12,0%
Consumption - yoy	-2,4%	-2,6%	0,4%	-2,4%	-5,2%	2,5%
Reference Rate BCRA	59,30%	--	--	59,30%	45,00%	35,00%
International Reserves - USD bill	65,8	55,8	57,1	65,8	62,0	61,3
Current Account - % GDP	-5,4%	-2,6%	-2,3%	-5,6%	-1,5%	-2,1%
CPI - yoy	47,6%	48,3%	26,6%	47,6%	43,5%	35,0%
Exchange Rate - ARS/USD	37,81	59,80	67,30	37,81	52,00	66,00
Debt National Gov. - % GDP*	86,0%	98,2%	90,5%	44,2%	51,0%	47,9%
Imports - CIF USD bill.	65,4	52,13	51,60	65,7	53,5	62,2
Exports - FOB USD bill.	61,2	63,76	65,86	61,2	63,0	68,5
Unemployment Rate - year average**	9,1%	9,6%	9,0%	9,1%	10,2%	10,4%
Primary Fiscal Deficit - % GDP	-2,7%	1,0%	--	-2,7%	0,0%	1,0%

*Econviews: excludes intra gov. Debt, and includes GDP coupons and holdouts

**Exante: real, endo of year

Source: CMA based on Econviews and Exante

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