ARGENTINA MACROECONOMIC PERSPECTIVES

Weekly Market Strategy Report

August 27, 2019

Following primary elections, the economic outlook made a significant turn

Economic Indicators as of 09/23					
Indicator	**Value**	**Week**	**Month**	**Year**	**Outlook**
Exchange Rate (ARS/USD)*	$ 58,52	⇧	⇧	⇧	🔴
Badlar Rate	58,13%	⇧	⇧	⇧	🟡
7 day Leliq rate	74,99%		⇧	⇧	🔴
Country Risk bps	1977	⇧	⇧	⇧	🔴
GDP yoy (last Q)	-5,80%			⇩	🟡
Inflation Indec yoy	54,40%		⇧	⇧	🔴
Industrial Production yoy (EMI)	-6,90%		⇩	⇩	🔴
Reserves (000s mill USD)	58,26	⇩	⇩	⇧	🟢
Tax Revenue yoy	53,40%		⇧	⇧	🟡
Merval Index	28051	⇩	⇩	⇧	🟡

*up means depreciation

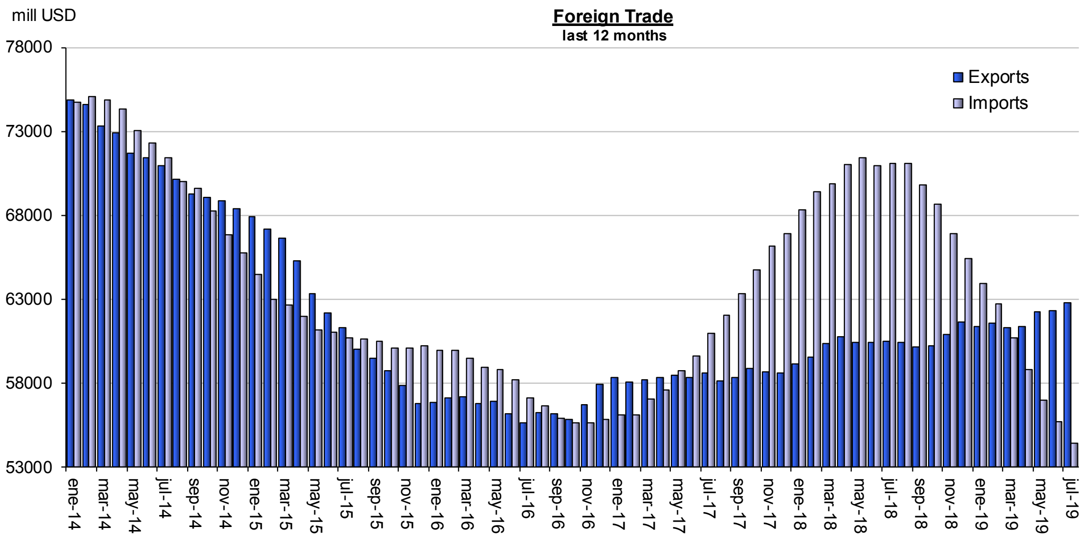
Outlook: green, yellow or red signals w ether the variable w ill have a favorable, neutral or unfavorable variation in the short run

HIGHLIGHTS

- More than two weeks after primary elections, and despite fiscal stimulus measures to underpin consumption, the outlook for the second half experienced a meaningful change. First, peso depreciation modified inflation expectations for the coming months, as monthly inflation is expected to rise from 2.5% to over 4% as from August.

- Moreover, GDP contraction estimates increased from -1.8% to approximately -3%. According to the last activity report, the monthly activity index (EMAE) fell 2.6% during the first half and 0.4% mom s.a. in June. The agro sector has been the main growth driver since late last year, attaining annual growth above 40% during 2Q. However, main sectors remain in negative terrain, and as agriculture production eases in 3Q, the negative effect will become more evident.

– The trade balance attained a USD 951 million surplus in July, also reflecting the farming sector´s good performance. Cereal, oil and red meat exports were close to USD 3.000 million, half of the month´s total exports, offsetting falling commodity prices with larger quantities sold. Sector companies settled funds for USD 2.250 million in July, and USD 13.000 year to date. These helped sustain exchange rate stability during great part of the year.



Source: Indec

Argentina: Economic Indicators From August 20th to August 23rd					
Date	**Indicators**	**Period**	**Cons.**	**Prior**	**Actual**
Wed 21	Construction costs m/m	Jul	--	1.7%	0.7%
	Wholesale prices m/m	Jul	--	1.7%	0.1%
	Trade balance	Jul	--	USD1.061m	USD951m
Thu 22	Economic activity m/m	Jun	--	0.2%	-0.4%
Fri 23	Consumer confidence – UTDT	Aug	--	8.9%	-5.2%
	7-day Leliq base rate – BCRA	23 aug	--	74.97%	74.98%

Argentina: Economic indicators This week				
Date	**Indicators**	**Period**	**Cons.**	**Previous**
Mon 26	Government confidence – UTDT m/m	Aug	--	6.1%
Fri 30	7-day Leliq base rate – BCRA	30 Aug	--	74.98%

Argentina						
Long Run Economic Indicators						
	Exante - July 2019			EconViews - August 2019		
Indicator	2018	2019E	2020E	2018	2019E	2020E
Real GDP - yoy	-2,5%	-1,8%	1,4%	-2,5%	-2,7%	-1,0%
Investments - yoy	-5,8%	-17,2%	3,8%	-5,8%	-15,0%	3,5%
Consumption - yoy	-2,4%	-4,1%	0,6%	-2,4%	-6,5%	-1,5%
Reference Rate BCRA	59,30%	--	--	59,30%	55,00%	36,00%
International Reserves - USD bill	65,8	58,1	64,0	65,8	45,3	46,4
Current Account - % GDP	-5,4%	-2,1%	-2,0%	-5,6%	-0,6%	-0,4%
CPI - yoy	47,6%	45,4%	23,8%	47,6%	52,5%	40,0%
Exchange Rate - ARS/USD	37,81	54,50	57,60	37,81	65,00	83,00
Debt National Gov. - % GDP*	86,0%	90,3%	79,8%	42,2%	54,4%	57,1%
Imports - CIF USD bill.	65,4	51,6	54,3	65,7	51,0	56,2
Exports - FOB USD bill.	61,2	65,1	68,5	61,2	63,0	68,1
Unemployment Rate - year average**	9,1%	10,4%	9,4%	9,1%	10,5%	10,9%
Primary Fiscal Deficit - % GDP	-2,6%	-0,6%	--	-2,6%	0,0%	0,0%

*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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