

# ARGENTINA MACROECONOMIC PERSPECTIVES

Weekly Market Strategy Report

September 3, 2019

The government placed new FX regulations aiming to preserve international reserves amid a confidence crisis due to political uncertainty

Economic Indicators as of 09/30					
Indicator	Value	Week	Month	Year	Outlook
Exchange Rate (ARS/USD)*	\$ 58,47		↑	↑	●
Badlar Rate	58,06%		↑	↑	●
7 day Leliq rate	85,28%	↑	↑	↑	●
Country Risk bps	2497	↑	↑	↑	●
GDP yoy (last Q)	-5,80%			↓	●
Inflation Indec yoy	54,40%		↑	↑	●
Industrial Production yoy (EMI)	-6,90%		↓	↓	●
Reserves (000s mill USD)	53,14	↓	↓	↓	●
Tax Revenue yoy	56,30%		↑	↑	●
Merval Index	24609	↓	↓	↓	●

\*up means depreciation

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

## HIGHLIGHTS

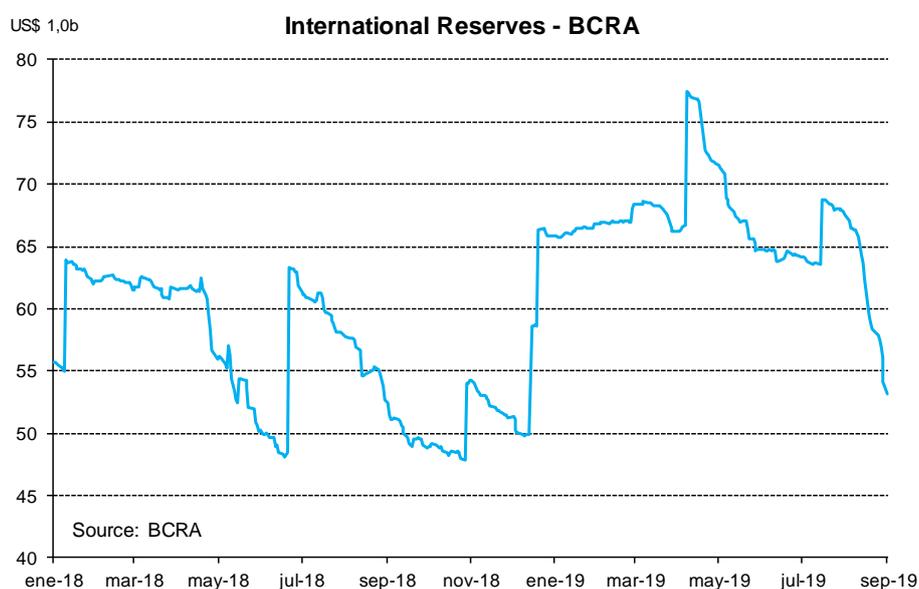
- New measures followed last week's term extension of short-term debt as Treasury was unable to roll them over. Since 11A primary elections, the outlook changed significantly due to Macri's low reelection chances, negatively affecting confidence. Hence, US dollar demand increased, and dollar denominated deposits dropped USD 3.7b in 11 working days
- Similarly, international reserves fell USD 12.2b in two weeks, mostly used for debt repayments, but also due to Central Bank's trading in the FX market. The CB also increased the policy rate by almost 10 pp to 85.28%

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- Despite latest regulations distinguish between individuals and businesses, in order to safeguard individual investors and does not affect the grand majority of them, the government is paying a high political cost. Furthermore, the IMF is delaying the approval of a USD 5.4b disbursement
- The immediate effects were peso appreciation together with the rebirth of the informal or *blue dollar* market. Where spreads with the official exchange rate will likely reach 10%. On the supply side, exporters are now obliged to settle funds within a specific time frame, which should help stabilize the exchange rate. While the banking system's US dollar liquidity is expected to be enough to satisfy saver's demand



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## Argentina: Economic Indicators From August 26<sup>th</sup> to August 30<sup>th</sup>

Date	Indicators	Period	Cons.	Prior	Actual
Mon 26	Government confidence – UTDT mom	Aug	--	6.1%	11.8%
Fri 30	7-day Leliq base rate – BCRA	30 Aug	--	74.98%	83.26%

## Argentina: Economic indicators This week

Date	Indicators	Period	Cons.	Previous
Mon 02	Tax Revenue	Aug	--	\$450.9b
Tue 03	Central Bank Market survey	Aug	--	--
Thu 05	Construction Activity mom	Jul	--	-4.2%
	Industrial Production mom	Jul	--	-1.8%
Fri 06	7-day Leliq base rate – BCRA	6 Sep	--	83.26%

Argentina						
Long Run Economic Indicators						
Indicator	Exante - July 2019			EconViews - August 2019		
	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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