

ARGENTINA MACROECONOMIC PERSPECTIVES

Weekly Market Strategy Report

September 16, 2019

Inflation surged 4% in August, mainly due to the peso depreciation following Primary elections

Economic Indicators as of 13/06					
Indicator	Value	Week	Month	Year	Outlook
Exchange Rate (ARS/USD)*	\$ 58.44	↑	↓	↑	●
Badlar Rate	60.50%	↓	↑	↑	●
7 day Leliq rate	84.15%	↓	↑	↑	●
Country Risk bps	2167	↑	↑	↑	●
GDP yoy (last Q)	-5.80%			↓	●
Inflation Indec yoy	54.50%		↑	↑	●
Industrial Production yoy (EMI)	-1.90%		↓	↓	●
Reserves (000s mill USD)	50.24	↓	↓	↓	●
Tax Revenue yoy	56.30%		↑	↑	●
Merval Index	30136	↑	↓	↓	●

*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

- As expected, inflation accelerated again in August, consequence of the economic outlook change that occurred in the past month. Although increases in prices of regulated goods and services, including gas, are on hold, the exchange rate hike rapidly passed-through into prices. Core inflation rose 4.6%, above the general index.
- Food, Transport and Health were main contributors to the monthly variation, accounting for 65% of the overall increase. Prices rose 54.5% yoy, and 30% in eight months. After October's elections, the

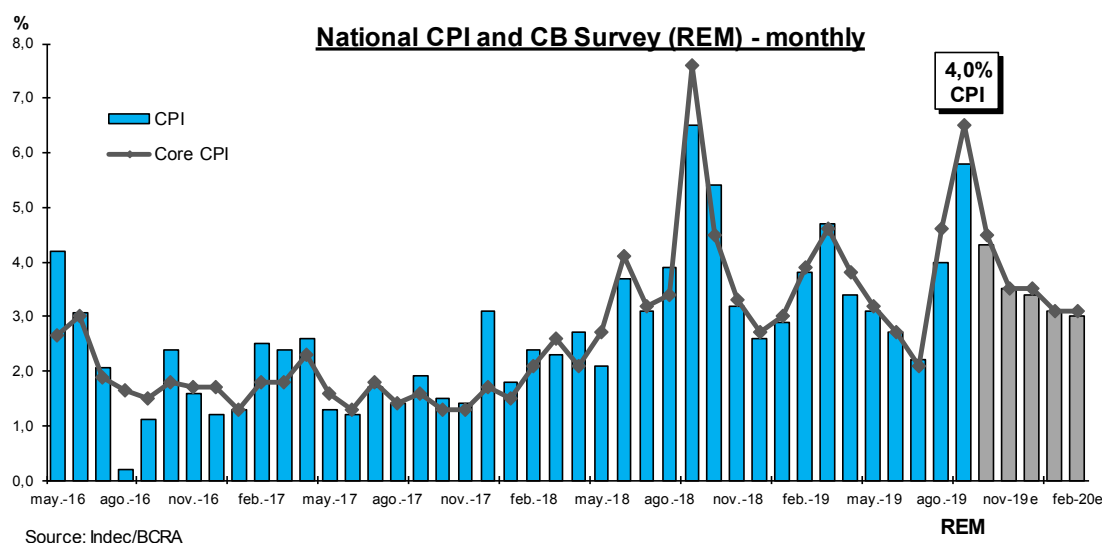
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government will send to Congress the 2020 Budget Bill, which includes a 34% inflation estimate for next year.

- Although FX regulations have stopped further peso depreciation, political uncertainty and the economy's vulnerability still exert pressure, evidenced in alternative FX markets. The spread between CCL dollar and the wholesale market quote reached 30% as company's faced restrictions to send funds abroad, while in the *free market the dollar* increased the spread to 16%.



Argentina: Economic Indicators From September 9th to September 13th

Date	Indicators	Period	Cons.	Prior	Actual
Thu 12	National CPI mom	Aug	4.3%	2.2%	4.0%
	National CPI yoy	Aug	55.4%	54.4%	54.5%
Fri 13	7-day Leliq base rate – BCRA	13 sep	--	85.83%	84.15%

Argentina: Economic indicators This week

Date	Indicators	Period	Cons.	Previous
Tue 17	Construction cost index mom	Ago	--	0.1%
	Wholesale price index mom	Ago	--	0.7%
Thu 19	Unemployment	2T	--	10.1%
	GDP qoq	2T	--	-0.2%
	GDP yoy	2T	--	-5.8%
Fri 20	7-day Leliq base rate – BCRA	20 sep	--	84.15%

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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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