

ARGENTINA MACROECONOMIC PERSPECTIVES

Weekly Market Strategy Report

July 16, 2019

Monthly inflation fell to 2.7% in June, the third straight monthly decline

| Economic Indicators as of 07/12 | | | | | |
|---------------------------------|----------|------|-------|------|---------|
| Indicator | Value | Week | Month | Year | Outlook |
| Exchange Rate (ARS/USD)* | \$ 43,80 | ↑ | ↓ | ↑ | ● |
| Badlar Rate | 47,65% | ↓ | ↓ | ↑ | ● |
| 7 day Leliq rate | 58,83% | ↓ | ↓ | ↑ | ● |
| Country Risk bps | 771 | ↓ | ↓ | ↑ | ● |
| GDP yoy (last Q) | -5,80% | | | ↓ | ● |
| Inflation Indec yoy | 55,80% | | ↑ | ↑ | ● |
| Industrial Production yoy (EMI) | -6,90% | | ↓ | ↓ | ● |
| Reserves (000s mill USD) | 63,69 | ↓ | ↓ | ↑ | ● |
| Tax Revenue yoy | 52,10% | | ↑ | ↑ | ● |
| Merval Index | 42753 | ↑ | ↑ | ↑ | ● |

*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

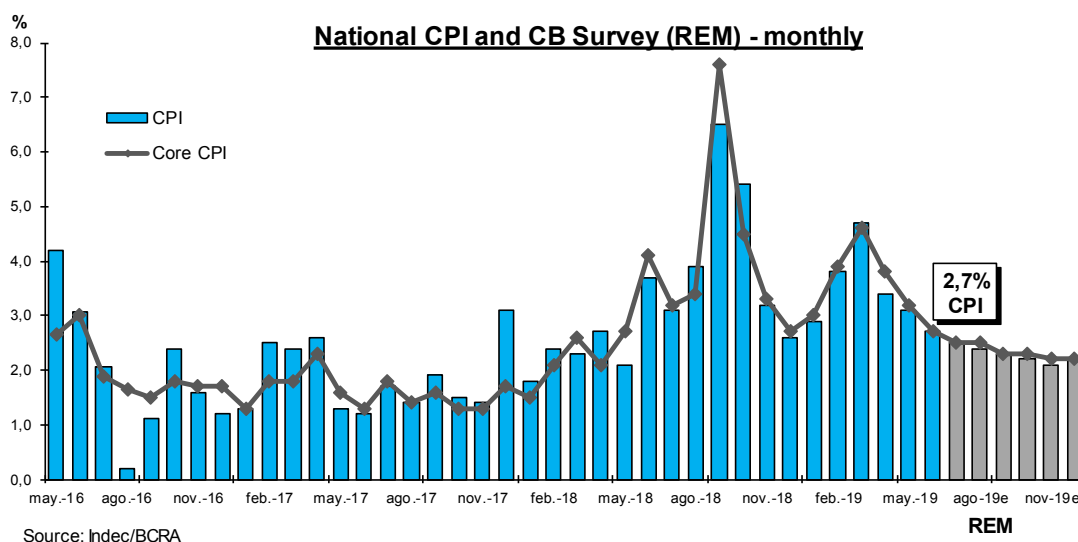
- As expected, inflation decelerated again in June. Food rose 2.6% mom and, together with other regulated services, was the main price driver during the month. After peaking at 57.3% in May, annual inflation slowed to 55.8%, the first drop in over a year.
- Although core inflation mirrored the general index and slowed to 2.7%, the latter rose 22.4% in the first half mainly due to core prices, which explained two thirds of the period's price increase.
- Additionally, the government overachieved fiscal targets for the first half by ARS10b, while the IMF approved another USD5.4b disbursement. Hence, the period's surplus totaled ARS30.2b, equal to 0.1% of GDP, in line with this year's goal to attain budget balance. Additionally, the total fiscal result was

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negative by ARS287.2b (-1.3% of GDP), falling 24% yoy, despite rising capital expenditures and interests paid.



Argentina: Economic Indicators From July 10th to July 12th

| Date | Indicators | Period | Cons. | Prior | Actual |
|--------|------------------------------|--------|-------|--------|--------|
| Fri 12 | 7-day Leliq base rate – BCRA | 12 jul | -- | 59.90% | 59.01% |

Argentina: Economic indicators This week

| Date | Indicators | Period | Cons. | Previous |
|--------|------------------------------|--------|-------|----------|
| Tue 16 | National CPI y/y | Jun | -- | 57.3% |
| | National CPI m/m | Jun | 2.6% | 3.1% |
| Wed 17 | Construction cost index m/m | Jun | -- | 3.0% |
| | Wholesale prices m/m | Jun | -- | 4.9% |
| Fri 19 | 7-day Leliq base rate – BCRA | 19 jun | -- | 59.01% |

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| Argentina | | | | | | |
|------------------------------------|--------------------|--------|-------|-----------------------|--------|--------|
| Long Run Economic Indicators | | | | | | |
| Indicator | Exante - July 2019 | | | EconViews - June 2019 | | |
| | 2018 | 2019E | 2020E | 2018 | 2019E | 2020E |
| Real GDP - yoy | -2,5% | -1,8% | 1,4% | -2,5% | -1,8% | 2,5% |
| Investments - yoy | -5,8% | -17,2% | 3,8% | -5,8% | -10,5% | 12,0% |
| Consumption - yoy | -2,4% | -4,1% | 0,6% | -2,4% | -5,2% | 2,5% |
| Reference Rate BCRA | 59,30% | -- | -- | 59,30% | 48,00% | 35,00% |
| International Reserves - USD bill | 65,8 | 58,1 | 64,0 | 65,8 | 62,0 | 61,3 |
| Current Account - % GDP | -5,4% | -2,1% | -2,0% | -5,6% | -1,5% | -2,1% |
| CPI - yoy | 47,6% | 45,4% | 23,8% | 47,6% | 43,5% | 35,0% |
| Exchange Rate - ARS/USD | 37,81 | 54,50 | 57,60 | 37,81 | 50,00 | 66,00 |
| Debt National Gov. - % GDP* | 86,0% | 90,3% | 79,8% | 44,2% | 51,0% | 47,9% |
| Imports - CIF USD bill. | 65,4 | 51,6 | 54,3 | 65,7 | 53,5 | 62,2 |
| Exports - FOB USD bill. | 61,2 | 65,1 | 68,5 | 61,2 | 63,0 | 68,5 |
| Unemployment Rate - year average** | 9,1% | 10,4% | 9,4% | 9,1% | 10,2% | 10,4% |
| Primary Fiscal Deficit - % GDP | -2,6% | -0,6% | -- | -2,6% | 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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