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Despite the turbulent start of the month in the foreign exchange market, by mid-June a certain exchange/financial balance seems to have been achieved, although still with high volatility. With the change in the economic course that started by resorting to the IMF, followed by a series of fiscal and monetary measures, apparently the government has been able to control the peak of the exchange rush that caused foreign exchange rate to devalue by 50% in May compared with the same month of the prior year. Nevertheless, how these measures are implemented and complemented by others to strengthen trust and make the balance obtained sustainable over time is still to be seen.

From the fiscal perspective, the funding granted by the IMF clears most doubts about financing the fiscal gap, provided the necessary measures to comply with the strict deficit terms considered in the agreement are adopted. Certain forces can exert a positive action, while others will be to the contrary: the impact on the activity level will have negative repercussions on Treasury income in real terms, but higher inflation will have a positive nominal effect. Inasmuch as nominal expenses grow at a lower nominal rate, this will favor deficit reduction although with a presumable cost of greater social unrest.

However, financing the deficit is a necessary, but probably not sufficient, condition for balancing macroeconomic variables. In an environment where trust in the peso is in crisis, the level of interest rates on the total amount of LEBACs generates a sum of monthly interest and, therefore, a dynamics internal to monetary policy; these effects must be redressed sooner than later if we aspire to a path converging towards equilibrium.

A series of measures have been adopted for this purpose, aiming at reducing the interest-accruing debt of the Central Bank of Argentina. Short-term results have been as expected, but the magnitude of the problem could demand additional actions. At this moment, it is important to monitor that these actions do not affect negatively the balance sheet of the financial system, thus preventing the risk (very low at present) of transferring the foreign exchange crisis to the financial sector.

As to real economy, passing depreciation on to prices must be minimized to avoid eroding competitiveness gains through prices, something that should favor exports in the mid-term and the domestic market in a shorter term, by setting a higher level of protection against imports. Changes in the cabinet of ministers, even without an explicit announcement, appear to be in the direction of deferring the adjustment to certain relative prices in the economy which, if corrected in the necessary proportion, could set a higher threshold for inflation (the objective of deficit reduction could not be fully consistent with this notion).

As arises from recently published data on economic activity, in the second quarter the economy is showing signs of the drought suffered by the agricultural sector, and the third quarter is expected to face the effects of the drop in real income as a consequence of higher inflation and wage bargaining agreements below prices increase. Only in the fourth quarter will it be possible to record some recovery in consumption as compared with the prior quarter, as a result of the deceleration of inflation that can be expected to the extent that the measures to be adopted go in the right direction and of the salaries achieving relative recovery in real terms, as from the reopening of wage bargaining agreements already under negotiations.

Even when the second half of 2018 looks complex, if the financial balance achieved can be secured, it is possible that the recessive effect on the level of activity be limited in strength and duration.

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José María Segura
Chief Economist of PwC Argentina
Tracking
Trying to find a balance

The credibility crisis and the strong pressure on the exchange rate over the last few months have shown Argentina’s difficult macroeconomic situation, and the limits presented by the gradualist strategy in an international context that has become more adverse.

04

Industry Roadmap
How can we engage with Diversity and Inclusion?

Employers must be aware that, if their employees consider that the company is not doing enough to address gender inequality, this could affect recruitment, retention and performance; and is true for both women and men.

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Zooming
A look at the prospects of the retail industry

Direct sales to consumers, a model that has worked for decades, is in full process of change. People modify their behaviors: what, how and where they purchase vary. This effect is connected to a perspective of change, according to several factors that drive the process of transition to a new future.

09

Global Coordinates
Why did the Eurozone Phillips curve decrease and become flatter?

Ten years after the global financial crisis, most advanced economies are on the road to recovery, exceeding prior levels before the crisis. Regarding unemployment, the OECD harmonised rate is at the lowest value ever recorded: 5.4%. However, even though work markets have tightened, salaries did not recover as predicted by economic theory.

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The credibility crisis and the strong pressure on the exchange rate over the last few months have shown Argentina’s difficult macroeconomic situation, and the limits presented by the gradualist strategy in an international context that has become more adverse.

Now in mid-year, Argentina is immersed in an economic context that at the end of 2017 was almost unforeseen or at least it was believed to have a low probability of occurrence. However, the change in the international context, which was in part foreseeable, together with a series of local events, unleashed a credibility crisis and generated a strong pressure on the exchange rate, which depreciated 50% in nominal terms.

As mentioned in the previous editions of the Economic GPS, the basic budget of the expansionary adjustment proposed by the government is the existence of financing, and its weak point is the intertemporal solvency of the external sector. An international context with high liquidity would enable “buying time” to make the fiscal adjustment gradually, without an abrupt indexation of relative prices that would (necessarily) imply a strong fall in the level of activity and a destruction of wealth. But the world has changed.

Internationally, the rapid increase in the interest rate on US Treasury Bonds which is, in part, the consequence of an economy that is near full employment and with a greater inflationary pressure produced by salaries and a higher fiscal deficit, has not only made credit more expensive and reduced inflows of capital, but has led to an appreciation of the dollar globally as well.
Locally, the change of the inflation targets announced towards the end of December 2017 produced a loss of confidence, which would get worse during the following weeks and become more critical with the issuance of the implementing decree that taxed financial income in April (this led many foreign investors to dismantle their positions denominated in pesos and convert them to dollars).

In the meantime, doubt as to the sustainability of the result of the balance of payments current account increased with the news that a severe drought had caused a significant portion of soybean crop to fail (20 million tons would have been obtained, less than in the previous harvest season), exerting a strong pressure on the exchange rate.

To alleviate this pressure, and reduce demand for dollars, the Argentine Central Bank opted to increase the reference interest rate in pesos and intervene in the foreign exchange market selling dollars to curb or reduce the depreciation of the peso (in a remarkable change of strategy compared to its announcements of non-market intervention).
The combination of policies set out by the Argentine Central Bank did not prevent the exchange rate from depreciating even further, exerting at the same time a greater pressure with respect to the dynamics of the Central Bank’s interest-bearing liabilities. The former Central Bank governor’s argument that the whole amount of LEBAC was supported by reserves at the exchange rate in effect is true, but this also means affirming that the whole monetary base is made up of fiduciary money (without support, which is what any Central Bank that enjoys credibility can do to a larger or lesser extent). With the history of repeated crises faced by Argentina, the economic agents have in mind a different way of understanding the balance sheet of the Argentine Central Bank and in the case of severe crises of confidence like the one unleashed, they only rely on the available reserves. Therefore, this is one of the contributing factors in the pressure on the exchange rate. But not only does the static equilibrium exert pressure. With an amount of interest-bearing liabilities equal to the monetary base and an interest rate of 40%, the foreign exchange market will hardly restore its equilibrium.

If we see the variations in the interest rate on LEBACs measured in dollars (not hedged, that is, without using hedge derivative financial instruments), a downward trend can be noted as from the beginning of the year, in line with the change of the inflation targets and the rapid increase in the United States interest rate. The bonds denominated in dollars have also shown, in consequence, a steady increase in their risk premium.

Source: Prepared by the authors based upon statistics obtained from the BCRA, the Ministry of Finance, and the FED
After the agreement reached with the International Monetary Fund (IMF), the change of governor of the Central Bank, and the measures to give a clear message of re-direction of the monetary dynamics (increase in bank reserves, reductions of positions in dollars, surrender of foreign currency by the treasury, reduction in the amount of LEBAC), the new set of values of the macro financial variables stroke a temporary balance that seems to have put an end to the worst of the foreign exchange crisis.

Now, the fiscal policy response was to accelerate fiscal retrenchment\(^1\), as a way to reduce fiscal dominance. Although the reduction of primary deficit might be affected by the impact on tax collection due to a lower level of activity, nominal growth caused by the expected higher inflation will lead to a nominal increase in tax revenue and, to the extent that expenditure will nominally grow at a lower rate, deficit could be reduced.

Thus, solving the fiscal issue was necessary, but it is no longer sufficient to define a growth strategy in the medium term. The large stock of LEBACs and the current higher rates of return involve a dynamics that must be quickly reversed in order to avoid a new crisis. In this regard, the new authorities of the Central Bank seem to be aware of this complex situation and to be adopting measures in the right direction.

Nevertheless, it will be necessary to monitor the banks’ balance sheet, as part of the strategy consists in boosting demand for instruments that will be issued by the Treasury in the financial system. Although the local financial system liquidity is high, the possible risk of transferring to this sector the foreign exchange crisis, which is an endogenous variable of the monetary policy, should be properly monitored.

In summary, the changes in the local and international contexts have forced to modify the economic policy that was being developed. Acceleration of fiscal retrenchment has become crucial, accompanied by a decoupling of the monetary policy to be able to focus on curbing inflation. Apparently, the challenge will consist in reducing the impact on the level of activity because, although the figures recorded in the first quarter were highly positive, the level of activity will be badly affected by these events, and in sustaining the real exchange rate achieved (which means minimizing the impact on domestic prices). History shows that the exchange rate is difficult to sustain in the medium and long term, so it is essential to proceed more decidedly with structural reforms to improve productivity.

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\(^1\) Refer to our Economic GPS n° 35, May 2018
Industry Roadmap

How can we engage with Diversity and Inclusion?

Six years ago, Google focused on building the perfect team. They started a study that showed that inclusive teams, in which members are encouraged to speak and to share ideas, are more successful that those made up of high-performers where members do not feel equally respected. This study found out that Diversity and Inclusion or diversity and inclusion makes sense in business.

In a survey conducted by PayScale in 2016, 57% of employers stated that they would not address the problem of gender inequality in their business, while only 47% of employees agreed: a 10% perception gap.

Employers must be aware that, if their employees consider that the company is not doing enough to address gender inequality, this could affect recruitment, retention and performance; and is true for both women and men. In fact, 92% of respondents would consider salary gap information when applying for a job and in choosing between two employers.

We learnt in the PwC CEO Survey 2016 that the capacity to attract and retain talent is still one of the top priorities for CEOs. As women represent almost half the global workforce, it is essential to be attractive, or remain so, for the entire talent group.

At a macro level, the gender salary gap reported differs depending on the region, from 16% in the EU to 20% in the US. However, within organizations, there is a perception that men have higher salaries than women (50% of women versus 23% of men believe that there is a gender salary gap between experienced men and women with the same qualifications). For this reason, companies in a competitive market that can publicly prove that they pay women and men equally are more likely to attract candidates with the profiles the business needs.

As there are regulations certifying responsibility for the environment as well as the quality, there are certifications worldwide for the verification of payment equality between men and women. This goes beyond the payment itself; it aims at deepening on the idiosyncrasy by means of which management practices can be implemented. This makes us reconsider subtle but not less powerful aspects that are present and we do not see at first sight: does the reviewer/assessor or the Organization have some bias when assessing men or women (do they demand more from one or the other)? Are opportunities for promotion the same for men and women? Who was promoted in recent years and why? Are income wages of men and women equal? How do we set goals for men and women? In this Certification, we ask and explore these and other questions.

No time like the present to rethink strategies and at the same time review, what we are doing and how we are doing it. Improvement opportunities leading to excellent results can be identified. These are not always radical changes, but rather new ways of doing something, like, for example, beginning to measure differences. New generations are more inclined to uphold their values with 66% unwilling to work in an organization that does not agree with them (PwC 2016). The issue of D&I is part of the agendas of all countries as a matter to be addresses immediately.

Companies that deal with these issues genuinely will be the most attractive to work for and at the same time, the most admired in the work community in general. Today, men and women want to develop in more transparent and open-minded environments.

Diversity & Inclusion play an essential role in building an employer brand.

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Direct sales to consumers, a model that has worked for decades, is in full process of change. People modify their behaviors: what, how and where they purchase vary. This effect is connected to a perspective of change, according to several factors that drive the process of transition to a new future.

**What is Retail?**

There are multiple definitions, but Retail can be explained as a trade in which quantities of diverse products are sold to individuals. Retail, or sale to consumers, offers products to numerous and diverse buyers, while wholesale trade implies selling a greater amount of products to relatively few customers. As a result, retail chains usually have warehouses, depots or distribution centers where they receive the products purchased from producers and/or wholesalers; these are subsequently sent to the stores for sale to final consumers. Outlets and stores for retail trade, or retailers, can be of all types and sizes, but they can be classified based on certain features: the kind of service they provide, variety and diversity of products, price range and structure.

**What is retail heading for?**

Retail trade is largely related to the sale of products for massive consumption that are considered basic and of primary interest. With the speedy rhythm of life in cities, consumers have less and less time to shop; in turn, reduced space in urban dwellings makes it impossible to purchase large quantities. Further, in the course of the last decade, a great transformation in purchase and consumption habits took place at global level; consumers' expectations and preferences have changed, supported by the fact that smartphones, data globalization and Internet have become indispensable tools for any operation. These factors will define how customers are shopping and will shop over the next few years in Argentina and the world. Retail trade used to be very simple:
opening a store, buying products, selling them and repeating the process. Nevertheless, business is increasingly conducted in a digital environment. The traditional way of operating is gradually turning into an old-fashioned, obsolete model. The new era has driven a revolution in our way of taking part, interacting and performing transactions. Owing to this, recent trends have modified consumption patterns, especially the format of stores and the relationship with consumers. The appearance of e-commerce has involved the latest revolution in retail trade and the emergence of a new channel: online shopping. Although e-commerce has slowly gained positioning in consumers’ preferences, globally physical stores are still the preferred channel for buyers. This is one of the key findings of the Total Retail 2017 report, prepared by PwC from interviews with 24,471 consumers around the world. In the United Kingdom, for instance, 45% of consumers make purchases through the Internet at least once a week, and are ahead of Germany (40%), Italy (42%), France (33%), United States (30%) and Spain (27%).

China remains the key reference in global e-commerce: 73% of Chinese consumers buy online every week. In Argentina, the traditional format of a physical store still prevails as a consumer’s preference. Over the last few years, industrial players have been developing strategies for expansion that have resulted in an increase of physical stores, as well as in the renewal of marketing strategies and the gradual inclusion of technology in the way of advertising products and interacting with customers.
However, e-commerce has also positioned itself in the preferences of Argentine consumers. According to the report prepared by the Argentine Chamber of Electronic Commerce (CACE), 11% of Argentine consumers make at least one online purchase each week, while 35% purchase at least once a month. In addition, billing from e-commerce has grown significantly: 51% from 2015 to 2016 and 52% for the period 2016-2017.

The tendency towards migration to e-commerce is every day stronger and more influential in Argentine society. Accordingly, industrial players must take into account consumers’ expectations to adapt themselves to coming changes and be active in a market that is becoming more and more competitive.

**Expectations and opportunities**

Within the context of an ever-deeper demographic change, customer behavior keeps rapidly evolving, as younger consumers adopt technological options and a new class of global citizens is showing increased awareness of health and environment. It is important to highlight the role of the millennial as the generation of the future. As shown by current tendencies, in the next few years millennials together with the Z-generation will represent over three quarters of the power of acquisition in the world. Nowadays, this generation is the most influential regarding acquisition and implementation of new technologies; thus, their behavior is changing the current paradigm as to market strategies, leading them to a modern, digital and efficient new era.

Continuous economic advances have increased the influence of the consumers and have enabled them to have fuller and more complex expectations, demanding more and more a unique shopping experience. In this new scenario, trust is the differential factor consumers are looking for at the time of choosing which product to buy, whereas the product’s price and availability fall to the background, and the emotional connection between the customer and the seller (brand) becomes more important. Some of the factors that contribute to enhance consumers experience are well-equipped stores in strategic locations, friendly and respectful treatment by staff and the company’s participation in social networks.
Consumers also expect to receive a personalized service in which sellers take advantage of Big Data to provide tailor-made experiences and reward customer loyalty. However, this could be a double-edged-sword as many consumers are not comfortable when their personal data being is scrutinized. Therefore, it is important that sellers find the balance between consumers’ data analysis and their privacy.

Another prospect of success, in an environment as complicated as the current one, where Argentina lags behind, is investment in talent. Although the physical store is not going to disappear, the traditional or physical shops are becoming places that will require Retail companies to have highly trained professionals to provide a different shopping experience. Moreover, talent development is a challenge to consider when it comes to designing strategies to increase business competitiveness. To meet this demand without losing sight of security and managing efficiency and security, the Retail industry in Argentina needs to develop safer platforms by implementing new technological strategies which enable them to mitigate the new risks concerning cybersecurity and information theft, as these remain part of the current problems.

Further, given that access to the market has been traditionally hampered by unnecessary restrictive regulations and excessive administrative burden, the role of the state as a business facilitator will remain a key point for incentives in investment in these aspects. Likewise, the increase in the access to banking services plays a crucial role in the implementation of new opportunities for the industry, since the use of debit and essentially credit cards to implement new trends cannot be ignored.

Even though the physical store is still the favorite for consumers, gradually is losing its heft; reason why across the globe the Retail industry is “trying to make inroads”. Soon it will be time for Argentina to take advantage of this potential to participate in the retail industry revolution across the world.

According to a study conducted by the World Bank in 2017, which measures the level of financial inclusion in 143 countries, nearly half of all Argentines (48.7%) has bank accounts, while only 24% has credit cards. The country is below the world average and including neighboring countries like Brazil, Chile, Uruguay and Venezuela.

With this panorama of banking services, the evolution of e-commerce is limited, in some way, as a solid structure is needed regarding these services so that this business model develops successfully.
What will the stores of the future be like?

To understand how some companies are adapting to these trends when delivering food and consumer services, we have analyzed five concepts of future food stores developing worldwide.

**Wheelys Moby Mart (China):** Wheelys Moby Mart is a self-service mobile store. This futuristic store runs on solar energy and has cutting-edge technology. Consumers use their phones to call and access the store through an application. Once inside, a virtual assistant welcomes you, and you will shop using a smart-basket that will record your shopping and automatically charge the products to your credit card as you leave the store.

**AmazonFresh Pickup (United States):** Customers of AmazonFresh Pickup order their products online, reserve a pick up time and location to receive the bagged groceries, and a team member will load the bagged groceries into the car at the agreed location or, if preferred, they can pick up the bags inside the physical store. The concept has been under development for four years and it is currently available for Amazon employees in Seattle and soon expected for Amazon’s PRIME users.

**Carlo Ratti x Coop Italia Supermarket of the Future (Italy):** The technology developed by Carlo Ratti Associati at World Expo 2015 enters the real world in a new coop Italy flagship store. The supermarket of the future is a large grocery store featuring digital solutions, such as interactive food tables, smart shelves and real time data visualizations, which will inform shoppers about the origins and characteristics of particular foodstuffs, promoting more informed consumption habits.

**Alpha Food Labs’ Future Market (Australia):** It is a concept of Studio Industries and Alpha Food Labs. The project combines conceptual food products and a digital shopping interface in a personalized, digital and predictive experience. The digital shopping system obtains data from food delivery services like Amazon Fresh and Fresh Direct and uses an algorithm that records and analyzes the user’s food preferences based on his or her data and the biometrics, adjusting itself to suit each customer.

Even though these stores look like they are just out of the famous cartoon, “The Jetsons”, they are real, which is an irrefutable proof that that is the place where the future of Retail is heading.
Ten years after the global financial crisis, most advanced economies are on the road to recovery, exceeding prior levels before the crisis. Regarding unemployment, the OECD harmonized rate is at the lowest value ever recorded: 5.4%. However, even though work markets have tightened, salaries did not recover as predicted by economic theory.

Staff costs represent a significant element in business costs, but salaries also represent a key source for the demand in consumption of the economy. Thus, it is important to be able to predict salary inflation. The traditional economy theory suggests that, as the unemployment rate decreases and the work market adjusts, salary inflation should also increase, a relation called the Phillips curve, named after the economist A.W. Phillips, who documented this empirical consistency for the first time.

Higher salary inflation usually causes higher inflation in consumer prices through the effect of the demand (higher purchasing power for households) and the offer (higher cost base for companies). To anticipate this, central banks can start increasing interest rates in response to the signs that indicate that unemployment is decreasing, as they expect this will contribute to an increase in salaries and, eventually, to a price increase.

However, lately, economists have been puzzled given the situation in the labor market in the U.K. and the U.S., which seem to challenge this logic. In the U.K., for instance, the unemployment rate declined to around 4%, the lowest level since the 1970s, but salary increases are still relatively moderate. Is the Eurozone in a similar position?

In order to answer this question, PwC UK prepared a modeling of the Phillips Curve for the Eurozone as a whole, since the mid-1980s (Figure 1). From this analysis, we can distinguish three periods in connection with the unemployment rate and one salary indicator in the Eurozone:

- 1986-1998: From the signing of the Single European Act, when the EU committed to create the European Single Market, to the launch of the single currency.
- 1999-2008: From the launch of the euro to the beginning of the global financial crisis.
- 2009-2017: From the global financial crisis to present.

The relationship between the unemployment rate and salary growth became flatter between 1999 and 2008 and between 2009 and 2017 than between 1986 and 1998, when it seemed that a Phillips curve with a steeper downward slope was operating, although with a significant variation around the adjustment line. In addition to the fact that the curve is flatter, we also noticed that the slope of the Phillips curve becomes flat as the rates of salary growth decrease.

Some of the possible causes of the dissociation between salary inflation and unemployment rates could be:

- Structural factors such as work digitalization and the erosion of the negotiation power of workers (partly due to the low level of union membership);
- The creation of a single monetary authority in the Eurozone since 1999, which has reduced the inflation expectations in some markets;
- The incorporation of Eastern Europe economies with lower income, which have effectively increased the job offer in the Eurozone (and the European Union) economies.

What does this mean for the future? Assuming there will be no structural changes, the analysis reveals it is unlikely that the tightening of the condition in the labor market becomes a driver of salary growth in the future. This implies that other factors such as structural changes driving the growth rates of labor productivity will be more important to improve the expectations of salary growth in the Eurozone.

The graph below shows the trend of the Phillips curve for the Eurozone over the past 20 years. The data was obtained from Eurostat and PwC Analytics.

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*Due to the impossibility to obtain historic data, the nominal compensation including salaries, benefits in cash or in kind, as well as employees’ social security contributions were used.

**OECD: Organization for Economic Co-operation and Development**
### Activity and Prices

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<td>2.9%</td>
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<td>CPI San Luis, var % y/y</td>
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<td>24.3%</td>
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<td>25.6%</td>
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<tr>
<td>Industrial Production, var % y/y</td>
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<td>1.8%</td>
<td>2.6%</td>
<td>5.3%</td>
<td>1.2%</td>
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<td>Import Cover (month of reserves)</td>
<td>5.10</td>
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<td>Implicit exchange rate (M0 / Reserves)</td>
<td>24.41</td>
<td>20.90</td>
<td>18.18</td>
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<td>16.31</td>
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<td>$/USD, end period</td>
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### External Sector

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<tr>
<td>Exports, USD mn</td>
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<td>Currency liquidation by grain exporters, USD mn</td>
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### Labor*

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<tr>
<td>Unemployment, country (%)</td>
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<td>7.6</td>
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<td>Unemployment, Greater Buenos Aires (%)</td>
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<td>10.7%</td>
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<td>Activity rate(%)</td>
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### Fiscal

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<th>jan-18</th>
<th>feb-18</th>
<th>mar-18</th>
<th>apr-18</th>
<th>may-18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income, $mn</td>
<td>1,537,948</td>
<td>2,070,154</td>
<td>2,578,609</td>
<td>261,961</td>
<td>235,666</td>
<td>238,836</td>
<td>236,227</td>
<td>295,421</td>
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<tr>
<td>VAT, $mn</td>
<td>433,076</td>
<td>583,217</td>
<td>765,336</td>
<td>84,972</td>
<td>77,705</td>
<td>79,965</td>
<td>82,581</td>
<td>87,324</td>
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<tr>
<td>Income tax, $mn</td>
<td>381,463</td>
<td>432,907</td>
<td>555,023</td>
<td>48,923</td>
<td>45,419</td>
<td>48,557</td>
<td>41,591</td>
<td>76,419</td>
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<tr>
<td>Social Security System, $mn</td>
<td>401,045</td>
<td>536,180</td>
<td>704,177</td>
<td>84,915</td>
<td>65,796</td>
<td>67,300</td>
<td>68,255</td>
<td>68,602</td>
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<tr>
<td>Export Tax, $mn</td>
<td>75,939</td>
<td>71,509</td>
<td>66,121</td>
<td>3,645</td>
<td>5,823</td>
<td>3,063</td>
<td>8,780</td>
<td>10,842</td>
</tr>
<tr>
<td>Primary expenses, $mn</td>
<td>1,427,990</td>
<td>1,790,789</td>
<td>2,194,291</td>
<td>189,053</td>
<td>179,632</td>
<td>194,853</td>
<td>188,248</td>
<td>200,854</td>
</tr>
<tr>
<td>Primary result, $mn</td>
<td>-291,660</td>
<td>-343,526</td>
<td>-404,142</td>
<td>3,929</td>
<td>-20,228</td>
<td>-14,702</td>
<td>-10,342</td>
<td>-7,818</td>
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<tr>
<td>Interest, $mn**</td>
<td>120,840</td>
<td>185,253</td>
<td>308,048</td>
<td>38,734</td>
<td>10,755</td>
<td>38,161</td>
<td>37,157</td>
<td>27,799</td>
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</table>

### Financial - interest rates***

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>jan-18</th>
<th>feb-18</th>
<th>mar-18</th>
<th>apr-18</th>
<th>may-18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Badlar - Privates (%)</td>
<td>27.54</td>
<td>20.04</td>
<td>23.18</td>
<td>22.94</td>
<td>22.74</td>
<td>22.78</td>
<td>22.78</td>
<td>28.09</td>
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<tr>
<td>Term deposits $ (30-59d Private banks) (%)</td>
<td>27.95</td>
<td>19.51</td>
<td>21.80</td>
<td>21.71</td>
<td>21.64</td>
<td>21.74</td>
<td>21.72</td>
<td>26.34</td>
</tr>
<tr>
<td>Mortgages (%)</td>
<td>22.85</td>
<td>19.70</td>
<td>18.61</td>
<td>19.79</td>
<td>20.22</td>
<td>19.96</td>
<td>20.38</td>
<td>19.52</td>
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<tr>
<td>Pledge (%)</td>
<td>26.03</td>
<td>20.82</td>
<td>17.42</td>
<td>17.48</td>
<td>16.02</td>
<td>16.25</td>
<td>17.53</td>
<td>18.63</td>
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<tr>
<td>Credit Cards (%)</td>
<td>39.97</td>
<td>44.45</td>
<td>42.21</td>
<td>42.89</td>
<td>43.13</td>
<td>43.34</td>
<td>43.58</td>
<td>44.15</td>
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</table>

### Commodities****

<table>
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<tr>
<th></th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>jan-18</th>
<th>feb-18</th>
<th>mar-18</th>
<th>apr-18</th>
<th>may-18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Soy (USD/Tn)</td>
<td>347.3</td>
<td>362.6</td>
<td>358.9</td>
<td>356.9</td>
<td>371.2</td>
<td>381.9</td>
<td>381.3</td>
<td>374.8</td>
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<tr>
<td>Corn (USD/Tn)</td>
<td>148.3</td>
<td>141.1</td>
<td>141.4</td>
<td>138.9</td>
<td>144.1</td>
<td>149.4</td>
<td>151.8</td>
<td>156.8</td>
</tr>
<tr>
<td>Wheat (USD/Tn)</td>
<td>186.4</td>
<td>160.3</td>
<td>160.2</td>
<td>158.9</td>
<td>167.4</td>
<td>174.4</td>
<td>174.5</td>
<td>189.9</td>
</tr>
<tr>
<td>Oil (USD/Barrel)</td>
<td>48.8</td>
<td>43.3</td>
<td>50.9</td>
<td>63.7</td>
<td>62.0</td>
<td>62.8</td>
<td>66.3</td>
<td>70.0</td>
</tr>
</tbody>
</table>

* quarterly figure. The year corresponds to Q4
** includes intrasector public interest
*** data 2012/13/14 corresponds to the daily weighted average of December
**** One month future contracts, period average
p: provisional

Source: INDEC, Secretary of Finance, Ministry of Economy, BCRA, AFIP, Unión por Todos, CIARA, CBOT, NYMEX
## Our services

### Macroeconomic analysis
- Monthly/quarterly report
- Conferences
- Projections and data

### Sectorial/Quantitative
- Follow up and projection by sector
- Quantification of demand
- Applied econometrics
- Revenue forecast
- Surveys

### Litigation
- Support of experts' reports relating to economic matters
- Dumping
- Antitrust

### Regulatory
- Tax benefits
- Benefit/price structure
- Quantification of impacts

## Contacts

<table>
<thead>
<tr>
<th>José María Segura</th>
<th>Leandro Romano</th>
<th>Paula Lima</th>
</tr>
</thead>
<tbody>
<tr>
<td><a href="mailto:jose.maria.segura@ar.pwc.com">jose.maria.segura@ar.pwc.com</a></td>
<td><a href="mailto:leandro.romano@ar.pwc.com">leandro.romano@ar.pwc.com</a></td>
<td><a href="mailto:paula.lima@ar.pwc.com">paula.lima@ar.pwc.com</a></td>
</tr>
<tr>
<td>+54 11 4850 6718</td>
<td>+54 11 4850 6713</td>
<td>+54 11 4850 6000 int. 4128</td>
</tr>
</tbody>
</table>