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Has the more stable foreign exchange at the end of July struck a new balance? That cannot be determined just yet. The increase in bank reserves requirements to reduce the amount of Argentine currency now in circulation that could be exchanged for dollars; a daily auction of USD 100 million from the IMF loan to the Treasury; the issuance of bonds in pesos and treasury bills in dollars by the Ministry of Finance that enabled the reduction of the stock of LEBACs are some of the measures recently adopted by the Central Bank, to help curb the run on the dollar, as occurred in April and June.

After that storm, we again pose the question: What effect will this have on the real economy and for how long? As of today, the growth prospects of 3.5% set in the 2018 budget might seem excessive.

The strong devaluation of the peso against the dollar however will not be harmless, as it has increased the cost of tradable goods and interest rates limiting the financing of companies, many of which could face problems with their chain of payments due to a fall in consumption.

As for the key sectors of the economy, the rural sector in the second quarter has been impacted negatively due to drought; however, this could be reversed with the wheat harvest that is expected to be extraordinary and once corn and soy are sowed by the end of the year.

The construction sector is showing a slight downturn as the dispatch of concrete in May and June was below the level of the previous year and will possibly continue as a consequence of an adjustment to public works, one of the sectors affected, in order to achieve the new deficit target agreed with the IMF.

Real estate is another sector hit by devaluation. Many people who depend on mortgage loans that are granted in pesos had to withdraw from these loans due to the price increase of properties valued in dollars. The industrial sector is slowing down, especially those areas connected with domestic consumption, owing to the decline in available income because of inflation, and the sectors relating to agriculture and construction.

With the above in mind, the second and third quarters seem unfavorable, but the fourth quarter could have an upturn. Agriculture and cattle farming may leverage this; and tourism in Argentina, with higher prices in international destinations, has become more attractive for locals and foreigners. The sectors related to the domestic market, to the degree that they can control inflation, will permit sustaining overtime the real depreciation of the peso; and thus protect activities related to the demand on sectors in the domestic market.

In conclusion, the ultimate impact of the currency crisis on real economy is still uncertain. However, if the exchange market has reached a break-even point, we must not transfer the higher dollar parity onto prices to revive exports and slow down imports. Consumption can recover in real terms upon resumption of wage bargaining, yet without eroding competitiveness.

José María Segura
Economista Jefe de PwC Argentina
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Changes in the Central Bank’s balance sheet

After the changes at the Central Bank, the June and early July closing dates seem to have brought certain foreign exchange stability, although we cannot yet determine if this will be the equilibrium value.

Industry Roadmap
Renewable energies today

Renewable energies have gained force particularly in the last two years from tender offers under the RenovAr program.

Zooming
Secondary-School Education Map

Over the years, Argentina has adopted different methodologies to evaluate students, including the Aprender tests among others. The results of the latest round of this test show discrepancies among the provinces and a common trait is the low performance in Mathematics.

Global Coordinates
Megatrends: five urgent issues and their global implications

In 2013, PwC identified 5 megatrends that would be at the heart of the global agenda in the years to come. It has become apparent, however, that the long-term effects of megatrends are already upon us. Governments, organizations and society are struggling with the near-term manifestations of these trends and seeking answers.
After the changes at the Central Bank, the June and early July closing dates seem to have brought certain foreign exchange stability, although we cannot yet determine if this will be the equilibrium value.

A little bit more than one month after the new governor of the Central Bank took office, with no important announcements about the monetary policy, the nominal exchange rate volatility decreased significantly. We cannot assure whether this will be the equilibrium value or at least not in the short term.

One of the most relevant characteristics of this crisis is that apparently it has not had an impact on credibility of the financial system, and therefore limited to the foreign exchange market. Bank deposits in US dollars have not decreased; on the contrary, they have increased.
Although, as mentioned earlier, there were no announcements of significant changes in the BCRA long-term monetary policy (in terms of the monetary system to be pursued); changes in the short run are evident. Immediately after the agreement with the IMF was reached, the inflation target of 15% for 2018 was set aside seeking to adjust inflation to a new target of 17% by December 2019. Further, as of immediately, the monetary authority proclaimed that it will not only use the interest rate as an instrument to curb inflation, but it will also be monitoring monetary aggregates, although, apparently without any explicit objective. In this sense, the private M2\(^1\) aggregate has slowed down to 23.6% in June, well below the rate of inflation.

The Central Bank’s intention to use the interest rate (price) and the monetary aggregates (quantities), at the same time as tools to balance the money market, makes it necessary for the monetary authority to be even more cautious about administering its policy. Since a wrong choice of the value of these variables might have a significant impact on the money market. In the current context, and in the face of a credibility crisis that has badly affected the demand for money, it is reasonable that the Central Bank has targeted the two variables to stabilize the foreign exchange market.

A variation in the stocks of LEBAC and NOBAC is seen in the Central Bank’s balance sheet. At July 15, stocks were worth $1.084 trillion (USD 39.8 billion); while at April 30 those stocks were worth $1.326 trillion (USD 64.1 billion). However, this change must be closely monitored, because the pesos that are still available might put pressure on other markets, like foreign exchange or goods and services. The mechanism set between the Central Bank and the Ministry of Finance to issue treasury bills in U.S. dollars subscribed with LEBAC will moderate the prior risk, but increases the financial exposure in dollars of the treasury. The current stock of treasury bills in dollars exceeds USD 14.0 billion. However, the system for reducing the stock of LEBAC has been affected by the still high interest accrued on these instruments, which imposes a monthly floor of $34 billion due to these high interest rates.

\(^1\) M2 Monetary aggregate that includes the aggregate of banknotes and coins issued by the Argentine Central Bank which do not form part of the Argentine financial institutions’ money stock and of the balances of current account deposits held by the non-financial public sector (net of the use of Unified Funds) and the non-financial private sector (in local and foreign currencies), plus the balances of savings deposits held by the non-financial public and private sectors (in local and foreign currencies).
The dynamics to reduce the stock of LEBAC is necessary, in spite of any risks. Reducing the implicit exchange rate would balance the market in an extreme case of a total loss of confidence in the peso, where both the pesos in circulation and LEBAC would be exchanged for foreign currency (international reserves held by the Central Bank). In calculating the exchange rate after the change of authorities and the injection of funds from the IMF, its value has diminished, and is now closer to the official exchange rate.

LEBACs may affect the descending dynamics of inflation, so this rate must be monitored, especially taking into account the path for interest rates accrued by LEBACs.

The monetary policy as of now has stabilized the exchange rate and mitigated the urgency during May and June. Confidence in the Central Bank authority is necessary now to be able to start adopting measures regarding short-term equilibrium and providing the guidelines in the medium term for the monetary system. To that end, one of the main aims is to stabilize demand for pesos and regain control over inflation.
Renewable energies have gained force particularly in the last two years from tender offers under the RenovAr program, a program developed by the current Administration to encourage the 2015 Law No. 27191, which has as one of its main purposes the determination of a minimum contribution to the electricity matrix from renewable energy sources. By December 31, 2018, 8% of energy must come from these sources, a percentage that will rise to 12% by December 31, 2019 and climb to 20% by 2025.

In the last quarter of 2017, Round 2.0 of the RenovAr Program ended which together with Round 1.0 and 1.5 in 2016 saw the awarding of 147 new projects of clean energy, which with the adjustment of projects under former Resolution No. 202 could add almost an additional 6,000 MW of electricity to Argentine Interconnection System (SADI). Although all projects should be operative between 2020 and 2021, the volume of new energy that these projects will generate should reach the 16% base value set for the end of 2021.

Beyond the success of Round 2.0, the closing of 2017 could not have been better. Both the passing of Law No. 27424 of Distributed Generation of Renewable Energy and Resolution E No. 281 of the Ministry of Energy and Mining (MEyM), which created and regulated the Renewable Energy Forward Market, set the basis to inject greater dynamism into the renewable energy market, allowing the execution of PPA (power purchase agreements) between private entities (outside RenovAr) and paving the way for self-generation projects and private sales of energy to the system.

However, in the current year some difficulties, both internal and external, started to emerge on the horizon. Several difficulties and threats need to be resolved with intelligence, so that renewable energies continue to strengthen on the national level. Firstly, out of almost 59 projects awarded in rounds 1.0 and 1.5, approximately one third have yet to start works. Of the 88 projects awarded in round 2.0, only a third have been signed and must start work; while more than 60 projects have not yet signed their commitments with CAMMESA. Round 3.0 is due to launch in the last quarter of the year, but it remains to be seen if the government adheres to that date and, before the launch of that round, addresses the issue of the previously awarded projects for which none have been signed or started.

The slowdown in progress in the current year makes us believe that the expected goal of 8% by year-end may not be accomplished. Analyzing the causes to explain the above-mentioned delays, we can firstly mention the difficulty faced by developers and generators to obtain necessary funding. Bear in mind that these projects imply an initial investment exceeding USD 6.5 billion, of which, as these projects are structured, approximately USD 5 billion must come from third-party financing through ECAs, multilateral agencies and private banks. The increase in the referenced rates by the FED, coupled with the worsening of certain local economic variables, have provided strong resistance to the timely development of capital markets sufficiently dynamic to ensure the financing that these projects require.

Although it is clear that current local and international economic hardships have affected the renewable energies sector, let us not necessarily believe that in the medium and long-term this sector cannot recover the impressive progress achieved towards the end of last year. In the next 12 months, several of the most important wind and photovoltaic projects will become operative, and although at a lower rate, private PPA will continue to concretize. Although the government may need to think of some temporary flexibility in the minimum contribution percentages established by Law No. 27191, renewable energies may expect to account for a 10% share in the energy matrix for 2019, when today they barely exceed 1%.
Over the years, Argentina has adopted different methodologies to evaluate students, including the Aprender tests among others. The results of the latest round of this test show discrepancies among the provinces and a common trait is the low performance in Mathematics.

One of a country’s basic foundations for growth and medium- and long-term social mobility is the education that school-age generations receive. In Argentina, the educational system is organized into the Initial, Primary, Secondary and Higher levels. Initial Education covers those children aged from 45 days to 5 years; and is mandatory as of the age of four. Primary Education starts at six years of age and is compulsory; this cycle can cover six or seven courses, depending on each jurisdiction. Upon completion of the academic cycle of primary school, students enter Secondary Education, comprising five or six courses, according to each jurisdiction. Lastly, Higher Education, also called Tertiary level, is not mandatory; its scope includes universities, university-based institutes and higher institutes.

This report focuses on Secondary Education, with the purpose of drawing a comparison of each province and discussing certain aspects to understand the present situation.

Educational results in Argentina are dissimilar throughout the country. Over the years, different methodologies have been adopted to evaluate students. Currently, the Argentine government has reinstated the Aprender tests¹; these not only measure learners’ performances in the cognitive sphere, but also provide a social and equity perspective.

The Aprender tests² are an assessment of the performance achieved by students in different areas of knowledge, according to the course under evaluation. In addition, some supplemental questionnaires provide information on the context and conditions for learning, based on the students’ characteristics, their opinion and that of teachers and Heads of schools, with the purpose of contextualizing the findings from the evaluation mechanism implemented. These tests aim at knowing what educational content and abilities the students master, by means of a set of relevant items that are representative of the subject being evaluated. This type of test prioritizes comparing learners’ achievements against the expected performance, which is set in the Core Learning Priorities and by the design of academic curricula in each jurisdiction. Most large-scale evaluation studies follow this approach, as does the Program for International Student Assessment (PISA)³.

Educational results by province in 2017

For the purpose of this analysis, we used data from the national and provincial Aprender tests 2017⁴ pertaining to secondary education; therefore, the subjects analyzed are Mathematics and Language⁵, with their corresponding results.

¹ Formerly known as ONE tests (from the acronym of National Evaluation Systems in Spanish).
³ http://www.oecd.org/pisa/pisaespaol.htm
⁴ https://www.argentina.gob.ar/educacion/aprender2017/reportes-jurisdiccionales - Results by province. The Autonomous City of Buenos Aires (CABA) is analyzed as a differentiated jurisdiction.
⁵ Aprender tests for primary level evaluate Social Sciences and Natural Sciences, while for secondary level they are on Mathematics and Language.
In 2017, almost 4 million students attended secondary schools all over the country, 308,536 of which took the tests. This represents a sample of approximately 7\% of the student population in secondary education. As for the educational institutions taking part, there were 10,348 schools where at least one student gave more than 50% responses to any of the tests. The results were graded into 4 levels and then grouped into 2 sets, assuming that both “Below basic level” and “Basic” did not meet expectations and, conversely, that the learners that obtained either “Satisfactory” or “Advanced” performed above the expected level, reflecting positive results.

Graphics 1 and 2 show the information by province, as per their ranking in performance at the Aprender tests 2017. Those provinces above average\(^7\) are classified within the green scale, and the red scale is for those below average. More specifically, dark green represents provinces with an excellent result, measured as those above a new average rating among the provinces with positive performance; dark red represents those with the lowest performance, segregated from lighter red on the basis of a new average among provinces with below-average performance.

Provinces in the Argentine Patagonia region, together with the Pampas region (including the City of Buenos Aires) and most part of the Cuyo region recorded above-average results in both tests – Mathematics and Language, while the North-West and North-East regions were positioned below average. San Juan was an exception, recording above-average performance in Language and below average in Mathematics.

**Map 1: Performance in Language, by province**

\(^6\) Total number of secondary level students, estimated based on year-on-year variation in the last five years for this educational level, according to data from INDEC (National Institute of Statistics and Census). Estimated total.

\(^7\) Simple average.
**Map 2: Performance in Mathematics, by province**

- **Excellent**
  - Córdoba
  - C.A.B.A
  - Río Negro
  - Chubut
  - Santa Cruz
  - Tierra del Fuego

- **Above average**
  - Santa Fe
  - Entre Ríos
  - Buenos Aires
  - La Pampa
  - San Luis
  - San Juan
  - Mendoza
  - Neuquén

- **Below average**
  - Salta
  - Jujuy
  - Tucumán
  - Misiones
  - Corrientes

- **Unsatisfactory**
  - Formosa
  - Chaco
  - Santiago del Estero
  - Catamarca
  - La Rioja

*Source: Prepared by the authors based upon data from Aprender Tests 2017.*

**Graphic 1: Overall performance of Argentine provinces**

- **Regions above average**
  - Patagonia
  - Pampas
  - Cuyo

- **Regions below average**
  - North-West
  - North-East

*Source: Prepared by the authors based upon data from Aprender Tests 2017.*
Although the performance pattern is similar in both tests, it is important to note the poor performance of secondary students in Mathematics, compared to Language. While the percentage of positive results, considering all provinces in the aggregate, was 59.58% for Language, it was only 27.70% for Mathematics. Graphic 2 reflects that all provinces in 2017 maintain this disparity.

**Socio-economic educational analysis**

Based on the different levels of performance found with the tests, certain indicators can help understand this disparity. First, we observe the expenditure in education by province. It is often argued that those provinces with higher spending on education experience better performance in...
testing. To analyze this, we took an educational indicator published by the UNESCO Institute for Statistics\textsuperscript{8,9} adapted to Argentine provinces: public expenditure on education expressed as a percentage of total provincial expenditure (GPE).

The information gathered shows disparities among provinces: those that have a higher expenditure ratio in education regarding total expenses do not necessarily have better results in Aprender tests\textsuperscript{13}. Taking the evolution of such ratio between 2011 y 2016\textsuperscript{14}, seven provinces showed significant variations during that period, with San Luis and Santa Cruz recording the greatest increases, while Buenos Aires, San Juan, Santa Fe and Buenos Aires City dropped.

Taking into consideration the limitation that the previous indicator could pose – as it could remain stable in a context of a fall or rise of real expense – the evolution of actual expense in education in each province needs to be analyzed.

A similar pattern of actual expenditure variation is seen among provinces, with increases in the election years of 2011, 2013 and 2015. San Luis, Tierra del Fuego, Chubut and Salta show a different pattern, with increases of actual expenditure in education every year from 2011 to 2015. In the first three provinces, this is consistent with above the average results on Aprender tests, while this is not the case in Salta. If we consider the relationship between the performance in tests and the expenditure in education per capita (EEPC), a positive relation between both subjects is seen.
Graphic 5: EEPC, $ 2016 and performance in Language and Mathematics (2017, %)

Source: Prepared by the authors based upon data obtained from the Ministry of Education and the INDEC (National Institute of Statistics and Census).
Graphic 5 shows a positive relationship linking higher levels of expenditure in education per student with the result obtained in performance tests. Nevertheless, the degree of dispersion makes it possible to conclude that the relation is far from being uniform.

**Qualitative Variables**

Other data to consider for the evaluation of the results in education are those provided by 2017 Aprender tests. As mentioned, the tests had a broad approach, exploring social characteristics and experiences lived by the students. Regarding the social analysis, a ranking on bullying, discrimination and violence at provincial level was built based on the data of tests in each province. In this report, the information has been divided into four segments according to the frequency in which students perceived situations of bullying, discrimination and violence: always, often, sometimes and never. To prepare the provincial bullying ranking in 2017, we defined such variable grouping the data corresponding to always and often.

Considering this framework, there is little evidence that the percentage of bullying is associated with the average performance of students, with Córdoba...
and La Rioja illustrating this situation, showing high levels of bullying and totally opposite average results of tests.

Another variable of the survey is the available time to study. During the final years of high school, some students decide to or are led to enter the labor market doing part-time work, which not only takes time out from studying, but also their attention in class is diminished. Aprender tests identified the percentage of students in high school who are working. Table 2 shows these results.

Except for the last three provinces, the remaining cases present certain homogeneity regarding students in such situation. In High School, the average number of students working is 19%, with a 2% diversion from the average.

In conclusion, the snapshot of educational performance at high school level in 2017 varies among provinces. However, in general terms, provinces from the center and south of the country had better results in Aprender tests, while Northern provinces had poorer results. Even though it is not possible to attribute this situation to a single factor, a priori it would not be a direct consequence of the increase of expenditure as it is often argued.

In the light of the changes that digital transformation of the fourth revolution, where we are currently living at a frantic pace, imposes on production processes and types of jobs that will be required in the (near) future, solving the knowledge gaps and general levels is more urgent than ever.

### Table 2

<table>
<thead>
<tr>
<th>Province</th>
<th>Percentage of respondents who work</th>
</tr>
</thead>
<tbody>
<tr>
<td>Catamarca</td>
<td>23.00%</td>
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<tr>
<td>Neuquén</td>
<td>23.00%</td>
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<tr>
<td>Salta</td>
<td>23.00%</td>
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<tr>
<td>San Luis</td>
<td>23.00%</td>
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<tr>
<td>Córdoba</td>
<td>22.00%</td>
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<tr>
<td>Chaco</td>
<td>22.00%</td>
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<tr>
<td>Formosa</td>
<td>22.00%</td>
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<tr>
<td>La Pampa</td>
<td>22.00%</td>
</tr>
<tr>
<td>Misiones</td>
<td>22.00%</td>
</tr>
<tr>
<td>Santa Fe</td>
<td>22.00%</td>
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<tr>
<td>Provincia de Buenos Aires</td>
<td>21.00%</td>
</tr>
<tr>
<td>Corrientes</td>
<td>21.00%</td>
</tr>
<tr>
<td>Entre Ríos</td>
<td>21.00%</td>
</tr>
<tr>
<td>Jujuy</td>
<td>21.00%</td>
</tr>
<tr>
<td>La Rioja</td>
<td>21.00%</td>
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<tr>
<td>San Juan</td>
<td>21.00%</td>
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<tr>
<td>Río Negro</td>
<td>20.00%</td>
</tr>
<tr>
<td>Santiago del Estero</td>
<td>20.00%</td>
</tr>
<tr>
<td>Tucumán</td>
<td>20.00%</td>
</tr>
<tr>
<td>Chubut</td>
<td>19.00%</td>
</tr>
<tr>
<td>Mendoza</td>
<td>19.00%</td>
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<tr>
<td>Capital Federal</td>
<td>17.00%</td>
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<tr>
<td>Santa Cruz</td>
<td>16.00%</td>
</tr>
<tr>
<td>Tierra del Fuego</td>
<td>13.00%</td>
</tr>
</tbody>
</table>

Source: Prepared by the authors based upon data obtained from the Ministry of Education
Global Coordinates

Megatrends: five urgent issues and their global implications

In 2013, PwC identified 5 megatrends¹ that would be at the heart of the global agenda in the years to come. It has become apparent, however, that the long-term effects of megatrends are already upon us. Governments, organizations and society are struggling with the near-term manifestations of these trends and seeking answers.

It has become apparent, however, that the long-term effects of megatrends are already upon us. As we work with governments, political leaders, corporations and family businesses, the recurrent question raised is not when they will be affected by megatrends, but what we should do today and how.

The answer provided by PwC is to focus on the near-term manifestations of the megatrends and the challenges we face, using a framework known as ADAPT.

In this new setting, ADAPT summarizes the immediate consequences of the megatrends issues such as: asymmetry, disruption, age, populism and trust.

The increasing wealth disparity and the erosion of the middle class have made asymmetry a key issue in today’s world, where this disparity has reached such a significant level that 50% of the wealth is owned by 1% of the population.

Along with this, technological disruption has become a central dynamic of the current global economy, as revolutionary technologies are redefining business models, blurring industry boundaries, creating new agile players without the obstacle of inherited companies and destroying others that do not adapt fast enough.

Furthermore, the world’s population is about to reach 8,500 million before 2030, and the average age of that population is increasing. As a result, there will be a contrast between countries with older population, which will have to work more years and acquire new skills,

¹ a) Technological breakthroughs, b) Changes in the power of the global economy, c) Climate changes and scarcity of resources, d) Demographic changes and e) Accelerated urbanization.
and those countries with youth unemployment, specially emerging economies, which if not solved, it will give rise to social pressure.

In addition, the impact of globalization, technological breakthroughs and financialisation have detached economic growth from social advance. As people's disappointment increases, the impact of globalization, automation and economic changes have led to an increase in populism. In line with this, another aspect that can be identified is the declining trust in institutions that started few years ago while organizations and governments became bigger and increasingly grew apart from the societies they represent.

Therefore, although there are still challenges to respond to, there are great opportunities for the future as well. The opportunity to redesign the way we see the world and take measures to achieve a positive expected outcome, far from the increasing social unrest. All these aspects taken together can help us to rethink and build a more prosperous, sustainable, inclusive and developed society. It only depends on us.

### Table 1: Some of the challenges faced by nations, organisations and society

<table>
<thead>
<tr>
<th>Urgent consequence</th>
<th>Example of immediate challenges at different levels of analysis</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Nation</strong></td>
<td><strong>Organisations</strong></td>
</tr>
</tbody>
</table>
| Asymmetry of benefit/harm | Growing wealth disparities and erosion of the middle class | Erosion of traditional customer base | Wealthy: rethinking their role in society  
|                    |                                                               |                                   | Everyone else: their own and their children’s future |
| Disruption         | Redesigning in institutions to remain relevant to citizens  | Digital transformation             | Remaining relevant with up-to-date skill |
| Age: Older countries | Greater welfare demands and an eroding tax base              | Changing customer needs            | Growing old with insufficient resources for a longer life coupled with a higher cost of living |
| Age: Younger countries | Massive job creation in a world of shrinking jobs        | Creating work and meeting the needs of young adults | Finding work |
| Populism/nationalism | Foreign policy and finding common ground in a fracture world | Being deeply local while creating global synergies | Loss of identity |
| Trust erosion      | Providing security for citizens and re-establishing trust in government, business and society at large | Re-establishing trust in business in a world with increasing public scrutiny and transparency | Personal safety, privacy and discerning truth |
| All aspects of ADAPT taken together | Building a thriving sustainable, inclusive society fast | Reimagining the business model | Rethinking what it means to be human |

Source: PwC. [www.pwc.com/adapt](http://www.pwc.com/adapt)

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2 Financialisation is a term that describes a state in which financial leverage has tended to override capital equity, and financial markets have tended to dominate over traditional industrial and agricultural economies.
**Inflation**

CPI*

*Inflation Exchange rate: spot and futures

Reserves and Central Bank Assets

Income and Expenses of the National Non-Financial Public Sector

Foreign Trade

Monthly Industrial Estimator

Price of Soy and Oil, index2004=100

Reserves, USD mn, end of period

Brazil United States Euro China

Commercial balance, USD MN

Imports, USD MN

Exports, USD MN

**Exchange rate: spot and futures**

Source: own calculations based on Ryfex

Source: own calculations based on Central Bank

Source: own calculations based on the Argentine Central Bank

Source: own calculations based on INDEC

Source: own calculations based on INDEC

Source: own calculations based on Secretary of Finance

Source: own calculations based on CBOT y WTI NYMEX

Source: own calculations based on Central Bank

Source: own calculations based on INDEC

Source: own calculations based on UTD and Congress

* CPI Congress. As of November 2016 it is considered CPI City of Buenos Aires
<table>
<thead>
<tr>
<th>Activity and Prices</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>feb-18</th>
<th>mar-18</th>
<th>apr-18</th>
<th>may-18</th>
<th>jun-18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Real GDP, var % y/y</td>
<td>2.6%</td>
<td>-1.8%</td>
<td>2.9%</td>
<td>-</td>
<td>3.6%</td>
<td>-</td>
<td>-</td>
<td>nd</td>
</tr>
<tr>
<td>CPI Federal Capital, var % y/y</td>
<td>26.9%</td>
<td>41.0%</td>
<td>26.1%</td>
<td>26.3%</td>
<td>25.4%</td>
<td>26.5%</td>
<td>27.2%</td>
<td>29.8%</td>
</tr>
<tr>
<td>CPI San Luis, var % y/y</td>
<td>31.6%</td>
<td>31.4%</td>
<td>24.3%</td>
<td>25.6%</td>
<td>25.2%</td>
<td>25.3%</td>
<td>26.4%</td>
<td>30.2%</td>
</tr>
<tr>
<td>Industrial Production, var % y/y</td>
<td>nd</td>
<td>-4.6%</td>
<td>1.8%</td>
<td>5.3%</td>
<td>1.2%</td>
<td>3.4%</td>
<td>-1.2%</td>
<td>nd</td>
</tr>
<tr>
<td>International Reserves (end period, USD mn)</td>
<td>25,563</td>
<td>39,308</td>
<td>55,055</td>
<td>61,509</td>
<td>61,726</td>
<td>56,623</td>
<td>50,098</td>
<td>61,881</td>
</tr>
<tr>
<td>Implicit exchange rate (M0 / Reserves)</td>
<td>24.41</td>
<td>20.90</td>
<td>18.18</td>
<td>16.31</td>
<td>17.65</td>
<td>17.77</td>
<td>20.37</td>
<td>16.87</td>
</tr>
<tr>
<td>$/USD, end period</td>
<td>13.01</td>
<td>15.85</td>
<td>18.77</td>
<td>20.12</td>
<td>20.14</td>
<td>20.69</td>
<td>24.95</td>
<td>28.86</td>
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<table>
<thead>
<tr>
<th>External Sector</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>feb-18</th>
<th>mar-18</th>
<th>apr-18</th>
<th>may-18</th>
<th>jun-18</th>
</tr>
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<tbody>
<tr>
<td>Exports, USD mn</td>
<td>56,784</td>
<td>57,879</td>
<td>58,427</td>
<td>4,283</td>
<td>5,360</td>
<td>5,164</td>
<td>5,162</td>
<td>nd</td>
</tr>
<tr>
<td>Imports, USD mn</td>
<td>60,203</td>
<td>55,911</td>
<td>66,899</td>
<td>5,197</td>
<td>5,958</td>
<td>6,102</td>
<td>6,447</td>
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</tr>
<tr>
<td>Comercial Balance, USD mn</td>
<td>-3,419</td>
<td>1,969</td>
<td>-8,472</td>
<td>-914</td>
<td>-598</td>
<td>-938</td>
<td>-1,285</td>
<td>nd</td>
</tr>
<tr>
<td>Currency liquidation by grain exporters, USD mn</td>
<td>19,953</td>
<td>23,910</td>
<td>21,399</td>
<td>1,379</td>
<td>1,550</td>
<td>1,579</td>
<td>1,940</td>
<td>3,225</td>
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<thead>
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<tbody>
<tr>
<td>Unemployment, country (%)</td>
<td>nd</td>
<td>7.6</td>
<td>7.2</td>
<td>-</td>
<td>9.1</td>
<td>-</td>
<td>-</td>
<td>nd</td>
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<tr>
<td>Unemployment, Greater Buenos Aires (%)</td>
<td>nd</td>
<td>8.5</td>
<td>8.4</td>
<td>-</td>
<td>10.7</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Activity rate(%)</td>
<td>nd</td>
<td>45.3</td>
<td>46.4</td>
<td>-</td>
<td>46.7</td>
<td>-</td>
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<tr>
<th>Fiscal</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>feb-18</th>
<th>mar-18</th>
<th>apr-18</th>
<th>may-18</th>
<th>jun-18</th>
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</thead>
<tbody>
<tr>
<td>Income, $mn</td>
<td>1,537,948</td>
<td>2,070,154</td>
<td>2,578,609</td>
<td>235,666</td>
<td>238,836</td>
<td>236,227</td>
<td>295,421</td>
<td>298,853</td>
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<tr>
<td>VAT, $mn</td>
<td>433,076</td>
<td>583,217</td>
<td>765,333</td>
<td>77,705</td>
<td>79,965</td>
<td>82,581</td>
<td>87,324</td>
<td>92,127</td>
</tr>
<tr>
<td>Income tax, $mn</td>
<td>381,463</td>
<td>432,907</td>
<td>555,023</td>
<td>45,419</td>
<td>48,557</td>
<td>41,591</td>
<td>76,419</td>
<td>90,350</td>
</tr>
<tr>
<td>Social Security System, $mn</td>
<td>401,045</td>
<td>536,180</td>
<td>704,177</td>
<td>65,796</td>
<td>67,300</td>
<td>68,255</td>
<td>68,602</td>
<td>69,789</td>
</tr>
<tr>
<td>Export Tax, $mn</td>
<td>75,939</td>
<td>71,509</td>
<td>66,121</td>
<td>5,623</td>
<td>3,063</td>
<td>8,780</td>
<td>10,842</td>
<td>10,728</td>
</tr>
<tr>
<td>Primary expenses, $mn</td>
<td>1,427,990</td>
<td>1,790,789</td>
<td>2,194,291</td>
<td>179,632</td>
<td>194,853</td>
<td>188,248</td>
<td>200,854</td>
<td>264,254</td>
</tr>
<tr>
<td>Primary result, $mn</td>
<td>-291,660</td>
<td>-343,526</td>
<td>-404,142</td>
<td>-20,228</td>
<td>-14,702</td>
<td>-10,342</td>
<td>-7,818</td>
<td>-56,664</td>
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<tr>
<td>Interest, $mn**</td>
<td>120,840</td>
<td>185,253</td>
<td>308,048</td>
<td>10,755</td>
<td>38,161</td>
<td>37,157</td>
<td>27,799</td>
<td>45,382</td>
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<table>
<thead>
<tr>
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<tbody>
<tr>
<td>Badlar - Privates (%)</td>
<td>27.54</td>
<td>20.04</td>
<td>23.18</td>
<td>22.74</td>
<td>22.78</td>
<td>22.78</td>
<td>28.09</td>
<td>30.44</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>21.64</td>
<td>21.74</td>
<td>21.72</td>
<td>26.34</td>
<td>28.63</td>
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<tr>
<td>Mortgages (%)</td>
<td>22.85</td>
<td>19.70</td>
<td>18.61</td>
<td>20.22</td>
<td>19.96</td>
<td>20.38</td>
<td>19.52</td>
<td>22.92</td>
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<tr>
<td>Pledge (%)</td>
<td>26.03</td>
<td>20.82</td>
<td>17.42</td>
<td>16.02</td>
<td>16.25</td>
<td>17.52</td>
<td>18.63</td>
<td>21.93</td>
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<tr>
<td>Credit Cards (%)</td>
<td>39.97</td>
<td>44.45</td>
<td>42.21</td>
<td>43.17</td>
<td>43.38</td>
<td>43.61</td>
<td>44.17</td>
<td>44.64</td>
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<thead>
<tr>
<th>Commodities****</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>feb-18</th>
<th>mar-18</th>
<th>apr-18</th>
<th>may-18</th>
<th>jun-18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Soy (USD/Tn)</td>
<td>347.3</td>
<td>362.6</td>
<td>358.9</td>
<td>371.2</td>
<td>381.9</td>
<td>381.3</td>
<td>374.8</td>
<td>340.0</td>
</tr>
<tr>
<td>Corn (USD/Tn)</td>
<td>148.3</td>
<td>141.1</td>
<td>141.4</td>
<td>144.1</td>
<td>149.4</td>
<td>151.8</td>
<td>156.8</td>
<td>143.6</td>
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<tr>
<td>Wheat (USD/Tn)</td>
<td>186.4</td>
<td>160.3</td>
<td>160.2</td>
<td>167.4</td>
<td>174.4</td>
<td>174.5</td>
<td>189.9</td>
<td>184.0</td>
</tr>
<tr>
<td>Oil (USD/Barrel)</td>
<td>48.8</td>
<td>43.3</td>
<td>50.9</td>
<td>62.0</td>
<td>62.8</td>
<td>66.3</td>
<td>70.0</td>
<td>67.3</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 moth 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

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