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Where is the Argentine economy heading to?



The decision of the monetary authority to tighten restrictions on the exchange market only added uncertainty about the path that the Argentine economy will take in the coming months and about the level of coordination of economic policy (tax, monetary, exchange rate, income, among others).

As we have stated on other occasions, the Argentine economy was going through a recession and the emergence of the pandemic worsened this scenario. The need to adopt isolation measures led the government to implement a fiscal aid package to maintain the income of a part of the population and reduce the risks of disruptions to the payment chain, financial crises, company bankruptcies, etc. Whether or not the sustainability of such measures over time is reasonable, in a context of no access to credit markets, the increase in

spending had to be financed with monetary issuance.

The surplus of Argentine pesos, which, in a context of isolation, restrictions on supply and a falling demand has not been fully transferred to prices -at least so far-, has been offset by the rise in unofficial exchange rates, increasing the gap with the official exchange rate. Argentina's bi-currency economy leads its population to demand dollars as a store of value, and the combination of signals, meaning the increase in the exchange gap and an expectation of price increases as a result of the surplus of Argentine pesos, led authorized individuals and legal entities to obtain foreign currency. The arbitrage opportunity for those who can get pesos at the official price has put, in recent months, a lot of pressure on the BCRA reserves. After having reached an agreement with

the foreign debt holders and refinanced the debt in the short term, there was a window of opportunity to propose -either announced or not- a solid plan to balance the main macroeconomic variables and thus reduce the deficit aligned with the possibilities of its real financing -mainly through the placement of debt-. This requires maintaining the interest rate at positive real values, which, added to the economic rebound -which, should start its recovery from very low levels of activity- would allow creating a certain demand for pesos, thus giving rise to a gradual convergence of the official and unofficial exchange rates.

However, on the same day that the National Budget Bill was sent to the National Congress, the BCRA announced measures to tighten the exchange rate to further contain the demand for dollars. Among the announced measures, the most notable is the one that places private companies on the verge of default, by forcing them to refinance part of their financial debt in foreign currency due in the next six months.

The question arises as to how to achieve the economic growth target next year, -which according to projections should be strongly driven by investment and exports, if, at the same time, exchange regulations increasing the cost of the private sector's financing are introduced or equity taxes on those sectors with more possibilities of diverting assets to productive investments are discussed, instead of focusing on the efficiency of public spending. The greater amount of time spent and concessions made to reach an agreement that would avoid the public sector default and put the private sector in such a situation were at least neutralized by regulatory means. Furthermore, the budget shows that 70% of the primary deficit in 2021 will be financed with temporary advances

and profit transfers from the BCRA, thus increasing the issuance floor for next year. Moreover, the endogenous growth of the remunerated liabilities of the BCRA shall be added, whose current amount exceeds the monetary base and has rates of 38% in the case of Ieliqs and 19% in the case of reverse repos.

The tightening of the "clamp" on foreign currency, whose purpose is to contain the demand for dollars, seems to ignore the underlying issue that is the surplus of pesos. The answer seems to be a short-term measure to save time.

If this is the case, the next question is: To buy time to do what? Sooner or later the problem of the surplus of pesos in the economy will have to be solved (by price or by quantity). There is still time to do it in an orderly manner. Delaying it only builds up greater pressures and increases the likelihood of an abrupt and disorderly adjustment.

A handwritten signature in black ink, appearing to read 'José María Segura'.

José María Segura
Chief Economist PwC Argentina

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Great deal of uncertainty associated to the complex economic context

On Tuesday, September 15, the 2021 Budget Law project was released and later, on the same day, the Argentine Central Bank (BCRA) tightened controls on access to the exchange market, thus generating uncertainty and questions in relation to the short and medium term.



Industry Roadmap

Reinventing ourselves: new paradigms, challenges and opportunities

For Argentina to be considered by the investing world, the risk/return profile of their projects must be improved.



Customs & FX

No control over foreign exchange control

A new array of measures was released by the BCRA on September 15, through Communications “A” 7105 and 7106. For many, these measures represent an unparalleled extension of the restrictions on foreign currency, which may be classified into 3 large groups: dollarized transactions; securities transactions, and foreign financial indebtedness.



Panorama federal

Province: Corrientes

Corrientes is located between two rivers: the Uruguay river, to the east and the Paraná river, to the northwest, and they form its territory’s national borders. Water resources are used for electricity generation in the Yacyretá hydroelectric dam. A number of wetlands and lagoons converge in a unique landscape. Furthermore, it connects Argentina with neighboring countries by three international terrestrial border crossings: Ituzaiingó – Ayolas; Santo Tomé – São Borja; Paso de los Libres – Uruguayana

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Tracking



Greater uncertainty in a complex economic environment

On Tuesday, September 15, the 2021 Budget Bill was released and later, on the same day, the Argentine Central Bank (BCRA) tightened controls on access to the exchange market, thus giving rise to uncertainty and concerns in relation to the short and medium term.

The pandemic declared by the WHO in March imposed a series of unprecedented constraints on the countries worldwide. The different health measures introduced had, to a greater or lesser extent, an almost immediate impact on economies, which saw the rapid fall of its production indicators and economic

activity. As a response to these measures, most of the governments implemented fiscal aid packages to maintain the income of a part of the population and reduce the risks of disruption to payment chains, thus avoiding financial and economic crises as well as bankruptcies of companies. Argentina was no exception, acting relatively quickly right after the pandemic was declared.

With a public sector with no access to the voluntary debt market, the main tool used by the government to finance the temporary increase in spending brought about by the fiscal package was the Central Bank's assistance.

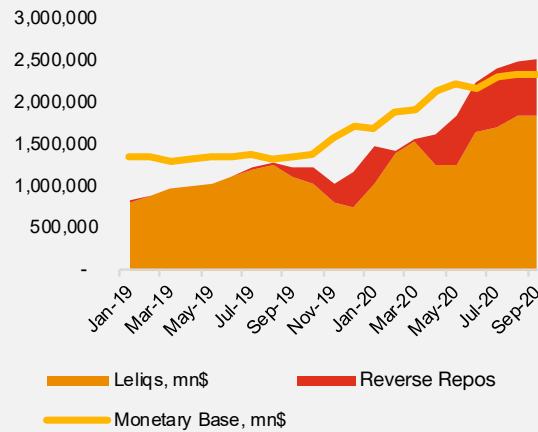
As it can be seen in Graphic 1, both the monetary base and remunerated liabilities (leliqs and reverse repos) have increased steadily. Notably, remunerated liabilities have exceeded the total amount of pesos in circulation since May, starting a trend towards domestic money printing (leliqs' average rate is 38%, while reverse repos' is 19%).

Against a backdrop of restrictions on foreign exchange, devaluation expectations resulting from the increase in money supply gave rise to an official exchange rate very distant from market perception, which explains the growing gap between the official and unofficial exchange rates.

In early August, Argentina announced its agreement with foreign-law debt creditors. Such deal was expected to refinance foreign currency debt in the short and medium term. The government squandered this chance, which could have been the starting point for a new financing strategy of the Treasury, among its efforts to adjust the temporary increase as a result of the needs arising from the pandemic.

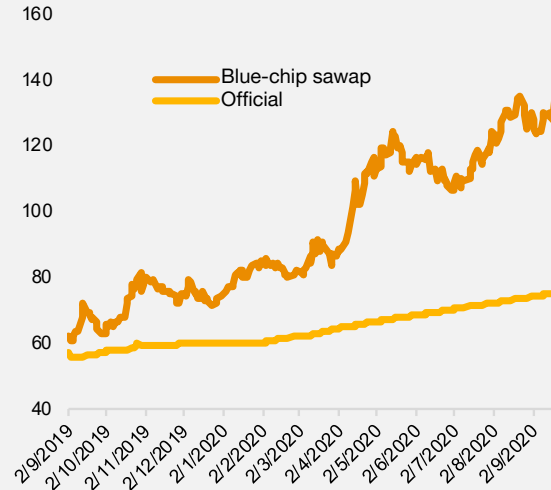
However, even though the default with private creditors was avoided, a series of contradictory signs hindering confidence restoration led to more demand for dollars from the private sector in August, most of which was due to precautionary demand and arbitrage opportunities by retailers

GRAPHIC 1
Monetary base, leliqs and reverse repos, in millions of pesos



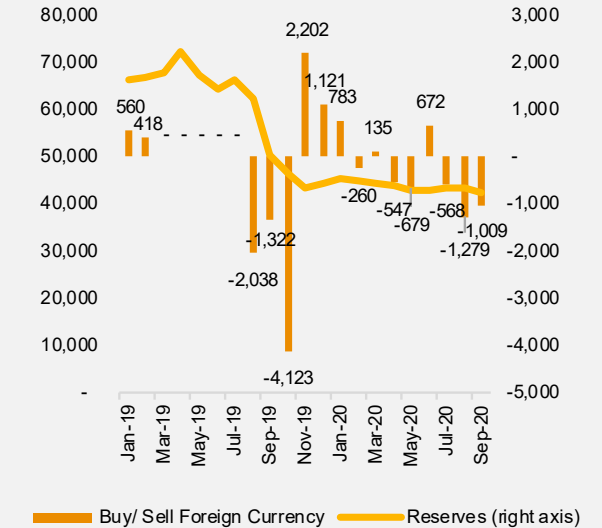
Source: Prepared by the authors based on Central Bank of Argentina official statistics. September includes only its first eleven days

GRAPHIC 2
Official exchange rate and blue-chip swap



Source: Prepared by the authors based on Central Bank of Argentina official statistics.

GRAPHIC 3
Purchase/sale of BCRA reserves and total of reserves, in millions of US dollars



Source: Prepared by the authors based on Central Bank of Argentina official statistics.

and implied a sale of foreign currency amounting to USD 1,279 million. In the first eleven days of September, sales reached another USD 1,009 million. Within this framework, Central Bank reserves continued falling and showing risky dynamics, even though they were partially offset by the minimum capital requirements for financial institutions and other transactions, including reverse repos in US dollars with international banks.

In this context of dwindling reserves, and on the same day the Budget Bill was submitted to the National

Congress, the BCRA introduced a series of measures aimed at tightening access to the foreign exchange market. As a result, the purchase of dollars for savings became more expensive (a 35% tax was levied on account of future Income Tax and Tax on Personal Assets' payments, in addition to the 30% solidarity tax). Further, the limit of USD 200 per month established for the purchase of dollars for individuals will also affect credit-card purchases abroad and payment of services in dollars. Also, the government imposed further restrictions on the purchase of a

maximum of USD 200 for individuals receiving government assistance, bank accounts co-holders, individuals who have refinanced personal, pledge and mortgage loans, within the framework of the measures adopted to mitigate the pandemic crisis, as well as for those whose UVA-adjusted mortgage loans installments were frozen, those who refinanced credit cards payments and holders of US dollars accounts with unreported income. All these measures sought to reduce the demand for dollars due to arbitrage opportunities in the unofficial market.

In turn, government's tightening of access to the exchange market for companies that have scheduled payments of principal falling due between 10/15/2020 and 03/31/2021 came as a shock and led to high uncertainty. These companies must submit a refinancing plan of at least 60% of the principal amount due, with a new external indebtedness with an average life of two years, allowing them to access the foreign exchange market only to pay 40% of the principal amount due.

Once again, the monetary, exchange and fiscal policies evidence a clear dissociation and lack of coordination among them, and the government misses the opportunity to balance the macroeconomic variables. The 2021 Budget Bill, brought before Congress by the Executive Branch, estimates a 12.1% drop in economic activity for the current year, while for 2021, it expects an economic growth of 5.5%, largely driven by investments and exports. According to the coming trend for the next four years, by 2023, economic activity will still stand below its 2018 GDP level.

The Budget Bill also reveals that, if assumptions materialize — some of which seem optimistic — income will grow 44.8% compared to 2020, while expenses will do so by 15.3%. It should be noted that the baseline for income is too low, due to the decline in activity and the strong increase in expenses during 2020. Therefore, the primary deficit expected by the government is 4.2% of GDP, which, although it is practically half the level

TABLE 1
Summary of measures [adopted by the Central Bank]

| | |
|---|---|
| Purchase of dollars for savings 35% increase | The monthly limit of USD 200 per person is still in force (except for excluded cases). Individuals not allowed to buy dollars for savings: - Beneficiaries of government assistance. - Beneficiaries of credit assistance provided by financial institutions. - Beneficiaries of UVA-adjusted mortgage loans. - Beneficiaries of zero-rate loans. - Companies that were granted subsidized loans. |
| Credit card payments for consumption in foreign currency are deducted from the monthly quota of USD 200 | There is no maximum limit for credit card expenses, however: - Credit card payments for consumption in foreign currency are deducted from the monthly quota of USD 200. - If expenses in foreign currency exceed the USD 200 quota for the month, such excess will be deducted from the subsequent months. |
| Restrictions on transactions with securities | Non-residents shall not carry out securities settlement transactions against foreign currency in Argentina (not even C or D types). Securities transactions completed entirely abroad shall not be settled in local currency in Argentina. Minimum holding period of 15 business days prior to transferring marketable securities purchased with settlement in local currency to depositary entities abroad. |
| Mandatory restructuring of private sector financial debts (except for indebtedness incurred with international agencies) | Includes principal maturities on foreign debt, denominated in foreign currency, scheduled between 10/15/2020 and 03/31/2021 . Legal entities must submit to the Central Bank a refinancing plan according to the following criteria: - The net amount to access the foreign exchange market shall not exceed 40% of the principal amount due. - The remainder of principal shall have been refinanced with one new foreign debt and an average period of at least two years. |

projected for 2020 (8.3%), is well above the 0.4% of 2019.

One of the relevant points is that the budget forecasts that such primary deficit will be financed to a large extent (70%) by temporary advances

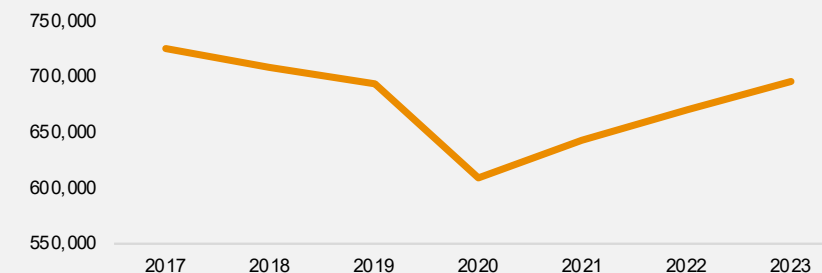
and profit transfers from the BCRA amounting to USD 1,200 million, which represent 50% of the current values of the monetary base; only the remaining 30% would be financed by debt issuance. This strategy raises, at least, the question about the future of the

TABLE 2
Macroeconomic assumptions, year-on-year variation

| | 2019 | 2020f | 2021f | 2022f | 2023f |
|---------------------|------|--------|-------|-------|-------|
| GDP | -2% | -12.1% | 5.5% | 4.5% | 3.5% |
| Private consumption | -7% | -13.6% | 5.5% | 4.7% | 3.6% |
| Public consumption | -1% | -2.1% | 2.0% | 2.2% | 2.0% |
| Investment | -16% | -25.6% | 18.1% | 10.1% | 6.6% |
| Exports | 9% | -14.2% | 10.2% | 6.5% | 5.3% |
| Imports | -19% | -21.9% | 16.3% | 10.0% | 7.7% |

Source: Prepared by the authors based on the 2021 National Budget Bill

GRAPHIC 4
Real GDP growth, in millions of pesos, 2004-2020 data



Source: Prepared by the authors based on INDEC statistics and the 2021 National Budget Bill
Data are estimated from 2020 onwards

monetary base and the remunerated liabilities of the Central Bank: how will market balance be achieved with so many pesos?

Moreover, the country's economic activity will hit its all-time low by the end of 2020, as a result of the extraordinary impacts of the pandemic on an already ailing economy, which would have probably fallen, but on a different scale. According to the budget,

investments and exports should power the economy. However, even after the efforts made to avoid the public sector default and promote financing for the private sector, the question is: will it be possible to reactivate investments, when the private sector is obliged to default on its debts to protect reserves?

The time that might be bought as a result of greater restrictions is inversely proportional to the tensions that will build up.

Industry Roadmap

Reinventing ourselves: new paradigms, challenges and opportunities



By Ezequiel Mirazón and
Juan Procaccini, partners
of PwC Argentina



From August 25th to 27th, the 37th Annual Congress of the Argentine Institute of Finance Executives (IAEF) was held virtually under the slogan: “Reinventing ourselves: new paradigms, challenges and opportunities”, an event that raised the interest and had the attendance of more than 1,000 people.

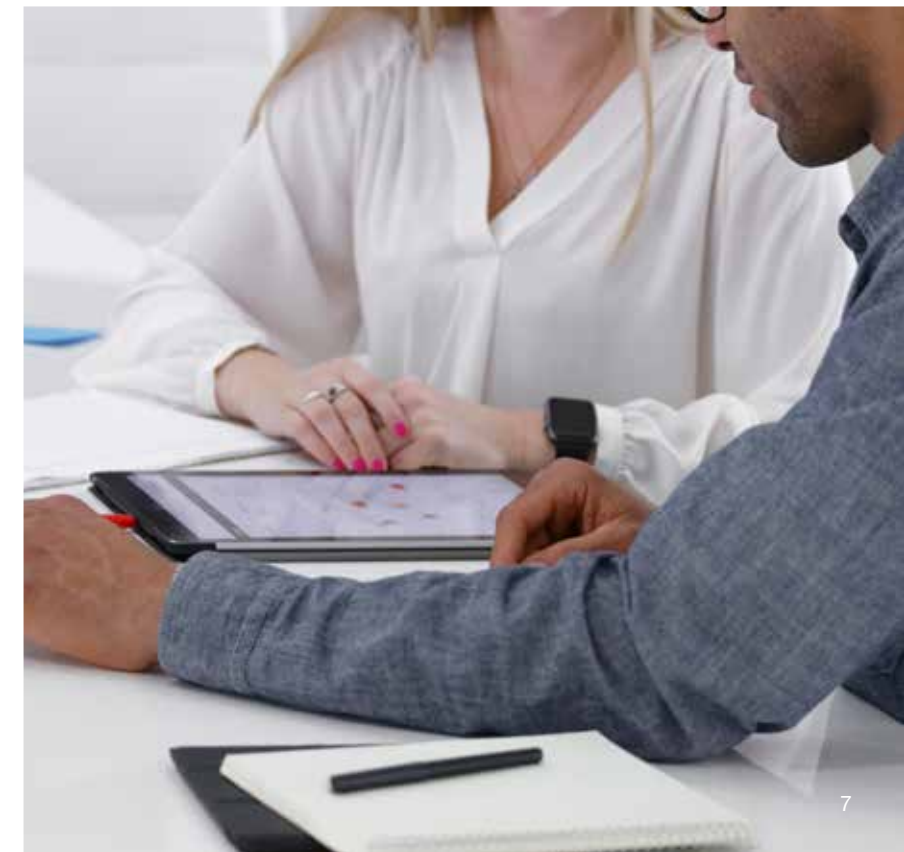
The event’s agenda included the management of several current and worthwhile topics, such as the potential growth engines of post-pandemic Argentina, investment strategies in a world of negative rates and high liquidity, macroeconomics to leave stagflation behind, the role of the opposing party to address the new challenges, incentives to increase private investment and the fate of international politics. The event had the participation of prominent political figures such as María Eugenia

Vidal, Minister Matías Kulfas and the president of the BCRA, Miguel Ángel Pesce.

Within the panel called “Financing of investments: What financing opportunities currently exist and how do we develop the necessary ones?”, the measures required to reactivate investments in post-pandemic Argentina were discussed and evaluated.

Juan Procaccini, Partner of PwC Argentina, stated that for Argentina to be considered by the investing world, the risk/return profile of their projects must be improved. To decrease the perception of risk, it is necessary to generate trust, reduce political and economic uncertainty, by sharing an agreed plan of the Argentina we want. After the agreement with creditors - a relevant first step - it is essential

to show a way to recover growth, reducing deficit and controlling inflation. To improve returns, it is necessary to work on structural changes such as tax, financial, logistics and labor costs, to enhance the country’s competitiveness and optimize the profitability of projects. Only when that happens, will we lure investors to our country again.



Customs & FX

No control over foreign exchange control

A new array of measures was released by the BCRA on September 15, through Communications “A” 7105 and 7106. For many, these measures represent an unparalleled extension of the restrictions on foreign currency, which may be classified into 3 large groups: dollarized transactions; securities transactions, and foreign financial indebtedness.

Dollarized transactions

Prior to opening an account in foreign currency, financial institutions must obtain documentary evidence about whether their clients have any income and/or assets from which their capacity to hold savings in foreign currency may be inferred. In the case of pre-existing accounts, similar controls are requested prior to the accreditation of new amounts, except when they are transferred from abroad.

In addition, payments by debit card for consumptions made abroad and debited from local accounts in Argentine pesos and credit card purchases as of 9/1/2020 will be deducted from the maximum quota of USD 200.

Securities transactions

The good news regarding this type of transactions is that the holding period for securities with settlement in foreign currency is no longer required, and, from now on, they can be exchanged (without a waiting period) for local or foreign currency.

On the contrary, non-Argentine residents are not allowed to sell securities with settlement in foreign currency. Besides, securities transactions agreed abroad as well as the securities acquired accordingly cannot be exchanged in pesos in the country.

While there are some doubts about the first impediment, the state of uncertainty with regard to the second one is overwhelming.

The BCRA failed to define concepts such as “agreement”, or “place of acquisition”. Furthermore, at the same time these measures were published, the National Securities Commission (CNV) issued General Resolution 856, stating as follows: *“Marketable Securities from foreign depository institutions deposited in the Marketable Securities Central*

Depository Agent” ... “shall only be applied to the settlement of transactions in local currency after FIFTEEN (15) business days from their deposit in the sub-account(s) held at the local depository.”

This seems an utter contradiction between the BCRA and the CNV, considering that the transaction referred to by the latter, “Foreign bonds settled in pesos”, could not but be considered bonds “acquired abroad”, which, according to the BCRA, cannot be settled in local currency.

This admits three possible readings: (i) the impediment established by the BCRA only applies to transactions carried out by financial institutions; (ii) the impediment does not apply to transactions for the transfer of foreign securities to the country; (iii) the BCRA and the CNV are not on the same page and, therefore, issue conflicting regulations.

Even though we could lean towards the effectiveness of the second reading, controlling authorities are expected to provide clarifications, especially the BCRA, since it definitively finds stock market regulations more inconvenient.

Foreign financial indebtedness

Under BCRA regulations, those who have foreign financial debts with principal maturities between 10/15/2020 and 03/31/2021 shall submit a refinancing plan for BCRA approval, in which original maturities may be maintained for up to 40% of the amount due, provided that the

remaining 60% be refinanced with new foreign indebtedness with an average life of at least 2 years. In addition, the new financing may be granted by the original creditor, or by other creditors, provided that the new indebtedness is settled in the exchange market.

In the case of publicly registered debt securities denominated in foreign currency, new issuances of securities whose principal and interest are payable in the country will only be allowed if the proceeds are settled in the local exchange market.

The foregoing does not apply to debts held with international organizations, or their agencies or affiliates; official credit agencies, or debts secured by them, when principal repayments or the indebtedness amount do not exceed the equivalent to USD 1,000,000 per calendar month.

Unfortunately, the above is the entire content of BCRA communications and, therefore, there are many omissions.

It is not stated (although it should be reasonably understood) whether these requirements shall only be met by those who wish to reserve the right of access to the exchange market for the 40% financing. Also, there is lack of clarity as to whether residents can agree with their creditors a 40% plan with original maturities, and the settlement of the rest of the indebtedness through different means, such

as securities, unrestricted funds, cancellation by third parties, among others. What will happen in case of a refinancing agreed under these new terms and pre-canceled through the aforementioned means is still uncertain.

Once again, the business community needs light on the matter.

In an economic crisis, measures of this type always have two well differentiated aims, regardless of their context or targets: an increase in income and a decrease in foreign exchange outflow. However, while the first sees no limit, the second one does; and the closer the limit of the second aim is, the more conditioned the first aim becomes. It is also worth noting that exceeding this limit leads to an inevitable outcome: the so called *“corporatio-fagia*, a word we have coined to refer to the extended impossibility of conducting business.

Federal Landscape

Province:
Corrientes



Province: Corrientes

Region: Northeast

The province of Corrientes borders with the Republic of Paraguay to the north; with the province of Misiones, the Federative Republic of Brazil and the Oriental Republic of Uruguay to the east; with the province of Entre Ríos to the south and with the provinces of Santa Fe and Chaco to the west.

A 35% of its surface is covered with freshwater wetlands, lagoons and rivers. In aggregate, the lands suitable for production represent 65% of its whole surface. This area is destined for different activities, such as sheep and cattle farming, citrus growing and processing, especially oranges, and rice growing, which today is rapidly expanding due to the Brazil's market. More traditional industrial crops such as tea, yerba mate and tobacco must also be mentioned.

992,595

Population

11.3

Population Density
(pob/km²)

88,199

Area in km²



Employment and income indexes

| | Province | Region | Nation |
|----------------------------|----------|--------|--------|
| Employment rate | 32.4% | 34.5% | 33.4% |
| Unemployment | 8.1% | 7.2% | 13.1% |
| Activity rate | 35.2% | 37.1% | 38.4% |
| Employment* (in thousands) | 74 | 269 | 5,780 |

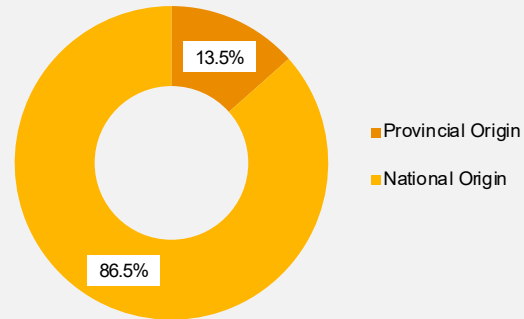
*Registered private sector employees by province

Note 1 (rates): Ministry of Economics, <https://www.minhacienda.gob.ar/datos/>, 2nd quarter 2020.
Nota 2 (employment): Ministry of Labour, Employment and Social Security. Report of the registered work, June 2020.



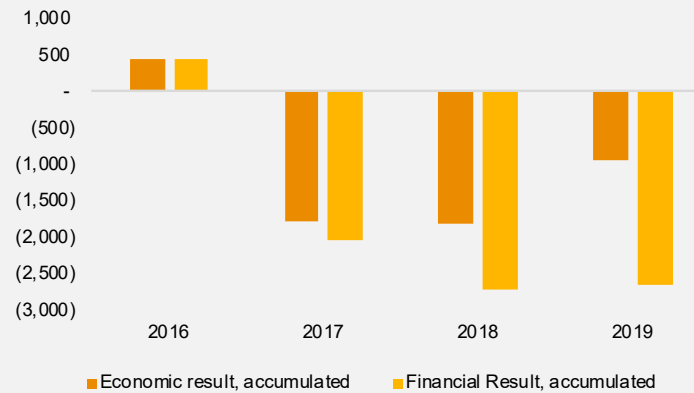
Fiscal Indicators

Tax revenues by origin, 2019



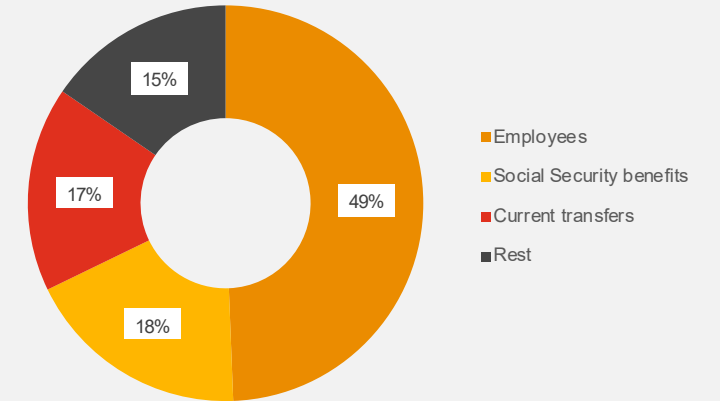
Source: Prepared by PwC Argentina based on Ministry of Finance, National Directorate of Provincial Affairs

Fiscal Result, millions of pesos



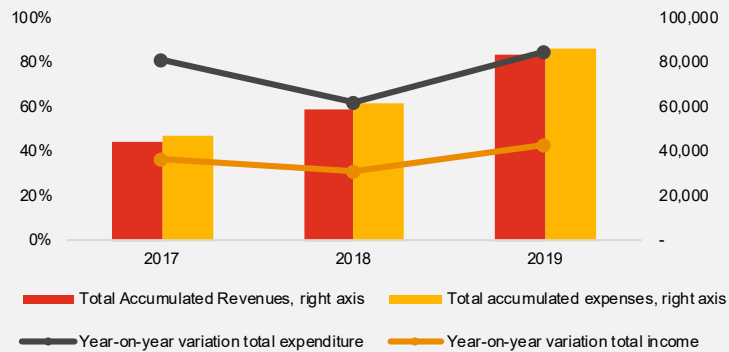
Source: Prepared by PwC Argentina based on Ministry of Finance, National Directorate of Provincial Affairs

Composition of current expenses, 2019



Source: Prepared by PwC Argentina based on Ministry of Finance, National Directorate of Provincial Affairs

Total income and expenses, millions of pesos



Prepared by PwC Argentina based on Ministry of Finance, National Directorate of Provincial Affairs

Public Debt, in million of pesos⁽¹⁾



Source: General Directorate of Fiscal Relations, Fiscal Responsibility System, Ministry of Economy.

Notes:

- (1) All data are preliminary and subject to revision. Floating Debt is not included.
- (2) Federal Trust Fund for Regional Infrastructure
- (3) Provincial Development Trust Fund
- (4) Securities expressed at Residual Value

In 2019, the Non-Financial Public Administration of the province of Corrientes recorded a financial loss amounting to ARS 2,643 million, resulting from a total income of ARS 83,925 million and expenses amounting to ARS 86,568 million.

Total income increased 43.3% compared to the previous year. In turn, accrued expenses for the previous year rose 41.3% compared to the ARS 61,286 million incurred in 2018.

Total provincial public debt, excluding floating debt, at December 30, 2019 amounted to ARS 10,863 million.



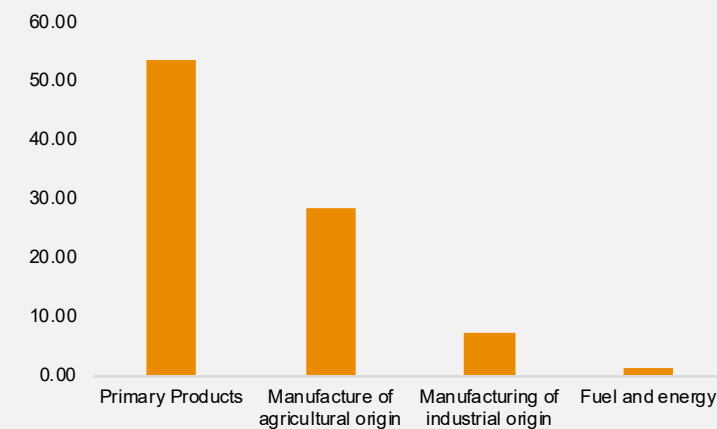
Exports

| Corrientes | 1S 2020 | 1S 2019 |
|------------------------|---------|---------|
| Ranking position | 21 | 22 |
| Amount | 91 | 106 |
| Regional participation | 16.1% | 18.3% |
| National participation | 0.35% | 0.33% |

Source: Prepared by PwC Argentina based on INDEC statistics.

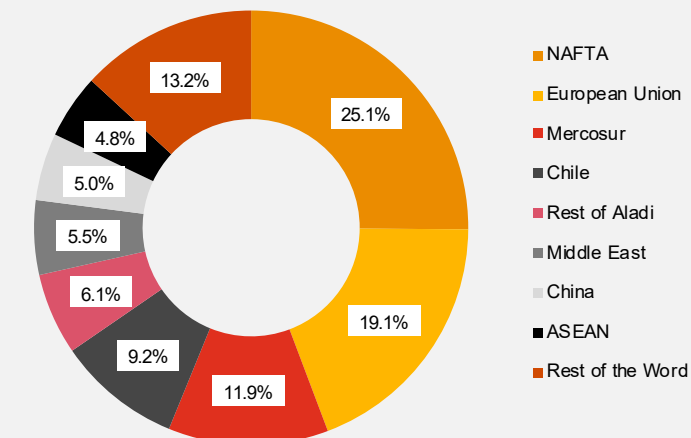
In the first half of 2020, the province of Corrientes recorded exports for USD 91 million, accounting for a year-on-year decline of 14.2%. These exports included mostly primary products (59%), among which rice and citrus stood out, representing 39.5% and 12.1% of the province's total exports, respectively. Exports' main destinations were NAFTA (25.1%), the European Union (19.1%) and Mercosur (11.9%).

Main exports



Source: Prepared by PwC Argentina based on INDEC statistics.

Main destinations



Source: Prepared by PwC Argentina based on INDEC statistics.

| | Amount | Year-on-year variation | Province vs Nation |
|--|--------|------------------------|---------------------|
| Cement Consumption (Aug-2020) | | | |
| • Bag | 17,990 | 35.66% | 656,677 17,990 |
| • Bulk | 4,674 | -16.79% | 260,557 4,674 |
| Car Patenting (Aug-2020), quantity | | | |
| | 668 | -17.12% | 30,420 668 |
| Supermarket Sales (Jul-2020), million pesos | | | |
| | 1,123 | 2.58% | 81,240 1,123 |
| Credits* | | | |
| • Non-Financial Loans. Personal | 6,249 | -0.03% | 398,764 6,249 |
| • Non-Financial Loans. Cards | 3,350 | 47.17% | 599,347 3,350 |
| Deposits* | | | |
| • Current account deposits | 3,587 | 61.36% | 695,311 3,587 |
| • Deposits in the savings bank | 12,341 | 21.01% | 1,580,641 12,341 |
| • Fixed-term deposits | 14,011 | 19.02% | 1,495,428 14,011 |



Province activity

Due to its agricultural and industrial activities, the province's main economic focus is on the central and south areas, which have common characteristics with the Pampas region. Another aspect is the breeding and fattening of cattle, in large amounts, for the production of meat and milk; this region forms part of Argentina's dairy area.

The industry is represented by the production of tobacco and cigarettes in the city of Goya; citrus products in Bella Vista; and rice mills, textile factories, tanneries and dockyards in the capital city, Corrientes. The Yacyretá dam was built on the Paraná river, between Argentina and the Republic of Paraguay, which also acts as a railway link. Since the creation of the Mercosur, the country's trade with Brazil increased, and the province became a mandatory route for road transport.

Note cement

Source: Portland Cement Manufacturers Association, <https://www.afcp.org.ar/copia-de-despacho-total-de-cemento->.

Note Car Patenting

Source: SIOMAA, <http://www.siomaa.com/InformeSector/Reportes>.

Note Supermarket Sales

Source: INDEC, National Directorate of Statistics and Prices of Production and Trade.

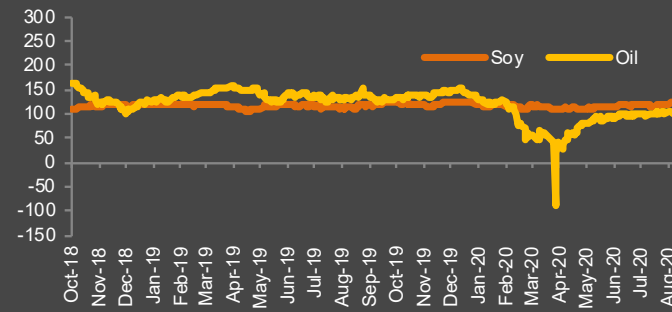
Note deposits y credits

Source: Central Bank of Argentina.

*In local and foreign currency, in thousands of pesos, 4th quarter 2019
** Real change (the CPI INDEC northeast was used)

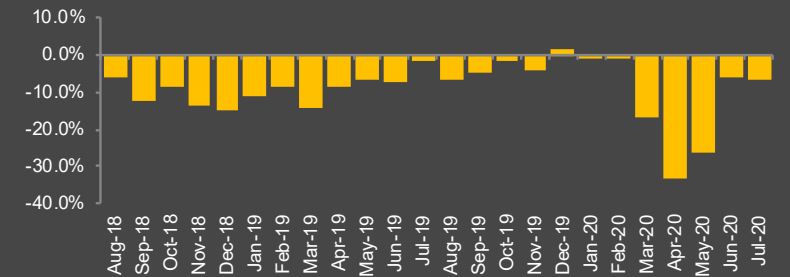
Macro Monitors

Price of Soy and Oil, index 2004=100



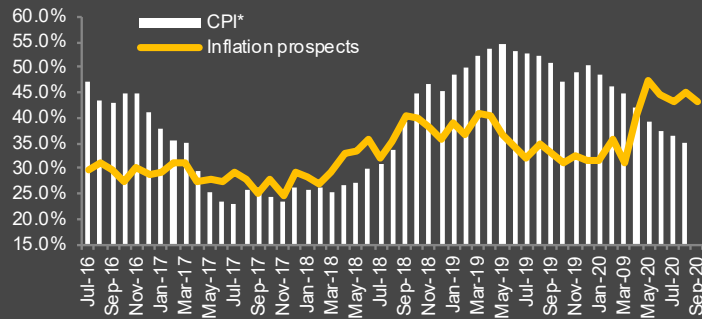
Source: Own calculations based on CBOT and WTI NYMEX

Monthly Industrial Estimator



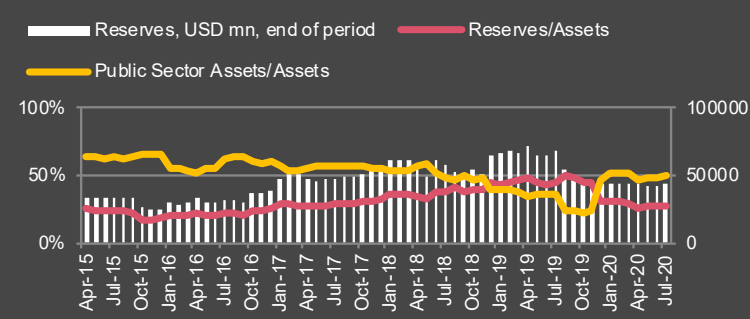
Source: Own calculations based on INDEC

Inflation



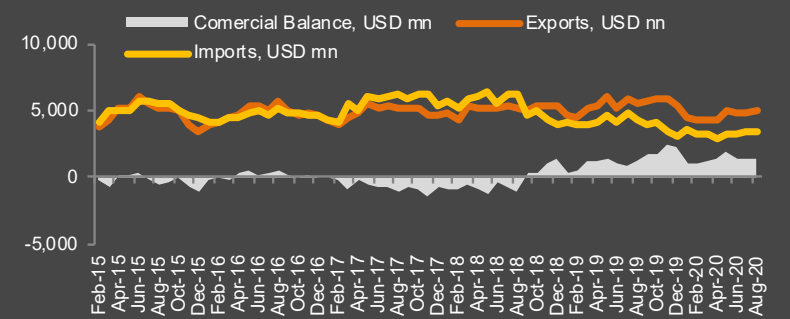
Source: Own calculations based on CPI of City of Buenos Aires and UTDT

Reserves and Central Bank Assets



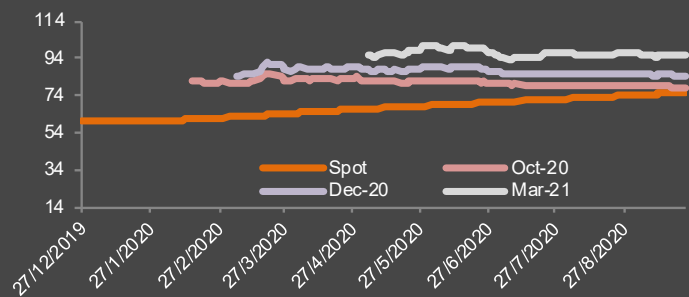
Source: Own calculations based on Central Bank of Argentina

Foreign Trade



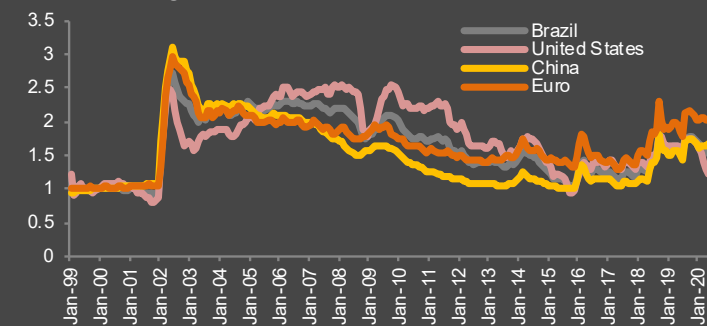
Source: Own calculations based on INDEC

Exchange rate: Spot and Futures



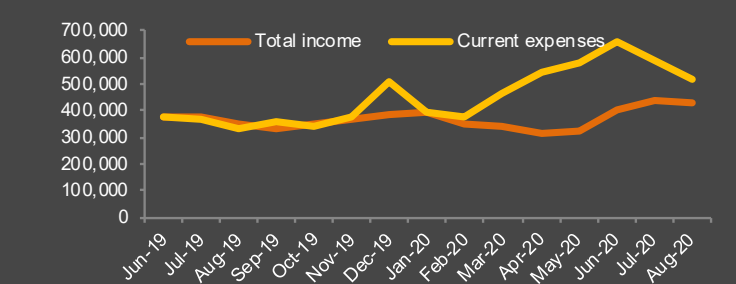
Source: Own calculations based on Rofex

Real exchange rate index: Dec-99=1



Source: Own calculations based on the Central Bank of Argentina

Income and Expenses of the National Non-Financial Public Sector



Source: Own calculations based on Secretary of Finance

Table of indicators



| Activity and Prices | 2017 | 2018 | 2019 | May-20 | Jun-20 | Jul-20 | Aug-20 |
|---|--------|--------|--------|--------|--------|--------|--------|
| Real GDP, var % y/y | 2.8% | -2.6% | -2.2% | - | -19.1% | - | - |
| CPI Federal Capital, var % y/y | 26.1% | 45.5% | 50.6% | 39.2% | 37.4% | 36.6% | 35.3% |
| CPI San Luis, var % y/y | 24.3% | 50.0% | 57.6% | 47.0% | 46.0% | 47.3% | 44.8% |
| Industrial Production, var % y/y | 2.5% | -5.0% | -6.3% | -26.2% | -6.3% | -6.9% | nd |
| International Reserves (end period, USD mn) | 55,055 | 65,806 | 44,781 | 42,589 | 43,242 | 43,386 | 42,842 |
| Import Cover (month of reserves) | 9.87 | 12.06 | 10.94 | 13.44 | 13.10 | 12.57 | 12.23 |
| Implicit exchange rate (M0 / Reserves) | 18.34 | 21.41 | 42.33 | 50.04 | 50.06 | 55.98 | 53.39 |
| \$/USD, end period | 18.77 | 37.81 | 59.90 | 68.54 | 70.46 | 72.32 | 74.18 |

| External Sector | 2017 | 2018 | 2019 | May-20 | Jun-20 | Jul-20 | Aug-20 |
|---|--------|--------|--------|--------|--------|--------|--------|
| Exports, USD mn | 58,622 | 61,781 | 65,116 | 5,061 | 4,786 | 4,903 | 4,938 |
| Imports, USD mn | 66,930 | 65,482 | 49,124 | 3,168 | 3,302 | 3,452 | 3,502 |
| Comercial Balance, USD mn | -8,308 | -3,701 | 15,992 | 1,893 | 1,484 | 1,451 | 1,436 |
| Currency liquidation by grain exporters, USD mn | 21,399 | 20,202 | 23,720 | 1,946 | 2,344 | 2,296 | 1,743 |

| Laboral* | 2017 | 2018 | 2019 | May-20 | Jun-20 | Jul-20 | Aug-20 |
|--|------|------|------|--------|--------|--------|--------|
| Unemployment, country (%) | 7.2 | 9.1 | 8.9 | - | 13.1 | - | - |
| Unemployment, Greater Buenos Aires (%) | 8.4 | 10.5 | 10.0 | - | 13.2 | - | - |
| Activity rate(%) | 46.4 | 46.5 | 47.2 | - | 38.4 | - | - |

| Fiscal** | 2017 | 2018 | 2019 | May-20 | Jun-20 | Jul-20 | Aug-20 |
|------------------------------|-----------|-----------|-----------|----------|----------|----------|----------|
| Income, \$mn | 2,578,609 | 3,382,644 | 5,023,566 | 499,535 | 545,963 | 559,092 | 612,146 |
| VAT, \$mn | 765,336 | 1,104,580 | 1,532,597 | 130,756 | 141,482 | 144,185 | 157,977 |
| Income tax, \$mn | 555,023 | 742,052 | 1,096,521 | 141,320 | 150,241 | 107,619 | 141,115 |
| Social Security System, \$mn | 704,177 | 878,379 | 1,175,793 | 101,248 | 112,749 | 147,564 | 119,087 |
| Export Tax, \$mn | 66,121 | 114,160 | 398,312 | 24,753 | 36,154 | 33,034 | 37,023 |
| Primary expenses, \$mn | 2,194,291 | 2,729,251 | 3,795,834 | 554,016 | 640,945 | 564,698 | 501,492 |
| Primary result, \$mn | -404,142 | -338,987 | -95,122 | -251,287 | -253,706 | -155,524 | -89,499 |
| Primary result, \$mn | 308,048 | 513,872 | 914,760 | 62,681 | 54,081 | 42,562 | 66,940 |
| Fiscal results, \$mn | -629,050 | -727,927 | -819,407 | -308,219 | -288,565 | -189,089 | -145,552 |

| Financial - Interest rate*** | 2017 | 2018 | 2019 | May-20 | Jun-20 | Jul-20 | Aug-20 |
|---|-------|-------|-------|--------|--------|--------|--------|
| Badlar - Privates (%) | 23.18 | 48.57 | 41.75 | 23.57 | 29.52 | 29.53 | 29.68 |
| Term deposits \$ (30-59d Private banks) (%) | 21.80 | 46.22 | 40.80 | 24.26 | 29.52 | 29.62 | 30.49 |
| Mortgages (%) | 18.61 | 47.70 | 47.51 | 25.30 | 30.84 | 30.22 | 30.03 |
| Pledge (%) | 17.42 | 24.88 | 30.54 | 22.92 | 23.33 | 23.56 | 24.84 |
| Credit Cards (%) | 42.21 | 61.11 | 76.28 | 42.19 | 41.60 | 42.37 | 42.20 |

| Commodities**** | 2017 | 2018 | 2019 | May-20 | Jun-20 | Jul-20 | Aug-20 |
|------------------|-------|-------|-------|--------|--------|--------|--------|
| Soy (USD/Tn) | 358.9 | 342.3 | 326.9 | 309.3 | 318.6 | 328.9 | 332.1 |
| Corn (USD/Tn) | 141.4 | 145.0 | 150.9 | 125.5 | 129.0 | 130.7 | 128.0 |
| Wheat (USD/Tn) | 160.2 | 182.1 | 181.5 | 189.3 | 182.7 | 192.4 | 189.0 |
| Oil (USD/Barrel) | 50.9 | 64.9 | 57.0 | 28.5 | 38.3 | 40.8 | 42.4 |

* 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, Ministry of Treasury and Finance of the City of Buenos Aires, CIARA, CBOT, NYMEX

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Contacts

José María Segura | jose.maria.segura@pwc.com | +54 11 4850 6718

Leandro Romano | leandro.romano@pwc.com | +54 11 4850 6713

Paula Lima | paula.lima@pwc.com | +54 11 4850 6028

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