

Structural Reforms in the Argentine Economy: Achievements and Pending Reforms

- Elimination of Capital Flows Controls (“cepo”)
- Agreement with “holdouts” and resolution of conflicts with other countries.
- Reinsertion in international capital markets
- Fiscal Amnesty
- High growth in sectors benefited by “Sectorial Shock”: agriculture, energy, communications, and infrastructure
- Congress approved important laws, including partial reforms of the social security and the tax system
- Restoration of confidence
- “Productivity Agreement” in the hydrocarbons sector
- Results of the midterm elections have strengthen the possibilities of accelerating the required structural reforms.

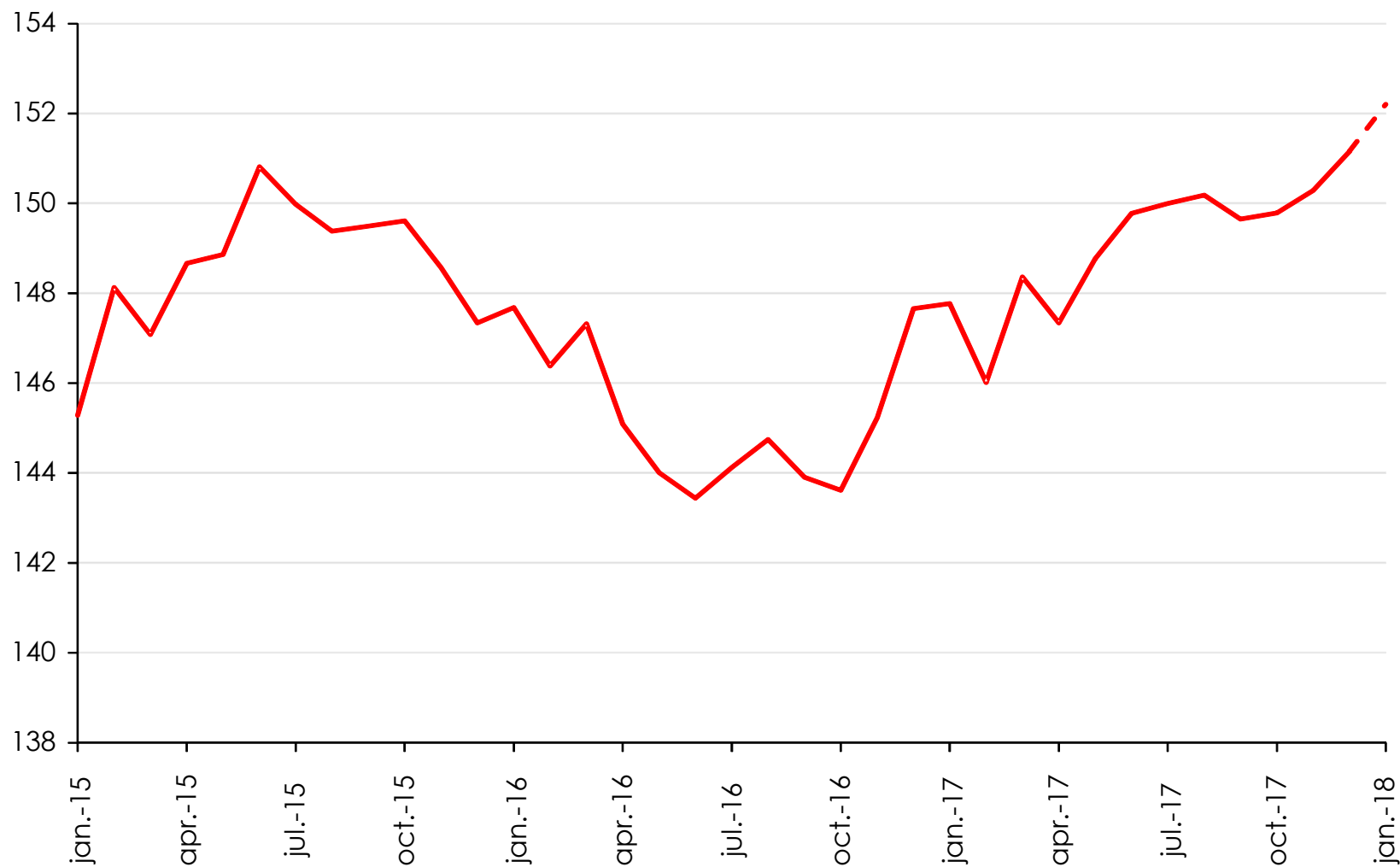
- Reduction of Primary Public Expenditures and of the Fiscal Deficit. However, there has been some improvements in the second half of 2017.
- Reductions of the External Current Account deficit
- Improving external competitiveness, reducing Unit Labor Costs, Regulations and the extremely high effective tax burden
- Inconsistency of fiscal and monetary policies

Recent Developments and Short Term Perspectives: Expecting Improvements in Second Half of the Year

Economic Activity and Investment

Recent Evolution of GDP: The Economy is Growing

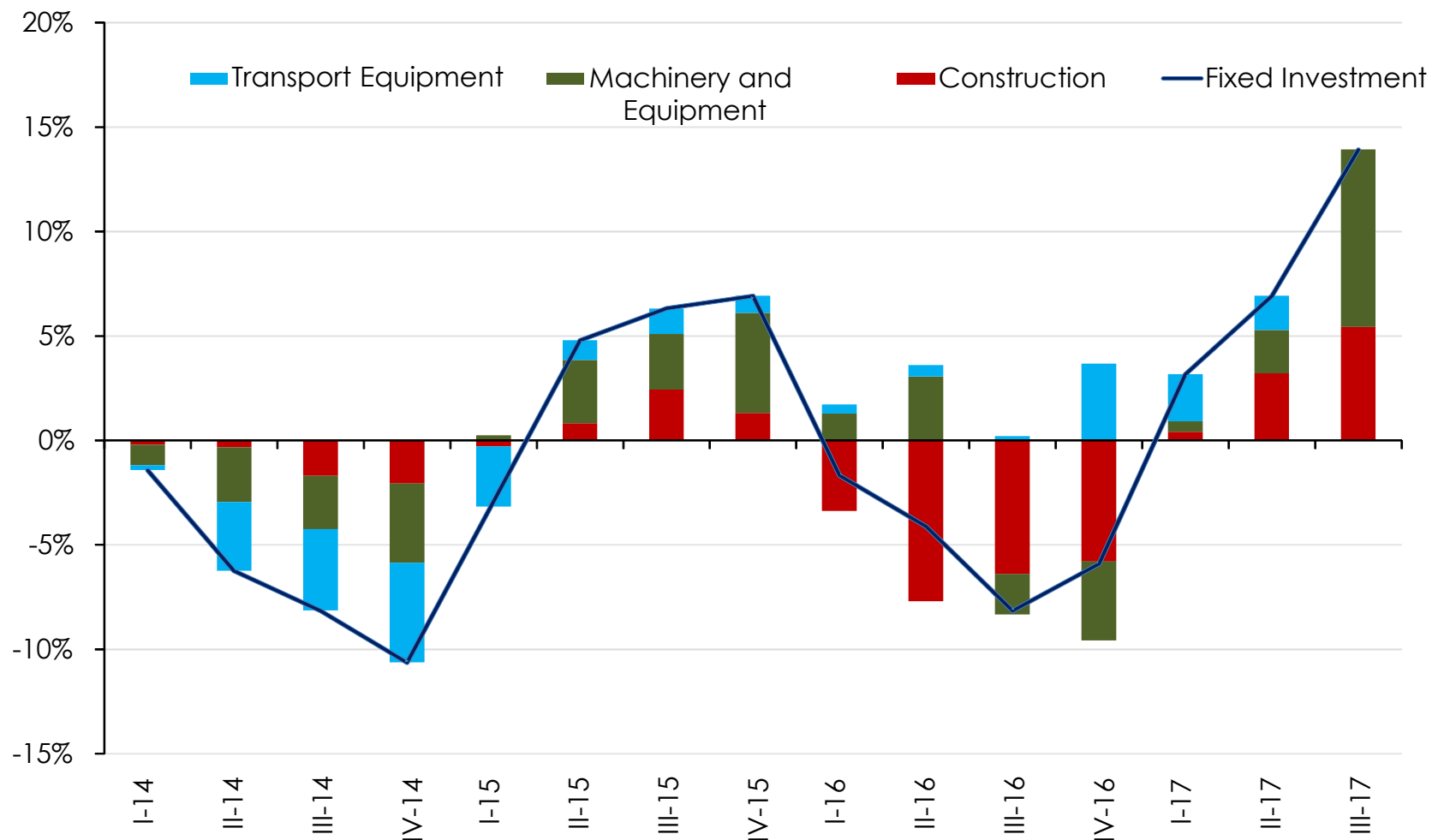
Seasonally Adjusted 2004 = 100



ARGENTINA

Gross Fixed Investment is Leading the Recovery

Y-o-y variation



Short-Term Drivers of Economic Growth

Positive Drivers Should Compensate the Effects of the Drought

	2016	2017	2018
External Factors:			
<i>International Prices</i>			
<i>Net Transfers with Non Residents</i>			
<i>Main Commercial Partners</i>			
Domestic Factors:			
<i>Fiscal Impulse</i>			
<i>Monetary and Credit Impulse</i>			
Exogenous Factors:			
<i>Climate</i>			

GDP: 2018 Outlook by Industry

Real annual variation. 2018: preliminary projections



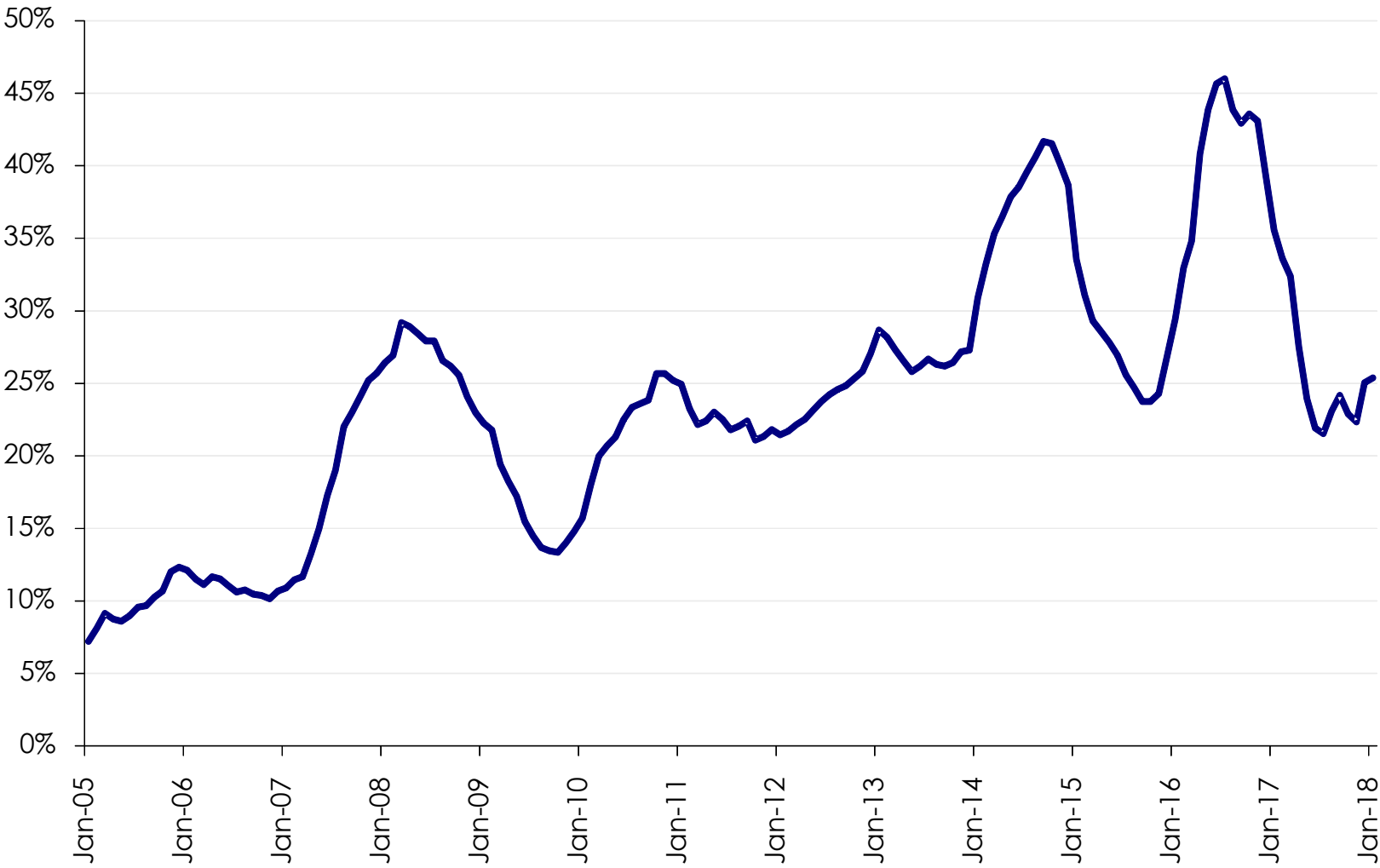
	2016	2017	2018p
Gross Domestic Product	-2.3%	2.8%	3.3%
General taxes	-1.2%	3.7%	5.0%
VAT	-3.6%	3.6%	5.5%
Import taxes	4.3%	14.0%	10.0%
Gross value added	-2.4%	2.5%	2.8%
Agriculture, forestry, and hunting	-5.5%	4.5%	-3.5%
Fishing	-0.1%	14.2%	3.0%
Mining	-5.3%	-3.7%	5.5%
Manufacturing	-5.7%	2.0%	3.8%
Utilities	1.4%	-1.1%	1.0%
Construction	-11.3%	10.0%	13.0%
Wholesale and retail trade	-2.6%	2.3%	4.2%
Accommodation and food services	1.8%	2.2%	3.0%
Transportation and warehousing	3.2%	2.7%	1.2%
Finance	-3.8%	5.0%	5.5%
Insurance, real estate, rental, and leasing	-0.7%	3.1%	3.5%
Government	1.9%	0.5%	-0.5%
Educational services	1.9%	1.2%	1.0%
Health care and social assistance	2.7%	2.0%	1.5%
Other services, except government	-1.6%	1.8%	1.5%
Private homes with domestic service	-0.5%	-0.7%	0.5%

Inflation: Recent Evolution and 2018 Outlook

Sharp reduction in the first half of 2017
Stable during the last 8 months
Should decline after April

Consumer Price Index

Y-o-y variation



ARGENTINA

GBA - CPI: Inflation by Subindex

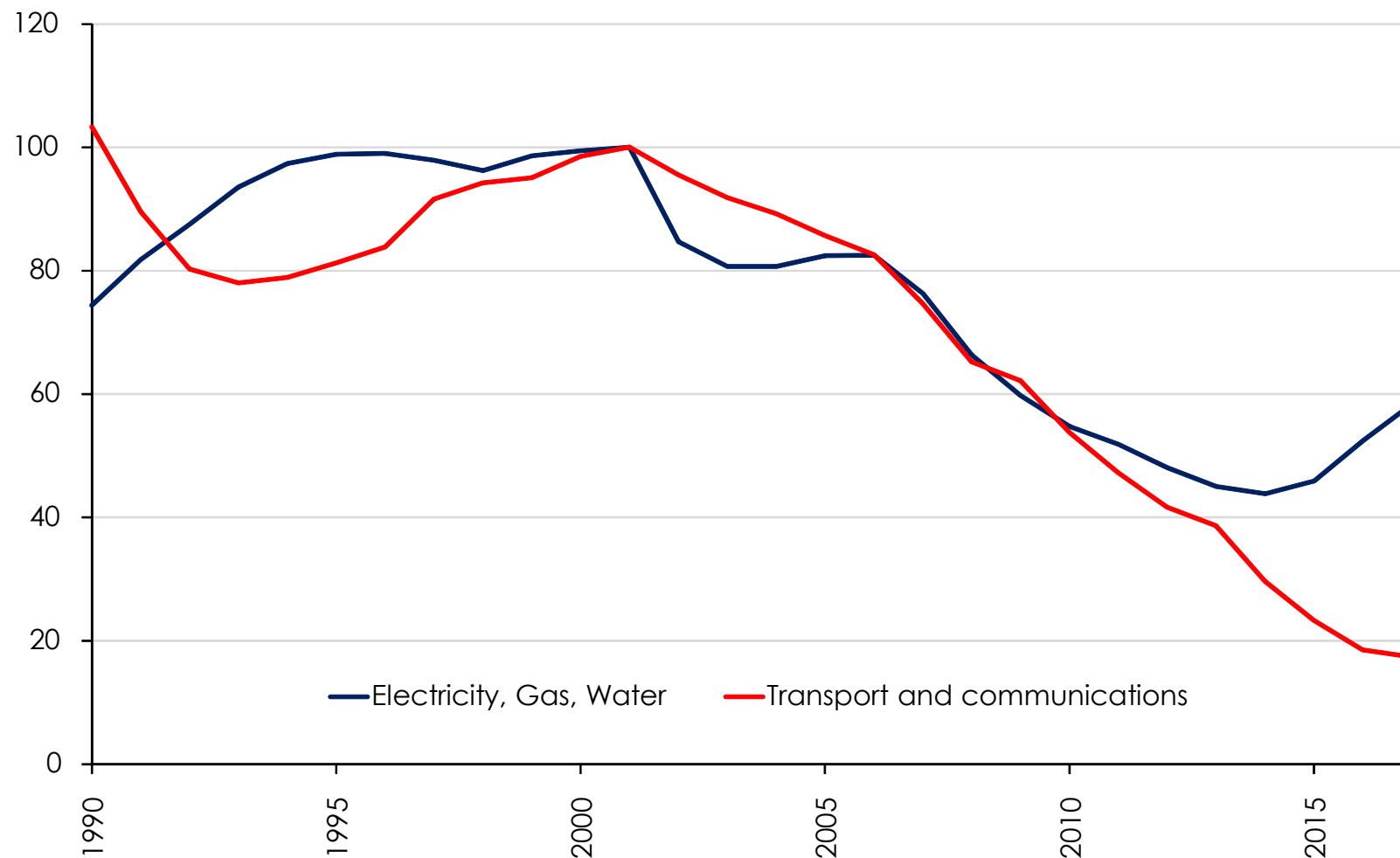
Y-o-y variation



Concept	apr.-17	jan.-18
Milk, dairy produce and eggs	40.8%	26.5%
Oils, fats and grease	70.4%	17.6%
Vegetables, tubers and legumes	29.1%	34.3%
Sugar, candy, chocolates, atc.	27.9%	20.5%
Alcoholic beverages	63.2%	26.7%
Non alcoholic beverages	37.1%	25.3%
Tobacco	79.5%	25.7%
Housing rent	28.2%	28.1%
Electricity, gas and other fuels	38.0%	129.5%
Goods and services for routine household maintenance	28.9%	21.9%
Communications and information	47.7%	31.6%
Health	32.7%	27.8%
Restaurants and hotels	31.2%	22.6%
Education	30.8%	29.3%
GBA Inflation	27.5%	25.4%

GBA - CPI: “Real” Public Utilities and Transport Prices

Prices deflated by General CPI. Index 2001 = 100



Impact on Prices of 2018 Fare Increases

BCRA projections



	ene.-18	feb.-18	mar.-18	abr.-18	may.-18	jun.-18	1er Sem. 2018
Water	20%						20%
Electricity	16%						16%
Natural Gas	25%						25%
Bus	1%	8%	1%	6%	1%	6%	25%
Train	3%						12%
Subway	-6%						21%

Fiscal Accounts and Financial Needs

Significant improvements since the middle of 2017

Figures are distorted by “Tax Amnesty”

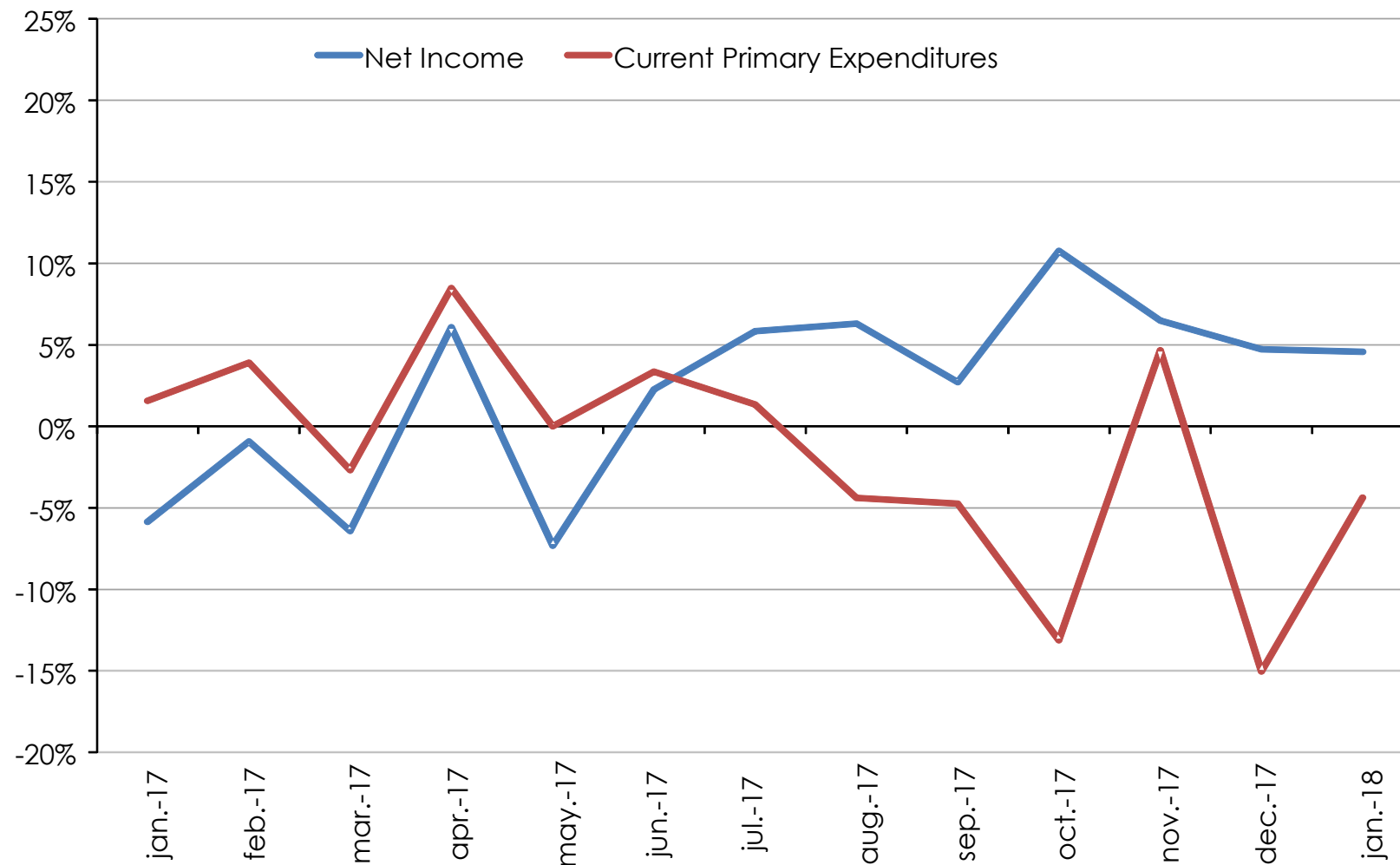
Recent measures should facilitate achieving 2018/19 targets

The government has enough liquidity to cover the financial needs of the next few months

- The 2017 Primary Fiscal Result (- 3,9% of GDP) was better than targeted (-4,2%)
- These accounts deteriorated during the first semester of 2017, but improved significantly during the second semester.
- The magnitude of this improvement is larger than the one showed by the official statistics due to the increase in tax collection in the second half of 2016 associated with the tax amnesty.
- Adjusted figures show significant improvements in both nominal and real terms,
- Results should also improve in 2018 due to the increases in public utilities prices and the change in the formula used for the adjustment of retirement and other social expenditures.
- The target for 2018 (-3,2%) can be easily met if economic activity remains strong and the government continues to restrict increases in other expenditures,

Fiscal Evolution

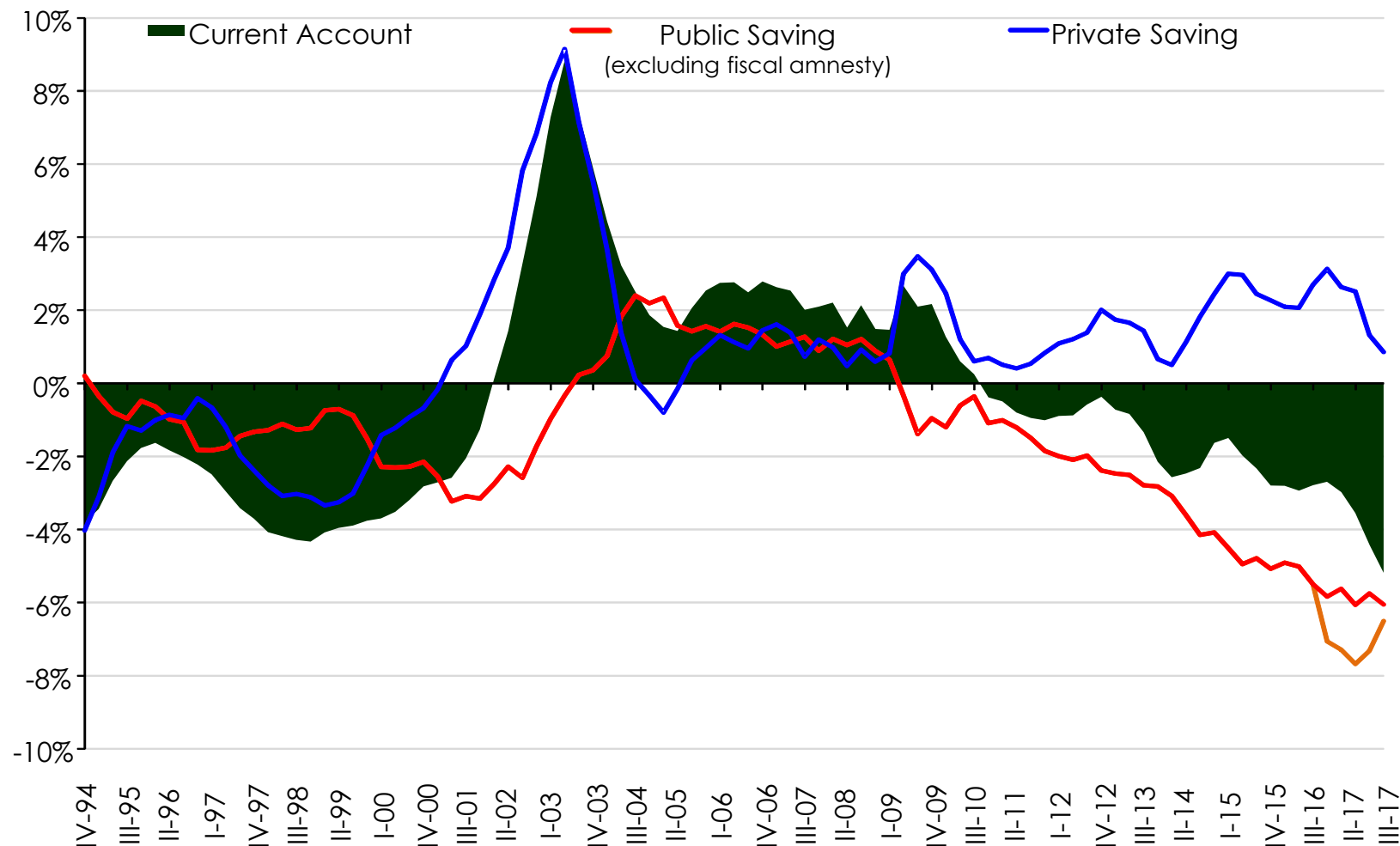
Deflated by General CPI. Y-o-y variation



External Sector: The Worst Might Be Over

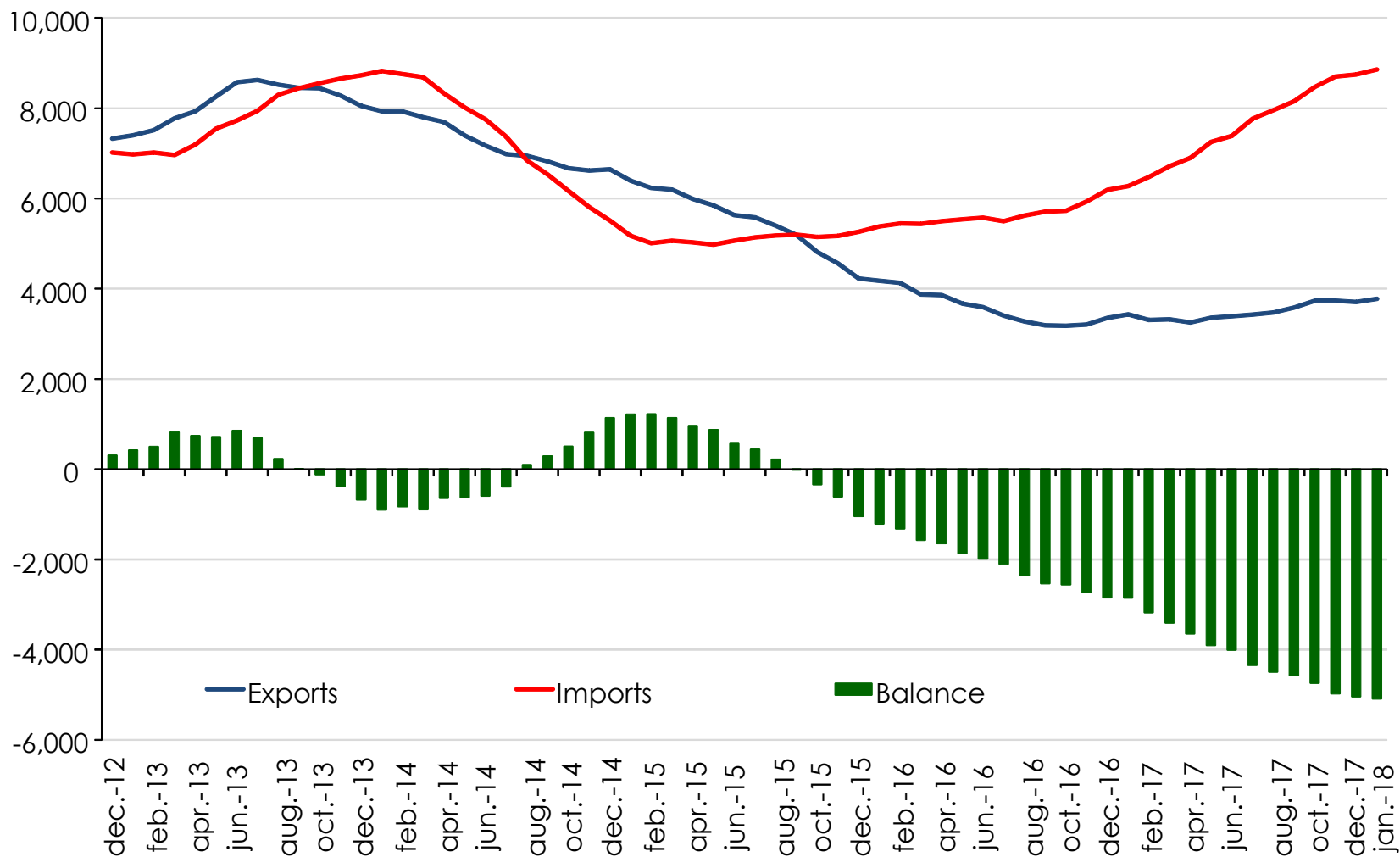
Current Account, Private and Public Savings

% of GDP, 4-quarter moving accumulated



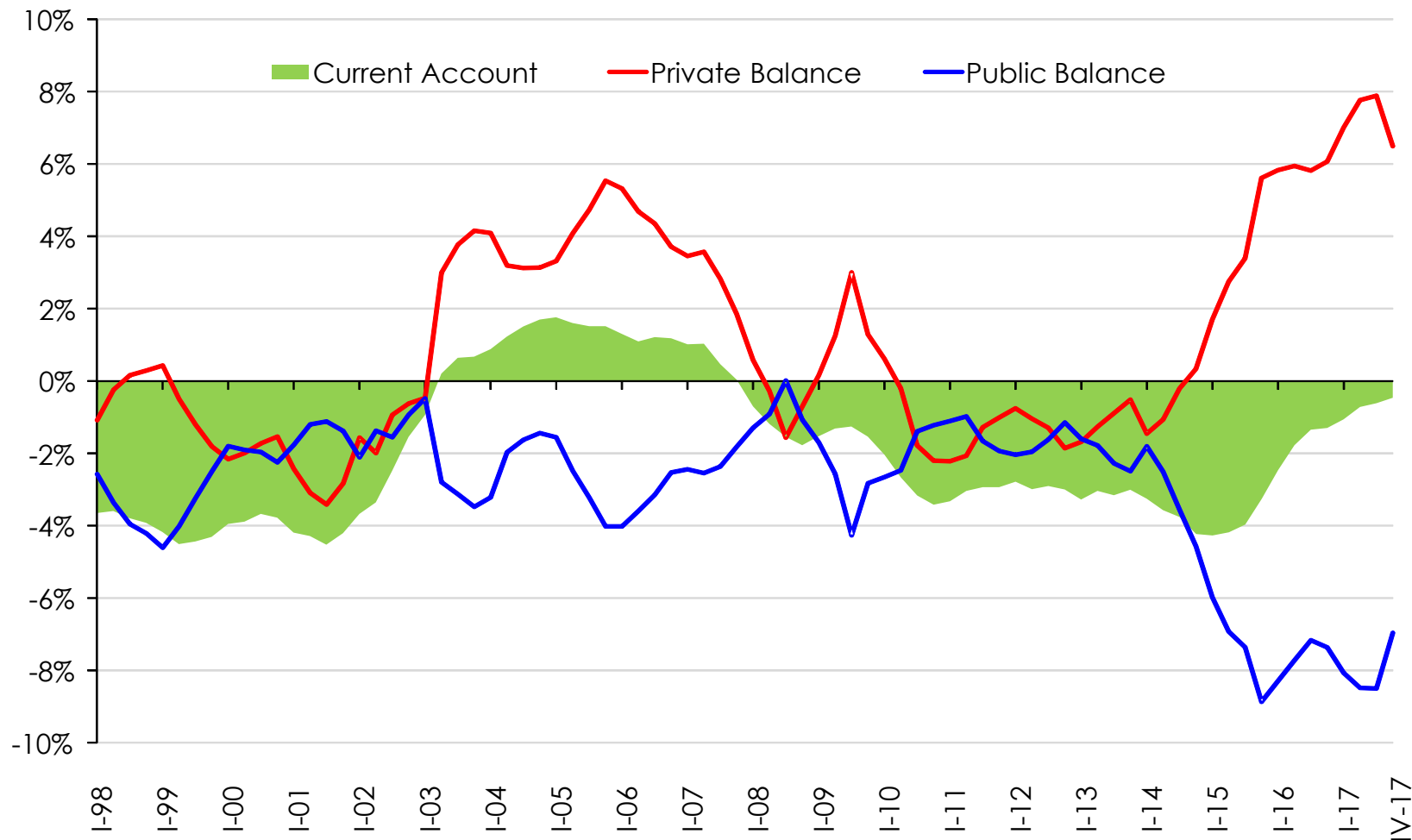
Automotive Industry: Trade Balance with Brazil

Million dollars, 12-month moving average



Brazil: Current Account, Private and Public Savings

4-quarter moving accumulated, % of GDP



Hydrocarbons: Resources and Production

Billion dollars and million TEP

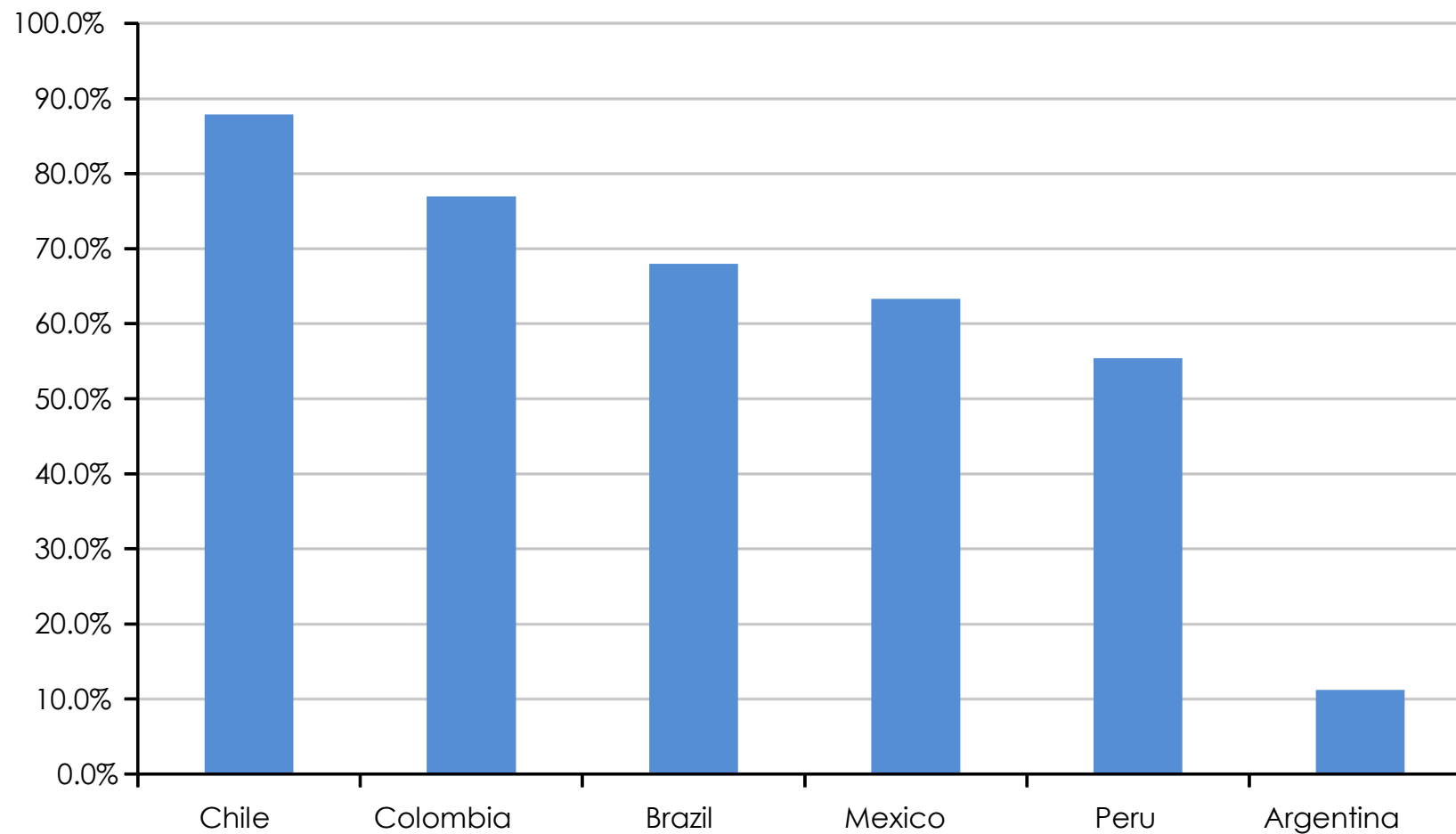


	USA	Norway	Argentina
1980 Resources			
Total Resources (Millions of TEP)*	10,055	888	912
Value of Resources (Billions of Dollars)	2,798	247	254
Resources Value / GDP	97.7%	383.5%	112.0%
Fossil Fuels 1980-2016			
Accumulated Production (Millions of TEP)*	33,747	5,642	2,175
Production Value (Billions of Dollars)	6,875	1,594	519
Production Value / GDP	2.1%	17.5%	5.6%
Resources 2016			
Technically Recoverable Resources (Millions TEP)	39,875	1,919	24,980
Proved Conventional Reserves*	13,646	1,919	1,260
Non-Conventional Resources**	26,229	0	23,720
Value - 2016 mean prices (Billions of dollars)***	8,322	432	5,736
Resources Values / 2016 GDP	44.8%	116.6%	1052.2%

Financial Sector

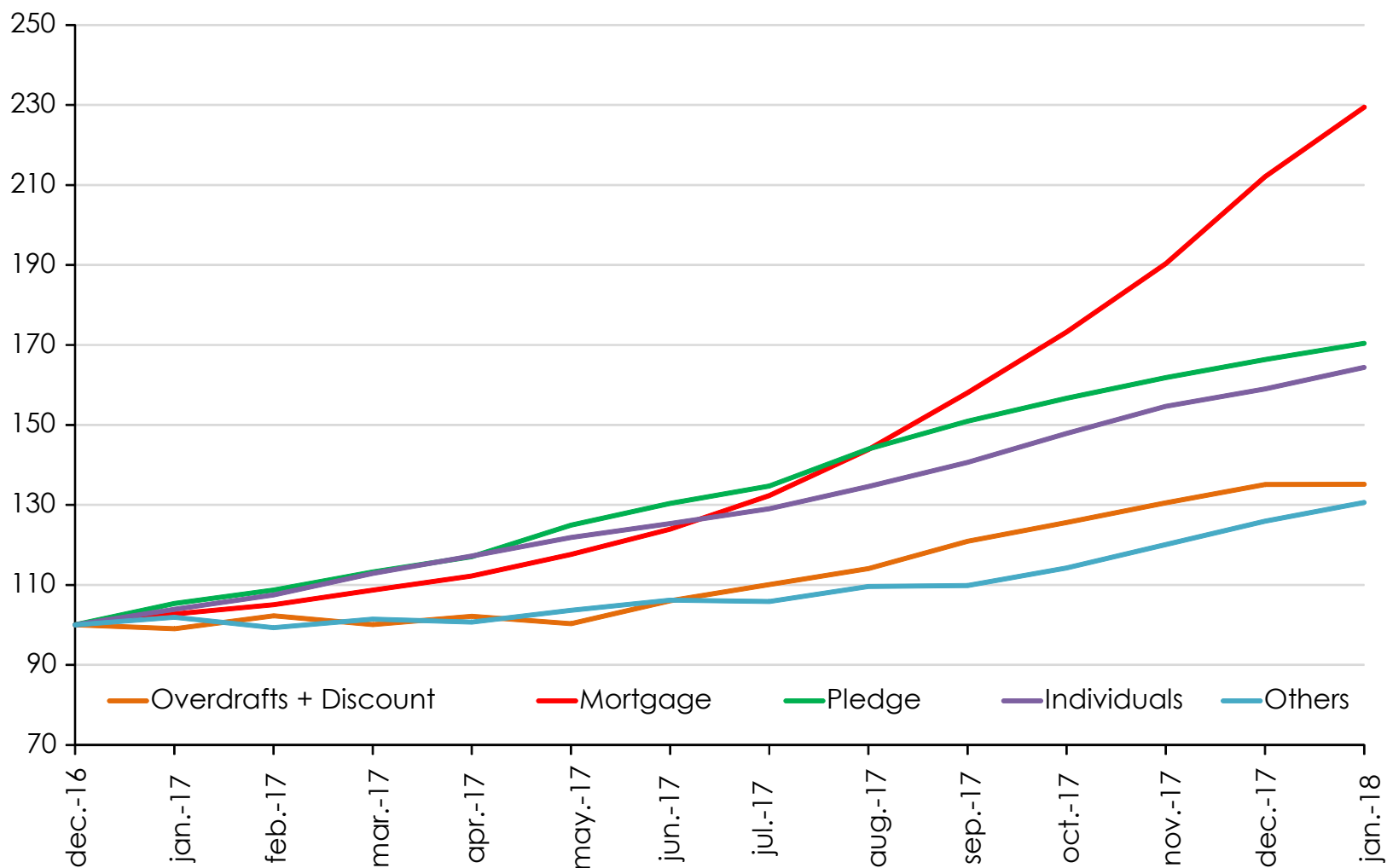
Latin America: Loans to Private Sector

Percentage of GDP. End of period



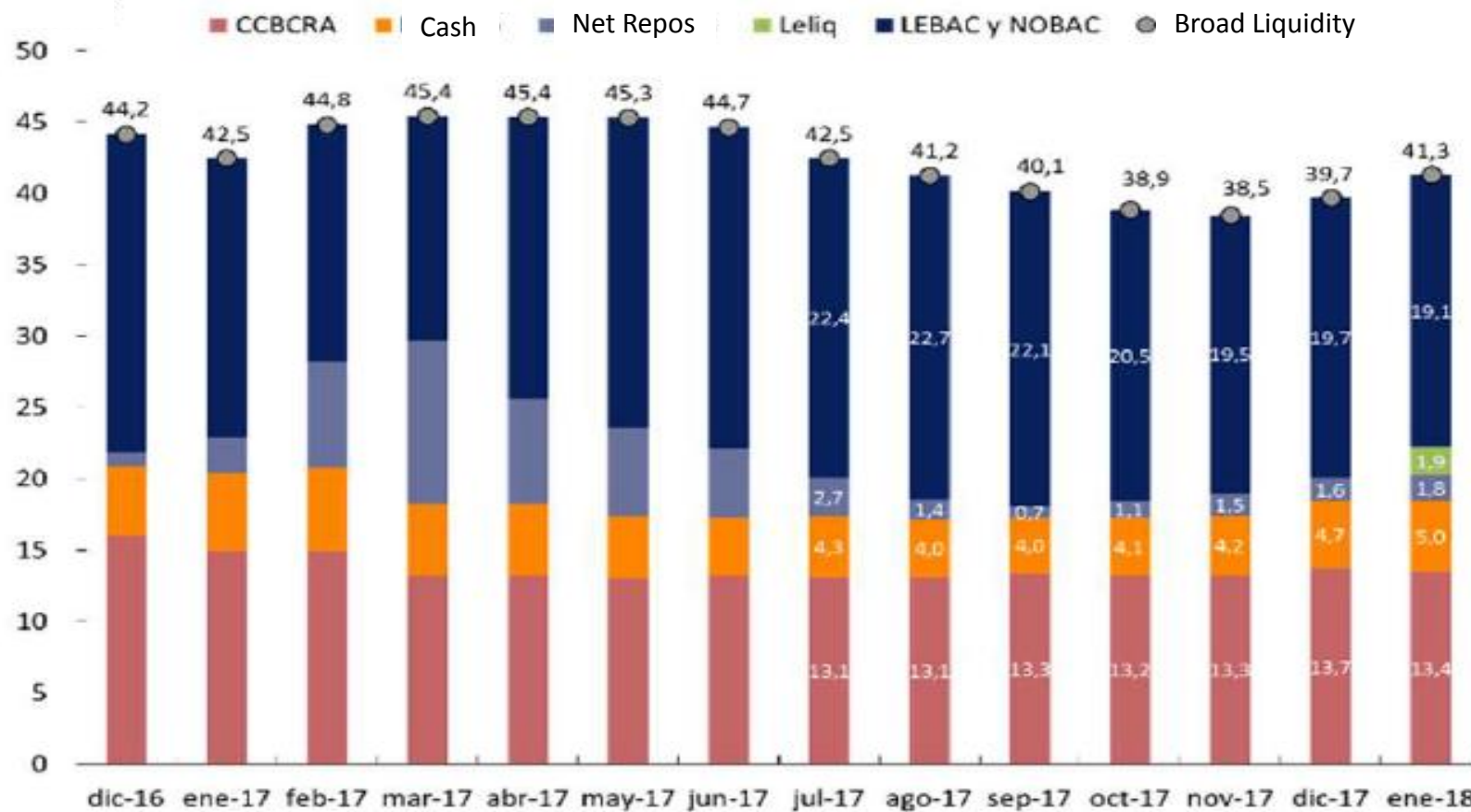
Local Currency Credit Growth

Index 31-12-16 = 100



Financial Institutions Liquidity in Pesos

Percentage of total deposits



* LEBAC effective value

Source: BCRA

Medium Term Perspectives

- The economic potential of Argentina has always been recognized. Experience shows that when the political system worked efficiently and used these economic advantages properly, the results in terms of economic growth and development were outstanding.
- With good policies Argentina can grow more than 4% per year. The effects of sustained growth on most economic variables are significant:
 - During the first stages, investment grows more than consumption
 - Unemployment is reduced as employment increases
 - Public sector employment tend to decline
 - Tax collection increases more than GDP
 - Fiscal deficits decline, specially if public employment declines
 - The external sector improves and the currency tend to appreciate without affecting competitiveness.
 - The financial system expands faster than GDP

Economic Growth

Real annual variation

