

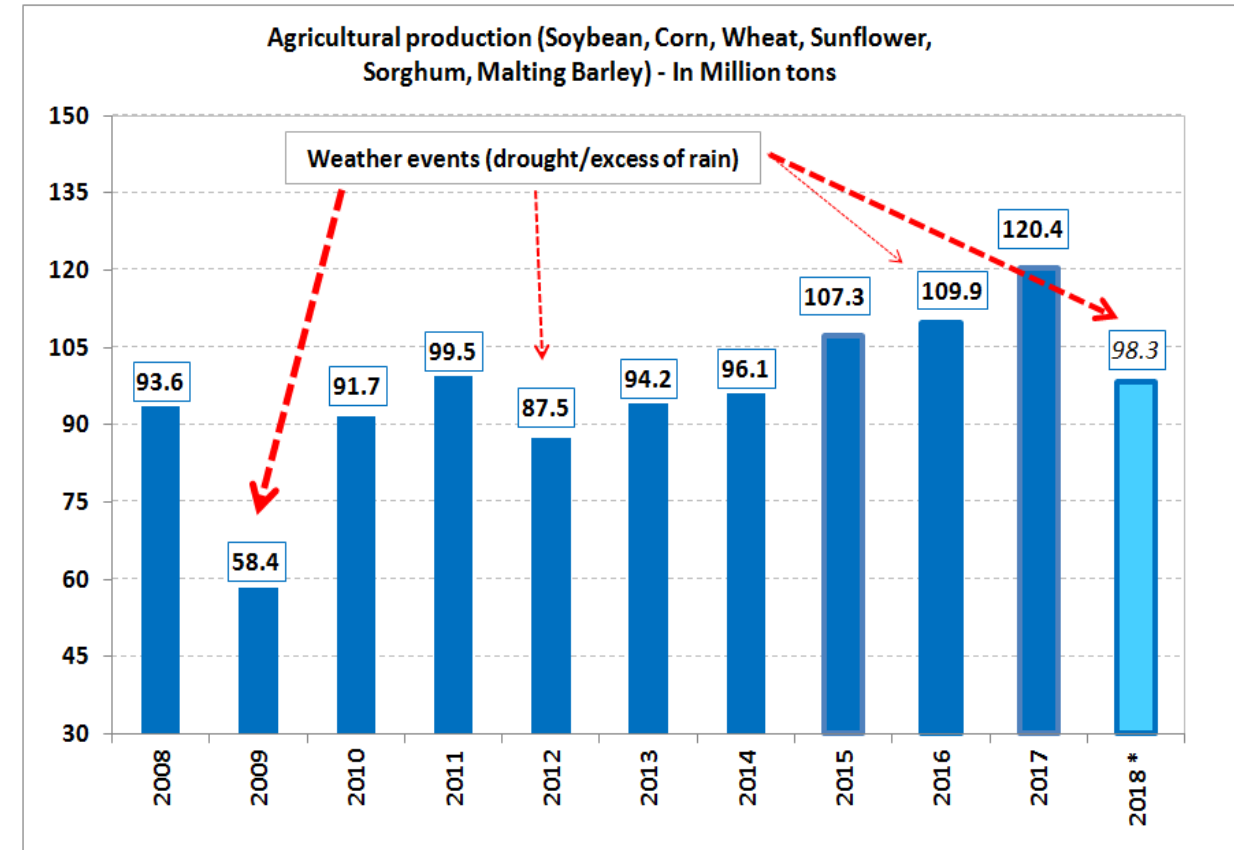
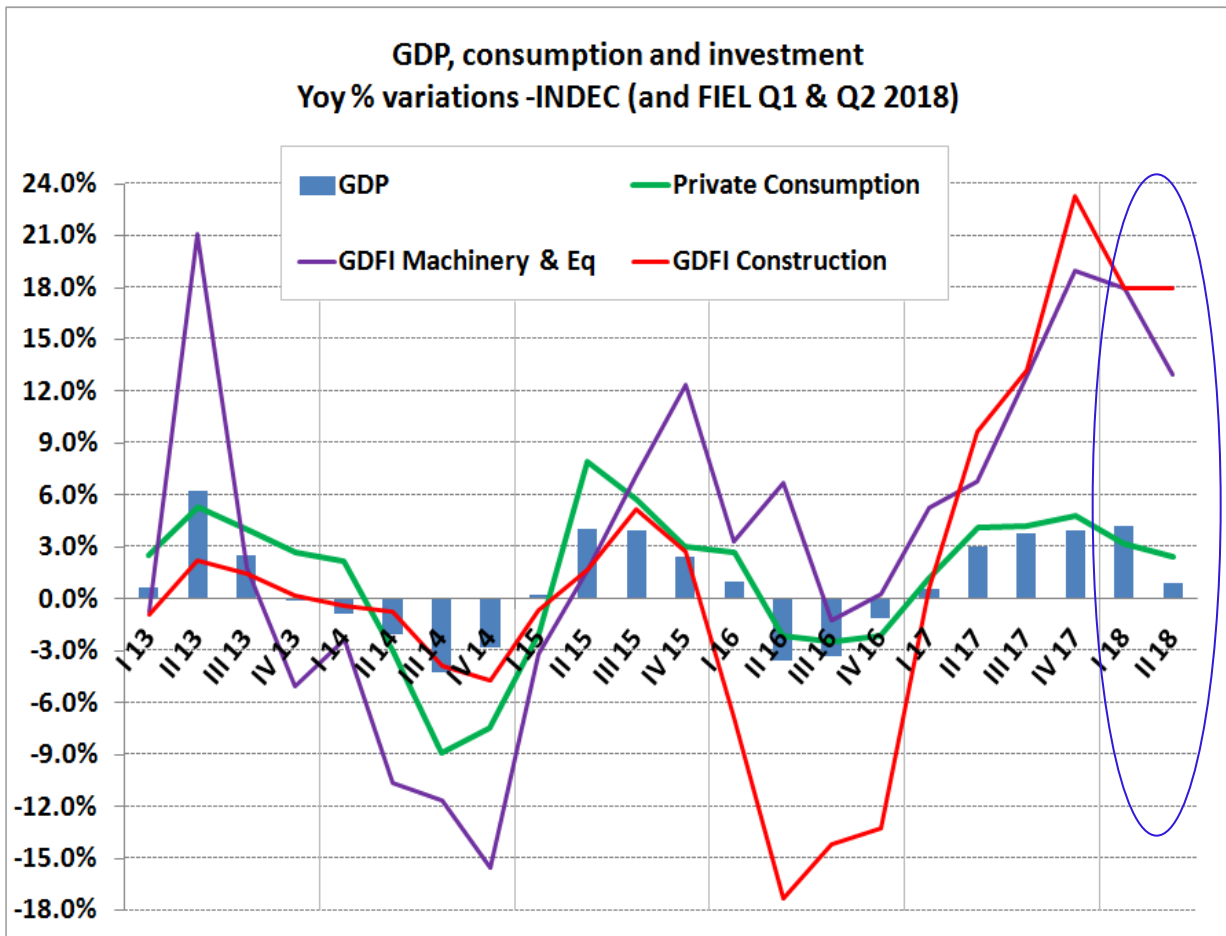


FUNDACION DE
INVESTIGACIONES
ECONOMICAS
LATINOAMERICANAS

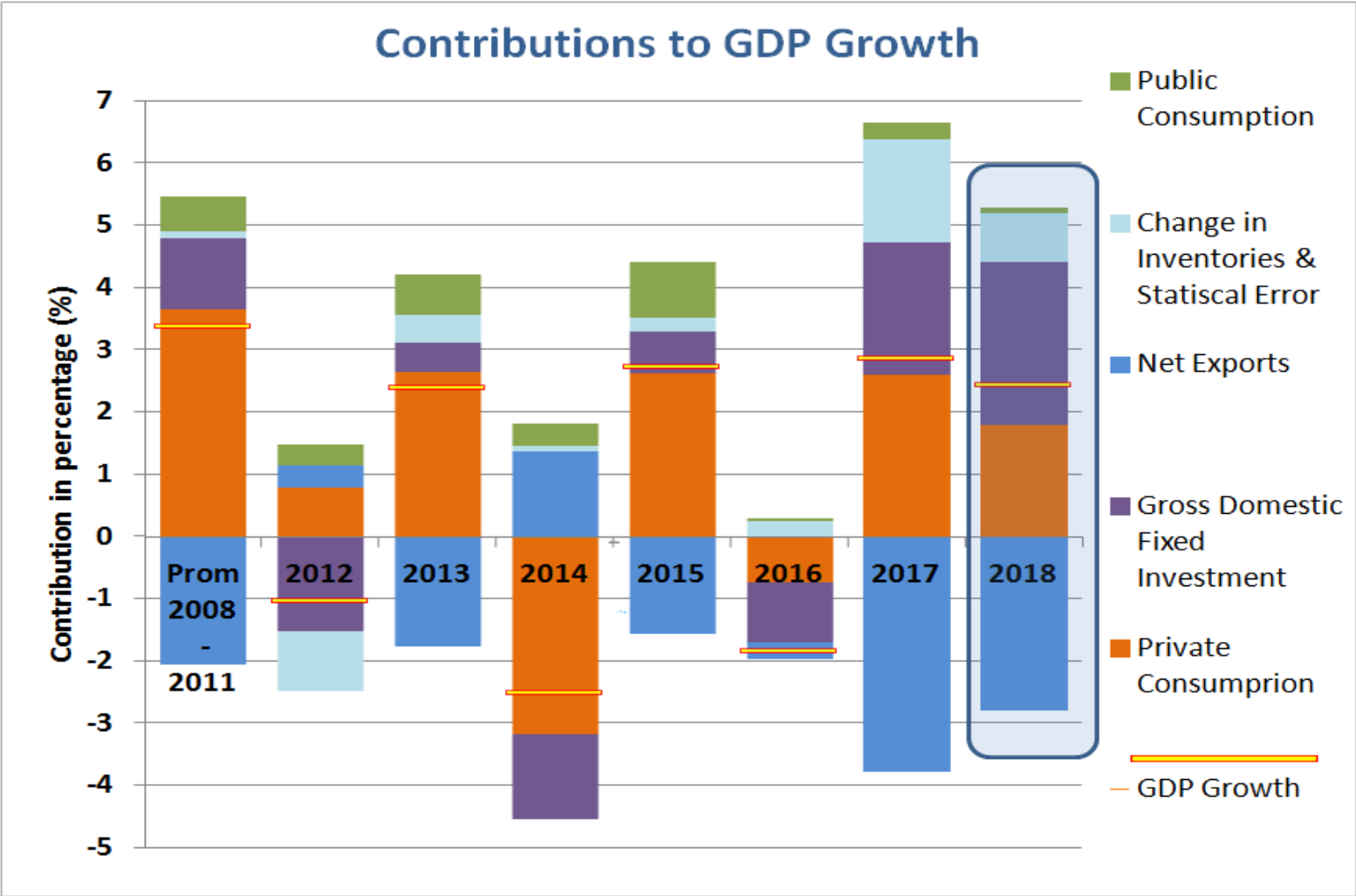
Argentina: Growth and inflation
Juan Luis Bour, chief economist, FIEL

Council of Americas
New York, May 1st 2018

Growth. Economic activity performed better than expected. GDP increased 4.7% yoy in the first two months, while industrial production (FIEL index) grew 3.9% Yoy. A severe drought will wipe out growth during the 2nd quarter (*boost growth next year*)



Growth expected to reach 2.5% in 2018 (FMF, down from previous estimates) with strong impulse from investment.

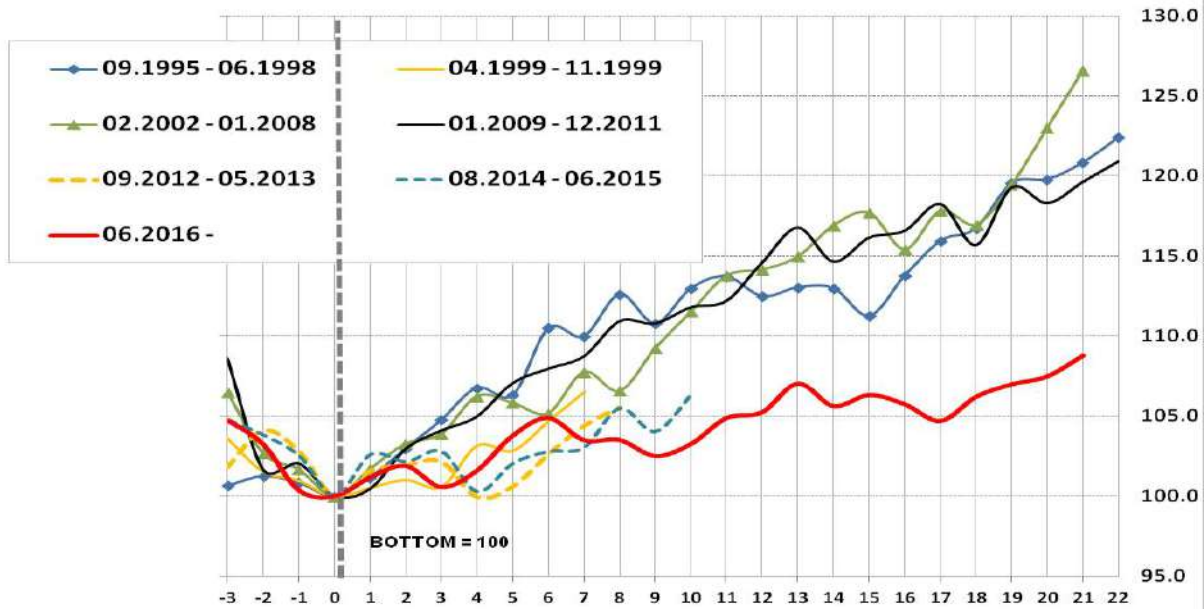


Lower contribution from Consumption (public and private)

A marginal reduction of the *negative contribution* of net exports

A growing contribution of investment

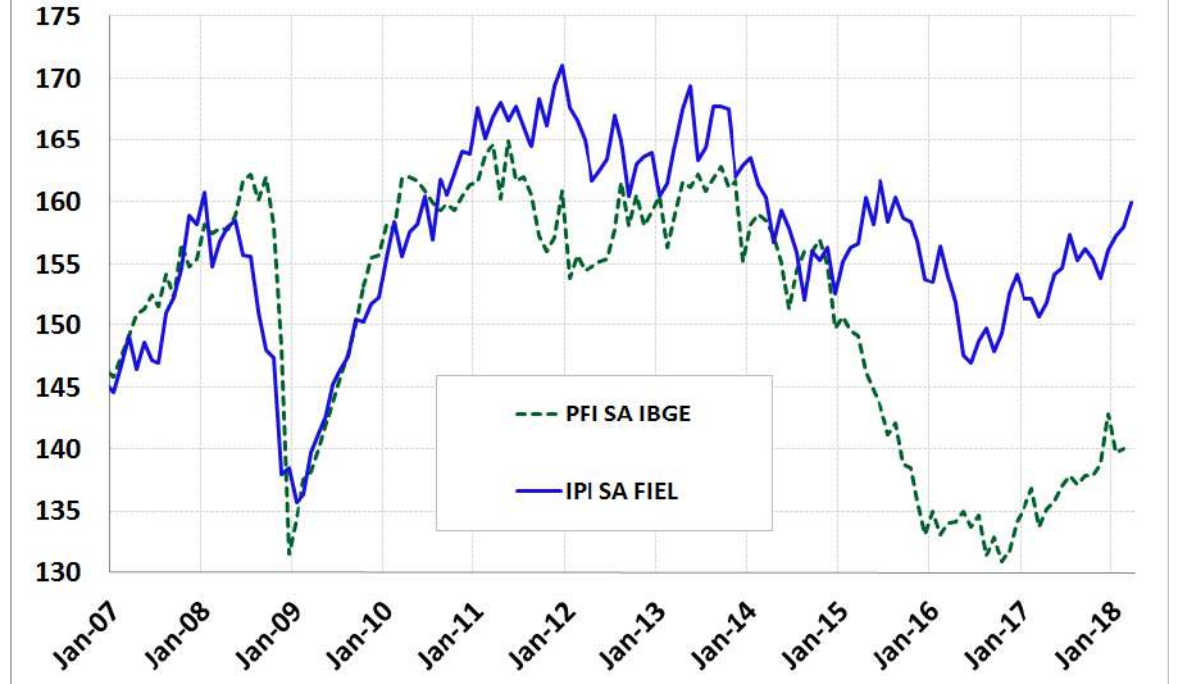
IPI (FIEL). Speed of recovery from bottom of recession
 Number of months after end of recession (month=0)



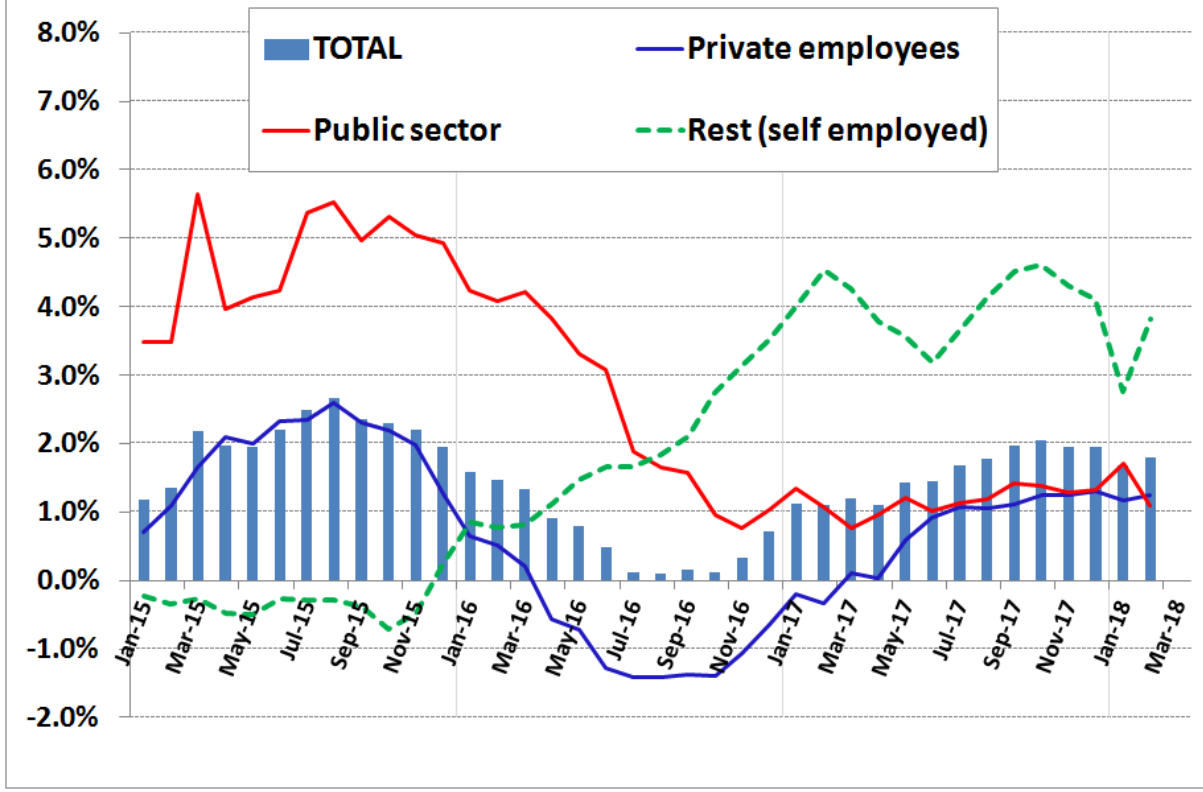
Speed of recovery of Manufacturing
 was low
 until very recently

Part of explanation: recovery based on investment (low impact on consumption branches)
Also: recession in Brazil

Argentina - Brazil
 Manufacturing Production
 1993:100 SA - IBGE and FIEL

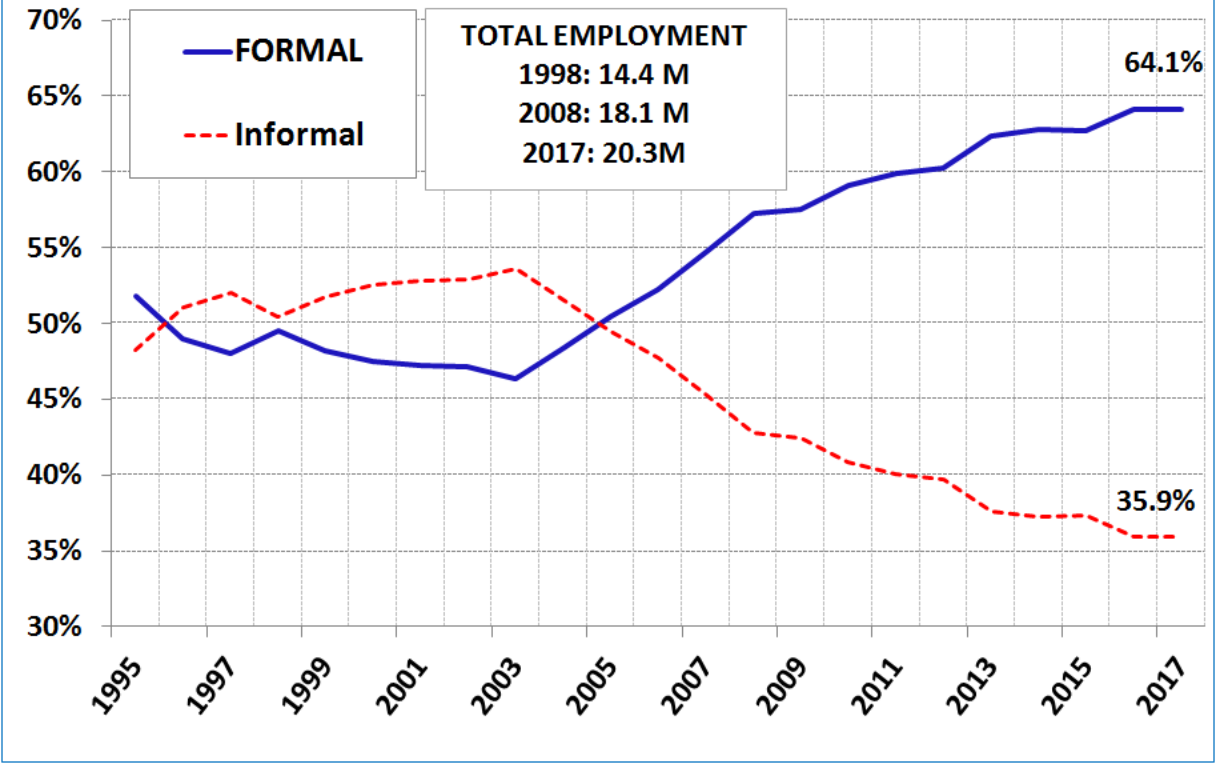


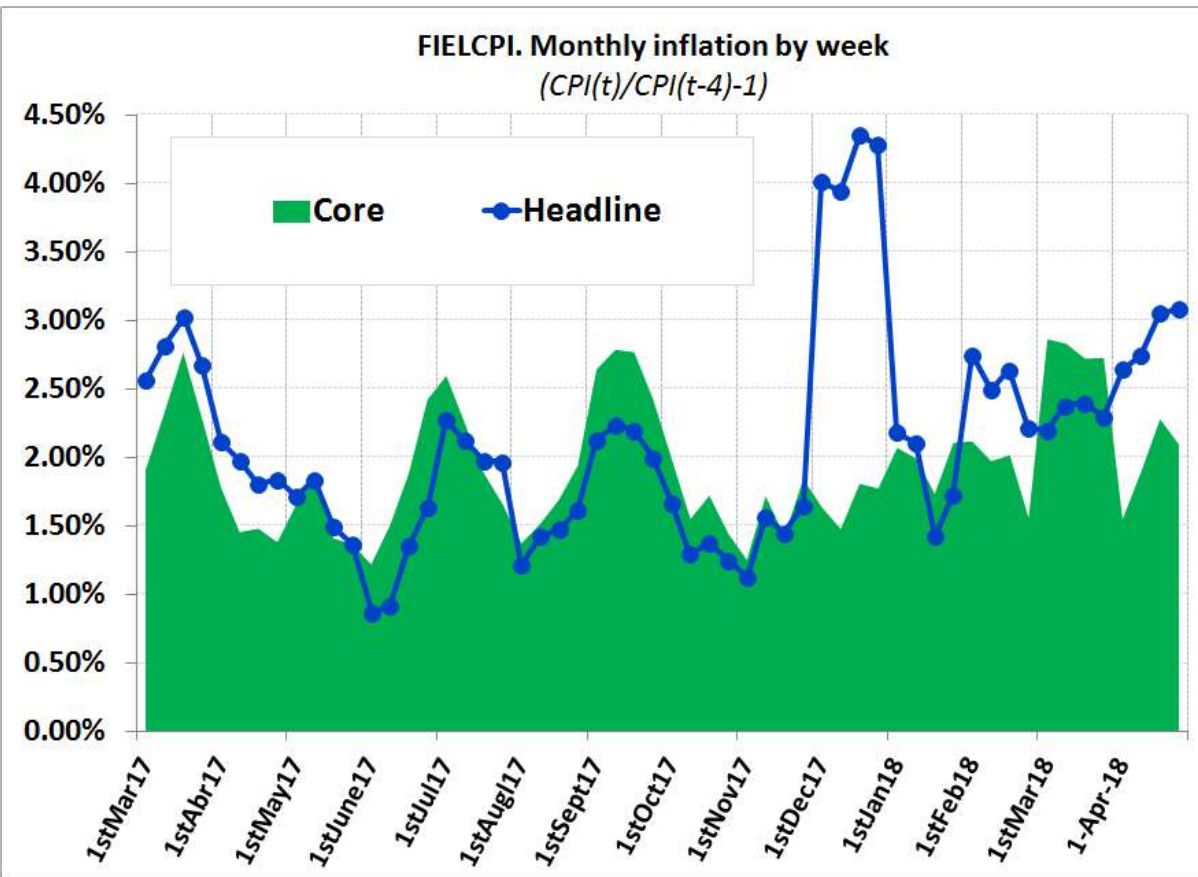
Formal employment - Yoy % change



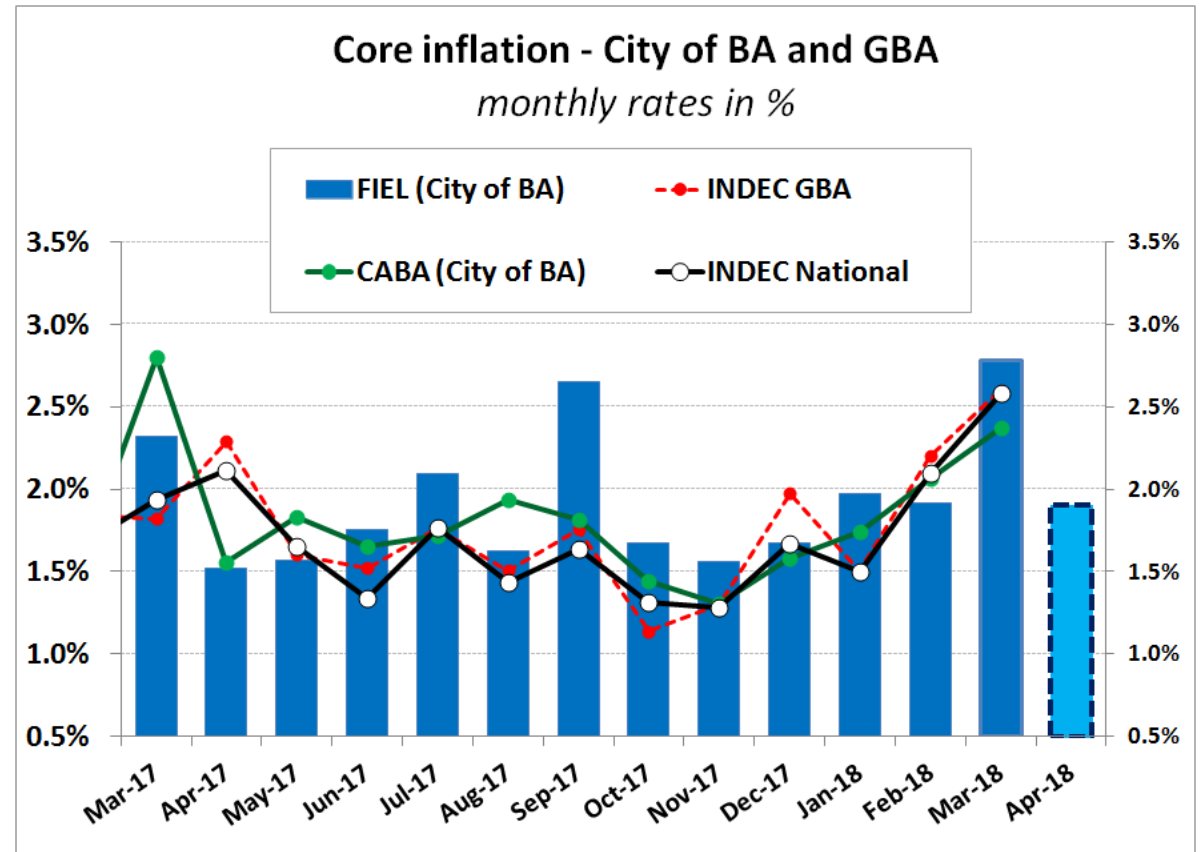
Formal employment growth inched to 2% (Yoy), while Total employment increased 3% (HS). What's behind high elasticity E/GDP ?

ARGENTINA - Total employment
INDEC - National accounts

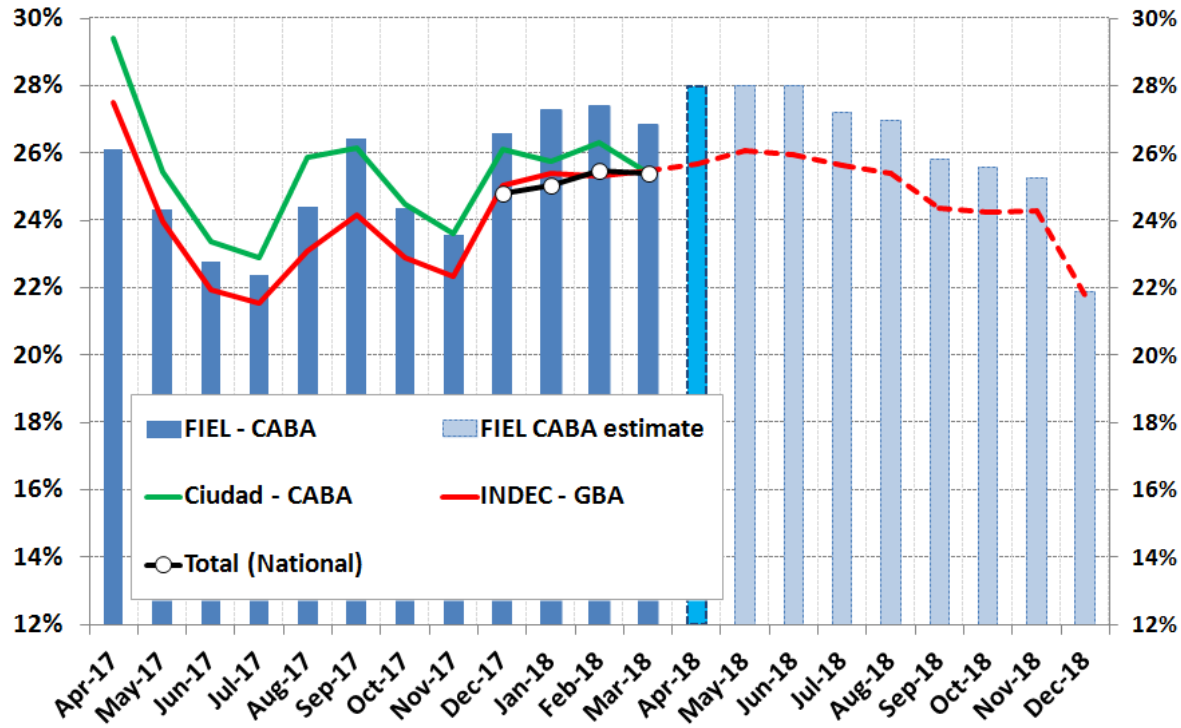




Inflation: a strong rebound since December of total and core rates



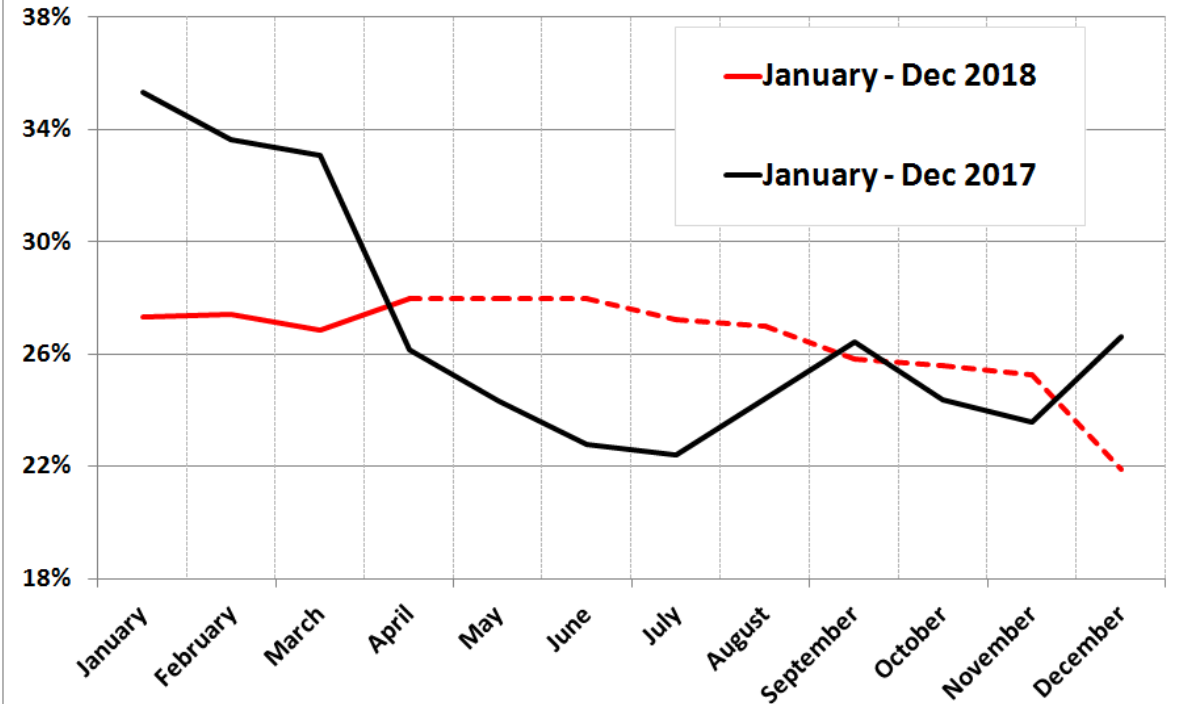
Inflation - Yoy rates



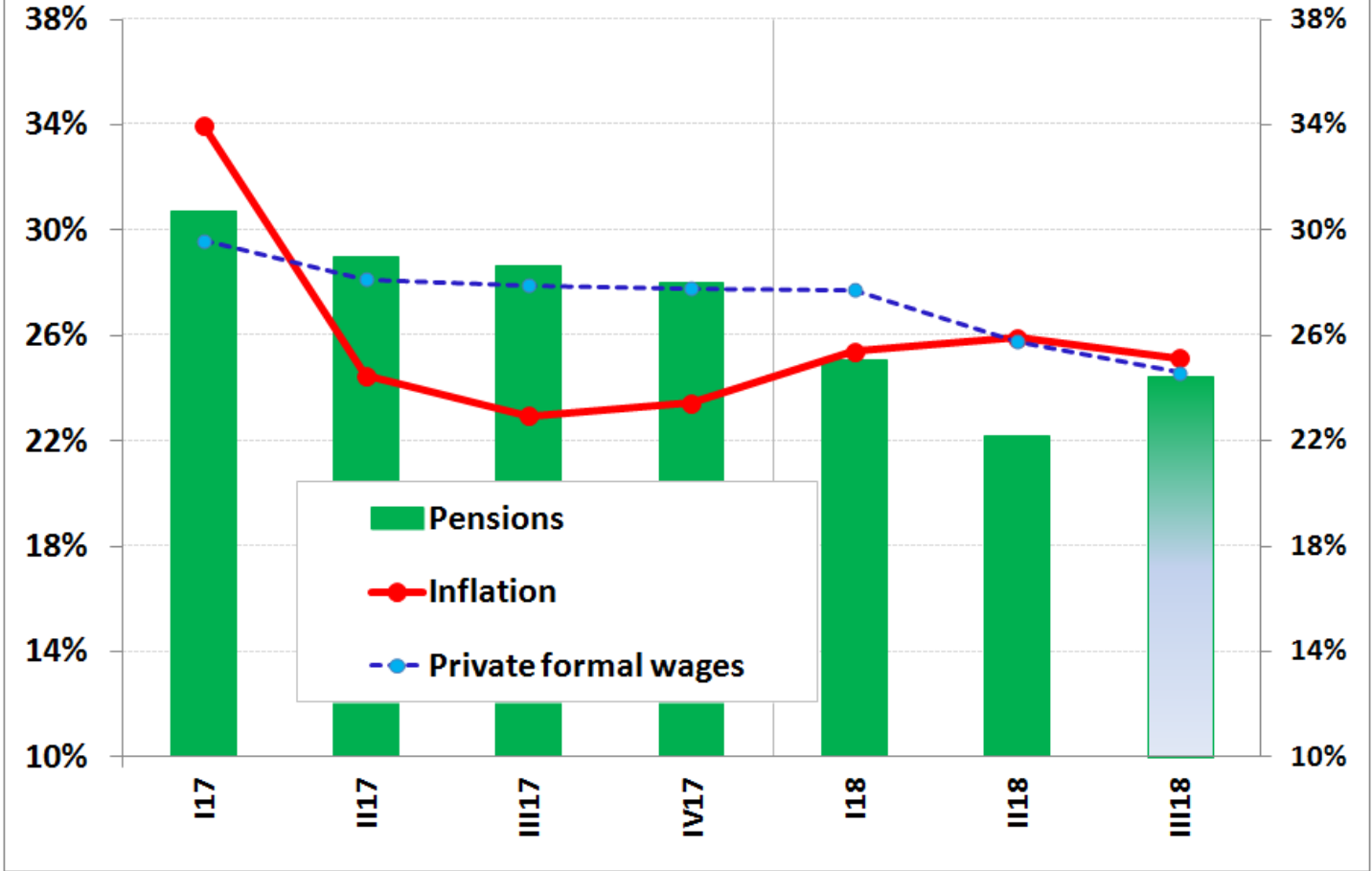
Even assuming a major fall of monthly inflation to 1.2%% since June, by December inflation (Yoy) would reach 21.5%-22%

The bottom line: lower inflation at yearend, but similar inflation on average

**Inflation in 2017 and 2018 (forecast)
FIEL CPI - City of BA**



Wages, pensions and inflation (INDEC GBA)
 Year on year % change



Real incomes

Q1 2018: wages and pensions still Yoy above inflation

*Q2: falling pensions.
 Partial reversion since Q3
 (and in 2019 , depending on the
 pace of falling inflation)*

Summing up

The economy performed better than expected in Q1. Expect growth volatility in the next quarters (impact of the drought, financial volatility, Brazil political & economic cycle, and the political business cycle in 2019).

Employment resumed high growth, although productivity gains are modest.

Inflation a major challenge in the short term. ER: from float to (kind of) fix, the main outcome during Q2.

Real incomes: expect modest to null gains in private wages and a moderate fall in pensions during 2018.