

# Argentina Economic Outlook

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CEI  
CENTRO DE ECONOMIA INTERNACIONAL

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February 2007

# Recovery process (2003-2005)

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- ✓ Dynamism of economic activity: after falling 18% (1998-2002), GDP recovered strongly increasing by 30% (2002-2005).
- ✓ Substantial creation of jobs and diminution of poverty.
- ✓ Strong budgetary surplus..
- ✓ Reestablishment of relations with multilateral agencies
- ✓ Record surplus in the trade balance.
- ✓ Building up of foreign currency reserves.

# Economic Programme

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## Objective



achieving **sustainable growth**  
**and social equity** through



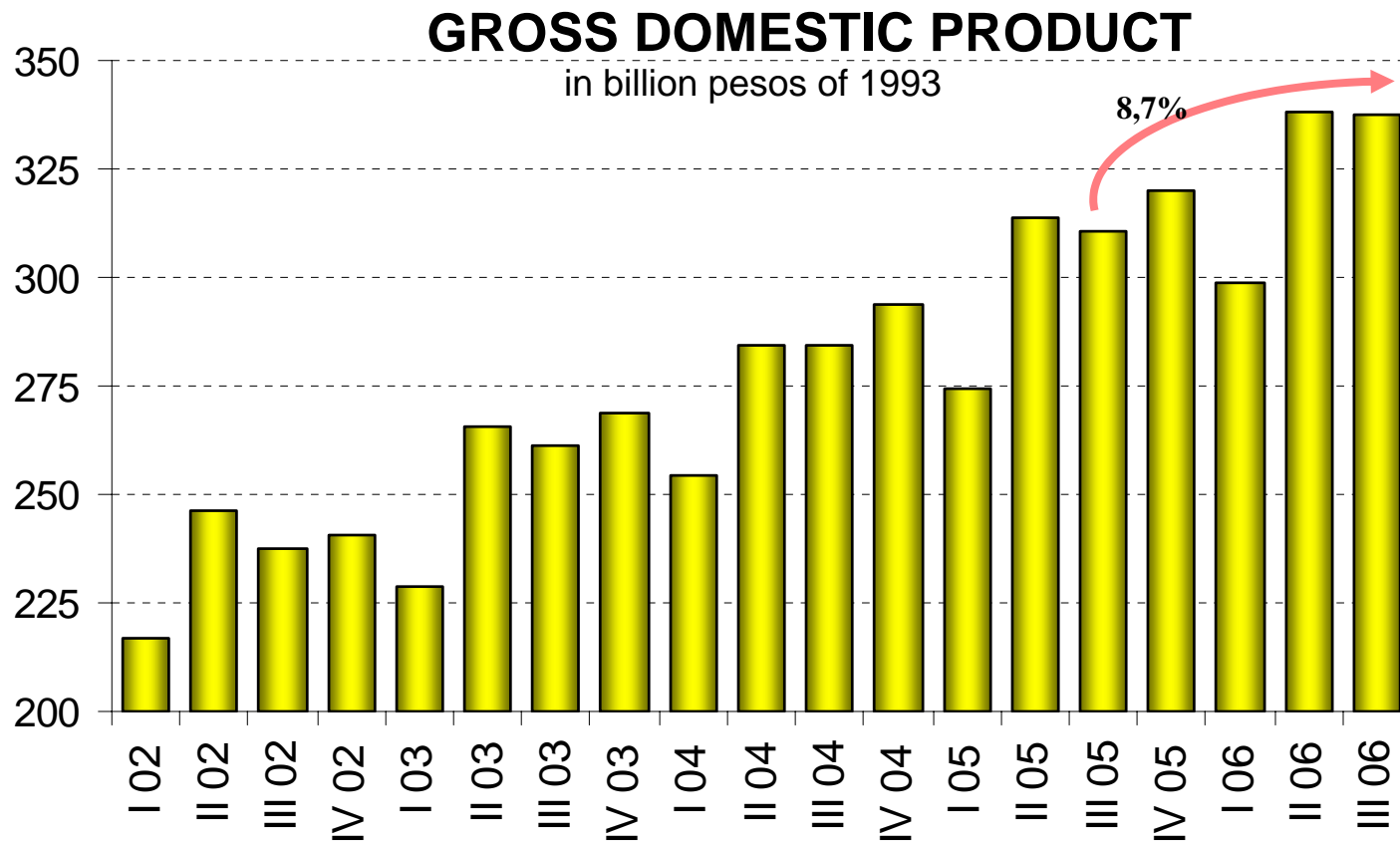
## Pillars



- Fiscal solvency
- Prudent monetary policy
- Exchange rate flexibility
- Consolidation of the financial system
- Active role in infrastructure investment and social programmes
- Increasing participation in the World Economy

# Economic activity

The economy presents nineteen consecutive quarters of growth and an annual average increase of 9% of GDP in the last four years.

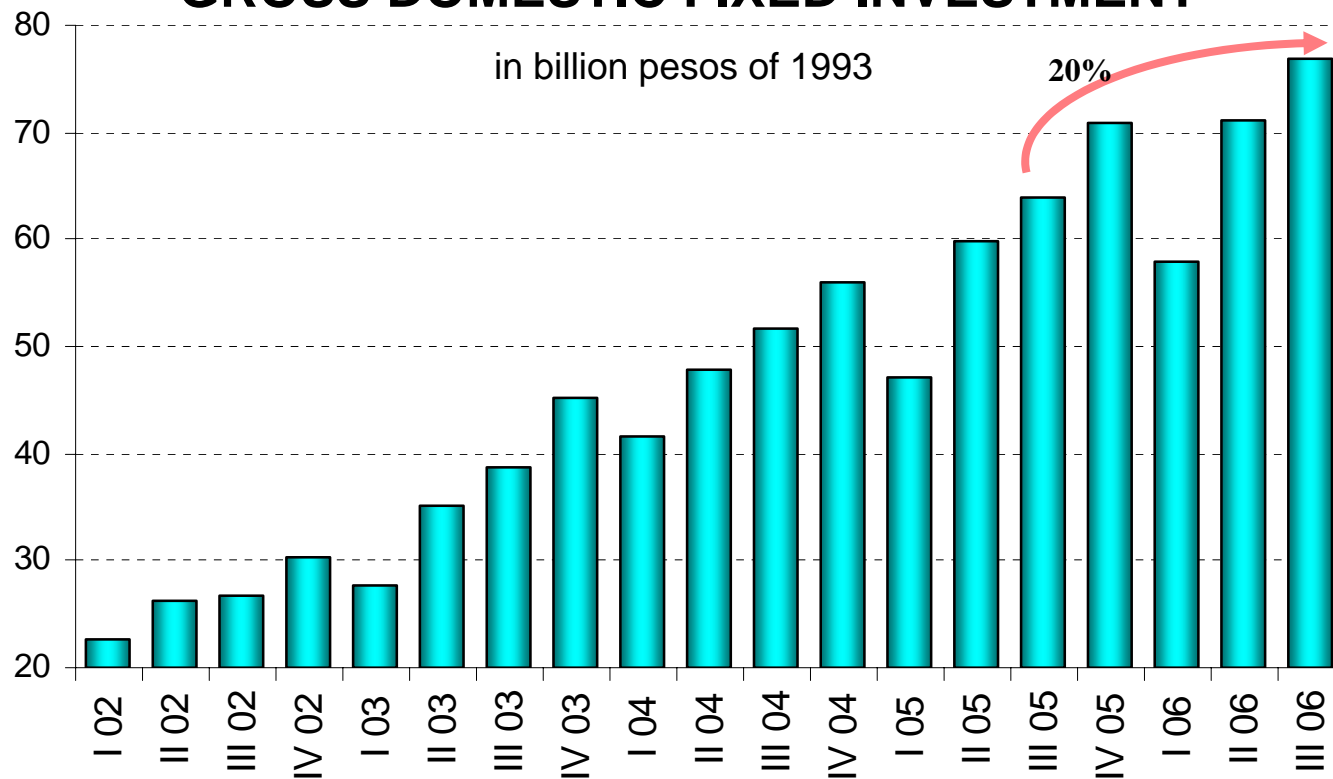


Source: CEI based on INDEC

# Economic activity

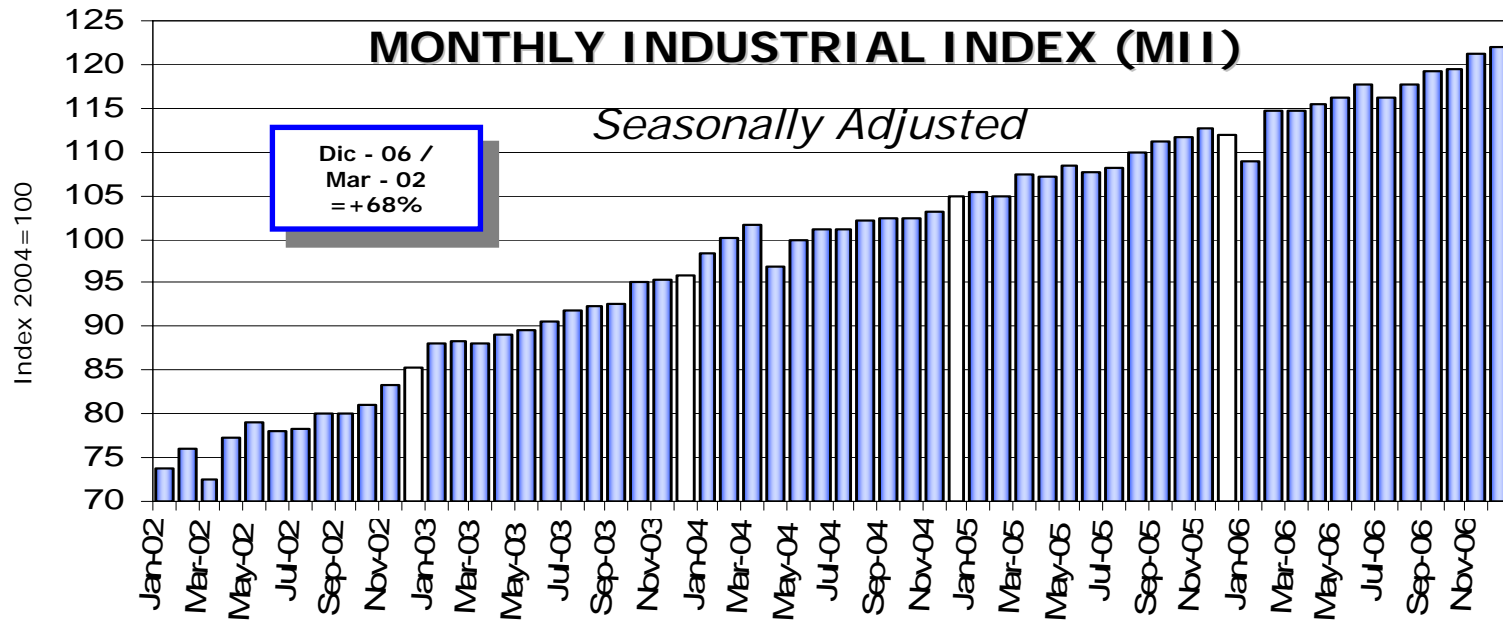
Investment has currently reached 23% of GDP,  
more than twice the 2002 share of 11%.

## GROSS DOMESTIC FIXED INVESTMENT



Source: CEI based on INDEC

# Economic activity

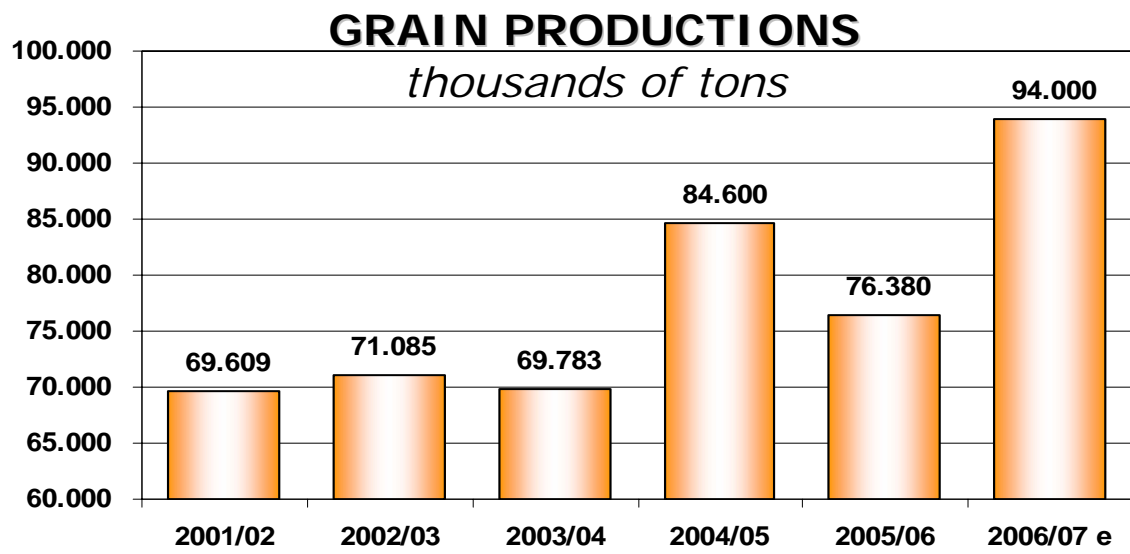
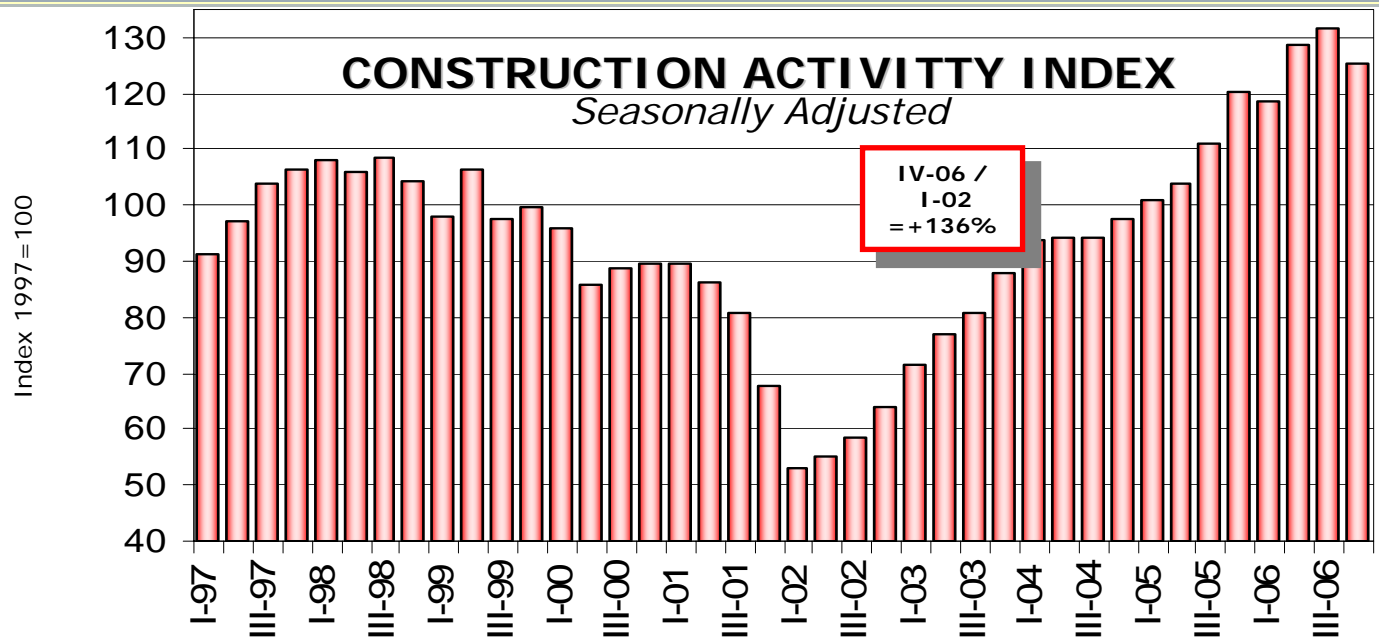


## Sectorial MII and Exports *Variation '06 vs. '05*

	MII	Export
Motor vehicles	32%	45%
Non-metallic minerals	15%	14%
Tobacco products	13%	69%
<b>Total Industry</b>	<b>8%</b>	<b>20%</b>
Food and beverages	7%	19%
Chemical products	7%	11%
Textile products	7%	9%
Processed oil	6%	17%
Rubber and plastics	6%	20%
Metallurgical/Mechanical	5%	20%
Edditing and printing	5%	13%
Paper and Cardboard	2%	18%
Base metal minerals	2%	21%

Sectors related to tradable goods led to the recovery of GDP and exports, especially in manufactures.

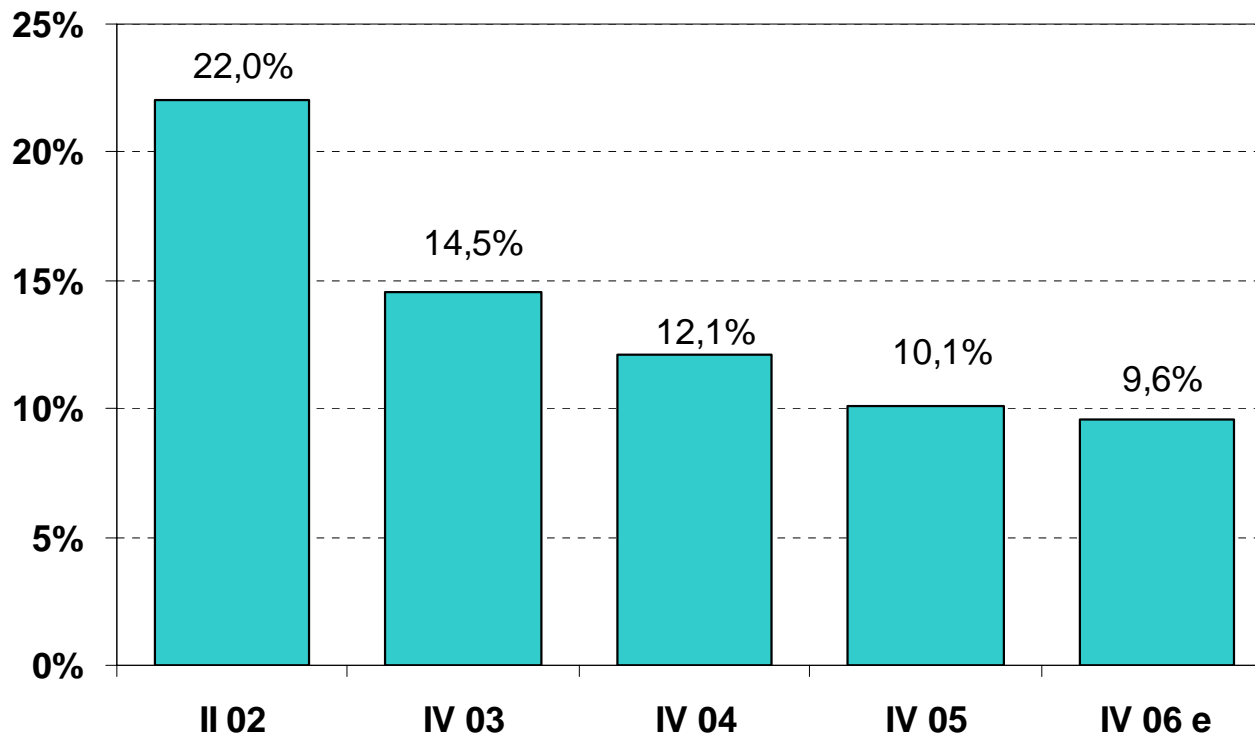
# Economic activity



# Economic activity

According to preliminary data of the fourth quarter of 2006, the unemployment rate would be lower than of the 10% for the first time since 1993.

**UNEMPLOYMENT RATE**  
in percentage of active population

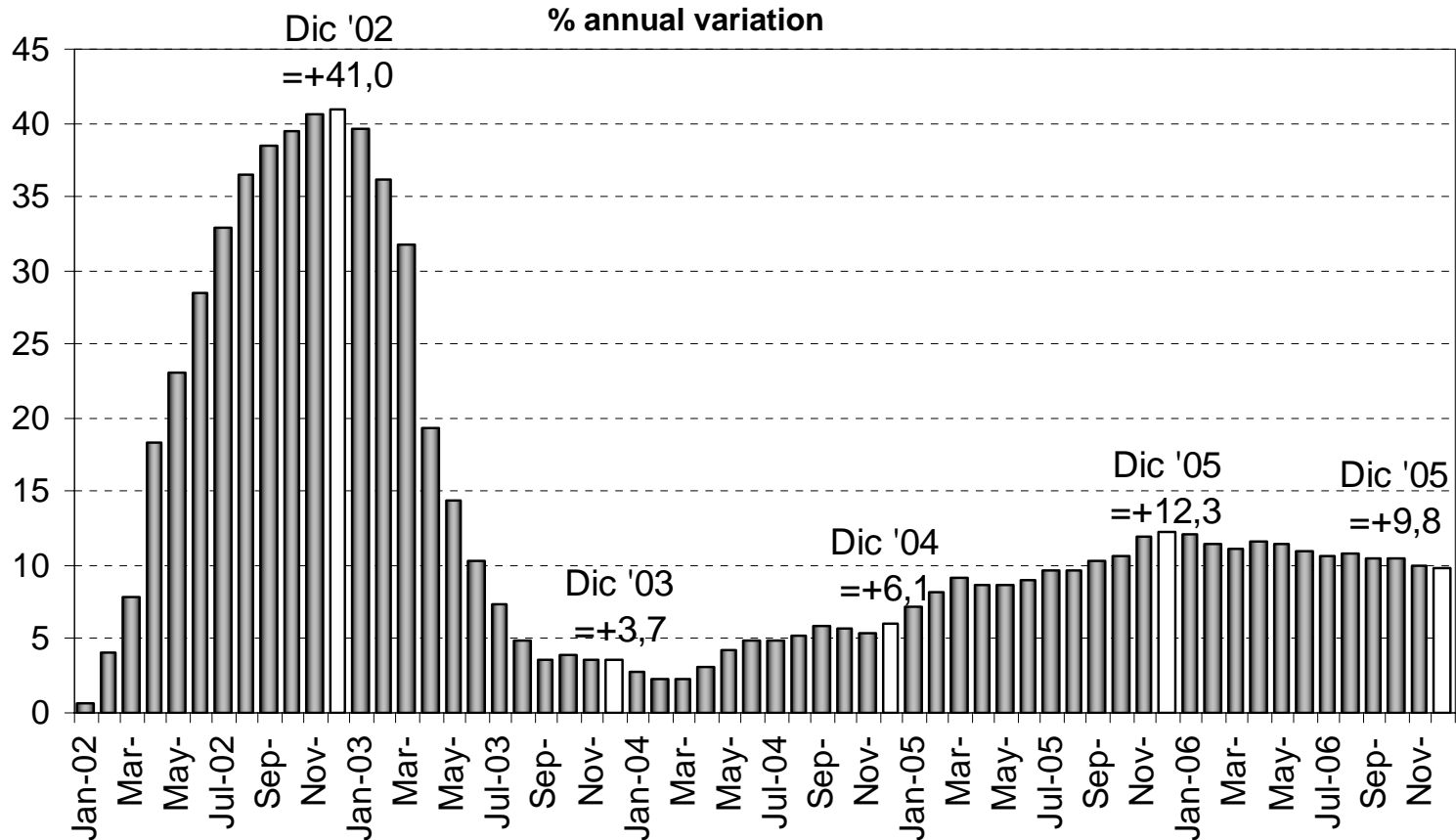


Source: CEI based on INDEC

# Economic activity

Throughout 2006, retail prices decelerated, curbing the price escalation present since the end of 2005.

## CONSUMER PRICES



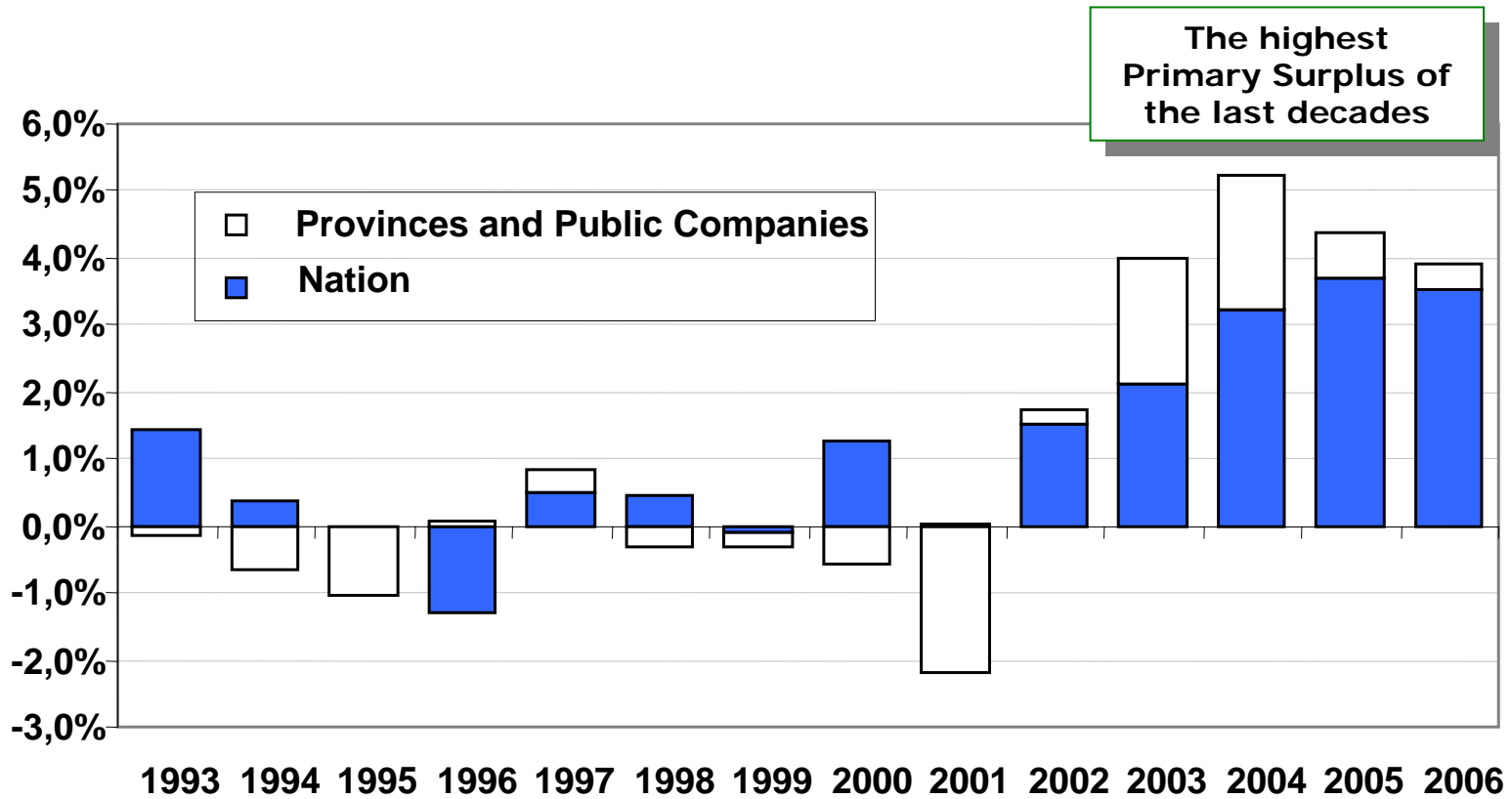
Source: CEI based on INDEC

# Public Accounts

From 2002, the deficit in fiscal accounts was reversed, as a result of public spending stabilization and increased tax collection.

## PRIMARY FISCAL BALANCE

*Period 1993-2006 . Cash Basis in % of GDP*

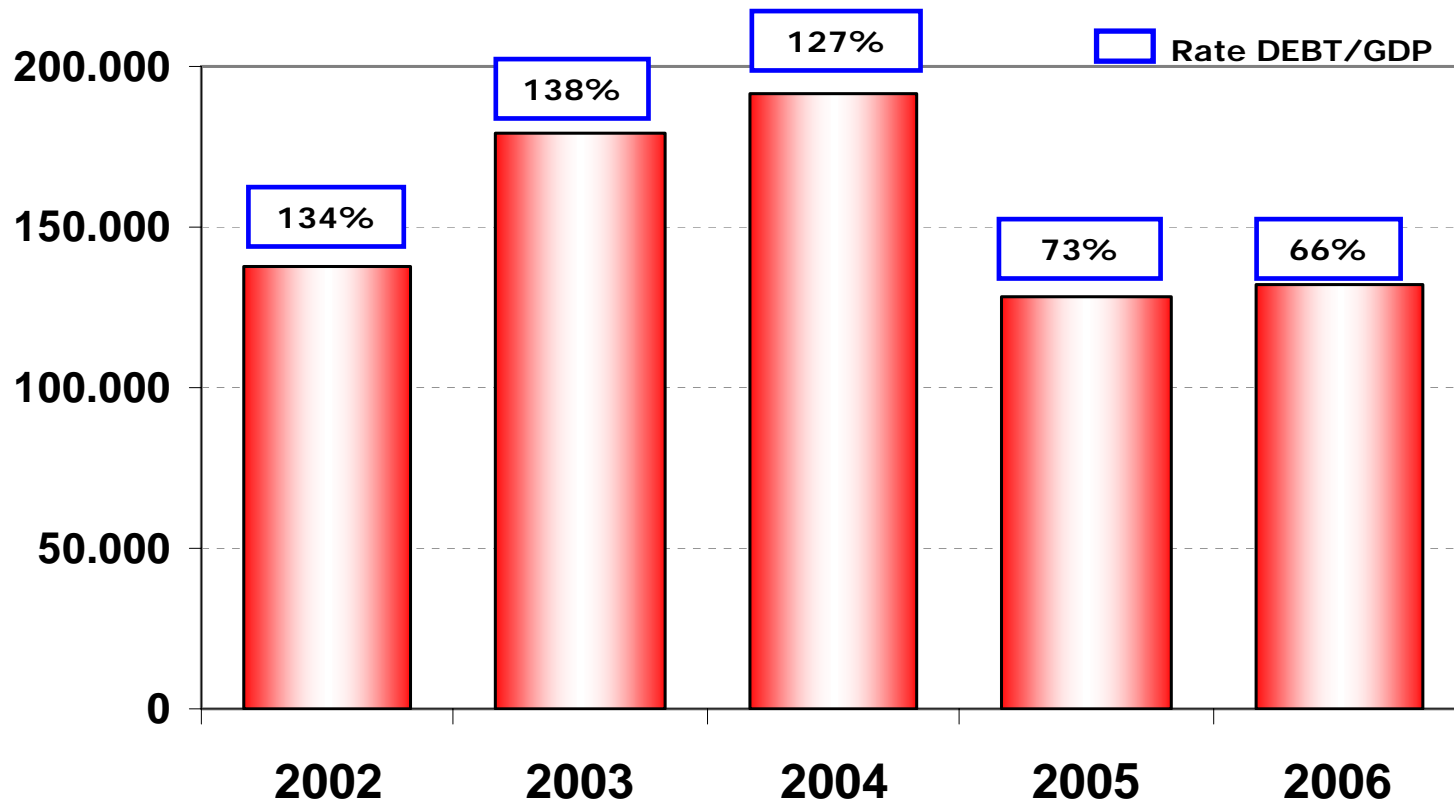


# Public Accounts

An important feature of Government Policies was a restructuring and honouring of the Public Debt.

## EVOLUTION OF TOTAL PUBLIC DEBT

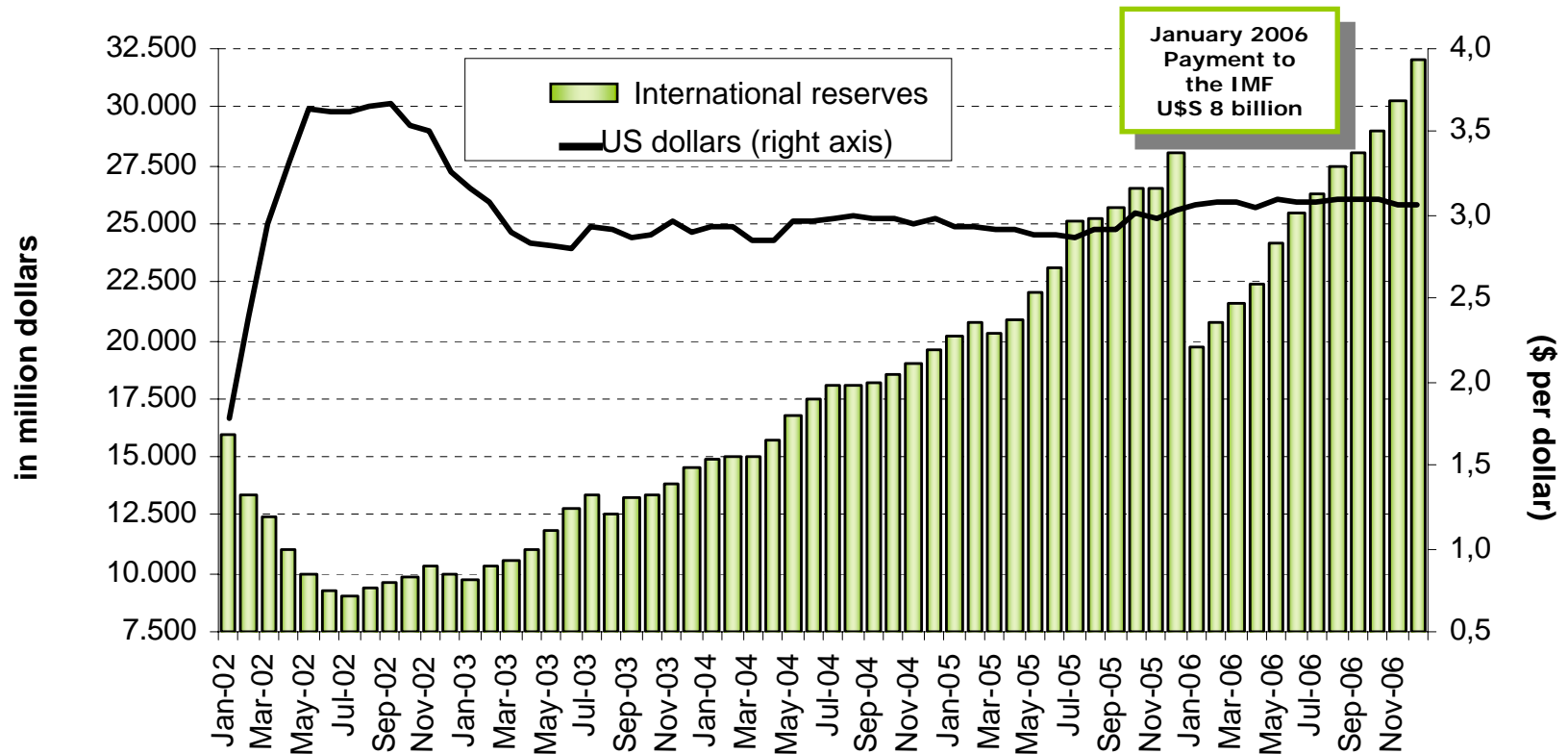
Period 2002-2006. In million dollars, end of period



# FINANCIAL SYSTEM

Together with the restructuring of the Public Debt the Central Bank instrumented a policy of building up international reserves.

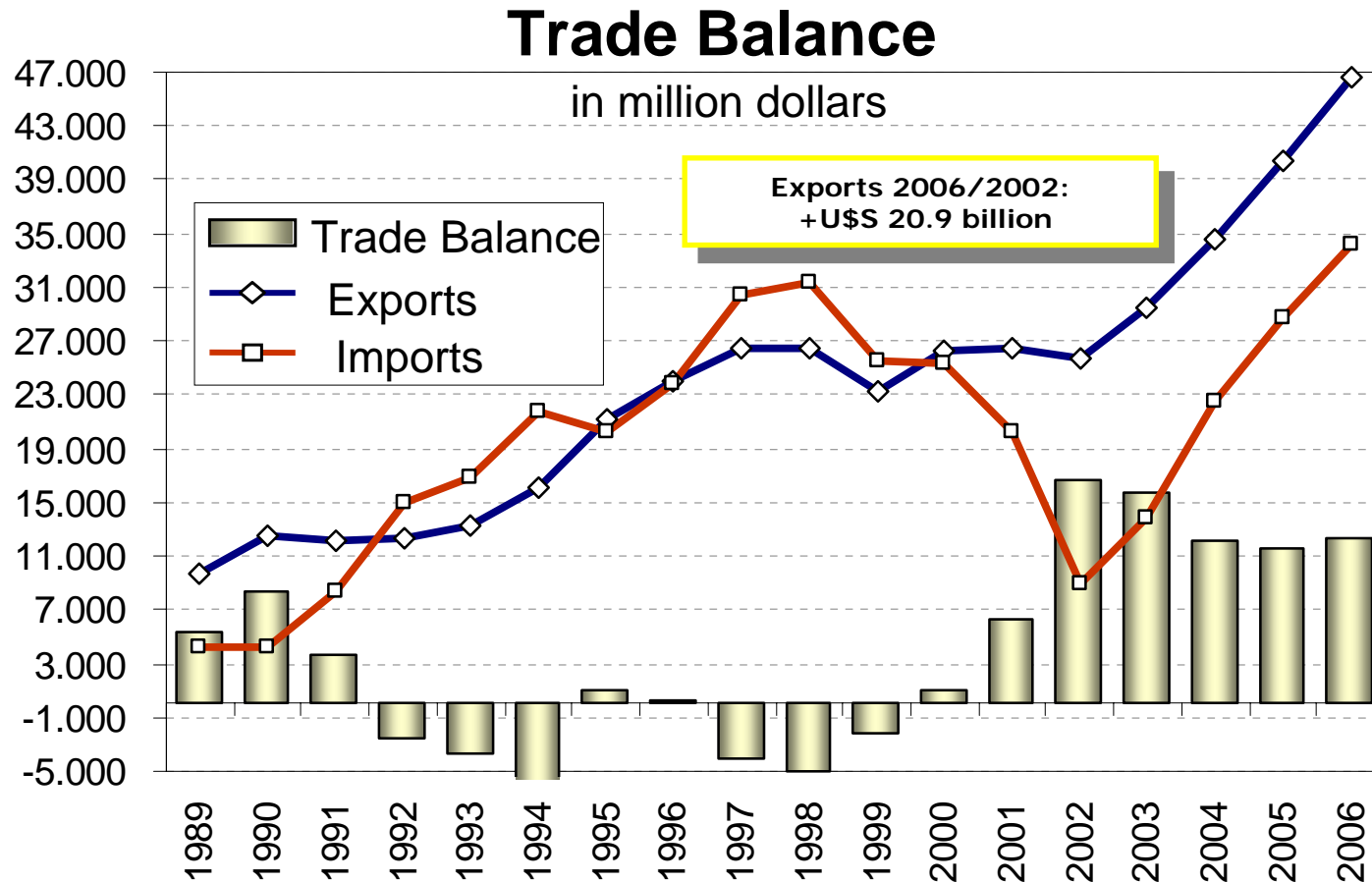
## EXCHANGE RATE AND INTERNATIONAL RESERVES



Source: CEI based on BCRA

# FOREIGN TRADE

Trade surplus is accompanied by a dynamic evolution of exports and imports.

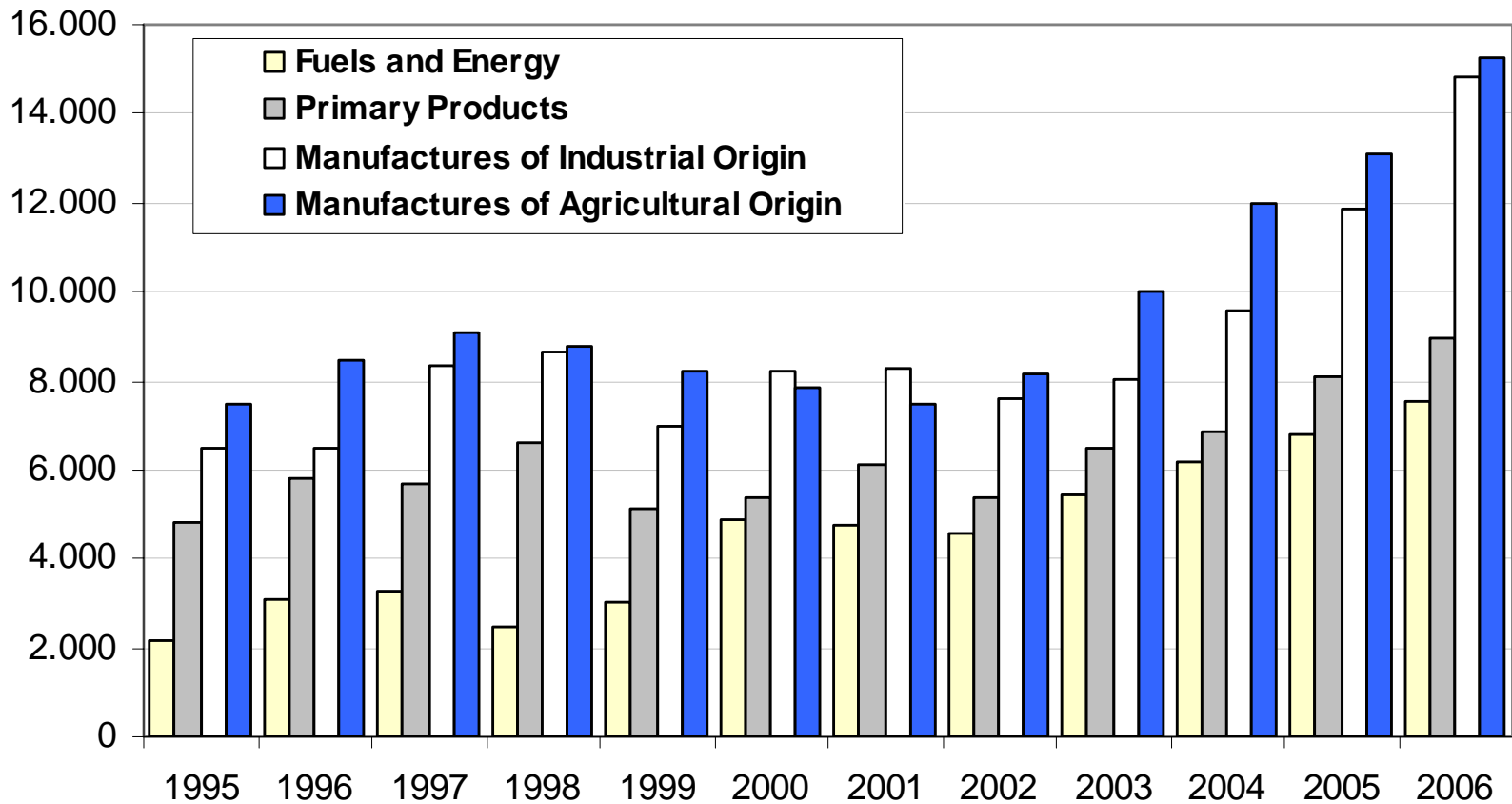


# FOREIGN TRADE

Exports almost doubled in less than four years, growing at a 16% annual average rate, Manufacturing being the most dynamic export sector.

## Export by sector

In million dollars

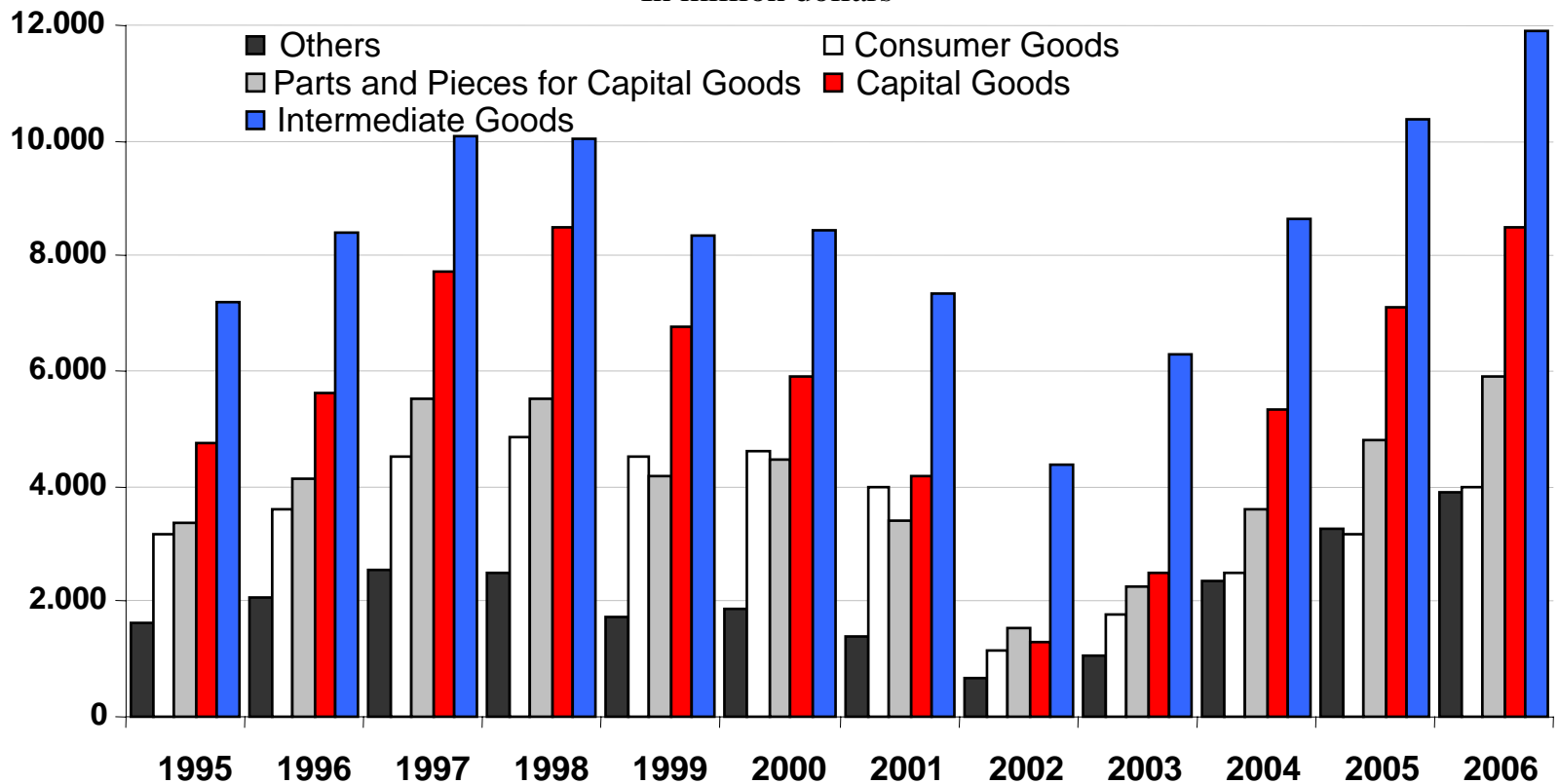


# FOREIGN TRADE

After the sharp decline in 2002, imports rapidly recovered, reflecting the economic growth. Machinery and Equipment was the most dynamic import sector.

## Imports by sector

In million dollars

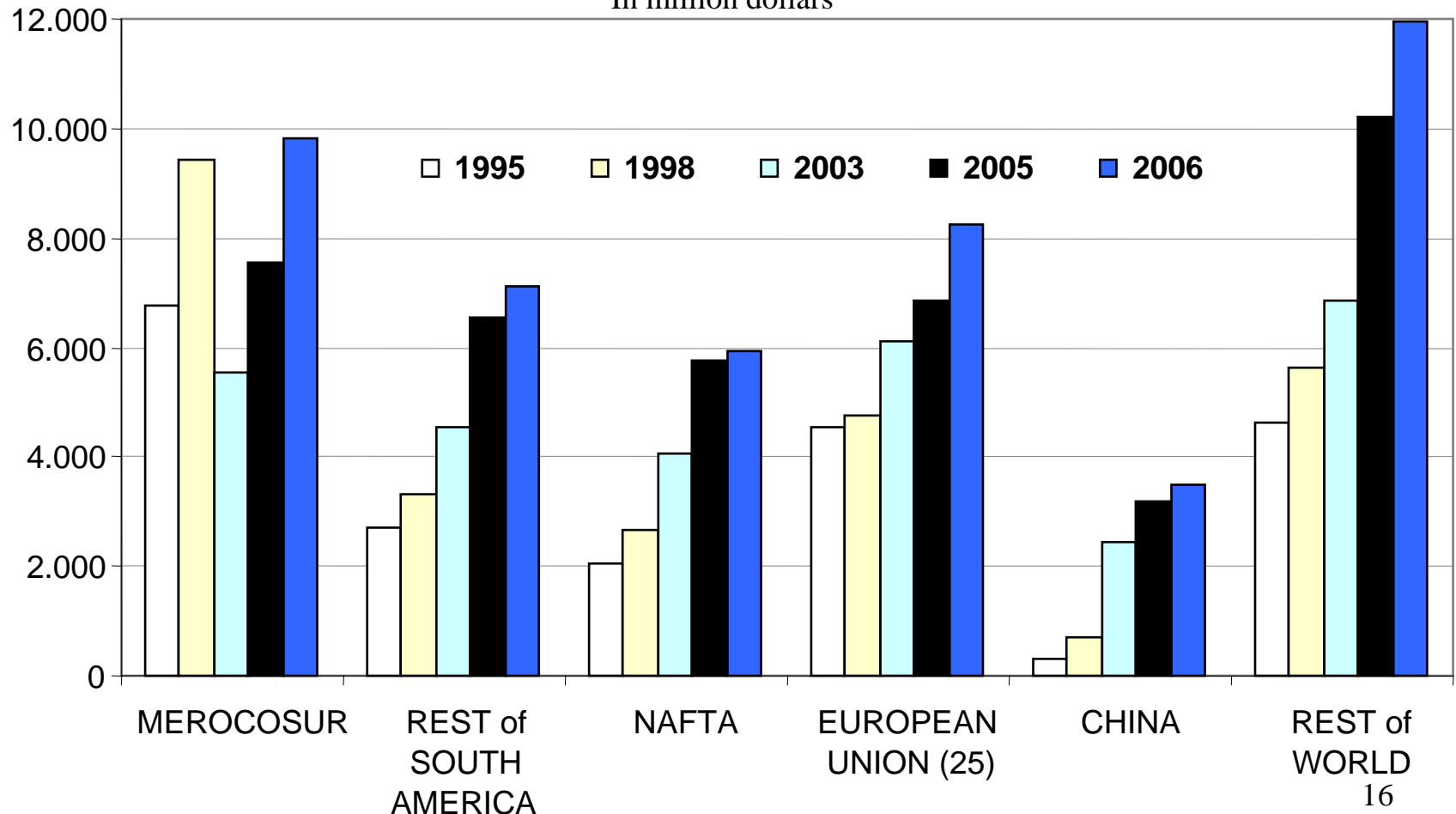


# External Trade by Economic Area

The growth of trade is accompanied by an increasing diversification of destinations and origins.

## Participation of each Area in Exports

In million dollars

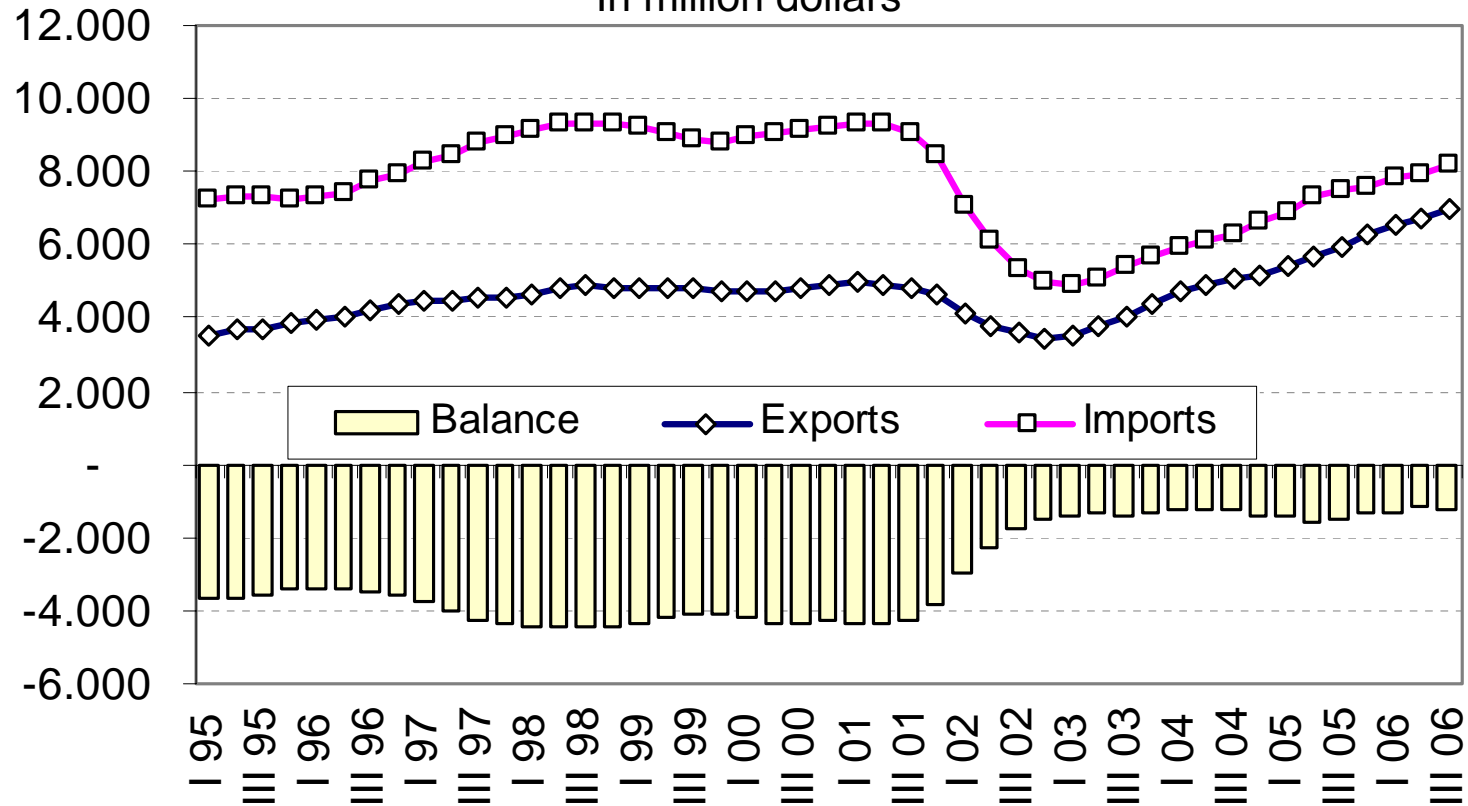


# EXTERNAL TRADE

Services Exports and Imports are showing the same dynamism as trade in goods.

## Exports and Imports of Real Services

In million dollars



# ECONOMIC OUTLOOK

Variable		YEAR			
		2004	2005	2006 p	2007 e
GDP	% real var.	9.0	9.2	8.7	8.0
Exports	% var	17.0	16.0	15	13
Imports	% var	61.0	28.0	19	18
Trade Balance	USD billions	12.1	11.3	12.4	12.2
Retail prices	% var (dec/dec)	6.1	12.3	9.8	9.5
Exchange rate	ARS per dollar	2.96	2.97	3.10	3.17
Primary result CPS (1)	GDP %	5.1	4.5	3.6	3.5
Unemployment rate	% 4th quarter	12.7	10.1	9.6	8.6

(1) Consolidated public sector (CPS): federal, provincial and municipal government  
 p: preliminary; e: estimate

Source: CEI based on Central Bank, MECON and Law of Budget of Argentina

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