BBVA | RESEARCH

Argentina Economic Outlook

2ND QUARTER 2016 | ARGENTINA UNIT

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Closing Date: 12 May 2016

1 Editorial

In December 2015 Mauricio Macri of the Cambiemos coalition assumed the presidency and quickly started to tackle the difficult economic and institutional situation left behind by the outgoing government. Having first appointed a highly experienced economic team, he started to rebuild the national statistics system, successfully removed most of the foreign exchange restrictions that were in place, eliminated regulations on interest rates, started to reduce the fiscal deficit and set targets for deficit reductions up to 2019, while also announcing inflation targets for the entire term, and signalled changes in foreign policy (raising the issue of Venezuela's human rights record, resuming negotiations with holdouts from the 2005-10 debt swaps, announcing that he would request an Article 4 consultation from the IMF and promoting the start of negotiations for a EU-Mercosur trade agreement).

This set of policies goes in the right direction to tackle the various macroeconomic imbalances besetting Argentina at the end of 2015, but their overall effect on the economy is as yet uncertain. The combination of the depreciations of the exchange rate, accelerating inflation, increased rates for public services and utilities, reduced public spending and a rise in interest rates will hinder consumption in the first half of the year and therefore affect activity and employment. Although this will probably start to turn round in the second half of the year, driven by investment and exports, activity on average will fall slightly in 2016, by 0.4%. After this comprehensive plan starts to produce the expected results, GDP will grow by around 3.2% in 2017 and the following years, in line with our estimate of potential GDP (see Box 1).

It is too early to assess results in terms of reducing inflation, since the formal system of inflation targets will not be implemented until September. In any case, the new management of the Central Bank, Banco Central de la República Argentina, hereinafter referred to by its Spanish initials "BCRA", have already made changes to monetary and exchange rate policy, seeking to sever the link between devaluation and inflation, reducing monetary expansion and using the interest rate as the key instrument for bringing down the rate of inflation. However, inflation in Q1 and Q2 2016 will still be high (albeit not so high as might have been expected) because of the pass-through effect of the exchange rate devaluation on prices and the adjustment in energy prices. All the same, despite the relative calm in the FX market and the contractive tone of monetary policy, inflation in 2016 could be close to 32% YoY, albeit with a strongly decreasing trend in the second half of the year. In 2017 inflation will continue to fall, in the context of decreasing targets for the next four years to the extent that reduced monetary financing of the fiscal deficit continues to bear fruit.

In the fiscal area, following the large deficit of 2015, the announced withdrawal of subsidies and the increase in energy and transport rates were launched, and targets for the gradual reduction of the fiscal deficit over the next four years were also announced. This attempt to reduce the fiscal imbalance is positive on the face of it, but the consistency of the targets remains to be demonstrated, since so far data for the first quarter of the year do not show a downward trend in the fiscal deficit. The proposed gradual approach also reflects the political constraints faced by the government, since the bulk of the adjustment will fall on the middle segments of the private sector, basically due to the reduction in energy subsidies, and not so much on the reduction of other items of primary spending.

The external sector will not be much help in supporting economic activity in this first year. Exports will continue to fall in 2016 despite the partial correction of the real appreciation of the currency and the removal of export taxes, due to the severe recession in Brazil and the lower average soft commodity prices, while imports will regain momentum due to the end of exchange controls, despite sluggish activity. In the following years, we estimate that exports will react to the new economic environment, but since imports will grow faster, there will still be a trade deficit and the current account deficit will continue to icrease gradually, being financed by FDI inflows and debt issuance both from the private and public sector.

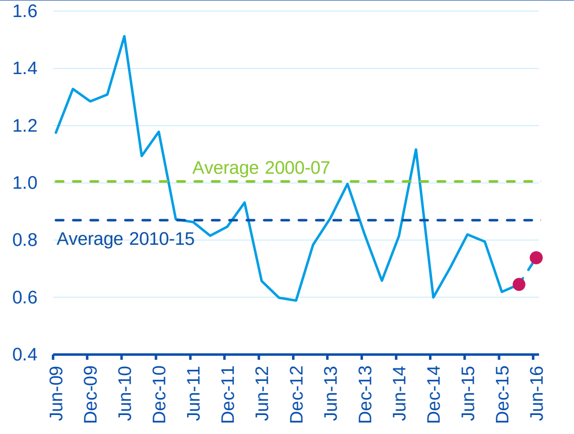
Argentina is therefore facing a new opportunity to return to the path of sustained growth with low inflation and macro-financial stability and we believe that the current government will take advantage of it. However, significant challenges remain, since the large imbalances will have to be tackled while dealing with political constraints and in a somewhat adverse global environment. In particular, it is crucial to maintain and implement the guidelines of the fiscal and monetary programme, in spite of the short-term risks to economic activity. Only positive results in terms of a consistent reduction in inflation will allow Argentina to resume a growth path that is sustainable over time.

2 Global growth is fragile and reliant on China

The data available for the first quarter of 2016 confirm our forecasts of stabilising growth in the global economy, at a low rate, but slightly higher than in late 2015. The BBVA-GAIN[1] indicator puts the QoQ increase in global GDP at 0.6% (2.6% annualised rate), well below the average recorded between 2010 and 2015 (Figure 2.1). This rate of growth could accelerate slightly in the second quarter if the signs of reduced deterioration being shown by available indicators of production, trade and business confidence are confirmed, but it is still not enough for annual growth of the world economy to come in at around 3.2% (our estimate for whole-year 2016).

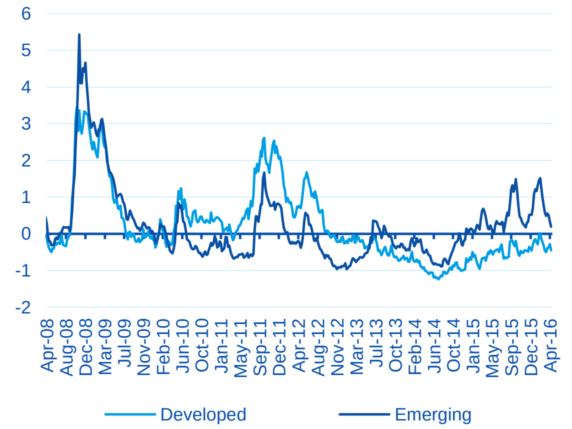
The sharp increase in financial volatility seen between December 2015 and February 2016, as well as being in response to the slowdown in global activity, also threatened to exacerbate it if it persisted with the same intensity and ended up being translated into a contraction in spending decisions. The better-than-expected balance of China's economic indicators, together with the reduced downward pressure on the yuan exchange rate, the recovery of commodity prices and the moderation of expectations of interest rate hikes by the US Federal Reserve were crucial to the easing of financial tensions from then on and to the reduction, in turn, of the probability of occurrence of a worldwide stress scenario in the short term.

Figure 2.1
Global GDP, % QoQ 1Q and 2Q forecasts for 2016 based on BBVA-GAIN



Source: BBVA Research

Figure 2.2
BBVA financial stress index (normalised values)



Source: BBVA Research and Haver

China: fewer short-term risks, but more long-term doubts

The Chinese authorities' strengthening of their stimulus measures, both monetary and fiscal, have helped to soften the effects of the readjustment to the manufacturing sector on aggregate production and therefore on the country's flows of trade with the rest of the world. In the short term, the implementation of countercyclical measures may facilitate a more gradual than expected slowdown in the economy; however, if this brings with it a delay in the correction of fundamental imbalances such as the high leverage of the corporate sector or the excess supply in certain branches of industry and construction, China's vulnerability to shocks such as that seen at the beginning of the year will increase, as will its potential to destabilise the rest of the world. Taken as a whole, these factors lead us to revise our 2016 growth forecasts for China upwards to 6.4%, maintaining our growth forecast of 5.8% for 2017.

1: See https://www.bbvaresearch.com/en/publicaciones/global-gdp-growth-remains-stuck-at-2-6-yoy-in-q1-less-cloudy-outlook-but-the-same-risks/

The international environment is partly determining the US Federal Reserve's decisions and thus helping to relieve the pressure on emerging markets

The postponing of expectations of the next interest rate hike is explained by the importance that economic agents attach to the deterioration in the international environment as reflected in the reactions of the US Federal Reserve. As against the two rate hikes predicted by FOMC members for 2016, the market has postponed the next increase to early 2017. The response of the dollar, depreciating despite the continued relatively positive trend in US domestic demand, and the easing of the long segments of the dollar interest rate curve, have contributed to relieving the restrictions on financing in the emerging markets, as reflected by: (i) the BBVA financial stress index for this region, which has corrected all of the upturn seen in the first few months of 2016 (Figure 2.2), and (ii) the reactivation of inflows of foreign capital, with net capital inflows to emerging markets since mid-February, due in part to the relocation of investment to instruments with higher returns.

Furthermore, to the extent that developed countries' central banks maintain the direction of monetary policy of the past few months (strengthening or maintaining stimulus measures in the case of the ECB and the Bank of Japan; caution in normalising interest rates on the part of the US Federal Reserve), emerging market authorities will have more room for manoeuvre to prioritise economic recovery among their objectives. The gradual approach expected of the US Federal Reserve (which supports capital inflows to the region) and the recent recovery of currencies (containing the possible increase in inflation caused by dearer imported goods) limit the need for aggressive interest rate hikes.

All the same, the relative improvement in the global economic scenario in the last quarter continues to be fragile and dependent, in the short term, both on how China's economy evolves and on the resolution of the sources of geopolitical instability present in Europe. In any case, repeat bouts of financial volatility like the one seen at the beginning of this year (of greater or lesser intensity) cannot be ruled out in a context of high uncertainty about the ability of the emerging markets to manage their slowdown and of the developed countries' central banks to reactivate growth.

3 Progress on the government's programme and an end to default

In December 2015 Mauricio Macri assumed the presidency and quickly started to carry out the government programme he had announced, implementing a series of far-reaching measures such as the elimination of exchange controls, the gradual reduction of the fiscal deficit by increasing energy and transport charges and the resumption of negotiations with the holdouts from the 2005 and 2010 debt swaps with a view to Argentina's return to international trading and financial relations.

Following a relatively short period of negotiations through mediator Daniel Pollack in the New York courts, nearly 90% of the holdouts accepted Argentina's proposal and Judge Griesa ordered his injunction preventing Argentina from paying other creditors to be lifted if Congress repealed the so-called Padlock Law (*Ley Cerrojo*) and the Sovereign Payment Law and once payment to the creditors accepting the proposal had been finalised.

Despite not having a majority in either the Chamber of Deputies (lower house) or the Senate, President Macri succeeded, with support from provincial governors, to get the laws for exiting default approved by 66% of the Deputies and 77% of the Senators. Finally, on 19 April a successful bond issue enabled the country to cancel its debt to the holdouts in cash. Following the lifting of the injunction, payment was made to the holders of debt from the swaps who had not received payments since June 2014, thus enabling Argentina to put the default behind it, which was reflected in upgrades to its credit ratings.

4 The economy will contract by 0.4% in 2016 but will grow again by 3.2% in 2017

Since the end of 2011 when exchange controls were imposed, Argentina's economy has posted very low growth or even virtual stagnation according to private estimates. The lack of credibility of the official statistics of activity and inflation produced by INDEC (the National Statistics and Census Institute) led the new government, which came into office in December 2015, to declare a "statistical emergency", as a result of which the availability of information on the national accounts is limited to preliminary aggregated data for 2015. These data indicate that the economy grew by 2.1% in 2015, with growth slowing from 3.9% YoY in Q2 to 0.9% YoY in the last quarter on year. In the context of an election year, growth was led mainly by the public sector (3.3% YoY) and construction (5%) while record grain and vegetable oil harvests in the second quarter drove activity in the agricultural sector, which grew by 6.4%.

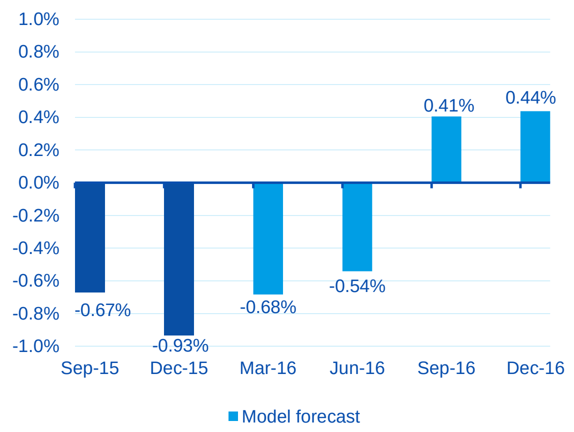
In the first four months of 2016, the increase in public service charges and the acceleration of inflation due to the floating of the exchange rate have eroded real wages and will have a negative effect on consumption and activity. The fiscal consolidation, though tepid, will also drain momentum from aggregate demand. The interest rate, which was increased substantially at the end of February to contain inflation, and the depreciation of the peso, will also have a negative impact on economic activity. The recovery in investment due to the improved regulatory and macroeconomic environment, which stimulates capital inflows, and the gradual recovery in exports thanks to the currency devaluation and the elimination of export taxes and restrictions on imports of inputs, could partially offset these recessionary effects. However, both investment and exports will take time to react, so the effect will not be seen before Q4 2016 at the earliest, and possibly later. In short, activity will remain sluggish in 2016, with a slight (0.4%) contraction in GDP. The few activity data so far available confirm, albeit with a considerable margin of error, (see Figure 4.1) a moderate recession in the first half of 2016, GDP likely to fall by an average of 0.2% each quarter SWDA. In the last part of the year, we estimate a significant recovery in GDP (+2.2% YoY in Q4 2016), led mainly by investment (+8.9% YoY) now that agreement with the holdouts has finally cleared up the doubts about Argentine risk.

Argentina's return to the world markets has led to numerous announcements of investment in both infrastructure and private sector projects (including FDI) which will materialise in the medium term. However, in the short term, construction will fall sharply due to the freeze on public works resulting in turn from the fiscal restrictions following the overflow from the electoral cycle, which will delay recovery to Q4 2016. Exceptionally, exports grew at 14% YoY in volume terms in Q1 2016, in spite of the continued recession in Brazil, since they include balances brought forward from previous years' harvests now freed up by the lifting of exchange controls and the substantial cut in export taxes on agricultural products. However, the external sector will not be the great driver of activity this year (growth of 2% in the year), in particular because of the reduced demand for industrial products from Mercosur and the inelasticity of supply of agricultural products in the short term to the changes in relative prices that came about after the sowing of the *cosecha gruesa* (the main non-grain crops, basically soya, maize, sorghum and sunflower, starting in September).

The government is continuing to take the right steps to correct the serious imbalances inherited from the previous administration without any major delays. Following the inevitable adjustment to relative prices (exchange rate, public service charges, etc.), Argentina's economy will be able to resume growing at rates closer to its potential of 3% from 2017 on, since it will not be strangled by external restrictions or lack of financing thanks to the successful lifting of exchange controls and exit from default.

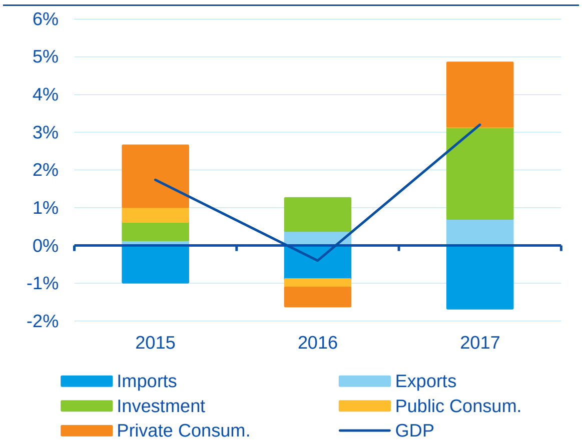
We therefore expect that the comprehensive pro-market plan chosen by Argentina will soon star to show results in terms of activity, and that GDP will grow by 3.2% in 2017, driven mainly by investment and exports (Figure 4.2) and a gradual improvement in private consumption. The steps currently being taken in terms of reducing the tax burden on the agricultural sector and investment in highway and communications infrastructure will tend to make Argentina's exports more competitive. At the same time, following devaluation, the lifting of restrictions on dividend payments and the exit from default, the risk premium for investments in Argentina has diminished, and we estimate that the ratio of investment to GDP will continue growing, to reach ratios similar to the maximums of 25% of GDP, which will contribute in turn to boosting potential growth.

Figure 4.1
MICA-BBVA estimates (Chge. % YoY)



Source: FIEL and BBVA Research

Figure 4.2
Contribution to GDP



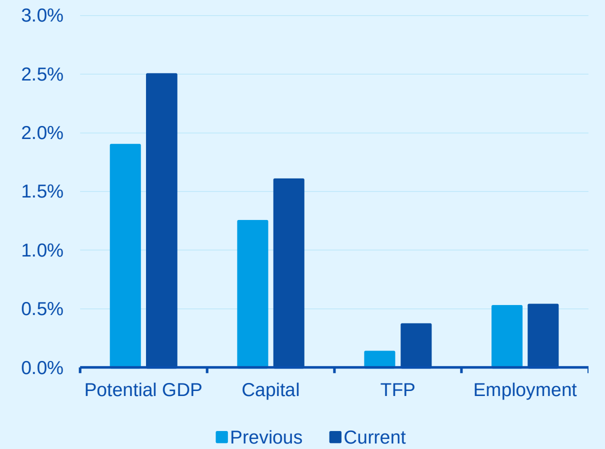
Source: FIEL and BBVA Research

Box 1. Upward revision of Argentina's potential GDP following the turn-around in economic policies

Potential GDP is a theoretical concept defining the maximum level of production that a country can reach without causing inflationary pressures using the available factors of production (labour and stock of capital) and the existing technology (summarised as "Total Factor Productivity", which can be understood as the efficiency with which the capital and labour factors are combined). Therefore investment in fixed capital, demographic trends and technological innovation, closely linked to structural reforms, are some of the factors explaining how an economy's potential GDP evolves. In this brief note, we comment on the results of re-estimating Argentina's potential long-term GDP (over the period 2016-24) following the change of government last December and the new government's switch of policy direction.

Our latest estimates of Argentina's potential GDP for the period 2016-2024 give average annual growth of 2.5%, as against the average growth of 1.9% which we had estimated in May 2015 (Figure R.1.1) when our base scenario assumed continuation of the previous government's policies. This increase in projected potential GDP is basically due to a greater contribution from the capital factor - 1.5 pp as opposed to 1.25 pp in our previous estimate - and increased Total Factor Productivity, which contributes 0.37 pp in the new estimate compared with a meagre 0.13 pp in the previous one. Meanwhile the contribution of the labour factor remains almost unchanged at 0.53 pp (previously 0.52 pp).

Figure R.1.1
Annual growth of potential GDP between 2016 and 2024 (%)



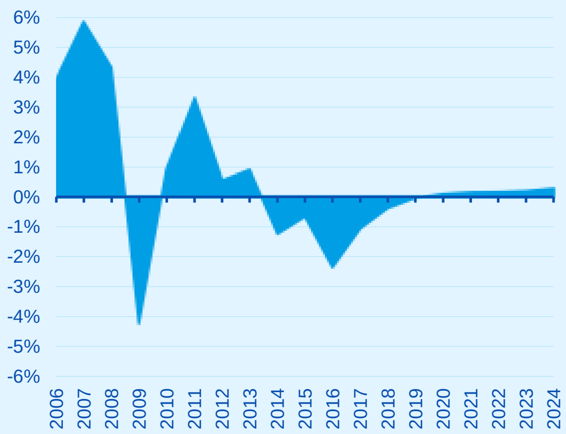
Source: BBVA Research

Why this increased contribution from the capital factor? On the one hand, the new government's switch to policies aimed at achieving greater stability, both macroeconomic (lower inflation, reduction of the fiscal deficit) and institutional (regularisation of the official statistics and of INDEC), less state intervention in the economy (end of exchange controls, elimination of para-tariff barriers, removal of export taxes), the return to international financial markets (settlement with holdouts, ICSID, IMF Article 4), an increase in international trade (reduction of para-tariff barriers, launch of trade treaties, elimination of export taxes) and the development of the financial system (indexed loans, end of regulated interest rates) drove private investment by both residents and non-residents, which will increase the stock of capital in the economy. On the other, the national government has announced an ambitious infrastructure plan to modernise ports, roads, railways, etc., which will also increase the stock of capital. Lastly, we also expect less capital impairment than in the past ten years, returning to historical averages, since we expect newer and more modern plant and equipment to have a lower rate of obsolescence.

As for Total Factor Productivity, its increased contribution is partly the result of the improved and more stable macroeconomic and business environment, with less state intervention, which will encourage greater efficiency in the use of resources, and also partly of changes in labour legislation, adapting it to more modern technologies and practices, introducing greater flexibility (wage negotiation by company and linked to productivity) and reducing taxes on labour.

GDP as observed generally differs from potential GDP: the difference between the two is referred to as the "output gap", which is an important concept for policy makers seeking to stabilise their economies. In expansionary phases, economic activity is above its potential for a time, leading to a positive output gap, associated with inflationary pressures and requiring more restrictive macroeconomic policies. In recessions, the converse occurs: economic activity falls below its potential level and the output gap is negative; this is characteristic of periods of adjustment to activity leading to downward pressure on inflation and calling for expansionary macroeconomic policies. As can be seen in Figure R.1.2, Argentina currently has a negative output gap. This is important for the anti-inflationary policy being pursued by the present government, since the downward pressures will help disinflation. The recovery of growth from 2017 on will slowly but surely close this gap, which will turn positive from 2020 on, remaining very small however and not generating significant inflationary pressure.

Figure R.1.2
Annual growth of potential GDP between 2016 and 2024 (%)



Source: BBVA Research

In summary, the concept of potential GDP underlines the need for countries to push for structural and political reforms on the supply side so as to raise the potential level of output and its growth through increases in productivity. In this regard, a historical correlation can be observed between a country's Index of Structural Reforms and the contribution of TFP to its potential growth. In the case of Argentina, the main reforms need to be aimed at increasing investment in physical capital (especially infrastructure) and human capital (better quality education and health). At the same time there is a need to promote more saving to finance these investments, and to reduce the excessive weight of the informal economy, which discourages businesses and households from undertaking either type of investment. Our base scenario assumes that part of this work will be carried out in the next few years, but that the structural reforms will not be enough to allow Argentina's potential GDP to show really dynamic growth. This would require additional reforms which have yet to be announced and which it is to be hoped the government will undertake once it has completed the initial task of normalising the macroeconomy. In other words, let us hope that after first taking care of urgent matters, the government will then turn to the important ones.

5 The government focuses on monetary policy to slow down inflation, which will start to ease at the end of Q2

The new government announced inflation targets for 2016 of 20-25%, which will drop to 12-17% for 2017, to 8-12.8% for 2018 and to 3.5-6.5% for 2019 (Figure 5.2). Thus after ten years of neglect, the problem of how to slow down inflation is now being tackled - albeit gradually - by the new administration. In fact the chairman of the BCRA has stated that a formal system of inflation targets will not be established until September 2016 with a view to 2017, whereas 2016 will be a year of transition in which efforts will be made to get as close as possible to the target. Given the size of the fiscal and monetary imbalance it has inherited, the government is not seeking more rapid reduction, since this would involve a greater recessionary impact. It is crucial for the government to have provided these details in order to coordinate expectations, given the peak in inflation in Q1 2016 due to the pass-through effect of devaluation and the correction of energy and transport charges at a time when wage agreements are being negotiated.

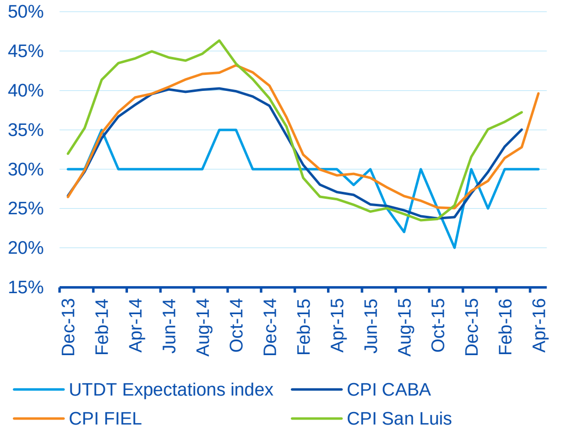
Monthly inflation in the first quarter of the year (as measured by the index of the Statistical Directorate of the City of Buenos Aires (CABA)) remained above 3%, and in April it was 6.5%, because of the adjustments to gas, water and public transport charges in the metropolitan area of Buenos Aires. However, the pass-through effect of the devaluation (excluding increases in regulated prices) was only 27.7%, much less than expected and much less than on previous comparable occasions. In the same line, core inflation shows a gradual downward trend, from 4.5% in December to 2.8% in April. However, these levels are still higher than those observed in the quarter prior to devaluation (2% per month), and it is proving difficult to bring about an appreciable reduction in the public's expectations, which remain at around 30% YoY (see Figure 5.1). Also, the lack of an official index and the disparity in regional measurements deriving from the differential impact of the adjustments to public service charges between the provinces of the interior and Greater Buenos Aires (with longer relative price lags) make it difficult to anchor expectations and wage negotiations, which are slowly progressing without major excesses.

In any case, the nominal appreciation of the peso since the end of February, together with the holding of interest rates on BCRA paper at close to 38% through much of Q2 2016 will make it possible to continue reducing the impetus of inflation which (excluding the sharp adjustment to public service charges in April) we estimate will average 2.4% MoM in Q2 and 1.4% MoM in Q3. Bearing in mind the lag in monetary policy effects of between six months and a year and the peso's potential appreciation due to the inflows of capital, we estimate an increase in prices of around 1% per month towards the last quarter of the year. However, because of the impact of the adjustments at the beginning of the year, the overall level of the cumulative GBA CPI for 2016 could be close to 32% YoY, and will in any case probably overshoot the target of 25% initially announced.

In fact, this likely overshoot of the announced target has led to statements from civil servants describing the inflation target as “federal” in the sense that it should not include all of the heavy impact of the energy and transport cost adjustments on the CPI for Buenos Aires. The BCRA has signalled in its weekly communiqués that it will not cut interest rates until it sees tangible and persistent signs of falling inflation, which will probably not be before the end of May. The risk is that the misalignment of expectations, together with the doubts aroused by the continued (albeit limited) financing of the Treasury, will slow the descent path of inflation and force the BCRA to maintain a highly contractive monetary policy over a prolonged period, with the consequent negative effects on economic activity. Reducing inflation is a fundamental objective for ensuring the success of the programme and its positive effect on growth in the near future.

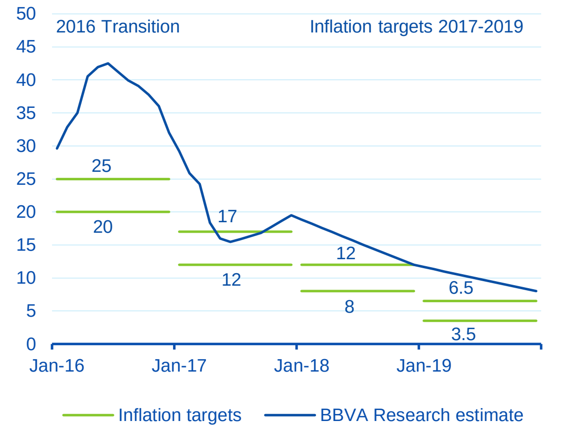
While our baseline scenario assumes that the government will have only partial success in its anti-inflation efforts this year, we welcome the setting of a reference rate and the explicit commitment. For the following years we expect continued reductions in inflation due to the lower monetary financing of the deficit and the active policy of inflation targeting; we expect it to remain close to the upper band of the ranges announced, but with a clearly downward path (Figure 5.2), from 19% in 2017 ending up at 8% in 2019.

Figure 5.1
Inflation and expectations (change % YoY)



Source: UTDT, GCBA and BBVA Research

Figure 5.2
Government inflation targets (chge. % YoY)



Source: GCBA and BBVA Research

6 The agreement with holdouts from 2005-10 swaps will enable a gradual approach to fiscal consolidation

The fiscal accounts confirm the deterioration of the fiscal deficit in the last year of the Kirchner government, which would have reached a total deficit of 5.4% of GDP in 2015 counting the unpaid floating debt. The new government announced a commitment to reducing the fiscal deficit from 2016 onwards, with an improvement in the fiscal balance of less than 1% pp of GDP in 2016 and around 1.5% year-on-year until 2019, bringing the primary deficit down to 0.3% of GDP, not counting BCRA and Social Security revenues (Figure 6.1). The announcement of the reduction in the deficit (and therefore its monetisation) is positive, although the bulk of the adjustment will fall on the private sector, with the reduction in subsidies to the energy and transport sectors (1.5% of GDP) since improvements in public spending efficiency will contribute only 0.8% of GDP according to the announcement.

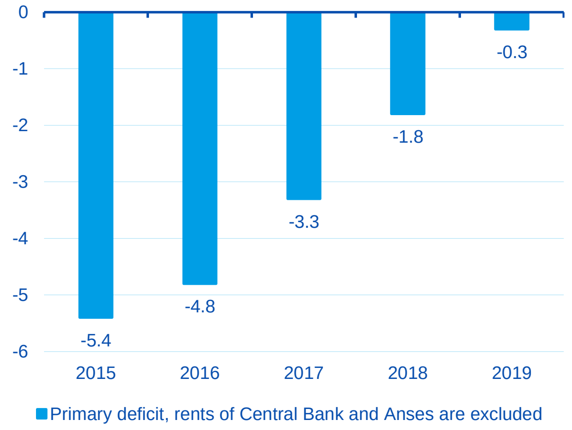
In addition to the announcement of increases in electricity, natural gas, water and transport charges, measures have been implemented such as the elimination of most export taxes (and a gradual reduction of 5 percentage points per year in the remaining tax on soya beans), the minimum income tax threshold was raised and a bill to reduce VAT on essential items to moderate the impact of the devaluation on lower income groups was submitted to congress. These measures point to a fall in tax revenues that could be more than 1.4% of GDP and therefore necessitate substantial reductions in subsidies to the energy and transport sectors, bearing in mind that they have adopted measures that will tend to increase primary spending, such as increases in child allowances and pensions to moderate the impact of price increases on the most vulnerable segments of the population.

Although increases of between 300% and 500% have been announced in energy rates and of 50% to 100% in transport fares, along with the lay-off of 10,000 government employees with no specific duties, it is difficult to quantify the effect of these measures on the public accounts, since we have information only for the first quarter, in which they did not yet have full effect. The fiscal data show an increase of 12.2% YoY in the primary deficit in this period, in spite of a proportionally smaller increase in expenditure (28.3%) than in revenues (31.1%), deriving mainly from the fall in capital expenditure and current expenses on goods and services.

A primary deficit of around 350 billion pesos (under the new methodology which does not consider BCRA or Social Security receipts as revenue) as aimed for by the government is feasible, but in order for it to be achieved, primary spending would have to grow by much less than tax revenues, which would have to continue increasing at the current pace, which is slightly negative in real terms. It is too early to be able to say whether the announced increases in public service charges will be enough to achieve this saving (bearing in mind the volatility of international oil prices) and whether tax revenues will be more affected by the fall in activity.

Following the settlement with the holdouts, the Secretariat for Finance launched a successful placement of New York jurisdiction bonds which enabled it to pay the funds that had sued it on 22 April 2016 and to bring an end to the default. Offers received were more than four times greater than the issue amount originally envisaged, at an average rate (7.14%) that was also lower than expected. In these circumstances it was decided to increase the amount of the issue, and part of the surplus over the amount needed to pay the holdouts (US$7.5 billion) will be used to cover public sector financing requirements in 2016 (see Table 6.1). The remainder will be covered, according to the January announcement, by BCRA loans (160 billion pesos), Social Security funds and refinancing of maturities by other public agencies, multilateral organisations and new placements in the domestic market for US$3 billion. In this regard the Ministry of Finance has stated that no more issues will be carried out this year on the New York market, although there will probably be new corporate and placements and issues by Argentine provinces such as the latest example of Neuquén.

Figure 6.1
Projections of the government's primary deficit (% of GDP)



Source: Ministry of Finance and BBVA Research

Table 6.1
Financial programme for 2016

	Billions of pesos	US$ billions	% of GDP
Primary deficit	358.2	24.3	4.80%
Principal & interest maturities	183.8	12.5	2.46%
Government bonds	132.0	9.0	1.77%
Multilateral organisations	51.8	3.5	0.69%
Financing needs	**542.0**	**36.7**	**7.26%**
Sources			
Multilateral organisations	44.3	3.0	0.6%
BCRA (transitory advances+profits)	160.0	10.8	2.1%
FGS stabilisation fund & other public bodies	39.8	2.7	0.5%
External market	106.2	7.2	1.4%
Internal market	118.0	8.0	1.6%
Refinancing of principal	73.8	5.0	1.0%
New issues	44.3	3.0	0.6%
Other financing (CP, RMB, etc.)	73.8	5.0	1.0%

Source: Ministry of Finance and BBVA Research

7 Argentina is entering a phase of trade deficits which it will be difficult to reverse in the next few years

Among the first statistics released by INDEC under its new management were those relating to the balance of trade, which showed that exports had been seriously overestimated in the period 2010-2015. The statistics, once corrected using Customs data, established that finally there had been a trade deficit of US$3 billion in 2015, compared with the surplus of US$2.3 billion previously estimated.

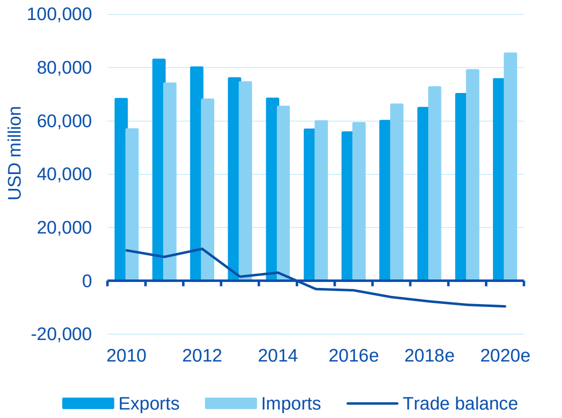
We see no substantial changes in the trends (falling commodity prices, GDP contraction in Brazil) affecting Argentine exports since the end of 2015. After three years of straight falls, Argentina's terms of trade will recover slightly (by 0.5%) in 2016 thanks to smaller reductions in grain prices than in metal and energy commodities, but exports will grow more slowly than imports, due mainly to reduced external demand for manufactured products, such that the trade deficit will increase by 15% in 2016 to US$3.5 billion (Figure 7.2).

The first quarter of the year was characterised by the dynamism of exports of primary and agrifood products, which were up by 65% and 43% YoY respectively, buoyed by the devaluation and the elimination of export taxes and other bureaucratic obstacles, whereas exports of non-agricultural manufactured goods continued to contract in volume terms, being particularly affected by the recession in Brazil, as did those of fuels, due to local supply shortages. However, the fall in prices means that total exports increased by only 3% YoY in Q1 2016. Imports are also showing dynamism (+20% YoY) following the lifting of exchange controls, especially in cars and automotive parts, but the fall in prices also affects them, such that in nominal values they were down by 3% YoY in the first quarter of the year.

Apart from the expected normalisation of agricultural exports in the remainder of the year following the flooding onto the market in Q1 2016 of much of the produce held back in 2015, exports could slow further depending on the final impact of the floods and heavy rains which affected extensive producing areas in the harvest period. It is estimated that the total soya bean harvest could fall to 51 million metric tons in the worst-case scenario but that the increase in world prices to more than US$380 per metric ton resulting from the fall in Argentina's production would partly offset the loss of exports, which could amount to US$500 million.

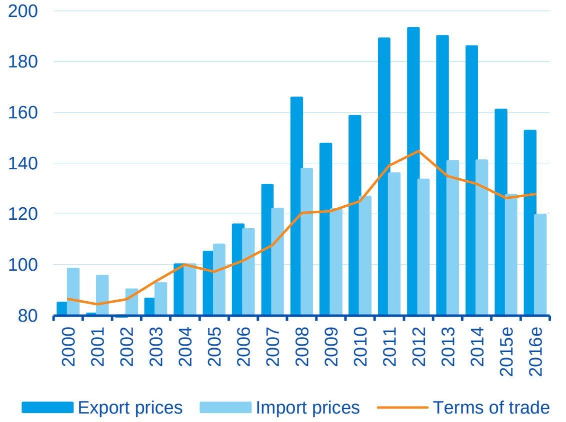
In the following years we expect a reaction by exports to the new economic environment (lower real appreciation, zero or falling export taxes, lower inflation, absence of barriers to imports of inputs and machinery) and they should grow in value by 7.9% on average until 2019, but since imports are likely to grow at a higher rate, 10.2% on average, the trade deficit will continue to grow (Figure 7.1). We expect a slight improvement in the balance of tourism and in exports of services as a result of the devaluation, albeit with some lag, given that many trips had been booked and paid for before devaluation. However, this will not be enough to offset the income balance, which will tend to return to normal now that there is an end to financial isolation, so that the current account deficit will continue to increase to around 3.9% of GDP in 2016. It is becoming increasingly important to secure inflows of FDI similar to those received by other countries in the region to finance the current account deficit, which we estimate will gradually be reduced, reaching 3.4% in 2018 thanks to the livelier performance of net service exports and economic growth.

Figure 7.1
Exports, imports and balance of trade (US$ millions)



Source: INDEC and BBVA Research

Figure 7.2
Terms of trade (2004 = 100)



Source: INDEC and BBVA Research

8 Agricultural exports and portfolio flows are temporarily strengthening the peso in Q2 2016

On 17 December last, the new administration announced that it had currency support from various sources (exporters and repos from international banks) worth US$15 billion (of which US$10.3 billion were made effective, US$5.3 billion from exporters and US$5 billion from the agreement with the banks). It then lifted most of the restrictions on foreign exchange transactions and withdrew from the foreign exchange market, allowing private supply and demand to determine the new price. The peso depreciated by 40% that day, reaching 13.76 ARS/USD. This drop, although notable, was less than expected (the worst forecasts predicted an exchange rate in the vicinity of 15.5 pesos to the dollar). Thus, the previous ineffective exchange rate policy was terminated relatively calmly and the foreign exchange market unified as part of a broader government plan for controlling inflation and reducing macroeconomic imbalances.

The peso floated practically without BCRA intervention at between 12.80 and 14.50 to the dollar until mid-February, while interest rates on BCRA notes fell quickly to 30% p.a., a similar level to that seen before the unification of the currency market. However, the decline in export flows once the initial agreement had been complied with, together with sustained demand for dollars from the private sector led to the rate rising to 15 pesos to the dollar at the end of February.

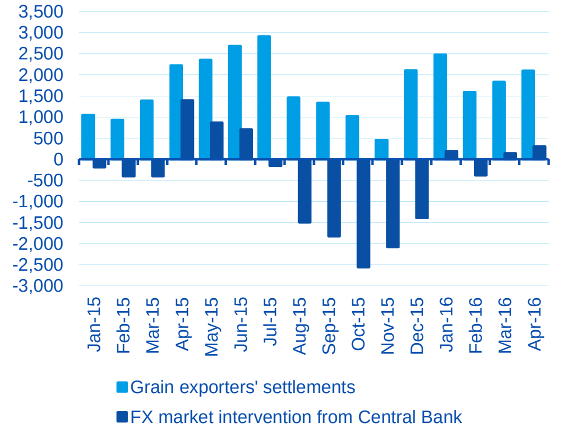
In these circumstances, the measures adopted by the BCRA (isolated but decisive interventions of US$675 million in the last week of February and a new hike of 800 bps in the short-term LEBAC rate) were effective in containing the rapid depreciation of the peso, which went on to appreciate by more than 10% from then to the middle of May. Although the current monetary policy is posited on allowing greater exchange rate volatility in order to break the link between the exchange rate and inflation, the intervention towards the end of February, together with public sector banks' increased buying in April, suggests that BCRA is seeking to avoid nominal rate fluctuations in either direction outside a certain range (which might be estimated as 14 to 16 pesos to the dollar) and certainly to keep volatility under control.

Despite delays due to the floods in the main agricultural region, from March on payments for exports of soya beans increased, and will remain firm this quarter, while at the same time the end of default and the high interest rates on short-term BCRA instruments will encourage portfolio inflows. In this context, the upward pressure on the peso will be countered by greater demand for dollars from the private sector to pay import debts and to remit deferred dividends, so on balance we expect the exchange rate to remain relatively stable at around 14.50 pesos to the dollar until June. In the second half of the year, with less seasonal abundance of foreign currency, we estimate that the peso will continue to depreciate slowly, ending 2016 at 16 to the dollar, given that there is still potential demand that may materialise (imports to be finalised, retained profits and dividends to be remitted) and that restrictions imposed on stocks will continue to be lifted. In this regard, at the beginning of May the BCRA raised the maximum monthly amount of dollars that can be bought by private individuals from US$2 million to US$5million.

In the following years, the peso will continue to depreciate slightly, although appreciating in real terms (Figure 8.2) since inflation will not come down to single digits until 2019. In any case, it will be a single, free currency market under a floating exchange rate regime (albeit somewhat managed) and in the general framework of a central bank following an inflation targeting plan in which the exchange rate neither plays any anti-inflationary role nor constitutes a political objective.

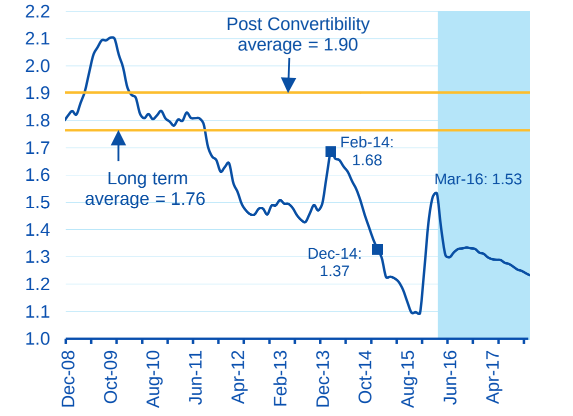
According to our estimates, the real exchange rate would still leave the peso relatively overvalued, by 13% relative to the historical average of the multilateral real exchange rate index and by 6% relative to our productivity-adjusted PPP models. However, these measurements do not take account of other improvements in competitiveness that have already been made, such as the reduction in taxes of agricultural exports and others that will derive from the government's ambitious infrastructure plan (which can now be funded following the bond issue of 19 April). It is therefore unlikely that Argentina will need to continue to improve its competitiveness by means of sharp devaluations, particularly in a context of still high inflation.

Figure 8.1
Grain exporters' currency settlements vs. Central Bank intervention in the FX market (US$ millions)



Source: BCRA, CIARA-CEC (grain exporters association) and BBVA Research

Figure 8.2
Real effective exchange rate (2001:12 = 1)



Source: Haver, BCRA and BBVA Research

9 Monetary policy is succeeding in stabilising inflation, but further progress is threatened by the increase in the quasi-fiscal deficit and the stagnation in lending

The basic measures for kick-starting the economy have already been taken: the lifting of exchange controls, the correction of energy and transport charges and access to the capital markets. The short-term effect on inflation is considerable, but to gauge the success of the economic policies we have to wait and see whether the virtuous circle of increasing demand for pesos and recovery in lending actually comes to pass. Access to external financing will have a positive effect in that it will significantly reduce monetisation of the fiscal deficit without requiring an abrupt fiscal adjustment. At the same time, the inflow of capital from abroad will generate an increase in the supply of foreign currency in the market, which will be absorbed by demand from the private sector, pushing the exchange rate down since the BCRA will not intervene to maintain it. This in turn will increase the demand for real peso balances, allowing interest rates to be cut and leading to a reactivation of demand for credit and of economic activity.

The Chairman of the BCRA recently announced the outlines of monetary policy from 2016 on. The main objective will be to reduce inflation, mainly by means of the interest rate, letting the currency float. The intention is to break with the devaluation/inflation dynamic that has so characterised Argentina's economy. Although it was announced that a system of inflation targets would be implemented, this will start to become effective until next year when the new price statistics are available. From 2017 on there will be corrective mechanisms, and any deviations from announced targets will be explained. As a new feature, there will be a Communiqué on Monetary Policy following the publication of INDEC's revamped GBA CPI in mid-June 2016.

In this transitional year, BCRA announced quantitative targets for the monetary aggregates private M2 and Monetary Base based on estimates of a demand function for money. In fact the target average growth band for these two aggregates will be 20% YoY and 25.4% YoY respectively for the whole year (Table 9.1). As regards the Monetary Base, looking at the current level of this aggregate, there should still be room for it to grow in the last three quarters of the year by approximately 33% due to the considerable monetary absorption that took place in the first quarter. Thus there is room to continue expanding the money supply, even after having met the financing requirements of the Treasury of 120 billion pesos for the rest of the year. In this context, BCRA sets out two policy options: 1) issue via the external sector buying currency, which would restore foreign exchange reserves or 2) free up stock of BCRA notes as they mature; or it would also be possible to apply a combination of both strategies.

In the current situation, with BCRA having decided to let the currency float and allow volatility in the market, we believe the second option will be chosen. Although the contractive monetary policy implemented by BCRA to date has contributed greatly to stabilising expectations of depreciation and inflation, we cannot ignore the costs that would be incurred in keeping interest rates strongly positive in real terms for a prolonged period and continuing to absorb by means of BCRA notes to offset the intervention in the currency market. The stock of BCRA notes ("LEBAC") increased by 42% YoY in the first four months of the year, while their term was halved (to 45 days). With an average interest rate of 35%, the interest burden of the sterilisation policy is growing and generating absorption requirements which are also growing. The quasi-fiscal deficit could continue growing and reach levels that would jeopardise attainment of the objective of bringing down inflation if this policy were to be maintained for too long. Nor can we ignore the impact of high interest rates on economic activity, particularly in a climate of failing confidence and uncertainty about future income. Lending to the private sector has been practically at a standstill in the first four months of the year, especially lending to businesses, more so than can be accounted for by the seasonal effects that habitually characterise this part of the year. While significant monetary easing in Q2 2016 is unlikely, we expect interest rates to start gradually coming down with inflation, to reach a “BADLAR” (“Buenos Aires Deposits of Large Amount Rate”, Argentina’s benchmark deposit rate) of 25% at year-end (Figure 9.1).

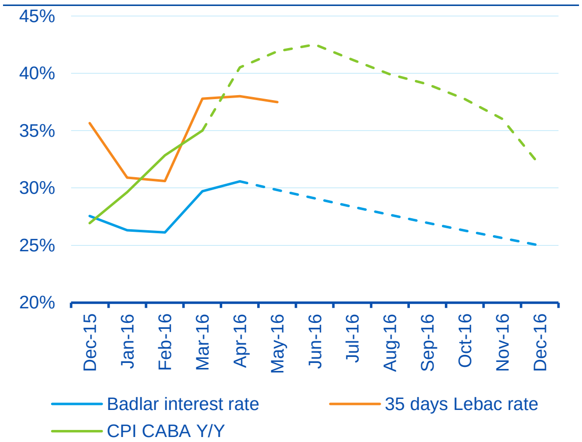
As regards the strengthening of demand for money in the medium term, BCRA has taken numerous steps to increase levels of banking penetration or “bancarisation”, such as making all savings accounts, transfers and the use of ATMs by their account holders free of charge. In a move aimed at promoting the use of credit, it has introduced a new indexed unit called the UVI for longer term deposits and loans, which could lead to the development of a market for mortgage lending, hitherto practically non-existent in Argentina (see Box 2).

Table 9.1
Projections of the monetary programme for 2016 (billions of pesos, monthly average)

	Mar. '16		*Dec. '16*	
	billions of pesos	chge. YoY	billions of pesos	chge. YoY
			1043	23.0%
Private M2	**816**	27.4%	**1016**	19.9%
			989	16.7%
			802	28.8%
Monetary Base	**587**	29.5%	**781**	25.4%
			760	22.0%

Source: BCRA and BBVA Research

Figure 9.2
Interest rates and inflation rate year-on-year (%)



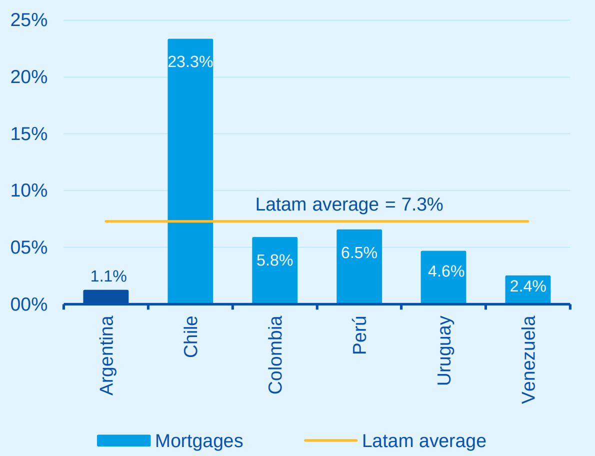
Source: BCRA, CABA and BBVA Research

Box 2: The UVI constitutes a partial but welcome solution to the lack of long-term lending in Argentina

The reasons for the limited development of the mortgage market

Penetration of mortgage lending in Argentina is barely more than 1% of GDP, far below levels reached in developed countries and even below other countries in the region which share similar problems.

Figure R.2.1
Mortgage Lending/GDP in Latin America



Sources: BBVA Research based on Latin American central banks' data.-

The low levels of lending for home buying in Latin America are mainly due to restrictions deriving from households' inadequate payment capabilities, difficulties in realising security, the risk of fluctuations in interest rates and the interest rate mismatch for the lender (having to borrow short to lend long). To a greater or lesser extent these factors are present in all the various countries, and governments have sought creative ways to reduce these difficulties and to facilitate access to what is after all the main physical asset in which most households are likely to invest.

In Argentina, the introduction of the UVI aims to reduce the risk of fluctuations in the interest rate, but does not constitute a solution for the other three problems referred to. The low level and irregular pattern of income, often associated with the informal economy, make income hard to prove and increase the risk of default from the lender's point of view. One possible solution to this problem is to grant explicit, specific subsidies to home buyers based on their good savings records, as is done in Chile.

In the case of the difficulties in realising mortgage guarantees, the problem is particularly acute in Argentina, since the cost of recovery absorbs between 25% and 33% of the value of the security and the process takes from 10 to 18 months.[2] The non-existence of property title deeds and the deficiencies of the registry, together with the legal impediments deriving from the multiplicity of federal jurisdictions reduce the supply of mortgage lending, since they substantially increase lenders' recovery costs.

The implementation of an indexed unit reduces the risk of interest rate volatility

Argentina's high rate of inflation has led to violent fluctuations in the interest rate, the volatility of which ranges between 15% and 20%, far in excess of the 5% average for Latin American countries. This factor makes the cost of raising deposits unstable, and the risk of a rise in the interest rate cannot be passed on to the borrower since, given the ratio between the cost of the property and the borrower's income, to do so would impose an adjustment that would be difficult for the household budget to cope with.

The system of principal indexation, as with Chile's UG or soon with Argentina's UVI, reduces this risk when most of the fluctuations in the interest rate come from inflation. This system shifts the interest rate risk onto the lender, who must have funding also denominated in indexed units to cover this risk.

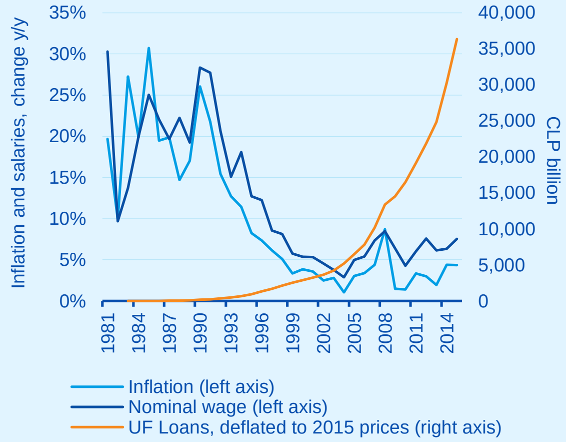
2: See "Economic and Social Progress in Latin America". 2005 Report. IDB. Page 212.

However, even if financial institutions could fund themselves with indexed deposits, the problem of mismatching would remain, since the sources of funds are short-term and the mortgage loans long-term. The solution to this problem often involves third parties such as pension funds or insurance companies to channel long-term savings, and also requires an efficient capital market to securitise the mortgage loans.

The Chilean experience shows that the indexed system was successful in increasing lending for home purchases

Chile started to use the *Unidad de Fomento* (UF) to finance mortgage loans in the mid-1970s, and with varying degrees of stress it has survived periods of high inflation and big changes in relative prices with drops in real wages (see Figure 2). However, lending adjustable for inflation did not take off and reach more than 64% of total long-term lending until the late1990s when inflationary expectations and wages converged to Chile's Central Bank's target and when also the creation of the private pension system (AFP) provided a stable and deep source of long-term funding.

Figure R.2.2
Chile: nominal wages, inflation and adjustable mortgage lending (change % YoY)



Sources: Banco Central de Chile, INE Chile and BBVA Research.

Similarly, the implementation in Argentina of an instrument such as the UVI, which will be updated daily by the Reference Coefficient (CER) based on the CPI will give rise to a new way of saving and a new source of long-term loans. Each UVI (*Unidad de Vivienda* or "housing unit") represents one thousandth of the cost of a square metre of housing and can be applied to deposit taking (fixed terms over 180 days) and to loan contracts at more than one year. In a context of high inflation, indexing the principal allows a lower initial instalment, which increases over time with inflation, remaining constant in real terms.

Chile's experience suggests that a single readjustment clause is advisable when relative prices are in equilibrium, so as to avoid distortions in the allocation of resources and distribution of revenues. In the Argentine system, and given the current uncertainty of relative prices, the BCRA has provided that financial institutions must give the customer the option of extending the term of the loan by 25% in the event that the amount of the mortgage instalment turns out to exceed by 10% or more that which would have applied if it had been adjusted in accordance with the change in wages as per the CVS (*Coeficiente de Variación Salarial*) ratio.

The new system would facilitate access to housing for a segment of those in formal employment

Despite the low level of penetration of mortgage lending, access to housing in Argentina shows no great distortions, and in fact is better than the average for the region. As can be seen in Figure R2.3, to buy an average-priced standard 60 m^2 apartment in Buenos Aires requires 83 months' average wages, whereas in Lima it requires 154 and in Mexico City 128. Moreover, the price per square metre in dollars in Buenos Aires does not seem excessive relative to the rest of the region, especially when taking into account the quality of the services offered by the city.

Figure R.2.3
Comparative prices and wages in Latin America

	in US$				
Variables	**Argentina**	**Chile**	**Colombia**	**Mexico**	**Peru**
Price per m^2 (average Buenos Aires)	1790	1917	1329	1055	1541
Price of 60 m^2 apartment	107400	115000	79723	63328	92460
Average wages of registered worker	1290	750	703	494	600
Accessibility (months) 1/	83	153	113	128	154

1/Calculated as the number of monthly pay packets needed to be able to acquire a 60 m^2 apartment.
Sources: BBVA Research.-

However, the high nominal interest rate (due to high inflation) effectively excludes many of the households that would otherwise be interested from the mortgage market, since the initial amount of the instalments is well over the 30%-40% of household income traditionally regarded as acceptable in terms of the weight of the mortgage instalment in the household budget. The key to the indexed system is that it reduces the real interest rate, making possible an initial instalment amount that middle-income households can countenance.

In Figure 4 we compare the instalment/income ratio for Chile and Argentina under both systems, using the assumed terms and rates posited by BCRA for Argentina and those observed in Chile after more than 30 years of operation of the system. Without forgetting the weaknesses inherent in an analysis based on average prices and wages, we can see that with the UVI system the instalment on the aforementioned average apartment amounts to 26% of household income in Argentina (assuming two incomes per household), whereas under the fixed rate system it would amount to 82% of income, making it inaccessible to large sections of the middle class.

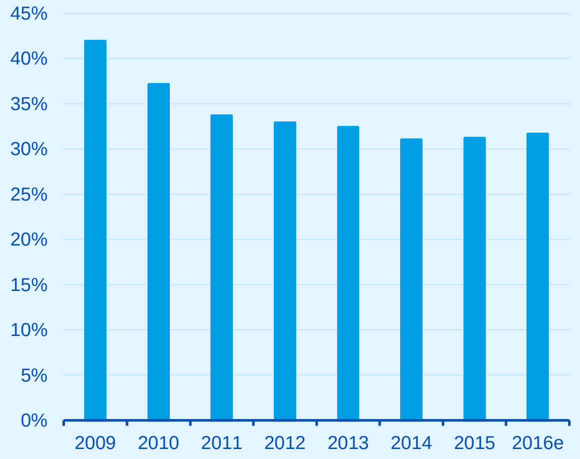
Figure R.2.4
Acquisition of a 60 m^2 apartment

	Chile	Argentina	Argentina
Variables	**(UF)**	**(UVI)**	**US$**
Value of the property in US$	115000	107400	107400
Value of the property in UF/UVI	3010	118	-
Financing	80%	80%	80%
Total Financed UF/UVIS	2408	94.4	85920
Term in months	240	180	180
Effective Rate	3.89%	5.00%	24.00%
Instalment amount in UF/UVIS	14.37	0.74	-
Instalment amount in ARS/CLP	370918	10400	33078
Average Formal Wage in ARS/CLP	500000	20025	20025
Ratio of Instalment to Average Wage	74.2%	51.9%	165.2%
Ratio of Instalment to Household Income (2 p)	37.1%	26.0%	82.6%
Ratio of Rental to Instalment	28.3%	65.8%	15.4%

Sources: BBVA Research and Reporte Inmobiliario.-

Thus, under the new indexed system the instalment on a mortgage loan would be 65% more than the average rental (see Figure R.2.5 Ratio of Rentals to Wages). Although rentals are adjusted for inflation annually in Argentina, they are not subject to the monthly adjustment that would be applied to the UVI instalments, and this, together with uncertainty about future income (will wages keep up with the CPI?) could discourage demand for indexed mortgage loans, especially in a country so used to inflation quickly eroding the weight of debt in household income.

Figure R.2.5
Ratio of Average Rentals in BA to Average Wages



Sources: BBVA Research and Reporte Inmobiliario

However, we believe that, considering the aspirational value of home ownership as opposed to renting, this type of credit would be attractive to a segment of people in formal employment with medium-high incomes who do not currently have access to financing to buy a home. We estimate that there are eight million people in formal employment in Argentina, of whom at most 25% have incomes in excess of the median wage and could, with two incomes per household and assuming they have saved 20% of the price of the property, qualify for a loan to buy a standard 60 m^2 apartment.

If the fears associated with changes in relative prices when inflation starts to fall could be overcome, there could be substantial effective demand for indexed housing loans. The question is what might happen to property prices in Argentina's cities if supply does not respond at the same pace.

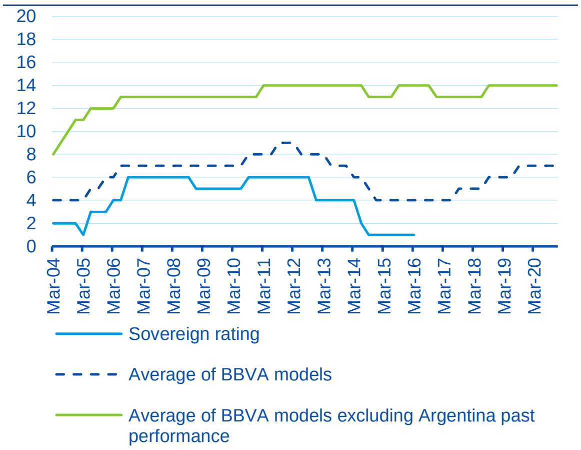
10 Argentina will obtain financing at lower rates when the economic reforms start to bear fruit

International financial volatility seems to have eased in the last quarter, along with global risk aversion, which no doubt contributed to the success of Argentina's debt placement in April. However, the uncertainties about the rebalancing of the Chinese economy and its effect on the price of oil and other commodities will continue latent, as will the political crisis in Brazil. Although these variables may affect assessment of Argentina's country risk in the future, the main determinants of the risk premium are to be found on the domestic front.

Following the change of government, Argentina is facing a new opportunity to return to the path of sustained growth with low inflation and macro-financial stability, and we believe that the current government will take advantage of it. In fact, the strong demand for Argentine bonds in the April placement, and the sustained fall in the sovereign premium, seem to indicate that the markets find these policies credible, even taking into account the difficulties presented for Argentina by the political crisis in Brazil and the slowdown in growth throughout the region. The improvement in the credit rating to B3 following the payment to the hold-outs is very recent, but we expect the sound fundamentals of the economy to lead to further rating upgrades in 2017 (see Figure 10.1). This improvement in the credit rating opens up the possibility of more investment funds seeking exposure to Argentine debt, just as the new debt issue is expected to lead to an increased presence of Argentine bonds in indexed funds, bringing Argentine debt to weightings more in line with the size of its economy (see Figure 10.2). The qualitative leap implied by ceasing to be a frontier market and becoming an emerging market again will require more time, and will probably not come about before 2017.

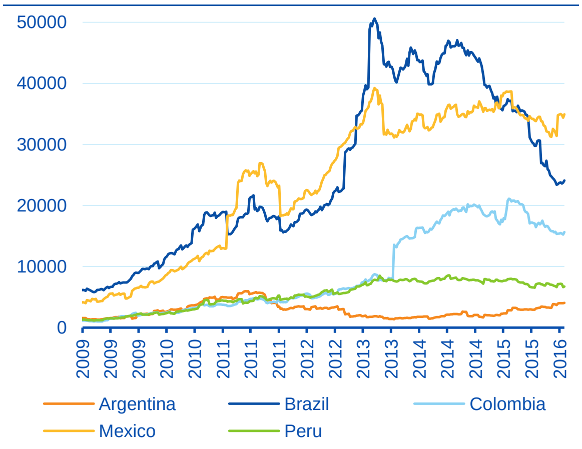
However, despite this relatively optimistic view that the new administration will be willing and able to make most of the necessary economic changes, we cannot ignore the limits that the new government may come up against in implementing its economic plan because of its impact on the most vulnerable sectors of society. Given that the costs of normalising the economy are "paid" immediately, whereas the benefits in terms of growth in output, increased investments and exports, capital inflows, etc., are not seen for several months, this period of transition requires a degree of tolerance and trust on the part of society. Trust in the government remains high according to the UTDT (University of Torcuato di Tella) index, and the President has taken measures to increase social subsidies and protection of low-income sectors, but a more prolonged transition with greater social conflict could erode the government's image. On the other hand, a rapid recovery of activity and a sharp fall in inflation in the second half of the year would strengthen the new administration, ensuring continuity of the economic reforms and the possibility of democratic alternation among different political parties.

Figure 10.1
Argentina's rating and estimates of the BBVA model



Source: BBVA Research

Figure 10.2
Stock of Latin American bonds in investment funds (US$ millions)



Source: BBVA Research

11 Tables

Table 11.1
Annual macroeconomic forecasts

	2012	2013	2014	2015e	2016e	2017e
GDP INDEC Baseline 2004 (% y/y)	0.8	2.9	0.5	2.1	-0.4	3.2
Inflation (% y/y, eop)	---	26.6	38.0	26.9	32.0	19.5
Exchange Rate (vs. USD, eop)	4.9	6.5	8.6	13.0	16.0	17.0
Interest Rate (%, eop)	15.4	20.2	20.0	27.5	25.0	15.0
Fiscal Balance (% GDP)	-2.2	-2.0	-2.6	-5.3	-4.1	-3.1
Current Account (% GDP)	-0.3	-2.1	-1.6	-2.8	-3.9	-3.8

Source: BBVA Research

Table 11.2
Quarterly macroeconomic forecasts

	Official GDP (% y/y, average)	Inflation CABA (% y/y, eop)	Exchange Rate (vs. USD, eop)	Interest Rate (%, eop)
Q1 13	(')	---	5.08	14.83
Q2 13	(')	---	5.33	16.58
Q3 13	(')	---	5.74	18.00
Q4 13	(')	26.6	6.32	20.18
Q1 14	(')	36.7	7.93	26.18
Q2 14	(')	36.8	8.13	23.02
Q3 14	(')	40.3	8.42	20.28
Q4 14	(')	38.0	8.55	19.98
Q1 15	-0.3	28.0	8.78	20.80
Q2 15	3.9	25.5	9.04	20.37
Q3 15	3.5	24.0	9.37	21.15
Q4 15	0.9	26.9	11.43	27.54
Q1 16	-0.9	35.0	14.96	29.72
Q2 16	-1.6	42.5	14.98	29.98
Q3 16	-1.1	39.1	15.70	27.38
Q4 16	2.2	32.0	15.95	25.00

Source: BBVA Research

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