RESEARCH

Argentina Economic Outlook

4th QUARTER 2016 | ARGENTINA UNIT

01
The economic recovery is being delayed and GDP will fall 2% in 2016, but then grow 3.2% in 2017

02
Positive signs of the slowing of inflation as a result of the monetary policy of the Central Bank

03
The fiscal deficit in 2017 will be similar to 2016 and will be financed with more debt. The lack of fiscal consolidation could be a problem in the medium term

04
The real exchange rate tends to appreciate due to increased foreign exchange earnings

Contents

Closing date: 9 November 2016

1. Editorial

During the second quarter GDP fell by 2%, a greater-than-expected decline that has led to an increase in the drop in economic activity in 2016 from -1% of GDP to -2%. While there are still no clear and widespread improvements in the activity indicators, the EMAE (monthly estimate of economic activity that anticipates GDP) showed a slight positive change in seasonally adjusted terms in August, so the recession may reach a floor during Q3 of this year to start growing in Q4 and reach the forecast of 3.2% for 2017.

The latest inflation data confirmed market expectations that the monthly inflation rate may stabilize at about 1.5% MoM, excluding the exceptional effects of the reversal of the reduction in gas tariffs which affected the index in October. Inflation will continue to decline slowly accompanied by a tight monetary policy and relatively stable market changes.

The Central Bank is strongly committed to the goal of lowering inflation and launched the inflation targeting scheme to be implemented from 2017. The official goals this year are relatively ambitious (12%-17%) while market expectations currently average around 20%. This disparity will mean that the Central Bank will maintain interest rates positive in real terms during next year, at least until the monetary authority considers that the expectations are converging towards the planned targets.

the fiscal deficit target will be met in 2016 but the government is extending the strategy of gradual adjustment and for 2017 expects a similar primary deficit to this year's figure, at 4.2% of GDP. The decision to reduce subsidies to economic sectors is becoming more difficult to implement and during the transition, the government will be financed through increased borrowing in the markets, a strategy that the markets have been willing to approve so far given the success of the medium-term placements in domestic currency and fixed rate.

Argentina will maintain a current account deficit next year of around 2.5% of GDP, especially since we do not expect a trade surplus to be generated. The resolution of the debt default and the elimination of restrictions on the foreign exchange market from this year onwards reinforce the view that the deficit will be financed through capital inflows.

The exchange rate will continue to face downward pressure during this year and the next, encouraged by the inflow of foreign exchange, the fiscal amnesty, debt issues and positive domestic interest rates in real terms. In return, the foreign currency excess has led to a sharp rise in the stock of international reserves, which reached USD 40 billion to October.

2. Global environment: slow recovery with the support of central banks

Recent months have brought few new developments regarding the performance of the world economy. Financial stresses have remained moderate, while global activity seems to be showing signs of slight improvement (Figure 2.1) following a weak first half and some stabilization in international trade. All this with the continued support of the economic authorities, especially the developed countries' central banks. In particular, the US Federal Reserve's more cautious tone confirms a very gradual normalisation of interest rates once the second hike materialises, probably in December.

Meanwhile the emerging economies continue to see inflows of capital driven by the search for yield and low volatility, plus the recovery in oil and other commodity prices. As regards currencies, the US Federal Reserve interest rate hike expected before year-end is favouring the dollar's generalised appreciation.

Changes in forecasts for the US and China, the two economies with the most influence on Latin America, have gone in opposite directions. The latest US data point to less robust growth in the second half of the year than was foreseen three months ago, following a first half that was already weak, and this leads us to revise our growth forecast for this year downwards by 0.4 pp to 1.6% (Figure 2.2). This is a clear slowdown in activity compared to the average increase of close to 2.5% in the 2014-15 biennium, to which some uncertainty is added regarding the economic policies that could be adopted by the newly elected President Trump.

The growth composition continues to stoke concerns about medium-term potential, as it continues to show a two-speed economy, with solid private consumption but investment that might fall slightly for 2016 as a whole, after advancing by less than 1% on average in the past five years. Expectations of lower long-term growth potential might be holding back investment decisions, and might in turn feed back into reduced increases in productivity in the future, with a labour market at practically full employment. Even so, we still expect a moderate advance of 2.1% in 2017.

Turning to China, the fiscal and monetary stimulus measures put in place at the beginning of the year to stabilize growth have borne fruit and will allow the short-term growth target set by the authorities to be met, at the expense of accumulating growing imbalances. We are therefore revising our growth forecast for 2016 upwards to 6.6% (Figure 2.2). Nonetheless, the outlook is still for gradual slowdown to 5.8% in 2017. Moreover, medium-term risks are increasing, especially those of overheating in the real estate sector, financial instability, depreciation of the yuan and capital flight, as well as companies' indebtedness. In the long term, doubts about growth prospects persist given the slow progress of structural reforms in certain key areas, particularly state-owned companies.

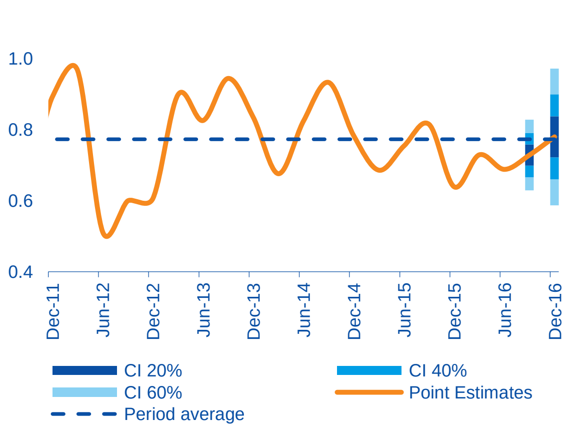
As for Brazil, whose economy is very important for Argentina, BBVA Research continues to forecast that the Brazilian economy will contract 3.0% in 2016, and the latest activity data suggest that the risks associated with this forecast are skewed to the downside. However, we maintain our forecast of growth of 0.9% for Brazil's

GDP in 2017, a recovery will be favoured by factors such as lower inflation, relaxation of monetary conditions and the reduction of political uncertainty. On this last point, recent developments make it more likely that a cap on public spending will be adopted, which if approved by Congress would limit fiscal risks and support growth from 2017.

In this context, we have revised our global growth forecast slightly downwards, partly in view of the worse-than-expected results of the first half of the year in certain areas, and also in the light of the lower growth foreseen in the USA. In any case, growth will hold at around 3% in 2016, with a slight increase to 3.2% in 2017.

Figure 2.1

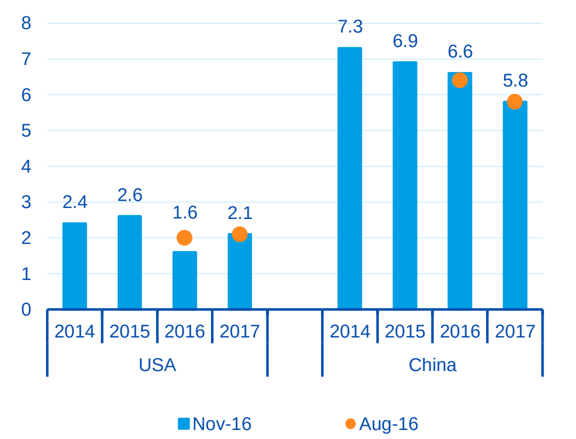
Global GDP, % QoQ. 3Q and 4Q forecasts for 2016 based on BBVA-GAIN



Source: BBVA Research

Figure 2.2

GDP growth in the US and China (%)



Source: BBVA Research

3. A more recessive than expected first half will lead to a fall in GDP of -2% in 2016, recovering to grow by 3% the following year

After a first and second quarters in which the decline in economic activity worsened, a floor was seen to have been reached that is lasting longer than expected but could anticipate the end of the recessionary cycle. The EMAE (monthly estimate of economic activity that advances the GDP) finally had a positive variation of 0.2% MoM in August. Although the variation in the original series remains negative (-2.6% YoY in that month), it was lower than in the immediately previous months. Industry remains depressed as the EMI (Monthly Industrial Estimator) continues to show falls through September (-7.3% YoY in that month) and construction activity as measured by the ISAC index fell 13.1% YoY in September.

The actual decline in GDP reached -3.4% YoY in 2Q16, almost 1 percentage point more than estimated, which led us to lower the estimated drop in GDP to -2% for 2016 (previously -1%) . Considering preliminary data up to August 2016, our MICA model points to a path of recovery similar to the previous one, but with more moderate seasonally adjusted quarterly growth in the last quarters of this year leading to a deeper recession than previously thought. We expect improvements in the coming months in those industrial activities oriented to foreign markets, starting with the expected increased demand in Brazil. Our models show that in 4Q16, the seasonally adjusted QoQ growth in GDP will be positive, as the economic policy measures taken to eliminate distortions and reverse the problems that were inherited by the government would finally begin to provide results (Figure 3.1) .

Household consumption was seen to be beginning an early recovery in the last quarter of the year as a result of higher retirement income due to the implementation of the Historical Reparations Programme and the year-end bonuses to workers agreed between the unions, businesses and the government. The commitment to consolidating the disinflation process from the entry into force of the scheme of inflation targeting will strengthen the conditions for a speedier recovery of consumption compared to a first half-year in which wage increases lagged behind the accelerating inflation.

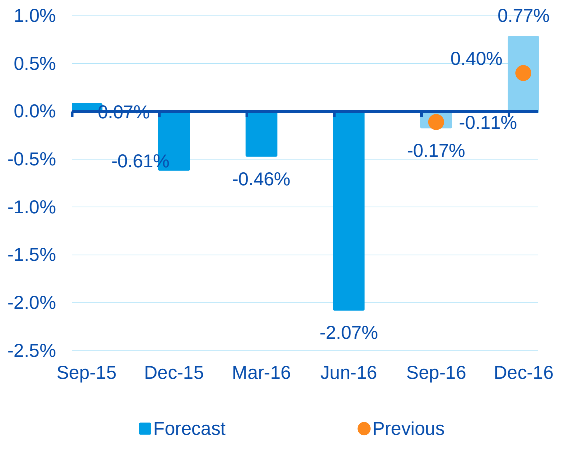
We are maintaining the growth forecast of 3.2% for 2017 given that fiscal policy will be looser and could offset the non-existent statistical drag of 2016. We also continue to hold the view that investment will be the main driver of growth in the coming years, which would ensure a more sustainable path in the medium term, meaning there should be both increases in productivity and structural reform to make the public sector more efficient. In several sectors there have been announcements of investment, especially mining, energy and manufacturing, of which the firmest is is the investment in renewable energy for which the competitive bidding process has already been completed. Our horizon is annual growth of 3% for the longer term, in line with potential.

As regards employment data, the INDEC again began to publish the results of the EPH (Permanent Household Survey). It is a quarterly survey covering 31 major urban areas in the country. As a result of the statistical emergency declared by the authorities, its results cannot be compared with those recorded previously since the latter will not be revised.

The results presented are for the 2Q of the year and show an unemployment rate of 9.3%, with an economic activity rate (employed or seeking employment) of 46.0%. Employment issues within the context of the recessive economy grow worse if we consider the underemployment rate, that is, those people who, whether or not actively looking for work, work less than 35 hours per week and who amounted to 11.2%. Thus, the total number of people with employment problems comes to 20.5% of the working population, with Gran Rosario being the urban agglomerate with the biggest unemployment problem with 11.7%, followed by Mar del Plata with 11.6% and Greater Córdoba with 11.5%. We do not expect substantial improvements in rates of economic activity and unemployment in the coming years since the jobs created by an economy growing at around 3% but with low elasticity/employment will be absorbed by new entrants to the labour market due to the vegetative growth the population (Figure 3.2).

Figure 3.1

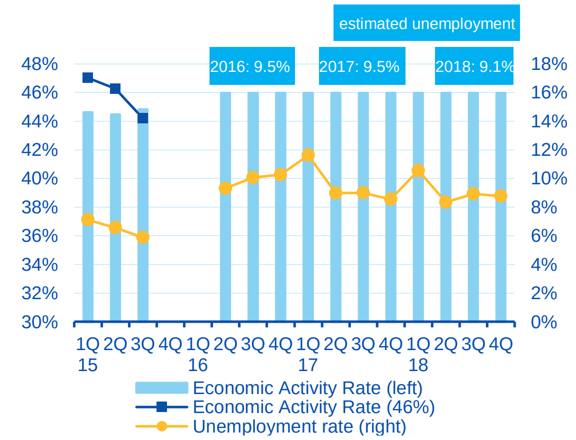
GDP. Mica-BBVA model forecasts



Source: BBVA Research

Figure 3.2

Economic Activity Rate and Unemployment Rate



Source: BBVA Research

4. There are continuing signs of a slowdown in inflation but it remains important to keep winning battles

The latest inflation data confirmed market expectations that the monthly inflation rate may stabilize at about 1.5% MoM, excluding the exceptional effects of the reversal of the reduction in gas tariffs which will affect the index in October (Figure 4.2). The projected increase in the CPI for 2016 is 40.5% YoY, which is the index from the Government in the City of Buenos Aires which showed an accumulated rate of 32.8% in the first nine months of the year.

With expectations anchored around 20% YoY (Figure 4.1), inflation will slow down next year, accompanied by a restrictive monetary policy and a relatively stable exchange rate. Thus we maintain our forecast of 19.5% for 2017 (still above the target of 12%/17% by the Central Bank), which includes an impact of a rate increase of 200 BP because next year the policy of reducing subsidies to energy and transport will be maintained. This impact could be higher depending on the decisions made at the public hearings required before the implementation of a new adjustment. On the positive side, this year's events have affirmed the credibility of the policy of the Central Bank and its transparency efforts, the market is beginning to trust that the monetary authority will continue to maintain a policy of anti-inflationary bias to get as close as possible to the target set.

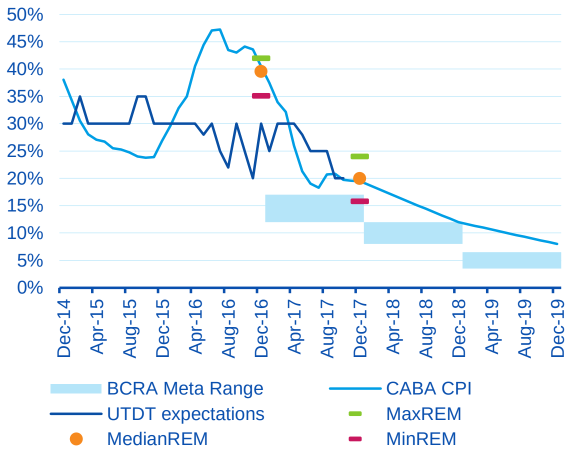
Despite successes on inflation, 2017 could still present a scenario of conflict for the achievement of these targets due to various factors. Firstly, the debate on wage adjustments, which are generally negotiated during the first quarter, has not yet begun. The government will aim to seek adjustments which move closer to the expected level of inflation while the unions will press for adjustments closer to past levels of inflation, and neither of the battlefronts is assured of victory beforehand. Secondly, the urgency to revive the economy and postpone fiscal adjustment could somehow lead to a slower-than-expected drop in inflation, since for the moment, monetary policy is the only instrument that is being applied to achieve the desired lowering of the inflation rate.

In this regard, it is useful to review the results of an econometric model which we have developed by linking the inflation in Argentina with the level of activity (measured by the output gap), inflation expectations after a year and the year-on-year variation in the exchange rate (a sort of "enhanced Phillips curve"), and including an inflation lag to reflect the inertia of the process. This model allows us to see what inflation paths are compatible, depending on the model, with certain paths of the explanatory variables. So, for our base scenario that we have outlined in this report (Figure 4.3) and taking inflation expectations from the LatinFocus consensus (which are above the target range of the BCRA), there would be an average YoY inflation in 4Q17 of 16.7% (vs. our forecast of 19.7%), of 12.6% in 4Q18 (the same number as our forecast) and 8.9% in 4Q19 (vs. 8.3%). If, however, we outline a more optimistic scenario (Figure 4.4), in which the BCRA manages to "anchor" inflation expectations in the middle of its target range, and that the decline in inflation is also "expansive" in terms of activity (as usually argued by the President of the Central Bank, Federico

Sturzenegger) and the product grows – on average - by 5% per year, then the inflation path consistent with the model is 12.4% for 4Q17, 8.0% for 4Q18 and 4.5% for 4Q19; all values are **within** the BCRA target range. Of course, this is a very simple model that does not consider many things (for example, future tariff adjustments). However, it conveys optimism about the possibility of having lower inflation and robust growth together, as long as the Central Bank succeeds in anchoring expectations.

Figure 4.1

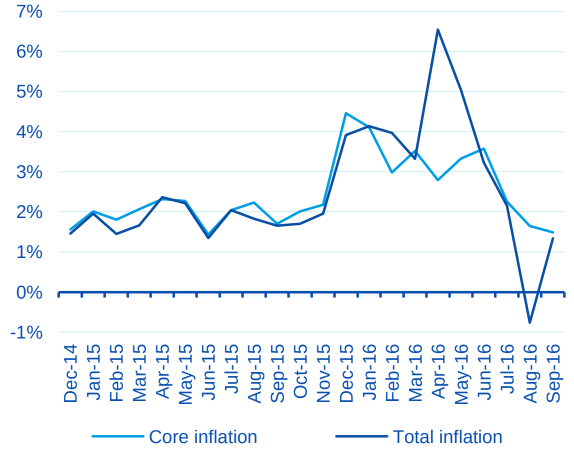
Inflation, expectations and goals Central Bank



Source: BBVA Research

Figure 4.2

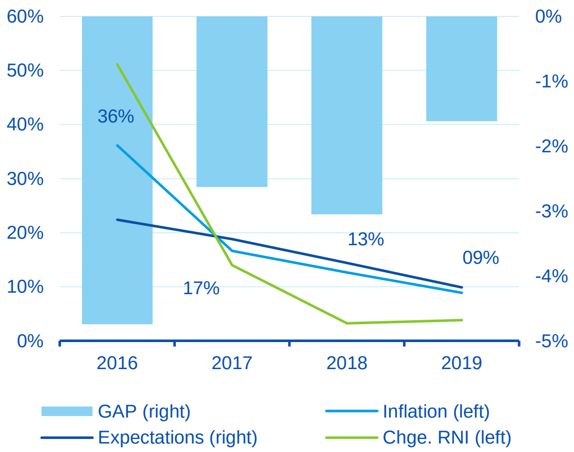
Inflation index and core inflation



Source: BBVA Research

Figure 4.3

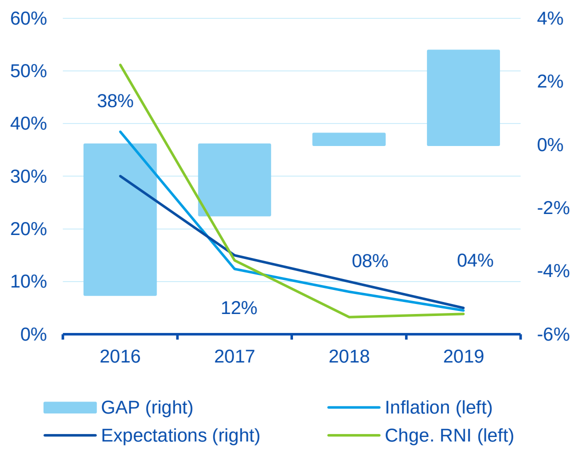
Base scenario, inflation and assumptions



Source: BBVA Research

Figure 4.4

Expansive Stabilization scenario, inflation and assumptions



Source: BBVA Research

5. The Central Bank launches an inflation targeting scheme and expects to maintain positive real interest rates

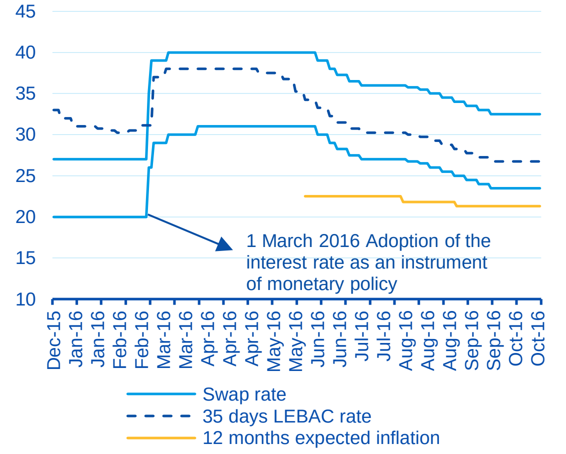
During the third quarter of 2016, the Central Bank continued to advance with what it described as its primary goal of monetary policy: the lowering of inflation. As it confirmed the decline in the monthly rate of inflation and the anchoring of expectations, the Central Bank accordingly reduced the LEBAC rate at 35 days from 38% in early May to 26.75% at the end of September. This process was halted in the last 3 bond auctions and we estimate that it will continue to fall more gradually over the remainder of 2016 to 25% in December as consensus inflation expectations still remain above the upper band of the target of 17% YoY for the next 12 months. In any case, the Central Bank maintains that the high real interest rate has no significant impact on economic activity, which will mainly benefit from low inflation. Although we expect that the monetary policy rate will continue to fall to 18% by the end of 2017 as inflation is reduced, it will remain positive in real terms against expected inflation, until the target of reducing the inflation rate to single digits is achieved.

The new development this quarter came from the announcement that the inflation target scheme would officially be in operation from 2017. The target for this year will be located in the range 12%-17% and the goal is to close 2019 with annual inflation close to 5%. There will be a Monetary Policy Council consisting of 6 officials from the Central Bank and from January next year the LEBAC auctions will be carried out on a monthly basis with the aim of reducing the amount of valued assets based on this instrument that are in circulation today and to increase the liquidity of each valued asset. The monetary policy rate will become the centre of the 7 day swap rate will be released weekly following the decision of the Monetary Policy Council (Figure 5.1).

The other flank on which there will be more action is the financing of the Treasury by the Central Bank, one of the determinant sources of the inflationary process. Although it was not cut off abruptly, it will be gradually reduced in nominal terms. In this regard, it should be noted that this objective is being met, but there was a strong currency issue this year from the purchase of currencies originating from the issuance of Treasury debt (about USD 5 billion to date, Figure 5.2). This has forced an escalation in the placement of LEBACs to neutralise the issuance of money, in addition to other measures such as the increase in reserve requirement deposits which suggest that the financial system should share the cost of this absorption policy. The high stock of LEBAC (86% of the monetary base) and its high rate of return is one of the weak points of current monetary policy as it could be a potential source of acceleration in inflation if the fiscal deficit is not corrected in the medium term.

Figure 5.1

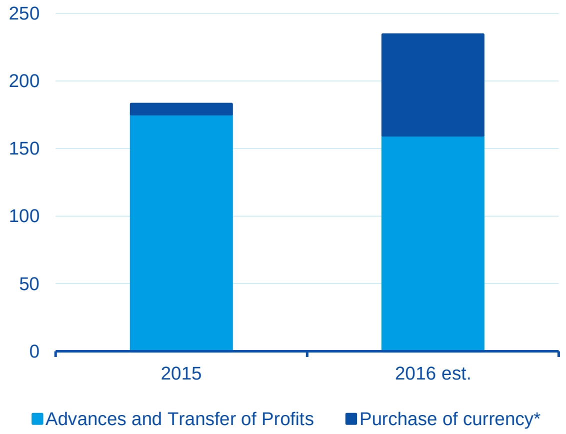
Swap rate, expected inflation and LEBAC rate



Source: BBVA Research

Figure 5.2

Central Bank financing of the Treasury 2015 vs 2016



1/ In 2016 it is the cumulative amount up to October.
Source: BBVA Research

6. The fiscal deficit target has been met in 2016 but the government is extending the strategy of gradual adjustment and expects a similar deficit for 2017

The primary result, without including property income for the Central Bank and Social Security (ANSES), would reach 4.7% of GDP in 2016 and would be financed primarily with debt issuance. The observed data on the fiscal accounts up to August are following that line and there is no reason to believe that it will not be achieved. While the original deficit target in 2016 was not amended, the new GDP series extended the nominal margin to expand the deficit and meet it, which somehow supported what little progress there will be this year in the reduction of energy and transport subsidies. The initial intention was to implement a subsidy reduction of 1.5 pp of GDP in 2016 which will eventually be transformed into 0.6 pp of GDP as a result of the social conflict produced by the magnitude of the increase in rates in conjunction with the legal process regarding the whole increase mechanism (essentially gas tariffs) originally prepared by the Secretariat of Energy.

This primary deficit in 2017 would be 4.2% of GDP according to the draft budget, compared to the initial target of 3.3% announced in the first quarter. The overall financial result we are projecting (net of debt interest payments and rental income of the Central Bank and the ANSES) show a narrower improvement than the primary result mentioned above during the first few years: -4.9% and -4.7% of GDP in 2016 and 2017 respectively, as the interest burden of the debt has more weight due to the increased debt while the non-tax property income mentioned above gradually tends to be compressed (Figure 6.2).

While in other areas of economic management a rapid strategy has been implemented to address imbalances, in the fiscal area the trend seems to be toward greater gradualism. The government is now better positioned against this gradualist strategy given that the solution to the conflict with the “hold-outs” opened the opportunity for funding in international credit markets. Despite the strong bond issue already made by the government this year both to renew maturities and to cover the deficit (more than USD 40 billion), the market so far seems willing to validate a slower fiscal consolidation although the risk premium could be affected in the future by a more risk-averse international scene feeling uncertainty about the economic policies to be adopted by the US following the election victory by Donald Trump.

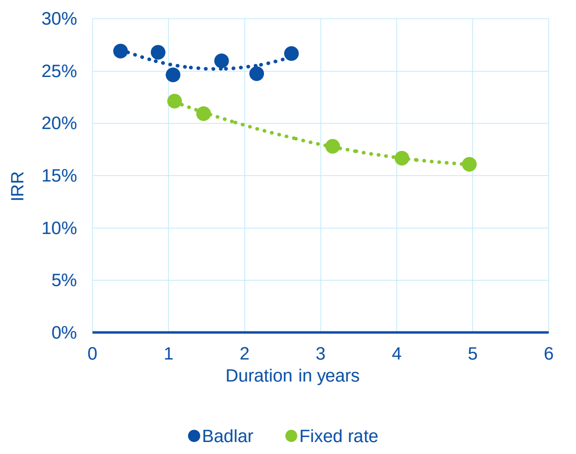
The main news in terms of financing was the issue of two medium-term bonds (7 and 10 years) in pesos at a fixed rate under Argentina law, the latter at a rate of 15.5%, which is joined by other issues maturing in 2018 and 2021 that had been finalised in September. A deal in domestic currency with this term and conditions is unprecedented in the history of Argentina and reveals the underlying market expectation of a very low nominal devaluation of the peso and a decline in credible inflation in the medium term. Argentina is increasingly active in the debt markets and has issued around USD 42 billion up to October of which almost 40% comes from concretised issues to settle the lawsuit with the holdouts.

The appetite for Argentina debt has achieved a downward movement in the yield curve in dollars and also shown that we are witnessing the construction of a longer term yield curve in pesos, previously only reserved for the LEBACs (Figure 6.1). The implications of the latter are important because this frees the Central Bank from financing the Treasury and is the cornerstone for the development of a debt market in pesos which functions as a reference for the private sector, so far practically absent. The government will also send a new draft Capital Markets Law to Congress whose intention is to reform the law passed in 2012. The idea is to expand the local market by multiplying the volume of transactions, expedite long-term financing and reduce the state interference which was promoted by the Act of 2012.

Finally, we cannot ignore the fact that it will not be viable to fund deficits of this magnitude every year and that at some point more structural reform of the public sector will be necessary. The high existing tax burden even after the removal of some taxes, the downward inflexibility of most public sector expenditure items and the recent laws passed (Act of Historical Reparations for retirees, devolution to the provinces of 15% of the income from the tax-sharing partnership) tend to deteriorate the fiscal solvency and it is not yet clear that GDP growth alone or revenues from the fiscal amnesty tax regime will be sufficient to correct the fiscal imbalance in the medium term.

Figure 6.1

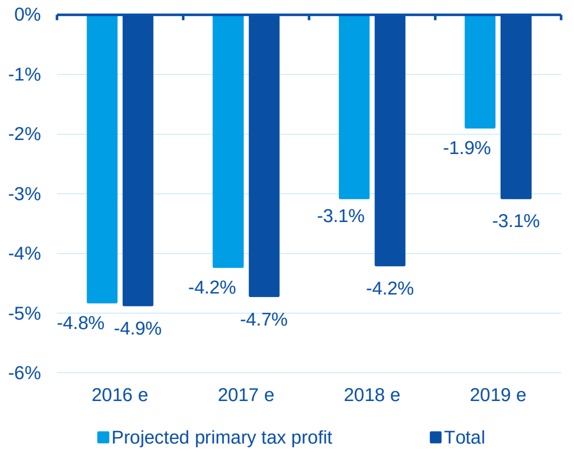
Yield curve in pesos



Source: BBVA Research

Figure 6.2

Projected primary and financial tax profit



Source: BBVA Research

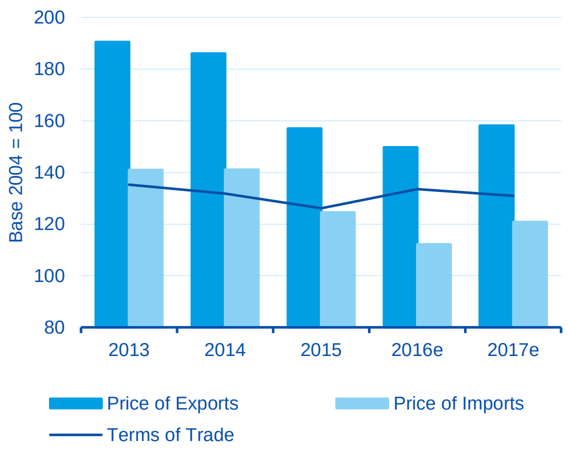
7. With abundant external financing, Argentina will remain in a phase with a current account deficit of around 2.5% of GDP

After a significant rise in the terms of trade in 2016 which we estimate at about 6.8%, import prices will rise more than exports in 2017, driven by the recovery in oil prices and determining a variation of the negative terms of trade of slightly more than 2% in the following year (Figure 7.1). These worsening terms of trade, along with a further increase in amounts imported due to the growth of the economy and in the absence of retained grain, as is occurring this year, will determine a negative trade balance which we estimate at USD 1.55 billion, following a surplus of about USD 1.5 million which we estimated in 2016. Moving forward, the trade deficit will increase to the extent that the highest economic growth in Argentina requires higher imports and for these to be regularised following the repression suffered during several years of trade restrictions. The structural problem facing the country due to lack of self-supply of hydrocarbons will persist for some years due to a slow maturation of investments in the energy sector with which the energy trade deficit will continue to grow to reach an estimated USD 6 billion in 2018 depending on what the evolution of prices.

The current account deficit will have a slight increase reaching around -2.4%/-2.5% of GDP in 2016 and 2017 (Figure 7.2). It will be influenced by a higher deficit in real services, mainly due to tourism expenditures with the increase in trips abroad brought about by an appreciated exchange rate which will subtract part of the foreign currency earned by trade. By 2017, the contribution of foreign trade will decrease while the payment of interest on the debt will start to become more apparent, mainly from the public sector following the increase in debt. The flow of profits and dividends remitted abroad will also begin to return to normal.

Figure 7.1

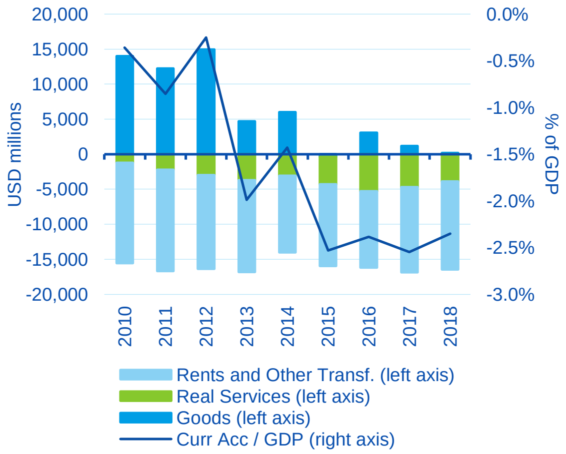
Terms of trade



Source: BBVA Research

Figure 7.2

Current account and main components



Source: BBVA Research

8. Downward pressure from the exchange rate contained by the Central Bank

The behaviour of the exchange rate has remained in line with expectations and depreciated minimally during the third quarter (6% on average). However, the total release of the currency exchange control to stimulate demand for foreign exchange and the seasonal decline in exports began to place slightly upward pressure on the exchange rate in September after two months of stability. We estimate that this trend towards slow depreciation will be maintained during the rest of the year until it reaches 15.96 ARS/USD in December supported by several factors that will act against a sharp rise in the exchange rate, such as: foreign exchange earnings for acceptance of the fiscal amnesty, new debt issues by national and provincial governments, demand for year-end pesos for the payment of bonuses and finally, very attractive interest rates in real terms.

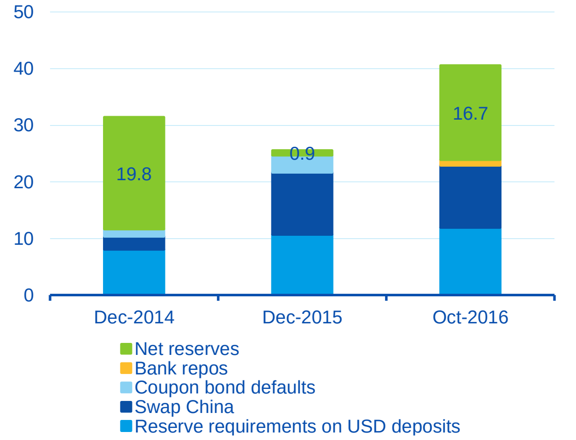
Although it is not an issue that the Central Bank considers to be a problem, there is concern about the loss of competitiveness implied by this trend towards appreciation of the exchange rate. In fact, the Central Bank has been active during the quarter resulting buying currencies from the public sector arising from debt placements despite the adverse currency effect it has assumed to support this monetary-exchange rate stability, as discussed in paragraph 4.

The increase in the stock of international reserves was the counterweight for this unprecedented oversupply of foreign exchange. In late October the stock of gross international reserves exceeded USD 40 billion (something not seen since September 2013), reaching an increase of USD 15 billion in the cumulative amount for the year (Figure 8.1). Part of this increase is also explained by the funds deposited in banks originating in the fiscal amnesty. This situation increased reserves allowed the cancellation in July of USD 4 billion of the total of USD 5 billion in repos from international banks which had been set up earlier this year to strengthen the reserve position.

The need to finance the fiscal deficit, still relatively high in 2017, will continue to increase the supply of dollars with bond issues in international markets and will continue to place downward pressure on the exchange rate which will increase less than inflation in 2017, reaching 17.65 ARS/USD in December. It is likely that the real exchange rate will appreciate by 7.6% in 2017 after a depreciation of around 10% in 2016 (Figure 8.2), but the greater financial volatility after the US elections could result in lower pressures toward appreciation.

Figure 8.1

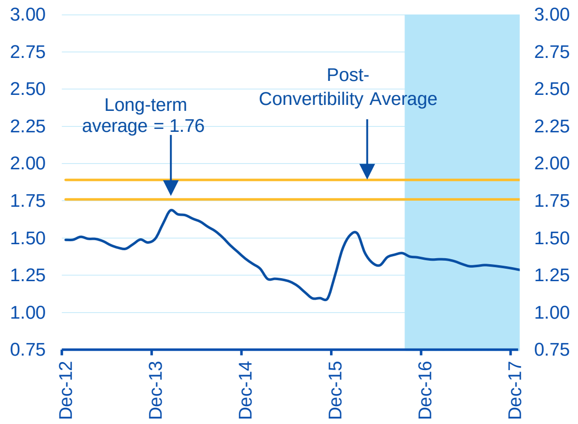
Gross and net international reserves



Source: BBVA Research

Figure 8.2

Real multilateral exchange rate index



Source: BBVA Research

9. The lack of success or lack of progress in some of the economic problems facing the government are the main risk factors in the medium term

The first 10 months in office for the new government have been arduous because of the complexity of the economic problems it inherited. The combination of low growth, high inflation, external and fiscal deficits, lack of funding and restrictions on the foreign exchange market resulted in an economy that was on life support in late 2015. Progress has been made on several of these fronts, while in some of them the expected results have occurred quickly, in others there is still a perception of being in a transition whose ultimate success is still uncertain and in others still, there has been virtually no progress or meagre progress. It is on these points that we believe the risk factors fall for the Argentina economy in the short and medium term.

The delay in the fiscal adjustment expected by investors and the market could lead to a deterioration in the government's credibility which would involve an increase in financing costs and access to credit in capital markets, as well as a drop in levels of private investment. Lastly, failure in the strategy of lowering inflation could intensify social unrest and increase the already high levels of poverty, with all the attendant difficulties and costs.

With regard to external risks, the risks are still present of the impact of a slowdown in China's growth and a delayed recovery in Brazil, our main trading partners. After many years of isolation, Argentina is now much more vulnerable to the volatility of financial markets. The expectations of a rise in the monetary policy rate of the Fed and the uncertainty generated by the outcome of the US elections could affect the necessary flow of financing that Argentina requires and on which it now depends to be able to move through this phase.

10. Tables

Table 10.1

Annual macroeconomic forecasts

	2012	2013	2014	2015	2016f	2017f
GDP INDEC 2004 (% y/y)	-1.0	2.4	-2.5	2.5	-2.0	3.2
Inflation City Bs.As. (% y/y, eop)	---	26.6	38.0	26.9	40.5	19.5
Exchange Rate (vs. USD, eop)	4.9	6.5	8.6	13.0	16.1	17.7
Badlar Interest Rate (%, eop)	15.4	20.2	20.0	27.5	21.0	16.0
Fiscal Balance (% GDP)	-2.1	-1.9	-2.7	-4.8	-4.9	-4.7
Current Account (% GDP)	-0.2	-2.0	-1.4	-2.5	-2.4	-2.5

Source: BBVA Research

Table 10.2

Annual macroeconomic forecasts

	Official GDP (% y/y, average)	Inflation CABA (% y/y, eop)	Exchange Rate (vs. USD, eop)	Interest Rate (%, eop)
Q1 14	-0.9	36.7	7.9	26.2
Q2 14	-2.0	40.2	8.1	23.0
Q3 14	-4.2	40.3	8.4	20.3
Q4 14	-2.8	38.0	8.5	20.0
Q1 15	0.1	28.0	8.8	20.8
Q2 15	3.8	25.5	9.0	20.4
Q3 15	3.5	24.0	9.4	21.2
Q4 15	2.3	26.9	11.4	27.5
Q1 16	0.4	35.0	15.0	29.7
Q2 16	-3.4	47.1	14.1	28.9
Q3 16	-3.0	43.1	15.1	23.0
Q4 16	-1.7	40.5	16.0	21.0
Q1 17	-1.3	32.2	16.7	19.6
Q2 17	2.8	19.1	16.7	18.3
Q3 17	4.8	20.9	17.3	17.1
Q4 17	6.5	19.5	17.6	16.0

Source: BBVA Research

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