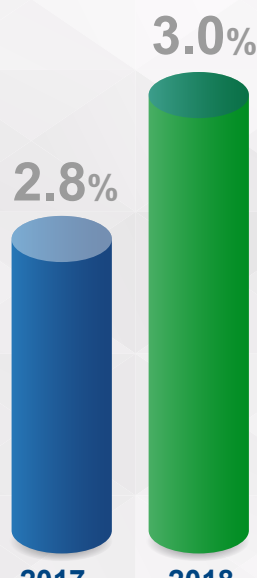


ECONOMIC OUTLOOK ARGENTINA 4Q17

ANNUAL GDP GROWTH

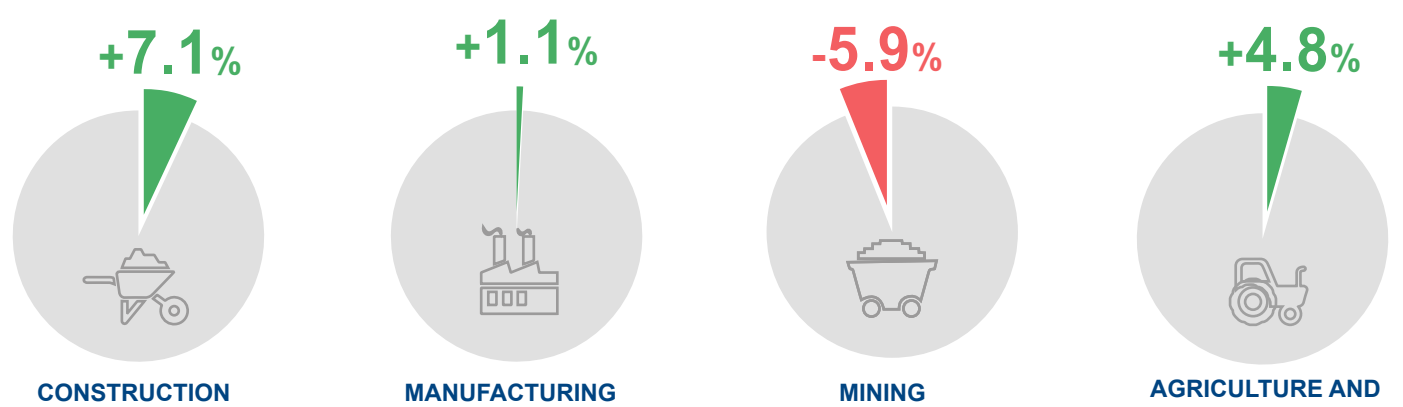
Growth is **accelerating** and spreading across the board, but **inflation is falling** more slowly than expected

Private consumption and investment are the **most dynamic components** of aggregate demand.



Growth is spreading to nearly all sectors

MONTHLY ACTIVITY INDICATOR BY SECTOR (% YoY, YTD July)

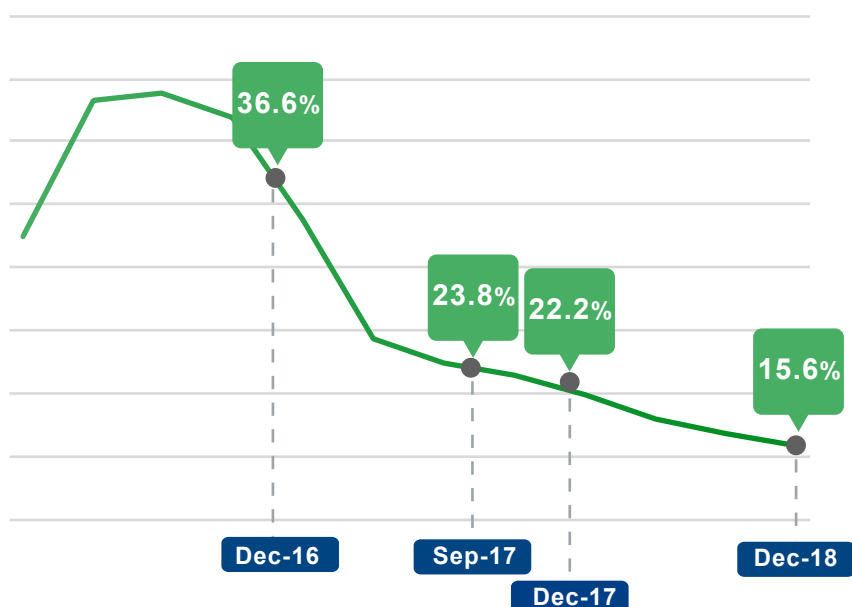


Helped by the economy, **the government has positive** momentum as it reaches October's parliamentary elections

The government could improve the results of the primary elections, but this will not imply major changes in policy, except for somewhat faster progress on the reform agenda which could lead to greater dynamism in GDP than in our baseline scenario

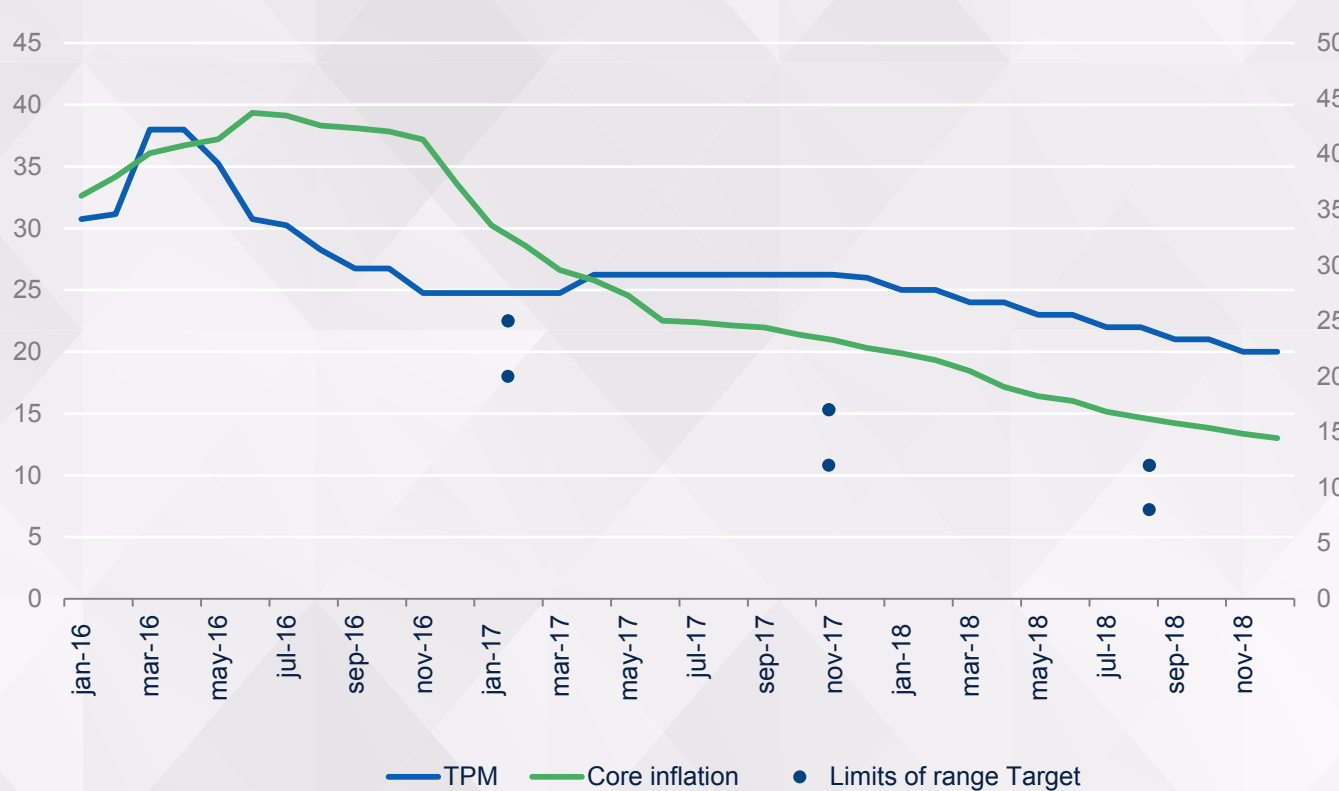


INFLATION RATE (% Y/Y)



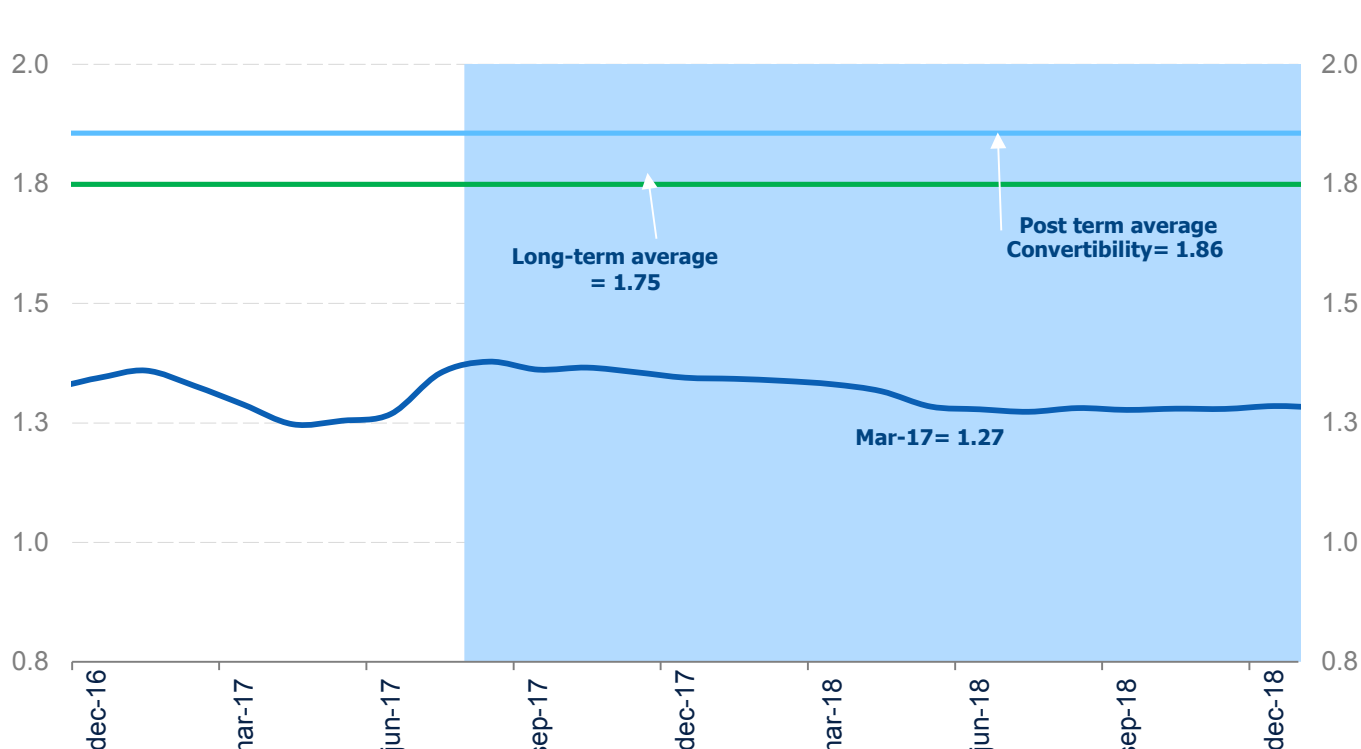
Inflation continues on its descending path but **shows resistance against reaching 1% MoM** the average needed to reach the central bank target

THE CENTRAL BANK WILL MAINTAIN ITS CONTRACTIVE POLICY AS LONG AS INFLATION REMAINS OUTSIDE THE TARGET RANGE



This will imply that real interest rates will remain very high in the next few years, stimulating the inflow of currency and the appreciation of the peso

REAL MULTILATERAL EXCHANGE RATE (2001:12=1)



The current account deficit deteriorates, but the situation is not worrying, **because global liquidity is abundant and Argentina continues to be attractive to investors**, in a world in search of yield, but vulnerability is increasing

TRADE BALANCE AND CURRENT ACCOUNT BALANCE (% of GDP)

