



---

# Argentina

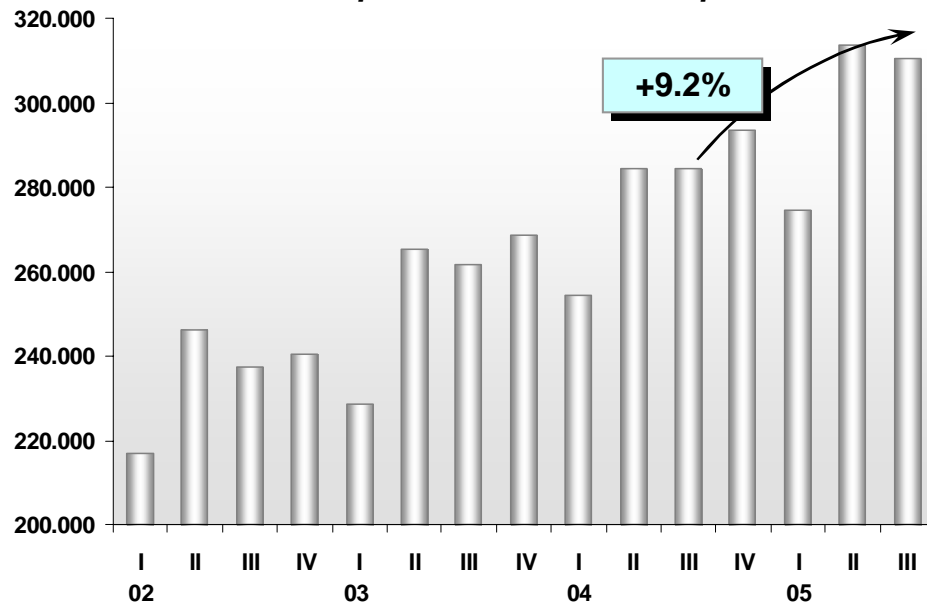
# Economic Indicators

*January 2006*

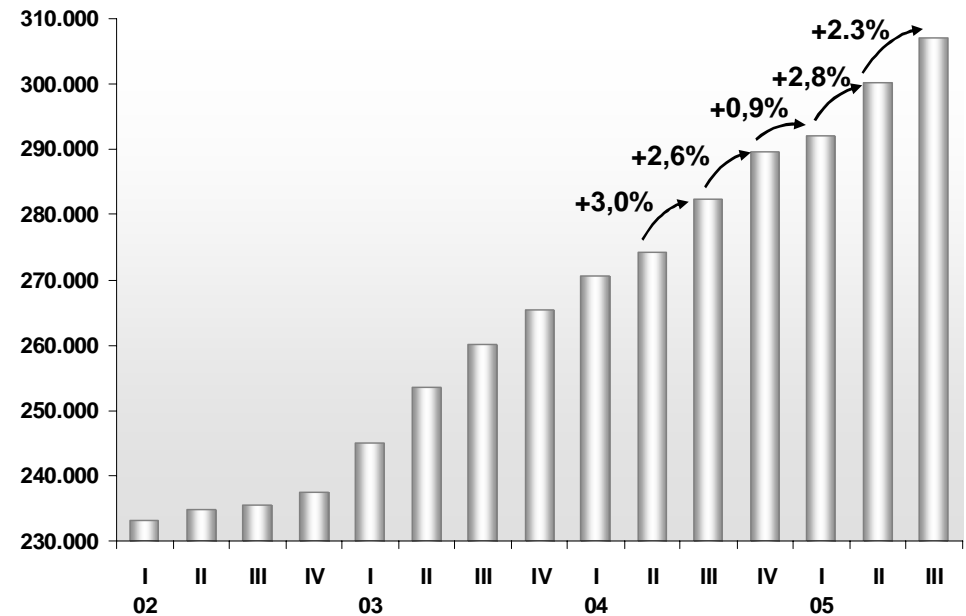
# Activity

**Recovery started in the second quarter of 2002, and there have been fourteen consecutive quarters of growth, thus improving the sequence that had taken place in the previous bullish cycle (IV Q 1995 – II Q 1998).**

**GROSS DOMESTIC PRODUCT**  
*At 1993 prices - In millions of pesos*

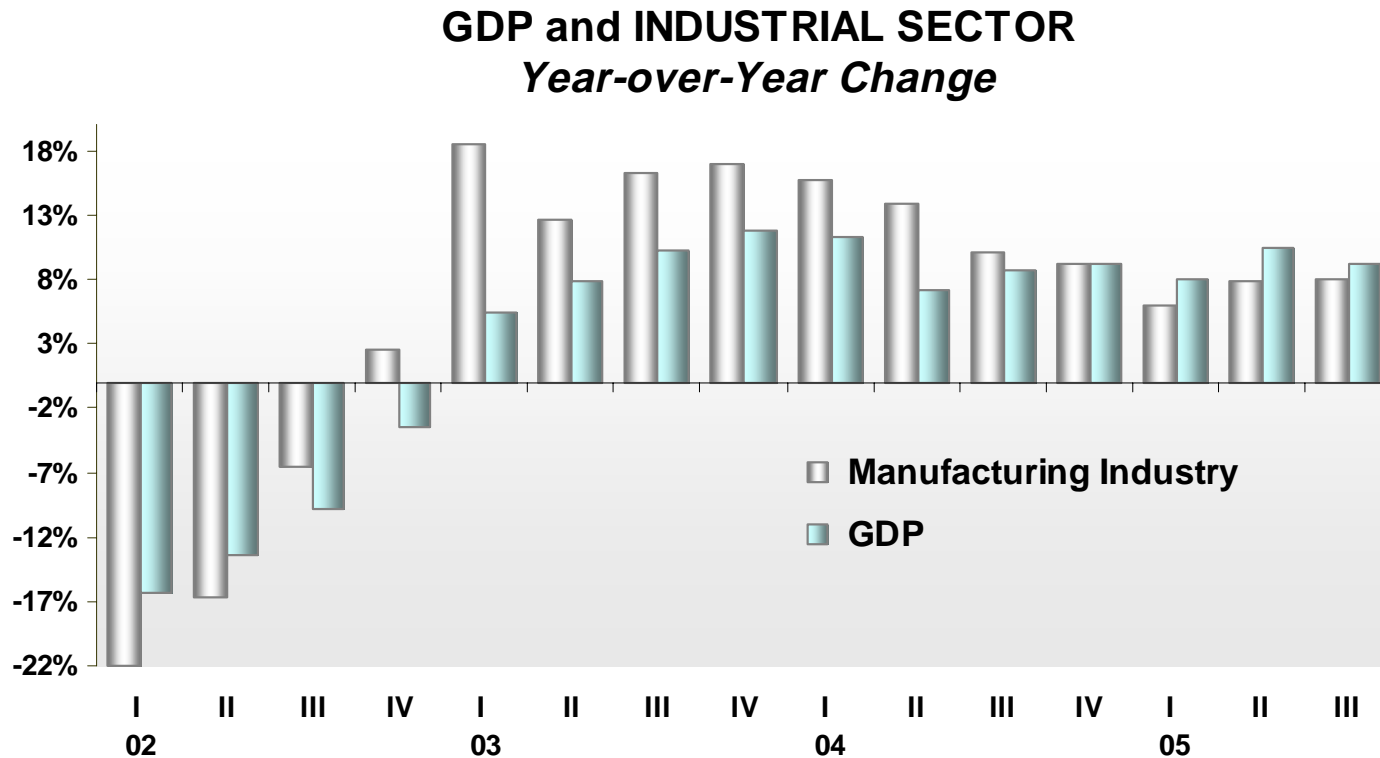


**SEASONALLY ADJUSTED GROSS DOMESTIC PRODUCT**  
*At 1993 prices - In millions of pesos*



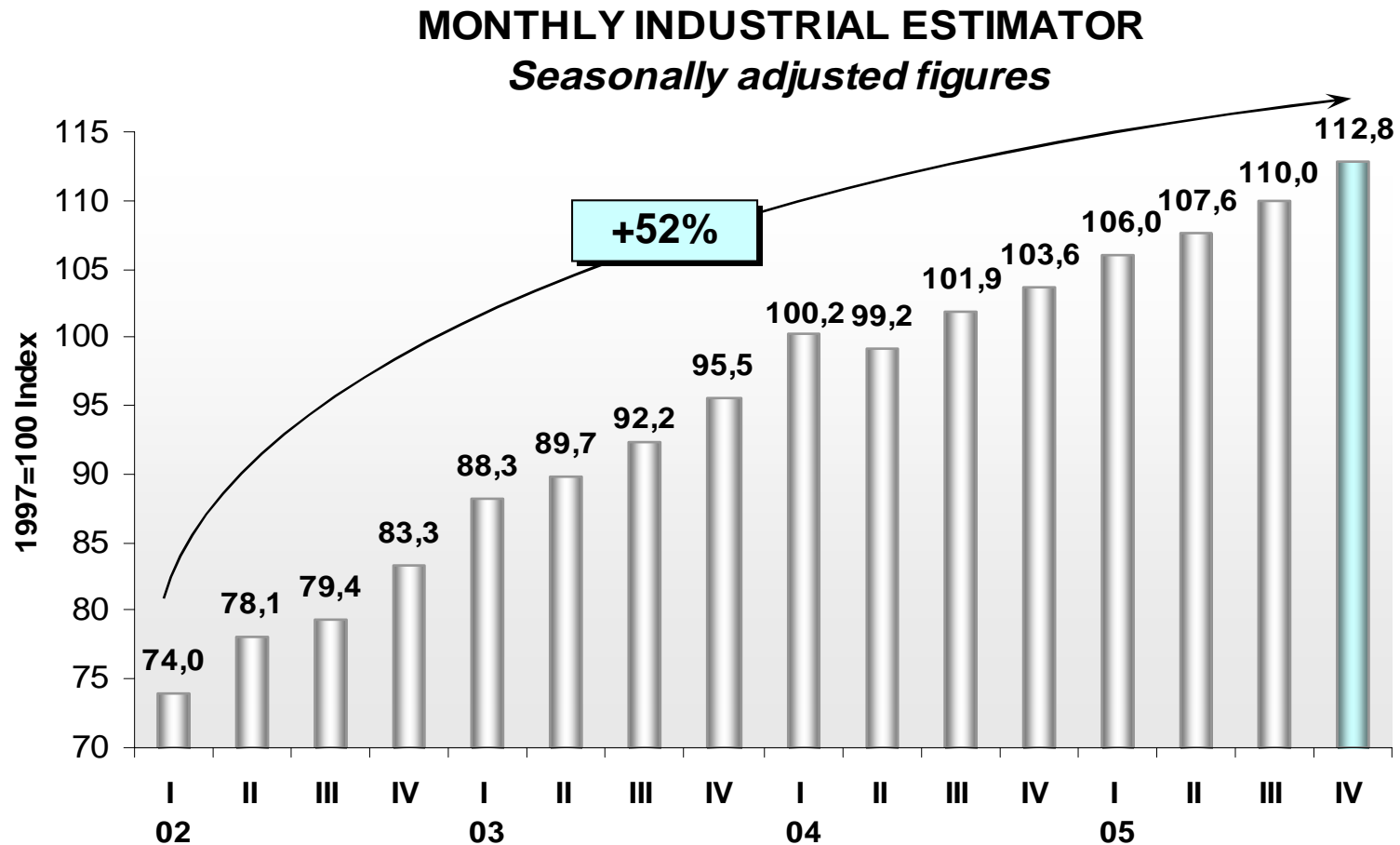
# Activity

*Sectors related to tradable goods led the initial GDP recovery, but later the impulse extended to all kind of goods.*



# Activity

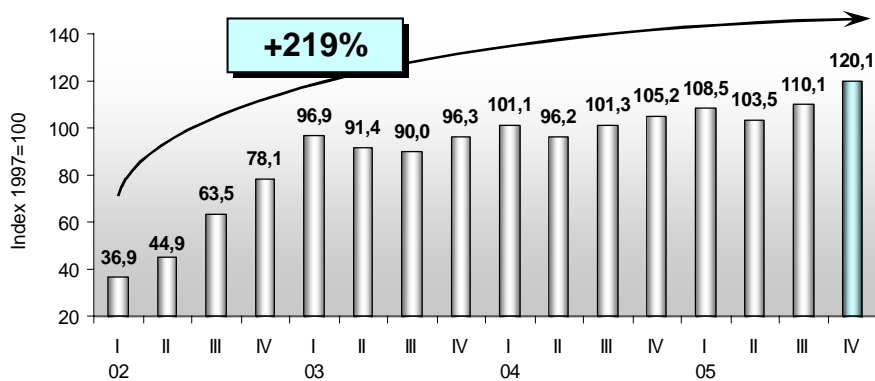
*Industrial production accumulated 52% growth between 1st Quarter 2002 and 4th quarter 2005 (equivalent to an annual rate of 11.9%).*



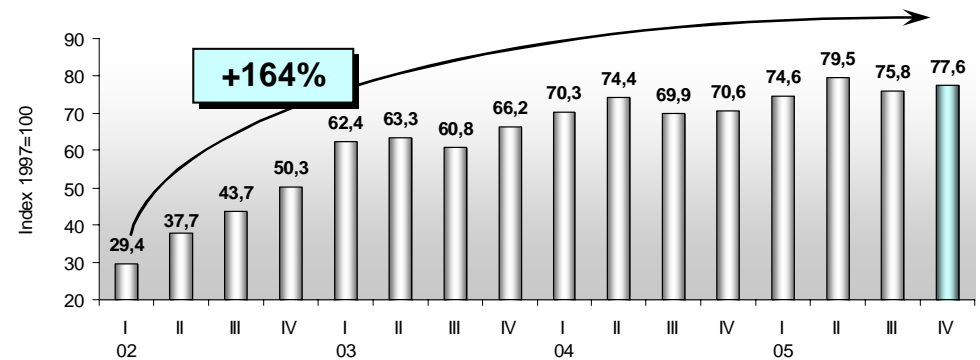
# Activity

*Labour intensive sectors such as textiles, metalmechanics and construction, recovered strongly in 2002.*

**MIE - TEXTILES**  
Seasonally adjusted figures

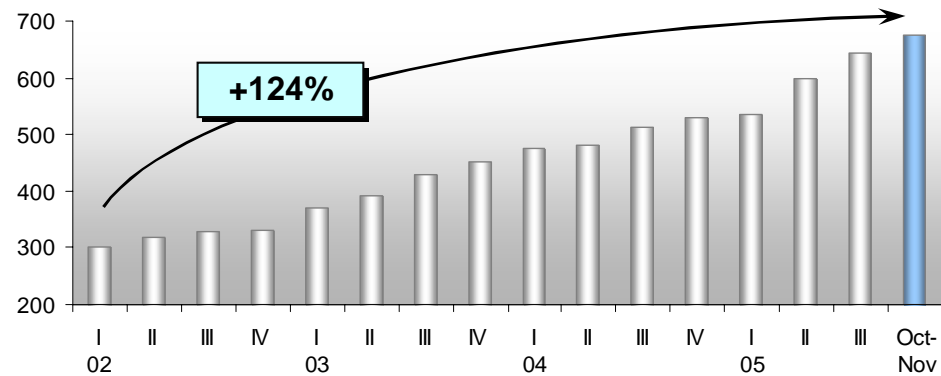


**MIE - HEAVY ENGINEERING INDUSTRY**  
Seasonally adjusted figures



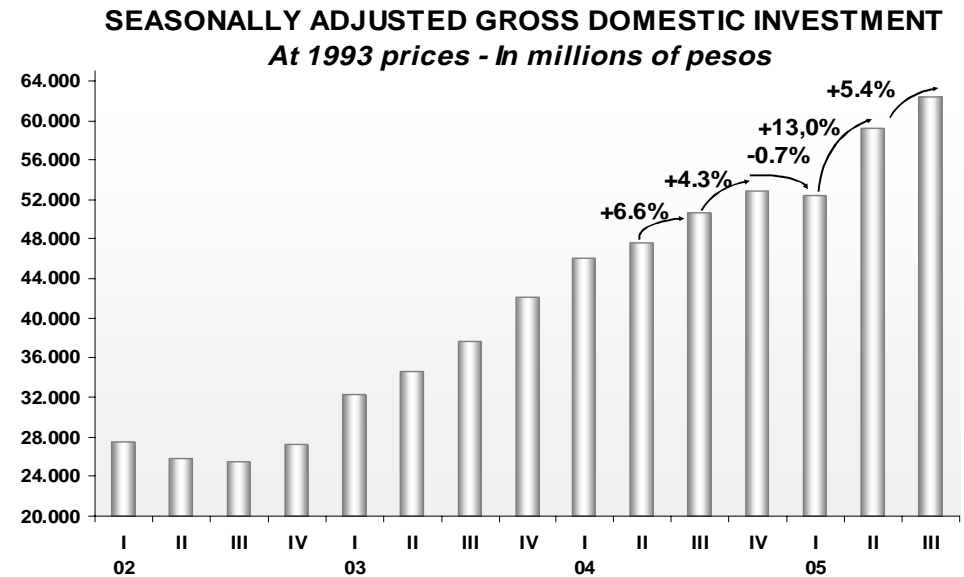
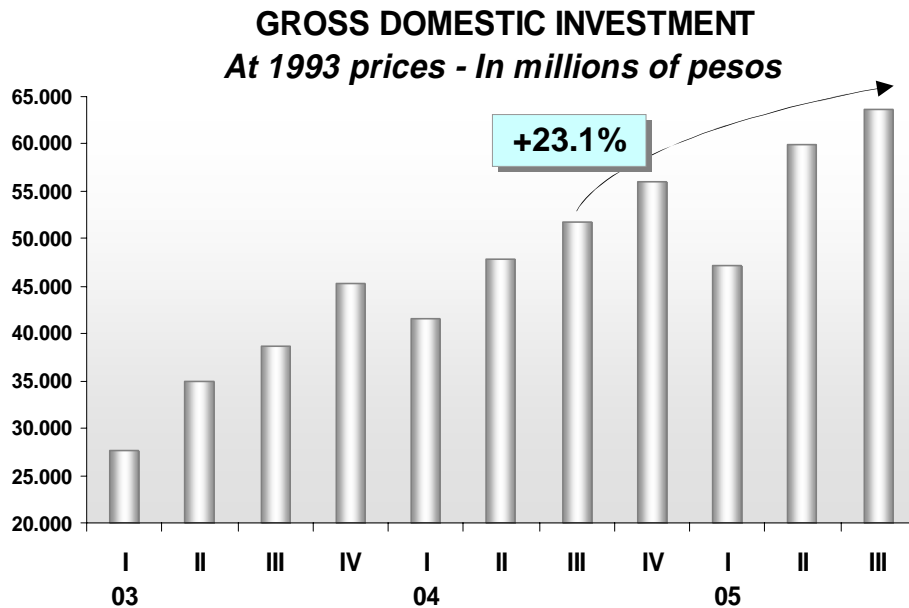
**CEMENT DELIVERIES**

*Seasonally adjusted*  
*Monthly averages - In thousand tons*



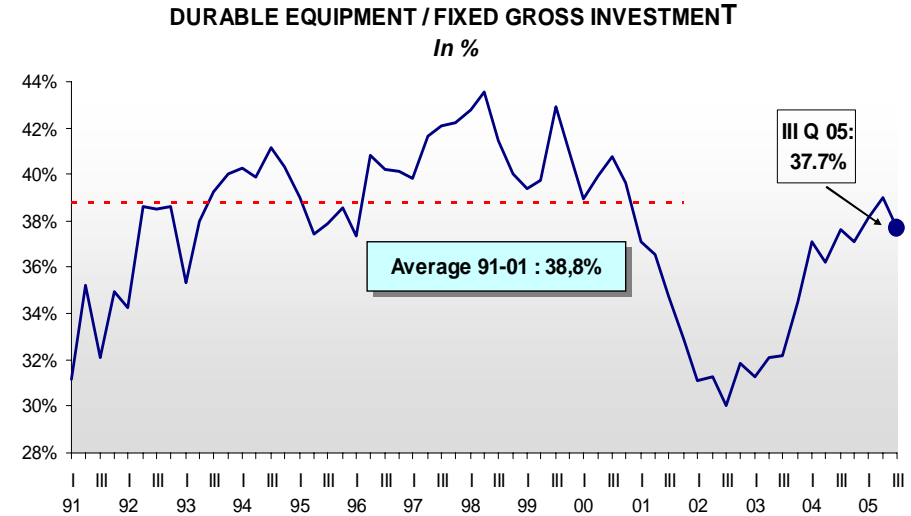
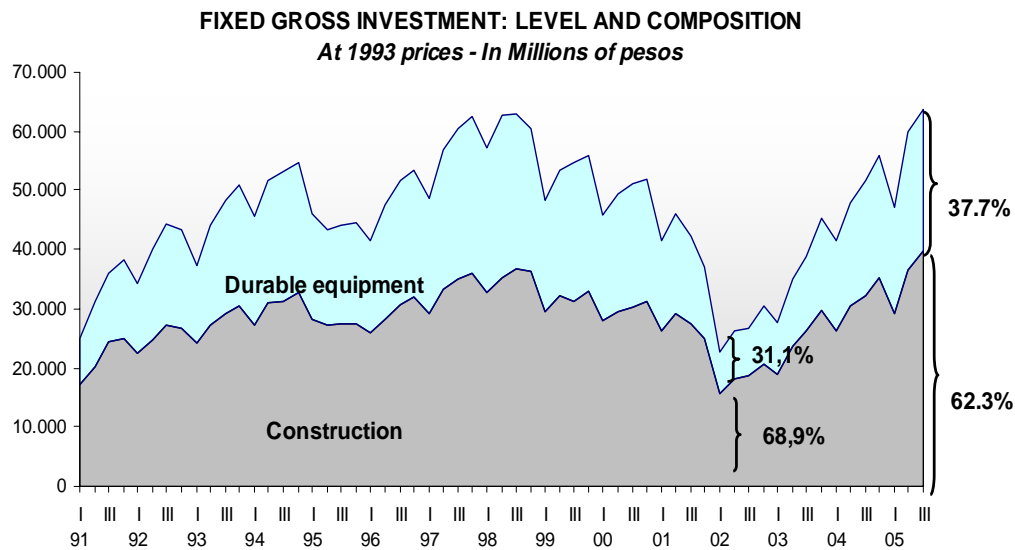
# Activity

*Investment recovered strongly as of the last trimester of 2002, exhibiting since then high interannual rates of growth*



# Activity

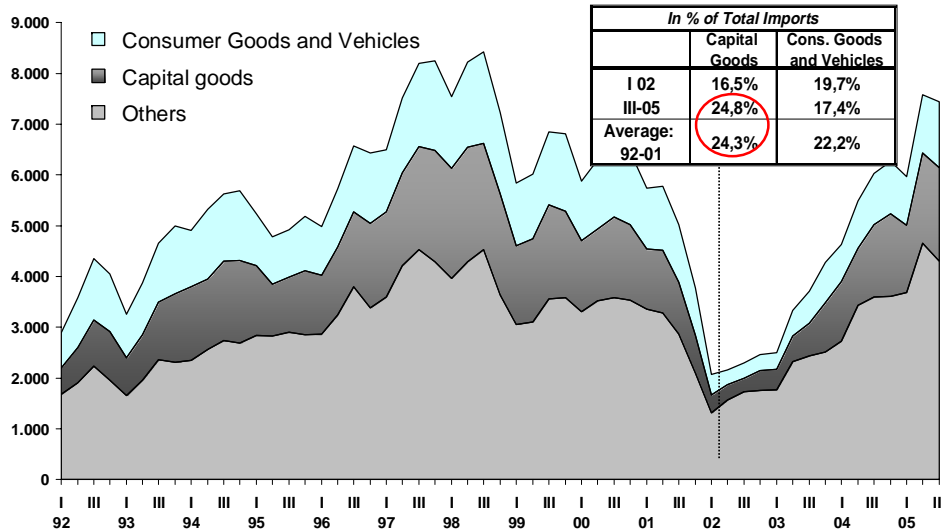
**The recovery of the investment was stronger in durable equipment, whose participation in the GDFI recovered the level of the average of the '90s.**



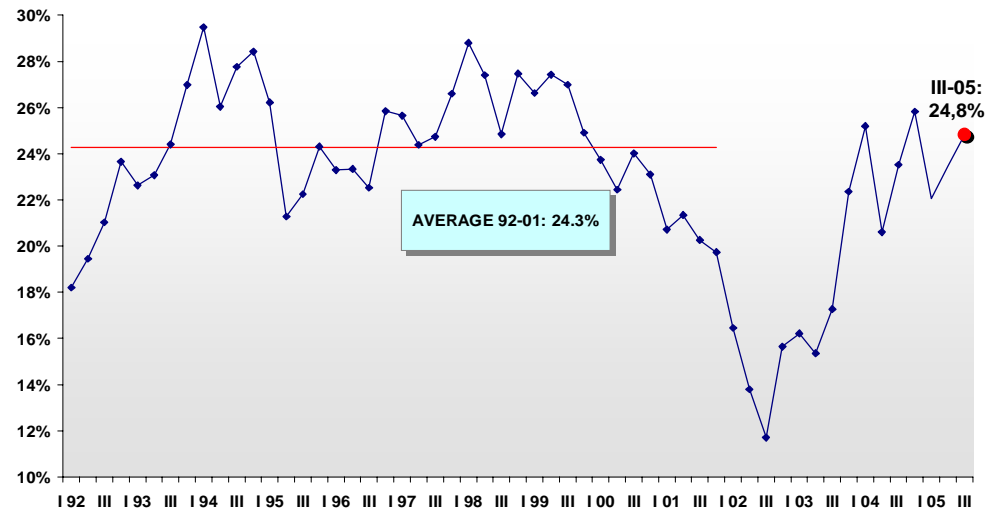
# Activity

**Among durable equipment, import of capital goods mostly reflects the investment dynamics.**

**IMPORTS OF GOODS: LEVEL AND COMPOSITION**  
In millions of dollars (CIF)

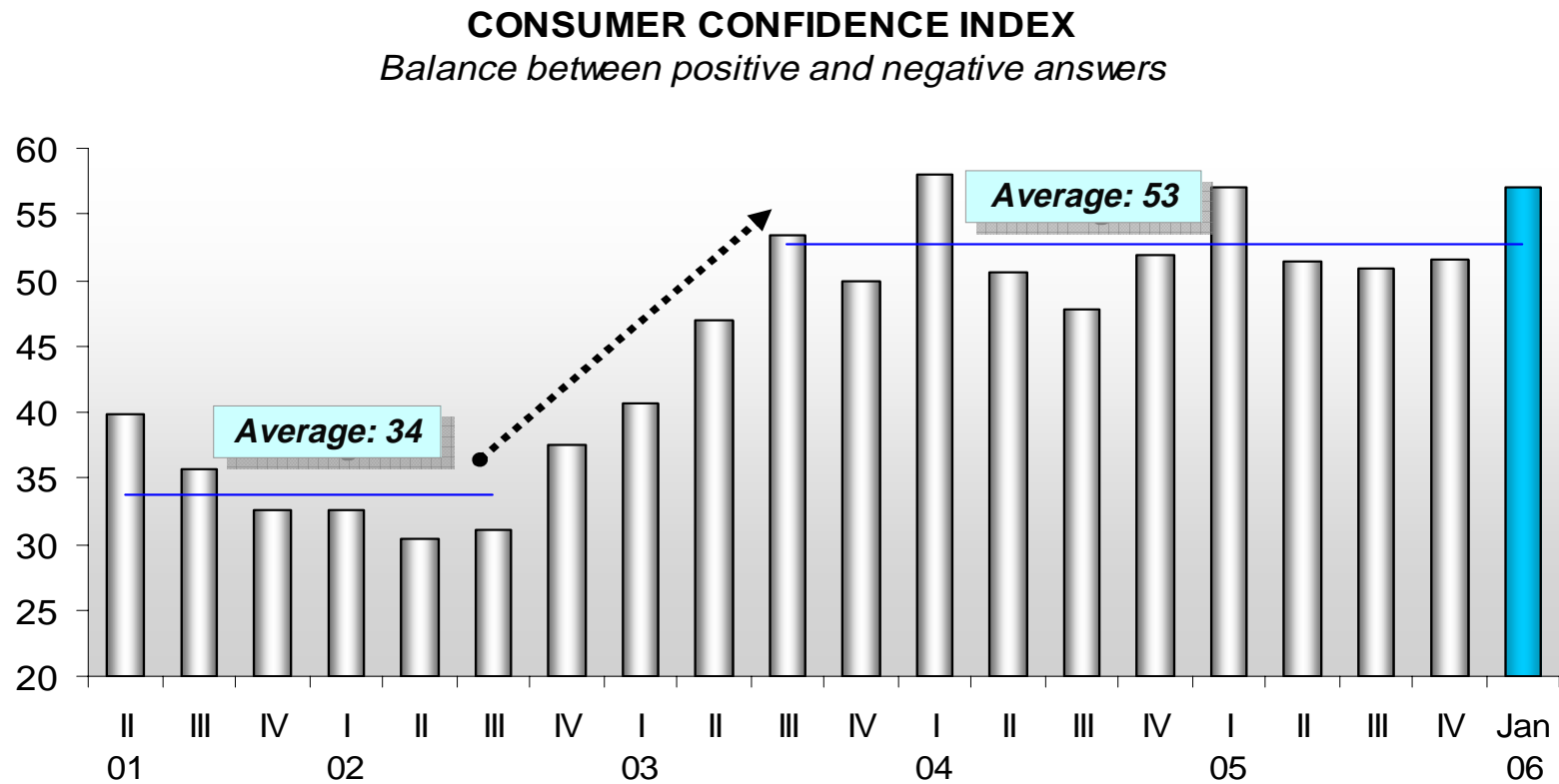


**IMPORTS OF CAPITAL GOODS**  
In Percent of Total Imports



# Activity

*As of fourth quarter 2002 consumer optimism has notably increased.*



$$\text{Index} = 50 * \{p-n+1\}$$

p: positive answers ; n: negative answers

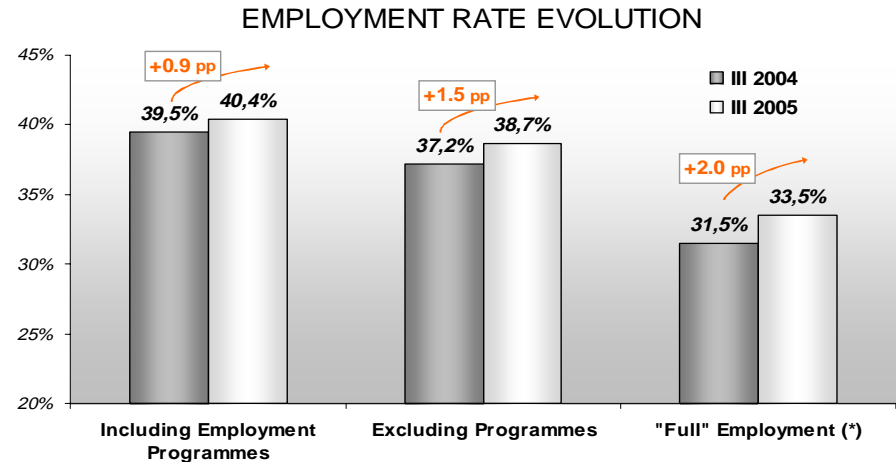
Source: Torcuato Di Tella University

# Labor and social indicators

**Between 3rd quarter 2004 and 3rd quarter 2005, some 468,000 people joined the labour market (public and private jobs). The "full" employment grew faster (employment programmes decreased), mainly due to improvement in registered jobs.**

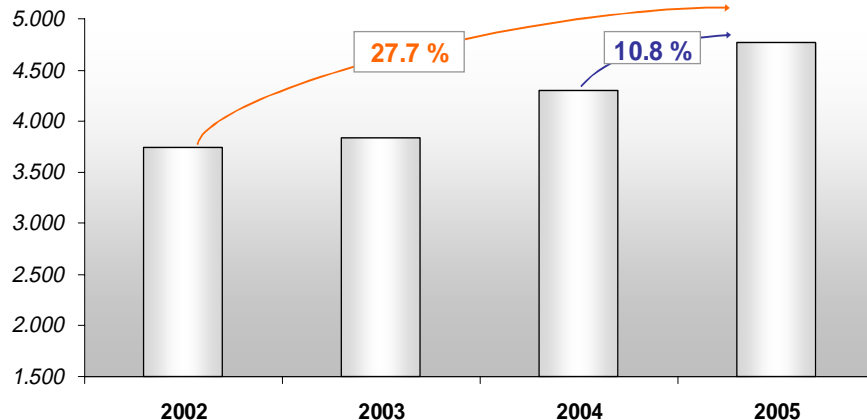
## Employment Evolution between 3rd Quarter 2004 and 3rd Quarter 2005 - Total Urban Population:

- ✓ New jobs:  
468,000 persons (+3.5%)  
-201,000 from Employment Programs  
669,000 from the Labor Market (+5.3%)
- ✓ Decrease in Unemployment :  
-313,000 persons (-15.8%)

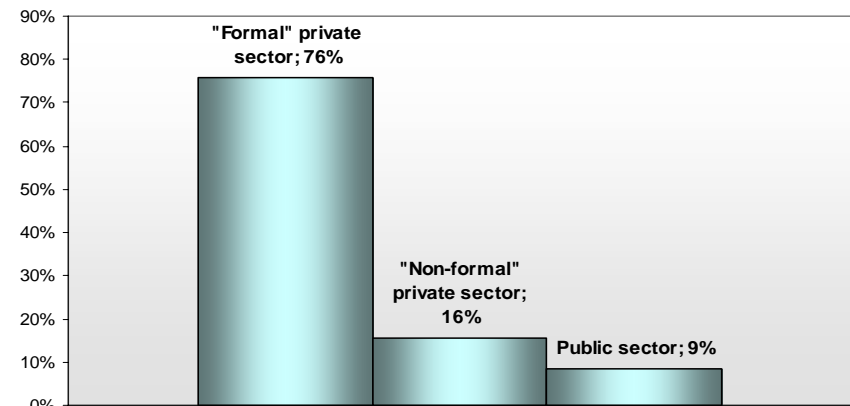


(\*) Excluding Employment Programs and Underemployment.

## PRIVATE SECTOR REGISTERED JOBS First 9 months



## CONTRIBUTION TO EMPLOYMENT GROWTH (excluding employments programmes) III Quarter 2004 vs. III Quarter 2005



# Labor and social indicators

**Between 2nd quarter 2002 and 3rd quarter 2005, some 2,805,000 people joined the labour market (public and private jobs).**

## Employment Evolution between 2nd Quarter 2002 and 3rd Quarter 2005 - Total Urban Population:

### ✓ New Jobs:

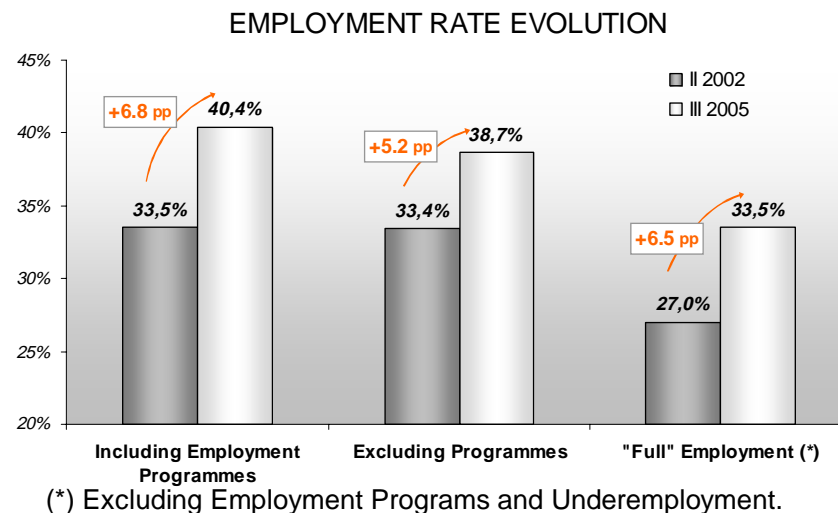
2,805,000 persons (+25.1%)

335.000 from Employment Programs

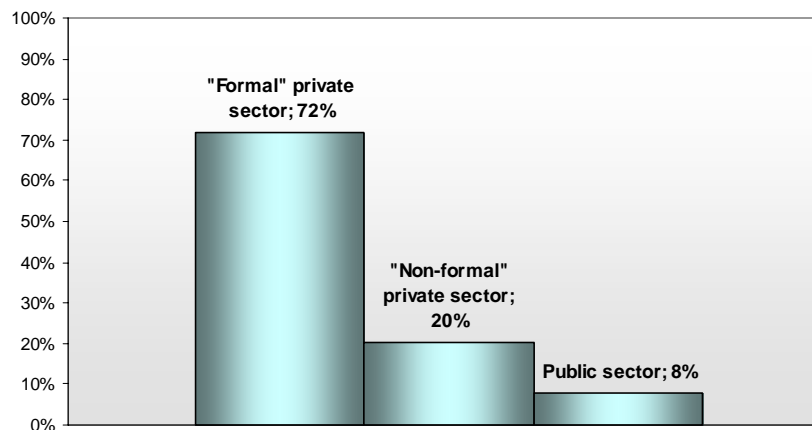
2.470.000 from the Labor Market (+22.2%)

### ✓ Decrease in Unemployment:

-1,734,000 persons (-50.9%)



## CONTRIBUTION TO EMPLOYMENT GROWTH (excluding employments programmes) III Quarter 2005 vs. II Quarter 2002

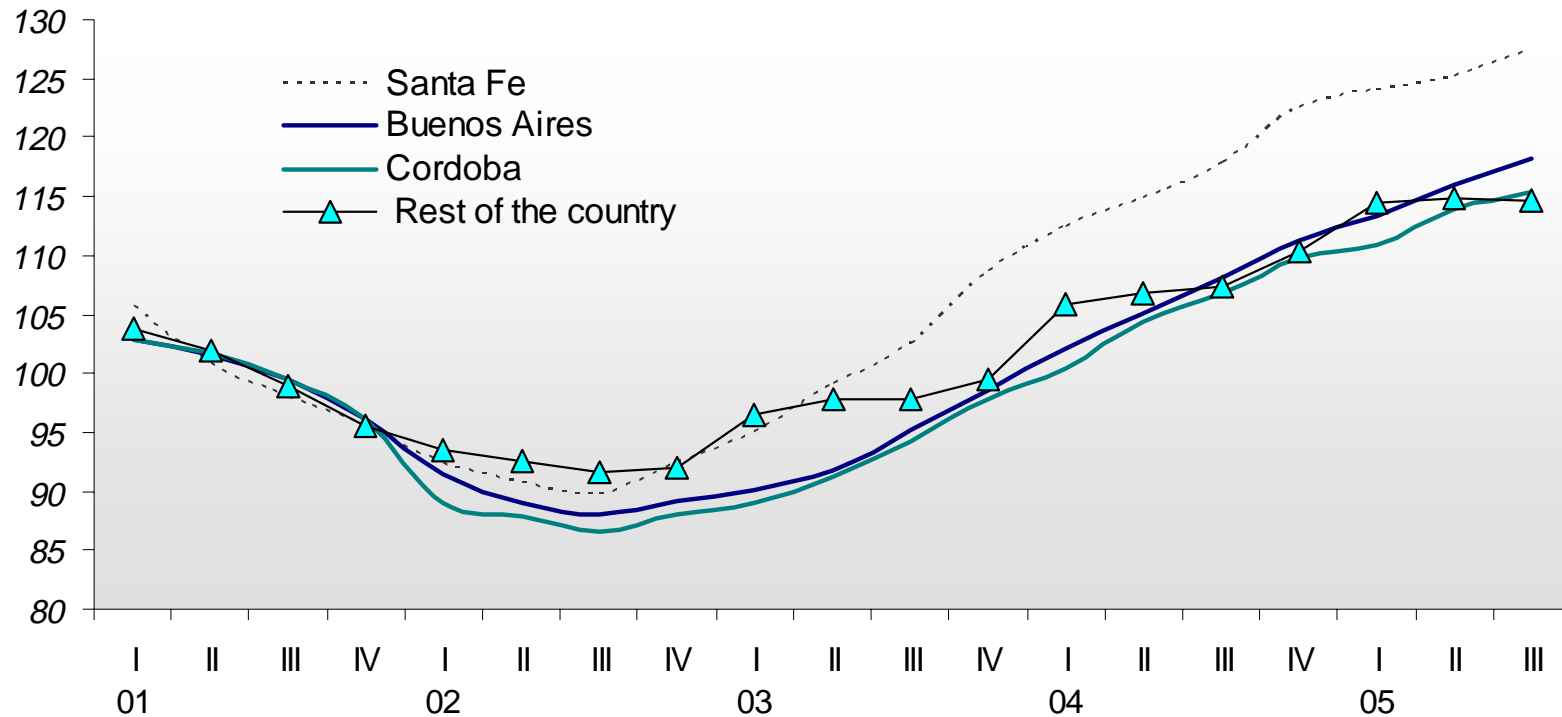


# Labor and social indicators

*The employment market improved strongly, not only in Greater Buenos Aires, but also in other interior cities where economic activity is more related to the production of tradable goods.*

## EVOLUTION OF EMPLOYMENT IN MANUFACTURING INDUSTRY

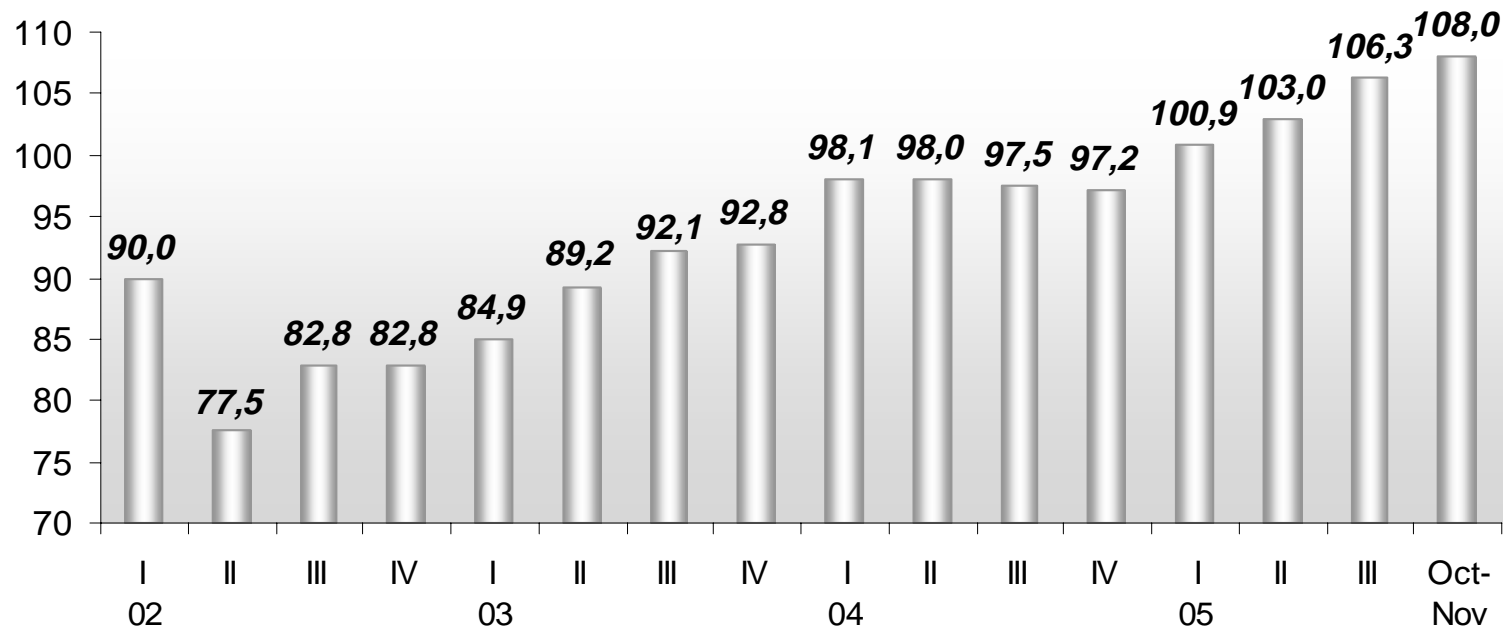
*Index: 2001 = 100*



# Labor and social indicators

*After falling strongly in 2002, real wages recovered in 2003 and stabilized in 2004. In 2005 they started climbing again.*

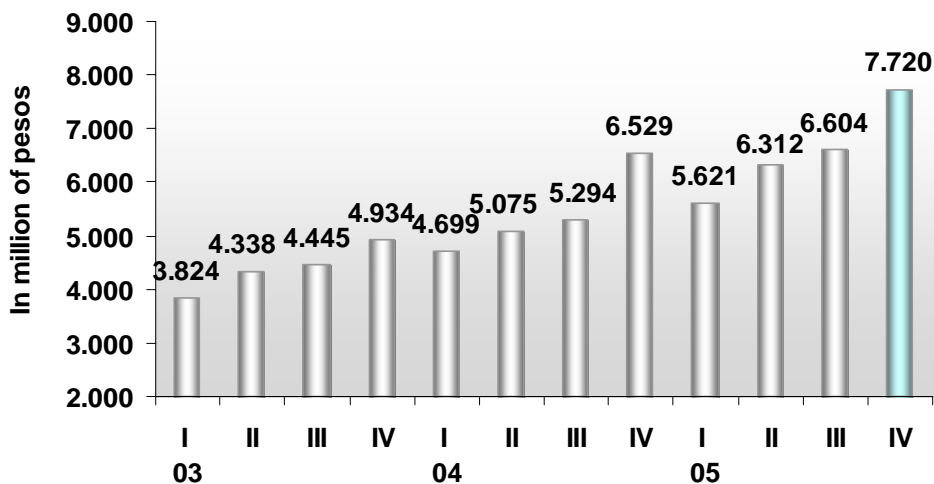
**REAL WAGES**  
Registered Private Sector  
Monthly averages - Basis IV 2001=100



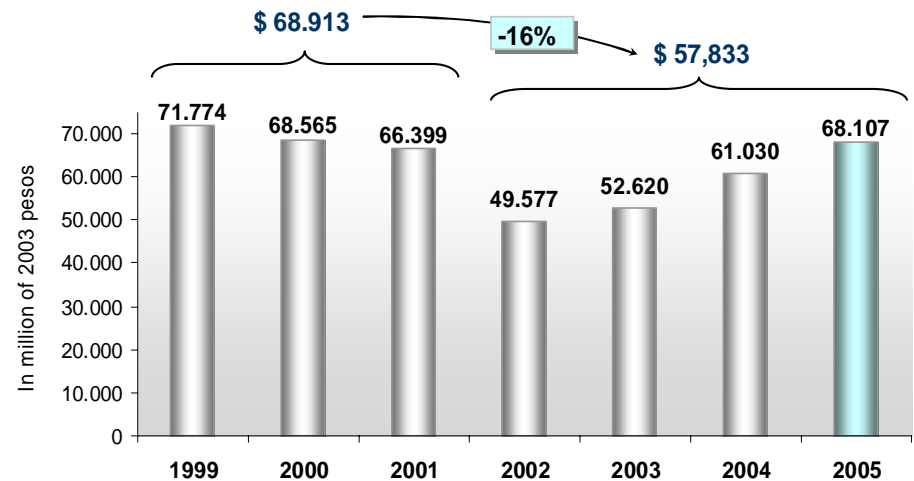
# Fiscal Sector

**Public spending measured in real terms was significantly lower in 2002-2005 than in previous years. Even though the tendency has been anyway increasing, it occurred without jeopardizing the conformation of high surplus.**

**NOMINAL PRIMARY EXPENDITURE (#)**  
Cash Basis  
Monthly Average



**REAL PRIMARY EXPENDITURE (#)**  
Deflated by 0.5 CPI and 0.5 WPI - Cumulated January - December

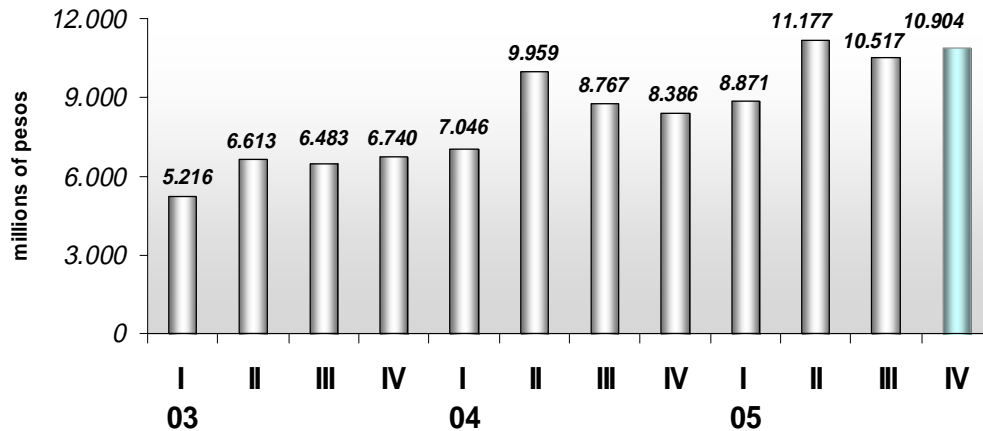


(#) Excludes transfers to Provinces by Share revenue system

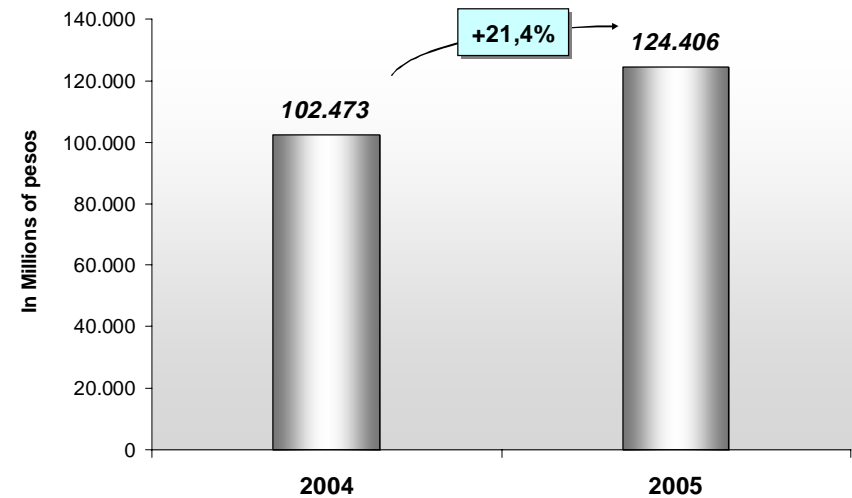
# Fiscal Sector

*Tax collection keeps on growing strongly, and reached new peaks in 2004 and 2005.*

**NON FINANCIAL PUBLIC SECTOR  
Total Tax Revenues  
Monthly Average**



**NON FINANCIAL PUBLIC SECTOR Total Tax Revenues  
January-December Accumulated**

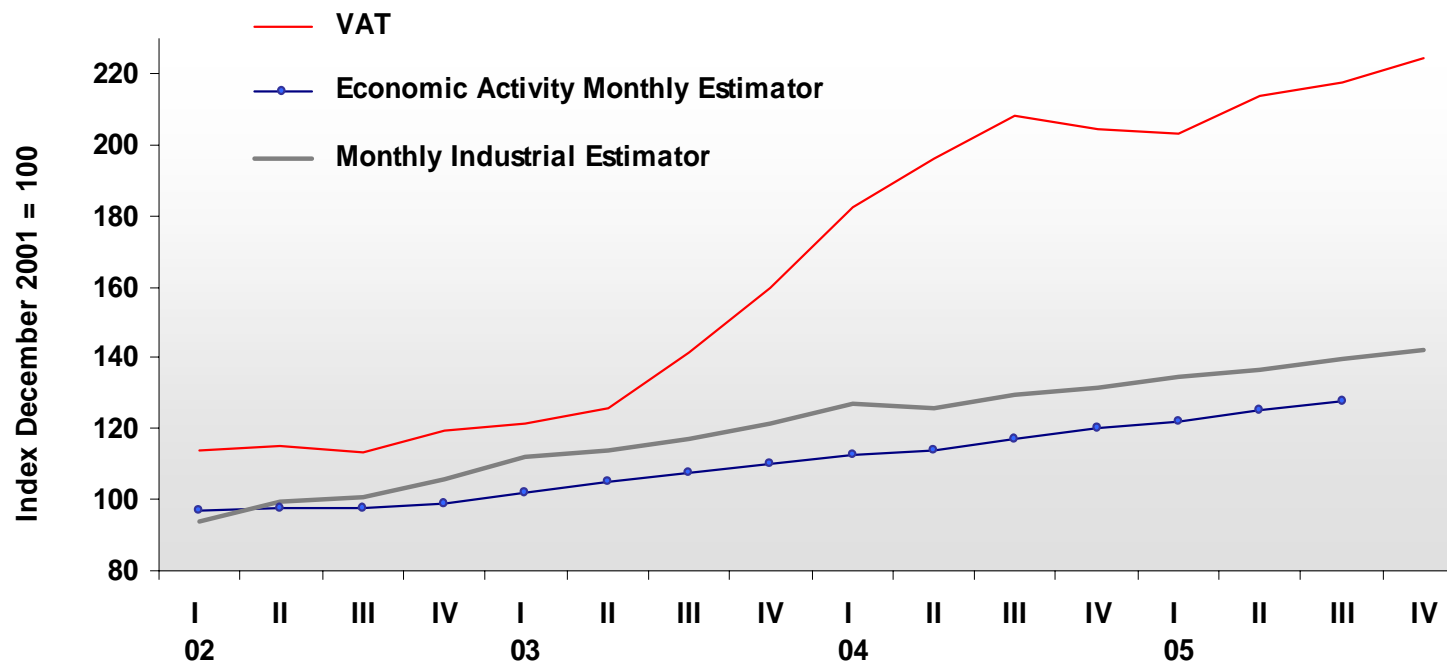


# Fiscal Sector

*Increasing VAT collection would be reflecting GDP recovery as well as an improvement in tax compliance.*

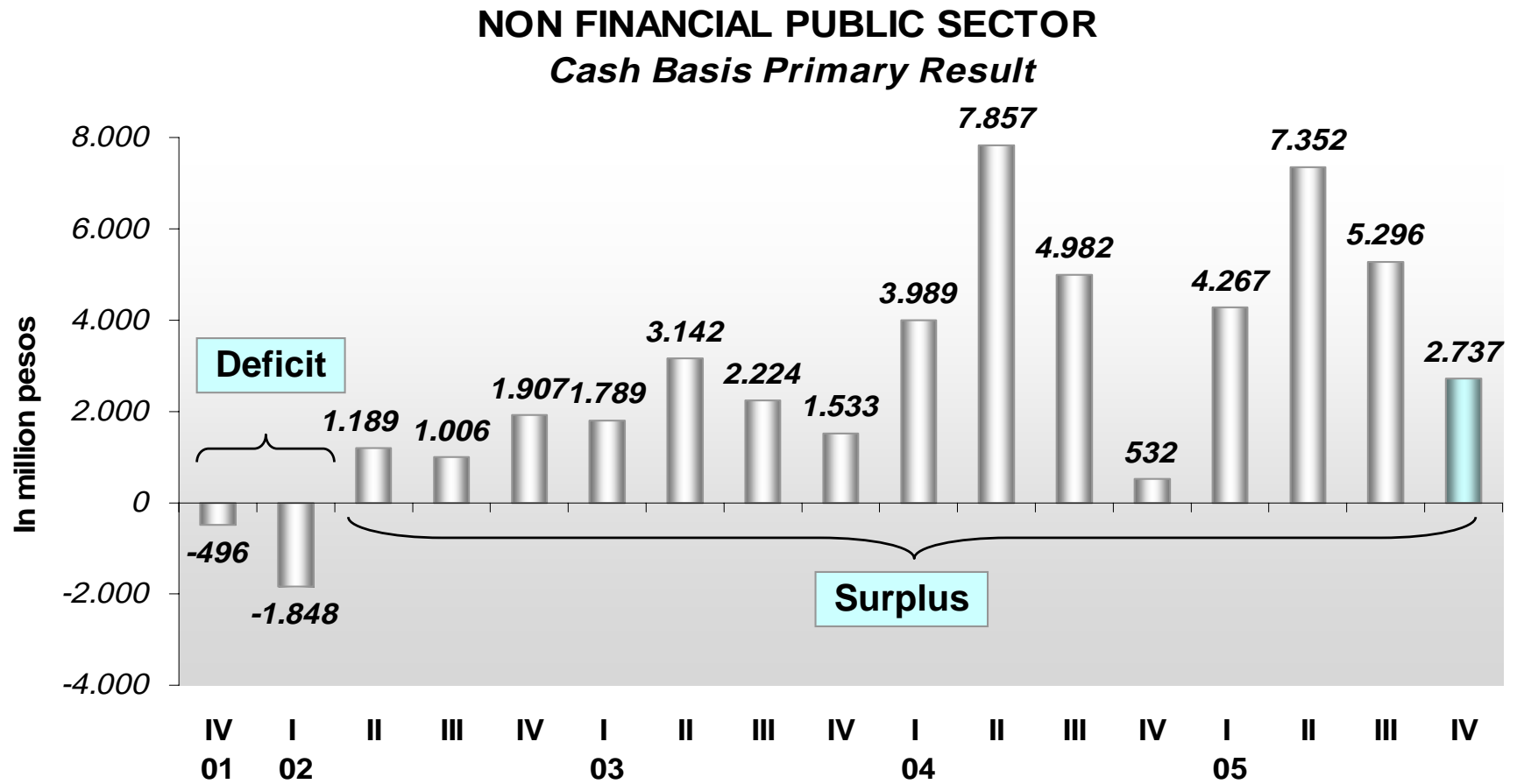
## VALUE ADDED TAX (Deflated by CPI) and ACTIVITY LEVEL

*Seasonally adjusted figures*



# Fiscal Sector

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

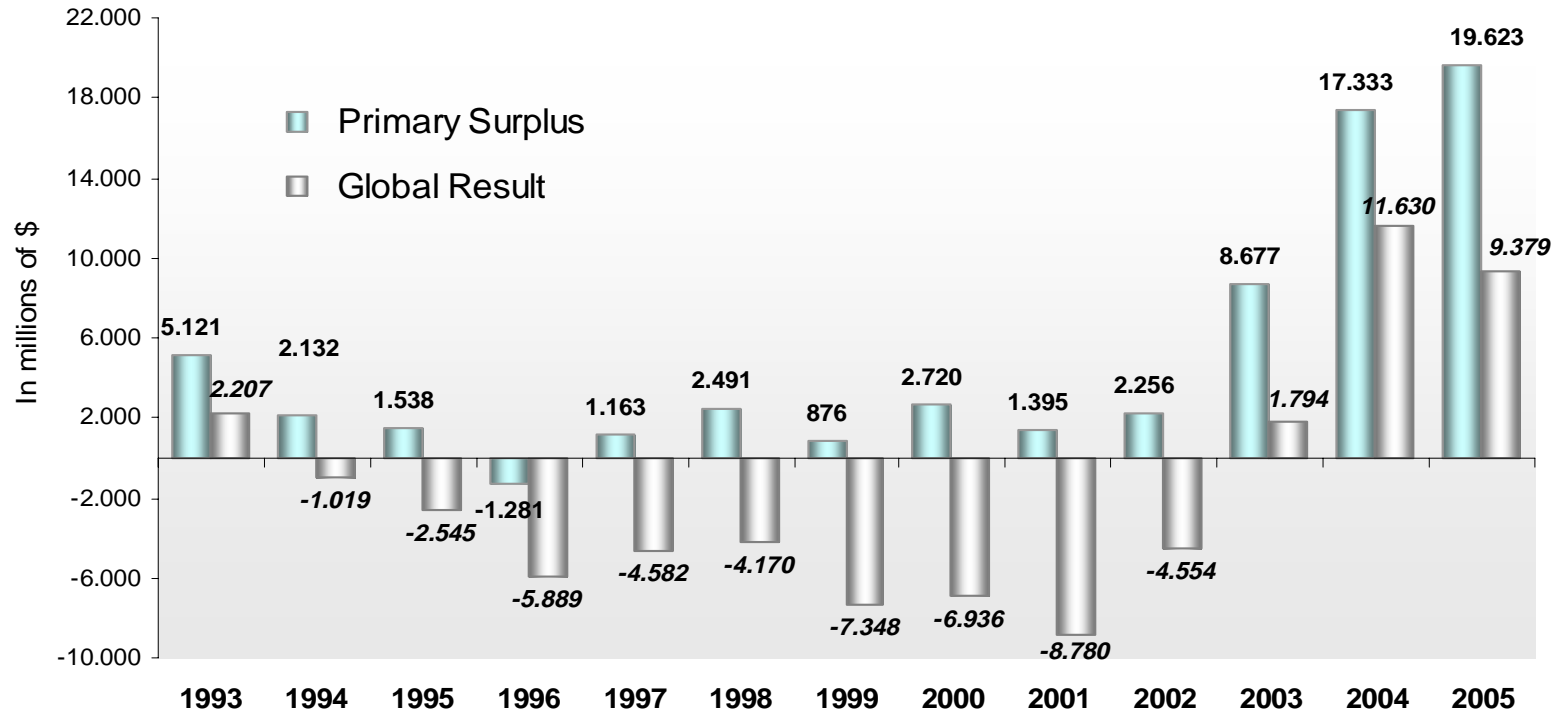


# Fiscal Sector

*Fiscal accounts improved significantly from 2003 vis a vis the weak fiscal performance shown in the nineties.*

## NON FINANCIAL PUBLIC SECTOR

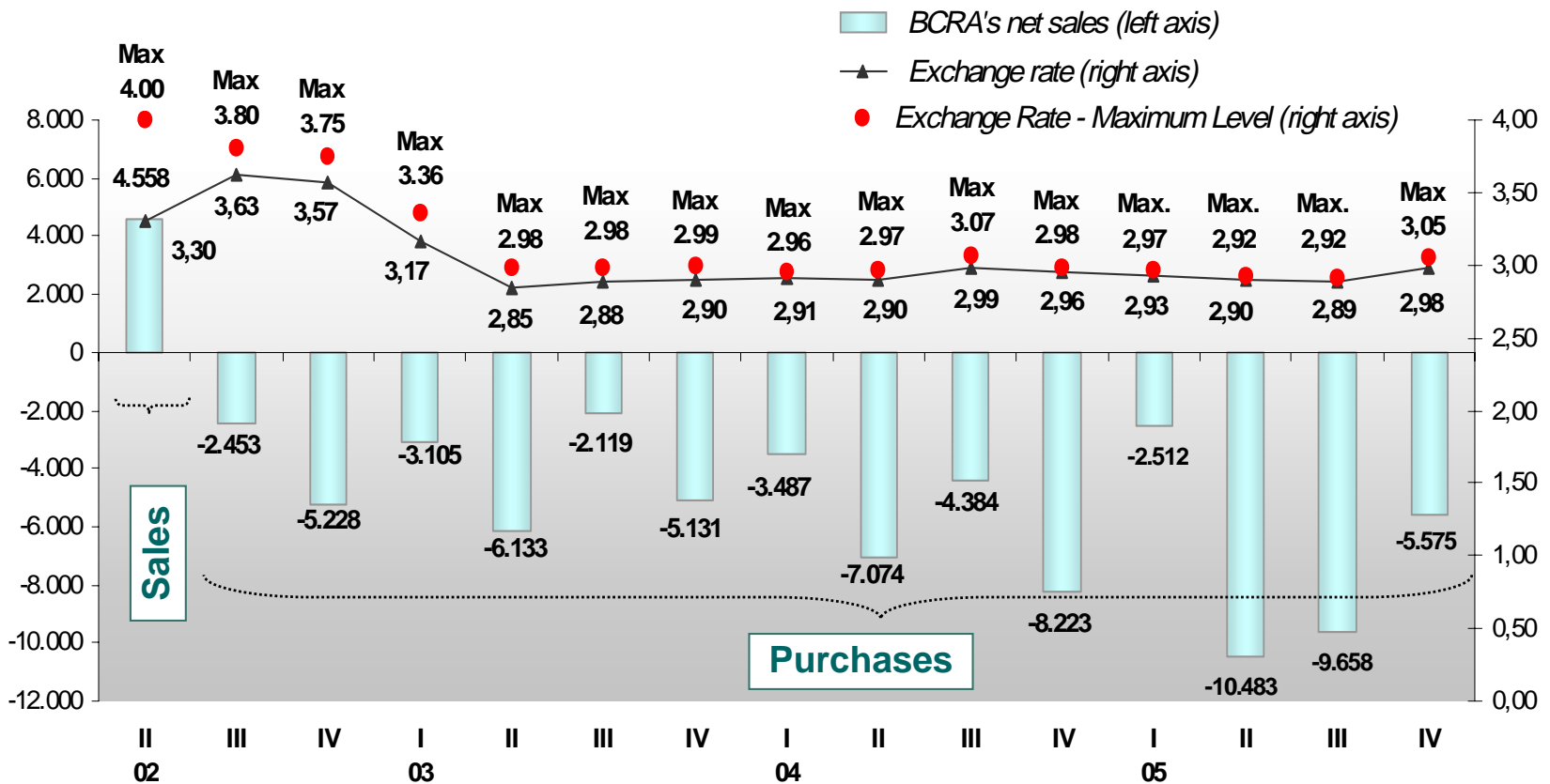
*Primary Surplus and Global Result - without privatizations  
Cash Basis*



# Financial Sector

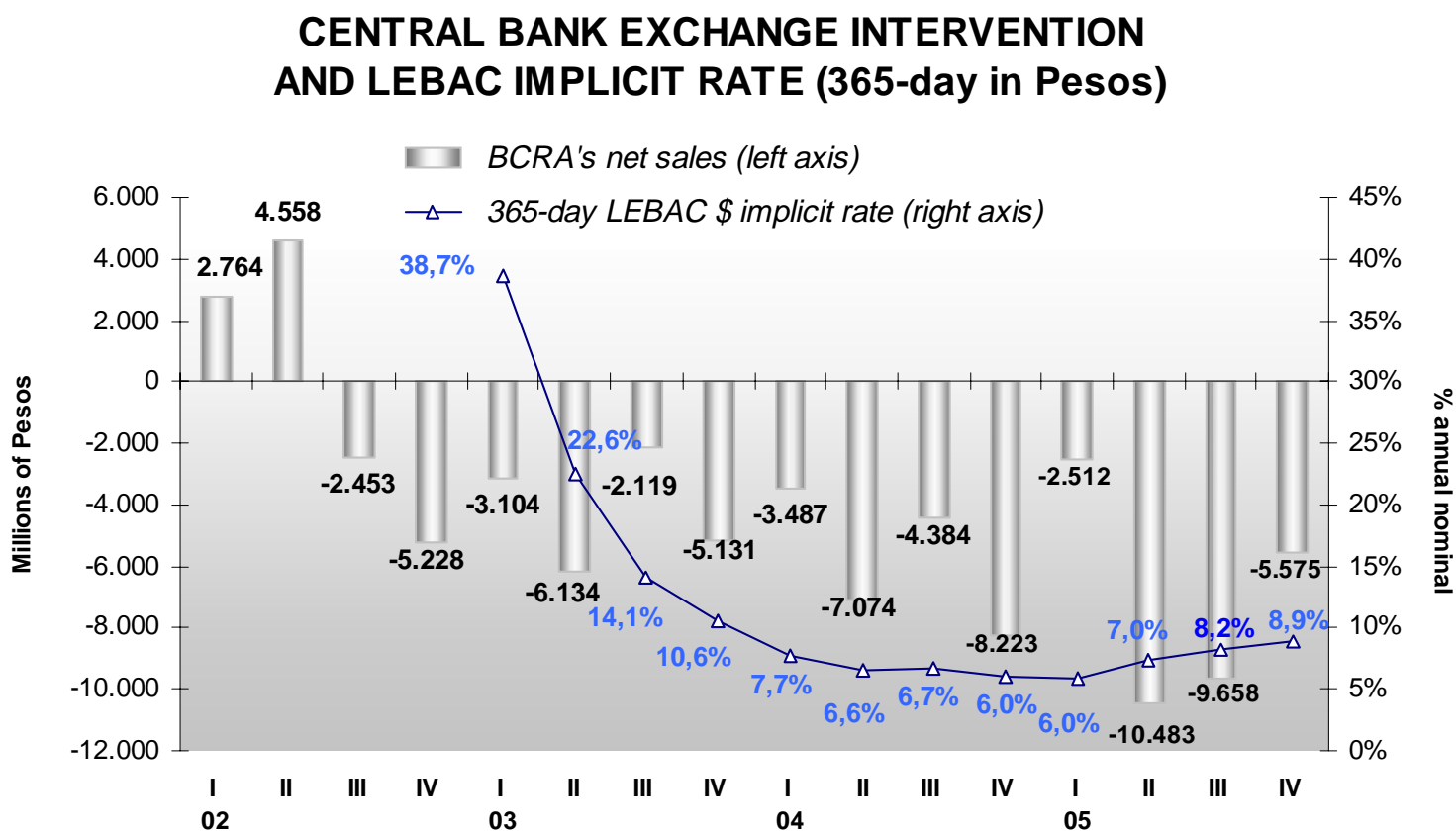
*Growth recovery and fiscal improvement helped to strengthen the demand for pesos and stabilize the foreign exchange market.*

## EXCHANGE INTERVENTION AND RATES



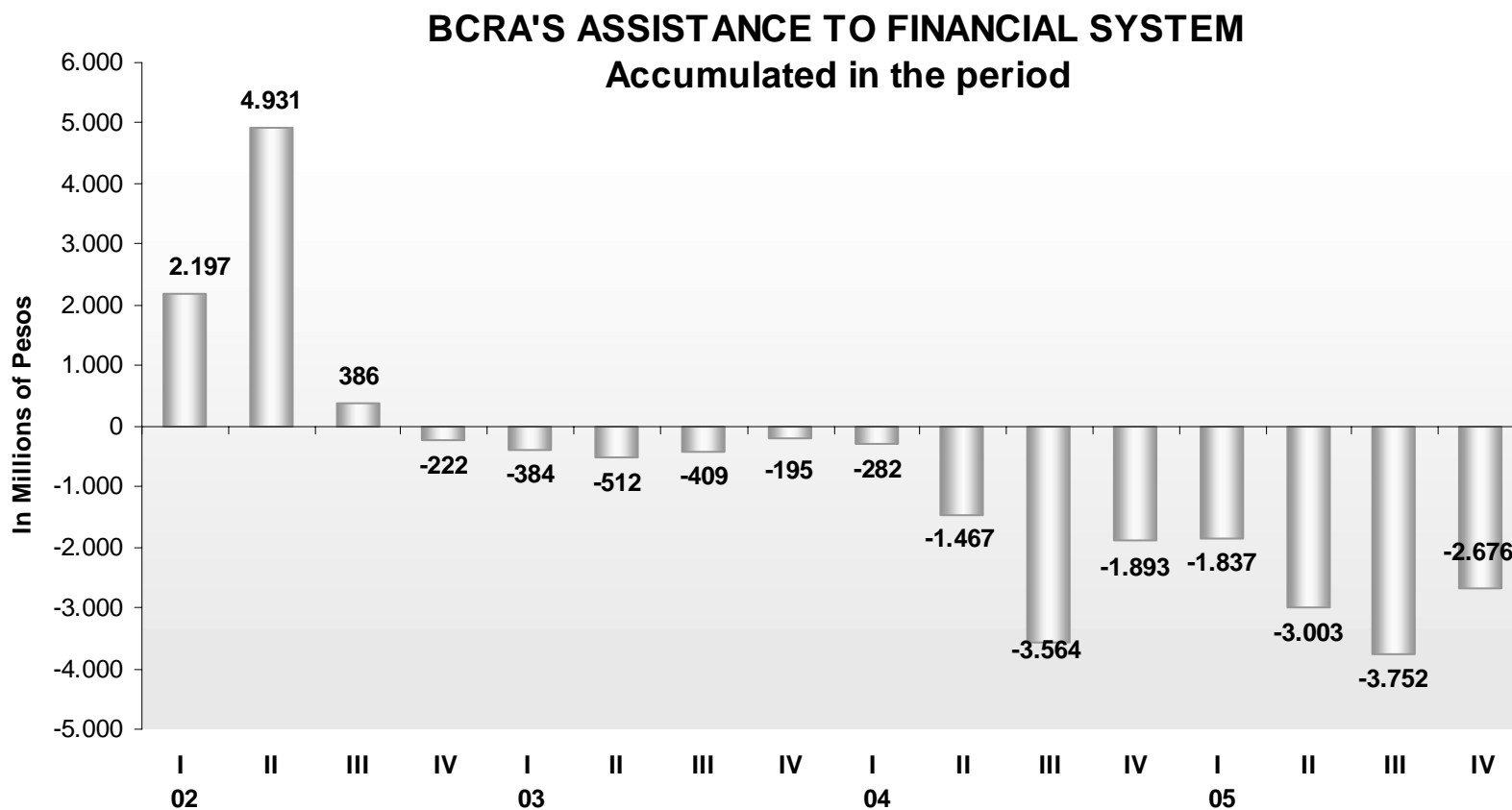
# Financial Sector

*As from July 2002 the Argentine Central Bank (B.C.R.A.) has accumulated reserves in a context of stable low interest rates.*



# Financial Sector

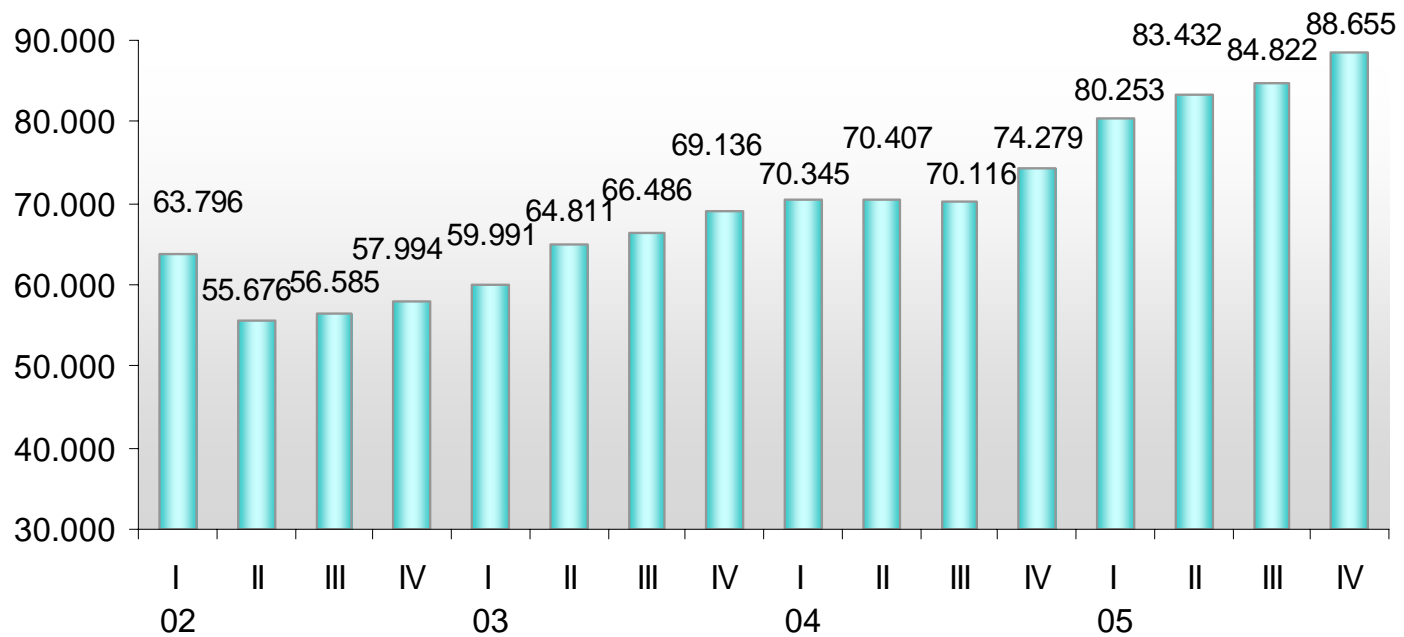
*Since September 2002 financial institutions have not requested Argentine Central Bank assistance. Since April 2004 they lend to the Central Bank via reverse repos. During last October the Central Bank lent to banks via repos.*



# Financial Sector

*The drainage of deposits stopped in July 2002, the trend has remained positive since then.*

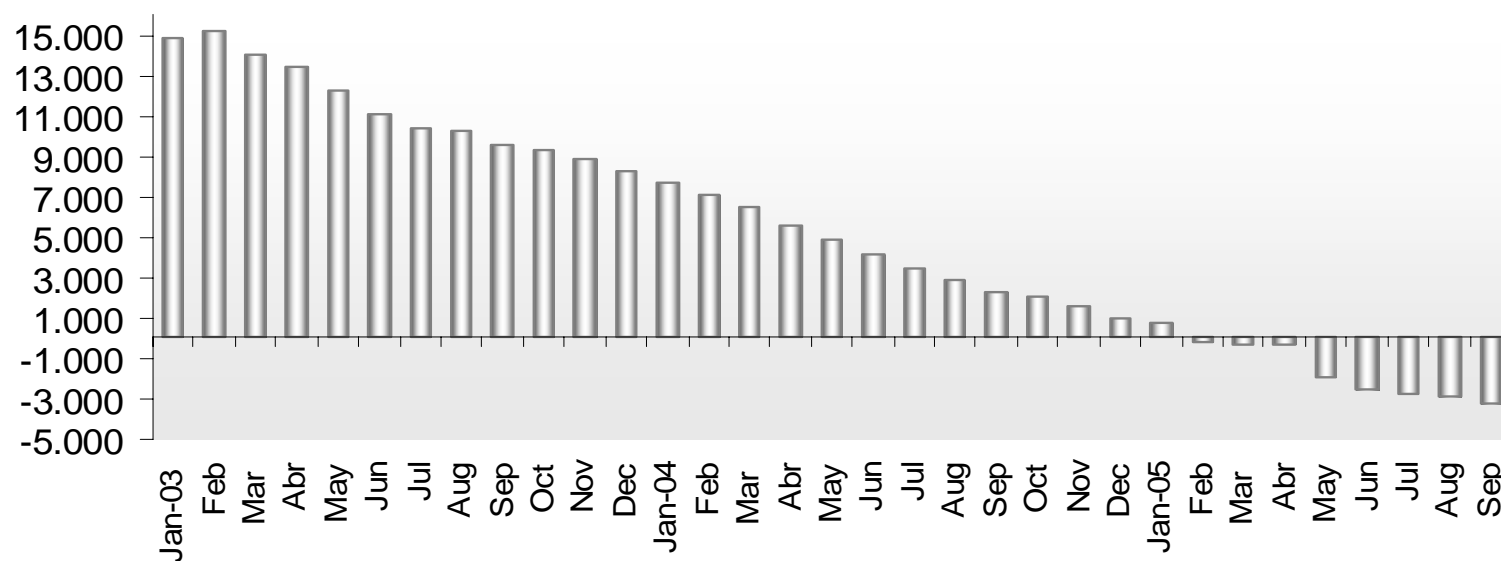
**PRIVATE DEPOSITS IN PESOS**  
In millions of pesos - End of period



# Financial Sector

*The flight of private capital has diminished significantly since June 2002.*

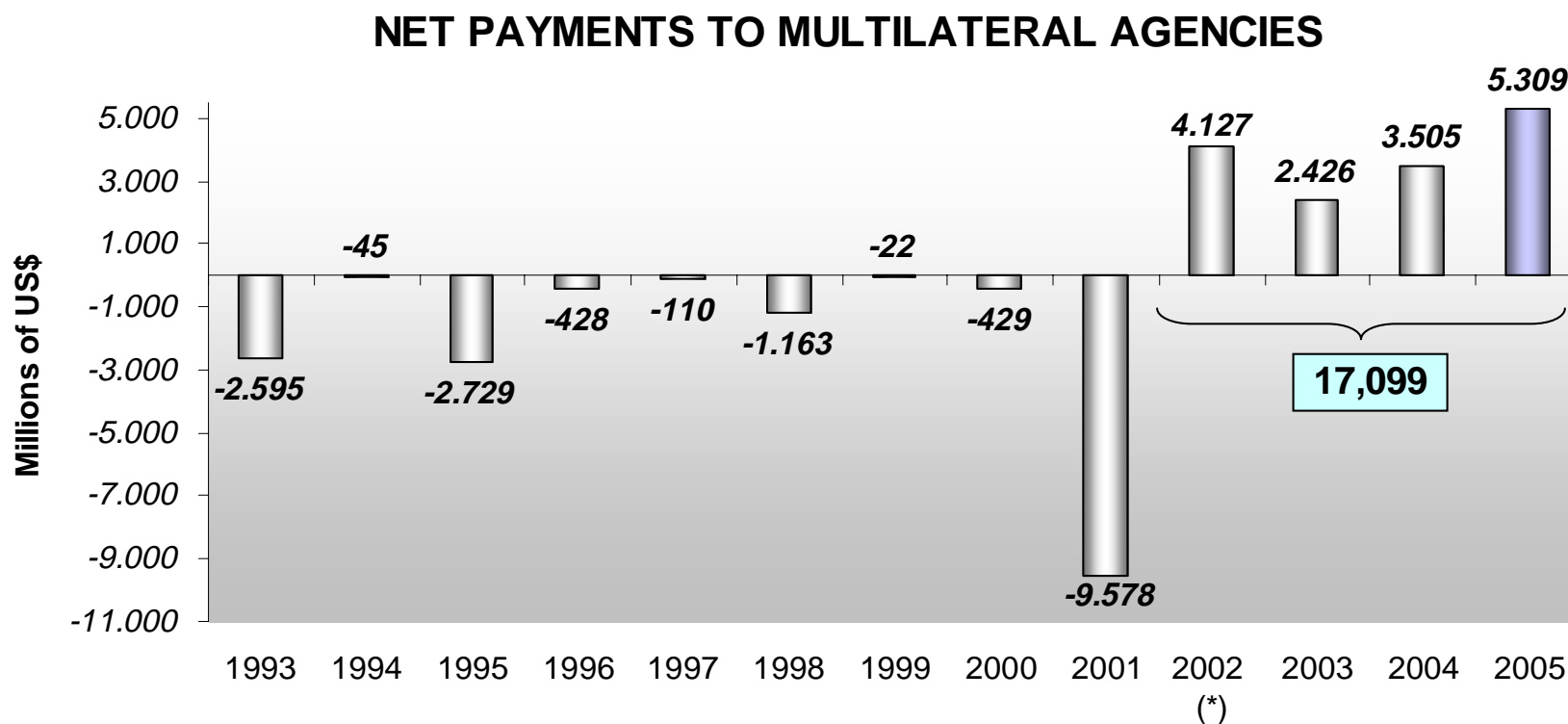
## PRIVATE CAPITAL OUTFLOW 12-month accumulated (million of US\$)



Source: National Bureau of International Accounts – INDEC [National Institute of Statistics and Census]

# Financial Sector

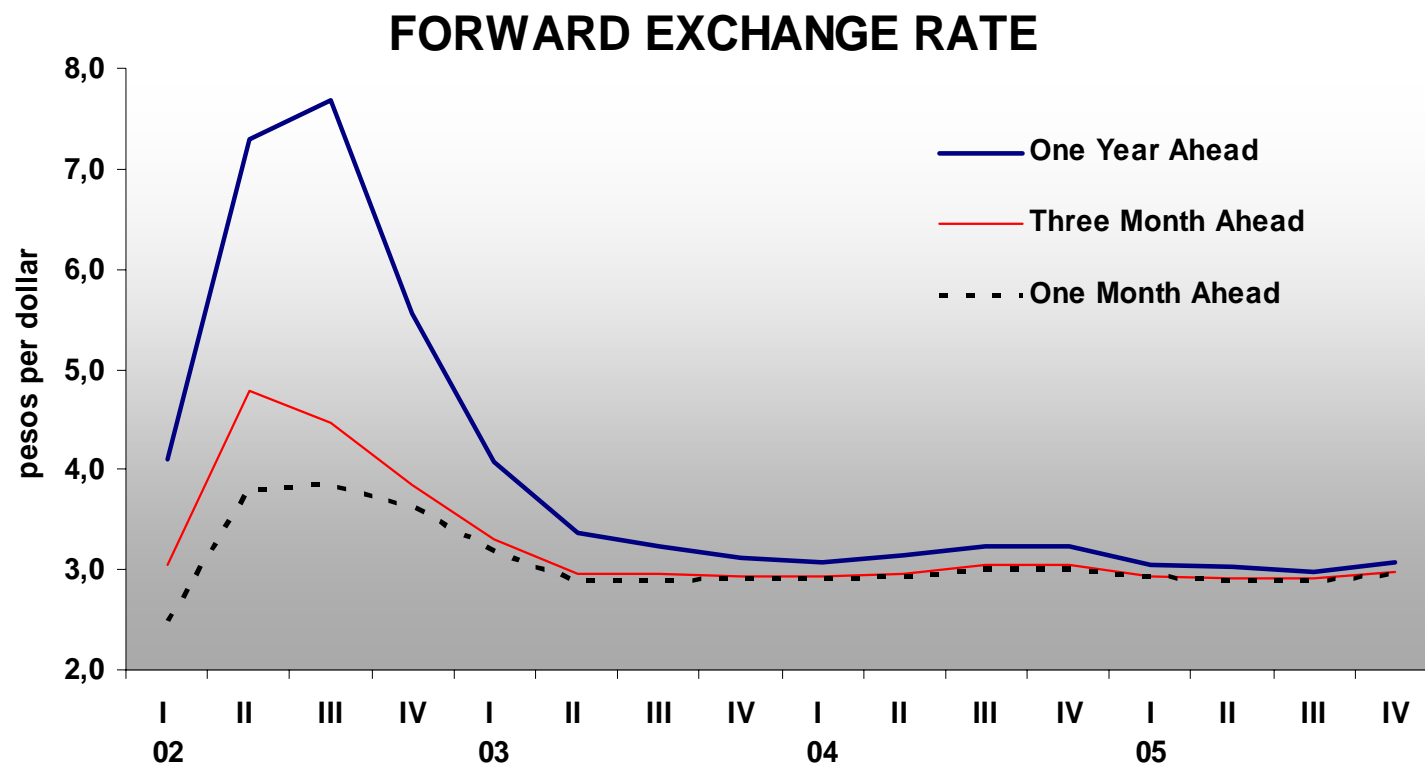
*Unlike the case in previous years, since 2002 Argentina has made net payments to multilateral lending agencies.*



(\*) In addition in 2002 there were net payments to official creditors [(Banco do Brasil, Club de Paris, I.C.O. (Spain) and J.B.I.C. (Japan)] amounting to USD 142 million.

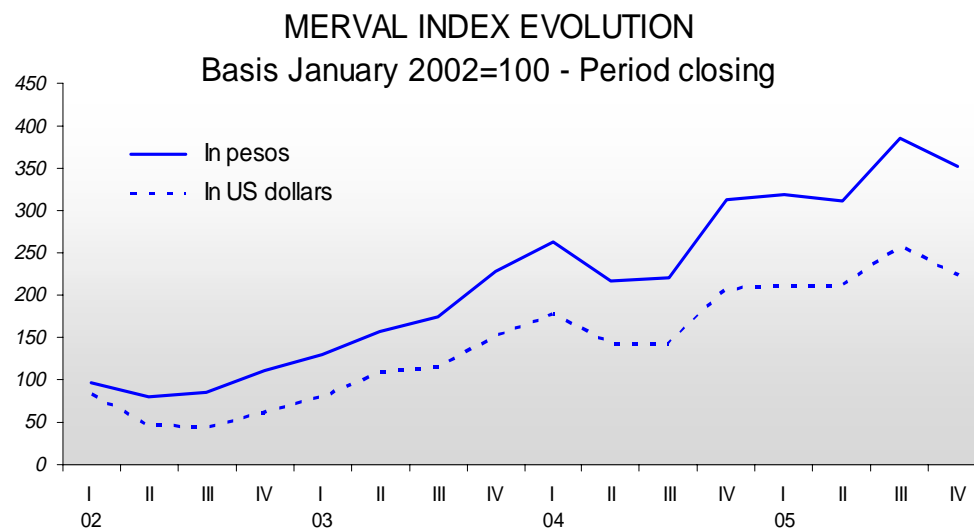
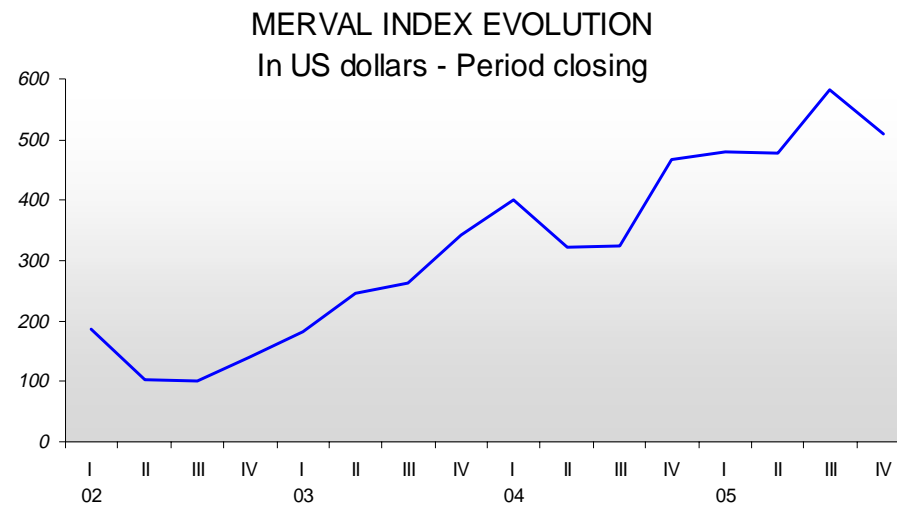
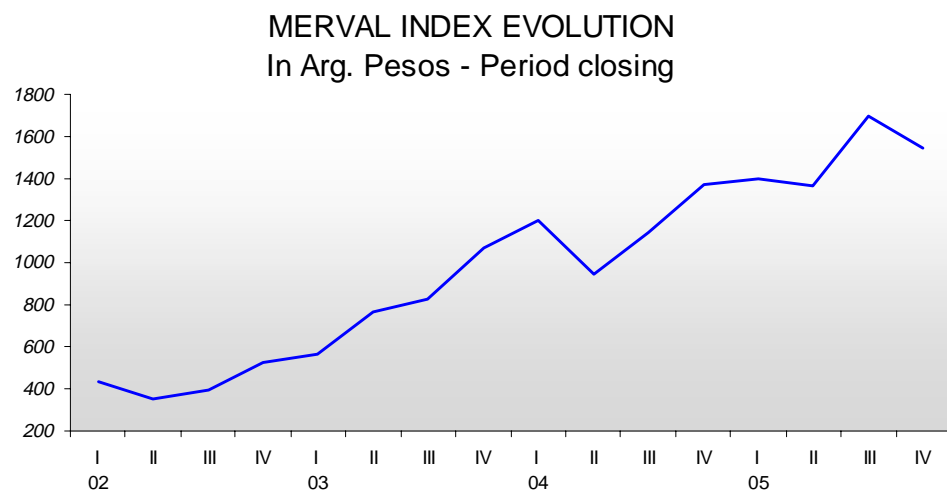
# Financial Sector

*The improvement in Argentina's economy led to a sharp reduction in the exchange rate for the US dollar futures market.*



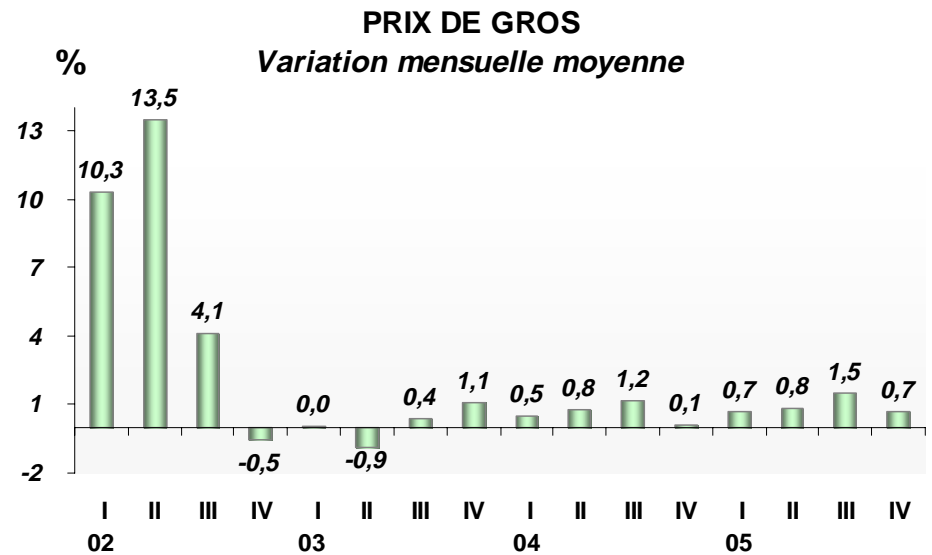
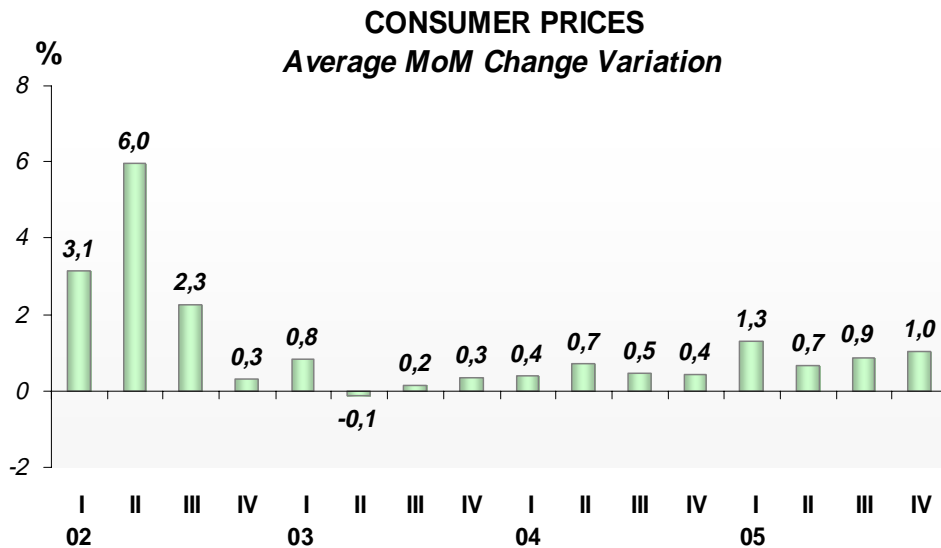
# Financial Sector

*The stock exchange market recovered in October the upward trend which was initiated from June 2002.*



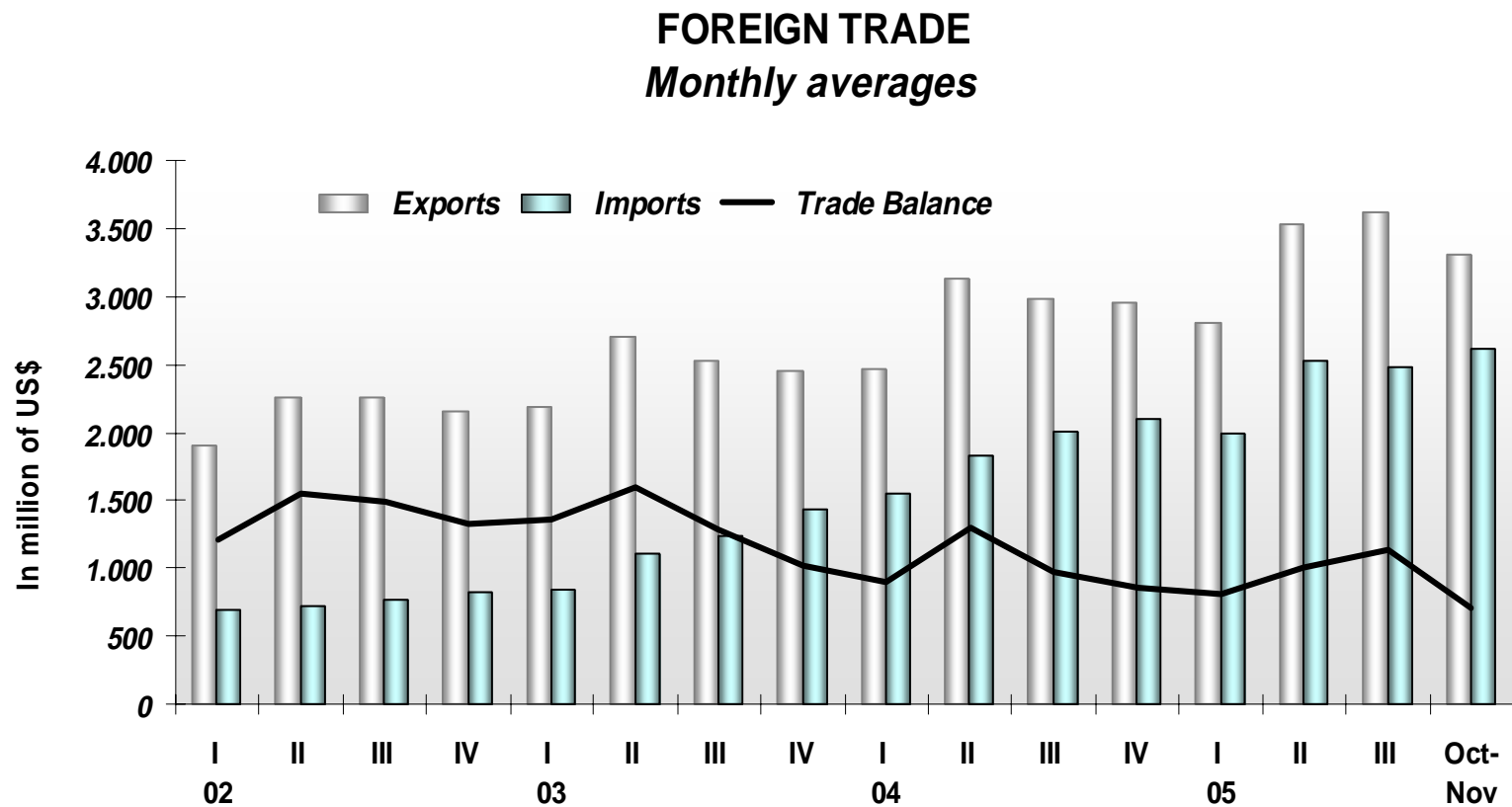
# Prices

*As from April 2002, the consistency of fiscal and monetary policies led to lower rates of inflation. However, figures in 2005 show a hike following the low levels of 2003-2004.*



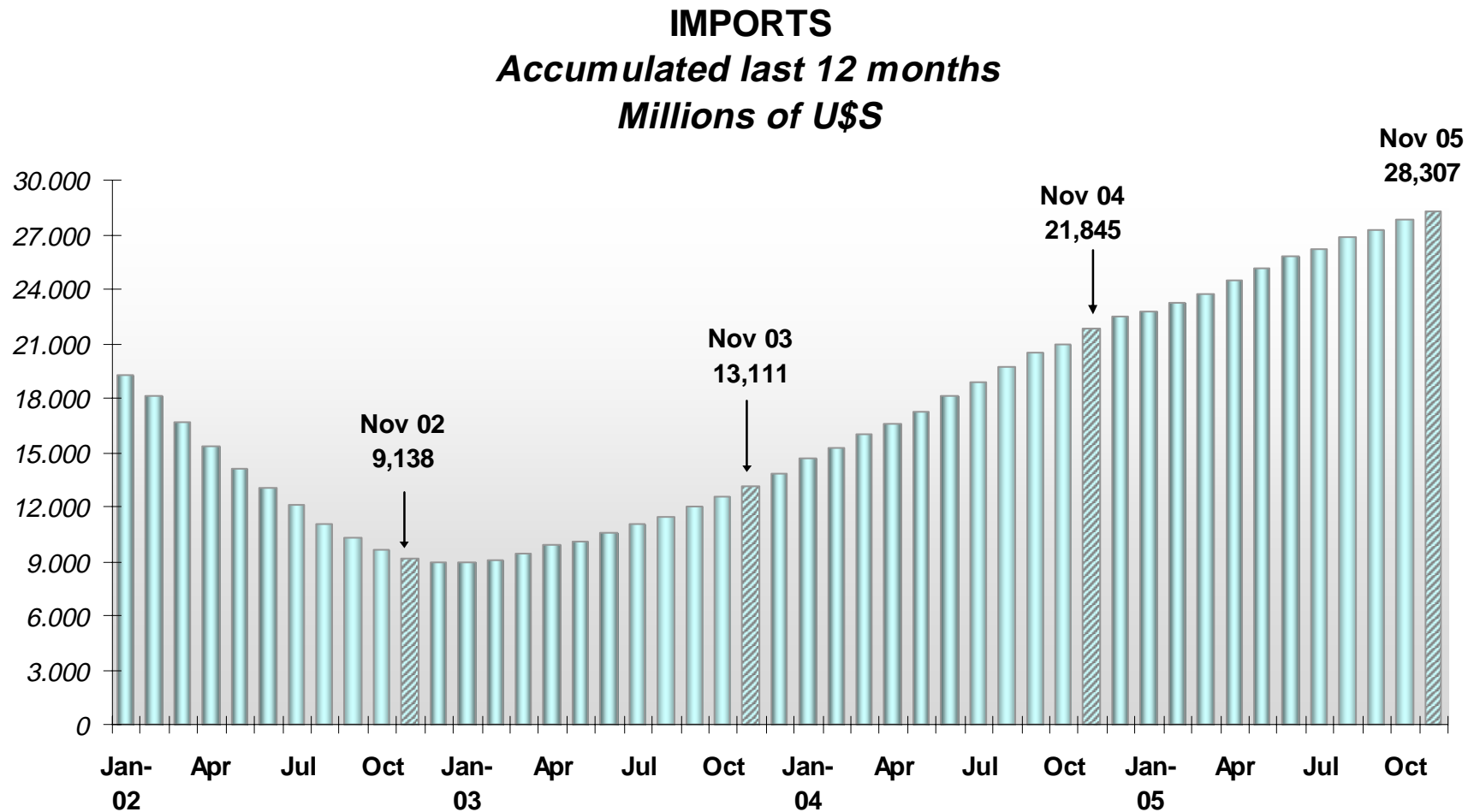
# Foreign Trade

*The depreciation of the peso led to a significant surplus in Argentina's foreign trade, mainly as a result of import substitution.*



# Foreign Trade

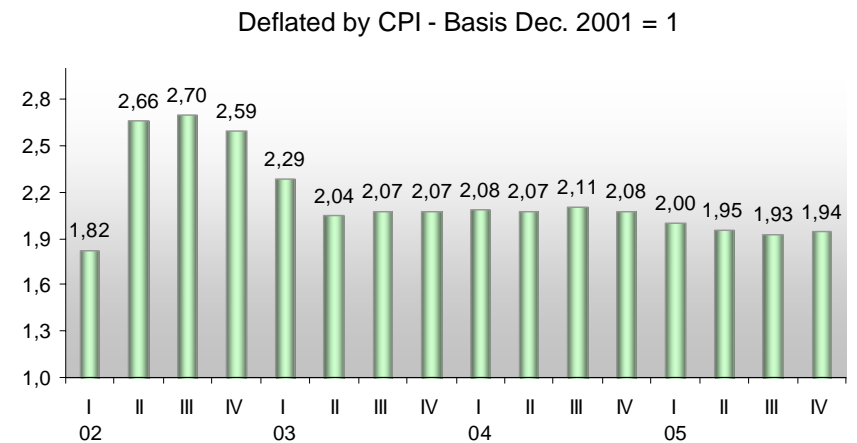
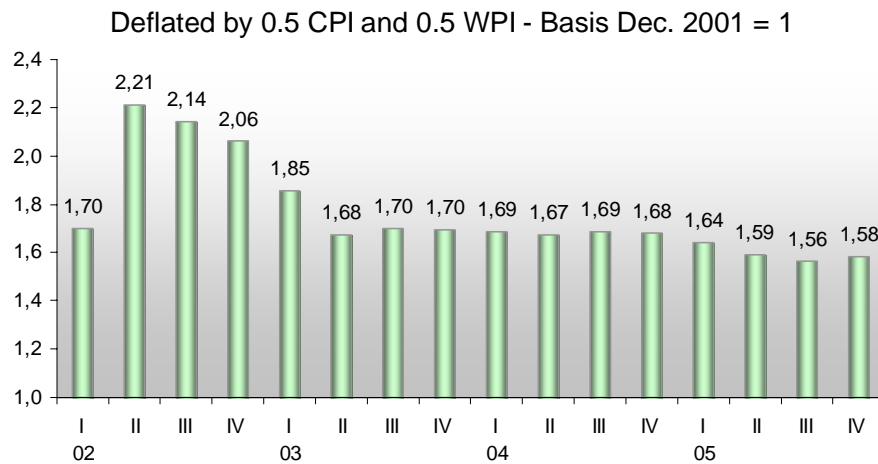
*Imports growth came hand in hand with GDP recovery.*



# Foreign Trade

*In 2002, conditions were created for a more realistic exchange rate than the one that existed under Convertibility.*

## REAL EXCHANGE RATE - ARGENTINE \$ / US\$

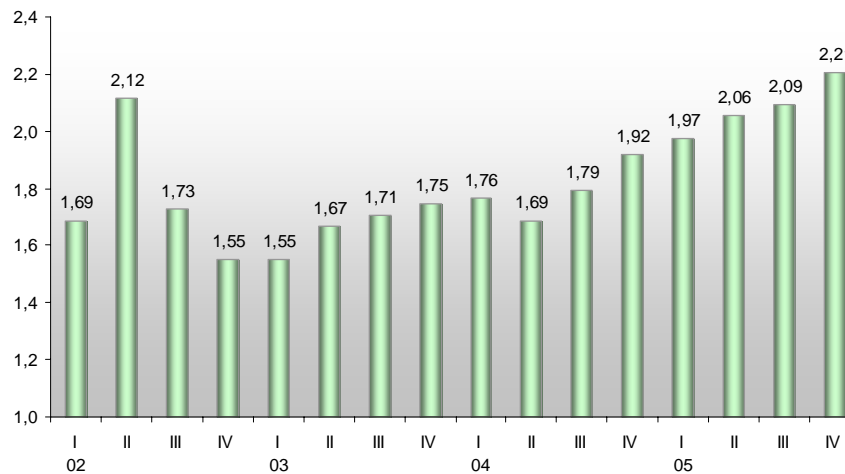


# Foreign Trade

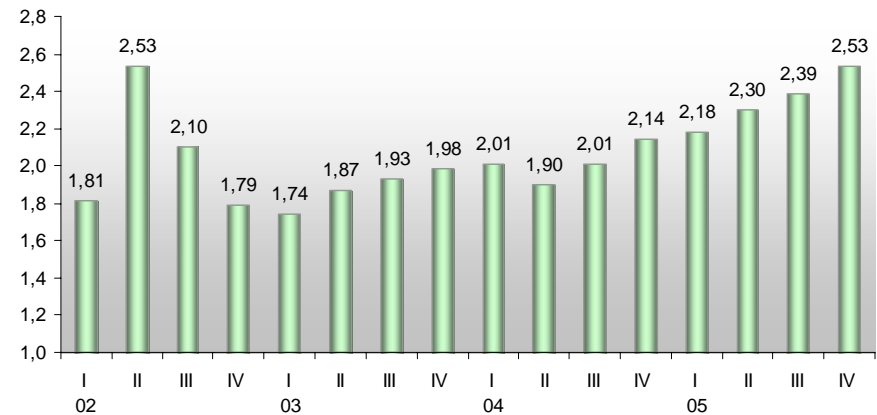
*The exchange rate between the peso and the currency of our main trade partner reached more realistic levels. Depreciation of the Argentine peso is currently on trend.*

## REAL EXCHANGE RATE - ARGENTINE \$ / BRAZILIAN R\$

Deflated by 0.5 CPI and 0.5 WPI - Basis Dec. 2001 = 1



Deflated by CPI - Basis Dec. 2001 = 1

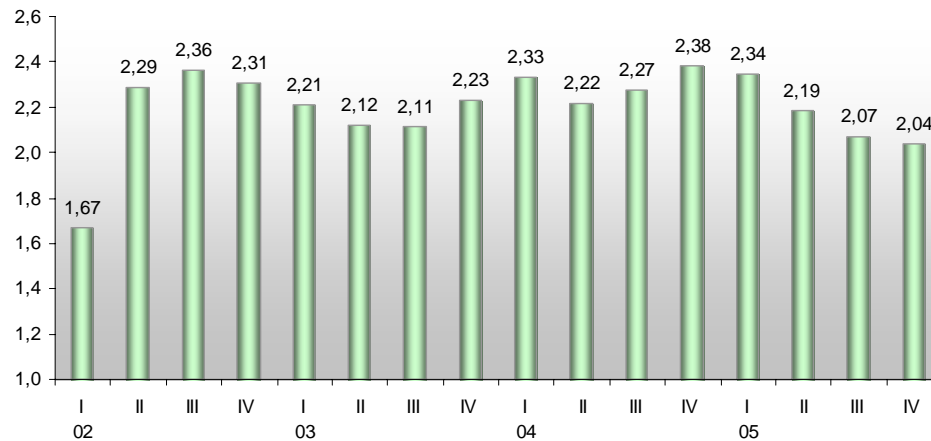


# Foreign Trade

*The global appreciation of the Euro was reflected also in the strong real depreciations of the Peso vs. Euro.*

## REAL EXCHANGE RATE - ARGENTINE \$ / EURO

Deflated by 0.5 CPI and 0.5 WPI - Basis Dec. 2001 = 1



Deflated by CPI - Basis Dec. 2001 = 1

