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# Argentina

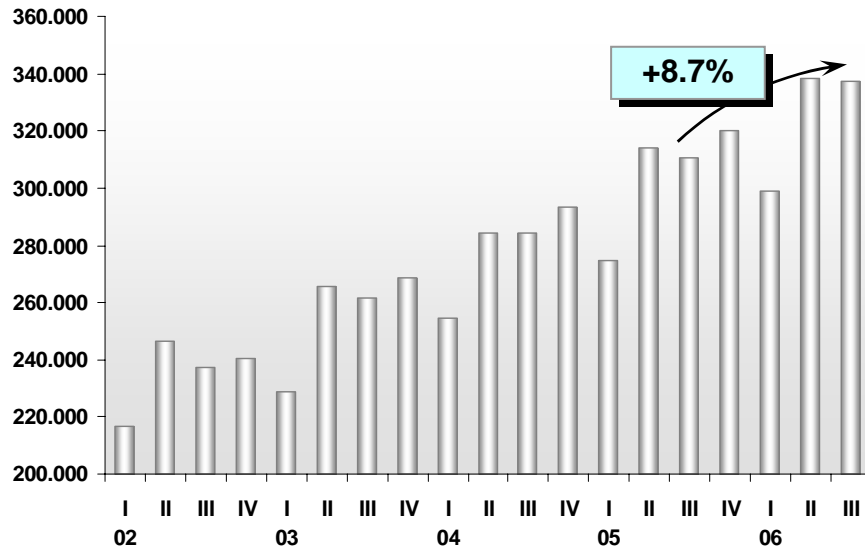
# Economic Indicators

*December 2006*

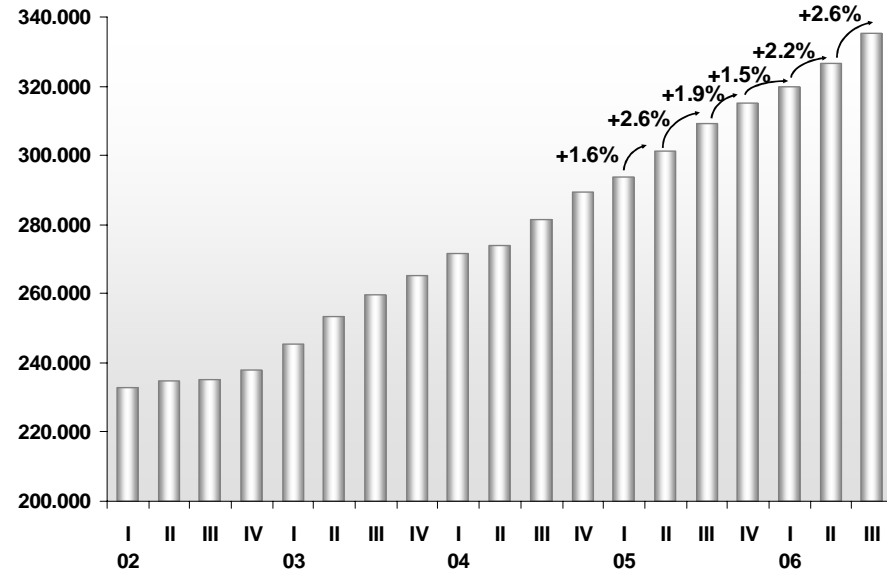
# Activity

**Recovery started in the second quarter of 2002, and there have been eighteen 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*



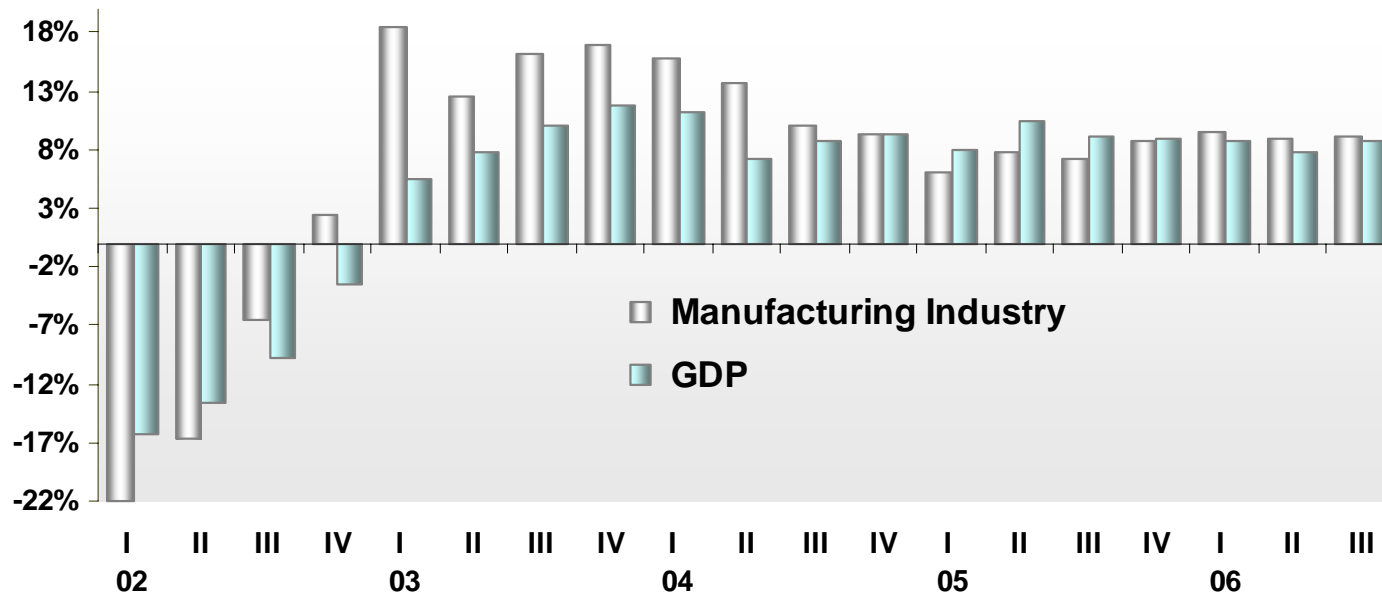
**SEASONALLY ADJUSTED GROSS DOMESTIC PRODUCT**  
*At 1993 prices - In millions of pesos*



# Activity

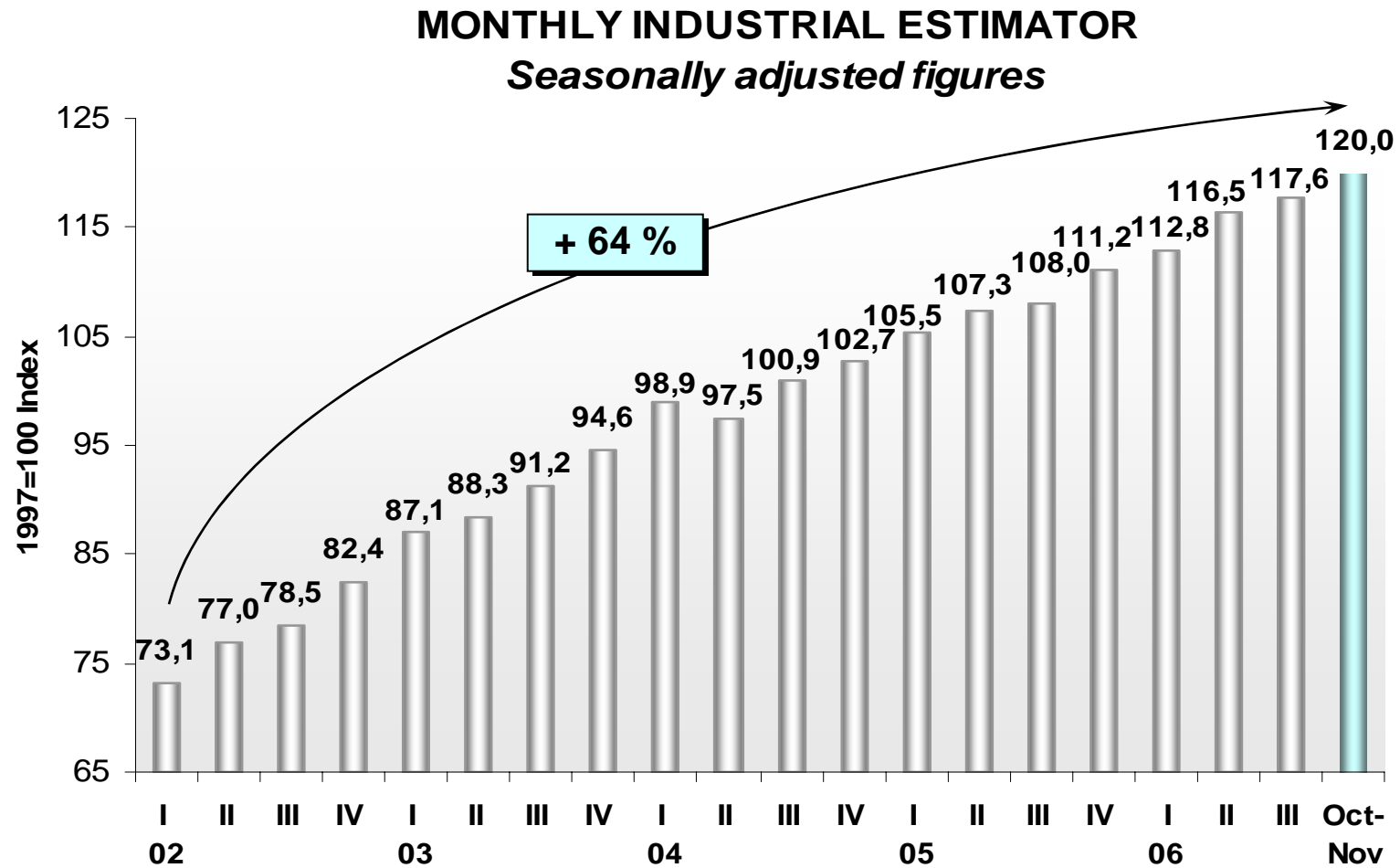
*Sectors related to tradable goods led the initial GDP recovery, but later the impulse extended to all kind of goods.*

**GDP and INDUSTRIAL SECTOR**  
*Year-over-Year Change*



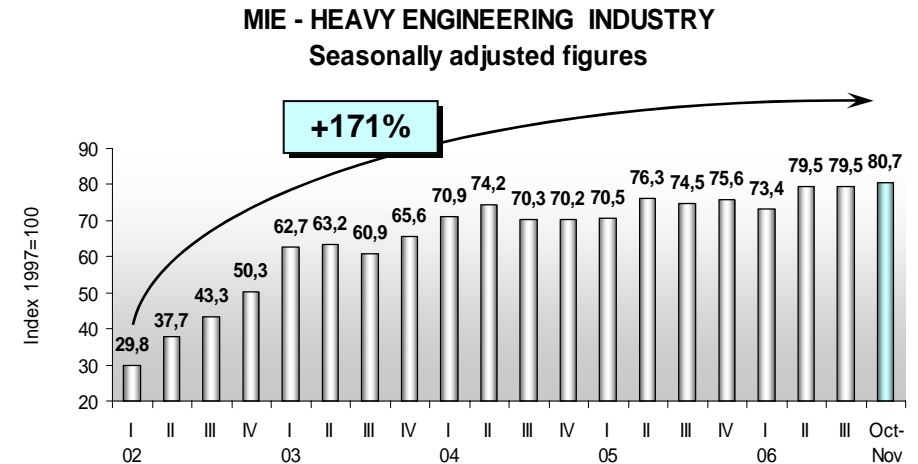
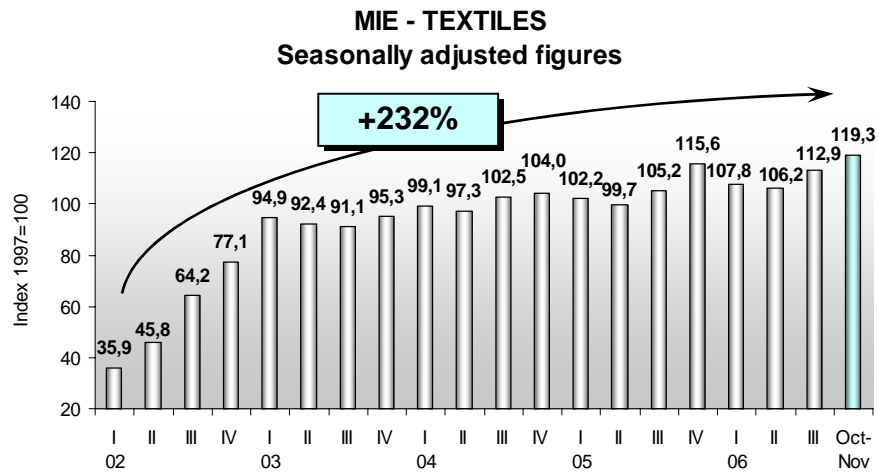
# Activity

**Industrial production accumulated 64% growth since 1st Quarter 2002 (equivalent to an annual rate of 11%).**

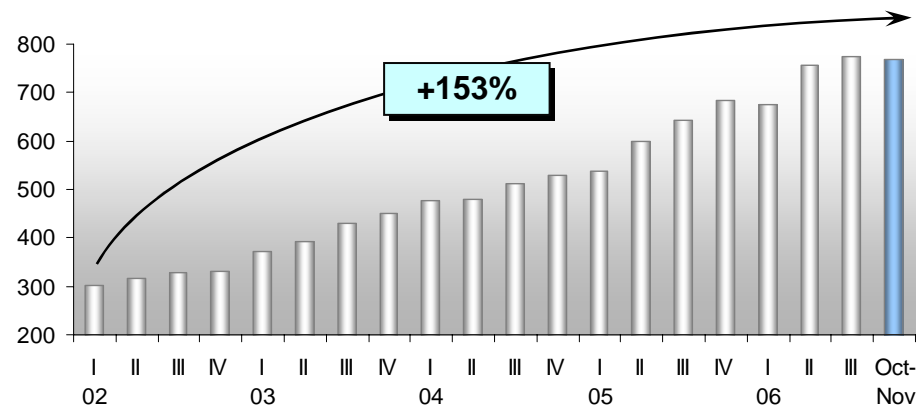


# Activity

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

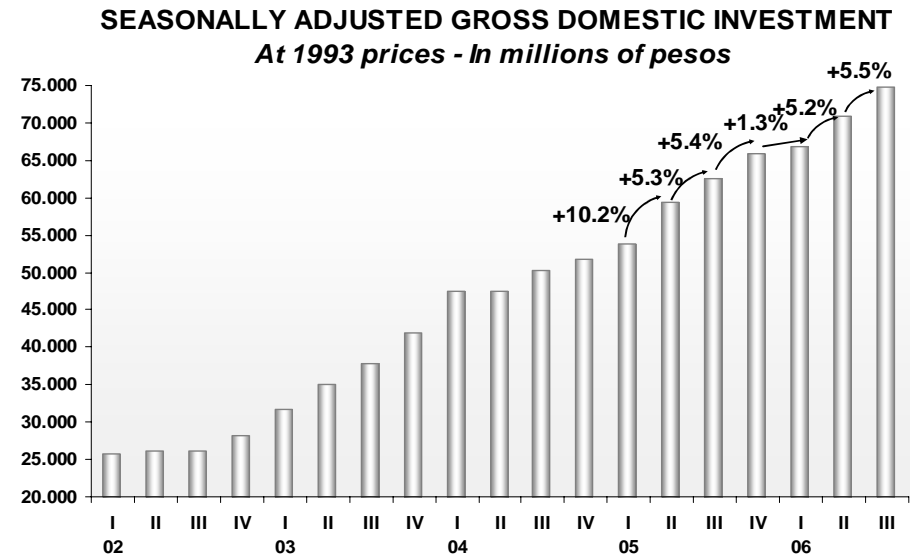
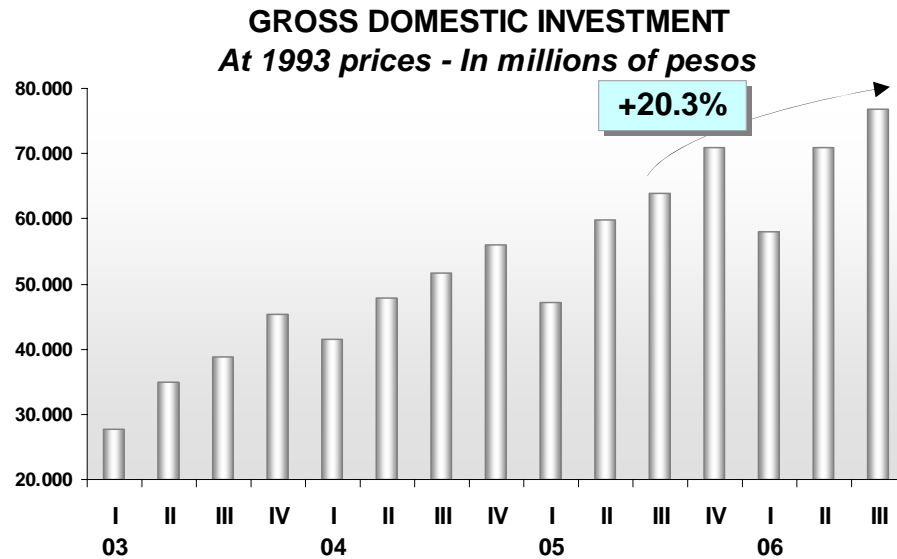


**CEMENT DELIVERIES**  
Seasonally adjusted  
Monthly averages - In thousand tons



# Activity

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

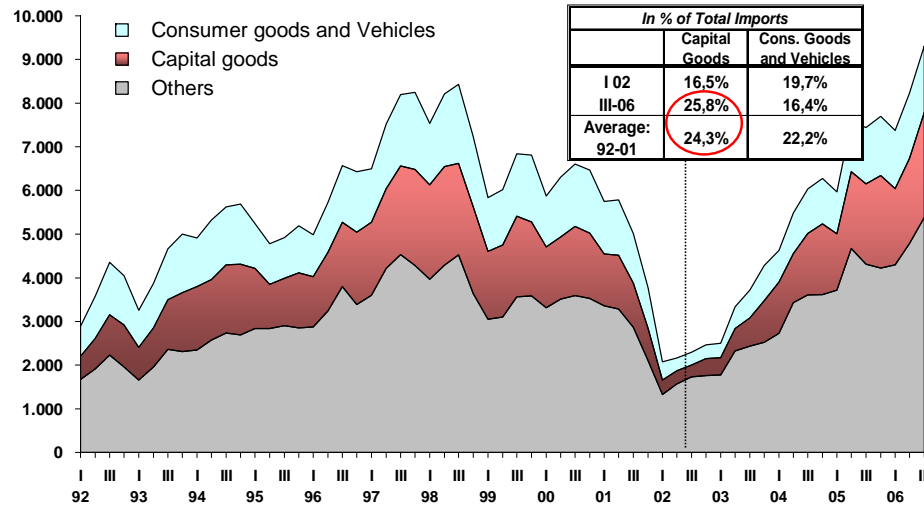


# Activity

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

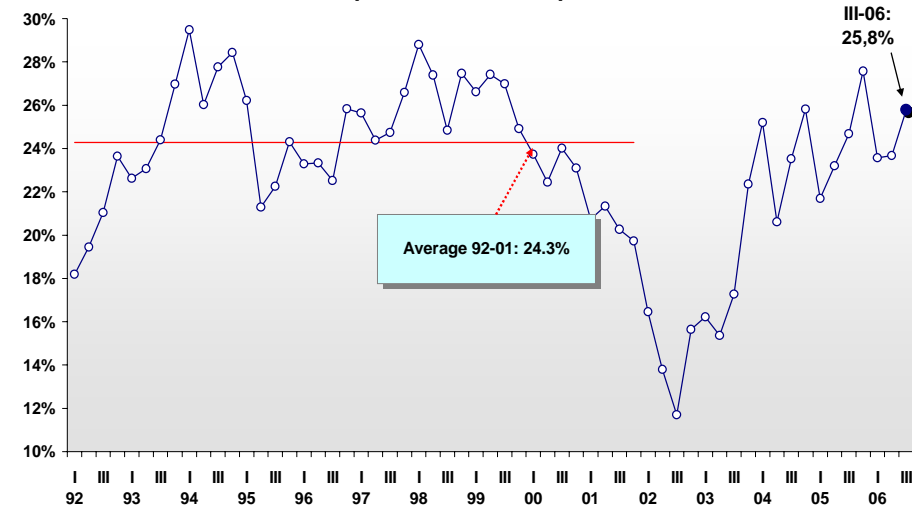
**IMPORTS OF GOODS: LEVEL AND COMPOSITION**

*In millions of US dollars (CIF)*



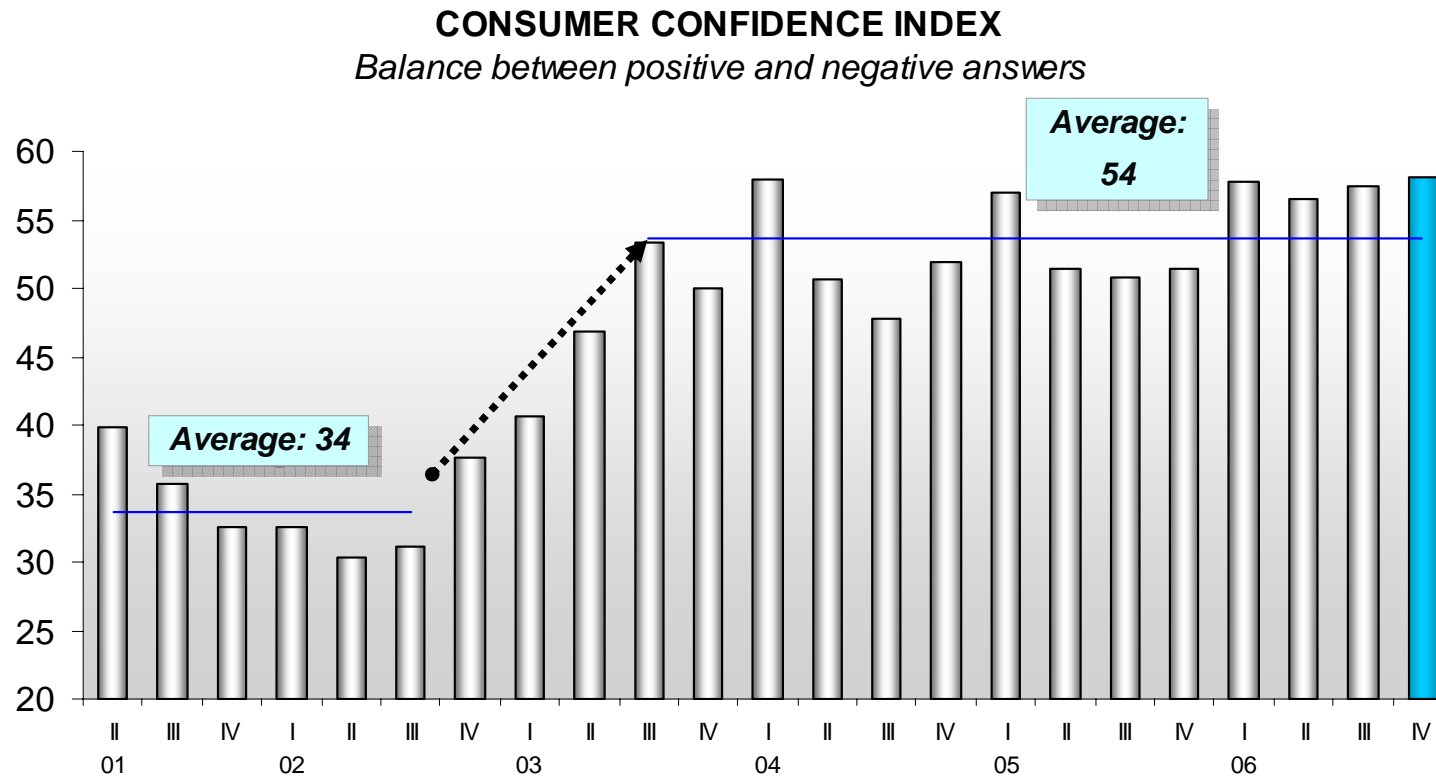
**IMPORTS OF CAPITAL GOODS**

*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

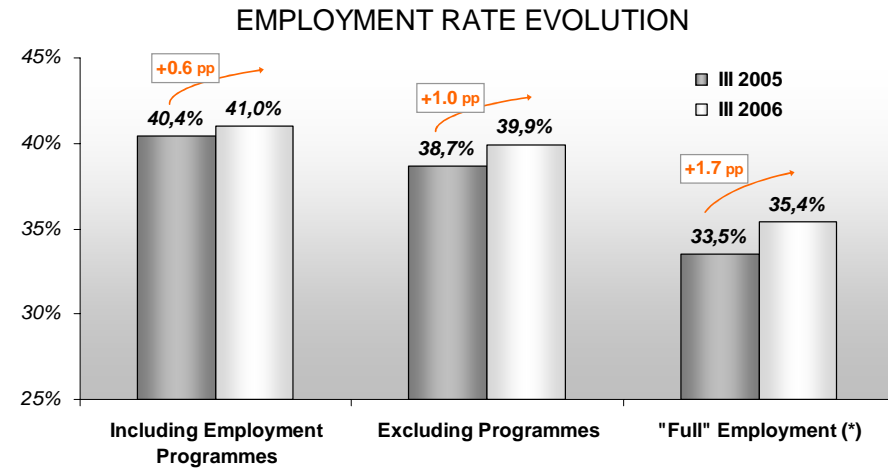
Source: Torcuato Di Tella University

# Labor and social indicators

**Between 3rd quarter 2005 and 3rd quarter 2006, some 384,000 people joined the labour market (public and private jobs). The “full” employment grew faster (employment programmes decreased), mainly due to improvement in registered jobs.**

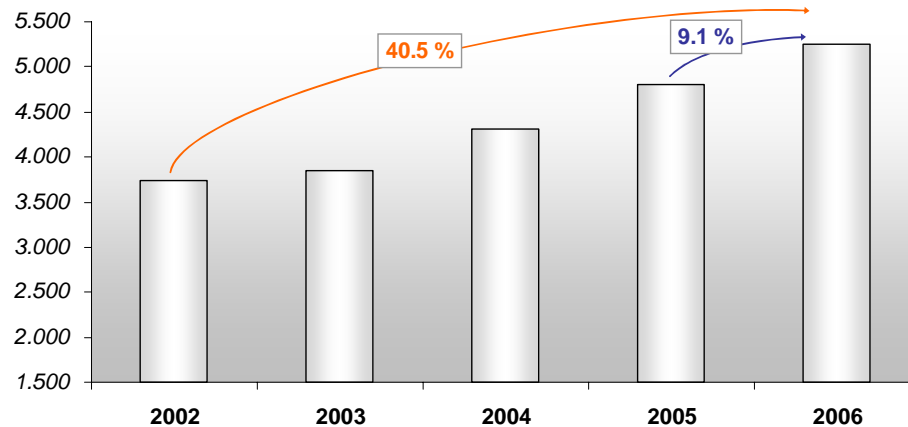
## Employment Evolution between 3rd Quarter 2005 and 3rd Quarter 2006 - Total Urban Population:

- ✓ New jobs:
  - 384,000 persons (+2.7%)
  - 204,000 from Employment Programs
  - 588,000 from the Labor Market (+4.4%)
- ✓ Decrease in Unemployment :
  - 100,000 persons (-6.0%)

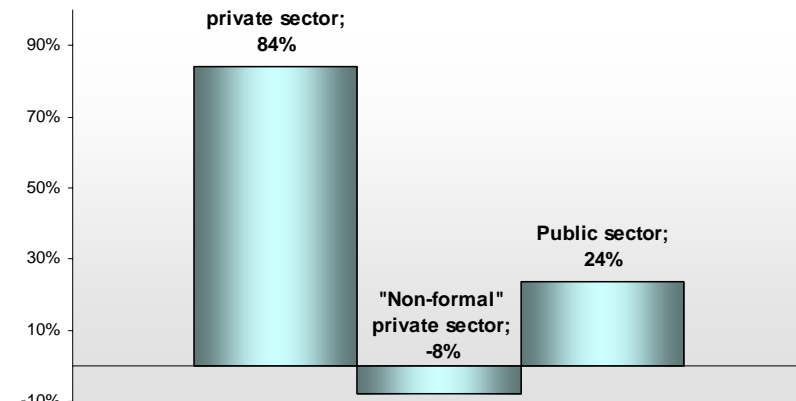


(\*) Excluding Employment Programs and Underemployment.

## PRIVATE REGISTERED JOBS First nine months each year



## CONTRIBUTION TO EMPLOYMENT GROWTH (excluding employments programmes) III Quarter 2006 vs. III Quarter 2005 "Formal"



# Labor and social indicators

**Between 2nd quarter 2002 and 3rd quarter 2006, some 3,202,000 people joined the labour market (public and private jobs).**

## Employment Evolution between 2nd Quarter 2002 and 3rd Quarter 2006 - Total Urban Population:

### ✓ New Jobs:

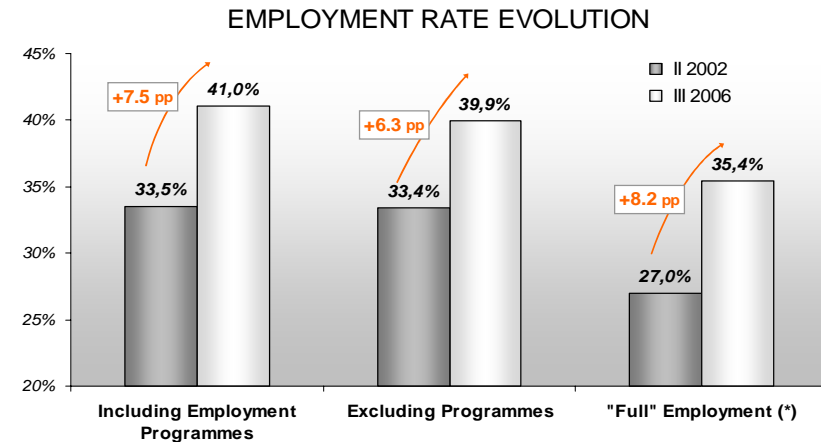
3,202,000 persons (+28.6%)

131.000 from Employment Programs

3.070.000 from the Labor Market (+27.6%)

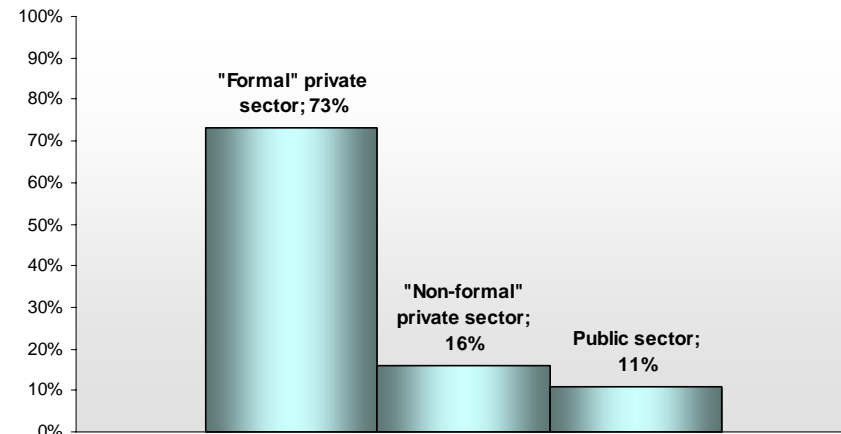
### ✓ Decrease in Unemployment:

-1,835,000 persons (-53.9%)



(\*) Excluding Employment Programs and Underemployment.

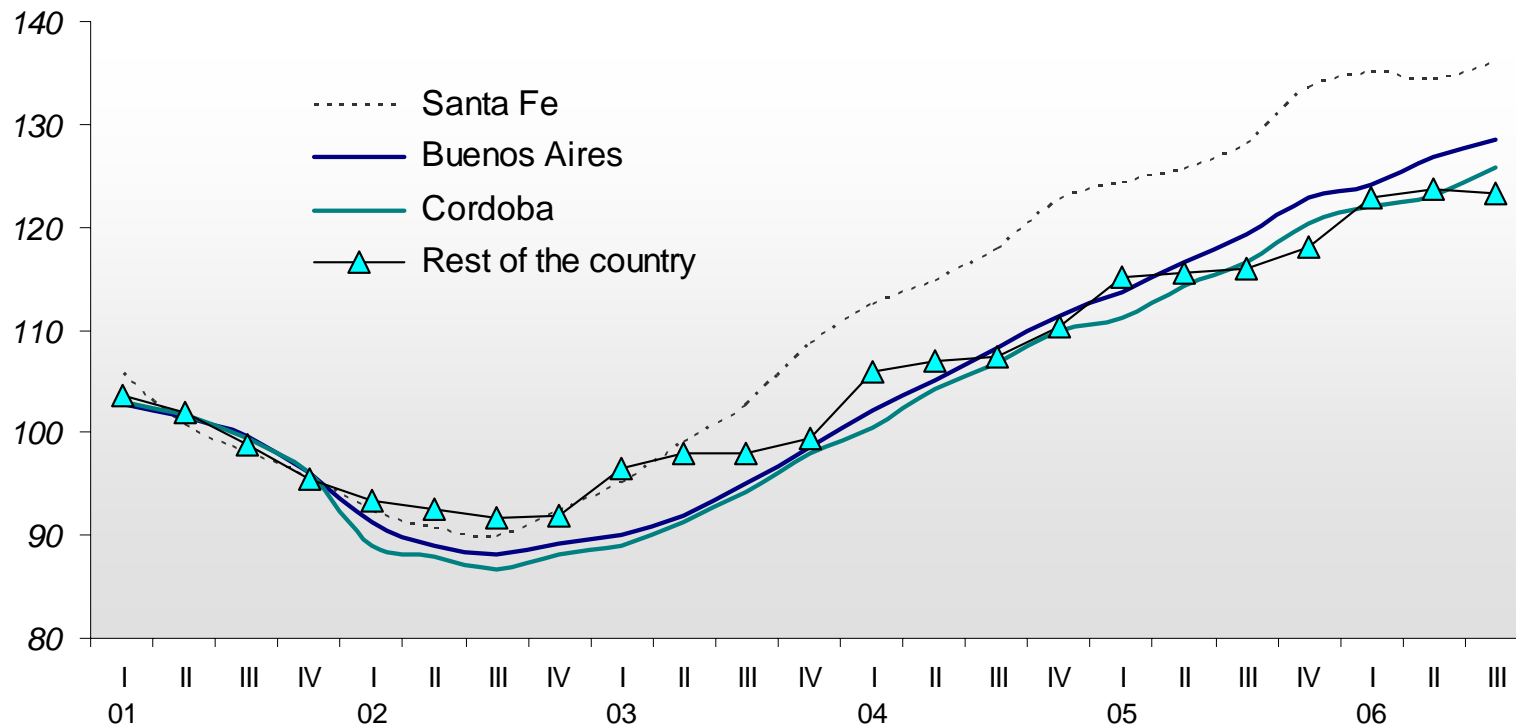
## CONTRIBUTION TO EMPLOYMENT GROWTH (excluding employments programmes) III Quarter 2006 vs. II Quarter 2002



# Labor and social indicators

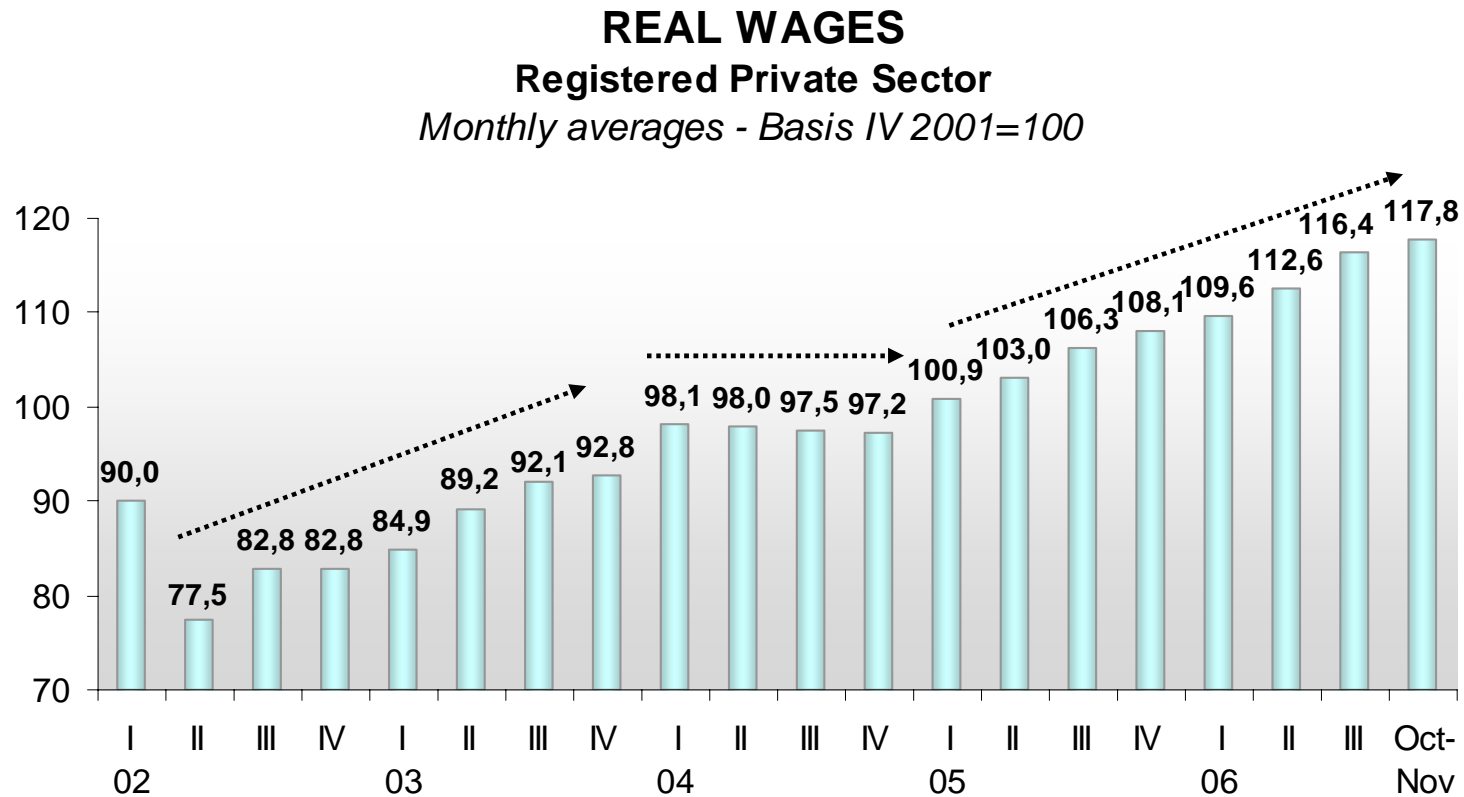
*The employment market improved strongly, not only in Greater Buenos Aires, but also in other interior cities where economic activity is more related to the production of tradable goods.*

**EVOLUTION OF EMPLOYMENT IN MANUFACTURING INDUSTRY**  
*Index: 2001 = 100*



# Labor and social indicators

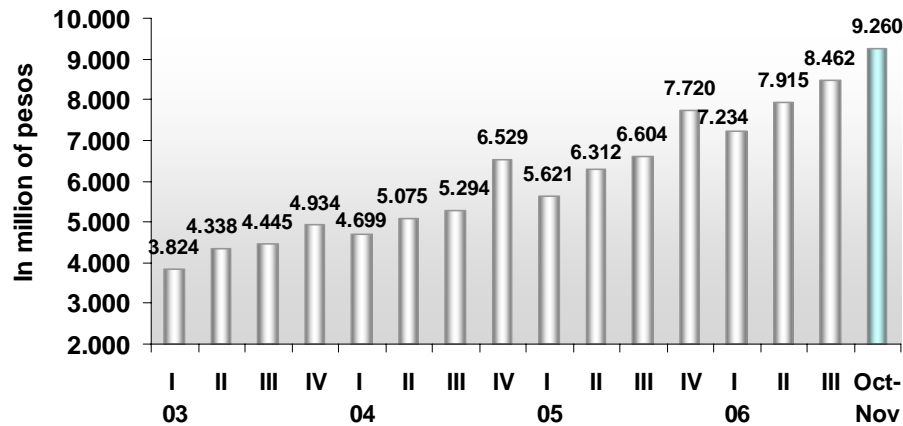
*After falling strongly in 2002, real wages recovered in 2003 and stabilized in 2004. In 2005 they started climbing again.*



# Fiscal Sector

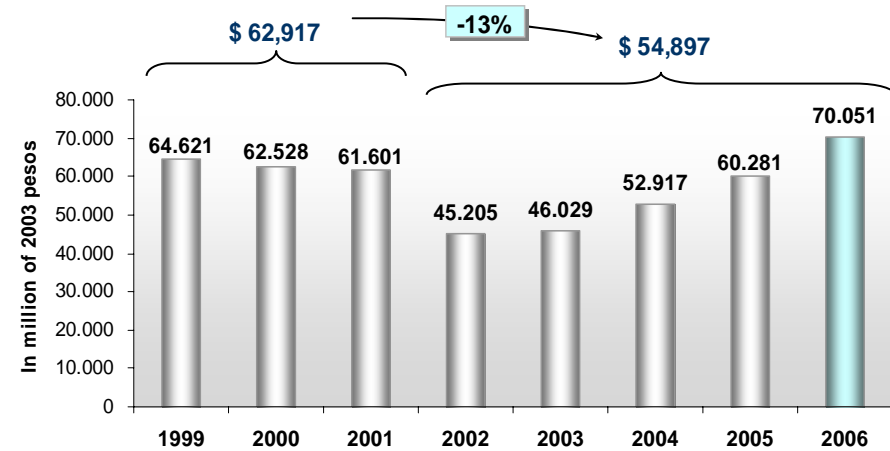
**Public spending measured in real terms was significantly lower in 2002-2005 than in previous years. Even though the tendency has been anyway increasing, it occurred without jeopardizing the conformation of high surplus.**

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



(#) Excludes transfers to Provinces by Share revenue system

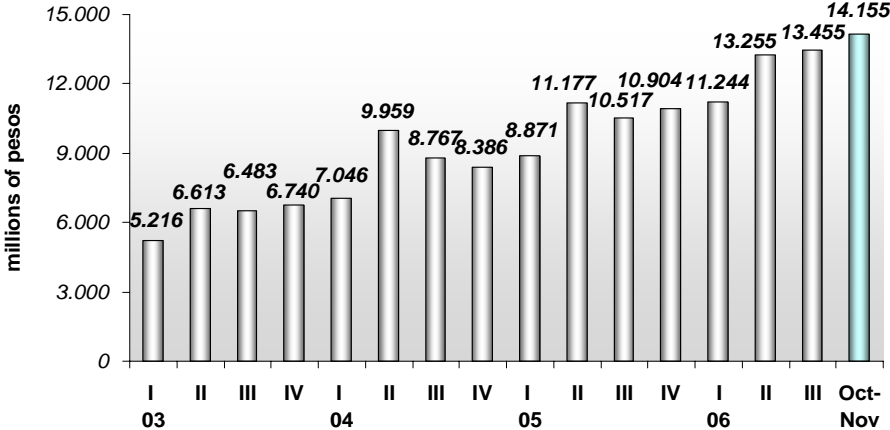
**REAL PRIMARY EXPENDITURE (#)**  
Deflated by 0.5 CPI and 0.5 WPI - Cummulated January - November



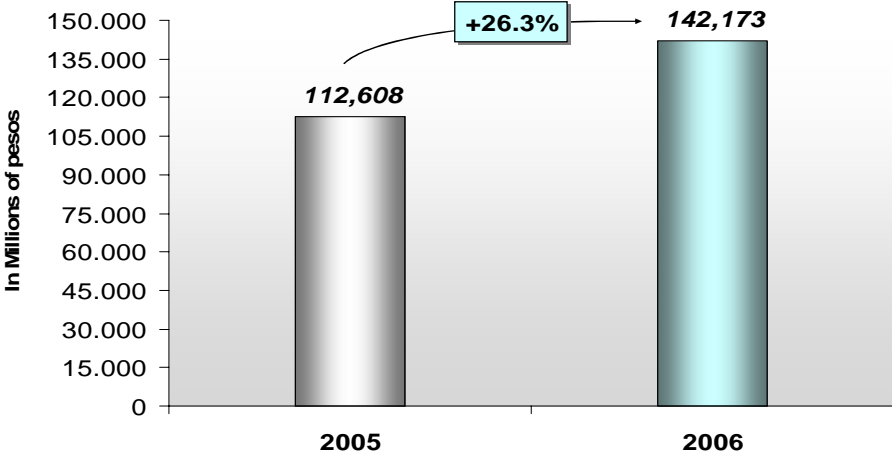
# Fiscal Sector

*Tax collection keeps on growing strongly, and reached new peaks in 2005 and 2006.*

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



**NON FINANCIAL PUBLIC SECTOR  
Total Tax Revenues  
January - November 2005 and 2006**

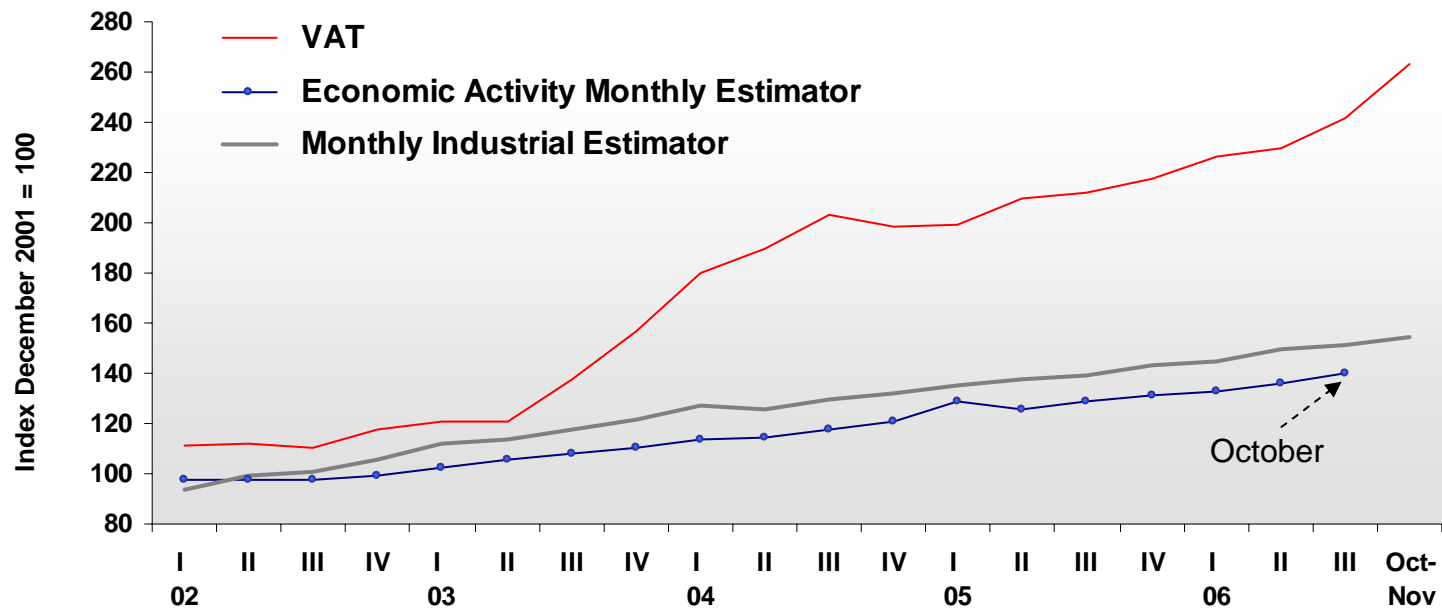


# Fiscal Sector

*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

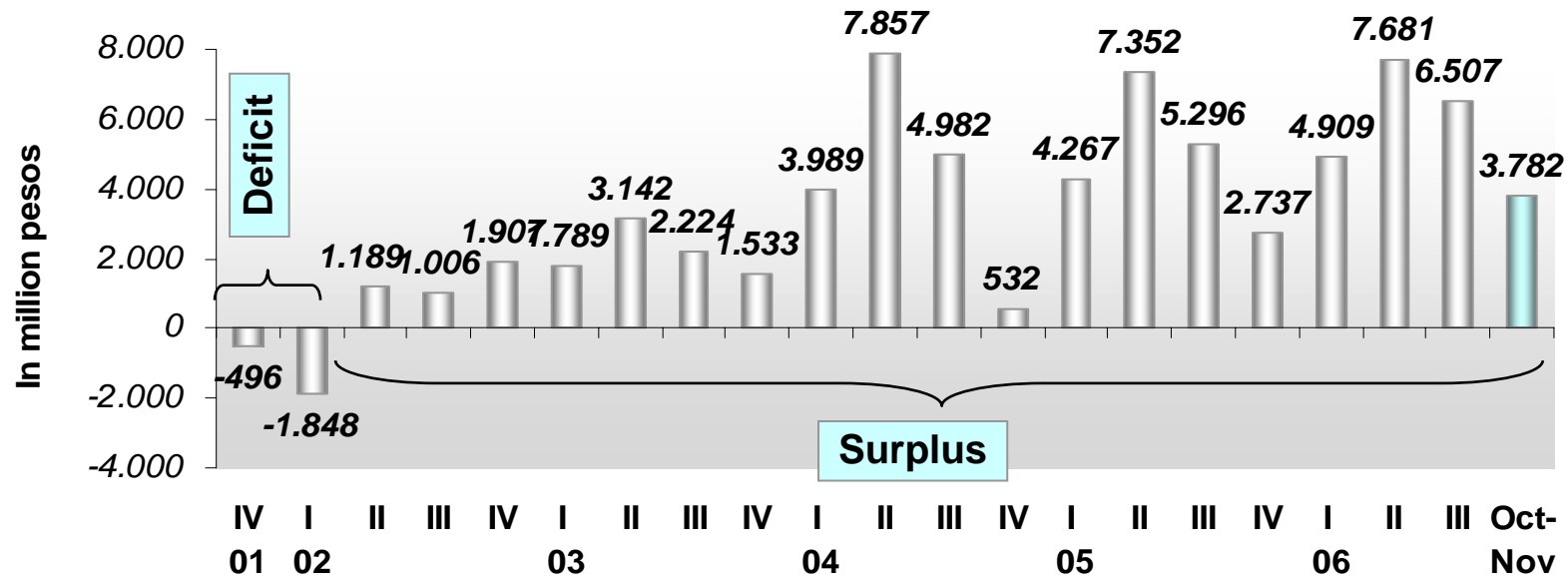
*Seasonally adjusted figures*



# Fiscal Sector

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

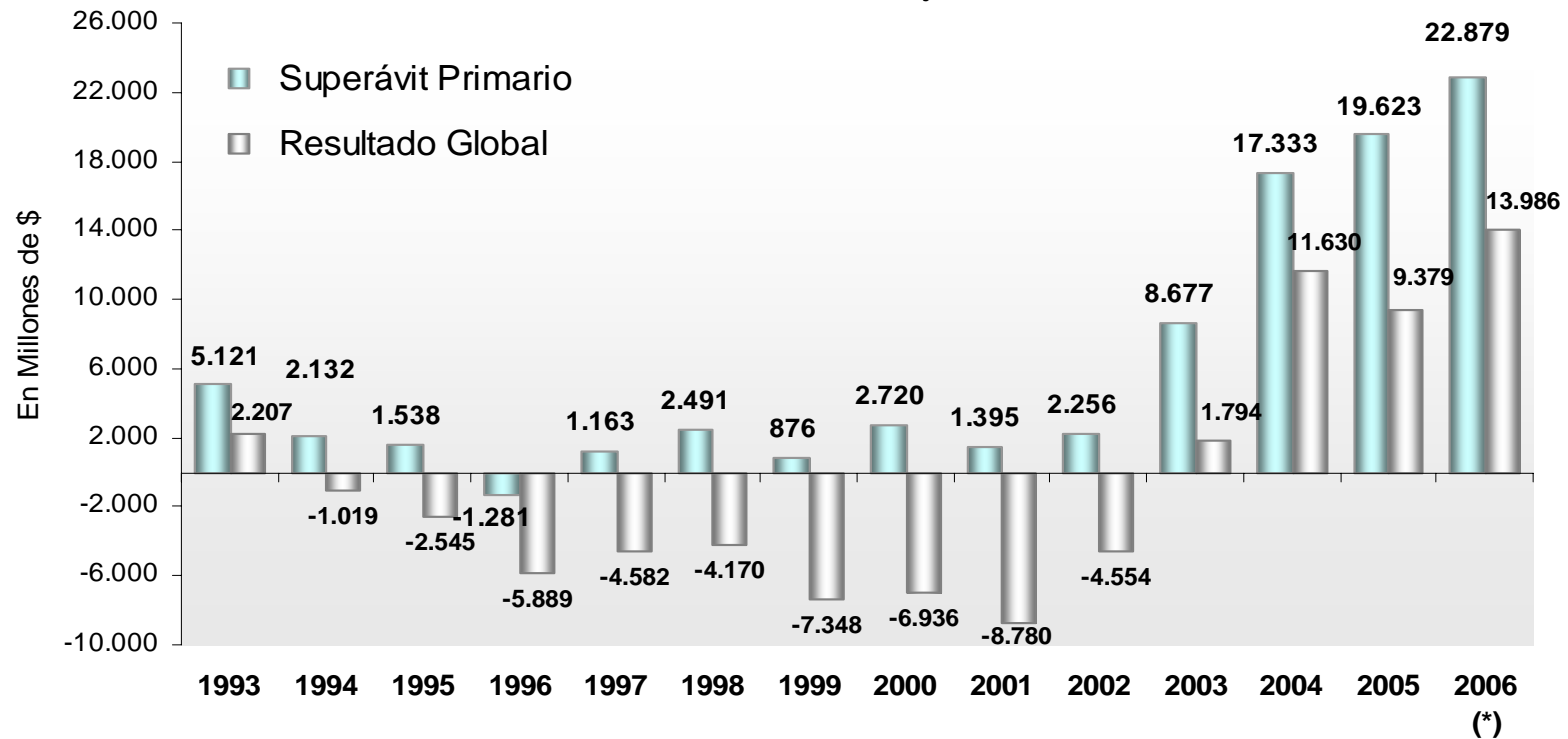
## NON FINANCIAL PUBLIC SECTOR Cash Basis Primary Result



# Fiscal Sector

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

**SECTOR PUBLICO NO FINANCIERO**  
*Superávit Primario y Resultado Global - sin privatizaciones*  
*Base Caja*

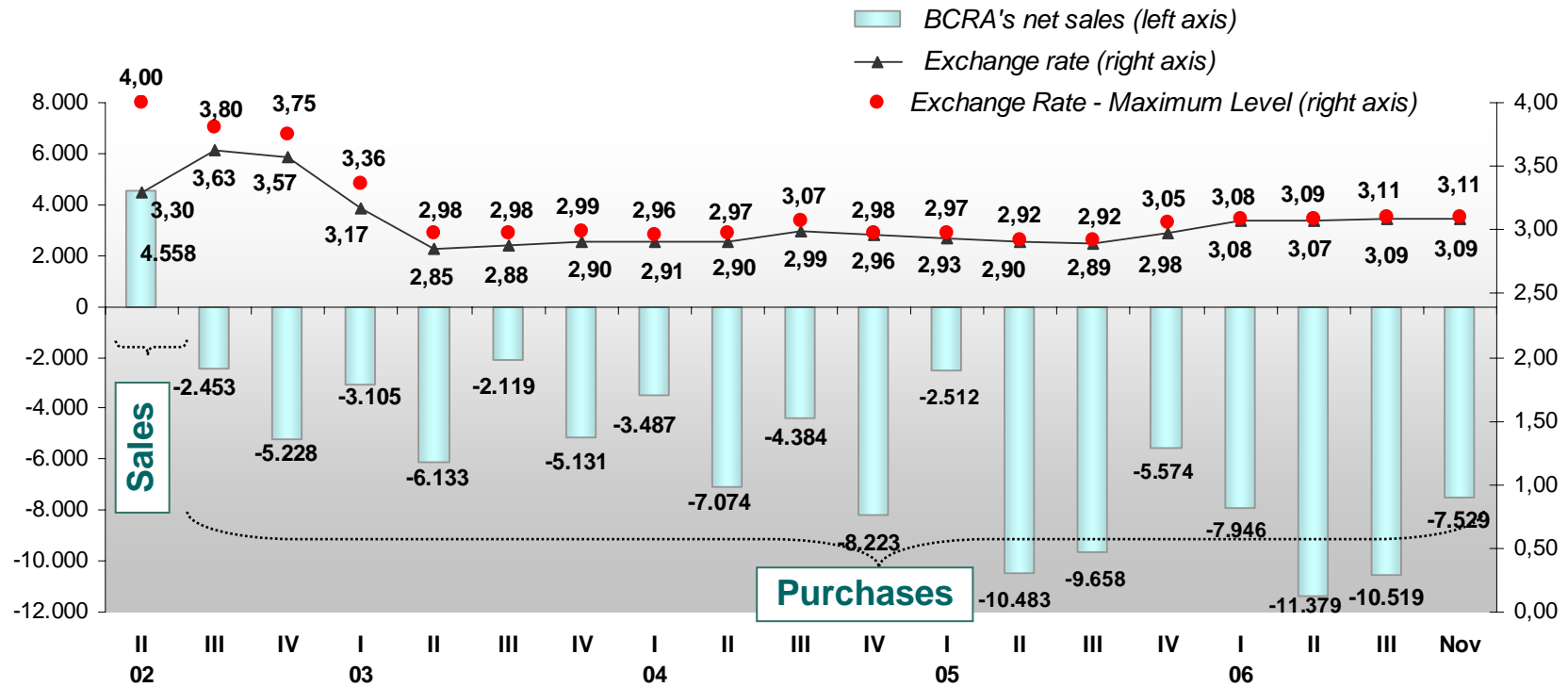


(\* ) January - November

# Financial Sector

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

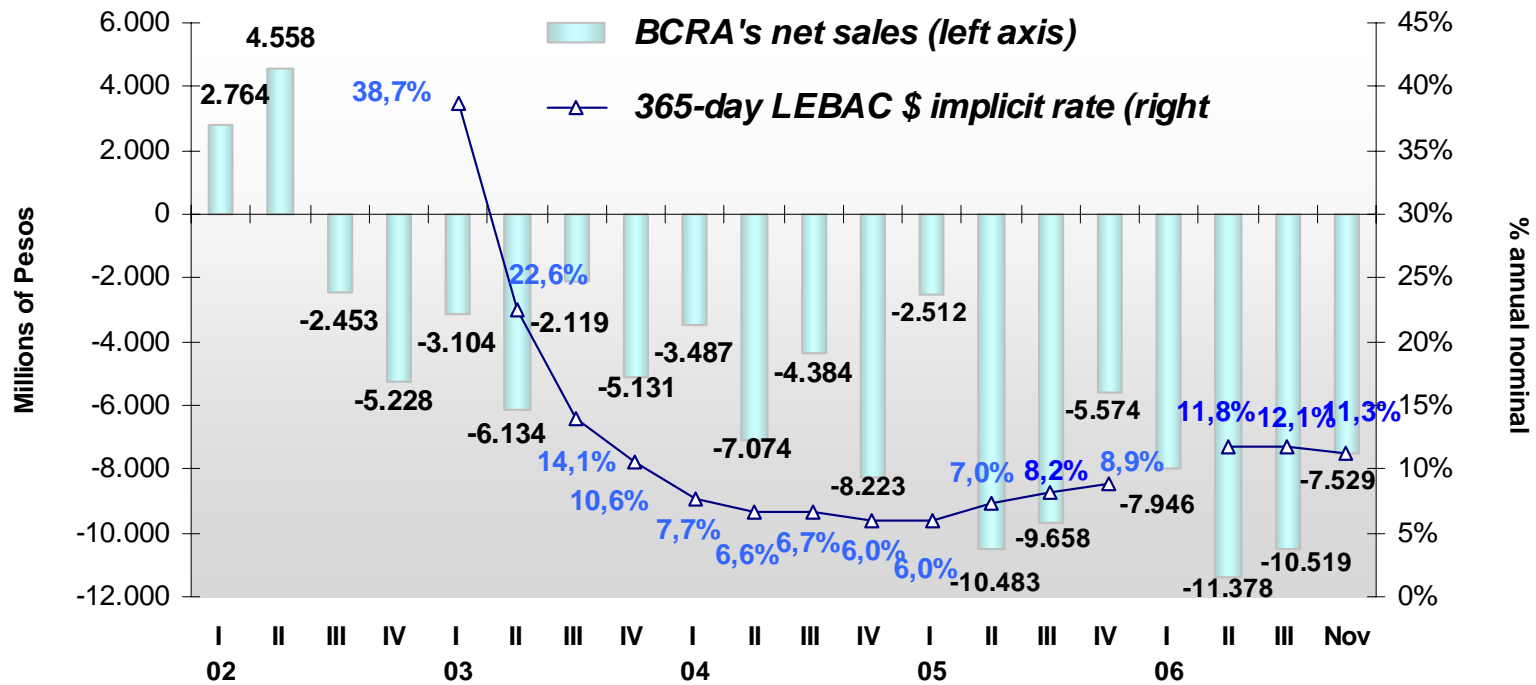
## EXCHANGE INTERVENTION AND RATES



# 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, although rising since II quarter 2005.*

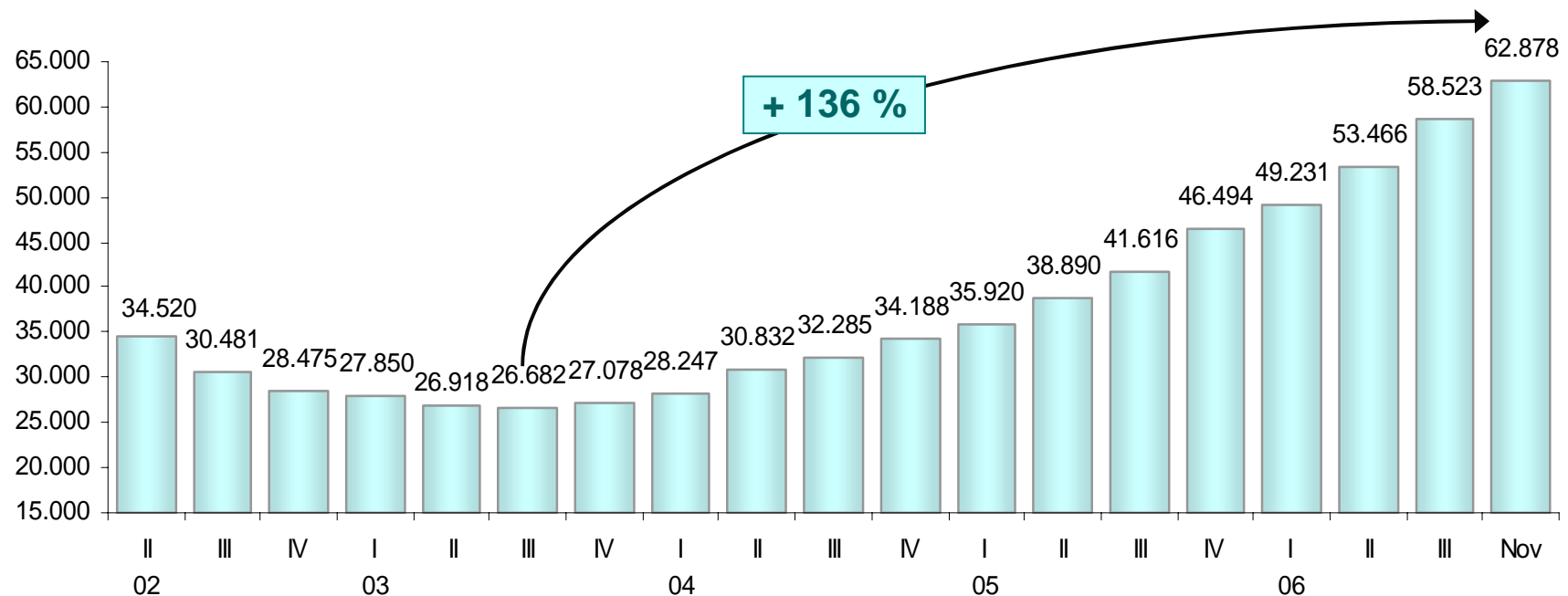
**CENTRAL BANK EXCHANGE INTERVENTION AND LEBAC IMPLICIT RATE (365-day in Pesos)**



# Financial Sector

*The stock of loans to the private sector has grown in uninterrupted form since July 2003, having more than duplicated itself since then.*

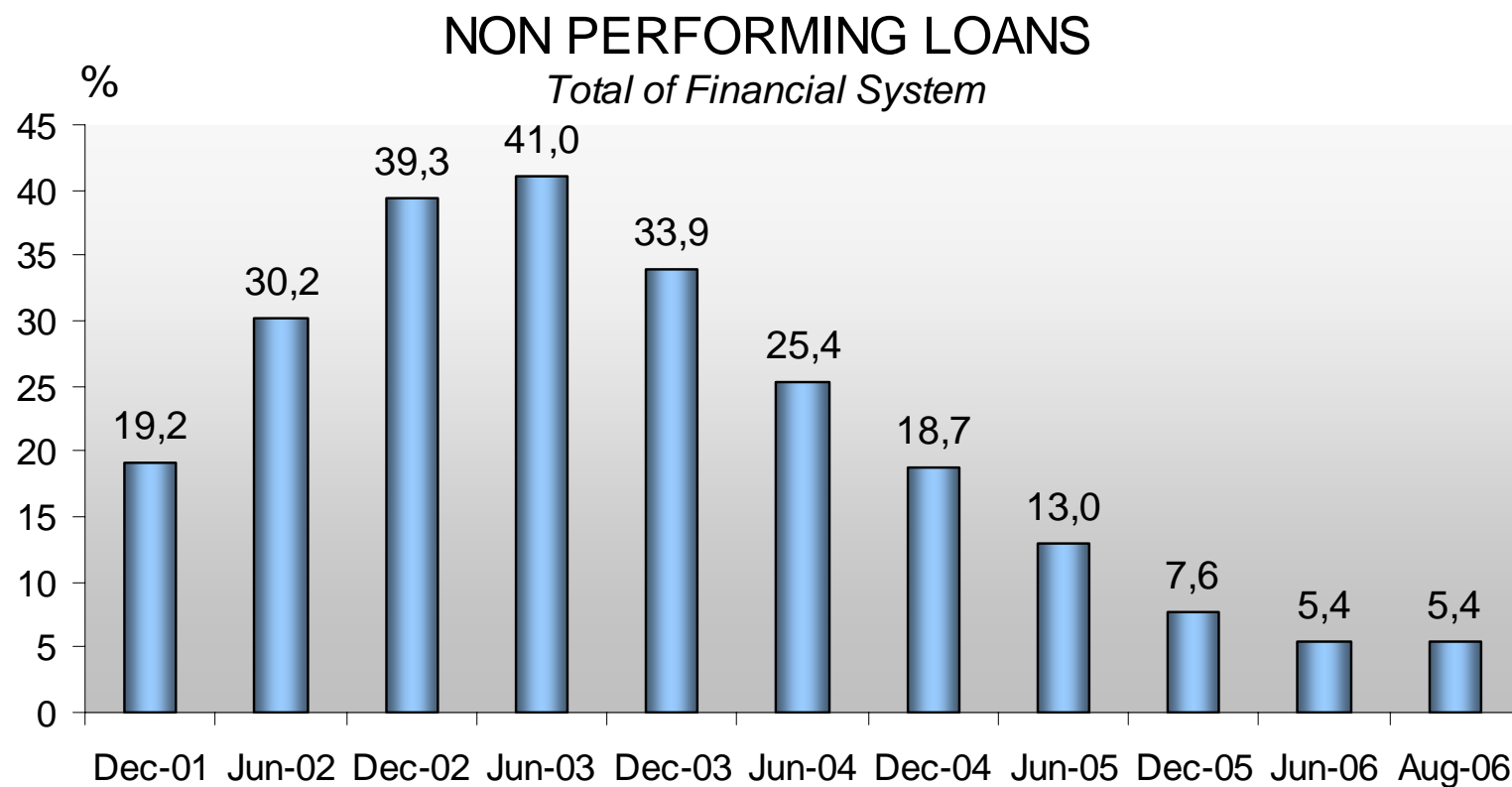
LOANS IN PESOS TO NON-FINANCIAL PRIVATE SECTOR  
*In millions of pesos - End of period*



# Financial Sector

*Non performing loans in financial system have sensibly diminished up to minimum levels.*

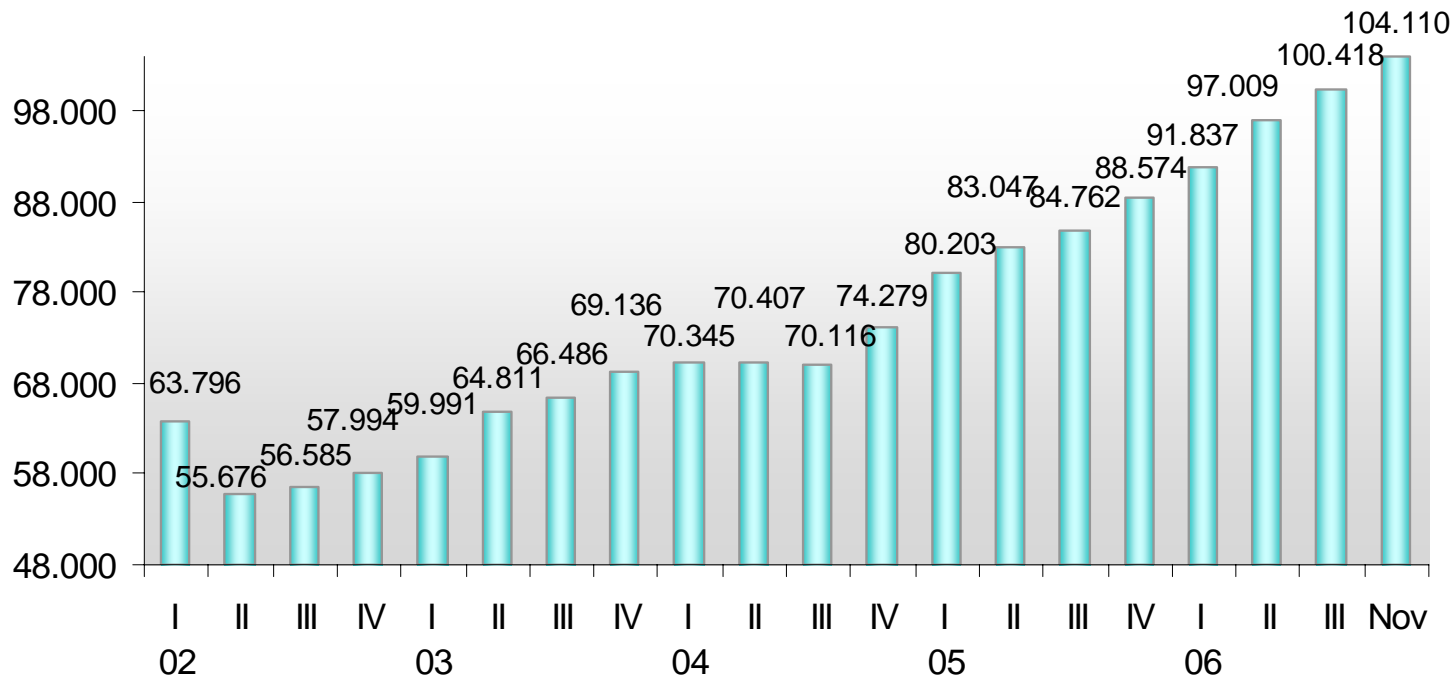
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# Financial Sector

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

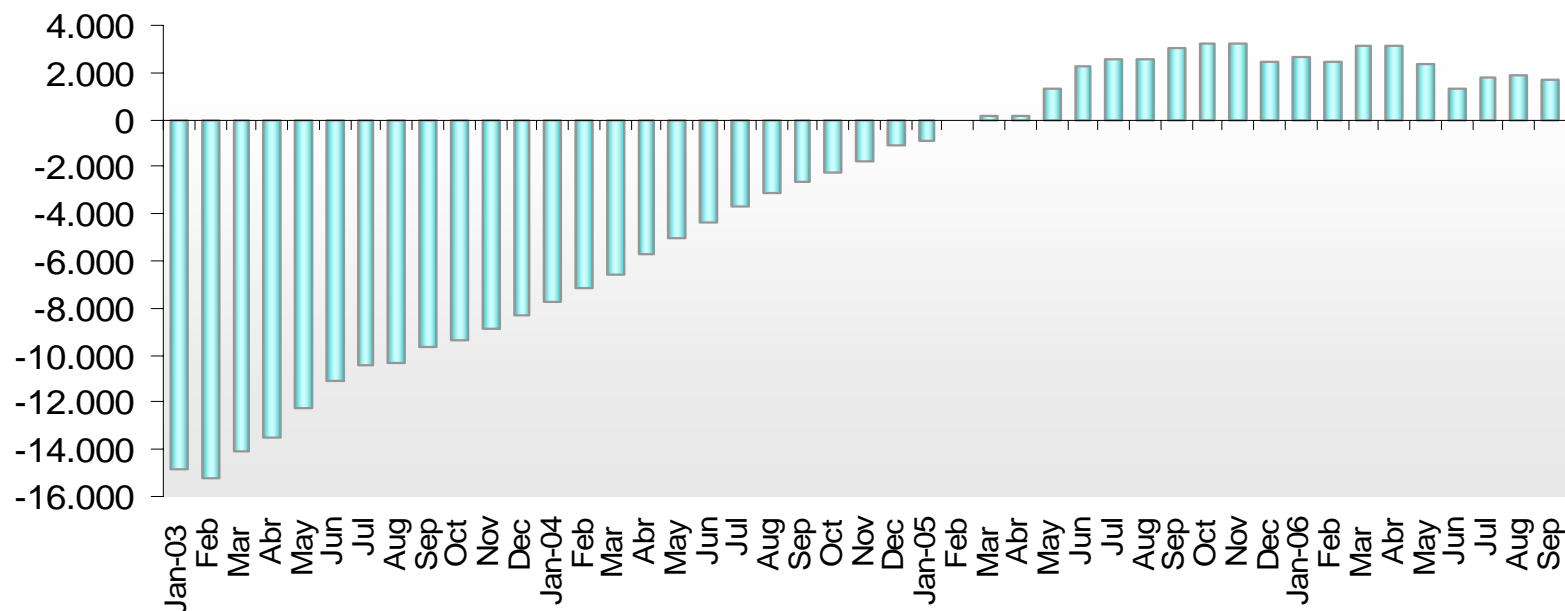
**PRIVATE DEPOSITS IN PESOS**  
*In millions of pesos - End of period*



# Financial Sector

*The flight of private capital has diminished significantly since June 2002. It turned to a net inflow from 2005 up to date.*

**NET PRIVATE CAPITAL FLOW**  
**12-month accumulated**  
*Million of US\$*

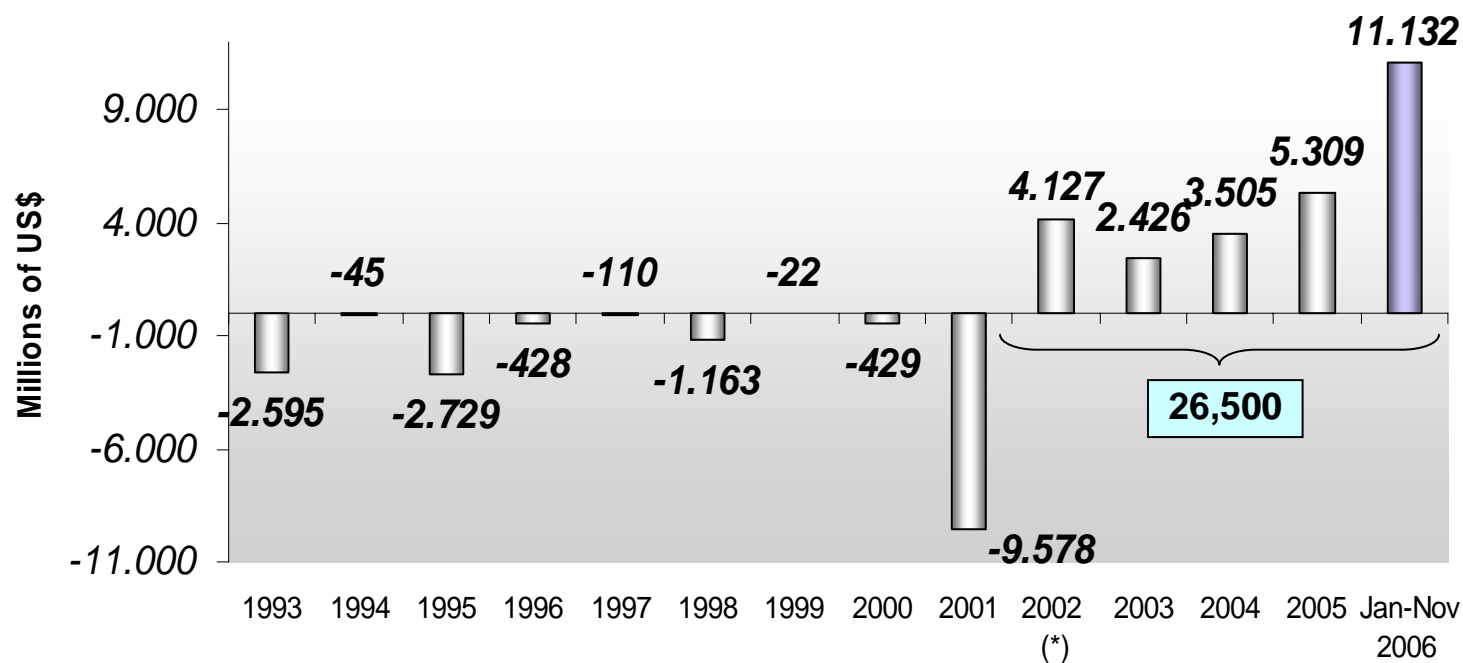


Source: National Bureau of International Accounts – INDEC [National Institute of Statistics and Census]

# Financial Sector

*Unlike the case in previous years, since 2002 Argentina has made net payments to multilateral lending agencies. In January 2006 Argentina cancelled completely its debt with the IMF.*

## NET PAYMENTS TO MULTILATERAL AGENCIES

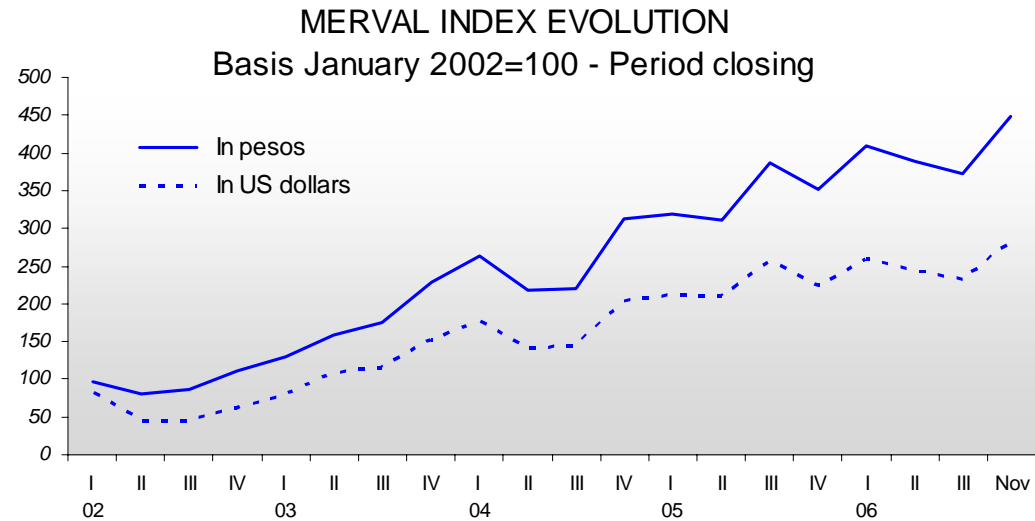
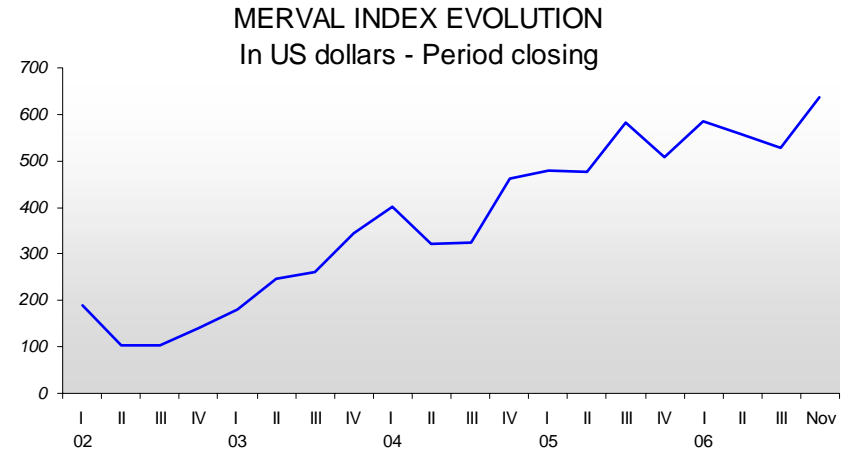
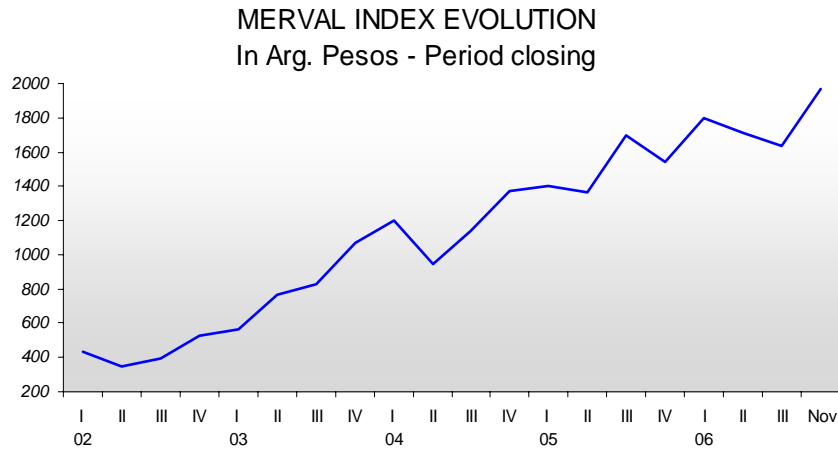


(\*) In addition in 2002 there were net payments to official creditors [(Banco do Brasil, Club de Paris, I.C.O. (Spain) and J.B.I.C. (Japan)] amounting to USD 142 million.

**Source:** Secretariat of Finance

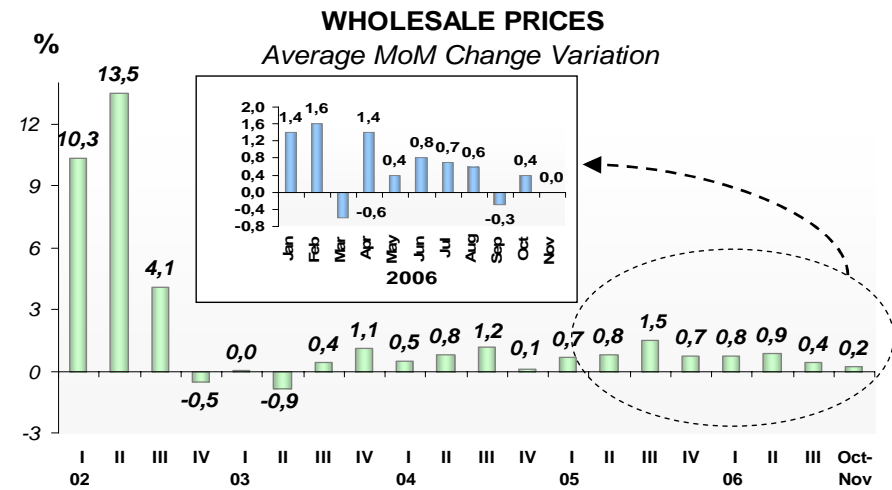
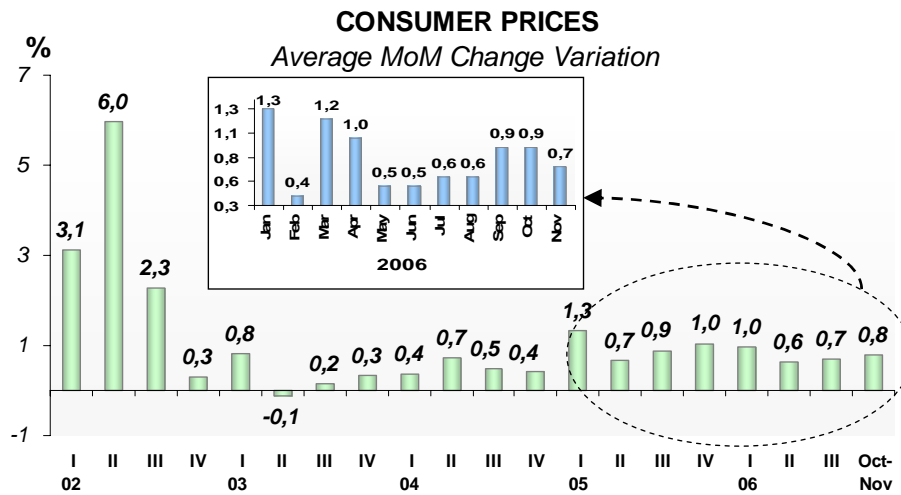
# Financial Sector

*The stock exchange market displays a bullish tendency that began as of June of 2002.*



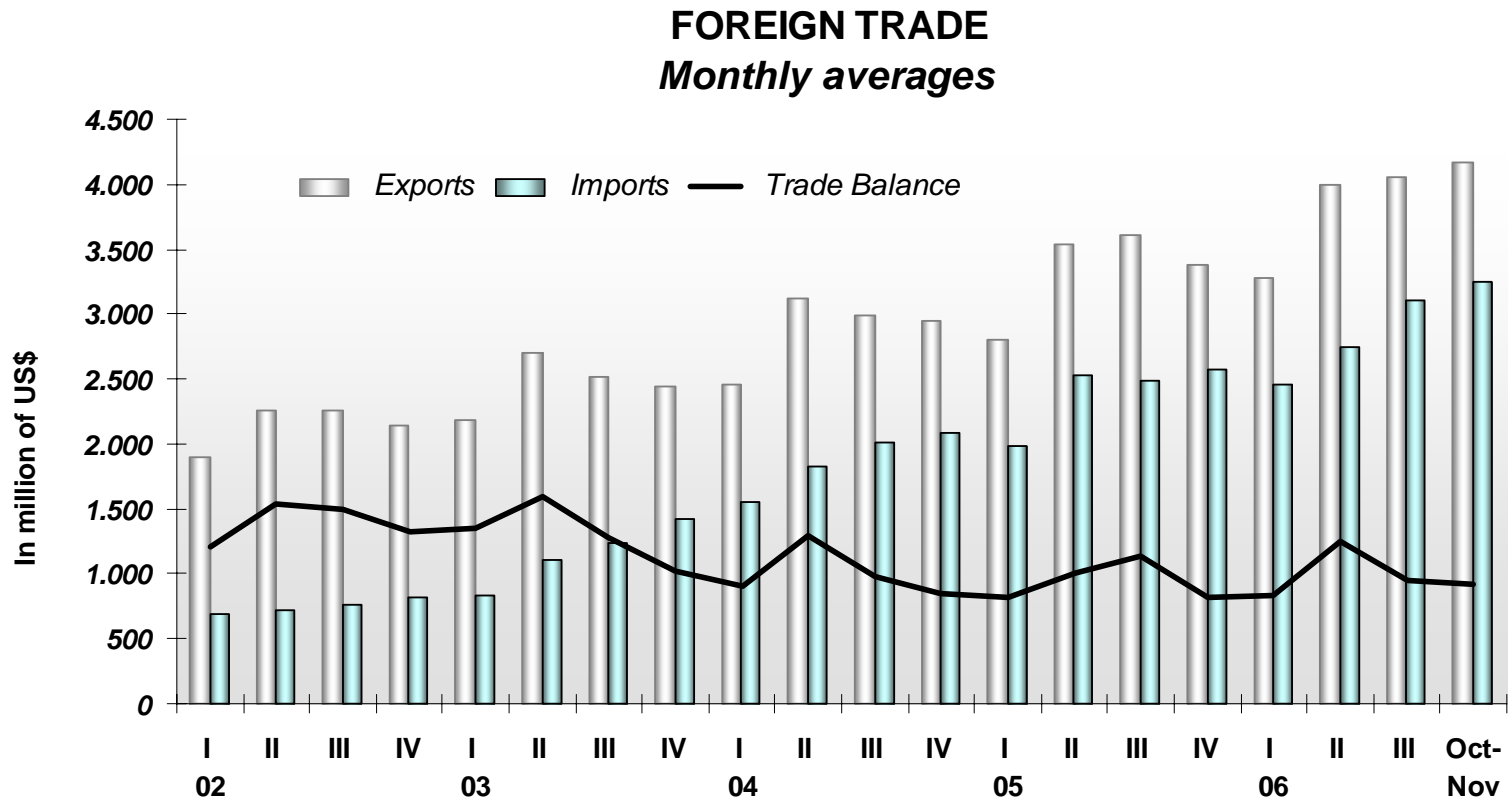
# Prices

**As from April 2002, the consistency of fiscal and monetary policies led to lower rates of inflation. After an acceleration of the inflation in 2005, in the last months monthly inflation was kept below 1% (retail).**



# Foreign Trade

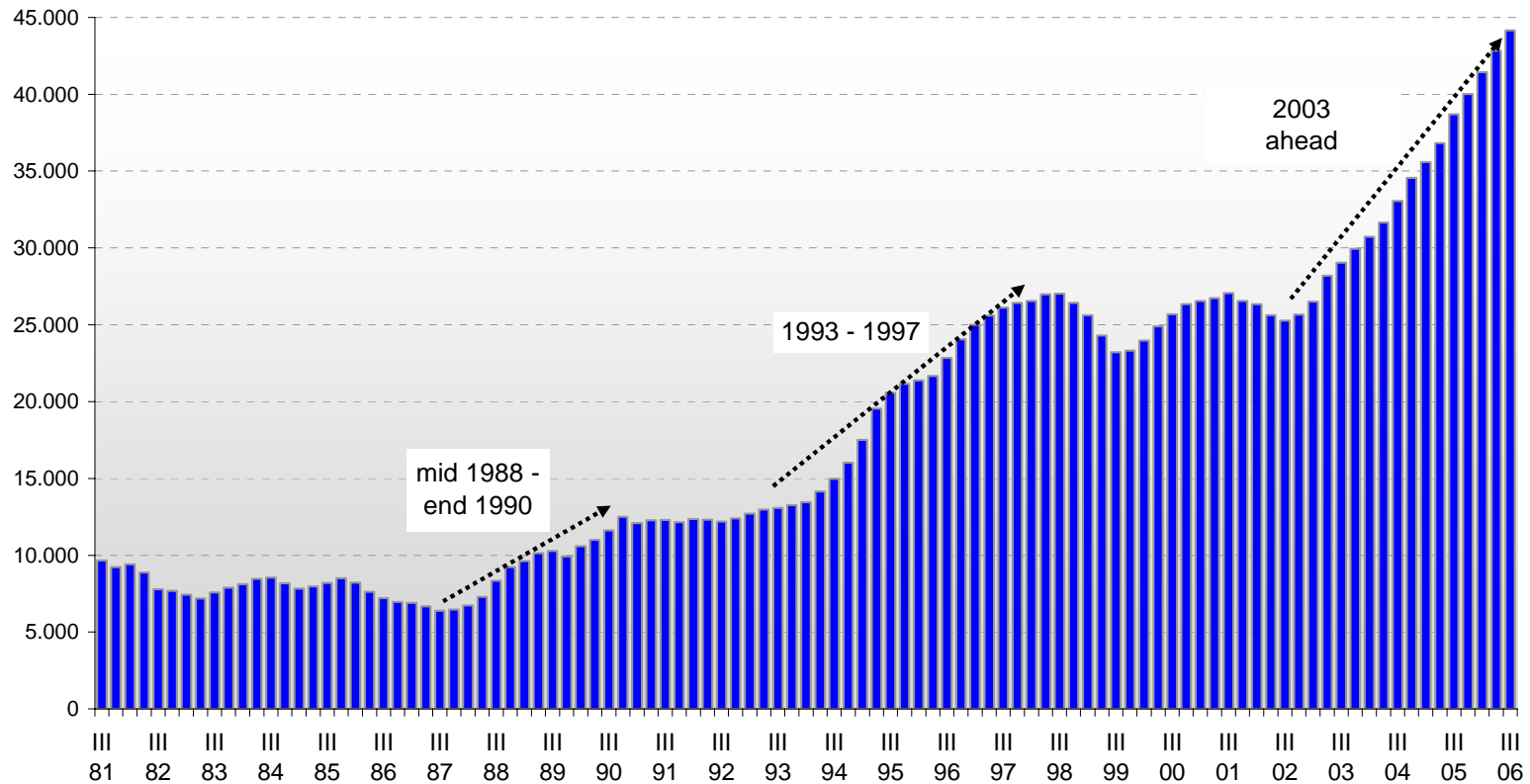
*The depreciation of the peso led to a significant surplus in Argentina's foreign trade, mainly as a result of import substitution. Later, the strong surge of exports helped to keep the surplus levelled.*



# Foreign Trade

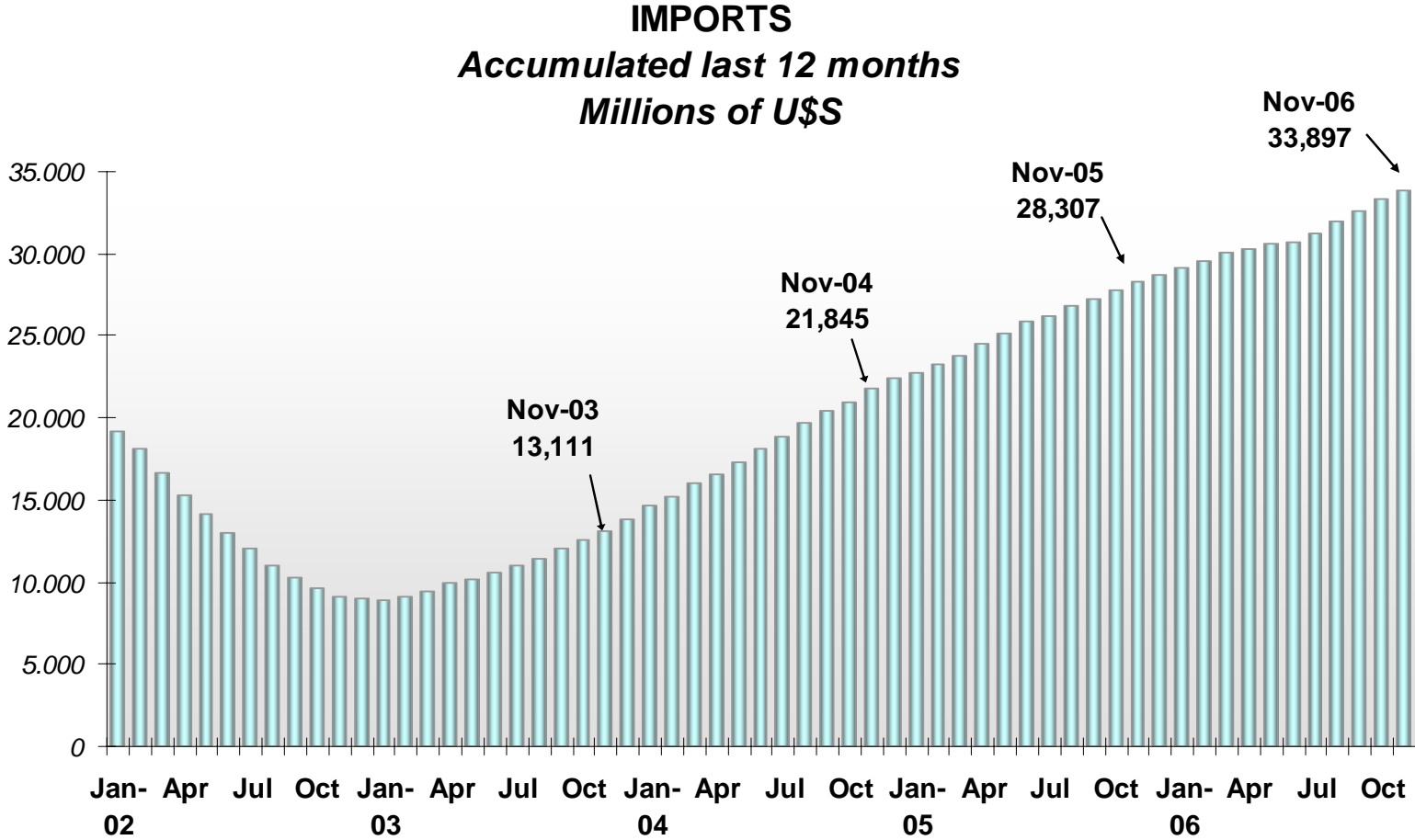
*After six years of exports anchored in levels of u\$s 26,000 million (1997-2002), in the last four years exports accumulated a growth of 75%. In the last quarter of century three periods of growth are distinguished.*

**TOTAL EXPORTS**  
*In million of US\$*



# 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. Depreciation of the Argentine peso is currently on trend.*

