Economic Activity

This chapter is made up of two sections. The first one shows the evolution of macroeconomic aggregates calculated by the INDEC's National Bureau of National Accounts, i.e., the estimate corresponding to the third quarter of 2001 and the revised data for the second quarter. The second section comments on the main indicators of the agricultural sector and production and sales to the domestic market, as well as the most recent performance of the Monthly Industrial Estimator and the Public Services Synthetic Indicator.

Data about the levels of the different aggregates of national accounts, at constant and current values, can be seen in the Statistical Appendix in this Economic Report. The quarterly figures shown there, as well as the ones that could appear within the text of Chapter, are expressed in annual figures.

The information supplied by the tables within this Chapter, on the other hand, is expressed as year-on-year variations, i.e. the different periods are compared with the same period of the previous year.

I. National Accounts

I.1- Preliminary GDP estimates for the third quarter of 2001[1] .

The preliminary GDP estimate for the third quarter of 2001 shows a 4.9% negative variation compared to the same period of the previous year (Table 1.1). Particularly, the goods producing sectors evidenced a negative variation of 5.5% during the third quarter of 2001, mainly caused by the fall of economic activity of the manufacturing industry (7.1%) and of construction (12.3%). The services producing sectors recorded a 4.6% year-on-year drop. The preliminary variation of seasonally adjusted GDP for the third quarter of 2001 with respect to the second quarter shows a decline of 3.7%.

1 This issue incorporates the update of the series of Overall Supply and Demand for 1999 and 2000 that include changes in basic data, due to estimate changes, new sources, results of special surveys or researches. The series corresponding to the balance of payments current account was updated for the period 1993-2001 consistent with the last estimates of the National Bureau of International Account. Together with the update and revision of original data, a revision of the seasonal adjustment process of economic aggregates has been made.

TABLE 1.1
Estimates for Gross Domestic Product at 1993 prices (*)
YoY percentage change

Concept	I Qtr 00	II Qtr 00	III Qtr 00	IV Qtr 00	2000	I Qtr 01	II Qtr 01	III Qtr 01
GDP AT MARKET PRICES	**-0.2**	**-0.4**	**-0.6**	**-1.9**	**-0.8**	**-2.0**	**-0.2**	**-4.9**
GOODS PRODUCING SECTORS (1)	**-2.6**	**-2.8**	**-2.6**	**-4.4**	**-3.1**	**-4.7**	**0.9**	**-5.5**
AGRICULTURE, LIVESTOCK, HUNTING AND FORESTRY	-5.9	1.6	-2.4	-1.7	-1.7	-4.2	6.8	-0.2
FISHING	14.8	-13.0	-11.4	7.6	-2.4	-38.9	10.2	90.0
MINING AND QUARRYING	5.0	12.3	5.9	3.7	6.7	5.8	2.3	5.0
MANUFACTURING INDUSTRY	-2.5	-3.4	-3.4	-5.8	-3.8	-5.4	-1.6	-7.1
ELECTRICITY GAS AND WATER SUPPLIES	5.8	6.4	11.1	2.8	6.6	3.3	4.4	-3.0
CONSTRUCTION	-6.0	-14.3	-8.9	-7.9	-9.3	-9.3	-2.9	-12.3
SERVICE PRODUCING SECTORS (1)	**1.1**	**0.8**	**0.5**	**-0.3**	**0.5**	**-0.8**	**-0.8**	**-4.6**
WHOLESALE AND RETAIL TRADE AND MAINTENANCE	-1.4	-2.3	-3.3	-4.4	-2.9	-3.5	-2.0	-8.3
HOTELS AND RESTAURANTS	0.5	0.5	0.3	-1.2	0.0	-2.6	-2.3	-8.0
TRANSPORT, STORAGE AND COMMUNICATIONS	1.3	2.2	3.0	0.4	1.7	-1.0	-0.9	-6.3
FINANCIAL SERVICES	4.6	3.5	0.9	-0.2	2.2	0.5	-2.5	-12.9
REAL ESTATE, BUSINESS SERVICES AND RENTALS	1.5	0.4	1.3	0.4	0.9	0.1	-0.2	-2.7
ACIVIL SERVICE, DEFENSE AND EXTRATERRITORIAL	1.2	1.2	0.6	-0.2	0.7	-1.7	-2.1	-1.5
EDUCATION, SOCIAL AND HEALTH SERVICES	2.0	3.0	2.5	2.6	2.6	1.9	1.8	1.8
OTHER COMMUNITY, SOCIAL SERVICES, PERSONAL AND	1.2	1.2	0.4	2.9	1.4	0.4	1.3	-0.5
PLUS VALUE-ADDED TAX (DGI)	**-1.2**	**0.4**	**-1.3**	**-4.3**	**-1.6**	**-1.7**	**-2.9**	**-10.3**
LESS: TAXES ON IMPORTS	**0.5**	**3.1**	**-3.2**	**-4.1**	**-1.1**	**-0.1**	**-6.1**	**-21.8**
SIFMI (2)	**-0.2**	**1.7**	**0.3**	**1.4**	**0.8**	**-2.4**	**-9.9**	**-23.3**

(1) At producer prices
(2) Financial services measured indirectly. Cost of financial services used by productive non-financial activities is deducted.
(*) Preliminary estimates
Source: *National Bureau of National Accounts.*

TABLE 1.2
Estimates for Gross Domestic Product at current prices (*)
YoY percentage change

Concept	I Qtr 00	II Qtr 00	III Qtr 00	IV Qtr 00	2000	I Qtr 01	II Qtr 01	III Qtr 01
GDP AT MARKET PRICES	**-0.1**	**1.0**	**0.8**	**-0.8**	**0.2**	**-2.6**	**-1.3**	**-5.6**
GOODS PRODUCING SECTORS (1)	**-1.1**	**1.1**	**1.4**	**-0.2**	**0.3**	**-4.4**	**-2.8**	**-9.1**
AGRICULTURE, LIVESTOCK, HUNTING AND FORESTRY	-17.2	13.0	5.6	19.6	5.3	-0.9	-9.2	-8.5
FISHING	19.7	3.6	-7.8	-7.2	3.0	-27.3	30.9	61.1
MINING AND QUARRYING	80.6	55.4	47.8	33.0	51.8	7.5	1.8	-8.6
MANUFACTURING INDUSTRY	-1.6	-2.5	-1.9	-4.0	-2.5	-5.1	-1.4	-8.6
ELECTRICITY GAS AND WATER SUPPLIES	3.1	7.0	16.5	2.2	7.4	1.8	-0.8	-11.1
CONSTRUCTION	-9.3	-18.5	-13.3	-12.1	-13.4	-11.9	-4.1	-12.9
SERVICE PRODUCING SECTORS (1)	**0.9**	**0.6**	**0.3**	**-0.8**	**0.2**	**-1.5**	**0.8**	**-2.3**
WHOLESALE AND RETAIL TRADE AND MAINTENANCE	-3.4	-3.8	-4.2	-5.0	-4.1	-4.2	-3.7	-9.5
HOTELS AND RESTAURANTS	-1.0	-1.0	-1.6	-4.9	-2.1	-1.9	-1.5	-7.4
TRANSPORT, STORAGE AND COMMUNICATIONS	2.9	3.9	3.6	0.7	2.8	-3.7	-2.4	-3.7
FINANCIAL SERVICES	4.0	0.8	-0.3	-4.2	0.0	-3.7	28.4	31.7
REAL ESTATE, BUSINESS SERVICES AND RENTALS	0.9	-0.7	0.4	-0.7	0.0	-0.7	-0.8	-3.7
ACIVIL SERVICE, DEFENSE AND EXTRATERRITORIAL ORGANIZATIONS	2.6	3.6	1.1	-0.3	1.7	-0.1	-0.8	-5.6
EDUCATION, SOCIAL AND HEALTH SERVICES	3.2	4.7	4.0	3.3	3.8	2.3	1.9	-1.6
OTHER COMMUNITY, SOCIAL SERVICES, PERSONAL AND DOMESTIC SERVICE	2.1	0.9	0.4	4.6	2.0	0.9	1.4	-0.9
PLUS VALUE-ADDED TAX (DGI)	**-3.9**	**5.6**	**4.9**	**-1.3**	**1.3**	**-5.2**	**-13.0**	**-17.3**
LESS: TAXES ON IMPORTS	**-10.2**	**-8.0**	**-14.0**	**-19.9**	**-13.2**	**-9.5**	**-7.0**	**-25.6**
SIFMI (2)	**-2.2**	**-2.7**	**-1.6**	**-2.7**	**-2.3**	**-6.8**	**-1.2**	**0.4**

(1) At producer prices
(2) Financial services measured indirectly. Cost of financial services used by productive non-financial activities is deducted.
(*) Preliminary estimates
Source: *National Bureau of National Accounts.*

I.2- Overall Supply and the Demand for the third quarter of 2001.

The macroeconomic evolution of the third quarter of 2001 determined, according to preliminary estimates, a negative variation of overall supply measured with 1993 prices, of 6.5 % with respect to the same period of the previous year (Table 1.3). This decrease was generated by the mentioned negative variation of GDP of 4.9 % and a fall of 18.7 % in imports of real goods and services.

Taking into account overall demand, it appeared a negative variation of 17.6 % in gross domestic fixed investment and a 5.0 % rise of exports of real goods and services. The decrease of private consumption amounted to 6.5 %, whereas public consumption fell a little less (- 2.1 %).

TABLE 1.3
Aggregate Supply and Demand at 1993 prices (*)
YoY percentage changes

Concept	I Qtr 00	II Qtr 00	III Qtr 00	IV Qtr 00	2000	I Qtr 01	II Qtr 01	III Qtr 01
Gross Domestic Product	-0.2	-0.4	-0.6	-1.9	-0.8	-2.0	-0.2	-4.9
Imports	1.1	3.7	-2.2	-2.7	-0.2	0.8	-4.2	-18.7
Aggregate Supply and Demand	**0.0**	**0.0**	**-0.8**	**-2.0**	**-0.7**	**-1.7**	**-0.6**	**-6.5**
Public consumption	1.0	0.3	1.6	-0.5	0.6	0.5	0.4	-2.1
Gross Domestic Fixed Investment	-5.1	-7.6	-6.9	-7.5	-6.8	-9.5	-6.2	-17.6
Exports of Goods and Services	3.5	3.0	1.5	2.9	2.7	0.7	4.6	5.0

(*) Preliminary estimates
Source: *National Bureau of National Accounts.*

TABLE 1.4
Aggregate Supply and Demand at current prices (*)
YoY percentage changes

Concept	I Qtr 00	II Qtr 00	III Qtr 00	IV Qtr 00	2000	I Qtr 01	II Qtr 01	III Qtr 01
Gross Domestic Product	-0.1	1.0	0.8	-0.8	0.2	-2.6	-1.3	-5.6
Imports	1.5	5.1	-2.1	-3.5	0.1	-1.0	-6.2	-20.4
Aggregate Supply and Demand	**0.1**	**1.4**	**0.5**	**-1.1**	**0.2**	**-2.5**	**-1.8**	**-7.1**
Private consumption	-0.2	-0.8	-0.5	-2.1	-0.9	-2.0	-2.1	-6.3
Public consumption	1.4	1.8	1.4	-1.6	0.7	0.6	1.6	-4.5
Gross Domestic Fixed Investment	-7.3	-10.6	-10.6	-10.8	-9.9	-11.5	-9.3	-20.2
Exports of Goods and Services	10.4	12.7	11.8	10.9	11.5	2.5	1.0	2.1

(*) Preliminary estimates
Source: *National Bureau of National Accounts.*

I.3- Estimates for the second quarter of 2001.

I.3.1- Gross domestic product.

The revised estimates of the second quarter of 2001

TABLE 1.5
A. Agriculture, Livestock, Hunting and Forestry - B. Fishing and Related Services
Added value at 1993 prices (1) - Percentage change

Sector	I Qtr.00/ I Qtr.99	I Qtr.01/ I Qtr.00	II Qtr.00/ II Qtr.99	II Qtr.01/ II Qtr.00	I sem.01/ I sem.00
A. Agriculture, livestock, hunting and forestry	-5.9	-4.2	1.6	6.8	-1.5
Farm crops	-5.5	-2.3	4.1	9.9	0.2
Livestock and animal products	-5.1	-8.5	-5.5	-7.1	-5.3
Farm and livestock services	-14.8	-12.1	-4.0	11.3	-7.7
Hunting	49.0	-13.3	-12.0	-4.2	-7.5
Forestry and wood extraction and related services	-3.5	4.3	-1.1	2.1	-2.0
B. Fishing and related services	14.8	-38.9	-13.0	10.2	-2.4

(1) Preliminary estimates
Source: *National Bureau of National Accounts*

TABLE 1.6
A. Agriculture, Livestock, Hunting and Forestry - B. Fishing and Related Services
Added value at current prices (1) - Percentage change

Sector	I Qtr.00/ I Qtr.99	I Qtr.01/ I Qtr.00	II Qtr.00/ II Qtr.99	II Qtr.01/ II Qtr.00	I sem.01/ I sem.00
A. Agriculture, livestock, hunting and forestry	-17.2	-0.9	13.0	-9.2	0.6
Farm crops	-19.4	0.4	21.3	-11.4	5.3
Livestock and animal products	-12.0	-3.6	-7.3	-1.0	-9.4
Farm and livestock services	-23.0	-2.3	7.6	-15.4	-4.8
Hunting	49.0	-13.3	-6.9	-19.0	-6.7
Forestry and wood extraction and related services	-9.9	6.1	-3.8	1.5	-6.0
B. Fishing and related services	19.7	-27.4	3.6	30.9	9.8

(1) Preliminary estimates
Source: *National Bureau of National Accounts*

show a 0.2% negative variation of GDP. The aggregate value of the goods producing sectors increased 0.9% whereas the aggregate value of the services producing sectors dropped 0.8%.

As per the preliminary estimate at 1993 prices, the aggregate value of agriculture, livestock, hunting and forestry increased 6.8% in the second quarter of 2001, compared to the same period of the previous year. The category of agricultural crops evidenced a growth of 9.9%, whereas animal breeding – which includes production of cattle, milk, farm products and wool – showed a 7.1% decline. In turn, agricultural services grew 11.3% and forestry, wood exploitation and related services, evidenced a 2.1% rise. Fishing also grew; in this case it amounted to 10.2%.

With these results, the first semester of 2001 exhibits a 2.5% growth of the agricultural sector, mostly supported by the 5.3% rise of agricultural crops, given that animal breeding dropped 7.8%. In turn, fishing showed a fall of 11.8% during said period, due to the strong decrease seen in the first fourth of the year.

TABLE 1.7
Manufacturing Industry - Added value at 1993 prices
Year-over-year percentage variation

Sector	I Qtr. 00/ I Qtr. 99	II Qtr. 00/ II Qtr. 99	III Qtr. 00/ III Qtr. 99	IV Qtr. 00/ IV Qtr. 99	2000	I Qtr. 01/ I Qtr. 00	II Qtr. 01/ II Qtr. 00
D - MANUFACTURING INDUSTRY	-2.5	-3.4	-3.4	-5.8	-3.8	-5.4	-1.6
Manufacturing Industry	-1.9	-3.6	-3.2	-5.3	-3.5	-6.1	-1.9
Specific Taxes	-7.9	-1.0	-5.7	-10.8	-6.5	0.9	1.8
Production of food and beverages	-4.0	-3.2	-2.5	-4.9	-3.7	-5.3	1.9
Production of tobacco products	-8.2	1.2	-7.0	-14.8	-7.6	1.5	-9.4
Manufacture of textile products	10.2	-10.0	-6.7	-13.9	-5.8	-25.8	-4.3
Manufacture of garments; final details and fur dyeing	-4.8	-16.9	-20.3	-0.7	-11.0	-12.3	-3.0
Tanning and dressing of leather, manufacture of luggage, handbags, saddlery,	6.3	-5.9	-0.5	-7.3	-2.2	-15.7	-8.6
Production of wood and manufacture of wood and cork products, except furniture; manufacture of straw articles and braidlable materials	-5.5	-11.1	-6.7	-1.2	-6.1	4.3	5.0
Manufacture of paper and paper products	13.2	13.5	-1.6	-2.8	5.0	-1.4	-0.5
Editing and printing and recorded material playback	-2.2	-0.4	0.8	-6.7	-2.3	-12.5	-12.8
Manufacture of coke, oil refining products and nuclear fuel	-7.2	-3.0	-9.0	-6.3	-6.4	-1.3	2.9
Manufacture of chemical substances and products	-1.4	0.1	0.9	-0.8	-0.3	7.1	7.2
Manufacture of rubber and plastic products	-4.2	-12.3	2.4	-7.1	-5.5	-4.2	-1.6
Manufacture of other non metallic mineral products	-9.7	-17.0	-6.6	-11.0	-11.2	-7.4	-6.5
Manufacture of common metals	23.2	8.2	5.3	0.6	8.5	0.0	0.1
Manufacture of processed metal products, except machinery and equipment	-3.5	-0.7	-0.6	-3.3	-2.1	-1.3	-2.8
Manufacture of machinery and equipment n.c.p.	-14.8	-9.0	0.3	6.9	-4.0	1.9	-4.2
Manufacture of office, accounting and information technology equipment	-10.1	-9.0	-8.1	-20.4	-12.4	-3.8	59.8
Manufacture of electrical machinery and devices n.c.p.	-11.9	-2.2	-4.0	-4.2	-5.5	-0.0	-10.7
Manufacture and radio, television and communications equipment and devices	-5.2	2.1	9.1	-5.4	0.1	-8.4	-13.2
Manufacture of medical, optics and precision instruments and manufacture of watchs	-12.3	7.9	28.7	-7.8	2.7	-3.8	-17.5
Manufacture of automobiles, trailers and tractor trucks	19.4	14.2	-4.4	-16.3	0.9	-22.6	-12.6
Manufacture of other transportation equipment	-26.6	-37.0	-30.2	-49.3	-36.1	-29.6	23.8
Manufacture of furniture; manufacturing industries n.c.p.	-8.3	-10.7	-15.6	-10.2	-11.1	-25.9	-9.7

Source: *National Bureau of National Accounts*

Within the agricultural sector, cereals, oilseeds and forage seeds increased 12.6% as a result of the 18% rise of oilseed crops, limited by the falls of 3.2% and 9.3% of non forage and forage cereals, respectively. Forage pasture also evidenced a drop, in this case of 6.4%.

Vegetables, legumes and flowers crops are estimated to have fallen 1.9%. As for the fruits sector, an 11.9% rise was estimated, whereas industrial crops grew 12.9%, influenced in this quarter by the greater sugar cane harvest. Lastly, production of seeds declined 4.5%.

In the sector of animal breeding, the aggregate value of the bovine cattle breeding declined 15.5% in the second quarter due to the fact that there continued the strong reduction of slaughtering. There were also drops in sheep and goat breeding, 4.2% and of 6.6%. On the contrary, hogs and horses showed increases of 1.5% and 5.4%, respectively. In turn, production of milk decreased 1.8%. Production of farm products evidenced a rise of 4.1%, due to the increases of 3.6% and 4.1%, respectively, exhibited by poultry and egg production. Lastly, apiculture fell 36.3%.

At current prices, the preliminary estimate of aggregate value for agriculture, livestock, hunting and forestry in the second quarter of 2001 showed a fall of 9.2%, with respect to the same period of last year. In the first semester, the decrease amounted to 6.4%. Agricultural crops evidenced a fall of aggregate value at current prices of 11.4%, animal breeding declined 1% and agricultural and livestock services exhibited a negative result of 15.4% and, on the contrary, forestry, wood exploitation and related services, showed a rise of 1.5%.

Fishing recovered, after the strong fall of the first quarter, with a rise of economic activity of 10.2% due to the important increase of fish and crustacean catches that grew 43.5% and 17.5%, respectively. On the contrary, catches of mollusks decreased 4.4%, although they recovered with respect to a very low level shown in the first quarter.

Mining and quarrying recorded a 2.3% increase. Oil and gas extraction, related services and the other minerals experienced rises of 1.5%, 7.0% and 3.0% respectively. Coal extraction, on the contrary, was 1.0% lower.

The manufacturing industry showed a 1.6% drop of economic activity with respect to the same period of the previous year according to information from business associations, of different official agencies and of the INDEC's Industrial Survey. The food sector recorded a 1.9% rise due to economic activity increases of sugar, rice and carbonated soft drinks. Cattle slaughtering experienced an important drop (-11.2%) due to the strong retraction of exports (-70%). Manufacture of tobacco products also recorded a significant drop of economic activity of 9.4%. In the textile sector there were falls, both in the manufacture of textile products (-4.3%) and the in the manufacture of clothing (-3%). Paper manufacture showed a decrease of 0.5% and the editing and printing activities fell 12.8%. Oil refining and nuclear fuel reversed its downward trend, recording a 2.9% increase, with an important rise of exports (7.8%). The sectors related to construction recorded diverse behaviors. While wood production and wood products increased 5%, manufacture of furniture and manufacture of construction materials and other mineral non metal products decreased 9.7% and 6.5%, respectively. The metal-mechanical categories evidenced a negative movement with the exception of the basic metals industries that recorded a slight increase of 0.1%, based in iron-and-steel exports that grew 23% whereas exports of aluminum dropped 15%. The rest of the sectors recorded declines in their economic activity levels: metal products (-2.8%), production of machinery and equipment (-4.2%), manufacture of electrical machinery and devices (-10.7%) and manufacture of automotive vehicles (-12.6%) in spite of the 12% increase of exports.

The electricity, gas and water supply sector showed a growth of 4.4%. The net domestic demand of the wholesale electricity market (country overall), experienced a rise of 3.9%. Whereas hydraulic generation showed an increase of 59%, thermal and nuclear generation recorded drops of 15% and 8% respectively. The natural gas delivered to the net evidenced a drop of 1.8%. The number of cubic meters delivered to the service showed a 1.7% increase.

The construction activity evidenced a drop of 2.9%. This decrease is explained by a lower level of formal employment demand, which decreased 7.2% as per the Integrated System of Retirement and Pension Plans. In turn, demand of inputs had a slight increase of 0.8% year-on-year. Both variables are used for the quarterly situation estimates.

The wholesale, retail and maintenance sector declined 2%. While the former showed a slight increase of 0.8%, retail trade experienced a decrease of 4.1%. This difference is provoked by the trade of exportable agricultural goods, which are marketed through the wholesale channel and which showed a rise of 13%.

The sector restaurants and hotels recorded a drop of 2.3%. As for transport, storage and communications, the decline was 0.9%. Transport and storage fell 3.1% and, on the contrary, communications showed an increase of 1.8%.

Banking services declined 2.5%. The activity of financial entities dropped 3.2% and ancillary services 2.5%. Insurance and pension fund managers, however, showed an increase of 4.2%.

Real estate, business and rent sector experienced a negative variation of 0.2%. In the case of public administration, defense and extra-territorial agencies, the drop was a bit deeper (- 2.1%).

Education, social and health services grew 1.8% and so did community, social, personal and domestic services, recording a positive variation of 1.3%.

I.3.2- Overall Supply and Demand.

The macroeconomic evolution of the second quarter of 2001 with respect to the same period of the previous year evidenced a negative variation of 0.6% for overall supply measured at 1993 prices explained by a 0.2% decrease of GDP and a 4.2% decline of imports of real goods and services. As for the components of overall demand, there were negative variations in private consumption (2.1%) and gross domestic fixed investment (6.2%), and a positive variation of public consumption (0.4%). Exports of real goods and services experienced an increase of 4.6 %.

II. Economic Activity Indicators

II.1 Agriculture and livestock and fishing activity indicators

1. General outlook

In the third quarter of 2001, the agriculture and livestock economic activity decreased 0.2%, according to the preliminary estimate of National Bureau of National Accounts. With this result, during the first nine months of the year it would evidence a rise of 1.7% with respect to the same period of 2000. As commented in the previous Economic Report, the agricultural sector shows very diverse dynamics in its two main categories. Thus, whereas the agricultural sector contributed with a rise of 4.5% to the performance seen in the three fourths of the year, the livestock sector experienced a decrease of 4% in the same period. A good part of the agricultural activity is sustained by the dynamic external demand, as opposed to what happens to the livestock activity due to the suspension of meat exports and the fall of diary products as well as the growing weakening of the domestic market.

In the middle of the growing season that will finish the year recently started, official estimates point out at a modest increase of the grain crop land (1.3%). It could have been higher had it not been for the catastrophic floods that affected, to a greater or lesser extent, almost 6 million hectares of the Pampa region in fall and spring last year. A part of those lands is still flooded and other part may not be used for a more or less long time. Now, floods affected especially the corn and sunflower crop land intended to be planted, although the main impact has fallen on livestock activities, since most of the region affected – the Salado river basin and other neighboring areas - is meant for this activity.

The last month of last year and the first days of January brought extraordinary political and economic news. Among the latter, there stands out the decision of the new government that took office on January 2 of abandoning the convertibility regime implemented in March 1991, so it sent a bill to the National Congress and it was passed. Using the authority granted by said act, the government established that from January 7, 2002 a new parity between the peso and the dollar, of $1.40

per each u$s, with which all exports of goods and services and some imports of goods and services will be performed. Thus, the "official" dollar becomes 40% more expensive, while the Argentine peso devaluates 28.6%. On the other hand, there will be a second market for the remaining transactions in which the foreign currency value shall result from the free concurrence of supply and demand.

For the agricultural sector this measures will have a substantial effect as regards the increase of revenues in those categories related to export, as well as over the industries that transform primary products from this origin. Taking into account that from April last year the "convergence factor" was introduced with the aim of improving the effective export exchange rate and, at the same time, make imports more expensive, the recent devaluation would result in an increase of the effective exchange rate for the foreign trade of primary products and manufactures of agricultural origin of 30%, approximately, depending on the size of the proportion of the treatment received by each product up to the moment this decision was taken.

Considering external sales of primary products and agricultural manufactures, the devaluation of the national currency and its translation into export prices without restrictions would provoke an overall increase of revenues for the agricultural and agro-industrial sector, ceteris paribus, of around 4,000 million pesos in 2002. To this result, it will have to be added the higher revenues derived from the translation of the devaluation into domestic prices of tradable goods, given that as such their prices expressed in dollars and have the alternative of being placed abroad. For that concept, it could be added up to 50% of the greater revenues calculated by the improvement of the export exchange rate. As an example of the immediate influence of the exchange adjustment, it is worth commenting that before the new exchange rate had been announced and even before the re-opening of the foreign exchange market, after two weeks of inactivity, there would have been preventive increases of wheat flour in a proportion similar to that of the net devaluation mentioned above.

Although the agricultural sector will have to face the higher prices of imported inputs (formulated herbicides and fertilizers, spare parts, some seeds) or those that are manufactured locally but with a high imported component, their influence does not exceed, in average, 25% of total inputs and its participation is even lower within total cost, i.e., including salaries, amortizations and interests. Anyway, the effective incidence of the devaluation over cost will appear in some time, given that imports, in principle, will be settled at the free exchange rate, whose level is still unknown.

On the other hand, the sector's advantage is the price control the government has announced over fuels and lubricants, which account for almost 10% within the sector's input structure. If these prices remain unchanged, agricultural companies will have a significant advantage.

Besides, thousands of producers with bank debt may be benefited with the conversion of their dollar debts into pesos at one to one, with a prior devaluation, up to an amount of 100,000 dollars. It has to be taken into account also that these advantages, in the specific case of some activities such as the production of cotton, yerba mate, fruits and sheep breeding, will add up to subsidies granted the year before for several reasons. Part of these subsidies has not been paid yet to the beneficiaries.

It is worth analyzing what will happen with the sector's supply of goods. In the short term, i.e. during what is left of the current season, it could not be expected any significant change. Decisions to plant annual crops have already been taken and performed in most cases; indeed, it could not be expected any change in the case of the permanent crops, whose results in terms of volume will depend on weather factors and on the care given to croplands; also it could not be foreseen any short term modification of livestock activities in general, even more so when the most important fresh, refrigerated and frozen meat external markets continue closed.

However, the strong increase of the effective exchange rate can benefit a quick rise of production volume for some products. It is the case of forest crops, due to an immediate increase of the extraction of existing plantations, whether they are round logs, processed wood or cellulose paste, or some short-cycle vegetable products.

But there could only be seen an increase of overall exports volume in the event the fall of domestic demand continues or deepens, which would make available higher quantities of products for said destination.

At the beginning of January, when the exchange market had not been released yet, the situation was a paralysis of exports due to the lack of definitions about the rules that would be enforced in view of the new exchange regulations and foreign trade. On the other hand, the end of the convertibility, the restrictions on bank deposits, the partial "pesification" of economic and financial transactions, drastically modifies spot and futures markets. Transactions of purchase-sale of inputs and capital goods are also affected, given the suppliers' unwillingness to sell, except in cash and in dollars, or to deliver with the condition of setting the price at some agreed upon moment in the future. It is expected that these behaviors tend to normalize when the exchange market re-opens and bank transactions are less restricted.

2. The problem of the foot-and-mouth disease

The plan for the extermination of the foot-and-mouth disease continues being applied without pause, though somewhat delayed. According to information from the SENASA, as of January 7, 2002, the second stage of the plan showed a 99.3% advance in what respects to distribution of vaccines, with a total of 54.8 million doses. It is worth remembering that this phase was expected to be finished at the end of November.

Appearance of outbreaks drastically decreased in October, with only one case informed. In November, seven new cases appeared and two in December, which proves the absolute need to persist with, and intensify if applicable, the epidemic fight and control campaign. Luckily, 2002 started without any outbreak, always as per the SENASA's information. Although it would be desirable that this situation continue uninterruptedly, the viral activity subsists and it makes it impossible to rule out the appearance of new clinical cases.

The other aspect of this question is that of international relations. Authorities from the SENASA and the SAGPyA have been making efforts to talk the international community in general, and certain countries in particular, into the efficiency of the sanitary plan being implemented and into their intention of performing a maximum control over cattle and slaughter and meat processing plants. For the sake of this, the SENASA inspections have been very restrictive; the strictest rules imposed have left unauthorized to export to the European Union almost one half of the former authorized slaughter houses.

Between last November 19 and 30, the Permanent Veterinary Committee of the European Union performed an inspection, a visit that was expected for the second fortnight of October. As was known at the end of December, the Committee sent a series of requests to local authorities, in a report that makes it difficult, even without the appearance of new outbreaks, the re-opening of the European market before March, at best

The Committee observed that the second vaccination stage has not finished yet, the need to adopt a plan of serological control of the cattle that could catch the disease, and requested an explanation of why there was an outbreak in an area where the second vaccination stage had finished, among other objections. Among the general advises, inspectors expressed the need to improve the systems to identify the origin of cattle ("traceability") and to control the movements of cattle for slaughtering aimed at producing export meat to the European Union. Besides, they requested the intensification of training programs for vaccinators and officers in charge of controlling cattle transport.

The consequences of the epidemic over the cattle and meat markets, including the slaughtering industry, have been deleterious. In the first 10 months of 2001, meat exports fell 58% in volume and 68% in value; for the whole year, a fall of 60% in one case and of 70% in the other is projected. Only for bovine meat, it will mean a revenue loss of 470 million dollars in 2001, assuming volumes and prices prevailing in 2000 are maintained. Besides, thousands of wages and jobs have been lost within this industry, as well as in transport and related services activities. And the real price of cattle fell almost 25% along the year due to the abrupt decrease of external demand and the progressive weakening of domestic consumption.

3. Situation and perspectives of grain production

The last estimates about the agricultural growing season 2000/01 for grain production show that cropland was 0.3% lower than the season 1999/2000, whereas volume, almost 67 million tons, would have been 4.2% higher than last season, thus being a peak harvest after the one recorded in the season 1997/98.

Cereals crop land was estimated to have decreased 2.3%, whereas for oilseeds, cropland increased 1.8%

Production of cereals would have amounted to 36.6 million tons, 2.4% lower than the last season, while oilseeds, on the contrary, would grow 13.6%, amounting to 30.3 million tons, exclusively because of the incidence of the peak soybean harvest.

Wheat production has been estimated in 15.96 million tons, 4.3% higher than in the period 1999/00, while the malting barley harvest would have reached 712,000 tons, with an increase of 72% with respect to the last growing season. Production of corn, grain sorghum and rice declined, 8.6%, 13.3% and 17%, respectively..

Production of soybean amounted to 26.8 million tons, 32.7% above the official estimate for the last season; on the contrary, the sunflower harvest would produce 3.05 million tons, thus showing a reduction of 49.2% with respect to last year. Peanut production experienced a fall of 6.2%.

The full first estimates for the growing season 2001/02 are already known. According to the SAGPyA, they would exceed the last season by 1.3%. The sources estimated a new reduction of cereal croplands, in this case of 2.8%, amounting to 12.73 million hectares, whereas oilseed cropland would increase 5.3%, with a total of 13.62 million hectares.

In the case of the wheat, it has been estimated that farmers planted 7.1 million hectares, 9.4% more than last year. Production would achieve a volume of 16.5 million tons, quite lower than the forecasts stated at the beginning of the season, but nevertheless it would be 3.4% higher than the season 2000/01.

Malting barley, a crop that showed a good performance the last season, would have grown 7.3%; on the contrary, oat would fall 9.1%. As for the coarse harvest cereals, very significant falls are estimated. In the case of corn, a decrease of 22.3% was estimated, but private sources suggest that the reduction would be higher than 30%. In any case, though a smaller planting intention had been forecasted, it was worse due to the

TABLE 1.8
Indicators for the Agricultural and Fishery Sectors (*)

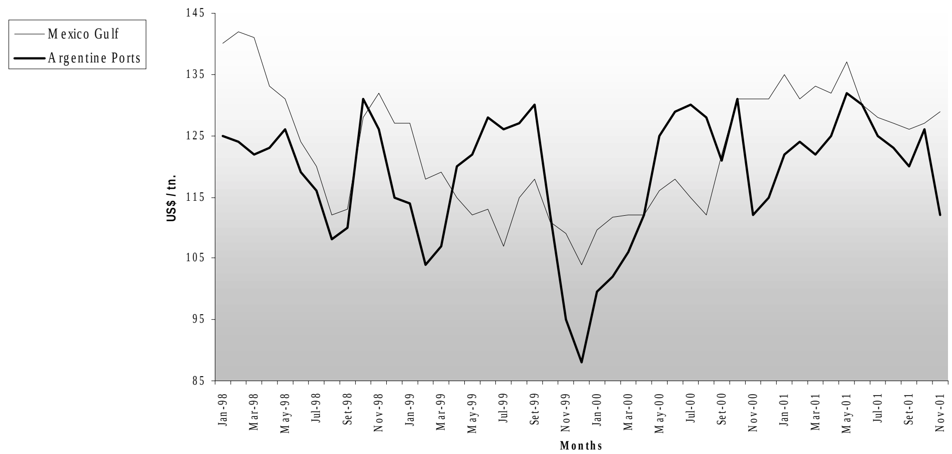
1. Agricultural production (in tons)			
Products	Harvests 1999/00	Harvests 2000/01	Var. %
Cereals			
- Rice	904,000	859,000	-5.0
. Corn	16,800,000	15,350,000	-8.6
. Sorghum	3,350,000	2,906,000	-13.3
. Wheat	15,300,000	15,960,000	4.3
- Other cereals (1)	1,160,400	1,542,000	32.9
Total cereals	**37,514,400**	**36,617,000**	**-2.4**
Oilseeds			
. Sunflower	6,000,000	3,050,000	-49.2
. Flax	47,000	22,000	-53.2
. Peanut	420,000	394,000	-6.2
. Soybean	20,200,000	26,737,000	32.4
- Other oilseeds (2)	36,000	53,000	47.2
Total oilseeds	**26,703,000**	**30,256,000**	**13.3**
Industrial Crops			
. Cotton	417,100	500,000	19.9
. Sugar cane (3)	14,895,473	15,138,400	1.6
. Tobacco	114,509	98,110	-14.3
. Tea (3)	301,883	345,162	14.3
. Wine grapes	2,116,586	2,397,640	13.3
. Yerba mate	285,000	280,000	-1.8
Vegetables and Legumes			
. Garlic	143,110	130,570	-8.8
. Onion	660,092	757,875	14.8
. Potato	2,438,029	2,504,702	2.7
. Dry bean	297,000	263,000	-11.4
2. Livestock Production	**2000 (III qtr.)**	**2001 (III qtr.)**	**%**
. Cattle (4)	2,656,530	2,381,149	-10.4
. Pigs (4)	519,538	475,331	-8.5
. Poultry (5)	100,189	101,127	0.9
. Milk (6)	2,423,059	2,440,873	0.7
3. Fisheries			
. Ocean catches (7)	160,071	199,072	24.4

4. Area sown with cereals, oilseeds, cotton and beans (in hectares)			
Crops	Harvests 2000/01	Harvests 2001/02	Var. %
Cereals			
. Canary seed	20,000	17,000	-15.0
. Rice	154,000	128,600	-16.5
. Oats	1,664,000	1,512,000	-9.1
. Brewers barley	246,000	264,080	7.3
. Forage barley	16,000	16,000	0.0
. Rye	373,000	338,000	-9.4
. Corn	3,345,000	2,600,000	-22.3
. Millet	76,000	76,000	0.0
. Grain sorghum	709,400	667,000	-6.0
. Wheat	6,497,000	7,108,000	9.4
Total I	**13,100,400**	**12,726,680**	**-2.9**
Oilseeds			
. Safflower	58,000	29,000	-50.0
. Colza	9,000	5,000	-44.4
. Sunflower	1,976,000	2,050,000	3.7
. Flax	28,000	15,700	-43.9
. Peanuts	251,000	225,000	-10.4
. Soybean	10,594,000	11,300,000	6.7
Total II	**12,916,000**	**13,624,700**	**5.5**
Total I+II	**26,016,400**	**26,351,380**	**1.3**
Other			
. Cotton	407,980	193,630	-52.5
. Beans	275,000	s/i	
Total III	**682,980**	**193,630**	**-71.6**
Total I+II+III	**26,699,380**	**26,545,010**	**-0.6**

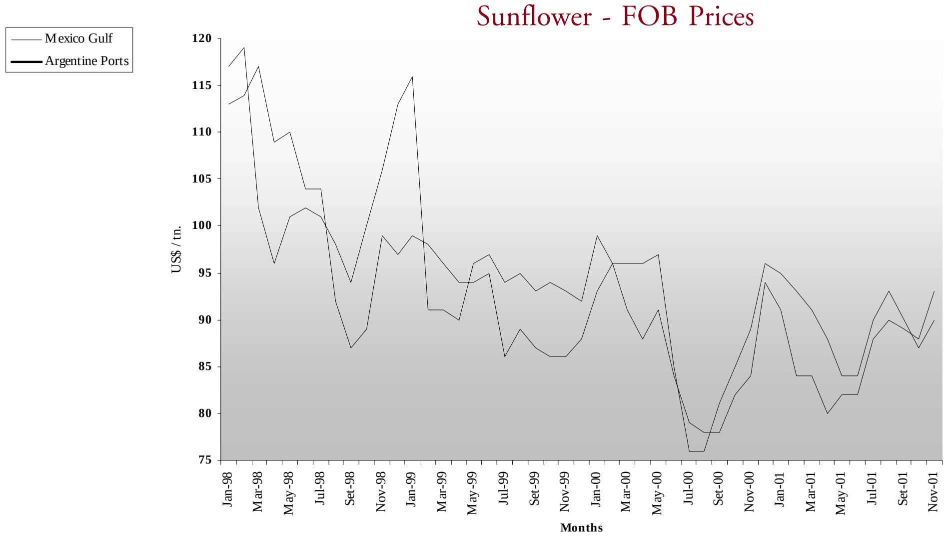
** Provisional estimates. Information at December 27, 2001.*
(1) Including canary seed, oats, brewers barley, forage barley, rye and millet.
(2) Including safflower and colza.
(3) Estimates based on export volume and domestic consumption.
(4) Slaughter controlled by SENASA, in head. (5) Slaughter controlled by SENASA, in thousands of birds.
(6) In thousands of liters. (7) In tons
***Source:** National Bureau of National Accounts, with data from SAGPyA, SENASA and INV.*

GRAPH 1.1
Agricultural prices

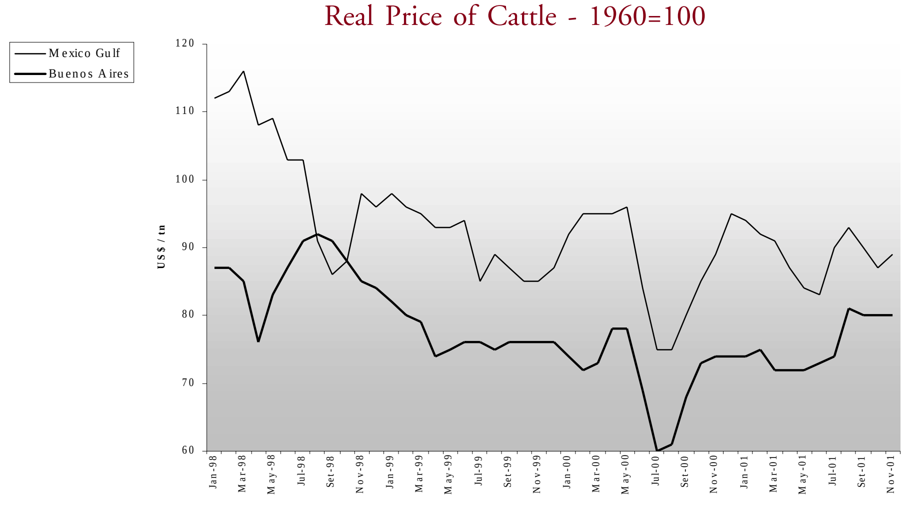
Soybean - FOB Prices



Sunflower - FOB Prices

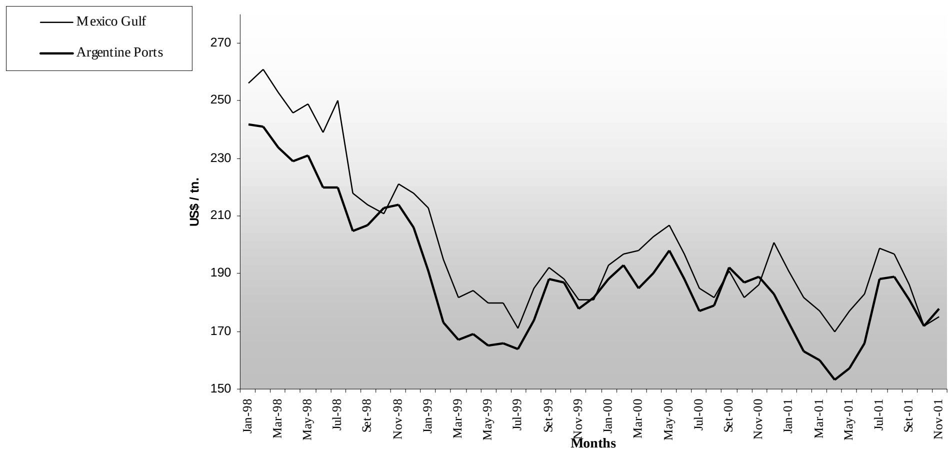


Real Price of Cattle - 1960=100

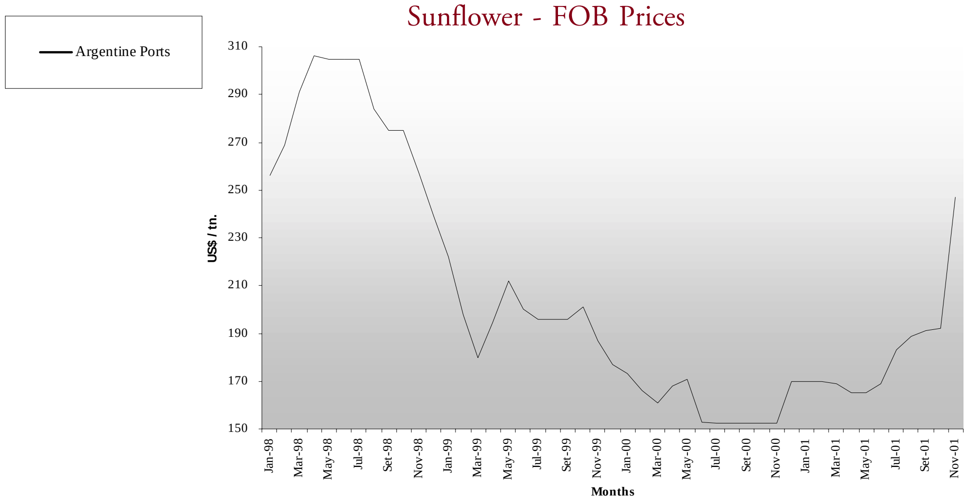


GRAPH 1.1
Agricultural prices

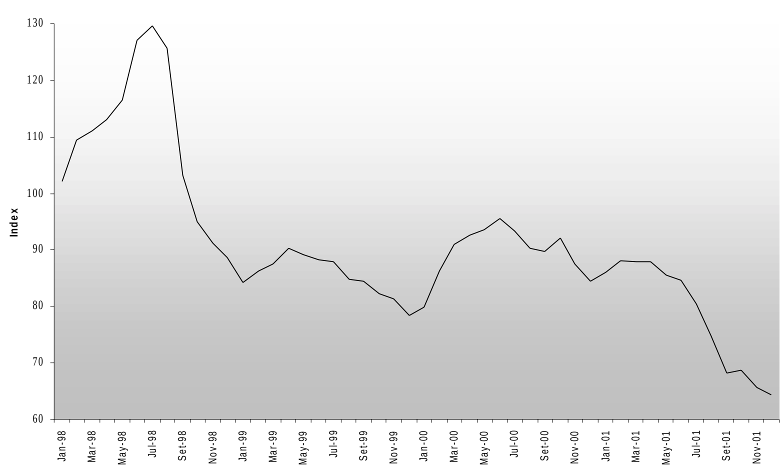
Soybean - FOB Prices



Sunflower - FOB Prices



Real Price of Cattle - 1960=100



heavy rains and floods that prevented the execution of the croplands foreseen. In the case of grain sorghum, a 4.4% drop is calculated, whereas for rice, the fall would be 16.5%. Corn and rice croplands would be the lowest since the season 1990/91.

Within oilseeds, there stand out the great planting of soybean – 11.3 million hectares, constituting a new peak of this crop - with a 6.5% rise with respect to the previous period. Planting of sunflower would be higher too, estimated in 3.7%; it is worth remembering that a planting intention was forecasted 14% higher than the last season, but weather conditions cut this intention short. In the case of peanut, a 10.4% fall of the cropland is estimated with respect to the previous season.

4. Situation of other crops

The crops developed totally or partially in non Pampa regions, confirm, as per the last estimates available, better production performances than those recorded in the season 2000/01. Meanwhile, for the cycle 2001/02 the information available is still incomplete.

Cotton cropland amounted to 408,000 hectares, 18% higher than in the previous cycle, which, in turn, had been the lowest of the last 13 years; production, in turn, would have amounted to 500,000 tons, evidencing a growth of 19.9%. In the season 2001/02, the cotton cropland would fall 52.5% due to the bad economic results obtained in the previous period and to the lack of financing suffered by growers who were, besides, affected since the official subsidy granted for the sector failed to get to them in time. Cropland would amount to just 193,000 hectares, according to the official estimate, although private calculations estimate it would be even lower; to illustrate the meaning of this figure it can be said that it is the smallest planted area in the history of cotton since the season 1932/33, i.e. almost seven decades before.

Harvest of wine grape, according to information from the National Institute of Winery, grew 13.3% with respect to the previous one. In turn, the harvest of sugar cane would have shown a 1.6% rise, as per preliminary estimates, exceeding 15.1 million tons.

Production of pip fruits, apples and pears, would have recorded increases of 71.4% and 14%, respectively. For the new season a severe decline is forecasted for the harvest of these fruits due to the fact that part of the plantations have been abandoned due to the bad economic results that affected small and medium size producers.

As for stone fruits, peaches and plums, the estimate show increases of 22.5% and 41.4%, respectively. As regards citric fruits, orange, lemon, mandarin orange and grapefruit, they would also show growths of 7.9%, 13.6%, 15.4%, and a drop of 5.5%, in the latter case.

A decrease of 6% has been estimated for dry bean and a production fall of 11.4%, estimate that the SAGPyA corrected downwards again with respect to its previous forecasts. Meanwhile, production of tobacco would have undergone a decrease of 14.3%, whereas yerba mate would fall 1.8%. Production of tea would grow 14.3%.

5. Situation of livestock activities

In the third quarter of 2001, total supply of cattle for slaughter, according to the National Bureau of National Accounts estimate, reduced 10.5% with respect to the same period of 2000, whereas slaughtering supervised by the SENASA, accounting for around 80% of the total, declined 10.4%. Due to the decrease of the average weight of animals and to a certain change in the supply components, estimated production of meat in the period would show a decrease of 12.7% compared to the same period of last year. This adjustment of production is made up of an exports fall estimate of 70% and a drop of 5.1% in domestic consumption.

The real steer price in Liniers had declined 1.4% in the second quarter with respect to previous one and dropped 8.4% with respect to the same quarter of last year. In the third quarter this fall deepened: 13.5% compared to the second quarter and 18.3% with respect to the same period of 2000. Domestic consumption, which had been the main support for cattle on hoof quotes until the first quarter, started to plunge at a quicker pace due to the fall of economic activity, employment and real salary. Absence of export demand and the fall of purchase power in the case of local consumption. In the last quarter of 2001, prices continued plunging due to the severe fall of domestic consumption purchase power. Thus, in the period September-December, a drop of the real price of steer of 24.75% was estimated with respect to the same period of 2000, confirming the forecast made in the pervious Economic Report.

Slaughter of hogs supervised by the SENASA fell 8.5% in the third quarter, compared to the same period of last year, the same level of fall recorded in the second quarter. In turn, slaughter of poultry was estimated to show a rise of 0.9%. Production of cow milk grew 0.7% in the period.

6. Situation of Fishing

In the third quarter of 2001, there continued the strong recovery of the fishing activity seen in the previous quarter. In that period, total volume of catches informed by the National Bureau of Fishing and Aquiculture of the SAGPyA was almost 200,000 tons, a volume that turned out to be 24.4% higher than the same period of last year. This rise was related to the significant 130.3% expansion of mollusk catches and the 290.8% increase of crustacean catches. On the contrary, fish catches dropped 6.7%.

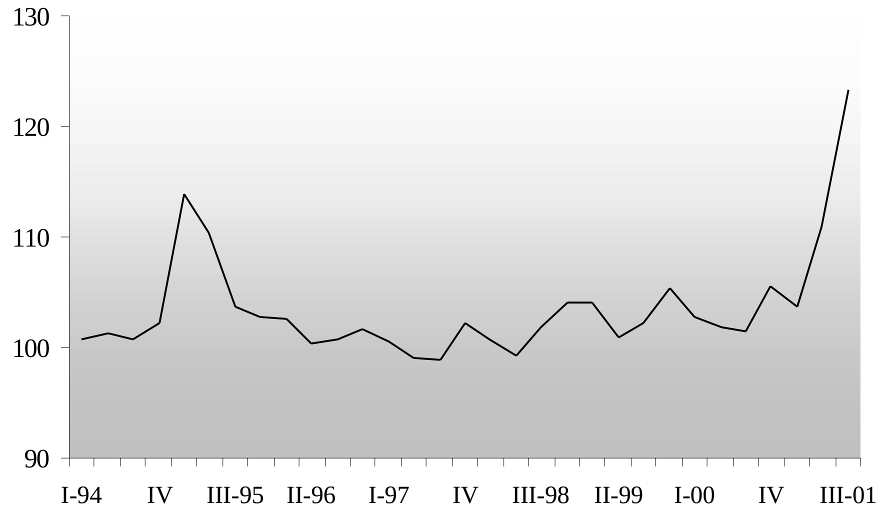
II.2. Production indicators and sales to the domestic market – Third quarter of 2001

In the third quarter of 2001, the manufacturing industry reduced its activity by 7.1% at constant prices and 8.6% at current prices. Measured at current values, the added value of the industry amounted to $42,976 millions, 15.8% of GDP. The Index of hours worked surveyed by the INDEC (-10.8%) continued falling steeper than the fall of physical volume (-8.6%), which determined an increase of hourly productivity in the industry. It is worth pointing out that, while the Physical volume index is 98 with respect to the base year 1993, the hours worked index is 66.8 and employed workers 68.9.

The low economic activity recorded in the period was mainly the result of a fall of domestic consumption, since exports grew in value (5%) and volume (7.7%), in spite of the price fall (-2.5%). However, this variation was lower than the one recorded by import prices and determined a trade terms index slightly higher than the same period of the previous year. The external outlook, however, is expected to become more complex due to the slowdown of developed countries' economy, which react by reducing their imports demand and set trade barriers. In turn, the domestic market continued to be affected by the drop of income and employment levels as well as by negative expectations that continued affecting the country risk premium, with the subsequent negative impact on domestic interest rates that influence consumption and investment decisions[2] .

2 *More recently, in December, the restriction over deposits and the hurried bankarization deepened the recession process that eventually led to a change of the government.*

GRAPH 1.2
Industrial cost index
Base 1993=100 - Deflacted by WDPI



As for industrial costs, in the third quarter, the financial variable has provoked a 21.6% increase of the Index calculated by the Industry Secretariat[3] , in which said evolution of rates is a key element since the rest of the components did not evidence significant changes (Graph 1.2). This rise of financial costs has prejudiced the most producers of textile products, paper and cardboard, basic metal industries and producers of rubber and plastic within the industrial sector.

In this context, 60% of production indicators selected exhibited negative year-on-year variation rates in the third quarter. As for sales, this proportion was somewhat higher in a smaller sample[4] . Information from surveys made at supermarkets and shopping centers (made by INDEC) confirms the stagnation of domestic consumption. In the third quarter, supermarket sales value declined 7.1% year-on-year due to falls of 6.4% of volume and 0.7% of prices. In October, the volume fall was deeper (-8.6%), while the price fall retained the same pace (-0.7%). The information from the survey made to shopping centers indicates even deeper falls, -19.5% in the third quarter and –20.1% in October (Graph 1.3).

In the sector of mining and quarrying, crude oil extraction grew (2.7%) and natural gas (0.5%) rose slightly. The exploration and exploitation of hydrocarbons continue being attractive, given that there continue to be investments in those items. For example, the most important Canadian oil group will increase its participation in two Neuquen wells and the domestic market leading company obtained exploitation licenses in two hydrocarbon areas of the Neuquen basin. Besides, the number of wells perforated grew 36.7% in the accumulated of the first nine months of 2001 compared to the same period of

3 *Center of Studies for Production. Industrial Statistics.*

4 *The quarterly performance of the different production sectors can be watched through a series of indicators of production and sales to the domestic market (Tables 1.9 and 1.10), whose monthly evolution is detailed in the Statistical Appendix.*

the previous year. In turn, crude oil price declined 16% year-on-year in the third quarter and continued falling in October down to $22 per barrel (World Bank Development Prospects), as a consequence of the slowdown of world economy that became worse since the attack to the United States in September. The change in the pace of gas extraction took place within a context in which the Judicial power stopped tariff increases, by rejecting indexation with United States prices but in which there are also sale pledges to neighboring countries with which gas pipes are being built. At present, there are 6 gas pipes to Chile and 1 to Brazil, and another one to Brazil and 2 to Uruguay are being built.

In the manufacturing industry the number of sectors that showed production falls was higher than those recording rises. The persistence of difficulties in the fiscal realm, even after the debt swap performed in the second quarter prevented country risk from decreasing, so external financing sources were closed and the zero deficit act was passed. The context became even more complex when public unconfidence led to the withdrawal of deposits from the banking system, which worsened the lack of liquidity. To reverse this situation of stagnation, competitiveness plans and employment plans[5] were extended, but they did not manage to encourage activity and maintain employment. There were not good results with the Convergence factor[6] , implemented to offset the negative effects of the Brazilian devaluation and several protectionist barriers, given that the appreciation of the euro partly reduced that competitiveness gain.

In the food industry there predominated the falls of economic activity in the different segments. There were falls in vegetable oils (-5.1%), crackers and cookies (-5%), beef (-10.5%), wheat flour (-0.8%) and spirits (-4.1%) as well as sales of beverages: beer (-5.2%) and wine (-5.6%). On the contrary, production of oilseed by-products (3.6%) and poultry slaughtering (0.9%), together with sales of sugar (9.5%) and production of industrial milk (0.9%). In the case of oils, there is a combination of a lower availability of sunflower provoked by a lower harvest level and the continuance of protectionist measures from part of our traditional purchasers, at a time when international prices of sunflower and soybean oils prices are increasing.

Slaughter of cattle continues being affected by the strong decrease of external sales provoked by a new outbreak of foot-and-mouth disease, though it is expected that by the end of this year, outbreaks record a considerable decline. According to sector estimates, the annual export volume will be the lowest of the last decade, a result that is also influenced by a fall of prices. In turn, the drop of domestic prices has allowed for the placement of excess supply in the local market.

The slight fall of wheat flour production is related to trade barriers imposed by Brazil and domestic financing problems that hinder at the fluency of the payments chain. Wheat, one of the main products Argentina exports to Brazil, became more expensive for the neighbor country as a consequence of the devaluation of its currency and determined the announcement of the aim of producing half of the cereal they consume in 2003. With respect to sugar sales, the rise was the result of the advancing of the harvest in some Jujuy and Salta plants. In the case of the diary industry, there is also the influence of the relation with Brazil, mainly the setting of a minimum price of 1,900 dollars per ton of powder milk for 3 years that makes the

5 *See Economic Report n°38.*

6 *D803/01 established a temporary regime for foreign trade, instrumented through the Convergence Factor (CF). It is equivalent to an American dollar less the simple average of one American dollar and a European Union Euro, at its price in American dollars at the London Interbank market. Exporters receive the Convergence Factor times the FOB value of exports in dollars. At the same time, reimbursements to exports were reduced in 7 percentage points (Res. 220/01 M. of Economy) because at the beginning the CF amounted to that figure.*

TABLE 1.9
Production Indicators
Year-on-year percentage change

Category	I 00/ I 99	II 00/ II 99	III 00/ III 99	IV 00/ IV 99	Year 00/99	I 01/ I 00	II 01/ II 00	III 01/ III 00	9 months 01/ 9 months 00
Mines and quarries									
Crude oil	-4.2	-3.9	-4.4	-3.2	-3.9	-2.4	0.5	2.7	0.2
Natural Gas	9.1	6.7	6.5	1.0	5.8	1.5	3.6	0.5	1.9
Manufacturing Industry									
Foodstuffs									
Wheat flour	-0.6	-4.3	4.4	-0.3	-0.3	-3.3	0.6	-0.8	-1.1
Vegetable oils	3.6	-11.6	-10.9	0.8	-5.7	-30.3	-11.3	-5.1	-14.5
Oilseed products	-0.5	-5.2	-3.8	-0.6	-2.9	-23.8	2.8	3.6	-3.1
Biscuits and cookies	3.8	3.7	2.6	6.3	4.1	9.6	-5.0	-5.0	-0.1
Beef	9.7	4.3	2.8	-4.7	2.8	-7.0	-9.7	-10.5	-9.0
Poultry	-3.5	3.6	0.9	4.8	1.5	2.0	-0.7	0.9	0.7
Milk for Industries and Consumption	-3.3	-4.0	-8.4	-4.3	-5.0	-6.2	-2.0	0.9	-2.5
Beverages									
Alcoholic drinks	-16.2	-14.9	-5.4	-2.9	-10.2	15.1	3.0	-4.1	3.6
Textile raw materials									
Cellulose yarns	57.6	7.2	-40.2	-57.5	-20.1	-32.1	5.5	-87.8	-37.1
Synthetic fibers	30.7	35.0	18.3	16.9	25.2	-28.0	-43.8	-37.9	-37.0
Synthetic yarns	60.3	40.6	20.9	9.5	30.0	-26.8	-3.4	-2.8	-10.4
Paper									
Pulp	35.5	3.9	6.7	44.1	20.2	-10.8	-9.3	-11.7	-10.6
Newsprint	6.7	-2.4	-1.2	6.8	2.3	9.6	9.8	11.3	10.2
Chem. products and oil by products									
Soaps	-17.1	-0.8	-26.8	-21.7	-16.7	-9.3	-3.9	24.1	2.1
Tires	16.2	0.2	12.7	-8.2	4.7	-6.7	-6.0	-3.3	-5.3
Urea	77.0	-1.6	1.2	10.9	14.6	357.3	303.1	417.0	358.6
Caustic soda	46.9	22.5	-39.3	-20.0	-2.3	-7.2	-6.1	79.0	13.6
PVC	84.1	77.7	-24.3	14.6	35.4	-16.0	-0.5	119.6	14.7
Polyethylene	-15.6	22.3	-18.4	32.1	4.5	74.1	53.6	124.6	81.1
Polypropylene	18.5	61.5	20.0	-0.3	20.9	-1.7	19.8	4.7	7.0
Isopropanol	-30.6	0.5	-20.0	-2.7	-13.9	-48.3	-7.8	-14.6	-21.7
Synthetic rubber	-15.3	17.2	16.1	0.0	3.8	12.2	-42.2	-2.7	-12.9
Smoke black	62.0	-3.8	53.2	44.5	31.9	0.1	-8.8	-15.0	-8.3
Sulfuric acid	11.1	-3.7	16.4	2.3	5.8	9.3	-25.6	-27.8	-14.9
Chlorine	45.0	21.9	-39.5	-20.8	-3.0	-5.9	-5.4	83.5	15.5
Processed oil	-5.8	-5.1	-8.9	-3.9	-5.9	0.9	3.1	5.1	3.0
Gasoline	-9.4	-4.5	-6.6	-10.9	-7.9	-4.1	4.8	-3.5	-0.9
Diesel oil	-3.8	-1.1	-6.0	-2.3	-3.3	-0.1	-1.1	9.0	2.5
Fuel oil	0.7	-14.9	-23.3	4.7	-9.2	41.2	18.3	11.7	23.5
Base metals									
Crude Steel	31.4	15.8	12.8	14.5	17.8	1.9	8.4	-16.2	-2.5
Hot-rolled:									
Non-flat laminates	47.2	-7.7	-7.2	-1.3	4.3	-9.9	8.3	5.6	1.0
Seamless pipes	58.0	66.3	50.8	50.2	55.5	31.1	3.1	2.5	9.5
Flat laminates	15.5	1.7	7.8	-9.8	3.1	8.8	1.9	-27.5	-6.8
Cold laminates	10.1	-14.5	0.6	-10.6	-4.0	0.3	14.8	-24.7	-4.2
Primary aluminum	51.3	52.6	19.4	0.0	26.6	0.7	-8.6	-16.0	-8.1
Zinc	4.1	-8.2	-7.2	-22.1	-8.7	6.2	19.1	5.2	9.9
Iron ore	54.3	24.2	7.9	9.8	21.2	-1.6	3.1	-23.3	-7.3
Inputs for Construction									
Cement	-13.7	-24.4	-9.8	-11.5	-14.9	-5.2	6.2	n.d.	n.d.
Paint	2.1	-6.0	3.4	-1.5	-0.3	-7.0	2.2	-11.3	-6.0
Iron rods for concrete (1)	13.8	-32.9	-25.9	-16.3	-17.6	-7.9	18.1	-1.4	2.1
Transport equipment									
Motor vehicles:									
Automobiles	62.1	19.7	-7.3	-17.7	6.2	-33.0	-4.2	-29.1	-21.6
Vans	70.3	39.6	39.0	-7.6	29.2	-27.4	-20.4	-43.9	-31.5
Trucks and Buses	-6.2	27.3	11.1	-0.3	7.9	-16.2	-12.8	-54.2	-30.0
Tractors	-84.4	-66.3	-76.8	-67.0	-74.8	-30.1	-86.0	-93.8	-75.0
Machinery and equipment									
Machine tools	-20.8	-7.0	31.8	-13.3	-4.1	56.1	7.0	-10.2	14.7
Household appliances									
Washing machines	6.6	11.4	32.6	3.1	13.5	-10.2	15.2	-7.5	0.6
Dryers	-19.0	-17.7	-11.2	1.1	-13.6	-24.6	-17.0	-18.3	-19.3
Color TV sets	34.4	23.6	35.6	-12.6	16.6	-14.0	-15.1	-20.9	-17.0

(1) Third quarter 2001 variation corresponds to July and August months.

Source: *Ministry of Economy based on data from INDEC, other government agencies and private organizations and trade* product more expensive, on top of the effect produced by the real devaluation.

The slowdown of poultry slaughtering can be related to the domestic market with the substitution provoked by the drop of beef prices and, the same as other sectors, the financial difficulties given the high interest rates.

Sales of cigarettes reduced 7.5% due to the decrease of demand, high stocks and the competition of products illegally entered into the country.

Manufacture of some textile inputs reduced remarkably during the third quarter. Production of cellulose yarns amounted to just 12% of last year production and synthetic fibers and yarns decreased 37.9% and 2.8%, respectively. In August and September, the only company producing acetate yarn has made a total stoppage and in this last month, a firm producing a special nylon yarn for the manufacture of carpets closed its operations. Other companies of the sector have also closed their production lines due to the reduction of domestic demand, to imported goods and to the fall of exports, factors that, together with the financial difficulties that bring about high interest rates influenced the poor performance. It is worth mentioning that the Commerce Secretariat increased specific import duties for textiles and shoes from extra-Mercosur countries[7] and determined the continuance of the investigation for alleged dumping in transactions with polyester fibers from Korea.

In the paper sector, there continues to be a drop of cellulose paste (-11.7%), together with a rise of press paper (11.3%). The increase of the latter paper substitutes part of the imported supply and has even allowed for some exports. With respect to the different uses, it is worth mentioning that toilet paper, which showed a good performance until August, experienced a fall in September. In the press paper segment there are some investments to improve quality and expand production scale while those used for containers and packaging are the most affected by the fall of economic activity in their respective demand, the food, tobacco, cement and pharmaceutical industries. The government, which had committed to regulate Decree 909/2000, Buy National Products, within a term not longer than sixty (60) days from execution of the competitiveness plan, issued a resolution with the guidelines for the publicity of hiring State suppliers[8] .

Among chemical products and oil by-products, there prevailed rises of production levels. During the third quarter, there continued the expansion of urea (417%) and polyethylene (124.6%), as a consequence of the launching of the Profértil and Mega projects, respectively and, to some extent, due to the plant stoppage the year before when there was an accidental chlorine leakage. There were also rises in production of PVC (119.2%) and polypropylene (4.7%), whereas there were declines in isopropanol (-14.6%) and synthetic rubber (-2.7%). Internal demand of plastic raw materials is showing a drop related to the poor performance of plastic manufacture that is trying to be setoff with exports to Brazil, Uruguay, Paraguay, Chile, Peru, Bolivia and Europe. Another category that grew, after [7] quarters of falls, was soaps (24%) also driven by exports, in this case intra-company among branches of companies resident within Mercosur countries and Chile.

On the other hand, manufacture of tires continues falling (-3.3%), linked to the decline undergone by the automotive and agricultural machinery industry as well as the competition of imports and a lower demand in the segment of used

7 *With Res. 617/01 of the Ministry of Economy, in October, import duties were adjusted to protect the normal performance of the sectors affected by import flows that provoke distortions in the domestic market.*

8 *Res 61/01 of the Industry Secretariat set the guidelines to which the publication or publicity of the hiring of Concessions of Public Works and Services, State-owned companies and Works and Services Contractors.*

tires maintenance. Production of smoke black fell even more (-15%).

With regards to basic chemicals, the remarkable year-on-year increase in the production of chlorine (-83.5%) and caustic soda (-79%) was the result of their contractions during the same period of last year. In turn, manufacture of sulfuric acid fell (-27.8%) due to the lower activity of the industries using these inputs, particularly slaughter houses, textile, metallurgic, oil and accumulators industry.

Sales of pharmaceutical products grew again (6.1%). In the last months, the fear of a biological war has again set the controversy of patents and access to drugs at lower prices. The World Trade Organization (WTO) has recently supported the TRIPS agreement but with exceptions and modifications in case of public need.

Oil processing continued growing (5.1%) and by-products again evidenced different behaviors. Manufacture of diesel oil (9%), fuel oil (11.7%), and asphalt (3.6%) increased, but gasoline (-3.5%) declined. As for sales, there continues the fall of gasoline (-11.9%) and this time diesel oil (-10%) also dropped. The reduction of the tax for fuels transfers (Dec 802/01)[9] was suspended through the Zero Deficit Act and the increase for diesel oil was confirmed.

With the exception of sales of asphalt that grew (18.3%), the rest of inputs for construction surveyed showed lower levels of production or sales compared to last year. Cement dispatches declined (-15.1%), as well as glass (-9.4%) and paints (-11.3%), the information about rebar, which is not complete as of Sep-

TABLE 1.10
Domestic Market Sales of National Products
Year-on-year percentage changes

Category	I 00/ I 99	II 00/ II 99	III 00/ III 99	IV 00/ IV 99	2000/ 1999	I 01/ I 00	II 01/ II 00	III 01/ III 00	9 months 01/ 9 months 00
MANUFACTURING INDUSTRY									
Foodstuffs									
Sugar	8.3	0.0	2.8	3.5	3.6	0.3	0.3	9.5	3.2
Beverages									
Beer	-1.5	4.5	2.7	-3.5	-0.4	-2.1	-8.2	-5.2	-4.6
Wine	-1.6	-3.2	-0.7	-4.2	-2.5	-1.7	1.0	-5.6	-2.2
Carbonated Soft Drinks (1)	3.2	0.4	-4.0	0.1	0.0	8.3	10.6	9.3	9.3
Tobacco									
Cigarettes	-8.4	1.3	-7.0	-14.9	-7.6	2.2	-8.9	-7.5	-4.8
Chemical products and Oil by-products									
Pharmaceutical products	-5.1	-8.1	-6.1	-4.2	-5.9	-2.8	13.1	6.1	5.6
Gasoline	-8.1	-7.3	-9.1	-13.6	-9.6	-6.5	-9.8	-11.9	-9.4
Inputs for Construction									
Cement deliveries	-13.0	-22.9	-9.9	-14.2	-15.0	-7.6	-0.9	-15.1	-8.2
Glass for construction	9.5	-3.5	-3.6	3.7	1.3	-5.2	6.2	-9.4	-3.0
Asphalt	-1.0	-27.0	-38.6	-28.8	-24.6	-14.9	20.7	18.3	5.5
Transport equipment									
Motor vehicles:									
Automobiles	54.6	4.5	-32.8	-47.7	-14.9	-53.7	-52.4	-47.4	-51.4
Vans	44.8	-7.2	-36.8	-34.4	-17.0	-48.4	-39.5	-36.8	-41.7
Trucks and Buses	-5.6	-14.4	-36.4	-27.1	-22.9	-36.9	-46.0	-52.0	-45.0
Machinery and Equipment									
Machine tools	-27.8	-23.4	23.4	-19.9	-14.2	6.9	-11.0	-5.1	-3.3
OTHER SECTORS									
Electric power consumption	8.6	10.5	7.0	1.4	6.8	5.6	0.3	0.6	2.2
Garbage collection	1.8	3.7	-2.1	-3.3	0.0	-1.1	-1.8	-2.4	-1.8

(1) Third quarter 2001 variation corresponds to July and August months.
Source: *Ministry of Economy based on data from INDEC, other government agencies and private organizations*

9 *Said decree increased to $0.15 the tax over diesel oil and kerosene, of which $0.05 will be applied to the development of infrastructure projects and/or the elimination or reduction of tolls. On the other hand, said tax was reduced to $0.38 per liter over gasoline, natural gasoline, thinner and turpentine.*

TABLE 1.11
Production and sales of motor vehicles
In units

Concept	Automobiles	Vans	Trucks and buses	Total
	January - November 2001			
. Production	163,592	56,055	8,284	227,931
. Exports	107,134	37,244	4,200	148,578
. Domestic Sales (domestically manufactured products)	67,516	19,453	2,790	89,759
. Changes in Inventory (domestically manufactured products)	-11,058	-642	1,294	-10,406
. Domestic Sales of Imported Products	51,656	22,367	3,960	77,983
. Total Domestic Sales	119,172	41,820	6,750	167,742
. Domestic Sales of Imports minus Exports	-55,478	-14,877	-240	-70,595

tember, indicates a positive variation of 6.4% in the two first months of the quarter. The decline in this type of goods relates to a lower construction activity. Both public and private works are immersed in an uncertainty that postpones investment decisions. In the period, budgets continued to be presented and projects were awarded within the Federal Infrastructure Plan that is not alien to the cautious mood in the sector.

In the third quarter of 2001, production of basic metal industries exhibited falls in all the stages of production. Only the production of non flat laminates, including seamless pipes, maintained a positive variation. The rest of the items, from primary iron to cold laminates experienced two digit falls. These drops are reflecting the decline of domestic consumption and the worsening of the world iron-and-steel industry crisis. The increase of protection measures adopted by the main markets consuming steel is the result of the drop of international prices that would be provoking an excess of world installed capacity[10] . Production of primary aluminum was also lower (-16%) than the same period of the previous year and it was due to the fact that, after the technical problem of Futaleufú that went out of service, the resumption of activity was gradual. In turn, the international outlook appears to be problematic since the slowdown of world economy has determined a price fall of 12% year-on-year in the quarter, and continued falling in October.

During the third quarter of 2001, the national automotive industry again experienced declines of production and sales of all types of vehicles. Even exports dropped, thus worsening the situation of the sector. The measures taken before, such as abolishing domestic taxes over diesel automobiles and engines[11] , the execution of the competitiveness agreement in May with the National Administration and the Incentive Re-

10 *The International Trade Committee has established (in August) that the American industry is being prejudiced by the unfair competition of laminate steel from Argentina and South Africa and, consequently, antidumping and compensatory duties shall be applied to said countries.*

11 *Dec. 731/01 abolished excise taxes established by Act 24.674 and its modification and Dec. 848/01 did the same with the charge over vehicles using diesel oil.*

gime for purchases of national spare parts made by automobile manufacturers, to be used for the local production of automobiles[12] , in spite of managing to decrease retail prices, were not enough to create favorable conditions for investment and consumption of vehicles.

In the first eleven months of 2001, total production of vehicles amounted to 227,931 units, 27.5% less than the previous year. Production of vans (-29.5%), cars (-26.1%) and cargo and passenger vehicles (-38.4%) decreased.

Exports, on the contrary, grew in the same period and amounted to 148,578 units, which accounts for a rise of 22% and for 65% of production, concentrated in cars, since the

TABLE 1.12
Production and sales of motor vehicles
Year-on-year percentage change

Concept	IV 00/ IV 99	I 01/ I 00	II 01/II 00	III 01/III 00	Oct-Nov 01/ Oct-Nov 00
Total for all vehicles					
Producción	-14.8	-31.1	-8.7	-34.5	-40.1
Exportaciones	65.7	103.5	55.2	-14.9	-20.0
Ventas al mercado interno (de producc.nacional)	-44.6	-52.3	-49.8	-45.4	-47.9
Ventas al mercado interno de importados	-24.2	-16.3	-34.4	-45.1	-33.9
Ventas al mercado interno total	-37.6	-39.4	-43.8	-45.3	-42.3
Automobiles					
Production	-17.7	-33.0	-4.2	-29.1	-44.5
Exports	96.4	123.3	94.3	7.3	-14.2
Domestic Sales (domestically manufactured products)	-47.7	-53.7	-52.4	-47.4	-48.9
Domestic Sales of Imported Products	-25.2	-18.2	-41.3	-39.6	-26.7
Total Domestic Sales	-40.9	-42.3	-48.4	-44.4	-40.7
Vans					
Production	-7.6	-27.4	-20.4	-43.9	-19.5
Exports	37.3	72.7	1.5	-43.8	-22.5
Domestic Sales (domestically manufactured products)	-34.4	-48.4	-39.5	-36.8	-39.8
Domestic Sales of Imported Products	-24.7	-3.0	-3.0	-50.5	-39.7
Total Domestic Sales	-30.4	-28.0	-23.7	-44.4	-39.8
Trucks and Buses					
Production	-0.325896215	-16.19196254	-12.79190451	-54.23607806	-69.83002833
Exports	7.825751735	87.36349454	-31.0619469	-68.19650937	-71.65012407
Domestic Sales (domestically manufactured products)	-27.1	-36.9	-46.0	-52.0	-68.7
Domestic Sales of Imported Products	-14.3	-41.7	-59.5	-66.6	-69.5
Total Domestic Sales	-20.0	-39.9	-54.9	-61.5	-69.1

Source: *ADEFA.*

12 The advantage consists in a fiscal bond to be applied for the payment of federal taxes for an equivalent of 6% of purchase value of national spare parts, net of Value Added Tax, financial expenses and discounts, as per the corresponding invoices (Dec. 778/01).

other categories declined. It is worth highlighting that this variation, almost annual, has reversed in the middle of the year. While in the first semester growth was 71%, in the second half, there was a fall of 17%. The decrease of the Brazilian demand could not be setoff with increases to the rest of the markets.

Domestic sales of national production cars to dealers (89,759 units) also experienced a strong drop (-49.2%) derived from the contraction of purchasing power, as the result of the long recession and of interest rates affected by country risk. A 16% drop of retail prices was not enough to reactivate domestic demand.

The fall shown by sales of imported items (-32.8%) was somewhat lower than the one experienced by national vehicles and, thus, they share increased. This type of vehicles accounted for 46.5% of total sales to the domestic market.

In the period January-November, net external trade of vehicles showed a surplus of 70,595 vehicles and, at the same time, there was a decrease of stocks that supplied exports of cars and vans.

Production of tractors again had a significant fall (-93.8%) in the third quarter. The sector is working at 50% its capacity and financial difficulties have determined production levels strictly matched with purchase orders, in order to prevent stocks to raise. It is expected that the floods that affected the provinces of Buenos Aires and Santa Fe have an additional negative effect over the sector due to the decrease of croplands.

In the segment of machine tools there was again a decline. Production fell 10.2% and sales dropped 5.1%. Although variations are not that strong, the respective index levels are very low. Production index, base 1985=100, in the quarter amounted to 64.6 and the sales index, the same base, 58.4.

Within consumption of durable goods, there were also falls in the manufacture of television sets (-20.9%), dryers (-18%), washing machines (-7.5%), VCRs (-11.9%), telephones (-44.7%), refrigerators (-18.7%) and freezers (-8%). On the contrary, there were rises in familiar heaters and stoves (12.8%) and air conditioners (112.1%).

Total demand of electric energy in the country in the third quarter (19,600 Gwh) again grew quite slightly (0.6%) but it is still in excess of the evolution of GDP. In October, there was also a greater consumption (3.4%). Congress abolished Decree 8004/2001 that deregulated the electrical market and was aimed at the decrease of the State intervention in the formation of prices, recognizing that marketers are agents of the Wholesale Electric Market and deregulates extensions of the current system, applying market rules to favor investments.

Garbage disposition in the Capital and the urban conglomerates fell again for the fifth quarter (-2.4%) as a consequence of the lower activity. In of October and November, there was a slight rise (0.4%) and a later fall (-1.2%), respectively.

II.3. Monthly Industrial Estimator. October 2001

The Monthly Industrial Estimator (MIE) prepared by the INDEC fell again in October (-8.8%) with respect to the same month of the previous year (Table 1.13 and Graphs 1.4 and 1.5) and accumulated a 4.4% fall in the 10 first months of 2001 (-2.5%). With respect to the previous month, the seasonally adjusted variation showed a negative behavior (-1.7%), the same as the cycle-trend (adjusted MIE), which fell 0.7% [13] [14] .

13 *Please see Methodological Summary of EMI, Seasonal Adjustment and Adjusted EMI Estimator, INDEC, April 2000.*

14 *The IME data corresponding to November indicated a year-on-year fall of 11.1% and a seasonally adjusted variation with the previous month, also negative, of 2%. At the level of higher categories, there were declines in automobiles, textile products, metal-mechanical industry and non metal minerals.*

In October, the number of sectors that showed increases amounted to 28%; among them, there stand out plastic raw materials, other basic chemicals, personal hygiene products and some food products, such as edible oils and sugar. The rest showed diverse declines. The steepest corresponded to smoke black, automobiles and construction inputs. The fall of domestic demand, together with problems in the payments chain and the slowdown of world economy contributed to the drop of many activities. Also, the high financial cost and its influence over maintenance of stocks have caused a downward restructure of supply so as to minimize it.

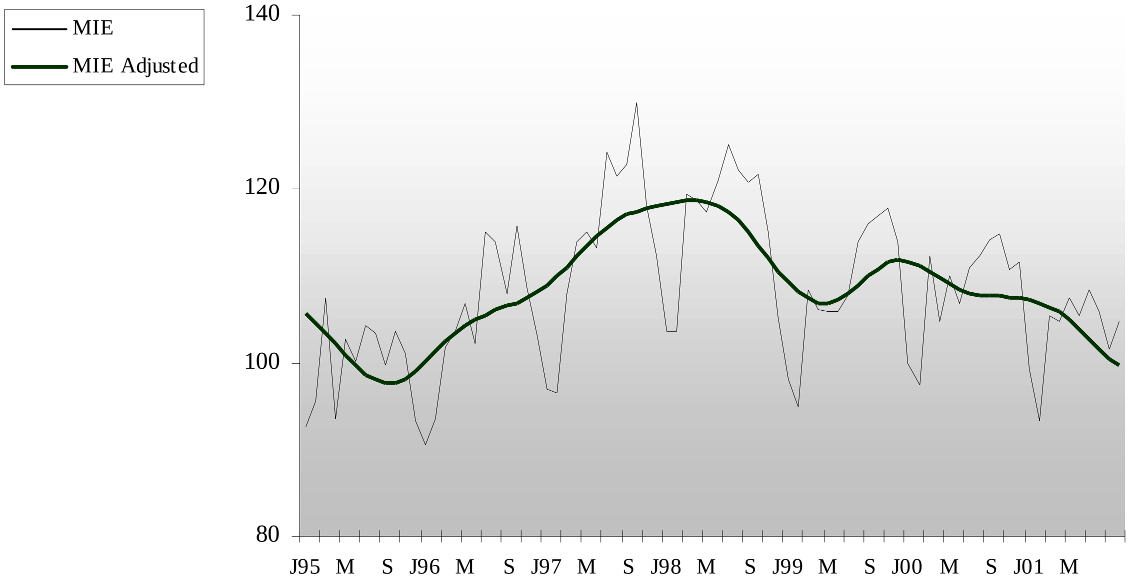
The firms consulted for the qualitative survey indicated for November greater expectations of negative answers than positive answers with respect to the evolution of local and external demand, even to exports to the Mercosur. They also anticipate a drop in the use of inputs and of installed capacity. On the contrary, in the case of stocks, they expect a rise and as regards employment and worked hours (always as the balance of positive and negative answers, since most of them do not expect changes in each of the items surveyed) they expect declines. At the same time, the higher credit needs would be mainly destined for the

TABLE 1.13
Monthly Industrial Estimator (MIE)
YoY Percentage change

Category	Oct 00/ Oct 99	Nov 00/ Nov 99	Dec 00/ Dec 99	2000/ 1999	Jan 01/ Jan 00	Feb 01/ Feb 00	Mar 01/ Mar 00	Apr 01/ Apr 00	May 01/ May 00	Jun 01/ Jun 00	Jul 01/ Jul 00	Aug 01/ Aug 00	Sep 01/ Sep 00	Oct 01/ Oct 00	Jan-Oct 01/ Jan-Oct 00
GENERAL LEVEL	**-1.6**	**-6**	**-1.9**	**0**	**-0.8**	**-4.3**	**-6**	**0.1**	**-2.4**	**-1.2**	**-2.1**	**-5.8**	**-11**	**-8.8**	**-4.4**
Food Industry															
Beef	-2.2	-4.6	-7.1	2.8	-1.2	-5.2	-14.0	-2.4	-12.5	-13.1	-8.6	-8.2	-15.1	-3.3	-8.5
Poultry	8.8	5.3	1.2	1.5	14.5	-2.3	-4.9	1.3	0.8	-3.8	3.2	1.8	-3.4	3.5	1.0
Dairy products	-5.5	-6.5	-5.0	-5.5	-3.7	-10.2	-13.3	-7.4	-4.0	-4.6	-0.1	-0.9	-1.3	-5.8	-5.0
Edible Oils	-8.5	1.2	12.8	-3.6	-23.9	-50.9	-6.6	-5.3	-3.9	1.3	3.9	-0.1	3.0	9.5	-5.8
Bread and pasta	-0.2	-0.9	-0.3	-0.4	1.4	-6.4	-10.0	-5.7	-5.0	-2.4	1.0	0.3	-0.3	5.1	-1.7
Wheat flour	-4.3	-0.2	-3.3	-2.6	0.0	-5.5	-10.0	-5.4	-5.1	-2.3	-0.6	-1.3	2.8	n.d.	n.d.
Processed yerba mate	13.2	6.9	6.3	9.7	11.8	-20.3	-8.6	3.6	0.4	0.9	4.1	-1.0	-12.8	-12.3	-3.7
Liquors	6.9	-12.3	-6.1	-12.7	35.5	-0.5	30.7	0.7	18.7	10.1	-9.1	-20.6	n.d.	n.d.	n.d.
Cigarettes	-5.9	-7.3	-26.3	-7.7	34.9	-10.6	-7.6	-7.0	-7.8	-11.9	-4.5	-1.7	-3.6	-4.5	-3.5
Textile Industry															
Cotton yarn	5.8	9.5	28.7	7.7	1.9	-10.9	-27.2	-25.0	-16.0	-2.6	-14.7	-11.6	-15.1	-11.6	-14.4
Synt. and artificial fibers	11.6	2.3	-2.1	23.0	-19.8	-21.2	-9.3	-2.0	-13.1	-19.0	-16.3	-14.3	-26.9	-22.1	-16.4
Fabrics	-3.2	-6.1	0.7	1.2	-6.5	-13.3	-30.0	-22.3	-14.7	5.3	-11.5	-18.1	-22.7	-28.6	-16.9
Paper and manufactures															
Paper and cardboard	1.6	-9.2	5.4	8.2	-3.4	-0.5	3.7	-1.8	1.1	1.8	8.6	3.4	-11.2	-3.2	-0.2
Chemical Industry															
Plastic manufactures	-5.8	-4.5	1.3	-4.4	4.7	-0.1	2.5	7.1	-3.4	-5.2	-4.6	-4.6	-4.6	-22.8	-8.1
Processed oil	-7.6	-3.6	1.5	-5.3	3.6	-2.3	1.2	5.3	0.5	2.0	7.5	-3.6	5.9	-1.4	1.8
Base chemicals	-1.9	-5.2	-16.0	-3.4	-11.4	-14.9	-4.5	14.4	11.6	5.6	28.3	39.3	27.2	27.3	12.2
Industrial gases	31.6	25.0	41.6	28.0	22.0	33.5	14.9	19.7	10.4	11.8	4.2	5.6	-5.4	-2.0	10.3
Agrochemicals	40.3	-9.5	40.2	33.4	0.0	104.3	54.0	72.3	3.2	-10.5	14.4	45.3	-6.4	-4.4	18.6
Tires	-6.5	-5.5	-25.8	0.2	-27.5	32.0	-14.3	-23.7	-4.1	-3.9	-8.7	-7.6	-12.8	-9.2	-9.4
Carbon Black	36.1	6.8	114.5	31.9	137.8	-39.9	-13.3	-11.4	-15.7	3.0	6.8	-24.4	-25.4	-46.8	-12.6
Plastic Raw Materials	16.8	1.0	25.2	14.2	17.7	1.4	32.1	33.1	23.7	19.6	37.6	96.8	77.0	30.7	34.3
Pharmaceutical products	1.4	-3.9	-5.1	-4.4	6.1	-0.6	-9.1	2.1	3.2	-2.8	-4.4	-8.2	-9.4	-10.2	-4.5
Inputs for Construction															
Cement	-21.7	-17.0	-1.0	-16.4	-15.2	-8.9	1.2	-3.4	5.5	-2.1	-7.2	-11.9	-19.9	-30.1	-9.8
Other construction materials	-17.2	-19.5	-11.6	-17.9	-2.1	-6.0	-10.4	5.5	0.8	-2.7	-1.7	-18.7	-25.3	-20.9	-8.9
Base metal industries															
Iron ore	12.0	7.0	10.1	21.2	8.0	-3.1	-7.7	-4.9	7.9	7.0	-2.5	-28.9	-36.4	n.d.	n.d.
Crude steel	17.0	14.1	16.5	19.4	8.5	0.1	1.2	0.7	14.8	14.8	-3.0	-30.7	-12.1	-18.5	-3.4
Hot rolled steel	-1.4	-0.8	8.0	10.3	2.6	-5.1	20.5	8.9	-8.0	12.8	-0.1	-28.0	-11.2	n.d.	n.d.
Primary aluminium	0.0	1.0	1.1	26.9	5.5	-2.8	-0.5	-1.4	0.7	-25.2	-35.3	-12.5	-2.8	1.6	-7.1
Metallurgy-to-Mechanical Ind.															
Motor vehicles	-10.3	-13.3	-24.1	9.5	-37.4	-25.3	-27.0	-7.8	-5.7	-13.4	-19.2	-37.5	-48.2	-39.0	-25.9
Metallurgy-to-Mechanical excl. auto. ind.	-11.5	-16.6	-21.8	-14.0	-8.7	-16.1	-21.6	-8.8	-18.4	-7.3	-22.6	-26.4	-18.7	-21.8	-16.9

Source: *INDEC [National Institute of Statistics and Census]*

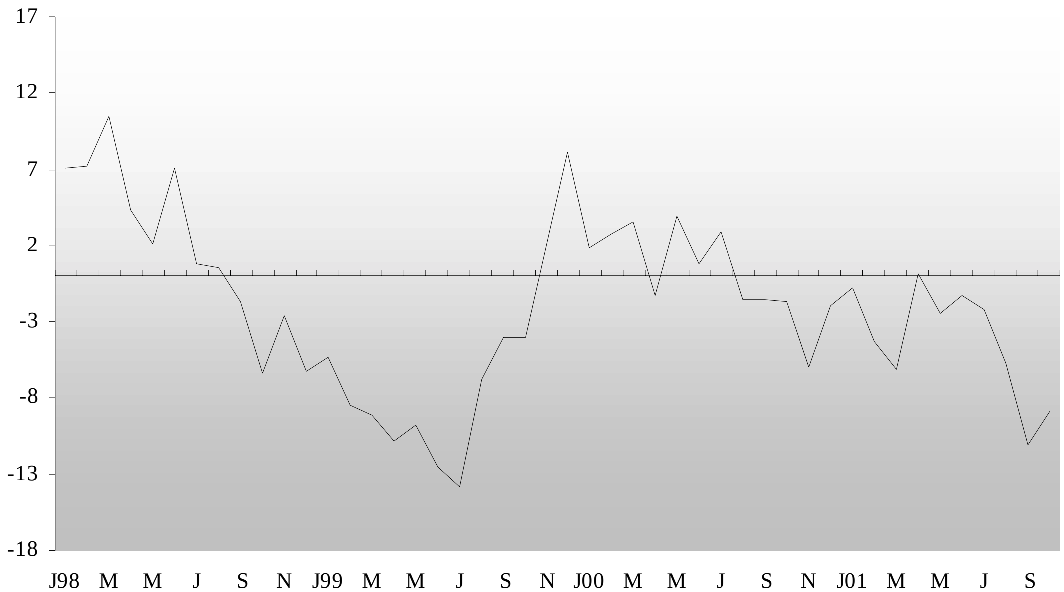
GRAPH 1.4
Monthly Industrial Estimator
Index 1993=100



financing of customers and refinancing of liabilities.

The block of the food industry showed a fall compared to the same month of the previous year (-1.5%) in view of the persistence of external difficulties, which add up to the weakened local demand. However, manufacture of oils and oilseeds by-products recovered 9.5% year-on-year thanks to the peak soybean harvest and the increase of international prices. It is worth highlighting that more than 40% of sales of bottled oils are destined to Russia and local producers fear that this country also set tariffs at the beginning of next year. Production of red meat continues showing falls (-3.3%) related to the foot-and-mouth disease problem and in view of the coming European sanitary mission evaluation which is estimated to recommend the resumption of shipments for next year, with stricter controls. As for local demand, the lower prices do not manage to provoke an increase of consumption so that it offsets the negative external effect. In the diary sector, there was a negative year-on-year variation (-5.8%) related to falls of domestic demand and, especially, external demand. The lower production was the result of the frequent rains that make difficult to milk cows and send the milk to the industrialization plant and of lower orders of powder milk from Brazil. The competition with other producer countries could affect the incipient Mexican demand, which represents an interesting opportunity, given the domestic production deficit with respect to a growing consumption. Production of wheat flour rebound 5.1% in the last month, however, several mills are undergoing severe financing problems that hinder the normal development of the milling activity. These circumstances add up to an external context hampered by the Brazilian real depreciation and non tariff restrictions. The heavy rains in the provinces of Buenos Aires, Santa Fe, Cordoba and La Pampa have affected 50% of the wheat crop land and, consequently, the expectations about achieving a peak harvest. Sugar production also grew (8.1%) given the advance of the harvest in some mills compared to last year. The

GRAPH 1.5
Monthly Industrial Estimator (MIE)
Year-on-year percentage variation



growth expected for this year will be the result of a higher production in Salta and Jujuy, since the Tucuman harvest was slightly lower than the previous year as a consequence of the heavy rains recorded in the last months that forced the activity to be suspended. As for prices, this year producers took advantage of higher values than in the last two years. Manufacture of yerba mate, in turn, experienced a fall of 12.3% and, on the contrary, white meat increased 3.5%.

Production of cigarettes fell 4.5%. The lower orders recorded in the domestic market and the high stocks forced a downward restructure of production.

The textile industry continued being affected by the strong decline of domestic demand, the high share of imports and the decrease of external sales. The most affected sector was knitted products and in the artificial fibers segment there were different plant stoppages.

Paper and cardboard manufacture fell in October (-3.2%) due to the fall of press paper and paper for containers and packaging. The lower internal demand and the competition of imports at a lower price obstruct reactivation. Particularly, the fall of industrial activity affect the latter type of paper. In view of the decline of internal demand, companies are increasing exports, which nowadays do not exceed 5% of the total..

Oil processing decreased 1.4% in October. Production of by-products fell due to the lower manufacture of heavy distilled products due to technical stoppage and also to distribution problems caused by the floods that took place in the Pampa region. While sales of asphalt increased slightly thanks to the exports to neighboring countries and re-overlaying of streets, transactions with gasoline, diesel oil and lubricants in the domestic market decreased, even in spite of the fact that crude oil prices volatility reached a lowest of the last two years.

The category of chemical substances and products retained a positive variation but the number of items that recorded falls increased. The most dynamic behavior corresponded to plastic raw materials (30.7%) and their inputs, basic chemical products (27.3%), both affected by the launching of the Mega Plan during March 2001 that implied and important increase of ethylene and polyethylene production. The expansion of production generated by this has been channeled mainly towards the external market, due to the contraction of local consumption and in spite of the fact that the excess world supply pushes prices downwards. Production of agrochemicals declined 4.4% in the month as a consequence of the lower sales to the domestic market brought about by the financial difficulties undergone by agricultural producers and of floods. Given the magnitude of the latter, it is expected they have more unfavorable effects in the next months. Manufacture of medicines also fell (-10.2% in October). The cause would be the lower internal sales, which forced it to work with lower stocks, and the payments difficulties led some laboratories to decrease their sales. This interruption of the payments chain stems from the delay of some union-run social services to pay their debts with wholesale and retail drugstores that is translated to the producer. As for external sales, they were prejudiced by the Brazilian real devaluation and the income of goods from Asian countries. Production of detergent, soap and personal products, on the contrary, increased 13.2% as a consequence of extensions of installed capacity and higher exports. Production of smoke black fell significantly (-46.8%) affected by falls in local and external demand. As for the domestic market, there was an important drop of dispatches in the industry of tires and other rubber products used in the manufacture of spare parts, shoes, as well as a great variety of industrial pieces. In turn, external demand, mostly Brazil, is experiencing a loss of competitiveness with the neighbor country.

Production of plastic manufactures, which fell 22.8%, faces less purchase orders from the spare parts industry and construction and, the same as other industries, a stop of the payments chain. The high financial cost and the difficult access to working capital provokes a decrease of stocks to their minimum, only producing for specific purchase orders. International markets situation has also an influence over the sector, since the existing excess of supply depresses prices and profitability. Manufacture of tires also reduced (-9.2%) as a consequence of the lower sales to the domestic market, affected by the situation of the automotive industry and the financial difficulties already discussed.

Production of non-metal minerals as a whole evidenced a contraction of 25.3%, with falls in each of the products surveyed, steeper than those verified as average of the first ten months of the year, thus indicating more recession. The declines in the production of cement (-30.1%) and glass (-29%) and other construction materials (-20.9%) were the result of a lower construction activity in both private and public works.

With respect to basic metal industries, there was a fall of crude steel (-18.5%) and a rise of primary aluminum (-1.6%). The lower iron-and-steel activity affects mainly non flat products for construction, agricultural and industrial sectors. Manufacture of seamless pipes dropped 5%, aligned with the fall of oil and exports prices provoked by the excess of supply. In October, the International Trade Commission determined that the United States industry was prejudiced in the last years by the income of products at dumping prices, an award that could lead to establishing restrictions. In the case of aluminum, the problem originated by the cut of electric energy of the Futaleufú station that had affected production from June was overcome, being in full operation in October. On the side of demand, both external and internal demand are dropping, which has caused an aggressive policy to conquer new markets, after having achieved peak exports in 2000. It is worth mentioning that the price of aluminum at international markets fell

17% in October with respect to the average of 2000.

Production of automotives declined 39% due to the fall of local demand an exports, particularly to Brazil. The spare parts sector reflects the situation of local and Brazilian car manufacturers, also with declining purchase orders.

The rest of the metal-mechanical industry also showed production declines (-21.8%) affected by the depression of domestic demand as regards investment and the income of imported products at a lower price. This situation could be even more complex with the existing excess of world supply. In the segment of agricultural machinery there are financial difficulties due to the rise of domestic interest rates and a negative impact is foreseen caused by floods that will reduce croplands.

II.4. Public Service Statistics. October 2001

The Public Services Synthetic Indicator again a negative year-on-year variation (-4.3%) for the fourth consecutive time. The fall was also apparent for the trend (-0.1) but not for the seasonally adjusted variation with respect to the previous month, which grew 1% and for the accumulated 10 months, which even showed a rise of 0.7% (Table 1.14 and Graphs 1.6 and 1.7)[15] . During the month, only the telephone service recorded an increase in excess of 1%, the rest of indicators showed a negative or slightly positive performance.

Supply of energy sectors was slightly higher than the previous year. Net generation of electric energy only grew 0.4% with a lower contribution of thermal stations and an increase of nuclear stations and, to a lesser extent, hydroelectric stations. During the month, there was an increase of imports and a drop of exports to supply domestic demand. Production of natural gas also had a slight increase (0.2%) and, in turn, water delivered to the network in the area of the Federal Capital and Greater Buenos Aires by Aguas Argentinas SA decreased 0.2%.

TABLE 1.14
Changes in Public Services
Year-on-year percentage variation

Type of Service	Nov 00/ Nov 99	Dec 00/ Dec 99	2000/ 1999	Jan 01/ Jan 00	Feb 01/ Feb 00	Mar 01/ Mar 00	Apr 01/ Apr 00	May 01/ May 00	Jun 01/ Jun 00	Jul 01/ Jul 00	Aug 01/ Aug 00	Sep 01/ Sep 00	Oct 01/ Oct 00	Jan-Oct 01/ Jan-Oct 00
General indicator of public services	**8,7**	**8,1**	**7,2**	**7,7**	**2,9**	**6,6**	**4,5**	**1,4**	**0,4**	**-0,3**	**-5,0**	**-5,4**	**-4,3**	**0,7**
Net electric power generated	1.7	11.7	9.5	4.7	1.6	8	7	11.7	6.9	-6	-5.4	7.3	0.4	3.4
Natural gas production	-1.4	5.8	5.8	0.8	-4.8	8.3	6.8	4.2	-0.1	2.6	-4.1	-5.9	0.2	0.8
Water delivered to the grid (Aguas Arg. SA) (1)	-2.5	-1.3	2	-0.6	-1.9	-0.5	1.4	0.6	0.7	-2.1	3.7	4	-0.2	-0.2
Urban trains (transported passengers) (2)	-5.6	-6.2	-0.7	-2.4	-6.4	-8.9	-5.7	-3.9	-5.3	-11.1	-10.8	-12.9	-11.5	-8.1
Interurban trains (transported passengers)	-25.8	-15.7	-10.8	-17.6	-13.9	-6.4	-5.5	-16.1	-11.3	-33.0	-8.9	-29.9	-27.5	-16.5
Subway Metrovías (transported passengers)	-4.4	-5.4	-0.6	1.9	-5.8	-6.2	-1.3	-3.8	-6.9	-9.1	-9.4	-10	-6.4	-6
Metropolitan buses (transported passengers) (3)	-10.4	-7.3	-4.8	-4.4	-9.2	-13.3	-6.0	-2.4	-8.3	-10.7	-10.7	-10.8	-9.1	-8.6
Commercial airplanes (transported passengers) (4)	-10.4	-10.6	-3.2	-15	-19.3	-17.9	-25	-28.9	-28.1	-32.1	-32.7	-31.8	-38.6	-27.4
Trains (transported cargo)	10.4	21	-7	22.3	-13.5	-6.7	7.4	15	5.9	15.2	15.7	6.4	-3.9	6.1
Commercial airplanes (transported cargo) (4)	27.2	4.3	39.2	-5.4	-10.4	-32.8	-38.4	-35.6	-37.1	-39.3	-37.9	-34.0	-32.2	-32.1
Tolls on national highways (num. of passing vehicles by categ.) (5)	-3.1	-0.8	-0.5	-1.5	-3.4	-3.2	0.4	-1.7	-1.5	0.7	-1.5	-2.8	-3.9	-1.8
Basic telephone service (No.of urban calls)	1.4	1.9	0.7	-0.2	-2.3	-1.1	-1.7	-2.5	-4.7	-5.3	-2.2	-6	-9	-3.6
Basic telephone service (No.of lines in service)	9.1	9.3	6.0	9.2	9.2	9.0	8.8	8.2	7.4	6.8	5.8	4.8	5.3	3.9
Cellular telephone service - Sets in operation.	57.1	52.0	64.3	53.9	51.2	50.9	47.3	42.7	38.3	33.1	23.9	19.3	13.9	35.9

(1) Aguas Argentinas services the Federal Capital and the following districts of the Greater Buenos: A. Brown, Avellaneda, E.Echeverría, Gral.San Martín, La Matanza, Lanús, L. de Zamora, Morón, San Fernando, San Isidro, Tres de Febrero, Tigre and Vicente López

(2) Includes the following companies: Trenes de Bs. As S.A., Transportes Metropolitanos Gral. Roca S.A., Metrovías S.A., Transportes Metropolitanos Gral. Martín SA, Ferrovías S.A.C., Transportes Metropolitanos Belgrano Sur S.A, Tren de la Costa S.A.

(3) Includes buses that cover the Federal Capital; those that begin their routes in the Federal Capital, and other areas of Greater Buenos Aires and those that cover middle distance journeys.

(4) Only domestic flights of national companies were considered

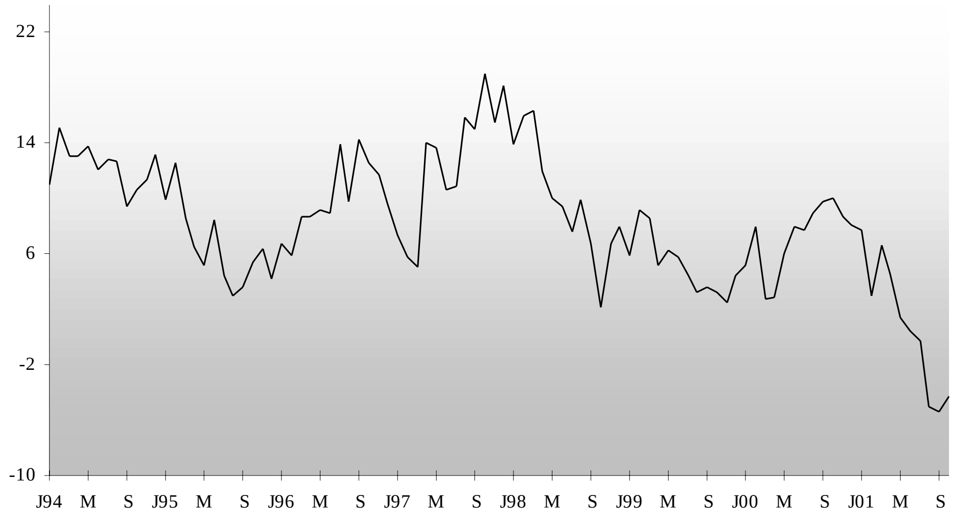
(5) Covers the following concessionaires: Semacar S.A., Caminos del Oeste S.A., Nuevas Rutas SACV, Covico UTE, Servicios Viales S.A., Covinorte S.A., Covicentro S.A., Concanor S.A., Virgen de Itatí S.A., Rutas del Valle S.A., Camino del Apra SACV, Caminos del Apra SACV, Caminos del Río Uruguay S.A. and Red Vial Centro S.A. Since March 16, 1997 it also operates SVI Cipoletti-Neuquén UTE

Sources: *Secretariat of Energy, Undersecretariat of Fuels, Secretariat of Public Works, National Regulatory Committee for Passenger Transportation, INDEC Survey, National Bureau of Transportation by Airplanes, Control Body for Road Concessions, Province of Buenos Aires Highway Authority - Concession Office, National Committe of Communications,*

Passenger transport decreased in the different forms

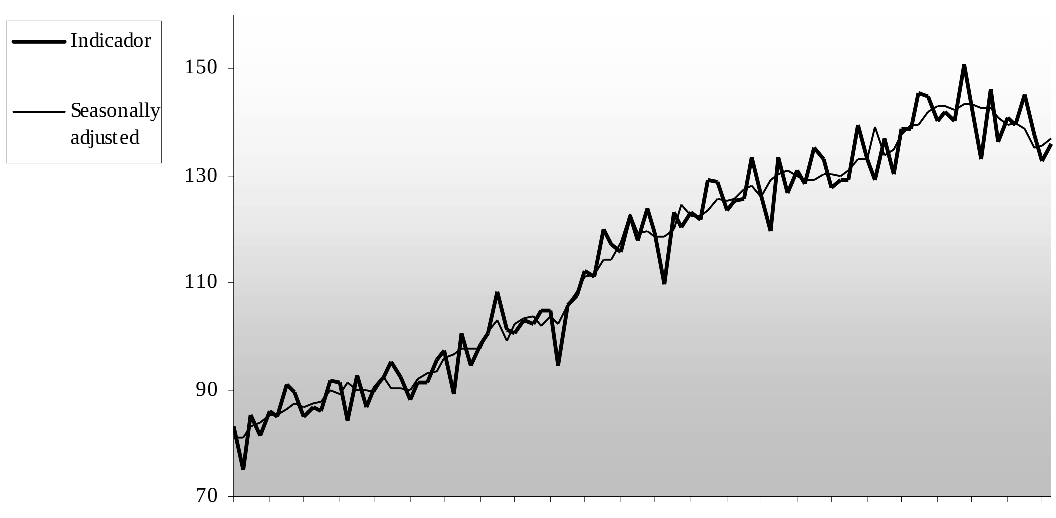
15 *The information corresponding to November show a fall of 5.6% year-on-year and a seasonally adjusted drop of 1% with respect to the previous month.*

GRAPH 1.6
General Indicator for Public Services
Year-on-year percentage variation



surveyed as a consequence of the low economic activity and the rate increase established for railway lines in the third quarter. The higher falls were those of passenger air transport of national companies, both for domestic flights (-38.6%) and international flights (-86.2%), cargo air transport ((-32.2% and –94.9%, domestic and international, respectively). During the month, Aerolíneas Argentinas was sold to a Spanish consortium made up Marsans, Air Comet and Air Plus, the latter committing to resume the routes suspended and to maintain employment, in a context of higher competition. Another service that has declined is railway transport, thus interurban railway transport fell (-27.5%) as well as urban transport (-11.5%), both in

GRAPH 1.7
General Indicator for Public Services
1996=100



almost all their lines. There were also reduction in the use of bus transport (-9.1%) and subway (-6.4.1%).

Cargo railway transport was also affected (-3.9%). There were greater dispatches through the Nuevo Central Argentino SA and Ferrosur Roca SA, whereas other companies covering the Mesopotamia and Pampa region experienced declines.

Total vehicles going through tolls in national highways decreased (-3.9%) in spite of the increase recorded by heavy trucks, since traffic related to the rest of vehicles fell. Measured in UTEq[16] , transit was 0.2% lower than the year before. In toll access to the City of Buenos Aires, there was a lower flow of all types of vehicles. The vehicles decrease amounted to 10% and in UTEq, taking into account the different types of automotives, the variation was similar (-9.9%). The competitiveness agreement executed with cargo transporters would be one of the few that remain in force after the Minister of Economy announced they will be suspended due to fiscal reasons.

Although the telephone service continues to expand, the number of urban telephone calls continued falling since the beginning of 2001. In October, the decline amounted to 9% and they accumulate a fall of 3.6%. In interurban calls the decrease in the month was one half (-4.5%) and the fall accumulated in the first 10 months was a bit higher (-4.6%). The number of international calls and the number of incoming and outgoing minutes rated increased. The extension of lines in service continued (5.3%) and so did public telephones (3.4%), as well as cellular phones, which amounted to 6,958,531 units, 85% of the lines of the basic telephone service.

16 *They are Equivalent Technical Units, expressed in terms of light automobiles and calculated according to the relation of the cost of the toll for the different vehicle category.*