

# Prices

## I. Introduction

■ In the third quarter of 2001, the Argentine economy price indexes in general showed a deeper deflation, a trend they had already evidenced since the beginning of the year. The worsened domestic recession conditions due a very difficult fiscal situation, in turn resulting from competitiveness problems and high indebtedness from prior years and, finally, the outburst of the financial crisis, were all concurrent factors pressed prices downwards. In this period, all domestic price indexes fell in

annual terms. Implicit prices of gross domestic product declined 0.7%, retail prices dropped 1.1%, wholesale prices fell 4.1%, and construction prices lost 0.6% (Table 4.1)<sup>1</sup>. Thus, combined prices accelerated their fall down to 2.6% and, in the last two months, this trend was even worse. However, external trade terms improved very slightly (increased 0.3%) and so did the exchange rate with respect to certain relevant countries for Argentine trade. Average commodities prices also fell 3.7% in

**TABLE 4.1**  
Price Indexes  
% Year over Year Variation Rates (1)

Period	CPI		Combined PI (2)			Constr. CI
	WDBPI	PBPI	WDBPI	PBPI	Constr. CI	
I - 98	0.8	-2.0	-0.6	-2.1	-2.5	0.9
II - 98	1.1	-1.9	-0.4	-2.0	-2.3	0.0
III - 98	1.1	-4.2	-1.6	-3.6	-4.1	-0.9
IV - 98	0.7	-6.3	-2.9	-5.9	-6.5	0.0
I - 99	-0.6	-6.2	-3.4	-5.8	-6.5	0.5
II - 99	-1.3	-5.3	-3.3	-4.8	-5.2	0.5
III - 99	-2.0	-2.1	-2.1	-2.3	-2.2	0.2
IV - 99	-1.8	1.2	-0.3	1.2	1.1	-0.3
I - 00	-1.1	5.0	1.9	4.4	5.0	-1.2
II - 00	-1.1	4.4	1.6	3.9	4.2	-1.8
III - 00	-0.7	4.4	1.8	3.9	3.9	-2.2
IV - 00	-0.7	2.4	0.8	1.9	2.3	-3.3
I - 01	-1.0	-0.7	-0.8	-0.5	-0.6	-1.1
II - 01	-0.3	-1.6	-1.0	-1.2	-1.0	-0.6
III - 01	-1.1	-4.1	-2.6	-4.4	-4.1	-0.6
<b>Nov'01*</b>	<b>-1.6</b>	<b>-6.9</b>	<b>-4.3</b>	<b>-7.3</b>	<b>-7.2</b>	<b>-0.6</b>

(1) Year over year variation rate at the end of each period. Please see footnote 1.

(2) Combined price index is based on a simple average of the CPI and the WDPI monthly change

(\*) Provisional figures

Source: INDEC [National Institute of Statistic and Census].

<sup>1</sup> Unless otherwise expressed, along this Chapter the price variations mentioned shall be taken as year-on-year figures. That is to say, the figures corresponding to a certain quarter refer to the price evolution between the last month of that quarter and the same month of the previous year. For example, in the case of the third quarter of 2001, the corresponding variation comes from the comparison of the index as of September 2001 with September of 2000. When referring to short term variations (i.e., compared to immediately previous periods), it is spoken of as trend, without mentioning figures.

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TABLE 4.2  
Inflation Rates Compared  
(Quarterly Variation, %) (1)

CONSUMER PRICES								
Period	Argentina	Brazil	Chile	USA	Eurozone	Japan	United Kingdom	
I - 98	0.9	1.9	1.0	0.2	0.3	0.5	0.5	
II - 98	0.1	1.3	0.9	0.5	0.5	0.1	1.6	
III - 98	0.3	-1.1	1.3	0.5	0.0	0.1	0.6	
IV - 98	-0.6	0.3	1.4	0.4	0.0	0.6	0.0	
I - 99	-0.6	3.3	0.4	0.6	0.5	-1.1	-0.2	
II - 99	-1.3	0.6	0.6	0.8	0.4	0.2	0.9	
III - 99	-2.0	1.7	0.5	1.0	0.3	0.1	0.4	
IV - 99	-1.8	2.7	0.8	0.4	0.6	-0.3	0.7	
I - 00	-1.1	0.8	1.5	1.6	0.9	-0.4	0.7	
II - 00	-0.7	0.3	0.9	0.7	0.7	0.0	1.6	
III - 00	0.1	3.1	1.0	0.8	0.7	-0.1	0.4	
IV - 00	-0.4	1.0	1.1	0.3	0.4	-0.2	0.3	
I - 01	0.1	1.8	0.5	1.0	0.8	-0.5	0.0	
II - 01	0.0	2.0	0.9	1.0	1.1	0.0	1.3	
III - 01	-1.1	2.4	1.3	0.7	0.2	-0.1	0.1	

WHOLESALE PRICES								
Period	Argentina	Brazil	Chile	USA	Eurozone	Japan	United Kingdom	
I - 98	-1.2	0.7	-0.1	-1.3	-0.4	-0.9	0.2	
II - 98	-1.9	0.0	-0.1	0.9	-0.4	-0.1	0.2	
III - 98	-2.0	-0.6	1.1	0.1	-0.6	-0.9	-0.2	
IV - 98	-3.1	1.3	-0.7	0.1	-1.0	-2.5	-0.2	
I - 99	-6.2	11.8	0.6	-0.3	-0.3	-0.1	0.7	
II - 99	-5.3	0.2	1.9	1.6	0.7	1.8	0.7	
III - 99	-2.1	6.6	6.5	1.0	1.3	-0.8	0.6	
IV - 99	1.2	8.0	4.0	0.7	1.2	-0.4	0.3	
I - 00	5.0	1.1	-0.5	1.1	1.7	-0.9	0.8	
II - 00	0.3	2.1	2.6	1.1	1.4	1.6	1.2	
III - 00	1.2	6.6	5.5	0.5	1.9	0.1	0.2	
IV - 00	-1.8	1.8	0.1	0.9	0.3	-0.4	0.1	
I - 01	-0.5	1.7	-0.6	0.6	0.7	0.5	-0.5	
II - 01	-0.6	3.6	3.4	0.6	-0.1	-0.4	0.6	
III - 01	-4.1	3.6	5.1	-0.4	-0.6	0.1	-0.4	

(1) Accumulated monthly change within each quarter.

Source: IMF and The Economist.

the third quarter, although more recently perspectives for food improved slightly.

The international scenario was characterized by new drops of short term interest rates, led by the American Federal Reserve, which tried to face a global economic slowdown that intensified with the retraction of consumption following the September 11 terrorist attack. The United States entered

frankly into a moderate recession; Japan continued undergoing the effects of its own crisis, while in Brazil and Europe economic activity slowed down strongly. Net capital flows into emerging countries declined remarkably, particularly those destined to Latin America. In the case of Argentina, these flows turned notably negative.

Table 4.2 shows the quarterly retail and wholesale in-

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flation rates in Argentina and the main economies trading with it. In the third quarter of 2001, Argentina experienced the lower variation within that group of countries for the two types of indexes. In terms of annual inflation, towards the third quarter of this year retail prices in the area of the euro recorded a slowdown down to 2.5% (compared to 3% in the second quarter); the United States showed a slightly higher increase (3%), whereas Japan suffered a deflation of 0.8%.

This difference is explained by the fact that Japan is undergoing a long recessive stage that many analysts estimate will continue during 2002. On the contrary, in the United

States, the economic cycle entered a recession in the second quarter this year and still drags the inertia of the previous years boost. In turn, Europe is undergoing a similar evolution as the United States, though softer as regards wholesale prices; in the last quarter, there are significant increases both in Brazil and in Chile, derived from the weakness of their respective currencies and from the rise of oil price until the third quarter.

## II. Gross Domestic Product Prices

The GDP implicit price index for the third quarter of

**TABLE 4.3**  
**Index of Prices Implicit within GDP (\*)**  
*Base 1993=100*

Period	Index of Prices Implicit within GDP	Year over year variation (%)
1993	100.0	
1994	102.9	2.9
1995	106.1	3.1
1996	106.1	0.0
1997	105.6	-0.5
1998	103.8	-1.7
1999	101.9	-1.8
<b>2000</b>	<b>102.9</b>	<b>1.0</b>
<b>1996</b>		
I qtr.	106.2	0.9
II qtr.	107.5	1.9
III qtr.	104.7	-1.3
IV qtr.	105.9	-1.7
<b>1997</b>		
I qtr.	105.8	-0.4
II qtr.	106.4	-1.0
III qtr.	105.0	0.3
IV qtr.	105.1	-0.8
<b>1998</b>		
I qtr.	104.1	-1.6
II qtr.	103.6	-2.6
III qtr.	104.1	-0.8
IV qtr.	103.2	-1.8
<b>1999</b>		
I qtr.	102.2	-1.8
II qtr.	100.8	-2.7
III qtr.	102.4	-1.7
IV qtr.	102.1	-1.1
<b>2000</b>		
I qtr.	102.2	0.1
II qtr.	102.3	1.4
III qtr.	103.9	1.5
IV qtr.	103.2	1.1
<b>2001</b>		
I qtr.	101.6	-0.6
II qtr.	101.1	-1.1
<b>III qtr. (**)</b>	<b>103.2</b>	<b>-0.7</b>

\* Relation between GDP at current prices and at 1993 prices.

\*\* Provisional figures.

Fuente: Secretariat of Economic Policy

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**TABLE 4.4**  
**Index of Prices Implicit within GDP from Good- and Service-Producing Sectors**  
*Base 1993=100*

Period	Implicit Prices	Implicit Prices	Relationship between	Year over year
	from Good-Producing Sector	from Service-Producing Sector	Good- and Service-Producing Sectors	Variation (%)
1993	100.0	100.0	100.0	
1994	100.7	103.2	97.5	-2.5
1995	104.4	106.7	97.9	0.4
1996	106.6	105.1	101.4	3.6
1997	106.5	104.1	102.3	0.9
1998	102.9	102.7	100.2	-2.0
1999	98.0	102.3	95.8	-4.4
<b>2000</b>	<b>101.8</b>	<b>102.3</b>	<b>99.5</b>	<b>3.8</b>
<b>1996</b>				
I qtr.	105.6	105.6	100.0	
II qtr.	111.5	104.8	106.4	
III qtr.	104.3	104.1	100.2	
IV qtr.	104.7	105.9	98.9	
<b>1997</b>				
I qtr.	105.7	104.8	100.8	0.8
II qtr.	109.6	103.9	105.5	-0.9
III qtr.	105.4	103.9	101.5	1.3
IV qtr.	105.0	103.9	101.1	2.3
<b>1998</b>				
I qtr.	103.4	102.7	100.6	-0.2
II qtr.	104.0	101.8	102.1	-3.2
III qtr.	103.7	103.2	100.4	-1.1
IV qtr.	100.4	103.0	97.5	-3.5
<b>1999</b>				
I qtr.	98.3	102.2	96.2	-4.4
II qtr.	98.2	100.8	97.5	-4.6
III qtr.	99.6	102.9	96.7	-3.7
IV qtr.	98.7	102.6	96.2	-1.4
<b>2000</b>				
I qtr.	99.8	101.9	98.0	1.8
II qtr.	102.1	100.5	101.6	4.2
III qtr.	103.6	102.7	100.9	4.3
IV qtr.	103.0	102.1	100.9	4.9
<b>2001</b>				
I qtr.	100.2	101.1	99.1	1.1
II qtr.	98.4	102.1	96.4	-5.1
<b>III qtr. (*)</b>	<b>99.7</b>	<b>105.2</b>	<b>94.8</b>	<b>-6.1</b>

\* Provisional figures.

Fuente: Secretariat of Economic Policy

2001 fell 0.7% year-on-year<sup>2</sup>. This means the continuance of the supply's price deflation that had started in the first quarter of 2001 (Table 4.3). Besides, according to the evolution of price indexes of the last months, a deeper fall is forecasted in the last quarter of the year. It is worth pointing out that GDP implicit prices during 2001 would than be lower than 1994,

whereas in that period, indexes corresponding to American GDP increased approximately 14%.

Watching in detail sectors' implicit prices, it is seen that those corresponding to the goods producing sectors experienced the worst fall in year-on-year terms, 3.8%, whereas, on

<sup>2</sup> It must be remembered that, different from other price indexes, those corresponding to GDP implicit prices are Paasche indexes, that is to say, of moving weights, and they fully reflect the price variation with respect to a base period, in this case 1993. So, when comparisons between periods different from the base year are analyzed, the price variation can be distorted by changes in the physical goods basket.

the contrary, the services producing sectors' increased 2.4%. As a result of this evolution, the price relation between the goods producing sectors and the services producing sectors strongly deteriorated again in the third quarter of 2001 (fell 6.1%). This last indicator thus went back to its lowest of the historical series base 1993, well below its best results obtained in the period 1996/1997 (Table 4.4). The price fall coincided with a strong real contraction in the production of goods.

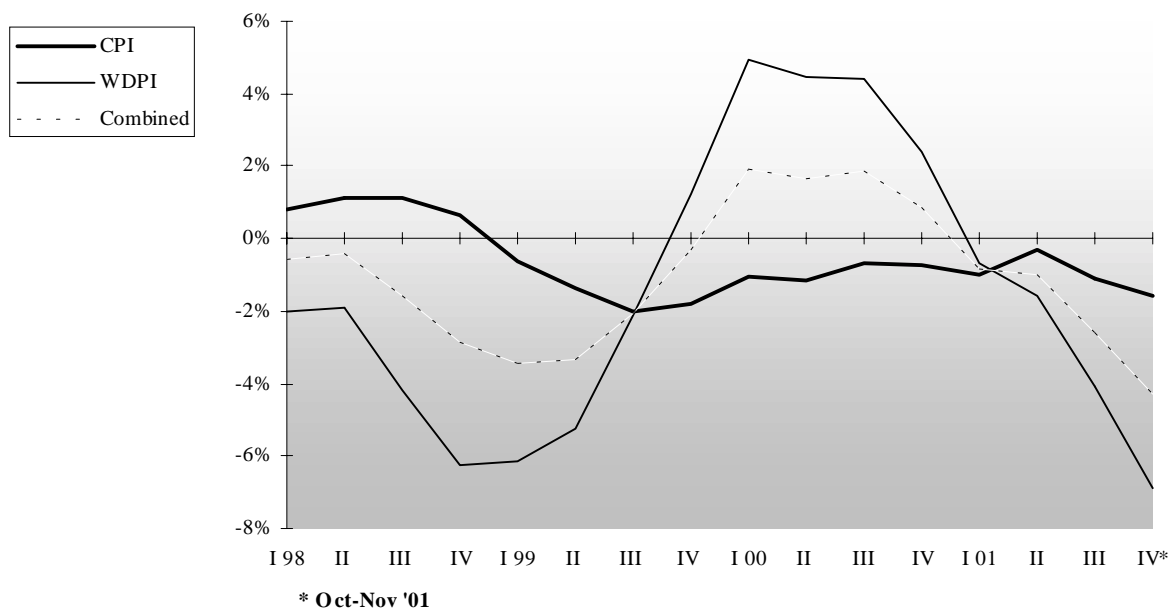
### III. Consumer Price Indexes

The Consumer Price Index (CPI) in Greater Buenos Aires declined 1.1% in the third quarter of 2001, a result consistent with its behavior of the last three years and which confirms that deflation in non tradable sectors of the economy shows the particular conditions of the present economic depression. Later on, in the period October-November, CPI deep-

ened its fall and dropped 1.6%, basically due to the deeper recession and the subsequent fall of consumption. In the last months, the fall of wholesale prices also become worse. Consequently, since the beginning of 1998, combined prices have accumulated a decline in excess of 6% (Graph 4.1 and Tables A4.1, A4.2 and A4.3 of the Statistical Appendix).

Graph 4.1 shows that since the third quarter of 1999 up to the fourth quarter of 2000, wholesale prices advanced systematically compared to retail prices, which remained relatively stable. On the contrary, since the fourth quarter of 2000, wholesale prices fell strongly and, more recently, deflation deepened again for retail prices. As a consequence of this strong adjustment, retail and combined price indexes have declined to values recorded in mid 1994. This means that Argentina has not experienced inflation in the last 7 years and a half, although it has had to pay a high cost for that in terms of other indicators such as unemployment.

GRAPH 4.1  
Quarterly rates of variation of retail and wholesale indexes



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**TABLE 4.5**  
CPI Variation Rates per Category (%) (1)

Category	Weight (%) <sup>(2)</sup>	1999	2000	I 01	II 01	III 01	Nov'01
Foods and Beverages	31.29	<b>-5.1</b>	<b>-1.5</b>	-1.6	-1.5	<b>-2.4</b>	<b>-2.7</b>
Clothing	5.18	<b>-3.9</b>	<b>-4.6</b>	-7.2	-2.1	<b>-4.8</b>	<b>-3.3</b>
Housing	12.69	<b>1.0</b>	<b>-0.1</b>	-0.1	0.3	<b>-1.2</b>	<b>-1.6</b>
Household goods	6.55	<b>-1.6</b>	<b>-2.2</b>	-1.5	-1.2	<b>-1.2</b>	<b>-1.0</b>
Health	10.04	<b>0.8</b>	<b>1.6</b>	1.0	1.2	<b>1.5</b>	<b>1.2</b>
Transport and Communications	16.97	<b>1.8</b>	<b>1.6</b>	0.4	1.1	<b>1.0</b>	<b>-0.6</b>
Leisure	8.67	<b>-0.9</b>	<b>-3.1</b>	-3.0	-1.2	<b>-1.6</b>	<b>-2.8</b>
Education	4.20	<b>0.4</b>	<b>-1.0</b>	-1.2	-1.3	<b>-1.7</b>	<b>-1.9</b>
Various Goods and Services	4.43	<b>-0.4</b>	<b>1.6</b>	1.7	1.6	<b>-1.1</b>	<b>-0.1</b>
<b>GENERAL LEVEL</b>	<b>100.00</b>	<b>-1.8</b>	<b>-0.7</b>	-1.0	-0.3	<b>-1.1</b>	<b>-1.6</b>

(1) Year over year variation rate at the end of each period. Please see footnote 1.

(2) Weightings corresponding to 1999=100

Source: INDEC [National Institute of Statistic and Census].

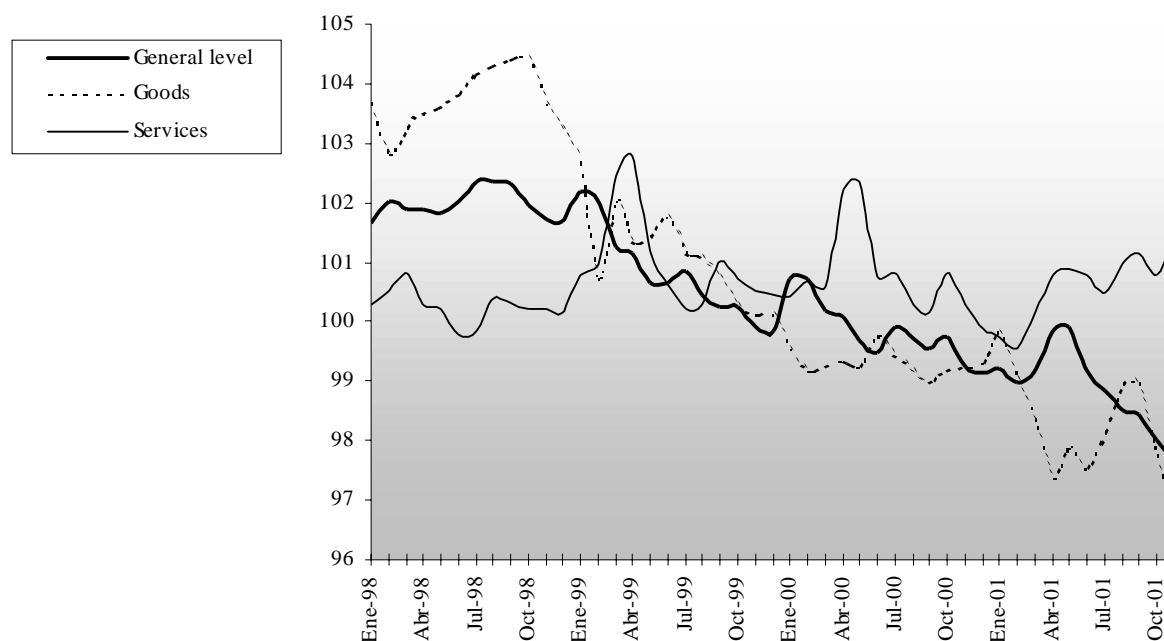
Analyzing the evolution of CPI during the third quarter of 2001, it is apparent that deflation was the result of the opposite movement in the chapters that comprise it. Drops predominated in the most important categories, particularly

Food and Beverages (-2.4%), Clothing (-4.8%), Housing and Household Furnishing and Maintenance (-1.2% in each case), Education and Leisure (-1.7% and -1.6% respectively). On the contrary, the only categories evidencing increase were Med-

**GRAPH 4.2**

Consumer Price Index GBA - Goods and Services

Base 1999 = 100



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**TABLE 4.6**  
CPI: Evolution of goods and services  
*Indexes (April 1991 = 100) and variation rates (%) (1)*

Period average	Goods		Services				Relative Prices		
	Index	Var.	Private <sup>(2)</sup>		Public <sup>(3)</sup>		Priv.Serv./ Goods	Publ.Serv./ Goods	Publ.Serv./ Priv. Serv.
			Index	Var.	Index	Var.			
<b>1998</b>	<b>137.23</b>	<b>0.6</b>	<b>179.85</b>	<b>0.4</b>	<b>186.69</b>	<b>6.3</b>	<b>131.05</b>	<b>136.04</b>	<b>103.81</b>
I - 98	136.62	0.1	180.53	0.1	185.77	7.1	132.14	135.98	102.90
II - 98	137.51	1.2	178.93	0.2	187.72	6.2	130.12	136.51	104.91
III - 98	138.18	1.1	179.89	0.4	186.49	5.5	130.19	134.97	103.67
IV - 98	136.63	0.1	180.03	0.8	186.79	6.4	131.76	136.71	103.75
<b>1999</b>	<b>133.36</b>	<b>-2.8</b>	<b>180.27</b>	<b>0.2</b>	<b>192.06</b>	<b>2.9</b>	<b>135.17</b>	<b>144.02</b>	<b>106.54</b>
I - 99	134.50	-1.5	182.94	1.3	191.35	3.0	136.01	142.26	104.60
II - 99	134.16	-2.4	179.11	0.1	191.63	2.1	133.50	142.84	106.99
III - 99	132.89	-3.8	179.71	-0.1	192.95	3.5	135.24	145.20	107.36
IV - 99	131.89	-3.5	179.31	-0.4	192.31	3.0	135.96	145.82	107.25
<b>2000</b>	<b>131.38</b>	<b>-1.5</b>	<b>179.18</b>	<b>-0.6</b>	<b>193.94</b>	<b>1.0</b>	<b>136.38</b>	<b>147.62</b>	<b>108.24</b>
I - 00	131.65	-2.1	181.96	-0.5	192.47	0.6	138.21	146.19	105.78
II - 00	131.33	-2.1	178.76	-0.2	194.26	1.4	136.12	147.92	108.67
III - 00	131.39	-1.1	178.44	-0.7	195.04	1.1	135.80	148.44	109.31
IV - 00	131.16	-0.6	177.56	-1.0	194.01	0.9	135.38	147.92	109.26
<b>2001</b>	<b>128.74</b>	<b>-2.0</b>	<b>178.55</b>	<b>-0.4</b>	<b>197.72</b>	<b>1.9</b>	<b>138.69</b>	<b>153.59</b>	<b>110.74</b>
I - 01	129.56	-1.6	179.80	-1.2	194.05	0.8	138.77	149.78	107.93
II - 01	130.47	-0.6	178.53	-0.1	199.30	2.6	136.83	152.75	111.63
III - 01	128.07	-2.5	178.58	0.1	198.88	2.0	139.44	155.30	111.37
<b>Nov'01*</b>	<b>126.84</b>	<b>-3.3</b>	<b>177.29</b>	<b>-0.1</b>	<b>198.64</b>	<b>2.2</b>	<b>139.77</b>	<b>156.60</b>	<b>112.04</b>

\* Provisional figure

(1) Year over year variation rates among average prices of each period

(2) Private services include all CPI services, except those included as public services. Main items are: lunch out of home, house rent, domestic services, pre-paid and auxiliary health services, physicians and dentists and formal education. They account for 32,8% of the CPI in the new 1999=100 base

(3) Public services include electricity, sanitation services, gas and other domestic fuel, short distance buses and trains, taxi, subway, mail and telephone. They represent 12,8% of the CPI in the new 1999=100 base

Source: Secretariat of Economic Policy, based on data from INDEC

ical Care and Health (1.5%) and Transport and Communications (1%), the former due to a persistent and gradual upward trend of medical care expenses that goes back to the beginning of convertibility, and the latter due to the transport rate increase authorized last year. On the other hand, during the period October-November, there was a further fall in mass consumption categories such as Food and Beverages, Leisure, and also Housing (Table 4.5).

Analyzing relative prices within CPI, Table 4.6 shows that in the first eleven months of 2001, and with respect to the previous average, prices of the Goods fell (2%), whereas those

corresponding to Services showed a diverse behavior: Private Services declined slightly (0.4%), while Public Services increased 1.9%, among other reasons, because of the rate increase of transport, natural gas and drinking water. Consequently, during that period the price relation between services and goods and between public services and private services rose again. It is worth clarifying that with the new base year 1999 adopted for measuring CPI, accumulated differences between goods and services from the beginning of the convertibility now appear less remarkable (Graph 4.2, Table 4.6 and Table A4.4 of the Statistical Appendix).

### IV. Wholesale prices indexes

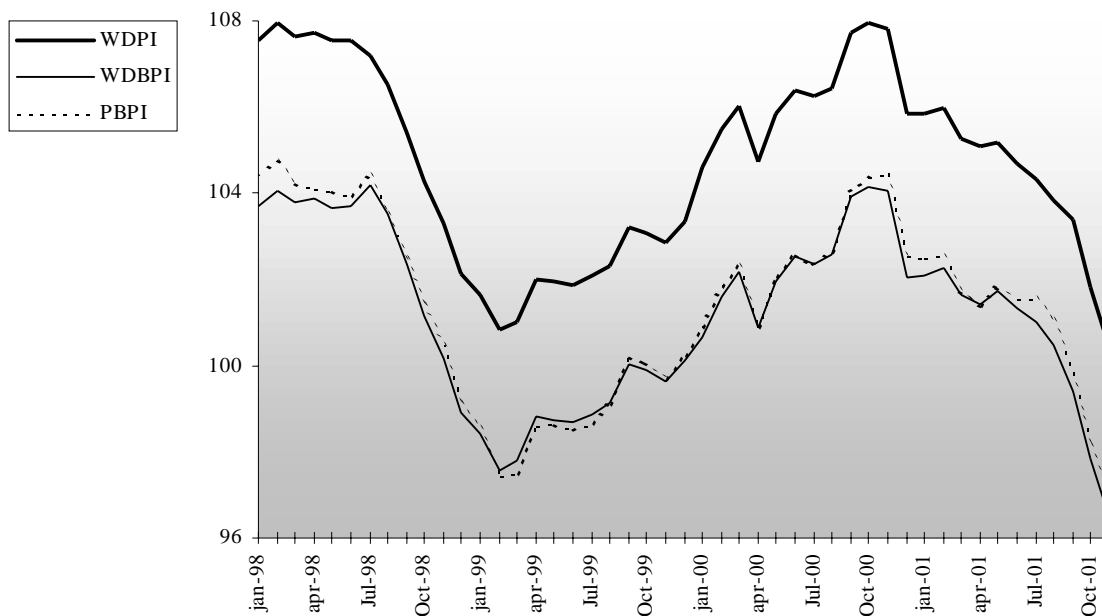
The Wholesale Domestic Price Index (WDPI) fell 4.1% year-on-year in the third quarter of the year, due to generalized drops in all its components, though stronger in primary products. The fall of WDPI was deeper in the period October-November, when the indicator plunged 6.9%. Thus, wholesale prices in Argentina deepen their downward trend already shown in the last quarter of 2000. This fall annulled the recovery that took place between the beginning of 1999 and the third quarter of 2000, mainly as the result of the strong rise of oil and metals. In the last four years, wholesale prices have lost 9%, and have eventually dragged retail prices to deflation (Graph 4.3).

Graph 4.3 clearly shows the deepening of the wholesale prices drop since August this year, aligned with the worsening domestic financial crisis and the beginning of world recession.

Said fall mainly focused on primary products and, to a lesser extent, on national products in general. This means that national products have declined 4% in the last year against imported products, whereas primary products have plunged even more than 20% against manufactured products (Tables A4.5, A4.6 and A4.7 of the Statistical Appendix).

In the third quarter of 2001, all the components of WDPI exhibited year-on-year drops. The strongest fall corresponded largely to primary products (-25%), particularly because of the nosedive of oil prices (-23%), although agricultural products (-8%) and fish (-27%) also fell strongly. It is worth pointing out that the fall of oil became worse in November, until accounting for more than 40% p.a. Manufactured products fell 1% and electricity, 5%. In turn, imported products also declined 2%, continuing with the trend shown since 1996, with the main drops in machinery and equipment, especially computers. Within national manufactured products, there stand

**GRAPH 4.3**  
System of Wholesale Price Indexes (SWPI)  
General Level (1993=100)



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out the strong declines of electrical machinery, equipment and devices (-6%), radio and television equipment and devices (-12%) and automobiles, vehicles bodies and spare parts (-8%). There were practically no significant improvements, except in oil refined products (7%). Also, there stand out in the year the decline in the price of electricity (-8%), in spite of the fact that demand of this input grew up to the first half of 2001.

The Wholesale Domestic Basic Price Index (WDBPI), which excludes taxes contained in the WDPI, fell 4.4% in the third quarter of 2001, and dropped even more (-7.3%) last November. In turn, the Producer Basic Price Index (PBPI), which represents only goods manufactured within the country, fell 4.1% in the third quarter of the year and 7.2% in November 2001. The variations of its items were in both cases similar to those of WDPI (Table 4.7).

### V. Cost of Construction

The cost of Construction in Greater Buenos Aires (CCI) showed a marginal fall in the third quarter of 2001 (-0.6%). Besides, preliminary data for the period October-November this year show an equivalent decline. In the last three years, the CCI lost 3.6%, particularly due to falls in Materials (-4%) and Labor (-3.5%). On the other

**TABLE 4.7**  
System of wholesale price indexes  
(Base 1993=100) - % Variation Rates (1)

<b>I. WHOLESALE DOMESTIC PRICE INDEX (WDPI)</b>						
Period	General level	Domestic products			Imported products	
		Total	Commod.	Manufact. and Electricity		
I - 99	-6.2	-6.1	-17.1	-3.3	-6.7	
II - 99	-5.3	-5.2	-9.8	-4.0	-6.7	
III - 99	-2.1	-1.9	3.2	-3.1	-4.8	
IV - 99	1.2	1.4	13.9	-1.3	-1.9	
<b>1999</b>	<b>1.2</b>	<b>1.4</b>	<b>13.9</b>	<b>-1.3</b>	<b>-1.9</b>	
I - 00	5.0	5.3	24.3	1.1	0.3	
II - 00	4.4	4.7	18.6	1.4	1.3	
III - 00	4.4	4.7	14.8	2.1	0.0	
IV - 00	2.4	2.7	7.3	1.6	-1.9	
<b>2000</b>	<b>2.4</b>	<b>2.7</b>	<b>7.3</b>	<b>1.6</b>	<b>-1.9</b>	
I - 01	-0.7	-0.6	-2.9	0.1	-2.8	
II - 01	-1.6	-1.5	-4.7	-0.6	-3.8	
<b>III - 01</b>	<b>-4.1</b>	<b>-4.2</b>	<b>-14.7</b>	<b>-1.1</b>	<b>-2.3</b>	
<b>Nov'01*</b>	<b>-6.9</b>	<b>-7.2</b>	<b>-23.7</b>	<b>-2.3</b>	<b>-2.9</b>	

<b>2. WHOLESALE DOMESTIC BASIC PRICE INDEX (WDBPI)</b>						
Period	General level	Domestic products			Imported products	
		Total	Commod.	Manufact. and Electricity		
I - 99	-5.8	-5.7	-15.1	-3.2	-6.6	
II - 99	-4.8	-4.7	-7.8	-3.8	-6.6	
III - 99	-2.3	-2.1	2.7	-3.4	-4.8	
IV - 99	1.2	1.4	13.4	-1.4	-1.9	
<b>1999</b>	<b>1.2</b>	<b>1.4</b>	<b>13.4</b>	<b>-1.4</b>	<b>-1.9</b>	
I - 00	4.4	4.8	23.9	0.3	0.2	
II - 00	3.9	4.1	18.2	0.5	1.3	
III - 00	3.9	4.2	14.5	1.3	-0.1	
IV - 00	1.9	2.2	7.3	0.8	-2.0	
<b>2000</b>	<b>1.9</b>	<b>2.2</b>	<b>7.3</b>	<b>0.8</b>	<b>-2.0</b>	
I - 01	-0.5	-0.4	-2.9	0.4	-2.8	
II - 01	-1.2	-1.1	-4.8	0.0	-2.6	
<b>III - 01</b>	<b>-4.3</b>	<b>-4.6</b>	<b>-14.8</b>	<b>-1.3</b>	<b>-1.0</b>	
<b>Nov'01*</b>	<b>-7.3</b>	<b>-7.8</b>	<b>-23.9</b>	<b>-2.6</b>	<b>-1.4</b>	

<b>3. PRODUCER BASIC PRICE INDEX (PBPI)</b>						
Period	General level	Domestic products			Imported products	
		Total	Commod.	Manufact. and Electricity		
I - 99	-6.5	-6.5	-15.3	-4.1	-6.6	
II - 99	-5.2	-5.2	-7.2	-4.7	-6.6	
III - 99	-2.2	-2.2	3.7	-3.8	-4.8	
IV - 99	1.1	1.1	13.1	-1.8	-1.9	
<b>1999</b>	<b>1.1</b>	<b>1.1</b>	<b>13.1</b>	<b>-1.8</b>	<b>-1.9</b>	
I - 00	5.0	5.0	24.7	0.3	0.3	
II - 00	4.2	4.2	17.8	0.6	1.3	
III - 00	3.9	3.9	13.5	1.2	0.0	
IV - 00	2.3	2.3	7.1	1.0	-2.0	
<b>2000</b>	<b>2.3</b>	<b>2.3</b>	<b>7.1</b>	<b>1.0</b>	<b>-2.0</b>	
I - 01	-0.6	-0.6	-3.7	0.3	-2.8	
II - 01	-1.0	-1.0	-4.8	0.2	-2.6	
<b>III - 01</b>	<b>-4.1</b>	<b>-4.1</b>	<b>-14.0</b>	<b>-1.0</b>	<b>-1.0</b>	
<b>Oct-Nov '01*</b>	<b>-7.2</b>	<b>-7.2</b>	<b>-23.3</b>	<b>-2.1</b>	<b>-1.4</b>	

(1) Year over year variation rate at the end of each period. Please see footnote 1.

(\*) Provisional Data.

Source: INDEC [National Institute of Statistic and Census].

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**TABLE 4.8**  
Construction Cost in greater Buenos Aires  
*Indexes (1993 = 100) and Variation Rates - % - (1)*

End of:	General Level		Materials		Labor		Gral. Expenses	
	Index	Var.	Index	Var.	Index	Var.	Index	Var.
<b>1998</b>	<b>98.9</b>	<b>0.0</b>	<b>100.9</b>	<b>-0.9</b>	<b>96.8</b>	<b>0.7</b>	<b>99.1</b>	<b>0.1</b>
<b>I - 98</b>	98.9	0.9	101.6	-0.3	96.2	2.1	98.9	1.2
<b>II - 98</b>	98.6	0.0	101.2	-0.4	96.1	0.4	98.2	0.7
<b>III - 98</b>	98.4	-0.9	101.2	-0.5	95.7	-1.4	98.2	0.4
<b>IV - 98</b>	98.9	0.0	100.9	-0.9	96.8	0.7	99.1	0.1
<b>1999</b>	<b>98.6</b>	<b>-0.3</b>	<b>100.2</b>	<b>-0.7</b>	<b>96.8</b>	<b>0.0</b>	<b>99.3</b>	<b>0.2</b>
<b>I - 99</b>	99.4	0.5	100.7	-0.9	97.8	1.7	100.8	1.9
<b>II - 99</b>	99.1	0.5	100.5	-0.7	97.4	1.4	100.2	2.0
<b>III - 99</b>	98.5	0.1	100.2	-1.0	96.7	1.0	99.3	1.1
<b>IV - 99</b>	98.6	-0.3	100.2	-0.7	96.8	0.0	99.3	0.2
<b>2000</b>	<b>95.5</b>	<b>-3.1</b>	<b>98.3</b>	<b>-1.9</b>	<b>92.3</b>	<b>-4.6</b>	<b>97.5</b>	<b>-1.8</b>
<b>I - 00</b>	98.2	-1.2	100.0	-0.7	96.2	-1.6	98.9	-1.9
<b>II - 00</b>	97.3	-1.8	99.3	-1.2	95.0	-2.5	99.1	-1.1
<b>III - 00</b>	96.4	-2.1	98.8	-1.4	93.7	-3.1	97.9	-1.4
<b>IV - 00</b>	95.5	-3.1	98.3	-1.9	92.3	-4.6	97.5	-1.8
<b>2001</b>	<b>95.2</b>	<b>-0.3</b>	<b>96.9</b>	<b>-1.4</b>	<b>93.2</b>	<b>1.0</b>	<b>96.9</b>	<b>-0.6</b>
<b>I - 01</b>	97.1	-1.1	98.0	-2.0	96.0	-0.2	97.8	-1.1
<b>II - 01</b>	96.8	-0.5	97.7	-1.6	95.6	0.6	98.0	-1.1
<b>III - 01*</b>	95.8	-0.6	97.2	-1.6	93.9	0.2	98.0	0.1
<b>Nov'01*</b>	<b>95.2</b>	<b>-0.6</b>	<b>96.9</b>	<b>-1.5</b>	<b>93.2</b>	<b>0.4</b>	<b>96.9</b>	<b>-0.9</b>

(1) Year over year variation rate at the end of each period. Please see footnote 1.

(\*) Provisional Data.

Source: INDEC [National Institute of Statistic and Census].

hand, the general level of this index was almost 5% lower than the base year 1993 in November 2001, in relative figures; this is lower than wholesale prices themselves (Table 4.8 and Table A4.8 of the Appendix).

## VI. Basic Products International Prices

Prices of the main materials had started to fall in the second half of 2000, and continued declining softly in the first half of 2001. In the third quarter of 2001, they recorded a fall of 3.7% with respect to the same period of 2000. Oil, the most important input, fell to U\$S 25 dollars in last September, from U\$S 30 in the third quarter of 2000. Cereals had an erratic behavior in the third quarter, oilseeds recovered partially, while

metals in general fell.

According to IMF projections, average commodities prices (excluding fuels) would fall slightly during the rest of the year and in the first quarter of 2002, since there are recessions in the United States and Japan, and a strong growth slowdown in Europe, Asia and Latin America. However, prices should start recovering from the second half of 2002, when world economy returns to growing. For this year and the next, the IMF estimates an increase of global GDP of just 2.4%, a figure much lower than the growth recorded in 2000, which was 4.1%.

Price variations projected for next year are highly positive for food (5%), which is at very low levels, but lower for the rest agricultural inputs (2%). Metals would also rise strongly

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**TABLE 4.9**  
**Basic products international prices**  
*Variation Rates in relation to the previous period - % - (1)*

Product	Price Specification	Unit	1999	2000	2000			2001		
					II qtr.	III qtr.	IV qtr.	I qtr.	II qtr.	III qtr.
<b>Cereals</b>										
Wheat	USA (fob) Gulf of Mexico	US\$/TM	-11.1	1.8	2.8	1.8	14.3	1.6	0.8	<b>-6.1</b>
Corn	USA (fob) Gulf of Mexico	US\$/TM	-11.8	-2.2	-2.1	-16.3	16.9	3.3	-8.6	<b>7.1</b>
Rice	Thailand (fob) Bangkok	US\$/TM	-18.4	-18.1	-14.6	-9.8	0.0	-1.6	-9.3	<b>3.0</b>
<b>Soybean and Vegetable Oils</b>										
Soybean Seed	USA (cif) Rotterdam	US\$/TM	-18.4	5.5	5.2	-9.9	4.0	-3.3	-7.9	<b>10.8</b>
Soybean Meal	USA (cif) Rotterdam	US\$/TM	-10.6	24.3	2.7	-3.2	14.9	-11.1	-7.0	<b>7.0</b>
Soybean Oil	Holland Ports (fob)	US\$/TM	-31.6	-21.0	-4.7	-5.5	-3.1	-1.3	-1.0	<b>30.0</b>
<b>Beverages</b>										
Coffee	Average from El Salvador, Guatemala and Mexico. New York	US\$ cents/LB	-22.7	-16.7	-13.6	-12.4	-10.3	-5.7	0.0	<b>-10.6</b>
<b>Industrial Crops</b>										
Cotton	Liverpool Index (cif)	US\$ cents/LB	-19.7	11.3	13.1	1.2	5.5	-6.1	-17.1	<b>-12.3</b>
Wool tops	Australia - New Zealand - U.K.	US\$ cents/Kg	-7.0	-6.3	-1.7	-7.3	-9.5	-3.3	1.9	<b>-17.9</b>
Tobacco	USA. Unprocessed Tobacco	US\$/TM	-7.0	-3.4	-2.1	-1.8	-0.3	0.8	1.5	<b>0.7</b>
Sugar	Average New York - London	US\$ cents/LB	-29.2	28.6	29.6	42.9	-1.0	-5.1	-8.5	<b>-8.1</b>
<b>Metals and Minerals</b>										
Copper	U.K - European Ports (cif)	US\$ cents/LB	-4.9	15.4	-3.7	7.6	-1.2	-4.8	-6.3	<b>-10.7</b>
Aluminum	U.K. ports (cif)	US\$/TM	0.1	14.0	-10.1	5.9	-3.3	4.3	-4.8	<b>-8.2</b>
Iron ore	Northeastern Brazilian Ports (fob)	US\$/TM	-9.1	6.7	0.0	0.0	0.0	3.4	0.0	<b>0.0</b>
Nickel	U.K N.W. European Ports (cif)	US\$/TM	29.8	43.8	0.4	-12.1	-10.1	-11.8	2.2	<b>-17.8</b>
<b>Fuels</b>										
Crude Oil	Average U.K. Brent, Dubai, WTI	US\$/barrel	38.8	55.5	0.9	11.2	-0.4	-9.8	-0.2	<b>-6.2</b>
Natural Gas	Russian Natural Gas. Germany.	US\$/ 1000 M3	-19.8	86.2	5.6	11.2	9.5	7.3	-0.2	<b>-10.2</b>

(1) Variation rates among average prices of the period (annual and quarter)

(7%), but fertilizers would remain relatively stable. For oil prices, the estimate indicates prices would remain near US\$ 21 per barrel. Recently, crude oil continued falling, in view of the lower world demand and the production increase of the main exporting countries outside the OPEC (Russia, Norway, Mexico, United Kingdom). This is the result of the fact that, due to the recent technical advances, even with this price fall, oil production is still profitable in off-shore basins. Argentina, today a net energy exporting country, could also increase production in this context.

At international cereal markets, the average value of wheat for the third quarter of 2001 fell approximately 6%

compared to the previous quarter, thus being US\$ 123 per metric ton. During 2001, however, wheat has recovered a significant 12% compared to the average price of 2000 (Table 4.9). Corn price rose 7% in the third quarter of the year with respect to the second quarter, and with this it recovered approximately the average price of 2000. A similar recovery was seen for sorghum, although in the last months, both corn and sorghum prices weakened again. Rice increased slightly in the third quarter of this year, but is still 15% below its average price of 2000. However, this crop has a much lower significance than wheat or corn for Argentina, external sales representing just 10% of each of those. IMF price projections forecast an important advance of 15 to 17% both for wheat and corn from now

to the end of 2002. As for manufacture of meat, its average price at international markets rose 5% in 2001 with respect to 2000, however in our country price plunged, in view of the suspension of shipments to Europe due to the appearance of foot-and-mouth disease outbreaks. It is estimated that international price will be sustained in the next months, and this improvement could be transferred to the domestic market if exports markets open up again.

Soybean and soybean by-products prices increased during the third quarter of 2001, thus reversing the negative trend of the previous quarter. Specially soybean oil, which has the highest unit value, recovered strongly and rose 30%, until touching U\$S 400 per ton. In that period, soybean seed increased 11%, whereas flour rose 7%. It is forecasted that demand of soybean flour will increase in the medium term in Europe, as a consequence of the elimination of meat flours that provoked the mad cow disease. More recently, in October, there was a decrease of soybean oil and of palm oil, its great competitor. As for sunflower oil, its price improved significantly during the third quarter of this year, with a 13% rise, and reaffirmed in October up to U\$S 450 per ton. This product, although less important in world trade, represents for Argentina 10% of revenues for exports of primary products.

The remaining agricultural raw materials continued an erratic trend during the third quarter of 2001. Coffee deepened its plunge and fell more than 10%, accumulating a loss in excess of 40% in the last two years. Cotton, wool and sugar also showed a negative evolution, showing a fall of an average 10% to 15% with respect to the previous quarter. On the contrary, tobacco remained relatively stable in the third quarter, this being a crop traditionally showing a lower variation.

The fall of metal prices continued during the third quarter of 2001, particularly due to a lower demand of South-

eastern economies, where there are important metallurgical complex. Copper declined 11% in that period compared with the average of the previous quarter, while aluminum did the same in a somewhat lower proportion. In turn, although the value of iron did not change, nickel plunged almost 18% in the third quarter. With respect to average values of 2000, copper accumulates a loss of 18%, aluminum has declined 11%, and the greatest loss (more than 30%) corresponds to nickel. On the contrary, iron shows a slight year-on-year increase. The rise of metals had accompanied the recovery of world economy during 2000, particularly due to the demand of Southeastern Asian countries, and now both processes weaken. The IMF estimates that metal prices would increase only from 2002 onwards.

The average price of oil continued decreasing softly (-6%) in the third quarter of the year. The fall was deeper in October and November, when crude oil WTI reference for Argentina was below U\$S 20 per barrel. However, its present price level is still higher than the average of the last decade, although it had already fallen 30% with respect to the average of 2000. The OPEC will try to lead quotations up to U\$S 22 to U\$S 28 per barrel, through new quantity restrictions of its member countries and agreements with the main extra OPEC exporters. Lastly, natural gas price accompanied the evolution of oil, falling 10% in the third quarter.

During the first half of this year, even in spite of the fall of average prices of fuel exports, volume exported recorded an increase near 13% according to the INDEC, whereas values increased 3%. This happened even with an increase in the volume of processed oil, aimed mainly at the domestic market. In the case of imports, on the contrary, values fell slightly in the first nine months of 2001. Argentina was thus consolidated as net exporter of energy. For example, the country traditionally imported natural gas from Bolivia. Thanks to the great investments made in the last decade, from 1998 onwards it became a

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net exporter country, particularly due to the sales to Chile. This change took place in spite of the strong increase of gas consumption in the domestic market in the last years.

### VII. Foreign trade price indexes: third quarter 2001

According to INDEC's figures, in the third quarter of 2001, trade terms (relation between exports and import prices) returned to the upward trend experienced since mid 1999.

Average prices for exports of goods declined 2.5% compared to the previous quarter, whereas those related to the imports of goods decreased even more (2.9%). The net result of this was a rise, though meager, of trade terms (0.3%). On the other hand, in the first nine months of 2001, the trend of trade terms is also positive with respect to the same period of 2000 (Table 4.10 and Graphs 4.4 and 4.5).

Table A4.10 of the Statistical Appendix shows the different estimates for the real exchange rate (price of foreign currency in terms of the peso). In the third quarter of this year, this

**TABLE 4.10**  
**Foreign Trade Prices and Terms of Trade Indexes**  
*Base 1993=100*

Period	Exports		Imports		Terms of Trade	
	Price index	% Var. (I)	Price index	% Var. (I)	Price index	% Var. (I)
1993	100.0	0.2	100.0	-2.6	100.0	2.9
1994	102.9	2.9	101.4	1.4	101.5	1.5
1995	108.8	5.7	106.9	5.4	101.8	0.3
1996	115.9	6.5	105.6	-1.2	109.8	7.8
1997	111.9	-3.5	103.2	-2.3	108.4	-1.2
1998	100.3	-10.4	97.9	-5.1	102.5	-5.5
1999	89.1	-11.2	92.4	-5.6	96.4	-5.9
<b>2000*</b>	<b>98.2</b>	<b>10.2</b>	<b>92.4</b>	<b>0.0</b>	<b>106.3</b>	<b>10.2</b>
<b>1997</b>						
I qtr.	113.9	3.1	105.2	-3.4	108.3	6.7
II qtr.	112.9	-5.2	104.4	-1.8	108.1	-3.4
III qtr.	111.3	-5.4	101.4	-3.3	109.8	-2.1
IV qtr.	109.7	-4.4	102.5	-1.0	107.0	-3.4
<b>1998</b>						
I qtr.	103.4	-9.2	101.6	-3.4	101.8	-6.0
II qtr.	102.4	-9.3	98.9	-5.3	103.5	-4.3
III qtr.	98.9	-11.1	97.2	-4.1	101.7	-7.3
IV qtr.	96.1	-12.4	94.6	-7.7	101.6	-5.1
<b>1999</b>						
I qtr.	88.5	-14.4	94.2	-7.3	93.9	-7.7
II qtr.	87.6	-14.5	92.0	-7.0	95.2	-8.0
III qtr.	88.4	-10.6	91.3	-6.1	96.8	-4.8
IV qtr.	92.1	-4.2	92.2	-2.5	99.9	-1.7
<b>2000</b>						
I qtr.*	96.1	8.6	94.3	0.1	101.9	8.5
II qtr.*	97.1	10.8	93.3	1.4	104.1	9.3
III qtr.*	98.7	11.7	91.0	-0.3	108.5	12.0
IV qtr.*	100.7	9.3	91.3	-1.0	110.3	10.4
<b>2001</b>						
I qtr.*	98.6	2.6	92.3	-2.1	106.8	4.8
II qtr.*	93.6	-3.6	90.7	-2.8	103.2	-0.8
<b>III qtr.*</b>	<b>96.2</b>	<b>-2.5</b>	<b>88.4</b>	<b>-2.9</b>	<b>108.8</b>	<b>0.3</b>

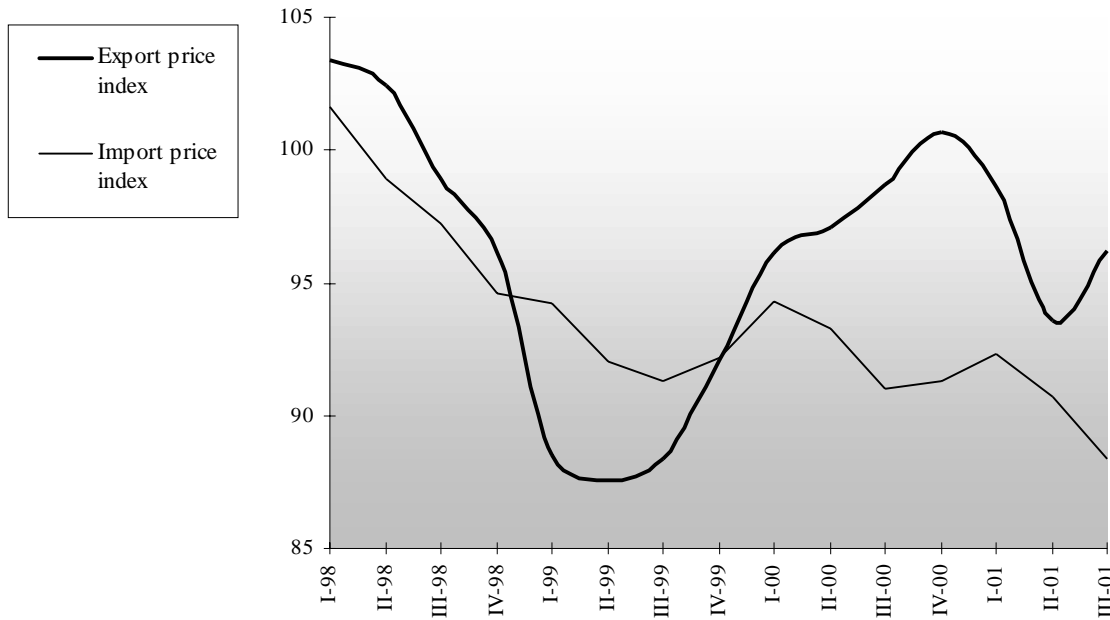
(I) Year over year variation rates among average prices of each period

\* Provisional figures

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

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**GRAPH 4.4**  
Foreign Trade Price Indexes  
*Quarterly Evolution Base 1993=100*



indicator rose 4% p.a. against the U.S. dollar (using retail prices of each country as deflator). This was basically the result of the domestic retail deflation, which contrasted with the average

U.S. inflation of 3%. Thus, the real exchange rate against the dollar continued with a gradual recovery started in 1996, and is slowly getting near the values evidenced at the beginning of

**GRAPH 4.5**  
Terms of Trade Index  
*Base 1993=100*

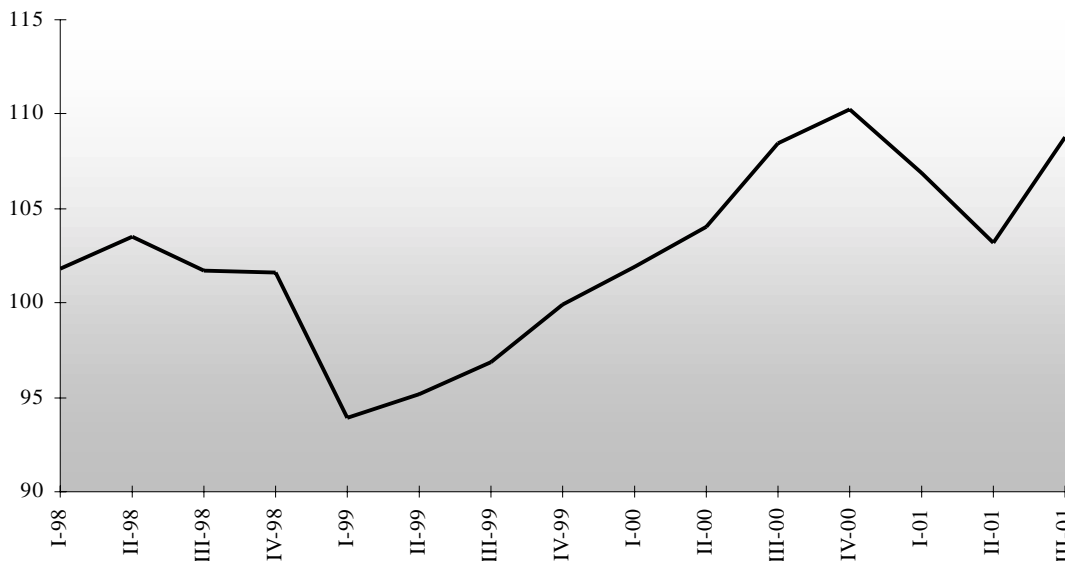


TABLE 4.11  
Exports Purchase Power and gain (loss) of trade

Period	Exports in million 1993 U.S. Dollars (A)	Terms of Trade Index (Base 1993=100) (B)	Export Purchase Power In million 1993 U.S. Dollars (C)=(A)*(B)/100	Profit(loss) of Trade in million 1993 U.S. Dollars (D)=(C)-(A)	Variation in rel. to Previous Period (E)=(D)-(D-1)
1993	13,117.8	100.0	13,117.8	0.0	343.3
1994	15,392.8	101.5	15,623.7	230.9	230.9
1995	19,267.6	101.8	19,614.4	346.8	115.9
1996	20,544.2	109.8	22,557.5	2,013.3	1,666.5
1997	23,620.1	108.4	25,604.2	1,984.1	-29.2
1998	26,361.9	102.5	27,020.9	659.0	-1,325.1
1999	26,160.1	96.4	25,218.3	-941.8	-1,600.8
2000*	26,893.6	106.3	28,587.9	1,694.3	2,636.1
2001 **	21,380.6	106.0	22,663.4	1,282.8	121.0

\* Provisional figures.

\*\* First nine months against same period 2000

Source: INDEC [National Institute of Statistic and Census].

convertibility.

The comparison with the area of the euro showed an exchange rate rise of 3% against the euro in the third quarter of 2001. This happened because a slow recovery of the unique European currency started, which reached 90 dollar cents, aside from the fact that the euro zone continued showing a positive inflation (near 2.5%). The reasons of the euro's weakness since its introduction in January 1999 include the perception of investors about better perspectives for United States companies, especially high technology businesses, which drove an important capital flow to this country in the last years. However, this process shows signs of reversion in the last months, coinciding with the strong fall of high technology stock markets, successive warnings of lower future benefits and the start of the American recession.

Exchange rate with respect to Brazil continued depreciating at greater speed in the third quarter of 2001. Measured by consumer prices, the indicator dropped approximately 20% p.a., basically due to the real's plunge. The fall of the real in terms of the dollar, partly provoked by the Argentine crisis itself, showed clear signs of reversion in the last months, when the Brazilian currency recovered from 2.74 per dollar in October up to less than 2.40 per dollar in December. Lastly, exchange rate with respect to Japan also fell, since the yen depreciated in the third quarter of the year down to an average of 122 units per dollar (compared to 108 in the same period of 2000).

Table A4.11 shows the price of Argentine exports broken down by group of products. In the third quarter of 2001, prices of primary products fell 2.3% with respect to the previous year, although its more recent trend is more positive. Agri-

cultural manufactures on the contrary increased a significant 5% p.a., also with a positive trend. Prices of industrial manufactures lost 3.4% in the third quarter, fully reflecting the world economic slowdown. Finally, fuels and other oil by-products plunged 19% p.a., continuing with a negative trend started at the end of 2000. However, their prices are still at relatively high levels compared to the average of the last decade, and also higher than the rest of the groups.

Table A4.12 shows the same but now corresponding to imports of goods. Average prices of capital goods in the third quarter of 2001 partially recovered by 2.2% year-on-year, though their values are very low compared to the average of the last decade. Intermediate goods declined 7%, now showing the lowest of the decade, being import goods the ones at their lowest in historical figures. Imported Fuels also plunged (-14%) in the third quarter, reflecting the lower global demand not accompanied by enough supply restrictions from part of producer countries. Spare parts and accessories for capital goods fell 1.6% year-on-year, and although they are relatively higher than capital goods themselves, they are also at their lowest of the decade. Lastly, Consumption Goods remained relatively stable in the last year, only falling 1.2% in

the third quarter of the year. They are traditionally the group of goods with the lowest volatility, though they record a loss of 6% with respect to figures of the base year 1993.

Table 4.11 shows the estimate of purchase power of Argentine exports and the profit (or loss) of the trade. In the first nine months of 2001 exports of goods value amounted to U\$S 21,380 millions measured at 1993 prices, which at current prices accounted for a trade profit of U\$S 1,283 millions compared to that year. This figure is aligned with the result obtained during the whole of 2000, and basically reflects that in spite of a general low price context, Argentine imports have become less expensive than exports. If the comparison is made with respect to the prices prevailing in the nine equivalent months of 2000, the profit is significantly lower (U\$S 121 millions), since trade terms showed a relatively low variation in the last year. It has to be pointed out that the good evolution of this indicator meant for Argentina an approximate profit of 1% of GDP in 2000, and partly offset the strong fall of investment. This year's evolution allows for assuring that the annual result, even as favorable as in 2000, will not this time be enough to mitigate the very strong fall of domestic demand.