



Economic Overview

GDP grows and employment rate reaches its record high

Argentina ended 2021 with an annual average GDP growth of 10.3%, the first rise after three consecutive annual falls and the highest one since the beginning of the series in 2004. Moreover, such growth has allowed economic activity to fully recover from the 2020 drop caused by the COVID-19 pandemic. All demand components closed 2021 on the rise, investments and export performance stood out among them.

The positive economic activity figures came along with indicators showing a strong employment recovery. During the fourth quarter of 2021, driven by the employment growth, the activity rate climbed to 46.9% of the population and managed to settle at the indicator's average levels. **Employment rate reached 43.6% of the population, hitting a historical record.** Formal workers represented the category boosting year-on-year growth the most. As a result, the unemployment rate fell to 7.0% of the Economically Active Population (PEA, by its Spanish acronym), settling at its lowest level since 2016.

IMF Agreement

At the beginning of March 2022, **Argentina reached an staff-level agreement with the International Monetary Fund (IMF)** to refinance the 2018 Stand-By record loan of around USD 45 B. In order to provide the agreement with a greater degree of institutionalism and in accordance with Act no. [27.612](#), for the first time in Argentina's history, the public credit operations included in the Extended Facilities Program (EFF) were approved by the House of Deputies and the Senate by a vast majority, and later was unanimously ratified by the IMF Board. The repayment period of each disbursement is 10 years, including a 4.5-year grace period, which entails debt repayments from 2026 until 2034.

Not only does the agreement represent another milestone on the path to reach **public debt sustainability**, but also reflects the economic program proposed by Argentina.

Public accounts and domestic capital market

Regarding public accounts performance, primary deficit ended 2021 at around 3% of GDP. Likewise, the first quarter of 2022 had a primary deficit of ARS 192,735 M, **thus overachieving the primary deficit quarterly goal** established in the economic program backed by the EFF with the IMF (ARS 222,264 M). Moreover, monetary and reserve accumulation goals are also being attained.

Lastly, we continue to steadily work on the **development and deepening of the local-currency debt market in order to strengthen the Treasury's financing**. The results of such strategy are embodied in a substantial market financing growth since December 2019 which led to improved public accounts and also complying with debt sustainability guidelines.



Macroeconomic Outlook

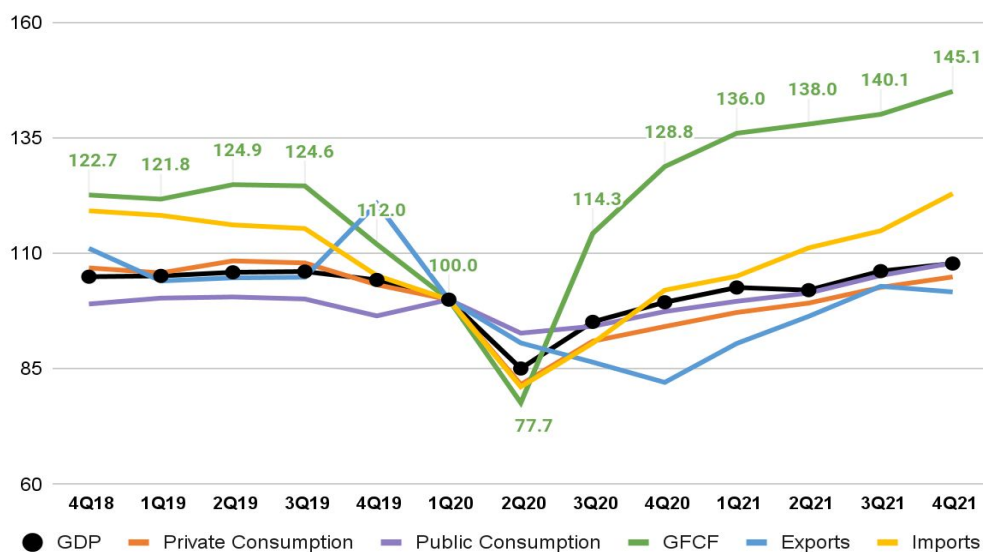
Investment, Industry and Commerce: key drivers to growth

2021 closing data shows a **GDP growth rate of 10.3% YoY**, signaling the first rise after falling for three consecutive years and the highest one since the beginning of the series in 2004, exceeding the previous greatest year-on-year variation registered in 2010 (+10.1%) as well. As observed in the chart, all demand components have recovered after the fall during the second quarter of 2020 caused by the pandemic.

Investment recovery is of utmost importance (Gross Fixed Capital Formation, GFCF as seen in the chart) and was boosted by categories like “Machinery and Equipment”, “Transport Equipment” and “Total Constructions”. **On the supply side, GDP growth over the year is mainly explained by Industry** (2.5 p.p. contribution; 15.8% rise) **and Commerce** (1.7 p.p. contribution; 13.2% rise).

GDP by demand

Index n.s series 1Q20=100 (pre-pandemic)



Source: Ministry of Economy

At the regional level, latest 2022 available data (February 2022) show that **Argentina, Chile, Colombia, Mexico and Peru recorded year-on-year increases** while Paraguay fell 4.3% and Brazil remained almost constant in January 2022 (latest available data). Brazil, Mexico and Paraguay do not exceed pre-COVID activity levels (2020-Feb).

Economic activity: 12 months on the rise

In February 2022, Argentina’s Economic Activity Monthly Estimate (EMAE, by its Spanish acronym) grew 1.8% n.s. (vs. -0.7% monthly n.s. in January 2022), exceeding the Feb-2020 pre-covid level by 6.2%. In year-on-year terms, it grew 9.1% YoY (accumulating 12 consecutive rising months). Moreover, 14 out of 15 sectors have also shown interannual increases, 4 of them showing two-digit figures.

Meanwhile, the installed capacity utilization level in Industry hit 64.3%, the maximum level for a month of February since 2019 and a tenth away from the maximum for February since the beginning of the series in 2016.



Inflation

Consumer Price Index reached 6.7% monthly in March 2022 (vs. 4.7% in February), boosted by Food and Beverage. Thus, inflation stands at 16.1% for the first quarter of 2022. This behavior is being driven by both internal and external factors. After a stabilization period by mid-2021, international prices grew significantly once again by the end of the year and the beginning of 2022. Droughts in South America and the later outbreak of the armed conflict in Ukraine have generated strong additional pressure to food, minerals and energy prices during the first quarter of 2022. This context has caused a worldwide acceleration of inflation and Argentina hasn't been the exception. At the local level there is a process of readjustment of relative prices from the reopening of activities after the effects of the COVID-19 pandemic, added to seasonal increases in some sectors.

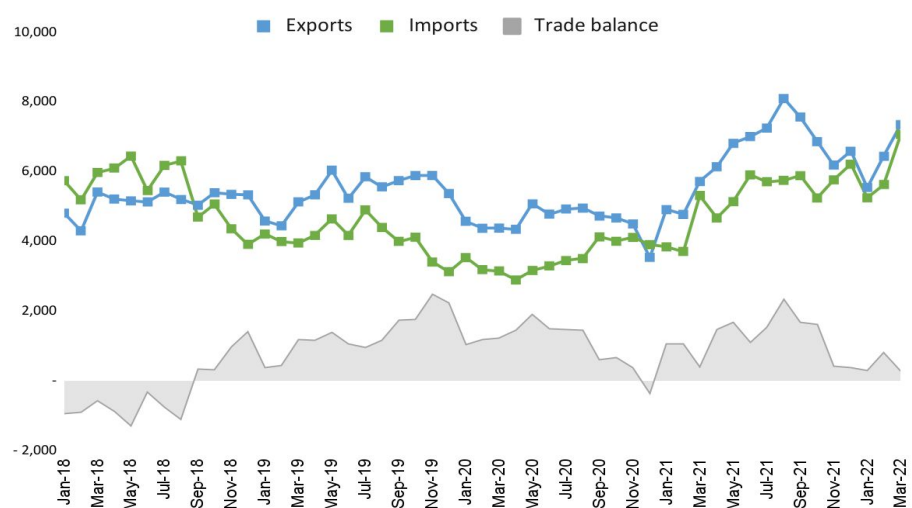
Inflation dynamics poses a challenge that is being addressed from a multidimensional approach. For this reason, it is a priority to continue implementing policies that guarantee that the purchasing power grows and to coordinate the ground rules between the private sector and the Government, which will generate conditions for the economy to continue its sustained recovery.

International Trade

International trade in **Argentina reached USD 141,118 M in 2021, the highest level since 2013**, with a surplus of USD 14,750 M (the second largest in the last decade). Brazil, China and the United States were the main trading partners who led this result but also India, who took the fourth place due to a significant increase in purchases (71.5%), and Chile had outstanding performances.

Trade balance, exports and imports

In millions of USD



Source: Ministry of Economy based on INDEC

Accumulated exports for the first quarter of 2022 were USD 19,352 M (the second-best figure in our history). In this way, during the first quarter 2022, exports increased 25.6% YoY and imports grew 39.5% YoY **reaching an accumulated trade surplus of USD 1,394 M.** Export growth was mainly ascribed to Primary Products (57.7% YoY) and Industrial Manufacturing (32.0% YoY), both boosted by an improvement in prices. In the case of energy sales, a strong increase was recorded (94.0% YoY) driven by prices (68.3% YoY) and quantities (15.2% YoY). Regarding Farming Manufacturing, exports decreased -4.2% YoY due to a drop in quantities of -16.4% YoY partially offset by a 14.6% YoY increase in prices. In the case of imports, quantities have increased above prices (20.2% vs. 16.1% YoY, respectively). All categories have grown, except for passenger vehicles (-16.5% YoY).

BCRA's international reserves ended March totaling USD 43,137 M with an 8.8% increase compared to the end of 2021 (including the first SDR disbursement foreseen in the IMF EFF received in March 2022).



Public Finances

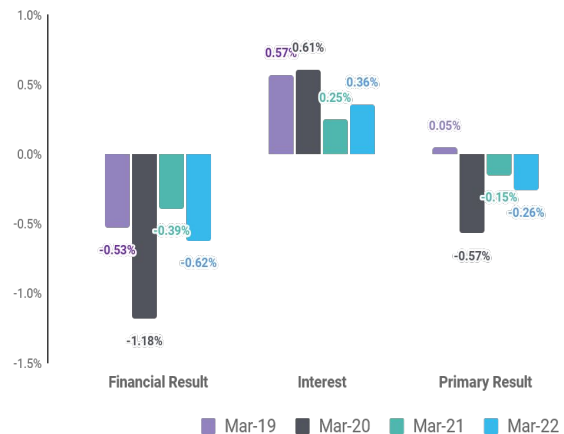
National Public Sector ended 2021 with a primary deficit of ARS 1,407,641 M and a financial deficit of ARS 2,091,882 M after excluding extraordinary income from SDRs. According to the latest GDP estimates, **2021 primary deficit ended at around 3% of GDP, while financial deficit reached 4.5% of GDP.** This dynamic is due to an increase in total income of 17.6% real YoY and to an expansive fiscal policy (0.8% real YoY; 12.9% real YoY net of COVID expenses) which boosts economic growth with social inclusion as well as strengthening public finances sustainability.

During the first quarter of 2022, total income grew 9.1% real YoY while total expenses increased 14.5% real YoY. Therefore, financial deficit hit ARS 459,592 M (-0.62% of GDP), net interest payment climbed to 0.36% of GDP and primary deficit reached ARS 192,735 M (-0.26% of GDP) surpassing the primary deficit quarterly goal set in the economic program backed by the EFF.

The **sustainable recovery process** in Argentina is reflected in a virtuous tax collection dynamic with **increases in real terms since September 2020 for total collection.** In particular, it is noted that the expansive activity level evolution, the formal employment recovery and wage improvements, in addition to foreign trade performance, result in a revenue growth leading to public finances foreseeability and improved sustainability.

Financial result, primary and interest (excluding SDR)

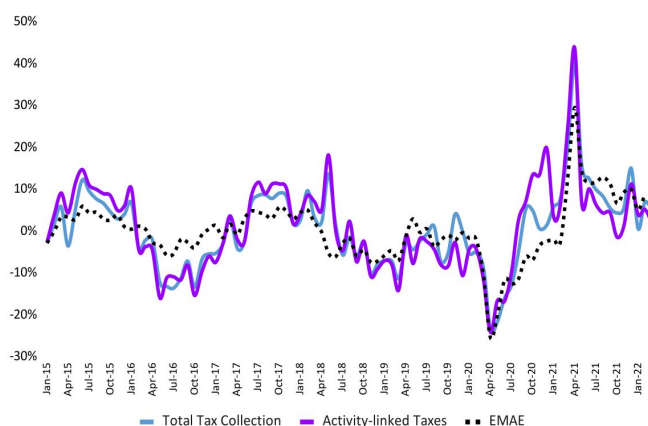
As of March each year and as a % of GDP. Cash basis.



Source: Ministry of Economy

Tax Collection and EMAE

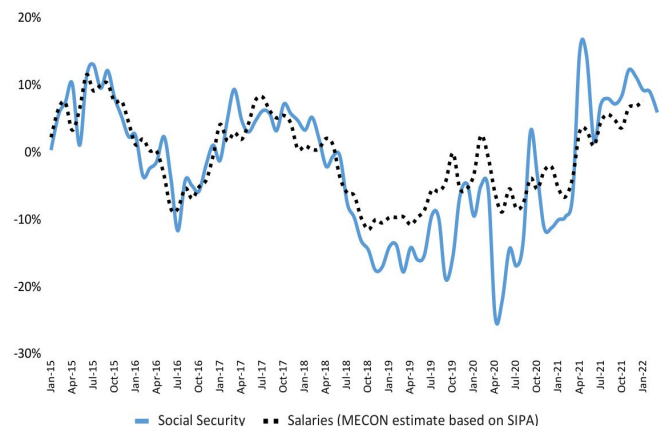
Real YoY % variation



Source: Ministry of Economy

Social Security Collection and Salaries

Real YoY % variation



Source: Ministry of Economy



Financing, Public Debt and Capital Markets

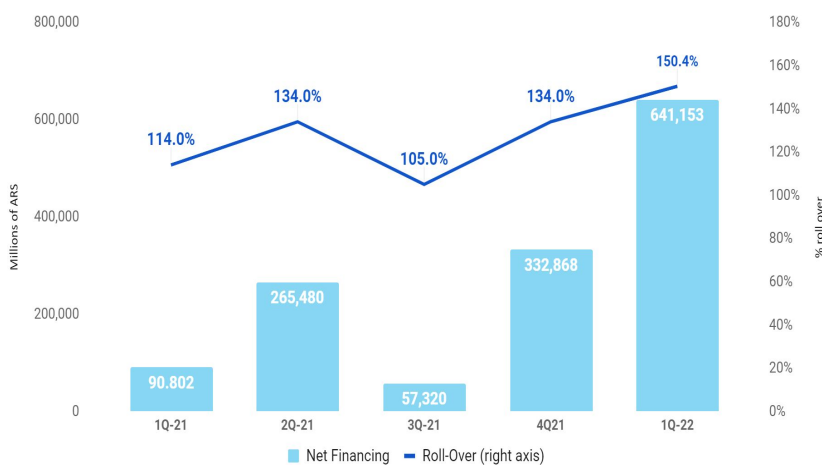
Gross Public Debt Stock (excluding restructuring-pending debt) **ended 2021 totaling USD 360,689 M (79.4% of GDP: 8.7 p.p. smaller than the same ratio by the end of 2019)**. 70.1% of debt is denominated in foreign currency and the rest in domestic currency, which includes CER-adjusted debt (17.2% of total).

Financing

As of the first quarter of 2022, the Government continues to obtain positive net financing in the domestic market since the second quarter of 2020. **In 2021, an annual refinancing ratio of 121.6% was achieved**, which entailed an annual net financing of ARS 746,470 M.

During the first quarter of 2022, principal and interest payments in the domestic market climbed to ARS 1,271,655 M while issuances reached ARS 1,912,808 M, resulting in a positive net financing of ARS 641,154 M. This implies a **150.4% refinancing rate** for the period under analysis.

Net financing and quarterly roll over ratio 2021-2022



Source: Ministry of Economy

The total amount of net financing represents, compared to the first quarter of 2021, a nominal increase of ARS 549,565 M while **the refinancing rate is higher than 2021's rates**.

Tender offers

During the first quarter, the weighted average maturity was extended from 12.6 to 13.6 months for CER-adjusted instruments while average maturity for nominal instruments was reduced from 3.7 to 3.3 months in comparison to the last quarter of 2021.

As of March 31 2022, an amount of ARS 1,912,808 M has been awarded through 7 tender offers and 2 asset conversion transactions (where baskets of instruments were offered) enabled the extension of maturity terms to 2024, 2026 and 2028. **Through these conversion transactions, debt services of domestic currency public securities have been reduced by around ARS 508,000 M for 2022.**

In August 2021, the [Market Makers Program](#) was launched with the aim of promoting greater development of the secondary market for local-currency public debt instruments. As of the first quarter of 2022, 8 entities have been appointed as Market Makers and an additional financing of ARS 221,000 M has been obtained, where 69.3% corresponds to CER-adjusted instruments, 29.9% to nominal instruments and 0.8% to LEPASE bills.



Latest Update

- **Argentina entered into an agreement with the Paris Club to extend the understanding reached in June 2021.** The agreement reached on March 22 includes financial guarantees offered by the Paris Club in support of the EFF which has a 30-month duration, allowing Argentina to secure financial sources identified in the IMF agreement.
- Given the strategic importance of energy development for the country's productive and economic matrix, **a gas pipeline called Néstor Kirchner is under development.** This is the most important project of the last decades since it will offer a significant increase, during its different stages, in gas transportation capacity and production scale as well as the creation of more than 6,000 jobs. Moreover, it will have a significant impact on competitiveness, balance of payments stability and on fiscal terms, since it contributes to the reduction of subsidies by diminishing energy production costs. According to estimates, investments of USD 3,400 M will be needed and 40 M cubic meters of gas per day will be transported from Vaca Muerta to Buenos Aires and Santa Fe.
- **Argentina has guaranteed its energy supply for the winter through agreements with Brazil and Bolivia.** On April 8, negotiations were conducted with Brazil's Ministry of Mines and Energy which led to agreeing that the neighboring country will provide the electric power required from May to September. That agreement reinforces the one signed on April 7, under which the Argentine and Bolivian governments agreed to provide 14 M cubic meters of gas per day during winter, together with a commitment to prioritize additional volumes supply depending on availability. Moreover, a Joint Declaration was signed with Chile to make progress on the Bilateral Energy Integration agenda.
- Supporting measures were **taken within the framework of the income policy carried out by the Federal Government with the aim of maintaining households' purchasing power in view of the inflation increase and to avoid negative effects on income distribution.** Those measures include an income support of ARS 18,000 (to be paid in 2 installments) for informal workers, small taxpayers (social, and the ones under tax brackets A and B) and housekeepers; and ARS 12,000 for retirees to be paid in a single installment. These measures are complementary to the previously granted ARS 6,000 bonus for retirees and a 50% increase of the ALIMENTAR card. Regarding financing for such measures, productive, labor and political sectors will be called upon to develop a mechanism to attract part of the unexpected income arising from the armed conflict in Ukraine. A tax rate would be proposed for large companies with net taxable earnings exceeding ARS 1,000 M and a criterion would be included setting forth that the contribution amount will be lower if said unexpected income is channeled towards productive reinvestment.

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<https://www.argentina.gob.ar/economia>

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