THE WEEK AT A GLANCE

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Editorial: Very Good First 5 Months, Now Policy Will Be More Challenging

In the first months of Javier Milei's economy, everything went as planned. The efficient management of the government deactivated the risk of hyperinflation in the context of one of the worst inheritances in memory. The data show that the country risk fell by half, Argentine stocks measured in dollars skyrocketed and public opinion bore a severe recession. At the macro level, the Central Bank bought more than 15,000 million reserves and the Treasury had a first quarter of financial surplus with a high probability that we will see a fourth month in April. Inflation, although still very high, reached lower values than we estimated at the beginning of the year. The realignment of relative prices is not over, but it is underway. The business community accompanied and Wall Street too, including businessmen like Elon Musk.

The government needed these positive feelings, given its congenital weakness. It has no parliamentary representation and little management experience. And there was no way to avoid an inflationary spike and some level of economic contraction.

But these short-term successes now need a second, and perhaps more strategic, impulse. The game for the government is that inflation continues to fall and that the economy recovers while creating the conditions for a regime change and Argentina once again being an attractive country to sink capital. Regarding activity, we estimate that March was the bottom and we already saw better numbers for several sectors in April. But better does not mean good. And in our vision the likelihood of the famous "V" shaped recovery is ephemeral. The fiscal adjustment, the incipiently overvalued exchange rate, and the long-lasting FX market restrictions will make the recovery stingier. The resurgence of private credit helps, but it will take time.

Regarding inflation, we continue to think that inertia will be a tough nut to crack. It is true that the floor is lower than we thought a few months ago because there were one-time effects in high-margin sectors and the magnitude of the recession helped. However, we do not believe that a 5% floor can be lowered without deteriorating other variables of the economy (i.e.: fiscal accounts, greatly overvaluing the exchange rate, meddling in the price system as Massa-Kirchner did). That is to say, Milei has already taken advantage of lower margins.

To help in the process of less inflation and more recovery, some sacred commandments are beginning to be sacrificed. For example, the increase in the fuel tax was postponed to reduce the impact on prices in May at the cost of lower tax revenues. The same applies to the postponement of utilities increases. Much more worrying was the management of Cammesa's debts where the government is forcing the electricity companies to take a loss and also doing tricks with the national accounting. The million-dollar question is, if this debt is paid in bonds, is there no fiscal expense? It may be that the financial administration law allows it, but common sense says otherwise. We believe there were better ways and with less reputational cost to show fiscal surplus and avoid going to the contractual limit. Perhaps the government was hasty in its desire to quickly show good results.

Although the sample is small, this combination of a strong peso, eternal FX restrictions, and controversies was what stopped the improvements in country risk and market values of Argentine assets. Logically, political problems are part of history. The government cannot afford for the "Bases Law" and fiscal measures to not be approved by Congress. We believe that, with skirmishes, the law bill will be approved, but there is no margin in the vote.

In this scenario, with a law that improves the quality of fiscal adjustment (Income tax, Cigarette tax, tax amnesty), the conditions will be in place for the government to come up with a new set of measures. Otherwise, it will be difficult for the BCRA to continue buying reserves. Without sufficient reserves, it will be difficult to lift FX market restrictions and without that, it will be difficult to obtain a robust recovery with significantly lower inflation. The short term was very well managed by the economic team and Argentina left the danger zone. Now we have to think a little more in the medium term.

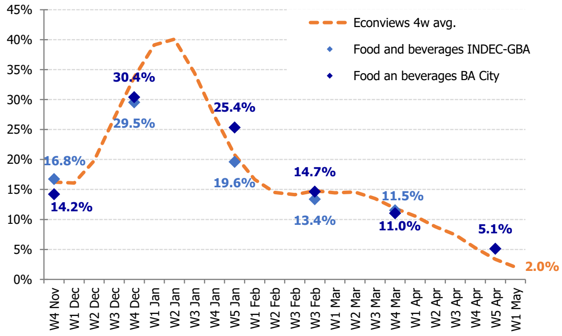
LAST WEEK IN REVIEW

In April, inflation slowed in CABA. After five months, the rate returns to single digits (+9.8%), standing at 3.4 p.p. below March. The increase was largely explained by housing, water, electricity and gas, followed by health and food and beverages.

Food and beverages marked an increase of 5.1%, showing a clear slowdown compared to previous months. At this same address is the measurement carried out in Econviews.

At the national level, we forecast a rate of 9% for April, the same as the market average. According to the Survey of market expectations carried out by the BCRA, the market expects another slowdown in May (+7.5%).

Monthly inflation in food and beverages
Average 4-week variation (Econviews online survey) and official data

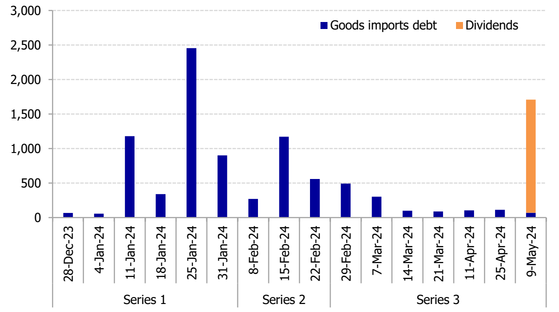


Source: Econviews based on INDEC, IPCBA and own estimates

The BCRA issued USD 1,709 M in series 3 of the BOPREAL. Out of this amount, 95% (USD 1,640 million) was allocated for the transfer of profits and dividends to non-residents, while only USD 69 million were debts for imports.

With this debt auction, the BCRA issued almost the maximum amount (USD 3,000 M) of series 3, thus leaving USD 95 M for next week.

Bopreal face value issued
In USD millions



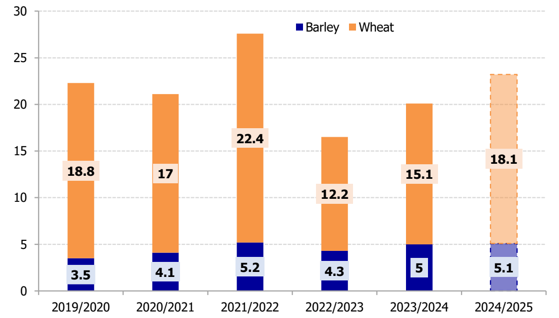
Source: Econviews based on BCRA

A good 24/25 campaign is anticipated. According to the Buenos Aires Grain Exchange, the area planted with wheat will reach 6.2 million hectares, which means an increase of 5% compared to the 23/24 campaign. As a result, the projected production is 18.1 million tons, 20% more than what was produced in 23/24. For barley, the projected area is 1.3 Mha with a production of 5.1 MTon.

Recovery in the price of wheat. During the weeks before the campaign, a ton had reached USD 204 and today it is around USD 230.

Wheat and barley exports are projected to reach USD 3,882 M, a 21% improvement from 23/24.

Wheat and barley production
in millions of tons

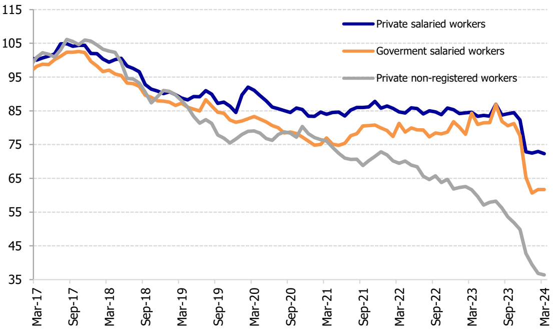


Source: Econviews based on BCBA

Private salaries fell below inflation in March. According to the salary index published by INDEC, salaries in the sector registered an increase of 10%, but in real terms they lagged by 0.9%.

Private employment fell 0.5% in March. This marks the fourth consecutive drop according to the Labor Indicators Survey, with a magnitude similar to that observed in December. So far this year, the contraction in employment has reached 1%. Business outlook suggests that the market will remain stagnant during the next quarter.

Wage index
Oct-2016=100, in real terms, s.a.

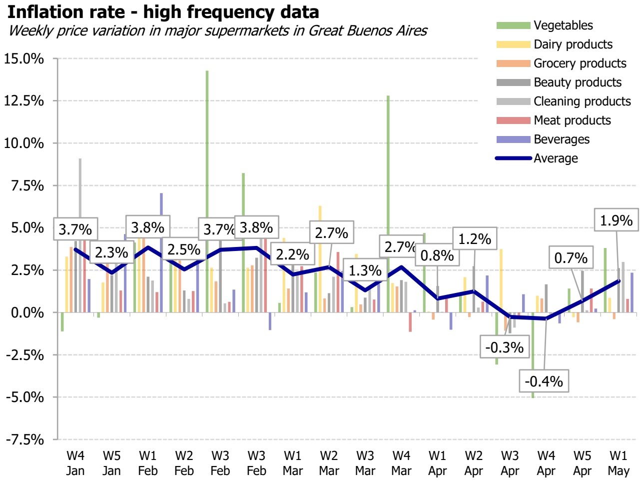


Source: Econviews baesd on INDEC

WEEKLY INFLATION

Inflation rate - high frequency data

Weekly price variation in major supermarkets in Great Buenos Aires



Note: The variations are based on the average price per week, from Friday to Thursday.
Source: Econviews based on own estimates

NEXT WEEK'S HIGHLIGHTS

- **Today**, INDEC will publish its **foreign trade statistics report** for the first quarter of 2024.
- On **Tuesday 14**, **inflation** for the month of April will be announced. At Econviews we expect a figure around 9%.
- On **Tuesday 14**, INDEC will also publish the **monthly values of the basic food** (CBA) and **total baskets** (CBT) for April.
- On **Wednesday 15**, the **use of installed capacity in the industry** for March will be known.
- On **Wednesday 15**, the INDEC **synthetic public services indicator** for February will be published.
- On **Thursday 16**, INDEC will publish the **report on access and use of technologies** (EPH) for the fourth quarter of 2023.
- On **Friday 17**, the INDEC **wholesale price indices** (SIPM) and **construction cost** (ICC) for April will be published.

Market dashboard

Weekly, monthly and yearly variations

	Last data	w/w	m/m	y/y	
Official exchange rate ARS/USD	882.8	0.5%	2.0%	286.3%	↑
MEP	1035.0	-3.2%	3.6%	139.5%	↓
Blue Chip Swap	1075.9	-3.4%	3.1%	140.2%	↓
Parallel	1020.0	0.0%	4.1%	118.4%	=
Official exchange rate BRL/USD	5.2	1.6%	1.6%	4.3%	↑
CB reserves (USD million)	28,360	-21	-687	-5,363	↓
Policy rate (Leliq)	50.0%	0 p.p.	-30.00 p.p.	-41.00 p.p.	=
Badlar rate (private banks)	40.1%	-0.81 p.p.	-29.69 p.p.	-48.06 p.p.	↓
Private Deposits (trillion ARS)	51.4	4.9%	10.3%	152.1%	↑
Private Loans (trillion ARS)	21.7	2.2%	9.6%	146.3%	↑
Merval (in ARS)	1,408	-3.1%	14.1%	353.3%	↓
Merval (in USD)	1,308	0.4%	10.6%	88.7%	↑
Country Risk (spread in %)	1,272	2.4%	-0.2%	-49.2%	↑
Soybean (USD/tn)	442.8	0.3%	3.5%	-16.1%	↑
Corn (USD/tn)	179.4	2.0%	5.0%	-29.4%	↑
Wheat (USD/tn)	237.2	6.6%	15.6%	2.8%	↑
Oil - Brent (USD/barrel)	84.5	-0.2%	-8.5%	7.6%	↓
Oil - WTI (USD/barrel)	79.8	0.2%	-8.2%	10.0%	↑
LNG (USD/MMBTU)	10.5	1.0%	7.1%	0.0%	↑
Gold (USD/oz.)	2,363.7	2.7%	1.3%	16.5%	↑

Note: arrow depends on weekly variation

Stoplight for Economic Activity

Seasonally adjusted variations

		m/m	q/q	LD vs previous Q
Industrial production	*Mar-24*	-6.3%	-9.9%	-7.2%
Automobile production	*Apr-24*	13.8%	-8.0%	6.3%
Steel production	*Apr-24*	44.3%	-13.0%	-0.5%
Poultry production	*Mar-24*	-7.2%	0.0%	-4.1%
Dairy production	*Mar-24*	-1.1%	-8.4%	-4.6%
Beef production	*Mar-24*	-11.6%	-2.2%	-8.7%
Real Estate transactions (CABA)	*Mar-24*	0.0%	-1.7%	8.4%
Flour Production	*Mar-24*	-3.8%	-3.2%	-2.2%
Oil production	*Mar-24*	-2.7%	1.7%	-1.0%
Gas production	*Mar-24*	-3.8%	9.4%	6.8%
Cement production	*Apr-24*	9.2%	-18.6%	-8.6%
Construction activity	*Mar-24*	-14.2%	-22.7%	-19.4%
Gas sales	*Mar-24*	-2.7%	-5.8%	-2.6%
Motorcycle licenses	*Mar-24*	-23.5%	-25.0%	-27.7%
Use of electricity	*Apr-24*	0.9%	-4.2%	-2.7%
Train rides (AMBA)	*Mar-24*	3.2%	0.7%	2.7%
Imports CIF	*Mar-24*	-0.9%	-9.2%	-3.3%
Exports FOB	*Mar-24*	-0.4%	14.8%	4.5%
Loans in ARS to private sector	*Mar-24*	-1.2%	-26.1%	-7.0%
VAT-DGI Revenues	*Apr-24*	1.7%	-2.9%	1.2%
Formal private jobs (SIPA)	*Jan-24*	-0.1%	-0.2%	-0.1%
Formal private jobs (EIL)	*Mar-24*	-0.5%	-0.9%	-0.8%
Consumer confidence	*Apr-24*	1.3%	-10.6%	2.9%
Government confidence	*Apr-24*	-4.3%	10.2%	-5.0%

Note: stoplight color depends on last month vs previous quarter variation

A Key Bill in Political Terms, With Little Short Term Impact Beyond Fiscal Accounts

- *The government's "Ley Bases" bill and fiscal package passed in the Lower House, though some passages were left behind as part of negotiations.*
- *Of the fiscal package, the most important thing is the reimposition of income tax, which can contribute 0.3% of GDP in additional revenues.*
- *Labor reform and a tax amnesty are on the table; also, a special regime for large investments and a system to cover pensions for those without 30 years of contributions.*

The government's agenda hinges on passing the "Ley Bases" and fiscal package, to achieve a first political victory. In economic matters, the aim is to seek a moderate improvement in revenues with the reimposition of a reasonable income tax, in addition to some funds that come from a tax amnesty and a moratorium for tax debtors. In practice there would only be a reduction in rates on personal assets and for large companies in the new investment regime.

In terms of structural reforms there was little progress. On labor laws, the main reform is an extension of the trial period, the possibility of creating an unemployment fund to replace the current compensation system, and a moratorium for unpaid employer contributions. The rest of the originally proposed reforms were lost along the way. The national airline, water company and mail office, among others, are listed for privatization, but the National Bank and the sale of the Social Security Fund's assets were left out. Progress was also made with the Large Investment Regime, although it is an issue that generates controversy and that can be stopped in the Senate. **In general terms, it is a lackluster bill, but its approval is important because it would show that the Executive can work with Congress and therefore improve governability.**

Fiscal package

The fiscal package has several key points. At a macro level, **the most important is to reimpose income tax for employees**, which could contribute 0.3% of GDP in additional revenues (less than the original estimate because it will not be retroactive) and a help oxygen provincial finances.

It is difficult to estimate the impact of the tax amnesty and moratorium. In 2016 it reached almost 1.8% of GDP, but in a different political context, and it is a tool that wears out with use.

The changes in tax on personal assets and the contribution scales for self-employed workers improve the tax structure, but are not relevant at a macro level, at least this year.

• Tax moratorium

Forgives 100% of fines and 70 to 20% of the punitive interest, depending on the moment of payment and whether it is up front or in instalments.

• Tax amnesty

Applies to national or foreign currency, capital goods and real estate, valued at the BCS exchange rate. Up to USD 100,000 can be entered without paying taxes (in 2016 the limit was equivalent to USD 70,000). Above that value, the special tax rates will be 5% until November 2024, 10% until January 2025 and 15% until April 2025, the maximum period, although it can be extended for 3 months. **A criticism of repeated tax amnesties is that they discourage the regular payment of taxes**, and are unfair to taxpayers who do play by the rules. But it can help the fiscal program at a time when resources are tight

Chart 1. Tax amnesty

Tax rates, conversion at BCS rate

	Rate
Above 100,000 USD	0%
Until Nov-24	5%
Until Jan-25	10%
Until Apr-25	15%

Source: Econviews based on OPC

• Personal assets tax

The Bill proposes to adjust the non-taxable minimum from 27 to 100 million pesos and the exclusion value for residential homes from 137 to 350 million. It proposes a gradual unification of tax rates, from a range of 0.50 to 1.50% for the highest values in 2023, to 0.25% for all in 2027. For those who regularize assets under the tax amnesty, the rate will be 0.50% until 2028. **The OPC estimates a loss in revenues ranging from 0.3% of GDP in 2024 to 0.6% in 2027.** The provinces will absorb most of the cost, since 94% of the tax is shared under the federal system.

Chart 2. Proposed rates for Personal Assets Tax

Rates for values exceeding non-taxable minimum, annual adjustment by CPI

	2023	2024	2025	2026	2027
Value exceeding minimum*					
456,290,138	1.50%	1.25%	1.00%	0.75%	0.25%
82,132,225	1.25%	1.25%	1.00%	0.75%	0.25%
29,656,859	1.00%	1.00%	1.00%	0.75%	0.25%
13,888,704	0.75%	0.75%	0.75%	0.75%	0.25%
0	0.50%	0.50%	0.50%	0.50%	0.25%
Fiscal cost in % of GDP	**-0.3%**	**-0.3%**	**-0.4%**	**-0.5%**	**-0.6%**

*fixed at ARS 100 M + ARS 350 M for own house

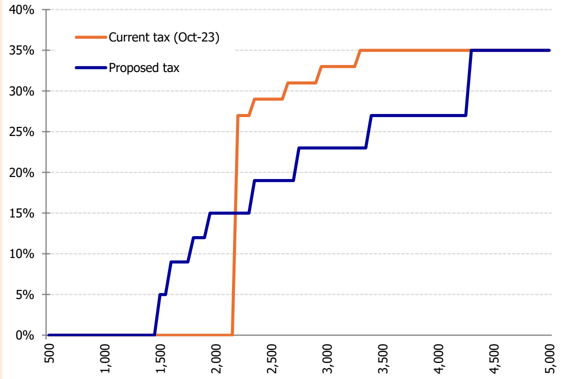
Source: Econviews based on OPC

• Income tax for employees

The non-taxable minimum for an employee (single, without children) drops from approximately 2,160 to 1,500 thousand pesos. This modification broadens the tax base and recovers progressivity, since currently workers started out at a marginal rate of 27%, and now that level is reached gradually between 1,500 and 3,400 thousand pesos. **The OPC estimates the increase in revenues at 0.3% of GDP,** of which 0.17 points are shared with the provinces. There will be no retroactive charges. In 2025, the fiscal impact will be closer to 0.5% of GDP.

Graph 1. New marginal income tax rates for workers

Rate on income above non-taxable minimum, in thousand pesos



Source: Econviews based on OPC

• Self-employed workers

The Law increases the nominal limits of gross income by 200% for categories from "A" to "H" and by 270-300% for the highest ones, and integrated taxes and social contributions between 100 and 600% depending on the bracket. These changes would allow many autonomous workers to switch to the single-tax system, which has a lower tax burden. The OPC estimates a collection loss of around 0.07% of GDP throughout 2024.

Employment

One of the key issues is the change in the fine system. This aims at making compensation amounts much more predictable companies. In addition, the "Bases" law also proposes a type of labor tax moratorium. Those employment relationships that are not registered or where the registration is deficient, may be regularized with a forgiveness of debts for contributions of at least 70%.

This measure seems logical considering that around 35% of employees are informal. For these workers, regularizing their employment relationship implies an improvement in terms of stability and benefits. For the treasury, it means higher income and less deficit in the pension system.

On the side of modernization in current labor legislation, there are several points to highlight. The first is that now the worker can choose which subsidy fund and which healthcare plan to enrol in. Previously, the law forced them to register in their branch of industry, limiting the worker's ability to decide. This is also positive because it allows each person to choose the healthcare plan that they want, deriving the contributions.

Within the employment contract law, an important change is in the trial period. It will now be 6 months, with the possibility of it being extended to 8 months or 1 year depending on the number of employees. Furthermore, the same worker cannot be hired more than once during a trial period.

The new law proposes that compensation can be replaced by a unemployment fund or system by contracting a private system at the employer's expense. This is a similar idea to that applied in the construction sector.

Those workers who are independent will not need to have a dependency relationship with their collaborators as long as they are less than 5. Likewise, the regime will include the payment of a monthly fee corresponding to social contributions.

Pensions

The chapter dedicated to the pension system is short because there were already modifications to the adjustment formula that were made by decree. The first thing that is determined is the repeal of the moratorium law that had been approved in March of last year.

For those workers who are of retirement age, but do not have enough years of contributions (30), the Proportional Retirement Benefit is created. The minimum pension will be equivalent to that of the Universal Pension for the Elderly. Although the executive must regulate it and at that moment define the parameters, it is a measure that seems logical. It makes sense that a person who has 15, 20 or 25 years of contributions can receive a retirement proportional to their years of contributions instead of the minimum.

Incentive Regime for Large Investments (RIGI)

The central idea of this measure is to attract long-term investment projects that require very large capital investments. The current period to join the regime will be two years, with the possibility of being extended by one more. The set of benefits implied by this regime is valid for 30 years.

The scope of the measure is limited to projects that are worth at least 200 million dollars. This amount may increase depending on the sector and may not exceed 900 million. Projects of more than 1,000 million that involve the opening of trade in new markets may also participate.

On the tax side, companies will have a cap on the income tax rate of 25% (versus 35% for the rest). In addition, they will have benefits such as deducting 100% of the tax on credits and debits from income tax, tax-free imports and exports. It is also guaranteed that they will be able to carry out foreign trade operations without restrictions of any kind and will not be forced to hire suppliers of national origin under unfavourable conditions.

Regarding FX operation benefits, from the first year onwards, companies may not liquidate a percentage of exports that increases as time passes until the free availability of foreign currency is reached. Access to the exchange market without restrictions for the payment of dividends, profits and interests is guaranteed.

Our view on this point of the law is that the idea of incentivizing investment projects is good. The question that arises is why limit it only to investments of that amount and not incentivize any type of project regardless of size. With respect to tax stability, it also seems to us that it would be good to offer it more generally. We do not understand why some projects should pay a lower income tax rate than the rest. In short, promoting investment is good, but it would be even better if it were done in a more comprehensive way.

Delegated powers

Of the extended powers requested by the executive, only 4 remained. Administrative, financial, economic and energy for a period of one year.

Privatizations

The law enables the privatization of the national airlines, energy company, radio and TV and Intercargo. Argentine Water and Sanitation, the Official Mail, Belgrano Railways and other companies are also allowed to be privatized or concessioned.

The macro relevance of these possible privatizations is practically nil, and we also do not see that there may be many interested parties in the buy side. We believe that this is mainly an intention to move forward with the cultural change proposed by the government.

In short, this is a law where the regulations will later have a lot of influence, but in general terms it is going in the right direction, perhaps with some controversies. The income tax reform could be less generous, the RIGI has its issues. But at this point for the government, political victory seems to matter more than the content of the law.

April and May Will Bring Better Numbers, but Nothing to Write Home About

- *March was a complicated month for industry, construction, hydrocarbons, and almost all other sectors.*
- *Expectations for the coming months are pessimistic.*
- *There are some signs of improvement in April.*

We believe that economic activity hit its lowest point in March and that April will mark a turning point towards growth. Our Economic Activity Traffic Light, which indicates the health of the economy, still shows mostly red lights (see page 3). However, **there are some positive signs in the first data for April.** Automotive production increased by 13.8% monthly and steel production increased by 44%, indicating a good trend for the industry. Cement production also grew by 9.2%. Electricity consumption recorded a small increase of 0.9%. The collection of VAT-DGI, a tax closely linked to economic activity, increased by 1.7%, though this data partly refers to March. Motorcycle registrations also increased by 36% and consumer confidence by 1.3%. On the other hand, the credits and debits tax in April did not perform well, raising some doubts about previous improvements, perhaps due to stretched payment terms.

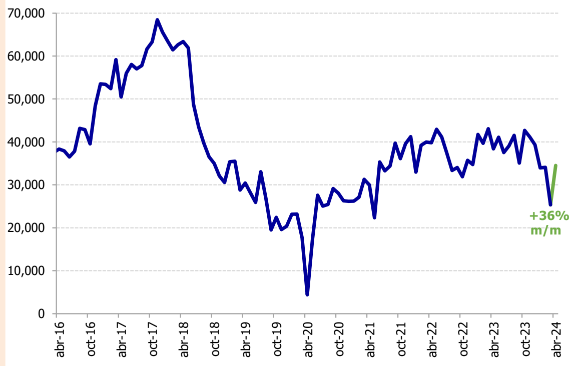
Construction is facing challenging times. In March, the sector experienced a 14.2% decline in activity compared to the previous month, making it the eighth consecutive month of decline. Excluding the two months of total shutdown during the pandemic, this monthly decline is the most severe since January 2002 when the drop was 14.8%. In fact, this is the second-worst record since the beginning of our historical series in 1993, excluding the pandemic.

During the first quarter of 2024, the construction sector experienced a significant decline of 30.3% compared to the same period in the previous year. This contraction was observed in the consumption of nearly all construction materials. However, there was a surprising increase of 17.6% in the consumption of asphalt, particularly in public works, after a consecutive 5-month decline.

Expectations for the coming months remain quite pessimistic, although there is a slight change in the trend for public works. According to a recent survey, 64% of respondents believe that public works activity will continue to decline, while only 6% expect an improvement. Although this is still a significant difference of 58 percentage points, it is less pronounced than in recent months when it reached 75 points (see graph 4). Some may argue that expectations cannot get any worse, as the bar is already too low. However, others may point out that things can always get worse.

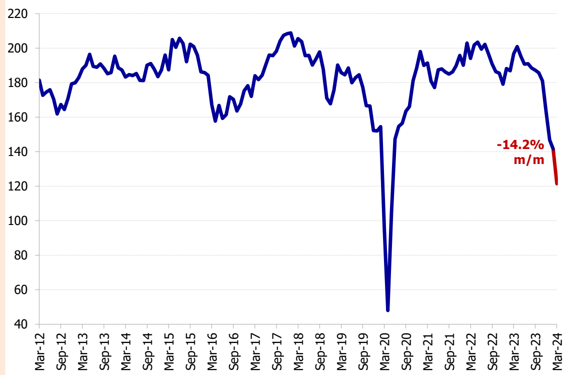
It's worth noting that April showed some improvement in the construction industry. Specifically, cement production saw a monthly increase of 9.2% after

Graph 1. Motorcycle patenting
Seasonally adjusted series



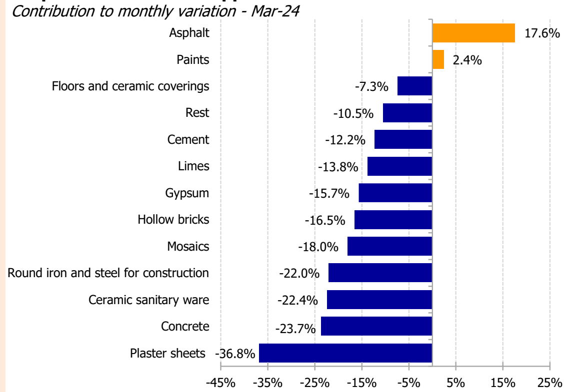
Source: Econviews based on CAFAM

Graph 2. Construction
ISAC-INDEC - Seasonally adjusted, 2004=100



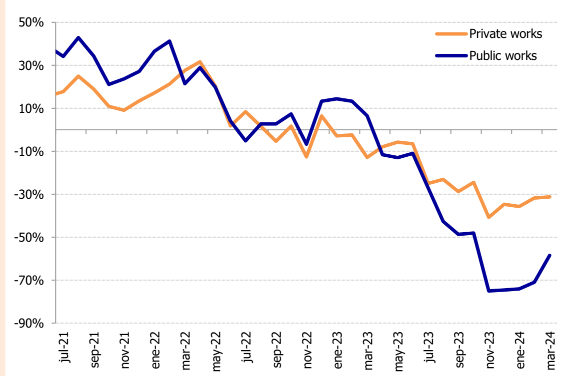
Source: Econviews based on INDEC

Graph 3. Construction supplies
Contribution to monthly variation - Mar-24



Source: Econviews based on ISAC - INDEC

Graph 4. Construction expectations
Difference between exp. positive and negative for Apr - Jun 24



Source: Econviews based on ISAC - INDEC

five consecutive months of declines. Additionally, Grupo Construya companies reported a 4.5% uptick in shipments compared to March. However, these figures still fell short of the levels seen in 2023. **The sluggish activity in the sector is attributed to reduced income and investor uncertainty.**

The industrial sector is experiencing a slump in production. In March, a monthly decrease of 6.3% marks the sixth consecutive month of decline. The interannual variation was -21.2%, and this has been the tenth consecutive negative variation.

Most major sectors have reported lower production in the first quarter of this year compared to 2023 (refer to Table 1). Despite the overall decline, the Food and Beverages sector experienced a boost in Oilseed Milling (+28.6% accumulated), which was expected as it is compared to milling during a time of drought.

In the industrial sector, domestic demand is not expected to recover in the coming months. 51% of those surveyed responded that demand will continue to fall in the coming months, while 12% think that it will increase. Pessimism continues to deepen, having reached a gap of 40 points in March (see graph 5). Meanwhile, expectations regarding external demand remain stable.

Lo que juega a favor en abril: La producción de acero crudo creció fuertemente. Después de un marzo complicado entre el cierre de plantas de Acindar por baja demanda y conflictos con la Unión Obrera Metalúrgica (UOM), la producción de acero repuntó un 44% mensual según nuestra propia desestacionalización. **La producción de autos también da una buena señal para la industria**, con una suba mensual del 13.8%. La impresión es que los números exageran. Ni marzo fue tan desastroso ni abril recupera tan vigorosamente. Las desestacionalizaciones con semana santa y el feriado XL también ponen un manto de dudas sobre los números.

What works in favor in April: Raw steel production grew strongly. This was a positive indication for the industry, especially after a challenging March where Acindar plants had to be shut down due to low demand and conflicts with the Metallurgical Workers Union. According to our own deseasonalization, steel production increased by 44% monthly. Additionally, car production also increased by 13.8% on a monthly basis. However, we are skeptical about the accuracy of these numbers, as they may be exaggerated due to seasonal factors such as Easter and the XL holiday.

Just a stumble for the star sector. In March, mining and extraction activity decreased by 2.8% monthly, but it is still up by 4.8% year-on-year. In the first quarter of 2024, there has been a growth of 9.3% compared to the same period of the previous year. Among the categories, crude oil extraction is the one that has the most impact at the general level, along with extraction support services. These two have accumulated growth of 8.5% and 19.9% respectively. Although its impact is lower, the variations also highlight the extraction of non-metalliferous minerals such as lithium and others, which has been growing by 9.3% so far this year.

Chart 1. Industry sectors in 2024

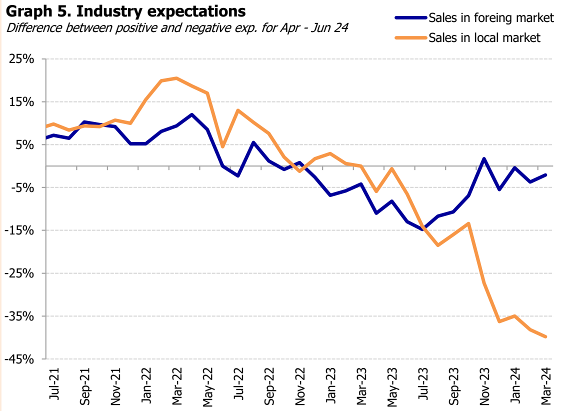
Accumulated growth as of March

	1Q-24 vs. 1Q-23
Food and drinks	-7.7%
tobacco products	-0.4%
Textile products	-15.0%
Clothing, leather, footwear	-16.6%
Wood and paper	-11.2%
Oil refining	-2.2%
Chemical products	-5.6%
Rubber and plastic products	-15.3%
Non-metallic mineral products	-23.9%
Basic metal industries	-25.5%
metal products	-16.3%
Machinery and equipment	-35.5%
Computer equipment, devices and instruments	-37.0%
Cars, trailers and auto parts	-18.2%
Motorcycles	-3.8%
Furniture and mattresses	-32.5%

Source: Econviews based on INDEC

Graph 5. Industry expectations

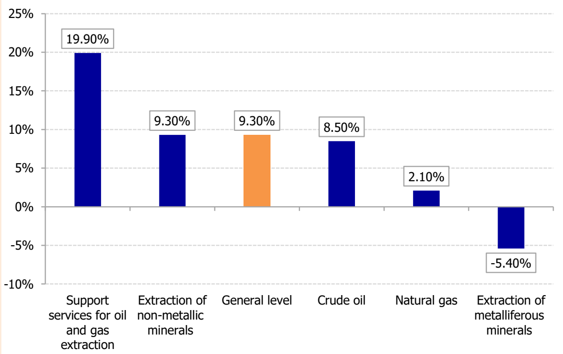
Difference between positive and negative exp. for Apr - Jun 24



Source: Econviews based on Manufacturing IPI - INDEC

Graph 6. Extractive activity by category

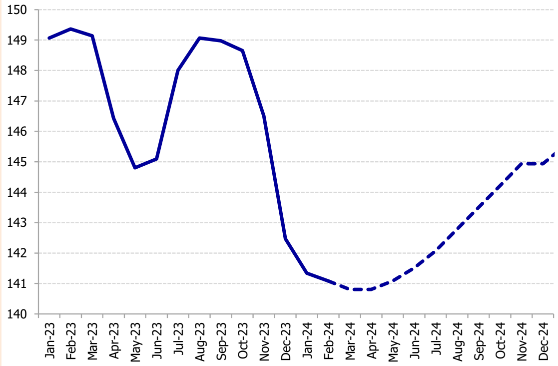
Year-on-year cumulative variations - March 2024



Source: Econviews based on INDEC

We estimate that these construction, industry, and mining data, all corresponding to March, indicates the lowest point of activity. April could be a turning point for the economy to start growing again, favored by the decrease in inflation, and the revival of credit and consumption. There are still some challenges, such as the FX controls that hinder new investments, the appreciation of the exchange rate and the reduction in public spending. Therefore, we maintain our projection of a 3.3% drop in GDP for this year.

Graph 7. Economic Activity
Base 2004 = 100



Source: Econviews based on INDEC & own estimates