

## Economics Group

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### Argentina GDP Growth Slows Down in Q4

**With a 0.9 percent year-over-year rate of growth in Q4, Argentina managed to grow 2.1 percent in 2015. However, expect revisions when first quarter 2016 results are released in June.**

#### Weakness Was Broad Based in Q4

With a preliminary reading of 0.9 percent on a year-earlier basis for Q4 2015, the Argentine economy managed to post a 2.1 percent growth rate for the whole of 2015. It is important to mention that these results are “very” preliminary and most likely will be revised considerably once the results for the first quarter of 2016 are released at the end of June. This is because Argentina’s statistical institute is in the process of fixing all of the data issues left by the previous administration, which means the revisions are expected to be important.

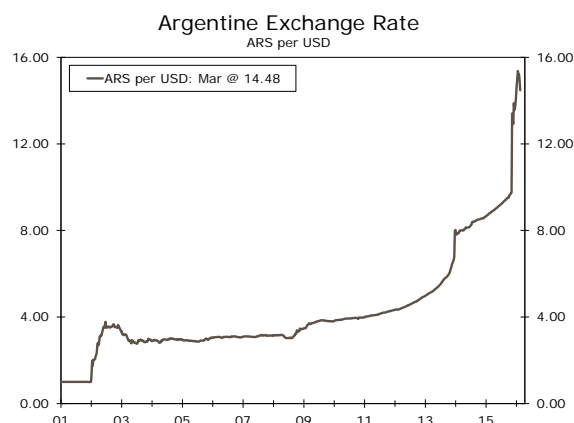
This preliminary release included information on the supply side of the economy but not on the demand side. However, some of the results on the supply side have hinted at a weak consumer as the year ended. Case in point was the 1.0 percent increase in commerce, after a 4.4 percent growth rate in the third quarter. Overall, commerce output increased only 1.3 percent for the whole of 2015. Meanwhile, the output of hotels and restaurants was flat in the fourth quarter, growing only 0.8 percent for the year. The strongest sectors during Q4 and for the year as a whole were the sectors dominated by government expenditures, which points to a still strong performance by government consumption.

For the full year, the agriculture and cattle sector proved to be the strongest with a growth rate of 6.4 percent. However, that sector also weakened considerably in Q4, posting a 2.9 percent decline. This probably will be reversed in the first quarter of 2016 as there was strong speculation at year-end that the new administration could lower taxes on agricultural exports. Thus, expect a very strong performance by this sector as well as for exports during 2016.

Construction was the second-strongest sector in 2015, posting a growth rate of 5.0 percent even though the sector also weakened considerably during Q4, posting a growth rate of 2.8 percent versus a 7.3 percent rate during Q3. Expect this sector to boom during 2016 as restrictions and regulations on real estate transactions are eliminated.

#### Economic Activity to Improve in 2016

Although the new administration will face several challenges with inflation in 2016, we expect the economy to improve as the political and regulatory environment for the private sector improves. However, until the statistical institute releases its revisions to the data on the economy it will be quite difficult to gauge the true direction of the Argentine economy. That said, all indicators point to better times ahead for the country in the next several years.



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