

ARGENTINA NEWS

Update September 2016

ECONOMIC CHANGES During President Macri's first months, the new administration removed most of the capital and current account controls, settled with the majority of bond holdouts, and initiated the path towards the normalization of utilities rates. We expect growth to become positive again as of 2017, supported by more sustainable fundamentals.

MSCI Argentina was included in June 2016 in MSCI's (1) watchlist for potential upgrade to EM (emerging markets) in June 2017.

EXTERNAL SUPPORT On the external area, local government continues receiving support from other countries. During G-20 meeting Mr. Obama has congratulated Mr. Macri in relation with success of the recent economic measures.

INTERNAL SUPPORT The government's local approval ratings remain elevated at 43% in July 2016. This is an encouraging sign as the current administration has taken some hard decisions in order to rebalance national accounts.

TAX AMNESTY In a context in which there will be an automatic exchange of information with other countries, on May 31, the Executive Branch filed a bill of law including a "Tax Amnesty Regime" before the House of Representatives. Among other provisions it included a "Voluntary and extraordinary disclosure regime of national and foreign currency holding and other assets, within Argentina and abroad" ("Tax Amnesty"). The bill of law was recently approved

INFLATION General opinion indicates that inflation rate should decrease during 2017.

SIGNIFICANT INVESTMENT FROM FOREIGN COMPANIES - Government policies are clearly headed to attract foreign investments, with some promising results. As an example, Renewable energy developers in Argentina applied to sell 6,366 MW of power in an October auction, more than six times the amount the government plans to sell.

Additionally, Argentina opened a major investment conference on September with 1,000 executives from 67 countries. The guests of honour in Buenos Aires include the chief executives of Coca Cola, Exxon, Toyota and Dow Chemical, among others. Important announcements have been made, as Canadian miner Pan American Silver U\$S1 billion investment and Siemens with U\$S 5.6billion.

(1) Morgan Stanley Capital International