



Newsletter Economic and Commercial

Economic activity in October

According to the latest Economic Activity Monthly Estimate (EMAE) released by INDEC (the National Statistics Institute), economic activity grew by 0.3% in October 2011 compared with September 2011 (seasonally adjusted). Compared with October 2010 economic activity showed a growth of 8.1%. The accumulated growth in the first 10 months of the year compared with the same period of 2010 was measured at 9.3%. The accumulated growth in the last 12 months was 9.4%. *(EMAE shows the progress of economic activity on a monthly basis while GDP figures are released quarterly).*

EMAE: A year at a glance

	Monthly % change	Annual % change
Nov 10	1.7 %	10.1 %
Dec 10	1.4 %	10.1 %
Jan 11	0.8%	10.9%
Feb 11	0.6 %	10.3 %
March 11	0.3%	8.7%
April 11	1.7 %	8.8 %
May 11	1.1%	9.3%
June 11	0.4 %	9.4 %
July 11	-0.2 %	9.0 %
Aug 11	0.6 %	10.1 %
Sep 11	-0.2 %	8.9 %
Oct 11	0.3 %	8.1 %

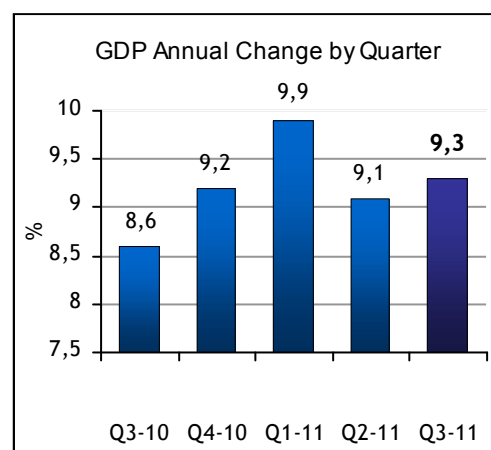
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Official figures

GDP growth of 9.3% in third quarter

INDEC's provisional estimate of GDP for the third quarter of 2011 shows a growth of 9.3% compared with the same quarter of 2010 and of 1.1 % (seasonally adjusted) compared with the previous quarter. Production of goods increased by 7.7% while services grew by 9.8% y.o.y. The accumulated GDP growth in the year compared with the same period of 2010 was 9.5%.



Industrial activity up in November

INDEC's Industrial Monthly Estimate (EMI) showed a growth of 3.5% in November 2011 compared with the same month of 2010 and of 1.8% compared with October (all figures seasonally adjusted). The accumulated industrial growth in the first 11 months of the year compared with the same period in 2010 was measured at 7.2%. The sector analysis shows that in November the metal mechanic industries and the motor industry (+9.3% and +11.1% respectively)

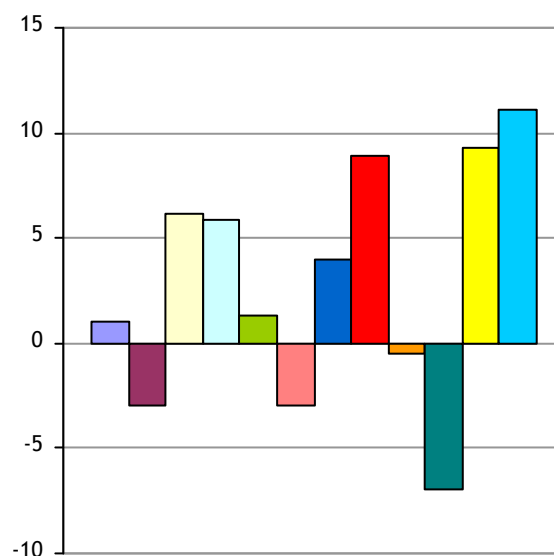
resumed a strong leading role in the industrial growth, as has been the case for most of 2010 and 2011. Following them, rubber and plastics, textiles and paper and cardboard showed good results as well (+8.9%, +6.2% and +5.9%). Besides these ones, most sectors showed positive figures in November, while on the negative side the metallic industry recorded a drop of -7%, tobacco and oil refining -3% each, and non metallic minerals -0.5%.

Industrial activity change by sector (November)

Sector	Monthly Change	Annual Change
Food and beverages	+1.0 %	+7.7 %
Tobacco	-3.0 %	-18.0 %
Textiles	+6.2 %	-8.4 %
Paper and cardboard	+5.9%	+0.6 %
Printing	+1.3 %	+6.7 %
Oil refining	-3.0 %	-9.2 %
Chemical	+4.0 %	+4.8 %
Rubber and plastics	+8.9 %	+2.6 %
Non-metallic minerals	-0.5 %	+3.4 %
Metallic industries	-7.0 %	+0.5 %
Motor industry	+9.3 %	+0.1 %
Other metal-mechanical ind	+11.1 %	+12.5 %

Official figures

EMI November 2011
(monthly change)



Source: INDEC

Argentina



Official figures

2011 public revenue up by 31.8%

The Ministry of Economy and the Federal Agency of Public Revenue (AFIP) announced that 2011 total revenue was 585 bn pesos, while net tax resources (meaning what AFIP collects for public sector spending) increased by 31.8% (y.o.y) reaching 540 bn, 130 bn more than in 2010. December

revenue was 53.1 bn pesos, while net tax resources reached 48.9 bn, 28% higher compared with the same month of 2010. The largest growths in 2011 were recorded in Income Tax (+41.7%), Debits and Credits Tax (+34.6%), Social Security Contributions (+34.1%) and VAT (+32.5%).



Unemployment at 7.2% in the third quarter

According to INDEC's Permanent Households Survey (EPH), which is conducted in 31 major cities throughout the country, urban unemployment in the third quarter of 2011 was 7.2%. This figure shows a fall of 0.7% compared with the same quarter

of 2010 (7.9%) and of 0.1% compared with the second quarter (7.3%). The employment rate was measured at 43.4%, while activity level was 46.7%, both figures up compared with the previous quarter and with the same period of 2010.

November inflation rate at 0.6%

The Consumer Prices Index (CPI) for the city of Buenos Aires and the Metropolitan area showed an increase of 0.6% in November 2011 compared with October and of 9.5% compared with the same

month of 2010. The Wholesale Prices Index increased by 0.9% and the Construction Costs Index was measured at 1.4% in November compared with October, according to INDEC figures.

Trade

November trade report

According to INDEC's latest report, Argentine trade totalled US\$ 13.1 bn in November 2011, representing a growth of 15% compared with the same month of 2010. The trade surplus was US\$ 684 million, which represents a y.o.y growth of 109%. Exports in November totalled US\$ 6.9 bn, while imports amounted to US\$ 6.2 bn. The y.o.y growth in exports is the result of an increase in export volume (10%) and better export prices (6%). Imports were 12% higher than in November 2010. The increase in imports is also explained by higher prices (5%) and a larger import volume (7%). In the first ten months of the year the trade balance showed a surplus of US\$ 10 bn, representing a y.o.y fall of 13%. Total exports in this period amounted to US\$ 78 bn (a y.o.y increase of 25%) while imports reached US\$ 67.9 bn (+33% y.o.y). The sector analysis of exports shows that all sectors grew y.o.y in November except for fuel and energy. The largest increase was measured in primary products (+65%), followed by industrial manufactures (+21%) and agricultural manufactures (+11%), while fuel and energy dropped by 27%. At the product level those exports that showed larger growth were grains (wheat to Brazil and maize to Saudi Arabia, Colombia, Malaysia, Algeria and Chile), seeds and oilseeds (particularly soyabeans to China), chemical products (biodiesel to

Spain and Italy), pharmaceutical products (to the Netherlands) and gold and silver (to Canada and the US). On the imports side, the sector with a larger increase in November was fuel and lubricants, followed by parts and accessories for capital goods, intermediate goods and consumer goods. At the product level those imports that showed the largest growth were passenger vehicles, gasoil, electrical circuits, car parts and accessories, liquefied natural gas, iron ore, gearboxes, natural gas and road tractors. The November trade balance with Mercosur (Argentina's main trade partner) was positive for Argentina at US\$ 12 million. Exports to Mercosur grew by 26%, while imports from the bloc grew by 5% (y.o.y). Trade with Asia Pacific countries (including China, Japan, Korea, India and South East Asian countries) ranked second in November with a negative balance for Argentina of US\$ 627 million. Exports to this region increased by 22% and imports by 15% y.o.y. The EU was Argentina's third largest trading partner with a trade surplus of US\$ 244 million in favour of Argentina. Exports to the EU grew by 23% and imports by 4% in November compared with the same month of 2010. Trade with NAFTA showed a negative balance for Argentina of US\$ 150 million, with exports up by 5% and imports by 14%.

Trade

New mechanism for wheat exports

The Minister of Agriculture, Livestock and Fisheries, Norberto Yahuar, announced a new procedure for wheat marketing, starting at the end of January. Under the new system about 7 million metric tons of wheat are to be reserved for domestic supply while farmers will be allowed to freely export the remainder. Output from the current wheat harvest, which is 93% complete, may be 13 million to 14 million tons. Growers will now be able to export wheat crops providing they meet certain conditions, such as being able to deliver the physical goods or holding certain

types of futures contracts. The new system will replace the ROE (Export Records Operations) quotas scheme and farmers will have a free hand to sell wheat after deducting the amount for domestic consumption. An agreement between the Ministry of Agriculture, the Secretariat of Trade, the exporters and the millers has been reached to implement the new system. Similar measures might be taken in the future for maize exports, Agriculture Undersecretary Oscar Solis said.

Toyota Argentina to increase IMV's exports

President Cristina Fernández de Kirchner attended a ceremony held on 15 December at Toyota Argentina's plant in Zarate, province of Buenos Aires, to mark an increase in vehicle production capacity aimed at meeting strong demand for the IMV (Innovative International Multi-purpose Vehicle) series in Latin America. The expansion was finished in November, with annual vehicle production capacity increased to 92,000 units from 65,000 units. The production increase represents an additional investment of approximately US\$ 126 million and the creation of approximately 650 new jobs. Toyota Argentina is Toyota Motor Company's IMV series supply base

for Latin America and has been producing the Hilux and Fortuner models since 2005. Before the production capacity increase, approximately 70% of the 65,000 vehicles produced annually were exported to 10 Latin American countries, primarily to Brazil. The production capacity increase will result in an increase of the export rate to 75%.



Argentina



Investment

Brazilian Vale to invest US\$ 6bn in Potash Project

Brazilian mining company Vale SA has announced an investment of 25.5 billion pesos (around US\$ 6 billion) for its Rio Colorado Potash Project covering the provinces of Mendoza, Neuquén, Río Negro, La Pampa and Buenos Aires. The announcement was made by Vale's CEO, Mr Murillo Ferreira, during a meeting with President Cristina Fernández de Kirchner in December. The Rio Colorado Potash Project, acquired by Vale from Rio Tinto in 2009, is located in Malargüe, Mendoza. This is a comprehensive project encompassing all stages of production, processing and distribution of potassium chloride: the extraction and processing at the site, the development of the logistics chain to transport the fertilizer to the port of Ingeniero White, in the province of Buenos Aires, and

the construction of port facilities. This initiative, whose production is estimated at 2.4 million tonnes of potash per year, will position Argentina as one of the world's leading producers of fertilizer.



Sony to expand production in Tierra del Fuego

Sony has announced an investment of US\$ 30 million to produce micro components for audio devices and VAIO notebooks at its Tierra del Fuego facility. The announcement was made by Sony executives at a meeting with Industry Minister Débora Giorgi. The company will also increase its LCD/LED production which already supplies the domestic market. With the new investment, Argentina will be one of the three countries where Sony

will manufacture notebooks (it already does it in Malaysia and Brazil) and will become one of the four countries where audio equipment is produced (in addition to China, Malaysia and Brazil). Furthermore, it will be the first company manufacturing 3D technology TV sets in Argentina. The company currently employs 300 people directly plus 320 indirectly in Argentina.

Investment

US\$ 500 million investments in industrial parks

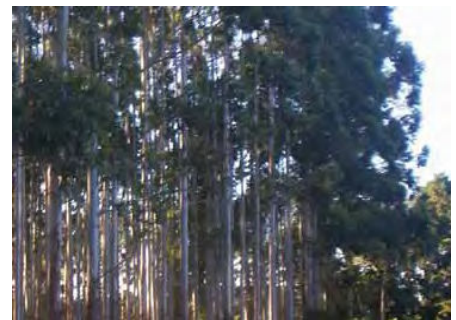
According to the Industry Ministry, over 280 industrial parks are currently in operation in Argentina and close to 200 more are being built across the country, with an overall investment of US\$ 500 million. Since 2003 the number of industrial parks has increased from 80 to 280 and it is estimated that by 2020 it should grow to 550. Investments and government contributions to 41 industrial parks will generate more than 18,000 new jobs in 14 provinces, according to Minister Débora Giorgi. The Government has handed over Non Reimbursable

Contributions (ANR) of around 12 million pesos to 41 industrial parks towards infrastructure works that will benefit 956 companies, out of which 505 are setting up and developing investments of over US\$ 500 million in works and equipment. The National Programme for the Development of Public Industrial Parks in the Bicentenary forecast the implementation of infrastructure works for industrial parks as well as the granting of soft credits for small and medium sized companies already established or to be established in these facilities.

Alto Paraná announces US\$ 50 million investment

Alto Parana, a company owned by Chilean Forestal Arauco, has announced a new investment of US\$50 million in Argentina, which aims to double its production of wood panels and pulp. The investment plan is under way and in the first quarter of the year the company will open a line to diversify the production of paper pulp, while in the second quarter it will start the production process to manufacture melamine boards. The investment will build up on the current production line at the company's plant in Puerto Esperanza, in the province of Misiones, creating the possibility of producing both "paper grade" pulp and "fluff" (which is used to produce nappies).

Alto Parana, which supplies the domestic market and Brazil, plants 15 million trees in Argentina every year, mostly in Misiones. The company owns 256,000 hectares in Argentina, of which 44% are native forests, and uses the waste products as fuel to generate electricity for the province of Misiones.



Other News

YPF new oil discovery

YPF, the oil company, has announced a new discovery of conventional oil in the Neuquina Basin, in the south of the province of Mendoza, which should supply up to 40 million barrels. This important discovery is part of the Programme of Exploratory Development 2010-2014 that YPF launched back in 2009, to expand the exploration and production of hydrocarbons. The campaign started with the drilling of three wells at a depth ranging between 1,000 and 1,500

metres. Two of the wells have already been tested, and jointly provide some 500 barrels a day of oil of medium density. The third well, recently drilled, is still being tested.



Important growth in the motor industry

The domestic car market continued its impressive expansion in 2011 with 857,983 new cars registered in the year, according to the Argentine Association of Automobile Dealers (ACARA). The number of new license plates delivered in 2011 increased by 29.5% compared with 2010. According to ACARA, the car sale goals for 2011 have been largely surpassed. Argentina is the Latin American country with the highest percentage of cars sold per inhabitant. In Brazil sales reached 3.5 million vehicles for a population of 190 million people and in México 750,000 for 112 million. At the same time, the Argentine Car Makers Association (ADEFA) said that a record production of cars has also

been achieved in 2011, with a total production of 828,771 vehicles, representing a y.o.y growth of 15.7%. Car exports increased significantly in 2011 as well, reaching more than 506,700 units, which represents a growth of 13.1% compared with 2010. As the motor industry usually grows at double the rate of GDP, expectations for the sector in 2012 are for growth of between 7-10%.



We wish a happy New Year to all our readers