
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 18-K

For Foreign Governments and Political Subdivisions Thereof

**ANNUAL REPORT
OF**

THE REPUBLIC OF ARGENTINA

(Name of Registrant)

Date of end of last fiscal year: **December 31, 2015**

SECURITIES REGISTERED*

(As of the close of the fiscal year)

Title of Issue	Amounts as to which registration is effective	Names of exchanges on which registered
N/A	N/A	N/A

Name and address of person authorized to receive notices
and communications from the Securities and Exchange Commission:

Andrés de la Cruz
Cleary Gottlieb Steen & Hamilton LLP
One Liberty Plaza
New York, NY 10006

* The Registrant is filing this annual report on a voluntary basis.

The information set forth below is to be furnished:

1. In respect of each issue of securities of the registrant registered, a brief statement as to:
- (a) The general effect of any material modifications, not previously reported, of the rights of the holders of such securities.
There have been no such modifications.
- (b) The title and the material provisions of any law, decree, or administrative action, not previously reported, by reason of which the security is not being serviced in accordance with the terms thereof.
See "Public Sector Debt," pages D-130 to D-164 of Exhibit 99.D, which is hereby incorporated by reference herein.
- (c) The circumstances of any other failure, not previously reported, to pay principal, interest, or any sinking fund or amortization installment.
See "Public Sector Debt," pages D-130 to D-164 of Exhibit 99.D, which is hereby incorporated by reference herein.

2. A statement as of the close of the last fiscal year of the registrant, giving the total outstanding of:
- (a) Internal funded debt of the registrant. (Total to be stated in the currency of the registrant. If any internal funded debt is payable in a foreign currency it should not be included under this paragraph (a), but under paragraph (b) of this item).
As of December 31, 2015, the total outstanding internal funded debt (excluding Untendered Debt (as defined in Exhibit 99.D)) of the registrant was Ps. 960.1 billion. See "Total Gross Public Debt" table on page D-139 of Exhibit 99.D, which is hereby incorporated by reference herein.
- (b) External funded debt of the registrant. (Totals to be stated in the respective currencies in which payable. No statement need be furnished as to intergovernmental debt).

The total principal amount of external funded debt of the registrant, which is defined as non-Peso denominated (excluding Untendered Debt (as defined in Exhibit 99.D)), outstanding as of December 31, 2015 was as follows (in millions of U.S. dollars):

U.S. dollars	US\$	129.6
Euros		16.8
Japanese yen		1.9
Other		0.5
Total	US\$	148.9

3. A statement giving the title, date of issue, date of maturity, interest rate, and amount outstanding, together with the currency or currencies in which payable, of each issue of funded debt of the registrant outstanding as of the close of the last fiscal year of the registrant.
See pages D-130 to D-164 of Exhibit 99.D and Exhibit 99.E, which are hereby incorporated by reference herein.
4. (a) As to each issue of securities of the registrant which is registered, there should be furnished a break-down of the total amount outstanding, as shown in item 3, into the following:
- (1) Total amount held by or for the account of the registrant.
Not applicable.
- (2) Total estimated amount held by nationals of the registrant (or if registrant is other than a national government by the nationals of its national government); this estimate need be furnished only if it is practicable to do so.
Not practicable.
- (3) Total amount otherwise outstanding.
Not applicable.
- (b) If a substantial amount is set forth in answer to paragraph (a)(1) above, describe briefly the method employed by the registrant to reacquire such securities.
Not applicable.
5. A statement as of the close of the last fiscal year of the registrant giving the estimated total of:
- (a) Internal floating indebtedness of the registrant. (Total to be stated in the currency of the registrant.)

See "Public Sector Debt," pages D-130 to D-164 of Exhibit 99.D and Exhibit 99.E, which are hereby incorporated by reference herein.

(b) External floating indebtedness of the registrant. (Total to be stated in the respective currencies in which payable.)

See "Public Sector Debt," pages D-130 to D-164 of Exhibit 99.D and Exhibit 99.E, which are hereby incorporated by reference herein.

6. Statements of the receipts, classified by source, and of the expenditures, classified by purpose, of the registrant for each fiscal year of the registrant ended since the close of the latest fiscal year for which such information was previously reported. These statements should be so itemized as to be reasonably informative and should cover both ordinary and extraordinary receipts and expenditures; there should be indicated separately, if practicable, the amount of receipts pledged or otherwise specifically allocated to any issue registered, indicating the issue.

See "Public Sector Finances," pages D-100 to D-129 of Exhibit 99.D, which is hereby incorporated by reference within.

7. (a) If any foreign exchange control, not previously reported, has been established by the registrant (or if the registrant is other than a national government, by its national government), briefly describe such foreign exchange control.

Reference is made to pages D-6 to D-8 of Exhibit 99.D.

(b) If any foreign exchange control previously reported has been discontinued or materially modified, briefly describe the effect of any such action, not previously reported.

Reference is made to pages D-6 to D-8 of Exhibit 99.D.

8. Brief statements as of a date reasonably close to the date of the filing of this report (indicating such date), in respect of the note issue and gold reserves of the central bank of issue of the registrant, and of any further gold stocks held by the registrant.

As of August 31, 2016, the gross international reserve assets of the Central Bank totaled U.S.\$31.1 billion, compared to U.S.\$25.6 billion as of December 31, 2015.

9. Statements of imports and exports of merchandise for each year ended since the close of the latest year for which such information was previously reported. Such statements should be reasonably itemized so far as practicable as to commodities and as to countries. They should be set forth in terms of value and of weight or quantity; if statistics have been established only in terms of value, such will suffice.

See "Balance of Payments," pages D-57 to D-78 of Exhibit 99.D, which is hereby incorporated by reference herein.

10. The balances of international payments of the registrant for each year ended since the close of the latest year for which such information was previously reported. The statements of such balances should conform, if possible, to the nomenclature and form used in the "Statistical Handbook of the League of Nations". (These statements need be furnished only if the registrant has published balances of international payments.)

See "Balance of Payments," pages D-57 to D-78 of Exhibit 99.D, which is hereby incorporated by reference herein.

This annual report comprises:

- (a) Pages numbered 1 to 6 consecutively.
(b) The following exhibits:

Exhibit A — None.

Exhibit B — None.

Exhibit 99.C — Law No. 27,198 dated October 28, 2015, as amended.

Exhibit 99.D — Description of the Republic of Argentina as of September 23, 2016.

Exhibit 99.E — Debt Tables as of December 31, 2015.

This annual report is filed subject to the Instructions for Form 18-K for Foreign Governments and Political Subdivisions thereof.

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EXHIBIT 99.E DEBT TABLES AS OF DECEMBER 31, 2015

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant, the Republic of Argentina, has duly caused this annual report or amendment thereto to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Buenos Aires, Argentina, on the 23rd day of September 2016.

THE REPUBLIC OF ARGENTINA

By: /s/ LUIS A. CAPUTO

Name: Luis A. Caputo

Title: Secretary of Finance of the Ministry of the
Treasury of the Republic of Argentina

EXHIBIT INDEX

Exhibit	Description
99.C:	Law No. 27.198 dated October 28, 2015, as amended*
99.D:	Description of the Republic of Argentina, dated September 23, 2016.
99.E	Debt Tables as of December 31, 2015.

* Paper filing made under cover of Form SE.

Description of
The Republic of Argentina
September 23, 2016

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DEFINED TERMS AND CERTAIN CONVENTIONS

Certain Defined Terms

All references in this annual report to the "Government" are to the non-financial sector of the federal government of Argentina, excluding the Central Bank, Banco de la Nación Argentina and Banco de Inversión Comercio Exterior (Foreign Investment and Trade Bank, or "BICE"). References to "Ministry of the Treasury" are to the Ministry of Treasury and Public Finances.

The terms set forth below have the following meanings for purposes of this annual report:

- *April 2016 Transaction*: refers to the April 22, 2016, U.S.\$16.5 billion issuance of new debt securities in the international capital markets by the Republic, of which U.S.\$9.3 billion were applied to satisfy settlement payments in connection with agreements with holders of Underrated Debt.

- *BADLAR* rate is an average rate published by the Central Bank based on a survey of financial institutions in Argentina regarding the nominal annual interest rate in peso-denominated time deposits of more than Ps. 1.0 million from 30 to 35 days.

- *Defaulted debt or debt in default* as of any given date refers to all of Argentina's public indebtedness on which Argentina is not paying principal or interest as of such date, plus any past due principal and interest payments calculated at contractual rates.

- *Gross domestic product, or GDP*, means the total value of final products and services produced in Argentina during the relevant period.

- *Ley de Normalización de la Deuda Pública y Acceso al Crédito (the "Debt Authorization Law")* means Law No. 27,249 passed by Congress on March 31, 2016 repealing, among other laws and legislation, Laws Nos. 26,017, 26,547 and 26,886 which prohibited the Republic from making any payment or settlement on Underrated Debt (the "Lock Laws"), and Law No. 26,984 (the

- *Sovereign Payment Law*), and authorizing the Republic to settle with certain holders of its Underrated Debt, continue negotiating and issue debt securities to raise the funding required to effect the settlements with holders of its Underrated Debt.

- *Non-performing debt* refers to public indebtedness of Argentina that was formally subject to the moratorium declared by the Government in December 2001, other than "Underrated Debt." Argentina's non-performing debt encompasses all the public debt in which Argentina is in default as of any given date (other than Underrated Debt), including past due principal and interest payments calculated at contractual rates. Non-performing debt also includes the following:

- (i) certain debt obligations on which the Government has continued to make payments on a case-by-case basis (such as in cases of extreme necessity (e.g., for senior citizens 75 years of age or older) or when the provision of essential services is threatened), despite being formally subject to the suspension of debt payments; and

- (ii) certain obligations that resulted from the advance payment of tax obligations by certain companies. These advance tax payments gave rise to claims against the Government for the amount of the payment. The Government considers these claims additional public indebtedness of Argentina and they are treated as such in the Government's accounts. These claims, however, are discharged when the tax obligation that gave rise to the advanced payment actually becomes payable, at which time the tax obligation is cancelled. Accordingly, although formally subject to the suspension of payments, the Government's obligations in respect of these claims are not in default.

- *Settlement Proposal* refers to the proposal, published by the Republic on February 5, 2016, to settle all claims on Underrated Debt, including bonds in litigation in the United States, subject to two conditions: first, obtaining approval by the Argentine Congress, and second, lifting the pari passu injunctions. The Settlement Proposal contemplated two frameworks for settlement. The "part passu option," which was extended as an option to plaintiffs holding pari passu injunctions, provided for payment equal to the full amount of money judgment or an accrued claim value less a

specified discount. The “standard option,” which remains open to all holders of Untendered Debt, whether or not they had *pari passu* injunctions, provides for payment equal to 100% of the principal amount of the relevant debt securities plus up to 50% of that original principal as interest. Any eligible holder of Untendered Debt may agree to the terms of the standard option, in accordance with the procedures set forth and published by the Ministry of the Treasury and, in accordance with such terms, becomes party to a binding agreement in principle with the Republic once the agreement is countersigned by the Republic.

- *Untendered Debt* means, with respect to data included herein through 2015, defaulted debt in respect of securities that were eligible for, but not tendered in, the 2005 Debt Exchange and the 2010 Debt Exchange. References to Untendered Debt in this annual report do not constitute, and shall not be read or construed to constitute a waiver of any defenses available to the Republic with respect to the enforcement of any claim thereunder. See “Preservation of Defenses.” Any amounts of Untendered Debt set forth in this annual report have been defined in this annual report to include unpaid principal plus accrued and unpaid interest at contractual rates through December 31, 2015, including penalty or default interest. In settling outstanding disputes with holdout creditors pursuant to the Settlement Proposal, the Republic took into consideration interest accrued after the originally scheduled maturity of each defaulted series of securities (other than interest subject to statute of limitations), as well as default interest. For information regarding the Republic’s Settlement Proposal to settle all claims on the Untendered Debt, see “Public Sector Debt—Legal Proceedings.”
- *2005 Debt Exchange* refers to the restructuring and exchange of public debt that had been in default since the end of 2001 undertaken by the Government between January and May of 2005.
- *2010 Debt Exchange* refers to the restructuring and exchange of public debt that had been in default since the end of 2001 undertaken by the Government between April and December 2010.

For purposes of this annual report, the following terms, which refer to various public debt instruments, have the meanings set forth below:

- *BAADE*. “Argentine Saving Bond for Economic Development” and the “Saving Promissory Note for Economic Development” are both to be issued by the Ministry of the Treasury and to be denominated in U.S. dollars, maturing in 2016 and accruing interest at a 4% rate. Funds obtained from the issuance of these bonds will be used to finance public investment projects in strategic sectors like infrastructure and hydrocarbons.
- *Bocones*. Bonds that the Government began issuing in 1991 to restructure its obligations to pensioners and suppliers and to settle reparations of members of family of victims of the military dictatorship.
- *Bogar*. Bonds issued by the Provincial Development Fund to restructure debt obligations of the provinces. These bonds are guaranteed by the Government and secured by a pledge of certain provincial tax revenues.
 - *Bogar 2018*. *Bogar* with maturity date in 2018.
 - *Bogar 2020*. *Bogar* with maturity date in 2020.
- *Bonaes*. Bonds that the Government began issuing in 2015 for general purposes of the Government, with a floating interest rate (LEBAC’s and others) and maturity in 2016.
- *Bonads*. Dollar denominated bonds payable in pesos (dollar linked) that the Government began issuing in 2014 for general purposes of the Government.
- *Bonares*. Bonds that the Government began issuing in 2006 for general purposes of the Government and in exchange for CLR-index linked bonds.
- *Global Bond*. Government bonds issued in the international capital markets under the Government’s shelf registration statements filed with the SEC.

Nothing in this annual report, or in any communication from the Republic, constitutes an acknowledgment or admission of the existence of any claim or any liability of the Republic to pay that claim or any limitation period relating thereto has been revived or reinstated, or an express or implied promise to pay any such claim (or part thereof). Whether or not a claim exists, the Republic may, in its sole discretion and only if written notice to that effect is received from a duly authorized officer of the Republic, attribute a value to such claim for purposes of the Republic's Settlement Proposal or for any other purpose. All defenses available to the Republic relating to any applicable statute of limitations or otherwise are expressly preserved for all purposes. This annual report may not be relied upon as evidence of the Republic's agreement that a claim exists, or of the Republic's willingness, ability or obligation to pay any claim. Any attribution of any value to any claim for purposes of the Republic's Settlement Proposal or for any other purpose will not be considered an acknowledgment of the existence or validity of that claim and any consideration given by or on behalf of the Republic to the proponent of that claim will be considered only for the agreement by the proponent of that

Preservation of Defenses

- *2015 Quasi-Par Bonds*: Long-term Government Treasury bonds denominated in pesos issued in the international capital markets pursuant to the 2005 Debt Exchange.
- *2038 Par Bonds (2010)*: Long-term Government Treasury bonds denominated in U.S. dollars, euros, Japanese yen and pesos issued in the international capital markets pursuant to the 2010 Debt Exchange.
- *2038 Par Bonds*: Long-term Government Treasury bonds denominated in U.S. dollars, euros, Japanese yen and pesos issued in the international capital markets pursuant to the 2005 Debt Exchange.
- *2035 GDP-Linked Securities (2010)*: Long-term Government Treasury securities denominated in U.S. dollars, euros, Japanese yen and pesos issued in the international capital markets pursuant to the 2010 Debt Exchange and expiring no later than December 2035.
- *2035 GDP-Linked Securities*: Long-term Government Treasury securities denominated in U.S. dollars, euros, Japanese yen and pesos issued in the international capital markets pursuant to the 2005 Debt Exchange and expiring no later than December 2035.
- *2017 Global Bonds*: U.S. dollar-denominated Global Bonds due 2017 issued in the international capital markets pursuant to the 2010 Debt Exchange.
- *2033 Discount Bonds (2010)*: Discount bonds due December 2033 denominated in U.S. dollars, euros, Japanese yen and pesos issued by Argentina in its 2010 Debt Exchange.
- *2033 Discount Bonds*: Discount bonds due December 2033 denominated in U.S. dollars, euros, Japanese yen and pesos issued by Argentina in its 2005 Debt Exchange and the discount bonds due December 2033 denominated in U.S. dollars issued by Argentina for cash subsequent to the 2005 Debt Exchange.
- *Promissory Notes Pesos 2019*: Promissory notes issued in pesos at an annual floating interest rate equal to the BIDLAR rate plus 250 basis points with an amount equal to the BIDLAR rate to be capitalized during the first two years and paying the first floating interest rate during such period, and paying the full floating interest rate thereafter, maturing in 2019.
- *OBACs*: Medium-term notes issued by the Central Bank denominated only in pesos.
- *National Guaranteed Loans*: Unsecured loans that the Government exchanged for previously outstanding Government bonds as part of a voluntary debt exchange offer that took place in 2001. Holders of National Guaranteed Loans retained the right to recover their original bonds upon default.
- *LEBAs*: Short-term notes issued by the Central Bank. They are denominated principally in pesos.

claim to cease all actions or proceedings in respect of that claim and to irrevocably assign and transfer to the Republic all rights, if any, with respect to such claim and to undertake to complete any and all formalities or requirements necessary to ensure that if such claim existed neither the proponent nor any successor or assignee of the proponent (other than the Republic) is able to evidence or allege such claim to remain in existence or to be a liability of the Republic.

Currency of Presentation

Unless otherwise specified, references in this annual report to "pesos" and "Ps." are to Argentine pesos, references to "U.S. dollars" and "U.S.\$" are to the currency of the United States of America, references to "euros," "€" and "EUR" are to the currency of the European Union, references to "CHF" are to Swiss francs and references to "Japanese yen" or "JPY" are to Japanese yens.

Exchange Rates and Exchange Controls

The Republic publishes most of its economic indicators and other statistics in pesos. Beginning in February 2002, the peso was allowed to float against other currencies. After several years of fluctuations in the nominal exchange rate, the peso lost approximately 14% of its value against the U.S. dollar in 2012. Despite increased Central Bank intervention and measures to limit Argentine residents' access to foreign currency, the peso devalued by 32.6% and 31.3% against the U.S. dollar in 2013 and 2014, respectively. In December 2015, the Macri administration eliminated a significant portion of the foreign exchange restrictions and the Central Bank returned to a free-float policy with interventions designed to enhance the operation of the foreign exchange market. Immediately after a significant portion of the foreign exchange controls were lifted on December 16, 2015, the peso devalued by approximately 40%, as the peso-U.S. dollar exchange rate reached Ps. 13.76 to U.S.\$1.00 on December 17, 2015. The peso has since floated freely with limited intervention by the Central Bank, and the nominal exchange rate experienced moderate variations.

Exchange Rates

The following table sets forth the annual high, low, average and period-end "reference" exchange rates for the periods indicated, expressed in pesos per U.S. dollar and not adjusted for inflation. There can be no assurance that the peso will not depreciate or appreciate in the future. The Federal Reserve Bank of New York does not report a noon buying rate for pesos.

	Exchange rates ⁽¹⁾			
	High	Low	Average ⁽²⁾	Period end
Year ended December 31.				
2011.....	4,304	3,972	4,130	4,303
2012.....	4,917	4,305	4,552	4,917
2013.....	6,518	4,923	5,479	6,518
2014.....	8,556	6,543	8,119	8,552
2015.....	13,763	8,554	9,269	13,005
Month				
January 2016.....	13,941	13,069	13,655	13,904
February 2016.....	15,584	14,088	14,815	15,584
March 2016.....	15,919	14,246	14,961	14,582
April 2016.....	14,779	14,140	14,422	14,258
May 2016.....	14,262	13,963	14,138	14,013
June 2016.....	15,056	13,757	14,141	14,920
July 2016.....	15,193	14,572	14,909	15,045
August 2016.....	15,099	14,653	14,850	14,901
September 2016 (through September 21).....	15,162	14,884	15,029	15,137

(1) Central Bank reference exchange rates (Communication A 3500 of Central Bank)

(2) Average of daily closing quotes

Source: Central Bank

Currency conversions, including conversions of pesos into U.S. dollars, are included for the convenience of the reader only and should not be construed as a representation that the amounts in question have been, could have been or could be converted into any particular denomination, at any particular rate or at all.

As of September 21, 2016, the peso-dollar reference exchange rate was Ps. 15.14 to U.S.\$1.00.

Exchange Controls

In response to the deterioration of the Argentine economy and financial system in 2001, the inability of the Republic to service its public external indebtedness and the decreased level of deposits in the financial system, the Government issued Decree No. 1,570/2001 on December 3, 2001, which established certain monetary and currency exchange control measures, including restrictions on the free disposition of funds deposited in banks and restrictions on the transfer of funds abroad, subject to certain exceptions.

In addition to the above measures, on February 8, 2002, the Government and the Central Bank made certain transfers of funds abroad to service principal and/or interest payments on foreign indebtedness subject to prior authorization. From 2011 until the Macri administration took office in December 2015, the Government increased controls on the sale of foreign currency and the acquisition of foreign assets by local residents, limiting the possibility of transferring funds abroad. In 2012, the Government adopted an import procedure under which any import of products required the pre-approval of local authorities in the form of a *Declaración Jurada Anticipada de Importación* (Advance Sworn Import Declaration, or "DJAI"). The DJAI was a precondition for the importer to gain access to the foreign exchange market to pay for imported products, which was, in effect, a material barrier to the import of goods into Argentina, as any alternative method of payment significantly increased the costs of such transactions.

Together with the regulations established in 2012 that subjected certain foreign exchange transactions to prior approval by the Argentine tax authorities or the Central Bank, the measures taken by the Fernández de Kirchner administration significantly curtailed access to the *Mercado Único y Libre de Cambio* (the "MULC"). In response, an unofficial U.S. dollar trading market developed in which the peso-U.S. dollar exchange rate differed substantially from the official peso-U.S. dollar exchange rate.

Current Regulations

As of December 2015, in line with the economic reforms implemented by the newly elected Macri administration, the Ministry of Treasury and the Central Bank issued regulations that eliminated a significant portion of the foreign exchange restrictions imposed since 2011. Following the initial measures, with the aim of increasing capital inflows, the Government and the Central Bank introduced a set of new measures to eliminate a significant portion of the restrictions affecting the trade balance. In this regard, on August 8, 2016 the Central Bank introduced further material changes to the foreign exchange regime and established, as of August 9, 2016, a new foreign exchange regime by means of Communication "A" 6037 (as amended) that significantly eases access to the MULC.

The primary changes related to the access to the MULC that have been implemented since December 17, 2015 include:

Formation of off shore assets by Argentine residents (atesoramiento). The reestablishment of the right of Argentine residents to purchase and remit outside of Argentina foreign currency without specific allocation, without an amount limitation or the need to obtain prior approval, provided certain requirements are met.

Payments for the export of goods. Exporters are still required to settle payments for their exports of goods in foreign currency through the MULC, but the period during which exporters must comply with this obligation was extended by Resolution 242/2016 to 1,825 calendar days.

Imports of goods and other purchases of goods abroad. A sworn affidavit confirming compliance with the Central Bank information regimes "Survey of debt security issuances and foreign liabilities in the financial and private non-financial sector" (the "Communication "A" 3602 reporting regime") relating to the obligation canceled abroad and the "Survey of direct investments" (the "Communication "A" 4237 reporting regime"), if applicable, is required. In addition, the MULC may be accessed to meet guarantee obligations abroad that are granted in connection with import transactions.

Payment of profits (interest, earnings and dividends) for services rendered by non-Argentine residents and for non-produced non-financial asset acquisitions. There are no limits to the amount for which Argentine residents can access the MULC to make remittances to pay for services rendered by non-Argentine residents, interest services, earnings, dividends or non-financial, non-produced assets acquisition, whatever form this takes (shipping, insurance, royalties, technical advice, professional fees, etc.). Access to the MULC for this purpose

requires submission of an affidavit confirming compliance with the Communication "A" 3602 reporting regime and with the "Communication "A" 4237 reporting regime.

Export of services and sales of non-produced non-financial assets. Foreign currency-denominated income received by residents for the export of services and collections of funds received from the sale of non-produced non-financial assets, must be transferred into Argentina within 365 calendar days as from the date on which the funds are received either in Argentina or abroad. However, under the new foreign exchange regulations such proceeds can be deposited in a foreign currency denominated local account.

Financial debt. Foreign financial indebtedness incurred by the private non-financial sector, the financial sector and local governments are not subject to the requirement of having the proceeds from such indebtedness transferred and settled through the MULC. All financial sector and private non-financial sector indebtedness entered through the MULC must be agreed and maintained for terms of at least 120 calendar days, and they may not be prepaid before the lapse of such term, irrespective of the manner of cancellation (with certain exceptions, including the primary issuances of publicly traded and listed securities). To cancel financial debts abroad (including debt securities issuances in foreign currency), customers must submit a sworn affidavit confirming compliance with the "Survey of debt securities issuances and foreign liabilities of the private sector" and the minimum stay period of 120 days, if applicable.

Derivatives Transactions. Argentine residents may access the MULC for the payment of premiums, the provision of guarantees and cancellations relating to transactions involving futures, forwards, options and other derivatives without limit, and without the Central Bank's prior approval.

Non-residents' exchange transactions. The new regulations ease access to the MULC by non-residents.

PRESENTATION OF STATISTICAL AND OTHER INFORMATION

All annual information presented in this annual report is based upon January 1 to December 31 periods, unless otherwise indicated. Totals in some tables in this annual report may differ from the sum of the individual items in those tables due to rounding.

Unless otherwise stated, prices and figures are stated in current values of the currency presented, and references in this annual report to “pesos” and “Ps.” are to Argentine pesos, references to “U.S. dollars” and “U.S.\$” are to the currency of the United States of America, references to “euros,” “€” and “EUR” are to the currency of the European Union, references to “CHF” are to Swiss francs and references to “Japanese yen” or “JPY” are to Japanese yens.

Information in this annual report that is identified as being derived from a publication of the Republic or one of its respective agencies or instrumentalities is included as public official statements made on the authority of the Republic. Certain statistical information included in this annual report is preliminary and is subject to change, completion or amendment.

INDEC

Statistical information reported in this annual report has been derived from official publications of, and information supplied by, a number of agencies, including the INDEC and the *Dirección General de Estadística y Censos de la Ciudad de Buenos Aires* (General Directorate of Statistics and Census of the City of Buenos Aires). The Republic cannot make assurances that such statistical and other information included in this annual report that has been provided by agencies of the Republic is accurate or complete.

During the Fernández de Kirchner administration, the INDEC—the only institution in Argentina with the statutory authority to produce official nationwide statistics—underwent institutional and methodological reforms that gave rise to controversy regarding the reliability of the information that it produced, including CPI, GDP, unemployment and poverty data. Reports published by the International Monetary Fund (“IMF”) have stated that their staff uses alternative measures of inflation for macroeconomic surveillance, including data produced by private sources, which have shown inflation rates considerably higher than those published by the INDEC between 2007 and 2015. The IMF also censured Argentina for failing to make sufficient progress, as required under the Articles of Agreement of the IMF, in adopting remedial measures to address the quality of official data, including CPI and GDP data. In February 2014, the INDEC released a new inflation index, known as the *Índice de Precios al Consumidor Nacional Urbano* (National Urban Consumer Price Index, or “CPI Nu”), which was intended to measure prices on goods across the country and replaced the previous index that only measured inflation in the City of Buenos Aires and its surrounding areas. Although this new methodology brought inflation statistics closer to those estimated by private sources, differences between official inflation data and private estimates remained.

On January 8, 2016, based on its determination that the INDEC had failed to produce reliable statistical information, particularly with respect to CPI, GDP and foreign trade data, as well as poverty and unemployment rates, President Macri declared a state of administrative emergency for the national statistical system and the INDEC until December 31, 2016. The INDEC suspended publication of certain statistical data pending reorganization of its technical and administrative structure to recover its ability to produce reliable statistical information. During the first six months of this reorganization period, the INDEC published official CPI figures published by the City of Buenos Aires and the Province of San Luis for reference. In June 2016, the INDEC began publishing an official inflation rate using its new methodology for calculating the CPI.

On June 29, 2016, the INDEC published (the “INDEC Report”) a revised calculation of the 2004 gross domestic product (“GDP”), which forms the basis of Argentina’s real GDP calculation for every year thereafter. Among other adjustments, in calculating GDP for 2004 the INDEC made changes to the composition of GDP that resulted in a downward adjustment of approximately 12% for that year. In calculating real GDP for subsequent years based on the revised 2004 GDP, the INDEC used deflators that are consistent with its revised methodology to calculate inflation. By understating inflation in the past, the INDEC had overstated growth in real terms. For more information, see “Presentation of Statistical and Other Information—Certain Methodologies.”

As of the date of this annual report, the INDEC has published the INDEC Report, the CPI for May, June, July and August 2016, and certain revised foreign trade and balance of payment statistics for the years 2011 through 2015 since the state of administrative emergency was declared on January 8, 2016, which are

included in this annual report.

It remains uncertain whether these reforms will be sufficient to produce official data that meets international standards, within what time period such data will be collected, the extent to which official data for prior periods will be corrected and what effect these reforms will have on the Argentine economy.

National Public Accounts

Historically, transfers from the Central Bank and the *Fondo de Garantía de Sustentabilidad* (the “FGS”) to the Government were recorded as current fiscal revenue under “other non-tax revenue.” Starting in 2016 (and on a pro forma basis for 2015), the Government now classifies income generated by the Central Bank and the FGS as financial revenue that does not form part of the calculation of the primary fiscal balance. See “Public Sector Finances—Introduction.”

Certain Methodologies

CER and CVS Certain data included in this annual report has been adjusted for inflation based on the *Coefficiente de Estabilización de Referencia* (Stabilization Coefficient, or “CER”), or the *Coefficiente de Variación Salarial* (“CVS”). CERs are units of account whose value in pesos is indexed to consumer price inflation. Following the declaration of a state of administrative emergency for the national statistical system and the INDEC in January 2016, the INDEC suspended its publication of the CPI index that had been used to determine the value of CERs in pesos since February 2014. Accordingly, between January 12 and June 2, 2016, the Government issued a series of resolutions designating either the CPI calculated by the government of the City of Buenos Aires or the CPI calculated by the Province of San Luis as the index to be used by the Central Bank to calculate the CER. On June 15, July 13, August 12 and September 13, 2016, the INDEC published the inflation rates for May, June, July and August 2016, respectively, using its new methodology for calculating the CPI. On June 16, 2016, the Government announced that beginning on June 26, 2016 it would resume using the INDEC CPI to calculate the CER. The nominal amount of a CER-based financial instrument is converted to a CER-adjusted amount and interest on the financial instrument is calculated on the CER-adjusted balance. CVSs are units of account whose value in pesos is determined based on changes in an index of public and private sector wages. The nominal amount of a CVS-based financial instrument is converted to a CVS-adjusted amount and interest on the financial instrument is calculated on the CVS-adjusted balance. Adjustments and payments on the Republic’s debt indexed to the CER and CVS are not subject to restatement or revision.

Exports Exports are calculated based upon (i) for purposes of foreign trade, statistics reported to Argentine customs upon departure of goods from Argentina on a FOB basis and (ii) for purposes of the balance of payments accounts, statistics collected on a FOB basis.

Imports Imports are calculated based upon (i) for purposes of foreign trade, statistics reported to Argentine customs upon entry of goods into Argentina on a cost, insurance and freight included basis (“CIF basis”) and (ii) for purposes of the balance of payments accounts, statistics collected on a free on board (“FOB basis”) at a given departure location.

Inflation The rate of inflation or inflation rate provides an aggregate measure of the rate of change in the prices of goods and services in the economy. The inflation rate is generally measured by the rate of change in the CPI between two periods unless otherwise specified. The annual percentage rate of change in the CPI as of a particular date is calculated by comparing the index as of that date against the index as of the date twelve months prior. The CPI in Argentina is calculated by the INDEC. However, as a result of widespread concerns regarding the credibility of the INDEC’s calculations that resulted in the declaration of a state of administrative emergency in January 2016, alternative measures of CPI inflation are presented in this annual report for certain periods using the CPI calculated by the government of the City of Buenos Aires (the “City of Buenos Aires CPI”) and by the government of the Province of San Luis (the “Province of San Luis CPI”) for certain periods. The CPI for May, June, July and August 2016 were published by the INDEC on June 15, July 13, August 12 and September 13, 2016, respectively, based on the INDEC’s new methodology for calculating the CPI. The City of Buenos Aires CPI and Province of San Luis CPI are based on a weighted basket of consumer goods and services that reflects the pattern of consumption of households that reside in the City of Buenos Aires and the Province of San Luis, respectively. All references in this annual report to “CPI” are to the “INDEC CPI,” the “City of Buenos Aires CPI” or “the Province of San Luis CPI,” as indicated herein. References to “constant 2004 prices” in this annual report relate to data that was revised by the INDEC and included in the INDEC Report.

Underemployment rate. Underemployment rate represents the percentage of Argentina's labor force that has worked fewer than 35 hours during the week preceding the date of measurement and seeks to work more.

Unemployment rate. Unemployment rate represents the percentage of Argentina's labor force that has not worked a minimum of one hour with remuneration or 15 hours without remuneration during the week preceding the date of measurement. The "labor force" refers to the sum of the population in major urban centers across Argentina that has worked a minimum of one hour with remuneration or 15 hours without remuneration during the week preceding the date of measurement plus the population that is unemployed but actively seeking employment.

FORWARD-LOOKING STATEMENTS

This annual report may contain forward-looking statements within the meaning of Section 27A of the Securities Act and section 21E of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"). Forward-looking statements are statements that are not historical facts, including statements about the Republic's beliefs and expectations. These statements are based on the Republic's current plans, estimates and projections. Therefore, undue reliance should not be placed on such statements. Forward-looking statements speak only as of the date they are made. The Republic undertakes no obligation to update any of them in light of new information or future events.

Forward-looking statements involve inherent risks and uncertainties. A number of important factors could cause actual results to differ materially from those contained in any forward-looking statement. The information contained in this annual report identifies important factors that could cause such differences. Such factors include, but are not limited to:

- adverse domestic factors, such as:
 - increases in inflation;
 - increases in domestic interest rates; and
 - exchange rate volatility, any of which could lead to lower economic growth or a decrease in Argentina's international reserves;
- adverse external factors, such as:
 - declines in foreign investment, which could deprive the Argentine economy of capital needed for economic growth;
 - changes in international prices (including commodity prices) and high international interest rates, either of which could increase Argentina's current account deficit and budgetary expenditures; and
 - recession or low economic growth in Argentina's trading partners, which could decrease exports from Argentina and the country's international competitiveness, induce a contraction of the Argentine economy and, indirectly, reduce tax revenues and other public sector revenues and adversely affect the country's fiscal accounts;
- other adverse factors, such as:
 - climatic events; and
 - international or domestic hostilities and political uncertainty, including the effects of the Argentine presidential and legislative elections held in October and November 2015;
- adverse outcomes in ongoing litigation and arbitration proceedings in several jurisdictions that may lead to new judgments and awards against Argentina, which could have a material adverse effect on Argentina's economy and financial resources. See "Public Sector Debt—Legal Proceedings."

DATA DISSEMINATION

Argentina subscribes to the Special Data Dissemination Standard ("SDDS") of the IMF, which is designed to improve the timeliness and quality of information of subscribing member countries. The SDDS requires subscribing member countries to provide schedules indicating, in advance, the date on which data will be released (the so-called "Advance Release Calendar"). For Argentina, precise dates or "no-later-than-dates" for the release of data under the SDDS are disseminated in advance through the Advance Release Calendar, which is published on the Internet under the International Monetary Fund's Dissemination Standards Bulletin Board. Summary methodologies of all metadata to enhance transparency of statistical compilation are also provided on the Internet under the International Monetary Fund's Dissemination Standards Bulletin Board. The Internet website is located at <http://dsbb.imf.org>. Neither the Government nor any agents or initial purchasers acting on behalf of the Government in connection with this offering memorandum accepts any responsibility for information included on that website, and its contents are not intended to be incorporated by reference into this offering memorandum.

SUMMARY

Selected Economic Information (in billions of pesos unless otherwise indicated)

	For the year ended and as of December 31,				
	2011	2012	2013	2014	2015
THE ECONOMY:					
Real GDP (in billions of 2004 pesos)	Ps. 713.7	Ps. 706.2	Ps. 722.4	Ps. 703.9	Ps. 720.6
Rate of change from prior year	6.1%	(1.1)%	2.3%	(2.6)%	2.4%
Nominal GDP	2,191.3	2,652.2	3,361.2	4,608.7	5,838.5
Nominal GDP per capita (in thousands of U.S. dollars)	U.S.\$ 12.9	U.S.\$ 14.0	U.S.\$ 14.5	U.S.\$ 13.3	U.S.\$ 14.6
Inflation (as measured by INDEC CPI)	9.5%	10.8%	10.9%	24.0%	n.a.
Inflation (as measured by the City of Buenos Aires CPI)	n.a.	n.a.	26.6%	38.0%	26.9%
Inflation (as measured by the Province of San Luis CPI)	23.3%	23.0%	31.9%	39.0%	31.6%
Unemployment rate	6.7%	6.9%	6.4%	6.9%	5.9% ⁽¹⁾
Population ⁽²⁾	40.1	40.1	40.1	40.1	40.1
BALANCE OF PAYMENTS (in billions of U.S. dollars):					
Current account	U.S.\$ (4.5)	U.S.\$ (1.4)	U.S.\$ (12.1)	U.S.\$ (8.0)	U.S.\$ (15.9)
<i>Of which:</i>					
Imports of goods	70.8	65.0	71.3	62.4	57.2
Exports of goods	83.0	80.0	76.0	68.4	56.8
Capital and financial account	(2.0)	(1.3)	3.5	9.5	12.4
Errors and omissions	0.3	(0.5)	(3.2)	(0.2)	(1.3)
Change in gross international reserves deposited in the Central Bank	(0.1)	(3.3)	(11.8)	1.2	(4.9)
Gross international reserves deposited in the Central Bank	46.4	43.3	30.6	31.4	25.6
PUBLIC FINANCE:					
Revenues	Ps. 432.0	Ps. 543.8	Ps. 707.9	Ps. 997.2	Ps. 1,298.6
As a % of GDP	19.7%	20.5%	21.1%	21.6%	22.2%
Expenditures	427.1	548.2	730.4	1,035.8	1,403.4
As a % of GDP	19.5%	20.7%	21.7%	22.5%	24.0%
Primary fiscal balance	4.9	(4.4)	(22.5)	(38.6)	(104.8)
As a % of GDP	0.2%	(0.2)%	(0.7)%	(0.8)%	(1.8)%
Overall fiscal balance	(30.7)	(55.6)	(64.5)	(109.7)	(225.6)
As a % of GDP	(1.4)%	(2.1)%	(1.9)%	(2.4)%	(3.9)%
PUBLIC DEBT (including arrears) (in billions of U.S. dollars):					
Peso-denominated debt	U.S.\$ 71.6	U.S.\$ 81.2	U.S.\$ 77.3	U.S.\$ 78.0	U.S.\$ 73.9
Foreign-currency denominated debt	125.6	135.7	146.2	161.3	166.8
Total gross public debt	U.S.\$ 197.2	U.S.\$ 216.9	U.S.\$ 223.4	U.S.\$ 239.3	U.S.\$ 240.7
Total gross debt (including arrears and Untendered Debt) as a % of GDP	38.7%	40.2%	43.3%	44.4%	53.6%
Total gross debt (including arrears and Untendered Debt) as a % of Government revenues	196.4%	196.2%	205.8%	205.2%	241.0%

(1) As of September 30, 2015

(2) In millions. Based on the census conducted in 2010. As of 2014, the World Bank estimates a total population of 43.0 million

n.a. = not available

Source: INDEC and Ministry of the Treasury.

THE REPUBLIC OF ARGENTINA

Map of Argentina

Territory and Population

The Republic of Argentina consists of 23 provinces and the City of Buenos Aires. Located in the southeastern region of South America, Argentina is the second largest country in Latin America and the eighth globally in terms of territory, covering approximately 3.8 million square kilometers (1.5 million square miles), including territorial claims in the Antarctic region (covering approximately 970,000 square kilometers) and to certain south Atlantic islands (covering approximately 5,000 square kilometers), excluding the recently recognized extension by Argentina's sovereign rights in the South Atlantic Ocean. See "Foreign Affairs and International Organizations—Sovereign Territorial Disputes."

The most densely inhabited areas and the main agricultural regions of the country are located on the wide temperate belt that stretches across central Argentina. The country's population as of 2010, the year of the most recent census, was an estimated 40.1 million. As of 2014, the World Bank estimates a total population of 43.0 million. As of 2010, approximately 91.0% of the population of Argentina lived in urban areas and populated urban area surrounding the City of Buenos Aires, known as the Greater Buenos Aires Area. During the period from 2001 to 2014, Argentina's population grew at an estimated average annual rate of 1.1%, and as of 2010, approximately 98.1% of the population over the age of 10 and older was literate. The table below sets forth comparative gross national income ("GNI") figures and selected other comparative statistics using 2014 data (the most recent year for which such comparative information is available).

Population

	Argentina	Brazil	Chile	Colombia	Mexico	Peru	United States
Per capita GNI ⁽¹⁾	U.S.\$ 13,480	U.S.\$ 11,530	U.S.\$ 11,910	U.S.\$ 7,970	U.S.\$ 9,870	U.S.\$ 0,360	U.S.\$ 55,200
Life expectancy (in years) ⁽²⁾	76	74	81	74	77	74	79
Infant mortality (% of live births) ⁽³⁾	1.2%	1.4%	0.2%	1.5%	1.3%	1.4%	0.6%
Adult literacy rate (% of population age 15 or older) ⁽⁴⁾	98%	91%	92%	94%	94%	94%	n.a.

(1) Calculated using the World Bank Atlas method
 (2) Data as of 2013
 (3) Data as of 2013, except for Peru (2012) and Chile and Colombia (2011)
 n.a. = not available
 Source: 2014 World Bank World Development Indicators, unless otherwise specified

Government

The Argentine Constitution, first adopted in 1853, provides for a tripartite system of government divided into an executive branch headed by the President, a judicial branch headed by the Supreme Court of Justice. The Constitution was last amended in 1994. Each province and the City of Buenos Aires has its own constitution and the people of each province elect a governor and legislators who are independent from the government. The Government may directly intervene in the administration of the provincial governments in certain emergency situations, including, among others, to secure the republican form of government and in the case of foreign invasions.

Executive Branch

The president and vice president are directly elected for a four-year term, may serve for a maximum of two consecutive terms and may be re-elected after one term out of office. The president oversees the administration of the country and has the power to veto laws in whole or in part. Congress may override a presidential veto by a two-thirds majority vote in each chamber. The *Jefatura de Gabinete de Ministros* (Office of the Chief of the Cabinet of Ministers) is responsible for the administration of the country and prepares the Government's annual budget, which is subject to congressional approval. The president chooses the chief of the Cabinet of Ministers, who may be removed by the vote of an absolute majority of both houses of Congress. All references in this annual report to the "Executive Power" are to the executive branch as described herein.

Congress

Congress is composed of the Senate and the Chamber of Deputies.

The Senate. There are a total of 72 senate seats, with three for each province and three for the City of Buenos Aires. Of the three senators from each district, two represent the party receiving the most votes in that district, and the third represents the party receiving the second-most votes. Senators are elected by popular vote to serve for six-year terms. Elections are held for one-third of the senate seats every two years. The last Senate elections were held in October 2015.

The Chamber of Deputies. The Chamber of Deputies consists of 257 seats, which are allocated in proportion to each district's population. Deputies are elected by popular vote to serve four-year terms. Elections for half of the seats are held every two years. The last elections for seats in the Chamber of Deputies were held in October 2015.

Judicial System

The judicial system is composed of federal and provincial trial courts, courts of appeal and the Supreme Court of Justice ("Supreme Court") which has up to five justices.

The *Consejo de la Magistratura* (Judicial Council) consists of an independent panel of lawyers, representatives of the judiciary, legislators, a representative of the executive branch and an academic. This body oversees the administration of the judicial branch, the initiation of impeachment proceedings against judges other than Supreme Court justices and the selection of judges. The *Jurado de Enjuiciamiento* (Jury of Prosecution) decides proceedings initiated by the Judicial Council to remove judges.

The president appoints all Supreme Court justices subject to Senate approval. All federal court judges are also appointed by the president subject to Senate approval, but they must be selected from a list of individuals submitted by the Judicial Council. Supreme Court justices and all federal court judges are subject to a mandatory retirement age of 75. All judicial appointments must be approved by two-thirds of the Senate. Pursuant to a presidential decree, candidates' identities and certain additional information are published, and the executive branch provides for a period of public comment on each nomination before it is submitted to the Senate.

Following the retirement of two justices, the Supreme Court had three sitting justices as of December 2015.

Recent Political History

Argentina has been under uninterrupted civilian rule since 1983, when the last military government came to an end due to poor economic management and the loss of a brief war with the United Kingdom over the *Islas Malvinas*. In 1983, Raúl Alfonsín was elected president. In 1989, Raúl Alfonsín was succeeded as president by Carlos Menem, who was re-elected in 1995 to a four-year term following the 1994 constitutional amendments that reduced the presidential term to four years from six.

After a decade of relative stability, Argentina faced an unprecedented social, economic and political crisis beginning in 2001 and 2002. See "The Argentine Economy—Economic History and Background." During this crisis, Argentina's economy contracted significantly and poverty and unemployment reached record levels. The administration of President Fernando de la Rúa, who took office in October 1999, was unable to restore economic growth and during the second half of 2001, the deepening economic recession fueled rising social unrest.

Ongoing widespread riots and protests forced President de la Rúa and his entire cabinet to resign on December 19 and 20, 2001. Between December 2001 and January 2002, Congress appointed three successive presidents pursuant to the Constitution, including Eduardo Duhalde, who called for elections to be held on April 27, 2003, prior to the scheduled expiration of his term. Néstor Kirchner, former governor of the province of Santa Cruz, was elected and sworn in as president on May 25, 2003. President Kirchner's term expired on December 10, 2007. His term in office was marked by economic growth, a reduction of poverty and unemployment rates and large-scale debt renegotiations with a majority of the holders of defaulted Argentine bonds.

On October 28, 2007, Cristina E. Fernández de Kirchner, from the *Frente para la Victoria* (Front for Victory) party and President Kirchner's wife, was elected president. On October 23, 2011, President Fernández de Kirchner was re-elected for a second four-year term, which ended on December 10, 2015.

On November 22, 2015, Mauricio Macri, the candidate from the *Cambiamos* alliance, was elected president with 51.3% of the votes, after the first presidential run-off election in Argentine history. In addition, congressional elections were held in October 2015 for one-third of the members of the Senate and half of the members of the Chamber of Deputies, whose terms expired in December 2015. As of the date of this annual report, the *Cambiamos* alliance has the largest bloc in the Chamber of Deputies, while the Front for Victory party retains a majority of the Senate (taking into account alliances among parties). The next congressional elections are scheduled for October 2017.

Political Parties

The following are Argentina's principal national political parties:

- *Cambiamos*, founded in 2015, is a coalition of several parties, including primarily:
 - *Unión Propuesta Republicana* (Republican Proposal Union, or "Unión PRO");
 - *Unión Cívica Radical* (Radical Civic Union, or "UCR"); and
 - *Coalición Cívica* (Civic Coalition, or "ARI").
- *Partido Justicialista* (PJ), or Peronist Party, evolved from former President Juan D. Perón's efforts in the 1940s, and includes the following factions:
 - Front for Victory; and
 - *Frente Peronista* (Peronist Front).
- *Frente Renovador* (Renewal Front, or "FR"), founded in 2013 as a split-off from the PJ. In connection with the 2015 presidential elections, the FR and the former governor of the Province of Córdoba, Juan Manuel de la Sota, formed the *Unidos por una Nueva Alternativa* ("UNA") coalition.

In addition, certain provincial political parties have important representation in Congress, including locally-based parties from Santiago del Estero, Neuquén, San Luis and Catamarca.

The following table shows the party composition of the Chamber of Deputies and Senate following the elections in the years specified.

Party:	Chamber of Deputies ⁽¹⁾			Senate ⁽²⁾		
	2011	2013 ⁽³⁾	2015	2011	2013 ⁽³⁾	2015
<i>Partido Justicialista</i>	137	127	98	32	38	40
Front for Victory ⁽⁴⁾	116	117	81	32	31	40
Peronist Front/ Federal PJ ⁽⁴⁾	21	10	17	—	7	—
Radical Civic Union	40	41 ⁽⁵⁾	41	14	13	8
Unión PRO	11	18	41	—	3	6
UNA	—	—	28	—	—	—
ARI/Civic Coalition	6	3 ⁽⁷⁾	5	1	1 ⁽⁷⁾	—
<i>Frente Renovador</i>	—	16	—	—	—	—
FAP ⁽⁸⁾	22	15	—	4	5	—
Others ⁽⁹⁾	41	37	44	21	12 ⁽¹⁰⁾	18
Total	257	257	257	72	72	72

- (1) Composition of the Chamber of Deputies as of December 10 of each year specified, when the deputies elected during such year took office
 - (2) Composition of the Senate as of December 31 of each year specified
 - (3) The members of this faction are included in the *Partido Justicialista* total. In addition to elected deputies and senators, the figures for Front for Victory include deputies and senators from other factions of the Peronist Party who became members of the Front for Victory while in office.
 - (4) These members of this faction are included in the *Partido Justicialista* total. *Frente Peronista PJ Federal* is the "dissident" Peronist Party, which is the wing of the PJ that is not politically aligned with the Front for Victory and was founded in 2005. Its principal members include Eduardo Duhalde, Felipe Solá and Alberto Rodríguez Saá.
 - (5) FAP is a center-left coalition composed of various parties, founded in 2011. In the October 2015 elections, the parties *Generación para el Encuentro Nacional* ("GEN"), *Libres del Sur* (Free Movement from the South) and *Poder para el Espacio Social* (Power for the Social Space) formed an electoral alliance "SURGEN".
 - (6) In the October 2015 elections, the *ARI* Civic Coalition, the *Radical Civic Union* and *Unión Propuesta Republicana* ("PRO") formed an electoral alliance "Cambiamos".
 - (7) Includes other registered parties, primarily represented by one legislator each, and certain local political parties of the provinces.
- Source: *Senate and Chamber of Deputies of Argentina.*

In accordance with the political reform bill passed by Congress on December 2, 2009, elections in Argentina are subject to the following regulations:

- Private contributions for electoral campaigns must be from physical persons, not companies. In addition, the Government distributes 50% of state funds for media advertisements equally among all candidate lists, and the remaining 50% is distributed according to the percentage obtained by each political party in the previous election.
- Primary elections to elect presidential and congressional candidates must be open, mandatory and simultaneous. All citizens are allowed to vote in the primary of their choosing, regardless of party affiliation.
- In order to compete in national elections, candidates must obtain at least 1.5% of the vote in the presidential primary contest (including coalitions) and have the support of a certain number of affiliates as specified in the bill.

Foreign Affairs and International Organizations

Argentina maintains diplomatic relations with a variety of countries and is a member of several international organizations. Argentina is a charter member of the United Nations, a founding member of the Organization of American States ("OAS"), and a member of the following international organizations, among others:

- the International Monetary Fund;
- the World Bank Group;
- the International Finance Corporation;
- the IADB;
- the *Corporación Andina de Fomento* (the Andean Promotion Corporation, or "CAF");
- the *Fondo Financiero para el Desarrollo de la Cuenca del Plata* (Financial Fund for the Development of the River Plate Basin, or "FONPLATA");
- the Central American Bank for Economic Integration ("CABEF");
- the International Fund for Agricultural Development ("IFDA");
- the World Trade Organization ("WTO");
- the International Labor Organization;
- the Financial Action Task Force and the Financial Action Task Force on Money Laundering in South America ("GAFISUD");

- the International Association of Insurance Supervisors;
- the International Organization of Securities Commissions;
- the World Customs Organization; and
- the *Asociación Latinoamericana de Integración* (Latin American Integration Association, or “ALADI”).

G-20

Argentina has been a member of the G-20, an informal forum that promotes discussion between developed and emerging-market countries on key issues related to the global economy, since it was established in 1999. The country members designated the G-20 to be the premier forum for their international economic cooperation.

In October 1997, the United States designated Argentina as a non-North Atlantic Treaty Organization, or “non-NATO,” ally.

Argentina has entered into bilateral investment treaties with various countries, including the United States, Canada, Germany, France, Italy, Spain, Switzerland, Sweden and the United Kingdom. Arbitration proceedings have been brought against Argentina before the ICSID, in accordance with the UNCITRAL, under several bilateral investment treaties, primarily as a result of measures adopted in response to the economic and political crisis of 2001. As of the date of this annual report, certain of these arbitration proceedings have been settled. For information about these proceedings see “Public Sector Debt—Legal Proceedings—ICSID Arbitration.”

The Financial Stability Board

The Financial Stability Board (“FSB”) is an international body that monitors and makes recommendations about the global financial system. The FSB seeks to strengthen financial systems and increase the stability of international financial markets; it does so by coordinating with its members’ national financial authorities and international standard-setting bodies as they work toward developing strong regulatory, supervisory and other financial sector policies to promote international financial stability. The FSB aims to foster a level playing field by encouraging consistent implementation of these policies across sectors and jurisdictions.

Argentina has been a member of the FSB since 2009, with participation of the Central Bank. In 2015, following a review of the FSB’s structure of representation, Argentina gained a second seat in the Plenary.

G-24

Argentina has been a member of the Group of Twenty-Four since the Intergovernmental Group of Twenty-Four on International Monetary Affairs and Development (G-24) was established in 1971. The purpose of the group is to coordinate the position of developing countries on monetary and development issues, particularly issues on the agendas of the IMF Committee and the Development Committee, and to ensure increased representation and participation of developing countries in negotiations on international monetary system reform.

MERCOSUR

Argentina is a founding member of the Southern Common Market (“MERCOSUR”), established in March 1991 with Brazil, Paraguay and Uruguay. In July 2012, the founding members (other than Paraguay) admitted the Republic of Venezuela as a full member of MERCOSUR, and in December 2013, Paraguay acknowledged Venezuela’s status as a full member. Accordingly, in addition to Argentina, MERCOSUR currently includes Brazil, Paraguay, Uruguay and Venezuela as full members or the “Member States.” In July 2015, Bolivia signed a protocol to become a full member of MERCOSUR, which remains subject to ratification by the congresses of Brazil, Paraguay and Bolivia. Upon approval, Bolivia will have a four-year period to gradually adopt MERCOSUR’s regulations.

Chile, Colombia, Ecuador and Peru are "Associate States" of MERCOSUR, having signed Free Trade Agreements ("FTAs") with the trade bloc. In July 2013, Guyana and Suriname were admitted as new Associate States.

Under the Mercosur Treaty, the founding members of MERCOSUR originally pledged:

- (1) to create a full common market in goods, services and factors of production by eliminating or significantly reducing, in some cases over a period of years, import duties, tariffs and other barriers to trade among members; and
- (2) to establish common external tariffs for trade with non-members.

With the aim of transforming the region into a customs union, in December 1994, the founding members of MERCOSUR agreed to implement a common external tariff. The common external tariff regime took effect on January 1, 2001, however, each member was allowed to exclude certain items from the regime. The full implementation of the customs union has been deferred until 2024, as the exceptions period has been extended to allow Argentina and Brazil to maintain their list of exceptions until December 31, 2021, Uruguay until December 31, 2022, and Paraguay until December 31, 2023.

Since its establishment, MERCOSUR has entered into agreements with third parties to facilitate trade, including agreements: (i) establishing a free trade zone with Bolivia in 2006 and Chile in 2014; (ii) establishing a gradual free trade zone for certain goods between 2005 and 2020 with Colombia, Ecuador and Venezuela (which was agreed to prior to Venezuela's membership); (iii) establishing a gradual free trade zone with Peru for certain goods between 2006 and 2021; (iv) eliminating tariffs beginning in 2008 and reducing tariffs beginning in 2009 with respect to certain goods traded with Cuba and India, respectively; and (v) eliminating tariffs for certain goods traded with Israel between 2009 and 2029. In accordance with MERCOSUR regulations, each of these agreements was negotiated by the Member States as a trade bloc.

In addition, as of the date of this annual report, MERCOSUR and the European Union have re-launched negotiations relating to their 1995 framework agreement for the development of free trade.

Following a suspension of negotiations in 2004, MERCOSUR and the United States have also resumed negotiations relating to the hemisphere-wide Free-Trade of the Americas Agreement (FTAA) pursuant to the 1991 "Four Plus One" Agreement." These negotiations are ongoing as of the date of this annual report.

UNASUR

Union de Naciones Sudamericanas (South American Union of Nations, or "UNASUR"), is a South American organization, formed by 12 South American countries to foster integration and unity among the countries and their people, with the aim of eliminating socioeconomic inequality by prioritizing political dialogue (including the "democracy clause," which suspends the membership of any country in which a sovereign government is removed through undemocratic means) social policies, education, energy, infrastructure, finance and the environment. Within UNASUR, the Counsel of Economy and Finance is responsible for analyzing economic topics of regional interest such as international reserves, financial safety nets, trade and economic development.

Banco del Sur

Banco del Sur, or "BdS," is a development bank formed by seven South American member countries of UNASUR, which include Argentina, Bolivia, Brazil, Ecuador, Paraguay, Uruguay and Venezuela.

On September 27, 2009, the presidents of each of the seven founding member countries signed the *Convenio Constitutivo* (Articles of Agreement) to create BdS. On September 7, 2011, Argentina's Congress ratified the Articles of Agreement of BdS, which became effective in April 2012. BdS's authorized capital is U.S.\$20 billion, and the founding member countries agreed to provide U.S.\$7 billion in initial capital. The Ministers' Council of the BdS met for the first time on June 13, 2013.

Sovereign Territorial Dispute

Argentina reaffirms its legitimate sovereignty rights over the Malvinas, South Georgias and South Sandwich Islands and the surrounding maritime areas, which are an integral part of its national territory. Due to the fact that these archipelagoes are illegally occupied by the United Kingdom, they are subject to a sovereignty

dispute, recognized by ten United Nations General Assembly (the "General Assembly") resolutions, more than 30 resolutions of the Special Committee on Decolonization and numerous pronouncements of the OAS and other international organizations and regional and bi-regional forums. In particular, the General Assembly has recognized the existence of a sovereignty dispute between Argentina and the United Kingdom and has requested both governments to resume negotiations in order to find a peaceful solution as soon as possible.

Many regional and international organizations have reiterated the importance of Argentina and the United Kingdom complying with the provisions of Resolution 31/49 of the General Assembly, which calls upon both parties to refrain from adopting decisions that entail the introduction of unilateral modifications to the situation while the dispute resolution process recommended by the General Assembly is ongoing.

Despite the repeated calls for negotiations made by the international community, the United Kingdom not only persistently refuses to negotiate, but also continues to take unilateral actions over the disputed areas, including the exploration for and exploitation of renewable and non-renewable natural resources.

In March 2011, the Argentine Congress passed Law No. 26.659 (the "Hydrocarbons Exploration Law"), which establishes the conditions for hydrocarbon exploration and exploitation in the Argentine continental shelf. The Hydrocarbons Exploration Law prohibits natural and legal persons authorized to conduct activities in Argentina from carrying out unauthorized hydrocarbons exploration activities in the Argentine continental shelf, and disqualifies those who violate the Hydrocarbons Exploration Law for periods of five to 20 years. In 2013, a series of administrative sanctions were adopted by Argentina, including the banning of six companies involved in illegal hydrocarbon activities from operating in Argentina for 15 to 20 years.

Law No. 26.915, passed on November 27, 2013, amended the Hydrocarbons Exploration Law (specifically, the conditions applicable to hydrocarbon exploration and exploitation in the Argentine continental shelf), setting forth the liability, including criminal, civil and tax-related, of individuals and/or legal entities that conduct hydrocarbon exploration or exploitation activities on or below the sea bed of the Argentine territorial waters or continental shelf without the approval of the relevant Argentine authorities, in addition to all other pre-existing criminal penalties.

In April 2015, the Federal Court for Rio Grande commenced the first criminal proceedings under Law No. 26.915 against Kockhopper Exploration plc, Premier Oil plc, Falkland Oil and Gas Limited, Noble Energy Inc. and Edison International S.p.A. As of the date of this annual report, such proceedings have not been concluded.

THE ARGENTINE ECONOMY

Economic History and Background

Background

In the late 1800s and early 1900s, Argentina enjoyed a period of great prosperity, with per capita GDP rising to the level of many Western European countries. During this period of growth, Argentina's economy relied heavily on sustained international demand for its agricultural commodity exports.

The onset of the Great Depression and World War II, however, brought dramatic changes in the Argentine economy as a decline in world trade deprived the country of its main source of revenue. The Government responded to these developments with a major shift in economic policy, adopting a model of state-led capitalism and import substitution. Accordingly, state intervention in the economy became pronounced.

Beginning in the 1940s, the Government nationalized many basic industries and services and raised import barriers in a bid to make Argentina self-sufficient in industry and agriculture and to shelter its economy from foreign competition. Government involvement in sectors ranging from oil and electricity to telecommunications and financial services became significant.

Although in the 1950s a new era of worldwide prosperity began, the Government's role in the economy remained significant and Argentina experienced relatively low growth in comparison with other developing countries.

Although manufacturing had become the largest component of the economy by the mid-1970s, the country's exports continued to be dominated by agricultural products. During this period, the Argentine economy continued to grow at substandard levels.

In 1976, the Government began to shift away from the import-substitution model, lowering import barriers and liberalizing restrictions on foreign borrowings. The adoption of a crawling-peg exchange rate regime by the Central Bank induced appreciation of the peso and incurrence of external indebtedness by the public and private sectors between 1977 and 1981. Despite this shift in policy, from 1981 through 1990, economic growth was undermined by:

- political instability;
- large subsidies of state-owned enterprises;
- high inflation;
- periodic devaluations of the currency;
- an inefficient tax collection system; and
- inefficient production.

From 1981 through 1990, the average annual real GDP contraction was 0.7%. The Government financed its fiscal deficits during this period primarily through Central Bank credit and loans from foreign bilateral and multilateral creditors. The increase in Central Bank credit to the Government resulted in unchecked increases in the money supply that led to high levels of inflation. From 1981 through 1990, average annual inflation was 876.0%. Additionally, in 1982 the Government defaulted on its external debt.

During the 1980s, the Government adopted several economic plans in an effort to stabilize the economy. While these plans achieved some initial success, they ultimately failed and the continued high levels of state intervention in the economy inhibited its competitiveness. These factors, combined with high levels of inflation, frequent changes in Government policy and financial market instability, prevented the Argentine economy from achieving real growth.

Liberalization of the Economy In mid-1989, the Menem administration inherited an economy suffering from hyperinflation and in deep recession. Relations with external creditors were strained, commercial bank debts had been subjected to two restructurings and were again accumulating past-due interest, IMF and World Bank programs had lapsed and payments to the World Bank and the IADB were frequently late. The immediate objectives of the Menem administration were to stabilize prices and improve relations with external creditors.

Following several unsuccessful efforts to stabilize the economy and end hyperinflation, the Menem administration adopted an economic program that sought to liberalize the economy and impose monetary discipline. The new economic program, which came to be known as the Convertibility Regime, was centered on the Convertibility Law of 1991 and related measures. Its principal features were the following:

- a fixed exchange rate regime that pegged the peso to the U.S. dollar and tied the monetary base to international reserves, limiting the Central Bank's monetary policy tools;
- privatization, deregulation and trade liberalization programs; and
- the improvement of relations with external creditors (including by refinancing a substantial portion of the Government's debt through the Brady restructuring in 1992).

The Convertibility Regime and the Government's free-market initiatives temporarily achieved price stability, increased the efficiency and productivity of the Argentine economy and attracted significant foreign investment. Real GDP grew 9.1% in 1991 and 7.9% in 1992. From 1993 through 1998, real GDP grew at an average annual rate of 4.8%, despite a 2.8% contraction in 1995 largely attributable to the capital flight triggered by the Mexican financial crisis of 1994.

The Convertibility Regime, however, had significant shortcomings, including the following:

- *Inflexible monetary policy.* By stripping the Central Bank of its monetary discretion, the Convertibility Regime limited the use of monetary policy to stimulate the economy in response to downturns in economic activity.
- *Dependence on foreign capital.* Any sharp reduction of foreign capital inflows, often triggered by factors beyond the Government's control, threatened untimely contractions of the money supply. Argentina's dependence on foreign capital was heightened by the opening of the Argentine economy to foreign trade, which resulted in significant trade deficits, and by the Government's recurring fiscal deficits, which were heavily financed with foreign capital.
- *Vulnerability to external shocks.* The dependence on foreign capital, coupled with the lifting of state controls on capital flows, made the Argentine economy vulnerable to external shocks.
- *Over-reliance on certain economic sectors.* As a result of the real appreciation of the peso and the peso's peg to the U.S. dollar, economic growth during this period was driven by the services sector, and in particular the financial and public services sectors, with production-based manufacturing and industrial sectors lagging behind. In addition, any contribution from the agricultural sector from increased volume of production was offset by declining international commodity prices.
- *Rising unemployment.* Despite economic growth, the relative slow growth in labor intensive sectors such as construction and manufacturing increased unemployment levels.

The shortcomings of the Convertibility Regime became evident during the economic downturn triggered by the Mexican financial crisis of 1994. The collapse of Mexico's crawling-peg exchange rate undermined investors' confidence in emerging markets and raised doubts about the sustainability of the Convertibility Regime. This loss of confidence triggered a sharp reduction in net capital inflows, which turned into net capital outflows in 1995, causing a liquidity crisis in the Argentine banking system. As a result, Argentina experienced its first economic contraction since the Convertibility Regime had been implemented.

Following the Mexican crisis, Argentina's economy resumed the levels of growth it had recorded in the first half of the 1990s. From 1996 through 1998, GDP increased at an annual average rate of 5.8%. However, the Government relied heavily on borrowings, first from external sources and ultimately from the local banking

system and the newly-organized private pension funds, to finance the deficit. Beginning in the last quarter of 1997, external factors, including regional financial crises in Asia and Russia, rising U.S. interest rates and falling commodity prices, caused the capital flows to turn negative, economic activity to decline sharply, ultimately precipitating the economic crisis of 2001.

The Crisis and Beginning of Recovery: 2001 and 2002

During the last six months of 2001, the growing perception that a devaluation of the peso was imminent triggered a massive run on bank deposits and a significant acceleration of capital flight from the Argentine economy. Total deposits in the Argentine banking system fell by 20.3% in the last six months of 2001 and the Central Bank's international reserves fell by 42.1% in the same period.

In a last bid to safeguard the Convertibility Regime and avert the collapse of the banking sector, in December 2001, the Government imposed strict per-person, per-month limits on bank withdrawals (known as the *corralito*), effectively limiting the ability of depositors to withdraw approximately U.S.\$60 billion in peso and dollar demand deposits from the financial system. It also imposed strict foreign exchange restrictions in Argentina. Shortly thereafter, the Government announced that it would defer interest and principal payments on a substantial portion of the Government's debt.

Massive social unrest led to the early resignation of President de la Rúa's administration and triggered a political crisis that culminated with the election of Mr. Eduardo Duhalde as president in January 2002. Congress passed the Public Emergency and Reform Law of 2002 (the "Public Emergency Law") which formally terminated the parity between the peso and the U.S. dollar and brought the Convertibility Regime to an end. Through the enactment of the Public Emergency Law and a series of decrees, the Duhalde administration took the following measures:

- ratified the suspension of payments of Argentina's sovereign debt except for debt with multilateral credit agencies;
- eliminated the dual exchange rate system adopted immediately following the end of the Convertibility Regime and replaced it with a single exchange rate that allowed the value of the peso to float against other currencies, resulting in a 240.1% increase in the U.S. dollar-peso exchange rate in 2002;
- ordered the "asymmetric" conversion into pesos (known as "pesification") of certain U.S. dollar-denominated assets and liabilities at the following exchange rates: Ps. 1.00 per U.S.\$1.00 for private sector debt (individual and corporate U.S. dollar-denominated debt) with financial institutions and other creditors, Ps. 1.40 per U.S.\$1.00 for all U.S. dollar-denominated public sector debt instruments in the portfolios of national and provincial financial institutions' portfolios and Ps. 1.40 per U.S.\$1.00 for all U.S. dollar-denominated bank deposits;
- amended the charter of the Central Bank to allow it to print currency, make certain short-term advances to the Government and act as a lender of last resort to financial institutions experiencing liquidity difficulties; and
- imposed further restrictions on bank withdrawals (known as the *corralón*) until December 2002, which effectively froze all term deposits and subjected them to mandatory restructuring.

Additionally, further restrictions on foreign exchange transactions were introduced in 2002, including:

- limits on the amount of U.S. dollars that could be held per month in bank accounts;
- limits on transfers of foreign currency outside of Argentina; and
- restrictions on foreign trade transactions.

The economic crisis peaked during the first six months of 2002. During this period, economic activity collapsed with the largest contraction in the level of economic activity in Argentine history, fiscal revenues fell, inflation rose significantly and the financial system's liquidity crisis worsened. In addition to the controls over the foreign exchange market, the Government imposed mandatory repatriation of export proceeds. Strict

foreign exchange controls, together with a significant surplus in the country's trade balance, ensured a supply of foreign currency to the market and resulted in the appreciation of the peso in the second half of the year.

By the middle of 2002, the policy of combining the sale of international reserves with the tightening of controls over the foreign exchange market and capital movements succeeded in stabilizing the peso. As the domestic currency stabilized, inflationary pressures declined. This, combined with the expansion of the monetary base, permitted a gradual stabilization of interest rates, which had sharply increased following the end of the Convertibility Regime.

During the last six months of 2002, real GDP contraction had slowed to 6.7%, as compared to the last six months of 2001, and Argentina recorded a U.S.\$5.0 billion surplus in its current account. As of December 31, 2002:

- the peso had appreciated to Ps. 3.36 per dollar, compared to a low of Ps. 3.87 on June 26, 2002;
- inflation, as measured by INDEC CPI, was 8.0% for the six month period ended December 31, 2002, compared to 30.5% for the six-month period ended June 30, 2002. In 2002, inflation, as measured by INDEC CPI was 40.9% and as measured by the wholesale price index ("WPI") was 118.0%, which, although significant, was relatively low in comparison to the more than 240.1% depreciation of the peso against the U.S. dollar during that year; and
- the Central Bank's international reserves had increased to U.S.\$10.5 billion, from U.S.\$9.6 billion on June 30, 2002.

Despite the improvement in economic conditions during the last six months of 2002, overall GDP declined 10.9% for the year compared to 2001.

To prevent the continued appreciation of the peso, the Central Bank eased certain of the foreign exchange restrictions imposed between November 2002 and January 2003. The improved economic conditions, in particular the reduction in capital flight from the Argentine economy, also allowed the Government to begin lifting restrictions on bank withdrawals in November 2002.

By the end of 2002, the economy seemed to have bottomed out from the crisis and the recession that began in 1998. However, the recovery was set against extremely depressed levels of economic activity, similar to those of the early 1990s. In addition, the recovery was the result of a set of economic policies aimed mainly at managing the crisis, but failed to include structural reforms needed to generate sustainable long-term economic growth.

The Kirchner Administration: 2003-2007

Néstor Kirchner became president of Argentina on May 25, 2003. The economic recovery that began in the last six months of 2002 continued during 2003, with GDP growing by 8.8% in 2003. This improvement was primarily a result of a growth in demand for Argentine exports, increased domestic production spurred by improved consumer and investor confidence and the substitution of imported products with domestic products. During the first year of the Kirchner administration, quasi-currencies (treasury bonds issued by the Argentine provinces during the economic crisis) were withdrawn from circulation and restrictions on bank deposits were lifted. In the same year, renewed confidence in the financial system was evidenced by a 24.0% increase in nominal terms in total bank deposits.

The Argentine economy continued to grow in 2004, 2005, 2006 and 2007 at rates of 9.0% (representing the rate of change from 2003 to 2004, calculated using data published by the INDEC prior to June 29, 2016), 8.9%, 8.1% and 9.0%, respectively. During this period, the international reserves of the Central Bank increased to Ps. 145.5 billion as of December 31, 2007, compared to Ps. 41.4 billion as of December 31, 2003. The Kirchner administration's fiscal and trade policies aimed to generate a fiscal surplus as well as a trade surplus. In each of 2004, 2005 and 2006, Argentina recorded a trade surplus while the Government generated fiscal surpluses primarily through increased tax collections contributed by exports. Inflationary pressures increased in 2007 and through mid-2008 as a result of growing demand and continued supply constraints.

Fernández de Kirchner's Administration: 2008-2015

Cristina E. Fernández de Kirchner, the wife of former President Néstor Kirchner, became president of Argentina on December 10, 2007, and was reelected in 2011, extending her term in office until December 2015.

The strong economic rebound that took place in Argentina between 2003 and 2007 began to fade during the first half of 2008. President Fernández de Kirchner sought a one-year extension of the Public Emergency Law in December 2007, which empowered the administration to govern a broad range of issues without congressional approval. The Fernández de Kirchner administration continued, and over time expanded, the interventionist economic policies of the prior administration, including expansionary fiscal and monetary policies aimed at maintaining economic growth rates, as well as price controls, tariff limits, subsidies and export taxes.

In March 2008, a series of hikes in export taxes on agricultural products sparked a five-month conflict with farmers. By the third quarter of 2008, the Argentine economy began to experience a downturn that was aggravated by the escalation of the global financial crisis. In November 2008, Congress approved a law nationalizing the private pension system in Argentina, under which the assets held by private pension funds, including significant equity interests in a wide range of listed companies, were transferred to a separate fund as part of a new public system administered by the ANSES. Argentina experienced episodes of bank deposit withdrawals and capital outflows in 2008. The Central Bank raised interest rates to limit capital outflows from Argentina just as the economic downturn set in, which, in turn, exacerbated the downturn in the economy.

By mid-2009, public finances had rapidly deteriorated, with public expenditures growing at double the pace of revenue during the first half of the year as the Government attempted to limit the effects of the recession. Private estimates of economic activity showed contractions between 2.5% and 6.0% during the first six months of 2009. The Fernández de Kirchner administration lost control of both houses of Congress in the midterm legislative elections held in June 2009.

Although economic activity began to recover during the fourth quarter of 2009 due, in large part, to growth in industrial activity, public finances continued to weaken. Extraordinary revenue, including social security contributions and public transfers from government agencies such as the Central Bank and ANSES, played a key role in supporting the 19% rise in total public sector revenue in 2009. During 2009, however, social tension continued to increase. In response to opposition and left-wing union demands, the Government announced the extension of two anti-poverty programs—a family allowance for formal sector workers earning less than a monthly threshold and income support for informal sector workers and the unemployed.

In late 2009, the Government issued a *Decreto de Necesidad y Urgencia* (emergency decree) making foreign reserves held by the Central Bank available for external debt payments. Resistance from the Central Bank's president, Mr. Martín Redrado, to transfer Central Bank reserves for this use led to a standoff between the administration and the Central Bank, which ultimately resulted in Mr. Redrado's resignation in January 2010 and renewed concerns over governability, political stability and debt sustainability.

Inflationary pressures rose rapidly in early 2010 as the Central Bank initiated its practice of providing financing to the Government to cover a portion of the fiscal deficit. The INDEC reported that 12-month inflation had reached 9.1% in February 2010, while private surveys estimated that inflation had reached between 20 to 25% during the same period. At the same time, the economy began to show signs of recovery, as industrial output increased. The Argentine economy grew by 10.4% in 2010, reaching the highest level of growth since 2005. This growth was primarily driven by high commodity prices, a rapid rise in wages, the appreciation of the peso and higher levels of inflation, which spurred growth in construction and investments in durable equipment. Growth in private consumption was, to a significant extent, attributable to continued increases in Government subsidies and transfers during the year (including through the administration's anti-poverty programs). In contrast, the current account deteriorated during 2010, with the current-account surplus falling from U.S.\$8.2 billion in 2009 to a deficit of U.S.\$1.5 billion in 2010, as the trade surplus, a key source of foreign currency, narrowed by more than 20% in 2010.

In June 2010, the Government conducted the 2010 Debt Exchange to restructure Untendered Debt, with an acceptance rate of 81%. Although approximately 92% of Argentina's defaulted debt was restructured through its 2005 and 2010 Debt Exchanges, an aggregate principal amount of approximately U.S.\$6.1 billion of Untendered Debt remained outstanding following these debt restructuring initiatives and litigation with the holdout creditors continued.

The Central Bank continued its expansionary monetary policy in 2011, particularly through its purchases of foreign currency and lending to the Treasury. The Central Bank additionally continued its sterilization efforts to support the peso through the issuance of Central Bank notes (LEBACs and NOBACs).

Shortly after her reelection in October 2011, the Fernández de Kirchner administration introduced a series of capital and foreign-exchange controls intended to increase foreign currency supply and reduce foreign currency demand. During the 12-month period ending in December 2011, capital outflows were estimated to have reached U.S.\$25 billion, or nearly half of the Central Bank's foreign reserves. As a result, demand for U.S. dollars increased, leading to an increase in the gap between the official and unofficial exchange rates.

Argentina also began to experience energy shortages in 2011, following years of very limited investment in the energy sector, as well as the electricity and natural gas tariff-freeze maintained since 2002 as part of the Government's emergency measures. Between 2008 and 2011, subsidies to the energy and transport sectors had increased by 156% as the energy foreign trade deficit grew. The public sector recorded a deficit of Ps. 30.7 billion in 2011 compared to a public-sector surplus of Ps. 3.1 billion in 2010.

With the support of Congress, which came under the control of President Fernández de Kirchner's party with the October 2011 general election, the Government continued its interventionist policies in 2012. In the wake of narrowing fiscal and external surpluses and slowing economic activity, in April 2012, the Government announced an amendment to the Central Bank's charter, which increased its discretion in policymaking and provided it with additional tools to intervene in the financial system, including in pursuit of its new aim of promoting economic growth with social equity. In May 2012, Congress approved the administration's bill to nationalize 51% of the shares of the country's largest oil company, YPF S.A. ("YPF") which was majority-owned by Spain's Repsol S.A. ("Repsol").

In mid-2012, new restrictions on the purchase of foreign currency were introduced. The Government's attempts to shore up foreign reserves were primarily driven by its dual goals of accumulating U.S. dollars to service its external debt obligations and maintaining a buffer to avoid a currency run in the event of a deterioration of global market conditions or sharp slowdown of domestic economic activity.

There was a marked deceleration of economic activity in 2012, as real GDP contracted by 1.1%, compared to an expansion of 6.1% in 2011. The year was also marked by rising social unrest, with major antigovernment protests held across the country and the first 24-hour general strike since 2003, reflecting growing dissatisfaction with the sharp economic slowdown, persistent high inflation and increasingly restrictive foreign-exchange controls.

During 2012, the primary balance fell sharply to a deficit of Ps. 4.4 billion—the first deficit since 1996—from a surplus of Ps. 4.9 billion in 2011, as expansionary fiscal policies that relied in part on Central Bank financing failed to prevent an economic slowdown and a decrease in tax revenue growth. The overall fiscal deficit represented an estimated 2.1% of GDP in 2012.

Facing continued social unrest, in June 2013, the Fernández de Kirchner administration announced an increase in social transfers through two programs providing child allowances to households based on certain income thresholds. In an ongoing attempt to stem inflation, in June 2013, the Government announced price freezes that covered approximately 500 products (including food, beverages, cleaning products and toiletries) for an initial three-month period, which was subsequently extended through a series of price freezes into 2014. The economy experienced moderate growth in 2013, as real GDP grew 2.3% compared to the previous year. Nevertheless, the poverty rate is estimated to have increased above 20% during the same period.

In January 2014, the Central Bank allowed the peso to depreciate by a nominal 7% in one day—the largest correction to occur in a single day since the 2001-2002 crisis—as international reserves fell below U.S.\$30 billion. Shortly thereafter, the Government announced an easing of certain foreign-exchange controls. In an effort to tame inflation, the Government also launched the *Precios Cuidados* program in January 2014, which established price controls on a broad range of basic household and other products.

In February 2014, the Government and Repsol reached an agreement on the terms of the compensation payable to Repsol for the expropriation of the YPF shares. Such compensation totaled U.S.\$5.8 billion payable by delivery of Argentine sovereign bonds with various maturities. The agreement, which was ratified by Law No. 26,932, settled the claim filed by Repsol with the ICSID.

In May 2014, the Government reached a settlement agreement with the members of the Paris Club, a group of sovereign creditors, in connection with outstanding debt owed to Paris Club members on which the

Government had defaulted during the 2001-2002 economic crisis. In accordance with the terms of the agreement, the total outstanding debt will be canceled over a five-year period. See "Public Sector Debt—Debt Record—Paris Club."

By mid-2014, INDEC data revealed that the Argentine economy was in recession. This data was based on the new methodology established by the INDEC in February 2014 in response to the IMF's censure of Argentina in 2013 for failing to provide accurate statistics in accordance with the IMF's articles of agreement. Although this new methodology brought the INDEC's statistics closer to those estimated by private sources, differences between official data and private estimates remained.

In June 2014, the Government was constrained by an order of the District Court ruling that it make ratable payments to holdout creditors whenever it repays holders of its bonds issued pursuant to the 2005 and 2010 Debt Exchanges (the "2005 and 2010 Exchange Bonds"). The Government refused to comply with the District Court's order and was prevented, by operation of the court's injunction, from making payments to holders of certain of its restructured bonds issued under New York law. This event prevented Argentina from regaining access to the international capital markets, thereby increasing the risk of a balance-of-payment crisis.

In August 2014, a 24-hour general strike, triggered by increasing unemployment and a fall in real wages, halted public transport and key services. A trend in declining industrial output that began in the third quarter of 2013 continued through 2014, as the country's manufacturing, mining and utilities sectors faced an erosion of consumer and business confidence, continued high inflation and waning demand from Argentina's biggest export market, Brazil. By October 2014, the gap between the official and unofficial foreign currency exchange rates widened to 80%. In 2014, the fiscal deficit continued to grow, as total expenditure growth outpaced revenue growth, primarily as a result of an increase in the Government's social benefit and pension payments.

Between mid-2014 and March 2015, the premium for U.S. dollars offered in the unofficial market narrowed from approximately 80% to 55%. This premium reduction reflected the temporary boost provided by a U.S.\$10.3 billion three-year currency-swap agreement between the Central Bank and the People's Bank of China, as well as the Central Bank's issuance of U.S. dollar-denominated local bonds. However, the Government failed to address underlying fiscal and external imbalances. During 2014, the overall fiscal deficit rose to Ps. 109.7 billion, representing a 70% increase compared to 2013. In total, primary spending rose by 41.8%, with transfers to the private sector, particularly in the form of energy subsidies and social aid, driving this expansion. Real GDP contracted by 2.6% in 2014.

With global capital markets closed to Argentina since the 2001 sovereign default, a trade surplus fueled by high international commodity prices remained the main source of foreign currency reserves for the Central Bank for over a decade. However, exports were undermined in 2014 by continuing external competitiveness problems, falling commodity prices and an economic slowdown in Brazil, Argentina's primary market for manufactured exports. In total, export earnings fell by 10% in 2014. Although imports also fell substantially, the trade surplus narrowed to U.S.\$6.0 billion. Inflows of foreign currency during 2014, including through currency swap agreements entered into by the Central Bank with the People's Bank of China, increased international reserves, leading to the first annual increase in the balance of payments since 2010.

In 2015, the Government continued to spend heavily, prioritizing fiscal expansion ahead of the general election in October. The continued growth in Government spending contributed to a modest recovery of the Argentine economy beginning in the first quarter of 2015. Despite a deceleration of inflation, monetary expansion accelerated in the first half of 2015. During 2015, the monetary supply rose by 30.2%, compared to a 20.5% increase in 2014. The difference between 2014 and 2015 reflected a change in the Central Bank's sterilization policy: in 2014, the Central Bank sterilized Ps. 94.6 billion and raised interest rates on Central Bank notes (LEBACs), whereas sterilization fell significantly to Ps. 8.7 billion during 2015 as a decrease in the LEBAC rate reduced investments by the financial system in Central Bank notes. In a move to boost consumption, in July 2015, the minimum wage was increased by 31.4%—the first major increase since September 2014.

By mid-2015, China had become an important trading partner (as Argentina's second-largest export destination after Brazil) and source of foreign exchange, particularly in light of the Government's inability to access the international capital markets. As a result, the depreciation of the renminbi led the Government to tighten foreign-exchange controls in August 2015, with a view to protecting its international reserves and avoiding a currency crisis. In an effort to avoid a peso devaluation before leaving office in December 2015, the

Fernández de Kirchner administration further tightened foreign exchange controls and raised interest rates in November 2015.

Principal Government Policies and their Impact on Argentina's Economy (2011-2015)

The Fernández de Kirchner administration failed to change policies that were introduced as temporary, emergency measures in response to the 2001-2002 economic crisis (including foreign exchange controls, export taxes and the freeze on electricity and natural gas tariffs). Increasing intervention by the Government in the economy through price controls and measures designed to discourage substitute imports, as well as exports of certain products, and an increased tax burden on productive activities had the effect of reversing the upward trend in the competitiveness of Argentina's commodities exports and total manufacturing activities. At the same time, the expropriation of domestic corporations, strict capital controls and the related appreciation of the peso in real terms discouraged investment. The administration's systematic use of expansionary monetary and fiscal policies throughout the business cycle promoted chronic high inflation. Domestic savings and the development of local capital markets were undermined by the imposition of negative real interest rates. The macroeconomic imbalances that resulted from inconsistent macroeconomic policies and the unresolved litigation with holders of Untendered Debt limited the Republic's access to international capital markets, resulting in the Government's growing dependence on Central Bank peso financing and the use of Central Bank foreign currency reserves to service public debt. President Fernández de Kirchner's policies increasingly eroded businesses' confidence in the Argentine economy, which resulted in a lack of investment, capital outflows and a significant decline in the Central Bank's international reserves.

The principal government policies of the Fernández de Kirchner administration and their primary effects were as follows:

1. *Expansionary monetary policy and foreign exchange controls.* An expansionary monetary policy and pervasive foreign exchange controls, coupled with an unwillingness to allow the peso to float freely, resulted in a real appreciation of the peso and a loss of competitiveness of Argentine production. The expansionary monetary policy fueled inflation (which grew from 9.5% in 2011 to 24.0% in 2014, as measured by the INDEC CPI, or from 23.3% in 2011 to 39.0% in 2014, as measured by the Province of San Luis CPI).
2. *Increased regulation to confront inflationary pressures.* In response to accelerating inflation, the Fernández de Kirchner administration resorted to measures aimed at controlling supply, rather than reining in demand. These measures included discretionary subsidies, export restrictions and price controls. These measures created additional distortions in relative prices and deterred long-term investment in key sectors of the Argentine economy, including the energy sector.
3. *Discouraged investments.* The real appreciation of the peso and foreign exchange controls adversely affected investment generally. In the energy sector, the lack of investment was exacerbated by the Government's unwillingness to correct utility tariffs that had remained frozen for the Greater Buenos Aires Area (approximately 15 million inhabitants) since the 2001-2002 economic crisis. Argentina—once a net exporter of energy—became a net importer in 2011 with total energy imports of U.S.\$6.5 billion in 2014 and U.S.\$4.6 billion in 2015. The Government's reluctance to adjust tariffs and its decision to subsidize energy consumption resulted in direct and indirect transfers to the energy sector, increasing from Ps. 50.3 billion in 2011 to Ps. 161.2 billion in 2015.
4. *Expanding public expenditures.* Expanding expenditures by the public sector resulting from a policy of heavily subsidizing energy and transport, the increase in employment through the creation of public sector employment, a broadening of pension benefits and a significant expansion of social welfare benefits eroded the fiscal surplus created between 2003 and 2009, and resulted in rising primary fiscal deficits beginning in 2012 (0.2% of GDP), which, by December 2015, grew to 1.8% of GDP for 2015.
5. *Dependence on Central Bank financing.* The Fernández de Kirchner administration relied on the Central Bank to finance a growing portion of the Government's deficit (from a surplus of Ps. 4.9 billion in 2011 to a deficit of Ps. 104.8 billion in 2015). Advances to the Government further increased inflationary pressures, while the recurrent use of the Central Bank's U.S. dollar-denominated reserves to make payment on the Government's foreign debt caused international reserves to decline substantially. As of December 31, 2015, the Central Bank's

international reserves stood at U.S.\$25.6 billion, compared to U.S.\$46.4 billion as of December 31, 2011.

Macri Administration: 2015-Present

Presidential and congressional elections in Argentina took place on October 25, 2015, and a runoff election between the two leading presidential candidates was held on November 22, 2015, resulting in Mr. Mauricio Macri (from the *Cambiamos* coalition) being elected President of Argentina. The Macri administration assumed office on December 10, 2015.

Since assuming office, the Macri administration has announced and executed several significant economic and policy reforms, including:

- *Foreign exchange reforms.* The Macri administration eliminated a significant portion of foreign exchange restrictions, including certain currency controls, that were imposed by the Fernández de Kirchner administration. These reforms are expected to provide greater flexibility and easier access to the foreign exchange market (MULC). See “Defined Terms and Certain Conventions—Exchange Rates and Exchange Controls—Exchange Controls” for a description of the principal measures adopted as of the date of this annual report.
- *INDEC reforms.* On January 8, 2016, based on its determination that the INDEC had failed to produce reliable statistical information, particularly with respect to CPI, GDP, poverty and foreign trade data; President Macri declared a state of administrative emergency for the national statistical system and the INDEC until December 31, 2016. On June 29, 2016, the INDEC published the INDEC Report including revised GDP data for the years 2004 through 2015. For more information, see “Presentation of Statistical and Other Information—Certain Methodologies.”
- *Financial policy.* Soon after taking office, the Macri administration sought to settle the outstanding claims with the holders of Untendered Debt, and the Minister of the Treasury designed a debt restructuring and cancellation program with the aim of reducing the amount of outstanding Untendered Debt. In February 2016, the Republic entered into agreements in principle to settle outstanding claims with certain holders of Untendered Debt and put forward a proposal to other holders of Untendered Debt, including those with pending claims in U.S. courts, subject to two conditions: obtaining approval by the Argentine Congress and lifting the *pari passu* injunctions. On March 2, 2016, the District Court agreed to vacate the *pari passu* injunctions, subject to two conditions: first, the repealing of all legislative obstacles to settlement with holders of Untendered Debt, and second, full payment to holders of *pari passu* injunctions with whom the Government had entered into agreements in principle on or before February 29, 2016, in accordance with the specific terms of such agreements. On April 13, 2016, the District Court’s order was affirmed by the Second Circuit Court of Appeals. On March 31, 2016, the Argentine Congress repealed the legislative obstacles to the settlement and approved the Settlement Proposal. Argentina closed the April 2016 Transaction on April 22, 2016 and applied U.S.\$4.3 billion of the net proceeds to satisfy settlement payments on agreements of holders of approximately U.S.\$4.2 billion principal amount of Untendered Debt. Upon confirmation that the conditions set forth in its March 2, 2016 order had been satisfied, the District Court ordered the vacatur of all *pari passu* injunctions. Argentina subsequently issued bonds in aggregate amount of U.S.\$2.75 billion on July 6, 2016.
- *Foreign trade reforms.* The Kirchner and Fernández de Kirchner administrations imposed export duties and other restrictions on several sectors, particularly the agricultural sector. The Macri administration eliminated export duties on wheat, corn, beef, mining and regional products, and reduced the duty on soybean exports by 5%, from 35% to 30%. Further, a 5% export duty on most industrial exports was eliminated. With respect to payments for imports and services to be performed abroad, the Macri administration announced the gradual elimination of restrictions on access to the MULC for any transactions originated before December 17, 2015. Regarding transactions executed after December 17, 2015, no quantitative limitations remain in effect.
- *Fiscal policy.* The Macri administration took steps to anchor the fiscal accounts, reducing the primary fiscal deficit by approximately 1.8% of GDP in December 2015 through a series of tax and other measures, and pursues a primary fiscal deficit target of 4.8% of GDP in 2016 through the

elimination of subsidies and the reorganization of certain expenditures. The Maeri administration's ultimate aim is to achieve a balanced primary budget by 2019.

- *Correction of monetary imbalances.* The Maeri administration announced the adoption of an inflation targeting regime in parallel with the floating exchange rate regime and set inflation targets for the next four years, including a band of 20-25% for 2016. The Central Bank has increased sterilization efforts to reduce excess monetary imbalances and raised peso interest rates to offset inflationary pressure. However, inflation has remained high in 2016.

- *National electricity state of emergency and reforms.* Following years of very limited investment in the energy sector, as well as the continued freeze on electricity and natural gas tariffs since the 2001-2002 economic crisis, Argentina began to experience energy shortages in 2011. In response to the growing energy crisis, President Maeri declared a state of emergency with respect to the national electricity system, which will remain in effect until December 31, 2017. The state of emergency allows the government to take actions designed to ensure the supply of electricity to the country, such as instructing the Ministry of Energy and Mining to design and implement, with the cooperation of all federal public entities, a coordinated program to guarantee the quality and security of the electricity system. In addition, through Resolution No. 6/2016 of the Ministry of Energy and Mining and Resolution No. 1/2016 of the *Fine Nacional Regulator de la Electricidad* (National Electricity Regulatory Agency), the Maeri administration announced the elimination of a portion of energy subsidies in effect and a substantial increase in electricity rates. As a result, average electricity prices have already increased and could increase further. By correcting tariffs, modifying the regulatory framework and reducing the government's role as an active market participant, the Maeri administration aims to correct distortions in the energy sector and stimulate investment. However, certain of the government's initiatives have been challenged in the Argentine courts and resulted in judicial injunctions or rulings limiting the government's initiatives.

This fiscal, monetary and currency adjustments undertaken by the Maeri administration may subdue growth in the short term, but seek to guide the economy toward a sustained path for growth in the medium-term. Immediately after the foreign exchange controls were lifted on December 16, 2015, the dismantling of the multiple exchange regime resulted in the official peso exchange rate (available only for certain types of transactions) adjusting in value by 40.1%, as the peso-U.S. dollar exchange rate reached Ps. 13.76 to U.S.\$1.00 on December 17, 2015. The Central Bank has since allowed the peso to float with limited intervention intended to ensure the orderly operation of the foreign exchange market. (In September 21, 2016, the exchange rate was Ps. 15.14 to U.S.\$1.00.)

Gross Domestic Product and Structure of the Economy

GDP is a measure of the total value of final products and services produced in a country. Nominal GDP measures the total value of final production in current prices. Real GDP measures the total value of final production in constant prices of a particular year, thus allowing historical GDP comparisons that exclude the effects of inflation. Argentina's real GDP figures are measured in pesos and are based on constant 2004 prices, as revised in the INDEC Report. Among other adjustments, in calculating GDP for 2004 the INDEC made changes to the composition of GDP that resulted in a downward adjustment of approximately 12% for that year. In calculating real GDP for subsequent years based on the revised 2004 GDP, the INDEC used deflators that are consistent with its revised methodology to calculate inflation. By understating inflation in the past, the INDEC had overstated growth in real terms.

The information set forth below in this section has been derived from statistics included in the INDEC Report.

The following table sets forth the evolution of GDP and per capita GDP for the periods specified, at current prices.

**Evolution of GDP and Per Capita GDP
(at current prices)**

	2011		2012		2013		2014		2015	
GDP (in millions of pesos) ⁽¹⁾	Ps	2,191,507	Ps	2,652,189	Ps	3,361,239	Ps	4,000,000	Ps	5,838,544
GDP (in millions of U.S. dollars) ⁽¹⁾	U.S. \$	530,602	U.S. \$	582,709	U.S. \$	613,489	U.S. \$	567,000	U.S. \$	629,905
Per capita GDP ⁽¹⁾	U.S. \$	12,859	U.S. \$	13,800	U.S. \$	14,537	U.S. \$	13,000	U.S. \$	14,604
Peso / U.S. dollar exchange rate ⁽²⁾		4.13		4.55		5.48		8.12		9.27

(1) GDP figures in this table are expressed in nominal terms.

(2) Average nominal exchange rate for the period specified.

Source: INDEC and Ministry of the Treasury.

The following tables set forth information on Argentina's real GDP, by expenditure, for the periods specified, at constant 2004 prices.

**Composition of Real GDP by Expenditure
(in millions of pesos, at constant 2004 prices)**

	2011	2012	2013	2014	2015
Consumption					
Public sector consumption	Ps. 81,035	Ps. 83,473	Ps. 87,913	Ps. 90,503	Ps. 96,602
Private consumption	499,341	498,904	522,064	494,946	519,818
Total consumption	580,376	582,377	609,977	585,449	616,420
Gross investment	150,760	138,988	144,420	133,460	140,851
Exports of goods and services	161,537	154,900	149,447	139,017	138,395
Imports of goods and services	192,160	183,074	190,183	168,350	177,682
Net exports/(imports)	(30,623)	(28,174)	(40,735)	(29,333)	(39,287)
Inventory provision	13,167	12,974	8,754	14,365	2,658
Statistical discrepancies	—	—	—	—	—
Real GDP	Ps. 713,680	Ps. 706,165	Ps. 722,425	Ps. 703,942	Ps. 720,641

Source: INDEC and Ministry of the Treasury

**Composition of Real GDP by Expenditure
(as % of total real GDP, at constant 2004 prices)**

	2011	2012	2013	2014	2015
Consumption					
Public sector consumption	11.4%	11.8%	12.2%	12.9%	13.4%
Private consumption	70.0	70.6	72.3	70.3	72.1
Total consumption	81.3	82.5	84.4	83.2	85.5
Gross investment	21.1	19.7	20.0	19.0	19.5
Exports of goods and services	22.6	21.9	20.7	19.7	19.2
Imports of goods and services	26.9	25.9	26.3	23.9	24.7
Net exports/(imports)	(4.3)	(4.0)	(5.6)	(4.2)	(5.5)
Inventory provision	1.8	1.8	1.2	2.0	0.4
Statistical discrepancy	—	—	—	—	—
Real GDP	100.0%	100.0%	100.0%	100.0%	100.0%

Source: INDEC and Ministry of the Treasury

**Evolution of Real GDP by Expenditure
(% change from previous year, at constant 2004 prices)**

	2011	2012	2013	2014	2015
Consumption					
Public sector consumption	4.6%	3.0%	5.3	2.9%	6.7
Private consumption					
	8.9	(0.1)	4.6	(5.2)	5.0
Total consumption	8.2	0.3	4.7	(4.0)	5.3
Gross investment	17.6	(7.8)	3.9	(7.6)	5.5
Exports of goods and services	4.1	(4.1)	(3.5)	(7.0)	(0.4)
Imports of goods and services	22.0	(4.7)	3.9	(11.5)	5.5
Net exports/(imports)	(17.9)	8.6	(44.6)	28.0	(33.9)
Inventory provision	27.8	(1.5)	(32.5)	64.1	(81.5)
Statistical discrepancy	-	-	-	-	-
Real GDP	6.1%	(1.1)%	2.3%	(2.6)%	2.4%

Source: INDEC and Ministry of the Treasury

The following tables set forth information on Argentina's gross investment, by expenditure, for the periods indicated, at constant 2004 prices.

Composition of Gross Investment
(in millions of pesos, at constant 2004 prices)

	2011	2012	2013	2014	2015
Natural Resources and others ⁽¹⁾	388	395	431	437	453
Durable equipment for production					
Machinery and equipment					
National	23,901	21,792	24,537	21,633	24,630
Imported	41,927	36,222	34,560	33,204	35,280
Total	65,828	58,014	59,098	54,837	59,910
Transport products					
National	12,047	12,093	14,091	10,495	11,704
Imported	7,726	5,568	7,372	6,036	5,706
Total	19,774	17,662	21,463	16,532	17,411
Total durable equipment for production	85,602	75,676	80,561	71,369	77,321
Construction ⁽²⁾	64,770	62,917	63,438	61,654	63,076
Total gross investment	Ps 150,760	Ps 138,988	Ps 144,429	Ps 133,460	Ps 140,851

(1) Includes research and development and cultivated biological resources.

(2) Includes mining exploration.

Source: INDEC and Ministry of the Treasury.

Composition of Gross Investment
(as % of total Gross Investment, at constant 2004 prices)

	2011	2012	2013	2014	2015
Natural Resources and others ⁽¹⁾	0.3%	0.3%	0.3%	0.3%	0.3%
Durable equipment for production					
Machinery and equipment					
National	15.9%	15.7%	17.0%	16.2%	17.5%
Imported	27.8%	26.1%	23.9%	24.9%	25.0%
Total	43.7%	41.7%	40.9%	41.1%	42.5%
Transport products					
National	8.0%	8.7%	9.8%	7.9%	8.3%
Imported	5.1%	4.0%	5.1%	4.5%	4.1%
Total	13.1%	12.7%	14.9%	12.4%	12.4%
Total durable equipment for production	56.8%	54.4%	55.8%	53.5%	54.9%
Construction ⁽²⁾	43.0%	45.3%	43.9%	46.2%	44.8%
Total gross investment	100.0%	100.0%	100.0%	100.0%	100.0%

(1) Includes research and development and cultivated biological resources.

(2) Includes mining exploration.

Source: INDEC and Ministry of the Treasury.

periods specified.

The following tables set forth the composition of Argentina's real GDP by economic sector for the

Principal Sectors of the Economy

Following GDP contraction in 2014, Argentina's real GDP increased by 2.4% in 2015, reflecting a recovery in consumption, due to an improvement in the labor market and investment. Real GDP growth in 2015 was primarily driven by a 5.5% increase in gross investment, resulting from an 8.3% increase in total durable equipment of production and a 2.3% increase in construction, as well as a 5.3% increase in total consumption due to a 6.7% increase in public sector consumption and a 5.0% increase in private sector consumption.

In 2014, Argentina's real GDP decreased by 2.6%, reflecting the impact of the deceleration of growth in developing economies on Argentina's exports, growing uncertainty in the financial sector and fluctuations in foreign exchange rates. The contraction of economic activity in 2014 primarily resulted from a 7.6% decrease in gross investment, a 7.0% decrease in net exports and a 4.0% decrease in total consumption.

Following GDP contraction in 2012, Argentina's real GDP growth recovered in 2013 at a rate of 2.3%. Domestic demand in 2013 helped to offset weak demand from the rest of the world. Real GDP growth in 2013 was primarily driven by a 4.7% increase in total consumption, resulting from a 5.3% increase in public sector consumption and a 4.6% increase in private sector consumption, as well as a 3.9% increase in gross investment due to a 6.5% increase in investments in durable equipment of production and a 0.8% increase in construction investments.

In 2012, Argentina's real GDP contracted 1.1%. This economic slowdown was attributed to local and external factors, primarily the deceleration of growth in developing economies, including Argentina's principal trading partners, and an extended drought affecting agricultural production. Real GDP contraction in 2012 was primarily attributable to a 7.8% decline in gross investment resulting from an 11.6% decrease in investments in durable equipment for production and a 2.9% decrease in construction investments. However, this decline partially offset by an 8.0% increase in net exports.

In 2011, Argentina's real GDP increased by 6.1%, primarily as a result of (i) a 17.6% increase in gross investment, mainly due to a 25.3% increase in investments in durable equipment for production and an 8.9% increase in construction investments; and (ii) an 8.2% increase in total consumption, resulting from an 8.9% increase in private sector consumption and a 4.6% increase in public sector consumption. These factors were partially offset by a 22.0% increase in imports, driven by the expansion of economic activity, which resulted in a negative trade balance.

Overview of GDP

Source: INDEC and Ministry of the Treasury

(1) Includes research and development and cultivated biological resources
(2) Includes mining exploration

	Evolution of Gross Investment (% change from previous year, at constant 2004 prices)				
	2011	2012	2013	2014	2015
Natural Resources and others	(3.8)	1.9	9.0	1.3	3.7
Durable equipment for production	26.2	(8.8)	12.6	(11.8)	13.9
Machinery and equipment	22.6	(13.6)	(4.6)	(3.9)	6.3
Total	23.9	(11.9)	1.9	(7.2)	9.3
Transport products	25.7	0.4	16.5	(25.3)	11.5
National	38.5	(27.9)	32.4	(18.1)	(5.5)
Imported	30.4	(10.7)	21.5	(23.0)	5.3
Total durable equipment for production	25.3	(11.6)	6.5	(11.4)	8.3
Construction	8.9	(2.9)	0.8	(2.8)	2.3
Total gross investment	17.6%	(7.8)%	3.9%	(7.6)%	5.5%

Real GDP by Sector
(in millions of pesos, at constant 2004 prices)

	2011	2012	2013	2014	2015
Primary production:					
Agriculture, livestock, fisheries and forestry	Ps 51,232	Ps 44,580	Ps 49,722	Ps 51,322	Ps 54,676
Mining and extractives (including petroleum and gas)	23,625	23,338	22,404	22,737	23,376
Total primary production	74,857	67,918	72,125	74,059	78,052
Secondary production					
Manufacturing	132,834	128,888	130,945	124,264	124,568
Construction	22,917	22,358	22,345	21,877	22,522
Electricity, gas and water	11,137	11,656	11,718	11,939	12,347
Total secondary production	166,889	162,902	165,008	158,080	159,437
Services:					
Transportation, storage and communications	52,053	52,392	53,702	54,088	55,418
Trade, hotels and restaurants	109,669	107,013	109,388	102,335	104,976
Financial, real estate, business and rental services	98,166	99,768	100,257	98,875	100,688
Public administration, education, health, social and personal services	89,862	92,900	94,676	96,274	99,007
Domestic services ⁽¹⁾	3,975	4,154	4,247	4,259	4,285
Total services	353,726	356,229	362,270	355,830	364,375
Plus import duties less adjustment for banking service ⁽²⁾	118,209	119,117	123,021	115,973	118,779
Total real GDP	Ps 713,680	Ps 706,165	Ps 722,425	Ps 703,942	Ps 720,641

(1) Includes services completed by domestic workers including caretakers, domestic servants and private chauffeurs.

(2) The production figures in this table do not include duties assessed on imports used in production, which must be taken into account for purposes of determining real GDP. Import duties for purposes of determining real GDP are recorded under this line item.

Source: INDEC and Ministry of the Treasury

Real GDP by Sector
(as a % of real GDP, at constant 2004 prices)

	2011	2012	2013	2014	2015
Primary production:					
Agriculture, livestock, fisheries and forestry	7.2%	6.3%	6.9%	7.3%	7.6%
Mining and extractives (including petroleum and gas)	3.3%	3.2%	3.1%	3.2%	3.2%
Total primary production	10.5%	9.6%	10.0%	10.5%	10.8%
Secondary production:					
Manufacturing	18.6%	18.3%	18.1%	17.7%	17.3%
Construction	3.2%	3.2%	3.1%	3.1%	3.1%
Electricity, gas and water	1.6%	1.7%	1.6%	1.7%	1.7%
Total secondary production	23.4%	23.1%	22.8%	22.5%	22.1%
Services:					
Transportation, storage and communication	7.3%	7.4%	7.4%	7.7	7.7%
Trade, hotels and restaurants	15.4%	15.2%	15.1%	14.5%	14.6%
Financial, real estate, business and rental services	13.8%	14.1%	13.9%	14.0%	14.0%
Public administration, education, health, social and personal services	12.6%	13.2%	13.1%	13.7%	13.7%
Domestic services ⁽¹⁾	0.6%	0.6%	0.6%	0.6%	0.6%
Total services	49.0%	50.4%	50.1%	50.5%	50.6%
Plus import duties less adjustment for banking service ⁽²⁾	16.6%	16.9%	17.0%	16.5%	16.5%
Total real GDP	100.0%	100.0%	100.0%	100.0%	100.0%

(1) Includes services completed by domestic workers including caretakers, domestic servants and private chauffeurs.

(2) The production figures in this table do not include duties assessed on imports used in production, which must be taken into account for purposes of determining real GDP. Import duties for purposes of determining real GDP are recorded under this line item.

Source: INDEC and Ministry of the Treasury.

In 2011, real GDP increased by 6.1%. Growth was primarily driven by the services sector, which increased by 6.7% and accounted for 49.6% of real GDP for 2011. Within the services sector, trade, hotels and restaurants experienced the highest growth. As compared to 2010, the primary production sector decreased by 3.5%, primarily as a result of a 5.8% decrease in mining and extractives, while the secondary production sector increased by 7.7%, primarily as a result of a 9.5% increase in construction.

In 2012, real GDP decreased by 1.1%. This contraction in economic activity was primarily due to the primary production sector, which decreased by 9.3% and accounted for 9.6% of real GDP for 2012, and the secondary production sector, which decreased by 2.4%, primarily as a result of a 3.0% decrease in manufacturing. As compared to 2011, the services sector increased by 0.7%, primarily driven by a 4.5% increase in domestic services.

In 2013, real GDP increased by 2.3%. Growth was primarily driven by the services sector, which increased by 1.7% and accounted for 50.1% of real GDP for 2013. Within the services sector, wholesale and retail trade and repairs experienced the highest growth. As compared to 2012, the primary production sector increased by 6.2%, primarily as a result of an increase in agriculture, livestock, fisheries and forestry, while the secondary production sector increased by 1.3%, primarily as a result of a 1.6% increase in manufacturing.

In 2014, real GDP decreased by 2.6%. This decline in real GDP was primarily driven by the services sector, which decreased by 1.8% and accounted for 50.5% of real GDP for 2014. Within the services sector, public administration, education, health, social and personal services experienced the highest growth. As compared to 2013, the secondary production sector decreased by 4.2%, primarily as a result of a 5.1% decrease in manufacturing, while the primary production sector increased by 2.7%, primarily as a result of 3.2% growth in agriculture, livestock, fisheries and forestry.

In 2015, real GDP increased by 2.4%. Growth was primarily driven by the services sector, which increased by 2.4% and accounted for 50.6% of real GDP for 2015. Within the services sector, public administration experienced the highest rate of growth. As compared to 2014, the primary production sector increased by 5.4% and the secondary production sector increased by 0.9%.

The following table sets forth Argentina's real GDP growth by sector for the periods specified.

Real GDP Growth by Sector
(% change from previous year, at constant 2004 prices)

	2011	2012	2013	2014	2015
Primary production:					
Agriculture, livestock, fisheries and forestry	(2.3)%	(13.0)%	11.5%	3.2%	6.5%
Mining and extractives (including petroleum and gas)	(5.8)%	(5.2)%	(4.0)%	1.5%	2.8%
Total primary production	(3.5)%	(9.3)%	6.2%	2.7%	5.4%
Secondary production:					
Manufacturing	7.7%	(3.0)%	1.6%	(5.1)%	0.2%
Construction	9.5%	(2.4)%	(0.1)%	(2.1)%	2.9%
Electricity, gas and water	4.7%	4.7%	0.5%	1.9%	3.4%
Total secondary production	7.7%	(2.4)%	1.3%	(4.2)%	0.9%
Services:					
Transportation, storage and communication	5.5%	0.7%	2.5%	0.7%	2.5%
Trade, hotels and restaurants	10.3%	(2.4)%	2.2%	(6.4)%	2.6%
Financial, real estate, business and rental services	0.4%	1.6%	0.5%	(1.4)%	1.8%
Public administration, education, health, social and personal services	3.8%	3.4%	1.9%	1.7%	2.8%
Domestic services ⁽¹⁾	1.2%	4.5%	2.2%	0.3%	0.6%
Total services	6.7%	0.7%	1.7%	(1.8)%	2.4%
Plus import duties less adjustment for banking service ⁽²⁾	(9.1)%	0.8%	3.3%	(5.7)%	2.4%
Total real GDP	6.1%	(1.1)%	2.3%	(2.6)%	2.4%

(1) Includes services completed by domestic workers including caretakers, domestic servants and private chauffeurs.

(2) The production figures in this table do not include duties assessed on imports used in production, which must be taken into account for purposes of determining real GDP. Import duties for purposes of determining real GDP are recorded under this line item.

Source: INDEC and Ministry of the Treasury.

Primary Production

In 2015, the total primary sector production increased to Ps. 78.1 billion, or 5.4%, from Ps. 74.1 billion in 2014. The fishing sector increased by 2.4%, from Ps. 2.18 billion in 2014 to Ps. 2.24 billion in 2015.

The following tables set forth Argentina's primary production and growth for the periods specified.

Primary Production
(in millions of pesos, at constant 2004 prices)

	2011	2012	2013	2014	2015
Agriculture, livestock and game	Ps. 48,170	Ps. 41,414	Ps. 46,054	Ps. 47,620	Ps. 50,933
Fishing	1,744	1,755	2,157	2,183	2,236
Forestry, logging and related services	1,317	1,411	1,511	1,518	1,507
Mining and extractives (including petroleum and gas)	23,625	23,338	22,404	22,737	23,376
Total sector production	Ps. 74,857	Ps. 67,918	Ps. 72,125	Ps. 74,058	Ps. 78,052

Source: INDEC and Ministry of the Treasury.

Primary Production
(% change from previous year, at constant 2004 prices)

	2011	2012	2013	2014	2015
Agriculture, livestock and game	(2.6)%	(14.0)%	11.2%	3.4%	7.0%
Fishing	5.2%	0.6%	23.0%	1.2%	2.4%
Forestry, logging and related services	(1.5)%	7.1%	7.1%	0.5%	(0.8)%
Mining and extractives (including petroleum and gas)	(5.8)%	(1.2)%	(4.0)%	1.5%	2.8%
Total sector production	(3.5)%	(9.3)%	6.2%	2.7%	5.4%

Source: INDEC and Ministry of the Treasury

Agriculture, Livestock, Fisheries and Forestry

Argentina relies exclusively on its domestic supply for virtually all agricultural and livestock products, and is a major exporter of primary products, including cereals, grains, meat and fish. Crop production consists primarily of soy, corn and wheat. During the 2014 to 2015 season, soy, corn and wheat production represented 49.9%, 27.5% and 11.3% of total agricultural production, respectively. During 2015, Argentina's agriculture, livestock, fisheries and forestry sector accounted for 10.8% of real GDP.

As of the date of this annual report, the INDEC has not yet released revised segment-by-segment production and growth data for Argentina's agriculture, livestock and hunting or forestry sectors for the years 2011-2015.

Mining and Extractives (Including Petroleum and Gas Production)

The mining and extractives sector consists primarily of precious and semi-precious metals, coal, petroleum and gas exploration and production. Historically, mining activity in Argentina has represented a small part of the economy, accounting for 3.2% of real GDP in 2015.

Argentina is the second largest producer of natural gas and the fourth largest producer of crude oil in Latin America, based on 2014 production, according to the 2015 edition of the BP Statistical Review of World Energy, published in June 2015. Since its expropriation of 51% of the shares of YPF, the Government has controlled YPF, which, as of December 31, 2015, held interests in 108 oil and gas fields in Argentina. YPF, in association with private partners, is also engaged in projects relating to the exploration and development of unconventional resources, including shale oil and gas, primarily in the *Faca Muerta* formation located in the provinces of Neuquén and Río Negro.

Secondary Production

Manufacturing

Argentina's manufacturing sector primarily consists of the production of food and beverages, chemical products and substances, common metals, rubber and plastic products, motor vehicles, trailers and semi-trailers and apparel. The 2001-2002 economic crisis that severely affected Argentina—with GDP contracting 10.9% in 2002—had a significant adverse effect on this sector. The adoption of import-substitution policies commencing in 2002 contributed to the growth of this sector by 4.8% on average each year. Between 2003 and 2008, growth was also fueled by growth of manufactured products, which became competitive due to the effects of the devaluation of the peso and investments aimed at stimulating production. The manufacturing of industrial products, such as chemical products, planes and ships, and agricultural products, such as crops and livestock, also contributed to exports during this period. In 2015, the manufacturing sector accounted for 17.3% of real GDP.

During 2011, the manufacturing sector grew by 7.7% compared to 2010. This increase was primarily driven by:

- a 19.2% increase in machinery and equipment, accounting for 15.3% of the total growth in the manufacturing sector in 2011;
- a 4.9% increase in food and beverage production, accounting for 15.2% of the total growth in the manufacturing sector in 2011; and

- a 6.4% increase in the production of chemical products and substances, accounting for 10.4% of the total growth in the manufacturing sector in 2011.

During 2012, the manufacturing sector contracted by 3.0% compared to 2011. This decrease was primarily driven by:

- a 9.9% decrease in trailers and semi-trailers and apparel, accounting for 22.7% of the total contraction in the manufacturing sector in 2012;
- an 8.2% decrease in the production of motor vehicles, trailers, and semi-trailers, accounting for 15.3% of the total contraction in the manufacturing sector in 2012; and
- a 5.7% decrease in common metals, accounting for 14.6% of the total contraction in the manufacturing sector in 2012.

This decrease was partially offset by a 4.4% increase in the chemical product and substance sector and a 20.3% increase in entertainment and communication equipment.

In 2013, the manufacturing sector grew by 1.6% compared to 2012. This increase was primarily driven by:

- a 5.3% increase in chemical products and substances, accounting for 43.5% of the total expansion in the manufacturing sector in 2013;
- an 8.5% increase in the production of motor vehicles, trailers, and semi-trailers, accounting for 28.0% of the total expansion in the manufacturing sector in 2013; and
- an 8.1% increase in non-metallic minerals, accounting for 21.1% of the total expansion in the manufacturing sector in 2013.

This increase was partially offset by a 5% decrease in the metal products sector.

During 2014, the manufacturing sector contracted by 5.1% compared to 2013. This decrease was primarily driven by:

- a 20.6% decrease in the production of motor vehicles, trailers, and semi-trailers, accounting for 22.7% of the total contraction in the manufacturing sector in 2014;
- a 12.4% decrease in the production of machinery and equipment, accounting for 15.2% of the total expansion in the manufacturing sector in 2014; and
- a 13.7% decrease in metal products, accounting for 11.8% of the total expansion in the manufacturing sector in 2014.

During 2015, the manufacturing sector increased by 0.2% compared to 2014. This increase was primarily driven by a 2.5% increase in food and beverages, a 6.6% increase in rubber and plastic products and a 7.7% increase in furniture. This increase was partially offset by a 8.1% decrease in common metals production and an 11.1% decrease in motor vehicles, trailers, and semi-trailers.

Construction

There is a strong correlation between the evolution of real GDP and the construction sector, which primarily consists of residential projects. The construction sector accounted for 3.1% of real GDP in 2015.

In 2011, the construction sector grew by 9.5% compared to 2010, fueled by public sector investment in infrastructure projects and road construction, as well as private sector investment in residential housing and construction for commercial and industrial purposes. During 2011, the construction sector accounted for 3.2% of real GDP.

In 2012, the level of activity in the construction sector decreased by 2.4% compared to 2011, primarily due to a deceleration of overall economic activity. During 2012, the construction sector accounted for 3.2% of

real GDP. Investment in construction in the hydrocarbons sector decreased in 2012, while construction activity in all other public and private sectors increased.

In 2013, the level of activity in the construction sector decreased by 0.1% compared to 2012. In 2013, the construction sector accounted for 3.1% of real GDP.

In 2014, the level of activity in the construction sector decreased by 2.1% compared to 2013, primarily due to unemployment in both the private and public sectors. In 2014, the construction sector accounted for 3.1% of real GDP.

In 2015, the level of activity in the construction sector increased by 2.9% compared to 2014, primarily due to an increase in private sector projects, which was partially offset by a decrease in public sector projects and construction activity in the hydrocarbons sector.

Electricity, Gas and Water

Electricity in Argentina is primarily produced from combined cycle (which uses both gas and steam turbines to produce electricity) and hydroelectric sources, with supplemental generation from gas, coal and nuclear plants. The electricity, gas and water sector represents a small fraction of the Argentine economy, accounting for 1.7% of real GDP in 2015.

Although electricity production in Argentina experienced positive growth between 2011 and 2014, the rates of growth decelerated during this period. Electricity production increased by 6.9%, 3.8%, 3.2% and 1.1% in 2011, 2012, 2013 and 2014, respectively, in each case as compared to the previous year. During this period, Argentina relied in part on fuel imports to meet excess consumption needs. The following table sets forth information on Argentina's electricity sector for the periods specified.

Principal Economic Indicators of the Electricity Sector
(in GW/hr, unless otherwise specified)

	2011	2012	2013	2014	2015
Production of electricity sector					
Combined cycle	44,967	51,838	51,661	51,032	n.a.
Hydroelectric	39,339	36,626	40,330	40,663	n.a.
Other ⁽¹⁾	36,926	37,340	37,829	39,510	n.a.
Imports ⁽²⁾	2,412	423	342	1,390	n.a.
Total generation	124,232	125,804	129,820	131,205	n.a.
Consumption by economic sector					
Industrial	35,918	36,611	38,141	38,025	n.a.
Residential	35,080	36,464	38,821	40,387	n.a.
Commercial	18,434	18,777	18,854	19,494	n.a.
Others	9,492	10,705	9,749	9,936	n.a.
Government	3,183	3,420	3,844	4,004	n.a.
Total consumption	102,106	105,978	109,409	111,845	n.a.

(1) Includes diesel, wind, nuclear, gas, steam and solar energy.

(2) Imports, primarily from Uruguay, to meet domestic demand in excess of domestic production.

n.a. = not available

Source: INDEC and Ministry of the Treasury.

In December 2015, President Macri declared a state of emergency with respect to the national electrical system that is expected to remain in effect until December 31, 2017. The state of emergency will allow the Government to take actions designed to guarantee the supply of electricity to the country such as instructing the Ministry of Energy and Mining to design and implement, with the cooperation of all federal public entities, a coordinated program to guarantee the quality and security of the electricity system. In addition, the Macri administration announced the elimination of some energy subsidies currently in effect and a substantial increase in electricity rates. For more information, see “—Economic History and Background—Macri Administration: 2015-Present” and “—Role of the State in the Economy—Oil and Gas Industry.”

The following table sets forth the imports and exports of fuel and energy for the periods specified.

Exports and Imports of Fuel and Energy

	2011	2012	2013	2014	2015
Total FOB exports (in millions of U.S. dollars)	U.S. \$ 82,981	U.S. \$ 79,982	U.S. \$ 75,963	U.S. \$ 68,407	U.S. \$ 56,788
Fuel and energy (in millions of U.S. dollars)	6,682	6,978	5,562	4,950	2,252
As a % of total FOB exports	8.1%	8.7%	7.3%	7.2%	4.0%
Change from previous year	21.7%	(3.6)%	(5.0)%	(9.9)%	(17.0)%
Total CIF imports (in millions of U.S. dollars)	U.S. \$ 73,961	U.S. \$ 67,974	U.S. \$ 74,442	U.S. \$ 65,230	U.S. \$ 59,757
Fuel and energy (in millions of U.S. dollars)	9,796	9,128	12,464	11,455	6,842
As a % of total CIF imports	13.2%	13.4%	16.7%	17.6%	11.4%
Change from previous year	30.2%	(8.1)%	9.5%	(12.4)%	(8.4)%
Net (imports) exports of fuel and energy (in millions of U.S. dollars)	U.S. \$(3,115)	U.S. \$(2,150)	U.S. \$(6,902)	U.S. \$(6,505)	U.S. \$(4,590)

Source: INDEC and Ministry of the Treasury

Evolution of Exports and Imports of Fuel and Energy (% change in volume from previous year)

	2011	2012	2013	2014	2015
Change in volume of exports	2.3%	(5.9)%	(3.7)%	(7.9)%	(1.5)%
Change in volume of imports	21.3%	(6.3)%	3.7%	(12.5)%	3.8%

Source: INDEC and Ministry of the Treasury

Services

The services sector represents the largest portion of the Argentine economy, accounting for 49.6% of real GDP in 2011, 50.4% in 2012, 50.1% in 2013, 50.5% in 2014 and 50.6% in 2015.

The following tables set forth the composition and growth of the services sector for the periods specified.

**Composition of Services Sector
(in millions of pesos, at constant 2004 prices)**

	2011		2012		2013		2014		2015	
Wholesale and retail trade and repairs	Ps	98,760	Ps	95,972	Ps	98,416	Ps	91,546	Ps	94,094
Transportation, storage and communication services		52,053		52,392		53,702		54,088		55,418
Real estate, business and rental services		73,217		73,024		73,170		71,901		73,060
Education, social and health services		42,799		44,652		45,904		46,940		48,388
Financial services		24,949		26,744		27,087		26,974		27,628
Other community, social and personal services		18,573		18,903		18,651		18,279		18,563
Public administration		28,489		29,346		30,121		31,055		32,056
Hotels and restaurants		10,909		11,041		10,972		10,789		10,882
Domestic Services ⁽¹⁾		3,975		4,154		4,247		4,259		4,285
Total	Ps	353,726	Ps	356,229	Ps	362,270	Ps	355,830	Ps	364,375

(1) Includes services completed by domestics workers including caretakers, domestic servants and private chauffeurs

Source: INDEC and Ministry of the Treasury

**Growth of Services Sector
(% change from prior year, at constant 2004 prices)**

	2011	2012	2013	2014	2015
Wholesale and retail trade and repairs	10.9%	(2.8)%	2.5%	(7.0)%	2.8
Transportation, storage and communication services	5.5	0.7	2.5	0.7	2.5
Real estate, business and rental services	5.2	(0.3)	0.2	(1.7)	1.6
Education, social and health services	4.1	4.3	2.8	2.3	3.1
Financial services	9.9	7.2	1.3	(0.4)	2.4
Other community, social and personal services	4.0	1.8	(1.3)	(2.0)	1.6
Public administration	3.2	3.0	2.6	3.1	3.2
Hotels and restaurants	5.6	1.2	(0.6)%	(1.7)	0.9
Domestic services ⁽¹⁾	1.2	4.5	2.2	0.3	0.6
Total	6.7%	0.7%	1.7%	(1.8)%	2.4%

(1) Includes services completed by domestics workers including caretakers, domestic servants and private chauffeurs

Source: INDEC and Ministry of the Treasury

Between 2011 and 2015, the services sector grew by 3.0%. This increase was primarily driven by growth in financial services, which increased by 10.7% during this period, education and social and health services, which increased by 13.1%, public administration, which increased by 12.5%, and transportation, storage and communication services, which increased by 6.5% during this period.

In 2011, the services sector grew by 6.7% compared to 2010. This increase was primarily driven by growth in wholesale and retail trade and repairs, real estate, business, rental services and transportation, storage and communication services, including an increase in telecommunications stemming from the development of mobile technologies.

During 2012, the services sector grew at a decelerated rate of 0.7%, primarily due to a decline in wholesale and retail trade and repairs. In 2012, the services sector was the only sector that contributed positively to GDP growth, increasing as a percent of GDP from 49.6% in 2011 to 50.4% in 2012.

In 2013, the services sector grew by 1.7%. This increase resulted from growth in each sub-sector other than community, social and personal services and hotels and restaurants, with particular growth in education and social and health services, public administration and wholesale and retail trade and repairs.

In 2014, the services sector decreased by 1.8% compared to 2013. This decrease was primarily driven by the contraction of wholesale and retail trade and repairs.

In 2015, the services sector grew by 2.4% compared to 2014. This growth was primarily driven by the increase in education, social and health services and wholesale and retail trade and repairs.

Telecommunications

The telecommunications sector has grown in terms of the total number of lines each year since 2001. Much of this growth has resulted from a substantial increase in the use of mobile communications, which have become increasingly common in Argentina as more affordable cellular phone plans have become available and consumers' purchasing power has improved. The number of fixed wire lines has increased by 21.2% since 2001, while public phone lines fell by 44.3%. Between 2011 and 2015, the number of cellular phone lines continued to increase, although at lower rates than in previous years.

The table below reflects certain information regarding the telecommunications sector.

Summary of Telecommunications Sector
(in thousands of lines)

	2011	2012	2013	2014	2015 ⁽¹⁾
Lines ⁽²⁾					
Fixed wire ⁽³⁾	9,631	9,664	9,787	9,854	9,881
Cellular ⁽⁴⁾	57,854	58,308	60,086	61,527	63,219
Public phones	141	115	92	89	88
Total lines	67,626	68,088	69,965	71,471	73,188

(1) Average for January-October 2015

(2) Annual average for each year indicated

(3) Lines in service

(4) Telephones in service

Source: Ministry of Federal Planning, Public Investment and Services

In October 2009, the Argentine Congress passed the Audiovisual Communication Services Law No. 26,522 (the "LSCA") to replace the general legal framework under which the audiovisual media industry had operated in Argentina for approximately three decades. This law, which imposed restrictions on the ownership of licenses, was challenged by private companies operating in the audiovisual media industry on several grounds, including its encroachment on constitutional rights. On October 29, 2013, the Supreme Court of Argentina upheld the constitutionality of the LSCA.

On December 16, 2014, Congress passed Law No. 27,078 (the "Digital Argentina Act"), which partially repealed the existing National Telecommunications Law No. 19,798 and conditioned the effectiveness of Decree No. 764/00 (which had deregulated the telecommunications market) on certain new regulations. The most significant change to the former National Telecommunications system was the creation of a new public service referred to as "Public and Strategic Infrastructure Use and Access Service for and among Providers." By characterizing this activity as a public service, providers (including audiovisual communication service providers) could be required to grant other "Information and Communication Technologies" (or "TIC," the term used to refer to telecommunication services under the Digital Argentina Act) service providers access to network elements, related resources or services for such other TIC service providers to render their own services. Networks and infrastructure owners could be required to grant network access to competitors that had not made investments in their own infrastructure.

Until December 2015, the Argentine media industry was governed by the LSCA and the Digital Argentina Act, and subject to the oversight of two different enforcement agencies: (a) in the case of the audiovisual media industry, by the LSCA and its federal enforcement authority (the "AFSCA"), and (b) in the case of the telecommunications industry, by the Digital Argentina Act and its federal enforcement authority (the "AFTIC").

On December 29, 2015, the Maeri administration issued Decree No. 267/2015 (the "New Media Decree") pursuant to which it intends, among other measures, to gradually converge the audiovisual media and telecommunications industries under the same regulatory framework. Among other things, the New Media Decree (i) creates a new National Communications Agency ("Enacom"), a self-governing decentralized entity under the Ministry of Communications, which replaces AFSCA and AFTIC as the authorities empowered to enforce the LSCA and the Digital Argentina Act; (ii) repeals and amends several provisions of the LSCA.

including mandatory divestment requirements; and (iii) eliminates the restriction on providers offering open broadcasting television services and subscription television services in the same area.

Employment and Labor

Unemployment and Underemployment

The INDEC prepares a series of indices used to measure the social, demographic and economic characteristics of the Argentine population based on data generally collected in the Permanent Household Survey (*Encuesta Permanente de Hogares*, or "EPH"). Please see "Presentation of Statistical and Other Information—Certain Methodologies" for important information regarding the reliability of INDEC data.

The following table sets forth employment figures for the periods indicated.

Employment and Unemployment Rates⁽¹⁾

	Fourth quarter of				Third quarter of	
	2011	2012	2013	2014	2014	2015
Greater Buenos Aires Area:						
Labor force rate ⁽²⁾	48.5%	48.9%	47.3%	46.5%	45.5%	46.1%
Employment rate ⁽³⁾	44.8	45.1	44.3	43.2	41.9	43.4
Unemployment rate ⁽⁴⁾	7.7	7.7	6.5	7.2	7.9	6.0
Underemployment rate ⁽⁵⁾	9.9	10.5	8.1	10.0	8.2	9.7
Major interior cities:⁽¹⁾						
Labor force rate ⁽²⁾	43.4	43.5	43.8	43.9	43.9	43.4
Employment rate ⁽³⁾	41.0	41.0	41.1	41.0	40.7	40.9
Unemployment rate ⁽⁴⁾	5.6	5.8	6.3	6.6	7.1	5.7
Underemployment rate ⁽⁵⁾	6.8	7.3	7.4	8.0	8.2	7.5
Total urban:						
Labor force rate ⁽²⁾	46.1	46.3	45.6	45.2	44.7	44.8
Employment rate ⁽³⁾	43.0	43.1	42.7	42.1	41.3	42.2
Unemployment rate ⁽⁴⁾	6.7	6.9	6.4	6.9	7.5	5.9
Underemployment rate ⁽⁵⁾	8.5%	9.0%	7.8%	9.4%	9.2%	8.6%

- (1) Figures are based on 28 major cities. The current methodology to measure EPH is applied to every major city except Rawson - Trelew, San Nicolas - Villa Constitucion and Viedma - Carmen de Patagones, which are still being measured using the old methodology given the resource constraints of cities located in the interior of the country.
- (2) The labor force consists of the sum of the population that has worked a minimum of (i) one hour with remuneration, or (ii) 15 hours without remuneration during the week preceding the date of measurement plus the population that is unemployed but actively seeking employment.
- (3) To be considered employed, a person above the minimum age requirement must have worked at least one hour with remuneration or 15 hours without remuneration during the preceding week.
- (4) Unemployed population as a percentage of the labor force. The unemployed population does not include the underemployed population.
- (5) Underemployed population as a percentage of the labor force. Workers are considered underemployed if they work fewer than 35 hours per week and wish to work more.

Source: INDEC and Ministry of the Treasury.

In January 2002, the Government implemented the *Plan Jefes y Jefas de Hogar* (Heads of Households Program). Under the Heads of Households Program, unemployed heads of households with one or more children under the age of 18 or with disabled dependents of any age receive Ps. 150 per month (an amount that has periodically been adjusted for inflation) in exchange for at least four hours of either community service or participation in other public works projects. Persons receiving benefits under the Heads of Households program are considered employed in the Government's employment statistics, including in the tables presented in this section "Employment and Labor." During the height of the economic crisis in the first three months of 2002, there were approximately 1.4 million beneficiaries in this program. As unemployment decreased and new programs were created to address other employment related matters such as adequate job training, the number of beneficiaries declined.

The Informal Economy

Argentina has an informal economy composed primarily of employees not registered with Argentina's social security system but working in legitimate businesses and, to a lesser degree, in unregistered businesses. Because of its nature, the informal economy is difficult to track through statistical information or other reliable data.

A second and more modest segment of Argentina's informal sector consists of economic activities that take place outside the formal economy or deviate from official norms for economic transactions. These include small businesses, usually those owned by individuals and families, which produce and exchange legal goods and services but may not have the appropriate business permits, report their tax liability, comply with labor regulations or have legal guarantees in place for suppliers and end users. As of the third quarter of 2015, the INDEC estimates that the informal economy increased to 33.1% of the total labor force compared to 34.3% as of the third quarter of 2011.

The following table provides the estimated percentage of workers in Argentina's formal and informal economies for the periods specified.

	2011	2012	2013	2014	2015
Formal	65.8%	65.4%	66.5%	65.7%	66.9%
Informal	34.2	34.6	33.5	34.3	33.1
Total	100.0%	100.0%	100.0%	100.0%	100.0%

(1) Figures presented here do not include participants in the Heads of Households Program and individuals under the age of 18.
Source: INDEC and Ministry of the Treasury.

Composition of Employment

During the first half of 2015, the total number of jobs in the secondary sector decreased by 0.2 percentage points compared to the first half of 2014. In the services sector, the total number of jobs increased by 0.1 percentage points during the first half of 2015 compared to the first half of 2014. Approximately half of this increase was due to the public administration sector. As of June 30, 2015, the services sector employed the majority of the Argentine labor force (approximately 73.6%), followed by the secondary production sector (representing approximately 21% of the labor force) and the primary production sector (representing approximately 5.3% of the labor force).

The following table sets forth employment figures by sector for the periods specified.

	As of December 31,				As of June 30,
	2011	2012	2013	2014	2015
Primary production:					
Agriculture, livestock, fisheries and forestry	4.7%	4.6%	4.5%	4.6%	4.6%
Mining and extractives (including petroleum and gas)	0.7	0.7	0.7	0.7	0.8
Total primary production	5.4	5.3	5.3	5.3	5.3
Secondary production:					
Manufacturing	15.8	15.0	15.5	15.6	14.9
Construction	5.6	5.4	5.2	5.4	5.3
Electricity, gas and water	0.8	0.8	0.8	0.8	0.8
Total secondary production	22.1	21.7	21.5	21.7	21.0
Services:					
Transportation, storage and communication	6.7	6.7	6.7	6.7	6.6
Trade, hotels and restaurants	18.2	18.2	18.1	18.2	17.9
Financial, real estate, business and rental services	13.5	13.4	13.3	13.4	13.2
Public administration, education, health, social and personal services	33.9	34.5	35.0	34.5	35.9
Total services	72.4	72.9	73.1	72.9	73.6
Other	0.1	—	0.1	0.1	—
Total	100.0%	100.0%	100.0%	100.0%	100.0%

(1) Annual average for each year indicated
Source: INDEC and Ministry of the Treasury.

Labor Regulation

During the 1990s, the Government implemented several labor reform packages designed to increase the flexibility of Argentina's labor market and the collective bargaining process. The Government sought to remove regulations that inhibited employers' ability to adjust their workforce to account for prevailing economic conditions, including through the removal of regulations requiring long-term employment contracts and severance payments. However, in response to the global financial crisis that began in 2008, the Government enacted a series of policies designed to protect employment in certain sectors deemed to be vital to the Argentine economy. In doing so, the Government took steps to reverse many of the reforms enacted in the 1990s.

Labor unions in Argentina continue to exercise significant influence in the collective bargaining process. Both local and federal unions have staged various strikes in recent years to protest for salary increases. Strikes and demonstrations tend to have brief but significant impacts on transportation, and succeed in bringing production in various sectors of the economy to a temporary halt, in most cases for periods of only a few days. In the past, several of these strikes were accompanied by violent demonstrations.

Wages and Labor Productivity

The Ministry of Employment and Social Security, through the Wage Council, sets a single minimum wage annually for all sectors of the economy, based on macroeconomic indicators such as GDP growth and inflation. The minimum monthly wage for public and private employees was increased by approximately 27.0% in 2011, 19.3% in 2012, 25.2% in 2013, 27.4% in 2014 and 31.4% in 2015, in each case as compared to the previous year. In January 2014, the minimum wage was raised to Ps. 3,600, and increased again in September 2014 to Ps. 4,400. In 2015, the minimum wage further increased to Ps. 5,588.

In 2015, average monthly wages, in nominal terms, increased by 33.3% compared to 2014. Leading this wage increase was the mining and extractive sector, which increased wages by an average of 40.0% and the electricity, gas and water sector, which increased wages by an average of 36.0%. As of October 31, 2015, nominal wages increased by 26.7% in the formal private sector, 33.2% in the informal private sector and 32.4% in the public sector as compared to October 31, 2014. Between 2011 and June 30, 2015, the most significant increase in monthly nominal wages occurred in the financial services, insurance and real estate sector, which experienced a 181.0% increase in wages during this period.

The following table provides the average monthly nominal wage, by sector, for the years specified.

Average Monthly Nominal Wage by Sector
(in current pesos)

	2011	2012	2013	2014	First half of 2015
Goods:					
Agriculture, livestock, fisheries and forestry	Ps. 5,456	Ps. 6,772	Ps. 8,952	Ps. 12,300	Ps. 13,511
Mining and extractives (including petroleum and gas)	18,226	21,937	27,787	37,290	49,644
Manufacturing	6,854	8,867	11,228	14,797	17,942
Construction	4,505	5,822	7,195	9,021	10,632
Electricity, gas and water	11,588	14,666	19,082	24,774	32,267
Total goods	7,711	9,752	12,409	16,389	20,119
Services:					
Transportation, storage and communication	7,214	9,108	11,597	15,290	18,385
Trade, hotels and restaurants	4,046	5,323	6,745	8,879	10,737
Financial, real estate, business and rental services	7,347	9,453	11,951	15,966	20,631
Public administration, education, health, social and personal services	4,889	6,301	7,949	10,539	12,999
Total services	5,584	7,195	9,104	12,075	15,015

	2011	2012	2013	2014	First half of 2015
Other	3,747	4,848	6,749	8,872	11,035
Total	Ps 5,681	Ps 7,265	Ps 9,421	Ps 12,445	Ps 15,389

Source: INDEC and Ministry of the Treasury, based on information provided by the INDEC

The following table provides the average monthly minimum nominal wage of Argentine employees, including estimates for those employed in the informal economy, for the years specified.

Average Monthly Minimum Nominal Wage (in current pesos)

As of December 31,	Average Monthly Minimum Wage	Average Cost of Basic Basket ⁽¹⁾	Average Monthly Minimum Wage (as a % of Average Cost of Basic Basket)
2011	Ps 2,032	Ps 1,329	152.9
2012	2,423	1,521	159.3
2013	3,035	1,692	179.4
2014	3,867	n.a. ⁽²⁾	n.a. ⁽²⁾
2015	5,079	n.a. ⁽²⁾	n.a. ⁽²⁾

(1) Average cost of a basket of essential goods and services for a "reference" family used to measure the poverty line. A "reference" family is considered a family of four: two adults, one male, age 35, and one female, age 31, and two children, ages 5 and 8.

(2) The INDEC discontinued the publication of this information in 2014.

n.a. = not available

Source: Ministry of Employment and Social Security and Ministry of the Treasury

The following table provides the percentage change in the nominal wage of Argentine employees for the years specified.

Nominal Wage

	(% change from prior year)			
	Private Sector		Public Sector	Total
	Formal	Informal		
December 2011	15.8%	32.8%	9.7%	29.4%
December 2012	24.8	33.5	17.8	24.5
December 2013	25.2	27.7	26.2	25.9
December 2014	31.5	40.0	33.9	33.7
October 2015 ⁽¹⁾	26.7%	33.2%	32.4%	29.4%

(1) Data for the first ten months of 2015 as compared to the same period in 2014

Source: Ministry of the Treasury, based on information provided by the INDEC

Poverty and Income Distribution

In the second half of 2011, the population below the poverty line experienced a 3.4 percentage point reduction and the households below the poverty line experienced a 2.0 percentage point reduction as compared to the same period of 2010.

In the second half of 2012, 5.4% of the population (as compared to 6.5% in the same period of 2011) and 4.0% of households (as compared to 4.8% in the same period of 2011) in 31 urban centers (including Buenos Aires) lived below the poverty line. In the second half of 2002, during the crisis, 57.5% of the population lived below the poverty line, meaning a 52.1 percentage points reduction in the last decade. The INDEC discontinued the publication of poverty data for the years 2013, 2014 and 2015.

Until 2001, assessments of national poverty levels were based primarily on figures for the Greater Buenos Aires Area. Between 2001 and 2012, the Government collected poverty statistics for urban centers in addition to the Greater Buenos Aires Area. Additionally, the Government changed the frequency of calculating national poverty levels from a semi-annual spot analysis conducted in May and October to a constant analysis, with results published on a quarterly basis through 2012. During this period, the *Encuesta Permanente de Hogares* (Permanent Household Survey) collected data on a continual basis. The survey used four observation points, resulting in the gathering of quarterly data, with a view to providing information relating to the

workforce in each relevant area. Until it discontinued publication of poverty data, the Government also provided quarterly information relating to poverty. Poverty data is not available for the years 2013, 2014 and 2015.

Poverty estimates depend on the relevant methodologies used to calculate poverty levels. There are a number of differences between the methods used by Argentina through 2012 and the methods used by other countries, including other MERCOSUR members. In particular, poverty estimates depend, in part, on inflation estimates. Because estimates regarding inflation in Argentina have differed in material ways, poverty estimates may also differ significantly. The Government relied on the INDEC's data relating to poverty, which has differed materially from poverty data published by other sources. See "Monetary System—Inflation" for important information regarding the reliability of this data.

The measurement of poverty is based on a basket of goods and services (consisting primarily of food, clothing, transportation, health care, housing and education), which is considered the minimum necessary to sustain an individual. "Essential goods and services" in the basket that the Government has subsidized include natural gas, electricity, bus transportation and suburban and urban mass transportation, rail transportation, subway transportation, fuel and education. The method in use by Argentina in 2011 and 2012 for measuring poverty was adopted early in the 1990s. The prices of the basket were initially valued in 1985 and the monetary value of the items were updated on a monthly basis by applying the changes in consumer prices for the Greater Buenos Aires Area. This measurement only accounted for the metropolitan area of Buenos Aires until 2001, when a change in methodology expanded it to the rest of the country.

The following table sets forth the poverty levels in Argentina:

Poverty⁽¹⁾
(% of population)

Second half of	Households	Population
2011	4.8%	6.5%
2012	4.0	5.4
2013	n.a.	n.a.
2014	n.a.	n.a.
2015	n.a.	n.a.

(1) The poverty line is based on the estimated cost of a basket of essential goods and services during a given period, which varies depending on the characteristics of each individual and each household. For instance, men between the ages of 30 and 59 who earned less than Ps. 454.49 per month during December 2011 lived below the poverty line. For households, a family of four (two adults, one male age 35 and one female age 31 and two children ages 5 and 8) that earned in total less than Ps. 1,328.5 per month during December 2011 lived below the poverty line.

n.a. = not available

Source: INDEC and Ministry of the Treasury

From 2011 to June 30, 2015, the top 10% of the population in Argentina, in terms of annual income, contributed 1.9% less to the total national income and the top 20% contributed 2.2% less. During the same period, the bottom 40% of the population increased its contribution to the total national income by 1.3%. In the second quarter of 2015, the top 10% of the population in Argentina accounted for 28.2% of total national income and the top 20% of the population accounted for 44.4% of total national income. The table below sets forth figures on the distribution of income as of the dates specified.

Evolution of Income Distribution
(% of total national income)

Income group	Fourth quarter of				Second quarter of	
	2011	2012	2013	2014	2014	2015
Lowest 40%	14.4%	15.4%	15.6%	15.1%	15.2%	15.7%
Next 20%	15.5	16.3	16.1	15.8	16.0	16.2
Next 20%	23.0	23.8	23.6	23.4	23.5	23.7
Highest 20%	47.1	44.5	44.6	45.6	45.3	44.4
Highest 10%	30.2%	27.9%	28.1%	29.1%	28.8%	28.2%

Source: INDEC and Ministry of the Treasury

The Government has taken measures to address growing poverty and unemployment in Argentina, although the impact of these measures on poverty has not yet been accurately measured given the lack of official data over the past years. The measures adopted between 2011 and 2015 include the following:

- Several increases in social security payments to workers under the Heads of Household Program. Between 2011 to 2015, the Government increased social security payments by 164,9%. In May 2014, the Government expanded the number of workers eligible to receive these payments by raising the applicable salary limit;
- Extension of the *Programa de Empleo Comunitario* (Community Employment Program), created in 2003, through which under qualified workers who are 16 years old or older are entitled to receive a monthly payment in exchange for assisting in a project run by one of the participating organizations. Beneficiaries of this program are not entitled to receive monetary assistance through any other governmental program;
- Public sector job training for Heads of Households Program beneficiaries and Community Employment Program workers;
- Periodic increases in the minimum monthly payment for beneficiaries of the public pension system;
- Periodic increases in the minimum monthly wage for public and private employees;
- A 27,9% annual increase in the salaries of public employees each year between 2011 and 2015;
- Implementation of the *Herramientas por trabajo* (Tools for Work) program that provides unemployed Heads of Households Program beneficiaries with funds to purchase tools and materials and with technical assistance to develop their projects;
- Certain beneficiaries of the Heads of Household Program determined to be in situations “of high vulnerability,” were transitioned to the *Familias por la Inclusión Social* (Families for Social Inclusion) program, which provides a variable monthly payment to beneficiaries of the Heads of Households Program who are living in poverty and have three or more children under the age of 19. Educational support and workshops that promote family and community development, as well as professional and educational assistance, also form part of the program. Beneficiaries who are actively searching for a formal job also receive employment and training insurance;
- Increase in the budget allocated for the Argentine Jobs Program, which, among other things, promotes the development of sustainable production activities, funds jobs through cooperatives and provides funding for social investment programs;
- *Asignación Por Embarazo* (Pregnancy Allowance), through which ANSES provides a monthly payment of Ps. 837 to pregnant women (as of December 2015) who meet certain requirements, including being unemployed (with an unemployed spouse), working in the informal economy (earning less than the minimum wage) or benefiting from the Argentine Jobs Program. A higher monthly payment is provided for disabled children;
- *Monotributo Social* through which self-employed individuals are able to access health insurance benefits and the pension system, among other public benefits;
- *Jóvenes con más y mejor trabajo* (Youth With More and Better Jobs Program), through which unemployed individuals between the ages of 18 and 24 who have not completed primary or secondary school receive public assistance to allow them to complete their education, receive training, obtain practical experience in work environments, and/or receive a job placement;
- *Seguro de capacitación y empleo* (Training and Employment Insurance), through which unemployed individuals who are 18 years old or older are entitled to receive a monthly payment, subject to their completion of primary and secondary school, and complete job training activities;

- Expansion of the *Programa Construir Empleo* (Building Jobs Program) through which individuals 18 years or older who are unable to find employment receive public assistance and are placed in infrastructure jobs to develop or improve their construction skills;
- *Programa Intercosecha* (Between Harvest Program), originally the *Prórroga del Plan Interzafra* program established in 2004, which provides assistance to permanent and temporary workers in the agricultural and agro-industrial sectors during periods between harvest seasons through job placements and the promotion of improved working conditions. Beneficiaries of this plan are not entitled to receive assistance through any other governmental program;
- *Programa de Respaldo a Estudiantes de Argentina, PROCRESAR* (Supporting Argentine Students Program), which provides monthly payments to students between the ages of 18 and 24 who are either unemployed, work in the informal segment of the economy or whose salary falls below the minimum wage and whose family members face the same conditions;
- Increase in the benefits provided to workers employed by businesses participating in the *Programa de recuperación productiva* (Productive Recovery Program), which was created in 2002 with the objective of supporting the wages of workers employed by struggling businesses. As of December 31, 2015, the number of workers receiving benefits through this program had risen to 76,529; and
- The *Programa de Crédito Argentino para la Vivienda Única Familiar* (Credit Program for Family Living), "PRO.CRE.AR. BICENTENARIO" was implemented, through which 400,000 credit lines are expected to be opened between 2012 and 2016. The objective of the program is to provide for the living costs of Argentine residents based on their different socioeconomic conditions and family situations.

Role of the State in the Economy

State-Owned Entities

The Government carries out certain functions and commercial activities through state-owned and state-controlled enterprises, including the following:

- Aerolíneas Argentinas S.A. ("Aerolíneas Argentinas"), the country's largest airline and its affiliate Austral Líneas Aéreas Cielos del Sur S.A. ("Austral");
- Banco de la Nación Argentina, the national bank of Argentina;
- Banco de Inversión y Comercio Exterior S.A. ("BICE");
- Agua y Saneamientos Argentinos S.A. ("AYSA"), which provides essential services of potable water and sanitation;
- Correo Oficial de la República Argentina ("Correo Argentino"), the national postal service;
- Energía Argentina S.A. ("ENARSA"), a state-owned energy company;
- Operadora Ferroviaria S.E., the national railway company; and
- YPF, a state-controlled energy company.

State Involvement in the Economy

Following the crisis of 2001 to 2002, the Government reversed a number of measures implemented during the 1990s to deregulate the economy and reduce government intervention. Through November 2015, the Government re-introduced several state controls, most notably the following:

- the absorption and replacement of the former private pension system for a public "pay as you go" pension system, as well as the transfer of all resources previously administered by the

In 2011 and 2012, the Government took a series of measures to increase state regulation and involvement in the oil and gas industry. These measures include steps to expropriate a controlling stake of YPF, the country's largest oil and gas company.

Source: Ministry of Planning, Secretary of Energy
 n.a. = not available
 (1) In thousands of cubic meters
 (2) In billions of cubic meters

	2011	2012	2013	2014	2015
Crude oil ⁽¹⁾	393,996	374,289	370,374	380,028	n.a.
Natural gas ⁽²⁾	332,510	315,508	328,260	332,164	n.a.

Proved Reserves

In response to declining output in the oil and gas sector between 2002 and 2006, the Government adopted measures intended to allow producers to increase internal supply and meet export commitments. These measures included tax incentives, access to areas for further hydrocarbon exploration and extraction and improved distribution and transport systems. The Government additionally imposed price controls on hydrocarbon products such as gas and oil, while subsidizing the oil and gas sector in order to compensate producers for their losses stemming from the price controls and ensure adequate supply in the Argentine domestic market. Transfers to the energy sector totaled Ps. 50.3 billion in 2011, Ps. 62.3 billion in 2012, Ps. 95.4 billion in 2013, Ps. 213.7 billion in 2014 and Ps. 161.2 billion in 2015. The following table shows the proved reserves of petroleum and natural gas in Argentina as of the dates specified.

Oil and Gas Industry

During the Fernández de Kirchner administration, the government adopted a series of expropriation and nationalization measures. In December 2008, Congress approved a law declaring that the shares of Aerolíneas Argentinas, Austral and their subsidiaries, Opat S.A., Jet Pac S.A. and Aerohandling S.A. were "of public interest" and therefore subject to expropriation in accordance with the Argentine Expropriation Law. Under the valuation guidelines established in the Argentine Expropriation Law, the *Tribunal de Tasaciones de la Nación* (National Valuation Tribunal), estimated that these entities had an aggregate negative value approximately ranging between U.S.\$602.0 million and U.S.\$872.0 million. For a discussion of related arbitration proceedings, see "Public Sector Debt—Legal Proceedings—ICSID Arbitration."

Expropriation Measures

- export regulations (see "Balance of Payments—Trade Regulation");
- subsidies to the energy and transportation sectors (see "Public Sector Finances—National Public Accounts"); and
- export tariffs on agricultural products (see "Balance of Payments—Trade Regulation");
- continued price controls on transportation and agricultural and energy products (see "The Argentine Economy—Primary Production");
- restrictions on capital transfers and other monetary transactions (see "Monetary System—Regulation of the Financial Sector");
- the revocation of concessions for certain public services (including several railway lines and water services);
- increased regulation of utility companies, including a continued Government-imposed freeze on utility rates;
- direct involvement in the oil and gas industry through the creation of ENARSA, the enactment of the Hydrocarbons Law (defined below) and the expropriation of 51% of the shares of YPF;
- private pension funds, including significant equity interests in a wide range of listed companies, to the FICs to be administered by the ANSES;

In April 2012, the Government intervened in YPF, the country's largest oil and gas company, which was controlled by the Spanish group Repsol, and sent a bill to Congress to expropriate 51% of the shares of YPF. These actions were taken to address a marked decrease in oil and gas reserves resulting from low levels of past investment, which affected the Argentine oil and gas industry and caused an increase in oil and gas imports.

In April 2012, the Government decreed the removal of directors and senior officers of YPF, which was controlled by the Spanish group Repsol, and submitted a bill Congress to expropriate shares held by Repsol representing 51% of the shares of YPF. Congress approved the bill in May 2012 through the passage of Law No. 26,741 (the "Hydrocarbons Law"), which declared the production, industrialization, transportation and marketing of hydrocarbons to be activities of public interest and fundamental policies of Argentina, and empowered the Government to adopt any measures necessary to achieve self-sufficiency in hydrocarbon supply. As provided in the Hydrocarbons law, 51% of the expropriated shares are held by the Government and the remaining 49% have been split among the oil producing provinces of Argentina. The Hydrocarbons Law additionally provided for the expropriation of 51% of the shares of the gas distribution company, YPF GAS S.A. In February 2014, the Government and Repsol reached an agreement on the terms of the compensation payable to Repsol for the expropriation of the YPF shares. Such compensation totaled U.S.\$5.8 billion payable by delivery of Argentine sovereign bonds with various maturities. The agreement, which was ratified by Law No. 26,932, settled the claim filed by Repsol with the ICSID.

In August 2013, YPF and Chevron agreed to jointly exploit the unconventional hydrocarbons located in approximately 100 oil wells in the province of Neuquén. Additionally, YPF and the province of Neuquén agreed to extend YPF's concession in the province for 35 years.

In July 2012, pursuant to the Hydrocarbons Law, the Government created a planning and coordination commission for the sector (the "Hydrocarbons Commission"). The Hydrocarbons Commission had the power to publish reference prices for crude oil and natural gas, monitor prices charged by private oil and gas companies and supervise investment in the oil sector. In December 2015, the Macri administration issued Decree No. 272/2015 dissolving the Hydrocarbons Commission, transferring its functions and authority to the Ministry of Energy and Mining. According to Decree No. 272/2015, all decisions adopted in the past by the Hydrocarbons Commission remain valid until reversed or modified by the Ministry of Energy and Mining. The Ministry is carrying out a full review of the former Hydrocarbon Commission's rules regarding registration and disclosure requirements applicable to companies operating in the oil and gas sector.

Concessions

During the 1990s, state-owned entities were partially privatized through Government concessions. The sectors of the economy in which the largest number of concessions were granted included communications, highway and road construction, transportation, and oil and gas exploration and production.

After the devaluation of the peso, in February 2002, the Duhalde administration instructed the Ministry of the Economy to renegotiate public services concession contracts through the authority of a newly formed commission for the renegotiation of contracts for public works and services (the "Concession Commission"). The Concession Commission was authorized to renegotiate concession contracts and establish new tariff structures for the public services involved, the improvement of those services and the increase in their security and profits. During the first phase of the renegotiations, out of the 61 total public service concession entities, 58 were required to present reports to the Concession Commission to allow it to evaluate the status of each concession. The three remaining public service concessions, Correo Argentino, Thales Spectrum (the company that administered Argentina's airwaves) and Transportes Metropolitanos General San Martín S.A. (the company that operated the San Martín, Roca and Belgrano railways), were revoked. Since the formation of the Concession Commission, the Government has revoked four additional concessions.

During the period between the formation of the Concession Commission and December 10, 2015, few renegotiations of concession contracts were successfully completed and implemented, and tariff structures for public services remained generally unmodified other than certain adjustments to reflect increases in labor and operational costs. Although some agreements providing for tariff increases were reached in connection with electricity concessions and most gas distribution concessions, the implementation of such increases were deferred. To offset a portion of the losses incurred by concession companies due to the lack of tariff revenues, the Fernández de Kirchner administration transferred cash subsidies to these companies to cover operating expenses and assumed the debt of electricity companies relating to unpaid energy purchases.

Several arbitration proceedings relating to public utilities and other previously privatized public services have been brought before the ICSID by foreign entities that invested in Argentine utilities during the privatizations of the 1990s. For additional discussion of ICSID arbitration proceedings, see “Public Sector Debt—Legal Proceedings—ICSID Arbitration.”

Private-Public Partnerships

Since 2005, the private-public partnership (“PPP”) system established by Decree No. 967/2005 has provided for the formation of special purpose entities by private investors and the Government in connection with certain infrastructure projects. Under this system, the Government may make an “equity contribution” in the form of the right to utilize a public asset (e.g., a public road or public service). However, as of the date of this annual report, no such entities have been formed under the PPP system.

In addition, the private initiative regime established in 2005 by Decree No. 966/2005 allows private investors to request Government approval for infrastructure projects. If approved, the private investor is granted a preferential right in the public bidding process launched in connection with such project, provided that such private investor’s bid does not exceed more than 5% of all other competitive bids. As of the date of this annual report, the private initiative regime remains in effect, but has been utilized to a limited extent since its establishment in 2005.

Environment

Beginning in 2002, Argentina has initiated various measures to regulate, monitor and improve environmental standards. The majority of these measures require industrial companies to meet more stringent safety standards. In addition, as a member of the Kyoto Protocol, Argentina has implemented various regulations aimed at curbing greenhouse gas emissions.

In 2002, the *Ley General de Medioambiente* (General Environment Law) was enacted, ratifying the formation of the *Consejo Federal de Medioambiente* (Federal Environmental Council), whose objective is to create a comprehensive environmental policy, coordinate regional and national programs and strategies for environmental management, formulate policies for the sustainable use of environmental resources, promote economic development and growth planning, supervise and conduct environmental impact studies, establish environmental standards, carry out comparative studies and manage the international financing of environmental projects.

Measures enacted to strengthen monitoring and enforcement to ensure compliance with environmental standards include the following:

- Law No. 26,011, which was enacted in 2007, approved the Stockholm Agreement relating to persistent organic contaminants;
- the *Proyecto de Desarrollo Sustentable de la Cuenca Matanza - Riachuelo* (Cuenca Matanza – Riachuelo Sustainable Development Program) earmarks a portion of its funds for use in purchasing computing equipment to strengthen the *Autoridad de Cuenca Matanza Riachuelo* (Cuenca Matanza Riachuelo Authority) under the supervision of the *Secretaría de Ambiente y Desarrollo Sustentable de la Jefatura de Gabinete de Ministros* (Department for Environmental and Sustainable Development of the Cabinet of Ministers);
- *Proyecto Nacional para la Gestión Integral de los Residuos Sólidos Urbanos* (National Project for the Management of Urban Solid Waste) is the first national project aimed at implementing solutions to waste problems through sustainable measures. The project provides technical and financial assistance for the development of infrastructure and related systems as an incentive for provinces and municipalities to develop their own plans and comprehensive management systems;
- *Unidad de Medio Ambiente* (Environmental Unit) supports sustainable industrial development in Argentina by promoting environmental factors as a means of improving efficiency and competitiveness; and
- *El Fondo integral para el Desarrollo Regional* (FONDER) finances the development of productive activities and services focused on the needs of micro-, small- and medium-sized

enterprises ("MSMEs") and sectors with the aim of promoting job creation, increasing exports and developing local markets.

BALANCE OF PAYMENTS

Balance of Payments

Overview

The balance of payments accounts are used to record the value of the transactions carried out between a country's residents and the rest of the world. Balance of payments accounts consist of two accounts: the current account, a broad measure of the country's international trade, financial services and current transfers, and the capital and financial account, which measures the country's level of international borrowing, lending and investment. From 2011 to 2015, the Republic's balance of payments registered a deficit in each of the years between 2011 and 2015, with the exception of 2014, when it registered a surplus.

In 2015, the Republic's balance of payments registered a U.S.\$4.9 billion deficit. This deficit was primarily due to:

- a U.S.\$15.9 billion deficit in the current account, which represented a U.S.\$7.9 billion deficit increase from the U.S.\$8.0 billion deficit recorded in 2014;
- a U.S.\$12.4 billion surplus in the capital and financial account, which represented a U.S.\$2.9 billion surplus increase from the U.S.\$9.5 billion surplus recorded in 2014; and
- a U.S.\$1.3 billion deficit in errors and omissions, representing a U.S.\$1.0 billion deficit increase from the U.S.\$0.2 billion deficit recorded in 2014.

In 2015, the deficit in the current account was mainly the result of a change in the trade balance, which decreased from a surplus of U.S.\$6.0 billion in 2014 to a deficit of U.S.\$0.4 billion in 2015 with a 28.1% increase in the deficit in the non-financial services account. The change in the trade balance resulted from a 17.0% decrease in exports, which was partially offset by an 8.4% decrease in imports. The deficit of the financial services account increased by U.S.\$471 million as compared to 2014, mainly due to a 11.0% increase in dividend payments abroad, which was partially offset by a 6.3% reduction in interest payment outflows.

The capital and financial account registered deficits in 2011 and 2012 followed by surpluses in each of the years between 2013 and 2015. The 2015 surplus was primarily due to:

- a U.S.\$4.4 billion increase in inflows to the Central Bank, which increased from U.S.\$3.2 billion in 2014 to U.S.\$7.6 billion in 2015; and
- a U.S.\$1.0 billion increase in inflows to other financial entities, which increased from U.S.\$642 million in 2014 to U.S.\$1.7 billion in 2015.

These increases were partially offset by a U.S.\$9.2 billion decrease in the net inflows of the non-financial public sector, which changed from a U.S.\$5.5 billion surplus in 2014 to a U.S.\$3.7 billion deficit in 2015.

The following table sets forth information on the Republic's balance of payments for the periods specified.

Balance of Payments (in millions of U.S. dollars)					
	2011 ⁽¹⁾	2012 ⁽¹⁾	2013 ⁽¹⁾	2014 ⁽¹⁾	2015 ⁽¹⁾
Current Account:					
Exports of goods ⁽²⁾	U.S.\$ 82,981	U.S.\$ 79,982	U.S.\$ 75,963	U.S.\$ 68,407	U.S.\$ 56,788
Imports of goods ⁽³⁾	70,769	65,043	71,293	62,429	57,176
Trade balance	12,212	14,940	4,670	5,978	(388)
Non-financial services, net ⁽⁴⁾	(2,235)	(2,985)	(3,708)	(3,063)	(3,925)
Financial services					
Interest, net	(3,092)	(3,597)	(3,628)	(3,855)	(3,611)
Dividends, net	(10,745)	(9,193)	(8,578)	(6,887)	(7,646)
Other income (expense)	(46)	(64)	(73)	(46)	(2)
Total financial services, net	(13,882)	(12,854)	(12,279)	(10,788)	(11,260)
Current transfers, net	(566)	(541)	(826)	(158)	(372)
Total current account	(4,471)	(1,440)	(12,143)	(8,031)	(15,944)
Capital and Financial Account:					
Financial account					
Central Bank ⁽⁵⁾	5,000	(2,000)	(2,000)	3,200	7,580
Other financial entities ⁽⁶⁾	1,900	352	845	642	1,665
Non-financial public sector ⁽⁷⁾	(2,138)	(3,015)	843	5,510	(3,717)
Non-financial private sector ⁽⁸⁾	(6,792)	3,266	3,771	59	6,778
Total financial account	(2,030)	(1,397)	3,460	9,411	12,306
Capital account ⁽⁹⁾	62	48	33	59	51
Capital and financial account	(1,968)	(1,349)	3,493	9,470	12,357
Errors and omissions	331	(516)	(3,174)	(244)	(1,285)
Balance of payments	U.S.\$ (6,108)	U.S.\$ (3,305)	U.S.\$ (11,824)	U.S.\$ 1,195	U.S.\$ (4,871)
Change in Gross international reserves deposited in the Central Bank ⁽¹⁰⁾	U.S.\$ (6,108)	U.S.\$ (3,305)	U.S.\$ (11,824)	U.S.\$ 1,195	U.S.\$ (4,871)

(1) Includes results of the 2005 and 2010 Debt Exchanges.

(2) Exports are calculated on an FOB basis.

(3) Imports are calculated on an FOB basis.

(4) Includes import and export freight and insurance fees paid to non-residents.

(5) Includes transactions between the Central Bank and foreign entities.

(6) Includes operations of financial entities (other than the Central Bank) with respect to foreign creditors.

(7) Includes operations of the national government, provincial governments, municipal governments and decentralized governmental organizations with respect to foreign entities, including principal and interest arrears, in the form of bonds, loans from international organizations, operations with the Paris Club and privatizations of state-owned entities.

(8) Includes operations of the private sector with foreign parties and accrued payment obligations to foreign residents.

(9) Includes certain non-recurring capital transfers (such as debt forgiveness or capital brought into Argentina by immigrants) and the transfer of certain non-financial assets or intangible assets (such as intellectual property).

(10) Does not include the value of bonds issued by the Government and held as reserves by the Central Bank.

Current Account

The Republic's current account consists of the merchandise trade balance, net non-financial services, net financial services and net current transfers. The current account registered deficits for each year between 2011 and 2015 period.

The most important drivers of the current account between 2011 and 2015 were:

- increases in commodity prices in 2011 and 2012, followed by a decline in 2013-2015. In 2013 and 2014, the lower trade surplus resulted from a decline in external sales that exceeded the decrease in imports. In 2015, the trade deficit was mostly due to the evolution of prices, and to a lesser extent, to the deterioration of export volumes and the increase in the quantity of

imports. While import prices decreased by 11.8%, price of exports fell by 15.6%. The volume of exports decreased by 1.5% while the volume of imports increased by 3.8%;

- capital outflows due to interest and dividend payments; and
- outflows due to increasing demand for non-financial services, mainly related to freight and passenger transportation, tourism and royalties.

In 2011, the current account registered a deficit due to a greater increase in imports than exports, resulting in a decrease in the trade surplus compared to 2010. The U.S.\$1.0 billion increase in the deficit of the non-financial services account also contributed to the increasing deficit. Total financial services registered a U.S.\$13.8 billion deficit, showing a slight decrease as compared to 2010.

In 2012, the current account registered a deficit due to a deficit in total financial and non-financial services that was partially offset by a trade balance surplus. Imports decreased at a higher rate than exports, resulting in a higher trade balance as compared to 2011.

In 2013, the current account registered a U.S.\$12.1 billion deficit, mainly as a result of a decrease in the trade surplus and an increase in the deficit of the non-financial services account, which was partially offset by a decrease in the deficit of the financial services account as compared to 2012. Imports increased by 9.6%, while exports decreased by 5.0%, resulting in a lower trade balance as compared to 2012.

In 2014, the current account registered a U.S.\$8.0 billion deficit, as compared to the U.S.\$12.1 billion deficit registered in 2013. This decrease in the deficit was mainly the result of a decrease in the deficit of the financial services account, an increase in trade balance and a reduction in the deficit of the non-financial services account.

In 2015, the current account registered a U.S.\$16.0 billion deficit, as compared to the U.S.\$8.0 billion deficit registered in 2014. The increase in the deficit was mainly the result of a decrease in the trade surplus, an increase in the deficit of the non-financial services account and an increase in the deficit of the financial services account as compared to 2014. Imports decreased by 8.4%, while exports decreased by 17.0%, resulting in a negative trade balance as compared to 2014.

Exports

In 2011, Argentine exports amounted to U.S.\$83.0 billion, a 21.7% increase as compared to 2010. Prices increased in 2011 by 19.2% and export volumes increased by 3.4%. In the aggregate:

- exports of primary products increased by 30.9%. This increase resulted from a 31.2% increase in prices and a 0.2% decrease in volumes;
- exports of manufactured goods of agricultural origin increased by 22.1%. This increase resulted from an increase in both prices and volumes. Prices increased by 20.4% while volumes exported increased by 1.4%;
- exports of manufactured goods of industrial origin increased by 20.8%. This increase resulted from an increase in both prices and volumes. Prices increased by 11.3% while volumes exported increased by 8.5%; and
- exports of fuel and energy increased by 2.4%. This change resulted from an increase in prices, which was partially offset by a decrease in volume. Prices increased by 27.8% while volumes exported decreased by 19.9%.

In 2012, exports totaled U.S.\$80.0 billion, representing a 3.6% decrease as compared to 2011, primarily due to a 5.9% decrease in export volumes, which was partially offset by a 2.4% increase in prices.

In 2012:

- exports of primary products decreased by 4.0%. This decrease resulted from a reduction in both prices and volumes. Prices fell by 2.6% while volumes exported decreased by 1.4%;

- exports of manufactured goods of agricultural origin decreased by 3.2%. This decrease resulted from a reduction in volumes, which was partially offset by an increase in prices. Prices increased by 7.1% while volumes exported decreased by 9.6%;
- exports of manufactured goods of industrial origin decreased by 5.6%. This decrease resulted from a 7.1% reduction in volumes exported, which was partially offset by a 1.7% increase in prices; and
- exports of fuel and energy increased by 4.4%. This growth resulted from a 8.9% increase in volumes exported, which was partially offset by a 4.1% decrease in prices.

In 2013, exports totaled U.S.\$76.0 billion, representing a 5.0% decrease as compared to 2012, primarily due to a 3.7% decrease in export volumes and a 1.4% decrease in prices.

In 2013:

- exports of primary products decreased by 6.7%. This decrease resulted from a 8.6% reduction in volumes exported, which was partially offset by a 2.1% increase in prices;
- exports of manufactured goods of agricultural origin increased by 0.8%. This increase resulted from a 1.3% rise in prices and a 0.5% decrease in volumes;
- exports of manufactured goods of industrial origin decreased by 5.7%. This reduction resulted from a 0.6% decrease in volumes exported and a 5.2% decrease in prices; and
- exports of fuel and energy decreased by 20.3%. This reduction resulted from a 21.4% decrease in volumes and a 1.4% increase in prices.

In 2014, exports totaled U.S.\$68.4 billion, representing a 9.9% decrease as compared to 2013, primarily due to a 7.9% reduction in export volumes and a 2.4% decrease in prices.

In 2014:

- exports of primary products decreased by 19.9%. This decrease resulted from a reduction in both prices and volumes. Prices fell by 11.7% and volumes exported decreased by 9.3%;
- exports of manufactured goods of agricultural origin decreased by 2.2%. This decrease resulted from a reduction in both volumes and prices. Volumes exported decreased by 7.9% and prices fell by 0.8%;
- exports of manufactured goods of industrial origin decreased by 11.1%. This decrease resulted from a 12.4% reduction in volumes exported, which was partially offset by a 1.5% increase in prices; and
- exports of fuel and energy decreased by 11.7%. This decrease resulted from a reduction in both prices and volumes. Prices fell by 5.7% and volumes exported decreased by 6.4%.

In 2015, Argentine exports totaled U.S.\$56.8 billion, representing a 16.9% decrease as compared to 2014, primarily due to a 1.5% reduction in export volumes and a 15.6% decrease in prices.

In 2015:

- exports of primary products decreased by 6.7%. This decrease resulted from an 18.6% fall in prices and a 14.7% increase in volumes exported;
- exports of manufactured goods of agricultural origin decreased by 11.8%. This decrease resulted primarily from a 20.0% fall in prices, which was partially offset by an increase in volumes exported;

- exports of manufactured goods of industrial origin decreased by 21.2%. This decrease resulted from a 2.5% fall in prices and a 19.2% reduction in volumes exported; and
- exports of fuel and energy decreased by 54.2%. This decrease resulted from a 45.5% fall in prices and a 15.7% reduction in volumes exported.

Argentina's main exports in recent years have been commodities such as soy and cereals, as well as processed agricultural products and industrial goods. In 2015, 64.4% of all exports were agricultural (either primary or processed).

The following tables set forth information on Argentina's major export products for the periods specified.

Exports by Groups of Products⁽¹⁾
(in millions of U.S. dollars)

	2011	2012	2013	2014	2015
Primary products:					
Cereal	U.S.\$ 8,153	U.S.\$ 9,530	U.S.\$ 8,312	U.S.\$ 5,237	U.S.\$ 4,845
Seeds and oilseeds	5,796	3,796	4,616	4,212	4,746
Copper	1,442	2,098	1,361	1,263	717
Fruits	1,171	1,024	1,071	968	751
Fish and raw seafood	1,033	990	1,182	1,256	1,179
Vegetables	736	699	451	507	461
Tobacco	378	370	325	265	195
Honey	224	218	213	204	164
Others	900	318	234	317	216
Total	19,833	19,040	17,766	14,229	13,274
Manufactured goods of agricultural origin:					
Residues ⁽²⁾	10,443	10,971	12,028	12,847	10,650
Oils and fats	6,837	5,929	5,182	4,316	4,702
Meat	2,107	1,942	2,008	1,935	1,444
Vegetable Products	1,377	1,370	1,287	1,020	1,109
Dairy food	1,473	1,296	1,450	1,305	862
Grain mill products	771	1,185	904	1,026	870
Drinks, alcoholic beverages and vinegar	964	1,033	987	938	928
Hides and skins	968	880	958	1,044	861
Others	2,736	2,177	2,198	1,986	1,861
Total	27,676	26,784	27,002	26,418	23,288
Manufactured goods of industrial origin:					
Transport equipment	9,988	9,569	10,098	8,342	5,990
Chemicals	5,843	5,644	4,909	4,986	4,152
Basic metals	3,062	2,840	2,542	2,262	1,340
Stones and precious metals	2,734	2,567	2,054	2,070	2,530
Machines and equipment	2,440	2,371	2,277	1,880	1,360
Plastics	1,536	1,390	1,287	1,293	949
Maritime, fluvial and air transport vehicles	842	650	576	268	289
Paper, cardboard, and printed publications	734	524	486	449	387
Rubber and its manufactures	425	393	373	339	228
Others	1,187	1,233	1,033	888	715
Total	28,790	27,181	25,633	22,777	17,940
Fuel and energy:					
Fuel	6,598	6,841	5,562	4,911	2,250
Energy	84	137	0	0	1
Total	6,682	6,978	5,562	4,911	2,251
Total exports:	<u>U.S.\$ 82,981</u>	<u>U.S.\$ 79,982</u>	<u>U.S.\$ 75,963</u>	<u>U.S.\$ 68,335</u>	<u>U.S.\$ 56,752</u>

(1) Measured on an FOB basis

(2) Residues refer to the byproducts left over from the processing of agricultural goods that can be resold for other purposes

Source: INDEC and Ministry of the Treasury

Exports by Groups of Products⁽¹⁾
(as % of total exports)

	2011	2012	2013	2014	2015
Primary products:					
Cereal	9.8%	11.9%	10.9%	7.7%	8.5%
Seeds and oilseeds	7.0	4.7	6.1	6.2	8.4
Copper	1.7	2.6	1.8	1.8	1.3
Fruits	1.4	1.3	1.4	1.4	1.3
Fish and raw seafood	1.2	1.2	1.6	1.8	2.1
Vegetables	0.9	0.9	0.6	0.7	0.8
Tobacco	0.5	0.5	0.4	0.4	0.3
Honey	0.3	0.3	0.3	0.3	0.3
Others	1.1	0.4	0.3	0.5	0.4
Total	23.9%	23.8%	23.4%	20.8%	23.4%
Manufactured goods of agricultural origin:					
Residues ⁽²⁾	12.6%	13.7%	15.8%	18.8%	18.8%
Oils and fats	8.2	7.4	6.8	6.3	8.3
Meat	2.5	2.4	2.6	2.8	2.5
Vegetable Products	1.7	1.7	1.7	1.5	2.0
Dairy food	1.8	1.6	1.9	1.9	1.5
Grain mill products	0.9	1.5	1.2	1.5	1.5
Drinks, alcoholic beverages and vinegar	1.2	1.5	1.5	1.4	1.6
Hides and skins	1.2	1.1	1.3	1.5	1.5
Others	3.3	2.7	2.9	2.9	3.3
Total	33.4%	33.5%	35.5%	38.7%	41.0%
Manufactured goods of industrial origin:					
Transport equipment	12.0%	12.0%	13.3%	12.2%	10.6%
Chemicals	7.0	7.1	6.5	7.3	7.3
Basic metals	3.7	3.6	3.3	3.3	2.4
Stones and precious metals	3.3	3.2	2.7	3.0	4.5
Machines and equipment	2.9	3.0	3.0	2.8	2.4
Plastics	1.9	1.7	1.7	1.9	1.7
Maritime, fluvial and air transport vehicles	1.0	0.8	0.8	0.4	0.5
Paper, cardboard, and printed publications	0.9	0.7	0.6	0.7	0.7
Rubber and its manufactures	0.5	0.5	0.5	0.5	0.4
Others	1.4	1.5	1.4	1.3	1.3
Total	34.7%	34.0%	33.7%	33.3%	31.6%
Fuel and energy:					
Fuel	8.0%	8.6%	7.3%	7.2%	4.0%
Energy	0.1	0.2	—	—	—
Total	8.1	8.7	7.3	7.2	4.0
Total Exports	100.0%	100.0%	100.0%	100.0%	100.0%

(1) Measured on an FOB basis

(2) Residues refer to the byproducts left over from the processing of agricultural goods that can be resold for other purposes

Source: INDEC and Ministry of the Treasury

Imports

In 2011, imports of goods increased by 30.2% to U.S.\$74.0 billion from U.S.\$56.8 billion in 2010. Nearly one-third of total imports were intermediate goods, and 18.4% were capital goods. Imports of fuel and energy increased by 105.6% and imports of motor vehicles for passengers increased by 24.8%.

In 2012, imports of goods decreased by 8.1% to U.S.\$68.0 billion from U.S.\$74.0 billion in 2011. 46.5% of total imports were intermediate and capital goods. Imports of fuel and energy decreased by 6.8% and imports of motor vehicles for passengers decreased by 4.2%, both types of imports together representing approximately 18.4% of total imports.

In 2013, imports of goods increased by 9.5% to U.S.\$74.4 billion from U.S.\$68.0 billion in 2012. Intermediate and capital goods represented 42.0% of total imports. Imports of fuel and energy increased by 36.5% and imports of motor vehicles for passengers increased by 31.8%.

In 2014, imports of goods decreased by 12.4% to U.S.\$65.2 billion from U.S.\$74.4 billion in 2013. Intermediate and capital goods represented 46.5% of total imports. Imports of motor vehicles for passengers decreased by 49.5%, imports of spare parts and accessories for capital goods decreased by 18.2% and imports of consumption goods decreased by 11.6%.

In 2015, imports of goods decreased by 8.4% to U.S.\$59.8 billion from U.S.\$65.2 billion in 2014. Intermediate and capital goods represented 49.9% of total imports. Imports of fuel and energy decreased by 40.3% and imports of motor vehicles for passengers decreased by 6.2%, while imports of spare parts and accessories for capital goods decreased by 3.0% and imports of consumption goods increased by 3.0%, in each case in terms of their U.S. dollar value.

The following tables set forth information on Argentina's major import products for the periods specified.

Imports by Groups of Products⁽¹⁾
(in millions of U.S. dollars)

	2011	2012	2013	2014	2015
Machines, instruments and electric materials	U.S.\$ 19,366	U.S.\$ 17,533	U.S.\$ 18,808	U.S.\$ 16,795	U.S.\$ 16,928
Transport equipment	13,900	13,140	15,040	10,395	9,647
Industrial products	10,315	10,057	10,108	9,802	9,439
Mineral products	10,924	9,609	13,056	12,099	7,334
Plastic, rubber and manufactures	4,527	4,118	4,207	3,742	3,642
Common metals and manufactures	4,328	3,918	3,643	3,432	3,524
Optical instruments, medical-surgical precision equipment, watches and music equipment	1,748	1,708	1,762	1,699	1,892
Textiles and manufactures	1,846	1,588	1,524	1,385	1,425
Wood pulp, paper and paperboard	1,520	1,263	1,218	1,111	1,212
Commodities and other products	1,176	1,043	1,042	905	910
Feeding products, beverages and tobacco	1,023	998	944	897	873
Products of vegetable origin	570	598	623	618	643
Stone manufactures, plaster and cement, asbestos, mica, ceramic and glass	614	536	568	543	603
Footwear, umbrellas, artificial flowers and others	555	463	488	417	474
Live animals and products of animal origin	325	235	198	173	167
Other products	1,230	1,166	1,213	1,214	1,073
Total imports	U.S.\$ 73,961	U.S.\$ 67,974	U.S.\$ 74,442	U.S.\$ 65,229	U.S.\$ 59,787

(1). Measured on a CIF basis. Figures presented in this table differ from those presented in the tables titled "Balance of Payments" because the latter were calculated on a FOB basis.

Source: INDEC and Ministry of the Treasury.

Imports by Groups of Products⁽¹⁾
(as % of total imports)

	2011	2012	2013	2014	2015
Machines, instruments and electric materials	26.2%	25.8%	25.3%	25.7%	28.3%
Transport equipment	18.8	19.3	20.2	15.9	16.1
Industrial products	13.9	14.8	13.6	15.0	15.8
Mineral products	14.8	14.1	17.5	18.5	12.3
Plastic, rubber and manufactures	6.1	6.1	5.7	5.7	6.1
Common metals and manufactures	5.9	5.8	4.9	5.3	5.9
Optical instruments, medical-surgical precision equipment, watches and music equipment	2.4	2.5	2.4	2.6	3.2
Textiles and manufactures	2.5	2.3	2.0	2.1	2.4
Wood pulp, paper and paperboard	2.1	1.9	1.6	1.7	2.0
Commodities and other products	1.6	1.5	1.4	1.4	1.5
Feeding products, beverages and tobacco	1.4	1.5	1.3	1.4	1.5
Products of vegetable origin	0.8	0.9	0.8	0.9	1.1
Stone manufactures, plaster, cement, asbestos, mica, ceramic and glass	0.8	0.8	0.8	0.8	1.0
Footwear, umbrellas, artificial flowers and others	0.8	0.7	0.7	0.6	0.8
Live animals and products of animal origin	0.4	0.3	0.3	0.3	0.3
Other products	1.7	1.7	1.6	1.9	1.8
Total imports	100.0%	100.0%	100.0%	100.0%	100.0%

(1) Measured on a CIF basis. Figures presented in this table differ from those presented in the tables titled "Balance of Payments" because they were calculated on a FOB basis.

Source: INDEC and Ministry of the Treasury.

Trade Regulation

Until the beginning of the 1990s, Argentina had a relatively closed economy modeled around import-substitution policies with significant trade barriers. Although certain reforms were pursued from the 1960s through the 1980s to liberalize trade, it was only during the Menem administration in the 1990s that the Government implemented significant trade liberalization measures.

Trade policies remained relatively stable during the 1990s, marked by few export tariffs and low import tariffs in certain sectors of the economy. Following the collapse of the Convertibility Regime in 2002, the Government introduced trade measures intended to increase Government revenues, stem the outflow of foreign currencies, manage the pricing of basic goods and protect the stability and growth of local industries.

The Ministry of Agriculture, Livestock and Fisheries regulates production and sale of agricultural products, while the *Unidad de Coordinación y Evaluación de Subsidios al Consumo Interno* (Unit of Coordination and Evaluation of Subsidies to Internal Consumption), formed in 2011, manages subsidies and support to the agricultural sector.

In 2012, a complaint was submitted to the dispute settlement body of the WTO challenging Argentina's use of non-trade barriers and certain practices of the Government with respect to imports. The dispute related to two primary measures: (i) the requirement for importers to file a non-automatic import license in the form of a DJAI and (ii) the imposition of trade-related requirements mandating foreign companies to limit their imports, offset their imports with equivalent exports and increase the local content of products made within Argentina as a condition to import into Argentina or to obtain certain benefits. The WTO dispute settlement body found that such practices violated international trade rules. Argentina was given until December 31, 2016, to comply with the WTO's ruling.

Geographic Distribution of Trade

Argentina's primary trading partner is Brazil. Argentina also conducts a substantial amount of trade with China, the United States and other countries in Latin America and Europe.

The following tables provide information on the geographic distribution of Argentine exports for the periods specified.

Geographic Distribution of Exports⁽¹⁾
(in millions of U.S. dollars)

	2011	2012	2013	2014	2015
Brazil	U.S. \$ 17,319	U.S. \$ 16,457	U.S. \$ 15,949	U.S. \$ 13,883	U.S. \$ 10,100
China	6,356	5,379	5,837	4,792	5,388
United States	4,301	4,023	4,182	4,082	3,433
Chile	4,775	5,055	3,825	2,794	2,404
Venezuela	1,867	2,220	2,157	1,987	1,370
Spain	3,042	2,515	1,669	1,694	1,362
Germany	2,486	1,970	1,637	1,536	1,340
Uruguay	2,053	1,954	1,845	1,650	1,331
Canada	2,383	2,213	1,703	1,655	1,295
Netherlands	2,549	2,204	1,913	1,574	1,213
Peru	1,794	1,925	1,421	1,114	721
Rest of ALADI ⁽²⁾	5,450	5,861	5,361	4,548	3,475
Rest of EU	5,889	4,856	4,619	4,894	4,323
Rest of Asia ⁽³⁾	10,991	12,160	13,112	12,213	10,769
Rest of world ⁽⁴⁾	9,914	9,093	8,617	8,120	7,328
Indeterminate destination ⁽⁵⁾	1,812	2,097	2,116	1,871	936
Total⁽⁶⁾	U.S. \$ 82,981	U.S. \$ 79,982	U.S. \$ 75,963	U.S. \$ 68,407	U.S. \$ 56,788
<i>Memorandum items</i>					
MERCOSUR ⁽⁷⁾	U.S. \$ 22,606	U.S. \$ 21,999	U.S. \$ 21,250	U.S. \$ 18,735	U.S. \$ 13,856
ALADI	U.S. \$ 33,258	U.S. \$ 33,472	U.S. \$ 30,558	U.S. \$ 25,976	U.S. \$ 19,401

(1) Measured on an FOB basis.

(2) As of December 31, 2015, ALADI comprises the following countries: Argentina, Bolivia, Brazil, Chile, Colombia, Cuba, Ecuador, Mexico, Paraguay, Peru, Panama, Uruguay and Venezuela.

(3) Figure includes all Asian countries except for China.

(4) Includes all other countries for which exports are not significant enough for a separate line item.

(5) Includes exports for which the destination could not be identified.

(6) Figures in this table are updated less frequently than those presented in the "Balance of Payments" table and thus total exports in this table may differ from those in the "Balance of Payments" table.

(7) As of December 31, 2015, MERCOSUR includes the following countries as full members: Argentina, Brazil, Paraguay, Uruguay and Venezuela (admitted in August 2012). For more information on MERCOSUR members see "The Republic of Argentina—Foreign Affairs and International Organizations—MERCOSUR."

Source: INDEC and Ministry of the Treasury.

Geographic Distribution of Exports⁽¹⁾
(as % of total exports)

	2011	2012	2013	2014	2015
Brazil	20.9%	20.6%	21.0%	20.3%	17.8%
China	7.7	6.7	7.7	7.0	9.5
United States	5.2	5.0	5.5	6.0	6.0
Chile	5.8	6.3	5.0	4.1	4.2
Venezuela	2.2	2.8	2.8	2.9	2.4
Spain	3.7	3.1	2.2	2.5	2.4
Germany	3.0	2.5	2.2	2.2	2.4
Uruguay	2.5	2.4	2.4	2.4	2.3
Canada	2.9	2.8	2.2	2.4	2.3
Netherlands	3.1	2.8	2.5	2.3	2.1
Peru	2.2	2.4	1.9	1.6	1.3
Rest of ALADI ²	6.6	7.3	7.1	6.6	6.1
Rest of EU	7.1	6.1	6.1	7.2	7.6
Rest of Asia ³	13.2	15.2	17.3	17.9	19.0
Rest of world ⁴	11.9	11.4	11.3	11.9	12.9
Indeterminate destination ⁵	2.2	2.6	2.8	2.7	1.6
Total ⁽⁶⁾	100.0%	100.0%	100.0%	100.0%	100.0%
<i>Memorandum items</i>					
MERCOSUR ⁷	27.2%	27.5%	28.0%	27.4%	24.4%
ALADI	40.1%	41.8%	40.2%	38.0%	34.2%

- (1) Measured on an FOB basis
(2) As of December 31, 2015, ALADI includes the following countries: Argentina, Bolivia, Brazil, Chile, Colombia, Cuba, Ecuador, Mexico, Paraguay, Panama, Peru, Uruguay and Venezuela
(3) Figure includes all Asian countries except for China
(4) Includes all other countries for which exports are not significant enough for a separate line item
(5) Includes exports for which the destination could not be identified
(6) Figures in this table are updated less frequently than those presented in the "Balance of Payments" table and thus total exports in this table may differ from those in the "Balance of Payments" table
(7) As of December 31, 2015, MERCOSUR includes the following countries as full members: Argentina, Brazil, Paraguay, Uruguay and Venezuela (admitted in August 2012). For more information on MERCOSUR members see "The Republic of Argentina—Foreign Affairs and International Organizations—MERCOSUR"

Source: INDEC and Ministry of the Treasury

The following tables provide information on the geographic distribution of Argentina's imports for the periods specified.

Geographic Distribution of Imports⁽¹⁾
(in millions of U.S. dollars)

	2011	2012	2013	2014	2015
Brazil	U.S.\$ 22,327	U.S.\$ 17,805	U.S.\$ 19,321	U.S.\$ 14,293	U.S.\$ 13,100
China	10,611	9,932	11,341	10,743	11,776
United States	7,810	8,476	8,069	8,834	7,700
Germany	3,646	3,698	3,892	3,507	3,130
Mexico	921	889	970	908	820
France	1,521	1,591	1,740	1,416	1,450
Italy	1,482	1,453	1,666	1,629	1,370
Japan	1,415	1,498	1,521	1,374	1,223
Spain	1,396	1,317	1,371	1,073	957
Chile	1,093	1,006	970	819	717
Netherlands	435	1,130	1,075	780	452
Rest of ALADI ²	4,037	4,444	6,021	5,073	4,004
Rest of EU	6,497	4,226	4,476	3,855	3,909
Rest of Asia ³	5,132	5,164	6,198	5,198	4,923
Rest of world ⁴	5,016	4,670	5,160	5,022	3,700
Indeterminate origin ⁵	622	675	651	706	526
Total	U.S.\$ 73,961	U.S.\$ 67,974	U.S.\$ 74,442	U.S.\$ 65,230	U.S.\$ 59,757
<i>Memorandum items</i>					
MERCOSUR ⁷	U.S.\$ 23,500	U.S.\$ 18,827	U.S.\$ 20,449	U.S.\$ 15,272	U.S.\$ 13,968
ALADI	U.S.\$ 28,378	U.S.\$ 24,144	U.S.\$ 27,282	U.S.\$ 21,093	U.S.\$ 18,641

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- (1) Measured on a CIF basis
 - (2) As of December 31, 2015, ALADI includes the following countries: Argentina, Bolivia, Brazil, Chile, Colombia, Cuba, Ecuador, Mexico, Paraguay, Panama, Peru, Uruguay and Venezuela.
 - (3) Figure includes all Asian countries except for China and Japan
 - (4) Includes all other countries for which imports are not significant enough for a separate line item.
 - (5) Includes imports for which the origin could not be identified
 - (6) As of December 31, 2015, MERCOSUR includes the following countries as full members: Argentina, Brazil, Paraguay, Uruguay and Venezuela (admitted in August 2012). For more information on MERCOSUR members see "The Republic of Argentina—Foreign Affairs and International Organizations—MERCOSUR."

Source: INDEC and Ministry of the Treasury

Geographic Distribution of Imports⁽¹⁾
(as % of total imports)

	2011	2012	2013	2014	2015
Brazil	30.2%	26.2%	26.0%	21.9%	21.9%
China	14.3	14.6	15.2	16.5	19.7
United States	10.6	12.5	10.8	13.5	12.9
Germany	4.9	5.4	5.2	5.4	5.2
Mexico	1.2	1.3	1.3	1.4	1.4
France	2.1	2.3	2.3	2.2	2.4
Italy	2.0	2.1	2.2	2.5	2.3
Japan	1.9	2.2	2.0	2.1	2.0
Spain	1.9	1.9	1.8	1.6	1.6
Chile	1.5	1.5	1.3	1.3	1.2
Netherlands	0.6	1.7	1.4	1.2	0.8
Rest of ALADI ⁽²⁾	5.5	6.5	8.1	7.8	6.7
Rest of EU	8.8	6.2	6.0	5.9	6.5
Rest of Asia ⁽³⁾	6.9	7.6	8.3	8.0	8.2
Rest of world ⁽⁴⁾	6.8	6.9	6.9	7.7	6.2
Indeterminate origin ⁽⁵⁾	0.8	1.0	0.9	1.1	0.9
Total	100.0%	100.0%	100.0%	100.0%	100.0%
<i>Memorandum items</i>					
MERCOSUR ⁽⁶⁾	31.8%	27.7%	27.5%	23.4%	23.4%
ALADI	38.4%	35.5%	36.6%	32.3%	31.2%

(1) Measured on a CIF basis.

(2) As of December 31, 2015, ALADI comprises the following countries: Argentina, Bolivia, Brazil, Chile, Colombia, Cuba, Ecuador, Mexico, Paraguay, Panama, Peru, Uruguay and Venezuela.

(3) Figure includes all Asian countries except for China and Japan.

(4) Includes all other countries for which imports are not significant enough for a separate line item.

(5) Includes imports for which the origin could not be identified.

(6) As of December 31, 2015, MERCOSUR includes the following countries as full members: Argentina, Brazil, Paraguay, Uruguay and Venezuela (admitted in August 2012).

Source: INDEC and Ministry of the Treasury.

Trade with MERCOSUR Countries

Common market framework. In addition to Argentina, the MERCOSUR “Member States” include Brazil, Paraguay, Uruguay and, since 2012, Venezuela. In December 2012, Bolivia began the process of accession as a Member State, having previously been an Associate State. MERCOSUR’s objective is to gradually integrate the economies of its member countries through the elimination of trade barriers, the harmonization of macroeconomic policies and the establishment of a common external tariff and a common external trade policy. See “The Republic of Argentina—Foreign Affairs and International Organizations—MERCOSUR.”

Trade within MERCOSUR. Trade among MERCOSUR Member States increased significantly in the 10 years leading up to 2010, but has decreased ever since. During 2014, intra-regional commerce represented 13.1% of all MERCOSUR commerce, the lowest level since 2006. This decline has occurred in the context of deteriorating external and internal economic conditions. This negative performance has been a widespread phenomenon affecting all Member States.

Argentina’s trade with MERCOSUR reached U.S.\$27.8 billion in 2015, representing 23.9% of Argentina’s total trade. Argentine exports to the other MERCOSUR Member States amounted to more than U.S.\$13.8 billion, equivalent to 24.4% of Argentina’s total global exports, while imports from MERCOSUR amounted to U.S.\$14.0 billion, equivalent to 23.4% of Argentina’s total imports. Argentina registered a U.S.\$141 million trade deficit with MERCOSUR in 2015, as compared to a surplus of U.S.\$3.5 billion in 2014, primarily due to a U.S.\$2.6 billion increase in the trade deficit with Brazil and a U.S.\$615 million decrease in the trade surplus with Venezuela.

Brazil

Brazil is Argentina’s primary export market and source of imports. Manufactured goods of industrial origin account for approximately 80% of commerce between the countries. In 2015, the main imports from Brazil included intermediate goods, which totaled U.S.\$4.6 billion, and spare parts and accessories, which totaled U.S.\$2.9 billion. The main exports to Brazil in 2015 were manufactured goods of industrial origin,

which totaled U.S.\$7.1 billion, followed by primary products, which totaled U.S.\$1.4 billion. In 2015, Argentina's trade deficit with Brazil was U.S.\$3.0 billion, as compared to a deficit of U.S.\$411 million in 2014, primarily as a result of a 9.7% decrease in total exports to Brazil, which was partially offset by an 8.3% decrease in total imports.

The decrease in exports as compared to 2014 was mainly the result of the decreases in the following products:

- manufactured goods of industrial origin, which decreased by 31.7% to U.S.\$7.1 billion; and
- fuel and energy, which decreased by 60.1% to U.S.\$266 million.

The decrease in imports in 2015 as compared to 2014 was primarily due to a 12.0% decrease in imports of intermediate goods and a 7.8% decrease in exports of spare parts and accessories.

China

China has become one of Argentina's main trade partners. The main imports from China include chemical products, machinery and electronic devices, motorcycles and engines with small cylinder volumes, and toys. The main exports to China include agricultural commodities, such as wheat, soy and corn.

In 2015, the main imports from China included capital goods, which totaled U.S.\$3.5 billion, and spare parts and accessories, which totaled U.S.\$3.6 billion. The main exports to China in 2015 were primary products, which totaled U.S.\$3.9 billion, followed by manufactured products of agricultural origin, which totaled U.S.\$1.1 billion. In 2015, Argentina's trade deficit with China was U.S.\$6.4 billion, as compared to U.S.\$6.0 billion in 2014, primarily as a result of a 9.7% increase in total imports, which was partially offset by a 12.4% increase in total exports to China.

The increase in imports as compared to 2014 was mainly the result of the increases in the following products:

- capital goods, which increased by 13.0% to U.S.\$3.5 billion; and
- intermediate goods, which increased by 9.9% to U.S.\$2.9 billion.

The increase in exports in 2015 as compared to 2014 was primarily due to a 15.6% increase in exports of primary products, and a 37.3% increase in fuel and energy exports.

United States

Historically, the United States has been one of Argentina's most important trade partners. Manufactured goods constitute a significant share of Argentine exports to the United States, while capital and intermediate goods constitute a significant share of Argentina's imports from the United States.

In 2015, the main imports from the United States included intermediate goods, which totaled U.S.\$2.7 billion, and capital goods (such as machines, instruments and electric materials), which totaled U.S.\$2.0 billion. The main exports to the United States for the same period were manufactured goods, which totaled U.S.\$2.7 billion, followed by primary products, which totaled U.S.\$15.0 million. In 2015, Argentina's trade deficit with the United States was U.S.\$4.3 billion, as compared to a deficit of U.S.\$4.8 billion in 2014, mainly due to a 12.8% decrease in total imports from the United States, which was partially offset by a 15.3% decrease in total exports to the United States.

The increase in imports as compared to 2014 was mainly the result of decreases in the following products:

- energy and fuel, which decreased by 36.8% to U.S.\$1.3 billion; and
- capital goods, which decreased by 11.4% to U.S.\$2.0 billion.

The decrease in exports in 2015 as compared to 2014 was primarily due to a 64.2% decrease in exports of fuel and energy, and a 15.6% decrease in primary products exports. This decrease was partially offset by a

10.1% increase in exports of manufactured goods of industrial origin and a 1.4% increase in exports of manufactured goods of agricultural origin.

In March 2012, the United States suspended Argentina from the U.S. Generalized System of Preferences, or "GSP," under which certain Argentine exports enjoyed preferential tariffs, due to Argentina's failure to comply with ICSID awards related to U.S. companies. For a discussion on payment by Argentina of ICSID awards see "Public Sector Debt—Legal Proceedings—Litigation in Argentina."

Non-Financial Services Trade

The non-financial services trade balance reflects the amount of services (other than financial services, encompassing payments of interest, dividends and other income) that Argentine residents purchase outside Argentina, relative to the amount of non-financial services that foreigners purchase in Argentina. For instance, a deficit in non-financial service trade indicates that the value of non-financial services purchased by Argentine residents outside Argentina exceeds the value of non-financial services purchased in Argentina by foreigners. Argentina's non-financial services account reflects in part Argentina's overall level of trade in goods since it includes the freight and insurance services associated with these transactions.

The main components of Argentina's non-financial services trade deficit were:

- transportation, with a deficit that increased to U.S.\$2.0 billion in 2015, as compared to a deficit of U.S.\$1.7 billion in 2014;
- royalties, with a deficit that decreased to U.S.\$1.7 billion in 2015, as compared to a deficit of U.S.\$1.8 billion in 2014; and
- tourism, with a deficit that increased to U.S.\$1.5 billion in 2015, from U.S.\$0.7 billion in 2014.

These deficit increases were partially offset by professional, technical and business services, which registered a surplus of U.S.\$1.6 billion in 2015 as compared to a surplus of U.S.\$1.5 billion in 2014.

In 2011, the deficit in non-financial services trade increased U.S.\$1.0 billion to U.S.\$2.2 billion, primarily as a result of the higher rate of decrease in exports of non-financial services as compared to the decrease in imports. This deficit was mainly attributable to a U.S.\$2.4 billion deficit in transportation, as compared to a U.S.\$1.7 billion deficit registered in 2010, and a 21.1% increase in the deficit in royalties in 2011, to U.S.\$1.8 billion, as compared to a U.S.\$1.5 billion deficit in 2010.

In 2012, the deficit in non-financial services trade increased U.S.\$0.8 billion to U.S.\$3.0 billion, as a result of a higher rate of increase in imports of non-financial services, which exceeded the increase in exports. Specifically, the increase in non-financial services trade deficit was due to:

- an increase in the deficit of the tourism account of U.S.\$0.8 billion to U.S.\$1.0 billion in 2012, as compared to a U.S.\$188 million deficit registered in 2011; and
- a 10.6% deficit increase in royalties.

These effects were partially offset by an 8.5% surplus increase in professional, technical and business services.

In 2013, the deficit in non-financial services trade increased U.S.\$0.7 billion to U.S.\$3.7 billion, as a result of the higher rate of increase in imports of non-financial services, which exceeded the increase in exports. Specifically, the increase in non-financial services trade deficit was due to:

- a 14.4% surplus decrease in professional, technical and business services;
- a 22.7% increase in the deficit of the tourism account of U.S.\$230.0 million to U.S.\$1.3 billion in 2013, as compared to a U.S.\$1.0 billion deficit registered in 2012; and
- a 7.9% deficit increase in transport account of U.S.\$190.0 million to U.S.\$2.6 billion in 2013.

In 2014, the deficit in non-financial services trade decreased U.S.\$0.6 billion to U.S.\$3.1 billion, as a result of higher rate of increase in exports of non-financial services, which exceeded the increase in imports. Specifically, the decrease in non-financial services trade deficit was due to:

- a 34.7% deficit decrease in transport, particularly passenger transport; and
- a 41.6% deficit decrease in tourism account of U.S.\$518 million to U.S.\$0.7 billion in 2014.

These deficit decreases were partially offset by a 24.2% decrease in the surplus of professional, technical and business services to U.S.\$1.5 billion.

In 2015, the deficit in non-financial services trade increased U.S.\$0.9 billion to U.S.\$4.0 billion, as a result of an increase in imports of non-financial services that exceeded the increase in exports. Specifically, the increase in the non-financial services trade deficit was due to:

- a U.S.\$0.8 billion increase in the deficit of the tourism account to U.S.\$1.5 billion in 2015, as compared to a U.S.\$0.7 billion deficit registered in 2014; and
- a 15.4% deficit increase in transport account of U.S.\$262 million to U.S.\$2.0 billion in 2015.

These deficit decreases were partially offset by a 3.6% decrease in the deficit in royalties to U.S.\$1.7 billion.

The table below sets forth the net results of Argentina's non-financial services trade for the periods specified.

Non-Financial Services
(in millions of U.S. dollars, at current prices)

	2011	2012	2013	2014	2015
Transportation					
Freight	U.S.\$ (1,957)	U.S.\$ (1,684)	U.S.\$ (1,884)	U.S.\$ (1,636)	U.S.\$ (1,520)
Passenger	(1,308)	(1,699)	(1,884)	(1,254)	(1,755)
Other	841	977	1,172	1,195	1,318
Total	(2,424)	(2,406)	(2,596)	(1,696)	(1,957)
Tourism	(188)	(1,015)	(1,245)	(727)	(1,520)
Royalties	(1,781)	(1,971)	(1,981)	(1,804)	(1,738)
Professional, technical, business services	2,158	2,342	2,005	1,520	1,647
Others ⁽¹⁾	-	65	108	(357)	(356)
Total non-financial services	U.S.\$ (2,235)	U.S.\$ (2,985)	U.S.\$ (3,708)	U.S.\$ (3,063)	U.S.\$ (3,925)

(1) Includes communication, construction, insurance, financial, information, entertainment and recreational services, as well as certain Government services.

Source: INDEC and Ministry of the Treasury

Tourism

In 2011, the tourism sector registered a U.S.\$188 million deficit, primarily due to a 13.6% increase in outflows related to residents traveling abroad. This higher outflow was partially offset by an 8.3% increase in inflows related to non-residents traveling to Argentina.

In 2012, the tourism sector registered a U.S.\$1.0 billion deficit, primarily due to a 8.7% decrease in inflows related to non-residents traveling to Argentina and a 6.5% increase in outflows related to residents traveling abroad.

In 2013, the tourism sector registered a U.S.\$1.3 billion deficit, primarily due to an 11.7% decrease in inflows related to non-residents traveling to Argentina, which was partially offset by a 5.7% decrease in outflows related to residents traveling abroad.

In 2014, the tourism sector deficit decreased by 41.3% from U.S.\$1.3 billion in 2013 to U.S.\$0.7 billion in 2014. This deficit decrease was primarily due to a 7.2% increase in inflows related to non-residents traveling to Argentina and a 3.7% decrease in outflows related to residents traveling abroad.

In 2015, the tourism sector registered a U.S.\$1.5 billion deficit in 2015, primarily due to a 10.4% increase in outflows related to residents traveling abroad Argentina and a 4.8% decrease in inflows related to non-residents traveling to Argentina.

The following table sets forth tourism information for the dates specified.

Tourism Statistics					
	2011	2012	2013	2014	2015
Foreign non-resident arrivals (in thousands)	15,190	14,747	13,700	15,276	n.a.
Average length of stay (number of nights)	11.55	11.76	11.34	10.98	n.a.
Income from tourism (in millions of U.S.\$)	5,354	4,887	4,313	4,624	4,400
Expenses from tourism (in millions of U.S.\$)	(5,542)	5,905	5,569	5,362	5,920
Balance (in millions of U.S.\$)	(188)	(1,018)	(1,255)	(737)	(1,520)

n.a. = not available.

Source: INDEC and Ministry of the Treasury

Financial Services Trade

The financial services trade balance reflects the net amount of dividends, interest and other financial income flowing into and out of Argentina. For example, a deficit in net dividend payments indicates that Argentine companies pay more in dividends to foreign shareholders than what foreign companies pay in dividends to Argentine shareholders.

In 2011, the financial services deficit decreased by 0.05% to U.S.\$13.9 billion, primarily due to a 0.4% decrease in net interest payments, as compared to 2010. Net dividend outflows remained relatively stable during 2011.

In 2012, the financial services deficit decreased by 7.4% to U.S.\$12.9 billion, primarily due to a 14.4% decrease in net dividend outflows (particularly dividends to the non-financial private sector resulting from foreign direct investment), as compared to 2011. Additionally, net interest payments increased 16.4% as compared to 2011, mainly due to an increase in interest outflows from the non-financial public sector.

In 2013, the financial services deficit decreased by 4.5% to U.S.\$12.3 billion, primarily due to a 6.7% decrease in net dividend outflows (particularly dividends resulting from foreign direct investment), as compared to 2012.

In 2014, the financial services deficit decreased by 12.1% to U.S.\$10.8 billion, primarily due to a 19.7% decrease in net dividend outflows, partially offset by a 6.3% increase in net interest outflows, as compared to 2013. The decrease in net dividend was mainly due to lower payments to non-residents resulting from foreign direct investment, as compared to 2013. The increase in net interest was primarily due to higher interest payments made by the non-financial public sector to non-residents.

In 2015, the financial services deficit increased by 4.4% to U.S.\$11.3 billion, primarily due to a 11.0% increase in net dividend outflows, partially offset by a 6.3% decrease in net interest outflows, as compared to 2014. The increase in net dividend was due to higher payments to non-residents resulting from foreign direct investment, as compared to 2014. The decrease in net interest was due to lower interest payments made from the non-financial public sector to non-residents.

Capital and Financial Account

Argentina's capital and financial account measures the country's level of international borrowing, lending and investment.

2011

In 2011, the capital and financial account registered a deficit of U.S.\$2.0 billion as compared to a surplus of U.S.\$7.4 billion in 2010.

Central Bank. Capital flows to the Central Bank increased from a deficit of U.S.\$2.9 billion in 2010 to a surplus of U.S.\$5.0 billion in 2011. This capital inflow was mainly the result of an increase in loans granted in connection with bilateral agreements, including with China.

Non-financial private sector. Capital flows decreased from a surplus of U.S.\$7.3 billion in 2010 to a deficit of U.S.\$6.8 billion in 2011. This capital outflow was mainly due to a U.S.\$9.3 billion increase in investments in external assets by residents to U.S.\$19.8 billion from U.S.\$10.4 billion recorded in 2010.

Non-financial public sector. Capital flows decreased from a surplus of U.S.\$2.7 billion in 2010 to a deficit of U.S.\$2.1 billion in 2011. This capital outflow was mainly attributable to an increase in amortization and other payments to non-residents in 2011 related to bonds issued by the Government to non-residents, and payments made to non-residents under GDP-linked securities in December 2011.

Other financial entities. Capital flows increased from a surplus of U.S.\$231 million in 2010 to a surplus of U.S.\$1.9 billion in 2011. This increase was mainly due to an increase in net inflows from deposits and credits by non-residents and direct investments by resident financial entities. In addition, inflows related to loans and other credits granted by the financial sector increased as compared to 2010.

2012

In 2012, the capital and financial account registered a deficit of U.S.\$1.3 billion as compared to a surplus of U.S.\$2.0 billion in 2011.

Central Bank. Capital flows to the Central Bank decreased from a surplus of U.S.\$5.0 billion in 2011 to a deficit of U.S.\$2.0 billion in 2012. This capital outflow was mainly the result of a cancellation of loans granted by multilateral credit organizations.

Non-financial private sector. Capital flows increased from a deficit of U.S.\$6.8 billion in 2011 to a surplus of U.S.\$3.3 billion in 2012. This net increase in capital inflows was mainly due to a U.S.\$8.8 billion decrease in investments in external assets by residents from a U.S.\$19.7 billion deficit recorded in 2011 to a U.S.\$10.9 billion deficit recorded in 2012.

Non-financial public sector. Capital flows decreased from a deficit of U.S.\$2.1 billion in 2011 to a deficit of U.S.\$3.0 billion in 2012. This increase in capital outflows was mainly attributable to a U.S.\$689 million increase in payments made to non-residents under GDP-linked securities in December 2012, as compared to December 2011, a U.S.\$589 million reduction in net disbursements by multilateral credit organizations, and a U.S.\$631 million reduction in net disbursements related to debt issued by the provinces, which was partially offset by the U.S.\$759 million decrease in amortization payments by the Government, in each case as compared to 2011.

Other financial entities. Capital flows decreased to a surplus of U.S.\$352 million in 2012, from a surplus of U.S.\$1.9 billion in 2011. This decrease was mainly due to a U.S.\$1.2 billion decrease in net inflows from deposits and credits by non-residents (from an inflow of U.S.\$742 million to an outflow of U.S.\$455 million).

2013

In 2013, the capital and financial account registered a surplus of U.S.\$3.5 billion as compared to a deficit of U.S.\$1.3 billion in 2012.

Central Bank. Capital flows to the Central Bank remained stable in 2013 as compared to 2012, registering a deficit of U.S.\$2.0 billion. This capital outflow was mainly the result of a cancellation of loans granted by multilateral credit organizations.

Non-financial private sector. Capital inflows increased from a surplus of U.S.\$3.3 billion in 2012 to a surplus of U.S.\$3.8 billion in 2013.

Non-financial public sector. Capital flows increased from a deficit of U.S.\$3.0 billion in 2012 to a surplus of U.S.\$843 million in 2013. The net increase in capital inflows primarily resulted from the fact that no payments became due under the terms of the GDP-linked Securities in 2013.

Other financial entities. Capital flows increased to a surplus of U.S.\$845 million in 2013 from a surplus of U.S.\$352 million in 2012. This increase in capital inflows was mainly due to a U.S.\$488 million increase in loans from abroad.

2014

In 2014, the capital and financial account registered a surplus of U.S.\$9.5 billion as compared to a surplus of U.S.\$3.5 billion in 2013.

Central Bank. Capital flows to the Central Bank increased from a deficit of U.S.\$2.0 billion in 2013 to a surplus of U.S.\$3.2 billion in 2014. This capital inflow was mainly the result of the currency swap with the People's Bank of China and other international disbursements.

Non-financial private sector. Capital flows decreased from a surplus of U.S.\$3.8 billion in 2013 to a surplus of U.S.\$59 million in 2014. This decrease in capital inflows was mainly due to a U.S.\$7.0 billion decrease in investments in local assets by foreign investors, including the expropriation of 51% of the shares of YPF, from a U.S.\$9.5 billion surplus recorded in 2013 to a U.S.\$2.5 billion surplus recorded in 2014. This decrease was partially offset by a U.S.\$2.2 billion decrease in investments in external assets by residents, from a U.S.\$5.3 billion deficit recorded in 2013 to a U.S.\$3.1 billion deficit recorded in 2014.

Non-financial public sector. Capital inflows increased from a surplus of U.S.\$843 million in 2013 to a surplus of U.S.\$5.5 billion in 2014, mainly due to the recording of the bonds issued to Repsol as compensation for the expropriation of 51% of the shares of YPF.

The expropriation of 51% of the shares of YPF and the corresponding compensation paid to Repsol had a neutral net effect on the overall balance of payments in 2014.

Other financial entities. Capital flows decreased to a surplus of U.S.\$642 million in 2014 from a surplus of U.S.\$845 million in 2013. This decrease in capital inflows was mainly due to a U.S.\$256 million decrease in foreign investment in 2014, reaching U.S.\$678 million, as compared to U.S.\$934 million in 2013.

2015

In 2015, the capital and financial account registered a surplus of U.S.\$12.4 billion as compared to a surplus of U.S.\$9.5 billion in 2014.

Central Bank. Capital flows to the Central Bank increased from a surplus of U.S.\$3.2 billion to a surplus of U.S.\$7.6 billion. This capital inflow was mainly the result of the currency swap with the People's Bank of China and other international disbursements.

Non-financial private sector. Capital flows increased from a surplus of U.S.\$59 million in 2014 to a surplus of U.S.\$6.8 billion in 2015. The net increase in capital inflows was mainly due to a U.S.\$12.5 billion increase in investments in local assets by foreign investors, from a U.S.\$2.5 billion surplus recorded in 2014 to a U.S.\$15.0 billion surplus recorded in 2015. This increase was partially offset by a U.S.\$6.7 billion increase in investments in external assets by residents, from a U.S.\$3.1 billion deficit recorded in 2014 to a U.S.\$9.4 billion deficit recorded in 2015.

Non-financial public sector. Capital flows decreased from a surplus of U.S.\$5.5 billion in 2014 to a deficit of U.S.\$3.7 billion in 2015. The decrease in net capital inflows reflected a U.S.\$3.3 billion increase in amortization payments and the absence of inflows from issuances in 2015, as compared to the U.S.\$5.0 billion inflow registered in 2014.

Other financial entities. Capital inflows increased to a surplus of U.S.\$1.7 billion in 2015 from a surplus of U.S.\$642 million in 2014. This increase in capital inflows was mainly due to a U.S.\$820 million increase in foreign investment in 2015, reaching U.S.\$1.5 billion, as compared to U.S.\$678 million in 2014.

Foreign Investment Regulation

With the aim of increasing capital inflows, the Government and the Central Bank have introduced a set of measures to eliminate a significant portion of the restrictions affecting the balance of payments. For more information, see "Exchange Rates and Exchange Controls—Exchange Controls." For further explanation of restrictions on capital transfers, see "Monetary System—Foreign Exchange and International Reserves."

Evolution of Portfolio and Foreign Direct Investment

The following table sets forth information on portfolio investment, foreign direct investment and other investment in the Argentine economy.

Flows of Portfolio, Foreign Direct and Other Investment (in millions of U.S. dollars)

	2011	2012	2013	2014	2015
Direct investment					
In Argentina by non-Argentine residents ⁽¹⁾	U.S.\$ 10,840	U.S.\$ 15,324	U.S.\$ 9,822	U.S.\$ 5,065	U.S.\$ 11,979
Outside Argentina by Argentine residents ⁽²⁾	(1,488)	(1,055)	(890)	(1,921)	(875)
Direct investment, net	9,352	14,269	8,932	3,145	11,103
Portfolio investment					
In Argentina by non-Argentine residents ⁽¹⁾	(1,576)	(1,167)	(339)	6,215	(492)
Outside Argentina by Argentine residents ⁽²⁾	(9)	(15)	(19)	(10)	(8)
Derivative financial instruments	(2,356)	(2,908)	32	168	25
Portfolio investment, net	(3,942)	(4,090)	(326)	6,374	(475)
Other investment ⁽³⁾					
In Argentina by non-Argentine residents ⁽¹⁾	11,172	(1,605)	(777)	1,533	11,017
Outside Argentina by Argentine residents ⁽²⁾	(18,612)	(9,972)	(4,370)	(1,640)	(9,339)
Other investment, net	U.S.\$ (7,440)	U.S.\$ (11,577)	U.S.\$ (5,147)	U.S.\$ (107)	U.S.\$ 1,678

(1) Reflects the variation in the value of net local assets owned by non-Argentine residents. If during any period, non-Argentine residents purchased more local assets than they sold, the amount for that period would be positive.

(2) Reflects the variation in the value of the net external assets owned by Argentine residents. If during any period, Argentine residents purchased more external assets than they sold, the amount for that period would be negative.

(3) Includes assets (loans, commercial loans and others) and liabilities (trade credit, loans, arrears and others).

Source: INDEC and Ministry of the Treasury.

Foreign Direct Investment

Foreign direct investment in Argentina increased significantly following the implementation of the Convertibility Regime and the elimination of barriers to foreign investment. A significant portion of the capital inflows in the early to mid-1990s resulted from the privatization of state-owned entities that attracted private foreign capital. Net foreign direct investment in Argentina peaked in 1999 with the completion of the privatization of YPF, a process that started in 1992. In the following years, the Government reversed course and expropriated certain private companies, including 51% of the shares of YPF in 2012. As a result, capital inflows from foreign direct investment declined significantly.

In 2011, net foreign direct investment decreased by 9.8% to U.S.\$9.4 billion as compared to U.S.\$10.4 billion in 2010. This decrease was driven by a U.S.\$493 million decrease in investments made in Argentina by non-residents, primarily related to equity contributions from the non-financial private sector and a U.S.\$523 million increase in investments made abroad by Argentine residents, which resulted from a U.S.\$332 million increase in investments made abroad by the local non-financial private sector and a U.S.\$191 million increase in investments made abroad by the local financial private sector.

In 2012, net foreign direct investment increased by 52.6% to U.S.\$14.3 billion, as compared to U.S.\$9.4 billion in 2011. This increase was mainly driven by a U.S.\$4.5 billion increase in investments made in Argentina by non-residents, primarily related to the investment of profits by the non-financial private sector, and a U.S.\$433 million decrease in investments made abroad by Argentine residents, which resulted from a U.S.\$528 million decrease in investments made abroad by the local non-financial private sector. This decrease was partially offset by a U.S.\$95 million increase in investments made abroad by the local financial private sector.

In 2013, net foreign direct investment decreased by 37.4% to U.S.\$8.9 billion, as compared to U.S.\$14.3 billion in 2012. This decrease was mainly driven by a U.S.\$5.5 billion decrease in investments made in Argentina by non-residents, partially offset by a U.S.\$165 million decrease in investments made abroad by Argentine residents.

In 2014, net foreign direct investment decreased by 64.8% to U.S.\$3.1 billion, as compared to U.S.\$8.9 billion in 2013. This decrease was mainly driven by a U.S.\$4.8 billion decrease in investments made in Argentina by non-residents, and a U.S.\$1.0 billion increase in investments made abroad by Argentine residents.

In 2015, net foreign direct investment increased by U.S.\$8.0 billion to U.S.\$11.1 billion, as compared to U.S.\$3.1 billion in 2014. This increase was mainly driven by a U.S.\$6.9 billion increase in investments made in Argentina by non-residents and a U.S.\$1.0 billion decrease in investments made abroad by Argentine residents.

Portfolio Investment

Portfolio investments, consisting of the purchase of stocks, bonds or other securities, tend to be highly liquid and short-term, making them particularly responsive to fluctuations in the market.

In 2011, net portfolio investment recorded a U.S.\$3.9 billion deficit as compared to the U.S.\$10.8 billion surplus recorded in 2010. This deficit mainly resulted from a decrease in net sales of assets made within Argentina to foreign investors, which decreased from a surplus of U.S.\$8.9 billion in 2010 to a deficit of U.S.\$1.6 billion in 2011.

Inflows related to transactions with derivative financial instruments decreased by U.S.\$3.1 billion in 2011, resulting in a U.S.\$2.4 billion deficit as compared to a U.S.\$712 million surplus in 2010.

In 2012, the deficit in net portfolio investment increased to a U.S.\$4.1 billion as compared to a U.S.\$3.9 billion deficit registered in 2011. This deficit increase was mainly due to a U.S.\$552 million increase in outflows related to transactions with derivative financial instruments, resulting in a U.S.\$2.9 billion deficit as compared to a U.S.\$2.4 billion deficit in 2011. This deficit was partially offset by a U.S.\$410 million decrease in the deficit in net sales of assets made within Argentina to foreign investors, which decreased from a deficit of U.S.\$1.6 billion in 2011 to a deficit of U.S.\$1.2 billion in 2012.

The balance in net portfolio investment increased to a U.S.\$326 million deficit in 2013 from a U.S.\$4.1 billion deficit in 2012. Net inflows related to transactions with derivative financial instruments increased by U.S.\$2.9 billion in 2013, resulting in a U.S.\$32 million surplus as compared to a U.S.\$2.9 billion deficit in 2011. Net sales of assets made within Argentina to foreign investors increased from a deficit of U.S.\$1.2 billion in 2012 to a deficit of U.S.\$339 million in 2013.

In 2014, the surplus in net portfolio investment increased from a U.S.\$326 million deficit in 2013 to a U.S.\$6.4 billion surplus in 2014. Net sales of assets made within Argentina to foreign investors increased from a deficit of U.S.\$339 million in 2013 to a surplus of U.S.\$6.2 billion in 2014. Net inflows related to transactions with derivative financial instruments increased by U.S.\$136 million in 2014, resulting in a U.S.\$168 million surplus as compared to a U.S.\$32 million surplus in 2013.

In 2015, the surplus in net portfolio investment decreased from a U.S.\$6.4 billion in 2014 to U.S.\$475 million in 2015. This decrease mainly resulted from a decrease in net sales of assets made within Argentina to foreign investors, which decreased from a surplus of U.S.\$6.2 billion in 2014 to a surplus of U.S.\$492 million in 2015.

Inflows related to transactions with derivative financial instruments decreased by U.S.\$143 million in 2015, resulting in a U.S.\$25 million surplus as compared to a U.S.\$168 million surplus in 2014.

Other Investment

Other investment includes data on other assets and liabilities of the non-financial public sector, the non-financial private sector, the financial sector and the Central Bank:

- assets of the non-financial public sector include loans from bi-national bodies and contributions to international organizations;
- assets of the financial sector include foreign currency holdings and deposits in foreign banks;

- assets of the private sector include foreign assets of Argentine companies who are involved in exports as well as assets related to direct trade financing including, among others, foreign assets;
- financial sector liabilities include deposits by non-residents in the domestic financial system, credit facilities opened by residents abroad and financial assistance by international organizations to resident entities;
- Central Bank liabilities include transactions between the Central Bank and international organizations (such as the IMF) and the purchase of Central Bank securities by non-residents;
- non-financial private sector liabilities include loans from private sources such as loans from international organizations, banks, suppliers, and official agencies; and
- non-financial public sector liabilities include loans to the public sector granted by international organizations, banks, official agencies and other governments.

In 2011, the other investment deficit decreased by 46.5% to U.S.\$7.4 billion. During this period, investments made abroad by Argentine residents increased by 98.2% to U.S.\$18.6 billion from U.S.\$9.4 billion in 2010. The increase in investments made abroad by Argentine residents was mainly due to a U.S.\$9.0 billion increase in outflows related to the acquisition of foreign assets by the resident non-financial private sector. This increase was offset by a U.S.\$7.9 billion increase in inflows from loans granted by multilateral credit organizations to the Central Bank. In addition, in 2011, the non-financial public sector and Central Bank's arrears increased to U.S.\$153 million from an outflow of U.S.\$6.8 billion in 2010, primarily as a result of unpaid debt that came due in 2011.

In 2012, the other investment deficit increased by 55.6% to U.S.\$11.6 billion. During this period, investments made abroad by Argentine residents decreased by 46.4% to U.S.\$10.0 billion from U.S.\$18.6 billion in 2011. This decrease was mainly caused by an U.S.\$8.3 billion reduction in the acquisition of other foreign assets by the local non-financial private sector. In the same period, non-resident investment in Argentina decreased resulting in an outflow of U.S.\$1.6 billion from an inflow of U.S.\$11.2 billion registered in 2011, primarily as a result of a decrease in net loans to the Central Bank, reaching a U.S.\$2.0 billion deficit as compared to a U.S.\$5.0 billion surplus in 2011.

In 2013, the other investment deficit decreased by 55.5% to U.S.\$5.1 billion. During this period, investments made abroad by Argentine residents decreased by 56.2% to U.S.\$4.4 billion from U.S.\$10.0 billion in 2012 and non-resident investment in Argentina decreased, resulting in an outflow of U.S.\$0.8 billion from an outflow of U.S.\$1.6 billion in 2012.

In 2014, the other investment deficit decreased by 97.9% to U.S.\$107.0 million. During this period, investments made abroad by Argentine residents decreased by 62.5% to U.S.\$1.6 billion from U.S.\$4.4 billion in 2013, while non-resident investment in Argentina increased resulting in an inflow of U.S.\$1.5 billion from an outflow of U.S.\$0.8 billion in 2013.

In 2015, other investments increased by U.S.\$1.8 billion, resulting in a surplus of U.S.\$1.7 billion. During this period, investments made abroad by Argentine residents increased by U.S.\$7.7 billion to U.S.\$9.3 billion from U.S.\$1.6 billion in 2014, while non-resident investment in Argentina resulted in an inflow of U.S.\$11.0 billion compared to U.S.\$1.5 billion in 2014.

International Reserves

As of December 31, 2015, the gross international reserve assets of the Central Bank totaled U.S.\$25.6 billion, compared to U.S.\$31.4 billion as of December 31, 2014. For more information regarding the change in gross international reserves deposited at the Central Bank see "Monetary System—Foreign Exchange and International Reserves."

MONETARY SYSTEM

The Central Bank

Founded in 1935, the Central Bank is the principal monetary and financial authority in Argentina. The Central Bank operates pursuant to its charter and the *Ley de Entidades Financieras* (Financial Institutions Law).

The Central Bank is governed by a ten-member board of directors, which is headed by the president of the Central Bank. The president of the Central Bank and the members of the board of directors are appointed by the president and confirmed by the Senate. They serve for fixed terms of six years, may be reappointed and may be removed by the president only for cause. Under the terms of its charter, the Central Bank must operate independently from the Government.

On December 11, 2015, newly elected President Macri issued Decree 36/2015 appointing Mr. Federico Adolfo Sturzenegger as president of the Central Bank. Mr. Sturzenegger assumed the presidency of the Central Bank on the date of his appointment, however, as of the date of this annual report, the Senate has not yet confirmed his appointment. On December 11, 2015, five new members of the board of directors were also appointed by President Macri and remain subject to Senate confirmation.

Under the Central Bank's charter, as most recently amended in 2012, the Central Bank, among other things:

- must promote monetary and financial stability, employment and economic growth with social equity;
- is empowered to regulate interest rates and regulate and guide lending activities;
- may grant exceptional advances to the Government in an amount up to the equivalent of 10% of the revenues collected by the Government in the preceding 12-month period;
- must hold and manage the international reserves, including gold and foreign currency;
- must implement the exchange rate policy in accordance with applicable legislation; and
- must act as financial agent of the Government and contribute to the proper functioning of capital markets, regulate any activity connected with the financial system and foreign exchange transactions and protect the rights of consumers of financial services.

Monetary Policy

Background

From 1991 through 2001, Argentina's monetary policy was governed by the Convertibility Law of 1991, which pegged the peso to the U.S. dollar at a one-to-one exchange rate and required the Central Bank to maintain international monetary reserves at least equal to the monetary base (consisting of domestic currency in circulation and financial institutions' peso-denominated deposits with the Central Bank). During the Convertibility Regime, the peso appreciated in real terms and the Central Bank did not have the necessary tools to react to the external shocks that affected the Argentine economy, such as the Mexico Crisis in 1995 and the Asian Crisis in 1997. In addition, commencing in 1995 the Argentine Government increased its reliance on the international capital markets to finance its operations, creating additional demand for foreign exchange reserves at the pegged rate. By December 2001, continued capital flight from the Argentine economy had made the Convertibility Regime unsustainable. On January 6, 2002, Congress enacted the Public Emergency Law, effectively bringing an end to the Convertibility Regime by eliminating the requirement that the Central Bank's gross international reserves be at all times equal to at least 100% of the monetary base. The Public Emergency Law abolished the peg between the peso and the U.S. dollar and granted the executive branch the power to regulate the foreign exchange market and to establish exchange rates.

In 2002, Mr. Alfonso Prat-Gay was appointed president of the Central Bank. During his tenure (which ended in 2004), the Central Bank implemented a series of measures designed to restore monetary stability and bolster the international reserves of the Central Bank. These measures included the elimination of the quasi-currencies issued by several provinces during the 2001-2002 crisis, the recapitalization of several financial institutions that were affected by the decree mandating asymmetric pesification of their balance sheets in 2002, the adoption of inflation targets intended to limit the impact of an acceleration of economic growth, an increase in the Central Bank's international reserves, the expansion of the financial system's lending activities and the encouragement of capital market transactions as a source of financing economic growth.

During the last quarter of 2004, the Central Bank began accumulating international monetary reserves and implemented various measures to manage the increasing monetary base.

During the second half of 2007, in response to tightening credit markets, the Central Bank intervened in the foreign exchange market to manage increasing volatility in the exchange rate, provided liquidity to local banks and expanded the monetary base.

Starting in the second half of 2008, in response to the global financial crisis, the Central Bank intervened to avoid a significant depreciation of the peso and to provide additional liquidity to the market. The Central Bank's actions included, among other measures, managing the yields on repo loans, auctioning put options on LEBACs and NOBACs and reducing the minimum reserve requirements in foreign currency for financial institutions. These measures allowed banks to keep their liquidity ratios within appropriate levels and sought to stimulate lending by banks.

In late 2009, the Government issued a *Decreto de Necesidad y Urgencia* (emergency decree) making foreign reserves held by the Central Bank available for external debt payments. Resistance from the Central Bank's president, Mr. Martín Redrado, who succeeded Mr. Prat-Gay in 2004, to transfer Central Bank reserves for this use led to a standoff between the administration and the Central Bank, which ultimately resulted in Mr. Redrado's resignation in January 2010 and renewed concerns over governability, political stability and debt sustainability. Ms. Mercedes Marcó del Pont was appointed president of the Central Bank and her tenure, which ended with her resignation on November 18, 2013, was marked by monetary policies designed to accommodate the fiscal needs of the Government, as well as the decision to promote economic growth by expanding domestic demand at the expense of monetary stability.

On February 18, 2010, President Fernández de Kirchner created the Council for the Coordination of Monetary, Financial and Exchange Rate Policies (the "Council"). The Council was chaired by the Minister of Economy and Public Finances and included two additional members of the Ministry of the Treasury (the Secretary of Economic Policy and the Secretary of Finance), as well as three members of the Central Bank (the president, the vice-president and one additional member of the board of the Central Bank).

Following the amendment of the Central Bank's charter in 2012, the Central Bank adopted various monetary policy initiatives and provided continued financing to the Government. As pressure on the peso began to develop, the Central Bank effectively implemented a multiple exchange rate regime that was favorable to exports, discouraged imports but favored overseas tourism by Argentine residents, contributing to the continued erosion of the Central Bank's international monetary reserves.

Following Ms. Marcó del Pont's resignation on November 18, 2013, President Fernández de Kirchner appointed Mr. Juan Carlos Fábrega as president of the Central Bank. During Mr. Fábrega's administration, which ended on October 10, 2014, attempts were made to restore monetary stability that were short-lived. Foreign exchange policy, however, remained within the purview of the Ministry of Finance, giving rise to inconsistent monetary and foreign exchange policies.

On February 2, 2014, President Fernández de Kirchner appointed the then acting chairman of the CNV, Mr. Alejandro Vanoli, as president of the Central Bank. During 2014 and 2015, the Central Bank continued to finance the Government's fiscal deficit. The Central Bank reinforced limitations on access to foreign exchange, which resulted in the continued depletion of international monetary reserves, which decreased from U.S.\$31.4 billion as of December 31, 2014, to U.S.\$25.6 billion as of December 31, 2015. In

November 2015, the Central Bank sold 180-day future dollar contracts at rates that were inconsistent with international market rates to allay increasing fears of a significant depreciation of the peso.

As of December 2015, the Central Bank adopted, among others, the following series of measures intended to correct distortions that resulted from policies implemented under the Fernandez de Kirchner administration:

- **Foreign exchange market:** The peso was allowed to float, dismantling the unofficial multiple exchange rate regime, foreign exchange transfers for current transactions were again permitted. A program to bring current payments due an account of imports was approved, and the Central Bank swapped a renminbi position into U.S dollars to further bolster its international monetary reserves.
- **Inflation:** The Central Bank announced its decision to implement a long-term monetary policy based on inflation targeting, and to rely on short-term interest notes as its primary monetary policy tool.
- **International Reserves:** A swap of non-transferable notes of the Government into marketable securities allowed the Central Bank to strengthen its balance sheet and improve its reserves position.

The Central Bank's Policy Objectives for 2016

The Central Bank has set the following policy objectives for 2016:

- *Recover monetary stability:* the Central Bank will focus its policy on restoring monetary stability and gradually reducing inflation rates to levels consistent with those of other emerging markets that manage monetary policy, with inflation targets. By shifting to inflation targeting, the Central Bank expects to no longer use exchange rate policies to determine inflation objectives. The nominal anchor of the Central Bank's monetary policy will be the monetary rate, and its policies will be based on predetermined inflation targets. The Central Bank's principal tool to implement its monetary policy objectives will be short-term interest rates. To regulate market liquidity, the Central Bank will conduct periodic auctions of Central Bank peso-denominated notes. The peso has been allowed to float and the Central Bank will intervene to preserve the orderly operation of the foreign exchange market.
- *Ensure the stability and promote the growth of the financial system:* Argentina's financial system is underdeveloped, with limited access to financial services in certain regions. The ratio of loans to GDP was less than 13% as of December 31, 2015 and total deposits within the financial system represented less than 15% of GDP. At the same time, Argentina's financial system has maintained high levels of profitability and strong asset quality, and limited exposure to duration or currency mismatches. To promote the growth of the financial system and financial intermediation generally, the Central Bank will seek to adopt an account unit linked to the price index to enhance savings in pesos, continue initiatives to promote the use and accessibility of financial services by authorizing the expansion of branches and ATM networks and support SMEs by extending the availability of the *Línea de Créditos para la Inversión Productiva* (Credit Line for Productive Investments).
- *Increase access to banking and financial intermediation services:* the Central Bank expects to continue promoting measures designed to reduce the use of cash to settle transactions and increase electronic means of payment. Initiatives such as the Credit Line for Productive Investments could be maintained, targeting aggregate lending in amounts equal to 14% of total deposits held with the banking system.

Monetary Policy

As of the date of this annual report, the Central Bank's monetary policy is based on the following guidelines:

- use short-term interest rates as its principal tool to implement monetary policy, which will be based on inflation targets. The Central Bank will adjust monetary aggregates based on its observation of inflation trends; and
- with respect to the foreign exchange and internal reserves policy, maintaining a managed floating exchange rate regime to limit exchange rate volatility and thereby limit the impact of any internal or external shocks to the Argentine economy.

The Central Bank maintains a policy of foreign reserve accumulation and monetary sterilization to counteract the effect of the increasing monetary base. The main instruments that the Central Bank uses as a means to manage liquidity in the monetary markets include:

- collateralized loans (*redescuentos*);
- repurchase agreements (*pases*);
- management of minimum reserve requirements; and
- short-term notes (LEBACs) and long-term notes (NOBACs) issued by the Central Bank.