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February 25, 1986

To: Members of the Executive Board
From: The Secretary
Subject: Argentina - Recent Economic Developments

This paper provides background information to the staff report on the 1985 Article IV consultation discussions with Argentina and review of its stand-by arrangement which was circulated as EBS/86/39 on February 21, 1986.

Mr. Stuart (ext. 8602) is available to answer technical or factual questions relating to this paper prior to the Board discussion.

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INTERNATIONAL MONETARY FUND
ARGENTINA

Recent Economic Developments

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Approved by the Western Hemisphere and the
Exchange and Trade Relations Departments

February 20, 1986

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Argentina--Basic Data

Area and population

Area (continental)	2,792,000 sq. kilometers
Population (mid-1984)	30.1 million
Annual rate of population increase (1980-84)	1.6 percent

GDP (1984)

SDR 64.6 billion 1/
US\$66.2 billion 1/
A 5.02 billion
SDR 2,145 1/

GDP per capita (1984)

	1981	1982	1983	1984
		(percent)		
<u>Origin of GDP</u>				
Agriculture, livestock and fishing	13.9	15.6	15.4	15.6
Mining	2.7	2.8	2.8	2.7
Manufacturing	22.4	22.5	24.2	24.5
Construction	6.1	5.1	4.6	3.6
Electricity, gas, and water	3.8	4.1	4.3	4.4
Commerce	14.9	12.9	12.9	13.2
Transport and communications	11.0	11.3	11.4	11.6
Finance and banking	9.2	8.6	7.7	7.5
Other services	16.1	17.0	16.8	16.7

Ratios to GDP

Exports of goods and nonfactor services 1/	20.1	16.5	15.3	15.2
Imports of goods and nonfactor services 1/	21.8	12.4	10.6	10.1
Factor services (net) 1/	-6.4	-8.2	-8.7	-8.6
Current account of the balance of payments 1/	-8.2	-4.1	-4.0	-3.6
General government revenues	25.4	23.0	23.5	23.9
General government expenditures	38.4	36.1	42.0	35.1
Public sector savings	-6.1	-9.0	-7.6	-4.7
Public sector overall balance	-16.7	-18.0	-17.9	-13.1
External debt (end of year)	62.0	74.7	74.1	72.3
Gross national savings	13.4	12.5	14.0	11.5
Gross domestic investment	18.2	18.0	17.9	15.8
Financial system liabilities to private sector (end of year)	38.3	32.6	35.3	34.3

Annual changes in selected economic variables

Real GDP per capita	-7.9	-6.7	1.7	0.8
Real GDP at 1970 prices	-6.5	-5.2	3.4	2.4
GDP at current prices	93.6	169.3	362.5	634.9
Domestic expenditures (at current prices)	89.9	159.8	354.6	646.4
Consumption	100.0	158.1	353.5	669.3
Investment	54.8	167.5	359.2	548.1
GDP deflator	107.0	184.1	347.5	617.6
Wholesale prices (annual average)	110.0	258.1	360.9	574.0
Consumer prices (annual average)	104.5	164.8	343.8	626.7
General government revenues	78.1	144.4	371.5	647.8
General government expenditures	128.8	152.9	439.3	513.7
Financial system liabilities to private sector	102.2	109.6	354.6	526.8
Monetary liabilities	69.7	220.3	368.2	524.7
Other liabilities	114.2	80.5	349.2	527.5
Net domestic assets 2/	120.6	185.1	405.1	550.1
Credit to private sector	103.6	138.2	280.3	348.0
Other 3/	17.0	47.0	124.8	202.1
Merchandise exports (f.o.b. in U.S. dollars)	14.0	-16.6	2.8	3.5
Merchandise imports (c.i.f. in U.S. dollars)	-10.5	-43.4	-15.6	1.8

<u>General government finances 4/</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>
	<u>(millions of australes)</u>			
Revenues	13.9	34.0	160.2	1197.9
Expenditures	21.0	53.2	287.0	1761.4
Current account surplus	-2.3	-7.6	-34.1	-161.5
Overall surplus	-7.1	-19.2	-126.8	-563.5
External financing (net)	2.2	2.7	1.9	-69.2
Internal financing (net)	4.9	16.5	124.9	632.7
<u>Balance of payments</u>				<u>(billions of U.S. dollars)</u>
Merchandise exports, f.o.b.	9.1	7.6	7.8	8.1
Merchandise imports, c.i.f.	9.4	5.3	4.5	4.6
Travel (net)	-1.1	--	-0.1	-0.1
Interest payments	3.9	4.9	5.4	5.5
Other factor income (net)	0.2	0.2	--	-0.2
Other services and transfers (net)	0.3	--	-0.3	-0.1
Balance on current account	-4.7	-2.4	-2.5	-2.4
Financial loans to nonfinancial public sector	4.1	0.2	-0.5	2.3
Other capital flows	-3.0	-4.0	0.5	-1.7
SDR allocations and valuation adjustments	-0.3	-0.1	-0.3	-0.1
Changes in official net reserves (increase -)	3.9	6.3	2.8	1.9
				<u>December 31</u>
<u>International reserve position</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>
				<u>(billions of SDRs)</u>
Central Bank (gross)	2.8	2.3	2.6	2.7
Central Bank (net)	2.4	-1.8	-4.1	-5.9
Central Bank and Treasury (net)	2.3	-3.2	-6.1	-8.4
<u>IMF data (as of January 31, 1986)</u>				
Article VIII status				
Intervention currency and rate				U.S. dollar at A 0.800
Quota				SDR 1,113.0 million
Fund holdings of Australes				SDR 3,218.1 million
From Fund resources				
Credit tranche purchases (including SBA)				62.1 percent of quota
EFF purchases				None
CFF purchases				71.4 percent of quota
Buffer stock financing purchases				None
Oil facility purchases				None
From supplementary and Enlarged Access Resources				
Stand-by purchases				55.6 percent of quota
EFF purchases				None
Fund holdings under Enlarged Access Policy				55.6 percent of quota
Total Fund holdings				289.1 percent of quota
Special Drawing Rights Department				
Cumulative SDR allocation				SDR 318.4 million
Net acquisition or utilization (-) of SDRs				SDR 32.7 million
Holdings of SDRs (as percent of allocation)				10.3 percent
Share of profits from gold sales				US\$69.9 million
Gold distribution (fine ounces)				376.6 thousand

1/ GDP in U.S. dollars is derived by converting GDP in australes using the U.S. dollar/austral exchange rate that would maintain the rate at its real 1970 level. GDP in SDRs is obtained by converting this estimate for GDP in U.S. dollars using the actual SDR/U.S. dollar exchange rate.

2/ Change as a percentage of liabilities to the private sector at the beginning of the period.

3/ Includes credit to the nonfinancial public sector and the operating losses of the Central Bank.

4/ Budget (commitment) basis.

I. Overview

In the first nine months of 1984 the Constitutional Government which had taken office in December 1983 attempted to lower inflation by setting each month certain key variables (prices of public sector goods and services, prices of goods subject to price controls, the rate of currency depreciation, and regulated interest rates) in line with a projected decline in inflation. However, an attempt to raise real wages by decreeing nominal wage adjustments higher than the rate of price increase, together with an accommodating financial policy, led to a worsening of inflation; the consumer price index rose at a monthly rate of almost 23 percent in the third quarter of 1984, compared with an average of 18 percent in the fourth quarter of 1983. During the first nine months of 1984, the Argentine currency appreciated considerably in real terms; also, the relative prices charged by public enterprises declined and the system of price controls led to growing distortions in the industrial sector. Meanwhile, the recovery of economic activity that had begun in the second half of 1982, based on a pick-up in consumer spending, faltered in mid-1984.

Beginning in October 1984, as part of an economic program supported by a stand-by arrangement from the Fund, credit policy was tightened markedly and there also were substantial corrective adjustments in the exchange rate and public sector prices and some relaxation of price controls. The rate of price increase declined to 18 percent a month in the fourth quarter of 1984, and there was a major improvement in the balance of payments. However, the adjustment effort was not sustained in the first quarter of 1985. Financial policy was relaxed and once again the rate of depreciation of the currency and adjustments in public sector prices lagged behind inflation. Catch-up wage increases were decreed in January and March as the rate of price increase exceeded official projections. By March 1985 the monthly rate of increase in consumer prices had risen to 26 1/2 percent. The balance of payments deficit widened and new delays were experienced in negotiations with foreign creditors.

In the course of the second quarter of 1985, the authorities again tightened credit conditions and moved to correct relative prices. The rate of currency depreciation was increased and there was a substantial step adjustment of the exchange rate in early June. Public sector prices were raised sharply in May and again in early June and price controls were relaxed. To facilitate the correction of relative prices, monthly wage increases were limited to 90 percent of the increase in prices in the previous month, with no provision for catch-up adjustments. In the second quarter of 1985, the increase in consumer prices averaged over 28 percent a month.

In the second quarter of 1985, therefore, the Argentine economy was experiencing serious difficulties. Prices rose by more than 1,000 percent during the year ended in the second quarter of 1985 (from the second quarter of 1984 to the second quarter of 1985) compared with

550 percent during the year ended in the second quarter of 1984. Economic activity was in a downturn and in the second quarter of 1985 real GDP was some 3 1/2 percent below its level a year earlier (Table 1). On the external side, there was a widening in the current account and overall balance of payments deficits in the first half of 1985 compared with the same period a year earlier. Discussions with foreign bank creditors on a new money package and on the rescheduling of maturities to foreign banks falling due since April 1982 had yet to be concluded and large external payments arrears remained.

Table 1. Argentina: Inflation and Output
(Percentage change during four-quarter period)

	1980:II -1981:II	1981:II -1982:II	1982:II -1983:II	1983:II -1984:II	1984:II -1985:II
Consumer prices	89.2	130.3	312.6	556.9	1,025.9
Wholesale prices	80.1	194.3	381.7	544.3	994.5
GDP at 1970 prices	-0.7	-10.6	4.2	3.9	-3.4
Consumption	3.1	-17.8	6.8	5.8	-5.5
Investment	-17.6	-19.7	-5.6	-10.1	-14.6

Source: Central Bank of Argentina.

On June 14, 1985, the Government introduced an economic plan designed to eliminate inflation. The plan included a major reduction in the deficit of the public sector and a monetary program that involved almost no expansion of central bank credit. The tightening of financial policy was accompanied by a wage price freeze and a pegging of the exchange rate to the U.S. dollar. The program also included the adoption of a new currency (the austral) and a monetary reform to deal with the problem of indexation of financial assets and to avoid large windfall gains and losses for creditors and debtors resulting from a sudden unexpected drop in the rate of price increase.

In the months following the adoption of the economic plan there was a marked reduction in the fiscal deficit; the rate of growth of money continued at a relatively high rate but this reflected a major strengthening in the balance of payments rather than an expansion of central bank credit. The rate of inflation declined sharply, with the consumer price index rising an average of 3 percent a month from June to December, and wholesale prices by just above 1/2 percent a month in this period. On average, there was a sharp decline in output in the third

quarter of 1985, but it would appear that this resulted from a sharp downturn in activity in June and July; monthly indicators suggest that in the course of the third quarter there was a pickup in activity, which continued into the fourth quarter. In September 1985 Argentina reached agreement with foreign bank creditors on the rescheduling of maturities due since April 1982 and on a new money package of US\$4.2 billion.

II. Output, Labor Market, and Price Developments

1. Gross domestic product

Nominal GDP in current prices rose by almost 650 percent in 1984, compared with about 350 percent in 1983 and 170 percent in 1982 (Table 2). Real GDP rose by only 2 1/2 percent in 1984 compared with 3 1/2 percent in 1983, and the economic recovery that had begun in mid-1982 came to an end in mid-1984 (Chart 1). After allowing for the reduction in net factor payments abroad in real terms (reflecting the real appreciation of the Argentine currency) which more than offset the effects of a worsening in Argentina's terms of trade, real national income grew by almost 3 1/2 percent in 1984, about the same as in 1983.

Table 2. Argentina: GDP, National Income, and Prices

(Annual percentage change)

	1981	1982	1983	1984	1985
GDP at current market prices	93.2	169.6	362.5	634.9	...
GDP at 1970 market prices	-6.5	-5.2	3.4	2.4	-4.1 ^{1/}
Real GDP per capita	-7.8	-6.4	2.3	1.3	...
National income at 1970 prices	-9.4	-14.7	3.3	3.4	...
GDP deflator	106.6	184.4	347.3	617.7	...
Consumer prices					
Annual average	104.5	164.7	343.8	585.3	672.1
Year-end	131.3	209.7	433.7	688.0	385.4
Wholesale prices					
Annual average	109.6	256.2	360.8	543.5	662.9
Year-end	180.2	311.3	424.1	624.0	405.7

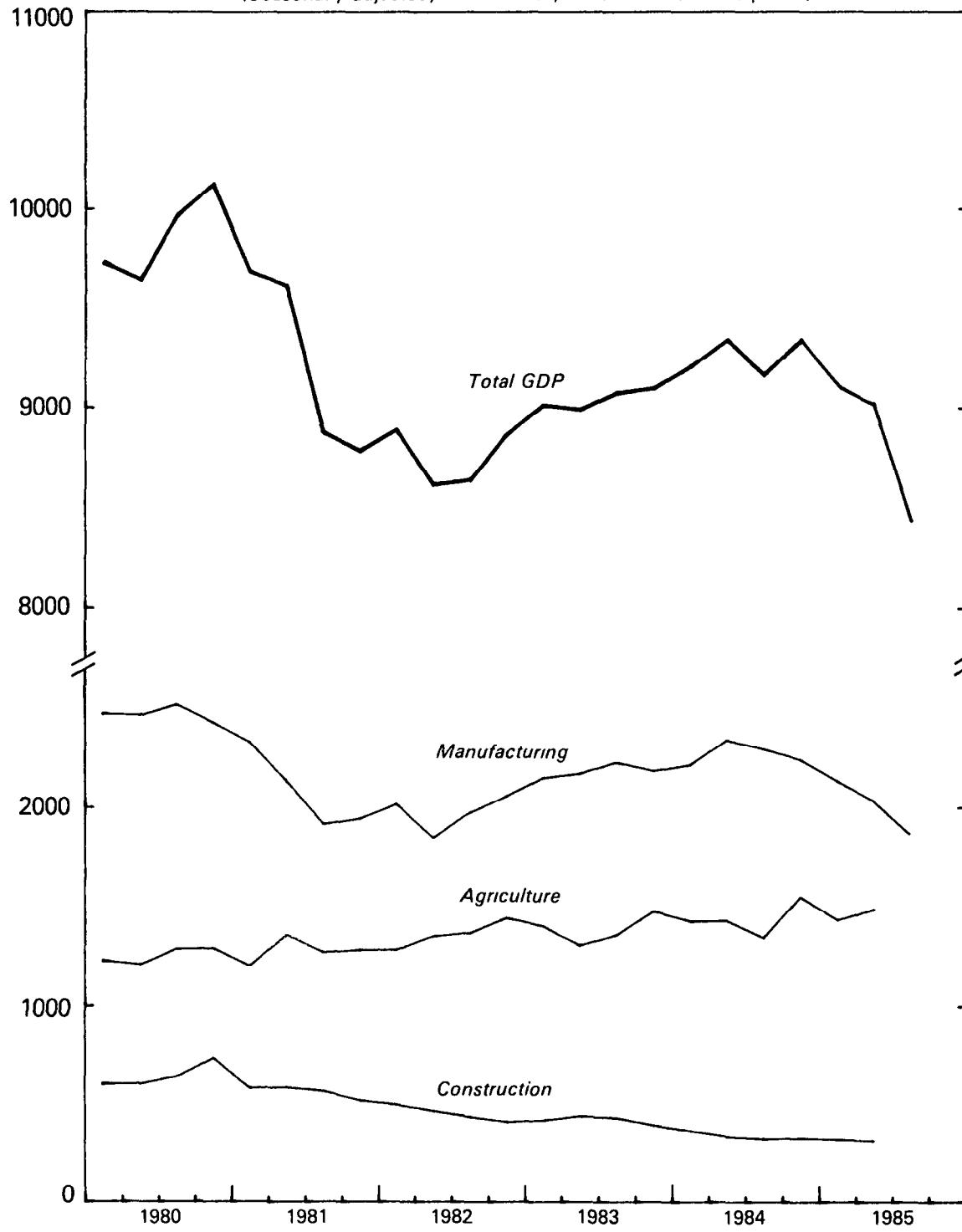
Source: Central Bank of Argentina.

^{1/} The average of the first three quarters of 1985 compared with the average of the same period in 1984.

Gross domestic expenditure in constant prices rose by more than 3 percent in 1984, compared with less than 2 percent in 1983, reflecting a pickup in the rate of growth of private consumption. Public consumption declined slightly in 1984 after rising substantially in 1983, and investment declined at a faster rate in 1984 than in 1983 as both public and private investment dropped (Table 3). The change in the

CHART 1
ARGENTINA
GROSS DOMESTIC PRODUCT

(Seasonally adjusted, annual rates; in australes at 1970 prices)



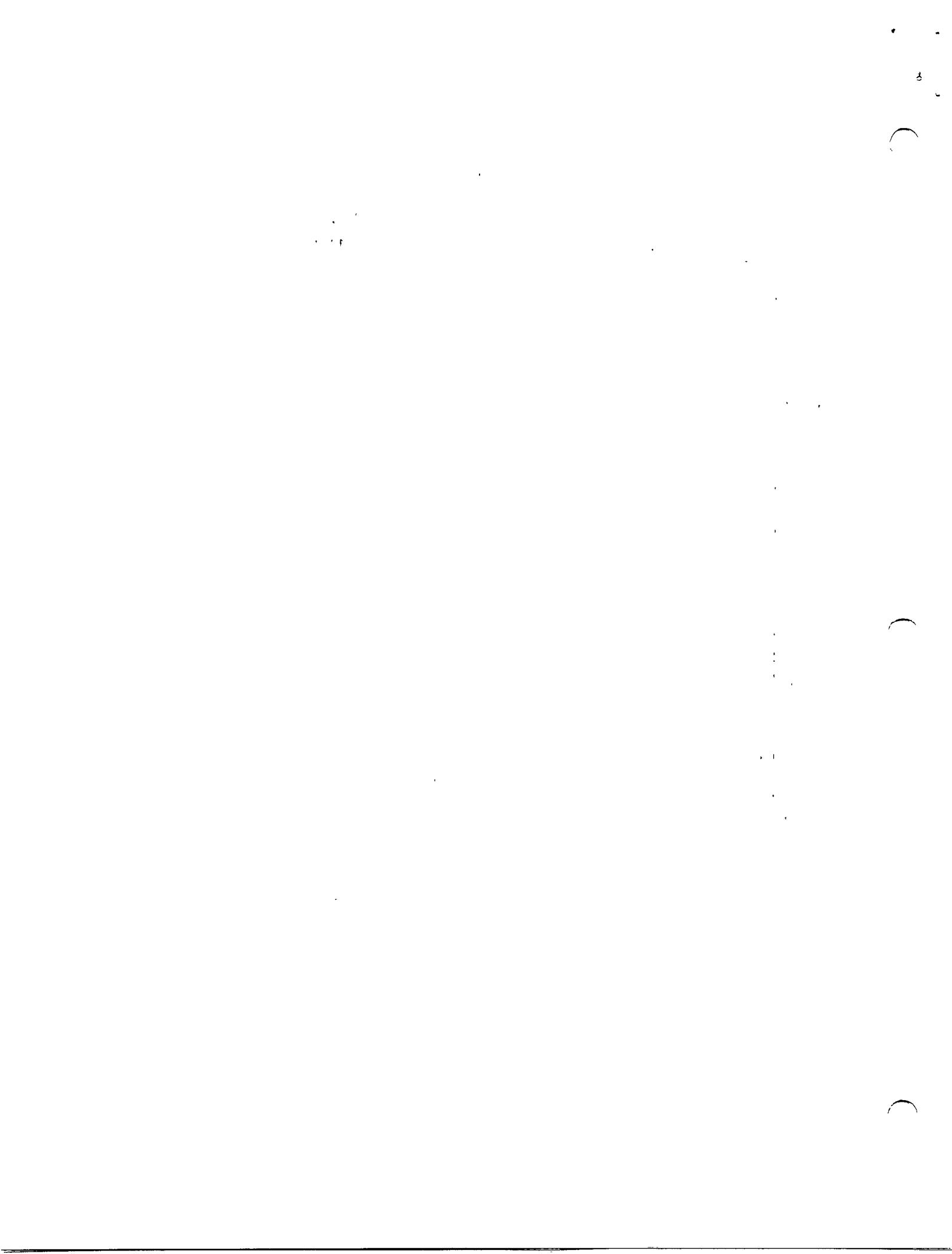


Table 3. Argentina: Changes in Expenditure and Output

(Percentage change from previous year)

	1981	1982	1983	1984	1984 IV	1985		
						I	II	III
(In 1970 prices)								
<u>GDP at market prices</u>	-6.5	-5.2	3.4	2.4	2.8	-1.0	-3.4	-7.8
<u>Gross domestic expenditure</u>	-7.6	-11.6	1.8	3.2	5.7	1.2	-7.7	-12.7
Consumption	-3.2	-10.8	4.0	6.3	5.9	-1.0	-6.7	-10.3
Private	-3.5	-10.9	3.7	7.6				
Public	-1.3	-10.1	6.1	-0.8				
Investment	-23.3	-15.4	-8.6	-13.4	4.6	21.3	-13.7	-29.3
Of which: private fixed								
capital formation	-21.8	-26.4	-3.8	-10.5				
public fixed								
capital formation	-10.1	-22.0	0.6	-12.8				
<u>Exports of goods and nonfactor services</u>	7.9	1.5	8.4	-0.7	-13.6	-8.4	15.1	17.0
<u>Imports of goods and nonfactor services</u>	-3.8	-42.1	-4.7	6.3	11.9	9.1	-13.9	-19.3
(In current prices)								
<u>GDP at market prices</u>	93.2	169.6	362.5	634.9				
<u>Gross domestic expenditure</u>	89.9	159.8	354.6	646.4				
Private consumption	101.5	166.4	335.2	670.5				
Public consumption	92.2	114.5	473.1	663.2				
Investment	54.8	167.5	359.2	548.1				
Of which: private fixed								
capital formation	56.0	127.2	398.6	571.3				
public fixed								
capital formation	75.3	156.0	400.2	512.5				
<u>Exports of goods and factor services</u>	166.1	284.0	404.2	539.9				
<u>Imports of goods and nonfactor services</u>	111.3	179.2	342.8	604.4				

Source: Central Bank of Argentina.

external balance, which in 1983 had accounted for almost one half of the growth in real GDP, turned negative in 1984; the volume of exports of goods and services declined slightly in 1984, while imports rose by more than 6 percent in real terms.

National saving declined from 14 percent of GDP in 1983 to 11 1/2 percent of GDP in 1984, despite a substantial reduction in the dissaving of the public sector (Table 4). In the period 1980-83, the private sector had set aside an increasing proportion of income to add to nominal money balances as inflation mounted and private saving relative to GDP increased steadily; however, in 1984 private saving declined sharply, probably reflecting the increase in real wages in that year. The use of external saving relative to GDP increased in 1984 but this was more than offset by the decline in national saving, and gross domestic investment declined to less than 16 percent in 1984 from about 18 percent in 1983.

Output dropped markedly in the third quarter of 1984 and, after picking up in the fourth quarter owing to a rise in agricultural production, declined further in the first half of 1985 (Table 5). During the year ended in the second quarter of 1985 real GDP fell by almost 3 1/2 percent; real domestic expenditure went down by almost 7 percent as both consumption and investment fell, more than offsetting an improvement in the real trade balance. All sectors of the economy except agriculture and utilities registered declines in output during the year ended in the second quarter of 1985 (Table 6).

Table 4. Argentina: Saving and Investment Relative to GDP 1/

	1980	1981	1982	1983	1984
<u>National savings</u>	<u>19.6</u>	<u>13.4</u>	<u>12.5</u>	<u>14.0</u>	<u>11.5</u>
Private sector	18.1	20.3	22.0	23.6	18.9
Public sector	1.5	-6.9	-9.5	-9.6	-7.4
<u>Gross domestic investment 2/</u>	<u>22.7</u>	<u>18.2</u>	<u>18.0</u>	<u>17.9</u>	<u>15.8</u>
Private sector	13.2	8.4	9.5	8.4	7.4
Public sector	9.5	9.8	8.5	9.5	8.4
<u>External saving</u>	<u>3.2</u>	<u>4.8</u>	<u>5.5</u>	<u>3.9</u>	<u>4.3</u>
Capital inflow	1.5	1.1	-8.9	-0.2	1.3
Nonfinancial public sector	1.9	4.5	-1.4	0.5	3.7
Private 3/	-0.4	-3.4	-7.5	-0.7	-2.4
<u>Valuation adjustment 4/</u>	<u>-0.1</u>	<u>-0.3</u>	<u>-0.2</u>	<u>-0.4</u>	<u>-0.2</u>
Change in net international reserves (increase -) 5/	1.8	4.0	14.6	4.5	3.2
<u>Memorandum item</u>					
Change in narrow money balances	4.8	3.5	6.9	8.0	7.2

Source: Central Bank of Argentina.

1/ Public sector data are on a budget execution basis; the dissaving of the public sector in 1983 and 1984 includes the operating losses of the Central Bank.

2/ Data for the public sector include fixed investment and other capital expenditure of the nonfinancial public sector; private sector investment is the difference between total gross domestic investment taken from the national accounts, and capital expenditure by the nonfinancial public sector.

3/ Includes trade credits of the nonfinancial public sector and the private sector, direct investment, trade-related leads and lags, and errors and omissions.

4/ Includes SDR allocations.

5/ Payments arrears are treated as reserve liabilities.

Table 5. Argentina: Quarterly Movements in Output

(Seasonally adjusted percentage change from previous quarter at annual rates)

	1984				1985		
	I	II	III	IV	I	II	III
Real GDP	4.8	5.9	-7.3	7.9	-9.3	-4.2	-22.9
Manufacturing output	5.3	24.2	-7.3	-9.0	-17.7	-17.6	-29.6

Source: Central Bank of Argentina.

2. Sectoral composition of output

a. Agriculture and livestock

The agricultural sector in Argentina has generally outperformed the rest of the economy since the early 1970s, and despite declines in world prices and adverse movements in relative prices in Argentina of the main agricultural commodities in the past year, activity in the sector continued to increase through the first half of 1985. Agricultural output rose by more than 3 1/2 percent in 1984, and in the first half of 1985 output was about 2 percent higher than a year earlier. Within the sector, crop production continued to be largely responsible for the relatively good performance; crop output increased by 7 1/2 percent in 1984 and 3 percent in the first half of 1985 (Table 7).

Table 6. Argentina: Gross Domestic Product
(at Factor Cost) in 1970 Prices

(Percentage change from one year earlier)

	GDP	Agric- ture	Mining	Manu- factur- ing	Construc- tion	Electri- city, Gas, Water	Services
1980	1.1	-5.5	5.8	-3.8	1.1	7.8	4.9
1981	-6.5	1.9	0.6	-16.0	-13.8	-1.1	-3.6
1982	-5.2	6.9	0.3	-4.7	-19.8	3.1	-7.8
1983	3.4	1.9	2.1	10.8	-6.8	8.0	1.2
1984	2.4	3.7	-0.9	4.0	-20.1	6.5	3.2
<u>1983</u>							
1st quarter	1.5	9.1	0.6	6.7	-16.5	5.4	-1.2
2nd quarter	4.2	-4.5	0.9	17.7	-4.7	8.9	1.6
3rd quarter	4.8	-1.9	3.2	13.0	-1.3	10.7	2.9
4th quarter	3.0	4.2	3.6	6.0	-4.6	6.8	1.5
<u>1984</u>							
1st quarter	2.2	1.5	3.8	2.9	-13.8	10.0	2.7
2nd quarter	3.9	8.9	0.8	7.6	-23.6	6.7	3.1
3rd quarter	0.8	-1.6	-3.2	3.2	-25.4	5.5	2.7
4th quarter	2.8	5.6	-4.4	2.4	-17.0	4.2	4.1
<u>1985</u>							
1st quarter	-1.4	0.4	-6.1	-3.7	-12.9	0.5	--
2nd quarter	-3.4	3.5	-4.3	-13.0	-5.8	1.9	-0.6

Source: Central Bank of Argentina.

Table 7. Argentina: Agricultural Production
(Annual percentage change)

	1980	1981	1982	1983	1984	First Half 1985 1/
Total	-5.5	1.9	6.9	1.9	3.7	1.9
Agriculture	-5.0	2.1	6.7	1.9	3.9	1.9
Of which:						
Crops	-3.6	6.2	9.8	2.1	7.4	3.0
Livestock	-6.6	-3.0	1.6	0.9	-2.3	1.9
Forestry	-25.8	-9.2	16.3	9.9	1.6	1.0
Fishing	-34.4	-3.5	32.5	-8.5	-23.1	-2.5

Source: Central Bank of Argentina.

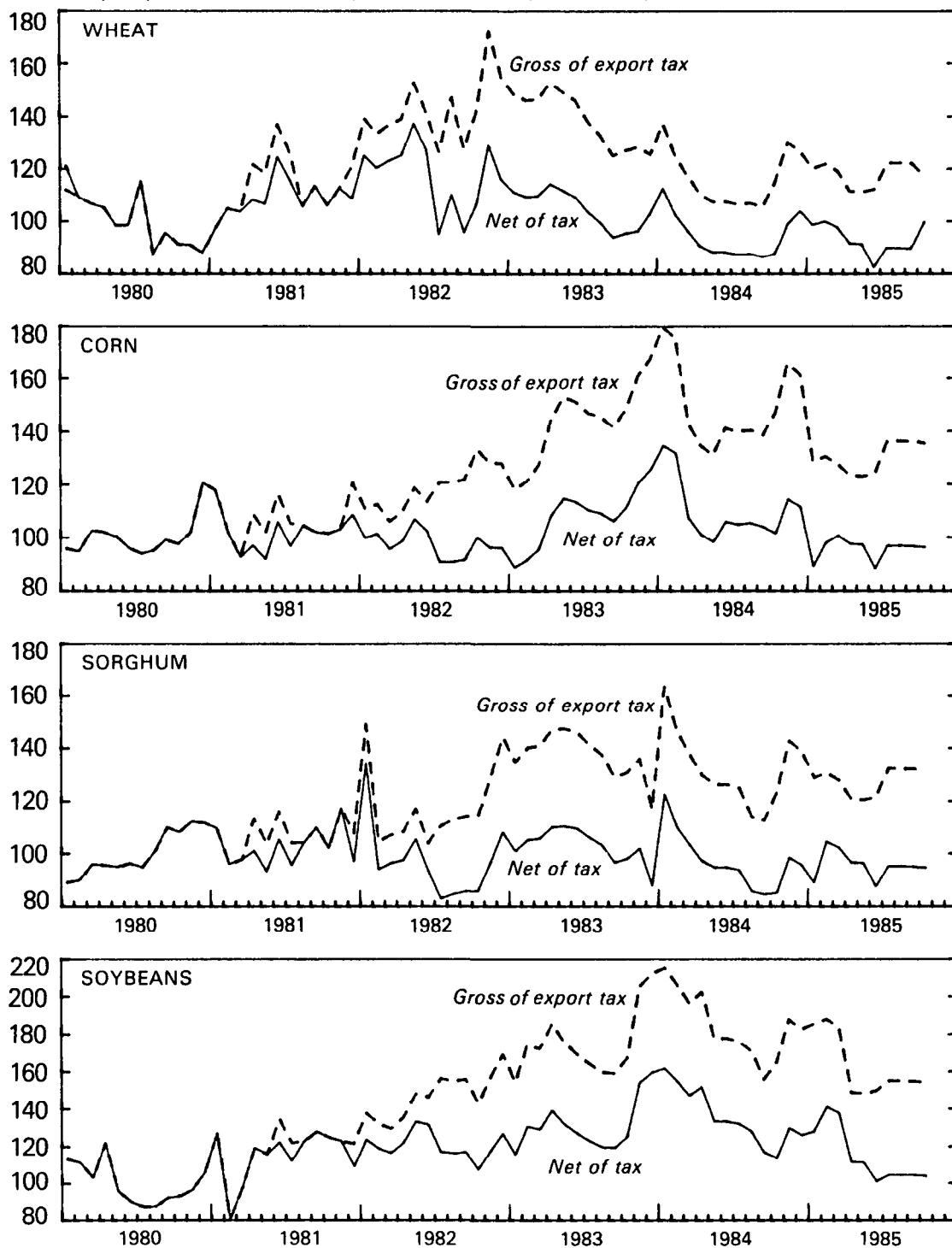
1/ Percentage change from the first half of 1984.

The total production of cereals and oilseeds was a record 44 million tons in the crop year 1984/85, some 7 percent higher than the previous record of 41 million tons in 1983/84. Wheat production totalled 13.3 million tons in 1984/85, 3 percent higher than in 1983/84 and second only to the record output of 15 million tons in 1982/83 (Statistical Appendix Table 36). The area seeded to wheat declined by 17 percent in 1984/85, as the price of wheat fell relative to the prices of other products such as corn and soybeans in the first half of 1984 (when the planting decisions for the 1984/85 crop year were taken) (Chart 2). However, the yield of wheat per hectare increased substantially. The area fertilized increased by 50 percent to about 25 percent of the total area planted to wheat, in large part as the result of a government program that offered fertilizer against future deliveries of wheat at a favorable rate of exchange; also, weather conditions were very good for wheat production. As for other major crops, production of corn and sunflower seed rose by 35 percent in 1984/85 reflecting an increase in the area planted and favorable weather conditions. The area planted to soybeans also rose, but weather conditions at the time of harvest were poor and soybean output declined slightly.

Beef production rose by about 3 percent in 1984 and in the first half of 1985 output was some 11 percent higher than in the same period a year earlier (Table 8). The decline in beef exports that began in 1983 continued in 1984 and the first half of 1985, and domestic consumption

CHART 2
ARGENTINA
EXPORT PRICE INDICES OF MAJOR CROPS

(Export prices in local currency terms, deflated by wholesale price index; indexes 1980=100)



rose sharply; in the first half of 1985, the rate of consumption was 28 percent higher than in 1982. The buildup in the cattle herd that had begun in 1982 continued in the first half of 1984; however, starting in mid-1984 the rate of slaughter picked up markedly as the continued poor prospects for exporting beef as well as the relatively high level of world prices of crops that were planted in the second half of 1984 offered an incentive to move out of the cattle business.

With the large increase in slaughter in the first half of 1985, the relative price of beef fell sharply. In late May-early June beef prices rose by 80 percent on rumors of a government plan (that subsequently was not implemented) to encourage the rebuilding of the cattle herd; nevertheless, at the time of the price freeze the relative price of beef was well below its level of recent years (Statistical Appendix Tables 37 and 38).

Table 8. Argentina: Beef Production and Consumption

(In thousands of tons)

	Production	Exports	Consumption annual rate)	Consumption per Person (In kilos at
1980	2,839	448	2,391	86
1981	2,935	519	2,420	86
1982	2,550	520	2,030	67
1983	2,445	413	2,032	69
1984	2,524	248	2,276	76
<u>1984</u>				
1st half	1,279	150	1,129	76
<u>1985</u>				
1st half	1,420	117	1,303	86

Source: National Meat Board.

b. Manufacturing

The recovery in manufacturing activity that began in mid-1982 was related to the substitution of domestic for foreign products following the imposition of quantitative import controls in the second quarter of 1982 and a pickup in domestic consumption in the second half of 1982.

Although in most industries production did not rise to the levels reached in the late 1970s (Chart 3), capacity constraints may have been felt; there was little or no investment in the sector during the recovery following the reduction of installed capacity in the late 1970s and early 1980s in the face of an opening up of the economy to foreign competition. Employment in the sector increased only modestly during the recovery, and most of the increase in production reflected a cyclical increase in labor productivity (Chart 4).

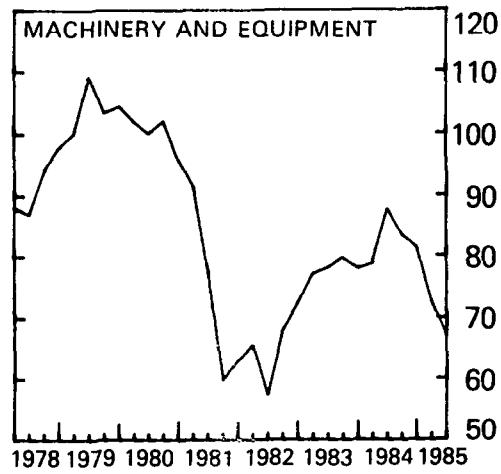
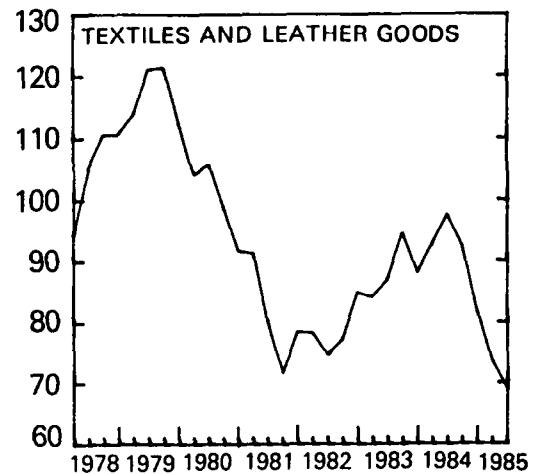
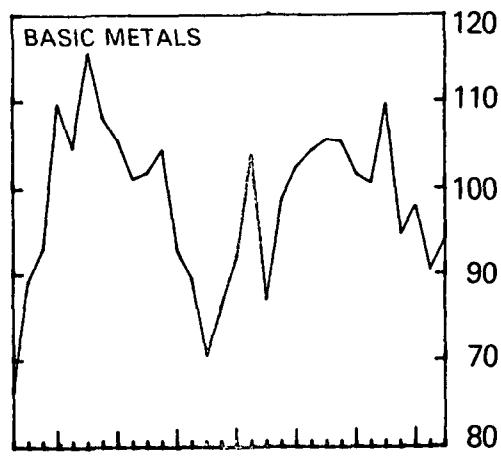
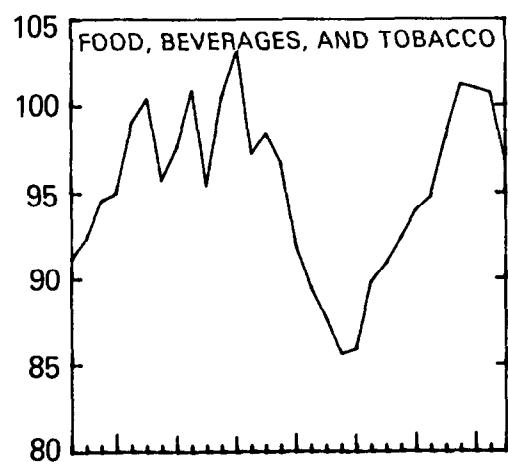
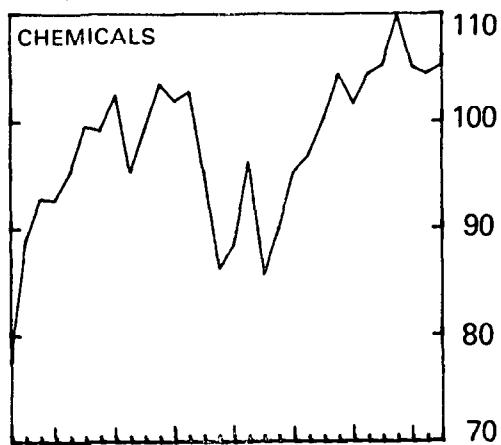
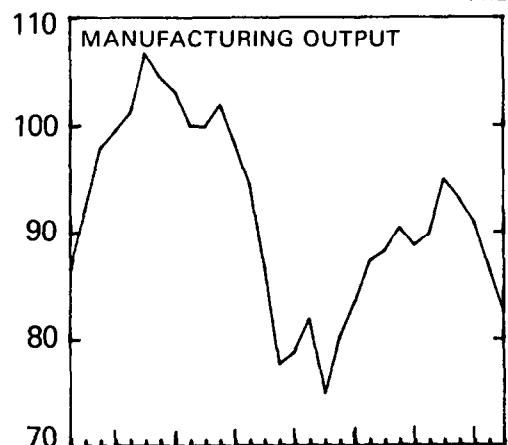
Total manufacturing output rose by almost 27 percent in the two-year period ended in the second quarter of 1984. However, as the scope for further import substitution lessened and consumer demand weakened, during the year ended in the second quarter of 1985 manufacturing output dropped by 13 percent (Table 9). The steepest declines were recorded in those industries which had grown most strongly in the recovery phase, with output of textiles and of machinery and transport equipment dropping by almost 30 percent and 25 percent, respectively.

In the textile industry, inventories had increased markedly in the first half of 1984 and, given the high level of stocks, a decline in demand in the second half of the year resulted in a sharp fall in production. The decline in output of machinery and transportation equipment in the third quarter initially reflected a drop in tractor production but in subsequent months the downturn became generalized. In the second quarter of 1985, output of machinery, automobiles, and tractors was well below year earlier levels. The output of the food and beverage industry continued to rise through the third quarter of 1984, remained almost unchanged in the fourth quarter of 1984 and the first quarter of 1985, but dropped substantially in the second quarter, perhaps owing to the effects on demand of declining real wages.

c. Energy sector

The production of all major types of energy declined in the first half of 1985, relative to the same period a year earlier (Table 10). Output of crude petroleum fell by almost 6 percent, following a drop of 2 percent in 1984. The production of YPF, the state oil company, went down by almost 4 percent in the first half of 1985 while the output of private companies, which had dropped steadily in the course of 1984 because of delays in the renegotiation of production contracts with YPF, was 11 percent below its level of a year earlier. Despite the drop in oil production, Argentina continued to be a small net exporter of oil and oil products in the first half of 1985, as higher domestic prices and the downturn in economic activity reduced domestic demand for oil products. Proven oil reserves generally have declined in recent years and the present estimated reserves of about 370 million cubic meters represent about 13 years of production.

CHART 3
ARGENTINA
MANUFACTURING OUTPUT
(Indexes 1980=100)



Source: Central Bank of Argentina

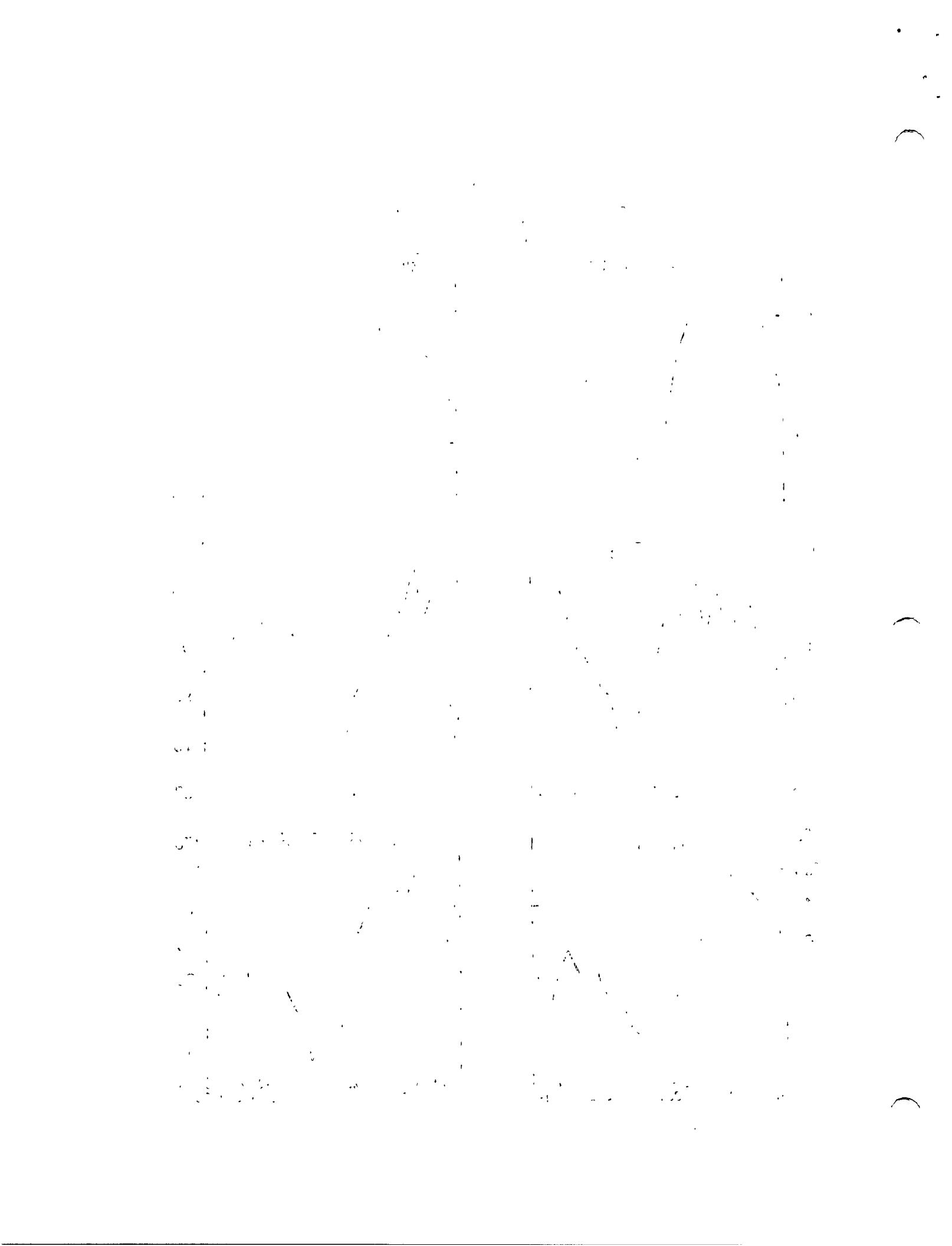
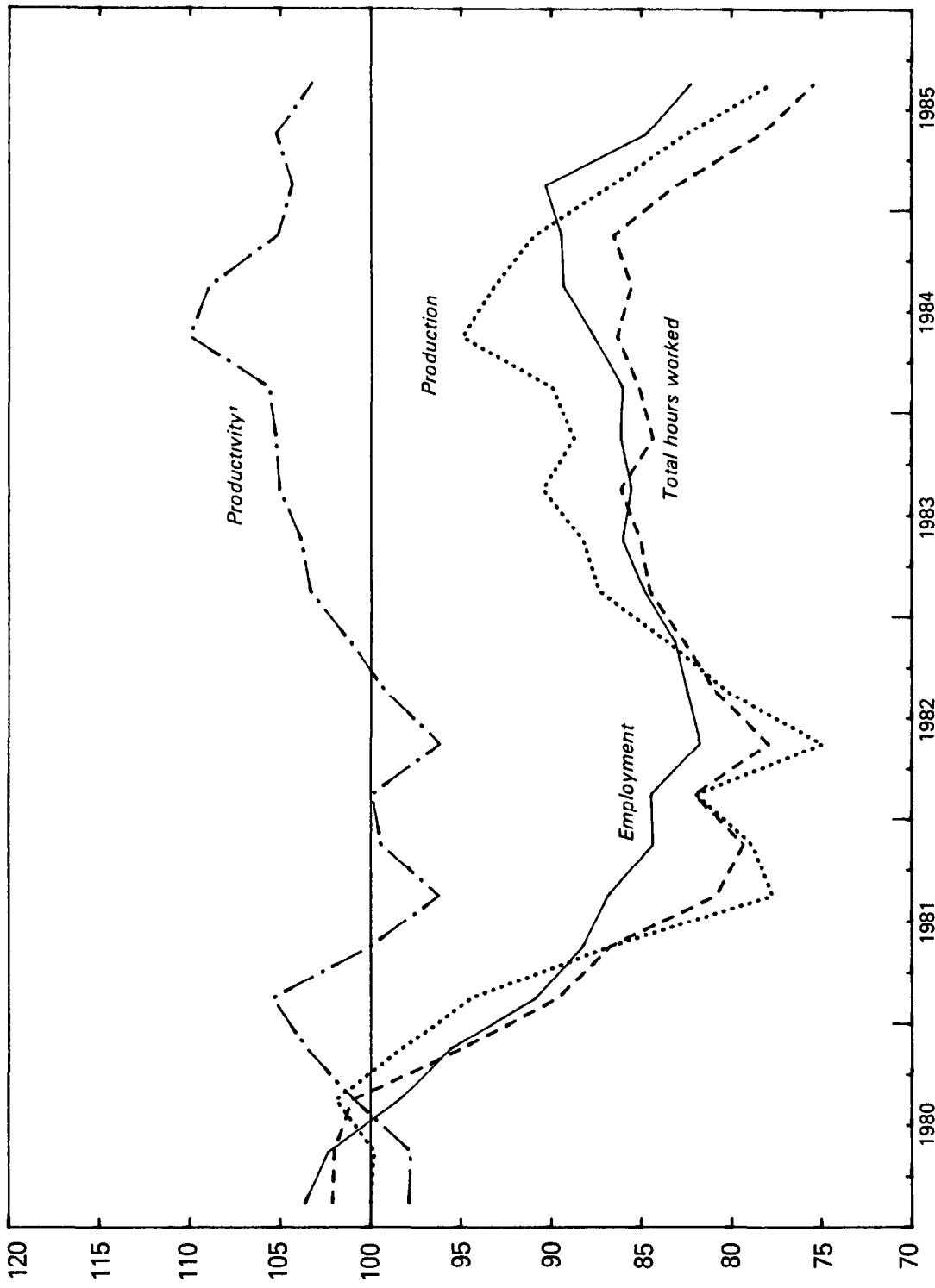


CHART 4
ARGENTINA
MANUFACTURING OUTPUT, EMPLOYMENT AND PRODUCTIVITY
(Seasonally adjusted, 1980 = 100)



Source: Central Bank of Argentina
1 Output per hour



Table 9. Argentina: Manufacturing Production

(Percentage change from one year earlier)

	Total Pro- duc- tion	Food, Beverages and Tobacco	Textiles and Leather	Wood Products	Paper and Printing Material	Chemi- cals	Non- Metallic Minerals	Machin- ery and Transport Equipment	
1980	-3.8	1.8	-15.1	-3.0	-6.8	0.9	-3.5	-8.0	-4.4
1981	-16.0	-3.9	-20.1	-12.9	-18.2	-7.4	-17.6	-13.0	-28.1
1982	-4.7	-9.2	-1.0	-15.3	5.5	-1.3	-9.3	12.4	-8.2
1983	10.8	5.2	12.4	-4.3	7.0	10.2	11.6	6.5	19.1
1984	4.0	7.6	2.5	-6.5	1.1	5.2	-7.3	-3.4	6.0
<u>1983</u>									
1st quarter	6.7	0.5	7.4	14.9	13.3	0.9	14.5	-0.3	17.7
2nd quarter	17.7	3.2	16.2	-0.1	6.9	16.5	21.3	22.5	37.0
3rd quarter	13.0	18.3	22.3	-22.9	7.9	16.9	11.9	6.2	17.1
4th quarter	6.0	7.3	3.8	0.7	1.0	6.3	1.1	-0.6	8.1
<u>1984</u>									
1st quarter	2.9	5.9	9.9	-16.6	-1.9	7.6	-13.0	-4.6	1.7
2nd quarter	7.6	7.7	12.0	-0.8	2.4	4.7	-8.4	5.0	12.5
3rd quarter	3.2	9.5	-1.9	4.1	-0.1	5.9	-7.6	-10.4	4.6
4th quarter	2.4	7.4	-7.3	13.7	4.0	3.0	-0.4	-3.5	4.2
<u>1985</u>									
1st quarter	-3.7	6.4	-20.9	12.1	7.3	-0.2	-19.2	-10.6	-8.2
2nd quarter	-13.0	-1.9	-29.3	-16.0	-4.6	-0.2	-17.5	-13.5	-23.6
<u>Memorandum item</u>									
Share of total 1/	100.0	25.0	10.6	1.4	5.4	18.3	4.9	6.5	28.0

Source: Central Bank of Argentina.

1/ Percentage contribution to GDP in 1983.

Table 10. Argentina: Energy Production and Trade

(In millions of cubic meters unless otherwise indicated)

	1980	1981	1982	1983	1984	First Half 1984	1985
<u>Natural gas</u>							
Production <u>1/</u>	7,926.7	8,181.1	9,786.1	11,117.9	12,240.4	5,816.7	5,802.4
Imports	2,038.5	2,195.7	2,296.8	2,227.1	2,301.0	1,157.4	1,057.4
<u>Petroleum</u>							
Production of crude petroleum	28.6	28.9	28.5	28.5	27.9	14.0	13.2
Imports of crude petroleum and derivatives, excluding liquefied propane gas (LPG) <u>2/</u>	2.9	2.2	1.3	0.1	0.1	--	--
Imports, LPG <u>2/</u>	0.6	0.4	--	--	--	--	--
Exports of crude petroleum and derivatives	1.5	3.1	2.4	1.7	1.6	1.1	0.9
<u>Coal <u>2/</u></u>							
Production	0.4	0.5	0.5	0.5	0.5	0.3	0.2
Imports	0.9	0.7	0.7	0.5	0.5	0.3	0.3
<u>Electric power <u>3/</u></u>							
Total production	35,676	35,193	36,164	38,898	40,830	20,423	20,309
Thermoelectric <u>4/</u>	(18,275)	(17,796)	(16,794)	(17,152)	(16,407)	(8,709)	(7,451)
Hydroelectric	(15,061)	(14,581)	(17,502)	(18,325)	(19,782)	(8,548)	(10,568)
Nuclear	(2,340)	(2,816)	(1,870)	(3,405)	(4,641)	(3,166)	(2,290)

Sources: Ministry of Economy; and Central Bank of Argentina.

1/ Delivered to pipeline.2/ In millions of metric tons.3/ In millions of kilowatt hours; excludes power used in electric generation.4/ Includes electric power generated from vapor, diesel, and gas.)

Production of natural gas (delivered to major pipelines) had increased markedly in the period 1980-84 following large new discoveries of gas in the late 1970s (at present rates of utilization, proven reserves represent over 50 years of production). Further substantial increases in gas deliveries will require investments in pipelines and other infrastructure. Production of natural gas declined slightly in the first half of 1985 relative to the first half of 1984. It may be noted that Argentina continues to import natural gas from Bolivia under a long-term contract.

Production of electrical power, which also had increased substantially in the period 1982-84 owing to completion of large public investments in the sector and rising demand, declined slightly in the first half of 1985. Hydroelectric power was substituted for more expensive sources of electricity in the first six months of 1985, as new installed hydroelectric capacity became available in the second half of 1984.

3. Labor market conditions

Total employment in manufacturing rose by about 7 percent from the second quarter of 1982 to the second quarter of 1984, but with the decline in activity beginning in the third quarter of 1984, employment declined by more than 3 percent during the year ended in the second quarter of 1985. The latest available information shows that during 1984 there was an increase in the overall labor force participation rate in the greater Buenos Aires area. The rate of unemployment in Buenos Aires, which had declined from 5.7 percent in April 1982 to just above 4 percent in April 1984, rose to 5.6 percent in April 1985 (Statistical Appendix Table 39). The rate of unemployment in other major cities also was significantly higher in April 1985 than a year earlier (Table 11).

4. Price and wage policies

a. Price controls

On assuming office in December 1983, the Government decreed a 40-day price freeze covering a large number of products. Some increases were authorized before the end of the 40-day period and in the period through May 1984 there was a tendency toward allowing prices to rise in line with costs. However, in June 1984 a system of maximum prices was introduced for 30 mass consumption items; following a sharp runup of prices in August 1984, an emergency system was applied to most firms in September, whereby monthly price increases were limited to an economy-wide guideline set by the Government.

As part of the effort to correct relative price distortions, price controls were relaxed beginning in the fourth quarter of 1984; the Secretariat of Internal Commerce began negotiating price increases on a sector wide or firm-by-firm basis covering periods of several months and allowed some firms to raise prices to at least cover variable costs and

Table 11. Argentina: Unemployment at Selected Dates
(In percent of active population)

	Greater Buenos Aires	Cordoba	Rosario	Tucuman	Greater Mendoza
1980					
April	1.3	2.1	4.3	6.3	1.4
October	2.2	2.7	2.4	8.3	3.1
1981					
April	4.0	2.9	4.9	8.8	4.2
October	5.0	4.7	6.5	10.6	5.3
1982					
April	5.7	4.8	8.4	11.0	4.8
October	3.8	3.9	8.0	8.7	3.3
1983					
April	5.2	4.4	6.3	8.1	4.5
October	3.1	5.6	...	7.5	4.5
1984					
April	4.1	4.4	6.8	8.5	3.3
October	3.6	5.1	6.3	10.7	3.9
1985					
April	5.6	5.3	11.1	12.1	3.7

Source: National Institute of Statistics.

a proportion of fixed costs. In February 1985, as inflation accelerated, the Government once again attempted to apply an economy-wide limit to the price increases of all firms. In April 1985, the authorities began relaxing price controls. The system for setting maximum prices for mass consumer items was abolished and the decree establishing economy-wide guidelines for price increases was rescinded; the process of liberalizing prices under the system of agreements with individual sectors was speeded up. At the time the stabilization package of June 1985 was introduced, most prices were free of controls.

Most prices, except for fruits and vegetables and a few other products subject to strong seasonality in demand, were frozen as of June 13, 1985. Also, maximum prices were announced for about 80 mass consumption items. The effect of the price freeze varied from firm to firm. For instance, firms producing goods with a high import content that had not fully passed through to prices the 18 percent depreciation of the Argentine currency that occurred on June 11 and the 10 percent import surcharge introduced at that time were affected adversely. By contrast, some firms were affected relatively favorably by the price freeze, to the extent that the prices they quoted were for future delivery and thus included a large financing element related to the high nominal rate of interest prevailing prior to the freeze.

The Secretariat of Internal Commerce discussed with major industry groups ways to correct these anomalies and, where frozen prices included a large financing element, prices were reduced to below their level of June 13. In cases where upward adjustments of prices were necessary, agreements were reached with firms whereby increases of intermediate goods prices were absorbed within the chain of production to avoid increases in final goods prices. With few exceptions (primarily certain meat prices that were raised in November and December 1985), at the end of 1985 final prices remained frozen at their mid-1985 level.

b. Wage policy

In December 1983, the Government indicated that a key objective of policy was a 6-8 percent increase in both private and public sector real wages from December 1983 to December 1984. A fixed sum, economy-wide nominal wage adjustment was decreed in December 1983 that represented a 55 percent increase in the minimum wage and a 17 percent increase in average wages. Beginning in January 1984, the authorities began implementing a program of raising wages each month by slightly more than the official projection of inflation for the month.

In the first quarter of 1984, the actual rate of inflation was higher than had been projected, and catch-up increases were decreed in February, March, and April in an attempt to keep wage increases ahead of prices. After the April adjustment, the policy of monthly catch-up adjustments was discontinued. In July, a catch-up adjustment for the second quarter was announced to bring private sector real wages to a level 4 percent above that prevailing in December 1983; at that time,

the catch-up adjustment for government workers on average was lower than for workers in the private sector. In the third quarter, the Government continued to decree general wage adjustments on a monthly basis and there were no catch-up adjustments in August and September. In October wage increases were set three months ahead and a catch-up adjustment for the third quarter was announced; as in July, the catch-up for government workers was smaller than for private sector workers.

As a result of the effort to keep wages ahead of prices, the average decreed monthly increase in wages went up from 14 percent a month in the first quarter of 1984 to more than 20 percent a month in the second half of the year; for the year as a whole, the Government decreed a total wage increase for the private sector of 635 percent, which nevertheless did not keep pace with inflation. In the public sector, where decreed increases were somewhat lower, there was a substantial decline in the index of real wages (Table 12). 1/

In January 1985, the Government resumed the practice abandoned in October 1984 of decreeing wage increases on a monthly basis. Catch-up adjustments were awarded in January and in March, and in all, decreed wage increases averaged 20 percent a month in the first quarter. In the second quarter, wages were increased each month by a percentage equal to 90 percent of the increase in consumer prices of the previous month, and no catch-up adjustments were authorized. As a result, wages were raised by an average of almost 25 percent a month in the second quarter of 1985. After June, wages in the public and private sectors were frozen through the end of 1985.

1/ The wage indexes in the public sector should be interpreted with caution. From the fourth quarter of 1983 to the fourth quarter of 1985, the index of real wages in the national administration declined by 40 percent, while the real wage bill of the National Administration (taken from the public sector accounts on a cash basis) declined by 30 percent (after adjusting to exclude the effects of increases in wage taxes); in the public enterprises, the index of real wages fell by 35 percent from the fourth quarter of 1983 to the fourth quarter of 1985 while the real wage bill went down by about 7 percent. The differences in the movements of the wage indexes and wage bills may reflect in part increases in employment during this two-year period. However, the magnitude of the differences also suggests that there may have been substantial wage drift in the public sector (particularly in the public enterprises); there may also be a problem of representativeness of the wage indices, in the sense that they do not include all aspects of wage payments or that they cover a small group of employees whose wages have not moved in line with the wages of public employees in general.

Table 12. Argentina: Public and Private Sector Wages

(Percentage changes in previous 12 months)

	December					
	1980	1981	1982	1983	1984	1985
(In nominal terms)						
National Administration	100.9	119.7	183.4	514.3	562.7	244.6
Public enterprises	87.6	102.9	169.7	648.9	607.6	244.6
Basic conventional wages for laborers	162.1	155.3	316.0	471.1	694.9	232.6
Average monthly wage in manufacturing	97.9	90.6	212.6	603.1	733.5	278.2 <u>1/</u>
(In constant prices) <u>2/</u>						
National Administration	7.1	-5.0	-8.5	15.1	-15.9	-29.0
Public enterprises	18.4	-12.3	-12.9	40.3	-10.2	-29.0
Basic conventional wages for laborers	39.7	10.4	34.3	7.0	0.9	-31.5
Average monthly wage in manufacturing	5.5	-17.6	0.9	31.7	5.8	-22.1 <u>1/</u>

Sources: Ministry of Economy; Ministry of Public Works and Services; and National Institute of Statistics.

1/ Based on data through November 1985; assumes no change in the average nominal wage in December 1985.

2/ Deflated by the consumer price index.

5. Wage and price developments

While the wage policy described above provided general guidelines for private sector behavior, wages in the manufacturing sector did not rise exactly in line with increases decreed by the Government. Nominal average wages in industry rose by about 20 percent a month in the first half of 1984, well above the rates decreed by the Government; there also was a sharp increase in the real wage during this period, continuing the trend that had begun in mid-1982 (Chart 5). The rate of increase in nominal wages leveled off in the second half of 1984 and on average wages rose by less than the increase in decreed wages, perhaps reflecting the weakening of the economy. As prices continued to accelerate, real wages declined in the second half of 1984; nevertheless, in December 1984 real wages in manufacturing were about 6 percent above

their level a year earlier. Real wages fell further in the first half of 1985, and in June the average real wage in manufacturing was 18 percent below its level in June 1984 and slightly below its level in December 1983.

Despite the application of price controls, the rate of inflation increased steadily in the first three quarters of 1984. Consumer prices rose by a monthly average of almost 23 percent in the third quarter of 1984, compared with an average of 18 percent in the fourth quarter of 1983, and by September 1984 the 12-month rate of inflation was up to almost 700 percent (Chart 6 and Statistical Appendix Table 40). Wholesale prices rose at a somewhat slower rate, probably as a reflection of the real appreciation of the Argentine currency that occurred in the first nine months of the year (and the greater weight given to traded goods in the wholesale price index). Also, price controls were applied at the factory level, and may have been more effective at limiting price increases at the wholesale level.

Following a moderation of inflation in the fourth quarter of 1984, the rate of price increase accelerated sharply in the first half of 1985. In June 1985 consumer prices were more than 1,100 percent above their level one year earlier; during the same period wholesale prices rose by almost 1,200 percent, with the higher rate of increase reflecting the real depreciation of the Argentine currency that had taken place since the latter part of 1984 and the relaxation of price controls in the second quarter of 1985.

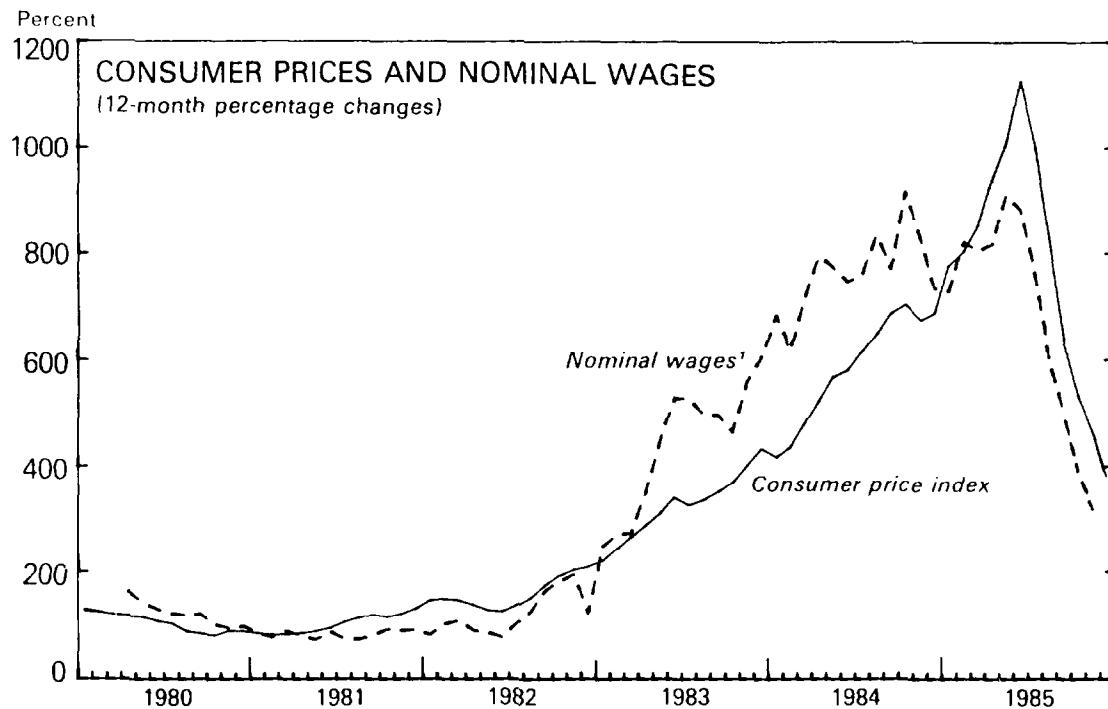
Despite the decline in real wages that began in the second half of 1984, real unit labor costs in manufacturing (defined as nominal labor costs per unit of output deflated by the wholesale price index for national nonagricultural goods) continued to rise in the second half of 1984 and the first quarter of 1985 as output per worker dropped substantially. By the first quarter of 1985 real unit labor costs were 70 percent higher than in the third quarter of 1982, the low point for real labor costs at the outset of the previous economic recovery. Real unit labor costs declined in the second and third quarter of 1985, and in the third quarter were almost 20 percent below the level in the first quarter of the year (Statistical Appendix Table 42).

6. Wage, price, and output developments after mid-June 1985

Following the adoption of the stabilization program of June 14, 1985, the rate of increase in wages and prices dropped sharply. The average monthly wage in the manufacturing sector rose by about 5 percent in July, but this increase reflected in part payment of the June wage adjustment; from July to November, the monthly wage increased by an average of about 1 1/2 percent a month.

The consumer price index rose by 6.2 percent in July; this index is based on average prices for the month and the increase in July was attributable to the sharp rise in prices that occurred in the first half

CHART 5
ARGENTINA
PRICE AND WAGE DEVELOPMENTS



Sources: Central Bank of Argentina and National Institute of Statistics.

¹Total remuneration per employee in manufacturing industry (excluding regular semiannual bonus).

²Seasonally adjusted total remuneration per employee (excluding bonus), deflated by consumer price index.

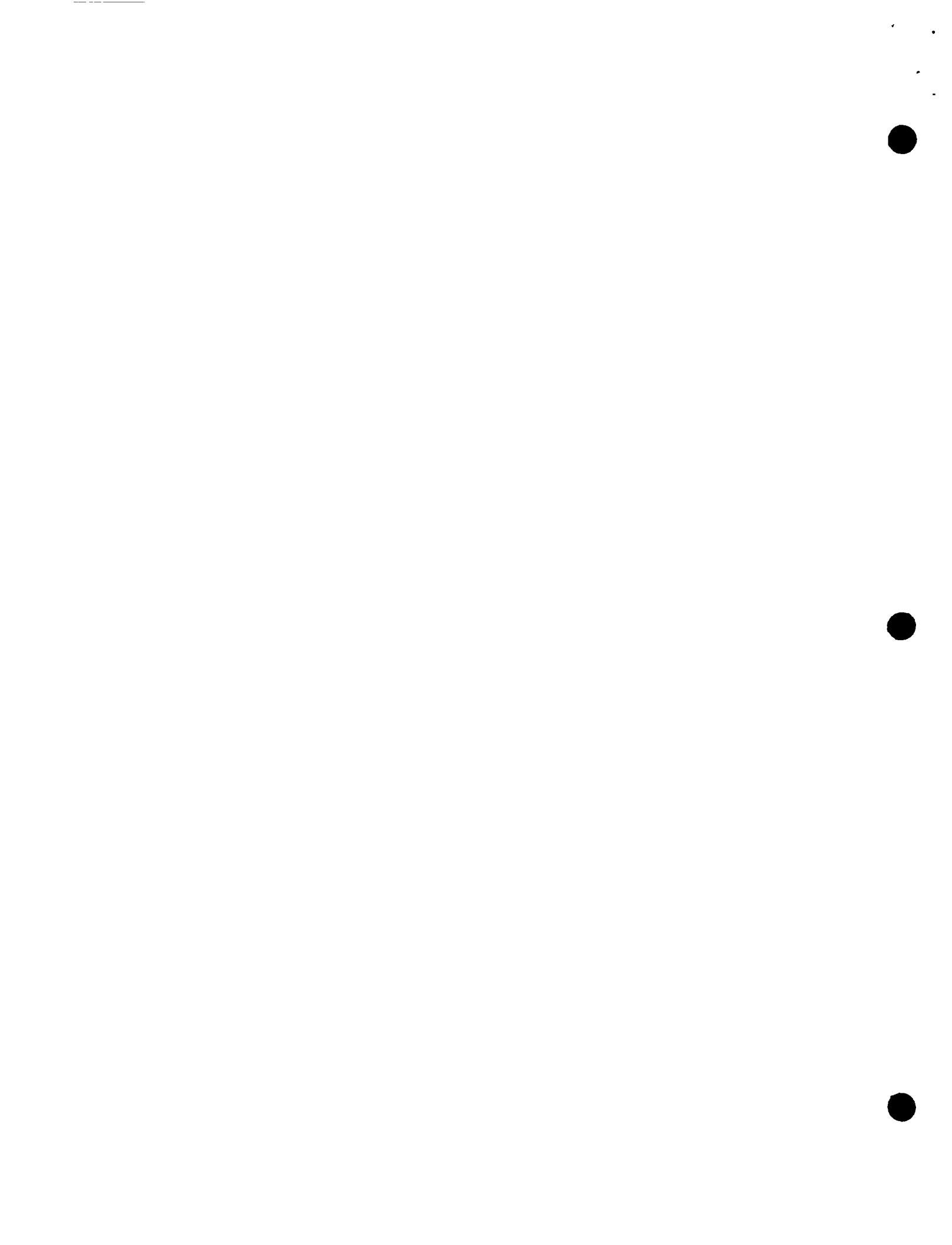
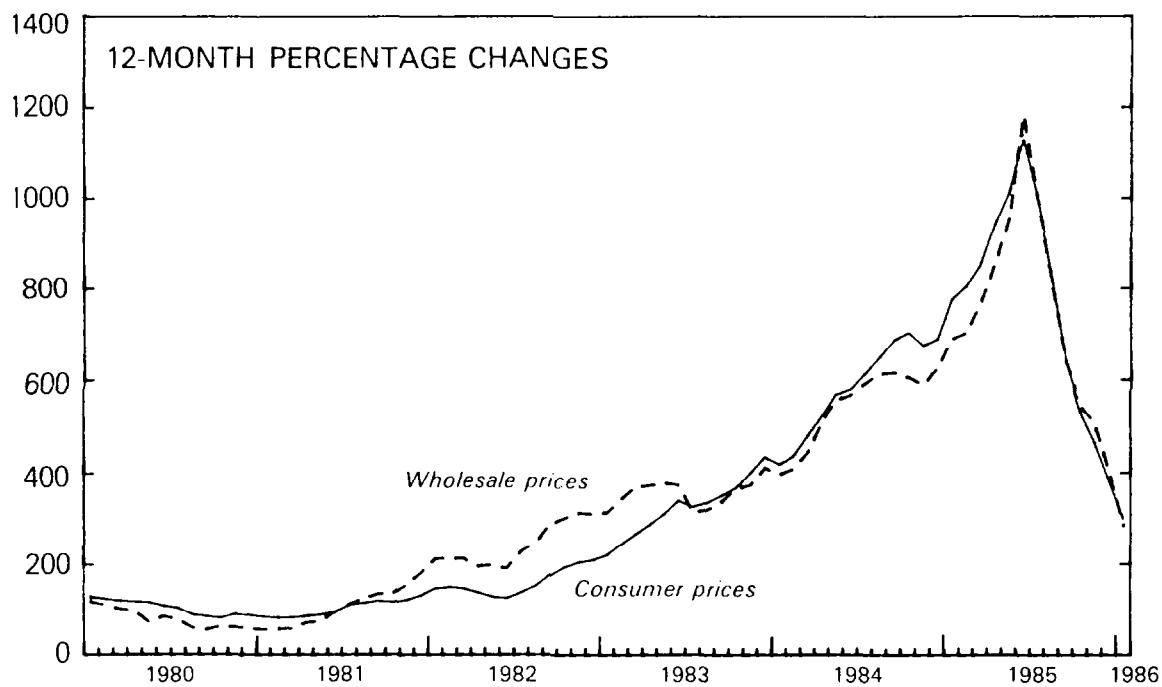
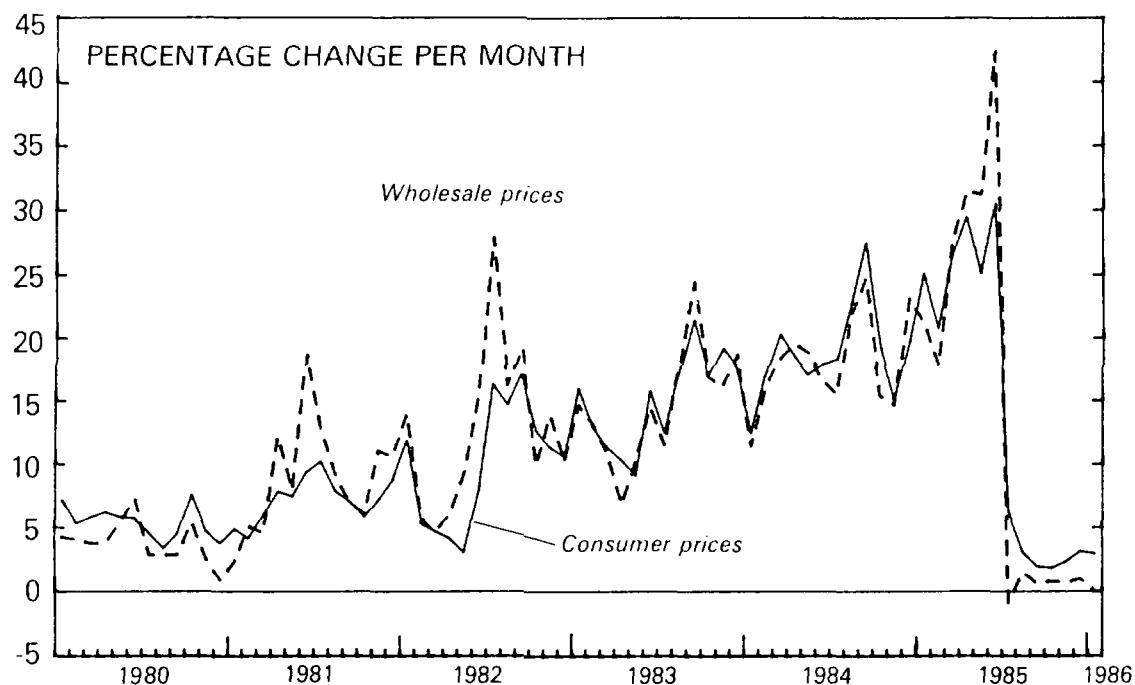


CHART 6
ARGENTINA
CONSUMER AND WHOLESALE PRICES



Source National Institute of Statistics.

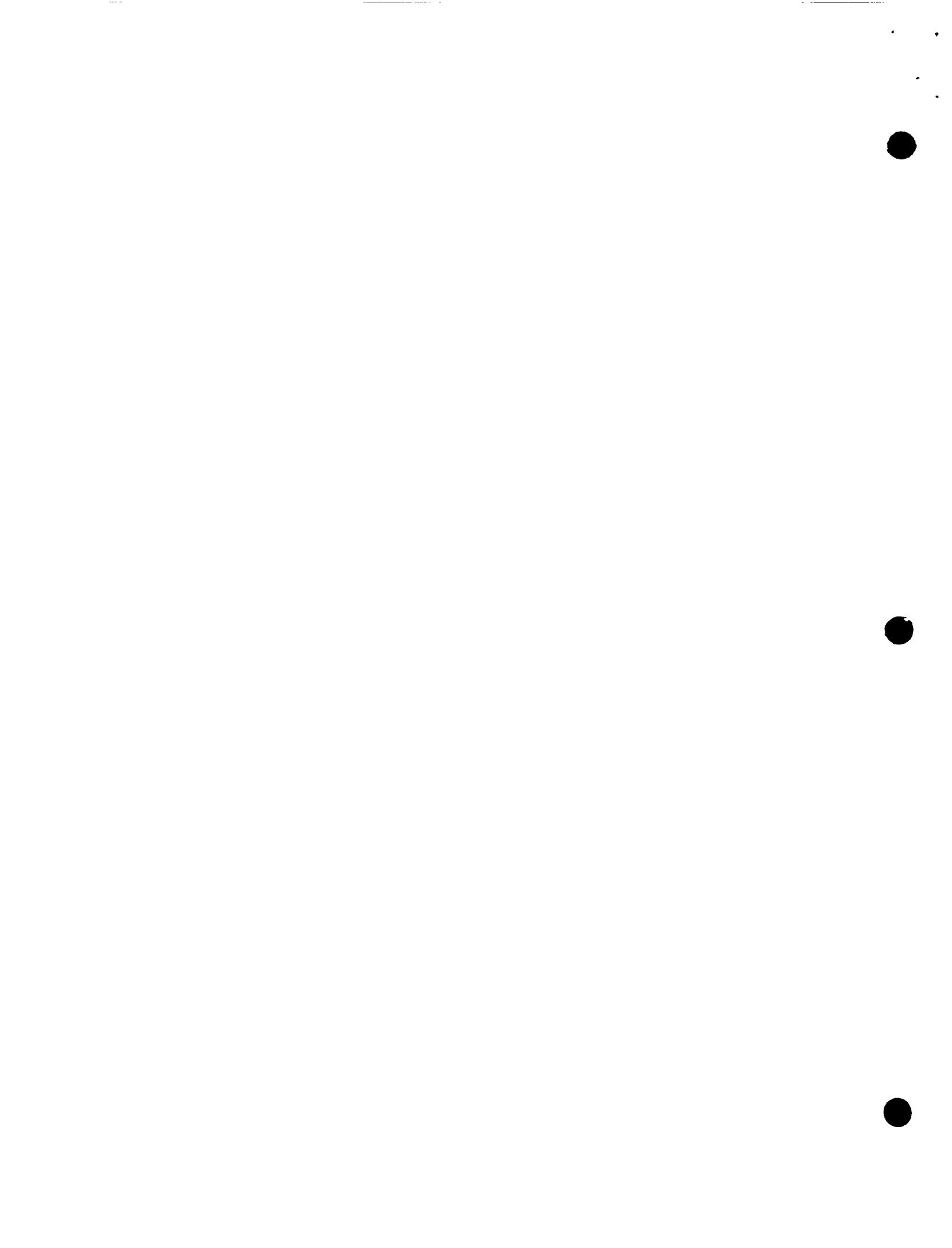
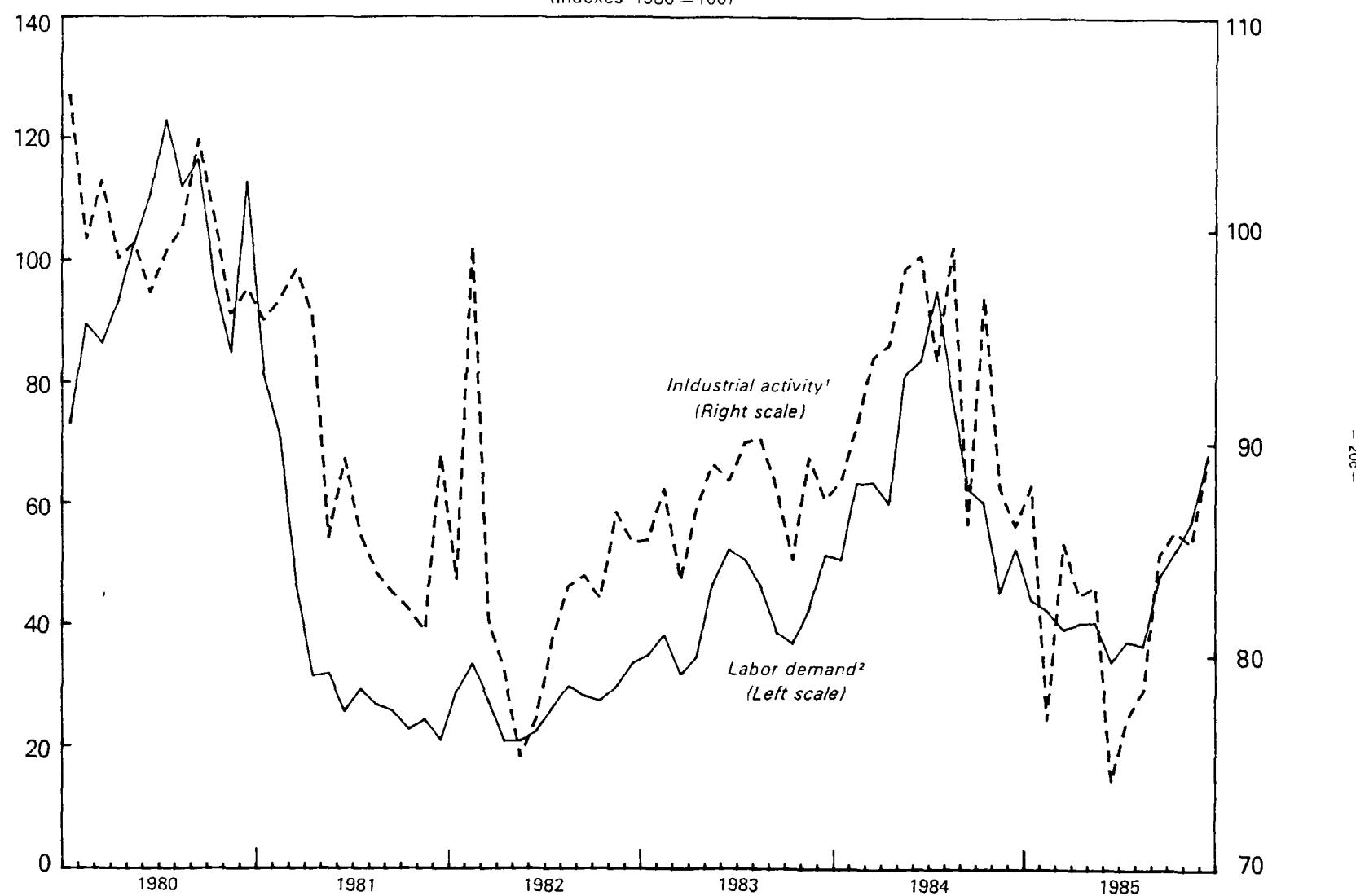


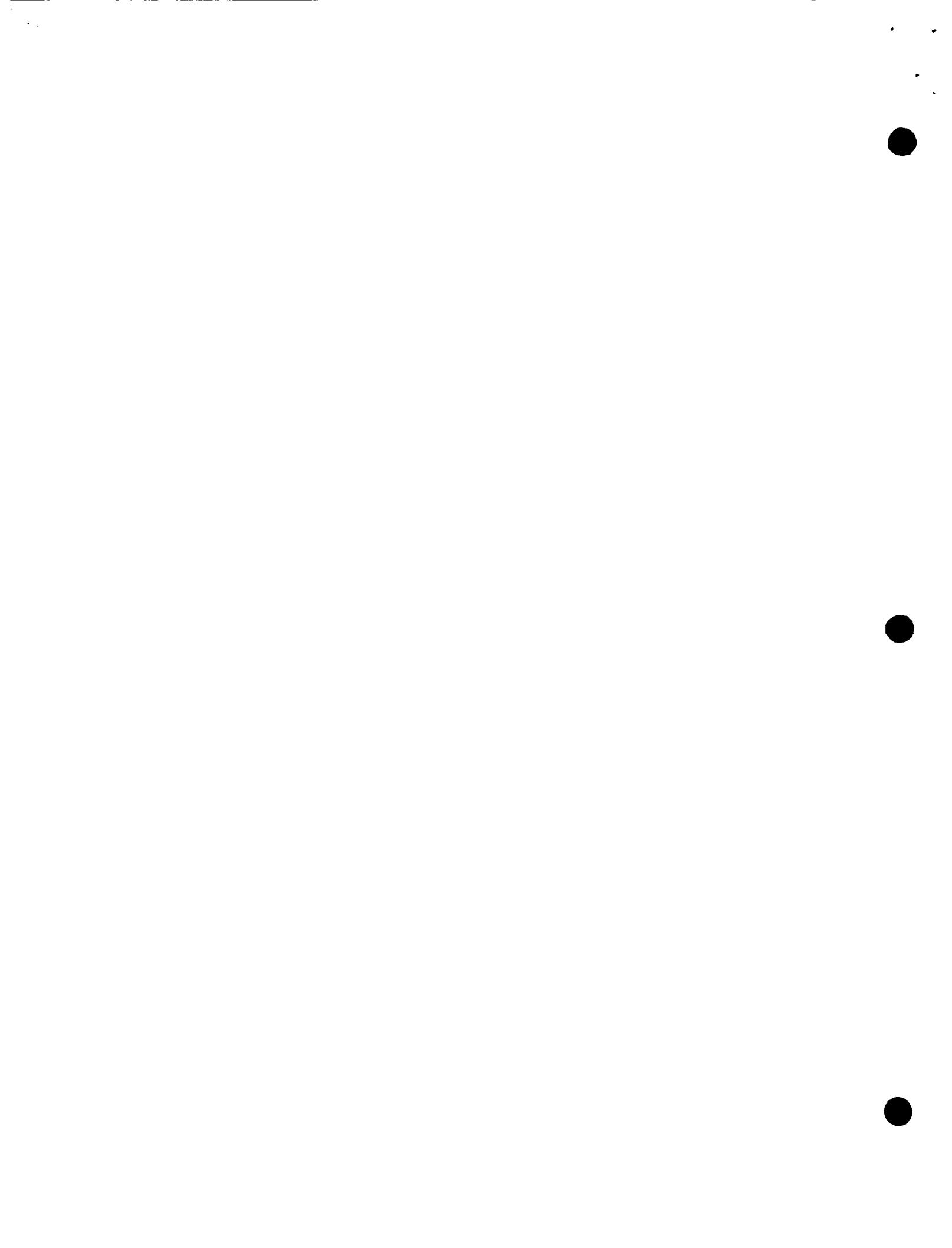
CHART 7
ARGENTINA
INDICATORS OF INDUSTRIAL ACTIVITY AND LABOR DEMAND
(Indexes 1980 = 100)



Sources: Central Bank of Argentina and National Institute of Statistics.

¹Based on the production of a sample of firms that represent about 25 percent of industrial output.

²Based on help wanted notices in the daily press.



of June. Wholesale prices, which are measured at mid month, declined by almost 1 percent in July. From July to December, consumer prices rose on average 2 1/2 percent a month and wholesale prices by less than 1 percent a month. The different rates of increase in the two indices may be explained by the fact that the prices of services, which are included in the consumer price index but not in the wholesale price index, have been rising faster than prices in general since the freeze. Also, the wholesale price index measures list prices, while the consumer price index attempts to measure actual prices; in the initial period following the freeze, prices may have been set in some cases below list prices and subsequently were raised; such increases would have been registered by the consumer price index but not the wholesale price index.

According to preliminary estimates, real GDP declined at a seasonally adjusted annual rate of more than 20 percent in the third quarter of 1985, while manufacturing output fell at an annual rate of about 30 percent. However, monthly indicators of labor demand and industrial output suggest that much of this drop in output occurred in June and July and that, subsequently, a modest recovery of output took place (Chart 7).

III. Public Sector Finances

1. Overview

The nonfinancial public sector in this report comprises the general government and the nonfinancial public enterprises. In turn, the general government includes the Central Administration; more than 100 special accounts that are used to channel revenues earmarked mostly for energy and transportation; a number of decentralized agencies (mainly regulatory boards and 26 universities); the social security system; and 22 provinces, one national territory, and the Municipality of Buenos Aires. The nonfinancial public enterprises include 13 government-owned companies that primarily produce minerals and fuels and provide public utility services, and three binational entities that operate in the hydroelectric field. There are several other large enterprises, fully or partly owned by the Government, which are not included in the nonfinancial public sector in this report but whose financing needs are reflected in the overall nonfinancial public sector deficit to the extent that they are covered by transfers from the Treasury. In addition, there are many small firms and properties administered by the Government and the Central Bank following corporate bankruptcies and bank liquidations in the early part of the 1980s.

Traditionally, information on the public finances in Argentina has been available annually on a commitment (or budget execution) basis, including as spending in each year transactions effected during a complementary period for the budget that may be extended until the end of the following calendar year. In addition, since 1983, quarterly cash estimates have been prepared. Unless specifically indicated, the data presented in this section are on a commitment basis. With high inflation, the lag between the recording of commitments and cash payments can make for a level of cash expenditure (and deficit) in any given period that is considerably lower than on a budget basis. Cash expenditure could also be lower if there is a build-up in unpaid bills or other types of floating debt of the public sector or if substantial commitments are made late in the year (either because of late approval of the budget or approval of a supplementary budget) with cash payments taking place in the following year.

The deficit of the nonfinancial public sector widened from 8 percent of GDP in 1980 to 18 percent of GDP in 1982-83; revenue fell from nearly 28 percent of GDP in 1980 to 23 1/2 percent in 1982-83, while expenditure rose from about 36 percent of GDP to 41 1/2 percent of GDP (Table 13). In 1984, the deficit declined to 13 percent of GDP, reflecting mainly a drop in spending. The budget for 1985 provided for a further narrowing of the deficit to 4 1/2 percent of GDP, owing to an additional decline in spending and a rise in revenue. According to the budget, revenues of the nonfinancial public sector relative to GDP were to recover their 1980 level, while spending was projected at nearly 4 percentage points of GDP below its level in 1980. Preliminary

Table 13. Argentina: Summary of Public Sector Operations 1/
(In percent of GDP)

	1980	1981	1982	1983	1984	Budget 1985
<u>Total revenue</u>	<u>27.8</u>	<u>25.5</u>	<u>23.4</u>	<u>23.6</u>	<u>24.0</u>	<u>27.5</u>
<u>Current revenue</u>	<u>27.5</u>	<u>25.3</u>	<u>22.9</u>	<u>23.4</u>	<u>23.8</u>	<u>26.6</u>
Tax revenue	23.8	21.2	19.1	18.8	19.9	22.1
Nontax revenue <u>2/</u>	3.6	4.0	3.8	4.6	3.9	4.5 <u>3/</u>
<u>Capital receipts</u> <u>4/</u>	<u>0.3</u>	<u>0.2</u>	<u>0.5</u>	<u>0.2</u>	<u>0.3</u>	<u>0.9</u> <u>5/</u>
<u>Total expenditure</u>	<u>35.8</u>	<u>42.2</u>	<u>41.4</u>	<u>41.5</u>	<u>37.2</u>	<u>32.1</u>
<u>Current expenditure</u>	<u>26.2</u>	<u>32.5</u>	<u>33.0</u>	<u>32.0</u>	<u>28.8</u>	<u>24.8</u>
General government current expenditure <u>6/</u>	25.0	30.6	29.1	29.4	27.3	24.8
Public enterprises operating deficit	1.2	1.9	3.9	2.6	1.5	--
<u>Capital expenditure</u>	<u>9.5</u>	<u>9.8</u>	<u>8.5</u>	<u>9.5</u>	<u>8.4</u>	<u>7.4</u>
<u>Overall deficit (-)</u>	<u>-8.0</u>	<u>-16.7</u>	<u>-18.0</u>	<u>-17.9</u>	<u>-13.1</u>	<u>-4.6</u>
<u>Financing</u>	<u>8.0</u>	<u>16.7</u>	<u>18.0</u>	<u>17.9</u>	<u>13.1</u>	<u>4.6</u>
External financing	1.5	6.6	3.3	0.2	-1.2	0.3
Domestic financing	6.5	10.1	14.8	17.7	14.4	4.3
<u>Memorandum item</u>						
Current surplus or deficit (-)	<u>1.2</u>	<u>-7.2</u>	<u>-10.1</u>	<u>-8.6</u>	<u>-5.0</u>	<u>1.9</u>

Source: Ministry of Economy.

1/ On a commitment basis.

2/ Does not include current receipts of public enterprises.

3/ Includes projected profits of public enterprises.

4/ Includes capital receipts of public enterprises.

5/ Included 0.7 percent of GDP in receipts from the forced saving plan.

6/ Includes net extrabudgetary expenditure and small amounts of capital transfers; does not include transfers to public enterprises.

estimates suggest that there was a marked reduction in the cash deficit of the nonfinancial public sector in the second half of 1985, on the strength of sharply higher revenue; for the year as a whole, the cash deficit declined to about 5 percent of GDP from 8 1/2 percent of GDP in 1984.

Net external borrowing declined steadily from 6 1/2 percent of GDP, or about 40 percent of total financing requirements, in 1981 and became negative in 1984, as access by Argentina to external credit became more difficult. Domestic financing of the nonfinancial public sector rose from 6 1/2 percent of GDP in 1980 to 14 1/2 percent of GDP in 1984; the Central Bank accounted for most of this financing following the near prohibition on commercial bank lending to the public sector beginning in late 1982. 1/ In 1985, domestic credit was expected to finance nearly 95 percent of the overall deficit. There was substantial central bank financing of the Government in the first half of the year; following adoption of the stabilization program in June 1985, central bank lending operations with the public sector were to be limited to the channeling of foreign financing to the Treasury.

2. Overall developments, 1980-83

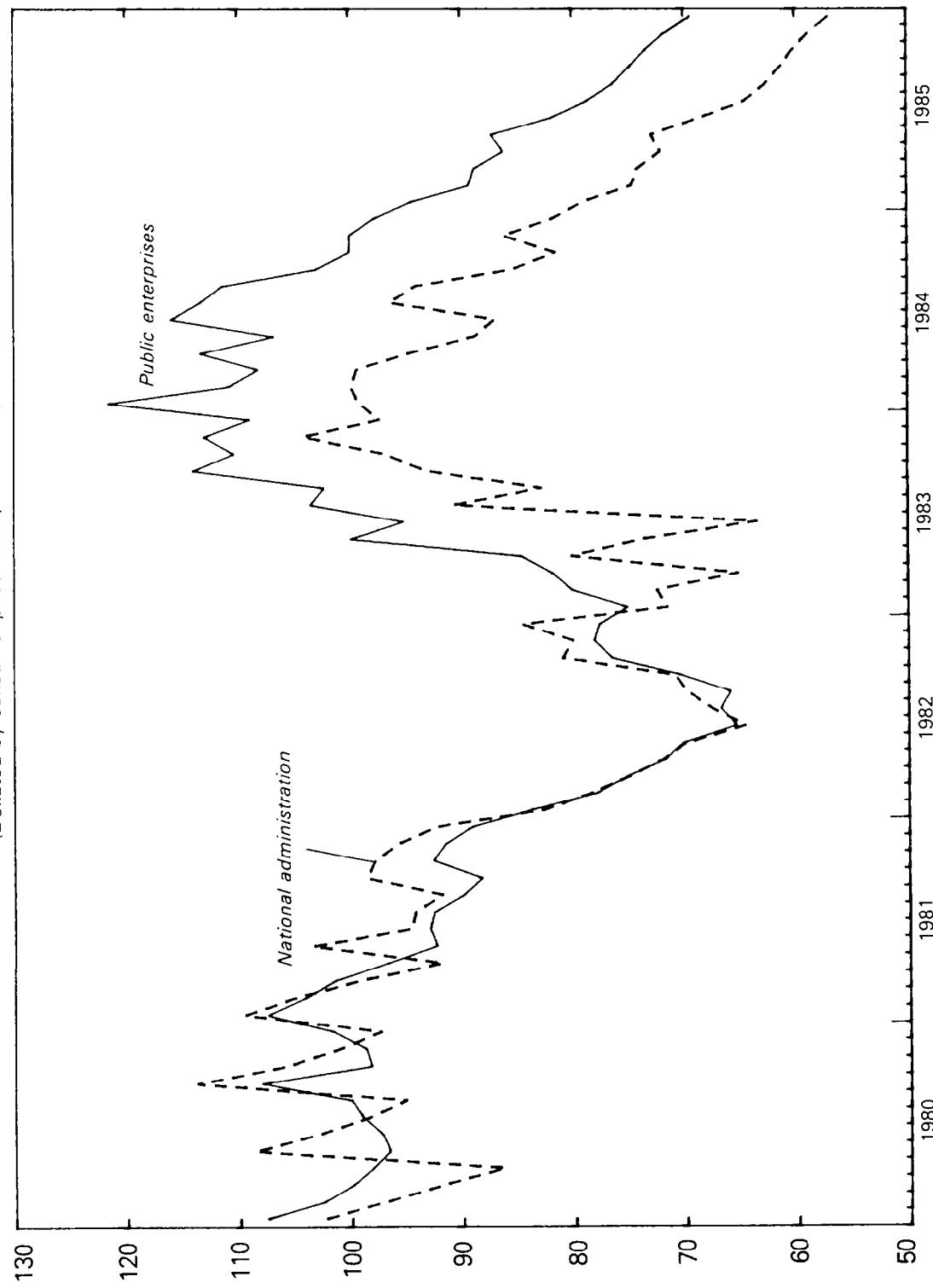
After increasing markedly from 1980 to 1982, the deficit of the nonfinancial public sector remained at 18 percent of GDP in 1983. However, this figure understated the actual deficit because a large portion of interest costs on domestic public debt was shifted from the nonfinancial public sector to the Central Bank in 1983; as a result, interest payments through the government accounts dropped from 8 percent of GDP in 1982 to 3 1/2 percent in 1983 (Table 14). 2/

Personnel outlays, which had declined in 1981-82, rose by more than 25 percent in real terms (or by 2 percentage points of GDP) in 1983, as substantial salary adjustments were granted beginning in the second half of 1982 and public sector employment expanded by 6 percent during 1983 (Chart 8 and Statistical Appendix Table 45). In addition, payments for social security benefits and private sector teachers' salaries rose by more than 25 percent or by 2 1/2 percentage points of GDP in 1983.

1/ In this paper, external payments arrears which began to build up in 1982 are treated as domestic financing; these arrears have a counterpart in the external reserve liabilities of the Central Bank.

2/ There also was a reduction in external interest payments as recorded in the government accounts, largely due to a change in the methodology of accounting for external debt servicing. Until 1982, external payments had been accounted using the exchange rate at the time payments came due. However, in 1982 the Government began to incur external payments arrears on interest due abroad and it became increasingly difficult to establish the due date for interest payments; consequently, starting in 1983, interest costs have been shown at the average exchange rate during the period interest was accruing.

ARGENTINA
WAGES IN THE PUBLIC SECTOR¹
(Deflated by consumer price index; 1980 = 100)



Source: Ministry of Economy.

¹For the second half of 1985, assumes maintenance of the wage freeze.



Table 14. Argentina: Nonfinancial Public Sector Expenditure
Relative to GDP 1/

(In percent)

	1980	1981	1981	1983	1984	Budget 1985
<u>Total expenditure 2/</u>	<u>35.8</u>	<u>42.2</u>	<u>41.4</u>	<u>41.5</u>	<u>37.2</u>	<u>32.1</u>
By economic categories						
<u>Current expenditure</u>	<u>26.2</u>	<u>32.5</u>	<u>33.0</u>	<u>32.0</u>	<u>28.8</u>	<u>24.8</u>
Wages and salaries	10.0	9.6	7.7	9.8	10.9	9.7
Other goods and services	3.3	3.0	3.5	4.1	3.0	2.9
Interest	1.8	6.2	8.2	3.5	3.1	2.8
Domestic	1.6	2.7	3.9	0.5	0.2	0.1
External	0.3	3.5	4.4	3.0	2.8	2.7
Transfers 3/	9.3	10.6	8.6	11.0	10.0	9.6
Public enterprises 4/	1.2	1.9	3.9	2.6	1.5	--
Other 5/	0.6	1.1	1.1	1.0	0.3	-0.2 6/
<u>Capital expenditure</u>	<u>9.5</u>	<u>9.8</u>	<u>8.5</u>	<u>9.5</u>	<u>8.4</u>	<u>7.4</u>
By sectors						
National Administration	13.5	18.7	19.7	16.8	14.0	12.6
Central Administration	8.0	12.9	13.1	10.2	8.1	7.4
Special accounts	2.0	2.1	1.8	1.7	1.5	1.2
Decentralized agencies	3.4	3.6	4.8	4.9	4.4	4.0
Provinces and Municipality of Buenos Aires	11.6	12.1	9.6	12.1	12.1	10.8
Social security system	5.9	6.1	4.9	6.1	5.9	5.7
Public enterprises 7/	4.8	5.4	7.3	6.5	5.3	3.0
Memorandum items						
Gross public sector expenditure 8/	44.4	52.5	51.1	52.7	48.3	45.4
Of which:						
Public sector interest payments	3.4	9.7	12.3	6.0	5.2	5.2
Domestic	2.6	5.2	5.7	0.9	0.6	0.5
External	0.8	4.6	6.6	5.0	4.6	4.6
Wages and related outlays 9/	20.7	20.0	15.8	20.1	21.3	19.1

Source: Ministry of Economy.

1/ On a commitment basis.

2/ For public enterprises, includes only their operating losses.

3/ Includes small amounts of capital transfers.

4/ Operating deficit only.

5/ Mostly extrabudgetary expenditure.

6/ Includes projected budgetary savings.

7/ Includes only operating losses plus capital expenditure.

8/ Includes gross expenditure of public enterprises.

9/ Includes benefits paid by the national social security system, and payments for pensions, retirement benefits, and private school teachers' salaries made by the National Administration. Does not include certain outlays made by the provinces that are related to wages, i.e., those for pension and retirement benefits in the equivalent of 1.1 percent of GDP and 0.5 percent in 1984 and 1985, respectively, and for private school teachers (some 0.2 percent of GDP in 1984 and 1985).

Spending for goods and nonpersonnel services also increased, and capital expenditure rose from 8 1/2 percent of GDP in 1982 to 9 1/2 percent in 1983. By contrast, the operating losses of the public enterprises, which had contributed to the growing fiscal imbalance until 1982, were reduced from 4 percent of GDP in 1982 to about 2 1/2 percent of GDP in 1983, reflecting real increases in the prices charged by these enterprises (Chart 9 and Statistical Appendix Table 46).

After declining from nearly 28 percent of GDP in 1980 to 23 1/2 percent in 1982, revenue was unchanged in 1983, as a strengthening of national tax receipts and nontax revenue (mostly accruing to decentralized agencies and the provinces) offset declines in capital receipts and provincial tax revenue (Table 15). As for national taxes, export duties nearly tripled to 1 1/2 percent of GDP in 1983 reflecting the full-year impact of tax rate increases adopted in mid-1982. Taxes on wages also rose owing to the rise in real wages in the economy, and receipts from the tax on fuels increased following adjustments in fuel prices.

3. Overall developments, 1984

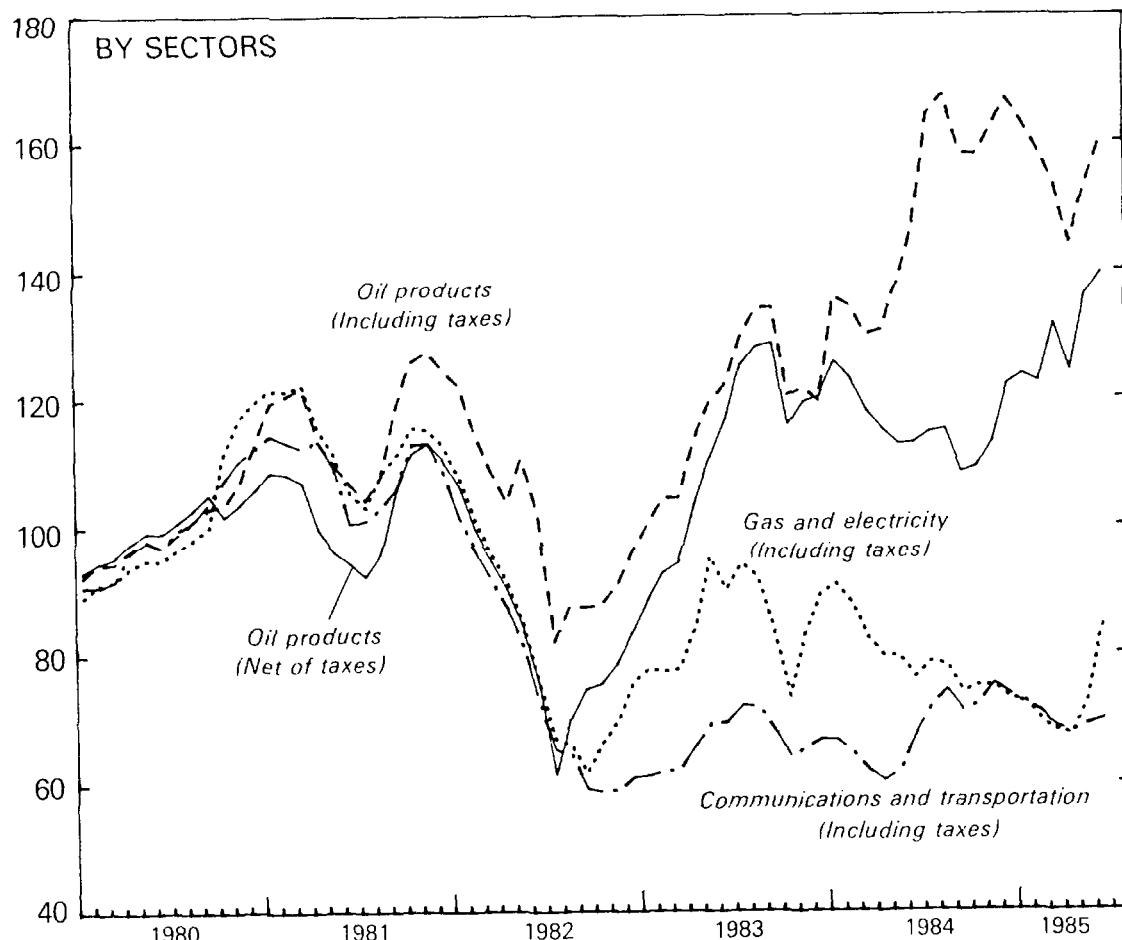
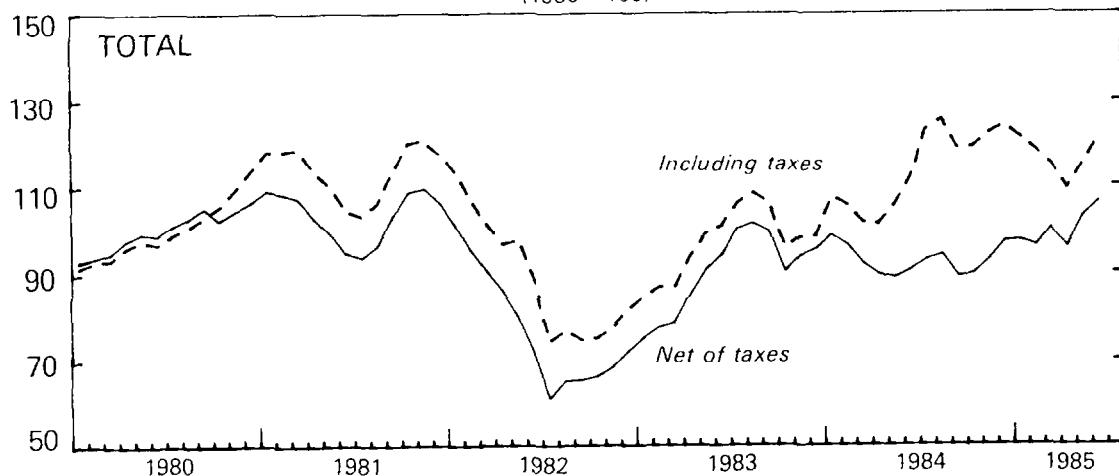
In 1984, the deficit of the nonfinancial public sector declined by about 5 percentage points of GDP to 13 percent of GDP, mainly on account of a substantial drop in expenditure. Personnel expenditure rose by about 10 percent in real terms (or by 1 percentage point of GDP) owing to an increase in the real wage of public employees from 1983 to 1984, but all other categories of spending fell by 5 1/2 percentage points of GDP. In particular, government expenditure on goods and nonpersonnel services was cut back, and the operating losses of the public enterprises were reduced because of a sizable decrease in operating costs (other than wages and salaries). Capital outlays declined, reflecting a slowdown in investment by the general government (Statistical Appendix Table 48).

Total revenue increased only marginally in 1984, despite the adoption of several tax measures. 1/ Tax revenue rose from less than 19 percent of GDP in 1983 to about 20 percent of GDP in 1984, with most of the improvement due to an increase in taxes on wages. Receipts from taxes on goods and services showed only a modest increase (0.3 percent of GDP), despite a sharp increase in the fuel tax equivalent to 1 percent of GDP; receipts from other taxes on goods and services fell. Revenue from taxes on international trade also declined as both imports and exports dropped in relation to GDP, partly reflecting the real appreciation of the peso in 1984.

1/ These measures, which included the partial reinstatement of employers' taxes on wages, increases in excises, the adoption of new duties on international trade, and significant increases in the tax on fuels, were expected to yield about 2 1/2 percentage points of GDP. A summary of the main tax changes of 1984-85 is presented in Appendix I.

CHART 9
ARGENTINA
RELATIVE PRICES OF GOODS AND SERVICES MARKETED
BY PUBLIC ENTERPRISES¹

(1980 = 100)



Sources: Ministry of Economy, and State Enterprises Comptrollers' Office (SIGEP).

¹Prices paid by final users deflated by the wholesale price index for national non agricultural goods.

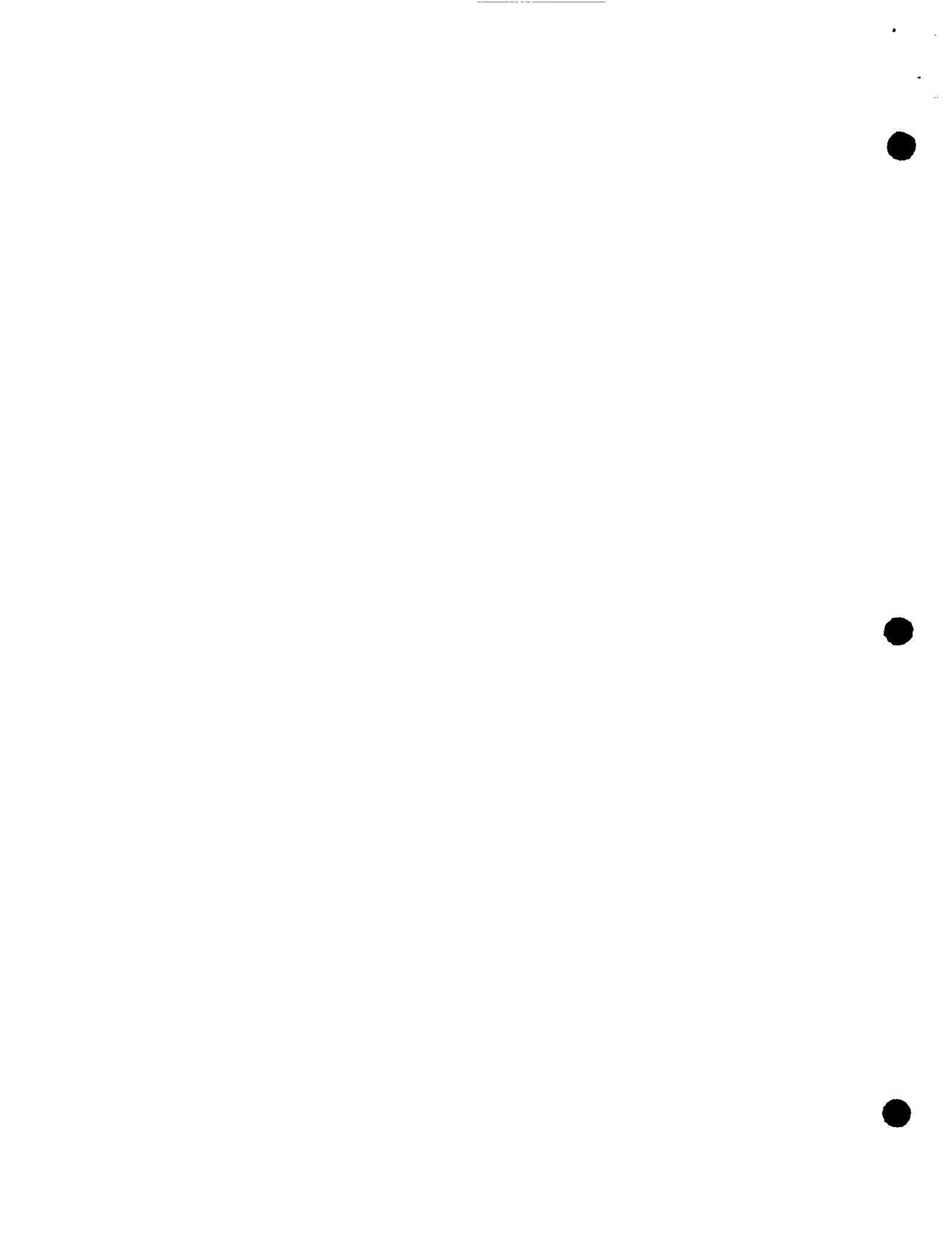


Table 15. Argentina: Nonfinancial Public Sector Revenue

(In percent of GDP)

	1980	1981	1982	1983	1984	Budget 1985
<u>Total revenue</u>	<u>27.8</u>	<u>25.5</u>	<u>23.4</u>	<u>23.6</u>	<u>24.0</u>	<u>27.5</u>
<u>Current revenue</u>	<u>27.5</u>	<u>25.3</u>	<u>22.9</u>	<u>23.4</u>	<u>23.8</u>	<u>26.6</u>
Tax revenue	23.8	21.2	19.1	18.8	19.9	22.1
Taxes on income	1.5	1.6	1.3	1.0	0.5	0.6
Taxes on wages	6.1	2.6	2.0	2.4	3.5	4.5
Of which: social security contributions	5.0	2.4	1.8	2.2	2.7	3.6
Taxes on property	2.0	2.0	2.1	1.8	1.9	1.7
Taxes on goods and services	10.0	11.0	10.1	9.4	9.7	10.2
Of which: value added-tax	4.0	4.7	3.8	3.3	2.8	2.9
tax on fuels	1.3	2.0	2.2	2.4	3.3	3.4
Taxes on international trade	1.5	1.7	1.7	2.4	2.1	3.3
Of which: export duties	0.1	0.1	0.5	1.4	1.3	2.1
import duties	1.3	1.4	1.0	0.8	0.7	1.1
Other taxes 1/	2.8	2.4	1.8	1.8	2.2	1.8
Nontax revenue	3.6	4.0	3.8	4.6	3.9	4.5 2/
<u>Capital receipts</u>	<u>0.3</u>	<u>0.2</u>	<u>0.5</u>	<u>0.2</u>	<u>0.3</u>	<u>0.9 3/</u>
<u>Memorandum items</u>						
National taxes 4/	19.4	17.4	15.7	16.1	16.6	18.7
Provincial taxes	4.5	3.8	3.3	2.7	3.3	3.4

Source: Ministry of Economy.

1/ Includes unclassified tax receipts and small amounts of nontax revenue.

2/ Includes projected profits of public enterprises.

3/ Includes receipts from the forced-saving plan.

4/ Includes tax revenue of the national social security system.

At 20 percent of GDP, tax revenue in 1984 was some 4 percentage points of GDP below its level in 1980. The weak performance of tax revenue can be attributable to several factors, including lags in collections in the face of accelerating inflation; 1/ a deterioration in taxpayers' compliance probably because tax penalties were adjusted relatively slowly (generating a gap between market interest rates and the rate charged on delinquent taxes) and perhaps because of expectations of tax amnesties that, in fact, had been decreed frequently until 1983; and growing exemptions from payment of import duties, income, net wealth, stamp, and value added taxes which were granted by the Central Government and the provinces as investment incentives.

4. General government

The deficit of the general government (before transfers to public enterprises) declined from 11 1/2 percent of GDP in 1983 to 8 percent of GDP in 1984 as expenditure fell and revenue increased only slightly (Table 16). Within the general government, the deficit of the National Administration (before transfers to other parts of the public sector) fell from 9 percent of GDP in 1982 to 5 percent in 1983 and declined further to 2 percent of GDP in 1984. Expenditure of the National Administration fell from nearly 20 percent of GDP in 1982 to 17 percent

1/ Measures to reduce the impact of collection lags by shortening payment periods and indexing tax payments had been adopted between 1977 and 1980 but in 1983-84 the weighted average tax collection lag still was about 40 days. With such a lag and the monthly average inflation rate of about 5 percent that prevailed in 1980, the loss in tax receipts in that year would have been 6 percent of total revenue, equivalent to 1 1/2 percent of GDP. In 1983, with an average monthly inflation of 15 percent, the loss would have been 17 percent of total receipts, or equivalent to 3.8 percent of GDP. In 1984, with an average monthly inflation of 19 percent, the loss would have amounted to 21 percent of tax revenue, equivalent to 5.2 percent of GDP.

Table 16. Argentina: General Government Operations 1/
(In percent of GDP)

	1980	1981	1982	1983	1984	Adjusted 1984 2/	Budget 1985
<u>Total revenue</u>	<u>27.6</u>	<u>25.4</u>	<u>23.0</u>	<u>23.5</u>	<u>23.9</u>	<u>23.9</u>	<u>27.4</u>
Current revenue	27.5	25.3	22.9	23.4	23.8	23.8	26.6
Tax revenue	23.8	21.2	19.1	18.8	19.9	19.9	22.1
Nontax revenue	3.6	4.0	3.8	4.6	3.9	3.9	4.5 3/
Capital receipts	0.1	0.1	0.1	0.1	0.1	0.1	0.8 4/
<u>Total expenditure</u>	<u>31.0</u>	<u>36.8</u>	<u>34.1</u>	<u>35.0</u>	<u>31.9</u>	<u>31.9</u>	<u>29.1</u>
Current expenditure 5/	25.0	30.6	29.1	29.4	27.3	27.3	24.8
Capital expenditure	6.0	6.3	5.1	5.6	4.6	4.6	4.3
<u>Overall surplus or deficit (-) before transfers to public enterprises</u>	<u>-3.4</u>	<u>-11.5</u>	<u>-11.1</u>	<u>-11.5</u>	<u>-8.0</u>	<u>-8.0</u>	<u>-1.7</u>
National Administration 5/	-1.4	-7.6	-9.0	-5.1	-2.0	2.2	5.4
Provinces and Municipality of Buenos Aires	-2.0	-3.9	-2.2	-5.6	-5.2	-7.2	-5.6
Social security system	--	--	--	-0.9	-0.7	-3.0	-1.5
<u>Net transfer to public enterprises</u>	<u>-1.5</u>	<u>-1.6</u>	<u>-1.9</u>	<u>-7.0</u>	<u>-3.2</u>	<u>-3.2</u>	<u>-3.1</u>
<u>Overall deficit</u>	<u>4.9</u>	<u>13.0</u>	<u>13.0</u>	<u>18.6</u>	<u>11.2</u>	<u>11.2</u>	<u>4.8</u>
External financing (net)	--	4.1	1.9	0.3	-1.4	-1.4	0.1
Internal financing	4.9	8.9	11.2	18.3	12.6	12.6	4.8
<u>Memorandum item</u>							
<u>Current account surplus or deficit (-)</u>	<u>2.5</u>	<u>-5.3</u>	<u>-6.2</u>	<u>-6.0</u>	<u>-3.5</u>	<u>-3.5</u>	<u>1.9</u>
Total expenditure after transfers to public enterprises	32.5	38.4	36.1	42.0	35.1	35.1	32.2

Source: Ministry of Economy.

1/ On a commitment basis.

2/ For purposes of comparison with the 1985 budget, 1984 data were adjusted to reflect the arrangement for revenue sharing between the central administration and other parts of the general government that was adopted in 1985.

3/ Includes projected profits of public enterprises.

4/ Includes receipts from the forced-saving plan.

5/ Includes net extrabudgetary expenditure.

of GDP in 1983 and to 14 percent in 1984. 1/ The deficit of the provinces and the Municipality of Buenos Aires, which had risen substantially in 1983, declined slightly to just above 5 percent of GDP in 1984, on the strength of higher tax revenue; rates for property and stamp taxes were increased to compensate for the decision to limit transfers from the National Administration to the provinces. 2/ Spending of the provinces did not change relative to GDP in 1984, as a slight decline in current spending was offset by a rise in capital outlays.

The deficit of the national social security system in 1984 was similar to that of 1983 (0.9 percent of GDP) as revenues and expenditures remained basically unchanged in terms of GDP. In 1984, revenues did not rise in line with wages (on which social security

1/ Information on public expenditure on a functional basis is available for the National Administration including transfers to the rest of the public sector. Total public expenditure so measured rose from 24 percent of GDP in 1982 to 29 percent in 1983 before declining to 22 percent of GDP in 1984 (Statistical Appendix Table 49). The increase in 1983 is largely explained by a rise in transfers to the provinces and to the public enterprises equivalent to about 9 percent of GDP, following the decision to limit the access of other parts of the public sector to commercial bank financing and to make the Treasury the sole supplier of resources to the rest of the public sector. Expenditure on economic services rose from less than 7 percent of GDP in 1982 to nearly 13 percent in 1983, with the largest increases occurring in the energy and transportation sectors as the Treasury stepped in to cover debt service charges of public enterprises operating in these sectors. Expenditure on economic services fell in 1984 in reflection of a sharp reduction in transfers to public enterprises in the energy and transportation sectors. Outlays for defense and security were reduced from 3.8 percent of GDP in 1983 to 2.8 percent of GDP in 1984, while spending on social services rose from 4.8 percent of GDP in 1983 to 5.7 percent in 1984. Finally, there was a decline in spending on general administration in 1984, attributable entirely to a drop in transfers to the provinces.

2/ Tax receipts of the provinces declined from 4 1/2 percent of GDP in 1980 to 2 2/3 percent of GDP in 1983 before rising to 3 1/3 percent of GDP in 1984. Part of the decline in the revenues of the provinces in the early 1980s can be attributed to the relatively poor performance of the national income, capital, value added, and excise taxes, which were shared among the Central Administration, the provinces, and local governments. The problems were compounded following the elimination of the employers' social security contribution in late 1980, because the social security system was entitled to claim a share of those taxes prior to their distribution among the various administrations. The employers' contribution was partially reinstated in October 1984, and transfers of revenue to the social security system were reduced correspondingly.

contributions are assessed) because of lags in collections and the adverse effects of rising inflation on real receipts. The ratio of active to passive members of the social security system is estimated at 2 to 1, and the ratio has been declining in recent years, as the number of beneficiaries has grown more quickly than the work force. Also, contributions have been adversely affected by frequent tax amnesties. The social security deficit is concentrated in the system for self-employed workers, where the ratio of active to passive members is lower than the general average, and the problem of the low average level of contributions is relatively more serious than for the social security system as a whole.

5. Public enterprises

The overall deficit of the public enterprises (before transfers from the general government) declined from about 7 percent of GDP in 1982 and more than 6 percent of GDP in 1983 to around 5 percent of GDP in 1984. The operating losses of the enterprises narrowed from 4 percent of GDP in 1982 and 2 1/2 percent of GDP in 1983 to 1 1/2 percent of GDP in 1984 (Table 17).

The index of real prices charged by the enterprises dropped by 25 percent in 1982 due to a price freeze during the first half of the year but rose by 17 percent in 1983 and by a further 2 1/2 percent in 1984. The increase in public sector prices in 1983 and 1984 was largely offset by increases in real wages in the public enterprises. After declining substantially in 1981 and 1982, real wage costs rose by 33 percent in 1983; there was a further 11 percent increase in the wage bill in 1984, partly reflecting the incidence of new payroll taxes. Interest payments by the enterprises rose to more than 4 percent of GDP in 1982 as a result of a substantial increase in external debt. Following repayment with central bank funds of most of the enterprises' debt with the domestic banking system beginning in late 1982, interest payments fell substantially; in 1984, interest costs represented about 2 percent of GDP, and were mainly on external debt. 1/ Expenditures on goods and nonpersonnel services rose sharply in 1983 but were cut back substantially in 1984, as part of the Government's general program to limit expenditure on goods and nonwage services.

Capital expenditure of the public enterprises fluctuated relatively little in relation to GDP in the period 1980-84, but as a percentage of total investment by the public sector such expenditures went up from 38 percent in 1980 to 45 percent in 1984. The bulk of these expenditures were in the oil and electricity sectors; the State Oil Company has been responsible for about one third of total investment by the enterprises, while several national and binational entities engaged

1/ It should be noted that financing costs included in the cost of goods and nonwage services purchased by the public enterprises is included in expenditure on goods and nonpersonnel services.

Table 17. Argentina: Operations of the Public Enterprises 1/
(In percent of GDP)

	1980	1981	1982	1983	1984	Budget 1985
<u>Current receipts</u>	<u>8.7</u>	<u>10.3</u>	<u>9.7</u>	<u>11.2</u>	<u>11.1</u>	<u>13.3</u>
<u>Current expenditure</u>	<u>9.9</u>	<u>12.2</u>	<u>13.6</u>	<u>13.8</u>	<u>12.6</u>	<u>13.2</u>
Wages and salaries	3.4	3.0	2.2	3.0	3.4	2.9
Other goods and services	3.8	4.5	6.1	7.2	6.7	7.1
Interest	1.6	3.5	4.1	2.5	2.1	2.3
of which : external	0.5	1.1	2.2	2.0	1.8	1.9
Other	1.2	1.2	1.2	1.1	0.4	0.9
<u>Current account surplus or deficit (-)</u>	<u>-1.2</u>	<u>-1.9</u>	<u>-3.9</u>	<u>-2.6</u>	<u>-1.5</u>	<u>0.1</u>
<u>Capital receipts</u>	<u>0.2</u>	<u>0.2</u>	<u>0.4</u>	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>
<u>Capital expenditure</u>	<u>3.6</u>	<u>3.5</u>	<u>3.4</u>	<u>3.9</u>	<u>3.8</u>	<u>3.0</u>
<u>Total deficit (-) before transfers from general government</u>	<u>-4.6</u>	<u>-5.2</u>	<u>-6.9</u>	<u>-6.3</u>	<u>-5.1</u>	<u>-2.8</u>
<u>Net transfers from general government</u>	<u>1.5</u>	<u>1.6</u>	<u>1.9</u>	<u>7.0</u>	<u>3.2</u>	<u>3.1</u>
<u>Overall surplus or deficit (-)</u>	<u>-3.1</u>	<u>-3.7</u>	<u>-5.0</u>	<u>0.7</u>	<u>-1.9</u>	<u>0.3</u>
External financing (net)	1.5	2.6	1.4	-0.1	0.1	0.2
Internal financing (net)	1.6	1.1	3.6	-0.6	1.8	-0.5

Source: Ministry of Economy.

1/ On a commitment basis.

in the generation and distribution of electricity have accounted for another one third (Statistical Appendix Table 51).

6. The 1985 budget

Prior to adoption of the budget in late September 1985, the Government operated on an extension of the 1984 budget adjusted for inflation. Monthly ceilings on spending, expressed as a percentage of total budget authorizations for 1984, were established although wages and salaries, transfers, and debt service payments were excluded from these ceilings. Hiring by the National Administration was frozen (except for personnel in selected activities) and purchases of automobiles, office furniture and equipment, and spending for publicity and hiring of professional services, were prohibited.

To better monitor domestic arrears and changes in floating debt, regulations were introduced in regard to the commitment of budgetary appropriations to ensure that budgetary ceilings would not be exceeded; in addition, limits were placed on the time lag between commitment of expenditure for goods and services and the issuing of the corresponding payment orders. Public enterprises were to comply with the wage policy set by the Government and to reduce employment by 1 percent in the first half of 1985 and by an additional 1 percent in the third quarter of the year. Enterprises also were required to settle their outstanding payments obligations to private suppliers and to other public sector enterprises at end-March, and to avoid incurring new arrears.

The original budget for 1985 was presented to Congress in January 1985; however, a revised version was presented to Congress in July 1985 taking into account developments in the first half of 1985, as well as estimates of the effects of the measures adopted as part of the stabilization program of mid-June. The budget, which was approved in September, provided for a reduction in the deficit of the nonfinancial public sector from 13 percent of GDP in 1984 to 4 1/2 percent of GDP in 1985. Spending was projected to decline from over 37 percent of GDP in 1984 to 32 percent in 1985, while revenue was to rise from 24 percent of GDP in 1984 to 27 1/2 percent in 1985. General government current expenditure was projected to decline by 2 1/2 percent of GDP, while the operating losses of public enterprises which amounted to 1/2 percent of GDP in 1984 were to be replaced by a small surplus; capital expenditure was to be reduced by 1 percent of GDP to less than 7 1/2 percent, with most of the slowdown affecting investment by the public enterprises.

The largest reduction in current expenditure was to be for wages and salaries, which were to fall from 11 percent of GDP in 1984 to less than 10 percent of GDP in 1985, reflecting a drop in both real wages and employment. Transfers to the private sector were also expected to decline, although payments for social security benefits were to remain unchanged relative to GDP. On a functional basis, most of the cuts in spending by the National Administration (which totaled 3 percent of GDP) were to affect defense and security, as a result of a slowdown in

purchases of military equipment, and social services, because of lower transfers to the national and provincial social security systems.

The improvement in the finances of the public enterprises was expected from sharp increases in the prices charged for the goods and services they sell. Substantial real price increases were made in May and June 1985 and, on average, real prices charged by public enterprises in 1985 were projected to be 10 percent higher than in 1984. The operating surplus of the State Oil Company was expected to increase from less than 1/2 percent of GDP in 1984 to 1 percent in 1985, on the strength of product prices that in real terms were 16 percent higher than in 1984. Significant real price increases in 1985 were implemented also by the gas and coal enterprises (average increases in 1985 of 15 percent and 21 percent, respectively) and the State Post and Telegraph Services (40 percent). At the same time, real wages in the enterprises in 1985 were projected to be about 25 percent below their level in 1984.

The projected increase in government revenue was based in large part on measures that had been adopted or had been submitted to Congress and were expected to be implemented in the near future. Also, the increase in tax revenue was to derive in part from the expected marked abatement of inflation in the second half of 1985. Revenue estimates, particularly for taxes highly sensitive to real output and sales, were based on cautious assumptions regarding the course of economic activity.

Contributions to social security were projected to rise by almost 1 percentage point of GDP reflecting the full year's effect in 1985 of the 7 1/2 percent payroll tax reintroduced in late 1984, plus the transfer of a portion of a wage levy that previously was directed to the funds managing the system of family allowances. Receipts from taxes on international trade were projected to grow by more than 1 percent of GDP in 1985. When the exchange rate was adjusted by 18 percent on June 11, 1985, export tax rates were raised from an average of 12 1/2 percent to 17 percent (on agricultural exports, the average tax went up from 18 to 26 percent); in addition, a surcharge on imports was introduced in mid-June, with the effect of increasing the average import tax rate from 10 percent to about 17 1/2 percent.

Taxes on goods and services were forecast to rise by about one half a percentage point of GDP, with the fuel tax and other taxes on oil and energy contributing most of the increase, following substantial increases in fuel prices in May and June 1985. Revenue from the value-added tax was expected to increase because of the elimination of export rebates--which are meant to be a reimbursement of value-added taxes paid and are netted from value-added tax receipts in the Treasury accounts--in June, and from the reduction from 55 to 35 days, effective in July, in the average collection lag.

As for measures that had yet to be approved by Congress, a forced saving plan was expected to yield about 1 percent of the GDP of the

second half of 1985 (1/2 percent of GDP at an annual rate), and a doubling of the tax on bank transaction was expected to produce revenue equivalent to 0.2 percent of GDP. Under the forced savings plan, individuals and businessmen were required to constitute five-year deposits in amounts based on their 1984 income, capital, and net-worth tax statements. The deposits were to earn the rate of interest applicable to low-yield deposits with the national savings bank. In November 1985 (when the measure was implemented), this rate was 2.3 percent per month, compared with 3.1 percent for regulated deposits, and about 4 percent for nonregulated deposits. 1/

7. Preliminary cash estimates for 1985

Preliminary estimates indicate that the cash deficit of the nonfinancial public sector declined from about 8 percent of GDP in the first half of 1985 to 3 percent of GDP in the second half, and that for the year as a whole the cash deficit declined to below 5 percent of GDP, compared with more than 8 percent of GDP in 1984. The improvement in the second half of 1985 can be attributed entirely to higher revenue; total revenue increased from 21 1/2 percent of GDP in the first half to almost 28 percent of GDP in the second half of the year. Total expenditure rose by a little more than 1 percent of GDP from the first to second half of 1985 (Table 18).

As regards the increase in revenue, the forced-saving plan was implemented beginning in November and yielded the equivalent of 1.3 percent of the GDP in the second half of 1985 (somewhat more than the 1 percent of GDP projected in the budget). Taxes on foreign trade rose by about 1 percent of GDP in the second half of the year and revenues from the fuel tax (including earmarked receipts of the energy and other autonomous funds) increased substantially. In addition, the value added tax produced about 1 percent of GDP more in revenue in the second half of 1985, while excise taxes and income taxes taken together produced an additional 1 percent of GDP; the reduction in the collection lag for the value added tax had a once-and-for-all effect on collections in July, and the sharp reduction in inflation resulted in higher real collections for the value added, excise, and income taxes.

On the spending side, an increase in current spending by the general government and higher capital spending (mainly by the public enterprises) more than offset a decline of almost 2 1/2 percentage points of GDP in the operating losses of the enterprises in the second half of 1985. Increases in social security payments explained most of the increase in current spending by the government in the second half of

1/ In this report, resources to be raised by the scheme have been treated as capital revenue and not as financing as there is a sizable tax element implicit in the scheme, reflecting the difference between the interest rate paid by the official savings institution and market interest rates.

Table 18. Argentina: Summary of Public Sector Operations
on a Cash Basis

(In percent of GDP)

	1983	1984	1985 1/	I Sem.	II Sem. 1/	1985
<u>Total revenue</u>	<u>22.4</u>	<u>22.9</u>	<u>25.6</u>	<u>21.4</u>	<u>27.8</u>	
<u>Current revenue</u>	<u>22.1</u>	<u>22.8</u>	<u>24.6</u>	<u>21.2</u>	<u>26.5</u>	
Tax revenue	17.8	19.1	21.1	18.3	22.6	
Nontax revenue 2/	4.4	3.7	3.5	2.9	3.9	
<u>Capital receipts 3/</u>	<u>0.2</u>	<u>--</u>	<u>1.0</u>	<u>0.2</u>	<u>1.4</u>	
<u>Total expenditure</u>	<u>33.0</u>	<u>31.2</u>	<u>30.4</u>	<u>29.5</u>	<u>30.8</u>	
<u>Current expenditure</u>	<u>25.5</u>	<u>25.2</u>	<u>24.4</u>	<u>24.2</u>	<u>24.4</u>	
General government current expenditure 4/	24.0	23.7	23.1	21.4	23.9	
Public enterprises operating deficit	1.5	1.5	1.3	2.8	0.5	
<u>Capital expenditure</u>	<u>7.5</u>	<u>6.1</u>	<u>6.0</u>	<u>5.3</u>	<u>6.4</u>	
<u>Overall deficit (-)</u>	<u>-10.6</u>	<u>-8.3</u>	<u>-4.8</u>	<u>-8.1</u>	<u>-3.0</u>	

Sources: Ministry of Economy; and Fund staff estimates.

1/ Preliminary estimate.

2/ Does not include current receipts of public enterprises.

3/ Includes capital receipts of public enterprises and, in the second half of 1985, receipts from the forced saving plan.

4/ Includes net extrabudgetary expenditure and small amounts of capital transfers; does not include transfers to public enterprises.

1985. In part, this was seasonal, as the two semiannual bonuses are paid in the second half of the year; also, as social security benefits are paid with a lag, the drop in inflation raised social security benefits in real terms. In addition, social security benefits were raised by 14 percent in October, which raised expenditure of the system by about 1/2 percentage point of GDP in the second half of the year.

IV. Financial Intermediation

1. Overall trends through mid-1985

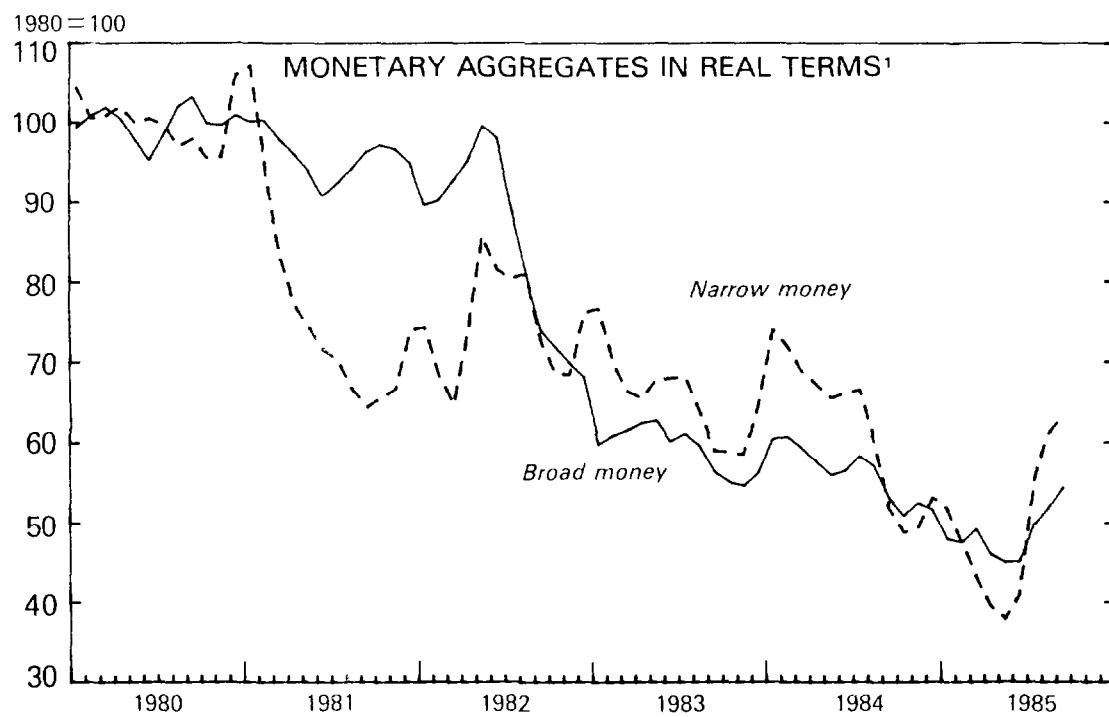
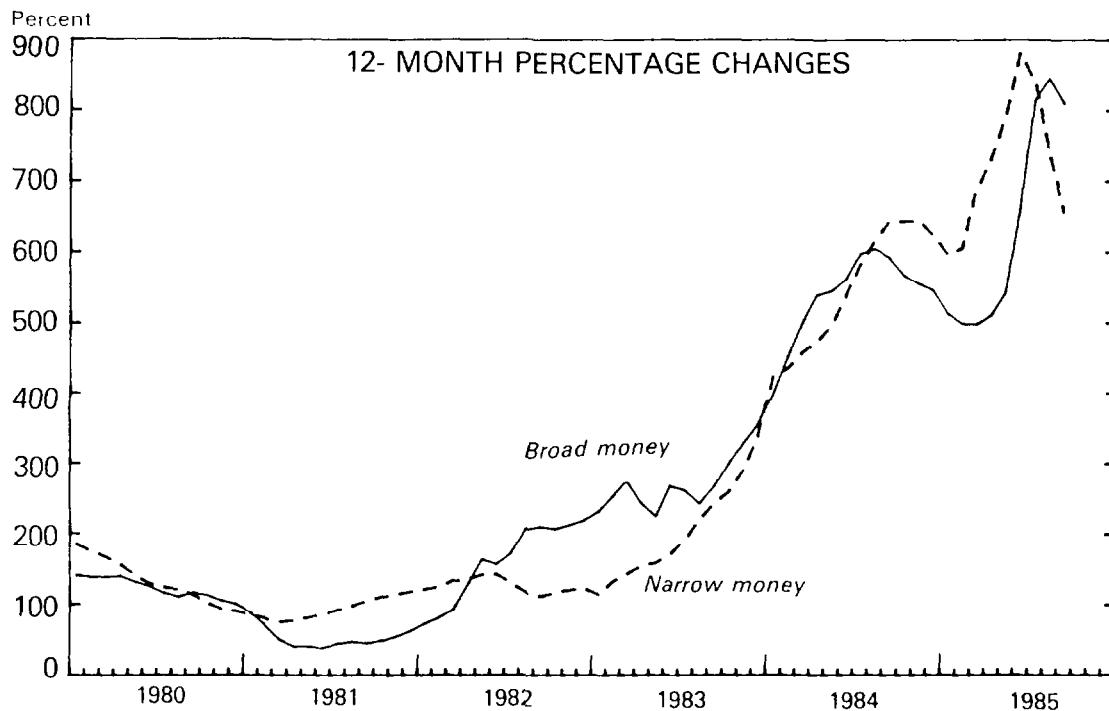
The rate of growth of domestic credit mounted steadily from 1981 through June 1985. During this period, there were substantial losses in the net international reserves of the financial system, financial saving declined sharply in real terms and inflation rose to very high levels (Table 19 and Chart 10). During the 12 months ended in June 1985, net domestic assets of the financial system rose by over 700 percent (relative to liabilities to the private sector at the beginning of the period) compared with increases of 400 percent during 1983 and 550 percent during 1984. 1/ Liabilities to the private sector rose by about 670 percent during the year ended in June 1985, compared with increases of 355 percent during 1983 and 525 percent during 1984. The net foreign assets of the financial system declined by US\$1.2 billion during the year ended in June 1985, bringing the total decline since the end of 1980 to more than US\$15.5 billion.

Financial system liabilities to the private sector fell in real terms by 11 percent in the first half of 1985, following major declines in earlier years; at the end of June 1985 total liabilities in real terms were about 50 percent lower than at the end of 1980 (Table 20). 2/ In the first half of 1985, real narrow money balances declined by 16 percent, and at the end of June 1985 were 44 percent of their level at the end of 1980. In contrast to these overall trends, foreign currency deposits increased in real terms from the end of 1980 to June 1985. The U.S. dollar value of these deposits declined, but this was more than offset by the real depreciation of the Argentine currency during the period; at the end of June 1985, foreign currency deposits accounted for about 10 percent of total financial system liabilities to the private sector, compared with 2 percent at the end of 1980.

1/ In order that these changes in net domestic assets, liabilities to the private sector, and net international reserves, reflect the flows of domestic and foreign saving through the financial system (and are free of valuation adjustment effects), foreign currency assets and liabilities are valued at the average exchange rate in each period.

2/ For purposes of the discussion of the stock of financial system liabilities to the private sector, and the stock of financial system credit to the private sector, foreign currency deposits and credits are valued at end-of-period exchange rates.

CHART 10
ARGENTINA
MONETARY DEVELOPMENTS



Source: Central Bank of Argentina.

¹Deflated by the consumer price index.

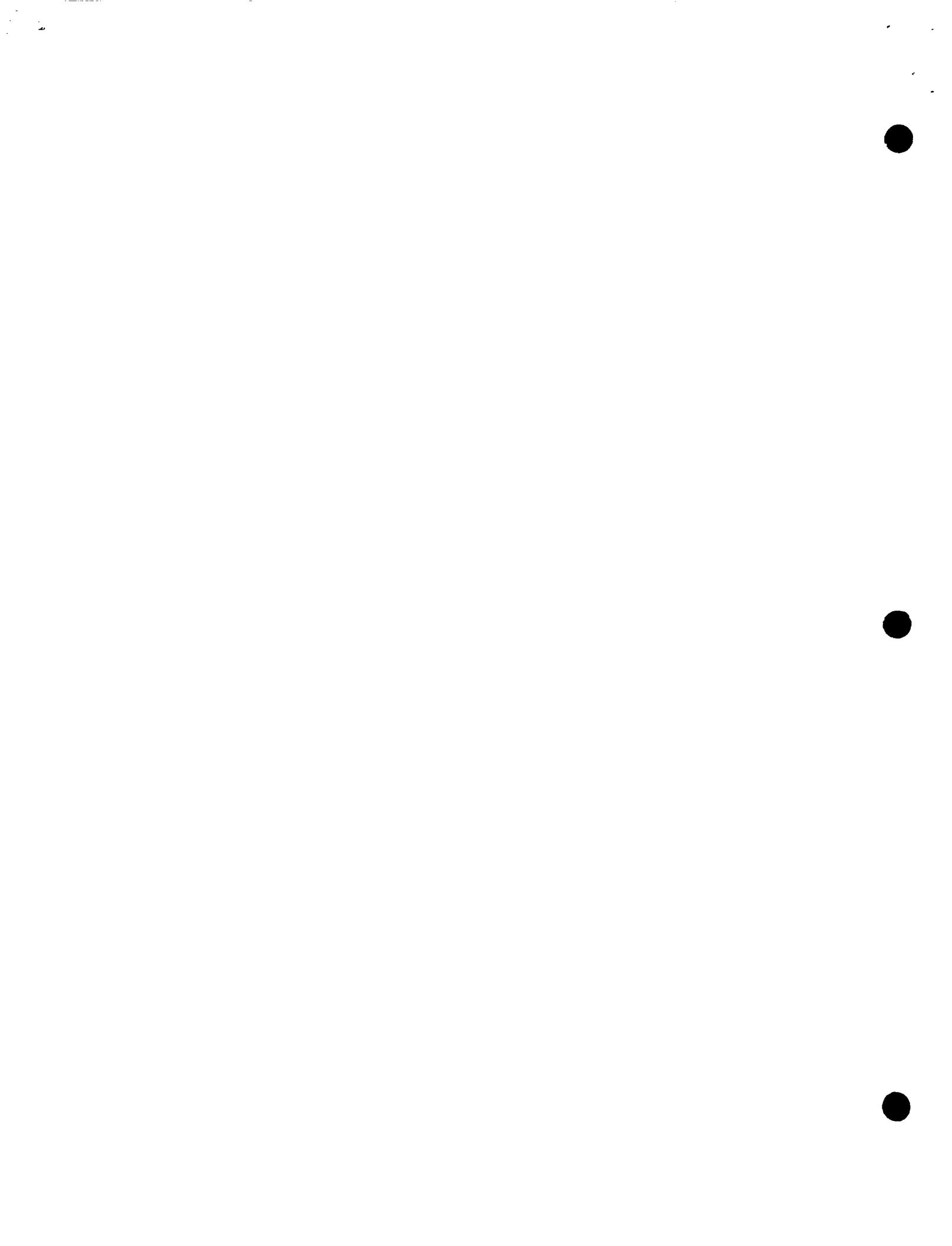


Table 19. Argentina: Summary of Operations of the Financial System 1/
(Percentage change during previous 12 months)

	December				June 1985
	1981	1982	1983	1984	
Net domestic assets <u>2/</u>	120.6	185.1	405.1	550.1	712.3
Credit to private sector	103.6	138.2	280.3	348.0	468.4
Other <u>3/</u>	17.0	47.0	124.8	202.1	243.9
Liabilities to private sector	102.2	109.6	354.6	526.8	667.4
Monetary liabilities	69.7	220.3	368.2	524.7	763.5
Other	114.2	80.5	349.2	527.5	639.5
Change in net foreign assets (in millions of U.S. dollars)	-4,214	-7,316	-2,485	-811	-1,210

Source: Central Bank of Argentina.

1/ With foreign currency assets and liabilities valued at the average exchange rate for each 12-month period.

2/ Change as a percentage of liabilities to the private sector at the beginning of the period.

3/ Includes credit to the nonfinancial public sector, the operating losses of the Central Bank, unrequited foreign exchange and unclassified assets.

Table 20. Argentina: Financial System Liabilities to the Private Sector in Real Terms

(Deflated by the consumer price index; index for total liabilities in December 1980 = 100)

	December 31					June 30 1985
	1980	1981	1982	1983	1984	
Total liabilities	100.0	92.0	68.1	63.9	58.0	51.7
Money	27.6	20.2	20.9	18.3	14.5	12.2
Other	72.4	71.8	47.2	45.6	43.5	39.5
Local currency	70.4	67.5	42.5	43.3	37.9	34.3
Foreign currency	2.0	4.3	4.7	2.3	5.5	5.2
<u>Memorandum item</u>						
Foreign currency deposits in millions of U.S. dollars	989	916	681	364	918	777

Source: Central Bank of Argentina.

As financial saving declined and the share of saving required to cover the needs of the public sector (including the operating losses of the Central Bank) increased substantially, real credit to the private sector declined sharply (Table 21). By June 1985, credit to the private sector in real terms had declined to 68 percent of its level at the end of 1980. The decline was particularly marked in the case of credit denominated in local currency; at the end of June 1985, real private sector credit denominated in local currency was 44 percent of its level at the end of 1980. Foreign currency credit to the private sector, including the counterpart of private external payments arrears, increased substantially from the end of 1980 to the end of June 1985; at mid-1985, foreign currency credit accounted for almost 45 percent of financial system credit to the private sector, compared with about 12 percent at the end of 1980.

Table 21. Argentina: Credit of the Financial System
to the Private Sector in Real Terms 1/

(Deflated by the consumer price index; index of total credit
for December 31, 1980=100)

	December 31					June 30 1985
	1980	1981	1982	1983	1984	
Total	100.0	111.2	110.5	90.0	71.8	68.0
Local currency	87.8	85.1	70.5	52.4	43.6	38.9
Foreign currency	12.2	26.1	40.0	37.6	28.2	29.1
Private sector external arrears	--	--	3.8	7.4	4.5	4.2
Other	12.2	26.1	36.2	30.1	23.7	24.9

Source: Central Bank of Argentina.

1/ With foreign currency credit valued at end-period exchange rates.

2. Use of monetary policy instruments

a. July 1982 to December 1984

With the major changes in the financial system of July 1982, the direct involvement of the Central Bank in financial intermediation increased markedly. In addition, the Central Bank has tightly controlled the operations of the financial system in indirect ways. The most important changes in central bank regulations affecting the financial system in 1984 and 1985 are presented in Appendix II.

The principal measure affecting the financial system adopted in July 1982 was the refinancing of the (largely short term) domestic bank debt of the private sector (generally for a period of five years) through massive central bank rediscounts. To offset the monetary effects of this operation, bank deposits were subject to a 100 percent legal reserve requirement. Interest on the refinanced debt and on the central bank rediscounts was to be capitalized; the Central Bank paid interest on the required reserves on term deposits (reserves on sight deposits were not remunerated by the Bank) through the "cuenta regulación monetaria" or interest equalization account, which came to represent a large source of monetary expansion.

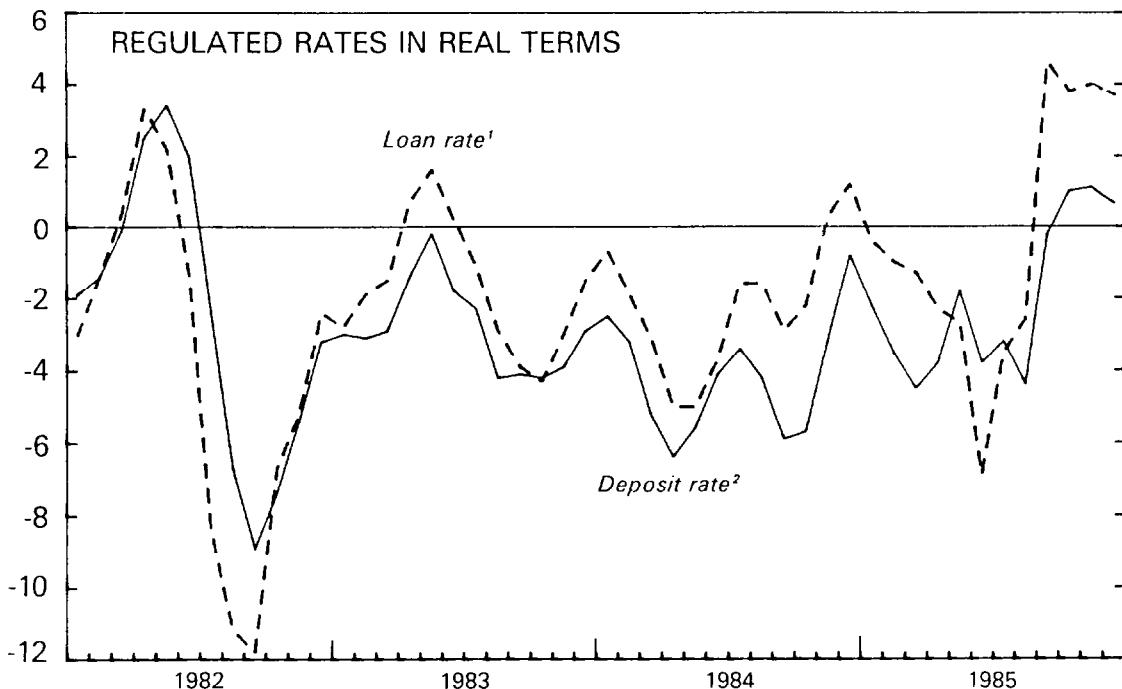
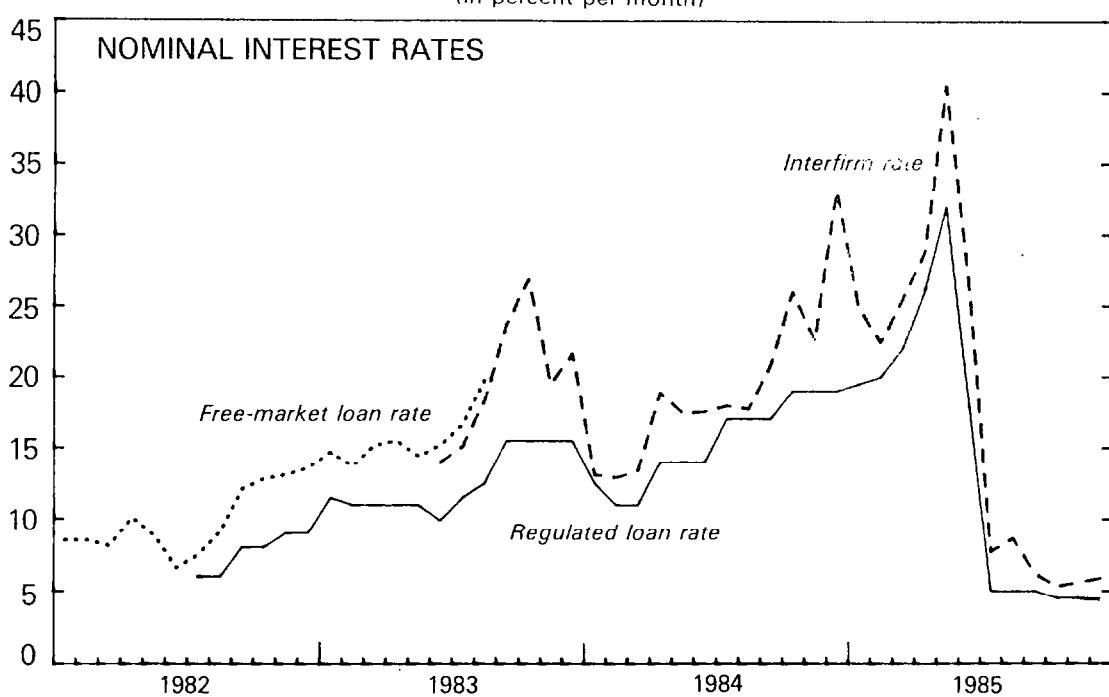
The existing system of deposit guarantees was maintained in July 1982, and interest rates on short-term deposits were regulated by the authorities, as they were concerned that the system of deposit

guarantees in combination with free interest rates had contributed in the past to an excessive bidding up of interest rates. Initially, regulated interest rates were set at sharply negative levels in real terms, to alleviate the debt problem of industrial firms and to support a reactivation of the economy. Beginning in early 1983 the Central Bank tried to bring regulated rates more into line with inflation, but with the exception of two brief periods (in early 1983 and late 1984), regulated rates remained substantially below the rate of inflation (Chart 11).

Negative real interest rates in the regulated segment led to credit rationing and to the development of an interfirm market outside the institutionalized financial system. Operations in the interfirm market were of a very short-term nature (generally seven days or less), in the form of swap operations against the collateral of checks or Government of Argentina bonds denominated in U.S. dollars (BONEX). The financial system established in July 1982 had included a free rate segment, but limits were placed on the amount of free rate deposits that each individual bank could accept. Such limits were easily filled and banks had little incentive to offer free deposit rates much above regulated rates; meanwhile, free rate loans were made at the higher interest rates prevailing in the interfirm market. When spreads in the free segment of the institutionalized system rose to very high levels in mid-1983, the market was abolished. Later in the year, banks again were allowed to compete with the interfirm market by issuing bankers' acceptances. Bank by bank limits were set on the amount of such acceptances, but during 1984 the limits were increased substantially; also, steps were taken to promote financial swap operations in banks (including the abolition of the stamp tax in May 1984 and the elimination of minimum maturities in October 1984) and free rate deposits came to represent an important share of total bank deposits (Table 22).

The institutional changes of July 1982 also provided banks with the facility to offer deposits and loans indexed to specific price indices, and over the period July 1982 to June 1985 the minimum maturities of indexed deposits were shortened or lengthened at various times as the Central Bank tried to encourage or discourage the holdings of these deposits. The maturity of indexed loans generally exceeded that of indexed deposits, and the two instruments were not necessarily linked to the same price index. The risks associated with maturity transformation or the possibility of losses stemming from differential movements in the price indices was assumed by the Central Bank. The Bank imposed a 100 percent requirement on indexed deposits and provided an indexed rediscount line to finance indexed loans. Through this mechanism, the Central Bank also offset any differences in the demand and supply of funds at indexed rates. Early in 1983, deposits indexed to the U.S. dollar were created, and these also were made subject to a 100 percent reserve requirement.

CHART 11
ARGENTINA
INTEREST RATE DEVELOPMENTS
(In percent per month)



Source: Central Bank of Argentina.

¹Nominal rate deflated by change in wholesale price index, 3 month moving average.

²Nominal rate deflated by change in consumer price index, 3 month moving average.

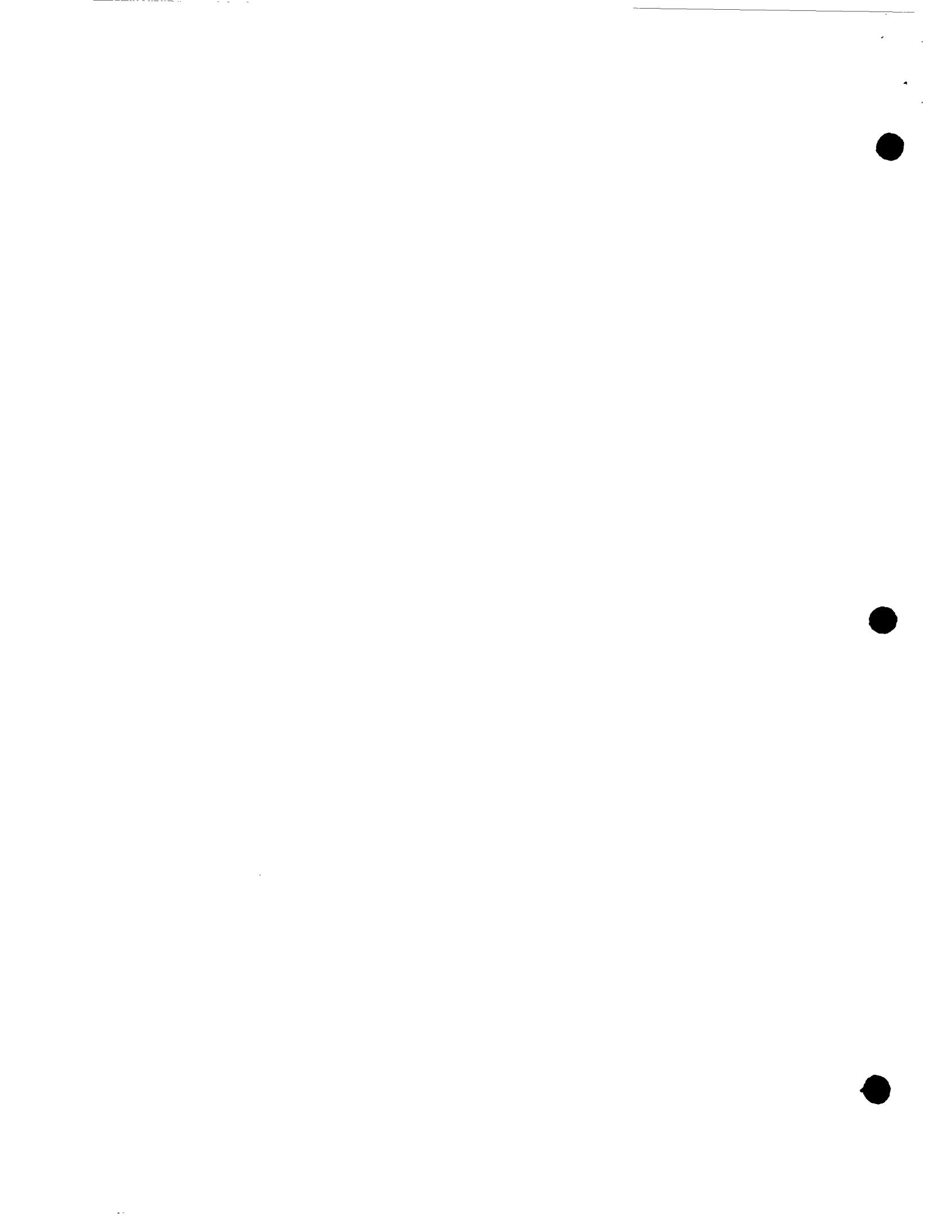


Table 22. Argentina: Distribution of Deposits

(End-of-period balances, in percent of total private sector interest-bearing deposits) 1/

	At Free- Market Rates	At Regu- lated Rates	Indexed Deposits	Central Bank Paper (CEDEPs)	Foreign Currency Deposits	Total
<u>1982</u>						
June	97.0	--	--	--	3.0	100.0
December	11.3	63.0	14.3	--	11.4	100.0
<u>1983</u>						
June	6.9	66.6	14.6	--	11.9	100.0
December	1.4 <u>2/</u>	70.7	22.1	--	5.9	100.0
<u>1984</u>						
June	11.7 <u>2/</u>	54.7	25.5	--	8.1	100.0
December	17.8 <u>3/</u>	53.1	15.1	--	14.0	100.0
<u>1985</u>						
January	18.0 <u>3/</u>	51.8	14.1	0.8	15.3	100.0
February	17.5 <u>3/</u>	50.3	15.2	0.8	16.2	100.0
March	18.3 <u>3/</u>	46.2	14.8	3.2	17.5	100.0
April	17.1 <u>3/</u>	47.3	14.4	3.8	17.4	100.0
May	13.6 <u>3/</u>	52.7	11.8	7.4	14.5	100.0
June	15.9	52.2	9.5	7.2	15.2	100.0

Source: Central Bank of Argentina.

1/ Excludes accrued interest.

2/ Includes bankers' acceptances.

3/ Includes bankers' acceptances and swaps, operations with the collateral of Government of Argentina bonds denominated in U.S. dollars (BONEX).

b. First half of 1985

Beginning in late 1984, the authorities moved to reduce the Central Bank's role in financial intermediation and to increase the flexibility of the financial system. Reserve requirements and rediscounts associated with indexed deposits and loans were reduced as of January 1, 1985 and in March 1985 the reserve requirement on U.S. dollar indexed deposits was abolished. At the end of March, the marginal reserve requirements on regulated interest rate deposits were reduced markedly (Statistical Appendix Table 55). In addition, the reserve requirements on the end-March stock of deposits were replaced by a frozen deposit in the Central Bank. Interest was to be accrued on the frozen deposit whereas interest on required reserves had been paid in cash each month by the Central Bank; as a result, an important automatic source of money creation was eliminated.

At the end of March 1985, the authorities attempted to integrate the interfirm market into the financial system by allowing banks to accept nonregulated interest deposits, free of reserve requirements. These deposits were to replace acceptances and swaps in the financial system as well as the operations outside the financial system, all of which were prohibited at that time. Bank by bank limits were set on the amount of free interest deposits, but the total limit was designed so as to accommodate the swap and acceptance operations of the banks and an estimate of extra-institutional operations.

The institutional changes in the early months of 1985 created a more competitive financial environment and brought to light the liquidity and solvency problems of certain banks. During April-May, several banks, including a large private bank, encountered problems and were liquidated. In response to the crisis, the Central Bank once again increased its role in financial intermediation. Rediscount facilities were established for banks that were losing deposits and, to offset the liquidity effect, banks were required to constitute absorption bonds in the Central Bank tied to increases in regulated deposits from end-March; a 3 percent reserve requirement on free interest deposits also was introduced. U.S. dollar denominated deposits were frozen in May, following a run on these deposits.

As a net result of developments in the first half of 1985, the share of intermediation going through the Central Bank increased. The ratio of central bank liabilities (including currency in circulation plus the various required reserves and absorption bonds) to total financial system liabilities to the private sector rose from 68 percent at the end of 1984 to 85 percent at the end of June 1985. By way of comparison, the ratio was 97 percent at the end of 1982 and 85 percent at the end of 1983.

3. Developments since mid-June 1985

In the context of the frontal attack on inflation, on June 14, 1985 a new currency, the austral, was introduced, with one austral equivalent to 1,000 pesos argentinos. Following a three-day bank holiday, the regulated interest rate on deposits was lowered from 28 percent a month to 4 percent and the regulated lending rate was lowered from 30 percent to 6 percent; the rate on the Central Bank's short-term paper (which set a floor to free market rates) was lowered from more than 30 percent to 7 percent a month. 1/ In the period immediately after the reform free interest rates were in the 8-9 percent range and the spread between the exchange rate for the austral in the official and parallel exchange markets was negligible. 2/

1/ In late 1982-early 1983, the Central Bank bought up the existing stock of short-term government paper, as part of the effort to concentrate public sector debt in the Central Bank. In February 1984, the Central Bank began sales and purchases of its own short-term paper (CEDEPs) as an instrument of monetary control; at first, only financial institutions were eligible to hold CEDEPs, but beginning in December 1984, sales to the general public were allowed. By mid-1985, nonfinancial private sector holdings of CEDEPs accounted for about 7 percent of total financial assets (see Table 22). In the second half of 1985, CEDEPs became less important as a monetary instrument. Beginning in August, banks were no longer eligible to purchase CEDEPs and to regulate liquidity the Central Bank relied more on requiring banks to purchase absorption bonds; in addition, the interest rate on CEDEPs was set below free rates, and holdings of the nonfinancial private sector declined from about A 270 million in June 1985 to about A 50 million at the end of the year.

2/ Prior to the reform, peso denominated contracts (for example time deposits, loans, and rental agreements) had included a large premium for expected inflation. To avoid large windfall profits and losses for creditors and debtors as a result of a sudden unexpected decline in inflation, the reform included a system for de-indexing these types of contracts. The decree that introduced the austral specified a table of daily conversion rates from pesos argentinos to australes for the period July 15-July 31, 1985 which implied a depreciation of the peso relative to the austral of 29 percent a month. Conversion tables were issued monthly until December 1985 (by which time it was assumed that most peso denominated contracts in place prior to the reform would have run their course). The rate of depreciation of the peso relative to the austral was reduced gradually each month and the December conversion table provided for a depreciation of 25 percent; on December 31, 1985, the austral was equivalent to more than 4,600 pesos argentinos for amounts resulting from peso contracts in place prior to the June 1985 reform, representing a total depreciation of the peso relative to the austral of 360 percent from mid-June.

In the third quarter of 1985, the monetary aggregates continued to grow at relatively high rates. Narrow money grew by 39 percent (seasonally adjusted) in July and by more than 10 percent a month in August and September; this increase probably reflected a sharp drop in inflationary expectations (and the expected cost of holding narrow money balances) in the period after the adoption of the stabilization program. Broad money also rose substantially, although by less than narrow money (Table 23).

Table 23. Argentina: Recent Financial Indicators

(Percent per month)

		Change in Monetary Aggregates 1/ Narrow	Change in Monetary Aggregates 1/ Broad 2/	Interest Rates Regulated Deposit Rate	Interest Rates Inter- firm Rate 3/	Spread between Official and Parallel Exchange Rates	Average Change in Wholesale and Consumer Price Indices
1984	III	17.7	22.1	15.5	18.9	37.3	21.5
	IV	14.9	15.2	17.0	27.2	17.9	17.9
1985	I	17.8	20.2	18.5	24.3	26.5	23.2
	II	29.5	27.1	27.3	32.0	18.0	31.7
	July	39.0	28.4	3.5	7.7	16.8	2.6
	Aug.	11.1	9.8	3.5	8.6	18.0	2.3
	Sept.	9.8	9.9	3.5	6.2	16.4	1.3
	Oct.	10.7	7.1	3.1	5.3	14.5	1.3
	Nov.	11.5	5.6	3.1	5.6	11.9	1.5
	Dec.	7.9	4.6	3.1	6.0	6.2	2.1

Source: Central Bank of Argentina.

1/ Seasonally adjusted; includes public sector deposits.

2/ Includes nonfinancial private sector holding of Central Bank short-term paper and excludes foreign currency deposits.

3/ Against collateral of BONEX.

Inflation dropped sharply in the third quarter and the increase in nominal money balances was reflected in a large increase in real money holdings. During the third quarter, interest rates in the free

interfirm market were substantially above the average rate of increase in wholesale and consumer prices, and even regulated deposit rates were positive in real terms. A significant spread re-emerged between the rates in the official and parallel exchange markets in late June and early July, but subsequently the exchange rate in the parallel market changed relatively little and for the quarter as a whole the spread averaged about 17 percent.

The growth in the monetary aggregates declined in the fourth quarter of 1985, particularly in the case of the broad aggregate. Regulated interest rates were lowered slightly in October and free interest rates also declined in the fourth quarter; nevertheless, with the rate of price increase remaining relatively low, interest rates were substantially positive in real terms and there was a further increase in real money balances. The spread between the rates in the official and parallel exchange markets declined to about 6 percent by December 1985.

The share of the intermediation of the financial system handled by the Central Bank increased during the third quarter of 1985. Large increases in rediscounts occurred through two special facilities--a line to cover declines in indexed deposits and a line for prefinancing of exports. With the sharp fall in actual and expected inflation, and with nominal interest rates well above the rate of inflation, the demand for indexed deposits declined sharply; the Central Bank made indexed rediscounts available to banks with long-term indexed loans on their books. The export prefinancing line, which provided local currency credits indexed to the official exchange rate, had been in existence prior to the reform; this facility offered very attractive terms following the pegging of the official exchange rate.

To offset the liquidity effects of these rediscounts, the Central Bank raised the average effective reserve requirement. Bank by bank limits were placed on the amount of regulated credit that could be granted, and any increase in regulated deposits above these amounts were to be placed in an absorption bond in the Central Bank. In mid-July, banks were required to hold the equivalent of 30 percent of their free interest deposits in central bank paper, and in August this was replaced by the requirement that banks hold 35 percent of their free rate deposits in a new remunerated absorption bond. The requirement was raised to 42 percent in November before being lowered to 38 percent in December. The nonremunerated reserve requirement on free rate deposits was raised from 3 percent to 8 1/2 percent in mid-July before being reduced to 7 1/2 percent in October.

In addition to the increase in local currency intermediation by the Central Bank, the Bank began unfreezing U.S. dollar deposits in August and replaced the previous system of dollar deposits by one in which dollar deposits in banks were subject to a 100 percent reserve requirement. The Central Bank set up a rediscount facility to provide

U.S. dollars to meet withdrawals of deposits under the previous system as they were unfrozen. The Bank also indicated that rediscounts denominated in U.S. dollar might be provided for trade financing.

4. Operating losses of the Central Bank

Beginning in 1982, the Central Bank took over responsibility for servicing the domestic debt of the public sector, financed large government deficits interest free in part out of funds on which it paid high nominal interest rates, and assumed a growing proportion of the public sectors' external debt. In addition, the Bank subsidized the private sector explicitly through its discount programs and implicitly through losses on its intermediation activities.^{1/} As a result, a growing problem of a fiscal nature developed in the Central Bank.

In 1984, steps were taken to reduce the subsidy element in the Central Bank's operations with the private sector by limiting rediscounts mainly to indexed credits and by raising the charges on rediscounts. However, a large part of the central bank losses derived from the high nominal interest costs on Bank liabilities that were lent interest free to the Government; as inflation accelerated and interest costs rose, the operating losses of the Central Bank went up to about 5 percent of GDP in the second quarter of 1985 (Table 24). With the subsequent sharp reduction in inflation, plus the large increase in narrow money balances (which represent an interest-free resource to the Central Bank), the operating losses of the Bank declined to 1.2 percent of GDP in the third quarter of 1985.

^{1/} For example, given the uncertainties in the period leading up to the presidential elections in October 1983, there was a great willingness on the part of the public to hold indexed deposits but little demand for indexed loans; the Central Bank absorbed large amounts of indexed deposits which were relent to banks at regulated interest rates, which at the time were well below the rate of inflation.

Table 24. Argentina: Operating Losses of the Central Bank
(In percent of GDP)

	Domestic	External	Total
1983			
1st quarter	-0.7	0.4	-0.3
2nd quarter	-1.9	0.4	-1.5
3rd quarter	-1.1	0.6	-0.5
4th quarter	-2.0	0.6	-1.4
1984			
1st quarter	-3.7	-0.1	-3.8
2nd quarter	-2.3	-0.2	-2.5
3rd quarter	-3.8	-0.4	-4.1
4th quarter	-2.2	--	-2.2
1985			
1st quarter	-3.5	-0.3	-3.8
2nd quarter	-5.1	0.2	-4.9
3rd quarter	-0.8	-0.4	-1.2

Source: Central Bank of Argentina.

V. Balance of Payments

1. Overview

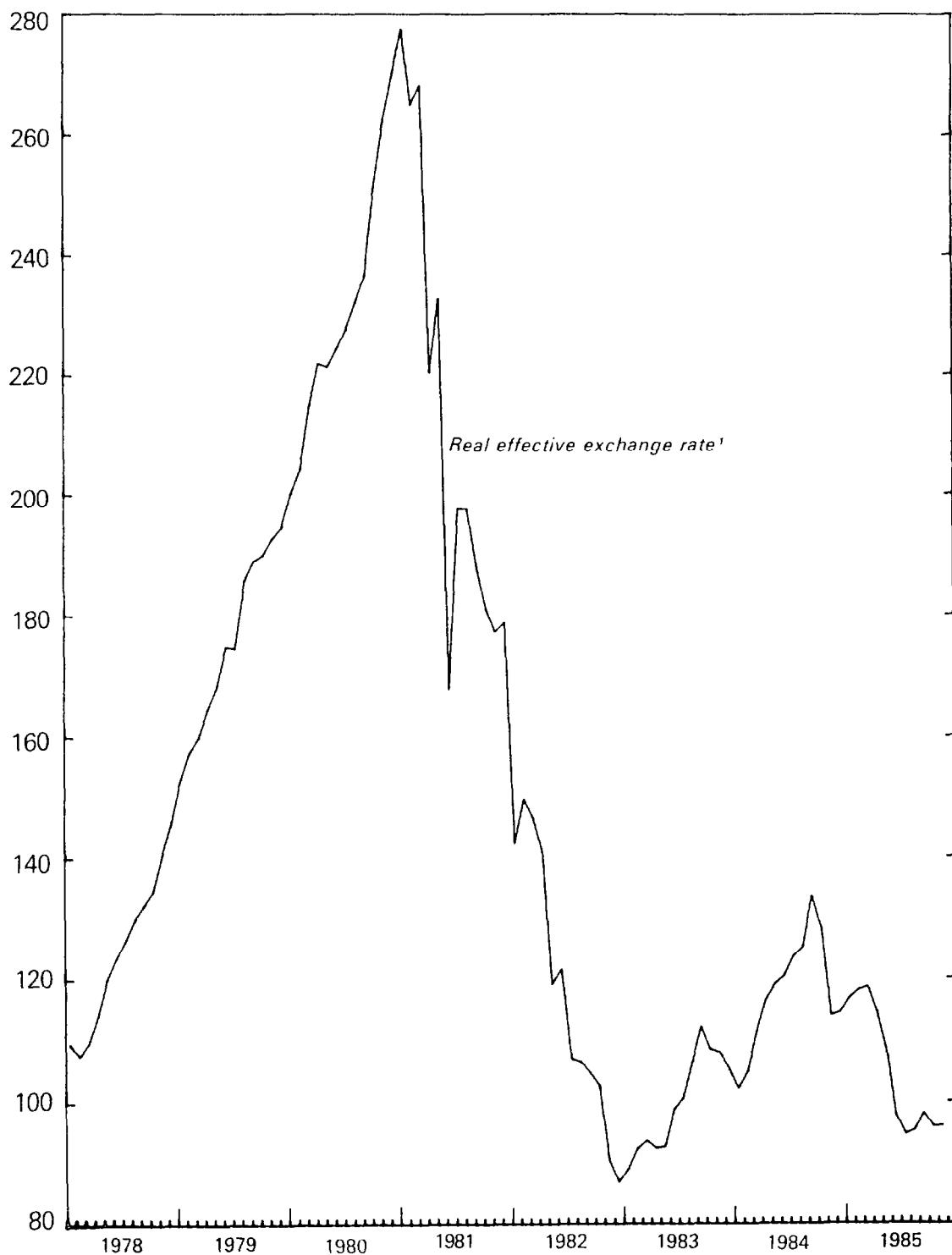
In the period 1978-80, there was a sharp real appreciation of the Argentine currency (Chart 12). Over most of this period, a policy of announcing the path of exchange rate adjustments several months in advance at a rate well below past inflation and the level of local interest rates induced large-scale private sector capital inflows; through 1979, the overall balance of payments remained in substantial surplus. During 1980, the real exchange rate came increasingly to be viewed as unsustainable; capital outflows ensued and in March 1981 the authorities abandoned the policy of announcing the exchange rate in advance. Between mid-1981 and the end of 1982 a variety of exchange rate policies were pursued, including a free float and two attempts at implementing a dual official exchange market; the sum effect of these policies was a reversal of the real appreciation that had occurred from the end of 1977.

Despite a major adjustment in the balance on goods and nonfactor services over the period 1980 to 1983--it swung from a deficit of US\$3.2 billion to a surplus of US\$2.9 billion during the period--the magnitude of capital outflows led the authorities to run down the substantial foreign reserve assets of the Central Bank and borrow heavily abroad. With the onset of the conflict in the South Atlantic in the second quarter of 1982, access to foreign credits was curtailed just as capital flight intensified. The authorities responded to these balance of payments pressures in 1982 and again in the second half of 1983 by introducing extensive exchange and trade controls, incurring external payments arrears, encouraging the acceptance of Government of Argentina bonds denominated in U.S. dollars in lieu of foreign exchange, and introducing various schemes to induce the private sector to bring in foreign currency under swap arrangements. The imposition of exchange controls in the second quarter of 1982 gave rise to a parallel exchange market in which the peso often traded at a substantial discount with respect to the official exchange rate. Between the end of 1979, the last year of balance of payments surplus, and the end of 1983, the total disbursed debt of Argentina rose by around US\$27 billion to a level of US\$46 billion.

When the constitutional Government assumed office in December 1983, the real effective exchange rate had appreciated by more than 20 percent from the low level attained at the end of the previous year (Statistical Appendix Table 57). The authorities adopted a policy of adjusting the exchange rate in line with the official projection of inflation for each month. In the event, actual price increases consistently exceeded projections and the peso appreciated by a further 27 percent in real effective terms through September 1984, bringing the total appreciation from December 1982 to more than 50 percent. The spread between the parallel and official exchange markets averaged almost 45 percent in the first nine months of 1984.

CHART 12
ARGENTINA
EXCHANGE RATE DEVELOPMENTS

(Index 1983 = 100)



Sources: Central Bank of Argentina, and Fund staff estimates.

¹ Index is trade weighted and includes nominal exchange rates of major trading partners deflated by consumer prices; increase means real appreciation.



In October 1984, the authorities began adjusting the exchange rate by more than inflation with a view to reversing the real appreciation of previous months. This policy was accompanied in October by temporary, upward adjustments to taxes on traditional exports; these temporary tax measures were rescinded between December 1984 and February 1985.

The daily rate of depreciation of the peso was accelerated substantially in April and May 1985 and on June 11, 1985 the peso was depreciated by 18 percent. On June 14, a new currency, the austral, was introduced, and the exchange rate was pegged at A 0.800 = US\$1. In June, the average real value of the Argentine currency was some 37 percent less than in September 1984. Since mid-June the nominal exchange rate of the austral vis-a-vis the U.S. dollar has been maintained unchanged; against a basket of currencies of major trading partners, the real value of the austral changed little through December, as the depreciation of the U.S. dollar against other currencies over the period offset the excess of domestic inflation over that abroad.

In June 1985, taxes on agricultural exports were increased in conjunction with the exchange rate depreciation, both to partially offset the impact of exchange rate depreciation and to strengthen fiscal revenues; the export tax increase raised the average tax on major traditional exports from 19 to 26 percent. Taxes on industrial products also were increased. Export taxes on industrial products were reduced substantially in August; the tax on wheat was reduced from 26 1/2 percent to 15 percent in early October 1985.

Despite the real appreciation in 1983 and the first nine months of 1984, the deficit of the current account of the balance of payments remained essentially unchanged in 1984 at US\$2.4 billion (Table 25). Export earnings grew modestly as international agricultural prices firmed and exports of industrial products increased. Imports remained at a very low level because of the stagnation in investment and the restrictive manner in which the import licensing system was administered. An improvement of US\$0.4 billion in the balance on goods and nonfactor services outweighed the US\$0.3 billion deterioration of the investment income account. Largely as a result of the stabilization effort late in the year, the capital account improved by US\$0.8 billion from 1983 to 1984 and the overall balance of payments deficit fell to US\$1.7 billion in 1984 from US\$2.6 billion in 1983.

It is estimated that the current account deficit in the first half of 1985 was US\$0.6 billion, US\$250 million higher than a year earlier; the capital account also was somewhat weaker, despite substantial inflows in the final two weeks of June. The overall payments deficit was around US\$0.7 billion, compared with a US\$0.3 billion deficit in the first half of 1984. Export earnings declined from a year earlier, mainly as a result of falling grain prices; imports were maintained at

Table 25. Argentina: Summary Balance of Payments
(In millions of U.S. dollars)

	1980	1981	1982	1983	1984	1984 Jan.-June	1985 Jan.-June
<u>Current account</u>	<u>-4,768</u>	<u>-4,714</u>	<u>-2,358</u>	<u>-2,461</u>	<u>-2,391</u>	<u>-334</u>	<u>-583</u>
Merchandise trade	-2,519	-287	2,287	3,331	3,523	2,644	2,465
Exports, f.o.b.	8,021	9,143	7,624	7,836	8,107	4,608	4,372
Imports, c.i.f.	-10,540	-9,430	-5,337	-4,505	-4,584	-1,964	-1,907
Nonfactor services	-740	-705	42	-400	-205	-181	-178
Travel	-1,447	-1,058	44	-60	-80	-120	-162
Other	707	353	-2	-340	-125	-61	-16
Investment income	-1,531	-3,699	-4,719	-5,407	-5,712	-2,800	-2,869
Profits and dividends	-584	-735	-316	-425	-439	-279	-265
Interest receipts	1,228	886	523	440	264	138	113
Interest payments	-2,175	-3,850	-4,926	-5,422	-5,537	-2,659	-2,717
Transfers	22	-23	32	15	3	3	-1
<u>Capital account</u>	<u>2,187</u>	<u>1,085</u>	<u>-3,808</u>	<u>-111</u>	<u>647</u>	<u>29</u>	<u>-132</u>
Direct investment	788	927	257	183	268	144	338
Trade finance 1/	-115	-3,385	-2,720	-411	501	-71	-396
Other private sector 2/	-1,354	-867	-731	-186	-2,344	-1,219	29
Other public sector 3/	2,869	4,410	-614	303	2,222	1,175	-103
<u>SDR allocation</u>	<u>74</u>	<u>70</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<u>Overall balance</u>	<u>-2,507</u>	<u>-3,559</u>	<u>-6,166</u>	<u>-2,572</u>	<u>-1,744</u>	<u>-305</u>	<u>-715</u>
Valuation adjustment 4/	-213	-363	-105	-260	-145	-136	2
<u>Change in net reserves</u>	<u>-2,720</u>	<u>-3,922</u>	<u>-6,271</u>	<u>-2,832</u>	<u>-1,889</u>	<u>-441</u>	<u>-713</u>
Assets	-2,857	-3,458	-680	129	-34	750	416
Liabilities (increase -)	137	-464	-5,591	-2,961	-1,855	-1,191	-1,129
IMF credit	--	--	--	-1,173	--	--	-513
Credit tranches	--	--	--	-629	--	--	-237
Compensatory	--	--	--	-544	--	--	-276
Payments arrears	--	--	-2,540	-682	-941	-556	823
Other liabilities 5/	137	-464	-3,051	-1,106	-914	-635	-1,439

Sources: Central Bank of Argentina.

1/ Includes an estimate of trade-related leads and lags based on the difference between exports and imports on a customs basis, and export receipts and import payments, as well as identified trade credits.

2/ Includes commercial banks, as well as errors and omissions.

3/ Includes changes in Central Bank foreign assets not considered part of international reserves.

4/ Changes in net international reserves due to exchange rate movements and other adjustments.

5/ A detailed breakdown of other liabilities is provided in Statistical Appendix Table 64.

about the same level as in the first half of each of the two previous years.

Preliminary estimates for the third quarter of 1985 indicate that the current account was in near balance and that there were net capital inflows of around US\$0.5 billion. Application of the June 1985 stabilization program led to substantial private capital inflows; most private sector debtors, called upon in July to place local currency deposits against outstanding arrears, chose instead to refinance around US\$0.5 billion of these arrears. Net international reserves rose by US\$0.5 billion in the third quarter of 1985. With purchases of US\$0.5 billion from the Fund and US\$2.2 billion disbursed from banks under the 1984-85 financing package, gross reserves rose by US\$0.6 billion and arrears were reduced by US\$1.5 billion. 1/

2. Exports

Total exports fell by 17 percent in 1982 and recovered only slightly in 1983, as export prices fell by nearly 24 percent over these two years (Table 26 and Statistical Appendix Table 58). In 1984, total exports rose by 3 1/2 percent as price increases more than offset a small decline in export volumes. The value of cereal exports declined sharply from the level attained in 1983; although the 1983/84 wheat harvest was high by historical standards, it was substantially below the record crop of the previous year. In addition, the average export price for wheat was 8 percent lower in 1984 than in 1983. Despite the decline in cereal exports, the export value of major agricultural products rose slightly as larger plantings and greater production of both soy beans and sunflowers, in addition to favorable market conditions, led to sharp increases in exports of oilseeds and vegetable oils. Following a decline of almost 30 percent in 1983, exports of industrial products rose by about 9 percent in 1984, buoyed by a recovery of shipments to the Latin American region and to the United States.

Preliminary information for the first half of 1985 indicates a decline in export earnings despite an estimated growth in export volume of more than 6 percent with respect to the first half of 1984. Exports of agricultural products declined as falling world prices of cereals, seeds, vegetable oils, and beef more than offset larger shipments of wheat, corn, sunflowers, and vegetable oils. Although mineral product exports were lower in the first half of 1985, this appears only to have reflected the timing of fuel oil shipments in the course of the year. Industrial product exports rose modestly with increases in shipments of transport equipment and metal manufactures.

1/ In addition, the stock of arrears was reduced by US\$150 million reflecting an adjustment to the estimate of arrears prior to the third quarter of 1985.

Table 26. Argentina: Exports by Commodity Classification
 (In millions of U.S. dollars)

	1980	1981	1982	1983	1984	1984 Jan.- June	1985 Jan.- June
<u>Total</u>	<u>8,021</u>	<u>9,143</u>	<u>7,624</u>	<u>7,836</u>	<u>8,107</u>	<u>4,607</u>	<u>4,373</u>
<u>Major agricultural products</u>	<u>4,112</u>	<u>5,158</u>	<u>3,583</u>	<u>4,552</u>	<u>4,683</u>	<u>2,802</u>	<u>2,694</u>
Wheat	815	763	676	1,474	923	860	843
Corn	512	1,306	585	803	744	488	504
Sorghum	208	637	508	554	451	311	185
Other cereals	97	121	52	63	122	33	29
Seeds and oilseeds	662	640	455	364	948	348	383
Beef	568	564	488	340	182	113	83
Vegetable oils	524	395	409	517	945	424	483
Fruit (fresh)	181	163	170	122	106	60	85
Wool	234	287	185	145	163	130	87
Sugar	311	282	55	170	99	35	12
<u>Other agricultural and agro-based products</u>	<u>1,632</u>	<u>1,445</u>	<u>1,567</u>	<u>1,570</u>	<u>1,593</u>	<u>796</u>	<u>671</u>
<u>Mineral products</u>	<u>315</u>	<u>657</u>	<u>581</u>	<u>372</u>	<u>365</u>	<u>259</u>	<u>208</u>
Fuel and lubricants	280	622	551	349	347	249	199
Other	35	35	30	23	18	10	9
<u>Industrial products</u>	<u>1,962</u>	<u>1,883</u>	<u>1,893</u>	<u>1,342</u>	<u>1,466</u>	<u>750</u>	<u>800</u>
Chemical and plastic products	333	328	311	296	297	173	130
Hides, skins, and leather manufactures	502	439	351	292	312	150	129
Textiles (excluding wool)	106	74	81	70	65	32	49
Metal manufactures	325	450	514	318	316	172	193
Machinery	345	306	296	181	210	94	91
Transport equipment	174	126	216	92	168	66	160
Other	177	160	124	93	98	63	48

Source: Central Bank of Argentina.

1/ Preliminary estimate.

While the stagnation in industrial exports over the period 1979 to 1981 can be associated with the greatly appreciated real effective exchange rate prevailing during these years, Argentina's competitiveness was largely restored during the course of 1981 and 1982 and the continued stagnation in 1982 can be attributed to the general contraction in trade within Latin America. In 1983 the real effective exchange rate appreciated once again and this factor plus the continued weakness of demand in neighboring countries led to a sharp reduction in industrial exports. Despite further exchange rate appreciation in the first nine months of 1984, exports of industrial products rose modestly in 1984 as exports to LAIA trading partners, which had fallen by 55 percent since 1981, rose by 14 percent, and exports to the United States increased by more than 20 percent (Statistical Appendix Table 60).

The share of Argentine exports to LAIA trading partners fell from around 22 percent in 1980 to 13 percent in 1983 and recovered somewhat in 1984 to 17 percent of total exports (Statistical Appendix Table 61). Brazil's share of Argentine exports rose after three years of declines and the shares of the United States and the European countries increased as well. The U.S.S.R., on the other hand, which stepped up purchases from Argentina at the time of the U.S. grain embargo and purchased 32 percent of total exports in 1981, has reduced its grain purchases since then. Preliminary information for the first quarter of 1985 shows a substantial pick-up in exports to the U.S.S.R., which suggests that the decline of its share to 15 percent in 1984 reflected a postponement of grain purchases of the 1984/85 crop into early 1985.

3. Imports

The large adjustment of the balance on goods and nonfactor services between 1980 and 1983 can be attributed almost entirely to the US\$6 billion reduction in imports during the period (Table 27). Currency depreciation and import controls, plus a sharp contraction in economic activity, combined to discourage all categories of imports. Since April 1982, many consumer imports have been prohibited and restrictions on other imports have been imposed under various import licensing schemes. Despite the real appreciation of the currency in 1983 and most of 1984 and a modest upturn in economic activity in both years, imports have remained below the 1982 level both as a result of the application of trade restrictions and the low level of capital expenditure.

Under the import restriction system, preference has been given to imports of intermediate inputs, which reached 80 percent of total imports in 1984 (compared with 60 percent in 1980 and 1981), while the shares of consumer and capital goods have declined. Consumer goods imports fell from 17 percent of total imports in 1980 and 1981 to around 5 1/2 percent of the total in 1984 (and represented only 0.4 percent of GDP), while capital goods imports fell from around 22 percent of total imports in 1980 and 1981 to 14 percent of the total in 1984. Estimates

Table 27. Argentina: Imports by Economic Classification

	1980	1981	1982	1983	1984	Jan.-June 1985	1986 1/
(In millions of U.S. dollars)							
Total imports, c.i.f.	10,541	9,430	5,337	4,504	4,584	1,964	1,907
Capital goods	2,392	2,059	950	769	643	273	300
Consumer goods	1,857	1,632	395	208	248	99	105
Intermediate goods	6,292	5,739	3,992	3,527	3,693	1,592	1,502
Fuels and lubricants	1,075	1,011	672	454	468	215	205
Other	5,517	4,728	3,320	3,073	3,225	1,377	1,297
(In percent of total)							
Total imports, c.i.f.	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Capital goods	22.7	21.8	17.8	17.1	14.0	13.9	15.7
Consumer goods	17.6	17.3	7.4	4.6	5.4	5.0	5.5
Intermediate goods	59.7	60.9	74.8	78.3	80.6	81.1	78.8
Fuels and lubricants	10.2	10.7	12.6	10.0	10.2	11.0	10.8
Other	49.5	50.2	62.2	68.3	70.4	70.1	68.0

Source: Central Bank of Argentina.

1/ Preliminary estimate.

for the first half of 1985 indicate that, despite the economic downturn, the level and composition of imports was similar to that in the first half of 1984.

There has been a fairly steady downward trend in the share of Argentina's imports supplied from the EEC and other European countries; this share fell from 42 percent in 1978 to 33 percent in 1983 and to around 30 percent in 1984. The share of imports from LAIA countries rose from 20 percent in 1981 to almost 36 percent in 1984. An important factor in this change may have been the special treatment of most imports from LAIA countries under Argentina's minimum foreign financing terms. Since May 1982 when these financing terms were imposed, certain imports from LAIA countries have enjoyed an exemption or a shorter financing requirement than is applicable to imports from other countries.

4. Services

The most important components of Argentina's nonfactor services account are trade-related freight and insurance, tourism and royalties. Freight and insurance receipts have fallen since 1980 in line with the volume of trade and in 1984 were about US\$0.6 billion, compared with US\$1.1 billion in 1980. It is estimated that in the first half of 1985 these receipts were essentially unchanged from the same period a year earlier. Since September 1983 Argentines traveling abroad have not been permitted to purchase foreign exchange at the official rate and have had to purchase exchange at the more depreciated parallel exchange rate. During 1983 and 1984, the tourism account worsened slightly to a negative US\$0.1 billion and it is estimated that in the first half of 1985 net expenditures grew slightly to about US\$0.2 billion (Statistical Appendix Table 62). Royalty payments rose steeply in 1982 and 1983 largely as a result of payments to foreign firms in connection with a natural gas pipeline, and declined somewhat to US\$0.4 billion in 1984.

The deficit in the investment income account increased steadily from US\$0.7 billion in 1978 to US\$5.4 billion in 1983. This steep rise in net factor payments reflected not only the nearly fourfold increase in Argentina's foreign debt over this period, but also higher international interest rates, increased reliance on commercial borrowing, and the rising spreads paid by Argentina on such borrowing. In 1984 interest payment obligations rose to US\$5.5 billion, as the continued increase in external debt more than offset the declines in international interest rates in the last half of the year. In the first six months of 1985 this tendency continued, as interest payment obligations were slightly higher than in the corresponding period in 1984. Interest receipts, which were substantial when Argentina maintained a large stock of foreign reserve assets, have declined since 1980 and totaled less than US\$300 million in 1984.

Remittances of profits and dividends rose rapidly until 1981, boosted by strong economic activity and an appreciated currency. From April 1982 to August 1983 and again since May 1984, the right to purchase foreign exchange to transfer profits and dividends abroad has been suspended and such transfers could be effected only through the purchase and sale of U.S. dollar denominated bonds of the Government of Argentina (BONEX). As a result, remittances of profits and dividends had dropped to around US\$400 million per year by 1984. In the first half of 1985, remittances were close to the level of the corresponding period of the previous year.

5. Capital flows

From 1980 to 1983 Argentina's total external disbursed debt rose by about US\$27 billion to almost US\$46 billion (Statistical Appendix Table 63). 1/ During this same period, the cumulative current account deficit net of the decline in foreign reserve assets was only about US\$7 billion and part of this was financed by foreign direct investment of about US\$2 billion. Although neither the balance of payments nor debt statistics maintained by Argentina in the past permit a reliable analysis of gross capital inflows and outflows, it is clear that the country's heavy borrowing over this period financed substantial capital outflows. 2/

During the first half of 1983, net private capital inflows were recorded, mainly on account of increased trade finance; however, net outflows resumed in the second half of the year and for the year as a whole, the capital account was in approximate equilibrium. The capital account remained in balance in the first nine months of 1984, but in the period October-December 1984 there were net private capital inflows; as a result, a capital account surplus of US\$0.7 billion was recorded for the year as a whole. The bulk of these inflows represented advanced

1/ The increase in debt is approximate; because of improvements in the debt reporting system, debt data for 1983 are not directly comparable to data for earlier years.

2/ In the Argentine balance of payments, important capital outflows can be identified under the entries for trade finance and tourism (which constitute part of the private sector short-term capital entry). The trade finance entry is calculated as the difference between (a) exports and imports as recorded by customs and (b) related receipts and payments as recorded by the Central Bank. It therefore represents not only identifiable trade financing but also leads and lags, and net flows under this entry have historically been responsive to changes in monetary and exchange rate policies. The tourism entry is calculated as the difference between (a) estimated tourism receipts and expenditures based on data on travelers and (b) the tourism-related foreign exchange sales and purchases of the Central Bank. In the period 1980-82, net sales exceeded the balance of payments estimate of net tourist expenditures by US\$9 billion.

surrender of export receipts in the fourth quarter, following a considerable real depreciation of the currency and a tightening of monetary policy that led to increased domestic interest rates. In the first half of 1985, the capital account again returned to near balance as foreign direct investment and other capital inflows were offset by trade finance outflows.

Generally difficult economic conditions in Argentina in recent years and restrictions on the repatriation of profits and dividends have tended to depress foreign direct investment; in 1984 foreign direct investment amounted to less than US\$0.3 billion, compared with US\$0.8 billion in 1980. In the first half of 1985, foreign direct investment picked up and is estimated to have exceeded the level attained in all of 1984. Two factors probably contributed to the upturn in investment. First, in February 1985 the authorities permitted the capitalization of some debt with exchange rate guarantee upon its maturity into foreign direct investment; second, the Government announced an intention to lift restrictions on repatriation of dividends and profits by March 1986. Creditors converted US\$62 million of debt with exchange guarantee into capital positions in the debtor firm during the first half of 1985 and preliminary information indicates that another US\$400 million was capitalized in the second half of 1985.

Net capital inflows from international organizations, primarily the World Bank and the Inter-American Development Bank, were US\$123 million in 1984 and are estimated to have totaled US\$51 million in the first half of 1985. Net inflows of long-term financial loans, which were very large in the period 1979-82, became negligible in 1983 and since then a small net amortization has taken place.^{1/} In both 1983 and 1984 there were large gross inflows to the Government matched by outflows from the private sector; this development corresponded to the rescheduling of principal payments on private-sector debt covered by exchange rate guarantee by means of the issuance of Government of Argentina bonds and notes denominated in U.S. dollars. The issuance of these bonds and notes totaled US\$1.4 billion in 1983 and US\$2.4 billion in 1984.

6. Net international reserves

Argentina's net international reserves were almost US\$9.5 billion at the end of 1979; at that time, the Central Bank's gross reserves were the equivalent of 17 months' imports and almost equal to total public external debt. Over the next three years, net international reserves dropped by almost US\$13 billion and at the end of 1982 were negative by

^{1/} The Argentine balance of payments presentation excludes from gross capital outflows the amortization being rescheduled with commercial banks under the 1984-85 refinancing agreement and with other nonofficial creditors. Likewise the financing counterpart is excluded from capital inflows. The amortizations which fell due through the end of 1984 and are being rescheduled totaled around US\$11.3 billion.

US\$3.5 billion (Statistical Appendix Table 64). In December 1982, reserve liabilities, including payments arrears, swaps, and BONEX, had risen to US\$6 billion, and little of the US\$2.5 billion in foreign exchange reserves reported by the Central Bank as of that date was, in fact, disposable. ^{1/} Net international reserves declined further to minus US\$6.4 billion in December 1983, with this decline being financed entirely by a US\$3 billion increase in reserve liabilities, including purchases totaling SDR 1,120 million from the Fund under the compensatory financing facility and the 1983 stand-by arrangement and net disbursements of US\$1,250 million from the banks under the 1983 bridge and medium-term loans.

In 1984, net international reserves declined by a further US\$1.9 billion. The Central Bank's gross reserve assets showed almost no change for the year but the portion of reserves that could be considered disposable increased slightly from US\$0.4 billion to US\$0.6 billion. Central bank reserve liabilities increased by US\$1.5 billion; this rise in liabilities was accounted for by an increase of US\$940 million in external payment arrears and US\$600 million in bridge loans from governments arranged in connection with the approval of the Fund stand-by arrangement in December 1984, offset in part by the amortization of US\$300 million of financial swap agreements. Treasury liabilities (considered as international reserve liabilities) rose by around US\$400 million as a result of the issuance of foreign currency bonds (BONEX) in lieu of providing foreign exchange to effect external payments.

In the first half of 1985, net international reserves declined further by about US\$0.7 billion. The Central Bank's gross reserve assets rose by about US\$400 million, with disposable reserves growing by a similar magnitude to reach a stock of US\$1.1 billion at the end of June 1985. Central bank reserve liabilities rose by US\$1.6 billion, which can be accounted for mainly by use of Fund credit under the current stand-by arrangement and the compensatory financing facility, an increase in medium-term liabilities to official creditors as a result of the Paris Club rescheduling, and a bridge loan from governments following the announcement of the stabilization program in June 1985, offset in part by a reduction in arrears and repayment of the bridge loans from governments contracted in late 1984. Treasury liabilities considered as international reserve liabilities declined as the amortization of BONEX issued in 1982 more than outweighed new issuance of BONEX in lieu of foreign exchange.

During 1982 and 1983 Argentina accumulated US\$3.3 billion in external payments arrears, with US\$2.0 billion corresponding to public sector obligations and US\$1.2 billion to private sector obligations

^{1/} For a detailed description of the exceptional financing undertaken by Argentina during the early 1980s, see SM/84/207, pages 52-55 and Appendix III.

(Table 28 and Statistical Appendix Table 65). 1/ During the first nine months of 1984, the authorities assigned priority to clearing payments arrears for private sector imports, and from December 1983 to September 1984 private commercial arrears were reduced from almost US\$900 million to around US\$50 million. Other arrears grew rapidly, however, and by November 1984, total arrears amounted to US\$4.9 billion. In December 1984, bridge financing arranged in connection with the approval of the current stand-by arrangement permitted a substantial reduction in arrears to banks, and in January 1985 the refinancing agreement reached with the Paris Club rescheduled US\$1.3 billion in obligations to official creditors that were overdue as of the end of 1984; by end-January 1985, arrears had fallen to US\$3.1 billion. With delays in the completion of the bank financing package, arrears rose to US\$3.7 billion by the end of April 1985. When the bridge loan from foreign governments (arranged in connection with the announcement of the June stabilization program) was received, arrears were reduced to US\$3.3 billion. Two thirds of the amount outstanding on that date reflected public sector obligations to commercial banks.

7. External debt

When fundamental problems with the use of the external debt reporting system arose in 1983, the authorities decided to undertake a comprehensive verification of public and private sector debt and institute a new reporting system. According to the new reporting system it was estimated that total debt outstanding at the end of 1983 was about US\$46 billion (Table 29), an amount that is not far from estimates based on the earlier system. The authorities have encountered difficulties in updating the new data reporting system since the end of 1983 and, as a result, debt estimates for the end of 1984 were constructed using the end-1983 data and 1984 balance of payments flows. On this basis, total debt outstanding rose by US\$1.8 billion to US\$47.8 billion in 1984.

The debt reporting system in use before 1983 did not permit a comprehensive analysis of debt by creditor, but information provided in reports of the Bank of International Settlements (BIS) indicate that claims of reporting area banks on Argentina rose from US\$7 billion at the end of 1978 to about US\$26 billion at the end of 1983, an increase equivalent to more than half of the estimated increase in Argentina's debt over the period (Statistical Appendix Table 66). According to the new debt reporting system, the outstanding debt to banks at the end of 1983 was about US\$4.7 billion higher than indicated by the BIS data just

1/ The data on payments arrears described here and throughout this paper exclude arrears of principal on public sector debt that would have been subject to rescheduling under the "draft principles" agreed with Argentina's foreign bank creditors in December 1982 and which have since been rescheduled under the 1984-85 financing package.

Table 28. Argentina: External Payments Arrears 1/

(In millions of U.S. dollars)

	1982 Dec.	1983 Dec.	1984 June	1984 Sept.	1984 Dec.	1985 March	1985 June
<u>Total</u>	<u>2,540</u>	<u>3,222</u>	<u>3,778</u>	<u>4,234</u>	<u>4,163</u>	<u>3,543</u>	<u>3,338</u>
<u>Public sector</u>	<u>2,001</u>	<u>2,028</u>	<u>2,988</u>	<u>3,527</u>	<u>3,424</u>	<u>2,848</u>	<u>2,717</u>
Commercial							
arrears 2/	777	902	1,360	1,274	1,477	329	141
Principal	...	771	1,172	1,040	1,191	273	100
Interest	...	131	188	234	286	56	41
Financial arrears	879	773	1,184	1,762	1,369	1,890	1,899
Principal	65	43	13	--	5	--	--
Interest 3/	814	730	1,171	1,762	1,364	1,890	1,899
Other arrears 4/	345	353	444	491	578	629	677
<u>Private sector</u>	<u>539</u>	<u>1,194</u>	<u>790</u>	<u>707</u>	<u>739</u>	<u>695</u>	<u>621</u>
Commercial							
arrears 2/	382	880	270	45	47	32	27
Principal	...	752	230	39	39	32	27
Interest	...	128	40	6	8	--	--
Financial arrears	118	191	431	543	554	522	439
Principal	95	65	102	124	138	138	147
Interest	23	126	329	419	416	384	292
Other arrears 4/	39	123	89	119	138	141	155
<u>Memorandum items</u>							
Accrued interest on BONOD and promissory notes 5/	--	217	329	415	338	395	473

Sources: Central Bank of Argentina; and Fund staff estimates.

1/ Excludes the arrears of principal on public sector debt to foreign banks that would have been subject to rescheduling under the "draft principles" agreed in December 1982 and which have since been rescheduled under the 1984-85 financing package.

2/ Arrears related to imports.

3/ Includes interest accrued on BONOD and promissory notes issued with respect to exchange guaranteed loans, but not yet taken up by the foreign creditor or domestic debtor.

4/ Primarily arrears on services and transfers.

5/ See footnote 3.

Table 29. Argentina: Outstanding External Debt by Creditor
(In billions of U.S. dollars)

	End-1983 <u>1/</u>	End-1984 <u>2/</u>
<u>Public sector</u>	<u>33.2</u>	<u>37.6</u>
International organizations <u>3/</u>	2.7	2.8
Foreign governments <u>4/</u>	1.5	2.5
Bond holders	4.2	4.3
Banks	22.2	25.1
Other private creditors	2.6	2.9
<u>Private sector</u>	<u>12.8</u>	<u>10.2</u>
International organizations <u>3/</u>	0.3	0.3
Foreign governments <u>4/</u>	0.1	0.1
Bond holders	--	--
Banks	9.3	7.0
Other private creditors	3.1	2.8
<u>Total</u>	<u>46.0</u>	<u>47.8</u>
International organizations <u>3/</u>	2.9	3.1
Foreign governments <u>4/</u>	1.7	2.7
Bond holders	4.2	4.3
Banks	31.5	32.0
Other private creditors	5.7	5.7

Source: Central Bank of Argentina.

1/ Based on data from debt reporting system.

2/ Based on end-1983 stock data and flow data from 1984 balance of payments flows.

3/ Includes IMF.

4/ Direct lending only.

cited. 1/ The coverage of the BIS data is not comprehensive and one of the main sources of differences with official Argentine data appears to be claims on Argentina of offshore branches of Argentine banks. Balance of payments data for 1984 indicate that most of the rise in the stock of external debt in that year was accounted for by increases in debt to foreign governments and banks.

A large shift in the composition of external debt from the private sector toward the public sector began in 1983 as a result of the debt rescheduling process. 2/ This shift began with the issuance of Government of Argentina bonds (BONODs) and promissory notes denominated in U.S. dollars in lieu of foreign exchange to creditors holding maturing claims against private sector debtors who had acquired central bank exchange rate guarantees to cover their obligations. Private sector debt declined by about US\$2 billion in 1983 to US\$12.8 billion and the continued issuance of BONOD and promissory notes in 1984 contributed to a further decline to US\$10.2 billion; the reschedulings completed in 1985 reduced this figure by more than US\$1 billion.

There is no comprehensive information on the maturity structure of Argentina's external debt for 1983 or later dates. The difficulties in estimating the maturity structure arise in the classification of commercial debt and in tracking the evolution of arrears. Data from the BIS indicate that claims on area banks with less than one year remaining maturity totaled US\$13.8 billion at the end of 1984. 3/

1/ The BIS has broadened its coverage of its reporting area and data from December 1983 onward are available on this basis. Official Argentine data indicate US\$31.5 billion in debt to banks, compared to US\$26.8 according to the new BIS methodology.

2/ See Appendix III for a detailed discussion of the debt rescheduling process.

3/ This includes amounts that were originally medium- and long-term obligations, but that had less than one year to maturity at the end of 1984. One estimate of this amount is the debt at the end of 1983 with one to two years maturity, which totaled US\$1.9 billion.

VI. Exchange and Trade Policies

In December 1983 the new Administration inherited a trade and exchange system which included extensive exchange restrictions and several multiple currency practices. Exchange restrictions included external payments arrears on current transactions, a foreign exchange allocation system for imports adopted in October 1983, the suspension of foreign exchange sales for certain current transactions, a requirement of central bank authorization for all other transactions, and minimum financing terms for most imports. Various service payments for which foreign exchange was not made available could be transferred through the acquisition of marketable Government of Argentina bonds denominated in U.S. dollars (BONEX) and the sale of BONEX for foreign currency abroad at a discount, giving rise to multiple currency practices. Other multiple currency practices arose from a system of rebates for certain exports implemented through the exchange system.

In January 1984, a new system of quantitative import controls was introduced to replace the exchange allocation system for imports. In the first part of 1984, the authorities gave priority to clearing payments for private sector commercial arrears and although imports continued to be subject to minimum import financing requirements, by August 1984 foreign exchange was being made available automatically for private sector import payments. Apart from these changes, relatively little was done to reduce trade and payments restrictions in 1984 and the first half of 1985.

From mid-June to end 1985, the authorities took the following steps toward the liberalization of the trade and exchange system:
(i) increased the proportion of goods eligible for automatic import licensing, (ii) substantially reduced external payments arrears, (iii) substantially reduced export rebates, and (iv) permitted the payments of most private sector interest payments on an automatic basis. At the end of 1985, the basic structure of the exchange system was little changed from two years earlier.

The main developments in Argentina's exchange and trade system in 1984 and 1985 are outlined below. A description of the system as of December 31, 1984 as well as a list of changes during 1984, are provided in the Annual Report on Exchange Arrangements and Exchange Restrictions, 1985, and a chronological list of changes in 1985 is set forth in Appendix IV of the present report.

1. Imports and import payments

Major changes were introduced in Argentina's import system in January 1984: (i) imports were divided into three categories: prohibited goods, imports requiring the prior approval of the Commerce Secretariat, and imports for which licenses were made automatically available; (ii) import licensing was extended to the public sector; and (iii) a prior deposit equal to 5 percent of the f.o.b. value of the

import or the import duty value was established. The prohibited list covered imports of most consumer goods as well as many industrial goods produced in Argentina. Imports requiring prior approval of the Commerce Secretariat included most capital goods and certain industrial imports.

During 1984 items were frequently transferred from one list to another by resolution of the Commerce Secretariat. In September 1984, the Government estimated that imports eligible for automatic licensing represented 63 percent of the total value of imports in a base period from July 1, 1981 to June 30, 1982. Following the consolidation of changes in the import lists in late 1984 and numerous additional transfers among lists in early 1985, the percentage of base period imports eligible for automatic licensing had fallen to 58 percent by March 1985. In June, all prohibited goods were transferred, on a temporary basis, to the list requiring prior approval in a move intended to set the stage for import liberalization. In late July, the prior consultation requirement was eliminated for a large number of goods, primarily consisting of miscellaneous machinery, machinery parts, and electrical equipment; as a result, the percentage of base period imports eligible for automatic licensing was raised to 63 percent. 1/

In December 1985 it was announced that this percentage would be raised further (effective in January) when a broad category of electronic goods, including computers and computer equipment, was removed from the list of goods requiring prior consultation. This reform was accompanied by the categorization of electronics products into five groups, the revision of tariff rates for each group, and the imposition of temporary, additional tariffs; a five-year schedule for the elimination of these additional tariffs was established, but at the end of the five-year period the average tariff on electronic products would amount to about 34 percent, compared to 18 percent prior to the recent change in schedules. An interministerial commission was formed in October to consider the manner in which further import liberalization was to be carried out and to design whatever tariff realignment was deemed necessary to accompany the reform.

Argentina maintains the system of minimum foreign financing terms for imports first imposed in May 1982 and amended numerous times. The minimum financing term applicable to most imports is 180 days, although a 90-day financing requirement pertains to goods on the negotiated list imported from LAIA countries and a 120-day financing requirement pertains to imports from most other Latin American countries. In the course of 1984 and 1985 certain exceptions were made and at present payment against shipping documents is permitted for certain imports from Brazil, Chile, Mexico, Paraguay, Peru, and Uruguay. Special minimum

1/ In the tariff structure, specific goods produced domestically were classified in considerable detail, while goods not produced locally were included in a residual "other" category; the liberalization of July 1985 mainly affected these "other" or miscellaneous products.

financing terms ranging from one to five years apply for imports of capital goods valued at more than US\$50,000.

2. Export taxes and rebates

Argentina imposes export taxes on most of its traditional exports and maintains a system of rebates, set as a percentage of export proceeds, for promoted exports. Historically, the tax and rebate rates have varied widely. In general, tax rates were increased for commodities for which world prices were rising and reduced in cases of declining prices or marketing difficulties. However, attempts also have been made to use this system to achieve a variety of other objectives, including income distribution and regional development and, more recently, to offset the effects of exchange rate policy on certain sectors of the economy. From the end of 1983 to September 1984, export taxes were generally in the range of 10 to 25 percent (see Statistical Appendix Table 67); for principal grain and grain product exports, the average tax rate (weighted by export value) fluctuated narrowly between 19 and 21 percent. During this period, export rebates were, with a few exceptions, set at either 5 or 10 percent.

Efforts to accelerate adjustment of the exchange rate in late 1984 were accompanied in October by a temporary upward adjustment of taxes on traditional exports of 6 percentage points and a temporary reduction in export rebate rates of 6 percentage points, which in the case of goods that had qualified for a 5 percent rebate resulted in a 1 percent export tax. These temporary measures were removed between December 1984 and February 1985; taking into account other subsequent adjustments to export taxes, the average tax rate pertaining to principal grain and grain product exports stood at 18 percent in May 1985. Temporary adjustments to export taxes and rebates were made again at the time of the step adjustment of the exchange rate in June 1985. In this case, export taxes were raised by 7 to 10 percentage points and export rebates were eliminated for products with rebates of less than 10 percent and export taxes of 4 to 6 percent were imposed on products that had previously received rebates of 6 to 4 percent. These measures raised the average tax rate on principal grain and grain product exports to 26 percent at the end of June. In August, export taxes on industrial products were reduced substantially; in October and November 1985, the export taxes on wheat, tea, linseed oil, and wool products were lowered.

3. Profits, dividends, and royalties

Under Argentina's Foreign Investment Law, the right to purchase foreign exchange for remittances of profits and dividends with respect to registered foreign investment can be suspended by Presidential decree, in which case investors have the right to make such remittances by purchasing BONEX from the Central Bank at the official exchange rate. From April 1982 through August 1983, and again since May 1984, a general suspension of the right to purchase foreign exchange for remittances has been in effect and the BONEX option has been made

available. The BONEX subscription was US\$0.4 billion in 1984 and US\$0.1 billion in the first nine months of 1985.

4. Other payments and transfers

Since September 30, 1983, all sales of foreign exchange have been subject to central bank approval. No foreign exchange is made available at the official rate for travel abroad, or for the transfer of income derived from the sale of travel services, which affects mainly airline tickets. Until November 15, 1984, foreign exchange was made available at the official exchange rate for 50 percent of the amount of the transfer for travel services, with the other 50 percent transferable through the purchase of BONEX from the Central Bank. Since that date, ticket receipts have been transferred through the purchase with local currency of BONEX in the secondary market in Argentina and the sale of BONEX abroad; this operation is equivalent to transferring money through the parallel exchange market. Since November 15, 1984, ticket prices in U.S. dollars have been converted to local currency on the basis of the ratio of the local currency price of BONEX in Argentina and the dollar price of BONEX abroad (effectively the parallel exchange rate). As explained above, since August 1984 foreign exchange has been made available automatically for specified private sector imports. In the latter part of 1985, foreign exchange was made available for most private sector interest payments; in early 1986 the availability of foreign exchange was extended to all private sector interest payments.

On May 17, 1985, the Central Bank, acting out of prudential concern, froze outstanding deposits denominated in U.S. dollars in the Argentine banking system for 120 days, following substantial withdrawals of dollar deposits in April and early May. Because of the existence of restrictions on the use of official exchange for certain current payments, U.S. dollar deposits might have been used to effect current payments and consequently the freezing of these deposits constituted an intensification of existing restrictions. Starting on August 1, 1985, access to these deposits was permitted, subject to withdrawal limits, and by October 1985 the deposits were completely unfrozen.

Main Changes in the Central Government
Tax System, 1984-85

<u>Nature of tax measure</u>	<u>Rates, or Changes in Rates (rates in percent)</u>	
	<u>Amounts (in australes)</u>	<u>Marginal Rate (in percent)</u>
1984		
1. <u>Taxes on income</u>		
Tax on the re-evaluation of livestock (Law 23,079 of September 3, 1984 paid in up to five installments.	500 1,000 1,500 2,500 above 2,500	2 3 4.33 6 8
2. <u>Taxes on wages</u>		
a. Reinstatement of a tax paid by employers on wages, and by the self-employed (Law 23,060 of March 22, 1984). Receipts from the tax are earmarked for the National Housing Fund.		5.0
b. Reinstatement of an employer's contribution to the Social Security System (Law 23,081 of August 29, 1984).		7.5
3. <u>Taxes on goods and services</u>		
a. Increase in excises of selected products (Law 23,047 of February 17, 1984).		
Examples of changes:	<u>From</u>	<u>To</u>
Fine and sparkling wines	10	12
Selected alcoholic beverages	24-37	32-47
Carbonated beverages	25	27
Beer and cider	--	7
Motor vehicles	1-13	2-21.5

<u>Nature of tax measures</u>	<u>Rates, or Changes in Rates (rates in percent)</u>
-------------------------------	--

b. Various changes in the rates of the fuels tax. Rates, which are specific, are shown as percent of consumer prices of selected products.

	<u>Dec. 1983</u>	<u>Dec. 1984</u>
Diesel fuel	31.6	28.0
Regular gasoline	51.7	71.0
Premium gasoline	51.5	72.1
4. <u>Taxes on international trade</u>		
a. Adoption of a statistical fee on imports (Law 23, 046 of March 7, 1984)		1.5
b. Adoption of a surcharge on exports of cereals, oilseeds, and selected agriculture and agro-industry products earmarked for the National Institute of Agriculture Technology (Law 23,058 of April 4, 1984)		1.5
c. Increase by 6 percentage points in export tax rates applicable to selected cereals and oilseeds (effective November) 1/		

Examples of changes:	<u>From</u>	<u>To</u>
Wheat	18	24
Corn, soy, sunflower, sorghum, and linseed	25	31

1985

1. Taxes on goods and services

a. Changes in the rates of the fuels tax. Rates, which are specific, are shown as percent of consumer prices of selected products.

1/ Changes in rates applicable to products of less importance to Argentina's external trade were also effected during the year.

	<u>Dec. 1984</u>	<u>Dec. 1985</u>
Diesel fuel	28.0	26.6
Regular gasoline	71.0	64.0
Premium gasoline	72.1	65.5

2. Taxes on international trade

a. Decrease in export tax rates applicable to selected products.

Examples of changes:	<u>From</u>	<u>To</u>
Wheat (effective January)	24	18
Corn and soy (effective February)	31	25
Sorghum (effective February)	31	20
Corn (effective March)	25	21

b. Increase in export tax rates (effective second half of June).

Examples of changes:	<u>From</u>	<u>To</u>
Wheat	18	26.5
Corn	21	29.0
Sorghum	20	28.0
Soy	25	32.5

c. Decrease in the export tax rate applicable to wheat to 15 percent and decreases a few other less important products (effective October 1985).

3. Miscellaneous taxes

a. Doubling of the rate of the tax on bank account drafts (Law 23,213 of July 31, 1985)	<u>From</u>	<u>To</u>
a. Doubling of the rate of the tax on bank account drafts (Law 23,213 of July 31, 1985)	1	2
b. Enactment of a forced-savings plan (Law 23,256 of September 25; Decree 2,073 of October 25; and others). Under the plan, individuals and corporations lend to the government, in two consecutive years, annual amounts that are established by adjusting for inflation a percentage--40 percent for individuals and 30 percent for corporations--of the sum of liabilities that result from the application of the regular tax rates to		

the 1984 bases of income and net wealth taxes, increased by the elimination of most exemptions and deductions. Reimbursements will take place five years following each annual loan; an interest rate equivalent to that applicable to savings deposits, capitalized annually, will be paid on the loan.

Principal Changes in Financial Regulations, 1984-85

The rules and operating norms governing financial intermediation in Argentina are set out by the Central Bank in the form of "Communications" which stipulate or modify general norms ("A" communications) or establish specific rates for specific periods ("B" communications). This appendix lists the principal changes in monetary and financial regulations in 1984 and 1985. In addition, at various times (generally at the beginning of each month) the Central Bank determines the interest rate on regulated loans and deposits, interest rates on the various liabilities of the Central Bank, and reserve requirements and other requirements to constitute special deposits in bonds in the Central Bank.

1984

- January 2 - B 932. Temporarily suspends the reserve requirement on foreign exchange deposits.
- January 20 - A 437. Establishes a facility for the refinancing of mortgage credits granted prior to December 31, 1982 for owner-occupied property.
- January 27 - A 439. Establishes a set of guidelines for credit provision by the financial system. Financial intermediaries are required to scrutinize credit requests to ensure that credit is used for the normal activity of each borrower and not for financial investments or interest-rate arbitrage.
- January 27 - A 440. Creates a new system of price-indexed deposits, linked to the average of the consumer and wholesale price indices, effective February 1, 1984. Such deposits are not subject to reserve requirements and have a minimum maturity of one year. These deposits can be used to fund loans of one to three years' maturity, which are indexed to the same average of prices and earn interest at a rate set by the Central Bank.
- January 27 - A 442. Raises from 120 to 150 days the minimum maturity on deposits indexed to the U.S. dollar or to prices (except for deposits indexed to the combination of consumer and wholesale prices for which a minimum maturity of one year was maintained) effective February 1, 1984.
- January 31 - A 443. Amplifies the system of differential reserve requirements, creating a third geographic zone, zone C, consisting of the six least developed provinces; the other zones are zone A--greater Buenos Aires--and zone B--all remaining areas. Reserve requirements are lowest in zone C and highest in zone A. Also, establishes

differential reserve requirements by type of deposit, with lower requirements being set for time deposits.

- February 1 - A 446. Announces that the Central Bank may henceforth issue paper (CEDEPs) backed by the Central Bank's holdings of government paper for the purpose of regulating liquidity. Such Central Bank paper would be held only by financial entities.
- February 3 - B 1000. Sets new minimum capital requirements for financial institutions, effective January 1, 1984.
- March 30 - A 467. Sets limits on credit from financial institutions to individual clients equivalent to a maximum of 50 percent of the client's capital per bank and a total of 100 percent of capital from the entire financial system. Prohibits lending to clients that have financial investments equivalent to more than 10 percent of their assets.
- April 30 - A 475. Raises from 150 to 180 days the minimum maturity on deposits indexed to the U.S. dollar or to prices, effective May 2, 1984.
- April 30 - A 476. Limits to 50 percent of the regulated rate the maximum penalty rate which can be levied by financial intermediaries on borrowers. (Previously, there had been no limit.)
- May 31 - A 487. Establishes that, where the Secretariat of Commerce determines that a firm has contravened controls on prices, all credit outstanding to that firm will be deemed due and the interest rate on such credit set at the equivalent of the change in the wholesale price index plus 15 percent per annum.
- June 29 - A 501. Increases the commission paid to nonbank financial intermediaries and to cooperative banks in the interior of the country for regulated-rate deposits from 0.5 percent to 0.8 percent. The commission remains unchanged at 0.5 percent for other intermediaries.
- June 29 - A 504. Raises from 180 to 210 days the minimum maturity on deposits indexed to the U.S. dollar or to prices, effective July 2, 1984.
- June 29 - A 505. Modifies the method of setting limits on the volume of bankers' acceptances negotiated by each financial institution. Establishes that henceforth the limit shall be set as a proportion of the institution's capital plus a proportion of its volume of regulated-rate

deposits, with such proportions being set each month by the Central Bank.

- July 27 - B 1212. Sets new minimum capital requirements for financial institutions.
- July 31 - A 512. Lowers from 365 to 270 days the minimum maturity on deposits indexed to the combined index of prices (average of consumer and wholesale prices), effective August 1, 1984.
- July 31 - A 513. Redefines the zones for differential reserve requirements, transferring two provinces from Zone B to Zone C.
- September 21 - A 535. Establishes new regulations governing the setting up of branches of financial institutions.
- October 2 - A 540. Establishes that borrowers having more than 5 percent of their assets invested in financial investments may not obtain credit at regulated interest rates.
- October 26 - A 546. Eliminates the minimum period for financial operations backed by government securities (swap operations) and sets at \$a 5 million the minimum size of each such operation.
- November 30 - A 561. Stipulates that borrowers with financial investments of more than \$a 500 million or 5 percent of total assets, whichever is smaller, may not have access to regulated-rate credit.
- December 13 - A 565. Extends to individuals and firms the right to purchase central bank short-term paper. This right was previously limited to financial institutions.
- December 13 - A 566. Reduces reserve requirements and rediscounts related to price-indexed deposits, effective January 1, 1985.

1985

- January 10 - B 1440. Extends until December 31, 1985 the suspension of applications for the establishment of new financial institutions or exchange houses or the opening of new branches.
- January 15 - A 579. Lowers from 180 to 120 days the minimum maturity on price-indexed deposits and loans, effective January 16, 1985.

- February 28 - A 598. Sets up new norms for U.S. dollar indexed deposits and loans, effective March 4, 1985. Deposits are no longer subject to reserve requirements--the previous requirement was 100 percent--and resources may be used only for loans to finance promoted exports or to purchase U.S. dollar indexed central bank paper.
- March 1 - A 600. Reduces by 13 percentage points the reserve requirement on deposits of the nonfinancial public sector, effective March 1, 1985. The resulting loanable capacity may only be used for loans to the industrial, agricultural, and livestock sectors, especially in rural areas.
- March 29 - A 609. Prohibits stock brokers from intermediating in swap operations backed by government paper, effective April 1, 1985.
- March 29 - A 610. Prohibits financial institutions from intermediating in swap operations backed by government paper or in bankers' acceptances, effective April 1, 1985. As a transitory measure, institutions may effect new operations up to a maximum of 30 percent of swap operations outstanding on March 29, 1985.
- March 29 - A 611. Modifies the norms for price-indexed deposits and loans set up in communication A 566. Institutions with deposits exceeding loans on March 31, 1985 are required to constitute a frozen deposit with the Central Bank for such excess. Institutions with loans exceeding deposits on March 31, 1985 would receive a special rediscount from the Central Bank. Also, a rediscount facility is established to offset any decline in deposits, relative to loans outstanding, after March 31, 1985.
- March 29 - A 612. Raises the limits (as a percentage of the borrower's capital) for loans to the general public and lowers such limits for loans to firms related to the lending institution.
- March 29 - A 613. Establishes a new system for financial operations at nonregulated interest rates. Deposits under this system are not subject to reserve requirements and receive a limited central bank guarantee. Limits on the volume of such deposits are to be set by the Central Bank in proportion to each institution's regulated rate deposits and capital. The Central Bank also is to fix the minimum size of nonregulated deposits and the maximum spread between deposit and lending rates.

- March 29 - A 614. Reduces the central bank guarantee on deposits, effective April 7, 1985. Regulated deposits are fully guaranteed up to \$a 7 million and are guaranteed for 1 percent of any additional amount; nonregulated-rate deposits are fully guaranteed up to \$a 50,000 and for 1 percent of any additional amount. In each case, the guarantee limits are to be adjusted monthly by the movement of the combined (consumer and wholesale) price index.
- March 29 - A 615. Reduces the limits on credit to individual firms to one half of the previous ratios (i.e., to 2 1/2 percent of the lender's assets or 25 percent of its capital). A period of 10 months is allowed for the completion of such a reduction.
- March 29 - A 617. Establishes new norms for regulated-rate operations. Reserve requirements on time deposits are substantially reduced; such reserves will not be remunerated. Reserve requirements are differentiated by maturity (being set lower for longer maturities) and by type of institution (lower for official banks, banks in the interior of the country, and nonbank financial institutions). The potential increase in loanable capacity produced by the reduction in reserve requirements on existing deposits is frozen in a remunerated frozen deposit with the Central Bank. The central bank reserves the right to require the purchase of a central bank bond for a portion of any increase in deposits above the level outstanding on March 31, 1985, should this be necessary.
- April 12 - A 624. Prohibits stock brokers from engaging in lending operations guaranteed by government paper or any similar transaction, effective April 15, 1985. Also, financial institutions are prohibited from leasing or lending government paper.
- April 25 - A 636. Establishes that noncompliance with reserve requirements shall bear a charge equivalent to 1.8 times the maximum rediscount rate for the month, effective April 1985.
- April 30 - A 638. Establishes a 3 percent reserve requirement on nonregulated deposits, effective May 1, 1985.
- May 6 - A 643. Sets up a facility to help financial institutions meet withdrawals of foreign currency deposits. Also, establishes a 100 percent reserve requirement on the increase of such deposits after April 30, 1985, and requires that existing foreign currency deposits be used

to finance exports or to purchase government paper denominated in foreign currency, or to be deposited with the Central Bank.

- May 10 - A 645. Sets up special facilities to assist institutions facing problems with constituting the frozen deposit required by communication A 617.
- May 10 - A 646. Sets up special facilities to assist institutions experiencing declines in regulated-rate deposits or in nonregulated-rate deposits.
- May 17 - A 652. Suspends the foreign currency deposit regime. Also, suspends for 120 days the withdrawal of such deposits, which are to continue accruing interest at the original rate to maturity and thereafter at a LIBOR-related rate to be determined by the Central Bank.
- May 24 - A 656. Establishes two separate groups for interbank call operations--official financial institutions and all other institutions--and prohibits lending between institutions of different groups. The Central Bank reserves the right to permit exceptions to this rule in the form of interbank placements by the Banco de la Nacion Argentina.
- June 15 - A 674. Communicates the contents of a monetary reform, including the introduction of a new currency, the austral, and sets out new operational norms for financial institutions.
- June 18 - A 679. Effective June 1985, sets the charge for noncompliance with reserve requirements at twice the maximum rediscount rate.
- June 18 - A 682. Establishes quantitative limits on the growth of regulated-rate loan portfolios and sets a charge on excesses in such lending at twice the maximum rediscount rate.
- June 28 - A 687. Sets new limits on deposit guarantees, establishing significantly higher guarantees for current account deposits, effective July 1, 1985. Regulated-rate and indexed deposits are guaranteed to ₩ 15,000, nonregulated-rate deposits to ₩ 100, and current account deposits to ₩ 60,000. In all cases, 1 percent of amounts in excess of these limits is guaranteed. These new limits are not to be adjusted monthly.
- June 28 - A 694. Establishes, in addition to the previous volume limit on nonregulated-rate deposits, a margin for such

deposits provided that such deposits have maturities exceeding 45 days. This additional margin is to be set periodically by the Central Bank as a percentage of the basic volume limit.

- July 15 - A 712. Requires that on average for July, banks hold short-term central bank paper equivalent to 15 percent of the average value of nonregulated deposits in July. (As this measure was adopted at mid-month, it effectively represented the introduction of a 30 percent investment requirement for the second half of July.) The nonremunerated reserve requirement (which had been raised from 3 percent to 5 percent on June 1 and to 7 percent on July 1), was raised further to 8 1/2 percent.
- July 19 - A 720. Prohibits nonfinancial public sector entities from investing in central bank paper.
- July 19 - A 721. Announces that central bank paper will be sold by auction, in addition to being made available at given rates set by the Central Bank as previously. (This practice was discontinued in late August.)
- July 19 - A 724. Announces that institutions may refund frozen foreign currency deposits that have matured, up to the equivalent of US\$1,500 per account, effective August 1, 1985.
- July 25 - A 725. Establishes a new regime for foreign currency deposits, to be accepted by authorized financial institutions for and on behalf of the Central Bank. Such deposits have to be at least US\$1,000 and may have a term of between 60 and 360 days. The total amount of each day's deposits has to be transferred at close of business to an account of the Central Bank with the New York branch of Banco de la Nacion of Argentina. It also was suggested that a facility might be established under which institutions could request the equivalent of up to 40 percent of deposits as central bank loans for trade financing of up to 180 days. (At end-1985, this facility had not been created; however, rediscounts were granted to banks to cover withdrawals of foreign currency deposits that had been frozen in May 1985.)
- July 31 - A 733. Requires financial institutions to set aside a certain proportion (initially 35 percent) of their nonregulated deposits for the purchase of a central bank bond, effective August 1985. (This requirement was raised to 42 percent in November before being reduced to 38 percent in mid-December 1985.) The Central Bank is

- to determine periodically the proportion and the rate of remuneration on the bond.
- July 31 - A 734. Announces that financial institutions may not grant price-indexed loans except those funded by central bank loans for specified purposes, effective August 1, 1985.
- July 31 - A 735. Announces that the special facilities to compensate for declines in regulated and nonregulated deposits and for constituting the A 617 frozen deposit are discontinued, effective August 1, 1985.
- August 2 - A 743. Announces that financial institutions may no longer purchase central bank paper for their own account.
- August 16 - A 753. Extends to 72 hours the period within which foreign currency deposits are to be transferred to the Central Bank's account in New York. Sets at 1/2 percent per annum the commission paid by the Central Bank on deposits received by participating institutions.
- August 30 - A 758. Sets the charge for noncompliance with reserve requirements and excesses over the loan portfolio limits at 2 1/2 times the maximum rediscount rate.
- September 30 - A 775. Establishes a new facility funded by a central bank rediscount line for the provision of mortgage credit, indexed to the average of consumer and wholesale prices and with a maximum term of 15 years.
- October 1 - A 777. Related to the rediscount line established in terms of communication A 775, introduces a negotiable housing bond, issued by the Central Bank, indexed to the average of consumer and wholesale prices and with a maturity of 15 years.
- October 4 - A 779. Raises to \$ 3 million the maximum amount that borrowers may hold in financial investments and still be eligible for credits at regulated interest rates.
- October 4 - A 780. Establishes a charge equivalent to twice the LIBOR for noncompliance with the requirement that deposits in U.S. dollars have to be transferred to the account of the Central Bank with the New York branch of Banco de la Nacion within 72 hours, effective October 1985.
- October 24 - A 791. Establishes a program to refinance the debt of export-oriented meat packing firms. The refinancing

program provides a term of 6 1/2 years with a 1 1/2 year grace period and is funded by a Central Bank loan of equivalent term and amount.

- October 31 - A 793. Creates a new central bank bond to be constituted by financial institutions in an amount equivalent to the increase (over the level of October 30, 1985) of each institution's utilization of central bank rediscounts for the prefinancing of promoted exports, for export financing and for declines in price-indexed deposits.
- November 29 - A 812. Effective December 1, 1985, raises by ₦ 1,000 the minimum amount for nonregulated rate deposits. The new minima range from ₦ 5,000 for 7 to 14 day deposits to ₦ 2,000 for deposits of 30 or more days.
- November 29 - A 813. Releases funds related to banks's regulated deposits frozen in the Central Bank under A 617 on the first day of each month to the extent that frozen deposits exceeded the lending capacity derived from regulated deposits on the last day of the previous month.

Extraordinary Finance

1. External Debt Renegotiation and Concerted Lending

During 1984, the Argentine authorities approached the country's creditors with requests to restructure a large fraction of the external debt of both the public and private sector. By September 1985, agreements had been reached which preliminary estimates suggested would involve the rescheduling of US\$16.3 billion of external debt, of which US\$2.1 billion was to be rescheduled by official creditors and US\$14.2 billion by commercial banks (Table 30). The authorities are in the process of rescheduling an estimated US\$0.6 billion of private sector debt to nonbank, nonofficial creditors with terms similar to those contained in the agreements that have been reached with bank creditors.^{1/} In addition, under the terms of the agreement Argentina will receive new credits totaling US\$4.2 billion from bank creditors during the period of the current Fund stand-by arrangement.

a. Official creditors

In January 1985, the Paris Club agreed to the rescheduling of service payments on medium- and long-term debt including amounts in arrears at the end of 1984 and amounts falling due in 1985. Preliminary estimates placed the total amount rescheduled at US\$2.1 billion, of which US\$1.3 billion represented amounts in arrears at the end of 1984 and US\$0.8 billion amounts falling due in 1985. The agreement provided that 75 percent of the amount of principal and interest in arrears at the end of 1984 be refinanced over eight years in ten equal semiannual payments, the first to be made on August 1, 1988. The remaining 25 percent was to be paid over two and half years in semiannual installments beginning with one third of the amount due on August 1, 1985 and one sixth on each subsequent date. The agreement also provided that 90 percent of the principal and interest due in 1985 be refinanced over ten years with payments in equal semiannual installments, the first to be made on January 1, 1991. The remaining 10 percent was to be paid over five years in five equal annual installments, with the first to be made on December 31, 1985.

Interest rates and other terms were to be established in bilateral agreements between Argentina and individual Paris Club participants and their export credit agencies on or before June 30, 1985. Many such agreements have not been finalized, and as a result certain of the above-mentioned payments remained unpaid as of the end of 1985 and were to be regularized during the bilateral negotiations. Revised estimates based on discussions related to completion of the bilateral agreements suggest that the total amount rescheduled by the Paris Club in January 1985 will be several hundred million dollars less than the US\$2.1 billion originally estimated.

^{1/} Details of central bank provisions for rescheduling are provided in Appendix IV.

Table 30. Argentina: External Debt Rescheduling

(In millions of U.S. dollars)

	Interest	Principal	Total
<u>Paris Club</u>	699	1,438	2,137
Due through end-1984	397	919	1,316
Falling due in 1985	302	519	821
<u>Commercial banks 1/</u>	--	14,168	14,168
Due through end-1984	--	11,457	11,457
Direct (including publicly guaranteed)	--	9,896	9,896
Swaps	--	183	183
With exchange guarantee 2/	--	1,378	1,378
Falling due in 1985	--	2,706	2,706
Direct (including publicly guaranteed)	--	1,369	1,369
Swaps	--	477	477
With exchange guarantee	--	860	860
<u>Nonbank creditors</u>	--	633	633
Due through end-1984	--	543	543
With exchange guarantee	--	88	88
Without exchange guarantee	--	455	455
Falling due in 1985	--	95	95
With exchange guarantee	--	54	54
Without exchange guarantee	--	41	41
<u>Total of rescheduled amounts</u>	699	16,239	16,938
Due through end-1984	397	12,919	13,316
Falling due in 1985	302	3,320	3,622

Source: Central Bank of Argentina.

1/ Excludes the rescheduling for a period of 120 days of certain interest arrears and interest obligations falling due through October 1985.

2/ Excludes US\$3,122 million of principal payments covered by exchange guarantees that are being rescheduled by the issuance of BONODs and promissory notes but that fell due in 1982 and 1983 and are not covered by the 1985 bank accord.

During the negotiation of the current stand-by arrangement, in late 1984 official creditors estimated that they might provide additional trade finance of as much as US\$1 billion during the period of the arrangement. Because events during the period did not develop as anticipated, the restoration of medium- and long-term credit cover by export credit agencies has been delayed and official creditors did not make funds available in the estimated amounts.

b. Commercial banks

On August 27, 1985, Argentina and its commercial bank creditors signed an agreement on the 1984-85 financing plan, providing for the refinancing of public and private sector amortization payments and the provision of new money under various facilities. Under the agreement, public sector principal obligations overdue on September 30, 1984 and falling due through the end of 1985 were refinanced. Maturities originally due in 1982 and 1983 were to be paid in 15 backloaded, semi-annual installments commencing on March 1, 1988. Each participating bank was permitted options on two aspects of the refinancing: (i) on the use of LIBOR or a domestic reference rate for interest charges and (ii) on the conversion of up to 40 percent of the rescheduled amount into the home currency of the participating bank. It was estimated that the amount being rescheduled under the 1984-85 financing plan with commercial banks totaled US\$14.2 billion, of which US\$11.5 billion corresponded to obligations falling due through the end of 1984. 1/

The agreement provided for the refinancing of private sector principal obligations in three categories: loans covered by foreign exchange insurance contracts, those not covered by foreign exchange insurance contracts, and financial swap agreements. Short-term trade-related obligations were excluded from the refinancing.

Principal obligations of loans covered by exchange rate guarantees which fell due in 1984 and 1985 were to be rescheduled by means of the issuance of obligations of the Government of Argentina denominated in U.S. dollars (Notes). Principal obligations of loans not covered by foreign exchange insurance contracts which fell due in 1982, 1983, 1984, or 1985, were to be rescheduled by the issuance of obligations of the Central Bank denominated in U.S. dollars (BCRA Notes). These

1/ It should be pointed out that another US\$3.1 billion of obligations to banks was being rescheduled over the period 1984-85 outside of the auspices of the agreement. Creditors were offered Government of Argentina bonds and promissory notes denominated in U.S. dollars in 1983 for principal payments covered by foreign exchange guarantees that fell due in 1982 and 1983. At the end of 1983, US\$3.1 billion of these notes had not yet been issued against obligations to bank creditors, mainly because at the time these creditors had not accepted the rescheduling terms implicit in the notes. These notes were taken up by bank creditors in 1984 and 1985.

obligations were to be issued, as established in various central bank circulars, following the deposit by the Argentine debtor of the local currency amount required to cancel its obligation. 1/ The Central Bank established schedules for the deposit against amounts in arrears and required deposit upon the maturity date for obligations falling due. The new instruments, once issued, were to be repaid in 15 semiannual installments commencing three years after issuance. For interest charges, each foreign creditor was permitted to elect the use of either LIBOR, or, in the case of Notes, the prime rate and, in the case of BCRA Notes, a certificate of deposit rate. The LIBOR option carried a spread of 1 3/8 percentage points. Swaps were to be rescheduled, at the option of the foreign creditor, by the issuance of BCRA Notes to the foreign creditor or by bilateral refinancing between the foreign creditor and the Argentine debtor (subject to various guidelines such as a minimum maturity of five years).

The 1984-85 financing plan included US\$4.2 billion of new money, US\$3.7 billion under the Term Credit Facility and US\$0.5 billion under the Trade Credit and Deposit Facility. Funds made available under the Term Credit Facility were tied to purchases under the current stand-by arrangement with Argentina. A disbursement of US\$1.7 billion, linked to Argentina's purchase under the stand-by in August, was made in late September 1985; a second tranche of US\$0.8 billion, linked to Argentina's purchase under the stand-by in September, was disbursed in late November 1985. Two further tranches of US\$0.6 billion each were to be made following Argentina's next two purchases under the stand-by. The Term Credit Facility was to be repaid in 15 backloaded, semiannual installments commencing three years after the date of the first borrowing. Each participating bank was permitted to elect the use of LIBOR or a domestic reference rate for interest charges, with the LIBOR option carrying a spread of 1 5/8 percentage points.

Participating banks also had the option to onlend up to two-thirds of disbursements to public or private sector borrowers subject to certain conditions: one third of each disbursement could be onlent to specified public sector borrowers at any time prior to July 31, 1987 and would carry a guarantee of the Republic of Argentina; an additional 27.92 percent of each disbursement could be onlent either to specified public sector borrowers, with a guarantee, or to private sector borrowers, without a guarantee, at any time during the entire term of the Term Credit Facility, provided that the Argentine entity secured an equal amount of new money from an external creditor; and another 5.41 percent of each disbursement could be onlent to private sector borrowers, without a guarantee, at any time prior to July 31, 1987 for the purpose of enabling these entities to make debt service payments under the refinancing agreement. As regards the last-mentioned type of onlending, provision was made that the onlending would not take place if

1/ Details of these central bank provisions are provided in Appendix IV.

it were determined by the Managing Director of the IMF, based on a staff examination in consultation with the Argentine authorities, that this onlending would result in Argentina being unable to comply with limits established in the stand-by arrangement.

The US\$0.5 billion provided by the Trade Credit and Deposit Facility was made available in late-September, along with the first tranche of the Term Credit Facility. These funds were deposited with the Central Bank of Argentina to serve for four years as a funding source for Argentine trade transactions. Ninety days after the initial deposit any participating bank, subject to certain restrictions, could direct that deposits be withdrawn in order to be extended as trade credit for qualifying trade transactions. Upon repayment of the trade credit, the bank was to redeposit the principal amount and thereby reconstitute the fund. Under the facility, each bank could elect to leave its deposits in the Central Bank, rather than withdraw them to finance trade transactions. Each bank also had the option of selecting whether its deposits would be call deposits, 30-day or 90-day advances, and could elect the use of the corresponding LIBOR rate or a domestic reference rate for interest charges, with the LIBOR option carrying a spread of 1 3/8 percentage points.

The 1984-85 financing plan, in addition to its refinancing and new money facilities, also included a trade credit maintenance facility under which banks agreed to maintain trade financing to Argentine entities at its level of September 30, 1984 and a stand-by money market facility under which banks agreed to maintain deposit levels in foreign branches of Argentine banks at their level of September 30, 1984.

c. Nonbank, nonofficial creditors

At the end of 1985 the authorities were in the process of rescheduling approximately US\$0.6 billion of private sector principal payments to nonbank creditors not covered by the Paris Club rescheduling. This rescheduling effort was an extension of the rescheduling of private sector obligations to commercial banks, as for private sector debtors it covered the same categories of instruments falling due over the same periods as those included in the bank accord. Furthermore, rescheduling was to be carried out by means of the issuance of Notes and BCRA Notes under the same conditions and with the same terms as described above for debt to commercial banks.

2. Status of recent exceptional financing schemes 1/

a. Exchange rate guarantees: BONODs and promissory notes

Between June 1981 and October 1982, the Argentine private sector acquired exchange rate guarantees offered by the Central Bank that covered US\$10 billion of external debt. The foreign exchange guarantees were offered to induce private sector debtors to roll over debt falling due for specified minimum periods (in order to avoid the use of foreign exchange). Most of the rollovers that were contracted fell due over the period 1982 to 1984. As these loans fell due beginning in November 1982, the Central Bank issued regulations requiring that they be rescheduled upon maturity, subject to specified minimum terms. The foreign creditor had the option of either (a) accepting a Government of Argentina bond denominated in U.S. dollars (BONOD) or a promissory note denominated in U.S. dollars with a grace period of 3 1/2 years and a maturity of 5 years, or (b) renegotiating the loan directly with the private sector borrower on terms no shorter than the BONOD or promissory note; in the latter case, BONOD or promissory note could be issued in guarantee.

At the end of 1985, this rescheduling process was still ongoing. By the end of 1983, US\$4.4 billion in loans covered by exchange guarantee had come due and the private sector debtors had paid to the Central Bank the local currency required to cancel the loan and the guarantee contract. However, at that date there were apparently many cases in which agreement had not been reached as to the rescheduling option to be exercised. As a result, only US\$1.4 billion of BONOD and promissory notes had been taken up by creditors at the end of 1983. During 1984, another US\$2.4 billion was taken up before the deadline established by the Central Bank. An additional US\$3.1 billion in loans covered by exchange guarantee fell due in 1984 or 1985. As was noted above, the portion of these obligations due to commercial banks was rescheduled as part of the 1984-85 refinancing package and the portion due to other creditors was being rescheduled separately.

b. Swaps

Between December 1981 and May 1982, the Central Bank of Argentina, in an attempt to shore up its reserves, undertook 180-day foreign currency swap arrangements with banks and other private sector borrowers in Argentina and by the end of 1982 there were US\$1.4 billion of swaps outstanding. As with the exchange-guaranteed loans, the Central Bank did not have the reserves to unwind these operations as they began to come due toward the end of 1982 and after mandating several short-term rollovers, the Central Bank announced in June 1983 that all loans

1/ This section updates the information provided in Appendix IV of SM/84/207. Details of central bank regulations relating to exceptional finance in 1985 are provided in Appendix IV.

covered by swap contracts could be rescheduled over a three-year period with repayment in four equal semiannual installments beginning 540 days after the final maturity of the original swap contract, except for the import-related swaps undertaken in end-1982 which were to be repaid over 1983 and 1984.

The Central Bank has been providing foreign exchange for interest and maturing principal on trade-related swaps; in 1984 about US\$300 million in these swaps were amortized. The scheduled principal repayments on the three-year rescheduling of swaps, however, were twice postponed by means of 180-day forced rollovers. As noted above, in July 1985, the Central Bank announced the terms of the rescheduling of swap obligations falling due in 1985, including amounts due in 1985 as a result of rollovers, in accordance with the commercial bank rescheduling of private sector obligations. It was estimated that at the end of 1985, US\$0.7 billion in swap obligations were being rescheduled.

c. BONEX

The Government of Argentina issues bonds denominated in U.S. dollars (BONEX) which are traded both in Argentina and abroad. These bonds are issued in fairly small denominations and carry an interest rate equal to six-month LIBOR. In the early 1980s BONEX were taken up voluntarily by investors but more recently they have been issued to private sector entities in lieu of providing foreign exchange for certain external payments. In this case, the bonds must be sold in the market, generally at a substantial discount, by anyone wishing to effect an external payment; hence, BONEX issuance in lieu of foreign exchange serves as a form of exceptional finance.

Currently, the right to purchase foreign exchange to transfer profits, dividends, and royalties abroad remains suspended and such transfers can be effected by the subscription of BONEX. Also, the Central Bank stands ready to issue BONEX in lieu of foreign exchange to cancel outstanding payments arrears. The gross placements of BONEX, issued in lieu of foreign exchange, totaled about US\$0.4 billion in 1984 and US\$0.1 billion in the first half of 1985.

Changes in Trade and Exchange System in 1985

The rules and norms affecting the trade and exchange system in Argentina are set out in presidential decrees; resolutions of the Ministry of Economy (ME), the Ministry of Foreign Affairs (MREC), and the Ministry of Health (MS); resolutions of the Secretariats of External and Internal Commerce (SCE and SCI), the National Grain Board (JNG), National Wine Institute (INV), and Customs (ANA); and Communications of the Central Bank (Communications A, B, and C).

Import and import payments

January 2. The Central Bank announced the signing of a reciprocal credit agreement with Poland covering certain specified Argentine and Polish export products (Communication A 575).

January 11. Import payments for goods originating in Chile and negotiated under the LAIA were exempted from minimum financing requirements (Communication A 577).

March 25. An exemption from the prior deposit requirement was granted for imports from Uruguay under the economic complementarity agreement with Uruguay (CAUCE) (Resolution SCE 141).

March 28. A list of import goods was excluded from the prior consultation list making them eligible for automatic import licensing (Resolution SCE 154).

April 9. Importers of fishing and factory ships were exempted from the prior deposit scheme that had been established on January 5, 1984 (Resolution SCE 169).

May 24. Fertilizer, in the form of urea, was removed from the prior consultation list and thus became eligible for automatic import licensing (Resolution SCE 255).

June 6. Import payments for certain goods originating in Paraguay were exempted from minimum financing requirements (Communication A 668).

June 11. A special tax of 10 percentage points was introduced on all imports.

June 28. The list of prohibited imports (Annex I) was eliminated for a period of 30 days and for this period the goods that had been prohibited were incorporated into the list of goods for which prior consultation was required (Annex II) (Resolution SCE 347).

July 26. The Central Bank announced that the term of import finance would be automatically extended when import payments were not made by the originally agreed maturity date. In the case of general merchandise imports, the extension would be equal to the original term

of the import finance, but in no case would be less than for 90 days. In the case of capital goods imports, the extension would be for at least 180 days. Import payments could then only be effected once the period of extension was complete (Communication A 727).

July 26. The temporary transfer of prohibited imports to the prior consultation list (Annex II), which took place on June 28, 1985, was extended through August 31, 1985 (Resolution SCE 407).

July 29. A large number of import goods, primarily consisting of machinery, machinery parts, and electrical equipment, were excluded from the list of goods for which prior consultation was required (Annex II) and, as a result, the automatic import licensing of these goods was permitted (Resolution SCE 413).

August 27. The temporary transfer of prohibited imports to the prior consultation list (Annex II), which had been extended on July 26, was extended again through December 31, 1985 (Resolution SCE 483).

August 30. Under the CAUCE, industrial imports from Uruguay would be free of all taxes including import tariffs (Resolutions ME 809 and MREC 799).

September 30. Preferential tariff treatment was granted for certain chemical imports from Bolivia, Brazil, Chile, Ecuador, Mexico, Paraguay, Uruguay, and Venezuela (Resolution ME 969).

October 11. Minimum prices were established for the export of wine to countries in the EEC (Resolution INV 326).

October 11. The agreement for the supply of machinery and capital equipment from the U.S.S.R. to Argentina was extended through February 13, 1988 (Communication B 1834).

October 14. The tariff on imports of cotton was lowered from 21 percent to zero on a temporary basis as an anti-inflationary measure (Resolution SCI 385).

October 15. Import payments for goods originating in Ecuador and negotiated under the LAIA were exempted from minimum import financing requirements (Communication A 795).

October 17. Preferential tariff treatment was granted for certain medical product imports from Bolivia, Brazil, Ecuador, Mexico, and Paraguay (Resolution MS 1053).

October 30. The tariff on imports of certain meat products was raised by 10 percentage points (Resolution ME 1107).

November 12. Preferential tariff treatment was granted to LAIA countries for goods on the negotiated list with the exception of a list

of specified products. Preferences granted were 10 percent for imports from Bolivia, Ecuador, and Paraguay, 7 percent for imports from Chile, Colombia, Peru, Uruguay, and Venezuela; and 5 percent for imports from Brazil and Mexico (Resolution ANA 3101).

December 9. The temporary 10 percentage point increase in import tariffs (see June 11) was extended until March 31, 1986 (Resolution ME 1287).

December 12. A substantial change in the treatment of imports of electronic products was announced, effective January 8, 1986. Many products for which prior consultation had been required were removed from Annex II and made eligible for automatic licensing. A revision of the tariff classifications and tariff rates was made: five tariff classifications were created with rates ranging from 5 to 50 percent. Furthermore, temporary, additional tariffs were imposed ranging from 5 to 40 percent with the highest additional tariff applying to products carrying a 50 percent tariff; hence the total tariffs ranged from 10 to 90 percent. A schedule was set for yearly reductions in the additional tariffs which would involve their elimination by October 1990 (Resolution ME 978).

Payments for invisibles

January 10. The Central Bank in accordance with the terms of the 1984-85 financing plan with commercial banks, announced a scheme for the liquidation of private interest obligations not covered by exchange rate guarantee that arose or would arise from principal payments due to foreign banks up through May 31, 1985. This scheme covered those interest payments without exchange guarantee that arose from both principal obligations covered and not covered by exchange guarantee. For principal payments covered by exchange rate guarantee, the scheme pertained to interest accrued up to the maturity date of the principal. For principal payments not covered by exchange guarantee, the scheme pertained to interest accrued both before and after the maturity date of the principal.

For the interest payments that were covered, private sector entities were permitted to purchase foreign currency equivalent to 10 percent of the interest obligation and transfer this amount directly to the creditor to liquidate the obligation. For the remaining 90 percent of interest, private sector entities were to pay the local currency counterpart of the obligation and to designate a local commercial bank to submit a U.S. dollar denominated 120-day certificate of deposit for an equivalent amount made out to the foreign creditor. A schedule was established under which interest payments on principal falling due in the periods October 3, 1983 to December 31, 1983, in the first half of 1984, in the second half of 1984, and in the first five months of 1985 could be liquidated according to the terms described above during the periods up through February 28, 1985, March 1985, April 1985, and May 1985, respectively (Communication A 576).

February 27. The Central Bank clarified the regulations issued on January 10, 1985 (Communication A 576) governing the liquidation of interest payments not covered by exchange guarantee. Direct obligations of the private sector to foreign official banks and direct obligations of the public sector to foreign private banks were excluded from these regulations, since neither were included in the commercial bank refinancing agreement governing private sector obligations (Communication A 597).

April 4. The Central Bank issued a list of debt service obligations being refinanced under the Paris Club accord and announced that, as a consequence, these obligations would not be paid upon maturity (Communication A 621).

July 8. The Central Bank instructed persons with debt service and nonfactor service obligations, including arrears, to be discharged via the transfer of foreign exchange or the subscription of U.S. dollar denominated bonds, to constitute at the Central Bank a deposit in local currency equivalent to the obligations. The Central Bank explained that it would make a determination of the validity of each operation within 45 days of the deposit (Communication A 703).

July 8. The Central Bank extended the scheme for the liquidation of interest obligations due to commercial banks that were not covered by exchange guarantee (see January 10), which had covered obligations due through May 31, 1985, so as to cover obligations due through October 31, 1985 (Communication A 705).

July 26. The Central Bank announced that debt service and non-factor service obligations falling due through July 15, 1985 against which local currency deposits were supposed to be constituted in accordance with Communication A 703 but against which no deposits were constituted during July, would be considered refinanced for a minimum of one year from July 15, 1985. Service of these obligations would be permitted when the period of the refinancing was complete (Communication A 729).

July 29. The Central Bank announced a schedule for the liquidation of interest obligations not covered by exchange guarantee under the scheme that had been established by Communication A 705 (see July 8). For obligations falling due through July 8 and July 31, liquidation was to take place by July 31 and August 5, respectively, while for obligations falling due between August 1 and October 31, liquidation was to take place within 5 days of maturity, but not later than October 31. In the event that liquidation were not to take place by the indicated dates, the obligations would be considered refinanced for an additional 90 days with respect to the preceding schedule (Communication A 732).

Export and export proceeds

January 2. The Central Bank announced the signing of a reciprocal credit agreement with Poland (Communication A 575).

January 24. The export prefinancing regime for promoted exports was amended to treat technical services provided in connection with the export of "turn key" plants as a capital export. Consequently, such exports became eligible for prefinancing of up to 80 percent of their value with a term of one year. In addition, for exports of consumer goods, inputs, and foodstuffs, the fraction of export value for which prefinancing could be obtained was raised to 65 percent (Communication A 582).

January 25. In accordance with export promotion legislation (Law 23101), the Government introduced new measures in a series of decrees.

1. A list of promoted export goods was published for which exporters could claim an income tax credit equal to 10 percent of export value.

2. Export firms were permitted to join together to form export consortia or cooperatives and provisions were made to enable small- and medium-sized firms entering into these consortia to receive an incentive equal to 4 percent of the f.o.b. value of exports over a period of five years. The annual incentive could not exceed 80 percent of operating expenses and firms would have to meet certain export growth targets to retain eligibility. Furthermore, export finance was made available for up to 70 percent of various costs incurred by small- and medium-sized firms entering into consortia.

3. The establishment of international trading companies was permitted. These firms were obliged to engage in a minimum of trade in promoted exports and to maintain a positive trade position. Provision was made for Central Bank financing for the opening of foreign offices.

4. Firms were permitted to engage in countertrade when marketing promoted exports.

5. Exporters of finished goods were permitted a tax "draw-back" whereby exporters could apply for rebates of duties on imported inputs and other taxes.

6. Exporters of promoted goods were exempted from the stamp duty.

7. A 0.5 percent tax on imports of consumption goods was imposed with revenues to be channeled into the Export Promotion Fund. The resources of the fund would be used to support the participation of Argentine exporters in trade fairs and expositions, for commercial missions abroad, and for trade promotion publicity (Presidential Decrees Nos. 173-179).

January 30. Export taxes were eliminated for certain fish products and export rebates of up to 10 percent were instituted for certain other fish products (Resolution ME 103).

January 31. The special refinancing regime established on November 18, 1983 for meat-packing firms that export more than 30 percent of their output was extended through March 27, 1985 (Communication A 586).

January 31. Export taxes for tobacco were lowered from 31 to 15 percent (Resolution ME 115).

February 4. Those export taxes on principal agricultural products which had been increased by 6 percentage points on a temporary basis on October 29, 1984 were reduced (with the exception of the tax on wheat which had been reduced on December 7, 1984). The decreases averaged around 6 percentage points but differed by product (Resolution ME 129).

February 7. The special export rebate for exports to new markets was extended to include exports of a range of additional products to a number of countries over the period of one year (Resolution ME 151).

February 26. The credit line granted by the Central Bank for financing exports from Argentina to China, which had expired on December 4, 1984, was renewed through December 4, 1985 (Communication B 1500).

March 11. The Central Bank announced the opening of a US\$10 million credit line for financing exports from Argentina to Guinea over a period of two years (Communication B 1516).

March 15. A special export rebate equal to 10 percent of export value was established for the export of turn-key projects meeting certain minimum standards for the content of national origin (Presidential Decree No. 525).

March 15. An export compensation adjustment scheme was announced under which exporters would be compensated for variation in the real price of exports, including changes in export taxes and rebates, that might occur between the date on which exports were contracted and shipped. The scheme was to be implemented after the designation by the Ministry of Economy of the products to be eligible for such compensation and the periods for eligibility (Presidential Decree No. 526).

March 29. Export taxes on certain meat and meat products were reduced and an export rebate of 4 percent was provided for a range of meat exports that had previously been subject to a 6 percent tax (Resolution SCE 139).

April 12. The special refinancing regime established on November 18, 1983 (see January 31) for meat packing firms that export

more than 30 percent of their output was extended through June 28, 1985 (Communication A 623).

April 22. Export rebates for a range of steel products were raised from 4 to 10 percent. Exceptions were made for products destined to the United States and the European Economic Community, in which case the rebate would remain 4 percent (Resolution ME 249).

May 3. Regulations were issued governing the use of the Export Promotion Fund which had been provided for by Decree No. 179 (see January 25). The Central Bank would provide loans at 7 percent interest to exporters for promotion activities (Resolution SCE 248).

May 13. Regulations were issued governing the formation of export consortia and cooperatives which had been provided for by Decree 174 (see January 25). These consortia and cooperatives would be eligible for an incentive equal to 4 percent of the f.o.b. value of exports (Resolution SCE 256).

May 15. The Central Bank established a rediscount facility to be used by commercial banks for the purpose of export prefinance. Commercial banks were permitted to use this facility when designated funds from dollar-indexed deposits were fully lent for export prefinance. A limit of 50 percent of bank capital was placed on the use of this facility (Communication A 651).

June 11. Export taxes were raised and export rebates reduced in compensation for the depreciation of the official exchange rate. Export taxes were increased by 7 to 10 percentage points with the largest increases applying to goods with existing taxes in the range of zero to 4 percent and the smallest increases applying to goods with existing taxes in the range of 30 to 34 percent. The export taxes on principal agricultural exports were increased as follows: wheat from 18 to 26.5 percent, corn from 21 to 29 percent, sorghum from 20 to 28 percent, soybeans from 25 to 32.5 percent, and soyoil from 10 to 19 percent. Export rebates were eliminated for products with existing rebates of up to 10 percent, and export taxes of 4, 5, and 6 percent were imposed on products with existing rebates of 6, 5, and 4 percent, respectively (Resolution ME 475).

June 14. The Central Bank announced the opening of a US\$30 million credit line to finance certain Argentine exports to Panama over a period of two years (Communication B 1649).

June 28. Regulations were issued governing countertrade operations which had been provided for by Decree No. 176 (see January 25). Exporters of goods and services were permitted to accept as payment imports of goods or services of equivalent value (Resolution ME 551).

June 28. For exports of grains and principal agricultural products, the maximum terms for anticipated payment and for foreign

currency export prefinance were shortened from 180 to 30 days (Communication A 690).

July 19. For exports of grains and principal agricultural products, the maximum terms for anticipated payments and foreign currency export prefinance were lengthened from 30 days. For processed agricultural goods, such as oils and meal, the maximum term was set at 120 days and for other goods the maximum term was set at 90 days (Communication A 722).

August 1. The export finance regime for exports to new markets was extended to include various meat exports. Under this extension, finance was made available for up to 80 percent of the f.o.b. value of these exports for a term of up to 180 days (Communication A 739).

August 5. Regulations were issued governing the special rebate pertaining to the export of turn-key projects which had been provided for by Decree 525 (see March 15) (Resolution SCE 437).

August 5. Export taxes for many industrial products were reduced by up to 18 1/2 percentage points. The reductions were largest for products which had been subject to the highest rates of tax, and were smaller for products which had been subject to lower rates of tax (Resolution ME 678).

August 5. Regulations were issued governing the formation of trading companies which had been provided for by Decree No. 175 (see January 25). Minimum requirements for net worth and annual exports were established for such enterprises (Resolution ME 680).

August 20. The export of cotton was temporarily suspended (Resolution JNG 3635).

August 26. The credit line of US\$120 million granted by the Central Bank for financing exports from Argentina to Uruguay was extended through June 4, 1986. The interest rate applicable to the use of this credit line was lowered from 7 1/2 to 6 1/2 percent (Communication B 1812).

August 27. The temporary suspension of cotton exports, imposed on August 20, was lifted for certain grades of cotton (Resolution JNG 3644).

August 29. The tax of 4 percent on exports of certain steel products to the United States and the European Economic Community (introduced as partial compensation for the exchange rate of June 11, 1985) was eliminated (Resolution ME 785).

September 12. The export of unfinished or semi-finished leather was suspended (Resolution SCI 321).

September 16. The credit line granted by the Central Bank for financing exports from Argentina to El Salvador, which had expired on May 16, 1985, was renewed through May 16, 1986 (Communication B 1791).

September 27. Export taxes on tea products were lowered by 10 to 15 percentage points depending on the grade of tea. The new tax rates ranged from zero to 15 1/2 percent (Resolution ME 952).

September 30 Export taxes for wool products were reduced to a range of 14 to 28 percent. The rate applicable to unwashed wool was lowered from 32 to 28 percent and the rate applicable to washed wool was lowered from 26 1/2 to 20 1/2 percent (Resolution ME 966).

October 4. The tax on exports of wheat was lowered from 26 1/2 to 15 percent (Resolution ME 998).

October 11. The credit line granted by the Central Bank for financing exports from Argentina to Costa Rica, which had expired on May 17, 1985, was renewed through May 17, 1985. The interest rate applicable to the use of this credit line was lowered from 7 1/2 to 6 1/2 percent (Communication B 1832).

October 11. The credit line granted by the Central Bank for financing exports from Argentina to Honduras, which had expired on April 12, 1985, was renewed through April 12, 1987 (Communication B 1833).

October 14. The credit line granted by the Central Bank for financing exports from Argentina to Bolivia was raised to US\$150 million and extended through March 18, 1986. The interest rate applicable to the credit line was lowered from 7 1/2 to 6 1/2 percent (Communication B 1836).

October 17. The tax on exports of linseed was reduced from 31 to 21 percent (Resolution ME 1017).

October 17. A temporary export rebate of 10 percent was established for a large number of steel products through December 31, 1985. An exception was made for exports of these products destined for the United States and the European Economic Community, in which case the rebate was set at 4 percent (Resolution ME 1021).

November 1. The taxes on the export of linseed oil and other linseed products were reduced by 3 to 4 percentage points depending on the product to a range of 13 1/2 to 27 percent (Resolution ME 1128).

November 8. The Central Bank announced a decrease from 7 1/2 to 6 1/2 percent in the interest rate charged on lines of credit for the finance of promoted Argentine exports to foreign countries (Communication B 1864).

November 11. The Government of Argentina announced the opening of a credit line of US\$10 million to finance certain Argentine exports to Benin over a period of two years (Communication B 1865).

November 11. The Government of Argentina announced the opening of a credit line of US\$10 million to finance certain Argentine exports to the Central African Republic over a period of two years (Communication B 1866).

December 30. Regulations were issued by the Central Bank governing countertrade operations which had been provided for by Decree No. 176 (see January 25). A maximum period of 180 days was established for the period of countertrade operations (Communication A 825).

Capital

April 1. The Central Bank extended until May 31 the deadline for the expiration of the scheme for the capitalization of loans with exchange guarantee into foreign direct investment. In September 1984, the Central Bank had indicated that it was willing to consider such requests (Communication A 532) and began to approve requests in early 1985 (Communication C 2016).

April 4. The Central Bank issued a list of debt service obligations being refinanced under the Paris Club accord and announced that, as a consequence, these obligations would not be paid upon maturity (Communication A 621).

May 6. The Central Bank fixed a reserve requirement of 100 percent on the growth of foreign currency denominated deposits in the commercial banking system after April 30, 1985. Deposits existing before that date were to have been transferred to the Central Bank or lent for the purpose of export finance (Communication A 643).

May 17. The Central Bank, citing prudential concerns, suspended for 120 days the deposit into and the withdrawal from foreign currency denominated accounts with domestic financial institutions. Deposits of foreign delegations and international organizations were exempted. The Central Bank established that depositors could request BONEX (at 93 percent of par) for term deposits as they matured (Communication A 652).

May 27. The Central Bank again extended until August 31 the expiration of the scheme for the capitalization of loans with exchange guarantee into foreign direct investment (see April 1) (Communication C 2112).

May 31. The Central Bank issued regulations governing the suspension of deposits into and withdrawals from foreign currency denominated accounts with domestic financial institutions (see May 17) including a schedule for the extension of the maturity of deposits falling due during the period of the suspension (Communication A 663).

June 28. The Central Bank raised the minimum maturity on inflows of foreign financial capital negotiated in the official exchange market. The minimum maturity which had been 180 days was raised to one year (Communication A 688).

July 1. The Central Bank issued regulations governing the refinancing of foreign currency principal obligations of the private sector not covered by exchange guarantee which had matured or would mature through December 31, 1985 and the liquidation of accrued interest on these obligations. Principal obligations due through this date would be refinanced, following the deposit by the Argentine debtor of the local currency amount required to cancel the obligation, by means of the issuance of obligations of the Central Bank (BCRA Notes) denominated in U.S. dollars. BCRA Notes would be repaid in 15 semiannual installments beginning three years after the date of issuance. Each foreign creditor would be permitted to elect the use of LIBOR or a certificate of deposit rate for interest charges, with the LIBOR option carrying a spread of 1 3/8 percentage points. The interest accrued through October 31, 1985 on obligations to be refinanced by BCRA Notes would be liquidated by the transfer of foreign exchange equal to 10 percent of the accrued interest and by the submission of a 120-day certificate of deposit made out to the foreign creditor for the remaining 90 percent of the accrued interest. When the certificate of deposit matured, foreign exchange equal to its value would be transferred. The certificates of deposit would carry an interest charge equal to the 3-month LIBOR rate plus a spread of one percent on an annual basis. The regulation provided that for obligations falling due through July 1, 1985, applications for the issuance of BCRA Notes and the liquidation of accrued interest would be submitted by August 30, 1985 and that for later obligations, applications be submitted within 30 days of the maturity date. Obligations covered by the commercial bank refinancing of public sector debt and by the Paris Club accord were excluded from these regulations (Communication A 696).

July 1. The Central Bank issued regulations governing the refinancing of foreign currency principal obligations covered by exchange guarantee which matured in 1984 and 1985 or would mature in 1985 and the liquidation of accrued interest on these obligations. Principal obligations due in this period would be refinanced, following the deposit by the Argentine debtor of the local currency amount required to cancel the obligation, by means of the issuance of obligations of the Government of Argentina (Notes) denominated in U.S. dollars. Notes would be repaid in 15 semiannual installments beginning three years after the date of issuance. Each foreign creditor would be permitted to elect the use of LIBOR or the prime rate for interest charges, with the LIBOR option carrying a spread of 1 3/8 percentage points. The interest accrued on principal obligations that matured through December 31, 1984 and that were to be refinanced by Notes would be liquidated by the transfer of foreign exchange equal to 10 percent of the accrued interest and by the submission of a 120-day certificate of deposit made out to the foreign creditor for the remaining 90 percent of accrued interest. When the

certificate of deposit matured, foreign exchange equal to its value would be transferred. The certificates of deposit would carry an interest charge equal to the three-month LIBOR rate plus a spread of one percent in an annual basis. The interest accrued on principal obligations that matured in 1985, would be paid in foreign exchange when the corresponding Note was issued. The regulations provided that for obligations falling due through July 1, 1985, applications for the issuance of Notes and the liquidation of accrued interest should be submitted by August 30, 1985 and that for later obligations, applications be submitted within 30 days of the maturity date. Obligations covered by the commercial bank refinancing of public debt and by the Paris Club accord were excluded from these regulations (Communication A 697).

July 1. The Central Bank issued regulations governing the refinancing of swap operations falling due in 1985, including amounts due in 1985 as a result of rollovers mandated by the Central Bank in earlier years. The regulations called for the 180-day extension of maturities falling due in the period February 22, 1985 to July 3, 1985 and established two options for the refinancing of obligations falling due as of July 4, 1985: a refinancing via bonds of the Central Bank (BCRA Notes) denominated in U.S. dollars and a direct refinancing between creditors and debtors. Under both options, debtors were first obliged to carry out procedures for the liquidation of exchange guarantees, which involved constituting a frozen deposit equal to part of the value of the exchange rate guarantee. Under the first option, BCRA Notes would be issued to the creditor refinancing the obligation for ten years (for details on BCRA Notes, see July 1, Communication A 696). Under the second option, creditors and debtors would agree to refinance the swap for a period of five years, at which time a BCRA Note with a five year maturity would be issued. The interest charges and amortization schedules for the direct refinancing and for the five-year BCRA Notes were established so as to match those of the first option (Communication A 695).

July 8. The Central Bank instructed persons with debt service obligations not covered by exchange guarantee which matured before July 1, 1985 to constitute a deposit in local currency at the Central Bank before July 27, 1985 equivalent to the debt service obligation. These deposits and the corresponding debt service obligations would be discharged according to the norms established under Communication A 696 (see July 1) (Communication A 704).

July 19. The Central Bank partially lifted the suspension of the withdrawal of funds from accounts in foreign currencies (see May 17). As of August 1, 1985, depositors were permitted to withdraw up to the equivalent of US\$1,500 from each account or certificate of deposit upon or after its maturity (Communication A 724).

July 25. The Central Bank issued revised regulations governing foreign currency deposits in the banking system. These regulations

required banks to maintain a 100 percent reserve deposit on foreign currency deposits (Communication A 725).

July 29. The Central Bank announced a schedule for the constitution of local currency deposits against debt-service obligations that had been called for in Communication A 704 (see July 8). For obligations falling due through July 1 and July 31, deposits were to be constituted by July 31 and August 5, respectively. For obligations falling due between August 1 and October 31, deposits were to be constituted within 5 days of maturity, but no later than October 31. In the event that the required deposits were not made by the indicated dates, the obligations would be considered refinanced for an additional 90 days with respect to the preceding schedule (Communication A 731).

August 29. It was established that foreign direct investment in the importing, production, and marketing of computers, telecommunication, and electronic equipment would be subject to prior approval of the Secretariat of Industry and the Secretariat of Science and Technology (Presidential Decree No. 1622).

September 3. The Central Bank announced regulations governing the lifting of the 120-day suspension of withdrawal of funds from accounts in foreign currency (see May 17 and July 19). Depositors were permitted, as of September 10, to withdraw up to the equivalent of US\$8,500 of principal and accrued interest on that principal from each account or certificate of deposit upon its maturity. For any amount that matured up through the end of the 120-day suspension on September 16, but was in excess of the withdrawal provisions, withdrawal would be permitted in October on the same day of the month of the original maturity. Amounts maturing after September 16 would be available upon their maturity dates (Communication A 764).

October 23. The Central Bank issued regulations governing the refinancing of debt owed by public enterprises and official banks and used by private sector entities with government guarantee or by means of official banks utilization of external lines of credit. These regulations clarified the procedures that had been set out in Communications A 696 and A 697 (see July 1). In the case of such debts with exchange guarantee, refinancing would be by means of the issuance of promissory notes of the Government of Argentina denominated in U.S. dollars. For obligations that fell due in 1982 and 1983, the notes would be repaid in 15 backloaded semiannual installments beginning on March 1, 1988; for obligations falling due in 1984 and 1985, the notes would be repaid in 19 backloaded semiannual installments beginning on March 1, 1988. For loans that carried LIBOR interest rates, a spread of 2 1/8 percent could be paid for the period up through the end of 1984 and a spread of 1 3/8 percent would be paid thereafter. For loans that carried the prime interest rate, a spread of 2 percent would be paid for the period up through the end of 1984 and a spread of 1 percent would be paid thereafter. In the case of debts without exchange guarantee, the refinancing would be incorporated in the general public sector refinancing (Communication A 790).

November 11. The Central Bank clarified the regulations governing the refinancing of swap obligations that had been established in Communication A 695 (see July 1). The regulation maintained the maximum period of five years for direct rescheduling between creditor and debtor, but specified that shorter periods were also permissible. In cases of shorter direct refinancings, the maturity of the BCRA note to be issued following the direct refinancing would be adjusted so as to maintain a total refinancing period of ten years (Communication A 799).

Table 31. Argentina: National Accounts in Current Prices

(In millions of australes)

	1980	1981	1982	1983	1984
<u>Gross domestic expenditure</u>	<u>29.0</u>	<u>55.0</u>	<u>142.9</u>	<u>649.4</u>	<u>4,847.2</u>
Consumption	22.5	45.0	116.2	527.0	4,054.0
Private	18.8	37.8	100.8	438.6	3,379.7
Government	3.7	7.2	15.4	88.4	674.3
Gross domestic investment	6.5	10.0	26.7	122.4	793.2
Fixed capital formation	6.3	10.2	24.4	121.8	800.0
Private	4.1	6.3	14.3	71.5	491.8
Public	2.2	3.9	10.1	50.3	308.2
Change in inventories	0.2	-0.2	2.3	0.6	-6.8
<u>Foreign balance</u>	<u>-0.6</u>	<u>-0.2</u>	<u>4.7</u>	<u>33.3</u>	<u>169.8</u>
Exports of goods and nonfactor services	2.0	5.2	19.8	100.2	641.0
Imports of goods and nonfactor services	-2.6	-5.4	-15.1	-66.9	-471.2
<u>Gross domestic product at market prices</u>	<u>28.4</u>	<u>54.8</u>	<u>147.6</u>	<u>682.7</u>	<u>5,017.0</u>
Net factor payments abroad	-0.3	-2.4	-12.9	-60.1	-386.4
<u>Gross national product at market prices</u>	<u>28.1</u>	<u>52.4</u>	<u>134.7</u>	<u>622.6</u>	<u>4,630.6</u>

Source: Central Bank of Argentina.

Table 32. Argentina: National Accounts in Constant Prices
(In australes at 1970 prices)

	1980	1981	1982	1983	1984
<u>Gross domestic expenditure</u>	<u>11,595</u>	<u>10,711</u>	<u>9,465</u>	<u>9,638</u>	<u>9,951</u>
Consumption	9,042	8,753	7,810	8,125	8,640
Private	7,754	7,483	6,667	6,912	7,437
Government	1,288	1,271	1,143	1,213	1,203
Gross domestic investment	2,551	1,957	1,655	1,513	1,311
Fixed capital formation	2,452	2,030	1,531	1,503	1,330
Private	1,499	1,173	863	830	762
Public	953	857	668	673	587
Change in inventories	99	-73	124	10	-19
<u>Foreign balance</u>	<u>-451</u>	<u>-288</u>	<u>417</u>	<u>575</u>	<u>508</u>
Exports of goods and nonfactor services	1,242	1,340	1,360	1,474	1,464
Imports of goods and nonfactor services	-1,693	-1,628	-943	-899	-956
<u>Gross domestic product at market prices</u>	<u>11,143</u>	<u>10,423</u>	<u>9,882</u>	<u>10,213</u>	<u>10,459</u>
Net factor payments abroad <u>1/</u>	-110	-451	-866	-900	-806
<u>Gross national product at market prices</u>	<u>11,033</u>	<u>9,972</u>	<u>9,016</u>	<u>9,313</u>	<u>9,653</u>
Subsidies less indirect taxes	-1,270	-1,189	-1,127	-1,164	-1,192
<u>Gross national product at factor cost</u>	<u>9,763</u>	<u>8,783</u>	<u>7,889</u>	<u>8,149</u>	<u>8,461</u>
Depreciation	-571	-600	-620	-633	-647
Terms of trade effect	42	107	-131	-140	-185
<u>Net national product at factor cost = national income</u>	<u>9,234</u>	<u>8,370</u>	<u>7,138</u>	<u>7,376</u>	<u>7,629</u>

Sources: Ministry of Economy; Central Bank of Argentina; and Fund staff estimates.

1/ Adjusted by the GDP deflator.

Table 33. Argentina: Saving and Investment 1/

(In millions of australes)

	1980	1981	1982	1983	1984
<u>National saving</u>	<u>5.5</u>	<u>7.4</u>	<u>18.5</u>	<u>95.5</u>	<u>576.5</u>
Private sector	5.1	11.2	32.6	160.9	945.3
Public sector	0.4	-3.8	-14.1	-65.4	-368.8
<u>Gross domestic investment 2/</u>	<u>6.4</u>	<u>10.0</u>	<u>26.7</u>	<u>122.4</u>	<u>793.2</u>
Private sector	3.7	4.6	14.2	57.8	373.2
Public sector	2.7	5.4	12.5	64.6	420.0
<u>External saving</u>	<u>0.9</u>	<u>2.6</u>	<u>8.2</u>	<u>26.9</u>	<u>216.7</u>
Capital inflow	0.4	0.6	-13.3	-1.4	65.5
Nonfinancial public sector	0.5	2.4	-2.1	3.4	186.4
Private 3/	-0.1	-1.8	-11.2	-4.8	-120.9
<u>Valuation adjustment 4/</u>	--	-0.2	-0.3	-2.7	-10.1
Change in net international reserves (increase -) 5/	0.5	2.2	21.8	31.0	161.3
<u>Memorandum item</u>					
Change in narrow money balances	1.3	1.9	10.2	54.4	362.7

Sources: Ministry of Economy; Central Bank of Argentina; and Fund staff estimates.

1/ Public sector data are on a budget execution basis; the dissaving of the public sector in 1983 and 1984 includes the losses of the Central Bank.

2/ Data for the public sector include fixed investment and other capital expenditure of the nonfinancial public sector; private sector investment is the difference between total gross domestic investment taken from the national accounts and capital expenditure by the non-financial public sector.

3/ Includes trade credits of the nonfinancial public sector and the private sector, direct investment, trade-related leads and lags, and errors and omissions.

4/ Include SDR allocations.

5/ Payment arrears are treated as international reserve liabilities.

Table 34. Argentina: Industrial Origin of Gross Domestic Product

	1980	1981	1982	1983	1984
(In thousands of australes at 1970 prices)					
GDP at factor cost	9,872	9,235	8,756	9,049	9,267
Primary sector	1,502	1,528	1,616	1,647	1,697
Agriculture, forestry and fishing	1,256	1,280	1,368	1,394	1,446
Mining	246	248	248	253	251
Secondary sector	3,467	2,980	2,782	2,993	3,022
Manufacturing	2,464	2,071	1,973	2,186	2,274
Construction	652	562	451	420	336
Electricity, gas and water	351	347	358	387	412
Service sector	4,903	4,727	4,357	4,408	4,548
Commerce	1,474	1,373	1,128	1,167	1,223
Transportation and communications	1,072	1,016	990	1,030	1,075
Finance and banking	895	847	750	694	699
Government	936	945	954	968	986
Other	526	545	535	550	565
(Percentage change)					
GDP at factor cost	1.1	-6.5	-5.2	3.4	2.4
Primary sector	-3.8	1.7	5.8	1.9	3.0
Agriculture, forestry and fishing	-5.5	1.9	6.9	1.9	3.7
Mining	5.8	0.6	0.3	2.1	-0.9
Secondary sector	-1.8	-14.0	-6.6	7.6	1.0
Manufacturing	-3.8	-16.0	-4.7	10.8	4.0
Construction	1.1	-13.8	-19.8	-6.8	-20.1
Electricity, gas and water	7.8	-1.1	3.1	8.0	6.5
Service sector	4.9	-3.6	-7.8	1.2	3.2
Commerce	5.7	-6.9	-17.9	3.5	4.8
Transportation and communications	2.1	-5.2	-2.6	4.1	4.3
Finance and banking	12.3	-5.3	-11.5	-7.5	0.8
Government	0.8	1.0	0.9	1.5	1.8
Other	4.6	3.8	-1.8	2.6	2.8
(Percentage distribution)					
GDP at factor cost	100.9	100.0	100.0	100.0	100.0
Primary sector	15.2	16.5	18.5	18.2	18.3
Agriculture, forestry and fishing	12.7	13.9	15.6	15.4	15.6
Mining	2.5	2.7	2.8	2.8	2.7
Secondary sector	35.1	32.3	31.8	33.1	32.6
Manufacturing	25.0	22.4	22.5	24.2	24.5
Construction	6.6	6.1	5.2	4.6	3.6
Electricity, gas and water	3.6	3.8	4.1	4.3	4.4
Service sector	49.7	51.2	49.8	48.7	49.1
Commerce	14.9	14.9	12.9	12.9	13.2
Transportation and communications	10.9	11.0	11.3	11.4	11.6
Finance and banking	9.1	9.2	8.6	7.7	7.5
Government	9.5	10.2	10.9	10.7	10.6
Other	5.3	5.9	6.1	6.1	6.1

Source: Central Bank of Argentina.

Table 35. Argentina: Index of Agricultural Production
(1970 = 100)

	1980	1981	1982	1983	1984
<u>Total</u>	<u>122.7</u>	<u>125.1</u>	<u>133.7</u>	<u>136.3</u>	<u>141.3</u>
<u>Agriculture and hunting</u>	<u>122.9</u>	<u>125.4</u>	<u>133.8</u>	<u>136.3</u>	<u>141.6</u>
Agriculture	134.8	143.3	157.3	160.7	172.6
Cereals	108.0	136.5	146.6	147.1	151.4
Oilseeds	297.7	319.3	362.1	388.1	515.4
Industrial crops	130.4	120.9	134.1	132.8	110.5
Fruits and flowers	125.0	105.1	114.8	121.2	122.7
Vegetables	115.2	113.2	124.4	124.7	124.2
Livestock	110.1	106.8	108.5	109.5	107.0
Cattle	107.6	102.8	103.9	106.3	105.0
Other livestock	86.3	78.2	73.6	72.5	63.4
Wool	94.9	94.5	86.8	87.2	82.8
Milk	127.7	126.5	138.3	134.5	126.7
<u>Forestry</u>	<u>95.0</u>	<u>86.3</u>	<u>100.7</u>	<u>110.1</u>	<u>112.2</u>
<u>Fishing</u>	<u>173.3</u>	<u>168.9</u>	<u>222.2</u>	<u>204.4</u>	<u>155.6</u>

Source: Central Bank of Argentina.

Table 36. Argentina: Selected Data on Planted and Harvested Area, Production, and Yield

(Area in thousands of hectares; production in thousands of metric tons; yields in tons per hectare)

	1979/80	1980/81	1981/82	1982/83	1983/84	1984/85
<u>Cereals</u>						
Wheat						
Planted area	5,000	6,196	6,566	7,410	7,210	6,000
Harvested area	4,787	5,023	5,926	7,320	6,880	5,900
Yield	1.69	1.55	1.40	2.05	1.88	2.25
Production	8,100	7,780	8,300	15,000	12,900	13,300
Corn						
Planted area	3,310	4,000	3,695	3,440	3,484	3,750
Harvested area	2,490	3,394	3,170	2,970	3,025	3,498
Yield	2.57	3.80	3.03	2.98	3.14	3.60
Production	6,400	12,900	9,600	8,840	9,500	12,600
Oats						
Planted area	1,680	1,718	1,615	1,856	1,800	1,775
Harvested area	410	350	298	408	410	384
Yield	1.27	1.24	1.14	1.56	1.45	1.59
Production	522	433	339	637	593	610
Barley						
Planted area	592	555	409	353	292	314
Harvested area	246	172	115	119	96	137
Yield	1.38	1.25	1.15	1.77	1.73	1.74
Production	339	217	132	211	166	238
Rye						
Planted area	1,494	1,489	1,338	1,483	1,223	1,087
Harvested area	225	210	162	174	160	157
Yield	0.89	0.74	0.92	0.85	0.81	0.89
Production	202	155	149	148	130	140
Rice						
Planted area	88	85	117	109	131	123
Harvested area	82	82	114	81	129	117
Yield	3.24	3.50	3.81	3.42	3.68	3.42
Production	266	286	437	277	476	400

Table 36. Argentina: Selected Data on Planted and Harvested Area, Production, and Yield (Concluded)

Area in thousands of hectares; production in thousands of metric tons; yields in tons per hectare

	1979/80	1980/81	1981/82	1982/83	1983/84	1984/85
<u>Sorghum</u>						
Planted area	1,884	2,400	2,712	2,657	2,550	2,050
Harvested area	1,279	2,100	2,510	2,520	2,371	1,987
Yield	2.31	3.60	3.19	3.27	3.10	3.12
Production	2,960	7,550	8,000	8,100	7,350	6,200
<u>Oilseeds</u>						
<u>Linseed</u>						
Planted area	1,070	780	851	810	832	680
Harvested area	978	726	818	804	828	670
Yield	0.76	0.81	0.73	0.82	0.82	0.82
Production	743	585	600	660	680	550
<u>Sunflower seeds</u>						
Planted area	2,000	1,390	1,733	1,930	2,131	2,370
Harvested area	1,855	1,280	1,673	1,902	1,989	2,350
Yield	0.89	0.98	1.18	1.27	1.11	1.36
Production	1,650	1,260	1,980	2,400	2,200	3,200
<u>Soybeans</u>						
Planted area	2,100	1,925	2,040	2,362	2,764	3,300
Harvested area	2,030	1,880	1,987	2,381	2,753	3,269
Yield	1.72	2.00	2.09	1.75	2.54	1.99
Production	3,500	3,770	4,150	4,000	7,000	6,500
<u>Groundnuts</u>						
Planted area	287	201	160	125	157	146
Harvested area	279	197	179	125	157	145
Yield	0.74	0.86	1.15	1.28	1.37	1.10
Production	206	170	205	160	216	160
<u>Industrial crops</u>						
<u>Cotton</u>						
Planted area	585	343	404	373	486	467
Harvested area	568	282	399	343	470	...
Yield	0.85	1.00	1.23	1.09	1.30	...
Production	485	282	491	373	610	540
<u>Tobacco</u>						
Planted area	65	50	69	67	64	...
Harvested area	57	47	55	60	61	...
Yield	1.09	1.11	1.25	1.23	1.23	...
Production	62	52	69	74	75	80
<u>Sugarcane</u>						
Planted area	337	351	350	354	358	358
Harvested area	314	320	309	313	319	...
Yield	54.78	48.44	48.69	48.15	48.49	...
Production	17,200	15,500	15,046	15,070	15,468	15,500

Sources: Central Bank of Argentina; and Secretariat of Agriculture and Livestock.

Table 37. Argentina: Population, Slaughter, and Price Data for Cattle

Cattle Popula- tion 1/	Total Slaughter (Millions)	Sales in Liniers Market	Ratio of Cows to Sales in Liniers (Percent)			Average Weight in Liniers (Kilos)	Current Prices (Australes per Kilo)	Beef Price Index Deflated By:		
								Wholesale Price Index	Crop Price Index	Industrial Price Index
(1978=100)										
1980	55.8	13.8	2.67	17.2	390	0.178	123.3	148.5	117.9	
1981	54.2	14.6	3.01	18.6	383	0.311	102.8	123.0	97.1	
1982	52.7	12.4	2.67	19.1	394	1.386	128.6	155.7	129.3	
1983	53.8	11.2	2.57	17.5	405	6.230	123.5	136.7	124.6	
1984	54.6	12.1	2.85	19.3	392	39.91	119.8	139.9	118.6	
<u>1984</u>										
1st half	54.6	6.1	1.4	20.6	396	20.16	117.5	132.3	118.7	
<u>1985</u>										
1st half	54.2	7.1	1.5	21.6	379	124.98	76.4	121.1	72.8	

Sources: National Meat Board; and National Institute of Statistics.

1/ Midyear.

Table 38. Argentina: Relative Prices of Agricultural Products 1/

(1960 = 100, period averages)

	General	Crops	Cereals	Livestock	Beef
1980	83.9	81.0	72.0	86.1	95.3
1981	76.7	80.5	80.9	71.5	77.1
1982	90.1	84.6	80.8	95.0	107.4
1983	92.9	92.9	75.7	92.7	102.5
1984	78.5	87.1	74.6	89.3	99.1
<u>1982</u>					
1st quarter	79.8	76.4	78.1	82.2	90.4
2nd quarter	83.5	86.0	83.8	80.0	86.9
3rd quarter	95.7	95.4	94.9	95.4	106.9
4th quarter	92.4	79.6	71.4	105.2	121.9
<u>1983</u>					
1st quarter	89.2	83.6	76.8	94.4	107.6
2nd quarter	86.8	80.6	71.5	92.8	103.4
3rd quarter	98.8	103.8	80.5	93.4	103.7
4th quarter	93.9	95.7	74.5	91.9	100.0
<u>1984</u>					
1st quarter	93.5	88.3	73.0	98.8	110.2
2nd quarter	92.7	97.1	72.7	87.7	95.8
3rd quarter	87.1	85.8	69.0	88.7	95.8
4th quarter	86.0	83.9	78.2	88.6	98.2
<u>1985</u>					
1st quarter	72.9	71.7	73.0	73.4	73.2
2nd quarter	56.1	54.8	64.8	57.4	53.8
3rd quarter	66.4	63.4	65.0	70.0	72.7

Sources: National Institute of Statistics.

1/ Producer prices deflated by the wholesale price index for national nonagricultural goods.

Table 39. Argentina: Labor Force Participation Rates

	<u>Ages 10 to 24</u>		<u>Ages 25 to 49</u>			<u>Ages 50 and over</u>		<u>All ages</u>
	Total	Males	Females	Total	Total	Total	Total	
<u>1975</u>								
April	39.0	97.6	40.6	67.9	32.6		40.6	
October	37.8	98.3	38.2	66.8	35.3		40.3	
<u>1976</u>								
April	36.6	98.2	36.8	65.9	36.4		40.5	
October	35.4	96.6	38.8	66.0	35.2		39.3	
<u>1977</u>								
April	33.8	97.3	41.0	68.4	36.8		39.5	
October	36.4	96.7	39.7	66.2	33.6		39.2	
<u>1978</u>								
May	37.3	96.2	42.1	67.2	32.6		39.6	
October	39.7	96.9	42.4	67.9	33.0		40.0	
<u>1979</u>								
April	37.6	97.0	38.5	66.2	34.2		38.9	
October	39.2	96.9	42.8	68.2	32.7		39.7	
<u>1980</u>								
April	39.2	96.8	41.4	67.5	32.5		39.3	
October	38.0	97.1	43.6	69.2	31.7		39.4	
<u>1981</u>								
April	38.4	97.3	43.4	68.9	32.1		39.5	
October	37.6	96.7	43.0	67.9	33.0		39.2	
<u>1982</u>								
April	37.6	97.1	43.9	69.1	31.5		39.1	
October	36.1	97.3	45.1	69.1	33.3		39.2	
<u>1983</u>								
April	35.9	96.2	42.4	67.9	30.6		38.1	
October	33.1	96.1	42.0	67.9	32.5		37.7	
<u>1984</u>								
April	35.7	96.9	45.3	69.5	30.1		37.8	
October	35.1	96.5	45.6	70.2	31.5		38.8	

Source: National Institute of Statistics.

1/ Data for Greater Buenos Aires.

Table 40. Argentina: Rates of Price Increase
(In percent)

	Consumer Price Index		Wholesale Price Index	
	Change over Preceding Month	Change over 12 months	Change over Preceding Month	Change over 12 Months
<u>1979</u>				
December	4.5	139.7	2.5	128.9
<u>1980</u>				
December	3.8	87.6	0.9	57.7
<u>1981</u>				
December	8.8	131.3	10.6	180.2
<u>1982</u>				
January	11.9	146.8	14.0	211.9
February	5.3	149.4	5.7	213.4
March	4.7	146.4	4.6	212.6
April	4.2	138.0	6.1	195.0
May	3.1	128.0	9.3	198.4
June	7.9	125.0	15.3	189.7
July	16.3	137.2	27.9	229.1
August	14.7	152.1	16.2	249.1
September	17.1	175.5	19.2	287.9
October	12.7	193.4	9.9	302.1
November	11.3	204.6	13.9	312.8
December	10.6	209.7	10.2	311.3
<u>1983</u>				
January	16.0	221.0	14.7	313.5
February	13.0	244.6	13.2	343.5
March	11.3	266.1	10.8	369.9
April	10.3	287.5	6.9	373.5
May	9.1	310.1	10.2	377.7
June	15.8	340.2	14.5	373.9
July	12.5	325.8	11.5	313.3
August	17.2	335.3	17.9	319.6
September	21.4	351.3	24.4	338.1
October	17.0	368.4	16.9	365.8
November	19.2	401.6	16.1	374.7
December	17.1	433.7	18.7	411.3
<u>1984</u>				
January	12.5	417.7	11.4	396.9
February	17.0	435.9	15.9	408.7
March	20.3	479.4	18.4	443.6
April	18.5	522.4	19.5	508.6
May	17.1	568.3	18.8	556.2
June	17.9	580.3	16.6	567.1
July	18.3	615.5	15.5	593.5
August	22.8	649.7	21.9	613.9
September	27.5	687.8	24.7	615.7
October	19.3	703.7	15.4	605.7
November	15.0	675.0	14.7	589.1
December	19.7	688.0	23.2	625.7
<u>1985</u>				
January	25.1	776.3	21.1	689.0
February	20.7	803.9	17.8	702.1
March	26.5	850.8	27.7	765.5
April	29.5	938.8	31.5	851.0
May	25.1	1,010.1	31.2	950.4
June	30.5	1,128.9	42.3	1,182.2
July	6.2	1,003.3	-0.9	998.8
August	3.1	825.7	1.5	815.2
September	2.0	640.2	0.6	638.0
October	1.9	532.4	0.7	544.6
November	2.4	463.1	0.7	466.2
December	3.2	385.4	1.0	405.7

Source: National Institute of Statistics.

Table 41. Argentina: Relative Price Movements

(Percentage change during year or quarter)

Consumer Prices for Buenos Aires	General	Wholesale Price Index			Imported Goods
		Agri- cultural Goods	National Nonagri- cultural Goods		
1980	87.6	57.7	36.1	65.4	59.6
1981	131.3	180.2	212.8	166.6	237.5
1982	209.7	311.3	314.0	295.9	497.3
1983	433.7	411.3	392.3	426.6	342.2
1984	688.0	625.7	619.8	624.4	661.5
<u>1980</u>					
1st quarter	19.5	12.8	8.2	14.2	17.8
2nd quarter	18.8	17.5	24.5	15.5	8.8
3rd quarter	13.1	6.7	6.7	9.7	11.4
4th quarter	16.9	9.1	-5.3	14.2	11.8
<u>1981</u>					
1st quarter	15.8	12.9	8.0	14.0	20.1
2nd quarter	26.9	44.0	64.0	39.6	76.7
3rd quarter	27.5	32.1	37.9	30.7	26.6
4th quarter	23.4	30.3	38.3	28.0	25.6
<u>1982</u>					
1st quarter	23.4	25.9	15.9	28.1	43.3
2nd quarter	15.9	33.7	48.5	27.0	54.8
3rd quarter	56.1	77.0	86.8	73.0	79.0
4th quarter	38.8	38.1	28.8	40.5	50.4
<u>1983</u>					
1st quarter	45.9	43.8	41.4	45.2	40.0
2nd quarter	39.3	34.9	39.7	33.8	28.5
3rd quarter	60.0	63.6	85.4	58.4	34.0
4th quarter	64.2	60.9	34.5	71.1	83.4
<u>1984</u>					
1st quarter	58.4	52.8	69.8	46.5	56.4
2nd quarter	63.6	65.5	60.3	68.4	62.5
3rd quarter	85.3	75.7	81.2	78.5	65.7
4th quarter	64.2	63.0	45.9	64.5	80.8
<u>1985</u>					
1st quarter	91.0	82.2	49.3	87.2	87.8
2nd quarter	111.4	145.5	95.9	149.8	166.8
3rd quarter	11.6	1.2	32.6	-2.0	0.1

Source: National Institute of Statistics.

Table 42. Argentina: Compensation, Productivity, and
Real Unit Labor Costs in Manufacturing

(Seasonally adjusted, indices 1980 = 100)

	Real Wage Costs 1/	Output Per Worker	Real Unit Labor Costs
1978	68.3	85.1	80.2
1979	79.5	95.8	83.1
1980	100.0	100.0	100.0
1981	89.7	96.1	93.3
1982	60.4	96.6	62.5
1983	73.0	103.6	70.5
1984	96.0	104.7	91.7
 <u>1982</u>			
1st quarter	70.2	97.0	72.4
2nd quarter	62.0	91.7	67.6
3rd quarter	56.7	97.2	58.3
4th quarter	59.5	100.5	59.2
 <u>1983</u>			
1st quarter	60.8	102.9	59.1
2nd quarter	71.4	102.6	69.6
3rd quarter	80.6	105.7	76.3
4th quarter	79.2	103.0	76.9
 <u>1984</u>			
1st quarter	92.3	104.5	88.3
2nd quarter	95.6	108.3	88.3
3rd quarter	96.3	104.3	92.3
4th quarter	99.9	101.7	98.2
 <u>1985</u>			
1st quarter	95.0	95.9	99.1
2nd quarter	77.5	97.4	79.6
3rd quarter	74.3	91.9	80.8

Sources: National Institute of Statistics.

1/ Nominal monthly wage in industry deflated by wholesale prices for national nonagricultural goods.

Table 43. Argentina: Operations of the Nonfinancial Public Sector 1/
(In thousands of australes)

	1980	1981	1982	1983	1984	Adjusted 1984	Budget 1985
I. Central Administration							
<u>Current revenue</u>	1,748	3,466	9,257	41,357	305,201	519,691	4,461,469
<u>Current expenditure</u>	2,000	6,110	17,060	56,429	367,667	367,667	2,532,086
<u>Current account budgetary surplus or deficit (-)</u>	-252	-2,644	-7,803	-15,072	-62,466	152,024	1,929,383
<u>Capital receipts</u>	--	--	2	10	10	10	275,000 3/
<u>Capital expenditure</u>	143	377	767	6,076	22,324	22,324	116,423
<u>Total budgetary surplus or deficit (-) before intrasector transfers</u>	-395	-3,021	-8,568	-21,138	-84,780	129,710	2,087,960
<u>Net intrasector transfers</u>	-972	-2,664	-7,174	-96,484	-439,302	-653,792	-3,969,186
Special accounts	-292	-724	-1,896	-8,423	-31,272	-34,984	-280,460
Decentralized agencies	-363	-806	-2,272	-20,242	-101,275	-101,275	-726,721
Provinces and Municipality of Buenos Aires	-102	-710	-1,173	-25,509	-143,623	-239,116	-1,672,896
Social security system	-10	--	--	--	-38,881	-154,156	-570,544
Public enterprises	-205	-424	-1,833	-42,310	-124,261	-124,261	-718,525
<u>Extrabudgetary expenditure (net) 4/</u>	135	594	1,515	7,166 5/	14,736	14,736	99,139
<u>Overall deficit (-)</u>	-1,502	-6,279	-17,257	-124,788	-538,818	-538,818	-1,980,365
External financing (net)	90	2,088	3,457	3,468	-8,025	-8,025	--
Internal financing (net)	1,412	4,191	13,800	121,320	546,843	672,238	1,980,365
II. Special Accounts							
<u>Current revenue</u>	1,183	1,896	4,624	22,668	170,766	167,054	1,148,545
<u>Current expenditure</u>	381	719	1,934	8,176	64,524	64,524	385,967
<u>Current account budgetary surplus</u>	802	1,177	2,690	14,492	106,242	102,530	762,578
<u>Capital receipts</u>	7	15	42	220	1,072	1,072	9,031
<u>Capital expenditure</u>	193	433	765	3,316	8,916	8,916	72,742
<u>Total budgetary surplus before intrasector transfers</u>	616	759	1,967	11,396	98,398	94,686	698,867
<u>Net intrasector transfers</u>	-293	-421	-763	-5,711	-61,838	58,126	-666,033
Central administration	292	724	1,896	8,423	31,272	34,984	280,460
Decentralized agencies	8	21	114	803	430	430	4,226
Provinces and Municipality of Buenos Aires	-373	-741	-1,789	-9,221	-56,541	-56,541	-500,896
Public enterprises	-220	-425	-984	-5,716	-36,999	-36,999	-449,823
<u>Overall surplus</u>	323	338	1,204	5,685	36,560	36,560	32,834
External financing (net)	-39	-59	-692	-1,011	-30,016	-30,016	-2,221
Internal financing (net)	-284	-279	-512	-4,674	-6,544	-6,544	-30,613

Table 43. Argentina: Operations of the Nonfinancial Public Sector 1/ (Continued)
(In thousands of australes)

	1980	1981	1982	1983	1984	Adjusted 1984 2/	Budget 1985
III. Decentralized Agencies							
<u>Current revenue</u>	477	693	1,859	15,638	121,314	121,314	786,976
<u>Current expenditure</u>	626	1,325	4,753	23,170	167,161	167,161	1,079,007
<u>Current account budgetary deficit (-)</u>	-149	-632	-2,894	-7,532	-45,847	-45,847	-292,031
<u>Capital receipts</u>	3	5	22	79	433	433	643
<u>Capital expenditure</u>	332	664	2,301	10,491	55,903	55,903	409,479
<u>Total budgetary deficit (-) before intrasector transfers</u>	-478	-1,291	-5,173	-17,944	-101,317	-101,317	-700,867
<u>Net intrasector transfers</u>	340	770	2,132	19,333	100,670	100,670	716,126
Central Administration	363	806	2,272	20,242	101,275	101,275	726,761
Special accounts	-8	-21	-114	-803	-430	-430	-4,226
Provinces and Municipality of Buenos Aires	-14	-14	-25	-101	-175	-175	-6,322
Public enterprises	-1	-1	-1	-5	--	--	-87
<u>Overall surplus or deficit (-)</u>	-138	-521	-3,041	1,389	-647	-647	15,259
External financing (net)	-38	208	-3	-570	-34,239	-34,239	58,713
Internal financing (net)	176	313	3,044	-819	34,886	34,886	-73,972
IV. Provinces and Municipality of Buenos Aires							
<u>Current revenue</u>	2,718	4,460	10,819	44,509	338,032	242,529	1,946,989
<u>Current expenditure</u>	2,267	4,669	10,506	64,471	461,014	461,014	3,025,072
<u>Current account budgetary surplus or deficit (-)</u>	451	-209	313	-19,962	-122,982	-218,485	-1,078,083
<u>Capital receipts</u>	16	26	119	234	3,858	3,858	9,171
<u>Capital expenditure</u>	1,022	1,968	3,621	18,202	144,261	144,261	1,014,529
<u>Total budgetary deficit (-) before intrasector transfers</u>	-555	-2,151	-3,189	-37,930	-263,385	-358,888	-2,083,441
<u>Net intrasector transfers</u>	489	1,465	2,987	34,831	200,329	295,832	2,180,114
Central Administration	102	710	1,173	25,509	143,613	239,116	1,672,896
Special accounts	373	741	1,789	9,221	56,541	56,541	500,896
Decentralized agencies	14	14	25	101	175	175	6,322
<u>Overall surplus or deficit (-)</u>	-66	-686	-202	-3,099	-63,056	-63,056	96,673
External financing (net)	--	--	-16	6	3,080	3,080	-2,538
Internal financing (net)	66	686	218	3,093	59,976	59,976	-94,135
V. Social Security System							
<u>Current revenue</u>	1,652	3,338	7,229	35,481	257,174	141,899	1,549,622
<u>Current expenditure</u>	1,668	3,329	7,174	41,479	293,628	293,628	2,120,166
<u>Current account budgetary surplus or deficit (-)</u>	-16	9	55	-5,998	-36,454	-151,729	-570,544
<u>Capital receipts</u>	2	1	4	--	--	--	--
<u>Total budgetary surplus or deficit (-) before intrasector transfers</u>	-14	10	59	-5,998	-36,454	-151,729	-570,544
<u>Net intrasector transfers</u>	10	--	--	--	38,881	154,156	570,544
Central Administration	10	--	--	--	38,881	154,156	570,544
<u>Overall surplus or deficit (-)</u>	-4	10	59	-5,998	2,427	2,427	--
Internal financing (net)	4	-10	-59	5,998	-2,427	-2,427	--

Table 43. Argentina: Operations of the Nonfinancial Public Sector 1/ (Concluded)

(In thousands of australes)

	1980	1981	1982	1983	1984	Adjusted 2/ 1984	Budget 1985
VI. General Government (VI = I through V)							
<u>Current revenue</u>	7,778	13,853	33,788	159,653	1,192,487	1,192,487	9,893,601
<u>Current expenditure</u>	6,942	16,152	41,427	193,725	1,353,994	1,353,994	9,142,298
<u>Current account budgetary surplus or deficit (-)</u>	836	-2,299	-7,639	-34,072	-161,507	-161,507	751,303
<u>Capital receipts</u>	28	47	189	543	5,373	5,373	293,845 3/
<u>Capital expenditure</u>	1,690	3,442	7,454	38,085	231,404	231,404	1,613,173
<u>Total budgetary deficit (-) before transfers to public enterprises</u>	-826	-5,694	-14,904	-71,614	-387,538	-387,538	-568,025
<u>Net transfers to public enterprises</u>	426	850	2,818	48,031	161,260	161,260	1,168,435
<u>Extrabudgetary expenditure (net) 4/</u>	135	594	1,515	7,166 5/	14,736	14,736	99,139
<u>Overall deficit (-)</u>	-1,387	-7,138	-19,237	-126,811	-563,534	-563,534	-1,835,599
External financing (net)	13	2,237	2,746	1,893	69,200	69,200	53,954
Internal financing (net)	1,374	4,901	16,491	124,918	632,734	632,734	1,781,645
VII. Public Enterprises							
<u>Current receipts</u>	2,447	5,624	14,346	76,359	556,351	556,351	4,966,448
<u>Current expenditure</u>	2,797	6,667	20,061	94,042	632,441	632,441	4,936,274
<u>Current account budgetary surplus or deficit (-)</u>	-350	-1,043	-5,715	-17,683	-76,090	-76,090	30,174
<u>Capital receipts</u>	60	89	538	1,001	7,216	7,216	48,763
<u>Capital expenditure</u>	1,011	1,914	5,027	26,484	188,570	188,570	1,137,484
<u>Total budgetary deficit (-) before transfers from general government</u>	-1,301	-2,868	-10,204	-43,166	-257,444	-257,444	-1,058,484
<u>Net transfers from general government</u>	426	850	2,818	48,031	161,260	161,260	1,168,435
<u>Overall surplus or deficit (-)</u>	-875	-2,018	-7,386	4,865	96,184	96,184	109,951
External financing (net)	410	1,401	2,066	-552	6,491	6,491	66,057
Internal financing (net)	465	617	5,320	-4,313	89,693	89,693	-175,945
VIII. Consolidated Nonfinancial Public Sector							
<u>Current account surplus or deficit (-)</u>	486	-3,342	-13,354	-51,755	-237,597	-237,597	781,477
<u>Capital receipts</u>	88	136	727	1,544	12,589	12,589	342,808 3/
<u>Capital expenditure</u>	2,701	5,356	12,481	64,569	419,974	419,974	2,750,657
<u>Total budgetary deficit (-)</u>	-2,127	-8,562	-25,108	-114,780	-644,982	-644,982	-1,626,562
<u>Extrabudgetary expenditure 4/</u>	135	594	1,515	7,166 5/	14,736	14,736	99,139
<u>Overall deficit (-)</u>	-2,262	-9,156	-26,623	-121,946	-659,718	-659,718	-1,725,711
External financing (net)	423	3,638	4,812	1,341	-62,709	-62,709	120,011
Internal financing (net)	1,839	5,518	21,811	120,605	722,427	722,427	1,605,700

Sources: Ministry of Economy; Central Bank of Argentina; and Fund staff estimates.

1/ On a commitment basis.

2/ For purposes of comparison with the 1985 budget, 1984 revenue data for the individual subsectors were adjusted to reflect the arrangement for revenue sharing between the Central Administration and other elements of the general government that was adopted in 1985.

3/ Includes receipts from the forced-saving plan.

4/ On a cash basis; includes transactions between the Treasury and the rest of the non-financial public sector such as advances and repayments.

5/ Includes ₩ 4,083 thousand of interest relating to exchange rate guarantees.

Table 44. Argentina: Nonfinancial Public Sector Expenditure 1/
(In thousands of australes)

	1980	1981	1982	1983	1984	Budget 1985
<u>Total expenditure 2/</u>	<u>10,128</u>	<u>23,145</u>	<u>61,138</u>	<u>283,143</u>	<u>1,864,794</u>	<u>11,992,094</u>
By economic categories						
<u>Current expenditure</u>	<u>7,427</u>	<u>17,789</u>	<u>48,657</u>	<u>218,574</u>	<u>1,444,820</u>	<u>9,241,437</u>
Wages and salaries	2,831	5,255	11,306	66,613	548,175	3,617,522
Other goods and services	932	1,642	5,134	28,326	148,863	1,074,777
Interest	523	3,406	12,130	23,904	153,124	1,051,511
Domestic	439	1,505	5,702	3,149	12,423	48,068
External	84	1,901	6,428	20,755	140,701	1,003,443
Transfers 3/	2,634	5,799	12,765	74,882	503,832	3,567,718
Public enterprises 4/	350	1,043	5,715	17,683	76,090	--
Other 5/	157	644	1,607	7,166	14,736	-70,091 6/
<u>Capital expenditure</u>	<u>2,701</u>	<u>5,356</u>	<u>12,481</u>	<u>64,569</u>	<u>419,974</u>	<u>2,750,657</u>
By sectors						
National Administration	3,810	10,222	29,095	114,824	701,231	4,694,843
Central Administration	2,278	7,081	19,342	69,671	404,727	2,747,648
Special accounts	574	1,152	2,699	11,492	73,440	458,709
Decentralized agencies	958	1,989	7,054	33,661	223,064	1,488,486
Provinces and Municipality of Buenos Aires	3,289	6,637	14,127	82,673	605,275	4,039,601
Social security system	1,668	3,329	7,174	41,479	293,628	2,120,166
Public enterprises	1,361	2,957	10,742	44,167	264,660	1,137,484
Memorandum items						
Gross public sector expenditure 7/	12,575	28,769	75,484	359,502	2,421,145	16,928,368
Public sector interest payments	971	5,332	18,168	40,705	260,213	1,925,943
Domestic	748	2,830	8,439	6,404	28,490	195,109
External	223	2,502	9,729	34,301	231,723	1,730,834
Wages and wage related outlays 8/	5,846	10,974	23,299	137,051	1,070,645	7,140,396

Source: Ministry of Economy.

1/ On a commitment basis.

2/ For public enterprises, includes only their operating losses.

3/ Includes small amounts of capital transfers.

4/ Operating deficit only.

5/ Mostly extrabudgetary expenditure.

6/ Includes projected budgetary savings not allocated by categories.

7/ Includes gross expenditure of public enterprises.

8/ Includes benefits paid by the national social security system, and payments for pensions, retirement benefits and private school teachers' salaries made by the national administration. It does not include certain other outlays made by the provinces that are related to wages, i.e., those for pensions and retirement benefits (A 55.1 million and A 200.9 in 1984 and 1985, respectively), and for private school teachers (A 9.1 million and A 58.9 million, in 1984 and 1985, respectively).

Table 45. Argentina: Public Sector Civilian Employment
(Beginning of Year)

	1970	1977	1980	1981	1982	1983	1984	1985
	(In thousands)							
Total	<u>1,435</u>	<u>1,729</u>	<u>1,615</u>	<u>1,612</u>	<u>1,597</u>	<u>1,583</u>	<u>1,683</u>	<u>1,697</u>
National administration 1/	584	643	557	574	574	548	605	610
Provincial governments and Municipality of Buenos Aires	474	661	721	724	725	745	780	780
Public enterprises	377	425	337	314	298	290	298	307

Sources: Ministry of Economy; and Public Enterprises Comptroller's Office (SIGEP).

1/ Includes the central administration, special accounts, and decentralized agencies.

Table 46. Argentina: Prices of Goods and Services Marketed by the Public Sector 1/

(Deflated by the national nonagricultural wholesale price index; index 1960=100)

	1979	1980	1981	1982	1983	1984			1985		
						First Half	Second Half	Year	First Half	Second Half	Year
General level	90.7	93.4	95.6	71.9	84.2	86.4	86.3	86.3	92.8	98.6	95.7
Fuels and energy	83.1	83.8	85.7	67.2	87.4	91.5	87.5	89.5	97.8	105.1	101.5
Fuels	87.4	87.2	90.4	72.3	97.6	102.8	99.1	101.0	112.9	120.2	116.6
State Oil Enterprise (YPF)	85.1	84.5	87.6	69.9	98.2	106.1	101.7	103.8	116.1	123.9	120.0
State Gas Enterprise (GE)	102.6	105.2	109.2	89.0	94.1	82.1	82.6	82.3	92.4	96.2	94.3
State Coal Enterprise (YCF)	76.8	73.1	66.3	54.2	71.0	66.6	72.9	69.8	82.1	87.0	84.6
Energy	68.1	71.9	69.6	49.2	51.8	51.9	47.0	49.5	45.1	52.4	48.7
Electricity Enterprise of Greater Buenos Aires (SEGBA)	67.5	71.5	68.9	48.0	50.9	50.8	46.2	48.5	44.9	51.7	48.3
Water and Electricity Enterprise (AyEE)	69.6	72.9	71.2	52.2	53.9	54.3	49.1	51.7	45.3	54.0	49.6
Transport and communications	116.1	123.8	127.8	88.7	79.7	77.0	88.1	82.6	84.5	86.5	85.5
Transport	91.0	103.7	101.4	72.6	80.0	79.7	88.7	84.2	81.6	78.4	80.0
Argentine Railways (FA)	93.1	102.3	98.6	66.2	71.1	72.3	78.3	75.2	69.3	68.5	68.9
Argentine Airlines (AA)	60.3	66.7	66.2	50.7	64.7	61.5	67.6	64.6	63.4	61.4	62.4
Ports Administration (AGP)	190.9	252.0	253.0	225.4	200.6	200.5	243.3	221.9	237.2	213.3	225.3
Communications	142.9	145.1	155.9	103.5	79.4	74.0	87.5	80.7	87.6	95.0	91.3
State Telecommunications Enterprise (ENTEL)	105.5	104.0	111.7	76.6	57.2	52.8	59.3	56.0	50.0	51.3	50.6
State Post and Telegraph Services (ENCOTEL)	276.0	291.1	313.0	199.1	158.3	149.3	187.7	168.5	221.2	250.7	236.0
Water supply and sewerage (OSN)	47.7	57.0	50.2	30.2	23.0	20.4	21.2	20.8	18.2	17.8	18.0

Source: Ministry of Economy and State Enterprises Comptroller's Office (SIGEP).

1/ Net of taxes.

2/ As projected in the 1985 budget, assuming an inflation rate of 3 percent in July, and of 1 percent in the remaining months of the year.

Table 47. Argentina: Nonfinancial Public Sector Revenue

(In thousands of australes)

	1980	1981	1982	1983	1984	Budget 1985
<u>Total revenue</u>	<u>7,866</u>	<u>13,989</u>	<u>34,515</u>	<u>161,197</u>	<u>1,205,076</u>	<u>10,266,383</u>
<u>By type of revenue</u>						
<u>Current revenue</u>	<u>7,778</u>	<u>13,853</u>	<u>33,788</u>	<u>159,653</u>	<u>1,192,487</u>	<u>9,923,775</u>
Tax revenue	6,756	11,644	28,158	128,368	999,158	8,233,813
Taxes on income	415	860	1,960	7,141	27,085	216,587
Taxes on wages	1,715	1,405	2,959	16,640	173,699	1,689,244
Social security contributions	1,403	1,327	2,642	15,136	135,384	1,341,900
Other taxes on wages	312	78	317	1,504	38,315	347,344
Taxes on property	573	1,081	3,150	12,269	94,988	648,630
Net wealth taxes	222	431	1,526	6,171	29,599	192,846
Tax on transfers of financial assets	4	11	91	340	2,046	...
Property taxes (provincial)	252	458	1,122	4,032	43,991	320,287
Automobile license tax (provincial)	95	181	411	1,726	19,352	135,497
Taxes on goods and services	2,823	6,030	14,928	64,076	487,754	3,809,236
Value-added tax	1,124	2,564	5,600	22,766	139,968	1,079,996
Excise taxes	1,105	2,461	6,766	31,301	261,489	2,063,683
Consolidated excises	444	934	2,330	9,099	56,836	464,269
Tax on fuels	354	1,087	3,283	16,207	167,871	1,263,827
Other taxes on oil derivates, crude oil and energy	135	264	654	3,464	22,275	262,368
Other	172	176	499	2,531	14,507	73,219
Turnover tax	594	1,005	2,562	10,009	86,297	665,557
Taxes on international trade	430	944	2,436	16,193	103,343	1,214,687
Import duties	367	771	1,417	5,628	33,024	392,300
Export duties <u>1/</u>	26	79	803	9,609	65,216	783,346
Exchange tax	37	94	216	956	5,103	39,041
Miscellaneous taxes	315	470	1,033	5,918	48,981	587,252
Stamp taxes	315	470	1,011	3,713	22,614	170,235
Tax collection under amnesties	--	--	21	1,572	11,092	14,976
Tax on bank account drafts	--	--	1	633	15,275	145,041
Unclassified tax receipts <u>2/</u>	485	854	1,692	6,131	63,308	343,177
National taxes	392	725	1,477	5,793	60,591	323,708 <u>3/</u>
Provincial taxes	93	129	215	338	2,727	19,469
<u>Nontax revenue</u>	<u>1,022</u>	<u>2,209</u>	<u>5,630</u>	<u>31,285</u>	<u>193,329</u>	<u>1,689,962 <u>4/</u></u>
<u>Capital revenue</u>	<u>88</u>	<u>136</u>	<u>727</u>	<u>1,544</u>	<u>12,589</u>	<u>342,608 <u>5/</u></u>
<u>By sectors <u>6/</u></u>						
National administration	3,418	6,075	15,806	79,972	598,796	6,711,838
Central administration	1,748	3,466	9,259	41,367	305,211	4,766,643
Special accounts	1,190	1,911	4,666	22,888	171,838	1,157,576
Decentralized agencies	480	698	1,811	15,717	121,747	787,619
Provinces and Municipality of Buenos Aires	2,734	4,486	10,938	44,743	341,890	1,956,160
Social security system	1,654	3,339	7,233	35,481	257,174	1,549,622
Public enterprises <u>7/</u>	60	89	538	1,001	7,216	48,763
<u>Memorandum items</u>						
National taxes <u>8/</u>	5,493	9,549	23,244	110,018	832,183	6,981,330
Provincial taxes	1,263	2,095	4,914	18,350	166,975	1,252,483

Source: Ministry of Economy.

1/ Includes small amounts of other customs duties.2/ Includes small amounts of nontax revenue.3/ Includes small amounts of income tax surcharges.4/ Includes profits of public enterprises.5/ Includes \$ 275 million in receipts from the forced-saving plan.6/ On the basis of revenues received.7/ Capital receipts only.8/ Includes tax revenue of the national social security system.

Table 48. Argentina: Public Sector Investment 1/

	1980	1981	1982	1983	1984	Budget 1985
(In thousands of australes)						
<u>Total investment</u>	<u>2,520</u>	<u>4,575</u>	<u>11,565</u>	<u>58,353</u>	<u>385,459</u>	<u>2,657,413</u>
<u>General government</u>	<u>1,551</u>	<u>2,837</u>	<u>6,708</u>	<u>33,668</u>	<u>209,244</u>	<u>1,588,716</u>
National administration	585	1,260	3,411	16,391	77,124	584,174
Central Administration	131	290	606	3,786	17,653	113,612
Special accounts	167	361	626	2,553	5,953	53,986
Decentralized agencies	287	609	2,179	10,052	53,519	416,576
Provinces and Municipality of Buenos aires	966	1,577	3,297	17,277	132,119	1,004,542
<u>Public enterprises and binational entities</u>	<u>969</u>	<u>1,738</u>	<u>4,857</u>	<u>24,685</u>	<u>176,215</u>	<u>1,068,697</u>
Fuels	320	564	2,000	9,054	70,870	477,042
State Oil Company (YPF)	262	471	1,772	7,627	60,295	389,098
State Gas Company (GE)	46	76	191	1,245	9,179	79,559
State Coal Company (YCF)	12	17	37	182	1,396	8,385
Energy	309	602	1,587	8,472	53,622	323,842
Water and Electricity Company (AyEE)	185	297	711	2,674	15,268	93,448
Hidronor	34	92	387	3,300	14,949	95,809
Electricity Company of Greater Buenos Aires (SEGBA)	36	105	291	1,205	10,319	57,215
Yacyreta Binational Entity	37	67	106	969	12,468	72,604
Other binational entities	17	41	92	324	618	4,766
Transport	122	218	677	3,218	36,439	168,149
Argentina Railways (FA)	75	132	495	2,657	34,567	143,378
Others 2/	47	86	182	561	1,872	24,771
Communications	164	304	505	3,562	12,993	75,192
State Telecommunications Company (ENTEL)	159	294	483	3,468	12,561	70,279
Telegraph and Post Company (ENCOTEL)	5	10	22	94	(432	4,913
Water Supply and Sewerage (OSN)	49	36	78	318	2,291	24,472
Others	5	14	10	61	--	--
(In percent of GDP)						
<u>Total investment</u>	<u>8.9</u>	<u>8.3</u>	<u>7.8</u>	<u>8.5</u>	<u>7.7</u>	<u>7.1</u>
<u>General government</u>	<u>5.5</u>	<u>5.2</u>	<u>4.5</u>	<u>4.9</u>	<u>4.2</u>	<u>4.3</u>
National Administration	2.1	2.3	2.3	2.4	1.5	1.6
Provinces and Municipality of Buenos Aires	3.4	2.9	2.2	2.5	2.6	2.7
<u>Public enterprises and binational entities</u>	<u>3.4</u>	<u>3.2</u>	<u>3.3</u>	<u>3.6</u>	<u>3.5</u>	<u>2.9</u>
Fuels	1.1	1.0	1.4	1.3	1.4	1.3
Energy	1.1	1.1	1.1	1.2	1.1	0.9
Transport	0.4	0.4	0.5	0.5	0.7	0.5
Communications	0.6	0.6	0.3	0.5	0.3	0.2
Others	0.2	0.1	0.1	0.1	--	0.1

Source: Ministry of Economy.

1/ On a commitment basis.

2/ Includes Argentine Sealines (LMA) and the Ports Administration (AGP).

Table 49. Argentina: Functional Classification of Expenditures
of the National Administration 1/

	1980	1981	1982	1983	1984	Adjusted 2/ 1984	Budget 1985
(In thousands of australes)							
<u>Total expenditure 3/</u>	<u>4,782.0</u>	<u>12,628.0</u>	<u>35,131.0</u>	<u>198,966.0</u>	<u>1,112,357.0</u>	<u>1,323,135.0</u>	<u>8,710,831.0</u>
General administration	396.2	1,020.0	2,472.3	32,800.0	188,381.0	283,884.0	2,107,017.0
Of which: provinces and Municipality of Buenos Aires	151.4	573.3	1,368.4	26,151.0	140,107.0	235,610.0	1,641,390.0
Defense and security	987.5	2,101.9	5,309.0	25,767.0	139,794.0	139,794.0	818,452.0
Social services	1,380.4	2,709.0	5,882.8	32,711.0	285,135.0	400,410.0	2,303,896.0
Health	118.0	209.5	434.2	2,932.0	24,194.0	24,194.0	211,332.0
Education and culture	509.8	955.7	2,065.3	12,497.0	91,968.0	91,968.0	632,185.0
Welfare	752.6	1,543.8	3,383.3	17,282.0	168,973.0	284,248.0	1,460,379.0
Economic services	1,527.5	3,280.8	10,205.4	86,679.0	381,806.0	381,806.0	2,852,780.0
Agriculture	60.1	116.9	267.3	1,617.0	11,902.0	11,902.0	89,650.0
Mining	7.6	10.7	22.1	127.0	774.0	774.0	6,768.0
Industry	156.0	300.5	866.9	6,455.0	33,979.0	33,979.0	184,605.0
Commerce	54.9	133.9	251.0	1,242.0	9,108.0	9,108.0	83,588.0
Energy	327.6	898.6	4,481.0	43,086.0	126,562.0	126,562.0	1,067,552.0
Transportation	619.3	1,099.0	2,689.6	18,284.0	109,934.0	109,934.0	875,237.0
Communications	59.4	96.0	166.3	5,389.0	29,052.0	29,052.0	42,563.0
Other	242.6	652.2	1,461.2	10,479.0	60,495.0	60,495.0	502,817.0
Interest on public debt 4/	425.9	2,921.9	9,742.8	10,848.0	102,505.0	102,505.0	723,574.0
Unclassified expenditure 5/	64.5	594.4	1,518.7	10,161.0	14,736.0	14,736.0	-98,861.0 6/
(In percent of GDP)							
<u>Total expenditure 3/</u>	<u>16.9</u>	<u>23.0</u>	<u>23.8</u>	<u>29.1</u>	<u>22.2</u>	<u>26.4</u>	<u>23.3</u>
General administration	1.4	1.9	1.7	4.8	3.8	5.8	5.6
Of which: provinces and Municipality of Buenos Aires	0.5	1.0	0.9	3.8	2.8	4.7	4.4
Defense and security	3.5	3.8	3.6	3.8	2.8	2.8	2.2
Social services	4.9	4.9	4.0	4.8	5.7	8.0	6.2
Health	0.4	0.4	0.3	0.4	0.5	0.5	0.6
Education and culture	1.8	1.7	1.4	1.8	1.8	1.8	1.7
Welfare	2.7	2.8	2.3	2.5	3.4	5.7	3.9
Economic services	5.4	6.0	6.9	12.7	7.6	7.6	7.6
Agriculture	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Industry	0.6	0.5	0.6	0.9	0.7	0.7	0.5
Commerce	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Energy	1.2	1.6	3.0	6.3	2.5	2.5	2.9
Transportation	2.2	2.0	1.8	2.7	2.2	2.2	2.3
Communications	0.2	0.2	0.1	0.8	0.6	0.6	0.1
Other	0.9	1.2	1.0	1.6	1.2	1.2	1.4
Interest on public debt 4/	1.5	5.3	6.6	1.6	2.0	2.0	1.9
Unclassified expenditure 5/	0.2	1.1	1.0	1.5	0.3	0.3	-0.3 6/

Sources: Ministry of Economy.

1/ On a commitment basis. Includes transfers to other elements of the public sector.

2/ For purposes of comparison with the 1985 budget, shares of the social security system and the provinces in tax revenue collected by the national administration are treated as transfers.

3/ Differs from data appearing in other tables of this report in that it includes transfers from the national administration to the provinces that are earmarked to provincial highway funds; elsewhere, those amounts are shown as provincial revenue.

4/ Unallocated portion of interest payments.

5/ Mostly extrabudgetary expenditure.

6/ Includes budgetary savings projected at A 194 million, or the equivalent to 0.5 percent of GDP.

Table 50. Argentina: Central Administration Operations 1/

(In thousands of australes)

	1980	1981	1982	1983	1984	Jan-June 1985
Total revenue	1,698.5	3,359.0	8,968.5	36,955.0	287,055.2	780,330.0
Tax revenue	1,525.7	2,932.6	8,223.3	35,797.6	276,285.7	669,685.0
Taxes on income	201.7	439.6	1,087.9	3,673.0	17,878.8	45,624.0
Taxes on wealth	103.4	215.2	766.5	3,233.0	15,782.9	28,673.0
Taxes on production and consumption	854.2	2,316.4	6,098.7	24,758.4	216,666.4	342,649.0
Value-added tax	523.8	1,222.3	2,721.8	10,972.9	64,814.9	123,407.0
Excise taxes	330.4	1,094.1	3,376.9	13,785.5	151,851.5	219,242.0
Consolidated excises	204.9	438.3	1,098.1	4,169.9	26,125.4	58,463.0
Taxes on fuels	58.5	553.3	2,029.2	8,357.9	104,854.8	105,687.0
Tax on foreign exchange transaction	36.4	94.5	234.7	935.3	5,194.2	14,554.0
Other	30.6	8.0	14.9	322.4	15,677.1	40,538.0
Taxes on international trade	372.0	846.5	2,475.1	15,938.1	94,067.5	293,211.0
Import duties	356.4	719.5	1,387.4	6,010.7	33,340.8	73,071.0
Export duties	7.5	100.8	1,012.8	9,297.0	56,926.9	204,325.0
Other	8.1	26.2	74.9	630.4	3,799.8	15,815.0
Miscellaneous taxes	105.7	158.0	369.8	1,006.7	1,130.1	11,876.0
Stamp tax	103.4	157.7	369.3	380.4	624.1	11,556.0
Tax collections under amnesties	0.3	0.2	0.5	626.3	506.0	320.0
Other	2.0	0.1	--	--	--	--
Minus: shares of the national and provincial social security systems, and the National Housing Fund, in Central Administration tax revenue	-111.3	-1,043.1	-2,574.7	-12,811.6	-69,239.5	-52,348.0
Nontax revenue	172.8	426.4	745.2	1,157.4	10,769.5	110,645.0
Statistical and port fees	64.4	13.5	0.8	1.0	531.6	--
Consular fees	26.8	28.2	47.1	119.2	2,031.2	6,209.0
Other	81.6	384.7	697.3	1,037.2	8,206.7	104,436.0
Total expenditure	3,043.7	7,736.0	18,262.6	132,672.6	653,935.2	2,079,181.0
Current expenditure	2,815.8	6,950.2	16,341.6	123,960.2	604,593.7	1,956,288.0
Wages and salaries	980.4	1,792.8	3,845.6	18,091.7	115,657.1	356,634.0
Purchases of goods and services	240.1	553.5	1,255.5	5,459.0	18,979.1	54,074.0
Interest	420.1	1,517.3	5,085.4	13,230.2	133,573.5	395,619.0
Transfers to private sector	350.4	712.3	1,536.9	7,276.3	35,789.4	237,525.0
Transfers to rest of public sector 2/	844.8	2,374.3	4,618.2	79,902.8	300,594.6	912,436.0
Special accounts	188.8	501.6	1,038.9	4,136.9	17,710.4	74,425.0
Decentralized agencies	323.3	721.8	1,524.1	14,235.5	65,645.8	171,881.0
Provinces and Municipality of Buenos Aires	98.2	794.0	1,020.1	27,858.7	128,120.3	226,893.0
Public enterprises	234.5	356.9	1,035.1	33,671.7	89,118.1	439,237.0
Capital expenditure	162.1	482.7	794.8	2,214.6	6,844.1	11,316.0
Other 3/	45.8	303.1	1,126.2	6,498.0	42,497.4	111,577.0
Overall deficit (-)	-1,345.2	-4,377.0	-9,294.1	-95,717.6	-366,880.0	-1,298,851.0
Domestic financing (net)	1,247.8	3,458.0	8,358.2	88,983.1	355,467.8	1,416,671.0
Central Bank (net)	976.3	2,775.6	7,055.2	103,976.0	294,080.6	1,250,457.0
Bond sales (net)	16.2	443.6	2,379.8	-3,240.2	-1,006.0	-14,269.0
Debt cancellation certificates	28.7	13.6	-22.4	-2.4	-12.6	-4.0
Change in unpaid treasury drafts	146.4	316.0	63.5	13,408.0	41,130.0	18,620.0
Unified Fund	155.5	156.4	624.3	3,190.0	22,384.4	41,650.0
Other	-75.3	-247.2	-1,742.2	-28,348.3	-1,108.6	120,217.0
Foreign financing (net)	97.4	919.0	935.9	6,734.5	11,412.2	-117,820.0
Drawings	127.2	977.3	1,111.9	8,246.7	65,576.1	178,149.0
Amortization	-29.8	-58.3	-176.0	-1,512.2	-54,163.9	-295,969.0

Sources: Ministry of Economy.

1/ On a cash basis, adjusted for change in unpaid treasury drafts.

2/ Includes net lending operations and small amounts of capital transfers.

3/ Includes unclassified net extrabudgetary expenditures.

Table 51. Argentina: Operations of the State Enterprises 1/
(In thousands of australes)

	1980	1981	1982	1983	1984	Budget 1985
<u>Current receipts</u>	<u>2,447</u>	<u>5,624</u>	<u>14,346</u>	<u>76,359</u>	<u>556,351</u>	<u>4,966,448</u>
State Oil Company (YPF)	796	2,003	5,646	32,185	224,763	2,036,552
State Gas Company (GE)	251	559	1,383	9,072	61,278	589,169
Electricity Company of Greater Buenos Aires (SEGBA)	231	576	1,335	7,624	56,183	445,673
State Telecommunications Company (ENTEL)	273	609	1,008	5,595	46,040	461,176
Argentine Railways (FA)	152	277	602	3,921	26,407	221,939
State Post and Telegraph Services (ENCOTEL)	65	178	356	1,481	12,510	74,572
Binational entities	17	86	516	2,524	25,519	45,552
Other	662	1,336	3,500	13,957	103,651	1,091,815
<u>Current expenditure</u>	<u>2,797</u>	<u>6,667</u>	<u>20,061</u>	<u>94,042</u>	<u>632,441</u>	<u>4,936,274</u>
State Oil Company (YPF)	876	1,804	6,347	30,682	208,833	1,652,939
State Gas Company (GE)	199	496	2,504	13,133	94,458	701,449
Electricity Company of Greater Buenos Aires (SEGBA)	254	1,030	2,376	10,214	59,453	422,544
State Telecommunications Company (ENTEL)	189	493	1,356	5,622	35,024	309,032
Argentine Railways (FA)	439	873	1,955	8,783	65,046	486,603
State Post and Telegraph Services (ENCOTEL)	119	200	459	3,140	22,987	150,236
Binational entities	35	314	780	1,567	14,086	138,023
Other	686	1,457	4,284	20,901	132,554	1,075,448
<u>Current account surplus or deficit (-)</u>	<u>-350</u>	<u>-1,043</u>	<u>-5,715</u>	<u>-17,683</u>	<u>-76,090</u>	<u>30,174</u>
State Oil Company (YPF)	-80	200	-701	1,503	15,930	383,613
State Gas Company (GE)	52	64	-1,120	-4,061	-33,180	-112,280
Electricity Company of Greater Buenos Aires (SEGBA)	-22	-453	-1,040	-2,590	-3,270	23,129
State Telecommunications Company (ENTEL)	84	116	-348	-27	11,016	152,144
Argentine Railways (FA)	-287	-600	-1,351	-4,862	-38,639	-264,664
State Post and Telegraph Services (ENCOTEL)	-54	-22	-103	-1,659	-10,477	-75,664
Binational entities	-18	25	-264	957	11,433	-92,471
Other	-25	-373	-788	-6,944	-28,903	16,367
<u>Net transfers from General Government</u>	<u>426</u>	<u>850</u>	<u>2,818</u>	<u>48,031</u>	<u>161,260</u>	<u>1,168,435</u>
State Oil Company (YPF)	--	--	--	7,137	450	--
State Gas Company (GE)	--	1	73	3,565	21,225	165,303
Electricity Company of Greater Buenos Aires (SEGBA)	--	--	--	2,933	6,892	58,577
State Telecommunications Company (ENTEL)	--	--	--	2,982	9,029	--
State Post and Telegraph Services (ENCOTEL)	40	58	119	1,450	8,037	40,126
Binational entities	49	71	126	1,682	6,426	54,948
Argentine Railways (FA)	158	337	891	6,149	48,179	416,550
Other	179	383	1,609	22,133	61,022	432,931

Table 51. Argentina: Operations of the State Enterprises 1/ (Concluded)

(In thousands of australes)

	1980	1981	1982	1983	1984	Budget 1985
<u>Capital receipts</u>	60	89	538	1,001	7,216	48,763
State Oil Company (YPF)	2	3	9	44	109	—
State Gas Company (GE)	1	10	40	75	172	2,047
Electricity Company of Greater Buenos Aires (SEGBA)	--	7	--	54	1,250	2,307
State Telecommunications Company (ENTEL)	--	--	302	--	--	--
Argentine Railways (FA)	2	--	2	7	36	633
State Post and Telegraph Services (ENCOTEL)	--	--	--	--	--	--
Binational entities	--	23	64	484	3,792	15,667
Other	55	46	121	337	1,857	28,109
<u>Capital expenditure</u>	1,011	1,914	5,027	26,484	188,570	1,137,484
State Oil Company (YPF)	262	471	1,772	7,627	60,295	389,098
State Gas Company (GE)	46	76	192	1,251	9,257	559
Electricity Company of Greater Buenos Aires (SEGBA)	36	135	291	1,206	10,379	57,215
State Telecommunications Company (ENTEL)	162	295	490	3,527	12,608	75,181
Argentine Railways (FA)	75	132	495	2,657	34,567	143,378
State Post and Telegraph Services (ENCOTEL)	5	11	23	94	853	4,913
Binational entities	92	242	359	3,012	23,952	137,757
Other	333	552	1,404	7,110	36,659	253,033
<u>Overall surplus or deficit (-)</u>	-875	-2,018	-7,386	4,865	-96,184	109,888
State Oil Company (YPF)	-340	-268	-2,464	1,057	-43,806	-5,485
State Gas Company (GE)	7	-1	-1,198	-1,672	-21,040	-24,489
Electricity Company of Greater Buenos Aires (SEGBA)	-59	-582	-1,331	-809	-5,507	26,798
State Telecommunications Company (ENTEL)	-78	-179	-536	-572	7,437	76,963
Argentine Railways (FA)	-202	-395	-954	-1,363	-24,991	9,141
State Post and Telegraph Services (ENCOTEL)	-19	25	-7	-303	-3,293	-40,451
Binational entities	-61	-123	-433	111	-2,301	-156,913
Other	-123	-496	-464	8,416	-2,683	224,324
<u>Financing</u>	875	2,018	7,386	-4,865	96,184	109,888
External (net)	410	1,401	2,066	-552	6,491	66,057
Internal (net)	465	617	5,320	-4,313	89,693	-175,945

Sources: Ministry of Economy; and Central Bank of Argentina.

1/ On a commitment basis.

Table 52. Argentina: Summary Accounts of the Financial System

(In thousands of australes)

	USS1=▲ 0.00044 Dec. 1980	USS1=▲ 0.00228 Dec. 1981	USS1=▲ 0.01054 Dec. 1982	USS1=▲ 0.07472 Dec. 1983	USS1=▲ 0.2802 June 1984	USS1=▲ 0.2802 June 1985
I. Consolidated Financial System						
<u>Net international reserves</u>						
(Central Bank)	2,957	1,390	7,189	-8,992	-41,565	-67,813
Other external assets						
(Central Bank)	470	526	2,717	2,736	12,649	13,242
External assets (rest of financial system)	-2,385	-2,732	-14,129	-14,647	-67,712	-68,250
<u>Net domestic assets</u>	12,386	24,441	37,467	71,720	150,648	356,038
Public sector (net)	1,593	7,012	9,833	25,042	56,465	165,635
Interest Equalization Fund	119	473	473	774	774	40,688
Official capital and surplus	-21	-395	-395	-1,281	-1,281	-7,341
Credit to private sector	11,191	21,646	31,851	62,381	109,886	255,459
Unclassified assets (net)	-810	-4,435	-4,435	-10,688	-10,688	-57,592
Intersystem float	313	141	141	-4,508	-4,508	-40,811
<u>Counterpart unrequited</u>						
foreign exchange	3,335	3,215	11,152	4,502	2,077	-2,938
Allocation of SDRs	148	163	845	801	3,702	3,514
Valuation adjustment	3,187	3,052	10,307	3,701	-1,625	-6,452
<u>Liabilities to private sector</u>	10,092	20,409	22,093	46,315	51,943	236,155
Monetary liabilities	2,716	4,609	4,609	14,763	14,763	69,127
Quasi-money liabilities	6,405	14,196	14,196	25,646	25,646	133,471
Mortgage bonds	271	348	348	281	281	--
Other	266	852	852	4,072	4,072	29,741
Foreign exchange deposits	435	404	2,088	1,553	7,181	3,816

Table 52. Argentina: Summary Accounts of the Financial System (Continued)

(In thousands of australes)

	USS1=A 0.00044		USS1=A 0.00228		USS1=A 0.01054		USS1=A 0.07472		USS1=A 0.2802	
	Dec.	Dec.	Dec.	Dec.	Dec.	Dec.	Dec.	Dec.	June	June
	1980	1981	1981	1982	1982	1983	1983	1984	1984	1985
II. Banking System										
<u>Net international reserves</u> (Central Bank)	2,957	1,390	7,189	-8,992	-67,813	-480,739	-573,064	-618,059	-1,999,874	-2,517,164
<u>Other external assets</u> (Central Bank)	470	526	2,718	2,736	12,649	13,242	93,871	117,156	405,642	493,626
<u>External assets (rest of banking system)</u>	-2,383	-2,730	-14,115	-14,641	-67,684	-68,237	-494,797	-441,427	-1,730,989	-1,641,969
<u>Net domestic assets</u>	11,294	21,520	34,556	70,568	149,384	349,755	1,014,769	2,434,938	3,551,923	7,913,949
Public sector (net)	1,581	6,914	9,736	24,773	56,094	164,939	422,617	791,333	1,634,517	2,012,957
Interest Equalization Fund	119	473	474	774	774	40,688	40,688	423,812	134,408	1,728,602
Official capital and surplus	-21	-395	-395	-1,281	-1,281	-7,341	-7,341	-182,999	-21,716	-586,109
Credit to rest of financial system	171	524	524	6,171	6,171	16,313	16,313	94,618	26,707	...
Credit to private sector	9,784	18,762	28,967	56,728	104,223	238,404	645,740	1,490,987	1,974,308	5,346,883
Private capital and surplus	-1,582	-4,822	-4,822	-20,534	-20,534	-99,523	-99,523	-751,352	-227,700	-3,123,059
Unclassified assets (net)	985	56	56	8,366	8,366	63,747	63,747	777,829	184,323	2,894,488
Interbank float	256	8	8	-4,429	-4,429	-41,418	-41,418	-209,290	-152,924	...
<u>Counterpart unrequited foreign exchange</u>	3,337	3,204	11,152	4,530	2,015	-2,897	-120,145	-108,398	-517,468	-1,424,722
Allocation of SDRs	148	163	845	801	3,702	3,514	24,910	23,319	91,984	89,047
Valuation adjustment	3,189	3,041	10,308	3,729	-1,687	-6,411	-145,055	-131,717	-609,452	-1,513,769
<u>Liabilities to rest of financial system</u>	110	62	62	1,470	1,470	5,873	5,873	19,334	9,270	17,676
<u>Liabilities to private sector</u>	8,891	17,440	19,123	43,671	49,299	224,023	247,376	1,581,672	734,900	5,655,478
Currency in circulation	1,623	3,021	3,021	8,635	8,635	45,516	45,516	310,453	108,131	974,739
Demand deposits	1,093	1,589	1,589	6,128	6,128	23,611	23,611	121,404	61,555	490,440
Savings deposits	628)	11,368)	11,368	2,978	2,978	30,842	30,842	240,231	76,656	1,087,798
Time deposits	4,655))		20,481	20,481	92,803	92,803	518,460	215,689	1,986,446
Mortgage bonds	271	348	348	281	281	--	--	--	--	--
Other	188	711	711	3,625	3,615	27,435	27,383	322,533	101,364	898,363
Foreign exchange deposits	435	404	2,088	1,553	7,181	3,816	27,221	68,591	175,500	217,702

Table 52. Argentina: Summary Accounts of the Financial System (Continued)

(In thousands of australas)

	USS1= A 0.00044		USS1= A 0.00228		USS1= A 0.01054		USS1= A 0.07472		USS1= A 0.2802	
	Dec. 1980	Dec. 1981	Dec. 1981	Dec. 1982	Dec. 1982	Dec. 1983	Dec. 1983	Dec. 1984	June 1984	June 1985
IIa. Central Bank										
<u>Net international reserves</u>	2,957	1,390	7,189	-8,992	-41,565	-67,813	-480,739	-618,059	-1,999,874	-2,517,164
<u>Other external assets</u>	470	526	2,718	2,736	12,649	13,242	93,871	117,156	405,642	493,626
<u>Net domestic assets</u>	2,215	6,406	6,406	53,849	74,830	248,187	454,965	1,452,767	1,480,380	5,377,638
Central Government (net)	1,146	4,334	4,334	10,674	10,674	128,298	128,298	395,425	210,515	964,967
Assets	1,149	4,354	4,354	13,575	13,575	137,330	137,330	401,940	219,023	966,977
Liabilities	-3	-20	-20	-2,901	-2,901	-9,032	-9,032	-6,515	-8,508	-2,010
Central Government (in foreign exchange) (net)	--	--	--	--	--	--	--	--	--	98,409
Rest of public sector (net)	-1	-7	-7	--	--	-1	-1	-11	-8	-65,207
Public sector external arrears	--	--	--	4,562	21,091	21,375	151,526	255,831	837,094	761,173
Interest Equalization Fund	119	473	473	774	774	40,688	40,688	423,812	134,408	1,728,602
Official capital and surplus	-21	-395	-395	-1,281	-1,281	-7,341	-7,341	-182,999	-21,716	-586,109
Credit to commercial banks	1,011	3,665	3,665	41,669	41,669	123,079	123,079	855,682	187,020	2,620,576
Credit to rest of financial system	171	524	524	6,171	6,171	16,313	16,313	94,618	26,707	2,620,576
Private sector external arrears	--	--	--	1,229	5,681	12,585	89,212	55,216	221,320	173,974
Unclassified assets (net)	-212	-2,188	-2,188	-9,949	-9,949	-86,809	-86,809	-444,806	-114,960	318,746
<u>Counterpart unrequited foreign exchange</u>	3,283	3,190	11,180	4,269	2,590	-4,030	-129,549	-106,616	-564,932	-1,441,457
Allocation of SDRs	148	163	845	801	3,702	3,514	24,910	23,319	91,984	89,047
Valuation adjustment	3,134	3,027	10,337	3,468	-1,112	-7,544	-154,459	-129,935	-656,916	-1,530,504
<u>Liabilities to rest of banking system</u>	707	2,050	2,050	33,219	33,219	146,257	146,257	728,693	333,679	3,803,142 1/
Currency	407	929	929	2,860	2,860	19,796	19,796	157,358	51,078	390,603
Deposits	300	1,121	1,121	30,359	30,359	126,461	126,461	571,335	282,601	3,412,539 1/
<u>Liabilities to rest of financial system</u>	29	62	62	1,470	1,470	5,873	5,873	19,334	9,270	17,676
Currency	19	101	101	826	826	2,947	1,104	5,437
Deposits	11	1,369	1,369	5,047	5,047	16,387	8,166	12,239
<u>Liabilities to private sector</u>	1,623	3,021	3,021	8,635	8,635	45,516	45,516	310,453	108,131	974,739

Table 52. Argentina: Summary Accounts of the Financial System (Continued)

(In thousands of australes)

	USS1= 0.00044		USS1= 0.00228		USS1= 0.01054		USS1= 0.07472		USS1= 0.2802	
	Dec. 1980	Dec. 1981	Dec. 1981	Dec. 1982	Dec. 1982	Dec. 1983	Dec. 1983	Dec. 1984	June 1984	June 1985
IIb. Commercial Banks										
<u>Net international reserves</u>	-2,383	-2,730	-14,115	-14,641	-67,684	-68,237	-494,797	-441,427	-1,730,989	-1,641,969
<u>Monetary reserves and currency holdings</u>	753	2,055	2,055	31,903	31,903	142,479	142,479	719,774	328,482	3,737,189 1/
<u>Net domestic assets</u>	9,834	18,770	31,797	62,817	120,652	266,065	724,300	2,047,142	2,411,487	5,516,699
Public sector (net)	133	--	--	--	--	--	-6,945	-36,434	-26,012	-414,905
Official sector (in foreign exchange, net)	303	2,587	5,408	9,537	24,329	15,267	149,739	176,522	612,928	668,520
Private sector	9,784	18,761	28,967	55,499	98,542	225,819	556,528	1,435,771	1,752,988	5,172,909
Unclassified assets (net)	1,197	2,244	2,244	18,315	18,315	124,502	124,502	1,222,655	299,283	5,213,234
Capital and surplus	-1,582	-4,822	-4,822	-20,534	-20,534	-99,523	-99,523	-751,352	-227,700	-3,123,059
<u>Counterpart unrequited foreign exchange</u>	54	14	-29	261	-575	1,133	-9,404	1,783	-47,464	-16,735
<u>Liabilities to Central Bank</u>	801	3,662	3,662	44,782	44,782	160,719	160,719	1,056,053	334,747	2,914,435
<u>Liabilities to rest of financial system</u>	81	--	--	--	--	--	--	--	--	--
<u>Liabilities to private sector</u>	7,268	14,419	16,103	35,036	40,664	178,455	201,860	1,271,219	626,769	4,680,749
Demand deposits	1,093	1,589	1,589	6,128	6,128	23,611	23,611	121,404	61,555	490,440
Savings deposits	628)))	2,978	2,978	30,842	30,842	240,231	76,656	1,087,798
Time deposits	4,655)	11,368)	11,368	20,481	20,481	92,803	92,803	518,460	215,689	1,986,446
Mortgage deposits	271	348	348	218	--	--	--	--	--	--
Foreign exchange deposits	435	404	2,088	1,553	7,181	3,816	27,221	68,591	171,505	217,702
Other	188	711	711	3,615	3,615	27,383	27,383	322,533	101,364	898,363

Table 52. Argentina: Summary Accounts of the Financial System (Concluded)

(In thousands of australes)

	USS1=▲ 0.00044 Dec. 1980	USS1=▲ 0.00228 Dec. 1981	USS1=▲ 0.01054 Dec. 1982	USS1=▲ 0.07472 Dec. 1983	USS1=▲ 0.2802 June 1984	USS1=▲ 0.2802 June 1985
III. Rest of Financial System						
<u>Net international reserves</u>	-3	-3	-14	-6	-28	-13
Monetary reserves and currency holdings	19	129	129	1,377	1,377	5,759
Claims on banks	81	--	--	--	--	--
Net domestic assets	1,205	3,313	3,313	7,402	7,514	21,989
Public sector (net)	11	98	98	259	371	696
Private sector	1,408	2,884	2,884	5,663	5,663	17,055
Unclassified assets (net)	-107	696	696	2,771	2,771	9,333
Capital and surplus	-107	-365	-365	-1,291	-1,291	-5,095
Counterpart unrequited foreign exchange	-1	11	--	-28	62	-41
Liabilities to Central Bank	103	458	458	6,157	6,157	15,592
Liabilities to private sector	1,200	2,970	2,970	2,644	2,644	12,184
Savings deposits	6	13	13	106	106	1,211
Time deposits	1,117	2,815	2,815	2,081	2,081	8,615
Other deposits	78	141	141	457	457	2,358

Source: Central Bank of Argentina.

1/ Includes bonds and frozen deposits in the Central Bank.

Table 53. Argentina: Selected Financial System Data at End-of-Period Exchange Rates

(In thousands of australes)^{1/}

	1980	1981	End-of-Year 1982	1983	1984	June 30 1984	1985
I. Consolidated Financial System							
<u>Net external assets</u> ^{2/3/}	468	-3,419	-44,519	-299,860	-2,255,300	-608,609	-10,478,108
<u>Net domestic assets</u>	10,790	28,819	102,296	565,471	3,606,251	1,096,265	13,393,040
Net public sector ^{4/}	1,399	7,959	34,832	215,912	1,396,539	451,125	4,860,985
Credit to private sector ^{4/}	9,753	25,081	77,205	335,639	2,109,406	724,795	8,064,168
Other items	-362	-4,221	-9,741	13,920	100,306	-79,655	467,887
<u>Valuation adjustment</u> ^{5/}	1,404	4,423	9,706	24,795	-371,408	-127,269	-3,284,015
<u>Liabilities to private sector</u>	9,854	20,977	48,071	240,817	1,722,359	614,925	6,198,946
Monetary liabilities	2,716	4,609	14,763	69,127	431,857	169,686	1,465,179
Other liabilities	7,138	16,368	33,308	171,690	1,290,502	445,239	4,733,767
II. Central Bank							
<u>Net international reserves and other external assets</u> ^{2/3/}	1,548	3,150	-13,316	-149,173	-1,198,744	-291,740	-5,785,624
<u>Net domestic assets</u> ^{4/}	2,215	6,406	66,346	322,024	1,885,816	615,551	7,297,166
<u>Valuation adjustment</u> ^{5/}	1,404	4,423	9,706	-24,795	-371,408	-127,269	-3,284,015
<u>Liabilities to financial system</u>	736	2,112	34,689	152,130	748,027	342,949	3,818,407
<u>Currency in circulation</u>	1,623	3,021	8,635	45,516	310,453	108,131	977,150
III. Commercial Banks							
<u>Net international reserves</u>	-1,079	-6,202	-30,139	-154,107	-1,056,407	-316,766	-4,694,655
<u>Monetary reserves and currency</u>	753	2,055	31,903	142,479	719,774	328,482	3,737,189
<u>Net domestic assets</u>	8,157	22,156	72,351	265,685	2,046,903	612,463	7,367,892
Public sector (net)	270	3,537	14,152	39,692	386,012	86,152	1,496,503
Credit to private sector	8,345	22,197	68,928	290,793	1,902,149	651,945	7,370,716
Net unclassified assets ^{6/}	-458	-3,578	-10,729	-64,800	-241,258	-125,634	-1,499,327
<u>Liabilities to Central Bank</u>	801	2,662	36,272	74,388	343,492	137,530	1,324,933
<u>Liabilities to private sector</u>	7,030	14,987	36,792	183,117	1,366,778	486,649	5,085,493
Foreign currency deposits	197	985	3,332	8,478	164,150	31,385	622,446
Other liabilities	6,833	14,002	33,460	174,639	1,202,628	455,264	4,463,047
IV. Rest of Financial System							
<u>Net international reserves</u>	-1	-7	-19	-47	-149	-103	. 2,171
<u>Monetary reserves and currency</u> ^{7/}	100	420	1,668	6,925	23,372	10,988	24,725
<u>Net domestic assets</u>	1,204	2,877	5,890	11,485	43,022	23,264	182,958
Public sector (net)	11	98	301	752	3,107	1,361	8,748
Credit to private sector	-1,408	2,884	5,663	17,074	75,168	32,370	196,341
Net unclassified assets	-215	-105	-74	-6,341	-35,253	-10,107	-22,131
<u>Liabilities to Central Bank</u>	103	320	4,901	6,198	21,387	14,364	71,140
<u>Liabilities to private sector</u>	1,200	2,970	2,644	12,184	44,858	20,145	138,714

Sources: Central Bank of Argentina.

^{1/} For data prior to June 30, 1985, values in pesos argentinos are converted to values in australes at the rate of Sa 1,000/austral.^{2/} Excludes valuation adjustment of central bank net external assets.^{3/} Includes adjustments (swaps, arrears, certain external bonds of the Government of Argentina, and some balance of payments support loans) in 1982 and thereafter.^{4/} Includes counterpart to external payments arrears in 1982 and thereafter.^{5/} Includes the counterpart to allocations of SDRs and counterpart to external adjustments other than arrears in 1982 and thereafter.^{6/} Includes liabilities to rest of financial system.^{7/} Includes claims on banks.

Table 54. Argentina: Interest Rates

(In percent per month)

	Deposit Rates 1/		Loan Rates 1/		Interfirm Market Rate 2/	
	Nominal	Real 3/	Nominal	Real 4/	Nominal	Real 4/
<u>1982</u>						
January	10.5	-4.7	11.5	-2.8
February	10.0	-2.7	11.0	-1.9
March	10.0	-1.2	11.0	0.2
April	10.0	-0.3	11.0	3.8
May	10.0	0.8	11.0	0.7
June	8.9	-6.0	9.9	-4.0	14.0	-0.4
July	10.5	-1.8	11.5	--	15.1	3.2
August	11.5	-4.9	12.5	-4.6	18.3	0.3
September	14.5	-2.1	15.5	-7.2	23.7	-0.6
October	14.5	-3.9	15.5	-1.2	26.9	8.6
November	14.5	-3.9	15.5	-2.7	19.5	2.9
December	14.5	-2.7	15.5	-2.7	21.6	2.4
Average 1983	11.6	-2.8	12.6	-1.7	21.6	...
<u>1984</u>						
January	11.5	-0.9	12.5	1.0	13.1	1.5
February	10.0	-6.0	11.0	-4.2	12.9	-2.6
March	10.0	-8.6	11.0	-6.3	13.4	-4.2
April	13.0	-4.6	14.0	-4.8	18.9	-0.7
May	13.0	-3.5	14.0	-4.8	17.4	-1.1
June	13.0	-4.2	14.0	-2.2	17.2	0.5
July	15.5	-2.4	17.0	1.3	18.2	2.3
August	15.5	-5.9	17.0	-3.8	17.7	-3.4
September	15.5	-9.4	17.0	-6.2	20.9	-3.0
October	17.0	-1.9	19.0	3.3	26.0	9.4
November	17.0	1.7	18.0	3.7	22.5	6.8
December	17.0	-2.3	19.0	-3.4	32.7	7.7
Average 1984	14.0	-4.0	15.4	-2.1	19.2	1.1
<u>1985</u>						
January	17.5 5/	-6.1	19.5 6/	-1.4	24.9	3.1
February	18.0	-2.2	20.0	1.9	22.4	3.9
March	20.0	-5.1	22.0	-4.5	25.5	-1.7
April	24.0 7/	-4.2	26.0 8/	-4.2	28.8	-2.1
May	30.0	3.9	32.0	0.6	40.5	7.1
June	16.0 9/	-11.1	18.0 10/	-17.1	26.8	-11.0
July	3.5	-2.5	5.0	6.0	7.7	8.7
August	3.5	0.4	5.0	3.4	8.6	7.0
September	3.5	1.5	5.0	4.4	6.2	5.6
October	3.1	1.2	4.5	3.7	5.3	4.5
November	3.1	0.7	4.5	3.8	5.6	4.9
December	3.1	-0.1	4.5	3.5	6.0	5.0
Average 1985	12.1	-2.0	13.8	--	17.4	2.9

Sources: Central Bank of Argentina; and National Institute of Statistics.

1/ Thirty-day operations.

2/ Seven-day operations, against collateral of Government of Argentina bonds denominated in U.S. dollars (BONEX).

3/ Deflated by the consumer price index.

4/ Deflated by the wholesale price index.

5/ 17 percent in the first half of January, 18 percent in the second half.

6/ 19 percent in the first half of January, 20 percent in the second half.

7/ 22 percent in the first half of April, 26 percent in the second half.

8/ 24 percent in the first half of April, 28 percent in the second half.

9/ 28 percent in the first half of June, 4 percent in the second half.

10/ 30 percent in the first half of June, 6 percent in the second half.

Table 55. Argentina: Reserve Requirements
on Regulated Deposits

(In percent)

I. Through March 1985

(Marginal reserve requirement on increase in deposits
over their average volume in December 1985) 1/2/

	Sight Deposits			Term Deposits		
	Zone A	Zone B	Zone C	Zone A	Zone B	Zone C
1984						
January	86.0	82.0	82.0	86.0	82.0	82.0
February	86.0	82.0	82.0	83.5	79.5	76.5
March	86.0	82.0	82.0	83.5	78.0	75.0
April	86.0	82.0	82.0	81.0	74.0	72.0
May	86.0	82.0	82.0	81.0	73.0	70.0
June	86.0	82.0	82.0	81.0	71.0	68.0
July	86.0	82.0	82.0	81.0	71.0	68.0
August	86.0	82.0	82.0	91.0	70.0	67.0
September	100.0	82.0	82.0	91.0	70.0	67.0
October	100.0	82.0	82.0	91.0	69.0	66.0
November	100.0	82.0	82.0	91.0	69.0	66.0
December 1984-March 1985	100.0	82.0	82.0	92.0	69.0	66.0

II. From April 1985 3/

	Savings Accounts					
	Current Accounts		Regular Group		Special Group	
	I	II	I	II	I	II
1985						
April	96.5	97.5	9.0	10.0	4.5	6.0
May	96.5	97.5	9.0	10.0	4.5	6.0
June	95.5	96.5	9.0	10.0	4.5	6.0
July	90.5	91.5	11.0	12.0	6.5	8.0
August	89.5	90.5	11.0	12.0	6.5	8.0
September	88.5	89.5	11.0	12.0	6.5	8.0
October	88.5	89.5	11.0	12.0	6.5	8.0
November	88.5	89.5	11.0	12.0	6.5	8.0
December	88.5	89.5	11.0	12.0	6.5	8.0
Term Deposits						
7-14 days						
	Group		Group		Group	
	I	II	I	II	I	II
15-22 days						
	Group		Group		Group	
	I	II	I	II	I	II
23-29 days						
	Group		Group		Group	
	I	II	I	II	I	II
30 days and more						
	Group		Group		Group	
	I	II	I	II	I	II

Source: Central Bank of Argentina.

1/ Additionally, a reserve requirement of 86 percent applied to the December 1983 stock of deposits.

2/ Zone A consists of the Greater Buenos Aires area, Zone C the economically least-developed provinces, and Zone B all remaining areas.

3/ Group I consists of provincial and municipal official banks, private commercial banks of the interior with one or no branches in the greater Buenos Aires area, and nonbank financial intermediaries; Group II consists of all remaining entities.

Table 56. Argentina: Balance of Payments

(In millions of U.S. dollars)

	1980			1981			1982			1983			1984		
	Credit	Debit	Net												
<u>Current account</u>	12,099	16,867	-4,768	12,516	17,230	-4,714	10,103	12,461	-2,358	9,993	12,454	-2,461	10,314	12,705	-2,391
Merchandise trade 1/	8,021	10,540	-2,519	9,143	9,430	-287	7,624	5,337	2,287	7,836	4,505	3,331	8,107	4,584	3,523
Nonfactor services	2,743	3,483	-740	2,401	3,106	-705	1,900	1,858	42	1,677	2,077	-400	1,920	2,125	-205
Freight and insurance	1,059	--	1,059	954	--	954	590	--	590	560	--	560	557	--	557
Other transportation	562	931	-369	577	810	-233	424	554	-130	420	595	-175	489	634	-145
Travel	345	1,792	-1,447	413	1,471	-1,058	609	565	44	454	514	-60	602	682	-80
Other government, n.i.e.	449	148	301	140	204	-64	60	149	-89	50	173	-123	62	132	-70
Royalties	19	244	-225	30	253	-223	12	363	-351	3	518	-515	4	445	-441
Other services	309	367	-58	287	368	-81	205	227	-22	190	277	-87	206	232	-26
Investment income	1,250	2,781	-1,531	903	4,602	-3,699	528	5,247	-4,719	446	5,853	-5,407	265	5,977	-5,712
Profits and dividends	22	606	-584	17	752	-735	5	321	-316	6	431	-425	1	440	-439
Interest	1,228	2,175	-947	886	3,850	-2,964	523	4,926	-4,403	440	5,422	-4,982	264	5,537	-5,273
Unrequited transfers	85	63	22	69	92	-23	51	19	32	34	19	15	22	19	3
<u>Capital account</u>	2,187	1,085	-3,808	-111	647
Banking system	-518	257	-519	326	-594
Central Bank 2/	-89	-125	-98	1	-39
Other	-429	382	617	325	-555
Other long-term capital	6,148	1,465	4,683	12,077	2,359	9,668	3,215	1,211	2,004	4,099	4,174	-75	3,001	3,010	-9
Direct investment	903	115	788	988	61	927	262	5	257	185	2	183	268	--	268
Trade finance	195	57	138	--	525	-525	--	477	-477	--	206	-206	--	131	-131
Financial loans 3/	5,050	1,293	3,757	11,039	1,773	9,266	2,953	729	2,224	3,914	3,966	-52	2,733	2,879	-146
Government 4/	818	63	755	2,246	78	2,168	352	79	273	1,468	1,674	-206	2,455	309	2,146
State enterprises	2,140	266	1,874	3,077	1,144	1,933	295	366	-68	355	661	-306	225	116	109
Private sector	2,092	964	1,128	5,716	551	5,165	2,303	284	2,019	2,091	1,631	460	53	2,454	-2,401
Other short-term capital	-1,977	-8,840	-6,331	-362	1,250
Trade finance	-253	-2,860	-2,243	-205	632
Other public sector	329	434	-721	814	6
Other private sector 5/	-2,053	-6,414	-3,367	-971	612
<u>Allocation of SDRs</u>		74			70			--			--			--	--
<u>Valuation adjustment 6/</u>		-213			-363			-105			-260			-145	
<u>Change in net international reserves (increase -)</u>		2,720			3,922			6,271			2,832			1,889	

Sources: Central Bank of Argentina; and Fund staff estimates.

1/ Exports f.o.b.; imports c.i.f.

2/ Includes changes in foreign assets not considered part of international reserves.

3/ Includes Argentine government bonds denominated in foreign currency. For 1983, does not reflect shift of liability from private sector to government in respect of matured loans with exchange rate guarantees.

4/ Includes Central Government and provincial and municipal governments.

5/ Includes errors and omissions.

6/ Changes in net international reserves due to exchange rate movements and other adjustments.

Table 57. Argentina: Selected Exchange Rates

	Official Exchange Rate (\$a per US\$) <u>1/</u> <u>2/</u>	Parallel Exchange Rate <u>1/</u>	Parallel Exchange Rate Spread (In percent)	Real Effective Exchange Rate (Index; 1980=100) <u>3/</u>
1978	0.08	0.08	--	53.99
1979	0.13	0.13	--	76.09
1980	0.18	0.18	--	100.00
1981	0.44	0.61	38.6	92.29
1982	2.19	3.63	66.0	51.27
1983	10.53	14.52	37.0	43.36
1984	67.74	88.31	37.2	51.08
1985	601.56	694.23	17.9	45.26 <u>4/</u>
1982				
December	4.60	6.31	37.1	37.64
1983				
March	6.40	8.53	33.4	40.61
June	8.53	10.00	17.2	42.88
September	12.16	21.49	76.7	48.60
December	21.36	23.72	11.0	45.61
1984				
January	24.87	30.29	21.8	44.32
February	27.75	40.16	44.7	45.48
March	30.84	49.70	61.2	48.21
April	35.06	53.66	53.1	50.50
May	40.81	63.90	56.6	51.67
June	47.57	68.29	43.6	52.23
July	56.12	75.05	33.7	53.65
August	68.35	97.65	42.9	54.30
September	83.31	112.79	35.4	57.95
October	104.19	121.73	16.8	55.56
November	133.26	166.41	24.9	49.40
December	160.71	180.09	12.1	49.65
1985				
January	200.89	238.04	18.5	50.69
February	241.79	315.20	30.4	51.26
March	306.08	399.55	30.5	51.45
April	396.11	522.18	31.8	49.65
May	524.53	613.95	17.0	47.04
June	.749 <u>5/</u>	.788 <u>5/</u>	5.3	42.38
July	.800 <u>5/</u>	.934 <u>5/</u>	16.8	41.02
August	.800 <u>5/</u>	.944 <u>5/</u>	18.0	41.31
September	.800 <u>5/</u>	.931 <u>5/</u>	16.4	42.53
October	.800 <u>5/</u>	.916 <u>5/</u>	14.5	41.77
November	.800 <u>5/</u>	.895 <u>5/</u>	11.9	41.64
December	.800 <u>5/</u>	.850 <u>5/</u>	6.2	42.38 <u>4/</u>

Sources: Central Bank of Argentina; and Fund staff estimates.

1/ Period averages of buying rates.2/ From June 22 to December 24, 1981, and from July 5 to November 1, 1982, the official market was split into a commercial and a financial market; for these periods, the commercial rate is shown.3/ Based on nominal exchange rates, price indices that are not seasonally adjusted and trade shares of most trading partners; increase denotes appreciation.4/ Provisional estimate.5/ In australes (*) per U.S. dollar; one austral is equivalent to 1,000 pesos argentinos (\$a).

Table 58. Argentina: External Trade: Value, Volume and Price Indices

	1980	1981	1982	1983	1984	<u>1984</u> Jan.- June	<u>1985</u> Jan.- June
<u>(1980 = 1.00)</u>							
Export value	1.00	1.14	0.95	0.98	1.01	0.57	0.55
Export price	1.00	1.01	0.86	0.77	0.81	0.82	0.73
Export volume	1.00	1.13	1.11	1.27	1.25	0.70	0.75
Import value	1.00	0.89	0.51	0.43	0.43	0.19	0.18
Import price	1.00	0.89	0.87	0.81	0.79	0.79	0.81
Import volume	1.00	1.00	0.58	0.52	0.55	0.24	0.22
Terms of trade	1.00	1.14	0.98	0.94	1.02	1.04	0.91
<u>(Percentage changes)</u>							
Export value	2.7	14.0	-16.6	2.8	3.5	14.0	-5.1
Export price	16.7	1.3	-15.5	-10.4	5.6	6.6	-10.6
Export volume	-12.0	12.5	-1.3	14.7	-2.0	7.0	6.1
Import value	57.3	-10.5	-43.4	-15.6	1.8	-9.2	-2.9
Import price	4.2	-10.9	-2.4	-6.3	-2.5	-4.7	2.2
Import volume	50.9	0.4	-42.0	-9.9	4.4	-4.7	-5.0
Terms of trade	12.0	13.6	-13.4	-4.3	8.4	11.8	-12.5
<u>Memorandum items</u>							
Export value (in millions of U.S. dollars)	8,021	9,143	7,624	7,836	8,107	4,608	4,372
Import value (in millions of U.S. dollars)	10,540	9,430	5,337	4,505	4,584	1,964	1,907
Terms of trade index (Average 1975-84 = 1.00)	1.02	1.16	1.00	0.96	1.04	1.05	0.92

Source: Central Bank of Argentina.

Table 59. Argentina: Export Values, Volumes, and Unit Prices

(Value in millions of U.S. dollars; volume in thousands of tons;
 unit price in U.S. dollars per ton; figures refer to value unless
 otherwise indicated)

	1980	1981	1982	1983	1984	1984 Jan.-June	1985 Jan.-June
Total	8,021	9,143	7,624	7,836	8,107	4,607	4,373
Major agricultural products	4,112	5,158	3,583	4,552	4,683	2,802	2,694
Cereals	1,632	2,827	1,821	2,894	2,240	1,692	1,561
Wheat	815	763	676	1,474	923	860	843
Volume	4,491	3,764	3,800	10,182	6,926	6,448	6,923
Unit price	181	203	178	145	133	133	121
Corn	512	1,306	585	803	744	488	504
Volume	3,478	9,162	5,226	6,525	5,489	3,626	4,699
Unit price	147	143	112	123	135	135	107
Sorghum	208	637	508	554	451	311	185
Volume	1,543	4,951	5,326	5,295	4,166	2,829	2,000
Unit price	135	129	95	105	108	110	92
Other cereals	97	121	52	63	122	33	29
Seeds and oilseeds	662	640	455	364	948	348	383
Volume	2,787	2,292	1,952	1,539	3,365	1,185	1,723
Unit price	238	279	233	235	282	294	222
Beef	568	564	488	340	182	113	83
Volume	236	260	275	197	101	66	51
Unit price	2,403	2,169	1,773	1,724	1,805	1,712	1,627
Vegetable and animal oils	524	395	409	517	945	424	483
Volume	874	640	815	1,198	1,350	641	752
Unit price	599	616	501	432	699	661	642
Fresh fruit	181	163	170	122	106	60	85
Volume	355	317	370	370	327	188	263
Unit price	508	514	459	329	325	319	321
Wool	234	287	185	145	163	130	87
Volume	80	101	89	89	92	69	58
Unit price	2,915	2,823	2,078	1,651	1,768	1,881	1,503
Sugar	311	282	55	170	99	35	12
Volume	479	732	249	872	409	139	67
Unit price	648	385	219	195	242	253	179

Table 59. Argentina: Export Values, Volumes,
and Unit Prices (Concluded)

(Value in millions of U.S. dollars; volume in thousands of tons;
 unit price in U.S. dollars per ton; figures refer to value unless
otherwise indicated)

	1980	1981	1982	1983	1984	1984 Jan.-June	1985 Jan.-June
<u>Other agriculture and agro-based products</u>	<u>1,632</u>	<u>1,445</u>	<u>1,567</u>	<u>1,570</u>	<u>1,593</u>	<u>796</u>	<u>671</u>
Animal and fishery products	477	453	434	378	322	161	144
Meat other than beef	120	115	112	92	74	37	31
Fish and seafood	140	138	188	166	158	72	68
Dairy products	40	54	79	74	36	24	20
Other	177	146	55	46	54	28	25
Vegetable products	61	44	46	65	90	64	42
Coffee, tea, mate	38	33	35	43	63	46	37
Milled products	23	11	11	22	27	18	5
Prepared foods, beverages, and tobacco	488	454	388	353	315	176	158
Beef preparations	259	231	208	174	145	77	80
Vegetable preparations	69	63	70	60	59	27	23
Tobacco	27	28	59	50	46	28	25
Other	133	132	51	69	65	44	30
Other	606	494	699	774	866	395	327
<u>Mineral products</u>	<u>315</u>	<u>657</u>	<u>581</u>	<u>372</u>	<u>365</u>	<u>259</u>	<u>208</u>
Fuel and lubricants	280	622	551	349	347	249	199
Other	35	35	30	23	18	10	9
<u>Industrial products</u>	<u>1,962</u>	<u>1,883</u>	<u>1,893</u>	<u>1,342</u>	<u>1,466</u>	<u>750</u>	<u>800</u>
Chemical products	320	317	277	243	239	137	114
Plastics	13	11	34	53	58	36	16
Hides, skins, and leather manufactures	502	439	351	292	312	150	129
Paper and paper products	69	58	47	39	43	24	21
Textiles (excluding wool)	106	74	81	70	65	32	49
Metals and metal manufactures	325	450	514	318	316	172	193
Machinery (mechanical and electrical)	345	306	296	181	210	94	91
Transport material	174	126	216	92	168	66	160
Other	108	102	77	54	55	39	27

Source: Central Bank of Argentina.

Table 60. Exports of Industrial Manufactures to
Selected Countries

(In millions of U.S. dollars)

	1981	1982	1983	1984
<u>Total exports of industrial manufactures</u>	<u>2,090.4</u>	<u>2,105.7</u>	<u>1,386.0</u>	<u>1,462.7</u>
United States	317.2	652.7	346.0	422.8
LAIA	901.1	735.5	406.0	462.3
Brazil	299.3	177.1	117.0	105.4
Paraguay	118.4	111.4	57.4	74.3
Chile	69.4	66.8	65.2	64.0
Uruguay	105.0	88.8	50.8	52.4
Bolivia	63.7	83.6	29.7	45.7
Peru	61.3	64.9	26.2	41.9
Colombia	23.9	37.3	21.3	26.4
Mexico	82.3	34.7	14.0	22.2
Venezuela	63.1	58.4	14.4	16.4
Ecuador	14.7	12.5	10.0	13.6
Europe	506.5	275.8	322.5	244.4
Poland	--	--	--	64.8
Netherlands	239.1	37.1	127.0	46.9
Italy	55.4	57.4	74.9	35.4
France	30.9	48.1	42.1	34.0
Belgium	31.8	17.7	28.0	23.9
Germany, Fed. Rep. of	64.0	60.0	27.6	18.4
Spain	14.4	15.2	10.9	8.7
Sweden	30.0	8.0	5.9	7.3
Switzerland	8.2	11.8	6.1	5.0
United Kingdom	32.7	20.5	--	--
Asia	39.5	63.1	61.1	112.0
Japan	--	41.4	30.1	41.9
China	--	21.7	31.0	38.7
Philippines	--	--	--	31.4
Other	326.1	378.6	250.4	221.2

Source: Boletin de Comercio Exterior Argentino, various issues.

Table 61. Argentina: Direction of Trade
(In percent)

	1980	1981	1982	1983	1984
<u>Exports</u>	100.0	100.0	100.0	100.0	100.0
LAIA 1/	21.6	19.9	19.9	13.1	17.1
Of which: Brazil	9.5	6.5	7.5	4.6	5.9
Mexico	1.5	3.0	1.5	0.4	2.1
Chile	2.7	1.8	2.2	2.4	1.8
EEC	27.1	21.4	21.3	21.1	24.1
Of which: Netherlands	8.9	7.6	7.9	9.4	11.0
Italy	6.5	4.1	3.8	4.3	4.7
Germany	5.1	3.9	4.4	3.2	3.7
United Kingdom	2.5	2.3	0.9	--	--
Rest of Europe 2/	7.1	5.6	5.5	3.5	4.5
Of which: Spain	2.1	2.1	2.7	2.4	2.8
United States	8.7	9.2	13.2	9.6	10.5
Japan	2.6	1.8	3.7	4.8	3.3
U.S.S.R.	20.1	32.4	20.8	20.9	14.7
China	2.4	1.0	1.8	6.4	0.9
Iran	1.1	0.3	1.8	5.1	5.3
Cuba	0.8	0.8	0.6	1.6	2.9
Other oil exporters 3/	3.5	3.3	7.7	8.4	8.0
Rest of world	5.0	4.3	3.7	5.5	8.7
<u>Imports</u>	100.0	100.0	100.0	100.0	100.0
LAIA 1/	20.3	20.0	28.7	32.1	35.8
Of which: Brazil	10.2	9.5	12.9	14.8	18.1
Bolivia	2.4	3.7	7.4	8.8	8.6
Chile	2.4	2.0	2.8	2.6	2.6
EEC	25.9	25.8	22.1	23.8	22.6
Of which: Germany	9.4	9.6	9.0	10.5	9.7
France	3.6	3.7	3.7	4.4	4.4
Italy	6.4	5.2	4.3	5.1	4.2
United Kingdom	3.3	3.4	1.3	--	--
Rest of Europe 2/	9.4	9.4	9.6	9.2	7.9
United States	22.5	22.0	21.7	21.6	18.3
Japan	9.8	10.2	8.0	6.8	8.2
Other oil exporters 3/	4.9	3.6	2.9	--	--
Rest of world	3.6	5.3	3.3	2.1	2.8

(In millions of U.S. dollars)

Memorandum items

Exports	8,021	9,143	7,624	7,836	8,107
Imports	10,540	9,430	5,337	4,505	4,584

Source: Boletin de Comercio Exterior Argentino, various issues.

1/ Latin American Integration Association countries.

2/ Does not include U.S.S.R.

3/ Other oil exporting countries of Africa, Asia, and the Middle East.

Table 62. Argentina: Tourism Services

(In millions of U.S. dollars)

	1980	1981	1982	1983	1984	1984 Jan.-June	1985 Jan.-June
Net tourism receipts	-1,447	-1,058	44	-60	-80	-120	-174
Tourism receipts 1/	345	413	609	454	602	281	245
Number of travelers							
thousands	355	733	1,295	1,312	1,623	784	653
Average expenditure 2/	971	563	471	346	371	358	375
Tourism expenditures 1/	1,792	1,471	565	514	682	401	419
Number of travelers							
thousands	2,098	1,853	1,068	1,033	1,359	767	808
Average expenditure	854	794	529	497	502	523	519
Net official exchange receipts	-6,676	-5,203	-7	3	7	3	4
Net capital account transactions	-5,229	-4,145	-51	63	-87	123	178

Sources: Central Bank of Argentina.

1/ Represents the product of the number of travelers times the average expenditure per tourist.

2/ Estimate of average expenditures in local currency converted to U.S. dollars at the average official exchange rate until September 1983 when official sales for tourism were discontinued and at the average parallel exchange rate thereafter.

Table 63. Argentina: External Debt and Debt Service

	1980	1981	1982 1/	1983	1984
(In millions of U.S. dollars; end-year)					
Total disbursed debt	27,162	35,671	43,634	46,005 2/	47,821 3/
By borrowing sector					
Public sector	14,459	20,024	28,616	33,176	37,628
Private sector	12,703	15,647	15,018	12,829	10,193
By maturity					
Medium- and long-term	16,877	26,067	28,784	31,327	...
Short-term	10,285	9,604	12,310	11,456	...
Arrears	--	--	2,540	3,222	4,163
(In percent of total)					
Disbursed debt of public sector, by type of creditor 4/					
International organizations	100.0	100.0	100.0	100.0 2/	100.0 3/
7.8	6.0	5.0	6.4	6.4	6.4
Official creditors	2.6	1.9	1.4	3.6	5.6
Banks	71.0	67.4	71.1	68.5	67.0
Bondholders	10.1	18.7	18.1	9.1	9.1
Private firms	8.5	5.9	4.3	12.4	11.9
(In millions of U.S. dollars and in percent)					
Debt service 5/	3,525	6,307	9,971	11,984	9,858
Amortization	1,350	2,457	5,045	6,561	4,321
Interest	2,175	3,850	4,926	5,423	5,537
Exports of goods, nonfactor services and transfers	10,849	11,614	9,575	9,547	10,049
Debt service ratio	32.5	54.3	104.1	125.5	98.1
(In percent of GDP) 6/					
Debt outstanding	48.4	62.0	74.7	74.1	72.3
Debt service	6.5	11.3	17.8	20.0	15.5
Interest	3.9	6.7	8.5	8.7	8.4

Sources: Central Bank of Argentina; and Fund staff estimates.

1/ Data for end-1982 incorporate a US\$3.7 billion upward adjustment due to inclusion of previously unreported public sector debt.

2/ Preliminary estimates based on new debt reporting system; takes into account shift of US\$4.8 billion in liabilities related to exchange guaranteed loans from private to public sector.

3/ Based in data from new debt reporting system for 1983 and data from balance of payments flows for 1984.

4/ For 1983, distribution excludes external payments arrears.

5/ Includes amortization on loans with an original maturity of more than one year and all interest payments. Includes both public and private debt. Numbers for 1982 through 1984 reflect amounts due rather than amounts actually paid.

6/ GDP in U.S. dollars is derived by converting GDP in australes using the U.S. dollar/austral exchange rate that would maintain the rate at its real 1970 level.

Table 64. Argentina: International Reserves of the Monetary Authorities

(In millions of U.S. dollars; end of period)

	1981	1982	1983	June	1984	Sept.	Dec.	1985	March	June
Total net international reserves	2,684	-3,551	-6,383	-6,824	-7,449	-8,272	-9,196	-8,985		
Central Bank	2,699	-1,953	-4,293	-4,494	-5,026	-5,796	-6,970	-6,749		
Assets	3,186	2,542	2,671	3,421	2,882	2,637	2,297	3,053		
Gold <u>1/</u>	185	185	1,421	1,421	1,421	1,421	1,421	1,421		
SDRs	401	--	23	37	23	26	27	--		
IMF reserve tranche	276	100	--	--	--	--	--	--		
Foreign exchange <u>2/</u>	2,548	2,441	1,172	1,741	1,353	1,243	817	1,720		
LAIA (net) <u>3/</u>	-224	-184	55	222	85	-53	32	-88		
Liabilities	487	4,495	6,964	7,915	7,908	8,433	9,267	9,802		
IMF	--	--	1,173	1,173	1,173	1,139	1,603	1,629		
Payments arrears	--	2,540	3,222	3,778	4,233	4,163	3,542	3,338		
Foreign currency swaps	484	1,380	1,228	1,061	953	937	937	937		
Balance of payments										
support loans	--	121	1,298	1,805	1,390	1,873	2,806	3,502		
To Central Bank	(--)	(--)	(1,250)	(1,775)	(1,350)	(1,850)	(1,250)	(1,733)		
Via residents <u>4/</u>	(--)	(121)	(48)	(30)	(40)	(23)	(24)	(21)		
Paris Club										
rescheduling	(--)	(--)	(--)	(--)	(--)	(--)	(1,532)	(1,748)		
Other liabilities	3	454	43	98	159	321	379	396		
Treasury liabilities <u>5/</u>	15	1,598	2,090	2,330	2,423	2,476	2,226	2,236		

Source: Central Bank of Argentina.

1/ Valued at US\$42 per fine troy ounce through December 6, 1983 and US\$325 thereafter.

2/ On December 6, 1983, US\$1.2 billion in Central Bank foreign claims on Banco de la Nación and the corresponding Banco de la Nación claims on the Argentine public sector were cancelled and replaced by domestic claims of the Central Bank on the public sector.

3/ Balances under the multilateral clearing system of the Latin American Integration Association (LAIA).

4/ Reflects external obligations of residents, the foreign currency proceeds of which were surrendered to the Central Bank without the borrowing entity receiving the counterpart in pesos.

5/ Foreign currency bonds (BONEX) issued in lieu of providing foreign exchange to effect external payments. Such bonds are issued upon the surrender of the peso equivalent of the external payment.

Table 65. Argentina: External Payments Arrears 1/

(In millions of U.S. dollars)

	1982 Dec.	1983 Dec.	June	1984 Sept.	Dec.	1985 March	June
<u>Total</u>	<u>2,540</u>	<u>3,222</u>	<u>3,778</u>	<u>4,234</u>	<u>4,163</u>	<u>3,543</u>	<u>3,338</u>
<u>Public sector</u>	<u>2,001</u>	<u>2,028</u>	<u>2,988</u>	<u>3,527</u>	<u>3,424</u>	<u>2,848</u>	<u>2,717</u>
Commercial arrears 2/	777	902	1,360	1,274	1,477	329	141
Principal	...	771	1,772	1,040	1,191	273	100
Interest	...	131	188	234	286	56	41
Financial arrears	879	773	1,184	1,762	1,369	1,890	1,899
Principal	65	43	13	--	5	--	--
Interest 3/	814	730	1,171	1,762	1,364	1,890	1,899
Other arrears 4/	345	353	444	491	578	629	677
<u>Private sector</u>	<u>539</u>	<u>1,194</u>	<u>790</u>	<u>707</u>	<u>739</u>	<u>695</u>	<u>621</u>
Commercial arrears 2/	382	880	270	45	47	32	27
Principal	...	752	230	39	39	32	27
Interest	...	128	40	6	8	--	--
Financial arrears	118	191	431	543	554	522	439
Principal	95	65	102	124	138	138	147
Interest	23	126	329	419	416	384	292
Other arrears 3/	39	123	89	119	138	141	155
<u>Memorandum items</u>							
Accrued interest on BONOD and promissory notes	--	217	329	415	338	395	473

Sources: Central Bank of Argentina; and Fund staff estimates.

1/ Excludes the arrears referred to in the footnotes to Table 5 of Attachment III.

2/ Arrears related to imports.

3/ Includes interest accrued on BONOD and promissory notes issued with respect to exchange guaranteed loans, but not yet taken up by the foreign creditor or domestic debtor.

4/ Primarily arrears on services and transfers.

Table 66. Argentina: Deposits with and Debt to Foreign Banks 1/
(In billions of U.S. dollars)

	Debt, by Time Remaining to Maturity								
	Total	Up to and includ- ing one year			Over one year and up to and including two years			Over two years	Unallo- cated
		year	two years	years	cated	Commit- ments	Depos- its <u>2/</u>		
December 1978	7.0	3.6	1.0	2.3	0.2	2.5	5.0
June 1979	10.6	5.5	0.9	3.8	0.3	3.5	7.1
December 1979	13.4	6.9	1.1	5.0	0.4	2.9	8.1
June 1980	17.3	9.2	1.3	6.4	0.4	3.3	7.2
December 1980	19.9	10.4	1.6	7.3	0.6	4.0	6.5
June 1981	23.0	11.8	2.1	8.5	0.6	3.2	5.8
December 1981	24.8	11.6	3.0	9.5	0.8	3.9	6.7	10.0	
June 1982	25.3	13.1	2.1	9.3	0.8	2.7	5.4	8.6	
December 1982	25.7	13.9	1.5	9.2	1.0	1.9	6.1	10.0	
June 1983	25.5	13.6	1.7	9.0	1.2	1.6	6.7	10.6	
December 1983	25.9	13.7	1.9	9.2	1.1	1.7	6.5	9.4	
December 1983 <u>4/</u>	26.8	14.1	1.9	9.7	1.1	1.7	...	9.4	
June 1984 <u>4/</u>	25.7	13.8	2.2	8.7	1.0	1.4	...	9.5	
December 1984 <u>4/</u>	25.1	13.8	2.3	7.9	1.1	1.9	...	9.3	

Source: Bank for International Settlements (BIS), The Maturity Distribution of International Lending (various issues); and International Financial Statistics.

1/ Includes deposits and debt of both the public and private sectors.

2/ Includes deposits of the Argentine public and private sector in banks in the BIS reporting area. This series is not available after December 1983.

3/ Data is from International Financial Statistics. Represents the sum of Argentine interbank claims on foreign banks and Argentine nonbanks' deposits in foreign banks.

4/ BIS data based on a revised methodology that includes a broader coverage of banks than in previous years. Consequently, data constructed according to the new methodology are not directly comparable with data from earlier years.

Table 67. Argentina: Net Deviations of Selected Export Receipts from Exchange Rate 1/

(In percent at end of period)

	1980	1981	1982	1983	1984		1985
	Dec.	Dec.	Dec.	Dec.	June	Dec.	June
Wheat	-1.0	-10.0	-25.0	-18.0	-18.0	-18.0	-26.5
Wheat flour	9.0	-10.0	-15.0	-15.0	-10.0	-10.0	-14.5
Corn	-1.0	-10.0	-25.0	-25.0	-25.0	-31.0	-29.0
Sorghum	-1.0	-10.0	-25.0	-25.0	-25.0	-31.0	-28.0
Soybeans	--	-10.0	-25.0	-25.0	-25.0	-31.0	-32.5
Soy oil	10.0	10.0	-10.0	-10.0	-19.0	-16.0	-19.0
Sunflower oil	9.0	10.0	-10.0	-10.0	-22.0	-20.0	-23.0
Peanut oil	9.0	10.0	-10.0	-10.0	-10.0	-16.0	-24.5
Olive oil	9.0	10.0	-10.0	--	--	-6.0	-15.5
Beef (quarters)	2.6	-10.0	-20.0	-20.0	-20.0	-6.0	-15.5
Beef manufactures	2.6	-10.0	-20.0	-20.0	-20.0	-6.0	-10.0
Beef (cuts)	2.6	-10.0	-15.0	-15.0	-15.0	-6.0	-6.0
Horsemeat	-2.6	-10.0	-15.0	-15.0	-15.0	-6.0	-10.0
Beef (cooked, frozen, or extract)	12.6	4.0	--	--	--	-5.5	-6.0
Leather (unprocessed)	-6.0	-10.0	-25.0	-25.0	-25.0	-31.0	-38.0
Leather (cut)	9.0	10.0	-10.0	-5.0	-5.0	-11.0	-20.0
Tobacco leaf	-1.0	-10.0	-25.0	-10.0	-15.0	-31.0	-18.5
Tobacco manufactures	-1.0	-10.0	-20.0	-20.0	-20.0	-26.0	-33.5
Wool (unwashed)	-1.0	-10.0	-22.0	-22.0	-22.0	-24.0	-32.0
Wool (washed)	-1.0	5.0	-15.0	-15.0	-15.0	-18.0	-26.5
Sugar	-1.0	10.0	10.0	10.0	10.0	-6.0	-15.5
Fruits (fresh)	9.0	7.0	-10.0	--	--	-6.0	-6.0
Fruits (canned)	9.0	10.0	5.0	10.0	5.0	-1.0	-11.0
Cheese	9.0	7.0	--	--	--	-6.0	-15.5
Casein	9.0	10.0	-10.0	-10.0	-10.0	-16.0	-24.5
Wire and iron sheet	14.0	10.0	10.0	10.0	10.0	4.0	--
Tools (power)	24.0	10.0	10.0	10.0	10.0	4.0	-6.0
Agricultural machines	24.0	10.0	10.0	10.0	10.0	4.0	-6.0
Tractors	24.0	10.0	10.0	10.0	10.0	4.0	-6.0

Source: Central Bank of Argentina.

1/ Refers to net percentage deviations from the buying rate for the U.S. dollar due to export taxes and rebates (reembolsos).

Table 68. Argentina: Promoted Exports

(In millions of U.S. dollars)

	1980	1981	1982	1983	1984
Total	2,555	2,467	2,534	1,958	2,009
Dairy products	20	26	52	49	19
Fish and shellfish	139	116	187	165	132
Tea	28	26	29	37	74
Wheat and other flours	21	9	9	7	24
Promoted fat and oil byproducts	9	11	7	2	9
Meat and seafood preparations	282	254	206	166	100
Fruit and vegetable preparations	69	63	70	60	57
Beverages	52	44	37	26	17
Fuels and lubricants	--	--	23	38	3
Chemicals	324	320	279	244	220
Tanned leather	310	338	285	256	292
Leather manufactures	45	18	15	16	14
Furs	145	81	50	19	11
Books and magazines	52	46	35	18	16
Combed wool	35	35	38	32	38
Other textiles	70	38	42	22	35
Metal products	217	414	514	319	316
Agricultural machinery	3	6	16	1	3
Office machinery	63	99	107	76	78
Electric motors	63	49	44	26	33
Other machinery	210	143	123	70	97
Automobiles	37	9	18	22	15
Trucks	14	8	10	6	13
Tractors	15	8	21	1	2
Other transport equipment	91	74	124	63	138
Other	241	232	193	217	203
<u>Memorandum item</u>					
Total promoted exports as a percentage of total exports	31.9	27.0	33.2	25.0	24.8

Source: Central Bank of Argentina.