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July 15, 1987

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 1987 Article IV consultation discussions with Argentina and a review under its stand-by arrangement, which has been tentatively scheduled for discussion on Thursday, July 23, 1987.

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

July 10, 1987

	<u>Contents</u>	<u>Page</u>
Basic Data		v-vii
I. Overview		1
II. Output, Labor Market, and Price Developments		4
1. Gross domestic product		4
2. Sectoral composition of output		6
a. Manufacturing		9
b. Agriculture and livestock		9
c. Energy sector		13
3. Labor market conditions		13
4. Price and wage policies		15
a. Price controls		15
b. Wage policy		17
5. Price and wage developments		18
III. Public Finance		22
1. Institutional framework		22
2. Operations of the nonfinancial public sector		23
a. Overview		23
b. Revenue		25
c. Expenditure developments		28
3. General government operations		30
4. Operations of public enterprises		30
5. 1987 budget and preliminary outturn		34

	<u>Contents</u>	<u>Page</u>
IV.	Financial Intermediation	37
1.	Overall trends	37
2.	Monetary and interest rate developments	40
3.	Changes in the structure of the financial system	43
4.	Operating losses of the Central Bank	46
V.	Balance of Payments	49
1.	Overview	49
2.	Exports	51
3.	Imports	53
4.	Services	53
5.	Capital flows	55
6.	Net international reserves	57
7.	External debt	59
VI.	Exchange and Trade Policies	62
1.	Imports and import payments	62
2.	Exports and export proceeds	64
3.	Invisibles	67
a.	Profits and dividends	67
b.	Other invisibles	67
4.	Debt capitalization	67
 <u>Text Tables</u>		
1.	GDP, National Income, and Prices	4
2.	Changes in Expenditure and Output	5
3.	Saving and Investment Relative to GDP	7
4.	Gross Domestic Product (at Factor Cost) in 1970 Prices	8
5.	Manufacturing Production	10
6.	Agricultural Production	11
7.	Beef Production and Consumption	12
8.	Energy Production and Trade	14
9.	Unemployment at Selected Dates	16
10.	Public and Private Sector Wages	20
11.	Summary of Public Sector Operations	24
12.	Nonfinancial Public Sector Revenue	26
13.	Nonfinancial Public Sector Expenditure	29
14.	General Government Operations	31
15.	Operations of the Public Enterprises	32
16.	Summary of Public Sector Operations on a Cash Basis	35
17.	Summary of Operations of the Financial System	38
18.	Financial System Liabilities to the Private Sector in Real Terms	39

<u>Contents</u>	<u>Page</u>
<u>Text Tables (continued)</u>	
19. Selected Financial Indicators	41
20. Central Bank Intermediation in Financial Transactions	45
21. Distribution of Deposits	47
22. Operating Losses of the Central Bank	48
23. Summary Balance of Payments	50
24. Exports by Commodity Classification	52
25. Imports by Economic Classification	54
26. External Payments Arrears	58
27. Outstanding External Debt by Creditor, 1983-86	60
28. External Debt Rescheduling	101
<u>Appendices</u>	
I. The June 1985 Program and the Reduction in Inflation	69
II. Principal Changes in the Central Government Tax System, June 1985-February 1987	75
III. Summary of the Central Government Tax System as of December 1986	89
IV. Principal Changes in Financial Regulations, March 1986-June 1987	94
V. Extraordinary Finance	100
VI. Changes in the Trade and Exchange System in the Period January 1986-June 1987	107
<u>Statistical Appendix Tables</u>	
29. National Accounts in Current Prices	119
30. National Accounts in Constant Prices	120
31. Saving and Investment	121
32. Industrial Origin of Gross Domestic Product	122
33. Index of Agricultural Production	123
34. Selected Data on Planted and Harvested Area, Production and Yield	124
35. Population, Slaughter, and Price Data for Cattle	126
36. Relative Prices of Agricultural Products	127
37. Rates of Price Increase	128
38. Relative Price Movements	129
39. Compensation, Productivity, and Real Unit Labor Costs in Manufacturing	130
40. Operations of the Nonfinancial Public Sector	131
41. Nonfinancial Public Sector Revenue	135
42. Nonfinancial Public Sector Expenditure	136
43. Functional Classification of Expenditures of the National Administration	137
44. Public Sector Civilian Employment	138
45. Operations of the State Enterprises	139
46. Prices of Goods and Services Marketed by the Public Sector	141

<u>Contents</u>	<u>Page</u>
<u>Statistical Appendix Tables (continued)</u>	
47. Public Sector Investment	142
48. Central Administration Operations	143
49. Summary Accounts of the Financial System	144
50. Selected Financial System Data at End-of-Period Exchange Rates	148
51. Interest Rates	149
52. Reserve and Investment Requirements	150
53. Balance of Payments	151
54. Selected Exchange Rates	152
55. External Trade: Value, Volume, and Price Indices	153
56. Export Values, Volumes, and Unit Prices	154
57. Exports of Industrial Manufactures to Selected Countries	155
58. Direction of Trade	156
59. Tourism Services	157
60. International Reserves of the Monetary Authorities	158
61. External Debt and Debt Service	159
62. Deposits with and Debt to Foreign Banks	160
63. Net Deviations of Selected Export Receipts from Exchange Rate	161
64. Promoted Exports	162
<u>Charts</u>	
1. Gross Domestic Product	4a
2. Indicators of Industrial Activity and Labor Demand	6a
3. Manufacturing Output	10a
4. Manufacturing Output, Employment, and Productivity	10b
5. Export Prices Indices of Major Crops	10c
6. Consumer and Wholesale Prices	18a
7. Price and Wage Developments	20a
8. Operations of the Nonfinancial Public Sector	24a
9. Nonfinancial Public Sector Revenue	28a
10. Wages in the Public Sector	28b
11. Nonfinancial Public Sector Expenditure	28c
12. Relative Prices of Goods and Services Marketed by Public Enterprises	34a
13. Monetary Developments	40a
14. Interest Rate Developments	40b
15. Exchange Rate Developments	50a

Argentina--Basic Data

<u>GDP (1986)</u>					SDR 59.8 billion 1/ US\$70.1 billion 1/ A 74.3 billion SDR 1,930 1/
<u>GDP per capita (1986)</u>					
	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
<u>Origin of GDP</u>			(percent)		
Agriculture, livestock and fishing	15.4	15.2	15.4	15.8	14.8
Mining	2.8	2.7	2.6	2.7	2.5
Manufacturing	22.1	23.9	24.2	22.7	24.2
Construction	4.9	4.2	3.2	3.2	3.3
Electricity, gas, and water	4.0	4.2	4.4	4.7	4.7
Commerce	14.5	14.4	14.7	14.1	14.5
Transport and communications	11.1	11.3	11.5	11.6	11.5
Finance and banking	8.4	7.6	7.5	7.8	7.8
Other services	16.7	16.5	16.5	17.4	16.6
<u>Ratios to GDP</u>					
Exports of goods and non-factor services 1/	16.6	15.5	15.3	15.9	12.4
Imports of goods and non-factor services 1/	12.5	10.7	10.2	9.1	10.1
Factor services (net) 1/	-8.2	-8.8	-8.7	-8.2	6.3
Current account of the balance of payments 1/	-4.1	-4.0	-3.6	-1.5	-4.0
General government revenues 2/	23.0	23.4	22.8	26.6	27.8
General government expenditures 2/	36.1	35.0	30.7	30.2	29.2
Nonfinancial public sector savings 2/	-9.0	-3.5	-2.3	0.1	1.7
Nonfinancial public sector overall balance 2/	-18.0	-11.1	-8.3	-4.8	-2.9
External debt (end of year) 1/	75.9	73.5	71.1	74.4	73.7
Gross national savings	11.4	12.8	9.8	10.6	9.7
Gross aggregate investment	16.9	17.3	14.5	12.4	13.2
Financial system liabilities to private sector (end of year)	32.6	35.3	32.6	22.7	20.9
<u>Annual changes in selected economic variables</u>					
Real GDP per capita	-6.1	1.2	1.0	-5.9	4.0
Real GDP at 1970 prices	-4.6	2.8	2.6	-4.5	5.7
GDP at current prices	169.3	362.5	673.7	649.7	87.7
Domestic expenditures (at current prices)	159.6	354.7	687.2	621.0	97.4
Consumption	161.8	350.8	718.3	634.7	97.2
Investment	150.0	373.3	547.7	542.9	98.4
GDP deflator	181.1	348.3	645.7	685.4	77.6
Wholesale prices (annual average)	256.2	360.9	574.0	662.5	63.9
Consumer prices (annual average)	164.7	343.8	626.7	672.2	90.1
General government revenues 2/	144.4	371.5	658.1	771.8	90.3
General government expenditures 2/	152.9	439.3	578.0	637.4	81.4
Financial system liabilities to private sector	110.2	354.7	527.4	320.2	100.6
Monetary liabilities	224.7	368.2	524.7	596.2	85.5
Other liabilities	80.5	349.3	528.4	249.1	108.1
Net domestic assets 3/4/	178.4	420.6	561.2	317.4	117.6
Credit to private sector 3/	138.6	287.0	354.8	196.7	67.3
Nonfinancial public sector 3/4/	70.4	297.6	296.2	126.5	31.7
Other 3/	-30.6	-164.0	-89.8	-5.9	18.7
Merchandise exports (f.o.b. in U.S. dollars)	-16.6	2.8	3.5	3.6	-18.4
Merchandise imports (c.i.f. in U.S. dollars)	-43.4	-15.6	1.8	-16.8	23.2
<u>General government finances 2/</u>			(millions of australes)		
Revenue	34.0	159.5	1,209.2	10,542.1	20,061.7
Expenditure	53.2	239.1	1,621.2	11,955.6	21,683.4
Current account balance	-7.6	-49.1	-227.7	-438.9	307.8
Overall balance	-19.2	-79.6	-412.1	-1,413.5	-1,621.7
External financing (net)	2.7	-25.9	115.0	-138.1	150.2
Internal financing (net) 5/	16.5	105.5	297.1	2,794.5	1,471.5

<u>Balance of payments</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
	(billions of U.S. dollars)				
Merchandise exports, f.o.b	7.6	7.8	8.1	8.4	6.8
Merchandise imports, c.i.f.	5.3	4.5	4.6	3.8	4.7
Travel (net)	—	-0.1	-0.1	—	-0.1
Interest payments	4.9	5.4	5.5	5.1	4.3
Other factor income (net)	0.2	—	-0.2	-0.2	-0.1
Other services and transfers (net)	—	-0.3	-0.1	-0.1	-0.4
Balance on current account	-2.4	-2.5	-2.4	-1.0	-2.8
Direct investment	0.3	0.2	0.3	0.9	0.6
Loans from international organizations	0.1	0.1	0.1	0.2	0.4
Other capital flows	-4.2	-0.3	0.3	-0.7	-0.3
SDR allocations and valuation adjustments	-0.1	-0.3	-0.1	—	0.3
Changes in net official reserves (increase -)	6.3	2.8	1.8	0.6	1.8

<u>International reserve position</u>	December 31				
	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
	(billions of SDRs)				
Central Bank (gross)	2.3	2.6	2.7	4.2	3.5
Central Bank (net)	-1.8	-4.1	-5.9	-5.6	-6.5
Central Bank and Treasury (net)	-3.2	-6.1	-8.4	-7.7	-8.3

Social and Demographic Indicators

Area and population

Area	2,766.9 thous. sq. km.
Population (1986)	31.0 million (1986)
Annual rate of growth (1982-86)	1.6 percent (1982-86)
Density (1986)	11.1 per sq. km.

Population characteristics (1982-85)

Crude birth rate	23.6 per 1,000
Crude death rate	8.9 per 1,000
Infant mortality	34.4 per 1,000 live births

Health (1970-76)

Population per physician	500
Population per hospital bed	200

Income distribution (1970-76)

Percent of national income, highest quintile	50.3
lowest quintile	4.4

Access to safe water (1980)

Percent of population - urban	65.0
rural	17.0

Energy

Access to electricity (1980)	87.0 percent of population
Consumption per capita (1985)	14.60 kg. of oil equivalent

Nutrition (1982-85)

Calorie intake	119.2 per cent of requirement
Per capita protein intake	99.7 grams per day

Education

Adult literacy rate (1978)	93.0 percent
Primary school enrollment (1982-85)	107.0 percent

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 level in the second half of 1985. 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/ Data for 1982 are on a budget (commitment) basis. Data for 1983 and beyond are on a cash basis.

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

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

5/ Includes changes in external arrears and external financing to nonfinancial public sector channeled through the Central Bank.

IMF data (as of June 30, 1987)

Article VIII status	
Intervention currency and rate	U.S. dollar at A 1.795
Quota	SDR 1,113.0 million
Fund holdings of Australes	SDR 3,106.7 million
From Fund resources	
Credit tranche purchases (including SBA)	66.0 percent of quota
EFF purchases	None
CFF purchases	42.2 percent of quota
Buffer stock financing purchases	None
Oil facility purchases	None
From supplementary and Enlarged Access Resources	
Stand-by purchases	70.9 percent of quota
EFF purchases	None
Fund holdings under Enlarged Access Policy	70.9 percent of quota
Total Fund holdings	279.1 percent of quota
Special Drawing Rights Department	
Cumulative SDR allocation	SDR 318.4 million
Net acquisition or utilization (-) of SDRs	-SDR 318.0 million
Holdings of SDRs (as percent of allocation)	0.12 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 australis using the U.S. dollar/austral exchange rate that would maintain the rate at its real level in the second half of 1985. 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/ Data for 1982 are on a budget (commitment) basis. Data for 1983 and beyond are on a cash basis.

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

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

5/ Includes changes in external arrears and external financing to nonfinancial public sector channeled through the Central Bank.

I. Overview

After several years of weak or negative growth and gathering inflation, the rate of price increase rose sharply in the first half of 1985 and by June the 12-month rate of increase of consumer prices had reached 1,100 percent. Economic activity was in a downturn, and real GDP in the second quarter of 1985 was almost 5 percent below its level one year earlier. 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. Only one drawing had been made from a stand-by arrangement with the Fund approved in December 1984, and discussions with foreign bank creditors on a new money package and a rescheduling of maturities had yet to be concluded.

Against this background, on June 14, 1985 the Argentine authorities introduced a comprehensive economic program aimed at eliminating inflation. The program called for a major reduction in the deficit of the public sector and a virtual halt to the expansion of central bank credit. The tightening of financial policies 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, together with a deindexation of financial contracts to avoid large windfall gains and losses for creditors and debtors as a result of the unexpected decline in inflation.

In the months following the adoption of the new economic plan, there was a marked reduction in the fiscal deficit and the growth of credit; the monetary aggregates continued to grow at a relatively high rate, reflecting a major strengthening in the balance of payments. The rate of inflation came down sharply, with consumer prices rising at an average monthly rate of 2 1/2 percent in the period August 1985-February 1986. After a further decline in output in the third quarter of 1985, a major recovery of economic activity got underway in the fourth quarter on the basis of a strong rise in domestic demand. The deficit on the current account of the balance of payments came down to less than US\$1 billion in 1985 from US\$2.4 billion in 1984, while the overall deficit declined to less than US\$600 million from more than US\$1.7 billion in 1984. Agreement was reached with foreign bank creditors in August 1985 on the rescheduling of maturities coming due through end-1985 and on a new money package of US\$4.2 billion, and drawings under the Fund stand-by arrangement resumed.

Beginning in March 1986, there was a pickup in inflation and by August, prices were rising at a monthly rate of about 9 percent. The resurgence in inflation reflected the strength of domestic demand and slippages in financial policies; in this period, the fiscal deficit was higher than had been programmed while growth of the monetary aggregates was boosted by rapid expansion of central bank credit. In the face of demand pressures, wage and price controls were relaxed. In early 1986, the wage freeze was replaced by a system of guidelines designed to limit

private sector wage increases; nevertheless wages increased substantially as settlements in the second and third quarters exceeded the guidelines. The price freeze was replaced in May 1986 by a system of administered prices under which firms were allowed to raise prices in line with authorized increases in costs.

In late August 1986, the authorities tightened monetary policy and it was announced that starting in September public sector prices and prices of industrial goods would be adjusted in line with the officially projected decline in inflation. In reflection of these measures, the monthly rate of increase in consumer prices declined to 4 3/4 percent in December 1986 when the 12-month inflation rate was 82 percent. Real GDP declined in the fourth quarter of 1986, but for the year as a whole, output rose by 5 3/4 percent, compared to a decline of 4 1/2 percent in 1985.

The external current account deficit widened to US\$2.8 billion in 1986, and the overall deficit increased to over US\$2.1 billion. The main element in the weakening of the balance of payments in 1986 was a reduction in the trade surplus, as export receipts were affected adversely by continued declines in international prices and flood damage to major crops, while imports were boosted by the pickup in domestic demand. There also was an appreciation of the austral in real effective terms as the effect of the pickup in inflation after the early months of 1986 more than offset the combined effect of adjustments of the exchange rate of the austral relative to the U.S. dollar beginning in April and the depreciation of the U.S. dollar against other currencies. By November 1986, the real effective value of the austral was some 14 percent above its mid-1985 level.

On the basis of an economic program for 1987 which aimed at reducing the 12-month rate of inflation to 40 percent by the end of the year and at reducing the overall balance of payments deficit to below US\$1.7 billion, in February 1987 a new 15-month stand-by arrangement with the Fund was approved in principle, pending agreement with external creditors on a financing plan for Argentina. In April 1987, agreement was reached with the working committee of commercial bank creditors on a rescheduling of most existing maturities and on a new money package of US\$1.95 billion; by end-June, the vast majority of creditor banks had agreed to participate in the package. In May 1987, agreement was reached in principle with official creditors on a rescheduling of maturities through June 1988.

In the first quarter of 1987, the fiscal deficit widened compared to its level one year earlier, while credit policy was relatively relaxed. There was a further surge in inflation, and on average consumer prices increased by 7 1/2 percent a month. In response, the authorities introduced a wage-price freeze in late February and tightened credit policy beginning in mid-March. The rate of price increase came down in April, but in mid-May a general wage increase was announced and price controls were relaxed; in June, prices rose by more

than 8 percent and the 12-month rate of increase of consumer prices reached 108 percent. On the external side, the austral depreciated in real effective terms by 8 percent from November 1986 to May 1987; however the balance of payments showed little improvement in the first quarter of 1987 over the previous year as exports of agricultural goods were again damaged by adverse weather conditions.

In June 1987, the Government revised its economic program for 1987 by including measures to increase public revenues, to raise public sector prices in real terms, and to reduce the real effective value of the austral. The revised program aimed at reducing the monthly rate of price increase to below 4 percent by year-end and to limit the overall balance of payments deficit in 1987 as a whole to US\$2 billion.

II. Output, Labor Market, and Price Developments

1. Gross domestic product

Following several years of price acceleration and weak or negative economic growth, inflation was reduced sharply by the economic program introduced in mid-1985, and a recovery of economic activity began in the final quarter of the year (Chart 1). Real GDP rose by 5 3/4 percent in 1986, following a decline of 4 1/2 percent in 1985 and growth of 2 1/2 percent in 1984; nominal GDP increased 88 percent in 1986, after rising by about 650 percent in each of the two preceding years (Table 1). Taking into account a reduction in net factor payments abroad which more than offset a deterioration in the terms of trade, real national income rose by 7 3/4 percent in 1986, compared to a decline of 6 3/4 percent in the previous year.

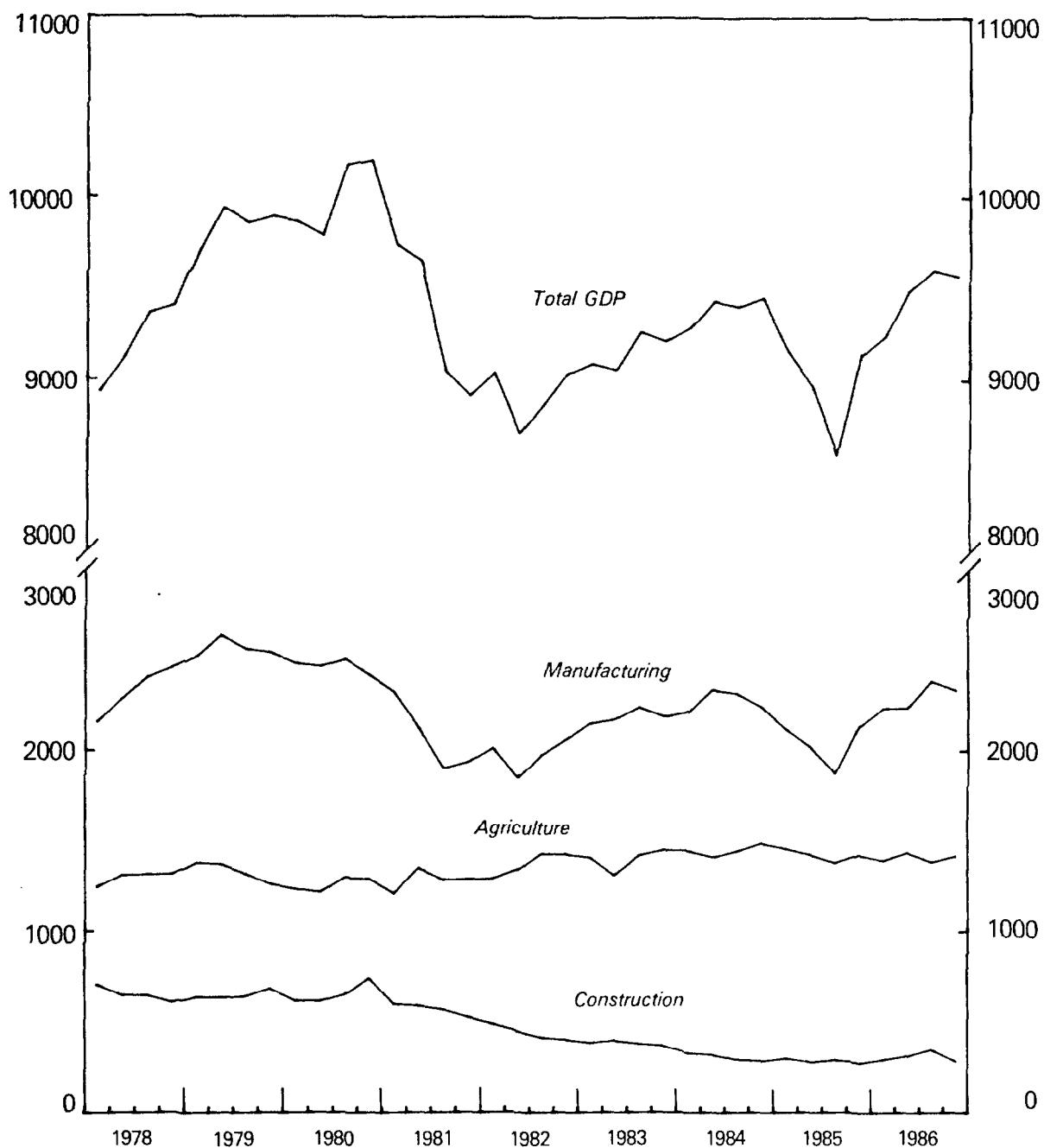
Table 1. Argentina: GDP, National Income, and Prices
(Annual percentage change)

	1982	1983	1984	1985	1986
GDP at current market prices	169.3	362.5	673.7	649.7	87.7
GDP at 1970 market prices	-4.6	2.8	2.6	-4.5	5.7
Real GDP per capita	-6.1	1.2	1.0	-5.9	4.0
National income at 1970 prices	-11.2	1.9	4.0	-6.7	7.8
GDP deflator	181.1	348.3	645.7	685.4	77.6
Consumer prices					
Annual average	164.7	343.8	626.7	672.2	90.1
Year end	209.7	433.7	688.0	385.4	81.9
Wholesale prices					
Annual average	256.2	360.9	574.0	662.5	63.9
Year end	311.3	424.1	624.0	405.7	57.9

Source: Central Bank of Argentina.

The increase in output in 1986 was led by a 10 percent rise in real domestic expenditure (Table 2). After decreasing by 6 1/2 percent in 1985, consumption rose 8 3/4 percent in real terms in 1986 as both private and public sector consumption increased sharply. Gross fixed investment, which had declined for several years, rose by 11 percent in 1986, reflecting substantial increases in investment in machinery and equipment and in public construction. Also, the rate of inventory

CHART 1
ARGENTINA
GROSS DOMESTIC PRODUCT
(Seasonally adjusted annual rates; in australes at 1970 prices)



Source: Central Bank of Argentina.

Table 2. Argentina: Changes in Expenditure and Output
 (Percentage change from previous period, seasonally adjusted)

	1982				1983				1984				1985				1986				
<u>GDP at market prices</u>	<u>-4.6</u>	<u>2.8</u>	<u>2.6</u>	<u>-4.5</u>		<u>5.7</u>	<u>-4.2</u>	<u>6.4</u>		<u>1.2</u>		<u>2.7</u>		<u>1.2</u>		<u>-0.4</u>					
<u>Gross domestic expenditure</u>	<u>-11.9</u>	<u>1.2</u>	<u>3.5</u>	<u>-8.0</u>		<u>9.9</u>	<u>-3.7</u>	<u>9.3</u>		<u>4.0</u>		<u>2.4</u>		<u>2.2</u>		<u>-0.6</u>					
<u>Consumption</u>	<u>-10.2</u>	<u>3.6</u>	<u>6.0</u>	<u>-6.4</u>		<u>8.7</u>	<u>-1.6</u>	<u>9.2</u>		<u>-0.9</u>		<u>7.2</u>		<u>0.1</u>		<u>-1.1</u>					
Private	-10.7	3.8	6.7	-7.2		9.0	
Public	-7.1	2.7	2.1	-1.7		8.1	
<u>Investment</u>	-19.7	-10.7	-10.8	-18.5		-19.1	9.7	47.3		-26.5		19.7		19.7		3.1					
Of which: fixed capital formation	-27.5	-5.2	-9.0	-10.0		11.1	-2.6	2.1		2.7		7.3		9.5		-5.4					
Private	-32.0	-4.7	5.8	-7.3		8.3	
Public	-21.5	-5.8	-26.5	-15.4		6.1	
<u>Exports of goods and nonfactor services</u>	<u>3.5</u>	<u>7.8</u>	<u>-0.7</u>	<u>12.5</u>		<u>-10.3</u>	<u>-2.2</u>	<u>-6.2</u>		<u>-11.0</u>		<u>5.3</u>		<u>1.9</u>		<u>-4.4</u>					
<u>Imports of goods and nonfactor services</u>	<u>-42.4</u>	<u>-4.7</u>	<u>6.1</u>	<u>-13.1</u>		<u>18.2</u>	<u>-5.5</u>	<u>2.2</u>		<u>14.4</u>		<u>8.7</u>		<u>4.2</u>		<u>-0.7</u>					
<u>(In current prices)</u>																					
<u>GDP at market prices</u>	<u>169.3</u>	<u>362.5</u>	<u>673.7</u>	<u>649.7</u>		<u>87.7</u>															
<u>Gross domestic expenditure</u>	<u>159.6</u>	<u>354.7</u>	<u>687.2</u>	<u>621.0</u>		<u>97.4</u>															
<u>Consumption</u>	<u>161.8</u>	<u>350.8</u>	<u>718.3</u>	<u>634.7</u>		<u>97.2</u>															
<u>Investment</u>	150.0	373.2	547.7	542.9		98.4															
<u>Exports of goods and nonfactor services</u>	<u>282.7</u>	<u>403.5</u>	<u>539.7</u>	<u>867.3</u>		<u>33.1</u>															
<u>Imports of goods and nonfactor services</u>	<u>179.6</u>	<u>343.0</u>	<u>604.3</u>	<u>633.8</u>		<u>92.8</u>															

Source: Central Bank of Argentina.

liquidation slowed in 1986, as stocks in the agricultural sector fell at a reduced rate and there was a swing toward an accumulation of stocks in the manufacturing sector. The recovery of real domestic spending in 1986 was partly offset by a deterioration in the foreign balance, as exports declined by over 10 percent and imports increased by 18 percent.

National saving in relation to GDP was reduced from almost 13 percent in 1983 to 10 1/2 percent in 1985 and further to 9 3/4 percent in 1986, despite a substantial reduction in dissaving of the public sector (Table 3). The drop in national saving since 1983 in part reflects distributional factors. In particular, in 1984 there was a significant increase in real wages which was only partially reversed in 1985 and 1986. Moreover, it may be noted that the reduction in the dissaving of the public sector was mainly achieved by an increase in revenues and by a reduction in the incidence of the inflation tax as reflected in the reduction in the rate of accumulation of narrow money balances, particularly in 1986. As the increased revenues have tended to bear more heavily on more wealthy households and on businesses while the reduced inflation tax tended to favor groups holding a substantial portion of their wealth in the form of cash or sight deposits, the fiscal adjustment may have been accompanied by a shift in the distribution of income with an adverse effect on national saving.

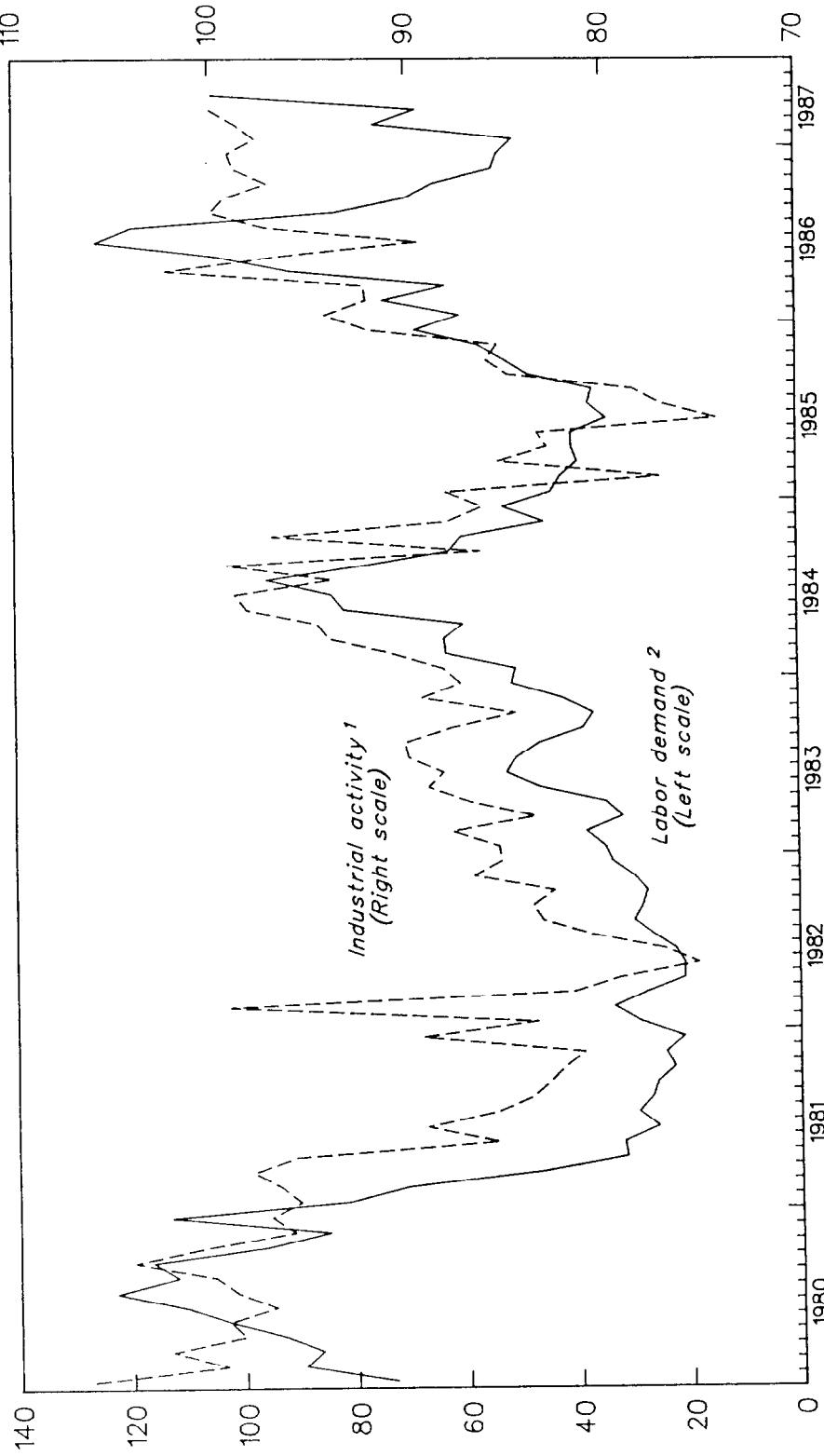
The use of external saving contracted from 4 1/2 percent of GDP in 1983 to 3/4 percent of GDP in 1985, but increased to 3 1/2 percent of GDP in 1986. The rebound of external saving in 1986 permitted a rise in the ratio of investment to GDP from 12 1/2 percent in 1985 to 13 1/4 percent in 1986, a level that was still substantially below the rates of investment experienced in the early 1980s. The rise in the ratio of investment to GDP mainly reflected an increase in public investment.

After rising by almost 12 percent during the year ended in the third quarter of 1986, real GDP declined slightly in the final quarter of the year as domestic demand faltered. With regard to the first quarter of 1987, the indicators of economic activity give conflicting signals. Figures for industrial production show a further decline in output, but other general indicators, including the demand for labor, suggest that growth resumed (Chart 2).

2. Sectoral composition of output

The expansion of economic activity in 1986 was reflected in strong growth in the manufacturing and construction sectors, which more than reversed the sharp decline experienced in these sectors in 1985 (Table 4). There also was significant growth in 1986 in the power and service sectors. However, agricultural output declined for a second successive year in 1986, and mining activity continued to be weak.

CHART 2
ARGENTINA
INDICATORS OF INDUSTRIAL ACTIVITY AND LABOR DEMAND
(Index 1980 = 100)



Sources: Central Bank of Argentina and National Institute of Statistics.
1 Based on the production of a sample of firms that represent about 25 percent of industrial output.
2 Based on help wanted notices in the daily press.

Table 3. Argentina: Saving and Investment Relative to GDP 1/

	1981	1982	1983	1984	1985	1986
<u>National savings</u>	13.5	11.4	12.8	9.8	10.6	9.7
Private sector	20.4	21.0	22.4	17.4	12.3	8.3
Public sector	-6.9	-9.6	-9.6	-7.6	-1.7	1.4
<u>Gross domestic investment 2/</u>	18.2	16.9	17.3	14.5	12.4	13.2
Private sector	8.4	8.5	7.9	6.5	5.6	5.8
Public sector	9.8	8.5	9.5	8.0	6.9	7.4
<u>External saving</u>	4.7	5.5	4.6	4.7	1.8	3.5
Capital inflow	1.1	-9.1	0.4	1.8	1.0	0.8
Nonfinancial public sector	4.4	-1.4	0.5	3.5	2.0	0.6
Private 3/	-3.3	-7.7	-0.1	-1.7	-1.0	0.3
Valuation adjustment 4/	-0.4	-0.2	-0.4	-0.2	--	0.3
Change in net international reserves (increase -) 5/	4.0	14.8	4.5	3.1	0.8	2.3
<u>Memorandum item</u>						
Change in narrow money balances	3.5	6.9	8.0	6.9	6.5	3.5
Real hourly wage (1980=100)	95.2	84.1	104.4	132.7	116.5	109.4

Source: Central Bank of Argentina.

1/ Public sector data are on a budget execution basis; the dissaving of the public sector in 1983-86 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 4. Argentina: Gross Domestic Product (at Factor Cost) in 1970 Prices
 (Percentage change from one year earlier)

	GDP	Agricul-ture	Mining	Manu-fac-tur-ing	Construc-tion	Electric-ity, Gas, Water	Services
1981	-6.8	1.9	0.6	-16.0	-13.0	-1.1	-4.4
1982	-4.5	6.9	0.5	-4.7	-22.9	3.1	-6.2
1983	2.8	1.9	0.2	10.8	-13.1	8.0	0.8
1984	2.6	3.6	-0.6	4.0	-20.0	6.5	3.3
1985	-4.5	-1.7	-2.7	-10.5	-6.8	1.4	-3.0
1986	5.7	-0.9	-0.5	12.8	8.8	7.5	4.5
<hr/>							
<u>1984</u>							
1st quarter	2.2	1.7	3.7	2.9	-14.8	10.0	2.6
2nd quarter	4.3	9.0	1.3	7.6	-18.7	6.7	3.3
3rd quarter	1.3	-1.8	-2.7	3.2	-21.8	5.5	3.0
4th quarter	2.7	5.2	-4.5	2.4	-24.0	4.2	4.5
<hr/>							
<u>1985</u>							
1st quarter	-1.3	-0.4	-5.5	-3.8	-9.3	-0.4	0.1
2nd quarter	-4.8	1.0	-4.6	-13.2	-12.6	-0.6	-2.1
3rd quarter	-8.8	-4.3	-2.0	-19.0	-0.4	-1.9	-6.3
4th quarter	-3.2	-3.1	1.8	-4.6	-5.2	8.5	-3.8
<hr/>							
<u>1986</u>							
1st quarter	0.8	-5.9	3.7	5.4	-1.5	7.7	0.3
2nd quarter	6.1	2.2	1.8	10.4	12.4	6.3	5.1
3rd quarter	11.7	-0.1	-1.0	26.6	20.5	11.6	8.2
4th quarter	4.7	0.2	-6.1	9.3	2.2	4.7	4.9

Source: Central Bank of Argentina.

a. Manufacturing

Output in the manufacturing sector increased by 12 3/4 percent in 1986, following a decline of 10 1/2 percent in 1985 and an increase of 4 percent in 1984 (Table 5). The large rise in production in 1986 reflected the strength of domestic demand, while industrial exports increased only marginally above 1985 levels. By the third quarter of 1986, manufacturing output exceeded the previous peak in 1984, and given that there has been little or no net investment in the sector during the 1980s, capacity constraints may have been felt in some industries (Chart 3). Despite an estimated 2 1/2 percent decline in output during the fourth quarter of 1986 and the first quarter of 1987, output in the first quarter of 1987 was still 15 3/4 percent higher than in the second quarter of 1985 (Chart 4). This rise in production was accompanied by an increase of 16 1/2 percent in output per hour. Employment, which had fallen sharply in the course of 1985, declined further during 1986, indicating a reluctance on the part of employers to hire new workers despite the recovery of output.

Increases in output in 1986 were relatively strong in industries linked to investment and to production of consumer durables, particularly where there had been large declines in the previous year. Output of nonmetallic minerals went up by 22 1/2 percent with cement production increasing 19 percent, while metal output rose 14 1/2 percent largely reflecting a 10 percent increase in steel production. Production of machinery and transport equipment increased 16 1/2 percent, with production of automobiles rising by 24 percent, and textile output rose by 22 percent. Output in other industries, such as food products and chemicals, increased less than 10 percent in 1986. Production in these sectors had been more steady in recent years and may have been affected by capacity constraints.

b. Agriculture and livestock

After increasing at an average annual rate of 3 1/2 percent a year from 1980 to 1984, production in the agricultural and livestock sectors fell by 1 3/4 percent in 1985 and by a further 1 percent in 1986 (Table 6). The growth in agricultural output during the early 1980s was led by rising crop production; however, crops declined by 1 1/2 percent in 1985 and by 2 1/2 percent in 1986 as the harvests of the major cereals contracted sharply, more than offsetting continued increases in oil seed and vegetable production. Production in the livestock sector has been depressed during the 1980s as cattle stocks have declined; an upturn in output in 1986 reflected higher production of wool and milk.

Following a record cereal harvest of 31 1/2 million tons in the 1984/85 crop year, cereal production declined to 26 million tons in 1985/86 and preliminary estimates suggest it dropped further to 22 1/2 million tons in 1986/87 (Statistical Appendix Table 34). This decline reflected in part the fall in international grain prices, which was compensated only partially by reduced export taxes (Chart 5) and,

Table 5. Argentina: Manufacturing Production

(Percentage change from one year earlier)

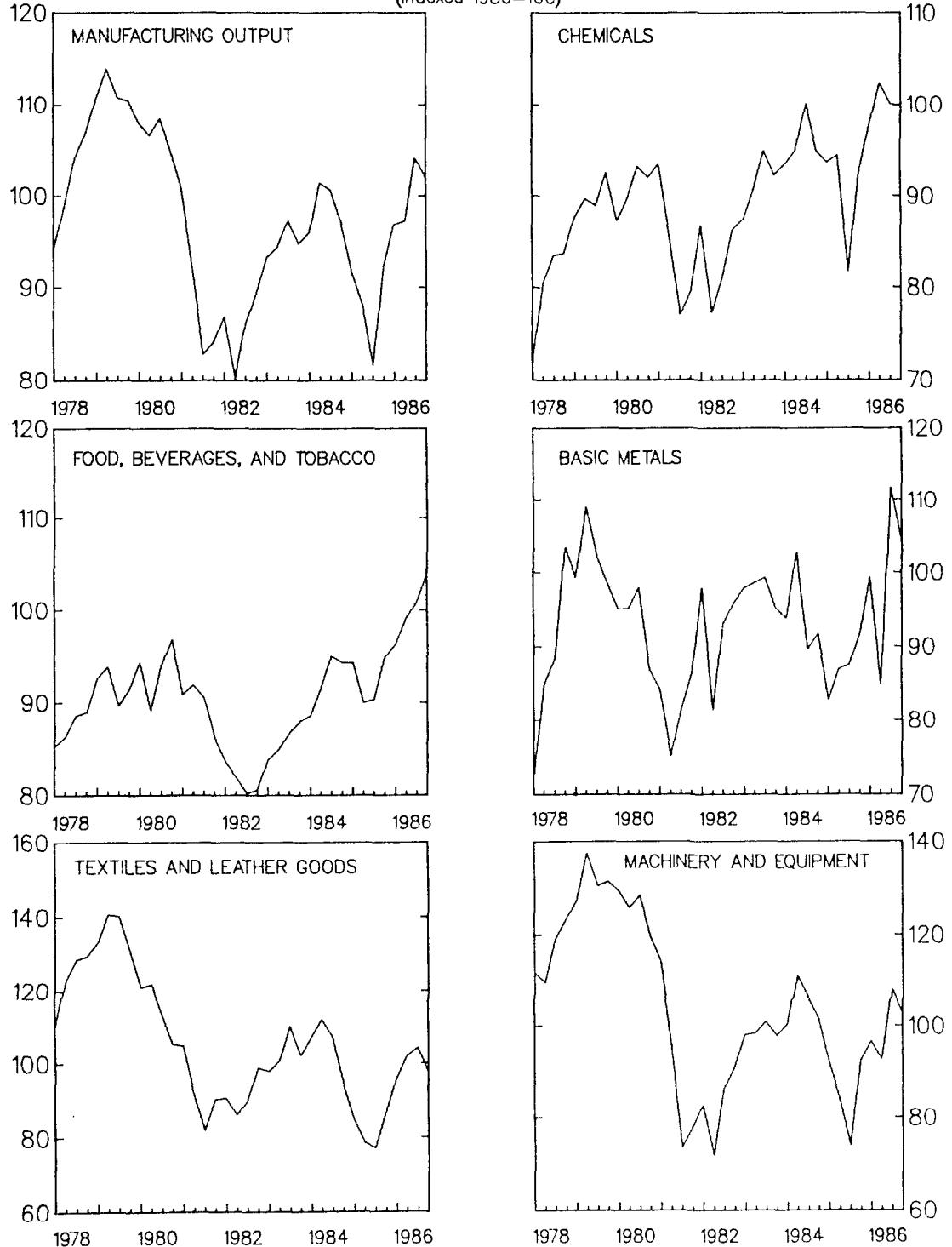
	Total Pro- duc-tion	Food, Beverages and Tobacco	Textiles and Leather	Wood Products	Paper and Print-ing Material	Chemi- cals	Non- Metallic Minerals	Metals	Machin- ery and Trans-port Equipment
1980	-3.8	1.8	-15.1	-3.0	-6.8	0.9	-3.5	-8.0	-4.4
1981	-16.0	-3.9	-20.1	-12.9	-18.2	-7.4	-17.6	-13.0	-28.1
1982	-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
1985	-10.5	--	-22.3	-14.4	-3.3	-5.7	-22.3	-7.9	-18.4
1986	12.8	8.5	22.0	18.6	4.9	9.2	22.5	14.4	16.4
<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	-3.8	6.5	-20.9	12.1	7.3	-0.2	-19.1	-12.2	-8.2
2nd quarter	-13.2	-2.0	-29.3	-23.8	-4.6	-0.1	-16.2	-15.8	-23.6
3rd quarter	-19.0	-5.0	-27.6	-21.7	-14.4	-18.0	-33.9	-2.7	-29.9
4th quarter	-4.6	0.7	-9.1	2.4	-0.3	-2.8	-19.2	-0.9	-8.2
<u>1986</u>									
1st quarter	5.4	2.1	12.5	19.3	-1.7	4.3	10.9	20.3	4.9
2nd quarter	10.4	10.1	29.2	20.9	3.1	8.2	11.0	-1.8	9.9
3rd quarter	26.6	12.1	35.2	39.1	18.9	18.6	48.9	26.6	43.6
4th quarter	9.3	10.2	10.5	-1.7	0.7	5.9	22.1	13.5	9.4
<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.

CHART 3
ARGENTINA
MANUFACTURING OUTPUT

(Indexes 1986=100)

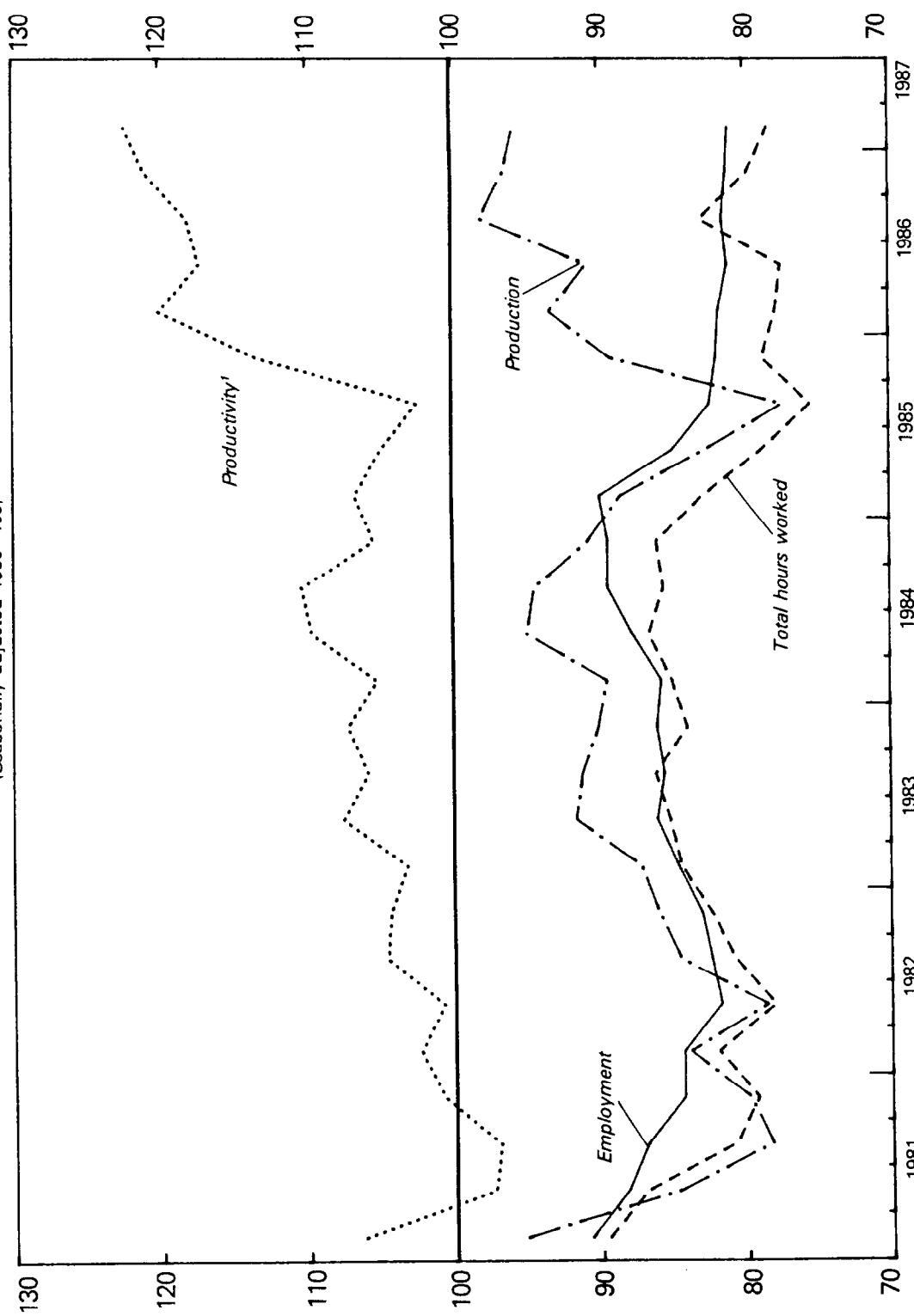


Source: Central Bank of Argentina.

CHART 4

ARGENTINA MANUFACTURING OUTPUT, EMPLOYMENT AND PRODUCTIVITY

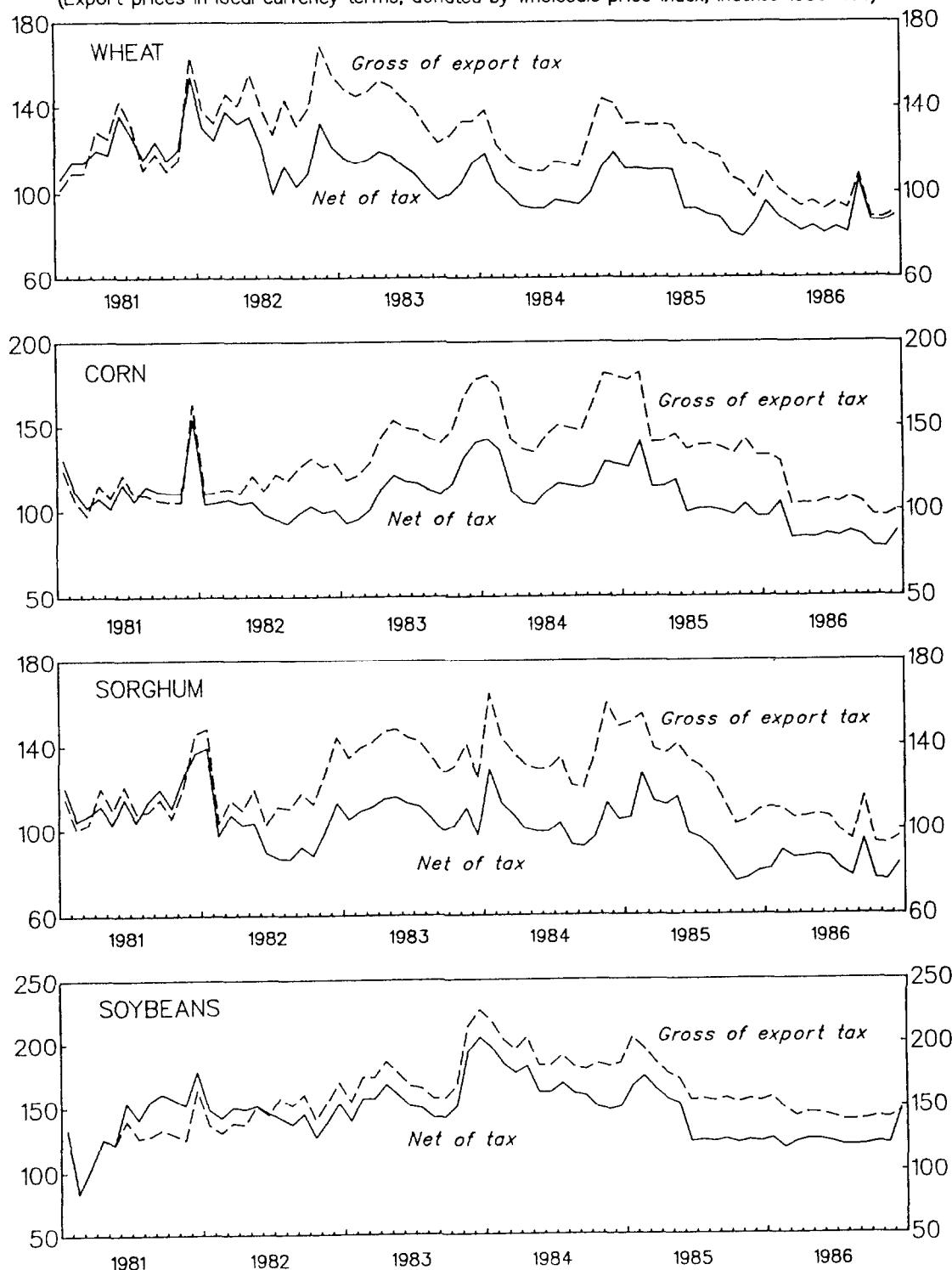
(Seasonally adjusted 1980 =100)



Source: Central Bank of Argentina.
1 Output per hour.

CHART 5
ARGENTINA
EXPORT PRICE INDICES OF MAJOR CROPS

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



Source: Central Bank of Argentina.

especially in 1986, by a shift in land use toward cattle rearing in response to the large rise in domestic beef prices. In addition, crop yields were depressed by adverse weather conditions, which had a particularly severe impact on the wheat harvest in 1985/86 and on the corn harvest in 1986/87, and by reduced use of inputs such as fertilizers and pesticides as the financial situation of the farming sector worsened. With respect to oil seeds, production reached a peak of 12 million tons in 1985/86, but is estimated to have declined to 10 1/2 million tons in 1986/87, as continued growth of soybean production was more than offset by lowered planting of sunflowers due to flood damage.

Table 6. Argentina: Agricultural Production

(Annual percentage change)

	1980	1981	1982	1983	1984	1985	1986
<u>Total</u>	<u>-5.5</u>	<u>1.9</u>	<u>6.9</u>	<u>1.9</u>	<u>3.6</u>	<u>-1.7</u>	<u>-0.9</u>
<u>Agriculture</u>	<u>-5.0</u>	<u>2.1</u>	<u>6.7</u>	<u>1.9</u>	<u>3.8</u>	<u>-1.9</u>	<u>-0.9</u>
Of which:							
Crops	-3.6	6.2	9.8	2.1	7.2	-1.5	-2.7
Livestock	-6.6	-3.0	1.6	0.9	-2.3	-0.6	1.7
<u>Forestry</u>	<u>-25.8</u>	<u>-9.2</u>	<u>16.3</u>	<u>9.9</u>	<u>1.6</u>	<u>1.0</u>	--
<u>Fishing</u>	<u>-34.4</u>	<u>-3.5</u>	<u>32.5</u>	<u>-8.5</u>	<u>-23.1</u>	<u>25.2</u>	<u>3.3</u>

Source: Central Bank of Argentina.

The slaughter of cattle increased by 3/4 percent in 1986, after rising by 9 1/2 percent in 1985 and 3 1/4 percent in 1984 (Table 7). As in the previous two years, domestic consumption absorbed over 90 percent of output in 1986, and exports remained at low levels. The rate of output implied that the rundown in the cattle herd that had started in

mid-1984 continued through mid-1986, at which point the herd was estimated to be 3 million head lower than in mid-1980 (Statistical Appendix Table 35). 1/

Table 7. Argentina: Beef Production and Consumption

(In thousands of tons)

	Production	Exports	Consumption	Consumption per Person (In kilos at annual rate)
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
1985	2,763	260	2,503	82
1986	2,784	246	2,538	82
<u>1986</u>				
1st quarter	694	56	638	84
<u>1987</u>				
1st quarter	694	75	619	80

Source: National Meat Board.

At the time of the price freeze in mid-1985, the relative price of beef was well below its average of recent years (Statistical Appendix Table 36). The pick-up in domestic demand for beef in the fourth quarter of that year was reflected in some shortages and cattle prices were freed from controls in late 1985. Export prospects improved significantly after mid-1986 and relative beef prices rose sharply during the year; by the first quarter of 1987 the relative beef price had recovered to levels experienced in the late 1970s. As a result, the profitability of the cattle sector increased markedly and land and feed were diverted

1/ Estimates of stocks are based on a census of the herd taken in 1978, updated using historical information on productivity. As there have been significant improvements in breeding techniques and sanitation in recent years, the decline in stocks estimated in this way may be overstated.

toward beef production. Although stock figures for 1987 are not yet available, a decline in the ratio of cows to sales and an increase in the average weight of cattle sold would indicate that the cattle cycle now has entered a rebuilding phase.

c. Energy sector

After declining at an average rate of 3 percent a year in 1984 and 1985, petroleum production dropped by 5 1/2 percent in 1986 and continued to fall in the first quarter of 1987 (Table 8); in that quarter production was more than 20 percent below the peak registered in 1981. The decline in production in recent years has reflected the financial difficulties of the state oil company which have depressed investment in production equipment and exploration of new fields. In March 1985, the Government instituted a policy (the Houston Plan) to open up areas to private firms previously reserved for the state oil company, but implementation of this plan initially was hindered by lengthy negotiations over contracts and by the subsequent sharp decline in international oil prices. In combination with a strong rise in domestic demand, the decline in production implied a sharp contraction of petroleum exports in 1986, and significant imports of petroleum products occurred in the first half of 1987 for the first time since 1982. In reflection of the lack of exploration activity, proven oil reserves have declined steadily in recent years; they amounted to 355 million cubic meters (or about 14 years production) at the end of 1986.

Production of natural gas in Argentina increased by 7 percent in 1986, continuing the strong growth achieved since the discovery of major new reserves in the late 1970s. Supply continues to be constrained by shortages of pipeline and ancillary infrastructure, but substantial investments have been initiated to increase the availability of gas to the major urban centers. Argentina continues to import gas from Bolivia under a long-term contract. As regards coal, production has been flat in recent years, and some rise in demand has been met by imports.

Electricity generation rose by 8 1/2 percent in 1986 and continued to increase in the first quarter of 1987, after rising by an average of 4 percent a year in the previous four years. The share of the market supplied by hydroelectric and nuclear plants had risen sharply in previous years as new capacity became available; in 1986, however, such capacity increased only modestly and the rise in demand was met mainly through increased generation in the relatively more expensive thermoelectric facilities.

3. Labor market conditions

Employment in the manufacturing sector declined by 8 1/4 percent during the year ended in the fourth quarter of 1985 and, despite the strong recovery in output, by a further 1 percent during 1986. Hours worked in the sector also fell steeply during the first three quarters of 1985, but rose by 10 percent during the year ended in the third

Table 8. Argentina: Energy Production and Trade
 (In millions of cubic meters unless otherwise indicated)

	1981	1982	1983	1984	1985	1986	First Two Months 1986	First Two Months 1987
<u>Natural gas</u>								
Production 1/	8,181.6	9,786.1	11,170.9	12,219.5	12,645.5	13,537.6	2,376.9	2,164.7
Imports	2,195.7	2,296.8	2,227.1	2,301.0	2,211.0	2,214.7	303.5	304.0
<u>Petroleum</u>								
Production of crude petroleum	28.9	28.5	28.5	27.9	26.7	25.2	6.5 2/	5.7 2/
Imports of crude petroleum and derivatives, excluding liquefied propane gas (LPG) 3/	2.2	1.3	0.1	0.1	--	--	--	--
Imports, LPG 3/	0.4	--	--	--	--	--	--	--
Exports of crude petroleum and derivatives	3.1	2.4	1.7	1.6	4.2	1.2	0.5	0.2
<u>Coal</u> 3/								
Production	0.5	0.5	0.5	0.5	0.4	0.4	--	0.1
Imports	0.7	0.7	0.5	0.5	0.8	1.2	0.2	0.2
<u>Electric power</u> 4/								
Total production	35,193	36,164	38,898	40,830	41,465	44,977	7,104	7,676
Thermoelectric 5/	17,796	16,794	17,152	16,407	15,145	18,328	3,793	3,568
Hydroelectric	14,581	17,502	18,325	19,782	20,554	20,938	2,106	2,895
Nuclear	2,816	1,870	3,405	4,641	5,766	5,711	1,205	1,215

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

1/ Delivered to pipeline.

2/ First quarter.

3/ In millions of metric tons.

4/ In millions of kilowatt hours; excludes power used in electric generation.

5/ Includes electric power generated from vapor, diesel, and gas.

quarter of 1986, implying a significant increase in hours per week. During the fourth quarter of 1986 and the first quarter of 1987, hours worked declined by over 5 percent. Broader measures of labor demand, including the help-wanted index and the unemployment rate, suggest that total employment probably rose in 1986 after falling sharply in 1985. The unemployment rate for Greater Buenos Aires rose from 3 1/2 percent in October 1984 to 5 percent in October/November 1985, and subsequently declined to 4 1/2 percent in October/November 1986 (Table 9).

4. Price and wage policies

In recent years, price and wage policies in Argentina have shifted frequently as the authorities have sought to control inflation while achieving distributional objectives. Price controls were progressively dismantled during the first half of 1985, while real wages were reduced by a policy of authorizing only limited catch-up wage adjustments. In June 1985, the government imposed a widespread price and wage freeze as part of its anti-inflation program. This freeze was relaxed during the first half of 1986 as wages were adjusted and a system of administered prices was introduced in May. In late August 1986, price and wage controls were tightened, and a price and wage freeze was reintroduced in February 1987. The freeze was maintained through mid-May when economy-wide price and wage increases were authorized.

a. Price controls

On June 13, 1985, the government froze the prices of all products except fruit and vegetables and a few goods subject to strong seasonal demand. At that time, the Secretariat for Internal Commerce (SIC) allowed some adjustments to prices to correct for example, for sharp increases in costs of imported inputs as a result of the devaluation of June 1985 and the rise in import taxes; however, increases of intermediate good prices were to be absorbed within the chain of production to avoid increases in final goods prices. In addition, in some cases prices that contained a high implicit charge for financing costs were reduced, although in general firms were allowed to benefit from the decline in financing costs following the drop in inflation. As a result, supply shortages were largely avoided in the months following the freeze; where they did occur, as in the case of certain meat products, the SIC provided for price increases.

By the second quarter of 1986, demand pressures put increasing strains on the price freeze, as wages already had been allowed to rise in the first quarter of the year and public sector prices and the exchange rate had been adjusted starting in April. In May 1986, the price freeze was replaced by a system of administered prices that aimed at limiting price increases in the larger firms supplemented by direct controls on prices of about 50 basic consumption items. Under this system, firms were allowed to raise prices in line with authorized increases in costs, including wage adjustments permitted by the wage guidelines, higher prices of imported inputs owing to the movements in

Table 9. Argentina: Unemployment at Selected Dates
(In percent of active population)

	Greater Buenos Aires	Cordoba	Rosario	Tucuman	Greater Mendoza
<u>1980</u>					
April	2.3	2.1	4.3	6.3	1.4
October	2.2	2.7	2.4	8.3	3.1
<u>1981</u>					
April	4.0	2.9	4.9	8.8	4.2
October	5.0	4.7	6.5	10.6	5.3
<u>1982</u>					
April	5.7	4.8	8.4	11.0	4.8
October	3.8	3.9	8.0	8.7	3.3
<u>1983</u>					
April	5.2	4.4	6.3	8.1	4.5
October	3.1	5.6	...	7.5	4.5
<u>1984</u>					
April	4.1	4.4	6.8	8.5	3.3
October	3.5	5.1	6.2	10.6	3.7
<u>1985</u>					
April/May	5.7	5.3	10.9	12.1	3.6
October/November	4.9	4.1	10.2	11.4	3.7
<u>1986</u>					
May/June	4.8	6.4	6.8	13.6	4.9
October/November	4.4	5.1	7.2	12.5	3.4

Source: National Institute of Statistics.

the exchange rate, changes in regulated interest rates, and increases in public sector prices. Additional price adjustments were negotiated with firms on a case-by-case basis to allow for increases in costs that had occurred during the period of the price freeze. Large firms were subject to stringent cost reporting requirements, and these requirements were extended to smaller firms in August 1986 when it became apparent that the prices charged by such firms were rising at a relatively rapid rate.

In late August 1986, the authorities moved to tighten price controls by establishing a uniform monthly price increase in line with the officially projected path for inflation. Firms that had complied with the Government's price guidelines and cost reporting requirements were allowed to raise prices by 3 percent in September, but firms that had not complied with reporting requirements or had applied excessive increases in previous months were not permitted to increase prices until the guidelines had been satisfied. In addition, firms were required to ensure that prices paid for inputs had been authorized by the SIC and the system of maximum prices of basic consumption items remained in force. In the following months, the SIC continued to authorize economy-wide 3 percent price increases each month, although it provided additional increases where firms could demonstrate a particular need in light of increases in costs.

Prices accelerated in early 1987 and at the end of February the Government reimposed a wage-price freeze after authorizing a series of price adjustments to offset existing cost-price disequilibria. As before, the price freeze was applied to most goods and services with several service items, such as dry-cleaning and parking, being added to the list of maximum prices. Initially, the freeze was to have been in place through the end of the second quarter of 1987, but it could not be sustained in the face of pressures for wage increases. In mid-May, the SIC authorized economy-wide price increases of 2 percent for May and 4 percent for June, while raising maximum prices by 6 percent on average. Additional increases were permitted in June, for example in car and meat prices, as the SIC reverted to the practice of approving price adjustments on a case-by-case basis.

b. Wage policy

After permitting monthly wage increases in the second quarter of 1985 equal to 90 percent of the increase in consumer prices in the previous month, the authorities froze wages in the private and public sectors at their level of June 1985. In January 1986, the Government authorized a general wage increase of 5 percent over the June 1985 levels with an additional 5 percent increase permitted in the private sector if justified by productivity improvements. In April 1986, increases of 8 1/2 percent for the private sector and 5 percent for the public sector were authorized and a mechanism was established to formally update wage contracts, which had not been maintained since collective bargaining was prohibited in 1976, to incorporate wage rates

actually being paid. This updating of contracts was to provide a basis for a return to formal collective bargaining once a new framework for such bargaining was passed into law.

In the event, the new labor law was delayed, and in July 1986 the authorities introduced the practice of allowing wages in the private sector to be negotiated by management and labor subject to bands set by the Government. A range of 7 to 11 percent was set for wage increases in both the third and fourth quarters of 1986, with increases for productivity improvements of 2 percent each quarter; firms were allowed to pass wage increases of up to 9 percent through to prices. In January 1987, the Government announced that the range of 7-11 percent for wage increases in the private sector would be maintained in the first quarter of the year. In the public sector, wage rates were to be increased by 7-9 percent each quarter; additional increases were provided beginning in January 1987 to officials in more senior positions in the Central Administration to increase the degree of salary progression as part of the reform of the public sector (see Section III).

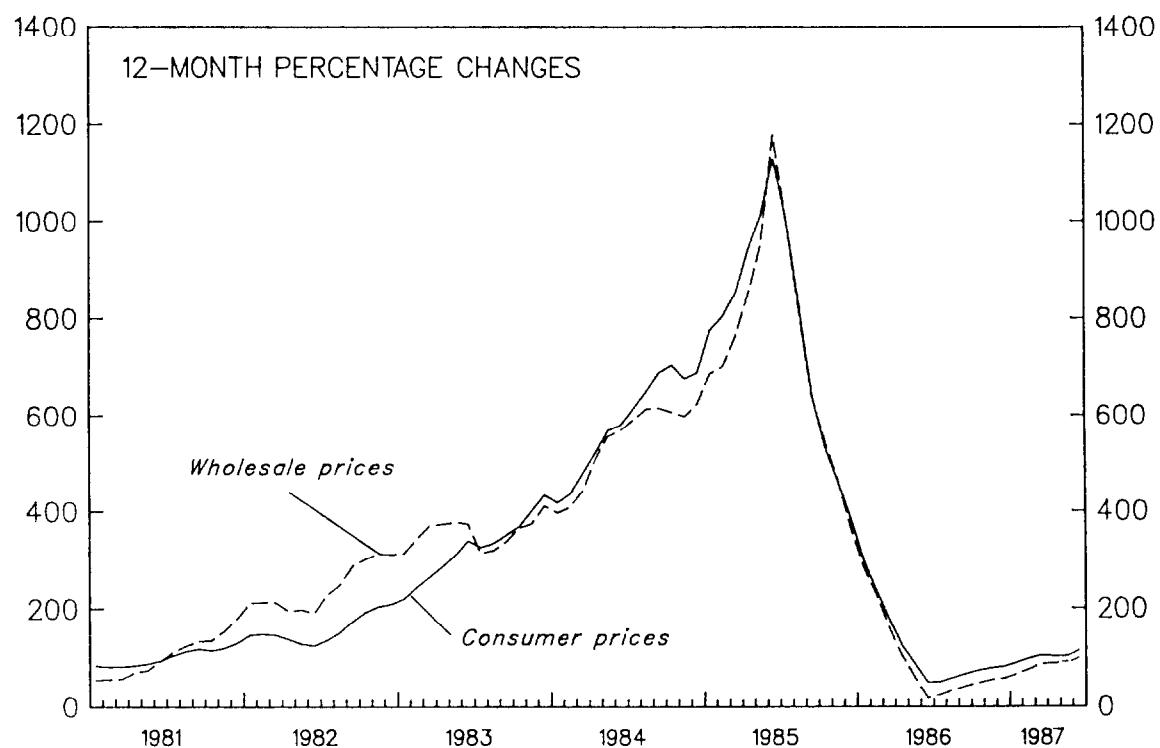
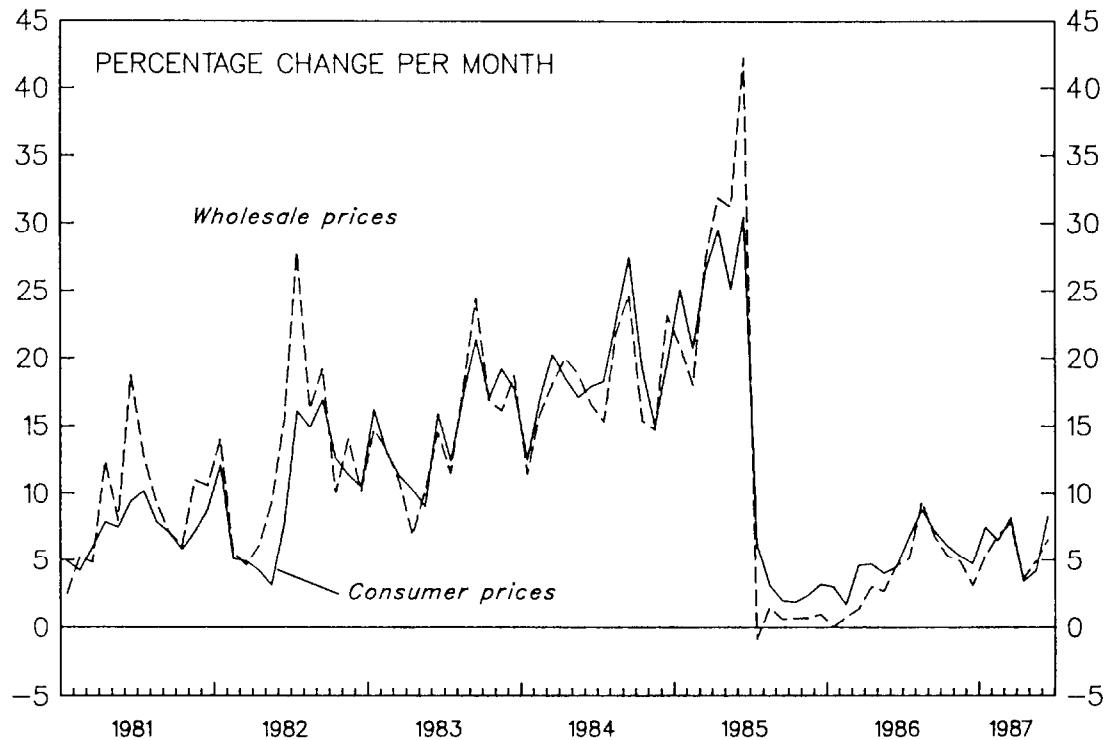
In February 1987, wages were frozen after being adjusted by 2 3/4 percent in the private sector and 4 3/4 percent in the public sector, to compensate for the difference between the ceilings on wage increases in the first quarter and the average increase of consumer and nonagricultural wholesale prices in January and in February. This freeze initially was intended to last through June, but in mid-May it was announced that wage rates in both the private and public sectors could be increased by 6 percent in June, subject to a minimum increase of \$ 30 (15 percent of the minimum wage). In addition, advance payments on the regular half-yearly bonuses scheduled for June and December were provided for May and June, respectively. It also was established that wages in the third quarter would be raised at the average rate of increase of consumer and nonagricultural wholesale prices in the second quarter.

5. Price and wage developments

After several years of gathering price inflation, the rate of price increase rose sharply in the first half of 1985, and in June 1985, consumer prices were 1,100 percent above their level one year earlier (Chart 6 and Statistical Appendix Table 37). Wholesale prices rose 1,200 percent during the year ended in June 1985, with the higher rate of increase reflecting the depreciation of the Argentine currency beginning in the fourth quarter of 1984 and the relaxation of price controls (which tended to affect wholesale prices more strongly) in the second quarter of 1985.

Price increases declined abruptly after the adoption of the new economic program in June 1985. The monthly increase of consumer prices fell from 31 percent in June 1985 to 6 percent in July 1985 and to an

CHART 6
ARGENTINA
CONSUMER AND WHOLESALE PRICES



Source: National Institute of Statistics.

average of 2 1/2 percent a month from August 1985 to February 1986. 1/ However, beginning in March 1986, there was a renewed pickup in inflation reflecting the strength of domestic demand and relaxation of the price controls. Consumer prices rose by an average of 4 1/2 percent a month in March-June 1986 and increased by 6 3/4 percent in July and 8 3/4 percent in August. Price increases were slowed beginning in September by the tightening of policies, and the monthly increase in consumer prices declined to 4 3/4 percent in December.

In the first two months of 1987, there was a resurgence of inflation and the rate of increase in consumer prices averaged 7 percent a month. The rate of inflation remained high in March despite the price and wage freeze introduced in late February as the adjustments approved just prior to the imposition of the freeze. Inflation declined to 3 1/2 percent in April but picked up to 4 1/4 percent in May and 8 percent in June after further price increases were authorized. In June 1987, the 12-month rate of inflation was 110 percent, compared with 50 percent one year previously.

In the two years through June 1987, and in particular in the period July 1985-May 1986, the increase of wholesale prices was substantially below consumer price inflation. The difference in the increase of the two indexes may be explained in part by the fact that the prices of services, which are included in the consumer price index but not in the wholesale price index, in general have not been subject to effective control and have risen faster than the prices of goods. Also, import prices, which have a greater weight in the wholesale price index than in the consumer price index, have risen less rapidly than domestic prices as the exchange rate has risen in real terms. In addition, the wholesale price index measures list prices while the consumer price index measures shelf prices; to the extent that prices actually charged may have exceeded authorized prices, such increases would be registered in the consumer price index but not in the wholesale price index. There also have been substantial shifts in relative prices of different commodities; prices of agricultural products have tended to increase more rapidly than prices of industrial goods, as prices of fruits and vegetables and of beef products have responded to shifts in demand (Statistical Appendix Table 38).

Although the 12-month rate of increase of hourly wages in the manufacturing sector rose to over 1,000 percent in June 1985, this rise was below price inflation in the same period in reflection of the policy of limiting catch-up wage adjustments and weakness in the economy (Chart 7 and Table 10). Wage increases were reduced sharply by the wage freeze in June 1985 but slippages emerged in the fourth quarter of 1985 as the

1/ Appendix I attempts to account for the abatement of inflation in terms of the different elements of the economic program.

Table 10. Argentina: Public and Private Sector Wages

(Percentage change during previous 12 months)

	December					
	1981	1982	1983	1984	1985	1986
(In nominal terms)						
National Administration	119.7	183.4	514.3	562.7	244.6	79.0
Public enterprises	102.3	170.5	637.4	611.5	339.1	99.9
Basic wage for laborers <u>1/</u>	155.3	316.0	471.1	694.9	232.6	126.7
Average monthly wage in manufacturing	90.6	212.5	603.1	733.5	303.9	84.9
Average hourly wage in manufacturing	...	200.0	591.7	801.8	284.1	80.3
(In real terms) <u>2/</u>						
National Administration	-5.0	-8.5	15.1	-15.9	-30.3	-3.5
Public enterprises	-12.3	-12.9	40.3	-10.2	-9.5	9.9
Basic wage for laborers	10.4	34.3	7.0	0.9	-31.5	24.6
Average monthly wage in manufacturing	-17.6	0.9	31.7	5.8	-16.8	1.6
Average hourly wage in manufacturing	...	-2.2	29.2	14.4	-21.2	-0.7
Purchasing power of hourly wage <u>3/</u>	...	-8.3	25.1	17.8	-13.0	0.5

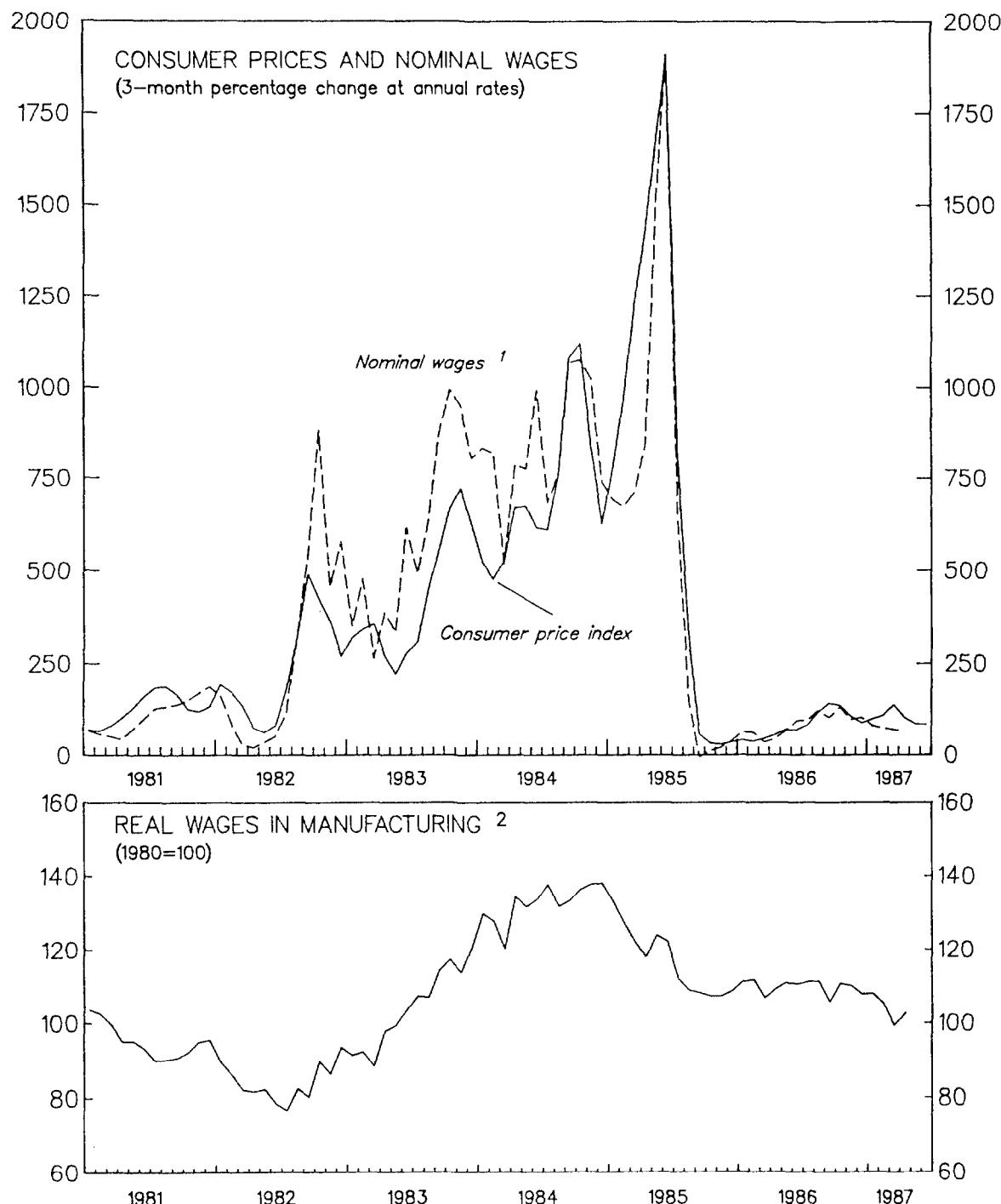
Source: Ministry of Economy; Ministry of Public Works and Services; and National Institute of Statistics.

1/ Fixed in collective bargaining agreements.

2/ Deflated by the consumer price index.

3/ Assumes that 25 percent of wage is spent in the month in which it is earned and the rest in the following month.

CHART 7
ARGENTINA
PRICE AND WAGE DEVELOPMENTS



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

¹ Until November 1981, wage series is seasonally adjusted total remuneration per employee in manufacturing sector (excluding regular semi-annual seasonal bonus). From December 1981, wage series is average hourly wage in manufacturing sector (excluding regular semi-annual seasonal bonus).

² Deflated by consumer price index.

economy began to recover. As a result, real wages were stable from August to December 1985, after declining 20 percent in the first eight months of the year. 1/

Wage increases averaged about 5 percent a month during 1986 and early 1987 and were generally close to or above the ceiling for wage adjustments set by the government. Deviations from the wage guidelines were particularly large during the second and third quarters of 1986 as agreements on updating contracts often included implicit wage increases and some wage agreements well in excess of the guidelines were permitted on the understanding that such increases would not be passed through to prices. Real wages were about the same in December 1986 as one year earlier, but declined by about 7 1/2 percent during the first four months of 1987.

1/ It may be noted, however, that taking into account the fact that wages earned in one month are mainly spent in the following month, purchasing power was raised substantially in the second half of 1985 by the sharp drop in inflation. Wage earners are paid either at the end of the month or at both mid-month and the end of the month. On the assumption that 75 percent of earnings would be spent in the month following that in which they are earned, purchasing power was raised 10 percent in July 1985 following the sharp drop in inflation.

III. Public Finance

1. Institutional framework

The Argentine nonfinancial public sector in this report comprises the general government and the nonfinancial public enterprises. In turn, the general government consists of: (i) the Central Administration (Treasury); (ii) 67 decentralized agencies; (iii) 93 special accounts which channel earmarked revenues mainly for energy and transport expenditures; (iv) regional governments; and (v) the social security system. The nonfinancial public enterprises include 13 government-owned companies and three bi-national entities.

The Central Administration collects about one half of total revenue of the Government and is a major source of financing for the decentralized agencies and the provinces. The decentralized agencies, which include 26 state universities and many development and regulatory agencies, receive income from administrative fees, rates, and earmarked funds, as well as transfers from the Central Administration. The regional governments include 22 provinces, one national territory, and the Municipality of Buenos Aires; they employ over 800,000 workers, almost one half of all employment in the public sector. Prior to 1985, the revenue of the regional governments came from their agreed participation in various national taxes, from local taxes levied on real estate, from the automobile license tax, and from administrative fees. In 1985, the revenue-sharing agreement expired and since that time the Central Administration has negotiated each year the amount of transfers to the regional governments. Social security operations cover over 10 million workers and account for about one fifth of general government expenditure. The public enterprises play a role in many areas of economic activity but their primary function is in the fields of petroleum, coal, electric energy, communication, transportation, and water and sewerage.

The financial operations of the public sector are managed through annual budgets. The budget of the National Administration (which consists of the Central Administration, the decentralized agencies, and the special accounts) is approved by Congress, while the budgets of public enterprises are approved by the Executive Branch. After the National Administration budget is approved by the legislature, the Executive Branch allocates funds to each of the spending entities and may impose limitations on the use of these funds for purposes other than spending on wages, transfers, and debt service. In recent years, the budgets have been approved only during the second half of the budget year (the 1987 budget is yet to be approved), and pending approval of the budget spending has been authorized by continuing resolutions based on the previous year's budget with some adjustment for inflation.

The budget is prepared on a commitment (budget execution) basis. Timely information is generally available only for the Central Administration (on a cash basis) and the National Administration (cash basis

for revenue and commitment basis for expenditure). Annual information on the execution of the budget is available with a considerable time lag on a commitment basis, and includes spending during a complementary period that may be extended until the end of the following calendar year. Since 1983, a quarterly cash estimate has been prepared for the consolidated nonfinancial public sector but, notwithstanding the progress achieved in the past few years, the accuracy of these reports is limited. Estimates for special accounts and decentralized agencies are based on previous years' budget execution and are not always reliable; estimates for provinces and public enterprises are based on data provided by only some of these units. Unless specifically indicated, the data presented in this section are on a commitment basis; with the exception of 1986 for which information is still preliminary, the data are based on actual budgetary execution.

2. Operations of the nonfinancial public sector

a. Overview

The deficit of the nonfinancial public sector increased sharply in the early 1980s as expenditures rose rapidly and revenues weakened, and in 1983 the deficit reached 18 percent of GDP (Table 11 and Chart 8). In 1984 the deficit of the nonfinancial public sector declined to 13 percent of GDP as expenditure was reduced by about 6 percentage points of GDP while revenue fell by less than 1 percentage point. The decline in spending resulted from an improvement in the current operations of the public enterprises and a sharp curtailment of outlays in the National Administration.

A further significant improvement in public sector operations occurred in 1985 when the overall deficit was cut to 5 1/2 percent of GDP; 5 percentage points of the improvement were due to increased revenue and 2 1/2 percentage points to reduced expenditure. The rise in revenue reflected the positive effect of the decline in the rate of inflation after midyear on revenues collected with a lag, measures contained in the June 1985 economic program, which included an increase in export tax rates and the introduction of a compulsory saving plan, and the full-year impact of a 7 1/2 percent payroll tax reintroduced in late 1984. The cuts in expenditure were mainly in wages, capital outlays, and extrabudgetary spending. On the basis of cash estimates, the improvement in the fiscal position was concentrated in the period following the adoption of the June 1985 program; total revenue collections increased by almost 9 percentage points of GDP in the second half of 1985 relative to the first half of the year. Expenditure barely changed in the second half as strong increases in transfers and capital outlays were offset by savings in other categories of spending.

The 1986 budget submitted to the Congress in February 1986 was prepared within the framework of objectives announced in the June 1985 program; in particular the public sector deficit was to be limited to an amount that could be financed from available external resources.

Table 11. Argentina: Summary of Public Sector Operations 1/

(In percent of GDP)

	1982	1983	1984	1985	Prel. 1986	Proposed Budget 1987
<u>Total revenue</u>	<u>23.4</u>	<u>23.6</u>	<u>22.8</u>	<u>27.9</u>	<u>27.9</u>	<u>30.1</u>
<u>Current revenue</u>	<u>22.9</u>	<u>23.4</u>	<u>22.6</u>	<u>27.0</u>	<u>26.6</u>	<u>29.4</u>
Tax revenue	19.1	18.8	17.2	22.1	23.0	24.9
Nontax revenue 2/	3.8	4.6	5.4	4.9	3.6	4.5 3/
<u>Capital receipts</u> 4/	<u>0.5</u>	<u>0.2</u>	<u>0.2</u>	<u>0.9</u> 5/	<u>1.3</u> 5/	<u>0.7</u> 5/
<u>Total expenditure</u>	<u>39.5</u>	<u>41.5</u>	<u>35.9</u>	<u>33.3</u>	<u>31.7</u>	<u>32.7</u>
<u>Current expenditure</u>	<u>31.0</u>	<u>32.0</u>	<u>27.9</u>	<u>26.4</u>	<u>24.3</u>	<u>24.7</u>
General government current expenditure 6/	27.1	29.4	26.5	24.9	23.9	24.7
Public enterprises operating deficit	3.9	2.6	1.4	1.5	0.4	--
<u>Capital expenditure</u>	<u>8.5</u>	<u>9.5</u>	<u>8.0</u>	<u>6.9</u>	<u>7.4</u>	<u>8.0</u>
<u>Overall deficit (-)</u>	<u>-16.1</u>	<u>-17.9</u>	<u>-13.1</u>	<u>-5.4</u>	<u>-3.7</u>	<u>-2.7</u>
<u>Financing</u>	<u>16.1</u>	<u>17.9</u>	<u>13.1</u>	<u>5.4</u>	<u>3.7</u>	<u>2.7</u>
External financing	1.3	0.2	-0.4	0.9	3.2	2.6
Domestic financing	14.8	17.7	13.5	4.5	0.5	0.1
<u>Memorandum item</u>						
Current surplus or deficit (-)	<u>-8.1</u>	<u>-8.6</u>	<u>-5.3</u>	<u>0.6</u>	<u>2.3</u>	<u>4.7</u>

Source: Ministry of Economy.

1/ On a commitment basis.

2/ Does not include current receipts of public enterprises.

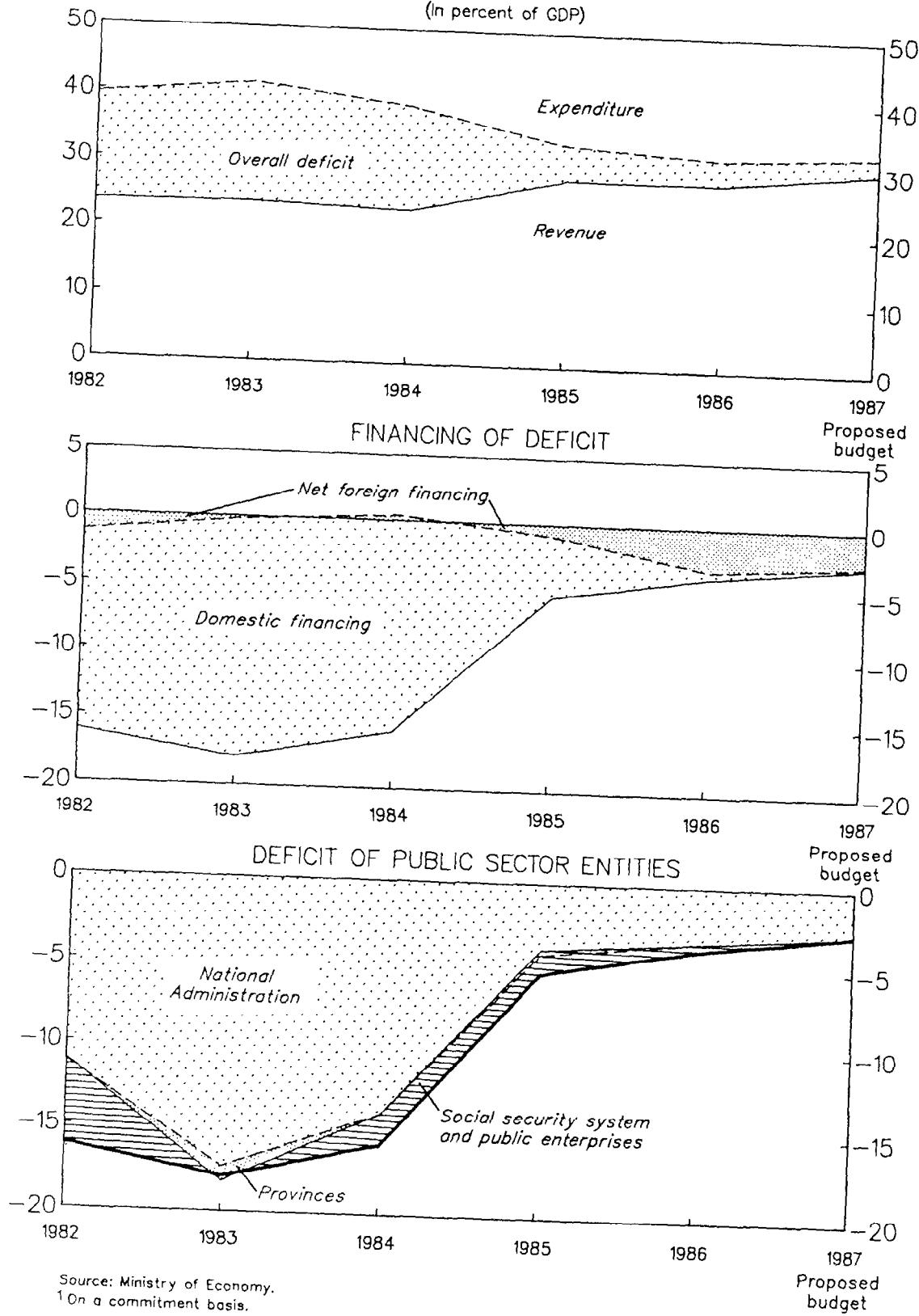
3/ Includes projected profits of public enterprises.

4/ Includes capital receipts of public enterprises.

5/ Includes receipts from the forced-savings plan.

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

CHART 8
ARGENTINA
OPERATIONS OF THE NONFINANCIAL PUBLIC SECTOR¹



Source: Ministry of Economy.
¹ On a commitment basis.

Accordingly, the deficit was to be reduced to 3 percent of GDP in 1986 compared to 5 1/2 percent of GDP in 1985. There would be a 1 1/2 percentage point reduction in expenditure, resulting almost entirely from a reduction in the operating deficits of the public enterprises; this improvement reflected the full year's impact of the real increases in public sector prices in 1985 and cuts in spending by the national oil company. Wages and salaries also were to be reduced moderately, but purchases of goods and services and capital outlays were programmed to rise by a similar amount. Public sector revenues were projected to increase by 1 percentage point of GDP in 1986, mainly reflecting the full year effect of the decline in inflation and the tax measures taken in mid-1985. Tax collections also would be boosted by a continuing program of tax reform while capital receipts were expected to increase sharply owing to the recovery of overdue private debt obligations to the public sector. At the same time, revenues from taxes on international trade were expected to decline because of reductions in export taxes on agricultural products.

Preliminary estimates for 1986 indicate that the overall deficit was reduced to 3 3/4 percent of GDP, but was higher than budgeted by almost 1 percentage point of GDP (Statistical Appendix Tables 40). Total revenue was 28 percent of GDP, the same level as in 1985 and 1/2 percentage point lower than estimated in the budget, as a decline in trade taxes, fuel taxes, and non-tax revenues more than offset increased capital receipts and numerous other taxes. Total expenditure was 31 3/4 percent of GDP, in line with the budget estimate and a reduction of 1 1/2 percentage points compared to 1985. The reduction in expenditure reflected a decline in the operating deficit of the public enterprises and lower spending on wages and salaries, which served to more than offset a rise in capital expenditures. The projected net external financing of 3 1/2 percent of GDP became available, but because the deficit was higher than planned, the public sector had to resort to domestic financing as reflected in a reduction of deposits in the banking system.

b. Revenue 1/

Total revenue of the nonfinancial public sector rose from about 23 percent of GDP in 1983 and 1984 to an historical peak of 28 percent in 1985 and 1986; the level of the latter two years was high compared to other countries in Latin America and other regions at similar income levels. Tax revenue increased from an average of 18 percent of GDP in 1983 and 1984 to 22 percent in 1985 and to a record level of 23 percent in 1986 (Table 12). Nontax revenue and capital receipts averaged 5 1/2 percent of GDP in 1984 and 1985 before declining to about 5 percent in 1986.

1/ A summary of the tax structure is provided in Appendix II.

Table 12. Argentina: Nonfinancial Public Sector Revenue
 (In percent of GDP)

	1982	1983	1984	1985	Prel. 1986	Proposed Budget 1987
<u>Total revenue</u>	<u>23.4</u>	<u>23.6</u>	<u>22.8</u>	<u>27.9</u>	<u>27.9</u>	<u>30.1</u>
<u>Current revenue</u>	<u>22.9</u>	<u>23.4</u>	<u>22.6</u>	<u>27.0</u>	<u>26.6</u>	<u>29.4</u>
Tax revenue	19.1	18.8	17.2	22.1	23.0	24.9
Taxes on income	1.3	1.0	0.5	1.0	1.2	1.3
Taxes on wages	2.0	2.4	3.4	4.8	4.7	5.8
Of which: Social security contributions	1.8	2.2	2.6	3.6	3.6	4.6
Taxes on property	2.1	1.8	1.8	2.0	2.2	2.3
Taxes on goods and services	10.1	9.4	9.1	9.4	9.6	10.3
Of which: value added-tax	3.8	3.3	2.7	3.0	3.3	3.5
tax on fuels	2.2	2.4	3.2	2.8	2.2	2.5
Taxes on international trade	1.7	2.4	2.0	3.1	2.5	2.2
Of which: export duties	0.5	1.4	1.2	2.1	1.2	0.8
import duties	1.0	0.8	0.6	0.8	1.1	1.2
Other taxes 1/	1.8	1.8	0.4	1.8	2.8	3.0
Nontax revenue	3.8	4.6	5.4	4.9	3.6	4.5 2/
<u>Capital receipts</u>	<u>0.5</u>	<u>0.2</u>	<u>0.2</u>	<u>0.9</u> 3/	<u>1.3</u> 3/	<u>0.7</u>
<u>Memorandum items</u>						
National taxes 4/	15.7	16.1	15.1	18.7	19.6	21.4
Provincial taxes	3.3	2.7	3.2	3.4	3.4	3.5

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.

The increase of revenue in 1985 owed in large part to the impact on the real value of revenues collected with a lag of the sharp reduction in the rate of price inflation after mid-year. 1/ In addition, revenue was boosted by the reintroduction of a payroll tax in late 1984 and the measures announced as part of the June 1985 program, which included the introduction of a compulsory saving plan, a doubling of the tax rate on banking transactions, increased tax rates on exports, an imports surcharge, and the reduction to a maximum of 20 days of the transfer of value-added tax collections to the Treasury. 2/ In 1986, revenues were boosted by the full-year effects of the decline in inflation and the mid-1985 measures and by the effects of a tax reform program; however, these factors were offset by a decline in taxes on international trade and fuels, as well as nontax revenues.

At the time of the introduction of the June 1985 measures, the authorities started working on a long-term reform plan to address the weaknesses of the tax system. Given the relatively high tax burden in Argentina and the narrow tax base, tax rates have tended to be high. Income taxes and value-added taxes have provided only a low share of revenues and there has been a reliance on a relatively large number of taxes that individually bring little in revenue but increase the cost of tax collections (Chart 9). Despite income tax rates of 33 percent for corporations and a progressive scale from 7 to 45 percent for individuals, income taxes contributed less than 1 1/2 percentage points of GDP in 1984, as exemptions for wages and salaries resulted in only a limited number of people paying income tax. 3/ For enterprises, numerous exemptions, tax incentives, and special provisions resulted in companies paying less than one quarter of 1 percent of GDP of profits tax in 1984 and almost two thirds of income tax collections in 1984 and 1985 came from the withholding tax from interest payments. The value added tax was applied at rates of 5 percent and 18 percent in 1984, but contributed revenue equivalent to only 3 percent of GDP in 1984, owing to the extensive use of exemptions as industrial incentives. The large number of taxes that produce relatively little revenue reflects in part

1/ Despite measures adopted in 1977-80 to reduce the impact of collection lags on tax receipts by shortening payment periods and indexing tax payments, the average collection lag has remained about 40 days in recent years. With such a lag, the average monthly inflation rate of 19 percent in 1984 implied a loss of 21 percent of tax revenue, equivalent to 5 1/2 percent of GDP. In 1985, with an average monthly inflation of 14 percent, the loss declined to 15 percent of revenue or 4 percent of GDP. In 1986, with an average monthly inflation of 5 percent, the loss declined further to under 7 percent of revenue or about 2 percent of GDP.

2/ In this report, resources raised by the compulsory savings plan are treated as capital revenue and not as financing because of a large potential tax element implicit in the plan.

3/ Less than 50,000 out of a total of 1.4 million registered taxpayers paid income taxes in 1985.

the widespread earmarking of taxes to finance various public sector agencies.

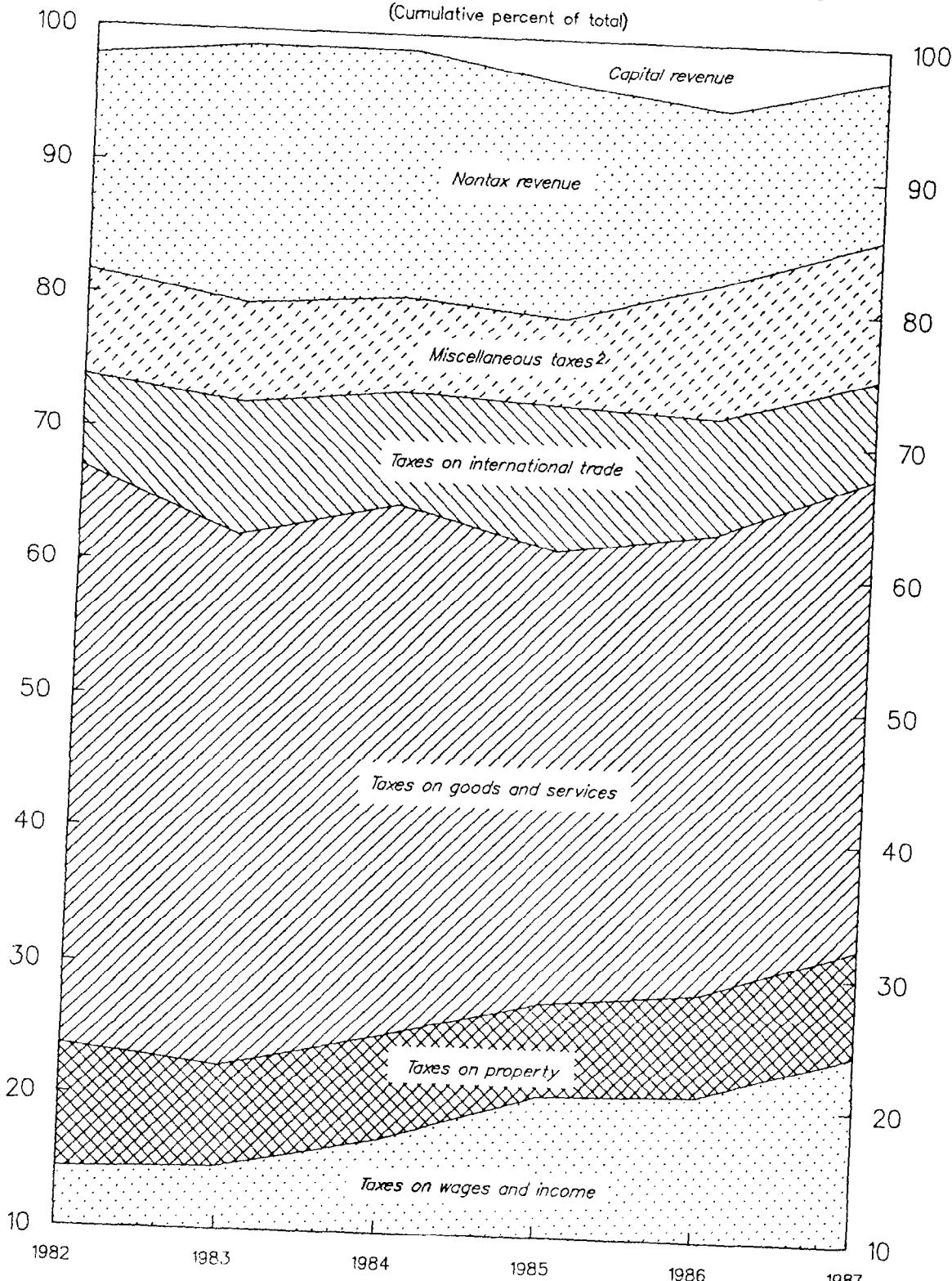
The tax reform sought to lay the basis for a sustained increase in revenue, by raising revenue from income, wealth and value added taxes, which would allow for a reduction in the incidence of foreign trade taxes and extraordinary tax measures. To achieve these aims, 14 tax laws were introduced and approved by Congress between July 1985 and August 1986. These included legislation to: (1) broaden the tax base for income and wealth taxes by removing tax preferences and incentives, closing loopholes and revaluing property assessments; (2) raise revenues from the value added tax by unifying the rate paid at the higher rate of 18 percent, reducing collection lags of this tax, and introducing a presumptive tax on small businesses; (3) improve administrative efficiency by simplifying tax laws and rules; and (4) improve the technical level and methods of tax collection agencies. These measures were supplemented by a program to improve collection of delinquent taxes approved by Congress in early 1987 and laws providing tax collection agencies with legal access to information on taxpayers' financial holdings, including bank deposits.

c. Expenditure developments

After rising to 41 percent of GDP in 1983, expenditure declined to 36 percent in 1984, and dropped further to 33 percent in 1985 (Table 13). In 1986, spending declined to 31 1/2 percent of GDP as a 2 percentage point decline in current spending was partly offset by a rise in capital outlays. The largest reductions in 1986 occurred in the public enterprises, where operating losses were cut by over 1 percentage point of GDP, while spending on wages and salaries came down owing to a decline in real wages (Chart 10); interest payments were reduced because of lower international interest rates.

The reduction in spending of almost 10 percentage points of GDP from 1983 to 1986 was mainly achieved in the National Administration, where spending was cut by 5 percentage points, and through a reduction of the operational deficits of the public enterprises by 4 percentage points of GDP. The level of expenditure by the provinces and the social security system remained at about 11 1/2 percent and 6 percent of GDP, respectively, throughout the period. The largest declines in expenditure by economic category from 1983 to 1986 were in interest payments, extrabudgetary operations, and capital outlays. Wages and salaries were maintained at about 9 1/2 percent of GDP in 1983-85, before declining to 9 percent of GDP in 1986. Purchases of goods and services and transfer payments were each reduced by about 1 percentage point of GDP in 1984, and have since remained stable. As a share of total expenditure, the largest components have been spending on transfer payments and on wages and salaries, both of which increased their share from 1983 to 1986 (Chart 11).

CHART 9
ARGENTINA
NONFINANCIAL PUBLIC SECTOR REVENUE¹

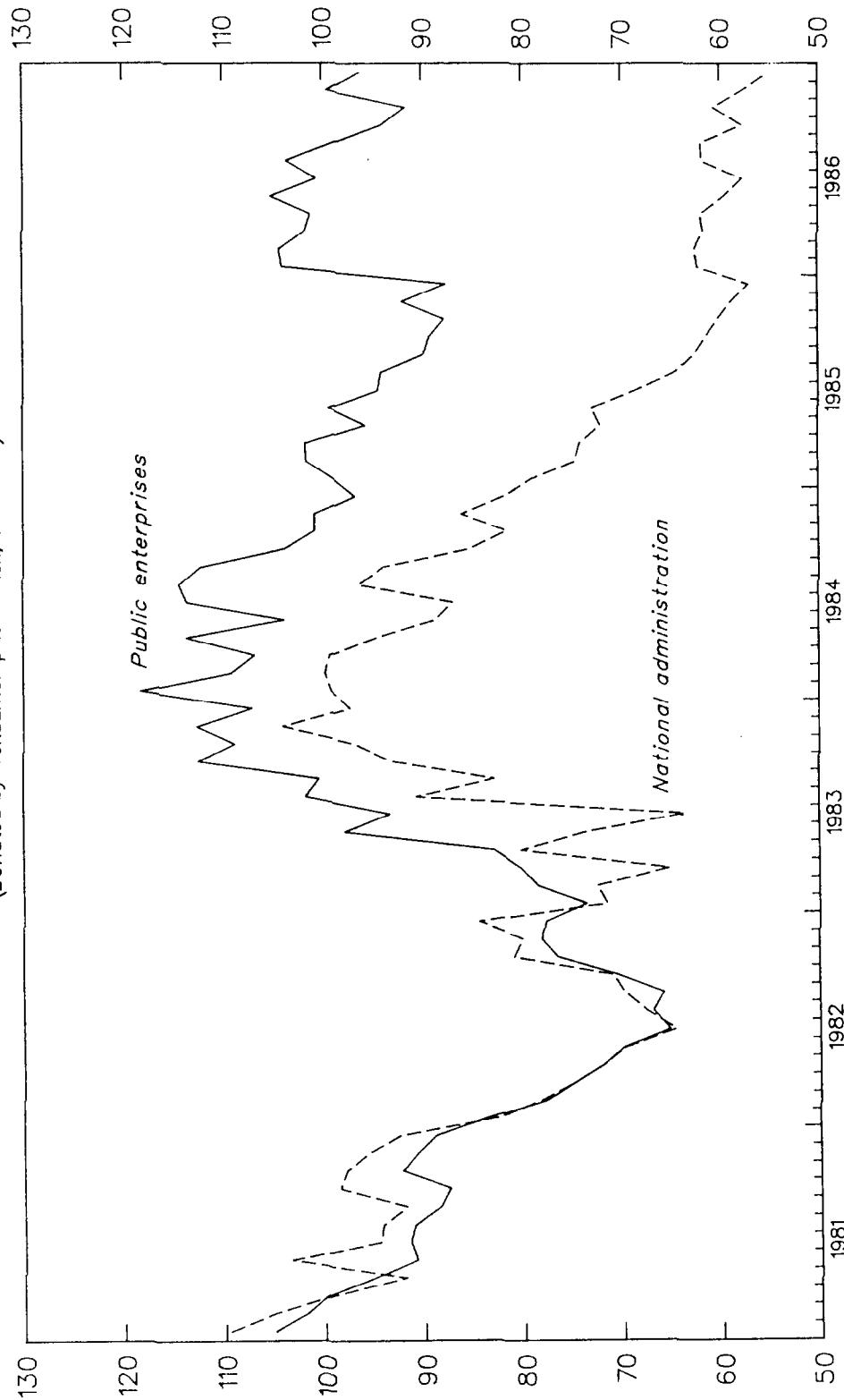


Source: Ministry of Economy

¹Includes profits of public enterprises.

²Includes tax amnesty in 1987, a program to improve collection of delinquent taxes.

CHART 10
ARGENTINA
WAGES IN THE PUBLIC SECTOR
(Deflated by consumer price index; 1980=100)

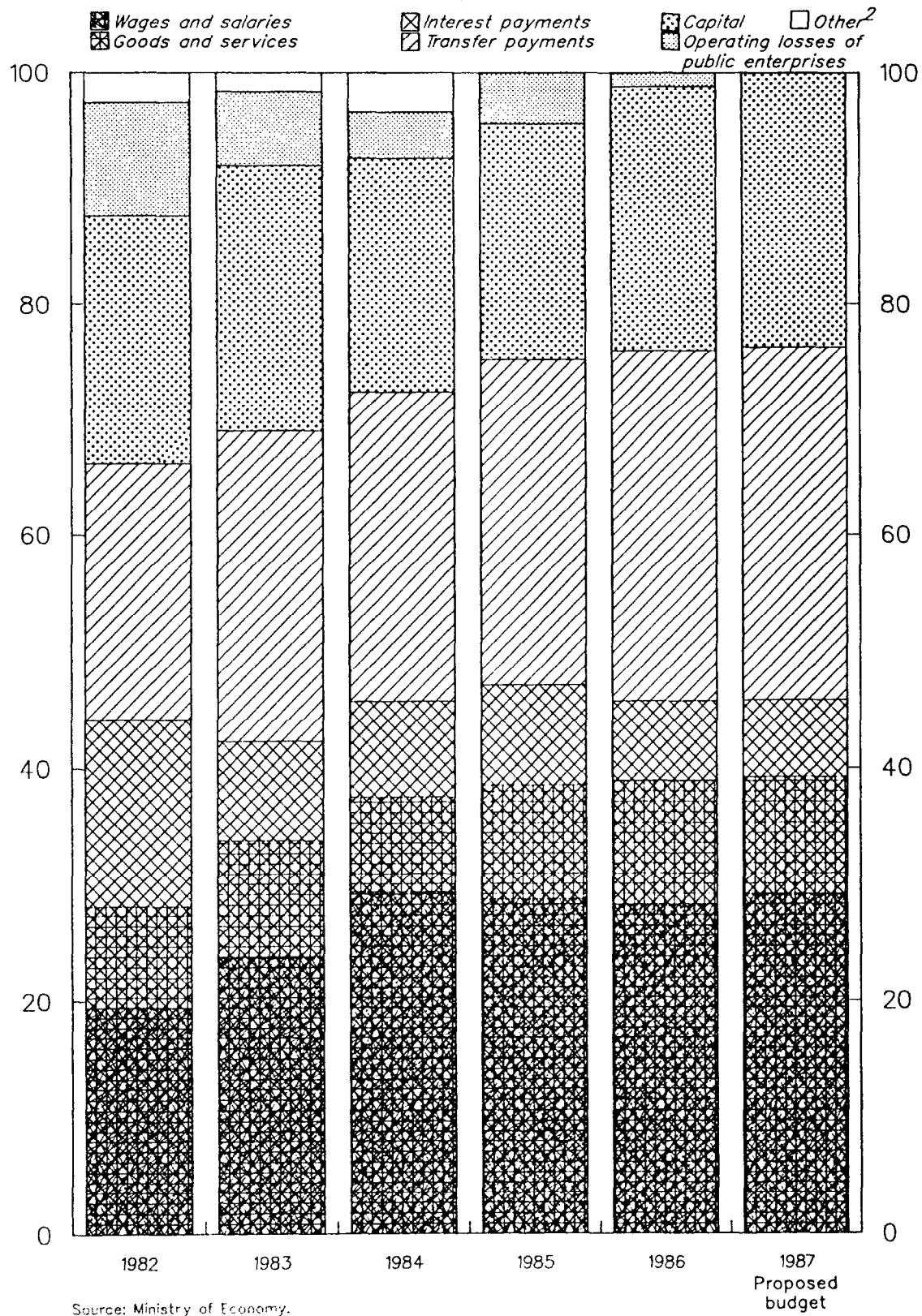


Source: Ministry of Economy.

CHART 11
ARGENTINA

NONFINANCIAL PUBLIC SECTOR EXPENDITURE¹

(Cumulative percent of total)



Source: Ministry of Economy.

¹ includes operation balances and capital outlays of public enterprises.

² includes underutilization of budgetary allocations.

Table 13. Argentina: Nonfinancial Public Sector Expenditure

(In percent of GDP)

	1982	1983	1984	1985	Prel. 1986	Proposed Budget 1987
<u>Total expenditure 2/</u>	<u>39.5</u>	<u>41.1</u>	<u>35.9</u>	<u>33.3</u>	<u>31.7</u>	<u>31.7</u>
By economic categories						
<u>Current expenditure</u>	<u>31.0</u>	<u>31.7</u>	<u>27.9</u>	<u>26.4</u>	<u>24.3</u>	<u>23.7</u>
Wages and salaries	7.7	9.8	10.5	9.7	9.1	9.7
Other goods and services	3.5	4.1	3.0	3.3	3.5	3.4
Interest	6.3	3.5	2.9	2.9	2.2	2.2
Domestic	3.9	0.5	0.5	0.2	0.2	0.6
External	2.4	3.0	2.4	2.7	2.0	1.6
Transfers 3/	8.7	11.0	9.8	9.5	9.8	10.2
Public enterprises 4/	3.8	2.6	1.4	1.5	0.4	-1.0
Other 5/	1.0	0.7	0.3	-0.5	-0.7 6/	-0.7 6/
<u>Capital expenditure</u>	<u>8.5</u>	<u>9.5</u>	<u>8.0</u>	<u>6.9</u>	<u>7.4</u>	<u>8.0</u>
By sectors						
National Administration	17.8	16.5	13.3	12.1	11.5	12.1
Central Administration	11.2	9.8	7.7	6.7	6.5	7.0
Special accounts	1.8	1.7	1.4	1.4	1.8	1.6
Decentralized agencies	4.8	4.9	4.2	4.0	3.2	3.5
Provinces and Municipality of Buenos Aires	9.6	12.1	12.0	11.2	11.3	11.2
Social security system	4.9	6.1	5.6	5.6	5.7	6.0
Public enterprises 7/	7.3	6.5	5.0	4.4	3.2	2.4
Memorandum items						
Gross public sector expenditure 8/	49.3	52.3.	46.4	46.8	43.2	43.9
Of which:						
Public sector interest payments	10.4	6.0	4.9	5.4	3.7	3.4
Domestic	5.7	0.9	0.8	0.8	0.3	0.7
External	4.7	5.0	4.1	4.6	3.4	2.7
Wages and related outlays 9/	15.8	20.1	21.6	19.9	19.4	20.1

Source: Ministry of Economy.

1/ On a commitment basis.

2/ For public enterprises, includes only operating losses.

3/ Includes small amounts of capital transfers.

4/ Operating deficit only.

5/ Mostly extrabudgetary operations.

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).

3. General government operations

The deficit of the general government (before transfers to the public enterprises) dropped from an average of about 10 percent of GDP in 1982-84 to 1 percent of GDP in 1985 and to 3/4 percent in 1986 (Table 14). This improvement was due in roughly equal measure to increased revenue and reduced expenditure of the Central Administration. The special accounts and decentralized agencies have been roughly in balance (after transfers) over the last three years, as fluctuations in revenues have been offset by adjustments to expenditures and transfers. The improvement in the situation of the National Administration was offset in part by the increasing deficits of the provinces and the Municipality of Buenos Aires and the social security system. Including transfers to the public enterprises, the overall deficit of the general government was reduced by the equivalent of over 15 percentage points of GDP between 1983 and 1986.

After improving from a small deficit in 1983 to a small surplus in 1985, the overall financial position of the social security system was roughly in balance in 1986; the deterioration in 1986 owed to an increase in benefits announced in October 1985 and a loss in receipts relative to GDP. The financing of the social security system has been changed several times since the elimination of the employers' social security contribution in 1981. Initially the social security system received a share of specially designated taxes, including income, value-added, and excise taxes. This arrangement was cancelled in October 1984, when the employer contribution was partially reinstated at 7 1/2 percent of wages. As this change resulted in a net revenue loss for the system, legislation was passed in September 1985 to transfer 3 percentage points of the employers' contribution for the Family Allowance Funds (quasi-public agencies) to the social security system together with the equivalent of about 1/2 percent of GDP in past surpluses accumulated in these funds. In November 1986, the employers' contribution to the social security system was raised further to 12 1/2 percent while contributions by self employed workers were increased from 15 percent to 21 percent.

After deteriorating to 7 1/4 percent of GDP in 1984, the budgetary deficit (before transfers) of the provinces and the Municipality of Buenos Aires was reduced to 6 percent of GDP in 1985 as a result of increased revenue and cuts in expenditure, particularly on wages and salaries. The deficit widened slightly in 1986. Throughout the period, transfers from the National Administration more than covered the deficit of the provinces, resulting in an overall small surplus for the provinces.

4. Operations of public enterprises

The deficit of public enterprises (before transfers from the National Administration) declined steadily from 7 percent in 1982 to 3 percent in 1986 (Table 15). The reduction reflected both a

Table 14. Argentina: General Government Operations 1/

(In percent of GDP)

	1982	1983	Adjusted 1984 2/	1985	Prel. 1986	Proposed Budget 1987
<u>Total revenue</u>	<u>23.0</u>	<u>23.5</u>	<u>22.7</u>	<u>27.7</u>	<u>27.8</u>	<u>29.0</u>
Current revenue	22.9	23.4	22.6	27.0	26.6	29.4
Tax revenue	19.1	18.8	17.2	22.1	23.0	24.9
Nontax revenue	3.8	4.6	5.4	4.9	3.6	3.5
Capital receipts	0.1	0.1	0.1	0.7 3/	1.2 3/	0.6
<u>Total expenditure</u>	<u>32.1</u>	<u>35.0</u>	<u>30.9</u>	<u>28.8</u>	<u>28.5</u>	<u>29.3</u>
Current expenditure 4/	27.1	29.4	26.5	24.9	23.9	24.7
Capital expenditure	5.1	5.6	4.4	3.9	4.6	4.6
<u>Overall surplus or deficit (-)</u>						
<u>before transfers to public enterprises</u>	<u>-9.1</u>	<u>-11.5</u>	<u>-8.2</u>	<u>-1.1</u>	<u>-0.7</u>	<u>-0.3</u>
National Administration 4/ Provinces and Municipality	-7.0	-5.1	-2.0	6.0	7.0	7.3
Buenos Aires	-2.2	-5.6	-7.3	-6.0	-6.3	-6.5
Social security system	--	-0.9	-2.9	-1.1	-1.4	-1.1
<u>Net transfer to public enterprises</u>	<u>-1.9</u>	<u>-7.0</u>	<u>-3.1</u>	<u>-3.0</u>	<u>-2.6</u>	<u>-2.3</u>
<u>Overall deficit</u>	<u>-11.0</u>	<u>-18.6</u>	<u>-11.3</u>	<u>-4.1</u>	<u>-3.3</u>	<u>-2.7</u>
External financing (net)	-0.2	0.3	-0.5	0.5	2.9	2.2
Internal financing	11.2	18.3	11.8	3.6	0.3	0.5
<u>Memorandum item</u>						
<u>Current account surplus deficit (-)</u>	<u>-4.2</u>	<u>-6.0</u>	<u>-3.6</u>	<u>2.1</u>	<u>2.7</u>	<u>3.8</u>
Total expenditure after transfers to public enterprises	34.1	42.0	34.0	31.8	31.1	31.6

Source: Ministry of Economy.

1/ On a commitment basis.

2/ For purpose of comparison with the 1985 budget, 1984 date were adjusted to reflect arrangement for revenue sharing between the Central Administration and other parts of general government that was adopted in 1985.

3/ Includes receipts from the forced-savings plan.

4/ Includes net extrabudgetary expenditure.

Table 15. Argentina: Operations of the Public Enterprises 1/

(In percent of GDP)

	1982	1983	1984	1985	Prel. 1986	Proposed Budget 1987
<u>Current receipts</u>	<u>9.7</u>	<u>11.2</u>	<u>10.5</u>	<u>13.6</u>	<u>11.6</u>	<u>12.1</u>
<u>Current expenditure</u>	<u>13.6</u>	<u>13.8</u>	<u>12.0</u>	<u>15.1</u>	<u>12.0</u>	<u>11.2</u>
Wages and salaries	2.2	3.0	3.3	3.2	3.0	2.8
Other goods and services	6.1	7.2	5.2	7.0	6.1	6.2
Interest	4.1	2.5	2.1	3.0	1.8	1.2
of which: external	2.2	2.0	1.8	2.2	1.7	1.1
Other	1.2	1.1	1.4	1.9	1.1	1.0
<u>Current account surplus or deficit (-)</u>	<u>-3.9</u>	<u>-2.6</u>	<u>-1.5</u>	<u>-1.5</u>	<u>-0.4</u>	<u>0.9</u>
<u>Capital receipts</u>	<u>0.4</u>	<u>0.1</u>	<u>0.2</u>	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>
<u>Capital expenditure</u>	<u>3.4</u>	<u>3.9</u>	<u>3.6</u>	<u>2.9</u>	<u>2.8</u>	<u>3.3</u>
<u>Total deficit (-) before transfers from general governments</u>	<u>-6.9</u>	<u>-6.3</u>	<u>-4.9</u>	<u>-4.3</u>	<u>-3.1</u>	<u>-2.3</u>
<u>Net transfers from general government</u>	<u>1.9</u>	<u>7.0</u>	<u>3.1</u>	<u>2.8</u>	<u>2.6</u>	<u>2.3</u>
<u>Overall surplus or deficit (-)</u>	<u>-5.0</u>	<u>0.7</u>	<u>-1.8</u>	<u>-1.5</u>	<u>-0.4</u>	<u>--</u>
External financing (net)	1.4	-0.1	0.1	0.4	0.3	0.4
Internal financing (net)	3.6	-0.6	1.7	1.1	0.1	-0.4

Source: Ministry of Economy.

1/ On a commitment basis.

progressive decline in the operating losses of the enterprises and a curtailment of capital spending. Taking into account net transfers from the National Administration, the overall financing requirement of the enterprises came down from 5 percent in 1982 to less than 1/2 percent in 1986. As a result, a small amount of net external borrowing was sufficient to cover the financial needs of the enterprises in 1986.

The revenue of public enterprises declined by 2 percent of GDP in 1986 owing to a decline in real prices charged for goods and services during 1986 after sharp increases in real prices in the second half of 1984 and in May-June 1985 (Chart 12). Spending also came down in 1986 as purchases of goods and services and other spending were reduced by almost 2 percentage points of GDP. External interest payments fell by a 1/2 percentage point of GDP due to lower interest rates on world markets. The real wage bill declined by almost 10 percent as employment in the major public enterprises was reduced (Statistical Appendix Table 44).

The largest operating losses among the public enterprises in 1985 and 1986 were registered by the railway system and, to a lesser extent, by the gas company; the telecommunication company and oil company (YPF) registered large current surpluses (Statistical Appendix Table 45). However, the large investment expenditure of YPF and the binational entities (undertaking hydro-electric projects) were only partially covered by their operating surpluses and transfers from the Central Government, and the deficit of these two enterprises accounted for the entire combined overall deficit of the public enterprises. In an effort to reduce the losses of YPF, in 1986 the Treasury took over the debt obligations of YPF to local suppliers (equivalent to 1 1/2 percent of GDP) and allowed the company to keep a share of oil tax proceeds to pay its foreign interest obligations. In return, YPF was committed to reduce sharply its expenditure and to pay on time all of its internal and external obligations. Preliminary estimates show that in 1986 YPF cut its expenditure by the equivalent of 2 1/2 percent of GDP and remained current on its obligations. However, a drop in real prices of its products led to a 20 percent decline in the real value of receipts and the overall deficit was reduced by only 1 percentage point of GDP (Statistical Appendix Table 46).

Investment expenditure by the public enterprises declined from 3 1/2 percent of GDP in 1984 to 2 1/2 percent in 1986 (Statistical Appendix Table 47). Some areas of investment activity, such as petroleum and gas, which previously were reserved exclusively for the state, are now being opened to the private sector, and recently new contracts for exploration and production of petroleum have been signed with foreign investors. The bulk of investment is still directed to the oil and electricity sectors; in addition, investment in communications has risen significantly over the last two years, reflecting a program to increase the provision of telephone services.

5. The 1987 budget and preliminary outturn

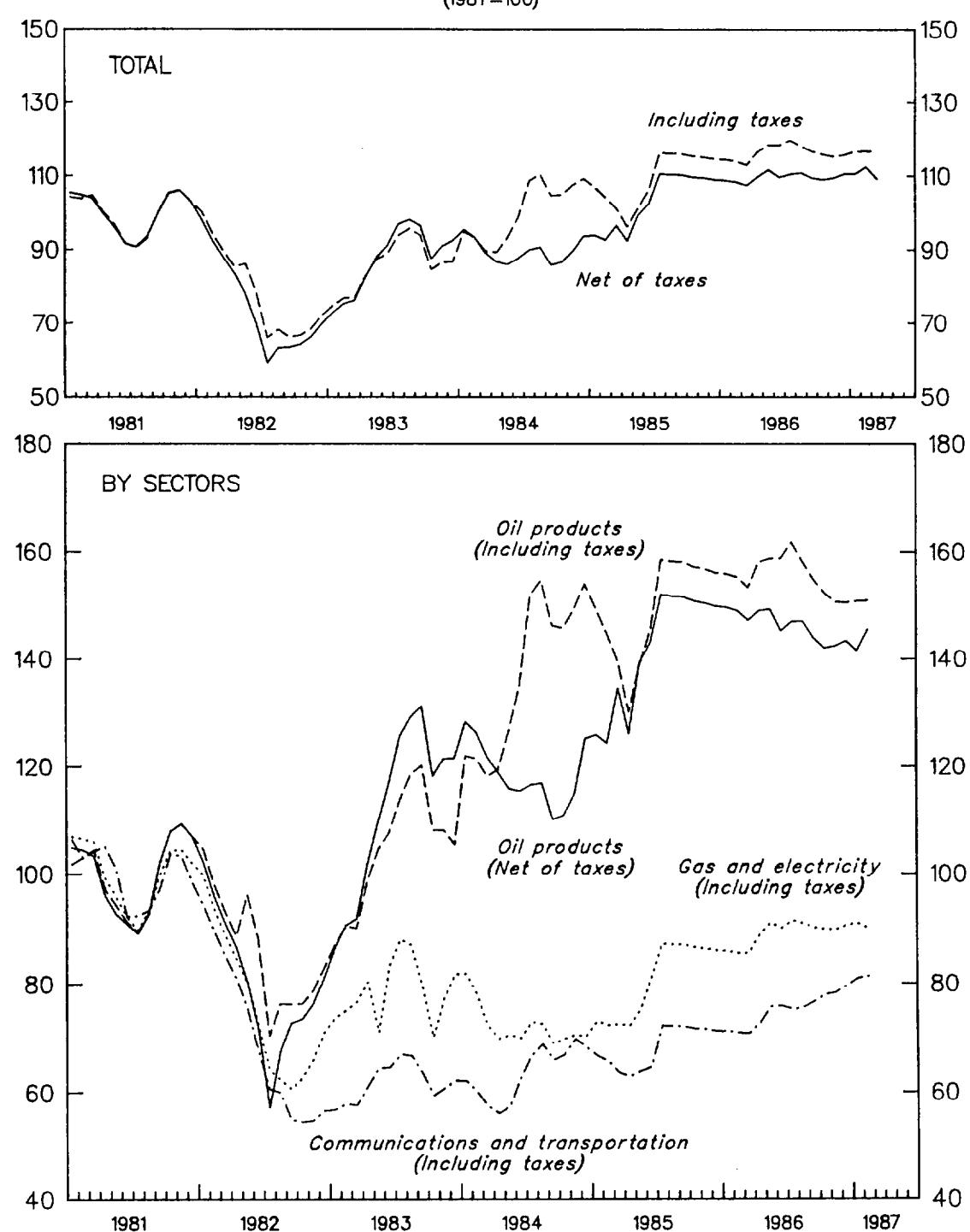
The basic economic assumptions used in the preparation of the 1987 budget were economic growth of about 4 percent, inflation at an average monthly rate of 3 percent, and a further improvement in the balance of payments. On this basis, the 1987 budget presented to Congress in February 1987 projected an overall deficit of 2 3/4 percent of GDP, or 1 percentage point of GDP lower than in 1986 (see Table 11). The reduction of the deficit was to have been accomplished by raising revenue by 2 percentage points of GDP (to 30 percent of GDP), while allowing a 1 percentage point of GDP increase in expenditure (to 31 3/4 percent of GDP). The financing requirement would be met almost entirely from abroad.

Revenue was budgeted to increase by 8 percent in real terms in 1987 relative to 1986. The largest increase in revenue was expected from the plan to improve collections of delinquent taxes, which was estimated to yield about 1 percent of GDP in 1987. Taxes on income and wages were projected to rise by almost 25 percent in real terms largely in reflection of measures taken in 1986, including increases in contributions by employers and self-employed workers to the social security system; revenue from the value-added tax was to increase as a result of the unification of rates and improved administrative procedures implemented in November. In contrast, taxes on international trade were projected to decline because of a further drop in export taxes, and capital revenue would be reduced because the forced-saving plan would lapse.

Total expenditure for 1987 was projected in the budget to increase by 4 percent in real terms compared with 1986, with current expenditure rising by less than 2 percent and capital outlays by 12 percent. A 10 percent increase in real wages and salaries in the National Administration was expected because of a restructuring of wage scales and a voluntary retirement program for public employees; although in the long run the retirement program was expected to reduce spending on the wage bill, the short-term compensation costs would push up spending in this area. Outlays by the social security system were estimated to increase by about 9 percent in real terms, or equivalent to 1/2 percent of GDP, as real benefits for recipients at lower income levels (about one half of total) were expected to increase by 27 percent during 1987. The budget document contemplated a significant improvement in the performance of public enterprises, where operating losses of previous years would give way to a substantial surplus in 1987 as a result of increased real prices of goods and services sold by public enterprises and tighter control over expenditure.

Information on cash operations in the first quarter of 1987 showed that the fiscal situation weakened relative to the first quarter of 1986 (Table 16). Despite the tax measures taken in 1986 and the additional taxes announced in the Budget, total revenue in the first quarter of 1987 was 15 percent lower in real terms than in the same period of the

CHART 12
ARGENTINA
RELATIVE PRICES OF GOODS AND SERVICES
MARKETED BY PUBLIC ENTERPRISES¹
(1981=100)



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

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

Table 16. Argentina: Summary of Public Sector Operations
on a Cash Basis 1/

(In percent of GDP)

	1983	1984	1985	Prel. 1986	Jan. - Mar. 1986	1987
<u>Total revenue</u>	<u>23.5</u>	<u>22.9</u>	<u>26.7</u>	<u>26.9</u>	<u>27.4</u>	<u>23.7</u>
<u>Current revenue</u> <u>2/</u>	<u>23.3</u>	<u>22.8</u>	<u>25.9</u>	<u>26.2</u> <u>3/</u>	<u>26.8</u>	<u>23.5</u>
Tax revenue	18.7	19.1	22.0	22.5	23.3	20.7
Nontax revenue	4.6	3.7	3.9	3.7	3.5	2.8
<u>Capital receipts</u> <u>4/</u> <u>5/</u>	<u>0.2</u>	<u>0.1</u>	<u>0.8</u>	<u>0.7</u>	<u>0.6</u>	<u>0.2</u>
<u>Total expenditure</u>	<u>34.7</u>	<u>31.2</u>	<u>31.5</u>	<u>29.8</u>	<u>30.6</u>	<u>27.1</u>
<u>Current expenditure</u> <u>6/</u>	<u>26.8</u>	<u>25.1</u>	<u>25.8</u>	<u>24.5</u>	<u>25.4</u>	<u>22.4</u>
General government current expenditure <u>7/</u>	25.3	23.5	24.0	23.4	23.4	22.3
Public enterprises operating deficit	1.5	1.6	1.8	1.1	2.0	0.1
<u>Capital expenditure</u> <u>8/</u>	<u>7.9</u>	<u>6.1</u>	<u>5.7</u>	<u>5.3</u>	<u>5.2</u>	<u>4.7</u>
<u>Overall deficit (-)</u>	<u>-11.1</u>	<u>-8.3</u>	<u>-4.8</u>	<u>-2.9</u>	<u>-3.2</u>	<u>-3.5</u>
Net domestic financing	12.3	7.6	-0.3	0.4	0.2	0.3
Net external financing	-1.2	0.7	5.1	2.5	3.0	3.2

Sources: Ministry of Economy; and Fund staff estimates.

1/ Public enterprises included on a net basis.

2/ Includes also revenue from previous period.

3/ Includes adjustments for revenue of state oil company (YPF) and official banks starting in 1986.

4/ Includes capital receipts from public enterprises and receipts from forces-saving plan in 1985, 1986 and small amount in 1987.

5/ Include capital receipts, of public enterprises.

6/ Adjusted for expenditure of interest payments of YPF and current expenditure by official banks.

7/ Include net extrabudgetary expenditure.

8/ Includes capital outlays by public enterprises.

previous year. This shortfall reflected in part delays in approving the law to improve collection of delinquent taxes and the effect of the resurgence of inflation on real revenue. In addition, the tax reform has created some uncertainties and administrative difficulties, while the tax on bank transactions temporarily lapsed and tax rebates and fiscal credits (which are deducted from value-added tax collections) rose owing to increases in the coverage of exports entitled to rebates. Expenditure in the first quarter of 1987 was about 10 percent lower in real terms than in the previous year, reflecting in part delays in payments, (especially transfers to the private sector), and restraint on purchases of goods and services.

IV. Financial Intermediation

1. Overall trends

The rate of growth of domestic credit mounted steadily from 1981 through June 1985, during which period there were substantial losses in net international reserves, financial saving declined markedly in real terms, and inflation rose to very high levels. After the launching of the new economic program in mid-1985, the rated credit growth came down sharply, and in the 6 months ended in December 1985, the net domestic assets of the financial system rose by 84 percent (annual rate) compared with a drop of 1,003 percent during the first half of 1985 and 561 percent during 1984 (Table 17). Inflation was brought down to low levels in the second half of 1985, real money balances increased sharply, and there was an inflow of external assets; the decline of external assets of the financial system in 1985 as a whole was US\$282 million, compared with US\$1,173 million in 1984. During 1986, net domestic assets increased by 118 percent and inflation began to pick up; the increase of real money balances slowed and the loss of external assets increased to US\$1,639 million, bringing the total decline since December 1980 to almost US\$17 1/2 billion.

The rate of increase of financial system liabilities to the private sector declined from 527 percent in the 12 months ended in December 1984 to 320 percent during 1985 and to 101 percent during 1986. In real terms, liabilities to the private sector declined by 45 percent from December 1980 to June 1985, but rose strongly in the second half of 1985 reflecting a significant increase in real interest rates and the abatement of inflation (Table 18). Although the pace of recovery moderated in 1986, real liabilities to the private sector in December 1986 were 30 percent above their level in June 1985. The recovery of real narrow money balances was even more pronounced; such balances, which had declined 56 percent from December 1980 to June 1985, rose 71 percent in the six months ended December 1985. However, the recovery in real balances faltered in 1986 as inflation re-emerged. The increase in demand for domestic money after June 1985 was reflected in a decline in the proportion of foreign currency deposits in total financial system liabilities to the private sector from 9 1/2 percent in June 1985 to 5 1/2 percent in December 1986.

From 1981 to June 1985, credit to the private sector fell almost 40 percent in real terms as financial saving declined and the credit needs of the public sector (including the operating losses of the Central Bank) increased substantially. In the subsequent year and a half, real credit to the private sector was maintained at roughly its level of June 1985 despite the recovery of financial saving, as credit to the public sector continued to increase in real terms and foreign inflows of credit were reduced. However, during this period a marked shift in the type of credit took place. The stock of credit denominated in foreign currency (including the counterpart to external payment

Table 17. Argentina: Summary of Operations of Financial System 1/

	1981	1982	1983	1984	1985	December 1986
I. Consolidated Financial System						
(Percentage change during previous 12 months)						
<u>Net external assets</u> 2/	-19.0	-68.6	-65.9	-33.8	-8.1	-17.0
<u>Net domestic assets</u> 2/	120.6	178.8	420.6	561.4	328.2	117.6
Private sector	103.5	138.6	287.0	354.8	196.7	67.3
Nonfinancial public sector	57.5	70.4	297.6	296.2	126.5	31.7
Other 3/	-40.4	-30.2	-164.0	-89.6	5.1	18.7
<u>Liabilities to private sector</u>	101.6	110.2	354.7	527.6	320.2	100.6
Monetary liabilities	67.4	224.7	368.2	524.7	596.2	85.5
Other liabilities	114.1	80.5	349.3	528.4	249.0	108.1
(Change during previous 12 months, in millions of U.S. dollars)						
<u>Net external assets</u>	-4,358	-6,626	-3,247	-1,173	-282	-1,639
II. Central Bank						
(Percentage change during previous 12 months)						
<u>Net international reserves</u> 4/	-17.1	-64.9	-57.5	-54.4	-15.1	-18.7
<u>Net domestic assets</u> 4/	132.1	819.4	413.7	501.6	720.1	91.2
Credit to financial system and private sector	127.5	885.2	227.3	393.1	295.0	42.1
Nonfinancial public sector	151.0	221.1	364.3	390.0	379.0	43.6
Other 3/	-146.5	-286.9	-177.9	-281.5	46.1	5.6
<u>Liabilities to financial system and nonfinancial private sector</u>	114.9	754.5	356.2	447.2	705.0	72.5
Nonfinancial private sector	82.3	191.9	427.1	583.2	561.7	97.6
Rest of financial system	187.0	1,542.5	338.6	406.5	762.8	64.7
(Change during previous 12 months, in millions of U.S. dollars)						
<u>Net international reserves</u>	-3,922	-6,271	-2,832	-1,889	-528	-1,806

Source: Central Bank of Argentina.

1/ Assets and liabilities denominated in foreign currency are valued at the average exchange rate for each year.

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

3/ Includes counterpart to unrequited foreign exchange transactions (including SDR allocations and valuation adjustments).

4/ Change as a percentage of Central Bank liabilities at the beginning of the period.

Table 18. Argentina: Financial System in Real Terms
 (Deflated by consumer price index; index for private
 sector liabilities on December 1981=100)

	1980 Dec.	1981 Dec.	1982 Dec.	1983 Dec.	1984 Dec.	June 1985	Dec.	June 1986	Dec.
<u>Credit to public sector</u>									
Local currency	16.8	40.3	55.1	75.8	67.4	63.7	64.5	63.0	68.3
Foreign currency	15.3	32.6	26.5	49.2	29.4	24.0	16.4	16.5	23.3
Arrears	1.5	7.8	28.6	26.6	38.0	39.7	39.1	46.5	44.9
Other	--	--	15.0	13.6	22.5	19.8	10.1	6.4	2.8
<u>Credit to private sector</u>									
Local currency	107.9	119.9	119.4	97.1	77.4	73.3	70.0	67.1	70.2
Foreign currency	94.7	91.8	76.2	56.5	43.2	38.1	45.8	49.7	54.6
Arrears	13.2	28.1	43.2	40.5	34.3	35.2	24.2	17.4	15.6
Other	--	--	4.0	8.0	4.8	4.5	0.3	--	--
<u>Liabilities to private sector</u>									
Money	109.0	100.0	74.3	69.7	63.2	59.0	68.0	72.5	77.0
Other	30.0	21.7	22.8	20.0	15.9	13.3	22.7	22.6	23.2
Local currency	79.0	78.3	51.5	49.7	47.4	45.7	45.3	49.9	53.8
Foreign currency	76.8	73.6	51.5	49.7	47.4	40.1	45.3	45.6	53.8
Memorandum item									
Foreign currency deposits (in millions of dollars)	989.0	916.0	681.6	362.3	908.2	766.6	707.4	786.4	865.5

Source: Central Bank of Argentina.

arrears) which had remained relatively unchanged in real terms from December 1980 to June 1985, declined by over 50 percent in real terms in the 18 months ended in December 1986.

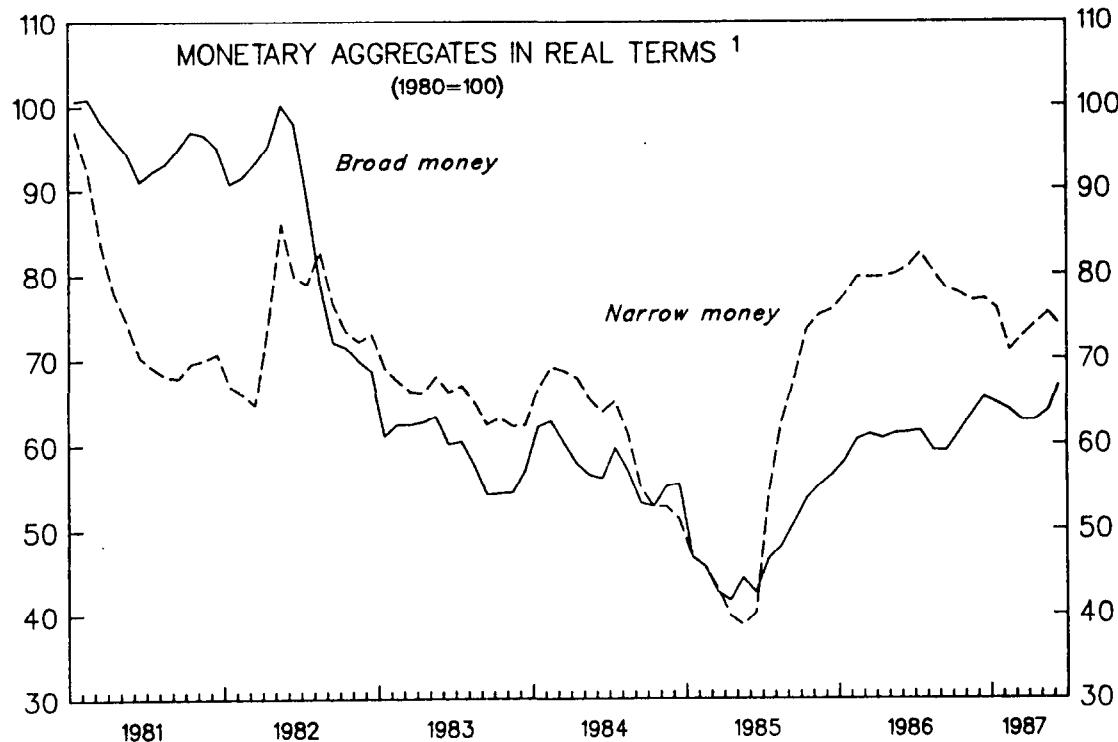
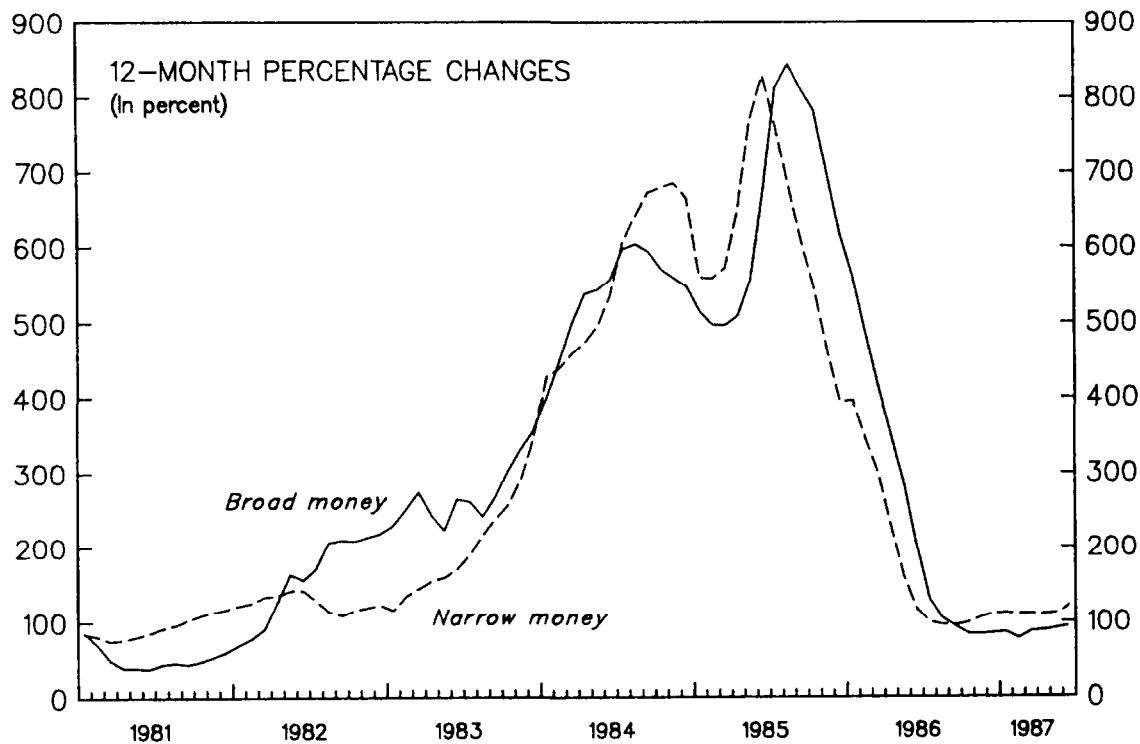
2. Monetary and interest rate developments

After declining somewhat in the second half of 1984, the 12-month rates of growth of narrow money and broad money both rose to over 800 percent in the first half of 1985 (Chart 13); in the second quarter of 1985, M-1 rose at a monthly rate of 29 1/2 percent while M-5 increased at a rate of 27 percent (Table 19). The regulated interest rate on 30-day deposits was raised in a series of steps to 28 percent a month in early June 1985, but remained negative in real terms as inflation escalated (Statistical Appendix Table 51 and Chart 14). The free interest rate in the interfirm market reached 40 percent a month in May and June; the spread between the exchange rates in the official and parallel markets reached 30 percent in April 1985 before declining to about 10 percent in early June in the wake of a series of exchange rate adjustments.

As part of the economic program introduced in June 1985, domestic credit expansion was to be limited very strictly and in particular central bank credit to the government was to be restricted to the local currency equivalent of foreign borrowing. To the extent that demand for financial assets increased as a result of declining inflation and improved confidence, this demand was to be met by net inflows of funds from abroad. At the same time, a new currency, the austral, was introduced (with one austral equivalent to 1,000 pesos argentinos), together with a system for deindexing financial contracts to avoid large windfall profits and losses for creditors and debtors as a result of the unexpected decline in inflation. The regulated deposit rate was lowered to 4 percent a month in mid-June and immediately following the announcement of these measures, the free interest rate in the interfirm market declined to about 8 percent. The spread between the exchange rates in the official and parallel markets was virtually eliminated in late June 1985.

In the third quarter of 1985, the monetary aggregates continued to grow relatively rapidly, with M-1 rising at a 20 percent monthly rate and M-5 increasing by an average of 14 percent a month. This growth apparently reflected a recovery in the demand for real money balances after the sharp drop in inflation and the emergence of positive real interest rates in both the regulated and free markets. The rates of increase of the aggregates slowed in the fourth quarter of 1985 and the first quarter of 1986, as the average monthly increase of M-1 came down to 5 1/2 percent and M-5 increased at a rate of 6 1/4 percent a month. The regulated interest rate was reduced to 3 percent a month in October 1985 and the free rate came down from 7 1/2 percent in the third quarter to 4 1/4 percent in March 1986; nevertheless, rates were maintained at positive levels in real terms through February as inflation continued to be relatively low. The exchange rate spread, which had re-emerged in

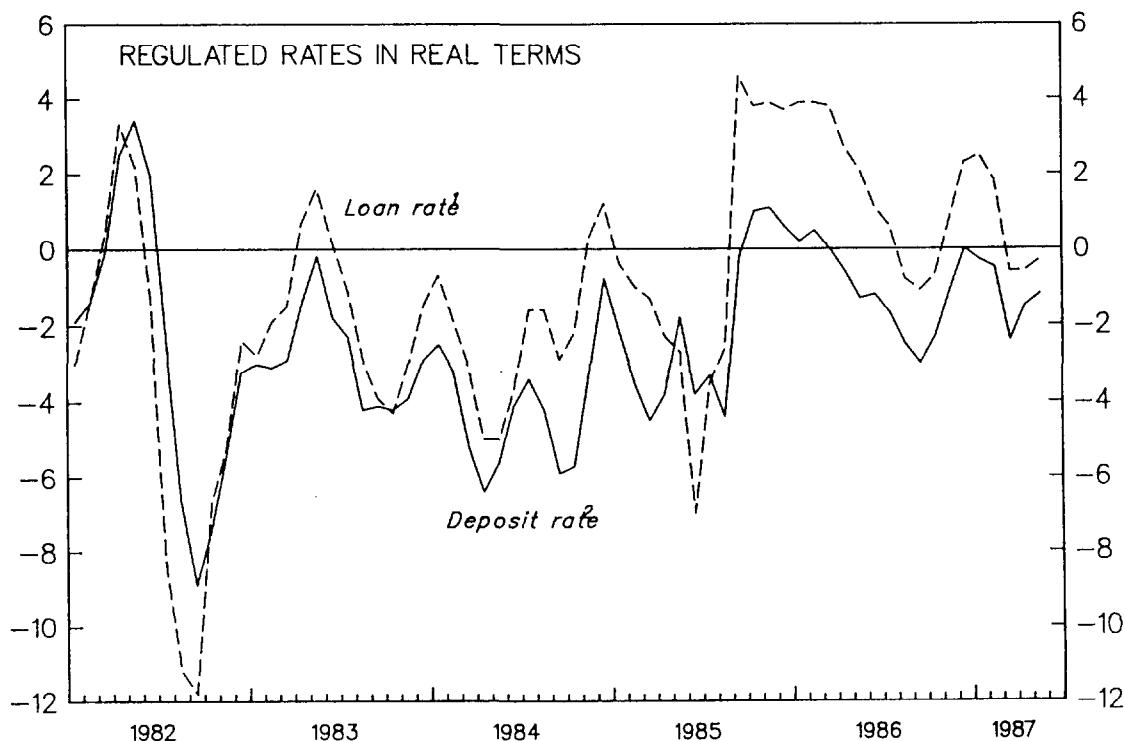
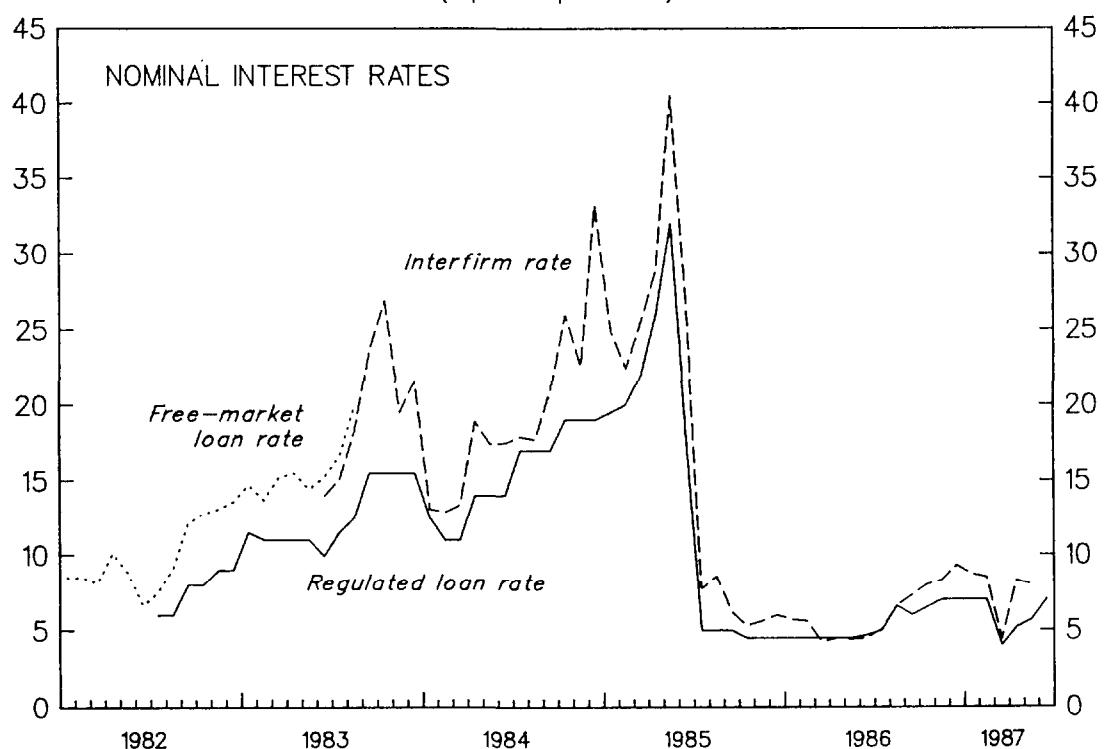
CHART 13
ARGENTINA
MONETARY DEVELOPMENTS



Source: Central Bank of Argentina.

¹Deflated by the consumer price index, seasonally adjusted.

CHART 14
ARGENTINA
INTEREST RATE DEVELOPMENTS
(in percent per month)



Source: Central Bank of Argentina.

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

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

Table 19. Argentina: Selected Financial Indicators

(In percent)

	<u>Growth of Aggregates 1/</u>	<u>M-1 2/</u>	<u>M-5 3/</u>	Regulated Deposit Rate 4/	Interfirm Interest Rate 5/	Exchange Rate Spread 6/	Inflation Rate 7/
1985							
I	17.2	26.5	18.5	24.3	26.5	23.2	
II	25.4	29.5	23.3	32.0	18.0	31.7	
III	20.1	14.0	3.5	7.5	17.1	2.1	
IV	7.4	5.7	3.1	5.6	10.9	1.6	
1986							
I	3.7	6.9	3.1	5.2	11.4	1.9	
II	8.0	6.8	3.2	4.5	6.6	3.9	
III	3.6	5.3	4.4	6.3	10.3	7.3	
IV	6.8	7.4	5.3	8.5	18.8	4.9	
1987							
I	5.3	5.8	4.8	7.2	26.0	7.0	
January	5.9	6.4	5.5	8.7	32.7	6.4	
February	-0.3	5.3	6.0	8.5	23.6	6.7	
March	10.6	5.9	3.0	4.4	21.7	8.0	
April	6.5	4.1	4.2	8.3	31.8	2.6	
May	4.1	5.4	4.7	8.3	30.2	4.6	

1/ Includes money in circulation and sight deposits (except certain Treasury deposits with the National Bank).

2/ Includes M-1 plus time deposits, indexed deposits and private holdings of Central Bank paper.

3/ Average seasonally adjusted monthly increase.

4/ 30-day time deposits.

5/ Average monthly rate, against security of bonds of the Government of Argentina denominated in U.S. dollars.

6/ Percentage difference in terms of australes per U.S. dollar between the exchange rates in the parallel and official exchange markets.

7/ Average monthly rate of increase of the consumer and wholesale price indexes.

the third quarter of 1985, averaged about 11 percent in the fourth quarter of 1985 and the first quarter of 1986.

Central bank rediscounts rose sharply between June 1985 and March 1986. In part, this increase reflected large rises in rediscounts for two special lines--to cover declines in indexed deposits and to provide prefunding for exports--the demand for which had grown substantially in the wake of the price freeze and the pegging of the exchange rate. In addition, there were significant increases in rediscounts to the provincial banks and the National Mortgage Bank. To offset the liquidity effects of these increases, the Central Bank took a series of measures, including an increase of reserve requirements on nonregulated rate deposits in July 1985, the introduction of a requirement to hold a percentage of nonregulated rate deposits (initially 35 percent) as an investment with the Central Bank (referred to as BONOR) in August 1985, and the requirement that increases in rediscounts for export financing and to compensate declines in indexed deposits be matched by investments in the Central Bank in November 1985 (Statistical Appendix Table 52).

M-1 increased at an average monthly rate of 8 percent in the second quarter of 1986, reflecting in part an expansion of net central bank credit in the wake of a reform of the provincial banks ^{1/} and strike actions in the banking sector which raised the demand for cash for transactions purposes; during this period M-5 increased at almost 7 percent a month. Nominal interest rates were maintained at March levels through mid-June despite a pickup in inflation, and in real terms interest rates became negative in both the regulated and free markets. As inflation continued to escalate through August, real narrow money balances started to be eroded while real interest rates declined further despite the regulated rate being increased in steps to 5 1/2 percent in the second half of August and the free rate rising to 6 1/2 percent in August. The exchange market spread, which had virtually disappeared in July 1986, increased to 13 percent in August.

In late August 1986, the monetary authorities moved to tighten credit policy in conjunction with a package of measures to strengthen controls on prices and wages. The regulated deposit rate was reduced to 4 1/2 percent in September in line with the officially projected decline in inflation, but the rate was restored to 5 1/2 percent in mid-October and was positive in real terms in November and December as inflation subsided. The free rate rose to over 7 percent in September and to 9 percent in December and was substantially positive in real terms throughout the fourth quarter. The rate of growth of the aggregates came down in September, but M-1 increased by about 7 percent a month in the fourth quarter of the year, and with markets remaining unsettled the exchange spread rose to 29 percent in December. M-5 also increased at

^{1/} The most important changes in central bank regulations affecting the financial system from March 1986-June 1987 are described in Appendix IV.

about 7 percent a month in the fourth quarter, owing in part to transfers of deposits from the interfirm market to the banking system following a monetary reform in October that permitted banks to intermediate in acceptances and swap operations at free market rates.

The resurgence of inflation in early 1987 was accompanied by further declines in real money balances and a decline in real interest rates, while the exchange market spread continued to widen. In late February, at the time of the price and wage freeze, the regulated deposit rate was lowered to 3 percent while official banks were encouraged by the authorities to reduce free-market rates in line with the projected lower path for inflation. At that time it was announced that the Central Bank was developing a budget for rediscounts and that increases in rediscounts (net of repayments) would be restricted to ₦ 400 million in the period March-June 1987 and a further ₦ 400 million in the second half of 1987.

There was a large rise in central bank credit in March to cover reserve deficiencies in official banks following a major shift in deposits to private banks that had maintained higher interest rates, which was only partially offset by the requirement that banks constitute a special investment equal to 3 percent of free-market rate deposits introduced in mid-March. In addition, there was a substantial inflow of foreign funds through the official market in the wake of the announcement of the February measures, and M-1 rose by over 10 percent in March. Inflation remained at high levels and the exchange spread, which had come down sharply after the announcement of the February 1987 measures, rose to about 30 percent at the end of March.

In the second quarter of 1987, the authorities moved to tighten credit policies and to ease liquidity pressures on the official banks. In April, banks were required to constitute special deposits with the Central Bank equivalent to 4 percent of free-market rate deposits, and in May and June this requirement was maintained at 2 percent of free-market rate deposits. In addition, funds from free-market rate deposits in April in excess of 20 percent of the value of such deposits in February had to be deposited with the Central Bank. Regulated interest rates were raised in a series of steps to 7 percent by the second half of June, and regulated deposit rates were positive in real terms in April and May. The Central Bank also began to absorb funds from the market by auctioning new types of government paper which offered relatively high rates of return. In reflection of these measures, the monetary aggregates decelerated in April and May.

3. Changes in the structure of the financial system

Since the major changes in the financial system in July 1982, the Central Bank has played an important role as a financial intermediary, which has greatly complicated the management of monetary policy. Despite efforts in late 1984 and early 1985 to reduce the intermediary role of the Central Bank, the ratio of central bank credit to total

financial system credit was 57 percent in June 1985 (Table 20). The rapid expansion of central bank credit in the period after mid-1985 led to a rise in the ratio of central bank credit to total credit to 75 percent by March 1986. Subsequently, the ratio of central bank credit to total credit has declined somewhat, in particular following the incorporation into the regulated financial system of transactions from the interfirm market in the fourth quarter of 1986, but the ratio still stood at 69 percent in December 1986.

To finance this credit, the Central Bank has imposed extensive reserve and investment requirements on bank deposits, which has provided a strong incentive for the development of the unregulated interfirm market. Reserves and investments with the Central Bank increased from 21 percent of financial system deposits in December 1981 to 73 percent in December 1982, and remained at 65 percent in June 1985. To finance the expansion in central bank lending after June 1985 the ratio of central bank liabilities to total deposits of the financial system rose to 75 percent in March 1986, before declining to 67 percent in December 1986.

In April 1986, the Central Bank implemented a program to reform the operations of most provincial banks so as to relieve the pressures these banks were placing on domestic interest rates. Affected banks were prohibited from accepting nonregulated rate deposits or from operating in the interbank market. To allow existing nonregulated rate deposits at these banks to be repaid, the reserve and investment requirements applied to the banks were sharply reduced; to the extent that the resulting liberation of funds was insufficient to repay deposits, the Central Bank provided additional rediscounts for this purpose. At the same time, the quotas restricting acceptance of nonregulated rate deposits at other banks were raised almost 20 percent to allow a transfer of nonregulated rate deposits from provincial banks to other banks. To offset the monetary effects of these changes, the requirement to constitute BONOR against nonregulated rate deposits was raised to 80 percent at the margin.

In October 1986, measures were taken to reduce the importance of the unregulated interfirm market, which at the time was estimated to account for 25 percent of financial intermediation. To achieve this change, there was a virtual termination of reserve and investment requirements on marginal nonregulated rate deposits; the requirement to constitute BONOR against nonregulated rate deposits (which was 63 1/2 percent at the margin in September 1986) was eliminated and the reserve requirement on such deposits was reduced from 7 1/2 percent to 3 percent. To neutralize the monetary effect of the reform, banks were required to constitute a frozen deposit with the Central Bank equal to 106 percent of holdings of BONOR in September 1986. In addition, it was believed that some banks may have used vault cash for transactions purposes in the interfirm market; to limit this activity, banks were required to hold at least 80 percent of reserves as deposits with the Central Bank. Finally, banks were authorized to intermediate in a

Table 20. Argentina: Central Bank Intermediation in Financial Transactions
 (In percent)

	1981		1982		1983		1984		1985		1986	
	Dec.	Dec.	Dec.	Dec.	June	Dec.	June	Dec.	June	Dec.	June	Dec.
Ratio of central bank liabilities to total deposits of financial system 1/												
Reserves	21.3	72.9	70.3	55.7	65.4	74.6	73.0	66.5				
Investments	21.3	72.9	70.3	54.6	31.6	44.2	36.7	30.7				
Ratio of central bank domestic credit to total domestic credit 2/												
Private sector	26.8	63.5	64.1	64.1	57.2	71.4	74.9	68.8				
Public sector	16.7	65.4	49.8	51.3	38.7	49.7	52.6	49.0				
	56.9	59.4	82.5	78.8	78.5	94.9	98.6	89.3				

Source: Central Bank of Argentina.

1/ Central bank liabilities include currency in circulation plus the various required reserves and investments.

2/ Central bank domestic credit includes external payments arrears and the interest equalization account.

number of transactions that were free of interest rate regulations, such as bankers acceptances and intermediate operations involving security of government bonds (swaps); these transactions had previously been confined to the interfirm market. In the three months following these changes, deposits at free-market rates increased by over 40 percent.

Since the 1982 financial reform, a large proportion of deposits has been subject to interest rate regulation, but there has been some reduction in the extent of interest rate regulation since June 1985, as a number of measures have been taken to raise the proportion of deposits earning a free rate of interest. The quotas restricting banks' holdings of free deposits to a percentage of regulated rate deposits and bank capital were raised by 100 percent from June 1985 to December 1985, and the quotas have been doubled again since October 1986 to accommodate operations previously conducted in the interfirm market. The October measures also increased the range of transactions that could be undertaken by financial institutions at free rates. In reflection of these measures, the ratio of regulated deposits to total interest-bearing deposits came down from 52 percent in June 1985 to 35 percent in December 1986, while deposits at free-market rates rose from 16 percent of the total to 56 percent of the total (Table 21).

4. Operating losses of the Central Bank

In July 1982, the Central Bank took over the domestic debt and a large proportion of the external debt of the public sector and began financing large government deficits interest free in part from funds on which it paid high interest rates. In addition, the Bank subsidized the private sector through its rediscount programs. As a result, the Central Bank experienced operating losses which rose from 1 percent of GDP in 1982 to 4 3/4 percent of GDP in the first half of 1985 (Table 22).

Following the introduction of the economic program of June 1985, the operating losses of the Central Bank related to internal operations declined from 4 1/2 percent GDP in the first half of 1985 to 1 percent of GDP in the second half of 1985. This reduction stemmed in part from the large rise in the monetary base associated with the recovery in real M-1 balances during this period, which provided the Central Bank with additional interest-free resources. In addition, the abatement of inflation reduced the cost of funding interest-free loans that were still not matched by interest-free resources. The external operating losses of the Central Bank (those associated with external interest payments) remained at 1/4 percent of GDP, their level of the first half of the year.

Table 21. 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
1982					
June	97.0	--	--	--	3.0
December	11.3	63.0	14.3	--	11.4
1983					
June	6.9	66.6	14.6	--	11.9
December	1.4 <u>2/</u>	70.7	22.1	--	5.9
1984					
June	11.7 <u>2/</u>	54.7	25.5	--	8.1
December	17.8 <u>3/</u>	53.1	15.1	--	14.0
1985					
June	16.1	51.9	10.4	6.5	15.1
December	43.8	44.0	0.9	0.8	10.5
1986					
June	49.7	39.5	0.4	1.4	9.0
December	57.2 <u>3/</u>	33.0	0.4	0.7	8.7

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)).

Table 22. Argentina: Operating Losses of the Central Bank
 (In percent of GDP)

	Internal	External	Total
1983	-1.6	0.5	-1.1
1984	-2.4	-0.1	-2.5
1985	-2.0	-0.1	-2.1
1986	-1.3	-0.4	-1.6
<u>1985</u>			
1st quarter	-3.6	-0.3	-3.9
2nd quarter	-5.1	-0.1	-5.2
3rd quarter	-0.8	-0.4	-1.2
4th quarter	-1.2	0.2	-1.0
<u>1986</u>			
1st quarter	-1.1	-0.4	-1.6
2nd quarter	-1.0	-0.3	-1.3
3rd quarter	-0.9	-0.3	-1.2
4th quarter	-1.8	-0.5	-2.3
<u>1987</u>			
1st quarter	-1.1	-0.7	-1.8

Source: Central Bank of Argentina.

In the first three quarters of 1986, the operating losses of the Central Bank widened to about 1 1/4 percent of GDP reflecting a rise in the external losses of the Central Bank associated with the Bank's increasing net external indebtedness. Internal losses remained roughly unchanged at their level of the second half of 1985, as the costs involved in increasing central bank intermediation in this period were offset by the effect of a decline in nonregulated interest rates relative both to inflation and to the rate of depreciation of the austral. Changes in the differential between nonregulated interest rates on the one hand and inflation or the rate of depreciation of the austral on the other have a direct impact on the domestic losses of the Central Bank because rediscounts linked to prices or the exchange rate are financed mainly through investments bearing interest at close to the nonregulated interest rate. In the final quarter of 1986, the operating losses of the Central Bank increased sharply to 2 1/4 percent of GDP as nonregulated interest rates rose to relatively high levels. The operating losses declined again to 1 3/4 percent of GDP in the first quarter of 1987 as the real interest rate came down.

V. Balance of Payments

1. Overview

The external position of Argentina deteriorated markedly in the period 1980-81, owing mainly to a sharp real appreciation that had taken place in 1978-80 (Chart 15 and Statistical Appendix Tables 53 and 54). Between mid-1981 and 1982, the real appreciation was reversed and extensive trade and exchange controls were introduced, including the accumulation of external payments arrears. The deficit on the current account narrowed, principally owing to a sharp fall in the level of imports; however, there were heavy outflows on the capital account and the overall deficit widened (Table 23). In 1983-84, the real exchange rate appreciated. The deficit on the current account remained broadly unchanged, while diminished capital outflows resulted in some improvement in the overall balance; however, the external position remained under pressure and external payments arrears continued to accumulate.

From September 1984 to June 1985, the Argentine currency depreciated substantially. In June 1985, a new currency, the austral, was introduced, and the exchange rate was pegged to the U.S. dollar through March 1986. From April 1986 to February 1987, the exchange rate was subject to frequent small adjustments. The austral was again pegged to the U.S. dollar in late February 1987 but the policy of frequent small adjustments resumed in May 1987. In real effective terms, the Argentine currency depreciated by 30 percent from September 1984 to July 1985. It appreciated by 14 percent between July 1985 and November 1986, but in the subsequent period through April 1987, there was a real depreciation of 7 percent.

The deficit on the external current account narrowed from US\$2.4 billion in 1984 to US\$1 billion in 1985. Export earnings increased modestly in 1985 as strong growth of exports of manufactured goods outweighed the effect of a decline in international prices for agricultural products; at the same time, imports fell owing to depressed economic activity, restrictive import licensing, and the decline in the real value of the exchange rate. The deficit on service transactions came down as a result of lower international interest rates. Net capital inflows fell slightly and the overall balance of payments deficit narrowed from US\$1.9 billion in 1984 to US\$0.6 billion in 1985. Substantial inflows of extraordinary financing, including a rescheduling of principal and interest payments with the Paris Club and new loans of US\$3.1 billion from commercial banks, allowed for a US\$2.4 billion reduction in external payment; gross reserves also increased by US\$1.9 billion.

The deficit on the current account widened to US\$2.8 billion in 1986. Export earnings fell by 18 percent mainly on account of a further decline in international prices of agricultural products and the effects of floods on agricultural output. Imports rose 23 percent as a result

Table 23. Argentina: Summary Balance of Payments
(In millions of U.S. dollars)

	1981	1982	1983	1984	1985	1986
<u>Current account</u>	<u>-4,714</u>	<u>-2,358</u>	<u>-2,461</u>	<u>-2,391</u>	<u>-953</u>	<u>-2,821</u>
Merchandise trade	-287	2,287	3,331	3,523	4,582	2,149
Exports, f.o.b.	9,143	7,624	7,836	8,107	8,396	6,849
Imports, c.i.f.	-9,430	-5,337	-4,505	-4,584	-3,814	-4,700
Nonfactor services	-705	42	-400	-205	-231	-556
Factor services	-3,700	-4,719	-5,408	-5,712	-5,304	-4,416
Profits and dividends	-735	-316	-425	-439	-425	-482
Interest receipts	886	523	440	264	253	357
Interest payments	-3,850	-4,926	-5,422	-5,537	-5,132	-4,291
Transfers	-23	32	15	3	0	2
<u>Capital account</u>	<u>1,155</u>	<u>-3,808</u>	<u>-111</u>	<u>647</u>	<u>397</u>	<u>746</u>
Direct investment	927	257	183	268	919	574
Export financing 1/	-1,464	-504	260	511	140	-54
Import financing 1/	-1,922	-2,216	-617	-11	-952	-533
Loans from multilateral organizations	182	114	113	123	182	437
Other 2/	3,432	-1,459	-50	-245	108	322
<u>Overall balance</u>	<u>-3,559</u>	<u>-6,166</u>	<u>-2,572</u>	<u>-1,744</u>	<u>-556</u>	<u>-2,075</u>
<u>Financing</u>	<u>3,559</u>	<u>6,166</u>	<u>2,572</u>	<u>1,744</u>	<u>556</u>	<u>2,075</u>
<u>Change in assets (- increase)</u>	<u>3,458</u>	<u>755</u>	<u>-1,445</u>	<u>-207</u>	<u>-1,871</u>	<u>563</u>
Arrears	--	2,540	682	940	-2,445	-1,174
IMF position	--	--	1,178	--	1,007	145
Purchases	--	--	1,178	--	1,007	547
Repurchases	--	--	--	--	--	402
Official creditors	--	--	--	600	1,017	897
Paris Club	--	--	--	--	1,617	897
Other	--	--	--	600	-600	--
Commercial banks 3/	--	--	1,250	--	3,096	1,207
Other liabilities 4/	101	2,871	907	411	-248	437

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

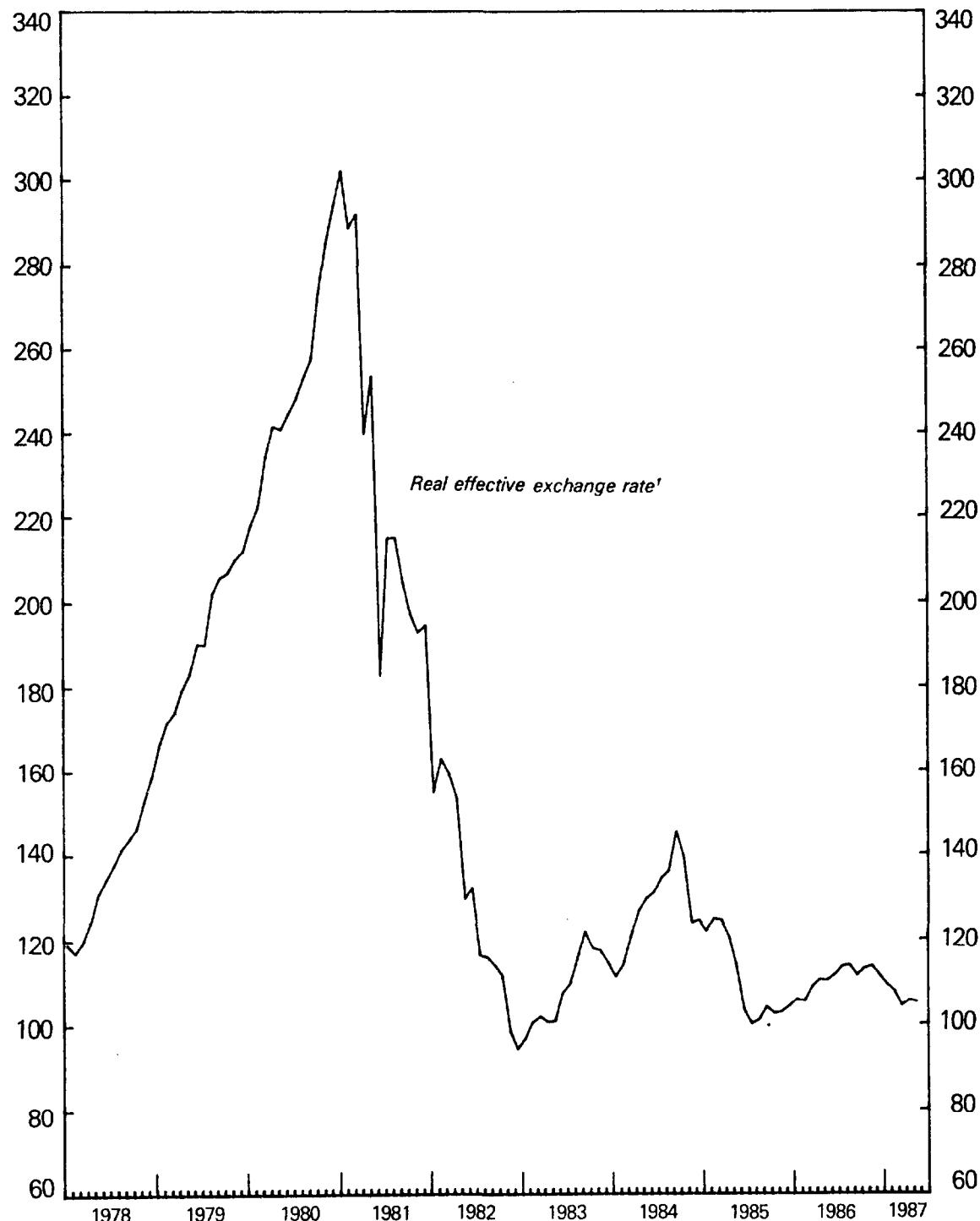
1/ Includes an estimate of trade-related leads and lags based on the difference between exports and imports on a customs basis, and export receipts and import payments, as well as identified trade credits.

2/ Includes changes in Central Bank foreign assets not considered part of international reserves, and errors and omissions.

3/ Amounts raised through concerted lending.

4/ Includes valuation and other adjustments; a detailed breakdown of reserve liabilities is provided in Statistical Appendix Table 61.

CHART 15
ARGENTINA
EXCHANGE RATE DEVELOPMENTS
(Index July 1985 =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.

of the recovery of economic activity, the real appreciation of the austral, and some measures to liberalize trade restrictions. The deficit on service transactions narrowed, reflecting the continuing downward trend in international interest rates. Net capital inflows increased only moderately and the overall balance of payments deficit widened from US\$0.6 billion in 1985 to US\$2.1 billion in 1986. Extraordinary financing arrangements continued with new money from commercial banks under the 1985 package totaling US\$1.2 billion. There was a further reduction of US\$1.2 billion in the level of external payment arrears, but also a reduction of US\$0.6 billion in the gross reserves of the Central Bank.

Preliminary estimates for the first half of 1987 indicate that the overall deficit was US\$1.8 billion, compared with US\$0.7 billion in the first half of 1985. In particular, export performance remained weak owing in part to widespread flood damage to corn and sunflower crops. However, as a result of corrective actions undertaken in the second quarter of 1987, including the real effective depreciation noted above, at mid-year the Government was targeting a balance of payments deficit for 1987 as a whole of US\$2 billion.

2. Exports

In 1985, total exports increased by about 4 percent, as a rise in export volumes was more than offset by a decline in export unit values (Table 24 and Statistical Appendix Table 55). The value of primary and processed agricultural exports fell by about 7 percent, reflecting mainly a decline in world prices of Argentina's major agricultural export products (i.e., wheat, corn, sorghum, soybeans, and soybean and sunflower derivatives) (Statistical Appendix Table 56). Exports of mineral and industrial products increased by about 40 percent, as exports of petroleum products nearly doubled and exports of metal and transport materials increased strongly. The buoyancy of industrial exports was due in part to special factors, such as the sale of surplus petroleum stocks, but also reflected the improvements in Argentina's competitiveness as well as increasing demand in Argentina's main export markets (Statistical Appendix Table 57).

In 1986, the total value of exports declined by 18 percent. Exports of agricultural products declined by about 20 percent, on account of the continuing weakness of international prices for agricultural products and a sharp fall in the export volume of wheat that resulted from extensive flooding in the province of Buenos Aires. Exports of industrial products fell by 18 percent, principally owing to a large reduction in exports of petroleum products. The value of exports of non-petroleum industrial products remained unchanged; exports of metal products rose strongly but supplies of other industrial products were absorbed by buoyant domestic demand.

Data on the direction of trade for Argentine exports are available only through 1985 (Statistical Appendix Table 58). The share of

Table 24. Argentina: Exports by Commodity Classification
 (In millions of U.S. dollars)

	1981	1982	1983	1984	1985	1986
<u>Total</u>	<u>9,143</u>	<u>7,624</u>	<u>7,836</u>	<u>8,107</u>	<u>8,396</u>	<u>6,849</u>
<u>Major agricultural products</u>	<u>5,158</u>	<u>3,583</u>	<u>4,552</u>	<u>4,683</u>	<u>4,595</u>	<u>3,282</u>
Wheat	763	676	1,474	923	1,133	397
Corn	1,306	585	803	744	766	648
Sorghum	637	508	554	451	296	151
Other cereals	121	52	63	122	70	60
Seeds and oilseeds	640	455	364	948	731	640
Beef	564	488	340	182	385	448
Vegetable oils	395	409	517	945	933	660
Fruit (fresh)	163	170	122	106	123	121
Wool	287	185	145	163	130	130
Sugar	282	55	170	99	28	27
<u>Other agricultural and agro-based products</u>	<u>1,445</u>	<u>1,567</u>	<u>1,570</u>	<u>1,593</u>	<u>1,272</u>	<u>1,485</u>
<u>Mineral products</u>	<u>657</u>	<u>581</u>	<u>372</u>	<u>365</u>	<u>636</u>	<u>150</u>
Fuel and lubricants	622	551	349	347	636	150
Other	35	30	23	18	--	--
<u>Industrial products</u>	<u>1,883</u>	<u>1,893</u>	<u>1,342</u>	<u>1,466</u>	<u>1,893</u>	<u>1,932</u>
Chemical and plastic products	328	311	296	297	375	350
Hides, skins, and leather manufactures	439	351	292	312	288	315
Textiles (excluding wool)	74	81	70	65	101	99
Metal manufactures	450	514	318	316	508	470
Machinery	306	296	181	210	268	295
Transport equipment	126	216	92	168	236	243
Other	160	124	93	98	117	160

Source: Central Bank of Argentina.

1/ Preliminary estimate.

Argentine exports to the Latin America Integration Association (LAIA) trading partners, reflecting mainly trade with Brazil and Mexico, fell from 20 percent in 1981-82 to 13 percent in 1983 but recovered to 17 percent in 1984 and 16 percent in 1985. The share of trade with the EC countries increased from 21 percent in 1980-83 to 24 percent in 1984 and 1985; the increase in the share of exports to the Netherlands more than offset the effects of the interruption of commercial relations with the United Kingdom beginning in 1982.

3. Imports

From 1980 to 1985, total imports declined by 64 percent in value terms and by 60 percent in volume terms, reflecting the decline in the real effective exchange rate, the intensification of trade restrictions, and weak domestic economic activity over most of the period. With the reversal of these factors in 1986, total imports rose by 20 percent in volume and 23 percent in U.S. dollar terms.

Data on the composition of imports are available only through September 1986. The administration of the system of import controls has given preference to imports of intermediate products relative to imports of consumer and capital goods. Accordingly, the share of intermediate goods in total imports rose from 61 percent in 1981 to 79 percent in the first nine months of 1986 (Table 25). Over the same period, the share of consumer goods fell from 17 percent to 5 percent. The share of capital goods declined from 22 percent in 1981 to less than 16 percent in the first nine months of 1986.

As regards the direction of trade, the share of imports from member countries of the LAIA rose from 20 percent in 1981 to 34 percent in 1985. This development may have been partly a result of the special treatment afforded to most imports from LAIA countries under Argentina's minimum import financing requirements (see Section VI.1). Since 1982, when these financing requirements were imposed, imports originating in LAIA countries have enjoyed either an exemption or a shorter minimum financing requirement than imports from other countries.

4. Services

The deficit on the nonfactor service account declined from US\$0.7 billion in 1980 to US\$0.2 billion in 1985 but widened to US\$0.6 billion in 1986. The decline through 1985 reflected in large part a reduction in freight and insurance receipts reflecting the fall in trade, while the increase in 1986 can be attributed to the pickup in outflows related to tourism and travel.

Since September 1983, Argentines travelling abroad have not been permitted to purchase foreign exchange at the official rate for their travel and tourism expenditures, and such transactions have taken place

Table 25. Argentina: Imports by Economic Classification

	1981	1982	1983	1984	1985	Jan-Sept. 1985	1986
(In millions of U.S. dollars)							
<u>Total imports, c.i.f.</u>	<u>9,430</u>	<u>5,337</u>	<u>4,504</u>	<u>4,584</u>	<u>3,814</u>	<u>2,883</u>	<u>3,432</u>
Capital goods	2,059	950	769	643	648	512	530
Consumer goods	1,632	395	208	248	198	142	179
Intermediate goods	5,739	3,992	3,527	3,693	2,968	2,229	2,723
Fuels and lubricants	1,011	672	454	468	454	340	326
Other	4,728	3,320	3,073	3,225	2,514	1,889	2,397
(In percent of total)							
<u>Total imports, c.i.f.</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
Capital goods	21.8	17.8	17.1	14.0	17.0	17.8	15.5
Consumer goods	17.3	7.4	4.6	5.4	5.2	4.9	5.2
Intermediate goods	60.9	74.8	78.3	80.6	77.8	77.3	79.3
Fuels and lubricants	10.7	12.6	10.0	10.2	11.9	11.8	9.5
Other	50.2	62.2	68.3	70.4	65.9	65.5	69.8

Source: Central Bank of Argentina.

at the more depreciated parallel exchange rate. 1/ In 1986, net tourism expenditures amounted to US\$160 million compared with US\$30 million in 1985; net travel expenditures were US\$320 million compared to US\$150 million in 1985. Royalty payments rose from US\$300 million in 1985 to US\$400 million in 1986.

The deficit in the investment income account increased steadily from US\$0.7 billion in 1978 to US\$5.7 billion in 1984, reflecting the quadrupling of Argentina's external debt, increasing international interest rates, heavier reliance on commercial borrowing and on arrears, and widened spreads paid by Argentina. The deficit came down to US\$5.3 billion in 1985 and US\$4.4 billion in 1986, as interest payment obligations fell from US\$5.5 billion in 1984 to US\$5.1 billion in 1985 and US\$4.3 billion in 1986. The decline in interest payments reflected a significant reduction in the level of international interest rates--the three-month LIBOR fell from 10.9 percent in 1984 to 8.4 percent in 1985 and to 6.9 percent in 1986--which more than offset the effect of the increase in the stock of external debt. Interest receipts, which were substantial when Argentina maintained a large stock of foreign reserve assets, have declined from US\$0.9 billion in 1981 to US\$0.3 billion in 1985 and US\$0.4 billion in 1986.

Remittances of profits and dividends reached US\$0.8 billion in 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 at the official exchange rate to transfer profits and dividends abroad has been suspended and remittances dwindled to US\$0.4 billion in 1985 and US\$0.5 billion in 1986. Such transfers could be effected solely through the purchase in Argentina and sale abroad of Government of Argentina bonds denominated in U.S. dollars (BONEX).

5. Capital flows

From 1980 to 1984, Argentina's total external disbursed debt rose by US\$27 billion to US\$47 billion. 2/ During this same period, the cumulative current account deficit, net of direct investment and the decline in foreign reserve assets, was only about US\$7.4 billion and part of this was financed by foreign direct investment of US\$2.4 billion. Although neither the balance of payments nor the debt reporting

1/ In the balance of payments, tourism expenditures are estimates based on data on travel departures and arrivals and estimates of average spending. The counterpart of the difference between the estimates of tourism receipts and expenditures and tourism-related foreign exchange sales and purchases of the Central Bank is included in the capital account (Statistical Appendix Table 59).

2/ The figure for the increase in debt is approximate; because of changes in the debt reporting system, debt data for 1983 and subsequent years are not directly comparable to data for earlier years.

system permit a complete analysis of gross capital inflows and outflows, it would appear that the country's heavy borrowing financed substantial capital outflows. 1/

In 1985, a surplus of US\$0.4 billion was recorded in the capital account. Direct foreign investment and other capital inflows rose sharply and exceeded outflows related to trade financing. As regards foreign investment, the downward trend of the period 1981-84 was reversed in 1985, mainly on account of a program started in February 1985 to permit the capitalization upon maturity of specified private sector debt obligations with exchange rate guarantee into direct foreign investment. Through end-1985, US\$467 million was converted into equity investment under the program. 2/ Trade financing turned negative in 1985 due mainly to a reversal of large export prefinancing inflows that took place in the fourth quarter of 1984. 3/

A surplus of US\$0.7 billion was recorded on the capital account in 1986. A sharp increase in borrowing from international organizations and inflows of private capital were sufficient to offset continued net trade financing outflows and a decline in direct investment. 4/ Direct foreign investment inflows fell to US\$0.6 billion, which reflected the discontinuation of the debt capitalization scheme. The rise in borrowing from international organizations from US\$0.2 billion in 1985 to US\$0.5 billion in 1986 reflected a pick up in World Bank lending including disbursement of US\$150 million of an agricultural sector loan.

In 1985-86, there were large gross inflows to the Government matched by private capital outflows; these corresponded to the rescheduling of principal payments on private sector debt covered by exchange guarantees of the Central Bank 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 billion in 1985 and US\$100 million in 1986.

1/ In the Argentine balance of payments presentation, interest receipts on the holdings of foreign assets by Argentine residents that are not repatriated are not included as current account receipts or as capital account outflows.

2/ The capitalization program had a counterpart in an increase in government loans; therefore, on a net basis it had no effect on the capital account.

3/ Amortization payments to Paris Club members subject to rescheduling are included in import financing as an outflow.

4/ The Argentine balance of payment presentation excludes from gross capital outflows the maturities rescheduled with commercial banks and with other non-official creditors. Likewise, the financing counterpart is excluded from capital inflows.

6. Net international reserves

At end-1979, Argentina's net international reserves were almost US\$9.5 billion and the Central Bank's gross international reserves were the equivalent of 17 months of imports and almost equal to the total external public debt. Over the next five years, net international reserves dropped by almost US\$18 billion and at end-1984 they were negative by US\$8.3 billion (Statistical Appendix Table 60). The Central Bank's gross reserve assets amounted to US\$2.6 billion at end-1984, the equivalent of 7 months of 1984 imports. However, only about US\$0.7 billion of Central Bank's gross assets could be considered disposable.

In 1985, net international reserves fell by US\$145 million. The Central Bank's gross reserves rose by US\$2 billion to US\$4.6 billion, of which US\$2.4 billion could be considered disposable. Reserve liabilities increased by US\$2.3 billion reflecting mainly the purchases (US\$1.2 billion) from the Fund under the 1984-1985 stand-by arrangement and disbursements from the commercial banks. Obligations arising out of the Paris Club refinancing agreement of January 1985 increased by US\$1.6 billion.

In 1986, net international reserves declined by US\$1.7 billion. The Central Bank's gross reserves declined by US\$0.4 billion to US\$4.3 billion, of which US\$1.7 billion could be considered disposable. In terms of months of imports, gross reserves were equivalent to about 11 months and disposable reserves to about 4 months. Reserve liabilities rose by US\$1.1 billion, mainly on account of use of Fund resources in the first half of 1986 under the 1984-85 stand-by arrangement and an increase in liabilities to foreign banks on account of disbursements of the Medium-Term Credit Facility. External payments arrears fell by US\$1.1 billion; BONEX liabilities declined by US\$100 million as amortization outweighed new issues.

In the period 1982-84, Argentina accumulated US\$4.2 billion in external payments arrears, of which US\$3.4 billion corresponded to public sector obligations and US\$0.8 billion to private sector debt (Table 26). ^{1/} In 1985, total arrears were reduced by US\$2.4 billion, mainly as a result of the January 1985 refinancing agreement with the Paris Club that rescheduled US\$1.3 billion of obligations in arrears at the end of 1984, and the elimination of interest in arrears to commercial banks following the agreement on the 1985 financing plan.

^{1/} The data on external payments arrears described in this paper exclude arrears on principal in those categories of public sector debt that were rescheduled under the 1984-85 and 1987 financial packages.

Table 26. Argentina: External Payments Arrears 1/

(In millions of U.S. dollars)

	1982	1983	1984	March	June	Sept.	Dec.	March	June	Sept.	Dec.
	Dec.	Dec.	June	Dec.	March	June	Sept.	Dec.	March	June	Sept.
Total	2,540	3,222	3,778	4,163	3,543	3,338	2,427	1,718	1,715	1,186	1,119
Public sector	2,001	2,028	2,988	3,424	2,848	2,717	2,355	1,662	1,715	1,186	1,119
Commercial arrears 2/	777	902	1,360	1,477	329	141	122	173	140	123	90
Principal	...	771	1,172	1,191	273	100	90	135	140	123	90
Interest	...	131	188	286	56	41	32	38	—	—	—
Financial arrears	879	773	1,184	1,369	1,390	1,899	1,559	890	1,018	528	480
Principal	65	43	13	5	—	—	102	113	123	63	62
Interest 3/	814	730	1,171	1,364	1,890	4/	1,899	1,457	5/	777	895
Other arrears 7/	345	353	444	578	629	677	674	599	557	535	549
Private sector	539	1,194	790	739	695	621	72	56	—	—	—
Commercial arrears 2/	382	860	270	47	32	27	17	—	—	—	—
Principal	...	752	230	39	32	27	17	—	—	—	—
Interest	...	128	40	8	—	—	—	—	—	—	—
Financial arrears	118	191	431	554	522	439	55	56	—	—	—
Principal	95	65	102	138	138	147	—	—	—	—	—
Interest	23	126	329	416	384	292	55	56	—	—	—
Other arrears 3/	39	123	89	138	141	155	—	—	—	—	—
Arrears to banks	...	1,549	1,877	1,921	2,550	2,472	1,356	476	512	201	361
Principal	...	581	355	178	172	185	46	34	35	31	23
Interest	...	968	1,522	1,743	2,378	2,287	1,310	442	471	170	338
Public sector arrears to banks	...	918	1,317	1,367	2,012	2,020	1,297	432	512	201	361
Principal	...	140	143	40	18	25	23	34	35	31	23
Interest	...	778	1,174	1,327	1,994	1,995	1,274	398	477	170	338

Source: Central Bank of Argentina.

1/ Estimates of external payments arrears after December 1985 exclude: (a) principal amounts due subject to a 180-day rollover by foreign bank creditors; (b) certificates of deposit placed with the Central Bank in conformity with circulars A-404, A-562, A-576, A-696, and A-697; (c) principal and interest due to official creditors subject to rescheduling under the agreement reached in principle with the Paris Club; and (d) principal due to nonbank, nonofficial creditors for the same categories of loans that were rescheduled in 1985.

2/ Arrears related to imports.

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

4/ Includes a downward adjustment of US\$251 million arising from the revision of the estimated stock of arrears owed to the Paris Club members.

5/ Takes account of a revision of the estimated stock of loans covered by exchange guarantee, which gives rise to a downward revision of US\$150 million in the interest arrears accrued on these loans.

6/ Includes a downward adjustment of US\$467 million on account of the exclusion from the estimate of arrears of interest accrued on BONODS held by domestic official banks.

7/ Primarily arrears on services and transfers.

8/ Excludes \$504 million of arrears to COGASCO.

In 1986, external payments arrears were reduced further to US\$0.5 billion, ^{1/} reflecting mostly a reduction of US\$0.5 billion in the first half of 1986 on account of a reclassification of arrears owed to domestic official banks. At the end of 1986, there were no private sector arrears; public sector arrears comprised US\$156 million owed to members of the Paris Club that was due but not paid under the previous rescheduling agreement, US\$221 million owed to foreign branches of Argentine banks, and US\$167 million of various trade and service arrears.

7. External debt

The data on external debt of Argentina are subject to serious limitations. A comprehensive verification of public and private sector debt was undertaken in 1983. On this basis, and using end-1983 exchange rates, the stock of external debt at end-1983 was estimated at US\$45.1 billion (Table 27). The debt reporting system was not updated until September 1986 and data for the intervening years are only available on the basis of estimates derived from balance of payments flows subject to classification and valuation problems. As of end-September 1986, total external debt was estimated at US\$51.7 million, on the basis of end-September exchange rates, and US\$49.1 billion on the basis of end-December 1983 exchange rates.

In terms of the distribution by creditor, the share of debt owed to international organizations (including the Fund) rose from 7 percent in 1983 to 11 percent in 1986, reflecting mainly the effects of purchases from the Fund under the 1984-85 stand-by arrangement and an increased level of lending by the World Bank in 1986 (Statistical Appendix Table 61). The share of debt owed to official creditors rose from 4 percent in 1983 to 10 percent in 1986, a result of the rescheduling with the Paris Club. The share of debt owed to commercial banks remained broadly unchanged while that owed to bondholders and other creditors declined as a result of the payment of obligations not subject to rescheduling.

The estimated debt owed to commercial banks at end-September 1986 was about US\$3.6 billion less than what was estimated for end-June 1986 on the basis of the latest available data supplied to the Bank of International Settlements (BIS) by creditor banks (Statistical Appendix Table 62). The coverage of the BIS data is not comprehensive and one of the main sources of differences appears to be claims on Argentina of offshore branches of Argentine banks.

^{1/} The estimate of the level of arrears at end-1986 excludes payments owed to COGASCO, a Dutch-owned natural gas pipeline company incorporated in Argentina.

Table 27. Argentina: Outstanding External Debt
by Creditor, 1983-86

(In millions of U.S. dollars)

	December 31				
	1983 1/	1984 2/	1985 2/	1986 3/	1986 4/
<u>Public sector</u>	<u>31,709</u>	<u>35,875</u>	<u>41,048</u>	<u>42,039</u>	<u>44,201</u>
International					
organizations 5/	2,639	2,820	4,007	4,667	5,200
Foreign Governments 6/	1,712	1,314	1,534	549	618
Paris Club	--	961	2,263	3,894	4,333
Bondholders 7/	4,208	4,332	3,817	3,476	3,609
Banks 8/	20,660	23,640	26,769	28,628	29,398
Other private creditors 8/	2,490	2,808	2,658	825	1,043
<u>Private sector</u>	<u>13,360</u>	<u>10,703</u>	<u>7,027</u>	<u>7,099</u>	<u>7,503</u>
International					
organizations 5/	254	236	241	225	241
Foreign Governments 6/	119	125	136	51	51
Paris Club	--	--	--	165	187
Bondholders 7/	--	--	--	--	--
Banks 8/	10,718	7,713	5,133	4,640	4,963
Other private creditors 8/	2,269	2,629	1,517	2,018	2,061
<u>Total</u>	<u>45,069</u>	<u>46,578</u>	<u>48,075</u>	<u>49,138</u>	<u>51,704</u>
International					
organizations 5/	2,893	3,056	4,248	4,892	5,441
Foreign Governments 6/	1,831	1,439	1,670	600	669
Paris Club	--	961	2,263	4,059	4,520
Bondholders 7/	4,208	4,332	3,817	3,476	3,609
Banks 8/	31,378	31,353	31,902	33,268	34,361
Other private creditors 8/	4,759	5,437	4,175	2,843	3,104

Source: Central Bank of Argentina.

1/ Based on data from debt reporting system, as at end-1983 and using end-1983 exchange rates.

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

3/ Based on data from debt reporting system as of end-September 1986 and using end-1983 exchange rates.

4/ Based on data from debt reporting system as of end-September 1986 and using end-September 1986 exchange rates.

5/ Includes IMF.

6/ Direct lending only.

7/ Excludes bonds and promissory notes that are allocated to other categories.

8/ Includes debt with exchange guarantee.

There is no comprehensive information on the maturity structure of Argentina's external debt in 1983 or after owing to classification difficulties relating to commercial debt and arrears. Data from the BIS indicate that claims on area banks with less than one year remaining to maturity totaled US\$9.6 billion in June 1986. 1/

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/ Government of Argentina bonds (BONODs) and promissory notes denominated in U.S. dollars have been issued in lieu of foreign exchange to creditors holding maturing claims against private sector debtors who had obtained central bank exchange rate guarantees to cover their obligations. Largely as a result of this program, private sector debt declined from US\$13.4 billion in 1983 to US\$7.5 billion in 1986.

1/ This includes amounts that were originally medium- and long-term obligations but that had less than one year to maturity at the end of June 1986.

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

VI. Exchange and Trade Policies

In the period 1982-83, Argentina's trade and exchange system became highly restrictive and involved several multiple currency practices. Exchange restrictions included external payments arrears on current transactions, a foreign exchange allocation system for imports, the suspension of foreign exchange sales for certain current transactions (e.g. travel and tourism), a requirement of central bank authorization for all other transactions, and minimum financing terms for most imports. Service payments for which foreign exchange was not made available could be effected through the acquisition of marketable Government of Argentina bonds denominated in U.S. dollars (BONEX) and the subsequent sale of BONEX abroad at a discount, giving rise to a multiple currency practice. In January 1984, a system of quantitative import controls was introduced to replace the exchange allocation system for imports and starting in August 1984, foreign exchange was made available automatically for private sector import payments. However, external payments arrears continued to build up in 1984, owing to delays in effecting external financing arrangements.

Since June 1985, steps have been taken to liberalize the trade and exchange system: (i) quantitative import controls were relaxed as most items on the prohibited list were transferred to the prior approval list and the proportion of goods eligible for automatic import licensing was increased; (ii) private external payments arrears were eliminated and public arrears were substantially reduced; (iii) export taxes were reduced; and (iv) foreign exchange was made available on an automatic basis for many service payments.

The main features of Argentina's exchange and trade system together with important developments since June 1985 are outlined below. A description of the system as of December 31, 1985 is provided in the Annual Report on Exchange Arrangements and Exchange Restrictions, 1986, while a chronological list of changes since end-1985 is set forth in Appendix V of the present report.

1. Imports and import payments

All imports require a Sworn Declaration of Import Needs (Declaración Jurada de Necesidades de Importación). Under the licensing system introduced in January 1984, imports were divided into three categories: prohibited goods, imports that required prior approval from the Trade Secretariat (as of January 1986, the Secretariat for Industry and External Trade), and imports for which licenses were made automatically available. The prohibited list covered imports of most consumer goods as well as many industrial goods produced in Argentina. Imports requiring prior approval included most capital goods and certain

industrial imports. 1/ In June 1985, all prohibited goods were transferred to the prior approval list (except for a limited list of prohibitions that related to defense, health, environmental, or other non-economic considerations), and in July 1985 the prior approval requirement was eliminated for a number of primary industrial products. In January 1986, a broad group of electronic goods, including computers and computer equipment was removed from the prior approval list. At the same time, the average import tariff on these products was increased from about 18 percent to 34 percent and additional tariffs of up to 50 percent were imposed which were to be eliminated in several stages over a five-year period. In December 1986, the requirement of presenting a Sworn Declaration of Import Needs to the Secretariat for Industry and External Trade was eliminated for all goods on the automatic list. 2/ Also in December 1986, the role of domestic producer associations in the import license review process was reduced and a 15-day limit was set on the length of the review process. In March 1987, inputs for the petrochemical industry as well as about 500 other custom code categories including food and textile items were transferred to the automatic approval list. As a result of these transfers, the proportion of base period imports that was on the automatic list was raised to 77 percent, compared with 73 percent in January 1986. 3/

Except for temporary tariffs, tariffs range from zero to 38 percent. These rates were augmented in mid-1985 by a temporary surcharge of 10 percentage points. The ratio of import tax collections to imports in 1986 indicates that the average realized tariff rate was about 19 percent. In addition to the basic tariff duty, any temporary duty, the surcharge, and the value added tax, importers also must pay the following: (i) a statistical fee of 3 percent on the c.i.f. value of imports; (ii) a tax of 1/2 percent on the c.i.f. value of imports for the Export Promotion Fund; and (iii) a 12 percent tax on freight charges for the Merchant Marine Fund. 4/

Argentina maintains a system of minimum foreign financing terms for imports which was introduced in May 1982 and has been amended numerous times. Payments against shipping documents are permitted for certain imports from Brasil, Mexico, Peru, Chile, Paraguay, Ecuador, and

1/ Applications for import licenses received by the authorities are referred to the domestic producers' associations, which assess whether there is local production available to satisfy the needs of the potential importer. The licensing decisions of the authorities customarily follow the recommendations of the producers' associations.

2/ The requirement was maintained for imports originating from the United Kingdom and British nonmetropolitan territories.

3/ The base period used for this calculation is July 1, 1981 to June 30, 1982.

4/ For certain textile and industrial products, official prices (precios oficiales) are used for the determination of import tariffs, unless the c.i.f. import value is higher than the official price.

Bolivia. Minimum foreign financing terms of between one and five years apply to imports of capital goods valued at more than US\$50,000. Minimum financing terms of 90 days are required for goods on the "negotiated" list shipped from and originating in countries that are members of the LAIA, except that the requirement is reduced to 75 days for imports destined to special customs regions within Argentina. Minimum financing terms of 120 days are required for other goods shipped from and originating in member countries of the LAIA as well as goods shipped from and originating in member countries of the Central American Common Market; the requirement is reduced to 105 days for imports destined to the special customs regions. Minimum financing terms of 180 days are required for all other imports; the requirement is reduced to 150 days for imports destined to special customs regions.

Argentina imports natural gas from Bolivia under an arrangement whereby a fixed proportion of payments by Argentina is deposited into a non-interest bearing account at the Central Bank of Argentina that can be used solely for purchases of Argentine products and for Bolivia's debt service payments to Argentina.

2. Exports and export proceeds

In recent years Argentina imposed taxes on most of its traditional exports and maintained a system of rebates, set as a percentage of export proceeds, for promoted exports. The tax and rebates rates varied widely between commodities and were adjusted to compensate for variations in world market prices or marketing difficulties (Statistical Appendix Tables 63 and 64). In addition, trade taxes were meant to achieve other objectives, including income distribution and regional development 1/.

In June 1985, at the time of the introduction of the Government's anti-inflation program which included a step adjustment of the exchange rate of 18 percent, export taxes for most primary and processed agricultural products were increased. However, by end-1986, export tax rates had been reduced substantially. With respect to primary agricultural products, the export tax rate on wheat had been reduced from 15 to 5 percent; on corn, from 29 to 15 percent; and on soybeans, from 32 1/2 to 15 percent. As regards the major processed agricultural products, the tax on soybean oil had been reduced from 19 to 8 percent, and the tax on sunflower oil, from 23 to 6 percent. In other cases the export tax was either reduced (e.g., leather, tobacco, wool), or eliminated (e.g. olive oil, beef extract, fruits).

In September 1986, a scheme was introduced under which exporters of specified manufactured products received drawback payments intended to

1/ For instance, exporters of specified products produced in special customs regions or shipped through certain ports are eligible for special export rebates of up to 13 percent.

compensate for indirect taxes paid in the marketing and production process. Draw-back payments were set at 10, 12 1/2 or 15 percent of the f.o.b. value of exports, depending on the product.

Several export promotion schemes were introduced in 1986. In February, a framework for Special Export Programs (Programas Especiales de Exportación) was established. Under this scheme an exporter that negotiated an export expansion program with the Secretariat of Industry and External Trade became eligible for a payment of 15 percent of the incremental value of exports. In September 1986, two temporary admission regimes were introduced. Under the ARGEX program, exporters who present a multi-year export plan which involves export proceeds at least three times higher than import payments are eligible for automatic, duty-free access to all imported inputs, including capital goods. Under the standard temporary admission regime, exporters have automatic, duty-free access to specified products if these are re-exported within one year. 1/

In January 1986, export clearance procedures were simplified. Under the so-called one-stop window (ventanilla unica) system, all public agencies whose clearance is required to release exports 2/ were required to make their representatives available in a single area provided by the Customs. The consolidation of the review process reduced the administrative complexity and time required to clear exports.

The Central Bank maintains rediscount facilities that provide funds for several types of export financing. Rediscounts in U.S. dollars are available for prefinancing, financing, and post-financing of promoted exports. Export prefinancing (Circular OPRAC-1/2.1) is made available on the basis of a letter of credit or a sale contract with the proportion of the value of exports and the financing terms depending on the type of product. For exports of capital goods, prefinancing is available for up to 80 percent of the f.o.b. value and for up to one year. For durable and semi-durable goods, 60 percent of the f.o.b. value may be prefinanced for up to 180 days. For other products, the limit on prefinancing is 65 percent of the f.o.b. value of exports for up to 150-180 days. In all cases, the financing term cannot exceed the shipment date by more than 60 days. Interest charges are applied at 1 percent per annum. If exports are not shipped on time, an automatic 60 day extension is granted with interest charges at 10 percent per annum. If further delays take place, the borrower is charged an interest rate equal to 1 1/2 times the maximum rediscount rate for illiquid financial institutions. The amount of prefinancing outstanding

1/ As of March 1987, about 6,600 out of the total of about 11,500 code categories were eligible for the standard temporary admission program.

2/ There are more than 30 such agencies ranging from the Defence Ministry to the Race Horses Owners' Association.

cannot exceed 50 percent of the bank's capital base and any increase in the outstanding amount over and above the level of credit outstanding as of October 30, 1985 has to be matched by a special investment with the Central Bank.

Export financing (Circular OPRAC-1/2.1) is available in the form of discounting of export bills. Exports of capital goods are eligible for financing for up to 85 percent of the f.o.b. value with a maximum term of 8 1/2 years; durable and semi-durable goods can be financed for up to 80 percent of the f.o.b. value with a maximum term of 3 years; for other goods, financing is available for up to 80 percent of the f.o.b. value with a maximum maturity of one year. Exporters pay interest charges of 4 1/2 percent per annum. Banks' participation in this kind of financing is subject to a limit of 200 percent of their capital base. Export financing is also available through lines of credit established by the Central Bank under bilateral agreements with a number of countries. 1/

Post-financing of exports (Communication A 228) is available to exporters at the regulated interest rate for a period of 60 days after the surrender of their export proceeds for up to 30 percent of the amount surrendered. However, since September 1, 1986 financial institutions have had to match lending under this facility by constituting special investments with the Central Bank.

Exporters may also obtain export prefinancing from abroad (COPEX 1/1.4-1.5) subject to the following restrictions on the minimum maturity of credits: 120 days for exports of cereals, 150 days for flour and rice, and 180 days for other products.

Financial institutions that accept foreign currency deposits, which are subject to a 100 percent reserve requirement, are eligible to receive U.S. dollar-denominated rediscounts from the Central Bank for the purpose of export financing. Under Communications A 886 (all exports) and A 972 (promoted exports), rediscounts are available for up to 10 percent of the amount of foreign currency deposits which can be used for export financing for up to 180 days, with banks allowed to charge a rate of LIBOR plus 3 percentage points (the cost to the banks is LIBOR plus 1 percentage point). The participating banks are subject to limits on monthly changes in the amounts outstanding under these

1/ As of end-1986, the countries and the amounts of the lines of credit were as follows: Mexico (US\$50 million), Bolivia (US\$150 million), Uruguay (US\$120 million), Peru (US\$300 million), Costa Rica (US\$15 million), El Salvador (US\$20 million), Guatemala (US\$15 million), Dominican Republic (US\$40 million), Honduras (US\$15 million), Nicaragua (US\$51 million), Cuba (US\$600 million), Poland (US\$40 million), Senegal (US\$20 million), Guinea (US\$10 million), China (US\$300 million), Guyana (US\$5 million), Panama (US\$30 million), Benin (US\$10 million), and Central African Republic (US\$10 million). Interest and other terms are determined bilaterally.

facilities and also to an overall ceiling that limits amounts outstanding under all export financing facilities, with the exception of postfinancing of exports, to 50 percent of the bank's capital base.

3. Invisibles

a. Profits and dividends

Under Argentina's Foreign Investment Law, the right to purchase foreign exchange at the official rate for the remittance of profits and dividends with respect to registered foreign investments can be suspended by a Presidential Decree, in which case investors have the right to effect such remittances by purchasing BONEX from the Central Bank and selling the instrument abroad, usually at a discount. Since May 1984, the right to purchase foreign exchange has been suspended, and the BONEX subscription amounted to about US\$100 million in both 1985 and 1986.

b. Other invisibles

Since September 1983, foreign exchange has not been made available at the official rate for travel abroad or for the transfer of income derived from the sale of travel services, in particular airline tickets. Ticket receipts can be transferred through the purchase of BONEX with local currency in the secondary market and its subsequent sale abroad. The U.S. dollar prices of tickets are converted into local currency on the basis of the ratio of the local currency price of BONEX to the U.S. dollar price of BONEX abroad (effectively, the parallel exchange rate).

Since January 1986, foreign exchange has been made automatically available for most private sector interest payments. Since July 1986, foreign exchange has been made available, subject to specified limits, to effect payments related to different categories of invisibles including: insurance premia, rental charges, sales commissions, costs of patents and trademarks, royalties, communication charges, contributions to retirement plans abroad, cost of health treatment abroad, and the resale of exchange to foreign tourists from non-adjacent countries.

4. Debt capitalization

In June 1987, the Government announced the general guidelines for a scheme to convert debt to equity. Most public sector and publicly guaranteed debt, excluding trade credits, and debt owed to official agencies, are eligible for conversion. Projects that result in the purchase of new equipment, creation of new plants or increases in physical capacity would be eligible investments under the program, subject to receiving the necessary authorization under the foreign investment laws.

Eligible debt is to be converted at face value and is to be accompanied by the inflow of matching funds in an amount at least equal to the face value of the debt. Such matching funds can be in the form of a capital investment not to be redeemed or distributed for the minimum period provided for by the foreign investment laws, long-term private financing with a minimum maturity of six years and a minimum grace period of four years, or BONEX purchased from the Central Bank at 96 percent of par. Up to 50 percent of matching funds can come from project loans disbursed by the International Finance Corporation or the International Investment Corporation, or from funds disbursed abroad by multilateral or official non-Argentine entities for the purchase of goods and services that have been imported into Argentina, or from onlent amounts.

The redemption or distribution of the resulting investment is subject to foreign investment laws but in any case is not to take place for 10 years from the date of the investment. The right to remit dividends in respect of such investments was restricted for a period of four years from the date of the investment and remittances of previously accrued dividends would have to be made in equal installments over a minimum of four years.

Annual quotas were set for the amount of debt to equity conversions. The quota for the year starting July 1, 1987 was set at US\$300 million; the quotas for each of the succeeding four years were set at U.S.\$400 million. If the demand for conversions were to exceed the allowed quotas, the Central Bank would select projects on the basis of the proposed terms of the conversion, including the extent to which the proportion of matching funds to the face value of the converted debt exceeded the basic one-to-one matching requirement.

The June 1985 Program and the Reduction of Inflation in Argentina

In June 1985, the Argentine government adopted a comprehensive program to eliminate inflation. The program was based on the proposition that in order to control inflation without inducing a prolonged downturn in economic activity it was necessary to combine demand management policies with measures to act directly on the so-called "inertial" element of inflation (the inflation embodied in price and wage contracts and in expectations that would persist even in the absence of other forces contributing to inflation). Accordingly, the program combined a tightening of fiscal and monetary policies with a wage-price freeze and the introduction of a new currency pegged to the U.S. dollar. Following the introduction of the program, the rate of inflation dropped from over 1,100 percent in the year ended in June 1985 to 50 percent during the following year. Subsequently, although the inflation rate has tended to rise, it has remained substantially below levels experienced in the years preceding June 1985.

This appendix attempts to estimate the contribution of the various components of the June 1985 program to the lowering of inflation. To this end, a quarterly model of price inflation in Argentina is estimated based on data covering the eight and a half years ended in the fourth quarter of 1986. The model includes variables to represent the tightness of financial policies, the influence of import prices, the operation of price controls, and the inertial element of inflation. The model is used to quantify the contribution of each of these variables to the reduction in inflation in the period after June 1985. The main conclusion of this study is that tight financial policies, the pegging of the exchange rate and the price and wage freeze all played important parts in bringing down inflation sharply in the second half of 1985. The resurgence of inflation in 1986 is explained by a relaxation of financial policies and adjustment of the exchange rate, while price and wage controls become largely ineffective after the end of the price freeze in the second quarter.

1. The model

The model of the inflationary process that is used in this appendix recognizes four basic influences on the rate of price increase: the stance of financial policies, the behavior of import prices, the operation of price and wage controls, and the inertial rate of inflation. Rather than attempt to model the complex dynamic interaction between prices and wages, the model includes a single reduced-form price equation:

$$(1) P = a_0 + a_1.F + a_2.M + a_3.L_{-1} + a_4.N_{-1} + a_5.C$$

The variable P is the change in the rate of price inflation, F represents the stance of financial policies, M is the change in the rate of increase of import prices, L is the level of import prices relative to

domestic prices, N is actual inflation minus inertial inflation, and C represents price and wage controls. 1/

The indicator of the stance of financial policy to be used in estimating equation (1) is a measure of the excess demand for real money balances, defined as the difference between the demand for real money balances in the current period, D, and the supply of real money balances in the previous period, S₋₁:

$$(2) \quad F = D - S_{-1}$$

An excess demand for real money balances is presumed to weaken aggregate demand and hence to bring down inflation. Hence, the coefficient a_1 in equation (1) is expected to be negative. The demand for money balances is calculated as the fitted values to a standard demand-for-money equation relating real money balances to real GDP, Y, and the nominal interest rate, I:

$$(3) \quad D = b_0 + b_1.Y + b_2.I$$

where b_1 is expected to be positive and close to 1 and b_2 is expected to be negative but greater than -1.

It might be desirable to include a measure of the public sector deficit as a second indicator of the stance of financial policy. However, a consistent series for this variable on a quarterly basis is not available prior to 1983, and estimates of the series for 1983 and beyond are subject to considerable measurement difficulties. 2/ Moreover, inclusion of such a fiscal variable could lead to problems of simultaneity because the public sector deficit is itself related to inflation. 3/ In any event, the excess demand for money variable would be

1/ The use of the second difference of prices as the dependent variable in this equation reflects the finding that this specification explained a higher percentage of the variation in inflation over the period studied than an alternative first-difference version. Mohsin Khan and Malcolm Knight, "Stabilization Programs in Developing Countries: A Formal Framework", IMF Staff Papers, Vol. 28, No. 1 (1981) presents a first-difference version of essentially the same model, which they estimate using cross-section data for a group of 29 developing countries including Argentina.

2/ In particular, estimates of the deficits of the provinces and the public enterprises and the operating losses of the central bank may be subject to considerable measurement errors.

3/ Expenditures on domestic interest payments by the government or the central bank have a direct inflationary component. In addition, a reduction in inflation will tend to raise the ratio relative to GDP of domestic revenues collected with a lag, and to increase the demand for narrow money balances relative to GDP, thus reducing the operating losses of the Central Bank.

inversely related to the degree to which the Central Bank is called upon to provide domestic financing to the public sector.

Two variables are included in equation (1) to reflect the influence of import prices on domestic prices. The change in the rate of import price inflation would have an impact on the rate of price increase through its effects on prices of consumed imports, on input costs, and on domestic competitor prices. The ratio of import prices to domestic prices is a measure of deviation from purchasing power parity; a high value for this ratio would be expected to lead to a pickup in domestic inflation to restore purchasing power parity. Hence, the coefficients a_2 and a_3 in equation (1) are both expected to be positive.

The level of inertial inflation X is assumed to be generated by a simple adaptive mechanism:

$$(4) \quad X = c.X_{-1} + (1-c).Z_{-1}$$

where Z is the actual rate of price inflation. The coefficient c would take a value between 0 and 1. Inertial inflation would represent the combined impact of a number of mechanisms, including indexation clauses in price and wage contracts and the lagged adjustment of inflation expectations to actual inflation. By definition, inflation would tend to revert to its inertial level in the absence of other factors.

Define:

$$(5) \quad N = Z - X$$

A positive value of N , i.e., actual inflation above inertial inflation, would be expected to reduce the level of inflation. Hence, the coefficient a_4 in equation (1) is expected to be negative.

2. Estimation

For purposes of estimating the demand-for-money equation, real money balances (S) are measured as the log of narrow money balances (IFS definition), calculated as the geometric average of end-of-period balances for the preceding and current quarters, divided by the GDP deflator (which is calculated as an average of consumer and wholesale price indexes based in 1980). The income variable (Y) is the log of GDP in 1970 market prices. The interest rate (I) corresponds to the rate of interest paid on 30-day time deposits. The equation is estimated by least squares with a Cochrane-Orcutt correction for autocorrelation on quarterly data for the period from the second quarter of 1978 to the fourth quarter of 1986, which gives:

$$(6) \quad S = -17.9 + 1.47 Y - 0.02 I + 0.11 Q1 + 0.04 Q2 - 0.01 Q3$$

(4.7) (3.6) (6.9) (3.2) (1.2) (--)

$$R^2 = 0.94 \quad DW = 1.8 \quad SEE = 0.065 \quad \rho = 0.87$$

Figures in parentheses are t-statistics and Q1, Q2, and Q3 are quarterly dummy variables to correct for seasonality. The coefficients on Y and I are significantly different from zero at the 95 percent level and have the expected sign.

Excess demand for real money balances can be calculated from equation (6). On the basis of the estimate of excess demand for real money balances derived from this equation, it would appear that there was a sharp shift from a relatively loose financial policy in the first half of 1985 to a tight policy in the second half of the year; this was followed by a relaxation of financial policy in the first three quarters of 1986 before a tightening in the fourth quarter of the year.

In estimating the price equation, domestic prices are measured by the log of the consumer price index while import prices are given by the log of the weighted average of export prices of countries exporting to Argentina used in the Fund's WEO exercise, converted to australes at the official exchange rate. The dummy variable representing price and wage controls is set to 1 for the third and fourth quarters of 1985 and the first quarter of 1986 (i.e., the period of the price freeze) and to zero for other periods.

Equation (1) is estimated by ordinary least squares over the period from the third quarter of 1978 to the fourth quarter of 1986. An iterative procedure is used to select the value of c (the coefficient used to calculate the series of expected inflation in equation (4) above that minimizes the standard error of the regression. This procedures gives:

$$(7) \quad P = 0.77 - 0.37 F + 0.38 M + 0.09 L - 0.28 N - 0.14 C \\ (3.6) \quad (3.0) \quad (6.1) \quad (3.5) \quad (3.2) \quad (3.0)$$

$$- 0.00 \quad Q1 - 0.06 \quad Q2 - 0.01 \quad Q3 \\ (--) \quad (2.2) \quad (0.4)$$

$$R^2 = 0.84 \quad DW = 1.99 \quad SEE = 0.0435$$

with c equal to 0.4. The coefficients on the main explanatory variables have the expected signs and are significantly different from zero at the 95 percent level.

3. Results

The contribution of the different components of the June 1985 program to bringing down inflation can be calculated directly from the coefficients in equation (7). The table below indicates that tight financial policies and the pegging of the exchange rate (reflected in the sharp slowdown of import prices) both made important contributions to the reduction in inflation during the second half of 1985. However, financial policies were relaxed and the exchange rate depreciated in the first three quarters of 1986, which provided impetus to the pick up in

the rate of price increase during the period. In the fourth quarter of 1986, adjustment of import prices continued to put upward pressure on inflation, but this effect was offset by a tightening of financial policies.

(Quarterly Percent Changes)

	Due to:						
	Change in Inflation	Financial Policies	Import Prices	Inertia	and Wage Controls	Season- ality	Resid- ual
<u>1985</u>							
Q1	4.9	1.9	--	-0.5	--	1.5	2.1
Q2	12.9	6.1	9.7	-1.6	--	-3.8	2.4
Q3	-33.1	-11.8	-8.7	-4.0	-13.1	0.8	-0.8
Q4	-22.2	-7.7	-11.5	9.5	-13.1	1.6	-1.2
<u>1986</u>							
Q1	1.6	-1.5	3.8	11.0	-13.1	1.5	1.9
Q2	4.0	0.2	4.4	4.6	--	-3.8	-1.3
Q3	6.7	2.8	4.7	0.1	--	0.8	-2.5
Q4	-0.7	-2.5	2.5	-1.5	--	1.6	-0.8

Inflationary inertia helped to bring down inflation during the third quarter of 1985 as the rapid increase in prices in the previous quarter was well in excess of estimated inertial inflation. However, with the sharp reduction in actual inflation in the third and fourth quarters of the year, estimated inertial inflation exceeded actual inflation by a wide margin, which exerted substantial upward pressure on inflation in the final quarter of 1985 and the first quarter of 1986. By the second quarter of 1986, estimated inertial inflation was more in line with observed inflation, and inertia was not a significant factor in the resurgence of inflation in the middle quarters of 1986. This resurgence implied that actual inflation exceeded the inertial level in the third quarter, which acted to dampen inflation in the final quarter of 1986.

According to the estimates above, wage and price controls explained about half of the reduction in inflation during the second half of 1985 and played an important role in preventing a rebound of inflation in the first quarter of 1986 as other policies began to be relaxed and inertial inflation remained high. The small residuals in the following quarters would indicate that the remaining price and controls were for the most part ineffective after the end of the price freeze in the second quarter of 1986.

The quantitative estimates presented above need to be treated with considerable caution given the measurement problems inherent in the data and the crude technique of representing the controls by an "on-off" dummy variable. In addition, the methodology used takes no account of any special "shock" effect of the announcement of the program on price formation. This omission is significant in view of the importance attached to the June 1985 program as a set of credible policies that would lead to a rapid revision of price expectations and a breaking of price indexation; this credibility factor is not reflected in the adaptive model of inertial inflation used here. If such an effect were in fact significant, then the estimates presented above would tend to overestimate the contribution of the price controls and underestimate the role of financial policies in reducing inflation after June 1985.

Argentina: Principal Changes in the Central
Government Tax System, June 1985-February 1987

Law No.	Relating to	Reform	Purpose
23,213 of July 31, 1985	Taxes on bank account overdrafts	The rate was increased from 1 per thousand to 2 per thousand.	To enhance collections.
23,256 of September 24, 1985	Forced Saving Plan	Compulsory loan to the Government from the major payers of Income, Capital Gains and Net Wealth Taxes. Reimbursement will take place sixty months after payment of the loan.	To increase public resources immediately with due regard for the fundamental principle of ability to pay.
23,257 of September 25, 1985	Tax on Transfers of Financial Assets	For the purposes of this tax (a) financial assets issued by the central, regional or municipal governments and (b) shares, debentures and other assets issued by Argentine registered corporations shall be deemed to be situated within Argentina, regardless of where such assets happen to be located at the time of transfer or regardless of where the transfer takes place or where the contract relating thereto is executed, and irrespective of the nationality, domicile or place of residence of the transferor or transferee. Shares in corporations and partnerships were excluded from the Tax on Transfers of Financial Assets because of the amendments concerning such assets adopted by the Capital Gains Tax and the Taxes on Net Income and Profits.	To prevent tax evasion and to make the tax consistent with the Taxes on Net Income and Profits and on Capital Gains.
		A portion of the tax collected under this tax is transmitted as a payment on account for the Capital Gains Tax and the Taxes on Net Income and Profits when the profits from the transfer of these assets are subject to either of the said taxes.	To make this tax consistent with the Capital Gains Tax and the Taxes on Net Income and Profits.
			To avoid double taxation.

Argentina: Principal Changes in the Central
Government Tax System, June 1985-February 1987 (Continued)

Law No.	Relating to	Reform	Purpose
23,258 of September 25, 1985	Stamp Duties	<p>The provision requiring that copies of bids be submitted in order to prove the grounds for stamp duty was abolished in the case of contracts by correspondence.</p> <p>The following operations were included among those expressly subject to stamp duty:</p> <p>various forms of rental contracts (leases, garage, safe deposit boxes, etc.);</p> <p>performance obligations or obligations not to perform;</p> <p>the issue of negotiable bonds and debentures.</p> <p>The rate applicable to real estate transactions was increased.</p> <p>Stamp duty on insurance operations was reintroduced.</p> <p>Stamp duty exemptions were amended.</p> <p>The maximum percentage applicable as a fine for nonpayment of stamp duty was increased and voluntary payment of the minimum fine is permitted.</p>	To prevent widespread tax evasion practices which involved recourse to contracts between absent persons as a means of avoiding double taxation.
23,259 of September 25, 1985	Tax on Occasional Income and Capital Gains	The sole persons liable for payment of this tax are defined as individuals and undivided estates. The tax applies to profits from the transfer of real estate and personal property, financial assets, shares in corporations and bills of sale, insofar as they are not subject to other taxes.	To adapt the rules to current business practice and to prevent current tax evasion practices.

Argentina: Principal Changes in the Central
Government Tax System, June 1985-February 1987 (Continued)

Law No.	Relating to	Reform	Purpose
		Also included as taxable profits were "any other profit or enrichment not subject to the taxes on income and profits or to the taxes on the proceeds from certain games of chance and sporting contests or to the exchange tax (works of art, antiques and luxury investments, etc.)."	To extend coverage to profits which are not being taxed, thereby making the tax system more equitable. To improve tax collections.
		The concept of house replacement was limited to the taxpayer's sole residence.	For better control and to prevent evasion.
		The criteria for assessing the amount of the tax and taxable profit were altered to make them consistent with those applying to the Capital Gains and Net Wealth Tax.	To simplify the tax and make it consistent with the rest of the tax system.
		Payment on account of the resulting tax is permitted so as to include under this tax profits from the sale of assets when such sale is subject to Tax on the Transfer of Financial Assets.	To avoid double taxation.
23,260 of September 25, 1985	Taxes on Net Income and Profits	Dividends paid in cash or in specie are included in income of individuals, it being permitted to take a credit of up to 27.5 percent in order to partially eliminate double taxation in respect of the tax paid by companies and corporations. Dividends paid in the form of shares will remain exempt from tax in the case of individuals who identify themselves to the issuing enterprise or the paying agent.	To broaden the base of the tax and make it more personal in nature.

Argentina: Principal Changes in the Central
Government Tax System, June 1985-February 1987 (Continued)

Law No.	Relating to	Reform	Purpose
		Restructuring of the personal deduction, deductions for dependents and other deductions. Proportionately larger deductions for dependents and fourth category supplementary deductions (work in other than a self-employed capacity) will be granted, and the system of annual deductions was altered to one of using the sum of monthly deductions.	To increase tax collections and make the system more equitable between persons.
		Income obtained through Limited Liability Companies which, prior to the reform, were taxed as corporate enterprises, will be ascribed to individuals. The system in force until 1976 is reintroduced. Joint Stock will continue to pay tax at the rate of 33 percent.	More personalized taxation and application of the progressive system.
		Interest from adjustable capital and foreign exchange transactions will henceforward be taxed, while interest on banker's acceptances and Bonex (dollar-denominated bonds issued by the Argentine Government) continue to be tax exempt.	Increased collections and greater equity.
		The system of inflation adjustment provided for by Law No. 21894 was amended to take account of changes in net worth during the tax year, and the assessment criteria were altered to express all the headings as valued at the end of the tax year. The criteria for determining costs were also amended in line with the changes introduced.	To broaden the tax base.
		The concept of income for corporations was altered to include all income obtained under the concept of source enterprise. Consequently, profits from buildings used for farming and from buildings not used for or intended for that purpose will be taxed under this tax instead of the capital gains tax, as was previously the case.	To broaden the tax base.

Argentina: Principal Changes in the Central
Government Tax System, June 1985-February 1987 (Continued)

Law No.	Relating to	Reform	Purpose
		Net income subject to withholding from beneficiaries abroad were raised, and the system establishing presumptions with respect to the other income of such taxpayers was supplemented in order to overcome the problems experienced by withholding parties when calculating expenditure abroad.	To broaden the tax base and simplify administrative procedures.
		The cash basis method of recording third category operations (income from trade and industry) was abolished and application of accrual basis recording was broadened.	To simplify tax administration and make the system more equitable.
		The carryover period for future deduction of accumulated losses by taxpayers was limited to five years in order to bring the said period into line with the prescription as regards tax matters. Moreover, losses arising from the transfer of shares may be deducted only from profits from similar transactions.	To broaden the tax base.
		A tax credit is permitted in the case of profits from the transfer of financial assets when such transfer is subject to Tax on the Transfer of Financial Assets.	To avoid double taxation and to allow for cross-checking that will simplify tax administration.
23,271 of September 27, 1985	Banking and Stock Exchange Secrecy	The rules relating to banking and stock exchange secrecy shall not take precedence over such requirements may be handed down by the Directorate-General of Taxes.	To improve taxpayer auditing systems in order to reduce tax evasion.
23,296 of September 30, 1985	Corporate Tax on Net Wealth	This tax no longer applies to cooperatives.	Consideration of type of corporation. Cooperatives are taxed by a Fund for Education and Cooperative Development which has a specific objective.
		Interalia, the exemptions relating to government securities, bonds, etc., and to savings account deposits, were abolished.	Adaptation of the provisions since most of the exemptions had no practical application. Abolition of those in force will serve to broaden the tax base.

Argentina: Principal Changes in the Central
Government Tax System, June 1985-February 1987 (Continued)

Law No	Relating to	Reform	Purpose
Valuation of assets			
	(a) Generally speaking, assets are calculated at their current value.		To standardize the valuation criteria and broaden the tax base.
	(b) The Movable Property and Real Property headings are subdivided to take account of the different situations which may arise, i.e., Purchased, Built or Under Construction.		To make the valuation rules more precise.
	(c) Special valuation cases, such as the 50 percent reduction in the assessment of fixed assets used in farming, were abolished.		To avoid discriminating in favor of one sector of the economy.
	(d) In the case of fixed assets		To avoid the distortions that may occur in the prices of assets purchased.
	1. Minimum value to be declared: That of the tax assessment at the close of the fiscal year.		
	Maximum value: The taxpayer will be able to reduce the value if he can show that it exceeds the market value.		
	(e) Foreign currency deposits, credits and holdings. Buying rate of exchange quoted by the National Bank of Argentina on the closing date of fiscal year.		To make the valuation rules more precise.
	Interest accrued to that date must be included.		
	(f) Deposits and credits in Argentine currency and holdings in the said currency must be valued at the close of the fiscal year together with the interest accrued and revaluations occurring at the close of the fiscal year.		To make the rules for valuation more precise.

Argentina: Principal Changes in the Central Government Tax System, June 1985–February 1987 (Continued)

Law No.	Relating to	Reform	Purpose
		(g) Government securities, including those issued in foreign exchange: Listed: Value quoted at close of fiscal year Unlisted: Cost plus interest accrued, revaluations and exchange differential through close of fiscal year.	To broaden tax base and resolve technical and legal arguments.
23,297 of September 30, 1985.	Tax on Net Wealth	The exemptions for deposits subject to exclusion were limited to the purchase of public securities and to savings bank deposits, fixed term deposits, etc. The exemptions applying to shares, shares in investment funds and other equity participations were abolished. Likewise, the exemptions applying to bonds and debentures were abolished. Valuation criteria were replaced, namely: Real property: 1. Minimum value to be declared corresponds to the assessment on the closing date of the fiscal year. 2. Maximum value: The taxpayer may reduce the value if he can demonstrate that it is higher than the market value.	To broaden the tax base. To make the system more progressive. To broaden the tax base.
		Shares, government securities and shares in investment funds: Valuation procedures were laid down in order to prevent occurrence of well-known undervaluations. Automobiles: The valuations established by the Caja Nacional de Ahorro y Seguro were applied as the minimum value.	To avoid the distortions in purchase prices. To enhance the equity of tax treatment To make taxation more standardized and equitable.

Argentina: Principal Changes in the Central
Government Tax System, June 1985–February 1987 (Continued)

Law No.	Relating to	Reform	Purpose
		In the case of stocks and other corporate shares, the increase in the tax obligation resulting from the inclusion of such assets shall be treated as a tax credit up to a maximum amount equivalent to the rate of the Corporate Tax on Net Wealth.	To avoid double taxation.
		The rate structure of the tax was revised, so as to range from 0.75 percent to 2 percent (previously, the maximum rate was 1.5 percent). A net wealth of 60,000 australes (A 60,000) was established as the minimum untaxable sum.	To increase tax revenue, making the tax more progressive.
23,299 of September 30, 1985	Registration of shares	Laws Nos. 20643 and 20954 were revised to provide that private securities issued in Argentina must be registered and non-endorsable, and the amendment contained in Law No. 22903 relating to registered shares was incorporated.	To simplify taxpayer audits and to make it possible to monitor securities operations.
23,314 of April 17, 1986	Procedures	<p>The number of deputy directors of the General Tax Directorate (DGI) was increased to four.</p> <p>The several liability of assigners of tax credits was established.</p> <p>Computerized payment of taxes, interest, revised amounts and prepayments was authorized.</p> <p>Rules relating to legal presumptions used to determine taxes were adjusted.</p> <p>tion service in determining taxes on the basis of legal presumptions.</p>	<p>To decentralize the senior management of the DGI and make it more effective.</p> <p>To prevent fraudulent operations to the detriment of the Treasury.</p> <p>To make the tax collection systems more rapid and effective.</p> <p>To incorporate into the legislation the experience obtained by the tax collect-</p>
		Conditions were established for the procedure of transferring credits between taxpayers.	To ensure that the credit is taken and is effective.
		The maximum rate of interest for extensions of time to taxes was reduced.	To adapt it to the financial characteristics of requests of this kind.

Argentina: Principal Changes in the Central
Government Tax System, June 1985–February 1987 (Continued)

Law No.	Relating to	Reform	Purpose
		<p>It was established that compensatory and punitive interest rates will be capped at the maximum rate charged by Banco Nación and that the rate in force on the day of payment shall be applied for the entire term of the debt.</p>	To impart greater flexibility to the policy basis of decisions relating to interest and to simplify the calculation thereof.
		<p>To discourage violations of the Tax Code, the failure to comply with the obligation to submit sworn tax returns was made a specific offense aimed at penalizing such omission promptly and effectively by means of potentially automatic fines.</p>	To reinforce the dissuasive effect of the system of penalties.
		<p>At the same time, a series of measures aimed at dealing with one of the most serious crimes, namely, tax fraud, was introduced.</p>	
		<p>The obligation of secrecy was extended to third parties working for the General Tax Directorate.</p>	To prevent possible harm arising from the disclosure of information provided by taxpayers.
		<p>It was clarified definitively that an updated credit shall have the same nature as the credit to which it relates.</p>	To put to rest the technical and legal questions raised in this connection.
		<p>The scope of the functions of the General Tax Directorate with regard to the control of promotional systems was clearly defined.</p>	To keep jurisdictional disputes from arising between different administrative authorities.
23,349 of July 8, 1986	Value-Added Tax	<p>The erection of prefabricated housing was included as a taxable event, on the same basis as construction work carried out on the property of another.</p>	To define the taxable event more clearly.
		<p>In the case of works carried out on one's own property, taxation was limited to the case where the owner of the property is a construction enterprise as defined by the Law.</p>	

Argentina: Principal Changes in the Central
Government Tax System, June 1985-February 1987 (Continued)

Law No.	Relating to	Reform	Purpose
		<p>It was stipulated that in the case of hire-purchase operations the taxable event occurs at the time of delivery of the good or equivalent act, when such operation relates to:</p> <ol style="list-style-type: none">1. Durable goods, leased to final consumers or to be used in untaxed or tax-exempt activities.2. Operations not included in the previous clause, provided that their duration does not exceed by one third the useful life of the good in question.	To prevent tax evasion.
		<p>The fees, based on a professional scale of charges, of decorators and persons providing other services for the preparation, coordination or administration of works on properties of other persons were exempted from tax.</p>	To prevent tax evasion.
		<p>The processing of export operations was improved.</p>	To promote exports.
		<p>The tax rate was fixed at 18 percent.</p>	Tax simplification.
		<p>Establishment of monthly tax periods for the general system, with the annual tax period involving mandatory payment of eleven (11) monthly advance payments and payment of the balance in the twelfth month being retained for taxpayers under the simplified regime.</p>	To improve implementation procedures.
		<p>Technical balances in favor of taxpayers as a result of their monthly credits exceeding tax debits may not be freely disposed of. They may be credited only against future VAT payments.</p>	
		<p>An automatic updating procedure effective from the month of the taxable event was established. Only those credit balances arising from direct payments by taxpayers or as a result of application of the new provisions relating to exporters shall be reimbursed.</p>	

Argentina: Principal Changes in the Central
Government Tax System, June 1985-February 1987 (Continued)

Law No.	Relating to	Reform	Purpose
		<p>Creation of a simplified system. Persons subject to VAT are divided into the following categories:</p> <p>1. Those engaged simply in marketing goods (compulsory).</p> <p>2. Those engaged in leasing or the provision of services.</p> <p>3. Those whose occupation totally or partially consists of the preparation, manufacture, addition, blending, mixture, handling or other operations distinct from merely dividing up or packaging goods for sale (optional) and who fulfill a number of requirements, such as:</p> <p>(a) Net capital not exceeding a specific amount.</p> <p>(b) The combined number of taxpayers and dependants must not exceed seven.</p> <p>(c) The total number of operations (taxed, exempt and untaxed) carried out in the calendar year immediately prior to the calculation period must be within certain limits depending upon the taxpayer's occupation.</p> <p>Joint stock companies (<u>sociedades anónimas</u> and <u>sociedades en comandita por acciones</u>) are expressly excluded from this tax.</p> <p>Tax debit:</p> <p>Presumed annual tax debits for each of the different tax brackets are set forth in tables.</p>	To simplify the application of this tax, reduce evasion and increase tax collections from this sector.

Argentina: Principal Changes in the Central
Government Tax System, June 1985-February 1987 (Continued)

Law No.	Relating to	Reform	Purpose
Tax credit:			
		A percentage ceiling is established on the tax credit invoiced for each purchase or final import, depending on the taxpayer's occupation, to be set off against the presumed annual tax debit.	
		Assessment and Payment:	
		The tax shall be paid on the basis of a sworn annual return. Without prejudice to the said return, eleven advance payments, equivalent to the proper percentage for the taxpayer's occupation applied to one twelfth of the annual tax payable as set forth in the relevant tables, shall be made.	
		The General Tax Directorate was authorized to assess the monthly advance payments and to request for this purpose such information as it deems necessary.	
		Conditions were established for changes which may occur in the event taxpayers change from the simplified to the general system and vice versa.	
		Methodology was established for the provisional and final assessment of taxpayers commencing their operations.	
		It was made possible to switch from the simplified to the general system in the event a taxpayer carries out more than 50 percent of his or its total taxed operations with persons covered by the general system.	
23,350 of July 8, 1986	Excise Taxes	In view of the changes made in the regulations relating to the Value-Added Tax, it was considered necessary to carry out a supplementary reform of the other consumption-related taxes.	To harmonize the implementation of these taxes with the VAT and to improve the implementation procedures.

Argentina: Principal Changes in the Central
Government Tax System, June 1985-February 1987 (Continued)

APPENDIX II

Law No.	Relating to	Reform	Purpose
		(a) The rates applicable to different headings were revised to offset the abolition of the differential rates of 5 percent and 25 percent under the Value-Added Tax.	
		Rates were lowered in the following categories:	
		Alcoholic beverages (excluding whisky, for which there was no change even though the VAT rate was increased).	
		Carbonated beverages, syrups, soft drinks and extracts.	
		Wines.	
		Rates were increased in the following categories:	
		Toiletries.	
		Luxury goods.	
		Automobiles and engines (a differential rate was introduced exclusively for recreational vehicles and for chassis with an engine designed to form part of a recreational vehicle).	
		(b) In the Wines category, not only were the rates lowered (as indicated in the previous item) but a common system of taxation was introduced for the different types and classes of wines, except for Champagnes.	

Argentina: Principal Changes in the Central
Government Tax System, June 1985-February 1987 (Concluded)

Law No.	Relating to	Reform	Purpose
		(c) The provisions relating to the category "Carbonated drinks, syrups, extracts and concentrates" were amended in order to resolve problems of interpretation and to include nonalcoholic drinks in general (including those with a low alcohol content) and natural or artificial, solid or liquid substances used in the manufacture of such drinks.	Finally, the differential rate formerly applied to certain goods in this category was abolished and products made with a minimum content of natural fruit juice (10 or 20 percent according to the Law), as well as ciders and beers, are included among the products exempt from tax.
		(d) In the "Other Goods" category, the use of the Customs Cooperation Council Nomenclature (CCCN) was introduced in order better to define the properties of the taxed goods. The Law has grouped these products in two major categories apply.	

Argentina: Summary of the Central Government Tax System as of December 1986
 (All amounts in australes)

Tax	Nature of Tax	Exemptions and Deductions	Rates
1. Taxes on net income and profits	Payable by companies or corporations on their accrued income from domestic sources.	Some health, education, religious, and cultural organizations are exempt. Deductions from gross income include normal business expenses and donations to authorized organizations of up to 10 percent of the taxpayers net income.	General rates: 33 percent For nonresident corporations and companies: 45 percent.
1.1 Taxes on companies and corporations (<u>Impuesto a las Ganancias, Tercera Categoría</u>) Law No. 23,260 of September 9, 1985; and Decree No. 450 of March 31, 1986.	The tax base includes income from commercial, industrial, mining, and agricultural activities. For foreign companies engaged in transportation, insurance and news agencies, taxable income is presumed to be between 10 percent and 50 percent of their gross receipts depending on the activity. Taxpayers should file returns and pay tax not later than five months after closing their accounting year. They are required to make provisional payments toward their tax liability, and additional tax payments and any outstanding debts are subject to indexation.		A progressive rate schedule ranging between 7 percent and 45 percent applies to taxable income. In 1986 the 7 percent rate applied to taxable income up to ₩ 836 and the 45 percent rate applied to taxable income in excess of ₩ 84,235.
1.2 Tax on individuals (<u>Impuesto a las Ganancias, Ia., 2a., 3a., y 4a. Categorías</u>) Law No. 23,260 of September 9, 1985; and Decree No. 450 of March 31, 1986.	Payable by natural persons on their personal remuneration including wages, salaries, pensions, free from liberal professions, dividends, interest, rents, and shares in partnership profits. For wages and salaries and some capital income, the tax is paid through withholding at source supplemented by a final settlement. Payments, personal deductions, tax brackets, and any outstanding liability are subject to indexation. Occasional income from foreign sources is included in the base but a tax credit is granted for related tax payments, according to reciprocity agreements. The fiscal year corresponds to the calendar year.	Dividends paid to residents by corporations are exempt. Interest payments on deposits in the banking system which are regulated by the state as well as interest on some public sector bills and rates are exempt from taxes until December 31, 1987. In addition to a personal deduction (₩ 7,984 in 1986) taxpayers are allowed deductions for family dependents, and payments for funeral expenses and life insurance premia.	

Argentina: Summary of the Central Government Tax System as of December 1986 (Continued)
 (All amounts in australes)

Tax	Nature of Tax	Exemptions and Deductions	Rates
1.3 <u>Tax on occasional income and capital gains (Impuesto a los Beneficios Eventuales)</u> Law No. 23,259 of September 9, 1985.	Applies on capital gains derived mainly from the sale of real estate and other type of property or ownership, including partnership on shares in a company. Income from capital gains is determined after adjusting the original purchase price for inflation.	Sales of public sector debt instruments are exempt from this tax. The first \$ 2,200 (at December 1986 prices) is exempt from taxes.	15 percent.
2. <u>Social Security Taxes (Régimen Nacional de Previsión social)</u> Created by several laws	Monthly contributions by employers and employees based on salaries.	None	11 percent by employee and 15 percent by the employer.
3. <u>Taxes on property</u>			
3.1 <u>Net wealth taxes</u>			
3.11 <u>Personal tax on net wealth (Impuesto sobre el Patrimonio Neto)</u> Law No. 21,282 of April 2, 1976; Law No. 21,911 of December 16, 1978; Law No. 22,291 of February 10, 1980; Law No. 22,438 of March 17, 1981; and Law No. 23,297 of September 30, 1986.	Annual tax on the value of net wealth possessed by individuals on the last day of the year. Assets held abroad are not taxable. Assets must be revalued by the end of each year.	Members of diplomatic missions, Exempted from the tax are assets in the form of Treasury bonds or other financial assets issued by the central or regional governments, saving deposits, and corporate and partnership shares. Net wealth of up to \$ 94,868 is exempt from the tax.	A progressive rate schedule ranging between 0.5 percent and 2.0 percent applies to net wealth in excess of the exempt amount. The amount of exempt wealth and the brackets of the rate schedule are adjusted yearly for inflation.
3.12 <u>Corporate tax on net wealth 1/ (Impuesto sobre los capitales)</u> Law No. 21,287 of April 2, 1976, Law No. 21,984 of January 1, 1978; Law No. 21,911 of December 26, 1978; Law No. 22,291 of February 10, 1980; Law No. 22,438 of March 17, 1981; and Law No. 23,296 of September 30, 1985.	Annual tax on capital of companies and corporations.	Assets located in Tierra del Fuego, capital invested in enterprises promoted under schemes providing for investment incentives, and some bonds issued by the State are exempt from the tax. Net wealth of under \$ 11,000 is exempt. This amount is adjusted annually.	1.5 percent.

APPENDIX III

Argentina: Summary of the Central Government Tax System as of December 1986 (Continued)

(All amounts in australas)

Tax	Nature of Tax	Exemptions and Deductions	Rates
3.2 <u>Tax on transfers of financial assets</u> <u>(Impuesto sobre las Transferencias de Títulos Valores) Law No. 21,280 of April 2, 1976; and Law No. 21,894 of October 27, 1978.</u>	Based on the sale price of shares, debentures. Treasury bonds, and other financial assets.	Short-term public sector bills and notes.	0.75 percent. The tax is reduced to 0.5 percent in case of securities transferred in the stock exchange.
4.1 <u>Value-added tax (Impuesto al Valor Agregado) Law No. 20,631 of December 27, 1973; Law No. 21,376 of August 11, 1976, Law No. 21,911 of December 26, 1978; Law No. 22,031 of July 23, 1979; Law No. 22,294 of October 13, 1980; Law No. 22,774 of April 6, 1983; Law No. 22,817 of May 26, 1983; Decree No. 48/82 of August 7, 1982; Decree No. 697/82 of September 23, 1982; Decree No. 271/83 of December 22, 1983; Law No. 23,447 of November 1, 1985; and Decree No. 2,407/86.</u>	Levied on most goods and on certain services. Exports are exempt and tax credits of exporters can be credited against any other tax liability or reimbursed in cash. Tax paid on investment goods can be credited against tax liabilities during a period of up to three years; also outstanding tax credits at the end of the year are indexed according to the domestic rate of inflation. Agricultural producers can credit tax paid on inputs against income or net wealth tax liabilities.	Exempt are exports, some agricultural products, foodstuffs and pharmaceutical products.	
+ Taxes on goods and services			General rate is 18 percent. The law permits 50 percent reduction for residential construction. There is a presumptive tax for small contributors according to location, size, capital invested, and the amount of sales.

(All amounts in australes)

Tax	Nature of Tax	Exemptions and Deductions	Rates
4.2 Selective excises			
4.21 Excise taxes <u>(Impuestos) I/ Decreto No. 3,426 of December 27, 1976; Law No. 21,930 of January 19, 1979; Law No. 22,297 of October 3, 1980; Law No. 23,047 of February 8, 1984; Decree No. 2,682/79 of October 30, 1979, Decree No. 920/82 of July 7, 1982; Decree No. 157/83 of January 24, 1983; Law No. 23,047 of February 8, 1984; Law No. 23,101 of September 28, 1984; Law No. 23,286 of September 30, 1985; and Law No. 23,350 of August 7, 1986.</u>	These are ad valorem levies on selected goods including tobacco products, alcoholic beverages, tires, motor oils, luxury goods, carbonated beverages and motor vehicles. Proceeds from some of these levies, e.g., tires and motor oils, are mostly earmarked to special funds.	Tractors and bicycle tires; toothpaste and deodorants; medicinal syrup, mineral water; buses; and trolley buses.	Selected rates are shown below:
		Cigarettes Alcoholic beverages Wines Tires Motor oils Carbonated beverages Motor vehicles	Present 70 10-47 2.5-12 27 23.25 24 2-21.5
4.22 Tax on fuels 2/ <u>(Impuesto a los Combustibles Líquidos Derivados del Petróleo)</u> Decrease Law No. 17,597/67; Law No. 20,073; Law No. 20,336; Law No. 20,954; and Law No. 22,520 of 1981.	Levied on gasoline, gasohol, kerosene, gas oil, diesel oil, and jet fuels.	Exports, fuels used as raw materials in the petrochemical industry, diesel oil and fuel oil used by public enterprises to generate electricity for sale.	Rates are specific and subject to frequent changes. Major products are taken as follows:
		Austral per liter except as noted Premium gasoline 0.581 Diesel oil 0.058 Reg. gasoline 0.500 Kerosene 0.075 Gas oil 0.093 Fuel oil (per kilo) 0.044	Austral per liter except as noted Premium gasoline 0.581 Diesel oil 0.058 Reg. gasoline 0.500 Kerosene 0.075 Gas oil 0.093 Fuel oil (per kilo) 0.044
5. Taxes on International trade			
5.1 Import duties <u>(Derechos a las Importaciones)</u> Law No. 16,690; Law No. 17,352; and Law No. 22,415	Import duties are levied on all imports including final goods, raw materials, etc.	Imports of merchandise and household effects under special regimes, e.g., immigrants, handicapped, diplomats. Imports of goods by religious, social assistance, charity, educational, artistic, cultural, scientific and sports institutions. Pharmaceutical products, agricultural inputs such as fertilizers and insecticides, and equipment for the shipbuilding industry are also exempt.	For most items, rates range from 10 to 48 percent. Motor vehicles are taxed from 55 to 65 percent. Some representative import duty rates are shown below:
		Alcoholic beverages Tobacco and tobacco products Wood and wood products Textiles Garments	Percent 31-48 20-37 20-48 48 48

Argentina: Summary of the Central Government Tax System as of December 1986 (Concluded)
 (All amounts in australes)

Tax	Nature of Tax	Exemptions and Deductions	Rates
5.2 Export duties (<u>Derechos a las exportaciones</u>) Law No. 17,198; and Law No. 22,415	Levied mainly on agricultural products. In general, export duties do not apply to exports of manufactured products.	Most rates range from 10 to 25 percent. Some representative rates are the following.	Present <u>5-15</u>
		Beef and other meats Wheat Rice Other cereals Oil seeds Animal and vegetable fats Wool Cotton Hides and skins	18 5 15 15 10-20 9-17 5 5-25
5.3 Exchange tax (<u>Impuesto Sobre las Ventas de Compras, Cambio o Permuta de Divisas</u>) Law No. 18,526 of December 31, 1969; Law No. 20,046; and Law No. 21,647 of September 28, 1977.	Levied on the sale or purchase of foreign exchange.	Sale or purchase of currency (bills and coins), arbitrage operations.	0.6 percent.
6. Other taxes	Tax on contracts or documents related to real estate rentals and sales, mortgages, credits, etc. In general the tax applies only in the Federal Capital.	State, provincial, and municipal governments or their agencies; and state banks, religious, scientific, educational institutions, etc., are exempt from this tax.	Various ad valorem rates apply. Some examples are:
Stamp duties (<u>Impuesto de sellos</u>) Law No. 18,524, Decree No. 4,606 of May 18, 1973; Law No. 21,407 of September 3, 1976; Law No. 21,911 of December 26, 1978; Law No. 23,495; and Decree No. 600/86.	Stamp duties (<u>Impuesto de sellos</u>) Law No. 18,524, Decree No. 4,606 of May 18, 1973; Law No. 21,407 of September 3, 1976; Law No. 21,911 of December 26, 1978; Law No. 23,495; and Decree No. 600/86.	Financial documents Contracts regarding sale of agricultural products Contracts regarding real estate sales	<u>Percent</u> 1.0 0.35 2.5

Principal Changes in Financial Regulations, March 1986-June 1987

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 from March 1986 to June 1987. 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.

March 7, 1986

"A" 859. Establishes that the rate charged on nonregulated rate loans must not exceed the average interest rate paid on nonregulated rate deposits by more than a fraction to be established by the Central Bank. (Previously a bank's lending rate was required not to exceed that bank's deposit rate by more than one percentage point.)

March 31, 1986

"A" 865. Withdraws the authority of official provincial and municipal banks (except a group of four banks, including the Bank of the Province of Buenos Aires) to accept nonregulated-rate deposits. Such deposits with these banks would be eliminated gradually as they matured. Nonregulated loans could be maintained but new nonregulated-rate loans could be provided only to the extent that they could be financed from the capital resources of the institution. In addition, the reserve requirement on current account and other sight deposits of affected banks is reduced from 88 1/2 percent to 20 percent, and these banks are no longer required to constitute central bank bonds related to regulated time deposits or to match increases in rediscounts that compensate for declines in indexed deposits. Also, deposits frozen with the Central Bank when reserve requirements on regulated time deposits were lowered in March 1985 are released.

The resources made available by these reductions in reserve and investment requirements must be used first to repay maturing nonregulated rate deposits and to repay central bank rediscounts received from the Central Bank. Any resources still available would be placed in a special deposit with the Central Bank bearing interest at the regulated lending rate less 1/2 percentage point, which would be repaid in six equal monthly payments starting May 1986. If the freed resources were in fact not sufficient to repay existing deposits, the Central Bank would provide a discount sufficient to allow the Bank to fulfill this requirement; this discount would be repayable in 18 equal monthly installments starting May 1986 and bear interest at the rate specified above for the special deposits with the Central Bank.

"A" 868. Establishes that in April 1986 the requirement to hold a central bank bond (BONOR) related to nonregulated deposits was raised to 80 percent for deposits in excess of 107 percent of such deposits in March 1986. (The marginal investment requirement was gradually lowered through September, after which the requirement to hold BONOR was eliminated by "A" 925.)

April 30, 1986

"A" 879. Establishes that holdings of BONOR be remunerated by the Central Bank at a rate related to the average interest rate paid on non-regulated rate deposits in the month, effective May 1986. (Previously, BONOR was remunerated at a rate set periodically by the Central Bank.)

May 7, 1986

"A" 884. Provides that short-term central bank paper would be offered to financial institutions in an auction to be held twice a week. Offers must be for at least ₦ 25,000 and at a term of at least 7 days. (Previously central bank paper was offered at a fixed interest rate set by the Central Bank.)

June 30, 1986

"A" 900. Establishes that the frozen deposit in the Central Bank linked to the reduction of reserve requirements on regulated-rate deposits and the Central Bank bond linked to regulated rate deposits created by "A" 617 would be remunerated at a rate that would vary with the term of the associated regulated rate deposit. (Previously the rate of remuneration was independent of the term of the associated deposits.)

July 31, 1986

"A" 911. Establishes that nonregulated rate deposits with a term of 90-119 days would be subject to a reserve requirement of 4 percent while nonregulated rate deposits with a term of 120 days or more would be exempt from reserve requirements. Nonregulated rate deposits with a term of 90 days or more would also be exempt from investment requirements, and would be limited to a proportion (set initially at 15 percent) of bank capital.

August 8, 1986

"A" 914. Provides regulations for deposits index-linked to the interest rate paid on nonregulated rate deposits to be used to finance investment projects as approved by the National Development Bank. The deposits would be subject to a minimum maturity of 180 days and a minimum amount of ₦ 10,000 and would not be subject to reserve requirements.

September 30, 1986

"A" 924. Requires financial institutions (except those covered by circular "A" 865) to hold at least 80 percent of reserve requirements in deposits with the Central Bank or a Regional Treasury, effective October 1986.

"A" 925. Reserve requirements on nonregulated rate deposits are lowered from 7 1/2 percent to 3 percent while the requirement to constitute a central bank bond (BONOR) against such deposits is eliminated. Instead, financial institutions are required to constitute a frozen deposit with the Central Bank (DENOR) equal to 106 percent of the sum of reserves and BONOR in September 1986 or 116 percent of the figure for August 1986, whichever the greater. DENOR would bear interest at the rate established by "A" 879; a fixed proportion of the interest (at least 15 percent) would be paid in cash and the rest accrued. DENOR may be transferred between banks and used as collateral in interbank loans, provided that the unfettered balance does not fall to less than 85 percent of the initial deposit.

Also, establishes regulations for financial institutions (except those covered by circular "A" 865) to act as intermediaries in financial operations between third parties. Such transactions may be in the form of an acceptance, with a minimum size set by the Central Bank (initially \$ 8,000), a minimum maturity of 7 days, and subject to a 3 percent reserve requirement. In addition, banks may act as guarantors of swap operations involving BONEX, which would have a minimum size set by the Central Bank (initially \$ 25,000) and a minimum maturity of 90 days. The sum of nonregulated rate deposits, acceptances and swaps is restricted by the Central Bank to a percentage of regulated rate deposits plus a percentage of capital and in any case should not be more than five times capital.

October 10, 1986

"A" 931. Establishes that financial institutions may transfer quotas to accept nonregulated-rate deposits, acceptances, and swaps between themselves, provided that the additional operational capacity obtained not exceed 50 percent of nonregulated rate deposits in September 1986. ("A" 940 raised this limit to 80 percent of nonregulated rate deposits, acceptances and swaps in October 1986, effective November 1, 1986.)

December 1, 1986

"A" 950. The requirement that financial institutions hold 80 percent of reserves in the form of deposits with the Central Bank was lowered to 72 percent for December 1986 and January 1987 and to 76 percent for February and March 1987. Additional reductions were authorized for branches located more than 50 Km. from Buenos Aires or a regional Treasury.

December 2, 1986

"A" 954. Provided for a temporary withdrawal of DENOR in December 1986. Banks could withdraw up to 15 percent of the stock of DENOR on November 30, 1986 for a period of up to 7 days, provided that the average balance withdrawn in the month was not more than 5 percent of the stock of DENOR. Banks also would be allowed to bid for additional withdrawal of DENOR at the discretion of the Central Bank.

"B" 2345. Eliminated remaining reserve requirements for provincial banks covered by circular "A" 865.

December 19, 1986

"A" 959. Provides regulations for financial institutions to participate in new stock market issues by firms for the purpose of financing productive investments. Banks may acquire up to 75 percent of the new issue for a period of up to 9 months. Up to 50 percent of the operation may be financed by withdrawal of DENOR from the Central Bank; the rest must come from the bank's own capital resources.

February 2, 1987

"A" 979. Requires that nonregulated rate loans, acceptances and swaps with interest rates in excess of 1 percent of the maximum interest rate charged by the Central Bank on rediscounts should be fully provisioned against losses, as of February 3, 1987.

February 10, 1987

"A" 984. Establishes regulations for financial institutions to participate in the placement of securities of private sector companies and to act as guarantor for such securities.

February 26, 1987

"A" 990. Establishes regulations for banks (other than those covered by circular "A" 865) to act in a number of operations involving public debt instruments. These operations would include swaps, swap guarantees, and the acceptance of public debt instruments as deposits.

February 27, 1987

"A" 991. Establishes conditions for three new types of public debt instrument.

- (1) Bonds in australes of the National Government (BAGON), with a term of four years repayable in 8 equal semiannual installments. The bond would be index-linked to the market value of BONEX, and would bear interest at LIBOR.

- (2) Bonds with guaranteed real returns (BARRA) with a term of 3 years repayable in 6 semiannual installments. The bond would be index-linked to non-regulated interest rates or the average increase of consumer and wholesale prices plus 1-1/2 percent per half-year, whichever the greater, and would bear interest at 2 percent a year.
- (3) Adjustable titles of the National Government (TIDOL) with a term of 1 year repayable at maturity and denominated in australes. The bond would be index-linked to the official exchange rate and would bear interest at LIBOR.

March 3, 1987

"A" 994. Revises the provisions of "A" 979 to require that loans with interest rates in excess of the maximum interest rate charged on rediscounts multiplied by a coefficient (set initially at 1.08) should be fully provisioned against losses.

March 6, 1987

"A" 997. Establishes an additional rediscount line to offer financial support to meat packing plants. Loans would be adjusted in relation to the regulated interest rate.

March 9, 1987

"A" 998. Establishes conditions for a new financial instrument to be intermediated by provincial banks covered by circular "A" 865 that would provide credits to producers in the agriculture sector. The instrument would have a minimum size of ₩ 5,000, a minimum term of 6 months and would not be subject to reserve requirements. It would be index-linked to an appropriate index of prices in the agricultural sector and would bear interest of up to 12 percent a year.

"A" 999. Permits financial institutions to invest in public debt instruments against capital and non-regulated rate deposits.

March 18, 1987

"A" 1003. Requires banks to place a special deposit with the Central Bank until April 30, 1987 equal to 3 percent of nonregulated rate deposits, acceptances and swaps on March 13, 1987. The deposit would bear interest at a rate of 1 percent above the average rate paid on nonregulated rate deposits.

March 31, 1987

"A" 1006. Requires that financial institutions constitute a special deposit in the Central Bank to the extent that the average balances of nonregulated rate deposits, acceptances and swaps in April were above

20 percent of the value of such deposits in February. The special deposit would bear interest at 60 percent of the average paid on non-regulated rate deposits in April.

"A" 1007. Requires special reserves on nonregulated rate deposits, acceptances and swaps of 4% in April and 2% in May. This special reserve could be held in the form of BARRA deposited with the Central Bank or in a special deposit bearing interest at the same rate as DENOR.

April 15, 1987

"A" 1015. Establishes a rediscount line to refinance debts in areas affected by flooding. Loans at nonregulated interest rates by branches located in certain sections of Buenos Aires province were eligible to be refinanced at the regulated lending rate for a period of two years. Financial institutions taking part in this operation are required to make an equivalent deposit with the Central Bank, which would bear interest at the average nonregulated interest rate plus one percent a month.

April 24, 1987

"A" 1019. Excludes from the reserve provision requirements of "A" 979 personal loans with a term of more than 6 months and a value of less than ₩ 5,000.

May 18, 1987

"A" 1028. Establishes a mechanism for swap arrangements between the Central Bank and financial institutions involving public debt instruments. Swaps would be for periods of 7 to 90 days and with a minimum of ₩ 100,000. The premia to be applied in the swap arrangements would be established by auctions held by the Central Bank.

June 1, 1987

"A" 1033. Establishes that banks covered by circular "A" 865 can intermediate in operations involving acceptances. Such transactions would be subject to the same minimum size requirement as nonregulated rate deposits, to a minimum term of 90 days, and to a limit initially set at 25 percent of capital; there would be no reserve requirement. The transaction would be adjusted by the index of interest paid on nonregulated rate deposits, but would not otherwise be subject to interest payments.

"A" 1034. Requires banks to constitute a special deposit with the Central Bank equal to 2 percent of the average balance of nonregulated rate deposits in April multiplied by 1.05, effective June 1 to June 22. The deposit would be remunerated at a rate related to the index of interest paid on nonregulated rate deposits.

Extraordinary Finance

1. External Debt Renegotiation and Concerted Lending, 1984-85

In 1984, the Government approached the country's creditors with requests to restructure a large part of the external debt of the public and private sectors. In January 1985, official creditors (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. In August 1985, Argentina's commercial bank creditors agreed to refinance private and public sector amortization payments and provide US\$4.2 billion of new money. For the public sector, the rescheduling involved principal obligations overdue on September 30, 1984 and those falling due through the end of 1985. The refinanced private sector obligations comprised loans falling due through the end of 1985, including loans covered by foreign exchange insurance contracts and financial swap agreements. As regards new money, US\$3.7 billion was provided 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 1984-85 stand-by arrangement with the Fund. The banks also agreed to maintain both trade financing to Argentine entities and deposits in foreign branches of Argentine banks at their levels of September 30, 1984. Obligations due to non-bank, non-official creditors on those categories of debts that were rescheduled with commercial banks also were rescheduled on terms identical to those involving commercial banks.

2. External Debt Renegotiation and Concerted Lending, 1986-87

a. Official creditors

In May 1987, the Paris Club agreed to the rescheduling of service payments on medium- and long-term debt owed to or guaranteed by official creditors due and not paid as of April 30, 1987, and amounts falling due from May 1, 1987 up to June 30, 1988. Debt service due as a result of the January 1985 Agreement was not affected by the 1987 rescheduling. The amount rescheduled under the May 1987 agreement is estimated at US\$1 billion for the period 1986-87 (Table 28). All rescheduled principal and interest obligations were to be repaid in 10 equal semiannual installments starting in 1993. Late interest accrued as of April 30, 1987 and not paid was to be repaid in four equal semiannual payments starting in July 31, 1989. 1/ The rate and the conditions of interest payments were to be established in bilateral agreements between Argentina and individual Paris Club participants and their export credit agencies.

1/ Late interest charges are those that fall due between the original due date of principal and contractual interest and a date that is to be fixed in the bilateral agreements.

Table 28. Argentina: External Debt Rescheduling 1/

(In millions of U.S. dollars)

	Interest	Principal	Total
1984			
Paris Club	306	760	1,066
Commercial banks	--	10,527	10,527
Other creditors	--	764	764
Total	306	12,051	12,357
1985			
Paris Club	200	448	648
Commercial banks	--	2,281	2,281
Other creditors	--	308	308
Total	200	3,037	3,237
1986			
Paris Club	180	360	540
Commercial banks	--	3,817	3,817
Other creditors	--	234	234
Total	180	4,411	4,591
1987			
Paris Club	120	360	480
Commercial banks	--	3,929	3,929
Other creditors	--	204	204
Total	120	4,493	4,613
1988			
Paris Club
Commercial banks	--	2,968	2,968
Other creditors	--	80	80
Total
1989 and beyond			
Paris Club
Commercial banks	--	14,743	14,743
Other creditors	--	115	115

Source: Central Bank of Argentina.

1/ Excludes US\$3,122 million of principal payments covered by exchange guarantees that fell due in 1982 and 1983 and were not covered by the 1985 bank accord.

b. Commercial banks

On April 24, 1987, Argentina and the steering committee of commercial bank creditors reached an agreement on a financing plan for 1987, providing for the refinancing of amortization payments on public and private debt and the provision of new money under various facilities.

With regards to public sector debt, the refinancing would involve all maturities originally falling due on or after January 1 1986 and 1982-85 maturities which previously had been refinanced. Both types of maturities would be repaid in 25 backloaded, semiannual installments commencing on May 2, 1994. Repayment installments would increase from 1 percent of the principal amount for the first installment to 7.5 percent for the 25th installment. Each participating bank would be permitted to choose LIBOR or a domestic rate (based on a secondary market rate for Certificates of Deposit) for interest charges, each option carrying a spread of 13/16 percent per annum. Banks also would be given the option of converting up to 75 percent of the rescheduled amount into the home currency of the participating bank (up to 40 percent in the case of previously rescheduled maturities). Certain types of obligations would not be subject to refinancing, including loans guaranteed by non-Argentine official agencies, publicly issued bonds (except treasury bills denominated in non-Argentine currency and held by the banks), lease obligations, short-term trade credits, and interbank placements. It is estimated that the public sector debt rescheduled for the period 1986 and beyond would total US\$23 billion.

The agreement also provides for the refinancing of private sector principal obligations falling due on or after January 1, 1987, in three categories: loans covered by foreign exchange insurance contracts of the Central Bank, those not covered by such insurance contracts, and financial swap agreements. Private short-term trade-related obligations would be excluded from the refinancing.

Principal obligations of loans covered by foreign exchange insurance contracts would be rescheduled by means of issuance of obligations of the Government of Argentina denominated in U.S. dollars (Notes). Principal obligations of loans not covered by foreign exchange contracts would be rescheduled by the issuance of obligations of the Central Bank denominated in U.S. dollars (BCRA Notes). These obligations would be issued following the deposit by the Argentine debtor of the local currency amounts required to cancel debtor's obligation. The Notes and BCRA Notes, once issued, would be repaid according to an amortization schedule identical to that established for the rescheduling of public sector obligations and carry the same interest terms. Financial swaps would be refinanced, 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 involving similar terms. It is estimated that the total private debt subject to rescheduling would amount to US\$2.5 billion.

The agreement includes a new money package of US\$1.95 billion comprising a Term Credit Facility of US\$1.55 billion and a Trade Credit and Deposit Facility of US\$0.4 billion. Drawings under the Term Credit Facility would be made available in five tranches, each linked to successive purchases under the stand-by arrangement with Argentina. The amounts in each tranche would be US\$400 million, US\$350 million, US\$200 million, US\$450 million, and US\$150 million, respectively. In addition, the release of the second, third, fourth, and fifth tranches would be linked to disbursements of specified amounts by the World Bank.

With regard to the new money package, each participating bank would be permitted to elect the use of either LIBOR or a domestic rate (based on a secondary market rate for Certificates of Deposit), both options carrying a spread of 7/8 percent per annum. Repayments of the borrowed amounts would be in 15 equal, semi-annual installments commencing on October 25, 1992. Banks that agreed to participate in the new money package prior to or on June 17, 1987 would be eligible for an early participation fee of 3/8 of 1 percent of the amount committed. Banks that agreed to participate after June 17, 1987 but on or before July 17, 1987 were eligible for an early participation fee of 1/8 of 1 percent of the amount committed.

Part of the disbursements to the Central Bank under the 1987 Term Credit Facility was to form a US\$350 million Investment Fund. Under the agreement, US\$250 million is to be made available by the Central Bank for medium-term lending (a minimum maturity of six years and a minimum grace period of four years) to public sector entities or to private sector entities provided that such lending be used to fund projects eligible under the debt-to-equity conversion program (see Section V) or serve as matching funds under the program for such projects. The remaining US\$100 million is to be made available for medium-term lending to Argentine private banks to be lent by them for projects meeting the requirements of the debt-to-equity conversion program, either to fund the projects or to provide the required matching funds. Total lending from the Investment Fund in any month during the five years starting with the first drawdown is to be limited to US\$5.833 million, with the possibility of carrying forward any unspent amounts.

Funds under the Trade Credit and Deposit Facility were to be made available in two tranches of US\$200 million each. These funds would be deposited with the Central Bank of Argentina in order to provide Argentine entities with new and additional credits for trade transactions. The first disbursement would be linked to the first drawdown of the Term Credit Facility and the second disbursement to the third drawdown of the Term Credit Facility. The amounts borrowed under the facility would be repaid in four years. Ninety days after the initial deposit, any participating bank 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 would redeposit the principal amount and thus reconstitute the fund. Under the terms of the facility, each bank could elect to leave its deposits

in the Central Bank rather than finance trade transactions. Each bank has the option of selecting whether its deposits would be call deposits, or one-month, three-month, or six-month term deposits, and could elect to use the corresponding LIBOR or domestic rate.

The financing plan also includes a trade credit maintenance facility under which banks would agree to maintain trade financing to Argentine entities at the September 30, 1984 level and a stand-by money market facility under which banks would agree to maintain deposits in foreign branches of Argentine banks also at the September 30, 1984 level.

Under the financing plan, New Money Instruments would be made available to any bank that had committed its full share to the new money facilities in lieu of all or part of such commitment. The maximum subscription is US\$1 million per bank. The New Money Instruments would have the same interest rate and amortization terms as the Term Credit Facility but would not be subject to further rescheduling.

Participating banks also would have the option of subscribing to Alternative Participation Instruments. These would be issued in exchange for up to US\$5 million per bank of Argentine public sector external debt instruments, and would be excluded from the base date debt for the purpose of calculating the 1987 or later refinancing. The instruments would carry a fixed interest rate of 4 percent a year and have 12 years grace followed by repayment over 13 years in equal semi-annual installments.

As regards onlending, an additional US\$500 million of onlending rights under the 1983 Term Credit Agreement would be made available to participating banks. The onlending would be on the same basis as the onlending under the 1985 Term Credit Agreement. 1/ Onlending rights would be available as follows: (a) US\$400 million to public and private sector borrowers, provided that the Argentine entity secured an equal amount of new financing from an external creditor that would mature no earlier than the relevant onlending, and (b) US\$100 million to Argentine private sector banks or to entities, if guaranteed by private sector banks, with similar new money provisions.

Onlending under the 1985 Term Credit Agreement is to continue, provided that the total onlending under the 1983 and 1985 Term Credit Agreements for any month in the period of five years from the date of first drawdown under the 1987 Term Credit Agreement does not exceed US\$12.5 million a month in the first two years and US\$8.33 million a month in the last three years. Thereafter, onlending will be limited to renewals of previous onlending and new onlending of amounts previously onlent. Requests for onlending disbursements in any month are to be

1/ See SM/86/35 for a description of the onlending provisions under the 1985 Term Credit Agreement.

honored in the order received until the quota for such month has been fully utilized.

c. Nonbank, nonofficial creditors

The process of rescheduling private sector principal payments to nonbank creditors not covered by the Paris Club rescheduling would also continue. This would be an extension of the rescheduling of private sector obligations to commercial banks, as it would cover the same categories of instruments as those included in the bank agreement. Furthermore, rescheduling would 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 with commercial banks. It is estimated that the amount of such obligations being rescheduled would total US\$0.6 billion.

3. Status of recent exceptional financing schemes

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 exchange rate 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 roll-overs that were contracted originally fell due over the period 1982 to 1984, but as these loans fell due beginning in November 1982, the Central Bank did not have reserves to unwind these operations and issued regulations requiring that they be rescheduled at 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 both 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 provided by BONODs and promissory notes; in the latter case, BONODs or promissory notes could be issued in guarantee.

As noted above, BONOD and promissory note obligations due to commercial banks would be rescheduled as part of the agreement on the 1986-87 financing plan and the portion due to other creditors would be rescheduled separately. In November 1986, the authorities introduced an option for the early cancellation of public sector debts with an exchange guarantee. Under the program, the domestic debtor would accept a BONOD for that part of the underlying obligation for which the government is responsible as a result of the foreign exchange contract. The debtor would continue to owe the difference between the debt assumed by the government and the original amount of the obligation. However, such amounts would be deleted from the Central Bank registry and related amortization payments would not be eligible for the purchase of foreign exchange at the official rate.

b. Swaps

Between December 1981 and May 1982, the Central Bank of Argentina undertook 180-day foreign currency swaps arrangements with banks and other private sector borrowers in Argentina in an attempt to shore up its reserves; by end-1982, there were US\$2.4 billion of swaps outstanding. As with the loans covered by exchange guarantees, the Central Bank did not have reserves to unwind these operations as they began to fall due towards the end of 1982. Initially, swaps were subjected to several mandatory short-term roll-overs. In 1983, the Central Bank announced that loans covered by swaps could be rescheduled over a three-year period, except for import-related swaps that were to be repaid in 1983 and 1984.

In 1984, about US\$0.4 billion of import-related swaps were amortized but the scheduled repayments under the three-year rescheduling were postponed through mandatory roll-overs. In July 1985, the Central Bank announced the terms of the rescheduling of swap obligations in accordance with the bank rescheduling of private sector obligations. As noted above, the 1987 agreement with creditor banks similarly provides for the rescheduling of swap-related obligations. It is estimated that US\$0.7 billion of swap obligations would be rescheduled under the agreement.

c. BONEX

The Government of Argentina issues bonds denominated in U.S. dollars which are freely traded in Argentina and abroad. These bonds are issued in small denominations, with a maturity of 11 years and carry an interest rate equal to six-month LIBOR. In the early 1980s, BONEX were purchased voluntarily by investors. More recently, the authorities have issued BONEX to private sector entities in lieu of providing foreign exchange for certain external payments. To obtain foreign exchange, BONEX have to be sold in the market abroad, generally at a substantial discount; hence, BONEX issuance in lieu of foreign exchange serves as a form of exceptional finance. As of June 1987, the right to purchase foreign exchange at the official rate to effect the transfer of profits and dividends remained suspended, except for access to BONEX. The gross placements of BONEX issued in lieu of providing foreign exchange totaled US\$100 million in 1985 and 1986.

Changes in the Trade and Exchange System
in the Period January 1986-June 1987

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 Secretariats of Industry and External Trade and of Internal Commerce (SICE and SCI), the National Grain Board (JNG), the National Meat Board (JNC), and National Wine Institute (INV); notices and resolutions of the National Customs Administration (ANA); and Communications of the Central Bank (communications A, B, and C).

Import and import payments

January 16, 1986. The application of tariffs on imports of certain paper products originating in member countries of the Latin American Integration Association (LAIA) were extended for an additional year under the safeguard provisions of the LAIA agreement (Presidential Decree 2448/85).

January 29, 1986. Argentina ratified the LAIA Tariff Reduction Agreement for the electronics sector which extended preferential treatment to imports of electronics products from the members of the LAIA (Resolution ME 1330/85).

March 11, 1986. Import tariffs were imposed for a period of one year on electronic products originating from member countries of the LAIA under the safeguard provisions of the LAIA agreement (Presidential Decree 358/86).

March 12, 1986. The Central Bank of Argentina and Bank Handlowy of Warsaw, Poland concluded a financial agreement under which a reciprocal line of credit of US\$40 million was established to finance bilateral trade in goods and services (Communication B 2005).

March 17, 1986. Imports of goods produced in Uruguay that were included under the LAIA Agricultural Agreement (signed May 14, 1984) were made eligible for cash settlement (Communication A 861).

April 1, 1986. The financial agreement with the Central Bank of Bolivia was extended through March 18, 1987 (Communication B 2026).

April 13, 1986. The line of credit with the Central Bank of Guatemala was extended until August 25, 1987 (Communication B 2008).

April 24, 1986. A reciprocal credit agreement was signed with Hungary (Communication A 875).

April 25, 1986. The application of tariffs on imports of eviscerated chickens was suspended (Resolution SCI 12/86).

May 5, 1986. The Tariff Nomenclature Code was amended to incorporate new positions involving products of the electronics sector (Resolution ME 418/86).

May 6, 1986. The application of tariffs on imports of refractory bricks originating in member countries of the LAIA was extended for one year (Presidential Decree 657/86).

May 6, 1986. Producers of certain products in the electronics sector became eligible for various benefits that included: tariff protection; exemptions from corporate, capital, and stamp taxes for various periods of time; and exemptions or reductions in duties on imports. The exemptions from import duties were to be effected through the issuance of "Certificates of Import Duty Exemption" (Presidential Decree 652/86).

May 14, 1986. The application of tariffs on imports of chicken was suspended (Resolution SCI 49/86).

June 6, 1986. The quota on imports of chicken was increased by 5,000 tons (Resolution SCI 98/86).

June 11, 1986. Payments for products made in Bolivia, imported under the framework of the LAIA, could be effected against shipping documents (Communication A 896).

June 26, 1986. Tariffs on imports of newsprint were reduced from 38 percent to 28 percent (Resolution ME 518/86).

July 17, 1986. The application of tariffs on imports of butane gas was suspended for 180 days (Resolution ME 549/86).

July 29, 1986. The authorities announced the signing of an integration agreement between Argentina and Brazil. Among the more important protocols were the following: procedures for the integration of the capital goods market; undertakings by Argentina to sell and by Brazil to buy minimum quantities of wheat in the period 1987-90; and the establishment of reciprocal lines of credit by the respective central banks.

July 31, 1986. A list of products eligible for preferential treatment in trade between Argentina and other members of the LAIA was announced following the signing of the Commercial Agreement No. 21 for the chemical industry sector in the framework of the LAIA (Resolution ME 622/86).

August 13, 1986. The quota on imports of chicken was increased by 30,000 tons and the application of import tariffs was suspended (Resolution SCI 195/86).

August 29, 1986. The quota on tariff-free imports of chicken was increased by 5,000 tons (Resolution SCI 225/86).

August 29, 1986. The application of import tariffs on potatoes was suspended for 90 days (Resolution SCI 226/86).

September 4, 1986. Specified items used as inputs in the production of exports products were made eligible for the Temporary Admission Regime, i.e., imports of these goods were exempt from all tariffs, duties, or taxes (Presidential Decree 1554/86).

September 4, 1986. A program (ARGEX) was introduced under which enterprises that would present multiyear export programs involving export receipts at least three times higher than import payments would be eligible for benefits including automatic and unrestricted access to duty free imports of all inputs and intermediate products (Presidential Decree 1533).

September 19, 1986. The line of credit with the Central Bank of El Salvador was increased to US\$25 million and was extended to May 17, 1987 (Communication B 2239).

September 19, 1986. The line of credit to the Central Bank of Uruguay was extended until June 4, 1987 (Communication B 2240).

September 24, 1986. Implementing procedures were announced for the indirect tax drawback scheme established under President Decree 1555/86 (Resolution ANA 2334/860).

September 26, 1986. The preferential tariff treatment for imports destined to Patagonia was extended to capital goods (Resolution SICE 571/86).

September 30, 1986. A reciprocal line of credit with the National Bank for External Commerce (Mexico) in the amount of US\$50 million for the financing of bilateral trade in goods and services was announced (Communication B 2261).

October 23, 1986. The application of tariffs on imports of 60,000 tons of specified inputs for the production of paper containers was suspended (Resolution SCI 393/86).

October 29, 1986. The suspension of tariffs on imports of potatoes was extended through January 1, 1987 (Resolutions SICE 728/86 and SCI 444/86).

October 31, 1986. Regulations implementing the Temporary Admission Regime were announced (Resolution SICE 747/86).

October 31, 1986. Specified additional products were made eligible for the Temporary Admission Regime (Resolution SICE 788/86).

November 26, 1986. Tariffs on imports of newsprint were reduced from 28 percent to 25 percent (Resolution ME 1083/86).

December 11, 1986. The suspension of import tariffs on inputs in the production of paper containers was extended through March 31, 1987 (Resolution SCI 529/86).

December 15, 1986. The 10 percent emergency import surcharge introduced in June 1985 was extended through December 31, 1987 (Resolution ME 1152/86).

December 19, 1986. The process of review of applications for import licenses was streamlined and made subject to a time limit of 15 days (Resolution SICE 1062/86).

December 19, 1986. The requirement of presenting a Sworn Declaration of Import Needs to the Secretariat for Industry and Foreign Trade prior to effecting imports of products on the automatic import list was eliminated. Henceforth, such declarations would be processed through institutions authorized to operate in the exchange market (Resolution SICE 1003/86).

January 6, 1987. The Central Bank announced that the requirement of presenting a Sworn Declaration of Import Needs would be maintained for goods originating from the United Kingdom and British nonmetropolitan territories (Circular 5339).

January 29, 1987. The tariff rate on imports of 4,000 tons of zinc was reduced from 38 percent to 20 percent (Resolution SCI 42/87).

February 20, 1987. Implementing norms were announced for the ARGEX program (Resolution SICE 108/87).

February 27, 1987. Imports of textile machines not produced domestically were exempted from import tariffs (Resolution ME 197/87).

March 4, 1987. Specified additional products were included in the Temporary Admission Regime (Resolution SICE 154/87).

March 4, 1987. Imports of specified inputs for the petrochemical sector were exempted from the prior authorization requirement (Resolution SICE 157/87).

March 26, 1987. Imports of items falling under about 500 custom code categories, including food and textile products, were exempted from the prior authorization requirement (Resolution SICE 211/87).

Payments for invisibles

January 2, 1986. Public sector borrowers, as well as private sector borrowers with government guarantee, were allowed to effect

payments without prior authorization for operations covering the following: (1) authorized obligations restructured within the general restructuring agreement of August, 1, 1985; (2) interest payments on principal that had not been restructured within that agreement; (3) penalty interest payments at rates established by the Central Bank in accordance with the 1984-85 Financing Plan; (4) commercial debts of up to one year, including those that had been rolled over; (5) leasing contracts for ships and planes; (6) interest payments on bonds; (7) interest payments and amortization related to contracts with the IDB and the IBRD; (8) financial obligations contracted after September 12, 1982; and (9) payments on obligations subject to rescheduling but whose amount was less than US\$25,000 (Communication A 831).

January 14, 1986. Private sector interest payments on financial loans were allowed to be effected without prior authorization (Communication A 838).

January 14, 1986. Financial or commercial obligations accruing from the execution of investment projects that increased or consolidated exports could be amortized according to their individual schedules and subject to certain safeguards, through the same exchange market in which related export proceeds were repatriated. This arrangement is to be preserved in the future regardless of any particular exchange arrangements that might be in place (Presidential Decree 63/86).

July 7, 1986. Subject to certain limits, the sale of foreign exchange to effect certain invisibles payments generated or incurred on or after July 7, 1986 was to be allowed without prior authorization. The affected obligations included: insurance premia; rentals of containers; sales commissions; costs of registration of patents and trademarks; authors' royalties; telephone, postal and telex expenses; purchases of books, newspapers, and magazines; contributions to retirement plans abroad; information services; dues of international organizations; fees related to international congresses, meetings, or trade fairs; cost of health treatment abroad; remuneration of contracted foreign personnel; royalties; technical services; payments of alimony; salaries of Argentine personnel assigned abroad; and sale of exchange to foreign tourists from nonadjacent countries at the end of their stay in the country and after presentation of evidence that the amount they brought into the country exceeded the amount they requested to purchase (Communication A 901).

October 10, 1986. Procedures were established for the servicing of public and publicly guaranteed external debt related to suppliers' credits and other commercial operations with an original maturity of more than one year falling due in 1986. The following operations were allowed to be effected without prior authorization: interest payments based on either the contracted or LIBOR rate plus a spread of 1 3/8 percent, whichever was less; principal obligations of less than US\$50,000, which could be made in cash, and principal obligations of between US\$50,000 and US\$1 million, which would be discharged by the

issuance of dollar-denominated obligations of the Government of Argentina. For principal obligations of more than US\$1 million, consultation with the authorities was required (Communication A 929).

Export and export proceeds

January 6, 1986. The period for the surrender of foreign exchange from exports of meat extract was set at 45 days (Communication A 836).

January 10, 1986. Export taxes on sunflowers and processed sunflower products were reduced by 4 to 6 percentage points to a range of 17-27 percent (Resolution ME 1329/85).

January 17, 1986. Specified steel products became eligible for a temporary export rebate of 10 percent, with the exception that the rate of export rebate was set at 4 percent for exports to the United States and the EC (Resolution ME 57/86).

January 20, 1986. Specified additional tariff positions became eligible for a special 10 percent export rebate established for products originating in nine northwestern provinces of Argentina (Resolution ME 1331/85).

January 21, 1986. Minimum f.o.b. export prices were announced for wool and wool products (Notice ANA 35/86).

January 22, 1986. Exports of fishing boats were exempted from destination controls and from eligibility for export rebates (Presidential Decree 78/86).

January 22, 1986. Norms were announced for financial assistance to small- and medium-sized enterprises that participate in international trade shows (Resolution SICE 827/85).

January 22, 1986. Exports of steel wire for prestressed concrete became eligible for export rebates (Resolution ME 1331/85).

January 22, 1986. The prohibition of exports of fats and oils was suspended (Resolution SCI 25/86).

January 23, 1986. Licences were issued for exports of cotton and wool products to the EC countries for 1986 (Notice ANA 19/86).

January 24, 1986. Restrictions on exports of low-cost wine were suspended (Resolution INV 420/86).

January 30, 1986. Norms were established to streamline export clearance procedures (ventanilla unica--one stop window) (Resolution ANA 216/86).

January 27, 1986. Exports of rolled oats were made subject to a tax of 5 percent (Resolution ME 78/86).

February 4, 1986. A framework was established to set up Special Export Programs (PEEX) which would include payments of up to 15 percent of the increment in the value of exports over a specified time period; the export programs were to be negotiated with the Government and limited to a specified list of products (Presidential Decree 176/186).

February 19, 1986. Export taxes on sorghum were reduced from 28 percent to 20 percent (Resolution 169/86).

February 19, 1986. Export taxes on corn were reduced from 29 percent to 20 percent; similar reductions applied to specified corn products (Resolution ME 170/86).

March 14, 1986. A registry of Special Export Programs was established, the list of eligible products was expanded, and domestic suppliers of exporters were made eligible for benefits under the program (Resolution SICE 141).

March 17, 1986. Export taxes on soybeans and soybean products were reduced by 5 percentage points to a range of 5 to 27 percent (Resolution ME 254/86).

March 21, 1986. Export taxes on certain kinds of wheat and wheat products were reduced from 15 percent to 5 percent (Resolution ME 272/86).

April 7, 1986. The Central Bank announced that foreign currency proceeds of exports that were declared to the customs prior to April 7, 1986 were to be converted to domestic currency at the exchange rate of April 4, 1987 (Communication A 870).

April 18, 1986. Specified processed agricultural products were made eligible for benefits under Special Export Programs (Resolution ME 185/86).

May 2, 1986. Exports of peanut oil were made eligible for Central Bank export prefinancing (Communication A 881).

May 27, 1986. Regulations were established specifying the exchange rates to be used for the conversion of foreign currency counterparts of export proceeds into domestic currency (Resolution ANA 1249/86).

June 17, 1986. Export taxes on certain wool products were either reduced from 10 to 5 percent or eliminated (Resolution ME 508/86).

July 8, 1986. Export taxes on certain kinds of wheat and wheat products were reduced from 15 to 5 percent or eliminated (Resolution ME 544/86).

July 18, 1986. Export consortia, export cooperatives, and international trading companies were made eligible for export financing and countertrade operations (Communication A 904).

August 5, 1986. Export taxes on specified cattle products were reduced from 20 to 5 percent or eliminated (Resolution ME 630-31/86).

August 8, 1986. Exports of a specified butter products to Austria and Morocco became eligible for an additional 5 percent export rebate (Resolution ME 525/86).

August 8, 1986. Specified fish and alcohol products were made eligible for benefits under the Special Export Programs (Resolution SICE 437/86).

August 20, 1986. Implementing norms were established for benefits under the Special Export Programs for exports of turnkey projects (Resolution SICE 481/86).

August 22, 1986. The taxes on exports of petroleum products were either reduced from a range of 15-69 percent to 10 percent or eliminated (Resolution ME 727/86).

August 22, 1986. The taxes on exports of specified chemical products were eliminated (Resolution ME 728/86).

August 29, 1986. Export taxes on a number of specified products were eliminated (Resolution ME 759).

August 29, 1986. The export price compensation scheme (i.e., protection of exporters against adverse changes in the real price of their exports) was made available to exporters of specified products and for suppliers of turnkey projects (Resolution ME 758).

September 4, 1986. Exporters of specified manufactured goods were made eligible for payments of 10 percent, 12½ percent, or 15 percent (depending on the product) of the f.o.b value of exports to approximate the drawback of indirect taxes paid by producers in the process of production and marketing of the products (Presidential Decree 1555).

September 8, 1986. Export taxes on specified wool products were reduced from a range of 5-28 percent to a range of 0-19 percent (Resolution ME 798/86).

September 11, 1986. Export taxes on specified products were reduced as follows: certain kinds of wheat and wheat products from 15 to 5 percent; rye products from 32 to 15 percent; wheat flour from 7 percent to zero; flax seeds from 21 to 9 percent; and wheat bran from 7 percent to zero (Resolution ME 813/86).

September 12, 1986. Export taxes on specified hide and shoe products were eliminated (Resolution ME 826/96).

September 17, 1986. The maximum interest rate that commercial banks may charge on the financing of promoted exports was set at 4 1/2 percent per annum; the banks could borrow funds for this purpose from the Central Bank of Argentina at 2 3/4 percent per annum (Communication A 922).

September 23, 1986. Export taxes on specified mineral products, which had amounted to 10 percent, were eliminated (Resolution ME 858/86).

September 24, 1986. Implementing norms were announced for the Temporary Admission Regime established under Presidential Decree 1554/86 (Resolution ANA 2333/86).

October 8, 1986. Regulations were published for the registration of contracts for the export price compensation scheme (Resolution SICE 745/86).

October 16, 1986. Export taxes on specified skin and hide products were reduced from a range of 5-38 percent to a range of 0-28 percent (Resolution ME 947/86).

October 20, 1986. Imports during the period November 1-December 31, 1986 of specified food products were exempt from the value added tax.

October 21, 1986. Price indexes that would be used for the export price compensation scheme were announced (Resolution SICE 746/86).

October 31, 1986. Export taxes on sugar products, which had amounted to 10-15 percent, were eliminated (Resolution ME 998/86).

November 4, 1986. Export taxes on specified pork fat products were reduced from a range of 20-25 percent to a range of 5-10 percent (Resolution 1021/86).

November 4, 1986. Export taxes on specified mutton products, which had amounted to 10 percent, were eliminated (Resolution ME 1024/860).

November 4, 1986. Export taxes on specified wool products were reduced from a range of 14-28 percent to a range of 5-17 percent (Resolution ME 1025/86).

November 19, 1986. Export taxes on lead products, which had amounted to 10 percent, were eliminated (Resolution ME 1070/86).

December 19, 1986. Specified additional products were made eligible for benefits under the Special Export Programs (Resolution SICE 1015/86).

December 30, 1986. Following the extension by the EEC of quotas on imports of textile products from Argentina, the Secretariat for Industry and External Trade was authorized to issue licences for exports of sweaters to member countries of the EC (Resolution ME 1217/86).

January 7, 1987. Additional specified products were made eligible for benefits under the indirect tax draw-back scheme (Resolution ME 10/87).

January 9, 1987. Export taxes on garlic products, which had previously been 8 percent, were eliminated (Resolution ME 14/87).

January 30, 1987. Export taxes on specified cotton products, which had amounted to 15 $\frac{1}{2}$ percent, were eliminated (Resolution ME 106/87).

February 3, 1987. Regulations were established for the financing with foreign resources of export-oriented investment projects under which investors would be allowed to cancel their financial obligations directly with their export proceeds (Resolution A 980).

February 12, 1987. Export taxes were imposed on specified meat products at a rate of 10-15 percent (Resolution ME 148/87).

February 26, 1987. The Central Bank announced that export proceeds that arose from exports with custom declarations that were submitted to the customs prior to February 26, 1987 would be converted into the local currency at the exchange rate of February 24, 1987 (Resolution A 988).

Capital

January 27, 1986. Principal payments on public and publicly guaranteed debt were made subject to 90 and 180 day rollovers (depending on the due date of payment), with interest payments set at LIBOR plus 1 3/8 percent (Communication C 2510).

March 25, 1986. The Central Bank announced the procedures for the rescheduling of debts owed to the Spanish Export Guarantee Company on the basis of a bilateral agreement with Spain within the framework of the 1985 agreement with the Paris Club (Communication A 863).

March 26, 1986. The Central Bank announced the procedures for the rescheduling of debts owed to Hermes based on a bilateral agreement with Germany within the framework of the 1985 agreement with the Paris Club (Communication A 864).

June 6, 1986. The Central Bank announced a rollover of 180 days of all principal payments falling due between January 1, 1986 and September 30, 1986.

June 9, 1986. Pending the conclusion of rescheduling negotiations, regulations were established for the regularization of private sector debts with exchange rate guarantees of the Central Bank. Upon maturity, the contracts would be rescheduled through the issuance of dollar-denominated obligations of the Republic of Argentina maturing in 180 days and carrying an interest rate of either LIBOR plus 1 3/8 or prime rate plus 1 (Communication A 895).

September 1, 1986. The Central Bank announced the mandatory rollover for a minimum period of one year of all commercial obligations of the private sector that were not subject to refinancing (Communication A 918).

September 17, 1986. Regulations were established for the registration of external debt obligations subject to a possible rescheduling with the members of the Paris Club that fell due in 1986, including the constitution of local currency deposits for obligations that were not guaranteed by Argentine public entities (Communication A 918).

November 11, 1986. The Central Bank announced that commercial obligations subject to mandatory rollovers could be repaid earlier, provided that the debtor paid a premium to the Central Bank that took account of the differential between the foreign and domestic interest rates since the original maturity date of the obligation (Communication A 944).

November 12, 1986. A program was established to provide the option of the early cancellation of private sector debts with an exchange guarantee of the Central Bank. Under the program, the domestic debtor accepts a U.S. dollar-denominated bond for that part of the underlying obligation for which the Government is responsible as a result of the foreign exchange contract. The debtor continues to owe the difference between the debt assumed by the Government and the original amount of the obligation. Such amounts were to be deleted from the Central Bank registry and their servicing was not to be eligible for the purchase of foreign exchange at the official rate (Communication A 946).

December 5, 1986. Regulations were established for refinancing of certain categories of private sector external obligations falling due between October 1, 1986 and March 31, 1987. The following provisions were to apply: (1) obligations with exchange rate insurance were to be refinanced with U.S. dollar denominated obligations, with a maturity of 180 days, issued by the Central Bank, on account of the Government of Argentina, with interest rate of either LIBOR plus a spread of 1 3/8 percent, or domestic prime rate plus a spread of 1 percent, or an adjusted CD rate plus a spread of 1 percent; (2) commercial and

financial obligations without exchange rate insurance were to be refinanced with U.S. dollar denominated obligations issued by the Central Bank, with a maturity of 180 days, with interest at either LIBOR plus a spread of 1 3/8 percent or an adjusted CD rate plus a spread of 1 3/8 percent; (3) swaps were either to be rolled over for 180 days or liquidated by the acceptance of U.S. dollar denominated obligations issued by the Central Bank, with a maturity of 180 days, and interest rate at the LIBOR plus a spread of 1 3/8 percent or an adjusted CD rate plus a spread of 1 3/8 percent; and (4) other private sector obligations were to be rescheduled on similar terms (Resolution A 956).

December 23, 1986. The Central Bank announced procedures for the consolidation of obligations due to Austria that were rescheduled within the framework of the Paris Club agreement (Resolution A 961).

December 23, 1986. The Central Bank announced procedures for the consolidation of obligations due to Switzerland that were rescheduled within the framework of the Paris Club agreement (Resolution A 962).

January 19, 1987. Procedures were established for the assumption by the Government of Argentina, upon the surrender of the local currency counterpart, of obligations that were guaranteed by an agency of the Government of Italy that were rescheduled within the framework of the Paris Club agreement (Communication A 975).

January 23, 1987. Implementing rules were established for the conversion to cash by the banking system of Certificates of Special Export Promotion that were granted by the Secretariat for Industry and External Trade under the Special Export Programs (Communication A 976).

June 2, 1987. Procedures were established for a debt to equity conversion scheme established in conjunction with the 1987 financing plan. The procedures specified the types of eligible public sector debt obligations, modalities of matching funds financing, rules for constituting guarantee deposits, and criteria for the selection of projects (Communication A 1035).

Table 29. Argentina: National Accounts in Current Prices
 (In millions of australes)

	1981	1982	1983	1984	1985	1986
<u>Gross domestic expenditure</u>	55.0	142.8	649.3	5,111.2	36,850.1	72,724.0
Consumption	45.0	117.8	531.0	4,345.0	31,924.2	62,949.1
Private	37.8	101.4	441.9	3,643.8	27,233.1	53,595.1
Government	7.2	16.4	89.1	701.2	4,691.1	9,354.0
Gross domestic investment	10.0	25.0	118.3	766.2	4,925.9	9,774.9
Fixed capital formation	10.3	23.4	117.9	812.7	5,359.7	10,123.2
Private	6.4	13.7	67.3	516.8	2,893.3	4,981.2
Public	3.9	9.7	50.6	295.9	2,466.4	5,142.0
Change in inventories	-0.3	1.6	0.4	-46.5	-433.8	-348.2
<u>Foreign balance</u>	-0.2	4.8	33.3	169.8	2,742.5	1,585
Exports of goods and nonfactor services	5.2	19.9	100.2	641.0	6,200.3	8,252.8
Imports of goods and nonfactor services	-5.4	-15.1	-66.9	-471.2	-3,457.8	-6,667.8
<u>Gross domestic product at market prices</u>	54.8	147.6	682.7	5,281.0	39,592.6	74,309.0
Net factor payments abroad	-2.4	-12.9	-64.4	-418.3	-3,463.4	-4,168.0
<u>Gross national product at market prices</u>	52.4	134.7	618.3	4,862.7	36,129.2	70,141.0

Source: Central Bank of Argentina.

Table 30. Argentina: National Accounts in Constant Prices

(In australes at 1970 prices)

	1981	1982	1983	1984	1985	1986
<u>Gross domestic expenditure</u>	<u>11,041</u>	<u>9,723</u>	<u>9,840</u>	<u>10,183</u>	<u>9,368</u>	<u>10,292</u>
Consumption	8,992	8,078	8,370	8,870	8,298	9,024
Private	7,684	6,863	7,122	7,596	7,046	7,682
Government	1,308	1,215	1,248	1,274	1,252	1,354
Gross domestic investment	2,049	1,645	1,470	1,313	1,070	1,268
Fixed capital formation	2,122	1,538	1,458	1,326	1,194	1,326
Private	1,215	826	787	833	772	836
Public	907	712	671	493	422	490
Change in inventories	-73	107	12	-13	-124	-58
<u>Foreign balance</u>	<u>-507</u>	<u>332</u>	<u>493</u>	<u>419</u>	<u>751</u>	<u>404</u>
Exports of goods and nonfactor services	1,362	1,409	1,519	1,508	1,698	1,523
Imports of goods and nonfactor services	-1,869	-1,077	-1,026	-1,089	-947	-1,119
<u>Gross domestic product at market prices</u>	<u>10,534</u>	<u>10,055</u>	<u>10,333</u>	<u>10,602</u>	<u>10,119</u>	<u>10,696</u>
Net factor payments abroad 1/	-570	-715	-806	-870	-784	-647
<u>Gross national product at market prices</u>	<u>9,964</u>	<u>9,340</u>	<u>9,527</u>	<u>9,732</u>	<u>9,335</u>	<u>10,049</u>
Subsidies less indirect taxes	1,201	1,146	1,178	1,209	1,153	1,219
<u>Gross national product at factor cost</u>	<u>8,763</u>	<u>8,194</u>	<u>8,349</u>	<u>8,523</u>	<u>8,182</u>	<u>8,830</u>
Depreciation	-1,142	-1,171	-1,182	-1,191	-1,195	-1,195
Terms of trade effect	328	33	22	145	-11	-117
<u>Net national product at factor cost = national income</u>	<u>7,949</u>	<u>7,056</u>	<u>7,189</u>	<u>7,477</u>	<u>6,976</u>	<u>7,518</u>

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

1/ Adjusted by the GDP deflator.

Table 31. Argentina: Saving and Investment 1/

(In millions of australes)

	1981	1982	1983	1984	1985	1986
<u>National saving</u>	<u>7.4</u>	<u>16.9</u>	<u>87.2</u>	<u>517.7</u>	<u>4,205.0</u>	<u>7,193.9</u>
Private sector	11.2	31.0	152.6	118.7	4,864.0	6,157.9
Public sector	-3.8	-14.1	-65.4	-399.0	-659.0	1,036.0
<u>Gross domestic investment 2/</u>	<u>10.0</u>	<u>25.0</u>	<u>118.3</u>	<u>766.2</u>	<u>4,925.9</u>	<u>9,774.9</u>
Private sector	4.6	12.5	53.7	345.2	2,203.1	4,274.6
Public sector	5.4	12.5	64.6	421.0	2,722.8	5,500.3
<u>External saving</u>	<u>2.6</u>	<u>8.1</u>	<u>31.1</u>	<u>248.5</u>	<u>720.9</u>	<u>2,581.0</u>
Capital inflow	0.6	-13.4	2.8	97.3	386.3	624.2
Nonfinancial public sector	2.4	-2.1	3.4	186.4	786.6	435.7
Private 3/	-1.8	-11.3	-0.6	-89.1	-400.3	188.5
Valuation adjustment 4/	-0.2	-0.3	-2.7	-10.1	16.9	253.7
Change in net international reserves (increase -) 5/	2.2	21.8	31.0	161.3	317.8	1,703.1
<u>Memorandum item</u>						
Change in narrow money balances	1.9	10.2	54.4	362.7	2,574.9	2,569.2

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/ Includes SDR allocations.

5/ Payment arrears are treated as international reserve liabilities.

Table 32. Argentina: Industrial Origin of Gross Domestic Product

	1981	1982	1983	1984	1985	1986
(In thousands of australes at 1970 prices)						
GDP at factor cost	9,333	8,909	9,155	9,393	8,966	9,476
Primary sector	1,528	1,618	1,644	1,692	1,661	1,647
Agriculture, livestock and fishing	1,280	1,369	1,394	1,444	1,419	1,406
Mining	248	249	250	248	242	240
Secondary sector	2,985	2,768	2,953	2,990	2,736	3,053
Manufacturing	2,071	1,973	2,186	2,274	2,035	2,296
Construction	567	437	380	304	283	308
Electricity, gas and water	347	358	387	412	418	449
Service sector	4,821	4,523	4,558	4,711	4,569	4,777
Commerce	1,463	1,292	1,319	1,379	1,269	1,376
Transport and communications	1,019	992	1,033	1,079	1,042	1,086
Finance and banking	847	750	698	707	697	741
Other services	1,491	1,490	1,508	1,545	1,562	1,574
(Percentage change)						
GDP at factor cost	-6.8	-4.5	2.8	2.6	-4.5	5.7
Primary sector	1.7	5.9	1.6	2.9	-1.9	-0.8
Agriculture, livestock and fishing	1.9	6.9	1.9	3.6	-1.7	-0.9
Mining	0.6	0.5	0.2	-0.6	-2.7	-0.5
Secondary sector	-13.9	-7.3	6.7	1.3	-8.5	11.6
Manufacturing	-16.0	-4.7	10.8	4.0	-10.5	12.8
Construction	-13.0	-22.9	-13.1	-20.0	-6.8	8.8
Electricity, gas and water	-1.1	3.1	8.0	6.5	1.4	7.5
Service sector	-4.4	-6.2	0.8	3.3	-3.0	4.5
Commerce	-9.6	-11.7	2.1	4.6	-8.0	8.4
Transport and communications	-4.4	-6.2	4.2	4.4	-3.4	4.3
Finance and banking	-5.3	-11.5	-7.0	1.3	-1.4	6.2
Other services	2.0	-0.1	1.2	2.5	1.1	0.8
(Percentage distribution)						
GDP at factor cost	100.0	100.0	100.0	100.0	100.0	100.0
Primary sector	16.4	18.2	18.0	18.0	18.5	17.4
Agriculture, livestock and fishing	13.7	15.4	15.2	15.4	15.8	14.8
Mining	2.7	2.8	2.7	2.6	2.7	2.5
Secondary sector	32.0	31.1	32.3	31.8	30.5	32.2
Manufacturing	22.2	22.1	23.9	24.2	22.7	24.2
Construction	6.1	4.9	4.2	3.2	3.2	3.3
Electricity, gas and water	3.7	4.0	4.2	4.4	4.7	4.7
Service sector	51.6	50.8	49.8	50.2	51.0	50.4
Commerce	15.7	14.5	14.4	14.7	14.1	14.5
Transport and communications	10.9	11.1	11.3	11.5	11.6	11.5
Finance and banking	9.1	8.4	7.6	7.5	7.8	7.8
Other services	16.0	16.7	16.5	16.5	17.4	16.6

Source: Central Bank of Argentina.

Table 33. Argentina: Index of Agricultural Production

(1970 = 100)

	1981	1982	1983	1984	1985	1986
<u>Total</u>	<u>125.1</u>	<u>133.7</u>	<u>136.3</u>	<u>141.1</u>	<u>138.7</u>	<u>137.4</u>
Agriculture and livestock	125.4	133.8	136.3	141.5	138.8	137.5
Agriculture	143.3	157.3	160.7	172.2	169.6	165.1
Cereals	136.5	146.6	147.1	150.3	139.0	125.2
Oilseeds	319.3	362.1	388.1	514.4	556.0	575.3
Industrial crops	120.9	134.1	132.8	122.2	112.6	109.8
Fruits and flowers	105.1	114.8	121.2	122.7	115.9	109.1
Vegetables	113.2	124.4	124.7	125.7	134.2	140.5
Livestock	106.8	108.5	109.5	107.0	106.4	108.1
Cattle	102.8	103.9	106.3	105.0	101.4	101.3
Other livestock	78.2	73.6	72.5	63.4	65.5	66.2
Wool	94.5	86.8	87.2	82.8	77.3	81.3
Milk	126.5	138.3	134.5	126.7	139.7	147.8
<u>Forestry</u>	<u>86.3</u>	<u>100.7</u>	<u>110.1</u>	<u>112.2</u>	<u>113.7</u>	<u>113.7</u>
<u>Fishing</u>	<u>168.9</u>	<u>222.2</u>	<u>204.4</u>	<u>155.6</u>	<u>195.6</u>	<u>202.2</u>

Source: Central Bank of Argentina.

Table 34. 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)

	1981/82	1982/83	1983/84	1984/85	1985/86	Prel. 1986/87
<u>Cereals</u>						
<u>Wheat</u>						
Planted area	6,566	7,410	7,200	6,000	5,700	5,000
Harvested area	5,926	7,320	7,073	5,901	5,382	4,900
Yield	1.40	2.05	1.84	2.31	1.62	1.84
Production	8,300	15,000	13,000	13,600	8,700	9,000
<u>Corn</u>						
Planted area	3,695	3,440	3,484	3,750	3,840	3,650
Harvested area	3,170	2,970	3,025	3,498	3,351	2,927
Yield	3.03	3.03	3.14	3.20	3.70	3.25
Production	9,600	9,000	9,500	11,200	12,400	9,500
<u>Oats</u>						
Planted area	1,615	1,856	1,800	1,774	1,634	1,550
Harvested area	298	408	410	434	406	340
Yield	1.14	1.56	1.45	1.65	0.99	1.47
Production	339	637	593	717	400	500
<u>Barley</u>						
Planted area	409	353	292	285	217	192
Harvested area	115	119	96	108	64	...
Yield	1.15	1.77	1.73	2.07	2.03	...
Production	132	211	166	224	130	...
<u>Rye</u>						
Planted area	1,338	1,483	1,223	1,070	890	775
Harvested area	162	174	160	159	60	65
Yield	0.92	0.85	0.81	0.98	1.67	0.92
Production	149	148	130	156	100	60
<u>Rice</u>						
Planted area	117	109	131	123	117	120
Harvested area	114	81	129	117	100	114
Yield	3.83	3.42	3.68	3.42	3.81	3.77
Production	437	277	476	400	381	430

Table 34. 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

	1981/82	1982/83	1983/84	1984/85	1985/86	Prel. 1986/87
Sorghum						
Planted area	2,712	2,657	2,550	2,050	1,450	1,150
Harvested area	2,510	2,520	2,371	1,987	1,400	1,020
Yield	3.19	3.27	3.10	3.12	3.00	2.94
Production	8,000	8,100	7,350	6,200	4,200	3,000
Oilseeds						
Linseed						
Planted area	851	810	832	680	794	770
Harvested area	818	804	828	670	754	730
Yield	0.73	0.82	0.82	0.82	0.64	0.82
Production	600	660	680	550	484	600
Sunflower seeds						
Planted area	1,733	1,930	2,131	2,370	3,140	1,900
Harvested area	1,673	1,902	1,989	2	3,046	1,750
Yield	1.18	1.27	1.11	1.36	1.35	1.31
Production	1,980	2,400	2,200	3,200	4,100	2,300
Soybeans						
Planted area	2,040	2,362	2,764	3,300	3,340	3,700
Harvested area	1,987	2,381	2,753	3,269	3,314	3,570
Yield	2.09	1.75	2.54	1.99	2.16	2.02
Production	4,150	4,000	7,000	6,500	7,150	7,200
Groundnuts						
Planted area	160	125	157	146	170	210
Harvested area	179	125	157	145	170	206
Yield	1.15	1.28	1.37	1.10	1.21	1.60
Production	205	160	216	160	205	330
Industrial crops						
Cotton						
Planted area	404	373	486	463	348	280
Harvested area	399	343	470	447	324	260
Yield	1.23	1.09	1.30	1.20	1.02	1.08
Production	491	373	610	536	330	280
Tobacco						
Planted area	69	67	64	43	55	55
Harvested area	55	60	61	40	49	51
Yield	1.25	1.23	1.23	1.50	1.35	1.41
Production	69	74	75	60	66	72
Sugarcane						
Planted area	350	354	358	347	356	356
Harvested area	309	313	319
Yield	48.69	48.15	48.49
Production	15,046	15,070	15,468	14,140	14,475	14,200

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

Table 35. Argentina: Population, Slaughter, and Price Data for Cattle

Cattle Popula- tion 1/ Slaughter (Millions)	Total Slaughter Market	Sales in Liniers	Sales in Liniers (Percent)	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 (1981=100)
							Beef Price Index (1981=100)		
1980	55.8	13.8	2.67	17.2	390	0.000178	***	100.0	100.0
1981	54.2	14.6	3.01	18.6	383	0.000311	100.0	100.0	100.0
1982	52.7	12.4	2.67	19.1	394	0.001390	124.7	123.4	131.7
1983	53.8	11.2	2.57	17.5	405	0.006230	122.9	99.6	130.3
1984	54.6	12.1	2.85	19.3	392	0.039910	115.4	105.4	120.0
1985	54.1	13.7	2.46	21.6	379	0.188000	71.3	84.6	71.9
1986	52.8	13.9	2.50	19.2	376	0.513000	118.8	107.5	124.2
<u>1986</u>		3.4	0.50	20.3	376	0.334000	94.0	93.5	96.9
<u>1987</u>		3.3	0.64	18.2	384	0.843000	134.1	133.4	139.9
<u>1st quarter</u>							

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

1/ As of midyear.

Table 36. 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	87.9	81.2	80.0	89.9	107.4
1983	92.2	97.3	83.2	90.6	103.7
1984	89.9	90.0	75.5	90.8	100.9
1985	66.9	66.1	66.7	67.5	69.4
1986	87.4	87.4	66.4	87.6	98.9
<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	99.5
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
4rd quarter	74.6	76.3	65.0	72.3	77.9
<u>1986</u>					
1st quarter	77.9	79.8	63.6	76.0	82.0
2nd quarter	81.8	77.7	62.5	87.1	96.5
3rd quarter	92.4	90.3	68.5	95.1	108.8
4th quarter	97.5	102.0	70.9	92.2	108.3
<u>1987</u>					
1st quarter	87.3	81.0	57.6	84.9	113.0

Sources: National Institute of Statistics.

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

Table 37. 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>				
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	364.0
<u>1986</u>				
January	3.0	299.7	--	282.9
February	1.7	236.8	0.8	227.5
March	4.6	178.6	1.4	160.1
April	4.7	125.4	3.0	103.7
May	4.0	87.4	2.7	59.5
June	4.5	50.1	4.6	17.2
July	6.8	50.9	5.1	24.4
August	8.8	59.3	9.4	34.0
September	7.2	67.5	6.8	42.2
October	6.1	74.2	5.3	48.6
November	5.3	79.2	4.9	54.8
December	4.7	81.9	3.0	57.9
<u>1987</u>				
January	7.6	89.9	5.3	66.3
February	6.5	98.9	6.9	76.5
March	8.2	105.6	7.8	87.6
April	3.4	103.0	1.9	85.7
May	4.2	103.2	4.9	89.6
June	8.0	110.0	6.5	94.0

Source: National Institute of Statistics.

Table 38. Argentina: Relative Price Movements

(Percentage change during year or quarter)

	Consumer Prices for Buenos Aires	Wholesale Price Index			
		General	Agri- cultural Goods	National Nonagri- cultural Goods	Imported 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
1985	385.4	363.9	336.4	363.9	405.7
1986	81.8	57.9	74.4	55.8	53.5
<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
4th quarter	7.7	2.5	12.5	1.3	0.8
<u>1986</u>					
1st quarter	9.6	3.1	2.7	1.8	4.6
2nd quarter	13.9	10.6	18.7	9.7	7.4
3rd quarter	24.5	22.8	42.2	19.8	19.8
4th quarter	17.0	13.8	0.6	16.5	14.0
<u>1987</u>					
1st quarter	24.0	21.4	24.0	20.9	21.8

Source: National Institute of Statistics.

**Table 39. Argentina: Compensation, Productivity, and
Real Unit Labor Costs in Manufacturing**

(Seasonally adjusted, indices 1980 = 100)

	Real Wage Costs <u>1/</u>	Output Per Worker	Real Unit Labor Costs
1978	83.42	79.40	94.79
1979	85.70	94.05	84.01
1980	99.97	100.00	99.97
1981	93.00	96.50	110.11
1982	64.65	100.42	77.66
1983	73.28	105.19	81.39
1984	96.14	104.94	104.01
1985	85.66	99.59	101.43
1986	86.51	116.35	91.38
<u>1983</u>			
1st quarter	63.03	102.95	72.30
2nd quarter	69.98	106.50	76.37
3rd quarter	80.37	106.62	88.11
4th quarter	79.73	104.65	88.51
<u>1984</u>			
1st quarter	91.25	104.35	101.98
2nd quarter	94.14	108.27	99.13
3rd quarter	95.56	105.63	101.15
4th quarter	103.59	101.56	114.11
<u>1985</u>			
1st quarter	96.76	98.38	109.32
2nd quarter	86.03	97.42	103.96
3rd quarter	83.24	93.85	107.65
4th quarter	76.62	108.93	85.86
<u>1986</u>			
1st quarter	79.78	114.27	85.42
2nd quarter	88.11	111.95	97.03
3rd quarter	90.40	120.34	92.20
4th quarter	87.75	118.83	90.98

Sources: National Institute of Statistics.

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

Table 40. Argentina: Operations of the Nonfinancial Public Sector 1/
(In millions of australes)

	1982	1983	1984	Adjusted 2/ 1984	1985	Prel. 1986	Proposed Budget 1987
I. Central Administration							
<u>Current revenue</u>	<u>9.3</u>	<u>41.4</u>	<u>305.2</u>	<u>549.8</u>	<u>4,672.5</u>	<u>8,682.9</u>	<u>16,947.2</u>
<u>Current expenditure</u>	<u>14.2</u>	<u>56.4</u>	<u>367.7</u>	<u>375.6</u>	<u>2,701.0</u>	<u>4,510.3</u>	<u>7,749.2</u>
<u>Current account budgetary surplus or deficit (-)</u>	<u>-4.9</u>	<u>-15.1</u>	<u>-62.5</u>	<u>174.2</u>	<u>1,971.5</u>	<u>4,172.6</u>	<u>9,153.0</u>
<u>Capital receipts</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>261.1 3/</u>	<u>876.9 3/</u>	<u>662.3 3/</u>
<u>Capital expenditure</u>	<u>0.8</u>	<u>6.1</u>	<u>22.3</u>	<u>16.9</u>	<u>129.4</u>	<u>255.0</u>	<u>708.7</u>
<u>Total budgetary surplus or deficit (-) before intrasector transfers</u>	<u>-5.7</u>	<u>-21.2</u>	<u>-84.8</u>	<u>157.3</u>	<u>2,103.2</u>	<u>4,794.5</u>	<u>9,106.6</u>
<u>Net intrasector transfers</u>	<u>-7.2</u>	<u>-96.5</u>	<u>-439.3</u>	<u>-677.0</u>	<u>-4,062.8</u>	<u>-7,395.9</u>	<u>-12,229.5</u>
Special accounts	-1.9	-8.4	-31.3	-54.8	-292.0	-527.4	-876.9
Decentralized agencies	-2.3	-20.2	-101.3	-102.6	-713.8	-1,089.8	-2,124.8
Provinces and Municipality of Buenos Aires	-1.2	-25.5	-143.6	-240.5	-1,748.7	-3,571.0	-6,280.8
Social Security System	--	--	-38.9	-154.2	-570.5	-1,073.7	-1,395.2
Public enterprises	-1.8	-42.3	-124.3	-124.9	-737.8	-1,134.0	-1,640.5
<u>Extrabudgetary expenditure (net) 4/</u>	<u>1.5</u>	<u>4.7 5/</u>	<u>14.7</u>	<u>16.0</u>	<u>-187.8</u>	<u>76.7</u>	<u>170.0</u>
<u>Overall deficit (-)</u>	<u>-14.3</u>	<u>-122.3</u>	<u>-538.8</u>	<u>-535.6</u>	<u>-1,771.8</u>	<u>-2,678.1</u>	<u>-3,292.9</u>
External financing (net)	0.5	3.5	-8.0	23.1	220.1	2,025.9	2,280.3
Internal financing (net)	13.8	118.9	546.8	512.5	1,551.7	652.2	1,012.6
II. Special Accounts							
<u>Current revenue</u>	<u>4.6</u>	<u>22.7</u>	<u>170.8</u>	<u>133.5</u>	<u>1,345.6</u>	<u>2,915.3</u>	<u>4,229.8</u>
<u>Current expenditure</u>	<u>1.9</u>	<u>8.2</u>	<u>64.5</u>	<u>61.6</u>	<u>485.6</u>	<u>1,118.1</u>	<u>1,715.3</u>
<u>Current account budgetary surplus</u>	<u>2.7</u>	<u>14.5</u>	<u>106.2</u>	<u>69.9</u>	<u>860.0</u>	<u>1,797.2</u>	<u>2,514.5</u>
<u>Capital receipts</u>	<u>0.1</u>	<u>0.2</u>	<u>1.1</u>	<u>1.1</u>	<u>7.8</u>	<u>21.4</u>	<u>20.9</u>
<u>Capital expenditure</u>	<u>0.8</u>	<u>3.3</u>	<u>8.9</u>	<u>9.4</u>	<u>72.0</u>	<u>250.4</u>	<u>244.9</u>
<u>Total budgetary surplus before intrasector transfers</u>	<u>2.0</u>	<u>11.4</u>	<u>98.4</u>	<u>63.6</u>	<u>795.8</u>	<u>1,568.2</u>	<u>2,290.5</u>
<u>Net intrasector transfers</u>	<u>-0.8</u>	<u>-5.7</u>	<u>-61.8</u>	<u>-36.9</u>	<u>-621.0</u>	<u>-1,432.5</u>	<u>-2,132.3</u>
Central Administration	1.9	8.4	3.3	54.8	292.0	527.4	805.3
Decentralized agencies	0.1	0.8	0.4	0.6	3.6	17.8	22.7
Provinces and Municipality of Buenos Aires	-1.8	-9.2	-56.5	-57.0	-487.9	-1,176.2	-1,753.3
Public enterprises	-1.0	-5.7	-37.0	-35.3	-428.7	-801.5	-1,207.0
<u>Overall surplus</u>	<u>1.2</u>	<u>5.7</u>	<u>36.6</u>	<u>26.7</u>	<u>174.8</u>	<u>135.7</u>	<u>158.2</u>
External financing (net)	-0.7	-1.1	-30.0	-16.8	1.4	36.7	68.2
Internal financing (net)	-0.5	-4.7	-6.5	-9.9	-176.2	-172.4	-226.4

Table 40. Argentina: Operations of the Nonfinancial Public Sector 1/ (continued)
 (In millions of australes)

	1982	1983	1984	Adjusted 2/ 1984	1985	Prel. 1986	Proposed Budget 1987
III. Decentralized Agencies							
<u>Current revenue</u>	<u>1.9</u>	<u>15.6</u>	<u>121.3</u>	<u>120.4</u>	<u>897.2</u>	<u>1,241.4</u>	<u>2,039.7</u>
<u>Current expenditure</u>	<u>4.8</u>	<u>23.2</u>	<u>167.1</u>	<u>166.9</u>	<u>1,193.0</u>	<u>1,490.9</u>	<u>2,753.1</u>
<u>Current account budgetary deficit (-)</u>	<u>-2.9</u>	<u>-7.5</u>	<u>-45.8</u>	<u>-46.5</u>	<u>-295.8</u>	<u>-249.5</u>	<u>-713.4</u>
<u>Capital receipts</u>	<u>--</u>	<u>0.1</u>	<u>0.4</u>	<u>0.4</u>	<u>1.7</u>	<u>1.8</u>	<u>3.1</u>
<u>Capital expenditure</u>	<u>2.3</u>	<u>10.5</u>	<u>56.0</u>	<u>56.0</u>	<u>404.4</u>	<u>819.3</u>	<u>1,532.2</u>
<u>Total budgetary deficit (-) before intrasector transfer</u>	<u>-5.2</u>	<u>-17.9</u>	<u>-101.3</u>	<u>-102.1</u>	<u>-698.5</u>	<u>-1,067.0</u>	<u>-2,242.5</u>
<u>Net intrasector transfers</u>	<u>2.1</u>	<u>19.3</u>	<u>100.7</u>	<u>101.8</u>	<u>706.3</u>	<u>1,066.1</u>	<u>2,074.0</u>
Central Administration	2.3	20.2	101.3	102.6	713.8	1,089.8	2,107.7
Special accounts	-0.1	-0.8	-0.4	-0.6	-3.6	-17.8	-22.7
Provinces and Municipality of Buenos Aires	-0.1	-0.1	-0.2	-0.2	-3.9	-5.9	-11.0
Public enterprises	--	--	--	--	--	--	--
<u>Overall surplus or deficit (-)</u>	<u>-3.0</u>	<u>1.4</u>	<u>-0.6</u>	<u>-0.3</u>	<u>7.8</u>	<u>-1.0</u>	<u>-168.5</u>
External financing (net)	--	-0.6	-34.2	-34.3	-8.1	125.1	350.1
Internal financing (net)	3.0	-0.8	34.8	34.6	0.3	-124.1	-181.6
IV. Provinces and Municipality of Buenos Aires							
<u>Current revenue</u>	<u>10.8</u>	<u>44.5</u>	<u>338.0</u>	<u>248.0</u>	<u>2,010.6</u>	<u>3,677.6</u>	<u>5,777.0</u>
<u>Current expenditure</u>	<u>10.5</u>	<u>64.5</u>	<u>461.0</u>	<u>486.9</u>	<u>3,474.2</u>	<u>6,276.4</u>	<u>10,628.0</u>
<u>Current account budgetary surplus or deficit (-)</u>	<u>0.3</u>	<u>-20.0</u>	<u>-123.0</u>	<u>-238.9</u>	<u>-1,463.6</u>	<u>-2,598.7</u>	<u>-4,851.0</u>
<u>Capital receipts</u>	<u>0.1</u>	<u>0.2</u>	<u>3.9</u>	<u>3.9</u>	<u>15.2</u>	<u>15.2</u>	<u>19.0</u>
<u>Capital expenditure</u>	<u>3.6</u>	<u>18.2</u>	<u>144.3</u>	<u>150.0</u>	<u>953.9</u>	<u>2,114.3</u>	<u>3,249.8</u>
<u>Total budgetary deficit (-) before intrasector transfers</u>	<u>-3.2</u>	<u>-37.9</u>	<u>-263.4</u>	<u>-385.0</u>	<u>-2,402.3</u>	<u>-4,697.9</u>	<u>-8,081.8</u>
<u>Net intrasector transfers</u>	<u>3.0</u>	<u>34.8</u>	<u>200.3</u>	<u>297.7</u>	<u>2,240.5</u>	<u>4,753.1</u>	<u>8,045.1</u>
Central Administration	1.2	25.5	143.6	240.5	1,748.7	3,571.0	6,280.8
Special accounts	1.8	9.2	56.5	57.0	487.9	1,176.2	1,753.3
Decentralized agencies	--	0.1	0.2	0.2	3.9	5.9	11.0
<u>Overall surplus or deficit (-)</u>	<u>-0.2</u>	<u>-3.1</u>	<u>-63.1</u>	<u>-87.3</u>	<u>-161.8</u>	<u>55.3</u>	<u>-36.7</u>
External financing (net)	--	--	3.1	0.5	-3.2	-3.8	-5.0
Internal financing (net)	0.2	3.1	60.0	86.8	165.0	-51.5	41.7

Table 40. Argentina: Operations of the Nonfinancial Public Sector 1/ (continued)
 (In millions of australes)

	1982	1983	1984	Adjusted 2/ 1984	1985	Prel. 1986	Proposed Budget 1987
V. Social Security System							
<u>Current revenue</u>	<u>7.2</u>	<u>35.5</u>	<u>257.2</u>	<u>141.9</u>	<u>1,765.9</u>	<u>3,241.8</u>	<u>6,068.5</u>
<u>Current expenditure</u>	<u>7.1</u>	<u>41.5</u>	<u>293.6</u>	<u>293.6</u>	<u>2,215.0</u>	<u>4,266.9</u>	<u>7,463.6</u>
<u>Current account budgetary surplus or deficit (-)</u>	<u>0.1</u>	<u>-6.0</u>	<u>-36.5</u>	<u>-151.7</u>	<u>-449.1</u>	<u>-1,025.1</u>	<u>-1,395.1</u>
<u>Capital receipts</u>	—	—	—	—	—	—	—
<u>Total budgetary surplus or deficit (-) before intrasector transfers</u>	<u>0.1</u>	<u>-6.0</u>	<u>-36.5</u>	<u>-151.7</u>	<u>-449.1</u>	<u>-1,025.1</u>	<u>-1,395.1</u>
<u>Net intrasector transfers</u>	—	—	<u>38.9</u>	<u>154.1</u>	<u>570.5</u>	<u>1,073.7</u>	<u>1,395.0</u>
Central Administration	—	—	<u>38.9</u>	<u>154.1</u>	<u>570.5</u>	<u>1,073.7</u>	<u>1,395.0</u>
<u>Overall surplus or deficit (-) Internal financing (net)</u>	<u>0.1</u>	<u>-6.0</u>	<u>2.4</u>	<u>2.4</u>	<u>121.4</u>	<u>48.6</u>	<u>-0.1</u>
	<u>-0.1</u>	<u>6.0</u>	<u>-2.4</u>	<u>-2.4</u>	<u>-121.4</u>	<u>-48.6</u>	<u>0.1</u>
VI. General Government (VI=I through V)							
<u>Current revenue</u>	<u>33.8</u>	<u>159.6</u>	<u>1,192.5</u>	<u>1,193.6</u>	<u>10,691.8</u>	<u>19,759.0</u>	<u>35,061.9</u>
<u>Current expenditure</u>	<u>38.6</u>	<u>193.7</u>	<u>1,354.0</u>	<u>1,384.6</u>	<u>10,068.8</u>	<u>17,662.5</u>	<u>30,354.2</u>
<u>Current account budgetary surplus or deficit (-)</u>	<u>-4.8</u>	<u>-34.1</u>	<u>-161.5</u>	<u>-191.0</u>	<u>623.0</u>	<u>2,096.5</u>	<u>4,707.7</u>
<u>Capital receipts</u>	<u>0.2</u>	<u>0.5</u>	<u>5.4</u>	<u>5.4</u>	<u>205.8 3/</u>	<u>915.3 3/</u>	<u>705.6 3/</u>
<u>Capital expenditure</u>	<u>7.5</u>	<u>38.1</u>	<u>231.4</u>	<u>232.3</u>	<u>1,559.7</u>	<u>3,439.1</u>	<u>5,735.6</u>
<u>Total budgetary deficit (-) before transfers to public enterprises</u>	<u>-12.1</u>	<u>-76.1</u>	<u>-387.5</u>	<u>-417.9</u>	<u>-650.9</u>	<u>-427.3</u>	<u>-322.3</u>
<u>Net transfers to public enterprises</u>	<u>2.8</u>	<u>48.0</u>	<u>161.3</u>	<u>160.2</u>	<u>1,166.5</u>	<u>1,935.5</u>	<u>2,847.5</u>
<u>Extrabudgetary expenditure (net) 4/</u>	<u>1.5</u>	<u>4.7 5/</u>	<u>14.7</u>	<u>16.0</u>	<u>-187.8</u>	<u>76.7</u>	<u>170.0</u>
<u>Overall deficit (-)</u>	<u>-16.4</u>	<u>-124.4</u>	<u>-563.5</u>	<u>-594.1</u>	<u>-1,629.6</u>	<u>-2,439.5</u>	<u>-3,339.8</u>
External financing (net)	<u>-0.1</u>	<u>1.9</u>	<u>-69.2</u>	<u>-27.5</u>	<u>209.2</u>	<u>2,183.7</u>	<u>2,693.6</u>
Internal financing (net)	<u>16.5</u>	<u>122.5</u>	<u>632.7</u>	<u>621.6</u>	<u>1,420.4</u>	<u>255.8</u>	<u>646.2</u>
VII. Public Enterprises							
<u>Current receipts</u>	<u>14.4</u>	<u>76.4</u>	<u>556.4</u>	<u>556.4</u>	<u>5,372.8</u>	<u>8,604.9</u>	<u>15,004.9</u>
<u>Current expenditure</u>	<u>20.1</u>	<u>94.4</u>	<u>632.4</u>	<u>632.4</u>	<u>5,971.5</u>	<u>8,887.2</u>	<u>13,825.8</u>
<u>Current account budgetary surplus or deficit (-)</u>	<u>-5.7</u>	<u>-17.7</u>	<u>-76.1</u>	<u>-76.0</u>	<u>-598.7</u>	<u>-282.3</u>	<u>1,179.1</u>
<u>Capital receipts</u>	<u>0.5</u>	<u>1.0</u>	<u>7.2</u>	<u>7.2</u>	<u>75.0</u>	<u>86.0</u>	<u>134.1</u>
<u>Capital expenditure</u>	<u>5.0</u>	<u>26.5</u>	<u>188.6</u>	<u>188.7</u>	<u>1,163.1</u>	<u>2,061.2</u>	<u>4,139.9</u>
<u>Total budgetary deficit (-) before transfers from general government</u>	<u>-10.2</u>	<u>-43.2</u>	<u>-257.4</u>	<u>-257.5</u>	<u>-1,686.8</u>	<u>-2,257.4</u>	<u>-2,826.7</u>
<u>Net transfers from general government</u>	<u>2.8</u>	<u>48.0</u>	<u>161.3</u>	<u>160.2</u>	<u>1,166.5</u>	<u>1,935.5</u>	<u>2,847.5</u>
<u>Overall surplus or deficit (-)</u>	<u>-7.4</u>	<u>4.9</u>	<u>-96.2</u>	<u>-97.3</u>	<u>-520.3</u>	<u>-321.9</u>	<u>20.8</u>
External financing (net)	<u>2.1</u>	<u>-0.6</u>	<u>6.5</u>	<u>6.5</u>	<u>158.2</u>	<u>190.8</u>	<u>522.1</u>
Internal financing (net)	<u>5.3</u>	<u>-4.3</u>	<u>89.7</u>	<u>89.8</u>	<u>362.1</u>	<u>131.1</u>	<u>-542.9</u>

Table 40. Argentina: Operations of the Nonfinancial Public Sector 1/ (concluded)
(In millions of australes)

	1982	1983	1984	Adjusted <u>2/</u> 1984	1985	Prel. 1986	Proposed Budget 1987
<u>VIII. Consolidated Nonfinancial Public Sector</u>							
<u>Current account surplus or deficit (-)</u>	-10.5	-51.8	-237.6	-267.0	24.3	1,814.2	5,886.8
<u>Capital receipts</u>	0.7	1.5	12.6	12.6	360.8 <u>3/</u>	1,001.3 <u>3/</u>	834.7 <u>3/</u>
<u>Capital expenditure</u>	12.5	64.6	420.0	421.0	2,722.8	5,500.3	9,875.5
<u>Total budgetary deficit (-)</u>	-22.3	-114.8	-645.0	-675.4	-2,337.7	-2,684.8	-3,149.0
<u>Extrabudgetary expenditure <u>4/</u></u>	1.5	4.7 <u>5/</u>	14.7	16.0	-187.8	76.7	170.0
<u>Overall deficit (-)</u>	-23.8	-119.4	-659.7	-691.4	-2,149.9	-2,761.5	-3,319.0
External financing (net)	2.0	1.3	-62.7	-21.0	367.4	2,374.6	3,215.7
Internal financing (net)	21.8	118.1	722.4	712.4	1,782.5	386.9	103.3

Sources: Ministry of Economy; the 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 were adopted in 1985.

3/ Includes receipts from forced-savings plan.

4/ Includes transactions between the Treasury and the rest of nonfinancial public sector such as advances and repayments (on a cash basis).

5/ Includes interest payments relating to exchange rate guarantees.

Table 41. Argentina: Nonfinancial Public Sector Revenue

(In millions of australes)

	1982	1983	1984	1985	Prel. 1986	Proposed Budget 1987
<u>Total revenue</u>	<u>34.5</u>	<u>161.2</u>	<u>1,206.2</u>	<u>11,052.6</u>	<u>20,760.3</u>	<u>35,901.6</u>
By type of revenue						
<u>Current revenue</u>	<u>33.8</u>	<u>159.7</u>	<u>1,193.6</u>	<u>10,691.8</u>	<u>19,759.0</u>	<u>35,061.9</u>
Tax revenue	28.2	128.4	969.7	8,748.7	17,063.3	30,771.8
Taxes on income	2.0	7.1	27.1	378.8	890.0	1,622.7
Taxes on wages	3.0	16.6	178.9	1,906.3	3,459.5	7,109.6
Social security contributions	2.6	15.1	135.4	1,421.2	2,641.8	5,712.3
Other taxes on wages	0.3	1.5	43.5	485.1	817.7	1,397.3
Taxes on property	3.2	12.3	95.0	780.2	1,627.6	2,876.3
Net wealth taxes	1.5	6.2	29.6	256.7	566.2	1,129.3
Tax on transfers of financial assets	0.1	0.3	2.0	22.7	45.4	--
Property taxes (provincial)	1.1	4.0	44.0	338.2	703.0	1,208.0
Automobile license tax (provincial)	0.4	1.7	19.4	162.6	313.0	539.0
Taxes on goods and services	14.9	64.1	481.0	3,743.6	7,163.8	12,710.5
Value-added tax	5.6	22.8	140.0	1,173.0	2,460.0	4,316.3
Excise taxes	6.8	31.3	254.8	1,881.9	3,397.8	6,149.2
Consolidated excises	2.3	9.1	56.8	529.9	1,139.4	2,137.3
Tax on fuels	3.3	16.2	167.9	1,098.9	1,669.0	3,104.8
Other taxes on oil derivates, crude oil and energy	0.7	3.5	18.5	207.7	440.4	665.1
Other	0.5	2.5	11.5	45.4	149.0	242.0
Turnover tax	2.6	10.0	86.3	688.7	1,306.0	2,245.0
Taxes on international trade	2.4	16.2	103.9	1,214.4	1,820.6	2,652.5
Import duties	1.4	5.6	33.0	308.4	831.2	1,541.6
Export duties ^{1/}	0.8	9.6	63.8	851.2	899.5	975.5
Exchange tax	0.2	1.0	5.1	54.8	89.9	165.4
Miscellaneous taxes	1.0	5.9	49.0	387.2	374.4	2,405.7
Stamp taxes	1.0	3.7	22.6	203.5	373.3	672.1
Tax collection under amnesties	--	1.6	11.1	13.7	1.1	1,031.5
Tax on bank account drafts	--	0.6	15.3	170.0	408.9	702.1
Unclassified tax receipts ^{2/}	1.7	6.1	34.8	338.2	1,731.4	1,364.5
National taxes	1.5	5.8	32.1	309.7 ^{3/}	1,698.4	1,307.5
Provincial taxes	0.2	0.3	2.7	29.0	33.0	57.0
<u>Nontax revenue</u>	<u>5.6</u>	<u>31.3</u>	<u>223.9</u>	<u>1,943.1</u>	<u>2,695.7</u>	<u>4,290.1 ^{4/}</u>
<u>Capital revenue</u>	<u>0.7</u>	<u>1.5</u>	<u>12.6</u>	<u>360.8 ^{5/}</u>	<u>1,001.3 ^{5/}</u>	<u>839.7 ^{5/}</u>
By sectors ^{7/}						
National administration	15.8	80.0	805.2	7,185.9	13,739.6	23,903.0
Central Administration	9.3	41.4	549.8	4,933.6	9,559.8	17,609.5
Special accounts	4.7	22.9	134.6	1,353.4	2,936.7	4,250.7
Decentralized agencies	1.8	15.7	120.8	898.9	1,243.2	2,042.8
Provinces and Municipality of Buenos Aires	10.9	44.7	251.9	2,025.8	3,692.8	5,796.0
Social security system	7.2	35.5	141.9	1,765.9	3,241.8	6,068.5
Public enterprises ^{8/}	0.5	1.0	7.2	75.0	86.0	134.1
Memorandum items						
National taxes ^{9/}	23.2	110.0	803.0	7,403.1	14,533.3	26,421.8
Provincial taxes	4.9	18.4	166.7	1,345.6	2,530.0	4,350.0

Source: Ministry of Economy.

^{1/} Includes small amount 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 A 261 million, A 442 million and A 147 million in receipts from the forced-saving plan in 1985, 1986 and 1987, respectively.^{6/} Includes special economic emergency tax.^{7/} On the basis of revenues received.^{8/} Capital receipts only.^{9/} Includes tax revenue of the national social security systems.

Table 42. Argentina: Nonfinancial Public Sector Expenditure 1/
(In millions of australes)

	1982	1983	1984	1985	Prel. 1986	Proposed Budget 1987
<u>Total expenditure 2/</u>	<u>58.3</u>	<u>280.7</u>	<u>1,897.6</u>	<u>13,202.5</u>	<u>23,521.5</u>	<u>39,220.6</u>
By economic categories						
<u>Current expenditure</u>	<u>45.8</u>	<u>216.1</u>	<u>1,476.6</u>	<u>10,479.7</u>	<u>18,021.5</u>	<u>29,345.1</u>
Wages and salaries	11.3	66.6	557.4	3,836.8	6,782.4	11,931.4
Goods and services	5.1	28.3	156.4	1,292.6	2,571.8	4,163.7
Interest	9.3	23.9	154.6	1,160.2	1,614.7	2,738.2
Domestic	5.7	3.1	26.1	90.4	147.0	790.3
External	3.6	20.8	128.5	1,069.8	1,467.7	1,947.9
Transfers 3/	12.9	74.9	516.2	3,779.2	7,302.1	12,546.9
Public enterprises 4/	5.7	17.7	76.0	598.7	282.3	-1,179.1
Other 5/	1.5	4.7	16.0	-187.8	-531.7	-856.0
<u>Capital expenditure 6/</u>	<u>12.5</u>	<u>64.6</u>	<u>421.0</u>	<u>2,722.8</u>	<u>5,500.3</u>	<u>9,875.5</u>
By sectors						
National Administration	26.3	112.4	702.4	4,797.6	8,520.7	14,918.4
Central Administration	16.5	67.2	408.5	2,642.6	4,842.0	8,672.9
Special accounts	2.7	11.5	71.0	557.6	1,368.5	1,960.2
Decentralized agencies	7.1	33.7	222.9	1,597.4	2,310.2	4,285.3
Provinces and Municipality of Buenos Aires	14.1	82.7	636.9	4,428.1	8,390.7	13,877.8
Social security system	7.2	41.5	293.6	2,215.0	4,266.9	7,463.6
Public enterprises	10.7	44.2	264.7	1,761.8	2,343.5	2,960.8
Memorandum items						
Gross public sector expenditure 7/	72.7	357.2	2,454.0	18,575.3	32,126.4	54,225.5
Public sector interest payments	15.3	40.7	261.7	2,157.5	2,761.0	4,247.9
Domestic	8.4	6.4	42.2	309.7	220.0	826.8
External	6.9	34.3	219.5	1,847.8	2,541.0	3,421.1
Wages and wage-related outlays 8/	23.3	137.1	1,140.3	7,884.3	14,399.1	24,832.3

Source: Ministry of Economy.

1/ On a commitment basis.

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

3/ Includes small amounts of capital transfers.

4/ Operating deficit only.

5/ Includes extrabudgetary expenditure and projected budgetary savings not allocated by categories.

6/ Includes capital expenditure by public enterprises.

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

	1982	1983	1984	Adjusted 1984 2/	1985	Prel. 1986	Proposed Budget 1987
(In millions of australes)							
<u>Total expenditure 3/</u>	<u>35.1</u>	<u>199.0</u>	<u>1,112.4</u>	<u>1,178.9</u>	<u>8,864.5</u>	<u>16,493.1</u>	<u>27,468.5</u>
<u>General Administration</u>	<u>2.5</u>	<u>32.8</u>	<u>188.4</u>	<u>290.6</u>	<u>2,167.8</u>	<u>4,453.5</u>	<u>7,831.2</u>
Of which: provinces and Municipality of Buenos Aires	1.4	26.2	140.1	237.2	1,719.3	3,584.7	6,274.9
<u>Defense and security</u>	<u>5.3</u>	<u>25.8</u>	<u>139.8</u>	<u>127.4</u>	<u>859.9</u>	<u>1,851.8</u>	<u>2,846.1</u>
<u>Social services</u>	<u>5.9</u>	<u>32.7</u>	<u>285.1</u>	<u>250.9</u>	<u>2,341.5</u>	<u>4,517.5</u>	<u>8,014.4</u>
Health	0.4	2.9	24.2	24.1	179.2	537.1	1,001.9
Education and culture	2.1	12.5	92.0	92.9	627.4	1,140.6	2,301.4
Welfare	3.4	17.3	168.9	133.9	1,534.9	3,039.8	4,717.1
<u>Economic services</u>	<u>10.2</u>	<u>86.7</u>	<u>381.8</u>	<u>381.7</u>	<u>2,834.9</u>	<u>4,841.3</u>	<u>7,756.5</u>
Agriculture	0.3	1.6	11.9	11.7	89.6	271.3	445.0
Mining	...	0.1	0.8	0.8	4.7	11.4	19.8
Industry	0.9	6.5	34.0	29.7	219.0	327.1	449.6
Commerce	0.3	1.2	9.1	8.6	69.8	126.5	289.0
Energy	4.5	43.1	126.6	127.0	1,015.5	1,800.7	2,810.3
Transportation	2.7	18.3	109.9	108.6	940.4	1,651.3	2,618.0
Communications	0.2	5.4	29.0	29.0	49.1	81.1	57.4
Other	1.4	10.5	60.5	66.3	446.8	571.9	1,067.4
<u>Interest on public debt 4/</u>	<u>9.7</u>	<u>10.8</u>	<u>102.5</u>	<u>112.3</u>	<u>848.2</u>	<u>1,181.2</u>	<u>2,100.2</u>
<u>Unclassified expenditure 5/</u>	<u>1.5</u>	<u>10.2</u>	<u>14.7</u>	<u>16.0</u>	<u>-187.8</u>	<u>-592.4</u>	<u>-1,080.0</u>
(In percent of GDP)							
<u>Total expenditure 3/</u>	<u>23.8</u>	<u>29.1</u>	<u>21.0</u>	<u>22.3</u>	<u>22.4</u>	<u>22.1</u>	<u>21.8</u>
<u>General Administration</u>	<u>1.7</u>	<u>4.8</u>	<u>3.6</u>	<u>5.5</u>	<u>5.5</u>	<u>6.0</u>	<u>6.2</u>
Of which: provinces and Municipality of Buenos Aires	0.9	3.8	2.8	2.6	4.3	4.8	5.0
<u>Defense and security</u>	<u>3.6</u>	<u>3.8</u>	<u>2.6</u>	<u>2.4</u>	<u>2.2</u>	<u>2.5</u>	<u>2.3</u>
<u>Social services</u>	<u>4.0</u>	<u>4.8</u>	<u>5.4</u>	<u>4.8</u>	<u>5.9</u>	<u>6.3</u>	<u>6.4</u>
Health	0.3	0.4	0.5	0.5	0.5	0.7	0.8
Education and culture	1.4	1.8	1.7	1.8	1.6	1.5	1.8
Welfare	2.3	2.5	3.2	2.5	3.9	4.1	3.7
<u>Economic services</u>	<u>6.9</u>	<u>12.7</u>	<u>7.2</u>	<u>7.2</u>	<u>7.2</u>	<u>6.5</u>	<u>6.2</u>
Agriculture	0.2	0.2	0.2	0.2	0.2	0.4	0.4
Industry	0.6	0.9	0.7	0.6	0.6	0.4	0.4
Commerce	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Energy	3.0	6.3	2.4	2.4	2.6	2.4	2.2
Transportation	1.8	2.7	2.0	2.1	2.4	2.2	2.1
Communications	0.1	0.8	0.6	0.5	0.1	0.1	0.1
Other	1.0	1.6	1.1	1.3	1.1	0.8	0.8
<u>Interest on public debt 4/</u>	<u>6.6</u>	<u>1.6</u>	<u>1.9</u>	<u>2.1</u>	<u>2.1</u>	<u>1.6</u>	<u>1.7</u>
<u>Unclassified expenditure 5/</u>	<u>1.0</u>	<u>1.5</u>	<u>0.3</u>	<u>0.3</u>	<u>-0.5</u>	<u>-0.8</u>	<u>-0.9</u>

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 and projected budgetary savings.

Table 44. Argentina: Public Sector Civilian Employment
(Beginning of Year)

	(In thousands)						Total
	1970	1977	1980	1981	1982	1983	
National administration <u>1/</u>	584	643	557	574	574	<u>1,597</u>	<u>1,612</u>
Provincial governments and Municipality of Buenos Aires	474	661	721	724	725	745	753
Public enterprises	377	425	337	314	298	290	302
							303

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

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

Table 45. Argentina: Operations of the State Enterprises 1/

(In millions of australes)

	1982	1983	1984	1985	Prel.	Budget
					1986	1987
<u>Current receipts</u>	<u>14.3</u>	<u>76.4</u>	<u>556.4</u>	<u>5,372.8</u>	<u>8,623.7</u>	<u>15,004.9</u>
State Oil Company (YPF)	5.6	32.2	224.8	2,415.4	3,357.6	5,656.7
State Gas Company	1.4	9.1	61.3	642.4	1,054.4	1,787.2
Electricity Company of Greater Buenos Aires (SEGBA)	1.3	7.6	56.2	453.2	740.1	1,225.7
State Telecommunication Company (ENTEL)	1.0	5.6	46.1	381.1	1,125.5	1,932.7
Argentine Railways (FA)	0.6	3.9	26.4	193.0	297.7	521.2
State Post and Telegraph Services (ENCOTEL)	0.4	1.5	12.5	122.5	254.2	481.2
Binational entities	0.5	2.6	25.5	143.2	183.4	290.0
Other	3.5	14.0	103.7	1,022.0	1,610.8	3,111.3
<u>Current expenditure</u>	<u>20.1</u>	<u>94.1</u>	<u>632.4</u>	<u>5,971.5</u>	<u>8,906.6</u>	<u>13,825.9</u>
State Oil Company (YPF)	6.3	30.7	208.8	2,513.9	3,058.1	4,611.6
State Gas Company (GE)	2.5	13.1	94.5	769.4	1,276.3	1,626.6
Electricity Company of Greater Buenos Aires (SEGBA)	2.4	10.2	59.5	499.7	754.8	1,224.2
State Telecommunications Company (ENTEL)	1.4	5.6	35.0	258.5	647.8	1,163.9
Argentine Railways (FA)	2.0	8.8	65.0	497.0	864.0	1,416.3
State Post and Telegraph Services (ENCOTEL)	0.5	3.1	23.0	155.9	282.4	447.2
Binational entities	0.8	1.6	14.1	144.6	171.7	238.0
Other	4.3	20.9	132.6	1,132.5	1,851.6	3,098.0
<u>Current account surplus or deficit (-)</u>	<u>-5.7</u>	<u>-17.7</u>	<u>-76.1</u>	<u>-598.7</u>	<u>-282.9</u>	<u>1,179.0</u>
State Oil Company (YPF)	-0.7	1.5	15.9	-98.5	299.5	1,044.1
State Gas Company (GE)	-1.1	-4.1	-33.2	-126.9	-221.9	160.6
Electricity Company of Great Buenos Aires (SEGBA)	-1.0	-2.6	-3.3	-46.5	-14.6	1.5
State Telecommunications Company (ENTEL)	-0.4	--	11.0	122.6	477.7	768.7
Argentine Railways (FA)	-1.4	-4.9	-38.6	-304.0	-566.3	-895.1
State Post and Telegraph Services (ENCOTEL)	-0.1	-1.7	-10.5	-33.4	-28.2	33.9
Binational entities	-0.3	1.0	11.4	-1.5	12.7	52.0
Other	-0.8	-6.9	-28.9	-110.5	-240.8	13.2
<u>Net transfers from General Government</u>	<u>2.8</u>	<u>48.0</u>	<u>161.3</u>	<u>1,108.1</u>	<u>1,947.4</u>	<u>2,867.4</u>
State Oil Company (YPF)	--	7.1	0.5	--	--	--
State Gas Company (GE)	0.1	3.6	21.2	145.0	261.1	484.5
Electricity Company of Great Buenos Aires (SEGBA)	--	2.9	6.9	78.0	173.2	154.3
State Telecommunications Company (ENTEL)	--	3.0	9.0	--	--	--
State Post and Telegraph Services (ENCOTEL)	0.1	1.5	8.0	33.0	31.6	--
Binational entities	0.1	1.7	6.4	99.1	168.5	230.2
Argentine Railways (FA)	0.9	6.1	48.2	355.0	698.1	1206.3
Other	1.6	22.1	61.0	398.0	614.8	792.1

Table 45. Argentina: Operations of the State Enterprises 1/ (concluded)
 (In millions of australes)

	1982	1983	1984	1985	Prel. 1986	Proposed Budget 1987
<u>Capital receipts</u>	0.6	1.0	7.2	71.7	78.5	114.1
State Oil Company (YPF)	0.1	23.1	--	--
State Gas Company (GE)	0.1	0.1	0.2	1.5	2.9	3.9
Electricity Company of Great Buenos Aires (SEGBA)	--	0.1	1.3	2.0	2.2	6.0
State Telecommunications Company (ENTEL)	0.3	--	--	--	--	--
Argentine Railways (FA)2	0.4	0.6	3.1
State Post and Telegraph Services (ENCOTEL)	--	--	--	--	--	--
Binational entities	0.1	0.5	3.8	26.8	36.5	41.2
Other	0.1	0.3	1.9	18.0	36.2	59.9
<u>Capital expenditure</u>	5.0	26.5	188.6	1,163.1	2,065.7	4,140.0
State Oil Company (YPF)	1.8	7.6	60.3	545.4	668.4	1,324.7
State Gas Company (GE)	0.2	1.3	9.3	48.4	154.6	646.3
Electricity Company of Great Buenos Aires (SEGBA)	0.3	1.2	10.4	59.6	81.7	133.5
State Telecommunications Company (ENTEL)	0.5	3.5	12.6	93.0	328.8	602.7
Argentine Railways (FA)	0.5	2.7	34.6	101.6	182.9	322.2
State Post and Telegraph Services (ENCOTEL)	...	0.1	0.9	2.2	7.0	24.1
Binational entities	0.4	3.0	23.9	90.2	301.0	490.4
Other	1.4	7.1	36.7	222.7	341.2	596.0
<u>Overall surplus or deficit (-)</u>	-7.4	4.9	-96.2	-582.1	-322.7	20.5
State Oil Company (YPF)	-2.5	1.1	-43.8	-620.8	-368.8	-280.6
State Gas Company (GE)	-1.2	-1.7	-21.0	-28.8	-112.5	2.7
Electricity Company of Great Buenos Aires (SEGBA)	-1.3	-0.8	-5.5	-26.1	79.0	28.3
State Telecommunications Company (ENTEL)	-0.6	-0.6	7.4	29.6	148.9	166.0
Argentine Railways (FA)	-1.0	-1.4	-25.0	-50.2	-50.4	-8.0
State Post and Telegraph Services (ENCOTEL)	...	-0.3	-3.3	-2.7	-3.6	9.8
Binational entities	-0.4	0.1	-2.3	34.3	-84.2	-167.0
Other	-0.5	8.4	-2.7	82.7	69.0	269.3
<u>Financing</u>	7.4	-4.9	96.2	582.1	322.7	-20.4
External (net)	2.1	-0.6	6.5	158.1	191.2	522.2
Internal (net)	5.3	-4.3	89.7	424.0	131.5	-542.6

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

1/ On a commitment basis.

Table 46. Argentina: Prices of Goods and Services Marketed by the Public Sector 1/
 (Deflated by the average of the consumer and wholesale price indexes; index 1980=100)

	1981	1982	1983	1984	1985	1986	Jan-Feb 1987
<u>General level</u>	<u>104.5</u>	<u>84.9</u>	<u>100.5</u>	<u>101.6</u>	<u>120.2</u>	<u>117.5</u>	<u>115.0</u>
<u>Fuels and energy</u>	<u>104.4</u>	<u>88.4</u>	<u>116.3</u>	<u>117.6</u>	<u>141.7</u>	<u>134.2</u>	<u>130.6</u>
Fuels	<u>105.9</u>	<u>91.4</u>	<u>124.8</u>	<u>127.5</u>	<u>156.4</u>	<u>146.5</u>	<u>142.2</u>
State Oil Enterprise (YPF)	105.9	91.1	129.6	143.1	166.2	154.9	149.3
State Gas Enterprise (GE)	106.0	93.3	99.8	86.1	105.0	103.7	106.6
State Coal Enterprise (YCF)	92.7	81.7	108.3	105.1	135.5	139.9	144.8
Energy	98.9	75.4	80.3	75.7	79.6	80.6	81.7
Electricity Enterprise of Greater Buenos Aires (SEGBA)	98.5	74.0	79.4	74.6	79.4	80.7	76.8
Water and Electricity Enter- prise (AyEE)	99.8	79.0	82.4	78.1	79.9	82.5	93.2
<u>Transport and communications</u>	<u>105.4</u>	<u>79.0</u>	<u>71.8</u>	<u>73.4</u>	<u>81.5</u>	<u>81.2</u>	<u>86.3</u>
Transport	<u>99.9</u>	<u>77.2</u>	<u>86.0</u>	<u>89.4</u>	<u>91.9</u>	<u>85.4</u>	<u>85.9</u>
Argentine Railways (FA)	98.5	71.3	77.5	80.9	78.8	74.2	71.3
Argentine Airlines (AA)	101.5	83.8	108.2	106.7	117.4	112.0	120.5
Ports Administration (AGP)	102.6	98.6	88.8	97.0	104.4	92.7	94.0
Communications	109.4	78.6	61.0	61.2	73.7	77.6	86.7
State Telecommunications Enterprise (ENTEL)	109.4	81.2	61.3	59.2	57.0	51.6	47.4
State Post and Telegraph Services (ENCOTEL)	109.5	75.4	60.7	63.7	95.0	110.3	136.6
<u>Water supply and sewerage (OSN)</u>	<u>90.0</u>	<u>58.3</u>	<u>45.1</u>	<u>40.2</u>	<u>37.0</u>	<u>51.8</u>	<u>68.5</u>

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

1/ Net of taxes.

Table 47. Argentina: Public Sector Investment 1/

	1982	1983	1984	1985	Prel. 1986	Proposed Budget 1987
(In million of australes)						
<u>Total investment</u>	<u>11.6</u>	<u>58.4</u>	<u>385.5</u>	<u>2,505.9</u>	<u>5,091.0</u>	<u>9,156.1</u>
General government	6.7	33.7	209.2	1,390.8	3,240.2	5,589.0
National administration	3.4	16.4	77.1	505.3	1,188.2	2,442.2
Central Administration	0.6	3.8	17.7	74.4	233.3	737.0
Special accounts	0.6	2.6	6.0	45.5	149.5	175.6
Decentralized agencies	2.2	10.1	53.5	385.4	805.4	1,529.6
Provinces and Municipality of Buenos Aires	3.3	17.3	132.1	885.5	2,052.0	3,146.8
Public enterprises and binational entities	4.9	24.7	176.2	1,115.1	1,850.8	3,567.1
Fuels	2.0	9.1	70.9	605.3	776.9	1,688.2
State Oil Company (YPF)	1.8	7.6	60.3	545.4	651.9	1,324.7
State Gas Company (GE)	0.2	1.2	9.2	48.4	96.3	314.0
State Coal Company YCF)	--	0.2	1.4	11.5	28.7	49.5
Energy	1.6	8.5	53.6	288.4	518.6	812.2
Water and Electricity Company (AyEE)	0.7	2.7	15.3	70.0	117.4	175.3
Hidronor	0.4	3.3	14.9	109.4	140.9	225.2
Electricity Company of Greater Buenos Aires (SEGBA)	0.3	1.2	10.3	59.4	88.7	133.5
Yacyreta Binational Entity	0.1	1.0	12.5	45.7	166.9	268.7
Other binational entities	0.1	0.3	0.6	3.8	4.7	9.5
Transport	0.7	3.2	36.4	113.0	197.3	381.1
Argentina Railways (FA)	0.5	2.7	34.6	101.6	181.6	322.2
Others 2/	0.2	0.6	1.9	11.4	15.8	58.8
Communications	0.5	3.6	13.0	103.5	358.0	685.7
State Telecommunications Company (ENTEL)	0.5	3.5	12.6	91.3	331.7	583.6
Telegraph and Post Company (ENCOTEL)	--	0.1	0.4	2.2	4.9	24.1
Water Supply and Sewerage (OSN)	0.1	0.3	2.3	15.0	21.5	78.0
Others	--	0.1	--	--	--	--
(In percent of GDP)						
<u>Total investment</u>	<u>7.8</u>	<u>8.5</u>	<u>7.7</u>	<u>6.3</u>	<u>6.9</u>	<u>7.4</u>
General government	4.5	4.9	4.2	3.5	4.4	4.5
National Administration	2.3	2.4	1.5	1.3	1.6	2.0
Provinces and Municipality of Buenos Aires	2.2	2.5	2.6	2.2	2.8	2.5
Public enterprises and binational entities	3.3	3.6	3.5	2.8	2.5	2.9
Fuels	1.4	1.3	1.4	1.5	1.0	1.4
Energy	1.1	1.2	1.1	0.7	0.7	0.7
Transport	0.5	0.5	0.7	0.7	0.7	0.7
Communications	0.3	0.5	0.3	0.3	0.5	0.5
Others	0.1	0.1	--	--	--	--

Source: Ministry of Economy.

1/ On a commitment basis.

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

Table 48. Argentina: Central Administration Operations 1/

(In millions of australes)

	1982	1983	1984	1985	Prel. 1986	Jan.-Mar. 1986	1987
<u>Total revenue</u>	<u>9.0</u>	<u>37.0</u>	<u>287.1</u>	<u>4,770.5</u>	<u>8,653.2</u>	<u>1,528.5</u>	<u>2,855.0</u>
Tax revenue	8.2	35.8	276.3	4,134.5	7,959.1	1,432.8	2,661.1
Taxes on income	1.1	3.7	17.9	378.8	899.1	167.6	329.4
Taxes on wealth	0.8	3.2	15.8	247.9	485.5	65.0	101.9
Taxes on production and consumption	6.1	24.8	216.7	2,451.4	4,915.8	897.0	1,773.8
Value-added tax	2.7	11.0	64.8	1,173.0	2,398.3	449.1	841.7
Excise taxes	3.4	13.8	151.9	1,278.4	2,517.5	447.9	932.1
Consolidated excises	1.1	4.2	26.1	530.0	1,156.9	240.3	457.3
Taxes on fuels	2.0	8.4	104.9	412.7	572.6	18.9	214.5
Tax on foreign exchange transaction	0.2	0.9	5.2	51.7	87.4	36.9	18.8
Other	--	0.3	15.7	284.0	700.6	151.8	241.5
Taxes on international trade	2.5	15.9	94.1	1,108.8	1,658.7	303.2	456.0
Import duties	1.4	6.0	33.3	321.3	805.9	129.6	310.6
Export duties	1.0	9.3	56.9	728.1	735.1	154.6	103.5
Other	--	0.6	0.5	59.4	117.7	19.0	41.9
Minus: share of the national and provincial social security systems and National Housing Fund in Central Administration tax revenue	-2.6	-12.8	-69.2	-52.4	--	--	--
<u>Nontax revenue</u>	<u>0.8</u>	<u>1.2</u>	<u>10.8</u>	<u>636.0</u>	<u>694.1</u>	<u>95.7</u>	<u>193.9</u>
Statistical and port fees	--	--	0.5	--	4.5	--	--
Consular fees	0.1	0.1	2.1	35.3	27.2	10.8	9.4
Other	0.7	1.1	8.2	600.7 2/	662.4 2/	84.9	184.5
<u>Total expenditure</u>	<u>18.3</u>	<u>132.7</u>	<u>654.0</u>	<u>7,712.0</u>	<u>11,111.8</u>	<u>2,063.9</u>	<u>3,653.4</u>
<u>Current expenditure</u>	<u>16.4</u>	<u>124.0</u>	<u>604.6</u>	<u>5,887.3</u>	<u>10,269.1</u>	<u>1,969.0</u>	<u>3,494.9</u>
Wages and salaries	3.9	18.1	115.6	917.4	1,639.5	301.7	614.2
Purchases of goods and services	1.3	5.5	19.0	211.3	435.5	113.5	191.7
Interest	5.1	13.2	133.6	983.5	1,089.8	240.8	416.7
Transfers to private sector	1.5	7.3	35.8	802.3	922.8	354.4	230.0
Transfers to rest of public sector 3/	4.6	79.9	300.6	2,972.8	6,181.5	958.6	2,042.3
Special accounts	1.1	4.1	17.7	236.0	447.0	85.2	125.1
Decentralized agencies	1.5	14.2	65.7	4,841.5	825.7	154.0	302.8
Provinces and municipality of Buenos Aires	1.0	27.9	128.1	1,759.7	3,449.3	569.4	1,145.6
Public enterprises	1.0	33.7	89.1	492.6	776.8	150.0	255.6
Social security system	--	--	--	--	682.7	--	213.2
<u>Capital expenditure</u>	<u>0.8</u>	<u>2.2</u>	<u>6.9</u>	<u>142.2</u>	<u>101.2</u>	<u>19.8</u>	<u>52.6</u>
<u>Other 4/</u>	<u>1.1</u>	<u>6.5</u>	<u>42.5</u>	<u>1,682.5</u>	<u>741.5</u>	<u>75.1</u>	<u>105.9</u>
<u>Overall deficit (-)</u>	<u>-9.3</u>	<u>-95.7</u>	<u>-366.9</u>	<u>-2,941.5</u>	<u>-2,458.6</u>	<u>-535.4</u>	<u>-798.4</u>
<u>Domestic financing (net)</u>	<u>8.4</u>	<u>89.0</u>	<u>355.5</u>	<u>2,856.6</u>	<u>2,554.6</u>	<u>194.4</u>	<u>-145.4</u>
Central Bank (net)	7.1	104.0	294.1	2,046.1 5/	2,592.1 5/	181.5	-146.4
Bond sales (net)	2.4	-3.2	-1.0	-38.0	-31.4	-7.6	224.4
Debt cancellation certificates	---	---	---	-1.1	-806.4	-206.3	-213.8
Change in unpaid Treasury drafts	--	13.4	41.1	74.6	126.3	35.9	35.6
Unified Fund	0.6	3.2	22.4	41.6	566.7	--	210.0
Other	-1.7	-28.4	-1.1	-166.6	107.3	190.9	-255.2
<u>Foreign financing (net)</u>	<u>0.9</u>	<u>6.7</u>	<u>11.4</u>	<u>84.9</u>	<u>-96.0</u>	<u>341.0</u>	<u>943.8</u>
Drawings	1.1	8.2	65.6	834.0	486.5	768.3	1,357.7
Amortization	-0.2	-1.5	-54.2	-749.5	-582.5	-427.3	-413.9

Source: Ministry of Economy.

1/ On a cash basis, adjusted for changes in unpaid Treasury drafts.

2/ Includes receipts for capital and forced-savings plan.

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

4/ Includes unclassified net extrabudgetary expenditures and unpaid Treasury drafts.

5/ Includes A 1,912.4 million in foreign currency credit in 1985 and A 2,609.2 in 1986.

Table 49. Argentina: Summary Accounts of the Financial System
(In thousands of australes)

	USS1=M 0.00044 December 1980		USS1=M 0.00228 December 1981		USS1=M 0.01054 December 1982		USS1=M 0.01472 December 1983		USS1=M 0.6018 December 1984		USS1=M 0.9430 December 1985		
	1980	1981	1981	1982	1982	1983	1983	1984	1984	1985	1985	1985	
I. Consolidated Financial System													
Net foreign assets													
Central bank (NRA)	2,329	-1,399	-7,236	-22,261	-102,966	-137,130	-972,100	-1,056,721	-8,535,410	-8,474,923	-13,279,914	-14,233,539	
Rest of system	-2,320	-1,383	-5,120	-24,096	-37,478	-69,353	-95,182	-44,662	-3,557,320	-3,409,573	-5,342,683	-5,347,875	
Net domestic assets													
Credit to public sector	9,556	21,746	29,267	68,577	154,852	273,339	1,231,558	2,688,089	10,542,477	17,327,769	22,374,126	32,979,924	
Interest Equalization Fund	1,083	1,485	10,106	25,316	57,356	211,356	65,649	1,237,116	4,286,350	6,951,552	9,660,682	12,544,308	
Other public sector (net)	1,164	473	7,012	9,333	25,042	56,482	171,168	40,888	42,312	2,382,629	5,444,308	5,444,308	
Local currency	1,261	6,326	6,336	15,763	16,363	27,433	168,521	58,088	20,756	2,307,526	2,307,526	2,307,526	
Lending	2,678	9,184	9,184	2,948	11,070	11,070	39,034	216,526	210,526	2,417,728	2,417,728	4,190,754	
Deposits	1,417	2,848	3,-97	9,378	40,118	41,681	295,74	43,742	3,485,176	4,778,325	8,113,261	8,113,261	
Foreign currency	303	676	—	4,562	21,075	21,075	255,831	255,831	1,000,192	1,567,266	512,992	512,992	
Arrears	—	—	3,497	4,116	19,029	20,306	143,948	17,911	1,424,913	5,20,989	7,600,269	7,600,269	
Other	303	676	—	—	—	—	—	—	—	—	—	—	
Central Bank	—	—	—	—	—	—	—	—	—	—	—	—	
Lending	—	—	—	—	—	—	—	—	—	—	—	—	
Deposits	—	—	—	—	—	—	—	—	—	—	—	—	
Other	303	676	3,497	4,116	19,028	20,306	143,948	17,911	1,424,913	5,20,989	7,600,269	7,600,269	
Lending	303	710	3,670	4,568	19,731	20,306	147,494	17,749	1,424,913	5,20,989	7,600,269	7,600,269	
Lending	0	33	172	152	703	500	3,546	2,838	22,858	6,834	3,662,264	5,459,392	
Credit to private sector	11,198	21,646	31,351	62,387	109,915	208,982	645,669	1,566,284	8,462,951	13,129,570	15,943,401	15,943,401	
Local currency	8,562	19,199	19,199	49,391	49,391	49,391	195,75	195,475	1,176,173	6,059,735	6,059,735	6,059,735	
Foreign currency	2,636	2,447	12,552	13,116	60,634	63,507	430,194	396,111	3,142,103	2,03,216	3,765,758	2,813,831	
Arrears	—	—	—	1,229	5,641	12,585	89,212	444,730	52,216	52,808	—	—	
Other	2,636	2,447	12,652	11,887	56,353	50,922	334,995	2,697,373	2,169,516	3,712,950	2,813,831	2,813,831	
Counterpart unrequited	—	—	—	—	—	—	—	—	—	—	—	—	
Foreign exchange	-2,947	-2,259	-7,746	-8,065	-19,906	-198,973	-178,573	-171,180	2,320,831	3,126,713	4,401,998	8,899,814	
Allotment of SDRs	-1,18	-643	-3,702	-7,514	-24,911	-21,319	-187,822	-210,452	-329,771	-329,771	-367,230	-367,230	
Valuation adjustment	-2,699	-2,096	-6,921	-7,164	-2,955	-15,512	-223,384	-193,500	2,508,653	4,137,165	5,230,859	9,267,064	
Official capital and surpluses	-21	-195	-1,291	-1,291	-1,291	-7,141	-18,999	-18,999	-182,999	-152,714	-2,008,132	-2,008,132	
Private capital and surplus	-1	-689	-5,197	-5,197	-21,925	-104,618	-104,618	-78,609	-78,609	-3,311,401	-3,511,401	-6,277,322	-6,277,322
Intramsystem float	313	1,564	1,564	5,549	5,549	5,549	56,080	-136,840	-136,840	179,292	179,292	4,322,585	4,322,585
Unclassified assets (net)	913	-1,108	5,986	-11,108	-22,355	-22,355	5,986	-816,367	1,471,676	1,471,676	1,471,676	1,471,676	
Liabilities to Private Sector	10,394	20,347	22,032	46,216	51,946	236,209	259,557	1,626,378	2,107,276	8,852,846	9,094,212	18,246,385	
Monetary liabilities	2,15	4,347	14,347	14,63	14,63	14,63	99,127	99,127	4,421,837	3,006,799	5,577,799	5,577,799	
Quasi-money	5,105	14,313	14,313	14,313	28,265	158,369	1,069,510	1,069,510	4,994,661	4,994,661	11,443,927	11,443,927	
Savings	5,624	1,209	1,209	1,209	3,084	32,053	24,172	1,217,570	1,217,570	2,610,332	2,610,332	2,610,332	
Fixed term	5,772	12,987	12,987	22,542	22,542	101,118	54,990	542,990	3,246,522	3,246,522	8,397,612	8,397,612	
Accrued interest	—	617	617	1,319	3,319	25,398	27,348	27,348	230,569	230,569	437,923	437,923	
Foreign exchange deposits	436	404	2,389	1,534	7,184	3,418	67,857	546,546	425,715	667,081	816,194	816,194	
Mortgage bonds	271	348	148	281	—	—	—	—	—	—	—	—	
Other	266	235	235	753	753	4,395	59,154	59,154	425,671	425,671	406,974	406,974	

Table 49. Argentina: Summary Accounts of the Financial System (Continued)
(In thousands of australas)

	USS1=M 0.0004 December 1980		USS1=M 0.00228 December 1981		USS1=M 0.01054 December 1982		USS1=M 0.017472 December 1983		USS1=M 0.05018 December 1984		USS1=M 0.9410 December 1985	
	1980	1981	1981	1982	1982	1983	1983	1984	1984	1985	1985	1986
II. Central Bank												
Net international reserves	2,929	1,183	6,120	8,096	-37,-28	-47,277	-47,6219	-618,059	-4,978,090	-5,065,351	-7,937,231	-9,547,875
Net domestic assets	-570	1,987	-1,050	51,-20	80,752	674,565	1,699,555	6,059,586	13,771,194	16,643,074	24,563,951	24,563,951
Credit to public sector	1,337	4,300	1,300	16,-110	32,-39	150,-36	320,-511	1,09,-28	2,996,310	6,995,181	8,887,350	11,660,914
Interest Equalization Fund	473	473	473	774	40,-688	40,-688	42,-812	42,-812	2,282,629	6,604,721	7,231,556	5,444,308
Other public sector (net)	1,118	4,127	4,327	15,236	31,765	149,672	279,323	667,-485	2,472,218	4,712,552	4,712,552	4,712,552
Local currency	1,118	4,327	4,327	10,674	10,674	128,-297	128,-297	411,655	411,655	1,375,191	1,375,191	1,375,191
Lending	1,122	4,354	4,354	13,575	13,575	137,-330	137,-330	418,-181	418,-181	1,180,659	1,180,659	1,180,659
Deposits	4	27	27	2,901	2,901	9,033	9,033	6,526	6,526	5,468	5,468	6,397
Foreign currency	-	-	-	4,562	21,091	21,375	151,526	255,831	2,060,563	3,137,361	5,129,530	5,129,530
Arrears	-	-	-	4,562	21,091	21,375	151,526	255,831	2,060,563	1,000,192	1,567,666	1,567,666
Other	-	-	-	-	-	-	-	-	3,662,264	3,662,264	5,429,306	5,429,306
Lending	-	-	-	-	-	-	-	-	2,524,532	3,955,855	5,459,392	5,459,392
Credit to financial system	1,182	4,189	4,189	47,940	47,940	139,392	139,392	950,300	950,300	187,362	293,370	30,086
Credit to commercial banks	1,011	3,665	3,665	41,669	41,669	123,079	123,079	855,682	855,682	4,551,353	4,551,353	8,266,832
Private sector external arrears	171	524	524	6,171	6,171	16,313	16,313	94,618	94,618	***	***	***
Counterpart unrequited foreign exchange	-	-	-	1,729	5,981	89,112	98,216	44,710	33,701	52,808	52,808	-
Credit to rest of system	-	-	-	8,-336	8,-336	-16,117	186,746	225,781	2,389,565	3,934,739	4,895,143	8,060,032
Official capital and surplus	-71	-195	-195	-3,702	-3,702	-3,-514	-24,911	-23,319	-187,822	-210,452	-329,771	-367,230
Unclassified assets (net)	-183	-2,251	-2,251	-3,991	-3,991	-12,603	211,657	24,-100	2,577,387	4,145,191	5,225,113	8,477,261
Liabilities to banking system	707	2,950	2,050	33,-219	33,-219	146,257	146,257	751,218	751,218	966,089	966,089	10,930,418
Currency	407	300	1,121	1,121	1,121	10,-159	126,-461	126,-461	571,335	571,335	2,150,089	1,684,361
Deposits	100	1,121	1,121	30,359	30,359	10,-159	126,-461	126,-461	571,335	571,335	***	***
Local currency	-	-	-	-	-	-	-	-	-	-	-	-
Foreign currency 1/	-	-	-	-	-	-	-	22,525	22,525	3,509,275	3,509,275	7,989,457
Special investments 1/	-	-	-	-	-	-	-	-	-	-	-	-
Liabilities to other financial institutions	29	62	62	1,-70	1,-70	5,-373	5,-373	19,134	22,931	22,331	20,420	20,420
Currency	19	62	62	1,369	1,369	5,047	5,047	2,947	7,322	7,322	10,210	10,210
Deposits	11	-	-	-	-	-	-	16,-387	15,-409	15,-409	15,-409	15,-409
Special investments 1/	-	-	-	-	-	-	-	***	***	***	***	***
Liabilities to private sector	1,633	2,958	2,958	8,-635	8,-635	45,516	45,516	310,944	2,057,459	2,057,459	4,065,238	3,979,450
Currency in circulation	1,923	2,158	2,158	9,-035	9,-035	45,516	45,516	310,-333	2,014,750	2,014,750	42,709	85,788
Other 2/	-	-	-	-	-	-	-	491	491	491	491	491

Table 49. Argentina: Summary Accounts of the Financial System (Continued)
(In thousands of australas)

	USS1= 0.00044 December 1980		USS1= 0.00228 December 1981		USS1= 0.01054 December 1982		USS1= 0.07472 December 1983		USS1= 0.6018 December 1984		USS1= 0.9430 December 1985	
	1980	1981	1981	1982	1982	1983	1983	1984	1984	1985	1985	1986
III. Commercial Banks												
Net foreign assets	-2,388	-2,580	-11,340	-14,155	-65,37	-69,332	-495,211	-441,500	-3,556,313	-3,411,147	-5,345,150	-5,186,937
Reserves and investments	753	2,355	2,055	31,303	31,303	142,-79	142,-79	742,-790	719,-714	6,540,-427	11,127,-831	3,049,-543
Reserves	753	2,355	2,055	31,303	31,303	142,-79	142,-79	742,-790	719,-714	6,540,-427	11,127,-831	3,049,-543
Investments 1/	—	—	—	—	—	—	—	23,016	3,551,384	8,075,288	— 146 —	—
Net domestic assets	9,707	17,507	30,052	53,561	110,774	180,250	628,697	2,016,862	5,610,769	7,559,923	9,735,292	16,023,874
Credit to public sector	269	2,387	5,408	9,-39	24,779	20,334	145,-30	140,127	1,385,390	51,917	764,840	1,026,878
Local currency	1,32	1,911	5,454	5,454	603	603	603	603	—	-1,492,527	-1,492,527	-1,492,527
Lending	1,545	4,712	4,722	13,623	13,623	10,504	167,566	167,566	919,733	2,814,086	2,814,086	2,814,086
Deposits	1,413	2,821	2,821	8,169	8,169	30,001	204,000	204,000	2,412,260	2,412,260	2,412,260	2,412,260
Foreign currency	676	3,497	4,085	18,985	18,985	20,231	14,-417	14,-417	1,422,334	1,440,610	2,257,387	2,168,955
Lending	303	710	3,670	4,237	19,388	26,332	146,954	146,954	1,445,192	1,447,444	2,268,095	2,177,952
Deposits	—	33	172	152	500	500	3,546	2,838	22,358	6,834	10,708	2,967
Credit to private sector	9,790	18,762	28,367	55,105	98,371	229,343	539,382	1,435,903	1,798,366	8,198,264	15,558,362	9,541,694
Local currency	7,154	16,315	16,315	43,618	43,618	178,-24	178,-24	1,101,010	1,101,010	5,328,756	12,744,545	2,813,917
Foreign currency	2,636	2,447	12,652	11,387	54,951	50,919	360,938	334,893	2,697,356	2,169,358	3,712,938	2,169,358
Counterpart unrequited	103	196	—	—	—	—	—	—	—	—	—	—
foreign exchange	-1,582	-4,322	-4,322	-20,534	-20,534	-3,017	-556	-99,523	12,205	2,822	-11,477	-339,423
Capital and surplus	1,127	884	884	9,754	9,754	32,613	32,613	1,189,312	1,189,312	-751,352	-3,444,822	-6,197,210
Unclassified assets (net)	—	—	—	—	—	—	—	—	—	—	—	5,975,348
Liabilities to Central Bank	801	2,262	2,662	36,272	36,272	74,388	74,388	1,045,746	1,045,746	4,156,136	4,156,136	8,160,003
Liabilities to private sector	7,271	14,710	16,175	35,217	40,217	179,509	201,757	1,272,306	1,750,995	6,874,413	13,801,766	13,801,766
Demand deposits	1,393	4,239	1,393	2,139	2,139	23,311	23,311	121,-404	121,-404	99,-349	1,597,083	1,597,083
Savings deposits	629	1,196	1,196	1,196	1,196	2,978	30,342	240,231	240,231	1,476,689	2,562,314	2,562,314
Time deposits	4,655	10,272	10,172	10,172	20,-81	92,303	92,303	518,-460	518,-460	3,133,-458	8,079,215	8,079,215
Mortgage deposits	271	343	348	—	—	—	—	—	—	—	—	—
Foreign exchange deposits	516	404	2,089	7,384	3,318	27,066	67,857	546,546	425,715	667,081	816,194	426,415
Accrued interest	—	488	2,933	1,554	2,313	23,142	265,319	265,319	224,440	224,440	380,696	380,696
Other	188	223	223	4,-93	4,-93	58,535	58,535	58,535	58,535	319,745	319,745	319,745

Table 49. Argentina: Summary Accounts of the Financial System (Concluded)
(In thousands of australas)

	USS1= 0.00044 December 1980		USS1= 0.00238 December 1981		USS1= 0.01054 December 1982		USS1= 0.07472 December 1983		USS1= 0.6018 December 1984		USS1= 0.9430 December 1985	
	1980	1981	1981	1982	1982	1983	1983	1984	1984	1985	1985	1986
IV. Other Financial Institutions												
Net foreign assets												
Reserves and investments	-2	-3	-15	-9	-41	-71	-151	-62	-502	1,574	2,467	1,172
Reserves and investments	100	420	420	1,5668	1,668	6,925	23,372	38,655	38,655	38,553	38,553	50,348
Reserves and investments	100	420	420	1,5668	1,5668	6,925	23,372	38,655	38,655	38,553	38,553	50,348
Investments	-	-	-	-	-	-	-	-	-	-	-	-
Net domestic assets	1,106	2,932	2,934	5,986	5,913	11,473	11,608	115,047	368,714	1,111,681	1,111,681	1,111,681
Credit to public sector	111	98	98	266	378	662	1,117	2,661	4,720	8,472	14,011	14,011
Local currency	11	98	98	215	235	587	587	2,341	7,134	13,013	13,013	13,013
Foreign currency	-	-	-	111	143	75	530	320	2,579	1,138	998	998
Credit to private sector	1,408	2,884	2,884	5,663	5,663	17,054	17,075	75,165	75,180	230,991	385,059	385,059
Local currency	1,408	2,884	2,884	5,663	5,663	17,051	17,051	75,163	75,163	230,979	385,045	385,045
Foreign currency	-	-	-	-	-	-	-	24	2	17	8	14
Counterpart unrequited												
Foreign exchange												
Capital and surplus												
Unclassified assets (net)												
Liabilities to Central Bank	103	120	120	4,201	4,001	6,198	6,198	92,789	92,789	246,603	246,603	246,603
Liabilities to private sector	1,101	2,969	2,969	2,644	2,644	12,184	12,184	45,128	45,128	162,340	162,340	162,340
Saving deposits	1,117	2,915	2,915	2,081	2,081	8,615	8,615	24,530	24,530	113,064	113,064	113,064
Time deposits	-	129	129	186	186	2,256	2,256	13,529	13,529	6,129	6,129	6,129
Accrued interest	78	12	12	71	71	102	102	128	128	2,166	2,166	1,398
Other deposits	-	-	-	-	-	-	-	-	-	-	-	-

Sources: Central Bank of Argentina

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

2/ Includes private sector holding of Central Bank paper.

3/ Includes deposits held with commercial banks.

STATISTICAL APPENDIX

Table 50. Argentina: Selected Financial System Data at
End-of-Period Exchange Rates

(In thousands of australes) 1/

	December						
	1980	1981	1982	1983	1984	1985	1986
I. Consolidated Financial System							
<u>Net foreign assets</u> 2/ 3/	243	-3,364	-47,396	-302,623	-2,535,093	-11,273,141	-19,639,511
<u>Net domestic assets</u>	9,612	24,278	95,467	543,440	4,257,452	20,266,548	38,157,672
Credit to public sector 4/	1,517	8,441	35,615	262,158	1,836,592	8,529,106	16,424,305
Credit to private sector 4/	9,753	25,081	77,208	335,624	2,109,406	9,256,436	16,880,350
Other items 5/	-1,658	-9,244	-17,355	-54,343	311,455	2,481,006	4,853,017
<u>Liabilities to private sector</u>	9,855	20,914	48,071	240,817	1,722,359	8,993,407	18,518,161
Monetary liabilities	2,716	4,547	14,763	69,127	431,857	3,006,799	5,577,290
Other	7,139	16,367	33,308	171,690	1,290,502	5,986,608	12,940,871
II. Central Bank							
<u>Net international reserves</u> 2/ 3/	1,323	2,845	-17,238	-148,469	-1,478,537	-6,737,809	-12,727,125
<u>Net domestic assets</u>	1,036	2,225	60,562	346,115	2,560,033	15,443,652	27,743,201
Credit to public sector 4/	1,237	4,800	21,162	216,156	1,447,473	8,097,098	14,660,530
Credit to financial system 4/	1,182	4,189	47,840	139,392	950,300	4,551,353	8,266,852
Other 5/	-1,383	-6,764	-8,440	-9,434	162,261	2,795,201	4,815,819
<u>Liabilities to financial system</u>	736	2,112	34,689	152,130	770,552	6,648,384	10,950,838
<u>Liabilities to private sector</u>	1,623	2,958	8,635	45,516	310,944	2,057,459	4,065,238
III. Commercial Banks							
<u>Net foreign assets</u>	-1,079	-6,202	-30,139	-154,107	-1,056,407	-4,537,426	-6,914,082
<u>Reserves and investments</u>	753	2,055	31,903	142,479	742,790	6,640,427	11,124,831
<u>Net domestic assets</u>	8,159	21,796	71,300	269,133	2,726,141	8,826,763	18,022,796
Credit to public sector	269	3,537	14,152	45,250	386,012	423,738	1,749,432
Credit to private sector	8,345	22,197	68,928	290,793	1,902,149	8,980,619	16,495,286
Other 6/	-536	-3,938	-11,780	-66,910	437,980	-577,594	-221,922
<u>Liabilities to Central Bank</u>	801	2,662	36,272	74,388	1,045,746	4,156,156	8,160,003
<u>Liabilities to private sector</u>	7,032	14,987	36,792	183,117	1,366,778	6,773,608	14,073,542
IV. Rest of Financial System							
<u>Net foreign assets</u>	-1	-7	-19	-47	-149	2,094	1,696
<u>Reserves and investments</u> 7/	100	420	1,668	6,925	23,372	38,655	50,348
<u>Net domestic assets</u>	1,205	2,876	5,896	11,504	114,694	368,194	1,111,257
Credit to public sector	11	98	301	752	3,107	8,270	14,343
Credit to private sector	1,408	2,884	5,663	17,059	75,168	230,989	385,064
Other	-214	-106	-68	-6,307	36,419	128,935	711,850
<u>Liabilities to Central Bank</u>	103	320	4,901	6,198	92,789	246,603	783,920
<u>Liabilities to private sector</u>	1,201	2,969	2,644	12,184	45,128	162,340	379,381

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 \$a 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 51. 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>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	-6.1	19.5	-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	-4.2	26.0	-4.2	28.8	-2.1
May	30.0	3.9	32.0	0.6	40.5	7.1
June	16.0	-11.1	18.0	-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
<u>1986</u>						
January	3.1	0.1	4.5	4.5	5.7	5.7
February	3.1	1.4	4.5	3.7	5.6	4.8
March	3.1	-1.5	4.5	3.1	4.2	2.8
April	3.1	-1.6	4.5	1.5	4.5	1.5
May	3.1	-0.9	4.5	1.8	4.4	1.7
June	3.3	-1.2	4.7	0.1	4.5	-0.1
July	3.5	-3.3	5.0	-0.1	5.1	—
August	5.1	-3.7	6.6	-2.8	6.6	-2.8
September	4.5	-2.5	6.0	-0.8	7.3	0.5
October	5.0	-1.1	6.5	1.2	8.0	2.7
November	5.5	0.2	7.0	2.1	8.3	3.4
December	5.5	0.8	7.0	4.0	9.3	6.3
Average 1986	4.0	-1.1	5.4	1.5	6.1	2.2
<u>1987</u>						
January	5.5	-2.1	7.0	1.7	8.7	3.4
February	6.0	-0.5	7.0	0.1	8.5	1.6
March	3.0	-5.2	4.0	-3.8	4.4	-3.4
April	4.2	0.8	5.2	3.3	8.3	6.4
May	4.7	0.5	5.7	0.8	8.3	3.4
June	6.5	-1.5	7.5	1.0	8.5	2.0

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.

Table 52. Argentina: Reserve and Investment Requirements
(In percent)

I. Regulated Rate Deposits

	Current Accounts		Savings Accounts				Term Deposits	
	Group		Regular Group		Special Group		7-14 Days Group	
	I	II	I	II	I	II	I	II
April 1985	96.5	97.5	9.0	10.0	4.5	6.0	13.0	14.0
May	96.5	97.5	9.0	10.0	4.5	6.0	13.0	14.0
June	95.5	96.5	9.0	10.0	4.5	6.0	13.0	14.0
July	90.5	91.5	11.0	12.0	6.5	8.0	15.0	16.0
August	89.5	90.5	11.0	12.0	6.5	8.0	15.0	16.0
September 1985- June 1987 2/	88.5	89.5	11.0	12.0	6.5	8.0	15.0	16.0

	Term Deposits								Investment Requirement on Savings Accounts and Term Deposits	
	15-22 Days Group		23-29 Days Group		30 Days and More Group					
	I	II	I	II	I	II	I	II		
April 1985	9.0	10.0	6.5	8.0	4.5	6.0	60.0			
May	9.0	10.0	6.5	8.0	4.5	6.0	60.0			
June	9.0	10.0	6.5	8.0	4.5	6.0	60.0			
July 1985- June 1987 2/	11.0	12.0	8.5	10.0	6.5	8.0	60.0			

II. Free Market Rate Deposits 3/

	Reserve Requirement				120 Days		Investment Requirement	
	7-29 Days		30-89 Days		90-119 Days and More		Basic	Marginal
	I	II	I	II	I	II		
1985								
April	3.0	3.0	3.0	3.0
May	3.0	3.0	3.0	3.0
June	5.0	5.0	5.0	5.0
July	8.5	8.5	8.5	8.5
August	8.5	8.5	8.5	8.5	35.0
September	8.5	8.5	8.5	8.5	35.0
October	7.5	7.5	7.5	7.5	35.0
November	7.5	7.5	7.5	7.5	42.0
December	7.5	7.5	7.5	7.5	38.0
1986								
January	7.5	7.5	7.5	7.5	38.0
February	7.5	7.5	7.5	7.5	40.0
March	7.5	7.5	7.5	7.5	42.0
April	7.5	7.5	7.5	7.5	42.0	80.0
May	7.5	7.5	7.5	7.5	45.0	78.0
June	7.5	7.5	7.5	7.5	46.0	75.0
July	7.5	7.5	7.5	7.5	47.0	73.0
August	7.5	7.5	4.0	--	50.0	66.0
September	7.5	7.5	4.0	--	53.0	63.5
October	3.0	1.5	--	--
November	3.0	3.0	--	--
December	3.0	3.0	--	--
1987								
January	3.0	3.0	--	--
February	3.0	3.0	--	--
March	3.0	3.0	--	--	1.5
April	3.0	3.0	--	--	7.0	100.0
May	3.0	3.0	--	--	2.0
June	3.0	3.0	--	--	2.0

Source: Central Bank of Argentina.

1/ 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.

2/ Reserve requirements on current account deposits in most principal and municipal banks were lowered to 20 percent in April 1986 and eliminated in December 1986. Reserve and investment requirements on savings accounts and term deposits in these banks were eliminated in April 1986.

3/ Includes nonregulated rate deposits and, from October 1986, swaps and acceptances.

Table 53. Argentina: Balance of Payments
(In millions of U.S. dollars)

	1981			1982			1983			1984			1985			1986		
	Credit	Debit	Net	Credit	Debit	Net	Credit	Debit	Net	Credit	Debit	Net	Credit	Debit	Net	Credit	Debit	Net
<u>Current account</u>	<u>12,516</u>	<u>17,230</u>	<u>-4,714</u>	<u>10,103</u>	<u>12,461</u>	<u>-2,358</u>	<u>9,993</u>	<u>12,454</u>	<u>-2,461</u>	<u>10,314</u>	<u>12,705</u>	<u>-2,391</u>	<u>10,515</u>	<u>11,468</u>	<u>-953</u>	<u>9,088</u>	<u>11,909</u>	<u>-2,821</u>
<u>Merchandise trade^{1/}</u>	<u>9,143</u>	<u>9,430</u>	<u>-287</u>	<u>7,624</u>	<u>5,337</u>	<u>2,287</u>	<u>7,836</u>	<u>4,505</u>	<u>3,331</u>	<u>8,107</u>	<u>4,584</u>	<u>3,523</u>	<u>8,396</u>	<u>3,814</u>	<u>4,582</u>	<u>6,849</u>	<u>4,700</u>	<u>2,149</u>
Nonfactor services	2,401	3,106	-705	1,900	1,858	42	1,677	2,077	-400	1,920	2,125	-205	1,846	2,077	-231	1,858	2,414	-516
Freight and insurance	954	--	954	590	--	590	560	--	560	557	--	557	500	--	500	450	--	450
Other transportation	577	810	-233	424	554	-130	420	595	-175	489	634	-145	558	579	-21	531	651	-120
Travel	413	1,471	-1,058	609	565	44	454	514	-60	602	682	-80	523	671	-148	565	887	-322
Other Government, n.i.e.	140	204	-664	60	149	-89	50	173	-123	62	132	-70	52	170	-118	68	201	-133
Royalties	30	253	-223	12	363	-351	3	518	-515	4	445	-441	8	420	312	16	420	404
Other services	287	368	-81	205	227	-22	190	277	-87	206	232	-26	205	237	-32	228	255	-27
Investment Income	903	4,602	-3,699	528	5,247	-4,719	446	5,853	-5,407	265	5,977	-5,712	255	5,559	-5,304	360	4,776	-4,416
Profits and dividends	17	752	-735	5	321	-316	6	431	-425	1	440	-439	2	427	-425	3	485	-482
Interest	886	3,850	-2,964	523	4,926	-4,403	440	5,422	-4,982	264	5,537	-5,273	253	5,132	-4,879	357	4,291	-3,934
Unrequited transfers	69	92	-23	51	19	32	34	19	15	22	19	3	18	18	--	21	19	2
<u>Capital account</u>	<u>...</u>	<u>...</u>	<u>1,085</u>	<u>...</u>	<u>...</u>	<u>-3,208</u>	<u>...</u>	<u>...</u>	<u>-111</u>	<u>...</u>	<u>...</u>	<u>647</u>	<u>...</u>	<u>...</u>	<u>397</u>	<u>...</u>	<u>...</u>	<u>746</u>
Banking system	257	-519	326	-594	-187
Central Bank ^{2/}	-125	-98	...	1	...	1	...	-39	-184	-365
Other	382	617	...	325	-555	-3	9
Other long-term capital	12,077	2,359	9,668	3,215	2,004	4,099	4,174	-75	3,001	3,010	-9	2,848	2,257	591	1,980	1,298	682	
Direct investment	988	61	927	262	5	477	185	2	183	268	--	977	--	977	574	574	574	
Trade finance	—	525	-525	—	777	-477	—	206	-206	—	131	-131	9	—	9	59	—	59
Financial loans ^{3/}	11,039	9,266	2,953	729	2,224	3,914	3,966	-52	2,733	2,879	-146	1,862	2,257	395	1,347	1,298	49	
Government ^{4/}	2,246	2,168	352	79	273	1,468	1,674	-206	2,455	309	2,146	1,302	328	974	464	337	127	
State enterprises	3,077	1,144	1,933	295	366	-68	355	661	-306	225	109	478	145	333	611	276	335	
Private sector	5,716	551	5,165	2,303	284	2,019	2,091	1,631	460	53	2,454	-2,401	82	1,784	-1,702	272	685	
Other short-term capital	-8,165	-6,331	-362	1,250	-821	426
Trade finance	-2,860	-2,243	-205	632	21	-646
Other public sector	434	-721	...	814	6	793	21	
Other private sector ^{5/}	-6,414	-3,367	-971	612	1,045
<u>Allocation of SDRs</u>	<u>70</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
<u>Valuation adjustment^{6/}</u>	<u>-363</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>-105</u>	<u>—</u>	<u>—</u>	<u>-260</u>	<u>—</u>	<u>—</u>	<u>-145</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>28</u>
<u>Change in net international reserves (increase —)</u>	<u>3,922</u>	<u>6,271</u>	<u>—</u>	<u>2,832</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>528</u>	<u>1,889</u>	<u>1,806</u>

STATISTICAL APPENDIX

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 governments.

5/ Includes errors and omissions.

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

Table 54. Argentina: Selected Exchange Rates

	Official Exchange Rate (* per US\$) <u>1/2/</u>	Parallel Exchange Rate <u>1/</u>	Parallel Exchange Rate Spread (In percent)	Real Effective Exchange Rate (Index; 1980=100) <u>3/</u>
1978	0.00008	0.00008	--	53.99
1979	0.00013	0.00013	--	76.09
1980	0.00018	0.00018	--	100.00
1981	0.00044	0.00061	38.6	92.29
1982	0.00219	0.00363	66.0	51.27
1983	0.01053	0.01452	37.8	43.36
1984	0.06774	0.08831	30.3	51.08
1985	0.60156	0.69423	15.4	43.97
1986	0.94150	1.05410	12.0	44.16
1984				
January	0.02487	0.03029	21.8	44.32
February	0.02775	0.04016	44.7	45.48
March	0.03084	0.04970	61.2	48.21
April	0.03506	0.05366	53.1	50.50
May	0.04081	0.06390	56.6	51.67
June	0.04757	0.06829	43.6	52.23
July	0.05612	0.07505	33.7	53.65
August	0.06835	0.09765	42.9	54.30
September	0.08331	0.11279	35.4	57.95
October	0.10419	0.12173	16.8	55.56
November	0.13326	0.16641	24.9	49.40
December	0.16071	0.18009	12.1	49.65
1985				
January	0.201	0.238	18.5	48.62
February	0.242	0.315	30.4	49.82
March	0.306	0.400	30.5	49.63
April	0.396	0.522	31.8	48.11
May	0.525	0.614	17.0	45.42
June	0.749	0.788	5.3	41.16
July	0.800	0.934	16.8	39.87
August	0.800	0.944	18.0	40.30
September	0.800	0.931	16.4	41.42
October	0.800	0.916	14.5	40.82
November	0.800	0.895	11.9	40.99
December	0.800	0.850	6.2	41.54
1986				
January	0.800	0.899	12.4	42.20
February	0.800	0.863	7.9	42.01
March	0.800	0.911	13.9	43.36
April	0.825	0.919	11.4	44.04
May	0.845	0.897	6.1	43.96
June	0.873	0.894	2.4	44.49
July	0.902	0.914	1.3	45.25
August	0.962	1.085	12.7	45.40
September	1.048	1.225	16.9	44.43
October	1.090	1.200	10.0	45.05
November	1.148	1.345	17.2	45.29
December	1.210	1.563	29.2	44.48
1987				
January	1.289	1.711	32.7	43.57
February	1.385	1.713	23.6	42.87
March	1.535	1.869	21.7	41.56
April	1.535	2.028	32.1	41.96 <u>4/</u>
May	1.585	2.063	30.1	44.89 <u>4/</u>
June	1.705	2.075	22.6	...

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/ Preliminary estimates.

Table 55. Argentina: External Trade: Value, Volume, and Price Indices

	1981	1982	1983	1984	1985	1986 <u>1/</u>
<u>(1980 = 1.00)</u>						
Export value	1.14	0.95	0.98	1.01	1.05	0.85
Export price	1.03	0.86	0.77	0.81	0.73	0.68
Export volume	1.11	1.12	1.27	1.24	1.44	1.25
Import value	0.89	0.51	0.43	0.43	0.36	0.45
Import price	0.97	0.96	0.89	0.87	0.90	0.92
Import volume	0.92	0.53	0.48	0.50	0.40	0.48
Terms of trade	1.06	0.90	0.87	0.93	0.81	0.74
<u>(Percentage changes)</u>						
Export value	14.0	-16.6	2.8	3.5	3.6	-18.9
Export price	3.0	-17.0	-9.9	5.7	-10.8	-9.0
Export volume	10.8	0.4	14.1	-2.0	16.1	-13.2
Import value	-10.5	-43.4	-15.6	1.8	-16.8	23.2
Import price	-2.8	-1.7	-6.9	-2.4	13.6	2.5
Import volume	-7.9	-42.4	-9.3	4.3	-19.7	20.2
Terms of trade	6.2	-15.1	-3.3	6.9	-12.9	-8.6
<u>Memorandum items</u>						
Export value (in millions of U.S. dollars)	9,143	7,624	7,836	8,107	8,396	6,849
Import value (in millions of U.S. dollars)	9,430	5,337	4,504	4,585	3,814	4,700
Terms of trade index (Average 1975-84 = 1.00)	1.03	0.87	0.84	0.90	0.79	0.72

Source: Central Bank of Argentina.

1/ Preliminary estimate.

Table 56. 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)

	1981	1982	1983	1984	1985	1985 Jan.- Sept.	1986 Jan.- Sept.
Total	9,143	7,624	7,836	8,107	8,396	6,683	5,377
Major agricultural products	5,158	3,603	4,531	4,693	4,407	3,939	2,661
Cereals	2,827	1,821	2,894	2,240	2,265	2,032	1,173
Wheat	763	676	1,474	923	1,133	982	365
Volume	3,764	3,800	10,182	6,926	9,582	8,101	3,674
Unit price	203	178	145	133	118	121	90
Corn	1,306	585	803	744	766	721	617
Volume	9,162	5,226	6,525	5,489	7,069	6,664	7,005
Unit price	143	112	123	135	108	108	88
Sorghum	637	508	554	451	296	280	149
Volume	4,951	5,326	5,295	4,166	3,273	3,067	1,935
Unit price	129	95	105	108	90	91	77
Other cereals	121	52	63	122	70	49	42
Seeds and oilseeds	640	455	364	948	731	712	601
Volume	2,292	1,952	1,539	3,365	3,451	3,385	3,054
Unit price	279	233	235	282	212	210	197
Beef	564	488	338	182	160	114	142
Volume	260	275	197	101	99	68	74
Unit price	2,169	1,773	1,716	1,805	1,614	1,676	1,905
Vegetable and animal oils	395	429	338	966	970	821	508
Volume	640	815	1,198	1,350	1,634	1,350	1,436
Unit price	616	526	282	715	593	608	354
Fresh fruit	163	170	122	95	123	122	103
Volume	317	370	370	327	422	357	265
Unit price	514	459	329	297	292	342	389
Wool	287	185	145	163	130	118	112
Volume	101	89	89	92	81	84	77
Unit price	2,823	2,078	1,651	1,768	1,608	1,405	1,455
Sugar	282	55	170	99	28	20	22
Volume	732	249	872	409	148	124	87
Unit price	385	219	195	242	187	160	253
Other agriculture and agro-based products	1,445	1,567	1,570	1,593	1,406	1,019	1,222
Animal and fishery products	406	434	378	322	265	193	216
Meat other than beef	115	112	92	74	64	52	54
Fish and seafood	138	188	166	158	147	104	130
Dairy products	27	79	74	36	16	11	11
Other	146	55	46	54	38	26	21
Vegetable products	44	46	65	90	73	48	37
Coffee, tea, mate	33	35	43	63	48	35	26
Milled products	11	11	22	27	25	13	11
Prepared foods, beverages, and tobacco	454	370	341	315	336	245	236
Beef preparations	231	290	160	145	162	121	118
Vegetable preparations	63	70	60	59	59	44	51
Tobacco	28	59	50	46	57	45	34
Other	132	51	69	65	58	35	33
Other	541	717	786	866	732	540	733
Mineral products	657	581	372	365	657	402	134
Fuel and lubricants	622	551	349	347	636	389	119
Other	35	30	23	18	21	13	15
Industrial products	1,883	1,873	1,363	1,456	1,926	1,323	1,360
Chemical products	317	277	243	239	281	209	181
Plastics and rubber	34	57	80	86	92	64	54
Hides, skins, and leather manufactures	439	351	292	312	302	194	261
Paper and paper products	58	47	39	43	52	36	41
Textiles (excluding wool)	74	81	64	69	107	71	75
Metals and metal manufactures	450	514	318	316	508	336	338
Machinery (mechanical and electrical)	306	296	181	210	268	189	180
Transport material	126	216	92	168	236	199	181
Other	79	34	54	13	80	25	49

Source: Central Bank of Argentina.

Table 57. Argentina: Exports of Industrial Manufactures to Selected Countries

(In millions of U.S. dollars)

	1981	1982	1983	1984	1985
<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>	<u>2,108.0</u>
United States	317.2	652.7	346.0	422.8	580.0
LAIA	901.1	735.5	406.0	462.3	631.7
Brazil	299.3	177.1	117.0	105.4	172.5
Paraguay	118.4	111.4	57.4	74.3	60.3
Chile	69.4	66.8	65.2	64.0	72.5
Uruguay	105.0	88.8	50.8	52.4	72.3
Bolivia	63.7	83.6	29.7	45.7	38.2
Peru	61.3	64.9	26.2	41.9	51.3
Colombia	23.9	37.3	21.3	26.4	87.4
Mexico	82.3	34.7	14.0	22.2	32.6
Venezuela	63.1	58.4	14.4	16.4	31.5
Ecuador	14.7	12.5	10.0	13.6	13.1
Europe	506.5	275.8	322.5	244.4	324.5
Poland	--	--	--	64.8	67.9
Netherlands	239.1	37.1	127.0	46.9	120.9
Italy	55.4	57.4	74.9	35.4	45.2
France	30.9	48.1	42.1	34.0	32.9
Belgium	31.8	17.7	28.0	23.9	18.1
Germany, Fed. Rep. of	64.0	60.0	27.6	18.4	20.0
Spain	14.4	15.2	10.9	8.7	7.3
Sweden	30.0	8.0	5.9	7.3	4.9
Switzerland	8.2	11.8	6.1	5.0	7.3
United Kingdom	32.7	20.5	--	--	--
Asia	39.5	63.1	61.1	112.0	253.2
Japan	--	41.4	30.1	41.9	94.7
China	--	21.7	31.0	38.7	158.1
Philippines	--	--	--	31.4	0.4
Other	326.1	378.6	250.4	221.2	318.6

Source: Boletin de Comercio Exterior Argentino, various issues.

Table 58. Argentina: Direction of Trade

(In percent)

	1981	1982	1983	1984	1985
Exports	100.0	100.0	100.0	100.0	100.0
LAIAs 1/	19.9	19.9	13.1	17.1	16.1
Of which: Brazil	6.5	7.5	4.6	5.9	5.9
Mexico	3.0	1.5	0.4	2.1	3.0
Chile	1.8	2.2	2.4	1.8	1.3
EC	21.4	21.3	21.1	24.1	24.3
Of which: Netherlands	7.6	7.9	9.4	11.0	10.2
Italy	4.1	3.8	4.3	4.7	3.6
Germany	3.9	4.4	3.2	3.7	3.4
United Kingdom	2.3	0.9	--	--	--
Rest of Europe 2/	5.6	5.5	3.5	4.5	4.5
Of which: Spain	2.1	2.7	2.4	2.8	2.5
United States	9.2	13.2	9.6	10.5	11.9
Japan	1.8	3.7	4.8	3.3	4.3
U.S.S.R.	32.4	20.8	20.9	14.7	14.4
China	1.0	1.8	6.4	0.9	3.7
Iran	0.3	1.8	5.1	5.3	3.7
Cuba	0.8	0.6	1.6	2.9	3.4
Other oil exporters 3/	3.3	7.7	8.4	8.0	8.5
Rest of world	4.3	3.7	5.5	8.7	5.2
Imports	100.0	100.0	100.0	100.0	100.0
LAIAs 1/	20.0	28.7	32.1	35.8	34.1
Of which: Brazil	9.5	12.9	14.8	18.1	16.0
Bolivia	3.7	7.4	8.8	8.6	10.0
Chile	2.0	2.8	2.6	2.6	2.2
EEC	25.8	22.1	23.8	22.6	26.2
Of which: Germany	9.6	9.0	10.5	9.7	10.6
France	3.7	3.7	4.4	4.4	5.5
Italy	5.2	4.3	5.1	4.2	6.1
United Kingdom	3.4	1.3	--	--	--
Rest of Europe 2/	9.4	9.6	9.2	7.9	8.4
United States	22.0	21.7	21.6	18.3	18.0
Japan	10.2	8.0	6.8	8.2	7.0
Other oil exporters 3/	3.9	2.9	--	0.1	0.1
Rest of world	8.7	7.0	6.5	7.1	6.2

(In millions of U.S. dollars)

Memorandum items

Exports	9,143	7,624	7,836	8,107	8,396
Imports	9,430	5,337	4,505	4,584	3,814

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 59. Argentina: Tourism Services

(In millions of U.S. dollars)

	1981	1982	1983	1984	1985	1986
Net tourism receipts	-1,058	44	-60	-80	-148	-322
Tourism receipts 1/	413	609	454	602	523	565
Number of travelers (thousands)	733	1,295	1,312	1,623	1,397	1,411
Average expenditure 2/	563	471	346	371	374	400
Tourism expenditures 1/	1,471	565	514	682	671	887
Number of travelers (thousands)	1,853	1,068	1,033	1,359	1,383	1,485
Average expenditure	794	529	497	502	485	598
Net official exchange receipts	-5,203	-7	3	7	5	21
Net capital account transactions	-4,145	-51	63	87	153	343

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 60. Argentina: International Reserves of the Monetary Authorities

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

	1981	1982	1983	1984	1985		1986	
					June	Dec.	June	Dec.
Total net international reserves	2,684	-3,551	-6,383	-8,272	-8,620	-8,417	-8,606	-10,125
Central Bank	2,699	-1,953	-4,293	-5,796	-6,384	-6,159	-6,419	-7,999
Assets	3,186	2,542	2,671	2,637	3,053	4,639	5,698	4,287
Gold <u>1/</u>	185	185	1,421	1,421	1,421	1,421	1,421	1,421
SDRs	401	--	23	26	--	13	68	6
IMF reserve tranche	276	100	--	--	--	--	--	--
Foreign exchange <u>2/</u>	2,548	2,441	1,172	1,243	1,720	3,111	4,158	2,717
LAIA (net) <u>3/</u>	-224	-184	55	-53	-88	94	51	143
Liabilities	487	4,495	6,964	8,433	10,097	10,978	12,314	12,286
IMF	--	--	1,173	1,139	2,228	2,289	2,914	2,719
Payments arrears	--	2,540	3,222	4,163	2,435	1,640	1,186	544
Foreign currency swaps	484	1,380	1,228	937	888	730	685	639
Balance of payments								
support loans	--	121	1,298	1,873	4,273	5,219	6,815	7,573
To Central Bank	--	--	1,250	1,850	2,796	3,597	4,971	5,059
Via residents <u>4/</u>	--	121	48	23	10	5	--	--
Paris Club								
rescheduling	--	--	--	--	1,467	1,617	1,844	2,514
Other liabilities	3	454	43	321	273 <u>5/</u>	920	714 <u>6/</u>	811
Treasury liabilities <u>7/</u>	15	1,598	2,090	2,476	2,243	2,258	1,990	2,126

Source: Central Bank of Argentina.

1/ Valued at US\$42 per fine troy ounce through December 6, 1983 and at 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/ Does not include an upward adjustment of US\$401 million to offset a reduction in the estimate of external payments arrears.6/ Does not include an upward adjustment of US\$367 million to offset a reduction in the estimate of external payments arrears.7/ 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 61. Argentina: External Debt and Debt Service

	1981	1982 1/	1983	1984	1985	1986
(In millions of U.S. dollars; end-year)						
<u>Total disbursed debt</u>	<u>35,671</u>	<u>43,634</u>	<u>45,069</u> 2/	<u>46,578</u> 3/	<u>48,075</u> 3/	<u>51,704</u> 4/
By borrowing sector						
Public sector	20,024	28,616	31,709	35,875	41,048	44,201
Private sector	15,647	15,018	13,360	10,703	7,027	7,503
By maturity						
Medium- and long-term	26,067	28,784
Short-term	9,604	12,310
Arrears	--	2,540	3,222	4,163	1,718	544
(In percent of total)						
<u>Disbursed debt of public sector, by type of creditor</u> 4/						
International organizations	100.0	100.0	100.0	100.0	100.0	100.0
Official creditors	6.0	5.0	6.4	6.0	8.8	10.5
Banks	1.9	1.4	4.1	5.2	8.2	10.0
Bondholders	67.4	71.1	69.6	67.3	66.4	66.5
Private firms	18.7	18.1	9.3	9.3	7.9	7.0
Debt service 6/	6,307	9,971	11,984	4,580	9,415	11,796
Amortization	2,457	5,045	6,561	6,643	4,283	7,507
Interest	3,850	4,926	5,423	5,537	5,132	4,291
(In millions of U.S. dollars and in percent)						
Exports of goods, nonfactor services and transfers	11,614	9,575	9,547	10,049	10,242	8,707
Debt service ratio	54.3	104.1	125.5	115.2	91.9	135.5
(In percent of GDP) 7/						
Debt outstanding	62.0	74.7	74.1	72.3	74.8	69.8
Debt service	11.3	17.8	20.0	17.8	14.5	16.8
Interest	6.7	8.5	8.7	8.4	7.9	6.1

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; using end-1983 exchange rates 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/ Based on data from debt reporting system for end-september 1986, using end-september 1986 exchange rates.

5/ Before rescheduling for 1983, distribution excludes external payments arrears.

6/ Includes amortization on loans with an original maturity of more than one year, except for 1986, and all interest payments. Includes both public and private debt. Numbers for 1982 through 1984 reflect amounts due rather than amounts actually paid.

7/ 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 62. Argentina: Deposits with and Debt to Foreign Banks 1/

(In billions of U.S. dollars)

<u>Debt, by Time Remaining to Maturity</u>										
	Total	Up to and Includ- ing One Year	Over Year and including One Including Two Years	Over up to and including Two Years	Over Two Years	Unallo- cated	Undis- bursed	Commit- ments	Depos- its <u>2/</u>	Depos- its <u>3/</u>
<u>1981</u>										
June	23.0	11.8	2.1		8.5	0.6	3.2	5.8	...	
December	24.8	11.6	3.0		9.5	0.8	3.9	6.7	10.0	
<u>1982</u>										
June	25.3	13.1	2.1		9.3	0.8	2.7	5.4	8.6	
December	25.7	13.9	1.5		9.2	1.0	1.9	6.1	10.0	
<u>1983</u>										
June	25.5	13.6	1.7		9.0	1.2	1.6	6.7	10.6	
December	25.9	13.7	1.9		9.2	1.1	1.7	6.5	9.4	
December <u>4/</u>	26.8	14.1	1.9		9.7	1.1	1.7	...	9.4	
<u>1984</u>										
June <u>4/</u>	25.7	13.8	2.2		8.7	1.0	1.4	...	9.5	
December <u>4/</u>	25.1	13.8	2.3		7.9	1.1	1.9	...	9.3	
<u>1985</u>										
June <u>4/</u>	26.1	14.9	2.1		7.8	1.2	1.9	...	10.1	
December <u>4/</u>	29.4	15.3	2.7		10.9	0.4	2.0	...	10.7	
<u>1986</u>										
June <u>4/</u>	30.7	9.6	2.9		17.9	0.3	1.5	...	11.8	

Sources: 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 are from International Financial Statistics, and represent 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 63. Argentina: Net Deviations of Selected Export Receipts from Exchange Rate 1/

(In percent at end of period)

	1981	1982	1983	1984	1985	1986
Wheat	-10.0	-25.0	-18.0	-18.0	-15.0	-5.0
Wheat flour	-10.0	-15.0	-15.0	-10.0	-7.0	--
Corn	-10.0	-25.0	-25.0	-31.0	-29.0	-15.0
Sorghum	-10.0	-25.0	-25.0	-31.0	-28.0	-15.0
Soybeans	-10.0	-25.0	-25.0	-31.0	32.5	-15.0
Soy oil	10.0	-10.0	-10.0	-16.0	-19.0	-8.0
Sunflower oil	10.0	-10.0	-10.0	-20.0	-23.0	-6.0
Peanut oil	10.0	-10.0	-10.0	-16.0	24.5	-1.5
Olive oil	10.0	-10.0	--	-6.0	-15.5	--
Beef (quarters)	-10.0	-20.0	-20.0	-6.0	-15.5	-16.5
Beef manufactures	-10.0	-20.0	-20.0	-6.0	-10.0	-10.0
Beef (cuts)	-10.0	-15.0	-15.0	-6.0	-6.0	-6.0
Horsemeat	-10.0	-15.0	-15.0	-6.0	-10.0	-10.0
Beef (cooked, frozen, or extract)	4.0	--	--	-1.0	-6.0	--
Leather (unprocessed)	-10.0	-25.0	-25.0	-31.0	-38.0	-38.0
Leather (cut)	10.0	-10.0	-5.0	-11.0	-20.0	-11.0
Tobacco leaf	-10.0	-25.0	-10.0	-31.0	-18.5	-12.0
Tobacco manufactures	-10.0	-20.0	-20.0	-26.0	-15.0	-10.0
Wool (unwashed)	-10.0	-22.0	-22.0	-24.0	-28.0	-17.0
Wool (washed)	5.0	-15.0	-15.0	-18.0	-20.5	-9.0
Sugar	10.0	10.0	10.0	-6.0	-15.5	-15.5
Fruits (fresh)	7.0	-10.0	--	-6.0	-10.0	--
Fruits (canned)	10.0	5.0	10.0	-1.0	-6.0	--
Cheese	7.0	--	--	-6.0	-10.0	-10.0
Casein	10.0	-10.0	-10.0	-16.0	-15.0	-15.0
Wire and iron sheet	10.0	10.0	10.0	4.0	10.0 <u>2/</u>	10.0
Tools (power)	10.0	10.0	10.0	4.0	--	15.0
Agricultural machines	10.0	10.0	10.0	4.0	--	15.0
Tractors	10.0	10.0	10.0	4.0	--	15.0

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).

2/ The figure for the EEC and the United States is 4 percent.

Table 64. Argentina: Promoted Exports

(In millions of U.S. dollars)

	1981	1982	1983	1984	1985	Jan.-Sept. 1985	1986
Total	2,467	2,534	1,958	2,020	2,471	1,763	1,844
Dairy products	26	42	36	15	16	32	30
Fish and shellfish	116	187	165	158	147	104	130
Tea	26	29	37	57	40	30	17
Wheat and other flours	12	6	6	6	7	13	11
Promoted fat and oil byproducts	11	7	2	1	3	2	2
Meat and seafood preparations	254	206	166	148	163	171	120
Fruit and vegetable preparations	63	70	60	59	59	44	51
Beverages	44	37	26	26	23	16	10
Fuels and lubricants	--	23	38	29	43	37	20
Chemicals	320	279	244	230	288	209	181
Tanned leather	338	285	256	292	273	174	237
Leather manufactures	18	15	16	14	13	8	10
Furs	81	50	19	11	15	10	14
Books and magazines	46	35	18	16	16	12	15
Combed wool	35	38	32	37	48	38	30
Other textiles	38	42	32	30	54	33	45
Metal products	414	514	319	316	508	336	338
Agricultural machinery	6	16	1	3	5	4	5
Office machinery	99	107	76	84	116	87	59
Electric motors	49	44	26	33	57	38	34
Other machinery	143	123	70	97	90	60	82
Automobiles	9	18	22	15	6	3	4
Trucks	8	10	6	13	9	7	40
Tractors	8	21	1	2	3	2	13
Other transport equipment	74	124	63	138	218	177	154
Other	232	193	217	203	251	166	222
<u>Memorandum item</u>							
Total promoted exports as a percentage of total exports	27.0	33.2	25.0	24.9	29.4	26.4	34.3

Source: Central Bank of Argentina.