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

This paper provides background information to the staff report for the 1984 Article IV consultation discussions with Argentina which has been tentatively scheduled for discussion on Tuesday, September 4, 1984.

If Executive Directors have technical or factual questions relating to this paper prior to the Board discussion, they should contact Mr. Stuart (ext. (5)8602).

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INTERNATIONAL MONETARY FUND

ARGENTINA

Recent Economic Developments

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

August 20, 1984

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Argentina--Basic DataArea and population

|  |                          |
|--|--------------------------|
| Area (continental)                           | 2,792,000 sq. kilometers |
| Population (mid-1983)                        | 29.6 million             |
| Annual rate of population increase (1979-83) | 1.6 percent              |

GDP (1983)

SDR 64.6 billion  
US\$69.1 billion 1/  
\$a 706.2 billion

GDP per capita (1983)

SDR 2,184

| <u>Origin of GDP</u>                | <u>1980</u> | <u>1981</u> | <u>1982</u> | <u>Prel.<br/>(percent)</u><br><u>1983</u> |
|-------------------------------------|-------------|-------------|-------------|---|
| Agriculture, livestock, and fishing | 12.7        | 13.8        | 15.5        | 15.2                                      |
| Mining                              | 2.5         | 2.7         | 2.8         | 2.8                                       |
| Manufacturing                       | 25.0        | 22.4        | 22.6        | 24.1                                      |
| Construction                        | 6.6         | 6.1         | 5.2         | 4.7                                       |
| Electricity, gas, and water         | 3.6         | 3.8         | 4.1         | 4.3                                       |
| Commerce                            | 15.0        | 14.9        | 12.8        | 12.9                                      |
| Transport and communications        | 10.7        | 11.0        | 11.3        | 11.3                                      |
| Finance and banking                 | 9.1         | 9.2         | 8.5         | 7.6                                       |
| Other services                      | 14.8        | 16.1        | 17.2        | 17.1                                      |

Ratios to GDP

|   |       |       |       |       |
|---|-------|-------|-------|-------|
| Exports of goods and nonfactor services 1/      | 16.6  | 17.2  | 14.4  | 13.8  |
| Imports of goods and nonfactor services 1/      | -21.6 | -18.7 | -10.9 | -9.5  |
| Factor services (net) 1/                        | -2.4  | -5.5  | -7.1  | -7.8  |
| Current account of the balance of payments 1/   | -7.3  | -7.0  | -3.6  | -3.5  |
| General government revenues                     | 27.7  | 25.9  | 22.5  | 23.5  |
| General government expenditures 2/              | 32.6  | 39.2  | 35.3  | 41.0  |
| Public sector savings                           | 1.7   | -6.3  | -8.9  | -7.2  |
| Public sector overall surplus or deficit (-) 2/ | -8.0  | -17.1 | -17.7 | -16.7 |
| External debt (end of year) 1/                  | 41.8  | 53.3  | 65.4  | 65.9  |
| Gross national savings                          | 22.6  | 16.2  | 13.0  | 13.3  |
| Gross aggregate investment                      | 25.7  | 20.0  | 18.1  | 17.1  |
| Money and quasi-money (end of year)             | 33.9  | 37.4  | 30.5  | 33.4  |

Annual changes in selected economic indicators

|   |       |       |       |       |
|---|-------|-------|-------|-------|
| Real GDP per capita                           | -0.7  | -7.5  | -6.5  | 1.7   |
| Real GDP (at 1970 prices)                     | 0.7   | -6.2  | -5.3  | 2.8   |
| GDP at current prices                         | 102.5 | 90.6  | 180.8 | 368.3 |
| Domestic expenditures (at current prices)     | 107.4 | 87.0  | 171.7 | 365.9 |
| Investment                                    | 116.2 | 48.5  | 153.2 | 343.4 |
| Consumption                                   | 104.6 | 100.0 | 176.3 | 371.1 |
| GDP deflator                                  | 101.0 | 103.3 | 196.5 | 355.6 |
| Wholesale prices (annual averages)            | 75.4  | 109.6 | 256.2 | 360.8 |
| Consumer prices (annual averages)             | 100.8 | 104.5 | 164.7 | 343.8 |
| General government revenues                   | 110.8 | 78.2  | 144.6 | 387.9 |
| General government expenditures               | 119.0 | 128.3 | 153.3 | 444.0 |
| Money and quasi-money                         | 90.5  | 104.3 | 111.7 | 357.2 |
| Money   | 97.5  | 69.7  | 220.3 | 368.2 |
| Quasi-money                                   | 87.9  | 117.5 | 82.5  | 352.8 |
| Net domestic credit 3/                        | 106.9 | 132.0 | 165.3 | 398.6 |
| Credit to public sector (net)                 | 15.9  | 46.0  | 39.0  | 147.6 |
| Credit to private sector                      | 81.6  | 88.8  | 107.4 | 192.8 |
| Merchandise exports (f.o.b., in U.S. dollars) | 2.7   | 14.0  | -16.6 | 2.8   |
| Merchandise imports (c.i.f., in U.S. dollars) | 57.3  | -10.5 | -43.4 | -15.4 |

| <u>General government finances</u>                   | <u>1980</u>                              | <u>1981</u> | <u>1982</u> | <u>Prel.<br/>1983</u> |
|--|--|-------------|-------------|-----------------------|
|  | <u>(In billions of pesos argentinos)</u> |             |             |                       |
| Revenues   | 7.8                                      | 13.9        | 34.0        | 165.9                 |
| Expenditures   | 9.2                                      | 21.0        | 53.2        | 289.4                 |
| Current account surplus or<br>deficit (-)            | 0.5                                      | -3.1        | -10.5       | -50.2                 |
| Overall deficit (-)                                  | -1.4                                     | -7.1        | -19.2       | -123.6                |
| External financing (net)                             | --                                       | 2.2         | 2.7         | 1.5                   |
| Internal financing (net)                             | 1.4                                      | 4.9         | 16.5        | 122.1                 |
| <br><u>Balance of payments</u>                       | <u>(In billions of U.S. dollars)</u>     |             |             |                       |
| Merchandise exports, f.o.b.                          | 8.0                                      | 9.1         | 7.6         | 7.8                   |
| Merchandise imports, c.i.f.                          | -10.5                                    | -9.4        | -5.3        | -4.5                  |
| Travel (net)   | -1.4                                     | -1.1        | ...         | -0.1                  |
| Interest payments                                    | -2.2                                     | -3.8        | -4.9        | -5.4                  |
| Other factor income (net)                            | 0.6                                      | 0.2         | 0.2         | ...                   |
| Other services and transfers (net)                   | 0.7                                      | 0.3         | ...         | -0.3                  |
| Balance on current account                           | -4.8                                     | -4.7        | -2.4        | -2.4                  |
| <br>Financial loans to nonfinancial<br>public sector | 3.0                                      | 4.5         | -0.5        | 0.1                   |
| Other capital flows                                  | -0.8                                     | -3.4        | -3.3        | -0.2                  |
| SDR allocations and valuation<br>adjustments         | -0.2                                     | -0.3        | -0.1        | -0.3                  |
| Change in official net reserves<br>(increase -)      | 2.7                                      | 3.9         | 6.3         | 2.8                   |
| <br><u>International reserve position</u>            | <u>December 31</u>                       |             |             |                       |
|  | <u>1980</u>                              | <u>1981</u> | <u>1982</u> | <u>1983</u>           |
|  | <u>(In billions of SDRs)</u>             |             |             |                       |
| Central Bank (gross)                                 | 5.3                                      | 2.8         | 2.3         | 2.6                   |
| Central Bank (net)                                   | 5.3                                      | 2.4         | -1.8        | -4.1                  |
| Central Bank and Treasury (net)                      | 5.2                                      | 2.3         | -3.2        | -6.1                  |
| <br><u>IMF data (as of July 31, 1984)</u>            |  |             |             |                       |
| Article VIII status                                  |  |             |             |                       |
| Intervention currency and rate                       | U.S. dollar at \$a 61.746 per US\$       |             |             |                       |
| Quota  | SDR 1,113.0 million                      |             |             |                       |
| Fund holdings of pesos argentinos                    | SDR 1,120.6 million                      |             |             |                       |
| From Fund resources                                  |  |             |             |                       |
| Credit tranche purchases (including SBA)             | 30.3 percent of quota                    |             |             |                       |
| EFF purchases  | None                                     |             |             |                       |
| CFF purchases  | 46.7 percent of quota                    |             |             |                       |
| Buffer stock financing purchases                     | None                                     |             |             |                       |
| Oil facility purchases                               | None                                     |             |             |                       |
| From supplementary and Enlarged Access resources     |  |             |             |                       |
| Stand-by purchases                                   | 23.7 percent of quota                    |             |             |                       |
| EFF purchases  | None                                     |             |             |                       |
| Fund holdings under Enlarged Access Policy           | 23.7 percent of quota                    |             |             |                       |
| Total Fund holdings                                  | 100.7 percent of quota                   |             |             |                       |
| Special Drawing Rights Department                    |  |             |             |                       |
| Cumulative SDR allocation                            | SDR 318.4 million                        |             |             |                       |
| Net acquisition or utilization (-) of SDRs           | SDR -289.3 million                       |             |             |                       |
| Holdings of SDRs (as percent of allocation)          | 0.5 percent                              |             |             |                       |
| Share of profits from gold sales                     | US\$69.9 million                         |             |             |                       |
| Gold distribution (fine ounces)                      | 376.6 thousand                           |             |             |                       |

1/ GDP in dollars is derived by converting GDP in pesos argentinos using the U.S. dollar/peso exchange rate that would maintain the rate at its real 1970 level.

2/ Effective flows adjusted for exchange rate changes in relation to total liabilities to private sector outstanding at the beginning of the period.

## I. Overview

Large imbalances continued to afflict the Argentine economy in the past 12 months. Consumer prices rose by about 450 percent during the year ended in the first quarter of 1984, and by July 1984 the 12-month rate of inflation exceeded 600 percent. Real GDP rose by more than 3 percent during the year ended in the first quarter of 1984, extending the moderate recovery that had begun in the second half of 1982, but the recovery was based on a surge in consumption spending and investment continued to drop sharply (Table 1). Although the trade balance has improved considerably in recent years, Argentina continues to have difficulties in servicing its external debt. Discussions on the rescheduling of maturities to foreign banks that have fallen due since April 1982 remain to be concluded and other external arrears have continued to mount.

Table 1. Argentina: Inflation and Output  
(Percentage change)

|                    | 1979:I<br>-1980:I | 1980:I<br>-1981:I | 1981:I<br>-1982:I | 1982:I<br>-1983:I | 1983:I<br>-1984:I |
|--------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Consumer prices    | 123.4             | 87.3              | 147.5             | 244.6             | 446.5             |
| Wholesale prices   | 108.6             | 56.3              | 212.4             | 343.3             | 416.4             |
| GDP at 1970 prices | 1.6               | —                 | -7.6              | 1.0               | 3.3               |
| Consumption        | 4.7               | 10.4              | -15.1             | -1.0              | 6.2               |
| Investment         | 13.6              | -18.2             | -25.9             | -17.8             | -24.3             |

Source: Central Bank of Argentina.

The present problems of the Argentine economy can be traced to the collapse in early 1981 of an economic adjustment program aimed at laying the basis for a lasting expansion of output in a free-market framework. In late 1978, in an attempt to change expectations about inflation, the authorities began to slow the rate of currency depreciation in accordance with a schedule announced several months in advance, and the rate of monetary expansion was slowed. Inflation came down, but it remained above the rate of currency depreciation. In part because the fiscal problem was not dealt with, domestic interest rates were high relative to interest rates abroad (after allowing for the announced rate of depreciation). This initially induced major capital inflows from abroad that financed a weakening in the current account and a buildup of external reserves. However, the real appreciation of the currency and the high level of interest rates triggered a financial crisis and a downturn in economic activity in early 1980; by the latter part of that year, the growing perception that the exchange rate could not be sustained led to massive capital flight and to a large balance of payments deficit.

In April 1981 the policy of preannouncing the rate of depreciation was discontinued and there were substantial devaluations of the peso in the second quarter. In June, the exchange market was split into a financial and a commercial market and the external value of the peso continued to be adjusted downward. Around mid-1981 the Central Bank began to offer special facilities (first exchange rate guarantees and then swaps) in an attempt to stem private capital outflows. However, as the public sector deficit widened markedly and the rate of monetary expansion increased, the balance of payments deteriorated further, inflation accelerated and economic activity declined in 1981.

The administration that came to power in late 1981 embarked on a strict austerity program, including a freezing of public sector wages and spending in nominal terms. The exchange market was unified and the swap and exchange rate schemes were terminated. Inflation came down markedly in the first quarter of 1982, and there was a major improvement in the balance of payments. With the outbreak of the South Atlantic conflict in the second quarter of 1982, however, Argentina's access to international capital markets was curtailed abruptly and capital flight intensified. The authorities responded by introducing extensive restrictions on current and capital transactions; output dropped sharply and inflation surged.

Another change of administration in late June 1982 resulted in still another radical change in the orientation of economic policy. The new economic team was of the view that many of Argentina's economic problems derived from the high level of indebtedness of private firms, and that economic reactivation would require a large one-time transfer of resources from savers to debtors. Interest rates were set at sharply negative levels in real terms, and the Government began to decree economy-wide wage increases to support demand. Once again the exchange market was split and the Central Bank granted swaps and exchange rate guarantees in substantial amounts.

In the latter part of 1982, a new economic team developed an economic program that aimed at a substantial moderation of inflation and a marked reduction in the balance of payments deficit. Monetary and fiscal policies were to be tightened and wage indexation was to be discontinued; following the unification of the foreign exchange market in November 1982 at an external value of the peso that was lower than in 1977-78, the exchange rate was to be managed flexibly. The program, which was supported by a stand-by arrangement from the Fund, met with some success in the early months of 1983 as inflation came down and the balance of payments strengthened; some steps were taken to eliminate or simplify the exchange and trade restrictions that had been imposed in mid-1982. However, a pick-up in the government-set rate of increase of private sector wages in the second quarter of 1983 was soon followed by a relaxation of financial policy, and inflation turned up markedly. There was a substantial deterioration in the balance of payments, and in September and October most of the progress made earlier in liberalizing the trade and payments system was reversed.

The rate of increase of consumer prices, which had risen from 130 percent during 1981 to 210 percent during 1982, rose to over 430 percent during 1983. An economic upturn began in the second half of 1982 and extended through most of 1983. The recovery was led by private consumption (reflecting the sharp increase in real wages that took place) and public spending. Private investment continued to decline, probably because of the effect of increased labor costs on profit margins and the uncertainties associated with high and rising inflation (Table 2).

Table 2. Argentina: Saving and Investment Relative to GDP 1/

|   | 1979        | 1980        | 1981        | 1982        | Prel.<br>1983 |
|---|-------------|-------------|-------------|-------------|---------------|
| <u>National saving</u>  | <u>23.6</u> | <u>22.6</u> | <u>16.2</u> | <u>13.0</u> | <u>13.3</u>   |
| Private sector  | 19.1        | 20.6        | 22.2        | 21.4        | 21.7          |
| Public sector   | 4.5         | 2.0         | -6.0        | -8.4        | -8.4          |
| <u>Gross domestic investment</u> <u>2/</u>                          | <u>24.1</u> | <u>25.7</u> | <u>20.0</u> | <u>18.1</u> | <u>17.1</u>   |
| Private sector  | 13.4        | 16.1        | 10.0        | 9.8         | 8.3           |
| Public sector   | 10.7        | 9.6         | 10.0        | 8.3         | 8.8           |
| <u>External saving</u>  | <u>0.5</u>  | <u>3.1</u>  | <u>3.8</u>  | <u>5.0</u>  | <u>3.8</u>    |
| Capital inflow  | 4.5         | 1.4         | 0.8         | -6.4        | 0.4           |
| Nonfinancial public sector  | (1.3)       | (1.9)       | (3.7)       | (-5.7)      | (0.4)         |
| Private <u>3/</u>   | (3.2)       | (-0.5)      | (-2.9)      | (-0.7)      | (--)          |
| Valuation adjustment <u>4/</u>                                      | 0.2         | -0.1        | -0.2        | -0.2        | -0.4          |
| Change in net international reserves (increase <u>-</u> ) <u>5/</u> | -4.2        | 1.8         | 3.2         | 11.6        | 3.8           |

Source: Statistical Appendix Table 35.

1/ Public sector data are on a budget execution basis; the dissaving of the public sector in 1983 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 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/ Payments arrears are treated as reserve liabilities.

In a reversal of the deterioration that had occurred in the period 1978-80, the trade balance shifted from a large deficit in 1980 to a sizable surplus in 1982, as a result of the real depreciation of the peso and the weakening of economic activity. The current account also improved but by much less, and a substantial deficit remained in 1982, as interest payments on the burgeoning external debt rose markedly.<sup>1/</sup> The overall balance of payments deficit rose sharply in 1982, and was financed in part by an accumulation of external payments arrears. The trade balance strengthened further in 1983, despite the modest recovery of economic activity and a real appreciation of the peso during the year. The current account deficit remained at about its 1982 level and, although the overall deficit was reduced, there was a further build-up of external payments arrears.

The constitutional government that assumed office in December 1983 stated that basic objectives of policy would be to raise real wages, reactivate the economy, and reduce inflation markedly. Thus far, the authorities have managed policy by setting certain key variables each month on the basis of a projection of the rate of inflation for the month (Table 3). It was expected that by lowering the projected rate of inflation month after month, the rate of increase of costs and prices could be brought down without adverse effects on output and employment. However, demand policies have been too expansionary and there has continued to be a high degree of indexation in the economy, and no progress has been made in reducing inflation. After a drop in the monthly inflation rate in January, the rate of increase in consumer prices averaged a little more than 18 percent a month in the following six months (an annual rate of 650 percent).

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<sup>1/</sup> This discussion is in terms of U.S. dollars; relative to GDP (valued at actual exchange rates) the current account deficit rose from 1980 to 1982, as the real depreciation of the peso reduced GDP in U.S. dollar terms.

Table 3. Argentina: Monthly Policy Variables, 1984

(In percent per month)

|   | Jan.          | Feb. | March | April | May  | June               | July |
|---|---------------|------|-------|-------|------|--------------------|------|
| Projected inflation   | 11.0          | 10.0 | 10.0  | 13.0  | 12.0 | 14.0               | 17.0 |
| Actual change in<br>Consumer prices   | 12.5          | 17.0 | 20.3  | 18.5  | 17.1 | 17.9               | 18.3 |
| Wholesale prices  | 11.4          | 15.9 | 18.4  | 19.5  | 19.0 | 16.6               | 15.3 |
| Decreed wage increases  |               |      |       |       |      |                    |      |
| Original  | 12.0          | 11.0 | 11.0  | 13.0  | 9.0  | 14.0               | 12.0 |
| Supplementary   | 1.1 <u>1/</u> | 7.0  | 9.3   | --    | --   | 18.0 <u>2/</u> ... |      |
| Change in index of<br>prices of goods and<br>services sold by<br>public enterprises <u>3/</u> | 12.2          | 11.5 | 12.7  | 17.7  | 15.6 | 21.8               | 22.0 |
| Rate of depreciation<br>of peso in official<br>market (average)                               | 16.4          | 11.4 | 11.1  | 13.7  | 16.4 | 16.4               | 17.6 |
| Regulated interest<br>rates   |               |      |       |       |      |                    |      |
| On deposits   | 11.5          | 10.0 | 10.0  | 13.0  | 13.0 | 13.0               | 15.5 |
| On loans  | 12.5          | 11.0 | 11.0  | 14.0  | 14.0 | 14.0               | 17.0 |
| Actual change in<br>monetary base   |               |      |       |       |      |                    |      |
| Monthly average   | 23.4          | 15.9 | 14.4  | 15.8  | 13.9 | 12.4               | 14.5 |
| End of period   | 14.6          | 16.2 | 16.6  | 14.9  | 8.4  | 18.1               | 11.4 |

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

1/ A flat sum increase of \$a 100, equivalent to about 1.1 percent of the average wage.

2/ Corresponds to the adjustment that would have applied at the end of the second quarter to workers that in the previous six months had received actual wage increases in accordance with the government-set guidelines, to bring their real wages in June to 4 percent above the December 1983 level.

3/ Average increase, net of taxes.

## II. Output, Labor Market Developments, and Prices

### 1. Gross domestic product

The rate of increase of nominal GDP rose from 90 percent in 1981 to 180 percent in 1982 and 370 percent in 1983, reflecting the relaxation of demand policies and the series of currency devaluations that began in 1981 (Table 4). Nevertheless, output declined almost uninterrupted for a period of about 18 months beginning in late 1980 (Chart 1). From 1980 to 1982, real GDP fell by 11 percent, as a decline of nearly 20 percent in real domestic expenditure (in particular private consumption and investment) more than offset a major improvement in the external balance on goods and nonfactor services in real terms (Table 5). After allowing for increases in net factor payments abroad and a deterioration in the terms of trade, net national income in real terms dropped by more than 20 percent in 1981-82.

Table 4. Argentina: GDP, National Income, and Prices  
(Annual percentage change)

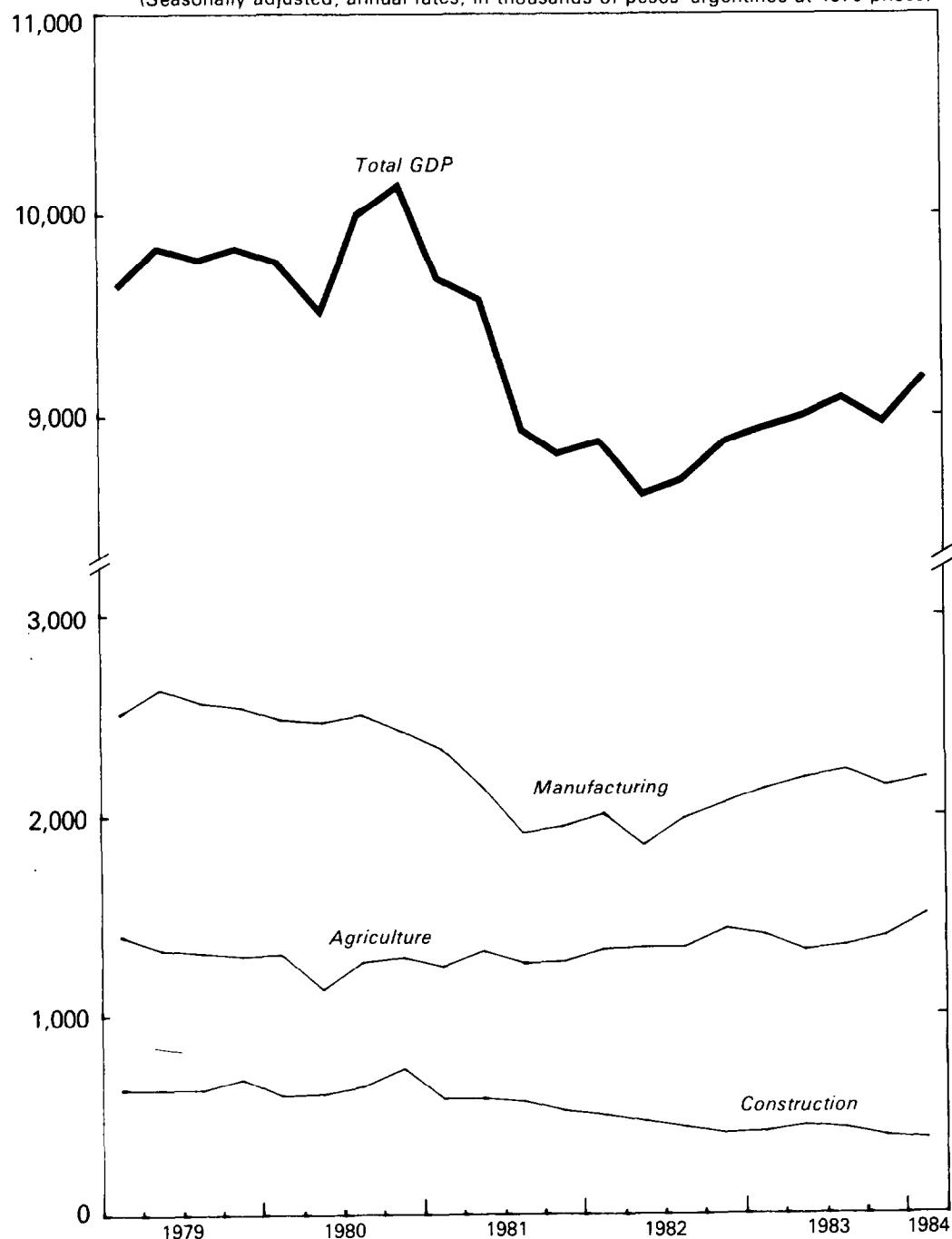
|                                | 1979  | 1980  | 1981  | 1982  | Est.<br>1983 |
|--------------------------------|-------|-------|-------|-------|--------------|
| GDP at current market prices   | 168.6 | 102.5 | 90.6  | 180.8 | 368.3        |
| GDP at 1970 market prices      | 6.7   | 0.7   | -6.2  | -5.3  | 2.8          |
| Real GDP per capita            | 5.2   | -0.7  | -7.5  | -6.5  | 1.7          |
| National income at 1970 prices | 8.2   | 0.4   | -7.5  | -15.0 | 0.4          |
| GDP deflator                   | 151.7 | 101.0 | 103.3 | 196.5 | 355.6        |
| Wholesale prices:              |       |       |       |       |              |
| Annual average                 | 148.9 | 75.4  | 109.6 | 256.2 | 360.8        |
| Year-end                       | 128.9 | 57.7  | 180.2 | 311.3 | 411.3        |
| Consumer prices:               |       |       |       |       |              |
| Annual average                 | 159.4 | 100.8 | 104.5 | 164.7 | 343.8        |
| Year-end                       | 139.7 | 87.6  | 131.3 | 209.7 | 433.7        |

Source: Central Bank of Argentina.

The economy began to recover in the second half of 1982, as interest rates were set at sharply negative levels in real terms, real wages were raised, and an intensification of trade and payments restrictions directed domestic demand toward the internal market. The recovery was led by an increase in private consumption and public spending, and there was a further improvement in the external balance on goods and nonfactor services, while real investment continued to decline sharply. The recovery continued through the third quarter of 1983 and, following

CHART 1  
ARGENTINA  
GROSS DOMESTIC PRODUCT

(Seasonally adjusted, annual rates; in thousands of pesos argentinos at 1970 prices)



Source: Central Bank of Argentina.

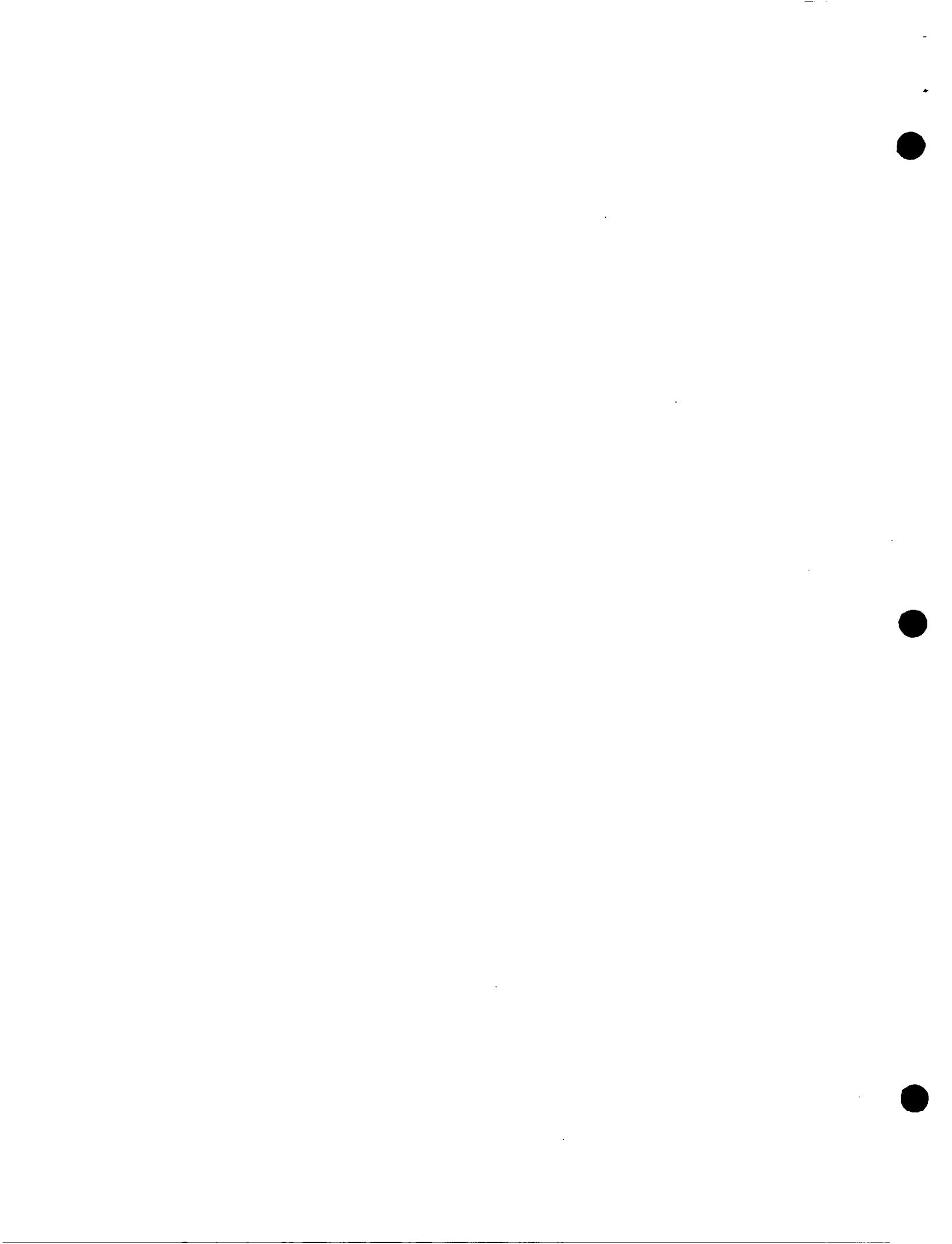


Table 5. Argentina: Changes in Expenditure and Output  
(Percentage change from previous year)

|   | 1979         | 1980         | 1981         | 1982         | Prel.<br>1983 | <u>1983</u><br>III | <u>1983</u><br>IV | <u>1984</u><br>I |
|---|--------------|--------------|--------------|--------------|---------------|--------------------|-------------------|------------------|
| <u>(In 1970 prices)</u>                         |              |              |              |              |               |                    |                   |                  |
| <u>GDP at market prices</u>                     | <u>6.7</u>   | <u>0.7</u>   | <u>-6.3</u>  | <u>-5.3</u>  | <u>2.8</u>    | <u>4.7</u>         | <u>1.0</u>        | <u>3.3</u>       |
| <u>Gross domestic expenditure</u>               | <u>11.7</u>  | <u>5.9</u>   | <u>-7.4</u>  | <u>-11.7</u> | <u>1.4</u>    | <u>4.5</u>         | <u>0.1</u>        | <u>2.6</u>       |
| Consumption                                     | 12.4         | 5.5          | -3.0         | -10.9        | 4.4           | 8.0                | 4.6               | 6.2              |
| Private   | 14.8         | 5.5          | -3.4         | -12.7        | 3.6           |                    |                   |                  |
| Public  | 1.3          | 5.7          | -0.1         | -1.4         | 8.1           |                    |                   |                  |
| Investment                                      | 9.8          | 7.2          | -23.1        | -15.3        | -12.6         | -10.0              | -18.1             | -24.3            |
| Of which: private fixed capital formation       | 16.3         | 6.8          | -39.9        | -17.4        | -8.5          |                    |                   |                  |
| public fixed capital formation                  | -4.1         | -1.4         | 19.3         | -30.4        | 4.5           |                    |                   |                  |
| <u>Exports of goods and non-factor services</u> | <u>-2.1</u>  | <u>-4.1</u>  | <u>7.9</u>   | <u>1.5</u>   | <u>6.5</u>    | <u>6.7</u>         | <u>2.7</u>        | <u>0.1</u>       |
| <u>Imports of goods and non-factor services</u> | <u>51.1</u>  | <u>42.9</u>  | <u>-3.8</u>  | <u>-42.1</u> | <u>-5.4</u>   | <u>6.6</u>         | <u>-5.9</u>       | <u>-9.9</u>      |
| <u>(In current prices)</u>                      |              |              |              |              |               |                    |                   |                  |
| <u>GDP at market prices</u>                     | <u>168.6</u> | <u>102.5</u> | <u>90.6</u>  | <u>180.8</u> | <u>368.3</u>  |                    |                   |                  |
| <u>Gross domestic expenditure</u>               | <u>178.9</u> | <u>107.4</u> | <u>87.0</u>  | <u>171.7</u> | <u>365.9</u>  |                    |                   |                  |
| Private consumption                             | 188.8        | 96.5         | 103.8        | 181.7        | 348.9         |                    |                   |                  |
| Public consumption                              | 167.4        | 148.2        | 83.6         | 150.8        | 489.3         |                    |                   |                  |
| Investment                                      | 160.9        | 116.2        | 48.5         | 153.2        | 343.4         |                    |                   |                  |
| Of which: private fixed capital formation       | 190.0        | 116.0        | 47.0         | 129.8        | 341.4         |                    |                   |                  |
| public fixed capital formation                  | 115.1        | 103.8        | 70.5         | 162.9        | 384.9         |                    |                   |                  |
| <u>Exports of goods and non-factor services</u> | <u>106.4</u> | <u>55.0</u>  | <u>164.8</u> | <u>277.0</u> | <u>387.3</u>  |                    |                   |                  |
| <u>Imports of goods and non-factor services</u> | <u>202.5</u> | <u>109.1</u> | <u>106.8</u> | <u>182.1</u> | <u>370.0</u>  |                    |                   |                  |

Source: Central Bank of Argentina.

a substantial drop in output in the fourth quarter perhaps reflecting the uncertainties associated with the October elections and the deteriorating financial situation, there was a sharp upturn in the first quarter of 1984 (Table 6).

Table 6. Argentina: Quarterly Movements in Output

(Seasonally adjusted percentage change from previous quarter  
at annual rates)1/

|                      | 1982 |      | 1983 |      |     | 1984  |      |
|----------------------|------|------|------|------|-----|-------|------|
|                      | III  | IV   | I    | II   | III | IV    | I    |
| Real GDP             | 3.1  | 9.8  | 2.6  | 3.0  | 3.7 | -5.0  | 10.6 |
| Manufacturing output | 30.0 | 17.7 | 13.0 | 11.1 | 6.7 | -12.6 | 7.2  |

Source: Central Bank of Argentina.

1/ These data provide only broad indications of the movement from one quarter to the next. The seasonal adjustment factors, which are based on data from 1970, are not very stable; the time series for seasonally adjusted real GDP changes substantially as new observations are added.

In 1983, real GDP rose by 2 3/4 percent. Real private consumption expanded by 3 1/2 percent and public sector spending by almost 7 percent, and there was an improvement in the foreign balance equivalent to 1 1/2 percent of GDP. Private sector fixed capital formation continued to decline, following the sharp drop of the previous two years, and there was a reduction in inventories. Net factor payments abroad increased and there was a further deterioration in the terms of trade, and net national income was about unchanged from the 1982 level. During the year ended in the first quarter of 1984, real GDP increased by 3 1/3 percent, reflecting higher consumption; investment declined by 24 percent, to about 40 percent of its level four years earlier.

All major sectors of the economy, except construction, grew during the year ended the first quarter of 1984, with the largest gains being recorded in agriculture and public utilities (Table 7). The manufacturing sector had led the recovery in the second half of 1982, but during the year ended in the first quarter of 1984 manufacturing output rose by only 3 percent. Although manufacturing output in the first half of 1984 was some 10 percent below its level four years before, capacity constraints were being encountered, reflecting the low level of investment of recent years. Private surveys point to capacity utilization ratios in the first half of 1984 that were equal to or above those

Table 7. Argentina: Gross Domestic Product (at Factor Cost) in 1970 Prices  
 (Percentage change from one year earlier)

|             | GDP   | Agri-culture | Mining | Manu-facturing | Construction | Electricity,<br>Gas, Water | Services |
|-------------|-------|--------------|--------|----------------|--------------|----------------------------|----------|
| 1979        | 6.7   | 3.5          | 6.4    | 10.2           | -0.5         | 10.5                       | 6.6      |
| 1980        | 0.7   | -6.7         | 5.8    | -3.8           | 1.2          | 7.7                        | 4.6      |
| 1981        | -6.2  | 2.4          | 0.8    | -16.0          | -13.8        | -1.1                       | -3.3     |
| 1982        | -5.3  | 6.4          | -0.8   | -4.7           | -19.8        | 3.2                        | -7.9     |
| 1983        | 2.8   | 0.7          | 2.0    | 9.9            | -6.9         | 8.1                        | 0.8      |
| <u>1982</u> |       |              |        |                |              |                            |          |
| 1st quarter | -7.6  | 7.9          | -2.6   | -13.2          | -15.4        | 2.7                        | -9.6     |
| 2nd quarter | -10.1 | 1.0          | -1.3   | -13.7          | -19.8        | 2.3                        | -11.8    |
| 3rd quarter | -3.1  | 5.2          | 1.2    | 3.3            | -22.4        | 3.6                        | -6.4     |
| 4th quarter | 0.2   | 12.9         | -0.3   | 5.8            | -21.2        | 3.7                        | -2.9     |
| <u>1983</u> |       |              |        |                |              |                            |          |
| 1st quarter | 1.0   | 6.1          | 0.7    | 6.5            | -16.5        | 5.4                        | -1.4     |
| 2nd quarter | 4.5   | -1.0         | 1.0    | 17.6           | -4.7         | 8.9                        | 1.5      |
| 3rd quarter | 4.7   | -0.1         | 3.2    | 12.0           | -1.3         | 10.7                       | 2.7      |
| 4th quarter | 1.0   | -2.5         | 3.7    | 3.9            | -4.6         | 6.8                        | 0.6      |
| <u>1984</u> |       |              |        |                |              |                            |          |
| 1st quarter | 3.3   | 7.6          | 4.1    | 2.9            | -10.1        | 7.9                        | 2.7      |

Source: Central Bank of Argentina.

of the first half of 1980. Capacity constraints were severe in certain consumer goods industries which were facing strong demand stimulated by the recent increases in real wages, while capital goods industries were operating at low capacity utilization rates.

2. Sectoral composition of output

a. Agriculture and livestock

On average the agricultural sector has outperformed the rest of the Argentine economy since the early 1970s. From 1970 to 1983, agricultural production rose at an annual average rate of 2 1/4 percent, while the rest of the economy rose at an average rate of less than 1 percent a year. The relatively good performance of agriculture reflected a strong growth of the crop sector, owing to important innovations in crop production; for the 1983/84 crop year, area planted to cereals and oilseeds was only 15 percent higher than in 1970/71, but over the same period output rose by 75 percent. In the latter part of the 1970s, output rose fairly steadily, and in the early 1980s agriculture benefited from increases in world prices of cereals and the real depreciation of the peso.

Agricultural output rose by 2 1/2 percent in 1981 and by a further 6-1/2 percent in 1982, reflecting large increases in crop production; in 1983, agricultural output rose by less than 1 percent, as weather conditions were less favorable and crop production declined slightly (Table 8). Value added in the livestock industry increased in 1982 and 1983, even though the production of beef declined as the industry entered the herd rebuilding phase of the beef cycle. Owing to very good corn and soybean crops, agricultural production in the first quarter of 1984 was 7 1/2 percent above its year earlier level.

Table 8. Argentina: Agricultural Production

(Annual percentage change)

|                    | 1979       | 1980         | 1981        | 1982        | 1983         |
|--------------------|------------|--------------|-------------|-------------|--------------|
| <u>Total</u>       | <u>3.5</u> | <u>-6.7</u>  | <u>2.4</u>  | <u>6.4</u>  | <u>0.8</u>   |
| <u>Agriculture</u> | <u>3.1</u> | <u>-6.2</u>  | <u>2.6</u>  | <u>6.3</u>  | <u>0.9</u>   |
| Crops              | 5.4        | -5.6         | 7.8         | 9.4         | -0.3         |
| Livestock          | 0.5        | -6.8         | -3.8        | 1.3         | 2.6          |
| <u>Forestry</u>    | <u>9.6</u> | <u>-25.8</u> | <u>-9.2</u> | <u>-0.8</u> | <u>-3.4</u>  |
| <u>Fishing</u>     | <u>8.3</u> | <u>-34.4</u> | <u>-3.5</u> | <u>32.5</u> | <u>-10.0</u> |

Source: Central Bank of Argentina.

The total production of cereals and oilseeds increased from 25 million tons in the crop year 1979-80 to 30 million tons in 1981-82 and a record of 40 million tons in 1982-83 and 1983-84. Following the sharp increase in the world price of wheat and corn in 1980, and the real depreciation of the peso in 1981 and 1982, the relative price of cereals rose by nearly 20 percent from 1979 to 1982 and there was a substantial increase in the area planted to crops. The relative price of cereals for producers declined in 1983, owing to the introduction of export taxes in mid-1982 and the decline in the world price of wheat, and there were small declines in areas planted to wheat and corn. However, the sharp increase in the world price of oilseeds in the second half of 1983 came at the time of seeding in Argentina, and there was an increase in oilseed planting and production (Statistical Appendix Tables 39, 40, and 41).

Beef production declined by 12 percent in 1982 and by 5 percent in 1983. In 1982 the volume of beef exports was maintained as domestic consumption declined by 15 percent, but in 1983 consumption changed little and export volumes declined by more than 20 percent. There was a sharp increase in domestic beef demand in the early months of 1984, when consumption was 10 percent higher than one year earlier; production increased only slightly, however, and exports declined by 30 percent. The price of beef relative to other wholesale prices increased by 5 percent on average from the fourth quarter of 1983 to the first quarter of 1984, but was below its level a year earlier (Table 9 and Statistical Appendix Table 42).

Table 9. Argentina: Beef Production and Consumption

(In thousands of tons)

|             | Production | Exports | Consumption | Consumption per Person (kilos) |
|-------------|------------|---------|-------------|--------------------------------|
| 1979        | 3,020      | 698     | 2,322       | 85                             |
| 1980        | 2,839      | 448     | 2,391       | 86                             |
| 1981        | 2,929      | 519     | 2,410       | 85                             |
| 1982        | 2,579      | 520     | 2,059       | 71                             |
| 1983        | 2,441      | 408     | 2,033       | 69                             |
| <u>1983</u> |            |         |             |                                |
| 1st quarter | 591        | 108     | 483         | 65                             |
| <u>1984</u> |            |         |             |                                |
| 1st quarter | 612        | 75      | 537         | 72                             |

Source: National Meat Board.

b. Manufacturing

Manufacturing production fell by 30 percent from mid-1979 to the second quarter of 1982, reflecting the sharp real appreciation of the peso that occurred through early 1981, and in mid-1982 it was well below the levels registered in the early 1970s. It may be noted that the decline in manufacturing output from the first half of the 1970s reflected to a large extent the scrapping of obsolete, inefficient plants, which resulted from the reduction of protection in the second half of the 1970s. As a result, productivity rose sharply from the mid-1970s to 1980; after a cyclical decline in late 1981 and 1982, it has recovered broadly to the 1980 level (Chart 2).

Most industries shared in the 6 1/2 percent increase in manufacturing output during the year ended in the first quarter of 1982 (Table 10). For many industries, the increased level of activity reflected the substitution of domestic for imported products, as the availability of imports was severely constrained by the difficult balance of payments situation. The growth of manufacturing output slowed to 3 percent during the year ended the first quarter of 1984. Output of such consumer goods industries as the food processing and textile industries grew by 8-9 percent, and certain export industries, such as chemicals, also showed substantial gains. However, output of industries tied to business investment or construction, namely, wood products, nonmetallic minerals, and machinery and equipment, declined substantially.

c. Energy sector

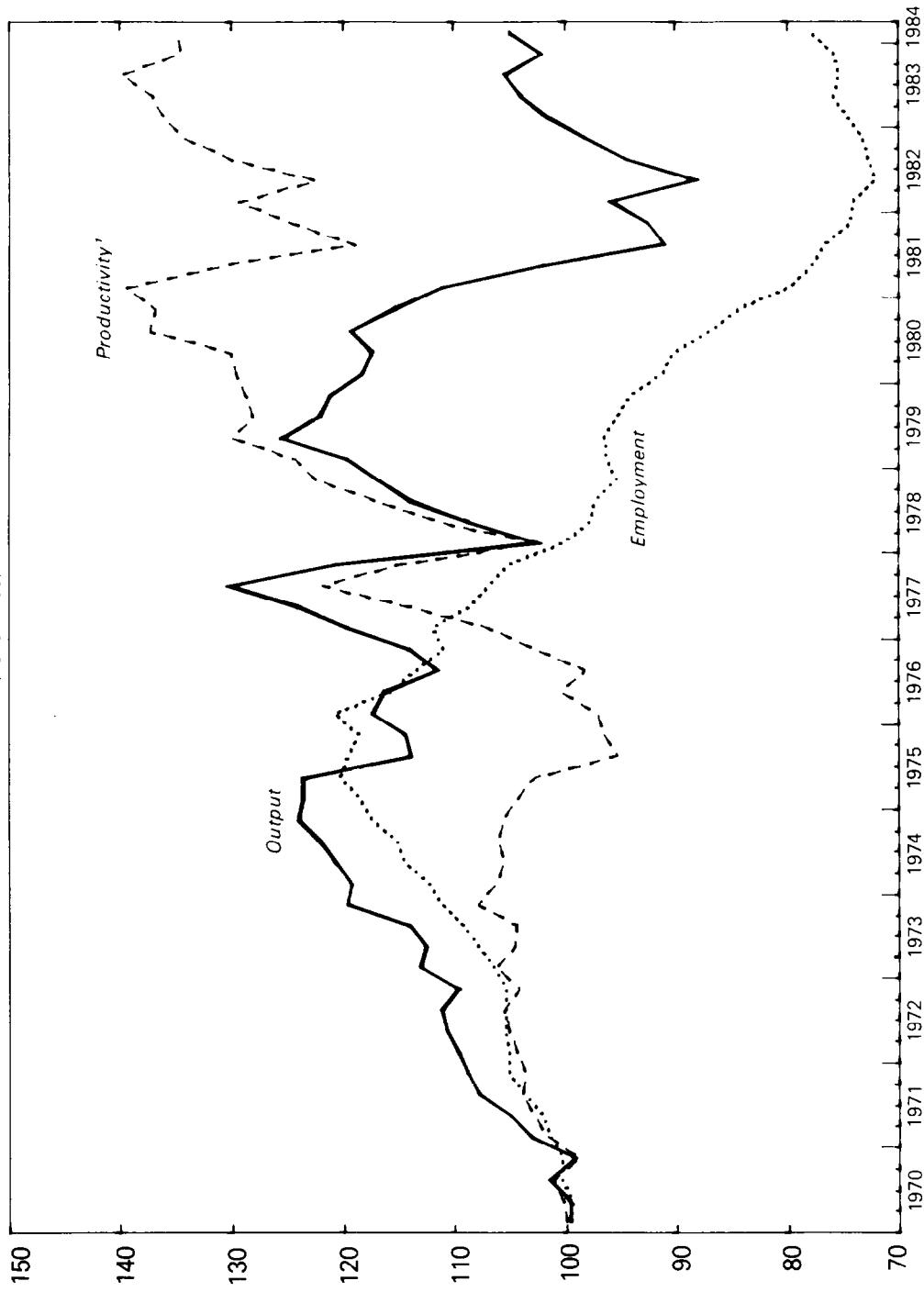
Energy production has increased substantially in Argentina in recent years, owing to the development of recently discovered natural gas reserves and large investments in hydroelectric and nuclear power plants (Table 11). Because of these investments, the electricity generating capacity in Argentina has gone up considerably, and in recent years there has been a very large underutilization of capacity.<sup>1/</sup> Total crude petroleum production has remained unchanged for several years, as few important new discoveries of petroleum reserves have been made recently and exploitation of old fields is becoming increasingly costly. Nevertheless, imports of crude petroleum declined sharply in 1982 and Argentina virtually ceased to be an importer of crude petroleum in 1983, as natural gas and electric power have substituted for petroleum as a source of energy. Argentina continues to import natural gas under a long-term contract with Bolivia.

All energy is marketed by the public sector and prices are government controlled. Energy prices declined sharply in real terms in 1982; except for an increase in gasoline prices in May, prices were frozen in nominal terms in the first half of the year. Beginning in the second half of 1982, prices have been increased substantially in real terms, with particular emphasis on the price of petroleum products (Statistical Appendix Table 43).

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<sup>1/</sup> Capacity utilization of electricity plants has averaged about 40 percent, compared with a "normal capacity" rate of utilization of 70 percent.

CHART 2  
ARGENTINA  
OUTPUT, EMPLOYMENT AND PRODUCTIVITY IN MANUFACTURING  
(1970 = 100)



Sources: Central Bank of Argentina and National Institute of Statistics.  
Inflation rate 1984 est.

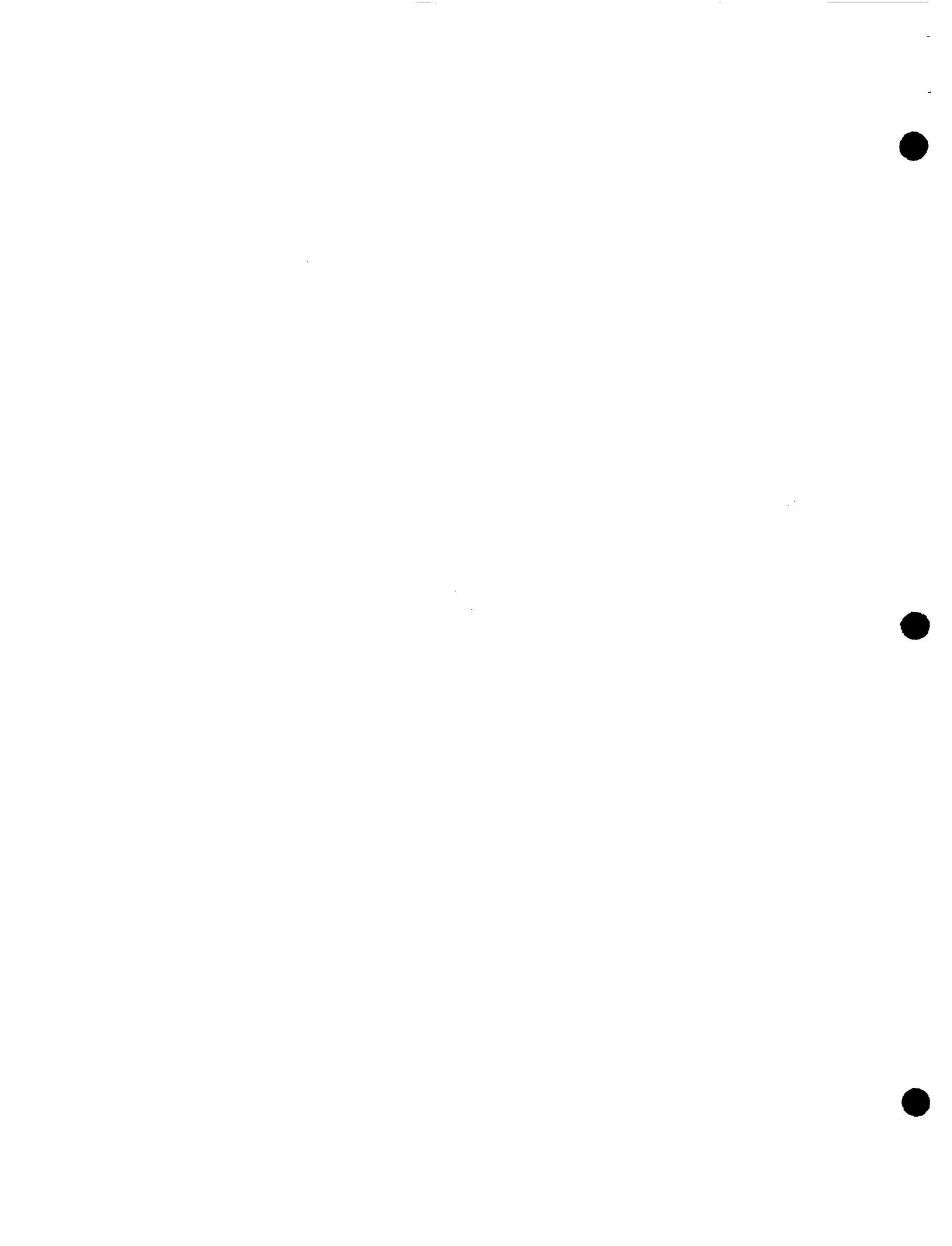


Table 10. Argentina: Manufacturing Production at Constant Prices  
 (Percentage change from one year earlier)

|                        | Total<br>Pro-<br>duction | Food,<br>Beverages<br>and<br>Tobacco | Textiles<br>and<br>Leather | Paper<br>and<br>Wood<br>Products | Paper<br>and<br>Printing<br>Material | Non-<br>Metallic<br>Minerals | Machinery<br>and<br>Transport<br>Equipment | Other |
|------------------------|--------------------------|--------------------------------------|----------------------------|----------------------------------|--------------------------------------|------------------------------|--|-------|
| 1979                   |                          | 10.2                                 | 5.2                        | 10.9                             | 11.0                                 | 1.8                          | 12.3                                       | 7.0   |
| 1980                   |                          | -3.8                                 | 1.8                        | -15.1                            | -3.0                                 | -6.8                         | 0.9  | -3.5  |
| 1981                   |                          | -16.0                                | -3.9                       | -20.1                            | -12.9                                | -18.2                        | -7.4                                       | -17.6 |
| 1982                   |                          | -4.7                                 | -9.2                       | -1.0                             | -15.3                                | 5.5                          | -1.3                                       | -9.3  |
| 1983                   |                          | 9.9                                  | 3.8                        | 14.1                             | -7.6                                 | 5.5                          | 9.5  | 12.4  |
| <u>1982</u>            |                          |                                      |                            |                                  |                                      |                              |  |       |
| 1st quarter            |                          | -13.2                                | -7.6                       | -13.8                            | -39.5                                | -4.4                         | -6.2                                       | -16.8 |
| 2nd quarter            |                          | -13.7                                | -11.2                      | -6.8                             | -23.5                                | 4.3                          | -10.4                                      | -18.0 |
| 3rd quarter            |                          | 3.3                                  | -11.3                      | 7.8                              | 5.8                                  | 8.4                          | 4.9  | -2.7  |
| 4th quarter            |                          | 5.8                                  | -6.6                       | 8.3                              | -0.6                                 | 13.8                         | 7.4  | 0.8   |
| <u>1983</u>            |                          |                                      |                            |                                  |                                      |                              |  |       |
| 1st quarter            |                          | 6.5                                  | -0.2                       | 7.4                              | 14.9                                 | 13.3                         | 0.9  | 14.5  |
| 2nd quarter            |                          | 17.6                                 | 3.2                        | 16.2                             | -0.1                                 | 6.9                          | 16.5                                       | 21.3  |
| 3rd quarter            |                          | 12.0                                 | 8.1                        | 22.3                             | -22.9                                | 7.9                          | 11.5                                       | 11.9  |
| 4th quarter            |                          | 3.9                                  | 4.7                        | 9.5                              | -12.6                                | -4.7                         | 9.0  | 3.9   |
| <u>1984</u>            |                          |                                      |                            |                                  |                                      |                              |  |       |
| 1st quarter            |                          | 2.9                                  | 8.2                        | 8.7                              | -4.3                                 | -1.5                         | 6.5  | -1.3  |
| <u>Memorandum item</u> |                          |                                      |                            |                                  |                                      |                              |  |       |
| Weight 1/              |                          | 24.1                                 | 5.4                        | 2.5                              | 0.3                                  | 1.2                          | 4.1  | 1.2   |
|                        |                          |                                      |                            |                                  |                                      |                              |  |       |
|                        |                          |                                      |                            |                                  |                                      |                              |  |       |

Source: Central Bank of Argentina.

1/ Percentage contribution to GDP in 1983.

Table 11. Argentina: Energy Production and Trade  
 (In millions of cubic meters unless otherwise indicated)

|   | 1979     | 1980     | 1981     | 1982     | Est.<br>1983 | <u>First Quarter</u><br>1983 | 1984      |
|---|----------|----------|----------|----------|--------------|------------------------------|-----------|
| <u>Natural gas</u>  |          |          |          |          |              |                              |           |
| Production <u>1/</u>  | 7,360.6  | 7,926.7  | 8,181.1  | 9,786.1  | 11,184.2     | 2,244.0                      | 2,631.0   |
| Imports   | 1,821.5  | 2,038.5  | 2,195.7  | 2,296.8  | 2,227.0      | 352.4                        | 481.2     |
| <u>Petroleum</u>  |          |          |          |          |              |                              |           |
| Production of crude petroleum   | 27.4     | 28.6     | 28.9     | 28.5     | 28.5         | 7.0                          | 7.1       |
| Imports of crude petroleum and derivatives, excluding liquified propane gas (LPG) <u>2/</u> | 3.7      | 2.9      | 2.1      | 0.8      | 0.1          | --                           | --        |
| Imports, LPG <u>2/</u>  | 0.4      | 0.3      | 0.2      | --       | --           | --                           | --        |
| Exports of crude petroleum and derivatives  | 0.3      | 1.5      | 3.1      | 2.3      | 2.4          | 1.0                          | 0.9       |
| <u>Coal</u> <u>2/</u>   |          |          |          |          |              |                              |           |
| Production  | 0.7      | 0.4      | 0.5      | 0.5      | 0.5          | 0.1                          | 0.2       |
| Imports   | 1.0      | 1.0      | 0.7      | 0.7      | 0.5          | 0.2                          | 0.1       |
| <u>Electric power</u> <u>3/</u>   |          |          |          |          |              |                              |           |
| Total production  | 33,015   | 35,676   | 35,193   | 36,166   | 38,882       | 9,391.0                      | 10,103.4  |
| Thermoelectric <u>4/</u>  | (19,755) | (18,275) | (17,796) | (16,794) | (17,152)     | (3,990.9)                    | (4,550.1) |
| Hydroelectric   | (10,567) | (15,061) | (14,581) | (17,502) | (18,325)     | (4,755.9)                    | (3,859.7) |
| Nuclear   | (2,692)  | (2,340)  | (2,816)  | (1,870)  | (3,405)      | (944.2)                      | (1,693.6) |

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

1/ Delivered to pipeline.

2/ In millions of metric tons.

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

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

### 3. Labor market developments

After declining almost steadily from early 1976 to mid-1982, industrial employment increased slightly in the past two years, and the unemployment rate declined. Industrial employment increased by almost 1 percent during the year ended in the first quarter of 1983, and by an additional 1 1/2 percent during the following year. According to the semi-annual labor force survey conducted in April 1984, the unemployment rate in greater Buenos Aires was 4 percent, compared with 4.9 percent in April 1983 and 5.7 percent in April 1982; the unemployment rate in other major centers was also below the level of two years earlier (Table 12).<sup>1/</sup>

Table 12. Argentina: Unemployment at Selected Dates

(In percent of active population)

|             | Greater<br>Buenos Aires | Cordoba | Rosario | Tucuman | Greater<br>Mendoza |
|-------------|-------------------------|---------|---------|---------|--------------------|
| <u>1979</u> |                         |         |         |         |                    |
| April       | 2.0                     | 2.6     | 3.1     | 5.9     | 2.8                |
| October     | 2.0                     | 1.8     | 2.7     | 4.9     | 3.4                |
| <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     | 9.2     | 5.3                |
| <u>1982</u> |                         |         |         |         |                    |
| April       | 5.7                     | 4.8     | 8.4     | 11.0    | 4.8                |
| October     | 3.7                     | 3.9     | 8.4     | 8.0     | 3.3                |
| <u>1983</u> |                         |         |         |         |                    |
| April       | 4.9                     | 4.3     | 6.3     | 8.1     | 4.5                |
| October     | 3.1                     | 5.6     | ...     | 7.4     | 4.5                |
| <u>1984</u> |                         |         |         |         |                    |
| April       | 4.0                     | 4.4     | 7.0     | 8.6     | 3.3                |

Source: National Institute of Statistics.

<sup>1/</sup> Unemployment data are not adjusted for seasonal variation; it would seem, however, that the increase in the unemployment rate from October 1983 to April 1984 is more than explained by seasonal factors, in the sense that the underlying unemployment situation probably improved between October 1983 and April 1984.

The average labor force participation rate declined somewhat over the period 1974 to 1982, as a sizable increase in the participation rate of females aged 25-49 was more than offset by a drop in the participation rate of persons aged 10-24 (Statistical Appendix Table 44). The participation rate declined further in 1983, with the decline being most pronounced for females aged 25-49 and for younger persons, perhaps reflecting higher real wages and better employment opportunities for principal income earners.

4. Price and wage policies

a. Price controls

After a period of several years in which the Government intervened little in the private sector's price setting, beginning in August 1982 the price increases of large firms were made subject to government review. The system of price controls was expanded in March 1983, as price increases for more than 1,000 firms were constrained in accordance with a monthly schedule consistent with the Government's inflation target. However, increases in excess of the schedule were permitted if justified by increases in costs.

On December 12, 1983 the Government decreed a virtual 40-day freeze covering about 700 large firms and 70 mass consumption items.<sup>1/</sup> Firms subject to controls were to notify the Secretariat of Commerce at least 20 days in advance of raising prices, with detailed information on cost developments to justify the proposed increases. In addition, those firms subject to controls that had raised prices by more than 100 percent in the period from end June 1983 (which included all but a very small number of firms) were required to submit detailed information on cost developments in the second half of 1983. Firms were allowed to include as increases in labor costs only wage increases decreed by the Government and, as financial costs, only regulated interest rates. Firms were required to maintain the level of supply to individual wholesalers or retailers at least at the level of the previous 12 months and could not alter the conditions or terms of sale. The price controls were to apply at the factory level. Margins for wholesalers and retailers were set as a fixed percentage of the ex-factory price.

The first authorizations for price increases came in early January, before the end of the 40-day freeze period. Initially, price increases were awarded on a case-by-case basis for one month, but in late January the Secretariat of Commerce began to negotiate industry-wide increases

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<sup>1/</sup> All firms with sales of more than \$a 200 million in the previous 12-month period were subject to controls. As this cut-off limit was left unchanged in nominal terms, more and more firms were brought under the system of controls in the course of the first half of 1984. (For purposes of comparison, \$a 200 million was equivalent to about US\$9 million at the official exchange rate in December 1983 and US\$4 million in June 1984.)

covering a period of several months. The majority of increases for the first three months of the year were in the 8 percent to 10 percent a month range, or below the rates of inflation projected for purposes of setting the monthly policy variables. In late March, the Secretariat of Commerce began to exclude from the system of controls a significant proportion of a firm's or industry's product line, generally top of the line or luxury products. Beginning in March the percentage increases in prices that were allowed became more uneven to allow for the variability of cost developments and price adjustments among firms since the system was introduced. More recently, the authorities have begun to place greater emphasis on reaching agreement with entire industries on production levels and investment plans, as well as pricing.

In June, a resolution was introduced setting maximum retail prices for some 30 mass consumption items. For purposes of this system, the products were defined very specifically and, in case of unavailability of specified items, retailers were to supply the closest, higher quality item at the maximum price. The maximum prices have been adjusted twice, at monthly intervals. The increases ranged from 2 1/2 percent to 5 percent in July and 15 percent to 17 percent in August.

b. Wage policy

For several years prior to mid-1982, the Government had refrained from intervening directly in the process of private sector wage determination, although the basic conventional wages for industrial workers were adjusted by the Government from time to time.<sup>1/</sup> During that period, the setting of wages in the public sector became an important determinant of economy-wide wage developments.

In July 1982 the Government began decreeing on a monthly basis private sector wage increases in an attempt to maintain real wages and support aggregate demand. In addition, in April 1983 the Ministry of Labor began convening special industry commissions to review the system of conventional wages; on the recommendations of these commissions, beginning in the second quarter of 1983 there was a sharp acceleration in the rate of increase of conventional wages and in private sector wages in general. The rate of increase in wages in the public enterprises also picked up markedly beginning in the second quarter of 1983. In the Government, wage policy was relatively tight in the first half of 1983 and real wages declined substantially, but in the second half wage increases exceeded the amounts budgeted. In 1983, nominal wages in the Central Administration increased by almost 400 percent, compared with an increase of 100 percent in 1982, and public enterprise and basic conventional wages rose much faster (Table 13). The average hourly wage in manufacturing rose by more than 450 percent.

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<sup>1/</sup> The conventional wage, or the basic wage set by category of worker for each industry, is determined by collective bargaining or government resolution.

Table 13. Argentina: Public and Private Sector Wages  
(Percentage changes)

|                                       | 1979  | 1980  | 1981  | 1982  | 1983  |
|---------------------------------------|-------|-------|-------|-------|-------|
| (In nominal terms)                    |       |       |       |       |       |
| Central Administration                | 171.1 | 140.6 | 100.0 | 102.0 | 382.4 |
| Public enterprises                    | 193.4 | 137.7 | 93.9  | 104.3 | 491.1 |
| Basic conventional wages for laborers | 158.3 | 145.2 | 132.9 | 193.8 | 546.2 |
| Average hourly wage in manufacturing  | 196.2 | 125.9 | 94.3  | 134.3 | 463.9 |
| (In constant prices)1/                |       |       |       |       |       |
| Central Administration                | 4.5   | 19.8  | -2.2  | -23.7 | 8.7   |
| Public enterprises                    | 13.1  | 18.4  | -5.2  | -22.8 | 33.2  |
| Basic conventional wages for laborers | -0.4  | 22.1  | 13.9  | 11.0  | 45.6  |
| Average hourly wage in manufacturing  | 14.2  | 12.5  | -5.0  | -11.5 | 27.1  |

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

1/ Deflated by the consumer price index.

Upon taking office in December 1983, the newly-elected Government indicated that a key objective of policy would be a 6-8 percent increase in both private and public real wages from December 1983 to December 1984. Following a fixed sum, economy-wide nominal wage adjustment in mid-December that represented a 55 percent increase in the minimum wage and a 17 percent increase in the average wage, the authorities moved to a system under which wages for all private and public employees were to be increased monthly by a similar percentage on the basis of projected inflation for the month. Inflation proved to be higher than projected in each of the first three months of the year, and retroactive adjustments were awarded to keep wage increases somewhat ahead of prices. In April, the authorities indicated that there would be no further monthly retroactive adjustments, and in early June it was announced that at the end of the second quarter there would be a catch-up wage increase to bring real wages to a level 4 percent above that prevailing in December 1983.

On the basis of the difference between the monthly wage increases decreed for the second quarter and actual inflation, fulfillment of the Government's real wage objective for the first half of the year would have required a catch-up wage adjustment of about 18 percent in July 1984. However, it was expected that the average catch-up adjustment would be much less, as most workers in the private sector and the public enterprises had received monthly wage increases in excess of the government wage guidelines. As it had become increasingly evident in the second quarter that the guidelines were being exceeded, in May the authorities moved to use the system of price controls to influence wage behavior. It was established that not only would wage increases in excess of the government guidelines not be allowed in the calculation of costs under the price control system, but firms that exceeded the wage norms would not be permitted to raise prices at all.

##### 5. Wage and price developments

The rate of increase in nominal hourly wages in manufacturing came down from about 200 percent a year in late 1979 to about 100 percent in the year ended the second quarter of 1982, but beginning in the second half of 1982 the policy of decreeing monthly nominal wage increases in combination with an accommodating demand policy resulted in a sharp acceleration in the rate of wage increase. Nominal hourly wages in manufacturing rose by almost 300 percent during 1982 and by 520 percent during 1983; in the first quarter of 1984, nominal wages were 680 percent higher than a year earlier (Chart 3).

The rate of increase in consumer prices picked up to more than 200 percent during 1982 from 130 percent during 1981 and less than 90 percent during 1980 (Chart 4). From January to May 1983, the rate of price increase came down from 16 percent a month to 9 percent, but in the final seven months of the year prices rose at an average rate of 17 percent a month or 575 percent at an annual rate; during 1983 as a whole, consumer prices rose by more than 430 percent. The monthly rate of price increase dropped to 12 1/2 percent in January 1984, but in the period February to July prices rose at an average of 18 percent a month; by July 1984, the 12-month rate of increase in consumer prices reached 615 percent.

Since the third quarter of 1982, the wholesale price index generally has risen by slightly less than consumer prices (Statistical Appendix Table 45), owing to the real appreciation of the peso that has occurred over this period 1/ and the existence of price controls that are applied mainly at the factory level. The recent behavior of the wholesale prices of industrial goods, which include the majority of products subject to price controls, provides an indication of the effectiveness of such controls. The monthly rate of price increase for industrial goods declined from almost 20 percent in the fourth quarter of 1983 to about

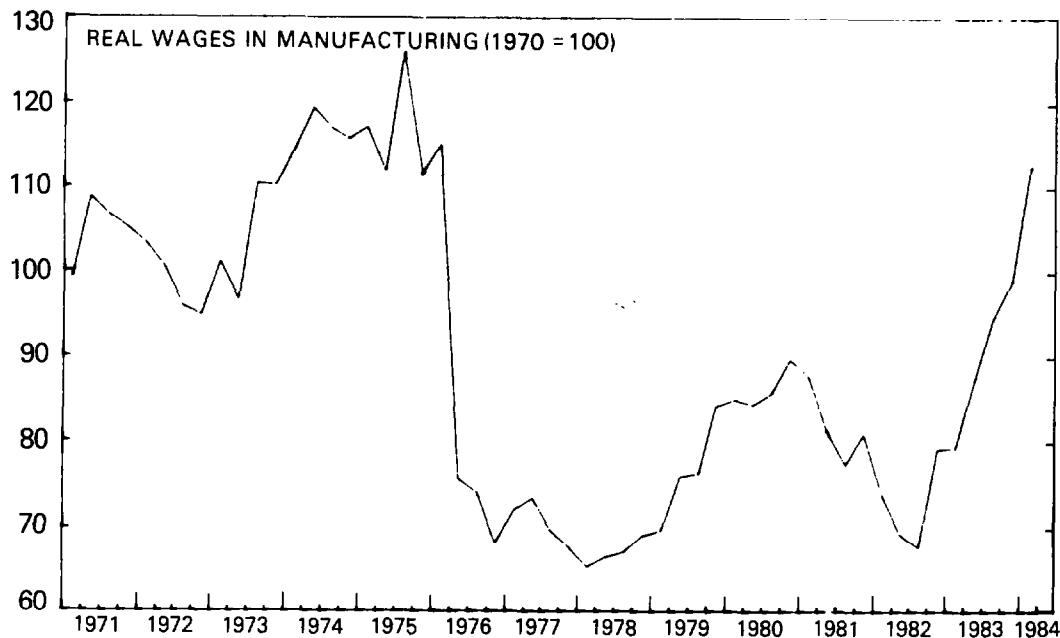
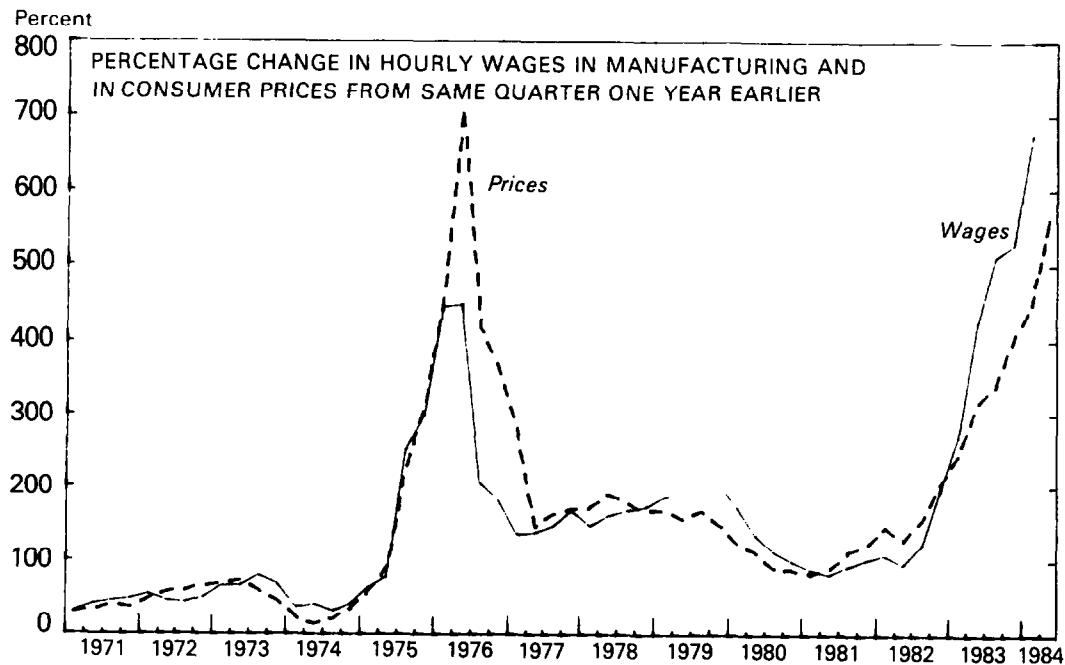
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1/ The wholesale price index has a higher proportion of tradable goods.

13 1/2 percent in the first quarter of 1984, well below the rate of increase in wholesale prices in general. In the second quarter of 1984, wholesale prices of industrial goods rose by almost 19 percent a month, somewhat faster than the general index.

After declining substantially from late 1980 to mid-1982, real wages have increased sharply to about the peak level reached in 1974-75. According to movements in the index of hourly wages in industry and in the consumer price index, real wages rose by about 45 percent during the year ended in the first quarter of 1984, to a level about 70 percent higher than in the third quarter of 1982. Real unit labor costs in manufacturing (wages per unit of output deflated by the wholesale price index for national nonagricultural goods) rose by 50 percent during the year ended in the first quarter of 1985, to a level 90 percent higher than in the third quarter of 1982 (Statistical Appendix Table 46).

CHART 3  
ARGENTINA  
WAGE AND PRICE DEVELOPMENTS



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

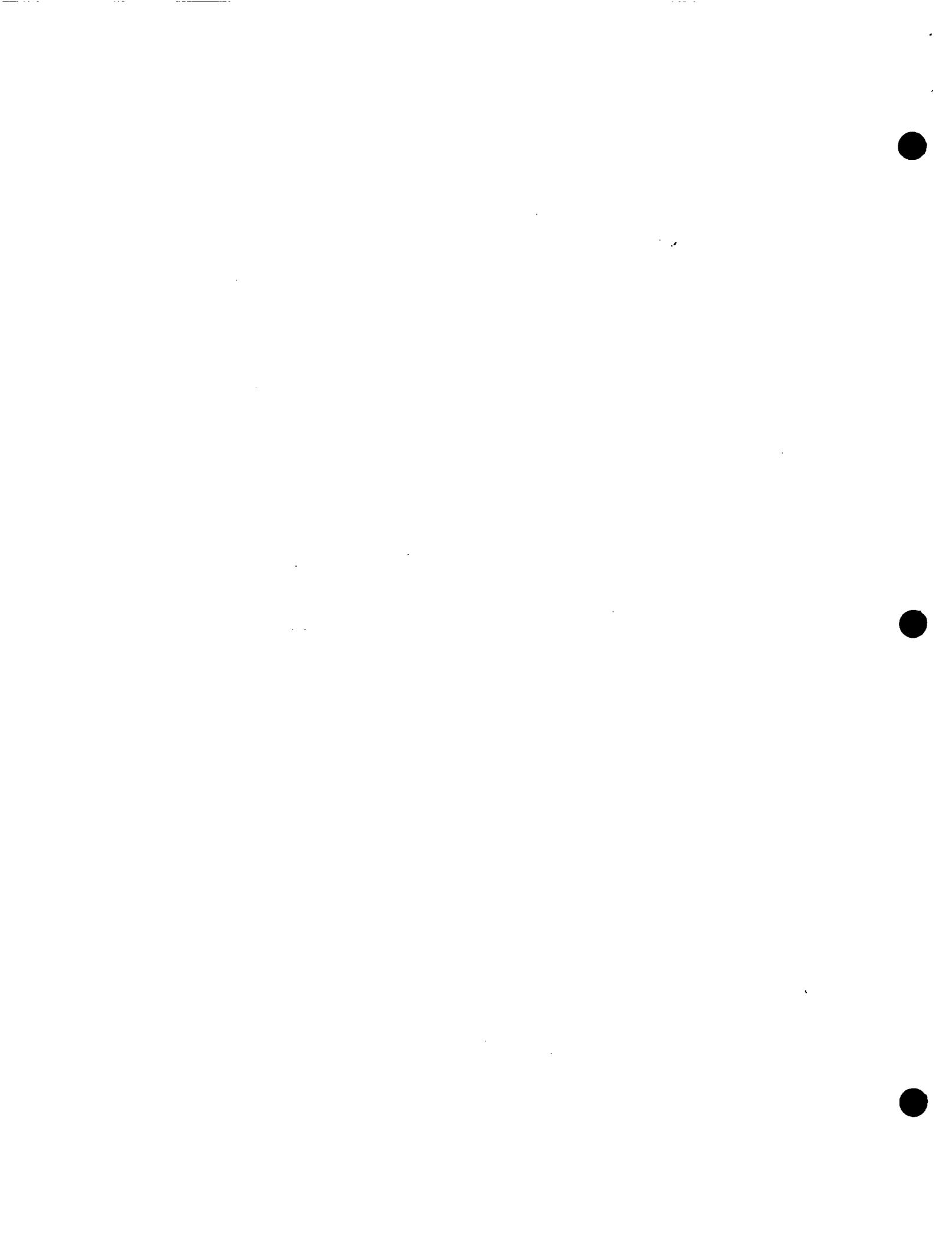
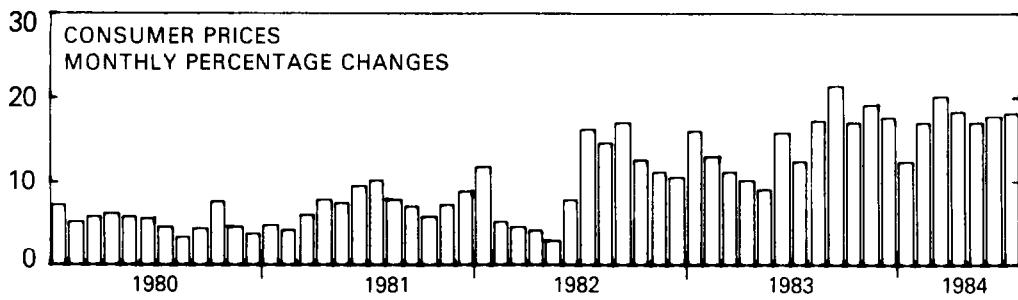
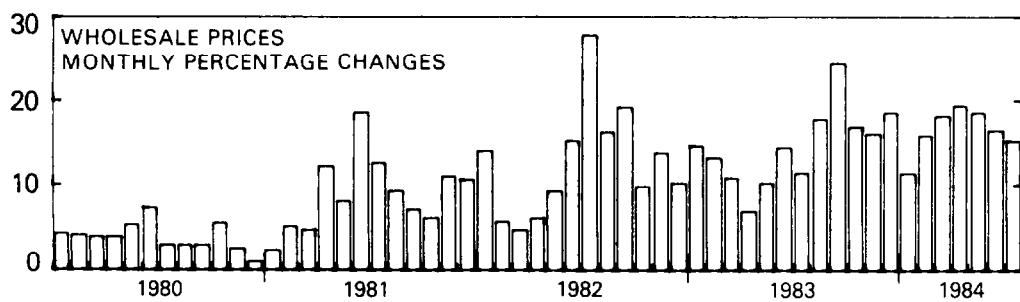
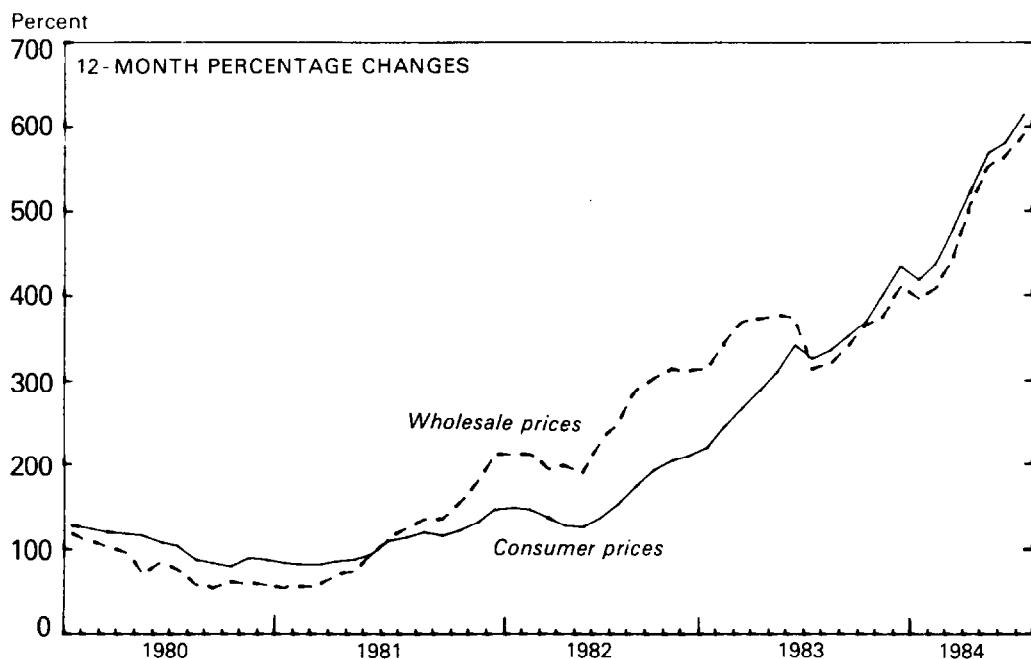
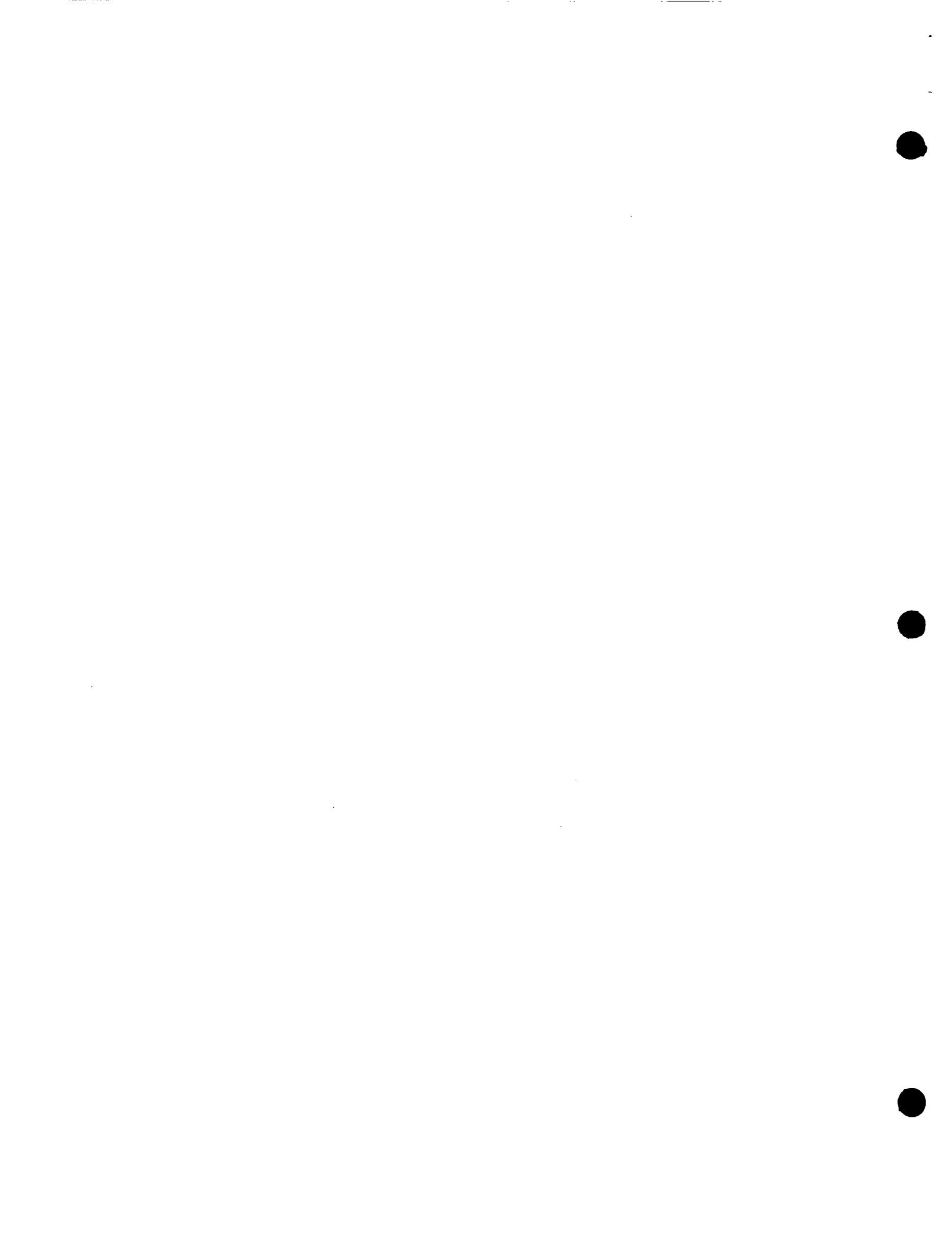


CHART 4  
ARGENTINA  
RATES OF PRICE INCREASE



Source: National Institute of Statistics.



### III. Public Sector Finances 1/

#### 1. Overall trends

The deficit of the nonfinancial public sector, which had declined substantially in 1976 and 1977 from a high level in 1975, remained almost unchanged in the period 1977-80 and widened abruptly in 1981; the financing requirements increased from a range of 7-8 percent of GDP in 1979-80 to around 17 percent in 1981-83 (Table 15).<sup>2/</sup> This deterioration reflected a reduction of revenue from 27-28 percent of GDP in 1979-80 to an average of 24 percent in 1981-83. More importantly, expenditure rose from an average of 35 percent of GDP to about 40 percent over the same period.<sup>3/</sup> The surge of expenditure in recent years was the culmination of an almost continuous process which has brought about an increase of more than 50 percent in the ratio of government spending to GDP since 1970. In contrast, the ratio of revenue to GDP changed little from 1970 to 1983, although it experienced large fluctuations within the period, as shown in Chart 5.

The major factor behind the widening of the nonfinancial public sector deficit from 8 percent of GDP in 1980 to nearly 18 percent of GDP in 1982 was an increase in interest payments from 3 1/2 to 12 percent of GDP. The large increase in net external borrowing through 1981, the rise in interest rates abroad, and the large depreciation of the peso starting in early 1981 boosted foreign interest payments from less than 1 percent of GDP in 1980 to 6 1/2 percent in 1982. Also, domestic interest payments more than doubled in relation to GDP over that period,

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1/ The nonfinancial public sector in this report comprises the general government and the nonfinancial public enterprises. In turn, the general government includes the Central Administration; more than 100 special accounts that are used to channel revenues earmarked mostly for energy and transportation; a number of decentralized agencies (mainly various regulatory boards and 26 universities); the Social Security System; and 22 provinces, one national territory, and the Municipality of Buenos Aires. The nonfinancial public enterprises include 17 companies fully owned by the Government and engaged primarily in the production of minerals and fuels and in the provision of public utility services, and three binational entities operating in the hydroelectric field. In addition, there are numerous other enterprises, fully or partly owned by the Government, which are not included in the nonfinancial public sector in this report, although their financing needs are reflected in the overall nonfinancial public sector deficit to the extent that they are covered by transfers from the Treasury. The relative importance of the broad components of the public sector measured by their total spending is presented in Table 14.

2/ These data are on a budget execution basis. Information on a cash basis is available only beginning in 1983.

3/ Unless otherwise indicated, revenue and expenditure data are net of gross current revenue and expenditure of the public enterprises, but include their current account deficit as expenditure.

Table 14. Argentina: Nonfinancial Public Sector Expenditure 1/  
(In percent of GDP)

|  | 1979        | 1980        | 1981        | 1982        | 1983        | 1984        |
|--|-------------|-------------|-------------|-------------|-------------|-------------|
| <u>Total</u>   | <u>42.6</u> | <u>44.6</u> | <u>53.6</u> | <u>50.1</u> | <u>50.9</u> | <u>49.1</u> |
| <u>By economic categories</u>                          |             |             |             |             |             |             |
| Current expenditure                                    | 31.4        | 34.6        | 42.5        | 40.8        | 41.0        | 39.8        |
| Wages and salaries                                     | 11.8        | 13.4        | 12.8        | 9.7         | 12.5        | 14.3        |
| Foreign interest                                       | 0.5         | 0.8         | 4.7         | 6.4         | 4.8         | 5.1         |
| Domestic interest                                      | 2.7         | 2.7         | 5.3         | 5.6         | 1.0         | 0.6         |
| Other  | 16.4        | 17.7        | 19.8        | 19.1        | 22.7        | 19.8        |
| Capital expenditure                                    | 10.7        | 9.6         | 10.0        | 8.3         | 8.8         | 9.3         |
| Extrabudgetary expenditures                            | 0.4         | 0.5         | 1.1         | 1.0         | 1.0         | --          |
| <u>By sectors</u>                                      |             |             |             |             |             |             |
| National Administration                                | 13.4        | 13.5        | 19.0        | 19.3        | 16.0        | 14.0        |
| Provinces and Municipality<br>of Buenos Aires          | 10.4        | 11.7        | 12.4        | 9.4         | 12.1        | 11.8        |
| Social security system                                 | 5.0         | 5.9         | 6.2         | 4.8         | 6.1         | 6.5         |
| Public enterprises                                     | 13.7        | 13.5        | 16.0        | 16.6        | 16.7        | 16.8        |
| <u>Memorandum items</u>                                |             |             |             |             |             |             |
| Adjusted total expendi-<br>ture 2/                     | 33.6        | 36.0        | 43.1        | 40.5        | 40.4        | 37.4        |
| Wages, salaries, and<br>social security<br>benefits 3/ | 16.7        | 19.3        | 18.9        | 14.3        | 18.6        | 20.8        |

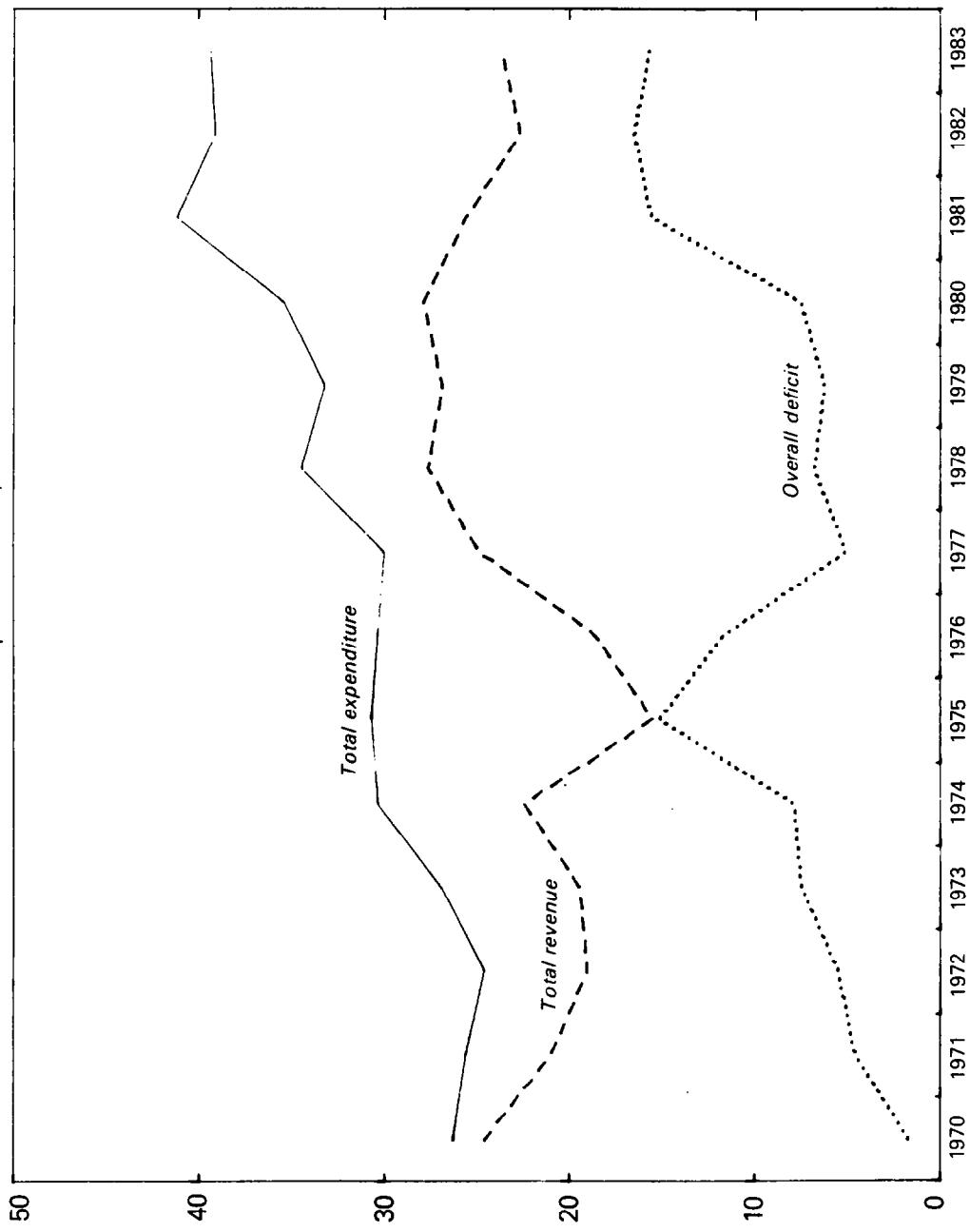
Sources: Statistical Appendix Table 47; and draft 1984 budget.

1/ Data are on a budget-execution basis, except those for 1984 which are on a draft-budget basis.

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

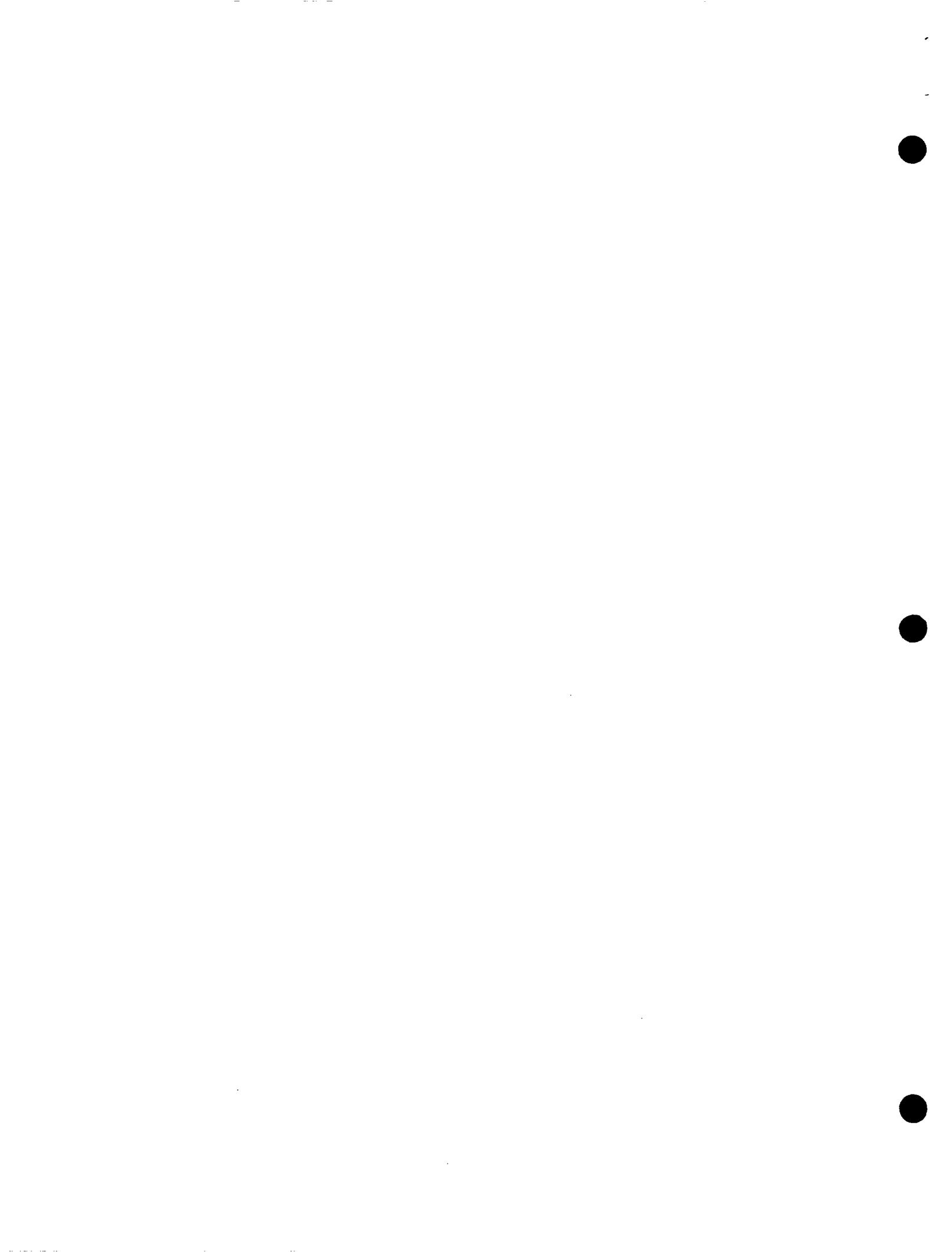
3/ In addition to these payments, there are certain other outlays which are related to wages, including mainly pensions and payments for private school teachers, which in 1983 were equivalent to about 2 percent of GDP.

CHART 5  
ARGENTINA  
OPERATIONS OF THE NONFINANCIAL PUBLIC SECTOR<sup>1</sup>  
(In percent of GDP)



Source: Ministry of Economy.

<sup>1</sup>Includes total operations of the General Government, and the operating surplus/deficit and capital expenditure of the Public Enterprises.  
The data are on a budget execution basis.



because of both a large increase in debt and the increase in interest charges associated with rapidly rising inflation. Other categories of government spending taken together provided a partial offset to the rise in interest charges from 1980 to 1982. In particular, there were sizable reductions of wage costs and capital formation in relation to GDP and even more in real terms. The operating losses of the public enterprises increased from 1 percent of GDP in 1980 to 3 1/2 percent in 1982, with a large part of the increase occurring in 1982. The prices charged by public enterprises, after an increase in real terms in 1981, fell sharply in 1982 to a level that was, on average, 23 percent lower than that in 1980 (Statistical Appendix Table 49).

Table 15. Argentina: Summary of Public Sector Operations 1/  
(In percent of GDP)

|                                    | 1979 | 1980 | 1981  | 1982  | 1983  | 1984  |
|------------------------------------|------|------|-------|-------|-------|-------|
| <u>Current account budgetary</u>   |      |      |       |       |       |       |
| <u>surplus or deficit (-)2/</u>    | 4.5  | 2.0  | -6.0  | -8.4  | -6.9  | -0.7  |
| General government 3/              | 5.0  | 3.0  | -4.2  | -4.9  | -4.1  | 0.5   |
| Public enterprises 3/              | -0.5 | -1.0 | -1.8  | -3.4  | -2.8  | -1.1  |
| Capital expenditure                | 0.7  | 9.6  | 10.0  | 8.3   | 8.8   | 9.3   |
| <u>Total budgetary deficit (-)</u> | -6.2 | -7.6 | -15.9 | -16.6 | -15.7 | -10.0 |
| General government 3/              | -1.7 | -2.9 | -10.6 | -9.9  | -9.7  | -5.0  |
| Public enterprises 3/              | -4.6 | -4.6 | -5.3  | -6.8  | -6.0  | -5.0  |
| Extrabudgetary expenditure         | 0.4  | 0.5  | 1.1   | 1.0   | 1.0   | --    |
| <u>Overall deficit (-)</u>         | -6.7 | -8.0 | -17.1 | -17.7 | -16.7 | -10.0 |
| External financing                 | 1.8  | 1.5  | 6.8   | 3.2   | 0.1   | 0.3   |
| Internal financing                 | 4.9  | 6.5  | 10.3  | 14.5  | 16.6  | 9.7   |

Source: Statistical Appendix Table 48.

1/ Data are on a budget-execution basis, except those for 1984 which are on a draft-budget basis.

2/ Includes capital receipts.

3/ Before intrasector transfers.

The decline in revenue from 28 percent of GDP in 1980 to less than 23 percent in 1982 reflected a variety of factors. The pickup of inflation as measured by the rise in the rate of increase of consumer prices (from 90 percent in 1980 to almost 210 percent in 1982) had a negative effect on tax receipts. Apart from the deleterious effect of inflation on taxpayers' compliance, collection lags make revenues grow more slowly than GDP in years when inflation rises.<sup>1/</sup> Secondly, there were a number of tax changes that on a net basis resulted in a loss of revenue. In particular, in 1980 the authorities eliminated the employers' social security contribution of 15 percent of the wage bill. Although the effects of this measure were expected to be compensated by an expansion of the base of the value added tax, in fact the combined net effect of the two measures appears to have been a revenue loss.<sup>2/</sup>

In 1983, the nonfinancial public sector deficit was reduced by the equivalent of 1 percentage point of GDP, to a little less than 17 percent of GDP. It should be noted, however, that this result reflected an arrangement in late 1982-early 1983, which basically shifted the interest costs on the domestic public debt from the nonfinancial public sector to the Central Bank. Abstracting from this factor--which had the effect of lowering domestic interest costs from more than 5 1/2 percent of GDP in 1982 to 1 percent of GDP in 1983, whereas in its absence such costs would have risen substantially owing to an increase in outstanding debt and rising inflation--the deficit would have risen by several points of GDP from 1982 to 1983.<sup>3/</sup>

The 1983 fiscal outcome was affected by a substantial increase in real public sector wages (see Table 13 in Section II above), which resulted in an increase in wage and salary payments equivalent to nearly 3 percentage points of GDP. In addition, there were substantial increases in expenses related to wages, such as social security benefits. Thus, the total increase in wage-related government spending was of the order of 4 1/2 percentage points of GDP. In the latter part of the year, there was also a deterioration in tax compliance and reductions in real

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<sup>1/</sup> This is so despite a reduction in the tax collection lag to a (weighted) average of about 40 days. With such a lag and the monthly inflation rate of about 10 percent that prevailed in 1982, the theoretical loss in tax receipts in 1982 would be of the order of 13 percent of the total, equivalent to nearly 3 percent of GDP; a 40-day lag in 1980, with an average monthly inflation rate of 5 1/2 percent, would have produced a loss of 7 1/4 percent of total revenue, or nearly 2 percent of GDP.

<sup>2/</sup> The tax system, as presently structured, is described in Appendix III.

<sup>3/</sup> This arrangement consisted of the takeover by the Central Bank of virtually all domestic public debt theretofore held by the financial system and the private sector, and its replacement by a bond that carries a negligible rate of interest (0.25 percent annually). In addition, in 1983 the Central Bank provided almost all of the public sector's borrowing needs, virtually interest free.

prices charged by the public corporations, following improvements in the first half of the year. As a result, available information points to a substantial worsening in the fiscal position from the first to the second half of the year.<sup>1/</sup>

Net external borrowing covered about 40 percent of total financing requirements in 1981 but in 1982 it fell back to the level prevalent in 1979-80 (between 20 to 25 percent of total requirements) and became almost negligible in 1983 in the wake of the external debt crisis. The decline in net foreign financing in 1982 occurred in spite of a substantial rise in gross borrowing (from about 9.5 percent of GDP in 1981 to almost 16 percent of GDP in 1982); it reflected a surge in amortization payments, which were equivalent to about 12.5 percent of GDP in 1982 compared with less than 3 percent of GDP in 1981. Regarding domestic financing, the Central Bank stepped up its direct lending to the Government to about 16 percent of GDP in 1983 following implementation early in the year of a measure that closed access by the nonfinancial public sector to the domestic banking system. (It should be noted that in this discussion the buildup in external payments arrears of the nonfinancial public sector that occurred in 1982-83 is treated as domestic financing, the counterpart of which is an increase in the international reserve liabilities of the Central Bank).

## 2. The general government

The total budgetary deficit of the general government (before transfers to public enterprises) widened from an average of about 2 percent of GDP in 1979-80 to 10 percent in 1981-83 (Table 16). This deterioration reflected a swing from a current account surplus of almost 4 percent of GDP in 1979-80 to a deficit in excess of 4 1/2 percent of GDP in 1981-83.

The revenue performance in recent years has been poor, reflecting the above-mentioned response of tax collections--which account for more than 80 percent of total current revenue--to the pickup in inflation, as well as certain tax changes (Table 17). The erosion of many revenue sources also can be traced in part to generous total or partial exemptions from import duties, income and net wealth taxes, and stamp and value-added taxes, granted to many taxpayers in the framework of an extensive system of investment incentives. Moreover, the expectation of a post-election tax amnesty (which was finally decreed by the outgoing Government in December 1983) also was a factor in the poor performance of tax revenues in 1983.<sup>2/</sup>

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1/ Data on a cash basis, which are available quarterly since the beginning of 1983, indicate that the ratio of the deficit to GDP more than doubled from the first to the second half of 1983.

2/ The amnesty, which was the tenth in the last 15 years, allowed taxpayers to pay their tax liabilities to October 31, 1983 in up to 18 monthly installments. Interest was to be charged only from the time the payment arrangement was agreed with the tax administration and 40 percent of the applicable monetary correction was forgiven.

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

|   | 1979        | 1980        | 1981         | 1982         | 1983         | 1984        |
|---|-------------|-------------|--------------|--------------|--------------|-------------|
| Current revenue   | 26.6        | 27.6        | 25.8         | 22.4         | 23.4         | 26.4        |
| Current expenditure   | 21.7        | 24.6        | 30.1         | 27.5         | 27.6         | 26.9        |
| <u>Current account budgetary surplus or deficit (-)</u>                   | <u>4.9</u>  | <u>2.9</u>  | <u>-4.3</u>  | <u>-5.1</u>  | <u>-4.2</u>  | <u>-0.4</u> |
| Capital receipts  | 0.1         | 0.1         | 0.1          | 0.1          | 0.1          | 0.9         |
| Capital expenditure   | 6.7         | 6.0         | 6.4          | 4.9          | 5.6          | 5.5         |
| <u>Total budgetary deficit (-) before transfers to public enterprises</u> | <u>-1.7</u> | <u>-2.9</u> | <u>-10.6</u> | <u>-9.9</u>  | <u>-9.7</u>  | <u>-5.0</u> |
| National Administration   | -0.3        | -0.9        | -6.6         | -7.8         | -3.8         | 0.3         |
| Provinces and Municipality of Buenos Aires                                | -1.4        | -2.0        | -4.0         | -2.1         | -5.1         | -4.3        |
| Social Security System  | ...         | ...         | ...          | ...          | -0.8         | -1.0        |
| Net transfers to public enterprises                                       | 1.5         | 1.5         | 1.6          | 1.9          | 6.8          | 4.1         |
| Extrabudgetary expenditure  | 0.4         | 0.5         | 1.1          | 1.0          | 1.0          | --          |
| <u>Overall deficit (-)</u>  | <u>-3.6</u> | <u>-4.9</u> | <u>-13.3</u> | <u>-12.8</u> | <u>-17.5</u> | <u>-9.1</u> |
| External financing (net)  | 0.3         | ...         | 4.2          | 1.8          | 0.2          | -0.4        |
| Internal financing (net)  | 3.3         | 4.9         | 9.1          | 10.9         | 17.3         | 9.5         |
| <u>Memorandum items</u>   |             |             |              |              |              |             |
| Total revenue   | 26.7        | 27.7        | 25.9         | 22.5         | 23.5         | 27.3        |
| Total expenditure 2/  | 30.3        | 32.6        | 39.2         | 35.3         | 41.0         | 36.9        |

Source: Statistical Appendix Table 48.

1/ Data are on a budget-execution basis, except those for 1984 which are on a draft-budget basis.

2/ Includes net transfers to public enterprises and extrabudgetary expenditure.

Table 17. Argentina: General Government Current Revenue 1/  
(In percent of GDP)

|   | 1979        | 1980        | 1981        | 1982        | 1983        | 1984        |
|---|-------------|-------------|-------------|-------------|-------------|-------------|
| <u>Total current revenue</u>                  | <u>26.6</u> | <u>27.6</u> | <u>25.8</u> | <u>22.4</u> | <u>23.4</u> | <u>26.4</u> |
| <u>By sectors</u>                             |             |             |             |             |             |             |
| National Administration                       | 12.7        | 12.1        | 11.3        | 10.4        | 11.2        | 13.5        |
| Central Administration                        | 6.5         | 6.2         | 6.5         | 6.1         | 5.7         | 7.2         |
| Special accounts                              | 4.1         | 4.2         | 3.5         | 3.1         | 3.2         | 3.5         |
| Decentralized agencies                        | 2.1         | 1.7         | 1.3         | 1.2         | 2.2         | 2.8         |
| Provinces and Municipality<br>of Buenos Aires |             |             |             |             |             |             |
|   | 9.0         | 9.7         | 8.3         | 7.2         | 7.0         | 7.4         |
| Social security system                        | 4.9         | 5.9         | 6.2         | 4.8         | 5.2         | 5.5         |
| <u>By type of revenue</u>                     |             |             |             |             |             |             |
| Tax revenue                                   | 22.3        | 24.0        | 21.7        | 18.7        | 18.9        | 22.0        |
| Nontax revenue                                | 4.3         | 3.6         | 4.1         | 3.7         | 4.5         | 4.4         |

Sources: Statistical Appendix Table 48; and draft 1984 budget.

1/ Data are on a budget execution basis, except those for 1984 which are on a draft-budget basis.

Total revenue of the Central Administration (cash basis) declined from 6.3 percent of GDP in 1981 to 5.2 percent in 1983, owing to declines in both tax and nontax revenue (Table 18). The value-added tax accruing to the Central Administration declined from 2.3 percent of GDP in 1981 to 1.6 percent of GDP in 1983 because of increasing noncompliance with the tax laws, declining imports, and rate cuts that became effective in October 1982 and September 1983. Collections of import duties benefited from the speeding up of currency depreciation beginning in early 1981, but the impact was more than offset by sharp reductions in imports in 1982 and 1983; as a result, import duty revenues fell from 1.3 percent of GDP in 1981 to less than 1 percent of GDP in 1983.

Export duties and taxes on fuels have emerged in recent years as major sources of revenue. After a period in which they were of little importance, export duties began to be raised again in 1981; the average rate was raised to 10 percent in July 1982, and in 1983 export duty payments rose to 1.3 percent of GDP from 0.7 percent in 1982. Taxes on fuels accruing to the Central Administration increased from 0.2 percent of GDP in 1979-80 to 1.3 percent of GDP in 1982-83 as a result of frequent rate increases and the reduction of payment lags. The growing

Table 18. Argentina: Central Administration Operations 1/  
(In percent of GDP)

|  | 1979        | 1980        | 1981        | 1982        | 1983         |
|--|-------------|-------------|-------------|-------------|--------------|
| <u>Total revenue</u>   | <u>6.8</u>  | <u>6.0</u>  | <u>6.3</u>  | <u>5.9</u>  | <u>5.2</u>   |
| Tax revenue  | <u>4.9</u>  | <u>5.4</u>  | <u>5.5</u>  | <u>5.5</u>  | <u>5.1</u>   |
| Taxes on income and capital  | <u>0.9</u>  | <u>1.1</u>  | <u>1.2</u>  | <u>1.2</u>  | <u>1.0</u>   |
| Taxes on production and consumption  | <u>2.7</u>  | <u>3.0</u>  | <u>4.3</u>  | <u>4.0</u>  | <u>3.5</u>   |
| Taxes on international trade   | <u>1.0</u>  | <u>1.3</u>  | <u>1.6</u>  | <u>1.6</u>  | <u>2.3</u>   |
| Other taxes  | <u>0.4</u>  | <u>0.4</u>  | <u>0.3</u>  | <u>0.2</u>  | <u>0.1</u>   |
| Minus: share of the social security systems and National Housing Fund in tax revenue | --          | -0.4        | -1.9        | -1.7        | -1.8         |
| Nontax revenue   | <u>1.9</u>  | <u>0.6</u>  | <u>0.8</u>  | <u>0.5</u>  | <u>0.2</u>   |
| <u>Total expenditure</u>   | <u>10.2</u> | <u>10.8</u> | <u>14.4</u> | <u>12.1</u> | <u>18.8</u>  |
| Current expenditure  | <u>6.6</u>  | <u>7.1</u>  | <u>8.5</u>  | <u>7.8</u>  | <u>6.2</u>   |
| Wages and salaries   | <u>2.8</u>  | <u>3.5</u>  | <u>3.3</u>  | <u>2.6</u>  | <u>2.6</u>   |
| Interest   | <u>1.7</u>  | <u>1.5</u>  | <u>2.8</u>  | <u>3.4</u>  | <u>1.9</u>   |
| Other  | <u>2.1</u>  | <u>2.1</u>  | <u>2.4</u>  | <u>1.9</u>  | <u>1.8</u>   |
| Transfers to rest of public sector   | <u>2.7</u>  | <u>3.0</u>  | <u>4.4</u>  | <u>3.1</u>  | <u>11.3</u>  |
| Special accounts   | <u>0.7</u>  | <u>0.7</u>  | <u>0.9</u>  | <u>0.7</u>  | <u>0.6</u>   |
| Decentralized agencies   | <u>0.3</u>  | <u>1.1</u>  | <u>1.3</u>  | <u>1.0</u>  | <u>2.0</u>   |
| Provinces and Municipality of Buenos Aires   | <u>0.8</u>  | <u>0.3</u>  | <u>1.5</u>  | <u>0.7</u>  | <u>3.9</u>   |
| Public enterprises   | <u>0.9</u>  | <u>0.8</u>  | <u>0.7</u>  | <u>0.7</u>  | <u>4.8</u>   |
| Capital expenditure  | <u>0.7</u>  | <u>0.6</u>  | <u>0.9</u>  | <u>0.5</u>  | <u>0.3</u>   |
| Other (unclassified)   | <u>0.1</u>  | <u>0.2</u>  | <u>0.6</u>  | <u>0.7</u>  | <u>0.9</u>   |
| <u>Overall deficit (-)</u>   | <u>-3.3</u> | <u>-4.8</u> | <u>-8.2</u> | <u>-6.2</u> | <u>-13.6</u> |
| <u>External financing (net)</u>  | <u>0.2</u>  | <u>0.3</u>  | <u>1.7</u>  | <u>0.6</u>  | <u>1.0</u>   |
| <u>Internal financing (net)</u>  | <u>3.1</u>  | <u>4.4</u>  | <u>6.4</u>  | <u>5.5</u>  | <u>12.6</u>  |
| Central Bank (net)   | ...         | <u>3.5</u>  | <u>5.2</u>  | <u>4.7</u>  | <u>14.7</u>  |
| Bond sales (net)   | <u>2.2</u>  | <u>0.1</u>  | <u>0.8</u>  | <u>1.6</u>  | <u>-0.5</u>  |
| Other  | <u>0.9</u>  | <u>0.9</u>  | <u>0.4</u>  | <u>-0.7</u> | <u>-1.7</u>  |

Source: Statistical Appendix Table 50.

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

recourse by the national authorities to these sources of revenue can be explained by the relative easiness of administration and the relatively small degree of earmarking.

The weak performance of provincial tax revenues--they represented about 5 1/2 percent of GDP in 1983 as compared with over 7 percent of GDP in 1981--was a major factor in the deterioration of the revenue performance of the general government. It reflected, in turn, the lack of buoyancy of the main taxes accruing to the fund that is shared with the national Treasury, i.e., taxes on income and capital, the value-added tax, and consolidated excises.<sup>1/</sup> The consequences of this lack of buoyancy were substantially aggravated by the above-mentioned elimination of the employers' social security contribution in late 1980, since this change resulted in additional large claims by the national and provincial social security systems (and the National Housing Fund) against the revenue sharing fund. Collections of the two main taxes administered solely by the provinces, i.e., the turnover and real estate taxes, were even less buoyant than the provinces' share of the revenue sharing fund. They declined from a peak of 3 percent of GDP in 1980 to less than 2 percent of GDP in 1983. Provincial turnover taxes have been affected by increased evasion, while the tax bases for real estate taxes have not been adjusted fully for inflation.

Current expenditure of the general government declined from 30 percent of GDP in 1981 to 27 1/2 percent of GDP in 1982 and 1983. The reduction in 1982 was achieved in spite of the increase in interest payments referred to above and was mainly the result of a compression of real wages and social security payments. The sum of the wage bills of the national administration and the provinces and the transfer payments of the social security system declined from almost 16 percent of GDP in 1980-81 to a little over 12 percent of GDP in 1982 despite some increase in civilian employment (Statistical Appendix Table 51). Real salaries in the Central Administration declined by more than 20 percent in 1982. This decline was partially reversed in 1983 as large pay raises in July, September, and November resulted in real wage increases for the period December 1982 to December 1983 of over 13 percent; on average, real wages of central administration employees rose by 9 percent in 1983, which contributed to boost total labor remunerations plus social security payments back to about 16 percent of GDP.

Investment outlays by the general government, which had averaged some 6 1/2 percent of GDP in the period 1979-81, fell to a low of 5 percent of GDP in 1982, mainly on account of budget restrictions applied

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<sup>1/</sup> The Central Administration receives somewhat less from the fund than the provinces and the Municipality of Buenos Aires (46.5 percent as compared with 50.5 percent). In recent years, the provincial share in this fund has been slightly less than half of total provincial tax revenues.

to expenditures requiring the use of foreign exchange. In 1983, the authorities gave priority to projects with minimum foreign exchange requirements and there was some recovery of capital expenditure.

Transfers of the general government to public enterprises rose to an unprecedented 6 3/4 percent of GDP in 1983, from a range of 1 1/2 to 2 percent in 1979-82. This increase resulted from a decision to end all borrowing by the nonfinancial public sector from the domestic banking system. Henceforth, the Central Bank was to be the sole supplier, via the Treasury, of financial resources needed by the rest of the public sector. Within the general government, this policy decision also brought about substantial increases in transfers from the Central Administration to decentralized agencies and provinces. In the case of decentralized agencies, the National Commission of Atomic Energy, with an operating deficit and debt service adding up to almost 2 percent of GDP in 1983, was the major recipient of Treasury contributions. The high level of transfers to the provinces also reflected disaster relief payments caused by extensive flooding, the need to compensate for the decline in the revenue sharing fund, and assistance in meeting salary increases.

### 3. Public enterprises

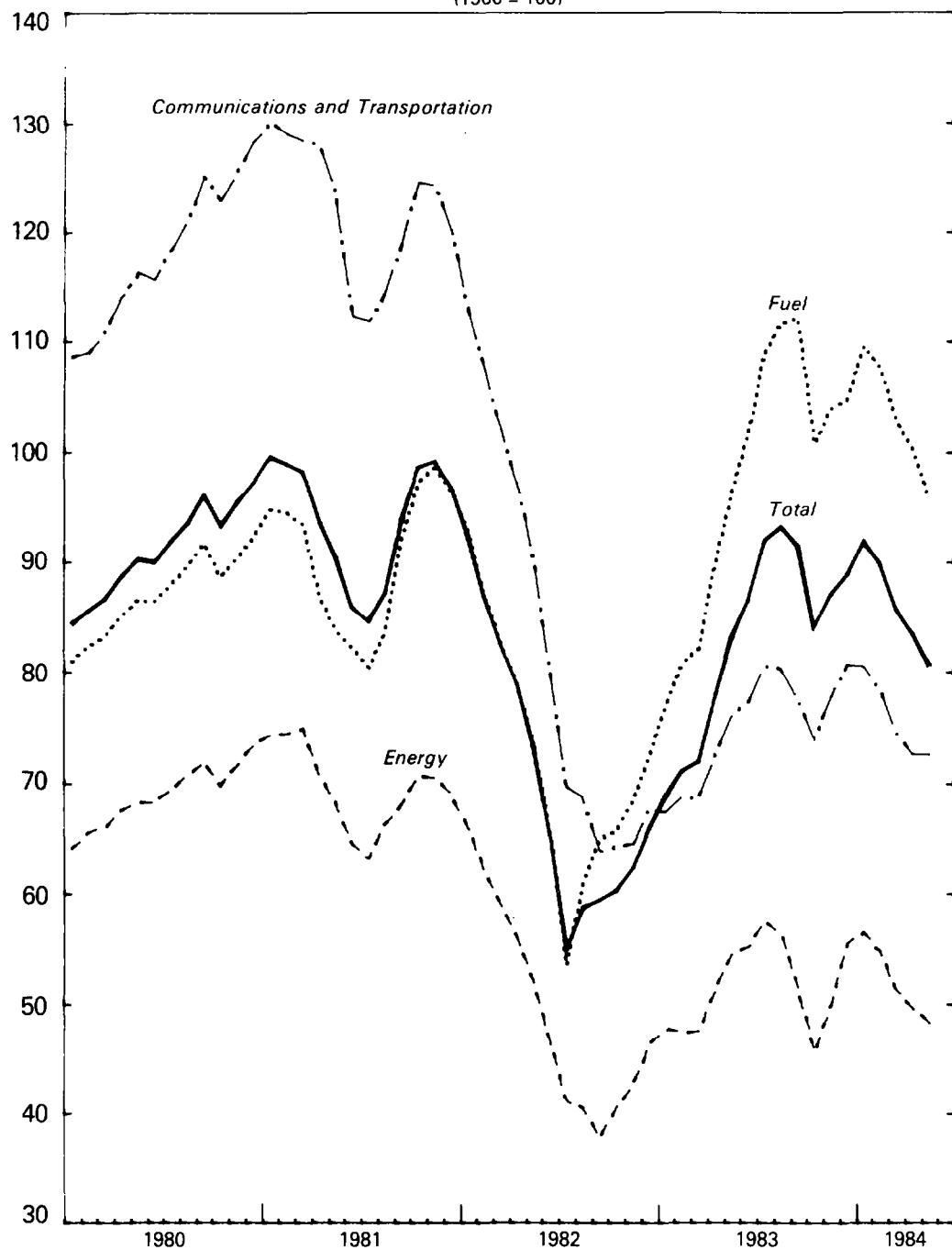
The growing imbalance in the accounts of the nonfinancial public enterprises during the period 1979-82 was the result of policies which precluded the enterprises from raising the prices they charge for goods and services in accordance with the increases in their current expenditures, primarily wages and interest payments. From a position of approximate balance in 1979, the current deficit started growing in 1980 and reached almost 4 percent of GDP in 1982; in 1983 the current account deficit of the enterprises narrowed to less than 3 percent of GDP (Table 19). The total deficit before transfers from the general government was 6 percent of GDP or more in the last two years.

As regards the pricing policy of the enterprises, after a decline of almost 20 percent in real terms in 1979, the enterprise price index (net of taxes) posted a cumulative real increase of 5 percent in 1980-81, but plunged by 25 percent in 1982. This large decline was due to a freeze of prices during the first half of 1982 (Chart 6). Public sector prices increased substantially in real terms from mid-1982 to mid-1983, as a result of substantial increases in the prices of fuels sold by the State Oil Company (YPF).<sup>1/</sup> In the second half of 1983, nominal adjustments did not keep up with general inflation--in particular, prices were not adjusted in the election month of October--but on average the real price index rose by 20 percent in 1983.

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<sup>1/</sup> Prices of these fuels have a weight of almost 50 percent in the calculation of the enterprise price index.

CHART 6  
ARGENTINA  
RELATIVE PRICES OF PUBLIC SECTOR SERVICES  
NET OF TAXES<sup>1</sup>  
(1960 = 100)



Source: Ministry of Public Works and Services.

<sup>1</sup>Prices paid by the consumer deflated by the wholesale price index for national nonagricultural goods.

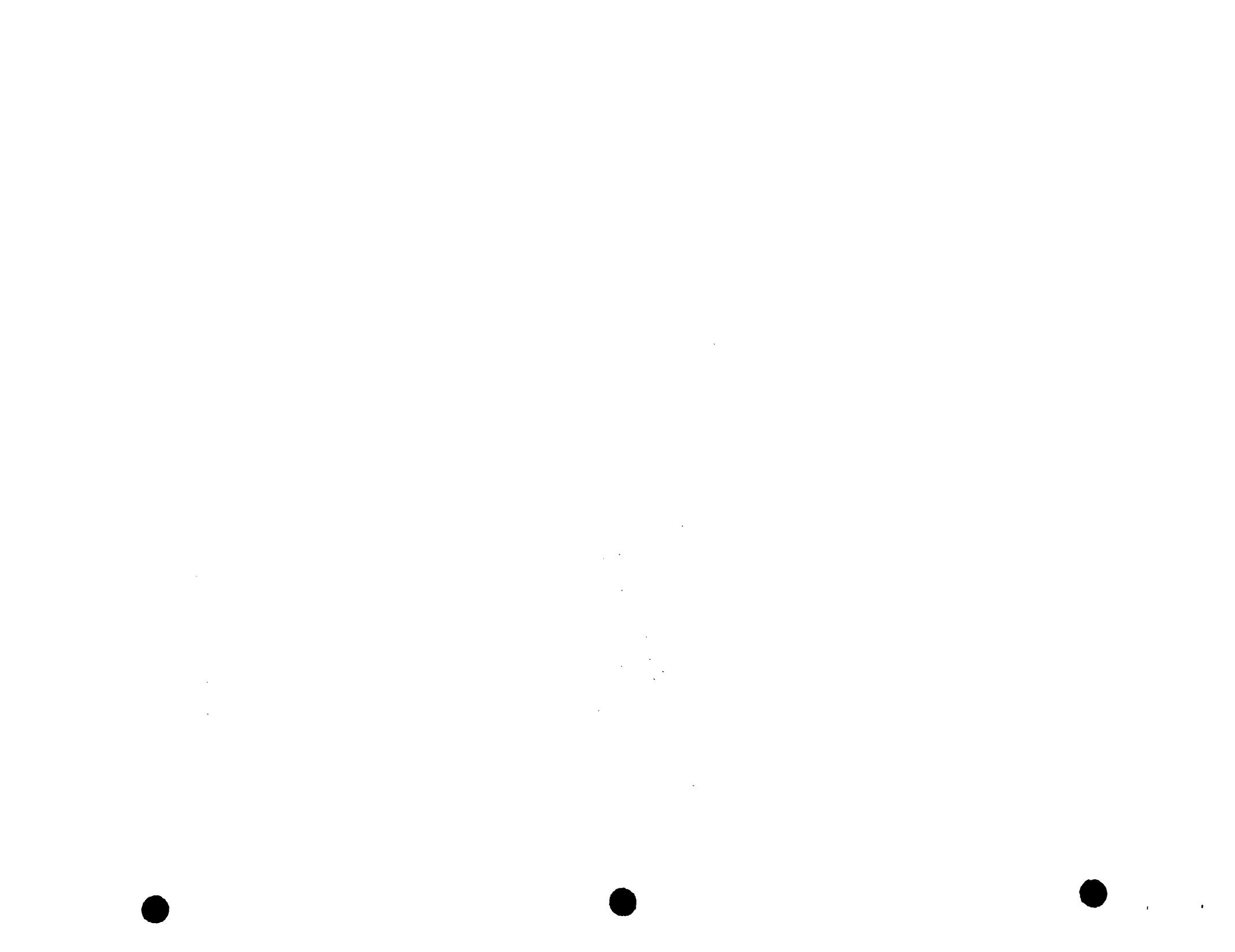


Table 19. Argentina: Operations of the Public Enterprises 1/  
(In percent of GDP)

|   | 1979        | 1980        | 1981        | 1982        | 1983        | 1984        |
|---|-------------|-------------|-------------|-------------|-------------|-------------|
| Current receipts  | 9.0         | 8.7         | 10.5        | 9.5         | 10.5        | 11.7        |
| Current expenditure   | 9.7         | 9.9         | 12.4        | 13.3        | 13.4        | 12.9        |
| <u>Current account surplus or deficit (-)</u>                     | <u>-0.7</u> | <u>-1.2</u> | <u>-1.9</u> | <u>-3.8</u> | <u>-2.9</u> | <u>-1.2</u> |
| Capital receipts  | 0.2         | 0.2         | 0.2         | 0.4         | 0.2         | 0.1         |
| Capital expenditure   | 4.0         | 3.6         | 3.6         | 3.3         | 3.3         | 3.9         |
| <u>Total deficit (-) before transfers from general government</u> | <u>-4.6</u> | <u>-4.6</u> | <u>-5.3</u> | <u>-6.8</u> | <u>-6.0</u> | <u>-5.0</u> |
| Net transfers from general government                             | 1.5         | 1.5         | 1.6         | 1.9         | 6.8         | 4.1         |
| <u>Overall surplus or deficit (-)</u>                             | <u>-3.1</u> | <u>-3.1</u> | <u>-3.8</u> | <u>-4.9</u> | <u>0.8</u>  | <u>-0.9</u> |
| External financing (net)  | 1.5         | 1.5         | 2.6         | 1.4         | -0.1        | 0.7         |
| Internal financing (net)  | 1.6         | 1.7         | 1.1         | 3.5         | -0.6        | 0.2         |

Source: Statistical Appendix Table 52.

1/ Data are on a budget-execution basis, except those for 1984 which are on a draft-budget basis.

Real wage levels in the enterprises have fluctuated widely in recent years. After increasing by an average of 15 percent in 1979-80, real wages fell by 5 percent in 1981 and by over 20 percent in 1982; in the latter year, the fall in real wages roughly paralleled the decline in the real prices charged by the enterprises. In 1983, however, real wages were increased substantially from May onwards and rose more than 30 percent for the year as a whole, taking up nearly one half of the growth in the enterprises' revenues. For individual enterprises, the most serious imbalance between wage payments and revenues from sales of goods and services is to be found in the railways. Despite a considerable reduction in employment (from more than 110,000 in January 1979 to about 95,000 in January 1983), their wage bill exceeded operating revenues by almost 70 percent in 1983.

Interest payments by the enterprises rose to 4 percent of GDP (of which more than half was on external debt) in 1982, but fell to slightly less than 3 percent of GDP in 1983 as a result of the repayment, with Central Bank funds, of much of the enterprises' debt with the domestic banking system. The substantial gross external borrowing by the enterprises up to 1982 apparently occurred with the encouragement of the Government as an alternative to raising tariffs and as a means to provide support for the balance of payments.

Capital expenditures of public enterprises, which account for somewhat less than two fifths of total investment outlays of the non-financial public sector, declined gradually in recent years from 4 percent of GDP in 1979 to 3 1/4 percent of GDP in 1982-83. The bulk of these expenditures have been in the oil and electricity sectors; YPF has been responsible for about one third of total enterprise investment while several national and binational entities engaged in the generation and distribution of electricity have accounted for another 40 percent.

#### 4. Prospects in 1984

Despite a small reduction in 1983, the deficit of the nonfinancial public sector remained very high, and fiscal performance deteriorated sharply in the latter part of the year. Confronted with this situation, the Government that took office in December 1983 adopted several measures designed to strengthen the public finances.

While a budget proposal was being prepared, the Government operated on an extension of the 1983 budget that allowed commitments in the first quarter of 1984 of no more than 40 percent (in nominal terms) of the amounts authorized in 1983. This restriction did not apply to expenditures on personnel and transfers or to debt service payments. The policy of operating on the basis of the 1983 budget was continued in subsequent months; the ceiling on spending commitments through July 31, 1984 was 85 percent of the 1983 budget. Given the prevailing high rate of inflation, this provision had the effect of reducing real expenditure on the items to which it applied. In addition, a decree was issued in early February to limit the hiring of new personnel by the Government to a percentage of the existing unfilled positions; this decree also established limitations on payments for overtime work and temporary employees, purchases of automobiles, office furniture and equipment, and foreign travel.<sup>1/</sup>

Regarding revenues, the Government submitted a tax package to the Congress in late December 1983, from which the following measures have been adopted thus far: (i) a statistical fee amounting to 1.5 percent of imports; (ii) increases in the rates of several excise taxes; and (iii) a 5 percent tax on wages (earmarked for the National Housing Fund). The Government also implemented a policy of monthly increases in fuel prices which resulted in a 33 percent increase in real terms in the tax on fuels from December 1983 through May 1984. Moreover, the December 1983

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<sup>1/</sup> The decree invited provincial governments to adopt similar measures.

tax amnesty is estimated to raise revenue in 1984 by about 0.2 percent of GDP. There also have been some measures that have the effect of lowering tax receipts, including a reduction in the export tax on wheat from 25 percent to 18 percent in December 1983 and the exemption from value-added tax of foodstuffs and medicines as of January 1, 1984.

The budget proposal points to a reduction in the deficit of the nonfinancial public sector (budget basis) from 16 3/4 percent of GDP in 1983 to about 10 percent of GDP in 1984. This outcome would result mainly from a major effort on the revenue side, particularly by the general government--the sum of its current and capital receipts would increase from 23 1/2 percent of GDP in 1983 to slightly less than 27 1/2 percent of GDP in 1984; there also would be a substantial increase in the revenue of the public enterprises. Current expenditures of the general government and the public enterprises are each estimated to go down in terms of GDP by about 1/2 percentage point. Capital outlays of the nonfinancial public sector are budgeted at a level of 9.3 percent of GDP, showing some increase over the previous year's level.

On the revenue side, the budget proposal contemplated the following measures, which when fully implemented would yield, on an annual basis, the equivalent of nearly 6 percent of GDP (in addition to revenues equivalent to 2 percent of GDP expected from the measures already adopted): (i) reinstatement in October 1984 of an employer's contribution to social security equal to 7.5 percent of wages; (ii) further increases of the tax on fuels in real terms; (iii) a 10 percent real increase during 1984 in the prices charged by public enterprises; (iv) a substantial improvement in provincial tax collections (expected to be brought about by limiting transfers to provinces in the federal government budget); (v) a sizable increase in capital revenues arising from sales of capital goods; and (vi) a sustained effort to improve taxpayer compliance by enhancing the efficiency of federal and provincial tax administrations.

In formulating the budget that was submitted to the Congress in late June, the Government emphasized the need to contain nonwage current expenditures as much as possible while seeking to increase real wages by 6 percent to 8 percent from December 1983 to December 1984. As regards capital investment, the authorities expressed the intent to reduce or delay all outlays that did not have high priority or could be postponed without violating contractual obligations. The budget also aimed at lowering defense spending (from 6.3 percent of GDP in 1983 to 3.9 percent of GDP in 1984) and the spending of the National Commission of Atomic Energy, while raising outlays on health, education, and social services.

#### IV. Financial Intermediation

##### 1. Overall Trends

The rising domestic financing requirements of the public sector and the intensification of cost pressures were accompanied by a sharp increase in the rate of growth of nominal money and credit. Relative to liabilities to the private sector at the beginning of each year, the expansion of net domestic assets of the financial system stepped up from about 110 percent during 1980 to 300 percent during 1982 and almost 700 percent during 1983 (Statistical Appendix Table 53). Over the same period, the rate of growth of narrow money picked up from about 100 percent to 370 percent, and during the year ended in the first quarter of 1984 money rose by almost 500 percent (Chart 7). These developments gave rise to very high and accelerating inflation, a decline in real financial savings, and severe external imbalances.

In real terms, financial system liabilities to the private sector had risen through 1979, meeting the growing demand for credit without a significant loss of external assets (Chart 8). After stabilizing in 1980-81, real private financial assets declined sharply as inflation surged in 1982 and 1983; money and quasi-money in real terms dropped by 30 percent from December 1981 to December 1983. Pushed by burgeoning public sector demand, net domestic credit continued to rise rapidly; with real domestic resources dwindling, the credit expansion had to be financed from abroad. The net external asset loss (including the accumulation of external payments arrears) of the financial system totaled almost US\$20 billion in the period 1980-83.

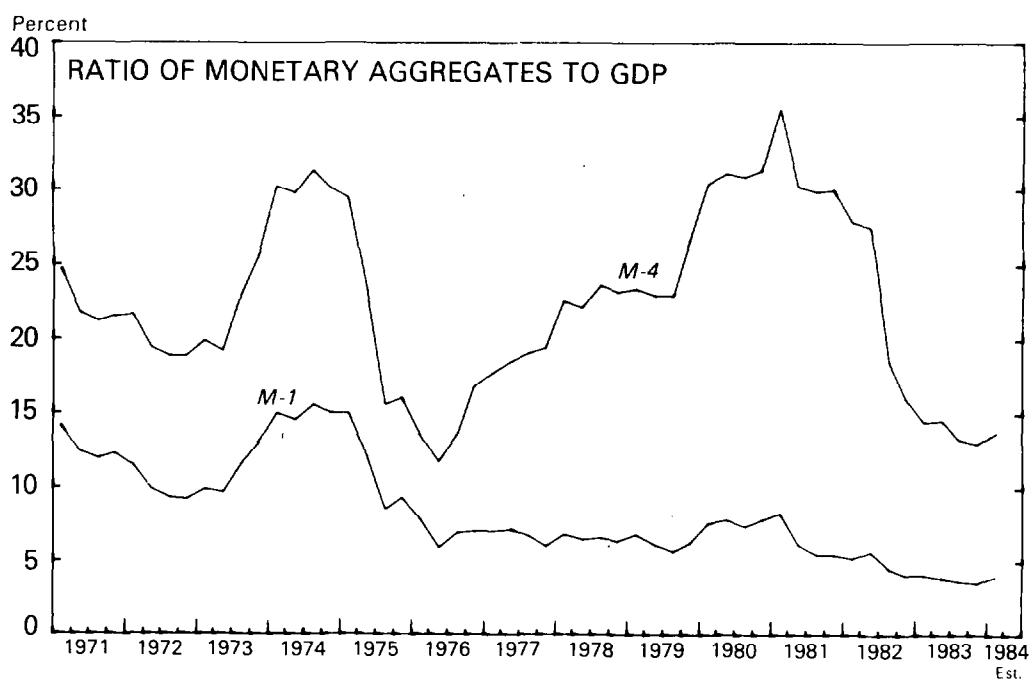
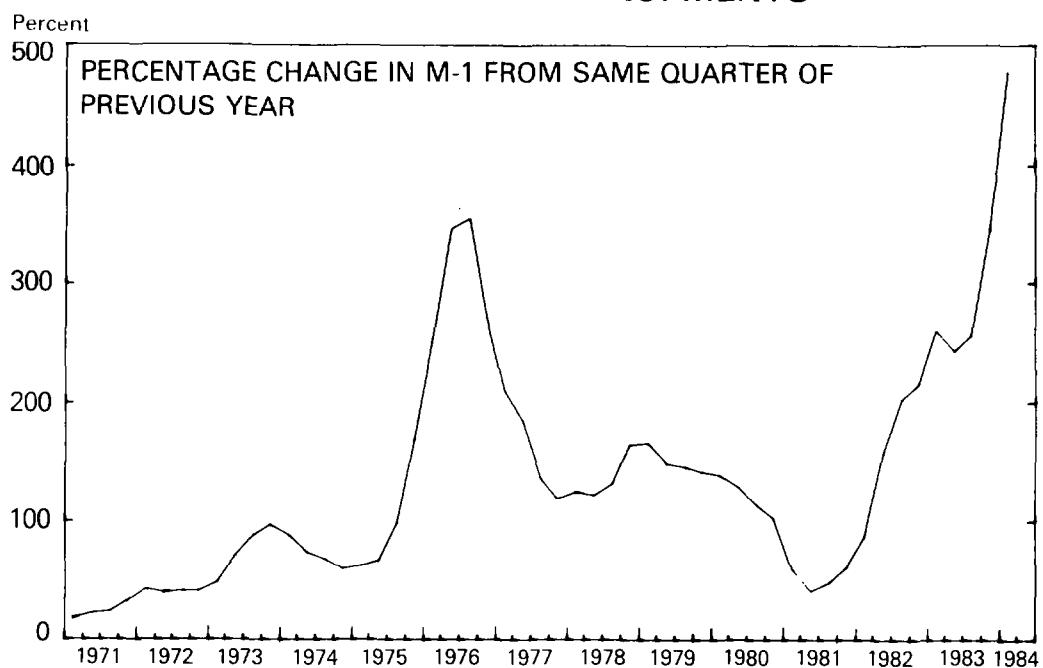
In the past several years, monetary policy shared in the general instability and frequent changes that characterized most areas of economic decision-making. A monetary policy during 1981 that was overly accommodating of the cost and price pressures emanating from the successive currency devaluations gave way to the stabilization effort of the first half of 1982. The financial reform of mid-1982 aimed at reactivating the economy by setting interest rates sharply negative in real terms and engineering a massive transfer of resources from savers to corporate debtors, who in preceding years had borrowed heavily, especially in foreign currency.<sup>1/</sup> A recovery of demand followed the change in policy in mid-1982, but it consisted mainly of a surge in consumption, while investment continued to plummet; at the same time, there was a surge in inflation and a sharp contraction in real money balances.

The economic stabilization program developed in late 1982 was initially successful in reducing inflation and slowing the rate of decline in real money balances. However, demand management was relaxed beginning

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<sup>1/</sup> See Appendix D of SM/83/12 for details of the July 1982 reform, and Appendix II of this report for a description of its impact on the financial system.

CHART 7  
ARGENTINA  
MONETARY DEVELOPMENTS



Source: Central Bank of Argentina.

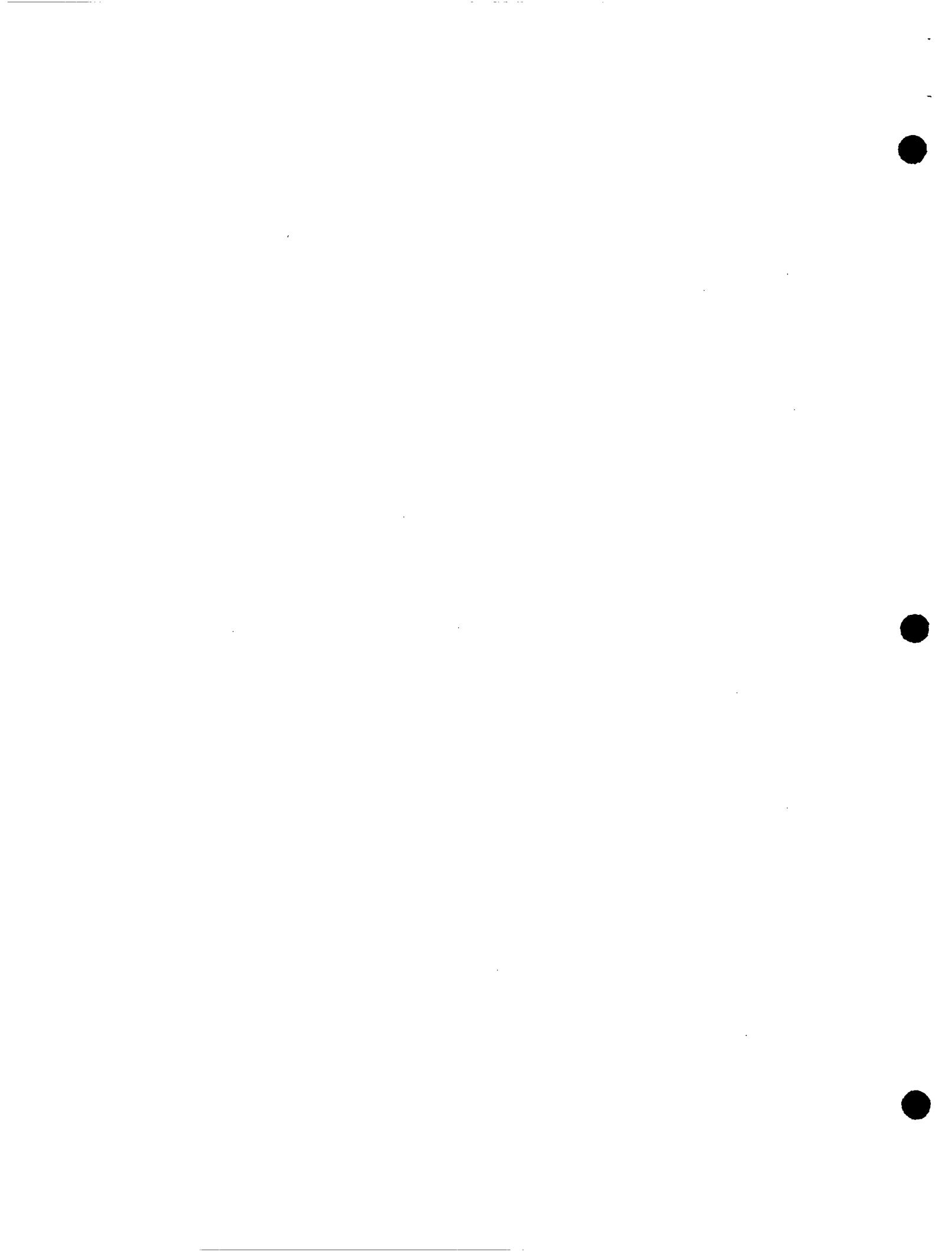
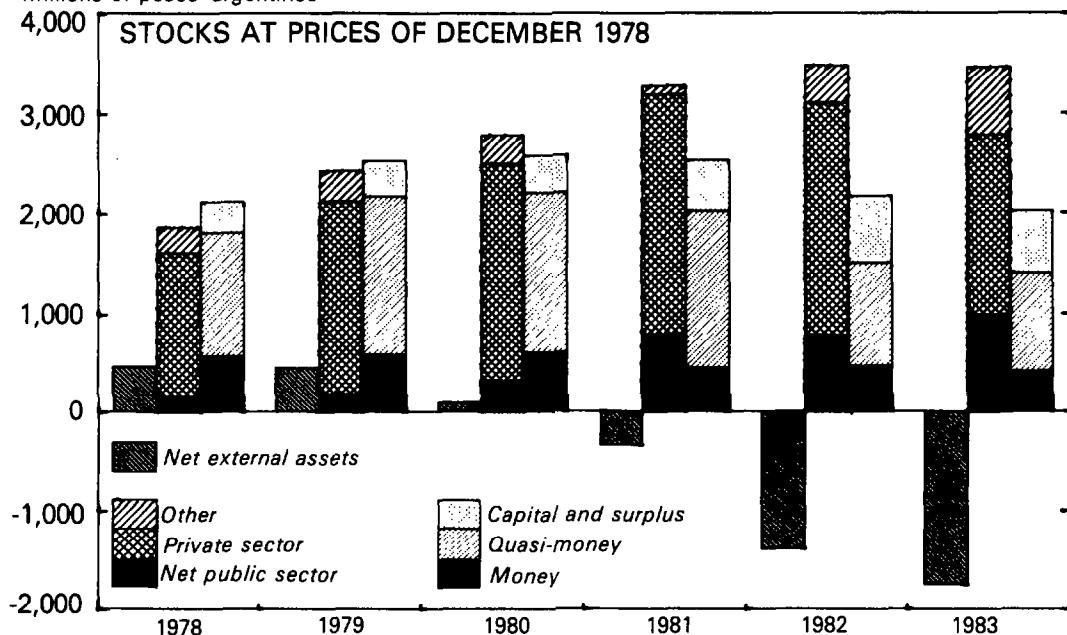
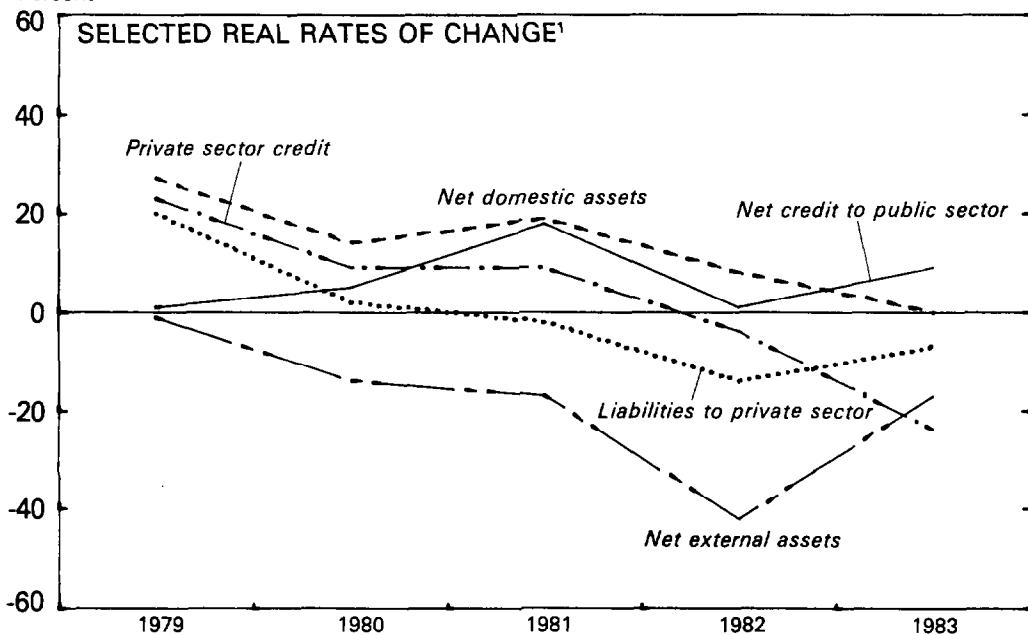


CHART 8  
ARGENTINA  
FINANCIAL SYSTEM ASSETS AND LIABILITIES

Millions of pesos argentinos

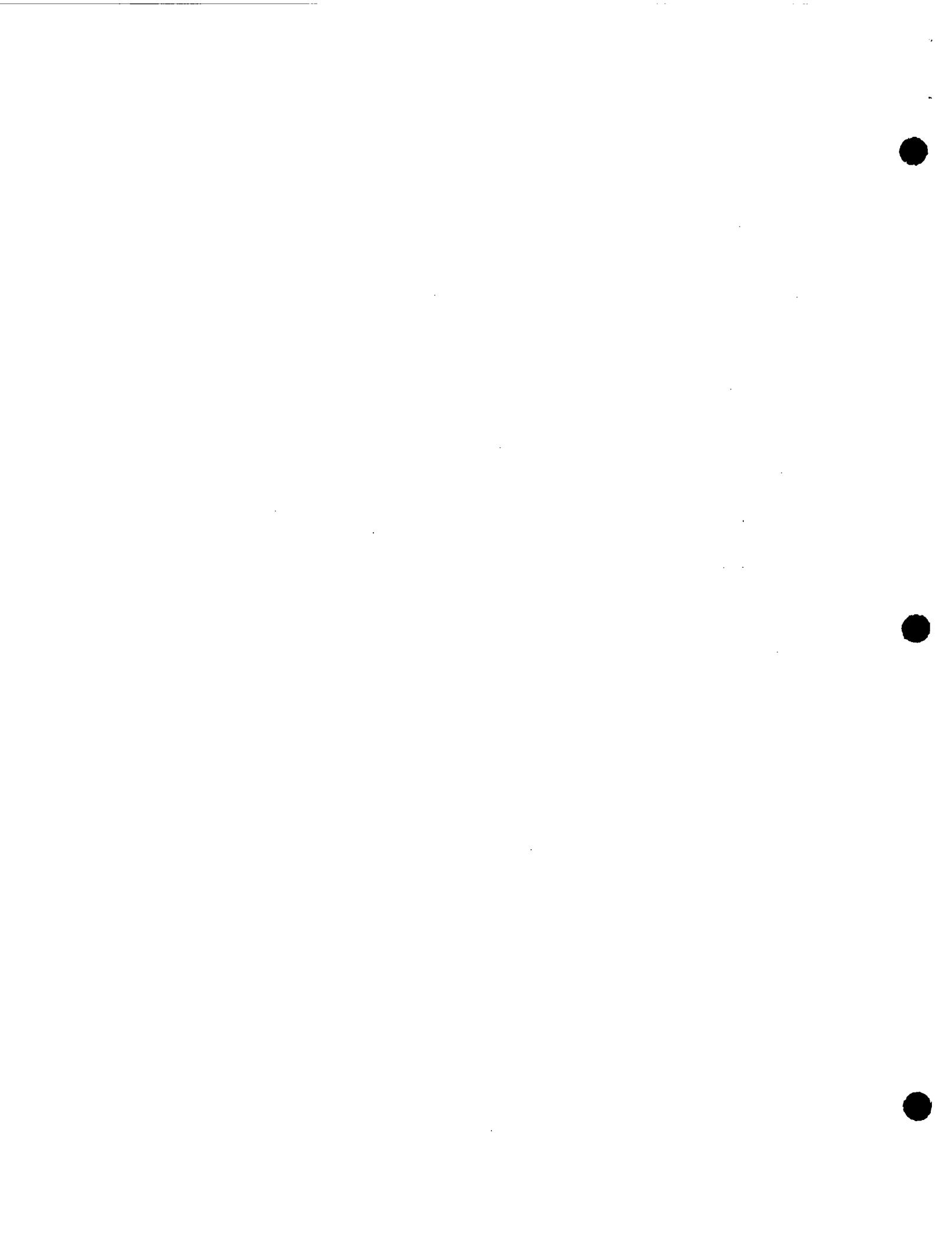


Percent



Source: Statistical Appendix Table B.

<sup>1</sup>Change percent per year relative to liabilities to private sector at beginning of year; deflated by consumer price index.



in mid-1983 and the degree of interest rate flexibility was reduced. Thus far in 1984, monetary policy has continued to be expansionary-- albeit less so than in late 1983--while credit policies have moved in the direction of increasing the share of operations at market-related interest rates. However, the bulk of operations still takes place at regulated rates, which generally have remained substantially negative in real terms.

2. Supply of loanable funds

After almost doubling in real terms from end-1976 to end-1979, private sector financial assets stabilized in 1980 and then declined; from end-1980 to end-1983, they fell by close to 40 percent (Table 20). The behavior of the different types of assets can be broadly explained by changes in inflation and in real interest rates. The pickup of inflation during 1981 occasioned a 27 percent contraction of real M1, while positive real interest rates kept real quasi-money almost unchanged. During 1982, however, the mid-year financial reform generated higher inflation and strongly negative real interest rates, and quasi-money in real terms dropped by 34 percent. Real M1, on the other hand, rose marginally. During 1983, as inflation accelerated yet further and regulated interest rates remained substantially negative most of the year, money fell by 12 percent and quasi-money by 3 percent in real terms (Statistical Appendix Table 55).

Table 20. Argentina: Private Sector Financial Assets in Real Terms 1/  
(December 1979=100)

|                            | Year-end |      |      |      |      | March 31,<br>1984 |
|----------------------------|----------|------|------|------|------|-------------------|
|                            | 1979     | 1980 | 1981 | 1982 | 1983 |                   |
| Total                      | 100.0    | 99.7 | 92.4 | 72.2 | 62.6 | 63.3              |
| Claims on financial system | 95.7     | 97.1 | 89.4 | 66.1 | 62.1 | 62.5              |
| Treasury debt instruments  | 4.2      | 2.6  | 3.0  | 6.1  | --   | --                |
| Bankers' acceptances       | 0.1      | 0.1  | 0.1  | --   | 0.5  | 0.8               |

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

1/ Deflated by the consumer price index.

Within the total of deposits held with financial institutions, there has been a shift from regulated to indexed deposits; the bulk of deposits is still at regulated rates, owing to limitations established by the authorities on alternative instruments (Table 21). Indexed deposits are subject to a minimum maturity requirement, which makes them illiquid. Free-rate instruments (bankers' acceptances) have a high minimum denomination, and banks are subject to limits on the amounts of acceptances they can issue. The persistence of high inflation in Argentina has made financial markets extremely volatile as the bulk of transactions has tended to be at very short-term--typically between 7 and 30 days for free-rate operations and for regulated-rate deposits--and at various times the authorities have established instruments (including indexed deposits and loans) with a view to lengthening the term of operations.

Table 21. Argentina: Distribution of Deposits

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

|                      | At Free-<br>Market<br>Rates | At Regu-<br>lated<br>Rates | Indexed<br>Deposits | Foreign<br>Currency<br>Deposits | Total | Memorandum<br>Item: Total<br>Deposits in<br>Real Terms<br>(March 1982<br>=100) <sup>2/</sup> |
|----------------------|-----------------------------|----------------------------|---------------------|---------------------------------|-------|--|
| <u>1982</u>          |                             |                            |                     |                                 |       |  |
| March                | 93.3                        | --                         | --                  | 6.7                             | 100.0 | 100.0  |
| June                 | 97.0                        | --                         | --                  | 3.0                             | 100.0 | 92.5   |
| September            | 9.8                         | 75.7                       | 5.2                 | 9.3                             | 100.0 | 62.8   |
| December             | 11.3                        | 63.0                       | 14.3                | 11.4                            | 100.0 | 59.1   |
| <u>1983</u>          |                             |                            |                     |                                 |       |  |
| March                | 7.0                         | 68.9                       | 12.5                | 11.7                            | 100.0 | 62.7   |
| June                 | 6.9                         | 66.6                       | 14.6                | 11.9                            | 100.0 | 62.1   |
| September            | 2.2                         | 70.5                       | 19.4                | 7.9                             | 100.0 | 53.2   |
| December             | 1.4 <sup>3/</sup>           | 70.7                       | 22.1                | 5.9                             | 100.0 | 55.5   |
| <u>1984</u>          |                             |                            |                     |                                 |       |  |
| March                | 1.8 <sup>3/</sup>           | 65.5                       | 24.6                | 8.1                             | 100.0 | 58.4   |
| June (prel.<br>est.) | 4.6 <sup>3/</sup>           | 60.3                       | 27.1                | 8.0                             | 100.0 | 55.1   |

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

<sup>1/</sup> Excludes accrued interest.

<sup>2/</sup> Deflated by the consumer price index.

<sup>3/</sup> Includes bankers' acceptances.

The mid-1982 reform sought eventually to have a significant proportion of intermediation taking place through two-year price-indexed loans financed largely from one-year price-indexed deposits. In April 1983, a three-month U.S. dollar-indexed deposit was introduced to attract medium-term savings; the deposits were subject to a 100 percent reserve requirement. The term on price-indexed deposits was reduced in stages to four months in September 1983, but subsequently, as other instruments with nonregulated rates were made available, the term on both price- and exchange rate indexed deposits was raised gradually; in July 1984, it was increased to seven months.

The share of deposits with free-market rates has fluctuated considerably in the past two years, as the Central Bank has alternated between attempts to reduce the use of unregulated instruments and attempts to encourage it. The July 1982 reform had left a small share of financial operations with unregulated interest rates, namely deposits of more than 90 days and the loans financed by these deposits. However, there were limits on the amounts that each bank could intermediate and the relatively long maturities of the deposits kept them to generally less than 10 percent of total interest-bearing private sector deposits.

Because of the constraints on the expansion of the free-rate segment of the market, banks had no incentive to compete for funds and the deposit rate remained only marginally above the regulated rate. On the loan side, however, the rate was market-determined and closely followed the evolution of free rates in the interbank money market. As a result, the spread in the free-rate market became very high (Chart 9). In August 1983, the authorities abolished the free-rate market, replacing loan balances outstanding on that date by loans at regulated rates; outstanding free-rate deposits could run their term but could not be renewed. Despite its relatively reduced size, the uncontrolled-rate segment of the financial market was a significant source of profits, and its elimination worsened the financial situation of many institutions which already had been weakened by the economic recession and the financial reform of July 1982.

The maintenance of regulated interest rates well below market-clearing levels provided the incentive for the establishment of a parallel financial market handling primarily interfirrm transactions, usually against security of dollar-denominated government bonds (BONEX) or company cheques.<sup>1/</sup> In an attempt to channel part of the interfirrm market through the financial system, in late 1983 the authorities authorized banks to offer bankers' acceptances; this instrument was not subject to reserve requirements and there was no interest-rate limitation, but banks were subject to a limit on the amount of acceptances

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<sup>1/</sup> Given its nature, the size of this market cannot be measured with any accuracy; estimates of the size of this market at its peak ranged as high as 25 percent to 40 percent of total operations intermediated by financial institutions.

they could hold.<sup>1/</sup> The appeal of this new instrument initially was limited by the large size of its minimum denomination and by the existence of a stamp tax of 1 percent (which, given the short-term nature of most transactions, represented a significant cost). The tax was abolished in May 1984, and the real value of the minimum denomination has come down with inflation, but acceptances still are not an instrument readily accessible to small savers; in fact, financial institutions provide no free-rate liquid instrument for small savers.<sup>2/</sup>

The use of treasury bills to finance the public sector had increased substantially in 1982, and holdings of these bills represented 8 1/2 percent of total private sector financial assets at the end of 1982, their highest relative share since 1977. In early 1983, the authorities redeemed all treasury obligations held by the public and replaced them with a bond that was virtually non-interest bearing, to be held by the Central Bank. This move shifted the debt burden of the nonfinancial public sector to the Central Bank, giving rise to sizable operating losses for the Bank (discussed in subsection 4 below).

### 3. Credit operations

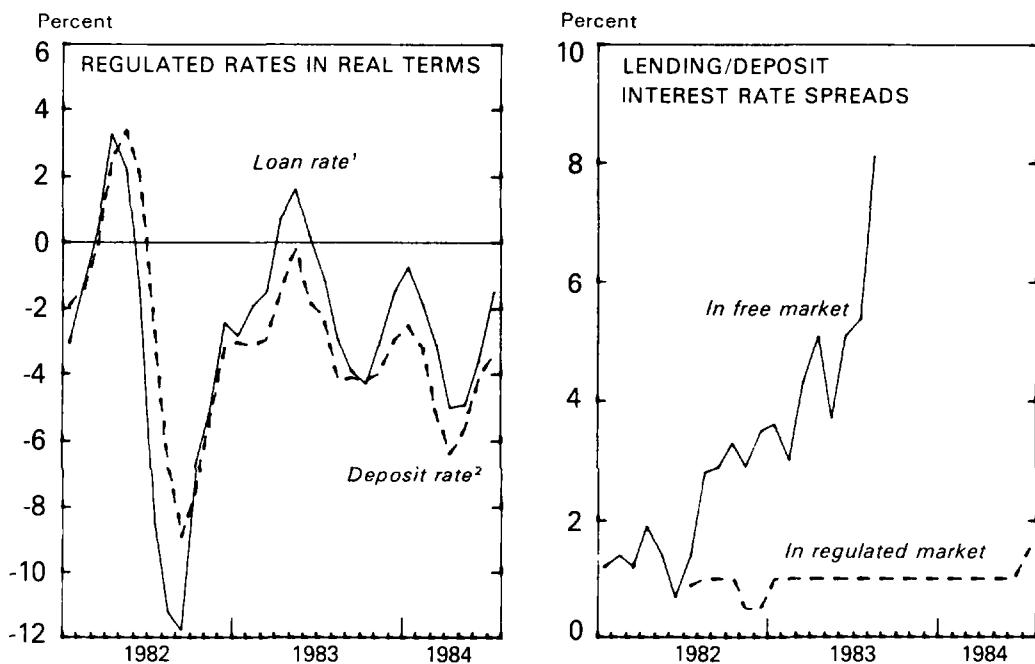
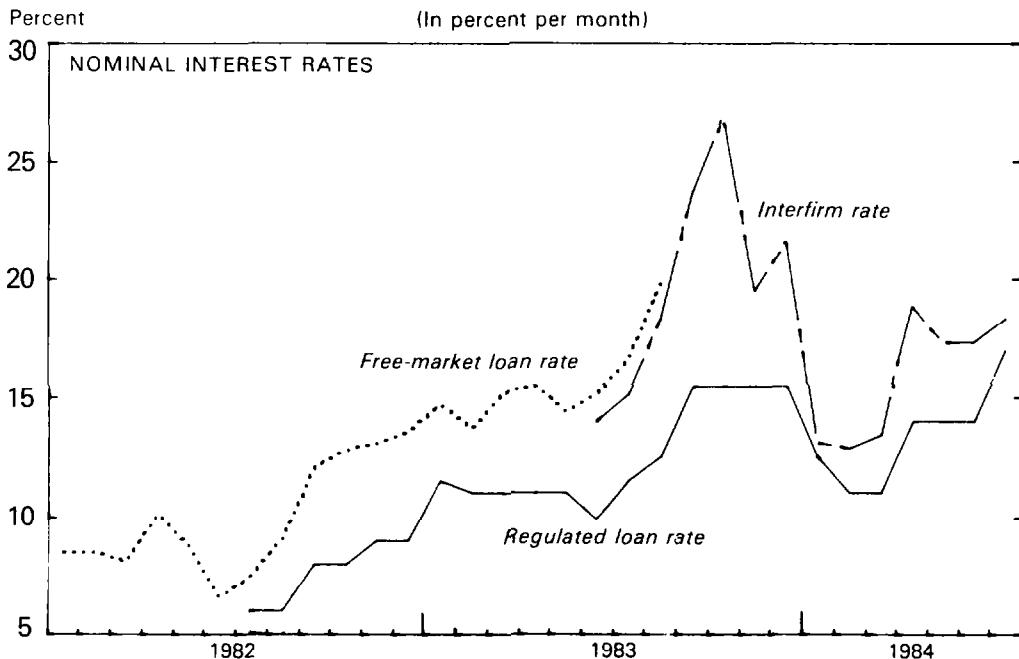
Net domestic credit in real terms increased substantially from 1977 through 1982, funded at first by an increase in liabilities to the private sector and, after 1980, by a decline in net international reserves. In 1983, real net domestic assets declined marginally, as a further decline in real private sector liabilities slightly exceeded the real increase in external liabilities (net of valuation adjustment). Through 1979, private sector demand for credit remained firm, in line with the pace of economic activity, while the public sector relied heavily on direct financing from abroad or the placement of treasury instruments with the nonbank private sector. The economic slowdown which began in 1980 changed the nature of credit demand. The deteriorating public finances (and reduced availability of external resources) sharply increased the public sector's pressure on the domestic financial system. Notwithstanding high real interest rates, private demand for peso-denominated credit remained strong; part of this demand represented distress borrowing and, in addition, the increasingly widespread perception that the peso was overvalued probably added to the demand for local-currency credit. In the two years to December 1981, real credit to the private sector rose by 24 percent, while net credit to the public sector in real terms more than quadrupled (Statistical Appendix Table 55).

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<sup>1/</sup> Each bank's limit is set relative to its volume of regulated-rate deposits. This limit has been raised steadily and in August 1984 was set at 20 percent of regulated deposits plus 5 percent of the institution's own capital.

<sup>2/</sup> For purposes of comparison, the original minimum denomination for bankers' acceptances at the prevailing official exchange rate was about US\$150,000; with a reduction in the nominal peso limit and given the high rate of inflation and depreciation of the peso in nominal terms, in July 1984 the minimum denomination was equivalent to about US\$9,000.

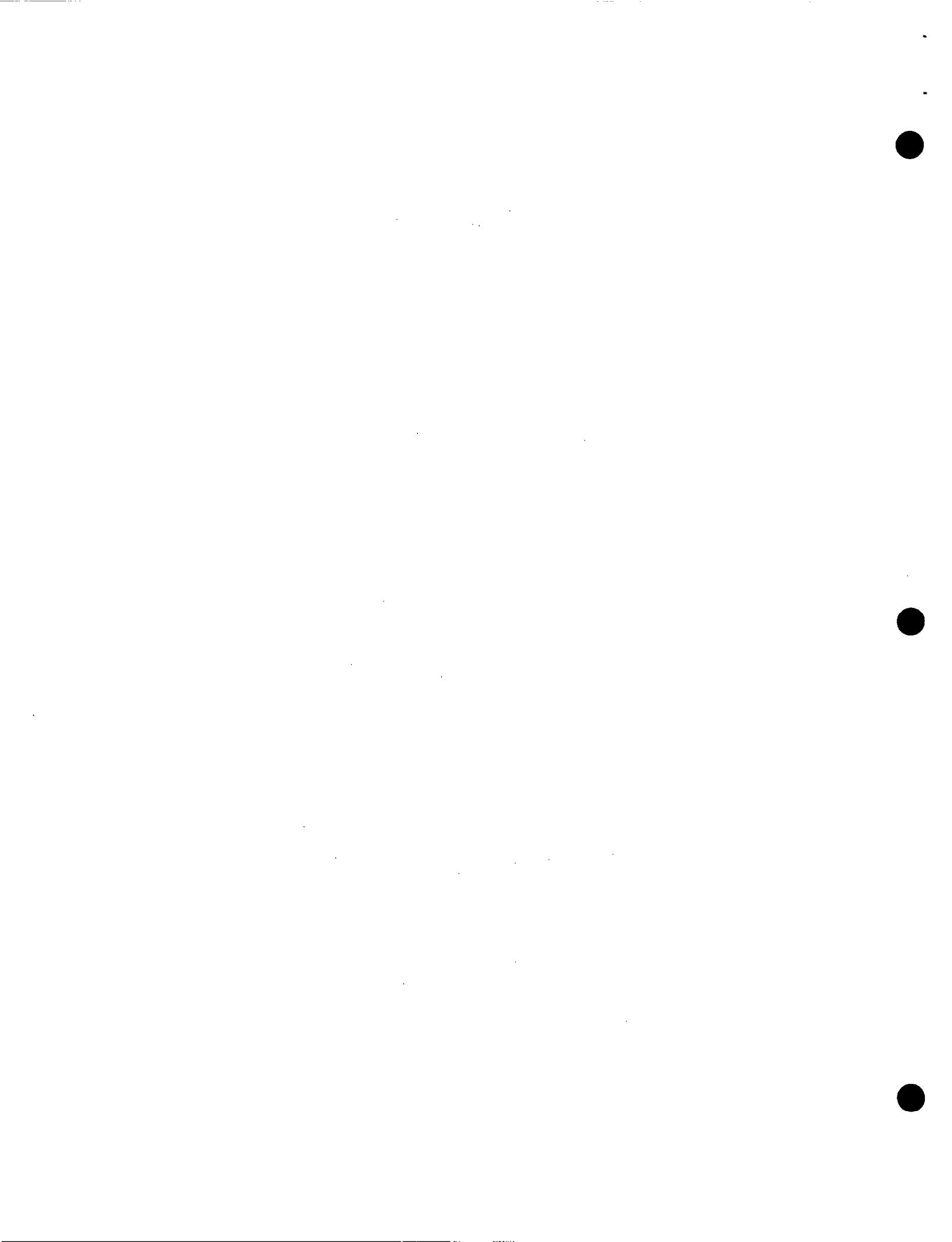
CHART 9  
ARGENTINA  
INTEREST RATE DEVELOPMENTS



Source: Central Bank of Argentina.

<sup>1</sup>Nominal rate deflated by change in wholesale price index; 3-month moving average.

<sup>2</sup>Nominal rate deflated by change in consumer price index; 3-month moving average.



As intended, the financial reform of mid-1982 had a profound impact on real private sector debt to the financial system. Credit to the private sector accounted for some 60 percent of the nominal increase in total credit in 1982 and almost 50 percent in 1983, but in real terms it dropped by 26 percent in the two-year period through December 1983 (Table 22). The end-June 1982 private debt to financial institutions, which was mainly short-term and at market-determined interest rates, was rescheduled over longer periods at regulated negative real interest rates, resulting in a substantial decrease in real debt and an improvement in cash flow.

The authorities that took office in December 1983 have maintained the system of regulated interest rates and of indexed instruments for longer-term credit and deposit operations. They also have attempted to allocate credit to economically less developed regions and to assist small financial intermediaries. Institutions located outside of greater Buenos Aires, as well as all savings and loan institutions and credit unions, may lend a larger proportion of their resources at indexed rates and are subject to lower marginal reserve requirements. Banks outside greater Buenos Aires, credit cooperatives, and nonbank financial intermediaries also enjoy a larger spread between the interest rate they pay on central bank rediscounts and the rate they are allowed to charge their clients.

The reserve ratio was gradually reduced from 100 percent in December 1982 to 86 percent in November-December 1983. A fractional reserve system introduced in December 1983 maintained this ratio for the level of deposits outstanding in December 1983, with deposit increases over that level being subject to requirements that differ according to the geographic location of the institution. Three zones were established: Zone A consists of greater Buenos Aires, Zone C includes the economically least-developed provinces, and Zone B comprises all remaining areas; the lowest requirements apply to Zone C. The incremental reserve ratio has been reduced gradually during 1984, and for August was set at 81 percent for sight deposits and 80 percent for term deposits in Zone A; the ratios for Zones B and C are 70 percent and 67 percent, respectively, applicable to all deposits regardless of term (Statistical Appendix Table 56).

Public sector demand for credit increased sharply in recent years as the fiscal deficit rose and access to foreign loans was limited. As a share of the increase in net domestic assets, credit to the public sector rose from 7 percent in 1979 to 30 percent in 1981. The share declined to 22 percent in 1982 before rising back to 30 percent in 1983.<sup>1/</sup> The increase in banking system credit to the public sector in 1983 includes the substitution of central bank loans for treasury debt held by the nonbank public.

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<sup>1/</sup> It should be noted that part of the increase in unclassified assets in 1982 and 1983 represents the counterpart of adjustments to net international reserves of the Central Bank (arrears and external government bonds) that in fact should be considered as credit to the public sector.

Table 22. Argentina: Changes in Credit by Destination and Financing

|   | 1979         | 1980         | 1981          | 1982          | 1983           |
|---|--------------|--------------|---------------|---------------|----------------|
| (In millions of pesos argentinos, at year-end exchange rates) |              |              |               |               |                |
| <u>Total</u>  | <u>3,955</u> | <u>6,666</u> | <u>21,529</u> | <u>77,795</u> | <u>483,344</u> |
| <u>Destination</u>  |              |              |               |               |                |
| Public sector (net)   | 275          | 969          | 6,560         | 17,168        | 143,614        |
| Interest Equalization Fund                                    | 122          | -172         | 354           | 301           | 28,540         |
| Private sector  | 3,190        | 5,106        | 15,325        | 49,507        | 233,283        |
| Other 1/  | 368          | 763          | -710          | 10,819        | 77,907         |
| <u>Financing</u>  |              |              |               |               |                |
| Liabilities to private sector                                 | 3,945        | 5,507        | 14,623        | 43,731        | 275,539        |
| Net foreign assets (increase -)2/                             | -616         | 610          | 3,887         | 41,100        | 255,341        |
| Valuation adjustment 3/                                       | 626          | 549          | 3,019         | -7,036        | -47,536        |
| (Percentage distribution)                                     |              |              |               |               |                |
| <u>Total</u>  | <u>100.0</u> | <u>100.0</u> | <u>100.0</u>  | <u>100.0</u>  | <u>100.0</u>   |
| <u>Destination</u>  |              |              |               |               |                |
| Public sector (net)   | 7.0          | 14.5         | 30.5          | 22.1          | 29.7           |
| Interest Equalization Fund                                    | 3.1          | -2.6         | 1.6           | 0.4           | 5.9            |
| Private sector  | 80.7         | 76.6         | 71.2          | 63.6          | 48.3           |
| Other   | 9.3          | 11.4         | -3.3          | 13.9          | 16.1           |
| <u>Financing</u>  |              |              |               |               |                |
| Liabilities to private sector                                 | 99.7         | 82.6         | 67.9          | 56.2          | 57.0           |
| Net foreign assets  | -15.6        | 9.2          | 18.1          | 52.8          | 52.8           |
| Valuation adjustment  | 15.8         | 8.2          | 14.0          | -9.0          | -9.8           |
| (In real terms, at price of December 1978)4/                  |              |              |               |               |                |
| <u>Total</u>  | <u>568</u>   | <u>349</u>   | <u>495</u>    | <u>201</u>    | <u>-9</u>      |
| <u>Destination</u>  |              |              |               |               |                |
| Public sector (net)   | 24           | 132          | 454           | 15            | 201            |
| Interest Equalization Fund                                    | -48          | -95          | 19            | -21           | 146            |
| Private sector  | 482          | 230          | 243           | -96           | -525           |
| Other   | 110          | 82           | -221          | 303           | 168            |
| <u>Financing</u>  |              |              |               |               |                |
| Liabilities to private sector                                 | 428          | 48           | -51           | -346          | -160           |
| Net foreign assets  | 12           | 346          | 433           | 1,053         | 362            |
| Valuation adjustment  | 128          | -45          | 113           | -506          | -211           |

Sources: Statistical Appendix Tables 53, 55, and 57.

1/ Consists of intrasystem float, nonmonetary international organizations, official capital and surplus, and net unclassified assets.

2/ Consists of international reserves and other external assets (including adjustments such as arrears, swaps, etc. in 1982 and 1983).

3/ Includes counterpart to SDR allocations.

4/ Deflated by the consumer price index.

Regarding the other net domestic asset accounts, the year-end balances on the Interest Equalization Fund (or Monetary Regulation Account), which records central bank interest payments on required reserves, are not susceptible of meaningful interpretation.<sup>1/</sup> At the end of both 1982 and 1983, the income earned on certain rediscosounts was netted from the Interest Equalization Fund, and the remaining entry became little more than an arbitrary residual; the changes in this fund should be categorized with other income and expenses of the Central Bank to yield an estimate of the operating gains or losses of the institution.

4. Central bank operating losses

In the latter part of 1982 and early 1983, the Central Bank took over--in the form of a virtually interest-free bond--all public sector debt held by financial institutions and the nonbank private sector. In addition, during 1983 the Central Bank captured resources in the form of deposits indexed to prices or the exchange rate, and lent them at regulated rates that were negative in real terms or at zero interest to the Government. The many disaster-relief or sectoral credit lines at low interest rates also contributed to central bank losses. The cumulative impact of these operations rose steadily through the first quarter of 1984, as shown in Table 23. (The Central Bank also incurred foreign exchange losses on swaps and exchange guarantees, but these cannot readily be quantified and are not included in the estimates provided in Table 23.)

Table 23. Argentina: Domestic Operating Losses of the Central Bank

(In percent of quarterly GDP)

|      | Quarter |                   |     |     |
|------|---------|-------------------|-----|-----|
|      | I       | II                | III | IV  |
| 1983 | 0.7     | 1.8               | 1.1 | 2.0 |
| 1984 | 4.1     | 3.2 <sup>1/</sup> |     |     |

Source: Central Bank of Argentina.

<sup>1/</sup> Preliminary estimate.

<sup>1/</sup> This account was created in 1977. Under the fractional reserve system that prevailed from mid-1977 to mid-1982, operations through this account were relatively small; however, with the introduction of a 100 percent reserve requirement in July 1982, interest payments became very large.

The Central Bank's operating position is expected to improve as the result of a number of steps that have been taken recently, and indeed preliminary estimates suggest that there was some improvement already in the second quarter of 1984. Virtually all new credit extended to the private sector in that quarter was at indexed interest rates rather than at the lower regulated rate. Moreover, the spread between regulated lending and borrowing rates was raised in July from 1 percent to 1 1/2 percent, a move which should increase substantially the Central Bank's margin on its rediscount operations and lower its losses on domestic operations. In addition, in June the premium on exchange guarantees, previously set at the regulated interest rate, was raised to the free-market (bankers' acceptance) rate, thereby eliminating a source of foreign exchange losses of the Central Bank.

##### 5. Interest rates

A significant feature of the financial reform of July 1982 was the subjection to central bank control of interest rates, which hitherto had been largely market-determined and generally positive in real terms (although with substantial fluctuations because of the erratic behavior of price indices). In July 1982, deposit and lending rates were set at 5 percent and 6 percent a month, respectively (while consumer prices rose by 16 percent and wholesale prices by 28 percent). The real rate on deposits was negative on average by almost 6 percent per month in the second half of 1982, and the real value of total private sector interest-bearing deposits declined by 36 percent (see Chart 9).

In the latter part of 1982 deposit and lending rates were raised gradually, and in January 1983 were set at 10 1/2 percent and 11 1/2 percent, respectively. In the early months of 1983 rates became progressively less negative in real terms as inflation slowed. Following the surge of inflation in mid-1983, nominal interest rates were raised to 14 1/2 percent and 15 1/2 percent for deposits and loans, respectively; however, they were sharply negative in real terms in the second half of the year, and well below rates prevailing in an informal (mainly interfirm) market that developed after mid-1982.

The new administration instituted, in its first month in office, a program of setting key policy variables, including interest rates, in line with the projected rate of inflation. Regulated deposit and lending rates were reduced to 11 1/2 percent and 12 1/2 percent in January and were set at 10 percent and 11 percent, respectively, in both February and March. Actual inflation greatly exceeded the inflation projected for these two months, however, and real rates turned out to be sharply negative (about 8 percent per month on average in February and March). Regulated interest rates were raised to 13 percent and 14 percent in April and to 15 1/2 percent and 17 percent in July, but generally remained negative in real terms. During the first half of 1984, regulated rates also remained well below the rates in the interfirm market.

## V. Balance of Payments

### 1. Background

Argentina's trade and overall balance of payments performance has fluctuated widely over the past decade, reflecting primarily changes in exchange rate policy and the attendant variability of the real effective exchange rate. Following a severe balance of payments crisis in the mid-1970s, the peso was depreciated sharply and a strong improvement was recorded in both the trade and the capital accounts. From mid-1977, however, the peso appreciated and in late 1978, as part of a strategy that sought to reduce both actual and expected inflation, the authorities adopted a policy of announcing several months in advance a decelerating schedule of daily exchange rate adjustments (the tablita). Supporting demand management policies were not pursued, however, and the peso appreciated sharply in real terms as actual price and wage increases consistently exceeded those implicit in the tablita. From end-1977 to end-1980, the peso appreciated by fully 150 percent in real effective terms (Chart 10).<sup>1/</sup>

Although this appreciation of the peso was reflected fairly rapidly in a deterioration of the trade balance and the current account, Argentina continued to record a strong overall balance of payments performance through 1979 as the tablita, by reducing both the perceived exchange risk and expected cost of foreign borrowing, induced large-scale private capital inflows (Table 24 and Statistical Appendix Table 58). By the latter part of 1980, however, recognition that the exchange rate policy was unsustainable had become widespread and massive capital flight ensued.

The tablita was abandoned in April 1981, and over the next 20 months the peso moved downward erratically as exchange rate policy was shifted several times in the face of continuing balance of payments pressures. There were discrete devaluations and crawls; the peso was allowed to float and then it was pegged; twice the official exchange market was split and subsequently reunified. The end result of these various actions was that by December 1982 the external value of the peso had declined to a level which, in real effective terms, was almost 70 percent below the peak reached in early 1980 and somewhat below the level of end-1977.

During 1980 and 1981, the authorities had been able to finance both large current account deficits and private capital outflows by borrowing heavily abroad and by running down the very substantial foreign reserve assets of the Central Bank. With the outbreak of the conflict in the South Atlantic in the second quarter of 1982, however, access to international capital markets was curtailed at the same time that capital flight intensified. Extensive exchange and trade controls

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<sup>1/</sup> Adjusted for relative changes in exchange rates and consumer prices in Argentina and its trading partners.

Table 24. Argentina: Summary Balance of Payments

(In millions of U.S. dollars)

|                                | 1978   | 1979   | 1980    | 1981   | 1982   | 1983   |
|--------------------------------|--------|--------|---------|--------|--------|--------|
| <u>Current account</u>         | 1,833  | -536   | -4,768  | -4,714 | -2,358 | -2,438 |
| Merchandise trade              | 2,566  | 1,110  | -2,519  | -287   | 2,287  | 3,320  |
| Exports, f.o.b.                | 6,400  | 7,810  | 8,021   | 9,143  | 7,624  | 7,835  |
| Imports, c.i.f.                | -3,834 | -6,700 | -10,540 | -9,430 | -5,337 | -4,515 |
| Nonfactor services             | -100   | -761   | -740    | -705   | 42     | -365   |
| Travel                         | -307   | -998   | -1,447  | -1,058 | 44     | -53    |
| Other                          | 207    | 237    | 707     | 353    | -2     | -312   |
| Investment income              | -681   | -920   | -1,531  | -3,700 | -4,718 | -5,408 |
| Profits and dividends          | -276   | -427   | -584    | -735   | -316   | -425   |
| Interest receipts              | 315    | 681    | 1,228   | 886    | 524    | 440    |
| Interest payments              | -720   | -1,174 | -2,175  | -3,850 | -4,926 | -5,423 |
| Transfers                      | 48     | 35     | 23      | -22    | 31     | 15     |
| <u>Capital account</u>         | 1,250  | 4,784  | 2,201   | 1,091  | -3,816 | -112   |
| Direct investment              | 274    | 265    | 788     | 927    | 257    | 183    |
| Trade finance 1/               | -423   | 778    | -115    | -3,386 | -2,390 | -346   |
| Other private sector 2/        | 22     | 2,599  | -1,455  | -888   | -1,183 | 97     |
| Other public sector 3/         | 1,377  | 1,142  | 2,983   | 4,438  | -500   | -46    |
| <u>SDR allocation</u>          | --     | 73     | 74      | 70     | --     | --     |
| <u>Overall balance</u>         | 3,083  | 4,321  | -2,493  | -3,553 | -6,174 | -2,549 |
| <u>Valuation adjustment 4/</u> | 166    | 132    | -227    | -357   | -108   | -283   |
| <u>Change in net reserves</u>  | 3,249  | 4,453  | -2,720  | -3,910 | -6,282 | -2,832 |
| Assets                         | 1,878  | 4,314  | -2,857  | -3,514 | -685   | 129    |
| Liabilities (increase -)       | 1,371  | 139    | 137     | -396   | -5,597 | -2,961 |
| IMF credit                     | 418    | --     | --      | --     | --     | -1,173 |
| Credit tranches                | (151)  | (--)   | (--)    | (--)   | (--)   | (-629) |
| Compensatory                   | (267)  | (--)   | (--)    | (--)   | (--)   | (-544) |
| Payments arrears               | --     | --     | --      | --     | -2,540 | -682   |
| Other liabilities              | 953    | 139    | 137     | -396   | -3,057 | -1,106 |

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

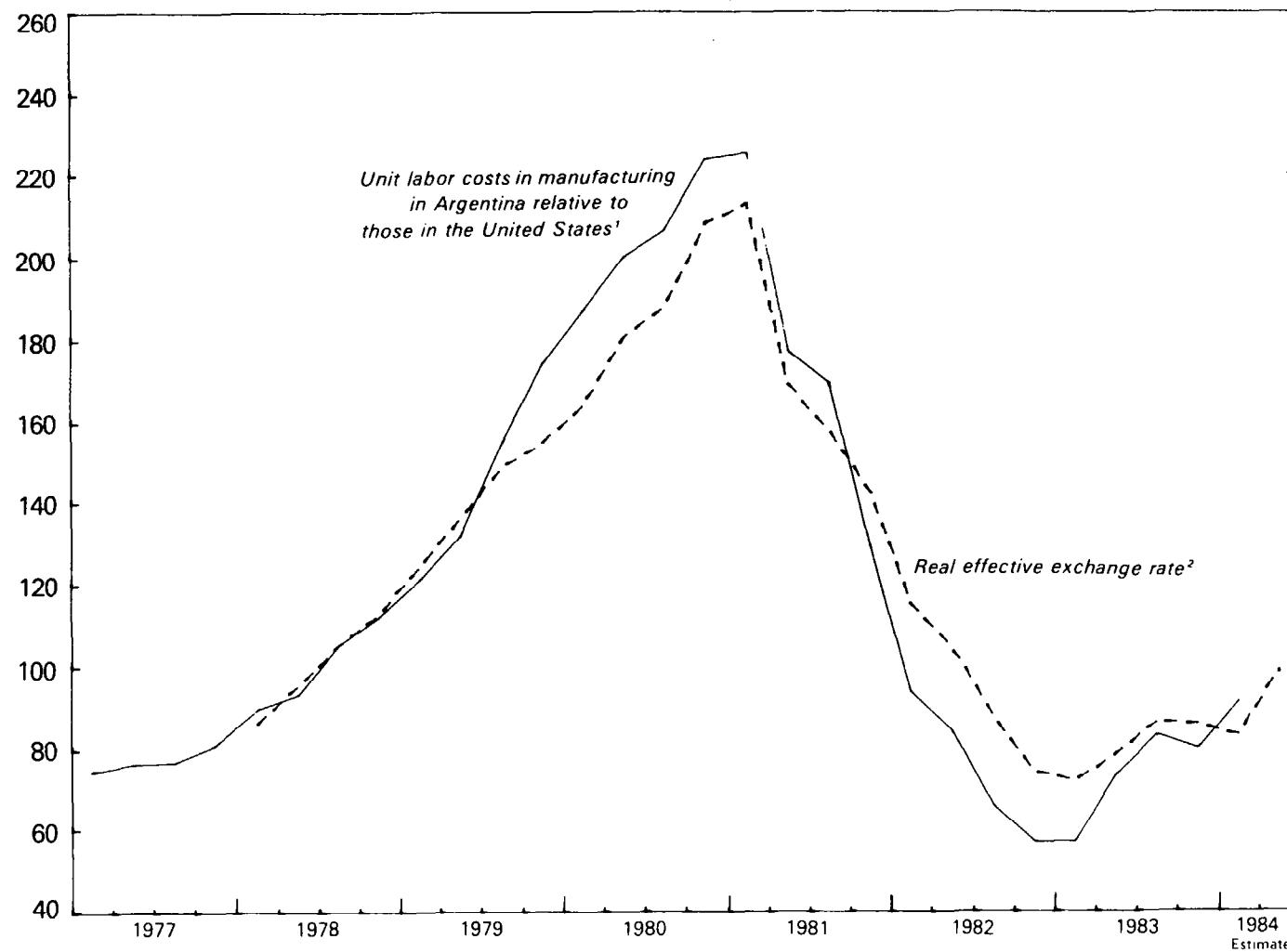
1/ Includes trade-related leads and lags, as well as identified trade credits.

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

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

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

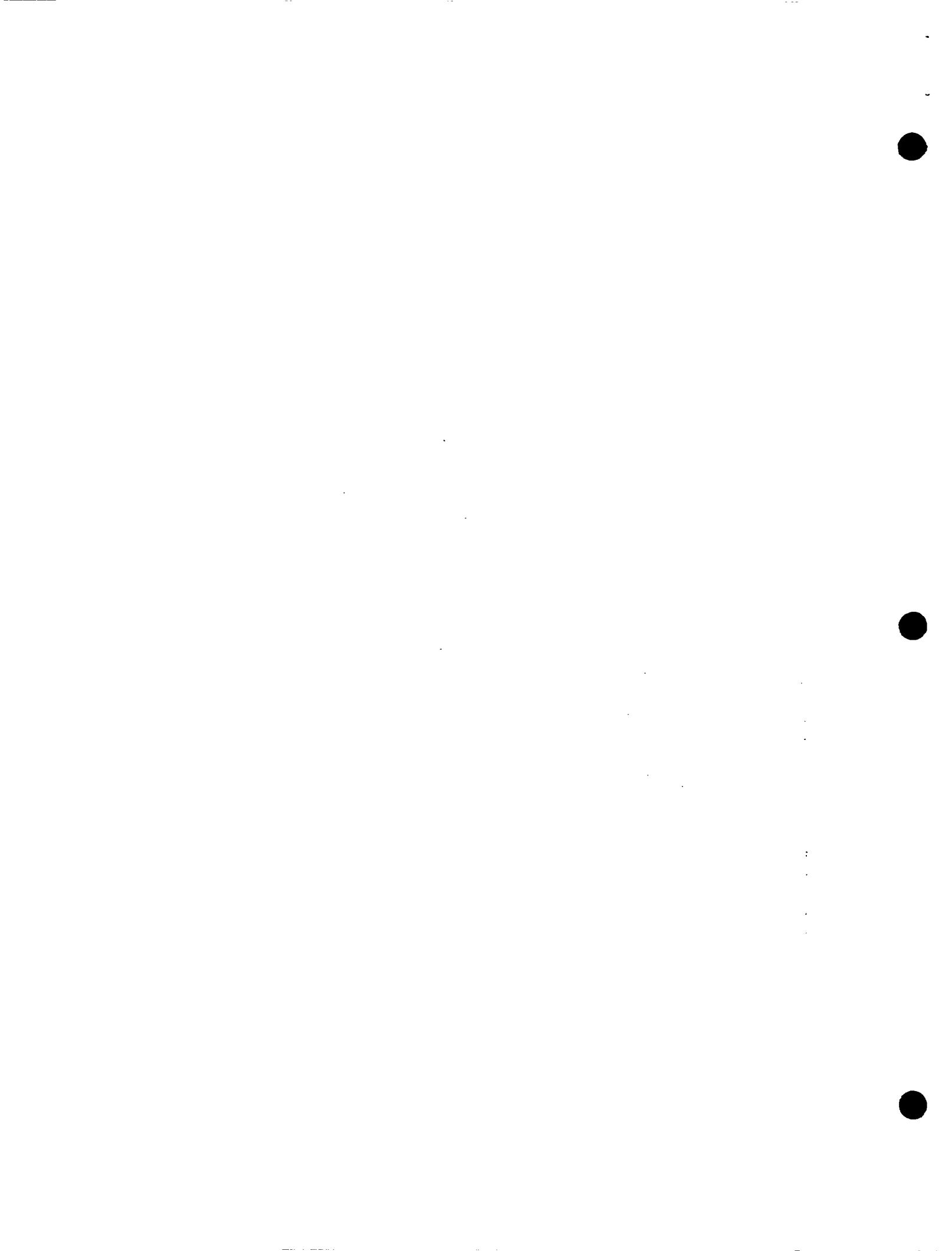
CHART 10  
ARGENTINA  
INDICATORS OF COMPETITIVENESS  
(1978 = 100)



Sources: Central Bank of Argentina and Fund staff estimates.

<sup>1</sup>Adjusted for exchange rate changes and for seasonal variations.

<sup>2</sup>Index is trade weighted and includes nominal exchange rates of major trading partners, deflated by seasonally adjusted consumer prices; increase means real appreciation.



were introduced, and a parallel exchange market in which the peso traded at a significant discount emerged for the first time in recent years (Statistical Appendix Table 67). The overall balance of payments deficit widened substantially in 1982, despite a marked improvement in the trade account. The Central Bank financed this higher deficit through the accumulation of external payments arrears and by introducing various schemes to induce the private sector to bring in foreign currency under swap arrangements or to accept U.S. dollar-denominated Government of Argentina bonds (see Appendix IV).

## 2. Overall developments in 1983 and 1984

In late 1982, the Argentine authorities embarked upon an adjustment program that was aimed at bringing the overall balance of payments deficit down from more than US\$6 billion in 1982 to US\$500 million in 1983. While most of this improvement was to have come from a turnaround in the capital account, the authorities also sought a reduction in the current account deficit from US\$2.4 billion in 1982 to somewhat less than US\$1 billion in 1983. Fiscal and credit policies were to be geared to these objectives, and interest and exchange rate policies were to be coordinated with a view to stemming private capital outflows. As a minimum, the exchange rate was to be moved so as to offset domestic inflation.

Although the peso was allowed to appreciate by 20 percent in real effective terms over the six months through June 1983, fiscal and credit policy objectives generally were adhered to in the early months of the year, and the overall balance of payments deficit was reduced to US\$200 million in the first half of 1983 (Table 25). Weaker exports than had been anticipated, as well as higher payments for interest and royalties, resulted in a current account deficit that was much larger than had been projected, both in the first half of 1983 and for the year as a whole. The capital account turned from a deficit of about US\$4 billion in 1982 to a surplus of almost US\$900 million in the first half of 1983, but credit policies were loosened subsequently and net private capital outflows resumed. For the year as a whole, the capital account was in approximate balance and the overall balance of payments deficit exceeded US\$2.5 billion. There was a further, albeit small, real appreciation of the peso in the official exchange market in the second half of 1983. The spread between the rates for the peso in the parallel and official exchange markets, which had been reduced from almost 40 percent at the end of 1982 to below 20 percent in June 1983, jumped to more than 75 percent in September and fell after the elections to about 10 percent in December.

The Government that assumed office in December 1983 adopted a policy of adjusting the exchange rate for the peso in line with the official projection of inflation for each month. In the event, actual price increases consistently exceeded projections and the peso appreciated by a further 19 percent in real effective terms during the first half of 1984, bringing the total appreciation from December 1982 through

June 1984 to 45 percent. The spread between the parallel and official exchange markets widened substantially again in the early months of 1984 and averaged about 50 percent in the second quarter.

Table 25. Argentina: Balance of Payments by Semesters 1/

(In millions of U.S. dollars)

|                                    | 1982          |                | 1983          |                | 1984          |
|------------------------------------|---------------|----------------|---------------|----------------|---------------|
|                                    | First<br>Half | Second<br>Half | First<br>Half | Second<br>Half | First<br>Half |
| <u>Current account</u>             | <u>-607</u>   | <u>-1,751</u>  | <u>-1,065</u> | <u>-1,373</u>  | <u>-132</u>   |
| Merchandise trade                  | 1,699         | 587            | 1,879         | 1,441          | 2,817         |
| Exports                            | 4,516         | 3,107          | 4,041         | 3,794          | 4,792         |
| Imports                            | -2,817        | -2,520         | -2,162        | -2,353         | -1,975        |
| Interest payments                  | -2,309        | -2,618         | -2,647        | -2,776         | -2,658        |
| Other services and transfers (net) | 3             | 280            | -297          | -38            | -291          |
| <u>Capital account</u>             | <u>-2,183</u> | <u>-1,633</u>  | <u>865</u>    | <u>-976</u>    | <u>-53</u>    |
| Direct investment                  | 192           | 65             | 147           | 36             | 120           |
| Trade finance                      | -1,584        | -806           | 551           | -897           | -161          |
| Other private sector               | -852          | -331           | -70           | 168            | 31            |
| Other public sector                | 61            | -561           | 237           | -283           | -43           |
| <u>Overall balance</u>             | <u>-2,790</u> | <u>-3,384</u>  | <u>-200</u>   | <u>-2,349</u>  | <u>-185</u>   |

Source: Central Bank of Argentina.

1/ Not adjusted for seasonal variations.

Despite these developments, very preliminary estimates suggest that the current account deficit was reduced to US\$130 million in the first six months of this year, the best first-half current account performance since 1979. There appears to have been only a small net capital outflow, and the overall deficit was limited to US\$185 million, or slightly less than in the first half of 1983. The main factor underlying this improvement appears to have been a strong increase in export earnings as a result of good harvests, higher prices for many of Argentina's main agricultural exports, and some recovery in manufactured exports. Also, imports were somewhat below the levels of the first half of 1983, perhaps reflecting the impact of a cutback in import authorizations in the final quarter of 1983 (see Section VI).

### 3. The current account

The wide swings in the real effective exchange rate over 1977-82 were mirrored in the trade balance--which shifted from a surplus of US\$2.6 billion in 1978 to a deficit of US\$2.5 billion in 1980 and back to a surplus of US\$2.3 billion in 1982--and in the tourism account. Net interest payments however, mounted steadily over this period, reflecting not only the rise in international interest rates but also Argentina's burgeoning foreign debt and, starting in 1980, rapidly declining foreign reserves. The combined result of these movements was a marked deterioration in the current account balance from a surplus of US\$1.8 billion in 1978 to a deficit of US\$4.8 billion in 1980, followed by a much smaller narrowing of the deficit to US\$2.4 billion in 1982. The deficit remained at about that level in 1983, but as noted above preliminary estimates indicate that the current account deficit was almost eliminated in the first half of this year, the seasonally strong period for Argentina's trade account.

#### a. Imports

Imports accounted entirely for the large swings in the trade balance cited above. The U.S. dollar value of imports nearly tripled from 1978 to 1980, reaching US\$10.5 billion, and then fell to US\$4.5 billion in 1983 (Table 26). Imports were US\$3.2 billion in the fourth quarter of 1980 alone, compared to US\$3.8 billion for all of 1978. By the fourth quarter of 1982, imports had fallen to US\$1.3 billion. While the timing of these movements would indicate that the exchange rate played the key role, other factors tended to work in the same direction. There was a strong pickup in economic activity from 1978 to 1980, followed by a very sharp contraction in 1981 and 1982. Import duties had been reduced during 1979 and 1980, whereas in the period since April 1982 many consumer goods imports have been banned and restrictions on other imports have been imposed with varying intensity. Also, over the past two years difficulties in opening letters of credit or in securing insured suppliers' credits may have constrained the level of imports, particularly of capital goods. The large decline in capital goods imports also reflected a very low level of domestic investment in 1982 and 1983.

There has been a fairly steady downward trend in the share of Argentina's imports supplied by the EEC and other European countries, which fell from 42 percent in 1978 to about 33 percent in 1983 (Statistical Appendix Table 59). Through 1981, Europe's declining role was taken up by rising trade shares for the United States and Japan. Over the last two years, however, the share of Argentina's imports coming from member countries of the Latin American Integration Association (LAIA) increased from 20 percent to 30 percent.

Table 26. Argentina: Imports by Economic Classification

|                               | 1978  | 1979  | 1980   | 1981  | 1982  | 1983  |
|-------------------------------|-------|-------|--------|-------|-------|-------|
| (In millions of U.S. dollars) |       |       |        |       |       |       |
| Total imports, c.i.f.         | 3,834 | 6,700 | 10,541 | 9,430 | 5,337 | 4,515 |
| Capital goods                 | 1,096 | 1,568 | 2,392  | 2,059 | 950   | 800   |
| Consumer goods                | 212   | 700   | 1,857  | 1,632 | 395   | 220   |
| Intermediate goods            | 2,526 | 4,432 | 6,292  | 5,739 | 3,992 | 3,495 |
| Fuels and lubricants          | 472   | 1,099 | 1,075  | 1,011 | 672   | 460   |
| Other                         | 2,054 | 3,333 | 5,517  | 4,728 | 3,320 | 3,035 |
| (In percent of total)         |       |       |        |       |       |       |
| Total imports, c.i.f.         | 100.0 | 100.0 | 100.0  | 100.0 | 100.0 | 100.0 |
| Capital goods                 | 28.6  | 23.4  | 22.7   | 21.8  | 17.8  | 17.7  |
| Consumer goods                | 5.5   | 10.5  | 17.6   | 17.3  | 7.4   | 4.9   |
| Intermediate goods            | 65.9  | 66.1  | 59.7   | 60.9  | 74.8  | 77.4  |
| Fuels and lubricants          | 12.3  | 16.4  | 10.2   | 10.7  | 12.6  | 10.2  |
| Other                         | 53.6  | 49.7  | 49.5   | 50.2  | 62.2  | 67.2  |

Source: Central Bank of Argentina.

#### b. Exports

Agricultural and agro-based products account for three quarters of Argentina's exports (Table 27 and Statistical Appendix Table 60), and weather conditions, as well as international price movements, have a major impact on changes in export receipts from year to year. As the result of very favorable trends in world prices for Argentina's main agricultural exports, total export receipts rose by 25 percent from 1978 to 1980. Export earnings increased further to a peak of US\$9.1 billion in 1981, despite a weakening in prices for some of Argentina's exports, as a record corn harvest in Argentina coincided with continued high prices for corn.

Total exports fell by almost 20 percent in 1982 and recovered only marginally in 1983, as export prices declined steadily over these two years. The volume of agricultural exports also had fallen off sharply in 1982, as the result of poor weather conditions and a disruption of normal trading patterns during and after the conflict in the South Atlantic; however, in 1983 a bumper wheat crop, combined with good harvests for most other export crops, pushed the volume of agricultural exports to the highest level recorded in recent years. Receipts from the main agricultural exports jumped by 25 percent in 1983, but these gains were offset by a large decline in industrial exports.

Table 27. Argentina: Exports by Commodity Classification  
 (In millions of U.S. dollars)

|   | 1979         | 1980         | 1981         | 1982         | Est.<br>1983 |
|---|--------------|--------------|--------------|--------------|--------------|
| <b>Total</b>                                      | <b>7,810</b> | <b>8,021</b> | <b>9,143</b> | <b>7,624</b> | <b>7,836</b> |
| <b>Major agricultural products</b>                | <b>4,003</b> | <b>4,029</b> | <b>5,058</b> | <b>3,584</b> | <b>4,547</b> |
| Wheat   | 605          | 815          | 763          | 676          | 1,474        |
| Corn  | 606          | 512          | 1,306        | 585          | 803          |
| Sorghum   | 322          | 208          | 637          | 508          | 554          |
| Other cereals                                     | 74           | 96           | 125          | 53           | 63           |
| Seeds and oilseeds                                | 730          | 633          | 591          | 455          | 361          |
| Beef  | 737          | 568          | 564          | 488          | 338          |
| Vegetable oils                                    | 473          | 472          | 340          | 409          | 517          |
| Fruit (fresh)                                     | 207          | 180          | 163          | 170          | 122          |
| Wool  | 184          | 234          | 287          | 185          | 145          |
| Sugar   | 65           | 311          | 282          | 55           | 170          |
| <b>Other agricultural and agro-based products</b> | <b>2,062</b> | <b>1,853</b> | <b>1,600</b> | <b>1,516</b> | <b>1,582</b> |
| <b>Mineral products</b>                           | <b>70</b>    | <b>315</b>   | <b>658</b>   | <b>580</b>   | <b>372</b>   |
| Fuel and lubricants                               | 50           | 280          | 622          | 551          | 349          |
| Other   | 20           | 35           | 36           | 29           | 23           |
| <b>Industrial products</b>                        | <b>1,675</b> | <b>1,824</b> | <b>1,827</b> | <b>1,944</b> | <b>1,335</b> |
| Chemical and plastic products                     | 219          | 348          | 352          | 334          | 323          |
| Hides, skins, and leather manufactures            | 460          | 500          | 436          | 351          | 292          |
| Textiles (excluding wool)                         | 95           | 105          | 73           | 80           | 64           |
| Metal manufactures                                | 263          | 217          | 414          | 514          | 318          |
| Machinery   | 300          | 339          | 297          | 296          | 181          |
| Transport equipment                               | 182          | 174          | 126          | 216          | 92           |
| Other   | 156          | 141          | 129          | 153          | 65           |

Source: Statistical Appendix Table 60.

Preliminary information for the first half of 1984 points to a further strong increase in agricultural export earnings and some recovery in industrial exports. Although wheat and beef prices have continued to decline, prices for most of Argentina's main agricultural exports have been rising. The 1983/84 wheat harvest, while below the previous year's peak, was high by historical standards, and soybean production is estimated to have increased by one third to a record level in 1984.

Industrial exports had responded strongly to the real depreciation of the peso in the mid-1970s, approximately doubling in U.S. dollar terms from 1975 to 1978. Over the next four years, earnings from such exports rose at an annual rate of about 4 percent, or less than the increase in world prices for industrial goods, and in 1983 industrial exports fell by almost one third. While the stagnation in industrial exports over 1979-1981 would appear to be attributable primarily to the impact of exchange rate movements on Argentina's competitiveness, the results for 1982 and 1983 were affected by the general contraction in trade in the Latin American region. Argentina's industrial exports to LAIA trading partners fell from about US\$900 million in 1981 to US\$700 million in 1982 and to only US\$360 million in the first 11 months of 1983 (Statistical Appendix Table 61). Industrial exports to the United States had doubled in 1982, more than offsetting the LAIA decline, but fell back again last year to about the 1981 level. There are indications that underinvoicing contributed to the decline in industrial exports in 1983. Preliminary information for the first half of 1984 would indicate that industrial exports were recovering from the 1983 low, but were still less than in previous years.

While Argentina had been running substantial trade surpluses with its LAIA trading partners throughout the latter half of the 1970s, trade with these regional partners was approximately balanced in 1981 and 1982 and last year Argentina recorded a deficit of about US\$500 million with other LAIA countries. The shift in the trade balance with Brazil in 1983 was particularly marked. The share of LAIA countries in Argentina's total exports fell from about 25 percent in 1976-1980 to 20 percent in 1981 and 1982 and to 11 percent in 1983 (Statistical Appendix Table 59). European countries have also been taking a steadily declining proportion of Argentina's exports in recent years, with the EEC's share dropping from one third in 1978 to one quarter last year. The U.S.S.R. stepped up purchases from Argentina at the time of the U.S. grain embargo and has taken at least 20 percent of Argentina's exports each year since 1980. Sales to China and Iran increased sharply in 1983, when these two countries together took 12 percent of Argentina's exports.

c. Nonfactor services

The most important components of Argentina's nonfactor services account are trade-related freight and insurance, tourism and, more recently, royalty payments. Freight and insurance receipts increased strongly from 1978 to 1980 in line with trade volume and then fell

steadily over the following three years. Tourism, like imports, proved to be extremely responsive to exchange rate changes. Expenditures by Argentines traveling abroad jumped from US\$600 million in 1978 to US\$1.8 billion in 1980, but by the first quarter of 1982 such expenditures had declined to less than half their level two years earlier. Restrictions on the availability of exchange for foreign travel were imposed in April 1982, and since September 1983 Argentines traveling abroad have had to purchase exchange at the more depreciated parallel exchange rate, as sales of exchange at the official rate have not been permitted for travel abroad. Outflows on account of tourism fell to about US\$500 million per year in 1982 and 1983. Receipts from tourism, on the other hand, almost doubled from 1980 to 1982, before declining again in 1983. Royalty payments rose steeply over the last two years, largely as the result of payments to foreign firms in connection with a natural gas pipeline.

d. Investment income

Interest payments on Argentina's foreign debt rose steadily from US\$700 million in 1978 to US\$5.4 billion in 1983. This steep rise in interest costs reflects not only the nearly fourfold increase in Argentina's foreign debt over this period, but also higher international interest rates, increased reliance on commercial borrowing, and the rising spreads paid by Argentina on such borrowing. Through 1980 the increase in interest costs was offset to an important extent by higher interest earnings on Argentina's foreign reserves, which at end-1979 were almost equal to outstanding public sector debt. Thereafter, interest receipts declined sharply as foreign reserves were run down, and net interest payments abroad jumped from less than US\$1 billion in 1980 to US\$3 billion in 1981 and to US\$5 billion in 1983. Remittances of profits and dividends rose rapidly through 1981 and then fell back, apparently reflecting both the swings in the level of economic activity and the speeding up of remittances during the period when the peso was substantially overvalued.

4. The capital account

Between end-1978 and end-1982 Argentina's external debt, excluding reserve liabilities, rose by US\$25 billion. During this same period, the cumulative capital account surplus, excluding direct investment, was only US\$2 billion. Although neither the balance of payments nor debt statistics maintained by Argentina in the past permit a reliable analysis of gross capital account inflows and outflows, it is clear that the country's heavy external borrowing over this period financed capital outflows. In the Argentine balance of payments format, an important part of such outflows shows up under the entry for trade finance. This entry is calculated as the difference between (a) exports and imports as recorded by customs and (b) related receipts and payments as recorded by the Central Bank. It therefore represents not only

identifiable trade financing but also leads and lags, and net flows under this entry have historically been quite responsive to monetary and exchange rate policy.<sup>1/</sup>

As noted above, the exchange rate policy adopted in late 1978 initially encouraged private capital inflows. Such inflows, including the trade financing entry, were strongly positive in 1979 and the overall capital account surplus reached almost US\$5 billion. From the latter part of 1980, however, private capital flows turned negative and, despite a marked increase in the pace of public sector borrowing in 1980 and 1981, the overall capital account surplus declined sharply to about US\$1 billion in the latter year. After the outbreak of the conflict in the South Atlantic in the second quarter of 1982, the Argentine public sector was unable to raise new international banking credits, while large private outflows continued, and for 1982 as a whole the capital account registered a deficit of US\$3.8 billion.

Faced with a sharp rundown of disposable exchange reserves, in the last half of 1981 the Central Bank introduced certain schemes to attract or retain private capital. From the second quarter of 1982, when disposable reserves were almost exhausted, reliance on such devices increased and external payments arrears mounted. These various types of exceptional financing, most of which are classified as reserve liabilities in the balance of payments, are discussed below. From mid-1982 onward, capital flows into Argentina, other than those related to trade or exceptional financing, were minimal. As discussed above, during the first half of 1983 the authorities succeeded in bringing capital flight to a halt and, in fact, there were net private capital inflows, particularly through the accelerated surrender of export proceeds. Net outflows resumed, however, in the second semester and, for the year as a whole, the capital account was in approximate equilibrium, a position which appears to have continued in the first half of 1984.

##### 5. Exceptional financing

###### a. Exchange rate guarantees, swaps, and BONEX

From June through December 1981 and again from July through October 1982, the Central Bank offered to provide exchange rate guarantees to private sector borrowers who obtained extensions of existing loans, or contracted new loans, for minimum periods that varied, under different schemes, between one year and 540 days. Also, in December 1981 and again from July 1982 the Central Bank attempted to shore up its reserves by undertaking 180-day foreign currency swap arrangements with both banks and other private sector borrowers in Argentina, and since April 1982 the Central Bank has stood ready to provide U.S. dollar-denominated bonds (BONEX) in lieu of foreign exchange in settlement of private sector payments arrears and certain other restricted payments.

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<sup>1/</sup> Also, in the past, certain public sector imports were apparently not entered in the trade data, although the payments for such imports, when made, were included in the trade financing entry.

By the end of 1982 more than US\$10 billion, or two thirds of the debt of the Argentine private sector, was covered by exchange rate guarantee contracts, US\$1.4 billion in swaps was outstanding, and US\$1.6 billion in BONEX had been issued in lieu of foreign exchange. The first maturities on loans covered by exchange rate guarantees issued in 1981 began to fall due in December 1982; the average guaranteed exchange rate on such loans was one tenth of the actual official exchange rate at that time. A substantial volume of swaps, on which the Central Bank also had incurred important exchange losses, began to mature at about the same time. Unable to provide the foreign exchange to meet the repayment by the private sector of loans covered by swaps and exchange guarantees, the Central Bank decided to mandate the rescheduling of those loans according to specified minimum terms. The various schemes--exchange rate guarantee, swap, and BONEX schemes--introduced by the Central Bank over 1981 and 1982, as well as the terms of these mandatory reschedulings and subsequent developments, are described in Appendix IV.

b. External payments arrears

During the second quarter of 1982, Argentina accumulated US\$2.1 billion in external payments arrears (Table 28).<sup>1/</sup> Through special swap and BONEX schemes, the Central Bank was able to reduce private sector payments arrears substantially in the third quarter of 1982, but public sector arrears mounted and total payments arrears had risen to US\$2.5 billion by the end of 1982. Over the next six months, private sector arrears were virtually eliminated, but both public and private payments arrears rose sharply again in the latter part of 1983, climbing to US\$3.2 billion by year-end. During the first half of 1984, the Argentine authorities assigned priority to clearing payments arrears for private sector imports, and from December 1983 to June 1984 private commercial arrears were reduced from almost US\$900 million to below US\$300 million. Argentina has also cleared interest arrears on public sector debt to foreign banks through early April 1984, although outstanding interest arrears have increased from US\$1 billion at the end of 1983 to almost US\$1.7 billion in June 1984. Total payments arrears rose to almost US\$4 billion in March of this year before declining to less than US\$3.7 billion in June.

c. Exceptional financing from foreign banks

In support of the adjustment effort embarked upon by the Argentine authorities at the end of 1982, Argentina's foreign bank creditors agreed to provide a bridge loan of US\$1.1 billion, to be disbursed over the first half of 1983 and repaid before March 1984, as well as a medium-term loan of US\$1.5 billion. Also, under the terms of a set of "draft

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<sup>1/</sup> The numbers on payments arrears presented throughout this paper exclude arrears of principal on public sector debt that would have been subject to rescheduling under the "draft principles" agreed with Argentina's foreign bank creditors in December 1982.

Table 28. Argentina: External Payments Arrears 1/  
(In millions of U.S. dollars)

|   | 1982         |              | 1983         |              | 1984         |                |
|---|--------------|--------------|--------------|--------------|--------------|----------------|
|   | June         | Dec.         | June         | Dec.         | Mar.         | June <u>2/</u> |
| <b>Total</b>  | <u>2,100</u> | <u>2,540</u> | <u>1,655</u> | <u>3,222</u> | <u>3,993</u> | <u>3,678</u>   |
| <b>Public sector</b>  | <u>527</u>   | <u>2,001</u> | <u>1,208</u> | <u>2,028</u> | <u>2,798</u> | <u>3,875</u>   |
| Commercial arrears <u>3/</u>                                | <u>227</u>   | <u>777</u>   | <u>498</u>   | <u>902</u>   | <u>1,086</u> | <u>1,264</u>   |
| Principal   | (...)        | (...)        | (...)        | (771)        | (915)        | (1,064)        |
| Interest  | (...)        | (...)        | (...)        | (131)        | (171)        | (200)          |
| Financing arrears   | 211          | 879          | 386          | 773          | 1,247        | 1,142          |
| Principal   | (65)         | (65)         | (65)         | (43)         | (16)         | (13)           |
| Interest <u>4/</u>  | (146)        | (814)        | (321)        | (730)        | (1,230)      | (1,129)        |
| Other arrears <u>5/</u>                                     | 89           | 345          | 324          | 353          | 465          | 468            |
| <b>Private sector</b>                                       | <u>1,573</u> | <u>539</u>   | <u>77</u>    | <u>1,194</u> | <u>1,195</u> | <u>804</u>     |
| Commercial arrears <u>3/</u>                                | <u>850</u>   | <u>382</u>   | <u>17</u>    | <u>880</u>   | <u>793</u>   | <u>270</u>     |
| Financial arrears   | 691          | 118          | 20           | 191          | 308          | 434            |
| Principal   | (550)        | (95)         | (20)         | (65)         | (76)         | (100)          |
| Interest  | (141)        | (23)         | (--)         | (126)        | (232)        | (334)          |
| Other arrears <u>5/</u>                                     | 32           | 39           | 40           | 123          | 94           | 100            |
| <b>Payments authorized but<br/>not yet made <u>6/</u></b>   | --           | --           | <u>370</u>   | --           | --           | --             |
| <b>Memorandum item:</b>                                     |              |              |              |              |              |                |
| Accrued interest on BONOD<br>and promissory notes <u>7/</u> | --           | --           | 109          | 217          | 265          | 331            |

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

1/ Excludes arrears of principal on public sector debt to foreign banks that would have been subject to rescheduling under the "draft principles" agreed in December 1982.

2/ Preliminary.

3/ Arrears related to imports. For the private sector, data on principal and interest on such arrears are not available separately.

4/ Includes interest accrued on BONOD and promissory notes issued with respect to exchange-guaranteed loans, but not yet taken up by the foreign creditor or domestic debtor. For March 1984, includes interest owed to banks that was repaid subsequently under special financing arrangements.

5/ Primarily arrears on services and transfers.

6/ Payments, primarily by the public sector, for which exchange authorizations issued by the Central Bank were still valid but had not yet been utilized by the date indicated.

7/ See footnote 4.

"principles" agreed in December 1982, an estimated US\$8-9 billion in maturities on public sector debt to foreign banks that fell due between April 1982 and December 1983 were to have been rescheduled with a grace period of 3 years and a total maturity of 7 years.<sup>1/</sup> In the event, the final US\$300 million installment on the bridge loan was not disbursed until the third quarter of 1983; only the first US\$500 million tranche of the medium-term loan, disbursements of which had been conditioned upon purchases under a stand-by arrangement with the Fund, was drawn down; and the only rescheduling agreement actually concluded was that for the national airline. At present, US\$750 million remains to be repaid on the bridge loan.

#### 6. Net international reserves

Argentina's net international reserves rose from minus US\$500 million in 1976 to almost US\$9.5 billion at end-1979. By the latter date the Central Bank's gross reserves were the equivalent of 17 months' imports and almost equal to the total external debt of the public sector. Over the next three years, net international reserves dropped by almost US\$13 billion, to minus US\$3.5 billion (Statistical Appendix Table 62). By December 1982, reserve liabilities, including payments arrears, swaps, and BONEX, had risen to US\$6 billion, and little of the US\$2.5 billion in foreign exchange reserves reported by the Central Bank as of that date was, in fact, disposable. Net international reserves declined further to minus US\$6.4 billion in December 1983, with this decline being financed entirely by a US\$3 billion increase in reserve liabilities, including purchases totaling SDR 1,120 million from the Fund under the compensatory financing facility and the 1983 stand-by arrangement and net disbursements of US\$1,250 million from the banks under the bridge and medium-term loans. In December 1983, certain adjustments were made in the Central Bank reserve accounts. Approximately US\$1.2 billion in Central Bank deposits with overseas branches of the Banco de la Nación were cancelled, as was an offsetting amount of Banco de la Nación claims on the Argentine public sector. These triangular transactions were replaced by direct domestic claims of the Central bank on the public sector borrowers. To offset the impact of this adjustment on the book value of international reserves, the Central Bank revalued its gold stock from US\$42 to US\$325 per fine troy ounce.

During the first half of 1984, net international reserves declined further by about US\$250 million as the result of an overall balance of payments deficit of US\$185 million and certain adjustments to reserves. Reserve liabilities increased by US\$1 billion in the six months through June 1984, including an increase of about US\$450 million in payments arrears and US\$525 million in loans from governments and banks arranged

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<sup>1/</sup> Both the bridge and the medium-term loans are classified as balance of payments support loans in the reserve liabilities of the Central Bank. However, the principal arrears that would have been subject to rescheduling by the banks under the "draft principles" are not classified as reserve liabilities.

in connection with payments of interest arrears to banks. At the same time, the Central Bank's gross reserve assets rose by US\$750 million to US\$3.4 billion.

#### 7. External debt

Certain fundamental problems with Argentina's debt reporting system became apparent in the course of 1983, and in October the authorities decided to abandon that system completely and undertake a comprehensive reregistration and verification of both public and private sector debt. Very preliminary results from this exercise indicate that the total debt outstanding at the end of 1983 was about US\$46 billion, an amount closely in line with previous estimates. It is, however, likely that the distribution of the debt, e.g., by borrower, creditor, and maturity, will differ from that reported earlier, but an analysis of those differences will not be possible as there will be no overlap between the two series.

The rapid growth of Argentina's debt over the period 1979-82 was discussed in detail in Appendix B of last recent economic developments report on Argentina, SM/83/12 (1/17/83). Over that period, Argentina's reported external indebtedness rose from US\$12 billion to US\$43 billion (Statistical Appendix Table 63). The public sector accounted for two thirds of this net borrowing. The previous reporting system did not permit an analysis of private sector debt by creditor, but information provided in reports of the Bank for International Settlements (BIS) indicate that claims of reporting area banks on Argentina rose from US\$7 billion at end-1978 to US\$25 billion at end-1981, an increase equivalent to three quarters of the growth in Argentina's debt over these three years (Statistical Appendix Table 64). Over the following two years, the claims of BIS reporting banks on Argentina rose by only US\$1 billion, or less than net disbursements on the bridge and medium-term loans discussed above.

A preliminary estimate of Argentina's outstanding foreign debt by creditor as of end-1983, based on the new reporting system, is provided in Table 29. In these numbers, US\$4.8 billion in exchange-guaranteed loans that had matured as of December 31, 1983 are classified as a liability of the public sector (see Appendix IV). The outstanding debt to banks on the basis of these estimates is about US\$6 billion higher than indicated by the BIS data just cited. The coverage of the BIS data is not, of course, comprehensive, and one of the main sources of difference between the BIS number and the US\$32 billion in debt to banks reported here would appear to be Argentine claims of offshore branches of Argentine banks.

Table 29. Argentina: Outstanding External Debt  
by Creditor, end-1983

(Preliminary estimates; in billions of U.S. dollars)

|                                       | Public<br>Sector | Private<br>Sector | Total       |
|---------------------------------------|------------------|-------------------|-------------|
| <b>Creditor</b>                       | <b>36.6</b>      | <b>9.3</b>        | <b>45.9</b> |
| International organizations <u>1/</u> | 2.6              | 0.3               | 2.9         |
| Foreign governments <u>2/</u>         | 1.4              | 0.1               | 1.5         |
| Bondholders                           | 4.1              | --                | 4.1         |
| Banks                                 | 24.9             | 7.2               | 32.1        |
| Other private creditors               | 3.6              | 1.7               | 5.3         |

Source: Central Bank of Argentina.

1/ Includes IMF.

2/ Direct lending only.

## VI. Exchange and Trade Policies

In response to the disruption of trade and capital flows that followed the outbreak of the conflict in the South Atlantic, the Argentine authorities introduced extensive exchange and trade controls in mid-1982. Important steps were taken in the latter part of 1982 and the first eight months of 1983 to liberalize the exchange and trade system; however, as the balance of payments situation deteriorated rapidly in the latter part of 1983, most of the progress that had been made in this area was reversed. The Administration that came to power in December 1983 put a new import regime in place within a few weeks of taking office, but otherwise it has not introduced major changes in Argentina's exchange and trade system.

The main developments in Argentina's exchange and trade system over the period since April 1982 are outlined below. A description of that system as of December 31, 1983, as well as a list of changes during 1983, is provided in Annual Report on Exchange Arrangements and Exchange Restrictions, 1984, and a list of changes to date in 1984 is set forth in Appendix I of this report.

### 1. Imports and import payments

In May 1982, a list of "nonessential" imports, including items amounting to about 15 percent of total imports, was effectively banned, and in July of that year an exchange allocation system was introduced entailing U.S. dollar limits for each importer by customs headings. In October 1982, the exchange allocation system was terminated and import licenses were made freely available for all goods not included in the list of "nonessential" imports. This regime remained in place until October 20, 1983 when, after a brief suspension of all import licensing, an exchange allocation system for imports was reintroduced.

Through a series of measures that took effect in early January 1984, major changes were introduced in Argentina's import system. The import-licensing requirement was extended to public sector imports. Imports were divided into three categories: prohibited imports, imports requiring the prior approval of the Commerce Secretariat, and imports for which licenses were available automatically. No estimate is available for the value of imports included in each of these categories. The prohibited list covered most consumer goods as well as many industrial inputs produced in Argentina. Imports requiring authorization by the Commerce Secretariat included most capital goods and certain industrial inputs. Prior to obtaining a license, the importer must place a deposit which is, in most cases, effectively an advance payment of import duties (see January 5 entry in Appendix I); these deposits are indexed to the U.S. dollar. The value of licenses issued during the early weeks of this system was small, but subsequently licenses have been issued at a

rate of about US\$500 million per month, or well above the actual monthly rate of imports in 1983 or the first half of 1984. It should be noted, however, that licenses may include import plans covering several months.

In May 1982, a minimum foreign financing term of 180 days was introduced for most imports, although imports on the negotiated list from LAIA countries were exempted and a minimum financing term of only 90 days applied to most other imports from Latin American countries. Also, in August 1982 foreign financing requirements of from one to five years were established for capital goods imports. In the second quarter of 1983, the minimum foreign financing term was reduced to 120 days. On October 21, 1983 the minimum financing term applicable to most imports was raised again to 180 days, a 90-day financing requirement was imposed for goods on the negotiated list from LAIA countries, and the minimum financing period for most other imports from Latin American countries was raised to 120 days. In June 1984, imports from Brazil of goods on the LAIA negotiated list were exempted from the minimum foreign financing requirement. The financing terms for capital goods imports established in August 1982 remain in effect.

When the minimum financing terms were raised in October 1983, it was announced that, for imports shipped from that date and financed in accordance with those new terms, foreign exchange would be made available automatically to meet the import payment when it came due; payments for imports shipped before that date would require the prior approval of the Central Bank. This distinction is still applicable, and foreign exchange is being made available automatically for private sector imports shipped after October 20, 1983. As noted above, the Argentine authorities have given priority to clearing private sector commercial arrears. Over the first half of this year, they gradually permitted payments for imports shipped after October 20, 1983 to be made automatically (see Appendix I), and as of mid-August 1983 foreign exchange had been made available for private sector import payments that had fallen due through end-July. Foreign exchange is not, however, being made automatically available for private sector payments that relate to import credits of more than one year granted or guaranteed by foreign official institutions prior to December 9, 1983. It is the intention of the authorities to seek a rescheduling of such debts under the aegis of the Paris Club.

## 2. Export taxes and rebates

Argentina imposes export taxes on most of its traditional exports and provides "rebates," set as a percentage of export proceeds, for promoted exports.<sup>1/</sup> Historically, these tax and rebate rates have varied widely as attempts were made to use this system to achieve a variety of objectives, including income distribution and regional development, and, at times, as a substitute for or offset to exchange

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<sup>1/</sup> For information of the value of promoted exports see Statistical Appendix Table 66.

rate policy. Following the June 1982 devaluation, export tax rates were increased substantially and set at 10, 15 or 25 percent of export value, while rebate rates were reduced and set equal to either 5 or 10 percent of export proceeds (Statistical Appendix Table 65). Those rates remained essentially unchanged until December 1983; since then, however, as detailed in Appendix I, a number of changes have been introduced in export taxes for specific commodities. In general, tax rates have been increased for commodities for which world prices were rising and reduced in cases of declining prices or marketing difficulties. The export tax on wheat, for example, was reduced in December 1983, and export taxes on both soy and sunflower products were first raised and then lowered over the first seven months of 1984. Argentina also provides special rebates, ranging from 7 to 12 percent, for exports originating in certain regions and exported through specified ports and a rebate of 5 percent may be granted for a fixed period for exports to new markets; this latter instrument has been used actively thus far in 1984.

### 3. Profits, dividends, and royalties

Under Argentina's Foreign Investment Law, the right to purchase foreign exchange for remittances of profits and dividends with respect to registered foreign investment can be suspended by Presidential decree, in which case investors have the right to make such remittances by purchasing BONEX at the official exchange rate. The investor can then obtain foreign exchange by selling these U.S. dollar-denominated bonds in the secondary market, usually at a substantial discount. Such a suspension of the right to remit profits and dividends (interpreted to include royalties) was in effect from April 1982 through August 1983. Throughout most of this period, firms directly or indirectly controlled by residents or nationals of the United Kingdom were not allowed to dispose of either real or financial assets and, therefore, such firms could not sell BONEX in order to remit profits, dividends, and royalties; in mid-1983, however, a series of administrative measures were introduced to enable such firms to use the BONEX option. On August 10, 1983, the suspension of the right to purchase exchange at the official rate for remittances of profits and dividends was lifted and, at the same time, the right to effect such transfers through the purchase of BONEX was terminated. Shortly thereafter, however, external payments arrears began to mount once more and foreign exchange was not, in fact, generally made available for remittances of profits, dividends, and royalties. On May 18, 1983, Presidential Decree 1506 was issued invoking once again the general suspension under the Foreign Investment Law and the BONEX option was thereby again made available.

### 4. Other payments and transfers

On April 30, 1982, the Central Bank announced that henceforth all payments and transfers would require the prior approval of the Central Bank. Over time, various provisions were established governing the circumstances under which banks and other authorized exchange dealers

could sell foreign exchange without prior Central Bank approval to meet certain types of payments. During much of the period through September 1983, foreign exchange was available automatically to meet payments related to private sector imports and interest obligations. From August 1982 through August 1983, foreign exchange could be sold automatically up to specified limits for travel abroad and for student and family remittances. On September 30, 1983, all sales of exchange were once again made subject to Central Bank approval and it was announced that no exchange would be made available at the official rate for travel abroad. At present, foreign exchange is available automatically only for specified private sector import payments, as outlined above. The Central Bank approves other payments on a case-by-case basis.

Exchange and Trade System

This appendix provides a list of the more important changes in Argentina's exchange and trade system introduced since January 1, 1984. A description of Argentina's exchange and trade system as of December 31, 1983, as well as a list of changes in that system during 1983, is provided in the Annual Report on Exchange Arrangements and Exchange Restrictions, 1984.

Imports and import payments

January 2. A new import regime, established by Presidential Decree 319 of December 29, 1983, came into effect. The import of goods included in a long list of customs tariff items (List I) was prohibited until June 30, 1984; this list consisted primarily of consumer goods and of industrial inputs amply available in Argentina. The prohibition did not apply to temporary imports, to goods included in the border traffic scheme, or to samples and prototypes. Imports covered by irrevocable letters of credit opened before December 29, 1983, or financed under agreements concluded with international organizations before that date, were also exempted, and the Secretary of Commerce was empowered to grant other exemptions when justified for technical reasons or in view of the quality of domestic production.

For goods on another long list of customs tariff items (List II), the Commerce Secretariat would issue import licenses (Certificates of Sworn Declaration of Need to Import) upon approval by the Industry Secretariat and by an Honorary Import Advisory Committee comprised of representatives of Government institutions and competent commercial and industrial organizations. List II included most capital goods and certain industrial inputs. This same review procedure applied for spare parts included in List I.

The Commerce Secretariat would issue licenses for imports of inputs for the pharmaceutical industry and for medical and health services (List III) upon the prior approval of the Ministry of Health and Social Action. Licenses for imports intended for national defense and for the security and police forces required the prior approval of the Ministries of Defence or Interior.

Import licenses were to be granted automatically for all goods not specifically covered by the foregoing provisions. In addition, goods imported under concessions granted by any instrument of the LAIA agreement were exempt from the prohibition applicable to goods on List I and the review requirement for goods on List II.

January 5. The import licensing system administered by the Secretary of Commerce was extended to include public sector imports. For imports covered by promotional regimes, license applications could be set forth

in global terms. Import licenses were to be valid only for goods shipped after the license was issued. Authorized entities could effect payments for up to 5 percent more than the amount specified on the import license; in no case could the unit value differ by more than 3 percent from that specified in the import license. Except in the case of capital goods, import licenses were only valid for goods shipped within six months of the date of issue. All import licenses issued before December 28, 1983 and not used by January 2, 1984 were canceled. Resolution SC 382 of October 20, 1983, which had established an exchange budgeting system for imports, was rescinded (Resolution ME 6).

January 5. It was established that import licenses would be issued only after the importer had placed with a bank a deposit equal to the f.o.b. amount specified on the license, multiplied either by the relevant import duty rate or by 5 percent, whichever was higher. The amount of the required deposit in Argentine pesos was to be calculated using the selling rate of the Banco de la Nación at the close of the preceding business day. These deposits were to be blocked for 90 days and then returned automatically to the importer (Resolution ME 8).

January 18. It was clarified that advance import deposits could be drawn down before the expiration of the normal 90-day period for which such deposits were blocked if the proceeds were used to pay associated import duties (Resolution ME 29).

February 15. The import duty on certain agricultural fertilizers was reduced to zero (Resolution ME 73).

February 16. The Central Bank announced that authorized entities could effect import payments automatically, i.e., without prior Central Bank approval, when the payment had fallen due in December 1983 or January 1984 and did not exceed the equivalent of US\$20,000 (Communication C 1400).

February 17. The Central Bank established that the advance import deposits introduced by Resolution ME 8 of January 5, 1984 would be indexed to the U.S. dollar (Communication A 454).

February 24. Minimum foreign financing terms were established for imports destined for the Special Customs Area of Tierra del Fuego (Communication A 457). Previously, such imports had been exempt from minimum import financing terms. The minimum financing terms for the Special Customs Area, which are lower than those applicable generally, were as follows:

- (i) 75 days for goods on the "negotiated list" shipped from and originating in member countries of the Latin American Integration Association (LAIA);

(ii) 105 days for other goods shipped from and originating in LAIA, as well as for goods shipped from and originating in the member countries of the Central American Common Market, Cuba, Haiti, Panama or the Dominican Republic; or

(iii) 150 days for imports from all other countries.

February 29. The Central Bank announced that, with respect to import payments requiring the prior approval of the Central Bank, the importer must deposit the full peso equivalent of the payment at the time an application to purchase the corresponding foreign exchange is submitted. (Payments for imports shipped after October 20, 1983 do not require prior Central Bank approval.) During the time between the submission of the application and the authorization of the payment, such deposits would accrue interest at the regulated rate (see March 16). Imports into the Special Customs Area of Tierra del Fuego were exempt from this deposit. This requirement applied to applications submitted from March 1, 1984 (Communication A 459).

March 8. Authorized entities could effect automatically import payments between US\$20,000 and US\$50,000 that had come due in December 1983 (Communication C 1431).

March 12. The amount by which payments for imports could differ from the f.o.b. value specified on the import license was increased from 5 percent to 10 percent of the f.o.b. value, and the amount by which the unit price could vary from that specified on the license was increased from 3 percent to 10 percent (Resolutions ME 181 and ME 296).

March 15. Authorized entities could effect automatically import payments between US\$50,000 and US\$150,000 that had come due in October, November, or December 1983 (Communication C 1444).

March 16. The provisions governing the deposit required at the time of submitting an application to purchase foreign exchange for import payments (see February 29) were modified. Instead of accruing interest at the regulated rate, such deposits were to be indexed to the U.S. dollar effective from March 1, 1984 (Communication A 466).

April 4. Authorized entities could effect automatically import payments between US\$150,000 and US\$300,000 that had come due in October, November, or December of 1983 (Communication C 1472).

April 5. Applications to import goods valued at less than US\$500, up to an annual total of US\$6,000 per importer for each category of goods, could be processed directly by the intervening bank without the prior issuance of an import license by the Commerce Secretariat. Applications for imports that did not require the use of foreign exchange could be processed directly by customs (Resolution ME 277).

April 23. Authorized entities could effect automatically import payments of up to US\$50,000 that had come due in January 1984 and import payments of up to US\$20,000 that had come due in February (Communication C 1489).

May 3. Authorized entities could effect automatically import payments between US\$20,000 and US\$50,000 that had come due in February 1984 and import payments of up to US\$50,000 that had come due in March (Communication C 1506).

May 15. Authorized entities could effect automatically all import payments that had come due in January 1984 (Communication C 1516).

May 24. Authorized entities could effect automatically all import payments that had come due in February 1984 (Communication C 1526).

June 13. Authorized entities could effect automatically import payments of up to US\$100,000 that had come due in March 1984, except in the case of imports financed on terms longer than one year under credits granted or guaranteed before December 9, 1983 by foreign official institutions (Communication C 1546).

June 13. Imports on the LAIA negotiated list originating in and shipped from Brazil were exempted from the minimum foreign financing requirement. Payment for such goods could be made against shipping documents (Communication A 494).

June 22. Authorized entities could effect automatically import payments of any amount that had come due in March, except in the case of imports financed on terms longer than one year under credits granted or guaranteed before December 9, 1983 by foreign official institutions (Communication C 1566).

June 29. The prohibition of imports of goods incorporated in List I of Decree 319 (see January 2), which would have expired on June 30, 1984, was extended until December 31, 1984. The Secretary of Commerce was empowered to reject applications for licenses for imports from countries that adopted discriminatory measures against Argentine exports or that may have violated international agreements in a manner prejudicial to Argentine exports (Presidential Decree No. 2045).

July 2. Authorized entities could effect automatically import payments of any amount that had come due in April, May, or June 1984, except in the case of imports financed on terms longer than one year under credits granted or guaranteed before December 9, 1983 by foreign official institutions (Communication C 1588).

August 3. About 1,400 tariff items were transferred from the list of imports for which licenses could be granted upon approval of the Commerce Secretariat (List II) to the list of prohibited imports (List I). Items transferred included, inter alia, many categories of machinery

and equipment, as well as chemical products, prepared foods, tires, synthetic textiles, and various paper products (Resolution ME 712). At the same time, about 100 tariff items, primarily industrial inputs and equipment, were shifted from List II to the residual category of imports for which licenses are granted automatically (Resolution ME 608).

Exports and export proceeds

January 4. The export tax on soy oil and meal was raised from 10 percent to 13 percent. The export taxes on sunflower oil and on other sunflower products were raised from 10 percent to 14 percent and 17 percent, respectively (Resolution ME 2).

January 31. The export tax on unprocessed tobacco was raised from 10 percent to 15 percent for a period of 180 days (Resolution ME 47).

February 9. The export tax on wheat flour was reduced from 15 percent to 10 percent (Resolution ME 68).

February 17. The special refinancing regime established on November 18, 1983 for meat packing firms that export more than 30 percent of their output was extended through June 29, 1984. The amount of special refinancing loans for which such firms were eligible was set equal to 50 percent of their meat stocks destined for export (Communication A 453).

February 29. The export tax on onions was reduced from 10 percent to zero (Resolution ME 129).

March 6. The export tax on uncarded cotton was reduced from 10 percent to 5 percent for a period of 180 days (Resolution ME 161).

April 3. It was established that, when foreign exchange proceeds exceeded the f.o.b. value specified on the shipping permit, those excess proceeds were to be surrendered in the official exchange market within 15 days of receipt. It was also established that interest earned on deferred payments for promoted exports must be surrendered in the official exchange market under the terms and conditions that applied for the surrender of the export proceeds (Communication A 471).

April 4. The period within which exchange proceeds from exports of books and magazines must be surrendered was increased from 360 days to 540 days (Communication A 473).

May 17. The export tax on sunflower seeds was raised from 25 percent to 33 percent and that on sunflower oil was raised from 14 percent to 22 percent (Resolution ME 389).

May 30. The export tax on soy oil was raised from 13 percent to 19 percent (Resolution ME 434).

June 6. The Government of Argentina announced the opening of a credit line to finance certain Argentine exports to Cuba. The credit line would be made available in three tranches of US\$200 million each for exports in calendar years 1984, 1985, and 1986 (Communication B 1150).

June 15. The export tax on citrus fruits was reduced from 10 percent to zero (Resolution ME 548).

July 2. The export tax on sunflower seeds was reduced from 33 percent to 25 percent and the export tax on soy meal was reduced from 13 percent to 7 percent (Resolution ME 606).

July 5. The credit line granted by the Central Bank for financing Argentine exports to El Salvador was increased to US\$20 million and extended until May 1985 (Communication B 1191).

Payments for invisibles

May 18. The right of foreign investors registered in conformity with the Foreign Investment Law (Law 21.382) to transfer profits and repatriate their investment was suspended. Registered investors did, however, have the right to receive U.S. dollar-denominated Government of Argentina bonds (BONEX) equivalent to the amount of profits they wished to transfer abroad (Presidential Decree No. 1506).

May 22. Payments for expenses, commissions, and interest charges related to imports could be effected automatically at the same time that the respective import payment was made. Foreign exchange was also made available automatically for these specified charges relating to imports for which payments had already been authorized and effected (Communication C 1524).

June 15. The Central Bank established that, with respect to international transportation services paid for in pesos in Argentina, foreign transportation firms or their agents could transfer abroad, by means of either foreign exchange or BONEX, only amounts corresponding to pesos received with respect to travel or transportation that had already commenced and after deducting local costs, including charges pending (Communication A 498).

Capital

January 5. The period for renewing outstanding swaps, and paying the associated premia, was extended to February 3, 1984; swap contracts not renewed by that date would be cancelled (Communication C 1314).

January 18. The Central Bank announced that it would consider applications to capitalize, in accordance with the provisions of the Foreign Investment Law, amounts corresponding to loans for which the domestic borrower had obtained an exchange rate guarantee from the Central Bank (Communication B 952).

June 4. For exchange rate guarantee contracts in which the premium paid for the exchange insurance was set equal to the difference between domestic interest rates and one-month LIBOR, the relevant domestic rate was changed from the regulated interest rate to the prevailing rate for bankers' acceptances. Similarly, the base rate used in determining the premium paid for swap contracts was changed from the regulated interest rate to the bankers' acceptance rate (Communication A 491).

July 4. The Central Bank announced that, in the case of exchange rate guarantee contracts which had matured as of December 31, 1983, the contract would be cancelled, and the pesos that had been paid to the Central Bank in cancellation of the loan and the guarantee contract would be returned to the domestic debtor, unless applications for the associated BONOD or promissory notes were received by July 31, 1984 (Communication A 506).

July 30. The deadline for submitting applications for BONOD or promissory notes with respect to exchange rate guarantee contracts that had matured by December 31, 1983 (see July 4) was extended to August 31, 1984. It was further provided that, with respect to loans with an original maturity of more than one year granted or guaranteed by foreign official institutions, the appropriate forms should be submitted but the BONOD or promissory note would not be issued, pending conclusion of Argentina's intended debt rescheduling discussions with the Paris Club (Communication A 511).

Miscellaneous

January 2. The reserve requirement against dollar deposits placed with local financial institutions was suspended temporarily, effective from November 1, 1983 (Communication B 932).

February 22. It was announced that authorized financial institutions no longer required Central Bank approval to provide guarantees with regard to Argentine exports to foreign public sector enterprises or institutions (Communication C 1407).

May 18. Authorized exchange dealers could henceforth buy and sell gold against foreign exchange with their domestic clients. Gold money or bars acquired by dealers in these arbitrage operations had to be sold abroad for foreign exchange to be entered in the banks' net foreign exchange position (Communication C 1518).

Argentina: Evolution of Financial System, 1977-1984

The structure of the financial system of Argentina has undergone sizable changes during the past several years, as the orientation of economic policy shifted frequently. The number of financial institutions declined by almost one-half from end-1978 to end-1983 and, with the economic contraction and escalating inflation of recent years, the real volume of financial intermediation has declined significantly. However, the overall physical dimensions of the system (in terms of number of establishments and employees) has varied surprisingly little and many financial institutions have found it increasingly difficult to operate profitably. This problem has been heightened by last year's intensification of controls over interest rates. This appendix reviews the evolution of the financial system since 1977 and discusses some of its current problems.

1. Structural composition

Argentina's financial system consists of bank and nonbank intermediaries (the latter including finance companies, credit unions, and savings and loan associations). In addition to private commercial banks, of both domestic and foreign ownership, the banking system includes two federal commercial banks, 24 provincial commercial banks, five municipal commercial banks and four specialized national banks.

A major financial reform was introduced in mid-1977, but its repercussions were fully felt only during the economic upturn of 1979. With the aim of liberalizing the system, previous controls on the establishment of new banks were greatly reduced and interest-rate determination was left to market forces. Deposits were guaranteed by the Central Bank, and this facilitated the establishment of new banks. The economic recovery which began in the second half of 1978 and lasted through end-1979 provided a propitious setting for the rapid expansion of the financial sector and numerous nonbank institutions--mainly credit unions and consumer credit societies--combined to form banks; the number of such credit institutions declined from 391 to 105 during 1979, while the number of domestically-owned private banks rose from 104 to 163 (Table 30).

Many of the banks created in 1979 lacked a sound financial basis, a problem that became evident when economic activity began to falter in 1980. Early in that year, the authorities intervened and liquidated a number of institutions, including the largest private investment company and the second largest private commercial bank. The difficult economic situation which has prevailed since that time has especially affected domestic private institutions, both banks and nonbanks, which have continued to decline in number.

Table 30. Argentina: Number of Financial Institutions  
(At year-end)

|                                | 1978         | 1979         | 1980         | 1981         | 1982         | 1983                   |
|--------------------------------|--------------|--------------|--------------|--------------|--------------|------------------------|
| <u>Total</u>                   | <u>721</u>   | <u>497</u>   | <u>468</u>   | <u>449</u>   | <u>413</u>   | <u>393</u>             |
| Banks                          | <u>157</u>   | <u>219</u>   | <u>214</u>   | <u>207</u>   | <u>204</u>   | <u>209</u>             |
| Official                       | <u>35</u>    | <u>35</u>    | <u>35</u>    | <u>35</u>    | <u>36</u>    | <u>36</u>              |
| Private domestic               | <u>104</u>   | <u>163</u>   | <u>153</u>   | <u>138</u>   | <u>134</u>   | <u>140</u>             |
| Private foreign                | <u>18</u>    | <u>21</u>    | <u>26</u>    | <u>34</u>    | <u>34</u>    | <u>33</u>              |
| Nonbanks                       | <u>564</u>   | <u>278</u>   | <u>254</u>   | <u>242</u>   | <u>209</u>   | <u>184</u>             |
| Finance companies              | <u>138</u>   | <u>142</u>   | <u>134</u>   | <u>125</u>   | <u>111</u>   | <u>98</u>              |
| Credit unions                  | <u>391</u>   | <u>105</u>   | <u>92</u>    | <u>92</u>    | <u>76</u>    | <u>67</u>              |
| Savings and loans associations | <u>35</u>    | <u>35</u>    | <u>28</u>    | <u>25</u>    | <u>22</u>    | <u>19</u>              |
| <u>Memorandum item</u>         |              |              |              |              |              |                        |
| Total establishments <u>2/</u> | <u>4,342</u> | <u>4,602</u> | <u>4,588</u> | <u>4,648</u> | <u>4,777</u> | <u>4,814</u> <u>3/</u> |

Source: Central Bank of Argentina.

1/ Includes consumer credit societies.

2/ Head offices plus branches.

3/ At end-August.

As noted, despite the uninterrupted decline in the total number of institutions, from 721 in 1978 to 393 in 1983, the total number of establishments, including branches, has increased steadily. As institutions changed licenses, consolidated themselves, or were absorbed by others, their physical installations were not much affected, and the number of employees stayed in the range of 150,000-160,000 throughout the 1978-1983 period (Table 31).

The relative share of each type of institution in total operations has tended to fluctuate with economic conditions. Domestically-owned private banks increased their share of operations by about 25 percent in the 1979 economic boom, not only through the conversion of nonbanks into banks but also by attracting business from official and foreign private banks. The 1980 crisis more than undid the previous year's gain, however, as deposits shifted to institutions considered more solidly-backed, namely the official and foreign private banks (Table 32).

Table 31. Argentina: Employment in the Financial System

(In thousands of employees, at year-end)

|                                   | 1978         | 1979            | 1980         | 1981         | 1982         | 1983         |
|-----------------------------------|--------------|-----------------|--------------|--------------|--------------|--------------|
| <u>Total</u>                      | <u>149.8</u> | <u>1/ 155.7</u> | <u>160.8</u> | <u>157.7</u> | <u>155.0</u> | <u>155.3</u> |
| Banks                             | <u>134.3</u> | <u>145.7</u>    | <u>149.9</u> | <u>146.9</u> | <u>146.2</u> | <u>147.8</u> |
| Official                          | <u>83.3</u>  | <u>83.1</u>     | <u>83.5</u>  | <u>83.8</u>  | <u>83.4</u>  | <u>82.3</u>  |
| Private domestic                  | <u>39.0</u>  | <u>51.2</u>     | <u>54.5</u>  | <u>48.7</u>  | <u>48.1</u>  | <u>51.9</u>  |
| Private foreign                   | <u>12.1</u>  | <u>11.4</u>     | <u>11.9</u>  | <u>14.4</u>  | <u>14.5</u>  | <u>13.5</u>  |
| Nonbanks                          | <u>15.5</u>  | <u>10.0</u>     | <u>10.8</u>  | <u>10.7</u>  | <u>8.8</u>   | <u>7.5</u>   |
| Financial companies               | <u>6.0</u>   | <u>7.5</u>      | <u>8.1</u>   | <u>7.6</u>   | <u>6.2</u>   | <u>5.3</u>   |
| Credit unions                     | <u>9.5</u>   | <u>2/ 1.3</u>   | <u>1.5</u>   | <u>1.6</u>   | <u>1.3</u>   | <u>1.0</u>   |
| Savings and loans<br>associations | ...          | 1.2             | 1.3          | 1.4          | 1.4          | 1.2          |

Source: Central Bank of Argentina.

1/ Excludes savings and loans associations.

2/ Includes consumer credit societies.

The distribution of financial activity between banks and nonbanks did not change much between 1978 and 1981, despite the interbank shifts discussed above; in general, banks have accounted for about 85 percent of activity and nonbanks for 15 percent. But the financial reform of mid-1982, by regulating interest rates and channeling all operations through the Central Bank, moved to the informal market much of the higher-interest-rate loan business previously handled by nonbank intermediaries. Moreover, nonbanks lost a major portion of their deposits (see Table 32). The deposit flight from institutions perceived as less solid occurred even though all deposits are fully guaranteed, inasmuch as under high inflation a few weeks' delay in recovering a deposit from a liquidated institution can represent a significant loss. The 1980 crisis and the 1982 reform increased the degree of concentration in the banking system, with the share of the five largest banks rising from 27.7 percent of total peso deposits at end-1979 to 38.4 percent by end-1982.

## 2. Recent developments

The steady decline in the real volume of intermediation since 1979-80, unaccompanied by any decline in the number of establishments or significant reduction in personnel, has placed increasing strain

Table 32. Argentina: Distribution of Peso Deposits and Loans  
by Type of Financial Institution

|   | 1978         | 1979         | 1980         | 1981         | 1982         | 1983         |
|---|--------------|--------------|--------------|--------------|--------------|--------------|
| <u>(In percent, at year-end)</u>  |              |              |              |              |              |              |
| <u>I. Deposits</u>  |              |              |              |              |              |              |
| <u>Total</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> |
| Banks   | 85.3         | 87.7         | 87.1         | 84.6         | 94.0         | 94.7         |
| Official  | 37.3         | 34.5         | 43.2         | 39.0         | 49.2         | 45.0         |
| Private domestic  | 37.4         | 44.6         | 33.9         | 32.6         | 32.8         | 35.0         |
| Private foreign   | 10.6         | 8.6          | 10.0         | 13.0         | 12.0         | 14.7         |
| Nonbanks  | 14.7         | 12.3         | 12.9         | 15.4         | 6.0          | 5.3          |
| Finance companies   | 8.6          | 9.1          | 9.1          | 9.9          | 3.8          | 3.6          |
| Credit unions   | 3.9          | 1/ 1.2       | 1.6          | 2.7          | 0.7          | 0.6          |
| Savings and loans associations  | 2.2          | 2.0          | 2.2          | 2.8          | 1.5          | 1.1          |
| <u>II. Loans</u>  |              |              |              |              |              |              |
| <u>Total</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> |
| Banks   | 83.6         | 85.3         | 85.6         | 86.9         | 91.6         | 92.2         |
| Official  | 41.3         | 35.3         | 43.9         | 46.3         | 51.0         | 49.7         |
| Private domestic  | 32.6         | 41.9         | 32.4         | 28.5         | 27.8         | 30.9         |
| Private foreign   | 9.7          | 8.1          | 9.3          | 12.1         | 12.8         | 11.6         |
| Nonbanks  | 16.4         | 14.7         | 14.4         | 13.1         | 8.4          | 7.8          |
| Finance companies   | 10.7         | 11.8         | 11.0         | 8.4          | 5.4          | 4.8          |
| Credit unions   | 4.0          | 1.4          | 1.9          | 2.2          | 1.2          | 0.8          |
| Savings and loans associations  | 1.7          | 1.5          | 1.5          | 2.5          | 1.8          | 2.2          |
| <u>(Totals in millions of pesos argentinos, at prices of December 1978)2/</u> |              |              |              |              |              |              |
| <u>Memorandum items</u>   |              |              |              |              |              |              |
| Deposits  | 1,643        | 2,000        | 1,945        | 1,860        | 1,354        | 1,307        |
| Loans   | 1,461        | 1,890        | 1,961        | 2,020        | 1,819        | 1,159        |

Source: Central Bank of Argentina.

1/ Includes consumer credit societies.

2/ Deflated by the consumer price index.

on the sector's profitability, especially after the mid-1982 financial reform. Smaller institutions, including banks, have been hit particularly hard. Most small institutions suffered a substantial loss of deposits and had to rely increasingly on the expensive interbank call market for funding. When this market was eliminated in August 1983, many institutions became insolvent and were intervened by the Central Bank. The loan portfolio of institutions, which largely had been frozen by the reform of July 1982 (with interest being capitalized and repayment rescheduled over the medium term) also was funded by central bank rediscount lines. The imbalance between the loan portfolio and the deposit base of many institutions is a factor which impedes a rapid dismantling of the present system of channeling the bulk of operations through the Central Bank by means of very high reserve requirements and large rediscount operations.

The Central Bank has been attempting to sell the intervened institutions to stronger banks; since the opening of new branches is not automatically permitted, the quickest way for a growing bank to expand is by acquiring existing institutions. In fact, the introduction of regulated rates has increased the importance of having a wide network of branches; as with uniform interest rates, branch proximity has become an more important competitive factor.

In addition to the institutions already intervened, many more are operating unprofitably and could become insolvent. Given the operating costs in the financial system (an estimated 2 percent of deposits per month on average, but reaching as much as 4 percent in some institutions) intermediaries cannot operate profitably if they depend only on accepting deposits and making loans at regulated rates. Most small institutions do not operate in foreign-trade transactions or offer the other services with which the larger banks can generate profits. The maximum spread on regulated transactions at present is 1.3 percent and most small intermediaries cannot earn income by lending from their own capital as they typically have their capital tied up in real estate.

During 1984, the authorities have taken steps to attract back to the financial system operations intermediated outside the system. Since these operations (banker's acceptances) are not guaranteed by the Central Bank, they tend to be handled mainly by the more solid (usually the largest) banks. To prevent a sudden collapse of the many small institutions which face insolvency, the Central Bank has established larger spreads and less rigid lending limits for nonbanks and for all institutions in economically less developed regions. The absorption of insolvent institutions by healthier ones is being encouraged by special loans. However, past experience suggests that this process may reduce the number of institutions without reducing the number of establishments or the cost of intermediation.

Developments since June 1982 have produced a financial system that is highly regulated--and for most institutions unprofitable--while substantial financial flows are intermediated outside of the formal system. In general, financial intermediation is subject to numerous regulations which are highly complex and subject to frequent modifications. With regulated interest rates and very high reserve requirements, financial institutions serve as relatively passive intermediaries for Central Bank rediscount lines, the on-lending of which is closely defined as to purpose, repayment schedule, and interest rate. On the whole, the system in its present form is exceedingly cumbersome and inflexible and does not fulfill the role of an efficient allocator of resources.

## Argentina: Summary of the Central Government Tax System, February 1984

(All amounts in pesos argentinos)

| Tax                                       | Nature of Tax  | Exemptions and Deductions  | Rates  |   |
|---|--|--|--|---|
| 1. <u>Laxes on net income and profits</u> |  |  |  |   |
| 1.1                                       | <u>Taxes on companies and corporations 1/ (Impuesto a las Ganancias, Tercera Categoría)</u> Law No. 20,628 of December 29, 1973; Decree No. 2,146 of December 30, 1974; Law No. 21,481 of December 30, 1976; Law No. 21,894 of October 27, 1974; Law No. 21,911 of December 26, 1978; Law No. 22,211 of April 29, 1980; Law No. 22,405 of February 18, 1981; and Law No. 22,438 of March 17, 1981.           | <p>Payable by companies or corporations on their accrued income from domestic sources.</p> <p>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.</p> | <p>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 20 percent of the taxpayers net income. Income subject to the capital gains tax (<u>Impuesto a los Beneficios Eventuales</u>) is also exempt from the tax.</p> | <p>General rate:<br/>33 percent<br/>For nonresident corporations and companies:<br/>45 percent.<br/>An emergency surcharge of 20 percent applied to tax liabilities corresponding to accounting years closed during the period August 1, 1983 to July 31, 1984.</p>   |
| 1.2                                       | <u>Tax on individuals 1/ (Impuesto a las Ganancias, 1a., 2a., 3a., y 4a. Categorías)</u> Law No. 20,628 of December 29, 1973, as modified by Law No. 21,481 of December 30, 1976; Law No. 21,894 of October 27, 1974; Law No. 21,911 of December 26, 1978; Law No. 22,211 of April 29, 1980; Law No. 22,405, of February 18, 1981; Law No. 22,438 of March 17, 1981; and Law No. 22,530 of January 22, 1982. | <p>Payable by natural persons on their personal remuneration including wages, salaries, pensions, fees 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.</p>                    | <p>Dividends paid to residents by corporations are exempt. In addition to a personal deduction (\$a 73,740 in 1983), taxpayers are allowed deductions for family dependents, and payments for funeral expenses and life insurance premia.</p>  | <p>A progressive rate schedule ranging between 7 percent and 45 percent applies to taxable income. In 1983, the 7 percent rate applied to taxable income up to \$a 9,691 and the 45 percent rate applied to taxable income in excess of \$a 469,257. In addition, an emergency surcharge of 20 percent is applicable to the 1983 tax liabilities.</p> |
| 1.3                                       | <u>Tax on occasional income and capital gains 1/ (Impuesto a los Beneficios Eventuales)</u> Law No. 21,284 of April 2, 1976; Law No. 21,911 of December 26, 1978, and Law No. 22,438 of March 17, 1981.  | <p>Applies on capital gains derived mainly from the sale of real estate. Income from capital gains is determined after adjusting the original purchase price for inflation.</p>  | <p>Exempt from the tax is income derived from the sale of commercial and industrial properties, buildings which were used as such in the previous two years, land subdivided for urbanization, and building enjoying special exemptions granted in the <u>Ley de Propiedad Horizontal</u> (Law No. 13,512).</p>  | 15 percent  |
| 2.  | <u>Social Security Taxes (Régimen nacional de previsión social)</u> Created by several laws  | <p>Monthly contributions by employees based on their salaries.</p>   | None   | 11 percent  |

## Argentina: Summary of the Central Government Tax System, February 1984 (continued)

(All amounts in pesos argentinos)

| Tax  | Nature of Tax  | Exemptions and Deductions   | Rates  |
|--|--|---|--|
| <b>3. Taxes on property</b>  |  |   |  |
| <b>3.1 Net wealth taxes</b>  |  |   |  |
| 3.11 Personal tax on net wealth ( <u>Impuesto sobre el Patrimonio Neto</u> ) Law No. 21,282 of April 2, 1976; Law No. 21,911 of December 26, 1978; Law No. 22,291 of February 10, 1980; and Law No. 22,438 of March 17, 1981.  | Annual tax on the value of net wealth possessed by individuals on the last day of the year. Assets held abroad are not taxable.  | 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 Sa 3,100,240 is exempt from the tax. | A progressive rate schedule ranging between 0.5 percent and 1.5 percent applies to net wealth in excess of Sa 3,100,240. The maximum rate applies to net wealth in excess of Sa 18,001,541. The amount of exempt net wealth and the brackets of the rate schedule are adjusted yearly for inflation. |
| 3.12 Corporate tax on net wealth 1/ ( <u>Impuesto sobre los capitales</u> ) Law No. 21,287 of April 2, 1976; Law No. 21,894 of January 1, 1974; Law No. 21,911 of December 26, 1978; Law No. 22,291 of February 10, 1980; and Law No. 22,438 of March 17, 1981.  | 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 Sa 178,867 is exempt.   | 1.5 percent  |
| 3.2 Tax on transfers of financial assets 1/ ( <u>Impuesto sobre las Transferencias de Títulos Valores</u> ) Law No. 21,280 of April 2, 1976; and Law No. 21,894 of October 27, 1978.   | Based on the sale price of shares, debentures, Treasury bonds, and other financial assets.   | None  | 0.5 percent  |
| <b>4. Taxes on goods and services</b>  |  |   |  |
| 4.1 Value-added tax 1/ ( <u>Impuesto al Valor Agregado</u> ) 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; and Decree No. 271/83 of December 22, 1983. | 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 five 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.   | General rate is 18 percent. There are also rates of 5 percent for a few products such as vegetable oils and mineral water and 25 percent for luxury products.  |
| 4.2 Selective excises  |  |   |  |
| 4.21 Excise taxes ( <u>Impuestos Internos</u> ) <sup>1/</sup> Decree 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. No. 2,682/79 of October 30, 1979; Decree No. 930/82 of July 7, 1982; and Decree No. 157/83 of January 24, 1983.   | 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:  |
|  |  |   | <u>Percent</u>   |
|  |  |   | Cigarettes 70  |
|  |  |   | Alcoholic beverages 17-47  |
|  |  |   | Wines 2.5-12   |
|  |  |   | Tires 25   |
|  |  |   | Motor oils 23.25   |
|  |  |   | Carbonated bevs. 27  |
|  |  |   | Beer   |
|  |  |   | Motor vехs. 2-21.5   |

## Argentina: Summary of the Central Government Tax System, February 1984 (concluded)

(All amounts in pesos argentinos)

| TAX   | NATURE OF TAX  | EXEMPTIONS AND DEDUCTIONS   | RATES   |
|---|--|---|---|
| 4.1.2 <u>Tax on fuels</u> ( <u>Impuesto a los Combustibles Líquidos derivados del Petróleo</u> )<br>Decree Law No. 17,397/67; Law No. 20,073; Law No. 20,136; Law No. 20,495; 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 taxed as follows:<br>Sa per liter except as noted<br><u>Premium gasoline</u><br>(Buenos Aires Metropolitan Area) 5.54<br><u>Prem. gasoline--</u><br>Other locations 5.41<br><u>Reg. gasoline (Buenos Aires Metro. Area)</u> 5.94<br><u>Reg. gasoline--</u><br>Other locations 4.86<br>Gas oil 1.47<br>Fuel oil (per kilo) 1.51 |
| <b>b. Taxes on international trade</b>  |  |   |   |
| 5.1 <u>Import duties</u> ( <u>Derechos a las Importaciones</u> )<br>Law No. 16,690; and Law No. 17,152  | 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 38 percent. Motor vehicles are taxed from 45 to 55 percent. Some representative import duty rates are shown below:<br><u>Percent</u><br>Alcoholic bevs. 33-38<br>Tobacco and tobacco products 21-25<br>Wood and wood products 25-38<br>Textiles, mostly 38<br>Garments 38  |
| 5.2 <u>Export duties</u> ( <u>Derechos a las Exportaciones</u> )<br>Law No. 17,198  | 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:<br><u>Percent</u><br>Beef and other meats 15-30<br>Wheat 18<br>Rice 10<br>Other cereals 25<br>Oil seeds 25<br>Animal and vegetable fats 10-20<br>Wool 10-22<br>Cotton 10<br>Hides and skins 5-25   |
| 5.3 <u>Exchange tax</u> ( <u>Impuesto Sobre las Ventas, Compras, Cambio o Permuta de Divisas</u> )<br>Law No. 18,526 of December 31, 1969; Law No. 20,054; 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   |
| <b>c. Other taxes</b>   |  |   |   |
| 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; and Law No. 21,911 of December 26, 1978.                                | 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 and their agencies; and state banks, religious, scientific, educational institutions, etc., are exempt from this tax.  | Various ad valorem rates apply. Some examples are:<br><u>Percent</u><br>Financial documents 1.0<br>Contracts regarding sale of agricultural products 0.35<br>Contracts regarding real estate sales 0.25   |

1. Subject to the revenue-sharing scheme (coparticipación) and distributed as follows:

|                              | PERCENT |
|------------------------------|---------|
| National Treasury            | 46.5    |
| Provinces                    | 48.5    |
| Municipality of Buenos Aires | 1.8     |
| Tierra del Fuego             | 0.2     |
| Regional Development Fund    | 3.0     |
|                              | 100.0   |

2. Partially shared with special funds earmarked mainly for highway construction and energy development.

Exchange Rate Guarantees, Swaps, and BONEX

Exchange rate guarantees

In June 1981, after the third large devaluation in five months, the Central Bank of Argentina introduced a system under which private sector borrowers could obtain exchange rate guarantees for new loans contracted, or old loans extended, for a period of at least 540 days. In September 1981, the scheme was broadened to include interest deferred until the maturity of the loan. A fixed premium, with an intentional subsidy, was charged for this exchange rate insurance during the first 180 days of the contract; for the remainder of the contract, the premium was set equal to either (a) the differential between the changes in the U.S. and Argentine wholesale price indices or (b) the differential between the Argentine 30-day deposit rate and LIBOR, at the domestic borrowers' option. In the event, these latter provisions also resulted in a large subsidy to domestic borrowers. While this system did not induce a noticeable increase in private sector borrowing abroad, it did result in a severe bunching of maturities over the period December 1982 through May 1983. Almost US\$5.1 billion in exchange rate guarantees were contracted under this system before the issuing of new guarantees was terminated in December 1981.

In July 1982, immediately after another large devaluation of the peso and the introduction of a dual exchange market, another exchange rate guarantee scheme was introduced under which private sector debtors could obtain guarantees on loans outstanding prior to the July 5 devaluation, provided they obtained at least a one-year extension of the term of the loan. The guaranteed rate was the pre-devaluation rate adjusted from July 6 for the inflation differential between Argentina and the United States. Loans covered by guarantees issued in 1981 could be rolled over under the new scheme. Subsequently, even more generous terms were offered,<sup>1/</sup> and by the time this scheme was closed in October 1982 more than US\$10 billion, or two thirds of the debt of the Argentine private sector, was covered by a Central Bank exchange rate guarantee.

The first maturities on loans covered by exchange guarantees issued in 1981 fell due in December 1982; the average guaranteed rate on such loans was one-tenth of the actual official exchange rate at that time. The Central Bank neither had the foreign exchange to cover the repayment of these loans nor was willing to permit the monetary expansion which would have resulted from inducing the private sector to roll over these loans by canceling them at the guaranteed rate and renewing them at the current exchange rate. In November 1982, the Central Bank issued regulations requiring that all loans covered by exchange guarantees issued in 1981, and not renewed under the 1982 scheme, be rescheduled according to specified minimum terms. The foreign creditor had the option of either (a) accepting a U.S. dollar-denominated Government of

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<sup>1/</sup> Details of the new provisions, which were quite complex, are provided on page 72 of SM/83/12 (1/17/83).

Argentina bond (BONOD) or promissory note with a grace period of 3 1/2 years and a maturity of 5 years or (b) renegotiating the loan directly with the private sector borrower on terms no shorter than the BONOD or promissory notes; in the latter case BONOD or promissory notes would be issued in guarantee. Under both options the private sector debtor paid to the Central Bank the amount of pesos required to cancel the loan at the guaranteed rate, and the essential difference between the two approaches was that under the guarantee option the legal relationship between the debtor and the creditor was maintained and the creditor could seek from the debtor compensation additional to the interest rate on the BONOD and promissory notes, which was set at LIBOR plus a spread of 2 percent. In June 1983, these same mandatory rescheduling provisions were extended to loans covered by exchange rate guarantees issued in 1982.

By the end of 1983, US\$4.8 billion in loans covered by exchange rate guarantees had come due and the private debtors had paid to the Central Bank the pesos required to cancel the loan and the guarantee contract. However, BONOD or promissory notes had only been taken up with respect to US\$1.4 billion of these matured loans. Apparently, there were many cases in which agreement had not been reached between the domestic debtor and foreign creditor as to which option was to be taken. Recently, the Central Bank announced that for loans which had matured by December 1983, the exchange guarantee contract would be cancelled and the pesos returned to the domestic debtor unless a BONOD or promissory note was taken up by August 31, 1984.<sup>1/</sup> The debt would continue to be recognized by the authorities, but would have to be serviced at the prevailing official exchange rate.<sup>2/</sup>

Swaps

In order to shore up its rapidly declining exchange reserves, the Central Bank of Argentina undertook about US\$500 million in 180-day foreign currency swaps with the private sector in December 1981. The monthly premium paid for such swaps produced a total cost to the private sector borrower that was well below the domestic cost of funds. No further swap arrangements were undertaken until May 1982, when the

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<sup>1/</sup> BONOD or promissory notes need not be taken up in the case of exchange guaranteed loans with an original maturity of more than one year granted or guaranteed by foreign official institutions.

<sup>2/</sup> Exchange guaranteed loans, as well as BONOD and promissory notes, are included above the line in the capital account in the Argentine balance of payments presentation. The breakdown of capital flows between the private and public sector presented in balance of payments tables in this report does not, however, take into account the fact that this substantial volume of private sector debt is effectively being taken over by the public sector. Such an adjustment would be appropriate after definitive information on these transactions is available.

December swaps matured and the Central Bank, then under severe reserve pressures, began to roll over old and undertake new foreign currency swaps. Following the devaluation and the split of the exchange market in July 1982, a special scheme was temporarily in effect under which the private sector could clear import-related payments arrears by bringing in foreign exchange under a swap arrangement with the Central bank at the financial exchange rate of equivalent to \$a 3.3 per U.S. dollar and using part of the proceeds to repurchase the same amount of exchange at the predevaluation exchange rate equivalent to \$a 1.575 per U.S. dollar. In addition, the Central bank continued to undertake normal swap arrangements with domestic financial institutions and nonfinancial firms.

By the end of 1982, the total volume of swaps outstanding had reached US\$1.4 billion. As with the exchange-guaranteed loans, the Central Bank did not have the reserves to unwind these operations as they began to come due at the end of 1982 but, because of their expansionary impact, did not want to keep rolling them over. Again, the solution adopted by the authorities was a forced rescheduling of maturities coming due. In early December 1982, the Central Bank announced that all maturing swaps had to be extended for a period of 90 days at the original contract exchange rate. A further short-term extension was decreed in March 1983, and in June the Central Bank announced that all loans covered by swap contracts would be repaid in four equal semi-annual installments beginning 540 days after the final maturity of the original swap contract, except for the import-related swaps undertaken in mid-1982 which were to be repaid over 1983 and 1984. To date, the Central Bank has been providing foreign exchange for payment of interest and of maturing principal on swaps that have been extended in accordance with these provisions. In the presentation of the Argentine balance of payments, swaps are classified as a reserve liability of the Central Bank.

BONEX

The Government of Argentina issues U.S. dollar-denominated bonds (BONEX) which are traded both in Argentina and abroad. These bonds are issued in fairly small denominations and carry an interest rate equal to six-month LIBOR. At times, BONEX have been taken up voluntarily by investors, and the receipts from the issue of such bonds are treated as a normal capital account inflow in the balance of payments. On other occasions, however, BONEX have been issued in lieu of providing foreign exchange to make foreign payments that are in arrears or otherwise restricted. In this case, the bonds must be sold in the market, generally at a substantial discount, in order to obtain the foreign exchange. BONEX issued in lieu of foreign exchange are classified as a reserve liability in the Argentine balance of payments.

From April 1982 through August 1983, and again since May 18, 1984, the right to purchase foreign exchange to transfer profits, dividends, and royalties abroad was suspended and such transfers could be effected

only through the purchase and resale of BONEX. The Central Bank also has stood ready since April 1982 to issue BONEX in lieu of providing foreign exchange to cancel other outstanding payments arrears. Under a special scheme in effect during the third quarter of 1982, BONEX could be purchased at the exchange rate prevailing before the June 5, 1982 devaluation and used to clear payments arrears outstanding as of July 2, 1982. In 1982, a total of US\$1.6 billion in BONEX were issued in lieu of foreign exchange, and the total amount of such BONEX outstanding rose to US\$2.1 billion at the end of 1983 and to US\$2.3 billion in June 1984.

Table 33. Argentina: National Accounts in Current Prices  
 (In millions of pesos argentinos)

|  | 1979          | 1980          | 1981          | 1982           | Est.<br>1983   |
|--|---------------|---------------|---------------|----------------|----------------|
| <u>Gross domestic expenditure</u>              | <u>13,877</u> | <u>28,781</u> | <u>53,831</u> | <u>146,270</u> | <u>681,533</u> |
| Consumption                                    | 10,527        | 21,538        | 43,074        | 119,028        | 560,700        |
| Private  | 8,882         | 17,455        | 35,578        | 100,227        | 449,900        |
| Government                                     | 1,645         | 4,083         | 7,496         | 18,801         | 110,800        |
| Gross domestic investment                      | 3,350         | 7,243         | 10,757        | 27,242         | 120,800        |
| Fixed capital formation                        | 3,348         | 7,072         | 11,028        | 26,855         | 124,700        |
| Private  | 2,036         | 4,398         | 6,467         | 14,858         | 65,576         |
| Public   | 1,312         | 2,674         | 4,560         | 11,990         | 58,142         |
| Change in inventories                          | 2             | 171           | -271          | 387            | -3,900         |
| <u>Foreign balance</u>                         | <u>34</u>     | <u>-661</u>   | <u>-131</u>   | <u>4,530</u>   | <u>24,667</u>  |
| Exports of goods and non-factor services       | 1,259         | 1,951         | 5,166         | 19,474         | 94,895         |
| Imports of goods and non-factor services       | -1,225        | -2,562        | -5,297        | -14,944        | -70,228        |
| <u>Gross domestic product at market prices</u> | <u>13,911</u> | <u>28,170</u> | <u>53,700</u> | <u>150,800</u> | <u>706,200</u> |
| Net factor payments abroad                     | -122          | -278          | -2,371        | -12,938        | -62,735        |
| <u>Gross national product at market prices</u> | <u>13,789</u> | <u>27,892</u> | <u>51,329</u> | <u>137,862</u> | <u>643,465</u> |

Sources: Central Bank of Argentina.

Table 34. Argentina: National Accounts in Constant Prices

(In thousands of pesos argentinos at 1970 prices)

|  | 1979          | 1980          | 1981          | Prel.<br>1982 | Est.<br>1983  |
|--|---------------|---------------|---------------|---------------|---------------|
| <u>Gross domestic expenditure</u>                            | <u>10,922</u> | <u>11,565</u> | <u>10,709</u> | <u>9,452</u>  | <u>9,588</u>  |
| Consumption  | 8,549         | 9,021         | 8,752         | 7,795         | 8,139         |
| Private  | 7,244         | 7,642         | 7,381         | 6,443         | 6,677         |
| Government   | 1,305         | 1,379         | 1,371         | 1,352         | 1,462         |
| Gross domestic investment                                    | 2,373         | 2,544         | 1,957         | 1,657         | 1,449         |
| Fixed capital formation                                      | 2,369         | 2,452         | 2,030         | 1,531         | 1,502         |
| Private  | 1,416         | 1,512         | 909           | 751           | 687           |
| Public   | 953           | 940           | 1,121         | 780           | 815           |
| Change in inventories  | 4             | 92            | -73           | 125           | -53           |
| <u>Foreign balance</u>                                       | <u>110</u>    | <u>-451</u>   | <u>-288</u>   | <u>417</u>    | <u>556</u>    |
| Exports of goods and nonfactor services                      | 1,295         | 1,242         | 1,340         | 1,360         | 1,448         |
| Imports of goods and nonfactor services                      | -1,185        | -1,693        | -1,628        | -943          | -892          |
| <u>Gross domestic product at market prices</u>               | <u>11,032</u> | <u>11,114</u> | <u>10,421</u> | <u>9,869</u>  | <u>10,144</u> |
| Net factor payments abroad 1/                                | -97           | -111          | -460          | -847          | -901          |
| <u>Gross national product at market prices</u>               | <u>10,935</u> | <u>11,003</u> | <u>9,961</u>  | <u>9,022</u>  | <u>9,243</u>  |
| Subsidies  | 104           | 105           | 99            | 94            | 94            |
| Indirect taxes   | -1,367        | -1,382        | -1,300        | -1,231        | -1,237        |
| <u>Gross national product at factor cost</u>                 | <u>9,672</u>  | <u>9,726</u>  | <u>8,760</u>  | <u>7,885</u>  | <u>8,100</u>  |
| Depreciation   | -543          | -571          | -600          | -630          | -660          |
| Terms of trade effect  | -77           | 47            | 248           | -110          | -269          |
| <u>Net national product at factor cost = national income</u> | <u>9,052</u>  | <u>9,088</u>  | <u>8,408</u>  | <u>7,145</u>  | <u>7,171</u>  |

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

1/ Adjusted by the GDP deflator.

Table 35. Argentina: Saving and Investment 1/

(In millions of pesos argentinos)

|   | 1979         | 1980         | 1981          | Prel.<br>1982 | Prel.<br>1983  |
|---|--------------|--------------|---------------|---------------|----------------|
| <u>National saving</u>                              | <u>3,279</u> | <u>6,367</u> | <u>8,737</u>  | <u>19,635</u> | <u>93,738</u>  |
| Private sector                                      | 2,657        | 5,803        | 11,921        | 32,271        | 153,245        |
| Public sector                                       | 622          | 564          | -3,184        | -12,636       | -59,507        |
| <u>Gross domestic investment</u> 2/                 | <u>3,350</u> | <u>7,243</u> | <u>10,757</u> | <u>27,242</u> | <u>120,800</u> |
| Private sector                                      | 1,864        | 4,535        | 5,379         | 14,778        | 58,615         |
| Public sector                                       | 1,486        | 2,708        | 5,378         | 12,464        | 62,185         |
| <u>External saving</u>                              | <u>71</u>    | <u>876</u>   | <u>2,020</u>  | <u>7,607</u>  | <u>27,062</u>  |
| Capital inflow                                      | 632          | 402          | 429           | -9,655        | 2,885          |
| Nonfinancial public sector                          | (183)        | (544)        | (1,995)       | (-8,595)      | (3,043)        |
| Private 3/  | (449)        | (-142)       | (-1,566)      | (-1,060)      | (-158)         |
| Valuation adjustment 4/                             | 27           | -26          | -129          | -275          | -2,727         |
| Change in net international reserves (increase -)5/ | -588         | 500          | 1,720         | 17,537        | 26,904         |

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 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 36. 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> |                             |                       |                             |                       |
| January     | 4.9                         | 83.5                  | 2.4                         | 54.6                  |
| February    | 4.2                         | 81.6                  | 5.1                         | 56.2                  |
| March       | 6.0                         | 81.9                  | 4.6                         | 57.4                  |
| April       | 7.9                         | 84.8                  | 12.2                        | 70.3                  |
| May         | 7.5                         | 87.9                  | 8.0                         | 74.4                  |
| June        | 9.4                         | 94.3                  | 18.7                        | 93.2                  |
| July        | 10.2                        | 109.8                 | 12.7                        | 111.8                 |
| August      | 7.9                         | 113.8                 | 9.2                         | 124.9                 |
| September   | 7.1                         | 119.1                 | 7.0                         | 134.5                 |
| October     | 5.8                         | 115.4                 | 6.1                         | 135.8                 |
| November    | 7.2                         | 120.7                 | 11.0                        | 155.3                 |
| December    | 8.8                         | 131.3                 | 10.6                        | 180.2                 |
| <u>1982</u> |                             |                       |                             |                       |
| January     | 11.9                        | 146.8                 | 14.0                        | 211.9                 |
| February    | 5.3                         | 149.4                 | 5.7                         | 213.4                 |
| March       | 4.7                         | 146.4                 | 4.6                         | 212.6                 |
| April       | 4.2                         | 138.0                 | 6.1                         | 195.0                 |
| May         | 3.1                         | 128.0                 | 9.3                         | 198.4                 |
| June        | 7.9                         | 125.0                 | 15.3                        | 189.7                 |
| July        | 16.3                        | 137.2                 | 27.9                        | 229.1                 |
| August      | 14.7                        | 152.1                 | 16.2                        | 249.1                 |
| September   | 17.1                        | 175.5                 | 19.2                        | 287.9                 |
| October     | 12.7                        | 193.4                 | 9.9                         | 302.1                 |
| November    | 11.3                        | 204.6                 | 13.9                        | 312.8                 |
| December    | 10.6                        | 209.7                 | 10.2                        | 311.3                 |
| <u>1983</u> |                             |                       |                             |                       |
| January     | 16.0                        | 221.0                 | 14.7                        | 313.5                 |
| February    | 13.0                        | 244.6                 | 13.2                        | 343.5                 |
| March       | 11.3                        | 266.1                 | 10.8                        | 369.9                 |
| April       | 10.3                        | 287.5                 | 6.9                         | 373.5                 |
| May         | 9.1                         | 310.1                 | 10.2                        | 377.7                 |
| June        | 15.8                        | 340.2                 | 14.5                        | 373.9                 |
| July        | 12.5                        | 325.8                 | 11.5                        | 313.3                 |
| August      | 17.2                        | 335.3                 | 17.9                        | 319.6                 |
| September   | 21.4                        | 351.3                 | 24.4                        | 338.1                 |
| October     | 17.0                        | 368.4                 | 16.9                        | 365.8                 |
| November    | 19.2                        | 401.6                 | 16.1                        | 374.7                 |
| December    | 17.7                        | 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                        | 507.7                 |
| May         | 17.1                        | 568.3                 | 19.0                        | 556.2                 |
| June        | 17.9                        | 580.3                 | 16.6                        | 567.1                 |
| July        | 18.3                        | 615.5                 | 15.3                        | 593.5                 |

Source: National Institute of Statistics.

Table 37. Argentina: Industrial Origin of Gross Domestic Product

|   | 1979  | 1980  | 1981  | 1982  | Prel.<br>1983 |
|---|-------|-------|-------|-------|---------------|
| (In thousands of pesos argentinos at 1970 prices) |       |       |       |       |               |
| GDP at factor cost                                | 9,775 | 9,847 | 9,233 | 8,744 | 8,988         |
| Primary sector                                    | 1,568 | 1,492 | 1,524 | 1,604 | 1,619         |
| Agriculture, forestry, and fishing                | 1,335 | 1,246 | 1,276 | 1,358 | 1,368         |
| Mining  | 233   | 246   | 248   | 246   | 251           |
| Secondary sector                                  | 3,532 | 3,467 | 2,980 | 2,782 | 2,975         |
| Manufacturing                                     | 2,562 | 2,464 | 2,071 | 1,973 | 2,168         |
| Construction                                      | 644   | 652   | 562   | 451   | 420           |
| Electricity, gas, and water                       | 326   | 351   | 347   | 358   | 387           |
| Service sector                                    | 4,675 | 4,888 | 4,729 | 4,358 | 4,394         |
| Commerce  | 1,396 | 1,474 | 1,374 | 1,122 | 1,162         |
| Transportation and communications                 | 1,051 | 1,057 | 1,018 | 987   | 1,015         |
| Finance and banking                               | 797   | 895   | 847   | 746   | 687           |
| Government  | 929   | 936   | 945   | 967   | 981           |
| Other   | 502   | 526   | 545   | 536   | 549           |
| (Percentage change)                               |       |       |       |       |               |
| GDP at factor cost                                | 6.7   | 0.7   | -6.2  | -5.3  | 2.8           |
| Primary sector                                    | 3.9   | -4.8  | 2.1   | 5.2   | 0.9           |
| Agriculture, forestry, and Fishing                | 3.5   | -6.7  | 2.4   | 6.4   | 0.7           |
| Mining  | 6.4   | 5.6   | 0.8   | -0.8  | 2.0           |
| Secondary sector                                  | 8.1   | -1.8  | -14.0 | -6.6  | 6.9           |
| Manufacturing                                     | 10.2  | -3.8  | -16.0 | -4.7  | 9.9           |
| Construction                                      | -0.5  | 1.2   | -13.8 | -19.8 | -6.9          |
| Electricity, gas, and water                       | 10.5  | 7.7   | -1.1  | 3.2   | 8.1           |
| Service sector                                    | 6.6   | 4.6   | -3.3  | -7.9  | 0.8           |
| Commerce  | 11.1  | 5.6   | -6.8  | -18.3 | 3.6           |
| Transportation and communications                 | 6.5   | 0.6   | -3.8  | -3.1  | 2.8           |
| Finance and banking                               | 8.0   | 12.3  | -5.4  | -11.9 | -7.9          |
| Government  | 1.5   | 0.8   | 1.0   | 2.3   | 1.5           |
| Other   | 2.9   | 4.8   | 3.6   | -1.7  | 2.4           |
| (Percentage distribution)                         |       |       |       |       |               |
| GDP at factor cost                                | 100.0 | 100.0 | 100.0 | 100.0 | 100.0         |
| Primary sector                                    | 16.0  | 15.2  | 16.5  | 18.3  | 18.0          |
| Agriculture, forestry, and fishing                | 13.6  | 12.7  | 13.8  | 15.5  | 15.2          |
| Mining  | 2.4   | 2.5   | 2.7   | 2.8   | 2.8           |
| Secondary sector                                  | 36.1  | 35.2  | 32.3  | 31.9  | 33.1          |
| Manufacturing                                     | 26.2  | 25.0  | 22.4  | 22.6  | 24.1          |
| Construction                                      | 6.6   | 6.6   | 6.1   | 5.2   | 4.7           |
| Electricity, gas, and water                       | 3.3   | 3.6   | 3.8   | 4.1   | 4.3           |
| Service sector                                    | 47.9  | 49.6  | 51.2  | 49.8  | 48.9          |
| Commerce  | 14.3  | 15.0  | 14.9  | 12.8  | 12.9          |
| Transportation and communications                 | 10.8  | 10.7  | 11.0  | 11.3  | 11.3          |
| Finance and banking                               | 8.1   | 9.1   | 9.2   | 8.5   | 7.6           |
| Government  | 9.6   | 9.5   | 10.2  | 11.1  | 10.9          |
| Other   | 5.1   | 5.3   | 5.9   | 6.1   | 6.2           |

Sources: Central Bank of Argentina.

Table 38. Argentina: Index of Agricultural Production

(1970 = 100)

|                                | 1979         | 1980         | 1981         | 1982         | 1983         |
|--------------------------------|--------------|--------------|--------------|--------------|--------------|
| <u>Total</u>                   | <u>130.5</u> | <u>121.8</u> | <u>124.7</u> | <u>132.7</u> | <u>133.7</u> |
| <u>Agriculture and hunting</u> | <u>129.9</u> | <u>121.9</u> | <u>125.0</u> | <u>133.0</u> | <u>134.1</u> |
| Agriculture                    | 141.0        | 133.2        | 136.8        | 157.1        | 156.6        |
| Cereals                        | 111.6        | 103.7        | 136.1        | 148.4        | 148.5        |
| Oilseeds                       | 332.5        | 296.9        | 306.0        | 351.1        | 339.3        |
| Industrial crops               | 132.5        | 130.4        | 120.9        | 134.1        | 132.8        |
| Fruits and flowers             | 125.0        | 125.6        | 117.0        | 114.8        | 118.6        |
| Vegetables                     | 121.6        | 115.2        | 113.2        | 124.7        | 124.7        |
| Livestock                      | 117.9        | 109.9        | 105.6        | 107.0        | 109.8        |
| Cattle                         | 118.6        | 107.2        | 101.2        | 101.7        | 105.2        |
| Wool                           | 98.9         | 94.9         | 94.5         | 86.8         | 87.2         |
| Milk                           | 128.0        | 127.7        | 126.5        | 138.3        | 136.7        |
| Poultry                        | 156.0        | 174.6        | 201.5        | 206.7        | 206.0        |
| Hunting                        | 600.0        | 600.0        | 700.0        | 700.0        | 700.0        |
| <u>Forestry</u>                | <u>128.1</u> | <u>95.0</u>  | <u>86.3</u>  | <u>85.6</u>  | <u>82.7</u>  |
| <u>Fishing</u>                 | <u>266.7</u> | <u>173.3</u> | <u>168.9</u> | <u>222.2</u> | <u>200.0</u> |

Source: Central Bank of Argentina.

**Table 39. Argentina: Average Producer and Export Prices  
of Major Crops 1/**

(In U.S. dollars per ton)

|                        | 1979   | 1980   | 1981   | 1982   | 1983   |
|------------------------|--------|--------|--------|--------|--------|
| <b><u>Wheat</u></b>    |        |        |        |        |        |
| Producer's price       | 83.30  | 123.16 | 159.30 | 140.19 | 86.07  |
| Export price           | 127.75 | 192.25 | 213.00 | 176.50 | 148.00 |
| Producer's share       | 65.21  | 64.06  | 74.79  | 79.43  | 58.16  |
| <b><u>Corn</u></b>     |        |        |        |        |        |
| Producer's price       | 73.51  | 96.45  | 89.43  | 76.81  | 71.01  |
| Export price           | 109.17 | 151.33 | 139.67 | 112.17 | 124.83 |
| Producer's share       | 67.34  | 63.73  | 64.03  | 68.48  | 56.89  |
| <b><u>Sorghum</u></b>  |        |        |        |        |        |
| Producer's price       | 55.71  | 84.16  | 72.69  | 60.43  | 57.63  |
| Export price           | 89.00  | 142.40 | 122.80 | 96.80  | 107.40 |
| Producer's share       | 62.60  | 59.10  | 59.19  | 62.43  | 53.66  |
| <b><u>Soybeans</u></b> |        |        |        |        |        |
| Producer's price       | 179.01 | 142.72 | 173.98 | 171.44 | 139.90 |
| Export price           | 257.25 | 213.50 | 259.75 | 229.25 | 227.25 |
| Producer's share       | 69.59  | 66.85  | 66.98  | 74.78  | 61.56  |

Source: Secretariat of Agriculture and Livestock.

1/ Producer's prices are quoted at the farm gate, and export prices are f.o.b. Buenos Aires; producer's share is producer's price as per cent of export price.

Table 40. Argentina: Relative Prices of Agricultural Products 1/

(1960 = 100, period averages)

|             | General | Crops | Cereals | Livestock | Beef  |
|-------------|---------|-------|---------|-----------|-------|
| 1979        | 92.8    | 83.4  | 67.7    | 102.2     | 111.9 |
| 1980        | 83.9    | 81.0  | 72.0    | 86.1      | 95.3  |
| 1981        | 76.7    | 80.5  | 80.9    | 71.5      | 77.1  |
| 1982        | 90.1    | 84.6  | 80.8    | 95.0      | 107.4 |
| 1983        | 92.9    | 92.9  | 75.7    | 92.7      | 102.5 |
| <u>1981</u> |         |       |         |           |       |
| 1st quarter | 69.3    | 65.4  | 67.2    | 72.0      | 79.2  |
| 2nd quarter | 70.3    | 69.5  | 70.2    | 69.8      | 74.0  |
| 3rd quarter | 77.1    | 84.7  | 84.3    | 67.9      | 72.5  |
| 4th quarter | 83.1    | 90.2  | 90.5    | 74.9      | 81.6  |
| <u>1982</u> |         |       |         |           |       |
| 1st quarter | 79.9    | 76.3  | 77.8    | 82.6      | 90.3  |
| 2nd quarter | 83.9    | 86.2  | 84.2    | 80.4      | 87.5  |
| 3rd quarter | 95.6    | 95.0  | 93.9    | 95.4      | 107.8 |
| 4th quarter | 92.2    | 79.7  | 71.6    | 104.7     | 121.2 |
| <u>1983</u> |         |       |         |           |       |
| 1st quarter | 89.1    | 83.4  | 76.8    | 94.5      | 107.6 |
| 2nd quarter | 87.0    | 80.8  | 71.3    | 93.1      | 103.7 |
| 3rd quarter | 99.7    | 105.0 | 80.7    | 93.9      | 104.3 |
| 4th quarter | 92.5    | 93.4  | 74.3    | 91.3      | 99.5  |
| <u>1984</u> |         |       |         |           |       |
| 1st quarter | 93.9    | 88.4  | 72.6    | 99.3      | 110.7 |
| 2nd quarter | 92.5    | 97.3  | 72.8    | 87.2      | 95.3  |

Sources: National Institute of Statistics.

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

Table 41. 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)

|                | 1978/79 | 1979/80 | 1980/81 | 1981/82 | 1982/83 | Est.<br>1983/84 |
|----------------|---------|---------|---------|---------|---------|-----------------|
| <u>Cereals</u> |         |         |         |         |         |                 |
| Wheat          |         |         |         |         |         |                 |
| Planted area   | 5,230   | 5,000   | 6,196   | 6,566   | 7,410   | 7,210           |
| Harvested area | 4,685   | 4,787   | 5,023   | 5,926   | 7,320   | 6,880           |
| Yield          | 1.73    | 1.69    | 1.55    | 1.40    | 2.05    | 1.79            |
| Production     | 8,100   | 8,100   | 7,780   | 8,300   | 15,000  | 12,300          |
| Corn           |         |         |         |         |         |                 |
| Planted area   | 3,300   | 3,310   | 4,000   | 3,695   | 3,440   | 3,340           |
| Harvested area | 2,800   | 2,490   | 3,394   | 3,170   | 2,970   | 2,941           |
| Yield          | 3.11    | 2.57    | 3.80    | 3.03    | 2.98    | 3.13            |
| Production     | 8,700   | 6,400   | 12,900  | 9,600   | 8,840   | 9,200           |
| Oats           |         |         |         |         |         |                 |
| Planted area   | 1,545   | 1,680   | 1,718   | 1,615   | 1,856   | 1,854           |
| Harvested area | 500     | 410     | 350     | 298     | 408     | 397             |
| Yield          | 1.35    | 1.27    | 1.24    | 1.14    | 1.56    | 1.36            |
| Production     | 676     | 522     | 433     | 339     | 637     | 538             |
| Barley         |         |         |         |         |         |                 |
| Planted area   | 761     | 592     | 555     | 409     | 353     | 291             |
| Harvested area | 355     | 246     | 172     | 115     | 119     | ...             |
| Yield          | 1.56    | 1.38    | 1.25    | 1.15    | 1.77    | ...             |
| Production     | 554     | 339     | 217     | 132     | 211     | 313             |
| Rye            |         |         |         |         |         |                 |
| Planted area   | 1,722   | 1,494   | 1,489   | 1,338   | 1,483   | 1,231           |
| Harvested area | 260     | 225     | 210     | 162     | 174     | 156             |
| Yield          | 0.81    | 0.89    | 0.74    | 0.92    | 0.85    | 0.9             |
| Production     | 210     | 202     | 155     | 149     | 148     | 142             |
| Rice           |         |         |         |         |         |                 |
| Planted area   | 116     | 88      | 85      | 117     | 109     | ...             |
| Harvested area | 102     | 82      | 82      | 114     | 81      | ...             |
| Yield          | 3.05    | 3.24    | 3.50    | 3.85    | 3.42    | ...             |
| Production     | 312     | 266     | 286     | 437     | 277     | 322             |
| Sorghum        |         |         |         |         |         |                 |
| Planted area   | 2,530   | 1,884   | 2,400   | 2,712   | 2,657   | 2,750           |
| Harvested area | 2,044   | 1,279   | 2,100   | 2,510   | 2,520   | 2,391           |
| Yield          | 3.03    | 2.31    | 3.60    | 3.19    | 3.27    | 3.26            |
| Production     | 6,200   | 2,960   | 7,550   | 8,000   | 8,250   | 7,800           |

Table 41. 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)

|                         | 1978/79 | 1979/80 | 1980/81 | 1981/82 | 1982/83 | Est.<br>1983/84 |
|-------------------------|---------|---------|---------|---------|---------|-----------------|
| <u>Oilseeds</u>         |         |         |         |         |         |                 |
| Linseed                 |         |         |         |         |         |                 |
| Planted area            | 893     | 1,070   | 780     | 851     | 910     | 832             |
| Harvested area          | 817     | 978     | 726     | 818     | 864     | 828             |
| Yield                   | 0.73    | 0.76    | 0.81    | 0.73    | 0.85    | 0.82            |
| Production              | 600     | 743     | 585     | 600     | 730     | 680             |
| Sunflower seeds         |         |         |         |         |         |                 |
| Planted area            | 1,766   | 2,000   | 1,390   | 1,733   | 1,930   | 2,090           |
| Harvested area          | 1,577   | 1,855   | 1,280   | 1,673   | 1,902   | ...             |
| Yield                   | 0.91    | 0.89    | 0.98    | 1.18    | 1.27    | ...             |
| Production              | 1,430   | 1,650   | 1,260   | 1,980   | 2,400   | 2,240           |
| Soybeans                |         |         |         |         |         |                 |
| Planted area            | 1,640   | 2,100   | 1,925   | 2,040   | 2,362   | 2,600           |
| Harvested area          | 1,600   | 2,030   | 1,880   | 1,987   | 2,381   | ...             |
| Yield                   | 2.31    | 1.72    | 2.00    | 2.09    | 1.75    | ...             |
| Production              | 3,700   | 3,500   | 3,770   | 4,150   | 4,000   | 6,000           |
| Groundnuts              |         |         |         |         |         |                 |
| Planted area            | 400     | 287     | 201     | 160     | 125     | 141             |
| Harvested area          | 393     | 279     | 197     | 179     | 125     | ...             |
| Yield                   | 1.20    | 0.74    | 0.86    | 1.15    | 1.28    | ...             |
| Production              | 470     | 206     | 170     | 205     | 160     | 215             |
| <u>Industrial crops</u> |         |         |         |         |         |                 |
| Cotton                  |         |         |         |         |         |                 |
| Planted area            | 702     | 585     | 343     | 404     | 373     | 493             |
| Harvested area          | 669     | 568     | 282     | 399     | 343     | 450             |
| Yield                   | 0.86    | 0.85    | 1.00    | 1.23    | 1.09    | 1.11            |
| Production              | 573     | 485     | 282     | 491     | 373     | 500             |
| Tobacco                 |         |         |         |         |         |                 |
| Planted area            | 78      | 65      | 50      | 69      | 67      | 75              |
| Harvested area          | 75      | 57      | 47      | 55      | 60      | 72              |
| Yield                   | 0.93    | 1.09    | 1.11    | 1.25    | 1.23    | 1.19            |
| Production              | 70      | 62      | 52      | 69      | 74      | 86              |
| Sugarcane               |         |         |         |         |         |                 |
| Planted area            | 351     | 337     | 351     | 350     | 354     | 355             |
| Harvested area          | 306     | 314     | 320     | 309     | 313     | 317             |
| Yield                   | 46.14   | 54.78   | 48.44   | 48.69   | 48.15   | 47.32           |
| Production              | 14,120  | 17,200  | 15,500  | 15,046  | 15,070  | 15,000          |

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

Table 42. Argentina: Population, Slaughter, and Price Data for Cattle

|                                   | Cattle<br>Popula-<br>tion 1/<br>Slaughter<br>(Millions) | Sales in<br>Total<br>Slaughter<br>(Millions) | Liniers<br>Market | Ratio of<br>Cows to<br>Sales in<br>Liniers<br>(Percent) | Average<br>Weight<br>in<br>Liniers<br>(Kilos) | Current<br>Prices<br>(Pesos ar-<br>gentinos<br>per kilo) | Beef Price Index Deflated by: |                        |  |
|-----------------------------------|---|--|-------------------|---|---|--|-------------------------------|------------------------|--|
|                                   |   |  |                   |   |   |  | Wholesale<br>Price<br>Index   | Crop<br>Price<br>Index | Industrial<br>Price<br>Index<br>(1978=100) |
| 1979                              | 56.9  | 15.6   | 2.95              | 22.1  | 385   | 0.110  | 133.7                         | 160.7                  | 131.5                                      |
| 1980                              | 55.8  | 14.1   | 2.67              | 17.2  | 390   | 0.178  | 123.3                         | 148.5                  | 117.9                                      |
| 1981                              | 54.2  | 14.5   | 3.01              | 18.6  | 383   | 0.311  | 102.8                         | 123.0                  | 97.1                                       |
| 1982                              | 52.7  | 12.5   | 2.67              | 19.1  | 394   | 1.386  | 128.6                         | 155.7                  | 129.3                                      |
| 1983                              | 53.9  | 11.4   | 2.57              | 17.6  | 405   | 6.130  | 123.5                         | 136.7                  | 124.6                                      |
| <u>1983</u><br><u>1st quarter</u> | ...   | 2.8  | 0.59              | 16.9  | 410   | 3.387  | 132.0                         | 163.5                  | 132.6                                      |
| <u>1984</u><br><u>1st quarter</u> | ...   | 2.9  | 0.62              | 17.0  | 399   | 16.967   | 127.7                         | 150.5                  | 129.5                                      |

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

1/ Midyear.

Table 43. Argentina: Relative Prices of Major Energy Products 1/  
 (1976 = 100)

|                    | 1979  | 1980  | 1981  | 1982  | 1983  | I     | II    | 1983  | IV    | 1984  |
|--------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
|                    |       |       |       |       |       |       |       | III   |       | I     |
| All products       | 89.4  | 93.8  | 108.3 | 88.3  | 105.1 | 91.6  | 105.3 | 116.8 | 106.5 | 117.2 |
| Petroleum products | 81.3  | 85.1  | 99.4  | 84.2  | 103.6 | 88.7  | 102.8 | 116.7 | 106.3 | 119.0 |
| Gasoline, regular  | 71.7  | 75.5  | 86.5  | 77.3  | 94.4  | 82.5  | 95.1  | 105.6 | 94.2  | 111.8 |
| Gasoline, extra    | 77.2  | 81.7  | 94.1  | 81.4  | 93.7  | 81.9  | 94.5  | 104.8 | 93.6  | 111.1 |
| Diesel oil         | 95.8  | 102.4 | 119.9 | 100.2 | 170.3 | 128.0 | 159.8 | 209.4 | 183.8 | 185.8 |
| Fuel oil           | 122.2 | 131.8 | 157.8 | 133.7 | 229.0 | 162.8 | 204.9 | 273.6 | 274.5 | 278.0 |
| Gas oil            | 100.2 | 101.6 | 123.6 | 98.7  | 110.6 | 95.8  | 109.3 | 122.3 | 115.0 | 115.4 |
| Kerosene           | 102.1 | 103.7 | 125.9 | 100.5 | 113.8 | 97.6  | 112.5 | 126.4 | 118.7 | 117.8 |
| Natural gas        | 123.0 | 131.7 | 153.5 | 121.6 | 123.4 | 108.0 | 121.4 | 135.7 | 128.4 | 131.1 |
| Electricity        | 117.2 | 122.9 | 139.3 | 98.7  | 103.5 | 95.4  | 107.7 | 110.6 | 100.1 | 107.2 |

Source: National Enterprises Central Office.

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

Table 44. Argentina: Labor Force Participation Rates

|             | <u>Ages 10 to 24</u> |       | <u>Ages 25 to 49</u> |       |       | <u>Ages 50 and over</u> |       | <u>All ages</u> |
|-------------|----------------------|-------|----------------------|-------|-------|-------------------------|-------|-----------------|
|             | Total                | Males | Females              | Total | Total | Total                   | Total | Total           |
| <u>1974</u> |                      |       |                      |       |       |                         |       |                 |
| April       | 40.0                 | 97.3  | 39.2                 | 66.7  |       | 32.3                    |       | 40.6            |
| October     | 40.0                 | 98.1  | 39.8                 | 67.0  |       | 33.3                    |       | 40.6            |
| <u>1975</u> |                      |       |                      |       |       |                         |       |                 |
| April       | 39.0                 | 97.6  | 40.6                 | 67.9  |       | 32.6                    |       | 40.6            |
| October     | 37.8                 | 98.3  | 38.2                 | 66.8  |       | 35.3                    |       | 40.3            |
| <u>1976</u> |                      |       |                      |       |       |                         |       |                 |
| April       | 36.6                 | 98.2  | 36.8                 | 65.9  |       | 36.4                    |       | 40.5            |
| October     | 35.4                 | 96.6  | 38.8                 | 66.0  |       | 35.2                    |       | 39.3            |
| <u>1977</u> |                      |       |                      |       |       |                         |       |                 |
| April       | 33.8                 | 97.3  | 41.0                 | 68.4  |       | 36.8                    |       | 39.5            |
| October     | 36.4                 | 96.7  | 39.7                 | 66.2  |       | 33.6                    |       | 39.2            |
| <u>1978</u> |                      |       |                      |       |       |                         |       |                 |
| May         | 37.3                 | 96.2  | 42.1                 | 67.2  |       | 32.6                    |       | 39.6            |
| October     | 39.7                 | 96.9  | 42.4                 | 67.9  |       | 33.0                    |       | 40.0            |
| <u>1979</u> |                      |       |                      |       |       |                         |       |                 |
| April       | 37.6                 | 97.0  | 38.5                 | 66.2  |       | 34.2                    |       | 38.9            |
| October     | 39.2                 | 96.9  | 42.8                 | 68.2  |       | 32.7                    |       | 39.7            |
| <u>1980</u> |                      |       |                      |       |       |                         |       |                 |
| April       | 39.2                 | 96.8  | 41.4                 | 67.5  |       | 32.5                    |       | 39.3            |
| October     | 38.0                 | 97.1  | 43.6                 | 69.2  |       | 31.7                    |       | 39.4            |
| <u>1981</u> |                      |       |                      |       |       |                         |       |                 |
| April       | 38.4                 | 97.3  | 43.4                 | 68.9  |       | 32.1                    |       | 39.5            |
| October     | 37.6                 | 96.7  | 43.0                 | 67.9  |       | 33.0                    |       | 39.2            |
| <u>1982</u> |                      |       |                      |       |       |                         |       |                 |
| April       | 37.6                 | 97.1  | 43.9                 | 69.1  |       | 31.5                    |       | 39.1            |
| October     | 36.1                 | 97.3  | 45.1                 | 69.1  |       | 33.3                    |       | 39.2            |
| <u>1983</u> |                      |       |                      |       |       |                         |       |                 |
| April       | 35.9                 | 96.2  | 42.4                 | 67.9  |       | 30.6                    |       | 38.1            |
| October     | 33.1                 | 96.1  | 42.0                 | 67.9  |       | 32.5                    |       | 37.7            |
| <u>1984</u> |                      |       |                      |       |       |                         |       |                 |
| April       | ...                  | ...   | ...                  | ...   |       | ...                     |       | 37.8            |

Source: National Institute of Statistics.

1/ Data for Greater Buenos Aires.

Table 45. Argentina: Price Movements

(Percentage change during year or quarter)

|             | Consumer<br>Prices for<br>Buenos<br>Aires | Wholesale Price Index |       |                                   |                          |                   |
|-------------|---|-----------------------|-------|-----------------------------------|--------------------------|-------------------|
|             |   | General               | Crops | Live-<br>stock<br>Produc-<br>tion | Indus-<br>trial<br>Goods | Imported<br>Goods |
| 1979        | 139.7                                     | 128.9                 | 95.2  | 137.2                             | 133.9                    | 105.7             |
| 1980        | 87.6                                      | 57.7                  | 51.8  | 21.5                              | 65.0                     | 59.6              |
| 1981        | 131.3                                     | 180.2                 | 205.7 | 222.4                             | 170.7                    | 237.5             |
| 1982        | 209.7                                     | 311.3                 | 277.7 | 351.8                             | 310.4                    | 497.3             |
| 1983        | 433.7                                     | 411.3                 | 431.0 | 358.8                             | 426.6                    | 342.2             |
| <u>1979</u> |   |                       |       |                                   |                          |                   |
| 1st quarter | 30.6                                      | 28.4                  | 15.3  | 29.7                              | 30.6                     | 18.4              |
| 2nd quarter | 25.5                                      | 28.2                  | 25.3  | 36.5                              | 27.2                     | 30.7              |
| 3rd quarter | 27.6                                      | 29.8                  | 33.8  | 41.7                              | 26.7                     | 17.4              |
| 4th quarter | 14.7                                      | 7.2                   | 1.0   | -5.4                              | 11.1                     | 13.2              |
| <u>1980</u> |   |                       |       |                                   |                          |                   |
| 1st quarter | 19.5                                      | 12.8                  | 5.5   | 10.2                              | 14.4                     | 17.8              |
| 2nd quarter | 18.8                                      | 17.5                  | 28.8  | 20.9                              | 15.1                     | 8.8               |
| 3rd quarter | 13.1                                      | 9.0                   | 22.0  | -7.1                              | 9.8                      | 11.4              |
| 4th quarter | 16.9                                      | 9.1                   | -8.4  | -1.8                              | 14.1                     | 11.8              |
| <u>1981</u> |   |                       |       |                                   |                          |                   |
| 1st quarter | 15.8                                      | 12.9                  | 2.6   | 12.9                              | 14.4                     | 20.1              |
| 2nd quarter | 26.9                                      | 44.0                  | 55.9  | 48.8                              | 41.9                     | 76.7              |
| 3rd quarter | 27.5                                      | 32.1                  | 63.0  | 12.5                              | 30.4                     | 26.6              |
| 4th quarter | 23.4                                      | 30.3                  | 17.2  | 70.6                              | 27.8                     | 25.6              |
| <u>1982</u> |   |                       |       |                                   |                          |                   |
| 1st quarter | 23.4                                      | 25.9                  | 12.4  | 18.7                              | 29.2                     | 43.3              |
| 2nd quarter | 15.9                                      | 33.7                  | 57.1  | 10.9                              | 29.3                     | 54.8              |
| 3rd quarter | 56.1                                      | 77.0                  | 71.7  | 103.1                             | 73.0                     | 79.0              |
| 4th quarter | 38.8                                      | 38.1                  | 24.6  | 32.9                              | 41.5                     | 50.4              |
| <u>1983</u> |   |                       |       |                                   |                          |                   |
| 1st quarter | 45.9                                      | 43.8                  | 44.3  | 38.5                              | 45.2                     | 40.0              |
| 2nd quarter | 39.3                                      | 34.9                  | 41.5  | 38.7                              | 33.8                     | 28.5              |
| 3rd quarter | 60.0                                      | 63.6                  | 115.3 | 59.0                              | 58.4                     | 34.0              |
| 4th quarter | 64.2                                      | 60.9                  | 20.8  | 49.3                              | 71.1                     | 83.4              |
| <u>1984</u> |   |                       |       |                                   |                          |                   |
| 1st quarter | 58.4                                      | 52.8                  | 64.4  | 73.9                              | 46.5                     | 56.4              |
| 2nd quarter | 63.6                                      | 65.5                  | 82.1  | 38.1                              | 68.4                     | 62.5              |

Source: National Institute of Statistics.

Table 46. Argentina: Compensation, Productivity, and  
Real Unit Labor Costs in Manufacturing 1/

(1978 = 100)

|             | Real Wage<br>Costs 2/ | Output<br>per Worker | Real Unit<br>Labor Costs |
|-------------|-----------------------|----------------------|--------------------------|
| 1979        | 116.5                 | 112.6                | 103.5                    |
| 1980        | 146.4                 | 117.5                | 124.6                    |
| 1981        | 130.9                 | 112.9                | 115.9                    |
| 1982        | 90.8                  | 113.6                | 79.9                     |
| 1983        | 107.0                 | 120.8                | 88.6                     |
| <u>1981</u> |                       |                      |                          |
| 1st quarter | 155.7                 | 106.8                | 145.8                    |
| 2nd quarter | 132.6                 | 118.3                | 112.1                    |
| 3rd quarter | 114.4                 | 112.1                | 128.8                    |
| 4th quarter | 120.8                 | 114.6                | 105.4                    |
| <u>1982</u> |                       |                      |                          |
| 1st quarter | 102.8                 | 99.6                 | 103.2                    |
| 2nd quarter | 87.6                  | 110.1                | 79.6                     |
| 3rd quarter | 80.5                  | 122.1                | 65.9                     |
| 4th quarter | 92.7                  | 123.0                | 75.4                     |
| <u>1983</u> |                       |                      |                          |
| 1st quarter | 88.4                  | 105.5                | 83.8                     |
| 2nd quarter | 102.0                 | 123.5                | 82.6                     |
| 3rd quarter | 114.3                 | 131.8                | 86.7                     |
| 4th quarter | 121.0                 | 123.5                | 98.0                     |
| <u>1984</u> |                       |                      |                          |
| 1st quarter | 134.0                 | 107.0                | 125.2                    |

Sources: National Institute of Statistics; and Fund staff estimates.

1/ Not adjusted for seasonal variations.

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

Table 47. Argentina: Expenditure of the Nonfinancial Public Sector 1/  
 (In millions of pesos argentinos)

|   | 1979         | 1980          | 1981          | 1982          | 1983           |
|---|--------------|---------------|---------------|---------------|----------------|
| <u>Total</u>  | <u>5,922</u> | <u>12,575</u> | <u>28,769</u> | <u>75,484</u> | <u>359,127</u> |
| <u>By economic categories</u>                       |              |               |               |               |                |
| Current expenditure                                 | 4,368        | 9,739         | 22,819        | 61,488        | 289,494        |
| Wages and salaries                                  | 1,639        | 3,779         | 6,875         | 14,555        | 88,441         |
| Foreign interest                                    | 72           | 223           | 2,502         | 9,729         | 34,163         |
| Domestic interest                                   | 372          | 748           | 2,830         | 8,439         | 6,772          |
| Other   | 2,285        | 4,989         | 10,612        | 28,765        | 160,118        |
| Capital expenditure                                 | 1,494        | 2,701         | 5,356         | 12,481        | 62,467         |
| Extrabudgetary<br>expenditure 2/                    | 60           | 135           | 594           | 1,515         | 7,166          |
| <u>By sectors</u>                                   |              |               |               |               |                |
| National Administration                             | 1,868        | 3,810         | 10,222        | 29,095        | 112,946        |
| Central Administration                              | 1,106        | 2,278         | 7,081         | 19,342        | 67,046         |
| Special accounts                                    | 306          | 574           | 1,152         | 2,699         | 11,037         |
| Decentralized agencies                              | 456          | 958           | 1,989         | 7,054         | 34,863         |
| Provinces and Municipality<br>of Buenos Aires       | 1,450        | 3,289         | 6,637         | 14,127        | 85,414         |
| Social security system                              | 697          | 1,668         | 3,329         | 7,174         | 43,028         |
| Public enterprises                                  | 1,907        | 3,808         | 8,581         | 25,088        | 117,739        |
| <u>Memorandum items</u>                             |              |               |               |               |                |
| Adjusted total expen-<br>diture 3/                  | 4,673        | 10,128        | 23,145        | 61,138        | 285,141        |
| Wages, salaries, and<br>social security<br>benefits | 2,327        | 5,425         | 10,154        | 21,637        | 131,469        |

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

1/ Data are on a budget execution basis.

2/ Net of extrabudgetary receipts.

3/ Excludes gross expenditure of public enterprises, but includes their operating deficits.

Table 48. Argentina: Operations of the Nonfinancial Public Sector 1/  
 (In millions of pesos argentinos)

|   | 1979 | 1980   | 1981   | 1982    | 1983     |
|---|------|--------|--------|---------|----------|
| <b>I. Central Administration</b>                                |      |        |        |         |          |
| <u>Current revenue</u>  | 898  | 1,743  | 3,466  | 9,257   | 40,549   |
| <u>Current expenditure</u>                                      | 944  | 2,000  | 6,110  | 17,060  | 53,804   |
| <u>Current account budgetary deficit (-)</u>                    | -46  | -257   | -2,644 | -7,803  | -13,255  |
| <u>Capital receipts</u>   | 1    | --     | --     | 2       | 10       |
| <u>Capital expenditure</u>                                      | 102  | 143    | 377    | 767     | 6,076    |
| <u>Total budgetary deficit (-) before intrasector transfers</u> | -147 | -400   | -3,021 | -8,568  | 19,321   |
| <u>Net intrasector transfers</u>                                | -411 | -972   | -2,664 | -7,174  | -95,353  |
| Special accounts  | -164 | -292   | -724   | -1,896  | -8,423   |
| Decentralized agencies  | -138 | -363   | -806   | -2,272  | -20,242  |
| Provinces and municipality of Buenos Aires                      | -2   | -102   | -710   | -1,173  | -24,378  |
| Social security system  | -5   | -10    | --     | --      | --       |
| Public enterprises  | -102 | -205   | -424   | -1,833  | -42,310  |
| <u>Extrabudgetary expenditure 2/</u>                            | 60   | 135    | 594    | 1,515   | 7,166 3/ |
| <u>Overall deficit (-)</u>                                      | -618 | -1,507 | -6,279 | -17,257 | -121,840 |
| <u>External financing (net)</u>                                 | 42   | 90     | 2,088  | 3,457   | 3,468    |
| <u>Internal financing (net)</u>                                 | 576  | 1,417  | 4,191  | 13,800  | 118,372  |
| <b>II. Special Accounts</b>                                     |      |        |        |         |          |
| <u>Current revenue</u>  | 576  | 1,183  | 1,896  | 4,624   | 22,668   |
| <u>Current expenditure</u>                                      | 174  | 381    | 719    | 1,934   | 7,721    |
| <u>Current account budgetary surplus</u>                        | 402  | 802    | 1,177  | 2,690   | 14,947   |
| <u>Capital receipts</u>   | 1    | 7      | 15     | 42      | 220      |
| <u>Capital expenditure</u>                                      | 132  | 193    | 433    | 765     | 3,316    |
| <u>Total budgetary surplus before intrasector transfers</u>     | 271  | 616    | 759    | 1,967   | 11,851   |
| <u>Net intrasector transfers</u>                                | -122 | -293   | -421   | -763    | -5,711   |
| Central administration  | 164  | 292    | 724    | 1,896   | 8,423    |
| Decentralized agencies  | -22  | 8      | 21     | 114     | 803      |
| Provinces and municipality of Buenos Aires                      | -168 | -373   | -741   | -1,789  | -9,221   |
| Public enterprises  | -96  | -220   | -425   | -984    | -5,716   |
| <u>Overall surplus</u>  | 149  | 323    | 338    | 1,204   | 6,140    |
| <u>External financing (net)</u>                                 | 1    | -39    | -59    | -692    | -1,011   |
| <u>Internal financing (net)</u>                                 | -150 | -284   | -279   | -512    | -5,129   |

Table 48. Argentina: Operations of the Nonfinancial  
Public Sector (Continued)

(In millions of pesos argentinos)

|  | 1979  | 1980  | 1981   | 1982   | 1983    |
|--|-------|-------|--------|--------|---------|
| <b>III. Decentralized Agencies</b>   |       |       |        |        |         |
| <u>Current revenue</u>   | 295   | 477   | 693    | 1,859  | 15,638  |
| <u>Current expenditure</u>   | 270   | 626   | 1,325  | 4,753  | 24,372  |
| <u>Current account budgetary surplus or deficit (-)</u>                    | 25    | -149  | -632   | -2,894 | -8,734  |
| <u>Capital receipts</u>  | 1     | 3     | 5      | 22     | 79      |
| <u>Capital expenditure</u>   | 166   | 332   | 664    | 2,301  | 10,491  |
| <u>Total budgetary deficit (-) before intrasector transfers</u>            | -160  | -478  | -1,291 | -5,173 | -19,146 |
| <u>Net intrasector transfers</u>   | 158   | 340   | 770    | 4,132  | 19,333  |
| Central Administration   | 138   | 363   | 806    | 2,272  | 20,242  |
| Special accounts   | 22    | -8    | -21    | -114   | -803    |
| Provinces and municipality of Buenos Aires                                 | -2    | -14   | -14    | -25    | -101    |
| Public enterprises   | --    | -1    | -1     | -1     | -5      |
| <u>Overall surplus or deficit (-)</u>                                      | -2    | -138  | -521   | -3,041 | 187     |
| External financing (net)   | 1     | -38   | 208    | -3     | -570    |
| Internal financing (net)   | 1     | 176   | 313    | 3,044  | 383     |
| <b>IV. Provinces and Municipality of Buenos Aires</b>                      |       |       |        |        |         |
| <u>Current revenue</u>   | 1,246 | 2,718 | 4,460  | 10,819 | 49,418  |
| <u>Current expenditure</u>   | 935   | 2,267 | 4,669  | 10,500 | 65,794  |
| <u>Current account budgetary surplus or deficit (-)</u>                    | 311   | 451   | -209   | 313    | -16,376 |
| <u>Capital receipts</u>  | 7     | 16    | 26     | 119    | 240     |
| <u>Capital expenditure</u>   | 515   | 1,022 | 1,968  | 3,621  | 19,620  |
| <u>Total budgetary deficit (-) before intrasector transfers</u>            | -197  | -555  | -2,151 | -3,189 | -35,756 |
| <u>Net intrasector transfers</u>   | 167   | 489   | 1,465  | 2,987  | 33,700  |
| Central Administration   | 2     | 102   | 710    | 1,173  | 24,378  |
| Special accounts   | 168   | 373   | 741    | 1,789  | 9,221   |
| Decentralized agencies   | 2     | 14    | 14     | 25     | 101     |
| Public enterprises   | -5    | --    | --     | --     | --      |
| <u>Overall deficit (-)</u>   | -30   | -66   | -686   | -202   | -2,056  |
| External financing (net)   | --    | --    | --     | -16    | -376    |
| Internal financing (net)   | 30    | 66    | 686    | 218    | 2,432   |
| <b>V. Social Security System</b>   |       |       |        |        |         |
| <u>Current revenue</u>   | 685   | 1,652 | 3,338  | 7,229  | 37,030  |
| <u>Current expenditure</u>   | 697   | 1,668 | 3,329  | 7,174  | 43,028  |
| <u>Current account budgetary surplus or deficit (-)</u>                    | -12   | -16   | 9      | 55     | -5,998  |
| <u>Capital receipts</u>  | 9     | 2     | 1      | 4      | --      |
| <u>Total budgetary surplus or deficit (-) before intrasector transfers</u> | -3    | -14   | 10     | 59     | -5,998  |
| <u>Net intrasector transfers</u>   | 5     | 10    | --     | --     | --      |
| Central Administration   | 5     | 10    | --     | --     | --      |
| <u>Overall surplus or deficit (-)</u>                                      | -2    | -4    | -10    | 59     | -5,998  |
| External financing (net)   | --    | --    | --     | -59    | -5,998  |

Table 48. Argentina: Operations of the Nonfinancial Public Sector (Concluded)

(In millions of pesos argentinos)

|   | 1979  | 1980   | 1981   | 1982    | 1983     |
|---|-------|--------|--------|---------|----------|
| VI. General Government (VI = I through V)                                   |       |        |        |         |          |
| <u>Current revenue</u>  | 3,700 | 7,773  | 13,853 | 33,788  | 165,303  |
| <u>Current expenditure</u>  | 3,020 | 5,942  | 16,152 | 41,427  | 194,719  |
| <u>Current account budgetary surplus or deficit (-)</u>                     | 680   | 831    | -2,299 | -7,639  | -29,416  |
| <u>Capital receipts</u>   | 19    | 28     | 47     | 189     | 549      |
| <u>Capital expenditure</u>  | 935   | 1,690  | 3,442  | 7,454   | 39,503   |
| <u>Total budgetary deficit (-) before transfers to public enterprises</u>   | -236  | -831   | -5,694 | -14,904 | -68,370  |
| <u>Net transfers to public enterprises</u>                                  | 203   | 426    | 850    | 2,818   | 48,031   |
| <u>Extrabudgetary expenditure 2/</u>  | 60    | 135    | 594    | 1,515   | 7,166 3/ |
| <u>Overall deficit (-)</u>  | -499  | -1,392 | -7,138 | -19,237 | -123,567 |
| External financing (net)  | 44    | 13     | 2,237  | 2,746   | 1,511    |
| Internal financing (net)  | 455   | 1,379  | 4,901  | 16,491  | 122,056  |
| VII. Public Enterprises   |       |        |        |         |          |
| <u>Current receipts</u>   | 1,249 | 2,447  | 5,624  | 14,346  | 73,986   |
| <u>Current expenditure</u>  | 1,348 | 2,797  | 6,667  | 20,061  | 94,775   |
| <u>Current account budgetary deficit (-)</u>                                | -99   | -350   | -1,043 | -5,715  | -20,789  |
| <u>Capital receipts</u>   | 25    | 60     | 89     | 538     | 1,196    |
| <u>Capital expenditure</u>  | 559   | 1,011  | 1,914  | 5,027   | 22,964   |
| <u>Total budgetary deficit (-) before transfers from general government</u> | -633  | -1,301 | -2,868 | -10,204 | -42,557  |
| <u>Net transfers from general government</u>                                | 203   | 426    | 850    | 2,818   | 48,031   |
| <u>Overall surplus or deficit (-)</u>                                       | -430  | -875   | -2,018 | -7,386  | 5,474    |
| External financing (net)  | 207   | 410    | 1,401  | 2,066   | -905     |
| Internal financing (net)  | 223   | 465    | 617    | 5,320   | -4,569   |
| VIII. Consolidated Nonfinancial Public Sector                               |       |        |        |         |          |
| <u>Current account surplus or deficit (-)</u>                               | 581   | 481    | -3,342 | -13,354 | -50,205  |
| <u>Capital receipts</u>   | 44    | 88     | 136    | 727     | 1,745    |
| <u>Capital expenditure</u>  | 1,494 | 2,701  | 5,356  | 12,481  | 62,467   |
| <u>Total budgetary deficit (-)</u>  | -869  | -2,132 | -8,562 | -25,108 | -110,927 |
| <u>Extrabudgetary expenditure 2/</u>  | 60    | 135    | 594    | 1,515   | 7,166 3/ |
| <u>Overall deficit (-)</u>  | -929  | -2,267 | -9,156 | -26,623 | -118,093 |
| External financing (net)  | 251   | 423    | 3,638  | 4,812   | 606      |
| Internal financing (net)  | 678   | 1,844  | 5,518  | 21,811  | 117,487  |

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

1/ Data are on a budget execution basis.

2/ Net of extrabudgetary receipts.

3/ Includes \$a 4,083.0 million of interest relating to exchange rate guarantees.

Table 49. Argentina: Prices of Public Services in Constant Terms, Net of Taxes 1/  
(1960 = 100)

|   | 1978         | 1979         | 1980         | 1981         | 1982        | 1983        |
|---|--------------|--------------|--------------|--------------|-------------|-------------|
| <u>General level</u>                                | <u>110.4</u> | <u>89.5</u>  | <u>91.1</u>  | <u>93.9</u>  | <u>70.2</u> | <u>84.0</u> |
| <u>Fuels and energy</u>                             | <u>100.6</u> | <u>81.8</u>  | <u>83.1</u>  | <u>85.7</u>  | <u>67.2</u> | <u>87.2</u> |
| Fuels   | 105.8        | 85.8         | 87.2         | 90.4         | 72.3        | 97.5        |
| State Oil Enterprise (YPF)                          | 102.4        | 85.1         | 84.5         | 87.6         | 69.9        | 98.2        |
| State Gas Enterprise (GE)                           | 134.2        | 102.6        | 105.2        | 109.2        | 89.0        | 93.5        |
| State Coal Enterprise (YCF)                         | 106.3        | 76.8         | 73.1         | 66.3         | 54.2        | 71.0        |
| Energy  | 82.3         | 68.1         | 68.9         | 69.6         | 49.2        | 51.6        |
| Greater Buenos Aires Electricity Enterprise (SEGBA) | 80.4         | 67.5         | 68.5         | 68.9         | 48.0        | 50.7        |
| Water and Electricity Enterprise (AyEE)             | 86.9         | 69.5         | 69.9         | 71.2         | 52.2        | 53.8        |
| <u>Transport and communications</u>                 | <u>144.2</u> | <u>115.9</u> | <u>118.0</u> | <u>122.1</u> | <u>82.5</u> | <u>79.8</u> |
| Transport   | 94.9         | 81.9         | 90.2         | 87.5         | 60.9        | 79.9        |
| Argentine Railways (FA)                             | 107.6        | 93.1         | 102.3        | 98.6         | 66.2        | 71.1        |
| Argentine Airlines (AA)                             | 70.6         | 60.3         | 66.7         | 66.2         | 50.8        | 64.7        |
| Communications                                      | 192.4        | 142.9        | 145.0        | 155.9        | 103.5       | 79.5        |
| Telephone Company (ENTEL)                           | 145.6        | 134.4        | 104.0        | 111.7        | 76.6        | 57.5        |
| Post Office (ENCOTEL)                               | 359.5        | 276.0        | 291.1        | 313.0        | 199.1       | 157.9       |
| <u>Water supply and sewerage (OSN)</u>              | <u>55.0</u>  | <u>47.7</u>  | <u>57.0</u>  | <u>60.2</u>  | <u>30.2</u> | <u>21.3</u> |

Source: Ministry of Economy.

1/ Deflated by the national nonagricultural wholesale price index.

Table 50. Argentina: Central Administration Operations 1/

(In millions of pesos argentinos)

|  | 1979           | 1980            | 1981            | 1982            | 1983             |
|--|----------------|-----------------|-----------------|-----------------|------------------|
| <b>Total revenue</b>   | <b>952.1</b>   | <b>1,698.5</b>  | <b>3,359.0</b>  | <b>8,968.5</b>  | <b>36,955.0</b>  |
| <b>Tax revenue</b>   | <b>685.7</b>   | <b>1,525.7</b>  | <b>2,932.6</b>  | <b>8,223.3</b>  | <b>35,797.6</b>  |
| Taxes on income  | 76.6           | 201.7           | 439.6           | 1,087.9         | 3,673.0          |
| Taxes on capital   | 47.9           | 103.4           | 215.2           | 766.5           | 3,233.0          |
| Taxes on production and consumption  | 368.9          | 854.2           | 2,316.4         | 6,098.7         | 24,758.4         |
| Value-added tax  | 211.8          | 523.8           | 1,222.3         | 2,721.8         | 10,972.9         |
| Excise taxes   | 157.1          | 330.4           | 1,094.1         | 3,376.9         | 13,785.5         |
| Consolidated excises   | 92.5           | 204.9           | 438.3           | 1,098.1         | 4,169.9          |
| Taxes on fuels   | 27.1           | 58.5            | 553.3           | 2,029.2         | 8,357.9          |
| Tax on foreign exchange transactions   | 16.0           | 36.4            | 94.5            | 234.7           | 935.3            |
| Other  | 21.5           | 30.6            | 8.0             | 14.9            | 322.4            |
| Taxes on international trade   | 138.0          | 372.0           | 846.5           | 2,475.1         | 15,938.1         |
| Import duties  | 129.5          | 356.4           | 719.5           | 1,387.4         | 6,010.7          |
| Export duties  | 4.2            | 7.5             | 100.8           | 1,012.8         | 9,297.0          |
| Other  | 4.3            | 8.1             | 26.2            | 74.9            | 630.4            |
| Miscellaneous taxes  | 54.0           | 105.7           | 158.0           | 369.8           | 1,006.7          |
| Stamp tax  | 48.8           | 103.4           | 157.7           | 369.3           | 380.4            |
| Tax collections under amnesties  | 0.4            | 0.3             | 0.2             | 0.5             | 626.3            |
| Other  | 4.8            | 2.0             | 0.1             | --              | --               |
| Minus: Shares of the national and provincial social security systems, and the National Housing Fund, in Central administration tax revenue | --             | -111.3          | -1,043.1        | -2,574.7        | -12,811.6        |
| <b>Nontax revenue</b>  | <b>266.4</b>   | <b>172.8</b>    | <b>426.4</b>    | <b>745.2</b>    | <b>1,157.4</b>   |
| Statistical and port fees  | 29.4           | 64.4            | 13.5            | 0.8             | 1.0              |
| Consular fees  | 22.2           | 26.8            | 28.2            | 47.1            | 119.2            |
| Other  | 214.8          | 81.6            | 384.7           | 697.3           | 1,037.2          |
| <b>Total expenditure</b>   | <b>1,412.1</b> | <b>3,043.7</b>  | <b>7,736.0</b>  | <b>18,262.6</b> | <b>132,672.6</b> |
| <b>Current expenditure</b>   | <b>923.6</b>   | <b>1,991.0</b>  | <b>4,575.9</b>  | <b>11,723.4</b> | <b>44,057.2</b>  |
| Wages and salaries   | 388.1          | 980.4           | 1,792.8         | 3,845.6         | 18,091.7         |
| Purchases of goods and services  | 134.0          | 240.1           | 553.5           | 1,255.5         | 5,459.0          |
| Interest   | 239.5          | 420.1           | 1,517.3         | 5,085.4         | 13,230.2         |
| Transfers to private sector  | 162.0          | 350.4           | 712.3           | 1,536.9         | 7,276.3          |
| <b>Transfers to rest of public sector 2/</b>   | <b>374.7</b>   | <b>844.8</b>    | <b>2,374.3</b>  | <b>4,618.2</b>  | <b>79,902.8</b>  |
| Special accounts   | 92.3           | 188.8           | 501.6           | 1,038.9         | 4,136.9          |
| Decentralized agencies   | 43.4           | 323.3           | 721.8           | 1,524.1         | 14,235.5         |
| Provinces and Municipality of Buenos Aires   | 107.7          | 98.2            | 794.0           | 1,020.1         | 27,858.7         |
| Public enterprises   | 131.3          | 234.5           | 356.9           | 1,035.1         | 33,671.7         |
| <b>Capital expenditure</b>   | <b>97.5</b>    | <b>162.1</b>    | <b>482.7</b>    | <b>794.8</b>    | <b>2,214.6</b>   |
| <b>Other 3/</b>  | <b>16.3</b>    | <b>45.8</b>     | <b>303.1</b>    | <b>1,126.2</b>  | <b>6,498.0</b>   |
| <b>Overall deficit (-)</b>   | <b>-460.0</b>  | <b>-1,345.2</b> | <b>-4,377.0</b> | <b>-9,294.1</b> | <b>-95,717.6</b> |
| <b>Domestic financing (net)</b>  | <b>426.8</b>   | <b>1,247.8</b>  | <b>3,458.0</b>  | <b>8,358.2</b>  | <b>88,983.1</b>  |
| Central Bank (net)   | 4.8            | 976.3           | 2,775.6         | 7,055.2         | 103,976.0        |
| Bond sales (net)   | 300.5          | 16.2            | 443.6           | 2,379.8         | -3,240.2         |
| Debt cancellation certificates   | -4.2           | 28.7            | 13.6            | -22.4           | -0.7             |
| Change in unpaid treasury drafts   | 34.5           | 146.4           | 316.0           | 63.5            | 13,408.0         |
| Unified Fund   | 97.7           | 155.5           | 156.4           | 624.3           | 3,190.0          |
| Other  | -6.5           | -75.3           | -247.2          | -1,742.2        | -28,350.0        |
| <b>Foreign financing (net)</b>   | <b>33.2</b>    | <b>97.4</b>     | <b>919.0</b>    | <b>935.9</b>    | <b>6,734.5</b>   |
| Drawings   | 60.6           | 127.2           | 977.3           | 1,111.9         | 8,246.7          |
| Amortization   | -27.4          | -29.8           | -58.3           | -176.0          | -1,512.2         |

Source: Ministry of Economy.

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

2/ Includes net lending operations.

3/ Includes unclassified net extrabudgetary expenditures.

Table 51. Argentina: Public Sector Civilian Employment

(Beginning of year)

|   | 1970         | 1976         | 1977         | 1980         | 1981         | 1982         | 1983         |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| (In thousands)  |              |              |              |              |              |              |              |
| <u>Total</u>  | <u>1,435</u> | <u>1,718</u> | <u>1,729</u> | <u>1,615</u> | <u>1,603</u> | <u>1,623</u> | <u>1,612</u> |
| National<br>administration <u>1/</u>                          | 584          | 638          | 643          | 557          | 574          | 574          | 547          |
| Provincial governments<br>and Municipality of<br>Buenos Aires | 474          | 649          | 661          | 721          | 715          | 751          | 775          |
| Public enterprises  | 377          | 431          | 425          | 337          | 314          | 298          | 290          |

Source: Ministry of Economy.

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

Table 52. Argentina: operations of the State Enterprises 1/ 2/

(in millions of pesos argentinos)

|  | 1979         | 1980         | 1981          | 1982          | 1983           |
|--|--------------|--------------|---------------|---------------|----------------|
| <u>Current receipts</u>                                | <u>1,149</u> | <u>2,447</u> | <u>5,624</u>  | <u>14,346</u> | <u>73,985</u>  |
| State Oil Enterprise (YPE)                             | 144          | 796          | 2,003         | 5,646         | 29,584         |
| State Gas Corporation (GE)                             | 127          | 251          | 559           | 1,383         | 8,439          |
| Electricity Company of<br>Greater Buenos Aires (SEGBA) | 112          | 231          | 576           | 1,335         | 7,147          |
| State Telecommunications<br>Corporation (ENTEL)        | 110          | 273          | 609           | 1,006         | 5,606          |
| Argentine Railways (FA)                                | 81           | 152          | 277           | 602           | 3,549          |
| Other  | 370          | 744          | 1,600         | 4,372         | 19,561         |
| <u>Current expenditure</u>                             | <u>1,348</u> | <u>2,797</u> | <u>6,667</u>  | <u>20,061</u> | <u>94,775</u>  |
| State Oil Enterprise (YPE)                             | 396          | 876          | 1,803         | 6,347         | 31,577         |
| State Gas Corporation (GE)                             | 105          | 199          | 495           | 2,503         | 13,623         |
| Electricity Company of<br>Greater Buenos Aires (SEGBA) | 128          | 254          | 1,030         | 2,375         | 9,427          |
| State Telecommunications<br>Corporation (ENTEL)        | 80           | 188          | 492           | 1,356         | 5,493          |
| Argentine Railways (FA)                                | 178          | 439          | 877           | 1,953         | 8,406          |
| Other  | 461          | 841          | 1,970         | 5,527         | 26,249         |
| <u>Current account surplus<br/>or deficit (-)</u>      | <u>-99</u>   | <u>-350</u>  | <u>-1,043</u> | <u>-5,715</u> | <u>-20,789</u> |
| State Oil Enterprise (YPE)                             | 53           | 79           | 200           | 701           | 1,993          |
| State Gas Corporation (GE)                             | 22           | 52           | 64            | 1,120         | 5,184          |
| Electricity Company of<br>Greater Buenos Aires (SEGBA) | -16          | -22          | -453          | -1,040        | -2,280         |
| State Telecommunications<br>Corporation (ENTEL)        | 30           | 84           | 116           | -348          | 113            |
| Argentine Railways (FA)                                | -97          | -287         | -600          | -1,351        | -7,857         |
| Other  | -91          | -98          | -370          | -1,155        | -6,588         |
| <u>Net transfers from General Government</u>           | <u>203</u>   | <u>426</u>   | <u>850</u>    | <u>2,818</u>  | <u>48,031</u>  |
| State Oil Enterprise (YPE)                             | --           | --           | --            | --            | 19,001         |
| State Gas Corporation (GE)                             | --           | --           | 1             | 73            | 5,035          |
| Electricity Company of<br>Greater Buenos Aires (SEGBA) | --           | --           | --            | --            | 3,467          |
| State Telecommunications<br>Corporation (ENTEL)        | --           | --           | --            | --            | 3,723          |
| Argentine Railways (FA)                                | 53           | 158          | 337           | 891           | 7,974          |
| Other  | 150          | 268          | 512           | 1,854         | 17,831         |
| <u>Capital receipts</u>                                | <u>25</u>    | <u>60</u>    | <u>89</u>     | <u>538</u>    | <u>1,196</u>   |
| State Oil Enterprise (YPE)                             | 2            | 2            | 3             | 9             | 490            |
| State Gas Corporation (GE)                             | --           | 1            | 10            | 40            | 57             |
| Electricity Company of<br>Greater Buenos Aires (SEGBA) | 2            | --           | 7             | --            | 118            |
| State Telecommunications<br>Corporation (ENTEL)        | --           | --           | --            | 302           | --             |
| Argentine Railways (FA)                                | 1            | 2            | --            | 2             | 15             |
| Other  | 20           | 35           | 69            | 185           | 506            |
| <u>Capital expenditure</u>                             | <u>559</u>   | <u>1,011</u> | <u>1,914</u>  | <u>5,027</u>  | <u>22,964</u>  |
| State Oil Enterprise (YPE)                             | 206          | 263          | 471           | 1,772         | 6,543          |
| State Gas Corporation (GE)                             | 25           | 46           | 76            | 191           | 1,058          |
| Electricity Company of<br>Greater Buenos Aires (SEGBA) | 22           | 36           | 135           | 291           | 1,122          |
| State Telecommunications<br>Corporation (ENTEL)        | 42           | 145          | 295           | 490           | 2,618          |
| Argentine Railways (FA)                                | 45           | 75           | 132           | 495           | 3,113          |
| Other  | 219          | 446          | 805           | 1,788         | 8,510          |
| <u>Overall surplus or deficit (-)</u>                  | <u>-430</u>  | <u>-875</u>  | <u>-2,018</u> | <u>-7,386</u> | <u>5,474</u>   |
| State Oil Enterprise (YPE)                             | -150         | -340         | -268          | -2,464        | 1,955          |
| State Gas Corporation (GE)                             | -2           | 7            | -1            | -1,198        | -1,140         |
| Electricity Company of<br>Greater Buenos Aires (SEGBA) | -36          | -59          | -582          | -1,331        | 163            |
| State Telecommunications<br>Corporation (ENTEL)        | -12          | -61          | -179          | -536          | 1,218          |
| Argentine Railways (FA)                                | -89          | -202         | -395          | -954          | 19             |
| Other  | -141         | -220         | -593          | -903          | 3,239          |
| <u>Financing</u>                                       | <u>430</u>   | <u>875</u>   | <u>2,018</u>  | <u>7,386</u>  | <u>-5,474</u>  |
| External (net)   | 207          | 410          | 1,401         | 2,066         | -905           |
| Internal (net)   | 223          | 465          | 517           | 5,320         | -4,569         |

Sources: Ministry of Economy; and staff estimates.

1/ Data are on a budget execution basis.

2/ Totals may differ from the sum of components due to rounding.

Table 53. Argentina: Selected Financial System Data at  
Year-end Exchange Rates

(In millions of pesos argentinos)

|   | 1978  | 1979  | 1980   | 1981   | 1982    | 1983     |
|---|-------|-------|--------|--------|---------|----------|
| <b>I. Consolidated Financial System</b>                                     |       |       |        |        |         |          |
| <u>Net external assets</u> <sup>1/</sup>                                    | 462   | 1,078 | 468    | -3,419 | -44,519 | -299,860 |
| <u>Net domestic assets</u>  | 1,857 | 5,812 | 12,478 | 34,007 | 111,802 | 595,146  |
| Net public sector   | 155   | 430   | 1,399  | 7,959  | 25,127  | 168,741  |
| Credit to private sector  | 1,456 | 4,540 | 9,753  | 25,081 | 74,591  | 307,867  |
| Other items   | 246   | 742   | 1,326  | 967    | 12,084  | 118,538  |
| <u>Valuation adjustment</u> <sup>3/</sup>                                   | 229   | 855   | 1,404  | 4,423  | -2,613  | -50,149  |
| <u>Liabilities to private sector</u>  | 2,090 | 6,035 | 11,542 | 26,165 | 69,896  | 345,435  |
| Monetary liabilities  | 571   | 1,375 | 2,716  | 4,609  | 14,763  | 69,127   |
| Quasi-money liabilities   | 1,237 | 3,799 | 7,138  | 16,368 | 33,308  | 171,690  |
| Capital and surplus   | 282   | 861   | 1,688  | 5,188  | 21,825  | 104,618  |
| <b>II. Central Bank</b>   |       |       |        |        |         |          |
| <u>Net international reserves and other external assets</u> <sup>1/2/</sup> | 619   | 1,709 | 1,548  | 3,150  | -13,316 | -149,173 |
| <u>Net domestic assets</u>  | 323   | 464   | 2,215  | 6,406  | 54,027  | 296,670  |
| <u>Valuation adjustment</u> <sup>3/</sup>                                   | 229   | 855   | 1,404  | 4,423  | -2,613  | -50,149  |
| <u>Liabilities to financial system</u>                                      | 385   | 539   | 736    | 2,112  | 34,689  | 152,130  |
| <u>Currency in circulation</u>  | 328   | 779   | 1,623  | 3,021  | 8,635   | 45,516   |
| <b>III. Commercial Banks</b>  |       |       |        |        |         |          |
| <u>Net international reserves</u>   | -157  | -630  | -1,079 | -6,562 | -31,190 | -150,659 |
| <u>Monetary reserves and currency</u>                                       | 374   | 544   | 753    | 2,055  | 31,903  | 142,479  |
| <u>Net domestic assets</u>  | 1,348 | 4,799 | 9,739  | 26,978 | 92,885  | 365,208  |
| Public sector (net)   | 48    | 318   | 270    | 3,537  | 14,152  | 39,692   |
| Credit to private sector  | 1,218 | 4,002 | 8,345  | 22,197 | 68,928  | 290,793  |
| Net unclassified assets <sup>4/</sup>                                       | 82    | 479   | 1,124  | 1,244  | 9,805   | 34,723   |
| <u>Liabilities to Central Bank</u>  | 65    | 98    | 801    | 2,662  | 36,272  | 74,388   |
| <u>Liabilities to private sector</u>  | 1,500 | 4,615 | 8,612  | 19,809 | 57,326  | 282,640  |
| Foreign currency deposits   | 19    | 40    | 197    | 971    | 3,309   | 8,426    |
| Other liabilities   | 1,490 | 4,575 | 8,415  | 18,838 | 54,017  | 274,214  |
| <b>IV. Rest of Financial System</b>   |       |       |        |        |         |          |
| <u>Net international reserves</u>   | --    | -1    | -1     | -7     | -13     | -28      |
| <u>Monetary reserves and currency</u> <sup>5/</sup>                         | 64    | 96    | 100    | 420    | 1,668   | 6,925    |
| <u>Net domestic assets</u>  | 216   | 564   | 1,311  | 3,242  | 7,181   | 16,580   |
| Public sector (net)   | 4     | 11    | 11     | 98     | 301     | 752      |
| Credit to private sector  | 238   | 638   | 1,408  | 2,884  | 5,663   | 17,074   |
| Net unclassified assets   | -26   | -84   | -108   | 260    | 1,217   | -1,246   |
| <u>Liabilities to Central Bank</u>  | 18    | 19    | 103    | 320    | 4,901   | 6,198    |
| <u>Liabilities to private sector</u>  | 262   | 641   | 1,307  | 3,335  | 3,935   | 17,279   |

Sources: Central Bank of Argentina; Statistical Appendix Table 57; and Fund staff estimates.

<sup>1/</sup> Excludes valuation adjustment of central bank net external assets.

<sup>2/</sup> Includes adjustments (swaps, arrears, certain external bonds of the Government of Argentina, and some balance of payments support loans) in 1982 and 1983.

<sup>3/</sup> Includes the counterpart to allocations of SDRs.

<sup>4/</sup> Includes liabilities to rest of financial system.

<sup>5/</sup> Includes claims on banks.

Table 54. Argentina: Private Sector Financial Assets

|  | End of Year |        |        |        |         | March 31 |         |
|--|-------------|--------|--------|--------|---------|----------|---------|
|  | 1979        | 1980   | 1981   | 1982   | 1983    | 1983     | 1984    |
| (In millions of pesos argentinos)                              |             |        |        |        |         |          |         |
| <u>Total</u>   | 5,410       | 10,120 | 21,681 | 52,507 | 242,913 | 68,408   | 388,766 |
| Claims on financial system                                     | 5,179       | 9,855  | 20,976 | 48,071 | 240,817 | 68,408   | 383,962 |
| Money  | 1,375       | 2,716  | 4,609  | 14,763 | 69,127  | 6,419    | 103,269 |
| Quasi-money  | 3,500       | 6,405  | 14,196 | 25,646 | 133,471 | 9,619    | 217,794 |
| Mortgage bonds   | 159         | 271    | 348    | 281    | --      | --       | --      |
| Other 1/   | 104         | 266    | 852    | 4,072  | 29,793  | 7,134    | 43,331  |
| Foreign currency deposits 2/                                   | 41          | 197    | 971    | 3,309  | 8,426   | 5,236    | 19,568  |
| Treasury adjustable bonds                                      | 176         | 3/     | 208    | 610    | 345     | --       | --      |
| Treasury bills   | 48          | 52     | 84     | 4,091  | --      | --       | --      |
| Acceptances  | 7           | 5      | 11     | --     | 2,096   | --       | 4,804   |
| (In percent)   |             |        |        |        |         |          |         |
| <u>Total</u>   | 100.0       | 100.0  | 100.0  | 100.0  | 100.0   | 100.0    | 100.0   |
| Claims on financial system                                     | 95.7        | 97.4   | 96.7   | 91.6   | 99.1    | 100.0    | 98.8    |
| Money  | 25.4        | 26.8   | 21.3   | 28.1   | 28.5    | 24.0     | 26.6    |
| Quasi-money  | 64.7        | 63.3   | 65.5   | 48.8   | 54.9    | 57.9     | 56.0    |
| Mortgage bonds   | 2.9         | 2.7    | 1.6    | 0.5    | --      | --       | --      |
| Other  | 1.9         | 2.6    | 3.9    | 7.8    | 12.3    | 10.4     | 11.1    |
| Foreign currency deposits                                      | 0.8         | 1.9    | 4.5    | 6.3    | 3.5     | 7.7      | 5.0     |
| Treasury adjustable bonds                                      | 3.3         | 2.1    | 2.8    | 0.7    | --      | --       | --      |
| Treasury bills   | 0.9         | 0.5    | 0.4    | 7.8    | --      | --       | --      |
| Acceptances  | 0.1         | 0.1    | 0.1    | --     | 0.9     | --       | 1.2     |
| (In millions of pesos argentinos at prices of December 1979)4/ |             |        |        |        |         |          |         |
| <u>Total</u>   | 5,410       | 5,394  | 4,997  | 3,907  | 3,387   | 3,489    | 3,423   |
| Claims on financial system                                     | 5,179       | 5,253  | 4,834  | 3,577  | 3,358   | 3,489    | 3,381   |
| Money  | 1,375       | 1,448  | 1,062  | 1,099  | 964     | 837      | 909     |
| Quasi-money  | 3,500       | 3,414  | 3,272  | 1,908  | 1,861   | 2,021    | 1,918   |
| Mortgage bonds   | 159         | 144    | 80     | 21     | --      | --       | --      |
| Other  | 104         | 142    | 196    | 303    | 415     | 364      | 382     |
| Foreign currency deposits                                      | 41          | 105    | 224    | 246    | 117     | 267      | 172     |
| Treasury adjustable bonds                                      | 176         | 111    | 141    | 26     | --      | --       | --      |
| Treasury bills   | 48          | 28     | 19     | 304    | --      | --       | --      |
| Acceptances  | 7           | 3      | 3      | --     | 29      | --       | 42      |

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

1/ Includes accrued interest.

2/ At end-of-period exchange rates.

3/ Includes variable interest rate bonds.

4/ Deflated by consumer price index.

Table 55. Argentina: Evolution of Financial  
Variables in Real Terms 1/

(In millions of pesos argentinos, at prices of December 1978)

|                                      | 1978         | 1979         | 1980         | 1981         | 1982          | 1983          |
|--------------------------------------|--------------|--------------|--------------|--------------|---------------|---------------|
| <u>Net external assets 2/</u>        | <u>462</u>   | <u>450</u>   | <u>104</u>   | <u>-329</u>  | <u>-1,382</u> | <u>-1,744</u> |
| Net domestic assets                  | 1,857        | 2,425        | 2,774        | 3,269        | 3,470         | 3,460         |
| Net public sector                    | 155          | 179          | 311          | 765          | 780           | 981           |
| Interest Equalization Fund           | 169          | 121          | 26           | 45           | 24            | 170           |
| Credit to private sector             | 1,456        | 1,938        | 2,168        | 2,411        | 2,315         | 1,790         |
| Other 3/                             | 77           | 187          | 269          | 48           | 351           | 519           |
| <u>Valuation adjustment 4/</u>       | <u>229</u>   | <u>357</u>   | <u>312</u>   | <u>425</u>   | <u>-81</u>    | <u>-292</u>   |
| <u>Liabilities to private sector</u> | <u>2,090</u> | <u>2,518</u> | <u>2,566</u> | <u>2,515</u> | <u>2,169</u>  | <u>2,009</u>  |
| Money                                | 571          | 574          | 604          | 443          | 458           | 402           |
| Quasi-money                          | 1,237        | 1,585        | 1,587        | 1,573        | 1,034         | 998           |
| Capital and surplus                  | 282          | 359          | 375          | 499          | 677           | 608           |

Sources: Statistical Appendix Table 53; and National Institute of Statistics.

1/ Deflated by the consumer price index.

2/ Includes adjustments (arrears, swaps, etc.) in 1982 and 1983.

3/ Consists of official capital and surplus, intrasystem float, non-monetary international organizations, and net unclassified assets.

4/ Includes counterpart to SDR allocations and counterpart to external adjustments in 1982 and 1983.

Table 56. Argentina: Regulated Interest Rates  
and Legal Reserve Ratios

(In percent per month)

|             | Deposit Rates 1/<br>Nominal | Real 2/ | Loan Rates 1/<br>Nominal | Real 3/ | Legal Reserve<br>Ratios<br>(Percent) |
|-------------|-----------------------------|---------|--------------------------|---------|--------------------------------------|
| <u>1982</u> |                             |         |                          |         |                                      |
| January     | 7.3                         | -4.1    | 8.5                      | -4.8    | 16.5                                 |
| February    | 7.1                         | 1.7     | 8.5                      | 2.7     | 16.0                                 |
| March       | 6.9                         | 2.1     | 8.1                      | 3.3     | 16.5                                 |
| April       | 8.2                         | 3.8     | 10.1                     | 3.8     | 17.0                                 |
| May         | 7.4                         | 4.2     | 8.8                      | -0.5    | 15.0                                 |
| June        | 5.9                         | -1.9    | 6.6                      | -7.6    | 13.5                                 |
| July        | 5.1 <sup>4/</sup>           | -9.6    | 6.0 <sup>4/-17.1</sup>   |         | 100.0                                |
| August      | 5.0                         | -8.5    | 6.0                      | -8.8    | 100.0                                |
| September   | 7.0                         | -8.6    | 8.0                      | -9.4    | 100.0                                |
| October     | 7.0                         | -5.1    | 8.0                      | -1.8    | 100.0                                |
| November    | 8.5                         | -2.5    | 9.0                      | -4.4    | 100.0                                |
| December    | 8.5                         | -1.9    | 9.0                      | -1.1    | 100.0                                |
| <u>1983</u> |                             |         |                          |         |                                      |
| January     | 10.5                        | -4.7    | 11.5                     | -2.8    | 99.0                                 |
| February    | 10.0                        | -2.7    | 11.0                     | -1.9    | 94.0                                 |
| March       | 10.0                        | -1.2    | 11.0                     | 0.2     | 91.0                                 |
| April       | 10.0                        | -0.3    | 11.0                     | 3.8     | 89.0                                 |
| May         | 10.0                        | 0.8     | 11.0                     | 0.7     | 89.0                                 |
| June        | 8.9                         | -6.0    | 9.9                      | -4.0    | 89.0                                 |
| July        | 10.5                        | -1.8    | 11.5                     | --      | 88.0                                 |
| August      | 11.5                        | -4.9    | 12.5                     | -4.6    | 87.0                                 |
| September   | 14.5                        | -2.1    | 15.5                     | -7.2    | 87.0                                 |
| October     | 14.5                        | -3.9    | 15.5                     | -1.2    | 87.0                                 |
| November    | 14.5                        | -3.9    | 15.5                     | -0.5    | 86.0                                 |
| December    | 14.5                        | -2.7    | 15.5                     | -2.7    | 86.0                                 |
| <u>1984</u> |                             |         |                          |         |                                      |
| January     | 11.5                        | -0.9    | 12.5                     | 1.0     | 86.0/82.0 <sup>5/</sup>              |
| February    | 10.0                        | -6.0    | 11.0                     | -4.1    | 86.0/76.5                            |
| March       | 10.0                        | -8.6    | 11.0                     | -6.2    | 86.0/75.0                            |
| April       | 13.0                        | -4.6    | 14.0                     | -4.6    | 86.0/71.0                            |
| May         | 13.0                        | -3.5    | 14.0                     | -4.0    | 86.0/70.0                            |
| June        | 13.0                        | -4.2    | 14.0                     | -2.1    | 86.0/68.0                            |
| July        | 15.5                        | -2.4    | 17.0                     | 1.5     | 86.0/68.0                            |
| August      | 15.5                        | ...     | 17.0                     | ...     | 86.0/67.0                            |

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

1/ Thirty-day operations.

2/ Deflated by the consumer price index.

3/ Deflated by the wholesale price index.

4/ Regulated rate after July 1982.

5/ Beginning January 1984, a fractional reserve system has been in existence. The first ratio (86.0 percent) applies to deposits at end-1983. The second ratio shown is the lowest of the several ratios applied to the marginal increase in deposits, differentiated by region on the basis of level of economic development.

Table 57. Argentina: Summary Accounts of the Financial System 1/  
(In millions of pesos argentinos)

|   | US\$1 = \$a 0.1837<br>Dec. 1979 | US\$1 = \$a 0.4409<br>Dec. 1980 | US\$1 = \$a 2.280<br>Dec. 1981 | US\$1 = \$a 10.540<br>Dec. 1982 | US\$1 = \$a 17.107<br>Mar. 1983 |          |
|---|---------------------------------|---------------------------------|--------------------------------|---------------------------------|---------------------------------|----------|
|   |                                 |                                 |                                |                                 |                                 |          |
| <b>I. Consolidated Financial System</b>           |                                 |                                 |                                |                                 |                                 |          |
| <u>Net international reserves</u>                 |                                 |                                 |                                |                                 |                                 |          |
| (Central Bank)                                    | 1,761                           | 1,232                           | 2,957                          | 1,390                           | 7,189                           | -8,992   |
|   |                                 |                                 |                                |                                 | -41,565                         | -80,840  |
|   |                                 |                                 |                                |                                 |                                 | -70,405  |
|   |                                 |                                 |                                |                                 |                                 | -136,186 |
| <u>Other external assets</u>                      |                                 |                                 |                                |                                 |                                 |          |
| (Central Bank)                                    | 180                             | 196                             | 470                            | 526                             | 2,717                           | 2,736    |
|   |                                 |                                 |                                |                                 | 12,649                          | 13,242   |
|   |                                 |                                 |                                |                                 |                                 | 20,340   |
|   |                                 |                                 |                                |                                 |                                 | 24,210   |
| <u>External assets (rest of financial system)</u> |                                 |                                 |                                |                                 |                                 |          |
|   | -716                            | -994                            | -2,385                         | -2,732                          | -14,129                         | -14,647  |
|   |                                 |                                 |                                |                                 | -67,712                         | -68,250  |
|   |                                 |                                 |                                |                                 |                                 | -109,011 |
|   |                                 |                                 |                                |                                 |                                 | -107,873 |
| <u>Net domestic assets</u>                        |                                 |                                 |                                |                                 |                                 |          |
| Central Government (net)                          | 5,905                           | 12,363                          | 14,074                         | 29,628                          | 42,654                          | 87,754   |
|   | 653                             | 1,841                           | 1,841                          | )                               | )                               | )        |
| Rest of public sector (net)                       | -260                            | -551                            | -551                           | )                               | 7,013                           | 9,834    |
| Official sector (in foreign exchange, net)        |                                 |                                 |                                |                                 | )                               | )        |
|   | 61                              | 126                             | 303                            | )                               | )                               | )        |
| Interest Equalization Fund                        | 291                             | 119                             | 119                            | 473                             | 473                             | 174      |
| Official capital and surplus                      | -12                             | -21                             | -21                            | -395                            | -395                            | -1,281   |
| Credit to private sector                          | 4,725                           | 9,658                           | 11,191                         | 21,646                          | 31,851                          | 61,152   |
| Unclassified assets (net)                         | 451                             | 878                             | 878                            | -679                            | -679                            | 1,080    |
| Intersystem float                                 | -6                              | 313                             | 313                            | 1,570                           | 1,570                           | 5,549    |
| <u>Counterpart unrequired foreign exchange</u>    |                                 |                                 |                                |                                 |                                 |          |
| Allocation of SDRs                                | 1,089                           | 1,270                           | 3,335                          | 3,215                           | 11,152                          | -1,289   |
|   | 50                              | 52                              | 148                            | 163                             | 845                             | 801      |
| Valuation adjustment                              | 1,039                           | 1,208                           | 3,187                          | 3,052                           | 10,307                          | -2,090   |
| <u>Liabilities to private sector</u>              |                                 |                                 |                                |                                 |                                 |          |
| Monetary liabilities                              | 6,041                           | 11,526                          | 11,780                         | 25,596                          | 27,280                          | 68,140   |
|   | 1,375                           | 2,716                           | 2,716                          | 4,609                           | 4,609                           | 14,763   |
| Quasi-money liabilities                           | 3,500                           | 6,405                           | 6,405                          | 14,196                          | 14,196                          | 25,646   |
| Mortgage bonds                                    | 159                             | 271                             | 271                            | 348                             | 348                             | 281      |
| Other   | 101                             | 266                             | 266                            | 852                             | 852                             | 4,072    |
| Foreign exchange deposits                         | 46                              | 181                             | 435                            | 404                             | 2,088                           | 1,553    |
| Capital and surplus                               | 861                             | 1,688                           | 1,688                          | 5,187                           | 5,187                           | 21,825   |
|   |                                 |                                 |                                |                                 |                                 | 21,825   |
|   |                                 |                                 |                                |                                 |                                 | 104,618  |
|   |                                 |                                 |                                |                                 |                                 | 28,684   |
|   |                                 |                                 |                                |                                 |                                 | 148,841  |

Table 57. Argentina: Summary Accounts of the Financial System 1/ (Continued)  
 (In millions of pesos argentinos)

|  | US\$1 = \$a 0.1837 | US\$1 = \$a 0.4409 | US\$1 = \$a 2.280 | US\$1 = \$a 10.540 | US\$1 = \$a 17.107 |           |           |           |           |           |
|--|--------------------|--------------------|-------------------|--------------------|--------------------|-----------|-----------|-----------|-----------|-----------|
|  | Dec. 1979          | Dec. 1980          | Dec. 1980         | Dec. 1981          | Dec. 1981          | Dec. 1982 | Dec. 1982 | Dec. 1983 | Mar. 1983 | Mar. 1984 |
| <b>II. Banking System</b>                                  |                    |                    |                   |                    |                    |           |           |           |           |           |
| <u>Net international reserves</u><br><u>(Central Bank)</u> | 1,761              | 1,232              | 2,957             | 1,390              | 7,189              | -8,992    | -41,565   | -80,840   | -70,405   | -136,186  |
| <u>Other external assets</u><br><u>(Central Bank)</u>      | 180                | 196                | 470               | 526                | 2,718              | 2,736     | 12,649    | 13,242    | 20,340    | 24,210    |
| <u>External assets (rest of banking system)</u>            | -715               | -993               | -2,383            | -2,730             | -14,115            | -14,641   | -67,684   | -68,237   | -108,998  | -107,847  |
| <u>Net domestic assets</u>                                 | 5,372              | 11,165             | 12,876            | 26,342             | 39,378             | 85,311    | 143,146   | 428,397   | 216,201   | 625,430   |
| Central Government (net)                                   | 646                | 1,834              | 1,834             | )                  | )                  | )         | )         | )         | )         | )         |
| Rest of public sector (net)                                | -263               | -556               | -556              | )                  | 6,914              | )         | 9,736     | )         | 20,211    | )         |
| Official sector (in foreign exchange, net)2/               |                    |                    |                   | )                  | )                  | )         | )         | )         | )         | )         |
| Interest Equalization Fund                                 | 291                | 119                | 119               | 473                | 473                | 774       | 774       | 29,314    | 4,431     | 64,963    |
| Official capital and surplus                               | -12                | -21                | -21               | -395               | -395               | -1,281    | -1,281    | -7,341    | -2,104    | -8,975    |
| Credit to rest of financial system                         | 16                 | 171                | 171               | 524                | 524                | 6,171     | 6,171     | 16,313    | 6,303     | 20,875    |
| Credit to private sector                                   | 4,087              | 8,250              | 9,784             | 18,762             | 28,967             | 55,499    | 98,542    | 229,319   | 143,300   | 350,648   |
| Unclassified assets (net)                                  | 536                | 985                | 985               | -944               | -944               | -144      | -144      | -27,685   | -1,793    | -28,956   |
| Interbank float  | 10                 | 256                | 256               | 1,008              | 1,008              | 4,081     | 4,081     | 44,913    | 4,237     | 30,868    |
| <u>Counterpart unrequited foreign exchange</u>             | 1,089              | 1,270              | 3,337             | 3,204              | 11,152             | 1,261     | -24,757   | -36,857   | -44,591   | -105,505  |
| Allocation of SDRs   | 50                 | 62                 | 148               | 163                | 845                | 801       | 3,702     | 3,514     | 5,875     | 5,797     |
| Valuation adjustment                                       | 1,039              | 1,208              | 3,189             | 3,041              | 10,308             | 460       | -28,459   | -40,371   | -50,466   | -111,302  |
| <u>Liabilities to rest of financial system</u>             | 109                | 110                | 110               | 62                 | 62                 | 1,470     | 1,470     | 5,873     | 1,811     | 6,579     |
| <u>Liabilities to private sector</u>                       | 5,400              | 10,220             | 10,473            | 22,262             | 23,945             | 64,205    | 69,833    | 323,546   | 99,918    | 504,533   |
| Currency in circulation                                    | 779                | 1,623              | 1,623             | 3,021              | 3,021              | 8,635     | 8,635     | 45,516    | 9,672     | 65,214    |
| Demand deposits  | 596                | 1,093              | 1,093             | 1,589              | 1,589              | 6,128     | 6,128     | 23,611    | 6,747     | 38,055    |
| Savings deposits   | 254                | 628                | 628               | 11,368             | 11,368             | 2,978     | 2,978     | 30,842    | 6,146     | 53,150    |
| Time deposits  | 2,661              | 4,655              | 4,655             | )                  | )                  | 20,481    | 20,481    | 92,803    | 32,097    | 152,465   |
| Mortgage bonds   | 159                | 271                | 271               | 348                | 348                | 281       | 281       | --        | --        | --        |
| Other  | 96                 | 188                | 188               | 711                | 711                | 3,615     | 3,615     | 27,435    | 7,134     | 43,331    |
| Foreign exchange deposits                                  | 46                 | 181                | 435               | 404                | 2,088              | 1,553     | 7,181     | 3,816     | 13,296    | 10,226    |
| Capital and surplus  | 810                | 1,582              | 1,582             | 4,822              | 4,822              | 20,534    | 20,534    | 99,523    | 26,826    | 142,092   |

Table 57. Argentina: Summary Accounts of the Financial System 1/ (Continued)

(In millions of pesos argentinos)

|   | US\$1 = \$a 0.1837<br>Dec. 1979 | US\$1 = \$a 0.4409<br>Dec. 1980 | US\$1 = \$a 2.280<br>Dec. 1981 | US\$1 = \$a 10.540<br>Dec. 1982 | US\$1 = \$a 17.107<br>Mar. 1983 |               |
|---|---------------------------------|---------------------------------|--------------------------------|---------------------------------|---------------------------------|---------------|
| <b>IIa. Central Bank</b>                |                                 |                                 |                                |                                 |                                 |               |
| <b>Net international reserves</b>       | <b>1,761</b>                    | <b>1,232</b>                    | <b>2,957</b>                   | <b>1,390</b>                    | <b>7,189</b>                    | <b>-8,992</b> |
| Other external assets                   | 180                             | 196                             | 470                            | 526                             | 2,718                           | 2,736         |
| Net domestic assets                     | 464                             | 2,215                           | 2,215                          | 6,406                           | 6,406                           | 48,058        |
| Central Government (net)                | 133                             | 1,146                           | 1,146                          | 4,334                           | 4,334                           | 10,674        |
| Assets                                  | 135                             | 1,149                           | 1,149                          | 4,354                           | 4,354                           | 13,575        |
| Liabilities                             | -2                              | -3                              | -3                             | -20                             | -20                             | -2,901        |
| Rest of public sector (net)             | -4                              | -1                              | -1                             | -7                              | -7                              | --            |
| Interest Equalization Fund              | 291                             | 119                             | 119                            | 473                             | 473                             | 774           |
| Official capital and surplus            | -12                             | -21                             | -21                            | -395                            | -395                            | -1,281        |
| Credit to commercial banks              | 82                              | 1,011                           | 1,011                          | 3,665                           | 3,665                           | 41,669        |
| Credit to rest of financial system      | 16                              | 171                             | 171                            | 524                             | 524                             | 6,171         |
| Unclassified assets (net)               | -42                             | -212                            | -212                           | -2,188                          | -2,188                          | -9,949        |
| Counterpart unreqd foreign exchange     | 1,088                           | 1,283                           | 3,283                          | 3,190                           | 11,180                          | -1,522        |
| Allocation of SDRs                      | 50                              | 62                              | 148                            | 163                             | 845                             | 801           |
| Valuation adjustment                    | 1,037                           | 1,222                           | 3,134                          | 3,027                           | 10,337                          | -2,232        |
| Liabilities to rest of banking system   | 518                             | 707                             | 707                            | 2,050                           | 2,050                           | 33,219        |
| Currency                                | 235                             | 407                             | 407                            | 929                             | 929                             | 2,860         |
| Demand deposits                         | 284                             | 300                             | 300                            | 1,121                           | 1,121                           | 30,359        |
| Liabilities to rest of financial system | 21                              | 29                              | 29                             | 62                              | 62                              | 33,219        |
| Currency                                | 8                               | 19                              | 19                             | ...                             | ...                             | 146,257       |
| Demand deposits                         | 13                              | 11                              | 11                             | ...                             | ...                             | 1,369         |
| Liabilities to private sector           | 779                             | 1,623                           | 1,623                          | 3,021                           | 3,021                           | 8,635         |
| Currency in circulation                 | 779                             | 1,623                           | 1,623                          | 3,021                           | 3,021                           | 8,635         |

Table 57. Argentina: Summary Accounts of the Financial System 1/ (Concluded)  
 (In millions of pesos argentinos)

|  | US\$1 = \$a 0.1837<br>Dec. 1979 | US\$1 = \$a 0.4409<br>Dec. 1980 | US\$1 = \$a 2.280<br>Dec. 1981 | US\$1 = \$a 10.540<br>Dec. 1982 | US\$1 = \$a 17.107<br>Dec. 1983 | US\$1 = \$a 17.107<br>Mar. 1984 |
|--|---------------------------------|---------------------------------|--------------------------------|---------------------------------|---------------------------------|---------------------------------|
| <b>IIb. Commercial Banks</b>                             |                                 |                                 |                                |                                 |                                 |                                 |
| <u>Net international reserves</u>                        | -715                            | -993                            | -2,383                         | -2,730                          | -14,115                         | -14,641                         |
| <u>Monetary reserves and currency holdings</u>           | 544                             | 753                             | 753                            | 2,055                           | 2,055                           | 31,903                          |
| Net domestic assets                                      | 4,980                           | 9,706                           | 11,416                         | 22,592                          | 35,619                          | 74,841                          |
| Central Government (net)                                 | 512                             | 688                             | 688                            | )                               | )                               | )                               |
| Rest of public sector (net)                              | -259                            | -555                            | -555                           | )                               | )                               | )                               |
| Official sector (in foreign exchange, net) <sup>2/</sup> | 61                              | 126                             | 303                            | )                               | )                               | )                               |
| Private sector   | 4,090                           | 8,250                           | 9,784                          | 18,761                          | 28,967                          | 55,499                          |
| Unclassified assets (net)                                | 578                             | 1,197                           | 1,197                          | 1,244                           | 1,244                           | 9,805                           |
| Counterpart unrequited foreign exchange                  | 1                               | -13                             | 54                             | 14                              | -29                             | 261                             |
| <u>Liabilities to Central Bank</u>                       | 98                              | 801                             | 801                            | 2,662                           | 2,662                           | 36,272                          |
| <u>Liabilities to rest of financial system</u>           | 88                              | 81                              | 81                             | --                              | --                              | --                              |
| <u>Liabilities to private sector</u>                     | 4,621                           | 8,597                           | 8,850                          | 19,241                          | 20,925                          | 55,570                          |
| Demand deposits  | 596                             | 1,093                           | 1,093                          | 1,589                           | 1,589                           | 6,128                           |
| Savings deposits   | 254                             | 628                             | 628                            | )                               | )                               | 2,978                           |
| Time deposits  | 2,661                           | 4,655                           | 4,655                          | )                               | 11,368                          | 20,481                          |
| Mortgage bonds   | 159                             | 271                             | 271                            | 348                             | 348                             | 281                             |
| Foreign exchange deposits                                | 46                              | 181                             | 181                            | 404                             | 2,088                           | 1,553                           |
| Other  | 96                              | 188                             | 188                            | 711                             | 711                             | 3,615                           |
| Capital and surplus                                      | 810                             | 1,582                           | 1,582                          | 4,822                           | 4,822                           | 20,534                          |
| <b>III. Rest of Financial System</b>                     |                                 |                                 |                                |                                 |                                 |                                 |
| <u>Net international reserves</u>                        | -2                              | -1                              | -3                             | -3                              | -14                             | -6                              |
| <u>Monetary reserves and currency holdings</u>           | 8                               | 19                              | 19                             | 420                             | 420                             | 1,668                           |
| Claims on banks  | 88                              | 81                              | 81                             | --                              | --                              | --                              |
| Net domestic assets                                      | 565                             | 1,312                           | 1,312                          | 3,248                           | 3,248                           | 7,146                           |
| Central Government (net)                                 | 8                               | 7                               | 7                              | )                               | )                               | 7,258                           |
| Rest of public sector (net)                              | 3                               | 4                               | 4                              | )                               | 98                              | )                               |
| Private sector   | 638                             | 1,408                           | 1,408                          | 2,884                           | 2,884                           | 5,663                           |
| Unclassified assets (net)                                | -85                             | -107                            | -107                           | 265                             | 265                             | 1,224                           |
| Counterpart unrequited foreign exchange                  | --                              | --                              | -1                             | 11                              | --                              | -28                             |
| <u>Liabilities to Central Bank</u>                       | 19                              | 103                             | 103                            | 320                             | 320                             | 4,901                           |
| <u>Liabilities to private sector</u>                     | 641                             | 1,307                           | 1,307                          | 3,335                           | 3,335                           | 3,935                           |
| Sight deposits   | --                              | --                              | --                             | --                              | --                              | 17,279                          |
| Savings deposits   | 3                               | 6                               | 6                              | )                               | )                               | )                               |
| Time deposits  | 582                             | 1,117                           | 1,117                          | )                               | 2,828                           | 2,187                           |
| Other deposits   | 5                               | 78                              | 78                             | 141                             | 141                             | 457                             |
| Capital and surplus                                      | 5                               | 107                             | 107                            | 365                             | 365                             | 1,291                           |

Source: Central Bank of Argentina.

<sup>1/</sup> Totals may differ from the sum of components due to rounding.

Table 58. Argentina: Balance of Payments  
(In millions of U.S. dollars)

|                                      | 1980          |               |               | 1981          |               |               | 1982          |               |               | 1983          |               |               |
|--------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
|                                      | Credit        | Debit         | Net           |
| Current account                      | <u>12,099</u> | <u>16,867</u> | <u>-4,768</u> | <u>12,517</u> | <u>17,231</u> | <u>-4,714</u> | <u>10,104</u> | <u>12,462</u> | <u>-2,358</u> | <u>10,016</u> | <u>12,454</u> | <u>-2,438</u> |
| Merchandise trade <u>1/</u>          | 8,021         | 10,540        | -2,519        | 9,143         | 9,430         | -287          | 7,624         | 5,337         | 2,287         | 7,835         | 4,515         | 3,320         |
| Nonfactor services                   | 2,743         | 3,483         | -740          | 2,402         | 3,107         | -705          | 1,900         | 1,858         | 42            | 1,701         | 2,066         | -365          |
| Freight and insurance                | 1,059         | --            | 1,059         | 954           | --            | 954           | 590           | --            | 590           | 557           | --            | 557           |
| Other transportation                 | 562           | 931           | -369          | 577           | 810           | -233          | 424           | 554           | -130          | 414           | 559           | -145          |
| Travel                               | 345           | 1,791         | -1,447        | 413           | 1,471         | -1,058        | 609           | 565           | 44            | 454           | 507           | -53           |
| Government, n.i.e.                   | 449           | 147           | 301           | 140           | 204           | -64           | 60            | 149           | -89           | 50            | 197           | -147          |
| Royalties                            | 19            | 246           | -226          | 30            | 253           | -223          | 12            | 363           | -351          | 3             | 524           | -521          |
| Other services                       | 309           | 367           | -58           | 288           | 368           | -80           | 205           | 228           | -22           | 223           | 278           | -55           |
| Investment income                    | 1,249         | 2,781         | -1,531        | 903           | 4,602         | -3,700        | 529           | 5,247         | -4,718        | 446           | 5,854         | -5,408        |
| Profits and dividends                | 22            | 606           | -584          | 17            | 752           | -735          | 5             | 321           | -316          | 6             | 431           | -425          |
| Interest                             | 1,228         | 2,175         | -947          | 886           | 3,850         | -2,964        | 524           | 4,926         | -4,402        | 440           | 5,423         | -4,983        |
| Unrequited transfers                 | 85            | 62            | 23            | 69            | 92            | -22           | 51            | 19            | 32            | 34            | 19            | 15            |
| Capital account                      | <u>...</u>    | <u>...</u>    | <u>2,201</u>  | <u>...</u>    | <u>...</u>    | <u>1,091</u>  | <u>...</u>    | <u>...</u>    | <u>-3,816</u> | <u>...</u>    | <u>...</u>    | <u>-112</u>   |
| Banking system                       | <u>...</u>    | <u>...</u>    | <u>-403</u>   | <u>...</u>    | <u>...</u>    | <u>291</u>    | <u>...</u>    | <u>...</u>    | <u>536</u>    | <u>...</u>    | <u>...</u>    | <u>261</u>    |
| Central Bank <u>2/</u>               | <u>...</u>    | <u>...</u>    | <u>26</u>     | <u>...</u>    | <u>...</u>    | <u>-97</u>    | <u>...</u>    | <u>...</u>    | <u>16</u>     | <u>...</u>    | <u>...</u>    | <u>-138</u>   |
| Other                                | <u>...</u>    | <u>...</u>    | <u>-429</u>   | <u>...</u>    | <u>...</u>    | <u>388</u>    | <u>...</u>    | <u>...</u>    | <u>520</u>    | <u>...</u>    | <u>...</u>    | <u>399</u>    |
| Other long-term capital              | <u>...</u>    | <u>...</u>    | <u>4,682</u>  | <u>...</u>    | <u>...</u>    | <u>9,668</u>  | <u>...</u>    | <u>...</u>    | <u>2,005</u>  | <u>...</u>    | <u>...</u>    | <u>1,416</u>  |
| Direct investment                    | 903           | 115           | 788           | 988           | 61            | 927           | 262           | 5             | 257           | 185           | 2             | 183           |
| Trade finance                        | <u>...</u>    | <u>...</u>    | <u>138</u>    | <u>...</u>    | <u>...</u>    | <u>-526</u>   | <u>...</u>    | <u>...</u>    | <u>-477</u>   | <u>...</u>    | <u>...</u>    | <u>-175</u>   |
| Financial loans <u>3/</u>            | 5,050         | 1,293         | 3,756         | 11,041        | 1,774         | 9,267         | 2,953         | 728           | 2,225         |               |               | 1,476         |
| Government <u>4/</u>                 | (818)         | (63)          | (755)         | (2,246)       | (78)          | (2,168)       | (351)         | (79)          | (272)         |               |               | (-86)         |
| State enterprises                    | (2,140)       | (266)         | (1,873)       | (3,078)       | (1,144)       | (1,934)       | (298)         | (365)         | (-67)         |               |               | (-306)        |
| Private sector                       | (2,092)       | (964)         | (1,128)       | (5,717)       | (552)         | (5,165)       | (2,304)       | (284)         | (2,020)       |               |               | (1,868)       |
| Other short-term capital             |               |               | -2,078        |               |               | -8,868        |               |               | -6,357        |               |               | -1,857        |
| Trade finance                        |               |               | -253          |               |               | -2,860        |               |               | -1,913        |               |               | -171          |
| Other public sector                  |               |               | 329           |               |               | 433           |               |               | -782          |               |               | 484           |
| Other private sector <u>5/</u>       |               |               | -2,154        |               |               | -6,441        |               |               | -3,662        |               |               | -2,170        |
| Allocation of SDRs                   |               |               | <u>74</u>     |               |               | <u>70</u>     |               |               | <u>--</u>     |               |               | <u>--</u>     |
| Valuation adjustment <u>6/</u>       |               |               | <u>-227</u>   |               |               | <u>-357</u>   |               |               | <u>-108</u>   |               |               | <u>-283</u>   |
| Change in net international reserves |               |               | <u>-2,720</u> |               |               | <u>-3,910</u> |               |               | <u>-6,174</u> |               |               | <u>-2,832</u> |

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

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

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

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

4/ Includes Central Government and provincial and municipal governments.

5/ Includes errors and omissions.

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

Table 59. Argentina: Direction of Trade

(In percent)

|                        | 1978         | 1979         | 1980         | 1981         | 1982         | 1983<br>(Jan-<br>Nov) |
|------------------------|--------------|--------------|--------------|--------------|--------------|-----------------------|
| <b>Exports</b>         | <u>100.0</u> | <u>100.0</u> | <u>100.0</u> | <u>100.0</u> | <u>100.0</u> | <u>100.0</u>          |
| LAIA 1/                | 23.6         | 25.8         | 21.6         | 19.9         | 19.9         | 10.9                  |
| Of which: Brazil       | 9.0          | 11.3         | 9.5          | 6.5          | 7.5          | 3.9                   |
| Chile                  | 3.2          | 2.0          | 2.7          | 1.8          | 2.2          | 2.4                   |
| EEC                    | 33.5         | 32.3         | 27.1         | 21.4         | 21.3         | 21.0                  |
| Of which: Italy        | 7.9          | 7.9          | 6.5          | 4.1          | 3.8          | 4.4                   |
| Netherlands            | 10.5         | 10.5         | 8.9          | 7.6          | 7.9          | 9.3                   |
| Germany                | 6.4          | 5.6          | 5.1          | 3.9          | 4.4          | 3.1                   |
| United Kingdom         | 3.0          | 3.0          | 2.5          | 2.3          | 0.9          | --                    |
| Rest of Europe 2/      | 10.2         | 11.0         | 7.1          | 5.6          | 5.5          | 4.7                   |
| Of which: Spain        | 5.2          | 5.4          | 2.1          | 2.1          | 2.7          | 2.4                   |
| United States          | 8.4          | 7.3          | 8.7          | 9.2          | 13.2         | 9.3                   |
| Japan                  | 5.9          | 5.1          | 2.6          | 1.8          | 3.7          | 4.8                   |
| U.S.S.R.               | 6.0          | 5.3          | 20.1         | 32.4         | 20.8         | 21.8                  |
| China                  | 1.0          | 2.5          | 2.4          | 1.0          | 1.8          | 6.9                   |
| Iran                   | 0.7          | 0.2          | 1.1          | 0.3          | 1.8          | 5.1                   |
| Other oil exporters 3/ | 1.5          | 2.2          | 1.4          | 1.8          | 4.0          | 3.1                   |
| Rest of world          | 9.2          | 10.6         | 7.9          | 6.6          | 8.0          | 12.4                  |
| <b>Imports</b>         | <u>100.0</u> | <u>100.0</u> | <u>100.0</u> | <u>100.0</u> | <u>100.0</u> | <u>100.0</u>          |
| LAIA 1/                | 21.7         | 21.8         | 20.3         | 20.0         | 28.7         | 30.4                  |
| Of which: Brazil       | 8.9          | 9.8          | 10.2         | 9.5          | 12.9         | 14.9                  |
| Bolivia                | 2.5          | 1.9          | 2.4          | 3.7          | 7.4          | 8.8                   |
| Chile                  | 4.6          | 4.0          | 2.4          | 2.0          | 2.8          | 2.6                   |
| EEC                    | 31.1         | 26.5         | 25.9         | 25.8         | 22.1         | 23.6                  |
| Of which: Germany      | 11.8         | 9.2          | 9.4          | 9.6          | 9.0          | 10.4                  |
| Italy                  | 7.7          | 5.8          | 6.4          | 5.2          | 4.3          | 5.2                   |
| United Kingdom         | 4.4          | 3.3          | 3.3          | 3.4          | 1.3          | --                    |
| Rest of Europe 2/      | 11.4         | 10.2         | 9.4          | 9.4          | 9.6          | 9.3                   |
| United States          | 18.4         | 21.0         | 22.5         | 22.0         | 21.7         | 21.5                  |
| Japan                  | 7.0          | 5.3          | 9.8          | 10.2         | 8.0          | 6.8                   |
| Other oil exporters 3/ | 1.2          | 1.7          | 4.9          | 3.6          | 2.9          | 1.9                   |
| Rest of world          | 9.2          | 13.5         | 7.2          | 9.0          | 7.0          | 6.5                   |

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 60. 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)

|                                    | 1979         | 1980         | 1981         | 1982         | 1983         |
|------------------------------------|--------------|--------------|--------------|--------------|--------------|
| <b>Total</b>                       | <b>7,810</b> | <b>8,021</b> | <b>9,143</b> | <b>7,624</b> | <b>7,836</b> |
| <b>Major agricultural products</b> | <b>4,003</b> | <b>4,029</b> | <b>5,058</b> | <b>3,584</b> | <b>4,547</b> |
| Cereals                            | 1,607        | 1,631        | 2,831        | 1,822        | 2,894        |
| Wheat                              | 605          | 815          | 763          | 676          | 1,474        |
| Volume                             | 4,275        | 4,491        | 3,763        | 3,800        | 10,182       |
| Unit price                         | 141          | 181          | 202          | 178          | 145          |
| Corn                               | 606          | 512          | 1,306        | 585          | 803          |
| Volume                             | 5,960        | 3,478        | 9,162        | 5,226        | 6,525        |
| Unit price                         | 101          | 147          | 142          | 112          | 123          |
| Sorghum                            | 322          | 208          | 637          | 508          | 554          |
| Volume                             | 3,885        | 1,543        | 4,951        | 5,326        | 5,295        |
| Unit price                         | 82           | 134          | 128          | 95           | 105          |
| Other cereals                      | 74           | 96           | 125          | 53           | 63           |
| Seeds and oilseeds                 | 730          | 633          | 591          | 455          | 361          |
| Volume                             | 2,892        | 2,768        | 2,246        | 1,966        | 1,532        |
| Unit price                         | 253          | 229          | 263          | 231          | 236          |
| Beef                               | 737          | 568          | 564          | 488          | 338          |
| Volume                             | 365          | 236          | 260          | 275          | 195          |
| Unit price                         | 2,019        | 2,403        | 2,169        | 1,772        | 1,737        |
| Vegetable oils                     | 473          | 472          | 340          | 409          | 517          |
| Volume                             | 683          | 784          | 520          | 815          | 1,199        |
| Unit price                         | 692          | 602          | 654          | 501          | 432          |
| Fresh fruit                        | 207          | 180          | 163          | 170          | 122          |
| Volume                             | 454          | 355          | 317          | 370          | 369          |
| Unit price                         | 456          | 508          | 514          | 459          | 330          |
| Wool                               | 184          | 234          | 287          | 185          | 145          |
| Volume                             | 74           | 80           | 101          | 72           | 88           |
| Unit price                         | 2,486        | 2,915        | 2,823        | 2,578        | 1,650        |
| Sugar                              | 65           | 311          | 282          | 55           | 170          |
| Volume                             | 349          | 479          | 732          | 249          | 830          |
| Unit price                         | 186          | 648          | 385          | 219          | 205          |

Table 60. Argentina: Export Values, Volumes, and Unit Prices  
(Concluded)

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

|  | 1979         | 1980         | 1981         | 1982         | 1983         |
|--|--------------|--------------|--------------|--------------|--------------|
| <u>Other agriculture and agro-based products</u> | <u>2,062</u> | <u>1,853</u> | <u>1,600</u> | <u>1,516</u> | <u>1,582</u> |
| Animal and fishery products                      | 658          | 523          | 500          | 434          | 374          |
| Meats other than beef                            | 140          | 120          | 115          | 112          | 92           |
| Fish and seafood                                 | 202          | 140          | 138          | 188          | 165          |
| Dairy products                                   | 40           | 40           | 54           | 79           | 74           |
| Other  | 276          | 223          | 193          | 55           | 43           |
| Vegetable products                               | 797          | 836          | 638          | 712          | 839          |
| Coffee, tea, mate                                | 27           | 38           | 33           | 27           | 35           |
| Milled products                                  | 40           | 23           | 11           | 11           | 19           |
| Other  | 730          | 775          | 594          | 674          | 785          |
| Prepared foods, beverages, and tobacco           | 607          | 494          | 462          | 370          | 369          |
| Beef preparations                                | 300          | 259          | 231          | 190          | 174          |
| Vegetable preparations                           | 86           | 69           | 63           | 70           | 60           |
| Tobacco  | 31           | 27           | 28           | 59           | 50           |
| Other  | 190          | 139          | 140          | 51           | 85           |
| <u>Mineral products</u>                          | <u>7.0</u>   | <u>315</u>   | <u>658</u>   | <u>580</u>   | <u>372</u>   |
| Fuel and lubricants                              | 50           | 280          | 622          | 551          | 349          |
| Other  | 20           | 35           | 36           | 29           | 23           |
| <u>Industrial products</u>                       | <u>1,675</u> | <u>1,824</u> | <u>1,827</u> | <u>1,944</u> | <u>1,335</u> |
| Chemical and plastic products                    | 219          | 348          | 352          | 334          | 323          |
| Hides, skins, and leather manufactures           | 460          | 500          | 436          | 351          | 292          |
| Textiles (excluding wool)                        | 95           | 105          | 73           | 80           | 64           |
| Metals and metal manufactures                    | 263          | 217          | 414          | 514          | 318          |
| Machinery (mechanical and electrical)            | 300          | 339          | 297          | 296          | 181          |
| Transport material                               | 182          | 174          | 126          | 216          | 92           |
| Other  | 156          | 141          | 129          | 153          | 65           |

Source: Central Bank of Argentina.

Table 61. Argentina: Exports of Industrial Manufactures  
to Selected Countries

(In millions of U.S. dollars)

|  | 1981           | 1982           | 1983<br>(Jan-Nov) |
|--|----------------|----------------|-------------------|
| Total exports of industrial manufactures | <u>2,090.4</u> | <u>2,105.7</u> | <u>1,238.1</u>    |
| <u>United States</u>                     | <u>319.4</u>   | <u>652.7</u>   | <u>305.0</u>      |
| <u>LAIA</u>                              | <u>919.0</u>   | <u>735.5</u>   | <u>358.5</u>      |
| Brazil                                   | 317.2          | 177.1          | 104.9             |
| Paraguay                                 | 118.4          | 111.4          | 51.7              |
| Uruguay                                  | 105.0          | 88.8           | 41.2              |
| Mexico                                   | 82.3           | 34.7           | 12.5              |
| Chile                                    | 69.4           | 66.8           | 59.8              |
| Bolivia                                  | 63.7           | 83.6           | 22.5              |
| Venezuela                                | 63.1           | 58.4           | 13.2              |
| Peru                                     | 61.3           | 64.9           | 24.7              |
| Colombia                                 | 23.9           | 37.3           | 18.9              |
| Ecuador                                  | 14.7           | 12.5           | 9.1               |
| <u>Europe</u>                            | <u>506.5</u>   | <u>276.3</u>   | <u>286.2</u>      |
| Netherlands                              | 239.1          | 37.1           | 115.5             |
| Germany                                  | 64.0           | 60.0           | 25.7              |
| Italy                                    | 55.4           | 57.4           | 71.8              |
| United Kingdom                           | 32.7           | 20.5           | --                |
| Belgium                                  | 31.8           | 17.7           | 23.3              |
| France                                   | 30.9           | 48.6           | 36.6              |
| Sweden                                   | 30.0           | 8.0            | 5.2               |
| Spain                                    | 14.4           | 15.2           | 8.1               |
| Switzerland                              | 8.2            | 11.8           | --                |
| <u>Other</u>                             | <u>345.5</u>   | <u>441.2</u>   | <u>288.4</u>      |

Source: Boletin de Comercio Exterior Argentino, various issues.

Table 62. Argentina: International Reserves of the Monetary Authorities

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

|                                  | 1978         | 1979         | 1980         | 1981         | 1982          | 1983          | 1984          |               |                 |
|----------------------------------|--------------|--------------|--------------|--------------|---------------|---------------|---------------|---------------|-----------------|
|                                  |              |              |              |              |               | June          | Dec.          | Mar.          | June<br>(Prel.) |
| Total net international reserves | <u>4,908</u> | <u>9,361</u> | <u>6,641</u> | <u>2,731</u> | <u>-3,551</u> | <u>-3,747</u> | <u>-6,383</u> | <u>-6,701</u> | <u>-6,626</u>   |
| Central Bank                     | <u>5,284</u> | <u>9,598</u> | <u>6,735</u> | <u>2,746</u> | <u>-1,953</u> | <u>-1,871</u> | <u>-4,293</u> | <u>-4,540</u> | <u>-4,296</u>   |
| Assets                           | 5,284        | 9,598        | 6,741        | 3,227        | 2,542         | 3,323         | 2,671         | 3,165         | 3,442           |
| Gold <u>1/</u>                   | 181          | 184          | 185          | 185          | 185           | 185           | 1,421         | 1,421         | 1,421           |
| SDRs                             | 211          | 327          | 327          | 404          | --            | 24            | 23            | 30            | 37              |
| IMF reserve tranche              | 170          | 203          | 335          | 278          | 100           | --            | --            | --            | --              |
| Foreign exchange <u>2/</u>       | 4,573        | 8,879        | 6,055        | 2,584        | 2,441         | 3,169         | 1,172         | 1,460         | 1,762           |
| LAIA (net) <u>3/</u>             | 149          | 5            | -161         | -224         | -184          | -55           | 55            | 254           | 222             |
| Liabilities                      | --           | --           | 6            | 481          | 4,495         | 5,194         | 6,964         | 7,705         | 7,788           |
| IMF                              | --           | --           | --           | --           | --            | 1,197         | 1,173         | 1,193         | 1,123           |
| Payments arrears                 | --           | --           | --           | --           | 2,540         | 1,655         | 3,222         | 3,993         | 3,678           |
| Foreign currency swaps           | --           | --           | --           | 478          | 1,380         | 1,430         | 1,228         | 1,154         | 1,061           |
| Balance of payments              |              |              |              |              |               |               |               |               |                 |
| support loans                    | --           | --           | --           | --           | 121           | 902           | 1,298         | 1,280         | 1,802           |
| To Central Bank                  | (--)         | (--)         | (--)         | (--)         | (--)          | (800)         | (1,250)       | (1,250)       | (1,775)         |
| Via residents <u>4/</u>          | (--)         | (--)         | (--)         | (--)         | (121)         | (102)         | (48)          | (30)          | (27)            |
| Other liabilities                | ...          | --           | 6            | 3            | 454           | 10            | 43            | 85            | 98              |
| Treasury liabilities <u>5/</u>   | <u>376</u>   | <u>237</u>   | <u>94</u>    | <u>15</u>    | <u>1,598</u>  | <u>1,876</u>  | <u>2,090</u>  | <u>2,161</u>  | <u>2,330</u>    |

Source: Central Bank of Argentina.

1/ Valued per fine troy ounce at US\$42 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 Nacion and the corresponding Banco de la Nacion 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/ External obligations of residents, the foreign currency proceeds of which were surrendered to the Central Bank without the borrowing entity receiving the counterpart in pesos.

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

Table 63. Argentina: External Debt and Debt Service

|  | 1978   | 1979   | 1980   | 1981   | 1982 <sup>1/</sup> | 1983                 |
|--|--------|--------|--------|--------|--------------------|----------------------|
| (In millions of U.S. dollars; end-year)                            |        |        |        |        |                    |                      |
| Total disbursed debt   | 12,496 | 19,034 | 27,162 | 35,671 | 43,243             | 45,946 <sup>2/</sup> |
| By borrowing sector  |        |        |        |        |                    |                      |
| Public sector  | 8,357  | 9,960  | 14,459 | 20,024 | 28,342             | 36,623               |
| Private sector   | 4,139  | 9,074  | 12,703 | 15,647 | 14,901             | 9,323                |
| By maturity  |        |        |        |        |                    |                      |
| Medium- and long-term  | 9,849  | 13,703 | 16,877 | 26,077 | 28,782             | ...                  |
| Short-term   | 2,647  | 5,331  | 10,285 | 9,604  | 14,461             | ...                  |
| (In percent of total)  |        |        |        |        |                    |                      |
| Disbursed debt of public sector, by type of creditor <sup>3/</sup> | 100.0  | 100.0  | 100.0  | 100.0  | 100.0              | 100.0 <sup>2/</sup>  |
| International organizations  | 13.1   | 12.9   | 7.8    | 6.0    | 5.0                | 7.1                  |
| Official creditors   | 5.2    | 4.7    | 2.6    | 1.9    | 1.4                | 3.8                  |
| Banks  | 55.5   | 55.1   | 71.0   | 67.4   | 71.1               | 67.9                 |
| Bondholders  | 13.6   | 14.7   | 10.1   | 18.7   | 18.1               | 11.3                 |
| Private firms  | 12.6   | 12.5   | 8.5    | 5.9    | 4.3                | 9.8                  |
| (In millions of U.S. dollars and in percent)                       |        |        |        |        |                    |                      |
| Debt service <sup>4/</sup>   | 2,607  | 2,156  | 3,525  | 6,307  | 9,971              | 11,984               |
| Amortization   | 1,887  | 982    | 1,350  | 2,457  | 5,045              | 6,561                |
| Interest   | 720    | 1,174  | 2,175  | 3,850  | 4,926              | 5,423                |
| Exports of goods and nonfactor services                            | 7,714  | 9,602  | 10,765 | 11,545 | 9,524              | 9,536                |
| Debt service ratio   | 33.8   | 22.5   | 32.7   | 54.6   | 104.7              | 125.7                |
| (In percent of GDP)  |        |        |        |        |                    |                      |
| Debt outstanding   | 26.0   | 33.4   | 41.8   | 53.3   | 65.4               | 66.5                 |
| Debt service   | 5.4    | 3.8    | 5.4    | 9.4    | 15.1               | 17.3                 |
| Interest   | 1.5    | 2.1    | 3.4    | 5.7    | 7.5                | 7.8                  |

Sources: Central Bank of Argentina and Fund staff estimates.

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

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

<sup>3/</sup> For 1982, distribution excludes external payments arrears.

<sup>4/</sup> Includes amortization on loans with an original maturity of more than one year and all interest payments. Includes both public and private debt. Numbers for 1982 and 1983 reflect amounts due, rather than amounts actually paid.

Table 64. Argentina: Deposits with and Debt to Foreign Banks 1/  
 (In billions of U.S. dollars)

| <u>Deposits</u> | Total | <u>Debt, by Time Remaining to Maturity</u> |   |                |             | <u>Undisbursed Commitments</u> |     |
|-----------------|-------|--|---|----------------|-------------|--------------------------------|-----|
|                 |       | Up to and Including One Year               | Over One Year and Up to and Including Two Years | Over Two Years | Unallocated |                                |     |
|                 |       |  |   |                |             |                                |     |
| December 1978   | 5.0   | 7.0  | 3.6   | 1.0            | 2.3         | 0.2                            | 2.5 |
| June 1979       | 7.1   | 10.6                                       | 5.5   | 0.9            | 3.8         | 0.3                            | 3.5 |
| December 1979   | 8.1   | 13.4                                       | 6.9   | 1.1            | 5.0         | 0.4                            | 2.9 |
| June 1980       | 7.2   | 17.3                                       | 9.2   | 1.3            | 6.4         | 0.4                            | 3.3 |
| December 1980   | 6.5   | 19.9                                       | 10.4  | 1.6            | 7.3         | 0.6                            | 4.0 |
| June 1981       | 5.8   | 23.0                                       | 11.8  | 2.1            | 8.5         | 0.6                            | 3.2 |
| December 1981   | 6.7   | 24.8                                       | 11.6  | 3.0            | 9.5         | 0.8                            | 3.9 |
| June 1982       | 5.4   | 25.3                                       | 13.1  | 2.1            | 9.3         | 0.8                            | 2.7 |
| December 1982   | 6.1   | 25.7                                       | 13.9  | 1.5            | 9.2         | 1.0                            | 1.9 |
| June 1983       | 6.7   | 25.5                                       | 13.6  | 1.7            | 9.0         | 1.2                            | 1.6 |
| December 1983   | 6.5   | 25.9                                       | 13.7  | 1.9            | 9.2         | 1.1                            | 1.7 |

Source: Bank for International Settlements, The Maturity Distribution of International Lending (various issues).

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

Table 65. Argentina: Net Deviations of Selected Export Receipts from Exchange Rate 1/

(In per cent at end of period)

|                                      | 1980<br>Dec. | 1981<br>Dec. | 1982  |       | 1983  |       | 1984  |
|--------------------------------------|--------------|--------------|-------|-------|-------|-------|-------|
|                                      |              |              | June  | Dec.  | June  | Dec.  | April |
| Wheat                                | -1.0         | -10.0        | -10.0 | -25.0 | -25.0 | -18.0 | -18.0 |
| Wheat flour                          | 9.0          | -10.0        | -5.0  | -15.0 | -15.0 | -15.0 | -10.0 |
| Corn                                 | -1.0         | -10.0        | -10.0 | -25.0 | -25.0 | -25.0 | -25.0 |
| Sorghum                              | -1.0         | -10.0        | -10.0 | -25.0 | -25.0 | -25.0 | -25.0 |
| Sunflower oil                        | 9.0          | 10.0         | --    | -10.0 | -10.0 | -10.0 | -14.0 |
| Peanut oil                           | 9.0          | 10.0         | --    | -10.0 | -10.0 | -10.0 | -10.0 |
| Olive oil                            | 9.0          | 10.0         | --    | -10.0 | --    | --    | --    |
| Beef (quarters)                      | 2.6          | -10.0        | -10.0 | -20.0 | -20.0 | -20.0 | -20.0 |
| Beef manufactures                    | 2.6          | -10.0        | -10.0 | -20.0 | -20.0 | -20.0 | -20.0 |
| Beef (cuts)                          | 2.6          | -10.0        | -5.0  | -15.0 | -15.0 | -15.0 | -15.0 |
| Horsemeat                            | -1.0         | -10.0        | -5.0  | -15.0 | -15.0 | -15.0 | -15.0 |
| Beef (cooked, frozen,<br>or extract) | 12.6         | 4.0          | 5.0   | --    | --    | --    | --    |
| Leather (unprocessed)                | -6.0         | -10.0        | -10.0 | -25.0 | -25.0 | -25.0 | -25.0 |
| Leather (cut)                        | 9.0          | 10.0         | --    | -10.0 | -10.0 | -10.0 | -10.0 |
| Tobacco leaf                         | -1.0         | -10.0        | -10.0 | -25.0 | -25.0 | -10.0 | -15.0 |
| Tobacco manufactures                 | -1.0         | -10.0        | -10.0 | -20.0 | -20.0 | -20.0 | -20.0 |
| Wool (unwashed)                      | -1.0         | -10.0        | -10.0 | -22.0 | -22.0 | -22.0 | -22.0 |
| Wool (washed)                        | -1.0         | 5.0          | -5.0  | -15.0 | -15.0 | -15.0 | -15.0 |
| Sugar                                | -1.0         | 10.0         | 5.0   | 10.0  | 10.0  | 10.0  | 10.0  |
| Fruits (fresh)                       | 9.0          | 7.0          | --    | -10.0 | --    | --    | --    |
| Fruits (canned)                      | 9.0          | 10.0         | 5.0   | 5.0   | 5.0   | 10.0  | 10.0  |
| Cheese                               | 9.0          | 7.0          | 5.0   | --    | --    | --    | --    |
| Casein                               | 9.0          | 10.0         | 5.0   | -10.0 | -10.0 | -10.0 | -10.0 |
| Wire and iron sheet                  | 14.0         | 10.0         | 14.0  | 10.0  | 10.0  | 10.0  | 10.0  |
| Tools (power)                        | 24.0         | 10.0         | 14.0  | 10.0  | 10.0  | 10.0  | 10.0  |
| Agricultural machines                | 24.0         | 10.0         | 14.0  | 10.0  | 10.0  | 10.0  | 10.0  |
| Tractors                             | 24.0         | 10.0         | 14.0  | 10.0  | 10.0  | 10.0  | 10.0  |

Source: Central Bank of Argentina.

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

Table 66. Argentina: Promoted Exports

|   | 1979  | 1980  | 1981  | 1982  | 1983  |
|---|-------|-------|-------|-------|-------|
| (In millions of U.S. dollars)                           |       |       |       |       |       |
| Total   | 2,553 | 2,555 | 2,467 | 2,541 | 2,086 |
| Dairy products  | 18    | 21    | 27    | 52    | 49    |
| Fish and shellfish                                      | 190   | 139   | 116   | 187   | 141   |
| Tea   | 22    | 28    | 26    | 29    | 28    |
| Wheat and other flours                                  | 35    | 21    | 9     | 9     | 15    |
| Promoted fat and oil byproducts                         | 11    | 9     | 11    | 7     | 6     |
| Meat and seafood preparations                           | 202   | 282   | 254   | 206   | 164   |
| Fruit and vegetable preparations                        | 26    | 69    | 63    | 70    | 56    |
| Beverages   | 49    | 52    | 44    | 37    | 33    |
| Fuels and lubricants 1/                                 | --    | --    | --    | 23    | 32    |
| Chemicals   | 195   | 324   | 320   | 279   | 276   |
| Tanned leather  | 426   | 310   | 338   | 285   | 229   |
| Leather manufactures                                    | 74    | 45    | 18    | 15    | 15    |
| Furs  | 133   | 145   | 81    | 50    | 26    |
| Books and magazines                                     | 37    | 52    | 46    | 35    | 18    |
| Combed wool   | 30    | 35    | 35    | 38    | 36    |
| Other textiles  | 62    | 66    | 46    | 42    | 36    |
| Metal products  | 263   | 198   | 414   | 514   | 314   |
| Agricultural machinery                                  | 5     | 3     | 6     | 16    | 2     |
| Office machinery  | 50    | 63    | 99    | 107   | 100   |
| Automobiles   | 33    | 37    | 9     | 18    | 25    |
| Trucks  | 18    | 14    | 8     | 10    | 5     |
| Tractors  | 38    | 15    | 8     | 21    | 1     |
| Other transport equipment                               | 78    | 91    | 74    | 124   | 103   |
| Other   | 318   | 263   | 223   | 200   | 274   |
| (In percent of total)                                   |       |       |       |       |       |
| <u>Memorandum item</u>                                  |       |       |       |       |       |
| Total promoted exports as a percentage of total exports | 32.7  | 31.9  | 27.0  | 33.3  | 27.1  |

Source: Central Bank of Argentina.

1/ Between 1979 and 1981 these goods were not promoted.

Table 67. Argentina: Selected Exchange Rates

|             | Official Exchange Rate<br>(\$a per US\$) 1/2/ | Parallel<br>Exchange<br>Rate 1/ | Real Effective<br>Exchange Rate<br>(Index;<br>1980=100) 3/ |
|-------------|---|---------------------------------|--|
| 1978        | 0.08  | 0.08                            | 53.58  |
| 1979        | 0.13  | 0.13                            | 75.58  |
| 1980        | 0.18  | 0.18                            | 99.14  |
| 1981        | 0.44  | 0.61                            | 91.38  |
| 1982        | 2.19  | 3.63                            | 51.06  |
| 1983        | 10.53   | 14.52                           | 43.02  |
| <u>1982</u> |   |                                 |  |
| March       | 1.08  | 1.08                            | 62.48  |
| June        | 1.51  | ...                             | 53.57  |
| September   | 2.79  | 4.87                            | 45.01  |
| December    | 4.60  | 6.31                            | 36.84  |
| <u>1983</u> |   |                                 |  |
| January     | 5.14  | 6.74                            | 36.80  |
| February    | 5.72  | 7.34                            | 38.72  |
| March       | 6.40  | 8.53                            | 39.79  |
| April       | 7.15  | 9.26                            | 40.16  |
| May         | 7.78  | 9.27                            | 41.61  |
| June        | 8.53  | 10.00                           | 43.94  |
| July        | 9.43  | 12.67                           | 44.02  |
| August      | 10.63   | 16.43                           | 46.29  |
| September   | 12.16   | 21.49                           | 48.13  |
| October     | 14.47   | 25.28                           | 46.24  |
| November    | 17.56   | 23.49                           | 45.47  |
| December    | 21.36   | 23.72                           | 44.89  |
| <u>1984</u> |   |                                 |  |
| January     | 24.87   | 30.29                           | 42.07  |
| February    | 27.75   | 40.16                           | 43.80  |
| March       | 30.84   | 49.70                           | 47.10  |
| April       | 35.06   | 53.66                           | 50.97  |
| May         | 40.81   | 63.90                           | 53.41  |
| June        | 47.57   | 68.29                           | 53.47  |
| July        | 56.12   | 74.55                           | 54.20 4/   |

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, seasonally adjusted price indexes, and trade shares of most trading partners; increase denotes appreciation.

4/ Estimate.