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SM/81/239

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INFORMATION

December 8, 1981

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

This paper provides background information to the staff report on the 1981 Article IV consultation discussions with Argentina, which was circulated as SM/81/233 on December 2, 1981.

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INTERNATIONAL MONETARY FUND

ARGENTINA

Recent Economic Developments

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

December 3, 1981

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Argentina--Basic Data

Area and population

Area (continental)	2,792,000 sq. kilometers
Population (mid-1980)	27.1 million
Annual rate of population increase (1976-80)	1.3 per cent
GNP at market prices (1980)	SDR 116,976 million

GNP per capita (1980 est.)

SDR 3,813

Origin of GDP (1980)

(per cent)

Agriculture	12.7
Manufacturing	24.8
Construction	7.8
Transport and communications	10.9
Commerce	14.1
Other	29.7

Ratios to GDP (1980)

Exports of goods and services	7.8
Imports of goods and services	10.9
General government revenues	26.9
General government expenditures	31.5
External public debt (end of year)	10.2
Saving	18.3
Investment	21.2
Money and quasi-money (end of year)	32.3

Annual changes in selected economic

<u>indicators</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>Proj.</u>
			(per cent)	<u>1981</u>
Real GDP per capita	-4.7	5.8	-0.2	-4.0
Real GDP	-3.4	7.1	1.0	-3.0
GDP at current prices	156.3	174.5	97.5	104.3
Domestic expenditures (at current prices)	156.1	184.9	101.9	97.8
Investment	128.0	158.6	112.7	84.6
Consumption	165.2	191.3	99.7	101.3
GDP deflator	164.5	156.3	95.5	110.6
Wholesale prices (annual averages)	145.9	149.3	63.8	122.6
Consumer prices (annual averages)	175.5	159.5	100.8	104.5
General government revenues	182.0	161.5	117.3	69.8
General government expenditures	186.7	155.1	119.8	93.2
Money and quasi-money	183.8	190.2	90.8	93.4
Money	169.2	140.9	97.6	...
Quasi-money	189.8	208.9	88.3	...
Net domestic financial assets 1/	160.4	182.6	106.9	91.1
Credit to public sector (net) 1/	11.8	14.0	15.9	34.0
Credit to private sector 1/	123.2	144.0	81.6	46.7
Merchandise exports (f.o.b., in U.S. dollars)	13.2	22.0	2.8	24.1
Merchandise imports (c.i.f., in U.S. dollars)	-7.9	74.8	56.7	-15.8

				Proj.
	1978	1979	1980	1981
<u>General government finances</u>				(billions of Argentine pesos)
Revenues	13,352	34,922	75,873	128,827
Expenditures	15,863	40,466	88,940	171,792
Overall deficit (-)	-2,511	-5,544	-13,067	-42,965
External financing (net)	242	436	2,782	4,224
Internal financing (net)	2,269	5,108	10,285	38,741
<u>Balance of payments</u>				(millions of U.S. dollars)
Merchandise exports, f.o.b.	6,400	7,810	8,028	9,960
Merchandise imports, c.i.f.	-3,834	-6,700	-10,500	-8,845
Investment income (net)	-681	-920	-1,502	-3,215
Other services and transfers (net)	-51	-726	-716	-479
Balance on current and transfer accounts	1,834	-536	-4,690	-2,579
Official capital (net)	1,294	1,082	2,816	3,903
Financial sector (net)	561	2,237	1,424	-635
Private capital (net) ^{2/}	-443	1,586	-2,360	-2,987
Allocation of SDRs	--	73	73	70
Change in net official reserves (increase -)	-3,246	-4,442	2,737	2,228
<u>International reserve position</u>				September 30 Dec. 31 September 30 1980 1980 1981
				(millions of SDRs)
Central Bank (gross)	6,596.0	5,438.8	3,530.3	
Central Bank (net)	6,547.1	5,258.3	3,419.2	
Central Bank and Treasury (net)	6,459.8	5,183.0	3,400.8	
<u>IMF data (as of October 31, 1981)</u>				
Article VIII status				
Intervention currency and rate				
Commercial rate				U.S. dollar at \$a 6,247.0 per US\$
Financial rate				U.S. dollar at \$a 9,150.0 per US\$
Quota				SDR 802.5 million
Cumulative purchases				SDR 1,295.1 million
Regular purchases				SDR 935.0 million
Compensatory financing facility purchases				SDR 284.0 million
Oil facility purchases				SDR 76.1 million
Cumulative repurchases				SDR 1,142.0 million
Cumulative currency sales				SDR 252.2 million
Cumulative use of Argentine pesos in repurchases				SDR 50.1 million
Fund holdings of Argentine pesos under tranche policy				70.2 per cent of quota
Total Fund holdings of Argentine pesos				70.2 per cent of quota
Special Drawing Rights Department				SDR 318.4 million
Cumulative SDR allocation				SDR 28.7 million
Net acquisition or utilization (-) of SDRs				109.0 per cent of allocation
Holdings of SDRs				US\$69.9 million
Share of profits from gold sales				

1/ In relation to the financial system's stock of money and quasi-money at the beginning of the period. Excludes contra-entry of SDR allocations.

2/ Includes valuation adjustments and errors and omissions.

I. An Overview

Developments in Argentina during 1976-78 were governed by efforts to strengthen the balance of payments, reduce inflation, and eliminate previous widespread distortions in relative prices. The policy instruments used to this effect included the flexible management of a unified exchange rate; a liberalization of the exchange and financial systems; a substantial reduction of the public sector deficit; and a freeing of most domestic prices. A number of structural reforms also were implemented, especially in agriculture, while energy policy sought to ensure approximate self-sufficiency during the 1980s.

These efforts yielded impressive results in the external sector. The current account of the balance of payments moved from a deficit in 1975 to a surplus equivalent to 2.8 per cent of GDP in 1978; and, helped by rising capital inflows, the net official international reserves recovered from a negative US\$0.6 billion at the end of 1976 to almost US\$5 billion two years later. Output, however, performed unevenly, with a strong rebound of real GDP growth in 1977 followed by a recession in 1978 (Table 1); and the deceleration of inflation, although significant in the early stages of the program, fell well short of expectations. Average consumer prices rose by around 175 per cent in both 1977 and 1978--and wholesale prices by about 147 per cent--reflecting larger than planned public sector borrowing and continued substantial credit accommodation of the private sector in an economy still protected by high tariff barriers.

Given the uneven achievements of the 1976-78 period, especially as regards the control of inflation, economic policies underwent a major redirection in late 1978. Henceforward priority was assigned to the reduction of inflation and to the gradual opening of the economy to international competition in order to improve resource allocation and encourage the growth of an efficient domestic industry. But, whereas the success of these policies would have required a major tightening of the fiscal and monetary stance, the public sector's borrowing requirements actually increased during 1979-80, while bank lending to the private sector, fueled in part by heavy capital inflows, tripled in 1979 and doubled in 1980. As a consequence, economic imbalances remained severe, and the potential for sustained real income gains over the medium and long run was not fully realized.

Real GDP growth rebounded strongly in 1979, reflecting favorable weather conditions in agriculture and marked gains in value added in manufacturing and services. But the real appreciation of the currency resulting from the widening gap between the rate of exchange depreciation and the differential inflation between Argentina and the rest of the world caused the recovery to taper off in late 1979-early 1980, and to be followed by increasing sluggishness in economic activity in 1980 and early 1981.

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

	1976	1977	1978	1979	Prel. 1980	Est. 1981
GDP at current market prices	453.8	182.8	156.3	174.5	97.5	104.3
GDP at 1970 market prices	-0.5	6.4	-3.4	7.1	1.0	-3.0
Real GDP per capita	-1.8	5.1	-4.7	5.8	-0.2	-4.0
National income at 1970 prices	-1.0	7.4	-5.4	9.6	-2.5	-3.5
Real per capita income	-2.3	5.9	-6.6	8.2	-3.7	-4.4
GDP deflator	463.4	165.8	165.4	156.3	95.5	110.6
Wholesale prices:						
Annual average	499.0	149.4	145.9	149.3	63.8	122.6
Year-end	386.1	147.1	143.3	128.9	57.7	160.6
Consumer prices:						
Annual average	443.2	176.1	175.5	159.5	100.8	104.5
Year-end	347.6	160.4	169.8	139.7	87.6	127.1

Sources: Statistical Appendix Tables 35, 36, and 45.

The deceleration of inflation in effect took much longer to materialize than had been hoped, with evidence of progress surfacing only toward the end of 1979 and in 1980. Domestic inflation, as measured by changes in the GDP deflator, still exceeded 150 per cent in the first year of implementation of the new policy; and although it slowed noticeably in 1980, it remained at close to 100 per cent.

However limited, this deceleration of price increases owed much to the rapid opening of the goods and capital markets, with excess demand spilling over increasingly into the balance of payments. Despite a decline in the investment ratio from 25-1/2 per cent of GDP in 1976 to around 20-1/2 per cent of GDP on the average in 1979-80, the current account of the balance of payments moved from a surplus during 1976-78 to a small deficit in 1979, and to a deficit equivalent to about 3 per cent of GDP in 1980 (Table 2). Increasingly lax financial management accommodated sharp increases in wage levels, which, in turn, brought about a surge in consumption spending and a corresponding drop in domestic savings. The resource gap was more than financed--and to some extent created--by large capital inflows in 1979. But these capital inflows dropped precipitously in 1980, as a series of domestic bank

failures, evidence of the growing overvaluation of the peso and uncertainties related to the prospective change of administration eroded confidence. As a result, the net official international reserves, which had risen steadily in the previous three years, fell by the equivalent of almost 2 per cent of GDP in 1980.

Table 2. Argentina: Saving and Investment

(As per cent of GDP)

	1976	1977	1978	1979	Prel. 1980	Est. 1981
Domestic saving	26.8	26.2	23.8	19.3	18.3	17.7
Private sector saving	23.5	16.1	15.4	13.1	13.0	14.8
Public sector saving	3.3	10.1	8.4	6.2	5.3	2.9
Gross domestic investment	25.5	23.6	21.0	19.8	21.2	19.3
Private sector fixed capital formation	13.3	11.2	9.6	10.1	11.1	10.4
Public sector fixed capital formation	12.0	12.2	12.0	9.7	9.5	9.3
Changes in stocks	0.2	0.2	-0.6	--	0.6	-0.4
External saving	-1.3	-2.6	-2.8	0.5	2.9	1.6
Capital inflow	-1.3	1.8	1.9	4.4	1.3	0.8
Private 1/	-0.7	2.3	1.8	3.5	-0.4	-1.4
Public	-0.6	-0.5	0.1	0.9	1.7	2.2
Valuation adjustment 2/	--	--	0.3	0.2	-0.1	-0.1
Change in net international reserves (increase -)	--	-4.4	-5.0	-4.1	1.7	0.9

Sources: Statistical Appendix Tables 35, 50 and 60.

1/ Includes government banks as well as errors and omissions.

2/ Includes SDR allocations.

A major adjustment effort in mid-1981, involving radical corrections in the real effective exchange rate, is expected to result in a substantial reduction of the resource gap this year--though not to the point of preventing a further loss of international reserves, as the private capital account moved increasingly into deficit in the first half of the year. But the magnitude of the adjustment initially has

added to prevailing recessionary trends and real GDP may fall by as much as 3 per cent in 1981. As the recession is paralleled by a marked deterioration in the public finances and by some relaxation of credit policy vis-a-vis the private sector, expectations are that domestic expenditure growth will remain at close to 100 per cent in 1981 for the second consecutive year. With the prospective contraction of output and reduction in the current account deficit, domestic inflation is expected to exceed once again the 100 per cent mark.

Given the turns in economic policy in late 1978 and again in the second quarter of this year, this paper is divided in the following way: Section II discusses the main tenets of the 1979-80 economic stabilization program; Section III reviews developments under this program; Section IV describes the adjustment measures of 1981 and analyzes their likely impact through the end of this year; and specific issues related to the energy sector, the tax system, the external debt, recent consolidation schemes for corporate debts, and the exchange and trade system are dealt with in separate appendices.

II. The 1979-80 Economic Stabilization Program

With prices rising in excess of 8 per cent a month in the last quarter of 1977 and first quarter of 1978, a more decisive attack on inflation seemed imperative. The policy alternative was either to open the economy by removing existing obstacles to trade or to halt, or at least reduce, the international mobility of capital in order to enhance the degree of control over monetary growth. In May 1978 the second approach was adopted. In an attempt to restrain reliance on foreign credit, which had intensified greatly since early 1977, controls were imposed on private capital inflows and the exchange rate was allowed to float more or less freely. This new approach, however, failed to slow capital inflows. Money growth did not decelerate to any significant extent and inflation remained at above 7 per cent a month. The net official international reserves declined in the last quarter of 1978, mainly due to a fall of exports, but the money supply continued to increase in response to an acceleration in the rate of domestic credit expansion.

Failure of the May 1978 program to moderate price pressures led to another turnaround in the anti-inflationary strategy on December 20, 1978. The new plan called for a gradual opening of the goods and capital markets to stiffen foreign competition, dampen price pressures, and improve resource allocation--even at the risk of some deterioration of the current account of the balance of payments during a transition period.

In the main, the December 1978 program involved drastic adjustments in exchange rate, trade, and financial policies. Central to the new strategy was the announcement of a schedule of the daily exchange rate several months in advance, which implied a progressive deceleration over time of the rate of depreciation of the peso. Hopes were that this policy would help reverse inflationary expectations and force convergence of domestic and international prices for tradeables, inducing, in the process, a shift of domestic demand from nontradeables to tradeables and therefore a gradual letup of inflation. Second, an import liberalization program was announced, whereby most quantitative restrictions on international trade were to be eliminated and the protection enjoyed by domestic industry was to be reduced over a five-year period. To minimize their dispersion, import duties were to be lowered to a range of 10 to 45 per cent by the end of the period, and a special regulation (Regulation 6) was enacted to provide for the rapid elimination of redundant protection. Third, most limitations and impediments to international capital mobility were removed, with the exception of a provision requiring that foreign borrowing should have a minimum maturity of one year. Fourth, adjustments of public sector tariffs and of the minimum and basic contractual wage also were to follow a preannounced schedule. Public enterprise tariffs and prices were to increase by about 6 per cent in January 1979 and at declining rates during the remainder of the year; and minimum and basic contractual wages were to increase by 4 per cent a month, although the announcement added that

this was to be a minimum increase and that, whenever labor market conditions or the particular circumstances of a firm permitted, wages could be raised more. Fifth, the public sector's borrowing needs ^{1/} would be curtailed from 8.5 per cent of GDP to 7.5 per cent and 6 per cent of GDP in 1979 and 1980, respectively; those of the the Central Administration (Treasury) would be scaled down from about 4 per cent of GDP in 1978 to 3.5 per cent in 1979 and 3 per cent in 1980; moreover, the deficits would be financed outside the Central Bank. Finally, credit expansion by the Central Bank would be limited to 15 per cent during the first quarter of 1979 and to 13 per cent during the second quarter.

If fully and consistently implemented, the program of December 1978 would have had a number of important consequences. In the first place, the announcement of the exchange rate path and the Central Bank's commitment to support the announced rate amounted to the adoption of a fixed exchange rate policy under which the Central Bank would lose its control over money growth, which henceforward would interact freely with the capital account of the balance of payments. The domestic credit guideline, therefore, would become irrelevant for the determination of domestic inflation and of interest rates, and would be aimed at controlling the balance of payments outcome. But this guideline was also relevant to the objective of curtailing public sector borrowing from domestic sources, essentially by forcing any additional demand for financing of this sector to be met from foreign sources.

The success of the program, of necessity, was contingent on the full opening of both the goods and capital markets. In the financial market, domestic interest rates in principle would converge to the level of world interest rates plus the rate of currency depreciation and any specific risk premium. In the goods market, the domestic rate of inflation would decline to the rate of change of world prices of tradeable goods consumed by Argentina, plus the announced rate of devaluation. It was recognized, however, that to the extent that market integration was not perfect because of capital market segmentation, government intervention, or trade restrictions, convergence might not take place or might be delayed. Then, inflation and interest rates also would be affected by domestic variables such as the rate of credit creation and inflationary expectations. This made adherence to a restrained financial stance another virtual precondition for the success of the program.

^{1/} In this report, borrowing needs are defined as the overall deficit plus interest payments which are treated as amortization (below the line) in the Argentine presentation of public sector data.

III. Developments Under the 1979-80 Stabilization Program

The external policy component of the December 1978 program was implemented as planned. But as wage, fiscal, and credit developments turned out to be far more expansionary than forecast, domestic spending grew at rates far in excess of those compatible with the announced rate of exchange depreciation. In spite of the reduction of barriers on trade and capital flows and of the attendant sharp increases in imports and foreign borrowing, the domestic interest and inflation rates exceeded significantly the convergence rates sought by the program. As a consequence, the peso appreciated rapidly in real effective terms, resulting in larger than anticipated external imbalances and increasingly sluggish economic activity. Eventually, confidence in the announced exchange rate schedule dwindled, triggering a run on the peso and a major hemorrhaging of the official international reserves.

1. Exchange and trade system

In accordance with the program of December 1978, the schedule of daily exchange rates for the peso relative to the U.S. dollar was announced initially for the period through August 31, 1979. The exchange rate schedule for the remainder of the year was announced on April 6, 1979. These schedules involved a nominal depreciation of the peso with respect to the U.S. dollar of 61.5 per cent during 1979, with the monthly rate of depreciation declining from 5.2 per cent in January to 3 per cent in December. However, as the rate of differential inflation between Argentina and the rest of the world considerably surpassed the rate of devaluation, the peso appreciated in real effective terms by almost 20 per cent (Chart 1 and Statistical Appendix Table 59).

At the same time, the authorities adopted a tariff reform program for the period 1979-84, a program of ad hoc 180-day tariff reductions, as well as new regulations in regard to automobile imports and the import content of domestic automobile production. The tariff reform program envisaged a reduction in import duties from a range of 10 to 85 per cent at the beginning of 1979 to a range of 10 to 40 per cent by the end of 1983. Duties were reduced by 5 percentage points in 1979 and by 8 percentage points in 1980. For some capital goods imports, the duty rates which were supposed to prevail at the beginning of 1984 actually began to apply from April 1979. The ad hoc program of tariff reductions (Regulation 6) was intended to eliminate redundant protection, and was to apply to imports the domestic substitutes for which registered price increases, for reasons other than increases in input costs, which exceeded the rate of devaluation from December 15, 1978. Imports of finished vehicles were allowed for the first time in 20 years, and import duties on passenger vehicles and on certain automobile parts also were lowered.^{1/}

^{1/} See SM/79/166 for a discussion of the import liberalization measures adopted in early 1979.

After the elimination in late 1978 of the minimum deposit requirements on private financial foreign borrowing and on trade-related credit operations introduced earlier in the year, few deterrents remained to inward capital movements by residents or nonresidents--and the few remaining related mostly to minimum maturities. In December 1979 the capital account was opened further when the Central Bank permitted banks in general to obtain loans abroad, subject to prior authorization. Outward capital transfers, however, continued to be restricted somewhat.

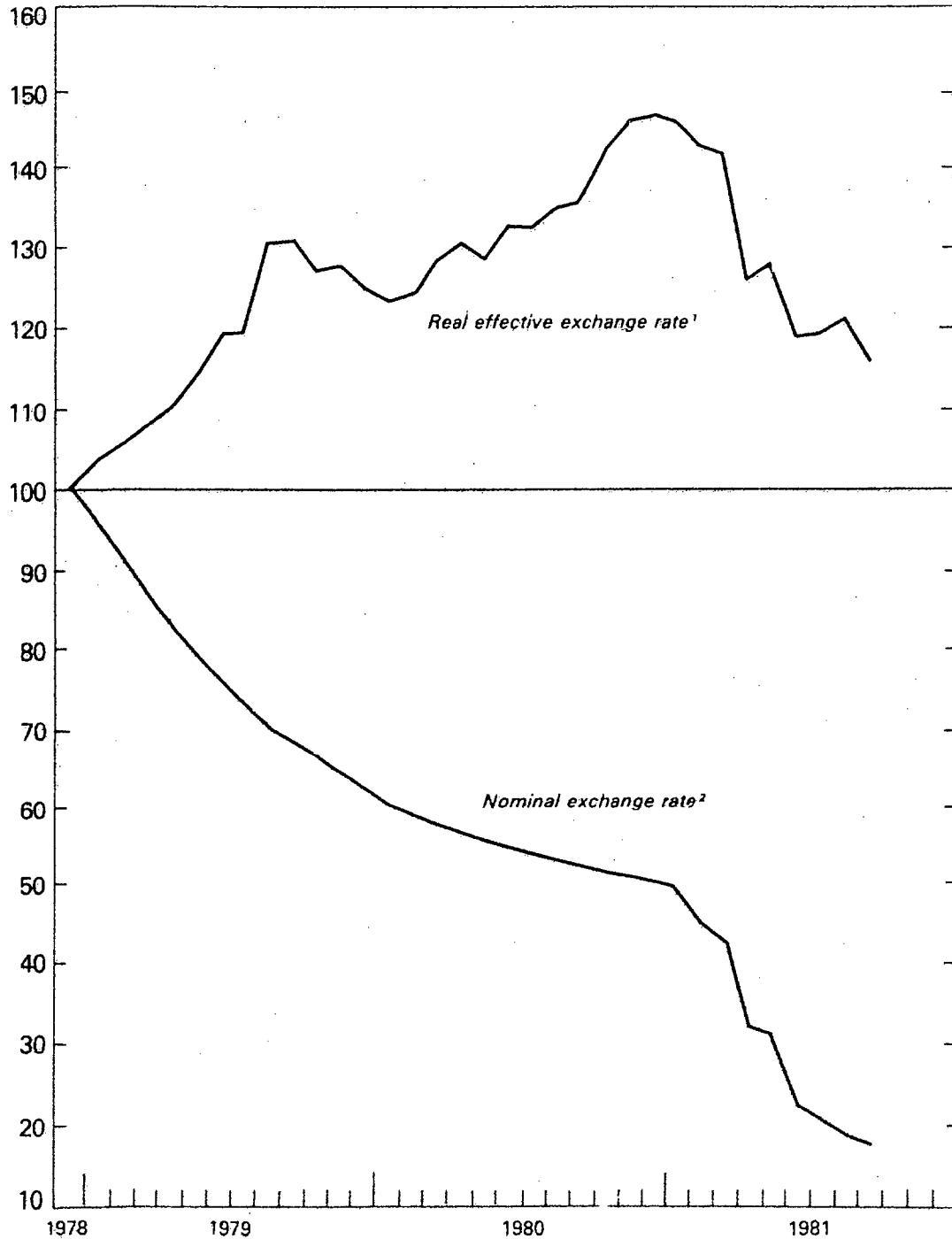
On October 1, 1979, the devaluation schedule of the peso against the U.S. dollar was set at 2.8 per cent for January 1980, to be reduced by 0.2 percentage points a month through the end of 1980. During the second quarter of 1980, there was a loss of net official international reserves of US\$1.5 billion, mostly a result of heavy capital flight in the wake of the banking crisis of March 1980 (see subsection 2 c below and Table 3). Although the net foreign reserves recovered by US\$335 million in the third quarter as the uncertainties caused by the banking crisis began to wane, it was felt that some additional action was needed to restore exchange market confidence. Accordingly, on September 16, 1980, the authorities announced that the rate of devaluation of 1 per cent for October would be maintained in November and December. Despite this slight acceleration in the rate of devaluation in the last two months of 1980, in real effective terms the peso appreciated by 15 per cent in 1980 on the export side and by 17 per cent on the import side.

The September 1980 announcement that the devaluation rates would be 1 per cent for the last two months of the year failed to restore confidence in the foreign exchange market, largely because of mounting evidence of overvaluation of the currency and, consequently, of growing speculation that exchange rate policy would have to be altered once a new administration took office in April 1981. Faced with a large current account deficit and a sharp drop in net capital inflows in the last quarter of 1980, the authorities announced in early December that in the first quarter of 1981 the peso would be depreciated vis-a-vis the U.S. dollar on the selling side by 2 per cent a month in the first quarter of 1981, but that the buying rate would continue to slide at 1 per cent a month, in the hope that this would ease pressures on the foreign exchange market.

The international reserve loss amounted to US\$1.9 billion in the last quarter of 1980, causing speculation to snowball and net international reserves to drop by an additional US\$0.8 billion in January 1981. On February 3, 1981 the outgoing administration devalued the peso by 10 per cent and, at the same time, announced a schedule of daily exchange rates for the period from February 3, 1981 through August 31, 1981. The selling rate was to increase by 3 per cent a month during the following seven months and the buying rate by 2 per cent a month during February-March and by 3 per cent a month in the remainder of

CHART 1
ARGENTINA
EXCHANGE RATE INDICES

(Dec. 1978 = 100)



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

¹Based on monthly averages of the nominal exchange rate adjusted by price and exchange rate movements in Argentina's major trading partners; after June 22, 1981 the exchange rate of the commercial market was used. Increase in the index value represents an appreciation of the peso in real terms.²Monthly averages of selling rate of U.S. dollar per peso.

Table 3. Argentina: Quarterly Balance of Payments, 1979-81

(In millions of U.S. dollars)

	1979				1980				1981	
	I	II	III	IV	I	II	III	IV	I	II
<u>Current account</u>										
Trade balance	-64.2	466.2	-66.6	-871.8	-746.0	-996.4	-1,138.6	-1,808.6	-1,851.0	-566.9
Exports, f.o.b.	1,350.7	1,002.7	247.7	-491.2	-222.9	-363.7	-731.6	-1,153.4	-520.0	345.0
Imports, c.i.f.	1,549.3	2,383.0	2,160.7	1,716.9	2,059.5	1,927.4	2,038.4	2,003.1	2,000.0	2,820.0
Services	-1,198.6	-1,380.3	-1,913.0	-2,208.1	-2,282.4	-2,291.1	-2,70.0	-3,156.5	-2,520.0	-2,475.0
Real services	-418.5	-546.7	-323.2	-392.9	-523.7	-646.1	-413.6	-664.2	-1,371.6	-936.6
Investment Income	-285.4	-153.6	-158.6	-163.7	-414.2	-145.5	-17.1	-168.5	-598.4	-34.1
Unrequited transfers	-133.1	-393.1	-164.6	-229.2	-109.5	-500.6	-396.5	-495.7	-773.2	-902.5
<u>Capital account</u>										
Financial sector 1/	982.5	1,081.8	1,180.0	1,529.3	1,197.1	-748.2	1,515.6	127.7	-972.7	970.3
Central Bank	688.6	703.0	163.9	681.9	473.0	235.3	764.1	-48.3	-661.9	-24.9
Other	-3.4	11.0	-38.1	-58.6	-5.0	-12.7	-13.9	-57.1	-64.9	-23.9
Central and local governments	692.0	692.0	202.0	740.5	478.0	248.0	778.0	8.8	-657.0	-1.0
Long term 2/	-54.4	116.0	152.0	175.5	280.8	185.7	-44.4	369.5	1,407.1	660.2
Short term	-56.1	182.8	45.1	30.8	319.2	61.5	128.9	103.3	592.0	201.0
State enterprises	1.7	-66.8	106.9	144.7	-38.4	124.2	-173.3	266.2	815.1	459.2
Long term	169.4	103.3	145.5	214.8	383.0	427.6	346.4	866.4	1,070.1	455.9
Short term	119.4	121.4	177.4	274.8	383.0	427.6	346.4	716.4	995.1	455.9
Nonbank private sector	50.0	-18.1	-31.9	--	--	--	--	150.0	75.0	--
Direct investment	178.9	159.5	718.6	397.1	60.3	-1,596.8	449.5	-1,059.9	-2,788.0	-120.9
Other 3/	96.8	-28.3	85.7	110.4	129.0	250.1	131.9	228.2	367.2	184.8
SDR allocation	82.1	187.8	632.9	286.7	-68.7	-1,846.9	317.6	-1,288.1	-3,155.2	-305.7
Valuation adjustment	72.8	--	--	--	73.5	--	--	69.5	--	--
Net International reserves (Increase -)	-18.0	5.3	53.1	91.5	-279.5	293.7	-40.5	-186.6	-213.2	-164.2
	<u>-973.1</u>	<u>-1,553.3</u>	<u>-1,166.5</u>	<u>-749.0</u>	<u>-245.1</u>	<u>1,450.9</u>	<u>-336.5</u>	<u>1,867.5</u>	<u>2,967.4</u>	<u>-239.2</u>

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

1/ Derived from monetary accounts.

2/ Adjusted for payment of Central Government bonds

3/ Includes errors and omissions.

4/ Refers to adjustments in the valuation of international reserves.

the period. On this basis, the spread between the selling and buying rates was to widen to 3.4 per cent by the end of March and was to remain at that level until August 31, 1981. These measures, however, failed to restore confidence in the peso. Instead, they were widely interpreted as the termination of the preannouncement program, and expectations henceforth were dominated by speculation that a major exchange rate adjustment would have to follow the installation of the new administration on April 1. With a current account deficit of US\$1.8 billion and net private capital outflows approaching US\$3.5 billion, the net international reserve loss approached US\$3 billion in the first quarter of the year.

2. Income and expenditure

Two central and interrelated reasons for the ultimate failure of the 1979-80 adjustment program were the sharp rise in labor remunerations from 1979 and the lack of success in bringing the public sector's overall borrowing requirements under control. Moreover, from March 1980, credit expansion by the Central Bank resumed at a high rate, reflecting emergency assistance to banks and the honoring of government guarantees on bank deposits in the wake of a series of bank failures. As a result, domestic spending continued to grow rapidly.

a. Wage developments

An important ingredient of the 1976-78 adjustment program had been some deliberate reduction in real wages in the private sector, because they were deemed to have reached unsustainably high levels in 1974-75. In contrast, public sector salaries were to be raised gradually in real terms--to a level about comparable to those in private employment 1/--with the incremental cost to the Government to be offset by the elimination of redundant employees. Accordingly, from 1976 basic contractual and minimum wage adjustments had been kept deliberately below the rate of inflation. This policy, however, had failed to bring about a significant deceleration in wage increases, as only a small fraction of wage earners were receiving the minimum or the basic contractual wage. In March 1977 an upper limit (flexibility margin) on increases above the minimum wage had been established, but this limit eventually had proved of little relevance since nominal wages in the private sector had risen less than inflation in 1978 because of the recession (Table 4 and Chart 2).

1/ In the event, this policy was not put into effect until 1978.

Table 4. Argentina: Increases in Earnings and Prices

(Annual average percentage change)

	Industry	General Goverment 1/	State Enterprises 1/	Consumer Prices
1977	189.2	161.2	135.3	172.6
1978	170.8	218.2	195.2	175.5
1979	197.7	167.5	212.7	159.5
1980	124.6	149.4	109.3	100.8
1981 (Est.)	80.4	100.5	93.0	104.5

Sources: National Statistical Institute; Ministry of Economy, Treasury and Finance; and Fund staff estimates.

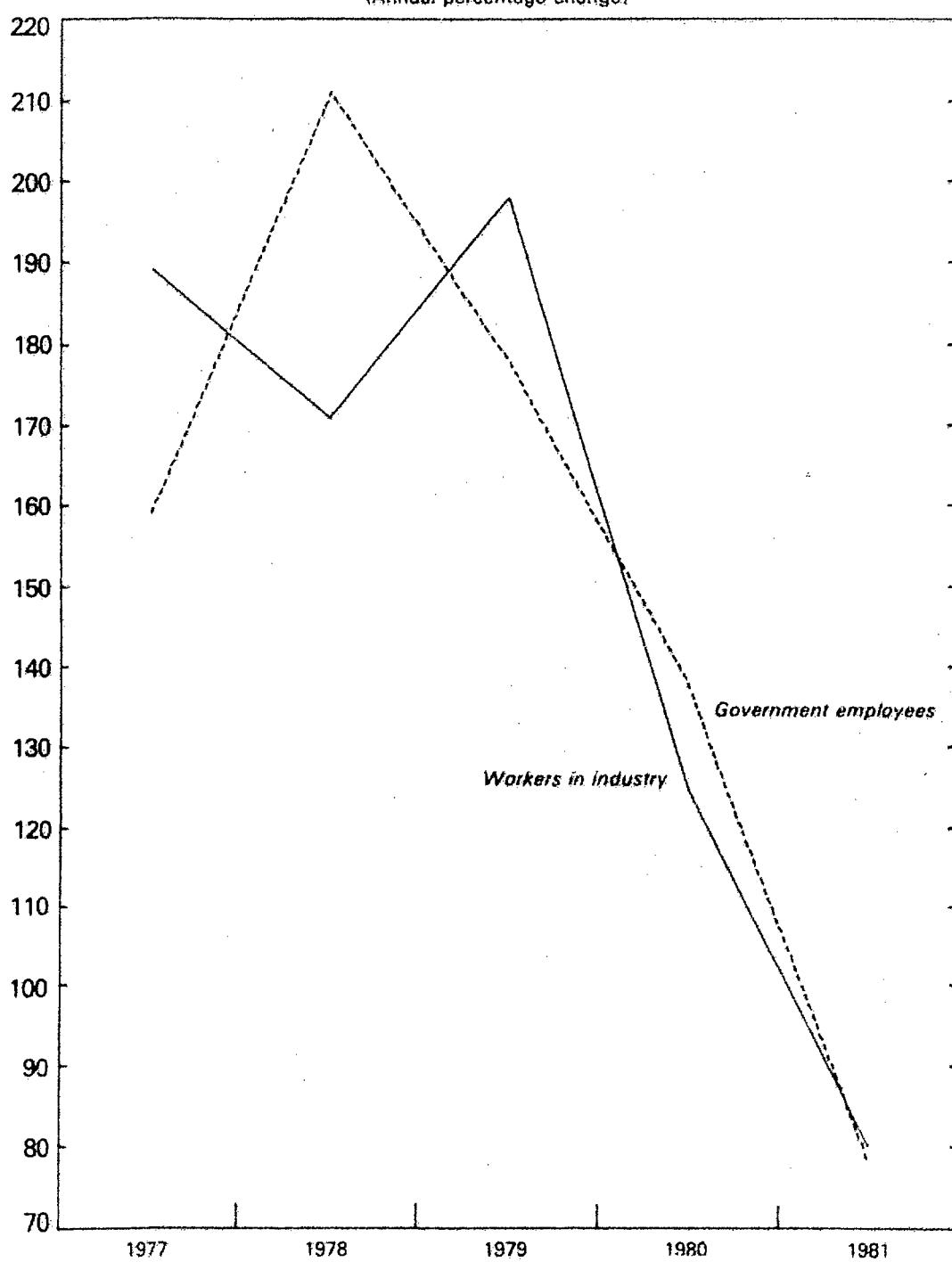
1/ Wage bill divided by number of employees.

The policy adjustment of late 1978 rested on the expectation that foreign competition rather than governmental controls would limit wage increases in the private sector. The stabilization plan included guidelines for basic wage increases (according to a preannounced monthly schedule) but the upper limit for wage raises was abolished in September 1979.^{1/} Hence, wage determination in the private sector was effectively freed which, given tight labor market conditions, led de facto to the introduction of wage indexation clauses in labor contracts. Private sector wages rose by almost 200 per cent in 1979, and by another 125 per cent in 1980. In the public sector, the Government continued--except for a temporary interruption in the last quarter of 1979--with its program of raising earnings over and above the rate of inflation over three years to compensate for purchasing power losses in the period through 1977. Remunerations accordingly increased in 1979 by 168 per cent in the Government and by 213 per cent in public enterprises. The rate of pay increase decelerated only slightly (to 149 per cent) in 1980 for government employees, but, given the surge of the previous year, it fell markedly in public enterprises. Nominal wage adjustments tapered off in the first quarter of 1981, although government employees still were granted an 18 per cent pay raise in January.

The opening of the economy thus had far less of a dampening effect on wage settlements than expected--and with a more than one-year lag at that--and the marked excess of the increase in wage costs over the combination of foreign inflation and peso depreciation greatly undermined the chances of success of the program.

1/ As before, wage increases in excess of those in the minimum and basic contractual wage were not allowed to be computed as operating costs for tax purposes.

CHART 2
ARGENTINA
NOMINAL WAGE PER EMPLOYEE
(Annual percentage change)



Source: Ministry of Economy, Treasury and Finance; and National Statistical Institute.

b. Public sector finances

(1) Structure of the public sector

The public sector as presented in this report comprises the general government and the nonfinancial state enterprises. The general government includes the Central Administration (Treasury); the special accounts, which handle revenues earmarked for defense, transport, and energy-related expenditures; the decentralized agencies, which include 26 state universities and a number of development and regulatory institutions; the social security system; and the 24 provinces and the Municipality of Buenos Aires. In 1980 the Central Administration and the social security system each accounted for over one fifth of general government revenues and expenditures, and the provinces and Municipality of Buenos Aires for one third. The share of the decentralized agencies was less than 10 per cent of total general government operations, and so were the expenditures of the special accounts, but the revenue of the latter accounted for almost one sixth of general government revenues.

The nonfinancial state enterprises consist of 23 concerns (including three binational hydroelectric entities) and a number of corporations in which the Government has varying degrees of ownership and/or control. The major state enterprises operate in the fields of petroleum, coal, natural gas, power generation, communications, transport, and water and sewerage. The enterprises' combined operating revenue in 1980 was equivalent to almost 10 per cent of GDP, while their investment outlays accounted for 3-1/2 per cent of GDP and 17 per cent of total gross domestic investment.

(2) Overall trends

Because of its size, the public sector heavily influences the behavior of aggregate demand and of inflationary expectations in Argentina. Public expenditures have accounted for over 33 per cent of GDP in recent years and, after declining from 36-1/2 per cent to 33 per cent of GDP between 1978 and 1979, in 1980 they reverted to 36-1/2 per cent of GDP as a consequence of surging current outlays of the general government (Table 5). Since revenue performance proved uneven, the improvement in Argentina's public finances called for by the 1979-80 adjustment program therefore failed to materialize. The public sector's borrowing needs actually remained at close to 7 per cent of GDP in 1979, and rose to almost 7-1/2 per cent of GDP in 1980.^{1/} Over two thirds of the borrowing needs in 1979-80 were met by resort to domestic sources of financing. But, whereas in 1979 the authorities adhered to the program's objective of avoiding public sector recourse to Central Bank financing, in 1980 nearly three fourths of net domestic financing of this sector corresponded to Central Bank loans to the Central Administration.

^{1/} The overall public sector deficit under the methodology employed by the Argentine authorities, i.e., excluding the portion of nominal interest payments attributable to inflation, remained at about 4 per cent of GDP in 1979 and rose to nearly 4-1/2 per cent of GDP in 1980.

Table 5. Argentina: Summary of Public Sector Operations

(As per cent of GDP)

	1976	1977	1978	1979	Prel.1/ 1980	Budget 1981
General government						
revenue 2/	19.0	23.3	25.6	24.4	26.9	22.3
Current expenditure	20.0	17.8	20.8	19.7	23.7	21.9
Current account sur- plus or deficit (-)	-1.0	5.5	4.8	4.7	3.2	0.4
Public enterprises sav- ings	4.5	5.0	4.2	1.9	2.2	2.7
Consolidated public sector savings	3.5	10.5	9.1	6.6	5.4	3.1
Capital expenditure	13.8	13.3	12.9	10.4	9.7	9.4
Consolidated public sector						
surplus or deficit (-)	-10.3	-2.8	-3.8	-3.8	-4.3	-6.3
Central Administración	-8.9	-2.8	-2.4	-2.2	-3.1	-4.3
(Before transfers)	(-0.3)	(1.1)	(0.5)	(-0.1)	(-0.6)	(-0.7)
Special accounts	--	-0.4	--	0.4	0.4	-0.2
(Before transfers)	(--)	(0.6)	(1.3)	(0.5)	(1.7)	(0.7)
Decentralized agencies	--	0.3	-0.3	0.1	--	-0.4
(Before transfers)	(-1.8)	(-1.6)	(-1.6)	(-0.6)	(-1.2)	(-1.7)
Social security system	--	--	--	--	--	--
(Before transfers)	(--)	(--)	(--)	(--)	(-0.1)	(--)
Provinces and Municipality of Buenos Aires	--	0.7	-0.2	-0.2	-0.2	-0.7
(Before transfers)	(-3.3)	(-0.9)	(-1.9)	(-0.7)	(-2.0)	(-2.9)
State enterprises	-1.4	--	-0.9	-1.9	-1.4	-0.7
(Before transfers)	(-4.8)	(-1.7)	(-2.2)	(-2.6)	(-2.1)	(-1.6)
Interest as amortization	-2.1	-2.0	-3.0	-3.0	-3.0	-3.0
Financing	12.4	4.8	6.8	6.8	7.3	9.3
External (net)	1.2	1.3	2.0	1.7	2.5	2.2
Internal (net)	11.2	3.5	4.8	5.1	4.8	7.1
Memorandum item:						
Total expenditure (in- cluding interest as amortization)	35.9	33.1	36.7	33.1	36.4	34.3

Sources: Statistical Appendix Tables 35 and 50.

1/ Revised budget data.

2/ Includes capital receipts.

3/ Includes capital revenue and net transfers from general government.

The public sector's financial performance in 1979-80 was marked by a substantial decline in savings--from 9 per cent of GDP in 1978 to 5-1/2 per cent in 1980--and by a reduction in capital expenditure of slightly smaller proportion. The overall public sector deficit in 1979 remained at the previous year's level, reflecting an improvement in the operations of the special accounts and decentralized agencies (both generated overall surpluses), which compensated for a marked deterioration in the operations of the state enterprises. In contrast, the Treasury was almost entirely responsible for the deterioration of public finances in 1980.

(3) Operations of the Central Administration

Following several years of improvement, the Treasury's financing needs rose to almost 5 per cent of GDP in 1980, from over 3 per cent of GDP in the previous year (the overall deficit increased to 3-1/2 per cent of GDP from 1-1/2 per cent in 1979) (Table 6). Whereas the 1979 improvement reflected higher revenue as well as lower expenditure in relation to GDP, the deterioration in the Treasury's performance in 1980 was traceable both to lower revenues in relation to GDP, reflecting mostly the elimination of contributions to the Treasury by the state enterprises,^{1/} and substantially higher expenditures associated with a sharp increase in the wage bill and rising transfers to the rest of the public sector. As in previous years, the Treasury's financing needs in 1979-80 were met mostly from domestic sources. However, the structure of such financing changed over the two-year period. While in 1979 the borrowing needs of the Treasury were met mostly by placements of short-term Treasury bills, principally with commercial banks, in 1980 the Central Bank became its major source of finance.

Treasury revenues rose slightly to over 6-1/2 per cent of GDP in 1979 but then declined to 6 per cent of GDP in 1980, as the recovery in tax revenue from 5 per cent to 5-1/2 per cent of GDP was more than offset by a drop in nontax revenue. This change is explained partly by the elimination of contributions from state enterprises and the application to them of standard corporate taxes. However, the taxes paid by the enterprises in 1980 did not match their contribution to the Treasury the year before. Apart from this change, the increase in revenue from income and wealth taxes in 1980 reflected the high level of economic activity in the previous year and the compulsory adjustment in 1980 of corporate balance sheets for inflation for tax purposes, an adjustment that had been optional in 1979. Collections of taxes on internal transactions, principally the value-added tax,^{2/} also advanced in real terms in 1980, mostly in response to (a) the continued growth

1/ Instead, state enterprises were made subject to income, wealth, and value-added taxes like any other corporation.

2/ Net proceeds from the value-added tax, i.e., excluding transfers to the social security system (Law 22,293) were equivalent to 1-1/2 per cent of GDP in 1980, about the same ratio as in 1979 (Statistical Appendix Table 51).

Table 6. Argentina: Central Administration Operations

(As per cent of GDP)

	1976	1977	1978	1979	1980	Revised Budget 1981
<u>Revenue</u>	<u>5.4</u>	<u>6.3</u>	<u>6.4</u>	<u>6.6</u>	<u>6.0</u>	<u>6.2</u>
Tax revenue	5.2	5.9	5.3	4.8	5.4	5.4
Income and wealth	0.8	1.2	1.1	0.9	1.1	0.9
Internal transactions	1.9	2.7	3.0	2.6	3.0	4.2
International trade	2.0	1.2	0.8	1.0	1.3	1.7
Other	0.5	0.8	0.4	0.3	--	-1.4
Other revenue	0.2	0.4	1.1	1.8	0.6	0.8
<u>Expenditure</u>	<u>13.2</u>	<u>9.3</u>	<u>8.4</u>	<u>8.2</u>	<u>9.3</u>	<u>10.5</u>
Current expenditure	4.7	4.5	5.2	4.8	5.7	5.8
Wages and salaries	2.7	2.7	3.0	2.7	3.5	3.1
Goods and services	1.0	0.9	1.1	0.9	1.0	0.9
Interest	--	--	--	--	--	0.2
Transfers to private sector	1.0	0.9	1.1	1.1	1.2	1.6
Transfers to rest of public sector	7.3	4.0	2.4	2.7	3.0	4.3
Special accounts	0.6	0.4	0.4	0.7	0.7	1.2
Decentralized agencies	2.4	0.6	0.4	0.3	1.1	1.4
Provinces	2.6	1.6	0.5	0.8	0.3	1.0
State enterprises	1.4	1.3	1.1	0.9	0.8	0.7
Other	0.3	0.1	--	--	--	--
Capital expenditure	0.8	0.9	0.8	0.7	0.6	0.5
Other	0.4	-0.1	--	--	--	-0.2
<u>Overall deficit (-)</u>	<u>-7.8</u>	<u>-3.0</u>	<u>-2.0</u>	<u>-1.6</u>	<u>-3.3</u>	<u>-4.3</u>
Interest as amortization	1.6	1.8	1.8	1.6	1.5	1.6
<u>Financing needs</u>	<u>9.4</u>	<u>4.8</u>	<u>3.8</u>	<u>3.2</u>	<u>4.8</u>	<u>5.9</u>
External (net)	0.4	--	0.8	0.2	0.3	0.4
Internal (net)	9.0	4.8	3.0	3.0	4.5	5.5
Central Bank (net)	4.0	3.2	0.2	--	3.5	...
Bonds and Treasury bills	2.9	0.8	1.8	2.1	--	...
Other	2.1	0.8	1.0	0.9	1.0	...

Sources: Statistical Appendix Tables 35 and 51.

of consumer spending, (b) the increase in the value added tax rate and expansion of the tax base introduced in October 1980 (see below), and (c) some strengthening of tax administration, including the adoption of stiff penalties for tax evasion. The yield from taxes on international trade rose in real terms in reflection of higher import volumes, which more than compensated for the increasing lag of the peso depreciation behind domestic price increases.

In October 1980 the general value-added tax rate was raised from 16 per cent to 20 per cent, and the tax base was expanded to include a number of previously exempted items; furthermore, a 10 per cent rate was established for foodstuffs, pharmaceutical products, and low-cost housing which previously also were exempt. The main intent of the reform was not to increase the tax burden, but to rationalize the tax system by eliminating a number of lesser taxes which were costly to administer (such as the 4 per cent tax on agricultural production and taxes on sugar, cattle slaughter, bank loans to industrial enterprises, etc.) and to compensate for the reduction in employers' contributions to the social security system and to the National Housing Fund.^{1/}

In a departure from the trends in previous years, Treasury's expenditure rose to 9-1/2 per cent of GDP in 1980, from about 8 per cent in 1979. This sharp increase reflected strong hikes in real public sector wages and salaries and increased transfers to the decentralized agencies.

The deterioration in Treasury's operations continued into the first quarter of 1981, with revenue growth weakening as a result of the deepening recession and expenditures rising strongly owing to the January 1981 salary adjustment and to large transfers to the rest of the general government.

(4) Special accounts and decentralized agencies

The financial operations of the special accounts improved considerably in 1980, with the overall surplus before transfers rising to 1-1/2 per cent of GDP, from 1/2 of 1 per cent of GDP the year before. This improvement was entirely attributable to a real increase in the current revenues of (1) the energy funds, as fuel and electricity tariffs were raised in real terms; (2) the tobacco fund, following adjustments in the relative prices of cigarettes; and (3) to a lesser extent, of the National Housing Fund as a result of the increase in real wages during the year (Statistical Appendix Table 50). The rise in the current expenditures of the special accounts was traceable mostly to the growth of the wage bill. While continuing to depend heavily on transfers from the Treasury, the special accounts also increased their transfers in 1980 as most of the resources of the tobacco funds were passed on to the provincial governments. After net

^{1/} The tax system, as presently structured, is described in Appendix B.

transfers, and given virtual stability in capital outlays in relation to GDP, the overall surplus of the special accounts remained at 1/2 of 1 per cent of GDP in 1980, for the second consecutive year.

The financial performance of the decentralized agencies^{1/} deteriorated somewhat in 1980, with their overall deficit before transfers widening to over 1 per cent of GDP, from 1/2 of 1 per cent of GDP a year earlier. While both rose in real terms, current expenditures advanced faster than current revenues, because of real wage increases and rising road maintenance costs in the National Road Administration (Statistical Appendix Table 50). Including transfers from the Treasury and capital expenditures, the operations of the decentralized agencies were in virtual equilibrium for the second year in succession.

(5) Social security system

In 1980, as in previous years, the operations of the social security system remained in equilibrium (Statistical Appendix Table 50). However, while previously the system was almost entirely financed by contributions equivalent to about 45 per cent of wages (30-1/2 per cent from employers and 14-1/2 per cent from employees), in 1980 employer contributions were reduced to 15-1/2 per cent of wages in an effort to lower labor costs and enhance the international competitiveness of industry. The attendant revenue loss was compensated by Treasury transfers financed out of the increases in rate and base of the value-added tax described above.

(6) Provinces and Municipality of Buenos Aires

The regional governments comprise 24 provinces and about 900 municipalities which in 1980 employed over 745,000 persons, or 45 per cent of the total public sector labor force. The revenues of the local governments are derived from a 51-1/2 per cent share (coparticipacion) in various major national taxes (income taxes, taxes on net assets of corporations, value-added tax, and excises on tobacco products and alcoholic beverages), from local taxes levied on real estate and sales, and from administrative fees. Local governments also receive transfers from the Treasury, special accounts, and decentralized agencies. This report covers the operations of the provinces and of the Municipality of Buenos Aires, since information on the operations of the other municipalities is not available. The combined operations of the provinces and of the Municipality of Buenos Aires are dominated by the provinces which, in 1980, accounted for almost nine tenths of the combined revenues and expenditures.

^{1/} The decentralized agencies receive income from administrative fees, rates, and earmarked funds, but they also rely heavily on transfers from the Treasury.

After improving in 1979, the financial operations of the local governments deteriorated in 1980, and their overall deficit before transfers widened to 2 per cent of GDP, from about 1/2 per cent of GDP in the previous year. A strong revenue growth associated with higher real estate tax collections (cadastral land valuations were raised considerably) and with the sharp increase in shared national taxes was more than matched by the rise in current outlays occasioned by higher real wages, growth of employment, and the transfer to them of responsibility for certain services from state enterprises (Water and Energy, and Sanitary Works) and from the Treasury (adult education) (Statistical Appendix Tables 50 and 52). However, as transfers from the Treasury, special accounts, and decentralized agencies rose steeply in 1980 and investment spending of the local governments was restrained somewhat, their financing needs and their overall deficit in 1980 remained unchanged from 1979 at 0.2 per cent of GDP.

(7) State enterprises

After deteriorating in 1979, the combined operations of the state enterprises improved somewhat in 1980, with the overall deficit declining from about 2 per cent of GDP to 1-1/2 per cent of GDP (Table 7). Their financing requirements nevertheless remained large because of the growing burden of interest payments on both foreign and domestic debt. The slight improvement in 1980 operations was almost entirely traceable to an increase in operating surpluses, which reflected greater control over operational outlays (the work force was trimmed and some services were transferred to provinces). To a lesser degree, it also stemmed from a real increase in public sector tariffs toward the second half of the year (Statistical Appendix Tables 54 and 55).

The operations of the state enterprises as a group are heavily influenced by those of the State Petroleum Company (YPF), the State Gas Corporation, the Electricity Company of Greater Buenos Aires (SEGBA), the State Telecommunications Corporation (ENTEL), and the Argentine Railways, which together accounted for almost three fourths of the enterprises' total operating revenues and for nearly two thirds of their capital outlays in 1980. YPF is the largest state enterprise in Argentina, with revenues representing close to one third of total state enterprises' revenues and capital outlays accounting for over one fourth of their total investment expenditures. In 1980 fuel price adjustments were insufficient to cover rising operating costs, but YPF continued to curtail investment outlays by farming out a growing proportion of oil exploration and exploitation activities to the private sector. Accordingly, YPF's overall deficit and financing needs remained at less than 1 per cent of GDP. While in 1980 the operations of the State Gas Corporation remained in balance, those of SEGBA and ENTEL continued in deficit. The operations of ENTEL expanded strongly in real terms, and the enterprise became the second largest state enterprise, reflecting implementation of an ambitious program of modernization of Argentina's telecommunications system. In 1980, the Argentine Railways continued to run an operating deficit of about 1/2 per cent of GDP, even

Table 7. Argentina: State Enterprises Financial Operations 1/
(As per cent of GDP)

	1976	1977	1978	1979	Prsl. 1980	Revised Budget 1981
<u>Current account surplus or deficit (-)</u>	0.9	2.7	2.6	1.1	1.5	1.7
State Petroleum Company (YPF)	0.8	1.3	1.5	0.9	0.6	0.8
State Gas Corporation (GE)	0.5	0.6	0.5	0.3	0.2	0.2
Electricity Company Greater Buenos Aires (SEGBA)	0.1	0.1	0.2	0.1	0.2	0.2
State Telecommunications Corporation (ENTEL)	0.2	0.6	0.6	0.3	0.5	0.7
Argentine Railways (FA)	-0.9	-0.5	-0.5	-0.6	-0.5	-0.5
Others	0.2	0.6	0.3	0.1	0.5	0.3
<u>Net intertransfers with General Government</u>	3.5	2.0	1.3	0.6	0.7	0.9
State Petroleum Company (YPF)	--	--	--	-0.3	-0.3	-0.2
State Gas Corporation (GE)	0.2	0.1	--	-0.1	-0.1	-0.1
Electricity Company Greater Buenos Aires (SEGBA)	0.2	--	--	-0.1	-0.1	-0.1
State Telecommunications Corporation (ENTEL)	--	--	--	-0.1	-0.1	-0.1
Argentine Railways (FA)	1.3	0.7	0.4	0.4	0.8	0.8
Others	1.8	1.2	0.9	0.8	0.5	0.6
<u>Capital receipts</u>	0.1	0.3	0.3	0.2	0.1	0.1
State Petroleum Company (YPF)	--	--	--	--	--	--
State Gas Corporation (GE)	--	--	--	--	--	--
Electricity Company Greater Buenos Aires (SEGBA)	--	0.2	0.1	--	--	--
State Telecommunications Corporation (ENTEL)	--	--	--	--	--	--
Argentine Railways (FA)	--	--	0.1	--	--	--
Others	0.1	0.1	0.1	0.2	0.1	0.1
<u>Capital expenditure</u>	5.8	5.1	5.1	3.8	3.7	3.4
State Petroleum Company (YPF)	2.2	1.2	1.6	1.4	1.0	0.8
State Gas Corporation (GE)	0.2	0.2	0.3	0.2	0.1	0.1
Electricity Company Greater Buenos Aires (SEGBA)	0.3	0.2	0.2	0.2	0.2	0.2
State Telecommunications Corporation (ENTEL)	0.2	0.4	0.3	0.3	0.6	0.5
Argentine Railways (FA)	0.3	0.2	0.3	0.3	0.3	0.3
Others	2.6	2.9	2.4	1.4	1.5	1.5
<u>Overall surplus or deficit (-)</u>	-1.4	-0.1	-0.9	-1.9	-1.4	-0.7
State Petroleum Company (YPF)	-1.4	0.1	-0.1	-0.8	-0.7	-0.2
State Gas Corporation (GE)	0.5	0.5	0.1	--	--	--
Electricity Company Greater Buenos Aires (SEGBA)	--	0.1	0.1	-0.1	-0.2	--
State Telecommunications Corporation (ENTEL)	0.1	0.3	0.3	-0.1	-0.1	--
Argentine Railways (FA)	--	-0.1	-0.3	-0.5	--	--
Others	-0.6	-1.0	-1.0	-0.4	-0.4	-0.5
<u>Interest as amortization</u>	0.5	0.8	1.1	1.0	1.3	1.1
<u>Financing needs</u>	1.9	0.9	2.0	2.9	2.7	1.8
External (net)	0.8	0.6	1.5	1.4	1.5	1.5
Internal (net)	1.1	0.3	0.5	1.5	1.2	0.3

Sources: Ministry of Economy, Treasury and Finance; and Statistical Appendix Tables 35 and 54.

1/ Totals may not add up because of rounding.

in the face of large real increases in its tariffs. Changes in relative prices during 1979-80 placed the railways at a growing competitive disadvantage vis-a-vis road transport. However, with transfers from the Treasury and from the special accounts rising steeply--they doubled to about 1 per cent of GDP between 1979 and 1980--the net financing needs of the railways were virtually eliminated in 1980.

c. Financial intermediation

(1) Overall trends

In 1979-80 money and credit expanded at a considerably faster pace than the price increases implicit in the preannounced depreciation of the peso, and indeed faster than actual price increases. However, the factors explaining the behavior of financial variables were significantly different in 1979 and 1980. Following a slowdown in 1978, the rates of growth of the main monetary and credit aggregates accelerated in 1979. The net domestic assets of the financial system rose by 77 per cent in 1979 following an increase of 56 per cent in 1978,^{1/} and credit expansion rose to the equivalent of 26 per cent of GDP in 1979, from 22 per cent in the previous year (Table 8). Liabilities to the private sector expanded by 190 per cent in 1979, compared with 184 per cent in 1978, or by the equivalent of 28 per cent of GDP, up from 26 per cent the year before. As a result, the net foreign assets of the financial system increased by US\$2.1 billion in 1979, only slightly less than in 1978, notwithstanding a more than twofold increase in the net foreign liabilities of the commercial banks and nonbank financial intermediaries--traceable to the large differential between domestic and foreign interest rates after adjusting for expectations about exchange rate changes.

Monetary developments in 1979 were determined largely by the policy of fixing the depreciation schedule of the exchange rate--in a context of almost complete freedom of capital movements. Accordingly, the fact that Central Bank credit expansion of domestic origin in 1979 (defined as that arising from net credit to the public sector, rediscounts, open market operations, and reductions in reserve requirements) was largely in line with the authorities' targets did not prevent money and credit from increasing substantially in excess of target on the basis of large capital inflows.

The growth of the net domestic assets of the financial system slowed in 1980 to 104 per cent--or to 22-1/2 per cent of GDP. Simultaneously, the increases in its liabilities to the private sector decelerated to 90 per cent, or to the equivalent of 19-1/2 per cent of GDP. Accordingly, the net foreign assets of the system fell by US\$4.3 billion, of which almost US\$2.9 billion represented a net official international reserve loss and US\$1.4 billion represented an increase in net foreign liabilities of the rest of the financial system.

^{1/} In relation to the stock of liabilities to the private sector at the end of the previous year.

Table 8. Argentina: Growth of Financial System Credit
and Liabilities to Private Sector

	Jan.-June					
	1977	1978	1979	1980	Est.	Proj.
	(Annual percentage changes)					
Liabilities to private sector	266.5	183.8	190.2	90.8	21.9	93.4
Net domestic credit 1/	228.6	55.7	77.3	104.7	33.6	102.2
Credit to private sector	244.7	166.7	195.7	104.4	10.8	44.8
(Changes as percentage of GDP)						
Liabilities to private sector	26.2	25.9	27.7	19.4	...	19.4
Net domestic credit	22.5	21.9	25.8	22.3	...	39.3
Credit to private sector	17.5	17.3	20.9	17.5	...	9.7

Sources: National Statistical Institute; Statistical Appendix Tables 35 and 56; and Fund staff estimates.

1/ In relation to the stock of liabilities to the private sector at the end of the previous year.

Monetary management was complicated greatly in 1980 and early 1981, first by a major banking crisis in March 1980, a crisis which lingered throughout most of the year and severely undermined confidence; and as the year advanced by growing uncertainty over exchange rate policy as evidence of the increasing overvaluation of the peso began to cast doubt on the sustainability of the announced exchange rate schedule.

In March 1980 the Central Bank announced the liquidation of the largest private investment bank and of the nation's fourth largest commercial bank (second largest private commercial bank). Both institutions had been incurring heavy losses for some time as a result of lax lending policies and of a rapid accumulation of an unrecoverable loan portfolio. The liquidation of these two institutions was followed by rumors of difficulties in other private banks and eventually by a series of other liquidations.^{1/} As the official deposit guarantee scheme had been reduced in scope in late 1979, there was a major transfer of deposits from private banks to official and foreign banks. To restore confidence among depositors, the Central Bank introduced on

1/ Eighty-six banks and financial institutions have been liquidated since March 1980.

April 3, 1980 a special discount facility for banks and nonbank intermediaries facing deposit withdrawals, and also re-established virtually full guarantee of deposits.^{1/} Disbursements under the special discount facility during April-May alone amounted to \$a 4.8 trillion (US\$2.7 billion), and eventually accounted for most of the \$a 10.9 trillion (US\$5.9 billion) increase in Central Bank credit to the rest of the financial system during 1980 (Statistical Appendix Table 56).

The financial crisis, leading to a large Central Bank credit expansion as it did, only served to fuel uncertainty over the continuation of exchange rate policy and triggered substantial capital flight and prepayments of foreign loans. As a result, the Central Bank lost US\$1.5 billion in net international reserves during March-May 1980. In an effort to stem this capital flight, the Central Bank moved to raise interest rates by increasing the discount on Treasury bills (Chart 3 and Statistical Appendix Table 58). The measure succeeded in reversing the trend in July and August 1980--with net official international reserves recovering by US\$1.2 billion. However, for the reasons discussed in subsection 1 above, the run on the peso resumed in September, causing the income velocity of money and quasi-money to accelerate sharply despite a steady rise in interest rates. Capital outflows also were fueled by the deterioration in the public finances from the third quarter of the year and the attendant substantial increase in Central Bank lending to the Treasury. These trends continued into the first quarter of 1981, notwithstanding the 10 per cent devaluation of February 1981; and the net official international reserves declined by US\$5.7 billion during September 1980-March 1981.

(2) The supply of loanable funds

Private sector demand for financial assets rose to an all time high of 25 per cent of GDP in 1979 (Statistical Appendix Table 57). The surge in real demand for financial assets during 1979 and into early 1980 reflected principally the return to real positive interest rates and the decline in inflationary expectations as the exchange and trade policies launched in late 1978 began to take hold. In contrast, there was a marked softening in private demand for financial assets during 1980, down to 17 per cent of GDP--a reflection of the uncertainties brought about by the financial crisis and of weakening confidence in the exchange rate schedule. The trend intensified during the first quarter of 1981 when the real demand for financial assets declined

^{1/} While prior to November 1979, all deposits of financial intermediaries were fully guaranteed (at no cost) by the Central Bank, the new system involved a gradual reduction in the proportion of deposits guaranteed by the Central Bank and the introduction of a charge to be paid by the financial intermediaries which opted for the new system. Initially, deposits of up to \$a 1.2 million (US\$686) were fully guaranteed, with the remainder guaranteed at 90 per cent. In April 1980 the amount of deposits with full Central Bank guarantee was increased to \$a 100 million (about US\$56,000), retroactive to November 1, 1979.

despite a steep increase in real interest rates. Real interest rates fluctuated between positive and negative values during 1980, mostly reflecting oscillations in monthly rates of inflation to which nominal rates adjusted only with a lag (Chart 4).

In 1979-80 the structure of private financial assets changed little from that in previous years, with claims on the financial system rising to 96 per cent of the total in 1980, from 93 per cent two years earlier, and those on the banking system accounting for about four fifths of the total. The most important and fastest growing category of private financial assets in this period were certificates of deposit; such certificates accounted for almost one half of total private financial assets at the end of 1980, compared with about one third of the total three years earlier. The very short-term maturity of the certificates--as short as 7 days but clustered around 30 days--and their responsiveness to changing market conditions and to price movements have enhanced their attractiveness in the face of great uncertainty about real rates of return on longer-term instruments (Chart 5). In contrast, the share of monetary liabilities declined during 1977-80, and even more in the early months of 1981 as capital flight intensified.

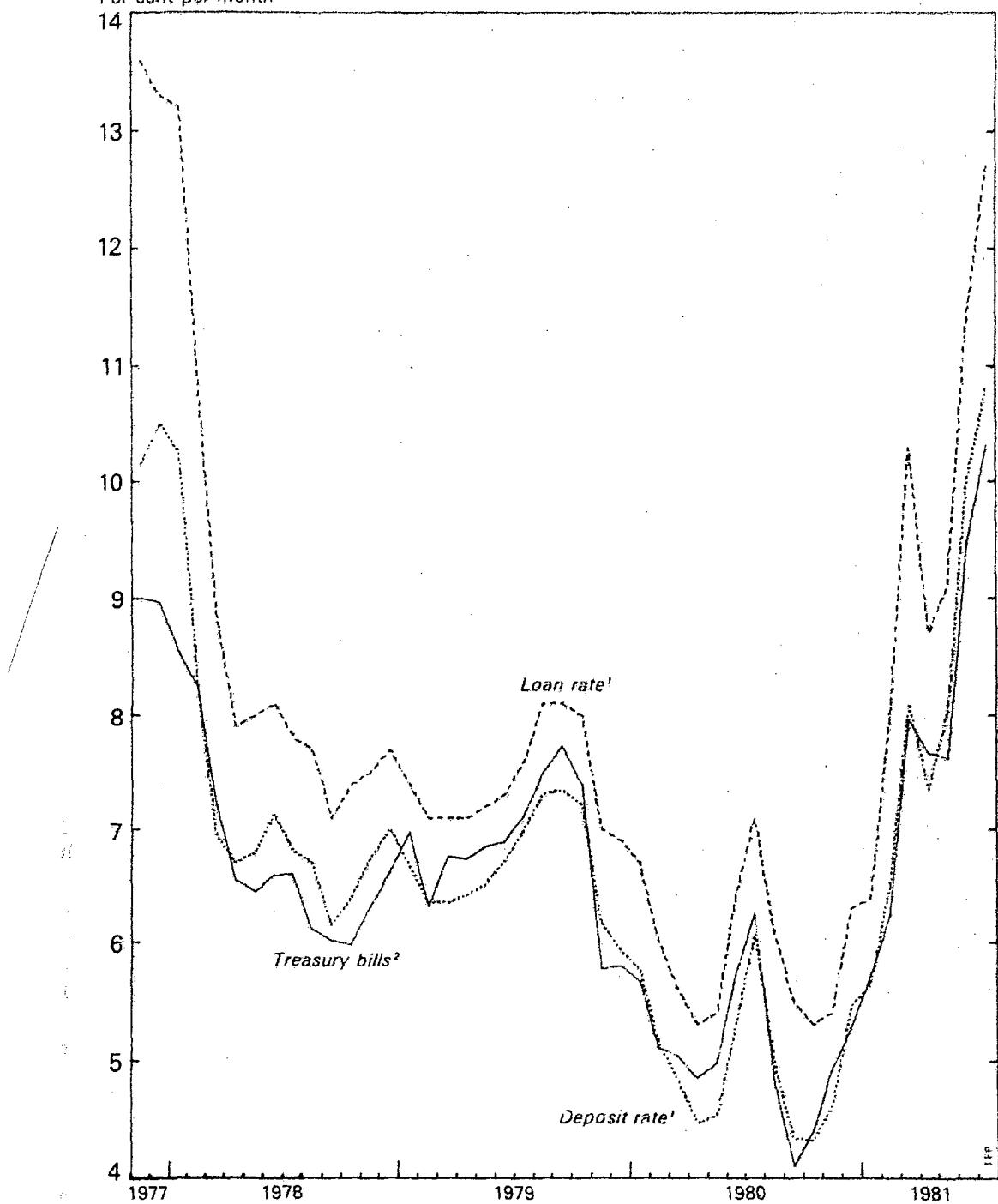
(3) Credit operations

Credit operations of the financial system varied considerably in pace and composition between 1979 and 1980. In 1979 the rate of credit expansion accelerated substantially. Reflecting in part the faster pace of economic activity, credit to the private sector grew by 196 per cent and rose to 21 per cent of GDP, from 17-1/2 per cent in the previous year (Table 9). Over four fifths of the financial system's overall credit expansion in 1979 went to the private sector. With the public sector resorting principally to foreign loans to finance its deficit in 1979, net credit to the public sector accounted for a negligible portion of total credit expansion. Moreover, almost all credit to the Central Government consisted of placement of Treasury bills with commercial banks, and financing from the Central Bank was negligible. As in previous years, the rest of the public sector was a net supplier of funds to the financial system in 1979. The Interest Equalization Fund (Central Bank interest payments on certain types of bank reserve deposits), which in 1978 had accounted for over 10 per cent of total credit expansion, declined considerably in importance in 1979 as legal reserve requirements were curtailed from 27 per cent to 15-1/2 per cent over the course of the year.

In 1980, the rate of domestic credit expansion decelerated somewhat, reflecting the growing slack in economic activity and high real interest rates (Chart 6). Private demand for credit nevertheless remained strong owing to the growing financial difficulties faced by the tradeable goods sector as the peso appreciated in real terms, and official demand owing to the deterioration in public finances. Two important vehicles of credit expansion were the Central Bank's special rediscount facility established to aid financial intermediaries affected

CHART 3
ARGENTINA
NOMINAL INTEREST RATES

Percent per month



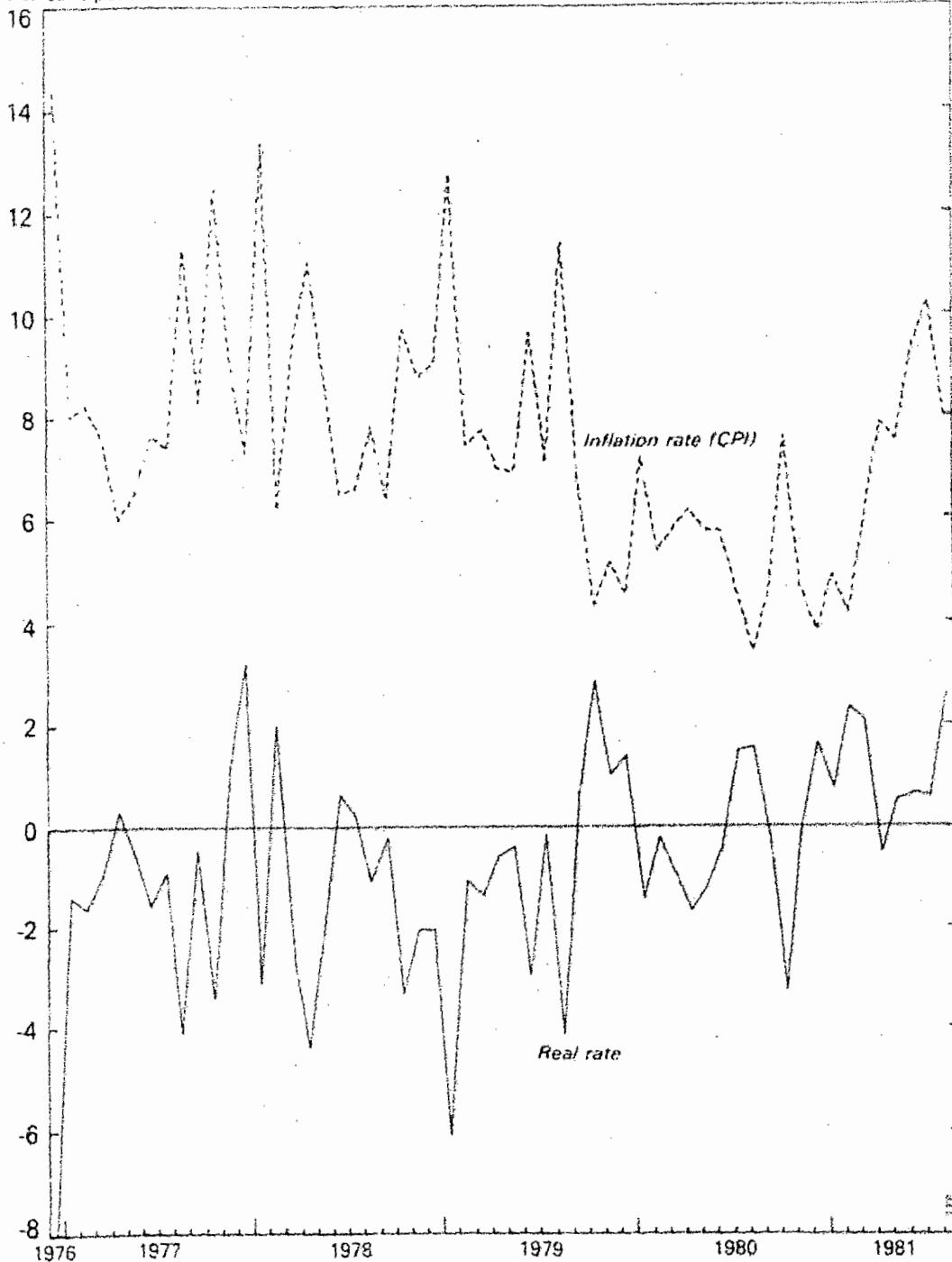
Source: Central Bank of Argentina.

¹30 day instruments.

²28 day instruments.

CHART 4
ARGENTINA
REAL INTEREST RATE ON DEPOSITS¹

Per cent per month

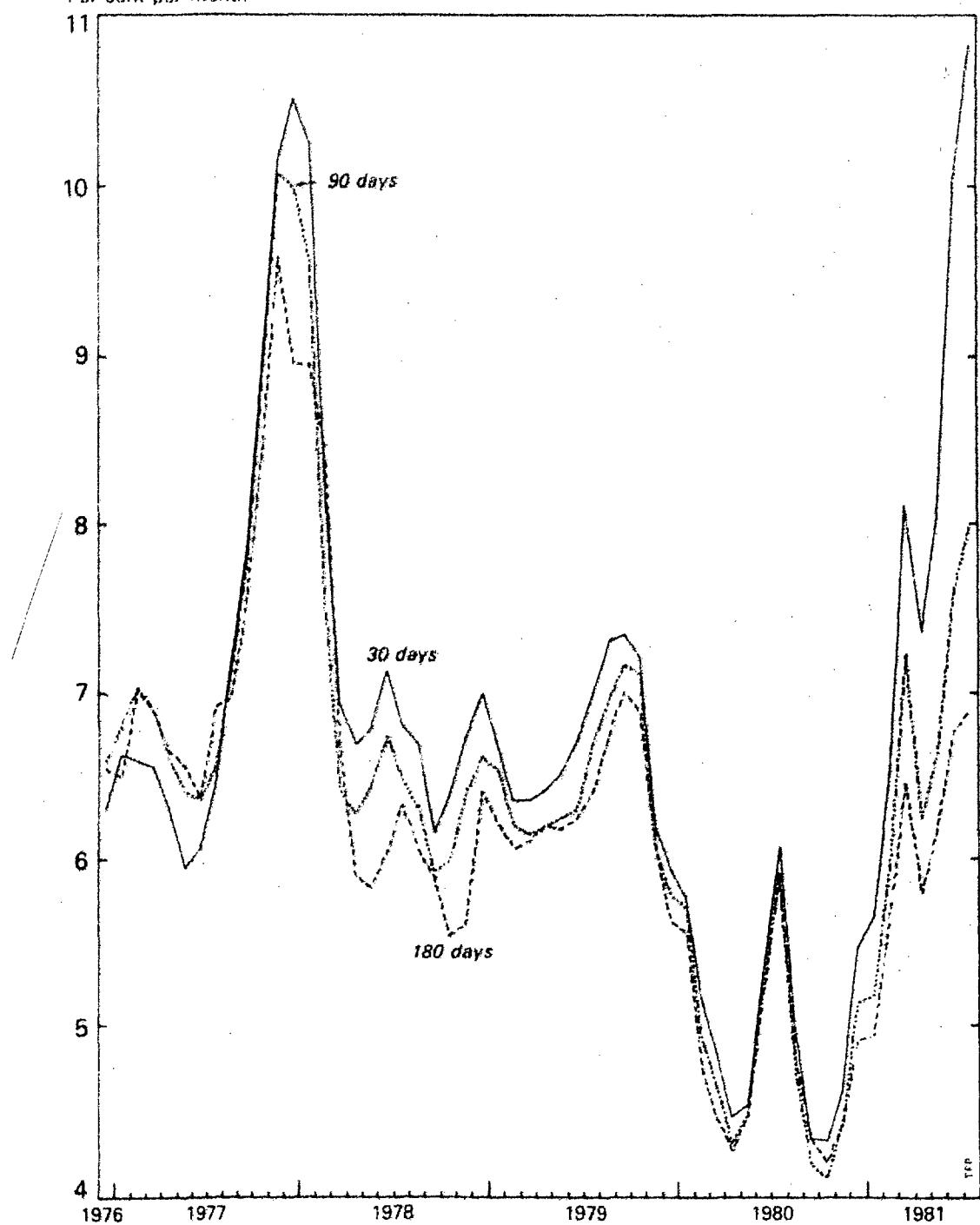


Sources: Central Bank of Argentina and Staff estimates

¹30 days deposit rate deflated by the Consumer Price Index.

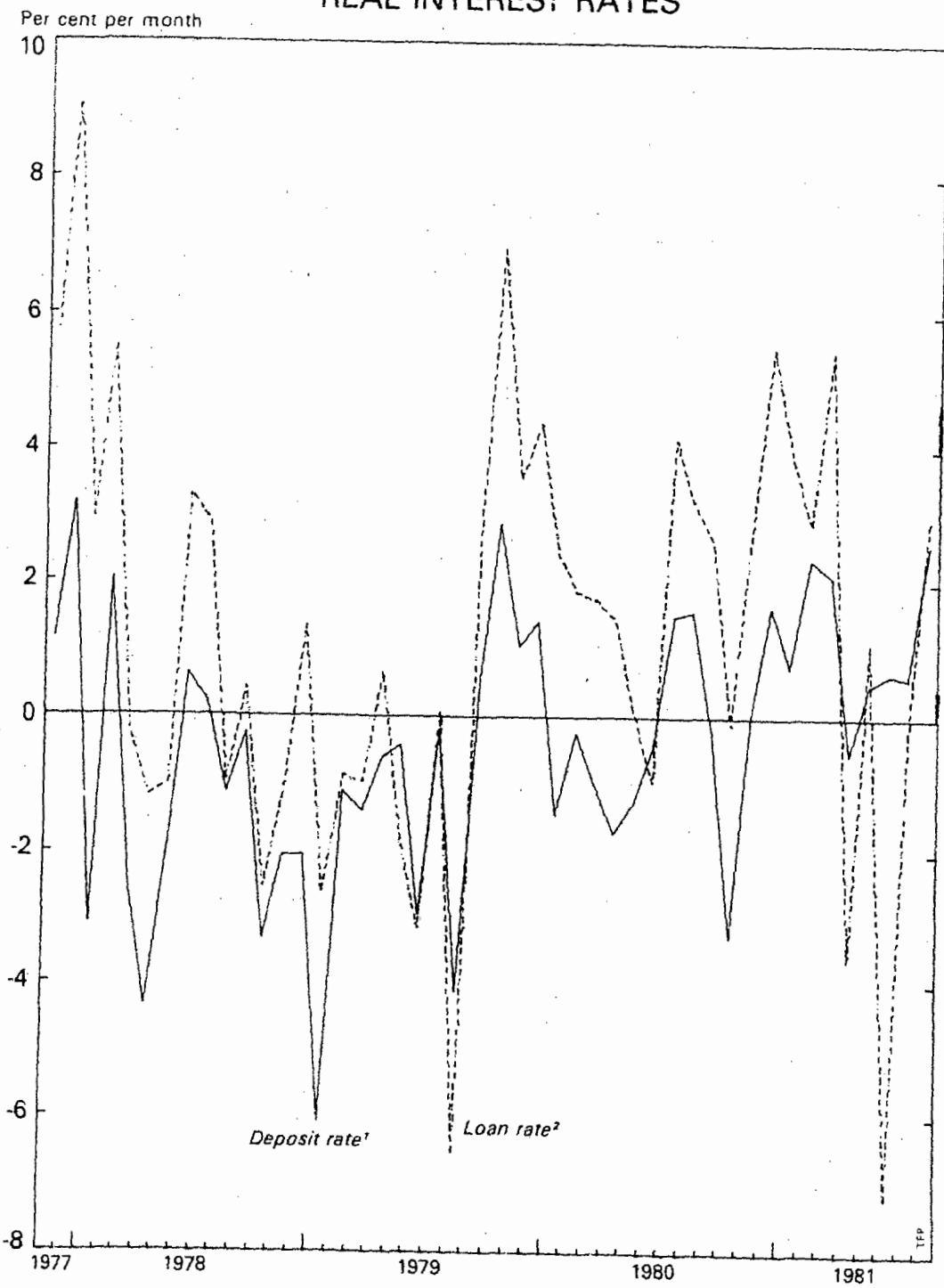
CHART 5
ARGENTINA
INTEREST RATES ON
SHORT-TERM DEPOSIT INSTRUMENTS

Per cent per month



Source: Central Bank of Argentina.

CHART 6
ARGENTINA
REAL INTEREST RATES



Sources: Central Bank of Argentina and Staff estimates.

¹Deflated by changes in CPI.

²Deflated by changes in WPI.

Table 9. Argentina: Changes in Credit by Destination and Financing

(In billions of Argentine pesos)

	End of Period				Jan.-June	July-Dec.	Est.
	1977	1978	1979	1980	1981	1981	Est.
<u>Total</u>	<u>4,574</u>	<u>11,421</u>	<u>36,952</u>	<u>62,871</u>	<u>40,530</u>	<u>82,348</u>	<u>122,878</u>
<u>Destination</u>							
Central Government (net)	1,074	1,607	3,250	12,525	9,993	30,778	40,771
Rest of Public sector (net)	-671	-743	-347	-2,917)))
Interest Equalization Fund	268	1,425	1,219	-1,723	-756	4,567	3,811
Private sector	3,560	9,027	29,942	49,323	13,498	42,570	56,068
Other 1/	343	105	2,888	5,663	17,795	4,433	22,228
<u>Financing</u>							
Liabilities to private sector	5,328	13,470	39,563	54,851	26,274	85,807	112,081
Allocation of SDRs	4	11	98	114	198	--	198
Net international reserves							
(increase -)	-906	-2,507	-5,666	5,290	18,242	-3,459	14,783
Other external assets (increase -)	148	447	2,957	2,616	-4,184	--	-4,184
	<u>(In per cent)</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>	<u>100.0</u>
<u>Destination</u>							
Public sector (net)	8.8	7.6	7.9	15.3	24.7	37.3	33.2
Interest Equalization Fund	5.8	12.5	3.3	-2.7	-1.9	5.5	3.1
Private sector	77.9	79.0	81.0	78.0	33.3	51.7	45.7
Other 1/	7.5	0.9	7.8	9.0	43.9	5.5	18.0
<u>Financing</u>							
Liabilities to private sector	116.0	118.0	107.0	87.4	65.1	104.2	91.2
Net foreign assets 2/	-16.0	-18.0	-7.0	12.6	34.9	-4.2	8.8

Source: Statistical Appendix Table 56.

1/ Includes intersystem float and valuation adjustment.

2/ Includes net international reserves and other external assets.

by the banking crisis and the steady reduction of legal reserve requirements throughout the year--to 10 per cent in December 1980--to ensure adequate liquidity to the economy in the face of heavy capital flight. Also, in sharp contrast with 1979, the Central Bank financed the Treasury heavily, especially in the second half of the year.

These credit trends continued into the first quarter of 1981 as, because of their mounting financial difficulties, enterprises began defaulting on loan repayments.^{1/}

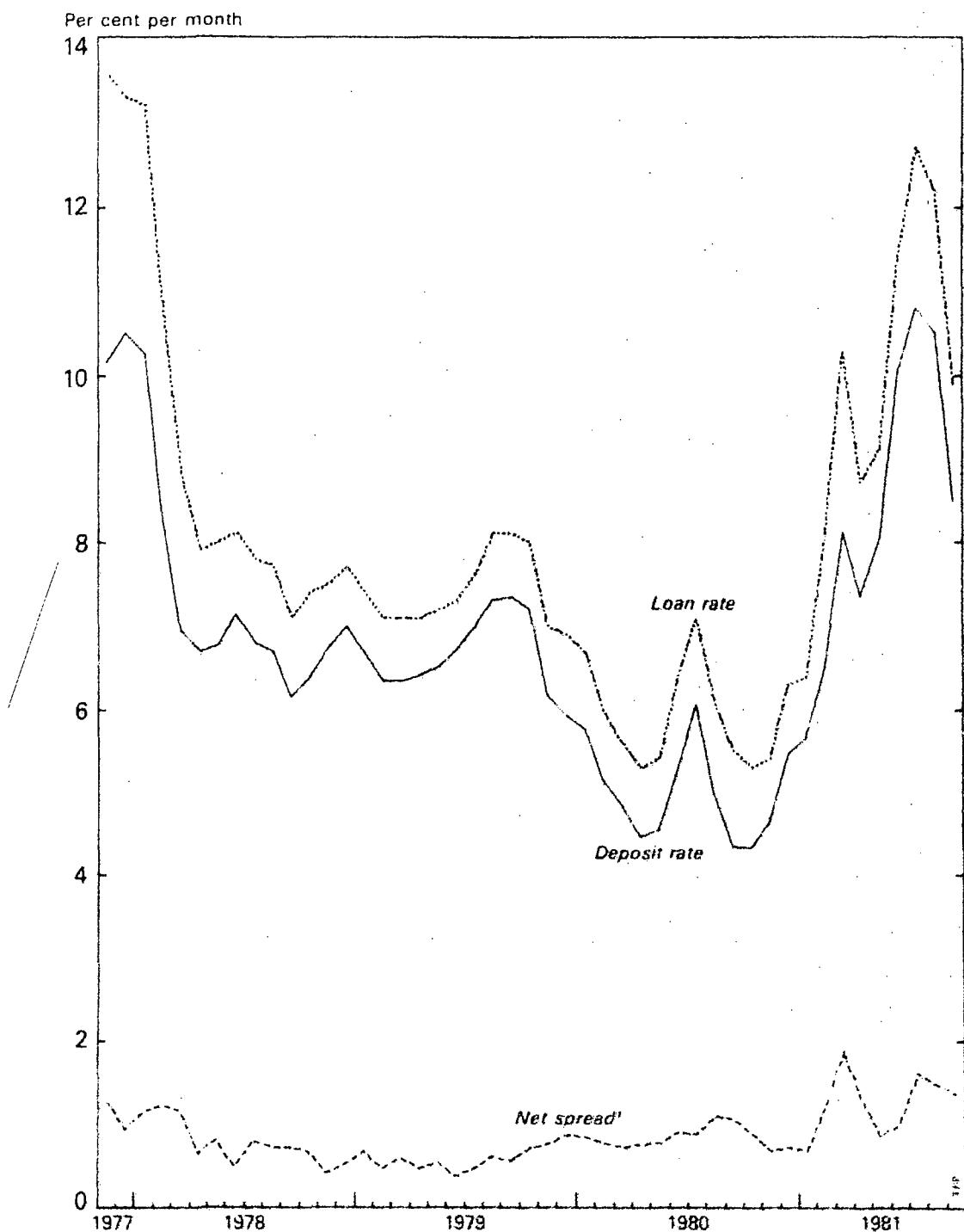
(4) Interest rates

By removing the barriers to the free movement of capital and reducing exchange rate uncertainty through the announcement of the future path of the exchange rate, the 1979-80 stabilization program involved a large measure of integration of the domestic financial market with international markets and, therefore, let domestic interest rates be largely determined by rates abroad. However, convergence of domestic with foreign interest rates was not achieved for a variety of reasons. In the first place, the preannouncement of the exchange rate did not entirely remove the exchange risk, partly because the one-year minimum permitted maturity for foreign borrowing was longer than the announced exchange rate schedule and partly because, as time passed, the excess of inflation over the peso depreciation cast increasing doubts about the sustainability of the announced exchange rate path. In second place, domestic interest rates were increasingly influenced by the public sector's rising borrowing needs, inflationary expectations and Central Bank intervention in the financial market other than by way of buying and selling foreign exchange. In third place, the commercial risk element related to a borrower's financial condition was steadily increasing as demonstrated by the widening spread between loan and deposit rates (Chart 7).

As a consequence of the growing interference of the public sector and of the Central Bank with the supply of and demand for funds and of the public's perception of a mounting exchange risk, interest rates showed a large degree of variability both in nominal and in real terms during 1979-80. Despite the persistence of high monthly inflation rates, both nominal loan and deposit rates declined in early 1979 in response to the announcement of the first peso depreciation schedule and to the elimination of reserve requirements against foreign loans. In the period April-September 1979, however, nominal interest rates rose steadily, reflecting the increased pace of economic activity, a rekindling of inflationary expectations, and the perception of a growing exchange rate risk in foreign borrowing as the published exchange rate schedule was to expire in December 1979. In October 1979, nominal interest rates began to decline again in response to a substantial drop in

^{1/} These loans were included under unclassified assets by financial institutions, pending a prospective clarification of the Central Bank rediscount policy to aid ailing enterprises.

CHART 7
ARGENTINA
DEPOSIT AND LOAN RATES AND
INTERMEDIATION SPREAD



Sources: Central Bank of Argentina, and Staff estimates.

¹Adjusted for reserve requirements and the Interest Equalization Fund.

inflation and inflationary expectations, to continuous reductions in legal reserve requirements, and the announcement of the exchange rate schedule for 1980. But this downward trend was reversed sharply by the financial crisis of March 1980. Interest rates softened briefly in the third quarter of 1980 following the reconfirmation of exchange rate policy and the removal of the minimum one-year maturity requirement for foreign loans. But from October 1980 onward interest rates started to climb again, confidence in the currency plummetted because convergence between domestic and foreign inflation was perceived to be beyond reach in the short run, and uncertainties about the exchange rate policy of the incoming administration multiplied. As demonstrated by Chart 8, this loss of confidence translated into a steady widening of the realized differential between the domestic and the exchange rate adjusted foreign interest rates during 1979-80, a trend which intensified noticeably in the wake of the financial crisis. This widening differential also reflected a mounting commercial risk associated with the worsening financial conditions of domestic enterprises in 1980 and, from mid-1980, heavy open market operations by the Central Bank to contain the loss of international reserves.

d. Domestic expenditure

The sharp wage increases of 1979-80 and the expansionary stance of fiscal and monetary policy maintained a level of aggregate domestic demand far in excess of that consistent with the other parameters of the December 1978 program. In nominal terms, domestic expenditure rose by almost 185 per cent in 1979 and by over 100 per cent in 1980. Boosted by large wage adjustments, consumer spending almost tripled in 1979, which offset some deceleration in the rate of growth of government consumption (border tensions had triggered a surge in defense spending in 1978). Private investment also about tripled in nominal terms in 1979, aided in good measure by the ample and increasingly low-cost availability of imported capital goods. Public investment, in contrast, merely doubled as the initiation of new projects was postponed in the face of a lackluster revenue performance.

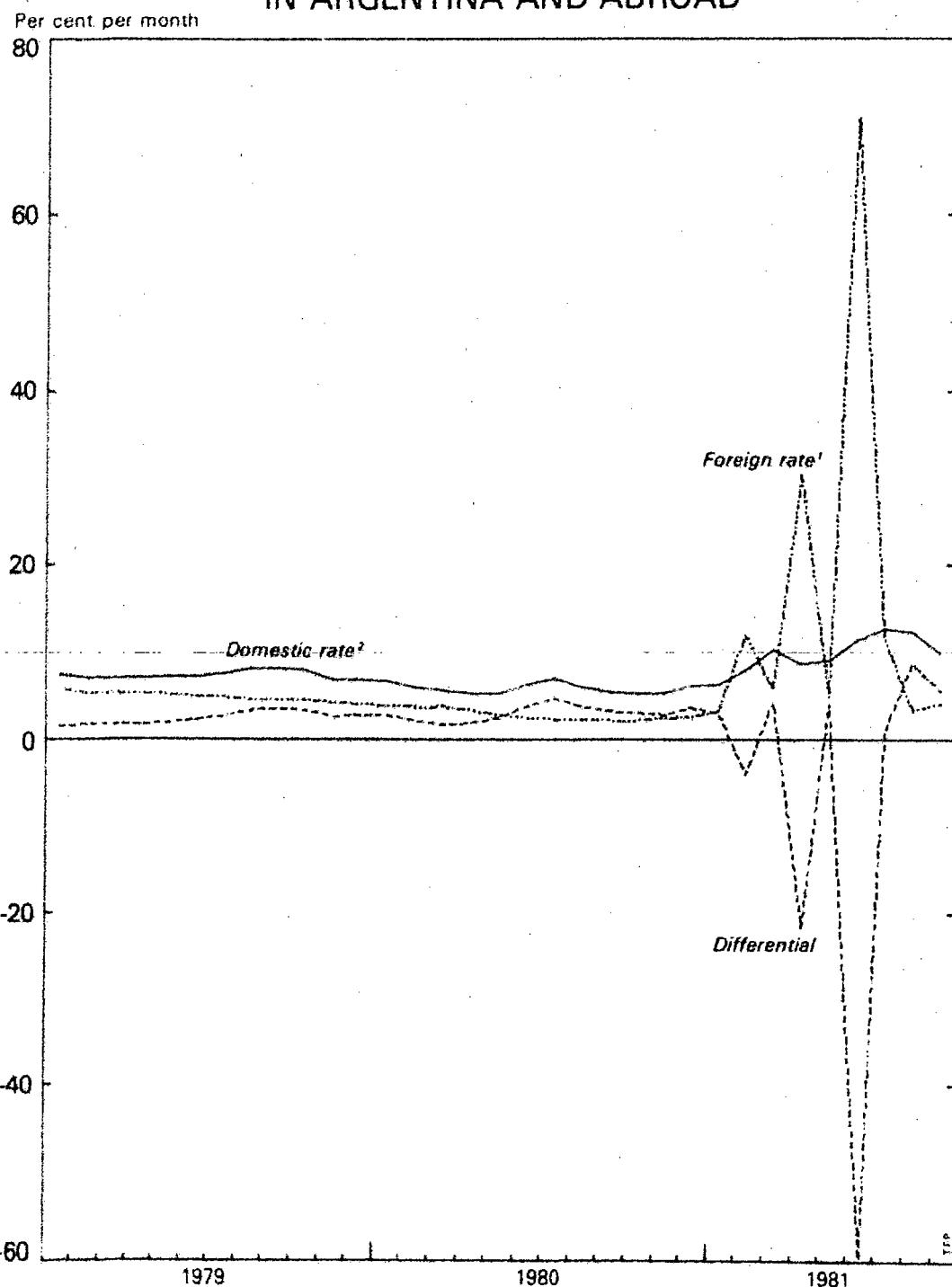
Domestic expenditure growth decelerated markedly in 1980, although it still more than doubled. Public spending and private investment in such nontradeable and protected sectors as automobiles, cement and housing expanded strongly. Investment, including inventory accumulation, was encouraged by the increasingly low cost of imported capital goods, and induced a belated but vigorous recovery of construction (Table 10). Government consumption rose at about the same rate as the year before, reflecting sharp increases in the wage bill and a renewed surge in defense spending as tensions mounted again on one of Argentina's borders. Private consumption was relatively depressed as wage increases tapered off resulting in stockbuilding and a fall in capacity utilization.

Table 10. Argentina: Changes in Expenditure and Output

	1976	1977	1978	1979	1980	Est. 1981	I	II	III	VI	I 1981	II
(Annual per cent changes at 1970 prices)												
GDP at market prices	-0.5	6.4	-3.4	7.1	1.0	-3.0	2.5	-2.0	2.1	1.6	-0.5	-2.6
Gross domestic expenditure	-5.0	6.0	-5.3	11.9	5.4	-6.7	7.2	5.6	5.9	2.8	0.8	-7.2
Consumption	-7.4	2.1	-2.7	12.5	3.0	-3.8	3.9	3.4	2.5	2.2	5.1	-4.2
Investment	4.7	19.7	-13.3	9.8	13.7	-15.7	21.2	13.6	18.1	4.7	-14.8	-16.9
Of which:												
private fixed capital formation	12.6	8.4	-9.7	11.7	10.8	-12.5
public fixed capital formation	2.6	35.6	-10.5	0.4	9.3	-8.7
Exports of goods and nonfactor services	31.8	26.4	7.7	-2.3	-2.8	7.5	7.9	-23.7	-5.2	20.6	-6.6	33.9
Imports of goods and nonfactor services	-25.6	28.6	-9.7	51.1	37.2	-21.0	55.6	44.6	28.3	25.9	4.2	-7.5
(Annual per cent changes at current prices)												
GDP at market prices	450.4	182.8	156.3	174.5	97.5	104.3
Gross domestic expenditure	430.3	178.5	156.1	184.3	102.3	97.8
Consumption	441.8	184.6	165.2	191.5	99.7	101.3
Investment	398.2	161.3	128.0	158.6	112.7	84.8
Of which:												
private fixed capital formation	435.5	152.2	111.7	184.7	118.7	90.9
public fixed capital formation	259.3	182.8	160.9	123.2	92.8	101.0
Exports of goods and nonfactor services	597.9	313.9	122.0	106.0	56.4	190.9
Imports of goods and nonfactor services	333.7	294.5	107.1	191.8	110.8	98.5

Sources: Statistical Appendix Tables 35 and 36.

CHART 8
ARGENTINA
DIFFERENTIAL BETWEEN INTEREST RATES
IN ARGENTINA AND ABROAD



Sources: Central Bank of Argentina, Data Resources Inc., and Staff estimates.

¹Euromarket 30-day rate, adjusted by exchange rate changes.

²Loan rate 30 day instruments.

The continued strong rise in nominal demand in 1979-80 brought heavy pressure to bear on resources. Inflation, as measured by changes in the GDP deflator, decelerated by a mere 10 percentage points, to 156 per cent, in 1979; and although it slowed to around 100 per cent in 1980, it exceeded greatly in both years the combination of foreign inflation and peso depreciation. Output rose strongly in 1979, but remained virtually stagnant in 1980, because of adverse weather and the growing overvaluation of the peso. However, in contrast with previous years, excess demand was allowed increasingly to spill over into the balance of payments, as the balance on trade and nonfactor services moved from a large surplus in 1978 to approximate equilibrium in 1979 and to a large deficit in 1980. Not only did the real appreciation of the peso and the reduction of trade barriers predictably increase the demand for current imports and tourism, but the real appreciation of the peso stimulated heavy precautionary imports, with inventories of imported inputs and final consumer goods reaching record levels. Also, in combination with the large domestic wage increases, it raised unit labor costs in U.S. dollar terms to the point where Argentine industry lost rapidly its international competitiveness.

3. Output, prices, and labor market developments

a. Domestic supply

(1) Summary

The brief spurt of economic activity in 1977 had been brought about mainly by large public investments and a brisk export growth induced by a favorable exchange rate. Construction, mining, and manufacturing had benefited most from these stimuli (Table 11). The turnaround had come as early as 1978 when, for a variety of reasons, including poor weather and very high interest rates, output had contracted by almost 3-1/2 per cent. Demand for consumer durables and for machinery and equipment had fallen precipitously, resulting in a marked contraction of manufacturing output and stagnation of construction.

Long deferred demand for consumer durables was activated by rising real incomes in 1979 and, together with a strong demand for capital goods, caused a major recovery in manufacturing output. Activity was particularly buoyant in the first three quarters of the year, with all industrial groups except the paper and printing industries posting important gains. This strong performance, supported by above average increases in value added in agriculture and services, caused real GDP to grow by more than 7 per cent in 1979 (Chart 9).

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

(Annual percentage change)

	GDP	Agri-culture	Mining	Manu-facturing	Construction	Services
1976	-0.5	4.6	2.4	-3.0	12.5	-2.3
1977	6.4	2.7	8.6	7.8	13.5	5.8
1978	-3.4	1.4	1.9	-10.5	-0.6	-1.8
1979	7.1	4.1	6.3	10.2	2.7	6.8
1980	1.0	-5.3	5.7	-3.8	13.2	2.9
1981 (Est.)	-3.0	7.1	0.8	-9.1	-6.0	-2.9
<hr/>						
1980						
1st quarter	2.5	-4.8	8.2	-1.2	7.9	4.7
2nd quarter	-2.0	-7.8	4.7	-6.5	4.9	0.3
3rd quarter	2.1	-4.6	5.3	-2.2	18.3	3.5
4th quarter	1.6	-4.8	4.6	-4.8	19.5	3.3
<hr/>						
1981						
1st quarter	-0.5	1.9	-0.1	-5.5	-1.9	1.3
2nd quarter	-2.6	12.8	1.6	-13.4	-7.7	-0.6

Source: Central Bank of Argentina.

This recovery was short lived, however. The opening of the economy to foreign competition, combined with mounting public sector borrowing requirements, poor weather conditions and the growing overvaluation of the peso, led to an increasingly sluggish economic performance in 1980. Manufacturing output fell because the tradeable goods sectors could not compete with the flood of foreign imports. Poor weather resulted in small crops. Construction alone was sustained by heavy spending on public works and private investment in housing as an anti-inflationary hedge. By the first quarter of 1981, when construction joined in the general decline, it became clear that the growing departure of wage, fiscal, and monetary developments from the December 1978 program was imposing unsustainable hardships on Argentina's productive sectors, including those with a built-in comparative advantage such as food processing.

(2) Agriculture and livestock

Agriculture, which accounts for more than half of Argentina's export earnings, posted a strong performance over the period 1976-79 (Table II). Until 1980, when a drought and then floods seriously damaged crops, this sector was the only effective stabilizer of the economy. The backbone of this sector is the region of large farms of

the Pampa humeda where the soil is exceptionally fertile. Grain production in this region, at lower costs than in competing areas of Australia and the United States, seems not to have been affected adversely by the adjustment policies of 1979-81. In fact, the record crop of 1980/81 was planted in a year of unfavorable relative prices for most Argentine producers (Statistical Appendix Table 42). Less competitive, and thus more sensitive to exchange rate and other price developments, are the farmers on less fertile land or growing short cycle crops in the north, north-west, and west of the country. Production in these areas declined noticeably during 1979-80, forcing many producers to go heavily into debt. Livestock production, mainly beef, was depressed in the last four years and has not yet recovered its 1976 level.

Table 12. Argentina: Agricultural Production

(Annual percentage change)

	1976	1977	1978	1979	Prel. 1980
<u>Total</u>	<u>4.6</u>	<u>2.7</u>	<u>1.4</u>	<u>4.1</u>	<u>-5.3</u>
<u>Agriculture</u>	<u>3.9</u>	<u>2.4</u>	<u>1.8</u>	<u>3.3</u>	<u>-4.8</u>
Crops	<u>6.4</u>	<u>6.5</u>	<u>1.8</u>	<u>6.3</u>	<u>-2.8</u>
Livestock	<u>1.1</u>	<u>-2.9</u>	<u>1.8</u>	<u>0.7</u>	<u>-7.3</u>
<u>Forestry</u>	<u>4.0</u>	<u>8.0</u>	<u>-7.7</u>	<u>9.6</u>	<u>-6.2</u>
<u>Fishing</u>	<u>29.0</u>	<u>34.5</u>	<u>52.0</u>	<u>8.3</u>	<u>-20.6</u>

Sources: Ministry of Economy, Treasury, and Finance; Ministry of Agriculture and Livestock; and Central Bank of Argentina.

Over the last decade several important improvements have been introduced in grain cultivation, which explains the competitive strength of the sector. The adoption of the soybean/wheat rotation system in the Pampas has led to more efficient land use and to increased fertilization, which comes with soybean cultivation. Better seed varieties, mainly of Mexican origin, also have been introduced. The grain sector has been strengthened further by the new tax, tariff, marketing, and exchange rate policies of 1976, so that the real appreciation of the peso of the last two years seems not to have interrupted its upward production trend. Annual grain output rose from an average of 23 million metric tons in 1973-75 to 27 million metric tons in 1978-80. Yields improved from 1.30 to 1.45 metric tons per hectare during the same period (Statistical Appendix Table 40). Production gains were most pronounced for soybeans, corn, and sunflower seeds, while wheat

crops on the average remained stable. The cultivated area increased significantly only for soybeans, which are planted after wheat is harvested. The decline in grain production in 1980 was caused by a drought late in 1979, which severely hit the coarse grain crops, mainly corn and sorghum.

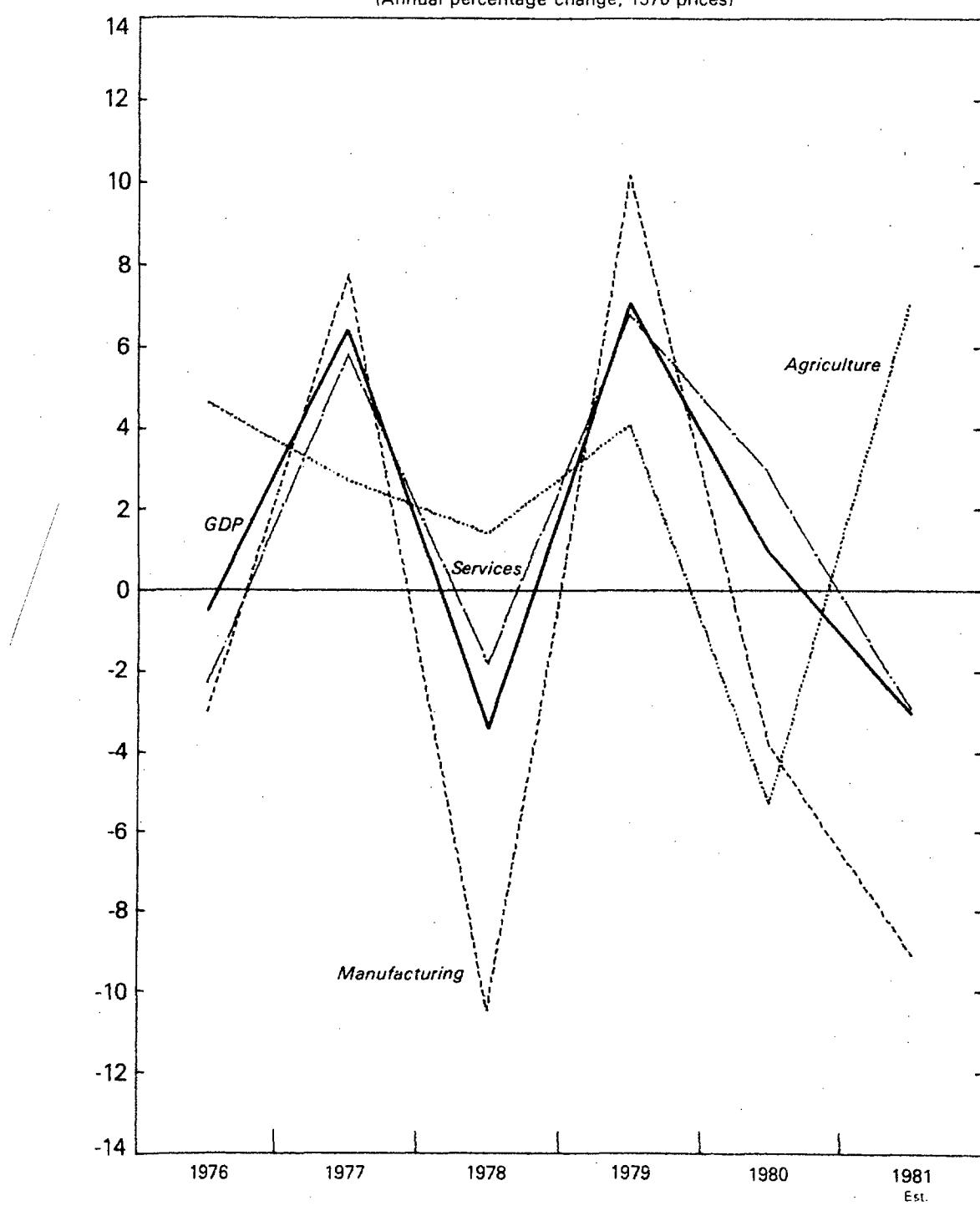
An additional boost to grain production came from the international market where, except for soybeans, prices rose rapidly in 1979 and 1980 (Chart 10). Producer prices followed suit but with some lag and variations, owing to uncertainties about future price developments at the time that sales contracts with farmers were concluded. However, since the domestic price level advanced ahead of producer prices, the relative price of grains deteriorated sharply in the two-year period, resulting in a severe profit squeeze for grain farmers.

Crops cultivated outside the Pampas have not fared as well as the grain crops. Production of cotton, the main cash crop in the Chaco, has declined steadily since 1977-78 in spite of rising world prices. The slump was particularly acute in 1980-81, when cotton farming became unprofitable because of the appreciation of the peso and rapidly rising transportation and financial costs. A similar, but less pronounced, decline occurred in tobacco production, while the production of sugarcane has oscillated around an average of 15 million tons since 1977. The farmers in the interior, whose competitive position traditionally has been weak because of difficult access to export markets, and who have benefited from special incentives in the form of export rebates and subsidized transport and financial costs, were severely hit by the exchange rate policy pursued after December 1978. Many of them had to go heavily into debt, particularly those in the provinces of Chaco, Mendoza, and San Juan.

The contribution of livestock production to real GDP growth has been much smaller than that of agricultural crops since 1975 (Statistical Appendix Table 39). The high production level reached in 1976 has not been surpassed, even though world market prices for beef rose rapidly through 1979. The fall in international prices in 1980, combined with the appreciation of the peso, led to a substantial decline in beef production as the increase in domestic consumption failed to compensate fully for the shortfall in exports (Table 13). During the 1974-77 period of low beef prices and hence low levels of slaughtering, the cattle population had grown steadily, to an historical peak of 61 million head in 1977. Since then the herd has diminished slowly as a result of the relatively high, though tapering, level of slaughtering^{1/} and losses of cattle during the droughts and floods of 1978 and 1980. The 10 per cent decline in stocks since 1977 has not yet reached a critical level, and has been smaller than parallel stock reductions in Australia (25 per cent) and the United States (16 per cent). But if future production is not to be impaired, slaughtering will have to fall eventually below 14 million head per year (equivalent to an extraction rate of 25 per cent), which, in turn, will imply a reduction in the combination of exports and domestic consumption.

^{1/} A rate of slaughtering above 14 million head normally leads to a reduction in the cattle population.

CHART 9
ARGENTINA
REAL GDP BY MAJOR SECTORS
(Annual percentage change; 1970 prices)

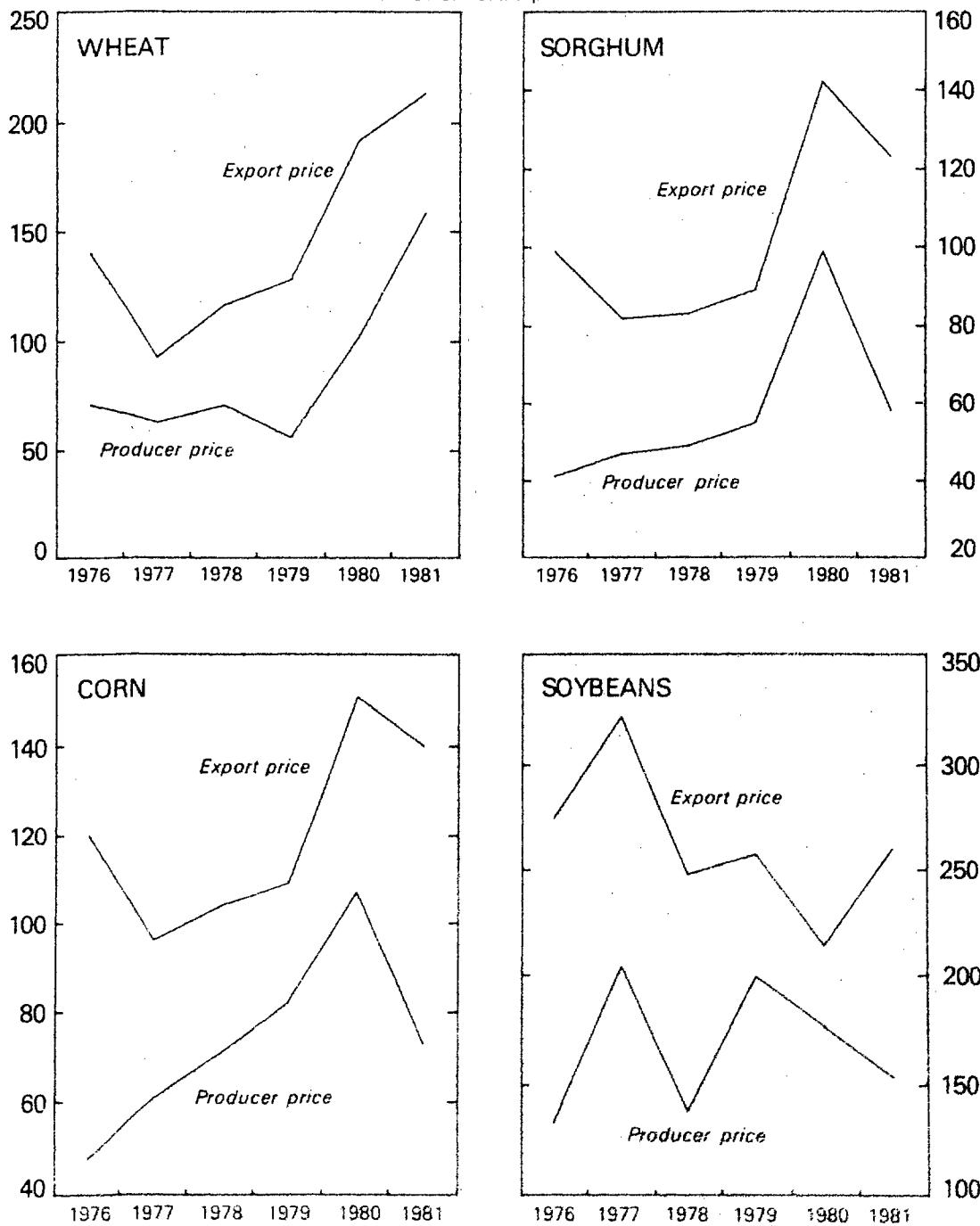


Source: Statistical Appendix Table 37.

CHART 10
ARGENTINA

PRODUCER AND EXPORT PRICES FOR MAJOR CROPS

(In U. S. dollars per ton)



Source: Statistical Appendix Table 41

Table 13. Argentina: Beef Production and Consumption
(In thousands of tons)

	Production	Exports 1/	Consumption	Consumption per Person (Kilos)
1976	2,811	534	2,277	88
1977	2,914	605	2,309	87
1978	3,146	712	2,434	91
1979	3,092	698	2,394	87
1980	2,876	448	2,428	87
1981 (Est.)	2,909	530	2,379	84

Source: National Meat Board.

1/ Carcass weight.

The forestry and fishing sectors together account for less than 2 per cent of value added in the primary sector. After 1975, however, the growth of the fishing industry was exceptionally brisk, until the real appreciation of the peso brought this growth to a halt in 1980. The industry has been developed with government assistance and prospects are that it eventually will become a major foreign exchange earner. At present, about 80 per cent of the catch, mainly hake and squid, is exported.

(3) Manufacturing

Growth in manufacturing barely approached 2 per cent a year in the 1970s--and was nil in the last five years--compared with an average of 5 per cent a year in the rest of South America. As a result the share of this sector in total value added, while still the largest, has declined from around 28 per cent in the early 1970s to 24 per cent in the early 1980s, and employment in manufacturing has fallen by 12 per cent since 1970.

A stop-go production pattern was displayed by almost all industrial subsectors, suggesting that changes in economic policies have not been without impact (Statistical Appendix Table 44). Traditional industries such as textiles, clothing, leather, shoes, printing, and electric machinery have lost ground steadily, registering lower production volumes in 1980 than in 1975 and even in 1970. Most other industries

experienced modest growth or a slight decline in 1980 compared with 1976. Strong gains were posted only by very few industries, mainly those with heavy government involvement (iron and steel production, and petroleum refining) or a protected domestic market (automobiles).

A central objective of the 1979-80 program was to improve the resource allocation by forcing greater efficiency on a bloated industrial sector through increased foreign competition. This was at least partially achieved, as the fall in manufacturing employment surpassed production cutbacks and allowed for significant productivity gains after 1978. However, because of the growing inconsistency between nominal expenditure growth and external policies, the price of this adjustment was high not only in terms of production and employment losses but also in that it gave rise to new distortions in resource allocation, both within manufacturing and between manufacturing and other sectors of the economy. Recent surveys indicate that the firms having performed best were those that manufactured products: (a) with high transport costs (e.g., construction materials); (b) that were made-to-order (e.g., power generators and high quality apparel); (c) delivered to still-protected industries (e.g., automobile parts); and (d) that required local repair services. In general producers of standardized and/or tradeable goods--i.e., those which a priori benefited least from redundant protection and in this sense were the most efficient--faced particularly severe problems and experienced rapid decapitalization. Hardest hit were firms with both high peso indebtedness and rapidly decreasing import protection (e.g., in fruit canning, electronics, textiles, meat packing, paper, and tractors). In contrast, firms producing nontradeables came out relatively unscarred as inflation remained far above what was contemplated by the December 1978 program.

A factor which also hampered growth in manufacturing in 1979-80 was the rapid increase in unit labor costs resulting from the sharp nominal wage increases following the liberalization of wage policies, shortages of skilled labor in critical areas, substantial compensation packages in such protected industries as automobiles, and continued tight labor market conditions as workers dismissed from the manufacturing sector easily found jobs until late 1980 in construction and services (see subsection c below).

With exchange and financial market conditions worsening rapidly, manufacturing output dropped by a further 5-1/2 per cent in the first quarter of 1981, and pressures from industrialists for a drastic redirection of financial and external policies intensified greatly.

(4) Energy

At present Argentina is close to being self-sufficient in energy and is expected to become a net energy exporter by 1985.^{1/} Energy production has broadly kept pace with increases in demand since 1976,

^{1/} For a review of Argentina's energy position and prospects, see appendix A.

but satisfying demand was relatively easy because of the slow growth of the economy in this period. Crude oil production rose slowly but steadily through 1980, and outpaced demand growth until 1980, when the previous continued fall in oil imports gave way to a 25 per cent increase. Natural gas production recovered strongly in 1979 and 1980 after a small decline in 1978 and has held import needs to about 20 per cent.^{1/} The supply of electricity has grown at a brisk pace since 1976 (9 per cent a year) and has been based entirely on increased hydropower generation.

Prices for energy products have been adjusted regularly by government decree, in the last years on a monthly basis. Intentions through 1978 were to raise relative prices to a level sufficient to finance an ambitious energy investment program. But the 1979-80 spurt in international oil prices, and government uneasiness about the impact on domestic prices of a full pass-through of this increase to consumers, caused this objective to be abandoned in the last two years. Therefore, the relative price of energy deteriorated significantly in 1979, and not until the first quarter of 1981 did relative prices return to their 1978 level (Chart 11). Even more serious in the long run have been the distortions between domestic and international energy producers' prices, especially for petroleum products. YPF ex-well crude oil at present is priced at US\$80 per cubic meter--partly because a large portion of the price at the consumer level represents taxes--against a world market price of about US\$220 per cubic meter; and petroleum derivative prices at the retail level remain 20 to 40 per cent below prices in Europe. As a result YPF has had to resort increasingly to foreign borrowing and to observe great economy in its payments for contracted work. A consequence has been that 15 out of 19 drilling contractors operating under risk contracts have threatened to back out claiming that they would receive only 60 per cent of the international rate of remuneration for their work.

(5) Transportation and communications

The contribution of the transport and communications sector to GDP is relatively large in Argentina--some 11 per cent--because of the country's vast area. The performance of this sector during the last five years has been weak, reflecting the oscillations in the overall level of economic activity. Real value added in 1980 did not significantly surpass that in 1976 and has grown by only 20 per cent since 1970. In this sector, the Argentine Railways have been faced persistently with major financial difficulties and have had to reduce their work force by 50,000 employees and to close 5,000 kilometers of tracks, 12-1/2 per cent of the system. A major problem that has plagued the railways is obsolete equipment and attendant high maintenance costs. This structural problem has been compounded by increasing competition from private transport enterprises, mainly trucking companies, which

^{1/} A trade agreement with Bolivia provides for imports by Argentina of about 2 billion m³ per year through 1992.

availed themselves of the overvalued peso to invest heavily in equipment and have taken over most of the long distance freight even though railway transport should have clear cost advantages in this area. The Government has become increasingly concerned about the poor performance of the transport sector and now is engaged, with World Bank assistance, in a thorough review intended to eliminate excess capacity and price distortions in this sector. Argentine Airlines have generated an overall surplus in recent years, reflecting flexible pricing policies, rapid modernization of the fleet, and significant gains in efficiency.

b. Prices

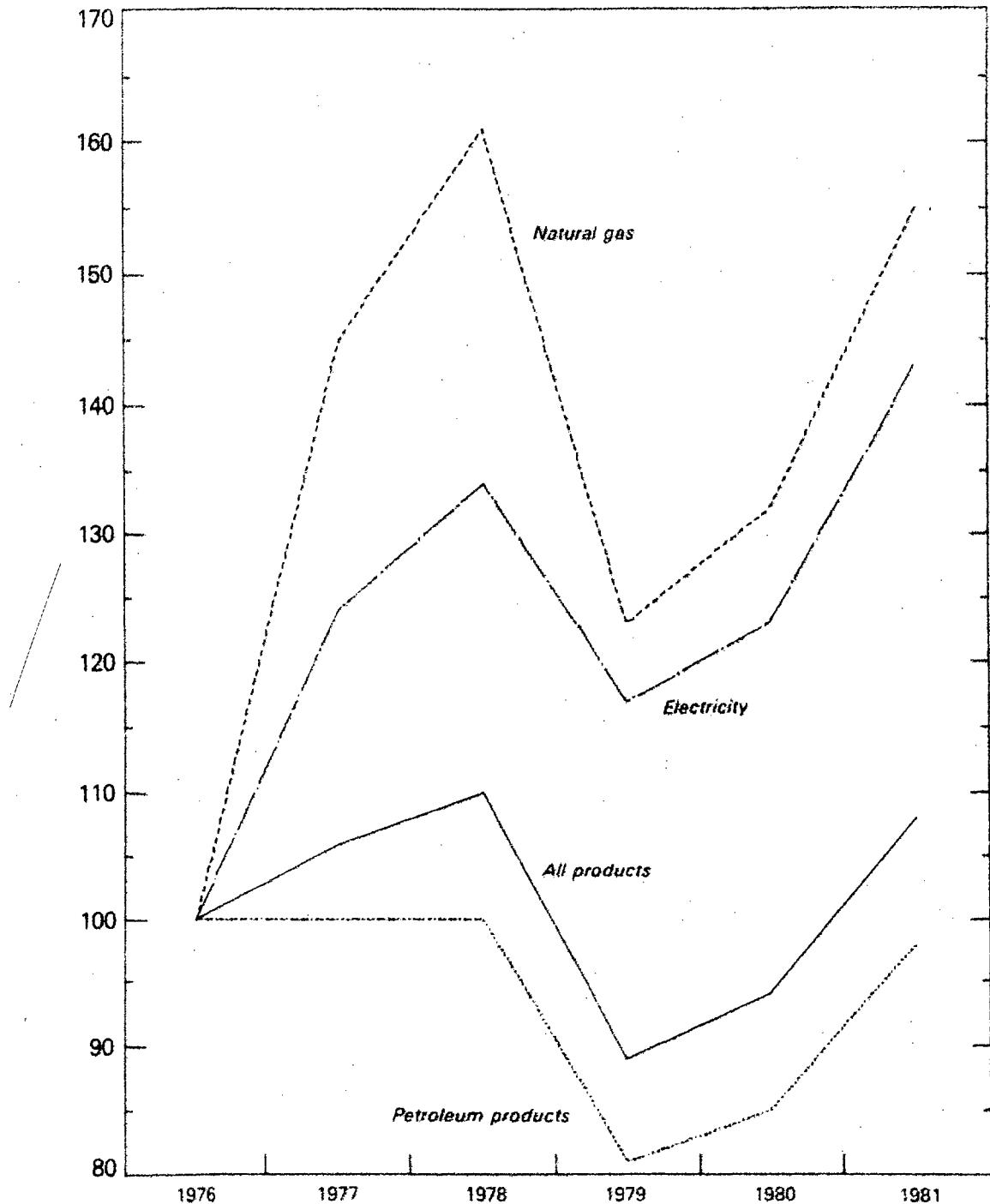
With the exception of two brief surges, in the second quarter of 1978 and the third quarter of 1979, inflation tended to abate--albeit very slowly--from the end of 1976 to the end of 1980, especially in this last year.

Although the 1979-80 adjustment program began to be implemented from December 1978, evidence of a marked deceleration of inflation did not materialize until the fourth quarter of 1979 (Table 14). Rapid increases in real earnings and rigidities in the adjustment of import channels to the opening of the economy significantly delayed the effects of the adjustment program. The fall in the inflation rate in September and October 1979 was assisted by substantial declines in farm prices, particularly beef. But the pressure of foreign competition began to take hold in the fourth quarter of 1979, when monthly imports jumped from US\$400 million to US\$700 million. As expected, the slowdown was particularly pronounced among tradeable goods such as textiles, clothing, electrical machinery and appliances, and some food items. The rate of price increase picked up again in the first quarter of 1980, however, when public sector tariffs were allowed once more to catch up with inflation following lagged adjustments in 1979. During the remainder of 1980 inflationary pressures abated noticeably, registering in August and December the lowest monthly increases since 1974. But by the end of the first quarter of 1981 inflation had started to accelerate again, spurred by speculation about a likely major devaluation of the peso.

However, a widening gap between the rates of deceleration of wholesale and consumer prices developed. Increases of consumer prices declined much more slowly than those of wholesale prices mainly because nontradeables, the prices of which continued to rise rapidly, weigh more heavily in the former index. For instance, transport prices increased by 370 per cent during 1979-80, while the price of clothing went up by only 240 per cent in the same period. These differential price movements suggest that excess demand spilled over into imports of tradeable goods, which restrained price increases of comparable domestic goods, but that it pushed prices up for nontradeables. Institutional barriers and systematic hedging against future inflation among businessmen and wage earners thus prevented in a critical way the deflationary tendencies from working through the whole economy.

CHART 11
ARGENTINA
RELATIVE PRICES OF MAJOR ENERGY PRODUCTS¹

(1976 = 100)



Source: National Enterprise Corporation.

¹Nominal prices deflated by consumer price index.

Table 14. Argentina: Price Movements

(Percentage change during period)

	Wholesale Price Index						
	Consumer Prices for Buenos Aires		General	Crops	Live-stock Production	Industrial Goods	Imported Goods
<u>December</u>							
1976	347.6	386.1	333.2	721.9	382.5	390.8	
1977	160.4	147.1	131.0	129.1	153.7	127.5	
1978	169.8	143.3	147.4	165.3	138.9	65.5	
1979	139.7	128.9	95.2	137.2	133.9	105.7	
1980	87.6	57.7	51.8	23.2	65.4	59.6	
<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	14.2	17.8	
2nd quarter	18.8	17.5	28.8	20.5	15.5	8.8	
3rd quarter	13.1	9.0	22.0	-7.9	9.7	11.4	
4th quarter	16.9	9.1	-8.4	-0.5	14.3	11.8	
<u>1981</u>							
1st quarter	15.8	12.9	2.6	12.9	13.8	20.1	
2nd quarter	26.7	43.9	55.9	47.3	39.7	76.7	
3rd quarter	29.0	40.4	66.8	32.5	36.8	50.2	

Source: National Statistical Institute.

c. Labor market developments

The difficulties encountered in maintaining consistency in the implementation of the various components of the December 1978 program had important implications for the short-run behavior of real wages, employment, and unit labor costs.

(1) Real wages

The near-generalization of wage indexation and of productivity pay increases since early 1979 caused real wages in industry, the only sector for which current wage data are available, to rise by nearly

15 per cent in 1979, with some higher-skilled workers receiving increases of over 30 per cent. In 1980 the rise still was as high as 12 per cent despite slowing economic activity and spreading layoffs (Chart 12). But since these increases outpaced productivity gains by a significant margin and far exceeded the rise in real national income, there was a pronounced shift in factor remuneration in manufacturing away from capital and toward labor. In the public sector, for which earnings per employee can be derived by dividing total employment into the wage bill, real earnings started to take off in 1978 as a consequence of the decision to bring public sector salaries to a par with those in the private sector. This policy continued in 1979 and 1980, when average real salaries in public employment rose by 7 and 19 per cent, respectively--and even more for government employees.

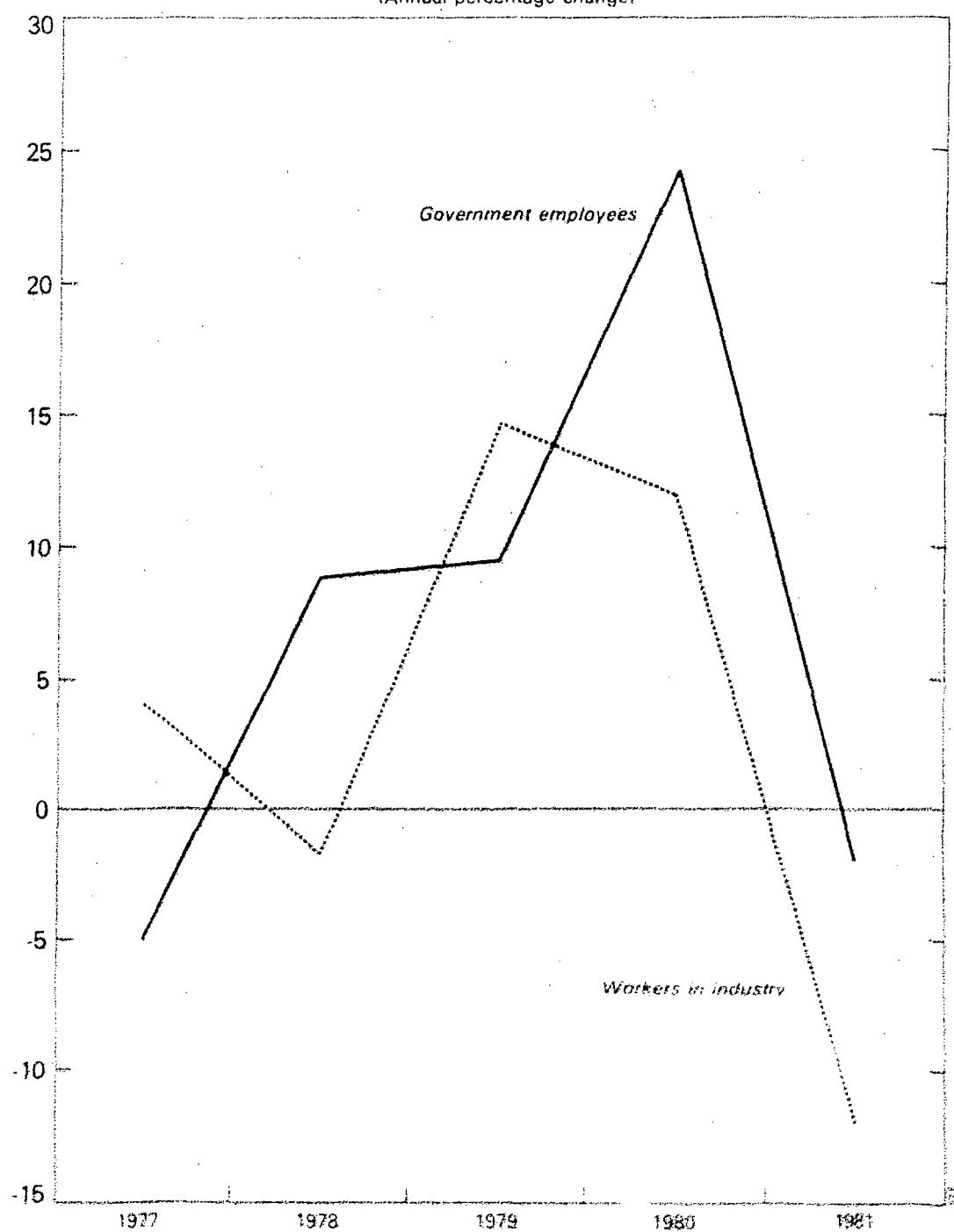
The large increase in real earnings for public employees was the result of a policy stance, i.e., the upgrading of positions combined with reductions in the work force, but the parallel increases in private industry are more difficult to explain, particularly in 1980, when industrial production and employment fell by 4 per cent and 8 per cent, respectively. Two possible explanations for this development are that (a) unprotected industries reacted to the increasing foreign competition by laying off mostly unskilled labor, which raised statistically the average earnings of the retained employees, and by substituting capital for labor, which in turn created scarcity of skilled labor and strengthened this group's negotiating position; and (b) industries which remained protected needed to apply little restraint in handing out wage increases. Furthermore, the depressing effect on wages of a general increase in unemployment did not materialize until 1981, as workers laid off in industry in 1979-80 were absorbed in the construction and service sectors. But this picture began to change in the first quarter of 1981, when real wages fell.

(2) Employment

Official surveys for the Buenos Aires metropolitan area and other urban centers point to strong employment gains in the period 1976-80, with unemployment declining from close to 5 per cent of the labor force in April 1976 to 2 per cent in 1979-80 (Statistical Appendix Table 47).^{1/} Unemployment in other urban areas in general was higher than in Buenos Aires, but the trend was similar. Given the sluggish growth of real GDP, this improvement in the employment situation would seem to suggest that the productivity gains in industry were offset by larger productivity losses in services (mostly commerce, transport, and financial intermediation), which absorbed labor released from industry and the public sector and at the same time had to provide jobs to the unemployed from earlier years.

^{1/} The surveys for Greater Buenos Aires are conducted in April and October of each year, with random checks in July.

CHART 12
ARGENTINA
REAL EARNINGS PER EMPLOYEE
(Annual percentage change)



Sources: National Statistical Institute, Ministry of Economy, Treasury and Finance; and Fund staff estimates.

Such interpretation appears to be borne out by evidence that the traditionally large ranks of self-employed in the labor force have swollen rapidly in recent years. According to a 1979 survey, in 1978 self-employment accounted for some 30 per cent of total employment in industry, and 25 per cent in services. The rate of underemployment is believed to have been very high in this group, as the self-employed operate in marginal markets that do not provide a continuous flow of work and are extremely vulnerable to slack in economic activity. Also, the small size of self-employed units prevents them from mechanizing work and therefore from improving efficiency. The same survey also shows that in 1976-78 employment increased fastest in urban areas (1.2 per cent per year), especially in commerce (2.6 per cent per year) and other services (2.5 per cent per year), while productivity (as measured by the ratio of real value added to employment) declined over the period. Estimates are that the sizable pockets of underemployment in commerce and services grew much larger during 1979-80, with the influx of labor released from other sectors detracting somewhat from the improved labor market situation reflected in open unemployment data.

(3) Productivity and unit labor costs

There were large productivity gains in manufacturing during 1976-80. These gains, however, were not induced by growing demand for industrial goods, but by a fall in employment and hours worked. Industrial production oscillated around the average for the period, while hours worked declined by 18 per cent. Output per hour advanced by 9 per cent in 1977, stagnated in 1978, but resumed its climb in 1979 and continued with a 5 per cent increase in 1980, which cumulated to a 24 per cent gain over the period (Chart 13 and Statistical Appendix Tables 48 and 49). However, real wage costs, as measured by nominal wages deflated by wholesale prices for domestic industrial goods, went up nearly twice as rapidly in the same period. Thus, real unit labor costs rose by 10 per cent both in 1978 and in 1979, and jumped by as much as 18 per cent in 1980--tapering off only in the first quarter of 1981. Moreover, with the growing overvaluation of the peso, unit labor costs rose by some 59 per cent on an annual average in U.S. dollar terms in 1979-80, or two to four times as rapidly as in Argentina's major trading partners, contributing importantly to Argentina's loss of international competitiveness over the period.

4. External developments

a. Introduction

After a small deficit in 1976, the balance of payments registered large surpluses in both 1977 and 1978 (Table 15). In 1977, the net official international reserves increased by US\$2.2 billion (3 per cent

Table 15. Argentina: Summary Balance of Payments
(In millions of U.S. dollars)

	1976	1977	1978	1979	Prel. 1980	Est. 1981
<u>Current account</u>	649.6	1,289.9	1,833.6	-536.4	-4,689.6	-2,579.0
Trade balance	883.1	1,490.3	2,565.8	1,109.9	-2,471.6	1,115.0
Exports, f.o.b.	3,916.1	5,651.8	6,399.5	7,809.9	8,028.4	9,960.0
Imports, c.i.f.	-3,033.0	-4,161.5	-3,833.7	-6,700.0	-10,500.0	-8,845.0
Services	-252.0	-231.7	-780.6	-1,681.3	-2,247.6	-3,759.2
Real services	240.5	346.8	-99.8	-761.3	-745.3	-544.5
Of which: travel	65.5	23.6	-307.3	-997.8	-1,446.6	-964.9
Investment income	-492.5	-578.5	-680.8	-920.0	-1,502.3	-3,214.7
Profits and dividends	-27.2	-208.1	-276.3	-427.0	-546.2	-620.1
Interest	-465.3	-370.4	-404.5	-493.0	-956.1	-2,594.6
Unrequited transfers	18.5	31.3	48.4	35.0	29.6	65.2
<u>Capital account</u>	-668.0	915.1	1,246.3	4,773.6	2,092.2	658.7
<u>Financial sector</u> 1/	-169.9	363.7	561.3	2,237.4	1,424.1	-634.8
Central Bank	-198.5	-202.5	-107.0	-89.1	-88.7	23.9
Other	28.6	566.2	668.3	2,326.5	1,512.8	-658.7
Central and local governments	-113.2	-23.4	430.6	389.1	791.6	2,757.3
Long term	-113.2	-23.4	89.3 2/	202.6 2/	612.9 2/	1,483.0 2/
Short term	—	—	341.3	186.5	178.7	1,274.3
State enterprises	... 3/	... 3/	863.2	693.0	2,023.4	1,145.9
Long term	863.2	693.0	1,873.4	1,345.0
Short term	—	—	150.0	-199.1
Nonbank private sector	-384.9	574.8	-608.8	1,454.1	-2,146.9	-2,609.7
Direct investment	—	145.7	274.2	264.6	739.2	802.0
Other 4/	-384.9	429.1	-883.0	1,189.5	-2,886.1	-3,411.7
<u>SDR allocation</u>	—	—	—	72.8	73.5	69.5
<u>Valuation adjustment</u> 5/	-16.4	9.3	166.0	131.9	-212.9	-377.4
<u>Net international reserves</u> (increase -)	34.8	-2,214.3	-3,245.9	-4,441.9	2,736.8	2,228.2

Source: Statistical Appendix Table 60.

1/ Derived from monetary accounts.

2/ Adjusted for payment of Central Government's bonds.

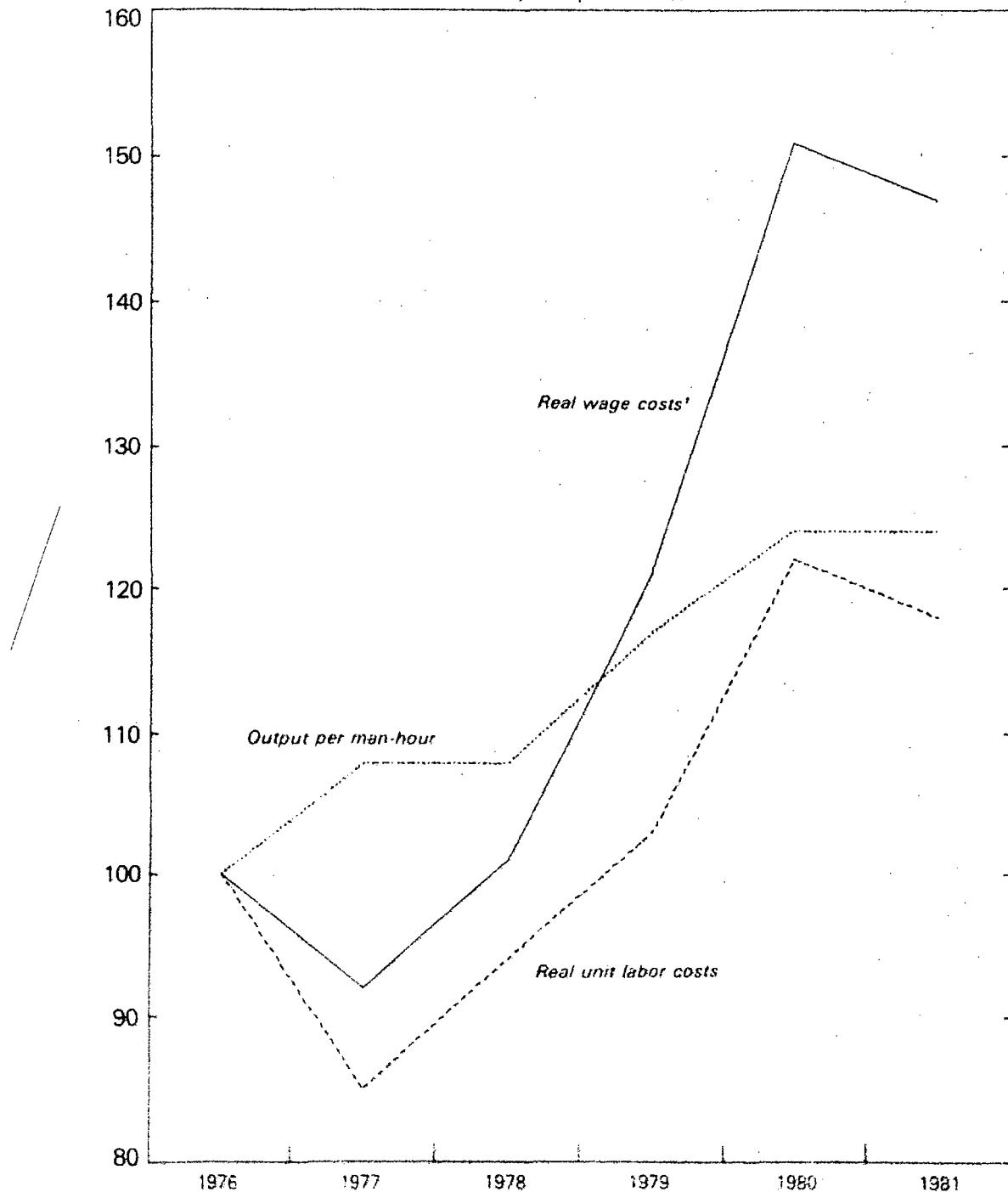
3/ Included in other capital flows of nonbank private sector.

4/ Includes errors and omissions.

5/ Refers to adjustments in the valuation of official international reserves.

CHART 13
 ARGENTINA
 REAL WAGE COSTS, PRODUCTIVITY, AND
 REAL UNIT LABOR COSTS IN MANUFACTURING

(1976, 2nd quarter = 100)



Sources: National Statistical Institute, and Fund staff estimates.

¹Nominal wage deflated by wholesale prices for industrial goods.

of GDP),^{1/} mostly on account of a sharp rise in export earnings and of a turnaround in the capital account from a deficit of US\$0.7 billion to a surplus of US\$0.9 billion. In 1978, net official international reserves increased by US\$3.2 billion; the contraction in real domestic expenditure led to a decline in import demand which, combined with the continued growth of export earnings, caused the current account surplus to widen to US\$1.8 billion; and net capital inflows increased due both to increased borrowing by the Government and to private capital inflows, mostly in the form of borrowing by the financial system. In 1979, despite a current account deficit of US\$0.5 billion, the net official international reserves increased by US\$4.4 billion as a result of massive inflows of private capital. But, with the growing real appreciation of the peso, the current account deficit widened in 1980 to US\$4.7 billion (3.8 per cent of GDP) as exports declined in real terms; imports increased by almost 60 per cent and the deficit in the service account increased by almost US\$0.9 billion (with net travel payments reaching US\$1 billion). Private capital outflows reached almost US\$3 billion as confidence in the peso weakened, especially after the financial crises of April-May; and capital inflows declined to US\$2.1 billion, despite rising domestic interest rates and a substantial increase in foreign borrowing by the public sector. Net official international reserves thus fell by US\$2.7 billion.

b. Developments in 1979

In 1979, the value of exports in U.S. dollar terms increased by 22 per cent as improved weather conditions and rising international prices led to a strong recovery of agricultural exports (Table 16). In contrast, most industrial exports other than hides and skins stagnated, reflecting a gradual loss of foreign markets as domestic industries became uncompetitive. Meanwhile, the recovery in economic activity, the effective appreciation of the peso, and the initiation of the tariff reduction program caused the value of imports to surge by 73 per cent, to US\$6.7 billion. Predictably, import growth was led by sharp rises in imports of consumer goods, which previously enjoyed the highest nominal tariff protection (Table 17). Accordingly, the trade surplus declined to US\$1.1 billion, from US\$2.6 billion in 1978.

The deficit in the service account more than doubled in 1979 to US\$1.6 billion, reflecting principally a jump in net payments for nonfinancial services, especially tourism, but the deficit on financial services also widened in line with rising international interest rates. The combination of the reduction in the trade surplus and the doubling of the deficit on service accounts resulted in a turnaround in the current account from a surplus of US\$1.8 billion in 1978 to a deficit of US\$0.5 billion in 1979.

^{1/} The 1977 GDP at current market prices in U.S. dollars was estimated by first converting the 1981 GDP peso estimate to U.S. dollars by the expected average exchange rate for 1981; GDP dollar estimates for previous years were obtained by deflating the 1981 dollar estimate by an index of international inflation and by an index of real GDP based on real GDP data denominated in 1970 pesos.

Table 16. Argentina: Exports, f.o.b.

(In millions of U.S. dollars)

	1976	1977	1978	1979	Prel. 1980	Est. 1981
Total	3,916	5,652	6,400	7,810	8,025	9,960
Major agricultural products	1,965	2,972	3,110	4,067	3,995	5,478
Wheat	431	541	173	605	814	724
Corn	362	518	587	606	507	1,312
Sorghum	335	344	358	322	198	583
Other cereals	47	100	106	71	88	99
Seeds and oilseeds	23	210	567	730	608	842
Beef	251	331	426	737	575	632
Vegetable and animal oils	176	370	391	540	491	445
Fruit (fresh)	135	180	227	207	185	163
Wool	125	217	221	184	231	367
Sugar	80	161	54	65	298	311
Other agricultural and agro-based products	853	1,164	1,345	1,565	1,513	1,576
Mineral products	28	38	74	70	360	560
Fuel and lubricants	19	28	53	50	326	520
Other	9	10	21	20	34	40
Industrial products	1,070	1,478	1,871	2,108	2,157	2,346
Chemical products	133	156	200	220	315	365
Hides, skins, and leather manufactures	201	307	433	635	520	550
Textiles (excluding wool)	114	170	252	149	202	168
Metal manufactures	131	129	302	305	326	384
Machinery	202	244	286	303	320	365
Transport equipment	201	231	218	182	140	164
Other	88	241	180	314	334	350

Source: Statistical Appendix Table 61.

Table 17. Argentina: Imports by Economic Classification

	1976	1977	1978	1979	Prel. 1980	Est. 1981
(In millions of U.S. dollars)						
Total imports, c.i.f.	3,033	4,162	3,834	6,700	10,500	8,845
Capital goods	503	1,111	1,096	1,568	2,300	1,900
Public sector	278	460	475	690	800	...
Private sector	225	651	621	878	1,500	...
Consumer goods	65	136	212	700	1,600	700
Intermediate goods	2,465	2,915	2,526	4,432	6,600	6,245
Fuels and lubricants	531	677	472	1,099	1,075	1,185
Other	1,934	2,238	2,054	3,333	5,525	5,060
(In per cent of total)						
Total imports, c.i.f.	100.0	100.0	100.0	100.0	100.0	100.0
Capital goods	16.6	26.7	28.6	23.4	21.9	21.5
Public sector	9.2	11.1	12.4	10.3	7.6	...
Private sector	7.4	15.6	16.2	13.1	14.3	...
Consumer goods	2.1	3.3	5.5	10.5	15.2	7.9
Intermediate goods	81.3	70.0	65.9	66.1	62.9	70.6
Fuels and lubricants	17.5	16.3	12.3	16.4	10.2	13.4
Other	63.8	53.7	53.6	49.7	52.7	57.2

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

Sizable net inflows of capital in 1977 and 1978 were followed by a record net inflow of US\$4.8 billion in 1979. About one half of these inflows was channeled through the financial system in response to the strong demand for credit brought about by the recovery of output growth, to the widening interest rate differential in favor of Argentina, and to initial confidence in the ability of the Government to maintain the announced exchange rate path. Nonbank private sector capital flows also swung into a surplus of some US\$1.5 billion in 1979. Direct foreign investment remained at about its level the year before, but other nonbank private sector flows, mostly short-term capital, reached US\$1.2 billion, reflecting in good measure the elimination of deposit requirements on private financial foreign borrowing and on trade related credit operations. After the largest annual increase ever, net official international reserves stood at US\$9.3 billion at the end of 1979, or the equivalent of 17 months' imports (Statistical Appendix Table 64).

Official balance of payments data show external borrowing by the public sector of some US\$1.1 billion in 1979.^{1/} The Central and local governments, while borrowing slightly less than the year before on a net basis, greatly stepped up long-term borrowing. State enterprises borrowed almost US\$700 million in 1979, all with a maturity of more than one year. Most foreign loans to the public sector were financial loans.^{2/}

The terms of new medium- and long-term official external borrowing hardened somewhat in 1979. While average maturities and grace periods were lengthened in comparison with previous years, the grant element became negative because of Argentina's growing recourse to the Euromarket, which caused the average interest rate to increase to 11.2 per cent.

c. Developments in 1980

The deterioration in Argentina's current account performance intensified in 1980, with the deficit rising to US\$4.7 billion. Export earnings rose negligibly in dollar terms, with sharp drops in the export volume of several major commodities owing to unfavorable weather conditions and increasingly unattractive international prices in terms of Argentine pesos. Industrial exports also stagnated in value terms, with a few exceptions associated with the development of the domestic petroleum and chemical industries. Worth noting was the growth of exports to the U.S.S.R. in 1980 following imposition of the U.S. grain embargo (Statistical Appendix Table 63).

While export earnings stagnated, the value of imports increased by approximately 55 per cent, to US\$10.5 billion, and the trade balance swung from a surplus of US\$1.1 billion to a deficit of US\$2.5 billion. Despite sluggish economic activity, the value of imports of both capital goods and intermediate goods increased by about 45 per cent in 1980, and the value of imports of consumer goods more than doubled, to US\$1.6 billion. The stagnation of exports and the buoyancy of import demand can be traced to the continued appreciation of the peso in real effective terms, although import growth also reflected the continuation of the tariff reduction program and rising precautionary imports as

^{1/} Changes in the level of outstanding external debt as recorded in the external debt statistics and foreign borrowing by the public sector as recorded in the balance of payments differ somewhat because of valuation adjustments, which are not recorded in the balance of payments; time lags in the registration of external debt operations with the Central Bank; and under- or over-estimation of external borrowing transactions by the balance of payments, especially of suppliers' credits, which do not necessarily generate a foreign exchange flow in the year when they are registered.

^{2/} See Appendix D for an analysis of Argentina's external debt situation.

confidence in the sustainability of the exchange rate schedule dwindled. The EEC, the United States, and the LAFTA countries, particularly Brazil, continued to be the major sources of Argentina's imports.

The deficit in the service account also increased in 1980, from US\$1.7 billion in 1979 to US\$2.2 billion. The deficit on nonfinancial service transactions remained about unchanged at US\$750 million, with a US\$500 million increase in freight and insurance earnings offsetting a similar increase in net travel payments. But net profit and dividend remittances rose to US\$545 million, and interest payments to US\$2.2 billion, reflecting the rise in international interest rates and the rapid increase in the outstanding debt over the previous two years.

Weakening confidence in the peso, aggravated by the financial crisis of March 1980, also had a severely adverse impact on the capital account. Net capital receipts declined sharply, to only slightly above US\$2 billion in 1980. Capital inflows reached US\$1.2 billion in the first quarter of 1980, but gave way to a net outflow of almost US\$750 million in the second quarter of the year. The net capital outflow from the nonbank private sector reached US\$1.8 billion during April-June. To arrest capital flight, in June 1980 the authorities raised domestic interest rates through open market operations. The foreign investment law also was liberalized and the one-year minimum requirement on foreign loans eliminated. As a result, speculation against the peso abated during the next three months, and net capital receipts recovered to US\$1.5 billion in the third quarter of 1980. The recovery was short-lived, however, and there was a net capital outflow of about US\$130 million in the last quarter of the year. Contrary to expectations, the announcement in September that the 1 per cent depreciation of the peso vis-a-vis the U.S. dollar programed for October also would hold for the last two months of the year seems to have fueled speculation that a major devaluation was imminent. The further announcement in December that the buying rate for the peso would continue to be depreciated vis-a-vis the U.S. dollar by 1 per cent per month, while the selling rate would be depreciated by 2 per cent per month in the first quarter of 1981 did not seem to have reversed expectations either, as these came to be governed increasingly by speculations about the exchange rate policy that the incoming administration would follow.

Net capital receipts through the financial sector declined from US\$2.2 billion in 1979 to US\$1.4 billion in 1980. Direct investment more than tripled to US\$739 million but there was a net loss of capital of US\$2.9 billion through the nonbank private sector, mostly a result of speculation against the peso. External borrowing by the public sector rose more than two and a half times during 1980 according to balance of payments data. Again, most of the official borrowing had a maturity of more than one year in 1980, about 70 per cent of which was undertaken by the state enterprises, to some extent under government prodding and with a view to boosting the official reserve position. As in 1979, most public sector borrowing in 1980 was in the form of financial loans.

The terms of new foreign commitments to the public sector on medium- and long-term loans further hardened in 1980, with the average interest rate rising to 13.5 per cent and both the average maturity and grace period being shortened. Debt service payments on medium- and long-term external public debt were projected at about 20 per cent of merchandise exports and nonfinancial service receipts in 1981, of which interest payments were projected to be about 10 per cent, or 1 per cent of projected GDP.

As a result of the sharp deterioration in the balance of payments in 1980, the net official international reserves fell to US\$6.6 billion by the end of the year, or to about 7-1/2 months of 1980 imports; gross reserves amounted to about 11 months of 1980 imports.

d. First quarter of 1981

Argentina's severely weakened external position came under increasing pressure during January-March of this year. Despite a sharp drop in imports, the current account deficit remained unchanged from its level during the last quarter of 1980 because of a doubling of the deficit on the service account. Export earnings remained unchanged at the level of the previous four quarters, continuing the downward trend in real terms which the appreciation of the peso had produced after 1979. Imports were affected by various factors. Economic activity continued to slow and inventories of imported goods reached saturation after two years of sharp import growth. Although the tariff reduction of January 1, 1981 was implemented as planned, import demand diminished because of the deepening economic recession. The 10 per cent devaluation of the peso in February probably also contributed to depressing import demand.

Meanwhile, the deficit on nonfinancial services skyrocketed to almost US\$600 million because of rising Argentine tourism abroad. Net interest payments also continued to rise at a brisk pace, partly because of the sharp contraction in earnings attendant on the loss of foreign reserves. Altogether, the deficit on the service account reached US\$1.4 billion, and the current account deficit widened to US\$1.9 billion, the largest ever in a single quarter.

The continued widening of the current account deficit was paralleled by net capital outflows of almost US\$1 billion, even in the presence of US\$2.5 billion in emergency foreign borrowing by the public sector. Capital outflows swelled to an unprecedented US\$4 billion as the financial system accelerated repayment of its foreign liabilities and private capital flight intensified. Moreover, the massive speculation against the peso appeared to be vindicated by the 10 per cent devaluation of February 3, 1981, which merely helped fuel speculation further. Accordingly, the loss of net official international reserves during the first quarter of the year approached US\$3 billion. At the end of March 1981, these reserves stood at US\$3.6 billion, or five months' 1981 imports, and only two fifths of their size at the end of 1979.

IV. The April-June 1981 Economic Adjustment Program, Recent Developments and Prospects

The re-emergence of large imbalances in the Argentine economy associated with the sharply divergent paths of domestic prices and the preannounced exchange rate schedule led to the adoption of a series of adjustment measures once a new Administration assumed office on April 1, 1981.

1. Exchange and trade system

Because of dwindling confidence in the peso and the developing foreign exchange crisis, the new authorities turned their attention immediately to exchange and trade policies. On April 1, 1981, a Cabinet resolution suspended the tariff reform program initiated in January 1979; and on April 2, 1981, the practice of preannouncing a daily exchange rate schedule several months in advance was abandoned. A Central Bank communication on that day announced that the spot selling rate would be adjusted from \$a 2,383 per U.S. dollar to \$a 3,100 per U.S. dollar, a 23 per cent devaluation in terms of U.S. cents per peso (30.1 per cent in terms of pesos per U.S. dollar), and that the spot buying rate would be adjusted from \$a 2,304 per U.S. dollar to \$a 3,050 per U.S. dollar, a 34-1/2 per cent devaluation in terms of U.S. cents per peso (32.4 per cent in terms of pesos per U.S. dollar). The Central Bank also announced that in the future the exchange rate would be adjusted by small amounts and at frequent intervals. As was the case under the previous exchange arrangements, the Central Bank would sell foreign exchange if the daily quoted selling rate (the upper limit) was reached, and it would buy foreign exchange if the daily quoted buying rate (the lower limit) was reached. Transactions at rates within the band between the regulation rates were to be conducted freely. Also, effective April 2, 1982 the requirement to declare the purpose of purchases of foreign exchange, which had been established on March 20, 1981, was eliminated for transactions below US\$20,000.

To mitigate the price impact of the devaluation and capture part of the profits accruing to exporters, a 12 per cent tax was imposed on April 2, 1981 on exports of cereals, meat, and other products. This tax was to be gradually reduced for cereals beginning May 1, 1981 and altogether eliminated by November 1, 1981 in the case of fine grains and by March 1, 1982 in the case of coarse grains. A 10 per cent export tax also was imposed on exports of various food products, including wheat flour, vegetable oils and waxes, and cereal-based products. Also, existing export tax rebates were reduced by 3 percentage points for a number of export products (e.g., fruits, tomatoes, cotton, tea, and yerba mate). Import duties at the highest ranges of the import tariff structure, except in the case of motor vehicles, were lowered by 12 percentage points or to 43 per cent ad valorem, whichever was higher. Import duties at or below 43 per cent ad valorem remained unchanged.

The initial response to these exchange and trade measures was favorable. The net official international reserves increased by some US\$1.4 billion in the subsequent three weeks. But capital flight soon resumed and official reserves declined again (by some US\$0.8 billion) during the month of May. In response to these developments, on June 2, 1981 the selling rate of the peso was changed from \$a 3,284 to \$a 4,269 per U.S. dollar and the buying rate from \$a 3,274 to \$4,249 per U.S. dollar, both changes representing a devaluation of about 23 per cent in terms of U.S. cents per peso (and of 30 per cent in terms of pesos per U.S. dollar). At the same time, the authorities indicated that they intended to depreciate the peso by a further 6 per cent in terms of pesos per U.S. dollar over the month of June, and thereafter to adjust the exchange rate in such a way as to maintain the real value of the peso. The Central Bank indicated that it would continue to determine daily its spot selling and buying rates for the U.S. dollar. Also with effect from June 2, 1981, the requirement to declare the purpose of purchases of foreign exchange was fully reinstated, irrespective of the amounts involved. As of the same date, the maximum delay permitted for the surrender of foreign exchange receipts from traditional exports was shortened from 180 to 30 calendar days from the date of shipment.

In early June, the authorities also announced that private firms with foreign financial debts would be compensated for the June 2 devaluation under certain conditions. Effective June 4, 1981 private holders of foreign financial debts contracted after January 1, 1981 which fell due between May 29 and December 31, 1981 and which were renewed for a period of at least one year would be compensated for the increased peso cost of their foreign liabilities resulting from the June 2 devaluation. The Central Bank would deposit in a blocked account \$a 985 for each dollar's worth of the loan (the difference between the exchange rates prevailing on May 29 and June 2, 1981). At any time until December 31, 1981 any such loan would be renewed for one year. These peso deposits could be used to acquire foreign exchange at the exchange rate of \$a 4,269 = US\$1, the exchange rate set on June 2, when the renewed loan matured. The remaining foreign exchange needed to repay the loan would be paid at the prevailing exchange rate.

In order to encourage the lengthening of the maturity structure of the private sector's foreign debt and to stimulate new capital inflows, an exchange rate guarantee scheme was introduced on June 5, 1981. Eligible for the scheme (which applied to principal only) were private financial loans contracted or renewed after that date, the proceeds of which were surrendered by financial intermediaries to the Central Bank at the official exchange rate (the commercial rate after June 22, 1981--see below), so long as the loans were contracted or renewed for at least 540 days; exchange rate guarantees for loans with maturities longer than two years were to be considered on a case-by-case basis. The cost of the guarantee scheme for the first 180 days was to

be announced by the Central Bank on the day the foreign exchange was surrendered to it, payable on the initial peso value of the loan. After the first 180 days the cost of the guarantee was to be, at the option of the borrower: either the differential inflation rate between Argentina and the United States, or the exchange rate adjusted differential interest rate between Argentina and the rest of the world (LIBOR).^{1/}

Meanwhile, in the trade system, the financing and prefinancing lines of credit for nontraditional exports were liberalized somewhat on June 4, 1981. The proportion of the f.o.b. export value of certain products eligible for Central Bank prefinancing was increased. Also, the export financing period was lengthened from 90 days to 120 days for certain products.

Despite these measures, the peso remained under heavy pressure, and on June 22, 1981 the foreign exchange market was split into a commercial market and a financial market. In the commercial market, the Central Bank was to quote daily the exchange rate between the peso and the U.S. dollar, the intervention currency. Assigned to this market were (1) payments for nongold imports valued f.o.b. at the port of shipment; (2) the f.o.b. value of traditional exports; and (3) 90 per cent of the f.o.b. value of "promoted" exports. Access to the commercial market also was granted to amortization payments of foreign loans the proceeds of which were sold in the foreign exchange market on or before June 19, 1981 provided that such loans fell due on or after this date, were renewed for a term of at least one year, and were duly registered with the Central Bank. The eligibility of this category for exchange cover in the commercial market was to be an exception. The exchange rate guarantee scheme for eligible foreign financial loans to Argentine businesses announced on June 5, 1981 was to continue to apply provided that the proceeds of such loans were sold in the commercial market.

In the financial market, determination of the rates of exchange was to be left to the free play of supply and demand. This market, in which authorized dealers would be the intermediaries, would cover all transactions not eligible for access to the commercial market, in particular: (1) 10 per cent of the f.o.b. value of "promoted" exports, permits for which were formalized on or after June 22, 1981; (2) imports of gold, whether in coin, "good delivery" bars, or other forms; and (3) transactions involving transfers, money orders, checks, traveler's checks, and foreign banknotes. All transactions were to be bona fide and in compliance with existing norms.

At the close of business on June 24, 1981 the rates for the U.S. dollar were \$a 4,474 (buying and selling) in the commercial market, and \$a 5,300 buying and \$a 5,350 selling in the financial market. This compared with rates on June 19, 1981 of \$a 4,425 per U.S. dollar buying and \$a 4,435 per U.S. dollar selling. The exchange rates of June 24,

1/ See Appendix C for a more detailed description of the features of the scheme.

1981 therefore represented a depreciation of the peso (selling rate) of 0.9 per cent in terms of pesos per U.S. dollar in the commercial market and a depreciation of 20.6 per cent in terms of pesos per U.S. dollar in the financial market.

The splitting of the exchange market was accompanied by new measures affecting exports and imports. The maximum delay permitted for the surrender of foreign exchange receipts from traditional exports was shortened from 30 to 15 days from date of shipment, and also was made applicable to the surrender of proceeds from "promoted" exports. Moreover, payments corresponding to the f.o.b. value of merchandise imports contracted from June 22 on could not be remitted until at least 180 days after the date of shipment. Excluded from this regulation were various sundry goods. Previously, imports in general could be fully paid for without delay; for capital goods, advance payments of up to 20 per cent of the f.o.b. value had been permitted.

On August 7, 1981 most of the export taxes introduced on April 2, 1981 were eliminated, with the exception of those on coarse grain shipments, which are to be removed by March 1, 1982.

The exchange rate guarantee scheme for private foreign financial debt was modified and expanded on September 24, 1981. In the case of renewal of financial loans, the exchange rate guarantee henceforth would be extended to 50 per cent of all foreign financial loans to the private sector which (1) had entered the country by June 19, 1981; (2) were outstanding on June 30, 1981; (3) fell due on or before December 31, 1983; and (4) were rolled over for a period of at least 540 days and a maximum of three years. In addition to amortization payments, the guarantee would cover interest payments as long as such payments were postponed until the time the amortization payment was due (i.e., at the end of the period of the exchange rate guarantee). The cost of the expanded guarantee would be determined in the same way as before. For the first 180 days the interest rate would be announced by the Central Bank, on the basis of the peso value of the loan on the day the guarantee was given. For the remaining period of the guarantee the private sector could choose between either the differential inflation rate between Argentina and the United States or the exchange rate adjusted differential interest rate between Argentina and the rest of the world (LIBOR).^{1/}

2. Income and expenditure

The substantial adjustments performed in the exchange and trade system during April-June 1981 initially were accompanied by a series of modifications in incomes and demand policies. As it has turned out, however, wage, fiscal, and monetary developments have been somewhat more expansionary than originally intended, and domestic demand growth once again is forecast at close to 100 per cent this year.

^{1/} See Appendix C for a more detailed discussion of the expanded exchange guarantee.

a. Wage developments

Partly in response to the need to mitigate the unemployment effect of the recession and partly to prevent wage pressures from adding to inflation in the wake of the exchange rate corrections, government-decreed wage adjustments initially were to lag somewhat behind the expected rate of inflation.

Government remunerations, which had been raised by 18 per cent in January and by 21 per cent in May, rose by a further 10 per cent in July. In the public enterprises, wages were increased on the average by 2-1/2 per cent a month during January-May, and subsequently by 10-13 per cent in both June and July. Thereafter, remunerations both in the Government and in the state enterprises, in principle, were to rise by no more than 5 per cent a month through the end of the year. Accordingly, nominal wage and salary adjustments in the public sector were to be held to a range of 75-100 per cent over the course of 1981, on the average significantly below the expected rate of inflation. In the private sector, the Government continued to set the minimum and basic contractual wages. These were adjusted by 2-1/2 per cent a month during the first five months of the year, by 35 per cent in June, and by 10 per cent in July, to be followed by 5 per cent monthly increases during August-December. As a result, the cumulative nominal adjustment for the year as a whole was projected at 113 per cent. As it turned out, the August-December schedule of wage adjustments was altered appreciably in the following months. Government employees were granted a 15 per cent wage raise in September, to be followed by 5 per cent monthly increases during the last quarter of the year; in October, the minimum and basic contractual wages were adjusted upward by 25 per cent, also to be followed by 5 per cent raises both in November and December.

As already indicated, however, the minimum and basic contractual wages are but floors, which apply to a small fraction of the work force, and which in the past were exceeded substantially. But with the rise in unemployment and underemployment restraining contractual wage adjustments, indications are that nominal remuneration in private employment is unlikely to rise by more than 80 per cent this year. The larger increases decreed in minimum and basic contractual wages, therefore, will have had the effect of narrowing the gap between these benchmarks and wages actually paid, without being of much consequence in determining wage changes in private employment. The larger than expected adjustment in government salaries, on the other hand, is likely to almost fully compensate for price increases in 1981. Its impact on the Government's financial performance in 1981 should not be very large--though not insignificant--but it will raise the base for 1982 expenditure projections.

b. Public sector finances

(1) The original fiscal program

The deterioration in the public finances which began in 1980 continued into the first quarter of 1981, mainly because of slow revenue growth associated with the weakening of economic activity and with lower tax collections reflecting public expectations that a tax moratorium would soon be approved by the new government. In early May 1981 the authorities outlined the strategy they intended to follow in order to maintain the public sector deficit in 1981 within the original budget forecast, i.e., at 2.9 per cent of GDP (defined to exclude interest payments treated as amortization) and, over the medium term, to reduce the impact of the public sector on the economy by transferring a number of functions, agencies, and state enterprises to the private sector. In this context, two special committees were to be established to recommend, within 90-180 days, which decentralized agencies and state enterprises should be transferred to the private sector.

In order to ensure adherence to the deficit targeted for 1981, the fiscal program adopted in May raised import duties by 5 percentage points for goods subject to rates ranging from 0 to 43 per cent, excluding agricultural inputs and pharmaceuticals, and raised the rates of a number of excise taxes (including those on toilet articles, luxury items, and motor vehicles). Public sector tariffs henceforth also were to be raised somewhat ahead of inflation in order to recoup the real losses experienced during 1979-80. On the expenditure side, public expenditure was to be trimmed in real terms by curtailing both current (the wage bill and purchases of goods and services were to be cut by a number of administrative measures) and capital outlays (no new investment projects or public works bids beyond those budgeted were to be authorized). However, as the pace of inflation accelerated in the aftermath of the exchange rate adjustment--and the slack in economic activity worsened, requiring emergency assistance to certain provinces--it soon became clear that it would not be possible to adhere to the targets of the original 1981 budget. Accordingly, in September 1981 a revised budget was submitted to the Legislative Advisory Council (CAL).

(2) The 1981 revised budget

While maintaining the thrust of the policies announced in May, the revised budget for 1981 involves major adjustments of fiscal projections to the slower pace of economic activity and to a rate of domestic inflation higher than had originally been projected for 1981. The revised budget envisages increases in the overall public sector borrowing needs to about 9-1/3 per cent of GDP, from 7-1/2 per cent of GDP in the previous year, or to an overall deficit (excluding interest treated as amortization) of 6-1/2 per cent of GDP from 4-1/2 per cent a year earlier. This deterioration is essentially to affect general government finances, more than offsetting some moderate improvement in the state enterprises' operations. The financing needs of the public

sector are to be met mostly from domestic sources, as external financing is likely to drop from one third of last year's deficit to about one fourth of that in 1981.

(3) The general government

The overall deficit of the general government is projected to widen to 5-1/2 per cent of GDP this year, reflecting a marked drop in savings; and after adjustment for interest payments, its financing needs are estimated at 7-1/2 per cent of GDP, up from 4-1/2 per cent in 1980. While revenues are expected to fall by about 4-1/2 percentage points to about 22-1/2 per cent of GDP in 1981, the reduction of expenditures is unlikely to yield more than 2 percentage points of GDP, possibly less after account is taken of the larger than expected pay raise to government employees in September; thus, savings are to narrow to about 1/2 per cent of GDP, from more than 3 per cent in 1980 (Chart 14).

The weakening of revenue growth is predicated entirely on a decline in revenues accruing to the special accounts, decentralized agencies and provinces. The contraction in the resources of the special accounts and of decentralized agencies from 5-1/2 per cent of GDP in 1980 to 4 per cent of GDP in 1981 is attributable to the reforms of the import tariff structure 1/ and of the value-added tax introduced toward the end of 1980, which eliminated a number of earmarked revenues. Collections from taxes on motor vehicles and tires accruing to the National Road Administration also are expected to decline in real terms owing to plummeting automobile sales this year. Indications are that provincial revenues, which account for about one third of general government revenues, also are falling off in real terms because of the depressed condition of the regional economies and of a drop in collections of national taxes subject to the revenue sharing scheme (coparticipados). Certain provinces also are expected to see their financial positions weakened in 1981 by the adoption earlier in the year of installment plans for the settlement of provincial tax liabilities in response to recessionary local conditions. On the other hand, central administration revenues are expected to increase somewhat in terms of GDP, reflecting higher nontax receipts--mostly transfers from the special accounts and decentralized agencies to finance the National Housing Plan and capitalize the Mortgage Bank.

During the first seven months of 1981, Treasury tax collections were affected adversely by weak economic activity and by expectations that a national tax deferment plan along the lines of those already adopted by a few provinces soon would be instituted. Accordingly, there was a sharp buildup in tax arrears. Such a plan, allowing for a 20-month stretch-out from October 1981 of tax payments outstanding at the end

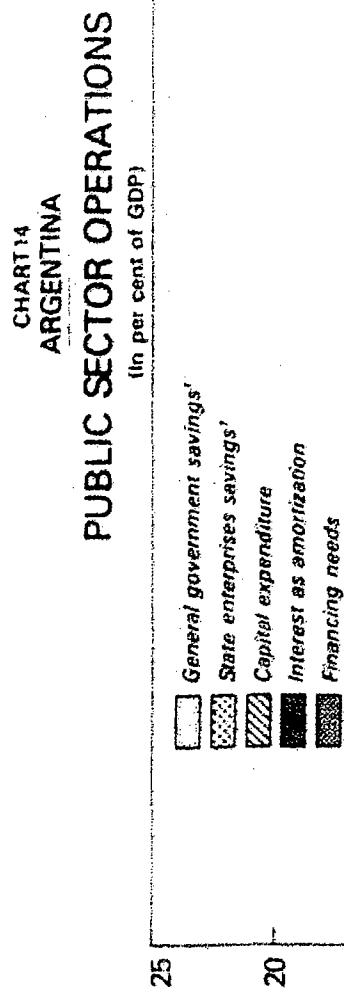
1/ Several import surcharges were incorporated into the basic import tariff. These surcharges previously fed agricultural, mineral, steel, and highway development funds.

of March 1981, was in fact introduced in September. This plan should affect this year's Treasury revenue only marginally. Hence, with a likely drop in revenue from income and wealth taxes and large transfer of receipts from the value-added tax to the social security system, the maintenance of tax revenue in real terms in 1981 is predicated entirely on a strong growth of receipts from taxes on international trade and on internal transactions. Receipts from foreign trade taxes are expected to benefit from the increase in the peso value of imports arising from the exchange rate adjustments, which should more than compensate for the prospective drop in import volume; from some increase in average import duties; and, to a lesser extent, from the temporary imposition of taxes on agricultural exports in early April. The prospective growth in collections of taxes on internal transactions is to result from the expansion in the coverage and the increase in the rate of the value-added tax decreed in October 1980.

The small reduction in general government current outlays in relation to GDP envisaged in the revised 1981 budget reflected a reduction of the wage bill and sharp cuts in purchases of goods and services, which were partially to offset increased transfers to the private sector and to the financial system in connection with the economic recovery program. The budgeted reduction in the wage bill was to stem from the decline sought initially in the real remuneration of government employees as well as from such administrative measures as the freezing of vacancies and a reduction of temporary hiring and overtime pay. The reduction of the wage bill, however, may turn out to be significantly smaller because of the larger than programmed salary adjustment in late September 1981. Adherence to the revised budget targets thus may require larger economies in investment outlays than had been envisaged earlier.

(4) State enterprises

The 1981 budget counts on a substantial strengthening of the state enterprises' financial operations, with their prospective financing needs declining by almost 1 percentage point of GDP to less than 2 per cent of GDP. This improvement is predicated on a marked increase in relative prices for public sector goods and services, as well as on restraint in operating and capital outlays. Because of price adjustments well in excess of the inflation rate, the bulk of this improvement is expected to take place in the State Petroleum Company (YPF) and in the State Telecommunications Corporation (ENTEL), the two largest state enterprises. Both are expected to generate much larger operating surpluses (in relation to GDP) than a year earlier, and to curtail their investment outlays. YPF intends to rely increasingly on risk contracts with private firms for oil exploration, and ENTEL has been instructed to slow somewhat the implementation of its modernization program in telecommunications. Expectations also are that the substantial improvement in efficiency registered by public enterprises in the last two years will have continued in 1981.



Sources: Statistical Appendix Tables 35 and 50.
Includes capital receipts.

Rev. budget

Pre.

c. Financial intermediation

The rate of growth of the main monetary aggregates declined sharply during the first half of 1981. Reflecting the deepening recession, the net domestic assets of the financial system rose by only 38.6 per cent, while heavy capital flight held the growth of the system's liabilities to the private sector to 21.9 per cent. By comparison, prices increased by 62-1/2 per cent during the period. Although the high degree of exchange risk throughout most of the first six months of the year resulted in sharp increases in nominal interest rates, these increases failed to compensate for the acceleration of inflation and to arrest capital flight.

With the split of the exchange market at the end of June and the channeling of most invisible transactions through the financial market, the monetary impact of the external sector should be reduced considerably and the Central Bank's ability to control the money supply correspondingly enhanced. The Central Bank prepared in September a monetary program which contemplates growth of money and quasi-money--as well as of the monetary base--at rates close to 100 per cent for the year as a whole (Statistical Appendix Table 56). This increase would accommodate an expansion of about the same magnitude in net domestic bank credit over the course of 1981, a third of which would go to the public sector, and almost one half to the private sector. (Credit to the private sector, however, is projected to increase by only 45 per cent this year--a 43 per cent reduction in real terms--in reflection of negligible growth in the first half of the year.) The program is designed to be consistent with a US\$2.2 billion decline in the net official international reserves, only slightly less than during the first half of the year. The monetary program therefore implies virtual neutrality of the external sector in the second half of the year in terms of its impact on domestic monetary expansion; and credit expansion of domestic origin is projected at 7 per cent a month for September-November, and at 9 per cent in December. The credit expansion is to stem mostly from Central Bank financing of the Central Government and from the impact on the Interest Equalization Fund of the growing proportion of 7 to 30 day time deposits in bank liabilities to the private sector. Rediscounts to the financial system are to remain unchanged through the end of the year. In September the Central Bank also published monetary growth targets for that month and announced its intention to repeat such monthly announcements in the future in order to reduce uncertainty in financial markets.

Monetary management in 1981 has been influenced heavily by the need to find solutions to the financial difficulties of enterprises engaged in the production of tradeable goods, perceived as a growing threat to the stability of the financial system as firms have become increasingly unable to service their financial obligations. Accordingly, shortly after the inauguration of the new Administration, the Central Bank introduced a special rediscount facility to allow banks to extend repayment periods. The scheme allowed financial institutions to borrow

in three installments over May-July up to the equivalent of 12 per cent of their deposit liabilities, and to use these funds at their discretion to extend to their customers four-year consolidation loans, with a two-year grace period; interest payments were to be made at the end of each year. The rediscount rate was to be determined by auction, with the minimum rate set by the average of daily interest rates on 30-day deposits offered by the major commercial banks (tasa testigo). The banks were required to direct 85 per cent of the loans to enterprises in the primary and manufacturing sectors. Under this scheme borrowers from the banks could not refinance more than 30 per cent of their total outstanding debts. In the case of firms with serious liquidity problems, both the National Development Bank and the provincial banks would underwrite debentures to be traded in the capital market. Central Bank credit to the financial institutions under this rediscount facility amounted to \$a 4.3 trillion through the end of June 1981. The Central Bank also provided special assistance to provincial and state banks--\$a 1.1 trillion through the end of June 1981--to be applied to regional economic reactivation. To compensate for the expansionary impact of these rediscounts, legal reserve requirements were raised in steps from 12 per cent in early April to 18 per cent in August (after having been raised from 10 per cent to 12 per cent in early March).

In October 1981, the special rediscount facility was replaced by a debt consolidation scheme which allows the conversion of up to 50 per cent of the debt of the manufacturing sector to the domestic banking system, and of up to 40 per cent of the debts of other sectors, into seven-year obligations, with a three-year grace period and subsidized interest rates. Participation by banks is voluntary but, once a bank decides to participate, it must extend equal treatment to all eligible customers. The monetary expansion resulting from this scheme is estimated at around \$a 250 billion a month, beginning in November or December.

To ensure parallelism with this scheme for consolidation of local currency debts, firms with foreign debts on May 29, 1981 and those renewing existing or contracting new foreign loans for a period of 18 months to three years, as already indicated in subsection 1 above, will under certain conditions be eligible for compensation for the June 2, 1981 devaluation and for exchange guarantees. The monetary impact of these schemes is likely to be substantial, but will not begin to be felt until mid-1982.^{1/}

d. Domestic expenditure

Despite the effort at controlling the rate of growth of public sector spending, the prospective increase in the public sector's borrowing requirements and the acceleration in the rate of monetary and credit growth in the second half of the year are expected to raise nominal

^{1/} For a description of the debt consolidation scheme and of the exchange guarantee scheme see Appendix C.

domestic expenditure in 1981 to about twice its level last year. To a large extent, however, this increase will reflect the corrective adjustments in relative prices brought about by the sharp exchange rate changes and by the policy of recouping previous losses in real tariffs and prices in the public enterprises.

Domestic spending in real terms is likely to decline appreciably this year. The prospective moderate contraction of consumer demand in real terms is predicated on the marked deterioration in average real wages and on the increase in unemployment; while the decline in real government consumption outlays reflects the restraint in current spending called for by the revised budget. Investment expenditure is expected to contract sharply in real terms, partly on account of a drop in fixed capital formation--more pronounced in the private than in the public sector--and partly because of the ongoing drawdown of the inventories accumulated through March 1981. Lack of confidence and high real interest rates during most of the year have discouraged producers already facing serious cash flow difficulties from increasing fixed capital spending. Indications are that this wait-and-see attitude also has extended beyond manufacturing and construction. Despite the sharp improvement in the relative economic position of agriculture brought about by the exchange rate adjustments, the farm sector does not seem to have resumed spending on machinery, equipment and intermediate inputs on any significant scale as yet.

3. Output, price, and labor market developments

a. Domestic supply

The recession which began in industry in 1980 and which, by the second quarter of 1981, had spread virtually to all other major sectors except agriculture and banking, is expected to last much longer than the slump of 1978. The consensus is that a recovery will start at best in the second quarter of 1982 in response to the expected rebound of exports and to the coarse grain harvest. In the meantime, the only sectors experiencing real output gains in 1981 have been agriculture, banking, and utilities. Thanks to improved efficiency and good weather conditions, the coarse grain crop has reached an all time high in 1981. Moreover, indications are that the recent exchange rate adjustments, together with the temporary introduction of special financing facilities, have induced a strong increase in the planted acreage for the 1981/82 crop year. In contrast, industry, which had lost large shares of its domestic and foreign markets in 1979-80, and which now is in the process of working down large inventories, is expected to recover only very slowly from this year's trough. Construction and services also are faced with severe recessionary conditions owing to depressed demand, and are likely to show lackluster performance for some time to come. Outside agriculture, only the financial and utility sectors are likely to post gains in value added in 1981, reflecting in the latter case large investment in power generation and distribution.

In the agricultural sector the 1980/81 crop reached a level unprecedented in the last 35 years, with corn, sorghum, and other coarse grains thriving under exceptionally favorable weather conditions in the summer. The weather during the fine grain season had been much less favorable, and the harvested area of wheat, which was larger than the year before, yielded a smaller crop than in 1979/80. Nevertheless, the total grain crop harvested in 1980/81 reached a record 36 million tons, up 44 per cent from 1979/80. Grain exports in 1981 thus are estimated at 21-22 million tons, of which 19 million tons already had been shipped by the end of August 1981.

The large devaluations of the second quarter of 1981 provided a strong incentive to farmers to further raise their production, and available surveys indicate that the area planted to grain and oil seeds will increase by about 4 per cent in the 1981/82 crop year. The area planted to wheat, which was sown during May-August, reportedly has been expanded by 11 per cent; and that planted to corn and sorghum, sown in the last quarter of the calendar year, also is expected to increase, albeit somewhat less. Farmers also have been encouraged to maintain or expand the planted acreage by the establishment, for a three-year period, of a special five-year line of credit in the Banco de la Nacion at 6 per cent annual interest on the principal indexed, at the borrower's option, to the value of either agricultural production or livestock production. However, only optimal weather conditions would make it possible to repeat the record crop of 1980/81, and recent indications are that last year's favorable climate has not been repeated this year. The extended winter drought in the province of Buenos Aires, the main wheat growing area, may lower wheat yields somewhat and cause the harvest to fall short of the original forecast of 11 million tons by 3-4 million tons.

Industrial crops, such as cotton, tobacco, sugarcane, and fruits generally faired poorly in 1980/81, owing to the loss of foreign markets caused by the real appreciation of the peso. Significant production increases, however, are expected in 1981/82 because of the sharp readjustment in relative prices.

Beef production is unlikely to increase much in 1981, at most by 1 per cent. Even this small rise will involve a further reduction in the cattle herd, from 55.8 million head at the end of in 1980 to an estimated 54.5 million head a year later, the smallest herd in more than five years. The high level of indebtedness of the cattle industry, together with declining relative prices for beef, has forced farmers to slaughter more cattle than the optimal extraction rate would warrant. The Ministry of Agriculture and Livestock now is in the process of dealing with hoof and mouth disease, one of the main reasons why the extraction rate cannot be raised at present without a reduction in stock. With assistance from the U.S. Department of Agriculture, a campaign is under way to introduce a new, more effective vaccine against the disease. If successful, this campaign should prevent stock reductions from the disease and, at the same time, open up new export markets to Argentine beef hitherto closed because of health regulations.

In contrast with agriculture, manufacturing has continued to register a marked decline in production. Output contracted by an estimated 15 per cent in the third quarter of 1981, following declines of 13.4 per cent in the second quarter and 5.5 per cent in the first quarter, pointing to a 9 per cent drop for the year as a whole. The sharp production downfall in the automobile, tractor, and metal industries, along with the pronounced decline in construction activity, has had severe repercussions throughout the sector. Moreover, depressed domestic demand and the loss of export markets during 1979-80 have led to the accumulation of large inventories, which have reduced capacity utilization to about 60 per cent in the third quarter of this year (25 per cent in the automobile industry). Car sales fell from 27,000 units in September 1980 to 7,500 in September 1981 and the outlook for the rest of 1981 is bleak despite recent measures of assistance to the sector. Expectations now are that the industrial recession will have bottomed out in the third or fourth quarter of 1981 and that growth will resume from the second quarter of 1982 on the strength of a sharp rise in exports and of a return of inventories to more normal levels.

In addition to the exchange rate corrections and the postponement until 1982 of further reductions in import duties, substantial financial relief to industry is expected from the debt consolidation scheme for local currency corporate liabilities to the domestic banking system approved in late-October, from the establishment of exchange guarantee schemes for new or refinanced foreign debts, and from the stretching out over 20 months of payment of tax liabilities outstanding at the end of March 1981. Also, to stimulate exports the regime of export tax rebates (reembolsos and reintegros) has been liberalized greatly during the last few months.^{1/} Finally, partial relief from the value-added tax to the automobile, truck, farm machinery, and fertilizer industries is expected to encourage these industries to lower their prices by 14 to 24 per cent. The Treasury also will reimburse any import duties and taxes paid at the time of import to importers who re-export cars.

Reflecting the economic slack, energy production in 1981 is expected to remain about unchanged from its level in 1980, while net imports of energy products are expected to fall. Crude oil and natural gas production have stagnated so far this year,^{2/} while electricity generation has declined by about 2 per cent. In contrast, indications are that important changes are taking place in the foreign energy balance. Exports of petroleum derivatives are expected to almost double in U.S. dollar terms in 1981, albeit from a low level, while imports are expected to drop by 26 per cent. Even though imports of natural gas (from Bolivia) will rise by about 37 per cent, the trade deficit in energy products is expected to narrow by some 50 per cent in 1981.

1/ See Appendix E.

2/ Independent sources actually foresee a slight fall in crude oil production in 1981 as only about 760 wells have been drilled this year, compared with 850 last year.

The relative price of energy products deteriorated somewhat in the second quarter of 1981, when the successive devaluations caused consumer prices to rise more rapidly than the monthly adjustment in tariffs. Beginning in August 1981, however, the energy sector has been allowed to raise its prices far above the inflation rate. Prices of refined oil products were adjusted upward by an average of 15 per cent in August, by 14 per cent in September, and by 12 per cent in October. Similar adjustments were performed in the price of gas, and somewhat smaller ones for electricity. These adjustments notwithstanding, domestic prices remain below world market levels, with regular gasoline still retailing for the equivalent of US\$1.65 per gallon.

b. Prices

The uncertainties prevailing at the time of the change of administration and the large devaluations that followed gave renewed impetus to domestic price increases—an impetus which the depressed state of the economy initially checked only to a limited extent. The import component of the wholesale price index rose by 77 per cent in the second quarter of 1981 and by 50 per cent in the third quarter, causing the overall index to rise by 13.4 per cent a month during April-June and by 9.6 per cent in July-September, up from 4 per cent a month in the first quarter of the year. The impact of the devaluations on the consumer price level was somewhat delayed and less pronounced, reflecting the larger weight of nontradeables in the consumer basket. Consumer prices went up by 27 and 29 per cent in the second and third quarters of the year, respectively, compared with 16 per cent during January-March.

This spurt of inflation, however, seems to have been relatively brief, with the rise in the cost of living index decelerating to 7 per cent in September and to 5.8 per cent in October, and with the wholesale price increase declining to 7 per cent and 6.1 per cent in the same two months. On present trends, this year's annual average increase in consumer prices is forecast at around 105 per cent, as against 101 per cent in 1980, and the average for wholesale price increases at 123 per cent for 1981, compared with 64 per cent in 1980.

c. Labor market

(1) Real wages

As already noted, the pressure from falling demand and rising unemployment brought real wages in industry on a downward path in the first quarter of 1981. The decline was even more pronounced in the second quarter of the year, when the purchasing power of wage earners fell by 6 per cent, as against 2-1/2 per cent in January-March. The acceleration in the inflation rate from 6 per cent in March to 9 per cent in June was far from compensated by nominal wage increases of around 4 per cent a month during this period. Independent surveys show that a further deterioration of the same magnitude occurred in the third quarter of 1981, which points to a deterioration in real wages

of about 18 per cent since the beginning of 1981. Losses were heaviest in the textile, paper, printing, and automobile industries, while export-oriented industries, such as leather and food processing, registered smaller declines. However, as the Government continued to raise minimum and basic contractual wages about in line with inflation, unskilled labor, which is about the only occupational group paid the minimum wage, has approximately maintained its purchasing power in 1981.

Government remunerations initially were expected to decline on the average by some 6 per cent in real terms in 1981. However, with the unexpected increase in the September adjustment from 5 per cent to 15 per cent, government employees are likely to suffer a real loss of only 1-2 per cent in 1981, while employees of the public enterprises would see their real earnings curtailed by 4-5 per cent. As noted in subsection 2.b. above, however, the revised budget for 1981 was based on more moderate salary adjustments in this sector and a question may arise whether maintenance of real salary levels will not require larger reductions of the government work force than were envisaged a few months ago.

(2) Employment

According to official surveys, the unemployment rate for the Buenos Aires metropolitan area rose from 2 per cent in October 1980 to 4 per cent in April 1981 and to 5 per cent in July, the highest rate in five years. The April rates for all other major urban centers except Cordoba were even higher. Continued layoffs in manufacturing, which reduced its work force by 8 per cent during the first quarter of 1981 and by 5 per cent in the second quarter, and the overall depressed state of the economy added significantly to the number of unemployed. Independent surveys show that a further large reduction in industrial employment occurred in the third quarter of 1981, with little prospect of an early turnaround. Some improvement in the employment situation is predicated on the prospective recovery of industrial and construction activity in the first half of 1982, although the sharp increase in self-employment in 1979-80 makes an early return to the low unemployment rates of recent years somewhat unlikely.

(3) Productivity and unit labor costs

The substantial productivity gains achieved in industry during 1979-80, mostly through a reduction of the work force, have not been sustained in 1981. In the first half of 1981 the decline in manufacturing output turned out to be even larger than that of hours worked. As a consequence, output per hour started to fall from its peak in the fourth quarter of 1980. By the second quarter of 1981 productivity had fallen below the average for 1980. For the rest of 1981, expectations are that productivity losses will taper off as industry continues to reduce its work force. For the year as a whole, productivity levels therefore should remain close to the average level of 1980.

In the wake of the postdevaluation acceleration in wholesale price increases, real wage costs in industry registered a significant decline. Although the positive effect of this decline on unit labor costs was mitigated somewhat by the simultaneous drop in productivity, real unit labor costs fell by 8 per cent during the second quarter of 1981, after posting a nearly uninterrupted advance over the previous three years. Further gains in the competitive position of manufacturing can be anticipated for the rest of the year. Real wage costs are expected to continue to retreat as price rises outpace average wage increases and the productivity decline levels off. Real unit labor costs in 1981, therefore, may well fall back to close to their level in 1979.

4. External developments

The successive exchange rate corrections of April-June 1981 and the daily adjustment of the external value of the peso on the commercial exchange market in subsequent months to a large extent have reversed the real appreciation of the peso which had been going on since late 1978. The peso depreciated by about 12 per cent in real effective terms between the end of March 1981 and the end of April 1981.^{1/} From the end of April to the end of June the peso depreciated by a further 4.4 per cent in terms of the export weighted real effective exchange rate and by 5.3 per cent in terms of the import weighted real effective exchange rate, and by the end of September the peso had depreciated by a further 3 per cent in terms of both the export and import weighted real effective exchange rates. The real effective depreciation during the first nine months of 1981 thus amounted to approximately 25 per cent.

As this sharp exchange rate correction was superimposed on a deepening economic recession, the current account balance of payments deficit narrowed from US\$1.9 billion in the first quarter of 1981 to US\$0.6 billion in the second quarter. The trade balance turned around sharply, moving into a surplus of some US\$350 million--the first surplus since the third quarter of 1979. At the same time, the deficit on service account fell by more than US\$400 million, reflecting the virtual disappearance of the deficit in nonfinancial services.

With the turnaround in the trade and nonfinancial service accounts gaining strength in the second half of the year, the current account deficit is expected to be almost halved in 1981, to only US\$2.6 billion. Export earnings are projected to increase by 24 per cent from last year. Major agricultural exports are expected to rise by about one third; corn exports should rise one and one half times to over US\$1.3 billion, reflecting the record harvest of the crop cycle which concluded in the second quarter of the year. Important gains also have been registered in exports of sorghum, seeds and oilseeds, and wool. Industrial exports, which had remained depressed through April, are expected to recover somewhat. Although the lagged reaction of this sector to the exchange rate changes is unlikely to bring a recovery of more than 9 to

^{1/} Irrespective of whether export or import weights are used.

10 per cent this year, a strong response is projected for 1982. Meanwhile, imports are estimated this year at around US\$8.8 billion--a 15 per cent decline from last year--because of the effects of the devaluation, of the need for the economy to work off the large stocks of imported goods accumulated prior to March, and of the domestic recession. The sharpest decline is likely to take place in imports of consumer goods, while capital goods imports are expected to fall by some 18 per cent and those of intermediate goods by about 5 per cent in reflection of the drawdown of inventories and of the contraction in fixed investment. As a result of these trends, the trade balance is likely to end in a surplus of slightly over US\$1 billion for the year as a whole.

Although a slowdown is expected in net service payments during the second half of the year, the deficit on this account is projected to widen considerably, from US\$2.2 billion in 1980 to US\$3.8 billion in 1981. The drop in net travel payments abroad should cause the deficit on nonfinancial service accounts to narrow somewhat, but the deficit on financial services is expected to more than double because of a large increase in interest payments on the foreign debt associated with high international interest rates and with the sharp rise in the outstanding debt in 1980 and early 1981.

Net capital receipts are expected to decline from US\$2.1 billion in 1980 to US\$0.7 billion in 1981. Following the US\$1 billion net outflow of the first quarter, net capital receipts amounted to about US\$0.8 billion during April-June as the splitting of the exchange market and the float of the financial rate eventually succeeded in bringing capital flight to a halt. The net capital outflow through the financial system is projected at US\$635 million for the year as a whole, with the outflow concentrated in the first half of the year and the flows moving into approximate balance in the second half. Private capital outflows are projected at about US\$2.6 billion, which in effect assumes some net capital repatriation in the second half of the year.

Net direct investment is estimated at around US\$800 million in 1981. During the last five years about 50 per cent of the foreign direct investment in Argentina has originated in the United States, and an additional 40 per cent in France, the Federal Republic of Germany, Italy, the Netherlands, and Switzerland. In this period about half of total foreign investment has been channeled to the energy, financial, and automotive sectors.

Net foreign borrowing by the central and local governments is expected to increase from US\$0.8 billion in 1980 to US\$2.8 billion in 1981, of which slightly over one half would be medium- and long-term and bunched in the last quarter of the year as Argentina gradually resumes net Euroborrowing following an absence from the market of almost six months. State enterprises are expected to repay some US\$200 million net of short-term foreign debts, and to reduce their net medium- and long-term foreign borrowing by about one third to US\$1,350 million, reflecting some slowdown in the execution of their investment programs.

Altogether, the improvement in both the current and capital accounts in the second half of the year is expected to keep the net official international reserve loss to around US\$2.2 billion for 1981 as a whole, about US\$0.5 billion less than in 1980, and in the first half of the year.^{1/}

Outstanding external debt registered with the Central Bank reached US\$30.5 billion at the end of April 1981. Of this total US\$17.2 billion was external public debt and US\$13.4 billion private debt. During the first four months of 1981 the share of short-term debt in the total external public debt continued to rise, reflecting emergency borrowing to prop up the official international reserves in the face of intensifying private capital flight. As a result of this increase, external public debt operations in the remainder of the year have consisted mostly of short-term rollovers and, once evidence of some improvement in the trade account in response to the exchange rate correction had begun to surface, of substitution of medium- and long-term loans for short-term liabilities.^{2/} On the other hand, the share of short-term debt in total private debt declined somewhat between the end of 1980 and April 30, 1981, reflecting precipitous foreign debt repayment, especially by banks, in the expectation of a large exchange rate adjustment.

The rapid increase in external public debt between late 1978 and the first quarter of 1981 has given rise to very large debt service obligations in 1981. Amortization payments on the external public debt registered on March 31, 1981 were projected at US\$3.5 billion for the second quarter of the year, US\$2.3 billion for the third quarter, and US\$0.5 billion for the last quarter, about 80 per cent of these payments representing amortization of short-term debt. As indicated above, this amortization schedule has been essentially met through rollovers, although some net repayment also took place. As a result, the total outstanding external public debt declined slightly between the end of March 1981 and the end of August 1981.^{3/} Net inflows, however, are expected to resume in the last quarter of the year as Argentina's access to the international financial markets improves gradually. On present trends, the total outstanding public debt is projected at around US\$17 billion by year-end, and the total foreign debt, including that of the private sector, at about US\$30 billion.

1/ Indications are that short-term capital outflows resumed on a sizable scale in October-November, which may cause the private nonbank capital account eventually to show a larger net outflow than was anticipated in August-September, and the net official reserve loss for the year as a whole to exceed the August forecast of US\$2.2 billion.

2/ See Appendix D for a detailed discussion of the external borrowing policy of the public sector.

3/ The 1981 balance of payments estimate does not fully reflect all the amortization payments because rolled-over operations are sometimes not recorded and because of lags in the recording of other external debt transactions.

The average terms of contracted medium- and long-term external public debt have continued to harden in 1981. According to a sample of syndicated Eurocredits contracted by the public sector, the average maturity of these credits has continued to decline from the 5.9 year-average of 1980, and the spread over LIBOR has widened from 0.62 on the average in 1980 to over 1 percentage point for the most recent syndications.

The Energy Sector and the Energy Situation in Argentina

I. Introduction

Argentina is endowed with vast, still largely untapped energy resources. In the past, emphasis was placed on developing the hydrocarbon sector, and as a result Argentina now has become almost self-sufficient in crude oil and gas. In the process, however, dependence on hydrocarbons, particularly oil, has turned dangerously high (85 per cent) given the relatively low level of proven reserves. Accordingly, policies in the late 1970s were redirected toward developing Argentina's abundant hydroelectric potential, the area where most efforts will be concentrated over the next 20 years. This Appendix reviews the institutional setting and recent developments in the energy sector of Argentina, and outlines the Government's plans and policies for the future.

II. Institutional Aspects

Energy development and production in Argentina essentially are in the hands of a few state enterprises/agencies, the most important of which are the State Petroleum Company (YPF), the State Gas Corporation (Gas del Estado), the State Coal Company (YCF), the State Water and Electricity Company (Agua y Energia), the Electricity Company of Greater Buenos Aires (SEGBA), the Northern Hydro-Electric Company (HIDRONOR), and the National Atomic Energy Commission (CONEA). The operations of these enterprises are supervised and coordinated by the State Secretariat of Energy which depends on the Ministry of Public Works and Services.^{1/} Another important function of the Secretariat is to design and update the national energy plan and, in this capacity, to promote new energy projects and supervise those that are in progress. Thus, the three large binational hydropower projects,^{2/} operated by entities with binational representation, also fall under the supervision of the Secretariat. In contrast, the Secretariat has little direct control over the provincial energy-producing enterprises, which are under the jurisdiction of the provincial governments.

III. Recent Developments

During the 1970s, energy demand in Argentina exerted little pressure on the balance of payments because: (a) the sluggish growth of the economy kept the annual increase in energy consumption to barely 3-1/2 per cent, and (b) domestic production in general covered more

^{1/} Until recently the State Secretariat of Energy was part of the Ministry of Economy, Treasury, and Finance.

^{2/} Salto Grande, undertaken jointly with Uruguay on the Uruguay river; and Yacyreta (under construction), and Corpus (in the planning stage), jointly with Paraguay on the Parana river.

than 90 per cent of total demand. Argentina thus was not forced by the 1973 oil crisis to develop existing energy resources as rapidly as possible. In fact, production of crude oil, the dominant energy source, and of coal has remained virtually unchanged since 1970, with a moderate upward trend for oil since 1978. Natural gas production has increased by about 7 per cent a year. Only hydro and nuclear power generation increased rapidly (though from negligible levels in 1970)^{1/} and, even at present, they do not account for more than 8 per cent of total energy supply. As a result of these developments, there was some reduction in the share of domestic oil in total consumption (from 73 per cent in 1970 to 65 per cent in 1980) which was offset by a doubling of the volume of both gas production and petroleum imports.

In the late 1970s, the potential balance of payments impact of a continued rise in oil imports became a source of growing concern and the decision was taken to develop and diversify as rapidly as possible Argentina's other energy resources.

1. Petroleum

A rather negative official attitude before 1976 toward private domestic and foreign participation in the development of Argentina's crude oil resources resulted in a lack of decisive policy response to the oil price hike of 1973. As the know-how for exploring and exploiting new, less accessible, resources was not available in Argentina, the number of oil wells drilled remained at around 600 per year in 1970-76, while production remained stagnant at 23 million cubic meters a year. During the same period, however, YPF expanded its work force by 45 per cent to 49,000 employees, with serious repercussions on the costs and profitability of the corporation.

The administration that took office in 1976 recognized the need for a blunt approach to the question of Argentina's dependence on oil. YPF was reorganized and its staff trimmed--to 34,000 employees in 1980--which resulted in substantial gains in productivity. Incentives to private sector participation in exploration and exploitation through risk contracts were offered by a new law in 1978. As a consequence, 7 offshore areas and 11 land areas have been tendered since then, while drilling in areas operated by private contractors under license or risk contracts jumped from 50 wells in 1977 to 260 wells in 1978.^{2/} Production responded gradually to the increased drilling activity, rising from 23 million cubic meters in 1976 to 29 million in 1980 (Table 18). The tendered areas now yield about 35 per cent of total oil production. All the crude oil extracted is processed in YPF's refineries.

Beginning in 1979, YPF's financial position deteriorated rapidly and the company recorded a loss in 1980, the main reason being lagged adjustments in product prices to cost increases (Table 19). Thus, at

^{1/} Nuclear power came on stream in 1974.

^{2/} Before 1978, wells in these areas were drilled under license contracts only.

Table 18. Argentina: Production and Consumption of Natural Gas,
Crude Petroleum, and Petroleum Derivatives

(In millions of cubic meters unless otherwise indicated)

	1977	1978	1979	1980	Jan.-May 1981
I. Production					
Natural gas 1/	7,786.7	7,353.3	8,719.2	9,409.5	3,709.3
Crude petroleum	25.05	26.25	27.43	28.57	12.01
Derivatives					
Gasoline					
Regular	2.75	2.92	3.05	3.21	1.26
Extra	3.12	3.17	3.24	3.90	1.67
Kerosene	0.93	0.81	0.65	0.73	0.19
Gas oil	6.58	6.51	6.91	7.52	3.14
Diesel oil	0.85	0.95	1.15	1.19	0.50
Lubricants	0.29	0.27	0.34	0.32	0.12
Fuel oil	9.21	8.88	9.03	8.22	3.14
L.P.G. (thousands of tons)	0.57	0.64	0.62	0.67	0.25
II. Consumption					
Natural gas 2/3/	9,896.4	9,609.9	10,540.7	11,448.0	4,450.4
Derivatives					
Gasoline					
Regular	2.64	2.94	3.17	3.23	1.32
Extra	3.05	3.15	3.56	4.11	1.72
Kerosene	0.91	0.83	0.76	0.79	0.20
Gas oil	6.01	6.09	6.49	6.58	2.51
Diesel oil	1.66	1.40	1.59	1.28	0.51
Lubricants	0.26	0.26	0.31	0.30	0.12
Fuel oil	7.20	6.51	6.91	5.27	1.72
L.P.G. (thousands of tons)	0.83	0.85	0.88	0.91	0.33

Sources: Ministry of Economy, Treasury and Finance; Secretariat of Energy; and Central Bank of Argentina.

1/ Net of reinjection and losses.

2/ Includes direct consumption of National Oil Company (YPF).

3/ Differences with production data correspond to changes in stocks and to imports from Bolivia and Chile.

a time when world market prices for oil products doubled, these became relatively cheap in Argentina, providing no incentive for conservation. By the end of 1980, Argentina's crude oil (ex well) was priced at US\$80 per cubic meter, while world market prices were around US\$220 per cubic meter. Because of heavy taxes, however, the difference in refined product prices was less pronounced, with retail prices about 25 to 40 per cent lower than in Europe. (This loss in real terms was recouped in part after May 1981, when the domestic price of oil derivatives began to be adjusted ahead of the inflation rate.)

Table 19. Argentina: Relative Prices of Major Energy Products 1/

(1976 = 100)

	1976	1977	1978	1979	1980	1981	
						I	II
All products	100.0	105.6	109.7	89.4	93.8	113.4	103.3
Petroleum products	100.0	99.6	100.0	81.3	85.1	102.4	93.6
Gasoline, regular	100.0	98.2	88.1	71.7	75.5	89.6	...
Gasoline, extra	100.0	102.1	94.7	77.2	81.7	97.7	...
Diesel oil	100.0	94.1	112.6	95.8	102.4	124.7	...
Fuel oil	100.0	111.0	147.6	122.2	131.8	162.4	...
Gas oil	100.0	91.1	124.5	100.2	101.6	125.4	...
Kerosene	100.0	92.7	126.7	102.1	103.7	127.8	...
Natural gas	100.0	144.9	161.3	123.0	131.7	163.1	146.1
Electricity	100.0	123.6	133.9	117.2	122.9	149.6	136.0

Source: National Enterprises Central Office.

1/ Nominal prices deflated by the consumer price index.

2. Gas

Natural gas production has doubled since 1970, while proven reserves have expanded nearly threefold following the discovery in 1978 of rich deposits in Loma de la Lata. The discovery of new deposits has not yet had a significant impact on product shares in total energy supply, however, and the contribution of gas remained roughly unchanged during the 1970-81 period. Also, most gas still comes associated with oil, rather than from dry gas fields as such.

Natural gas is mostly used for heating in industry and households, although some 21 per cent of output is delivered to thermal power plants. Trunk pipelines, extending over 7,500 kilometers, bring gas from the basins in the north, west, and south to the main consumer areas in the mideast, and a 25,000 kilometer network of branch pipelines delivers the gas to final consumers. Demand for heating gas is very seasonal, with nearly twice as much gas consumed in winter as in summer, while gas production follows the stable pattern of oil output. To avoid waste in summer, the State Gas Corporation has been exploring the possibility of tapping export markets (Brazil and Uruguay), and it also plans to step up reinjection. Gas deliveries from Bolivia, contracted through 1992, account for about 20 per cent of total gas supply. The domestic price of gas in general has been adjusted ahead of inflation, with brief exceptions in 1979 and 1980.

3. Electricity

Electric power generation has more than doubled since 1970, with the bulk of the increase provided by one hydro plant (El Chocon, brought on stream in 1973) and by Argentina's first nuclear plant (Atucha I). Thermal generation has not increased. Yet, by 1980, electricity still accounted for less than 25 per cent of total energy supply, with thermal plants providing 64 per cent of total generation. A substantial share (40 per cent) of total public electricity output is generated by SEGBA to supply greater Buenos Aires. Other urban centers are served either by bulk suppliers such as Agua y Energia and HIDRONOR (30 per cent), or by plants owned by provincial governments (30 per cent). Private plants account only for 13 per cent of total electricity generation.

Since 1976, the two largest power companies have experienced important organizational and structural changes aimed at improving efficiency. SEGBA has reduced its work force from 24,000 to 18,000 employees and, through improved maintenance, has reduced power failures and the previous frequent replacement of equipment. But installed capacity remains inadequate to handle peak demand in greater Buenos Aires and new transmission lines are needed to utilize existing excess capacity of plants located in less populated regions. The company in principle is required to achieve an 8 per cent real rate of return on investments. Lately, however, the return on revalued assets has fallen short of this target because of adjustment lags in tariffs and of high interest rates on domestic debt. Meanwhile, Agua y Energia is undergoing major transformations whereby its distribution network is being transferred gradually to the provinces, and the company eventually is to become a bulk supplier. This process has turned out to be financially burdensome, as the most lucrative networks were the first to be transferred at the very time when electricity tariffs were falling behind the inflation rate. The newer companies, HIDRONOR, Salto Grande, and CONEA, which were designed from the start to operate as bulk suppliers, have fared better, except for a short period at the beginning of 1981 when the real rate of return fell below the 8 per cent target because of

lags in price adjustments. Since July 1981, however, energy suppliers have been allowed to raise their tariffs in line with expected inflation, fostering hopes of improvement in the financial position of the power companies, especially SEGBA and Agua y Energia.

III. The Energy Plan and Major Projects

The Energy Secretariat has drafted a comprehensive Energy Plan for the period 1980-2000. The first part, covering electricity production, appeared in September 1979, and the second part, dealing with other energy resources, was issued in March 1981. The main thrust of the plan is to substitute rapidly such abundant resources as natural gas and hydropower for resources like petroleum, and, at the same time, to promote a more efficient use of these resources. The plan also calls for price and conservation measures to lower the income elasticity of energy demand.

1. Demand projections

Projections through the year 2000 were fashioned for global energy demand, subdivided into demand by main user-type and by energy source (Table 20). It was assumed that real GDP would grow either by 3.4 or by 5.3 per cent a year and that the corresponding elasticities of energy consumption would be 1-0.8 and 0.8-0.7, respectively (down from 1.13 in the recent past), reflecting different degrees of conservation efforts and varying speeds in the substitution of cheaper hydropower generation for expensive thermal generation. According to the first set of assumptions total energy demand would increase by about 3 per cent a year while, under the second set of assumptions, the rise would be 4 per cent. Among the major energy consumers, the transport sector, which will continue to depend heavily on fossil fuels, is expected to increase its demand by 4 to 5 per cent a year, while demand from other sectors is projected to rise at lesser rates as prices induce a shift to more efficient energy sources.

These demand trends will significantly alter the pattern of energy consumption. If the lower, and perhaps more realistic, hypothesis on real GDP growth is taken as a guideline, the share of petroleum in total consumption will retreat from 61 per cent in 1980 to 40 per cent in 2000, while the share of coal will decline from 7 to 5 per cent. Correspondingly, the contributions of hydroelectric and nuclear power will jump from 8 to 25 per cent, while the share of natural gas will rise more moderately, from 23 to 31 per cent.

Table 20. Argentina: Projections of Energy Demand 1/

(In millions of tons of petroleum equivalent)

	1980	1985	1990	1995	2000
<u>Total demand</u>	<u>42.4</u>	<u>51.2</u>	<u>61.9</u>	<u>75.3</u>	<u>91.5</u>
Petroleum	25.9	29.3	31.0	33.3	35.4
Gas	9.8	13.7	17.3	22.0	28.7
Coal	3.1	3.5	3.7	3.9	4.2
Hydroelectricity	3.2	4.0	8.7	14.0	20.4
Nuclear power	0.4	0.7	1.2	2.1	2.8

Source: Secretariat of Energy.

1/ Assuming a 3.4 per cent annual real GDP growth on the average in 1980-2000.

2. Supply response

As Argentina intends to become a net exporter of energy in the 1980s, supply will have to outpace demand in this period. In the 1990s, however, Argentina is likely to become again a net importer of energy as crude oil reserves decline rapidly.

At present, proven crude oil reserves amount to about 390 million cubic meters and would last 13 years at the current extraction rate of 80,000 cubic meters per day. Rough estimates of additional reserves of 660 million cubic meters would allow crude oil production to increase by about 3-1/2 per cent a year, reaching a peak of 100,000 cubic meters per day in the early 1990s. Later in the decade, however, the reserves/extraction ratio is expected to start falling below nine years, despite more intensive (and expensive) exploitation of existing onshore oil fields and of the continental shelf. This will force Argentina to resume the importation of crude oil, to cover a 14 per cent or larger deficit in its crude oil balance by 1995.

The supply picture looks brighter for Argentina's other energy resources. The plan contemplates an annual rise of 5 to 6 per cent in natural gas production, with a fall in available reserves from 40 years

in 1980 to a still comfortable level of 30 years in 2000. In the mid-1980s, there actually will be an oversupply of gas because of the long-term import contract with Bolivia. Later, as reinjection becomes a more economical option to control supply and industrial demand increases, approximate balance should be achieved. This could occur earlier if gas exports to Brazil and Uruguay materialize soon. Coal, which at present plays a minor role in total energy supply, may become an important export commodity if contracts with Japan and Taiwan on exploiting recently discovered vast lignite deposits materialize. Under the terms of these tentative agreements, production would increase from 600,000 tons a year to more than 5 million tons. But the sector given highest priority in the plan is hydropower generation, which is expected to increase by about 10 per cent a year through the end of the century. Hydroelectric power holds the potential of generating the equivalent of 200 billion Kwh per year, which would easily satisfy all electricity demand for the next 20 years. The plan, however, only calls for an increase in generation from 15 billion Kwh in 1980 to about 130 billion Kwh in 2000, based on a proposed expansion of generating capacity from 3,600 to 33,000 megawatts. This boost in electricity supply is to be augmented by an almost equally sharp increase in nuclear power generation. Installed capacity can be expanded from 370 to 3,000 megawatts, depending on need. Proven reserves of uranium are sufficient to feed 10 nuclear plants of 600 megawatts each for about 30 years.

3. Investment requirements and major projects

The investment needed to attain the overall supply target for the year 2000 amounts to a minimum of US\$110 billion (in 1980 prices) over the next 20 years, which means that average annual investment will have to be rise from US\$2-1/2 billion in the 1970s to US\$5-1/2 billion in the 1980s and 1990s (Table 21). About half this amount is to be allotted to the construction of hydroelectric and nuclear power plants, while 85 per cent of the remainder will be set aside for the development of petroleum and natural gas resources and construction of their distribution networks. Financing of the electric power program will for the most part come from the energy funds, which are fed by energy taxes, although suppliers' credits and loans from international organizations also are to play an important role. In contrast, most of the financing for the petroleum and gas projects is expected to be provided by private domestic and foreign sources, and to an increasing degree by the state enterprises involved, as the prices of their products are allowed to reach international levels.

Work has already begun on a substantial part of the investment program for 1980-2000. In the area of hydropower, the binational Salto Grande project (with Uruguay) is nearing completion. Generating capacity of 1,200 megawatts will have been installed by the end of this year, and the remaining 400 megawatts will be on stream by the end of 1982. Work also has started on two medium-sized (750 megawatt) projects, Alicura and Rio Grande, and completion is expected in 1985-86. The largest project, however, is Yacyreta (in conjunction with Paraguay), which will build up over the period 1986-1990 a generating capacity of

2,700 megawatts. Full-scale infrastructure work is to begin in the first quarter of 1982. Construction on the even larger Corpus project (3,700 megawatts), also on the Parana river, could start in the mid-1980s, with the plant coming on stream around 1990-92.^{1/} In the nuclear area more modest installations are planned. Work on Embalse Rio III (640 megawatts) is about a year from completion, and in July this year work began at the Atucha II site, a plant scheduled for completion by 1988. Two other 640 megawatt nuclear power stations are projected for the 1990s.

Table 21. Argentina: Projected 1980-2000 Cost of Energy Investment Program 1/

(In billions of U.S. dollars at 1980 prices)

	1980-2000	Percentage Distribution
<u>Total investments</u>	<u>110</u>	<u>100</u>
Hydrocarbons	58	53
Exploration and extraction	47	43
Refining and marketing	10	9
Other	1	1
Hydroelectric and nuclear power	52	47
Generation	26	24
Transmission and distribution	22	20
Other	4	3

Source: Secretariat of Energy.

1/ Assuming a 3.4 per cent average annual real GDP growth.

As a number of private contractors will be involved in developing fossil fuel resources, none of these projects is anywhere near the size of the hydropower projects. The few large and well defined projects in this area are in refining and distribution. The largest projects in YPF's 1981-85 investment program consist of the expansion and upgrading of two existing refineries, to yield a larger proportion of light derivatives as demand for heavier fuels decreases, in line with the boost in hydropower generation. The combined cost of the projects is estimated at close to US\$1 billion. With regard to natural gas, four

1/ For comparison, the Itaipu project, upstream on the Parana river, and serving Brazil and Paraguay, will have a generating capacity of 12,600 megawatts.

new gas treatment plants are to be built during 1982-85. Both construction and future operation are to be handled by private contractors. By the end of this year, work on the center-west gas pipeline connecting Neuquen with Rosario should be concluded, and the Dutch-Argentine consortium responsible for the US\$1 billion project has been contracted to operate the pipeline for a period of 15 years. Furthermore, extensions of both the northern and the southern pipelines are planned for the 1980s.

Argentina: Summary of the Central Government Tax System, September 1981
 (All amounts in Argentine pesos)

Tax	Nature of Tax	Exemptions and Deductions	Rates
1. Taxes on net income and profits			
1.1 Taxes on companies, corporations and enterprises (Impuesto a las Ganancias Tercera Categoría) Law No. 20,628 of December 29, 1973; Decree No. 2, 126 of December 30, 1974; Law No. 21,481 of December 30, 1976; Law 21,894 of January 1, 1978; Law No. 21,911 of December 26, 1978; and Law 22,211 of April 29, 1980.	Schedular annual tax payable by companies or enterprises on their accrued income from domestic sources. Occasional income from foreign sources is included in the base but a tax credit is granted for related tax payments according to reciprocity agreements.	Government agencies, corporations, and some health, education, religious, and cultural organizations are exempt. Deductions from gross income include normal business expenses and donations to authorized organizations up to 20 per cent of the taxpayers net income. Income subject to the capital gains tax (Impuesto a las Ganancias Eventuales) is also exempt from the tax.	General rate: 33 per cent For nonresident corporations and 45 per cent

Argentina: Summary of the Central Government Tax System, September 1981 (continued)

(All amounts in Argentine pesos)

Tax	Nature of Tax	Exemptions and Deductions	Rates
1.2 <u>Tax on individuals</u> <u>(Impuesto a las Ganancias,</u> <u>2a. 4a y 5a Categoría) Law</u> <u>No. 20,628 of December 29,</u> <u>1973 as modified by Law No.</u> <u>21,481 of December 30, 1978;</u> <u>Law 21,894 of January 1,</u> <u>1978; Law 21,911 of December</u> <u>26,1978; and Law 22,211 of</u> <u>April 29, 1980.</u>	Annual tax payable by natural persons on their personal remuneration including wages, salaries, pensions, fees from liberal professions, dividends, interest, rents and shares in company 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. This tax is shared with provincial and municipal governments. 1/	Personal deductions for spouse and other dependents are allowed.	Progressive marginal rates apply according to the following summary schedule:
			Additional Tax determined by the Marginal tax rate for income in excess of lower bracket
			(in thousands) (in per cent)
		0-2,615	7
		3,615-8,434	—
		6,434-13,254	253
		60,244-78,318	639
		78,318-96,391	9
		96,391-114,464	17
		10,121	1.9
		13,555	21
		75,486	41
		361,467 & over	45
		100,187	
			- 75 -
1.3 <u>Tax on occasional income and capital gains tax</u> <u>(Impuesto a las Ganancias</u> <u>Eventuales) Law No. 21,284</u> <u>of April 2, 1976; and Law</u> <u>No. 21,911 of December 26,</u> <u>1978.</u>	Tax on capital gains derived from the sale of real estate, and other occasional income such as those from lottery gains, or derived from the sale of financial assets. Income from capital gains is determined after adjusting the original purchase price for inflation.	Exempt from the tax is income derived from the sale of commercial and industrial properties, buildings which were used in the previous two years, land subdivided for urbanization, and buildings enjoying special exemptions of Ley de Propiedad Horizontal (Law No. 13,512).	15 per cent.

Argentina: Summary of the Central Government Tax System, September 1981 (continued)

(All amounts in Argentine pesos)

Tax	Nature of Tax	Exemptions and Deductions	Rates																		
2. <u>Social security taxes (Régimen nacional de previsión social)</u> Created by several laws	Monthly contributions of employers and employees based on the wage bill.	None.	A 31.5 per cent contribution of which 16.5 per cent is paid by employers and 15.0 per cent by the employees.																		
3. Taxes on property																					
3.1 Net wealth tax																					
3.11 Personal. Personal tax on net wealth (<u>Impuesto al Patrimonio Neto</u>) Law No. 21,282 of April 2, 1976; Law No. 21,911 of December 26, 1978; and Law No. 22,291 of February 10, 1980.	Annual tax payable on the value of net wealth possessed by individuals on the last day of the year. Wealth held abroad is 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. Net wealth of under \$a 334,358,500 is exempt from the tax.	Progressive rates according to the following schedule: Additional tax determined by the marginal rate for wealth in excess																		
			<table> <thead> <tr> <th>Net Wealth (in thousands)</th> <th>Basic Tax (in thousands)</th> <th>Basic Tax Bracket (in per cent)</th> </tr> </thead> <tbody> <tr> <td>334,358-668,717</td> <td>—</td> <td>0.50</td> </tr> <tr> <td>668,717-1,003,075</td> <td>1,672</td> <td>0.75</td> </tr> <tr> <td>1,003,075-1,337,434</td> <td>4,179</td> <td>1.00</td> </tr> <tr> <td>1,337,434-2,006,151</td> <td>7,523</td> <td>1.25</td> </tr> <tr> <td>2,006,151 & over</td> <td>15,882</td> <td>1.50</td> </tr> </tbody> </table>	Net Wealth (in thousands)	Basic Tax (in thousands)	Basic Tax Bracket (in per cent)	334,358-668,717	—	0.50	668,717-1,003,075	1,672	0.75	1,003,075-1,337,434	4,179	1.00	1,337,434-2,006,151	7,523	1.25	2,006,151 & over	15,882	1.50
Net Wealth (in thousands)	Basic Tax (in thousands)	Basic Tax Bracket (in per cent)																			
334,358-668,717	—	0.50																			
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1,337,434-2,006,151	7,523	1.25																			
2,006,151 & over	15,882	1.50																			
3.12 Corporate. Corporate tax on net wealth (<u>Gravamen sobre el Capital de las Empresas</u>) Law No. 21,287 of April 2, 1976; Law No. 21,894 of January 1, 1978; Law No. 21,911 of December 26, 1978; and Law No. 22,291 of February 10, 1980.	Tax on net wealth of companies and corporations. Proceeds from this tax are shared with provincial and municipal governments. 1/	Assets located in Tierra del Fuego and some bonds issued by the State are exempt from the tax. Net wealth of under \$a 5,000,000 is exempt if not less than 49 per cent of the enterprise is owned by residents in Argentina.	1.5 per cent.																		

APPENDIX B

Argentina: Summary of the Central Government Tax System, September 1981 (continued)
 (All amounts in Argentine pesos)

Tax	Nature of Tax	Exemptions and Deductions	Rates
3.2 Tax on transfers of financial assets <i>(Impuesto a la Transferencia de Títulos Valores)</i> Law No. 21,280 of April 2, 1976.	Tax based on the sale price of shares, debentures, Treasury bonds, and other financial assets.	None.	0.5 per cent.
4. Taxes on goods and services			
4.1 Value-added tax <i>(Impuesto al Valor Agregado)</i> Law No. 21,631 of December 27, 1973 and Law No. 21,376 of August 11, 1976; Law No. 21,911 of December 26, 1978; Law 22,031 of July 23, 1979; and Law No. 22,294 of October 13, 1980.	The tax is levied on most manufactured goods and services according to the destination principle; thus imports are subject to the tax while exports are exempt. Tax credits of exporters can be credited against any other tax liability or reimbursed in cash. Investment goods are exempt from the tax and related credits can be credited against tax liabilities during a period of up to three years; also outstanding tax credits are indexed according to the domestic rate of inflation. Proceeds from this tax are shared with provincial and municipal governments. 1/ Agricultural products enjoy a presumptive tax credit of 4 per cent.	Exempt from the tax are exports and some agricultural products. Also goods exempt from import duties.	General rate 20 per cent. Food-stuffs and pharmaceutical products, 10 per cent.
4.2 Selective excises <i>Various excises (Ley de Impuestos Internos, Texto Ordenado por) Decree No. 3,726 of December 27, 1976.</i> Law No. 21,930 of January 19, 1979; Decree 2,682/79 of October 30, 1979.			Cigarettes: 70 per cent; cigars: Soaps, toothpaste, deodorants and talcum powder; insurance (life, accident, agricultural, medical); tobacco products, alcoholic beverages, wines, and fuel. Proceeds from these medicinal syrup; mineral water; cider, beer, and refreshments or taxes are shared with provincial and municipal governments. 1/ concentrates with a minimum 10 per cent fruit content.

APPENDIX B

Argentina: Summary of the Central Government Tax System, September 1981 (continued)

(All amounts in Argentine pesos)

Tax	Nature of Tax	Exemptions and Deductions	Rates
4.2 Selective excises (continued)...of October 30, 1979; Law 22,294 of October 13, 1980; and Decree 212/81 of May 14, 1981.	automotive vehicles: 1.5-19.5 per cent; lottery items: 22.5 per cent; luxury items: 15 per cent; carbonated beverages: 25 per cent; and insurance: 2.5-8.5 per cent.		
5. Taxes on international trade	Imports of merchandise and household effects under special regimes, e.g., immigrants, handicapped, diplomats, etc. Imports of goods by religious, social assistance, charity, educational, artistic, cultural, scientific and sports institutions.	Various rates apply ranging from 5 to 55 per cent. Representative import duty rates are shown below:	(Per cent)
5.1 Import duties (Impuestos a las Importaciones)	Import duties are levied on all imports including final goods, raw materials, etc.	Industrial imports 6-18 Clothing 49 Jewelry 40-55 Books 5 Machinery and equipment 40-55	
5.2 Exchange taxes (Impuestos a la Compraventa de Divisas)	Tax levied on the sale or purchase of foreign exchange.	Operations in cash. 0.6 per cent.	

Argentina: Summary of the Central Government Tax System, September 1981 (concluded)

(All amounts in Argentine pesos)

Tax	Nature of Tax	Exemptions and Deductions	Rates
6. Other taxes Stamp duties (Impuesto de Sellos) 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 rents and sales, mort- gages, credits, etc.	State, provincial, and municipal Governments or their agencies; and state banks, religious, scien- tific, educational institutions, etc., are exempt from this tax.	Various ad valorem rates: <u>Examples.</u> Financial docu- ments 1.0 Sale contracts of agricultural pro- ducts 0.2 Contracts of real estate sales 0.2 to 0.3 Bank credits 0.1

1/ Taxes subject to the revenue sharing scheme (coparticipación) are distributed as follows:

	Per Cent
National Treasury	48.3
Provinces	48.5
Tierra del Fuego	0.2
Regional Development Fund	3.0
	100.0

APPENDIX B

The Exchange Guarantee and Domestic Debt Consolidation Schemes

1. The exchange rate guarantee schemes

To encourage new foreign borrowing, the renewal of existing loans, and the restructuring of the maturity profile of the private foreign financial debt, an exchange guarantee scheme for private financial loans was established in June 1981 and expanded in September 1981.

Under the scheme introduced in June, eligible loans had to be contracted or renewed for at least 540 days, while guarantees to loans with maturities longer than two years were to be considered on a case by case basis. To be eligible for the guarantee, the private borrower had to surrender the foreign exchange proceeds from the new or renewed loan at the exchange rate prevailing in the official exchange market (the commercial market after June 22, 1981). The exchange guarantee applied only to repayment of the principal. The guarantee, however, carried a cost--based on the initial peso value of the foreign exchange loan--which, for the first 180 days, was determined daily by the Central Bank. (The rate announced by the Central Bank was 30 per cent per annum between June 5, 1981 and August 14, 1981; 35 per cent between August 15, 1981 and August 25, 1981; and 40 per cent thereafter.) After the first 180 days the borrower could opt between two formulae for the determination of the charge applicable to the guarantee. One formula was based on the difference between the increase in Argentina's wholesale price index and that in the U.S. wholesale price index, which was taken as a proxy for international inflation. Under this option the cost of the guarantee, computed with a two-month lag, was to vary on a monthly basis. The second formula was based on the difference between an average of the annualized interest rate paid by the major banks in Argentina on 30-day time deposits (tasa testigo) and the LIBOR. The difference between these two rates was computed daily to obtain a daily charge which also was collected once a month. So far, most of the guarantees have been extended under the second option.

Private borrowers will benefit from the exchange guarantee as long as the rate of depreciation of the peso in the commercial market exceeds the interest cost. In this case, the scheme will have a monetary impact, although this impact will not materialize before December 1982. From June 5, 1981 to August 31, 1981, US\$385 million worth of new loans and US\$1.9 billion worth of loan renewals had become eligible for the guarantee scheme.

On September 24, 1981, Communication "A" 61 of the Central Bank modified the terms of the exchange rate guarantee for the renewal of foreign private financial loans as established in June. Under the modified scheme, financial loans the proceeds of which had been surrendered by June 19, 1981, were outstanding on June 30, 1981, and matured in the period through December 31, 1983, are eligible for the exchange rate guarantee so long as they are renewed for a minimum of 540 days and a maximum of three years. Up to 50 per cent of the total

outstanding foreign financial debt of a corporation on June 30, 1981 can be renewed under this modified exchange guarantee scheme. The exchange rate guaranteed is the rate in the commercial market on the date of renewal of the loan. The guarantee can cover not only repayment of the principal but also payment of the interest as long as the latter is postponed until the loan becomes due. The renewal of personal financial debt is not eligible for the exchange guarantee.

The cost of the guarantee for the renewal of financial loans is determined as before, with the Central Bank announcing daily the charge for the first 180 days, based on the selling exchange rate in the commercial market prevailing on that date. For the remainder of the period the borrower can choose between the difference in the changes in wholesale prices in Argentina and in the United States or the difference between the annualized tasa testigo and the LIBOR. The attractiveness of the scheme to borrowers and its monetary impact will also depend on the extent to which the depreciation of the peso in the commercial market exceeds the cost of the scheme.

2. The system for refinancing private sector domestic liabilities

A scheme to refinance corporate liabilities denominated in local currency to the domestic banking system was approved by the Legislative Advisory Council (CAL) in late October. The proposal arose from the perceived need to lengthen the maturity structure, and to some extent lower the cost, of domestic corporate liabilities. In recent years, these liabilities have been characterized by their very short maturity profile (mostly 7 to 30 days) and a relatively high real cost, which has led in a number of instances to capitalization of interest. Given the sharp deterioration in the international competitiveness of the corporate sector resulting from the real appreciation of the peso and sharply rising unit labor costs during 1979-80, firms have been caught increasingly in a liquidity squeeze and have encountered mounting difficulties in mobilizing new credit.

The main characteristics of the scheme are as follows:

(a) Banks and other financial intermediaries will refinance 50 per cent of the liabilities of the manufacturing sector and 40 per cent of the debt of other industrial sectors (excluding personal and mortgage debts) outstanding at the end of August 1981. The refinanced portion of the debt will be payable over seven years, with a three-year grace period. Firms will pay to banks a yearly interest of 3 per cent and the principal will be fully indexed to the Financial Adjustment Index (Indice de Ajuste Financiero--IAF), which is computed by annualizing the interest rate paid by major banks on 30-day deposits (tasa testigo).

(b) Banks and financial intermediaries will be authorized to rediscount with the Central Bank the full amount of the refinanced debt. The rediscount will be at a zero rate of interest and fully indexed to the IAF.

(c) Along with the rediscount, the banks will lodge with the Central Bank a government bond for an amount equivalent to the rediscount. The bond will have a maturity of seven years with a three-year grace period, will not be transferable or negotiable (except between banks), and will pay a yearly interest rate of 6 per cent (tax free), with full indexation of the principal to the IAF.

(d) Private financial institutions will be free to participate or not in the scheme. However, once participation has been agreed on, they will have to provide refinancing to all client firms requesting debt consolidation. Participation will be compulsory for all national official banks. Provincial and local governments will be urged to make participation mandatory for their financial institutions.

(e) Participating institutions will have the option to contribute 1.5 per cent of the amount refinanced to a guarantee fund administered by the Central Bank. The guarantee fund will apply to 75 per cent of the refinanced debt, a contingency against bankruptcy or default by beneficiary firms. If a firm defaults, the guaranteed portion of the principal will be frozen, interest free (though it will continue to be indexed to the IAF), for the remainder of the seven-year period, at the end of which the guarantee will be made effective. The rediscount of that transaction and the equivalent bond will be canceled.

(f) Firms benefiting from the debt consolidation will have to increase their capital by 10 per cent of the refinanced amount (IAF-adjusted) over a two-year period. However, any distribution of dividends will have to be matched by an equivalent cancellation of the (indexed) refinanced debt at the moment the distribution takes effect.

External Debt

1. Introduction

Coverage of external debt operations and knowledge of its structure have been expanded greatly in recent years. This Appendix reviews (1) Argentina's institutional arrangements for external debt management and control; (2) recent trends in the growth of the external debt and its distribution as per type of creditor and creditor country; (3) the structure and average terms of the medium- and long-term external public debt; and (4) debt service projections.

2. Debt management mechanisms

The Ministry of Economy, Treasury and Finance determines in the course of the budget formulation process the external financing needs of the public sector, including those of the state enterprises. By September 30 of each year, the public sector entities, whose external borrowing plans for the following year have been approved by the Ministry, are to notify the Central Bank of such plans. The Central Bank coordinates external debt operations of the public sector and prepares a calendar of negotiations and disbursements in international financial markets. In this connection the Central Bank, in consultation with the rest of the public sector, decides on the most appropriate mix of credit instruments to satisfy the borrowing needs of the sector: suppliers' credits, bonds, syndicated loans, etc. Until a few years ago, there had been some preference for medium- and long-term bonds at fixed interest rates for external borrowing operations. But changing market conditions in recent years have made syndicated financial loans the most frequently used external credit instrument.

External borrowing operations of the private sector are to be registered with the Central Bank, while private sector loans endorsed or guaranteed by the state require prior authorization from the Central Bank. Although no specific data are available on publicly guaranteed private debt, the amounts involved are believed to be relatively small.

The collection of more comprehensive external debt data is part of an ongoing effort to better monitor and coordinate external borrowing operations. At present, external debt management policies are guided by the two objectives of slowing the growth of Argentina's external public debt to a rate about consistent with maintenance of the stock of debt in real terms, and of improving the debt's maturity profile by substituting medium- and long-term debt for short-term debt.

3. External debt levels

Argentina's outstanding external debt rose from about 16 per cent to over 20 per cent of GDP in the last three years (Tables 22 and 23).^{1/} Outstanding external public debt approached 12 per cent of GDP in 1980, and is projected at around 13 per cent of GDP at the end of 1981, which is about an average ratio by international standards. In relation to exports of goods and nonfactor services the increase in outstanding public external debt was somewhat larger during the period under discussion. Short-term public debt grew much faster than medium- and long-term debt--especially in 1980 and early 1981 when the public sector engaged in large-scale emergency borrowing, partly to prop up the official international reserve position in the face of mounting private capital flight. In order of importance, the largest debtors in the public sector were the Treasury (the Central Administration), enterprises with public participation, autonomous agencies, binational entities, and state enterprises.

The outstanding external debt of the private sector grew considerably faster than that of the public sector during 1978-80.^{2/} Most of the private debt of US\$12.7 billion at the end of 1980 was due to financial institutions, with about one half being medium and long term and the other half short term.

Over 70 per cent of the total external debt was financial debt (Table 24) and by the end of 1980 almost 40 per cent of the public debt and 50 per cent of the private debt had original maturities of less than a year (Table 25).

4. Argentina's external debt by type of creditor and creditor country

Commercial banks are Argentina's most important foreign creditors by far. Almost two thirds of the US\$10.3 billion public medium- and long-term debt at the end of 1980 was owed to commercial banks (Table 26). Medium- and long-term credits from international organizations have remained fairly stable in recent years in the range of US\$1.1-1.3 billion. The largest creditor countries have been the United States, the United Kingdom, and the Federal Republic of Germany. The same three countries are the most important holders of medium- and long-term claims on Argentina's private sector.

1/ External debt tables probably overstate somewhat the increase in outstanding debt between 1978 and 1979 because of the substantial methodological improvements during 1978/79 in the coverage of external debt operations.

2/ The risk that the increase in outstanding debt between 1978 and 1979 is being overstated is probably greater in the case of the private debt than in that of the public debt.

About 70 per cent of Argentina's public short term debt corresponded to commercial bank credits at the end of April 1981 (Table 27) with the United States and the United Kingdom the largest creditors. The United States also was the most important creditor country in the case of private short term debt.

5. Structure and average terms of public debt

Table 28 provides information on the structure and average terms of the medium- and long-term external public debt contracted during 1976-80. In general, the terms of new commitments tended to harden during this five-year period. The average interest rate of new commitments rose from about 7.5 per cent in 1976-77 to 13.5 per cent in 1980,^{1/} and rose further in 1981 in reflection of the surge in international interest rates.^{2/} The average maturity of new commitments, which had lengthened through 1979, dropped to seven and one half years in 1980, and the average grace period fell to almost three years. The grant element of new commitments turned negative in 1979 and 1980, a reflection of the growing proportion in total commitments of loans from financial institutions at high real interest rates.

6. Projected service payments on external public debt

Because most of the external debt is at floating rates of interest, a projection of service payments on Argentina's external debt is subject to a large margin of error. The Central Bank only makes available officially a schedule of amortization payments, and the projection of interest payments discussed below was prepared by the staff. The projection was made only on the basis of the existing stock of debt, i.e., no assumption was made about future disbursements.

Interest payment projections were made for July-June periods starting with 1981/82 (Table 29). Using the data on external debt outstanding as of May 31, 1981, the projection was based on the assumption that no change had occurred in the stock or in the composition of the external debt during the month of June, 1981. Account was taken of the currency denomination of the external debt and of whether it was at fixed or at floating rates of interest. For purposes of the projection the external debt at fixed rates of interest was deemed to consist of suppliers' credits, export credit financing from OECD countries, and IDB and IBRD loans;^{3/} and the debt at floating rates to include all financial loans (Government bonds and commercial bank loans). The historical

^{1/} The average interest rates shown in the table underestimate the actual interest cost for loans at floating rates because the IBRD calculates the average interest rate for the year based on the prevailing interest rates at the time of the commitment. Any subsequent interest rate increase in the case of floating rate loans is not captured in the calculation.

^{2/} See Section IV of the main report for a discussion of 1981 commitments.

^{3/} Denominated commercial debt in Table 29.

proportion of two thirds financial debts and one third commercial debts was assumed to exist by mid-1981 for all debt, irrespective of the currency in which debts were denominated. The projection did not take into account interest payments on external obligations incurred after May 31, 1981.

The following additional assumptions were made in projecting service payments: (1) the stock of short term debt would remain unchanged during the period covered by the projection or would be converted into medium- or long-term debt; (2) amortization payments as presented in the Central Bank projection would be distributed as between currencies according to the relative importance of each currency in the total stock of outstanding claims on Argentina on May 31, 1981; (3) all commercial debt would be amortized over a ten-year period, while all other amortization payments would correspond to financial debts; (4) interest charges would average 8.5 per cent on all commercial loans during 1981/82, 10 per cent during 1982/83, 8.6 per cent in 1983/84 and 7.3 per cent in 1984/85 and 1985/86;^{1/} (5) real interest rates would decline from present levels to a 2 per cent average real level by 1984/85 and would stay at that level in 1985/86. In the interim period, it was assumed that real interest rates would decline annually by a fourth of the difference between their real level in each creditor country in September 1981 and the 2 per cent level projected to prevail in 1984/85. Nominal interest rates were calculated by inflating the projected real interest rates by the 1981 world economic outlook projection of changes in GDP deflators for the 1981-85 period; and (6) the average spread over LIBOR would average 1 per cent for all financial loans.^{2/}

Interest payments on public sector debt are projected to reach US\$2.2 billion in 1981/82 and on private debt US\$1.6 billion, for a total of US\$3.8 billion, equivalent to about 2.9 per cent of the 1981 GDP. Interest payments are projected to decline after 1981/82, especially after 1982/83, reflecting the expected drop in interest rates and amortization payments on the stock of debt.

^{1/} The OECD consensus rate for export credits to middle income countries was taken as the representative cost to Argentina of this type of loan. The consensus rate was 8.5 per cent in September 1981 for loans with a five- to eight-year maturity. This consensus rate was later increased in November 1981. The projection assumes that commercial rates will follow in the future the expected decline in real interest rates.

^{2/} Recently, the spread above LIBOR paid on public external financial loans has been approximately 0.65 point. In the case of some bond issues the interest rate was lower and at fixed rates. For private sector loans the spread has been as much as 2 points above LIBOR although it may have been substantially lower in the case of loans to local subsidiaries from their head office.

Table 30 shows projected service payments by debtor on medium- and long-term external public debt outstanding at the end of 1980. Table 31 shows projected service payments on medium- and long-term debt by original maturity for both the public and private sectors. In 1981, about one third of the service payments on the medium- and long-term debt of the public sector corresponds to debt with a maturity of between one and five years, about half to debt with a maturity between five and ten years and the rest to debt with a maturity of more than ten years. In the same year, more than 80 per cent of the service payments on the medium- and long-term debt of the private sector correspond to debt with a maturity between one and five years. Debt service payments on the public sector medium- and long-term debt are projected at approximately the equivalent of 20 per cent of exports of goods and nonfactor services in 1981. Table 32 contains information on service payments on medium- and long-term external public debt by creditor. Given the structure of the public external debt, most of the amortization payments are scheduled to be made to commercial banks.

Table 22. Argentina: Outstanding External Debt Registered
with the Central Bank by Debtor

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

	1978	1979	1980	April 1981
Total	12,496	19,034	27,162	30,538
Public sector	8,357	9,960	14,459	17,159
Medium and long term	6,747	8,265	10,284	11,510
Treasury	1,919	1,994	2,315	2,626
State governments	56	332	716	921
Municipal governments	10	18	27	50
Autonomous agencies	596	636	687	763
Binational entities	460	715	1,118	1,137
State enterprises	919	855	911	992
Enterprises with public participation	2,451	3,130	3,560	4,017
Official banks	336	585	950	1,004
Short term 2/	1,610	1,695	4,175	5,649
Treasury	645	599	785	1,582
State governments	3	35	113	95
Municipal governments	2	8	17	9
Autonomous agencies	68	48	440	657
Binational entities	--	33	126	150
State enterprises	25	110	459	542
Enterprises with public participation	823	853	2,144	2,483
Official banks	44	9	91	131
Private sector 3/	4,139	9,074	12,703	13,379
Medium and long term	3,102	5,438	6,593	7,434
Financial sector	2,206	4,230	5,254	6,001
Nonfinancial sector	896	1,208	1,339	1,433
Short term 2/	1,037	3,636	6,110	5,945
Financial sector	137	1,566	3,658	3,915
Nonfinancial sector	900	2,070	2,452	2,030

Source: Central Bank of Argentina.

1/ Due to expanded coverage, pre-1978/1979 debt figures are not comparable with post 1978 data.

2/ Less than one year maturity.

3/ Includes some publicly guaranteed debt.

Table 23. Argentina: Outstanding External Debt
Registered with the Central Bank

(In per cent)

	1978	1979	1980	<u>Est.</u> 1981
(In per cent of GDP)1/				
Medium- and long-term public debt	8.7	8.3	8.4	8.7
Short-term public debt	2.1	1.7	3.4	4.3
Total public debt	10.8	10.0	11.8	13.0
Medium- and long-term private debt	4.0	5.5	5.4	...
Short-term private debt	1.3	3.6	5.0	...
Total private debt	5.3	9.1	8.4	...
<u>Total debt</u>	<u>16.1</u>	<u>19.1</u>	<u>20.2</u>	<u>...</u>
(In per cent of exports of goods and nonfactor services)				
Medium- and long-term public debt	87.5	86.1	95.5	147.9
Short term public debt	20.9	17.7	38.7	45.3
Total public debt	108.9	103.8	134.2	193.2
Medium- and long-term private debt	40.2	56.6	61.3	...
Short term private debt	13.4	37.9	56.7	...
Total private debt	53.6	94.5	118.0	...
<u>Total debt</u>	<u>162.5</u>	<u>198.3</u>	<u>252.2</u>	<u>...</u>

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

1/ Argentina's GDP in U.S. dollars was estimated by converting the staff's peso GDP estimate for 1981 to U.S. dollars by the expected average exchange rate for 1981. For the GDP dollar estimate of previous years, the 1981 GDP in U.S. dollars was deflated by indices of international inflation and real rate of growth, the latter being derived from real GDP data denominated in pesos.

Table 24. Argentina: Outstanding External Debt Registered
with the Central Bank by Type of Debt 1/

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

	1978	1979	1980	April 1981
<u>Total</u>	<u>12,496</u>	<u>19,034</u>	<u>27,162</u>	<u>30,538</u>
<u>Public sector</u>	<u>8,357</u>	<u>9,960</u>	<u>14,459</u>	<u>17,159</u>
Import financing	3,125	3,173	3,335	2,760
Financial loans	5,192	6,700	11,044	14,340
Other financial obligations	40	87	80	50
<u>Private sector 2/</u>	<u>4,139</u>	<u>9,074</u>	<u>12,703</u>	<u>13,379</u>
Import financing	1,796	3,278	3,791	3,463
Financial loans	2,207	5,621	8,710	9,735
Other financial obligations	136	175	202	181

Source: Central Bank of Argentina.

1/ Includes short-, medium-, and long-term debt.

2/ Includes some publicly guaranteed debt.

Table 25. Argentina: Outstanding External Debt Registered
with the Central Bank by Original Maturity

	1978	1979	1980
<u>(In millions of U.S. dollars)</u>			
<u>Total</u>	<u>12,496</u>	<u>19,034</u>	<u>27,162</u>
<u>Public sector</u>	8,357	9,960	14,459
Less than 1 year	1,610	1,695	4,175
Over 1 up to 5 years	872	2,090	1,864
Over 5 up to 10 years	1,977	3,780	5,686
Over 10 years	3,898	2,395	2,734
<u>Private sector</u>	4,139	9,074	12,703
Less than 1 year	1,037	3,636	6,110
Over 1 up to 5 years	2,155	3,699	4,331
Over 5 up to 10 years	602	1,255	1,773
Over 10 years	345	484	489
<u>(As per cent of total)</u>			
<u>Public Sector</u>	100.0	100.0	100.0
Less than 1 year	19.3	17.0	38.9
Over 1 up to 5 years	10.4	21.0	12.9
Over 5 up to 10 years	23.7	37.9	39.3
Over 10 years	46.6	24.1	18.9
<u>Private sector</u>	100.0	100.0	100.0
Less than 1 year	25.1	40.1	48.1
Over 1 up to 5 years	52.1	40.8	34.1
Over 5 up to 10 years	14.5	13.8	14.0
Over 10 years	8.3	5.3	3.8

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

Table 26. Argentina: Outstanding Medium- and Long-Term External Debt Registered with the Central Bank by Creditor

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

	1978	1979	1980	April 1981
<u>Total medium- and long-term debt</u>	<u>9,849</u>	<u>13,703</u>	<u>16,877</u>	<u>18,944</u>
<u>Public medium- and long-term debt</u>	<u>6,747</u>	<u>8,265</u>	<u>10,284</u>	<u>11,510</u>
Type of creditor				
International organizations	1,095	1,285	1,133	1,076
Official institutions	434	473	371	362
Banks	3,447	4,399	6,526	7,247
Bond holders	734	877	1,047	1,743
Private firms 1/	1,037	1,231	1,207	1,082
Origin of creditor				
International organizations	1,095	1,285	1,133	1,076
IDB	638	846	731	710
IBRD	457	439	402	366
United States	2,109	2,785	3,597	4,674
Germany, Federal Republic of	1,013	1,127	1,008	896
Japan	188	426	678	676
United Kingdom	573	894	1,794	1,891
France	290	331	421	385
Luxembourg	110	249	312	297
Switzerland	116	320	483	671
Other countries	1,253	848	858	944
<u>Private medium- and long-term debt 2/</u>	<u>3,102</u>	<u>5,438</u>	<u>6,593</u>	<u>7,434</u>
Origin of creditor				
United States	...	2,409	2,855	3,138
Germany, Federal Republic of	...	301	346	329
Japan	...	65	86	82
United Kingdom	...	663	958	1,003
France	...	60	122	137
Luxembourg	...	53	53	41
Switzerland	...	321	310	296
Other countries	...	1,566	1,863	2,408

Source: Central Bank of Argentina.

1/ Mostly commercial credits.

2/ Includes some publicly guaranteed debt.

Table 27. Argentina: Outstanding Short-Term External Debt Registered
with the Central Bank by Creditor

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

	1978	1979	1980	April 1981
<u>Total short-term debt</u>	<u>2,647</u>	<u>5,331</u>	<u>10,285</u>	<u>11,594</u>
<u>Public short-term debt</u>	<u>1,610</u>	<u>1,695</u>	<u>4,175</u>	<u>5,649</u>
Type of creditor				
Banks	1,190	1,091	3,733	4,039
Bond holders	402	588	414	1,582
Private firms 1/	18	16	28	28
Origin of creditor				
United States	757	1,383	2,799	3,479
Germany, Federal Republic of	17	24	76	74
Japan	1	18	2	3
United Kingdom	25	74	354	866
France	1	52	95	135
Luxembourg	25	--	13	102
Switzerland	12	20	11	55
Other countries	772	124	825	935
<u>Private short-term debt 2/</u>	<u>1,037</u>	<u>3,636</u>	<u>6,110</u>	<u>5,945</u>
Origin of creditor				
United States	...	1,204	2,322	2,278
Germany, Federal Republic of	...	265	255	208
Japan	...	187	316	321
United Kingdom	...	286	385	312
France	...	115	158	152
Luxembourg	...	9	9	10
Switzerland	...	198	257	298
Other countries	...	1,372	2,408	2,366

Source: Central Bank of Argentina.

1/ Mostly commercial credits.

2/ Includes some publicly guaranteed debt.

Table 28. Argentina: Structure and Average Terms of Contracted Medium- and Long-Term External Public Debt

(Amount in millions of U.S. dollars; interest in per cent per year; maturity and grace period in years; and grant element in per cent of amount)

	1976	1977	1978	1979	1980
Total commitments					
Amount	1,885.7	1,744.3	2,800.7	3,275.6	2,359.0
Interest	7.4	7.8	9.7	11.2	13.5
Maturity	7.6	10.0	9.1	11.4	7.5
Grace period	1.9	2.6	3.2	5.0	3.4
Grant element	8.0	8.0	0.9	-7.2	-11.2
Suppliers credits					
Amount	214.4	393.6	372.2	540.8	195.5
Interest	8.3	7.2	9.3	10.1	8.9
Maturity	8.9	9.0	8.0	10.2	8.1
Grace period	2.2	2.6	1.0	3.3	1.9
Grant element	5.5	9.0	1.4	-4.9	3.6
Financial institutions					
Amount	1,045.7	782.8	1,599.7	1,952.6	1,845.7
Interest	7.5	8.0	10.8	13.1	15.2
Maturity	4.7	8.6	7.9	9.9	6.7
Grace period	1.2	2.0	3.0	5.1	3.3
Grant element	5.3	7.2	-4.8	-17.3	-17.6
Bonds					
Amount	200.0	93.1	345.6	102.7	136.4
Interest	6.2	7.6	7.3	6.4	8.0
Maturity	5.0	6.0	9.0	8.4	9.4
Grace period	2.5	4.6	5.6	8.2	6.8
Grant element	10.9	7.7	12.9	19.5	11.3
Multilateral loans					
Amount	267.0	348.0	390.9	629.0	66.7
Interest	8.5	8.5	8.1	7.4	7.3
Maturity	16.9	15.0	14.8	17.5	17.8
Grace period	3.3	3.0	4.3	6.1	4.9
Grant element	7.7	6.9	10.2	15.9	16.5
Bilateral loans					
Amount	158.6	126.8	92.3	50.5	114.7
Interest	4.7	7.1	6.3	5.3	4.7
Maturity	12.4	10.6	9.2	9.9	11.5
Grace period	3.1	2.3	2.4	1.9	2.1
Grant element	26.1	12.5	14.7	18.4	23.5

Source: International Bank for Reconstruction and Development.

Table 29. Argentina: Interest Payments on External Debt 1/
(In millions of currency units)

	1981/82			1982/83			1983/84			1984/85			1985/86		
	Original Currency	US\$ 1/	Original Currency	US\$ 1/	Original Currency	US\$ 1/	Original Currency	US\$ 1/	Original Currency	US\$ 1/	Original Currency	US\$ 1/	Original Currency	US\$ 1/	
Payments on Public Sector Debt															
Commercial debt	<u>2,212.6</u>	<u>474.9</u>		<u>1,849.8</u>	<u>496.0</u>		<u>1,474.4</u>	<u>392.3</u>		<u>1,129.8</u>	<u>271.0</u>		<u>1,023.6</u>	<u>226.5</u>	
Pound sterling	1.2	(2.6)	1.3	(2.8)	1.0	(2.2)	0.7	(1.5)	0.6	(1.3)	(203.5)				
U.S. dollar	394.7	(394.7)	417.9	(417.9)	319.6	(319.6)	237.4	(237.4)	203.5	(203.5)					
Deutsche mark	77.9	(36.2)	67.6	(31.4)	36.7	(17.1)	15.6	(7.3)	0.6	(0.3)					
French franc	18.6	(3.7)	19.7	(3.9)	15.1	(3.0)	11.2	(2.2)	9.6	(1.9)					
Swiss franc	30.5	(16.0)	32.3	(17.0)	24.7	(13.0)	18.3	(9.6)	15.7	(8.3)					
Japanese yen	4,619.5	(21.7)	4,891.2	(23.0)	7,958.4	(37.4)	2,777.1	(13.0)	2,380.3	(11.2)					
Financial debt															
Pound sterling	4.6	(10.0)	4.3	(9.3)	3.0	(6.5)	2.6	(5.7)	2.5	(5.4)					
U.S. dollar	1,527.5	(1,527.5)	1,173.2	(1,173.2)	932.4	(932.4)	735.8	(735.8)	678.7	(678.7)					
Deutsche mark	215.8	(100.3)	182.3	(84.8)	158.7	(73.8)	130.2	(60.5)	130.2	(60.5)					
French franc	84.5	(16.7)	64.7	(12.8)	50.7	(10.0)	39.5	(7.8)	36.6	(7.2)					
Swiss franc	75.1	(39.5)	61.3	(32.2)	49.2	(25.9)	39.9	(20.9)	36.9	(19.4)					
Japanese yen	9,268.6	(43.7)	8,849.6	(41.5)	7,125.5	(33.5)	5,977.0	(28.1)	5,516.8	(25.9)					
Payments on Private Sector Debt															
Commercial debt	<u>1,631.0</u>	<u>341.4</u>		<u>1,176.4</u>	<u>361.3</u>		<u>805.8</u>	<u>276.4</u>		<u>581.7</u>	<u>205.0</u>		<u>515.9</u>	<u>175.8</u>	
Pound sterling	1.1	(2.4)	1.1	(2.4)	0.9	(2.0)	0.6	(1.3)	0.5	(1.1)					
U.S. dollar	311.6	(311.6)	329.9	(329.9)	252.2	(252.2)	187.2	(187.2)	160.5	(160.5)					
Deutsche mark	23.7	(11.0)	25.1	(11.7)	19.4	(9.0)	14.2	(6.6)	12.2	(5.7)					
French franc	18.3	(3.6)	19.4	(3.8)	14.5	(2.9)	10.9	(2.2)	9.4	(1.9)					
Swiss franc	14.3	(7.5)	15.1	(7.9)	11.5	(5.0)	8.6	(4.5)	7.4	(3.9)					
Japanese yen	1,123.1	(5.3)	1,189.1	(5.6)	909.1	(4.3)	675.2	(3.2)	578.8	(2.7)					
Financial debt															
Pound sterling	4.0	(8.7)	2.6	(5.6)	1.8	(3.9)	1.6	(3.5)	1.4	(3.0)					
U.S. dollar	1,205.9	(1,205.9)	759.2	(759.2)	493.1	(493.1)	350.5	(350.5)	316.6	(316.6)					
Deutsche mark	65.6	(30.5)	41.9	(19.5)	27.1	(12.6)	18.6	(8.6)	16.7	(7.8)					
French franc	83.2	(16.4)	51.4	(10.2)	32.1	(6.3)	21.7	(4.3)	19.2	(3.8)					
Swiss franc	35.1	(18.5)	23.7	(12.5)	15.7	(8.3)	11.5	(6.0)	10.5	(5.5)					
Japanese yen	2,055.1	(9.6)	1,725.4	(8.1)	1,098.7	(5.2)	810.6	(3.8)	731.5	(3.4)					
Total payments															
	<u>3,843.6</u>			<u>3,026.2</u>			<u>2,280.2</u>		<u>1,711.5</u>				<u>1,539.5</u>		

Source: Fund staff estimates on the basis of information provided by the Central Bank of Argentina.

1/ The following average exchange rates for 1980 and for the first six months of 1981 were used to convert interest payments to dollar values: £ 0.4599 = US\$1; DM 2.1506 = US\$1; F 5.0638 = US\$1; Sw F 1.9011 = US\$1; and ¥ 213 = US\$1.

Table 30. Argentina: Projected Service Payments by Debtor on Medium-
and Long-Term External Public Debt Outstanding at end-1980

(In millions of U.S. dollars)

	Outstanding end-1980	1981			1982					
		Amorti- zation	Interest 1/	Total	Amorti- zation	Interest 2/	Total			
Total	10,284	1,239	1,245	2,484	1,142	1,355	2,497			
Treasury	2,315	332	236			
State and municipal governments	743	99	128			
Autonomous agencies	687	85	77			
Binational Entities	1,118	51	57			
State enterprises	911	113	113			
Enterprises with public participation	3,560	452	407			
Official banks	950	107	124			
		1983		1984		1985				
		Amorti- zation	Interest 2/	Total	Amorti- zation	Interest 2/	Total			
Total		1,177	1,125	2,302	1,117	806	1,923	1,080	729	1,809
Treasury		267	291	277
State and municipal governments		178	61	67
Autonomous agencies		76	61	58
Binational Entities		59	59	78
State enterprises		113	104	99
Enterprises with public participation		414	348	370
Official banks		70	193	131

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

1/ Estimated from the Central Bank 1981 interest payment projection by assuming that the share of total interest payments that were payments on medium- and long-term external public debt was equivalent to the share of this type of debt in the total debt at the end of 1980.

2/ Based on Table 29 projections and on the share of medium- and long-term public external debt in total external public debt in April 1981.

Table 31. Argentina: Projected Service Payments by Original Maturity on Medium-
and Long-Term External Public Debt Outstanding at end-1980
(In millions of U.S. dollars)

	Out-	Amorti-	1981			Amorti-	1982		
	anding	zation	Interest	1/	Total	zation	Interest	1/	Total
<u>Total medium- and long-term debt</u>	<u>16,877</u>	<u>3,479</u>	<u>2,044</u>		<u>5,523</u>	<u>2,636</u>	<u>2,141</u>		<u>4,777</u>
Public sector	10,284	1,239	1,245		2,484	1,142	1,355		2,497
Over 1 up to 5 years	1,864	597	225		822	454	245		699
Over 5 up to 10 years	5,686	473	688		1,161	506	749		1,255
Over 10 years	2,734	169	332		501	182	361		543
Private sector	6,593	2,240	799		3,039	1,494	786		2,280
Over 1 up to 5 years	4,331	1,998	525		2,523	1,183	516		1,699
Over 5 up to 10 years	1,773	187	215		402	285	211		496
Over 10 years	489	55	59		114	26	59		85

Table 31. Argentina: Projected Service Payments by Original Maturity on Medium- and Long-Term External Public Debt Outstanding at end-1980 (Concluded)
 (In millions of U.S. dollars)

	1983			1984		
	Amorti- zation	Interest 1/ Total	Amorti- zation	Interest 1/ Total	Amorti- zation	Interest 1/ Total
Total medium and long-term debt	2,318	1,680	3,998	1,845	1,195	2,980
Public sector	1,177	1,125	2,302	1,177	806	1,923
Over 1 up to 5 years	428	204	632	209	146	355
Over 5 up to 10 years	542	622	1,164	722	446	1,168
Over 10 years	207	299	506	186	214	400
Private sector	1,141	555	1,696	668	389	1,057
Over 1 up to 5 years	781	365	1,146	277	256	533
Over 5 up to 10 years	331	149	480	333	105	438
Over 10 years	29	41	70	58	28	86

Sources: Central Bank of Argentina; Table 29; and Fund staff estimates.

1/ Total interest payments on medium- and long-term debt of the public and private sectors are derived from the July/June projections of Table 29. The interest payments were allocated to each maturity category according to the share of each maturity category in the total outstanding debt at the end of 1980.

Table 32. Argentina: Projected Service Payments by Creditor on Medium-
and Long-Term External Public Debt Outstanding at end-1980

(In millions of U.S. dollars)

	Outstanding end-1980	1981			1982		
		Amorti- zation	Interest	Total	Amorti- zation	Interest	Total
Total	10,284	1,239	1,245	1/ 2,484	1,142	1,355	2/ 2,497
International organizations	1,133	90	102
IDB	731	58	69
IBRD	402	32	33
Official institutions	371	48	47
Germany, Federal Republic of	175	17	19
Spain	26	4	4
United States	53	10	8
Other countries	117	17	16
Commercial banks	6,526	722	771
United States	3,228	367	393
United Kingdom	1,618	114	90
France	335	44	43
Other countries	1,345	197	245
Bond holders	1,047	93	7
Germany, Federal Republic of	333	--	--
Japan	273	--	--
Switzerland	231	3	3
Other countries	208	90	4
Private firms	1,207	286	215
Germany, Federal Republic of	265	101	60
Japan	190	35	33
Switzerland	125	12	11
Other countries	627	138	111
		1983			1984		
		Amorti- zation	Interest	Total	Amorti- zation	Interest	Total
Total	1,177	1,125	2,302	1,117	806	1,923	1,080
International organizations	101	99	96
IDB	66	62	58
IBRD	35	37	38
Official institutions	43	41	36
Germany, Federal Republic of	20	20	18
Spain	3	3	3
United States	4	2	2
Other countries	16	16	13
Commercial banks	782	705	675
United States	363	291	314
United Kingdom	190	232	164
France	26	14	39
Other countries	203	168	158
Bond holders	65	135	165
Germany, Federal Republic of	--	67	101
Japan	8	7	27
Switzerland	49	3	29
Other countries	8	58	8
Private firms	186	137	108
Germany, Federal Republic of	36	21	15
Japan	27	24	23
Switzerland	8	5	11
Other countries	115	87	59

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

1/ Estimated from the Central Bank 1981 interest payment projection by assuming that the share of total interest payments that were payments on medium- and long-term external public debt was the share of this type of debt in the total debt at the end of 1980.

2/ Based on Table 29 projections and on the share of medium- and long-term public external debt of total external public debt in April 1981.

Exchange and Trade System

During the five year period which ended on March 31, 1981, most of the changes in Argentina's exchange and trade system were aimed at liberalizing and simplifying the system. However, in the light of the balance of payments crisis of late 1980-early 1981, the import liberalization program was suspended in April 1981 pending a review of industrial policy by the new administration; the foreign exchange market was split and under certain conditions exchange guarantees were extended to the private sector for consolidation of existing or contracting of new foreign loans with maturities of one and a half to three years. Sections III and IV have already discussed the principal changes in the exchange and trade system from December 1978 to September 30, 1981. This Appendix highlights the main features of Argentina's exchange and trade system as of September 30, 1981.1/

Argentina formally accepted the obligations of Article VIII, Sections 2, 3, and 4 of the Articles of Agreement, as of May 14, 1968.

1. Exchange arrangements

The currency of Argentina is the Argentine peso. On June 22, 1981, the foreign exchange market was split into a commercial market and a financial market. In the commercial market, the authorities announce daily the exchange rate, which applies to all export receipts except 10 per cent of the f.o.b. value of promoted exports--which can be surrendered at the exchange rate prevailing in the financial market; and to payments for nongold imports valued f.o.b. at the port of shipment. In addition, the commercial exchange rate applies to the following types of capital transactions: (1) repayment of principal on loans disbursed and negotiated in the foreign exchange market before June 19, 1981 so long as repayment becomes due after that date, the loans are rolled over on the due date for at least one year, and they are registered with the Central Bank;2/ and (2) payments of principal on loans which have been contracted under the exchange rate guarantee scheme introduced on June 5, 1981 and payments of principal and interest on loans renewed under the modified exchange guarantee scheme introduced on September 24, 1981.3/ On September 30, 1981 the selling rate for the U.S. dollar was \$a 5,807 in the commercial market.

1/ For a description of Argentina's exchange and trade system as of December 31, 1980 see the 1981 Annual Report of Exchange Arrangements and Exchange Restrictions.

2/ At the time of repayment, the debtor will purchase foreign exchange at the exchange rate prevailing in the commercial market on that day.

3/ Under the guarantee schemes the repayments are made in the future at the exchange rate prevailing in the commercial market on the day the loans have been renewed. A description of the exchange guarantee schemes is provided in Appendix C.

In the financial market, the exchange rate in principle is determined freely by supply and demand, although in practice there may be some intervention by the Banco de la Nacion on behalf of the Central Bank, to prevent sharp fluctuations in the exchange rate. The financial market covers all transactions not eligible for access to the commercial market, i.e.: (1) liquidation of 10 per cent of the f.o.b. value of promoted exports, permits for which are granted on or after June 22, 1981; (2) imports of gold; and (3) transactions involving transfers, money orders, checks, traveler's checks, and foreign banknotes. On September 30, 1981 the buying and selling rates for the U.S. dollar were \$a 7,620 and \$a 7,670, respectively, in the financial market.

Registered private financial loans contracted after January 1, 1981 with an original or rollover maturity falling due between May 29 and December 31, 1981 and which were renewed for a period of at least one year were entitled to compensation in pesos for the June 2 devaluation. From June 4, 1981 to August 31, 1981 about US\$2 billion worth of foreign loans, the bulk of the eligible loans, had benefited from this facility.1/

Exchange transactions are subject to a tax of 0.6 per cent on purchases and sales of foreign exchange. The private sector may engage in forward exchange operations with maturities of up to 360 days and at rates agreed by buyers and sellers. In 1980, as in previous years, transactions in the forward exchange market remained small; US\$29 million were bought forward and US\$48 million were sold forward during this year. Most of the transactions were on terms of 120 days or less. During the first three months of 1981 forward purchases amounted to US\$6 million and forward sales to US\$18 million.

2. Administration of control

All exchange transactions must be conducted through entities authorized expressly for this purpose. These authorized entities include banks, exchange agencies, exchange houses, and exchange offices.

3. Prescription of currency

Argentina is a member of the multilateral clearing system of the Latin American Integration Association (LAIA). Virtually all payments with members of this clearing system are made through accounts maintained by the Central Bank of Argentina and the central banks concerned. Argentina maintains a reciprocal credit arrangement with Cuba by means of special accounts in each central bank, through which transactions between the two countries are settled; the limit under these accounts is US\$10 million. Transactions with other countries must be settled in freely usable currencies.

1/ See section IV, subsection 1, for a description of the compensation scheme mechanism.

4. Imports and import payments

Imports are free of import and exchange licensing, and payments may be made in any convertible currency. All imports by the private or public sector valued at US\$1,000 or more (f.o.b.) require a sworn Declaration of Need to Import submitted by the importer to the National Import Directorate. Registration of the declaration is automatic. Furthermore, public sector imports require approval by the Central Bank to the extent that they give rise to a foreign debt.

Law 22374 of February 1981 consolidated statistical and consular fees into the Argentine tariff schedule. On April 1, 1981 the tariff reduction program initiated on January 1, 1979 was suspended until a new industrial policy was formulated. On April 2, 1981, in connection with the devaluation of the peso, import duties at the highest ranges of the import tariff, except in the case of motor vehicles, were reduced by 12 percentage points to a level which, however, could not be below 43 per cent. On May 13, 1981, Resolution 29 eliminated import duties on all imports by the agricultural sector. At the end of July 1981, 32 per cent of the tariff lines in the Argentine tariff schedule had duty rates of 10 per cent or less and about 67 per cent had duty rates of 40 per cent or less (Table 33). A large proportion of the tariff lines with duty rates of more than 40 per cent covered automobile imports.^{1/} Import reference prices (aforos) are presently only used for customs valuation in the case of television sets, radios, automobile products, and some machinery and textile products. In recent years, only in the case of color television sets and some textile products have the aforos been higher than c.i.f. values. The authorities are presently considering expanding the use of aforos for customs valuation purposes.

Prior to June 22, 1981, imports could be fully paid for against shipment and, for capital good imports, advance payment of up to 20 per cent of the f.o.b. value was permitted. After June 22, 1981 the f.o.b. value of merchandise imports in general could be paid only on terms of not less than 180 days from the date of shipment. This provision excludes printed books entering the country through the mail, fresh fruits received on consignment, temporary imports of inputs, and merchandise not shipped to the market because of damage, payment for which could continue to be made as before. Exemption from this requirement subsequently was extended to a number of goods such as fertilizers as well as to all imports from LAIA countries.

^{1/} No information is available on the distribution of imports as between the various duty rates.

Table 33. Argentina: Structure of Tariff Schedule
as of July 31, 1981

Ad Valorem Tariff Rate (In Per Cent)	Percentage of Tariff Lines
<u>Total</u>	<u>100.0</u>
0	3.1
More than 0 up to 10 inclusive	29.3
More than 10 up to 20 inclusive	5.6
More than 20 up to 40 inclusive	28.8
More than 40	33.2

Source: Ministry of Commerce and Maritime Interests.

5. Exports and export proceeds

Minimum export prices (reference prices) are established for many agricultural and livestock exports as a basis for the payment of duties and the surrender of export proceeds. The full f.o.b. proceeds from all exports must be repatriated and surrendered; the proceeds must not be less than the reference price, or in the absence of a reference price, the f.o.b. value declared on the shipping permit. On June 2, 1981, the maximum delay permitted for the surrender of foreign exchange receipts from traditional merchandise exports was shortened from 180 calendar days to 30 calendar days from the date of shipment. This requirement was further tightened on June 22, 1981 when the maximum delay for the surrender of proceeds from traditional exports was shortened from 30 to 15 days of shipment and also made applicable to the surrender of proceeds from promoted exports.

Some products are subject to export taxes (derechos de exportacion) calculated on the basis of the f.o.b. sales value or of reference prices. Only these export taxes now are in existence since Law 22374 of February 1981 eliminated all other export charges. An export charge on steel exports for a steel industry fund and an export charge on certain exports to finance a highway fund were eliminated at that time. All exports are subject to a 2 per cent tax on maritime freight costs. Certain other taxes also are levied on specific exports. These include a 2 per cent tax on exports of agricultural and livestock products, and a tax of 1 per cent or 2.5 per cent, depending on the product, levied on grain exports and earmarked for the National Grain Board. Taxes on exports of cereals, meat, and various food products were imposed on

April 2, 1981 to accompany the devaluation of the peso implemented on that day (see Section IV, Subsection 1 and Table 34). Most of these taxes were eliminated on August 7, 1981 except those on exports of coarse grain cereals which are scheduled to be eliminated by March 1, 1982.

Certain nontraditional exports are eligible for two kinds of rebates: reintegros and reembolsos. Reintegros involve the devolution to the exporter of tariffs and other customs charges on the imported inputs used in production for export. Reembolsos are reimbursements of indirect taxes paid domestically and are given on the basis of the domestic value added. Reembolso rates have varied from 5 per cent to 25 per cent since 1976. An additional reembolso of 5 per cent of the f.o.b. value granted to exports going to new export markets was introduced in April 1981 but is presently suspended. On August 7, 1981 a reembolso equivalent to 4 per cent of f.o.b. value was granted to exports of meat preparations, one of 5 per cent to exports of wheat, flour, and other foodstuffs, and one of 10 per cent to exports of vegetable and animal oils and bakery products.

The Central Bank operates two lines of financing for exports included in the list of promoted exports; a prefinancing line of credit for the manufacture of export goods, and another for export financing proper. Both lines of credit are operated through private commercial banks. In June 1981 the Central Bank increased the proportion of the f.o.b. value of certain capital, durable and semidurable goods, and other products whose manufacture could be prefinanced.

6. Invisible payments and proceeds

Exchange derived from invisibles need not be surrendered. Travellers may bring in freely any amount in domestic or foreign banknotes and coins, as well as gold coins and gold bars.

7. Capital

In general there are no limitations on capital inflows in Argentina. Prior approval is required for foreign financial loans to local foreign-owned enterprises or for loans originating from foreign enterprises which directly or indirectly control the borrowing firm. Foreign borrowing by the public sector is regulated by Decree No. 3532 of 1975. The Central Bank's Communication "A" 14 of February 2, 1981 stipulates the procedures to be followed by public sector borrowing entities. Entities which intend to borrow externally on the next calendar year are to notify the Central Bank by September 30 of the previous year. On the basis of these notifications the Central Bank must prepare an external borrowing program which is to be approved by the Ministry of Economy. Loans endorsed or guaranteed by the State also require prior authorization from the Central Bank.

Table 34. Argentina: Net Deviations of Selected Export Receipts from Exchange Rate 1/
 (In per cent at end of period)

	1979			1980			1981			
	Mar.	June	Sept.	Dec.	Mar.	June	Sept.	Dec.	Mar.	June
Wheat	-5.5	-5.5	-5.5	-5.5	-5.5	-5.5	-5.5	-1.0	--	-9.0
Wheat flour	-3.0	-3.0	-3.0	-3.0	-3.0	-3.0	-3.0	9.0	10.0	--
Corn	-5.5	-5.5	-5.5	-5.5	-5.5	-5.5	-5.5	-1.0	--	-9.0
Sorghum	-5.5	-5.5	-5.5	-5.5	-5.5	-5.5	-5.5	-1.0	--	-9.0
Sunflower oil	-3.0	-3.0	-3.0	-3.0	7.0	7.0	7.0	9.0	10.0	--
Peanut oil	-3.0	-3.0	-3.0	-3.0	3.0	7.0	7.0	9.0	10.0	--
Olive oil	7.0	7.0	7.0	7.0	7.0	7.0	7.0	9.0	10.0	10.0 2/
Beef (quarters)	-3.0	-3.0	-3.0	-3.0	-3.0	0.6	0.6	2.6	10.0	-2.0
Beef manufactures	-3.0	-3.0	-3.0	-3.0	0.6	0.6	0.6	2.6	10.0	-2.0
Beef (cuts)	-3.0	-3.0	-3.0	-3.0	0.6	0.6	0.6	2.6	10.0	-2.0
Beef (cooked, frozen, or extract)	7.0	7.0	7.0	7.0	10.6	10.6	10.6	12.6	10.0	2.0
Horsemeat	-3.0	-3.0	-3.0	-3.0	-3.0	-3.0	-3.0	-3.0	-1.0	10.0
Leather (unprocessed)	-9.0	-9.0	-9.0	-9.0	-9.0	-9.0	-9.0	-6.0	-5.0	-5.0
Leather (cut)	-3.0	-3.0	-3.0	-3.0	-3.0	-3.0	-3.0	9.0	10.0	10.0 2/
Tobacco leaf	-3.0	-3.0	-3.0	-3.0	-3.0	-3.0	-3.0	-1.0	--	--
Tobacco manufactures	-2.0	-2.0	-2.0	-2.0	-2.0	-2.0	-2.0	-2.0	-1.0	--
Sugar and pure alcohol	-1.0	-1.0	-1.0	-1.0	-1.0	-1.0	-1.0	-1.0	--	--
Wool (unwashed)	-9.0	-9.0	-9.0	-9.0	-9.0	-9.0	-9.0	-1.0	--	--
Wool (washed)	-3.0	-3.0	-3.0	-3.0	-3.0	-3.0	-3.0	-1.0	5.0	5.0
Fruits (fresh)	-3.0	-3.0	-3.0	-3.0	7.0	7.0	7.0	9.0	10.0	7.0
Fruits (canned)	11.0	7.0	7.0	7.0	7.0	7.0	7.0	9.0	10.0	10.0
Cheese	2.0	2.0	2.0	2.0	2.0	2.0	2.0	9.0	10.0	7.0
Casein	2.0	2.0	2.0	2.0	2.0	2.0	2.0	9.0	10.0	10.0 2/
Wire and iron sheet	4.0	14.0	14.0	14.0	14.0	14.0	14.0	14.0	15.0	15.0 2/
Tools (power)	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0	25.0	24.0 2/
Agricultural machines	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0	25.0	24.0 2/
Tractors	24.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0	25.0	24.0 2/
Memorandum item:										4,525.0 3/
Buying rate for U.S. dollar	1,153.0	1,313.0	1,469.0	1,615.0	1,744.0	1,851.0	1,930.0	1,989.0	2,363.0	6,550.0 4/

APPENDIX E

Source: Central Bank of Argentina.

1/ Refers to net deviations from the buying rate for the U.S. dollar due to export duties, nonduty taxes, and rebates (reembolsos); not all of these measures necessarily apply simultaneously.

2/ Ten per cent of the foreign exchange receipts can be sold in the financial market and the rest in the commercial market.

3/ Commercial rate.

4/ Financial rate.

Banks may accept foreign currency deposits with minimum maturities of 90 days and lend the proceeds domestically at freely determined rates of interest. Outward capital transfers are restricted.

Foreign investment in Argentina is regulated by Law 22.208 of April 11, 1980 and by Decree No. 103 of January 1, 1981, both of which liberalized the foreign investment regime. Investments may be made in freely convertible foreign currency; in capital goods and their spare parts and accessories; in profits and capital in Argentine pesos belonging to foreign investors, provided that they are legally transferable abroad; through capitalization of foreign credits in freely convertible foreign currency; in intangible assets; and in any other form acceptable to the implementing authority or covered by a special regime or a promotion regime.

For approval purposes, investments are classified into three categories: (1) those which are subject to prior approval by the Executive Branch, (2) those for which no prior approval is required; and (3) all other foreign investments which are subject to prior approval by the implementing authority, which must give its decision within 120 days from the date on which the investment proposal is submitted. In the first category fall investments in the national security and energy sectors; transfer of capital and acquisition of shares which involve changing the national ownership structure of a local firm belonging to national investors and having net assets exceeding US\$10 million; investments exceeding US\$20 million; and a few other cases. The category for which no prior approval is required covers essentially reinvestment of profits by a registered foreign investor and new investments in freely convertible foreign currency made under certain conditions. Also exempt from prior approval are new transfers of freely convertible foreign currency not exceeding US\$5 million and not involving a change in the national ownership structure of an existing local firm. Law 22.208 also allows for the first time investments in any of Argentina's stock markets without prior authorization, provided that the amount does not exceed US\$2 million for each foreign investor and provided that the foreign investment does not exceed 2 per cent of the capital of the company involved.

Registered foreign investments may generally be repatriated three years after entry into Argentina, unless a longer period is fixed when the investment is approved. The Executive Branch can suspend the right to transfer profits and repatriate capital. Profits in money or in kind on registered foreign capital are subject to a special tax on after-tax profits when on an annual basis the latter exceed 12 per cent of registered capital.

Table 35. Argentina: National Accounts

(In billions of Argentine pesos at current prices)

	1976	1977	1978	1979	Prel. 1980	Est. 1981
<u>Gross domestic expenditure</u>	7,032	19,583	50,144	142,572	288,379	570,468
Consumption	5,193	14,777	39,186	114,235	228,118	459,128
Private	4,407	12,773	32,945	97,971	188,752	385,907
Government	786	2,004	6,241	16,264	39,366	73,221
Gross domestic investment	1,839	4,806	10,958	28,337	60,261	111,340
Fixed capital formation	1,828	4,772	11,282	28,276	58,227	113,870
Private	980	2,374	5,026	14,310	31,296	59,747
Public	848	2,398	6,256	13,966	26,931	54,123
Change in inventories	11	34	-324	61	2,034	-2,530
<u>Foreign balance</u>	157	749	1,963	460	-5,910	6,532
Exports of goods and nonfactor services	668	2,765	6,139	12,646	19,774	57,522
Imports of goods and nonfactor services	-511	-2,016	-4,176	-12,186	-25,684	-50,990
<u>Gross domestic product at market prices</u>	7,189	20,332	52,107	143,032	282,469	577,000
Net factor payments abroad	-69	-236	-542	-1,211	-2,760	-16,252
<u>Gross national product at market prices</u>	7,120	20,096	51,565	141,821	279,709	560,748
Subsidies	64	240	564	2,165	4,903	8,050
Indirect taxes	-817	-2,268	-6,124	-16,759	-37,510	-76,633
<u>Gross national product at factor cost</u>	6,367	18,068	46,005	127,227	247,102	492,165
Depreciation	-464	-1,117	-2,437	-5,599	-12,053	-22,162
<u>Net national product at factor cost = national income</u>	5,903	16,951	43,568	121,628	235,049	470,003

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

Table 36. Argentina: National Accounts
(In billions of Argentine pesos at 1970 prices)

	1976	1977	1978	1979	Prel.	Est.
					1980	1981
Gross domestic expenditure	97.86	103.72	98.23	109.91	115.80	108.08
Consumption	76.47	78.11	76.03	85.53	88.08	84.70
Private	64.94	67.14	63.38	72.75	73.27	70.80
Government	11.53	10.97	12.65	12.78	14.81	13.90
Gross domestic investment	21.39	25.61	22.20	24.38	27.72	23.38
Fixed capital formation	21.24	25.43	22.87	24.33	26.80	23.90
Private	12.43	13.48	12.17	13.59	15.06	13.18
Public	8.81	11.95	10.70	10.74	11.74	10.72
Change in inventories	0.15	0.18	-0.67	0.05	0.92	-0.52
Foreign balance	2.96	3.59	5.38	1.07	-3.70	0.66
Exports of goods and nonfactor services	9.71	12.27	13.22	12.92	12.56	13.50
Imports of goods and nonfactor services	-6.75	-8.68	-7.84	-11.85	-16.26	-12.84
Gross domestic product at market prices	100.82	107.31	103.61	110.98	112.10	108.74
Net factor payments abroad	-0.91	-1.02	-1.02	-1.15	-1.74	-4.09
Gross national product at market prices	99.91	106.29	102.59	109.83	110.36	104.65
Subsidies	0.84	1.28	1.17	1.77	2.22	1.66
Indirect taxes	-10.71	-12.05	-12.67	-13.68	-16.97	-15.76
Gross national product at factor cost	90.04	95.52	91.09	97.92	95.61	90.55
Depreciation	-6.08	-5.93	-5.04	-4.57	-5.45	-4.56
Terms of trade effect	-0.87	-0.39	-1.70	-0.88	-0.04	0.99
Net national product at factor cost = national income	83.09	89.20	84.35	92.47	90.12	86.98

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

Table 37. Argentina: Industrial Origin of Gross Domestic Product

	1976	1977	1978	1979	Prel. 1980	Est. 1981
(In millions of Argentine pesos at 1970 prices)						
GDP at factor cost	89,321	95,076	91,797	98,327	99,325	96,346
Primary sector	14,241	14,736	14,948	15,605	15,031	15,941
Agriculture, forestry, and fishing	12,262	12,588	12,759	13,277	12,572	13,462
Mining	1,979	2,148	2,189	2,328	2,459	2,479
Secondary sector	32,757	35,567	32,890	35,754	35,947	33,301
Manufacturing	24,099	25,982	23,248	25,616	24,644	22,394
Construction	5,934	6,735	6,697	6,877	7,786	7,319
Electricity, gas, and water	2,724	2,850	2,945	3,261	3,517	3,588
Service sector	42,325	44,774	43,959	46,969	48,347	47,104
Commerce	12,691	13,621	12,592	13,891	13,973	13,073
Transportation and communications	9,761	10,333	9,959	10,800	10,876	10,575
Finance and banking	6,074	6,915	7,381	7,969	8,838	9,070
Government	9,264	9,150	9,150	9,287	9,473	9,189
Other	4,535	4,754	4,878	5,021	5,237	5,197
(Percentage change)						
GDP at factor cost	-0.5	6.4	-3.4	7.1	1.0	-3.0
Primary sector	4.3	3.5	1.4	4.4	-3.7	6.1
Agriculture, forestry, and fishing	4.6	2.7	1.4	4.1	-5.3	7.1
Mining	2.4	8.6	1.9	6.3	5.7	0.8
Secondary sector	--	8.6	-7.5	8.7	0.5	-6.9
Manufacturing	-3.0	7.8	-10.5	10.2	-3.8	-9.1
Construction	12.5	13.5	-0.6	2.7	13.2	-6.0
Electricity, gas, and water	3.7	4.6	3.3	10.7	7.9	2.0
Service sector	-2.3	5.8	-1.8	6.8	2.9	-2.9
Commerce	-5.2	7.3	-7.6	10.3	0.2	-6.5
Transportation and communications	-0.9	5.9	-3.6	8.4	0.7	-2.8
Finance and banking	-4.2	13.8	6.7	8.0	10.9	2.6
Government	-0.2	-1.2	--	1.5	2.0	-3.0
Other	1.4	4.8	2.6	2.9	4.3	-0.8
(Percentage distribution)						
GDP at factor cost	100.0	100.0	100.0	100.0	100.0	100.0
Primary sector	15.9	15.5	16.3	15.9	15.1	16.5
Agriculture, forestry, and fishing	13.7	13.2	13.9	13.5	12.7	14.0
Mining	2.2	2.3	2.4	2.4	2.4	2.5
Secondary sector	36.7	37.4	35.8	36.3	36.2	34.6
Manufacturing	27.0	27.3	25.3	26.0	24.8	23.3
Construction	6.6	7.1	7.3	7.0	7.8	7.6
Electricity, gas and water	3.1	3.0	3.2	3.3	3.6	3.7
Service sector	47.4	47.1	47.9	47.8	48.7	48.9
Commerce	14.2	14.3	13.7	14.1	14.1	13.6
Transportation and communications	10.9	10.9	10.9	11.0	10.9	10.9
Finance and banking	6.8	7.3	8.0	8.1	8.9	9.4
Government	10.4	9.6	10.0	9.5	9.5	9.5
Other	5.1	5.0	5.3	5.1	5.3	5.5

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

Table 38. Argentina: Saving and Investment

(In billions of Argentine pesos)

	1976	1977	1978	1979	Prel.	Est.
					1980	1981
National saving	1,930	5,332	12,417	27,631	51,645	102,300
Private sector saving	1,688	3,276	8,021	18,718	36,797	85,585
Public sector saving	242	2,056	4,396	8,913	14,848	16,715
Gross domestic investment	1,839	4,806	10,958	28,337	60,261	111,340
Private sector fixed capital formation	963	2,285	5,026	14,417	31,296	59,747
Public sector fixed capital formation	865	2,487	6,256	13,859	26,931	54,123
Changes in stocks	11	34	-324	61	2,034	-2,530
External saving	-91	-526	-1,459	706	8,616	9,040
Capital inflow	-94	373	992	6,287	3,844	4,818
Private 1/	-50	465	47	4,979	-1,165	-8,126
Public	-44	-92	945	1,308	5,009	12,944
Valuation adjustment 2/	-2	4	132	269	-256	-909
Change in net international reserves (increase -)	5	-903	-2,583	-5,850	5,028	5,131

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

1/ Includes government banks as well as errors and omissions.

2/ Includes SDR allocations.

Table 39. Argentina: Index of Agricultural Production

(1970 = 100)

	1976	1977	1978	1979	Prel. 1980
<u>Total</u>	<u>119.1</u>	<u>122.2</u>	<u>123.9</u>	<u>128.9</u>	<u>122.1</u>
<u>Agriculture and hunting</u>	<u>119.1</u>	<u>122.0</u>	<u>124.2</u>	<u>128.3</u>	<u>122.1</u>
<u>Agriculture</u>	<u>119.5</u>	<u>127.3</u>	<u>129.6</u>	<u>137.8</u>	<u>133.9</u>
Cereals	111.7	113.8	117.2	111.6	104.3
Oilseeds	133.5	198.9	233.0	287.5	270.1
Industrial crops	137.0	131.5	130.9	132.3	140.3
Fruits and flowers	109.7	117.6	114.5	125.7	127.8
Vegetables	113.1	114.2	97.9	119.3	109.9
<u>Livestock</u>	<u>118.5</u>	<u>115.1</u>	<u>117.2</u>	<u>118.0</u>	<u>109.4</u>
Cattle	116.8	114.5	116.2	116.3	104.7
Wool	94.8	93.9	99.6	100.9	98.5
Milk	137.7	127.0	127.7	128.0	127.7
Poultry	127.6	125.3	133.8	155.6	174.4
<u>Hunting</u>	<u>405.4</u>	<u>586.6</u>	<u>731.4</u>	<u>740.3</u>	<u>714.8</u>
<u>Forestry</u>	<u>117.2</u>	<u>126.6</u>	<u>116.9</u>	<u>128.1</u>	<u>120.1</u>
<u>Fishing</u>	<u>119.3</u>	<u>160.5</u>	<u>243.9</u>	<u>264.2</u>	<u>209.7</u>

Sources: Ministry of Economy, Treasury, and Finance; Ministry of Agriculture and Livestock; and Central Bank of Argentina.

Table 40. 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)

	1976/77	1977/78	1978/79	1979/80	Prel. 1980/81
Cereals					
Wheat					
Planted area	7,192	4,600	5,230	5,000	6,196
Harvested area	6,428	3,910	4,685	4,787	5,023
Production	11,000	5,300	8,100	8,100	7,780
Yield	1.71	1.36	1.73	1.69	1.55
Corn					
Planted area	2,980	3,100	3,300	3,310	3,939
Harvested area	2,532	2,660	2,800	2,490	3,456
Production	8,300	9,700	8,700	6,400	13,500
Yield	3.28	3.65	3.11	2.57	3.91
Oats					
Planted area	1,471	1,480	1,545	1,680	1,718
Harvested area	383	430	500	410	350
Production	530	570	676	522	433
Yield	1.38	1.33	1.35	1.27	1.24
Barley					
Planted area	967	890	761	592	555
Harvested area	476	310	355	246	172
Production	760	353	554	339	217
Yield	1.60	1.14	1.56	1.38	1.25
Rye					
Planted area	2,300	2,140	1,722	1,494	1,489
Harvested area	340	240	260	225	210
Production	330	170	210	202	155
Yield	0.97	0.71	0.81	0.89	0.74
Rice					
Planted area	96	100	116	88	85
Harvested area	91	95	102	82	82
Production	320	310	312	266	296
Yield	3.53	3.26	3.05	3.24	3.60
Sorghum					
Planted area	2,780	2,640	2,530	1,884	2,424
Harvested area	2,377	2,254	2,044	1,279	2,078
Production	6,600	7,200	6,200	2,960	7,550
Yield	2.78	3.19	3.03	2.31	3.63

Table 40. 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)

	1976/77	1977/78	1978/79	1979/80	Prel. 1980/81
Oilseeds					
Linseed					
Planted area	722	950	893	1,070	780
Harvested area	674	884	817	978	726
Production	617	810	600	743	585
Yield	0.92	0.92	0.73	0.76	0.81
Sunflower seeds					
Planted area	1,460	2,200	1,766	2,000	1,925
Harvested area	1,233	2,000	1,577	1,855	1,880
Production	900	1,600	1,430	1,650	1,260
Yield	0.73	0.80	0.91	0.89	0.67
Soybeans					
Planted area	710	1,150	1,640	2,100	1,947
Harvested area	660	1,100	1,600	2,030	1,912
Production	1,400	2,400	3,700	3,500	3,770
Yield	2.12	2.18	2.31	1.72	1.97
Groundnuts					
Planted area	368	452	400	287	201
Harvested area	368	425	393	279	200
Production	600	260	470	206	167
Yield	1.63	0.62	1.20	0.74	0.84
Industrial crops					
Cotton					
Planted area	543	621	702	585	343
Harvested area	518	607	669	568	279
Production	522	714	573	485	271
Yield	1.01	1.18	0.86	0.85	0.97
Tobacco					
Planted area	81	70	78	64	53
Harvested area	75	62	75	57	...
Production	90	63	70	62	52
Yield	1.20	1.02	0.93	1.09	...
Sugarcane					
Planted area	360	356	351	337	353
Harvested area	350	343	306	314	324
Production	16,000	13,600	14,120	17,200	15,000
Yield	45.71	39.65	46.14	54.78	46.30

Sources: National Statistical Institute; Ministry of Economy, Treasury and Finance; Ministry of Agriculture and Livestock; and Central Bank of Argentina.

Table 41. Argentina: Average Producer and Export Prices
for Major Crops 1/

(In U.S. dollars per ton)

	1976	1977	1978	1979	1980	Est. 1981
<u>Wheat</u>						
Producer's price	71.05	62.65	71.07	56.06	101.61	159.05
Export price	140.00	93.25	117.00	127.75	192.25	213.00
Producer's share <u>2/</u>	50.75	67.18	60.74	43.88	52.85	74.67
<u>Corn</u>						
Producer's price	48.21	60.67	70.57	81.58	107.04	73.24
Export price	120.00	96.00	103.83	109.17	151.33	139.67
Producer's share <u>2/</u>	40.18	63.20	67.97	74.73	70.73	52.44
<u>Sorghum</u>						
Producer's price	41.12	47.38	48.99	54.73	99.03	58.00
Export price	98.80	82.20	83.40	89.00	142.40	122.80
Producer's share <u>2/</u>	41.62	57.64	58.74	61.49	69.54	47.23
<u>Soybeans</u>						
Producer's price	132.69	203.81	137.65	199.49	176.84	152.74
Export price	...	321.75	247.50	257.25	213.50	259.75
Producer's share <u>2/</u>	...	63.34	55.62	77.55	82.83	58.80

Source: Ministry of Agriculture and Livestock.

1/ Producer's prices are quoted at the farm gate, and export prices are f.o.b. Buenos Aires.

2/ Producer's price as per cent of export price.

Table 42. Argentina: Relative Prices 1/
(1960 = 100, period averages)

	Agricultural Prices				Public Utilities			
	General	Crops	Cereals	Livestock	Petroleum Products	Electricity	Transport	Communications
1976	93.4	102.8	76.2	83.1	88.7	111.7	67.3	92.4
1977	99.7	101.7	93.5	97.1	102.2	115.0	83.2	94.3
1978	93.9	101.9	88.5	83.8	88.9	118.4	91.0	108.9
1979	92.8	83.4	67.7	102.2	111.9	95.3	78.9	94.1
1980	83.9	81.0	72.0	86.1	95.3	100.4	82.7	105.4
1979	91.4	87.3	67.5	95.2	103.1	105.4	83.9	101.3
1st quarter	90.1	83.2	67.1	96.7	102.4	97.7	79.0	95.1
2nd quarter	98.9	84.3	68.4	113.9	126.5	88.0	70.9	87.2
3rd quarter	90.0	80.5	67.5	99.8	110.2	89.8	70.0	92.5
1980	85.8	76.3	74.0	94.7	103.5	94.1	75.1	98.8
1st quarter	87.1	79.6	70.3	94.1	103.8	97.6	78.3	106.2
2nd quarter	87.9	88.1	73.0	86.8	97.2	101.5	81.4	109.5
3rd quarter	76.6	78.8	70.9	73.7	81.4	108.3	96.0	107.9
1981	69.3	65.4	67.2	72.0	79.2	121.2	100.7	110.5
1st quarter	70.3	69.5	70.2	69.8	74.0	110.3	91.2	102.3
2nd quarter								179.2
								172.0

Sources: National Statistical Institute; and National Enterprises Corporation.

1/ Price indices deflated by the wholesale price index for national nonagricultural goods.

Table 43. Argentina: Population, Slaughter, and Price Data for Cattle

Cattle Popula- tion 1/ Slaughter (Millions)	Sales in Total Liniers Market	Sales in Liniers in Market	Ratio of Cows to Sales in Liniers (Per cent)	Average Weight in Liniers (Kilos)	Average Prices in Liniers (\$a per kilo)		
					Constant 1960 Prices According to:		
					Changes in Wholesale Price Index	Changes in Crop Price Index	Industrial Price Index
1976	58.2	13.9	2.92	21.9	376	54.04	0.122
1977	61.1	14.6	3.27	22.1	374	150.61	0.136
1978	57.8	16.3	3.34	23.1	372	328.22	0.121
1979	56.9	15.6	2.95	22.1	385	1,096.52	0.162
1980	55.8	14.1	2.67	17.2	390	1,784.14	0.150
 1979 1st quarter	 4.2	 0.82	 22.9	 383	 700.63	 0.150	 0.167
 1980 1st quarter	 3.6	 0.64	 17.6	 400	 1,577.44	 0.168	 0.202
 1981 1st quarter	 3.7	 0.68	 18.4	 385	 1,968.94	 0.129	 0.180
							0.118

Sources: National Meat Board; and National Statistical Institute.

1/ Midyear estimate.

Table 44. Argentina: Manufacturing Production at Constant Prices
 (Percentage change from corresponding period one year earlier)

	Total Production	Food Beverages, and Tobacco	Textiles and Leather	Wood Products	Paper and Printing Material	Chemicals	Non-Metallic Minerals	Metals	Machinery and Transport Equipment	Other
1976	-3.0	-0.6	-5.4	-28.2	12.4	1.7	-3.5	-9.6	-1.9	-3.0
1977	7.8	-1.4	3.7	4.6	--	1.5	-1.4	14.9	22.2	7.8
1978	-10.5	-2.7	-14.2	-1.0	3.2	-8.0	0.4	-5.5	-20.2	-10.5
1979	10.2	5.3	10.8	11.0	1.8	12.3	7.0	17.0	13.5	10.2
1980	-3.8	1.8	-15.1	-3.0	-6.8	0.9	-3.4	-8.0	-4.5	-5.8
1980	-1.2	2.0	-8.7	-11.1	-10.6	0.6	-6.2	-3.9	2.4	-1.2
1st quarter	-6.5	-5.0	-12.9	-2.5	-3.3	-0.6	-0.7	-12.9	-6.3	-6.5
2nd quarter	-2.2	4.9	-18.7	-0.2	-6.6	4.1	-6.9	-2.8	-1.5	-2.2
3rd quarter	-4.8	5.8	-18.3	0.2	-7.0	-0.5	0.2	-11.5	-8.4	-4.8
1981	-5.5	-3.3	-12.5	16.1	-13.1	8.6	-10.9	-12.2	-10.0	-5.4
1st quarter	-13.4	1.4	-12.4	-10.3	-16.7	-7.4	-4.3	-31.6	-24.9	-13.4
Memorandum Item										
Weight 1/	35.2	6.2	4.1	0.6	1.5	6.6	1.6	2.1	11.0	1.5

Source: Central Bank of Argentina.

1/ Percentage contribution to GDP at factor cost in 1972.

Table 45. Argentina: Rates of Price Increases

(In per cent)

	Consumer Price Index		Wholesale Price Index	
	Change over preceding month	Change over 12 months	Change over preceding month	Change over 12 months
<u>1977</u>				
December	7.3	160.4	4.2	147.1
<u>1978</u>				
December	9.1	169.8	6.4	143.3
<u>1979</u>				
January	12.8	168.5	10.0	142.8
February	7.4	171.6	8.0	149.0
March	7.7	167.3	8.1	146.7
April	7.0	157.5	6.5	140.8
May	6.9	153.3	9.0	140.8
June	9.7	160.9	10.5	153.9
July	7.2	162.2	7.5	160.2
August	11.5	171.7	14.7	174.6
September	6.8	172.2	5.3	171.0
October	4.3	158.8	1.1	149.1
November	5.1	150.1	3.4	137.4
December	4.5	139.7	2.5	128.9
<u>1980</u>				
January	7.2	127.9	4.3	116.9
February	5.3	123.5	4.1	109.2
March	5.8	119.4	3.8	101.1
April	6.2	117.7	3.8	96.1
May	5.8	96.4	5.3	71.4
June	5.7	107.6	7.3	84.1
July	4.6	102.6	2.9	76.4
August	3.4	88.0	2.9	58.3
September	4.5	84.0	2.9	54.7
October	7.6	80.5	5.4	61.4
November	4.7	88.9	2.6	60.2
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

Source: National Statistical Institute.

Table 46. Argentina: Index of Average Wage per Employee
in the Industrial Sector 1/

(1976, 2nd quarter = 100)

	Nominal Wage	Consumer Price Index	Real Wage
<u>1977</u>			
1st quarter	195.7	200.9	97.4
2nd quarter	255.9	245.2	104.4
3rd quarter	322.0	311.7	103.3
4th quarter	405.5	415.3	97.6
<u>1978</u>			
1st quarter	524.2	544.9	96.2
2nd quarter	674.8	708.2	95.3
3rd quarter	873.6	868.6	100.6
4th quarter	1,125.3	1,110.3	101.4
<u>1979</u>			
1st quarter	1,531.1	1,467.4	104.3
2nd quarter	1,996.3	1,823.4	109.5
3rd quarter	2,653.1	2,336.2	113.6
4th quarter	3,416.3	2,766.7	123.5
<u>1980</u>			
1st quarter	4,131.9	3,278.1	126.1
2nd quarter	4,858.9	3,889.4	124.9
3rd quarter	5,826.1	4,462.1	130.6
4th quarter	6,733.5	5,221.9	129.0
<u>1981</u>			
1st quarter	7,508.0	5,974.7	125.7
2nd quarter	8,714.8	7,356.0	118.5
1976 (last three quarters)	121.2	124.0	97.7
1977	297.6	293.3	101.5
1978	805.8	808.0	99.7
1979	2,399.0	2,098.4	114.3
1980	5,387.5	4,212.9	127.9

Sources: National Statistical Institute; and Fund staff estimates.

1/ The nominal wage index refers to total remuneration (wages and salaries plus supplements) per employee (on the payroll as of the last working day of the quarter or month). It is based on a stratified sample of 1,328 firms in 27 industrial classifications. The series has been seasonally adjusted by the Fund staff.

Table 47. Argentina: Unemployment at Selected Dates

(In per cent of active population)

	Greater Buenos Aires	Cordoba	Rosario	Tucuman	Greater Mendoza
<u>1976</u>					
April	4.8	6.5	5.3	7.4	5.9
October	4.1	5.4	4.1	5.6	4.8
<u>1977</u>					
April	3.4	5.9	3.5	7.3	4.4
October	2.2	4.0	2.6	4.6	4.4
<u>1978</u>					
April	3.9	5.3	5.4	6.7	2.9
October	1.7	2.7	2.3	4.8	3.5
<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	6.2	1.4
October	2.0	2.7	2.4	6.4	2.9
<u>1981</u>					
April	3.9	2.9	4.8	7.3	4.1

Source: National Statistical Institute.

Table 48. Argentina: Output, Man-Hours, and Labor Productivity in Manufacturing

(1970 = 100, period averages)

	Manufacturing Output	Hours Worked	Output per Hour
1976	114.8	113.4	101.2
1977	123.8	112.8	109.8
1978	110.8	101.0	109.7
1979	122.1	102.3	119.4
1980	117.5	93.3	125.9
<u>1979</u>			
1st quarter	106.2	94.4	112.5
2nd quarter	128.4	106.2	120.9
3rd quarter	127.6	105.4	121.1
4th quarter	126.1	103.2	122.2
<u>1980</u>			
1st quarter	105.0	87.4	120.1
2nd quarter	120.0	98.5	121.8
3rd quarter	124.8	97.5	128.0
4th quarter	120.0	90.1	133.2
<u>1981</u>			
1st quarter	99.2	76.8	129.2
2nd quarter	103.9	83.9	123.8

Sources: National Statistical Institute; and Fund staff estimates.

Table 49. Argentina: Compensation, Output per Hour, and
Unit Labor Cost in Manufacturing

(1976, 2nd quarter = 100)

	Real Wage Cost 1/	Output per Hour	Unit Labor Cost
1977	92.2	108.0	85.4
1978	101.1	107.9	93.7
1979	121.0	117.4	103.1
1980	150.9	123.8	121.9
1979			
1st quarter	111.3	110.6	100.6
2nd quarter	114.8	118.9	96.6
3rd quarter	117.9	119.1	99.0
4th quarter	132.4	120.0	110.3
1980			
1st quarter	141.6	118.1	119.9
2nd quarter	146.1	119.8	122.0
3rd quarter	155.3	125.9	123.4
4th quarter	157.1	131.0	119.9
1981			
1st quarter	156.7	127.0	123.4
2nd quarter	137.9	121.7	113.3

Sources: National Statistical Institute; and Fund staff estimates.

1/ Nominal wage deflated by wholesale prices for domestic industrial goods.

Table 50. Argentina: Public Sector Operations 1/

(In billions of Argentine pesos)

	1976	1977	1978	1979	Prel. 1980	Revised Budget 1981
I. Central Administration						
Current revenue	448.7	1,384.3	3,633.7	7,861.6	15,605.6	31,569.9
Current expenditure	379.5	952.1	2,884.0	7,003.5	15,639.7	32,622.7
<u>Current account surplus</u>	<u>69.2</u>	<u>432.2</u>	<u>749.7</u>	<u>858.1</u>	<u>-34.1</u>	<u>-1,052.8</u>
Net intertransfers	-617.0	-787.3	-1,539.6	-2,999.7	-6,977.6	-20,729.3
Special accounts	-65.0	-94.4	-370.6	-1,638.2	-2,806.6	-6,700.5
Decentralized agencies	-126.2	-262.8	-629.1	-1,384.8	-3,747.1	-8,192.6
Social security	-2.4	-3.1	-13.8	-50.3	-101.2	--
Provinces and municipality of Buenos Aires	-205.9	-139.4	-230.6	-19.4	-1,087.8	-5,979.0
State enterprises	-217.5	-287.6	-295.5	93.0	765.1	142.8
Capital receipts	1.1	--	--	5.0	--	--
<u>Capital expenditure</u>	<u>93.8</u>	<u>208.9</u>	<u>468.7</u>	<u>1,024.4</u>	<u>1,680.1</u>	<u>3,093.2</u>
Fixed capital formation	75.7	186.8	457.0	1,017.3	1,648.2	3,024.8
Other	18.1	22.1	11.7	7.1	31.9 2/	68.4 2/
<u>Overall surplus or deficit (-)</u>	<u>-640.5</u>	<u>-564.0</u>	<u>-1,258.6</u>	<u>-3,161.0</u>	<u>-8,691.8</u>	<u>-24,875.3</u>
Interest as amortization	103.5	210.9	854.9	2,435.7	4,176.6	9,186.9
<u>Financing needs</u>	<u>744.0</u>	<u>774.9</u>	<u>2,113.5</u>	<u>5,596.7</u>	<u>12,868.4</u>	<u>34,062.2</u>
External (net)	28.6	24.5	191.2	421.1	2,185.2	2,523.7
Internal (net)	715.4	750.4	1,922.3	5,175.6	10,683.2	31,538.5
II. Special Accounts						
Current revenue	120.2	448.2	1,596.1	4,836.6	11,217.0	16,576.2
Current expenditure	48.3	138.5	450.6	1,696.0	4,322.3	8,074.6
<u>Current account surplus</u>	<u>71.9</u>	<u>309.7</u>	<u>1,145.5</u>	<u>3,140.6</u>	<u>6,894.7</u>	<u>8,501.6</u>
Net intertransfers	-3.1	-209.5	-701.3	-1,215.2	-3,441.9	-4,815.2
Central Administration	65.0	94.4	370.6	1,638.2	2,806.6	6,700.3
Decentralized agencies	-8.1	-9.5	-59.9	-220.1	77.0	163.8
Provinces and municipality of Buenos Aires	-29.4	-184.5	-629.2	-1,681.9	-4,024.4	-7,116.7
State enterprises	-30.6	-109.9	-382.8	-951.4	-2,301.1	-4,562.6
Capital receipts	0.6	0.7	7.1	14.9	76.0	218.4
<u>Capital expenditure</u>	<u>70.1</u>	<u>186.1</u>	<u>454.8</u>	<u>1,323.4</u>	<u>2,242.2</u>	<u>4,778.1</u>
Fixed capital formation	43.5	184.8	436.5	1,215.3	2,087.8	4,188.9
Other	26.6	1.3	18.3	108.1	154.4	589.2
<u>Overall surplus or deficit (-)</u>	<u>-0.7</u>	<u>-85.2</u>	<u>-3.5</u>	<u>616.9</u>	<u>1,296.6</u>	<u>-873.3</u>
Interest as amortization	0.2	0.3	0.4	39.7	6.0	220.3
<u>Financing needs</u>	<u>0.9</u>	<u>85.5</u>	<u>3.9</u>	<u>-577.2</u>	<u>-1,280.6</u>	<u>1,093.6</u>
External (net)	1.0	85.9	4.3	6.0	-396.2	208.7
Internal (net)	-0.1	-0.4	-0.4	-583.2	-884.4	884.9

Table 50. Argentina: Public Sector Operations (Continued)

(In billions of Argentine pesos).

	1976	1977	1978	1979	Prel. 1980	Raised Budget 1981
III. Decentralized Agencies						
Current revenue	116.6	358.2	1,106.4	2,779.8	5,863.7	7,458.6
Current expenditure	116.3	310.6	1,010.6	2,391.9	5,913.9	10,422.8
<u>Current account surplus</u>	<u>0.3</u>	<u>47.6</u>	<u>95.8</u>	<u>387.9</u>	<u>-50.2</u>	<u>-2,964.2</u>
Net intertransfers	134.3	268.7	680.1	1,585.4	3,465.8	7,853.2
Central Administration	126.2	262.8	629.1	1,384.8	3,747.1	8,192.6
Special accounts	8.1	9.5	59.9	220.1	-77.0	-163.8
Provinces and municipality of Buenos Aires	--	-3.4	-8.9	-19.5	-204.3	-175.6
State enterprises	--	-0.2	--	--	--	--
Capital receipts	0.3	1.5	4.0	11.9	25.6	44.8
Capital expenditure	131.1	374.2	925.8	1,862.7	3,437.2	7,165.0
Fixed capital formation	125.7	346.9	772.5	1,592.5	3,167.6	6,552.3
Other	5.4	27.3	153.3	270.2	269.6 2/	612.7 2/
<u>Overall surplus or deficit (-)</u>	<u>3.8</u>	<u>-56.4</u>	<u>-143.9</u>	<u>122.5</u>	<u>4.0</u>	<u>-2,231.2</u>
Interest as amortization	5.0	18.8	124.8	312.4	655.2	969.9
<u>Financing needs</u>	<u>1.2</u>	<u>75.2</u>	<u>270.7</u>	<u>189.9</u>	<u>651.2</u>	<u>3,201.1</u>
External (net)	-1.7	43.9	46.1	8.7	992.9	1,492.0
Internal (net)	2.9	31.3	224.6	181.2	-341.7	1,709.1
IV. Social Security						
Current revenue	299.1	850.1	2,261.8	6,869.7	16,275.5	28,245.0
Current expenditure	250.4	698.8	2,417.3	6,966.0	16,457.1	28,115.0
<u>Current account surplus or deficit (-)</u>	<u>48.7</u>	<u>151.3</u>	<u>-155.5</u>	<u>-116.3</u>	<u>-181.6</u>	<u>130.0</u>
Net intertransfers	2.6	3.1	13.8	50.3	101.2	--
Central Administration	2.6	3.1	13.8	50.3	101.2	--
Capital receipts	--	--	146.3	93.0	--	--
Capital expenditure	48.7	151.3	--	--	--	--
<u>Overall surplus or deficit (-)</u>	<u>2.4</u>	<u>3.1</u>	<u>4.6</u>	<u>27.0</u>	<u>-80.4</u>	<u>130.0</u>
<u>Financing needs</u>	<u>-2.4</u>	<u>-3.1</u>	<u>-4.6</u>	<u>-27.0</u>	<u>80.4</u>	<u>-130.0</u>
Internal (net)	-2.4	-3.1	-4.6	-27.0	80.4	-130.0
V. Provinces and Municipality of Buenos Aires						
Current revenue	377.5	1,682.7	4,564.4	12,398.9	26,688.0	44,476.7
Current expenditure	393.1	1,119.0	3,379.1	9,283.9	22,703.9	42,184.4
<u>Current account surplus</u>	<u>-15.6</u>	<u>563.7</u>	<u>1,185.3</u>	<u>3,115.0</u>	<u>3,984.1</u>	<u>2,292.3</u>
Net intertransfers	235.3	327.3	868.7	1,667.0	4,976.1	12,323.3
Central Administration	205.9	139.4	230.6	19.4	1,087.8	5,979.0
Special accounts	29.4	184.5	629.2	1,681.9	4,024.4	7,116.7
Decentralized agencies	--	3.4	8.9	19.5	204.3	175.6
State enterprises	--	--	--	-53.8	-340.4	-948.0
Capital receipts	2.0	8.4	32.5	69.7	121.4	238.1
Capital expenditure	228.7	759.6	2,206.2	5,148.7	9,661.0	19,176.3
Fixed capital formation	223.4	699.8	2,141.3	4,982.7	9,661.4	15,654.5
Other	5.3	59.8	64.9	166.0	-0.4 2/	3,521.8
<u>Overall surplus or deficit (-)</u>	<u>-7.0</u>	<u>139.8</u>	<u>-119.7</u>	<u>-296.8</u>	<u>-579.4</u>	<u>-4,322.6</u>
Interest as amortization	1.9	4.3	7.7	64.9	168.3	415.3
<u>Financing needs</u>	<u>8.9</u>	<u>-135.5</u>	<u>127.4</u>	<u>361.7</u>	<u>747.7</u>	<u>4,737.9</u>
External (net)	--	--	--	--	--	--
Internal (net)	8.9	-135.5	127.4	361.7	747.7	4,737.9

Table 50. Argentina: Public Sector Operations (Concluded)

(In billions of Argentine pesos)

	1976	1977	1978	1979	Prel. 1980	Revised Budget 1981
VI. General Government (VI = I through V)						
Current revenue	1,362.1	4,723.5	13,162.4	34,726.6	75,649.8	128,326.4
Current expenditure	1,187.6	3,219.0	10,141.6	27,341.3	65,036.9	121,419.5
<u>Current account surplus</u>	<u>174.5</u>	<u>1,504.5</u>	<u>3,020.8</u>	<u>7,385.3</u>	<u>10,612.9</u>	<u>6,906.9</u>
<u>Net intertransfers</u>	<u>-248.1</u>	<u>-397.7</u>	<u>-678.3</u>	<u>-912.0</u>	<u>-1,876.4</u>	<u>-5,367.9</u>
State enterprises	-248.1	-397.7	-678.3	-912.0	-1,876.4	-5,367.9
Capital receipts	4.0	10.6	189.9	194.5	223.0	501.3
<u>Capital expenditure</u>	<u>572.4</u>	<u>1,680.1</u>	<u>4,055.5</u>	<u>9,359.2</u>	<u>17,020.5</u>	<u>34,212.6</u>
Fixed capital formation	468.3	1,418.3	3,807.3	8,807.8	16,565.0	29,420.5
Other	104.1	261.8	248.2	551.4	433.3	4,792.1
<u>Overall surplus or deficit (-)</u>	<u>-642.0</u>	<u>-562.7</u>	<u>-1,523.1</u>	<u>-2,691.4</u>	<u>-8,061.0</u>	<u>-32,172.3</u>
Interest as amortization	110.6	234.3	987.8	2,852.7	5,006.1	10,792.4
<u>Financing needs</u>	<u>752.6</u>	<u>797.0</u>	<u>2,510.9</u>	<u>5,544.1</u>	<u>13,067.1</u>	<u>42,964.7</u>
External (net)	27.9	154.3	241.6	435.8	2,781.9	4,224.4
Internal (net)	724.7	642.7	2,269.3	5,108.3	10,285.2	38,740.3
VII. State Enterprises						
Current revenue	737.2	2,055.9	5,794.9	12,485.0	24,860.9	51,764.2
Current expenditure	670.1	1,504.4	4,419.5	10,957.6	20,625.8	41,956.1
<u>Current account surplus or deficit (-)</u>	<u>67.1</u>	<u>551.5</u>	<u>1,375.4</u>	<u>1,527.4</u>	<u>4,235.1</u>	<u>9,808.1</u>
Net intertransfers with General Government	248.1	397.7	678.3	912.0	1,876.4	5,367.9
Capital receipts	5.7	72.9	142.0	250.7	219.1	627.7
<u>Capital expenditure</u>	<u>418.6</u>	<u>1,035.2</u>	<u>2,664.6</u>	<u>5,482.4</u>	<u>10,302.6</u>	<u>19,901.3</u>
Fixed capital formation	380.2	980.4	2,448.4	5,157.6	10,365.6	18,835.5
Other	38.4	54.8	216.2	324.8	-63.0	2/ 1,065.8 2/
<u>Overall surplus or deficit (-)</u>	<u>-97.7</u>	<u>-13.1</u>	<u>-468.9</u>	<u>-2,792.3</u>	<u>-3,972.0</u>	<u>-4,097.6</u>
Interest as amortization	37.6	169.3	561.0	1,409.6	3,592.9	6,514.8
<u>Financing needs</u>	<u>135.3</u>	<u>182.4</u>	<u>1,029.9</u>	<u>4,201.9</u>	<u>7,564.9</u>	<u>10,612.4</u>
External (net)	56.5	114.3	776.4	2,071.0	4,232.5	8,581.5
Internal (net)	78.8	68.1	253.5	2,130.9	3,332.4	2,030.9
VIII. Consolidated Public Sector						
<u>Current account surplus or deficit (-)</u>	<u>241.6</u>	<u>2,056.0</u>	<u>4,396.2</u>	<u>8,912.7</u>	<u>14,848.0</u>	<u>16,715.0</u>
Capital receipts	9.7	83.5	331.9	445.2	642.1	1,129.0
Capital expenditure	991.0	2,715.3	6,720.1	14,841.6	27,323.1	54,113.9
<u>Overall surplus or deficit (-)</u>	<u>-739.7</u>	<u>-575.8</u>	<u>-1,992.0</u>	<u>-5,483.7</u>	<u>-12,033.0</u>	<u>-36,269.9</u>
Interest as amortization	148.2	403.6	1,548.8	4,262.3	8,599.0	17,307.2
<u>Financing needs</u>	<u>887.9</u>	<u>979.4</u>	<u>3,540.8</u>	<u>9,746.0</u>	<u>20,632.0</u>	<u>53,577.1</u>
External (net)	84.4	268.6	1,018.0	2,506.8	7,014.4	12,805.8
Internal (net)	803.5	710.8	2,522.8	7,239.2	13,617.6	40,771.3

Source: Ministry of Economy, Treasury, and Finance.

1/ Includes budgetary operations of the current year only.

2/ Includes budgeted economies.

Table 51. Argentina: Central Administration Operations 1/
(In billions of Argentine pesos)

	1976	1977	1978	1979	Prel. 1980	Revised Budget 1981
Total revenue	386.6	1,271.6	3,330.6	9,478.5	16,983.9	35,634.2
Tax revenue	369.6	1,195.9	2,773.1	6,813.9	15,256.9	30,875.0
Taxes on income	40.6	185.6	413.6	765.9	2,017.5	3,290.0
Taxes on capital and wealth	14.5	52.3	145.8	479.5	1,033.8	1,709.0
Taxes on production and consumption	137.5	563.5	1,561.2	3,688.5	8,541.3	24,518.0
Sales tax and value-added tax	79.7	278.0	721.3	2,117.5	5,238.3	13,538.0
Excise taxes	57.8	265.5	839.9	1,571.0	3,303.0	10,980.0
Consolidated excises	24.3	101.3	322.5	924.9	2,049.5	4,356.0
Fuel taxes	0.9	72.5	312.7	270.7	584.7	5,343.0
Foreign exchange tax	7.6	24.3	65.1	160.8	363.9	879.0
Other	25.0	67.4	139.6	215.0	304.9	402.0
Taxes on international trade	143.5	248.0	435.6	1,379.7	3,720.1	9,523.0
Import duties	47.1	161.2	393.9	1,294.6	3,564.0	8,305.0
Export taxes	95.5	83.5	31.0	42.2	75.1	948.0
Other	0.9	3.3	10.7	42.9	81.0	270.0
Other taxes	33.6	166.5	216.9	500.3	-55.8	-8,165.0
Stamp tax	17.1	69.2	152.5	448.6	1,034.2	2,088.0
Tax amnesty	0.3	72.6	39.7	3.6	3.0	1.0
Law 22.293 3/	—	—	—	—	-1,113.2	-10,254.0
Other	16.1	24.7	24.7	48.1	20.2	—
Non-tax revenue	17.0	75.7	557.5	2,664.6	1,727.0	4,759.3
Statistical and port fees	10.7	46.1	120.4	294.2	643.7	...
Consular fees	3.6	14.2	18.6	222.1	267.9	...
Transfers from rest of public sector	—	—	370.0	2,067.9	370.3	...
Other 4/	2.7	15.4	48.5	80.4	445.1	...
Total expenditure	946.1	1,892.5	4,397.2	11,749.0	26,295.8	60,509.6
Current expenditure	340.2	908.9	2,697.7	6,863.6	16,082.9	33,714.0
Personnel wages and salaries	194.8	538.1	1,571.1	3,880.9	9,804.8	18,091.4
Goods and services	68.0	178.9	517.5	1,360.1	2,711.9	5,421.2
Interest	2.0	5.1	14.2	22.7	61.8	1,032.9
On domestic debt	1.0	2.0	5.4	13.7	44.7	831.8
On foreign debt	1.0	3.1	8.8	9.0	17.1	201.1
Transfers to private sector	75.4	186.8	594.9	1,619.9	3,504.4	9,168.5
Transfers to rest of public sector 5/	529.0	812.1	1,275.5	3,854.7	8,468.5	24,809.0
Special accounts	43.9	82.0	238.6	922.6	1,887.5	6,700.5
Decentralized agencies	175.3	111.7	210.3	434.4	3,233.1	8,192.5
Provinces	187.9	333.0	240.3	1,077.5	982.0	5,978.9
State enterprises	103.8	255.1	563.6	1,312.5	2,345.4	3,937.1
Other	18.1	30.3	22.7	107.7	20.5	—
Capital expenditure	34.3	184.4	417.5	975.1	1,621.3	3,106.6
Other 7/	22.6	-12.9	6.5	55.6	123.1	-1,120.0
Overall surplus or deficit (-)	-559.5	-620.9	-1,066.6	-2,270.5	-9,311.9	-24,875.3
Interest classified as amortization	115.2	354.8	943.7	2,371.7	4,139.6	9,186.9
Total financing needs	674.7	975.7	2,010.3	4,642.2	13,451.5	34,062.2
Domestic financing (net)	643.4	967.8	1,562.5	4,309.7	12,477.4	31,538.5
Central Bank (net)	288.8	648.1	112.7	48.3	9,763.0	31,538.5
Exchange subsidy	35.8	94.1	186.7	—	—	...
Other (net)	253.0	554.0	-74.0	48.3	9,763.0	...
Bond sales (net)	206.2	167.6	964.3	3,005.0	162.5	...
Debt cancellation certificates	7.6	15.4	-44.2	-42.3	286.7	...
Changes in Treasury drafts	32.3	121.4	131.9	345.4	1,464.0	...
Unified Fund	110.7	231.4	447.2	976.8	1,555.0	...
Other (unclassified)	-6.2	-216.1	-29.4	-23.5	-753.8	...
Foreign financing (net)	31.3	7.9	447.8	332.5	974.1	2,523.7
Drawings	47.5	70.3	559.1	606.5	1,271.8	4,244.4
Amortization	-16.2	-62.4	-11.3	-274.0	-297.7	-1,720.7

Source: Ministry of Economy, Treasury, and Finance.

1/ Correspond to Treasury cash operations, including budget operations of the previous year and changes in Treasury drafts.

2/ Includes \$a 4,064.4 corresponding to taxes paid by state enterprises.

3/ Corresponds to transfers to the social security system.

4/ Excludes proceeds from sales of foreign exchange at subsidized rates (decree 4901).

5/ Includes net lending operations.

6/ Net of projected economies.

7/ Includes unclassified net nonbudgetary expenditures in 1976-80.

8/ Unspecified economies in current outlays.

Table 52. Argentina: Tax Receipts by Collecting Agency

(In billions of Argentine pesos)

	1977	1978	1979	1980
<u>Total</u>	<u>3,700.1</u>	<u>9,888.5</u>	<u>26,871.3</u>	<u>60,742.8</u>
General Tax Office (DGI)	2,083.5	5,322.0	13,235.0	29,841.3
National Customs Administration	246.7	439.0	1,432.1	3,822.9
Provinces and municipalities	613.8	1,831.1	5,411.0	11,030.8
Social Security	756.1	2,296.4	6,793.2	16,047.8

Sources: General Tax Office; National Customs Administration; Ministry of Economy, Treasury, and Finance; and Ministry of Labor.

Table 53. Argentina: Public Sector Civilian Employment

(End of period)

	1977	1978	1979	1980
<u>Total</u>	<u>1,728,897</u>	<u>1,649,976</u>	<u>1,679,426</u>	<u>1,641,995</u>
Central administration	415,133	360,398	394,298	342,108
Special accounts	34,694	23,941	24,966	24,599
Decentralized agencies	193,232	198,375	190,186	190,380
Provincial and municipal governments	661,067	688,599	720,644	747,872
State enterprises and corporations	424,771	378,663	349,332	337,036

Source: Ministry of Economy, Treasury, and Finance.

Table 54. Argentina: State Enterprises Financial Operations

(In billions of Argentine pesos)

	1976	1977	1978	1979	Prel. 1980	Budget 1981
<u>Current revenue</u>	<u>737.2</u>	<u>2,055.9</u>	<u>5,794.9</u>	<u>12,485.0</u>	<u>24,860.9</u>	<u>51,764.2</u>
State Petroleum Company (YPF)	349.4	763.7	2,049.7	4,488.7	7,899.9	17,384.8
State Gas Corporation (GE)	73.1	234.6	643.3	1,272.4	2,472.2	5,356.6
Electricity Company Greater Buenos Aires (SEGBA)	53.3	171.6	500.4	1,124.7	2,177.9	5,084.2
State Telecommunications Corporation (ENTEL)	39.3	197.7	579.4	1,099.8	2,932.2	7,081.1
Argentine Railways (FA)	42.9	110.4	304.7	807.9	1,689.3	2,974.9
Other	179.2	577.9	1,717.4	3,691.5	7,689.4	13,882.6
<u>Current expenditure</u>	<u>670.1</u>	<u>1,504.4</u>	<u>4,419.5</u>	<u>10,957.6</u>	<u>20,625.8</u>	<u>41,956.1</u>
State Petroleum Company (YPF)	286.1	499.0	1,263.7	3,235.2	6,263.0	12,610.7
State Gas Corporation (GE)	38.0	110.0	404.1	869.1	1,855.4	4,482.7
Electricity Company Greater Buenos Aires (SEGBA)	44.9	146.1	376.3	1,006.4	1,598.1	3,712.1
State Telecommunications Corporation (ENTEL)	25.3	70.1	263.4	679.6	1,396.7	3,221.3
Argentine Railways (FA)	110.6	223.5	581.0	1,588.2	3,172.6	5,913.5
Other	165.2	455.7	1,531.0	3,579.1	6,340.0	12,015.8
<u>Current account surplus or deficit (-)</u>	<u>67.1</u>	<u>551.5</u>	<u>1,375.4</u>	<u>1,527.4</u>	<u>4,235.1</u>	<u>9,808.1</u>
State Petroleum Company (YPF)	63.3	264.7	786.0	1,253.5	1,636.9	4,774.9
State Gas Corporation (GE)	35.1	124.6	239.2	403.3	616.8	873.9
Electricity Company Greater Buenos Aires (SEGBA)	8.4	25.5	124.1	118.3	579.8	1,372.1
State Telecommunications Corporation (ENTEL)	14.0	127.6	316.0	420.2	1,535.5	3,859.6
Argentine Railways (FA)	-67.7	-113.1	-276.3	-780.3	-1,483.3	-2,938.6
Other	14.0	122.2	186.4	112.4	1,349.4	1,866.2
<u>Net intertransfers with General Government</u>	<u>248.1</u>	<u>397.7</u>	<u>678.3</u>	<u>912.0</u>	<u>1,876.4</u>	<u>5,367.9</u>
State Petroleum Company (YPF)	--	--	--	-449.8	-802.1	-1,368.9
State Gas Corporation (GE)	12.7	10.5	--	-120.1	-253.1	-258.0
Electricity Company Greater Buenos Aires (SEGBA)	12.6	--	--	-94.4	-426.8	-506.4
State Telecommunications Corporation (ENTEL)	3.1	--	--	-100.3	-284.9	-799.3
Argentine Railways (FA)	89.7	135.7	224.6	526.7	2,181.0	4,968.5
Other	130.0	251.5	453.7	1,149.9	1,462.3	3,332.0

Table 54. Argentina: State Enterprises Financial Operations (Concluded)
 (In billions of Argentine pesos)

	1976	1977	1978	1979	Prel. 1980	Budget 1981
<u>Capital receipts</u>	<u>5.7</u>	<u>72.9</u>	<u>142.0</u>	<u>250.7</u>	<u>219.1</u>	<u>627.7</u>
State Petroleum Company (YPF)	--	--	--	24.3	15.2	24.8
State Gas Corporation (GE)	--	0.3	0.9	2.0	2.3	20.8
Electricity Company Greater Buenos Aires (SEGBA)	--	49.5	58.1	--	--	1.1
State Telecommunications Corporation (ENTEL)	--	--	--	--	--	--
Argentine Railways (FA)	0.2	6.9	18.4	10.3	43.8	67.2
Other	5.5	16.2	64.6	214.1	157.8	513.8
<u>Capital expenditure</u>	<u>418.6</u>	<u>1,035.2</u>	<u>2,664.6</u>	<u>5,482.4</u>	<u>10,302.6</u>	<u>19,901.3</u>
State Petroleum Company (YPF)	160.6	246.8	822.6	2,058.4	2,879.1	4,815.0
State Gas Corporation (GE)	13.0	38.4	161.5	250.2	290.2	745.6
Electricity Company Greater Buenos Aires (SEGBA)	20.0	47.8	121.9	216.6	615.4	1,027.4
State Telecommunications Corporation (ENTEL)	12.4	72.3	177.3	423.6	1,551.7	3,059.8
Argentine Railways (FA)	23.0	39.8	137.9	448.0	888.4	1,907.6
Other	189.6	590.1	1,243.4	2,085.6	4,077.8	8,345.9
<u>Overall surplus or deficit (-)</u>	<u>-97.7</u>	<u>-13.1</u>	<u>-468.9</u>	<u>-2,792.3</u>	<u>-3,972.0</u>	<u>-4,097.6</u>
State Petroleum Company (YPF)	-97.3	17.9	-36.6	-1,230.4	-2,029.1	-1,385.0
State Gas Corporation (GE)	34.8	97.0	78.6	35.0	75.8	-108.9
Electricity Company Greater Buenos Aires (SEGBA)	1.0	27.2	60.3	-192.7	-462.4	-160.6
State Telecommunications Corporation (ENTEL)	4.7	55.3	138.7	-103.7	-301.1	0.7
Argentine Railways (FA)	-0.8	-10.3	-171.2	-691.3	-146.9	189.5
Other	-40.1	-200.2	-538.7	-609.2	-1,108.3	-2,633.3
<u>Interest as amortization</u>	<u>37.6</u>	<u>169.3</u>	<u>561.0</u>	<u>1,409.6</u>	<u>3,592.9</u>	<u>6,514.8</u>
<u>Financing needs</u>	<u>135.3</u>	<u>182.4</u>	<u>1,029.9</u>	<u>4,201.9</u>	<u>7,564.9</u>	<u>10,612.4</u>
External (net)	56.5	114.3	776.4	2,071.0	4,232.5	8,581.5
Internal (net)	78.8	68.1	253.5	2,130.9	3,332.4	2,030.9

Source: Ministry of Economy, Treasury and Finance.

Table 55. Argentina: Rates of Public Services to
Consumers in Constant Prices 1/

(1960 = 100)

	End of Period					
	1976	1977	1978	1979 2/	1980	July 1981
<u>General level</u>	<u>98.7</u>	<u>110.3</u>	<u>112.7</u>	<u>92.1</u>	<u>117.5</u>	<u>106.4</u>
Fuels and electricity	102.9	108.7	105.0	87.3	110.3	100.4
Fuels	111.7	115.0	109.4	91.7	113.5	104.7
State Petroleum Company (YPF)						
Sales price 3/	115.4	114.9	107.0	90.8	109.2	102.5
Retention price	109.7	91.8	98.1	77.5	89.1	78.2
State Gas Company	87.9	157.4	128.0	98.0	142.7	120.7
State Coal Company (YCF)	102.0	82.1	78.3	69.7	69.9	59.9
Electricity	67.3	83.2	87.1	72.1	99.0	85.3
Buenos Aires Electricity Company	67.2	78.3	83.3	71.9	100.2	94.7
National Electricity Company	67.4	93.1	94.7	73.9	98.9	86.8
Electric Services Administration (ex-CIAE)	68.6	94.1	...
Transport and communications	94.8	119.1	137.7	109.5	141.5	126.9
Transport	92.4	94.3	106.7	92.7	107.7	98.6
Argentine Railways	81.2	86.8	109.0	87.3	103.6	91.4
Buenos Aires Subway	134.2	138.9	150.8
Argentine Merchant Marine	173.4	136.6	142.2	116.2	142.4	176.9
Argentine Airlines	54.4	58.2	67.7	64.8	72.8	58.0
Port Authority	237.4	230.4	189.6	219.8	244.6	249.2
Communications	97.5	148.1	173.9	128.4	179.4	158.8
ENTEL	72.1	129.0	128.6	95.6	130.7	122.6
ENCOTEL	187.6	215.7	335.2	245.2	352.8	287.4
Health services	30.4	52.2	56.3	41.9	67.8	58.1

Source: State Enterprises Central Office.

1/ The indices in constant prices are obtained using as deflator the nonagricultural wholesale price index.

2/ Beginning in 1979 the index uses different relative weights, reflecting the exclusion of the Buenos Aires Subway, residual coal and river transport to Montevideo, and the inclusion of the Electric Services Administration (ex-CIAE).

3/ The retention price indicates the part of the sales price of fuel products that YPF is allowed to retain. The difference between sales price and retention price is made up by various taxes.

Table 26. Argentina: Summary Accounts of the Financial System 1/ (continued)
 (In billions of Argentine pesos)

Table 56. Argentina: Summary Accounts of the Financial System 1/
 (In billions of Argentine pesos)

	US\$1 = \$a 408	US\$1 = \$a 796	US\$1 = \$a 1,317	US\$1 = \$a 1,837	US\$1 = \$a 6,600	June 1980	June 1981	Proj. 1981
	1976	1977	1978	1979	1979	1980	1980	1981
1. Consolidated Financial System 1/								
Net international reserves (Central Bank)	-35	871	1,659	4,206	6,959	12,625	17,610	26,016
Other external assets (Central Bank)	236	319	632	708	1,171	1,288	1,797	29,557
External assets (rest of financial system)	-134	-365	-711	-1,244	-2,059	-5,133	-7,160	6,200
Net domestic assets	1,733	5,982	6,380	18,135	18,991	56,970	59,554	- 133 -
Central Government (net)	603	1,677	1,607	3,284	3,284	6,534	6,334	
Rest of public sector (net)	-292	-963	-963	-1,706	-1,706	-2,493	-2,596	
Official sector (In foreign exchange, net) 2/	
Interest Equalization Fund	268	268	1,693	1,693	2,912	2,912	1,189	
Official capital and surplus	-17	-44	-44	-88	-88	-289	-118	
Private sector	1,455	5,015	5,414	14,441	15,297	45,239	47,252	
Nonmonetary International agencies (net)	10	10	10	9	9	12	12	
Unclassified assets (net)	-62	195	195	752	752	4,702	4,503	
Inter-system float	36	-176	-176	-250	-250	-87	-59	
Counterpart unrequited foreign exchange	-198	-520	653	1,007	4,265	5,391	10,888	
Allocation of SDRs	-72	-76	747	158	262	361	504	
Valuation adjustment	-270	-596	515	849	4,003	5,030	10,384	
Liabilities to private sector	1,999	7,327	7,327	20,797	20,797	60,360	60,413	
Monetary liabilities	949	2,120	2,121	5,708	5,708	13,748	13,748	
Quasi-monetary liabilities	657	3,697	3,697	10,924	10,924	35,001	35,001	
Hortage bonds	119	211	204	668	668	1,591	1,591	
Other	681	681	1,036	1,009	
Foreign exchange deposits 2/	236	1,095	1,095	2,816	2,816	328	458	
Capital and surplus						8,606	8,606	

Table 56. Argentina: Summary Accounts of the Financial System 1/ (Continued)
 (In billions of Argentine pesos)

	US\$1 = \$a 408		US\$1 = \$a 796		US\$1 = \$a 1,317		US\$1 = \$a 1,837		US\$1 = \$a 5,600 June 1981	
	1976	1977	1977	1978	1978	1979	1979	1980	1980	1981
II. Banking System										
Net international reserves (Central Bank)	-35	871	1,699	4,206	6,959	12,625	17,610	12,320	44,263	26,016
Other external assets (Central Bank)	236	319	622	708	1,171	1,288	1,797	1,960	7,042	6,884
External assets (rest of banking system)	-134	-365	-712	-1,244	-2,058	-5,122	-7,146	-9,928	-35,669	-31,334
Net domestic assets	1,690	5,629	6,028	16,393	17,249	51,637	53,721	111,649	143,343	168,040
Central Government (net)	597	1,682	1,682	3,243	3,243	6,456	6,456	18,339	18,339	19,066 3/
Rest of public sector (net)	-292	-969	-969	-1,707	-1,707	-2,087	-2,630	-5,555	-5,555	
Official sector (in foreign exchange, net) 2/	8,081
Interest Equalization Fund	--	268	268	1,693	1,693	2,912	2,912	1,189	1,189	433
Official capital and surplus	-17	-44	-44	-88	-88	-289	-289	-208	-208	-2,882
Credit to rest of financial system	115	125	125	58	58	161	161	1,712	1,712	3,088
Private sector	1,276	4,172	4,571	12,115	12,971	38,856	40,869	82,500	110,917	124,404
Nonmonetary international agencies (net)	10	10	10	9	9	12	12	-76	-76	-50
Unclassified assets (net)	-15	317	317	956	956	5,547	5,348	9,925	9,925	14,950
Interbank float	16	28	28	114	114	69	97	2,559	2,559	950
Counterpart unrequited foreign exchange	-198	-520	663	1,007	4,265	5,388	10,890	12,703	50,986	37,741
Allocation of SDRs	72	76	137	158	262	361	504	618	2,220	2,418
Valuation adjustment	-270	-596	516	849	4,003	5,027	10,386	12,085	48,766	35,323
Liabilities to rest of financial system	122	572	572	882	882	1,090	1,090	1,103	1,103	3,093
Liabilities to private sector	1,833	6,402	6,402	18,174	18,174	53,950	54,003	102,195	106,890	128,772
Currency in circulation	408	1,056	1,056	3,277	3,277	7,789	7,789	16,229	16,229	16,100
Demand deposits	516	1,011	1,011	2,302	2,302	5,959	5,959	10,932	10,932	10,157
Savings deposits	257	374	374	1,043	1,043	2,541	2,541	6,276	6,276	7,138
Time deposits	285	2,542	2,542	7,638	7,638	26,607	26,607	46,546	46,546	62,972
Mortgage bonds	38	204	204	668	668	1,591	1,591	2,709	2,709	3,121
Other	111	199	199	648	648	1,037	960	1,877	1,877	1,362
Foreign exchange deposits 2/	1,016	2,598	2,598	3,098	3,098	6,506	6,506	5,926
Capital and surplus deposits	218	1,016	1,016	2,598	2,598	3,098	3,098	15,815	15,815	21,996

Table 56. Argentina: Summary Accounts of the Financial System 1/ (Continued)
 (In billions of Argentine pesos)

	US\$1 = \$a 408	US\$1 = \$a 796	US\$1 = \$a 1,317	US\$1 = \$a 1,837	US\$1 = \$a 6,600 June 1981
	1976	1977	1978	1979	1980
IIb. Commercial Banks					
Net international reserves	-134	-365	-712	-1,244	-2,058
Monetary reserves and currency holdings	2,005	2,403	2,403	3,737	3,737
Net domestic assets	1,041	4,170	4,569	13,625	14,481
Central Government (net)	133	584	584	1,963	1,963
Rest of public sector (net)	-290	-958	-958	-1,707	-1,707
Official sector (in foreign exchange, net) 2/	1,276	4,172	4,571	12,115	12,971
Private sector	-78	372	372	1,254	1,254
Unclassified assets (net)				5,782	5,782
Counterpart unrequited foreign exchange	19	-25	27	-17	25
Liabilities to Central Bank	1,459	514	514	651	651
Liabilities to rest of financial system	15	373	373	587	587
Liabilities to private sector	1,419	5,346	5,346	14,897	14,897
Demand deposits	516	1,011	1,011	2,302	2,302
Savings deposits	257	374	374	1,043	1,043
Time deposits	285	2,542	2,542	7,638	7,638
Mortgage bonds	38	204	204	668	668
Foreign exchange deposits 2/	105	199	199	648	648
Other	218	1,016	1,016	2,598	2,598
Capital and surplus				8,098	8,098

Table 56. Argentina: Summary Accounts of the Financial System 1/ (Concluded)
 (In billions of Argentine pesos)

	US\$1 = \$a 408	US\$1 = \$a 796	US\$1 = \$a 1,317	US\$1 = \$a 1,837	US\$1 = \$a 6,600 June 1981
	1976	1977	1978	1979	1980
111. Rest of Financial System 1/					
<u>Net international reserves</u>	—	—	—	—	—
<u>Monetary reserves and currency holdings</u>	<u>131</u>	<u>17</u>	<u>11</u>	<u>—</u>	<u>—</u>
<u>Claims on banks</u>	<u>15</u>	<u>373</u>	<u>373</u>	<u>53</u>	<u>53</u>
Net domestic assets	138	682	2,164	5,649	13,116
Central Government (net)	6	15	41	78	70
Rest of public sector	—	6	1	34	42
Private sector	179	843	2,326	6,383	14,075
Unclassified assets (net)	-47	-182	-182	-204	-845
Counterpart unrequited foreign exchange	—	—	—	—	—
Liabilities to Central Bank	119	147	147	180	192
Liabilities to private sector	166	925	2,623	6,409	6,409
Sight deposits	25	53	129	—	—
Savings deposits	14	20	42	31	56
Time deposits	101	761	2,201	5,822	11,169
Other deposits	8	12	12	49	49
Capital and surplus	18	79	79	218	508

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

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

2/ Not available before 1979.

3/ The breakdown between Central Government and the rest of the public sector was not available.

Table 57. Argentina: Private Sector Financial Assets

	1977	1978	1979	Prel. 1980	Prel. June 1981
(In billions of Argentine pesos)					
Total	7,028	19,480	55,088	103,544	129,388
Claims on banking system	5,451	15,738	45,901	87,159	106,776
Money	2,120	5,708	13,748	27,161	26,257
Quasi-money	2,916	8,681	29,148	52,822	70,110
Savings deposits	374	1,043	2,541	6,276	7,138
Time deposits	2,542	7,638	26,607	46,546	62,972
Mortgage bonds	204	668	1,591	2,709	3,121
Other	211	681	1,414	4,467	7,288
Claims on other financial institutions	846	2,405	5,901	12,004	15,866
Treasury adjustable bonds 1/	338	907 3/	1,759 3/	2,075	3,704 3/
Treasury adjustable deposits 1/	4	1	1	1	1
Treasury bills 1/	208	35	478	216	58
Acceptances	80	33	71	52	50
Savings and loan associations	101	361	977	2,037	2,933
(In per cent)					
Total	100.0	100.0	100.0	100.0	100.0
Claims on banking system	77.5	80.8	83.4	84.2	82.5
Money	30.2	29.3	25.0	26.2	20.3
Quasi-money	41.5	44.5	52.9	51.0	54.2
Savings deposits	5.3	5.3	4.6	6.0	5.5
Time deposits	36.2	39.2	48.3	45.0	48.7
Mortgage bonds	2.8	3.4	2.9	2.6	2.4
Other	3.0	3.6	2.6	4.4	5.6
Claims on other financial institutions	12.0	12.4	10.7	11.6	12.3
Treasury adjustable bonds 1/	4.9	4.6	3.2	2.0	2.8
Treasury adjustable deposits 1/	0.1	--	--	--	--
Treasury bills 1/	3.0	0.2	0.8	0.2	0.1
Acceptances	1.2	0.2	0.1	0.1	0.1
Savings and loan associations	1.3	1.8	1.8	1.9	2.2

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

1/ Includes private sector and other unidentified holdings.

2/ Partially estimated.

3/ Includes variable interest rate bonds.

Table 58. Argentina: Selected Interest Rates

(In per cent)

	Time Deposits 1/		Reserve Requirements 2/		Treasury Bills 3/		Legal Reserve Ratio
	Nominal	Real 4/	Nominal	Real 4/	Nominal	Real 4/	
<u>1979</u>							
January	6.8	-2.6	7.2	-2.3	7.0	-2.5	27.0
February	6.4	-1.8	6.1	-2.1	6.7	-1.6	27.0
March	6.4	-1.4	6.6	-1.2	6.8	-1.0	27.0
April	6.4	0.2	6.4	0.2	6.7	0.5	27.0
May	6.5	-2.3	6.7	-2.1	6.8	-2.0	27.0
June	6.7	-3.4	6.5	-3.6	6.9	-3.3	27.0
July	7.0	-0.3	7.0	-0.3	7.1	-0.2	26.0
August	7.3	-6.5	7.4	-6.4	7.5	-6.3	25.0
September	7.4	2.1	7.3	2.0	7.7	2.4	24.0
October	7.2	5.9	7.6	6.3	7.2	5.9	22.5
November	6.2	2.7	6.7	3.2	5.8	2.3	21.0
December	5.9	3.4	6.3	3.8	5.8	3.3	16.5
<u>1980</u>							
January	5.8	1.5	6.1	1.8	5.6	1.3	15.0
February	5.2	1.1	5.3	1.2	5.1	1.0	13.0
March	4.8	1.0	5.2	1.3	5.0	1.2	11.5
April	4.5	0.7	4.7	0.9	4.8	1.0	11.0
May	4.6	-0.7	4.6	-0.7	5.3	-	11.0
June	5.3	-2.0	4.8	-2.5	5.1	-2.2	12.0
July	6.0	3.1	5.9	3.0	5.6	3.7	13.0
August	5.0	2.1	5.9	3.0	5.6	3.7	13.0
September	4.3	1.4	4.6	1.7	4.2	1.3	11.5
October	4.3	-1.1	4.4	-1.0	4.7	-0.7	11.0
November	4.6	3.0	4.4	1.8	5.0	2.4	10.0
December	5.4	-6.8	5.1	-7.1	5.5	-6.7	10.0
<u>1981</u>							
January	5.6	3.2	5.7	3.3	5.7	3.3	10.0
February	6.6	1.5	5.4	0.3	7.4	2.3	10.0
March	8.1	3.5	7.6	3.0	8.9	4.3	12.0
April	7.5	-4.7	8.1	-4.2	7.1	-5.1	12.0
May	8.0	-9.7	7.6	-10.1	8.6	-9.1	14.0
June	10.2	-8.4	8.9	-9.7	10.3	-8.3	16.0
July	10.8	-1.9	11.1	-1.6	10.1	-2.6	16.5
August	10.5	2.1	10.9	2.5	9.4	1.0	18.0
September	8.5	1.5	9.7	2.7	6.8	-0.2	18.0

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

1/ Thirty-day transferable certificates of deposit.

2/ Average interest paid by the Central Bank on reserve requirements for interest bearing deposits.

3/ Twenty-eight days.

4/ Nominal interest rates deflated by the monthly change in the wholesale price index.

Table 59. Argentina: Exchange Rate Indices

	<u>Exchange Rate (\$a per US\$)1/</u>	<u>Export Weighted Effective Rate</u>	<u>Import Weighted Effective Rate</u>
	<u>Commercial Rate 2/</u>	<u>Financial Rate 2/</u>	<u>(December 1969=100)</u>
<u>1976</u>			
December	277		118.1
117.5			
<u>1977</u>			
December	599		113.5
113.8			
<u>1978</u>			
December	1,007		91.9
91.8			
<u>1979</u>			
December	1,622		73.6
75.3			
<u>1980</u>			
January	1,667		74.6
February	1,710		74.0
March	1,751		71.5
April	1,789		70.6
May	1,825		71.3
June	1,858		69.2
July	1,888		69.3
August	1,914		68.1
September	1,937		67.7
October	1,956		65.0
November	1,976		63.1
December	1,996		62.9
63.1			
<u>1981</u>			
January	2,036		63.1
February	2,265		64.3
March	2,373		65.0
April	3,170		73.1
May	3,284		72.1
June	4,525	6,600	77.0
July	4,887	7,300	77.0
August	5,327	7,450	76.0
September	5,807	7,670	79.3
77.9			

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

1/ Selling rate for the U.S. dollar at end of period.

2/ On June 22, 1981 the foreign exchange market was split into a commercial and a financial market. For effective exchange rate calculations the commercial market rate was used.

Table 60. Argentina: Balance of Payments
(In millions of U.S. dollars)

	1976			1977			1978			1979		
	Credit	Debit	Balance	Credit	Debit	Balance	Credit	Debit	Balance	Credit	Debit	Balance
Current account												
Merchandise trade 1/	4,851.5	4,201.9	649.6	6,950.7	5,660.8	1,289.9	8,100.3	6,266.7	1,833.6	10,363.9	10,900.3	-536.4
Capital goods	3,916.1	3,033.0	883.1	5,651.8	4,161.5	1,490.3	6,399.5	3,833.7	2,565.8	7,809.9	6,700.0	1,109.9
Noncapital goods	...	2,530.0	1,111.0	1,096.2	1,567.7	...
Services	916.9	1,168.9	-252.0	1,267.6	1,499.3	-231.7	1,615.5	2,416.1	-780.6	2,487.4	4,168.7	-1,681.3
Real services	858.4	617.9	240.5	1,131.0	784.2	346.8	1,314.3	1,414.1	-99.8	1,791.7	2,553.0	-761.3
Freight and insurance 2/	245.0	—	245.0	325.2	—	325.2	357.1	—	357.1	571.3	—	571.3
Other transportation	159.2	221.1	-61.9	294.2	277.0	17.2	317.1	363.5	-46.4	414.9	616.2	-201.3
Travel	180.0	114.5	65.5	212.0	188.4	23.6	279.0	586.3	-307.3	266.4	1,264.2	-997.8
Other Government, n.i.e.	166.8	154.1	12.7	176.2	162.9	13.3	186.4	169.6	16.8	292.6	284.6	8.0
Royalties	23.0	38.7	-15.7	13.9	53.7	-39.8	14.7	150.6	-135.9	16.0	159.7	-143.7
Other services	84.4	89.5	-5.1	109.5	102.2	7.3	160.0	144.1	15.9	230.5	228.3	2.2
Investment income 3/	58.5	521.0	-492.5	136.6	715.1	-578.5	321.2	1,002.0	-680.8	695.7	1,615.7	-920.0
Profits and dividends	9.0	36.2	-27.2	8.3	216.4	-208.1	5.7	282.0	-276.3	14.5	441.5	-427.0
Interest	49.5	314.8	-465.3	128.3	498.7	-370.4	315.5	720.0	-404.5	681.2	1,174.2	-493.0
Unrequited transfers (net)	18.5	—	18.5	31.3	—	31.3	65.3	16.9	48.4	66.6	31.6	35.0
Capital account	915.1	1,246.3
Financial sector	363.7	561.3
Central bank 4/	-202.5	-107.0
Other	566.2	668.3
Central and local government 5/	-23.4	895.8	465.2	430.6	1,195.4	806.3
Long term	-23.4	264.5	175.2	89.3	432.6	230.0
Short term	—	631.3	290.0	341.3	762.8	186.5
State enterprises	6/	2,240.5	1,377.3	863.2	1,220.0
Long term	2,180.5	1,317.3	863.2	1,170.0	477.0
Short term	60.0	60.0	—	50.0	50.0
Nonbank private sector	574.8	-608.8
Direct investment	145.7	316.0	41.8	274.2	490.9	226.3
Other 7/	429.1	-883.0
SDR allocation	—	—	—	—	—	—	—	—	—	—	—	—
Valuation adjustment 8/	—	—	—	—	—	—	—	—	—	—	—	—
Net International reserves	—	—	—	—	—	—	—	—	—	—	—	—
(Increase —)	—	—	—	—	—	—	—	—	—	—	—	—
Central Bank	955.6	1,156.7	-201.1	2,219.3	-2,219.3	—	3,149.5	-3,149.5	—	4,445.0	-4,301.5	—
Net IMF position	235.3	235.3	—	114.5	-114.5	—	587.2	-587.2	—	29.5	-29.5	—
Assets	...	1,156.7	-1,156.7	1,715.9	-1,715.9	—	1,633.9	-1,633.9	—	4,415.3	-4,415.3	—
Liabilities	612.9	612.9	—	152.3	-152.3	—	856.8	-856.8	—	0.2	-0.2	—
Payments agreements (net)	107.4	107.4	—	236.6	-236.6	—	71.6	-71.6	—	143.5	-143.5	—
Treasury	235.9	235.9	—	5.0	5.0	—	96.4	-96.4	—	140.4	-140.4	—
							166.0	166.0	—	72.8	72.8	—
							9.3	9.3	—	131.9	131.9	—

Table 60. Argentina: Balance of Payments (Concluded)

(In millions of U.S. dollars)

	Prel. 1980			Est. 1981		
	Credit	Debit	Balance	Credit	Debit	Balance
Current account	12,077.7	16,767.3	-4,689.6	-2,579.0
Merchandise trade 1/	8,023.4	10,500.0	-2,471.6	9,960.0	8,845.0	1,115.0
Capital goods	...	2,100.0	1,900.0	...
Noncapital goods	...	8,400.0	6,945.0	...
Services	3,963.6	6,211.2	-2,247.6	3,218.0	6,977.2	-3,759.2
Real services	2,734.8	3,480.1	-745.3	2,517.1	3,061.6	-544.5
Freight and insurance 2/	1,043.2	—	1,043.2	964.7	—	964.7
Other transportation	564.0	932.2	-368.2	580.8	819.4	-238.6
Travel	344.8	1,791.4	-1,446.6	431.1	1,396.0	-964.9
Other government, n.i.e.	448.9	147.8	301.1	159.8	236.1	-76.3
Royalties	17.9	244.0	-226.1	19.6	158.0	-138.4
Other services	316.0	364.7	-48.7	361.1	452.1	-91.0
Investment income 3/	1,228.8	2,731.1	-1,502.3	700.9	3,915.6	-3,214.7
Profits and dividends	15.0	561.2	-546.2	2.0	622.1	-620.1
Interest	1,213.8	2,169.9	-956.1	698.9	3,293.5	-2,594.6
Unrequited transfers (net)	85.7	56.1	29.6	65.2
Capital account			2,092.2	658.7
Financial sector	1,424.1	-634.8
Central bank 4/	-88.7	23.9
Other	1,512.8	-658.7
Central and local governments	1,491.2	699.6	791.6	2,757.3
Long term	817.6	204.7	612.9	1,483.0
Short term	673.6	494.9	178.7	1,274.3
State enterprises	2,327.5	304.1	2,023.4	1,145.9
Long term	2,177.5	304.1	1,873.4	1,345.0
Short term	150.0	—	150.0	-199.1
Nonbank private sector	-2,146.9	-2,609.7
Direct investment	846.1	106.9	739.2	802.0
Other 7/	-2,886.1	-3,411.7
SDR allocation	73.5	—	73.5	69.5	—	69.5
Valuation adjustment 8/	-212.9	—	—	-377.4
Net international reserves						
(increase -)	2,736.8	2,228.2
Central Bank	2,879.0
Net IMF position	—	136.4	-136.4
Assets	2,813.7	—	2,813.7
Liabilities	—	—	—
Payments agreements (net)	201.7	—	201.7
Treasury	—	142.2	-142.2

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

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

2/ Proceeds in connection with exports.

3/ Includes undisbursed earnings of foreign-owned companies.

4/ Includes net foreign assets not considered part of international reserves.

5/ Adjusted for payment of Central Government's bonds.

6/ Included in other capital flows of nonbank private sector.

7/ Includes errors and omissions.

8/ Refers to adjustments in the valuation of official international reserves.

Table 61. Argentina: Exports

(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)1/

	1976	1977	1978	1979	Prel. 1980	Est. 1981
Total	3,916	5,652	6,400	7,810	8,025	9,960
Major agricultural products	1,965	2,973	3,110	4,067	3,995	5,478
Cereals	1,175	1,504	1,224	1,604	1,607	2,718
Wheat	431	541	173	605	814	724
Volume	3,155	5,634	1,608	4,275	4,484	3,500
Unit price	137	96	108	141	181	207
Corn	362	518	587	606	507	1,312
Volume	3,080	5,430	5,895	5,960	3,491	9,225
Unit price	118	95	99	101	145	142
Sorghum	335	344	358	322	198	583
Volume	3,437	4,217	4,494	3,885	1,507	4,500
Unit price	97	82	79	82	131	129
Other cereals	47	101	106	71	88	99
Seeds and oilseeds	23	210	567	730	608	842
Volume	94	675	2,446	2,892	2,721	3,180
Unit price	245	310	232	253	224	269
Beef	251	331	426	737	575	632
Volume	261	288	350	365	242	306
Unit price	962	1,149	1,215	1,956	2,373	2,095
Vegetable and animal oils	176	370	391	540	491	445
Volume	352	597	732	790	809	...
Unit price	498	619	534	683	592	...
Fresh fruit	135	180	227	207	185	163
Volume	382	489	537	454	369	343
Unit price	353	369	422	460	501	476
Wool	125	217	221	184	231	367
Volume	86	104	100	93	79	154
Unit price	1,453	2,087	2,210	2,486	2,918	2,387
Sugar	80	161	54	65	298	311
Volume	285	920	338	349	446	603
Unit price	281	175	160	186	669	516

Table 61. Argentina: Exports (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)1/

	1976	1977	1978	1979	Prel. 1980	Est. 1981
<u>Other agriculture and agro-based products</u>	<u>853</u>	<u>1,164</u>	<u>1,345</u>	<u>1,565</u>	<u>1,513</u>	<u>1,576</u>
Animal and fishery products	227	290	372	418	320	440
Meats other than beef	98	113	110	143	127	177
Fish and seafood	38	81	149	202	128	153
Dairy products	77	70	72	40	43	82
Other	14	26	41	33	22	28
Vegetable products	132	178	182	184	207	192
Coffee, tea, mate	19	38	29	27	36	25
Milled products	41	58	38	40	26	27
Other	72	82	115	117	145	140
Prepared foods, beverages and tobacco	494	696	791	963	986	944
Beef preparations	174	195	213	346	278	326
Vegetable preparations	43	69	85	86	61	83
Tobacco	21	24	27	31	30	23
Other	255	408	466	500	617	512
<u>Mineral products</u>	<u>28</u>	<u>38</u>	<u>74</u>	<u>70</u>	<u>360</u>	<u>560</u>
Fuel and lubricants	19	28	53	50	326	520
Other	9	10	21	20	34	40
<u>Industrial products</u>	<u>1,070</u>	<u>1,477</u>	<u>1,871</u>	<u>2,108</u>	<u>2,157</u>	<u>2,346</u>
Chemical products	133	156	200	196
Plastics	11	21	29	24
Hides, skins, and leather manufactures	201	307	433	635	520	550
Paper and paper products	56	130	54	59	60	65
Textiles (excluding wool)	115	170	252	149	202	168
Metals and metal manufactures	131	129	294	305	326	384
Mechanical machinery	170	204	227
Electrical machinery	32	40	59
Transport material	201	231	218	182	140	164
Other	20	89	105	255	274	285

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

1/ Multiplying the volume by the unit price may not exactly yield the value of receipts because of rounding.

Table 62. Argentina: Promoted Exports

	1976	1977	1978	1979	Jan.- Sept. 1979	1980
(In millions of U.S. dollars)						
Total	1,331	1,887	2,300	2,319	1,778	1,754
Dairy products	56	51	42	18	13	15
Fish and shellfish	37	78	139	190	137	98
Tea	16	35	24	22	18	23
Wheat and other flours	27	52	33	35	26	17
Promoted fat and oil byproducts	22	22	10	11	8	5
Meat and seafood preparations	86	116	139	202	159	104
Fruit and vegetable preparations	43	69	85	26	72	47
Beverages	14	27	37	49	35	40
Fuels and lubricants	19	28	53	-- 1/	--	-- 1/
Chemicals	104	117	160	195	131	37
Tanned leather	133	185	251	426	316	245
Leather manufactures	23	40	72	7	7	1
Furs	24	55	80	26	26	--
Books and magazines	24	109	33	37	26	37
Combed wool	20	38	37	30	23	28
Other textiles	42	76	92	65	49	55
Metal products	131	129	294	263	197	157
Agricultural machinery	14	7	6	1	4	--
Office machinery	42	44	43	50	30	42
Electric motors	29	34	48	59	37	39
Other machinery	116	152	188	190	140	150
Automobiles	55	56	35	33	22	28
Trucks	41	47	35	13	8	7
Tractors	14	17	30	38	20	7
Other transport equipment	91	111	118	78	66	48
Other	108	192	216	255	208	524

(In per cent of total)

Memorandum item:

Total promoted exports as a percentage of total exports	34.0	33.4	35.9	30.5	29.2	29.1
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Source: Central Bank of Argentina.

1/ No longer promoted.

Table 63. Argentina: Direction of Trade

(In per cent)

	1976	1977	1978	1979	Prel. 1/2/ 1980
Exports	100.0	100.0	100.0	100.0	100.0
LAFTA	26.3	24.3	23.6	25.8	21.2
Of which: Brazil	10.8	8.2	9.0	11.3	9.1
Chile	4.6	4.9	3.2	2.0	2.1
EEC	32.4	31.4	33.5	32.7	27.8
Of which: Italy	9.5	8.1	7.9	7.9	6.0
Netherlands	9.1	10.1	10.5	10.5	9.3
Germany	5.2	5.3	6.4	5.6	5.3
United Kingdom	3.1	2.6	3.1	3.0	2.5
Rest of Europe 3/	9.8	12.4	10.2	10.1	6.1
Of which: Spain	4.0	5.0	5.2	5.4	2.4
United States	6.9	6.8	8.4	7.3	7.3
Japan	5.3	5.4	5.9	5.1	3.0
U.S.S.R.	5.6	3.7	6.0	5.3	22.2
Rest of world	13.7	16.0	12.4	13.7	12.4
Imports	100.0	100.0	100.0	100.0	100.0
LAFTA	26.8	23.6	21.7	21.8	19.7
Of which: Brazil	12.3	9.0	8.9	9.8	9.7
Chile	4.8	3.9	4.6	3.9	2.4
EEC	27.3	26.3	31.1	26.6	26.5
Of which: Germany	11.3	10.3	11.8	9.2	9.6
Italy	5.1	4.5	7.7	8.8	5.9
United Kingdom	4.2	4.1	4.4	3.3	3.4
Rest of Europe 3/	8.5	9.7	11.4	10.2	10.3
United States	17.7	18.5	18.4	21.1	22.3
Japan	8.2	8.7	7.0	5.3	8.7
Rest of world	11.5	13.2	10.4	15.0	12.5

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

1/ EEC includes Greece.

2/ January-September data.

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

Table 64. Argentina: International Reserves of the Monetary Authorities
 (In millions of U.S. dollars)

	1976	1977	1978	End of Period		September 1980	September 1981
				1979	1980		
Total net international reserves	-554.9	1,659.4	4,905.3	9,347.2	6,610.4	8,477.9	3,892.5
Central Bank	-84.8	2,134.5	5,284.0	9,585.5	6,706.5	8,592.4	3,913.6
Assets	1,625.2	3,424.2	5,305.4	9,671.9	6,936.7	8,656.6	4,040.6
Gold 1/	168.7	176.2	180.6	183.6	184.6	184.6	...
SDRs	90.7	88.9	209.0	315.9	325.3	425.9	...
IMF reserve tranche	--	--	173.0	202.5	338.9	264.7	...
Foreign exchange	1,353.7	3,063.9	4,573.3	8,878.7	6,054.6	7,761.8	...
Payments agreements (LAFTA)	12.1	95.2	169.5	91.2	33.3	19.6	...
Other	--	--	--	--	--	--	...
Liabilities	1,710.0	1,289.7	21.4	86.4	230.2	64.2	127.0
IMF	528.7	414.2	--	--	--	--	...
U.S. banks	533.3	464.3	--	--	--	--	...
European, Canadian, and Japanese banks	454.8	392.1	--	--	--	--	...
Other banks	20.0	--	--	--	--	--	...
Other	1.2	0.6	0.2	--	--	6.9	...
Payments agreements (LAFTA)	172.0	18.5	21.2	86.4	230.2	57.3	...
Treasury liabilities	470.1	475.1	378.7	238.3	96.1	114.5	21.1
External bonds	461.8	470.5	376.1	236.6	94.4	112.8	...
Other	8.3	4.6	2.6	1.7	1.7	1.7	...

Source: Central Bank of Argentina.

1/ Valued at US\$42 per fine troy ounce.