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IMMEDIATE ATTENTION

EB/EVC/03/4

June 30, 2003

To: Members of the Evaluation Committee (Mr. Callaghan, Chairman; Ms. Jacklin, Mr. Kremers, Mr. Onde Mañe, Mr. Padoan, Mr. Shaalan, and Mr. Zurbrügg)

From: Michael DaCosta, Committee Secretary

Subject: **Draft of an Issues Paper on the Role of the Fund in Argentina**

There is attached for the information of the Committee and other Executive Directors a draft issues paper for an evaluation by the Independent Evaluation Office (IEO) on the role of the Fund in Argentina. The paper is also being sent to management for comments and has been posted on the IEO's external website.

Executive Directors are invited to submit their comments or suggestions to the IEO by the **close of business on Friday, July 11, 2003**. Questions may be directed to Mr. Takagi (ext. 35676).

An Informal IEO Workshop for all Executive Directors on the IEO Evaluation of the Role of the Fund in Argentina is scheduled for **Tuesday, July 15 at 2:30 p.m.** in the Board Committee Room (12-120B).

This document will shortly be posted on the extranet.

Att: (1)

Other Distribution:
Members of the Executive Board

June 2003

THE ROLE OF THE IMF IN ARGENTINA, 1991-2002

DRAFT ISSUES PAPER FOR AN EVALUATION BY THE INDEPENDENT EVALUATION OFFICE (IEO)

I. INTRODUCTION

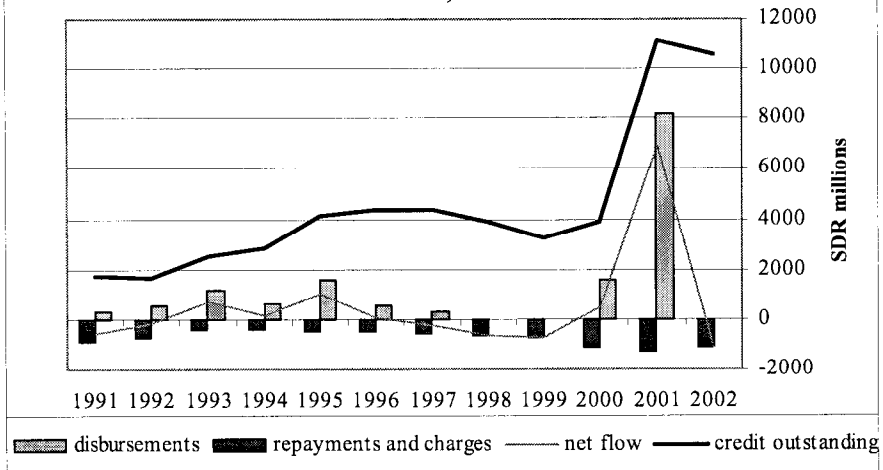
Argentina was plunged into a devastating economic crisis in December 2001/January 2002, when a partial deposit freeze, a partial default on public debt, and an abandonment of the dollar peg led to a collapse in output, high levels of unemployment, and political and social turmoil. These events raise serious questions for the IMF because they happened while the country's economic policies were under the close scrutiny of an IMF-supported program. Furthermore, the IMF had been continuously engaged in Argentina since 1991, when the "Convertibility Plan" fixed the currency at parity with the U.S. dollar in a currency board-like arrangement. While Argentina experienced strong growth and very low inflation for much of the 1990s, it fell into a deep recession in 1998 and, partly because of the strictures of the convertibility regime, was unable to use standard macroeconomic policy tools to engineer a recovery. As the economy slowed and international investors became nervous, the country's already high external debt service burden grew to a point where the debt became unsustainable.

Until the final months of 2001 the country had been widely praised for its achievements in stabilization, economic growth and market-oriented reforms under IMF-supported programs. During the decade preceding the crisis, Argentina was under four successive financing arrangements and saw a steady rise in the balance of outstanding credit to the IMF (Figure 1).[1] Concurrently, the IMF provided extensive technical assistance (TA) during the period, dispatching some 50 missions between 1991 and 2002, mainly in the fiscal, monetary and banking areas.

While ultimate accountability for a member country's economic policy must rest with its national authorities, since the crisis, a number of observers have raised questions about the effectiveness and quality of financing and policy advice provided by the IMF. Some critics have argued that the IMF's main fault lay in providing too much financing without requiring

[1] The financing arrangements included two Extended Fund Facilities (EFFs) approved in 1992 and 1998, and two Standby Arrangements (SBAs) approved in 1996 and 2000. The 1998 EFF was treated as precautionary, involving no intention on the part of the authorities to draw on the resources made available under the arrangement.

Figure1. Financial Transactions between Argentina and the IMF, 1991-2002



Source: IMF Database.

sufficient policy adjustment, while others have alleged that the policies recommended by the IMF actually contributed to the crisis. In either case, the eventual collapse of the convertibility regime and the associated adverse economic and social consequences for the country have, rightly or wrongly, had a reputational cost for the IMF.

This evaluation will focus on the period from 1991 to 2002, covering the time from the adoption of the convertibility regime to the immediate aftermath of its collapse.[2] The evaluation will review the evolution of the IMF's advice and internal views on key areas of Argentina's economic policy, uncover how the IMF came to certain decisions at critical junctures in its relationship with the country, and assess how reasonable the decisions were in light of information available at the time. The evaluation will also consider—with the benefit of hindsight—if better outcomes could have been achieved with a different set of decisions by the IMF. The primary focus of the evaluation will be placed on drawing lessons for the IMF.

This paper has been prepared to invite inputs and comments from various stakeholders by outlining the proposed design of the evaluation and by presenting the set of issues the IEO provisionally intends to explore in the evaluation. Section II briefly surveys the key developments in Argentina's economy and economic policies during the period under consideration, and reviews some of the interpretations of these events that have been provided

[2] The choice of this period leaves out issues related to the role of the IMF in Argentina's subsequent economic reconstruction and recovery. The IEO's terms of reference do not allow us to evaluate issues that have direct bearing on the IMF's ongoing operations.

by academic and other observers. Section III discusses the principal issues that the IEO has identified as relevant for the evaluation. Finally, section IV describes the methodology and timeline of the evaluation.

II. Background

A. Economic Developments under the Convertibility Plan

Following a decade of high inflation and stagnant output, and several failed attempts to stabilize the economy, Argentina fell into hyperinflation in 1989. The Convertibility Plan, introduced in April 1991, was designed to stabilize the economy through drastic, and almost irreversible, measures. The plan was centered around the use of a currency board-like arrangement, in which the peso (set equal to 10,000 australes) was fixed at par with the U.S. dollar and autonomous money creation by the central bank was severely constrained. Significantly, it also included a broader agenda of market-oriented structural reforms to promote efficiency and productivity.

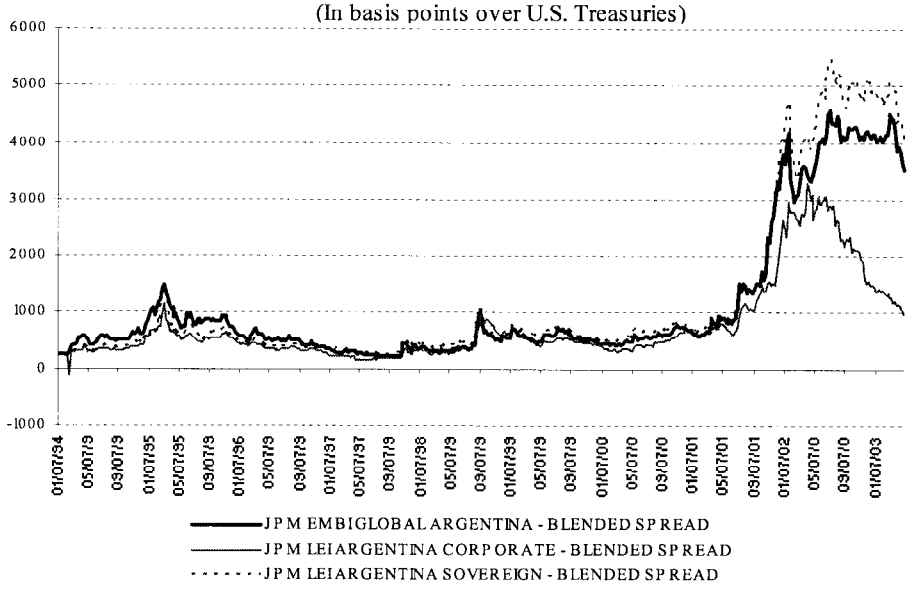
After the adoption of the Convertibility Plan, stabilization was achieved quickly and, with the aid of structural reforms, the economy grew at an average rate of 6 percent per year through 1997 (see Table 1 in the appendix for key economic indicators during 1991-2002). Although a few recessionary episodes were experienced, they were short lived and, except for the one that followed the Mexican crisis in early 1995, relatively mild. The Mexican crisis tested the resilience of the convertibility regime, as interest rates rose sharply, output fell substantially, and unemployment increased to over 18 percent. When a V-shaped recovery ensued, this was widely interpreted as evidence of its robustness and credibility.

The recession that began in the second half of 1998, however, turned out to be both prolonged and severe. It was triggered and then compounded by a series of adverse external shocks, particularly the Russian default and the LTCM crisis in August-September 1998 and the devaluation of the Brazilian real in January 1999. In contrast to most other emerging market economies at the time, the Argentine economy did not enjoy a rapid recovery. Instead, the sluggishness of GDP growth fueled concerns about the sustainability of public debt, concerns which eventually became self-fulfilling.

In late 2000, Argentina began to experience severely diminished access to capital markets, as reflected in a sharp and sustained rise in spreads on Argentine bonds over U.S. Treasuries (Figure 2). To this, the IMF responded by providing exceptional financial support. Uneven implementation of promised fiscal adjustment and reforms, a worsening global macroeconomic environment, and political instability, however, led to the complete loss of market access and intensified capital flight by the second quarter of 2001. A series of deposit runs began to have a severe impact on the health of the banking system. In December 2001, the Argentine authorities imposed a partial deposit freeze; a few weeks after an expected disbursement from the IMF did not materialize, the country partially defaulted on its international obligations; in January 2002, it formally abandoned the convertibility regime. A sharp depreciation of the peso and a full-blown banking sector crisis ensued. By the end of

2002, the economy had contracted by 20 percent since the onset of the recession in 1998, with tremendous economic and social costs to the population.

Figure 2. Argentina: Weekly International Bond Spreads
(In basis points over U.S. Treasuries)



Source: Data Stream.

B. Factors Contributing to the Crisis

While there are competing explanations as to the primary cause of the Argentine crisis, it is clear that several factors were at play. These include: (i) an excessively lax fiscal policy, particularly during times of rapid growth when substantial fiscal surpluses should have been achieved as a buffer for future downturns; (ii) the convertibility regime itself, which did not allow real exchange rate adjustment to take place through nominal depreciation; (iii) excessive and unpredictable swings in the volume of global capital flows to emerging market economies; (iv) the slow pace of structural reform in some critical areas, which hindered the ability of domestic wages and prices to adjust quickly; and (v) institutional and political factors which prevented the prompt implementation of corrective measures. Against this background, some additional factors helped to trigger the crisis and to exacerbate the impact of these underlying weaknesses: (vi) a series of adverse external shocks, including the appreciation of the U.S. dollar, the Russian default and the LTCM crisis, the devaluation of the Brazilian real, and the global economic slowdown; (vii) the impact of slow growth and high interest rates (resulting from higher risk premia on Argentine bonds) on the prospective path of the ratio of debt to GDP; and (viii) in the final stage of the crisis, a weakening of prudential defenses in the banking system, which contributed to the loss of confidence in the currency and complicated attempts to restore stability once the convertibility regime collapsed. It is possible that any one or a few of these factors would have only been a drag on growth and a potential source of vulnerabilities, but all these factors in combination proved to

be sufficient to create a major crisis and to make the convertibility regime all but impossible to sustain.

(i) Fiscal policy

Many observers have held that fiscal policy was excessively lax, particularly in those years when rapid growth offered scope for a countercyclical fiscal policy that would have helped to reduce debt. Persistent deficits reflected the poor transparency of fiscal operations, widespread tax avoidance and evasion, and the limited ability of the federal government to control the expenditures of the provincial governments. Compounding these weaknesses, it is sometimes argued that irresponsible policies were pursued, such as using proceeds from privatization for current expenditures instead of debt reduction. As a result, when a recession hit in 1998, the debt stock had grown to such an extent that stabilizing it would have required a sharply procyclical fiscal adjustment, which may not have been realistic in the context.

(ii) The convertibility regime

Another common view challenges the choice of the convertibility regime itself, given the lack of price and wage flexibility and the country's geographical pattern of trade and vulnerability to external shocks. As a result, the convertibility regime did not allow the real effective exchange rate of the peso to depreciate when necessary. In particular, the strength of the U.S. dollar in the late 1990s and the devaluation of the Brazilian real in 1999 led to a sustained rise in Argentina's real effective exchange rate, which in turn caused a loss of competitiveness and stifled growth and exports. Moreover, convertibility obliged Argentina to align its monetary policy with that of the United States, despite cyclical differences between the two countries. According to this line of analysis, Argentina's fiscal policy might have been sustainable if the convertibility regime had not been in place. Instead, as the exchange rate peg forced an increase in the debt service ratio by suppressing the growth of exports and widening the current account deficit, there was no politically feasible stance of fiscal policy that would have been compatible with the exchange rate regime, once the economy had slowed down.

(iii) Decline in capital flows

Some have argued that Argentina relied too much on capital inflows, rather than generating domestic savings, in part reflecting the relatively slow development of domestic financial markets. When there was a sharp reduction (or "sudden stop" as it is sometimes called) in global capital flows to emerging market economies in 1998, Argentina could no longer service its external debt, given the loss of competitiveness and the fact that its export sector was relatively small. Because of the convertibility regime, Argentina could not adapt to the shock through a rapid depreciation of the real exchange rate. Thanks to careful management of maturity structure, the impact of the fall in inflows was not as sudden as it would have been had more of the debt been contracted at shorter maturities. Nevertheless, as adverse debt dynamics (see below) took their toll, eventually Argentina faced few options beyond restructuring the debt or outright default.

(iv) Structural reform

The structural rigidity of the Argentine economy—and the lack of reform to correct the problem—is another factor that has been cited as having contributed to the crisis. The convertibility regime required that real exchange rate adjustment take place through price changes, rather than through movements in the nominal exchange rate. This meant that, in the conditions facing Argentina from 1995 onwards, domestic prices and wages needed to fall in order to compensate for the appreciation of the U.S. dollar against other major currencies. Yet, after some efforts in the early 1990s, attempts to reform the labor market came to a virtual halt in the mid-1990s, and progress in the liberalization of other areas, such as product markets, foreign trade, utilities and infrastructure, was slow.

(v) Institutional and political factors

Some have noted the institutional and political features of Argentina as factors that limited the ability of the federal government to take decisive actions when confronted with a crisis. Electoral politics, for example, led to compromises on needed fiscal adjustment in the provinces and on the structural reform agenda. In general, the considerable power of the provincial governments, in a context where provinces had been entrusted with major public expenditure responsibilities, greatly reduced the flexibility of fiscal policy. Corruption and other governance issues have also been cited as factors undermining the credibility of the authorities.

(vi) External shocks

It is often pointed out that Argentina benefited from the favorable global economic conditions that characterized much of the 1990s. When these conditions began to deteriorate toward the end of the decade, the impact on Argentina was severe, and all the more so because the convertibility regime and remaining structural rigidities prevented a flexible domestic policy response. Among the external shocks were the Russian/LTCM crises of mid-1998, which led to a reduction in capital flows to emerging market economies and an increase in risk premia; the devaluation of the Brazilian real, which had a negative impact on the competitiveness of Argentina's exports; the appreciation of the U.S. dollar against most other currencies in the late 1990s, which increased Argentina's real effective exchange rate; and the global economic slowdown that started in the beginning of 2001, which depressed the price of Argentina's main exports.

(vii) Debt dynamics

Given the past history of fiscal policy, debt dynamics began to have a life of its own, severely constraining the policy options available to the authorities. Many commentators emphasize that, after 1998, the combination of a large existing stock of external debt, rising country risk premia and sluggish growth caused the ratio of debt to GDP to rise uncontrollably. All of these factors fed upon one another, to the point where it would have been necessary for the authorities to run an unrealistically large primary surplus simply to keep the debt to GDP ratio from rising further.

(viii) The banking system

Until the depositor runs started to accelerate in the spring of 2001, the Argentine banking system was considered to be a model for emerging market economies in terms of prudential standards, capitalization and liquidity. The sound banking system, a product of sustained efforts by the authorities, was an important supporting element of the convertibility regime in which the ability of the central bank to serve as the lender of last resort was limited. By the end of 2001, however, the cumulative effects of several years' recession, a year's capital flight and a series of controversial policy moves had left the banking system vulnerable to any further blows to public confidence. It has been widely argued that the manner in which the authorities tried to manage the exit from convertibility—including the legally ambiguous measures to block deposits, and the forced conversion of dollar-denominated bank assets and liabilities into pesos at asymmetric rates—compounded these weaknesses. As a result, Argentina entered 2002 with not only a currency and sovereign debt crisis, but a banking crisis as well. This severely complicated efforts to resolve the multiple crises as quickly as possible.

III. Issues for Evaluation

The purpose of this evaluation is to draw lessons for the IMF from its involvement in Argentina during the convertibility regime and its immediate aftermath. In doing this, we will seek to answer the following overarching questions:

- What was the IMF's diagnosis of conditions in Argentina and how did it evolve over time?
- How was the IMF's diagnosis translated into program design, conditionality and financing decisions?
- How effective were the IMF's policy advice and conditionality in influencing the policies actually pursued by the authorities?
- What were the roles of IMF staff, IMF management and the authorities of large shareholder governments in the formulation of IMF decisions?
- How quickly and effectively were the lessons from previous crises (including the Mexican, East Asian and Brazilian crises) incorporated into policy advice, financing policies and decision-making procedures?
- What was the influence of global and regional conditions, particularly the desire to prevent contagion to and from other emerging market economies, on the decisions made in regard to Argentina?
- What have been the lessons drawn by the IMF from the crisis to date? Should more or different lessons be learned?

In what follows, we present a list of specific issues to be addressed in the evaluation. These issues can be divided into two broad categories, corresponding to the two related but distinct phases of IMF involvement: first, the precrisis period of 1991-2000, and second, the crisis and its immediate aftermath, 2000-2002.

A. The Precrisis Period, 1991-2000

From the establishment of the convertibility regime in 1991 until late 2000, the main role of the IMF was in surveillance and short-term adjustment lending. The emphasis was on providing a supportive environment for the success of convertibility, through the strengthening of the financial system, the implementation of structural reforms, and the adoption of an appropriate fiscal policy stance. Among the issues to be considered are:

- THE CONVERTIBILITY REGIME. What were the IMF's initial views on the convertibility regime and how did they evolve over time? Did it view the convertibility regime as a sustainable system, given Argentina's economic and structural characteristics, including its openness and trading pattern? What were the IMF's views on when and how to exit from the fixed exchange rate peg? Did it have, and discuss with the authorities, an exit strategy? What was the IMF's assessment of Argentina's real effective exchange rate over the period? Were the IMF's views on these issues similar to those of the Argentine authorities?

- FISCAL POLICY. How thoroughly did the IMF analyze the stance of fiscal policy? For example, did it fully take into account off-budget items (if any), provincial finances, deferred payments, the nonrecurring nature of some receipts, pension reform, etc.? How did it view the fiscal impact of the pension reform? What advice was given, through surveillance and technical assistance, in the areas of tax administration, fiscal federalism and fiscal transparency? How adequately did it analyze debt sustainability, and how was this analysis translated into advice on fiscal policy? What was the impact of this advice, and what factors determined the strength of this impact?

- EXTERNAL DEBT INFLOWS. How aware was the IMF of vulnerabilities inherent in borrowing in foreign currency? Why was there a large accumulation of external debt when fiscal deficits were seemingly modest? What were the underlying assumptions about the sustainability of capital inflows and determinants of Argentina's sovereign spread? What was the quality of dialogue with the private sector in assessing how the markets might react to adverse economic developments?

- STRUCTURAL REFORM. How successful did the IMF view the initial round of structural reforms in the labor market, privatization and other competitiveness enhancing areas? How did the IMF collaborate with the World Bank in Argentina's structural reform program? How did the IMF react to the apparent halt of initial gains in structural reform?

- INSTITUTIONAL AND POLITICAL FACTORS. What was the IMF's analysis of the ways in which Argentina's institutional weaknesses and political process conditioned economic policy making? Was the IMF candid in discussing corruption, tax evasion, and other governance issues? How much did the IMF analyze the political feasibility of the policies it was advocating?

- VULNERABILITIES IN THE BANKING SYSTEM. What were the IMF's initial views of Argentine's banking system? How did the IMF contribute to the strengthening of the banking system through policy advice and technical assistance? Was the IMF aware of latent vulnerabilities arising from financial dollarization, exposure to the public sector, and the limitation on lender of last resort support?

- OFFICIAL FINANCING. What was the rationale for continued financial support, particularly after macroeconomic stabilization had largely been achieved in 1993, and how was the level of access determined? Was there an exit strategy from IMF lending? How did the IMF's views on key economic policy issues influence program design? Was conditionality adequately supportive of the IMF's policy advice? Given the large number of waivers granted to Argentina over the period, was the IMF's appraisal of performance under program suitably rigorous? What was the impact of successive IMF-supported programs on private capital flows and did they create moral hazard? What was the role of IMF financing in helping Argentina to weather the crises that affected Mexico in 1994-95, East Asia in 1997-98, Russia in 1998 and Brazil in 1998-99?

- REGIONAL FACTORS. Did the IMF adequately take account of events in Brazil and elsewhere in Latin America in formulating its analysis of developments in and prospects for Argentina? Did the IMF attempt to formulate a consistent view of developments across different countries in the region?

B. The Crisis and Its Immediate Aftermath, 2000- 2002

When Argentina's ability to access international capital markets underwent a significant deterioration at the end of 2000, the role of the IMF shifted towards crisis management. At several points in the year that followed, the IMF was faced with a critical dilemma: whether to provide financing, thereby averting a crisis but also prolonging a potentially unsustainable situation; or whether to end its support, thereby unleashing unpredictable consequences which could potentially spread to other emerging market economies. For each of the key decisions, the evaluation will attempt to determine how the IMF viewed this dilemma, and how it attempted to resolve it through the design of the financing and policy package. In addition, it will assess how the decision was reached and whether the alternatives were adequately considered. The following issues regarding the key financing decisions taken during this period merit particular attention:

- THE DECEMBER 2000 DECISION TO PROVIDE EXCEPTIONAL ACCESS. Did Argentina receive financial support beyond its capacity to pay? What were the alternatives, and how were they considered in reaching the decision? Did the decision taken have a reasonable chance of success? Was there a contingency plan?

- THE AUGUST 2001 DECISION TO AUGMENT THE PACKAGE. What were the objectives of the enlargement, and were they realistic? What were the alternatives, and how were they considered in reaching the decision? What was the role of major shareholders?

Why was the strategy of attempting to encourage a private-sector debt restructuring unsuccessful?

- THE DECEMBER 2001 DECISION TO WITHHOLD FURTHER DISBURSEMENTS. What contributed to the decision to "pull the plug" then? What were the alternatives considered? Could a similar decision have been made at a different date at lower cost? Should the IMF have pursued a different approach to private sector involvement, which could have averted the default? What was the nature of the IMF's involvement in the subsequent controversial measures taken by the authorities in early 2002?

IV. THE METHODOLOGY AND TIMELINE OF THE EVALUATION

The evaluation will rely on the IMF's internal and published documents to assess the evolution of institutional views and analysis. This will be supplemented by interviews with IMF staff, officials of the Argentine government and central bank, and other key decision makers in the IMF, its shareholder governments and the private sector; a review of the academic literature and public discussion; and analyses of data, including a detailed review of fiscal accounts, comparative analysis of fiscal policy between Argentina and other emerging market economies, assessment of macroeconomic projections in program documents, and a simulation of debt dynamics. In order to obtain a broad perspective on issues, the views of interested parties in civil society will also be sought.

In addressing the questions and issues identified in this paper, we recognize that any economic outcome is a result of a complex sequence of decisions that are made subject to available information and exogenous factors (see Figure 3 for a schematic representation of stages and elements of decision making in economic policy). This means that it is often not possible to ascribe responsibility to any one decision; establishing accountability is even more difficult. For analytical ease and convenience, therefore, the evaluation will be guided by the following criteria at each stage, by taking available information, exogenous factors, and the policies followed by the authorities as given:

(i) At stage one: whether the IMF's diagnosis incorporated all the relevant information available at the time;

(ii) At stage two: whether additional information would have led to a different (and more accurate) diagnosis;

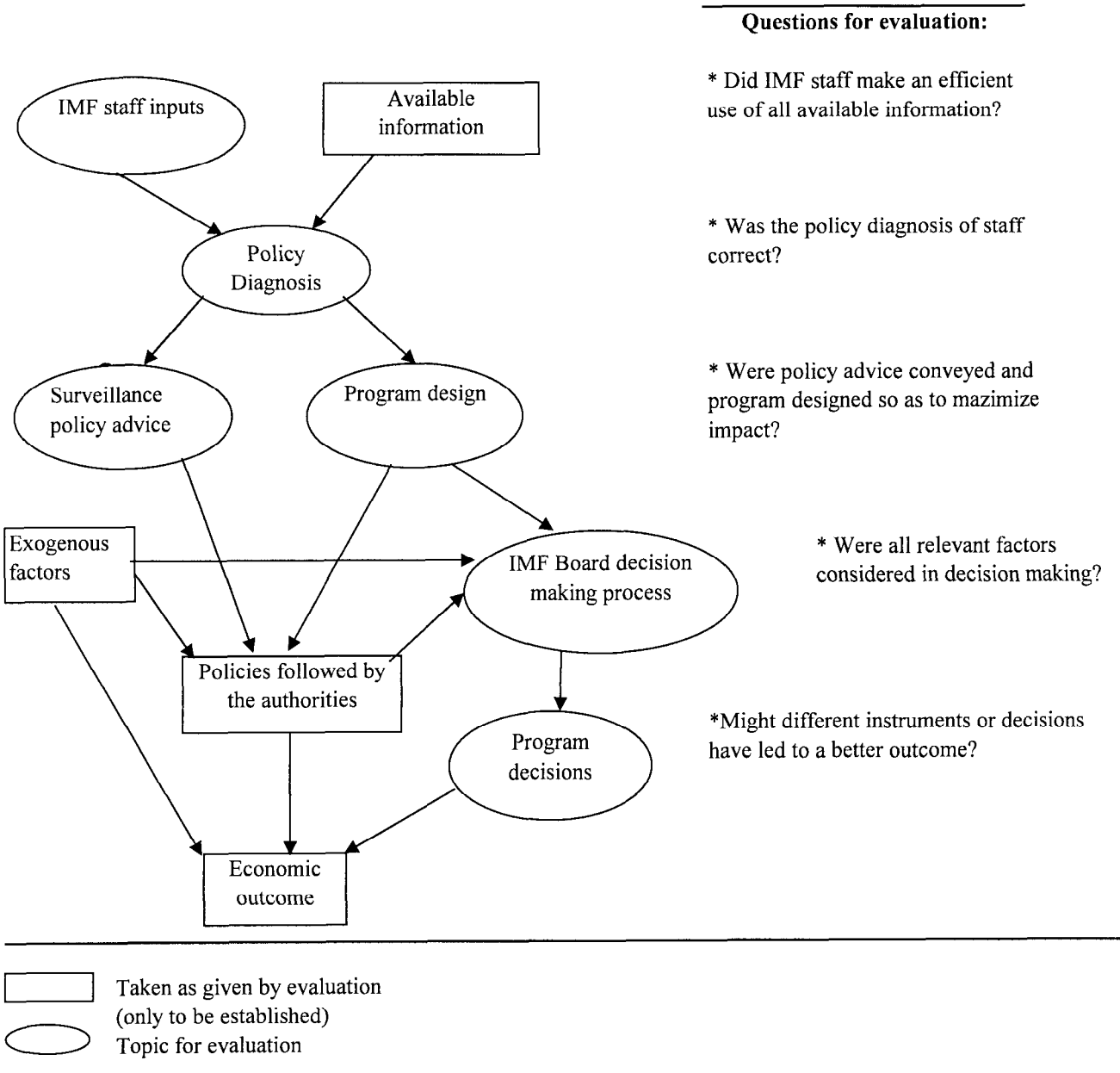
(iii) At stage three: whether the IMF's available instruments (i.e., surveillance and financing facilities) were used in a way that maximized their impact;

(iv) At stage four: whether program-related decisions correctly considered all relevant factors, including available alternatives and the risks they entailed; and

(v) At stage five: whether different instruments or decisions might have led to a superior outcome.

By their very nature, some of our judgments would require use of appropriate counterfactuals, which are difficult to establish, and therefore can only be tentative. Even so, the approach to evaluation proposed here is expected to be able to identify specific areas in which there is room for improvement in the IMF's practices and procedures.

Figure 3. Schematic Representation of Stages and Elements of Decision Making



Comments on this draft issues paper and inputs regarding the substance of the issues raised therein are welcome and should be submitted through the IEO's website (www.imf.org/ieo) or by email (ieo@imf.org). After incorporating comments, the revised issues paper will become the terms of reference for this evaluation, and will be posted on the IEO's website in the second half of July 2003. It is expected that the evaluation report will be

drafted toward the end of the year and will be released to the public during the first half of 2004, following discussion by the IMF Executive Board.

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Table 1. Argentina: Key Economic Indicators

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Real GDP growth (percent)	10.5	10.3	6.3	5.8	-2.8	5.5	8.1	3.8	-3.4	-0.8	-4.4	-11.0
Real private consumption (percent)	...	...	...	6.1	-4.4	5.5	9.0	3.5	-2.0	-0.7	-5.7	-14.4
Real government consumption (percent)	...	...	...	0.4	0.8	2.2	3.2	3.4	2.6	0.6	-2.1	-5.1
Real fixed investment (percent)	...	...	...	13.7	-13.1	8.9	17.7	6.5	-12.6	-6.8	-15.7	-36.1
Inflation (CPI, Dec/Dec, percent)	84.0	17.5	7.4	3.9	1.6	0.1	0.3	0.7	-1.8	-0.7	-1.5	41.0
Money (M1, Dec/Dec, percent, in pesos)	148.6	49.0	33.0	8.2	1.6	14.6	12.8	0.0	1.6	-9.1	-20.1	80.9
Quasi- money (Dec/Dec, percent, in pesos)	136.8	71.4	54.2	22.3	-4.7	20.8	31.2	14.5	4.9	5.0	-19.2	3.4
Current Account (in billions US$)	-0.4	-6.5	-8.0	-11.1	-5.2	-6.8	-12.2	-14.5	-11.9	-8.8	-4.4	8.6
(In percent of GDP)	-0.2	-2.8	-3.4	-4.3	-2.0	-2.5	-4.2	-4.9	-4.2	-3.1	-1.7	8.3
Total Exports growth (in US$, percent)	-2.1	3.4	8.5	17.8	28.9	13.6	9.0	0.7	-10.5	11.8	-0.6	-8.2
Total Imports growth (in US$, percent)	68.3	58.8	30.3	11.3	-4.6	15.8	24.1	3.4	-15.3	0.4	-16.6	-51.8
External debt (in billions of US$)	62.3	62.7	72.2	85.7	98.5	109.8	124.9	141.4	144.5	146.3	140.3	136.6
(In percent of GDP)	32.9	27.4	30.5	33.3	38.2	40.3	42.7	47.3	51.0	51.5	52.2	132.6
Net external debt (in billions of US$)	7.8	15.6	12.1	10.8	14.0	16.1	14.2	13.7	17.6	-1.6	-2.7	-8.8
(In percent of GDP)	4.1	6.8	5.1	4.2	5.4	5.9	4.8	4.6	6.2	-0.6	-1.0	-8.5
International reserves (in billions of US$)	6.0	10.0	13.8	14.3	14.3	18.1	22.3	24.8	26.3	25.1	14.6	10.5
Exchange rate (peso/$, end-period)	0.9985	0.9905	0.9985	0.9995	1.0000	0.9995	0.9995	0.9995	0.9995	0.9995	0.9995	3.3200
Real effective exchange rate (end-period) 1/	140.5	165.5	178.0	169.5	163.2	163.7	176.3	171.2	178.2	185.6	185.7	72.0
Terms of Trade (percent change)	7.6	6.1	-7.7	14.4	-4.5	9.9	0.2	-5.1	-8.4	7.5	-5.7	-16.0
Primary balance (in millions of pesos)	-483	1,043	3,685	2,890	1,156	-1,420	-1,580	2,388	1,413	-2,672	1,709	-2,844
Federal government (in millions of pesos)	371	2,278	3,928	4,177	2,776	1,107	-1,392	1,450	2,187	21	3,150	1,295
Provincial government (in millions of pesos)	-854	-1,235	-243	-1,287	-1,620	-2,527	-188	938	-774	-2,693	-1,441	-4,139
Overall balance (in millions of pesos)	-1,190	-1,464	710	-151	-2,607	-6,224	-7,212	-4,396	-6,418	-12,304	-9,781	-15,445
Federal government (in millions of pesos)	-245	37	1,307	1,607	-416	-2,976	-6,020	-4,282	-4,453	-8,180	-6,468	-8,875
Provincial government (in millions of pesos)	-944	-1,501	-596	-1,758	-2,191	-3,248	-1,192	-114	-1,964	-4,125	-3,313	-6,570

Source: IMF database; and the Ministry of Economy.

1/ Average of 1990=100.