

**FOR  
AGENDA**

SM/00/203

**CONTAINS CONFIDENTIAL  
INFORMATION**

September 7, 2000

To: Members of the Executive Board

From: The Secretary

Subject: **Argentina—Selected Issues and Statistical Annex**

This paper provides background information to the staff report on the 2000 Article IV consultation discussions with Argentina, the first review under the Stand-By Arrangement, and the request for modification of performance criteria (EBS/00/191, 9/5/00), which is tentatively scheduled for discussion on Friday, September 15, 2000.

Mr. Traa (ext. 36876) and Mr. Cuevas (ext. 36061) are available to answer technical or factual questions relating to this paper prior to the Board discussion.

Unless the Documents Section (ext. 36760) is otherwise notified, the document will be transmitted, in accordance with the procedures approved by the Executive Board and with the appropriate deletions, to the WTO Secretariat on Friday, September 15, 2000; and to the European Commission, the European Investment Bank, the Food and Agriculture Organization, the Inter-American Development Bank, and the United Nations Development Programme, following its consideration by the Executive Board.

Att: (1)

Other Distribution:  
Department Heads



INTERNATIONAL MONETARY FUND

ARGENTINA

**Selected Issues and Statistical Annex**

Prepared by Staff Team for the  
2000 Article IV Consultation

Approved by the Western Hemisphere Department

September 6, 2000

Contents	Page
Basic Data .....	4
I. Banking Soundness Indicators and Financial System Stress Test .....	6
A. Banking Soundness Indicators .....	6
B. Financial System Stress Test .....	9
II. Proposed Changes in the Health and Pension Systems .....	15
A. Reform of the Mandatory Health Insurance System .....	15
B. Proposal to Reform the Pension System .....	17
III. Social Safety Net .....	20
A. Direct Social Assistance .....	21
B. Employment Related Assistance .....	21
IV. Payroll Taxes .....	24
A. Salaried Workers .....	24
B. Contribution Regimes for Nonsalaried Workers .....	25
V. Federal Tax Amnesties .....	26
A. Main Types of Amnesty .....	26
B. Moratorias .....	26
C. Spontaneous Filing in its Current Sense and other Open-Ended Regimes .....	28
D. Audit Limitations Regime .....	29
E. The Yield of Tax Amnesties .....	29
F. The Tax Amnesty of January 2000 .....	29

Contents		Page
VI.	International Bonds and Foreign Direct Investment .....	31
	A. International Bonds .....	31
	B. Foreign Direct Investment .....	40
Text Tables		
I.	1. Banking Soundness Indicators .....	7
	2. Capital Adequacy Stress Test .....	11
II.	1. Distribution of Contributions Between Insurers and the Redistributive Solidary Fund .....	17
III.	1. Public Social Spending in Percent of GDP .....	20
IV.	1. Basic Payroll Taxes in Percent of Gross Wages (Selected Years) .....	24
V.	1. Yield of Various Recent Tax Amnesties .....	29
VI.	1. International Bond Issues—Selected Indicators .....	32
	2. International Bond Issues—Maturity Structure .....	34
	3. International Bond Issues of the Private Sector by Economic Activity .....	39
	4. Foreign Direct Investment and Related Items .....	40
	5. Foreign Direct Investment by Sector of Destination .....	43
	6. Foreign Direct Investment by Country/Region of Origin .....	44
Figures		
I.	1. Financial Sector Stress Tests .....	13
VI.	1. Selected International Bonds Indicators .....	33
	2. International Bond Placements by the Federal Governments .....	37
Statistical Appendix Tables		
1.	GDP and Prices.....	45
2.	National Accounts in Constant Prices .....	46
3.	National Accounts in Current Prices .....	47
4.	Sectoral Origin of Gross Domestic Product .....	48
5.	Index of Agricultural Production .....	49
6.	Selected Data on Planted and Harvested Area, Production, and Yield .....	50
7.	Industrial Production Index .....	52
8.	Automobile Production, Domestic Demand, Exports, and Imports .....	53
9.	Price Indices .....	54

	Contents	Page
10.	Rates of Price Increases .....	55
11.	Urban Labor Force, Employment, and Unemployment .....	56
12.	Unemployment and Labor Force Participation Rates .....	57
13.	Consolidated Public Sector Operations, 1995–2000 .....	58
14.	Federal Government Operations, 1995–2000.....	59
15.	Provincial Governments Operations, 1995–2000.....	60
16.	Annualized Interest Rates.....	61
17.	Summary Operations of the Financial System .....	62
18.	Legal Liquidity Requirements.....	63
19.	Financial Assets .....	65
20.	Balance of Payments .....	66
21.	Exports by Principal Product Category.....	68
22.	Principal Agricultural Exports.....	69
23.	External Trade by Principal Countries and Regions .....	70
24.	External Trade; Value, Volume and Price Indices.....	71
25.	Imports by Economic Classification.....	72
26.	International Reserves of the Central Bank.....	73
27.	Outstanding Government External Debt by Creditor.....	74
28.	Nonfinancial Private and Financial External Debt.....	75

Argentina: Basic Data

I. Social and Demographic Indicators

Area (thousand sq. km.)	2,780	Nutrition (1990)	
		Calorie intake	
Population (1999)		(percent of requirement)	119.2
Total (million)	36.6	protein intake per capita	
Rate of growth (percent per year)	1.3	(grams per day per person)	101.0
Density (per sq.km.)	13.2		
GDP per capita (US\$)	7,737	Health (1995)	
		Population per physician	370
Population characteristics (1998)		Population per hospital bed	303
Life expectancy at birth (years)	73.3		
Crude birth rate (per thousand)	19.3	Access to electricity (1989)	
Crude death rate (per thousand)	7.6	percent of households	95.0
Infant mortality (per thousand live births)	18.6		
Under 5 mortality rate (per thousand)	22.0	Access to safe water (1995)	
		percent of population	65.0
Income distribution (1994)		Education	
Percent of income received		Adult literacy rate, in percent (1998)	96.7
by highest 10 percent of households	34.6	Enrollment rates, in percent (1997)	
by lowest 20 percent of households	7.0	Primary education	110.7
		Secondary education	73.3
Distribution of labor force, percent in		GDP (1999)	Arg\$=US\$283.1 billion
Agriculture	12.2		
Industry	32.4		
Services	55.5		

II. Economic Indicators, 1995-1999

	1995	1996	1997	1998	1999
(In percent of GDP)					
<b>Origin of GDP</b>					
Agriculture and mining	7.6	7.2	6.7	6.8	5.8
Manufacturing and construction	22.3	22.6	23.2	23.4	21.6
Services	70.1	70.2	70.1	69.8	72.6
(Annual percentage changes, unless otherwise indicated)					
<b>National accounts and prices</b>					
Real GDP	-2.8	5.5	8.1	3.9	-3.1
Real GDP per capita	-4.1	4.2	6.7	2.5	-4.4
GDP deflator	3.2	-0.1	-0.5	-2.0	-2.0
Consumer price index (period average)	3.4	0.2	0.5	0.9	-1.2
Consumer price index (end of period)	1.6	0.0	0.4	0.7	-1.8
Unemployment rate	17.5	14.9	13.1	14.3	14.2
(Ratios to GDP)					
Gross domestic investment	17.9	18.1	19.4	19.9	19.2
of which: public investment	2.1	1.8	2.2	2.1	1.9
Gross national savings	16.0	15.7	15.3	15.1	14.8
External saving	1.9	2.4	4.1	4.8	4.4
Private consumption	69.1	70.0	70.7	70.7	69.7
Public consumption	13.3	12.5	12.1	11.9	12.9
<b>Public finances</b>					
Federal government					
Revenue 1/	18.6	17.6	18.5	19.0	19.4
Non-interest expenditures	18.0	18.4	18.1	18.1	19.1
Interest	1.6	1.7	2.0	2.2	2.9
Primary balance	0.6	-0.8	0.4	1.0	0.4
Overall balance	-0.9	-2.5	-1.6	-1.3	-2.5
Consolidated public sector					
Primary balance	-0.4	-1.1	0.3	0.5	-0.7
Overall balance	-2.3	-3.2	-2.1	-2.1	-4.1

Argentina: Basic Data

	1995	1996	1997	1998	1999
(12-month percentage changes, unless otherwise indicated)					
<b>Money and credit</b>					
Liabilities to the private sector	-2.5	18.4	24.1	13.1	2.8
of which: currency and sight deposits	1.3	11.3	14.6	2.9	-2.6
time deposits	-4.4	19.0	36.3	12.6	-4.9
Net domestic assets	5.9	9.8	17.2	10.6	3.0
of which: credit to private sector	-4.0	7.4	19.1	13.0	-2.0
credit to public sector	47.5	-4.6	-8.9	9.5	20.4
Liabilities to the private sector, in percent of	17.5	22.0	24.6	27.7	29.0
Interbank call rate (percent) 2/	9.5	6.3	6.8	6.8	8.4
(In billions of U.S. dollars, unless otherwise indicated)					
<b>Balance of payments</b>					
Current account	-4.9	-6.5	-12.0	-14.3	-12.3
Merchandise trade balance	1.0	0.2	-4.0	-5.0	-2.2
Exports (fob)	21.2	24.0	26.4	26.4	23.3
Imports (cif)	-20.2	-23.9	-30.5	-31.4	-25.5
Services and transfers (net)	-5.9	-6.7	-8.0	-9.3	-10.1
of which: interest	-2.4	-3.3	-4.1	-5.0	-5.8
Capital and financial accounts	2.9	9.9	15.6	18.5	14.2
Direct investment	2.4	4.4	3.6	2.9	6.6
Other capital (net)	0.6	5.5	12.0	15.6	7.6
Change in official assets (increase -)	2.0	-3.4	-3.6	-4.2	-1.8
Exports (in percent of GDP)	9.7	10.5	10.6	10.4	9.8
Imports (in percent of GDP)	10.1	11.1	12.7	12.9	11.5
Current account (in percent of GDP)	-1.9	-2.4	-4.1	-4.8	-4.4
Merchandise exports (in US\$, annual percen	32.1	13.6	9.9	0.0	-11.8
Merchandise imports (in US\$, annual percen	-6.8	18.5	27.6	3.1	-18.7
Terms of trade (annual percentage change)	0.3	7.8	-1.2	-5.5	-5.9
Real effective exchange rate (depreciation -) 3/					
Year-end	-3.9	-1.4	4.8	0.3	11.8
<b>International reserve position and external debt, e.o.p.</b>					
Central Bank (gross)	17.3	23.3	29.8	31.7	33.1
(in months of imports)	12.2	9.3	9.6	9.9	12.2
Central Bank (net)	22.9	13.2	16.8	20.8	22.9
Outstanding external debt, in percent of GD	38.2	40.3	42.5	47.1	51.1
Public	26.0	27.0	25.5	27.6	30.0
Private	12.2	13.3	16.9	19.5	21.1
Total debt service ratio (in percent of export	49.4	55.8	64.2	63.9	80.7
of which: interest	25.3	25.6	28.3	33.0	40.4
Gross reserves/short-term debt (in percent)	138.7	171.5	155.6	147.6	168.3
<b>IMF data (as of July 31, 2000)</b>					
Article VIII status					
Intervention currency and rate				U.S. dollar at Arg\$1.0	
Quota				SDR 2,117.1 million	
Fund holdings of currency				SDR 4,800.35 million	
From Fund resources					
Credit tranche purchases (including SBA)				SDR 484.00 million	
Extended Fund Facility				SDR 2,199.22 million	
Total Fund holdings				225.65 percent of quota	
Cumulative SDR allocation				318.4 million	
Holdings of SDRs				70.9 percent of allocation	

Sources: IFS, World Bank, ECLAC, Fund staff estimates.

1/ Includes quasi-fiscal balance of BCRA.

2/ Up to 15 days.

3/ Based on 1996 trade weights.

## I. BANKING SOUNDNESS INDICATORS AND FINANCIAL SYSTEM STRESS TESTS<sup>1</sup>

The financial system in Argentina experienced substantial changes during the last decade, following, and in response to, the introduction of the Convertibility Regime in 1991. The changes accelerated in the wake of the Mexico crisis in 1995, as banking regulation and supervision was strengthened further. Over the years, weaker institutions disappeared from the system, mainly through mergers or takeovers by stronger, mostly foreign, banking institutions, and the number of banks nearly halved from 205 at end-1994 to 117 at end-1999 (with the number of public sector banks falling from 34 to 15 over the same period). Consolidation in the banking industry continues to date, though at a more moderate pace.<sup>2</sup> Productivity in banks, which was already improving prior to the Mexico crisis, further increased as monetization and the use of credit in the economy expanded, in line with renewed deposit growth. The number of employees dropped from 123,000 at end-1994 to 104,000 at end-1999.

### A. Banking Soundness Indicators

Capital adequacy and liquidity indicators are strong in the Argentine banking industry; while profitability indicators are weak. The introduction of the Convertibility Regime in the early 1990s led the supervisory authorities to give priority to capital adequacy and liquidity conditions. Subsequently, systemic liquidity was reinforced through a contingent repo agreement with a consortium of large international banks. At present, as the consolidation of the banking system progresses, and banks are benefiting from economies of scale and sustained higher rates of monetization in the economy, profitability and return on total assets are becoming more important considerations.

**Capital adequacy** ratios in Argentina are strong, with capital amounting to over 20 percent of risk-weighted assets (measured according to Basel criteria, Table 1). These figures compare with a minimum capital adequacy requirement of 11.5 percent under Argentine regulations, and 8 percent under the Basel-criteria. Capital adequacy in large private banks tends to be somewhat lower than in public banks, where capital cushions, as valued on their books, have reached as high as 29 percent of assets. One reason that large private banks are less capitalized relates to the

---

<sup>1</sup> Prepared by Bob Traa.

<sup>2</sup> Although the number of banks has decreased substantially, the remaining institutions have not significantly cut the number of branches in the country. Moreover, given the growth in the use of automatic teller machines in recent years, the physical presence of banks, and their capacity to serve all regions in Argentina, appears not to have been affected by the consolidation process.

Table 1. Argentina: Banking Soundness Indicators

	Annual Averages					
	1994	1995	1996	1997	1998	1999
<b>Profitability ratios</b>						
(Percent of average total assets)						
Operating revenue	16.0	15.7	12.5	11.6	13.3	14.2
Operating expenses	-4.2	-6.7	-4.9	-4.7	-5.6	-6.1
Operating margin	11.8	9.0	7.6	6.9	7.7	8.1
from net interest	8.1	5.8	4.6	4.0	5.1	5.1
from service fees	4.1	3.3	2.8	2.6	2.8	2.7
from other assets	-0.4	-0.2	0.2	0.3	-0.2	0.2
Overhead expenses (including labor costs)	-4.1	-6.8	-5.7	-5.3	-5.8	-5.9
Loan loss provisions	-1.1	-2.8	-2.0	-1.9	-1.6	-2.1
Other, net	-6.3	0.4	1.0	1.3	0.4	0.5
Pre-tax profits	0.3	-0.2	0.9	1.0	0.7	0.6
Income taxes	-0.1	-0.2	-0.3	-0.2	-0.2	-0.3
After-tax profits	0.2	-0.4	0.6	0.8	0.4	0.2
Private banks	0.3	0.4	0.6	1.2	0.6	0.3
Public banks	-0.1	-0.7	0.5	0.6	0.1	-0.1
<i>Of which</i> Banco Nación	0.4	0.2	0.5	0.8	-0.5	-0.3
Banco de la Provincia de BA	2.3	1.2	1.5	0.9	1.0	0.8
(Percent of equity)						
Return on equity	0.2	-0.2	4.2	7.0	4.4	1.7
Private banks	-1.7	0.0	5.5	7.7	5.2	2.8
Public banks	4.0	-0.4	2.8	5.6	3.3	-0.8
<i>Of which</i> Banco Nación	2.2	1.2	3.7	6.1	-4.4	-1.3
Banco de la Provincia de BA	15.1	7.9	10.8	7.5	5.9	1.4
<b>Asset quality ratios</b>						
(In percent of total loans)						
Nonperforming loans (classification "3-6")	14.0	16.0	12.3	10.4	9.3	10.7
Private banks	12.6	11.5	8.5	6.5	5.8	7.0
Public banks	17.4	22.9	19.0	18.2	15.8	18.8
<i>Of which</i> Banco Nación	12.9	15.2	16.1	17.7	17.6	23.1
Banco de la Provincia de BA	16.5	14.0	12.4	13.5	15.7	16.2
Loan provisions	8.1	8.7	7.2	6.2	5.8	6.3
<i>Of which</i> Banco Nación	5.0	6.2	8.5	8.4	11.2	11.6
Banco de la Provincia de BA	15.5	11.6	9.3	6.9	9.1	7.7
Uncovered nonperforming loans	5.9	7.3	5.1	4.2	3.5	4.4
Private banks	5.2	5.8	3.5	2.3	2.0	2.1
Public banks	7.4	9.7	7.8	7.9	6.2	9.4
<i>Of which</i> Banco Nación	7.9	9.0	7.6	9.3	6.4	11.5
Banco de la Provincia de BA	1.0	2.4	3.1	6.6	6.6	8.5
<b>Liquidity ratios</b>						
Total loans/total deposits (percent)	118.9	118.7	105.4	98.9	98.4	95.5
Total liquid assets/total liabilities (percent)	29.4	32.9	40.2	37.3	35.4	36.7
<b>Capital adequacy ratios</b>						
Capital/risk-weighted assets (percent) 1/	18.3	21.6	20.7	22.0	21.4	21.6
Private banks	18.7	22.4	21.8	18.4	18.2	21.6
Public banks	17.6	19.6	18.2	29.3	29.2	20.8
<i>Of which</i> Banco Nación	16.3	15.4	15.7	23.0	18.4	18.8
Banco de la Provincia de BA	16.8	27.5	20.7	18.9	15.9	14.2
Liabilities/capital = leverage ratio (percent)	574.2	581.2	652.3	688.1	720.3	744.8
<b>Memorandum items</b>						
Percent share of total deposits						
Private banks (incl. nonbank institutions)	67.7	65.2	65.3	65.8	65.2	67.2
Public banks	32.3	34.8	34.7	34.2	34.8	32.8
<i>Of which</i> Banco Nación	13.3	13.4	13.0	13.5	15.0	14.8
Banco de la Provincia de BA	8.9	11.2	11.8	11.7	11.9	10.6
Number of banks, eop	205	158	147	138	129	117
Number of employees, eop	122,585	111,388	106,312	108,016	105,445	104,342

Source: Banco Central de la Argentina (BCRA).

1/ Regulatory minimum is 11.5 percent in Argentina.

(growing) presence of multinational banks which can obtain financial assistance from their home offices, and hence find the opportunity cost of oversubscription of their capital base too high. The counterpart of a large capital base is that, on average, Argentine banks are less leveraged than banks elsewhere, with a leverage ratio of liabilities over capital between 650–750 percent, versus 1000 percent (and up) for banking systems that have capitalization ratios much closer to the minimum Basel requirements.

**Liquidity ratios** also are strong, with total liquid assets (narrowly defined) in excess of 30 percent of total liabilities. Liquid assets include cash, and international reserves held by banks, either at the Central Bank (BCRA) or at a special account with Deutsche Bank, in fulfillment of fulfillment of the mandatory liquidity requirement of 20 percent of deposits and other liabilities; and nearly US\$7 billion, or almost 10 percent of the deposit base, in a contingent repo facility with large international banks. In addition, in an economic crisis, the Convertibility Law permits the draw down of international reserves at the BCRA to the equivalent of up to one-third of the money base (equivalent to around US\$7 billion in early 2000). This further potential cushion raises the liquidity ratio to over 35 percent, as shown in Table 1.

**The ratio of after-tax profits to average total banking assets** has fluctuated around an average of just 0.3 percent in recent years, with a loss in 1995 and a relatively strong year in 1997, when profits reached 0.8 percent of average assets. This is low by international comparison where profits to assets typically average between 1–2 percent. The average return to assets in private banks is slightly higher than that in public banks, and public banks tend to exhibit larger profit volatility as well. Profitability has declined both in 1998 and 1999, with the largest public sector bank, the Banco de la Nación registering sizeable losses in both years.

When related to equity in the banking system, profits again appear relatively low. The average **rate of return on equity** for the system as a whole was 2.9 percent in 1994–1999, with profits reaching 7.0 percent of equity in the best year, 1997. Such figures compare with common management targets for profitability in large international banks of around 15 percent rate of return on equity.

There are several **factors that help explain the lower profitability** of Argentine banks. First, the variance of profitability is quite large, with stronger banks earning healthy profits year after year while others have carried on so far with only scant profitability. Second, there is, most likely, some degree of transfer pricing and tax planning at play with the large presence of foreign banks. Such institutions are able to arbitrage between different national tax environments, thereby introducing a difference between underlying operational and taxable profits. Third, in the process of consolidation, larger banks have been purchasing smaller and weaker banks, sometimes paying a premium for market share gains; these costs are still reflected in the profitability of the remaining banks. Fourth, while monetization and scale economies are clearly growing, the overall number of banks and branches remains large for the size of the market (and some concentration is likely to continue). Lastly, Argentina's banking system lagged behind in information technology and

telecommunications infrastructure, and the industry is making costly investments to catch up in this area.

**Asset quality, or loan quality, ratios** have fluctuated substantially since 1994, with nonperforming loans increasing sharply to 16 percent (Table 1) of total loans during the Tequila crisis in 1995. Banks have made steady progress since then, managing to reduce the nonperforming loan ratio to 9.3 percent in 1998, before increasing again to around 11 percent during the recession year 1999. Given that the economic contraction was more severe in 1999 than in 1995, the relatively modest deterioration in the loan portfolio of most banks suggests progress in strengthening the banking system since 1995.

Private banks have on average substantially stronger loan portfolio performance indicators than public banks, with nonperforming assets around 7 percent of total loans lately, versus over 17 percent in public banks. Net of provisions, nonperforming loans amount to 2.4 percent in private banks and 7.8 percent in public banks. In analyzing these numbers, two regulatory features need to be borne in mind that tend to increase the nonperforming loan ratios relative to the actual amounts of loans that are truly nonperforming. One is that, when a payment on a loan is not received in time, the entire loan amount is recorded as nonperforming, not just the amount overdue. The other is the fact that loan performance is recorded by borrower, not by individual loan. Thus, when a borrower has two or three loans from the same bank and misses a payment on one of these loans, all loans are reclassified as nonperforming, not just the loan for which the payment was late or missed.

### **B. Financial System Stress Tests**

Occasionally, the supervisory office of the BCRA conducts financial system stress tests, and evaluates related contingent scenarios. Such tests and scenarios try to ascertain the sensitivity of banking indicators to “worst case” challenges. The supervisory office has just concluded such an exercise, in the aftermath of slippages in banking soundness indicators during the recession of 1999. In this exercise, the contingent scenario (the worst case scenario) assumes that recessive conditions continue in Argentina for the whole of 2000. Given that banking indicators, especially nonperforming loan indicators, already started to deteriorate after the Russia crisis in August 1998, this would mean that the down cycle for nonperforming loans, at end-March 2000, would have been only  $\frac{2}{3}$  completed (18 months), with another 9 months, or  $\frac{1}{3}$  of the cycle remaining through end-2000. Based on this scenario, the supervisory office analyzed the impact of such a continued recessive environment on nonperforming loans and on capital adequacy for the banking system. Moreover, in separate exercises, and to obtain a more complete picture of potential risks to the banking system, the supervisory office also analyzed what would be the impact of large deposit withdrawals on liquidity, similar to the experience of early 1995, and, given that international interest rates are firming up, what impact a further increase in international interest rates might have on the profitability of the banks.

### Stress test on loan provisioning and capital adequacy <sup>3</sup>

Regarding the stress test, the supervisory office extrapolated the likely additional costs of loan-loss provisioning through the end of 2000 as a linear accumulation of the provisioning costs incurred in the previous 18 months. Since, during this period, banks had accumulated US\$3.8 billion in loan provisions, the assumption that the recessive conditions would continue for another nine months would result in another US\$1.9 billion that might be required for loan-loss provisioning, bringing the total cumulative loan-loss provisioning to some US\$5.8 billion. To make the test more severe, it was assumed that the *full amount* of the additional US\$1.9 billion would be provisioned *up front* in April 2000.

The results of the simulation are presented in Table 2. In March 2000 (before the stress test), four banks did not meet the Basel capital adequacy standard (including three provincial banks in the process of privatization), and 12 institutions fell short of the more stringent BCRA capital adequacy requirements (representing 1.7 and 2.9 percent, respectively, of total bank assets). Assuming that in April 2000, banks had to provision another 50 percent of the cumulative loan-loss provisioned since mid-1998, the number of banks falling short of the Basel criteria would increase to 10 (3.6 percent of assets), or to 37 (10.3 percent of total assets) when considering the BCRA minimum capital requirements. However, this mechanical calculation includes the effects on capital adequacy of some of the strongest international banks, which have a local credit ratings of AA—such institutions normally keep lower capital cushions and could be presumed to have no difficulties in reconstituting their capital base as needed. When excluding the AA rated institutions, the number of banks failing their capital adequacy test would drop to seven under Basel criteria (1.8 percent of assets), and to 27 under BCRA criteria (6.4 percent of assets)—a serious deterioration that would accelerate consolidation, but not likely a devastating shock to the banking system.

---

<sup>3</sup> In addition to the stress test exercise, the BCRA is also conducting research considering the adequacy of capital in a value-at-risk approach. The value-at-risk approach, as applied in Argentina, employs a rich data base on debtors (Central de Deudores) managed by the Superintendency of Banks, to extract probabilities for default for various debtors and scenarios. Credit portfolios can then be weighted with the value-at-risk probabilities to estimate an adequate provisioning and capital level. Preliminary results from this exercise show that actual provisioning and capital levels for the banking system, and for most groups of banks in Argentina, exceed the value-at-risk adequacy values.

**Table 2. Argentina: Capital Adequacy Stress Test**

	Out of compliance with Basle 1/			Out of compliance with BCRA 2/		
	Number of Banks	Share in Assets	Share in Deposits	Number of Banks	Share in Assets	Share in Deposits
<b>All institutions</b>		(In percent)			(In percent)	
Actual situation	4	1.7	2.4	12	2.9	4.1
Public banks	3	1.6	2.2	7	2.6	3.6
Private banks	1	0.1	0.2	5	0.4	0.5
Assumed stress situation 3/	10	3.6	2.7	37	10.3	11.2
Public banks	4	1.6	2.3	9	3.0	4.2
Private banks	6	2.0	0.4	28	7.3	7.0
<b>Excluding AA banks 4/</b>						
Assumed stress situation 3/	7	1.8	2.6	27	6.4	7.8
Public banks	4	1.6	2.3	9	3.0	4.2
Private banks	3	0.2	0.3	18	3.4	3.6

Source: BCRA, Supervisory Office.

1/ Minimum capital adequacy ratio of 8 percent.

2/ Minimum capital adequacy ratio of 11.5 percent.

3/ Assuming a one-off increase in loan provisioning of US\$1.9 billion.

4/ Excluding banks with highest credit rating.

### **Analysis of systemic liquidity**

A second exercise explores what effects large deposit withdrawals could have on liquidity in the banking system, relative to the experience in early 1995. In late 1994, when the Mexico crisis erupted, Argentine banks had the equivalent of 14.9 percent of deposits available as liquid reserves, and the loss of deposits accumulated in a few months' time to some 18 percent of total. As a result, during the crisis, the BCRA needed to step in and reduce reserve requirements and extend funds through repo and discount operations to assist banks in honoring deposits (at that time the BCRA could reduce the backing of its monetary liabilities by 20 percent of the monetary base). Taking into account both the banks' own liquid reserves and the emergency BCRA reserves under the currency board regime, at end-1994 the system had a liquidity cushion of 22.4 percent of total deposits (Figure 1, top panel), which at the height of the crisis was almost fully utilized.

In March 2000, banks had a liquidity (systemic) base at hand that was 32.4 percent of total deposits (US\$27 billion<sup>4</sup> versus US\$83.3 billion in deposits). When including the 33 percent of the money base that is now available for crisis management from the currency board under Argentine law, this ratio increases to 38.5 percent of the deposit base. Hence the total liquidity cushion now available to absorb deposit withdrawals is 1.7 times as large (38.5 percent versus 22.4 percent) as at end-1994,<sup>5</sup> i.e., the system would be able to resist the withdrawal of over a third of total deposits, an amount almost twice as large as the one that occurred during the 1995 crisis.

There are two other important qualitative differences in the liquidity position today, compared with that in 1995, that increase confidence in the ability of the system to withstand some significant deposit withdrawals without systemic disruption. Firstly, the share of deposits held by large multinational banks has grown from 16 percent of the total in 1995 to 47 percent in early 2000. Such banks received deposits in part as a flight to quality during the early stages of the Mexico crisis, and are seen as better able to manage liquidity and withstand withdrawals. Secondly, reserve requirements in 1995 (which were not remunerated) were defined relative to original maturity of the deposits. That is to say, a long-term deposit, even if it matures in less than a year, would have almost no reserve requirement. Nowadays, liquidity requirements (which are remunerated) are defined relative to time-to-maturity criteria; hence a long-term liability maturing in less than a year would automatically become classified as short-term and liquidity requirements would be increased as a consequence. As such, today's liquidity requirements are better matched to the term structure of liabilities.

### **The sensitivity of profitability to interest rate increases**

Simulations show that a 1 percentage point decline in the intermediation spread (average effective lending rate minus average effective funding rate) would cut profits in the banking system by US\$1 billion, or the equivalent of 6 percentage points in return on equity. Given that the return on equity for the system as a whole is barely 6 percent *in the best years*, such a decline in spreads would easily wipe out the current profit base, which was only 1.8 percent (return on equity) in 1999.

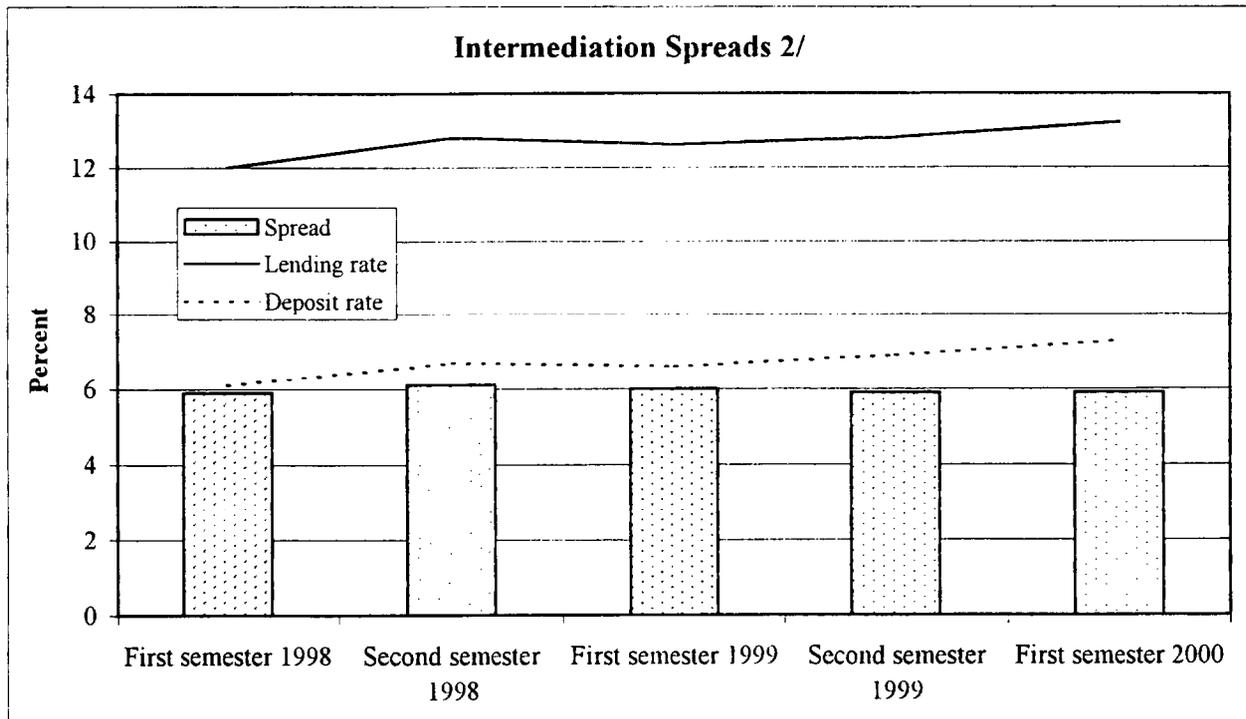
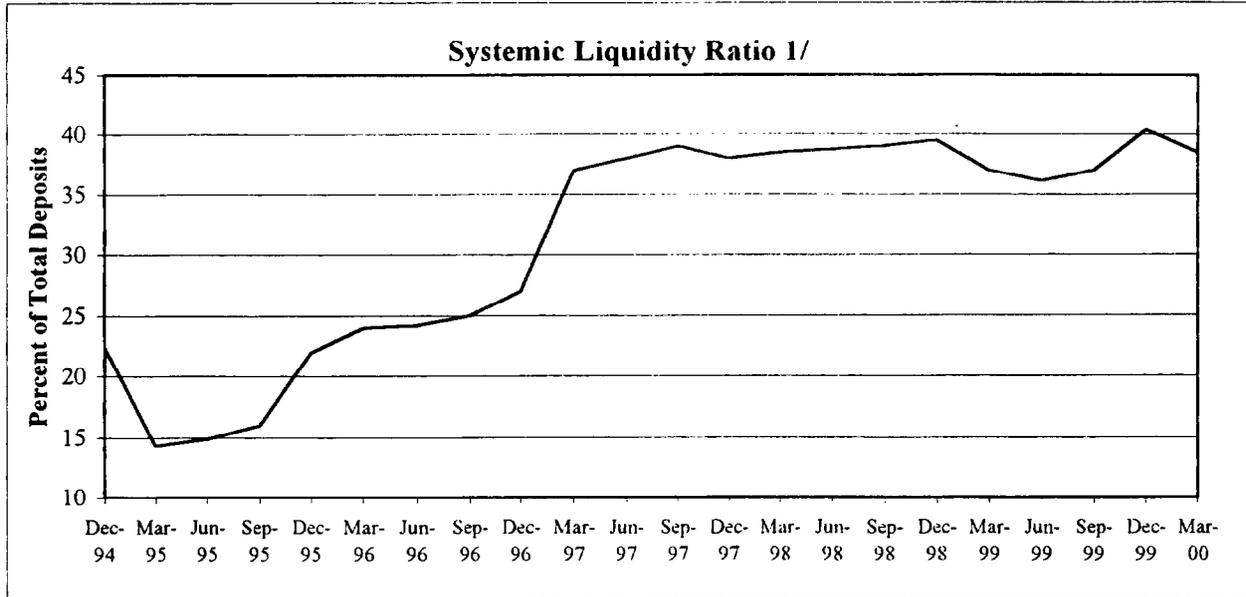
However, an analysis of the behavior of average intermediation spreads in Argentina suggests that these have remained remarkably stable, at around 6 percentage points of interest, since early 1998 (Figure 1, bottom panel). While average effective lending rates have drifted up from 12 percent in

---

<sup>4</sup> Comprising US\$16.9 billion in foreign exchange reserves deposited in the BCRA and the Deutsche Bank NY, US\$7 billion in contingent repo facilities, and US\$3 billion in cash in vault.

<sup>5</sup> The US\$7 billion contingent repo facility is untested, but even excluding it, Argentina would have 30 percent of total deposits available for withdrawal, compared with 22 percent in 1995.

Figure 1. Argentina: Financial Sector Stress Tests



Source: BCRA, Supervisory Office.

1/ Fulfillment of liquidity requirements, repo program and portion of monetary base backed by US\$ public bonds, according to the Charter of the Central Bank of Argentina.

2/ Average lending rates and funding costs in the financial system (on annualized basis). For 2000, data correspond to January-April 2000 (on semi-annualized basis).

the first semester of 1998 to 13.2 percent in the first semester of 2000, average effective funding rates moved from 6.1 percent to 7.3 percent during the same period. The reason for this stability in spreads is attributed to (1) relatively limited leverage in the term structure of assets and liabilities (i.e., the average term structure of deposits and loans is fairly well matched); (2) a large share of loans are at variable rates; and (3) those loans that are at fixed rates tend to have short maturities.

Since intermediation spreads are the most important determinant of banking losses or profits, these results suggest that the banking system itself is, in first instance, quite immune to interest rate fluctuations. Such interest rate pressures are essentially transferred (or passed through) from the banks to the nonfinancial private (and public) sectors obtaining loans from the banks. However, to the extent that systemic increases in interest rates weaken the ability of the borrowers to service their loans, banks' profitability would be affected not directly through a narrowing of interest spreads, but indirectly through an increase in nonperforming loans—an issue that leads back to capital adequacy and the stress scenario discussed above.

## II. PROPOSED CHANGES IN THE HEALTH AND PENSION SYSTEMS<sup>6</sup>

A presidential decree issued on June 6, 2000 introduced important modifications to the system of mandatory health insurance, which will take effect starting next year. A few days earlier, the executive had submitted to congress a draft law to modify selected aspects of the pension system. This note briefly outlines the main elements of these two initiatives.

### A. Reform of the Mandatory Health Insurance System

#### The current system<sup>7</sup>

The current system of mandatory health care for salaried employees is built around institutions known as *obras sociales* (OS). These institutions are run for the most part by trade unions, and function as health insurers, paying health care providers—including private or public hospitals—on the basis of services rendered. The OS must guarantee, at a minimum, the provision of a basic package of services defined by the government, the *programa médico obligatorio*.

The system is financed with employer and employee contributions: 5 and 3 percent of gross wages, respectively. The bulk of these contributions (90 percent) is paid to the employee's OS, while the rest finances a supervisory agency and a redistributive mechanism, the Redistributive Solidary Fund (FSR). According to the law, 70 percent of the resources of the FSR should be allocated to the OS with the lowest ratio of revenue to beneficiaries, while the use of the remainder is left at the discretion of the supervisory agency.

The system has several problems:

- Lack of competition between OSs due to the automatic affiliation of workers to the OS corresponding to their trade union. Although the law was reformed in 1993 and in 1998 to allow a worker some latitude to change OS, the exercise of this option is difficult.
- Individuals with more than one job may end up contributing to a different OS under each job. Working spouses often contribute each to a different OS, which reduces the efficiency of family coverage, particularly children.
- Each OS is a small pay-as-you-go scheme. Thus, the quality of the care an OS can offer and its financial viability depend on the size and characteristics of the labor force in the industry it covers, and is subject to sector-specific shocks. Thus, two workers with equal needs and salaries but working in different industries can end up with different benefits.

---

<sup>6</sup> Prepared by Alfredo Cuevas.

<sup>7</sup> For a full discussion of the existing system and its shortcomings, see Fundación de Investigaciones Económicas Latinoamericanas, *El Empleo en la Argentina*, Buenos Aires, [1995]

- The FSR has been used to plug gaps in financially troubled OS, even though the trouble often arises from mismanagement and/or actuarial weakness.
- Financing of the system based on wages bears no actuarial relation to the costs of benefits.

### **The reform**

The reform addresses many of the problems of the system discussed above. The main elements of the reform are:

- The law opens the field to competition for the provision of health insurance subject only to the control of the *Superintendencia del Seguro de Salud* (SSS, the new supervisory agency).
- The worker can choose to obtain his mandatory health insurance from any existing OS, or from any entity providing health services under the authorization and supervision of the SSS. To change insurers, the worker must apply in person directly to the insurer of his choice.<sup>8</sup> This entity notifies the SSS of the application, and the SSS then informs the tax collection agency, the social security administration, and the worker's old OS.
- The right to change insurers can be exercised once a year, and a worker must stay with the new insurer for no less than a year. The right to switch insurer is suspended during unemployment spells.
- All insurers registered with the SSS are required to accept all applicants, and to offer them at least the basic package of medical services. The insurer may offer other service packages under authorization of the SSS. Insurance Providers are required to furnish full information on the benefits they offer.
- Spouses must choose the same insurer.
- The FSR will automatically subsidize the provision of the basic services package to the workers with the lowest salaries.
- The Ministry of health will organize the provision of insurance against catastrophic illnesses. The FSR will finance the purchase of such insurance for the participants in the health system.

According to the decree, employer and employee contributions will remain unchanged, but will be allocated in the manner described in the following table:

---

<sup>8</sup> This condition may prove to be an important obstacle in practice. Some observers of the private pension system, where a similar requirement exists, believe that this may cause significant friction, as workers are loath to request leave to deal in person with the transfer of their capitalization account. This may help explain why many workers keep their accounts in high-fee pension funds.

**Table 1. Distribution of Contributions between Insurers and the Redistributive Solidary Fund**

<b>Worker's monthly salary</b>	<b>Insurer's Share</b>	<b>Solidary Fund's Share</b>
Under Arg\$700	90 %	10 %
Arg\$700 – Arg\$1,500	85 %	15 %
Over Arg\$1,500	80 %	20 %

In addition, the Solidary Fund will receive a transfer from the National Treasury equivalent to the nation's share in the VAT collected on private (nonunion) health care services.

In conclusion, the reform should, by promoting competition among OSs and between OSs and private health care providers, lead to a more efficient use of the mandatory contributions paid by employers and employees. The playing field, however, remains tilted in favor of union-managed OSs, which retain certain tax privileges. Even so, labor unions are likely to oppose this reform, which reduces their influence over workers and purports to eliminate the periodic bailouts of mismanaged OS by the Solidary Fund, whose reformed mandate more narrowly determines that the unit of redistribution is the insured worker rather than the health insurer.

### **B. Proposal to Reform the Pension System**

On May 30, 2000 the government submitted a draft bill to reform the pension system. The reform would modify important elements of both the pay-as-you-go and the capitalization components of Argentina's multi-pillar system, which was put in place in 1993.

#### **Defined benefit components of the system**

The publicly managed pay-as-you-go component of the pension scheme includes a system of flat benefits for individuals retiring after 1993. The main flat benefit (the PBU) consists of a payment of Arg\$200 a month for individuals who have reached retirement age (65 for men and 60 for women) and have contributed for at least 30 years; a reduced old age benefit is available to individuals aged 70 and over, who have contributed for at least 10 years. The government estimates that the coverage of these benefits will decline over time as a result of unemployment and the flow of workers between formal and informal jobs, which is likely to result in a growing number of elderly people who cannot meet the contributing history requirement and may, therefore, end up requiring public support of some sort. The bill sent to congress by the government seeks to preempt this possibility by introducing a means-tested benefit financed through the rationalization of the PBU in a way that ensures that the fiscal impact of the reform is

at worst neutral and perhaps positive (according to government estimates). The reform would also address popular concerns regarding the disparity of benefits granted. The main areas of reform are:

- At present, sworn affidavits can be submitted as proof of past contributions (within certain limits), and a system of points allows individuals to compensate shortfalls in contributing history with excess age at retirement at the ratio of two-to-one years. The reform eliminates both the affidavits and the point system, but temporarily lowers the contributing history requirement, which will gradually rise back to 30 years.
- The amount of the PBU is reduced to Arg\$150 a month in the case of men (retiring at 65), and to Arg\$125 in the case of women (retiring at 60). Women can choose to delay retirement in order to increase the amount of their benefit, until this reaches Arg\$150 at age 65.
- The old-age pension is eliminated. Instead, a new means-tested benefit of Arg\$80 a month is introduced. This so called “universal benefit” will be paid to individuals 70 and over with no other means of support, regardless of their contributive history.

All of the benefits mentioned above, as well as other parameters of the system such as the ceiling on contributive salaries, are defined as multiples of a *pensionable module*. Currently, the government has full discretion to decide when and by how much to change the value of the module. The reform would require linking the evolution of the module to an index of average wages in the economy (the mechanism to effect such adjustments is to be defined in future regulations).

The combination of these reforms is estimated by the government to be financially neutral in net present value terms, even though the number of beneficiaries of the system is projected to increase significantly on account of the means-tested “universal” benefit.

### **Capitalization regime**

Some of the reforms proposed seek to increase the efficiency of the operation of the privately run capitalization regime, and to strengthen the authority of the Superintendency of Pension Fund Administrators (SAFJP by its Spanish acronym). In particular, the merger of pension fund administrators will now be subject to approval by anti-trust courts, which will hear the recommendations made by the SAFJP. To promote competition, the SAFJP will assign undecided participants –individuals who do not expressly choose a particular AFJP—to the pension funds charging the lowest fees. At present, the undecided are randomly assigned to different pension funds.

The draft reform seeks to modify some of the rules governing the issue of life annuities to individuals retiring under the capitalization regimes. The main two proposals are the adoption of a

unified life table<sup>9</sup> for men and women (involving a cross subsidy from men to women, who enjoy a higher life expectancy at retirement), and the introduction of new rules that strengthen the supervision of the insurance companies selling these annuities.

The reform would also improve the administration of disability pensions for active participants in the capitalization regime. It would strengthen the role of the SAFJP in the designation of the panels of physicians that determines whether disability exists, and it would reduce the burden such system places on the public finances. At present, the social security administration, ANSES, must contribute to buy annuities for older participants in the private capitalization regime who become disabled. The reform proposes that, instead, the ANSES makes monthly payments to the beneficiary to supplement the payments he receives from the annuity bought by his pension fund manager. This reform is meant to yield savings (some Arg\$40 million a year) for ANSES, which would no longer have to pay the insurer's profit margin included in the annuity's price.

---

<sup>9</sup> As in other Latin American countries, the life tables in use in Argentina are older U.S. tables. Insurance companies are wary of existing life tables elaborated with Argentine data.

### III. SOCIAL SAFETY NET<sup>10</sup>

The government has estimated that 35.3 percent of the urban population was poor in 1999, up from 32.5 percent in 1998; deep poverty was estimated to affect 10.5 and 8.4 percent of the urban population in the same years.<sup>11</sup> The subset of social spending specifically targeted to help vulnerable segments of the population constitutes the social safety net, and it includes direct social assistance and workfare programs, as well as a small part of social security corresponding to unemployment insurance. The following table shows the social safety net in the context of total social spending; the rest of this note discusses some of its main elements.<sup>12</sup>

**Table 1. Public Social Spending, 1997–99 1/**

(in Percent of GDP)

	Consolidated	National	Provincial	Municipal
Major Elements of the Safety Net	2.09	1.22	0.65	0.23
Direct Social Assistance Programs	1.13	0.29	0.61	0.23
Workfare and Training Programs	0.85	0.82	0.04	--
Unemployment Insurance	0.11	0.11	--	--
Social Security (Excludes Unemp. Ins.)	7.51	6.08	1.43	--
Health	4.48	2.28	1.94	0.27
Education, Culture and Science	4.48	1.03	3.31	0.14
Other (e.g., water, sewerage, and others)	1.53	0.03	0.69	0.81
Total Social Spending	20.10	10.64	8.01	1.45
Total Public Expenditure	31.39	16.33	12.39	2.67

Source: Ministry of the Economy, Ministry of Labor, and Staff estimates.

1/ Spending on a commitment basis.

<sup>10</sup> Prepared by Alfredo Cuevas.

<sup>11</sup> Based on household surveys and using the standard methodology of poverty lines.

<sup>12</sup> The data in the table are not directly comparable to program-related data for three reasons: federal government data in the program are measured on a cash basis, while the table reports data on a commitment basis; the program tables contain more recent estimates of the 1999 outcome; and the program excludes municipalities.

## A. Direct Social Assistance

Nutritional assistance programs are one of the main instruments of social policy in Argentina. Until recently, the federal government operated three such programs: two programs for the provision of food to children and senior citizens, and a third one for the support of household production of basic foodstuffs for own consumption. Under current plans, these programs will be consolidated in a single program (known as *Unidos*) focused on the household as a unit. The key targeting criterion will be the scholastic achievement of the head of the household, combined with the presence of either a child or an elderly person. It is expected that the application of this criterion will result in the granting of support to some 800 thousand households (about 40 percent more than the combined coverage of the three programs replaced by *Unidos*). *Unidos* is designed as the cornerstone of the Nutritional Federal System. This is an initiative of the current administration, aimed at coordinating the efforts of the different levels of government in the area of nutritional support. The national government has already signed agreements with 13 provinces to this effect.

Recently, the national government announced a new social program called *Solidaridad*, roughly modeled after the *Progresá* program implemented in Mexico. The similarities are the effort to coordinate nutritional, educational and health-related assistance, and the focus on children. Because schools and hospitals are administered by provinces, the implementation of this program will require close coordination between different levels of government. Unlike *Progresá*, however, *Solidaridad* will target urban populations, since rural populations are too dispersed to make a rural-poverty program cost-effective. *Solidaridad's* main goal will be to improve school completion rates and to reduce juvenile crime by providing support for the continuation of education. *Solidaridad* will start with a pilot program in August. The pilot will end in February 2001, and the tuned-up program will be launched in full in March 2001, in time for the start of the new school year.

In addition to the two large initiatives described above, the government administers several other social programs. These include the program for neighborhood improvement and the program for social development in border regions, both of which share an emphasis on the construction, with community participation, of sanitation infrastructure in areas where basic needs remain unmet. Another program that has received much attention is targeted at the families that suffered the loss of their homes during recent floods.

## B. Employment Related Assistance

### Employment and poverty

In May 2000 the unemployment rate stood at 15.4 percent, representing over 2.1 million individuals. Using household surveys, the Ministry of Labor has published work that throws light on the relationship between poverty and employment:

- Poor households have fewer economically active members than nonpoor households (58.7 percent vs. 73.6 percent on average). The difference in participation rates reflects in part the larger size of poor households, often associated with their higher age dependency ratios. But it is also the result of lower participation rates among working-age members of poor households. Such “hidden unemployment” is probably due to discouragement.
- Unemployment rates among poor individuals are much higher than among the nonpoor (31.1 percent vs. 10.7 percent).
- Poor households are more dependent than nonpoor households on their main earners (main earners contribute 82.3 percent of household income in poor households, and 75.2 percent in nonpoor households). Moreover, the share of the main earners whose jobs are considered precarious<sup>13</sup> is highest among the poor (44.6 percent vs. 18.7 percent).

### **Workfare programs**

The close link between employment and well-being motivates the inclusion of employment programs in Argentina’s social safety net. Since 1996, a key instrument has been the *Trabajar* program, which pays Arg\$160 a month (previously Arg\$200) to individuals participating in approved projects (usually for about five months). These projects often involve the construction of infrastructure, and are organized by local governments and NGOs. The decision to support a project is made by the Ministry of Labor (the ministry recently decentralized project selection tasks to its local offices). Besides covering the labor costs of approved projects, the Ministry of Labor may sometimes finance part of their non-labor costs.

Starting in 2000, the government has scaled down *Trabajar* and discontinued smaller programs in order to make room for the newly created Emergency Employment Program (PEL by its Spanish acronym). PELs differ from *Trabajar* in that they support the provision of services (rather than the construction of infrastructure) and have a minimum female employment requirement of 60 percent. *Trabajar* projects are, by their very nature, temporary. The services produced with PEL assistance may be of indefinite duration, but the support of PEL to individual projects is temporary.

Between PELs and *Trabajar* projects, close to 60 thousand individuals had temporary jobs in June 2000 (about 0.5 percent of the labor force). The number of beneficiaries of employment programs has shown considerable variation over the year, reaching its peak in the months of the austral Spring. Thus, for example, 172 thousand individuals participated in *Trabajar* and other employment programs in October 1999, and the current budget for the Ministry of Labor includes provisions to finance benefits for 112 thousand individuals in October 2000 under the PELs and *Trabajar* programs.

---

<sup>13</sup> This term includes informality. Informal employees are by definition outside the safety net provided by the social security system.

### **Unemployment insurance**

Since 1992, Argentina has an unemployment insurance scheme financed by the National Employment Fund (FNE), which is supported, in its turn, with employer contributions of 1.5 percent of gross wages.<sup>14</sup> A worker becomes eligible for unemployment benefits after contributing to the FNE for one year. Beneficiaries receive cash payments of amounts and duration based on their recent earnings and the length of their contributing history;<sup>15</sup> in addition, they receive family allowances and health coverage, and the time during which they perceive unemployment benefits is counted as part of their contributing history for the purpose of determining eligibility for other social security programs.

During the year to April, 2000, some 120 thousand people (0.9 percent of the labor force) received unemployment benefits every month. This figure is comparable to the average number of beneficiaries during 1995–1996, and higher than the average during 1997–1999. Adding the beneficiaries of *Trabajar* and PEL to those receiving unemployment insurance in the year to April 2000, between 180 and 280 thousand individuals may have been receiving some form of employment-related assistance at any time during that period.

---

<sup>14</sup> See next section in this document.

<sup>15</sup> The benefit period is between four and twelve months, and monthly benefits must be between Arg\$150 and Arg\$300. Cash benefits are reduced in steps throughout the benefit period.

#### IV. PAYROLL TAXES<sup>16</sup>

##### A. Salaried workers

In Argentina, a variety of payroll taxes finance different benefit schemes: the system of old-age, disability and survivor **pensions**; the mandatory **national health insurance** system (administered by trade unions); the system of **health benefits for retirees**; the national **employment fund**, which finances limited unemployment insurance and retraining programs; and a system of **family benefits** such as funeral, marriage and child allowances.<sup>17</sup>

**Table 1. Basic Payroll Taxes in Percent of Gross Wages (Selected Years)**

	1990	1998	2000
Total payroll taxes	49	49	43
Employer contributions 1/	33	32	26
Pension system	11	17.16	11.16
Health care for retirees	2	0.84	0.84
National Health Insurance (Obras Sociales)	6	5	5
FONAVI (Housing Trust Fund)	5	0	0
National Employment Fund	0	1.5	1.5
Family benefits	9	7.5	7.5
Employee contributions	16	17	17
Pension 2/	10	11	11
Health care for retirees	3	3	3
National Health Insurance (Obras Sociales)	3	3	3

1/ Starting in January 1994, the government introduced a system of "discounts" on most of the employer contribution rates. These discounts varied according to the geographic location of an establishment, as well as by the economic nature of its activity. On average, it is estimated that the discounts lowered the average burden of payroll taxation by about 4 ½ –5 percent of gross wages. Taking into account the discounts, the effective burden of payroll taxes may have fallen from 49 percent of gross wages during the first few years of the decade to 44 percent by 1995, and to 40 by the start of 2000.

2/ Starting in 1994, the worker must choose whether this contribution will be deposited in a privately managed personal capitalization account, or paid to the residual PAYG system administered by the National Social Security Administration.

<sup>16</sup> Prepared by Alfredo Cuevas.

<sup>17</sup> In addition, there is the cost of providing insurance against job-related accidents. Employers must buy coverage in the private insurance market following guidelines issued by a superintendent of work-related risks.

Payroll contributions have been reduced, reflecting the government's efforts to stimulate employment by alleviating the burden of labor taxes, with the reductions being compensated by increases in sales and income taxes. Nevertheless, payroll taxes in Argentina remain high, as the following table indicates. Also, the composition of these taxes changed over time. Thus, the contribution to the housing fund and a small portion of the financing of health care for the retirees were traded for an increase in the employer contributions to the pension system. Also, the national employment fund was carved out of the family allowances contributions. Since 1994, employees can choose to have their contributions to the pension system paid to the (public) national pension administration, or to the new (private) defined contribution scheme.

### **B. Contribution Regimes for Nonsalaried Workers**

There is a special regime for workers who are not hired by an employer for a salary; this category includes independent professionals, directors of corporations, managing associates of limited corporations, and self-employed individuals. The government assigns an estimated income to each individual under this regime according to his type of activity. These presumed incomes range from Arg\$312 to Arg\$4800 a month. The individual is then assessed a global contribution of 32 percent of the presumed income for his activity. This contribution represents both the employer and employee contribution to the pension and the retirees' health care systems. A self-employed worker can ask that 11/32 of his total contribution be deposited in his (privately managed) capitalization account.

In addition, there are special regimes with reduced contributions: (i) for individuals who, enjoying some benefit from the pension system (e.g., a survivor pension), work under the modality of self-employment; (ii) for home-makers; and (iii) for domestic employees. The contributions made in the first two cases are for both the pension system and for the retiree's health care system, but those made in the third case are for the pension system and for the national health insurance system, thus giving rise to the right to obtain medical care.

## V. FEDERAL TAX AMNESTIES<sup>18</sup>

In January 2000, a decree was issued to allow taxpayers to consolidate their federal tax debts into a global tax liability. This liability would include overdue taxes as well as tax obligations not previously assessed, and exclude fines and most late interest charges, which would be condoned on the occasion of the consolidation. Although this amnesty has received much attention, it has many precedents in Argentina, and was accompanied by measures to eliminate other tax forbearance mechanisms. This note briefly describes the three main instruments of tax forbearance used by the federal government during the last decade, before returning to the most recent tax amnesty.<sup>19</sup>

### A. Main Types of Amnesty

It is difficult to classify the different federal tax amnesties that Argentina has had, given that details of amnesties decreed under a given legal statute can exhibit considerable variation. The broadest and best defined type of amnesty is the so-called *blanqueo*, literally “whitening.” This amnesty relieves taxpayers from payment of fines, late and other types of interest and, crucially, of part of the original tax liability. This type of amnesty can only be decreed by Congress because it is not within the power of the Executive to condone taxes. *Blanqueos* have occurred sporadically, and none has taken place during the period covered by this note (1989-present).

Close in spirit to the *blanqueos* are the *moratorias*. These are time-limited amnesties that condone interest and fines associated with overdue taxes. *Blanqueos* and *moratorias* are backward-looking, covering tax obligations that accrued in the past. The other two types of amnesties are open-ended and more forward-looking, namely: the spontaneous filing and the audit limitations regimes which are semi-permanent instruments aimed at improving the incentives for taxpayer compliance with current and future obligations.

### B. Moratorias

Moratorias have been implemented under both the “spontaneous filing” and the “payment facility” legal regimes. This can be confusing because tax experts prefer to reserve the term “spontaneous filing” for the semi-permanent regime that will be discussed later in this note.

---

<sup>18</sup> Prepared by Alfredo Cuevas

<sup>19</sup> This note does not cover provincial tax amnesties, which have been at least as common as federal ones.

### **Moratorias implemented under the spontaneous filing legal regime**

In an effort to increase the number of filers among registered taxpayers, the economic emergency law of 1989 gave the tax administration the authority to establish temporary regularization regimes for those taxpayers who would come forward to admit past noncompliance with selected taxes. These taxpayers—the “spontaneous filers”—would be spared all fines and other sanctions, and possibly some or all late interest charges, if they agreed to settle their obligations. The tax liability could be settled in one or many payments; in the latter case, several rules determined the maximum number of payments as well as the financing charges to be borne by the filer.

Typically, a decree defined a cut-off date for the obligations that could be consolidated under this mechanism, and a deadline for filing under the special conditions of the amnesty;<sup>20</sup> the cutoff date was in the recent past and the deadline in the immediate future. These two dates made the *moratoria* backward-looking and temporary, two of its defining traits. Taxpayers had to be current on all obligations accruing between the cut-off date and the deadline to be eligible for the amnesty. The decree also indicated the maximum number of payments in which the tax liability could be settled (usually between 30 and 60 monthly installments) and the rate for financial charges (or the absence thereof).

**In every one of the years from 1989 to 1995, the tax administration decreed a new *moratoria* under the spontaneous filing legal regime.** Starting in 1990, unpaid installments from past amnesties were often declared eligible for consolidation during subsequent amnesties; some times, additional decrees were issued to allow post-cut-off date liabilities to be included in an ongoing amnesty.

### **Moratorias implemented as “payment facilities”**

The *moratorias* declared under the spontaneous filing statute did not extend to all overdue taxes; in particular, it excluded VAT withheld by registered taxpayers and certain commodity taxes. Also, by definition, taxpayers undergoing tax audits could not benefit from this type of *moratoria*, since they would not be “spontaneous filers.” However, the economic emergency law of 1989 gave wider powers to the tax administration to agree to reschedule overdue tax liabilities. Thus, in 1990 the tax authority introduced the first of its so-called “payment facilities” for the settlement of many of the obligations excluded from the spontaneous filing statute, including obligations under appeal if the taxpayer were to admit full liability and pay for part of the administration’s litigation costs. **Amnesties of this type were granted in each one of the years 1991–1996.**

---

<sup>20</sup> Sometimes, the decree would exclude from the benefits of the amnesty tax debts accrued before some specific date prior to the cutoff date.

A special series of social-security contributions *moratorias* was started in 1993. That year, congress approved a reform of the social security system that introduced a defined-contributions plan and increased the retirement age and the number of contributing years needed for full benefits. For this reason, a payment facility was introduced to allow employees to settle payroll taxes for previous years, thus lengthening their official contributing history. New facilities were announced in 1994, 1995 and 1996, which allowed employers and the self-employed to pay contributions due under both the pre-reform and the reformed social security systems. In some cases, taxpayers were allowed to use their holdings of government-issued consolidation bonds as partial payment for their social security contribution debts.

### **C. Spontaneous Filing in its Current Sense and other Open-Ended Regimes**

Tax experts reserve the name of “spontaneous filing” for an open-ended amnesty, which in Argentina was instituted in September 1997. The spontaneous filing regime was largely forward-looking, since it did not establish a cutoff date for the tax liabilities that could benefit from it, and it was rather open-ended, since its expiration date was set six years into the future. This mechanism allowed spontaneous filers to avail themselves of benefits through late 2003 with respect to tax liabilities over 12 months old at the moment of filing. The main benefits of this regime were the condoning of fines and the opportunity to settle tax liabilities in installments. As a semi-permanent mechanism, this regime was designed with the goal of offering a permanent exit from the black economy for firms desiring to regularize their situation. The downside risk created by this mechanism was the possibility it opened for taxpayers to plan temporary noncompliance periods to be followed by spontaneous regularization at a later date.

Also in 1997, the congress approved a law granting the tax administration authority to repackage as negotiable securities the obligations consolidated through payment facilities; more generally, legal reforms approved in 1997 and 1998 gave the tax administration—itsself undergoing reform at the time—greater latitude to offer such facilities to taxpayers. Using that authority, the tax administration created a permanent regime for the subscription of payment facilities for overdue tax debts. Participation in these facilities—as well as in those originating in spontaneous filing since 1997—involved the incorporation of the taxpayer in a system of computerized monitoring that also permitted the electronic debiting of the installments under either scheme from the taxpayer’s bank account (the “Jerónimo” system). Other special payment facilities have been occasionally established; in 1999, for example, an open-ended facility was introduced to give additional relief to firms receiving protection in the form of temporary tariffs under a safeguard clause.

The tax consolidation decree of January 2000 terminated the spontaneous filing regime. The current legal framework, nevertheless, maintains the authorization to the tax administration to reinstate this type of amnesty.

### D. Audit Limitations Regime

In 1991, the tax legislation was modified to introduce a regime of protection against audit. This regime establishes the presumption of innocence for noncompliance with tax laws during periods prior to the last twelve months. This presumption protects a taxpayer from inspection and can only be overturned if the tax authority discovers noncompliance during the most recent 12 months, which are subject to audit. This regime aimed at stimulating taxpayers to comply with their current obligations because, as long as they did so, they would be safe from prosecution for their older offenses. The anti-evasion law currently being discussed in the Senate proposes to repeal this mechanism.

### E. The Yield of Tax Amnesties

The following table contains indicators of the tax debts consolidated and actually paid under different federal tax amnesties. There is a large gap between those two quantities. However, the ultimate size of that gap may be overestimated in the table, because lapsed payment plans sometimes were consolidated into new plans during subsequent amnesties. In the case of open-ended amnesties, the wider gap reflects in part the ongoing process of filing.

**Table 1. Yield of Various Recent Tax Amnesties**

(In Millions of Argentine Pesos)

	Declared Amounts	Paid 1995	Paid 1996	Paid 1997	Paid 1998	Paid 1999	Total Paid	Paid / Declared
Various Social Security <i>Moratorias</i> , 1995	3,857	255	678	400	172	46	1,550	40 %
Various Tax <i>Moratorias</i> , 1995	4,850	642	1,044	556	206	68	2,515	52 %
Tax <i>Moratoria</i> , 1996	1,138	--	38	251	122	63	474	42 %
Spontaneous Filing and Open Ended Facilities, 1997-1999	4,274	--	--	20	376	617	1,013	24 %

Source: Federal Tax Administration, and Staff estimates.

### F. The Tax Amnesty of January 2000

The latest tax amnesty, decreed in January 2000, can be considered a *moratoria* covering all taxes and social security contributions, including obligations under appeal if the taxpayer admits liability. As such, it finds its closest precedent in the large amnesties of 1995. The 2000 amnesty forgives fines and part of the late interest charges, and allows taxpayers to pay their consolidated

tax debts in up to 60 installments, with finance charges that vary with the length of the payment period. The initial cutoff date was October 30, 1999, but it was finally extended to May 31, 2000; the deadline for subscription, initially May 31, 2000, was extended to July 3, 2000.<sup>21</sup>

Initial reports indicated that tax liabilities nearing Arg\$4.25 billion had been declared by subscribers of this *moratoria*. Judging from past experience, less than one half of this amount may eventually be recouped. The tax administration, however, expects a higher success rate this time because it is working to bring the beneficiaries of the amnesty into an automatic debiting system.

The January 2000 amnesty was accompanied by the immediate derogation of the spontaneous filing regime that was supposed to continue in effect through late 2003 and by submission to the Congress of an anti-evasion law that, among other things, would repeal the audit limitations regime, allowing the tax administration to verify compliance during the last six years.

---

<sup>21</sup> The prospect of an upcoming *moratoria* hurt tax collections during the last few months of 1999 and the first several months of 2000. In fact, some Arg\$600 million in taxes registered under this *moratoria* were originally due in November 1999-May 2000, that is, after the original cutoff date.

## **VI. INTERNATIONAL BONDS AND FOREIGN DIRECT INVESTMENT**

Bonds and foreign direct investment have been the two most important sources of capital flows into Argentina in the period since 1992, contributing, on a gross basis, with some US\$120 billion to the financing of the country's external current account deficits and the monetization requirements under the currency board arrangement.<sup>22</sup>

From 1993 to mid-2000, Argentina had recourse to the international bond market for a gross amount of about US\$84 billion. The amounts obtained through bond placements showed a rising trend, particularly after 1996, and were largely unaffected by either domestic cyclical conditions or by turbulence in international capital markets. The several instances of market disruption during this period were usually reflected in a hardening of the terms of placement, particularly on the yield offered, which exhibited considerable volatility. Most of the bonds were issued by the public sector, some three fourths of the total, which typically could place bonds in larger amounts at lower yields, and for longer maturities than the private sector.

Foreign direct investment, with gross inflows of some US\$36 billion in the period 1992-99, has steadily gained in importance as a source of financing, nearly quadrupling during this period, while exhibiting lower and more flexible rates of remuneration than other forms of private sector financing.

### **A. International Bonds**

Some US\$84 billion in international bonds were placed on a gross basis by Argentina from 1993 through June 2000, with the public sector accounting for three-fourths of the total (Table 1 and Figure 1). Argentina's aggregate annual access to the bond market was to some extent not affected by the country's business cycle, with the public sector managing to pick up the slack of private sector borrowing during downturns, and vice-versa. Also, the generally rising trend of total placements exhibits less volatility than could be expected, as episodes of international turbulence were usually followed by periods of regained (and heavy) access. Nevertheless, the crisis episodes, short as they may have been, were marked by severe disruptions in financing conditions in the economy, with sharply adverse consequences for economic activity and employment. The average annual bond issue more than doubled in size from 1996 onwards, in part as the market became more mature and as the public sector was more active. Despite the international turbulence due to the Asian and Russian/Brazilian crises, aggregate bond issues by Argentina remained above US\$14 billion a year through 1999 and, with almost US\$9 billion issued in the first half of 2000, are well on track for setting a new annual record.

---

<sup>22</sup> Other borrowing included banks loans, commercial paper, official and multilateral loans, and trade-related (suppliers) credits. For a breakdown of Argentina's external debt outstanding by main instrument and/or creditor see Appendix Table 27 and 28.

Table 1. Argentina: International Bond Issues--Selected Indicators

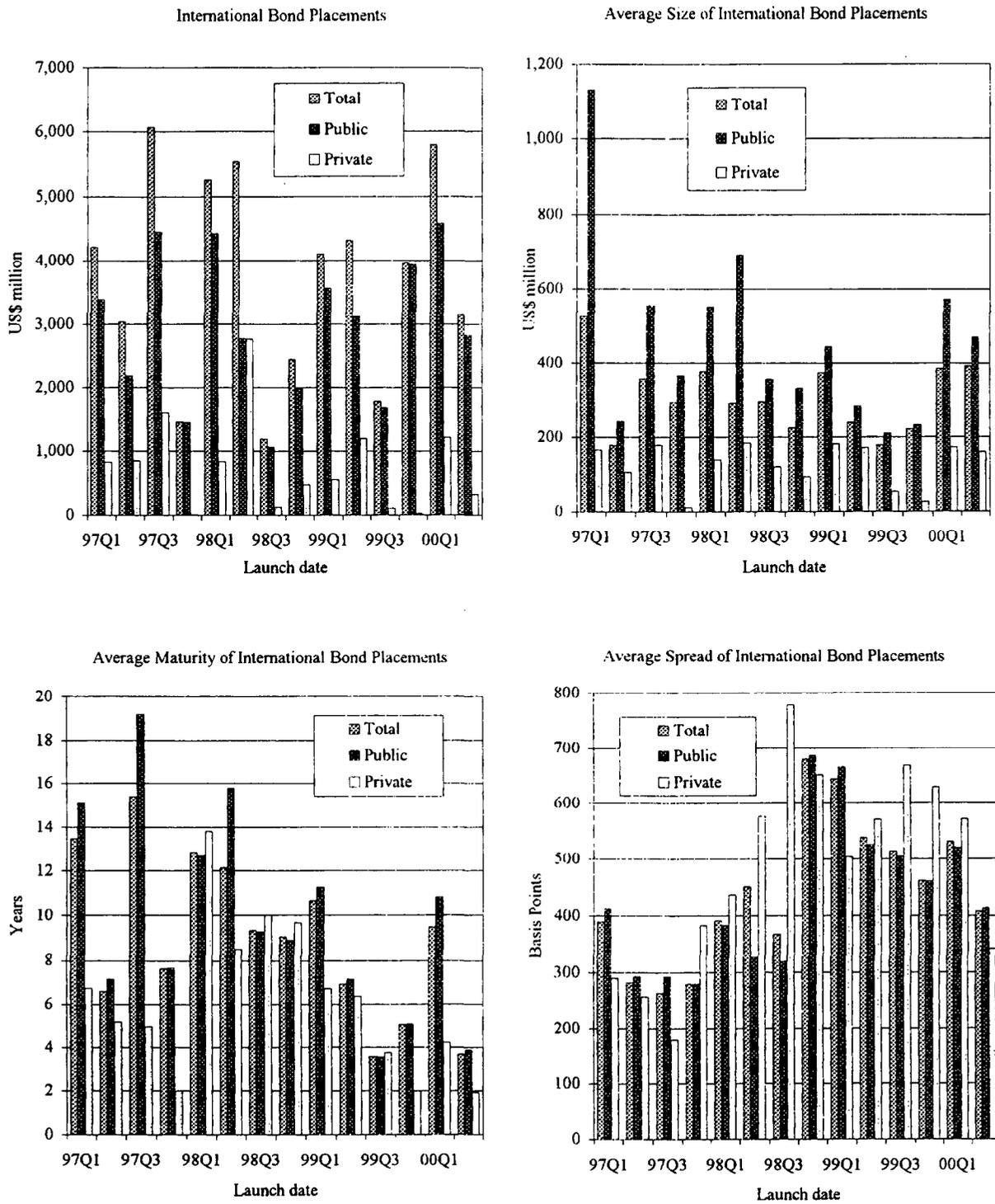
	1993	1994	1995	1996	1997	1998	1999	First Half	
								1999	2000
(In millions of U.S. dollars)									
<b>Total placements</b>	<b>6,248</b>	<b>5,319</b>	<b>6,354</b>	<b>13,738</b>	<b>14,791</b>	<b>14,435</b>	<b>14,183</b>	<b>8,435</b>	<b>8,945</b>
Public sector	2,346	2,390	4,602	10,899	11,494	10,251	12,316	6,697	7,411
Private sector	3,902	2,930	1,752	2,839	3,297	4,184	1,867	1,738	1,533
By currency									
U.S. dollars	5,628	4,070	2,426	5,526	9,262	7,323	6,420	4,210	3,670
Other	620	1,250	3,928	8,212	5,529	7,112	7,763	4,225	5,275
(In number)									
<b>Total placements</b>	<b>48</b>	<b>43</b>	<b>28</b>	<b>62</b>	<b>47</b>	<b>48</b>	<b>57</b>	<b>29</b>	<b>23</b>
Public sector	8	13	14	35	24	21	44	19	14
Private sector	40	30	14	27	23	27	13	10	9
By currency									
U.S. dollars	47	35	12	32	31	30	23	14	9
Other	1	8	16	30	16	18	34	15	14
(In millions of U.S. dollars)									
<b>Average size</b>	<b>130</b>	<b>124</b>	<b>227</b>	<b>222</b>	<b>315</b>	<b>301</b>	<b>249</b>	<b>291</b>	<b>389</b>
Public sector	293	184	329	311	479	488	280	352	529
Private sector	98	98	125	105	143	155	144	174	170
(In years) 1/									
<b>Average maturity</b>	<b>5.8</b>	<b>4.4</b>	<b>4.5</b>	<b>7.2</b>	<b>12.3</b>	<b>11.6</b>	<b>7.1</b>	<b>8.8</b>	<b>7.4</b>
Public sector	6.5	3.2	4.3	8.1	14.2	12.4	7.2	9.3	8.2
Private sector	5.3	5.3	5.0	3.7	5.4	9.7	6.3	6.5	3.8
(In basis points) 2/									
<b>Average yield at launch</b>	<b>341</b>	<b>308</b>	<b>366</b>	<b>372</b>	<b>305</b>	<b>462</b>	<b>545</b>	<b>590</b>	<b>488</b>
Public sector	283	267	355	356	327	420	543	600	480
Private sector	375	342	393	432	228	563	558	550	523

Source: Staff estimates based on Bondware database.

1/ Weighted average.

2/ Yield spread as the difference between the bond yield at issue and the prevailing yield for industrial country government bonds in the same currency and of comparable maturity. All figures are weighted averages.

Figure 1. Argentina: Selected International Bonds Indicators



Source: Ministry of Economy; and staff estimates based on Bondware database.

The average maturity and yield of Argentina's bond issues showed considerable volatility, worsening markedly in times of crisis and improving in more normal periods. Argentina has virtually not placed bonds in maturities of less than one year, splitting almost evenly its bond issues between maturities of one to five years and of more than five years (Table 2). After 1996, the tenor of the bonds issued more than doubled, to close to 12 years, taking advantage of the favorable market conditions prevailing in 1997 and early 1998; maturities shortened again, to some 7½ years, in the period since the Russia and LTCM crisis. Also, in this latter period, average yield spreads for Argentine bond issues have remained on average at levels some 60 percent (or 200 basis points) higher than in the preceding five years. To reduce the adverse effects of volatility, the government has successfully followed a strategy of preborrowing, whereby it takes advantage of periods with favorable market conditions to tap markets in advance of actual needs and build up a cushion equivalent to about three months of financing needs.

The conditions of access to international bond markets throughout the period were somewhat different for Argentina's public and private sectors. Although the number of issues was about the same, public sector issues were generally higher in total and average amounts, had lower yields (with the exception of 1997), were longer term (with the exception of 1993–94), and, since 1995, have been increasingly denominated in euros and yens.

Table 2. Argentina: International Bond Issues--Maturity Structure

	1993	1994	1995	1996	1997	1998	1999	First Half	
								1999	2000
(In millions of U.S. dollars)									
<b>Total</b>	<b>6,248</b>	<b>5,319</b>	<b>6,354</b>	<b>13,738</b>	<b>14,791</b>	<b>14,435</b>	<b>14,183</b>	<b>8,435</b>	<b>8,945</b>
Up to one year	0	0	0	200	0	0	35	0	0
One to five years	3,838	4,520	4,653	6,482	3,331	1,899	8,098	3,059	5,343
More than five years	2,410	800	1,701	7,056	11,460	12,536	6,050	5,376	3,602
<b>Public sector</b>	<b>2,346</b>	<b>2,390</b>	<b>4,602</b>	<b>10,899</b>	<b>11,494</b>	<b>10,251</b>	<b>12,316</b>	<b>6,697</b>	<b>7,411</b>
Up to one year	0	0	0	0	0	0	35	0	0
One to five years	1,246	2,390	3,902	4,098	1,314	669	7,131	2,196	4,060
More than five years	1,100	0	701	6,801	10,181	9,582	5,150	4,501	3,352
<b>Private sector</b>	<b>3,902</b>	<b>2,930</b>	<b>1,752</b>	<b>2,839</b>	<b>3,297</b>	<b>4,184</b>	<b>1,867</b>	<b>1,738</b>	<b>1,533</b>
Up to one year	0	0	0	200	0	0	0	0	0
One to five years	2,592	2,130	752	2,384	2,017	1,230	967	863	1,283
More than five years	1,310	800	1,000	255	1,279	2,954	900	875	250
(In percent of total)									
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Up to one year	0.0	0.0	0.0	1.5	0.0	0.0	0.2	0.0	0.0
One to five years	61.4	85.0	73.2	47.2	22.5	13.2	57.1	36.3	59.7
More than five years	38.6	15.0	26.8	51.4	77.5	86.8	42.7	63.7	40.3
<b>Public sector</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Up to one year	0.0	0.0	0.0	0.0	0.0	0.0	0.3	0.0	0.0
One to five years	53.1	100.0	84.8	37.6	11.4	6.5	57.9	32.8	54.8
More than five years	46.9	0.0	15.2	62.4	88.6	93.5	41.8	67.2	45.2
<b>Private sector</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Up to one year	0.0	0.0	0.0	7.0	0.0	0.0	0.0	0.0	0.0
One to five years	66.4	72.7	42.9	84.0	61.2	29.4	51.8	49.7	83.7
More than five years	33.6	27.3	57.1	9.0	38.8	70.6	48.2	50.3	16.3

Source: Staff estimates based on Bondware database.

### **Public Sector<sup>23</sup>**

The public sector bond issues increased sharply since 1993, from an annual average of US\$2½ billion in 1993–94 to US\$11¼ billion in 1996–99;<sup>24</sup> in the first half of 2000 issues by the public sector amounted to some US\$7½ billion. As amounts increased, so did the average issue, from US\$240 million in 1993–94 to US\$480 million in 1997–98; however, as market conditions worsened, the average issue fell to just US\$ 280 million in 1999. Similarly, the average maturity at issue lengthened from 4 years in 1994–95 to a high of 14¼ years in 1997, dropping to 12½ years in 1998 and to 7¼ years in 1999. In the first half of 2000, following the new authorities' policy of tapping international bond markets fewer times and for larger amounts, the average issue peaked at US\$530 million; the average maturity of the public sector issues rebounded somewhat to 8¼ years (Figure 2).

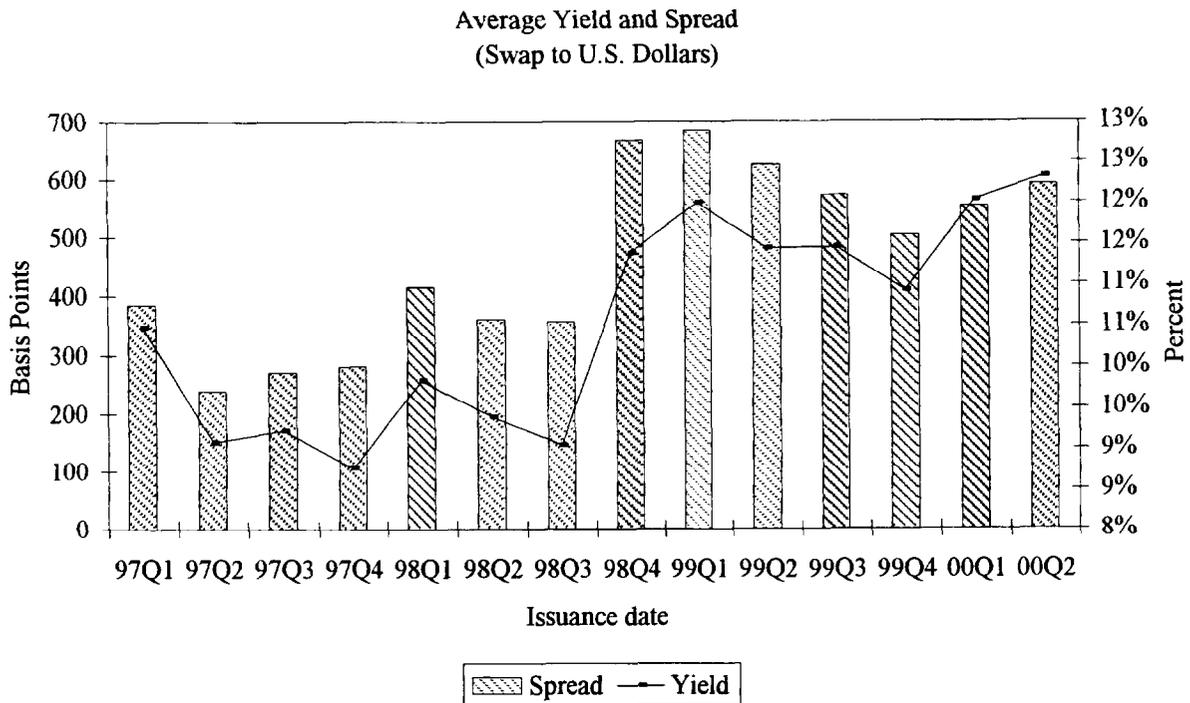
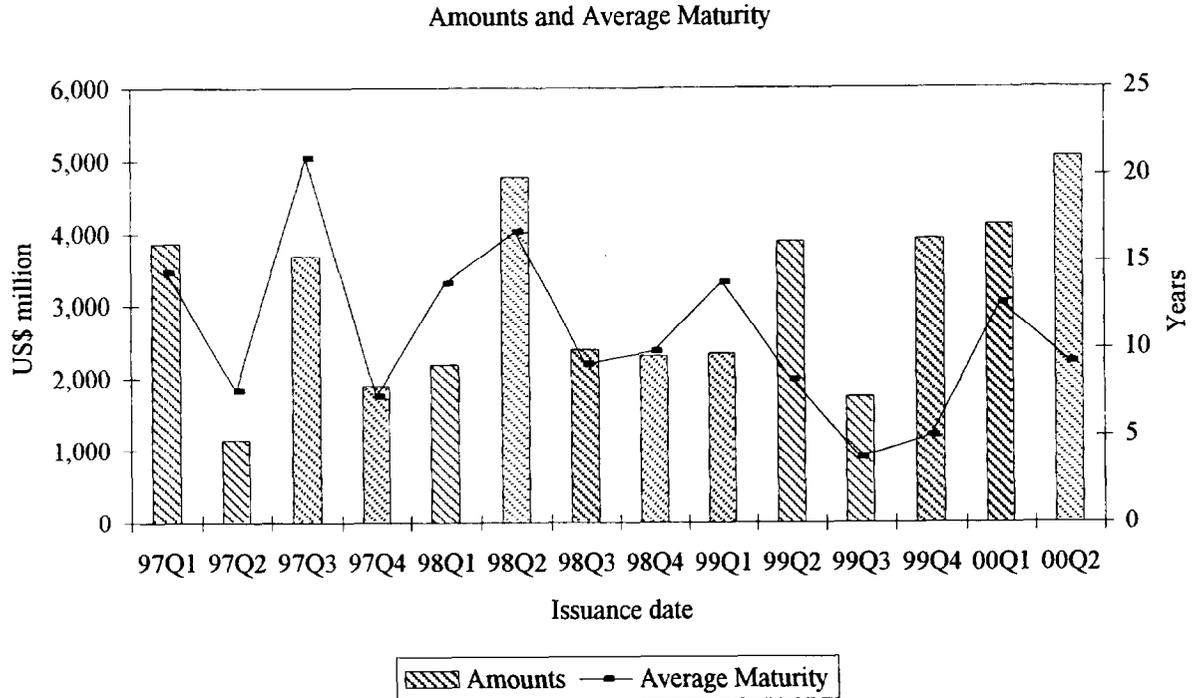
Average yields were around 275 basis points in 1993–94, moved up to around 350 basis points over the next four years, before jumping to more than 500 basis points after August 1998. The denomination of choice in the earlier years was the U.S. dollar, but, as Argentine sovereigns in other denominations encountered increasingly favorable conditions after 1996, placements in Deutsche marks, yens, and Italian lire increased significantly. The euro was the single most important denominations in 1999 and the first half of 2000, accounting for 52 percent of total issues.

---

<sup>23</sup> Data discussed in this subsection refer to Fund staff estimates based on (i) the Bondware database (public and private sectors) and (ii) published information by the Ministry of Economy (federal government). Important differences between these databases need to be noted. First, the definition of the public sector is broader in the Bondware database in that it includes local governments as well as state-owned banks and nonfinancial enterprises; only bond placements by the nonfinancial federal government are included in the ministry of economy's. Second, bond data (e.g., amount, maturity, yield, and spread) are on an "at launch" basis in both databases, but, consistent with the cash execution of the budget, in the case of the ministry of economy's base the date of the operation refers to "at issue" (there is usually a difference of a few days or weeks between the "at launch" and "at issue" dates). Third, the Bondware database does not include straight debt swap issues but only new issues, while the former are included in the ministry of economy's database.

<sup>24</sup> This reflected the investor's appetite for exposure to sovereign risk in emerging market countries, in particular in committed reformers such as Argentina. It also reflected the continuation of fiscal deficits in Argentina, the reduced contribution of privatization proceeds to their financing (given that Argentina's privatization program was well advanced by 1994), and the increasing need to rollover debt that was beginning to fall due.

Figure 2. Argentina: International Bond Placements by the Federal Government



Source: Ministry of Economy; and staff estimates based on Bondware database.

Regarding the federal government, which accounts for the bulk of the public sector bond issues, the general trend since 1997 (as published by the ministry of economy) for amounts, average maturity, and average yield and spread swaps to the U.S. dollar<sup>25</sup> are shown in Figure 2. The first graph in the panel reveals that amounts and average maturity were highly correlated and experienced considerable volatility throughout the period. However, it also shows that during 1999 access was maintained, but only by allowing the average maturity to decline substantially; in the first half of 2000, both access and average maturities increased. The second graph shows the sharp increase in yield spreads after the Russian/Brazilian crisis in the third quarter of 1998, it also shows that the average yield and spread declined during 1999, perhaps because, as noted above, the average maturity was being reduced. Equally interesting, as both access and the average maturity in the first half of 2000 increased, so did the average yield and spread.<sup>26</sup>

### **Private sector**

The majority of the private sector bond issues took place during the two instances of robust economic expansion in 1993–94 and 1996–98, with annual average placements in those periods of over US\$3½ billion; issues fell sharply to US\$1¼ billion in 1995 (the year of the Mexican crisis) and to about the same amount in 1999 (the year of the devaluation in Brazil). The average issue increased from US\$100 million in 1993–94 to US\$150 million in 1997–99 and further to US\$170 million in the first half of 2000. The average maturity at issue lengthened from 5¼ years in 1993–94 to a high of 9¾ years in 1998, dropping to 6¼ years in 1999 and to a low of only 3¾ years in the first half of 2000. Average yields were in the vicinity of 350 basis points in 1993–94, reached a low of 230 basis points in 1997, but increased to 560 basis points in 1998–99; in the first half of 2000, average yields receded somewhat to 520 basis points. The denomination of choice in the private sector issues was the U.S. dollar, accounting for almost 90 percent of the total.

As for the composition of the private sector issues by economic activity, from 1993 through the first half of 2000, the financial system and the telecommunications sector issued US\$6½ billion and US\$6¼ billion, respectively, or about 30 percent of the total each (Table 3). The coal, gas,

---

<sup>25</sup> Although federal government bond issues are denominated in three main currencies (euros, the U.S. dollar, and yens) it is possible to calculate the U.S. dollar equivalent yield and spread of the nondollar issues by using market available currency swaps.

<sup>26</sup> The average spread data in Table 1 differ somewhat from Figure 2 because in the former spreads are measured by the yield in the original currency denomination over the comparable instrument in the country of the currency denomination, while in the latter the U.S. dollar equivalent spread for the nondollar issues is used. This is particularly evident in the first semester of 2000, where Table 1 and Figure 2 show diverging paths for the average spread, indicating the increased perception of currency risk associated with placements in nondollar denominations.

Table 3. Argentina: International Bond Issues of the Private Sector by Economic Activity

	1993	1994	1995	1996	1997	1998	1999	First Half	
								1999	2000
(In millions of U.S. dollars)									
<b>Total</b>	<b>3,902</b>	<b>2,930</b>	<b>1,752</b>	<b>2,839</b>	<b>3,297</b>	<b>4,184</b>	<b>1,867</b>	<b>1,738</b>	<b>1,533</b>
Financial	1,335	615	95	1,194	1,191	1,390	314	185	393
Coal, Gas, and Oil	785	700	971	413	976	100	425	425	250
Iron and Steel	0	0	60	0	0	0	0	0	0
Manufacturing	300	0	53	250	330	484	0	0	0
Mining	0	0	0	75	150	0	0	0	0
Telecommunications	830	620	573	298	488	1,411	1,128	1,128	890
Transportation	272	0	0	0	50	0	0	0	0
Utilities	80	865	0	480	0	250	0	0	0
Other	300	130	0	130	111	550	0	0	0
(In percent of total)									
<b>Total</b>	<b>100.0</b>								
Financial	34.2	21.0	5.4	42.0	36.1	33.2	16.8	10.6	25.6
Coal, Gas and Oil	20.1	23.9	55.4	14.5	29.6	2.4	22.8	24.5	16.3
Iron and Steel	0.0	0.0	3.4	0.0	0.0	0.0	0.0	0.0	0.0
Manufacturing	7.7	0.0	3.0	8.8	10.0	11.6	0.0	0.0	0.0
Mining	0.0	0.0	0.0	2.6	4.6	0.0	0.0	0.0	0.0
Telecommunications	21.3	21.2	32.7	10.5	14.8	33.7	60.4	64.9	58.1
Transportation	7.0	0.0	0.0	0.0	1.5	0.0	0.0	0.0	0.0
Utilities	2.1	29.5	0.0	16.9	0.0	6.0	0.0	0.0	0.0
Other	7.7	4.4	0.0	4.6	3.4	13.1	0.0	0.0	0.0

Source: Staff estimates based on Bondware database.

and oil sector placed US\$ 4½ billion, or one-fourth of the total. It is interesting to note that in the last 18 months for which data are available, only these sectors have tapped international bond markets.

### B. Foreign Direct Investment<sup>27</sup>

In response to the structural reforms put in place in Argentina, including an ambitious privatization program and the elimination of restrictions on foreign investment and on capital account transactions, **the stock of foreign direct investment (FDI) in Argentina nearly quadrupled in the seven years to 1999, reaching US\$ 62¼ billion (22 percent of GDP) as of end-1999** (Table 4). In 1993–98, FDI inflows averaged US\$5½ billion (2 percent of GDP) a year and grew at an annual average rate of some 18¾ percent. In 1999, despite the severe recession, and even when the estimated portfolio outflows associated with the sale of shares in the petroleum company YPF to Spain's Repsol are excluded,<sup>28</sup> FDI inflows reached an all-time high of US\$12¼ billion (4¼ percent of GDP), almost twice the 1998 figure and some forty percent higher than in the boom year of 1997. The remarkable performance of FDI in 1999 provides evidence of continued long-term interest of foreign investors in Argentina, and it may indicate a more permanent change, as it also reflects a shift in the composition of private sector financing due to (i) tighter and more expensive debt financing and, perhaps more importantly, (ii) the coming into effect on January 1, 1999, of new tax legislation removing the prior bias in favor of debt financing.<sup>29</sup> This bodes well for the future given that, unlike other forms of private sector financing, such as bonds, FDI into Argentina increased even during the recessions of 1995 and 1999, and throughout the entire period had lower and more flexible rates of remuneration.

---

<sup>27</sup> Data discussed in this subsection are from the ministry of economy's annual FDI survey and, as such, include only direct investment of foreigners into Argentina; direct investment of Argentines into the rest of the world are not included in the survey. So far, the annual survey has not covered FDI into the agro-industrial sector; available evidence suggests that FDI into this sector is sizeable and may have increased in line with the increase in foreign participation in other sectors.

<sup>28</sup> In 1999, the FDI data included some US\$10¾ billion due to the sale of YPF shares to Spain's Repsol that were in the hands of the Argentine private sector, which reportedly were matched by portfolio investment outflows of the same magnitude. In the balance of payments table of the staff report, these flows are excluded from both items.

<sup>29</sup> Previously, Argentine firms had an incentive to contract debt and make tax-deductible interest payments instead of raising equity and making taxable dividend payments. According to the change introduced on January 1, 1999, interest payments are now taxable on par with dividend payments.

Table 4. Argentina: Foreign Direct Investment and Related Items  
(In millions of U.S. dollars, unless otherwise indicated)

	1993	1994	1995	1996	1997	Prel. 1998	Prel. 1999
<b>Foreign direct investment</b>	<b>2,763</b>	<b>3,489</b>	<b>5,314</b>	<b>6,523</b>	<b>8,757</b>	<b>6,526</b>	<b>23,153</b>
Reinvested earnings	870	839	608	356	716	812	888
Direct purchases	628	1,287	1,685	2,011	2,542	2,875	3,389
Privatizations	916	122	1,072	481	752	334	4,192
Changes of ownership (excl. privatizations)	101	926	1,453	2,430	3,733	2,226	14,072
Other	248	315	496	1,245	1,014	279	612
<b>Accumulated investment position</b>	<b>17,932</b>	<b>22,319</b>	<b>27,828</b>	<b>32,609</b>	<b>41,170</b>	<b>47,114</b>	<b>62,289</b>
<b>Investment income</b>	<b>1,678</b>	<b>1,821</b>	<b>1,892</b>	<b>1,763</b>	<b>2,331</b>	<b>2,464</b>	<b>2,298</b>
Cash distributions	808	982	1,284	1,407	1,615	1,652	1,410
Reinvested earnings	870	839	608	356	716	812	888
<b>Memorandum items:</b>							
Privatization proceeds (in percent of total foreign direct investment)	33	3	20	7	9	5	18
Reinvested earnings (in percent of total investment income)	52	46	32	20	31	33	39
Average annual return on accumulated investment position (in percent)	9.9	9.0	7.5	5.8	6.3	5.6	4.2

Source: Ministry of Economy.

1/ In 1999 includes US\$ 10,838 million due to the sale of YPF shares to Repsol that were in the hands of the Argentine private sector, which was matched by equal portfolio investment outflows.

**In 1993–99, FDI increased sharply in sectors** such as mining (42 percent a year), trade (28½ percent a year), petroleum (27½ percent a year), and banking (24¼ percent a year) (Table 5). Large privatizations took place in electricity, gas, and water (1992, 1993, 1995, and 1999) and petroleum (1992 and 1999), while FDI in mining (1996 and 1998), manufacturing (1995, 1996, and 1997) and telecommunications (1995, 1997, and 1999) reflected the installation of new plants as well as the purchase of existing facilities. FDI into the banking system, in the aftermath of the Tequila crisis, was particularly significant in 1997–98. Despite the significant inflows into nonindustrial sectors, by end–1999, manufacturing still had the largest accumulated investment position (US\$18¼ billion, or the equivalent to 29 percent of the total), followed by petroleum (23 percent of the total) and electricity, gas, and water (13 percent of the total).

Close to sixty percent of the US\$56½ billion in FDI over 1993–99 originated in Europe, with Spain accounting for more than half of those inflows (Table 6). Nevertheless, the U.S. remained the largest country investor into Argentina, with an accumulated investment position of US\$15¾ billion, or the equivalent to one-fourth of the total. Spain was the second largest country investor, with one-fifth of the total, and the Netherlands were a distant third with 8 percent of the total.

Table 5. Argentina: Foreign Direct Investment by Sector of Destination  
(In millions of U.S. dollars)

	1993	1994	1995	1996	1997	Prel. 1998	Prel. 1999
(In millions of U.S. dollars)							
<b>Foreign direct investment</b>	<b>2,763</b>	<b>3,489</b>	<b>5,314</b>	<b>6,523</b>	<b>8,757</b>	<b>6,526</b>	<b>23,153</b>
Petroleum 1/	242	466	401	1,292	131	509	17,145
Mining	-6	17	140	312	93	267	-40
Manufacturing	858	1,805	2,015	2,637	3,104	904	1,479
Electricity, Gas, and Water	1,116	123	1,071	582	1,389	959	858
Trade	74	352	328	485	166	515	705
Transport and communications	-62	138	594	97	701	226	770
Banks	418	160	511	747	2,366	1,757	745
Other	123	429	254	371	807	1,389	1,491
<b>Accumulated investment position</b>	<b>17,932</b>	<b>22,319</b>	<b>27,828</b>	<b>32,609</b>	<b>41,170</b>	<b>47,114</b>	<b>62,289</b>
Petroleum	2,654	3,072	3,504	4,312	4,390	5,159	14,397
Mining	60	80	113	388	992	1,019	981
Manufacturing	6,640	8,182	10,316	12,459	15,697	16,668	18,165
Electricity, Gas, and Water	3,229	3,691	4,876	5,286	6,567	7,526	8,384
Trade	624	984	1,307	1,850	2,085	2,625	3,331
Transport and communications	1,997	2,397	2,703	3,109	3,771	3,997	4,768
Banks	1,748	1,955	2,528	3,001	4,507	5,671	6,403
Other	980	1,958	2,481	2,204	3,161	4,449	5,860
(In percent)							
<b>Foreign direct investment</b>	<b>100.0</b>						
Petroleum	8.7	13.3	7.5	19.8	1.5	7.8	74.1
Mining	-0.2	0.5	2.6	4.8	1.1	4.1	-0.2
Manufacturing	31.1	51.7	37.9	40.4	35.4	13.9	6.4
Electricity, Gas, and Water	40.4	3.5	20.2	8.9	15.9	14.7	3.7
Trade	2.7	10.1	6.2	7.4	1.9	7.9	3.0
Transport and communications	-2.3	3.9	11.2	1.5	8.0	3.5	3.3
Banks	15.1	4.6	9.6	11.5	27.0	26.9	3.2
Other	4.4	12.3	4.8	5.7	9.2	21.3	6.4
<b>Accumulated investment position</b>	<b>100.0</b>						
Petroleum	14.8	13.8	12.6	13.2	10.7	11.0	23.1
Mining	0.3	0.4	0.4	1.2	2.4	2.2	1.6
Manufacturing	37.0	36.7	37.1	38.2	38.1	35.4	29.2
Electricity, Gas, and Water	18.0	16.5	17.5	16.2	16.0	16.0	13.5
Trade	3.5	4.4	4.7	5.7	5.1	5.6	5.3
Transport and communications	11.1	10.7	9.7	9.5	9.2	8.5	7.7
Banks	9.7	8.8	9.1	9.2	10.9	12.0	10.3
Other	5.5	8.8	8.9	6.8	7.7	9.4	9.4

Source: Ministry of Economy.

1/ In 1999 includes US\$ 10,838 million due to the sale of YPF shares to Repsol that were in the hands of the Argentin private sector, which was matched by equal portfolio investment outflows.

Table 6. Argentina: Foreign Direct Investment by Country/Region of Origin

	Foreign Direct Investment							Accumulated Investment Position						
	1993	1994	1995	1996	1997	Prel. 1998	Prel. 1999	1993	1994	1995	1996	1997	Prel. 1998	Prel. 1999
	(In millions of U.S. dollars)													
<b>Total</b>	<b>2,763</b>	<b>3,489</b>	<b>5,314</b>	<b>6,523</b>	<b>8,757</b>	<b>6,526</b>	<b>23,153</b>	<b>17,932</b>	<b>22,319</b>	<b>27,828</b>	<b>32,609</b>	<b>41,170</b>	<b>47,114</b>	<b>62,289</b>
<b>Europe</b>	<b>498</b>	<b>1,221</b>	<b>876</b>	<b>2,592</b>	<b>5,107</b>	<b>3,683</b>	<b>18,599</b>	<b>7,020</b>	<b>8,678</b>	<b>9,763</b>	<b>11,995</b>	<b>16,609</b>	<b>19,685</b>	<b>30,304</b>
Germany	91	210	30	149	304	271	234	862	1,137	1,139	1,319	1,569	1,654	1,901
Spain 1/	95	-179	266	57	1,585	932	16,359	1,211	1,477	1,730	1,527	2,756	3,719	11,933
France	66	470	88	406	402	1,227	1,264	1,214	1,498	1,498	1,887	2,306	3,334	4,494
Italy	-225	84	163	121	139	304	355	877	981	1,141	1,272	1,320	1,479	1,874
Netherlands	113	307	243	1,076	1,747	495	285	1,161	1,476	1,832	2,967	4,073	4,570	5,066
United Kingdom	272	84	23	880	738	432	-29	740	908	982	1,620	2,698	3,126	3,098
Others	87	246	62	-98	192	23	131	957	1,201	1,440	1,402	1,887	1,803	1,938
<b>North America</b>	<b>1,594</b>	<b>1,832</b>	<b>2,289</b>	<b>2,138</b>	<b>2,067</b>	<b>676</b>	<b>3,479</b>	<b>6,387</b>	<b>8,046</b>	<b>10,086</b>	<b>11,475</b>	<b>13,880</b>	<b>14,833</b>	<b>18,241</b>
United States	1,438	1,647	2,153	1,812	1,880	886	2,456	5,615	7,029	8,892	10,004	12,168	13,209	15,677
Others	156	184	136	326	187	-209	1,023	773	1,017	1,194	1,471	1,712	1,624	2,564
<b>South America</b>	<b>390</b>	<b>197</b>	<b>921</b>	<b>848</b>	<b>1,002</b>	<b>344</b>	<b>-316</b>	<b>1,604</b>	<b>1,712</b>	<b>2,929</b>	<b>3,687</b>	<b>4,926</b>	<b>5,146</b>	<b>4,786</b>
Chile	306	120	594	403	480	109	34	817	856	1,505	1,823	2,464	2,577	2,609
Others	84	77	327	445	523	235	-350	787	855	1,425	1,864	2,462	2,569	2,177
<b>Other Regions</b>	<b>280</b>	<b>239</b>	<b>1,227</b>	<b>946</b>	<b>581</b>	<b>1,822</b>	<b>1,391</b>	<b>2,920</b>	<b>3,883</b>	<b>5,049</b>	<b>5,452</b>	<b>5,755</b>	<b>7,450</b>	<b>8,958</b>
	(In percent)													
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Europe</b>	<b>18.0</b>	<b>35.0</b>	<b>16.5</b>	<b>39.7</b>	<b>58.3</b>	<b>56.4</b>	<b>80.3</b>	<b>39.2</b>	<b>38.9</b>	<b>35.1</b>	<b>36.8</b>	<b>40.3</b>	<b>41.8</b>	<b>48.7</b>
Germany	3.3	6.0	0.6	2.3	3.5	4.2	1.0	4.8	5.1	4.1	4.0	3.8	3.5	3.1
Spain 1/	3.4	-5.1	5.0	0.9	18.1	14.3	70.7	6.8	6.6	6.2	4.7	6.7	7.9	19.2
France	2.4	13.5	1.6	6.2	4.6	18.8	5.5	6.8	6.7	5.4	5.8	5.6	7.1	7.2
Italy	-8.2	2.4	3.1	1.9	1.6	4.7	1.5	4.9	4.4	4.1	3.9	3.2	3.1	3.0
Netherlands	4.1	8.8	4.6	16.5	19.9	7.6	1.2	6.5	6.6	6.6	9.1	9.9	9.7	8.1
United Kingdom	9.8	2.4	0.4	13.5	8.4	6.6	-0.1	4.1	4.1	3.5	5.0	6.6	6.6	5.0
Others	3.1	7.0	1.2	-1.5	2.2	0.4	0.6	5.3	5.4	5.2	4.3	4.6	3.8	3.1
<b>North America</b>	<b>57.7</b>	<b>52.5</b>	<b>43.1</b>	<b>32.8</b>	<b>23.6</b>	<b>10.4</b>	<b>15.0</b>	<b>35.6</b>	<b>36.1</b>	<b>36.2</b>	<b>35.2</b>	<b>33.7</b>	<b>31.5</b>	<b>29.3</b>
United States	52.1	47.2	40.5	27.8	21.5	13.6	10.6	31.3	31.5	32.0	30.7	29.6	28.0	25.2
Others	5.6	5.3	2.6	5.0	2.1	-3.2	4.4	4.3	4.6	4.3	4.5	4.2	3.4	4.1
<b>South America</b>	<b>14.1</b>	<b>5.6</b>	<b>17.3</b>	<b>13.0</b>	<b>11.4</b>	<b>5.3</b>	<b>-1.4</b>	<b>8.9</b>	<b>7.7</b>	<b>10.5</b>	<b>11.3</b>	<b>12.0</b>	<b>10.9</b>	<b>7.7</b>
Chile	11.1	3.4	11.2	6.2	5.5	1.7	0.1	4.6	3.8	5.4	5.6	6.0	5.5	4.2
Others	3.1	2.2	6.2	6.8	6.0	3.6	-1.5	4.4	3.8	5.1	5.7	6.0	5.5	3.5
<b>Other Regions</b>	<b>10.1</b>	<b>6.9</b>	<b>23.1</b>	<b>14.5</b>	<b>6.6</b>	<b>27.9</b>	<b>6.0</b>	<b>16.3</b>	<b>17.4</b>	<b>18.1</b>	<b>16.7</b>	<b>14.0</b>	<b>15.8</b>	<b>14.4</b>

Source: Ministry of Economy.

1/ In 1999 includes US\$ 10,838 million due to the sale of YPF shares to Repsol that were in the hands of the Argentine private sector, which was matched by equal portfolio investment outflows.

Table 1. Argentina: GDP and Prices

(Percentage changes from preceding year)

	1993	1994	1995	1996	1997	1998	1999	Q1 1999	Q1 2000
GDP at 1993 prices	...	5.8	-2.8	5.5	8.1	3.9	-3.1	-3.0	0.9
Real GDP per capita	...	4.5	-4.2	4.2	6.8	2.6	-4.4	...	...
GDP deflator	...	2.8	3.2	-0.1	-0.5	-2.0	-2.0	-1.9	0.7
Consumer prices									
Average	10.6	4.1	3.4	0.2	0.5	0.9	-1.2	0.0	-1.3
End of period	7.4	3.9	1.6	0.1	0.3	0.7	-1.8	-0.6	-1.1
Wholesale prices									
Average	...	0.5	7.6	3.2	0.1	-3.2	-3.8	-6.2	4.3
End of period	...	5.2	5.8	2.1	-0.9	-6.3	1.2	-6.2	5.0
Nominal GDP (billions of pesos)	236.5	257.4	258.0	272.1	292.9	298.1	283.1	67.7	68.8

Sources: Ministry of Economy; and INDEC.

Table 2. Argentina: National Accounts in Constant Prices

	1993	1994	1995	1996	1997	1998	1999	Q1 1999	Q1 2000
(In millions of pesos at 1993 prices)									
<b>Gross domestic expenditure</b>	<b>242,089</b>	<b>258,060</b>	<b>243,993</b>	<b>259,812</b>	<b>285,133</b>	<b>296,054</b>	<b>283,205</b>	<b>67,707</b>	<b>68,050</b>
Consumption	197,020	206,829	199,415	211,328	228,085	235,215	226,911	54,956	55,694
Gross domestic investment	45,069	51,231	44,578	48,484	57,047	60,839	56,294	12,752	12,356
<b>Foreign balance</b>	<b>-5,584</b>	<b>-7,753</b>	<b>-807</b>	<b>-3,185</b>	<b>-7,691</b>	<b>-7,859</b>	<b>-3,990</b>	<b>-1,522</b>	<b>-1,266</b>
Exports of goods and nonfactor services	16,458	18,944	23,219	25,019	28,018	30,847	30,476	6,902	7,164
Imports of goods and nonfactor services	22,042	26,697	24,026	28,205	35,709	38,706	34,466	8,424	8,430
<b>Gross domestic product</b>	<b>236,505</b>	<b>250,307</b>	<b>243,186</b>	<b>256,626</b>	<b>277,441</b>	<b>288,195</b>	<b>279,215</b>	<b>66,186</b>	<b>66,784</b>
Net factor payments abroad	-2,904	-3,437	-4,234	-4,984	-5,841	-7,122	-7,812	-1,752	-2,004
<b>Gross national product</b>	<b>233,601</b>	<b>246,870</b>	<b>238,953</b>	<b>251,642</b>	<b>271,600</b>	<b>281,072</b>	<b>271,402</b>	<b>64,434</b>	<b>64,780</b>
(Percentage changes)									
<b>Gross domestic expenditure</b>	...	6.6	-5.5	6.5	9.7	3.8	-4.3	-4.3	0.5
Consumption	...	5.0	-3.6	6.0	7.9	3.1	-3.5	-2.5	1.3
Gross domestic investment	...	13.7	-13.0	8.8	17.7	6.6	-7.5	-11.4	-3.1
<b>Foreign balance</b>	...	38.8	-89.6	294.8	141.5	2.2	-49.2	-40.8	-16.8
Exports of goods and nonfactor services	...	15.1	22.6	7.8	12.0	10.1	-1.2	-0.5	3.8
Imports of goods and nonfactor services	...	21.1	-10.0	17.4	26.6	8.4	-11.0	-11.4	0.1
<b>Gross domestic product</b>	...	5.8	-2.8	5.5	8.1	3.9	-3.1	-3.0	0.9

Source: Ministry of Economy.

Table 3. Argentina: National Accounts in Current Prices

(In millions of pesos)

	1993	1994	1995	1996	1997	1998	1999	Q1 1999	Q1 2000
<b>Gross domestic expenditure</b>	<b>242,089</b>	<b>265,271</b>	<b>259,000</b>	<b>273,756</b>	<b>299,160</b>	<b>305,535</b>	<b>287,821</b>	<b>69,572</b>	<b>70,115</b>
Consumption 1/	197,020	213,940	212,715	224,546	242,433	246,259	233,549	57,107	58,271
Gross domestic investment	45,069	51,331	46,285	49,211	56,727	59,276	54,272	12,465	11,844
<b>Foreign balance</b>	<b>-5,584</b>	<b>-7,831</b>	<b>-968</b>	<b>-1,606</b>	<b>-6,301</b>	<b>-7,403</b>	<b>-4,688</b>	<b>-1,862</b>	<b>-1,333</b>
Exports of goods and nonfactor services	16,458	19,450	25,017	28,470	30,939	31,088	27,827	6,325	6,943
Imports of goods and nonfactor services	22,042	27,281	25,985	30,077	37,240	38,491	32,515	8,186	8,276
<b>Gross domestic product</b>	<b>236,505</b>	<b>257,440</b>	<b>258,032</b>	<b>272,150</b>	<b>292,859</b>	<b>298,132</b>	<b>283,134</b>	<b>67,710</b>	<b>68,782</b>
Net factor payments abroad	-2,904	-3,535	-4,492	-5,286	-6,166	-7,368	-7,922	-1,792	-2,064
<b>Gross national product</b>	<b>233,601</b>	<b>253,905</b>	<b>253,540</b>	<b>266,864</b>	<b>286,693</b>	<b>290,764</b>	<b>275,212</b>	<b>65,918</b>	<b>66,718</b>
GDP deflator									
Percentage change	...	2.8	3.2	-0.1	-0.5	-2.0	-2.0	-1.9	0.7

Source: Ministry of Economy.

1/ Includes changes in inventories.

Table 4. Argentina: Sectoral Origin of Gross Domestic Product

	1993	1994	1995	1996	1997	1998	1999
(In millions of pesos at 1993 prices)							
Total	236,505	250,308	243,186	256,626	277,441	288,192	279,214
Primary sector	15,676	17,069	18,461	18,514	18,610	20,131	20,150
Agriculture, livestock, and fishery	12,149	13,057	13,791	13,632	13,695	15,103	15,082
Mining	3,527	4,012	4,670	4,882	4,915	5,028	5,069
Secondary sector	61,130	64,341	59,767	63,739	70,519	72,844	68,394
Manufacturing	43,138	45,079	41,850	44,550	48,627	49,425	45,452
Construction	13,393	14,164	12,441	13,492	15,729	16,863	16,158
Electricity, gas, and water	4,599	5,097	5,476	5,698	6,164	6,556	6,785
Service sector	159,699	168,898	164,958	174,373	188,312	195,217	190,669
Commerce	39,294	41,939	38,804	41,866	46,422	47,858	44,641
Transportation and communication	16,134	17,793	18,098	19,350	21,519	23,249	22,775
Finance and banking	9,299	11,190	11,036	12,562	14,348	16,900	17,200
Other services	79,675	82,648	82,653	85,080	88,877	91,176	92,154
Plus: Import taxes minus imputed financial services 1/	15,296	15,329	14,366	15,515	17,146	16,034	13,900
(Percentage changes)							
Total	...	5.8	-2.8	5.5	8.1	3.9	-3.1
Primary sector	...	8.9	8.2	0.3	0.5	8.2	0.1
Agriculture, livestock, and fishery	...	7.5	5.6	-1.2	0.5	10.3	-0.1
Mining (including oil extraction)	...	13.8	16.4	4.5	0.7	2.3	0.8
Secondary sector	...	5.3	-7.1	6.6	10.6	3.3	-6.1
Manufacturing	...	4.5	-7.2	6.5	9.2	1.6	-8.0
Construction	...	5.8	-12.2	8.4	16.6	7.2	-4.2
Electricity, gas, and water	...	10.8	7.4	4.1	8.2	6.4	3.5
Service sector	...	5.8	-2.3	5.7	8.0	3.7	-2.3
Commerce	...	6.7	-7.5	7.9	10.9	3.1	-6.7
Transportation and communication	...	10.3	1.7	6.9	11.2	8.0	-2.0
Finance and banking	...	20.3	-1.4	13.8	14.2	17.8	1.8
Other services	...	3.7	0.0	2.9	4.5	2.6	1.1
(Percentage distribution)							
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Primary sector	6.6	6.8	7.6	7.2	6.7	7.0	7.2
Agriculture, livestock, and fishery	5.1	5.2	5.7	5.3	4.9	5.2	5.4
Mining	1.5	1.6	1.9	1.9	1.8	1.7	1.8
Secondary sector	25.8	25.7	24.6	24.8	25.4	25.3	24.5
Manufacturing	18.2	18.0	17.2	17.4	17.5	17.2	16.3
Construction	5.7	5.7	5.1	5.3	5.7	5.9	5.8
Electricity, gas, and water	1.9	2.0	2.3	2.2	2.2	2.3	2.4
Service sector	67.5	67.5	67.8	67.9	67.9	67.7	68.3
Commerce	16.6	16.8	16.0	16.3	16.7	16.6	16.0
Transportation and communication	6.8	7.1	7.4	7.5	7.8	8.1	8.2
Finance and banking	3.9	4.5	4.5	4.9	5.2	5.9	6.2
Other services	33.7	33.0	34.0	33.2	32.0	31.6	33.0
Plus: Import taxes minus imputed financial services 1/	6.5	6.1	5.9	6.0	6.2	5.6	5.0

Sources: Ministry of Economy; and Fund staff estimates.

1/ Includes residual.

Table 5. Argentina: Index of Agricultural Production 1/

(1993=100)

	1993	1994	1995	1996	1997	1998	1999
<b>A. Agriculture, Livestock, Hunting and Forestry</b>	100.0	107.3	114.1	113.0	113.3	123.1	124.7
<b>Agricultural crops</b>	100.0	110.1	116.8	116.4	117.9	132.5	132.2
Cereals, except feed cereals	100.0	106.2	95.7	122.7	142.0	117.5	134.1
Feed cereals	100.0	90.2	89.1	100.2	130.0	162.2	117.0
Oilseeds	100.0	111.5	122.6	112.6	90.8	150.5	157.1
Forages	100.0	129.8	143.9	171.5	207.8	223.4	236.0
Industrial crops	100.0	118.7	140.1	127.7	132.1	112.5	115.3
Fruits and nuts	100.0	101.0	104.9	106.5	112.5	116.9	115.1
Vegetables, legumes and flowers	100.0	113.7	109.3	107.8	111.9	116.8	113.1
Seeds	100.0	103.2	126.8	119.2	108.0	111.3	106.7
<b>Livestock and animal products</b>	100.0	101.9	107.7	104.3	101.9	101.9	107.6
Cattle	100.0	101.7	105.2	102.0	97.2	93.0	96.5
Other livestock 2/	100.0	89.9	90.9	88.7	90.6	98.4	96.9
Wool	100.0	91.9	84.7	72.4	69.9	65.4	55.9
Milk	100.0	107.1	117.0	116.1	111.1	116.6	130.5
Other animal products 3/	100.0	107.4	120.5	112.3	121.8	139.8	150.9
<b>Hunting</b>	100.0	74.5	78.4	82.0	71.3	56.8	57.7
<b>Forestry and wood extraction</b>	100.0	107.7	139.3	131.2	141.8	156.5	158.2
<b>Agricultural services</b>	100.0	113.9	123.1	137.9	145.4	169.0	162.4
<b>B. Fishing</b>	100.0	98.0	99.8	112.9	121.6	114.7	111.8

Source: Ministry of Economy, National Accounts Office.

1/ Value added.

2/ Includes sheep, goats, pigs, and horses.

3/ Includes poultry, eggs, honey and other animal products.

Table 6. 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 harvested hectare)

	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00
<b>Cereals</b>							
<b>Wheat</b>							
Planted area	4,910	5,308	5,088	7,367	5,919	5,400	5,980
Harvested area	4,777	5,221	4,878	7,100	5,702	5,175	5,820
Yield	2.0	2.2	1.9	2.2	2.6	2.4	2.5
Production	9,659	11,306	9,445	15,914	15,000	12,200	14,400
<b>Corn</b>							
Planted area	2,781	2,958	3,415	4,153	3,752	3,268	3,618
Harvested area	2,445	2,522	2,604	3,410	3,186	2,605	2,970
Yield	4.2	4.5	4.0	4.6	6.1	5.2	5.4
Production	10,360	11,404	10,518	15,536	19,360	13,500	15,930
<b>Oats</b>							
Planted area	1,971	1,972	1,848	1,870	1,789	1,822	1,711
Harvested area	303	259	214	246	289	240	306
Yield	1.4	1.4	1.2	1.3	1.8	1.6	1.8
Production	437	357	260	310	517	383	553
<b>Barley</b>							
Planted area	202	147	231	278	324	218	174
Harvested area	196	146	217	246	320	210	172
Yield	2.3	2.3	1.8	2.2	2.9	2.5	2.3
Production	456	341	385	533	921	535	395
<b>Rye</b>							
Planted area	460	473	390	380	353	372	365
Harvested area	73	56	51	42	63	60	90
Yield	0.9	1.0	0.8	0.9	1.0	1.1	1.3
Production	64	54	40	36	62	66	116
<b>Rice</b>							
Planted area	148	189	211	227	248	291	201
Harvested area	141	185	193	225	214	289	189
Yield	4.3	5.0	5.1	5.4	4.8	5.7	5.1
Production	606	926	986	1,205	1,036	1,658	958
<b>Sorghum</b>							
Planted area	670	622	671	805	920	880	823
Harvested area	612	477	550	678	782	735	720
Yield	3.5	3.5	3.9	3.7	4.8	4.4	4.8
Production	2,148	1,650	2,132	2,499	3,762	3,222	3,454

Table 6. 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 harvested hectare)

	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00
<b>Oilseeds</b>							
<b>Linseed</b>							
Planted area	148	156	196	94	116	102	68
Harvested area	142	153	193	89	107	101	68
Yield	0.8	1.0	0.8	0.8	0.7	0.8	0.7
Production	112	152	153	72	75	85	48
<b>Sunflower seeds</b>							
Planted area	2,206	2,880	3,411	3,120	3,511	4,212	3,595
Harvested area	2,153	2,825	3,236	3,008	3,331	4,024	3,552
Yield	1.9	2.0	1.7	1.8	1.7	1.8	1.7
Production	4,095	5,520	5,558	5,450	5,600	7,100	6,200
<b>Soybeans</b>							
Planted area	5,817	6,011	6,002	6,670	7,176	8,392	8,652
Harvested area	5,748	5,934	5,913	6,394	6,954	8,165	8,453
Yield	2.0	2.0	2.1	1.7	2.7	2.4	2.4
Production	11,720	12,133	12,448	11,000	18,732	19,500	20,100
<b>Groundnuts</b>							
Planted area	134	155	239	329	407	337	219
Harvested area	134	155	239	298	384	330	219
Yield	1.6	1.5	1.9	0.9	1.6	1.0	2.0
Production	209	237	462	281	627	340	440
<b>Industrial crops</b>							
<b>Cotton</b>							
Planted area	504	762	1,011	956	1,134	751	339
Harvested area	484	680	969	888	878	640	327
Yield	1.5	1.7	1.4	1.2	1.1	1.0	1.4
Production	706	1,125	1,347	1,030	987	618	470
<b>Tobacco</b>							
Planted area	56	57	63	75	84	79	...
Harvested area	52	49	56	70	77	68	...
Yield	1.6	1.6	1.8	1.8	1.5	1.7	...
Production	82	79	98	123	117	113	115
<b>Sugarcane</b>							
Planted area	312	310	311	314	335	...	...
Harvested area	239	295	297	299	306	...	...
Yield	47.2	46.6	45.9	50.4	54.6	...	...
Production	11,275	13,736	13,637	15,078	16,692	15,857	...

Source: Ministry of Economy, National Accounts Office.

Table 7. Argentina: Industrial Production Index

Base 1993=100

	1994	1995	1996	1997	1998	1999	2000
(With Seasonality)							
January	99.4	92.7	90.5	96.9	103.7	98.2	100.0
February	84.4	95.5	93.6	96.6	103.5	94.8	97.3
March	105.5	107.5	101.8	108.0	119.3	108.4	112.1
April	103.0	93.6	103.7	113.8	118.8	106.0	105.2
May	106.3	102.7	106.9	115.0	117.4	105.9	110.4
June	102.7	100.1	102.3	113.1	121.1	105.9	106.8
July	107.8	104.3	115.1	124.1	125.1	107.7	111.6
August	113.0	103.4	113.9	121.5	122.2	114.0	
September	113.4	99.7	107.9	122.8	120.8	115.9	
October	109.5	103.7	115.7	130.0	121.7	116.8	
November	110.8	101.0	108.6	118.0	115.0	117.7	
December	104.4	93.2	103.1	112.3	105.3	113.9	
Average	105.0	99.8	105.3	114.3	116.2	108.8	
Percent change	...	-5.0	5.5	8.6	1.6	-6.4	
(Deseasonalized)							
January	114.4	104.7	100.6	106.5	114.8	110.0	111.8
February	95.4	108.1	101.8	109.7	118.0	108.5	107.3
March	103.2	104.6	102.6	109.7	119.2	107.1	110.2
April	103.8	96.7	103.1	114.1	119.3	105.6	110.0
May	105.1	100.3	104.0	113.8	118.7	107.8	108.9
June	103.0	99.2	105.9	114.6	120.7	106.5	106.5
July	102.8	100.0	107.1	116.1	117.0	102.8	109.6
August	105.7	96.6	107.2	116.4	117.5	107.5	
September	108.0	96.8	105.1	117.0	115.3	109.9	
October	105.0	97.5	107.0	119.0	112.5	110.0	
November	107.6	97.8	106.0	117.6	111.6	111.6	
December	108.3	98.8	108.2	116.5	109.5	117.8	
Average	105.2	100.1	104.9	114.3	116.2	108.8	
Percent change	...	-4.8	4.8	8.9	1.7	-6.4	

Source: INDEC.

Table 8. Argentina: Automobile Production, Domestic Demand, Exports, and Imports

(In units)

	Total Production	Domestic Demand	Exports	Imports
1981	172,363	238,974	285	60,126
1982	132,117	137,144	3,234	5,339
1983	159,876	151,640	5,202	1,075
1984	167,323	165,578	4,243	519
1985	137,675	146,271	774	747
1986	170,490	166,624	357	1,049
1987	193,315	192,357	460	1,530
1988	164,160	163,896	1,662	1,379
1989	127,823	133,563	1,841	642
1990	99,639	95,960	1,126	1,173
1991	138,958	165,806	5,205	28,631
1992	262,022	349,245	16,353	105,882
1993	342,344	421,006	29,976	109,793
1994	408,777	508,152	38,657	147,431
1995	285,435	327,983	51,550	103,021
1996	313,152	376,143	108,990	161,000
1997	446,306	426,326	210,386	198,029
1998	457,957	455,372	237,497	233,401
1999 (Prel.)	304,809	380,134	98,362	159,551

Source: Argentine Automobile Manufacturer's Association.

Table 9. Argentina: Price Indices

(Percentage change during the year)

	Consumer Prices for Buenos Aires	Wholesale Price Index 1/			
		General	Agricultural Goods	National Nonagricultural Goods	Imported Goods
1986	81.9	57.9	83.7	55.9	53.4
1987	174.8	181.8	153.3	182.8	216.0
1988	387.7	431.6	456.1	430.3	412.9
1989	5,103.7	5,386.4	5,023.6	5,138.0	7,600.3
1990	1,344.4	798.4	656.7	879.5	406.5
1991	84.0	56.7	62.0	54.8	69.5
1992	17.5	3.2	9.5	2.0	4.4
1993	7.4	0.1	0.1	0.6	-5.4
1994	4.2	3.0	3.1	2.3	8.9
			Primary Products	Manufactured Products and Electricity	Imported Goods
1995	3.4	6.5	6.9	5.9	11.1
1996	0.2	3.2	12.6	1.5	-3.4
1997	0.5	0.1	-2.9	1.3	-3.9
1998	0.9	-3.2	-9.8	-1.3	-4.7
1999	-1.2	-3.8	-6.7	-3.0	-5.4

Source: National Institute of Statistics.

1/ The wholesale price index was revised in 1995.

Table 10. Argentina: Rates of Price Increases

(In percent)

	Consumer Price Index		Wholesale Price Index	
	Change over Preceding Month	Change over 12 months	Change over Preceding Month	Change over 12 months
<b>1996</b>				
January	0.3	0.7	0.2	4.6
February	-0.3	0.3	-0.1	4.1
March	-0.5	0.2	0.8	5.5
April	0.0	-0.2	1.5	3.6
May	-0.1	-0.3	0.2	3.7
June	0.0	-0.1	-0.8	2.6
July	0.5	0.0	-0.1	2.1
August	-0.1	0.2	-0.3	1.5
September	0.2	0.2	1.2	2.6
October	0.5	0.4	0.4	3.2
November	-0.2	0.4	-0.8	2.5
December	-0.3	0.1	-0.1	2.1
<b>1997</b>				
January	0.5	0.2	0.4	2.2
February	0.4	0.9	-0.2	2.1
March	-0.5	1.0	-0.3	1.0
April	-0.3	0.6	-0.4	-0.9
May	-0.1	0.7	0.7	-0.4
June	0.2	0.9	-0.4	-0.1
July	0.2	0.6	-0.4	-0.3
August	0.2	0.8	0.6	0.6
September	0.0	0.6	0.0	-0.5
October	-0.2	-0.1	0.0	-1.0
November	-0.2	-0.1	-0.2	-0.4
December	0.2	0.3	-0.7	-0.9
<b>1998</b>				
January	0.6	0.5	-1.3	-2.5
February	0.3	0.5	0.4	-2.0
March	-0.1	0.8	-0.3	-2.0
April	0.0	1.2	0.1	-1.5
May	-0.1	1.2	-0.2	-2.3
June	0.2	1.1	0.0	-1.9
July	0.3	1.2	-0.3	-1.8
August	0.0	1.1	-0.6	-3.0
September	0.0	1.1	-1.1	-4.1
October	-0.4	0.9	-1.1	-5.1
November	-0.2	0.8	-0.9	-5.8
December	0.0	0.7	-1.1	-6.3
<b>1999</b>				
January	0.5	0.5	-0.5	-5.6
February	-0.2	0.0	-1.0	-6.8
March	-0.8	-0.6	0.4	-6.2
April	-0.1	-0.7	1.1	-5.3
May	-0.5	-1.2	-0.1	-5.2
June	0.0	-1.3	-0.1	-5.2
July	0.2	-1.5	0.2	-4.8
August	-0.4	-1.9	0.3	-3.9
September	-0.2	-2.0	0.8	-2.1
October	0.0	-1.7	-0.1	-1.2
November	-0.3	-1.8	-0.2	-0.4
December	-0.1	-1.8	0.5	1.2
<b>2000</b>				
January	0.8	-1.4	1.2	3.0
February	0.0	-1.3	0.9	4.9
March	-0.5	-1.1	0.5	5.0
April	-0.1	-1.1	-1.2	2.6
May	-0.4	-1.0	1.1	3.8
June	-0.2	-1.1	0.5	4.4
July	0.4	-0.9	-0.2	4.1

Source: National Institute of Statistics.

Table 11. Argentina: Urban Labor Force, Employment, and Unemployment

(Thousands of persons)

	Labor Force	Employment	Unemployment
1984 April	9,147	8,676	471
October	9,193	8,734	459
1985 May	9,334	8,718	616
November	9,522	8,910	612
1986 April	9,682	9,059	623
November	9,804	9,249	555
1987 April	10,039	9,398	641
October	10,045	9,440	605
1988 May	10,187	9,503	684
October	10,345	9,688	657
1989 May	10,595	9,654	941
October	10,482	9,736	746
1990 May	10,545	9,657	888
October	10,618	9,937	681
1991 June	10,927	10,134	793
October	11,005	10,310	695
1992 May	11,197	10,411	786
October	11,411	10,585	826
1993 May	11,727	10,607	1,120
October	11,722	10,659	1,063
1994 May	11,941	10,687	1,254
October	11,929	10,530	1,399
1995 May	12,477	10,307	2,170
October	12,307	10,348	1,959
1996 May	12,387	10,343	2,044
October	12,589	10,542	2,047
1997 May	12,864	10,861	2,003
October	13,081	11,352	1,729
1998 May	13,267	11,592	1,675
August	13,232	11,541	1,691
October	13,268	11,670	1,598
1999 May	13,602	11,731	1,871
August	13,506	11,594	1,912
October	13,704	11,871	1,833
2000 May	13,820	11,743	2,077

Source: Ministry of Economy.

Table 12. Argentina: Unemployment and Labor Force Participation Rates

(In percent of active population)

		Unemployment Rate			Under-employment Rate 1/			Labor Force Participation Rate 2/		
		Greater		Total	Greater		Total	Greater		Total
		Buenos Aires	Other areas		Buenos Aires	Other Areas		Buenos Aires	Other Areas	
1984	April	4.1	5.9	4.7	4.5	6.9	5.4	38.4	36.8	37.8
	October	3.6	6.0	4.4	4.7	8.0	5.9	38.4	36.5	37.9
1985	May	5.5	7.4	6.3	5.5	8.6	7.5	38.9	36.4	37.9
	October	4.9	7.5	5.9	6.6	7.9	7.1	38.8	37.1	38.2
1986	April	4.8	7.6	5.9	6.4	9.7	7.7	39.6	37.1	38.6
	November	4.5	6.5	5.2	6.1	9.5	7.4	40.0	36.9	38.7
1987	April	5.4	7.1	6.0	8.0	8.7	8.2	40.9	37.3	39.5
	October	5.2	6.6	5.7	7.8	9.6	8.5	40.0	37.3	38.9
1988	May	6.3	7.0	6.5	7.7	8.7	8.9	40.4	37.2	38.7
	October	5.7	6.8	6.1	7.4	9.0	8.0	40.5	37.6	39.4
1989	May	7.6	9.8	8.1	8.5	10.8	8.6	41.9	37.5	40.2
	October	7.0	7.2	7.1	8.0	9.3	8.6	40.8	37.0	39.3
1990	May	8.6	8.3	8.6	8.4	10.9	9.3	40.9	36.6	39.1
	October	6.0	6.7	6.3	8.1	10.4	8.9	40.3	36.9	39.0
1991	June	6.3	7.9	6.9	7.7	9.9	8.6	40.9	37.5	39.5
	October	5.3	7.0	6.0	7.0	9.4	7.9	40.8	37.6	39.5
1992	May	6.6	7.3	6.9	7.6	9.5	8.3	41.4	37.6	39.8
	October	6.7	7.6	7.0	7.3	9.4	8.1	41.7	38.1	40.2
1993	May	10.6	8.8	9.9	8.2	9.9	8.8	44.2	37.6	41.5
	October	9.6	8.7	9.3	9.1	9.5	9.3	43.3	37.6	41.0
1994	May	11.1	10.1	10.8	10.2	10.3	10.2	43.4	38.0	41.1
	October	13.1	10.8	12.2	10.1	10.9	10.4	43.1	37.6	40.8
1995	May	20.2	15.4	18.4	10.7	12.4	11.3	45.9	38.1	42.6
	October	17.4	14.9	16.4	12.6	12.4	12.5	44.2	38.0	41.4
1996	May	18.0	15.5	17.0	12.6	12.6	12.6	43.5	38.0	41.0
	October	18.8	14.5	17.3	13.8	13.1	13.6	44.9	37.8	41.9
1997	May	17.0	14.6	16.2	12.7	13.8	13.2	45.0	38.6	42.1
	October	14.3	12.5	13.7	13.0	13.4	13.5	45.1	38.7	42.3
1998	May	14.0	12.0	13.2	13.2	13.5	13.3	45.6	38.5	42.4
	August	14.1	11.9	13.2	13.9	13.5	13.7	45.1	38.3	42.0
	October	13.3	11.3	12.4	14.0	13.2	13.6	45.4	38.1	42.1
1999	May	15.6	12.9	14.5	13.9	13.4	13.7	46.6	38.5	42.8
	August	15.3	13.5	14.5	15.7	13.7	14.9	45.6	38.5	42.3
	October	14.4	12.8	13.8	15.2	12.1	14.3	46.0	38.8	42.7
2000	May	16.0	14.4	15.4	15.0	13.6	14.5	45.3	38.8	42.4

Source: Ministry of Economy, National Accounts Office.

1/ Defined as workers employed for less than 35 hours a week desiring to work more hours.

2/ In percent of total urban population.

Table 13. Argentina: Consolidated Public Sector Operations 1995-2000

	1995	1996	1997	1998	1999	2000 Jan-Jun
(In millions of pesos)						
<b>Revenue</b>	<b>59,780</b>	<b>60,086</b>	<b>67,573</b>	<b>70,662</b>	<b>68,508</b>	<b>35,342</b>
Total tax revenue	40,206	42,978	49,250	52,013	49,647	26,049
Social security contributions 1/	13,705	11,956	12,202	11,990	10,892	5,361
Other revenues 2/	5,869	5,152	6,122	6,659	7,970	3,931
<b>Non interest expenditure</b>	<b>60,923</b>	<b>63,140</b>	<b>66,785</b>	<b>69,121</b>	<b>70,517</b>	<b>33,597</b>
Wages	22,920	22,725	24,157	24,912	26,676	13,146
Goods and services	5,538	5,519	6,105	6,486	6,761	2,856
Transfers to the private sector 3/	22,752	24,957	25,925	26,774	27,413	13,102
Other	9,713	9,940	10,599	10,949	9,667	4,493
<b>Primary balance</b>	<b>-1,143</b>	<b>-3,054</b>	<b>788</b>	<b>1,540</b>	<b>-2,009</b>	<b>1,745</b>
<b>Interest</b>	<b>4,807</b>	<b>5,613</b>	<b>6,843</b>	<b>7,858</b>	<b>9,656</b>	<b>5,573</b>
<b>Overall balance</b>	<b>-5,951</b>	<b>-8,668</b>	<b>-6,055</b>	<b>-6,318</b>	<b>-11,665</b>	<b>-3,828</b>
(In percent of GDP)						
<b>Revenue</b>	<b>23.2</b>	<b>22.1</b>	<b>23.1</b>	<b>23.7</b>	<b>24.2</b>	<b>12.2</b>
Total tax revenue	15.6	15.8	16.8	17.4	17.5	9.0
Social security contributions 1/	5.3	4.4	4.2	4.0	3.8	1.9
Other revenues 2/	2.3	1.9	2.1	2.2	2.8	1.4
<b>Noninterest expenditure</b>	<b>23.6</b>	<b>23.2</b>	<b>22.8</b>	<b>23.2</b>	<b>24.9</b>	<b>11.6</b>
Wages	8.9	8.4	8.2	8.4	9.4	4.5
Goods and services	2.1	2.0	2.1	2.2	2.4	1.0
Transfers to the private sector 3/	8.8	9.2	8.9	9.0	9.7	4.5
Other	3.8	3.7	3.6	3.7	3.4	1.6
<b>Primary balance</b>	<b>-0.4</b>	<b>-1.1</b>	<b>0.3</b>	<b>0.5</b>	<b>-0.7</b>	<b>0.6</b>
<b>Interest</b>	<b>1.9</b>	<b>2.1</b>	<b>2.3</b>	<b>2.6</b>	<b>3.4</b>	<b>1.9</b>
<b>Overall balance</b>	<b>-2.3</b>	<b>-3.2</b>	<b>-2.1</b>	<b>-2.1</b>	<b>-4.1</b>	<b>-1.3</b>

Sources: Ministry of Economy; and Fund staff estimates.

1/ Data for 1995-96 are adjusted to present federal revenue and expenditure on family benefits on a gross basis.

2/ Includes central bank (BCRA) result.

3/ Includes pension payments.

Table 14. Argentina: Federal Government Operations 1995-2000

	1995	1996	1997	1998	1999	2000 Jan-Jun
(In millions of pesos)						
<b>Revenue</b>	<b>48,101</b>	<b>47,817</b>	<b>54,207</b>	<b>56,751</b>	<b>55,020</b>	<b>28,603</b>
Taxes	31,035	33,176	38,352	40,363	38,626	20,668
Social security contributions 1/	13,705	11,956	12,202	11,990	10,892	5,361
Nontax revenue 2/	3,328	2,574	3,465	3,929	5,277	2,351
Other 3/	33	110	188	469	225	223
<b>Noninterest expenditure</b>	<b>46,438</b>	<b>50,035</b>	<b>53,094</b>	<b>53,918</b>	<b>53,952</b>	<b>26,100</b>
<b>Discretionary (exc. transfers to prov.)</b>	<b>31,928</b>	<b>34,149</b>	<b>35,418</b>	<b>35,585</b>	<b>36,108</b>	<b>17,041</b>
Wages	7,771	7,973	8,510	8,076	8,548	4,045
Goods and services	2,346	2,450	2,567	2,697	2,637	1,065
Pensions	15,628	16,844	17,199	17,481	17,436	8,461
Private transfers	4,680	5,720	5,700	5,910	6,411	3,117
Other current expenditure	367	150	146	155	102	27
Capital	1,137	1,013	1,296	1,267	973	327
<b>Transfers to Provinces</b>	<b>14,510</b>	<b>15,886</b>	<b>17,675</b>	<b>18,333</b>	<b>17,844</b>	<b>9,058</b>
Of which: automatic 4/	...	...	15,220	16,457	15,835	8,100
<b>Primary balance</b>	<b>1,663</b>	<b>-2,219</b>	<b>1,114</b>	<b>2,833</b>	<b>1,068</b>	<b>2,504</b>
Interest	4,087	4,610	5,791	6,661	8,224	4,766
<b>Overall balance</b>	<b>-2,423</b>	<b>-6,828</b>	<b>-4,677</b>	<b>-3,828</b>	<b>-7,156</b>	<b>-2,263</b>
(In percent of GDP)						
<b>Revenue</b>	<b>18.6</b>	<b>17.6</b>	<b>18.5</b>	<b>19.0</b>	<b>19.4</b>	<b>9.9</b>
Taxes	12.0	12.2	13.1	13.5	13.6	7.1
Social security contributions 1/	5.3	4.4	4.2	4.0	3.8	1.9
Nontax revenue 2/	1.3	0.9	1.2	1.3	1.9	0.8
Other 3/	0.0	0.0	0.1	0.2	0.1	0.1
<b>Noninterest expenditure</b>	<b>18.0</b>	<b>18.4</b>	<b>18.1</b>	<b>18.1</b>	<b>19.1</b>	<b>9.0</b>
<b>Discretionary (exc. transfers to prov.)</b>	<b>12.4</b>	<b>12.5</b>	<b>12.1</b>	<b>11.9</b>	<b>12.8</b>	<b>5.9</b>
Wages	3.0	2.9	2.9	2.7	3.0	1.4
Goods and services	0.9	0.9	0.9	0.9	0.9	0.4
Pensions	6.1	6.2	5.9	5.9	6.2	2.9
Private transfers	1.8	2.1	1.9	2.0	2.3	1.1
Other current expenditure	0.1	0.1	0.0	0.1	0.0	0.0
Capital	0.4	0.4	0.4	0.4	0.3	0.1
<b>Transfers to Provinces</b>	<b>5.6</b>	<b>5.8</b>	<b>6.0</b>	<b>6.1</b>	<b>6.3</b>	<b>3.1</b>
Of which: automatic 4/	...	...	5.2	5.5	5.6	2.8
<b>Primary balance</b>	<b>0.6</b>	<b>-0.8</b>	<b>0.4</b>	<b>1.0</b>	<b>0.4</b>	<b>0.9</b>
Interest	1.6	1.7	2.0	2.2	2.9	1.6
<b>Overall balance</b>	<b>-0.9</b>	<b>-2.5</b>	<b>-1.6</b>	<b>-1.3</b>	<b>-2.5</b>	<b>-0.8</b>

Sources: Ministry of Economy; and Fund staff estimates.

1/ Data for 1995-96 are adjusted to present revenue and expenditure on family benefits on a gross basis.

2/ Includes central bank (BCRA) result.

3/ Operating surplus of public enterprises and capital revenue (other than privatization receipts).

4/ As defined in the 2000 fiscal pact.

Table 15. Argentina: Provincial Governments Operations 1995-2000 1/

	1995	1996	1997	1998	1999	2000 Jan-Jun.
(In millions of pesos)						
<b>Revenue</b>	<b>26,189</b>	<b>28,155</b>	<b>31,040</b>	<b>32,243</b>	<b>31,332</b>	<b>15,797</b>
Transfers from the federal government	14,510	15,886	17,675	18,333	17,844	9,058
Provincial taxes	9,172	9,802	10,897	11,650	11,021	5,381
Other provincial revenue	2,507	2,468	2,468	2,260	2,467	1,358
<b>Noninterest expenditure</b>	<b>28,995</b>	<b>28,991</b>	<b>31,367</b>	<b>33,536</b>	<b>34,409</b>	<b>16,555</b>
Wages	15,149	14,752	15,647	16,836	18,128	9,101
Goods and services	3,192	3,069	3,538	3,789	4,124	1,791
Transfers to the private sector 2/	2,445	2,393	3,025	3,384	3,566	1,524
Other	8,209	8,777	9,157	9,527	8,591	4,139
<b>Primary balance</b>	<b>-2,806</b>	<b>-836</b>	<b>-326</b>	<b>-1,293</b>	<b>-3,077</b>	<b>-758</b>
Interest	721	1,004	1,052	1,197	1,432	806
<b>Overall balance</b>	<b>-3,527</b>	<b>-1,839</b>	<b>-1,379</b>	<b>-2,490</b>	<b>-4,509</b>	<b>-1,565</b>
(In percent of GDP)						
<b>Revenue</b>	<b>10.1</b>	<b>10.3</b>	<b>10.6</b>	<b>10.8</b>	<b>11.1</b>	<b>5.5</b>
Transfers from the federal government	5.6	5.8	6.0	6.1	6.3	3.1
Provincial taxes	3.6	3.6	3.7	3.9	3.9	1.9
Other provincial revenue	1.0	0.9	0.8	0.8	0.9	0.5
<b>Noninterest expenditure</b>	<b>11.2</b>	<b>10.7</b>	<b>10.7</b>	<b>11.2</b>	<b>12.2</b>	<b>5.7</b>
Wages	5.9	5.4	5.3	5.6	6.4	3.1
Goods and services	1.2	1.1	1.2	1.3	1.5	0.6
Transfers to the private sector 2/	0.9	0.9	1.0	1.1	1.3	0.5
Other	3.2	3.2	3.1	3.2	3.0	1.4
<b>Primary balance</b>	<b>-1.1</b>	<b>-0.3</b>	<b>-0.1</b>	<b>-0.4</b>	<b>-1.1</b>	<b>-0.3</b>
<b>Interest</b>	<b>0.3</b>	<b>0.4</b>	<b>0.4</b>	<b>0.4</b>	<b>0.5</b>	<b>0.3</b>
<b>Overall balance</b>	<b>-1.4</b>	<b>-0.7</b>	<b>-0.5</b>	<b>-0.8</b>	<b>-1.6</b>	<b>-0.5</b>

Sources: Ministry of Economy; and Fund staff estimates.

1/ Includes the municipality of the city of Buenos Aires (MCBA).

2/ Includes pension payments.

Table 16. Argentina: Annualized Interest Rates

(In percent)

	Deposit Rates 1/		Lending Rates 2/	
	Pesos	U.S. dollars	Pesos	U.S. dollars
<b>1996</b>				
January	7.27	6.27	10.23	9.27
February	7.11	6.14	9.99	8.97
March	6.66	5.90	9.74	8.74
April	6.55	5.74	9.70	8.76
May	6.67	5.78	9.98	8.99
June	7.45	5.89	11.30	9.11
July	7.76	5.96	11.46	9.05
August	7.44	5.92	10.59	8.94
September	7.53	5.92	10.47	8.87
October	7.60	5.98	10.48	8.84
November	7.33	5.90	10.15	8.57
December	6.92	5.78	9.56	8.27
<b>1997</b>				
January	6.67	5.75	8.02	7.32
February	6.49	5.69	7.92	7.34
March	6.43	5.67	7.77	7.26
April	6.42	5.68	7.66	7.21
May	6.38	5.71	7.83	7.32
June	6.43	5.71	7.79	7.33
July	6.70	5.88	8.67	7.83
August	8.78	6.40	14.16	9.35
September	8.28	6.48	12.64	8.57
October	7.71	6.35	11.44	8.43
November	6.81	6.05	9.78	8.04
December	6.76	6.03	9.04	7.81
<b>1998</b>				
January	6.68	5.94	8.38	7.58
February	6.63	5.90	8.30	7.54
March	6.71	5.95	8.02	7.40
April	7.23	6.16	9.53	8.35
May	10.34	7.79	16.94	13.25
June	9.16	7.34	15.39	12.25
July	7.97	6.61	11.55	9.76
August	8.05	6.71	10.82	9.33
September	9.18	7.25	13.67	11.17
October	8.31	6.68	12.96	10.30
November	6.84	5.95	9.44	8.16
December	6.08	5.56	8.16	7.28
<b>1999</b>				
January	7.46	6.15	10.15	8.67
February	7.66	6.22	10.31	8.61
March	7.64	6.23	10.03	8.46
April	8.04	6.50	10.46	8.86
May	9.36	6.96	12.59	9.99
June	9.42	6.73	13.00	9.82
July	10.28	7.11	13.45	10.05
August	7.86	6.42	11.22	9.16
September	8.24	6.72	10.80	9.18
October	7.29	6.29	9.80	8.55
November	7.22	6.39	9.20	8.26
December	8.05	6.96	10.11	9.12
<b>2000</b>				
January	7.86	6.42	11.22	9.16
February	8.24	6.72	10.80	9.18
March	7.29	6.29	9.80	8.55
April	7.22	6.39	9.20	8.26
May	8.05	6.96	10.11	9.12
June	7.62	6.71	9.94	8.99
July	7.35	6.66	9.60	8.81

Source: Central Bank of Argentina.

1/ Weighted average of rates on 30-59 day time deposits.

2/ 30-day prime lending rates.

Table 17. Argentina: Summary Operations of the Financial System

(In millions of pesos)

	December					March	June
	1995	1996	1997	1998	1999	2000	2000
<b>I. Consolidated Financial System</b>							
<b>Net foreign assets</b>	<b>2,454</b>	<b>7,585</b>	<b>12,156</b>	<b>14,923</b>	<b>14,389</b>	<b>16,384</b>	<b>19,173</b>
Central Bank (NIR)	9,833	13,453	16,938	20,807	22,873	22,787	24,137
Rest of system	-7,379	-5,868	-4,782	-5,884	-8,484	-6,403	-4,964
<b>Net domestic assets</b>	<b>46,568</b>	<b>50,183</b>	<b>59,545</b>	<b>66,345</b>	<b>68,982</b>	<b>66,826</b>	<b>65,834</b>
Credit to public sector (net) 1/	18,647	19,080	20,049	21,555	20,379	20,535	20,552
Credit to private sector	51,506	54,939	64,234	72,206	70,578	69,314	68,572
Private capital and surplus	-13,981	-15,255	-16,039	-17,042	-16,905	-16,208	-16,154
Official capital and surplus and unclassified assets (net)	-9,604	-8,581	-8,699	-10,374	-5,070	-6,815	-7,136
<b>Liabilities to private sector</b>	<b>48,736</b>	<b>57,621</b>	<b>71,606</b>	<b>80,997</b>	<b>83,104</b>	<b>83,209</b>	<b>85,007</b>
Monetary liabilities (M1)	15,412	17,128	19,643	19,829	19,417	17,128	17,171
Quasi-money	11,819	14,061	19,156	21,726	20,750	21,325	21,180
Foreign exchange deposits	21,505	26,432	32,807	39,442	42,937	44,756	46,656
<b>II. Central Bank 2/</b>							
<b>Net international reserves 2/</b>	<b>9,833</b>	<b>13,453</b>	<b>16,938</b>	<b>20,807</b>	<b>22,873</b>	<b>22,787</b>	<b>24,137</b>
<b>Net domestic assets</b>	<b>8,535</b>	<b>7,104</b>	<b>5,882</b>	<b>5,499</b>	<b>4,637</b>	<b>3,961</b>	<b>3,717</b>
Credit to public sector (net) 1/	10,255	9,912	9,420	8,744	7,805	7,427	7,243
Credit to financial system	2,341	1,642	1,390	1,472	1,588	1,570	1,264
Official capital and surplus and unclassified assets (net)	-4,061	-4,450	-4,928	-4,717	-4,756	-5,036	-4,790
<b>Monetary liabilities</b>	<b>18,368</b>	<b>20,557</b>	<b>22,820</b>	<b>26,306</b>	<b>27,510</b>	<b>26,748</b>	<b>27,854</b>
Currency issued	13,050	14,030	15,966	16,370	16,493	13,642	13,749
Currency in circulation	11,154	11,729	13,325	13,496	13,722	11,422	11,395
Cash in vault	1,896	2,301	2,641	2,874	2,771	2,220	2,354
Government deposits	1,677	2,242	325	1,343	935	2,187	2,118
Reserve deposits 3/	3,641	4,285	6,529	8,593	10,082	10,919	11,987
<b>III. Banks and Nonbank Financial Institutions</b>							
<b>Net foreign assets</b>	<b>-7,379</b>	<b>-5,868</b>	<b>-4,782</b>	<b>-5,884</b>	<b>-8,484</b>	<b>-6,403</b>	<b>-4,964</b>
<b>Net claims on BCRA</b>	<b>2,910</b>	<b>4,797</b>	<b>7,685</b>	<b>9,724</b>	<b>10,998</b>	<b>11,568</b>	<b>13,077</b>
<b>Net domestic assets</b>	<b>42,051</b>	<b>46,963</b>	<b>55,378</b>	<b>63,661</b>	<b>66,868</b>	<b>66,622</b>	<b>65,499</b>
Credit to public sector (net) 1/	10,069	11,410	10,954	14,154	13,509	15,295	15,427
Credit to private sector	51,506	54,939	64,234	72,206	70,578	69,314	68,572
Capital and reserves	-13,981	-15,255	-16,039	-17,042	-16,905	-16,208	-16,154
Other (net)	-5,543	-4,131	-3,771	-5,657	-314	-1,779	-2,346
<b>Liabilities to private sector</b>	<b>37,582</b>	<b>45,892</b>	<b>58,281</b>	<b>67,501</b>	<b>69,382</b>	<b>71,787</b>	<b>73,612</b>
Local currency deposits	16,077	19,460	25,474	28,059	26,445	27,031	26,956
Sight deposits	4,258	5,399	6,318	6,333	5,695	5,706	5,776
Time and savings deposits	11,819	14,061	19,156	21,726	20,750	21,325	21,180
Foreign currency deposits	21,505	26,432	32,807	39,442	42,937	44,756	46,656

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

1/ All public sector entities, including provincial governments.

2/ The BCRA net international reserves comprise gold, foreign currency holdings, Aladi (net) and IMF liabilities.

3/ Includes current account deposits, and swaps ("pases pasivos") held by financial institutions at the Central Bank.

Table 18. Argentina: Legal Liquidity Requirements  
(In percent)

	Domestic Currency Deposits						
	Demand Deposits	Savings Deposits	Time Deposits (In days)				
			To 59	60-89	90-179	180-365	365 or More
<b>1995</b>							...
August	30.0	...	30.0	...	...	6.0	0.0
September	20.0	6.0	20.0	6.0	...	6.0	0.0
October	10.0	10.0	10.0	10.0	...	10.0	0.0
November	...	15.0	...	15.0	...	15.0	0.0
December	...	15.0	...	15.0	...	15.0	0.0
<b>1996</b>							
January	15.0	15.0	15.0	15.0	10.0	5.0	0.0
February	15.0	15.0	15.0	15.0	10.0	5.0	0.0
March	15.0	15.0	15.0	15.0	10.0	5.0	0.0
April	15.0	15.0	15.0	15.0	10.0	5.0	0.0
May	15.0	15.0	15.0	15.0	10.0	5.0	0.0
June	15.0	15.0	15.0	15.0	10.0	5.0	0.0
July	16.0	16.0	16.0	16.0	11.0	6.0	0.0
August	16.0	16.0	16.0	16.0	11.0	6.0	0.0
September	16.0	16.0	16.0	16.0	11.0	6.0	0.0
October	17.0	17.0	17.0	17.0	12.0	7.0	0.0
November	17.0	17.0	17.0	17.0	12.0	7.0	0.0
December	17.0	17.0	17.0	17.0	12.0	7.0	0.0
<b>1997</b>							
January	17.0	17.0	17.0	17.0	12.0	7.0	0.0
February	18.0	18.0	18.0	18.0	13.0	8.0	0.0
March	18.0	18.0	18.0	18.0	13.0	8.0	0.0
April	18.0	18.0	18.0	18.0	13.0	8.0	0.0
May	18.0	18.0	18.0	18.0	13.0	8.0	0.0
June	18.0	18.0	18.0	18.0	13.0	8.0	0.0
July	18.0	18.0	18.0	18.0	13.0	8.0	0.0
August	19.0	19.0	19.0	19.0	14.0	9.0	0.0
September	19.0	19.0	19.0	19.0	14.0	9.0	0.0
October	19.0	19.0	19.0	19.0	14.0	9.0	0.0
November	19.0	19.0	19.0	19.0	14.0	9.0	0.0
December	19.0	19.0	19.0	19.0	14.0	9.0	0.0
<b>1998</b>	19.0	19.0	19.0	19.0	14.0	9.0	
January	20.0	20.0	20.0	20.0	15.0	10.0	0.0
February	20.0	20.0	20.0	20.0	15.0	10.0	0.0
March	20.0	20.0	20.0	20.0	15.0	10.0	0.0
April	20.0	20.0	20.0	20.0	15.0	10.0	0.0
May	20.0	20.0	20.0	20.0	15.0	10.0	0.0
June	20.0	20.0	20.0	20.0	15.0	10.0	0.0
July	20.0	20.0	20.0	20.0	15.0	10.0	0.0
August	20.0	20.0	20.0	20.0	15.0	10.0	0.0
September	20.0	20.0	20.0	20.0	15.0	10.0	0.0
October	20.0	20.0	20.0	20.0	15.0	10.0	0.0
November	20.0	20.0	20.0	20.0	15.0	10.0	0.0
December	20.0	20.0	20.0	20.0	15.0	10.0	0.0
<b>1999</b>							
January	19.0	19.0	19.0	19.0	14.0	9.0	0.0
February	20.0	20.0	20.0	20.0	15.0	10.0	0.0
March	20.0	20.0	20.0	20.0	15.0	10.0	0.0
April	20.0	20.0	20.0	20.0	15.0	10.0	0.0
May	20.0	20.0	20.0	20.0	15.0	10.0	0.0
June	20.0	20.0	20.0	20.0	15.0	10.0	0.0
July	20.0	20.0	20.0	20.0	15.0	10.0	0.0
August	20.0	20.0	20.0	20.0	15.0	10.0	0.0
September	20.0	20.0	20.0	20.0	15.0	10.0	0.0
October	20.0	20.0	20.0	20.0	15.0	10.0	0.0
November	20.0	20.0	20.0	20.0	15.0	10.0	0.0
December	20.0	20.0	20.0	20.0	15.0	10.0	0.0
<b>2000</b>							
January	20.0	20.0	20.0	20.0	15.0	10.0	0.0
February	20.0	20.0	20.0	20.0	15.0	10.0	0.0
March	20.0	20.0	20.0	20.0	15.0	10.0	0.0
April	20.0	20.0	20.0	20.0	15.0	10.0	0.0
May	20.0	20.0	20.0	20.0	15.0	10.0	0.0
June	20.0	20.0	20.0	20.0	15.0	10.0	0.0
July	20.0	20.0	20.0	20.0	15.0	10.0	0.0

Table 18. Argentina: Legal Liquidity Requirements  
(In percent)

	Demand Deposits	Savings Deposits	Foreign Currency Deposits				
			Time Deposits (In days)				
			To 59	60-89	90-179	180-365	365 or More
<b>1995</b>							
August	...	...	30.0				30.0
September	6.0	...	20.0				20.0
October	10.0	...	10.0				10.0
November	15.0	...	...				...
December	15.0	...	...				...
<b>1996</b>							
January	15.0	15.0	15.0	15.0	10.0	5.0	0.0
February	15.0	15.0	15.0	15.0	10.0	5.0	0.0
March	15.0	15.0	15.0	15.0	10.0	5.0	0.0
April	15.0	15.0	15.0	15.0	10.0	5.0	0.0
May	15.0	15.0	15.0	15.0	10.0	5.0	0.0
June	15.0	15.0	15.0	15.0	10.0	5.0	0.0
July	16.0	16.0	16.0	16.0	11.0	6.0	0.0
August	16.0	16.0	16.0	16.0	11.0	6.0	0.0
September	16.0	16.0	16.0	16.0	11.0	6.0	0.0
October	17.0	17.0	17.0	17.0	12.0	7.0	0.0
November	17.0	17.0	17.0	17.0	12.0	7.0	0.0
December	17.0	17.0	17.0	17.0	12.0	7.0	0.0
<b>1997</b>							
January	17.0	17.0	17.0	17.0	12.0	7.0	0.0
February	18.0	18.0	18.0	18.0	13.0	8.0	0.0
March	18.0	18.0	18.0	18.0	13.0	8.0	0.0
April	18.0	18.0	18.0	18.0	13.0	8.0	0.0
May	18.0	18.0	18.0	18.0	13.0	8.0	0.0
June	18.0	18.0	18.0	18.0	13.0	8.0	0.0
July	18.0	18.0	18.0	18.0	13.0	8.0	0.0
August	19.0	19.0	19.0	19.0	14.0	9.0	0.0
September	19.0	19.0	19.0	19.0	14.0	9.0	0.0
October	19.0	19.0	19.0	19.0	14.0	9.0	0.0
November	19.0	19.0	19.0	19.0	14.0	9.0	0.0
December	19.0	19.0	19.0	19.0	14.0	9.0	0.0
<b>1998</b>							
January	19.0	19.0	19.0	19.0	15.0	10.0	0.0
February	20.0	20.0	20.0	20.0	15.0	10.0	0.0
March	20.0	20.0	20.0	20.0	15.0	10.0	0.0
April	20.0	20.0	20.0	20.0	15.0	10.0	0.0
May	20.0	20.0	20.0	20.0	15.0	10.0	0.0
June	20.0	20.0	20.0	20.0	15.0	10.0	0.0
July	20.0	20.0	20.0	20.0	15.0	10.0	0.0
August	20.0	20.0	20.0	20.0	15.0	10.0	0.0
September	20.0	20.0	20.0	20.0	15.0	10.0	0.0
October	20.0	20.0	20.0	20.0	15.0	10.0	0.0
November	20.0	20.0	20.0	20.0	15.0	10.0	0.0
December	20.0	20.0	20.0	20.0	15.0	10.0	0.0
<b>1999</b>							
January	19.0	19.0	19.0	19.0	15.0	10.0	0.0
February	20.0	20.0	20.0	20.0	15.0	10.0	0.0
March	20.0	20.0	20.0	20.0	15.0	10.0	0.0
April	20.0	20.0	20.0	20.0	15.0	10.0	0.0
May	20.0	20.0	20.0	20.0	15.0	10.0	0.0
June	20.0	20.0	20.0	20.0	15.0	10.0	0.0
July	20.0	20.0	20.0	20.0	15.0	10.0	0.0
August	20.0	20.0	20.0	20.0	15.0	10.0	0.0
September	20.0	20.0	20.0	20.0	15.0	10.0	0.0
October	20.0	20.0	20.0	20.0	15.0	10.0	0.0
November	20.0	20.0	20.0	20.0	15.0	10.0	0.0
December	20.0	20.0	20.0	20.0	15.0	10.0	0.0
<b>2000</b>							
January	20.0	20.0	20.0	20.0	15.0	10.0	0.0
February	20.0	20.0	20.0	20.0	15.0	10.0	0.0
March	20.0	20.0	20.0	20.0	15.0	10.0	0.0
April	20.0	20.0	20.0	20.0	15.0	10.0	0.0
May	20.0	20.0	20.0	20.0	15.0	10.0	0.0
June	20.0	20.0	20.0	20.0	15.0	10.0	0.0
July	20.0	20.0	20.0	20.0	15.0	10.0	0.0

Source: Central Bank of Argentina.

Table 19. Argentina: Financial Assets 1/

(In millions of pesos)

	Currency in Circulation	M-1	M-2	Foreign Currency Deposits	M3
<b>1994</b>					
I	9,110	16,107	21,191	18,866	51,416
II	9,079	15,837	21,106	19,675	52,518
III	9,397	14,898	20,132	21,033	54,319
IV	11,223	16,952	22,253	22,872	56,139
<b>1995</b>					
I	9,154	14,134	18,726	19,815	47,515
II	9,239	14,590	18,956	21,093	48,362
III	9,311	14,669	19,057	22,997	50,066
IV	11,154	16,651	21,317	23,937	53,717
<b>1996</b>					
I	10,100	16,053	21,192	26,208	57,355
II	10,801	18,077	23,885	26,463	60,935
III	10,046	16,745	22,136	28,061	60,523
IV	11,730	19,909	25,731	29,292	64,451
<b>1997</b>					
I	10,919	19,720	26,373	29,834	68,287
II	11,588	21,033	28,311	32,189	74,565
III	11,714	21,406	29,060	32,040	77,834
IV	13,325	23,208	30,706	34,858	81,790
<b>1998</b>					
I	11,879	21,836	29,883	36,937	83,736
II	12,223	23,417	32,204	37,927	88,133
III	11,757	22,443	30,586	40,739	88,829
IV	13,496	23,782	32,454	41,538	90,245
<b>1999</b>					
I	11,886	21,367	29,490	43,857	90,190
II	11,581	22,384	30,663	45,753	92,108
III	11,600	21,058	29,476	46,862	92,305
IV	13,721	22,843	30,936	45,290	92,340
<b>2000</b>					
I	11,422	20,723	29,044	48,351	92,782
II	11,395	21,474	29,892	48,165	95,643

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

1/ End of period. M-1 includes currency in circulation and local currency demand deposits; M-2 comprises M-1 plus time and savings deposits in pesos; and M-3 in addition includes all foreign currency deposits.

Table 20. Argentina: Balance of Payments  
(In millions of U.S. dollars, unless otherwise indicated)

	1995	1996	1997	1998	Prel. 1999
Current account balance	-4,938	-6,468	-12,036	-14,269	-12,340
excluding factor services	-456	-1,190	-5,865	-6,936	-4,418
Trade balance	961	187	-4,019	-4,963	-2,224
Exports (fob)	21,161	24,043	26,431	26,442	23,315
Imports (cif)	-20,200	-23,856	-30,450	-31,405	-25,539
Nonfactor services	-1,930	-1,793	-2,282	-2,483	-2,700
Receipts	3,855	4,428	4,509	4,681	4,435
Expenditures	-5,785	-6,221	-6,791	-7,164	-7,135
Factor services	-4,482	-5,278	-6,171	-7,333	-7,922
Profits & dividends	-2,072	-2,028	-2,066	-2,410	-2,108
Net interest	-2,420	-3,258	-4,100	-4,917	-5,814
Interest due	-6,338	-7,284	-8,756	-10,246	-11,203
Nonfinancial public sector	-3,601	-4,204	-4,926	-5,487	-6,206
Financial system	-1,274	-1,257	-1,485	-1,781	-1,675
BCRA	-326	-298	-279	-265	-194
Other	-948	-959	-1,206	-1,516	-1,481
Nonfinancial private sector	-1,463	-1,823	-2,345	-2,978	-3,322
Interest earnings	3,918	4,026	4,656	5,329	5,389
Nonfinancial public sector	435	407	404	352	316
Financial system	1,001	1,182	1,738	2,219	2,123
BCRA	778	780	1,054	1,237	1,310
Other	223	402	684	982	813
Nonfinancial private sector	2,482	2,437	2,514	2,758	2,950
Other	10	8	-5	-6	0
Transfers (net)	513	416	436	510	506
Capital account	2,919	9,882	15,596	18,495	14,179
Nonfinancial public sector	5,717	8,880	7,932	9,370	10,904
Federal government	6,187	8,698	6,715	9,530	10,123
Multilateral organizations	1,594	1,024	1,231	2,866	2,177
Bilateral	-416	-799	-1,087	-873	-1,050
Commercial	777	-448	-112	-118	-140
Privatization	1,019	254	0	17	3,011
Other	3,213	8,667	6,683	7,638	6,125
Local governments	394	646	1,593	150	1,365
Enterprises and other	-864	-464	-376	-310	-584
Financial system	2,531	-411	-1,423	4,267	2,101
BCRA 1/	6	637	-553	142	-207
Rest of the financial system	2,525	-1,048	-870	4,125	2,308
Foreign direct investment	321	101	603	1,112	-624
In Argentina	476	306	631	1,069	-441
In other countries	-155	-205	-28	43	-183
Bonds and titles	-345	1,006	470	1,292	-258
Other	2,549	-2,155	-1,943	1,721	2,247

Table 20. Argentina: Balance of Payments

(In millions of U.S. dollars, unless otherwise indicated)

	1995	1996	1997	1998	Prel. 1999
Nonfinancial private sector	-3,646	3,163	10,114	4,150	2,333
Foreign direct investment 2/	2,363	4,355	3,569	2,914	6,609
In Argentina 2/	3,731	5,726	6,711	5,123	7,621
In other countries	-1,368	-1,371	-3,142	-2,209	-1,012
Portfolio investment 2/	-522	68	214	-1,513	-1,784
In the stock market 2/	964	696	1,526	-443	-245
In public sector bonds	-1,486	-628	-1,312	-1,070	-1,539
Debt creating flows	4,098	1,684	5,259	6,359	634
Other 3/	-9,585	-2,944	1,072	-3,610	-3,126
Other capital 4/	842	-1,750	-1,027	708	-1,159
Net international reserves (- increase)	2,019	-3,414	-3,560	-4,226	-1,839
Assets	69	-3,782	-3,062	-3,442	-1,093
Liabilities	1,950	368	-498	-784	-746
<b>Memorandum items:</b>					
Current account balance (percent of GDP)	-1.9	-2.4	-4.1	-4.8	-4.4
Merchandise export volume (percentage change)	24.9	6.7	13.9	11.6	-0.7
Merchandise import volume (percentage change)	-11.6	19.6	30.6	8.7	-13.8
Terms of trade (percentage change)	0.3	7.8	-1.2	-5.5	-5.9
Foreign direct investment (Including privatization)	3,756	4,937	4,924	4,377	10,177
Gross foreign exchange reserves	17,345	23,330	29,769	31,737	33,100
At the central bank	15,963	19,745	22,807	26,249	27,342
External debt (percent of GDP)	38.2	40.3	42.6	47.1	51.1

Source: Ministry of Economy; and Fund staff estimates.

1/ Excludes exchange rate valuations and foreign exchange reserve liabilities.

2/ In 1999, excludes the effect of the sale of YPF shares in the hands of the Argentine private sector to Repsol (ie, US\$ 10.838 billion in FDI inflows and in portfolio investment outflows).

3/ Includes deposit reflows and counterpart of interest earnings held abroad.

4/ Includes errors and omissions.

Table 21. Argentina: Exports by Principal Product Category

(In millions of U.S. dollars)

	1993	1994	1995	1996	1997	1998	Prel. 1999
<b>Primary products</b>	<b>3,279.0</b>	<b>3,735.0</b>	<b>4,816.0</b>	<b>5,817.0</b>	<b>5,723.0</b>	<b>6,634.0</b>	<b>5,241.0</b>
Live animals	13.2	51.0	97.8	44.6	35.2	19.3	17.8
Fish and seafood	427.2	439.3	498.1	609.2	613.7	525.9	508.3
Honey	50.2	54.0	70.4	90.6	108.4	89.3	96.1
Fresh fruits	215.4	243.8	417.0	475.5	504.6	492.0	270.6
Cereals	1,453.6	1,332.7	1,862.6	2,560.1	3,006.7	3,042.1	2,063.7
Oil seeds and beans	696.5	951.8	884.6	963.7	338.7	1,052.1	870.8
Tobaccos	117.0	88.8	100.8	145.9	186.4	130.3	166.2
Wool	49.1	74.6	86.2	64.7	61.3	39.7	38.5
Cotton fibers	25.7	176.3	432.8	497.0	332.3	224.3	175.8
Other	231.1	322.7	365.7	365.7	535.7	1,019.0	1,033.2
<b>Manufacture of agricultural origin</b>	<b>4,924.0</b>	<b>5,806.0</b>	<b>7,474.0</b>	<b>8,439.0</b>	<b>9,067.0</b>	<b>8,734.0</b>	<b>8,210.0</b>
Meat	748.2	918.1	1,229.1	1,073.6	1,024.8	830.0	828.1
Fish and seafood products	279.3	285.8	416.2	394.9	416.5	385.8	295.9
Milk and milk products	75.8	135.3	260.1	280.5	291.4	315.3	369.2
Other animal products	12.4	17.3	16.4	21.8	20.7	15.7	11.6
Dry Fruits	21.9	32.0	27.8	33.4	31.3	31.6	34.4
Tea, herbs, and spices	62.3	61.0	67.3	64.6	79.2	84.4	64.5
Oils	1,078.6	1,533.6	2,097.1	1,890.5	2,224.6	2,733.7	2,334.3
Sugar and candies	43.3	58.7	122.0	144.5	133.7	135.9	105.7
Beverages	64.2	79.8	165.2	153.1	197.4	231.3	202.9
Other food products	1,451.0	1,348.5	1,254.3	2,366.7	2,404.0	2,005.9	2,052.4
Extracts	44.2	43.2	39.6	41.5	49.8	46.2	39.1
Leather	617.8	762.8	937.0	889.3	980.1	812.4	777.7
Refined wool	95.8	113.2	115.5	121.1	116.2	69.5	70.2
Other	329.2	416.7	726.4	963.5	1,097.3	1,036.3	1,024.0
<b>Manufactures of industrial origin</b>	<b>3,679.0</b>	<b>4,647.0</b>	<b>6,504.0</b>	<b>6,466.0</b>	<b>8,343.0</b>	<b>8,634.0</b>	<b>6,907.0</b>
Chemical products	558.8	727.5	972.5	980.0	1,176.1	1,370.0	1,365.3
Plastics	133.0	180.6	340.7	339.3	349.2	380.0	367.5
Rubber products	54.7	82.0	128.8	129.5	137.5	161.8	148.0
Leather products	118.3	156.6	138.0	146.6	118.1	80.5	56.1
Paper products	149.6	202.3	413.6	377.7	394.0	407.9	340.4
Textiles and textile products	164.9	210.1	383.8	304.5	334.7	320.5	277.4
Shoes and shoe products	92.3	86.8	102.4	72.7	105.0	68.3	35.8
Ceramics	78.8	70.9	109.8	106.7	120.2	113.7	94.7
Jewelry and precious stones	52.0	251.6	23.1	4.9	3.7	29.6	114.1
Metals and their manufacture	702.5	759.7	1,214.4	1,190.3	1,330.7	1,234.5	1,069.7
Machinery and electrical products	754.8	865.5	983.0	961.5	1,230.4	1,109.6	1,052.6
Transportation equipment	719.4	918.2	1,307.8	1,641.9	2,786.4	3,102.5	1,745.9
Others	99.9	135.2	386.1	210.4	257.0	255.1	239.5
<b>Petroleum products</b>	<b>1,387.0</b>	<b>1,835.0</b>	<b>2,367.0</b>	<b>3,321.0</b>	<b>3,298.0</b>	<b>2,440.0</b>	<b>2,975.0</b>
<b>Total</b>	<b>13,269.0</b>	<b>16,023.0</b>	<b>21,161.0</b>	<b>24,043.0</b>	<b>26,431.0</b>	<b>26,442.0</b>	<b>23,333.0</b>

Sources: National Institute of Statistics; and Ministry of Economy.

Table 22. Argentina: Principal Agricultural Exports

(Value in millions of U.S. dollars; volume in thousands of tons;  
unit price in U.S. dollars per ton)

	1994	1995	1996	1997	1998	1999
<b>Total agricultural products</b>	<b>9,541</b>	<b>12,290</b>	<b>14,256</b>	<b>14,790</b>	<b>15,365</b>	<b>13,371</b>
Cereals	1,390	1,940	2,593	3,007	3,042	2,063
Wheat	670	987	1,065	1,347	1,308	999
Volume	5,143	6,782	5,914	8,791	10,522	8,802
Unit price	130	146	180	153	124	113
Corn	479	666	1,224	1,348	1,346	817
Volume	4,146	5,902	7,069	10,979	12,607	7,933
Unit price	119	113	173	123	107	103
Sorghum	100	95	148	65	114	47
Volume	424	189	672	661	1,346	585
Unit price	100	95	148	98	85	80
Other cereals	141	192	156	247	274	200
Soy beans	690	536	588	145	650	511
Volume	2,909	2,549	2,056	490	2,915	3,066
Unit price	237	210	286	296	223	167
Soy oil	844	928	877	1,010	1,478	1,254
Volume	1,480	1,524	1,658	1,908	2,441	3,026
Unit price	570	609	529	529	605	414
Soy pellets	1,146	1,017	1,984	2,044	1,741	1,800
Volume	6,671	6,854	8,347	8,142	11,439	13,103
Unit price	172	148	238	251	152	137
Sunflower oil	502	868	735	815	1,084	912
Volume	872	1,459	1,371	1,528	1,591	1,899
Unit price	576	595	536	533	681	480
Sunflower pellets	120	125	245	225	146	128
Volume	1,286	1,898	2,096	2,114	2,028	2,260
Unit price	93	66	117	106	72	57
Beef	496	695	627	620	481	531
Volume	140	218	217	203	118	162
Unit price	3,536	3,188	2,891	3,054	3,076	2,278
Beef products	277	368	324	249	223	169
Volume	103	126	141	97	80	72
Unit price	2,689	2,921	2,291	2,567	1,788	1,347
Other meat	133	153	155	141	120	278
Fish and fish products	725	915	1,004	1,021	907	799
Volume	535	584	861	793	604	590
Unit price	1,355	1,567	1,518	1,288	1,502	1,354
Fresh fruit	251	426	476	536	524	493
Volume	536	753	799	905	904	854
Unit price	468	586	595	592	580	577
Wool	122	120	98	85	53	51
Volume	53	37	35	28	21	25
Unit price	2,302	3,243	2,819	3,036	2,524	2,040
Other agricultural exports (Value)	3,347	5,067	5,285	4,892	4,916	4,382

Source: Ministry of Economy.

Table 23. Argentina: External Trade by Principal Countries and Regions

(In millions of U.S. dollars)

	1993	1994	1995	1996	1997	1998	Prel. 1999
Exports, fob							
<b>Total</b>	<b>13,269</b>	<b>16,023</b>	<b>21,161</b>	<b>24,043</b>	<b>26,431</b>	<b>26,442</b>	<b>23,333</b>
ALADI	5,287	6,957	9,625	11,099	13,092	12,985	10,137
<i>Of which: Brazil</i>	2,814	3,655	5,484	6,615	8,133	7,949	5,669
United States	1,278	1,737	1,804	1,974	2,204	2,212	2,601
European Union	3,646	3,891	4,466	4,562	3,993	4,602	4,734
Japan	467	445	457	513	554	657	541
Other	2,590	2,993	4,809	5,895	6,588	5,986	5,321
Imports, cif							
<b>Total</b>	<b>16,873</b>	<b>21,675</b>	<b>20,200</b>	<b>23,856</b>	<b>30,450</b>	<b>31,405</b>	<b>25,507</b>
ALADI	5,434	6,607	5,860	7,352	9,359	9,674	7,734
<i>Of which: Brazil</i>	3,570	4,286	4,175	5,326	6,914	7,055	5,600
United States	3,859	4,928	4,207	4,749	6,095	6,227	4,964
European Union	4,139	6,210	6,025	6,902	8,321	8,620	7,124
Japan	669	620	711	725	1,150	1,453	1,071
Other	2,772	3,310	3,398	4,127	5,525	5,431	4,614

Source: Central Bank of Argentina.

Table 24. Argentina: External Trade: Value, Volume, and Price Indices

	1993	1994	1995	1996	1997	1998	1999	Prel. Jan.-Jun. 2000
(1993 = 100)								
Export value	100.0	120.7	159.8	181.5	201.5	201.6	177.9	197.9
Export price	100.0	102.9	108.8	115.9	111.9	100.3	89.1	97.1
Export volume	100.0	117.3	146.9	156.6	180.1	201.0	199.7	203.8
Import value	100.0	128.6	119.9	141.6	181.4	187.1	152.0	144.0
Import price	100.0	101.4	106.9	105.6	103.2	97.9	92.4	94.2
Import volume	100.0	126.8	112.2	134.1	175.8	191.1	164.5	152.9
<b>Terms of trade</b>	100.0	101.5	101.8	109.8	108.4	102.5	96.4	103.1
(Percentage change)								
Export value	7.2	20.7	32.4	13.6	11.0	0.0	-11.8	13.3
Export price	0.2	2.9	5.7	6.5	-3.5	-10.4	-11.2	10.3
Export volume	7.0	17.3	25.2	6.6	15.0	11.6	-0.7	2.7
Import value	12.9	28.6	-6.8	18.1	28.1	3.1	-18.8	1.9
Import price	-2.2	1.4	5.4	-1.2	-2.3	-5.1	-5.6	1.2
Import volume	15.5	26.8	-11.6	19.6	31.1	8.7	-13.9	0.7
<b>Terms of trade</b>	2.5	1.5	0.3	7.8	-1.2	-5.5	-5.9	6.9

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

Table 25. Argentina: Imports by Economic Classification

	1993	1994	1995	1996	1997	1998	Prel. 1999
(In millions of U.S. dollars)							
<b>Total, c.i.f.</b>	<b>16,873</b>	<b>21,675</b>	<b>20,200</b>	<b>23,856</b>	<b>30,450</b>	<b>31,405</b>	<b>25,507</b>
Capital goods	4,115	6,011	4,777	5,607	7,737	8,454	7,017
Intermediate goods	5,063	6,242	7,220	8,408	10,061	9,963	8,369
Fuels	387	606	809	845	968	849	730
Parts of capital goods	2,809	3,396	3,342	4,108	5,565	5,538	3,932
Consumption goods	3,527	3,907	3,174	3,583	4,545	4,849	4,510
Automobiles	849	1,399	775	1,199	1,567	1,624	949
Other	123	114	103	106	7	128	0
(In percent of total)							
<b>Total, c.i.f.</b>	<b>100.0</b>						
Capital goods	24.4	27.7	23.6	23.5	25.4	26.9	27.5
Intermediate goods	30.0	28.8	35.7	35.2	33.0	31.7	32.8
Fuels	2.3	2.8	4.0	3.5	3.2	2.7	2.9
Parts of capital goods	16.6	15.7	16.5	17.2	18.3	17.6	15.4
Consumption goods	20.9	18.0	15.7	15.0	14.9	15.4	17.7
Automobiles	5.0	6.5	3.8	5.0	5.1	5.2	3.7
Other	0.7	0.5	0.5	0.4	0.0	0.4	0.0

Sources: Ministry of Economy; and National Institute of Statistics.

Table 26. Argentina: International Reserves of the Central Bank

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

	1995	1996	1997	1998	1999	2000	
						Q1	Q2
<b>Central bank net international reserves</b>	<b>9,833</b>	<b>13,452</b>	<b>16,939</b>	<b>20,807</b>	<b>22,864</b>	<b>22,787</b>	<b>24,137</b>
<b>Assets</b>	<b>15,964</b>	<b>19,745</b>	<b>22,807</b>	<b>26,249</b>	<b>27,342</b>	<b>26,916</b>	<b>27,984</b>
Gold 1/	1,679	1,611	120	124	121	125	122
SDRs	514	399	167	264	138	11	30
Foreign exchange	13,749	17,705	22,478	25,831	27,070	26,778	27,830
LAlA (net) 2/	22	30	42	30	13	2	2
<b>Liabilities</b>	<b>6,131</b>	<b>6,293</b>	<b>5,868</b>	<b>5,442</b>	<b>4,478</b>	<b>4,129</b>	<b>3,847</b>
IMF 3/	6,131	6,293	5,868	5,442	4,478	4,129	3,847

Sources: Central Bank of Argentina.

1/ Valued at market prices.

2/ Balances under the multilateral clearing system of the Latin American Integration Association (LAlA).

3/ Total Fund credit and Loans outstanding valued at end-of-period exchange rates.

Table 27. Argentina: Outstanding Government External Debt by Creditor

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

	1993	1994	1995	1996	1997	1998	Prel. 1999
<b>Public sector</b>	<b>53,620</b>	<b>61,274</b>	<b>67,200</b>	<b>73,511</b>	<b>74,803</b>	<b>82,441</b>	<b>84,854</b>
International organizations	10,501	11,322	15,088	15,710	16,121	18,476	19,834
IMF	3,742	4,326	6,120	6,279	5,908	5,420	4,472
Other	6,759	6,996	8,968	9,431	10,213	13,056	15,362
Paris Club	7,433	7,978	8,038	6,725	5,144	4,512	3,235
Commercial banks	1,271	1,567	1,709	1,346	1,318	1,240	940
Bonds and titles	31,594	36,881	38,176	46,079	49,273	55,355	58,200
Other	2,821	3,526	4,189	3,651	2,947	2,858	2,645

Source: Ministry of Economy.

Table 28. Argentina: Nonfinancial Private and Financial External Debt

(In millions of U.S. dollars)

	December							March
	1993	1994	1995	1996	1997	1998	1999	2000
Total	18,592	24,404	31,690	36,263	49,893	58,290	59,930	59,006
Nonfinancial private sector 1/	9,710	13,605	17,938	20,604	29,304	35,984	36,302	36,609
Private titles and bonds	4,828	6,286	7,752	8,278	12,936	16,614	16,634	16,896
Multilateral institutions	345	498	632	757	815	817	1,168	1,169
Official creditors	791	1,304	1,806	2,105	2,360	2,412	2,228	2,225
Participating banks	273	512	640	1,165	1,138	985	1,314	1,257
Direct bank debt	2,604	3,947	6,063	7,175	10,713	13,194	12,682	12,725
Suppliers and others	869	1,058	1,045	1,124	1,342	1,962	2,276	2,337
Financial sector (except central bank)	8,882	10,799	13,752	15,659	20,589	22,306	23,628	22,397
Titles and bonds	1,991	2,812	2,513	3,978	5,064	6,161	6,349	6,790
Lines of credit	4,312	5,225	7,374	6,948	7,407	8,522	9,781	8,075
Multilateral institutions	295	327	331	502	459	431	499	510
Deposits	1,031	1,706	1,727	1,603	2,822	2,354	2,630	2,570
Diverse obligations 2/	1,253	729	1,807	2,628	4,837	4,838	4,369	4,452
of which: collateralized obligations	0	80	870	1,805	3,731	3,747	3,362	3,501

Source: Ministry of Finance.

1/ Exclude liabilities with foreign companies added in the direct investment estimates.

2/ Include, among others, "operaciones de pase" and in-cash purchases and sales operations paid in advance thus reflecting future obligations that are classified under assets and liabilities likewise.

