

Argentina

From Stabilization to Economic Growth

August 2003

**Secretariat of Finance
Ministry of Economy and Production**



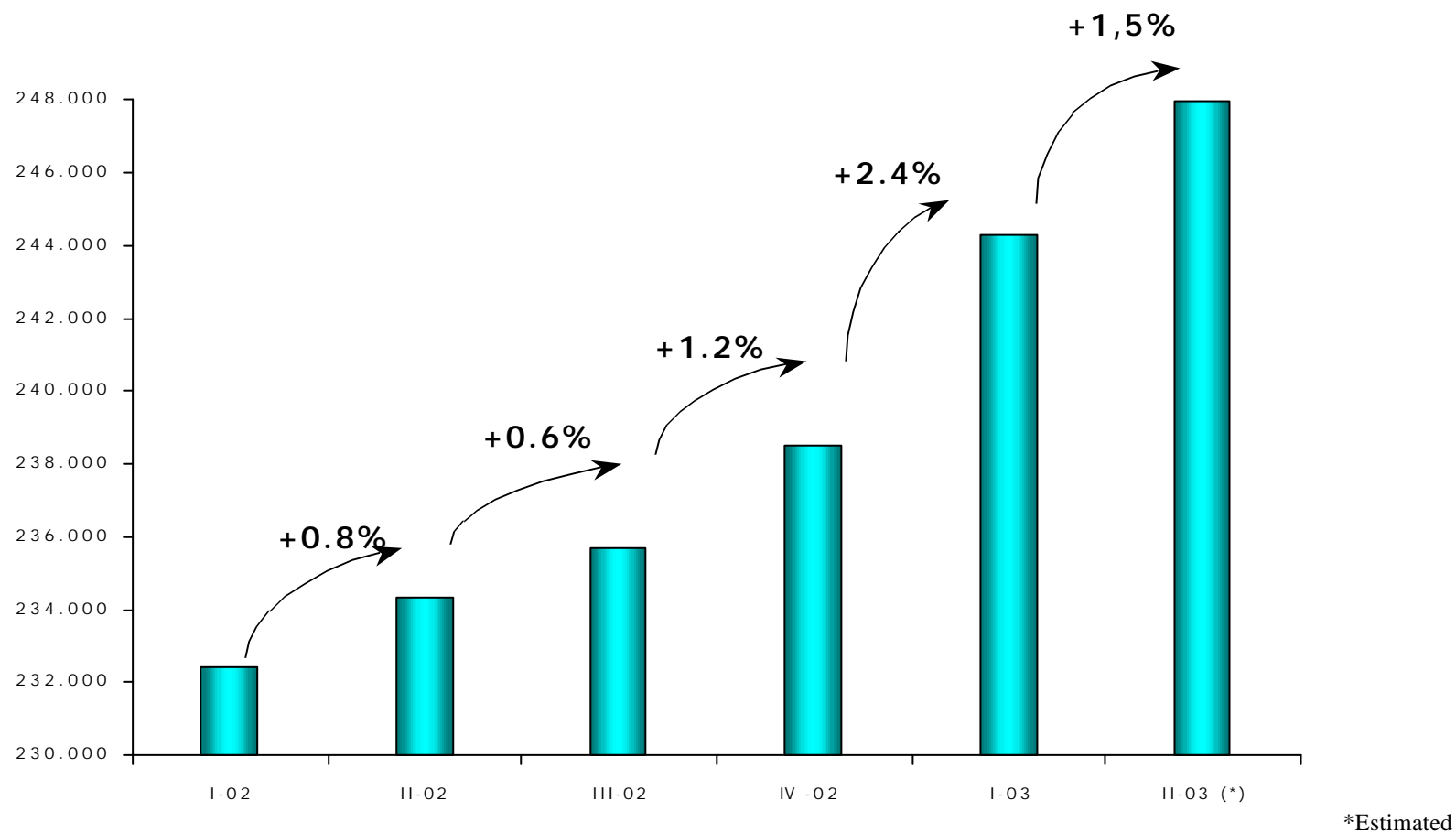
Argentina in crisis

- By its magnitude and scope, the Argentinean crisis of 2001/2002 had no precedent
- Simultaneous crisis in:
 - Economy
 - Fiscal
 - Financial
 - Corporate
 - Political
 - Social
 - Institutional
 - Supreme Court

Main Economic Indicators

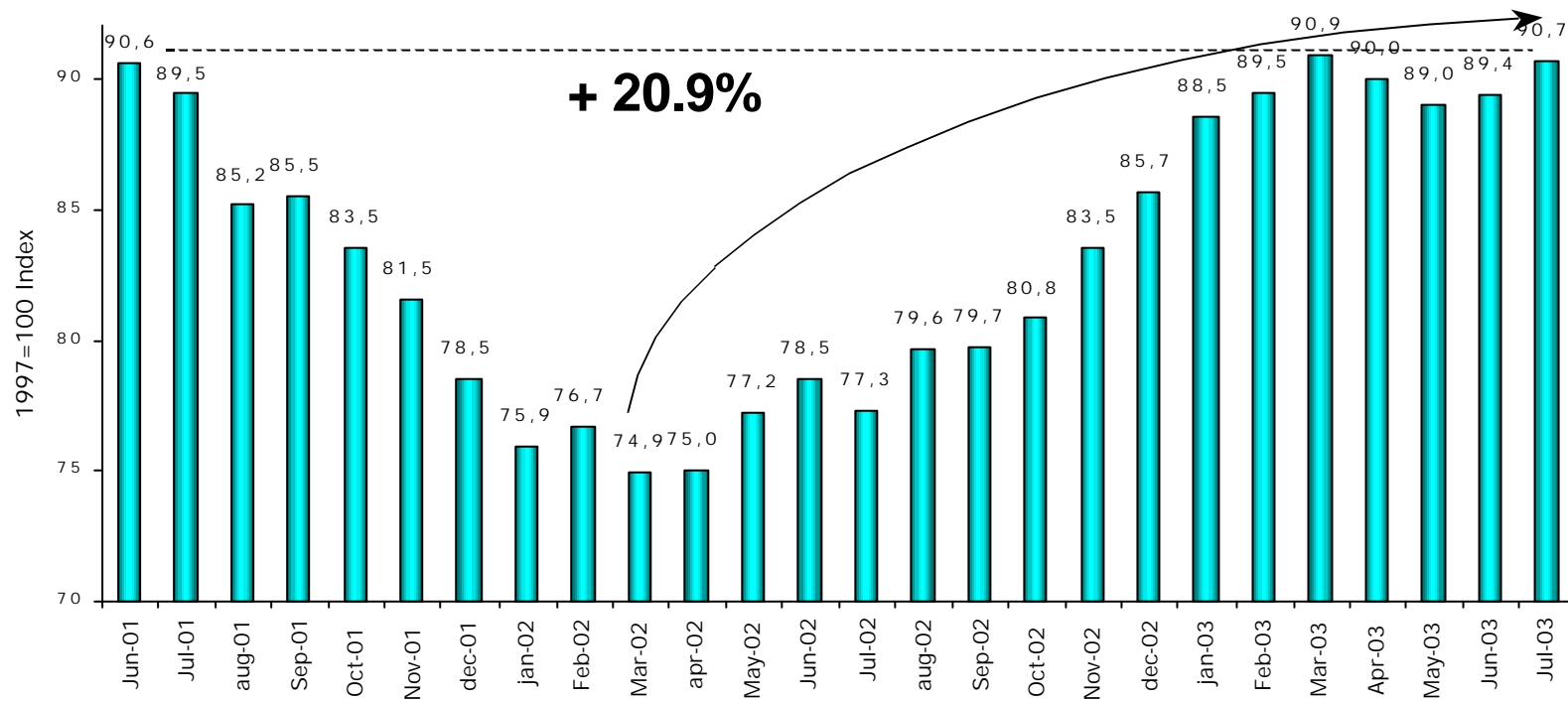
Gross Domestic Product

Seasonally Adjusted at 1993 prices – in millions of pesos



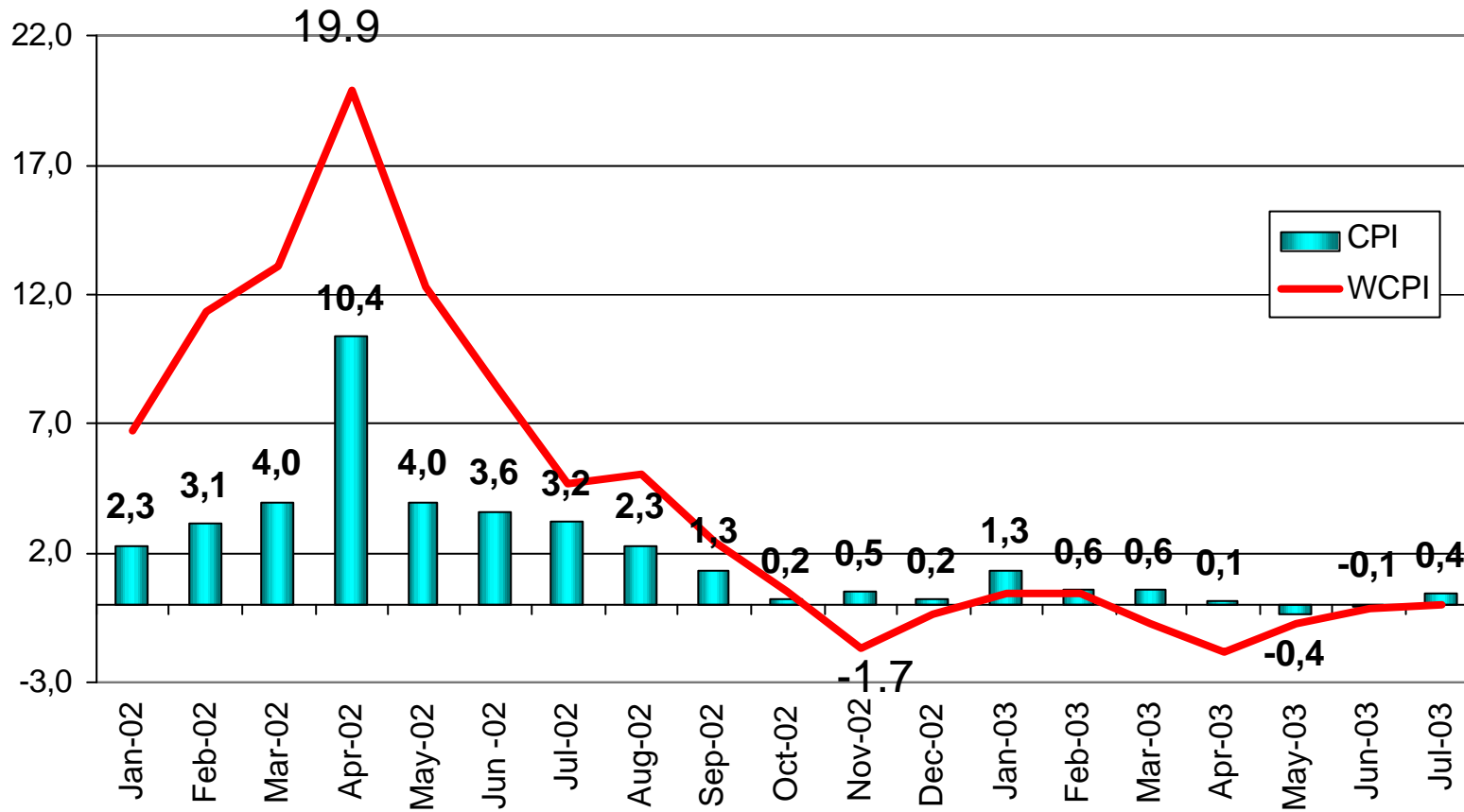
Industrial Production

Monthly Industrial Estimator - Seasonally adjusted figures



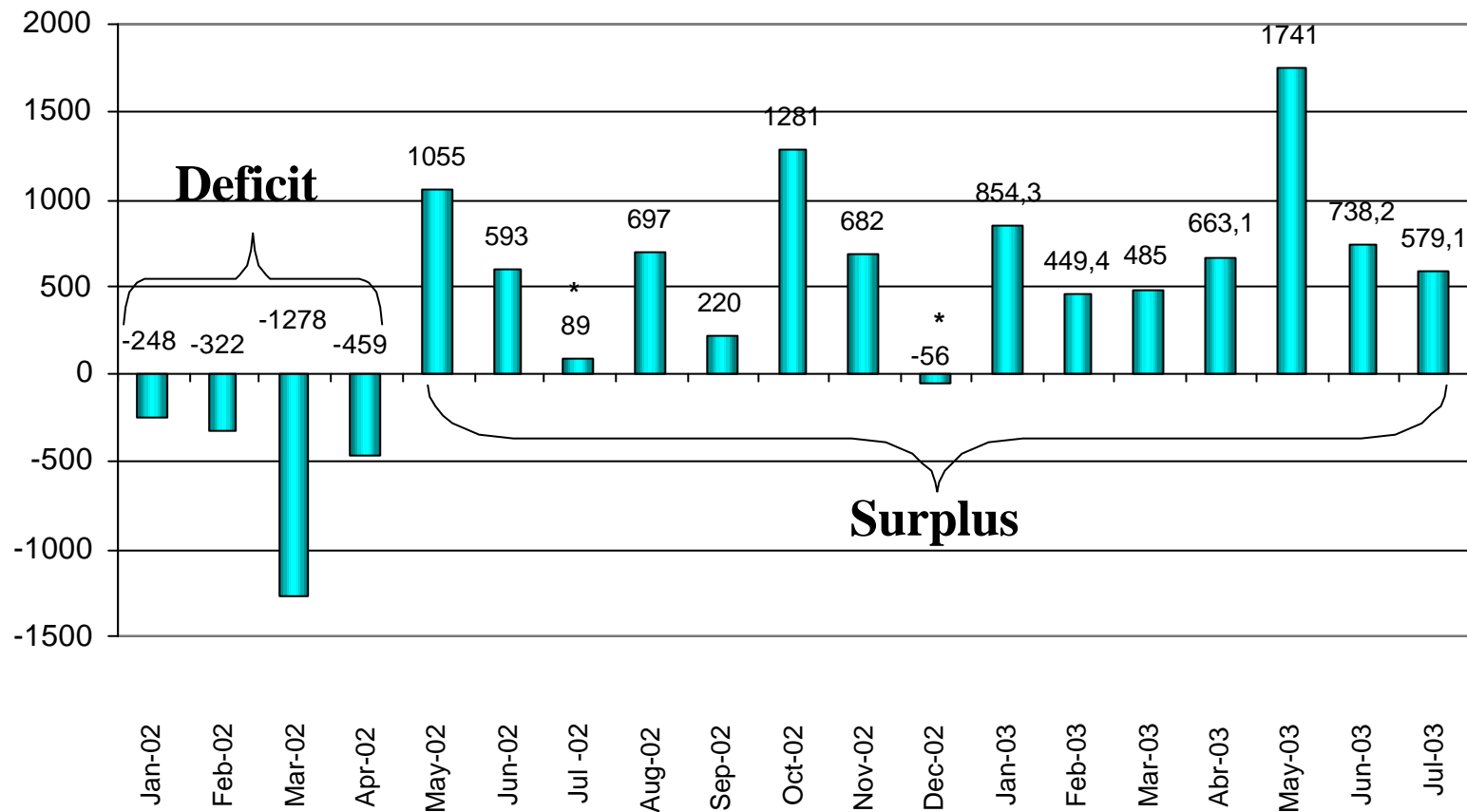
Wholesale & Consumer Prices

MoM Change



Primary Balance (cash basis)

Non Financial Public Sector

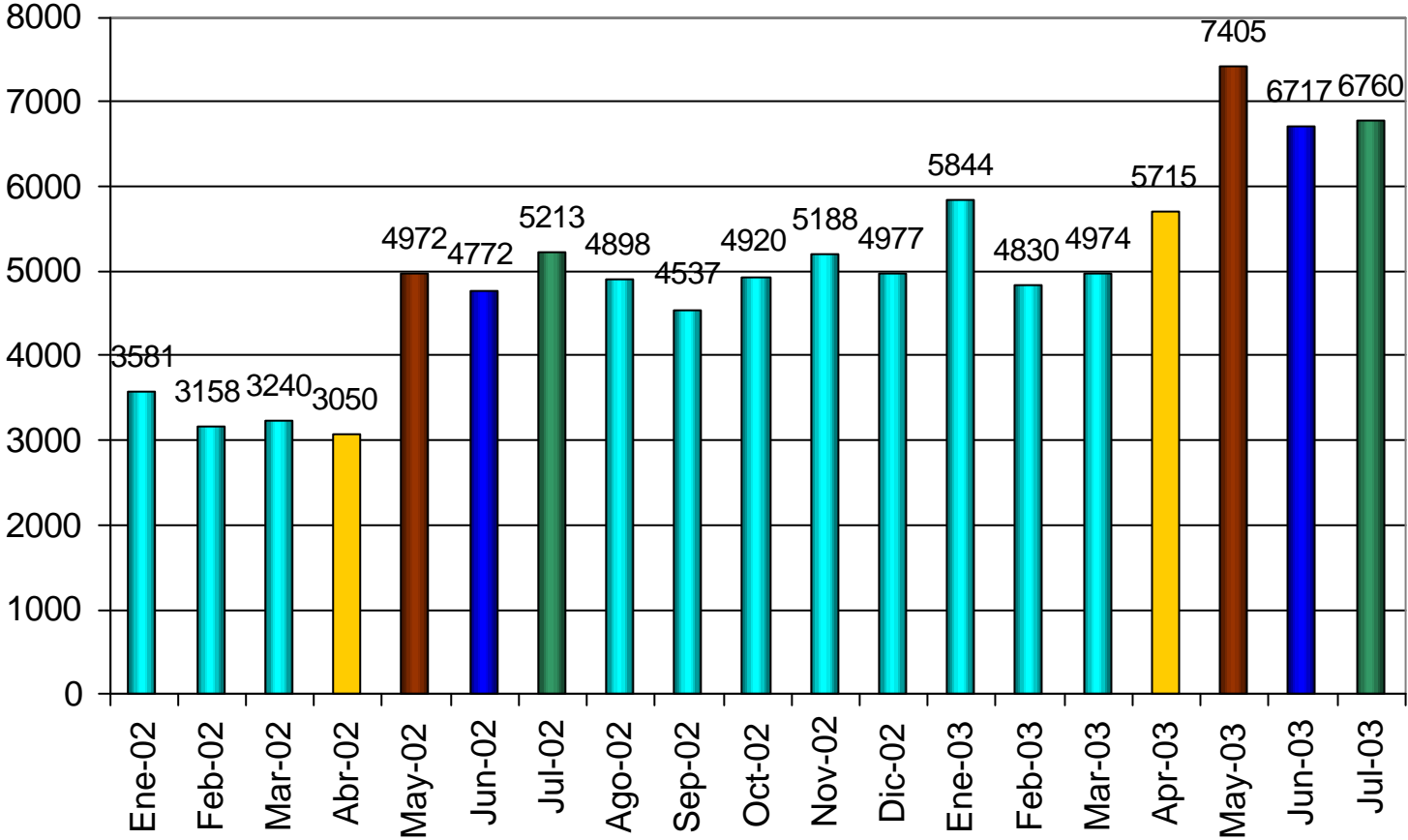


* Includes Complementary semi-annual salary

Total Tax Revenue

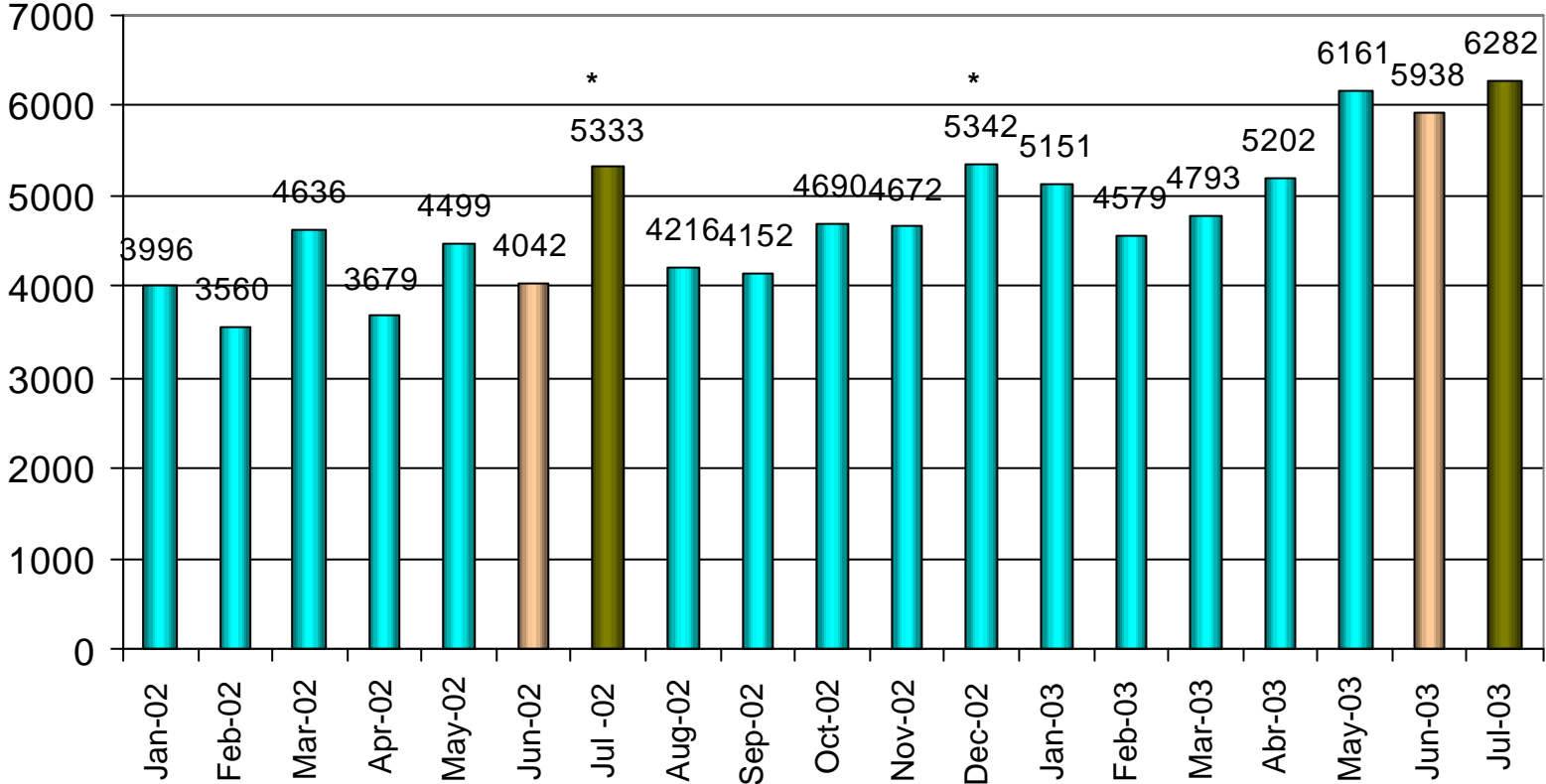
Non Financial Public Sector

87.4% 48.9% 40.7% 29.6%



Primary Expenditure

Cash Basis

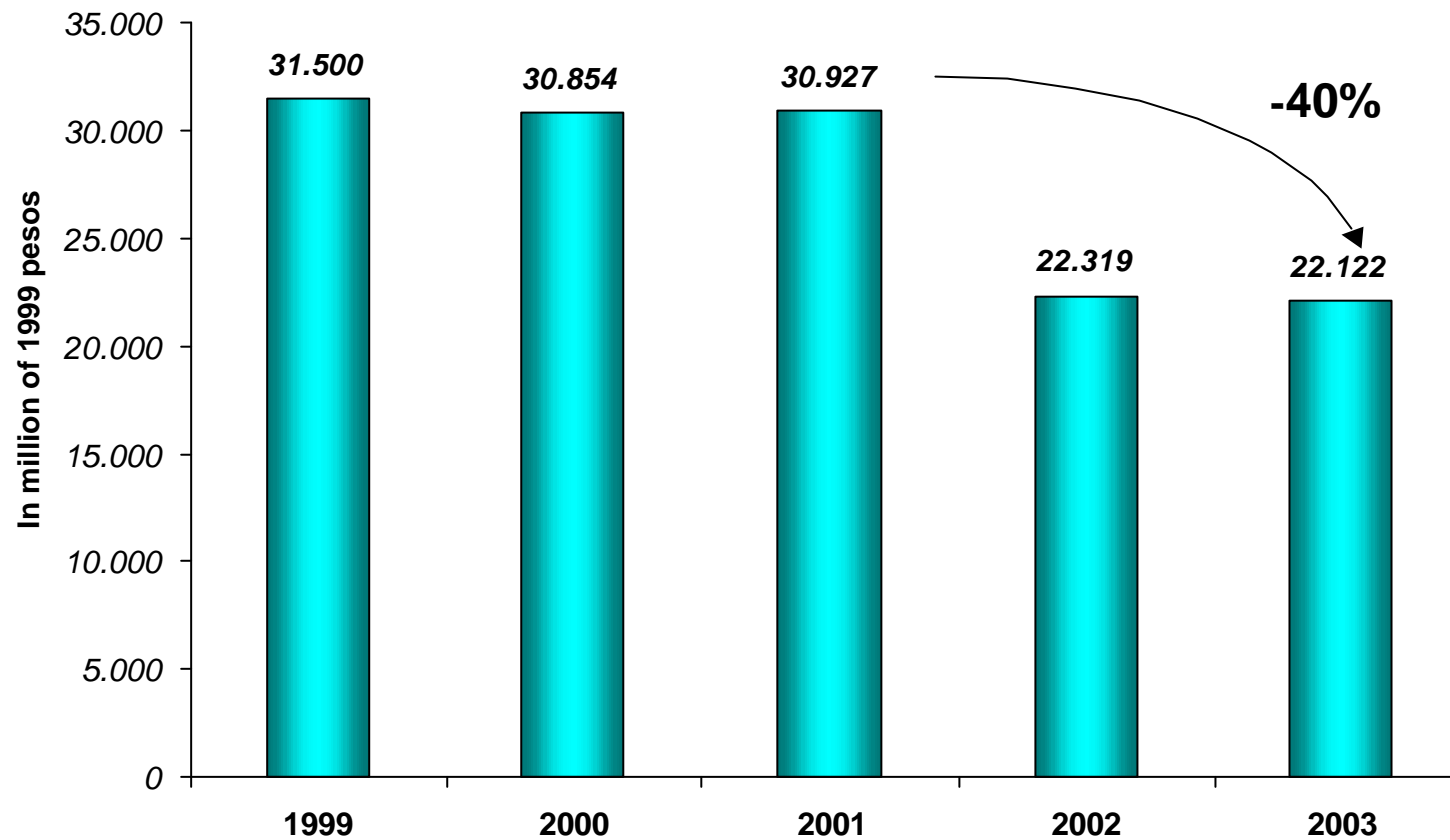


* Includes Complementary semi-annual salary

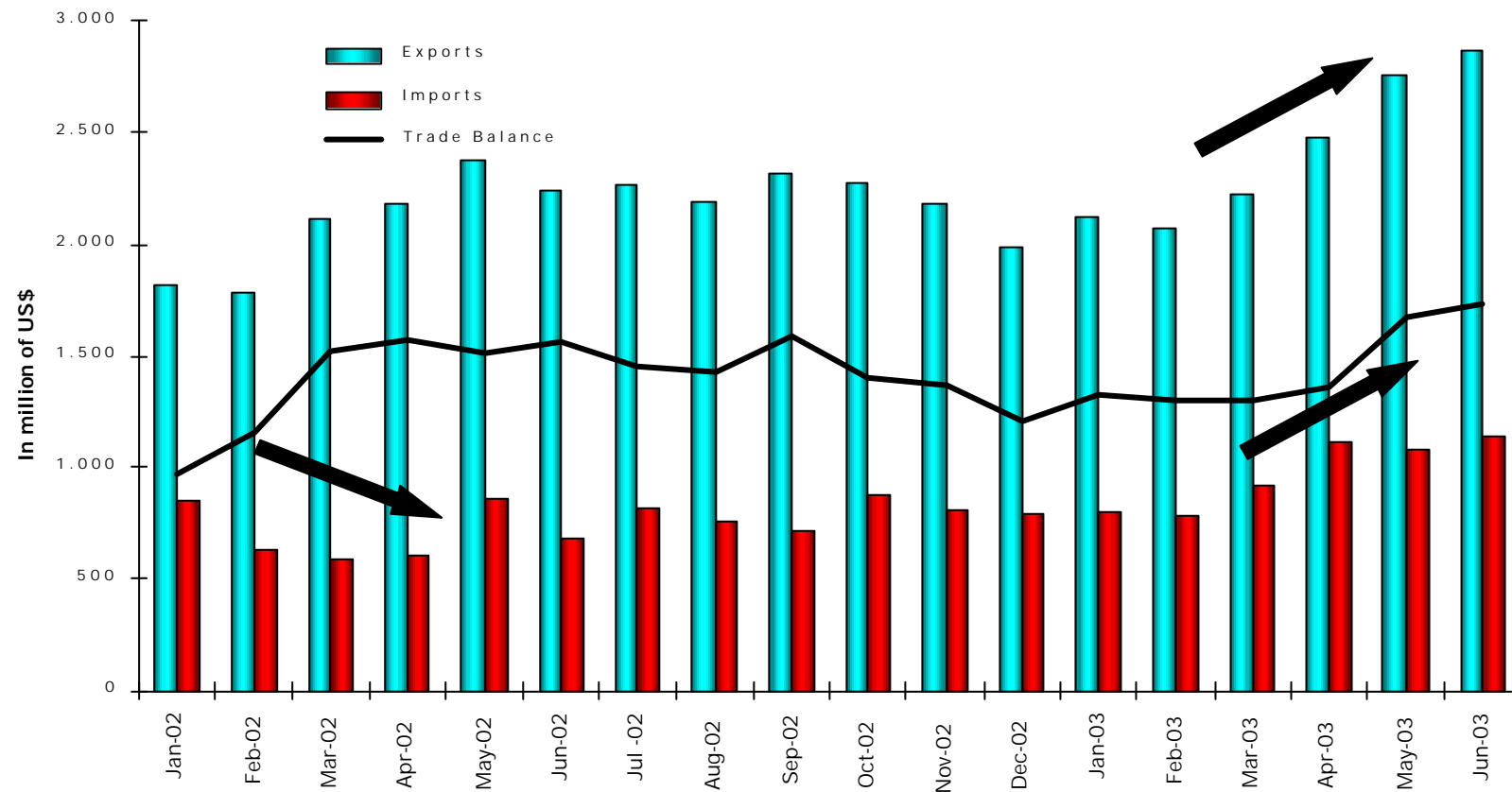
Primary Expenditure

January – June Accumulated

Deflated by 0.5 CPI and 0.5 WPI

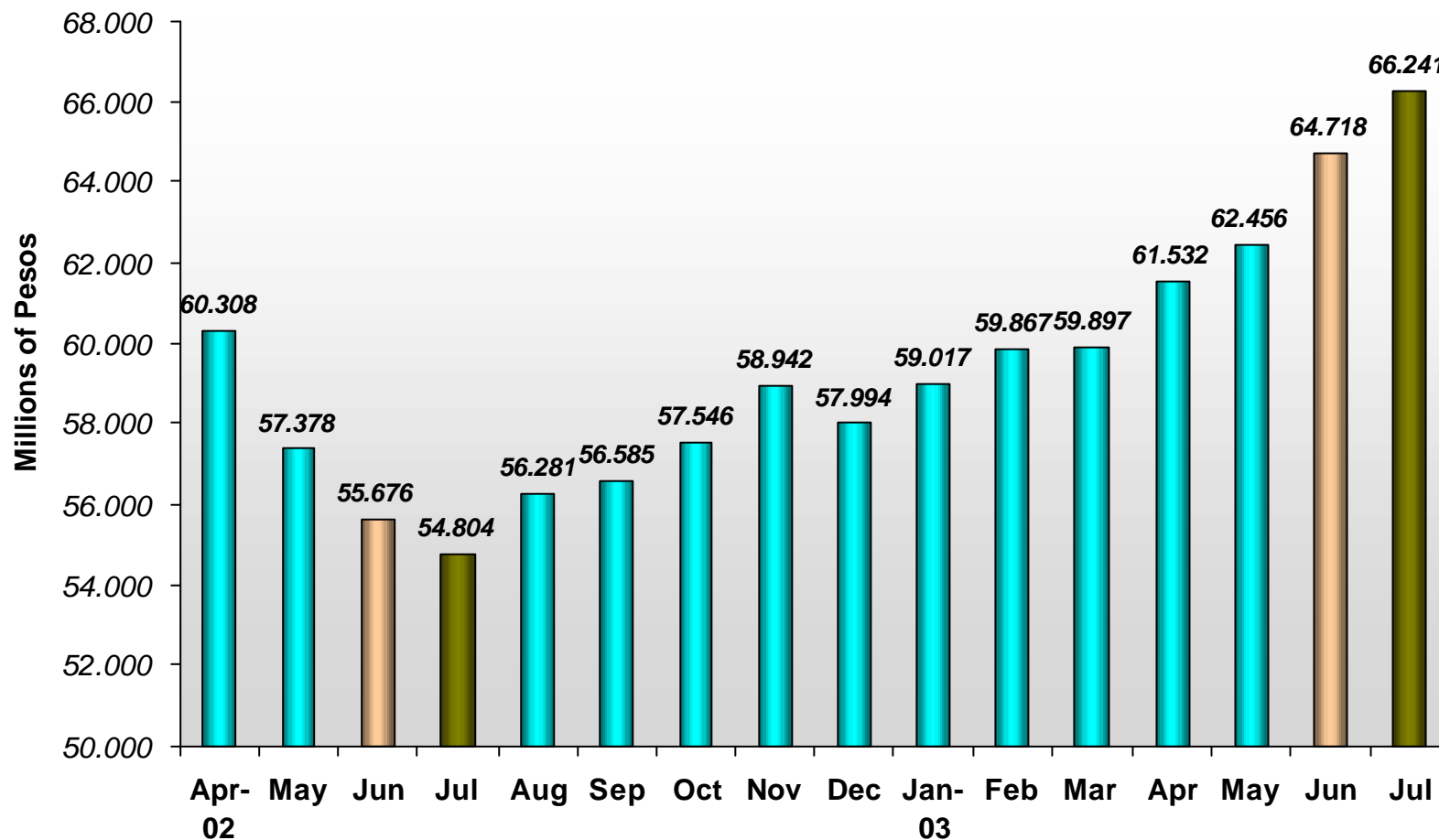


Foreign Trade

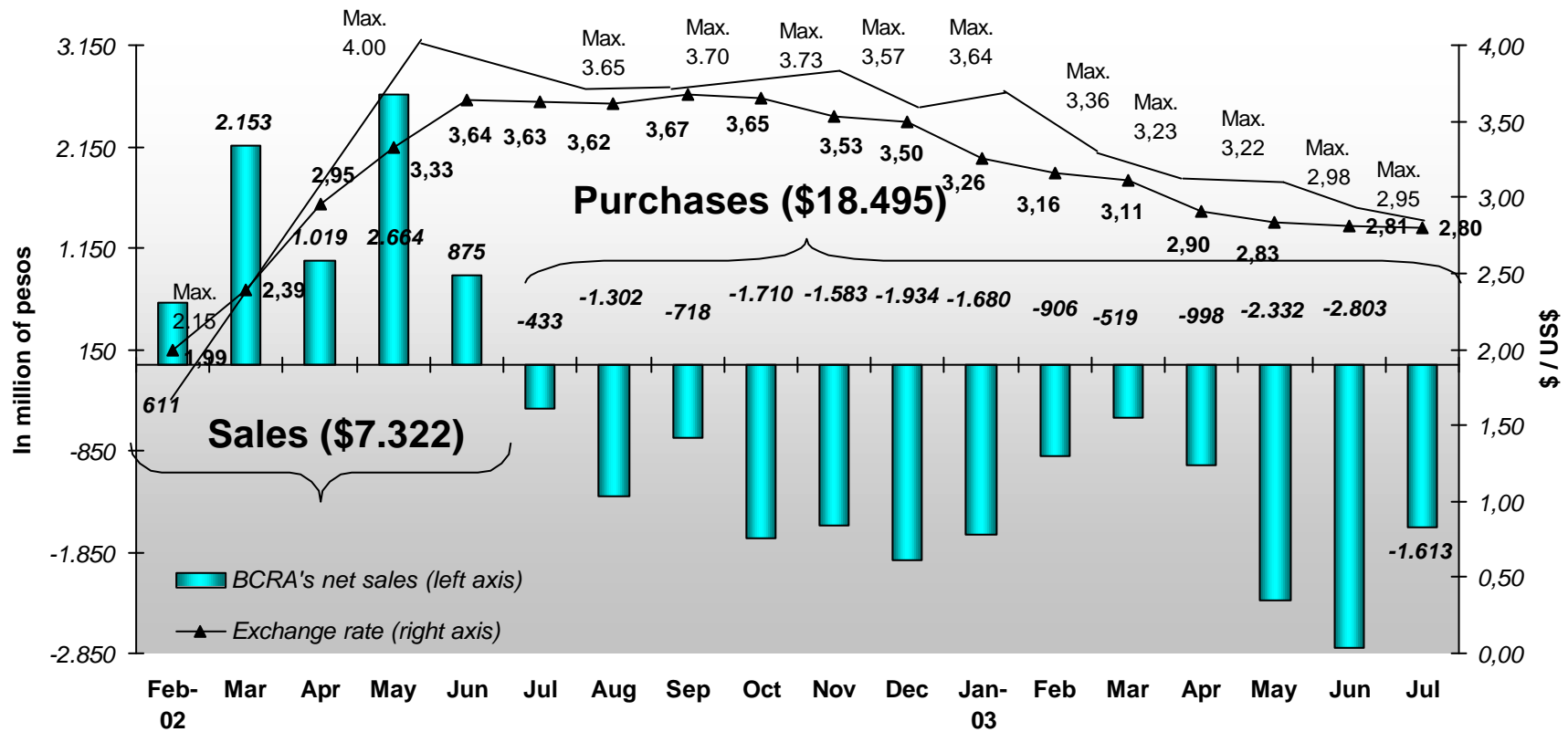


Main Financial Indicators

Arg\$ Deposits of the Private Sector



CB Exchange Intervention



→ Lifting of exchange controls

Sovereign Debt

Public Debt Stock – Estimated as of December 31, 2003

Millions of US\$

	Residual Value	Arrears Interest	Arrears Principal	Total	% of the Total
DEBT IN DEFAULT					
Internatinal Law	62.990	9.682	10.391	83.063	45,4%
Domestic Law	4.579	505	5.345	10.429	5,7%
Treasury Bills	0	63	1.880	1.943	1,1%
Bilaterals	3.497	348	1.237	5.082	2,8%
Commercial Banks	894	86	451	1.431	0,8%
Other Creditors	94	5	126	225	0,1%
Total	72.054	10.689	19.430	102.173	55,8%
PERFORMING DEBT					
Guaranteed Loans	13.308	0	0	13.308	7,3%
Guaranteed Provincial Bonds	9.140	0	0	9.140	5,0%
BODENs	25.713	0	0	25.713	14,1%
Exception Bonds	312	0	0	312	0,2%
Multilaterals	32.358	0	0	32.358	17,7%
Total	80.831	0	0	80.831	44,2%
TOTAL	152.885	10.689	19.430	183.004	100,0%

Public Debt Stock (AS OF 12/31/2002)

		Breakdown of International Organizations Payments					
		(in million of US\$)					
		2003	2004	2005	2006	2007	
	Stock	Multilateral y Bilaterals					
IMF	14.253	IMF	10.686	3.050	1.050	29	0
		- Capital	10.221	2.969	1.034	29	0
		- Interests	465	81	15	0	0
World Bank	7.697	World Bank	3.099	994	974	954	937
		- Capital	2.762	755	775	795	819
		- Interests	338	239	199	159	118
IADB	8.379	IADB	2.807	818	794	794	800
		- Capital	2.416	503	507	534	571
		- Interests	390	315	287	259	229
Total	30.329	Total	16.592	4.862	2.818	1.777	1.738

Public Debt Stock -International law-

		Number of Bonds	Outstanding Amount	% of Total
Breakdown by Governing Law	New York	31	40.566	55,3%
	English	39	15.394	21,0%
	German	27	15.080	20,6%
	Japan	4	1.611	2,2%
	Italian	2	284	0,4%
	Swiss	1	221	0,3%
	Spanish	1	137	0,2%
	TOTAL	105	73.294	100,0%
Breakdown by Bond Type	Global Bonds	24	35.458	48,4%
	Euro MTN	39	15.394	21,0%
	Dom DEM	27	15.080	20,6%
	Brady	5	5.050	6,9%
	Samurai	4	1.611	2,2%
	Dom IT	2	284	0,4%
	Dom CHF	1	221	0,3%
	Dom ESP	1	137	0,2%
	Other	2	58	0,1%
	TOTAL	105	73.294	100,0%

* Nominal Values including arrears of principal
(non interest)

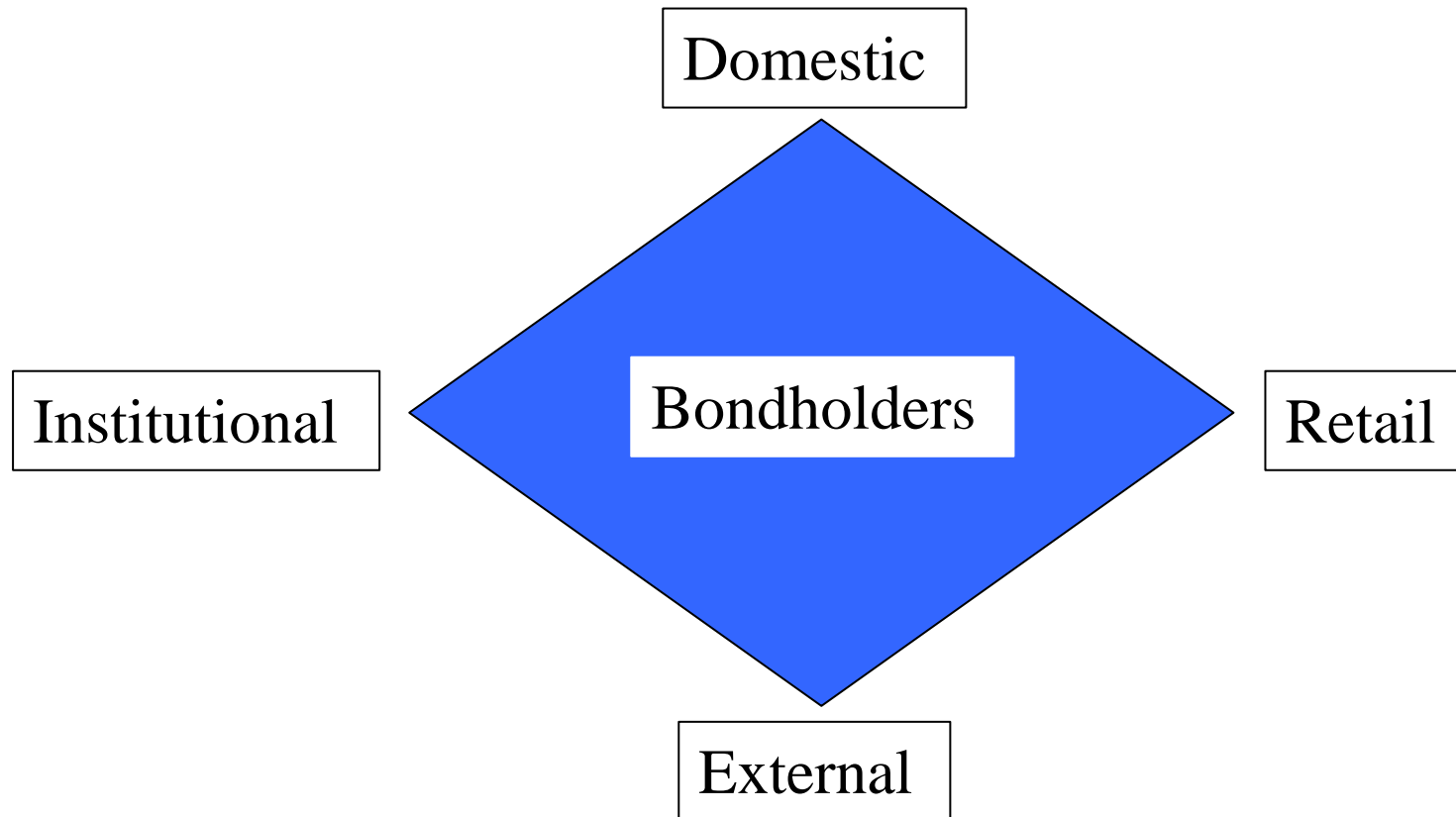
Public Debt

Main Characteristics of the Bonds

Number of issues	152
Currencies	14
(W/EURO)	(7)
Legislations	8

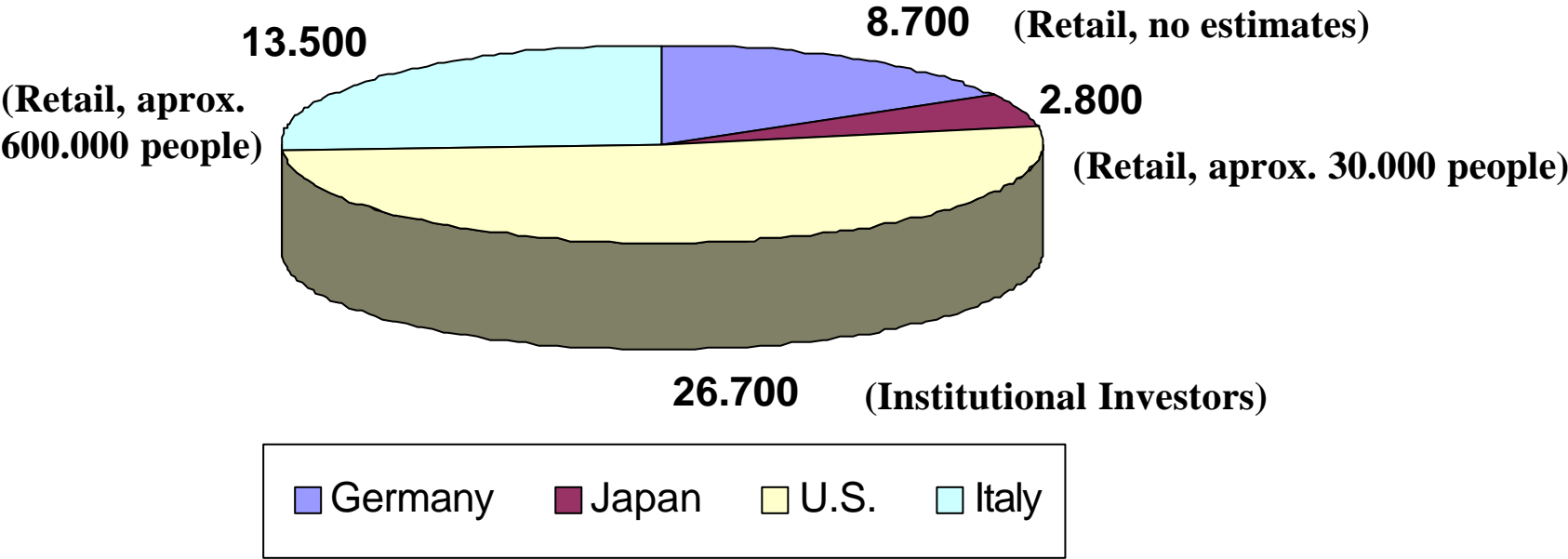
Public Debt

Main Characteristics of the Bonds



Main bondholders around the world

In millions of USD



Default experiences in the '90

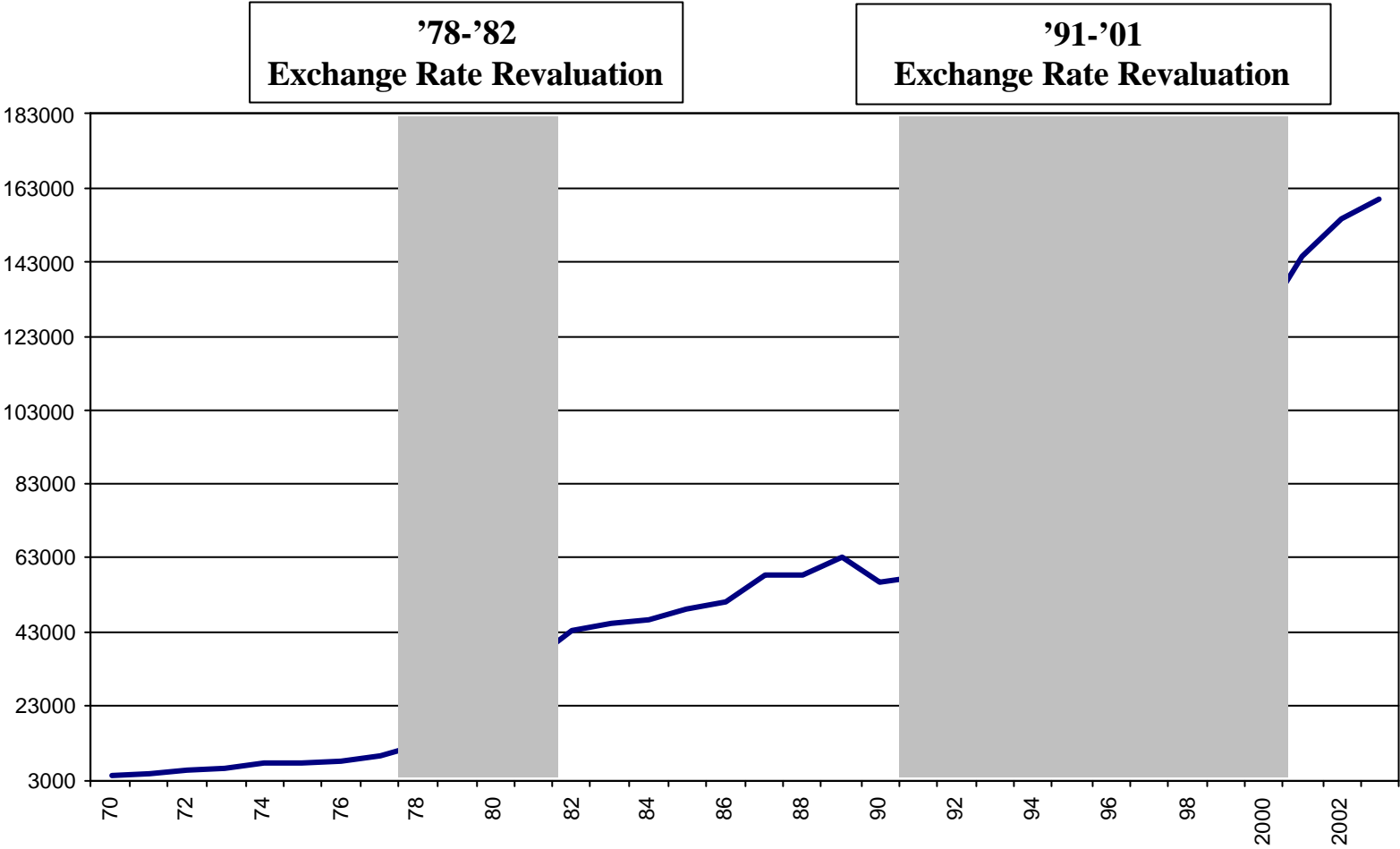
	Russia	Ukraine	Ecuador	Pakistan	Uruguay	Argentina (*)
Bonds to be Restructured	3	5	5	3	66	152
New Issues	2	2	2	1	31	—
Amount restructured (US\$ MM)	31.600	2.600	6.600	610	4.900	102.000
# Legislations	1	3	2	1	6	8
Default Duration (months)	18	3	10	2	0	20 / 32
Official Debt / Total Debt	45%	75%	50%	88%	45%	21%
Face Value Reduction	36%	0%	40%	0%	0%	—
Period Extensions	Yes	Yes	Yes	Yes	Yes	—
Interest Reductions	No	Yes	No	Yes	No	—
Treatment to Banking Sector ?	Specific	Specific	Specific	No	Specific	Specific
Prior restructuring of Domestic Debt ?	Yes	Yes	Yes	Yes	Jointly	Yes
Prior Agreement w/IMF f/restructuring ?	Yes	Yes	Yes	Yes	Yes	—

Source: DMA

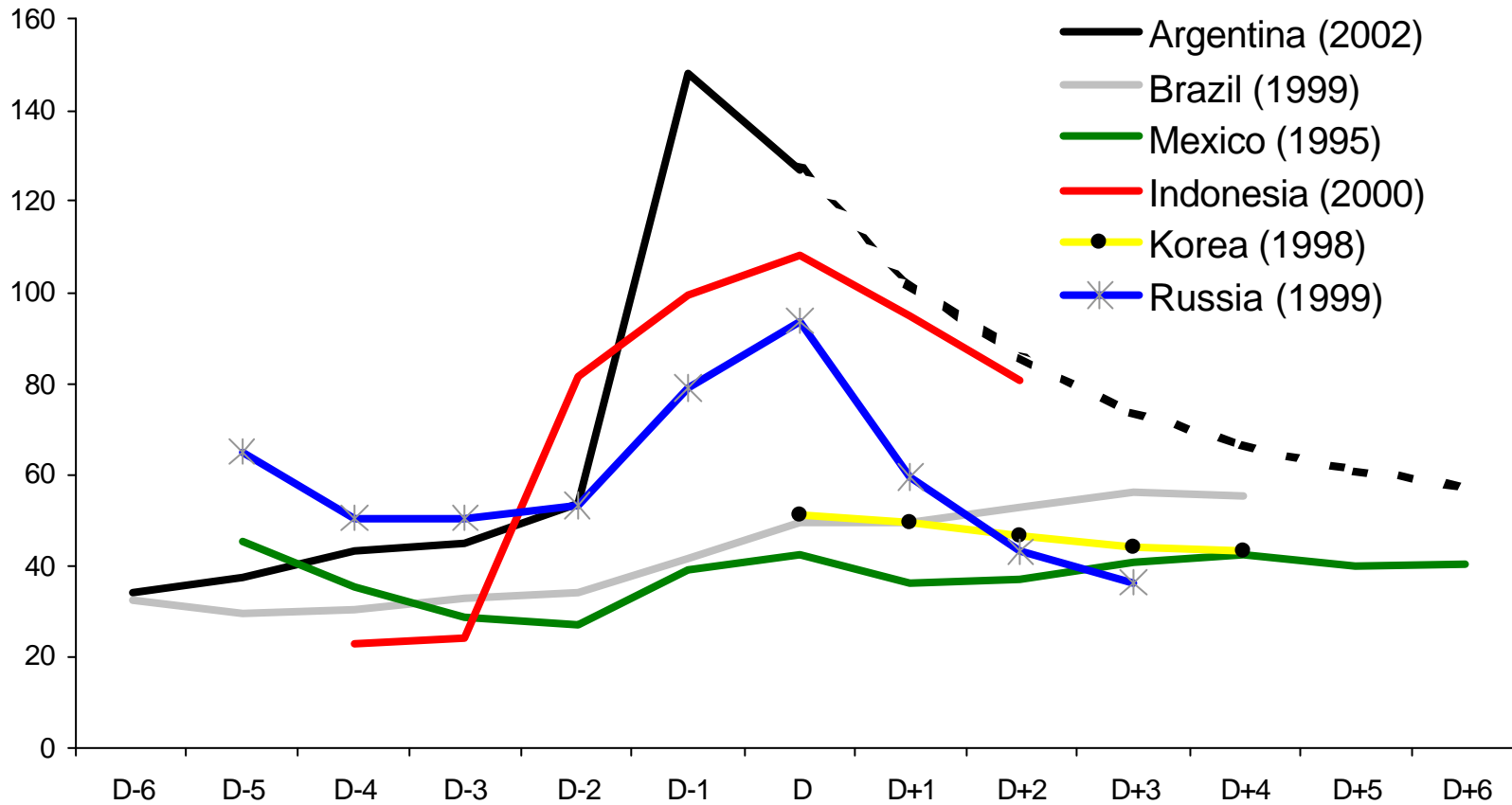
(*) Estimated

Public Debt Stock Evolution

Millions of US Dollars



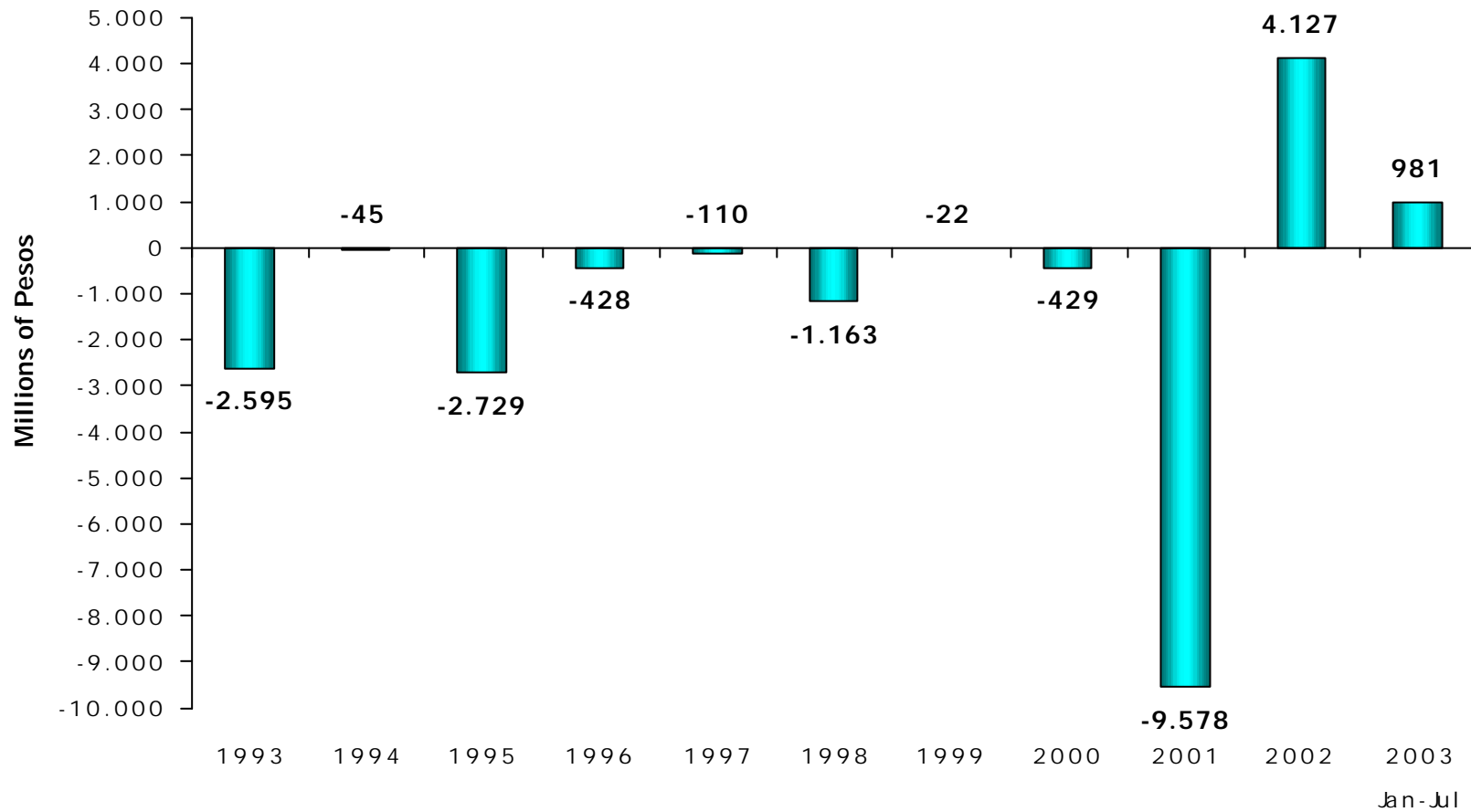
Total Debt as % of GDP



Source: CSFB

Deleveraging process

Net Payment to Multilateral Agencies



Compensation to the Financial System And debt absorption

Millions of US\$

TOTAL	12.285
BANKS COMPENSATION	9.312
Pesoification	7.949
-Boden 12	6.156
-Boden 07	1.793
Cover Bond	1.362
-Boden 12	3.234
-Counterpart	1.871
DEPOSITORS BOND	2.973
SWAP I	
Boden	5.426
-Boden 05	885
-Boden 07	147
-Boden 12	4.394
Counterpart	2.969
-RML	779
-Boden 07	373
-National Guaranteed Loan	514
-Deposit	850
-Provincial Guaranteed Loan	453
SWAP II	
Boden 13	1.818
Counterpart	1.302
-National Guaranteed Loan	776
-Provincial Guaranteed Loan	526

Net effect

2.457

Net effect

516

Liquidity Assistance impact

- Stock of rediscounts: Arg\$ 20.400 M
 - Main debtors:

In thousands of Arg\$

	FINANCIAL ENTITY	CB ASSISTANCE	% / Total	ACCUM. %
1	GALICIA	5.574.560,0	27,3%	27,3%
2	BAPRO	4.621.707,0	22,6%	49,9%
3	NACION	4.552.303,0	22,3%	72,1%
4	FRANCES	1.839.649,0	9,0%	81,1%
5	PCIA.CORDOBA	537.095,0	2,6%	83,8%
6	CIUDAD	479.090,0	2,3%	86,1%
7	NUEVO BANCO BISEL	470.696,0	2,3%	88,4%
8	SUDAMERIS	466.463,0	2,3%	90,7%
9	RIO DE LA PLATA	423.260,0	2,1%	92,7%
10	HIPOTECARIO	391.102,0	1,9%	94,7%

- Matching: counterpart of the liquidity assistance = public bonds (1.25)

Challenges ahead

Challenges ahead

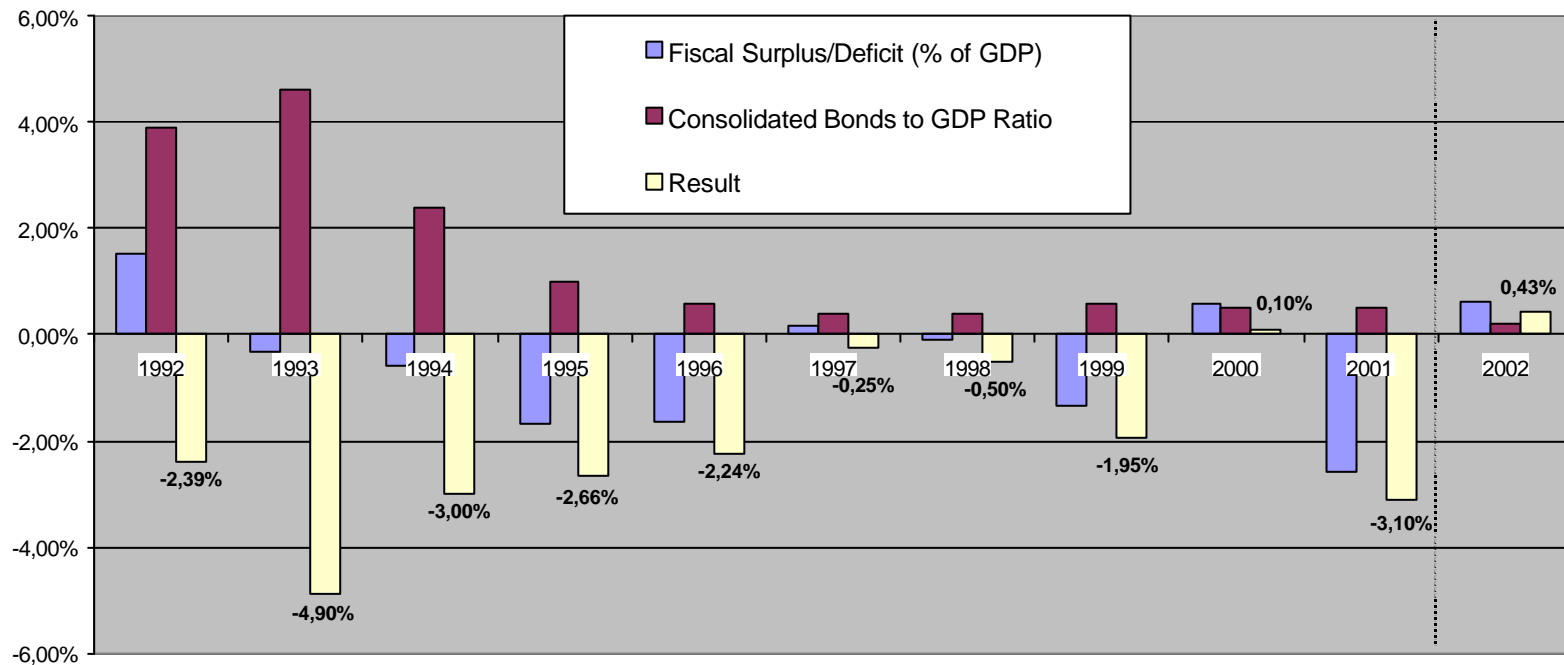
- IMF Long term agreement
- Restructuring of private debt
- Zero net flows w/IFI's

Challenges ahead

- Banking system restructuring
- Institutional reforms
 - Central Bank
 - Public Banks
 - Privatized infrastructure and public service concessions
 - Tax reform ?

Argentine Fiscal Deficit in last decade- as % GDP

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Fiscal Surplus/Deficit (% of GDP)	1,51%	-0,30%	-0,60%	-1,66%	-1,64%	0,15%	-0,10%	-1,35%	0,60%	-2,60%	0,63%
Consolidated Bonds to GDP Ratio	3,90%	4,60%	2,40%	1,00%	0,60%	0,40%	0,40%	0,60%	0,50%	0,50%	0,20%
Result	-2,39%	-4,90%	-3,00%	-2,66%	-2,24%	-0,25%	-0,50%	-1,95%	0,10%	-3,10%	0,43%
Average '92-'01	-2,09%										



Fiscal transition in emerging economies

Average in % of GDP	Overall deficit		Total expenditure		Total revenue	
	1992	2000	1992	2000	1992	2000
Total	-11.2	-3.4	46.4	33.6	34.4	30.2
FSU countries	-14.3	-3.5	47.4	28.1	31.9	24.5
EEC countries	-6.0	-3.8	46.3	41.8	39.7	38.1
Baltics	-8.4	-4.0	41.4	41.7	33.1	37.8

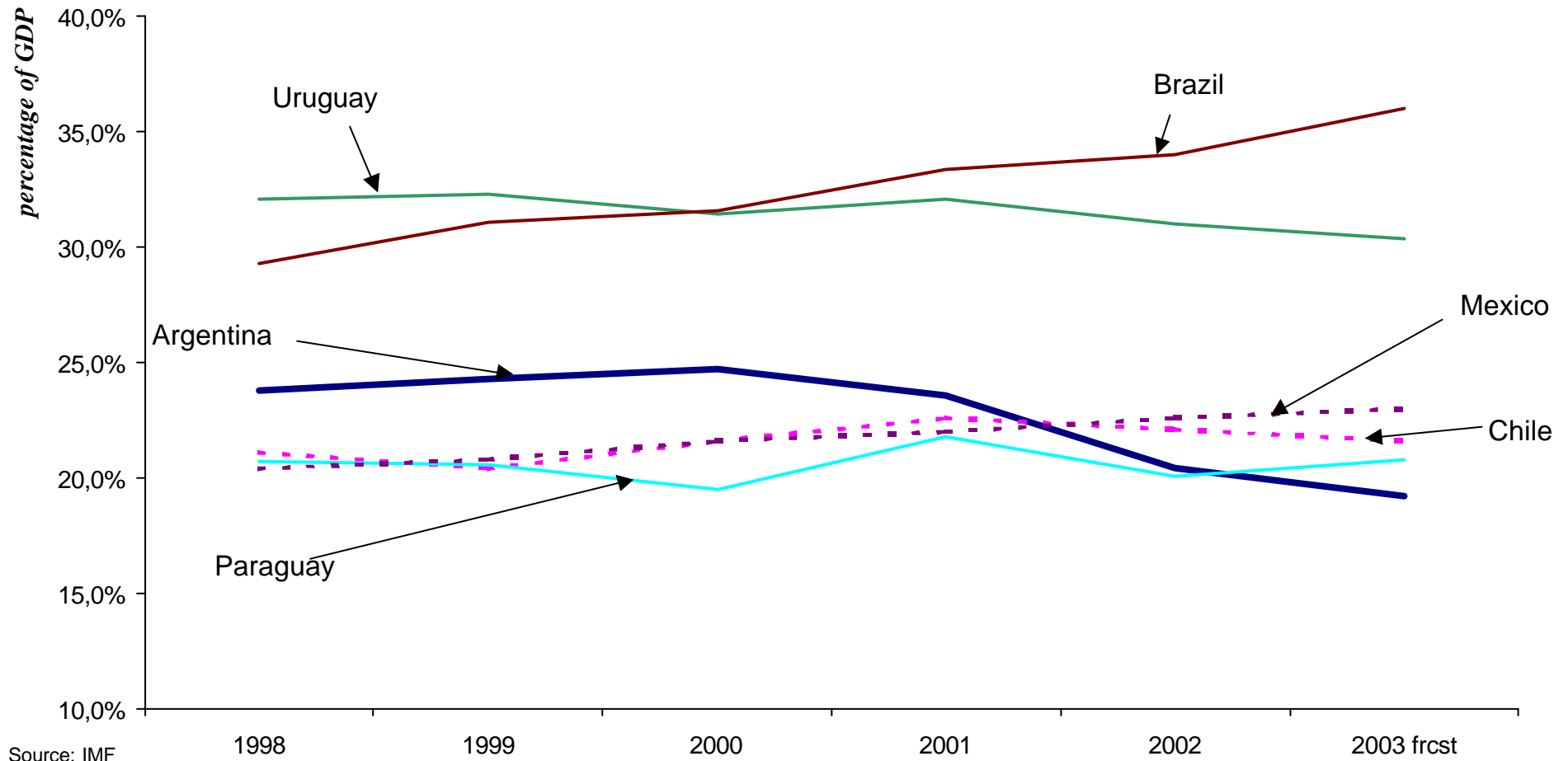
source IMF WP/03/36

FSU: Former Soviet Union

EEC: Eastern European Countries

Primary surplus and budget structure

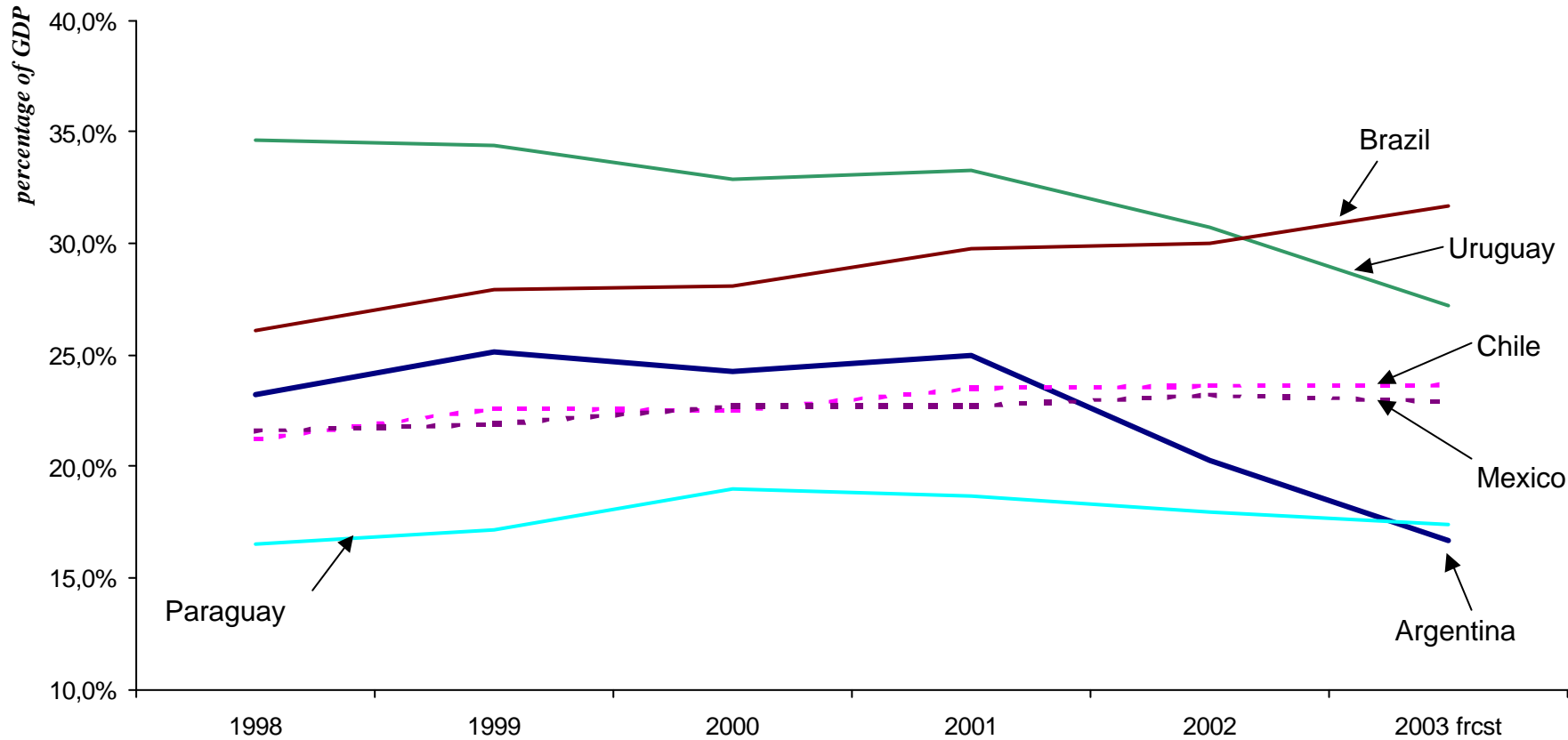
Fiscal Revenues as % of GDP



Source: IMF

Primary surplus and budget structure

Non-interest Expenditure as % GDP



Source: IMF

Tax Rates in Argentina

MAJOR TAXES	% GDP 2002	Rate
Income	2,54%	
-Companies	1,10%	35%
-Physical persons	1,44%	9% to 35% (scalable)
Domestic Transactions	6,30%	
-VAT (Standard)	4,80%	21%
-Financial (Bank credits & debits)	1,50%	1,2%
International trade	1,60%	
-Imports	0,40%	Mercosur's External Common Tariff
-Exports	1,20%	20% crude petroleum, commodities & derivatives 10% some processed food 5% manufactures and other products
Total Major Taxes *	10,44%	

(*) 53,3% of Total Tax Collection

Fiscal revenue problem is one of Tax Administration not of Tax Rates

Main directions for Tax reform

- Tax administration improvement
- Gradual elimination of distortionary taxes
- Simplification of tax system
- Elimination of tax preference
- Concentration on improving the traditional core taxes

Debt Restructuring

Steps towards debt restructuring

Creditor Consultative Groups

- Purpose of the groups
 - disseminate information about progress in debt restructuring
 - exchange views on potential offers to holders
 - discourage litigations
- Membership criteria
- World-wide Committee formed by regional retail and institutional groups.