The path to fiscal balance

3 September 2018

Ministerio de Hacienda
Presidencia de la Nación

New fiscal targets for 2019 and 2020

Primary Balance

% of GDP

	2018	2019	2020
Previous target	-2.7%	-1.3%	0.0%
Current target	-2.6%	0.0%	1.0%
Difference in pp	*0.1 pp*	*1.3 pp*	*1.0 pp*
Difference in USD bn	*$0.5*	*$6*	*$5.2*

How to reach fiscal balance by 2019

	% of GDP	Description
Primary deficit 2018	**2.6%**	
+ Social security spending	0.3%	*The pension mobility formula is applied.* *2% increase in number of beneficiaries.* *Other social expenditures will increase in line with inflation.*
- Savings in capital expenditures	-0.7%	*50% saving in real terms.*
- Savings in subsidies	-0.5%	*Transfer to provinces: Automotive transport (excluding national jurisdiction), Social energy tariffs.* *Gradual increase in cost coverage.*
- Savings in operating expenditures	-0.2%	*Freeze of personnel wages.* *Wages will increase in line with inflation.* *20% saving in real terms in goods and services.*
- Savings in other current expenditures	-0.2%	*20% saving in real terms.*
+ Additional revenues	-0.2%	*Property tax, income tax,* *3% loss in Social Security (-).*
+ Additional income due to export taxes	-1.1%	*ARS4 per USD on exports of primary goods and services.* *ARS3 per USD on other exports.* *Flat 18% export tax on soy products.* *Reversion - Draught (0.1% of GDP).*
Primary result 2019	**0.0%**	

Revenue-side contributors to fiscal balance

- Export tax:

  - ARS4 per USD on exports of primary goods and services.

  - ARS3 per USD on other exports.

  - Flat 18% export tax on soy products.

  - Reversion - Draught (0.1% of GDP)

- Additional revenues:

  - 2018: ARS 68 bn (0.5% of GDP)
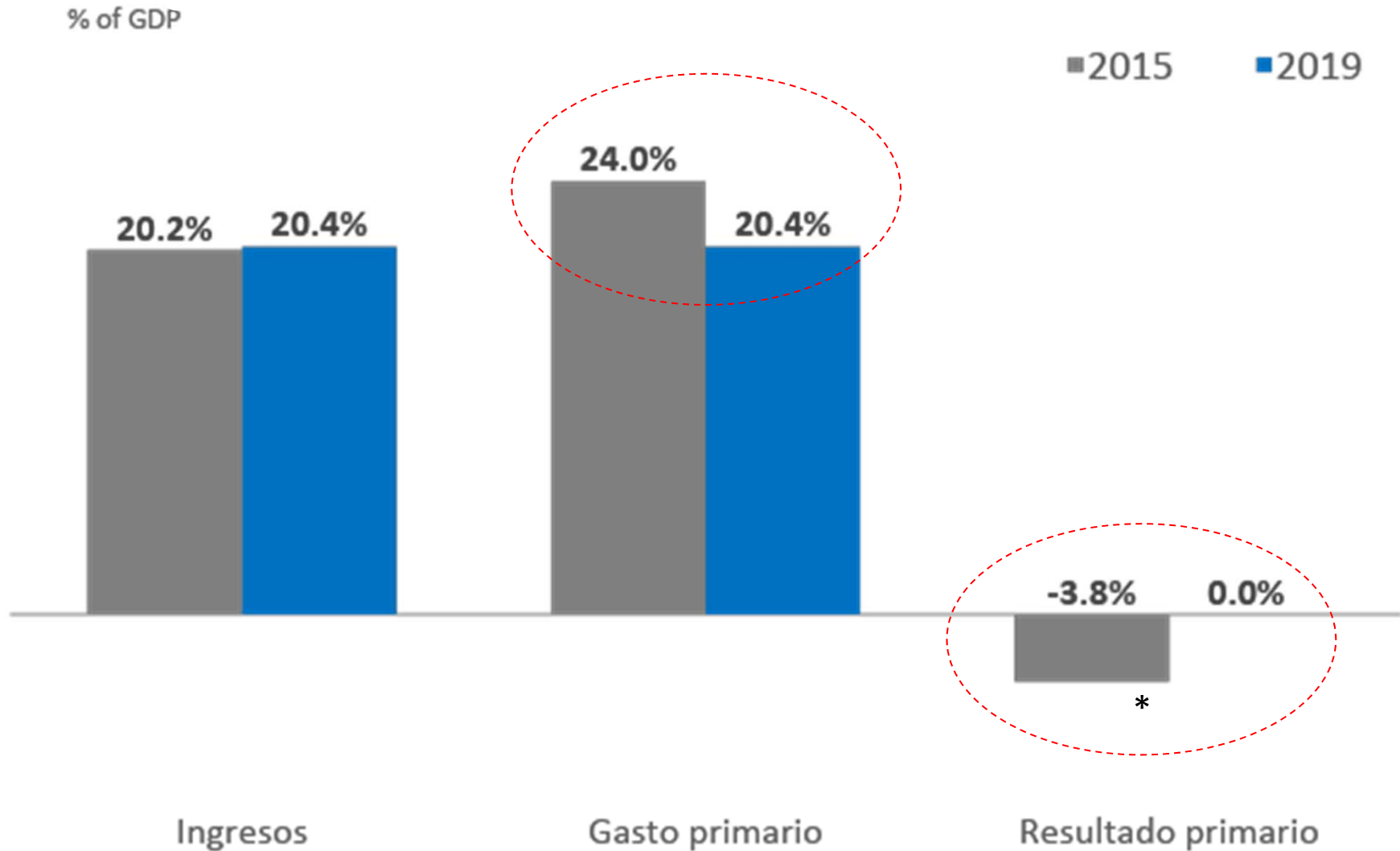
  - 2019: ARS 280 bn (1.5% of GDP)

(1) It includes low value-added manufactured goods.

Fiscal Balance 2018 - 2019

Non Financial Public Sector	ARS million			% of GDP		
	2018	**2019**	**Annual % variance**	**2018**	**2019**	**Variance in pp**
Revenues	**2,630,101**	**3,752,172**	**43%**	**19.1%**	**20.4%**	**1.3 pp**
- Export taxes	165,733	432,812	161%	1.2%	2.3%	1.1 pp
- Other	2,464,368	3,319,360	35%	17.9%	18.0%	0.1 pp
Primary Expenditure	**2,995,339**	**3,752,172**	**25%**	**21.7%**	**20.4%**	**-1.4 pp**
- Social security expenditure [1]	1,678,957	2,294,336	37%	12.2%	12.5%	0.3 pp
- Salaries and universities	523,171	695,431	33%	3.8%	3.8%	0.0 pp
- Subsidies	301,256	312,391	4%	2.2%	1.7%	-0.5 pp
- Operating expenditure	111,342	117,471	6%	0.8%	0.6%	-0.2 pp
- Other current expenditure	161,506	172,340	7%	1.2%	0.9%	-0.2 pp
- Capital income	219,108	160,202	-27%	1.6%	0.9%	-0.7 pp
Primary Result	**-365,238**	**0**	**-100%**	**-2.6%**	**0.0%**	**2.6 pp**
Interests	406,548	597,360	47%	2.9%	3.2%	0.3 pp
Financial Result	**-771,785**	**-597,360**	**-23%**	**-5.6%**	**-3.2%**	**2.4 pp**

[1] Includes additional social measures amounting to ARS 10 billion in 2018.
Nominal GDP in 2018: ARS 13.785 bn; nominal GDP in 2019: ARS 18.42 bn

Fiscal balance is achieved by lowering public

% of GDP

■2015   ■2019

	2015	2019
Ingresos	20.2%	20.4%
Gasto primario	24.0%	20.4%
Resultado primario	-3.8% *	0.0%

*Does not include obligations from 2015

2019 Financial Program (as per agreement with the IMF in June)

USD bn	2019
Needs (e.g. Letes)	**28.3**
Primary deficit	0.0
Interests (priv., IFIs, financial pub. sector)	15.2
Principal payments (private)	9.5
International bonds	2.8
Global '19	*2.8*
Domestic bonds	3.9
Bonar '24	*1.2*
ARGDUO '19	*1.5*
ARGCER '19	*0.8*
ARGBON '19 Badlar+250	*0.2*
Other	*0.2*
Repo	2.9
Principal payments IFIs	3.6
IDB + World Bank + CAF	*1.7*
Other	*0.2*
Paris Club	*1.7*

Letes (private)	11.1
Letes in USD (it includes Letes refinanced in 2018)	9.1
Letes in ARS (it includes Letes refinanced in 2018)	2.1

	2019
Sources (e.g. Letes)	**28.3**
Initial cash balance	0.0
IMF	11.7
Private financing	12.0
International markets	2.8
Refinancing	*2.8*
Domestic market	6.4
Refinancing	*3.9*
New bonds	*2.5*
Repo	2.9
Financing IFIs (former IMF)	4.6
IDB + World Bank + CAF	*4.4*
Other	*0.2*
Paris Club	*0.0*

Letes (private)	11.1
Letes in USD (100% refinancing)	9.1
Letes in ARS (100% refinancing)	2.1

Source: Argentina's Ministry of the Treasury. Assumptions: FX rate: ARS/USD 38; disbursement of relevant funds at each of the terms set in the Stand By Agreement signed with the IMF in June.

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