

# INVEST IN CÓRDOBA

**SUMMARY OF FINANCES  
AND INVESTMENT**  
FIRST QUARTER 2019



Ministerio de  
**FINANZAS**



**GOBIERNO DE  
CÓRDOBA**

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# PUBLIC FINANCE

## POSITION

### BUDGET EXECUTION

The budgetary execution of year's first quarter was strongly conditioned by current macroeconomic crisis at national level. Nevertheless, it also reflects the results of **sustaining a prudent and austere administration** –in terms of revenues and expenses– and maintaining the provincial ambitious infrastructure investment plan.

The Province's **net income** (these are the resources available after deducting automatic transfers to municipalities) was **\$ 56,404 (US\$ 1,447 million)**,

showing a nominal increase of 32% with respect to the same period of the previous year (-13 % in real terms). On the other hand, net current expenditures (provincial expenses without considering the co-participation to municipalities) were **\$ 47,490 million (US\$ 1,219 million)**, which implies a nominal increase of 48% year-on-year (-2% in real terms).

As a result, during the first quarter of the year there was a positive "**current available balance**" of **\$ 8,914 million**

**(US\$ 229 million)**. This result implies savings which are "the key" to carry out the economic and social infrastructure plan. Even an adverse national macroeconomic context, with fall in production (-3.6%) and high levels of inflation (51%), it was possible to sustain –during the first quarter of the year– a positive "current available balance" which **represented 15.8% of net income**, a higher ratio than those for 2018.

### PUBLIC DEBT

The stock of provincial debt at the end of the first quarter of 2019 was \$ 118,690 million (US\$ 2,738)<sup>1</sup>, without new debt issues during the period. Likewise, **the payment of amortizations has been completed in a timely manner**, accumulating **\$ 911 million** (net of floating debt payment from previous years).

At present, the provincial debt stock is equivalent to 43% of the total revenues estimated for the whole year 2019, however, considering the revenue projections, it can be seen that **debt services associated represents 4% of net incomes –in average–** until 2027.

<sup>1</sup> Sell exchange rate of National Bank of Argentina at 29th, March 2019.

**Table 1. Summary of Income and Expenses**  
(Millones de AR\$ y US\$)

CONCEPT	2018		BUDGET 2019		MARCH 2019 EXECUTION	
	\$	US\$(5)	\$	US\$(5)	\$	US\$(5)
Total Income (1)	213.984	7.617	274.993	6.858	63.232	1.623
Automatically Distributed Resources to Municipalities and Communes (2)	23.823	848	30.490	760	6.828	175
Net Income (3)	190.162	6.769	244.503	6.097	56.404	1.447
Net Current Expenditure (4)	168.268	5.990	222.672	5.553	47.490	1.219
<b>Net Current Result</b>	<b>21.893</b>	<b>779</b>	<b>21.831</b>	<b>544</b>	<b>8.914</b>	<b>229</b>
<b>Net Current Result / Net Income (%)</b>	<b>11,5%</b>		<b>8,9%</b>		<b>15,8%</b>	

Source: Ministerio de Finanzas de la Provincia de Córdoba. <http://www.cba.gov.ar/ejecuciones/>

(1) It includes automatic revenues of national origin (National Coparticipation regime, especial laws and Federal Solidarity Fund), Provincial tax resources, Non-tax income, goods and services sells and current transfers

(2) Includes current transfers (Provincial Co-participation Regime Law No. 8.663) and capital transfers (Federal Solidarity Fund and Fiscal Consensus Compensation) to Municipalities and Municipalities.

(3) Resources at the disposal of the Province once discounted the automatically distributed resources to Municipalities and Communes

(4) Net of current transfers to Municipalities and Communes in Coparticipation concept (Provincial Coparticipation Regime – Law N° 8,663)

(5) The exchange rate used corresponds to the average exchange rate of the first quarter of 2019 and the year 2018. For the 2019 Córdoba Budget, the Exchange rate is according to the 2019 National Budget (\$40.1).

# MORE NEWS

## SUB-SOVEREIGN TITLES OF ARGENTINA

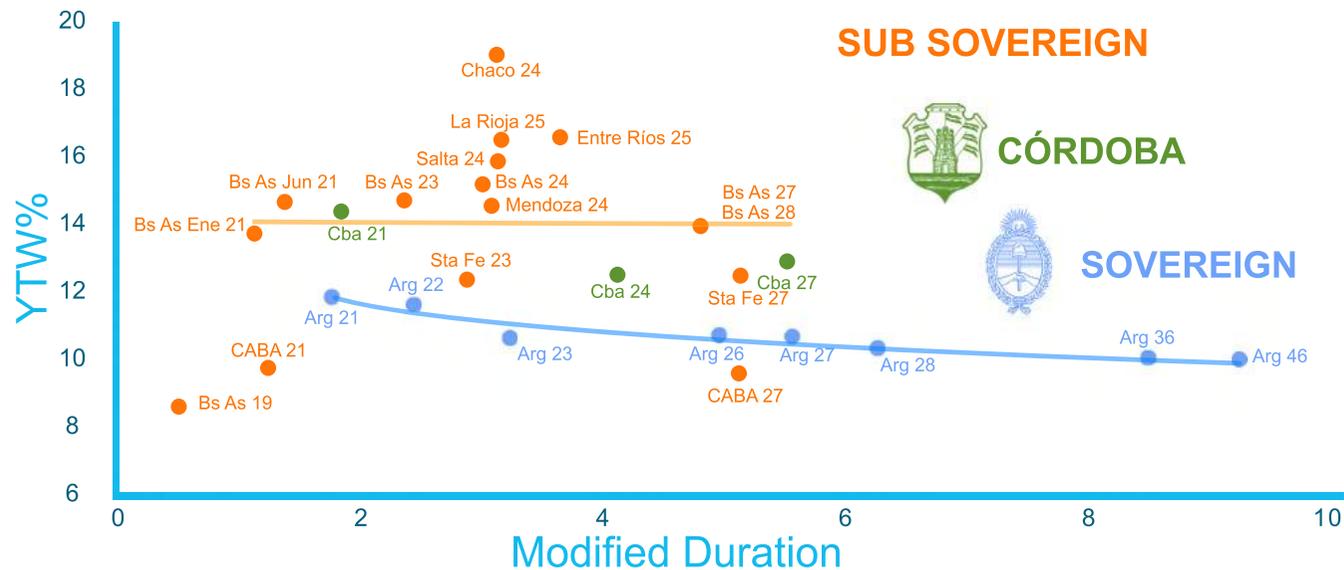
Moody's Investors Service maintained the rating of the Province of Córdoba in B2 in the last rating report of April 2019. According to Moody's, **current ratings of Córdoba Province reflect mainly the size and diversity of its economy, which supports a broad base for its own tax collection.**

Among Córdoba's strengths mentioned in the report are sustained positive operating and financial results, while the Province's credit challenges include moderate levels of debt, foreign currency denominated debt, and risks related to country's weak operating environment.

**The yields Córdoba's issues reflect a better performance in comparison to the rest of Argentine provinces** (in line with Santa Fe and above CABA, both yields below the Sovereign). In addition and according to Fix SCR in March 2019 report,

the long-term debt (AA "arg") means a very solid credit quality, while the short-term indebtedness (A1 + "arg") means a solid capacity to pay in time and form financial commitments, compared with other country issues.

Graph 1. Yield curve of sovereign and sub sovereign bonds



Source: Bloomberg/Reuters al 29/03/2019

## THE CORDOBA AGRICULTURAL PRODUCTION IS ESTIMATED AT US\$ 9,700 MILLION

According to the Bolsa de Cereales de Córdoba, agricultural production of 2018/19 campaigns will be US\$ 9.7 billion, with a grain harvest of 38 million tons. It is estimated that **Córdoba will have its highest in the Gross Value of Agricultural Production in the country during this decade, contributing with 29%.**

Furthermore, farmers and agricultural companies announced more

investments of more than US\$ 3,000 million to plant 8.3 million hectares with extensive winter and summer crops. The large volume of expected production will allow reactivating **sales of agricultural machinery, supplies and equipment, the activity in ports due to higher exports, greater freight demand and services for the harvest or storage of grains.**

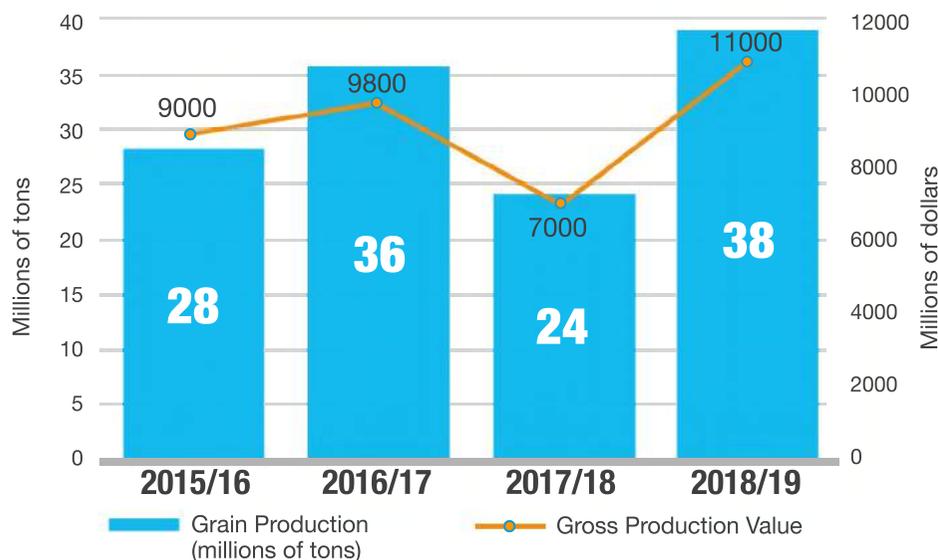
## CÓRDOBA IS AMONG THE TEN MAIN CORN PRODUCERS WORLDWIDE

According to a report prepared by the Bolsa de Cereales de Córdoba with a record corn production estimated at 18.2 million tons, **Córdoba will be this year in the top ten of the largest States-Provinces to produce corn worldwide.** The first place, at a world level, is held by Iowa with an individual harvest of 63.7 million tons. Then follows Illinois, Nebraska and Minnesota, all US states, the fifth place appears

the Brazilian state of Mato Grosso with 29.3 million tons. Indiana and South Dakota take the sixth and seventh places and then Cordoba with 18.2 million tons.

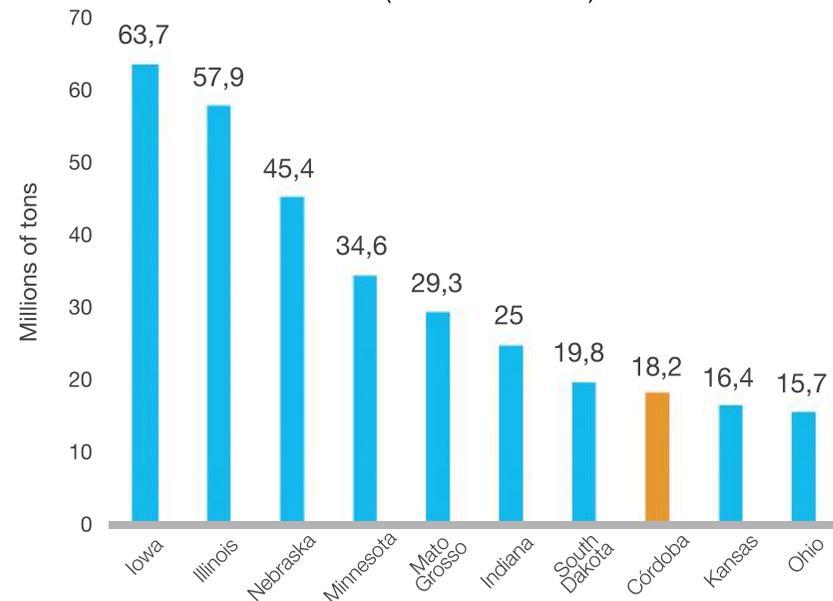
**In the 2018/19 campaign, Argentina will have the largest corn crop in its history, generating an exportable balance of 30.5 million tons.** Cordoba will represent 38 percent of national production.

**Graph 2. Grain production and Gross Production Value in Córdoba**



Source: own elaboration based on the Grain Exchange of Córdoba.

**Graph 3. Production by state in the 2018/29 campaign**  
(In millions of tons)



Source: Grain Exchange of Córdoba.

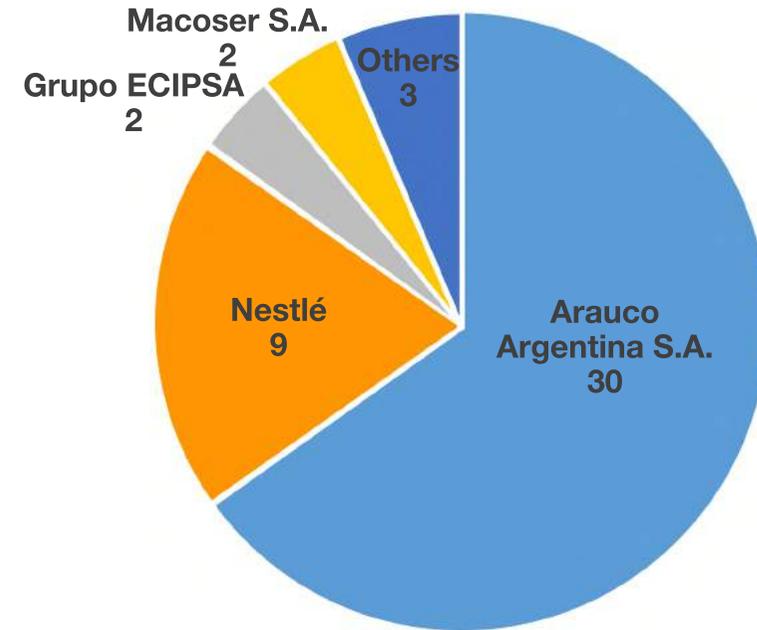
## CÓRDOBA ACCUMULATED INVESTMENT ANNOUNCEMENTS FOR US\$ 46 MILLION

According to data from the Argentine Investment and International Trade Agency **during the first three months of 2019 six new investment projects were announced in Córdoba.** These news were for US\$ 46 million (Graph 4).

The most important investment plan was one announced by the **Chilean firm Arauco Argentina S.A.**, the country's largest industrial forestry company, which will allocate US\$ 30 million for production of binary, a formation led

by a truck and two trailers that are articulated by means of a hook system. They are an alternative to reduce logistics costs and increase transport capacity. The second most important investment project comes from **Nestlé**, with an investment of US\$ 9 million –as part of its investment in a new production line for liquid versions of products. Then, **ECIPSA Group**, a major construction company, and **Macoser S.A.**, the former producer of sewing machines that will now produce stoves, will US\$2 million invest each.

**Graph 4. Investment Projects**  
announced in the first quarter of 2019  
(Millions of US\$)



Source: Argentine Investment and International Trade Agency

## NESTLÉ INVESTS US\$ 9 MILLION IN CÓRDOBA

Nestlé, one of the largest food and beverage producers in the world, inaugurated its **new liquid milk production line for infant formulas in Latin America** during last March. The production will be developed in Villa Nueva, in Córdoba Province, and requires an investment of US\$ 9 million, framed in four-year investment

plan – for more than US\$ 130 million– to be carried out in Argentina.

The new production line allows the plant to manufacture 10 million liters per year of liquid products with added value. This innovation will allow Nestlé to expand its presence in the market, producing liquid versions of products with brands such as Nesquik, Nido and

and NAN. The investment, will transform Villa Nueva plant in the third Nestlé plant in the world to develop infant formulas with the UHD (ultra-high temperature) format.

The new projects of the firm are organic milk and A2 milk, which aimed at different markets from those that the company has today. Organic milk has a process that

lasts about 2 years, since it requires converting the land, food and cows to be certified as 'organic' according to international rules. In addition, not only for Villa Nueva plant but also for other 5 factories and the headquarters in Argentina, Nestlé signed an agreement with YPF Luz for planning that by 2020 the total electric power comes from renewable sources.

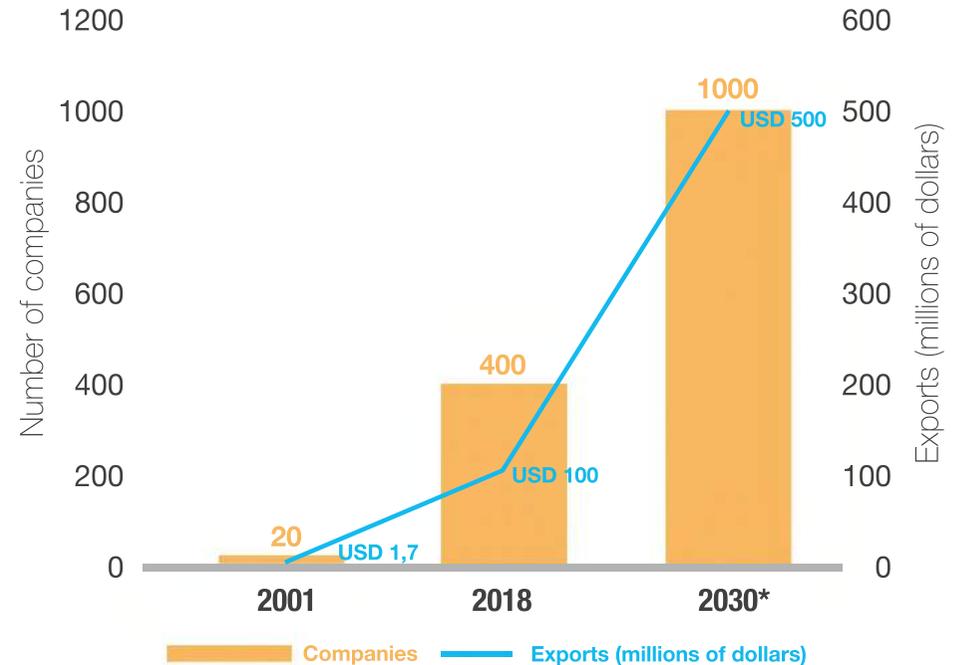
## THE SOFTWARE INDUSTRY'S GROWTH

A new national law, which aims to promote economic activities that contain the use of knowledge and the digitization of information, could favor the software industry in Córdoba. The **Law for Promotion of Knowledge Economy** is preceded by the Promotion Regime of Software Industry and seeks to **extend the benefits of this program -which expires in December- and to extend them until 2030**. Some of the benefits provided by this law are the **tax stability** with scope to national taxes, **inexistence of withholdings and perceptions of the Value Added Tax (VAT)**, reduction of labor costs from **deductions on employer charges, 15% reduction of the**

### Tax Earnings and tax credit for taxes paid or withheld abroad.

The software industry is a very dynamic and representative in the province, which is one of the main software hubs in the country. **Currently there are more than 400 firms that employ more than 13 thousand people with exports close to US\$ 100 million per year**. This industry showed a good performance both in production and employment even in a recessive context. **It is projected that in 2030 the software sector will have 50 thousand employees, with about 1,000 operating firms and US\$ 500 million annually in exports.**

Graph 5. Companies and exports of technology companies in Córdoba



Source: own elaboration based on Córdoba Technology Cluster.

## CÓRDOBA MOVES FORWARD IN THE DIGITALIZATION OF ITS CIVIL RECORDS

Since 2017, Córdoba has been running the Digital Civil Registry Project. This project involves **digital registration of births, marriages and deaths in the municipalities and communes**. With the

With the aim of converting registry services into an accessible, agile and secure service, the emphasis of the project is on **adding new technologies, administrative simplification and better front and**

### back office services.

Córdoba is the province that has been working the most in making modern the Civil Registry Office. This allows not only

to guarantee fundamental rights of the population, but also provides a tool of vital importance that **gives efficiency to both public and private sector**.

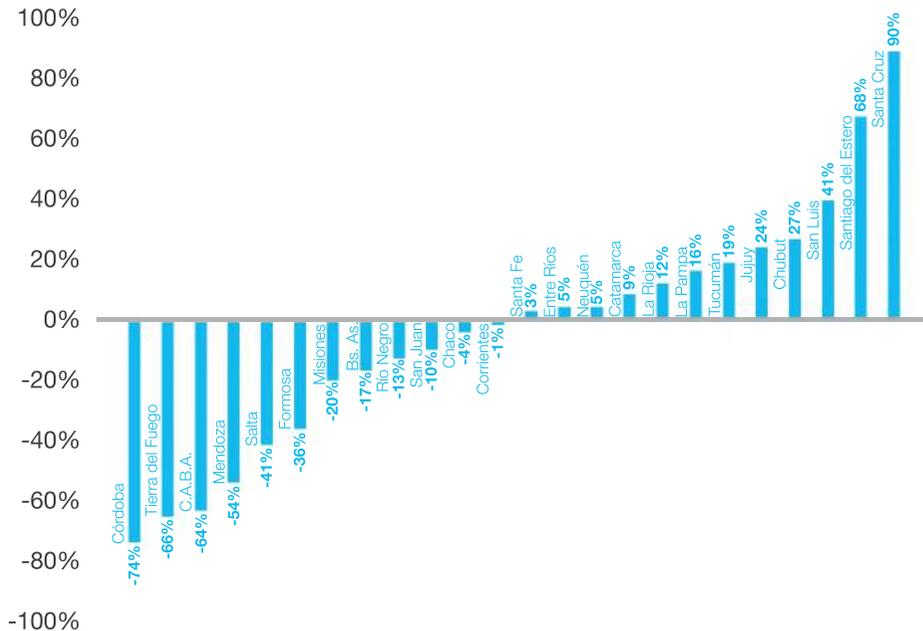
## NEW RECORD OF PASSENGERS AT CÓRDOBA AIRPORT

According to the National Aviation Administration (ANAC), during the month of March, 245,000 passengers traveled through the Córdoba International Airport, marking a historic record, as it exceeded the 229,000 passengers that traveled through in January. In the cumulative January-March, a total of 696 thousand passengers was observed, an **increase of 22% with respect to 2018 and 129% with respect to**

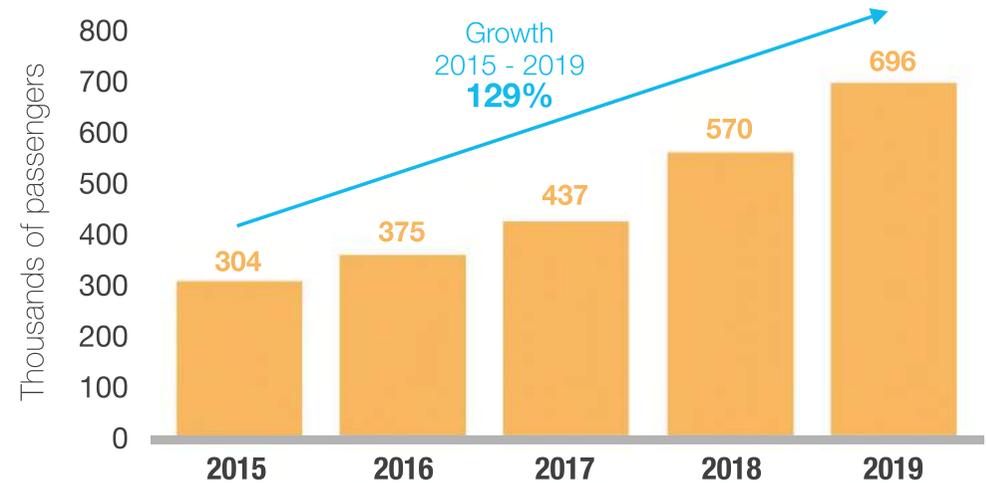
**the same period of 2015.**

The increase in the number of passengers went hand in hand with the considerable increase in the number of frequencies offered to fly, both within Argentina and abroad. The number of international frequencies -some 59- increased by 69% compared to 2015, while in the domestic, the rise was 92%, with 242 weekly options.

**Graph 7. Decrease in trials by province.**  
(Period 2017-2018)



**Graph 6. Passengers at the Córdoba Airport**  
(First quarter of each year)



Source: own elaboration based on ANAC.

## LABOR LAWSUITS FELL 74% DURING 2018

Córdoba **leads the national ranking of labor litigation reduction in 2018.**

Compared with other provinces in the country, Córdoba shows that **the government's involvement in supervising the operation of Medical Commissions** as a mandatory administrative instance prior to judicial proceedings has given very good results. Thus, while in Córdoba the trials were reduced by 74%, in other relevant jurisdictions such as the City of Buenos Aires, the reduction in labor lawsuits was 63.7%, in Mendoza 54.3% and in

the Province of Buenos Aires 16.7%.

According to the Superintendency of Occupational Risks (SRT), in Córdoba, between January and December of 2017 there were 10,794 labor lawsuits, while in the same period of 2018 there were 2,810 new cases. In addition, the number of trials decreased in all economic activities, however, the main decreases were found in the agricultural sector (8.46%), construction (6.87%), manufacturing (3.80%) and transportation (4.22%).

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