

INVEST IN CÓRDOBA

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



Ministerio de
FINANZAS



**GOBIERNO DE
CÓRDOBA**

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BUDGETARY EXECUTION

Budgetary execution was strongly conditioned by national crisis context during the first semester. This has direct implications on provincial public finances. Within this framework, the **prudent and austere administration - both in terms of revenues and expenditures** - allowed the normal functioning of public administration and to continue with the ambitious infrastructure investment plan.

The province's **net income** (resources available after deduc-

ting transfers to municipalities and communes) was **AR\$123,804 million (US\$ 2,986 million)**, showing a nominal increase of 40% with respect to the same period last year (discounting inflation, there was a 8% decrease in real terms). On the other hand, the **net current expenses** (provincial expenses without considering the co-participation to municipalities) were **AR\$109.840 million (US\$ 2.649 million)**, which implies a nominal increase of 48% year-on-year (a 3% decrease in real terms).

As a result, during the first semester of the year, the **'net current result' was US\$ 337 million (AR\$13,964 million), representing 11.3% of the Province's net income** – a proportion similar to that observed in the 2018 budget execution. Having sustained savings in such an adverse national macroeconomic context – during 2018 there was a strong fall in production (-5.8%) and an increase in inflation rates (53%) – demonstrates the sustainability of the Province's public finances.

DEBT

The Province's debt stock at the first half of 2019 was AR\$116,627 million (US\$ 2,681 million), without new debt issues during the period. Likewise, **amortization payments** for AR\$2,003 million (US\$ 46 million) **were completed on time.**

Currently, the provincial debt stock is equivalent to 42% of the total estimated income for 2019 period, however, considering debt maturities and the Province's income projections, it can be seen that **interest payments and debt amortizations are equivalent on average to 5.4% of the net income expected until 2027.**

Table 1. Summary of Income and Expenses

CONCEPT	2018		BUDGET 2019		EXECUTED 1st SEMESTER 2019	
	\$	US\$(5)	\$	US\$(5)	\$	US\$(5)
Total income (1)	213.984	7.617	274.993	6.858	138.533	3.341
Automatically distributed resources to municipalities and communes (2)	23.823	848	30.490	760	14.729	355
Net Income (3)	190.162	6.769	244.503	6.097	123.804	2.986
Net Expenditure (4)	168.268	5.990	222.672	5.553	109.840	2.649
Net current result	21.893	779	21.831	544	13.964	337
Net current result/ net income (in %)	11,5%		8,9%		11,3%	

Millions of ARS and US\$

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

Notes:

(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 currents transfers (Provincial coparticipation regime – Law N° 8,663) and capital transfers (Federal Solidarity Fund) towards Municipalities and Communes.

(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) For the 2019 budget, the exchange rate of the Fiscal Macro Framework is taken (AR\$40.1) and for budget executions -2018 and the first quarter of 2019- the average of the period corresponds to the Central Bank's Communication "A" 3500.

MORE NEWS

ARGENTINA'S SUB-SOVEREIGN BONDS

Moody's Investors Service maintained Province of Córdoba rating in B2 in the last qualification report of July 2019. At the same time the firm decreased perspectives from stable to negative, as a result of changes in the sovereign debt. Among the strengths of Córdoba, Moody's remarks that high levels of capital expenditure – during 2018 and 2019 – give more budget flexibility to the province. These capital expenditures can be reduced and generate savings to afford obligations with third parties.

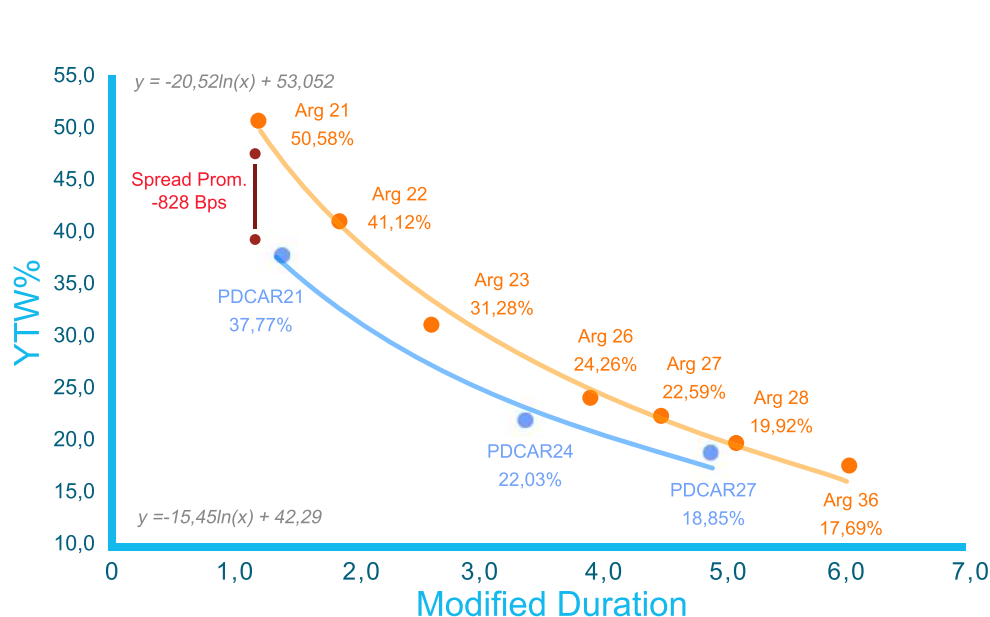
This structural characteristic of the Financial Administration Budget shows better prices and yields in the Córdoba's curve of bonds with respect to sovereign bonds (Graph 1).

Moreover, in last May report, Fix SCR Agency rating in AA (according to national scale rating) to long-term issues, which implies

a solid credit quality compared to other issuers or issues of the country. In the case of short-term issues, the firm rating in A1 + (according to the same scale), which also indicates a solid ability to pay on time and manner financial commitments in comparison to other issuers or issues of the same country.

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Graph 1. Yield curve of Sovereign and Sub Sovereign bonds of Córdoba



CÓRDOBA			
Bonds	Price	DM	Bid YTW%
PDCAR21	59,47	1,38	33,77
PDCAR24	57,09	3,36	22,03
PDCAR27	51,84	4,89	18,85

ARGENTINA			
Bonds	Price	DM	Bid YTW%
Arg 21	51,88	1,19	50,58
Arg 22	46,08	1,82	41,12
Arg 23	45,47	2,59	31,28
Arg 26	42,81	3,89	24,26
Arg 27	42,19	4,46	22,59
Arg 28	43,69	5,06	19,92
Arg 36	41,19	5,99	17,69

HIGHEST AGRICULTURAL PRODUCTION IN CÓRDOBA

Agricultural production show very positive results due to a good reaction of producers to better weather conditions, favorable exchange rate and lower taxes.

Bolsa de Cereales de Córdoba estimates that wheat cultivation area will reach a highest area of 1.6 million hectares in current campaign 2019/20. This would imply a year-on-year increase of 12%, i.e. 170 thousand hectares more than in the previous

season. This result is **60% above the average of the last decade**.

In addition, wheat production will reach a total of 4.2 million tons, **30% more than last cycle**. This sowing volume (at FOB values) would mean incomes for Córdoba for around US\$ 773 million.

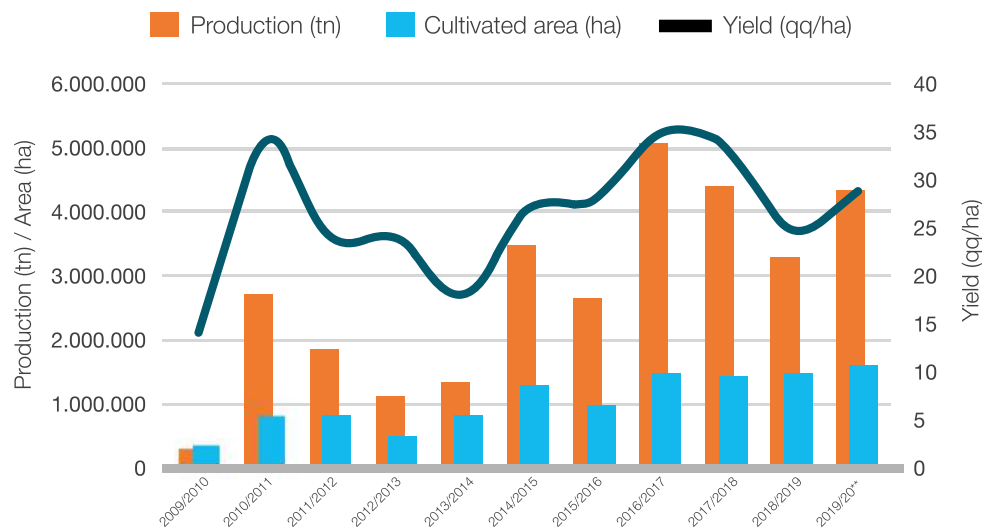
Soybean and Corn campaigns also show very good results. Forecasts show that **production during**

2018/19 will double 2017/18 campaigns. For this year, projections indicate that production will be close to 38 million tons, when last year, affected by a severe drought, was 19 million.

Corn sowing is estimated in almost 2.7 million hectares. The weighted yield for the whole province was estimated at 90.5 quintals per hectare, which means a total production of 22.9 million tons.

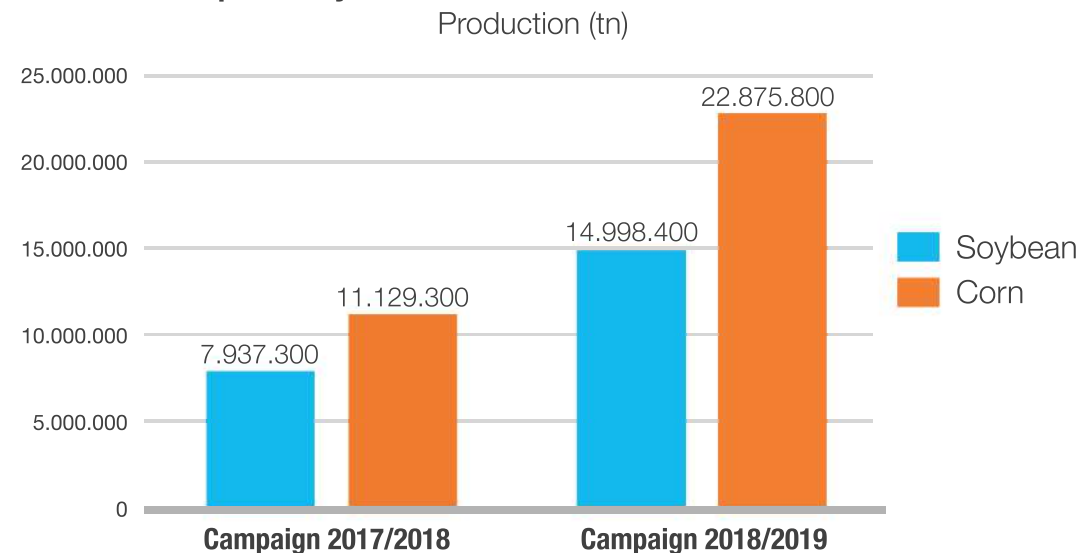
As regard as **Soybean**, the area planted did not change much compared to 2017/18 campaigns and yielded a value of 4 million hectares. Soybean production is estimated at almost 15 million tons and exceeds by 20% last decades average. On the other hand, the estimated average yield is 37.7 quintals per hectare, which represents the highest average volume per historic hectare reached in the province of Córdoba.

**Graph 2: Wheat in Córdoba:
Area sown - Yield - Production**



Source: Bolsa de Cereales de Córdoba.

Graph 3. Soybean and Corn Production in Córdoba



Source: Bolsa de Cereales de Córdoba.

BIOELECTRICA INVESTS US\$ 6 MILLION

In 2017 Bioeléctrica, located in Rio Cuarto, became **the first "green energy" producing company to supply the Argentinean National Interconnected System (SIN)**. The energy is produced through a biodigestor, equipment that transforms cereals, through a turbine, into gases and generates electricity.

By 2019 the company **is going to expand its plant by US\$ 6 million invest**. The investment is part of the Renovar program, which will add 6 megawatt hours of power to

the wholesale electricity market. The new investments will involve 2 additional megawatts, estimating that each megawatt represents an investment of US\$ 3 million between engine, tank and piping.

Bioeléctrica stands out for its sustainable efforts. In 2017 it began a campaign to recover cooking oil by using it to generate biogas. Every year, 3,000 liters of oil are being reused, which means a reduction in pollution of approximately 3 million liters of water.

SANTANDER INVESTS AR\$ 50 MILLION AND CREATES A WORK CAFE IN CÓRDOBA

Santander Río Bank built the first Work Café outside of Buenos Aires. Located in the capital of Córdoba, this is a new model of consumer attention and financial office. The firm spent AR\$50 million on the premises and its main objective is to attract entrepreneurs.

In addition to traditional financial services such as ATMs, it also has a café with capacity for 60 people –that can be duplicated for events. It also has a co-working area for 12 people that is oc-

cupied on a first-come, first-served basis. On the other hand, there are free work rooms that can be booked on line and that have technology for virtual meetings.

"The idea is to make training events, as well as offering help to entrepreneurs who need a credit or want to know how to export. Córdoba was the first choice after Buenos Aires because of its entrepreneurial culture," said Silvia Tenazinha, Commercial Banking manager.

NEW FLIGHT CONNECTS CÓRDOBA-MIAMI AND NEW DOMESTIC ROUTES ARE ADDED

The National Aviation Administration (ANAC) announced that since July 7, 2019 **a new international route has been operating: Córdoba-Miami**. The flight is operated by American Airlines. This route that stopped flying in 2016, returns to operate with 4 weekly frequencies.

Córdoba International Airport already operates 30 domestic and 10 international routes –now adding the new Miami route– and is the third in the country in number of passengers traveling. Considering domestic flights, there were 1.4 million passengers during the first half of the year, while in international flights there were 405

thousand passengers. Both represented an increase of 121% and 53% respectively, compared to the same period in 2015

In addition, the low cost **JetSmart began on June 18 regular flights between Córdoba-Bariloche** with almost 80% occupancy and one of the lowest fares in the market. With

flights connecting Bariloche with Córdoba, Mendoza and Buenos Aires, JetSmart adds 18 weekly frequencies that increase the air connectivity of the country. Dario Rattinof, commercial manager of the firm, says that "JetSmart's participation will expand the airline market and will also help the growth of regional economies."

MERCADO LIBRE INVESTS \$45 MILLION IN CÓRDOBA

The Argentine company **Merca-**
do Libre opened new offices in
Córdoba and celebrated having
reached **500 local employees**.
The company has multiplied by
ten the number of jobs on its
Software Development Center
in Córdoba City Since 2014.
This Center is the second lar-
gest in the country and one of
its highlights is that it uses re-
newable energy, through solar

panels, to reduce environmen-
tal impact.

The new space has 2600 m2
and is located in 'Ciudad Em-
presaria'. It involves a **buil-**
ding investment of AR\$45
million and the creation of
170 new jobs. The company
accumulates investments for
AR\$ 165 million in five years
and reaches 5,800 m2 of offi-

ces in Córdoba Capital.

According to Marcos Galper-
in, founder and CEO of Mer-
cado Libre, "It is a source of
pride to see how Córdoba
City Centre consolidates
itself as a center of innova-
tion in the province, genera-
ting applications and services
that are used by millions of
people in Latin America."

Córdoba's expansion of Mer-
cado Libre is part of an in-
vestment plan of AR\$1.5 bi-
llion in five years, that was
previously announced in
2016. Currently, the com-
pany has more than 3,540
employees in the country and
continues to grow; in 2018 it
hired 1,000 people and ex-
pects to hire 1,200 more em-
ployees by 2019.



CÓRDOBA ACCUMULATES INVESTMENT ANNOUNCEMENTS FOR US\$ 47 MILLION

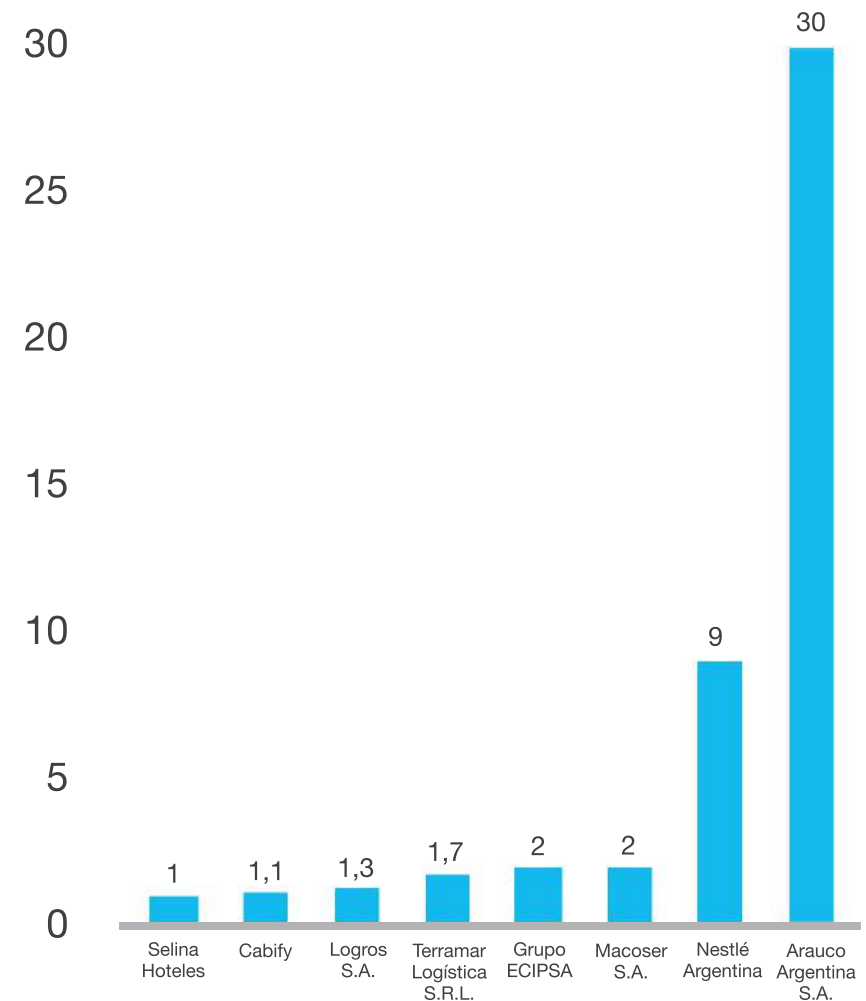
According to data from the **Argentine Agency for Investment and International Trade**, during the first six months of 2019, 8 new investment projects were announced in Córdoba. These announcements amounted to more than US\$ 48 million (Graph 4).

The most important investment plan was announced by the Chilean company **Arauco Argentina S.A.**, dedicated to the forestry industry, which will allocate the significant sum of US\$ 30 million in the incorporation of bitrenes, a new type of truck introduced as a way to lower the high transport costs in Argentina. Secondly, **Nestlé** will invest US\$ 9 million in the production of the liquid version of its products, with the aim of increasing its competitiveness and positioning itself in the Latin American market.

The last investment plan was announced in June by the Spanish company Cabify, investing US\$ 1.1 million. The firm is a technological mobility platform that, through a mobile application, connects private users and companies with the form of transportation that best suits the user's different needs.

Additionally, in April **Hotel Selina** announced an investment plan of US\$ 1 million, being the second time they invest in the country. Recently awarded by Fast Company magazine as one of the most innovative companies in Latin America, Selina continues to expand in the region. The new hotel is located in the heart of Córdoba City, in the Nueva Córdoba neighborhood, and offers a type of accommodation that varies between hostel and boutique hotel. In addition to Córdoba, Selina operates 45 hotels worldwide.

Graph 4. Investment Projects Announced in the First Half of 2019
(in millions of dollars)



Source: Agencia Argentina de Inversiones y Comercio Internacional

NEW ELECTRIC CAR

Volt Motors, a company from Córdoba and designer of the first 100% Argentinean electric car, presented a **new version designed for gated communities**. This is Z1 model which was planning to transport people in places such as companies, hotels, airports, golf courses and sports clubs, among others.

During the first year, the company **plans to market about 500 units of this model throughout the country and Latin America**. According to Daniel Parodi, CEO of Volt Motors, "Our market analysis detected a potential demand for this type of vehicles, primarily intended for logistics of people and things inside gated communities in an efficient manner".



THE RING ROAD AROUND THE CITY OF CORDOBA WAS FINALIZED AND NEW WORKS ARE PLANNED

During the first semester of 2019, the execution of works took an accelerated way and finishing an important work for citizens of Córdoba. **This is Córdoba City's ring road which took 3 years of work and AR\$ 17,664 million invests**. The original layout had 30 kilometers, to which 17 new kilometers of main road were added, with three lines in each direction. The work

so included the construction of 27 bridges, a viaduct, a tunnel, rainwater drains, 7 new distributors and the readjustment of 2 existing ones.

At present, the widening work of the 30 pre-existing kilometers of the Avenue is in process. The works will further reduce traffic delays and improve service on a

track that has an average daily traffic of about 60,000 vehicles.

On the other hand, other important road works are also taking place. In the first place, the mega work of the **Bajada de Altas Cumbres**, which will improve the connection with the Traslasierra Valley. Additionally, the **Córdoba - Río Primero section of Ruta 19 Highway was finished**

a fundamental road for the productive development of Córdoba.

Finally, after the success of the Gas Pipeline Program, the **Water Pipeline Plan** was presented, which contemplates an expected investment of AR\$2,157 million and will directly benefit 1.7 million inhabitants.

CÓRDOBA IS THE FIRST PUBLIC ORGANIZATION TO INCORPORATE A MANAGEMENT ROBOT

Córdoba's Ministry of Finance presented "**Laura**", a **robot that will be in charge of routine tasks and will improve the quality of public management**, last June. At the moment, she is carrying out a pilot experience in **Caja de Jubilaciones, Córdoba's Pension System**, which now becomes the first public organization in the whole country to use a robot in its processes. "**Laura**" is in charge of tasks of verifying the existence of contributions made to the national system of those retirees who request a welfare benefit in the Province. This process carried out by the staff of Caja de Jubilaciones implied costs, in salary and associated expenses, in the order of 2,300 US\$ while the Robot costs about 54 US\$ per year. In addition to the considerable saving of resources, the process is done

much faster (shortening management times) and reduces the number of errors.

After this first experience, **the goal is to expand it to other areas of the State**. One agency in which work is already ongoing is **Rentas, the Provincial Tax Office**. In this agency, one of the processes that will be carried out by the robot is **the accreditation of taxpayer payments in their tax accounts**. Currently, this task is done manually with great administrative effort and subject to many errors and delays between time when the taxpayer makes the payment and time when it is imputed within their systems. Another agency where robotization will contribute to the process of improving management is the Registro de la



Propiedad, or Land Registry. In this case, the first process that will be robotized is the information of all the operations of purchase-sale of real estate in Cordoba to the Unit of Financial Information.

Within the process of modernization of the public sector, the use of robotics is a step of singular importance. Robots allow routine tasks to be executed more quickly

and accurately and frees up human resources that can be used in tasks **with greater added value. This makes it possible to expand the capacity to respond to the growing demands of citizens without requiring more resources**. Seen from this perspective, the incorporation of these modern management tools is a factor that contributes to the sustainability of public finances.

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