

# INVESTING IN CÓRDOBA

Summary of finances  
and investments  
First Quarter 2021

Ministerio de  
**FINANZAS**



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# PROVINCIAL ECONOMY

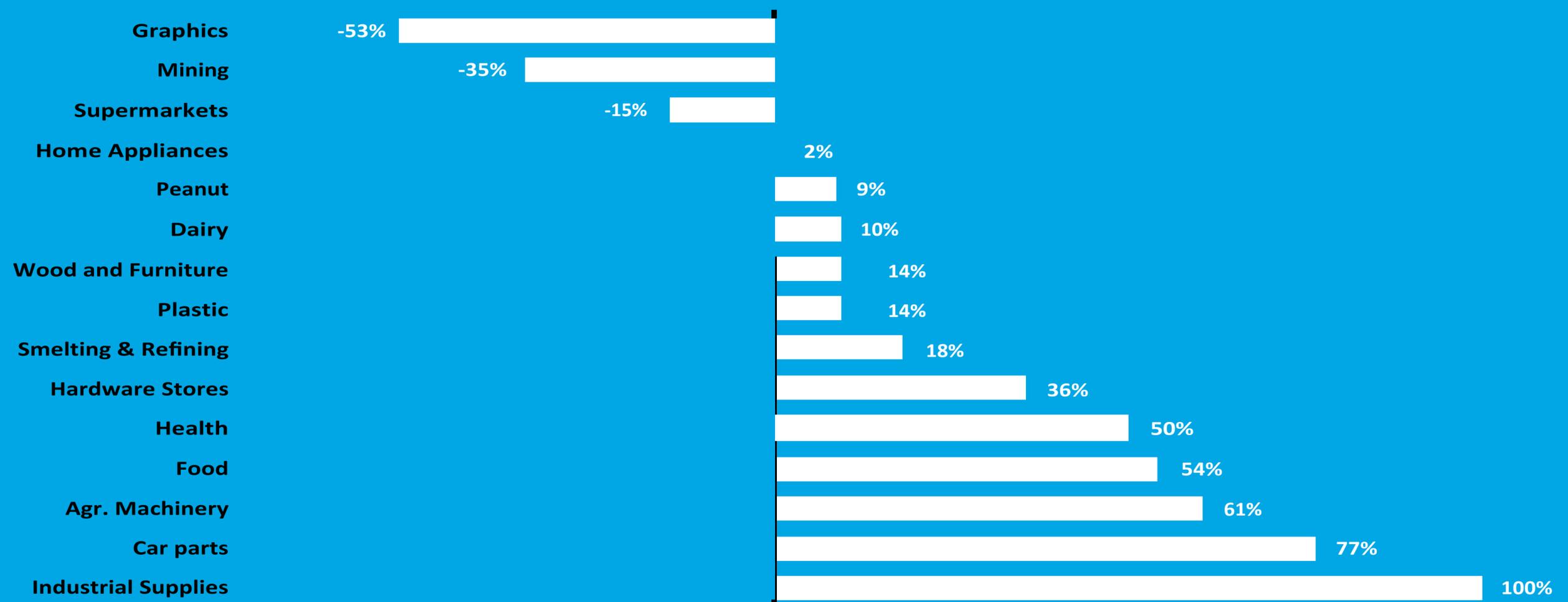
## Even in a pandemic, Córdoba industry sustains activity

In Córdoba, industry is a very important branch of activity, accounting for about 20% of the annual value added. Statistics in this sector show that, even in the midst of this pandemic, Córdoba industry has remained at stable levels in all aspects. Certain branches of activity have declined due to seasonal factors but all of them continue at a steady rate of growth.

Among the 15 segments assessed, 12 have shown recovery values and positive activity measured in terms of production volumes (Graph 1).

Within the manufacturing industry, the performance of agricultural machinery manufacture and car parts manufacture stand out, with an increase of 61% and 77% respectively, compared to the first quarter of 2020.

**Graph 1. Summary of industrial activity. Activity index per segment.**  
Variation % first quarter 2021/ first quarter 2020



## Córdoba agricultural production is estimated in US\$ 14,000 million

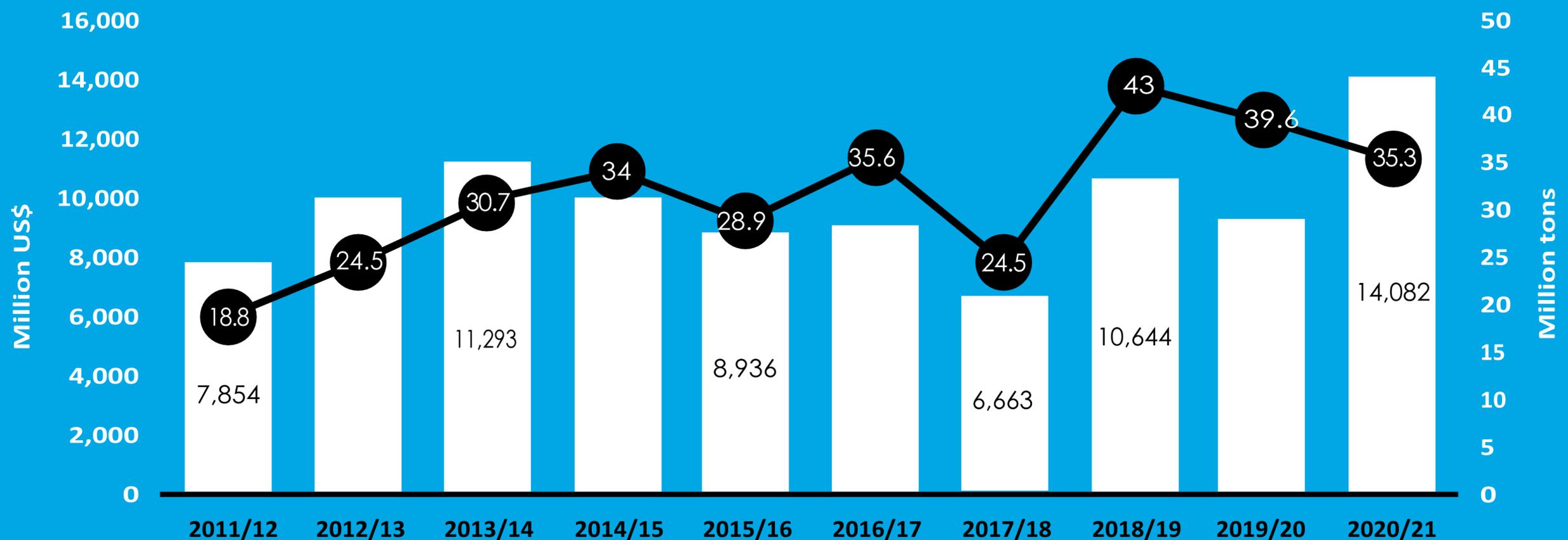
According to the Córdoba Grain Exchange, the agricultural production for the 2020/21 season will be US\$ 14,000 million; 48% above the previous season and 50% above the historical average, which is around US\$ 9,300 million (Graph 2). This represents, in real terms, some US\$ 4,500 million more to Córdoba economy, provided by soybean, corn, wheat, peanut and sorghum.

Production will be of around 35 million tons (Graph 2). Although this figure may be lower than the one from the previous cycle, the dramatic rise in the

economic contribution would be a direct consequence of the good prices in the international market, largely compensating the lower volumes produced.

The expected high volume of production will allow the reactivation of sales of agricultural machinery, supplies and equipment, and of port activity due to increased exports and increased demand for freight and for the hiring of harvest or grain storage services.

**Graph 2. Agricultural Production\* and Production Gross Value\*\* in Córdoba**  
In million tons and in million dollars



Note: \*The calculation encompasses soybean, corn, wheat, peanut and sorghum crops. \*\*Assuming that the entire crop is exported in the month of harvest and valued according to its international price, without any withholding. \*\*\*Estimated. Source: Own elaboration based on Córdoba Grain Exchange.

## LOCAL SOFTWARE INDUSTRY GREW BY A REAL 11% IN 2020

Software industry has expanded in Córdoba during 2020, in spite of the impact of the COVID-19 pandemic on economy. For the year 2021, this sector is expecting a new positive leap.

According to data from the ICT Monitor, in 2020 this sector invoiced AR\$ 42,023 million pesos (excluding multinational companies, like Mercado Libre), 54% above the amount invoiced in 2019. Excluding inflation, the growth was of a real 11%. Expressed in dollars, sales in this industry amounted to US\$ 596 million, which represented a 6% increase compared to the previous year. In turn, exports accounted for 19% of the sector total sales (US\$ 113 million).

This pandemic has accelerated the digital transformation processes which, compared to ordinary years, would have taken much longer. This technological upgrading will continue throughout the year 2021 and the demand for IT products is expected to continue to rise as well. However, the main bottleneck for the software industry in Córdoba - and in the world - is the growth capacity in terms of human capital, since it is a sector based on high value-added production.

In any case, the ICT Monitor has also rendered good perspectives. In January 2021, this industry reached 14,166 job positions, 11% more than in March 2020.

# SITUATION OF THE PUBLIC FINANCES IN THE CONTEXT OF THE COVID-19 EMERGENCY

## Budget execution

The budget execution as of the first quarter of the year continued to be strongly conditioned by the context of the national crisis that began in mid-2018 and was aggravated by the outbreak of COVID-19, which has had direct implications on the provincial public finances. Nevertheless, both in terms of income and expenditure, results evidence the continuity of a prudent and austere management. This has enabled to maintain the usual functioning of the public administration and to give greater dynamism to the execution of infrastructure investments.

The net income of the province (resources available after subtracting the automatic transfers to the municipalities and communes of the Province)

was AR\$ 118,019 million (US\$ 1,331 million), showing a real increase of 13% compared to the same period of the previous year. In turn, net current expenditures (provincial expenditures without considering the automatic distribution to municipalities and communes) were AR\$ 86,125 million (US\$ 972 million), which implies a year-on-year decrease of 3% in real terms (Table 1).

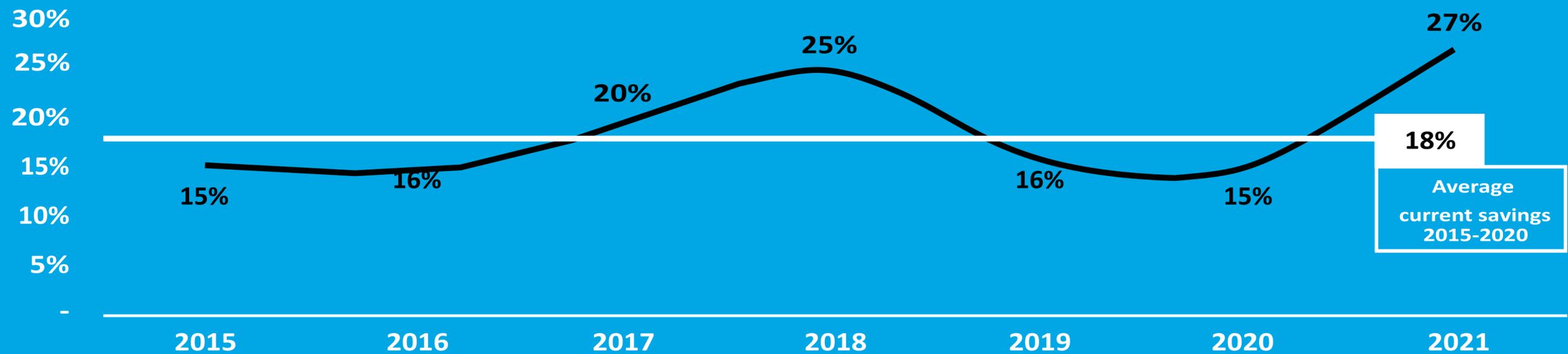
As a result, during the first quarter of the year, a 'current available saving' amounted to AR\$ 31,894 million (US\$ 360 million) (Table 1). Even in an adverse macroeconomic context, it was possible to sustain during the first quarter of the year an 'available current saving' that represents 27% of the provincial net income, a proportion that is higher than the historical average of 18% (Graph 3).

**Table 1. Income and Expenditure of the Non-Financial Public Administration**  
Accrued to March of every year – in million current pesos and in American dollars, except percentages

Concept	2020		2021		Variation AR\$	
	AR\$	US\$/1	AR\$	US\$/1	Nominal	Real/2
<b>Total Income</b>	<b>75,751</b>	<b>1,233</b>	<b>118,019</b>	<b>1,331</b>	<b>55.8%</b>	<b>12.9%</b>
Taxable and Non-Taxable Net /3	57,508	936	88,804	1,002	54.4%	11.9%
Social Security Contributions	12,787	208	17,581	198	37.5%	-0.3%
Current transfers received /4	3,796	62	8,073	91	112.7%	54.2%
Property income	1,529	25	3,345	38	118.8%	58.6%
Other income	132	2	216	2	63.2%	18.3%
<b>Operating Expenses</b>	<b>64,486</b>	<b>1,050</b>	<b>86,125</b>	<b>972</b>	<b>33.6%</b>	<b>-3.2%</b>
Wages and related and Social Security Benefits	52,495	855	67,434	761	28.5%	-6.9%
COVID-19 Program /5			1,693	19		
Property income	2,850	46	4,175	47	46.5%	6.2%
Other Net Current Expenses (Consumer Goods, Non-Personal Services and Net Transfers) /6	9,142	149	12,823	145	40.3%	1.7%
<b>Current savings available</b>	<b>11,265</b>	<b>183</b>	<b>31,894</b>	<b>360</b>	<b>183.1%</b>	<b>105.2%</b>
<b>Current savings available / Total net income</b>		<b>14.9%</b>		<b>27%</b>		

Notes: /1 The reference exchange rate is the one published by the BCRA in Communication "A" 3500 (Wholesaler); /2 Based on the Córdoba Consumer Price Index; /3 Taxable and non-taxable resources available to the Province after subtracting the resources automatically distributed to municipalities and communes; /4 Includes amount received as Tax Consensus Compensation Item II Section A; /5 Fund for the state of alert, prevention and sanitary action for epidemic diseases created by Decree 156/2020; /6 Net of the resources automatically distributed to municipalities and communes. Source: Own elaboration based on the Budget execution of the first quarter of the years 2020 and 2021. Ministry of Finance of the Province of Córdoba. See: <https://finanzas.cba.gov.ar/ejecuciones/>

**Graph 3. Current savings available of the Non-Financial Public Administration**  
 First quarter of each year - in % of the genuine income available<sup>/1</sup>



Notes: /1 Resources available to the Province after subtracting the resources automatically distributed to municipalities and communes. Source: Own elaboration based on budget execution of the first quarter of the years 2015 to 2021. Ministry of Finance of the Province of Córdoba. See: <https://finanzas.cba.gov.ar/ejecuciones/>

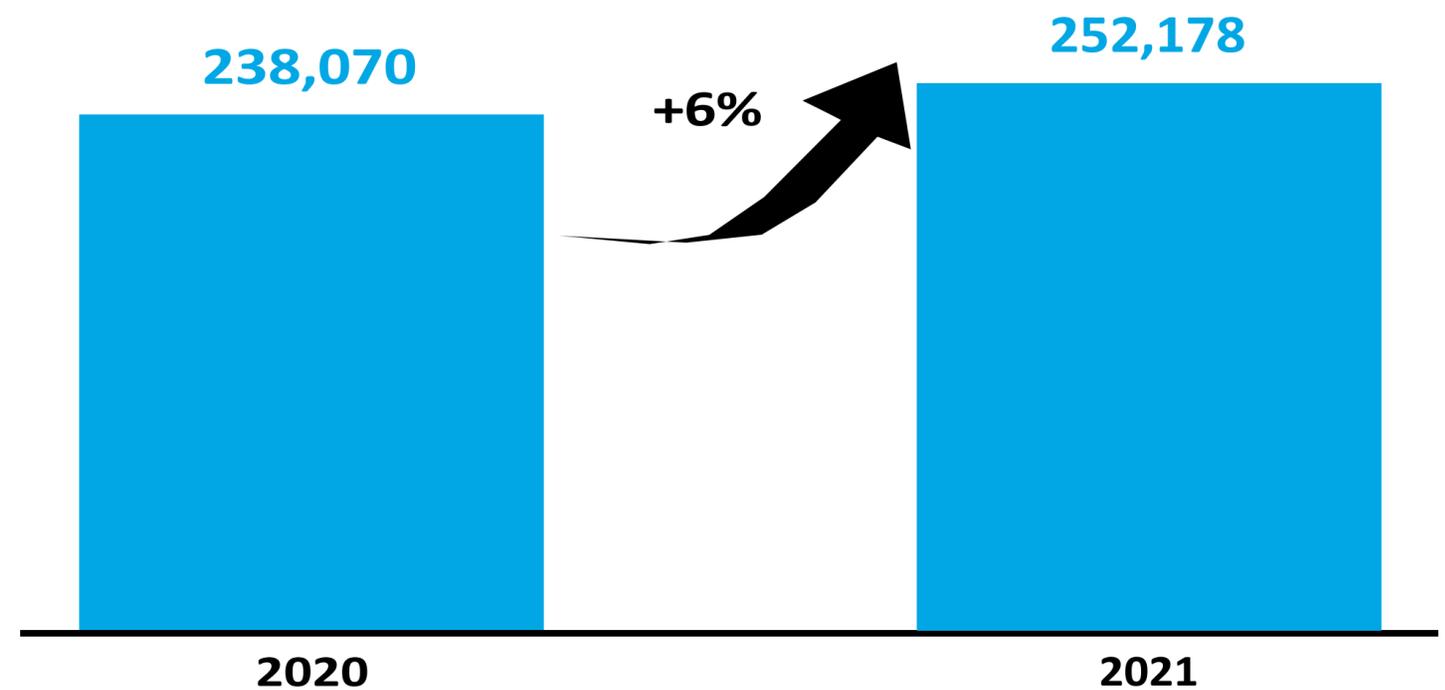
## Debt

The province's financial debt stock by the end of the first quarter of 2021 was AR\$ 252,178 million (US\$ 2,741 million) and no new debt issuances have been made during the period. In addition, interest and amortization payments were made in time and form, which amounted to AR\$ 6,990 million (US\$ 76 million), not considering the payment of the floating debt from previous years.

The debt stock grew, in the first quarter of 2021, 6% in real terms compared to the same period of 2020 (Graph 5.a). However, in terms of provincial revenue, it was equivalent to an average of 6.3 months of collection. This indicator reduced 5% compared to the same period of the year 2020, when 6.7 months of collection were needed to pay back the debt (Graph 5.b).

**Graph 5.a. Debt stock**

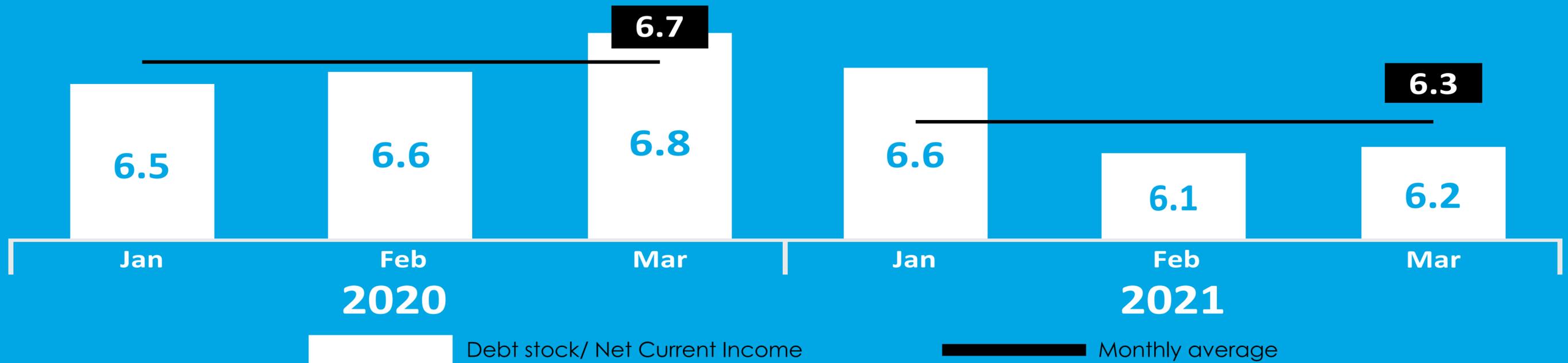
To March 31 of every year / In million constant pesos of 2021\*



Note: \*Based on the Córdoba CPI. Source: Ministry of Finance.

**Graph 5.b. Debt stock in relation to Income**

January to March of each year / Number of months of revenue equivalent to public debt\*



Note: \*The public debt stock at the end of every month is divided by the net current income of co-participation to municipalities and communes of that month. Source: Ministry of Finance. See: <https://finanzas.cba.gov.ar/deuda-publica/>

# LATEST NEWS

## Provincial debt restructuring

In the month of January 2021, the Province of Córdoba agreed with holders of the public securities PDCAR 2021, PDCAR 2024 and PDCAR 2027, the rescheduling of principal maturities totaling US\$ 1,685 million, equivalent to 60% of its debt stock.

This agreement was concluded without default, working on the basis of cooperation and good faith among the parties, which allowed the execution of a transaction without 'holdouts' (investors not accepting the exchange) through the use of collective action clauses, since the average adherence rate reached 96.29%. Therefore, the process of the provincial debt restructuring has been successful.

Considering the rescheduled debt service maturities and the Province's resource projection for the 2021-2030 period, public debt service is on average equivalent to 4.85% of the net current revenues, which is a clear indicator of the sustainability of the Province's debt.

Seven months after the conclusion of the restructuring process, it is important to mention that the new financial debt projected by the Province strictly matches the one reported to the investors throughout the restructuring process, which goes to show that the provision of information by the Province during the process was complete, appropriate and collaborative. The same is true for the

<sup>2</sup> Co-participation net to municipalities and communes.

resources and expenditure estimation, given that the Province has neither modified nor amended the approved Budget for the year 2021 and, therefore, the information used is the same as provided by the end of 2020, in the course

of the restructuring process. The Province is certain that it was the proactive, constructive and good faith cooperation what has enabled us to have 100% of our financial debt performing in the market.

## Financing for new investment projects

The 2020 Tax Consensus (Act 10.730) states that until December 31, 2021 the provinces are not to increase their debt stock in foreign currency, except those lines of credit with multilateral organizations and disbursements pending under previous agreements.

In such context, Córdoba is negotiating two new projects of public investment financed with the support of the Banco de Desarrollo para América Latina (formerly named Corporación Andina de Fomento) and the FFFIR, to finance a by-pass road to Route No. 38 and two sections of Route No. 5, respectively.

### Provincial Route No. 38 BDAL (ex CAF)

**Amount:** US\$ 75 million

**Term:** 15 years with a 60-month grace period

**Interest rate:** LIBOR + 1.9%

**Local counterpart:** US\$ 25 million

**Project scope:** 20 kilometers, from Puente Variante Costa Azul to Molinari town.

**Current status:** Complying with environmental and social safeguards for the call for tenders.

### Provincial Route No. 5 FFFIR

**Amount:** AR\$ 1,774 million

**Term:** 10 years with a 12-month grace period

**Interest rate:** LIBOR + 3.6%

**Local counterpart:** AR\$ 2,226 million

**Project scope:** Section 1: Alta Gracia–La Serranita. Section 2: La Serranita-Villa Ciudad de América.

**Current status:** Complying with environmental and social safeguards for the call for tenders.

It is therefore possible to appreciate that the Province sticks to its policy of allocating the funds obtained from the Use of Credit (financing operations) to public works and to the expansion of the

provincial productive capacity, given the fact that both routes are vital for the Tourism development of the Province within its Punilla, Paravachasca and Calamuchita Valleys.

## Córdoba advances towards the digitalization of the Real Estate Registry

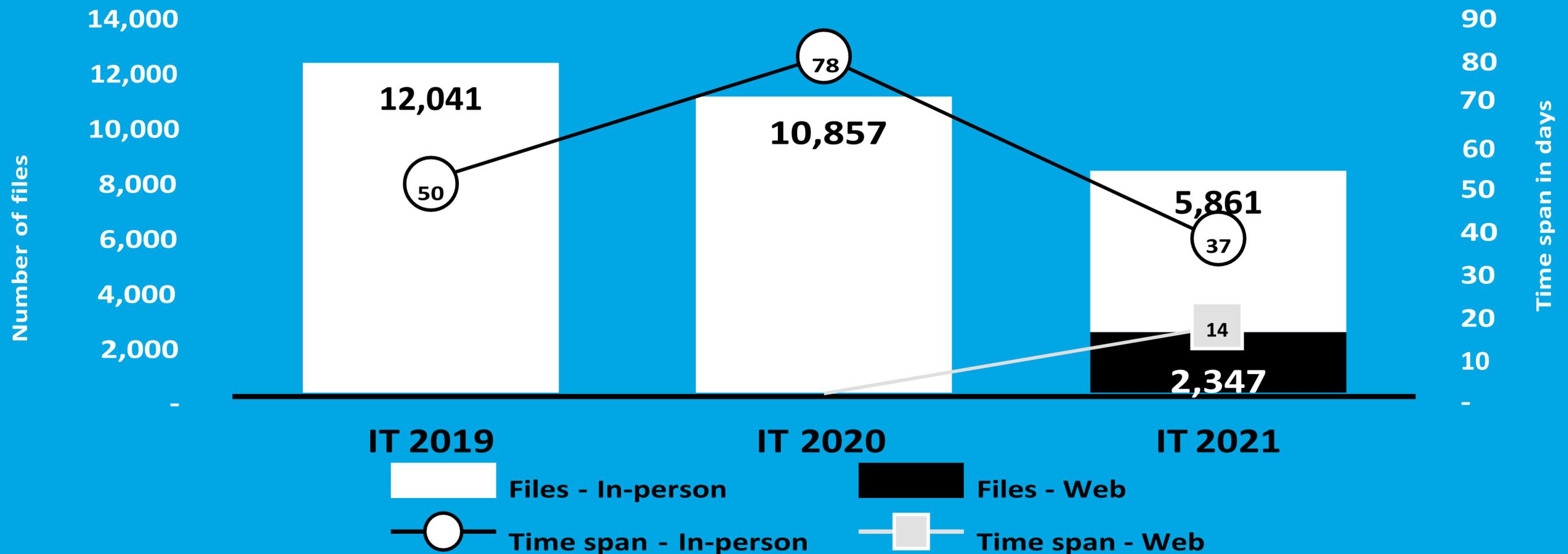
This pandemic has accelerated the digitalization process started by the Real Estate Registry in 2017. Such process, highly appreciated by the actors of the Real Estate sector since it is intended to simplify and reduce time, moved forward in 2020 towards the realization of more online procedures through our web site. As a result of this, the average time span of the proceedings experienced a substantial reduction.

The most significant cases are the property conveyance and the mortgage

deeds completed in virtual mode in the first quarter of 2021, in an average of 14 days, whereas two years ago and in in-person mode, these would demand 50 days (Graph 6).

Such efficiency is mainly thanks to the streamlining and the debureaucratization provided by the introduction of new technologies; as well as to the constant commitment and support from the Institution upon the users, through knowledge transmission and training in the use of digital tools.

**Graph 6. Real Estate property conveyance and mortgage deeds filed and average resolution time in days per channel of attention**



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