

# INVESTING IN CÓRDOBA

Summary of finances  
and investments  
Second Quarter 2021

Ministerio de  
**FINANZAS**



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# PROVINCIAL ECONOMY

## ACTIVITY IN CÓRDOBA REGAINS ITS DYNAMISM

Córdoba economy is the fourth largest jurisdiction contributing to the national whole. In this significant participation, the industry plays an essential role: it accounts for about 20% of the provincial annual added value and it is the second largest productive sector after the agricultural-livestock sector. The main industries established in the Province are the food and the metallurgical industries, together with a sustained growth and relevance of the software industry.

### **Agriculture**

The agro-export sector had the largest foreign currency liquidation in history in the first semester of 2021 and Córdoba prides on its fundamental role in this result (about 20% of the total exports of primary products and manufactures of agricultural and livestock origin are produced in the province).

Moreover, planting projections in Córdoba anticipate a great 2021-2022 season. Particularly, an investment of around US\$ 345 million in wheat planting is estimated, 30% above the previous season (including salaries for planting tasks, fertilizers, herbicides, seeds, seed treatments and fungicides). Also, the planting of this crop has covered about 1.4 million hectares, 8% above 2020-2021 season.

### **Industrial Activity**

According to the Córdoba Industrial Union, 75% of the industries exceeded their activity levels in June compared to the same month of the previous year (though in this last period, 64% of the industries have evidenced regression, resulting in a low comparison base). Furthermore, one third of Córdoba industries yielded in June 2021 a larger production than in the previous month.

Additionally, following the *Córdoba en Foco* report, assessing different sectors of the provincial industry, in the second quarter of 2021, 12 of the 15 main industrial segments evidenced positive variations in their activity rate (Graph 1), thus reflecting the recovery of the industrial activity in the Province.

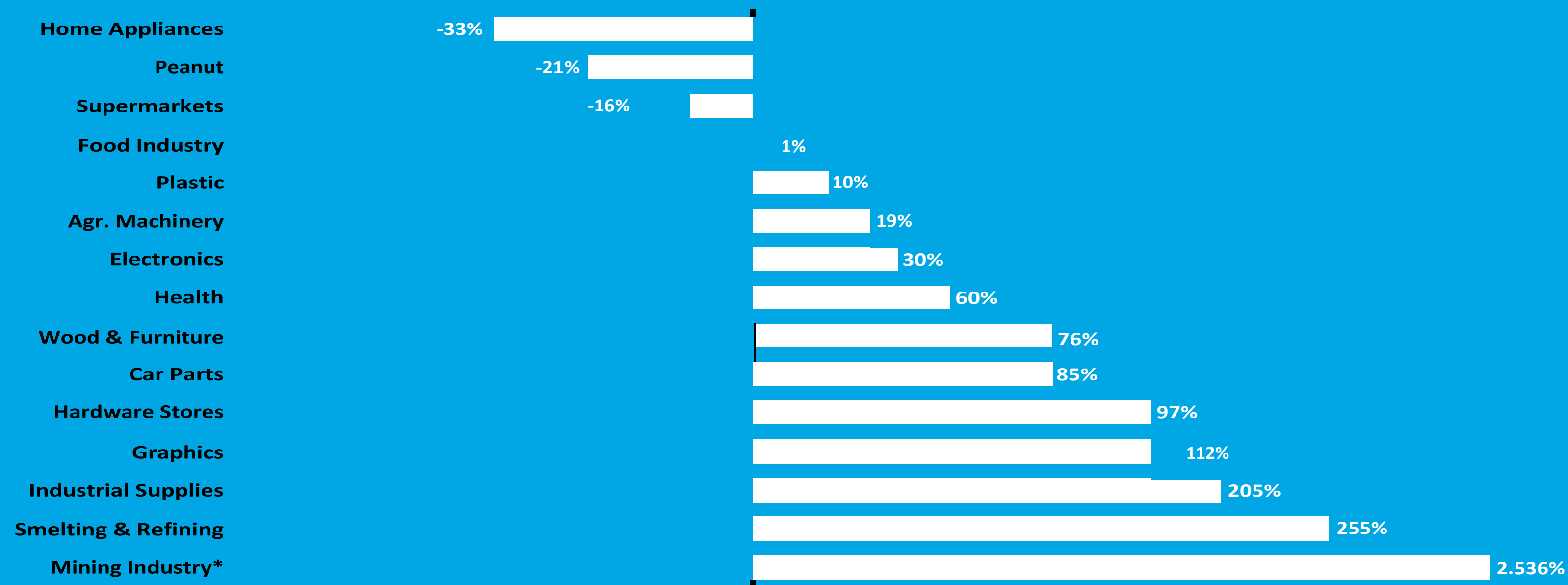
### **The local Software Industry continues to expand**

Córdoba was the first Province in Argentina to declare software an industry and to actively promote its development at local level. During 2020 this industry experienced a significant growth in its turnover, of around a real 11%, proving its great resiliency in the face of strongly disruptive events such as the Covid-19 crisis.

As per the ICT Monitor, in the second quarter of 2021, the turnover in real terms of Córdoba software companies (excluding multinational companies) was 1.9% above the one recorded in the same period of 2020. Expressed in dollars, at the prevailing exchange rate, the turnover in the second quarter of 2021 amounted to US\$ 152 million (7.5% above 2020) and approximately 20% of the total was destined for the foreign market. In addition, this sector employed 14,087 workers (considering July 2021 data), 10,5% above last year level.

A large portion of this sector's resiliency in the face of the limitations imposed by the pandemic is due to its high adaptability to remote working. For instance, only 5,6% of Córdoba companies is working in in-person mode, whereas the rest has adopted the home-office mode in its different varieties (full remote work and flexible or hybrid mode) as their main working modality.

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



Note\*: The activity rate variation for the Mining Industry is displayed off-scale. Source: *Córdoba en Foco* – Ministry of Industry, Commerce and Mining.

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

### Budget execution

The Province achieved sustained high levels of current savings.

The prolonged and severe macro-economic crisis, deepened by the Covid-19 pandemic, poses a challenging context for the provincial finances, particularly due to the sharp drop of the resources during the year 2020. Even considering the recovery that revenues are showing in 2021, the levels are still lower than those observed prior to the beginning of the crisis in 2018. In this adverse scenario, the Province has kept a prudent and austere management, thus allowing for the recovery of the public investment throughout 2021 and coping with the extraordinary expenditure necessary

for the fight against the pandemic.

As accrued to June 2021, the net income of the province (resources available after subtracting the automatic transfers to municipalities and communes of the Province) was AR\$ 259,458 million (US\$ 2,840 million), showing a real increase of 14% compared to the same period of the previous year. In turn, net current expenditure (provincial expenditures without considering the automatic distribution to municipalities and communes) was AR\$ 196,841 million (US\$ 2,154 million), which implies a year-on-year decrease in expenditure of 4% in real terms (Table 1).

**Table 1. Income and Expenditure of the Non-Financial Public Administration**

Accrued to June 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>159,513</b>	<b>2,470</b>	<b>259,458</b>	<b>2,840</b>	<b>63%</b>	<b>14%</b>
Taxable and Non-Taxable Net /3	114,000	1,765	194,065	2,124	70%	19%
Social Security Contributions	27,985	433	37,979	416	36%	-5%
Current Transfers received /4	14,400	223	18,807	206	31%	-8%
Property Income	2,880	45	8,161	89	183%	99%
Other income	247	4	446	5	80%	26%
<b>Operating Expenses</b>	<b>143,858</b>	<b>2,227</b>	<b>196,84</b>	<b>2,154</b>	<b>37%</b>	<b>-4%</b>
Wages and related and Social Security Benefits	115,749	1,792	153,638	1,681	33%	-7%
COVID 19 Program /5	1,593	25	4,420	48	177%	94%
Property income	5,901	91	7,045	77	19%	-16%
Other Net Current Expenses (Consumer Goods, Non-Personal Services and Net Transfers) /6	20,615	319	31,738	347	54%	8%

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Accrued to June of every year – in million current pesos and in American dollars, except percentage

<b>Concept</b>	<b>2020</b>		<b>2021</b>		<b>Variation AR\$</b>	
	<b>AR\$</b>	<b>US\$/1</b>	<b>AR\$</b>	<b>US\$/1</b>	<b>Nominal</b>	<b>Real/2</b>
<b>Current saving available</b>	<b>15,655</b>	<b>242</b>	<b>62,617</b>	<b>685</b>	<b>300%</b>	<b>180%</b>
<b>Current saving available / Total net income</b>	<b>9.8%</b>	<b>24.1%</b>				
<b>Net capital income /7</b>	<b>1,766</b>	<b>27</b>	<b>3,664</b>	<b>40</b>	<b>108%</b>	<b>45%</b>
Construction expenses /8	5,261	81	15,360	168	192%	105%
Other Net Capital expenses /9	1,596	25	3,073	34	93%	35%
<b>Financial saving available</b>	<b>10,565</b>	<b>164</b>	<b>47,848</b>	<b>524</b>	<b>353%</b>	<b>217%</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 amounts 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; /7 Net Capital income from Capital co-participation to municipalities y communes and from Tax Consensus Compensation Item II Section A; /8 Construction expenses is equivalent to Direct Real Investment plus the Capital Transfers to Others in the Public Sector; /9 Other Net Capital expenses from Capital co-participation to municipalities and communes.

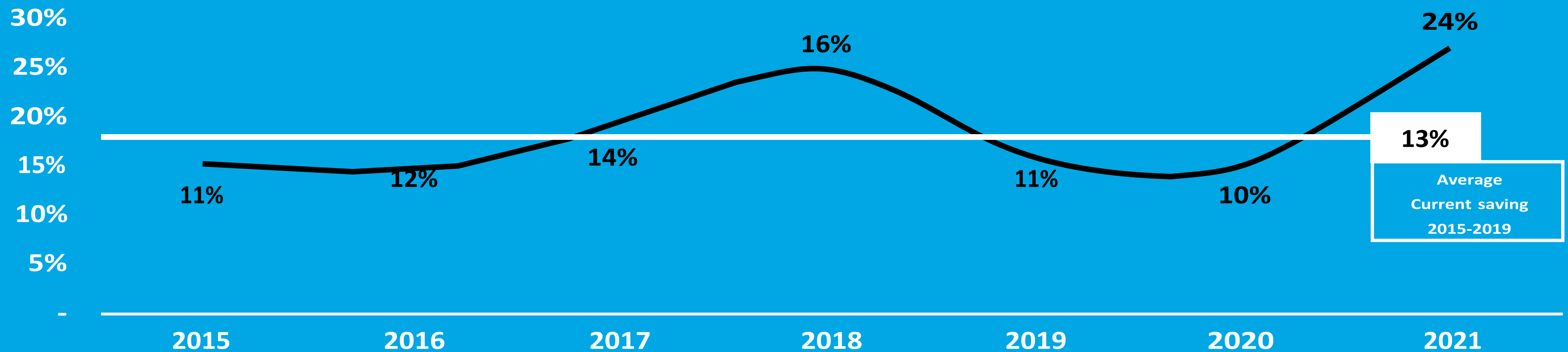
Source: Own elaboration based on budget execution of the first semester of the years 2020 and 2021. Ministry of Finance of the Province of Córdoba. See: <https://finanzas.cba.gov.ar/ejecuciones/>.



As a result, during the first semester of the year, the 'current saving available' obtained was AR\$ 62,617 million (US\$ 685 million) (Table 1). Even in an adverse macro-economic context, it was possible to keep during the first semester of the year a 'current saving available' representing the 24% of the provincial net income, a proportion above the 10% observed in the same period of 2020 and the historical average of 13% (Graph 2). The Province estimates that such figure

will be close to the historical average, since it includes the salary increase agreed with the provincial unions, which reached 45,5%. This salary increase follows the guidelines of the provincial financial administration policies, by which the public sector remunerations are assessed in the light of the evolution of inflation and provincial tax collection, as a criterion of prudence in the administration of public accounts.

**Graph 2. Current Saving Available of the Non-Financial Public Administration**  
First semester of each year - in % of the net total expenses/2



Notes: /1 Construction expenditure considers Direct Real Investment (Spanish initials IRD) and the Capital transfers to Others in the Public Sector. /2 Net total expenses of current and capital co-participation to Municipalities and Communes. Source: Own elaboration based on budget execution of the first semester of the years 2015 to 2021. Ministry of Finance of the Province of Córdoba. See: <https://finanzas.cba.gov.ar/ejecuciones/>

### RECOVERY OF INVESTMENT

This report shows relevant information about the recovery of the levels of public investment. It is key to bear in mind that the provincial administration reduced significantly the execution of public works at the pandemic outbreak, in order to balance the provincial operating flow. While a reduction of such magnitude is a short-term measure for an unprecedented crisis like the one the world has experienced with this pandemic, it was a measure of fiscal prudence within such a critical year. Yet, and just as it has been mentioned

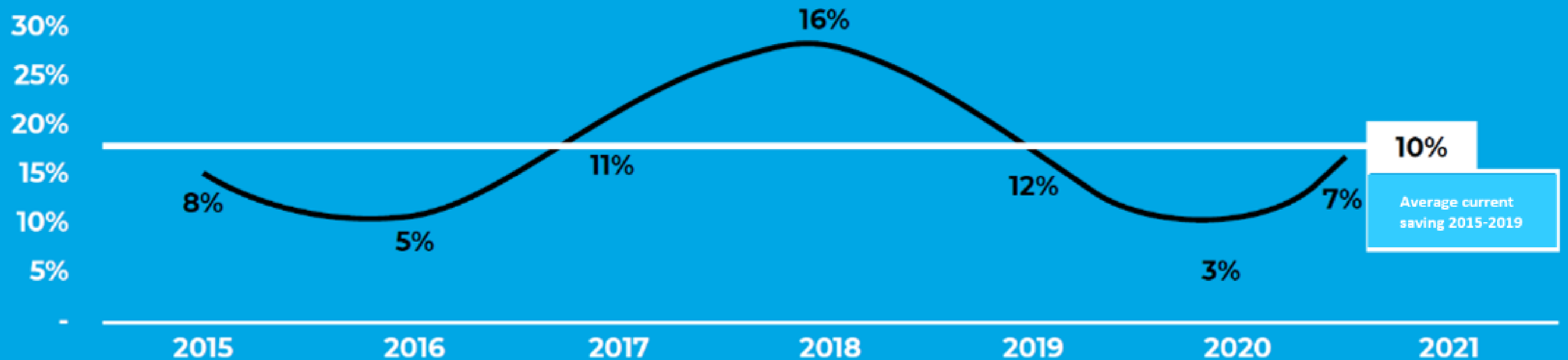
several times, maintaining the provincial infrastructure in tandem with developing new public works are necessary to keep up with the productive capacity and the systemic competitiveness of Córdoba.

Evidence of this is the subsequent duplication in real terms (+105%) of the construction expenses in June 2021 (\$15,360 million, US\$ 168 million) compared to the levels observed in the same period of 2020 (\$5,261 million, US\$ 81 million). The construction expenditure as a percentage of the total net public

expenditure of co-participation to municipalities reached 7% in 2021 (Graph 3), bridging the gap with the average of the period 2015-2019, which stood at 10%. Nevertheless, such ratio is influenced by the high levels of investment recorded until 2019, as a result of the execution of a public infrastructure plan carried

out by the Province, including large-scale works like the closure of the ring-road, gas trunk pipelines and sewers, among others.

**Graph 3. Construction expenditure/1 of the Non-Financial Public Administration**  
 First semester of each year - in % of the net total expenses/2



Notes: /1 Construction expenditure considers Direct Real Investment (Spanish initials IRD) and the Capital transfers to Others in the Public Sector. /2 Net total expenses of current and capital co-participation to Municipalities and Communes. Source: Own elaboration based on budget execution of the first semester of the years 2015 to 2021. Ministry of Finance of the Province of Córdoba. See: <https://finanzas.cba.gov.ar/ejecuciones/>

## Financial debt

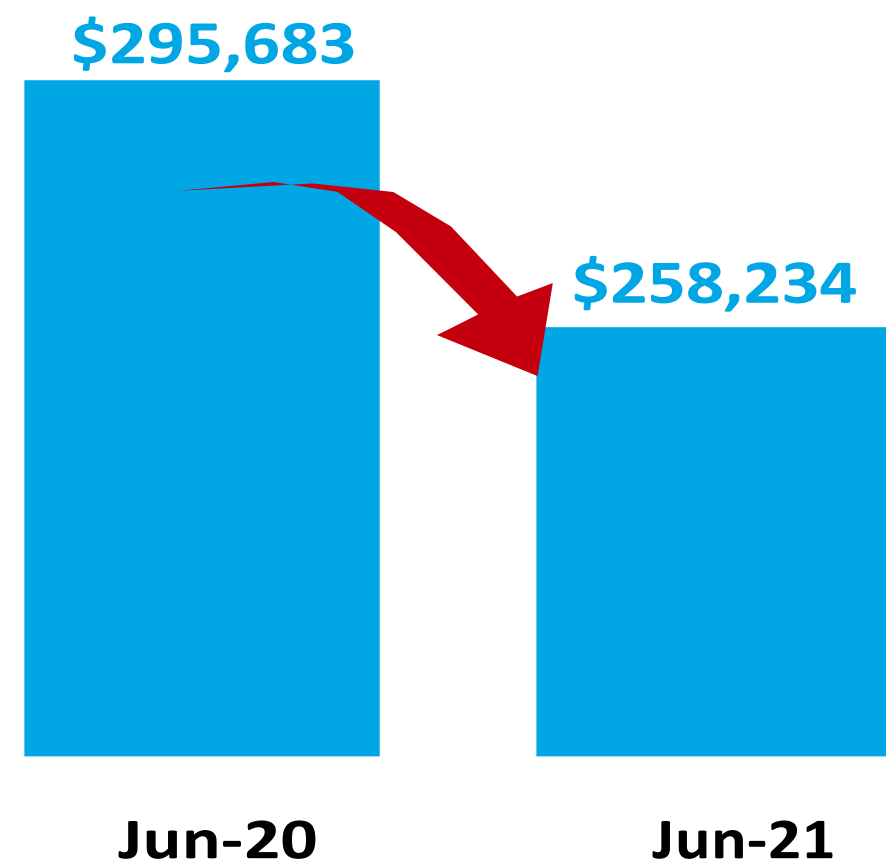
To June 30, 2021, the provincial financial debt stock was AR\$ 258,234 million (US\$ 2,698 million). In addition, interests and amortization payments were made in a timely manner, which accrued AR\$ 16,989 million (US\$ 177 million), not considering the payment of the floating debt from prior years. In the first semester of 2021, the debt stock decreased 13% in real terms compared to the same period of 2020 (Graph 4.a). This was mainly due to a growth of 36% of the nominal exchange rate compared to a 43% inflation in the period considered, since 91% of the financial debt of the Province is denominated in foreign currency.

Also, measured in terms of provincial revenue, the debt stock was in average equivalent to 5.9 months of collection in the first six months of 2021. This indicator decreased 12% compared to the same period of 2020, when 6.7 months of collection were necessary to pay back the debt (Graph 4.b). This improvement is the result of the good collection performance observed in the months of 2021, against its analogues of 2020, given that in the first semester the collection accumulated a 17% increase in real terms (at 2021 constant prices).



### Graph 4.a. Debt stock

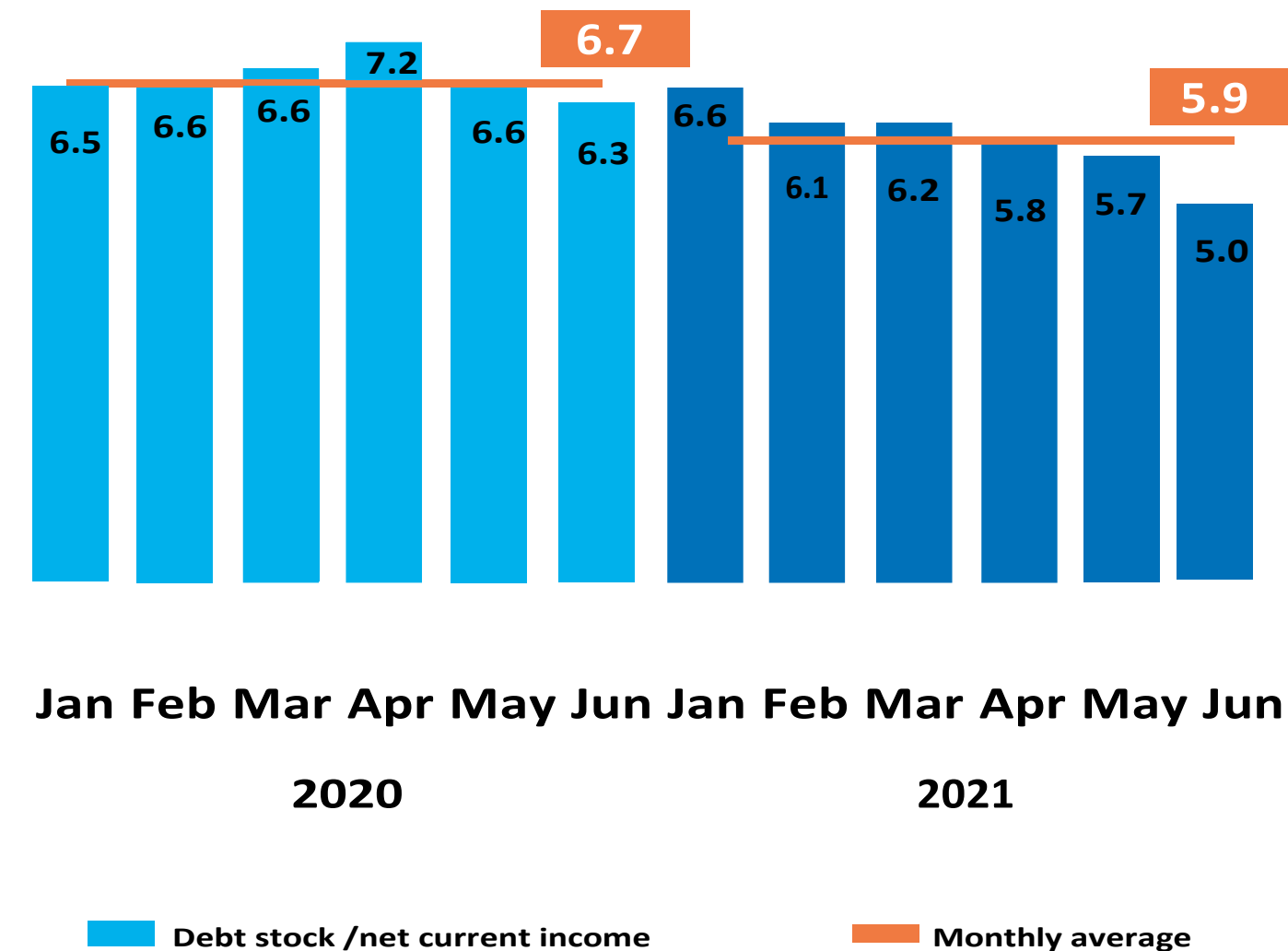
To June 30 of each year - In million constant pesos 2021\*



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

### Graph 4.b. Debt stock in relation to Revenue

January to June of each year – Number of months of collection equal 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 the same month.  
Source: Ministry of Finance. See: <https://finanzas.cba.gov.ar/-deuda-publica/>

# EVOLUTION OF THE *TiPAs*

In June 2020, the Government of the Province placed in circulation the Debt Payment Securities named *TiPAs*, to mitigate the fiscal damages caused by the Covid-19 pandemic and to afford its obligations towards suppliers. The issuance of these public debt securities in local currency was a government action to cope with the problem of the drop in revenues during the pandemic, as well as to strengthen the chain of payment to the Suppliers of the Province. Such instrument was designed to avoid the use of current resources for immediate payment to the State Suppliers, yet enabling

them to rely on their payments to maintain their operating capital.

The *TiPAs*, on top of being themselves a financial instrument which allows to invest in the stock market, receiving amortization of principal and interest, have the peculiarity of being convertible into tax and fine payments within the Province of Córdoba, also obtaining benefits for partial remission of penalty charges, interests and not-yet-final fines. The remission percentage stood at 70% when the issuance started and experienced a quarterly steady decrease to the current 30%.

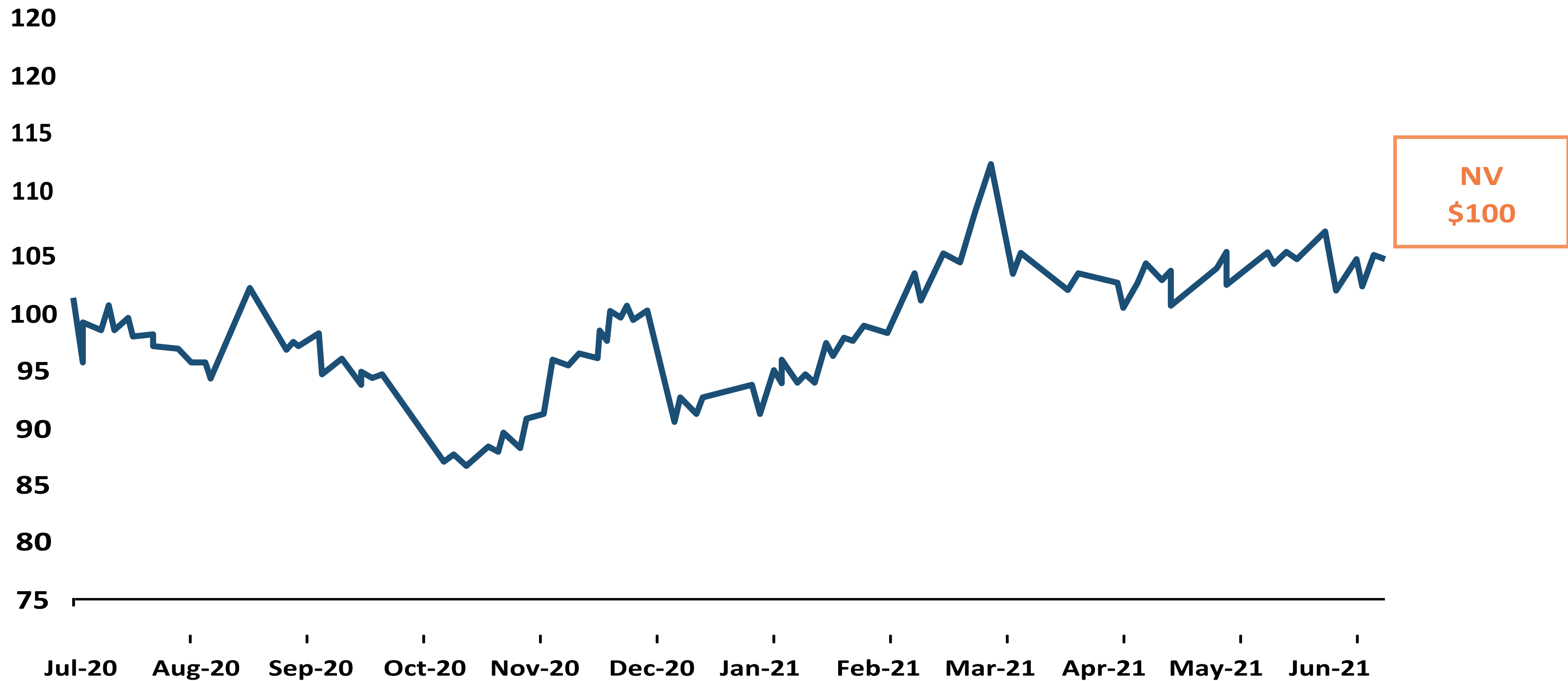
As from September 2021, the discount will be of 20%. This tax benefit granted by the *TiPAs* was of crucial importance to boost the Province's accounts receivable, allowing at the same time the strengthening of the demand for this security, with an outstanding performance within the public debt in pesos in Argentina.

The issuance was for a total value of \$9,000 million, expiring on June 22, 2023, with

an 18-month grace period until the first payment of principal, with semiannual amortizations in 4 equal installments equivalent to 25% of the principal. Interests are accrued and paid quarterly, following an interest rate based on the simple average of the Private Badlar Rate.

*TiPAs* prices in the market were in a very reasonable range between \$ 80 to \$ 100 per 100 nominal values. By the end of June 2021, the closing price was \$ 99.5 (Graph 5).

**Graph 5. *TiPAs* price (CO23)**  
Market price and nominal value in \$



Source: Bolsar. Listing on June 30 2021. Price \$99.5

## Compliance with the financial indebtedness of the provincial energy company

In relation to other organizations that constitute the provincial Non-Financial Public Sector, EPEC is a subsidiary of the Provincial State that is systematically reducing its financial indebtedness. During 2020, it made the last payment of the *Bicentenario* Bond equal to US\$ 565 million, issued to build the *Bicentenario* Energy Station located in Pilar. At present, this station is operating with a supply capacity of 466 Megas for the whole national interconnected system.

In turn, in 2017 it issued a debt security for US\$ 100 million with a nominal fixed rate of 7% and maturity in 2022, for the recomposition of the working capital under the tariff regime in effect at that time in Argentina. This security is guaranteed through a trust created with the funds of the federal tax co-participation of the Province.

Of this security, EPEC paid in February 2021 a maturity of US\$ 12.5 million and by June 2021 the outstanding amount was US\$37,5 million with a maturity distribution of three dates. August will be the time for the payment of the eighth service of an identical amount and only two payments will remain outstanding. In 2018, the Province subscribed a loan from the Provincial Development Trust Fund (Spanish initials FFDP) of ARS 2,777 million to pay back EPEC debt to CAMMESA. By June 2021, the outstanding stock of this loan was ARS 926 million, with final maturity in 2022. The subsidiary's financial statements are audited by Deloitte and are available to investors on the entity's website.

# LATEST NEWS

## The Retirement and Pension Fund issued its 2020 annual report

The Retirement and Pension Fund of Córdoba issued the thirteenth edition of its Institutional Annual Report. The purpose of this work is to provide information and assessment on the operation of the local pension system, one of the most significant social and economic areas managed by the provincial public sector.

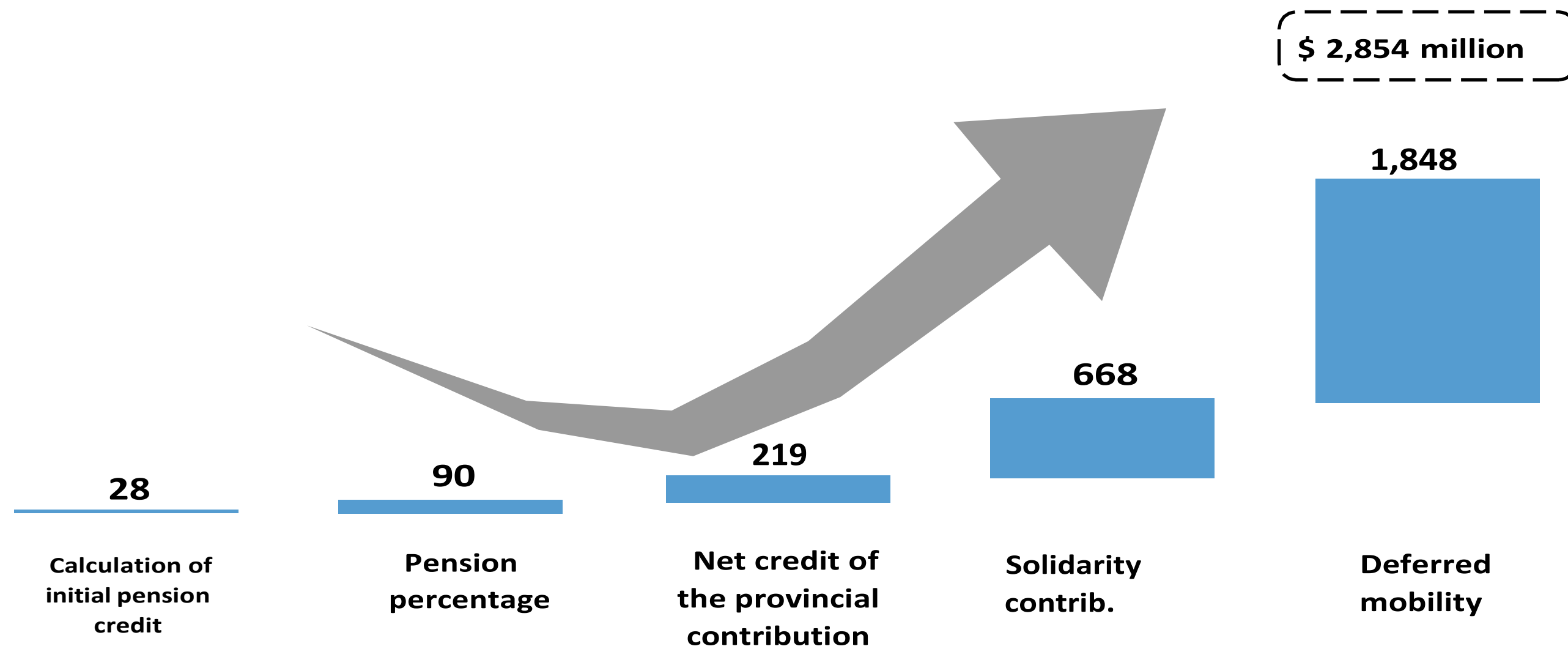
This document covers a wide range of topics. In the field of management, the 2020 Annual Report emphasizes the improvements achieved thanks to a profound transformation that started over a decade ago, involving the redesign and the digitalization of all the institution's processes. This provided the means to successfully overcome two major challenges of an extraordinary nature that arose in the year 2020: to continue to operate with employees working from home and to implement, within a few weeks' time, a comprehensive reform as a result of the enactment of a new pension law.

In the financial field, the situation of the social security in the Province is analyzed in depth and through a comprehensive approach. One of its key points is the analysis and assessment of the impact that the pension reform enacted in May 2020 had on the fiscal year. It is possible to note therein, that the impact of the reforms implemented through Act 10.694 observed in the year 2020 amounted to a total of ARS 2,854 million (US\$ 40 million, Graph 6), equal to a 6% saving in the pension expenditure of the period.

The pension reform combines short-term measures with medium and long-term measures. According to estimates, towards the year 2030, the saving resulting from the pension reform of the year 2020 is expected to be of around 10% of the pension expenditure, due to the incremental and cumulative impact of measures affecting the flow of new benefits.



**Graph 6. Summary of the economic impact of the implemented reforms - Act 10.694**  
 YEAR 2020\* - Million of current pesos



Note\*: The measures entered into effect in different months of the year as of the enforcement of Act 10.694, which took place by mid-May 2020.  
 Source: The Retirement and Pension Fund of Córdoba.

## AgTech technological mapping

In Córdoba, the AgTech Innovation Hub, led by the *Innovar y Emprender* Córdoba Bureau, promotes networking among large companies, enterprises, investors and the know-how sector with actors from the agricultural-livestock ecosystem, to develop technological solutions in order to boost the sustainability and the competitiveness of the provincial agri-food sector.

A research study sponsored by the AgTech Innovation Hub identified the existence of 72 companies within the Córdoba ag-tech ecosystem: 66 are established within the province and the other six are legally constituted in other places (two are in the United States), though they have been driven by entrepreneurs from Córdoba.