

CÓRDOBA

INVEST IN
BA

FINANCE AND
INVESTMENT SUMMARY

THIRD TRIMESTER 2021



Ministerio de
FINANZAS



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PROVINCIAL ECONOMY

ECONOMIC ACTIVITY IN CÓRDOBA

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

According to the Córdoba Grain Exchange¹, the gross value of soybean production of the 2020/21 season almost reached US\$7,500 million, 64% above the previous season and the 43% of the historical average, with a value of approximately US\$ 5,225 million (Graph 1).

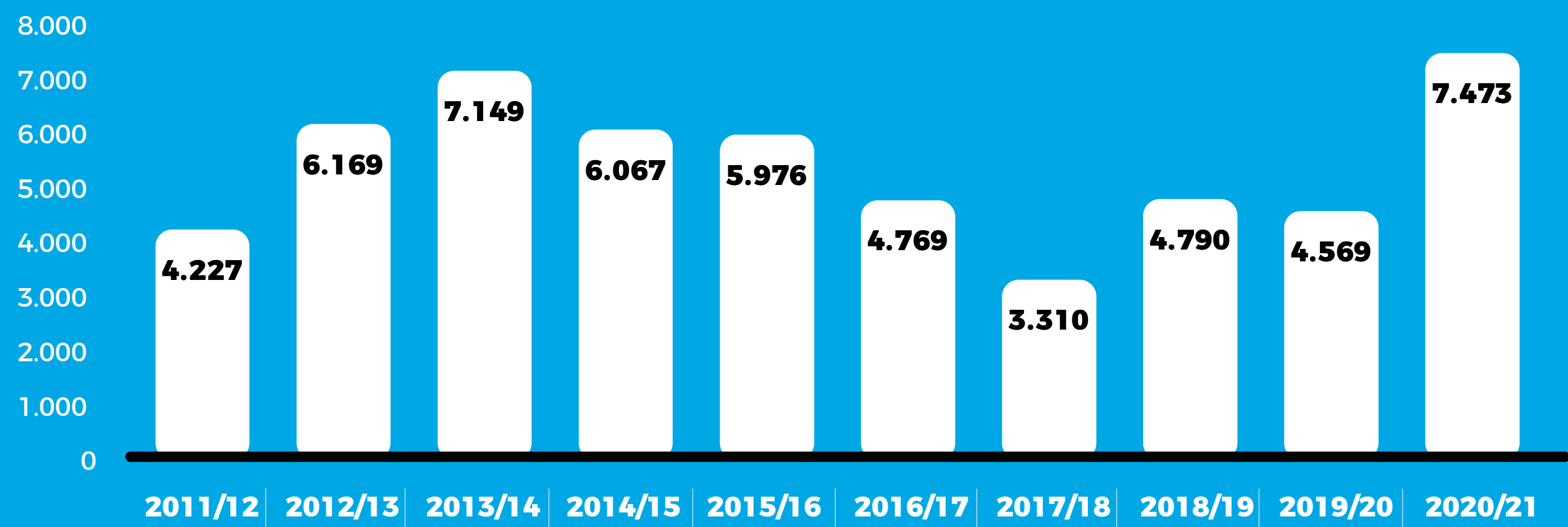
This represents some US\$ 2,900 million more than in the previous year, as a result of the significant rise evidenced by the international prices of this oilseed during the last year, to the extent that last May it reached its historic highs.

The season closed with a harvest of 13.4 million tons, representing a 4% less respect to the volume produced in the previous period. This decline is mainly due to an 8% decrease in the area sown, given that yields showed a slight increase compared to the previous season.

On average, yields reached 34.9 q/ha (1 q= 100 kg), representing a 7% above the last year and a 22% above the historical average. This increase was mainly achieved by late soybeans, as early soybeans were affected by the lack of water in the spring and summer

GRAPH 1.**Production and Gross Value of Soybean Production in Córdoba**

In million tons and in million dollars



Source: Own elaboration based on the Córdoba Grain Exchange.

Industrial and Commercial Activity

Basing on the Córdoba en Foco2 report, which assesses different sectors of the industrial production and the sales to provincial end consumers, most of the industrial activities evidenced a healthy evolution in the third quarter of 2021, compared to the year 2019; a reference prior to the pandemic (Graph 2). Such is the case of the Food Industry, which in the third quarter of 2021 showed an actual growth in turnover equivalent to 16% respect to the same period in 2019.

The industries of Agricultural Machinery and Car Parts also continued evidencing high production levels during the third quarter of 2021, with a growth of 61% and 10,5% in units produced, respectively, above the level achieved during the third quarter of 2019.

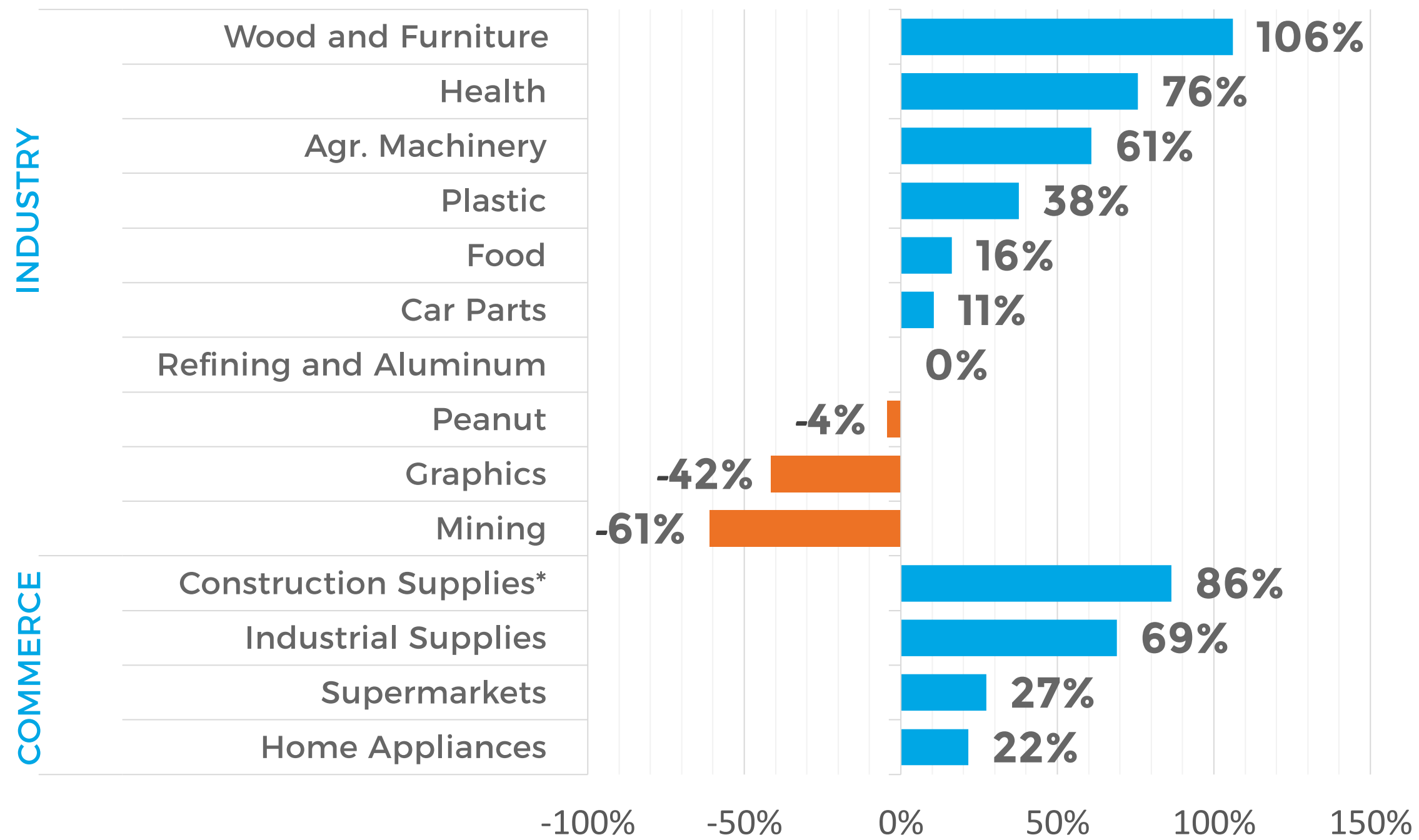
Finally, turnover at constant prices in the Plastic industry and in the Wood and Furniture industry was a 38% and a 106% higher, respectively, compared to the third quarter of 2019.

In the different commerce sectors, results show disparities. During the third quarter of 2021, home appliances sales recorded a rise in turnover at constant prices of a 22% respect to the same period of 2019.

On the other hand, sales of hardware, sanitary ware, iron and constructionrelated materials sustained their high levels, indicating an actual rise of an 86% respect to the third quarter of 2019. Supermarket sales, for their part, measured in units sold, continued with a decline of 27% compared to the same quarter of 2019.

GRAPH 2.**Summary of industrial and commercial activity.****Activity rate per segment**

Actual variation % third quarter 2021/ third quarter 2019



Note: *Including hardware, sanitary ware, iron and related items.

Source: Córdoba en Foco - Ministry of Industry, Commerce and Mining.

Exports

According to the data provided by the Agencia Pro Córdoba, in the first nine months of 2021, Córdoba exports exceeded US\$ 9,000 million, largely driven by the agricultural and livestock sector and the international prices of commodities, which reached their historic highs in May and today remain at levels well above those of last year.

These operations were destined for 132 countries, being Brazil (US\$ 1,112 million), China (US\$ 731) and Vietnam (US\$ 553 million) the main destinations. India and Egypt completed the top five, with values close to US\$ 500 million.

Agriculture and the agro-industry had a high influence on the value of exports, given that 85% of the out-of-country sales came from primary products (PP) and manufactures of agricultural and livestock origin (MOA for its Spanish acronym).

PP totaled US\$ 4,087 million (45% of the total) while MOA amounted to almost US\$ 3,600 million (40% of the total). Manufactures from industrial origin (MOI for its Spanish acronym) were just over US\$ 1,100 million (12% of the total).

SITUATION OF THE PUBLIC FINANCES EN 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 public investment throughout 2021 and

copied with the extraordinary expenditure necessary for the fight against the pandemic.

As accrued to September 2021, the net income of the province (resources available after subtracting the automatic transfers to municipalities and communes of the Province) was AR\$ 408,008 million (US\$ 4,367 million), showing a real increase of 12% 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\$ 308,352 million (US\$ 3,301 million), which implies a year-on-year decrease in expenditure of 3% in real terms (Table 1).

TABLE 1.

Income and Expenditure of the Non-Financial Public Administration

Accrued to September 30 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 |
| NET INCOME | 248.651 | 3.677 | 408.008 | 4.367 | 64% | 12% |
| Taxable and Non-Taxable Net / ³ | 180.478 | 2.669 | 306.231 | 3.278 | 70% | 16% |
| Social Security Contributions | 42.065 | 622 | 57.645 | 617 | 37% | -6% |
| Current Transfers received / ⁴ | 21.322 | 315 | 31.660 | 339 | 48% | 2% |
| Property Income | 4.472 | 66 | 11.830 | 127 | 165% | 81% |
| Other income | 314 | 5 | 642 | 7 | 104% | 40% |
| OPERATING EXPENSES | 217.156 | 3.211 | 308.352 | 3.301 | 42% | -3% |
| Wages and related and Social Security Benefits | 173.690 | 2.568 | 236.022 | 2.526 | 36% | -7% |
| COVID-19 Program expenses / ⁵ | 2.688 | 40 | 8.752 | 94 | 226% | 123% |
| Property Income | 9.428 | 139 | 8.574 | 92 | -9% | -38% |
| Other Net Current Expenses (Consumer Goods, Non- Personal Services and Net Transfers) / ⁶ | 31.350 | 464 | 55.004 | 589 | 75% | 20% |
| CURRENT SAVINGS AVAILABLE | 31.495 | 466 | 99.656 | 1.067 | 216% | 117% |
| CURRENT SAVINGS AVAILABLE / TOTAL NET INCOME | | 13% | | 24% | | |
| NET CAPITAL INCOME /⁷ | 3.177 | 47 | 5.866 | 63 | 85% | 26% |
| CAPITAL EXPENDITURE | 16.776 | 248 | 34.823 | 373 | 108% | 42% |
| Construction Expenditure / ⁸ | 14.160 | 209 | 27.517 | 295 | 94% | 33% |
| Other Net Capital expenditure / ⁹ | 2.616 | 39 | 7.306 | 78 | 179% | 91% |
| FINANCIAL SAVINGS AVAILABLE | 17.896 | 265 | 70.699 | 757 | 295% | 171% |

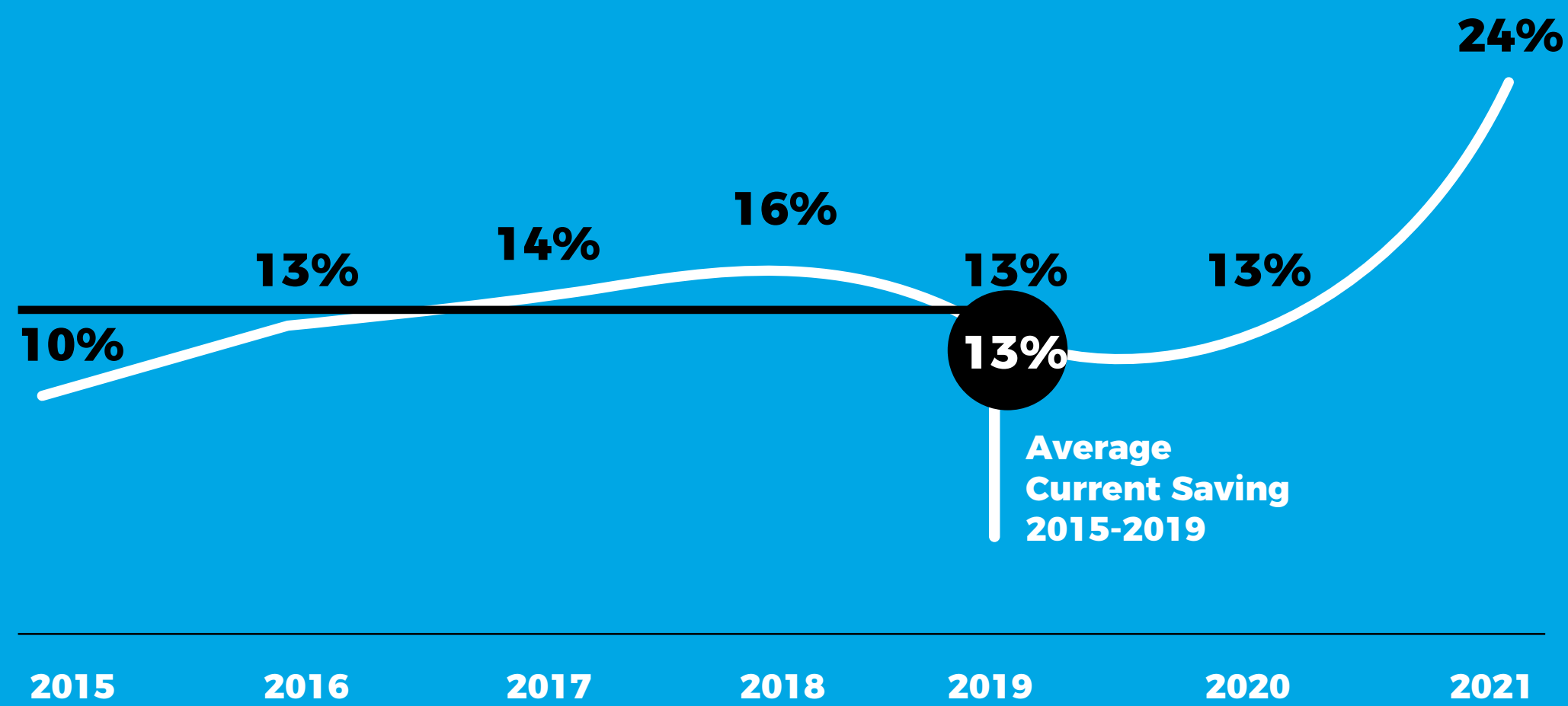
Notes: /1 The reference Exchange rate is the one published by the BCRA in Communication "A" 3500 (Wholesaler);/2 Based on the Córdoba Consumer Price Index;/3 Taxable and non-taxable resources available to the Province after subtracting the resources automatically distributed to Municipalities and Communes;/4 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 Transfer 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, the 'current saving available' obtained during the first nine months of the year was AR\$ 99,656 million (US\$ 1,067 million), (Table 1). Even in an adverse macro-economic context, it was possible to keep throughout the first nine months of the year a 'current saving available' representing the 24% of the provincial net income, almost doubling the ratio observed in the same period of 2020 and the historical average (Graph 2).

GRAPH 2.

Available Current Savings of the Non-Financial Public Administration.

To September 30 of every year - in % of the genuine income available /¹



Notes: /¹ Are the resources available to the Province after deducting the resources automatically distributed to Municipalities and Communes. Source: Own elaboration based on Budget execution to September ³⁰ of the years ²⁰¹⁵ to ²⁰²¹. Ministry of Finance of the Province of Córdoba. See: <https://finanzas.cba.gov.ar/ejecuciones/>.

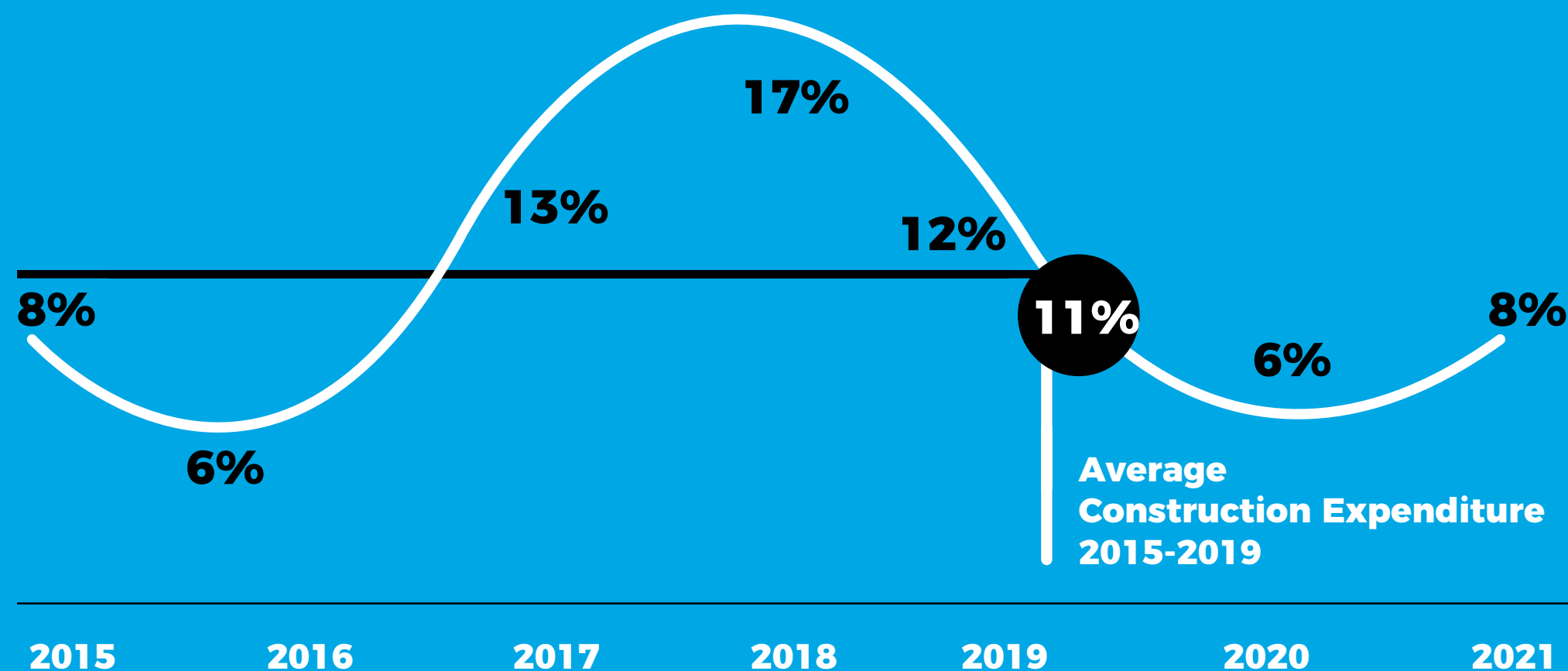
Recovery of investment

The provincial administration reduced the expenditure on construction during the pandemic in order to stabilize the provincial operating cash flow, yet in the first nine months of 2021, it has reactivated works that are necessary to maintain the provincial infrastructure and has also initiated the execution of new projects. In fact, the expenditure on construction to September 2021 (\$27,517 million, US\$ 295 million) increased in a 41% measured in dollars respect to the levels observed in the same period of 2020 (\$14,160 million, US\$ 209 million). The construction expenditure as a percentage of the total net public expenditure of co-participation to municipalities reached 8% in 2021 (Graph 3), narrowing the gap with the average for the 2015-2019 period, which stood at 11%.

GRAPH 3.

Construction Expenditure¹ of the Non-Financial Public Administration.

To September 30 of every year - in % of the total net expenditure ²



Notes:¹ Construction expenditure considers Direct Real Investment (Spanish initials IRD) and the Capital Transfer 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 to September ³⁰ of the years ²⁰¹⁵ to ²⁰²¹. Ministry of Finance of the Province of Córdoba. See: <https://finanzas.cba.gov.ar/ejecuciones/>

FINANCIAL DEBT

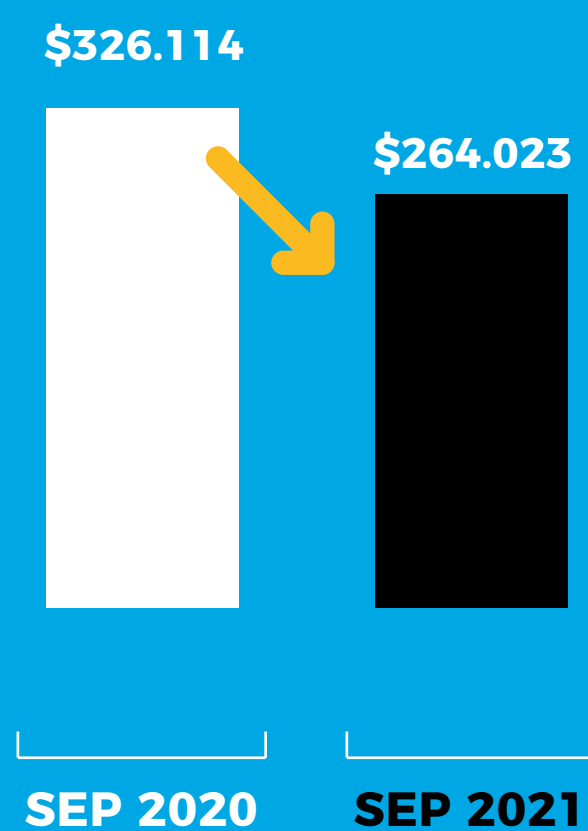
To September 30, 2021, the provincial financial debt stock was AR\$ 264,023 million (US\$ 2,674 million). In addition, interests and amortization payments were made in a timely manner, which accrued AR\$ 22,094 million (US\$ 224 million), not considering the payment of the floating debt from prior years.

In the first nine months of the year 2021, the debt stock decreased 19% in real terms compared to the same period of 2020 (Graph 4.a). This was mainly due to a growth of 30% of the nominal exchange rate compared to a 46% 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 5.7 months of collection in the first nine months of 2021. This indicator decreased 16% compared to the same period of 2020, when 6.8 months of collection were necessary to pay back the debt (Graph 4.b). This improvement is the result of a rise of 14% in real terms (at 2021 constant prices) in collection performance observed in the first nine months of 2021, against its analogues of 2020.

GRAPH 4A.**Debt Stock**

To September 30 of every year
in million constant pesos of
2021*

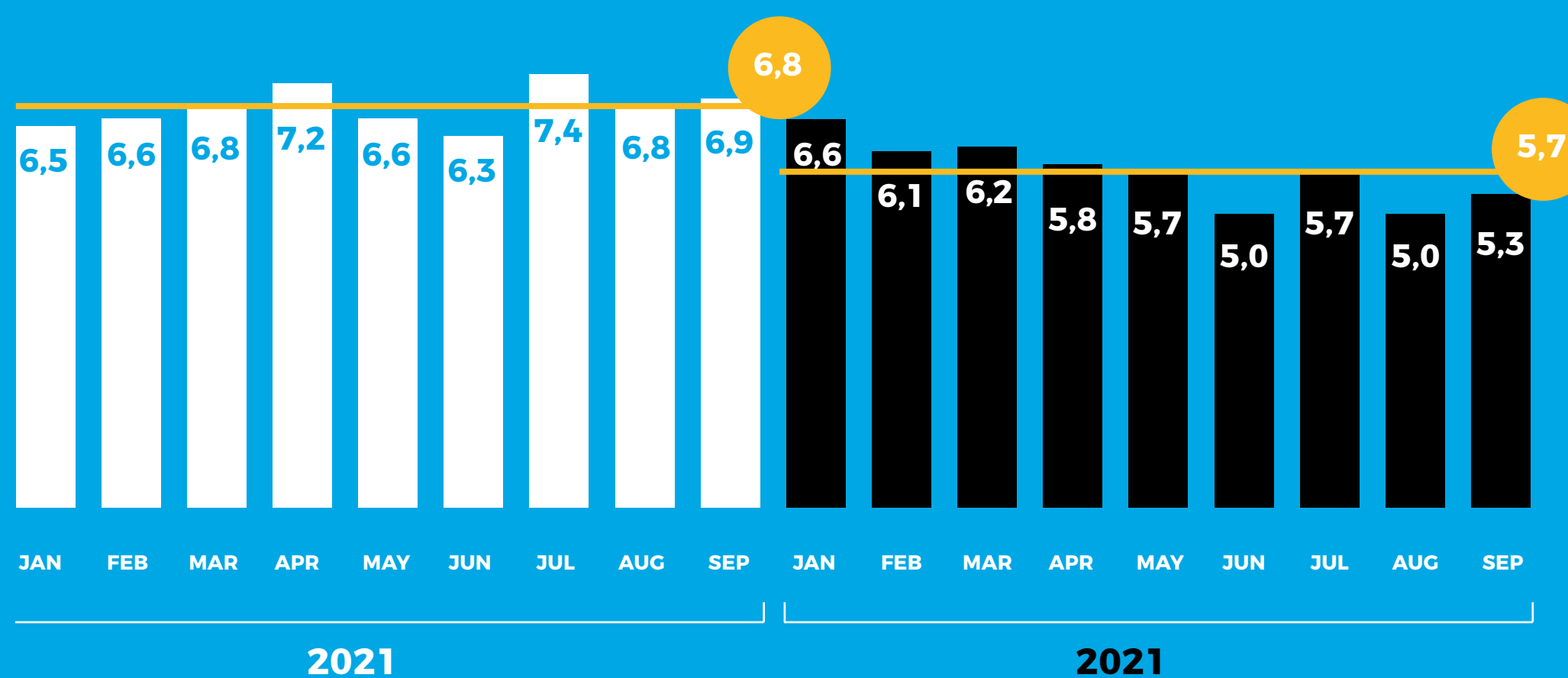


Note: *Based on Córdoba CPI.
Source: Ministry of Finance.

GRAPH 4B.**Debt Stock in relation to Income**

January to September of every year

Number of months of collection equivalent to public debt*



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

LATEST NEWS

RECOGNITION OF THE EXPERIENCIA CIUDADANA PROGRAM OF THE MINISTRY OF FINANCE

The Ministry of Finance has been awarded the Silver Medal in the category “Best Operating Strategy in the Citizen Sector” of the PAMOIC Prize (Spanish acronym for Argentine Prize to the Best Organizations of Customer Interaction), which has among its main objectives to identify the leading organizations in the quality of service offered to the customer, to encourage the professionalization of the activity and to identify and promote best practices.

Organizations ranging from banks and call centers to health care providers and private companies focused on customer relations participated in this event. It was in this field of highly specialized quality companies that Finance competed both to assess its own processes and to reverse the myth that public administration is not efficient.

In the year 2016, the Ministry of Finance implemented the Experiencia Ciudadana model (Citizen Experience) in its Tax Administration 3 area and, in the year 2019, this model was extended to all areas. This ongoing year, the “Experiencia Ciudadana” Program was presented, emphasizing its remote assistance during the pandemic and particularly, its system for receiving, processing and applying citizen assessment on the service received.

This encompasses both quantitative evaluations, which are reflected in a numerical rating scale, and qualitative evaluations, in which artificial intelligence tools and the advice from the Faculty of Mathematics, Astronomy and Physics of the National University of Córdoba process citizens’ feedback.

Such information was used to adjust and improve assistance during the pandemic, turning citizen perception into a basic input to optimize the quality of the services provided by the Ministry of Finance.

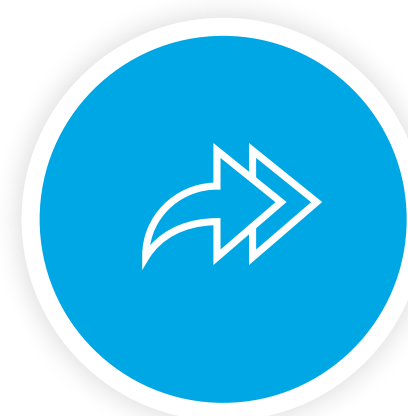
GRAPH 5.**Experiencia Ciudadana Model in Córdoba Tax Administration**

SINCE 2017 1 CITIZEN INTERACTION = ONE SURVEY



DELIVERED:

2,1 MILLION



REPLIED:

540 THOUSAND



COMMENTS:

270 THOUSAND

2021 14 THOUSAND COMMENTS PER MONTH

CÓRDOBA TECH WEEK

In the month of September, Córdoba Tech-Week took place, a meeting that brings together all members of the technology ecosystem to discuss the changes that are occurring in the world, under the slogan "applied technological disruption". Within this framework, there was a segment dedicated to ag-tech, one of the areas that has been showing a solid expansion and in which Argentina has a high development potential due to its leading role in world food production.

Among the ag-tech projects, the first university demonstration field of digital agriculture in the country, presented by the Faculty of Agronomy and Veterinary Science of the National University of Río Cuarto (FAV-UNRC) is worth mentioning. It is a "digital farm" created to design solutions based on the use of technologies to close yield gaps in crops.

In order to design an agronomic strategy that maximizes yield per hectare, two tools are used. On the one hand, algorithms, which allow to simulate what production can be achieved if the productive conditions are modified. On the other hand, the use of "layers" of information, that is to say of digital analysis systems that are overlaid on satellite images and enable to see, for

instance, the existence of heterogeneous conditions, such as nutrient availability or water runoff, not only at the lot level but also at the plot level.

Particularly, at the Pozo del Carril experimental field, the challenge was to start generating these digital layers to find out which management practices could be improved in order to close performance gaps. A fundamental step in this direction took place in July, when an antenna with LoRaWAN technology and a set of sensors were installed to measure temperature, soil humidity, solar radiation, water level in tanks (the farm also has livestock) and gates opening. This antenna has a minimum coverage of 10-kilometer radius, that is to say that it can capture data in an area of about 30 thousand hectares.

This is an unprecedented long-range data network, since it is the first to be managed by a national university and mainly aimed at research, teaching and extension. The deployment of this network lays the foundations that will enable the farm to become a national model in the implementation of digital agriculture practices

EXPANSION OF THE GREEN PROTEIN MARKET

Demand for pulses is growing between 3% and 4% annually, promoted by consumers who see "green proteins" as a replacement for meat. This is in line with one of the global trends in the food industry: the emergence of more and more variants of vegan options. For example, "meatless" hamburgers are being launched even by those chain stores with greater global presence.

This is one of the factors that explains the exceptional annual growth of the specialties market. The other factor is demographic: the highest consumption of these foods is concentrated in Asian countries, such as India and Pakistan, with a population of over 1.5 billion people.

Pakistan, in fact, is the second main destination for Córdoba specialties: in 2020, this country bought for 5.9 million dollars. India is in the eighth place within the top ten. The largest importer is Chile and the third is Italy, according to the figures provided by the Agencia ProCórdoba.

According to the experience of local firms, the case of mung beans is one of the most emblematic. It is a relatively low-value protein whose consumption is increasing significantly worldwide. Regarding this, the Córdoba company Tecnocampo has done research on genetic improvement of seeds in order to adapt mung bean and red bean varieties to the conditions of central and northern Córdoba.

Cono Group is one of the small and medium-sized enterprises that is growing significantly with specialties. It currently exports some 30,000 tons per year to more than 50 countries and has a five-year plan on course to reach 80,000 tons. For such purpose, the company is investing US\$ 3 million to set up a logistics center and is quadrupling the number of hectares under irrigation from the current 670 to some 3,000.

Another example is the case of Argenbean, the business unit of the Agroempresa Group, devoted to "specialties" production and export. In their eighteen months in operation, it has already shipped 1,500 tons of pulses, bird seeds and spices. Argenbean aims to consolidate at around 3,000 tons of exports per year.