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ECONOMIC SURVEY OF LATIN AMERICA

1979

ARGENTINA

This preliminary version of the Economic Survey of Latin America, 1979 is being distributed in 27 separate parts: an Introduction of a general nature, bearing the symbol E/CEPAL/R.227, and 26 Addenda to this document, each containing a study of the economic development of a country of the region. These Addenda will not appear in alphabetical order, but in order of completion. The complete Survey will be published in the usual printed version when the comments arising out of this preliminary version have been collected.

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ARGENTINA

1. Recent economic trends: Introduction and summary

Stimulated by the dynamism of industrial activity, which increased by 11%, the gross domestic product grew by 8.5% in 1979: the highest rate for the past ten years. This increase in economic activity constituted a partial recovery after the recession of 1978, and consequently, when the decreases in the product recorded in 1975 and 1976 are taken into account, the per capita product was only slightly higher in 1979 than in 1974 (see table 1).

The evolution of general economic activity over the year was also influenced by the performance of manufacturing. There was a gradual slowing down in the growth rate, so that in the last quarter of the year the total gross domestic product had climbed by 5.6% with respect to the same period the year before. The other sectors producing goods increased their activity at only half the rate of manufacturing, and this expansion was mainly concentrated in the first part of the year. Except for financial intermediation and government services, the growth rates of the services sectors also declined in the second half of the year, especially in the fourth quarter.

The supply of goods and services increased by nearly 11% because of the unusually high growth of 44% in real imports. In contrast to the evolution of domestic activity, the volume of imports rose as the year went on.

Domestic demand for goods and services increased by over 11%, which was a much higher rate than that for exports of goods and services (4%), thus reversing the trend in effect since 1976 whereby exports increased more than consumption and gross domestic investment.

Within global demand, gross domestic demand increased most, especially because of larger purchases of machinery and equipment (27%); construction, on the other hand, increased at a much lower rate (4%).

Total public and private consumption grew by 10%, although this increase was extremely uneven, with high rates for the consumption of durable goods and increases of less than 3% in the country's supply of food and

/clothing. It

clothing. It should be noted that the proportion of imports in total consumption grew both for goods and services.

Because of the slow growth in the volume of exports of pampa products (3%), the decrease in exports of non-pampa agricultural products (-20%) and the general decline in exports of manufactured goods (-11%), the volume of exports of goods increased very little (4%). One general factor which affected exports was the difference between the rise in domestic production costs and the evolution of the exchange rate, which became especially important towards the end of the year, when the rate of increase of world prices (especially of meat and oilseeds) began to slacken. The high level of world prices in the first half of the year had made it possible to sell most products abroad without significantly damaging the profitability of the export sector, despite the slower growth of the exchange rate as compared with domestic prices.

The growing disparity between the exchange rate and domestic prices, the reduction of tariffs through the application of the reforms decided upon at the start of the year and the increase in economic activity stimulated the growth of real imports of goods (38%). The volume of goods imported in 1979 was thus one of the highest of the past 50 years.

There was a trade surplus of nearly US\$ 1 billion, a figure slightly more than one-third that of 1978. The surplus gradually declined during the year, becoming a deficit in the fourth quarter.

A notable contributor to the disequilibrium on the balance-of-payments current account was the sharp increase in imports of services (US\$ 2.1 billion, compared with US\$ 1.2 billion in 1978), especially in respect of tourist spending abroad. Thus, after three years of favourable results, there was a deficit of over US\$ 510 million in current balance-of-payments transactions. This deficit was easily financed by the movement of non-compensatory capital which, attracted by the high domestic interest rate and low exchange risk, registered a net inflow of US\$ 4,930 million, thus allowing the international reserves to increase again by the extraordinarily large amount of US\$ 4,270 million (see table 1). Consequently, at the end of the year the reserves totalled over US\$ 10 billion, equivalent to nearly 15 months' imports.

/In 1979,

In 1979, the anti-inflationary strategy stressed the reduction of expectations regarding price increases by fixing decreasing devaluation rates in advance, in an atmosphere of commercial and financial openness of the economy. Tariff reductions and programmed tariff rates for public enterprises were further components of the anti-inflationary policy. The growth rate of prices from December to December was somewhat lower than in 1978, but remained at a high level (140% for consumer prices and 130% for wholesale prices). However, there was a significant deceleration towards the fourth quarter, for which the prices of meat and other agricultural products as well as the domestic prices of imported goods were primarily responsible. Taking the year as a whole, the most noteworthy feature was the deterioration of relative prices in the export sector and of the tariffs and prices of public enterprises.

The fixing of the exchange rate in advance for the freely-available financial and exchange markets, which was a basic instrument of economic policy, was accompanied by a change in monetary policy whereby money began to play a passive role. Simultaneously, the monetary authority was concerned with programming and controlling the monetary expansion through domestic factors.

Transactions in National Treasury bonds were the principal means of reconciling the programmed creation of monetary resources with the Treasury's financing needs and influencing the interest rate. Measures relating to cash reserves were another important means of regulating credit. Over the year the monetary resources of the private sector grew by 200%, which considerably exceeded the combined increase in prices and the gross domestic product.

The significant reduction in the rate of unemployment from levels already approaching full employment in 1978 (2.8%) was especially noteworthy in 1979. This decrease would seem to confirm partial data indicating that real wages improved in both the public and private sectors.

The public sector's financing needs continued to decline slowly, as in the two preceding years, and represented 4% of the gross domestic product. The central government's current and investment spending increased in real terms, but less than tax revenue, so that the relation of the fiscal deficit to total expenditure diminished slightly.

/Most of

Most of the central administration's deficit (75%) was financed by the sale of bonds, while the remaining 25% was covered by the use of the bank deposits of the rest of the public sector, without resorting to direct Central Bank credit.

## 2. Trends in economic activity

### (a) Total supply and demand

In 1979, the availability of goods and services increased by nearly 11% in real terms as a result of an 8.5% rise in the gross domestic product and a 44% increase in the volume of imports of goods and services (see table 2).

The higher level of global activity and its evolution during the year were largely due to manufacturing, whose annual growth was 11%, although this rate gradually declined from quarter to quarter, especially during the final months of the year.

Thus, the growth rates of the total gross domestic product during the four quarters of 1979 with respect to the same periods in 1978 were, in rounded figures, 12%, 9%, 8% and 6%. In contrast to this performance, the growth rate of imports gradually accelerated during the year, increasing from 25% in the first quarter to 41% in the last quarter. Even so, however, the growth rate of the total supply of goods and services declined during the year from 12.5% in the first quarter to 1.8% in the final quarter, with respect to similar periods in 1978.

The element of total demand which increased most was gross domestic investment, which grew by 15%. Investments in machinery and equipment, which increased by 27%, contributed significantly to this growth. Purchases of transport equipment, which grew by 34%, were particularly noteworthy; purchases of machinery and other equipment increased by 17%. The tariff reductions and exchange policy put into effect at the end of 1978 stimulated larger purchases of equipment abroad. In contrast, investment in new construction increased less (13%), largely because of weaker spending on public works, which grew by less than 2%.

/Total consumption

Total consumption grew by nearly 10% as a result of increased consumption in the first nine months, since the growth rate for the final quarter was only just over half the average rate for the year.<sup>1/</sup>

Purchases of imported consumer goods increased by an extraordinary amount in real terms (176%). Spending on foreign services, and especially spending by tourists abroad, also increased sharply, as did purchases of locally-manufactured durable goods (30%), particularly automobiles. In contrast, the supply of goods from the food, clothing and made-up textile goods industries increased less than 3%. Despite the fact that purchases of this type of goods abroad increased greatly, this did not alter the very different trends in consumption of durable and non-durable goods.

Exports of goods and services were the component of final demand which increased the least (4%). This performance was affected by the weak growth of exports of traditional agricultural products and the general drop in the volume of exports of manufactured goods.

(b) Growth of the main sectors

As already noted, the performance of manufacturing played a decisive role in the increase in the gross domestic product during the year, since the other sectors producing goods grew at less than half the rate of the manufacturing sector. With regard to services, electricity, gas and water grew by a little under 10%, while transport services and commerce expanded in line with the increased availability of manufactured and imported goods, recording rates of 8.5% and 12%, respectively. Financial services also increased greatly (10.5%), whereas the increase in community, social and personal services, the measurement of which is principally based on employment in these sectors, is estimated to have been around 2.5% (see table 3).

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<sup>1/</sup> Since this rate is obtained by subtraction in the country's national accounts estimates, it includes the variations of stocks not entering into the computation of the gross domestic investment, and in 1979 these may have been greater than in 1978. At all events, the amount of this adjustment would not change the order of magnitude of the growth mentioned above or the fact that the downward trend recorded in this aggregate since 1975 was arrested.

(i) Agriculture. In 1979 the agricultural gross domestic product grew by 5%, mainly due to the striking expansion of the crop-farming product, whose growth rate (6.8%) was more than double that of the livestock sector (see table 4).

In the pampas region, this increase was due to the activity during the first part of the year, included in particular the harvest of the 1978/1979 crop year, which nearly equalled the exceptional volume obtained from the 1976/1977 harvest in the case of cereals and oilseeds (see table 5).

The situation changed in the second half of the year, however. The area sown to grain decreased by 0.8 million hectares (3%), and there was also a decline in the productive capacity of the stock-raising sector, despite indications that herds were being reconstituted during this period, thus apparently marking the end of the phase of stock reduction begun between the end of 1977 and the start of 1978.

The indicators which suggest that cattle stocks increased are as follows: firstly, although cattle slaughtering had been growing as from the end of 1977 and reached the unprecedented level of the equivalent of 17 million head per year in the first half of 1979 (3% greater than the figure for the same period in 1978), after June 1979 this rate began to decrease, and during the second half of the year slaughtering was at the rate of the annual equivalent of 14.2 million head, a figure 13% smaller than for the same period in 1978. Secondly, during the second half of the year the downward trend visible since early 1979 in the number of females slaughtered was accentuated. Finally, there was a gradual rise in the meat yield of the animals slaughtered (see table 6).

The start made in the latter part of 1979 on the reconstitution of cattle stocks contributed to the decline of the area sown to cereals. This evolution of the cattle-raising cycle and the partial substitution of livestock for crops were connected with variations in relative prices. Beef prices improved compared with those of cereals and oilseeds from the end of 1978 to August 1979, when they reached the best level since 1970, although after that point they deteriorated. The improvement was particularly important during the sowing period, especially that of summer cereal crops in the second half of the year.

/This evolution



This evolution of relative domestic prices was also connected with that of the international markets and exchange rates and the structure of the domestic markets for the various products. World prices for meat and cereals increased up to August or September 1979, (more in the case of the former than of the latter), whereas the international prices of oilseeds decreased over the second half of the year.

The changes in relative world prices and the uneven development of the exchange rate with respect to domestic costs had differing effects on the prices paid to the producer, due to the different structures of the markets. Thus, in the case of beef, the competition of domestic consumption forced the export meat-packing industry to increase its purchase prices for live cattle more than its sales prices. In contrast, the lower domestic competition in respect of cereals permitted exporters to transfer the entire impact of the evolution of the exchange rate to domestic prices, taking into account the movement of world prices.

It should be noted that, quite apart from the relative decline in the profitability of crop-farming compared with stock-raising, the profitability of pampas agriculture in general decreased due to the evolution of the exchange rate. This was particularly noticeable in cereals, which during the first five months of 1979 were sold by producers at the lowest prices in constant-currency terms of the last twenty years.

The rate of return of non-pampas production, however, decreased even more than that of pampas agriculture. It was hit even harder by the evolution of the exchange rate, firstly because its productivity had not varied in recent years, and second, because in many cases international prices remained stable or even declined. Non-pampas agriculture is based on single-crop systems, with very high regional specialization. Cultural factors and ecological and economic limitations (size of the farms, unsatisfactory transport infrastructure, etc.) make it difficult for it to change over to more flexible production systems with greater output potential, while severe bank indebtedness (through which attempts have been made to offset the drop in revenue) restricts the opportunities for change even more. An extreme case of this lack of options is Patagonia, which is

/exclusively given

exclusively given over to sheep raising; the deterioration of income in this area led the Government to establish direct subsidies for producers.

(ii) Mining. The gross domestic product of the mining and quarrying sector grew by a little over 4% as a result of differing tendencies in the various subsectors: the output of fuels in general (especially coal) increased, but the production of other minerals declined (see table 7).

Output of petroleum was nearly 27.5 million m<sup>3</sup>, an increase of 4% with respect to 1978. The volume of gas injected at the head of gas pipelines increased by 18%, while the output of marketable coal grew at the very high rate of over 67% due to the intensification of activity in the Río Turbio deposits, thus permitting the reconstruction of the stocks which had declined during the previous year.

The Government's policy with regard to petroleum is to provide ample opportunity for private initiative, through risk agreements, inter alia, with a view to accelerating the operations of new wells and the incorporation of more modern equipment and technologies.

Imports of crude oil amounted to 2 million m<sup>3</sup>, 19% less than in 1978, and imports of gas also decreased. On the other hand, imports of distillates of petroleum and coal increased. Altogether, the volume of fuel imports increased by 22%, and their value amounted to US\$ 1,135 million, nearly three times that of 1978.

Metallic mineral output was down by nearly 13%, but the Government believes that the new mining promotion law will enable this situation to be changed in the medium term by providing increased security for investors through the system of risk agreements.

(iii) Manufacturing. The signs of revival which manufacturing had shown towards the end of 1978 were accentuated during the first half of 1979, with the greatest output being achieved in the third quarter. After the third quarter, however, clear signs of decline began to appear, especially in the intermediate goods branches, which had grown most in the first half of the year, while the activities producing durable consumer goods maintained low growth rates. In the fourth quarter, the decline spread to the entire manufacturing sector, except for steel production.

The 11% expansion of the manufacturing sector in 1979 was accordingly the result of extremely unequal quarterly growth rates, since the increases in each quarter of 1979 compared with the corresponding quarter of 1978 ranged from around 17% in the first quarter to little more than 5% in the final quarter (see table 8).

Extremely different growth rates were also observed in the various branches. Thus, machinery and equipment and basic metal industries registered growth rates of nearly 18% during the year, whereas food, beverages and tobacco and clothing and leather products had low growth rates of between 2% and 3.6%.

During the first part of the year, the low level of stocks at the end of 1978 and the increase in inflationary expectations contributed to the recovery, so that by the middle of the year some branches had surpassed the level considered normal. Another factor that affected the increase of stocks was the reduction of financing costs due to greater access to credit and negative interest rates in real terms throughout the entire first half of the year.

The increased construction activity also stimulated production in the industrial branches connected with it. The branch producing other capital goods recovered from the drop recorded in 1978 due to a strong increase in the production of transport equipment. On the other hand, the increased machinery output in 1979 offset only less than half of the decline of the previous year. The effects of these factors gradually weakened throughout the year, and were compounded by the declining trend of investments in buildings, improvements and equipment for the agricultural sector. The stimulus to industrial activity from consumption also diminished gradually in the second quarter due to a decline in the growth rate of consumption and an increase in the proportion of it satisfied by imports. In general, however, the competition of imported products facilitated by the tariff policy and the evolution of the exchange rate did not have a significant influence on manufacturing output until well into the year, because it took time for competition from foreign supply to assume concrete form.

The volume of exports of manufactures decreased by around 11%, the decline being particularly marked in exports of metal products, textiles and leather, despite the fact that many enterprises with idle capacity chose to

/continue decreasing

continue decreasing the burden of their fixed costs by continuing to produce for export, even though the profit margin declined during the year. The negative impact of the exchange rate on this margin, however, was partially offset by special export credit incentives.

On the basis of incomplete data, it is estimated that the increase in manufacturing activity was not accompanied by an increase in industrial employment with respect to the previous year.

Among the principal branches of industry, those directly connected with household consumption had the lowest growth rates. Thus, food and beverage output increased by only about 2%, due to increased beverage production. In contrast, the activity of the food industry stagnated because of the negative effect of developments in meat packing, where output declined by 4%. The textiles, clothing and leather branches were affected by the growing volume of imports, purchases made by tourists abroad and decreased exports, so that they grew by only about 4% over the extremely low level of 1978.

The output of basic chemical products increased substantially (sulphuric acid +9%, chlorine +15.5% and caustic soda +9%), as did the output of thermoplastic materials.

The paper industry likewise grew significantly, especially the newsprint branch. This activity enjoyed ample external protection in 1979.

The steel industry had one of the highest growth rates in the sector (17%) in 1979, and was also the only branch whose output did not decrease in the final quarter; its high growth rate was achieved despite the fact that the volume exported decreased by around 50%. Most steel products had more or less similar growth rates (crude steel +15%, non-flat rolled products +14%, flat rolled products +19%, and cold flats +10%); imports were not an important source of competition for this group due to the rise in world prices and the level of protection in force.

The output of machinery and transport equipment recovered in 1979 from the decline of 1978, but the two branches evolved differently. Whereas the former grew only moderately, so that it did not fully recover, the latter increased at a rate which enabled it to more than make up for the drop of the year before, mainly thanks to the increased output of automobiles (4%) and commercial vehicles (33%). Furthermore, a programme for the reconversion of the motor industry was formalized during the year.

/(iv) Construction.

(iv) Construction. In 1979, construction activity expanded by nearly 5% as the result of an increase of approximately 2% in public construction and slightly less than 9% in private construction.

The small increase in public projects was the result of policy decisions regarding the containment of government spending. Except for some road works, no new large-scale projects were begun. The execution of the programme for the construction of express ways and underground parking space in the Federal Capital continued at a good pace, and the civil engineering works for the hydroelectric dams at Salto Grande, Futaleufú and Cabra Corral were completed.

As in previous years, the great increase in private construction was largely due to the entry into force of a new building code with stricter rules for the Federal Capital and other important cities in the interior, which established time-limits for beginning new projects approved under the earlier provisions. Consequently, the volume of projects underway increased greatly, whereas there was a sharp drop in requests for construction permits, especially for multi-family dwellings (see table 9).

Residential construction financed with official funds developed satisfactorily. During the year, greater use was made of the resources of the National Housing Fund, and the National Mortgage Bank continued to service the middle-income sector of the population.

Cement deliveries for the entire year exceeded 6.6 million tons, the highest figure for the 1970s. There were no great imbalances between domestic supply and demand for this product, and consequently there were no significant increases in cement imports. The value of imports of ceramic goods and non-metallic mineral products doubled, however.

Throughout most of the year, particularly in the metropolitan area, it proved difficult to fill vacancies for specialized personnel, and even for unskilled labour.

(v) Electricity. The generation of electricity increased by 14% in 1979. There was a larger increase in the generation of hydroelectricity than in energy from thermal and nuclear stations, due to the entry on stream of the Salto Grande hydroelectric complex. Despite this sharp rise, however, there were some supply problems which highlighted the weaknesses still

/affecting the

affecting the interconnected system. The problems were due to the simultaneous effects of the late rainfall in the Neuquén foothills, two unprogrammed shutdowns in the Atucha nuclear plant, and maintenance problems in the thermal stations.

During the year, the foundations were laid for important projects which will bear fruit in the 1980s. One was the start of work on the Yaciretá hydroelectric dam, and the other, progress on an agreement with a German firm for the construction of the Atucha II nuclear power plant. Furthermore, in 1979 contracts were awarded for the construction of the Alicurá complex on the river Limay.

In December, the National Electricity Development Plan up to the end of this century was announced. This calls for the investment of US\$ 44,400 million between 1979 and 1995 in the installation of generating equipment which will more than triple the current installed capacity. Keeping in mind the country's natural resources, the Plan was conceived on the basis of the strict limitation of conventional thermal power stations to what is absolutely necessary, the intensification of the use of hydroelectricity, and a programme of nuclear power plant construction.

### 3. The external sector

After three years of favourable results, there was a deficit of US\$ 511 million in current balance-of-payments transactions.

In absolute terms, this decline was principally due to the fact that the trade surplus was 64% smaller than in 1978 because of the strong growth of imports of goods, whose value climbed from US\$ 3.5 billion in 1978 to a little over US\$ 6.1 billion in 1979. This 74% increase was influenced both by the sharp expansion of the volume of imports (38%) and the increase in their average prices (26%). The value of exports of goods, in contrast, grew by 22% due to a moderate increase in volume and a rise of nearly 17% in unit price. Consequently, the terms of trade deteriorated by 7.5% (see table 10).

In relative terms, the main cause of the current account imbalance was the large increase in imports of services from around US\$ 1,220 million in 1978 to nearly US\$ 2,120 million in 1979. The net deficit on transactions under this heading was thus US\$ 700 million, whereas in 1978 it had been

/US\$ 160 million.

US\$ 160 million. This strong growth was primarily due to increased spending on tourism and travel abroad.

The deficit on the balance-of-payments current account was easily financed by the movement of non-compensatory capital, which yielded a net surplus estimated at US\$ 4,930 million. Consequently, international reserves grew by approximately US\$ 4,720 million to a year-end total of US\$ 10,480 million.

(a) Foreign trade

(i) Exports. The value of exports of goods was over US\$ 7.8 billion, 22% greater than the amount for 1978 (see table 11). This was primarily due to the growth of traditional pampa commodities and particularly of stock-raising and oilseed products.

The 37% increase in the value of stock-raising exports was essentially due to the rise in prices (63%), since the volume of sales decreased by 16%. Thus, meat prices climbed by 71% but the quantity shipped declined by 9%. Sales of beef, the main component in this category, were especially high in the first half of the year; the rise in international prices was also very marked during this period due to increased demand and the reduced supply of the principal producing countries, which at that point were completing the cyclical process of reconstituting their stocks. From September to December, however, the volume of beef shipments decreased because the domestic price increases caused by seasonal and cyclical factors made access to international markets more difficult, the rate of devaluation of the currency did not succeed in offsetting the rise in domestic prices, and towards the end of the year international prices began to drop.

In terms of value, hides held second place among stock-raising exports. The sharp rise (64%) in the value of exports of these goods was principally due to the price increase (59%), since the volume grew by less than 4%. The principal component in exports of hides was cured cowhides, particularly semi-finished pieces. As from October, exports of salted hides were authorized but did not reach significant volumes, partly because of the weakening of world markets which began to take place in the final months of the year.

/Exports of

Exports of the remaining groups of stock-raising products declined sharply in terms of volume, dropping by 28% in the case of wool, 22% in the case of cattle subproducts, and 58% for dairy products. One of the most important factors influencing these declines was the growing disparity between domestic price trends and the exchange rate, which adversely affected the competitive capacity of exporters of these products.

The notable growth in the value of exports of oilseeds (40%) was principally due to the price increase (26%), aided by the 11% increase in the volume exported. The expansion of the area sown to soya in the 1978/1979 season and the increased output of that crop enabled the exportable surplus to increase by 43%. Prices in world markets improved, but after October there was a surplus of supply due to a bumper crop in the United States.

The increased value of cereal exports (23%) was due more to the growth in volume (12%) than in prices (9%), because of the larger exportable surplus from the 1978/1979 harvest. The volume of exports of maize remained at the high 1978 level of around 6 million tons, but the volume of exports of sorghum and other cereals declined by 17%.

In sum, traditional exports of pampa products (stock-raising products, cereals and oilseeds) grew by 33% in value, 30% in prices and 2.6% in volume.

In contrast, the value of exports of non-pampa agricultural products, which are more variable and depend more on the state of international markets, declined by 11% due to a 20% drop in volume, which could not be offset by the 10% rise in average price. Sales of these products not only suffered from adverse climatic conditions (cotton) and problems of access to markets (fruit and sugar), but were also affected by the disparity in the evolution of the exchange rate with respect to domestic costs.

The value of fishery exports increased by slightly more than 40% due to similar increases in the volume of shipments and in prices.

The growth rate of the value of exports of industrial goods, in contrast, was appreciably lower in 1979 than in the two preceding years (see table 11).

Thus, the value of metal exports (iron, steel and non-ferrous metals) remained at around US\$ 275 million, whereas the volume decreased by around 25%, the much larger drop in iron and steel sales being offset by the

/increase in



increase in aluminium exports, whose value tripled with respect to the year before. The value of exports of machinery, vehicles and equipment also remained at the 1978 level of approximately US\$ 550 million, despite a fall in volume of slightly less than 10%.

The value of exports of chemical, petroleum and rubber products increased by around 10% to US\$ 275 million. This rise was the result of price increases, since the volume declined by over 8%.

Exports of leather and fur goods increased by 28% at current prices, likewise because of an increase in prices, since the volume declined by around 20% due to decreased exports of fancy leather products, footwear and other leather goods.

Finally, exports of clothing, other textile products, food products and beverages are also estimated to have diminished in volume.

(ii) Imports. In 1979, the value of imports of goods increased by 74% to total US\$ 6,680 million (see table 12). This rise was the result of a 38% increase in volume and a 26% growth of unit value.

Three main factors were responsible for the large volume of imports - one of the biggest in the past five decades. One factor was the increase in domestic economic activity, while another was the growing disparity between the growth rate of the exchange rate and that of domestic prices, which, taking into account the rise in world prices, reduced the relative prices of imported goods in local currency (see table 13). The third factor was the reduction of tariffs. In 1979, a system of tariff reform came into effect which is aimed at decreasing the level and spread of tariffs in the medium term, for which purpose quarterly reductions of tariffs have been programmed over a period of five years, accelerating as time goes on.

This system, which it is hoped will serve the long-term goal of changing the productive structure, was used as part of the anti-inflationary policy in 1979 by providing for reductions in tariffs on articles produced locally whose price increases were not justified by higher costs.

In 1979 there was a noteworthy growth in imports of capital goods, the volume of which was one of the highest of the past 20 years. Increased purchases by the public sector, especially of transport equipment, were

/accompanied by

accompanied by greater buying by the private sector, partially stimulated by the evolution of the exchange rate and by tariff measures which, in the case of capital goods, were applied ahead of the original timetable.

Fuels and lubricants increased the most, rising from just over US\$ 470 million in 1978 to US\$ 1,135 million in 1979. This increase was largely due to the sharp rise in prices (93%), although the volume also grew significantly (around 20%).

The increase in the volume of imports of intermediate goods far exceeded the rise in the gross industrial product and was also far beyond what could be attributed to the elasticity which these imports have traditionally displayed with respect to industrial growth. This would seem to indicate, on the one hand, that stocks were being built up again after the low levels of imports of intermediate goods in past years, while it also points to the effect on these imports of the opening-up of the economy. Foreign competition to supply the marketplace was noted in many categories, although the impact was smaller and the time lag greater than in the case of consumer goods. In all, the value of imports of intermediate goods grew by 63%, of which 26% is estimated to correspond to price increases and 29% to a rise in volume.

The policy of opening up the economy to the exterior had a stronger impact on imports of consumer goods, whose growth rate was over 200%, reflecting an increase in value from US\$ 210 to US\$ 660 million between 1978 and 1979, and a rise from nearly 5.5% to 10% of total imports (see table 12). The biggest increases were in consumer durables, mainly automobiles and household appliances. There was also a considerable increase in imports in categories where for many years there had not been any significant external purchases, such as dairy products, food and beverages, and clothing and footwear.

(b) The balance-of-payments deficit and its financing

The year 1979 was characterized by a big increase in long-term financial loans used by private enterprises (estimated at US\$ 3.5 billion, compared with US\$ 960 million in 1978).

In contrast, the Government and public enterprises used external financing less than in 1978, the sale of long-term bonds being the Government's most important means of financing.

/Direct investment

Direct investment was less important, amounting to around US\$ 240 million (12% less than in 1978).

As in 1978, suppliers' credits to public and private enterprises were once again very small (US\$ 30 million), but export financing generated net revenue of over US\$ 820 million.

Total movements of non-compensatory capital included a net outflow of US\$ 1,280 million in respect of unspecified transfer payments. This may partially correspond to direct investment in foreign countries by Argentinians, principally real estate purchases, which did not enter into the estimates under this heading, and to increases in financial assets abroad, likewise not recorded.

In all, there was a net inflow of non-compensatory capital to the value of US\$ 4,930 million, compared with a net outflow of around US\$ 120 million in 1978 (see table 14).

#### 4. Prices, wages and employment

##### (a) Prices

The growth rate of prices continued to be high in 1979, although it was a little lower than in 1978. Consumer prices rose by 140% from December 1978 to December 1979, while wholesale prices increased by 129% (see table 15). The evolution of these increases during the year was marked by a sharp slackening in the final four months. Thus, in the first 8 months the growth rates of consumer prices were around 8.8% per month, whereas in the final four months they were around 5.2%. This trend was even more marked in the wholesale price index, which stayed above the retail price index in the first 8 months (with an average monthly increase of 9.3%), but dropped below it in the final four months, when it increased at an average monthly rate of 3.1%.

The most important economic policy goal in 1979 was that of bringing down inflationary expectations by fixing decreasing exchange rates announced in advance (see table 13). This influenced the prices of internationally tradeable goods by causing them to tend to evolve in line with international prices and the exchange rate. Likewise, as mentioned earlier, a programme of tariff reductions was applied from the start of the year and was used at the time to contain the prices of domestic articles by promoting the entry on to the market of competitive imported goods.

/This policy

This policy principally influenced exportable goods and was especially effective with regard to agricultural and some industrial goods with low tariffs on external markets; however, it had little effect on items that were not internationally tradeable, particularly services or goods subject to high protective tariffs in the importing countries.

In December 1978, the exchange rate was fixed up to August, and in April it was extended to December 1979. These measures established in advance the exchange rates at which the National Bank would carry out transactions, with monthly variations decreasing from 5.2% in January to 3.1% in December.

The containment of expectations was complemented through the management of the prices and tariffs of State enterprises. A procedure similar to that used for the exchange rate was adopted in this respect, involving the fixing in advance of declining variations in prices and tariffs.

The deceleration of price rises mentioned above was to some extent connected with the application of this strategy, but it was also influenced by the evolution of meat prices, which, after rising at a monthly rate of 13% in the first 8 months, began to go down as from September, partly because of changes in conditions on the international market.

Moreover, the application of this strategy led to important changes in relative prices, which became most evident in the final four months. Over the whole of the year, whereas the average monthly rate of devaluation was 4.1% and the prices in dollars of goods traded abroad rose by approximately 2.2%, the monthly evolution of the prices of the various groups of goods and services was as follows: prices of fuels and other goods and services provided by public enterprises increased by 5.7%; wholesale prices of agricultural products, excluding cattle, by 5.9%; wholesale prices of imported goods, 6.2%; prices of industrial goods, excluding food, 7.4%; and prices of the services entering into the basket used to calculate the consumer price index, 7.9%.

(b) The evolution of wages and employment

In the early months of 1979, wage policy followed the guidelines established in December of the preceding year, which basically provided for a 4% monthly increase in the official basic wages for the various branches  
/of industry

of industry and commerce. Employers were also authorized to pay higher wages within a flexible margin of up to 75% of the above official basic wages, subject to corresponding productivity increases.

During the year, the Government revised these guidelines so as to improve real wages and reduce the spread of wage levels which had been developing since the start of the year. A general, extraordinary increase of 15% in basic wages for May was authorized, together with an additional increase of 6% over the May wage for June and July; moreover, the 4% increase in official basic wages which had been established in December 1978 remained in force. These measures, designed to correct the deterioration of real wages and decrease the spread which had developed in the first four months, were accompanied by a reduction of the margin of flexibility from 75% to 60%. In other words, the measures worked in two directions, increasing the lowest wages and limiting the growth of the highest ones.

The steps taken in May applied to the whole set of industrial and commercial enterprises. As the economic and financial situations of these firms differed according to branch of activity and from one enterprise to another, however, it was decided that as from September - in order to give employers a better chance to harmonize their wage costs with the economic performance of their enterprises and the supply of labour - the ceiling on the margin of flexibility would be eliminated although the 4% monthly increase in official wages would be maintained. In practice, however, the limit continued to exist, since if the prices of the various products increased more than the average wholesale prices, the enterprises producing them became subject to the reduction of tariffs on imports of similar goods.

As a result of all these policy measures adopted during the year, real wages in the private sector are estimated to have increased by an average of 5%. Naturally, this figure covers the whole set of sectors mentioned above and may vary greatly according to branches and occupational categories.

In the construction sector, wage patterns evolved in a similar manner to that already described, but the real wage increase for all construction jobs seems to have been higher than that for industrial employment, the rise between November 1978 and November 1979, being estimated at 19%, while the average wage in 1979 seems to have been some 9% greater than in 1978. A likely

/explanation for

explanation for this greater increase is the strong demand for skilled and semi-skilled labour for large-scale public works in the metropolitan area, together with the acceleration in private demand for housing construction which took place as the application of the new building regulations in the Federal Capital became imminent.

It is estimated that there was a real wage increase of 3-4% from December 1978 to December 1979 in public sector enterprises. The wage guidelines for this sector were the same as for the industrial sector, but public enterprises made practically no use of the margins of flexibility authorized for them. As from September, they were excluded from the removal of the ceilings on the margins of flexibility granted to the private sector, but instead were given flexibility margins of 75% for September and October and 90% for December. Towards the end of the year, some public enterprises used this margin more intensively.

Unemployment registered levels around 2%, i.e., lower than in 1978 (see table 16). According to partial data, there does not seem to have been any noteworthy increase in industrial employment, despite the large rise in this sector's product, nor do jobs seem to have increased significantly in the construction sector. Employment in the public sector seems to have declined, especially in State enterprises, but as in the previous year, the number of own-account workers in the services sector seems to have continued to grow.

## 5. Monetary and fiscal policy

### (a) Monetary policy

In 1979, monetary policy was applied within the framework of a broad strategy aimed at achieving increased openness of the economy in both the trade and financial spheres and containing the inflationary process through exchange measures which would limit expectations. Under this strategy, money played a passive role and the monetary expansion was finally determined by the demand for monetary assets by economic agents. The monetary authority concentrated its attention on controlling the generation of money from within, basically through the limitation of credit to the public sector.

/The monetary

The monetary programme conceived at the start of the year determined that net domestic credit would be expanded by 15% in each of the three first quarters. Later, a target of 25% was established for the fourth quarter.

The monetary base increased by 89% during the year, over 80% of which was due to expansion stimulated by the external sector. The Monetary Regulation Account, established as part of the financial reforms of 1977, also helped to expand the base (20%), but its influence gradually declined during the year and was much smaller than in previous years. The financial behaviour of the central administration changed with respect to preceding years, since National Treasury transactions had a slightly contractive effect on the monetary base.

By the end of the year, the quantity of money had increased by 146%, the greatest growth being in time deposits (219%), so that the total monetary liabilities of the consolidated banking system increased by around 200%, i.e., more than the combined evolution of domestic prices and the product (see table 17).

The expansion of monetary resources from within, however, which was somewhat accelerated in the final quarter, remained below the planned level.

The principal instruments used by the monetary authority to implement the programme were the regulation of cash reserves and transactions with National Treasury bonds. These transactions were not primarily designed to regulate the quantity of money, since such an effect would necessarily be transitory in the atmosphere of financial openness of the economy, but were aimed rather at conjunctural regulation of the interest rate.

Through the National Treasury bonds, a large sum of loanable funds was placed in the financial system during the year. The monetary authority regulated the amounts offered in the light of the evolution of the active and passive domestic interest rates, the evolution of domestic prices, movements of foreign capital and the actual economic situation. Through this regulation, it greatly influenced domestic interest rates and promoted their adjustment with a view to bringing them into line with those in international markets, after correction for the rate of devaluation.

The reduction of cash reserves was used in the second half of the year to increase the financial system's capacity to provide credit as a means of expanding the supply of funds and influencing interest rates. During the year, the cash reserve rate was reduced from 29% to 16.5%.

The changes in policy, methods and even instruments during the year may be summarized as follows. In the first half of the year, the increase in international inflation, and particularly the rise in petroleum prices and those many of Argentina's traditional exports (meat and cereals) brought inflationary pressures to bear on the country. The domestic interest rate was negative in that period, but it was positive for investors of foreign capital. There was an abundant inflow of capital, which together with the trade surplus led to a marked expansion of the monetary base due to increased reserves. The minimum legal cash reserve rates were not reduced, and resources were channelled through National Treasury bonds to finance the Treasury deficit.

At the start of the second half of the year, certain events changed the framework of the anti-inflationary policy and affected the use made of monetary instruments. On the one hand the price of meat rose to a peak, which had a strong influence on the price indexes for July and August. On the other hand, the delay in announcing the exchange guidelines for 1980 created uncertainty regarding external indebtedness which led to a decline in capital inflows, while the expansive impact of current foreign transactions diminished, and consequently the interest rate rose. The monetary authority reduced sales of Treasury bonds and made the quantitative control over monetary expansion from within more flexible through measures regarding cash reserves and open market transactions which were aimed at increasing the market's liquidity, reducing the interest rate and avoiding the generation of conditions conducive to a recession. In the financial field, more account delinquency was observed in the portfolios of financial institutions, and measures were adopted to secure the smoother functioning of the financial system by raising the ceilings for delinquency on accounts, modifying the system of deposit guarantees, and authorizing joint financial assistance for enterprises in difficulties.

The price rises slackened as from September, particularly because of the fall in meat prices and the limitation of the prices of tradeable goods through the effects of the exchange policy. Also during that month, a plan

/to continue



to continue the same exchange guidelines from January 1980 onwards was announced, and this revitalized the inflow of foreign capital. However, interest rates did not decline to levels compatible with the new domestic price trends. The high interest rates naturally had an effect on economic activity, decreasing the demand for funds on the part of enterprises. Faced with this situation, the monetary authority again reduced the minimum cash reserve coefficients and stimulated a drop in interest rates by selling National Treasury bonds and through a policy of active issues on the part of official banks.

(b) Fiscal policy

In 1979, the basic aims of fiscal policy were similar to those for the preceding year: adjusting the size of the State apparatus and its functions in order to secure a significant reduction in public spending and the deficit, and restructuring the taxation system in order to expand the coverage of general indirect taxes, reduce that of specific taxes and taxes for predetermined purposes, eliminate exemptions and avoid the use of direct Central Bank credit for financing the public sector deficit.

The adjustment of public spending sought primarily to improve the allocation of the economy's productive resources by revising the boundaries between the public and private spheres. The basic goals were to reduce spending, change its structure by decreasing the amount of inter-jurisdictional transfers and the relative weight of staffing costs and decrease the size of the public sector by transferring to the private sector the activities or enterprises which it is capable of managing.

In 1979 there was a relative reduction in public spending, since the coefficient of total public spending compared with the gross domestic product is estimated to have been 32%, compared with 35% for 1975. Total spending increased by around 2% in absolute terms, however, when measured in current prices deflated by the consumer price index (see table 18).

Total central government spending increased less than the product in 1979, basically because disbursements from the capital account declined slightly in real terms, while real current expenditure rose by 2.5%.

/The lower

The lower investment spending in 1979 was achieved by extending works in progress and postponing new ones, as well as increasing the granting of concessions to the private sector for managing and constructing oil wells and building expressways, roads, bridges and gas pipelines.<sup>2/</sup>

With regard to the largest component of current spending - staff costs - there appears to have been a reduction in the number of public employees which was more marked in the public enterprises sector than in the national, provincial and municipal governmental spheres. On the other hand, the real wages of the employees are estimated to have increased by around 4% with respect to the average for the previous year.

If analysis is confined to the central administration, spending financed through the National Treasury declined more than that of the rest of the public sector. This was largely due to the decrease in the transfer of resources to the provinces and the reassignment of public activities such as hospital and educational services from the national to the provincial or municipal spheres. In 1979, too, the central administration suspended the grading of public officials which had been begun in 1978, and salary increases for these officials (40% in January, 38% in May and 40% in September) were applied uniformly to all career categories.

In 1979, tax pressure from the public sector seems to have been similar to that for 1978 (25%) because of the fact that increased revenue from provincial and municipal taxes, national duties on foreign trade and higher tax rates was balanced by lower revenue from national taxes on domestic economic activity and contributions to the social security system.

The fiscal policy was clearly aimed at increasing the provincial tax base as a means of balancing the budget at the various levels of government without resorting to transfer payments and donations, and at collecting real resources to finance works and services undergoing jurisdictional reallocation.

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<sup>2/</sup> These items involve services given over to the management of the private sector, which finances them through tolls or the direct sale of services.

The central government's current income grew by 4% in real terms, nearly double the growth rate of total expenditure, due to the large increase in non-tax revenue (see table 18).

Duties on foreign trade increased by 32% in real terms with respect to the year before, basically due to the increase in the volume of imports as a result of the policy of opening up the economy.

The decrease of national taxes on domestic economic activity was offset by the increase in value-added tax and property tax revenues, which in real terms grew by 25% and 42% respectively, although there was a 7% drop in revenue from the other national taxes which generate nearly 60% of tax revenue. In this group, mention may be made of the lower revenue from fuel taxes, the elimination of the tax on bank current account debits, and the lower revenue from profits tax in the first year of applying the method of adjustment for inflation.

The tariffs of public enterprises were set on the basis of guidelines announced in December 1978 and April 1979, which provided for decreasing monthly variations in all rates. This policy resulted in an average total nominal annual growth of 70% in electricity, gas, water and transport and communication tariffs, as well as in fuel prices. The real level of these prices declined by nearly 30% with respect to wholesale prices and this, together with the elimination of transfer payments from the National Treasury and the requirement that enterprises should make contributions to finance the Treasury debt, led the enterprises to have increasing recourse to domestic bank credit and external financing. In 1979, the use of bank credit by public enterprises and other bodies increased by around 80% in real terms, while deposits by the same group grew in line with the rate of inflation.

In 1979, the public sector deficit as a percentage of the gross domestic product reached the lowest figure since 1971 (4%), which was 40% lower than the average for the period 1970-1978 and 20% lower than in 1978.

As regards the central administration, the percentage of Treasury spending not financed by current resources decreased from 33% in 1978 to 31%. Of the total financing of the Treasury deficit, 75% came from the issue of public securities, especially short-term Treasury bonds in national currency. The other important source was the bank deposits (Unified Official Account Fund) of the rest of the public sector.



Table 1

## ARGENTINA: MAIN ECONOMIC INDICATORS

	1974	1975	1976	1977	1978	1979(a)
<b>A. Basic economic indicators</b>						
Gross domestic product at factor cost (millions of dollars at 1970 prices)	35 039	34 735	34 142	35 028	34 597	37 525
Population (millions of inhabitants)	25.0	25.4	25.7	26.0	26.4	26.7
Per capita gross domestic product (dollars at 1970 prices)	1 399	1 369	1 328	1 376	1 312	1 405
<u>Growth rates</u>						
<b>B. Short-run economic indicators</b>						
Gross domestic product	6.1	-0.9	-1.7	4.9	-3.4	8.5
Per capita gross domestic product	4.7	-2.2	-3.0	3.6	-4.7	7.1
Gross income	5.2	-2.5	-2.2	3.5	-2.7	8.3
Terms of trade	-12.7	-19.8	-11.5	-13.1	5.0	-7.5
Current value of exports of goods and services	23.1	-22.9	-31.4	-42.0	13.5	23.6
Current value of imports of goods and services	57.3	6.5	-19.9	33.5	0.9	74.2
<b>Consumer prices</b>						
December - December	40.1	334.9	347.5	160.4	169.8	139.7
Variation between annual averages	24.2	182.8	444.0	176.0	175.5	159.5
Money	58.2	192.5	256.7	124.9	170.2	145.5
Average nominal wage (b)(c)	35.8	162.0	213.0	...	...	...
Rate of unemployment (d)	3.4	3.7	4.5	2.8	2.8	2.0
Current income of government	51.1	87.1	642.1	228.1	154.0	170.0
Total expenditure of government	52.1	249.1	386.3	108.3	142.8	164.8
Fiscal deficit/total expenditure of government (e)	49.8	73.1	58.9	35.4	32.4	31.1
<u>Millions of dollars</u>						
<b>C. External sector</b>						
Trade balance (goods and services)	462	-852	1 126	1 896	2 740	996
Balance on current account	129	-1 275	658	1 351	2 077	-511
Variation in international reserves	111	-1 062	913	1 717	1 958	4 421

Source: Central Bank of Argentina, National Institute of Statistics and Censuses; CEPAL, on the basis of official data.

(a) Preliminary figures.

(b) Official basic wage for unskilled industrial workers.

(c) As from 1977, this statistical series has lost all representativity as a measure of the evolution of wages actually paid, due to the importance acquired by extra payments over and above the official basic wages.

(d) Average of results of surveys for each year in Federal Capital and Greater Buenos Aires.

(e) Percentages.

Table 2

## ARGENTINA: TOTAL SUPPLY AND DEMAND

	Millions of pesos at 1970 prices			Percentage breakdown		Growth rates		
	1977	1978	1979(a)	1970	1979(a)	1977	1978	1979(a)
<u>Total supply</u>	<u>125 733</u>	<u>121 663</u>	<u>134 552</u>	<u>107.9</u>	<u>108.5</u>	<u>5.7</u>	<u>-3.2</u>	<u>10.6</u>
Gross domestic product at market prices	118 396	114 330	124 001	100.0	100.0	4.9	-3.4	8.5
Imports of goods and services (b)	7 337	7 333	10 550	7.9	8.5	19.8	-0.1	43.9
<u>Total demand</u>	<u>125 733</u>	<u>121 663</u>	<u>134 552</u>	<u>107.9</u>	<u>108.5</u>	<u>5.7</u>	<u>-3.2</u>	<u>10.6</u>
Domestic demand	112 973	108 494	120 868	99.4	97.5	2.6	-4.0	11.4
Gross domestic investment	26 138	23 416	26 890	20.4	21.7	16.2	-10.4	14.8
Gross fixed investment	26 161	23 541	26 651	20.0	21.5	17.2	-10.0	13.2
Construction	13 564	13 949	14 496	11.3	11.7	9.3	2.8	3.9
Machinery	12 597	9 592	12 155	8.7	9.8	27.2	-23.9	26.7
Changes in stocks	-23	-125	239	0.4	0.2			
Total consumption	86 835	85 078	93 978	79.0	75.8	-0.9	-2.0	9.8
Exports of goods and services (b)	12 760	13 169	13 684	8.5	11.0	45.0	3.2	3.9

Source: CEPAL calculations, on the basis of figures supplied by the Central Bank of Argentina.

(a) Preliminary figures.

(b) The figures for exports and imports of goods and services were taken from balance-of-payments data expressed in dollars at current prices, which were converted to constant 1970 values by deflation, using price indexes calculated by CEPAL for the purpose.

Table 3

## ARGENTINA: GROSS DOMESTIC PRODUCT, BY ECONOMIC ACTIVITY, AT FACTOR COST

	Millions of pesos at 1970 prices			Percentage breakdown		Growth rates		
	1977	1978	1979(a)	1970	1979(a)	1977	1978	1979(a)
Agriculture	13 430	13 663	14 352	13.1	13.0	1.2	1.7	5.0
Mining	1 994	2 009	2 095	2.1	1.9	9.5	0.7	4.3
Manufacturing	32 448	29 869	33 153	30.2	29.9	4.2	-7.9	11.0
Construction	6 461	6 504	6 830	5.7	6.1	14.6	0.7	4.9
<u>Subtotal goods</u>	<u>54 332</u>	<u>52 045</u>	<u>56 430</u>	<u>51.2</u>	<u>50.9</u>	<u>4.8</u>	<u>-4.2</u>	<u>8.4</u>
Electricity, gas and water	2 875	2 964	3 254	2.1	2.9	4.9	3.1	9.9
Transport, storage and communications	9 993	9 734	10 555	10.1	9.6	6.1	-2.6	8.5
<u>Subtotal basic services</u>	<u>12 868</u>	<u>12 698</u>	<u>13 809</u>	<u>12.2</u>	<u>12.5</u>	<u>5.8</u>	<u>-1.3</u>	<u>8.8</u>
Commerce, restaurants and hotels	13 853	12 855	14 387	13.5	13.0	6.1	-7.2	11.9
Financial institutions, insurance and real estate	4 554	4 958	5 474	4.5	4.9	14.8	8.9	10.5
Community, social and personal services	19 856	20 204	20 714	18.5	18.7	1.9	1.7	2.5
<u>Subtotal other services</u>	<u>38 263</u>	<u>38 017</u>	<u>40 575</u>	<u>36.5</u>	<u>36.6</u>	<u>4.8</u>	<u>-0.6</u>	<u>6.7</u>
<u>Total gross domestic product (b)</u>	<u>105 693</u>	<u>102 060</u>	<u>110 698</u>	<u>100.0</u>	<u>100.0</u>	<u>4.9</u>	<u>-3.4</u>	<u>8.5</u>

Source: CEPAL calculations on the basis of figures supplied by the Central Bank of Argentina.

(a) Preliminary figures.

(b) As the individual activities and the totals were calculated independently, the sum of the former does not correspond exactly with the latter.

Table 4

ARGENTINA: INDICATORS OF AGRICULTURAL PRODUCTION  
(Millions of pesos at 1960 prices)

	1976	1977	1978	1979	Growth rates			
					1976	1977	1978	1979
Gross product of the agricultural sector at factor cost (a)	2 052	2 077	2 113	2 220	4.0	1.2	1.7	5.0
Crop farming	1 149	1 195	1 206	1 288	6.5	4.0	0.9	6.8
Stock-raising	806	780	787	807	1.1	-3.2	0.9	2.6

Source: Central Bank of Argentina.

(a) Includes agricultural construction, hunting, forestry and timber extraction and fishing.

Table 5

ARGENTINA: AREA SOWN AND PRODUCTION OF MAIN AGRICULTURAL COMMODITIES  
(Millions of hectares and thousands of tons)

	Area sown				Production		
	Average for 1974/1975- 1978/1979	1977/ 1978	1978/ 1979	1979/ 1980	Average for 1974/1975- 1978/1979	1977/ 1978	1978/ 1979
	Cereals	16.6	15.4	15.6	14.6	23 763	23 993
Wheat	5.6	4.6	5.2	5.0	7 788	5 300	8 100
Grain sorghum	2.6	2.7	2.5	2.0	5 978	7 200	6 200
Maize	3.4	3.1	3.3	3.3	8 051	9 700	8 700
Oilseeds	3.6	4.8	4.7	5.2	4 137	5 170	6 200
Linseed	0.7	0.9	0.9	1.1	557	810	600
Sunflower	1.6	2.2	1.8	2.0	1 149	1 600	1 430
Soya	0.9	1.2	1.6	1.8	1 756	2 500	3 700
Total annual crops	25.9	26.0	26.1	25.3			
Total area sown	27.0	27.3	27.4	26.6			

Source: Ministry of Agriculture.

Table 6

## ARGENTINA: CATTLE SLAUGHTERING AND PRICES

Period	Stocks (thousands of head) (a)	Slaugh- tering of head) (b)	Slaugh- tering rate (percent- age) (b)	Yield in kg of dressed meat	Propor- tion of cows and heifers (percent- age) ----- in typified slaugh- tering	Per capita consump- tion (kg/ inhabit- ant/ year	Prices of steers in terms of	
							Indus- trial prices (c) (d)	Price of wheat (e) (d)
1973	54 800	9 818	17.9	219	26.1	66	1.241	7.46
1974	55 400	10 115	18.3	214	25.7	75	0.975	6.08
1975	56 700	12 146	21.4	201	29.3	87	0.659	3.60
1976	58 200	13 868	23.8	203	34.9	89	0.703	3.69
1977	59 300	14 748	24.8	198	35.8	90	0.847	4.82
1978	59 000	16 449	27.8	195	36.2	94	0.701	3.92
1979 (f)	57 700	15 617	27.1	198	34.8	89	0.958	6.70
I		4 169		193	36.2	96	0.883	6.53
II		4 435		192	37.0	96	0.880	6.02
III		3 463		201	34.8	76	1.133	7.72
IV		3 550		209	30.0	88	0.937	6.52

Source: National Meat Board; Agricultural and Stock-raising Service; and CEPAL, on the basis of official data.

(a) At 30 June of each year.

(b) Annual slaughtering as a percentage of stocks at 30 June of each year.

(c) Steer prices in the Liniers market, deflated by the wholesale price index for non-agricultural goods (base: 1970 = 100).

(d) Annual and quarterly averages.

(e) Number of kilogrammes of wheat per kilogramme of steer.

(f) Provisional figures.

Table 7

## ARGENTINA: INDICATORS OF MINING PRODUCTION, 1976-1979

	Values				Growth rates		
	1976	1977	1978	1979	1977	1978	1979
Petroleum (millions of m3)	23.1	25.0	26.3	27.4	8.2	4.8	4.5
Marketable coal (thousands of tons)	615	533	434	727	-13.3	-18.6	67.5
Injected natural gas (millions of m3) (a)	6 305	6 499	6 143	7 227	3.1	-5.5	17.6

Source: Central Bank of Argentina and Ministry of Energy.

(a) After deduction of imports.



Table 8

## ARGENTINA: INDICATORS OF MANUFACTURING PRODUCTION

	1977	1978	1979(a)	Growth rates						
				1977	1978	1979				Total
						I	II	III	IV	
Gross manufacturing product at factor cost (millions of pesos at 1960 prices)	6 314	5 812	6 451	4.2	-7.9	16.6	12.9	10.5	5.4	11.0
Food	962	901	919	-3.6	-6.3	1.1	1.3	0.6	4.8	2.0
Textiles	722	656	679	-6.0	-9.1	17.7	7.1	1.0	-6.7	3.6
Wood	53	46	49	-11.5	-12.0	6.6	14.8	5.9	-2.5	5.9
Paper	258	269	300	6.3	4.2	17.6	12.5	10.9	6.2	11.4
Chemicals	1 265	1 219	1 353	5.0	-3.6	14.9	16.6	9.5	3.7	10.9
Non-metallic minerals	241	244	258	-0.5	1.4	7.6	3.4	6.9	4.8	5.6
Basic metal industries	365	353	412	14.6	-3.2	29.0	21.1	19.1	2.3	16.7
Machinery and equipment	2 216	1 902	2 236	10.9	-14.2	25.9	17.4	17.7	11.8	17.6
Other industries	233	221	245	2.4	-5.2	16.6	12.9	10.5	5.4	11.1
Production of some important manufacturers										
Pig iron (b)	1 385(c)	1 820(c)	1 942(c)	5.7	31.4	8.1	19.2	12.1	-9.0	6.7
Steel (b)	2 684	2 783	3 199	11.4	3.7	24.4	32.0	12.8	-3.3	15.0
Rolled products (b)	2 798	2 527	2 945	15.8	-9.7	42.2	20.9	20.3	-2.2	16.5
Motor vehicles (d)	236	180	253	21.6	-23.6	99.8	38.7	40.0	30.0	40.8
Tractors (d)	26	6	11	8.3	-77.0	94.5	11.6	86.2	119.9	83.3

Source: Gross manufacturing product: Central Bank of Argentina; pig iron and steel: Centro de Industrias Siderúrgicas; rolled products and motor vehicles: Asociación de Fabricantes de Automotores; tractors: Asociación de Fabricantes de Tractores.

- (a) Provisional figures.  
 (b) Thousands of tons.  
 (c) Including sponge iron.  
 (d) Thousands of units.

Table 9

## ARGENTINA: INDICATORS OF CONSTRUCTION ACTIVITY

	1976	1977	1978	1979	1979			
					I	II	III	IV
Construction permits granted (thousands of m <sup>2</sup> )								
Federal capital	2 488	7 036	4 721	1 442	324	351	335	432
Córdoba	748	643	810	...	195	152	110	...
Paraná	163	173	287	...	59	46	49	...
Salta	197	230	151	...	45	30	62	...
Production of certain building materials								
Sales of cement (thousands of tons)	5 512	5 844	6 142	6 609	1 629	1 529	1 689	1 762
Public works	1 418	1 317	1 478	1 634	366	360	432	476
Private works	4 094	4 527	4 664	4 975	1 263	1 169	1 257	1 286
Reinforcing rods (thousands of tons)	381	423	418	575	138	149	138	150

Source: National Institute of Statistics and Censuses; Asociación de Fabricantes de Cemento Portland and Instituto Argentino de Siderurgia.

Table 10

## ARGENTINA: MAIN FOREIGN TRADE INDICATORS

	1974	1975	1976	1977	1978	1979
<u>Growth rates</u>						
Exports of goods						
Value	20.3	-24.6	32.4	44.2	13.3	21.9
Volume	-6.1	-17.6	42.9	48.2	5.2	4.4
Unit value	28.2	-8.5	-7.3	-2.7	7.7	16.8
Imports of goods						
Value	62.6	9.2	-21.2	37.2	-7.6	74.2
Volume	10.7	-4.3	-24.8	22.5	-9.9	38.1
Unit value	46.9	14.1	4.7	12.0	2.6	26.1
Terms of trade	-12.7	-19.8	-11.5	-13.1	5.0	-7.5
<u>Indexes (1970 = 100)</u>						
Terms of trade	127.6	102.4	90.6	78.7	82.7	76.5
Purchasing power of exports of goods	118.4	78.3	98.9	127.3	140.7	135.9
Purchasing power of exports of goods and services	124.5	84.9	107.9	137.6	154.3	157.9

Source: CEPAL, on the basis of official data.

Table 11

## ARGENTINA: VALUE AND COMPOSITION OF EXPORTS OF GOODS, FOB

	Millions of dollars				Percentage breakdown		Growth rates		
	1976	1977	1978	1979	1970	1979	1977	1978	1979
Livestock products	939	1 233	1 520	2 084	39.5	26.7	31.3	23.3	37.1
Meat	525	643	798	1 244	24.9	16.0	22.5	24.1	55.9
Wool, animal hair and horsehair	140	242	252	235	4.9	3.0	72.9	4.1	-6.7
Hides and skins	152	211	278	455	5.5	5.8	38.8	31.8	63.7
Other livestock products	122	137	192	150	4.2	1.9	12.3	40.1	-21.9
Crop-raising products	2 015	3 039	3 123	3 775	46.7	48.3	50.8	2.8	20.9
Cereals	1 309	1 649	1 337	1 640	30.9	21.0	26.0	-18.9	22.7
Oilseeds	260	727	1 070	1 500	8.0	19.2	179.6	-7.2	40.2
Other crop-raising products	446	663	716	635	7.8	8.1	48.7	8.0	-11.3
Fisheries	38	81	149	215	0.2	2.8	113.2	84.0	44.3
Total agricultural products	2 992	4 353	4 792	6 074	86.4	77.8	45.5	10.1	26.8
Industrial products	924	1 299	1 622	1 737	13.6	22.2	40.6	24.9	7.1
<u>Grand total</u>	<u>3 916</u>	<u>5 652</u>	<u>6 414</u>	<u>7 811</u>	<u>100.0</u>	<u>100.0</u>	<u>44.3</u>	<u>13.5</u>	<u>21.8</u>

Source: CEPAL Buenos Aires Office, on the basis of official data.

Table 12

## ARGENTINA: VALUE AND COMPOSITION OF IMPORTS OF GOODS, CIF

	Millions of dollars				Percentage breakdown		Growth rates		
	1976	1977	1978	1979	1970	1979	1977	1978	1979
Capital goods	503	1 111	1 096	1 550	21.6	23.2	120.9	-1.4	41.4
Fuels and lubricants	531	677	472	1 135	4.7	17.0	27.5	-30.3	140.5
Intermediate goods	1 934	2 238	2 054	3 338	68.8	49.9	15.7	-8.2	62.5
Products of chemical industries	505	576	514	790	12.8	11.8	14.1	-10.8	53.7
Paper and pulp	129	143	156	200	5.9	3.0	10.9	9.1	28.2
Metals and metal products, electrical equipment and components and spare parts for machinery and transport equipment	784	909	771	1 110	31.3	16.6	15.9	-15.2	44.0
Other intermediate goods	516	610	613	1 238	18.8	18.5	18.2	0.5	102.0
Consumer goods	65	136	212	660	4.9	9.9	109.2	55.9	211.3
<b>Grand total</b>	<b>3 033</b>	<b>4 162</b>	<b>3 834</b>	<b>6 683</b>	<b>100.0</b>	<b>100.0</b>	<b>37.2</b>	<b>-7.9</b>	<b>74.3</b>

Source: 1976-1978: Central Bank of Argentina; 1979: CEPAL, on the basis of official data.

Table 13

## ARGENTINA: EVOLUTION OF THE EXCHANGE RATE

	Exchange rate (pesos per dollar) (a)				Index of the real exchange rate (b) (base: December 1974 = 100)			
	Exports		Imports	Financial transactions	Exports		Imports	Financial transactions
Traditional	Non-traditional	Traditional			Non-traditional			
1970	4.00	4.00	4.00	4.00	214.7	187.0	213.7	186.0
1971	5.96	6.28	5.98	8.25	215.9	198.1	215.5	258.9
1972	8.65	9.93	8.69	9.98	178.0	178.0	178.0	178.0
1973	8.65	9.93	8.69	9.98	136.1	136.1	136.1	136.1
1974	8.65	9.93	8.69	9.98	100.0	100.0	100.0	100.0
1975	60.80	86.40	60.97	60.75	156.9	194.1	156.5	136.3
1976	272.00	272.00	277.00	277.00	144.3	125.7	146.3	127.4
1977			600		128.8	112.2	128.2	111.6
1978			1 000		88.2	76.8	87.8	76.5
1979								
January			1 052		84.3	73.5	83.9	73.1
February			1 101		81.8	71.2	81.4	70.9
March			1 153		79.2	69.0	78.9	68.7
April			1 206		77.9	67.8	77.5	67.5
May			1 260		74.6	65.0	74.3	64.7
June			1 320		70.7	61.6	70.4	61.3
July			1 373		68.4	57.0	68.1	59.3
August			1 425		62.0	54.0	61.7	53.7
September			1 476		61.0	53.1	60.7	52.8
October			1 526		62.4	54.3	62.1	54.1
November			1 575		62.2	54.2	62.0	53.9
December			1 615		62.2	54.2	62.0	54.0

Source: CEPAL, on the basis of official data.

(a) At the end of each period.

(b) Deflated by the wholesale price index.

Table 14

ARGENTINA: BALANCE OF PAYMENTS  
(Millions of US dollars)

	1974	1975	1976	1977	1978	1979(a)
<b>Current account</b>						
Exports of goods and services	4 575	3 527	4 634	6 579	7 466	9 227
Goods FOB (b)	3 930	2 961	3 921	5 654	6 407	7 811
Services	645	566	713	925	1 059	1 416
Transport	337	199	260	412	444	586
Travel	109	154	180	213	280	355
Imports of goods and services	4 113	4 379	3 508	4 683	4 726	8 231
Goods FOB (b)	3 215	3 510	2 766	3 796	3 508	6 115
Services	898	869	742	887	1 218	2 116
Transport	528	534	344	379	436	936
Travel	105	94	114	189	309	500
Net payments of profits and interest on foreign capital	-333	-429	-492	-578	-711	-1 542
Profits	-36	-16	-27	-208	-326	-435
Interest	-297	-413	-465	-370	-385	-1 107
Net private transfer payments	-	6	24	33	48	35
Balance on current account	129	-1 275	658	1 351	2 077	-511
<b>Capital account</b>						
Net external financing (a+b+c+d+e)	-129	1 275	-658	-1 351	-2 077	511
a) Long-term capital	1	-171	836	545	872	} 4 932
Direct investment (net)	10	-	-	145	274	
Private sector	-179	-98	-147	602	1 563	
Loans	261	359	581	1 107	2 940	
Amortization payments	-321	-401	-544	-580	-1 598	
Other liabilities and assets (net)	-119	-56	-184	75	221	
Official sector	170	-73	983	-202	-965	
Loans	556	283	1 243	102	43	
Amortization payments	-289	-356	-260	-295	-1 002	
Other liabilities and assets (net)	-97	-	-	-9	-6	
Short-term capital (net)	-19	385	-575	-178	-991	
Private sector	-170	338	-62	503	-1 015	
Official sector	103	35	-292	-400	155	
Other liabilities and assets	36	18	-7	-119	-309	
Errors and omissions	12	-6	-214	-162	178	
c) Allocation of Special Drawing Rights (SDRs)	-	-	-	-	-	
d) Official transfer payments (net)	-	-1	-6	-1	-	
e) International reserves (minus sign indicates an increase)	-111	1 062	-913	-1 717	-1 958	-4 421
Use made of IMF credit	-132	226	238	-130	-432	-
Other liabilities	-	-	-	-	-	-
Monetary gold	-	-	-	-8	-4	-
Special Drawing Rights	-20	59	-50	5	-110	-116
IMF reserve position	-13	13	-	-	-163	-33
Foreign exchange and other assets	54	764	-1 101	-1 584	-1 249	-4 272

Source: 1974-1978, International Monetary Fund, *Balance of Payments Yearbook*, vol. 30, 1979, CEPAL, on the basis of official data.

(a) Preliminary figures.

(b) Including non-monetary gold.

Table 15

ARGENTINA: EVOLUTION OF DOMESTIC PRICES  
(Growth rates)

	1975	1976	1977	1978	1979
	<u>Variation from December to December</u>				
Consumer prices	334.9	347.5	160.4	169.8	139.7
Food and beverages	349.9	365.6	146.9	169.9	137.8
Clothing	316.0	290.3	129.3	154.3	121.0
Housing, fuels and electricity	122.3	453.7	339.6	165.1	133.1
Wholesale prices	348.2	386.3	147.1	143.3	128.9
Imported products	545.3	390.8	127.5	65.5	105.7
Domestic products	337.0	385.9	148.8	149.4	130.0
Agricultural	297.3	459.0	130.5	155.7	115.9
Manufactures	353.3	359.3	156.9	146.8	136.0
	<u>Variation between annual averages</u>				
Consumer prices	182.8	444.0	176.0	175.5	159.5
Food and beverages	187.6	458.6	187.1	163.5	168.7
Clothing	190.5	424.8	109.5	147.8	150.0
Housing, fuels and electricity	80.2	276.9	447.1	186.5	151.0
Wholesale prices	192.4	499.1	149.4	146.0	149.3
Imported products	257.4	690.3	126.2	75.9	93.0
Domestic products	188.7	485.2	151.7	152.1	152.7
Agricultural	145.0	529.5	163.6	141.6	150.8
Manufactures	208.6	469.2	146.9	156.6	153.5

Source: National Institute of Statistics and Censuses.

Table 16

ARGENTINA: RATES OF UNEMPLOYMENT  
(Percentage of economically active population)

	1976		1977		1978		1979	
	April	October	April	October	April	October	April	October
Capital and Greater Buenos Aires	4.8	4.1	3.4	2.2	3.9	1.7	2.1	1.8
Córdoba	6.5	5.4	5.9	4.0	5.1	2.7	...	...
Rosario	5.3	4.1	3.5	2.6	5.5	2.3	...	...
Santa Fé	7.5	5.9	3.8	5.7	5.5	5.4	...	...
Tucumán	7.4	5.6	7.2	4.6	6.8	4.8	...	...

Source: National Institute of Statistics and Censuses.

Table 17

## ARGENTINA: MONETARY POSITION

	End-year balance (billions of pesos)				Growth rates		
	1976	1977	1978	1979	1977	1978	1979
	<u>Money</u>	927	2 085	5 634	13 829	125	170
Currency outside banks	411	1 074	3 332	7 870	161	210	136
Demand deposits	516	1 011	2 302	5 959	96	128	159
<u>Factor of expansion</u>	1 678	6 310	18 083	49 933	276	187	176
Foreign assets	-37	447	1 603	3 711		259	132
Domestic credit	1 715	5 863	16 480	46 222	242	181	181
Government (net)	293	923	3 209	7 103	215	248	121
Private sector	986	4 088	12 238	40 184	315	199	228
Difference in exchange rates	436	852	1 033	-1 065	95	21	
<u>Factors of absorption</u>	751	4 225	12 449	36 104	463	195	190
Quasi-money (savings and time deposits)	617	3 072	10 087	32 208	398	228	219
Other items (net)	134	1 153	2 362	3 896	760	105	65

Source: Central Bank of Argentina.

Table 18

## ARGENTINA: CENTRAL GOVERNMENT INCOME AND EXPENDITURE

	Billions of pesos				Growth rates		
	1976	1977	1978	1979	1977	1978	1979
<u>Current income</u>	423	1 388	3 525	9 518	228.1	154.0	170.0
Tax revenue	370	1 196	2 773	6 814	223.2	131.9	145.7
Non-tax revenue	53	192	752	2 704	262.3	291.7	259.6
<u>Current expenditure</u>	849	1 685	4 611	12 260	98.5	173.7	165.9
Wages and salaries	196	490	1 530	3 894	150.0	212.2	154.5
Non-personal goods and services	69	167	473	1 066	142.0	183.2	125.4
Interest	117	360	958	2 394	207.7	166.1	149.9
Transfers	467	660	1 640	4 828	41.3	148.5	194.4
Other current expenditure	-	8	10	78		25.0	680.0
Current savings	-426	-297	-1 086	-2 742	-30.3	265.7	152.5
<u>Capital expenditure</u>	182	463	603	1 553	154.4	30.7	156.7
Real investment	54	184	418	975	240.7	127.2	133.2
Loans (net of repayments)	128	279	187	578	118.0	-33.0	209.1
<u>Total expenditure</u>	1 031	2 148	5 216	13 813	108.3	142.8	164.8
<u>Deficit</u>	-608	-760	-1 691	-4 295	25.0	122.5	154.0
<u>Financing of deficit</u>							
Central Bank	253	312	-	48	23.3		
Unified Official Account Fund	111	231	447	977	108.1	93.5	118.6
Issue of securities	293	471	1 672	4 305	60.8	255.0	157.5
Debt amortization payments	-53	-298	-292	-968	462.3	-2.0	231.5
Others	4	44	-136	-67			

Source: National Treasury.



