

13TH UNCTAD Debt Management Conference

UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

Relief, Restructuring and Recovery: Dealing with Debt in Times of
Global Crisis

5-7 December 2022
Palais des Nations, Geneva

Perspectives on Argentina's debt sustainability

by

Mr. Nicolás Segal

Undersecretary of External Public Debt Sustainability, Ministry of Economy, Argentina



The views expressed are those of the author and do not necessarily reflect the views of UNCTAD.

06/12/2022

Perspectives on Argentina's debt sustainability

13th UNCTAD Debt Management Conference

5-7 Dec Geneva, Switzerland



Ministerio de Economía
Argentina

Subsecretaría de Sostenibilidad de la Deuda Externa

Content
**Perspectives on
Argentina's debt
sustainability**

1

**Argentina's
macroeconomic trajectory**

2

**The external debt
restructuring process**

3

Recent developments

4

A new role for IFIs



Argentina's macroeconomic trajectory

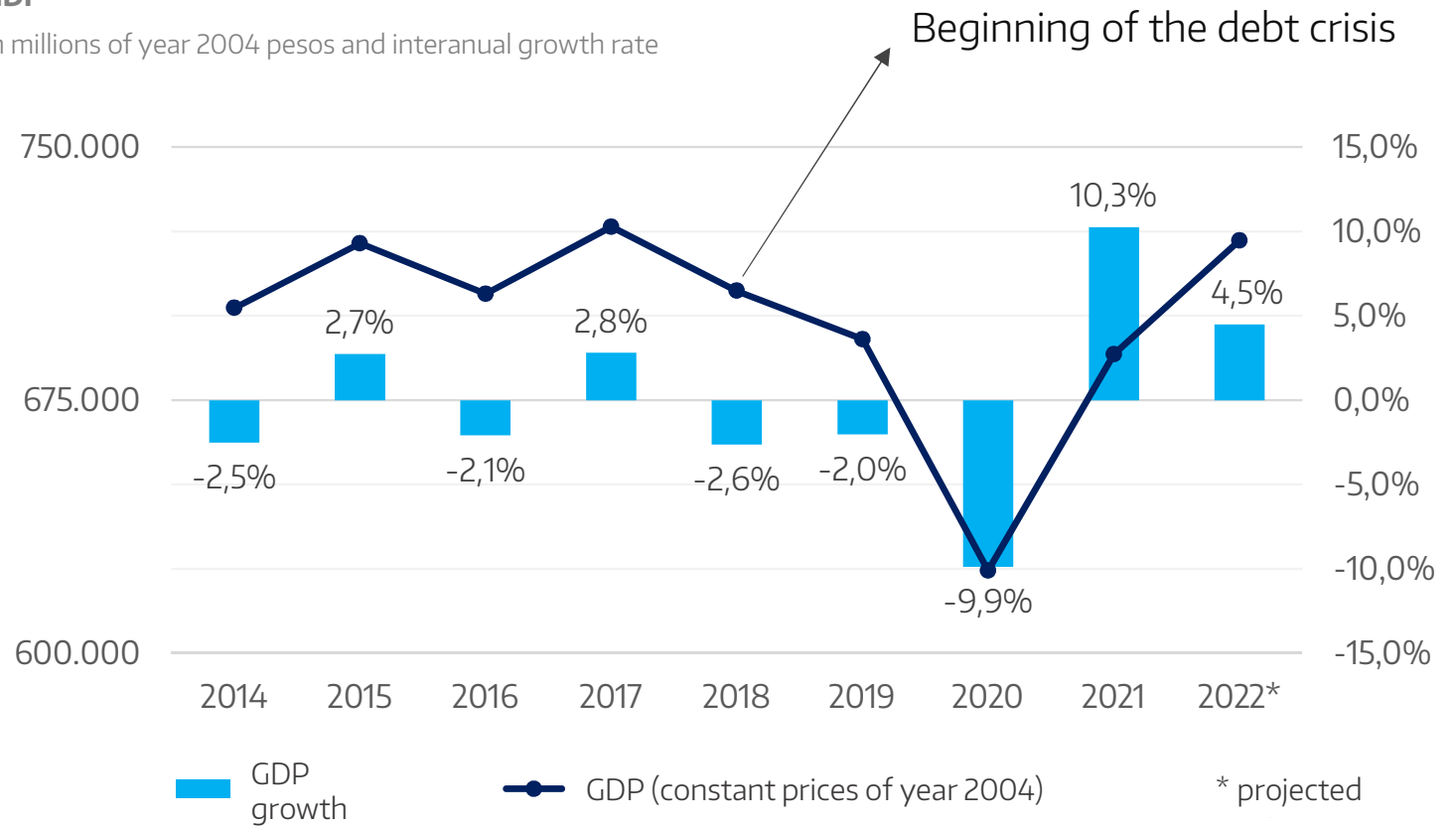


Argentina's macroeconomic trajectory

Economic activity

GDP

In millions of year 2004 pesos and interannual growth rate



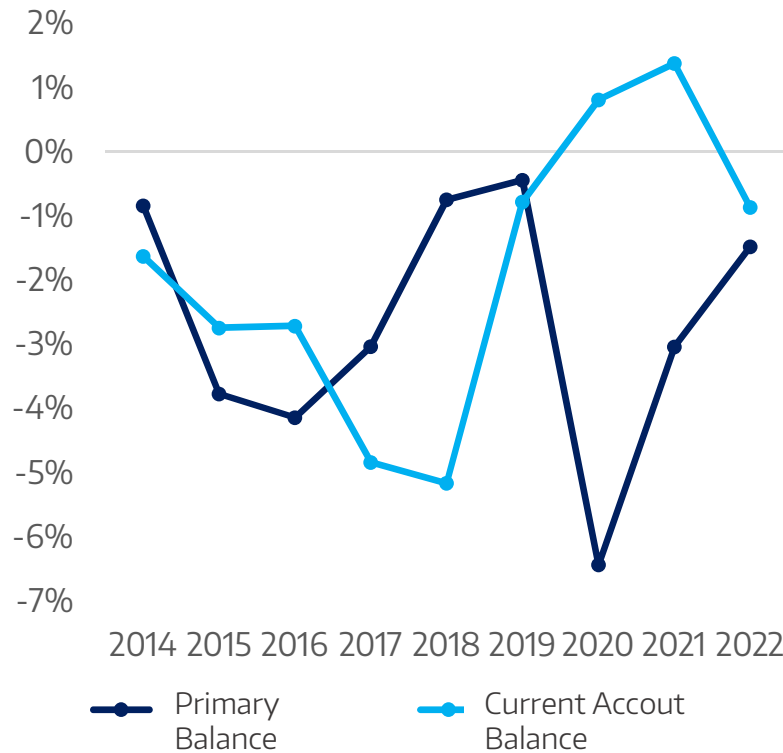


Argentina's macroeconomic trajectory

External sector vulnerability

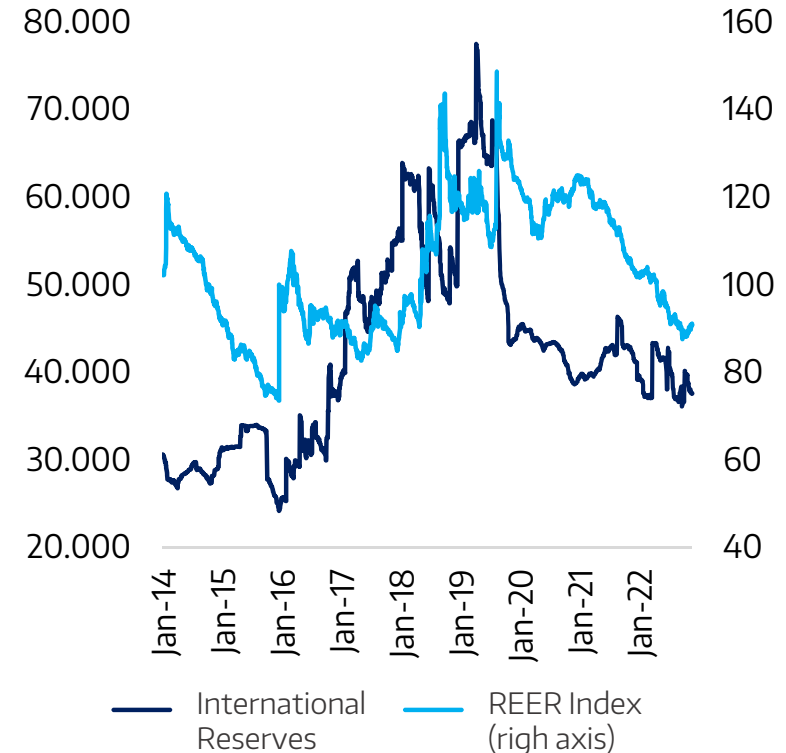
FISCAL BALANCE CURRENT ACCOUNT BALANCES

As % of GDP



INTERNATIONAL RESERVES POSITION AND REER

In USD millions; REER Index 2012=100



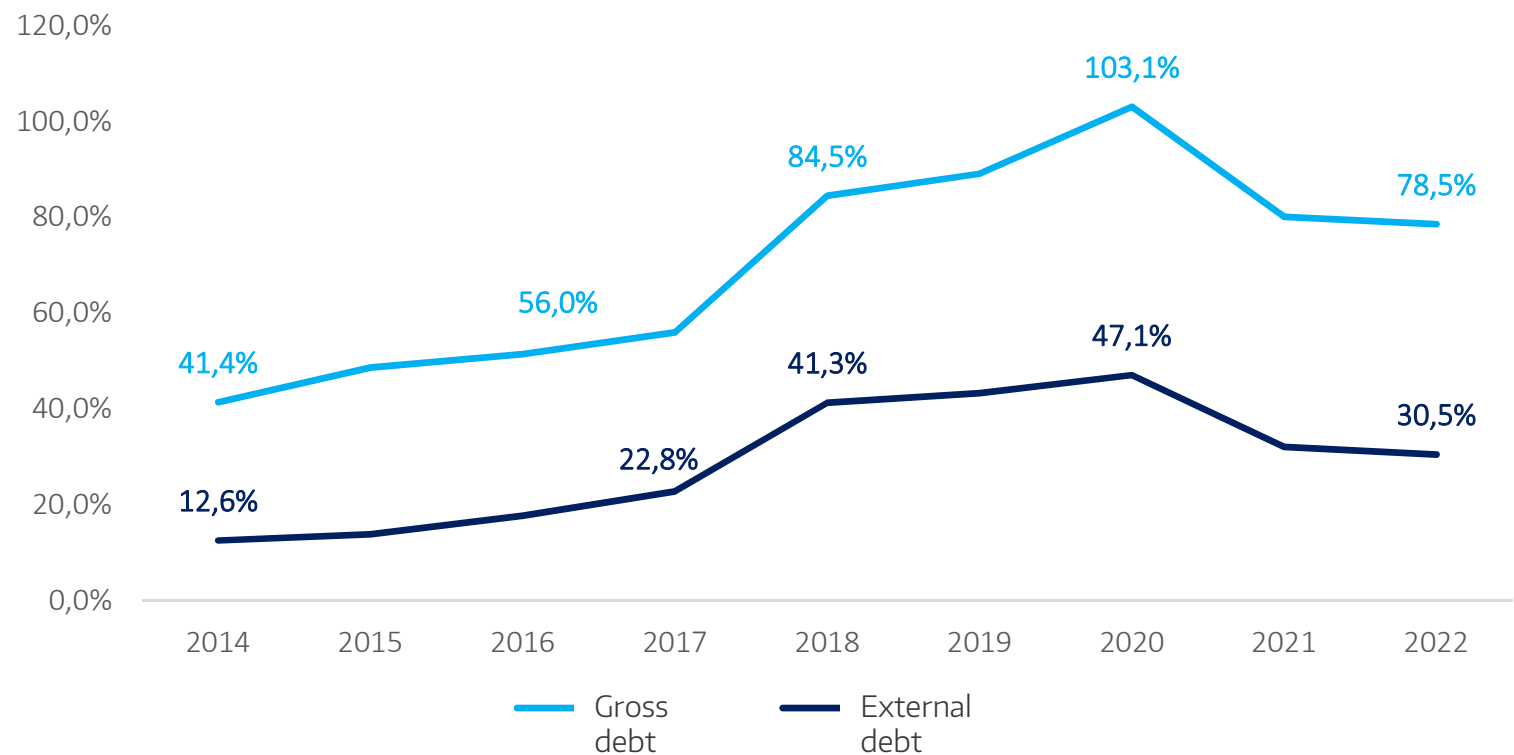


Argentina's macroeconomic trajectory

A public debt overhang

GROSS DEBT AND EXTERNAL DEBT (TREASURY)

In % of GDP





Argentina's macroeconomic trajectory

The road to an unsustainable debt profile

- 2016 capital account liberalization.
- Widening of fiscal and current account deficits.
- Large sovereign bond issuance + Local bond issuance in FX.
- Inflation targeting as an stabilization policy → Large portfolio inflows
- **As a result, high external sector vulnerability**

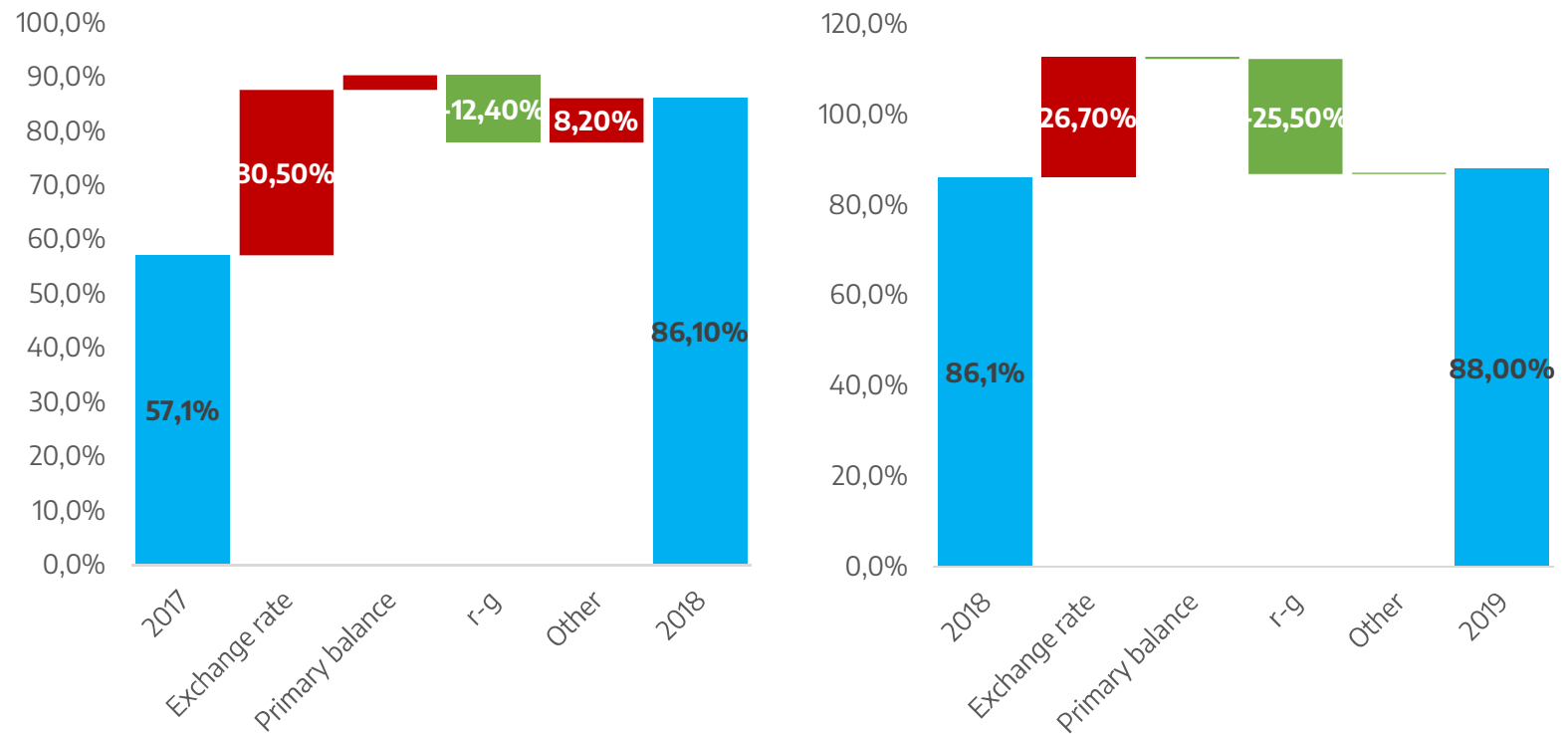
1

Argentina's macroeconomic trajectory

The road to an unsustainable debt profile

DECOMPOSITION OF DEBT TO GDP CHANGES

In % of Public Sector Debt / GDP*



* This figures take into account all National Public Sector, not only Treasury debt as in previous figures



External private debt restructuring

The debt restructuring process

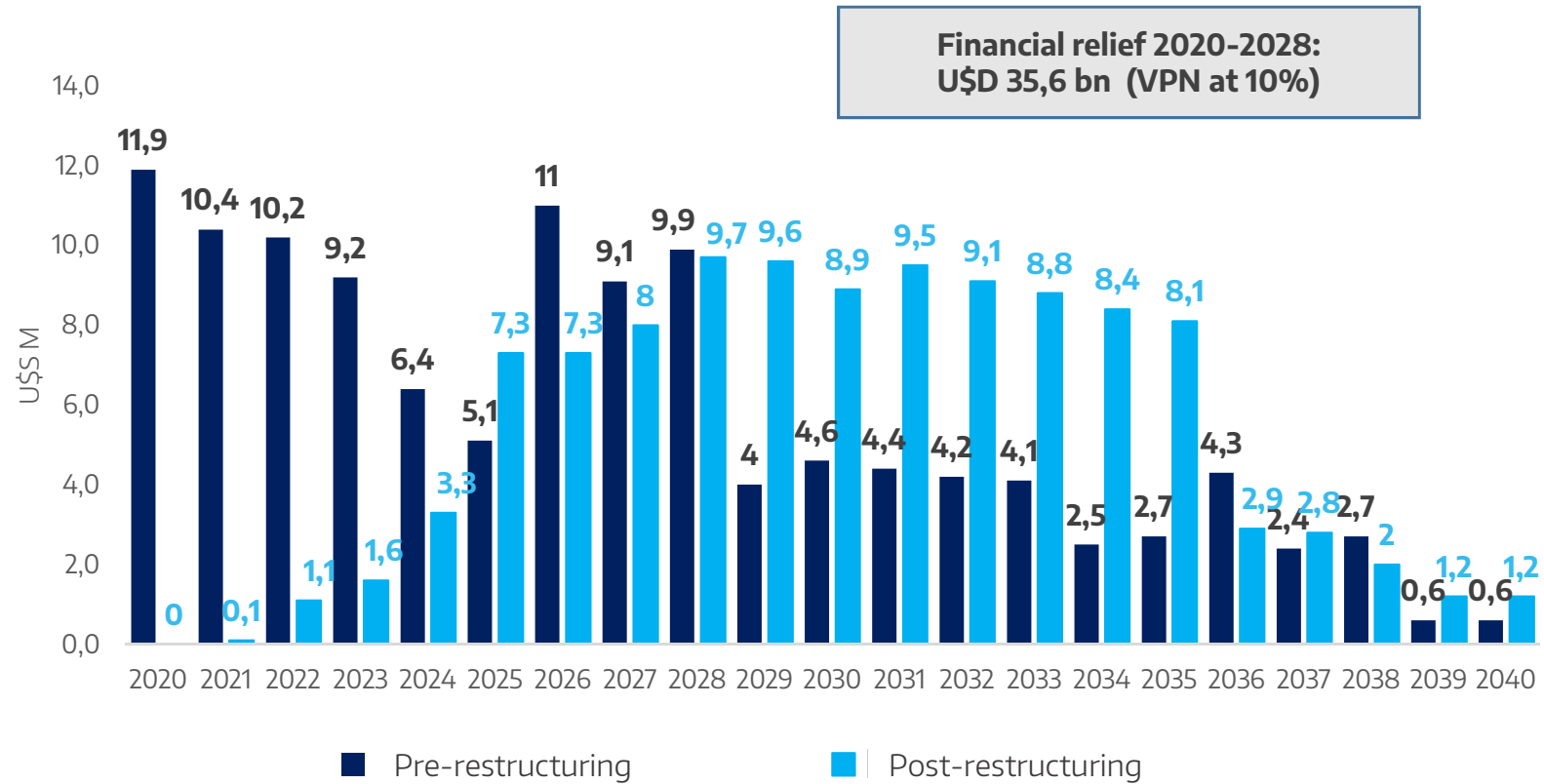
- Lack of an institutional framework for debt resolution.
- Relatively quick process (< 1 year).
- Three bond-holders committees. Vs. 2005 restructuring, there was a bigger weight from investment funds.
- Usage of CAC's → 99% acceptance.
- CAC's included in new bonds, but with different indentures ('05 vs. '16).
- Unfeasibility of new state-contingent debt (GDP warrants currently under litigation).

2

External private debt restructuring

Changes in the debt service profile

➤ Local and foreign law



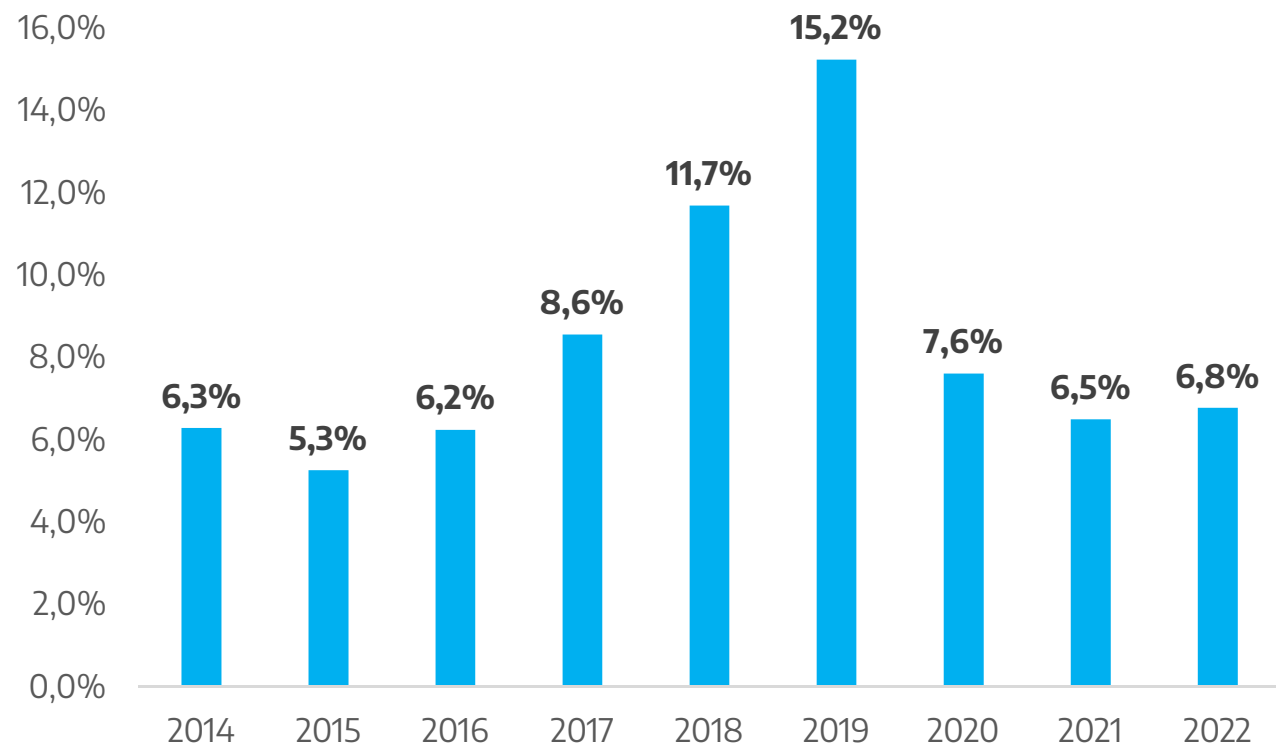


External private debt restructuring

A relief on the burden of interests

INTEREST PAYMENTS / TOTAL PUBLIC SPENDING

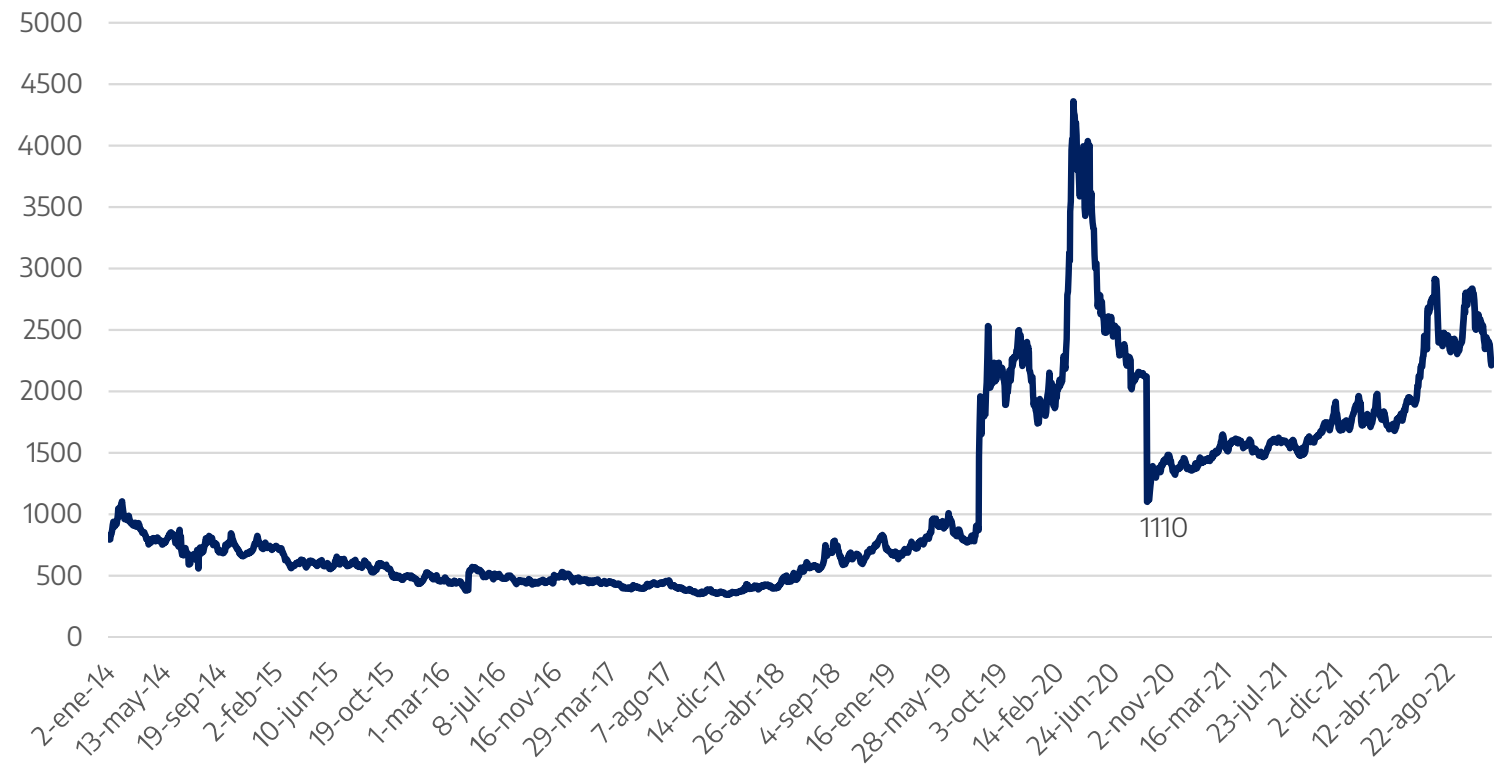
In %



Yet a failure to regain market access

EMBI+ ARGENTINA

In basis points



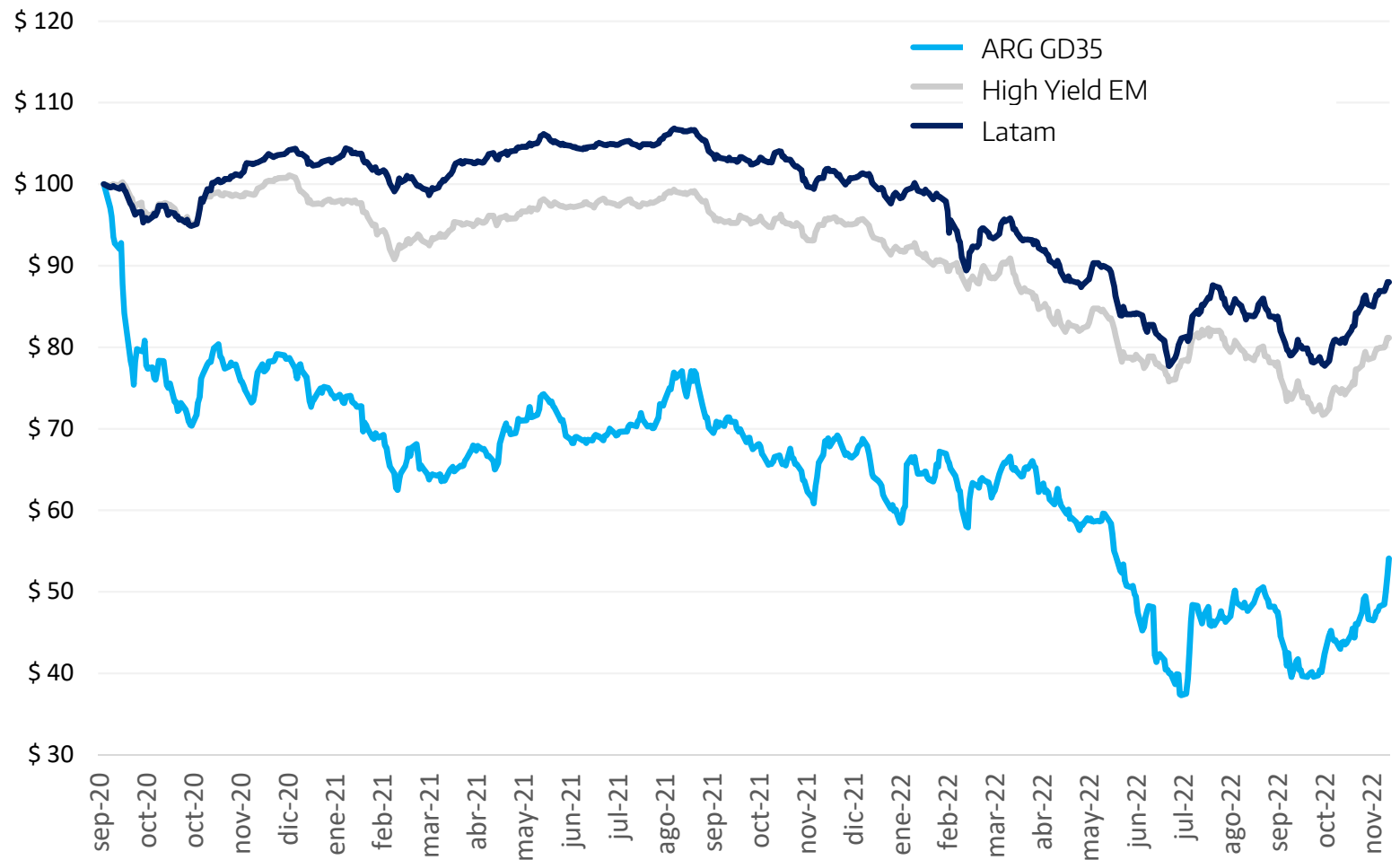
2

External private debt restructuring

Return on new bonds

COMPARISON OF RETURNS ON GD35 (ARG) VS HIGH-YIELD EM AND LATAM INDEXES

USD 100 investment since the date of restructuring.



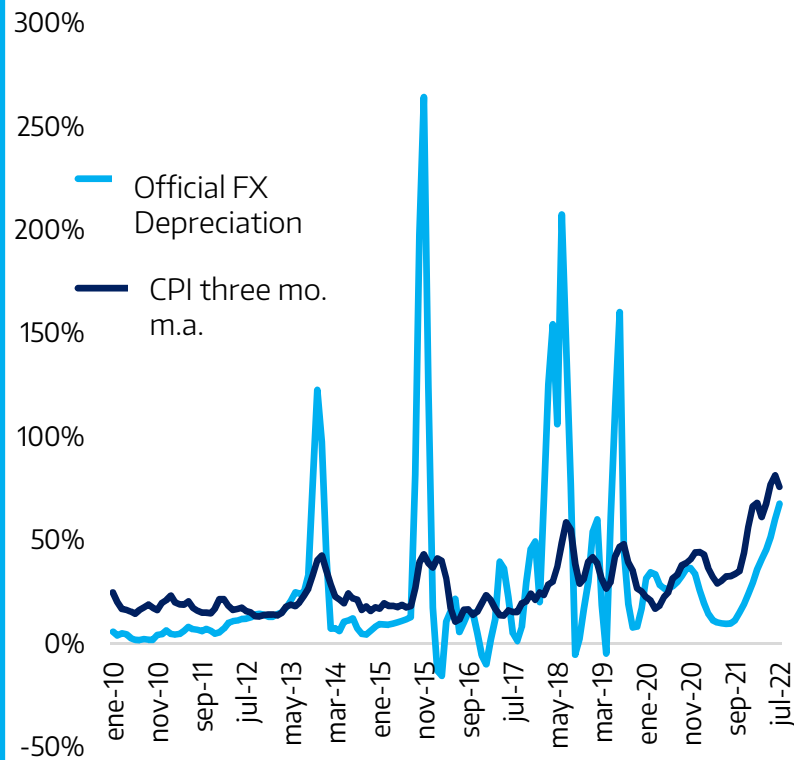


Recent developments

Ongoing FX pressures

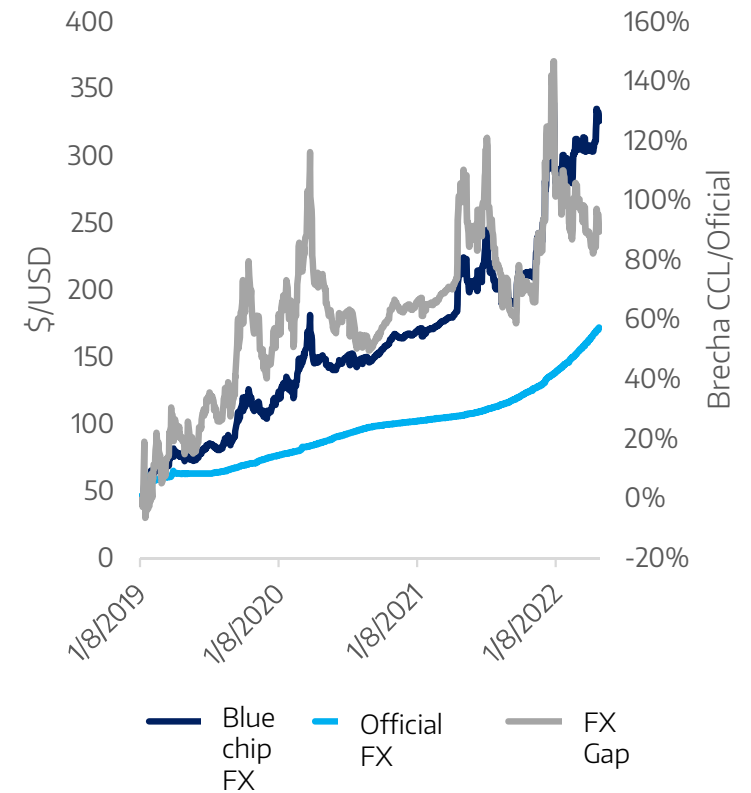
FX DEPRECIATION AND INFLATION RATES

3 months moving average (annual rates %)



FX RATE, BLUE CHIP FX RATE AND ITS GAP

In USD / ARS and %



Recent developments

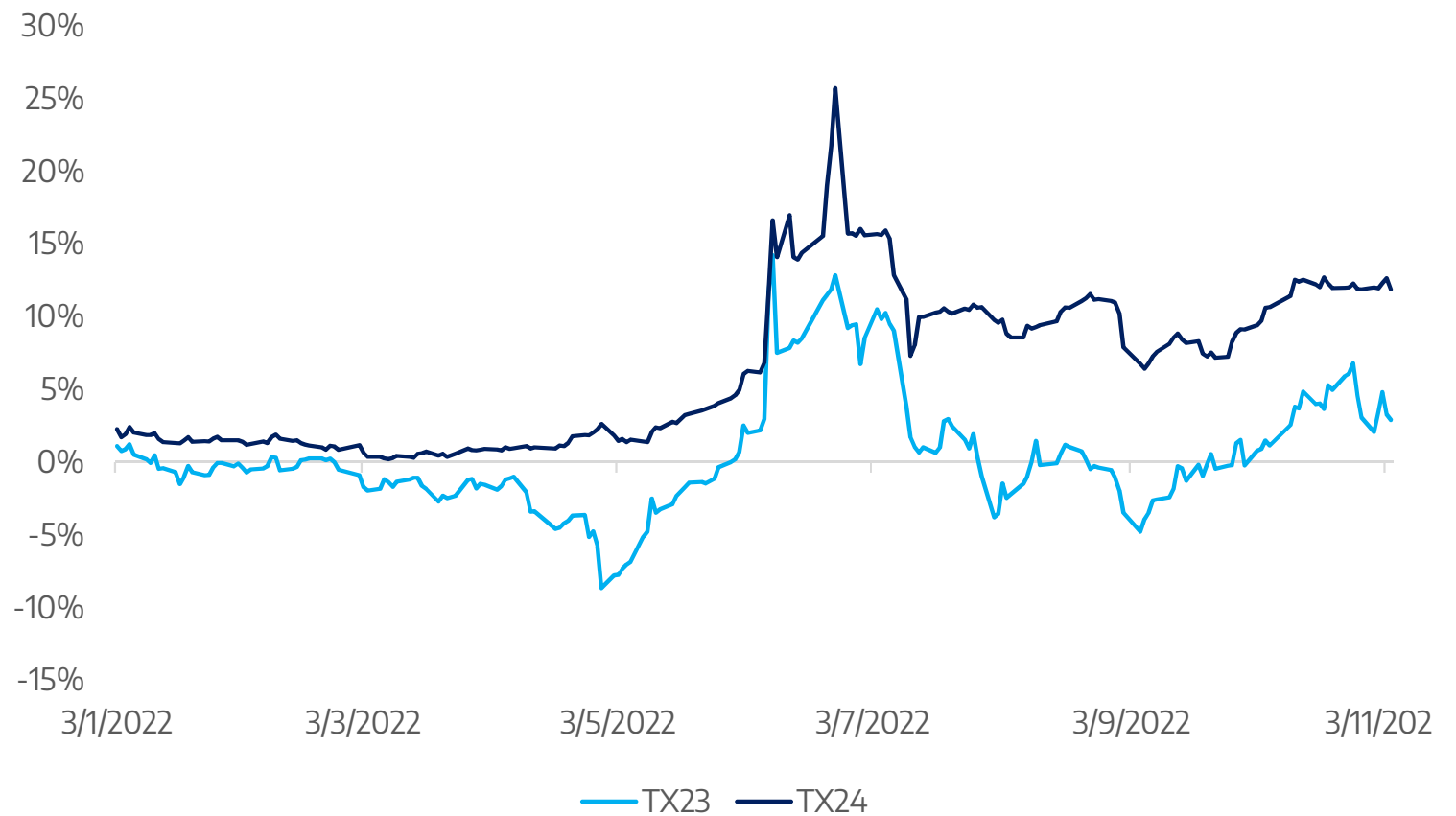


Recent developments

Spillovers into domestic markets

INFLATION INDEXED BONDS. TX23 (MATURES MAR-23) AND TX24 (MAR-24)

In YTM %





Recent developments

Changes in the economic administration

- In August 2022, **Sergio Massa** took office as Economy Ministry, basing his management on **four principles**:
 1. Fiscal order
 2. Commercial Surplus
 3. International Reserve Strengthening
 4. Development with Social Inclusion
- Extended portfolio of the Ministry of Economy (including Agriculture, Commerce, International Economic and Financial Affairs, Energy, Industry & Productive Development and Mining).
- **Greater macroeconomic coordination and political support allowed to** accomplish the following results:
 - Approval of the Second and Third Revision under EFF-IMF.
 - Approval of the 2023 Budget Law.
 - Agreement with Paris Club creditors.
- **Positive outlook for exports** in the medium-run (Vaca Muerta, mining, proteins, knowledge based services), but **increased external pressure** in the short-run (war in Ukraine, AE monetary tightening) with still **no market access**.

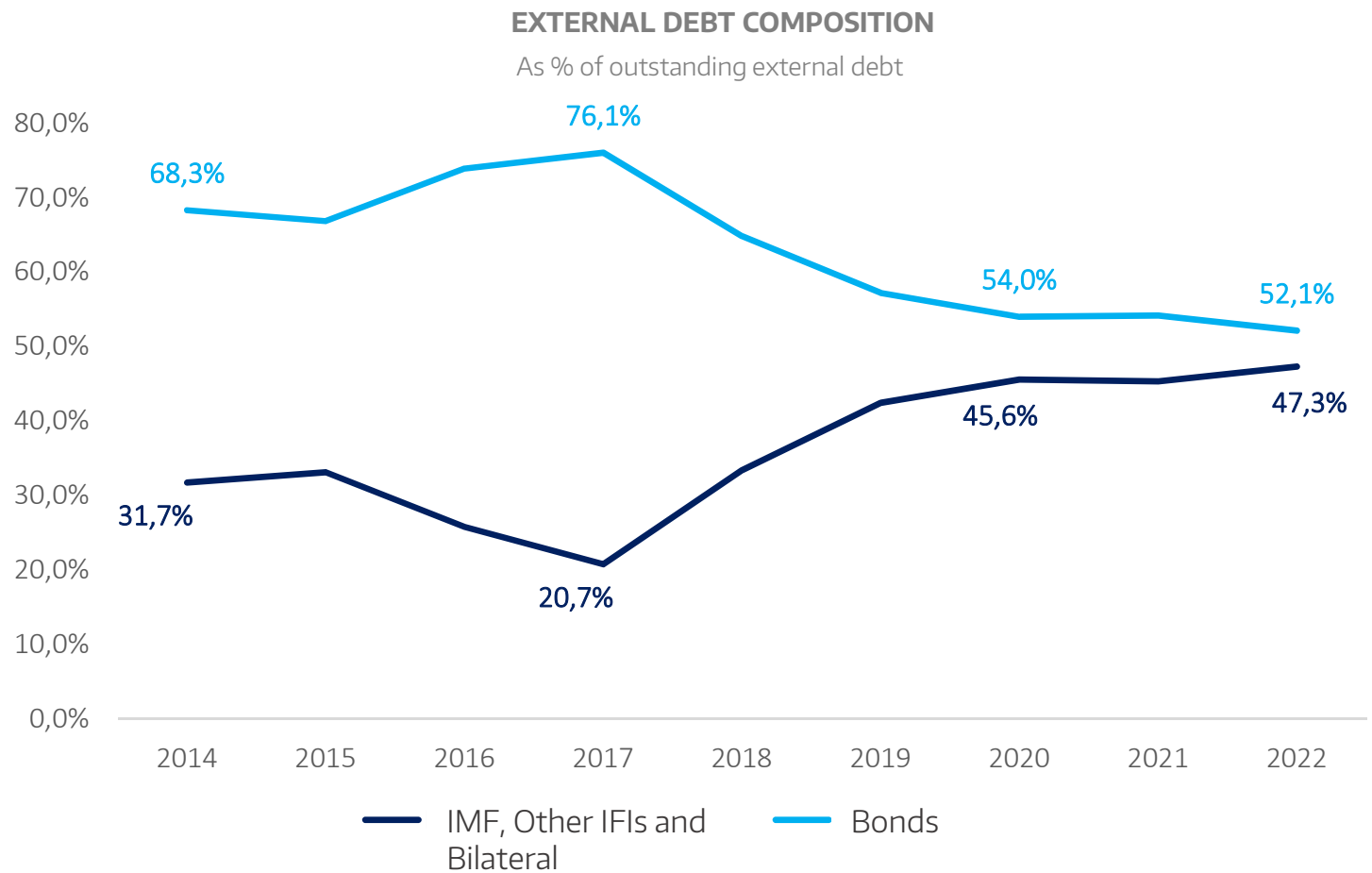


A new role for IFIs



A new role for IFIs

A higher share of IFIs in the external debt stock

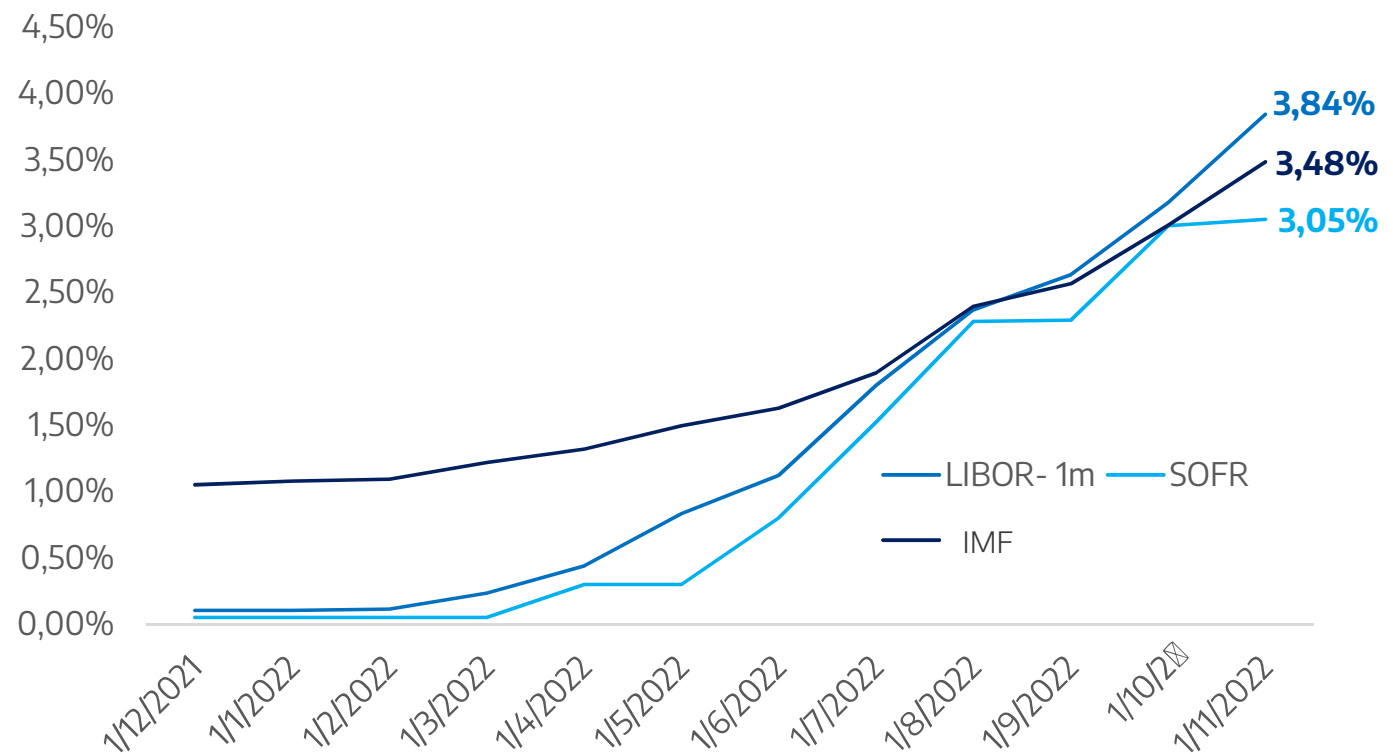


A new role for IFIs

Into monetary tightening

IMF RATE, LIBOR AND SOFR

In Nominal Annual Rate



4

A new role for IFIs

Spillovers from monetary tightening and a possible relief: the reduction of IMF surcharges

INCREASED COSTS OF TIGHTENING AND IMF SURCHARGES

In USD millions

Creditor	Concept	2022	2023
IFIs (Excl. IMF)	Interest	726	1323
	Interest with Dec-21 rates	311	505
	Increase in interest due to tightening	415	818
IMF	Basic interest	750	1.133
	Basic interest (with Dec-21 rates)	440	341
	Increase in interest due to tightening	310	792
	Surcharges	987	821

In 2023, the sum of surcharges and the incremental cost in IFIs interest is projected to be 57% of the increase in Net International Reserves as of Sep-22

Thank you



Ministerio de Economía
Argentina

Subsecretaría de Sostenibilidad de la Deuda Externa