Argentina

Full Rating Report

Ratings

Foreign Currency

Long-Term IDR	RD
Short-Term IDR	RD

Local Currency

Long-Term IDR	CCC
Country Ceiling	CCC

Outlooks

Foreign-Currency Long-Term IDR	-
Local-Currency Long-Term IDR	-

Financial Data

Argentina

(USDbn)	2015
GDP	572.3
GDP per head (USD 000)	13.6
Population (m)	42.2
International reserves	26.1
Net external debt (% GDP)	-8.6
Central government total debt (% GDP)	45.5
CG foreign-currency debt	169
CG domestically issued debt (ARSbn)	1,397.9

Key Rating Drivers

Argentina Remains in Default: Fitch Ratings' affirmation of the Foreign-Currency IDR at 'RD' reflects Argentina's inability to cure the default on its external market debt. The legal process related to the dispute between Argentina and certain holdout creditors that did not participate in the 2005 and 2010 exchange offers culminated in a ruling that Argentina could not make payments to exchanged bondholders unless payments were also made to the plaintiffs in the case.

No Near-Term Holdout Resolution: The government has not reached agreement with holdout creditors that would allow Argentina to service its restructured debt. Fitch does not expect a resolution in the near term given the electoral cycle. There is considerable uncertainty over the likely timing and type of resolution with the holdouts from the incoming administration.

Rising Funding Needs: Funding needs have increased due to the widening fiscal deficit, and external financing sources remain limited. Fitch estimates that the national administration's deficit (without taking into account social security (ANSES) or central bank (BCRA) transfers) could rise to 7.3% of GDP in 2015, driven largely by higher spending.

Limited Funding Sources: Although the fact that public-sector entities hold 61% of government debt mitigates immediate refinancing risks, continued monetisation of fiscal deficits would feed into greater macroeconomic instability. Moreover, access to fresh sources of FX remains curtailed due to the inability of the sovereign to directly tap external markets.

Significant External Vulnerability: External vulnerability is significant given high commodity dependence, weak external liquidity (69% in 2015), limited material sources of external financing and protracted tensions in the FX market that fuel recurrent episodes of capital flight.

While headline international reserves have increased since Argentina entered default in July 2014, partly explained by use of a currency swap facility with China, Fitch expects available external liquidity to remain under pressure due to rising FX interventions and the likely use of international reserves to service Boden 2015 amortisation.

Rating Sensitivities

Resumption of Debt Service: The resumption of timely debt service on defaulted bonds would lead to the upgrade of the Foreign-Currency IDR out of Restricted Default (RD). At such time, Fitch would review Argentina's ratings and make an assessment based on the sovereign's capacity to service debt, its economic fundamentals and the remaining litigation risks.

Related Research

Global Economic Outlook (July 2015)

Argentina's Default Implications (October 2014)

Argentina (December 2013)

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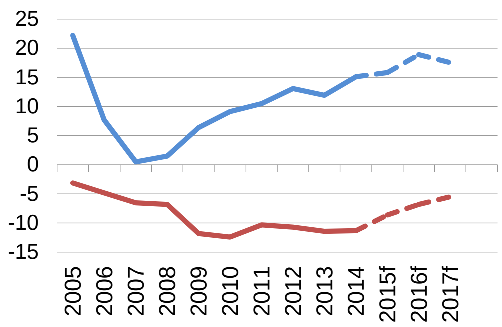
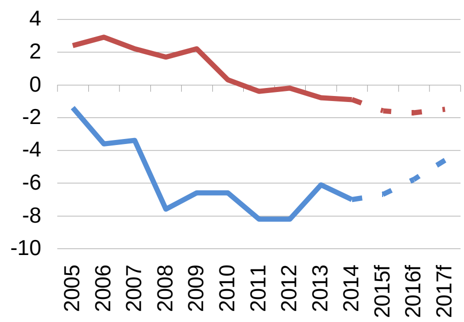
Peer Comparison

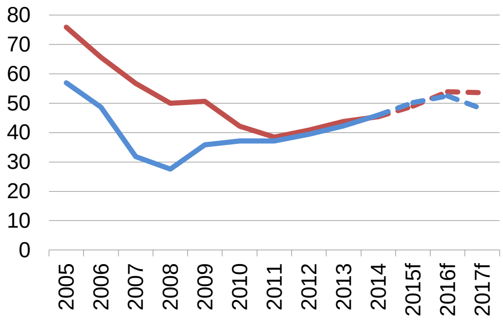
Net External Debt
% of GDP



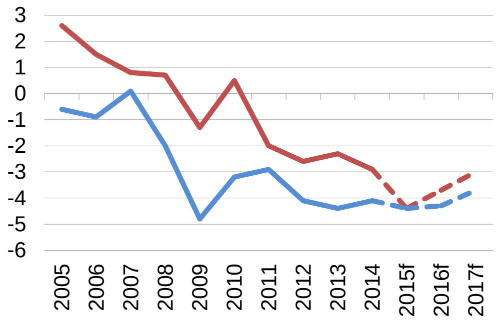
Current Account Balance
% of GDP



General Government Debt
% of GDP

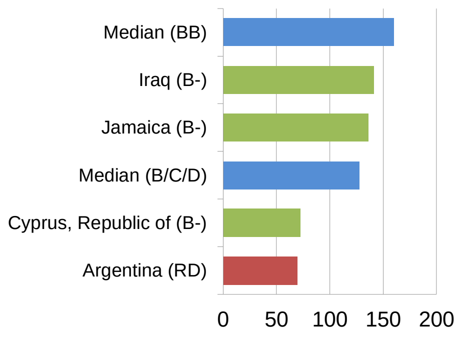


General Government Balance
% of GDP



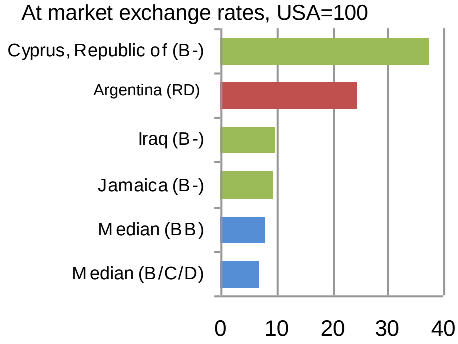
Argentina   Medians

International Liquidity Ratio, 2016
%



GDP per capita Income, 2015e

At market exchange rates, USA=100



Related Criteria

Sovereign Rating Criteria (August 2014)
Country Ceilings (August 2015)

Peer Group

Rating	Country
B−	Cyprus
	Iraq
	Jamaica
CCC	Greece
	Venezuela
C	Ukraine
RD	**Argentina**

Rating History

Date	Long-Term Foreign Currency	Long-Term Local Currency
31 Jul 14	RD	CCC
27 Nov 12	CC	B−
12 Jul 10	B	B
18 Dec 08		B−
01 Aug 06		B
14 Dec 05	RD	
03 Jun 05	DDD	B−
26 Apr 04		B−
24 Jan 03		CC
04 Jan 02		C
03 Dec 01	DDD	DDD
06 Nov 01	C	C
02 Nov 01	CC	CC
12 Oct 01	CCC−	CCC−
11 Jul 01	B−	B−
28 Mar 01	B+	B+
20 Mar 01	BB−	BB
21 Sep 00	BB	BB+
03 Dec 97	BB	BB+
28 May 97	BB	

Rating Factors

Summary: Strengths and Weaknesses

Rating factor	Macroeconomic	Public finances	External finances	Structural issues
Status	Weakness	Neutral	Neutral	Weakness
Trend	Stable	Negative	Negative	Stable

Note: Relative to 'B/C/D' category
Source: Fitch

Strengths

Argentina's per capita income levels and Human Development indicators are significantly above those of 'B' and 'BB' rated peers.

General government debt is in line with the 'B' median, and has a more favourable structure in terms of average maturity and currency composition. While debt repayments are high, interest payments are low and public-sector entities hold 61% of general government debt, reducing short-term refinancing risk.

Although Argentina has run lower current account deficits than peers, thereby reducing external financing requirements and preserving external liquidity, the cost of FX rationing and controls in terms of growth, FX distortions and policy uncertainty has been high.

Weaknesses

The sovereign has a weak debt repayment record, as it has entered default twice since 2001.

External vulnerability is significant given high commodity dependence, weak external liquidity, limited material sources of external financing and protracted tensions in the FX market that fuel recurrent episodes of capital flight.

While funding needs have increased due to the widening fiscal deficit, domestic and external financing sources remain limited. The sovereign receives some multilateral funding, but has been cut off from direct access to international capital markets for a decade, increasingly relying on intra-public sector financing.

Argentina's tax burden has risen significantly, limiting the scope for further expansion, while budgetary rigidities have grown significantly at both the federal and provincial levels.

Growth and inflation have markedly deteriorated in relation to peers due to a less favourable external environment and inconsistent policy mix. Macroeconomic instability, as indicated by high volatility of GDP, CPI and real effective exchange rate (REER), is a key credit weakness.

Opacity of official data, particularly regarding inflation, detracts from investor confidence and policy credibility.

Concentration of power in the executive, reduced checks and balances, and increased political polarisation have increased political uncertainty and reduced policy predictability.

Local-Currency Rating

Argentina's Long-Term Local-Currency rating is 'CCC'. Argentina has a record of macroeconomic instability, and the government has resorted to deficit monetisation and intra-public sector financing to meet its rising financing needs.

Country Ceiling

Argentina has a Country Ceiling of 'CCC', reflecting increased state intervention in the economy including the progressive tightening of administrative controls on the private sector to gain access to FX.

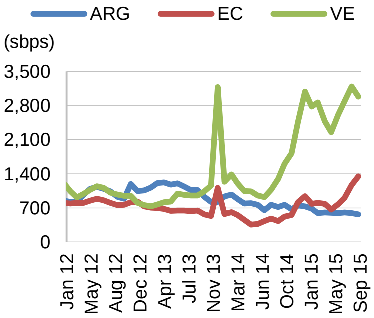
Figure 1

Strengths and Weaknesses: Comparative Analysis

2015	Argentina RD	B/C/D Median[a]	BB Median[a]	Cyprus B−	Iraq B−	Jamaica B−
Macroeconomic performance and policies						
Real GDP (5yr average % change)	2.7	3.7	4.3	-2.1	5.6	0.9
Volatility of GDP (10yr rolling SD)	3.8	2.9	2.2	3.4	4.4	2.1
Consumer prices (5yr average)	14.1	4.7	4.7	1.3	3.8	7.5
Volatility of CPI (10yr rolling SD)	4.8	3.1	2.8	1.7	17.5	4.6
Unemployment rate (%)	7.5	10.3	9.5	16.1	13.0	13.8
Type of exchange rate regime	Managed float	n.a.	n.a.	EMU	Peg	Managed float
Dollarisation ratio (% of bank deposits)	7.7	28.3	40.7	-	-	0.0
REER volatility (10yr rolling SD)	9.1	5.8	4.9	3.1	5.8	6.6
Structural features						
GDP per capita (USD, mkt exchange rates)	13,569	3,930	4,473	21,435	5,285	5,138
GNI per capita (PPP, USD, latest)	-	8,520	9,470	30,323	15,220	8,480
GDP (USDbn)	572.3	n.a.	n.a.	19.3	188.9	14.4
Human development index (percentile, latest)	74.1	41.3	52.1	83.3	36.0	48.9
Governance indicator (percentile, latest)[b]	39.4	32.5	46.6	79.1	9.5	53.3
Broad money (% GDP)	30.5	43.0	52.1	257.6	48.2	52.2
Default record (year cured)[c]	2014	n.a.	n.a.	2013	2006	2013
Ease of doing business (percentile, latest)	34.6	42.6	55.4	66.5	17.6	69.7
Trade openness (CXR and CXP % GDP)	14.4	50.9	52.2	95.0	41.4	54.9
Gross domestic savings (% GDP)	18.1	16.1	19.3	13.8	33.8	2.4
Gross domestic investment (% GDP)	17.9	22.0	22.1	10.0	15.8	22.0
Private credit (% GDP)	15.4	32.3	49.2	286.3	8.6	29.4
Bank systemic risk indicators[d]	CCC/1	n.a.	n.a.	CC/2	-/-	n.a./1
Bank system capital ratio (% assets)	13.1	15.1	14.8	-	-	0.0
Foreign bank ownership (% assets)	26.0	44.0	32.2	0.0	-	0.0
Public bank ownership (% assets)	43.0	22.0	24.4	0.0	90.0	0.0
External finances						
Current account balance + net FDI (% GDP)	-1.1	-2.6	-0.3	-8.3	-5.3	-2.6
Current account balance (% GDP)	-1.6	-6.9	-2.4	-3.4	-7.4	-5.8
Net external debt (% GDP)	-8.6	16.5	7.0	112.1	-18.6	69.7
Gross external debt (% CXR)	221.6	137.4	107.6	509.1	100.4	204.5
Gross sovereign external debt (% GXD)	58.3	59.2	51.8	20.0	95.8	57.4
Sovereign net foreign assets (% GDP)	-13.0	-13.2	-2.7	-80.9	3.1	-45.3
Ext. interest service ratio (% CXR)	6.4	2.8	2.6	16.7	1.3	8.3
Ext. debt service ratio (% CXR)	26.1	11.9	8.9	18.0	2.4	24.2
Foreign exchange reserves (months of CXP)	3.6	3.6	4.0	0.6	7.9	3.3
Liquidity ratio (latest)[e]	69.6	142.9	162.9	72.3	141.2	136.2
Reserve currency flexibility	0	n.a.	n.a.	0	0	0
Commodity export dependence (% CXR, latest)	53.5	27.6	19.4	13.8	92.0	-
Sovereign net foreign currency debt (% GDP)	17.6	12.4	1.4	-4.8	7.4	56.3
Public finances[f]						
Budget balance (% GDP)	-4.4	-4.3	-3.6	-1.7	-15.8	0.2
Primary balance (% GDP)	-2.6	-1.8	-1.7	1.0	-15.5	8.0
Gross debt (% revenue)	117.6	197.4	166.9	284.0	154.8	479.1
Gross debt (% GDP)	51.4	51.5	41.6	110.2	51.1	125.5
Net debt (% GDP)	44.9	44.9	32.9	104.3	35.8	118.4
Foreign currency debt (% total debt)	45.2	66.6	50.7	0.0	72.9	57.4
Interest payments (% revenue)	4.2	8.1	7.9	7.1	1.1	29.8
Revenues and grants (% GDP)	41.7	26.0	26.3	38.8	33.0	26.2
Volatility of revenues/GDP ratio	11.4	8.2	5.5	4.4	12.5	2.9
Central govt. debt maturities (% GDP)	8.4	5.0	3.7	12.7	18.0	10.2

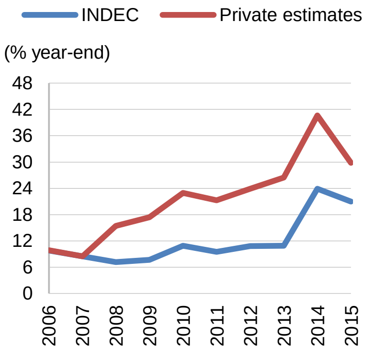
[a] Medians based on three-year centred averages
[b] Composite of six World Bank Governance Indicators used in the Sovereign Rating Model; Government Effectiveness; Rule of Law; Control of Corruption; Voice and Accountability; Regulatory Quality; and Political Stability and Absence of Violence
[c] Modern (ie. since 1980) rescheduling history: Numerous rescheduling with official and commercial bank creditors from 1983; Brady deal with commercial banks in April 1993 inflicted significant capital losses. Default in 2001, restructuring in 2005 & 2010; missed payment in July 2014 due to judicial ruling
[d] Bank systemic indicator, which equates to a weighted average Viability Rating; and macro prudential indicator, with 1 'low' systemic risk through to 3 'high'
[e] Ratio of liquid external assets, defined as the stock of official FX reserves including gold at the end of the previous calendar year plus banks' liquid external assets, to liquid external liabilities, defined as scheduled external debt service in the current year, plus the stock of short-term external debt and all non-resident holdings of marketable medium- and long-term local-currency debt at the end of the previous calendar year
[f] General government unless stated
Note: Acronyms used: Consumer price inflation (CPI), gross domestic product (GDP), current external receipts (CXR), current external payments (CXP), gross national income (GNI), purchasing power parity (PPP), standard deviation (SD), foreign direct investment (FDI)
Source: Fitch

Figure 2
Lower Spreads Despite Default
EMBIG stripped spreads



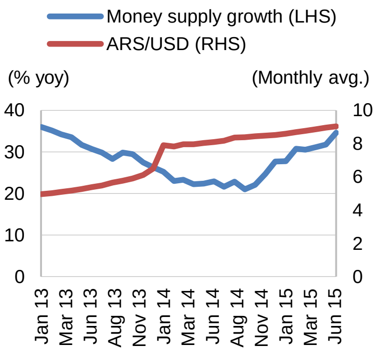
Source: JPM & Fitch

Figure 3
Artificial Ease of Inflation



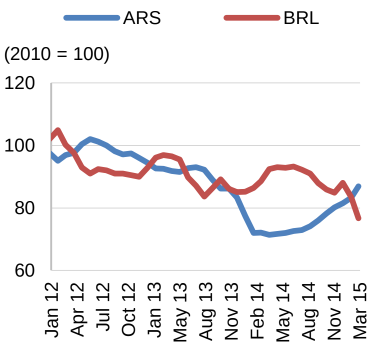
Source: INDEC, private estimates & Fitch

Figure 4
FX Pressures & Monetary Exp.



Source: IFS, BCV & Fitch

Figure 5
ARS Real Appreciation



Source: BIS & Fitch

Key Credit Developments

Legal Battle Continues Through Default

Argentina's Long-Term Foreign-Currency IDR has been at 'RD' since 30 July 2014, as the sovereign has been unable to cure its missed coupon payments and normally service its restructured debt. After a protracted legal dispute, the US Lower District Court ruling prohibited Argentina from servicing 2005 and 2010 restructured debt instruments before first making repayments to holdout creditors.[1]

Although the Argentine authorities originally claimed that the Rights Upon First Offer (RUFO) clause prevented them from negotiating better terms than those of 2005/2010 restructured bondholders, they have not taken any concrete action to reach an agreement since the clause's expiration at the end of 2014.

Judge Thomas Griesa has subsequently "expanded/clarified" the extent of his ruling stating that Argentina cannot service any debt deemed external (thus covered under the "pari passu clause). Plaintiffs have raised the issue that even local foreign-currency debt under Argentine law (most notably the Bonar 2024s) should be included as part of the injunction as external indebtedness. In addition, so-called "me toos" have increased the amount to be settled with holdouts to a reportedly USD7bn. Nevertheless, this amount is subject to material increases.

Fitch expects Argentina to service the upcoming 2015 Boden maturity in October. Nevertheless, the agency considers that a final resolution with holdout creditors and effective resumption of debt service are key for Argentina to regain access to material international financing given external liquidity pressures, damaging FX restrictions weighing on growth performance, and the near-saturation of domestic (public-sector) funding sources.

'Pax Cambiaria' and Reduced Inflationary Pressures

In spite of Argentina entering into default, market pressures have eased, resulting in bond spreads stability and reduced FX pressures in 1H15. The market's expectation of a regime change (in terms of both government and policy direction) after 2015, the reduced pace of the ARS depreciation and improved FX availability have reduced FX pressures.

Headline international reserves have increased since July 2014, as Argentina has made use of a swap arrangement with China, disbursing around USD8bn of USD11bn in the year to date. Moreover, the sovereign, the province of Buenos Aires and YPF S.A. have been able to obtain foreign-currency funding. With a greater reserves cushion and tighter FX controls (restricting supply to the private sector in terms of import and dividend repatriation), the authorities have managed a slow depreciation (averaging 1.0%-1.5% monthly).

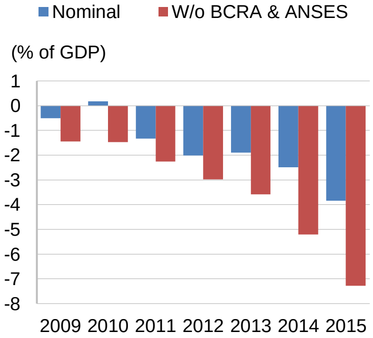
The use of the exchange rate as a nominal anchor and subdued economic activity have led to a fall in inflation to 15% in 2015 from 23.9% at end-2014. Private-sector figures, such as the one published by Congress, have also pointed to a slowdown in inflation to an annual 27%. Nevertheless, inflationary pressures could re-emerge due to the rapid monetary aggregates growth for deficit financing, and increasing depreciation expectations for 2016 due to increasing real exchange rate appreciation, especially in relation to trade partners. The real devaluation gains of early 2014 have been almost fully reversed.

Economic Policies Target October Elections

The Cristina Fernandez de Kirchner (CFK) administration has taken advantage of the policy space awarded by reduced market pressures to embark in a significant (fiscal) stimulus to revive the economy in the run-up to the October election. While official figures point to a mild expansion (0.5%) in 2014, there is broad agreement that the economy could have contracted

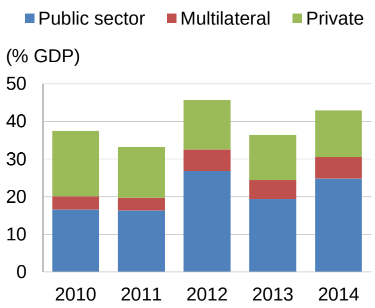
[1] For more background information, please refer to *Argentina's Default Implications*, published by Fitch on 31 October 2014.

Figure 6
Widening AN Fiscal Deficit



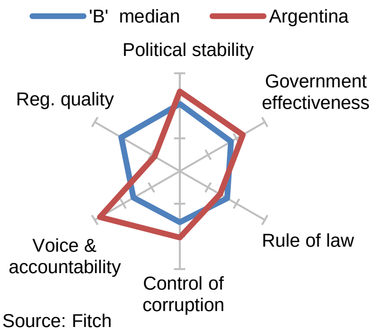
Source: MECON & Fitch Ratings estimates

Figure 7
Federal Debt Composition
By type of holder



Source: MECON & Fitch

Figure 8
Governance Indicators
Percentile rank



Source: Fitch

by as much as 2%. Growth could approach 1% in 2015, boosted by policy stimulus, lower inflation and reduced exchange rate volatility.

Fiscal spending has accelerated aggressively in 2015 in spite of lower commodity-derived revenues and the sluggish economy. The stimulus has been aided by transfers from the central bank and ANSES. In 1H15, the nominal deficit tripled compared to 2014 to ARS107bn. Expenditure growth has been led by social security benefits and capital spending, while transfers to the private sector have moderated due to a reduced energy subsidy bill from low oil prices. Fitch estimates that the national administration's deficit (without taking into account ANSES or BCRA funding) could rise to 7.3% of GDP in 2015 from 5.2% in 2014.

Fitch estimates that general government needs could rise to 12.8% of GDP in 2015 (8.8% in 2014). The Boden 2015 payment in October (USD5.7bn) is the most significant payment commitment, while repayment of advances to the central bank (USD25bn) is likely to be rolled over. Public-sector entities hold 61% of the government's debt stock. The government has issued USD1.4bn Bonars 2024 and USD1.4bn Bonads (linked to the USD), and continued with the Bonacs issuance (ARS-denominated tied to the Lebac rate).

Lower commodity prices and the impact of increased deficit monetisation, as well as political developments such as the nomination of CFK's aide Carlos Zannini as vice-presidential running mate to Daniel Scioli have resulted in increased pressures in the FX market since early July. The parallel exchange rate has moved above ARS15. The BCRA has ramped up its intervention to USD1.4bn in August, and is likely to remain active to preserve exchange rate stability in the run-up to October.

While gross reserves have shown a moderate decline, available FX liquidity has declined more markedly, as the international reserves headline figure (USD33.4bn) contains FX from the China swap (USD8bn), and undisbursed debt repayments (USD1.9bn) on restructured debt. Available reserves will also decline by the end of the year, as the government is likely to tap them to service the Boden payment. Moreover, unmet dividend and import requirements create a contingent FX claim that could amount to USD10bn.

Argentina's current account deficit remains contained by tight control of FX supply to the private sector. The current account deficit could widen to 1.6% of GDP in 2015 in spite of tightened controls on import payments, dividend and profit repatriation. While lower oil prices have reduced pressure from the energy import bill, lower commodity prices, weak demand from trade partners and a strong ARS weigh on exports. Risks to Argentina's growth and external accounts outlook stem from continued recession in Brazil (21% of exports in 2013), lower growth in China and weaker commodity prices.

Election May not Provide Mandate for Change

The presidential election primaries (PASO) in early August confirmed Daniel Scioli, governor of Buenos Aires province and candidate for the Kirchnerista FPV, as the frontrunner (38.4% of vote), and Mauricio Macri, major of the city of Buenos Aires, as the main contender (30.1% including all votes of primary candidates under his coalition). Sergio Massa, major of the Tigre District and leader of the dissident (non-government) Peronist party, established his place as third-placed and potentially key candidate in the event of a run-off with 22.6%.

All candidates have indicated at different points that they intend to address the economy's deepening distortions and increasing imbalances. Nevertheless, the outgoing president's high popularity and the absence of clear signs of the need for a policy adjustment could limit the incoming president's "mandate for change". Hence, the incoming administration will possibly have to sell policy changes to the population. This could result in a gradual implementation of policy adjustments given the magnitude of economic distortions.

Fitch uses stylised projections for a sovereign's gross general government debt (GGGD)/GDP ratio to illustrate the sustainability of its debt burden and its sensitivity to economic growth, the cost of borrowing, fiscal policy and the exchange rate.

Public Debt Dynamics

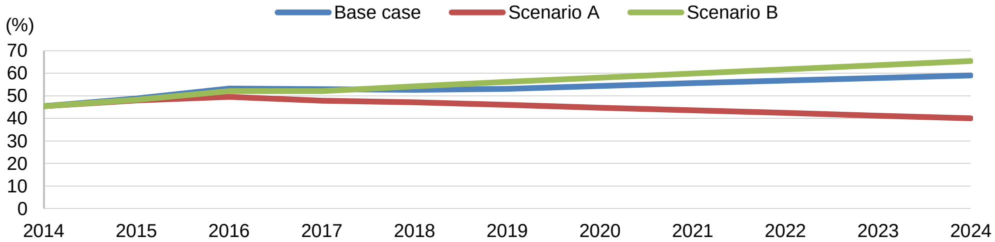
According to Fitch's baseline projections, GGGD should increase at a moderate pace over the medium term. The main risks to debt sustainability would be a failure to reduce the primary budget deficit, greater exchange rate depreciation and growth underperformance.

Debt Dynamics – Fitch's Baseline Assumptions

	2014	2015	2016	2017	2018	2019	2020
Gross general government debt (% GDP)	48.5	52.0	56.9	56.4	56.1	56.6	57.9
Primary balance (% of GDP)	-1.0	-2.6	-2.3	-1.5	-1.0	-1.0	-1.0
Real GDP growth (%)	0.5	0.9	-0.3	1.1	2.5	2.5	2.5
Avg. nominal effective interest rate (%)	5.4	9.1	11.0	11.7	11.2	10.9	10.7
ARS/USD (annual avg.)	8.08	9.18	11.32	13.43	14.42	15.15	15.90
GDP deflator (%)	28.9	17.9	28.0	22.1	15.0	13.0	11.0

Sensitivity Analysis

GG debt (% of GDP)



Source: Fitch

Debt Sensitivity Analysis – Fitch's Scenario Assumptions

Scenario A	Generating 1% GDP primary surpluses and returning to 3% medium-term growth. Depreciation and inflation are kept in check at 10% medium-term
Scenario B	Primary deficits close to 2% GDP combined with lacklustre growth (0.5%) and continued depreciation of 25% annually as inflation remains high at 30%

Forecast Summary

	2011	2012	2013	2014	2015f	2016f	2017f
Macroeconomic indicators and policy							
Real GDP growth (%)	8.4	0.8	2.9	0.5	0.9	-0.3	1.1
Unemployment (%)	7.2	7.2	7.1	7.3	7.5	7.6	8.0
Consumer prices (annual average % change)	9.8	10.0	10.9	17.4	22.5	24.5	25.0
Short-term interest rate (bank policy annual avg.) (%)	10.7	12.0	14.9	20.4	21.0	25.0	26.5
General government balance (% of GDP)	-2.0	-2.6	-2.3	-2.9	-4.4	-3.7	-3.0
General government debt (% of GDP)	38.5	40.9	43.8	48.5	52.0	56.9	56.4
ARS per USD (annual average)	4.11	4.54	5.46	8.08	9.18	11.32	13.75
Real effective exchange rate (2000 = 100)	50.3	57.7	59.3	56.3	70.3	63.9	59.9
Real private sector credit growth (%)	22.9	10.8	9.6	-6.8	8.6	-7.0	4.8
External finance							
Current account balance (% of GDP)	-0.4	-0.2	-0.8	-0.9	-1.6	-1.7	-1.5
Current account balance plus net FDI (% of GDP)	1.2	2.1	0.9	-0.1	-1.1	-1.2	-0.7
Net external debt (% of GDP)	-10.3	-10.7	-11.4	-11.3	-8.6	-6.8	-5.5
Net external debt (% of CXR)	-55.2	-65.3	-70.2	-68.1	-63.2	-48.5	-37.5
Official international reserves including gold (USDbn)	46.4	43.2	30.5	31.4	26.1	27.1	31.1
Official international reserves (months of CXP cover)	5.2	5.1	3.5	3.9	3.6	3.5	3.8
External interest service (% of CXR)	4.8	5.1	5.0	5.3	6.4	6.0	5.6
Gross external financing requirement (% int. reserves)	24.1	17.4	20.8	41.1	77.7	126.1	63.5
Real GDP growth (%)							
US	1.6	2.3	2.2	2.4	2.2	2.5	2.5
China	9.3	7.7	7.7	7.4	6.8	6.5	6.0
Eurozone	1.7	-0.8	-0.5	0.9	1.6	1.7	1.6
World	3.3	2.5	2.5	2.6	2.5	2.9	2.8
Oil (USD/barrel)	111.0	112.0	108.8	98.9	65.0	75.0	80.0

Source: Fitch

Fiscal Accounts Summary

(% of GDP)	2012	2013	2014	2015f	2016f	2017f
General government						
Revenue	**32.8**	**34.9**	**37.8**	**41.7**	**40.8**	**39.6**
Expenditure	**35.3**	**37.2**	**40.7**	**46.1**	**44.5**	**42.6**
O/w interest payments	2.1	1.5	1.8	1.8	1.4	1.2
Primary balance	-0.5	-0.9	-1.0	-2.6	-2.3	-1.8
Overall balance	**-2.6**	**-2.3**	**-2.9**	**-4.4**	**-3.7**	**-3.0**
General government debt	**40.9**	**43.8**	**48.5**	**52.0**	**56.9**	**56.4**
% of general government revenue	124.8	125.4	128.2	124.8	139.6	142.4
General government deposits	4.2	4.1	4.3	4.1	4.2	4.1
Net general government debt	36.7	39.7	44.2	47.9	52.7	52.3
Central government						
Revenue	**19.9**	**21.1**	**23.2**	**25.3**	**25.4**	**25.3**
O/w grants	0.0	0.0	0.0	0.0	0.0	0.0
Expenditure and net lending	**21.9**	**23.0**	**25.7**	**29.2**	**28.6**	**27.8**
O/w current expenditure and transfers	20.1	21.7	24.1	27.7	27.4	26.8
- Interest	1.9	1.2	1.6	1.5	1.2	1.0
O/w capital expenditure	2.2	2.7	3.0	4.0	0.0	0.0
Current balance	0.2	0.8	0.5	0.2	-3.2	-2.5
Primary balance	-0.2	-0.7	-0.9	-2.3	-2.0	-1.5
Overall balance	**-2.0**	**-1.9**	**-2.5**	**-3.8**	**-3.2**	**-2.5**
Central government debt	36.9	39.7	44.1	44.9	48.5	53.6
% of central government revenues	185.4	188.3	193.7	191.4	211.0	210.5
Central government debt (ARSbn)	**1,020.3**	**1,351.7**	**1,982.1**	**-**	**-**	**-**
By residency of holder						
Domestic	-	-	-	-	-	-
Foreign	-	-	-	-	-	-
By currency denomination						
Local currency	332.5	399.9	508.5	-	-	-
Foreign currency	687.8	951.8	1,473.6	-	-	-
In USD equivalent (eop exchange rate)	140.4	146.4	173.2	-	-	-
Average maturity (years)	10.9	10.8	10.7	-	-	-
Memo						
Nominal GDP (ARSbn)	2,765.6	3,406.3	4,412.4	5,251.0	6,701.8	8,272.1

Source: Fitch estimates and forecasts

External Debt and Assets

(USDbn)	2010	2011	2012	2013	2014	2015f
Gross external debt	**148.7**	**159.3**	**158.6**	**155.8**	**165.9**	**172.7**
% of GDP	32.0	28.3	26.0	25.0	30.4	30.2
% of CXR	172.3	151.7	159.0	154.1	183.6	221.6
By maturity						
Medium- and long-term	123.4	125.0	131.4	129.1	140.9	146.7
Short -term	25.3	34.2	27.2	26.7	25.0	26.0
% of total debt	17.0	21.5	17.2	17.1	15.1	15.1
By debtor						
Sovereign	**91.3**	**93.0**	**90.6**	**88.2**	**95.1**	**100.7**
Monetary authorities	3.1	8.1	6.1	4.1	5.4	13.4
General government	88.2	84.9	84.5	84.1	89.7	87.2
O/w central government	-	-	-	-	-	-
Banks	**2.9**	**3.8**	**2.9**	**2.7**	**2.6**	**2.4**
Other sectors	**54.6**	**62.5**	**65.1**	**64.9**	**68.2**	**69.6**
Gross external assets (non-equity)	**206.2**	**217.2**	**223.8**	**226.8**	**227.4**	**221.9**
International reserves, incl. gold	52.2	46.4	43.2	30.5	31.4	26.1
Other sovereign assets nes	0.0	0.0	0.0	0.0	0.0	0.0
Deposit money banks' foreign assets	2.4	2.2	2.6	2.3	2.1	1.9
Other sector foreign assets	151.6	168.6	178	194	193.9	193.9
Net external debt	**-57.4**	**-57.9**	**-65.2**	**-71.0**	**-61.5**	**-49.3**
% of GDP	-12.4	-10.3	-10.7	-11.4	-11.3	-8.6
Net sovereign external debt	39.1	46.6	47.4	57.7	63.7	74.5
Net bank external debt	0.5	1.6	0.3	0.3	0.5	0.5
Net other external debt	-97.0	-106.1	-112.9	-129.0	-125.7	-124.3
Net international investment position	**42.0**	**49.0**	**54.6**	**45.9**	**-**	**-**
% of GDP	9.0	8.7	9.0	7.4	-	-
Sovereign net foreign assets	**0.0**	**0.0**	**0.0**	**-0.1**	**-0.1**	**-0.1**
% of GDP	-8.4	-8.3	-7.8	-9.2	-11.7	-13.0
Debt service (principal & interest)	**13.0**	**15.4**	**12.0**	**9.4**	**12.3**	**20.4**
Debt service (% of CXR)	15.0	14.6	12.0	9.3	13.6	26.1
Interest (% of CXR)	5.1	4.8	5.1	5.0	5.3	6.4
Liquidity ratio (%)	133.8	125.6	99.1	116.8	79.1	69.6
Net sovereign FX debt (% of GDP)	7.8	8.7	11.3	12.7	15.9	17.6
Memo						
Nominal GDP	464.8	562.5	609.6	623.9	546.4	572.3
Inter-company loans	22.1	25.5	29.4	29.6	0.0	0.0

Source: Central Bank, IMF, World Bank and Fitch estimates and forecasts

Public Sector Amortization Schedule on Medium- and Long-Term Debt at December 2014

(USDmn)	2015	2016	2017	2018	2019	2020	2021
Bonds	12398.6	16513.5	9565.1	6671.7	7123.6	9995.6	10456.1
Multilateral	1821.0	1817.2	1729.1	1706.0	1479.5	1367.6	1234.5
Guaranteed Loans	133.6	491.0	926.5	253.9	22.4	27.6	0.0
Commecial Banks	2170.2	951.4	19.5	19.5	598.4	7.3	0.1
Official Entities	615.1	2185.9	2111.6	2108.0	1708.9	92.3	68.7
Treasury Pagares	136.4	125.3	39.1	36.4	30.1	16.7	1.2
Other Creditors	80.8	85.1	99.5	109.4	120.2	134.1	141.4
TOTAL	**43104.0**	**25823.6**	**14490.4**	**10904.9**	**11083.1**	**11641.2**	**11902.0**

Source: Ministry of Economy and Public Finances and Fitch

Balance of Payments

(USDbn)	2012	2013	2014	2015f	2016f	2017f
Current account balance	**-1.2**	**-4.7**	**-5.1**	**-9.0**	**-10.2**	**-9.2**
% of GDP	-0.2	-0.8	-0.9	-1.6	-1.7	-1.5
% of CXR	-1.2	-4.6	-5.6	-11.6	-12.3	-10.4
Trade balance	**15.2**	**11.1**	**9.5**	**2.4**	**2.6**	**0.8**
Exports, fob	80.2	81.7	71.9	61.1	64.2	67.4
Imports, fob	65.1	70.5	62.5	58.7	61.6	66.6
Services, net	**-3.0**	**-3.9**	**-3.1**	**-2.2**	**-1.5**	**-0.8**
Services, credit	15.0	14.6	13.7	12.3	13.6	14.9
Services, debit	18.1	18.5	16.8	14.6	15.0	15.8
Income, net	**-12.8**	**-11.0**	**-11.4**	**-8.3**	**-11.4**	**-10.3**
Income, credit	2.4	2.7	2.7	2.7	2.6	2.7
Income, debit	15.1	13.7	14.1	11.0	14.0	13.0
O/w: Interest payments	5.1	5.1	4.8	5.0	5.0	5.0
Current transfers, net	**-0.5**	**-0.9**	**-0.1**	**-1.0**	**0.1**	**1.1**
Capital and financial accounts						
Non-debt-creating inflows (net)	12.0	9.1	3.4	2.8	5.2	7.2
O/w equity FDI	11.1	8.6	4.1	3.0	3.2	5.2
O/w portfolio equity	0.9	0.5	-0.7	-0.2	2.0	2.0
O/w other flows	0.0	0.0	0.1	0.0	0.0	1.0
Change in reserves	-3.3	-11.8	1.3	-5.2	1.0	4.0
Gross external financing requirement	8.1	9.0	12.6	24.4	33.0	17.2
Stock of international reserves, incl. gold	43.2	30.5	31.4	26.1	27.1	31.1

Source: IMF and Fitch estimates and forecasts

The ratings above were unsolicited and have been provided by Fitch as a service to investors.