



PUBLIC DEBT TRENDS

First half 2024

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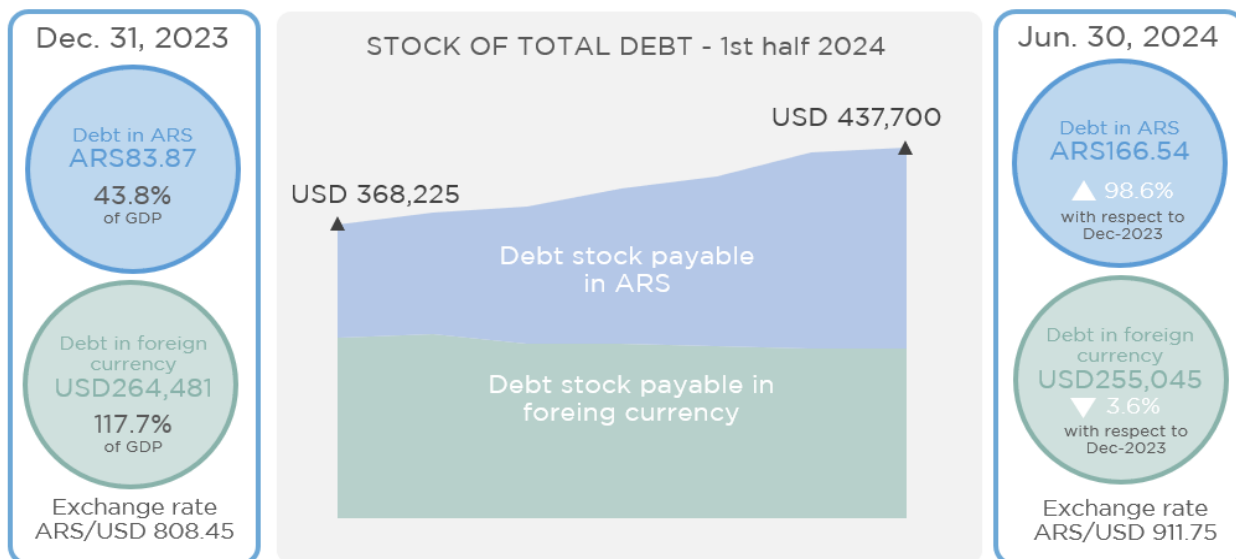
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EXECUTIVE SUMMARY

In the first half of 2024, the stock of domestic currency public debt amounted to ARS166.54 trillion, which represented an increase of 98.6% with respect to year-end 2023. On the other hand, the stock of foreign currency debt decreased by 3.6% in the same period.

EVOLUTION OF PUBLIC DEBT STOCK BY CURRENCY OF PAYMENT

In trillion of ARS and millions of USD

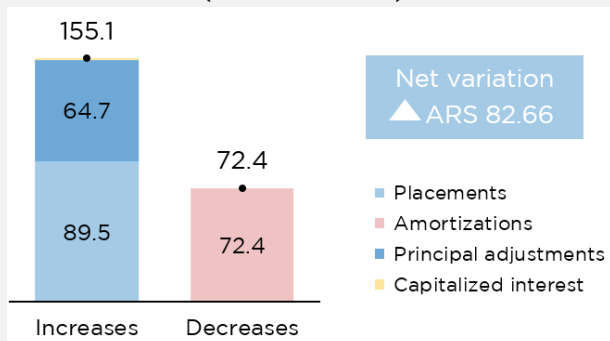


Domestic currency debt

Changes in debt principal

The stock of domestic currency debt increased by ARS82.66 trillion, due to net issuance of ARS17.1 trillion, principal adjustments of ARS64.7 trillion and capitalization of interest of ARS0.88 trillion.

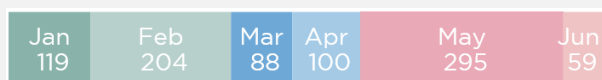
(in trillions of ARS)



Interest paid

Interest paid on domestic currency debt totaled ARS0.87 trillion.

(In billions of ARS)

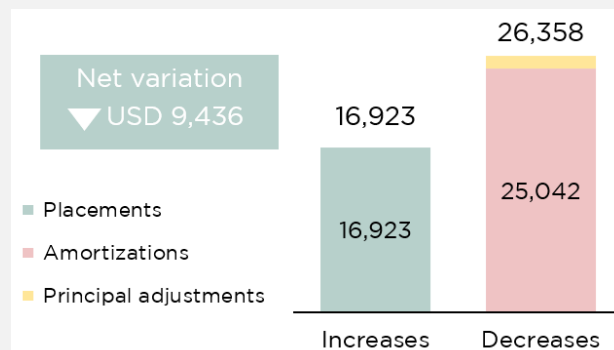


Foreign currency debt

Changes in debt principal

The stock of foreign currency debt decreased by the equivalent of USD9.436 billion, due to net principal cancellations of USD8.120 billion and capital adjustments of - USD1.365 billion.

(in millions of USD)



Interest paid

Interest on foreign currency debt totaled USD4.758 billion.

(in millions of USD)



Contents

Domestic currency public debt.....	1
Evolution of domestic currency debt stock.....	1
New issuances and principal cancellations.....	2
Box. BCRA balance sheet clean-up and Treasury financing.....	3
Principal valuation adjustments and interest capitalization.....	5
Interest on domestic currency debt.....	6
Foreign currency public debt.....	9
Evolution of foreign currency debt stock.....	9
Operations and other changes in foreign currency debt.....	10
IMF loans.....	11
Interest on foreign currency debt.....	12
Methodological comments.....	13

List of Tables

Table 1. Government securities purchased by the Treasury from the BCRA in 2024.....	4
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List of Figures

Figure 1. Evolution of domestic currency debt.....	1
Figure 2. Stock of LELIQ, reverse repos, and LECAP.....	3
Figure 3. Domestic currency debt issuance and principal cancellations.....	5
Figure 4. Valuation adjustments to the domestic currency debt stock.....	6
Figure 5. Interest paid on domestic currency debt stock.....	6
Figure 6. Composition of foreign currency debt stock.....	9
Figure 7. Foreign currency debt issuance and principal cancellations.....	10
Figure 8. IMF debt stock and changes.....	11
Figure 9. Maturity profile of IMF loans, Jul-2024 to Dec-2027.....	12
Figure 10. Interest paid on foreign currency debt.....	12

Domestic currency public debt

Evolution of domestic currency debt stock

The stock¹ of performing debt² payable in pesos almost doubled during the first half of 2024 with respect to the close of 2023 to ARS166.54 trillion, as it increased by 98.6% with respect to the stock of ARS83.87 trillion (Figure 1).

At the beginning of the six-month period, the average maturity of such debt was 2.14 years. Eighty-eight percent of the principal was maturing in the 2024-2025 biennium, and 32% during the first half of 2024. At the end of the first half of 2024, the average maturity of the peso-denominated debt was 2.92 years.

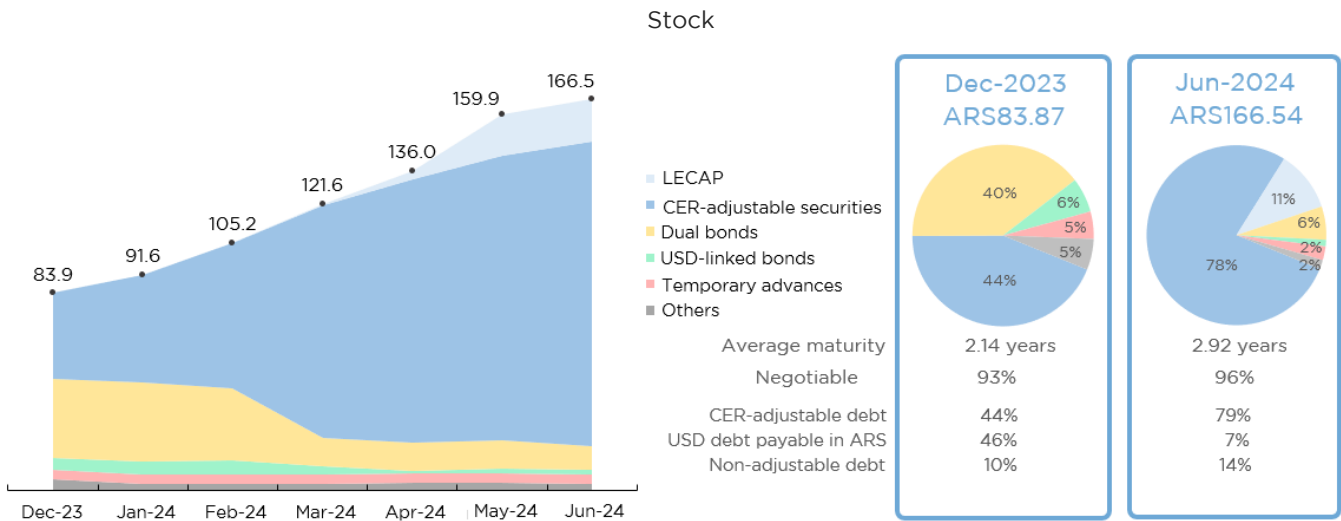
The ARS 82.66 trillion increase in the stock was due to the combined effect of:

- new debt issuance of ARS89.49 trillion,
- the payment of amortizations and other principal cancellations for \$72.4 trillion,
- principal valuation adjustments of ARS64.69 trillion, and
- capitalization of interest of ARS0.88 billion.

As of June 30, the principal owed by the National Government was comprised of 79% of CER-adjustable (Reference Stabilization Coefficient) debt in pesos, 14% of non-adjustable debt in pesos and 7% of debt denominated in U.S. dollars but payable in pesos (USD-linked and dual bonds).

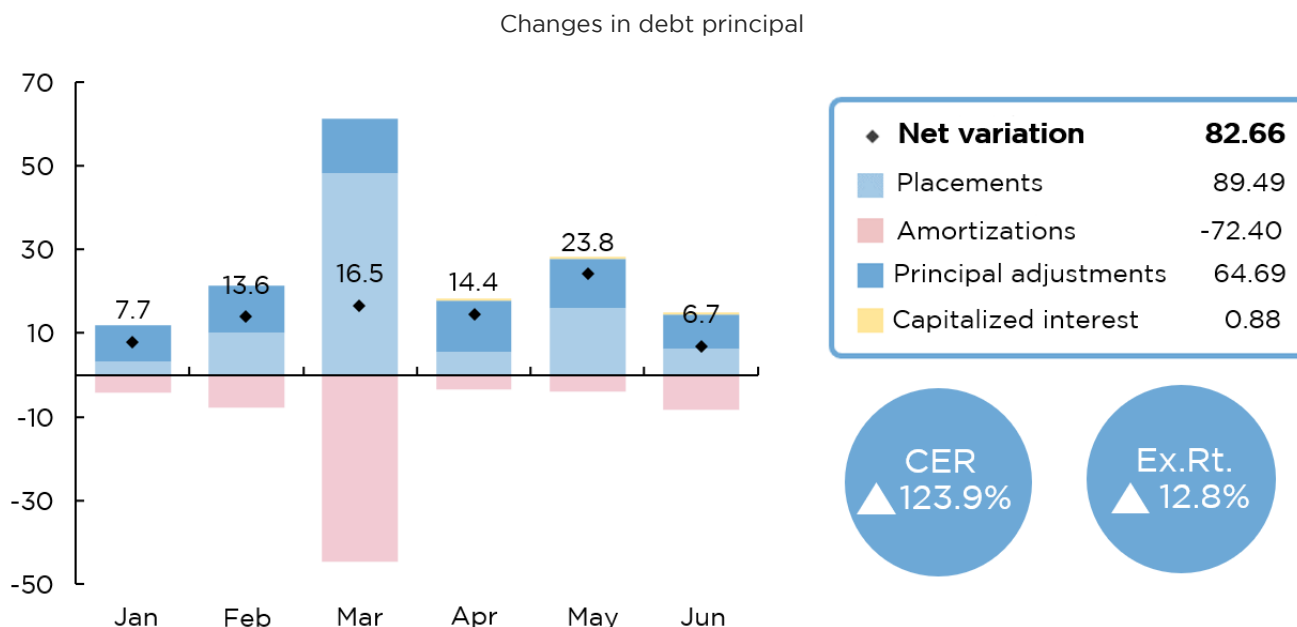
Figure 1. Evolution of domestic currency debt

First Half 2024, at the end of each month; in trillions of ARS



¹ The public debt stock refers to the principal amount that has not yet been cancelled as of a certain date (this is known as "Residual Value"). It may vary from one period to another due to the operations that occur during the period, either due to a debt purchase, capital cancellations (payment of amortizations, swaps, repurchases and debt forgiveness), valuation adjustments and capitalization of interest. During the period, the debt generates interest, which is the payment to creditors for having lent the money to the Central Government. Each time the Treasury places debt, it may also incur expenses for commissions paid, generally, to the entities that participate in the placement or structuring of the operation.

² Performing debt consists of current debt that is being repaid under the original terms and conditions agreed upon in the contracts for the issuance of the instruments.



SOURCE: OPC, based on data from the Ministry of Economy.

New issuances and principal cancellations

In terms of new debt issuance, in the first half of the year the Treasury obtained financing in pesos for ARS89.49 trillion through:

1. Government securities auctions. Financing was obtained for a total of ARS85.01 trillion, of which ARS38.24 trillion was in cash and ARS46.76 trillion through swaps (see point 2. Government securities swaps).

In the first half of the year, the Treasury conducted 12 auctions of government securities, 11 in cash (the one held on June 26 was settled on July 1) and one by swap of other securities. For the cash auctions, the Treasury obtained financing in cash values (CV) of ARS49 trillion, of which 63% were LECAP (ARS30.72 trillion), 34% CER-adjustable securities (LECER and BONCER for ARS16.71 trillion) and the remaining 3% were USD-linked bonds (ARS1.57 trillion).

According to data published by the Ministry of Economy, most of the financing obtained in the cash auctions was used to cover payments of maturities of government securities in pesos and ARS20.6 trillion of the total was used to:

- ARS14.4 trillion was deposited in the Treasury’s account at the BCRA, of which a portion was used to purchase USD from the BCRA for future payments of maturities in foreign currency (Bonds and Global bonds that pay in January and July of each year, July 2024 maturities amounted to the equivalent of USD2.551 billion),
- ARS6.2 billion to the purchase of government securities (BONCER T5X4, AL35 and AL29) from the BCRA.
(See Box).

Box. BCRA balance sheet clean-up and Treasury financing

During the first half of 2024, the Ministry of Economy (MECON, for its acronym in Spanish) has conducted a series of operations coordinated with the Central Bank of the Argentine Republic (BCRA, for its initials in Spanish), with the explicit purpose of “cleaning” the liabilities of the Monetary Authority, thus allowing the National Treasury to bear such liabilities.

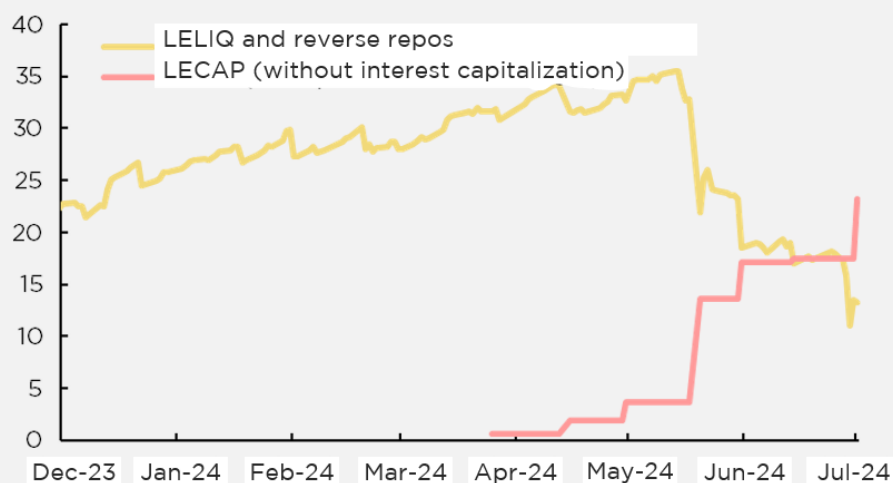
The BCRA can currently undertake operations with the purpose of financing the National Treasury, in order to cover the financial deficit incurred by the National Government, which occurs when expenditures exceed revenues. This is mainly done through transitory advances, distribution of profits and non-transferable Treasury Bills.

With the purpose of disarticulating the BCRA's role as a generator of pesos by granting financing to the Treasury and, at the same time, “cleaning up” its liabilities in pesos (interest-bearing liabilities and monetary base), the BCRA stopped buying securities issued in pesos by the Treasury (open market operations) and issuing interest-bearing liabilities in pesos (such as Liquidity Bills and bills), did not increase the stock of Temporary Advances to the Treasury, and sold holdings of government securities to the Treasury. In other words, the BCRA restricted financing to the Treasury and, at the same time, in order to reduce its liabilities, it stopped renewing debts with banks, which also generated interest (and therefore, net monetary issuance), and reduced the monetary base. In exchange, the Treasury began to offer government securities to banks as an investment alternative for their funds, previously placed in BCRA liabilities. In other words, BCRA debt was transferred to the Treasury, which will have to obtain financing to meet such obligations through tax revenues, issuance of new debt or sale of assets.

End of LELIQs and beginning of LECAPs. The BCRA took the decision, in coordination with the Ministry of Economy, to stop renewing its Liquidity Bills (LELIQ, the last auction was held on 12/14/2023 and the last maturity date was 01/11/2024) and reverse repos, allowing the banks investing in such instruments to redirect their funds and participate in the MECON's government securities auctions, mainly in capitalizable Treasury Bills (LECAP). This implied a decrease in the BCRA's interest-bearing liabilities and an increase in the stock of public debt (Figure 2).

Figure 2. Stock of LELIQ, reverse repos, and LECAP

In trillions of ARS; December 1, 2023- July 1, 2024.



SOURCE: OPC, based on data from the Central Bank and the Ministry of Economy.

The BCRA's stock of interest-bearing liabilities as of December 31, 2023 amounted to ARS25.8 trillion and at the end of March 2024, when the LECAP began to be issued, to ARS30.8 trillion. The interest rate of the 1-day term reverse repos was set at APR 40% as of May 14. From January 1, 2024 to July 1, the stock of interest-bearing liabilities was reduced by ARS12.5 trillion.

During this period, the Treasury issued 14 LECAPs for a total of ARS30.7 trillion (the first auction was held on March 25) at an average term of 98 days and at interest rates between 3.57% and 5.5% per month, compounding monthly and implying a cost to the Treasury of ARS4.7 trillion. The stock as of July 1 amounted to ARS24.03 trillion, including interest capitalization.

Treasury purchase of BCRA's holdings of government securities. The BCRA is a creditor of government securities issued by the Treasury. In January, February and May, the Treasury purchased BCRA's holdings of BONCER T5X4, Bonar in USD AL35 and Bonar in USD AL29, with part of the pesos obtained in the auctions of government securities in those months, ARS6.42 trillion (Table 1). This implied, on the one hand, that the BCRA disposed of assets in dollars and domestic currency in exchange for pesos, which are withdrawn from circulation and reduce the monetary base, and on the other hand, a decrease in the Treasury's debt (which additionally entails a decrease in the future interest burden), since by repurchasing them, they are removed from the public debt records: the stock of the BONCER T5X4 was reduced by 29%, of the Bonar AL35 by 47% and of the Bonar AL29 by 36%.

Table 1. Government securities purchased by the Treasury from the BCRA in 2024

Date	Security	NOV in millions	CV in millions of ARS	Price in ARS every NOV 100	Joint resolution
Jan,18	BONCER T5X4	ARS273,438	875,000	320	RC 6/2024 SH y SF
Feb,1	BONCER T5X4	ARS462,329	1,350,000	292	RC 9/2024 SH y SF
Feb,20	BONAR AL35	USD7,596	2,951,000	38,850	RC 13/2024 SH y SF
May,20	BONAR AL35	USD1,329	691,107	52,000	RC 28/2024 SH y SF
May,30	BONAR AL29	USD801	552,578	68,960	RC 32/2024 SH y SF
Total			6,419,685		

SOURCE: OPC, based on data from the Ministry of Economy.

2. Government securities swaps. In addition to the auctions, the Treasury conducted several government securities swaps:

- Swaps offered to National Government entities (FGS, BCRA) of their holdings:
 - January: swap of LECER X18E4 maturing on January 18 for BONCER T2X5 for ARS0.26 trillion (as a result, LECER for ARS0.37 trillion were swapped),
 - February: swap of TDF24 dual bonds maturing on February 28 for BONCER T2X5 for ARS1.25 trillion (as a result, ARS1.09 trillion of dual bonds were swapped), and
 - May: swap of LECER X20Y4 maturing on May 20 for BONCER TZXD5, BONCER TZXD6, BONCER TZXD7 and BONCER TZXD28 for ARS0.13 trillion.
 - June: swap of Dual Bond TDJ24 held by BCRA maturing on June 30 for BONCER TZXD5 for ARS0.34 trillion.
- Swap offered in auction: in the first auction in March, 15 eligible government securities (denominated in pesos and in dollars payable in pesos) maturing between March and December 2024 were offered for conversion. As a result, a basket of BONCERs (TZXD5, TZXD6, TZXD7 and TZXD28) totaling ARS46.76 trillion was swapped.

The swaps involved issuances of government securities for ARS48.74 trillion and principal cancellations of ARS45.69 trillion.

3. BONCER repurchases. In January and February, the Treasury purchased BCRA's holdings of BONCER T5X4 for ARS0.88 trillion and ARS1.35 trillion, respectively.

4. BCRA Temporary Advances (TA). The Treasury renewed the maturities of BCRA's Temporary Advances for the period for ARS2.08 trillion. The TA stock remains unchanged as of the end of August 2023 at ARS4.09 trillion.

5. Other issuances. Other government securities (intra-public sector, consolidation bonds, among others) were placed for ARS2.51 trillion.

Additionally, principal cancellations totaled ARS72.4, of which ARS24.48 trillion were due to amortizations of debt in pesos and ARS47.91 trillion were due to other principal cancellations mentioned above.

As a result, net issuance in the first half of 2024 amounted to ARS17.1 trillion (new issuance minus principal cancellations) (see Figure 3).

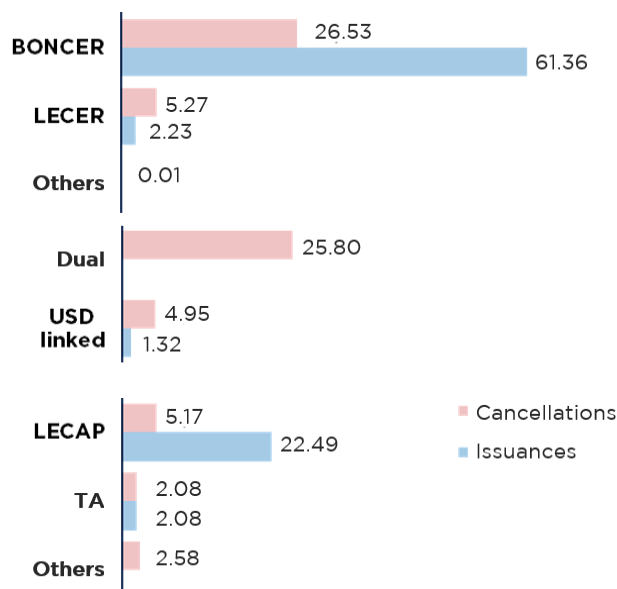
Figure 3. Domestic currency debt issuance and principal cancellations

First Half 2024; in trillions of ARS

CER-adjustable debt: net issuances amounted to ARS31.78 trillion, 100% above principal cancellations of CER-adjustable debt.

Bonds in USD payable in ARS: there were net cancellations of ARS29.44 trillion, i.e., 96% of the cancellations were not renewed with issuance of similar instruments.

Non-adjustable debt: net issuances totaled ARS14.75 trillion, mainly explained by the issuance of LECAP (excluding the capitalization of interest).



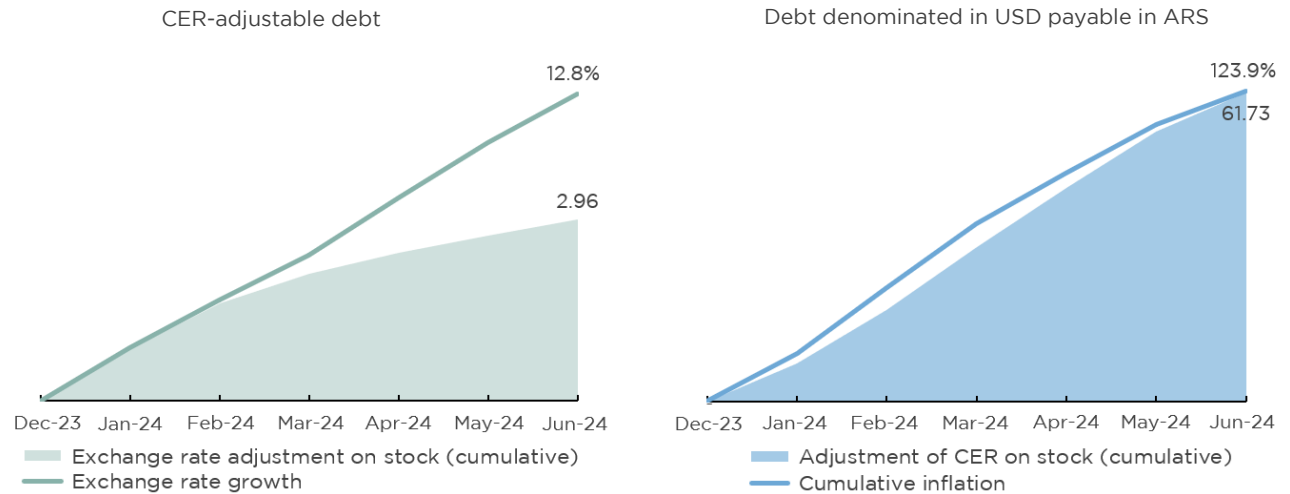
SOURCE: OPC, based on data from the Ministry of Economy.

Principal valuation adjustments and interest capitalization

In addition to the effect of net issuances, the stock of debt payable in pesos increased by ARS61.73 trillion due to the cumulative inflation of the period, which updates CER-adjustable debt, by ARS2.96 trillion as a result of the evolution of the exchange rate, which impacts debt contractually denominated in dollars but with payments in pesos, and by ARS0.88 trillion as a result of interest capitalization (ARS0.87 trillion for LECAPs and ARS0.01 trillion for PR17 consolidation bonds) (Figure 4).

Figure 4. Valuation adjustments to the domestic currency debt stock

First Half 2024; in trillions of ARS



CER-adjustment: given the evolution of the Consumer Price Index, the CER increased by 123.9% between 12/31/2023 and 06/30/2024.

Exchange rate \$/USD: given the crawling peg defined at 2% per month, the exchange rate of the peso against the dollar (BCRA Com. A 3500) increased by 12.8% during the first half of the year.

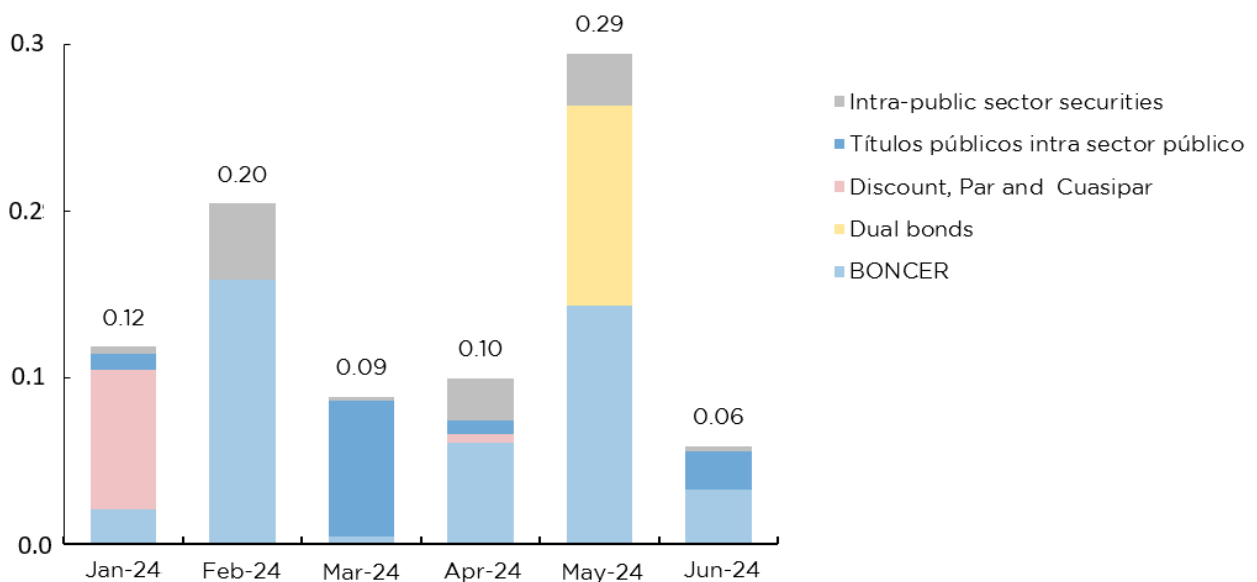
SOURCE: OPC, based on data from the Ministry of Economy.

Interest on domestic currency debt

During the first six months of 2024, the Treasury paid interest on debt in pesos totaling ARS0.86 trillion (Figure 5). Interest payments on BONCER totaling ARS0.42 trillion, the CER-adjustable peso bonds in January issued in the 2005 and 2010 restructuring process, Discount, Par and Cuasipar, for ARS0.08 trillion (maturing on December 31, 2023), intra-public sector bills in March for ARS0.08 trillion and the TY27 dual bonds in pesos for ARS0.12 trillion paid in May stand out.

Figure 5. Interest paid on domestic currency debt stock

First Half 2024; in trillions of ARS



SOURCE: OPC, based on data from the Ministry of Economy.

Foreign currency public debt

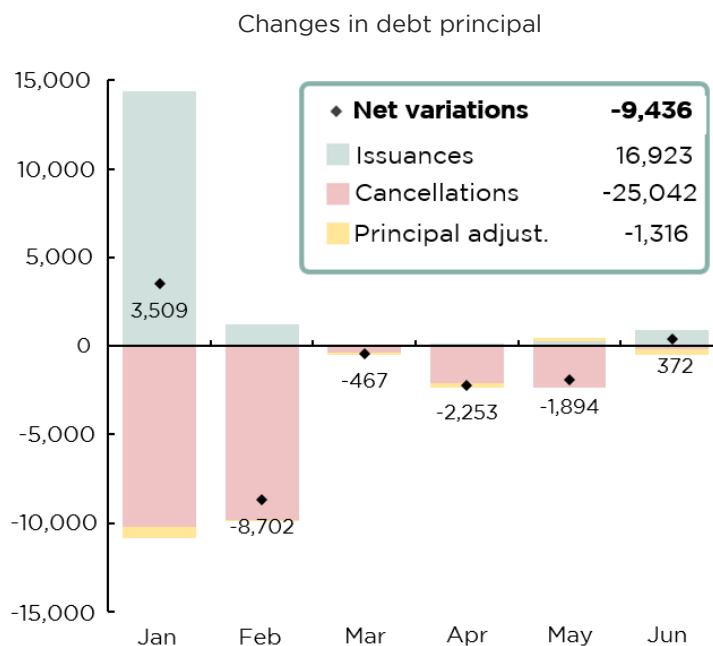
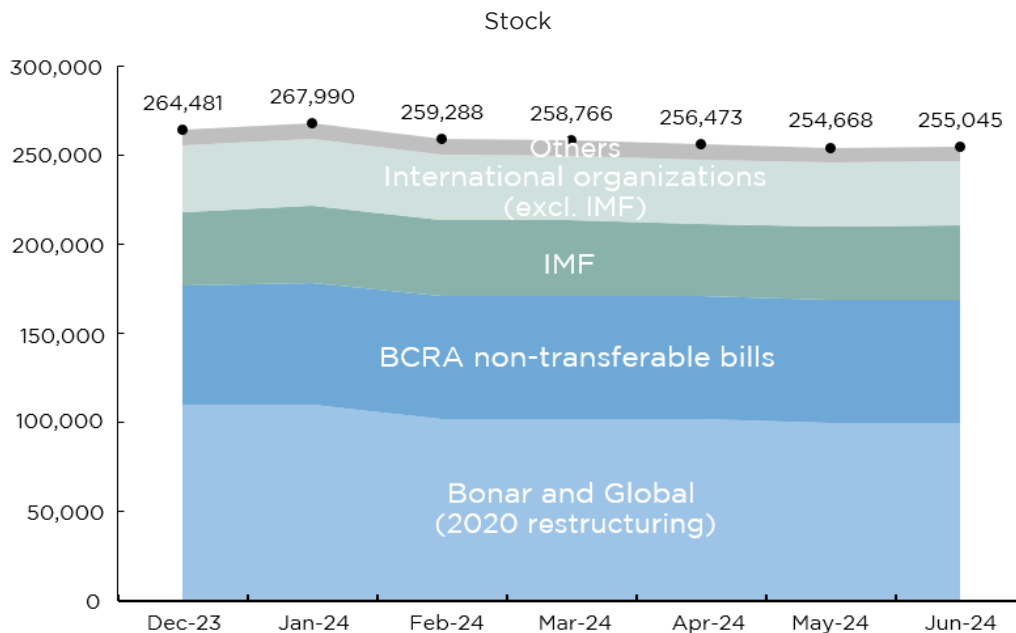
Evolution of foreign currency debt stock

The stock of foreign currency debt decreased by USD9.436 billion between December 31, 2023 and June 30, 2024, to reach the equivalent of USD255.045 billion (Figure 6).

The variation was explained by principal cancellations of USD25.042 billion, offset by loan disbursements and placements of government securities for a total equivalent to USD16.923 billion and valuation adjustments that reduced the stock by USD1.316 billion.

Figure 6. Composition of foreign currency debt stock

First Half 2024; stock at the end of each month; in millions of USD



SOURCE: OPC, based on data from the Ministry of Economy.

Operations and other changes in foreign currency debt

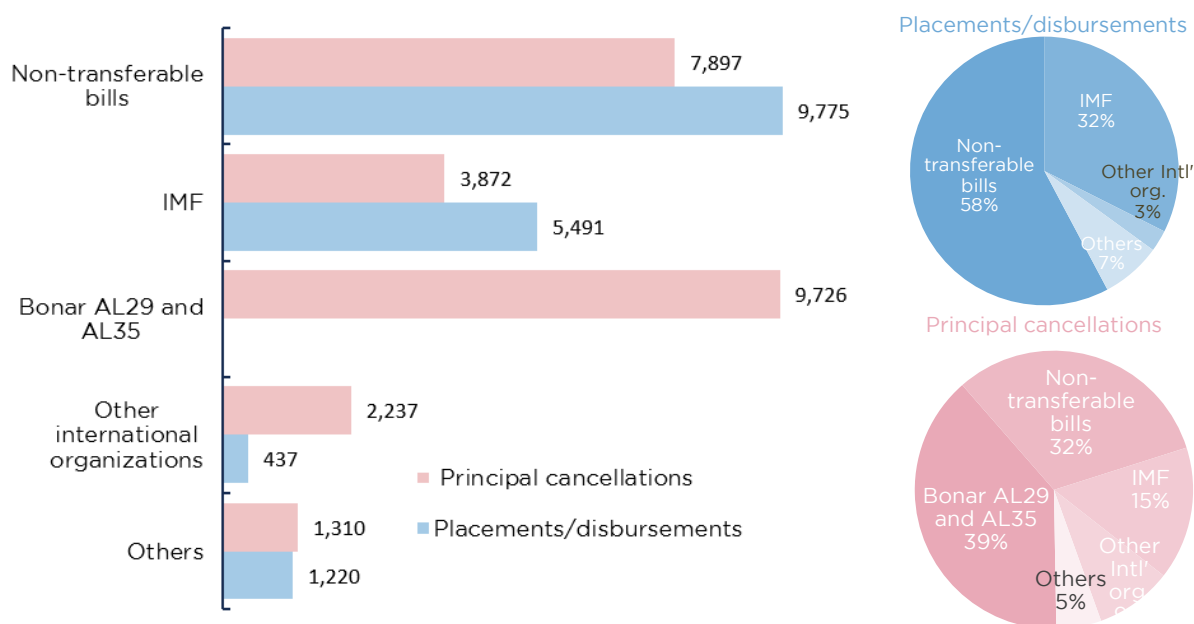
Net financing from foreign currency debt operations amounted to USD8.120 billion (Figure 7), explained by:

- net financing for non-transferable bills of the BCRA for USD1.878 billion: on the one hand, in January a bill issued in 2014 under the *Fondo del Desendeudamiento Argentino* (FDA), created by DNU 298/2010, for USD7.897 billion matured and was renewed with the placement of a similar one for USD8.044 billion and another bill for USD1.6 billion was placed for the payment of Treasury obligations in foreign currency. On the other hand, during the first half of the year, USD155 million were placed for the renewal of interest maturities of other non-transferable bills,
- net financing with the IMF for USD1.618 billion: two disbursements were received under the 2022 Extended Fund Facility (EFF) program for a total equivalent to USD5.491 billion and repayments of USD3.872 billion were paid (see IMF Loans),
- repurchases of BCRA holdings of bonds in dollars for USD9.726 billion: in February the Treasury purchased BCRA holdings of Bonar AL35 for USD7.596 billion and in May of Bonar AL35 and AL29 for USD1.329 billion and USD801 million, respectively, which were removed from public debt records,
- net cancellations of loans from international credit organizations (excluding IMF) for USD1.8 billion: disbursements of USD437 million were received and repayments of USD2.237 billion were paid, including the short-term liquidity bridge loan from CAF received in December 2023 for USD960 million to finance the payment of debt services with the IMF; and
- other net cancellations of foreign currency debt of USD89 million.

Principal adjustments to foreign currency debt reduced the stock by USD1.316 billion.

Figure 7. Foreign currency debt issuance and principal cancellations

First Half 2024; in millions of USD



SOURCE: OPC, based on data from the Ministry of Economy.

IMF loans

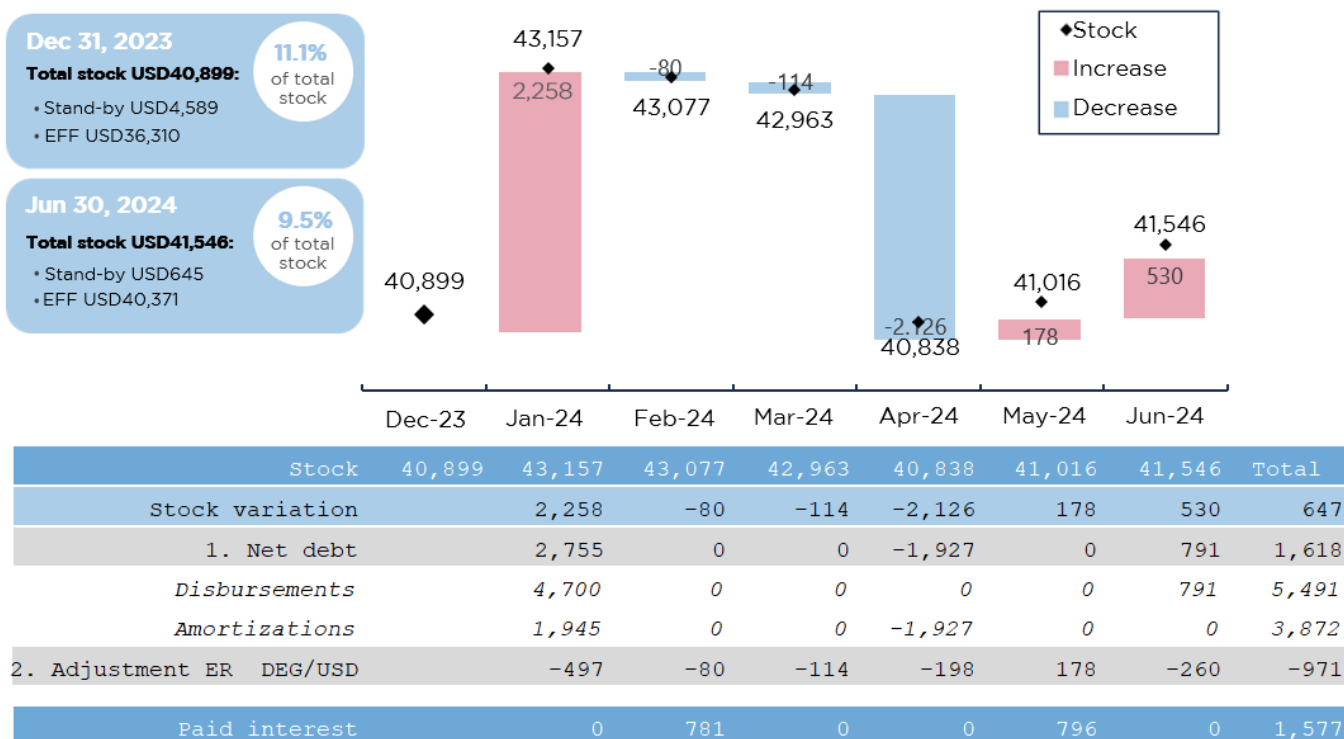
In 2018, the 3-year Stand-by Arrangement 2018 (SBA) was approved for financing of approximately USD56.3 billion (SDR40.714 billion), of which about USD44.5 billion (SDR31.914 billion) was received. In March 2022, the 2.5-year Extended Fund Facility (EFF) was approved to provide Argentina with financing for an amount equivalent to the total disbursements received under the SBA to cover the principal maturities of that program. The EFF is subject to compliance with conditionalities that are reviewed on a quarterly basis, after which disbursements of the agreed amount are made in eleven tranches.

In the first half of 2024, two disbursements were received under the EFF, the first in January for the equivalent of USD4.7 billion, following the approval by the IMF Executive Board of the seventh review of the agreement, and the second in June for USD791 million, following the approval of the eighth review.

As of June 30, the stock of debt with the IMF amounted to the equivalent of USD41.546 billion (Figure 8), of which USD645 million related to the SBA, which was paid as the last amortization of the program on July 16 (Figure 9).

Figure 8. IMF debt stock and changes

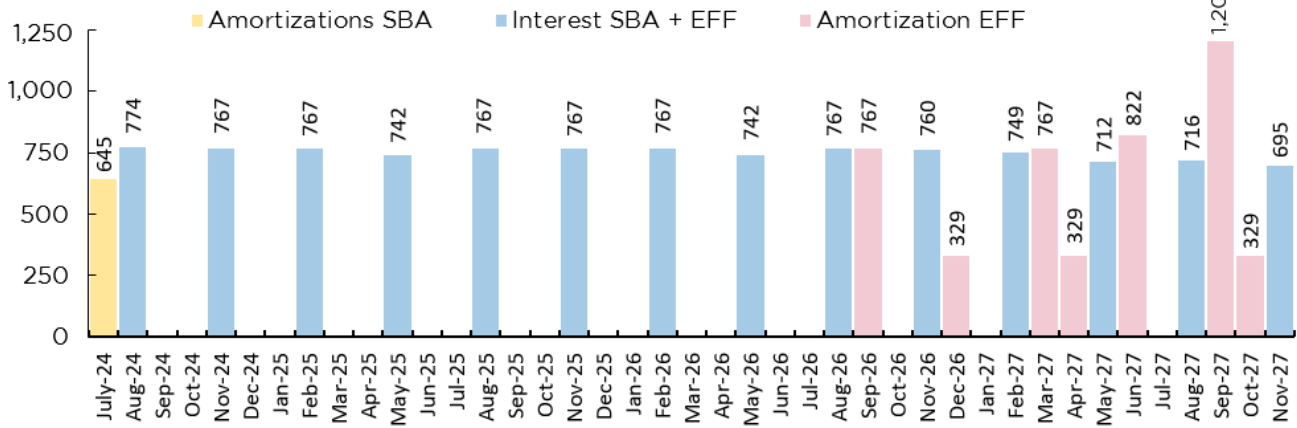
First Half 2024; in millions of USD



SOURCE: OPC, based on data from the Ministry of Economy.

Gráfico 9. Maturity profile of IMF loans, Jul-2024 to Dec-2027

Based on June 30 stock; in millions of USD



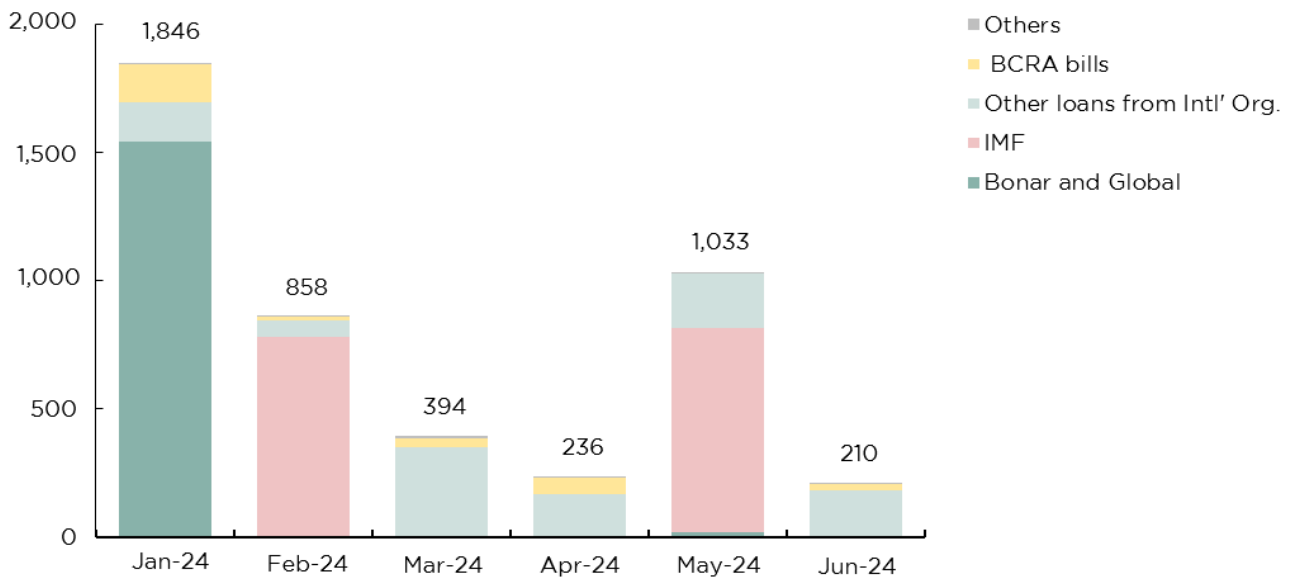
SOURCE: OPC, based on IMF and data from the Ministry of Economy.

Interest on foreign currency debt

Interest on foreign currency debt cancelled in the first half of the year totaled USD4.578 billion (Figure 10). Payments of the January Bonar and Global bonds issued in the 2020 foreign currency debt restructuring process for USD1.541 billion, and payments to the IMF in February and May for the equivalent of USD781 million and USD796 million, respectively, stand out.

Figure 10. Interest paid on foreign currency debt

First Half 2024; in millions of USD



SOURCE: OPC, based on data from the Ministry of Economy.

Methodological comments

The debt operations analyzed relate to the Central Administration, comprising the institutions of the Executive, Legislative and Judicial branches, and the Public Prosecutor's Office. They include disbursements, amortizations, capitalizations, and interest payments.

Disbursements comprise market placements, direct subscriptions of government securities and loan disbursements. These operations are expressed in nominal values.

Amortizations refer to principal cancellations of debt instruments (maturities, precancellations, repurchases, swaps, etc.). In line with the Debt Management and Analysis System (DMFAS) records, for discounted securities (zero coupon), the final payment is recorded in full as principal.

For comparison and aggregation purposes, transactions in U.S. dollars are valued at the BCRA reference exchange rate (Communication A 3500). For stocks, the month-end exchange rate is used, while flows are valued at the date of each transaction.

The data used for this report comes mainly from statements published by the Ministry of Economy on its website, regulations published in the Official Gazette, releases from the Electronic Open Market (MAE), *Bolsas y Mercados Argentinos* (BYMA), the REM, and queries made in the Financial Information System (e-SIDIF) and the Debt Management and Analysis System (DMFAS). The data reported herein may differ depending on the data cut-off date.

OPC Publications

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