



*During this week in our newsletter we will summarize news from the real economy of Argentina rather than concentrating in the exchange rate and inflation statistics. There is an economy in Argentina that has been growing and that will be only temporarily affected by the crisis triggered by the appreciation of the dollar, the increase in the USA interest rates and the incipient global trade war. Argentina is a country with diverse revenue resources, some of which were benefited by the strength of the dollar, for example:*

### **Neuquén registered extra royalties for \$600 million**

The five factors in these first five months of 2018 that have triggered this result were:

- a) The valuation of the dollar.
- b) Greater production.
- c) An improvement in the price.
- d) The federal co-participation.
- e) Its own tax local collection.

In the first five months of the year, the Neuquén government made an additional 608 million pesos in hydrocarbon royalties as a result of the devaluation of the Argentine peso and the improvement in the prices and volume of oil and gas production. But most importantly the volume number means an over execution with respect to the budget of above 10%.

In addition to the good performance in royalties, the government can assume increases above what was expected in the collection of provincial taxes and in the co-participation sent by the national government.

In the case of resources from oil and gas, the accumulated increase in the first five months of 2018 was 51.3% compared to the same stretch of 2017. They were 6,745.2 million pesos, when in the previous period they had been 2,287 million. The devaluation was decisive for the result of May: royalty income of 1,591.8 million pesos was generated, an increase of 82.4% year-on-year.

This fact is clearly linked to the good performance shown by all the relevant variables that impact on these revenues. The depreciation of the exchange rate, the increase in the price and daily production of oil and the rise in the daily production and price of the gas.

The law that provided for the resources and expenditures of 2018 set a dollar at 19.3 pesos and a barrel of oil at 55 dollars. Both variables already had prices above those estimated in February and continued to grow. In May, the dollar averaged 24.99 pesos and the barrel climbed to 68 dollars.

The breakdown indicates that oil royalties came in at 2,660 million from January to May and were the ones that had the most significant rise compared to the budget. For gas royalties, 3,448 million pesos entered the period. The resources for extraordinary production canon also experienced a rise and accumulated 555.6 million pesos until May.

With the exchange rate already touching 28 pesos, the tendency to raise more will continue for the Neuquén government, although with its counterpart in inflation. The latest data showed a rise of 26.3% year-on-year (\$6,755 million were the revenues accumulated in the first five months of 2018, 51% more than the previous year)