

Pension funds in Argentina act on Brazilian assets

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Argentine pension funds were yesterday preparing to liquidate their assets in Brazil, to comply with a government order to repatriate funds that could enable it to support the peso, which this week fell to five-year lows against the dollar.

The move, a prelude to a proposed nationalisation of private pension funds, has intensified questions over what the government will do with the more than \$10bn (€8bn, £6.4bn) the funds hold in private investments, including shares in domestic and foreign companies.

The government's surprise announcement of a state takeover last week would transfer \$26bn in assets to the state pensions system.

The funds will be given three days to sell their portfolios of shares in companies in Brazil and other neighbours valued at 1.8bn pesos (\$540m, €430m, £345m) and repatriate the cash. No date has been set but it should begin in the next few days.

That cash influx will provide resources for the central bank, which has been using its \$47bn reserves to stop the peso from sinking too fast. It hit 3.31 to the dollar on Monday, despite central bank intervention, and held steady yesterday.

President Cristina Fernández said the abolition of the 14-year-old private pension system was necessary to protect pensions at a time of global financial turmoil, and denied the government wanted to grab the funds to ease its debt-servicing burden, which officials say is some \$21bn next year.

But surpluses from the state system, Anses, have recently provided a source of government funding. Its coffers were swollen last year by people returning to the state system.

Parliamentarians began discussing the nationalisation plan in the lower house of Congress yesterday and the government is pushing for a vote as early as next week, though opposition parties want guarantees that the money will not be spent on Argentina's debt.

If the plan is passed, Anses will become the country's biggest investor in capital markets, whose liquidity and depth will become greatly reduced.

Pension funds, or AFJPs, have 55 per cent of their assets invested in Argentine government debt, according to official data. But the value of that investment fell 8.2 per cent in the first half of October, reflecting sharp falls in bond prices because of the global financial turmoil and concerns about Argentina's own financing situation. Ten per cent of the AFJPs' portfolio is in domestic stocks, which fell 15.5 per cent in the same period.

Their disappearance raises concerns about how the government will ensure a supply of credit to consumers, who have helped to drive economic growth.

The government, which is keeping close tabs on the funds' market operations, is expected to order AFJPs to sell other foreign assets.

The funds have some 4.9bn pesos in foreign company shares and bonds, including 1.13bn pesos in Spain's Telefonica.

Fonte: Financial Times, London, October 29 2008, Primeiro Caderno, p. 8.