

Country Insight Snapshot

Argentina

May 2017



Written 05 May 2017

Help us to improve the Country Insight content via a 3-minute survey.
For more information; **CLICK HERE**




OVERVIEW

OVERALL COUNTRY RISK RATING: DB6a

Very high risk : Expected returns subject to large degree of volatility. A very high expected return is required to compensate for the additional risk or the cost of hedging such risk.

R

Rating Outlook: Improving 

CORE OUTLOOK


- + The labour force will continue to be relatively well-educated by regional standards.
- + Economic reforms will progress under the centre-right government, with increased opportunities for private sector participation.
- + Business and consumer expectations are improving and will boost consumption and investment in coming quarters.
- While fiscal reforms will facilitate rebalancing in the medium term, the immediate impact of austerity measures will add to public discontent.

KEY DEVELOPMENT

Labour unions hold a 24-hour strike as wage talks with the government break down amid workers' demands for above-inflation wage increases.

CREDIT ENVIRONMENT OUTLOOK


R

Trend: Improving 

Key Development has had a neutral impact on the outlook.

SUPPLY ENVIRONMENT OUTLOOK


R

Trend: Improving 

Key Development has had a neutral impact on the outlook.

MARKET ENVIRONMENT OUTLOOK

A

Trend: Improving 

Key Development has had a neutral impact on the outlook.

POLITICAL ENVIRONMENT OUTLOOK

A

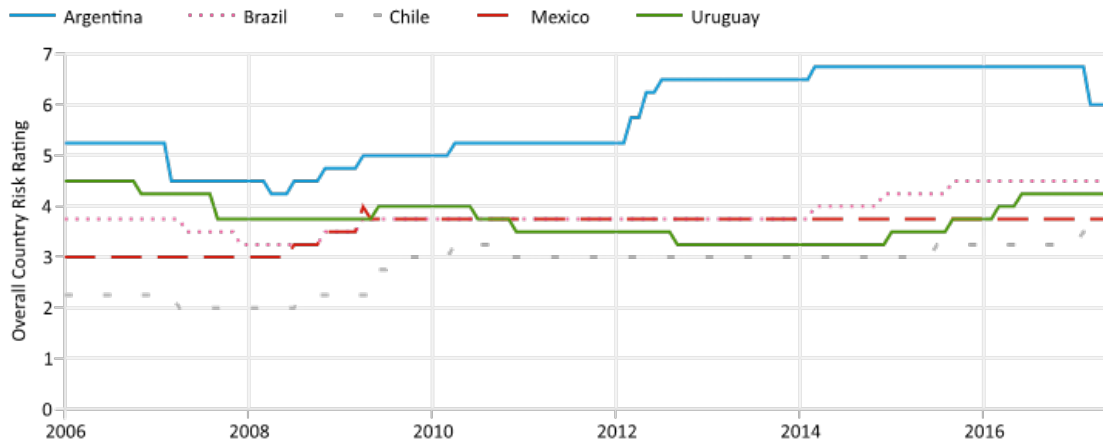
Trend: Stable 

Key Development has had a negative impact on the outlook.



KEY INDICATORS

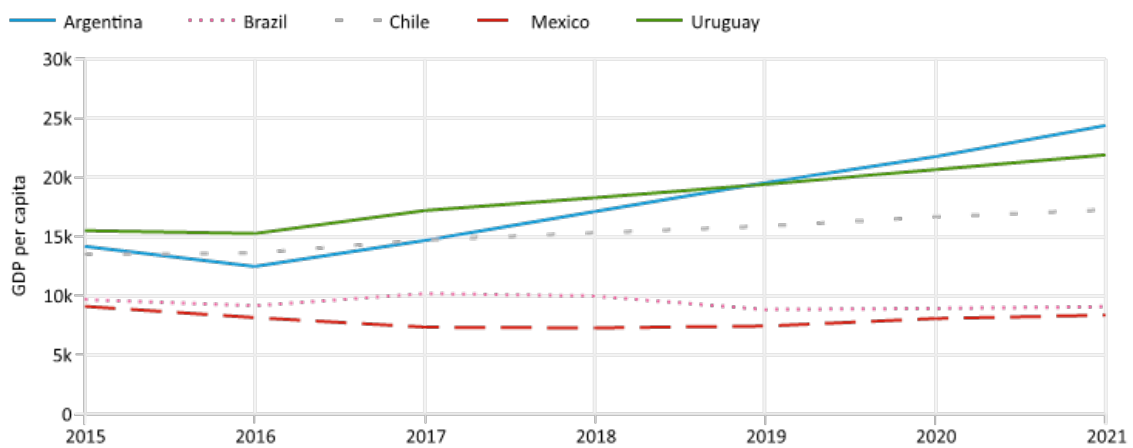
Rating History and Comparison



Source : Dun & Bradstreet

Note: 1 = Low Risk, 7 = High Risk

Regional Comparisons



Source : Haver Analytics/Dun & Bradstreet

Industrial Production Growth (Monthly)



Source : Haver Analytics/Dun & Bradstreet



Economic Indicators

Indicator	2014	2015	2016	2017f	2018f	2019f	2020f	2021f
C/A balance % GDP	-1.4	-2.6	-2.6	-1.9	-1.6	-1.5	-1.2	-1.1
Govt balance, % GDP	-2.5	-5.0	-4.6	-4.2	-3.6	-3.1	-2.3	-2.0
Inflation, annual avge %	40.0	35.0	42.6	25.9	14.3	10.4	8.2	7.9
Real GDP Growth, %	-2.6	2.5	-2.2	2.1	2.5	2.9	3.1	3.3
Unemployment, %	7.3	7.6	8.9	8.6	8.4	7.9	7.8	7.8

Source : Haver Analytics/Dun & Bradstreet

TRADE AND COMMERCIAL ENVIRONMENT

On 11 April, the central bank hiked its policy rate by a surprising 150bp to 26.25% as inflation (measured by the CPI for Buenos Aires) accelerated in Q1. This is the first rate change since 3 January when the bank adopted the 7-day inter-bank lending rate as its reference rate, and a reversal of an easing cycle in which the target rate was reduced from 38.00% (April 2016) to 24.75% (November 2016). Elsewhere, the peso traded at ARS15.3895:USD after appreciating to ARS15.3875 following the policy rate increase. FX reserves rose to USD50.52bn at end-March from USD46.89bn at end-January. Notably, after a 20-year break, the UK government in March announced that it will provide up to USD1.2bn for UK companies seeking to do business in Argentina.

TRADE TERMS AND TRANSFER SITUATION

Minimum Terms: LC

The minimum form of documentation or trading method that Dun & Bradstreet advises its customers to consider when pursuing export trade with the stated country.

Recommended Terms: CLC

Dun & Bradstreet's recommended means of payment. The use of recommended terms, which are generally more stringent than minimum terms, is appropriate when a customer's payment performance cannot be easily assessed or when an exporter may wish to limit the risk associated with a transaction made on minimum terms.

Usual Terms: 30-90 days

Normal period of credit associated with transactions with companies in the stated country.

Local Delays: 0-1 month

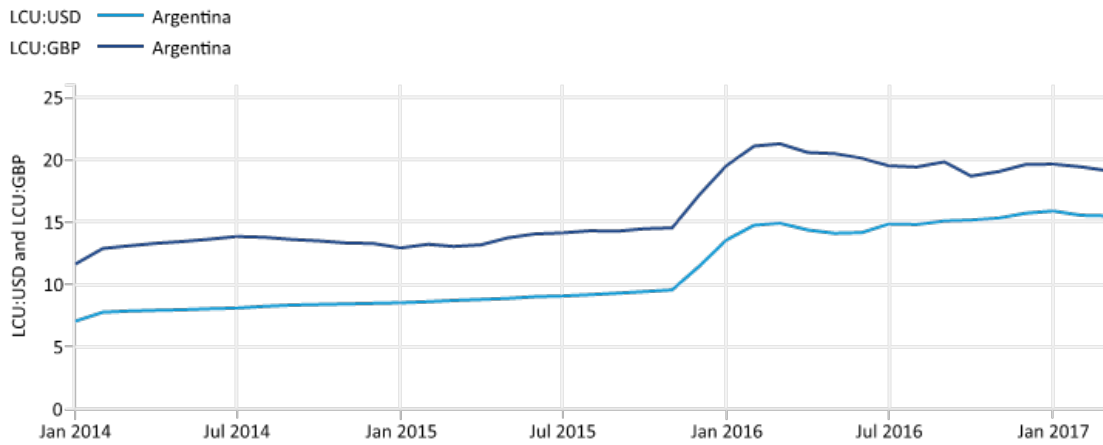
The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.

FX/Bank Delays: 0-2 months

The average time between the placement of payment by the importer in the local banking system and the receipt of funds by the exporter. Such delays may be dependent on FX controls, FX availability and the efficiency of the local banking system.



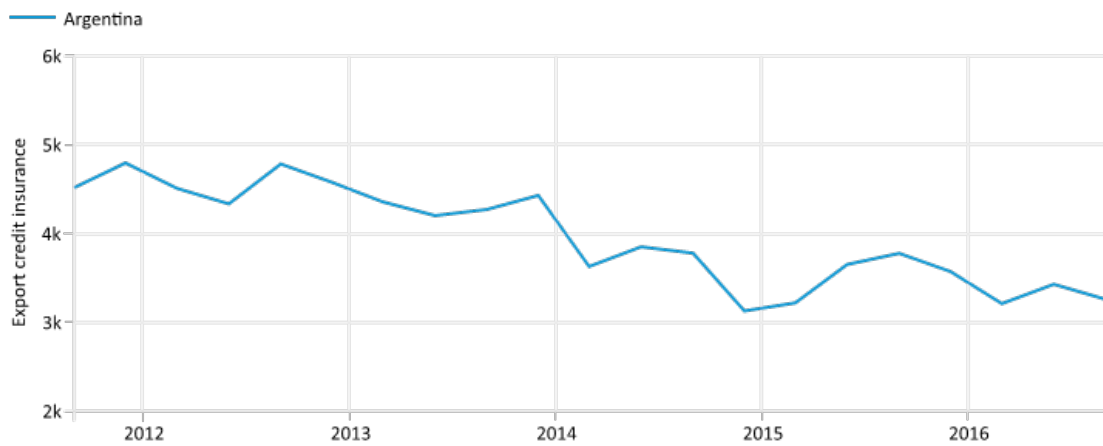
Exchange Rate



Source : International Monetary Fund/Dun & Bradstreet

LCU (local currency unit) = Argentine peso

Credit Conditions



Source : Export Credit Agencies

Insured export credit exposures, USDm



RISKS AND OPPORTUNITIES

Political/Insecurity Risk

Unions lead 24-hour strike

On 6 April, the umbrella trade union Confederacion General del Trabajo (CGT) led a 24-hour nationwide strike as previously threatened. This follows a 60,000-strong workers' protest in Buenos Aires on 7 March, and is the first general strike since Mauricio Macri took office in December 2015. The 24-hour strike brought Buenos Aires to a standstill with varying degrees of disruption in other parts of the country. The CGT has indicated their willingness to return to the bargaining table with the government to continue the collective bargaining process which began in March. The annual wage negotiations between the government and trade unions, which typically run for three months to June, started this year in Buenos Aires with a teachers' strike in opposition to several government actions. These actions include: the decision to shift negotiations from central government to the provinces (which eventually broke down); and the rejection of a 19% wage hike offer compared with estimated inflation of 40.0-42.0% in 2016. (Dun and Bradstreet's projection is for an average of 23.6% this year.)

The government is reluctant to increase wages beyond the current offer due to concerns regarding the inflationary impact of much higher nominal wages, and the ultimate erosion of some of the gains of its reform programme. Surprisingly, the government received a boost with spontaneous pro-government demonstrations in April from members of the public weary of the month-long teachers' strike and unions' demands for high wage increases. This is in contrast to recent declines in the government's approval rating, partially as a result of the 2016 recession, the recent deregulation of utilities which led to a sharp price rise, and allegations of corruption linked to a company formerly-owned by the president's father. The political/insecurity risk remains elevated until the current collective bargaining process is successively concluded.

Short-Term Economic Outlook

Resilient inflation in Q1

The anticipated recovery in growth has failed to take hold so far in Q1, with economic activity contracting in the first two months of the year by 0.3% m/m and 2.0% m/m (seasonally adjusted) respectively. This is a reversal of the 0.5% q/q growth in Q4 which had appeared to signal a turnaround; overall, the economy contracted by 2.3% in 2016. We maintain our fairly sanguine outlook for 2017, supported by higher private investment, pro-market reforms, increased export demand from Brazil (Argentina's single largest export market), higher spending on public works, and the moderate recovery in global commodity prices. Our real GDP forecast for 2017 now stands at 2.1%. Elsewhere, inflation remained stubborn with headline inflation reaching 35% by end-Q1, with a 2.9% m/m rise in March, significantly above the central bank's 2017 inflation target range of 12-17%, triggering a policy rate hike. We maintain our view that inflationary pressures will ease in coming quarters to result in an average annual rate of 25.9% this year.



COUNTRY PROFILE AND STATISTICS

Overview

Located in the south of South America, Argentina borders five countries, including Brazil and Chile. The Andes run along its western border. The country boasts vast natural resources that have historically been the main driver of its economy. Argentina has one of the world's lowest population densities and half of its population lives around Buenos Aires, the capital.

After the restoration of democratic rule in 1983, the political environment was characterised by a lack of government transparency, populist political rhetoric and policy-making, and weak political institutions. A combination of Argentina's inefficient government, a weakening balance of its payments position, ongoing government intervention in the economy, and recurrent problems funding its public debts has led to the economy performing erratically. This occurred most recently under former President Cristina Fernandez de Kirchner's leadership from 2007-15. Positively, Argentina has been making progress in settling its outstanding sovereign debt commitments and liberalising its economy since Mauricio Macri became president in December 2015.

Key Facts

Key Fact	Detail
Head of state	President Mauricio MACRI
Capital	Buenos Aires
Timezone	GMT -03-00
Official language	Spanish
Population (millions)	43.8
GDP (USD billions)	548
GDP per capita (USD)	12,499
Life expectancy (years)	76
Literacy (% of adult pop.)	98.1
Surface area (sq km)	2,780,400

Source : Various sources/Dun & Bradstreet

Historical Data

Metric	2012	2013	2014	2015	2016
Real GDP growth (%)	-1.1	2.3	-2.6	2.5	-2.2
Nominal GDP in USDbn	586	609	565	616	548
Nominal GDP in local currency (bn)	2,638	3,348	4,579	5,854	8,056
GDP per Capita in USD	13,926	14,311	13,153	14,193	12,499
Population (year-end, m)	42.1	42.5	43.0	43.4	43.8
Exchange rate (yr avge, USD-LCU)	4.5	5.5	8.1	9.5	14.7
Current Account in USDbn	-1.4	-12.1	-8.0	-16.0	-14.3
Current Account (% of GDP)	-0.2	-2.0	-1.4	-2.6	-2.6
FX reserves (year-end, USDbn)	39.9	28.1	29.0	25.6	38.8
Import Cover (months)	6.2	4.0	3.8	3.0	4.2
Inflation (annual avge, %)	25.0	28.0	40.0	35.0	42.6
Govt Balance (% GDP)	-2.0	-1.9	-2.5	-5.0	-4.6

Source : Haver Analytics/Dun & Bradstreet



Forecasts

Metric	2017f	2018f	2019f	2020f	2021f
Real GDP growth (%)	2.1	2.5	2.9	3.1	3.3
Nominal GDP in USDbn	650	766	882	991	1,121
Nominal GDP in local currency (bn)	10,343	12,640	14,913	17,240	19,613
GDP per Capita in USD	14,693	17,141	19,563	21,768	24,404
Population (year-end, m)	44.3	44.7	45.1	45.5	45.9
Exchange rate (yr avge, USD-LCU)	15.9	16.5	16.9	17.4	17.5
Current Account in USDbn	-12.4	-12.5	-12.9	-12.3	-12.7
Current Account (% of GDP)	-1.9	-1.6	-1.5	-1.2	-1.1
FX reserves (year-end, USDbn)	57.8	63.6	71.2	75.9	81.7
Import Cover (months)	5.8	5.8	6.0	5.8	5.7
Inflation (annual avge, %)	25.9	14.3	10.4	8.2	7.9
Govt Balance (% GDP)	-4.2	-3.6	-3.1	-2.3	-2.0

Source : Haver Analytics/Dun & Bradstreet

Comparative Market Indicators

Indicator	Argentina	Brazil	Chile	Mexico	Uruguay
Income per Capita (USD)	14,193	9,717	13,512	9,127	15,525
Country Population (m)	43.4	208.8	17.9	127	3.4
Internet users (% of population)	69.4	59.1	64.3	57.4	64.6
Real GDP Growth (% p.a., 2017 - 2026)	1.5 - 2.8	1 - 2	2.2 - 3.2	2.5 - 5	1.2 - 2.5

Source : Various sources/Dun & Bradstreet



LINKS

User Guide

Please [click here](#) to visit our online user guide.

Other Dun & Bradstreet Products and Services

Sales

Email: countryinsight@dnb.com

Telephone

UK: +44 (0)1628 492700

US: +1 800 234 3867

Rest of World

contact your local office
or call +44 1628 492700

Publisher

Dun & Bradstreet

Marlow International

Parkway

Marlow

Bucks SL7 1AJ

United Kingdom

Tel: 01628 492000

Fax: 01628 492929

Email: countryinsight@dnb.com

Dun & Bradstreet provides information relating to more than 240m companies worldwide. Visit www.dnb.com for details. Additional information relevant to country risk can be found in the: *International Risk & Payment Review* : Provides timely and concise economic, political and commercial information and analysis on 132 countries. Available as a subscription-based internet service (www.dnbcountryrisk.com) and monthly update journal, the IRPR carries essential information on payment terms and delays. It also includes the unique D&B Country Risk Indicator to help monitor changing market conditions.

Legal and Copyright Notices

While the editors endeavour to ensure the accuracy of all information and data contained in this Country Insight Report, neither they nor Dun & Bradstreet Limited accept responsibility for any loss or damage (whether direct or indirect) whatsoever to the customer or any third party resulting or arising therefrom.

© All rights reserved. No part of this publication may be reproduced or used in any form or by any means graphic, electronic or mechanical, including photocopying, recording, taping, or information storage and retrieval systems without permission of the publisher.

Disclaimer

Whilst Dun & Bradstreet attempts to ensure that the information provided in our country reports is as accurate and complete as possible, the quantity of detailed information used and the fact that some of the information (which cannot always be verified or validated) is supplied by third parties and sources not controlled by Dun & Bradstreet means that we cannot always guarantee the accuracy, completeness or originality of the information in some reports, and we are therefore not responsible for any errors or omissions in those reports. The recipients of these reports are responsible for determining whether the information contained therein is sufficient for use and shall use their own skill and judgement when choosing to rely upon the reports.

Help us to improve the Country Insight content via a 3-minute survey.
For more information; **CLICK HERE**