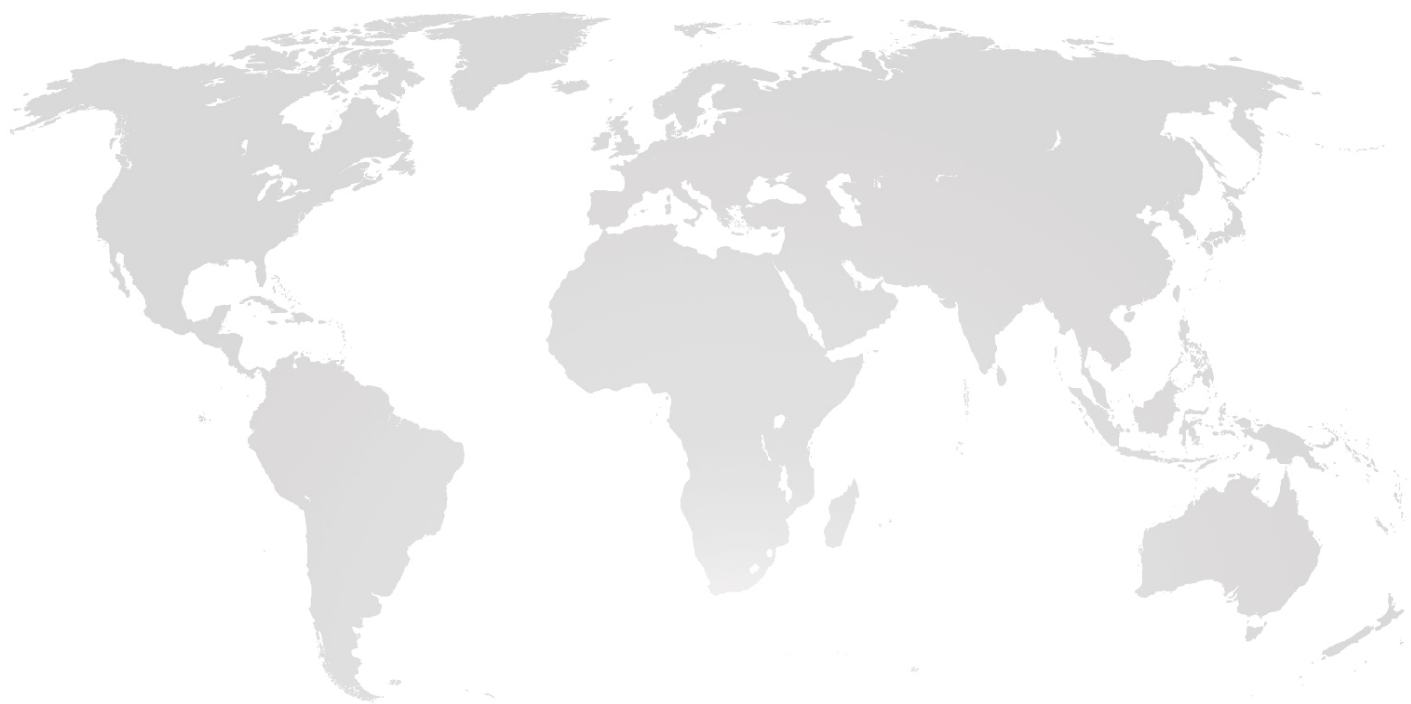




D&B Country Insight Snapshot: Argentina

August 2015



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Overview

Overall Country Risk Rating : DB6d



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.

Rating Outlook: Stable →

Core Outlook

- + The labour force will continue to be relatively well-educated by regional standards.
- Private long-term investments could be subject to a high degree of expropriation risk.
- Barring a radical policy shift to a pro-investor stance, investor confidence will remain constrained.
- Weak real household disposable incomes will drag on domestic demand.

Key Development

Victory for the ruling party’s presidential candidate, who leads in the polls, would mean continued government heavy-handedness in the business environment.

Credit Environment Outlook

Key Development has had a neutral impact on the outlook.

Supply Environment Outlook

Key Development has had a neutral impact on the outlook.

Market Environment Outlook

Key Development has had a negative impact on the outlook.

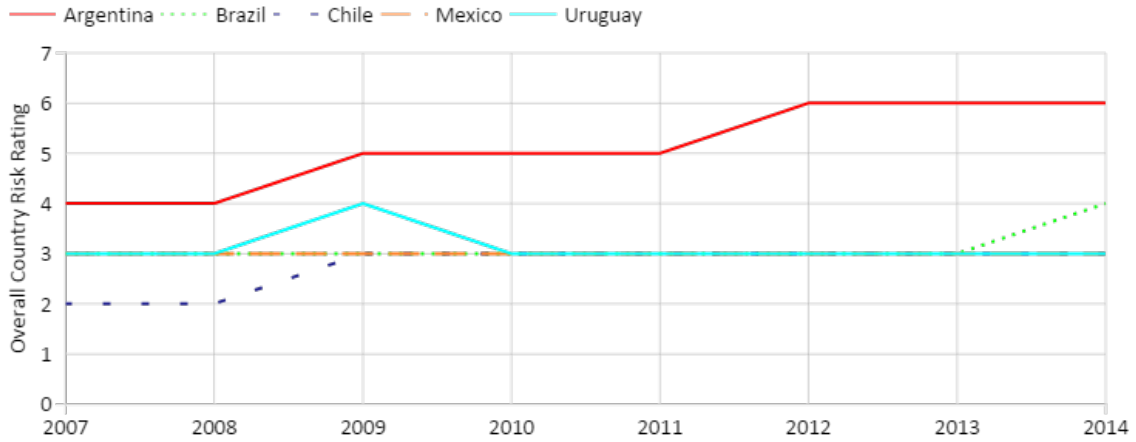
Political Environment Outlook

Key Development has had a neutral impact on the outlook.



Key Indicators

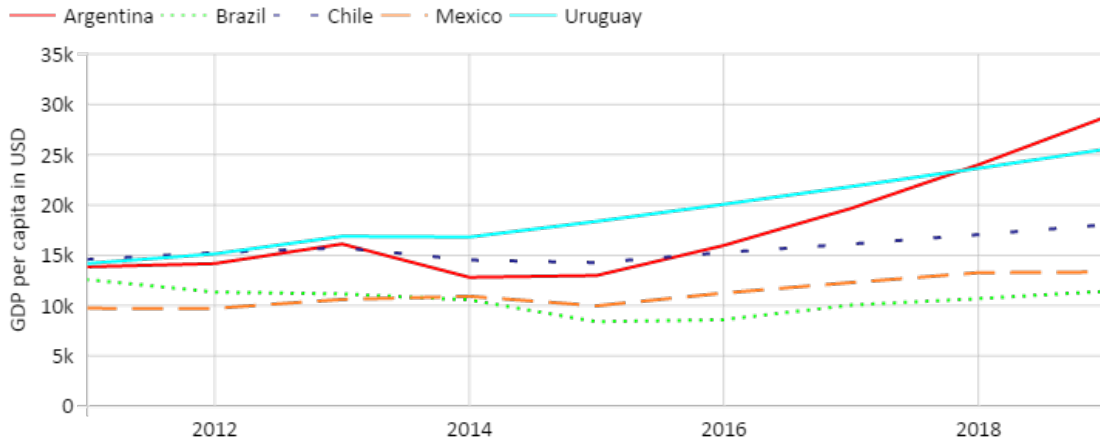
Rating History and Comparison



Source : D&B

Note: 1 = Low Risk, 7 = High Risk

Regional Comparisons



Source : D&B

Industrial Production Growth (Monthly)



Source : National Statistical Offices / Haver Analytics

Economic Indicators

Indicator	2012	2013	2014	2015f	2016f	2017f	2018f	2019f
C/A balance % GDP	-0.3	-0.7	-0.9	-1.8	-1.5	-1.3	-1.0	-0.8
Govt balance, % GDP	-2.4	-2.0	-2.7	-3.4	-2.9	-2.7	-2.4	-2.3
Inflation, annual avge %	25.0	28.0	40.0	38.0	36.0	30.0	30.0	30.0
Real GDP Growth, %	0.9	2.9	-0.4	-0.2	1.5	1.9	2.0	2.2
Unemployment, %	7.2	7.1	7.3	7.0	8.1	7.4	8.8	8.3

Source : Haver Analytics/D&B

Trade and Commercial Environment

Strong opinion poll support for the ruling party's presidential candidate, Daniel Scioli, weakened investor sentiment and contributed to the plummeting of the parallel market rate for the peso in July. In the black market, the currency traded at ARS15.20 per dollar (a ten-month low) on 23 July, down from ARS12.63 eight days earlier; the official rate is ARS9.20 per dollar. Despite the widening gap between the official and black market rates, government has ruled out a devaluation. Elsewhere, the central bank raised the base rate for fixed-term peso-denominated deposits below ARS1m by 1% to 23.6% in a move that apparently seeks to reduce USD demand. FX reserves at end-May was relatively weak at USD30.91bn and equivalent to less than 4 months of import cover.

Trade Terms and Transfer Situation

Minimum Terms: LC

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

Recommended Terms: CLC

D&B'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

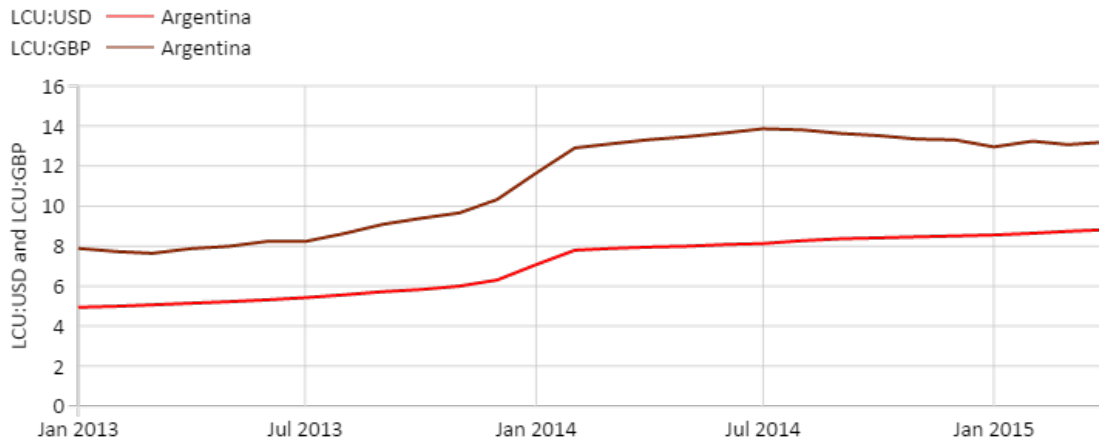
The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.

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.



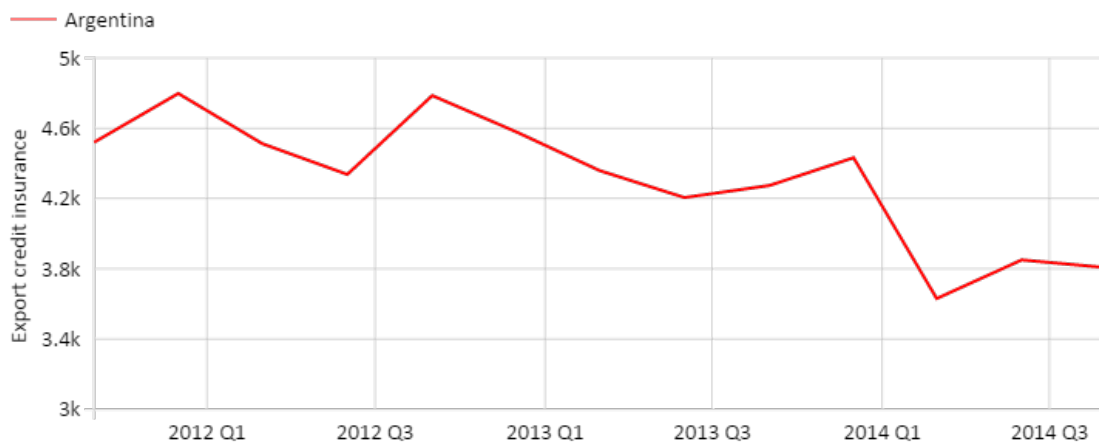
Exchange Rate



Source : IMF International Financial Statistics, National Statistical Offices

LCU = Local Currency Unit

Credit Conditions



Source : Haver

Insured export credit exposures, USDm

Risks and Opportunities

Business Environment Quality

Ruling party candidate maintains lead

The commercial environment's outlook remains clouded as Daniel Scioli, Buenos Aires governor and presidential candidate for the ruling Frente para la Victoria (FV) party, continued to lead the race according to the latest public polls. Primaries will be held on 9 August when political parties will choose their presidential candidates, and Mauricio Macri, Buenos Aires' Mayor and Scioli's nearest rival at the time of writing, is likely to be elected to represent a three-party coalition that includes Macri's party, the Republican Proposal. A July poll conducted by Management and Fit Consultancy showed 35.5% of respondents supporting Scioli over Mr. Macri, who is perceived as more business-friendly; the latter received support from 31.1% of survey respondents. President Cristina Fernandez, who is set to remain as the Peronist party's leader, has openly thrown her support behind Mr. Scioli. Given that Mr. Scioli's running mate and vice-presidential candidate, Carlos Zannini, is also an ally of President Fernandez, an FV win in the upcoming presidential election will bring little improvement to the current business environment. Indeed, private firms and especially foreign investors will continue to be challenged by a high degree of government intervention in markets, as well as ad hoc economic policy with elevated risks of expropriation in certain sectors including transportation, energy and financial services.

Short-Term Economic Outlook

Industrial production rebounds

In June, the industrial sector recorded its first expansion in twenty-two months. This was on the back of a 6.8% growth in the all-important auto industry, due to higher sales domestically and abroad. Industrial output grew by 0.9% y/y (seasonally-adjusted) in June. Moreover, private consumption will get a boost from the recent 28% hike in the minimum wage to ARS6,000/m which is equivalent to USD652. The wage increase follows a nation-wide strike led by anti-government trade unions in June demanding a 30% wage rise. Retail sales rose by 1.9% y/y in the first seven months of the year, supported by the recently-introduced government-backed credit programme, which enables consumers to buy household goods on credit and make interest-free repayments over a 12-month period. As expected, consumer confidence rose 2.2% in July and was 31% higher than last year; much of the improvement in the index is attributable to base effects. Domestic demand could receive a further fillip in the coming months as government indicated that it is willing to implement counter-cyclical measures, and is highly likely as the country heads towards presidential elections in October. In light of stronger economic activity, we have revised up our real GDP forecast to -0.2% from -0.8%. However, there are persistent risks to our outlook on account of the continued slide in the Brazilian Real against the USD, as well as Brazil's projected economic contraction 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.

Since the restoration of democratic rule in 1983, the political environment has been 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 weak balance of payments position, ongoing government intervention in the economy and recurrent problems funding its public debts have led to the economy performing erratically. Despite improvements after the 2001 economic crisis, the country is facing new challenges in meeting its sovereign debt commitments, with dwindling FX reserves and adverse legal rulings.

Key Facts

Key Fact	Detail
Head of state	President Cristina FERNANDEZ de Kirchner
Capital	Buenos Aires
Timezone	GMT -03-00
Official language	Spanish
Population (millions)	41.8
GDP (USD billions)	535.2
GDP per capita (USD)	12,803
Life expectancy (years)	76
Literacy (% of adult pop.)	97.2
Surface area (sq km)	2,780,400

Source : UN / Haver Analytics / D&B

Historical Data

Metric	2010	2011	2012	2013	2014
Real GDP growth (%)	9.1	8.6	0.9	2.9	-0.4
Nominal GDP in USDbn	464.76	563.9	582.23	667.9	535.22
Nominal GDP in local currency (bn)	1,811	2,312	2,766	3,406	4,389
GDP per Capita in USD	11,511	13,845	14,171	16,115	12,803
Population (year-end, m)	40.37	40.73	41.09	41.45	41.8
Exchange rate (yr avge, USD-LCU)	3.9	4.1	4.75	5.1	8.2
Current Account in USDbn	-1.87	-4.01	-1.48	-5.01	-4.68
Current Account (% of GDP)	-0.4	-0.71	-0.25	-0.75	-0.87
FX reserves (year-end, USDbn)	49.73	43.23	39.92	28.14	29.02
Import Cover (months)	9.89	7.38	6.19	3.98	3.76
Inflation (annual avge, %)	30	32	25	28	40
Govt Balance (% GDP)	0	-1.9	-2.4	-2	-2.7

Source : D&B

Forecasts

Metric	2015	2016	2017	2018	2019
Real GDP growth (%)	-0.2	1.5	1.9	2	2.2
Nominal GDP in USDbn	547.3	678.8	842.4	1,036.1	1,250.5
Nominal GDP in local currency (bn)	5,035.5	6,176.9	7,582.0	9,221.3	11,130.0
GDP per Capita in USD	12,984	15,971	19,665	23,998	28,744
Population (year-end, m)	42.2	42.5	42.8	43.2	43.5
Exchange rate (yr avge, USD-LCU)	9.2	9.1	9	8.9	8.9
Current Account in USDbn	-9.7	-10.1	-11.1	-10.5	-10
Current Account (% of GDP)	-1.76	-1.49	-1.32	-1.02	-0.8
FX reserves (year-end, USDbn)	32	33.8	37.1	39.6	42.6
Import Cover (months)	3.8	3.68	3.7	3.62	3.56
Inflation (annual avge, %)	38	36	30	30	30
Govt Balance (% GDP)	-3.4	-2.9	-2.7	-2.4	-2.3

Source : D&B

Comparative Market Indicators

Indicator	Argentina	Brazil	Chile	Mexico	Uruguay
Income per Capita (USD)	12,803	10,563	14,528	10,917	16,809
Country Population (m)	41.8	203.2	17.8	123.8	3.4
Internet users (% of population)	59.9	51.6	66.5	43.5	58.1
Real GDP Growth (% p.a., 2015 - 2024)	2.8 - 4.5	2.5 - 4.5	4.5 - 5.5	3.5 - 5	4 - 4.5

Source : D&B

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