



Decide with Confidence

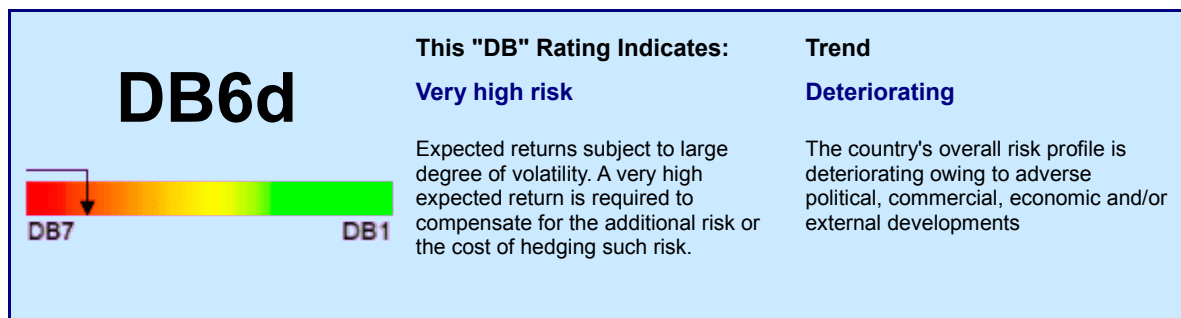
D&B Country RiskLine Report

ARGENTINA

Region : The Americas

Edition : June 2014

D&B Country Risk Indicator



The 'DB' risk indicator provides a comparative, cross-border assessment of the risk of doing business in a country and encapsulates the risk that country-wide factors pose to the predictability of export payments and investment returns over a two year time horizon. The 'DB' risk indicator is a composite index of four over-arching country risk categories:

Political risk - internal and external security situation, policy competency and consistency, and other such factors that determine whether a country fosters an enabling business environment;

Commercial risk - the sanctity of contract, judicial competence, regulatory transparency, degree of systemic corruption, and other such factors that determine whether the business environment facilitates the conduct of commercial transactions;

External risk - the current account balance, capital flows, FX reserves, size of external debt and all such factors that determine whether a country can generate enough FX to meet its trade and foreign investment liabilities;

Macroeconomic risk - the inflation rate, government balance, money supply growth and all such macroeconomic factors that determine whether a country is able to deliver sustainable economic growth to provide further expansion in business opportunities.

The DB risk indicator is divided into seven bands, ranging from DB1 through DB7. Each band is subdivided into quartiles (a-d), with an 'a' designation representing slightly less risk than a 'b' designation and so on. Only the DB7 indicator is not divided into quartiles.

Key Facts

Population:	41.4m
Surface area (sq km):	2,780,400
Capital:	Buenos Aires
Timezone:	GMT -03:00
Official language:	Spanish
Head of state:	President Cristina FERNANDEZ de Kirchner
GDP (USD):	436.2
GDP per capita (USD):	10,525.6
Life expectancy (years):	75
Literacy (% of adult pop.):	97.2

Country 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. The country has one of the world's lowest population densities and half of its population lives around Buenos Aires, the capital.

The continued instability of the political environment since the restoration of democratic rule in 1983 reflects a lack of government transparency, populist political rhetoric and policy-making, and weak political institutions. Its over-sized inefficient government, the vulnerability of the country's balance of payments, and recurrent problems funding its government debts, have led to the economy performing erratically. After the 2001 economic crisis, the economy has recovered, assisted by a pro-export exchange rate policy, the high price of some of its commodity exports and substantial government spending.

Trade & Commercial Environment

Trade Terms

Minimum Terms:	LC
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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
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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
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Normal period of credit associated with transactions with companies in the stated country.

Transfer Situation

Local Delays:	0-1 month
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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
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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.

Trade & Commercial Environment

International reserves will get a short-term boost from a surge in exports of soybean and other soy products as a record harvest is underway. This will temporarily stem the steady decline of foreign reserves, which slid by 25.96% year on year in May to USD28.54bn; this is the equivalent of almost 4.0 months of import cover. Meanwhile, the peso remained stable after strengthening slightly against the USD on 4 June to ARS8.1059 (Spot Exchange Middle Rate, NY Close) from ARS8.010 on 7 April; the parallel market rate weakened to ARS11.53 on 20 May amid fears of a devaluation. However, demand for dollars has eased since Q1 in response to higher benchmark interest rates. The gap between the official and unofficial rates narrowed in the first five months.

Export Credit Agencies

US Eximbank	Limited ST private sector cover available
Atradius	Cover on credit terms over 180 days not available
ECGD	Refer to underwriter
Euler Hermes UK	Restrictions will apply

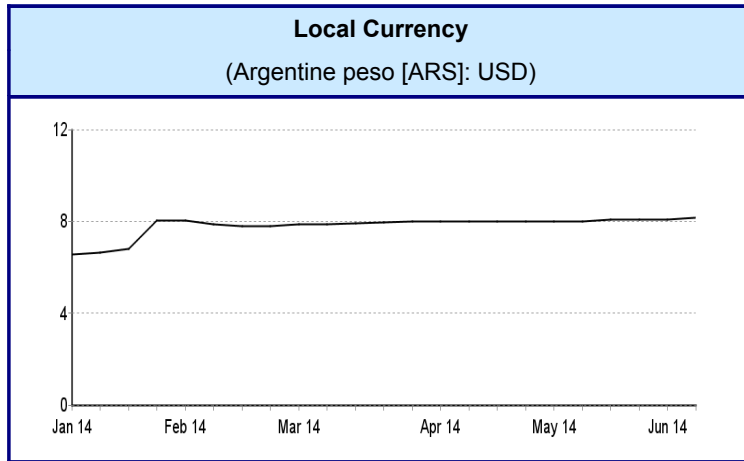
Economic Indicators

	2011	2012	2013	2014f	2015f
Real GDP growth, %	8.9	2.5	3.0	-0.8	2.5
Inflation, annual ave, %	32.0	25.0	28.0	30.0	30.0
Govt balance, % GDP	-3.5	-4.3	-2.9	-2.0	-3.1
Unemployment, %	7.2	7.5	7.6	7.6	7.6
C/A balance, % GDP	-0.6	0.0	-1.0	-0.8	-0.7

Economic Indicators: GDP data are D&B estimates or forecasts; Government balance refers to overall balance.

Currency Information

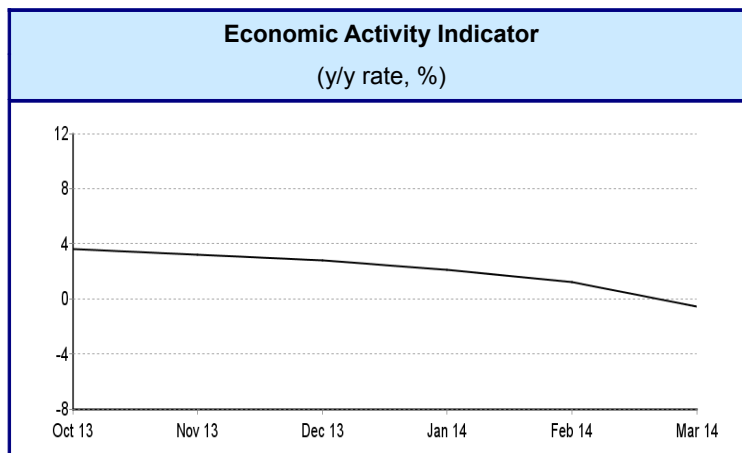
Exchange Rates	
(London, 02 Jun 14)	
EUR	11.0222
GBP	13.5488
JPY*	7.939
USD	8.0775
*(x 100)	



Local Currency
(Argentine peso [ARS]: USD)

	Jan 14	Feb 14	Mar 14	Apr 14	May 14	Jun 14
Week 1	6.560	8.020	7.872	7.998	8.000	8.078
Week 2	6.654	7.855	7.861	8.001	8.004	8.144
Week 3	6.812	7.790	7.917	8.005	8.062	
Week 4	8.040	7.808	7.968	8.001	8.064	
Week 5			8.004			

Economic Activity Indicator



Data Table

Oct 13	Nov 13	Dec 13	Jan 14	Feb 14	Mar 14
3.6	3.2	2.8	2.1	1.23	-0.58

Risk Factor

Argentina will repay its USD9.5bn debt to the Paris Club over the next five years, starting with a USD650m instalment in July; the second instalment of USD500m will be paid in May 2015. Argentina defaulted on a historic USD100bn of debt (including that to the Paris Club members) in 2001. Around 30% of the USD9.5bn is owed to Germany and 25% to Japan. The value of the arrears was not reduced under Club rules as Argentina refused to undertake an IMF debt rescheduling programme. The country and the Paris Club were nearing an agreement in 2008, when Argentina pulled out. The new agreement is a significant step on a very challenging path that will enable Argentina to return to the international capital markets, from where it has been excluded since 2001. Meanwhile, Argentina is awaiting the US Supreme Court's ruling on its petition for a review of a US court ruling last November in which it was ordered to pay USD1.33bn to defaulted bondholders who had refused swaps in 2005 and 2010. A refusal by the Supreme Court to review the ruling would trigger a technical default. The Supreme Court began its deliberations on 12 June, but if it rules in Argentina's favour (and reviews the ruling) a final decision on how the debt would be repaid is not likely to be handed down for another 12 months.

Meanwhile, the central bank has indicated that it is willing to cut interest rates if inflation continues to fall. The new CPI registered a 1.8% month-on-month (m/m) decline in April and a rate cut could help to stimulate the faltering economy, which experienced a dramatic narrowing of the trade surplus in annual terms from USD1.5bn in Q1 2013 to USD120m in Q1 2014; this was the lowest quarterly surplus in the last fifteen years. The weaker currency is not yet supporting export demand. Indeed, the deterioration in the trade balance in Q1 is largely attributable to the weaker peso and the country's heavy reliance on imported fuel, the cost of which rose by 17.0% in February; this offset the 1.7% fall in imported consumer goods and the smaller reduction in imported capital goods. Export earnings were down by 16.0% in March as commodity prices softened, and Brazil's demand for automotive products decreased as the bilateral trade agreement with Argentina governing the exportation of automobiles and automotive parts expired. Industrial output remained weak, slipping by 6.0% year on year and 1.8% m/m (seasonally adjusted) in March. While the devaluation of the peso will eventually provide a boost to export competitiveness, stubborn inflation, unless contained, will erode this in the coming quarters. We reiterate our belief that the economy will contract by 0.8% this year.

Worryingly, the government has proposed new laws with harsher penalties for retailers who fail to adhere to price controls for basic food items.

Glossary & Definitions

DEFINITIONS

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Recommended Terms:

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Usual Terms:

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

Local Delays:

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

F/X Bank Delays:

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C/A (current account) balance, % GDP:

Part of the balance of payments that records a nation's exports and imports of goods and services, and income and transfer payments.

DSR (debt service ratio), %:

Annual interest and principal payments on a country's external debts as a percentage of exports of goods and services.

Govt balance, % GDP:

The balance of government expenditure and receipts.

Real GDP growth, %:

GDP adjusted for inflation.

Inflation, %:

The increase in prices over a given period.

GLOSSARY

CiA	Cash in Advance
CLC	Confirmed Letter of Credit
CWP	Claims Waiting Period
FX	Foreign Exchange
LC	Letter of Credit
LT	Long term
MT	Medium term
OA	Open Account
SD	Sight Draft
ST	Short term

Customer Service & Support

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