



Decide with Confidence

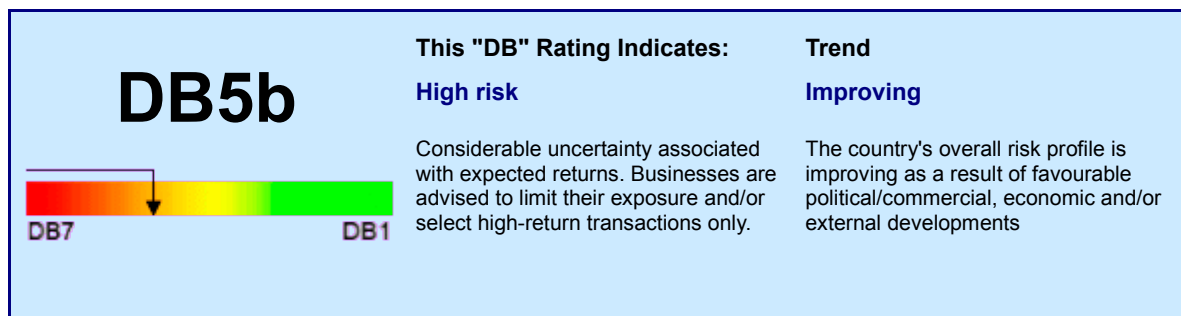
D&B Country RiskLine Report

ARGENTINA

Region : The Americas

Edition : August 2010

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:	40.3m
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):	308.4
GDP per capita (USD):	7,656
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
-----------------------	----

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.

Transfer Situation

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.

Trade & Commercial Environment

Argentina's commercial environment is characterised by a high degree of macroeconomic uncertainty, frequent changes in the regulatory environment, and a weak and barely independent judiciary. The risks of late and non-payment have eased in light of the economic recovery since mid-2009. D&B recommends the use of CLC terms when trading with counterparties in the country. Banking sector indicators show increased financial sector intermediation, with only moderate levels of risk. However, commercial risk could increase if the political situation and/or the global economy worsen. Short-termism is very much a feature of the business climate, which is constraining investment, and other negative factors include over-regulation and corruption.

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

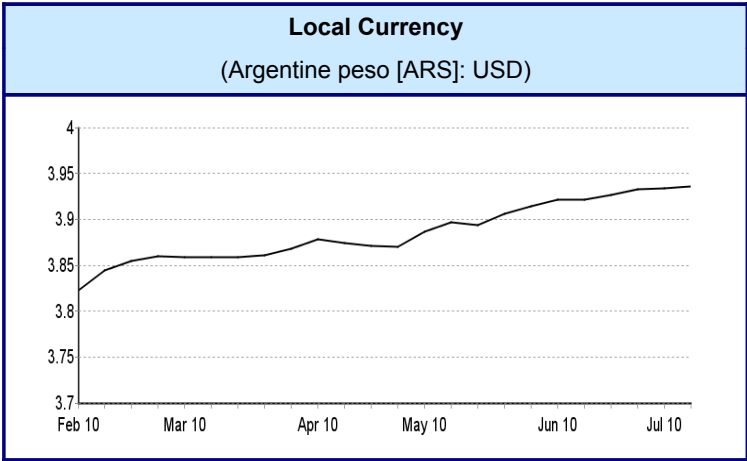
Economic Indicators

	2007	2008	2009e	2010f	2011f
Real GDP growth, %	8.6	6.8	-1.8	5.0	5.5
Inflation, annual ave, %	16.0	28.0	15.0	30.0	32.0
Govt balance, % GDP	1.1	1.4	-0.6	-0.8	-0.5
Unemployment, %	8.5	7.9	8.7	8.4	8.0
C/A balance, % GDP	2.8	2.2	3.7	2.6	2.1

Economic Indicators: Inflation for 2007 and GDP until 2008 are official government data; the rest are D&B estimates or forecasts; Government balance refers to overall balance.

Currency Information

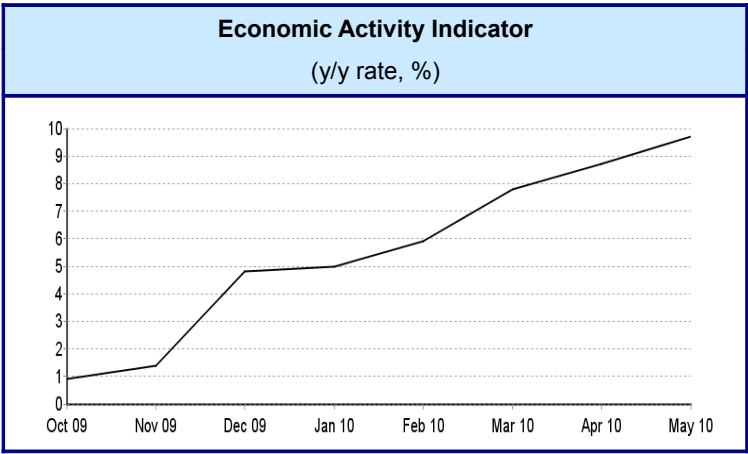
Exchange Rates	
(London, 12 Jul 10)	
EUR	4.9726
GBP	5.9471
JPY*	4.4482
USD	3.936
*(x 100)	



Local Currency
(Argentine peso [ARS]: USD)

	Feb 10	Mar 10	Apr 10	May 10	Jun 10	Jul 10
Week 1	3.823	3.859	3.878	3.886	3.921	3.934
Week 2	3.844	3.859	3.874	3.896	3.921	3.936
Week 3	3.854	3.859	3.872	3.894	3.926	
Week 4	3.859	3.861	3.870	3.906	3.932	
Week 5		3.868		3.914		

Economic Activity Indicator



Data Table

Nov 09	Dec 09	Jan 10	Feb 10	Mar 10	Apr 10
1.4	4.8	5.0	5.9	7.8	8.7

Risk Factor

Although the risk of operating in Argentina or trading with Argentinean counterparties continues to be high we believe that the outlook for the medium term has slightly improved in recent weeks. On the macroeconomic sphere the most important development has been the success of the government's debt swap, completed in late June. Holders of around 66% of the debt defaulted on in 2002, and still in arrears (around USD18.3bn), have accepted reducing the nominal value of the debt by around two-thirds. This swap followed the first offer made by the government in 2005 which was supported by around 75% of the bond holders. As a result of this, around 92% of the USD102bn defaulted debt has been settled. Positively, rating agency Fitch raised Argentina's long-term foreign currency rating from Restricted Default to B (highly speculative) with a stable outlook. Despite the success in the swap, the Argentinean government has decided not to issue new debt in international markets as the conditions under which the country would return to markets would be extremely unfavourable. This is a consequence of both the increased risk aversion among investors as a result of the uncertainty in the euro-zone and the still weak fundamentals of the Argentinean economy.

The domestic economy has shown clear signs of recovery from the estimated 1.8% drop of last year. According to the National Statistic Office, the economy expanded by 6.3% year on year in Q1 and expanded by 8.7% (measured by the monthly economic activity indicator) in April. Several indicators in combination with an increase in the tax-free allowance for income tax, high government spending and a strong recovery in the commodity markets suggest that GDP will continue with its expansion in the short and medium term. Negatively, inflation continues to mount, increasing uncertainty over the medium term. Although the national statistics office does not publish reliable figures, independent estimates suggest that annual CPI inflation is at around 30%; the risk of a wage-inflation spiral continues to be high, further fuelling inflationary expectations over the short term. High inflationary risk in combination with anti-business policy continues to undermine investors' confidence in Argentina.

President Cristina Fernandez' visit to China in July may help resolve the main trade dispute between the two countries. China has imposed restrictions on Argentina's soya product exports worth around USD2bn in April as Argentina imposed anti-dumping duties on Chinese products such as shoes, textiles and steel products. Argentina also imposed a ban on imports to protect some domestic industries (mainly the food industry); these measures are also affecting relations with main trade partners such as Brazil and the EU.

Glossary & Definitions

DEFINITIONS

Minimum Terms:

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:

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:

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:

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.

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

© Copyright 2010 Dun & Bradstreet - Provided subject to the terms and conditions of your contract.

D&B Country Risk Services

For information relating to D&B's Country Risk Services.

UK

Telephone: 01628 492700

Fax: 01628 492929

Email: CountryRisk@dnb.com

USA Inquiry

Telephone: 1-800 234-3867 option 1, 1 and then 2

Email: CountryRiskServices@dnb.com

Rest of World

Telephone: +44 1628 492700

Email: CountryRisk@dnb.com

D&B Customer Services

For all other information or queries relating to D&B products and services.

UK

Telephone: 0870 243 2344 (UK) / 1 890 923296 (IR)

Email: CustomerHelp@dnb.com

USA

Telephone: 1-800 234-3867 option 1, 1 and then 2

Email: CustomerService@dnb.com

Rest of World

You can contact your local D&B Customer Services departments by clicking [here](#).

Whilst D&B attempts to ensure that the information provided is accurate and complete, by reason of the immense quantity of detailed matter dealt with in compiling the information and the fact that some of the data are supplied from sources not controlled by D&B which cannot always be verified, including information provided direct from the subject of enquiry as well

as the possibility of negligence and mistake, D&B does not guarantee the correctness or the effective delivery of the information and will not be held responsible for any errors therein or omissions therefrom.

© Dun & Bradstreet Inc., 2010.



Decide with Confidence