



Decide with Confidence

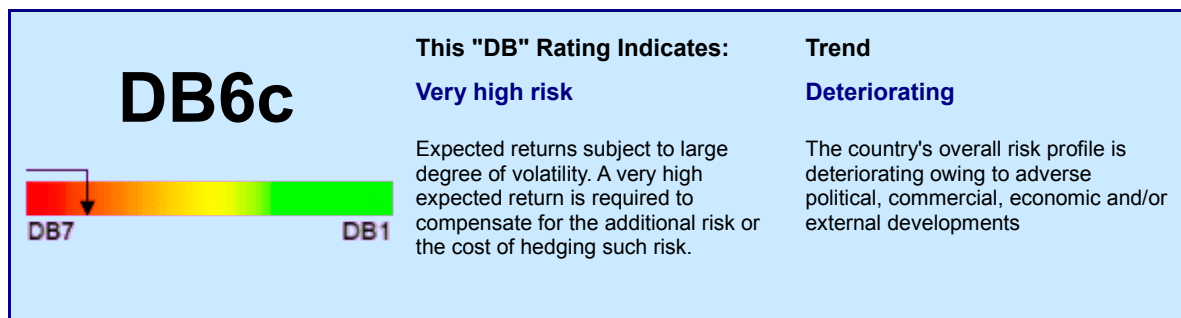
D&B Country RiskLine Report

ARGENTINA

Region : The Americas

Edition : April 2013

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):	447.7
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
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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

Foreign reserves continued on a downward trajectory with at 10.84% year-on-year decline that resulted in a balance of USD41.61bn at the end of February. The external accounts deteriorated as evidenced by the fall in the trade surplus to USD0.53bn at end-December from USD0.91bn at end-September while the current account surplus as a percentage of GDP narrowed to 0.96% in Q3 2012 from 1.54% in Q2 2012. As the authorities resist the growing need to devalue the peso, upward pressures persist on the local currency which is trading at an official rate of ARS5.00:USD but an unofficial rate of around ARS8:00. With continued concerns by businesses about US dollar availability, D&B recommends trade terms of CLC.

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

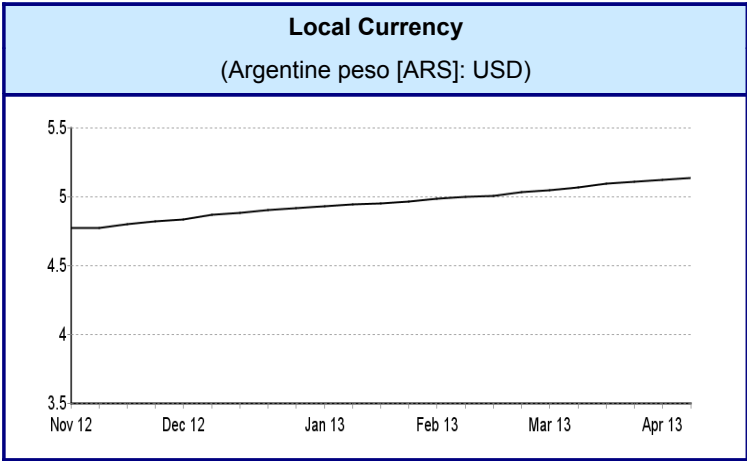
Economic Indicators

	2010	2011	2012	2013f	2014f
Real GDP growth, %	9.2	8.9	2.5	2.8	3.0
Inflation, annual ave, %	30.0	32.0	25.0	28.0	20.0
Govt balance, % GDP	-0.8	-0.5	0.0	1.0	1.5
Unemployment, %	8.4	8.0	7.8	8.0	8.2
C/A balance, % GDP	2.7	2.2	2.4	2.8	3.0

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

Currency Information

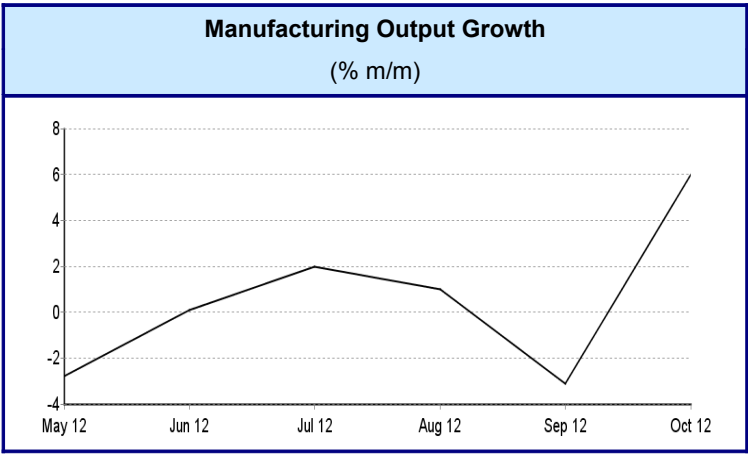
Exchange Rates	
(London, 18 Mar 13)	
EUR	6.6523
GBP	7.7036
JPY*	5.3536
USD	5.0913
*(x 100)	



Local Currency
(Argentine peso [ARS]: USD)

	Nov 12	Dec 12	Jan 13	Feb 13	Mar 13	Apr 13
Week 1	4.771	4.834	4.926	4.981	5.046	5.122
Week 2	4.771	4.864	4.942	4.997	5.066	5.136
Week 3	4.799	4.877	4.950	5.006	5.091	
Week 4	4.821	4.904	4.964	5.029	5.109	
Week 5		4.916				

Manufacturing Output Growth



Data Table

May 12	Jun 12	Jul 12	Aug 12	Sep 12	Oct 12
-2.8	0.1	2.0	1.0	-3.1	6.0

Risk Factor

According to the official statistics, consumer prices eased in February in response to the latest round of government price controls, which took the form of a state-mandated freeze on retail prices. The Instituto Nacional de Estadística y Censos (INDEC) reported that the inflation rate increased by 0.5% in February, resulting in a 10.8% year-on-year (y/y) increase compared with a 1.1% monthly rise and 11.1% y/y in January. The latest official inflation statistics have elicited the usual scepticism, as independent estimates place the January inflation rate at 2.6% (more than double that of INDEC's). Against a backdrop of spiralling inflation, President Cristina Fernandez recently urged governors and mayors to maintain local government taxes and other fees at their current levels. The president has come under increasing public pressure to curb inflation and raise wages sufficiently to maintain consumers' buying power. With no credible macroeconomic policy to reduce domestic price pressures, we anticipate an escalation in transaction costs for commercial entities operating in Argentina over the short term. In addition, firms should also develop contingency plans for possible strike action arising from contentious on-going wage negotiations.

Meanwhile, according to INDEC's statistics, the economy grew by 1.3% in Q4 2012 to result in real GDP growth of 2.1% y/y. Given the pervasive concerns about the validity of official GDP figures, it is more likely that the economy grew at a lower rate last year. Moreover, the country's fiscal position deteriorated significantly as it posted a primary deficit of an estimated USD 1bn for 2012, compared with a surplus of around USD1.2bn one year earlier. This deficit, which is the first since 1996, underscores the need for urgent structural reform.

Elsewhere, amid fears of another sovereign default, the US Second Circuit Court of Appeals has given Argentina an opportunity to provide an alternative proposal to settle holdout bondholders' outstanding debt. Argentina's written proposal must be submitted to the Court by March 29th. Controversially, President Fernandez has repeatedly stated that Argentina was unwilling to repay the holdouts at better terms than investors holding restructured bonds. In November, Argentina was ordered by a US court to pay USD1.33bn to defaulted bondholders who refused to participate in two swaps following Argentina's historic USD100bn default in 2001. Argentina appealed the ruling, arguing that to comply would be in breach of Argentine law. While there are no immediate threats to the commercial environment from this case, we advise firms to continue monitoring the ensuing developments due to the potential impact on foreign reserves and the general investment climate.

Glossary & Definitions

DEFINITIONS

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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:

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

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