



Decide with Confidence

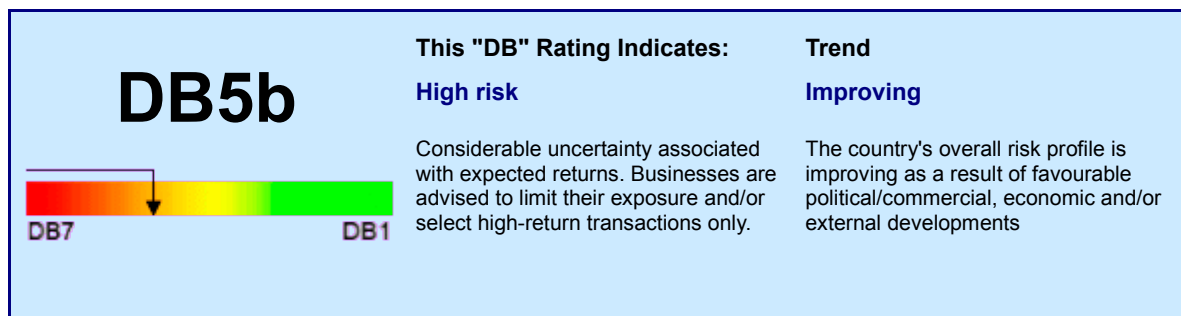
D&B Country RiskLine Report

ARGENTINA

Region : The Americas

Edition : December 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. 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, while the risks of late payment and non-payment have eased in recent months. However, commercial risk could increase if the political situation and/or the global economy worsens. Short-termism is very much a feature of the business climate, which is constraining investment, while 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

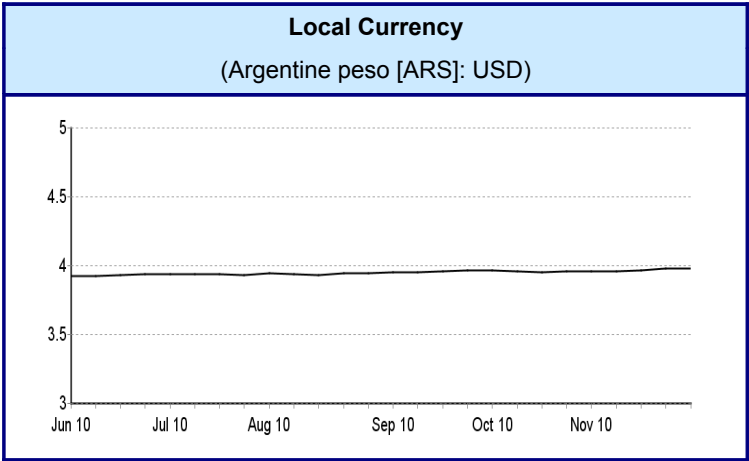
Economic Indicators

	2008	2009	2010e	2011f	2012f
Real GDP growth, %	6.8	-1.8	8.0	5.5	3.5
Inflation, annual ave, %	28.0	15.0	30.0	32.0	25.0
Govt balance, % GDP	1.4	-0.6	-0.8	-0.5	0.0
Unemployment, %	7.9	8.7	8.4	8.0	7.8
C/A balance, % GDP	2.2	3.7	2.5	2.0	2.1

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

Currency Information

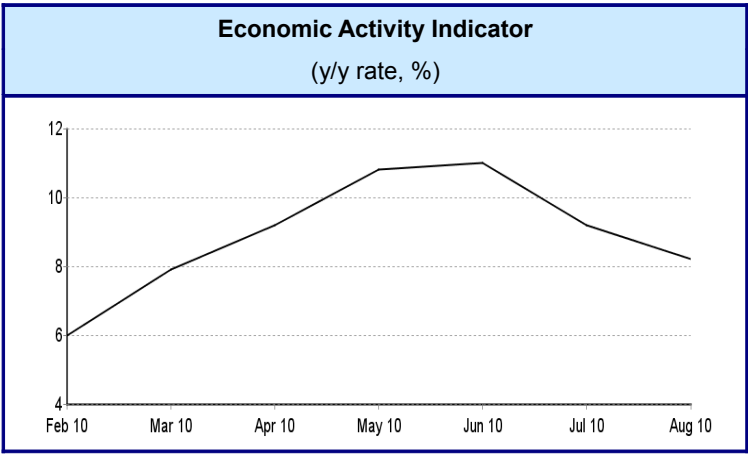
Exchange Rates	
(London, 29 Nov 10)	
EUR	5.2578
GBP	6.2112
JPY*	4.7341
USD	3.9785
*(x 100)	



Local Currency
(Argentine peso [ARS]: USD)

	Jun 10	Jul 10	Aug 10	Sep 10	Oct 10	Nov 10
Week 1	3.921	3.934	3.939	3.945	3.961	3.956
Week 2	3.921	3.936	3.932	3.946	3.959	3.958
Week 3	3.926	3.936	3.931	3.954	3.951	3.961
Week 4	3.932	3.931	3.938	3.962	3.957	3.974
Week 5			3.944			3.978

Economic Activity Indicator



Data Table

Feb 10	Mar 10	Apr 10	May 10	Jun 10	Jul 10	Aug 10
6.0	7.9	9.2	10.8	11.0	9.2	8.2

Risk Factor

D&B expects political and economic risks to continue negatively affecting the business environment. There was early speculation that the death of former President Nestor Kirchner in late October (leader of the Peronist Party, PJ, and husband of current president, Cristina Fernandez) would change the populist and aggressive stance followed by the government; however, Fernandez' policies continue to alienate the fragmented opposition and undermine the business outlook. In late November the government failed to pass the 2011 budget; paradoxically, this was a positive outcome for Fernandez' administration, as it will now need to use the 2010 budget (which was expansionary) ahead of the presidential election scheduled for October 2011. Moreover, the government will manage to allocate excess resources by decree without Congress' control. In late November Fernandez increased government expenditure by ARS30bn to cover salaries and pensions payments.

The opposition continues to be fragmented and we do not expect opposition parties to form significant allegiances ahead of the October presidential election. Internal conflicts have deepened even further recently in the two main opposition forces. Several leaders from the dissident faction of the PJ, Peronismo Federal (PF), whose driving force was its opposition to Kirchner, have showed scepticism about the continuity of the PF. The centre-left Civic Coalition (CC) has split, as one of its main leaders, Elisa Carrio, has refused to run with the radical party (the UCR). Given the recent increase in her popularity, we cannot rule out that Fernandez may successfully attain re-election if she decides to run for the presidency.

We expect the government to continue with the same economic policy agenda; opposition to foreign business' interests will continue as its alliance with the main trade union association remains in place. Despite rapid private consumption growth, annual inflation rates of around 30% are discouraging businesses from investing in large scale projects. With a de facto pegged exchange rate, high inflation has led to an appreciation of the real effective exchange rate. Unilateral changes to regulations may continue to negatively affect business interests. As a result, we expect growth to decelerate in early 2011. The government recently approached the IMF for technical assistance to devise a new CPI index (Argentina is the only country in the G20 that refuses annual scrutiny); in early December, Minister of Economy Amado Budou was scheduled to meet the Paris Club (which Argentina owes USD7bn) in an attempt to restore confidence for a return to the financial markets, but given the current international climate we do not expect Argentina to return to the international markets at favourable rates in the short term.

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