dun&bradstreet

Country Insight Snapshot
Argentina
December 2017

OVERVIEW

OVERALL COUNTRY RISK RATING: DB6a

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.

R

Rating Outlook: Improving   ↗

CORE OUTLOOK

+ The labour force will continue to be relatively well-educated by regional standards.

+ Economic reforms will progress under the centre-right government, with increased opportunities for private sector participation.

+ Business and consumer expectations are improving and will boost consumption and investment in the short term.

- The government's ambitious pro-market reform agenda could be stymied by its lack of congressional majority despite its impressive performance in mid-term elections.

KEY DEVELOPMENT

Draft pension and fiscal responsibility bills are approved by congress and now move to the lower house, as the government pushes its pro-market reforms to boost competitiveness.

CREDIT ENVIRONMENT OUTLOOK   **A**

Trend: Improving   ↗

Key Development has had a positive impact on the outlook.

SUPPLY ENVIRONMENT OUTLOOK   **A**

Trend: Stable   →

Key Development has had a positive impact on the outlook.

MARKET ENVIRONMENT OUTLOOK   **A**

Trend: Improving   ↗

Key Development has had a positive impact on the outlook.

POLITICAL ENVIRONMENT OUTLOOK   **A**
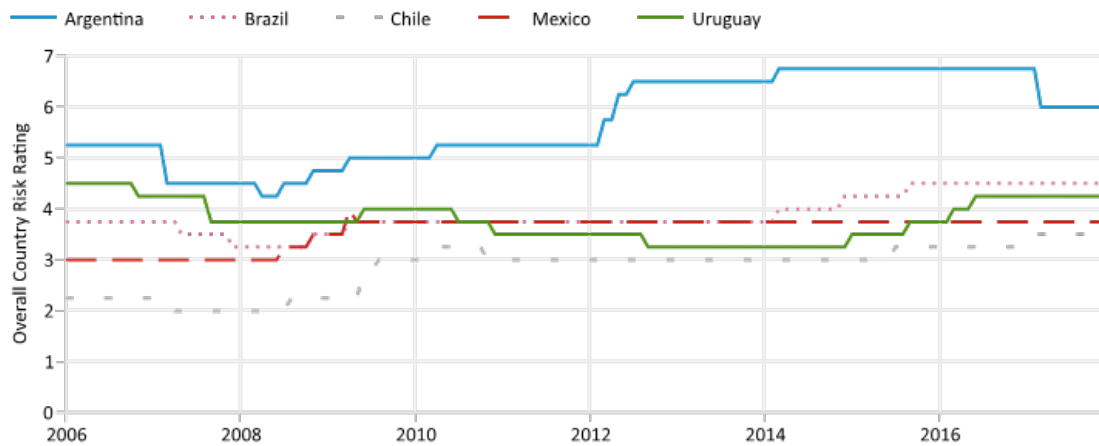
Trend: Stable   →

Key Development has had a neutral impact on the outlook.
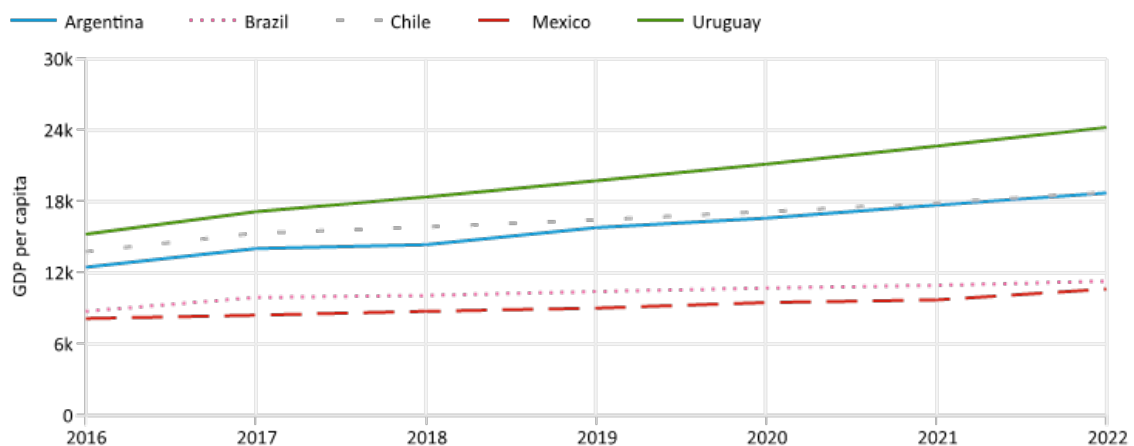
KEY INDICATORS

Rating History and Comparison

Source : Dun & Bradstreet

Note: 1 = Low Risk, 7 = High Risk

Regional Comparisons

Source : Haver Analytics/Dun & Bradstreet

Industrial Production Growth (Monthly)

Source : Haver Analytics/Dun & Bradstreet

Economic Indicators

Indicator	2015	2016	2017f	2018f	2019f	2020f	2021f	2022f
C/A balance % GDP	-2.8	-2.7	-3.8	-4.1	-3.8	-4.0	-3.9	-3.5
Govt balance, % GDP	-4.8	-5.9	-6.2	-6.3	-6.1	-5.3	-3.3	-3.2
Inflation, annual avge %	35.0	42.6	25.9	18.7	14.8	11.7	10.1	9.1
Real GDP Growth, %	2.5	-2.3	2.7	3.1	2.7	2.9	3.2	3.3
Unemployment, %	7.1	8.5	7.4	7.3	7.2	6.9	6.7	6.1

Source : Haver Analytics/Dun & Bradstreet

TRADE AND COMMERCIAL ENVIRONMENT

The central bank raised its benchmark seven-day interbank lending rate by 100bps in November to bring it to 28.75% as at 21 November. The bank maintained its tightening bias as inflationary pressures remained above target despite a slowdown from September. Headline inflation in October breached the upper threshold of the 2017 12-17% target range, with a 1.5% m/m rise, compared with 1.9% in the previous month, to contribute to a year-to-date rate of 19.4%. The bank intends to hold to its anti-inflationary bias as it pursues a target range of 8-12% in 2018. Elsewhere, FX reserves, including gold, rose to USD51.81bn on 31 October from USD46.89bn at end-January to maintain good currency protection, and import cover of almost six months.

TRADE TERMS AND TRANSFER SITUATION

Minimum Terms: LC

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

Recommended Terms: CLC

Dun & Bradstreet'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.
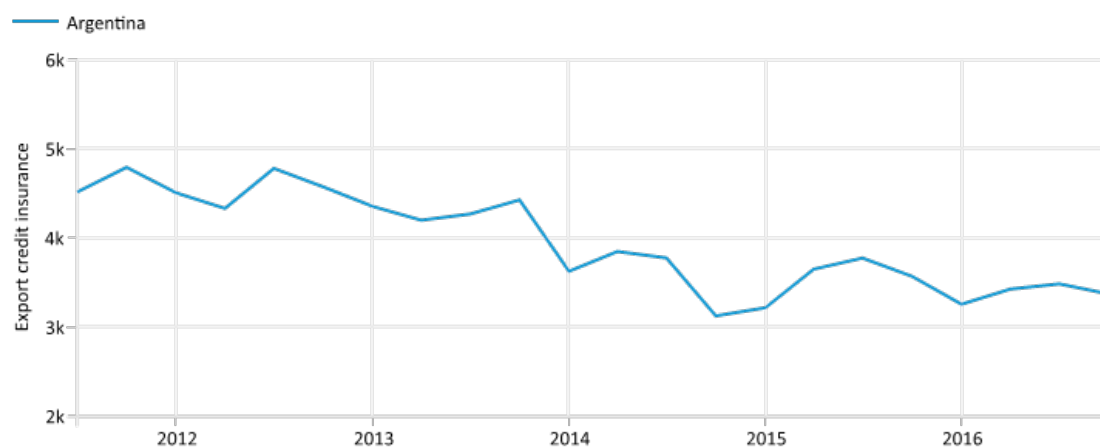
Exchange Rate
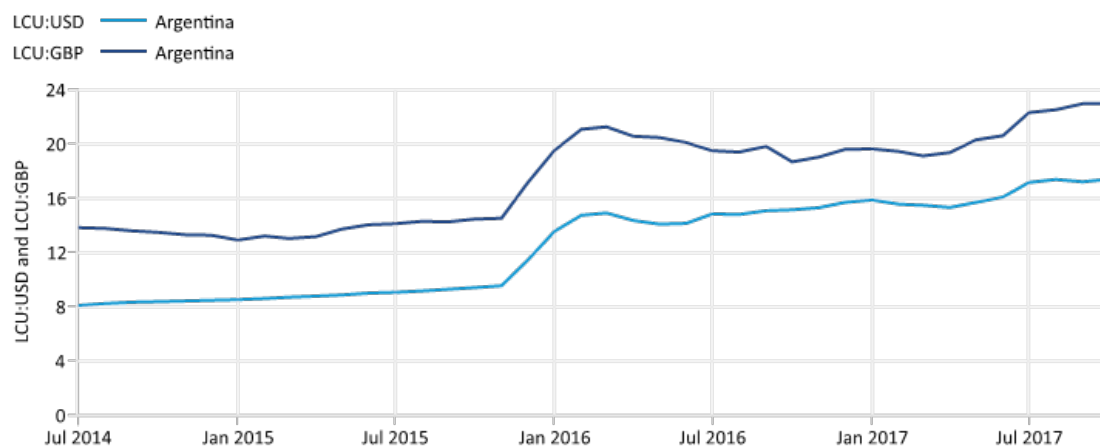
Source : International Monetary Fund/Dun & Bradstreet

LCU (local currency unit) = Argentine peso

Credit Conditions

Source : Export Credit Agencies

Insured export credit exposures, USDm

RISKS AND OPPORTUNITIES

Business Regulatory Environment

Pension reform advances

More pro-market reforms are to be implemented in the coming quarters which will improve the commercial environment further as growth accelerates, private sector participation in public works projects is incentivised and the fiscal gap narrows. Connected to this, congress approved a revised draft pension bill along with fiscal responsibility and fiscal accord bills. Among the key features of the pensions bill is a change in the methodology for calculating quarterly state pension increases, and a provision for workers in the private sector to defer retirement until 70 years of age. The bills will now go to the lower house for approval. In addition, tax and labour markets and judicial reforms are also to be advanced. In late October, after an impressive showing at the polls by the ruling coalition, Cambiemos, President Mauricio Macri revealed proposals to modernise the tax code. These include a 10% cut in taxes (to 25%) for companies which reinvest profits, and lower business social security taxes.

However, a 15% capital gains tax will be applied to profits from foreign currency instruments, as well as a 5% tax on peso-denominated fixed-income financial instruments. The proposed tax reform seeks to increase Argentina's competitiveness by reducing companies' tax burdens while making Argentina's tax code simpler, more transparent and in alignment with international standards. Moreover, the anticipated reduction in the tax burden by 1.5% of GDP is projected to contribute a 0.5% lift to annual real GDP for the next five years. The government is also expected to turn its attention to the reform of the judicial systems as well as labour market reforms, beginning with an amnesty for workers in the informal sector. Varying levels of success are anticipated in getting the agenda through congress, given that the ruling coalition still does not have a congressional majority.

Business Continuity

Railway infrastructure regeneration planned

Local transportation infrastructure is set to improve as railway infrastructure projects were recently included in the government's USD26bn PPP programme under which USD916m in railway projects have already been awarded. Three-and-a-half decades of under-investment and inadequate maintenance led to a deterioration in Argentina's rail network, according to the government. Consequently, Argentina is ranked at 66 out of 160 countries in the 2016 World Bank's *Logistics Performance Index* (LPI) with an overall score of 2.96 on a scale of 1 to 5 (best) and a score of 2.83 in the sub-category of logistics quality and competence. Notably, Argentina was excluded from the group of ten top-performing upper-middle-income economies which included Panama, Mexico and Brazil. In addition to plans for a USD14bn regional express network for the rail system in Buenos Aires - which includes three new rail viaducts - the government plans to upgrade the country's freight transportation system.

COUNTRY PROFILE AND STATISTICS

Overview

Located in the south of South America, Argentina borders five countries, including Brazil and Chile; the Andes mountains 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.

After the restoration of democratic rule in 1983, the political environment was characterised by a lack of government transparency, populist political rhetoric and policy-making, and weak political institutions. This occurred most recently under former President Cristina Fernandez de Kirchner's leadership from 2007-15. However, under centre-right President Mauricio Macri, who took office in December 2015, Argentina has made considerable strides in addressing the structural imbalances in the economy and liberalising it, with a notable return to international capital markets in 2016 after 15 years. This is a marked reversal from a position of government inefficiency, a weakened balance of payments position, a high level of government intervention in the economy, and recurrent problems funding its public debts which contributed to the economy performing erratically under Cristina Fernandez de Kirchner.

Key Facts

Key Fact	Detail
Head of state	President Mauricio MACRI
Capital	Buenos Aires
Timezone	GMT -03-00
Official language	Spanish
Population (millions)	43.8
GDP (USD billions)	547.6
GDP per capita (USD)	12,490
Life expectancy (years)	76.2
Literacy (% of adult pop.)	98.1
Surface area (sq km)	2,780,400

Source : Various sources/Dun & Bradstreet

Historical Data

Metric	2013	2014	2015	2016	2017f
Real GDP growth (%)	2.3	-2.6	2.5	-2.3	2.7
Nominal GDP in USDbn	609	565	616	548	623
Nominal GDP in local currency (bn)	3,348	4,579	5,854	8,050	10,337
GDP per Capita in USD	14,311	13,153	14,193	12,490	14,066
Population (year-end, m)	42.5	43.0	43.4	43.8	44.3
Exchange rate (yr avge, USD-LCU)	5.5	8.1	9.5	14.7	16.6
Current Account in USDbn	-13.1	-8.7	-17.2	-14.5	-23.5
Current Account (% of GDP)	-2.2	-1.5	-2.8	-2.7	-3.8
FX reserves (year-end, USDbn)	28.1	29.0	23.4	36.3	45.2
Import Cover (months)	4.0	3.8	2.8	4.0	4.5
Inflation (annual avge, %)	28.0	40.0	35.0	42.6	25.9
Govt Balance (% GDP)	-1.9	-2.7	-4.8	-5.9	-6.2

Source : Haver Analytics/Dun & Bradstreet

Forecasts

Metric	2018f	2019f	2020f	2021f	2022f
Real GDP growth (%)	3.1	2.7	2.9	3.2	3.3
Nominal GDP in USDbn	643	714	757	814	868
Nominal GDP in local currency (bn)	12,543	14,701	16,872	19,125	21,533
GDP per Capita in USD	14,393	15,823	16,625	17,725	18,748
Population (year-end, m)	44.7	45.1	45.5	45.9	46.3
Exchange rate (yr avge, USD-LCU)	19.5	20.6	22.3	23.5	24.8
Current Account in USDbn	-26.1	-27.0	-30.4	-31.8	-30.0
Current Account (% of GDP)	-4.1	-3.8	-4.0	-3.9	-3.5
FX reserves (year-end, USDbn)	48.1	50.4	52.6	53.7	54.3
Import Cover (months)	4.4	4.2	4.0	3.8	3.8
Inflation (annual avge, %)	18.7	14.8	11.7	10.1	9.1
Govt Balance (% GDP)	-6.3	-6.1	-5.3	-3.3	-3.2

Source : Haver Analytics/Dun & Bradstreet

Comparative Market Indicators

Indicator	Argentina	Brazil	Chile	Mexico	Uruguay
Income per Capita (USD)	14,066	9,951	15,367	8,456	17,172
Country Population (m)	44.3	207.7	18.1	130.2	3.5
Internet users (% of population)	70.2	59.7	66.0	59.5	66.4
Real GDP Growth (% p.a., 2018 - 2027)	1.5 - 2.8	1.0 - 2.0	2.2 - 3.2	2.5 - 5.0	1.2 - 2.5

Source : Various sources/Dun & Bradstreet

LINKS

User Guide

Please click here to visit our online user guide.

Other Dun & Bradstreet Products and Services

Sales

Email: countryinsight@dnb.com

Telephone

UK: +44 (0)1628 492700

US: +1 800 234 3867

Rest of World

contact your local office

or call +44 1628 492700

Publisher

Dun & Bradstreet

Marlow International

Parkway

Marlow

Bucks SL7 1AJ

United Kingdom

Tel: 01628 492000

Fax: 01628 492929

Email: countryinsight@dnb.com

Dun & Bradstreet provides information relating to more than 240m companies worldwide. Visit www.dnb.com for details. Additional information relevant to country risk can be found in the: *International Risk & Payment Review :* Provides timely and concise economic, political and commercial information and analysis on 132 countries. Available as a subscription-based internet service (www.dnbcountryrisk.com) and monthly update journal, the IRPR carries essential information on payment terms and delays. It also includes the unique D&B Country Risk Indicator to help monitor changing market conditions.

Legal and Copyright Notices

While the editors endeavour to ensure the accuracy of all information and data contained in this Country Insight Report, neither they nor Dun & Bradstreet Limited accept responsibility for any loss or damage (whether direct or indirect) whatsoever to the customer or any third party resulting or arising therefrom.

© All rights reserved. No part of this publication may be reproduced or used in any form or by any means graphic, electronic or mechanical, including photocopying, recording, taping, or information storage and retrieval systems without permission of the publisher.

Disclaimer

Whilst Dun & Bradstreet attempts to ensure that the information provided in our country reports is as accurate and complete as possible, the quantity of detailed information used and the fact that some of the information (which cannot always be verified or validated) is supplied by third parties and sources not controlled by Dun & Bradstreet means that we cannot always guarantee the accuracy, completeness or originality of the information in some reports, and we are therefore not responsible for any errors or omissions in those reports. The recipients of these reports are responsible for determining whether the information contained therein is sufficient for use and shall use their own skill and judgement when choosing to rely upon the reports.