

Country Insight Snapshot

Argentina

March 2021





OVERVIEW

OVERALL COUNTRY RISK RATING: DB5c

High risk: Considerable uncertainty associated with expected returns. Businesses are advised to limit their exposure and/or select high return transactions only.



Rating Outlook: Deteriorating

CORE OUTLOOK

- + The labour force will continue to be relatively well-educated by regional standards.
- Macroeconomic shocks from the Covid-19 pandemic will contribute to long-term economic scarring in the absence of adequate fiscal support.
- Peronism and attendant left-wing populist policies are clouding the outlook.
- The peso remains under extreme downward pressure and subject to higher volatility as the global economy reels from the effects of the coronavirus pandemic.

KEY DEVELOPMENT

Foreign exchange risk eases - for the near term - as hard-currency receipts from agri-exports rise; the probability of a steep devaluation has now been reduced.

CREDIT ENVIRONMENT OUTLOOK



Trend: Deteriorating

Key Development has had a positive impact on the outlook.

SUPPLY ENVIRONMENT OUTLOOK



Trend: Deteriorating

Key Development has had a neutral impact on the outlook.

MARKET ENVIRONMENT OUTLOOK



Trend: Deteriorating

Key Development has had a neutral impact on the outlook.

POLITICAL ENVIRONMENT OUTLOOK



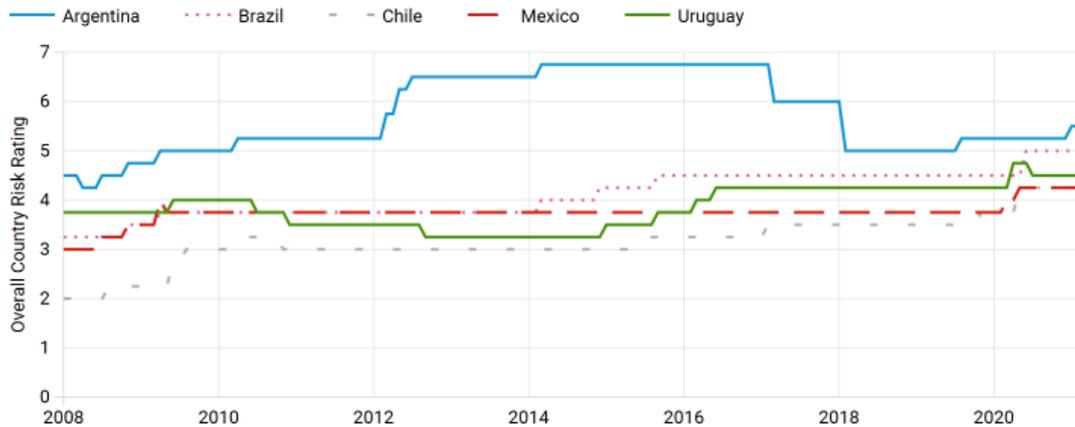
Trend: Stable

Key Development has had a neutral impact on the outlook.



KEY INDICATORS

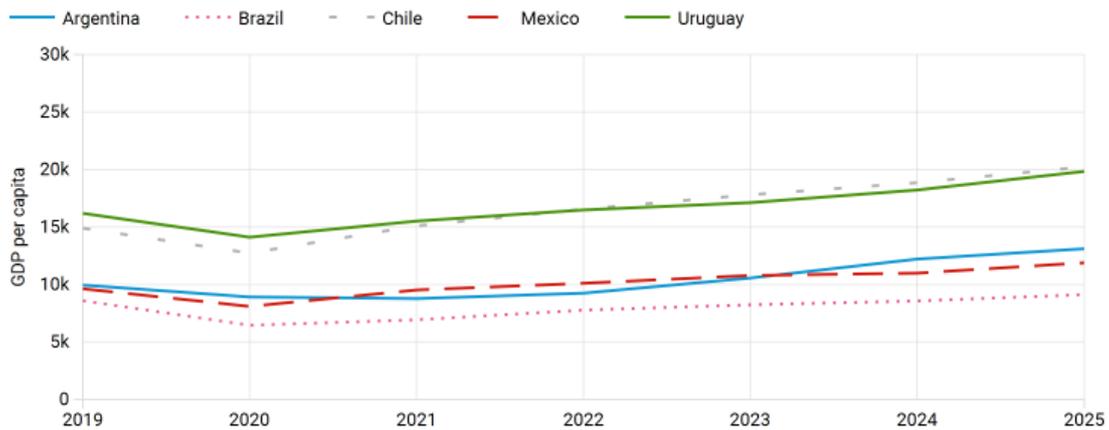
Rating History and Comparison



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	2018	2019	2020e	2021f	2022f	2023f	2024f	2025f
C/A balance % GDP	-5.2	-0.9	2.0	0.9	-0.5	-1.6	-2.1	-1.2
Govt balance, % GDP	-5.5	-4.5	-8.6	-4.5	-2.9	-2.2	-2.0	-1.8
Inflation, annual avge %	34.3	53.5	42.2	48.5	38.4	29.7	25.9	23.1
Real GDP Growth, %	-2.6	-2.2	-9.7	5.1	3.1	2.6	2.4	2.3
Unemployment (annual avge, %)	9.2	11.0	13.9	12.7	10.0	8.8	8.6	8.8

Source: Haver Analytics/Dun & Bradstreet

TRADE AND COMMERCIAL ENVIRONMENT

The mid-February switch to a managed exchanged rate from a crawling peg will reduce FX risk in the near term, but the central bank's ability to maintain the new regime and achieve its exchange-rate target through end-2021 is doubtful. While stronger demand for agri-exports and stringent capital controls will help to increase FX reserves accumulation and dampen demand for US dollars, the bank's ability to attain its goal of limiting the currency's depreciation to 25% this year, to reach ARS125:USD by end-2021, is uncertain given its low FX holdings, high external debt coming due this year, and ongoing robustness in USD demand.

FX reserves were down 12.0% y/y to reach USD39.52bn at end-January, but had risen by 2% m/m in December and 0.3% m/m in January partly due to higher export demand. Nevertheless, import cover remains below the IMF's three month recommendation. While the government could convert a Bank of China swap line to roughly USD20bn if there is an acute demand for USD, this would still be insufficient to cover all external debt obligations due this year and other hard currency demands in 2021.

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

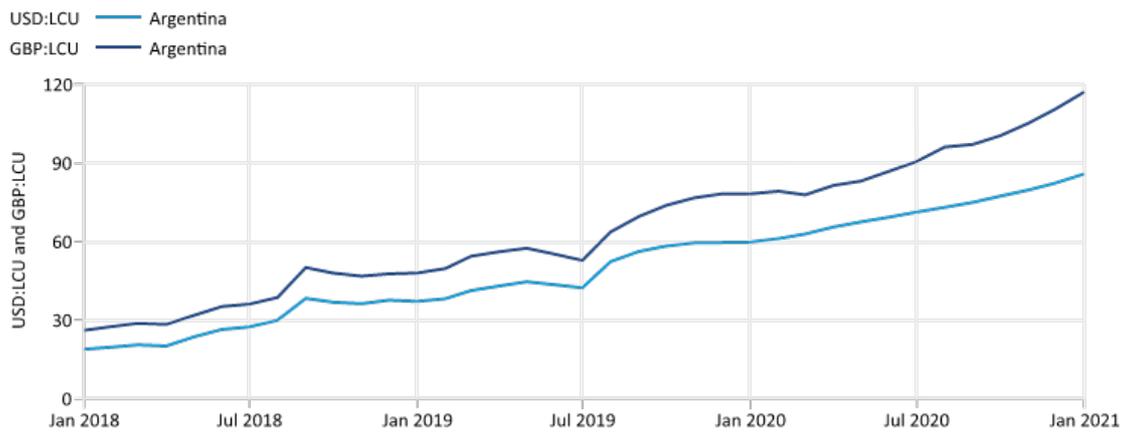
The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.

FX/Bank Delays: 0-1 month

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

Bank Lending to the Private Sector



Source: IMF, Central Banks, Haver Analytics



RISKS AND OPPORTUNITIES

FX Risk

FX risk eases for now

Foreign currency risk has declined for the time being, with a rise in FX receipts in December and January largely due to a rise in agri-exports. This was driven by a combination of bumper harvests and higher commodity prices. The probability of a steep devaluation has been reduced on the back of the rise in FX inflows, the central bank's mid-February shift to a managed foreign-exchange regime from a crawling peg, and is buttressed by existing stringent capital controls that were implemented in 2019.

The recent increase in FX reserves holding by the central bank, which stood at USD39.52bn at end-January, gives the government some breathing room to defer belt-tightening economic reforms that are both needed for sustainable growth and expected to be tied to a new IMF deal, if agreed, to repay its USD45bn loan. Containment of resilient inflation, which stood at an annual average of 42.0% in 2020, and reduction of FX outflows are also key objectives that are dependent on dampened FX volatility and an easing in peso depreciation ahead of mid-term legislative elections due in October.

The Peronist government faces a tough challenge to retain its majority in the upcoming election given high inflation and unemployment rates. The Fernandez administration is said to be considering the use of IMF SDRs to repay its debt to the Fund if no deal is agreed by September 2021.

Business Regulatory Environment

Conditions for restructuring private foreign debt are eased

Businesses received an easing in conditions related to the central bank requirement to restructure and reduce their foreign currency debt. Extension of the original expiration of para.7 of Communication A7106 from 31 March to 31 December allows the impacted 35 companies to tap the foreign-exchange market for a maximum of 40% of the principal of their debt and refinance the remaining 60% with a two-year term.

The relaxation of measures allow the companies to be able to reschedule monthly maturities up to USD2m from USD1m. In addition, businesses are now allowed to tap the foreign-exchange market as much as 45 days ahead of due dates to repay their debts. Moreover, companies using debt-security swaps for early debt repayment are also permitted to tap the FX market early. Another notable relaxation of the measure allows companies to pay rescheduled and new debt and also finance new investment expenditure from their export earnings.

For businesses that are exporters, the amendment allows for the issuance of corporate bonds to foreign investors with an allowance for 25% of the issued bonds to be purchased by individuals with locally held USD-denominated accounts. Companies that rescheduled their debts last year with due dates in 2021 are not required to do this.



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 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' absence). This was 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 that contributed to the economy performing erratically under Cristina Fernandez de Kirchner. Negatively, Macri's reform programme faced increased opposition from trade unions and civil society groups after the passage of pension reforms in December 2017, with large anti-austerity demonstrations taking place in June 2018 after the government sought (and secured) IMF assistance.

Key Facts

Key Fact	Detail
Head of state	President Alberto FERNANDEZ
Capital	Buenos Aires
Timezone	GMT -03-00
Official language	Spanish
Population (millions)	45.2
GDP (USD billions)	402.9
GDP per capita (USD)	8,914
Life expectancy (years)	76.4
Literacy (% of adult pop.)	99.0
Surface area (sq km)	2,780,400

Source: Various sources/Dun & Bradstreet

Historical Data

Metric	2016	2017	2018	2019	2020e
Real GDP growth (%)	-2.1	2.8	-2.6	-2.2	-9.7
Nominal GDP in USDbn	558	644	518	445	403
Nominal GDP in local currency (bn)	8,228	10,660	14,543	21,447	28,418
GDP per Capita in USD	12,814	14,649	11,668	9,947	8,914
Population (year-end, m)	43.5	43.9	44.4	44.8	45.2
Exchange rate (yr avge, USD-LCU)	14.8	16.6	28.1	48.1	70.5
Current Account in USDbn	-15.1	-31.2	-27.0	-4.0	7.9
Current Account (% of GDP)	-2.7	-4.8	-5.2	-0.9	2.0
FX reserves (year-end, USDbn)	36.3	55.1	65.8	44.8	39.4
Import Cover (months)	3.8	5.3	5.8	3.6	2.9
Inflation (annual avge, %)	41.5	25.7	34.3	53.5	42.2
Govt Balance (% GDP)	-6.7	-6.7	-5.5	-4.5	-8.6

Source: Haver Analytics/Dun & Bradstreet



Forecasts

Metric	2021f	2022f	2023f	2024f	2025f
Real GDP growth (%)	5.1	3.1	2.6	2.4	2.3
Nominal GDP in USDbn	400	425	490	571	619
Nominal GDP in local currency (bn)	43,649	61,764	81,714	104,839	131,468
GDP per Capita in USD	8,773	9,245	10,562	12,210	13,110
Population (year-end, m)	45.6	46.0	46.4	46.8	47.2
Exchange rate (yr avge, USD-LCU)	109.1	145.2	166.7	183.5	212.5
Current Account in USDbn	3.5	-2.3	-7.7	-12.0	-7.7
Current Account (% of GDP)	0.9	-0.5	-1.6	-2.1	-1.2
FX reserves (year-end, USDbn)	40.6	41.8	44.3	47.0	49.8
Import Cover (months)	2.7	2.8	3.0	3.2	3.3
Inflation (annual avge, %)	48.5	38.4	29.7	25.9	23.1
Govt Balance (% GDP)	-4.5	-2.9	-2.2	-2.0	-1.8

Source: Haver Analytics/Dun & Bradstreet

Comparative Market Indicators

Indicator	Argentina	Brazil	Chile	Mexico	Uruguay
Income per Capita (USD)	8,773	6,928	15,101	9,524	15,517
Country Population (m)	45.6	214.0	19.2	128.2	3.5
Internet users (% of population)	74.3	67.5	82.3	65.8	68.3
Real GDP Growth (% p.a., 2021 - 2030)	1.0 - 2.3	1.5 - 2.5	1.8 - 3.0	2.0 - 3.5	1.2 - 3.5

Source: Various sources/Dun & Bradstreet



LINKS

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Please click [here](#) to visit our online user guide.

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