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# Country Insight Snapshot

## Argentina

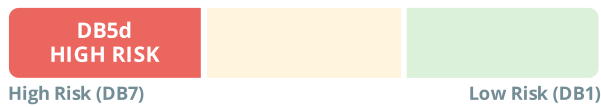
October 2022

SAMPLE



## OVERALL COUNTRY/REGION RISK INDICATOR

### Current Risk Indicator:



- Last change: October 2021 (DB5c → DB5d)
- Red indicates that **Negative** factors/influences dominate
- Rating outlook is **DETERIORATING**

**HIGH RISK** Considerable uncertainty associated with expected returns. Businesses are advised to limit their exposure and/or select high-return transactions only.

### WorldWatch Headline

Growth will decelerate sharply in 2023 as surging inflation and the weakening peso hit private consumption, while heightened uncertainty cools investment.

### Recent Changes

- Growth is set to slow sharply in 2023.
- Banco Central de la República Argentina (BCRA, the central bank) hiked its 'Leliq' benchmark interest rate by 550 basis points in September to 75%.
- Inflation soared at its fastest pace since records began, reaching 79% in August; inflation expectations remain unanchored.
- We have downgraded our real GDP forecast for 2023 to 0.5% amid expectations of a broad-based slowdown domestically.

### Events to Watch

- Pay attention to fiscal policy direction under the new economy minister Sergio Massa after the resignation in July of Martin Guzman who was broadly respected by markets.
- Monitor the pace at which the BCRA will permit the peso to deteriorate on normal terms to some off-evaluation.
- Expect consumer confidence to remain firmly anchored in pessimism territory for the rest of the year: the University of Torcuato di Tella index was at 37.2 in September compared to 41.5 a year ago.

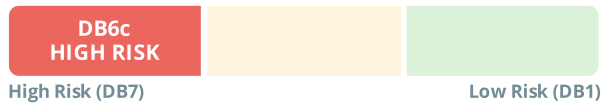
### Call to Action

- Engage in contingency planning to mitigate the effects of higher oil, gas and diesel prices as global markets remain tight.
- Be aware: despite price controls and other government measures to dampen price pressures, consumers' purchasing power continues to be eroded by elevated inflation.

## COUNTRY INSIGHT HEADLINES

### CREDIT ENVIRONMENT

#### Current Risk Indicator:



- Last change: October 2021 (DB6a → DB6c)
- Red indicates that **Negative** factors/influences dominate
- Rating outlook is **DETERIORATING**

**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.

#### Risks and Opportunities

- Banco Central de la República Argentina (BCRA, the central bank) hiked its 'Leliq' benchmark interest rate by 550 basis points in September to 75%. A number of secondary interest rates were increased in recent months as well.
- The BCRA is seeking to keep the benchmark rate above the inflation rate, as agreed with the IMF. As such, further tightening is expected in the coming months.
- Inflation remains a major concern - CPI came in at 79% in August and is expected to top 100% by the end of the year.
- Persistently low foreign reserves are heightening debt sustainability concerns.

#### Trade Terms

Description	Terms
Minimum Terms	LC
Recommended Terms	CLC
Usual Terms	30-90 days

**Note:** OA: Open Account; SD: Sight Draft (Documentary Collection); LC: Letter of Credit; CLC: Confirmed Letter of Credit; CIA: Cash in Advance. **Source:** Dun & Bradstreet

#### Export Credit Cover

Agency	Cover
Ekspert Kredit Fonden (EKF)	Cover on case-by-case basis
US Eximbank	Cover on case-by-case basis
ECCGD	Cover on case-by-case basis
Euler Hermes AG	Limited cover available, conditions apply

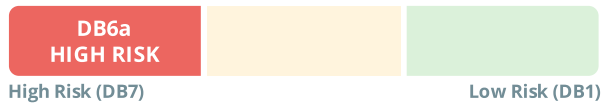
**Source:** Export Credit Agencies

#### Call to Action

- Plan for additional rate hikes by the BCRA in H2 to bring real interest rates into positive territory.
- To mitigate transfer risks, consider tight payment terms when forming new contracts with local companies.
- Use confirmed letters of credit when doing business with local firms.
- Hedge FX risks to avoid currency-related losses; the risk of currency devaluation has eased for now, but the peso will remain under downward pressure in 2022.
- Be aware that participation in the Global Trade Exchange Program - the world's largest commercial trade data network - increases insight around credit decision-making and risk management.

## SUPPLY ENVIRONMENT

### Current Risk Indicator:



- Last change: October 2022 (DB5d → DB6a)
- Red indicates that **Negative** factors/influences dominate
- Rating outlook is **DETERIORATING**

**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.

### Risks and Opportunities

- A number of tax and other incentives were recently announced to attract foreign investors to the oil and gas, tourism and agribusiness industries.
- This, it is hoped, would also boost the inflow of hard currency.
- Additional changes in import/export bureaucracy is expected as the government fights soaring inflation and worryingly low international reserves.
- The government has increased the amount of diesel that could be imported tax free to keep pace with above-expected domestic demand.

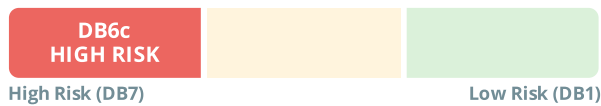
### Call to Action

- Global supply chain problems, though easing, will be a feature of the business environment in 2023, as the war in Ukraine continues and China maintains its 'zero-Covid' policy.
- Expect export controls to remain in place as the government battles record-high inflation at home.
- Be advised that the agriculture sector is facing its driest conditions in three decades, as drought remains a major threat.

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## MARKET ENVIRONMENT

### Current Risk Indicator:



- Last change: August 2022 (DB6b → DB6c)
- Red indicates that **Negative** factors/influences dominate
- Rating outlook is **DETERIORATING**

**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.

### Risks and Opportunities

- Consumer confidence remained in pessimistic territory in September: the UTDT consumer confidence index rose slightly to 37.2 in August from 37.0 in July as still-soaring inflation reduced households' purchasing power and kept inflation expectations unanchored.
- Consumer price inflation is nearing 100%, despite anti-price-gouging policies and price controls on essential goods.
- As regional trade blocs forge deeper ties intra- and extra-regionally, exporters' access to faster-growing markets such as India will expand in the medium term.

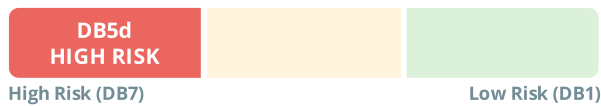
### Call to Action

- Plan for import controls and restrictions on the remittance of profits.
- When doing business with entities in Argentina, keep abreast of, and factor in, the short-term economic forecasts for Brazil, China, India, Chile and the US.
- Consider the opportunities and risks presented by China's increasing importance to trade and investment in Latin America, although over the next few years the US will continue to be a source of substantial inward direct investment.

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## POLITICAL ENVIRONMENT

### Current Risk Indicator:



- Last change: August 2022 (DB5c → DB5d)
- Red indicates that **Negative** factors/influences dominate
- Rating outlook is **STABLE**

**HIGH RISK** Considerable uncertainty associated with expected returns. Businesses are advised to limit their exposure and/or select high-return transactions only.

### Risks and Opportunities

- The field of candidates is coming into focus in the lead-up to presidential elections in 2023; Comptroller Miguel Angel Pichetto of the newly-formed Peronist Encuentro Republicano Federal will run in primaries as part of an opposition alliance with Juntos por el Cambio.
- Divergent views on economic policy, particularly fiscal consolidation, are deepening fissures in the ruling Frente de Todos coalition.
- Price controls on basic consumer items will be maintained in the coming quarters.
- Although such controls may be welcomed by households, investor sentiment has been dented by the government's intervention in markets.

### Call to Action

- Prepare for strike action and public protests against rising inflation and fuel shortages, especially as elections draw near.
- Note that three consecutive years (2018-2020) of economic recession, stubborn inflation, high unemployment and poverty rates have elevated public discontent.
- Recall that public disapproval of both the executive and legislative branches of government is high, suggesting a high probability of widespread public protests.

## STATISTICAL REFERENCE

### KEY INDICATORS AND FORECASTS

#### Key Indicators and Forecasts

##### Historical Data/Forecasts

Metric	2017	2018	2019	2020	2021	2022f	2023f	2024f	2025f	2026f
Real GDP growth (%)	2.8	-2.6	-2	-9.9	10.2	3.3	0.5	1.2	1.8	2
Nominal GDP in USDbn	644	525	453	390	459	573	616	602	612	653
Nominal GDP in local currency	10.7tn	14.7tn	21.8tn	27.5tn	43.6tn	75.1tn	137.3tn	228.2tn	347.5tn	482.7tn
GDP per Capita in USD	14,610	11,817	10,120	8,651	10,135	12,596	13,459	13,077	13,198	14,018
Population (year-end, m)	44.1	44.4	44.7	45	45.3	45.5	45.8	46.1	46.3	46.6
Exchange rate (yr avge, USD-LCU)	16.6	28.1	48.1	70.5	95	131.1	222.8	378.8	568.3	738.7
Current Account in USDbn	-31.2	-27.1	-3.5	3.1	6.7	1	0	-2.7	-4.9	-7.8
Current Account (% of GDP)	-4.8	-5.2	-0.8	0.8	1.5	0.2	0	-0.5	-0.8	-1.2
FX reserves (year-end, USDbn)	55.1	65.8	44.8	39.4	39.7	41.6	41.6	45.5	49.1	52
Import Cover (months)	11.3	12.8	8.3	8.6	5.1	5.8	5.8	5.5	5.7	5.7
Inflation (annual avge, %)	25.7	34.3	53.5	51.1	48.4	51.1	82.2	65	50.5	36.9
Govt Balance (% GDP)	-6.7	-5.4	-4.4	-8.6	-4.4	-4.4	-3.9	-3.3	-2.8	-2.6

Source: Haver Analytics/Dun & Bradstreet

##### Comparative Market Indicators

Indicator	Argentina	Brazil	Chile	Mexico	Colombia
Income per Capita (USD)	12,500	8,329	15,835	11,242	6,403
Country Population (m)	45.5	215.3	19.6	127.5	51.8
Internet users (% of population)	85.5	81.3	88.3	72	69.8

Source: Various sources/Dun & Bradstreet

##### Transfer Situation

Type	Delay
FX/Bank Delays	0-1 month
Local Delays	0-1 month

Note: Length of delay for completion of local and foreign transfers Source: Dun & Bradstreet

##### Trade Payment Restrictions

Trade Payment Restriction	Argentina	Latin America	OECD Average
Restrictions on non-Residents' Accounts	1	0.8	0.06
Restrictions on Payments for Imports	2	0.35	0.06
Restrictions on Payments for Invisible and other Current Transfers	3	0.65	0.35

Note: for a definition of the Trade Payment Restrictions please see the online [user guide](#) Source: International Monetary Fund



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