OVERALL COUNTRY/REGION RISK INDICATOR

Current Risk Indicator:  

![High Risk (DB5d)](image)

- 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 in nominal terms to stave off devaluation.
- 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 40.5 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

<table>
<thead>
<tr>
<th>Description</th>
<th>Terms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minimum Terms</td>
<td>LC</td>
</tr>
<tr>
<td>Recommended Terms</td>
<td>CLC</td>
</tr>
<tr>
<td>Usual Terms</td>
<td>30-90 days</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Agency</th>
<th>Cover</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ekspport Kredit Fonden (EKF)</td>
<td>Cover on case-by-case basis</td>
</tr>
<tr>
<td>US Eximbank</td>
<td>Cover on case-by-case basis</td>
</tr>
<tr>
<td>ECGD</td>
<td>Cover on case-by-case basis</td>
</tr>
<tr>
<td>Euler Hermes AG</td>
<td>Limited cover available, conditions apply</td>
</tr>
</tbody>
</table>

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.
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.
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

**Historical Data/Forecasts**

<table>
<thead>
<tr>
<th>Metric</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022f</th>
<th>2023f</th>
<th>2024f</th>
<th>2025f</th>
<th>2026f</th>
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</thead>
<tbody>
<tr>
<td>Real GDP growth (%)</td>
<td>2.8</td>
<td>-2.6</td>
<td>-2</td>
<td>-9.9</td>
<td>10.2</td>
<td>3.3</td>
<td>0.5</td>
<td>1.2</td>
<td>1.8</td>
<td>2</td>
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<tr>
<td>Nominal GDP in USDbn</td>
<td>644</td>
<td>525</td>
<td>453</td>
<td>390</td>
<td>459</td>
<td>573</td>
<td>616</td>
<td>602</td>
<td>612</td>
<td>653</td>
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<tr>
<td>Nominal GDP in local currency</td>
<td>10.7tn</td>
<td>14.7tn</td>
<td>21.8tn</td>
<td>27.5tn</td>
<td>43.6tn</td>
<td>75.1tn</td>
<td>137.3tn</td>
<td>228.2tn</td>
<td>347.5tn</td>
<td>482.7tn</td>
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<tr>
<td>GDP per Capita in USD</td>
<td>14,610</td>
<td>11,817</td>
<td>10,120</td>
<td>8,651</td>
<td>10,135</td>
<td>12,596</td>
<td>13,459</td>
<td>13,077</td>
<td>13,198</td>
<td>14,018</td>
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<tr>
<td>Population (year-end, m)</td>
<td>44.1</td>
<td>44.4</td>
<td>44.7</td>
<td>45</td>
<td>45.3</td>
<td>45.5</td>
<td>45.8</td>
<td>46.1</td>
<td>46.3</td>
<td>46.6</td>
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<tr>
<td>Exchange rate (yr avge, USD-LCU)</td>
<td>16.6</td>
<td>28.1</td>
<td>48.1</td>
<td>70.5</td>
<td>95</td>
<td>131.1</td>
<td>222.8</td>
<td>378.8</td>
<td>568.3</td>
<td>738.7</td>
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<tr>
<td>Current Account in USDbn</td>
<td>-31.2</td>
<td>-27.1</td>
<td>-3.5</td>
<td>3.1</td>
<td>6.7</td>
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<td>-2.7</td>
<td>-4.9</td>
<td>-7.8</td>
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<tr>
<td>Current Account (% of GDP)</td>
<td>-4.8</td>
<td>-5.2</td>
<td>-0.8</td>
<td>0.8</td>
<td>1.5</td>
<td>0.2</td>
<td>0</td>
<td>-0.5</td>
<td>-0.8</td>
<td>-1.2</td>
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<tr>
<td>FX reserves (year-end, USDbn)</td>
<td>55.1</td>
<td>65.8</td>
<td>44.8</td>
<td>39.4</td>
<td>39.7</td>
<td>41.6</td>
<td>45.5</td>
<td>49.1</td>
<td>52</td>
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<tr>
<td>Import Cover (months)</td>
<td>11.3</td>
<td>12.8</td>
<td>8.3</td>
<td>8.6</td>
<td>8.1</td>
<td>5.8</td>
<td>5.5</td>
<td>5.7</td>
<td>5.7</td>
<td></td>
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<tr>
<td>Inflation (annual avge, %)</td>
<td>25.7</td>
<td>34.3</td>
<td>53.5</td>
<td>48.4</td>
<td>11.1</td>
<td>8.2</td>
<td>6.5</td>
<td>50.5</td>
<td>36.9</td>
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<tr>
<td>Govt Balance (% GDP)</td>
<td>-6.7</td>
<td>-5.4</td>
<td>-4.4</td>
<td>-3.6</td>
<td>-3.2</td>
<td>-3.9</td>
<td>-3.3</td>
<td>-2.8</td>
<td>-2.6</td>
<td></td>
</tr>
</tbody>
</table>

**Source:** Haver Analytics/Dun & Bradstreet

#### Comparative Market Indicators

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Argentina</th>
<th>Brazil</th>
<th>Chile</th>
<th>Mexico</th>
<th>Colombia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income per Capita (USD)</td>
<td>12,578</td>
<td>8,329</td>
<td>15,835</td>
<td>11,242</td>
<td>6,403</td>
</tr>
<tr>
<td>Country Population (m)</td>
<td>45.5</td>
<td>215.3</td>
<td>19.6</td>
<td>127.5</td>
<td>51.8</td>
</tr>
<tr>
<td>Internet users (% of population)</td>
<td>85.5</td>
<td>81.3</td>
<td>88.3</td>
<td>72</td>
<td>69.8</td>
</tr>
</tbody>
</table>

**Source:** Various sources/Dun & Bradstreet

#### Transfer Situation

<table>
<thead>
<tr>
<th>Type</th>
<th>Delay</th>
</tr>
</thead>
<tbody>
<tr>
<td>FX/Bank Delays</td>
<td>0-1 month</td>
</tr>
<tr>
<td>Local Delays</td>
<td>0-1 month</td>
</tr>
</tbody>
</table>

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

#### Trade Payment Restrictions

<table>
<thead>
<tr>
<th>Trade Payment Restriction</th>
<th>Argentina</th>
<th>Latin America</th>
<th>OECD Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Restrictions on non-Residents' Accounts</td>
<td>1</td>
<td>0.8</td>
<td>0.06</td>
</tr>
<tr>
<td>Restrictions on Payments for Imports</td>
<td>2</td>
<td>0.35</td>
<td>0.06</td>
</tr>
<tr>
<td>Restrictions on Payments for Invisible and other Current Transfers</td>
<td>3</td>
<td>0.65</td>
<td>0.35</td>
</tr>
</tbody>
</table>

**Note:** For a definition of the Trade Payment Restrictions please see the online user guide **Source:** International Monetary Fund
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