Country Insight Report

Argentina

July 2020

SAMPLE

Written 29 June 2020

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HIGH-LEVEL SUMMARY

DETAILED ANALYSIS

BACKGROUND

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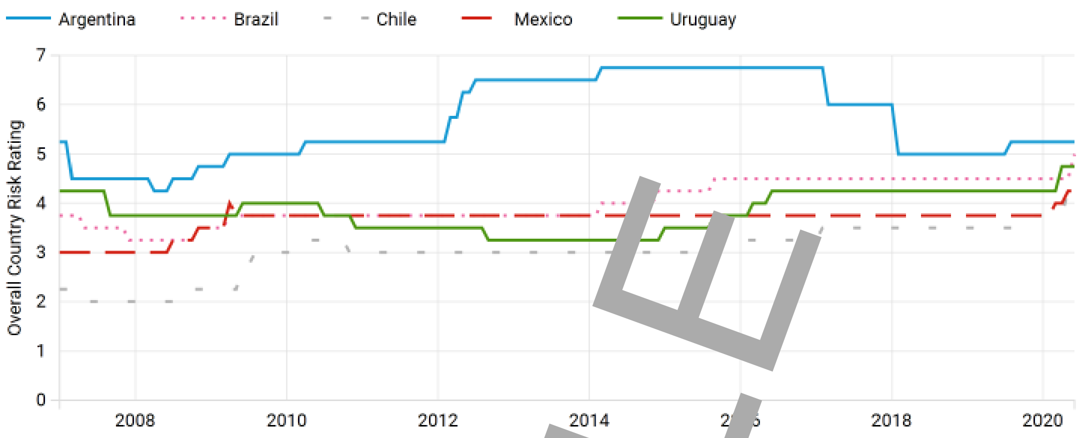
OVERALL COUNTRY RISK RATING: DB5b

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

R

Rating History



Source: Dun & Bradstreet

Note: 1 = Low Risk, 7 = High Risk

KEY HEADLINES

CREDIT ENVIRONMENT OUTLOOK

R

Trend: Deteriorating

- The government has again [illegible]dline to strike a deal with bondholders; it hopes to restructure USD65bn [illegible] debt by end-July.
- The central bank (BCRA) provided support to limit the impact of Covid-19 by slashing the benchmark interest rate by 200 basis points to 38% on 5 March.
- Commercial banks' reserve requirements have also been reduced to mitigate severe economic shocks from the pandemic.

SUPPLY ENVIRONMENT OUTLOOK

A

Trend: Deteriorating

- Disrupted supply chains due to lockdown measures instituted since March will resume slowly on the back of pha[illegible] lifting of restrictions.
- The government has announced a USD1.58bn allocation for public works included in emergency stimulus measures aimed at limiting the economic impact of Covid-19.
- The PPP model will continue to be used for the implementation of infrastructure programmes.

MARKET ENVIRONMENT OUTLOOK

R

Trend: Deteriorating

- Lockdown measures to curb the spread of coronavirus are hitting most sectors and driving the economy into a recession deeper than in previous forecasts.
- Emergency packages unveiled by the government to support workers and vulnerable groups include transfer payments, as well as social security and unemployment insurance benefits.
- Anti-price-gouging policies have been adopted in addition to price controls on essential goods, including food and medical supplies.
- Restrictions on the exportation of medical supplies have also been instituted.

POLITICAL ENVIRONMENT OUTLOOK

A

Trend: Stable

- President Alberto Fernandez's approval rating surged in Q2 due to his swift implementation of measures to curb the spread to coronavirus.
- This was in stark contrast to the leaders of Brazil and Mexico.
- The government's tripartite pact with the business sector and labour unions, combined with measures such as price freezes, is expected to result in a decline in public unrest.

KEY RECOMMENDATIONS

- Expect a slow return to 'normality' as lockdown measures are gradually lifted.
- Note that elevated levels of unemployment and sluggish growth will restrain demand.
- Monitor developments in key export markets *vis-à-vis* the speed and depth of their economic recovery.
- Monitor debt restructuring negotiations and potential fiscal measures which could impact planned government expenditure for FY2020.

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GLOBAL INSIGHT

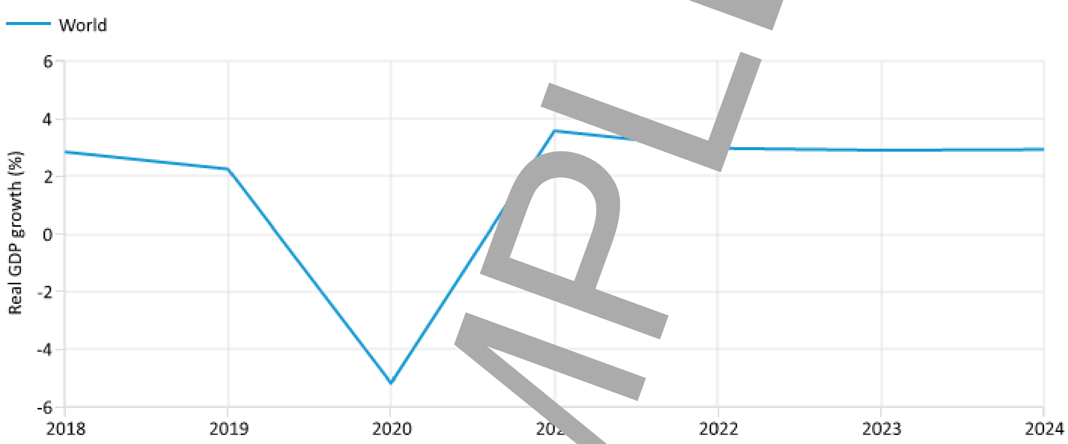
Trend: Deteriorating

Headline Global Issues

- The global coronavirus shock will be the greatest since at least the 1940s or 1929, easily eclipsing the 2008-09 shock.
- Widespread quantitative easing means that financial asset prices globally are not reflecting the shock to fundamentals.
- The world economy will not attain pre-pandemic levels of activity before 2022.

GLOBAL OUTLOOK

Global Growth Forecast



Source: Haver Analytics/Dun & Bradstreet

Global Economic Outlook: World economy will contract sharply

We are currently forecasting that the global economy will contract by 5.2% in 2020 – the biggest decline since the Second World War and far stronger contraction than the 1.7% recorded in 2009 during the global financial crisis. Furthermore, unlike in 2009, all regions will experience a contraction. We also expect the recovery to be weaker on this occasion: in 2010 growth came in at 4.3%, against our 2021 forecast of 3.[illegible]%. Indeed, the global economy will not reach pre-pandemic levels of activity again before 2022, even if economies that managed to contain the virus accelerate their divergence from those that failed to do so.

Central banks continue to extend a tide of liquidity to stop the pandemic bringing a global solvency crisis; according to the IMF the measures total USD6trn. However, widespread use of monetary easing since 2008 has reduced room for these policies to be as effective as they were previously. Meanwhile, government support packages (totalling USD10trn) will bring fiscal problems into the medium term. Weak CPI inflation will keep the debt-servicing burdens high, even amid fears of supply-side damage and monetary growth.

Looking ahead, any recovery into 2021 (even without a second bout of the pandemic) is going to be curtailed by several factors. Foremost will be the presence of degrees of social distancing (despite the easing of lockdowns), higher levels of post-lockdown unemployment and poverty, and increased saving by those in employment. Physically, global supply chains have been resilient, despite the collapse of air freight capacity and difficulties in replacing seafarers. However, the copper price has been lifted by mine closures in a demonstration of the supply-side shocks, and emerging economies will still suffer from lower levels of commodity demand, remittance inflows and tourism.

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Commodity Prices

Commodity	Mar 2020	Apr 2020	May 2020	2019	2020f	2021f	2022f	2023f	2024f
Aluminium (USD/tonne)	1,611	1,457	1,460	1,791	1,498	1,554	1,700	1,850	2,025
Copper (USD/tonne)	5,178	5,048	5,234	6,003	5,334	5,246	6,295	6,358	6,421
Gold (USD/ounce)	1,592	1,683	1,716	1,392	1,630	1,585	1,323	1,322	1,318
Brent Oil Price (USD/barrel)	34.2	27.1	32.6	64.0	34.8	39.4	55.0	51.0	53.0
WTI Oil Price (USD/barrel)	29.5	16.6	28.5	57.0	32.0	32.3	48.0	45.0	48.0
Cocoa (USD/kg)	2.34	2.27	2.32	2.34	2.38	2.36	2.36	2.36	2.36
Coffee (US cents/lb)	158.5	162.3	155.4	133.4	140.0	131.0	131.0	131.0	131.0
Phosphate (USD/tonne)	71.9	70.8	72.9	88.0	70.9	75.0	78.0	83.0	87.0
Platinum (USD/ounce)	759	754	793	864	807	858	975	1,025	1,075
Soybeans (USD/tonne)	373	361	[illegible]	369	381	381	384	400	400

Source: World Bank/Dun & Bradstreet

Exchange and Interest Rates

Metric	Mar 2020	Apr 2020	May 2020	2020f	2021f	2022f	2023f	2024f
EUR-USD	0.9	0.92	0.92	0.91	0.9	0.89	0.88	0.87
JPY-USD	107.67	[illegible]	107.2	109.0	105.0	109.0	120.0	112.0
GBP-USD	0.81	0.81	[illegible]	0.8	0.8	0.8	0.79	0.79
BRL-USD	4.86	[illegible]	5.61	5.23	4.89	4.71	4.35	4.29
CNY-USD	7.01	7.07	7.1	7.16	7.24	7.35	7.35	7.35
BOJ Interest Rate (EOP)	-0.07	-0.06	-0.07	0.0	0.1	0.1	0.3	0.3
ECB Key Interest Rate (EOP)	0.0	[illegible]	0.0	0.0	0.0	0.5	1.0	1.5
US Federal Funds Rate (avg)	[illegible]	0.13	0.13	0.13	0.13	0.38	1.38	1.38

Source: Dun & Bradstreet, Haver Analytics, Federal Reserve Board, European Central Bank, Bank of Japan

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Key Risk: Long-tail shocks loom as central banks boost asset prices

The disease has continued to spread in many emerging markets, especially in the Americas. Large economies in the developing and developed world remain at risk of a second wave of coronavirus infections, or have yet to control the first wave. The productivity of urban space will suffer a prolonged negative shock as long as social distancing applies and people fear the coronavirus, whether or not countries have contained their epidemics, with consequences for commercial real estate, employment and credit quality. Only a small fraction of commercial rents were paid in the UK in Q2, and this pattern could persist, while Dun & Bradstreet has classed 30% of all US industrial sectors as 'high proximity' – and thus disproportionately affected by social distancing measures.

As of June, two-thirds of the global population and close to half of all economies Dun & Bradstreet covers (in US dollar terms) were on a 'deteriorating' country risk outlook. The improvement from May was mostly due to the reassigned 'stable' trend for the US in June, despite increased infections in the south and west of the world's largest market since lockdowns eased in recent weeks. But unemployment in the US may end the year at double-digit rates even in a 'full containment' scenario. Although quantitative easing has reversed the emerging market liquidity shock since Q1, as a consequence global asset prices – from stocks to bonds, but also currencies – are failing to signal the shock to fundamentals. Even emerging market central banks, not yet at the zero rate policy limit, have bought up assets. The result is that post-Q2 lockdown shocks are not being priced in.

Recommendations

- Be aware that defaults are rising even in Asia, a region where many economies were able to contain the coronavirus at least for the short term.
- Note that only government support is sustaining European export credit insurance availability and that cover has often already been withdrawn in other geographies.
- Tighten trade terms and underwriting standards and cap all short-term exposure.

REGIONAL INSIGHT

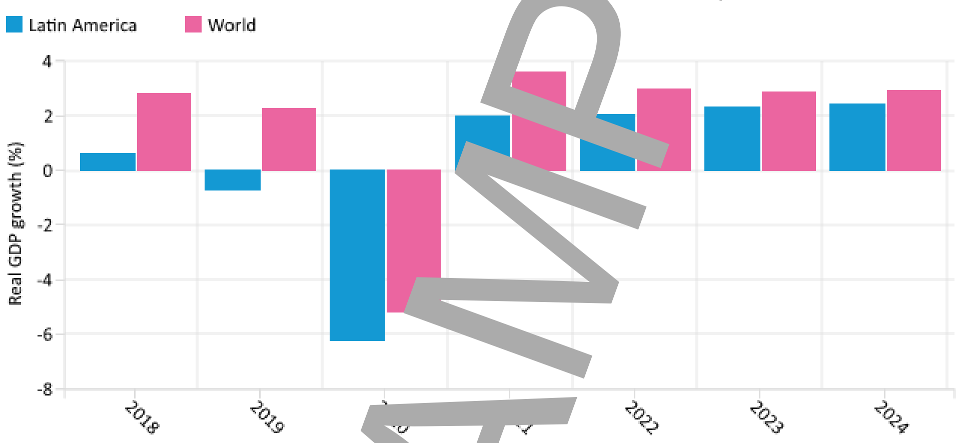
Trend: Deteriorating rapidly

Headline Regional Issues

- Our regional trend indicator is at 'deteriorating rapidly' as Latin America becomes the new epicentre of the coronavirus pandemic.
- Overburdened health infrastructure and uneven official responses to outbreaks have heightened Latin America's vulnerability to severe socioeconomic and political impacts.
- Restrictions on travel and public gatherings have curbed public agitation against several regional governments...
- ...but discontent will keep political/instability risks elevated post-pandemic, particularly in Bolivia, Chile and Colombia.
- Emergency monetary easing and fiscal packages have been announced to mitigate the economic fallout of the Covid-19 pandemic.
- Venezuela's crisis has created an unprecedented humanitarian, social and economic disaster: the steep economic contraction has dragged down the regional average.

REGIONAL OUTLOOK

Regional Growth Forecast



Source: Haver Analytics/Dun & Bradstreet

China's economy is recovering from the coronavirus outbreak, while other major regional trade partners - EU members and the US - phase in the resumption of normal business, even as they work to contain outbreaks. But Latin America's near-term outlook remains heavily clouded by the extent of the regional pandemic. Since March, closures and other restrictions to reduce the spread of coronavirus throughout the region have deeply depressed output from non-essential sectors. The regional tourism sector has also been dealt a severe blow, while investors' exit from emerging markets has hit equities and put FDI spending on hold indefinitely. Leading currencies - including the Brazilian Real - recorded new levels of weakness against the USD dollar in recent times. The downward revision of our 2020 regional growth forecast to negative territory remains subject to significant downside risks.

Despite fiscal packages to protect households from Covid-19's economic impact, the lack of real change suggests that agitation against corruption, inequality and austerity will resurface post-pandemic. Uncertainty over policy-making in Brazil and Mexico contributes to already battered investor confidence and could hinder the region's recovery after the pandemic ends. Further ahead, administrations still face the challenge of balancing unimpressive growth with unrelenting demands for better public services/greater accountability: voters' intolerance for corruption among public officials and the business class - and growing dissatisfaction over environmental and climate-change issues - will remain features of the political environment. Medium- to long-term growth rates are subject to structural constraints that weigh on efficiency and productivity, weakening the region's global competitiveness.

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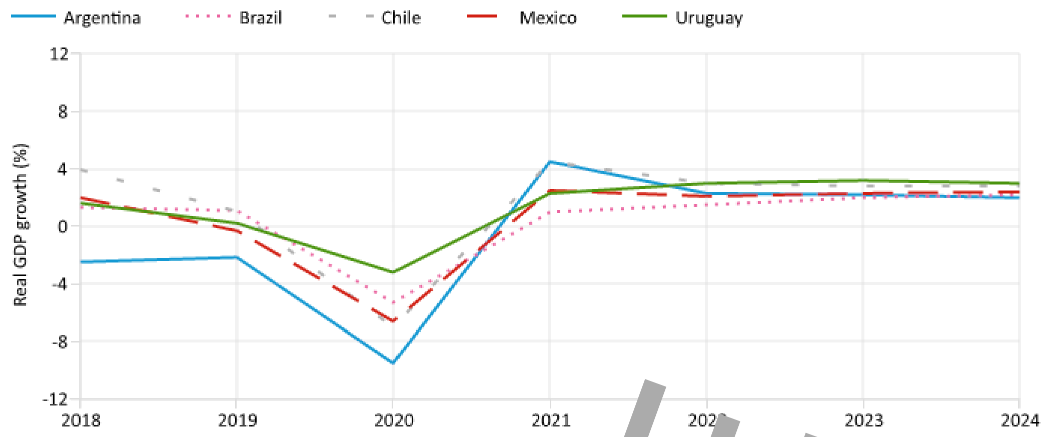
Outlook for Key Regional Countries



Source: Haver Analytics/Dun & Bradstreet

The regional economy is set to contract deeply in 2020 as the coronavirus outbreak remains uncontained, with Brazil a hotspot and other countries struggling to 'flatten the curve' of infection rates. Severe impacts of Covid-19 triggered additional downgrades for regional economies including Brazil and Colombia. This followed Argentina's rating outlook shift to 'deteriorating rapidly' as consumption, investment and trade were battered. In addition, failure to pay USD500m in overdue coupon payments in May led to Argentina's ninth sovereign default. The government is negotiating with creditors to avoid a disorderly default.

The huge surge in coronavirus cases in Brazil and escalating political turmoil involving President Jair Bolsonaro have put tax and administrative reform on the back burner. The probability of a swift recovery from the current crisis - which has dealt a severe blow to investment, exports and consumption - is low, and declining. We continue to monitor political and insecurity risks given Bolsonaro's controversially slow and weak response to the Covid-19 outbreak and the political maelstrom around the president - who has led anti-lockdown protests and whose alleged interference in criminal investigations led to the resignation of Justice Minister Sergio Moro.

In Mexico towns in states 'free' of coronavirus were among the first to resume business in a phased reopening. The crucial automotive, construction and mining industries were also reopened in the first phase. Inward remittances will fall in H2 given that tens of millions of workers in the US have filed for unemployment claims since mid-March, notwithstanding some US jobs recovery in Q2. And recent big drops in global oil prices have piled more pressure on the debt-laden state-owned oil company Pemex, which is a fiscal drain. We still anticipate an elevated risk of a sovereign downgrade unless Pemex's multi-year production decline is arrested, its shaky finances are markedly improved and/or public finances are shielded.

Ratification of the trade deal between Mercosur and the EU was dealt a blow when the Netherlands rejected the proposed pact, citing unfair competition for EU farmers and insufficient environmental protections. The trade agreement aims to eliminate more than 90% of bilateral export tariffs. EU members have expressed concerns about the competitive advantage of Latin America's agriculture sector and the impact on EU farmers. Finally, we maintain our extremely downbeat outlook for Venezuela and expect regime change by end-2020, with the US adding new pressure on the current regime, having charged President Nicolas Maduro with drug trafficking.

Recommendations

- Plan for extended and severe negative impacts from the Covid-19 pandemic given regional governments' generally limited fiscal scope to mitigate severe negative effects.
- Expect ratification of the EU-Mercosur deal to take even longer than previously anticipated given anticipated additional objections from EU members.
- Where possible, hedge against currency exposure as regional currencies are battered.
- Ensure compliance with domestic anti-corruption laws (including those in home countries) to avoid heavy penalties and to minimise reputational risk.
- Expect challenges due to bureaucracy, inadequate infrastructure, and corruption.
- Incorporate environment-friendly policies, where possible, to increase indemnity against rising public protests on climate change/environmental concerns.

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COUNTRY INSIGHT HEADLINES

CREDIT ENVIRONMENT OUTLOOK

R

Trend: Deteriorating

Current Issues

- The central bank (BCRA) slashed its benchmark interest rate by 200 basis points to 38% on 5 March, having lowered commercial banks' reserve requirements to mitigate severe economic shocks from the coronavirus pandemic.
- The BCRA has signalled its intention to help the government with foreign debt payments if necessary, as it pushes to renegotiate roughly USD100bn in external debt.
- On 23 April the government missed a bond interest payment of USD503m, having already postponed USD9bn due on USD-denominated short-term 'Letes' in December.

Risks and Opportunities

- The BRCA intends to keep real interest rates in positive territory as it seeks to reduce inflation in 2020.
- Tighter capital controls cannot be ruled out, given low foreign reserves and the weak peso.
- Credit risks are elevated as the economy is set to register a steeper than previously forecast recession.

Trade Terms

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

Source: Dun & Bradstreet

Export Credit Cover

Agency	Cover
US Eximbank	ST/MLT cover available
Atradius	Restrictions will apply
ECGD	Cover available. Enquire for ST, M/LT.
Euler Hermes UK	Restrictions will apply

Source: Export Credit Agencies

Recommendations

- To mitigate transfer risks, consider tight payment terms when forming new contracts with local companies.
- Hedge FX risks to avoid possible currency-related losses.
- Use confirmed letters of credit when doing business with local firms.

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SUPPLY ENVIRONMENT OUTLOOK

A

Trend: Deteriorating

Current Issues

- Disrupted supply chains due to lockdown measures instituted since March will resume slowly on the back of phased lifting of restrictions.
- The government has announced a USD1.58bn allocation for public works included in emergency stimulus measures aimed at limiting the economic impact of Covid-19.
- The PPP model will continue to be used for the implementation of infrastructure programmes.

Risks and Opportunities

- The pace at which restrictions are lifted will determine the speed with which supply chains are restored.
- Note that a second wave of infections as restrictions are lifted could result in the reintroduction of lockdown measures and the attendant impacts on supply chains.
- Road infrastructure will improve if the government implements the previously-approved USD26.5bn infrastructure plan, scheduled to run through to 2022.

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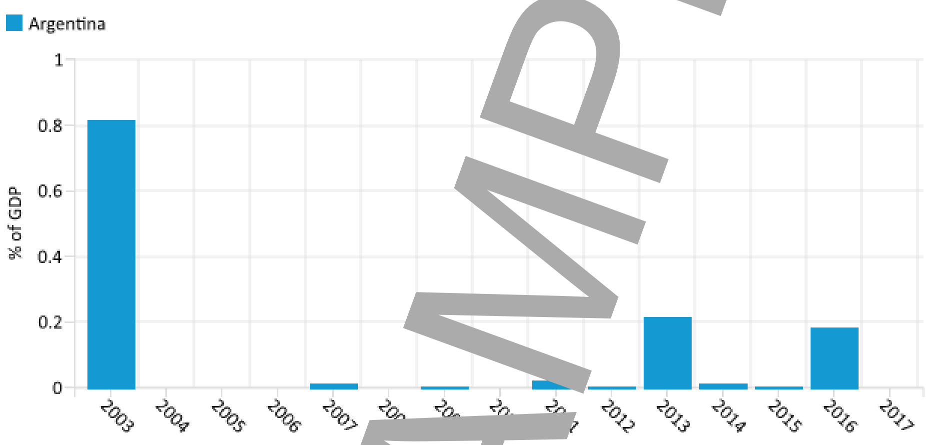
Natural Disaster Impact



Source: D. Guha-Sapir, R. Below, Ph. Hoyois - EM-DAT: International Disaster Database – www.emdat.be – Université Catholique de Louvain

Recommendations

- Keep abreast of official plans for the reopening of the economy, which is likely to be on a phased basis.
- Watch for changes in import/export bureaucracy, which will impact the purchase of imported raw materials and/or intermediate goods.
- Closely monitor the new administration's stance *vis-a-vis* private-sector participation, and assess the potential impact on logistics and supply-chain management.
- Take note of the current uncertainty relative to Argentina's relations with key regional trade partners and trade blocs, as this could negatively impact supply chains.

MARKET ENVIRONMENT OUTLOOK

R

Trend: Deteriorating

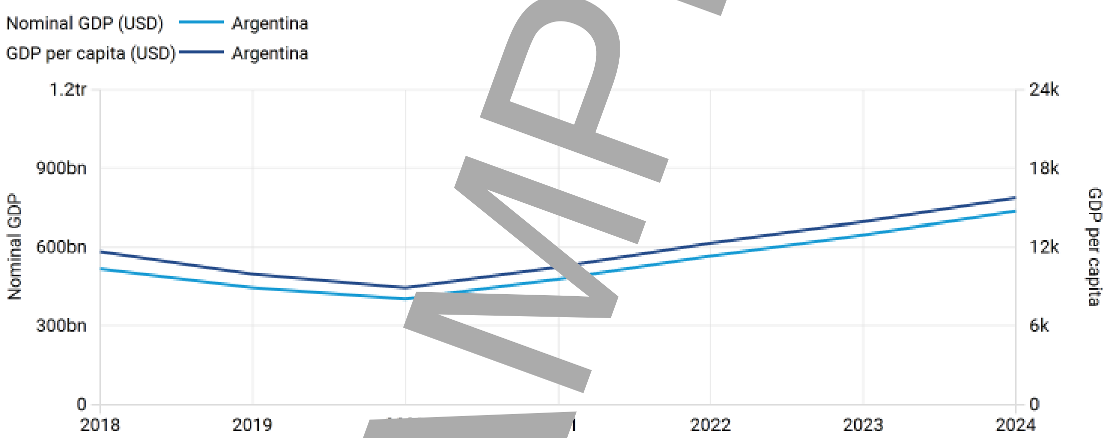
Current Issues

- Lockdown measures since March will hit most sectors and drive the economy into a recession deeper than previous forecasts.
- Emergency packages unveiled by the government to support workers and vulnerable groups include transfer payments, as well as social security and unemployment insurance benefits.
- Anti-price-gouging policies have been adopted in addition to price controls on essential goods, including food and medical supplies.
- Restrictions on the exportation of medical supplies have also been instituted.

Risks and Opportunities

- Despite monetary and fiscal support, domestic demand will remain sluggish as unemployment rates remain high in coming quarters.
- 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.

Nominal GDP and GDP per capita



Source: Haver Analytics/Dun & Bradstreet

Recommendations

- Expect a slow return to normalcy as lockdown measures are gradually lifted.
- Note that elevated levels of unemployment and sluggish growth will restrain demand.
- Keep abreast of economic forecasts for Brazil, Mexico and Uruguay, and adjust projected export demand accordingly.
- Expect the prolonged recession to continue weighing heavily on private domestic demand in 2020.

SAMPLE

POLITICAL ENVIRONMENT OUTLOOK

A

Trend: Stable

Current Issues

- President Alberto Fernandez's approval rating surged in March and remained above 70%, due to the swift implementation of measures to curb the spread of coronavirus.
- This was in stark contrast to the leaders of Brazil and Mexico.
- The government's tripartite pact with the business sector and labour unions, combined with measures such as price freezes, is expected to result in a decline in public unrest.

Risks and Opportunities

- Prolonged lockdown measures and restrictions will drive up unemployment which, notwithstanding the government's support measures, could trigger public agitation.
- Price controls on basic consumer items will be maintained for our forecast horizon; while this may be welcomed by households, investor sentiment has been dented by heightened market intervention.

Political Freedom

Location	Electoral Process	Pluralism and Particip.	Function'g of Govt.	Freedom of Expression and Belief	Assoc. and Org. Rights	Rule of Law	Personal Autonomy and Individual Rights
Argentina	11	16	8	15	11	10	14
Latin America	9	11	7	13	8	8	10
OECD Average	12	15	10	14	11	13	14

Source: Freedom House

Higher score = greater degree of freedom

Recommendations

- Closely follow the the government's plans for easing the lockdown, which will likely be implemented in phases.
- Note that the anticipated spike in unemployment will increase political/insecurity risk, despite emergency measures to mitigate the pandemic's full impact.
- Note that the government's lack of fiscal space limits its ability to provide additional support measures to households and businesses.
- With the defeat of Cambiemos, expect changes in investment policy that may restrict private-sector participation in certain sectors.

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DETAILED ANALYSIS

The following sections analyse in more detail the nine core elements that influence the risks and opportunities involved when doing business in/with a given country.

The core categories that we analyse as part of our broader risks and opportunities model are as follows:

- Short-Term Economic Outlook
- Long-Term Economic Potential
- Market Potential
- FX Risk
- Transfer Risk
- Business Regulatory Environment
- Business Continuity
- Political/Insecurity Risk
- Expropriation/Nationalisation Risk

Descriptions for each of these categories can be found in the User Guide section of this report.

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SHORT-TERM ECONOMIC OUTLOOK

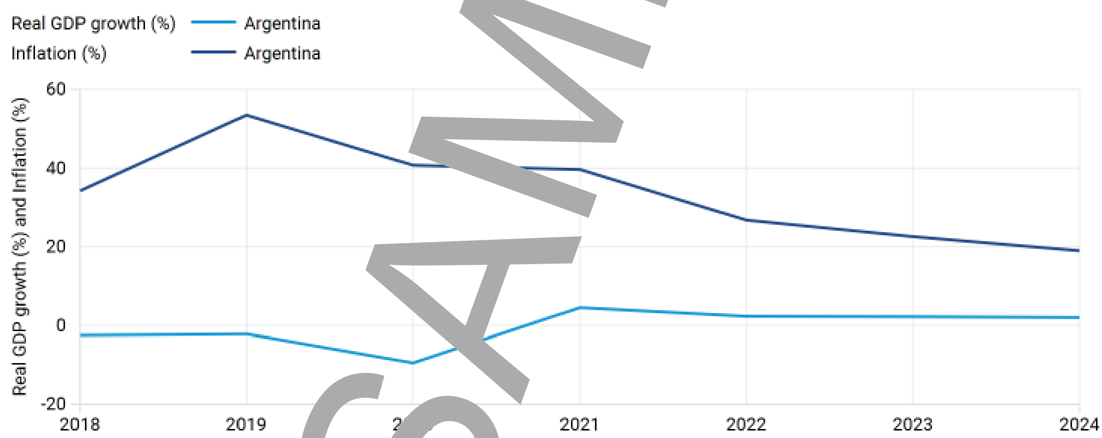
Economic Activity dropped by 5.4% year-on-year (y/y) in Q1 following a contraction of 1.1% y/y in the previous quarter. Domestic demand plunged by 8.2% in the first quarter on the back of a massive coronavirus-related shock to the labour market and elevated price pressures. The sharp drop in international trade, due partially to international transportation and trade restrictions to slow the spread of coronavirus, in addition to drastic declines in external demand, contributed to a 4.7% fall in exports Q1 while imports dropped by 16.0% for the quarter. In May exports of manufactured goods, fuels and energy contributed to 16.3% y/y reduction in exports, while imports plummeted by 31.8% due to a steep fall in purchase of imported motor vehicles, fuels and capital goods.

The economy remains on course for a third consecutive year of recession, although to mitigate the impact of the pandemic on firms and households, the government unveiled measures equivalent to 2% of GDP. For households, these include increased cash transfers to needy families, higher unemployment insurance benefits and extended price controls for 2,300 food, medical and other basic products. Severe contraction of consumption, investment and trade due to the coronavirus pandemic underpinned the steep decline in economic activity and contributed to our real GDP forecast of -5.7% for 2020. This follows contractions of 2.5% and 2.2% in 2018 and 2019 respectively.

Risks and Opportunities

- The agriculture sector will be a notable contributor to growth in the coming quarters on the back of forecasts of bumper harvests of wheat, corn and soy.
- If adopted, the public-private-partnership (PPP) model will enable a more efficient execution of projects.

Real GDP Growth and Inflation



Source: Haver Analytics/Dun & Bradstreet

Inflation plunged to its lowest level in [illegible] months in May to 43.4% from 45.6% in the previous month to take the annual average inflation rate to 51.3% for May. While the price of education declined, prices of housing, clothing and footwear, recreation and culture rose. We are projecting a decline annual average inflation to 42.8% in 2020 from 53.5% in 2019 supported by ongoing price controls.

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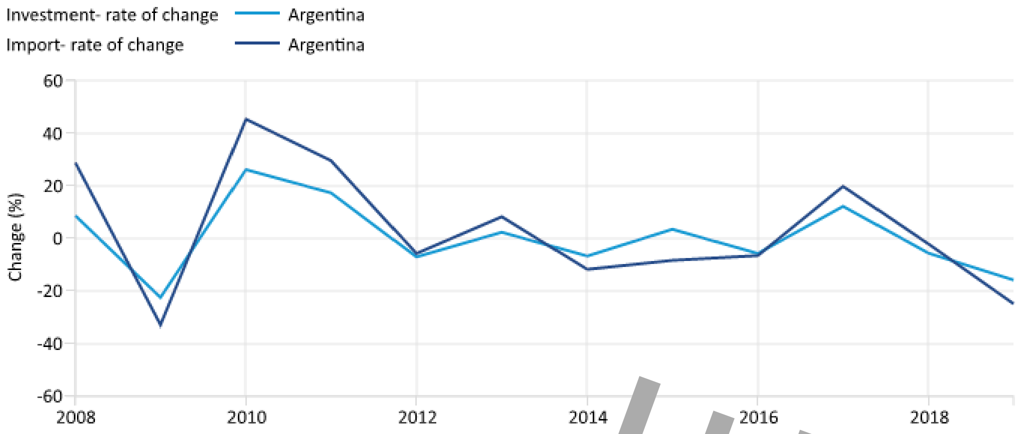
Investment and Imports



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

The government has again pushed the deadline to strike a deal with bond holders: it now hopes to restructure USD56bn in debt by end-July. Argentina slipped into the country's ninth sovereign default when on 23 May it failed to make payment of USD503m in delayed coupon payment, which was initially due on 23 April. The latest rejected proposal reportedly increased restructured debt's net present value to 50 cents on the dollar from 47 cents.

Argentina's main creditors had rejected a previous government proposal of a 62% haircut on interest payments and a reduction of 5.4% of the face value of USD65bn in external debt. The offer also included a proposal to defer debt obligations for three years. Proposals require approval from 66-75% of creditors for debt restructuring to proceed. The IMF and Argentina recently agreed to begin Article IV Consultations as a first step in developing a repayment programme for the USD44bn IMF bailout and avoid a messy default with other foreign creditors.

Recommendations

- Note that payment risks remain elevated because of heightened FX risks and tightening capital controls.
- Assess the impact of currency volatility on US-denominated liabilities.
- Explore business opportunities presented by infrastructure projects that will be executed using the PPP model.

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LONG-TERM ECONOMIC POTENTIAL

Argentina's economic performance fluctuated significantly in the decade prior to December 2015. Underpinning an uneven pattern of GDP growth was a mixture of ad hoc, incongruent monetary and fiscal policies that aimed to lower double-digit unemployment, address an unmanageable external debt burden (which led to the historic 2001 USD94bn sovereign default) and rein in hyperinflation. The previous governments' populist politics (under Nestor Kirchner and Cristina Fernandez) heightened expropriation risks. Increasingly anti-business policies contributed to reduced inflows of foreign portfolio and direct investment, despite the country's relatively acceptable level of infrastructure development and an educated labour force. Indeed, as a result of increasing government spending on education since 1980 (except for the debt-crisis years), Argentina's education system has enabled growing numbers of its citizens to attain the highest levels of education when compared with regional peers. Negatively, a lack of professional opportunities has presented a 'brain drain' challenge that successive governments have sought to reverse.

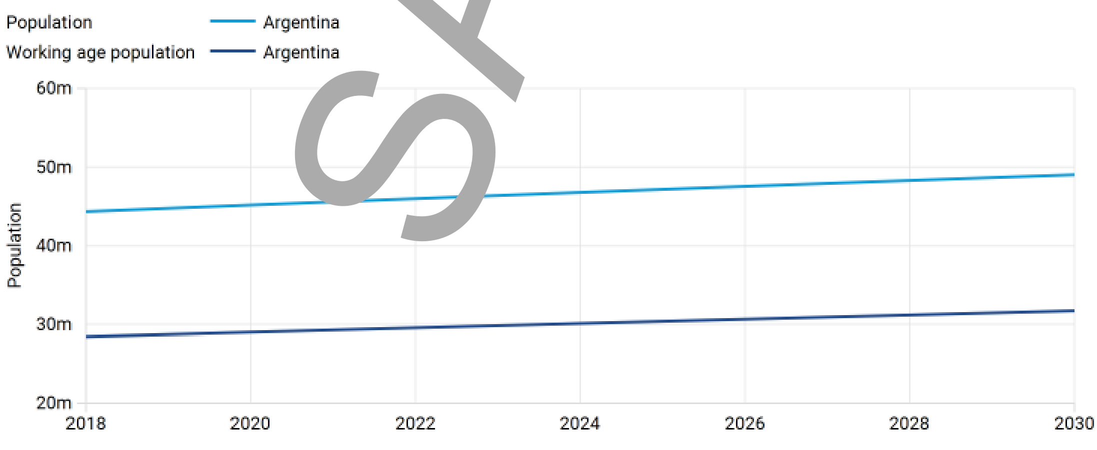
Mauricio Macri's win in the presidential election of 2015 marked a shift in economic policies, ushering in economic and structural reforms that were aimed at boosting Argentina's long-term growth prospects. However, the return to Peronism with Alberto Fernandez in October 2019 might change this trajectory. Among key reforms introduced by Macri was pension reform, which was passed in December 2017, despite strident public protest. In addition to facilitating the passage of other crucial fiscal measures, changes in state pension calculations were projected to yield savings equivalent to 0.6% of GDP and help hit its primary deficit target. Simplification of the tax code was another significant reform, which is expected to yield an additional 0.5% of GDP in the next five years, according to the government.

Risks and Opportunities

- With continued reliance on the PPP model, investment in infrastructure will lift Argentina's long-term growth potential.
- A reversal of pro-business policies will hurt business confidence and undo progress made under the Macri administration.
- Argentina possesses the world's second-largest shale gas reserves, surpassing those of Mexico and Brazil.

Human Capital

Population Dynamics



Source: UNPOP

The Argentine population is expected to grow by less than 1.0% per annum between 2020 and 2045, and by less than 0.5% annually in the five years to 2050. Moreover, Argentina's dependency ratio (ratio of the population aged 0-14 years and 65+ per hundred population aged 15-64) is steadily rising and will reach 77.5% by 2095, according to the UN. The rising dependency ratio will put pressure on the country's pension and social security system, as tax revenues decline on account of an ageing population.

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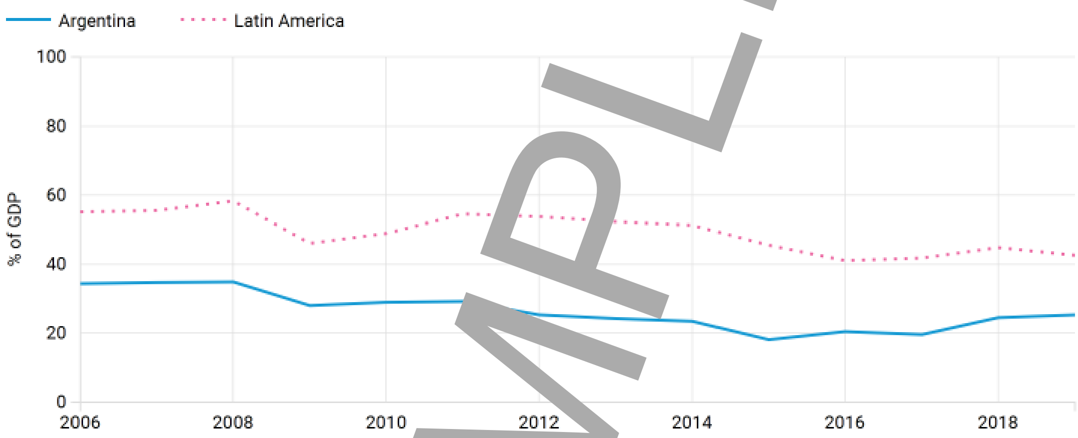
Currently, Argentina is classified by the UN's *Human Development Index* (which evaluates a country's health, education and income levels) as having high human development. Despite some inequality in access to, and quality of, key services based on geographic location and income, Argentina has consistently surpassed the average regional performance in this index since 1980.

Physical Capital

According to the World Economic Forum's *Global Competitiveness Report 2019*, Argentina sits at 68th out of the 141 countries surveyed in terms of infrastructure, with an overall score of 68.3, on a scale of 0-100 (best). Argentina's best-performing subcategories were road connectivity and electrification rate. In keeping with previous years, Argentina's telecommunications infrastructure and penetration places it much higher in global rankings, at 26th for mobile-cellular telephone subscriptions per 100 population. In terms of physical capital, Argentina is significantly behind regional peers, such as Chile, as a result of years of under-investment.

Openness

Exports and Imports



Source: IMFDOT/Haver

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In the 12 years of leadership under populist presidents Nestor Kirchner (2003-07) and Cristina Fernandez de Kirchner (2007-15), Argentina was notoriously protectionist, even with key trade partners, including members of Mercosur. In addition to taxing agriculture exports, under Cristina Fernandez, the government restricted wheat and maize exports and limited exports of beef. In terms of imports, Argentina circumvented Mercosur's tariff rules by implementing licensing rules, which resulted in delays of imported goods for up to two months. In addition, the government steadily increased the list of products (which reached 600 at one time) that required import licences; these included books, toys, tyres and agricultural machinery.

From December 2015, Argentina began a decisive shift towards freer trade, and enhanced trade and investment ties with regional and extra-regional countries. Indeed, in 2016, the US was the largest single-country investor in Argentina, accounting for 23% of inward direct investment that year. Under former US president Barack Obama, the US and Argentina rekindled trade and investment ties, as evidenced by the signing in April 2016 of agreements on trade, narcotics control and security to reduce terrorism and organised crime. However, Argentina's trade and investment policy direction for the next four years is uncertain until after Alberto Fernandez takes office on 10 December.

Competitiveness/Institutional Strength

Argentina's long-term growth prospects are constrained by its low competitiveness. In the World Economic Forum's *Global Competitiveness Report 2019*, Argentina was ranked an unimpressive 88th out of 141 countries in terms of its institutions with a score of 49.9 from 51.5 in the previous year, on a scale of 0-100 (best). Its worst-performing index components were burden of government regulation, efficiency of legal framework in settling disputes, organised crime, and strength of auditing and report standards. The country's best-performing components in this category were budget transparency and shareholder governance.

Recommendations

- Note that improved institutional capacity, if pursued, will enhance the country's resilience to climate-related and natural disasters.
- Expect foreign portfolio and direct investment inflows to decline if the new administration creates a less business-friendly or competitive commercial climate.
- Note that the labour force will remain relatively well-educated; however, a continued lack of adequate employment opportunities could result in further 'brain drain'.

SAMPLE

MARKET POTENTIAL

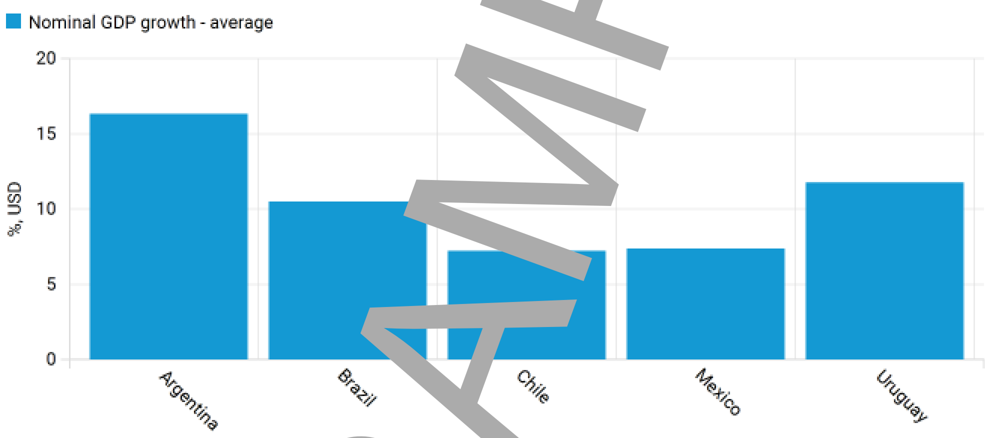
The Fernandez-Fernandez administration may align with policies similar to those implemented by previous populist, nationalist administrations, which displayed a penchant for high import restrictions that sometimes triggered retaliatory action from trade partners. This led to narrowed access to foreign markets for manufactured goods, as well as products from the extractive sector. Argentina is the third-largest economy in Latin America; however, under administrations such as those of Cristina Fernandez, its trend towards higher trade restrictions and ensuing trade disputes resulted in the economy becoming more closed and less attractive to investors. Commensurate with this, the number of related disputes before the WTO rose to record levels.

In June 2020 Netherlands parliament refused to approve the proposed extensive free-trade EU-Mercosur pact aimed at eliminating tariffs on 93% of Mercosur exports to the EU and grant preferential treatment for the rest. The proposed deal seeks to remove tariffs on 91% of EU exports to Mercosur, with manufactured goods, cars and chemicals the most likely beneficiaries. The deal must be ratified by all members of the two trade blocs. Other EU states have expressed concern about the pact's impact on farming.

Risks and Opportunities

- The coronavirus outbreak continues to squeeze domestic private demand.
- Argentina's position regarding the establishment of closer ties with Mercosur and the Pacific Alliance is now uncertain under Alberto Fernandez.
- Although the weaker peso boosts the price competitiveness of manufacturers' exports, sectors with high import content will not benefit.

Average Nominal GDP Expansion, 2020-24



Source: Dun & Bradstreet

Argentina's domestic market potential is good but its struggle with the fourth-highest inflation rate in the world is severely eroding purchasing power; its GDP per capita lags Chile, Uruguay and Mexico in that order. After contracting in 2014, nominal GDP (in US dollar terms) rose in 2017, but declined in 2018, mainly because of a sharp depreciation. With the economy set to contract for a third consecutive year in 2020, per capita income will register its third straight year of decline, but is expected to rebound in 2021 as a post-pandemic return to 'normalcy' restores the economy to positive growth, provided debt restructuring efforts prove successful. The economy will continue to derive a significant portion of its revenue and export receipts from the primary sector, food crops, minerals and metals, given its abundant natural wealth. The manufacturing sector, specifically automotive, is also important, given that transport equipment accounts for 13.0% of total exports.

SAMPLE

Main Restrictions on Imports

Tariff Barriers	Argentina	Brazil	Chile	Mexico	Uruguay
Overall Weighted Mean Tariff	7.4	8.0	0.5	1.2	5.4
Manufactures Weighted Mean Tariff	8.6	9.3	0.5	1.4	7.1
Primary Products Weighted Mean Tariffs	1.8	2.5	0.5	0.6	1.7
Overall MFN Tariff	26.5	28.2	0.0	6.0	31.7
Manufactures MFN Tariff	27.1	29.0	0.0	5.6	32.8
Primary Products MFN Tariff	16.2	16.2	0.0	11.5	16.6
Services Restrictiveness Index	17.0	22.5	23.4	29.5	28.4

Source: Haver Analytics/World Bank

Implementation of the pro-business agenda, which began in December 2015 and had reduced trade-related bureaucracy, came to a virtual stop in 2018, amid a popular backlash against austerity measures in response to economic contraction and other policy decisions related to the USD57bn IMF bailout package. Although Argentina requires few official documents to import and export goods compared with the regional average, the costs of importing and exporting are higher than the average costs for the region. Previously, in response to fiscal and foreign currency pressures, the Fernandez administration (2007-15) implemented quotas on the importation of car parts. Moreover, companies wishing to import goods had to be registered.

Recommendations

- Note that the US will continue to be the largest source of inward direct investment, once the American economy rebounds from the severe economic blow caused by the coronavirus pandemic in 2021.
- Expect new market opportunities from closer trade and investment ties with extra-regional and regional trade blocs, including the Pacific Alliance, if the Fernandez government resolves tensions with Mercosur.
- Follow developments regarding trade disputes that are currently before the WTO and any relevant bilateral trade talks that involve Argentina.

SAMPLE

FX RISK

On 24 June foreign reserves remained relatively low at USD43.22bn, just under four months of import cover, and will remain under pressure in the near term given a general retreat from emerging market assets compounded by Argentina's sovereign debt default. The central bank (BCRA) slashed its benchmark interest rate by 200 basis points to 38% on 5 March, having lowered commercial banks' reserve requirements to mitigate severe economic shocks from the coronavirus pandemic.

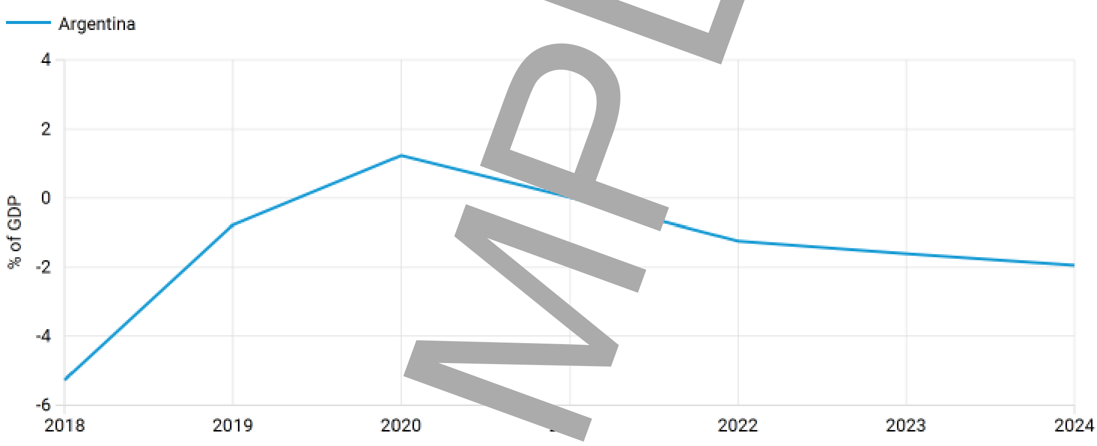
The central bank issued guidelines in late-January signalling its preference for a managed floating exchange rate to dampen currency volatility. The BCRA also lowered commercial banks' reserve requirements to help cushion shocks from the coronavirus pandemic. The bank intends to ensure that real interest rates remain in positive territory, as it seeks to reduce inflation in 2020.

Risks and Opportunities

- We expect ongoing downward pressures on the currency in the near term.
- A positive outlook for the agricultural sector will support FX reserves accumulation through higher agri-exports receipts, if the pandemic does not hamper harvesting, exports or both.

SAMPLE

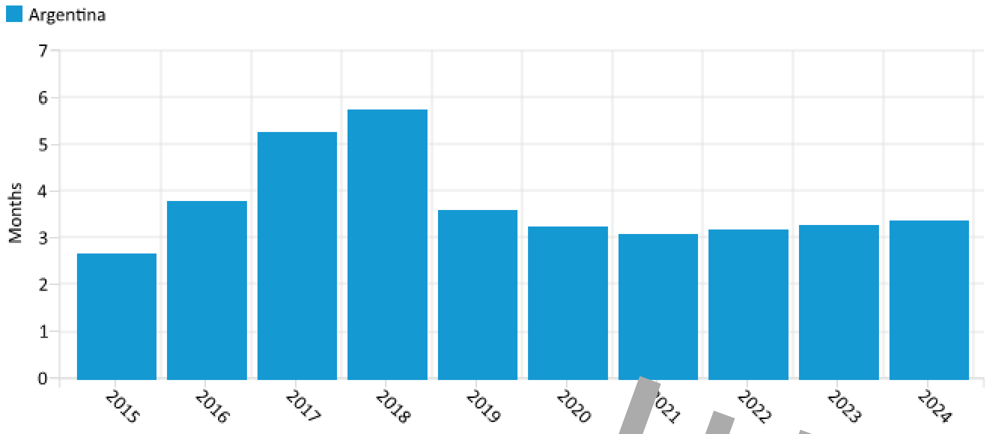
Current Account Balance



Source: Haver Analytics/Dun & Bradstreet

The estimated current-account deficit of [illegible]% of GDP in 2019 will give way to a modest surplus of 0.4%, as a steep depreciation of the peso and consecutive years of negative growth contribute to import compression. The deficit was largely attributable to the public sector, as heavy borrowing on the international market led to a ballooning of dollar-denominated debt accompanied by interest payments of nearly USD12bn per year. Debt servicing accounted for more than 50% of the current-account deficit.

Import Cover



Source: Haver Analytics/Dun & Bradstreet

Restrictive capital controls and greater intervention in the FX market will help to halt the steep erosion in reserves that was observed in 2019. Foreign reserves held at the central bank, at the time of writing, stood just below 4.0 months of import cover, above the IMF-recommended minimum of 3.0 months.

Recommendations

- Consider forward contracts to hedge against currency risks.
- Expect the central bank to act decisively to support the peso, dampen price pressures and manage inflation expectations.
- Use CLCs for cross-border payments.

SAMPLE

TRANSFER RISK

The BCRA sharply tightened USD purchase restrictions on 27 October, the same day on which Peronist Alberto Fernandez won the general election. In an additional pre-emptive move to minimise capital flight and stabilise the ARS:USD rate, the bank slashed individual limits on monthly dollar purchases from USD10,000 to USD200. This is a U-turn from measures implemented by the outgoing Cambiemos government shortly after assuming office in December 2015. Further tightening in transfer restrictions are expected to affect purchases of hard currency for foreign direct and portfolio investment, as well as profit repatriation and dividend payments.

Risks and Opportunities

- Tighter capital controls add new difficulties for firms seeking to transfer foreign currency abroad; a reversal of recent restrictions is not in our short-term forecast.
- Heightened transfer risk is contributing to a less predictable outlook relative to cross-border transfer regulations, thereby increasing uncertainty in the commercial sphere.

Transfer Situation

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

Source: Dun & Bradstreet

Financial Sector/Capital Flows Provisions

Provision	Active
Restrictions on Inward Direct Investment	No
Special Treatment for Deposits held by Non-Residents	Yes
Special Treatment for Deposits in Foreign Currency	Yes
Special Treatment for Lending to Non-Residents	Yes

Source: International Monetary Fund

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 Invisibles and other Current Transfers	3	0.65	0.35

Source: International Monetary Fund

Under new bank regulations, exporters are required to repatriate FX earnings from foreign sales, and companies that want to sell pesos to acquire foreign currency must first secure official approval from the central bank. This is a reversal of former president Macri's removal of exchange controls, implemented almost immediately after assuming office in December 2015.

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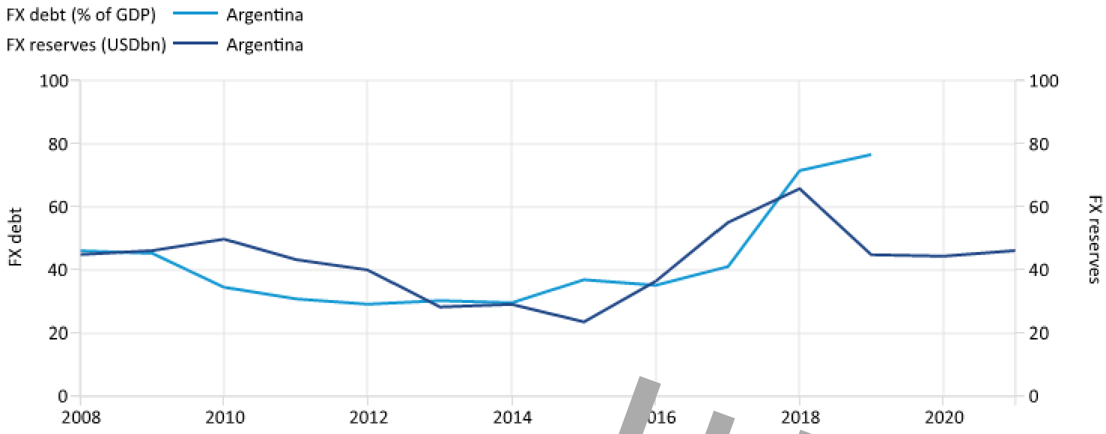
Total Foreign Debt and Foreign Reserves



Source: Haver Analytics/Dun & Bradstreet

Arguing that the country's current economic and financial circumstances have undermined debt sustainability, the government is in talks with the IMF regarding repayment of around USD44bn it received from a USD57bn package. The gross external debt stood at USD276.69bn in Q4, which is the equivalent of 71.35% of annualised GDP. It had averaged 26% of GDP when the Cambiemos coalition came into office in 2015 and rose to roughly 35% in 2017, following Argentina's return to international capital markets in 2016 and its subsequent pursuit of an aggressive bond-selling phase. Between 2015 and 2017, USD50bn in new foreign-currency-denominated debt was issued, the majority of which was by the central government as it took advantage of renewed interest in the country's sovereign paper. This resulted in a significant rise in USD-denominated debt, as well as the external debt-service ratio, prompting some concern at that time about the probability of future default.

In June 2017, the government sold USD2.75bn of a 100-year bond with a yield of 7.9%. Heavily oversubscribed subsequent bond issues suggested significant improvement in investor confidence since Argentina re-entered global capital markets on 19 April 2016 with a USD16.5bn bond issue, with very attractive yields of 7.5-8.0% on ten-year and 30-year bonds. At that time, this was the largest offer by an emerging economy. However, Alberto Fernandez's victory in the polls on 27 October has significantly dampened investors' previously positive sentiment, which was largely attributable to economic reforms undertaken by the Cambiemos coalition.

Recommendations

- Take note of tightened restrictions on outflows of foreign currency to facilitate day-to-day business operations.
- Watch for new restrictions should the currency remain under significant and prolonged downward pressure.
- Seek advice from qualified professionals to ensure compliance with new rules.

SAMPLE

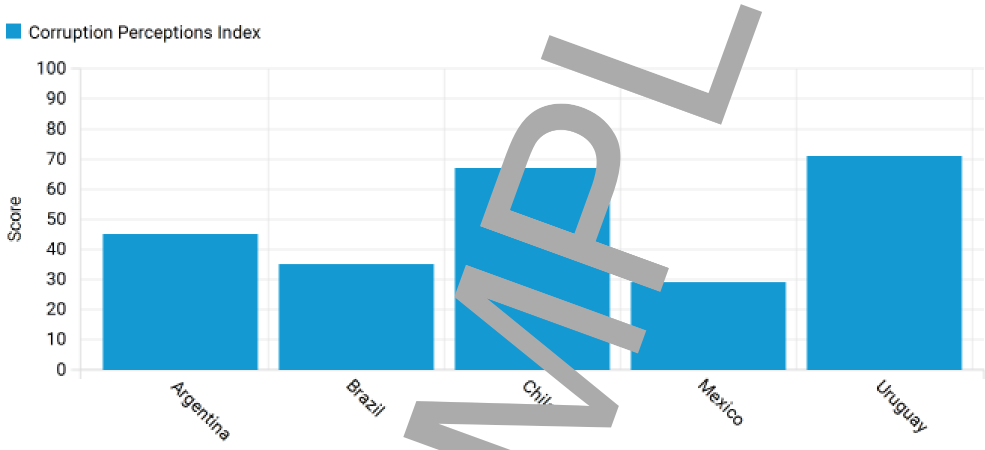
BUSINESS REGULATORY ENVIRONMENT

The pivot to left-wing populism and nationalism could lead to a less business-friendly regulatory framework. The direction of trade and investment relations with neighbours and extra-regional countries is also unclear, as evidenced by the strained relations between Alberto Fernandez and Brazil's president, Jair Bolsonaro, concerning Mercosur's agreement to the EU-Mercosur deal. Elsewhere, it is now easier to start a business because of the introduction of an expedited process for limited liability firms. Among the processes that have been expedited are registration for tax and social security, and incorporation of the company.

Risks and Opportunities

- The Investment and Trade Promotion Agency (Agencia Argentina de Inversiones y Comercio Internacional) can help with navigating the regulatory landscape.
- The World Bank classifies Argentina as one of the countries with the highest number of procedures (14) to start a business.
- Argentina is ranked among countries with the most credit information, as it has the highest number of borrowers covered by credit bureaus.

Corruption Perceptions Index, 2019



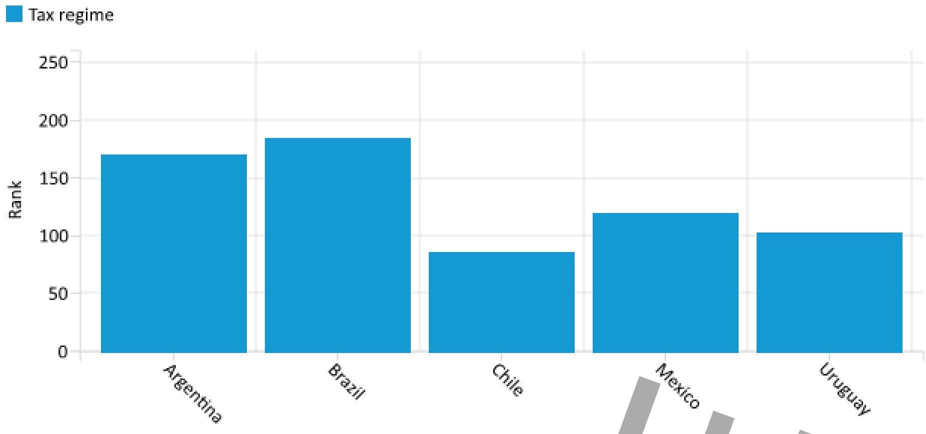
Source: Transparency International, 'Corruption Perceptions Index'

Note: 100 = least corrupt, 0 = most corrupt

In the *Corruption Perceptions Index 2019*, published by Transparency International, Argentina was ranked at 66th of 180 countries, with a score of 45 on a scale of 0 (highly corrupt) to 100 (very clean). Rising from 40 in 2018, Argentina has improved consistently since being ranked at 107th out of 168 in 2015. The country is ahead of Brazil (106th), Colombia (96th) and Mexico (130th). Argentina's anti-corruption drive gained momentum in the past several years as evidenced by the arrest of high-profile individuals and the passage of more far-reaching anti-corruption laws with higher financial and criminal penalties. However, in our outlook period, corruption will continue to create high compliance risks for foreign firms. Indeed, public-sector corruption remains a major challenge, due to inadequate enforcement of anti-corruption legislation and the weakness of government agencies mandated to fight corruption. In the recent past, judicial independence has been called into question, with the perception that certain elements are subject to political influence.

SAMPLE

Ease of Paying Taxes, 2020



Source: World Bank, 'Doing Business Report'

Ranking: Low score = best, High score = worst

According to the World Bank's *Doing Business 2020* report, firms are required to make nine tax payments each year, their total tax and contribution rate sits at 106.3% of profit, and it takes 312 hours per year to comply with the relevant tax code. Comparatively, the total tax and contribution rate as a percentage of profit is 47% for the Latin America and Caribbean region and 39.9% for the OECD high-income grouping. In the latest report, Argentina declined one rung to 170th out of 190 countries in terms of paying taxes. Changes to Argentina's tax code in 2019 improved its attractiveness compared to regional leaders such as Chile and Mexico, which it has lagged in the past few years. Unless amended by the Fernandez administration, according to legislation passed in December 2017, Argentina's tax on corporate profits will gradually decrease from 35.0% to 25.0% over four years for companies that reinvest profits, and employers will see their social security contributions fall.

Recommendations

- Identify opportunities for a reduction in tax liabilities arising from changes in the tax codes.
- However, expect changes in taxation laws as the government may seek to drive up revenue from corporate taxation.
- Consult specialists to explore ways of benefitting from regional jurisdictions with lower tax burdens.

SAMPLE

BUSINESS CONTINUITY

Travel restrictions to slow the spread of Covid-19 has severely constricted trade, tourism and business activity. The first coronavirus death in Latin America was recorded in Buenos Aires on 7 March and a ten-day preventative and compulsory lockdown was announced on 19 March. Restrictions are being enforced by national security forces which arrested, and subsequently released, over 10,000 persons who had violated lockdown rules. Further extensions of restrictions cannot be ruled out given the high degree of uncertainty pertaining to the extent and duration of the outbreak in Argentina. On 26 March, Argentina closed it borders to prevent importation of new cases.

Argentina's geographic location and characteristics make it vulnerable to natural threats such as severe storms, volcanic activity and earthquakes. According to the Global Facility for Disaster Reduction and Recovery (GFDRR), climate change poses an additional threat, particularly to Argentina's agriculture sector. The GFDRR notes that there are three tiers of responsibility for management of natural-disaster risks: local, state and national, and that risk-management capabilities vary from one area of the country to another. Thus, the country's business continuity tends to be compromised by persistent poor planning for episodes of severe weather. In 2019, major occurrences of flooding and even fatalities resulted from insufficient contingency and emergency preparation, especially in the capital city, and led to acute disruption to normal business operations.

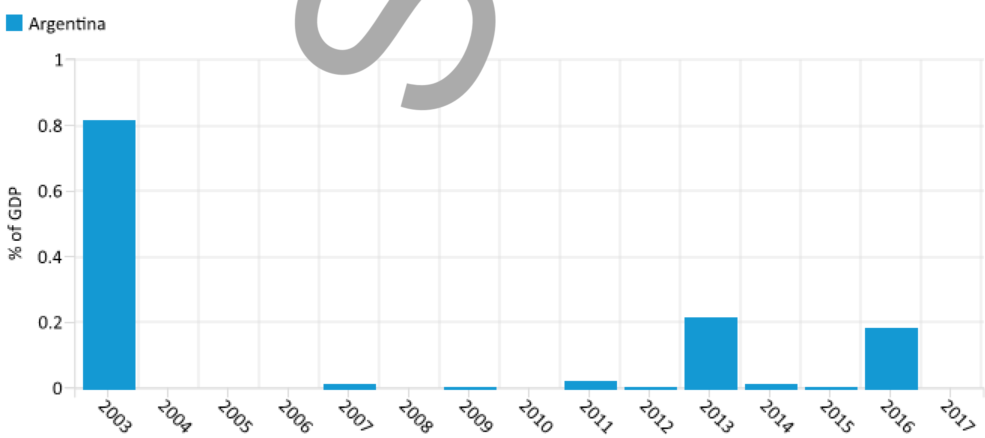
A World Bank-funded USD200m flood risk management project is one of the more recent initiatives aimed at enhancing the management of flood risk in Buenos Aires and improving the city's drainage system. Other notable World Bank projects seek to reduce the agriculture sector's vulnerability to climate-related events in south-west Buenos Aires, as well as enhance flood protection and improve water resources management in the Salado river basin. Overall, Argentina's infrastructure is considered relatively good compared with that of many of its regional peers. 140 airports and sea ports (mainly on the Atlantic coast) facilitate international travel and trade. However, less than 30% of Argentina's road network is paved, while its rail system is in a poor condition. Specific sectors, such as electricity and energy, suffer from inadequate maintenance and under-investment. In March 2020 the government announced that USD1.58bn had been allocated for infrastructure projects to help limit the impact of the coronavirus pandemic.

Risks and Opportunities

- Argentina has several deals with China aimed at developing its energy infrastructure in the next few years; World Bank projects are boosting institutional capacity.
- Poor urban planning could pose physical risks and potential business losses, while increasing demand on electricity supplies could lead to power disruption.

SAMPLE

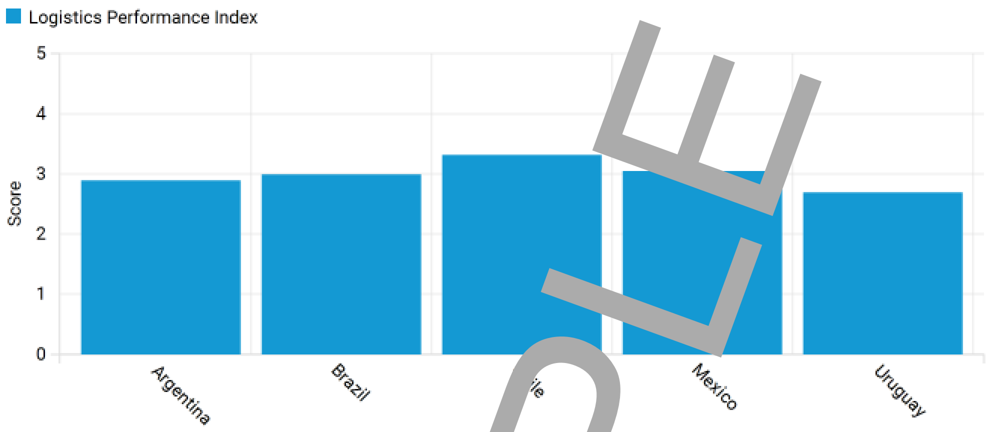
Natural Disaster Impact



Source: D. Guha-Sapir, R. Below, Ph. Hoyois - EM-DAT: International Disaster Database – www.emdat.be – Université Catholique de Louvain

Disaster Risk: Due to its large land mass, the country is vulnerable to a range of natural disasters, from relatively frequent flooding in parts of Buenos Aires and Santa Fe to minor risks of earthquakes and volcanic activities in the Andes. In 2003, severe storms led to the deaths of 20 people and cost almost 1.0% of GDP. In August 2015, three people died and 11,000 were evacuated from their homes in Buenos Aires when the Areco, Lujan and Arrecifes rivers flooded. More recently, in 2016, El Nino-related flooding resulted in losses estimated at USD1.3bn. Business disruption following severe weather events will arise mainly from a loss of electricity and transportation services. Argentina suffers from inadequate investment in physical infrastructure in terms of both maintenance and expansion. Deep cuts in government spending, required to meet recent new fiscal targets, mean lower infrastructure spending in the short term.

Logistics Performance Index, 2018



Source: World Bank

Note: 1 = worse performance, 5 = better performance

Logistics and Infrastructure: Argentina suffers from significant logistical deficiencies. According to the World Bank's *Logistics Performance Index 2018*, Argentina's ranking improved from 66th to 61st out of 160 countries surveyed, behind other large regional economies: Brazil (56th) and Mexico (51st). Argentina received a score of 2.89 (with 1.00 being the lowest score and 5.00 the highest). Its weakest area in terms of its logistical framework is customs, *vis-a-vis* the efficiency of the clearance process by border control agencies. In Q2, 32 bids were received from 26 firms (local and foreign) for six road projects valued at USD8bn. That was the first phase of a USD26.5bn investment plan that was expected to run to 2022. The plan included a USD12bn roads-related component.

Recommendations

- If continued, explore business opportunities linked to implementation of the infrastructure plan, which was originally set to run to 2022.
- Make contingency plans for disruption to electricity and fuel supplies; watch for new energy-related projects designed to improve supply and reliability.
- If operating in a region that is prone to floods, secure adequate and appropriate insurance coverage; expect delays in the restoration of services post-flooding.
- Given projections for healthy harvests, explore opportunities in the primary sector carefully, weighing commercial environment risks against potential returns, if these have not been scuppered by the coronavirus pandemic.
- Take account of customs inefficiency when conducting cross-border transactions.

SAMPLE

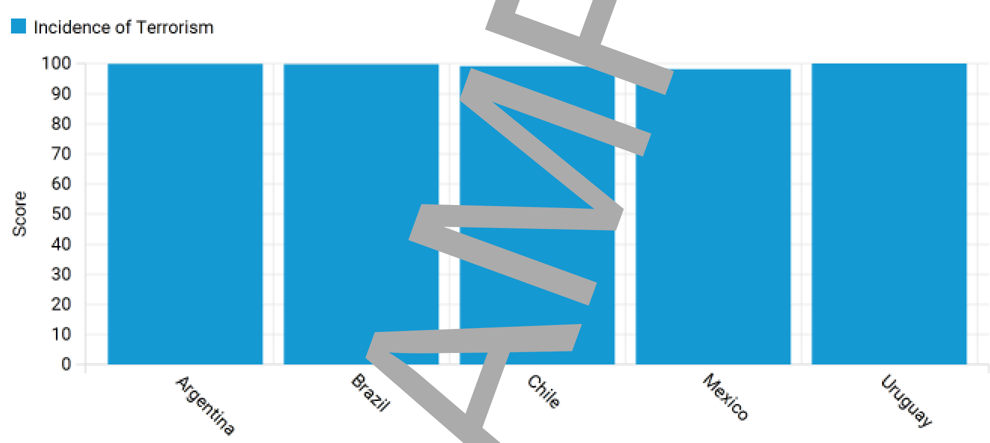
POLITICAL / INSECURITY RISK

On 27 October, Argentinians voted out President Mauricio Macri and the centre-right coalition Cambiemos. Though the coalition performed well in the October 2017 elections, significant portions of the party's and president's political capital had been expended in dealing with a currency crisis, the economic recession of 2018 and the public's objection to austerity measures that were necessitated by the USD57bn IMF bailout package. The victory of President-elect Alberto Fernandez and Vice President-elect Cristina Fernandez de Kirchner (also a former president, 2007-15), marks a return of Peronism. The anticipated stall or reversal of progress made by the Macri administration on economic and structural reforms that were aimed at making the economy more business-friendly and competitive has led to growing investor caution since the Fernandez-Fernandez win. In the same vein, creditors await clarity on the administration's direction relative to achieving fiscal discipline, given the country's recent struggle in narrowing its twin deficits and apparent movement towards a ninth sovereign default.

Risks and Opportunities

- To assuage public outcry, the new government will attempt to tackle high levels of inflation, unemployment and poverty...
- ... however the coronavirus pandemic has dealt a severe blow to an already straitened fiscal position.
- The Frente de Todos, which supports Fernandez, commands a majority in the senate.
- However, Fernandez may have to negotiate with other parties/coalitions to push legislation through the Chamber of Deputies in which it holds 150 of 257 seats.

Incidence of Terrorism, 2018



Source: World Economic Forum, 'Global Competitiveness Report'

Note: 0 = very high, 100 = no incidence

Terrorism risk remains relatively low for businesses operating in Argentina, according to the World Economic Forum's *Global Competitiveness Report 2019*. The country is currently ranked 70th out of 141 in terms of terrorism incidence. The World Economic Forum has assigned Argentina a score of 99.8 (on a scale of 0 to 100, where 0 is 'very high' and 100 is 'no incidence'). Consequently, firms should take normal safety precautions to protect physical assets and personnel, but note that terrorism does not pose a significantly high risk at this time.

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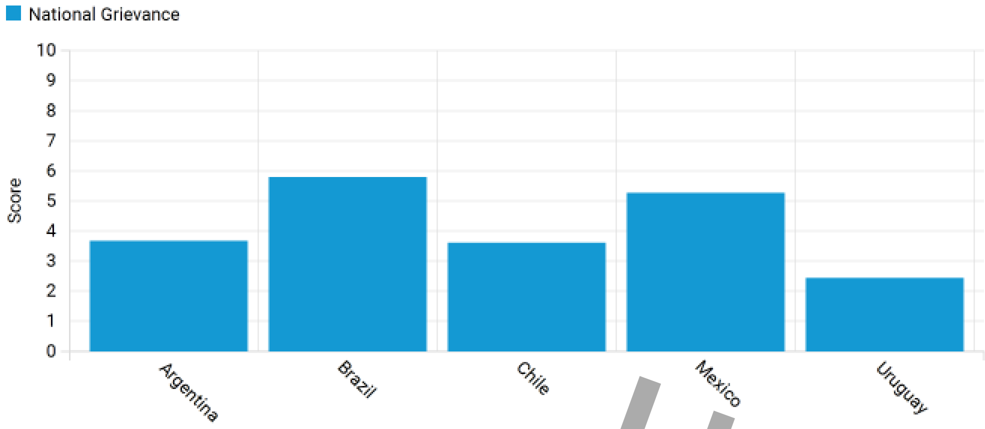
Level of National Grievance, 2020



Source: Fund for Peace, 'Fragile States Index'

Note: 1.0 = lowest grievance, 10.0 = highest grievance

The trade union movement is a powerful entity in Argentina. Recently, despite overwhelming market support for structural reforms, the former Macri-led government faced public protests against pension reforms, job losses and sharp hikes in utilities prices (gas, electricity and water). The Argentine Workers' Union (CT[illegible]) maintained pressure on the government via large public protests against job losses and had also demanded significant wage increases (up to 40.0%), to keep real earnings in line with resilient inflation. For now, Alberto Fernandez' 'social pact' with businesses and the trade-union movement suggests fewer, if any, labour-led agitation in the near term.

Recommendations

- Given the high propensity for [illegible] protest, monitor the intensity and frequency of public demonstrations and put measures in place to secure staff and premises, although our baseline scenario is for fewer public demonstrations in the near term.
- Secure insurance cover for damage arising from civil disorder.
- Monitor public responses to prolongation of lockdown measures, if implemented.

SAMPLE

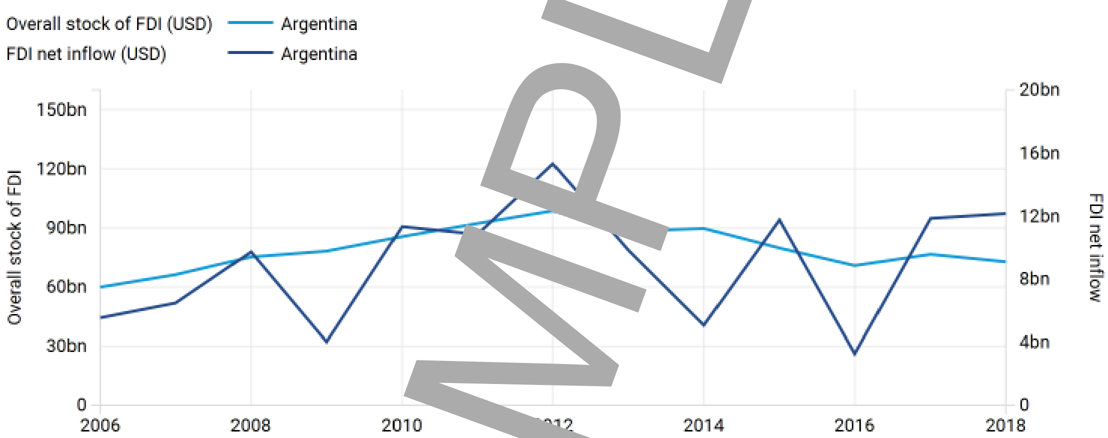
EXPROPRIATION / NATIONALISATION RISK

While expropriation risk was negligible under the Macri administration, the risk could plausibly rise under Peronist President Alberto Fernandez and Vice President Cristina Fernandez. Prior to Macri's win in 2015, Argentina was the respondent in the highest number of arbitration cases brought to the International Centre for Settlement of Investment Disputes (ICSID): in 2015, Argentina was the respondent in as many as 18 arbitration cases before ICSID, with claimants originating from a range of countries, including Austria, France, Spain and the US. Expropriation disputes also spanned several industries, including: gaming; water, sanitation and flood protection; electric power; and oil, gas and mining. Extractive industries were particularly vulnerable to expropriation or nationalisation by the state in the 12 years of the Kirchner/Fernandez leadership.

Risks and Opportunities

- Expropriation/nationalisation risk could increase under the current Peronist administration.
- Although the PPP law of November 2016 provides strong protection for the private sector, resolution of expropriation disputes may be delayed under a Fernandez-Fernandez government.

Foreign Direct Investment



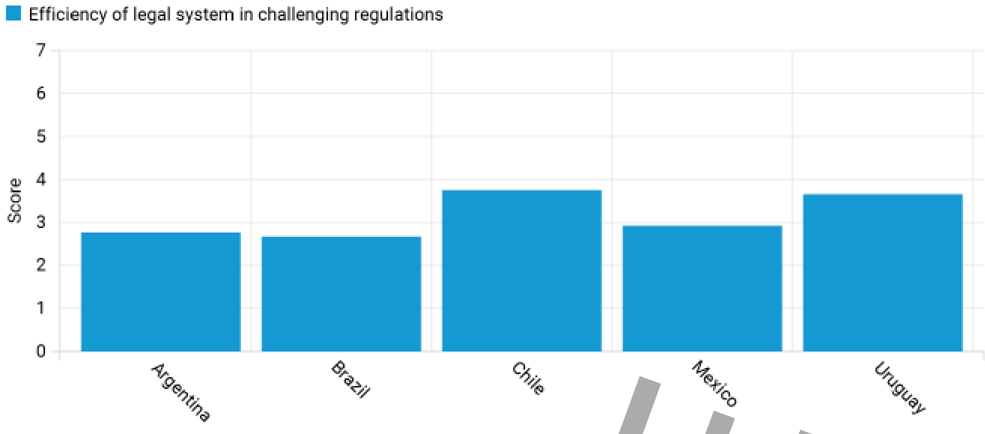
Source: UNCTAD

The IMF's *Co-ordinated Direct Investment Survey* revealed that in 2018, Argentina's top-five counterpart economies *vis-a-vis* inward investment were the US, which was responsible for 29% of the USD72.57bn received in that year, followed by Spain and the Netherlands, which accounted for 16% and 9% respectively, and Brazil and Chile, at 6% and 5% respectively.

Recently, against a backdrop of weaker commodity prices, lower external demand by major importers such as China, and subdued domestic demand, Argentina had increased initiatives to attract foreign investors in key sectors, such as the manufacturing and extractive sectors. To this end, former president Macri aggressively sought to boost investment in Argentina's shale reserves (the second-largest in the world); and in 2017, Argentina secured commitments from major international energy companies to invest as much as USD15.00bn annually in subsequent years in return for subsidies and lower labour costs. Export duties on oil and related products had also been removed in the hope of an invigoration of its energy sector to return Argentina to a position of being a net energy exporter and boost fiscal revenues. However, the recent reintroduction of export duties on agriculture products could be the beginning of the removal or reduction of incentives tied to export taxes.

SAMPLE

Efficiency of Legal System in Challenging Government Regulations, 2019



Source: World Economic Forum, 'Global Competitiveness Report'

Note: 1 = extremely inefficient, 7 = highly efficient

According to the World Economic Forum's *Global Competitiveness Report 2019*, Argentina's score declined by 3.9 points to take the country to 112th of 141 countries in terms of judicial independence. Argentina has been a member of ICSID since 1994, however, the judicial system is slow to adjudicate civil disputes. Local courts, subject to restrictions linked to the Civil and Commercial Code, respect the governing law chosen by parties in cross-border contracts. Notably, local law prevails over foreign law when the latter is incongruent with local public-order principles.

Arbitration, mediation and expert determination are the main methods of alternative dispute resolution used to settle large disputes between commercial parties. The claimant must begin the mediation process before initiating a judicial claim. Regarding arbitration, disputes can be submitted at any stage in the legal process. The main industries in which arbitration is used include energy, construction, automotive and oil and gas. Disputes regarding mergers and acquisitions also typically use arbitration; issues are considered by independent individuals with relevant expertise whose determination is usually binding and admissible in court.

Recommendations

- Review in-house anti-corruption policies and procedures to ensure compliance with new laws and regulations.
- Seek appropriate legal advice to include effective arbitration clauses in contracts with Argentinian counterparties.
- Be aware that investor disputes with the government would be more efficiently dealt with via international arbitration than through local legal processes.

SAMPLE

PERSPECTIVES

The following sections provide an overview of the broader/longer-term factors that influence the way that business is done in Argentina. These factors provide the foundations upon which the economy is built and the frameworks within which business is done, and provide a richer insight into the background influences that lie beyond the raw data and focused insight that is supplied elsewhere in the report.

THE ECONOMY

Economic Overview

This high-middle-income economy, the third-largest in Latin America, has alternated between periods of rapid growth and deep depression. Between the late 1800s and early 1900s, Argentina was a leading economy powered by its robust agriculture sector, driving expansion during that period that surpassed several current G10 nations. After seven years of military rule (the 'Dirty War'), with a return to democracy under President Raul Ricardo Alfonsin (1983-89), the economy grew by 3.7% in 1983 and 2.0% in 1984, but contracted by a steep 6.9% in 1985. 1988 marked the start of a three-year recession as the economy struggled with hyperinflation, low tax collection and a bloated public service. To correct the course, several business reforms were implemented under the presidency of Carlos Saul Menem (1989-99), who endorsed the Washington Consensus. The reforms included a privatisation drive to reverse negative growth and tackle hyperinflation, which peaked at 5,000% in 1989.

In 1991, the economy minister, Domingo Cavallo, introduced the convertibility plan with the establishment of a currency board that pegged the peso at parity with the US dollar; limits were also placed on government spending. The economy experienced a period of growth, with economic expansion of 10.5% that year followed by growth of 10.2% in 1992. However, by 1995 the economy had again contracted by 2.8%. Following a rebound, with an average of 5% growth between 1996 and 1998, Argentina then fell into a recession that ran from 1999 to 2002, as the 'commodity super-cycle' ended. High domestic interest rates and elevated government spending further depressed growth prospects. In 1999, Fernando de La Rua of the Radical Civic Union Party became president and oversaw an austerity budget in 2000 to reduce the deficit. General government net borrowing, which stood at 3.8% of GDP in 1999, was reduced to 3.3% in 2000. However, when La Rua resigned in December 2001, after deadly riots in protest against his economic policy, the deficit had risen to 5.4%.

Argentina's historic USD93bn default on 23 December 2001 under President Rodriguez Saa was followed by his resignation a few days later. This set the tone for the presidencies of Nestor Kirchner and his wife. Under Nestor Kirchner's presidency (2003-07) and his wife Cristina Fernandez de Kirchner's presidency (2007-15), both of the PJ party, Argentina was shut out of international capital markets. A period of nationalisation and an expansionary economic policy ensued, which included a burgeoning social welfare programme hinged on wage increases and heavy subsidies of utilities, food and transportation. Higher public spending, stronger private domestic demand and supportive external conditions contributed to a period of positive growth. However, inflation also became resilient and stood at an annual average of 13.4% in 2003. From 2003 to 2015, it was widely agreed that the national statistics office under-reported the inflation rate. In 2005, Nestor Kirchner oversaw negotiation of a debt swap, with a haircut of 33 cents on the dollar on most of the 2001 defaulted sovereign debt.

A turning point occurred in 2015 when, on 22 November, Mauricio Macri, former Buenos Aires mayor and candidate for the centre-right three-party coalition Cambiemos, defeated Daniel Scioli of the ruling Front for Victory party in a run-off that ended 12 years of 'Kerchnerismo'. Macri's unexpectedly strong showing was an early signal of the electorate's growing discontent with Cristina Fernandez de Kirchner's presidency, which was characterised by a unique combination of personal charisma and combativeness. More troubling than her political style, economic policies adopted under Fernandez led to an increasingly unfriendly and uncompetitive business environment that discouraged much-needed inward investment. Although markets lauded Macri's pro-business reforms and the settlement of the 'bond holdouts' that had refused the swap, voters grew weary of economic austerity and Macri subsequently lost the presidential election on 27 October 2019 to Peronist Alberto Fernandez and his running mate ex-president Cristina Fernandez de Kirchner.

Economic Framework

Industrial Relations and the Labour Market

After the country suffered double-digit unemployment rates during the late 1990s and early 2000s, the economic recovery that started in 2002 led to substantial creation of jobs and a reduction in unemployment. The unemployment rate is currently just below 10% on the back of economic contraction of 3.1% in 2019. Despite improvements in recent years, the labour market suffers from two main problems. First, a high proportion of the labour force only participates in the informal market. Second, the labour market has become less flexible recently and options to dismiss employees have been reduced.

Fiscal Framework

The policies of the Macri-led administration contrasted with the expansionist fiscal policy framework of the government under former president Cristina Fernandez. Despite constraints in government funding, government expenditure in the 12 years of the de Kirchner/Fernandez leadership were centred on generous social transfers. After the collapse of the convertibility plan in 2002, the role of fiscal policy changed substantially. To boost employment and activity, government spending increased steadily between 2003 and 2012. Despite its increasingly active role in the economy, the government posted annual primary fiscal surpluses between 2003 and 2012. In 2013, the government posted the first fiscal deficit since 1996, which it attributed to counter-cyclical spending to address weaknesses in the global economy.

In contrast, under Macri's Cambiemos coalition, a pro-business reform agenda was advanced. In November 2017, the government secured the commitment of provincial governors to cut their deficits and, in December, the congress passed crucial, albeit unpopular, pension reforms as well as tax reforms. In addition, the Macri administration implemented public borrowing targets and cut transport subsidies. In accordance with the US$57bn IMF credit facility that was approved in 2018, the government set a target of a primary fiscal balance by 2019. However, in direct opposition to Macri's position, looser fiscal policy will prevail under the Fernandez administration, which has adopted an anti-austerity stance.

Monetary Regime

The Central Bank of Argentina (BCRA), according to its charter, is independent of the national executive in the performance of its functions and its powers. The bank's stated focus is the promotion of monetary and financial stability, employment and economic development.

Exchange Rate Regime

Argentina has had several currency crises. By the early 2000s, the government had established an informal nominal exchange-rate band to help the country maintain a competitive real exchange rate. For the next decade, heavy central-bank intervention kept the peso mainly within that band. However, in January 2014, the peso recorded its largest depreciation in 12 years as the government sought to defend dwindling international reserves. Despite tighter capital account controls, foreign reserves remained at historically low levels for a number of reasons, including central bank dollar sales to prop up the peso, falls in external demand and lower commodity prices. In late 2018, the BCRA switched to a floating exchange-rate regime amid key changes to its monetary policy framework.

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Export Profile

Given Argentina's vast natural resources and relatively small population and industrial capability, exports of primary resources and manufactured products of agricultural origin tend to dominate the export profile, making the country's export performance extremely vulnerable to fluctuations in commodity prices. During the 1990s, agri-export receipts were boosted by a combination of large investments in the agricultural sector, substantial changes in the industrial organisation of the sector and high international prices. Argentine exports tend to be relatively low-value-added products. One of the main exceptions is exports of cars and car parts as a result of special stipulations with Mercosur. Argentina predominantly exports soya, maize and wheat. The country has strong ties with regional trade partners and has eased its access to the market via Mercosur, within which Brazil is the single most important trading partner, accounting for more than 80% of Argentine trade with Mercosur.

Export Mix (Top 5)

Source: Comtrade/Dun & Bradstreet

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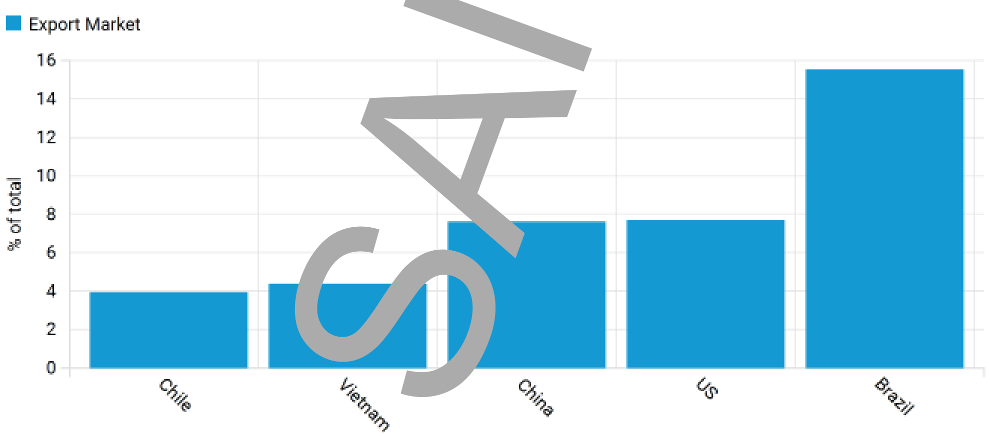
Export Markets (Top 5)

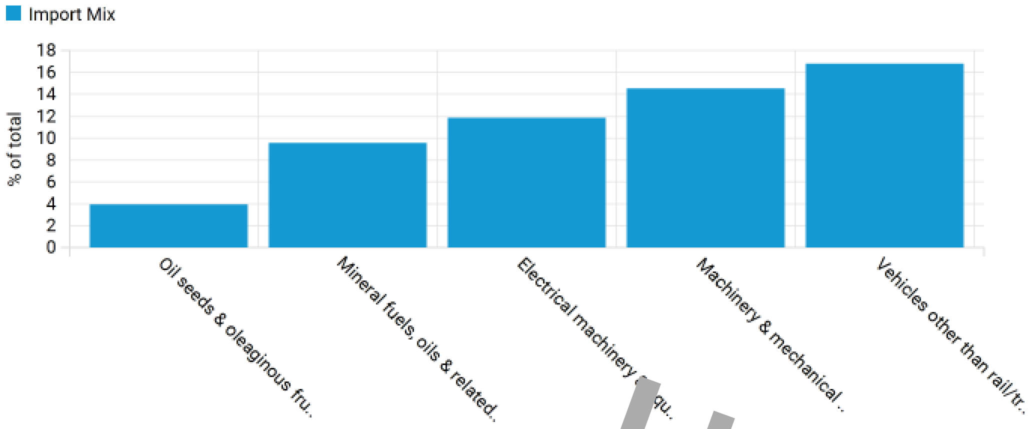


Source: IMF DOTS/Dun & Bradstreet

Import Profile

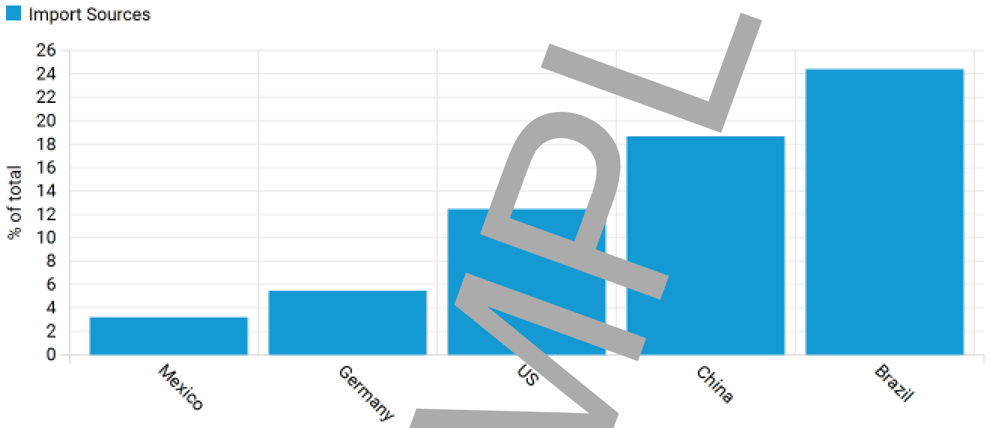
Argentina's imports tend to be concentrated in capital and intermediate goods, which represent almost two-thirds of imports. From a macroeconomic perspective, this pattern will continue, leading to current-account imbalances at the peak of the business cycle. Mercosur is also the most important source of Argentine imports.

Import Mix (Top 5)



Source: Comtrade/Dun & Bradstreet

Import Sources (Top 5)



Source: IMF DOTS/Dun & Bradstreet

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POLITICS

Argentina has a long tradition of political volatility and has experienced severe difficulties consolidating a republican institutional framework. For five decades (1930s-80s) the political system was characterised by a persistent alternation between military and civilian governments, and a partially free electoral system. Democracy returned to the country in 1983 after the collapse of the military junta.

Constitutional Arrangements

Argentina has a multiparty democracy with a constitutionally guaranteed check-and-balance system. However, democracy has suffered several problems since the end of authoritarian rule in 1983. Argentina is a federal republic with 23 provinces and one federal district, the city of Buenos Aires. Each province has its own constitution that closely follows the national constitution. The federal tax-sharing mechanism allows for discretionary behaviour, generating tension between provinces and the federal executive.

Legislature

Congress is responsible for drafting and passing laws, monitoring the government's progress on its plans, auditing the national government's financial and economic situation, appointing an ombudsman to defend human rights, and selecting and removing judges. Congress consists of two chambers: the chamber of deputies, which has 257 seats, and the senate, which has 72 seats. Delegates to the chamber of deputies are voted in by the popular vote in each province.

Executive

The office of the president, who is both head of state and head of government, dominates the political system. The 1994 constitutional reform created the position of chief of cabinet, who controls the day-to-day functioning of the government, the setting of the national budget and reporting to the national congress on the progress of government plans.

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Political Parties

Since the return of democracy in 1983, Argentina has been a multiparty democracy. Though the constitutional reform of 1994 recognised political parties as a key element of the political institution, recurrent socioeconomic crises have led to weak and unstable formations.

Interest Groups

Agricultural Farmers

Farmers have been particularly important in the political history of Argentina. Traditionally linked to conservative and military governments, in recent years the sector has changed dramatically. The relationship between farm groups and the government remains combative. In recent times several ecological issues have also mobilised protests.

Trade Unions

In recent years, labour groups have recovered much of the power and influence they lost in the 1990s, once again becoming political players with informal veto power. Unionisation is widespread: there is a high degree of union militancy and the most important unions are linked to the Peronist Justicialist Party (PJ). These union links have created a powerful lobby group in government against deregulation of the labour market, and, in turn, popular opposition to the legislative agendas of non-PJ governments.

Business Groups

Strong lobbying by Union Industrial Argentina (UIA) has helped to shape economic policy since 2002. More recently, in response to the economic crisis, the government created the production ministry at the end of 2008, further strengthening links between industrialists and the then government.

Armed Forces

Democracy has taken root in Argentina and the military is under civilian command, with the president as commander-in-chief. Defence expenditure has fallen consistently since the return of democracy in 1983.

Catholic Church

The Catholic Church has a role in politics. Its influence has decreased substantially with the return of democracy; however, during particularly critical moments, its voice regains prominence.

International Environment

Very early in his presidency (2015-19) Mauricio Macri broke ties with Iran and Venezuela, signalling Argentina's shift to a pro-democracy, pro-human-rights stance. This, and market-friendly reforms, set the scene for improved relations with the US and other major economies in the Western hemisphere. Moreover, in January 2016, the Argentinian government agreed to let the IMF conduct an audit under an Article IV consultation, which was its first in 15 years and in 2018 secured a USD57bn bailout from the IMF. In March 2020 under the leadership of Alberto Fernandez and Cristina Fernandez, the president and vice president respectively, the IMF and Argentina agreed to Article IV Consultations as the first step in developing a repayment programme for the USD44bn (received from the USD57bn bailout), and to avoid a messy default with other foreign creditors.

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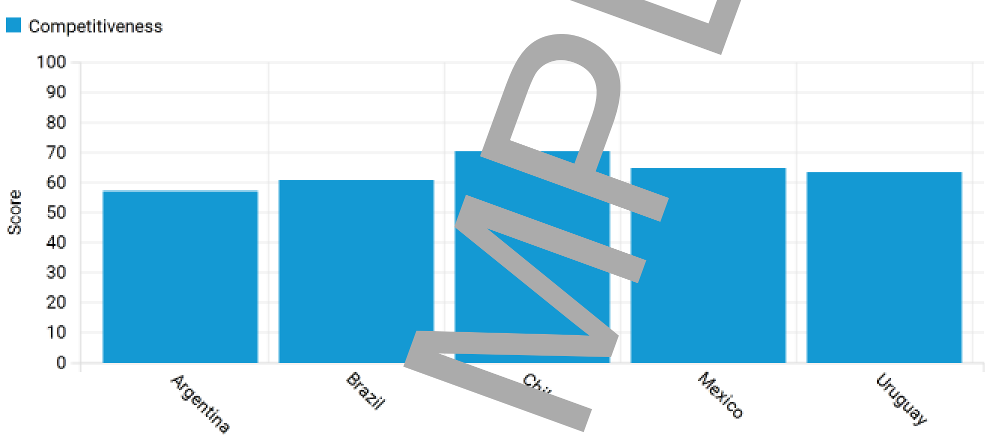
COMMERCIAL CULTURE

The return to Peronism, with the election of Alberto Fernandez as president and Cristina Fernandez de Kirchner as vice-president on 27 October, triggered market concerns that the commercial environment will be less business friendly than under the previous administration.

From 2003 to 2015, under governments led by Nestor Kirchner (2003-07) and then his wife Cristina Fernandez de Kirchner (2007-15), Argentina's commercial environment was characterised by ad hoc changes in the regulatory environment and a judiciary whose independence was often called into question. This general picture included entrenched corruption, substantial discretion and a lack of transparency over the allocation of public resources. Frequent protests by political groups against government policies and sometimes businesses (mainly foreign-owned and utilities), and private-sector business fraud, had also been characteristics of the local commercial environment.

Under Mauricio Macri's presidency (2015-19), Argentina's economic policies shifted to the centre-right, with the country returning to international capital markets after 15 years of exclusion, following its historic USD93bn default in 2001. Positively, Argentina's advantages for businesses include its proximity to important regional markets, the sophistication of products offered to firms, fairly good infrastructure and a relatively rich domestic market.

Competitiveness, 2019



Source: World Economic Forum, 'Global Competitiveness Report'

Note: 0 = least competitive, 100 = most competitive

Infrastructure

Argentina's transportation, social and energy infrastructure improved significantly during the 1990s and standards are now relatively high for a developing country. However, a high level of uncertainty over the regulation of public utilities, most recently between 2007 and 2015, negatively affected their maintenance, leading to a deterioration of standards. Some sectors, such as energy, faced disruption in their supply: the electricity generation system has been operating at close to its limits due to the lack of investment, while demand expanded rapidly as a consequence of a recovery in manufacturing. If pursued, the planned ramping up of infrastructure investment, largely through the PPP approach, will lead to steady improvement in the physical infrastructure, including the transportation network.

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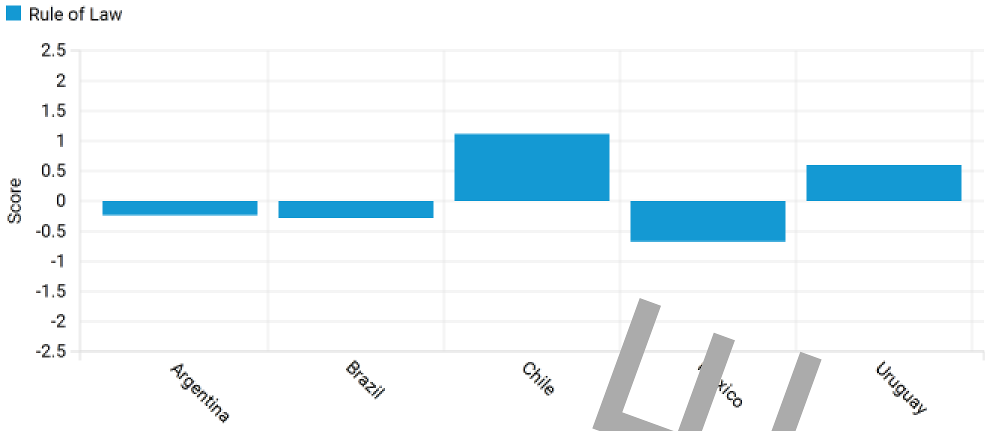
Legal and Regulatory Environment

Rule of Law, 2018



Source: World Governance Indicators/World Bank

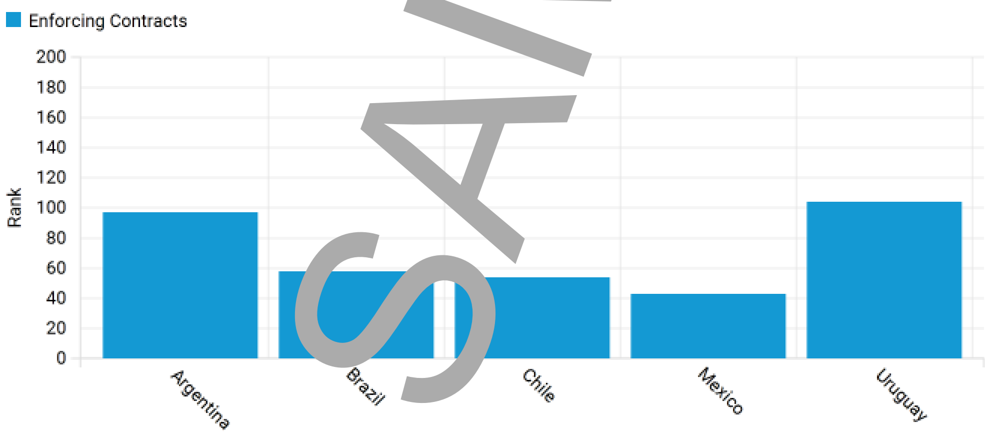
Note: -2.5 = worse performance, +2.5 = better performance

Judicial Environment

One weaknesses of Argentina's business environment is the inefficiency of its judiciary. In the World Bank's *Doing Business 2020*, Argentina rose to 97 from the previous year's 102nd rank out of 190 countries in the Enforcing Contracts category. It takes 995 days to enforce a contract, compared with the Latin America and Caribbean average of 774.1 days. However, the cost as a percentage of the claim value is lower than the regional average, at 22.5% compared with 32%.

Enforcement of Contracts / Arbitration

Enforcing Contracts, 2020



Source: World Bank 'Doing Business Report'

Ranking: Low score = best, High score = worst

At 995.0 days, the speed of contract enforcement in case of dispute in Argentina is significantly slower than the OECD average (589.6 days) and the Latin American average (767.2 days). At 22.5% of the total claim, the cost of court resolution is higher than in the OECD (21.5%), but below the Latin American average of 32%. In the Quality of Judicial Processes Index, Argentina ranks an above-average 12.5 on a scale of 0.0-18.0.

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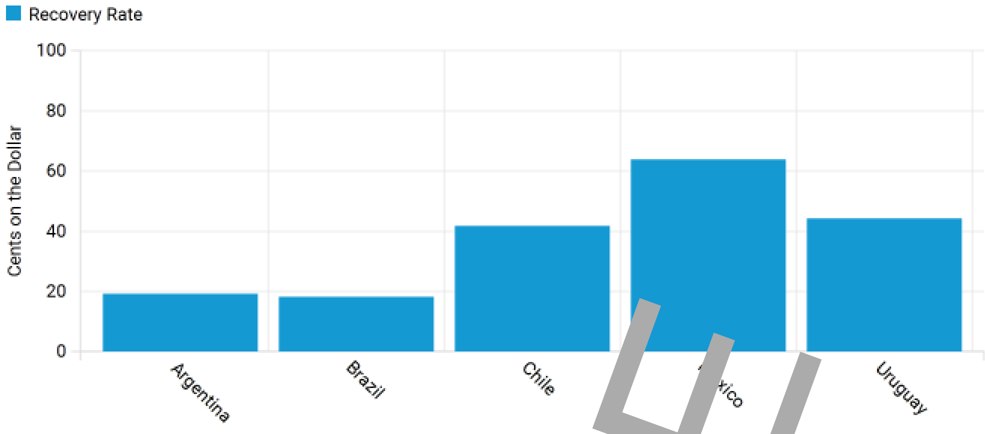
Bankruptcy and Insolvency

Recovery Rate, 2020



Source: World Bank, 'Doing Business Report'

Bankruptcy Law Number 24,522 covers three main types of insolvency procedures, two of which seek to prevent bankruptcy: the reorganisation procedure and the out-of-court reorganisation agreement. The remaining procedure is for bankruptcy, a judicial procedure aiming to liquidate the relevant party's assets and pay off the outstanding debts. If the reorganisation procedure is not used, there is the possibility of a 'cram-down' or corporate reorganisation, although this has not been widely used. Unlike in some other countries, reorganisation or bankruptcy proceedings in Argentina only begin when the court renders a judgement declaring the debtor subject to reorganisation or bankruptcy. There are no specialised courts for dealing with reorganisation and bankruptcy.

Corporate Governance

According to the World Bank's *Doing Business 2020*, Argentina ranks 141st out of 190 countries. It takes a minimum of 11.5 days to start a business, compared with a regional average of 28.8 days, and 5.2 days in the OECD. The paid-in minimum capital requirement as a percentage of income per capita is 0.0%. There are various types of business structure an investor could form in Argentina. *Sociedad Anónima* (SA) is a limited liability company with a minimum of two shareholders. *Sociedad de Responsabilidad Limitada* (SRL) is a limited liability company, which must have a minimum of two and a maximum of 50 members. Liability is restricted to the amount of capital staked. Capital may not be raised from the public, and transfer of quotas (shares) is restricted. *Sociedad Colectiva* is a general partnership, with no limits on liability. *Sociedad en Comandita Simple* (SCS) is a limited partnership. At least one general (active) partner holds unlimited liability.

Corruption

Despite some recent improvements in combatting graft, Argentina still compares poorly with the main economies of Latin America, such as Chile and Uruguay. Government corruption (at both high and low levels) and private-sector business fraud, especially tax evasion, are common problems. The lack of transparency in non-governmental organisations (mainly trade unions) has also offered opportunities for corruption. Members of both the judiciary and the legislature have been accused of dishonest practices, although investigations have not progressed swiftly. Indeed, laws passed during the de Kirchner and Fernandez administrations reduced congress' participation in (and oversight of) the budgeting process, further obscuring the controls on government spending.

Sanctions

There are no known sanctions operating against Argentina.

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STATISTICAL REFERENCE

Key Indicators and Forecasts

Historical Data

Metric	2015	2016	2017	2018	2019
Real GDP growth (%)	2.7	-2.1	2.7	-2.5	-2.2
Nominal GDP in USDbn	645	558	644	518	445
Nominal GDP in local currency (bn)	5,955	8,228	10,660	14,543	21,447
GDP per Capita in USD	14,971	12,814	14,649	11,668	9,947
Population (year-end, m)	43.1	43.5	43.9	44.4	44.8
Exchange rate (yr avge, USD-LCU)	[illegible]	14.8	16.6	28.1	48.1
Current Account in USDbn	[illegible]	-15.1	-31.2	-27.3	-3.5
Current Account (% of GDP)	[illegible]	-2.7	-4.8	-5.3	-0.8
FX reserves (year-end, USDbn)	23.4	36.3	55.1	65.8	44.8
Import Cover (months)	2.7	3.8	5.3	5.8	3.6
Inflation (annual avge, %)	26.5	[illegible]	25.7	34.3	53.5
Govt Balance (% GDP)	-6.0	[illegible]	-6.7	-5.5	-3.9

Source: Haver Analytics/Dun & Bradstreet

Forecasts

Metric	2020f	2021f	2022f	2023f	2024f
Real GDP growth (%)	[illegible]	4.5	2.3	2.2	2.0
Nominal GDP in USDbn	402	478	567	646	737
Nominal GDP in local currency (bn)	[illegible]	40,607	52,424	65,425	79,164
GDP per Capita in USD	8,904	10,488	12,318	13,930	15,749
Population (year-end, m)	45.2	45.6	46.0	46.4	46.8
Exchange rate (yr avge, USD-LCU)	70.0	84.9	92.5	101.2	107.4
Current Account in USDbn	5.0	0.1	-7.0	-10.4	-14.3
Current Account (% of GDP)	1.2	0.0	-1.2	-1.6	-1.9
FX reserves (year-end, USDbn)	44.3	46.1	47.5	48.9	50.4
Import Cover (months)	3.2	3.1	3.2	3.3	3.4
Inflation (annual avge, %)	40.8	39.7	26.8	22.6	19.0
Govt Balance (% GDP)	-6.8	-4.9	-4.5	-4.7	-4.8

Source: Haver Analytics/Dun & Bradstreet

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Comparative Market Indicators

Indicator	Argentina	Brazil	Chile	Mexico	Uruguay
Income per Capita (USD)	8,904	6,330	12,457	8,266	14,031
Country Population (m)	45.2	212.6	19.1	127.1	3.5
Internet users (% of population)	70.2	59.7	66.0	59.5	66.4
Real GDP Growth (% p.a., 2020 - 2029)	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

USER GUIDE

Ratings and Indicators

Traffic Light System

The traffic light system used in this report gives you a speedy way of assessing the balance of risks and opportunities in a given country or category of analysis for that country. Three traffic lights are used:

- **G** Green: indicates that positive factors/influences dominate.
- **A** Amber: indicates that there is a balanced mixture of negative/positive factors/influences.
- **R** Red: indicates that negative factors/influences dominate.

The traffic light indicators act as a quick guide to the overall balance between the detailed analytical components covered elsewhere in the report. This allows you to rapidly identify areas of concern or promise, which you can then explore further, either elsewhere in the report or via the content of theother products in our portfolio. You should always use the more detailed analysis as the basis for any further investigation/assessment/decision-making.

Dun & Bradstreet Risk Indicator

Dun & Bradstreet's Country Risk Indicator provides a comparative, cross-border assessment of the risk of doing business in a country. The risk indicator is divided into seven bands, ranging from DB1 to DB7. Each band is subdivided into quartiles (a-d), with 'a' representing slightly less risk than 'b' (and so on). Only the DB7 indicator is not divided into quartiles.

The individual DB risk indicators denote the following degrees of risk:

DB1	Lowest Risk	Lowest degree of uncertainty associated with expected returns, such as export payments and foreign debt and equity servicing.
DB2	Low Risk	Low degree of uncertainty associated with expected returns. However, country-wide factors may result in higher volatility of returns at a future date.
DB3	Slight Risk	Enough uncertainty over expected returns to warrant close monitoring of country risk. Customers should actively manage their risk exposures.
DB4	Moderate Risk	Significant uncertainty over expected returns. Risk-averse customers are advised to protect against potential losses.
DB5	High Risk	Considerable uncertainty associated with expected returns. Businesses are advised to limit their exposure and/or select high-return transactions only.
DB6	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.
DB7	Highest Risk	Returns are almost impossible to predict with any accuracy. Business infrastructure has, in effect, broken down.

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HEADLINE CATEGORY DESCRIPTIONS

These headline categories combine the analysis from a number of detailed sub-categories in order to provide focused insight for business-critical issues.

Credit Environment Outlook

This category assesses the factors that affect the country's credit environment, and helps cross-border traders and investors understand the level of risk related to non-payment or delayed payment.

Supply Environment Outlook

This category covers the factors that could disrupt supply chains associated with the country, thus allowing cross-border traders and investors to assess risks in this area.

Market Environment Outlook

This category provides an assessment of the factors affecting the market environment over the short-to long-term; this assessment will help businesses involved in cross-border trade and/or investment to make informed decisions about increasing, maintaining or decreasing business links in a country.

Political Environment Outlook

This category helps cross-border traders and investors to understand the risks associated with expropriation/nationalisation, and also takes account of intentional human actions that could affect the quality of the business environment.

DETAILED ANALYTICAL CATEGORY DESCRIPTIONS

These analytical categories provide our most detailed, in-depth coverage of the core components of risks and opportunities associated with a given country. Together, they embody our broadest, deepest assessment of a country's risk and opportunity environment.

Short-term Economic Outlook

Analyses the economy/business cycle over the next 2-8 quarters, identifying recession, recovery, growth or stagnation. Helps businesses anticipate the impact of short-term developments in the sphere of aggregate supply and demand.

Long-term Economic Potential

Assesses long-term economic prospects over the next 5-15 years on the basis of trends in the physical environment, natural and human capital, and demographics and labour supply. Helps businesses foresee the long-term impacts on market potential of factors such as ageing, resource depletion and innovation.

Market Potential

Covers the ability of foreign providers of goods and services to access a target country's markets. This helps businesses understand the practical and regulatory barriers, as well as incentives and opportunities.

FX Risk

Looks at the risk of lack of FX, significant devaluation or depreciation, or any instability of the exchange rate over the next 90-180 days. This helps businesses anticipate the pressures facing customers billed in foreign currency, or the risks if their receivables are in local currency.

Transfer Risk

Covers the risk of existing or new regulations, requirements or other government actions preventing, delaying or burdening cross-border transactions. This helps businesses to anticipate risks related to cross-border payments arising from the regulatory environment.

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Business Regulatory Environment

Assesses the risks and opportunities in the business environment associated with regulations, institutions and business culture. This helps businesses assess how intangible aspects of the business environment can facilitate business operations or otherwise.

Business Continuity

This category looks at factors that could affect the physical supply chain due to the effects of natural phenomena or other unintended consequences. This helps businesses anticipate the likely/current impacts of extreme weather, seismic activity and inadequate/improved infrastructure.

Political / Insecurity Risk

This covers the risk of disruption of business operations and the services of a functioning economy due to the negative effects of intentional human action on civil peace and internal/cross-border security. This helps businesses to understand the context and risk spectrum for threats arising from social and political disturbances.

Expropriation / Nationalisation Risk

This category assesses the risk of forcible/compulsory, full/partial loss of control or ownership of assets at the hands of a sovereign government, and whether or not there is compensation or judicial redress. This helps businesses understand the country's track record in this respect and highlights the risks posed by acts of expropriation/nationalisation.

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Email: countryinsight@dnb.com
Telephone
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contact your local office
or call +44 20 7149 5000

Publisher

Dun & Bradstreet
The Point
37 North Wharf Road
London W2 1AF
United Kingdom
Tel: +44 20 7149 5000
Email: countryinsight@dnb.com

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