

Country Insight Snapshot

Argentina

February 2022





Overall Country Risk Rating: DB5d

Last change: October 2021



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

Rating Outlook: Stable

WorldWatch Headline

Investor optimism improves as default concerns ease with the government reaching an understanding with the IMF, laying the groundwork for a renegotiation of USD44.5bn in debt.

Recent Changes

- Note that the near-term risk of default has reduced.
- Robust demand from Brazil, Chile, China and the US helped drive an 85.9% y/y increase in merchandise exports in December 2021, keeping the merchandise trade surplus at USD0.4bn.
- Argentina plans to reduce its fiscal deficit from 3% of GDP in 2021 to 0.9% by 2024.

Events to Watch

- The Fuente de Todos, having lost its congressional majority in mid-terms, will have to rely on cross-party support for ratification of an eventual IMF agreement.
- Despite having avoided fiscal austerity as a condition of the renegotiated deal, continuing public protests against an agreement with the IMF are keeping the government in a political bind.
- Price increases for natural gas and electricity have been approved as the government pursues its goal of a smaller fiscal deficit.
- Construction of a new gas pipeline from Vaca Muerta to Buenos Aires could result in a significant boost in gas production.

Call to Action

- Engage in contingency planning to mitigate the effects of higher oil, gas and diesel prices as global markets remain tight.
- Be aware that despite price controls and other government measures to dampen price pressures, consumers' purchasing power continues to be eroded by elevated inflation.
- Note that large volume credit reviews can be conducted using [D&B Global DecisionMaker](#) to manage risk policy and deliver real-time global decisions.



Country Insight Headlines

Credit Environment

Score: DB6c



Last change: N/A→DB6c

Rating Outlook: Stable

Risks and Opportunities

- Banco Central de la República Argentina (BCRA, the central bank) hiked its 'Leliq' benchmark interest rate by 200 basis points in January to 40% - its first hike since November 2020 - as it tightens to curb inflation of more than 50%.
- An IMF agreement to renegotiate USD44.5bn in debt will substantially ease balance of payment pressures.
- Argentina and China have agreed to remove the requirement for IMF approval for a swap deal; the Bank of China's swap line is roughly USD18bn.
- High inflation continues to erode real returns to savers.

Trade Terms

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

Source: Dun & Bradstreet

Note: OA: Open Account; SD: Sight Draft (Documentary Collection); LC: Letter of Credit; CLC: Confirmed Letter of Credit; CiA: Cash in Advance.

Export Credit Cover

Agency	Cover
US Eximbank	Cover on case-by-case basis
Eksport Kredit Fonden	Cover on case-by-case basis
ECGD	Cover on case-by-case basis
Euler Hermes AG	Limited cover available, conditions apply

Source: Export Credit Agencies

Call to Action

- To mitigate transfer risks, consider tight payment terms when forming new contracts with local companies.
- Use confirmed letters of credit when doing business with local firms.
- Hedge FX risks to avoid currency-related losses; the risk of currency devaluation has eased for now, but the peso will remain under downward pressure in 2022.
- Be aware that participation in the [Global Trade Exchange Program](#) - the world's largest commercial trade data network - increases insight around credit decision-making and risk management.



Supply Environment

Score: DB5d
Last change: N/A→DB5d



Rating Outlook: Stable

Risks and Opportunities

- Prolonged drought has led to lower crop output and heightened risk of wildfires.
- Construction of a gas pipeline from Vaca Muerta to Buenos Aires (announced in November) should significantly increase gas output.
- The probability of unexpected near-term changes in import/export bureaucracy has significantly fallen as the government renegotiates its debt with the IMF.

Call to Action

- Note that while Argentina is in its last phase of easing Covid-19 restrictions, including looser border controls, a surge in infections could lead to measures that would hit high-contact sectors, including hospitality, retail, bars, restaurants and recreation.
- Be aware that lower water levels as a result of droughts in Brazil where the Parana River begins, has also affected energy production and the availability of water for household consumption.
- Be advised that prolonged drought will negatively affect global grain supplies, keeping already-high food prices elevated.



Market Environment

Score: DB6b
Last change: N/A→DB6b



Rating Outlook: Deteriorating

Risks and Opportunities

- University of Torcuato di Tella (UTDT) consumer confidence rose to 4.01 in January, but remains in negative territory, weighing on market potential outlook.
- Increases in the national minimum wage from September 2021 to February 2022 helps to offset (but not fully compensate for) the erosion of purchasing power.
- Despite anti-price-gouging policies and price controls on essential goods, inflation will remain elevated in 2022.
- As regional trade blocs forge deeper ties intra- and extra-regionally, exporters' access to faster-growing markets such as India will expand in the medium term.

Call to Action

- Keep abreast of short-term economic forecasts for Brazil, China, India, Chile and the US and adjust projected export demand accordingly.
- Consider the opportunities and risks presented by China's increasing importance to trade and investment in Latin America, although over the next few years the US will continue to be a source of substantial inward direct investment.
- Factor in expectations that the commercial environment will be increasingly less business-friendly under the current administration.



Political Environment

Score: DB5d
Last change: N/A→DB5d



Rating Outlook: Stable

Risks and Opportunities

- Public protests against negotiations between the IMF and Argentina for repayment of USD44.5bn puts the government in a political bind.
- The Fuente de Todos, which lost its majority for the first time since 1983 in congressional elections held on 14 November, will need cross-party support for key legislation - including an IMF deal.
- Price controls on basic consumer items will be maintained in our forecast horizon.
- Although such controls may be welcomed by households, investor sentiment has been dented by the government's intervention in markets.

Call to Action

- Changes in investment policy in the near term that may further restrict private sector participation in certain sectors is now less likely as Argentina negotiates with the IMF.
- Note that three consecutive years of economic recession, stubborn inflation, high unemployment and poverty rates have elevated public discontent.
- Recall that public disapproval of both the executive and legislative branches of government are high, suggesting a high probability of widespread public protests.



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