

**COUNTRY PROFILE:****THE REPUBLIC OF ARGENTINA****DATED:****JULY 2011****CREDIT GUARANTEE:**

IES/02: ATTACHMENT A

<i>Export Department Comment/Opinion</i>	Rating 3C. Strictly case-by-case. Fair value of exposure and commitments. This is not a claims free market Atradius: 6 / 8 Coface: C / B Euler Hermes: D Sanctions : None
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***Recent Political Highlights***

- The current chief of state is President Christina Fernandez de Kirchner. She has been in office since December 2007 and is seeking a second four-year term if she is re-elected in October 2011. She is known for her high growth and high inflation economic policies.
- In July 2010 Argentina passed gay marriage laws, becoming the first country in South America to legalise gay marriages.

***Recent Economic Highlights***

- Argentina has a population of 42 million people of which 92% live in urban areas. The government spends 4.9% of GDP on education; hence 97% of the people are literate. Life expectancy ranges from 73 to 80 years and the fertility rate is 2 children per woman.
- GDP at official exchange rates was equal to \$351bn (2009 estimate) with GDP per capita of \$14 000 growing to \$15 000 in 2010. The country has a labor force of 17 million people (urban areas only) and 5% are employed in the agriculture sector while 72% are employed in services and the remaining 23% in industry. The official unemployment rate was put at 8.7% in 2009 and 7.9% in 2010. The population living below the poverty level is estimated to be 12%; this may understate the true poverty level as the Gini coefficient of 46% would tend to indicate otherwise.
- Argentina's economy grew by 9% in 2010 after falling by 3% in 2009. Q4/10 GDP grew by 9.2%. The high growth of 2010 is due to a rise in private consumption of 11.5% and high exports to Brazil. The governor of the central bank anticipates a 6% growth rate in 2011 driven by private consumption and a rise in investment to 24% of GDP - the highest percentage in 30 years. Government spending is expected to remain high with inflation at 10% but economists say this is manipulated implying real inflation could be double. The Central Intelligence Agency (CIA) recorded Argentina's inflation rate at 22% in 2010 and estimates 25% for 2011.
- A 2010 estimate of public debt was 50% of GDP, up 1% from 2009. Budget revenues totaled \$87bn in 2009 while expenditures amounted to \$91bn. The country had foreign exchange reserves of \$48bn at year-end December 2009 which grew to \$54bn in 2010, ranking it 20<sup>th</sup> in the world. External debt amounted to \$118bn in 2009 growing to \$129bn at year-end December 2010.
- In 2010 the government nationalised private pension funds also transferred \$6.6bn of reserves to a fund to service the public debt. Despite government running fiscal surpluses for years it can not borrow freely in international capital markets due to investors mistrusting its policies.
- Reuters forecasted a 8% growth in June 2011 year – on – year in industrial production due to a robust automotive sector. Private data showed a 24% growth in auto output in June 2011 y-o-y from a 33% increase in May 2011. Brazil is the top market for Argentina car exports and which decided in May 2011 to delay import licenses for foreign made cars. The two countries agreed in May 2011 to take limited steps to ease tensions but barriers still remain. The southern hemisphere winter could slow the pace of growth in the second half of 2011 due to energy shortages although factory output is expected to remain high.
- The Argentine oil association has found 150 million barrels of oil reserves in a Patagonian field. The 150 million barrels of shale oil found in Vaca Muerta represents an enlargement of 8% in Argentina's reserves. Argentina is ranked a middle class oil producing nation.
- Argentina together with Italy export compressed natural gas (CNG) kits to car manufactures due to a 25-30% rise in demand in such kits from premium car owners in recent months. CNG kits are cheaper and more efficient than both petrol and diesel.

***Latest Trade Developments***

- Major exports: soybeans and derivatives, petroleum and gas, vehicles, corn and wheat.
- Major imports: machinery, motor vehicles, petroleum and natural gas, organic chemicals and plastics.
- Main trading partners: Brazil, China, Chile, Germany and US.
- SA's exports to Argentina totaled R 680m in 2009; R 800m in 2010; R 460m in January to April 2011.
- SA's imports from Argentina totaled R 7.3bn in 2009; R6.7bn in 2010 and R 3bn in January to April 2011.

*Researched and compiled by Nkateko John Mongwe, Economic Services – Credit Guarantee Insurance Corporation Africa*