

Argentina struggling to stabilise currency in run-up to elections

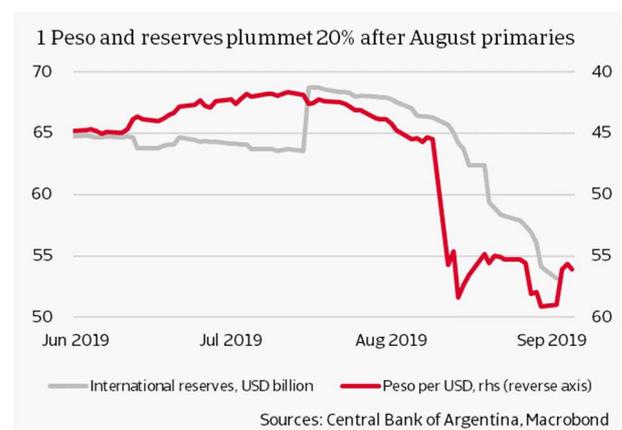
Atradius Economic Research – September 2019

- Partial currency restrictions were introduced to stabilise the peso, which had depreciated rapidly since the primary elections.
- However, transfer risk remains elevated in the face of high political uncertainty and there is a risk of further restrictions.

The government of Argentina has imposed partial currency restrictions as of September 2 in order to regulate transactions in the foreign-exchange market. These measures followed a sharp fall in the peso and official reserves - by about 20% - after an unexpectedly large defeat of President Macri in the primary elections on August 11.

For corporates, these controls oblige exporters to repatriate foreign-currency earnings within five business days after collection or 180 days after the shipment approval (15 days in the case of commodities). Additionally, businesses will require permission to repatriate profits abroad. However, there are no restrictions on the purchase of foreign-currency to facilitate trade or to pay debt when due.

Since the imposition of the restrictions, the peso has stabilised around 56 per USD, from around 60 the week before and 45 prior to the primary elections.



For the time being, the restrictions do not impair the ability of businesses to access foreign exchange for trading or debt service purposes. However, the collapse of the peso exacerbates inflation, postponing the economic recovery. Given the challenging economic environment and high political uncertainty in the run-up to the general elections on October 27, transfer risk remains high.

Greetje Frankena, principal economist
greetje.frankena@atradius.com
 +31 20 553 2406

Argentina industries performance forecast

September 2019

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Excellent:
The credit risk situation in the sector is strong / business performance in the sector is strong compared to its long-term trend.
- 

Good:
The credit risk situation in the sector is benign / business performance in the sector is above 1st long-term trend.
- 

Fair:
The credit risk credit situation in the sector is average / business performance in the sector is stable.
- 

Poor:
The credit risk situation in the sector is relatively high / business performance in the sector is below long-term trend.
- 

Bleak:
The credit risk situation in the sector is poor / business performance in the sector is weak compared to its long-term trend.

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Electronics/ICT	Financial Services	Food	Machines/Engineering	Mining
				
Metals	Paper	Services	Steel	Textiles
				

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Atradius N.V.
David Ricardostraat 1 – 1066 JS Amsterdam
Postbus 8982 – 1006 JD Amsterdam
The Netherlands
Phone: +31 20 553 9111