

Argentina

International Business Report 2008 – Country focus

The Grant Thornton IBR 2008 reveals that privately held businesses (PHBs) in most economies remain optimistic about economic prospects for the year ahead. For the fifth consecutive year, India tops the league table as the most optimistic economy with an optimism/pessimism balance¹ of +95 per cent with the Philippines joining them at the top for the first time (also +95 per cent). Japan is still at the bottom this year with a balance of -49 per cent whilst PHBs in Argentina are less optimistic about 2008 (+39 per cent) than they were about 2007 (+68 per cent).

Optimism amongst businesses in Latin America² is significantly stronger than the global average, although levels of optimism do vary throughout the region. Overall optimism has risen since 2007. This year +59 per cent of all Latin American businesses are positive about their country's economy compared to a balance of +56 per cent in 2007. Brazil is the most optimistic of Latin American countries with Argentina the least optimistic (+39 per cent).

The Argentinean economy

Argentina's economy has sustained a robust recovery following the severe 2001/2002 economic crisis, with five consecutive years of over eight per cent real growth in GDP. Argentina's GDP reached an estimated US\$255 billion in 2007, approximately US\$6,540 per capita, with investment increasing an estimated 13.5 per cent for the whole year and representing approximately 23 per cent of GDP. Economic expansion is creating jobs, with unemployment down from over 21 per cent in 2002 to 8.8 per cent in the third quarter of 2007. Growth has been fuelled by domestic consumption and record international prices for exports such as soya and wheat. However, energy shortages caused by a surging growth and a lack of investment threaten to undermine this expansion in the coming years.



The Grant Thornton IBR contact for Argentina is:

Grant Thornton
Enrique Langdon
T +54 11 4105 0000



¹ The balance is the proportion of businesses reporting they are optimistic less those reporting they are pessimistic.

² For the purposes of IBR, the term 'Latin America' refers to economies covered by our survey – Brazil, Argentina and Mexico.

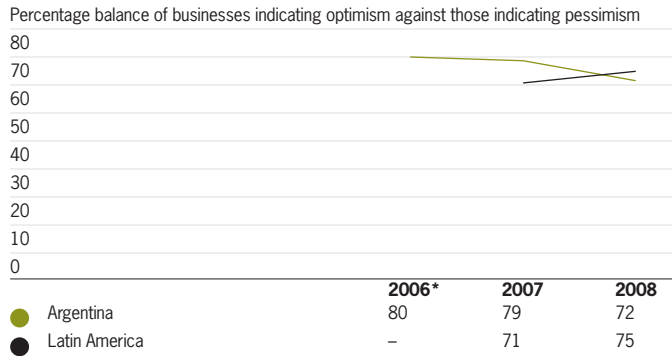
Business expectations/revenue

- PHBs in Argentina are less optimistic about revenue prospects in 2008 (+72 per cent) compared to 2007 (+79 per cent).
- Their levels of optimism regarding revenue performance is below the Latin American regional average (+75 per cent), but above the global average (+63 per cent).
- The level of optimism regarding profitability is just 16 per cent. This is far below the Latin American (51 per cent) and global (41 per cent) averages.

Employment

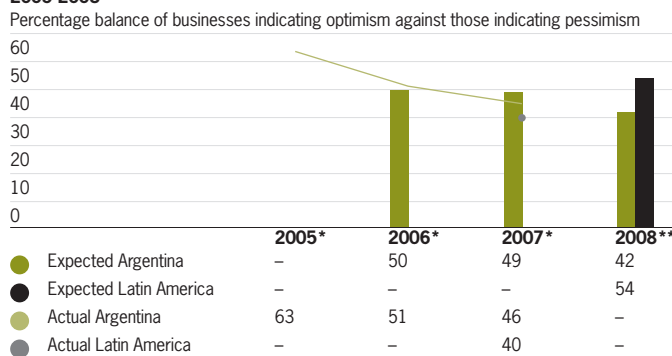
- Expected employment growth in Argentina fell from a balance of +49 per cent in 2007 to a balance of +42 per cent in 2008. This is below the Latin American regional average of +54 per cent.
- Actual reported employment growth in Argentina was slightly lower in 2007 (+46 per cent) than predicted a year previously (+49 per cent), but higher than the Latin American regional average (+40 per cent).

Figure 1: Revenue expectations for Argentina and the Latin American average 2006-2008

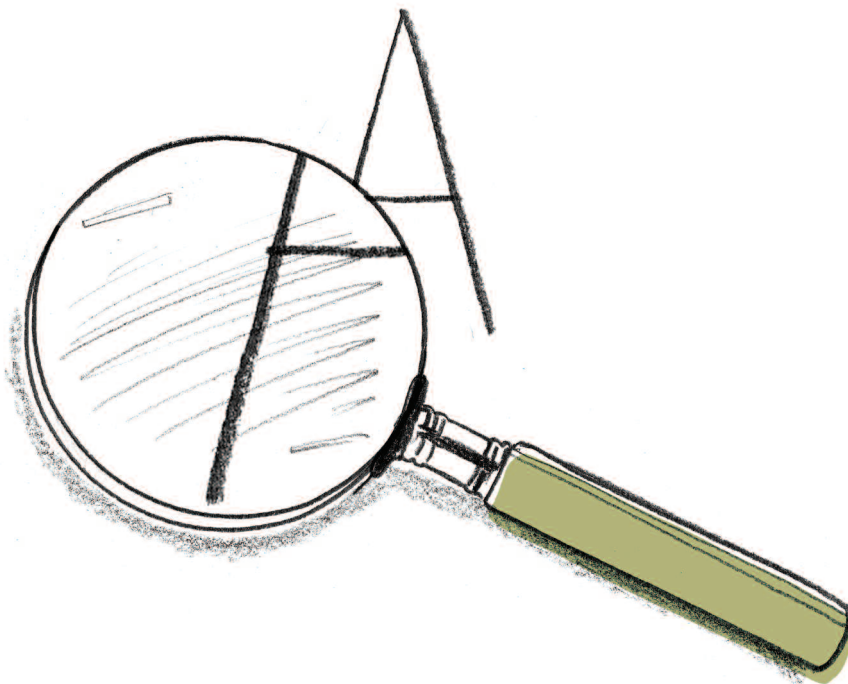


*data not available for Latin America
Source: Grant Thornton IBR 2008

Figure 2: Employment history of Argentina and the Latin American average 2005-2008



*data not available for Latin America
**2008 data will be documented in IBR 2009
Source: Grant Thornton IBR 2008



Constraints

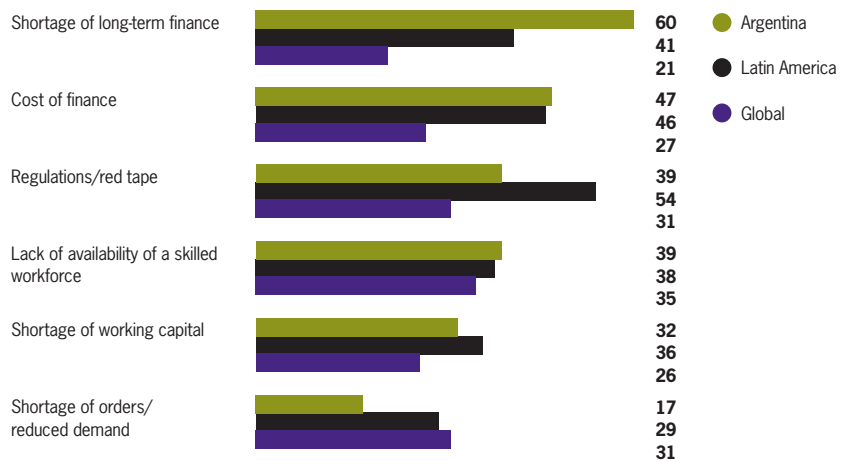
- A shortage of long-term finance is the constraint restricting expansion, cited most by PHBs in Argentina (60 per cent). This is much higher than the Latin American regional (41 per cent) and global averages (21 per cent).
- The cost of finance is cited by 47 per cent of PHBs in Argentina, 46 per cent of Latin American businesses, but only 27 per cent of businesses globally.
- Just 17 per cent of Argentinean businesses cite shortage of orders/demand as a constraint compared to 31 per cent of all businesses.

Emerging markets

- Similar to businesses globally, the most important factor to Argentinean businesses when determining whether to invest internationally, is market size and growth potential (66 per cent).
- The proportion of PHBs in Argentina which export (51 per cent) is the same as last year, and is higher than the global average (39 per cent).
- 57 per cent of Argentinean businesses import above the global average (39 per cent).
- More than half of Argentinean businesses see their main competition as being local (55 per cent), as opposed to just over a third of businesses globally.

Figure 3: Largest constraints on growth for Argentinean businesses compared to the Latin American and the global average

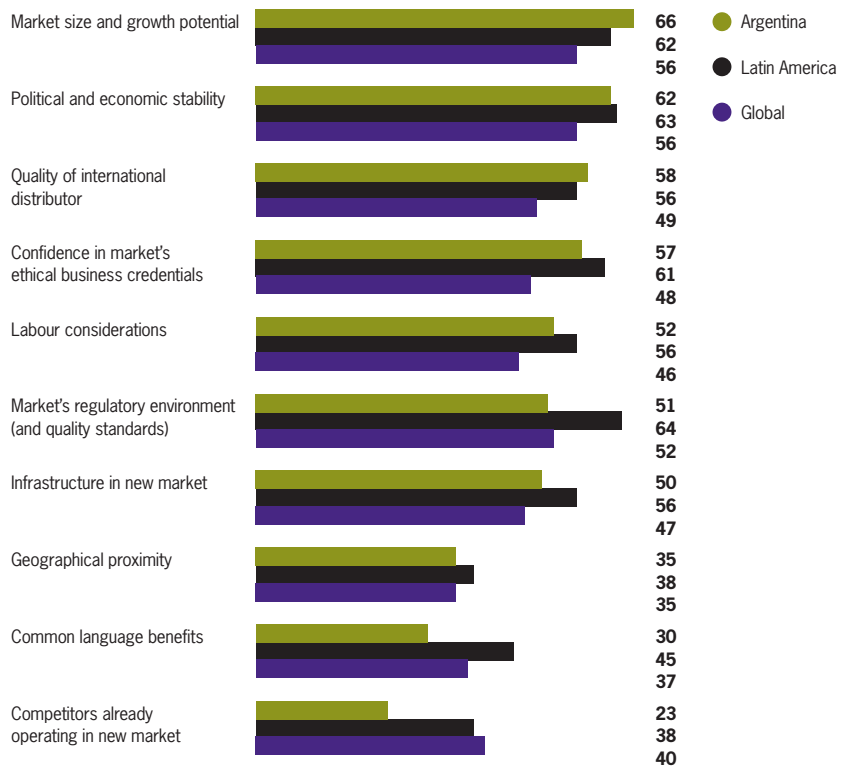
Percentage of businesses rating constraint 4 or 5 on a scale of 1 to 5 where 1 is not a constraint and 5 is a major constraint



Source: Grant Thornton IBR 2008

Figure 4: Importance of factors determining foreign investment

Percentage of businesses rating level 4 or 5 on a scale of 1 to 5 where 1 is a low priority and 5 is a high priority



Source: Grant Thornton IBR 2008

Competitiveness

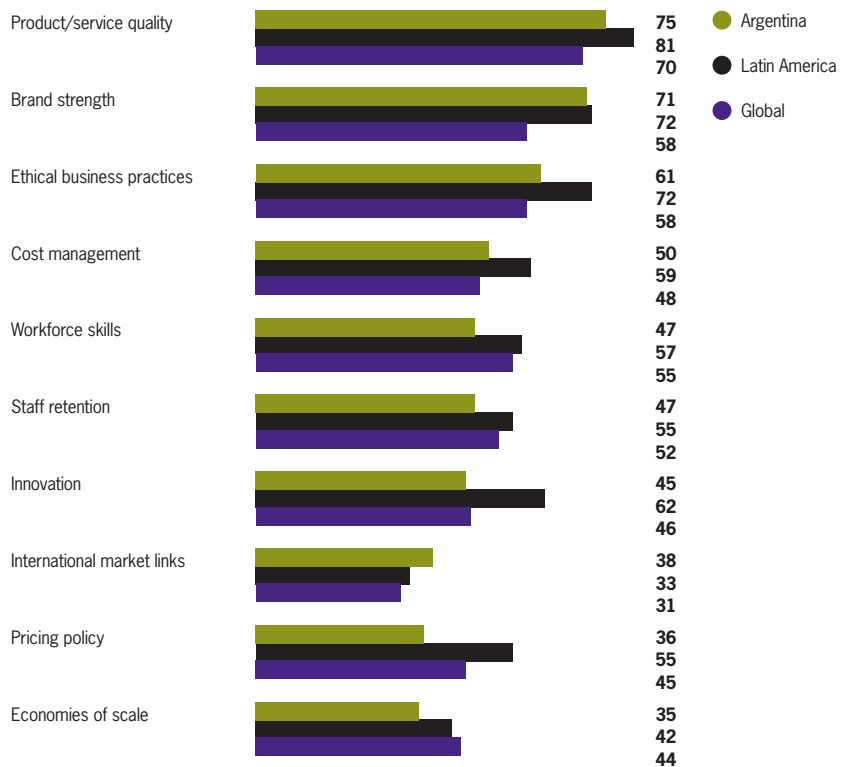
- PHBs in Argentina see their greatest source of competitive advantage as product service quality (75 per cent), as is true of global businesses (70 per cent).
- 47 per cent of Argentinean businesses see workforce skills as a source of competitive advantage, compared to 55 per cent of businesses globally.
- Aside from international market links, the proportion of PHBs in Argentina rating every source competitive advantages as strong is below the Latin American average.

Corporate social responsibility (CSR)

- Public attitudes/building brand is viewed as the biggest driver towards more ethical practices by Argentinean businesses (69 per cent). This is higher than the global average (56 per cent), but lower than the Latin America average (81 per cent).
- 87 per cent of Argentinean businesses provided internships/apprenticeships/work experience in the past year. This is greater than the global average of 67 per cent.
- 45 per cent of Argentinean businesses have incorporated their policies in to a written CSR document, this is significantly lower than the Latin American average (64 per cent).

Figure 5: Main sources of competitive advantage for Argentinean businesses compared to the Latin American and the global average

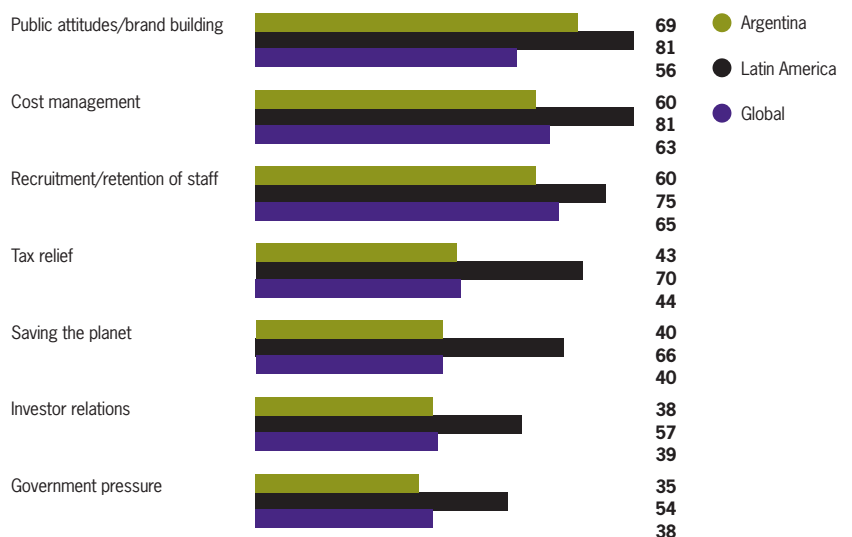
Percentage of businesses rating strength of the advantage 4 or 5 on a scale of 1 to 5 where 1 is not very strong and 5 is very strong



Source: Grant Thornton IBR 2008

Figure 6: Importance of drivers to more ethical practices for Argentinean businesses compared to the Latin American and the global average

Percentage of businesses rating the importance 4 or 5 on a scale of 1 to 5 where 1 is not very important and 5 is very important

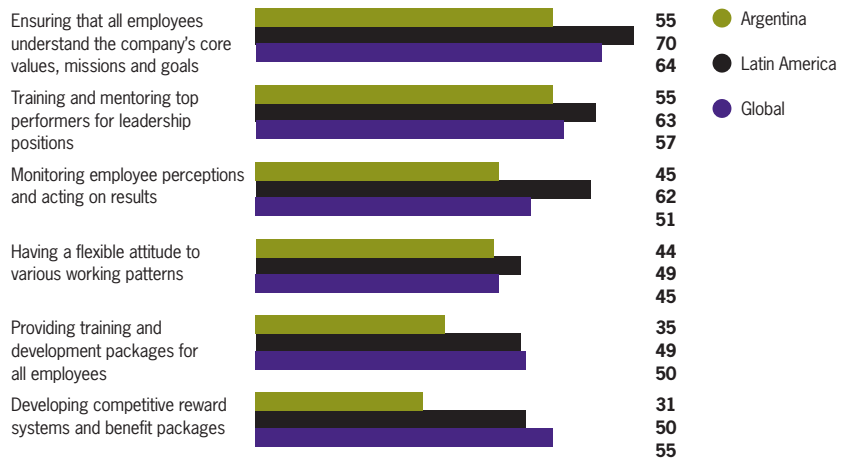


Source: Grant Thornton IBR 2008

Recruitment and retention

- The balance of Argentinean businesses more focused on retention than those one year ago is 78 per cent. This is higher than the regional (70 per cent) and global averages (59 per cent).
- 55 per cent of Argentinean businesses ensure that all employees understand the company's core values, mission and goals' to aid recruitment/retention.
- Cited by 56 per cent of PHBs in Argentina, increased operating costs is viewed as the major problem staff retention issues have caused.
- It is costing 75 per cent of Argentinean businesses significantly more to pay their staff than it was 12 months ago. This is higher the Latin American (70 per cent) and the global average (both 63 per cent).

Figure 7: Usage of recruitment and retention tools for Argentinean businesses compared to the Latin American and the global average
Percentage of businesses rating the level 4 or 5 on a scale of 1 to 5 where 1 is not at all and 5 is a great deal



Source: Grant Thornton IBR 2008

Outlook for the Argentinean economy

Argentina is expected to continue to perform well in 2008 with GDP growth projected at 6.9 per cent, according to the Argentine Central Bank's consensus survey. However, sustaining these high levels of economic growth in the future will be challenging due to several factors, including capacity constraints; the need for substantial new investment in primary infrastructure; potential energy shortages in the face of high growth and energy prices maintained by the government below international market levels. Other challenges include the increasing scarcity of skilled labour, inflation and the unorthodox policies employed to contain inflation.

The Grant Thornton International Business Report (IBR) 2008 examines the attitudes, plans and trends of 7,800 privately held businesses in 34 economies across six continents. The Grant Thornton IBR builds on data collected in previous surveys and boasts 16-year trend data for European Union (EU) countries and six year trend data for international economies.

To find out more about the Grant Thornton IBR and to obtain copies of reports, including focuses on emerging markets, corporate social responsibility and recruitment and retention, please visit www.internationalbusinessreport.com.

Focus reports are also available for each of the 34 participating economies, as well as regional and global summaries. You can also complete the questionnaire online and benchmark your answers against PHBs around the world by industry, size and geographical location.

Participating economies

Argentina	Hong Kong	Singapore
Armenia	India	South Africa
Australia	Ireland	Spain
Belgium	Italy	Sweden
Botswana	Japan	Taiwan
Brazil	Malaysia	Thailand
Canada	Mexico	Turkey
Mainland China	Netherlands	United Kingdom
Denmark	New Zealand	United States
France	Philippines	Vietnam
Germany	Poland	
Greece	Russia	



www.gti.org
www.internationalbusinessreport.com

© 2008 Grant Thornton International Ltd. All rights reserved.
Grant Thornton International Ltd (Grant Thornton International) and the member firms are not a worldwide partnership. Services are delivered independently by the member firms.