

Location Spotlight – Argentina

January 2024: Complimentary Abstract / Table of Contents



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This report provides perspectives on key aspects of the global sourcing market in Argentina

Location Spotlight – Argentina

Argentina | at a glance



Low-cost location with a well-educated workforce and developed infrastructure; however, experiencing significant political and economical concerns over the last five to seven years

KEY FACTOIDS

- 143,000-145,000 annual tertiary graduates
- Annual operating cost per FTE: 75-85% savings over Dallas, 55-65% savings over Mexico City

Current overview	Key drivers	Key challenges
<ul style="list-style-type: none"> Leveraged by both enterprises and service providers as one of the leading locations for providing services to the Americas and Western Europe Mature market for regional/global services delivery, offering a skilled workforce for the delivery of both transactional and judgment-intensive processes Buenos Aires is the hub for most of the global services activity, while limited activity has been observed in other cities 	<ul style="list-style-type: none"> Argentina has a sizable and skilled entry-level pool, with a developed infrastructure that compares favorably with its neighbors in the LATAM region Significant cost arbitrage compared to onshore/nearshore geographies such as the US and Mexico Mature global delivery market for IT-BP services with a growing ability to deliver digital services 	<ul style="list-style-type: none"> Concerns regarding expansionary fiscal and monetary policies, rising debt levels, and worsening of the current account deficit Currently in a state of political crisis owing to spiraling inflation, high corruption, and widespread levels of poverty Argentina is susceptible to frequent natural disasters, including floods, cyclones, and earthquakes

KEY PLAYERS:

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Location Spotlight – Argentina

Argentina | risk profile (page 1 of 2)

Significantly volatile geopolitical and macroeconomic environment with a moderate infrastructure

Parameter	Everest Group rating	Comments
Geopolitical	■ Least favorable	<ul style="list-style-type: none"> Argentina is currently experiencing a political crisis characterized by public dissatisfaction with issues such as inflation, widespread corruption, and elevated poverty rates; public discontent could likely lead to further protests over the political and economic situation It is ranked 50th out of 167 countries globally and 8th out of 24 countries in LATAM in the Democracy Index 2022 compiled by the Economist Intelligence Unit (EIU), indicating flawed democratic governance Argentina has close ties with its neighboring countries and has major treaties with Brazil, Chile, and Paraguay to boost economic trade and share resources between them
Macroeconomic	■ Favorable, some concerns	<ul style="list-style-type: none"> Argentina's economy has been volatile in the recent years; its GDP grew by 5.2% in 2022 and is expected to grow by 0.2% in 2023 and by 2% in 2024 The monetary policy implemented by the central bank of Argentina, which involved significant interventions in the currency market, caused an expansion in the supply of the Argentine peso, leading to a devaluation of the currency – The Argentine peso lost more than 80% of its value in the last five years Inflation in Argentina is set to rise further to 98.6% in 2023 from its already high rates because of fluctuations in global commodity prices, devaluation of the currency, and disruptions in the supply chain Standard & Poor's credit rating for Argentina stands at CCC-, with a negative outlook in 2023 due to the country's rising debt level and a high probability of default on the sovereign debt
Infrastructure	■ Highly favorable	<ul style="list-style-type: none"> Argentina has modest infrastructure to support global services delivery. It is ranked 62nd out of 141 countries in the International Institute for Management Development's (IMD) World Competitiveness Index 2022; for infrastructure quality, it ranks 60th on the index The country has an extensive network of roads, rail, air, and sea routes in major cities such as Buenos Aires. However, maintaining and expanding these networks has been a challenge due to economic constraints

Source: Everest Group (2023); EIU; Transparency International; World Bank; WEF; IMD; investment agencies; interviews with market participants

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Locations Insider™

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