Argentina

Argentina is a Spanish-speaking country that stretches over 3,500 km from the tropics in the north to Tierra del Fuego in the south, which is only around 1,000 km away from the Antarctic mainland. After six years of military rule, democracy was restored in 1982.

Today, Argentina is a democratic federal republic with two legislative chambers. In 2015, Argentines elected Mauricio Macri — candidate for the centre-right political party Propuesta Republicana — to the presidency. The country's economy is mainly service-based and relies on a highly educated population. Major industries include grain production, cattle farming, financial services and tourism. Agriculture is the major export industry and is a priority for the government. E-commerce growth is in double figures, with travel the most popular category.From the late 90s to the early 2000s, Argentina suffered a recession triggered by a fall in prices for agricultural products. In 2001, the country defaulted on $95 billion worth of loans, the biggest default in history[1], causing the economy to contract by 6% in one year[2]. From 2002 to 2011, the economy expanded solidly thanks to high commodity prices[3]. The notable exception was 2009, when the global recession hit, and the economy shrank by 10%[2]. Between 2012 and 2016, the economy repeatedly swung from recession to growth and back again, something which economists attribute to the high spending and inflationary policies of the previous president, Cristina Fernández de Kirchner[2,3]. Soon after taking office, President Macri agreed a repayment deal with investors holding the bonds on which Argentina had defaulted. He also relaxed currency controls and reduced export tariffs[4]. These measures appeared to be working, with inflation down from 40% in 2016 to around 21% in 20175. But 2018 saw Argentina suffer a crippling currency crisis, caused by a severe drought, global market selloffs, zigzagging policies and communication missteps, which drove it back up to 59% (having peaked at a high of 68%). This soaring inflation saw the price of bread increase by over 20% in just a few days[6]. As Argentina sank once again into recession, President Macri sought and received aid from the International Monetary Fund — a record $56 billion credit line[7]. While consumer confidence had been dropping steadily from 45.2 (Jan 2018) to 32.1 (Nov 2018), this news rallied it back to 36.08. Faster fiscal consolidation and tight monetary policy will be a drag on growth in the short run but are needed to reduce persistent fiscal and current account imbalances. This, and the planned greater independence of the central bank, if implemented, will help to restore confidence. Meanwhile, the OECD has cut 2019 GDP growth forecast from 2.6% to -0.19%[9].

The Argentine e-commerce market

The Argentine e-commerce market is worth $7.79 billion and is growing at a rate of 52% a year[10]. The average online shopper spends $325.77 a year with e-commerce merchants. Online sales account for 2.4% of all retail sales and approximately 27% of all online sales are completed on a mobile device[10]. In 2014, Argentina restricted cross-border e-commerce: forcing customers to collect purchases from a customs office, making home delivery impossible[11]. Other barriers to trade included a stipulation that electronics devices be manufactured in Argentina if they were to be sold in Argentina, leading Apple to withdraw from the market[12]. Between 2015 and 2017, the government eased or lifted many of these restrictions. Despite this, cross-border e-commerce is less common in Argentina than in other Latin American countries.

The local payment culture

Argentines are particularly fond of credit cards for e-commerce purchases with a 45% market share for online payments[10]. 17% of online shopping is paid for using electronic bank transfers[10], 16% E-Wallets and 20% cash. Looking at the credit card market: Visa is the most popular card, with a 57% market share, Mastercard has 22% of the market, American Express 6% and local schemes 15%.

Enabling and limiting factors

Broadband penetration in Argentina is high for the region, at 71%[10]. Between now and 2022, another 1.5 million Argentines are expected to come online[13]. In 2016 the state-owned infrastructure operator ARSAT began an ARS 4. 53 billion project to expand broadband services to around 1,200 rural communities, which is now nearing completion[14]. Also, in 2016, the government liberalised the market for both telecoms and cable TV[15]. In response, the two biggest providers of fixed-line Internet – Telecom Argentina (TEC2.BA) and Telefónica de Argentina (Movistar) – announced investments, worth several billion dollars, in improving digital infrastructure[16]. The market saw some consolidation after Telecom Argentina acquired Cablevisión, the cable broadband unit of Grupo Clarín, in January 2018. However, this is now being contested in court by Telefónica, claiming that their merger creates unfair competition[17]. 53% of the population has an Internet-enabled smartphone10. According to the International Telecoms Union, there are more connected mobile phones (albeit not all smartphones) in the country than there are people[18]. Financial inclusion rates are low compared to Argentina's immediate neighbours; just 49% of the population is banked and 24% has a credit card. At the end of 2017, the Argentine government announced its intention to launch a new National Strategy for Financial Inclusion, financed with a $20 million loan approved by the Inter-American Development Bank. The strategy will make digital financial inclusion a priority[19]. A partnership with Santander builds on this, opening banks in the villas (shanty towns) and digital banks via its app[20].

Conclusion

Under President Macri, conditions for international businesses opening in Argentina have improved significantly. Although economic conditions have suffered recently, the outlook is improving thanks to the IMF credit line, and it's reasonable to assume there is a lot of pent-up demand within the country, particularly for imported electronics goods.

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