

ARGENCON: The Future of Argentina  
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# *Global delivery Argentina's Outlook*



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## 1. Argentina's Economic Growth: Window of Opportunity?

Economic Growth - Terms of Trade

Demographic Bonus - Global Trend

## 2. Knowledge Intensive Services Sector in Argentina

Export and Employment Growth

Subsector Export Dynamics

Growing Share in Total Services Exports

Software and IT Industry Growth

## 3. Key Factors

Labor Quality

Education and availability

Education as a Driver of Innovation

Creativity - Quality of Innovation

Entrepreneurship

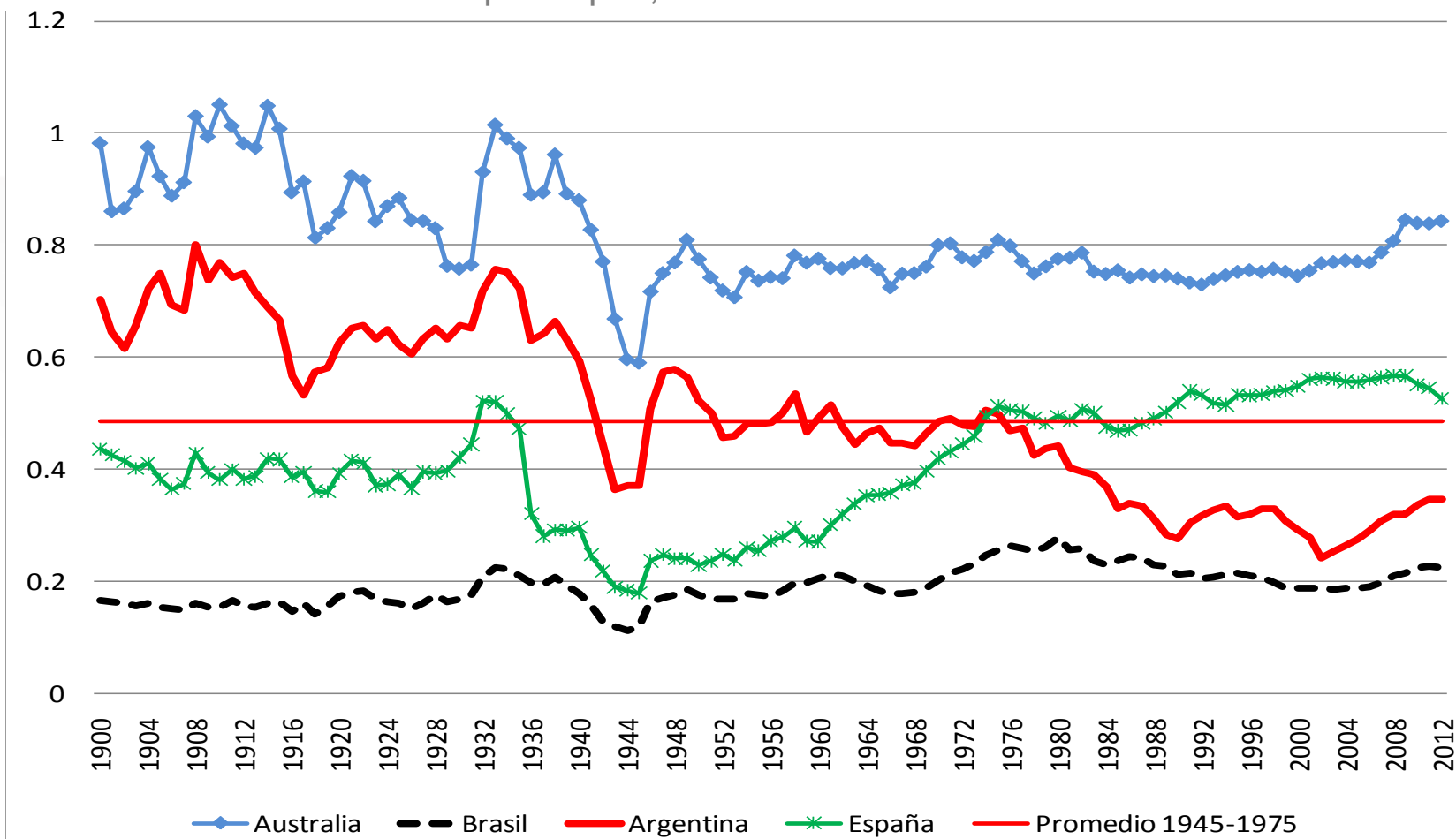
Labor Cost

Location attractiveness

# Economic Growth

By Beatriz Nofal Eco-Axis

## GDP per capita, % of EEUU – 1900-2012

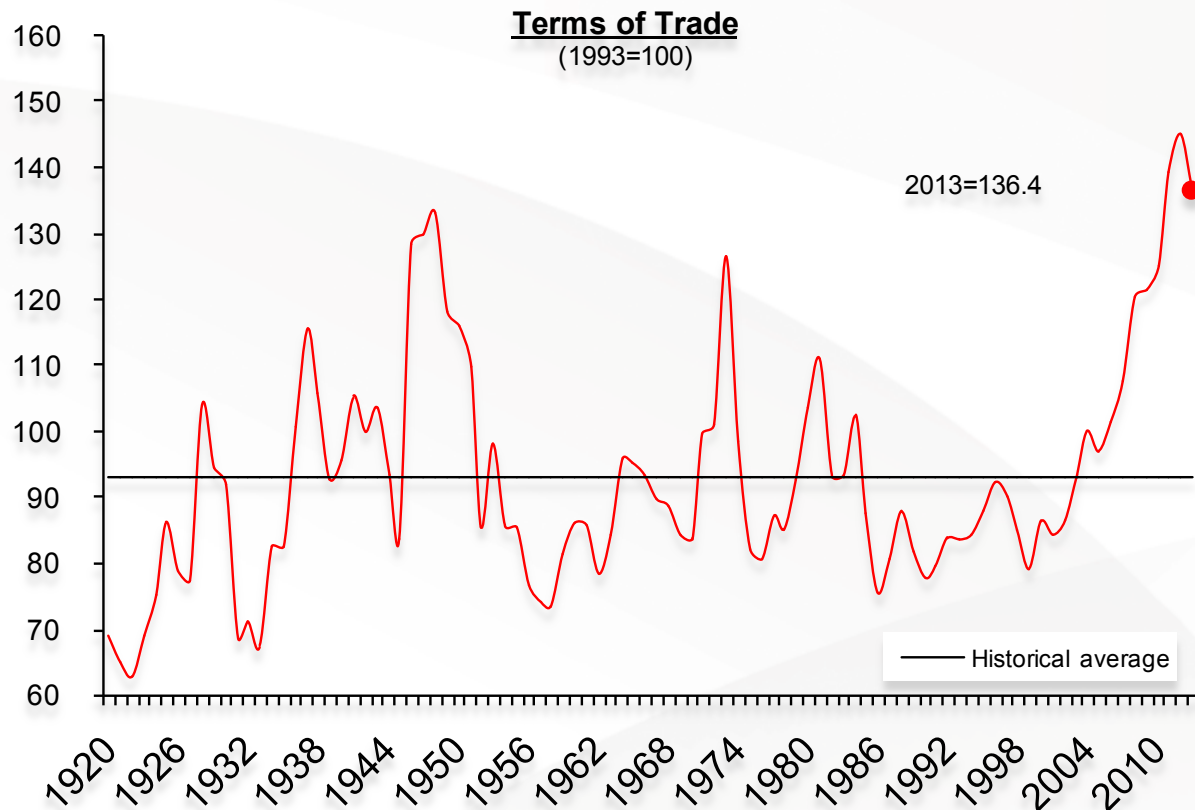


(Source: Diaz Bonilla, Grupo Aconcagua, "Arg. Justa y Desarrollada")

# Terms of Trade

By Beatriz Nofal Eco-Axis

- The Terms of Trade are 45% above the historical average
- Although international commodity prices are signalling a moderation in these “tail winds”, we are not confronting a reversal (“head winds”)



Source: 1920-1986 Dos siglos de economía Argentina (Orlando Ferreres) y 1986-2013 INDEC

# Demographic Bonus

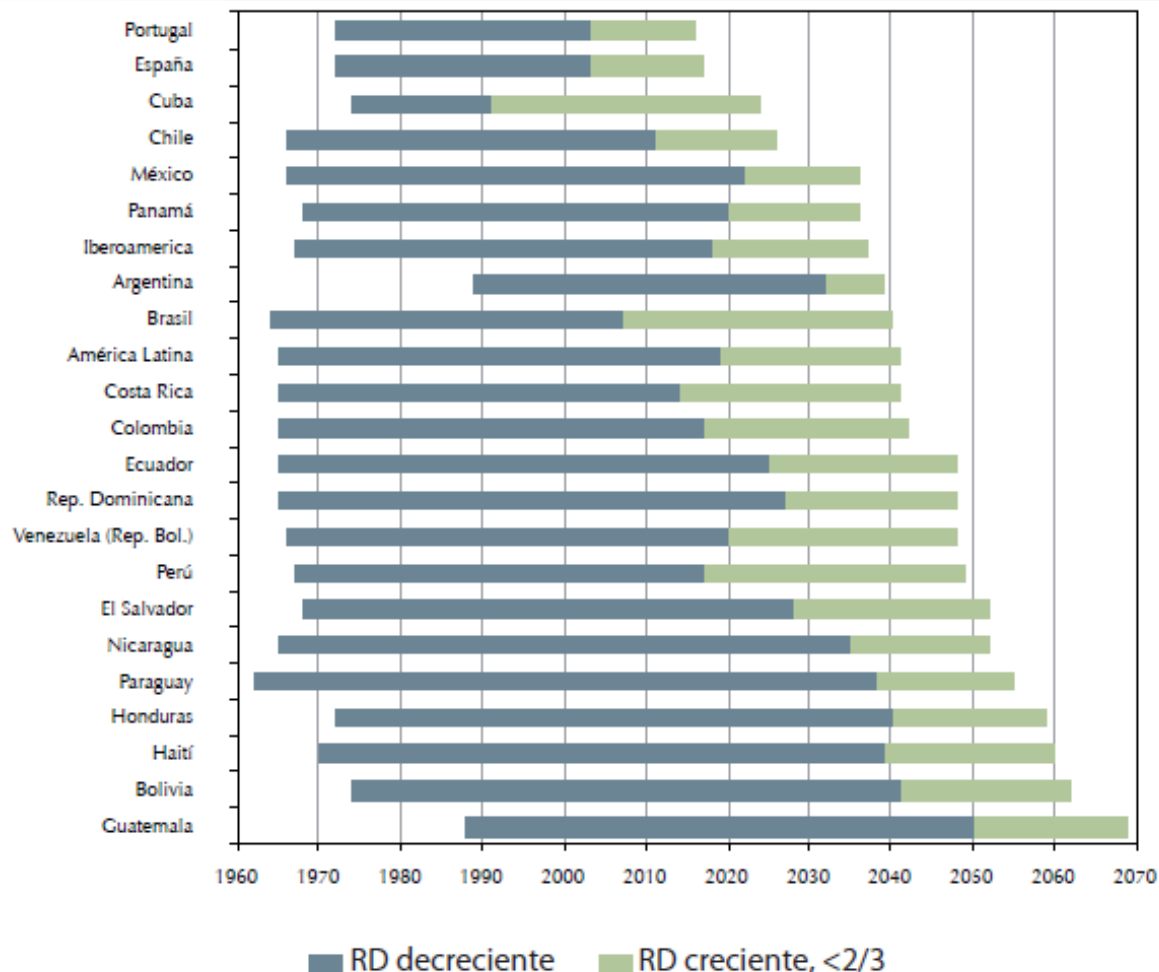
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## ➤ G20 Selected Countries

COUNTRY	BEGINNING	END
Germany	1950	1990
France	1950	1990
Japan	1965	1995
Australia	1965	2010
United State	1970	2015
S. Korea	1985	2020
China	1990	2025
Argentina	1995	2035
Brazil	2000	2035
Mexico	2010	2035
India	2010	2050
South Africa	2015	2065

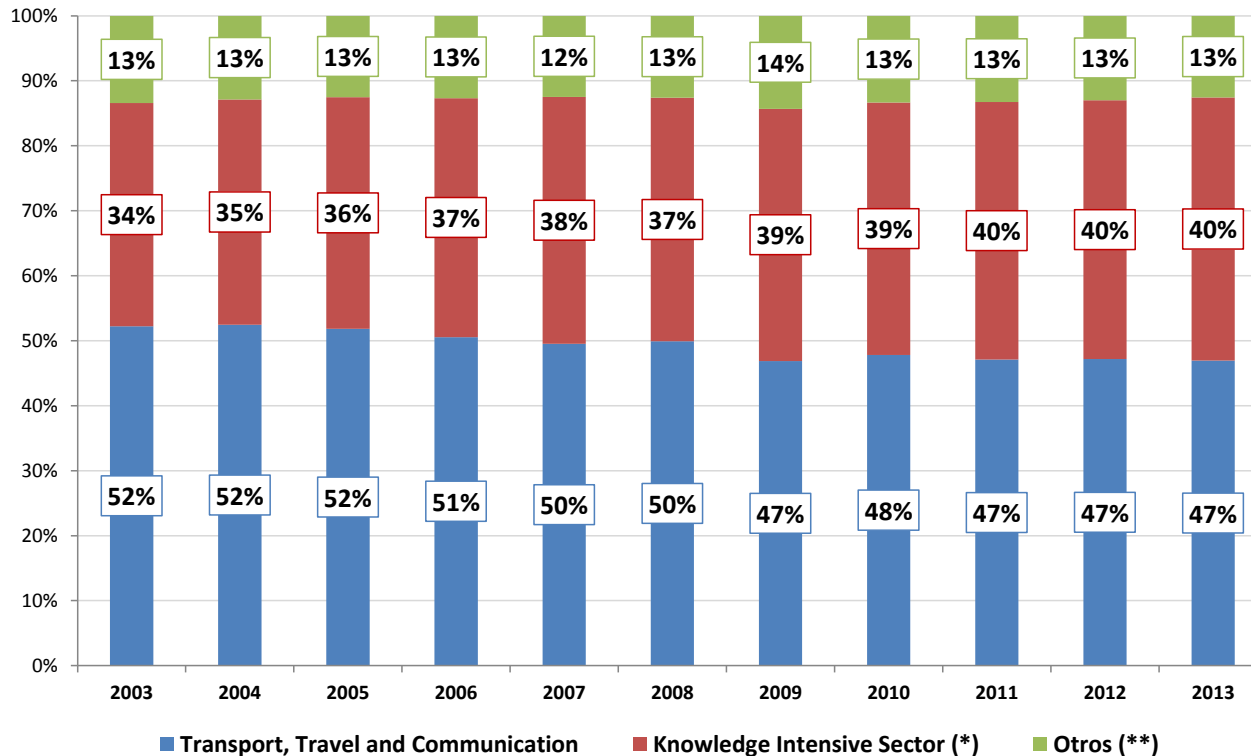
Source: J. M. Fanelli, "Seminario del Boletín Informativo de Techint", 2011

## ➤ Iberoamerica. Selected countries, 1960-2070



Source: CEPAL 2012. "Juventud y Bono Demográfico en Iberoamérica"

- International trade of Knowledge Intensive Services grew at 11,4% anual average, 1,9 p.p. more than total service trade between 2003-2013, reaching US\$ 1,911,420 millions in 2013
- Knowledge Intensive Sector share in Total World Services Exports increased from 34% in 2003 to 40% in 2013



Source: Eco-Axis based on UNCTAD and Lopez and Ramos (2013)

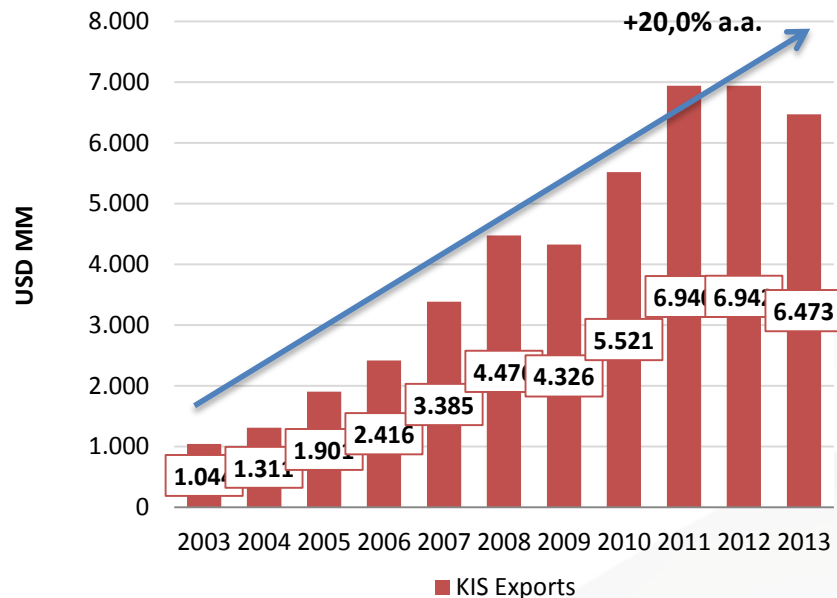
(\*) Financial Services; Computer and Inforamtion; Legal, advertising, consulting, accounting, R&D, etc; Personal, cultural and recreational services

(\*\*) Construction, Insurance, Royalties, Government services. L

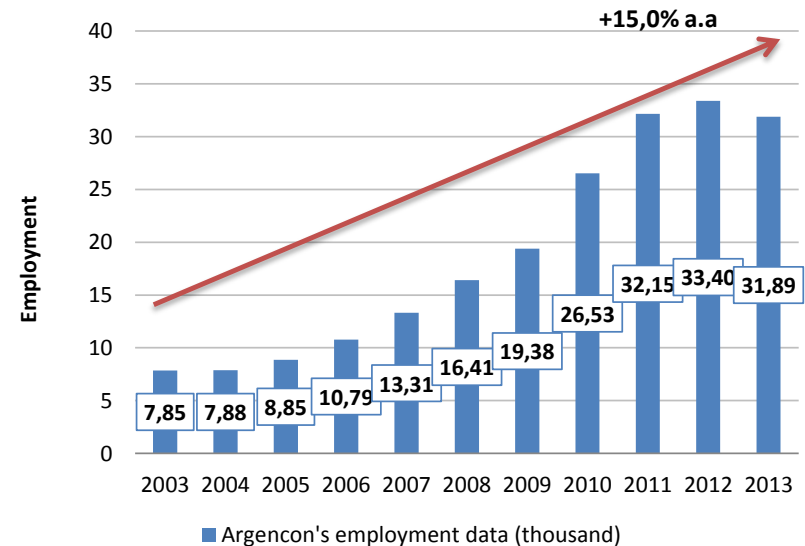
# Growth of Knowledge Intensive Services in Argentina

By Beatriz Nofal Eco-Axis

- Sector Growth propelled by exports
- Fast export growth at 20% annual average, reaching USD 6.5 billion in 2013
- An estimate of 120,000 jobs are linked to exports and global delivery. Employment in Argencon affiliated firms grew at 15% annual average between 2003-2013
- High direct and indirect contribution to employment, diversity and standart of living
- Ratio of exports per person employed increased, which shows increasing complexity of exports and movement up the value chain



Source: Eco-Axis based on INDEC



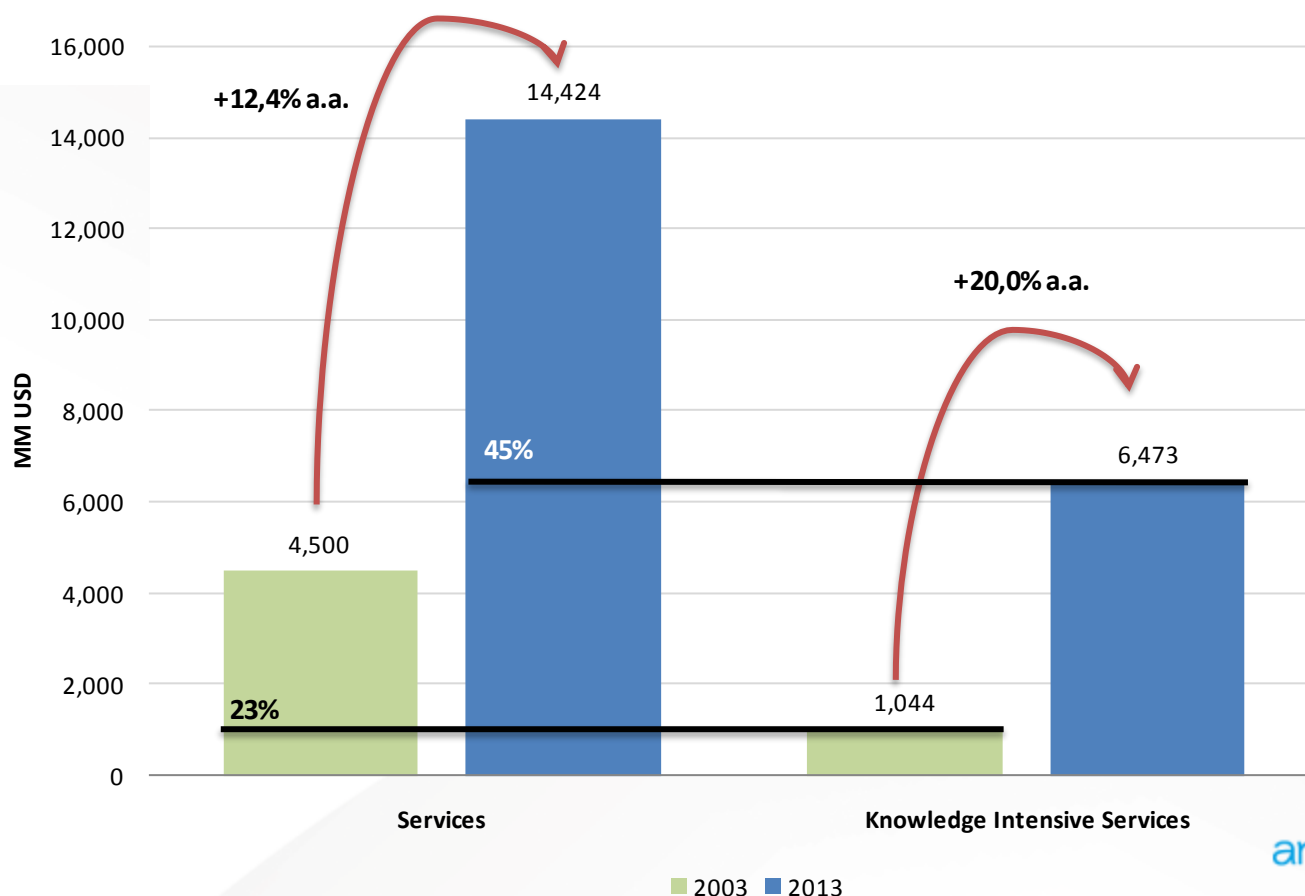
Source: Argencon Survey. López and Ramos 2014



# Faster Growth and Growing Share in Services Exports

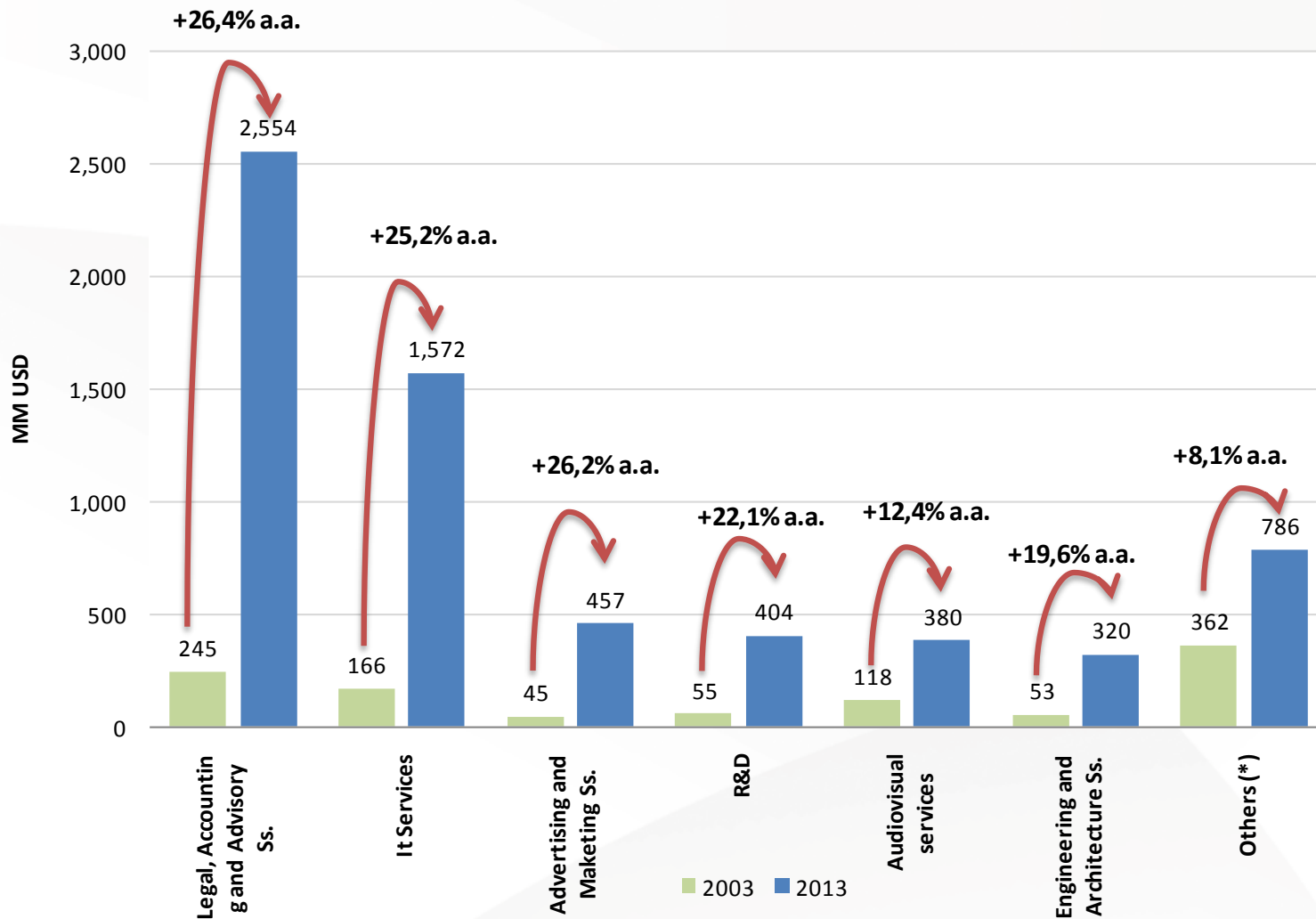
By Beatriz Nofal Eco-Axis

- Exports of Knowledge Intensive Services grew at **20%** anual average, almost **8 p.p.** more than total Service exports between **2003-2013**
- Consequently, its share increased from **23 %** in 2003 to **45%** of Total Service exports in 2013: **USD 6,5 millions**
- Knowledge Intensive Services exports is almost **8%** of Goods exports



# Export Growth by Subsector

By Beatriz Nofal Eco-Axis

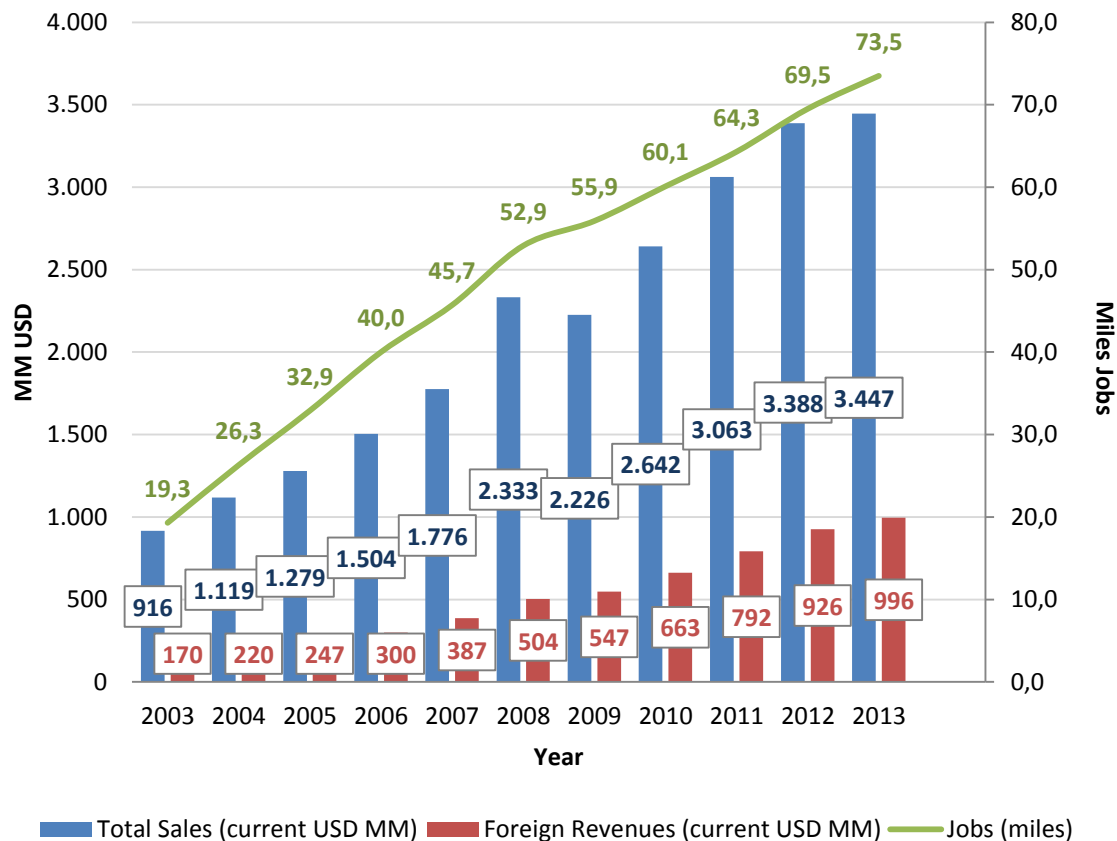


Source: Eco-Axis based on INDEC

# Software and IT Industry: growth driven by innovative firms

By Beatriz Nofal Eco-Axis

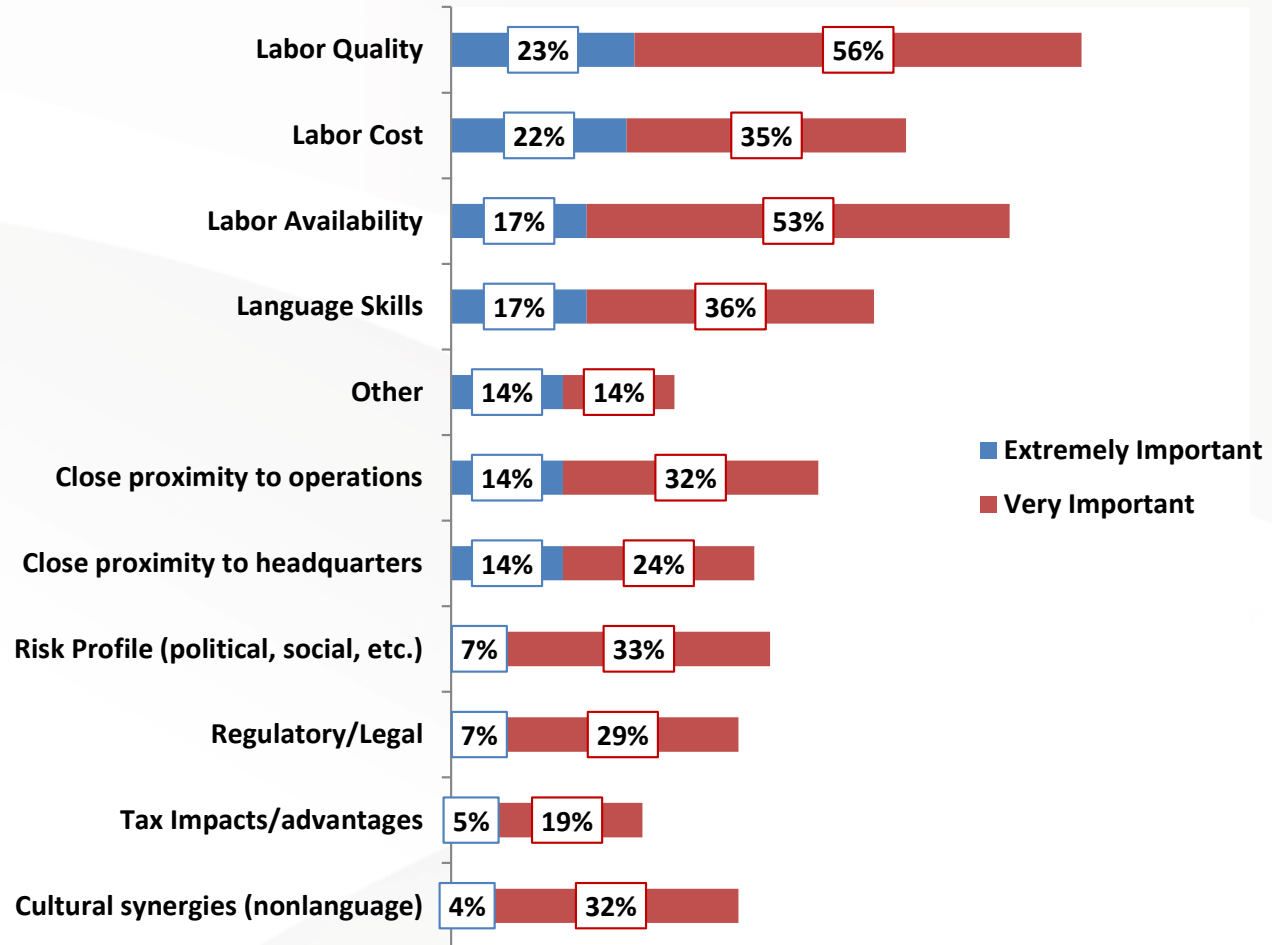
- Sustained export and employment growth
- Domestic IT-Software market: 2014 slowdown in growth (economic uncertainties, inflation, slowing GDP impacting IT expenditure)



Source: OPSSI 2014

# Key Factors

By Beatriz Nofal Eco-Axis



Source: DELOITTE, "Global Shared Services Survey Results" 2013

# Labor Quality: Education

By Beatriz Nofal Eco-Axis

- **Highly educated labor:** High tertiary enrollment (**78.6%**) and high percentage of Labor with tertiary education (**28.6%**) compared to LA and the EU average
- **Highest public investment on education (6.2% of GDP)** in LA, close to US.
- Education as an equalizing factor: Argentina has one of the best **income distribution** in America according to GINI Index (**42.4**), similar to US at present.

Countries	enrollment, tertiary (% gross) ***	tertiary education (% of total) (****)	Public spending on education, total (% of GDP)	GINI
	2011	2000s	2011	2011
United States	95,33	35,25	5.4**	41,10
European Union	65,35	24,68	5,20	30,4 (Eurostat)
China	24,33	-	-	42,1**
<b>LATIN AMERICA</b>	<b>42,10</b>	<b>16,47</b>	<b>4,46</b>	<b>50,10</b>
<b>ARGENTINA</b>	<b>78,63</b>	<b>28,63</b>	<b>6,26</b>	<b>43,60</b>
Brazil	S/D	11,77	5.8**	53,10
Chile	70,52	24,00	4,06	50,80
Costa Rica	44,45	20,09	-	48,60
Mexico	27,69	21,49	5,19	48,1*

Source: Eco-Axis based on World Bank.

(\*) 2012; (\*\*) 2010; (\*\*\*) Gross enrolment ratio. Total enrollment in tertiary education, regardless of age, expressed as a percentage of the total population of the five-year age group following on from secondary school leaving. (\*\*\*\*) Average data available

# ...Education and availability: Talent Pool

Key annual data - 2011

By Beatriz Nofal Eco-Axis



114 Universities



1,800,000 Students



109,000 Graduates

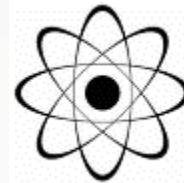


**11,800 Post-Graduates**

7,300 Specialists

2,800 Masters

1,700 PhD

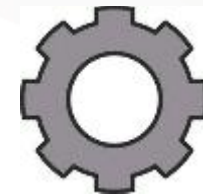


**Basic and Applied Sciences:**

500,000 Students

25,000 Graduated

861 PhD



**Engineers:**

270,000 Students

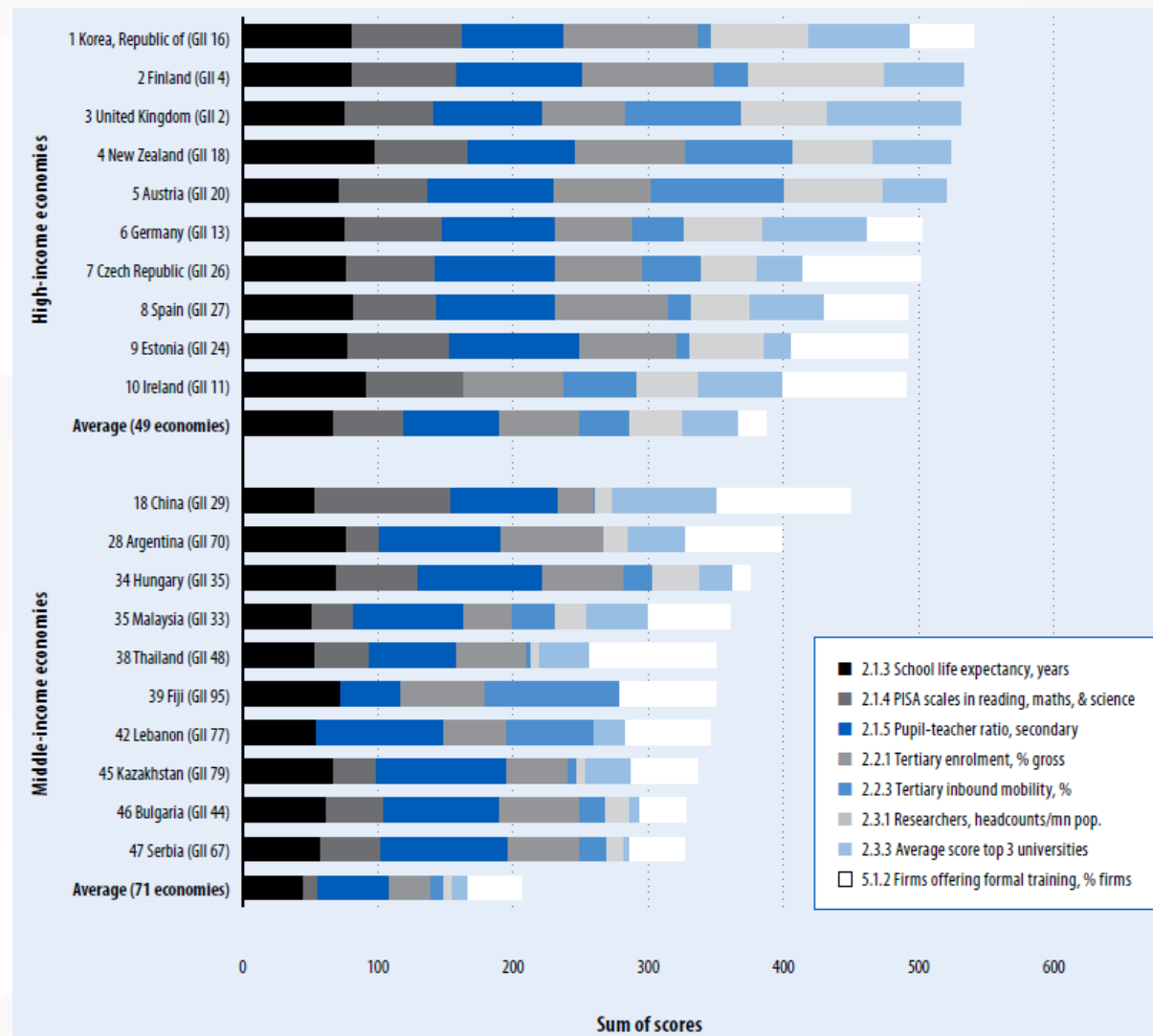
5,400 Graduates

# EDUCATION DRIVER OF INNOVATION: GLOBAL INNOVATION INDEX 2014, CORNELL UNIVERSITY, INSEAD, WIPO

By Beatriz Nofal Eco-Axis

*Education as a human aspect of innovation:* Argentina is the 2nd top performer within middle income countries (after China) for the human education factors related to innovation.

- Argentina ranks **70** in the **Global Innovation Index** (out of 143 countries), and it is fourth in Latin America, below Chile (46), Costa Rica (57) and Brazil (61).
- Argentina's Efficiency ratio of Innovation (0.79) is above the median 0.74.
- Therefore, it ranks 43 among 143 countries, while China is positioned above in the rank 29 and India below in 76.
- The gap in Argentina's performance is largest in the innovation Input Sub Index in the Institutions factor.



Source: "The Global Innovation Index 2014. The Human Factor in Innovation"

# Creativity

By Beatriz Nofal Eco-Axis

## ➤ Argentina top 10 most awarded country in 15 years





# ... Creativity

By Beatriz Nofal Eco-Axis

- The Gunn Report ranking is based on annual international awards obtained on: TV&Cinema, Print, Interactive and Gunns Blazing\* creativity
- Between 2008 and 2012 Argentina was in the top six most awarded countries

## Most Awarded Countries in the World

N°	2008	2009	2010	2011	2012	2013
1	US	US	US	US	US	US
2	UK	UK	UK	UK	Australia	Australia
3	<b>Argentina</b>	<b>Argentina</b>	France	Brazil	Japan	UK
4	Germany	Germany	Sweeden	<b>Argentina</b>	<b>Argentina</b> Brazil	Brazil
5	Japan	Japan	Brazil	Germany		France
6			<b>Argentina</b>			

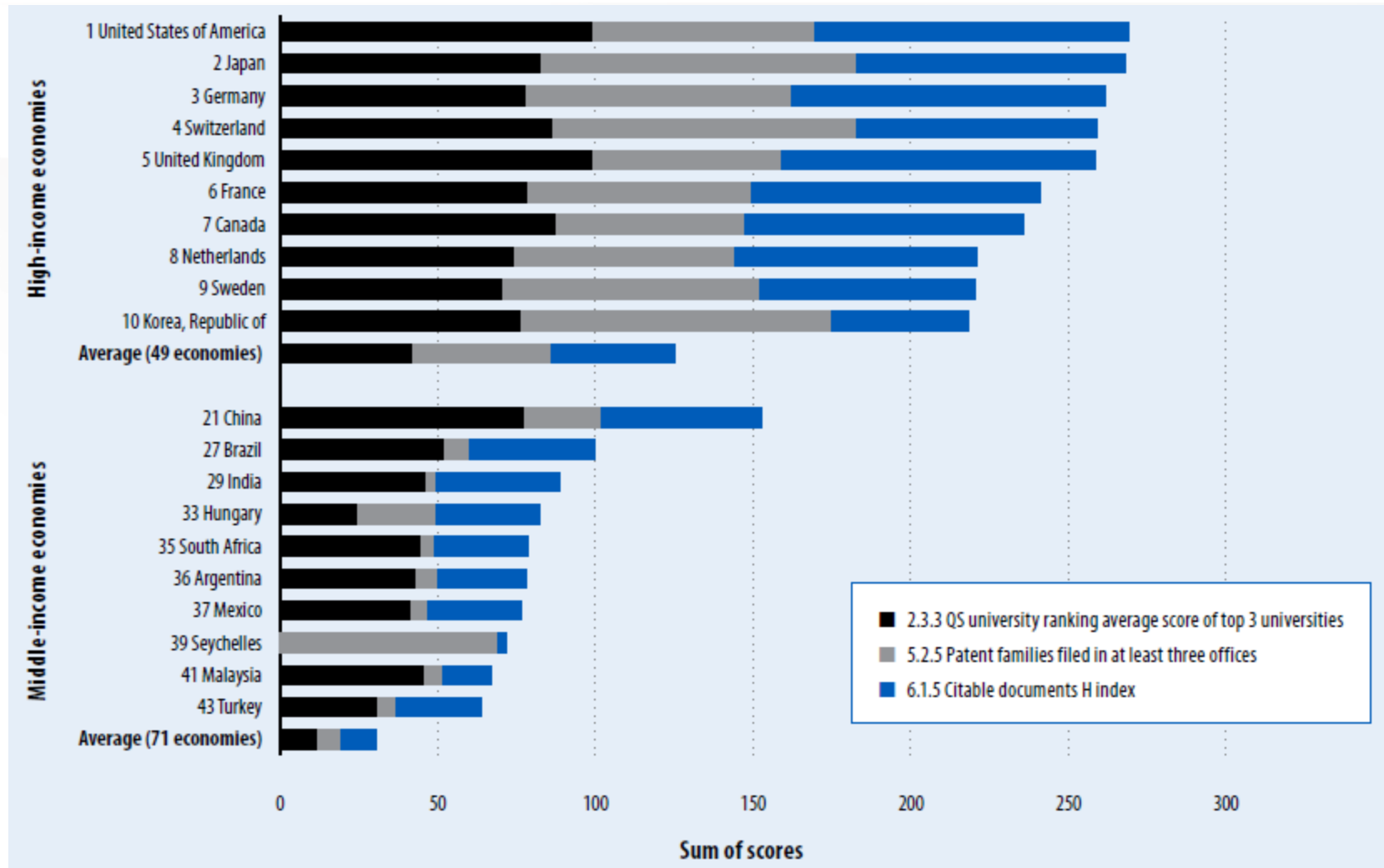
Source: [www.thegunreport.com](http://www.thegunreport.com)

(\*) Integrated, Mixed Media, Innovative, Content and Contact, Titanium, and other advertising award categories

# Quality of Innovation: THE GLOBAL INNOVATION INDEX 2014, CORNELL UNIVERSITY, INSEAD, WIPO

By Beatriz Nofal Eco-Axis

- **Argentina among top performers:** ranks **36** out of **143** according to the **Metrics for Quality of Innovation**, although belongs to the middle income countries group



Source: "The Global Innovation Index 2014. The Human Factor in Innovation"

# Quality of Innovation

By Beatriz Nofal Eco-Axis

- Argentina has one of the **highest ratio of R&D researchers per million people** in Latin America, higher than China
- Increasing R&D share to **0.65% of GDP in 2011**
- **High Tech Exports ratios are still bellow Latin America average**
- **Argentina has one of the best ICT infraestructure in Latin America**, with the highest Internet users and mobile phone penetration.

Countries	R&D (%GDP)	R&D Researchers (per million people)	Royalties/receipts (USD per capita)	High Tech Exports (% of manufactured exports)	High-technology exports (%GDP)	Internet users (per 100 people)	Mobile cellular subscriptions (per 100 people)	GDP per capita (current US\$)
	2011	2011	2012	2012	2012	2013	2013	2013
United States	2.76	3,978.73	392.82	17.83	0.92	84.20	95.53	53,142.89
European Union	2.04	3,223.82	140.11	15.44	3.83	75.50	123.93	34,243.88
China	1.84	963.20	0.77	26.27	6.14	45.80	88.71	6,807.43
<b>LATIN AMERICA</b>	<b>0.83</b>	<b>538.13*</b>	<b>1.72</b>	<b>11.05</b>	<b>1.02**</b>	<b>46.72</b>	<b>114.53</b>	<b>10,004.04</b>
<b>ARGENTINA</b>	<b>0.65</b>	<b>1,235.98</b>	<b>3.89</b>	<b>7.70</b>	<b>0.32</b>	<b>59.90</b>	<b>159.03</b>	<b>14,760.20</b>
Brazil	1.21	710.27*	2.55	10.49	0.39	51.60	135.31	11,208.08
Chile	0.42*	317.18*	4.28	4.64	0.19	66.50	134.28	15,732.31
Costa Rica	0.48	1,289.03	0.90	39.61	5.99	45.96	145.97	10,184.61
Mexico	0.43	386.43	0.78	16.33	3.71	43.46	85.84	10,307.28

(\*) 2010

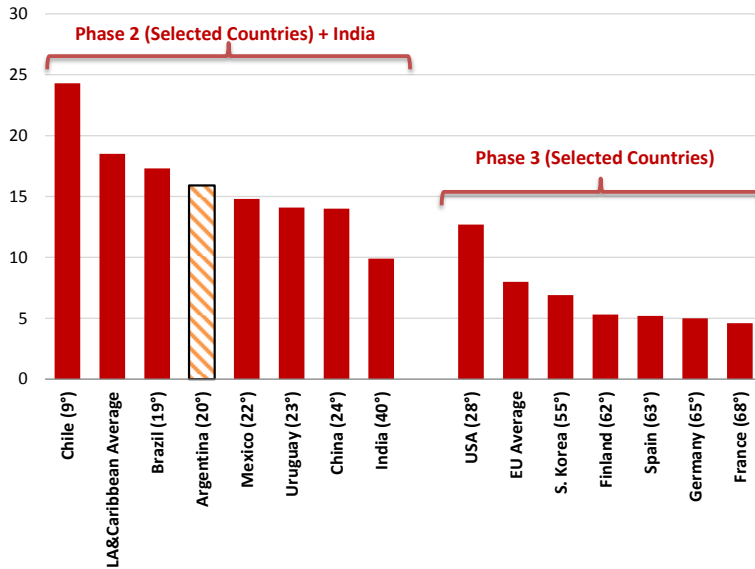
(\*\*) 2011

Source: Eco-Axis based on World Bank

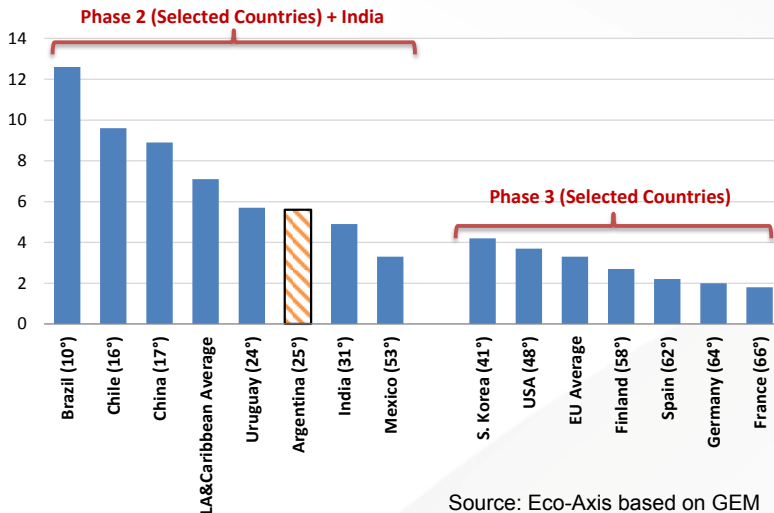
# Entrepreneurship

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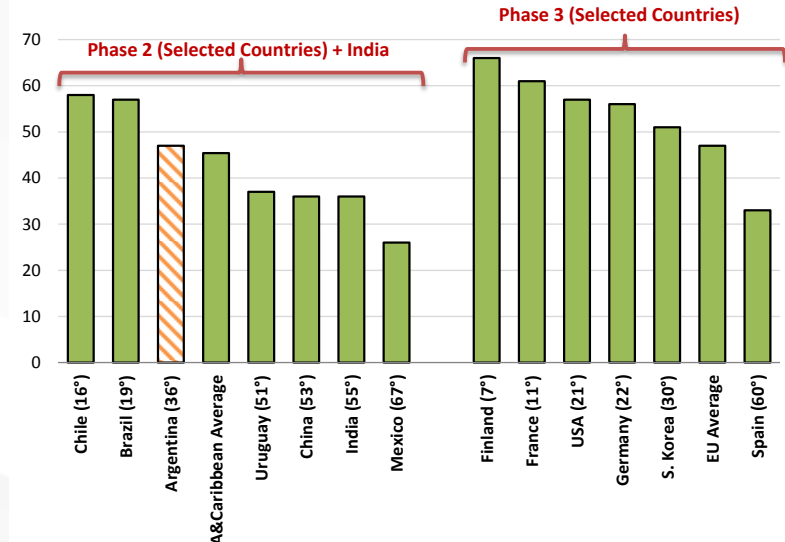
**Global Entrepreneurship Monitor**  
Total early-stage Entrepreneurial Activity (TEA)



**Global Entrepreneurship Monitor**  
New Business Ownership Rate



**Global Entrepreneurship Monitor**  
Improvement-Driven Opportunity Entrepreneurial Activity:  
Relative Prevalence



- **GEM evaluates 70 countries**, divided in three groups according to development phases: **i) Phase 1:** Factor-driven economy (i.e.: India); **ii) Phase 2:** Efficiency-driven economy (i.e. Argentina); **iii) Phase 3:** Innovation-driven economy (i.e. United States).
- **Total early-stage Entrepreneurial Activity (TEA):** Percentage of 18-64 population who are either a nascent entrepreneur or owner-manager of a new business, i.e., owning and managing a running business that has paid salaries, wages, or any other payments to the owners for more than 3 months, but not more than 42 months
- **New Business Ownership Rate:** Percentage of 18-64 population who are currently a owner-manager of a new business
- **Improvement-Driven Opportunity Entrepreneurial Activity:** Relative Prevalence. Percentage of those involved in TEA who (i) claim to be driven by opportunity as opposed to finding no other option for work; and (ii) who indicate the main driver for being involved in this opportunity is being independent or increasing their income, rather than just maintaining their income

Source: Eco-Axis based on GEM

# ...successful cases: *Globant* and *Mercado Libre*

By Beatriz Nofal Eco-Axis

## Globant, Mercado Libre, YPF, Dow Jones Index and NASDAQ Index 3 months – Google Finance 10-31-2014



### ➤ 3 months variation

**NASDAQ: +5.86%**

**Dow: +4.82%**

**YPF: -4.29%**

**MELI: +48.14%**

**GLOB: +14.58%**

NYSE: October 10th 2014	Globant: GLOB	Mercado Libre: MELI	YPF: YPF
Market Capital (USD Billions)	0.45	5.15	20.39
Share Price	13.01	138.0	34.16
Average Volume	60.834	576.491	1.800.000
P/E	N/A	81.55	14.72
$\beta$	N/A	1.82	1.31

Source: [www.google.com/finance](http://www.google.com/finance)

# Labor Cost

By Beatriz Nofal Eco-Axis

- Argentina has a competitive position in skilled labor costs compared to our immediate competitors in the region, Brazil and Chile, though labor costs have increased in the last decade.
- In language skills Argentina shows the 2<sup>nd</sup> best TOEFL qualifications in LA

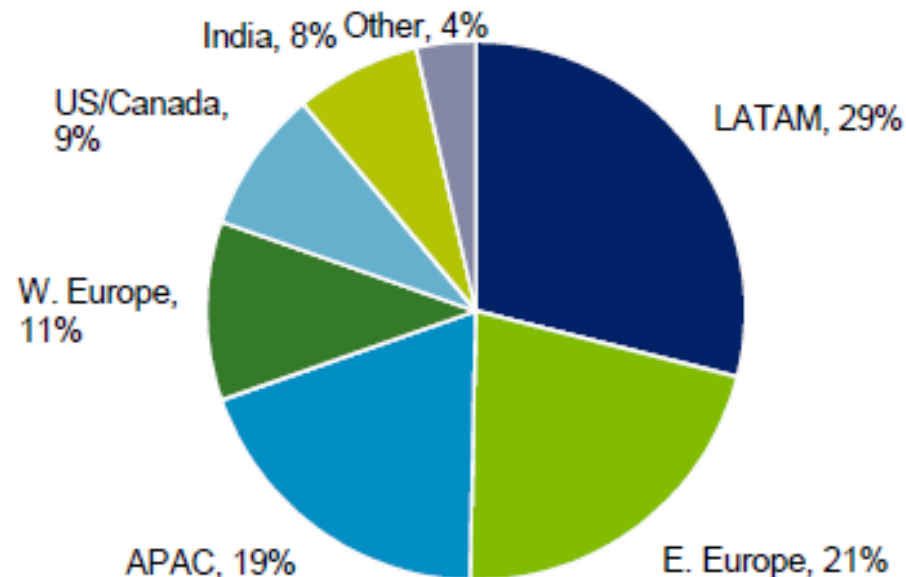
Country	Wage Average						Language Skills
	Engineer. 2-3 years of experience (U\$\$/mes)	Advanced Programmer (U\$\$/mes)	Animation Programmer (U\$)	Graphic Designer. 2-3 years of experience (U\$\$/mes)	Advertiser. 2-3 years of experience (U\$\$/mes)	Accountant. 2-3 years of experience (U\$\$/mes)	TOEFL Average Qualifications
Argentina	1.964,00	1.952,66	1.232,26	906,34	1.084,50	1.244,11	93
Brasil	3.088,27	-	1.802,65	1.548,00	1.493,00	1.661,92	84
Chile	2.352,06	1.866,67	618,08	643,87	882,95	775,00	85
Colombia	1.090,14	2.110,81	992,83	995,68	1.171,26	1.122,20	81
Costa Rica	1.509,19	1.899,35	1.449,38	949,60	1.099,53	1.328,01	93
México	716,68	1.804,00	499,96	513,25	535,06	-	86
Perú	1.750,31	1.454,71	924,63	496,54	496,54	875,15	86
Uruguay	2.382,74	2.039,77	608,71	956,70	914,58	1.937,48	95
Filipinas	474,88	683,00	1.187,21	593,60	514,46	538,00	89
India	688,86	321,37	971,18	351,00	382,00	320,36	91
República Checa	3.170,00	2.144,00	1.935,10	1.083,00	1.242,00	1.339,00	92

Source: Asociación Latinoamericana de Exportadores de Servicios (ALES)

# Location attractiveness

By Beatriz Nofal Eco-Axis

- According to DELOITTE'S 2013 – “*Global Shared Services Survey Results*” - Latin America is the region best considered for new centers on shared services or relocations (29% of total survey responses), followed by Eastern Europe.
- **Brazil** is the top country in Latin America, moved from 2% in 2011 to 11% of preferences in 2013 and is followed by **Mexico** and **Argentina**.
- Also **Brazil's internal demand** in this sector is mainly serviced domestically (48%) , from **Argentina (12%)** and from **USA (9%)**.



Source: DELOITTE, “Global Shared Services Survey Results” 2013

# Looking Forward

By Beatriz Nofal Eco-Axis

- Revival of demand in US and Europe is driving global KIS export growth
- Argentina can be established as a regional/global hub and innovation
- The sector is helping transform Argentina into a diversified knowledge based economy and is putting the country in the global map.
- Argencon's projections show that exports can grow 100 % to 125% in the next 5/10 years, and increase 10,000 million dollars of additional exports .
- This would add an estimate of 150,000 new direct jobs in the sector.
- Projections are based on the assumptions of: sustained world demand, the existing talent pool, and an estimated growth rate of one third of the last ten years average,
- Higher rates of export growth can be obtained by increases in productivity (US\$/per employee) focusing on value creation and innovation
- The main challenge in the short to medium term is aligning the strategies, policies and actions of the main stakeholders (the private sector, the national and local governments) with this vision
- The main challenge in the long term is the sustainability of talent.



# Looking Forward

By Beatriz Nofal Eco-Axis

***In what follows we will learn from successful cases: from corporate innovation, to innovative entrepreneurs and talent stories .***

***They speak about successful and inspiring trajectories beyond the borders***

***They also showcase an optimistic outlook of Argentina's global service delivery capabilities and prospects***

**Thank You!**

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