Facultad de Ciencias Económicas y Empresariales

# Monthly Economic Newsletter

USAL UNIVERSIDAD DEL SALVADOR

Research Institute. February 13, 2023. No. 213. Year 23

Staff: Adolfo Bosch, Leandro Marcarian, Héctor Rubini, and Jorge Viñas

## KEY DATA

**Inflation.** Buenos Aires city CPI rose 7.7% in January (99.4% i.a.). It is the second highest monthly increase of this price index, and the highest annual increase since 2013.

## HIGHLIGHTS

**Argentina: complications in an electoral year.** Last 3-month boom in the stock market, pushed by energy and gas stocks, improved market expectations, but the severe drought coupled with last year late frosts will constrain both food and foreign currency supply. The Gov't will maintain the current restrictions on imports, threatening the future path of economic activity. Under current increases in administered prices and in money supply, the ongoing pressures on both domestic prices and the exchange rate will probably lead to higher inflation and interest rates, and to an economic recession.

**The global economy … ¿celebrated in advance?.** Worldwide inflation rates are on the downside, and financial markets foresee the end of the current cycle of interest rate hikes. However, current inflation rates remain higher than central banks' targets and the strong US labor market can weaken the current disinflation dynamics, and to force most of central banks to maintain tight monetary policies.

**Brazil: Lula is back.** The new president Lula Da Silva started its period under a brave external environment. The sound fiscal policies under Bolsonaro were not able to guarantee a sound economic recovery in the post-pandemic years. Hence, the success of heterodox economic policies looks extremely unlikely.

## LOOKING AHEAD

**Inflation in Argentina.** Next February 14 the Gov't statistics bureau (INDEC) will release January CPI. It is expected a higher inflation rate than last December 5.1% (m-o-m).

**Brazil: farewell to the Central Bank's autonomy.** Local markets expect a significant political influence of Lula Da Silva's administration on the Central Bank's Monetary Policy Committee after he said that Brazilian Central Bank's legal independence is complete nonsense. Local financial market perceived this as a significant source of future currency and interest rates volatility.

**The Fed Funds Rate, on the upside.** The Fed's chairman, Jerome Powell said in The Economic Club at Washington DC that the Fed will need to further raise interest rates as long as curbing inflation will demand more time than expected. Hence market analysts foresee that the Fed Funds Rate will surpass 5% well before the end of the year.

**Dean of the School of Economics & Business:** Héctor F. Dama
**Research Institute Chair:** Juan Massot - **Editor:** Héctor Rubini
Viamonte 1816 - C1056ABB - CABA - Argentina - (+54-11) 3754-7900
fceye.usal.edu.ar - @usal.fceye