

# Monthly Economic Newsletter



Research Institute. March 15, 2023.

No. 213. Year 23

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

## KEY DATA

**Inflation.** The national CPI rose 6.6% in February (102.5% i.a.). This is the first time Argentina's annual inflation surpassed 100% since September 1991.

## HIGHLIGHTS

**Argentina: under stress.** The Treasury swapped short-term bills for new bonds maturing in 2004 and 2005, and the central bank offered the sale of put options on them. This helps to ease short-term fears of a debt default, but inflation, interest rates and the exchange rate remain under upside pressures, at least until the year-end.

**USA: between inflation pressures and bank failures.** Market expectations on Fed Funds Rate hikes until 6% were reinforced after Jerome Powell's testimony to the Congress. He said the US economy is moving faster this year, suggesting that higher interest rates will be needed to bring inflation down. However, the recent banking panic raised by the collapse of three banks led to some doubts on next Fed's move.

**The war in Ukraine.** One year after Russia's attack began, energy and food price increases were not reversed. An incipient downside move was perceived in some European countries, but the risk of further inflation acceleration still remains high.

## LOOKING AHEAD

**Interest rates on the upside.** After the worrisome increase in inflation in February, the Central Bank of Argentina is expected to raise its key rate by 5 percentage points this week.

**Federal Reserve meeting.** Despite the collapse of several banks, there still prevails the expectation of a 25 b.p. hike in the Fed Funds rate next week, and further 25 b.p. on the May meeting of the Federal Open Market Committee.

**Ecuador, entering in a new political crisis.** After the Gov't lost both local elections and a referendum that sought to reform the constitution, opposition legislators approved a dossier that promotes the investigation of several acts of corruption and to impeachment of President Guillermo Lasso. Once the dossier is voted by at least 46 legislators, and approved by the Constitutional Court, the impeachment can be started, leading to the resign of Lasso and the call for early general elections.