

Monthly Economic Newsletter



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KEY DATA

Consumer Price Index. November CPI increased 3.2% m-o-m, slightly below the October record (3.8%). Such deceleration is perceived as transitory as long as November monthly core inflation was 3.9%, the highest in 12 months, and it is expected a gradual removal of price controls since next January. Argentina's inflation remains as one of the highest in the world, behind Venezuela, Zimbabwe, Sudan, Lebanon, Iran and Suriname.

HIGHLIGHTS

Argentina 2020. The Argentine economy closes the year with high inflation, the GDP under free fall, and impoverishment of the population. The decline in disposable income, the destruction of labor vacancies and the persistent foreign currency shortage, turn it unavoidable a drastic change in current economic policies, and the negotiation of the rescheduling of the debt repayments to the IMF, mostly concentrated between 2021 and 2024.

The global economy in 2021. The expected second wave of COVID-19 contagions is threatening the expected economic recovery in US and Europe, given the upcoming vaccinations that are needed to resume a normal life across the world. A scenario with economic growth, commodity prices on the upside, widespread access to liquid funds, and a weak US dollar might induce a renewal of capital inflows to emerging markets.

UK and a "hard Brexit" on the horizon. The current transition with bilateral negotiations between UK and the EU to agree an orderly Brexit runs out on 31 December. Without agreement, the UK is heading for an unavoidable "hard Brexit".

LOOKING AHEAD

Argentina and the IMF. The Argentine Gov't and the IMF will resume the negotiations on the restructuring of the due payments to the IMF. Hopefully, it might be closed backed by an Extended Facility program, but the Argentine Gov't appears reluctant to accept an adjustment strategy focused on a tight monetary and fiscal program, an exchange rate adjustment, and pro-market structural reforms.

COVID-19 and the end of lockdowns. Vaccinations are expected to start, but not as soon as expected by the Argentine Gov't. As long as a pandemic resurgence is expected for next weeks, there is no certainty on the availability of vaccines, the adequacy of the distribution logistics and the return to strict lockdowns.

US towards a new stage. Joe Biden's inauguration as the new US president next 20 January is expected as the start of drastic changes in the US economic, trade, sanitary, foreign relation and defense policies.