

**ECONOMIC
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KEY DATA

- Monthly inflation in Argentina (consumer prices) approached 6% - 8%, according to private estimates. It would be the highest in 2016 and also the highest in the last 14 years.

INSIDE THE ECONOMY

- The Argentine Gov't paid its defaulted debt with 200 groups of "holdout" creditors. It required the issuance of new public debt (US\$ 16.5 Bn) paying an average 7.78% annual rate. Hence, after 14 years of financial isolation, Argentina regained access to global capital markets.

HIGHLIGHTS

- The Argentine economy still suffers stagflation, with signs of inflation acceleration. The Gov't relies on expected capital inflows for infrastructure projects to revert this scenario in the 2nd half of the year. In case of failure, the Gov't will face significant complications to stabilize the economy and to assure a victory in the legislative elections of next year.
- The end of the "holdouts saga" paved the way for provincial administrations to borrow money abroad. However, the return to foreign indebtedness is not riskless. A sustainable debt path is only feasible after the recreation of conditions for vigorous and enduring GDP growth, higher employment rates and increasing forex inflows.
- The global economy gives mixed signals on any GDP rebound, without a reversal of the low-growth pattern observed from the 2008-09 financial crisis. Both governments and multilateral organizations remain unable to promote higher GDP growth rates.
- The Brazilian Senate suspended President Dilma Rousseff for 180 days, and approved an impeachment against her. Vice-President Michel Temer was appointed as the new interim president. He is expected to launch a new economic program focused on tight fiscal targets and structural reforms.

LOOKING AHEAD

- Kirchnerist deputies are close to get the required quorum to approve a bill that stops layoffs for 180 days. In such case, President Macri is expected to veto it.
- The Argentine Gov't will send to the Congress a bill on the regularization of tax liabilities, and legal and tax incentives for capital repatriation until December 2017.
- Next month, the National Statistics Institute (INDEC) will release a new Consumer Price Index, and will publish the underlying elaboration methodology.
- The Rosario Grain Exchange reported that excessive rains in April turned it impossible to harvest 5.7 M tons of soybean in the provinces of Santa Fe, Entre Rios and Cordoba. The soybean harvest of Argentina would reach to 55 M tons (-9.5 % y-o-y) in 2016, below the last USDA's estimates.
- After recent US dollar denominated bond sales by the governments of the provinces of Neuquen and Mendoza, financial markets expect new series to be issued abroad by other subnational administrations: the provinces of Buenos Aires, Chubut, Salta, Cordoba, Santa Fe, Tierra del Fuego and Buenos Aires City.
- The new Finance Minister of Brazil, Henrique Meirelles, is expected to announce a fiscal adjustment and structural reforms program. The interim president Michel Temer will probably appoint Ilan Goldfajn as the new chairman of the Central Bank of Brazil (BACEN) next June. Goldfajn is the current chief economist of Banco Itaú. Other candidates at stake are the former BACEN directors Mario Mesquita and Afonso Bevilacqua