Facultad de Ciencias Económicas y Empresariales

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

KEY DATA

Exchange rate. On July 22 Argentina's parallel exchange rate hit AR$ 350 per US dollar, the historical record with a 150% gap over the official quote.

HIGHLIGHTS

Argentina, in a currency crisis again. Both Economy and Productive Development ministers' resignations were unable to stop the ongoing crisis inside the Gov't. Furthermore, the recent new constraints on forex purchases triggered a flight from domestic currency and public debt to US dollars. The acceleration of domestic inflation, coupled with the increase in the parallel exchange rate and in the sovereign risk premium reflect the low credibility in the authorities.

Superdollar and higher interest rates in America. The current energy crisis plummeted the euro to 1 euro per US dollar after 20 years. The US inflation rate remains on the upside, so that the FOMC is expected to rise the Fed Funds Rate for 100 b.p.

Ecuador in crisis. The Gov't and aboriginal groups reached an agreement after some weeks of riots and demonstrations. The authorities have committed to a rebate in fuel prices. However, the protesters will resume the road blockades if the Gov't does not fulfil its promise.

LOOKING AHEAD

Argentina in crisis. Market players are expectant on changes in the exchange rate regime, avoiding a huge peso depreciation. The Central Bank needs to increase its international reserves and to avoid a new run against the peso.

Chile at risk. Fitch estimates Chile's current account deficit close to 6.4% of GDP this year. In its view, President Boric would find it hard to afford higher social expenditure raising taxes, no matters what might happen after the constitutional referendum next September 4.

Downside Europe. War in Ukraine is not expected to end on 2022. Hence, the increase in the cost of energy will hit the industrial production in Germany, Spain, Italy, UK, and Netherlands.

World GDP. A global deceleration is expected for the second half of the year. Tight monetary policies in industrialized countries and the volatility in commodity prices and in exchange rates may impair emerging market debt sales in the next months.

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