Monthly Economic Newsletter

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KEY DATA

Country Risk. On November 17 the blue-chip swap exchange rate hit AR$ 334,8 per US dollar, the highest since last July currency crisis.

HIGHLIGHTS

Argentina's challenges. The government tightened official controls on imports and currency trading, but domestic debt payments are on the rise. The persistent increase in the Central Bank's monetary and non-monetary liabilities, coupled with increasing public utility rates and a decline in the demand for local currency and domestic public debt, leads to a gloomy year 2023 with inflation, exchange rates, and interest rates on the rise, and the likely fall into a lengthy recession.

Inflation prevails in the world. October inflation rate in US was lower than expectations. However, the fight against inflation appears to be longer and more painful than expected by the most optimist market forecasters.

Crypto assets in turmoil. The FTX crypto exchange filed for bankruptcy and FTX investors were unable to retrieve their money. Crypto trading enters by this way in a very uncertain scenario, if several governments are willing to keep crypto markets under strict regulations.

LOOKING AHEAD

Electric rates Big Argentine transport companies will assist to a public hearing on the rebalancing of electric rates in the wholesale market. Local companies are expected to claim for a 70% increase, and the Government is willing to remove 40% of current subsidies to electric companies in December, and another 20% next February. Hence, 5 million people are expected to pay for the full cost of energy from March 2023.

War in Ukraine. The war between Russia and Ukraine remains far from the end, with military equipment from other countries. It is expected that will be the source of new perturbations on the world energy prices and on the world trade. Some private banks foresee a decline in 2023 world economic growth by 0.7 percentage points from the IMF estimate for next year (2.7%).

The Fed in action. Under inflation pressure far from being under control, the Federal Open Market Committee will meet next December 13 and 14. It is expected a new hike in the Fed Funds rate for 0.5 percentage points, slightly below last 4 hikes by 0.75 percentage points each.

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