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KEY DATA

- The official estimator for real activity in Argentina (EMAE) suffered a sharp drop in July: 5.9% yoy, the greatest decline since from July, 2009. Furthermore, this indicator showed registered a cumulative 2.3% drop in the first seven months of this year.

INSIDE THE ECONOMY

- A federal Court at Cordoba city issued an injunction that suspended recent gas charge hikes for SMEs from last April. The Court's decision will force gas utilities to compensate the charged amounts between last April and September, according to the gas charges that were in force on March 31, 2016. This is a new uncertainty factor about the future path of public utility charges for next 6-9 months.

HIGHLIGHTS

- CPI inflation rate started to recede after the recent suspension of gas and electricity charge hikes, and real activity indicators suggest the next end of current stagflation. However, the erosion of real wages and the ongoing job destruction raised new labor conflicts. Furthermore, the expected increase in public utility charges turn it uncertain the achievement of the official fiscal and monetary targets.
- Current data and projections on real activity foresee that current recession will be reversed at the end of this year. Real GDP is not expected to return to a sustained growth path before 2017. Furthermore, the nominal exchange rate is under a downward pressure due to the foreign currency inflows via the issuance of new Gov't debt in foreign markets. Fiscal deficit is not expected to decline at least until year 2018.
- The US Fed held unchanged the Fed Funds rate, expecting a clear-cut improvement of economic indicators, and the results of next presidential election (Nov. 8). Hillary Clinton still leads Donald Trump in most electoral polls, but both of them are currently running neck and neck. Hence, the expected result of next election remains extremely uncertain. Furthermore, the central banks of the world remain expectant, given the disappointing global growth scenario for the next year.
- Brazil's economic indicators are also disappointing. Last July the real activity dropped 9.9% yoy, but the Brazilian Central Bank expects a reversal of current recession for next year. The new administration is intended to resuscitate the economy with an ambitious fiscal adjustment program focused on asset sales and the reform of current labor and social security regulations.

LOOKING AHEAD

- On September, 29 local union leaders and the Finance Minister Prat Gay will discuss the unions claims for a lump-sum wage increase before the year-end, the restart of wage negotiations, the Income Tax exemption for workers, and a new hike in the minimum pensions.
- Municipal elections in Brazil next October 2nd, with runoffs for October 30th. The Workers Party (PT) is expected to be beaten in most cities, especially in Sao Paulo.
- US presidential candidates Hillary Clinton and Donald Trump will hold new TV debates on October 9 in the Washington University at St. Louis, and on October 19 in Las Vegas (NV). Vicepresident candidates will debate next October 4 in the Longwood University at Farmville (VA.).
- The IMF and the World Bank Group will held their joint Annual Assembly next 7-9 October in Washington DC. Previously, the IMF will issue its World Economic Outlook update next October 4, and a report on the global financial stability on October 5.