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KEY DATA

- The Institute of Construction Statistics and Registration (IERIC) reported that cumulative cement deliveries for January-September 2016 fell 12.4% y-o-y, the greatest drop since 2002.

INSIDE THE ECONOMY

- The Argentine Government, the local unions confederation (CGT) and six business associations signed a commitment to start of negotiations by activity branch, to reward employees with a AR\$ 2,000 bonus before the year end. Some SMEs representatives and provincial governors claimed they cannot afford it, and some union leaders demand the re-opening of wage negotiations and/or the AR\$ 2,000 bonus plus other benefits. Hence, the direction of next wage negotiations remains uncertain.

HIGHLIGHTS

- The Argentine economy remains stagnant. It helps to keep inflation under control, but the pending hikes in wages and public service charges turn it uncertain the future path of the CPI. The nominal exchange rate remains stable thanks to foreign capital inflows to purchase domestic public debt. However, its sustainability requires a future recovery of exports, domestic real investment and the aggregate supply of goods and services.
- Domestic bond prices provide informative signals that are substantially different than private analysts expectations, as reported by the Central Bank's Market Expectations Survey (REM). It reflects either some remaining open arbitrage opportunities, or Central Bank's information incompleteness at the monetary policy decision-making.
- Hillary Clinton's lead in polls surges for November 8 presidential election, so that Donald Trump's populist and protectionist threats might fade away in brief. Without any "surprise", the Fed is poised to increase the Federal Funds rate by 50 b.p. next December. In the meantime, several central banks are discussing whether or not to maintain their expansionary monetary policies.
- Commodity prices plunge down after its rebound in the first half of the year. Grains and oilseed price drop was due to the high crop yields in the U.S. Oil oversupply led to a drop in its price, but last September the OPEC members opted to lower their daily production from 87.5 to 86.6 barrels per day. Furthermore, metal prices declined driven by the weak global demand, mainly from China.

LOOKING AHEAD

- Next month, maximum loan interest rates for production projects will be lowered from annual 22% to 17% due to the Central Bank's communication "A" 6084. It is also expected a drop of loan rates for SMEs working capital up to annual 14.5%, under the Production Ministry' program of subsidized interest rates.
- Call for the first public meetings on February 2017 hikes in electric power tariffs. As reported by local media, the electric distributor Edesur would ask for a 56% increase for residential consumers. The other distributor, Edenor, would require a schedule of price hikes between 17% and 73.9%. For non-residential consumers, Edesur would propose new increases, between 12% and 52%, and. Edenor would ask for a wider range of price hikes, between 143% and 315%.
- The US FOMC will hold next meeting on November 1-2. The Fed Funds Rate is expected to remain unchanged until next December.
- The US presidential election is scheduled for November 8. After three recent TV debates, the Democrat candidate Hillary Clinton emerged as the front-runner in most opinion polls.

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