

Monthly Economic Newsletter

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KEY DATA

Inflation rate: March CPI rose 2.3%. Cumulative CPI inflation was 9.2% in the first quarter of 2018, the highest from the third quarter of 2016.

HIGHLIGHTS

Inflation dynamics raises new concerns. March inflation record wiped out any credibility in the official inflation target for this year (15% y-o-y). Opinion polls show that the top unresolved issues are inflation, physical insecurity and unemployment.

Short-term outlook. Public utilities rate hikes are expected to decelerate in this quarter. However, it will not be sufficient to reverse the ongoing inflationary trend. 2018 CPI inflation is expected to reach 23%-25%.

Public debt. National public debt is rising at an unsustainable growth rate. The Argentine Gov't will preserve the intertemporal fiscal solvency only by issuing new debt at a significantly lower growth rate.

China vs. USA: trade war threats. The Chinese Gov't reacted to US import tariffs with new tariffs on some American imports and complaints against US trade practices to the WTO. Global unrest faded away thanks to Beijing's conciliatory tone, but this dispute and the renewed armed confrontation between Russia and Western countries in the Middle East led to an increase in global financial volatility.

Global growth on the upside. GDP growth rates of industrial countries slowed down in the first quarter. However, markets expectations remain optimistic. Last IMF's World Economic Outlook raised the projected global GDP growth rates for 2018 and 2019 from 3.7% to 3.9%.

LOOKING AHEAD

Public utilities' rates. Opposition parties' rejection to recent hikes and some proposals from the Union Cívica Radical party and National Deputy Elisa Carrió might lead to a gradual adjustment of natural gas and electric power rates.

Brazil's Lula: between a rock and a hard place. A Porto Alegre court overruled ex-President Lula's claim for freedom. So, he will remain in prison under charges of passive corruption and money-laundering. An injunction from the Supreme Electoral Court is expected to determine whether Lula might run as a candidate or not for October presidential elections. Last Datafolha poll shows Lula at the top with approximately 31% of voter intentions, down from 37% in the previous survey in January.

USA and North Korea get closer. Presidents Trump and Kim are expected to meet in June, or maybe sooner in Sweden or Switzerland. In the meantime, it was confirmed that Mike Pompeo, current CIA director, met North Korean top officers in Pyongyang last Easter weekend.

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