

Monthly Economic Newsletter



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KEY DATA

Exchange rate. On August 30 the USD quote surpassed the AR\$ 40 “ceiling”. Then it stabilized between AR\$ 38 and AR\$ 39, but yesterday hit AR\$ 39.08

HIGHLIGHTS

The currency crisis got worse. Late August exchange rate overshooting to AR\$ 42 forced the Gov’t to negotiate additional cash-in-advance to stop the speculative attack against local currency and Gov’t debt. The announced fiscal tightening via tax hikes without public expense cuts is bound to deepen the current stagflation, to boost a renewal of speculative purchases of foreign currency and to exacerbate social unrest.

August inflation rate: INDEC will report August 2018 CPI increase this afternoon. Private sector estimates oscillate around 4.0% m-o-m for August and 5.0%-6.0% m-o-m for September.

International overview: Emerging countries currency and financial markets remained on the downside in August. Furthermore, the US monetary and trade policies are far from provide short-term signs of a better outlook for emerging markets.

Brazil, between a rock and a hard place: The presidential election will take place on October 7, with great uncertainty about the election outcome and the performance of the Brazilian economy.

LOOKING AHEAD

Inflation rate. CPI inflation is expected to accelerate in September and October. Hence, no interest rates drop is expected at least until the year-end.

National strike. The main unions called for a national strike on September 25 against the Gov’t economic policy and the deal with the IMF.

Argentina y and the IMF. Some IMF staff are back in Buenos Aires to review the Gov’t targets previous to obtain a speed up of IMF disbursements to shore up its finances.

2019 Budget bill. Gov’t and opposition leaders are closing a deal in order to debate and pass the 2019 Budget bill before the end of October.

Brazil presidential election: Former President Lula Da Silva withdrew his candidacy. The far-right candidate Jair Bolsonaro emerged as the likely winner next October 7. However, he would not get sufficient votes to avoid the November runoff.

USA vs. China: Trump administration is expected to increase tariff rates on almost all imports from China. Beijing is expected to retaliate all tariff hikes, until they were overturned.

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