

**ECONOMIC
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SCIENCES
RESEARCH
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KEY DATA

- Buenos Aires City's Consumer Price Index (CPI) rose 4.1% last January, the highest monthly increase since February, 2014. It led to a cumulative 29.8% 12-month inflation rate, slightly higher than the 2015 increase in Buenos Aires City's CPI (27.2%).

INSIDE THE ECONOMY

- The technical director of the Gov't Statistics Institute (INDEC), Graciela Bevacqua, was fired for arguing that a new credible CPI cannot be rolled out within two months, as required by INDEC's top officer. This decision was perceived as a new chapter in the INDEC's murky history, characterized by the subordination of the official statistics elaboration and release to political pressures.

HIGHLIGHTS

- The inflationary impact of current gradual reform policies has overshadowed the successful shock approach to the liberalization of currency markets. Financial markets expect a successful end to the conflict between the Argentine Gov't and "holdout" bondholders of defaulted debt. However, the Government lacks of a comprehensive policy program focused on price stability, GDP growth and distributional equity.
- The Argentine Central Bank (BCRA) sterilized AR\$ 100 Bn. at the cost of increasing the short-term quasi-fiscal expenditures and the Central Bank Notes (LEBAC) at annual 38%. Successive auctions led to a gradual decline in interest rates. However, several factors prevent further rate declines: a) the Gov't choice of curbing inflation rate with a tight monetary policy, b) current expectations of further depreciations of the Argentine peso, and c) the Gov't high financial requirements for the current year.
- Full confidence in the new Gov't is not reflected in debt and stock markets yet. After last presidential elections the top debt and stock performers reflected expected changes in the financial system and in relative prices, rather than market fundamentals.
- The global economy shows some worrisome symptoms: a) the persistent weakening of both US and China's economies, b) the decline in oil and other commodity prices, c) uncertainty on the expected Fed's monetary policy, and d) capital flight and currency depreciation in emerging markets. Pessimism prevails in the global GDP growth prospects for 2016.
- China's GDP growth rate was 6.9% in 2015, the lowest in the last 25 years. According to the IMF, China's GDP would grow 6.3% in 2016, and 6.0% in 2017, converging to annual 5% in the long term.

LOOKING AHEAD

- The French President will arrive to Argentine next week, to subscribe 22 bilateral cooperation agreements. Furthermore, the US president, Barack Obama will visit Argentine next March 23 and 24.
- Wage negotiations in all activities in Argentine. The Gov't was willing to accept wage increases not higher than 25% in 2016. Nevertheless, wage hikes are expected to be agreed between 30% and 45%.
- Utilities' bill is expected to increase by around 300% in natural gas, and 200% in the water supply at Buenos Aires City.
- Negotiations between the Argentine Gov't and the "holdout" bondholders are expected to end with a 25% haircut on due interest on defaulted debt securities.
- Expectant outlook in Brazil. Some stabilizing signals are perceived in the political arena, and also in the negative GDP growth prospects for this year (between -3.0% and -4.0%).
- Top officers of Saudi Arabia, Qatar, Russia and Venezuela agreed a joint freezing of oil production at January levels. This was ineffective to stop the current fall in oil prices. However, the deal's effectiveness to stabilize oil markets is contingent on other producer joining in.

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