

Monthly Economic Newsletter



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KEY DATA

Inflation. February CPI increased 3,8% m-o-m. Hence, the CPI rose 51.2% i.a., the highest annual increase since 1991.

HIGHLIGHTS

Domestic politics. Opinion polls indicate a remarkable parity between President Macri and the ex President Cristina Fernandez de Kirchner (CFK) for next general election. However, there is no confirmed information on whether CFK will run for next August primary election or not.

Expectations, exchange rate and interest rates. The recent increase in the country risk premium and in the exchange rate led the Gov't to announce some policy changes to be implemented on April. The Gov't aims to preempt any increase in both the exchange rate and in the inflation rate, in order to avoid sudden perturbations before next general elections.

Economic activity. The real economy remains on the downside, with a persistent decline in domestic production, sales and employment, especially in the manufacturing industry. There are no visible indicators of any unambiguous reversal of the current recession.

Country risk. The announcements of policy changes were welcomed by foreign investors. The demand for Argentine Gov't bonds bounced back and the sovereign risk premium (EMBI Arg) dropped 24 b.p. from last Thursday, until current 724 b.p.

Global deceleration outlook. The weak employment indicators in USA strengthened the economic deceleration sentiment for 2019 in that country. Furthermore, the ECB inflation and GDP growth forecasts for the Euro area were revised downward, and the new GDP growth target in China for 2019 remains "between 6.0 and 6.5%". Last year it was "around 6.5%".

Brazil: President Bolsonaro unveiled the reform bill, seeking for \$R 1 Bn saving in public expenditure for 10 years. It will be difficult to approve the reform in the short term, given a Congress with multiple divisions and controversies between them. Meanwhile, domestic and foreign investors are starting to lose their patience.

LOOKING AHEAD

Upward prices. Wage hikes and next gas price hikes on April suggest that monthly inflation rate will remain above 3%, at least until next May.

Currency market. The exchange rate Pesos/US Dollar is expected to be stabilized until May, thanks to the IMF disbursement (USD 10,870 M), and the grain exports. However, several market players cast significant doubts on the sustainability of current policies, and on the Gov't long term fiscal solvency.

Venezuela: U.S. and Russian officers are meeting in Rome to discuss the political and social crisis in Venezuela and some alternatives to put an end to it.