

# Monthly Economic Newsletter



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## KEY DATA

**Inflation.** March CPI rose 4,7% m-o-m, i.e. 54.7% y-o-y, the highest one since January, 1992.

## HIGHLIGHTS

**Domestic politics.** The progressive deterioration of the economy is jeopardizing President Macri's electoral aspirations. The Gov't relies on a short-term economic recovery, but there remain increasing doubts on the sustainability of the ongoing macroeconomic program under the IMF's surveillance.

**Exchange rate vs. interest rates.** The Argentine Central Bank holds high interest rates in order to discourage forex purchases. However, the acceleration of domestic inflation coupled with the recent increases in the country risk premium destroyed the interest rates' effectiveness to keep the exchange rate under control.

**Economic activity.** Production, domestic sales and employment remain on the downside, especially in the manufacturing industry. There are no signals of any unambiguous reversal of the ongoing recession.

**The global economy.** The IMF cut its 2019 global growth forecast from 3.5% to 3.3%. Nevertheless, some recovery signals remain in China and in the USA.

**Brexit.** The UK failed to agree a Brexit plan, but obtained a further Brexit delay until October 31. The process remains uncertain, but there are no doubts on its negative consequences for the British economy.

## LOOKING AHEAD

**Price controls.** The Argentine Gov't will announce some price agreements with local firms to keep 50-60 commodity prices under control, due to the persistent inflation acceleration.

**Forex market.** The Argentine Central Bank froze the current limits of the exchange rate band (target zone) between \$ 39,75 and \$51,45 until the end of the year. However, when the exchange rate falls below the target zone, the Central Bank will refrain from forex purchases only until the end of June.

**Provincial elections:** Mandatory, simultaneous, open primary elections will be held in the province of Santa Fe on April 28. The province of Cordoba will celebrate elections for majors and governor on May 12.

**USA vs. China:** A trade deal is expected to be closed in brief, but it would be focused just on some of the commodities subject to bilateral tariff and non-tariff barriers.