

Monthly Economic Newsletter



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KEY DATA

Inflation rate. May CPI rose 3.1% m-o-m. It is the second month with a clear-cut deceleration of monthly inflation rate in Argentina.

HIGHLIGHTS

Expectations and primary elections. Recent surveys show President Macri's gaining strength thanks to the decline in domestic inflation and in the exchange rate, and to the recent stabilization of the country risk premium. However, it looks insufficient to assure him a victory in August primaries.

Mercosur & European Union. Both blocs have reached a comprehensive trade agreement that requires the Parliamentary approval in all the member countries. Argentina should commit to structural reforms to improve its competitiveness, but they will face very active lobbies against this deal.

Argentina and the IMF. The IMF adjusted the fiscal target to Argentina, from a zero primary fiscal deficit, to a primary imbalance as of 0.3 percent of GDP, and rose the quarterly ceiling for the Central Bank's non-deliverable forwards to US\$ 3.6 Bn.

Central banks and the risk of a global recession. The presidents of USA and China met in the G-20 summit in Osaka, and reached a new truce in their trade war. However, uncertainty remains on the top. Facing the risk of a global recession, the Fed is expected to lower the Fed Funds Rate next July 31 meeting. The ECB's chairman, Mario Draghi has announced more monetary stimulus in the Euro area.

LOOKING AHEAD

August primaries. National open, mandatory and simultaneous primary elections ("PASO", in Spanish) will be held in Argentina next August 11th. There will be also primaries to appoint candidacies for Buenos Aires city and for the provinces of Buenos Aires, Catamarca and Santa Cruz.

Brazil's social security reform. The second round of voting the Gov't reform project will start next August 6th. It rises the minimum pension age to 62 years old for women and 65 for men, but it relaxes some specific requirements for policemen and the security forces. The official project does not include an annuities system like the Chilean one.

Christine Lagarde to the ECB: After leaving the IMF, Christine Lagarde is expected to be appointed as the new ECB president next October. The American economist David Lipton remains as the acting Managing Director of the IMF.