

Monthly Economic Newsletter



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Staff: Adolfo Bosch, Leandro Marcarian, Héctor Rubini, and Jorge Viñas.

KEY DATA

Exchange rate. On May 14, the US dollar hit AR\$ 138 in the parallel (“blue”) market. The gap between the parallel and the official quote was 104%, the widest since the 1989 hyperinflation.

HIGHLIGHTS

The Argentine economy in free fall. Domestic activity showed a sharp downturn due to the strict quarantine to curb the spread of the COVID-19. Exchange rate volatility led to a further deterioration in the last two weeks. It reflected persistent excess supply of domestic currency, as well as the prevailing uncertainty on the foreign debt restructuring.

April, a black month for the world. Global economic indicators show a sort of economic catastrophe around the world, excluding China. All governments strengthened their support to the private sector, keeping financial markets calm. However, the pressures to lift the social distancing and isolation rules and to normalize economic activity, may pave the way for new outbreaks in several countries.

The EU entered into recession. The quarantines revealed as effective to mitigate the spread of the COVID-19, but their economic damages are visible since last month: GDP and aggregate demand collapse, deflation risk and a weak activity outlook for 2021.

LOOKING AHEAD

Argentina towards another quarantine. The Argentine Gov’t might announce a new lockdown extension from May 24. Stricter quarantines are expected, especially in Buenos Aires city and its surroundings, where more than 70% of the country’s infected reside.

Argentine foreign debt. The Argentine Gov’t and non-resident bondholders are expected to reach an agreement on the foreign debt restructuring either this week, or in the first days of June. A deal announcement on Friday or before might lower and stabilize both the country risk premium and the current gap between the market exchange rates and the official one.

The EU announces a new bailout program. The German chancellor Angela Merkel and the French President Emmanuel Macron announced a € 500 Bn rescue fund to European economies hit hardest by the COVID-19 pandemic. Under this program, the states receiving the funds will not be subject to repay them. Both leaders emphasized their common interest to promote a more “green” and digital economy, to lower the dependency from foreign supply of medicines, and to establish common strategic stocks of medicines and medical products.