Monthly Economic Newsletter

Facultad de Ciencias Económicas y Empresariales

USAL — UNIVERSIDAD DEL SALVADOR

KEY DATA

Country Risk. Argentina's EMBI+ country risk indicator hit 1.612 b.p. on September 22. It was the highest level from last July

HIGHLIGHTS

Argentina: The Government was defeated in the September 12 caucus. It led to an internal crisis and the removal of several ministries. The authorities are expected to promote a strong increase in public expenditure and a significant relaxation of monetary policy, in order to win the mid-term November election. As a consequence, there will be a renewal of upside pressures on domestic prices, the exchange rate gap between official and "blue" quotes, and on the country risk, at least until mid-2022.

The global economy is decelerating. Several activity surveys show an unambiguous deceleration in the current quarter of this year, as well as U.S. labor employment and inflation indicators. Furthermore, the Fed's chairman Jerome Powell suggested in the Jackson Hole annual meeting the start of the "tapering" before the year-end.

Bolsonaro in trouble The Brazilian President is under a Judiciary investigation after his recent statements on fraud evidence in last presidential election. His popularity remains on.the downside, and the opposition leader Lula Da Silva remains as the favorite for the 2022 presidential election

LOOKING AHEAD

Fiscal and monetary expansionary bias. The Argentine Government is expected to announce wage hikes, the release of some restrictions related to the Covid-19 pandemic, and new fiscal transfers, in order to achieve a victory in next November primaries.
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Commodity prices: market expectations became bullish in commodity prices. Food, and oil and energy prices are expected to rise due to the fall in China's inventories, the increase in consumer demand in Europe, and the expected recovery of the U.S. airways market, after next November lift of all bans on foreign travellers.