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KEY DATA

- The official statistics institute INDEC reported a 9.3% unemployment rate for the 2nd quarter. The Gov't has acknowledged serious troubles in the labour market, but not on the upside. The low unemployment rates under the previous administration were due to an underestimation of the active labour force.

INSIDE THE ECONOMY

- The Supreme Court ruled against recent hikes in residential natural gas charges, and ordered the Gov't to call for public meetings with consumers' representatives. The Court has required gradual adjustments in gas charges, and they might be effective next October and November, leading to an unavoidable increase in production costs and in prices of goods and services.

HIGHLIGHTS

- Current recession contributed to lower the inflation rate, but the stagflationary scenario remains unchanged. There is a minimum arrival of foreign direct investment, and a persistent uncertainty about the future reaction of the real economy and the distributive struggle.
- In the first half of this year the capital account of the balance of payments was positive, with net inflows for the public sector (US\$ 20.2 Bn) and net outflows for the non-financial private sector (-US\$ 2.5 Bn). If investors perceive better business conditions, net inflows from abroad can be expected for the next months.
- The bilateral trade between Argentina and China increased significantly in recent years, with great asymmetries. 89% of Argentine exports to that country are farm products and 85% of these are soya beans and their byproducts. The strengthening of the trade links with China requires the supply of more elaborated goods and greater diversification.
- July labor market data from US showed a permanent increase of jobs, and rising wages. Given the stability of inflation expectations and the prevailing high uncertainty in the global economy the Fed governors opted to focus on the control of monetary policy risks. This means a round of Fed Funds Rate tightening that would be lower than those observed in previous cycles.

LOOKING AHEAD

- A likely reactivation of public works projects from next September.
- Release the 2017 National Budget bill around the mid-September.
- The Argentine Central Bank (BCRA) would announce the new "inflation target" regime to be launched on January, 2017.
- Celebration of the required public meetings before the new adjustments in natural gas and electric power charges.
- Start of the impeachment to the Brazilian president Dilma Rousseff. She is expected to be laid off next week.
- Entry to the last stage of the campaign towards the election of the US President next November. Most opinion polls show the Democrat candidate Hillary Clinton as the probable winner.

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