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**ECONOMIC  
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SCIENCES  
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**KEY DATA**

- The CPI Congreso (average of local private estimates) rose 1.9% in November (43.4% y-o-y), with signs of an incipient deceleration.

**INSIDE THE ECONOMY**

- The Kirchnerist Frente para la Victoria, the Frente Renovador (led by the National Deputy Sergio Massa) and some leftist political parties have blocked the Gov't bills to reform the electoral procedures, with an electronic voting system, and the Income Tax regime. This reflects a more confrontational attitude of opposition parties to the Gov't, with focus on the 2017 legislative elections.

**HIGHLIGHTS**

- Year 2016 ends with inflation under certain control, but the real economy remains far from a vigorous rebound. Next legislative elections will determine the Gov't political strength to promote institutional reforms intended to return to a long-term path with lower inflation, higher competitiveness and fiscal solvency.
- Last exchange rate fluctuations raised some misplaced fears when the Argentine Central Bank (BCRA) undercut the policy interest rate. Available data show that such fluctuations are less responsive to local policies, than to foreign events. Furthermore there is no evidence of any dollarization of local portfolios.
- As long as the elected President Donald Trump streamlines his future policies, the US economy is expected to face a macroeconomic regime switch with impact on interest rates, exchange rates, GDP growth and the inflation rate. This will lead to significant spillovers on the global economy, and especially on emerging markets. Despite the associated risks are on the upside, financial markets prospects are optimistic.
- Last November 30, OPEC members agreed an oil production cut by 1.2 barrels a day for next year. On December 10, non-OPEC oil producers agreed a complementary production but by 558,000 barrels per day. Crude prices are expected to increase in 2017, coupled with a US dollar appreciation and weak grain and oilseed prices.

**LOOKING AHEAD**

- The Argentine Senate might pass the opposition's bill to reform the Income Tax regime, but President Mauricio Macri is expected to veto it.
- Gasoline and diesel-oil prices, as well as transportation costs, are expected to pick up since January, 2017.
- Recent corruption revelations hurt popular support for the President of Brazil, Michel Temer. Opinion polls show that more than 60% of Brazilian citizens claim for his resignation before the year-end, and a call for early presidential elections.
- The Fed's Open Market Committee will meet on December 13-14. Financial markets are expecting a 0.25% Fed Funds Rate hike.
- The Italian Foreign Affairs Minister Paolo Gentiloni accepted to become the new Italian Prime Minister. He must form a new cabinet, and address the likely bailout of the ailing bank Monte dei Paschi di Siena.
- Donald Trump will become the new US President next January 20<sup>th</sup>.

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