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KEY DATA

- **Argentina's inflation dropped.** The INDEC CPI rose 1.3% in May. It was 50% lower than April inflation rate. The underlying fundamentals were the consumption weakness, and the high interest rates.

INSIDE THE ECONOMY

- **Real activity rebounded.** Construction and agri-business led the real activity recovery, counterbalancing the disappointing performance of the manufacturing industry.

HIGHLIGHTS

- **Electoral calendar:** political parties are getting ready for the next August mandatory simultaneous primary elections (PASO, in Spanish). Current economic policies are not expected to change. Some corrections on the fiscal side are expected for the last quarter of this year.
- **Fiscal adjustment can wait.** Public expenditure is growing faster than fiscal revenues, leading to an increase in both primary and financial fiscal deficit. Without a tight fiscal policy, the subsequent increase in debt interest payments will erode the long term fiscal solvency.
- **Low growth prospects.** Consensus GDP growth forecast for this year remains circa 2.6%, just a simple rebound. External markets would neither hurt the local economy nor promote a big push.
- **The global economy without turmoil:** Recent unexpected political and geopolitical episodes had no negative economic consequences. The global economy remains on a moderate growth path with low inflation. The FOMC would increase the Fed Funds rate by 25 b.p. at today's meeting. Meanwhile, the ECB keeps the current QE program unchanged.
- **China, growing up.** The Chinese GDP grew 6.9% yoy in the first quarter. The growth engines were infrastructure developments and foreign trade. Uncertainty on the future prevails, due to the current credit expansion, coupled with a real estate bubble

LOOKING AHEAD

- **Next elections in Argentina.** New candidates are expected to be appointed before next August mandatory simultaneous primary elections (PASO).
- **Brazil's crisis.** The political crisis goes ahead. The saga of allegations of bribes and corruption is expected to continue, involving Brazilian businessmen and politicians from Brazil and other Latin American countries.
- **Downside Venezuela.** No changes are expected in the current scenario of violent clashes and impoverishment. Up to now, there are no prospects of any foreign intervention in this country.