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KEY DATA

- **Exchange rate: on the downside.** After the Gov't victory in last Sunday primaries, the US dollar dropped since then. The ask quote was AR\$17,48 in exchange houses and AR\$ 18,42 in the informal market.

INSIDE THE ECONOMY

- **Government's electoral triumph.** The Gov't coalition Cambiemos won last Sunday primaries. It is expected to win next October legislative elections, weakening short-term fears of a return of the Kirchnerist populism in the 2019 presidential elections.

HIGHLIGHTS

- **Electoral euphoria and structural reforms:** Cambiemos' victory reverted financial markets' pessimism. Current expectations are focused on next October legislative elections. The new composition of parliamentary blocs since December will be crucial to pass the Gov't bills to reform taxes, labor regulations and the social security system.
- **Exchange rate and competitiveness:** Given the high "Argentine cost", several firms may be competitive with a US dollar quote between AR\$22 and AR\$27. However, it is not consistent with the Gov't economic program. It is needed an urgent and sustainable strategy to solve this issue that hurts several tradeable-good sectors.
- **The economy, growing again.** According to last real activity indicators, the recession is over. Anyway, it is not enough to prompt up neither consumers' confidence, nor an increase in real investment.
- **Turbulent world.** The new threats between USA and North Korea disturbed global financial markets. The renewed uncertainty led institutional investors to "fly" to safe havens like gold and US Treasuries.
- **Venezuela, in free fall.** Venezuela's economic and political scenario is explosive. Venezuelans will be subject to a persistent rationing of consumption goods under hyperinflation, and an unsustainable political background.

LOOKING AHEAD

- **2018 Budget Bill.** The Executive Power will submit the 2018 Budget Bill to the Congress next September.
- **Inflation and interest rates.** Some administered prices are expected to increase in September, as well as some public utilities in October. The Argentine Central Bank announced that will keep interest rates as high as needed to align the inflation rate with the official target for 2017.
- **Country risk.** Fitch credit rating is expected to upgrade Argentina's sovereign rating on October.
- **Fed Funds rate.** The FOMC will meet on September 20-21. Wall Street analysts expect two increases in the Fed Funds rate hikes for the November and December meetings.

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