

## Monthly Economic Newsletter

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### KEY DATA

**Inflation rate:** February CPI rose 2.4% (annual 32.9%), i.e. 25.5% -the highest from April 2017.

**Structural reforms:** The Government's agenda will be focused on the 2019 presidential election hence, structural reforms appear as unfeasible, at least until 2020.

### HIGHLIGHTS

**Uncertainty on current economic policies.** The Government faces a complex scenario under increasing skepticism and uncertainty, a relatively low GDP growth rate, and domestic inflation rate far from converging to the Central Bank's targets.

**The manufacturing industry under an adverse scenario.** This sector faces an unambiguous uncertainty on domestic monetary, fiscal and exchange rate policies, increasing taxes and labor cost, and adverse switches in the global economy, with increasing interest rates and the recent US tariffs on steel and aluminum.

**Exchange rate and domestic interest rates under pressure.** Both US dollar futures and the Central Bank's Survey on Market Expectations point to an exchange rate around AR\$ 22 per US dollar at the year-end. Domestic depreciation of the Argentine peso will remain under control, thanks to the new inflows from grains and oilseed exports, and the Central Bank's foreign reserves (US\$ 62.3 Bn).

**The US economy on the upside.** Global financial optimism keeps on track, thanks to the encouraging labor market data from US. However, the global financial stability might be under threat due to Donald Trump's protectionist initiatives.

**Commodity prices going up.** Argentina's drought will keep the soybean price on the upside, and OPEC is expected to cut current production levels, leading the oil prices to the upside. However, metal prices volatility might pick up, due to the US tariffs on steel and aluminum.

### LOOKING AHEAD

**Capital markets bill.** The National Congress is expected to pass this bill, supporting local markets and the domestic funding for small and medium size enterprises.

**Presidential elections in Paraguay.** Next elections will be held on April 22.

**Donald Trump's protectionism:** The US president is poised to approve new tariffs on ITC Chinese imports, and also on Chinese textiles, footwear and toys.

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