



Monthly Economic Newsletter

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KEY DATA

Exchange rate: Today closing rate (ask) was AR\$ 23.22 (+46.6% y-o-y). It is the new all-time high (+22.5% from the end of 2017)

HIGHLIGHTS

Currency crisis. Taxation on Central Bank bills (LEBAC) total returns under increasing US interest rates, led to foreign investors sales, a sharp drop in foreign reserves and a two-week “flight” to US dollars. The Central Bank has AR\$ 680 Bn LEBAC due next Tuesday. Its renewal (or not) will be crucial for further forex purchases.

Inflation expectations. private sector forecasts for this year moved up, due to recent public utilities rate hikes and the ongoing currency crisis.

IMF & Argentina. The Gov’t wants to get a stand-by IMF loan in order to restore exchange rate stability. Nevertheless, even with no perturbations, the US dollar is expected to surpass AR\$ 25 by the year-end.

The US dollar in the world. US interest rates are expected to go up, hurting emerging markets. They face a challenging scenario under capital outflows, local currencies depreciation, and volatile commodity prices.

Capital Markets Law. The Argentine Congress passed the Gov’t Capital Markets bill. It is expected to foster mortgage securitizations, and to widen the variety of financial vehicles for SMEs.

LOOKING AHEAD

Argentina seeks an agreement with IMF. The Argentine Gov’t wants IMF funding to tap financial needs (circa US\$ 31 Bn.) until the end of 2019.

Consequences of the currency crisis. Higher interest rates, credit crunch for SMEs, and pass-through effect on oil, and consumer prices.

Wage negotiations: Exchange rate and public utility rate hikes will prompt new rounds of wage negotiations in case of unions that accepted 15% wage increase plus an indexation clause to be triggered next September.

Oil and the US: Oil price is expected to remain on the upside due to the US sanctions against Iran.

Peace in Korea: Significant progress is expected for next meeting between North and South Korea leaders, and also between North Korea and USA. Presidents Donald Trump and Kim Jong-un are expected to meet next month.

Hyperinflation in Venezuela. The Parliament’s Finance Commission reported that April CPI increased 80.1%. The cumulative inflation from last year-end was 897.2, and April CPI Inflation y-o-y reached 13,799%. This is the second highest inflation in Latin America after the 1989 Nicaragua’s hyperinflation: 23,719%

Dean of the School of Economics & Business: Héctor F. Dama
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