

Monthly Economic Newsletter



USAL
UNIVERSIDAD
DEL SALVADOR

Research Institute, December 2018.

Nº 168 –Year 18

Staff: Eloy Aguirre, Gustavo Martín, Héctor Rubini, and Jorge Viñas.

KEY DATA

Exchange rate. From mid-November, the nominal exchange rate (AR\$/USD) oscillates around AR\$ 37,20, not far from the “floor” of the Central Bank’s target zone.

HIGHLIGHTS

Towards a peaceful summertime. Year 2018 ends without perturbations. Both the inflation rate (CPI) and interest rates will slightly decline until February. Real activity is not expected to rebound, and it might be a significant risk factor for President Macri’s re-election efforts.

Monetary and exchange rate under control. The Central Bank (BCRA) tamed down recent volatility in monetary aggregates, the exchange rate and domestic interest rates. However, the underlying macroeconomic fragility turns it advisable to pursue a prudent approach to cope with adverse external shocks.

Global volatility and uncertainty. Year 2018 ends with high financial volatility and non-negligible risks for global GDP growth in 2019. The Fed Funds Rate is expected to be raised by 25 b.p. this month, but markets traders remain uncertain on the Fed’s interest-rate path for next year.

From NAFTA to the USMCA. On November 30, the Presidents of Mexico and USA, and the Prime Minister of Canada signed the USMCA trade agreement in Buenos Aires. Its implementation is expected for January 2020, once the three countries ratified the deal.

LOOKING AHEAD

Inflation rate. INDEC will release November inflation (CPI) next Thursday. The consensus forecast is 3% m-o-m. December inflation might be slightly lower than November figure, hence the CPI inflation for 2018 is projected to be around 48%, the highest since 1991.

Pension indexation. The Supreme Court is expected to issue an injunction on December 18, about the pensions indexation formula currently used by the Social Security Administration (ANSeS) in current judicial proceedings. An adverse sentence to ANSeS might lead a 50% increase in the earnings of new pensioners and in the compensations owed to 150.000 pensioners who rejected the 2016 “National Program of Historical Redress” and filed a lawsuit against ANSeS.

USA vs. China. Presidents Trump and Xi held a personal meeting at Buenos Aires G20 Summit and agreed a 90-day truce in their bilateral tariff war. However, recent detention of Huawei’s CFO in Canada to be extradited to the US, due to alleged breaches of sanctions against Iran, might derail the Buenos Aires agreements.

France, between a rock and a hard place: The “Yellow vest” revolt against fuel price hikes is the worst political crisis since the 1968 “French May”. President Macron was forced to announce a state of social and economic emergency, some tax rebates and a negligible increase in the minimum wage and in pensions. Some other measures are expected to be announced and released to the Parliament.

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

Research Institute Chair: Juan Massot - **Editor:** Héctor Rubini

Viamonte 1816 - C1056ABB - CABA - Argentina - (+54-11) 4811-5327 / 6052 / 7441

fceye.usal.edu.ar - @usal.fceye