Facultad de Ciencias Económicas y Empresariales

Monthly Economic Newsletter

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KEY DATA

Inflation. January CPI rose 2.3% the lowest monthly increase since July 2019. However, the CPI y-o-y increase was 52.9%.

HIGHLIGHTS

Gov't debt restructuring. The Gov't will offer a restructuring proposal next month. The authorities did not show any specific program with specific measures to foster price stability and long-term economic growth.

Interest rates on the downside. The Central Bank (BCRA) is lowering interbank interest rates, and today has published a new rule to lower the cost of credit. The new communication "A" 6901 lowers the legal reserve requirements of banks that offer new loans to SMEs and micro-enterprises at an interest rate lower than annual 40% until tomorrow, and 35% from next week.

Coronavirus (COVID-19), out of control. The COVID-19 epidemic is out of control in China, where the death toll overpassed that under the SARS virus in 2003. The Chinese economy will suffer a sudden-stop with negative impact on commodity prices and on current forecasts for the world economy. The main negative effects will be observed in the Latin American suppliers of raw materials to China.

Brexit. On January 31 the British Gov't passed the exit from the European Union. A transition period is now in place to negotiate new agreements on trade, labor mobility and the frontier with Northern Ireland. There is a provision in the Withdrawal Agreement to extend the transition period by one or two years, but that decision must be taken by 1 July. Without an agreement, the UK will leave the EU with no deal.

LOOKING AHEAD

Wage increases. The wage bargaining for this year is just beginning. The Gov't prefers quarterly lump-sum wage hikes until the conclusion of the public debt restructuring negotiations. The national workers' confederation (CGT) left the union leaders free to negotiate lump-sum or percentage wage increases.

Coronavirus: The virus spread is expected to remain on the upside, and there would not be any vaccine at least until next year. The deepening of quarantines pari-passu with the virus spread in China will unavoidably hurt both the Chinese and the global economy.

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