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**ECONOMIC  
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SCIENCES  
RESEARCH  
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**KEY DATA**

- The INDEC CPI rose 1.3% in January, below the estimates of private consulting firms and labor unions.

**INSIDE THE ECONOMY**

- In the first half of the year the Gov't must revert the stagflation scenario, in order to consolidate a victory next primary elections on August 13, and in the legislative elections, on October 22. It will be a sort of referendum on the current performance of the Macri administration that will condition the political strength of the authorities until December 2019.

**HIGHLIGHTS**

- The recent removal of the Finance minister and other public officers had no impact on the financial markets. However, there is a perception of an extremely slow return to a sustained growth path, coupled with price stability and a high and competitive real exchange rate.
- The new regime for capital repatriation with some tax reliefs pushed up bond prices, and lowered their return rates. Investments in peso denominated assets are highly favored by the peso/USD exchange rate resilience towards depreciation.
- The US President Donald Trump has started to move from campaign promises to effective decisions. Some optimism remains on his "pro-growth" initiatives, but current obstacles for his reform proposals are rising increasing doubts. In this context, the Fed opted to remain cautious with an unchanged Fed Funds rate, waiting for additional information on the new administration's policy.
- Donald Trump's protectionist announcements had no negative impact on commodity markets. Prices remain on the upside, and a new infrastructure mega plan in the US might push up the global demand of industrial commodities

**LOOKING AHEAD**

- Likely inflation acceleration, given the increase in administered prices and electric power rates from February for both households -between 60% and 90%-, and firms -between 80% and 148%-.
- New wage increases. The first agreements between unions and companies exhibit wage increases between 25% and 45%, far from the suggested Gov't benchmark around 18%.
- Foreign public and private indebtedness are expected to keep the peso/USD exchange rate on the downside.
- US President Donald Trump is expected to continue with his efforts to dismantle the "Obamacare" program, increase military expenditure, and start the first big infrastructure projects.
- The effective start of the UK "Brexit".

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