

INSTITUTO DE INVESTIGACIÓN  
FACULTAD DE CIENCIAS ECONÓMICAS Y EMPRESARIALES  
UNIVERSIDAD DEL SALVADOR

**ECONOMIC  
AND BUSINESS  
SCIENCES  
RESEARCH  
INSTITUTE**

**Editor:**

Héctor Rubini

**Staff:**

Eloy Aguirre

Gustavo Martin

Hector Rubini

VIAMONTE 1816  
C1056ABB CIUDAD DE  
BUENOS AIRES, ARGENTINA  
TEL +5411-811-5327  
+5411-811-6052  
+5411-811-7441  
<http://fceye.usal.edu.ar>

## KEY DATA

- The INDEC CPI rose 2.5% in February, above most private consulting firms and labor unions' forecasts.

## 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

- Pessimism and social conflicts prevail due to the inflation acceleration and the stagnant stance of the real economy. Without changes in both policies and public officers, this dynamics might undermine the credibility in the Gov't and its ability to win next legislative election.
- Monthly February inflation rate (2.5%) hurt the credibility in the Argentine Central Bank's ability to achieve the inflation target (ceiling) -annual 17%- for this year. It looks unlikely for most private forecasts, and reflects the Central Bank's dilemma between a credible and tight monetary program focused on the inflation target, and current claims for monetary flexibility, to encourage a real output rebound.
- The Brazilian economy remains weak. Consensus forecasts indicate that Real GDP might grow up to 1% in 2017, and slightly more than 2% in 2018.
- The world trade was not hurt by Donald Trump's initiatives, up to now. The announced infrastructure mega-plan might have a positive impact on the global demand for industrial commodities.

## LOOKING AHEAD

- Wage negotiations will continue in March. The Gov't is struggling to align wage increases to the official inflation target (annual 17%), but union leaders claim for wage hikes higher than 25%.
- Renewed public initiatives to push up domestic consumption and real investment. The disappointment economic performance raised an unambiguous disapproval of current economic policies.
- Likely announcement of a tax reform, with a background of claims for higher public expenditure, alleviation of the huge tax pressure, and the financial distress of some provincial administrations, especially the province of Buenos Aires.
- Likely increase in the Fed Funds rate. It might increase emerging markets volatility.
- Parliament elections in the Netherlands. Far-right Geert Wilders' Party for Freedom is expected to win several seats. This party wants to curb muslim immigration, close mosques, and pull the Netherlands out of the European Union.