

**ECONOMIC
AND
BUSINESS
SCIENCES
RESEARCH
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KEY DATA

- Buenos Aires City's Consumer Price Index (CPI) rose 4.0% last February -32.9% yoy- leading to a cumulative 8.3% increase in the first two months of this year. The alternative CPI Congreso rose 4.8% in February -33.9% yoy-, with an 8.6% cumulative inflation rate in the first two months of 2016.

INSIDE THE ECONOMY

- The US President Barack Obama will arrive in Argentina next March 23, accompanied by 800 people. It's the first time in 19 years that a US President travels to Argentine to subscribe bilateral agreements. The Argentine Gov't expects this event as the startpoint of a vigorous strengthening of bilateral relationships, and of a new stream of capital inflows and multilateral loans for private investment projects and infrastructure.

HIGHLIGHTS

- There is a visible progress in the Argentine Gov't efforts to normalize the bilateral relationships with the United States of America, and to resolve the dispute with the "holdout" bondholders. However, the inflation rate is accelerating, coupled with symptoms of an aggravating recession. Hence, the prospects of an economic recovery for the second half of the year are extremely uncertain.
- The Argentine Central Bank (BCRA) tamed down expectations of a peso depreciation increasing short-term interest rates in recent Central Bank Notes (LEBAC) auctions -March 1 and 8-. After the first auction the exchange rate dropped to \$ 15,20 leading to a subsequent decline in the future FX market.
- Commodity prices fell to their 5-year minimum levels on January. However, it appears as a sort of recovery since mid-February, led by the oil price increase. This was a significant relief for the Latin-American economies more highly dependent on raw material exports. However, the underlying factors of this rebound are transitory, so there is no certainty for a sustainable bullish cycle for these countries.
- The Brazilian GDP dropped 3.8% in 2015. Other indicators were also disappointing: industrial production fell 8.3%, construction activity 7.6%, and exports 15%. Furthermore, the political unrest increased after the Sao Paulo prosecutor's office requested an imprisonment order against the ex president Luiz Inácio "Lula" Da Silva.

LOOKING AHEAD

- The Argentine Congress is expected to pass a Government's bill that will pave the way for a new bond issuance, that will provide the required cash to cancel the defaulted debt in hands of "holdout" bondholders.
- Wage negotiations will continue in March. Wage hikes for no less than annual 30% are expected to be agreed for the next 4-6 months.
- The political outlook for Brazil is negative. A Sao Paulo court released to Sergio Moro -the judge that is leading the "Lava Jato" investigations- the imprisonment order against the ex president Lula Da Silva. At the end of March, the Low House is expected to decide whether to start or not an impeachment against the Brazilian president Dilma Rousseff.
- In Germany, the ruling party -Christian-Democrat Union- was defeated in last Sunday elections in Rhineland-Palatinate and in Baden Württemberg. Furthermore, in Saxony-Anhalt it obtained just 6 percentage points above the anti-refugee party Alternative für Deutschland (Alternative for Germany). This political setback has undermined Angela Merkel's "open doors" policy for migrants, and her leadership to coordinate migration control systems with other countries.