



## Monthly Economic Newsletter

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### KEY DATA

**Expected inflation.** Local consulting firms envisage a 3.5% - 4.0% increase in June CPI, due to the recent currency crisis. CPI inflation forecasts for 2018 are not lower than 30.0%.

### HIGHLIGHTS

**Exchange rate.** The Argentine currency crisis is almost over, with higher than expected inflation rate, high interest rates and output decline. The Argentine Gov't will try to reach some agreements with opposition leaders in order to cut public expenses before the 2019 presidential election.

**Interest rates and expectations.** The BCRA pushed up interest rates to tame down the currency crisis, but it was not enough to restore credibility and confidence in the authorities. The US dollar quote is expected to surpass AR\$ 30 at the end of the year.

**Trade war.** US and China started a tariff war. The US Gov't slapped tariffs on imports from EU, Russia, Canada and Mexico, leading to immediate retaliations against imports from US.

**Mexico.** Andres Manuel Lopez Obrador is the new elected president of Mexico. He maintains his commitment to fight against poverty and corruption, and to lower public expenditure. However, he did not provide specific details of his economic and foreign policy agenda.

### LOOKING AHEAD

**Fiscal adjustment.** The Gov't is expected to start negotiations with opposition leaders on the 2019 Budget bill and public expenditure cuts agreed with the IMF.

**Wage bargaining.** The sharp inflation acceleration turns it unavoidable to start a renegotiation of recent wage hikes, under increasing social unrest.

**US- China.** The US raised the stakes in the trade war with China, announcing a new round of tariff against imports from China. Chinese officers said they are ready to retaliate those new tariffs and any other threats from Washington. Therefore, the global economy is expected to go through a highly turbulent period, of rising uncertainty and risk aversion.

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