

# Monthly Economic Newsletter



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## KEY DATA

**Interest rates.** The Central Bank of Argentina is pushing down interest rates via open market operations. Yields on 7-days Central Bank Notes (LELIQs) are on the downside from January, and hit 44.36% last February 12. This is 14.9 points fall since the end of 2018.

## HIGHLIGHTS

**The real economy, calmed down.** The Argentine economy remains in recession with inflation, but not subject to any perturbations. Current exchange rate stability with interest rates in fall is expected to continue until March. Under current recession, President Macri's electoral prospects might be at risk.

**Outlook for 2019.** Domestic GDP is expected to fall 1.5% or more this year, and inflation rate (CPI) is expected to increase by no less than 29%. This raised new concerns on whether the Gov't will meet the targeted zero primary deficit or not.

**Venezuela in crisis.** Nicolas Maduro's regime remains in power, despite recent social strains and increasing international pressures. He is expected to remain in power, relying on the support of the military. Meanwhile, the economic crisis is worsening, and it will complicate the future reconstruction of this country.

**New era in Brazil.** President Bolsonaro will have to manage a highly indebted public sector, under strong demands for structural changes, in particular for a reform of the pension system. Both local and foreign observers are expectant on changes in the foreign trade policy, and the alignment of the Bolsonaro administration with the United States.

## LOOKING AHEAD

**Wages.** Wage hikes for 2019 are on the start. Most unions are expected to claim for wage hikes between 25% and 30%.

**IMF bailout.** The IMF is expected to approve the third review of Argentina's adjustment program, and to disburse U\$S 10.7 Bn by March.

**Brazilian pension system reform:** The Executive Power will deliver the final draft of the reform bill before the end of February. It will include an increase in the minimum retirement age and the introduction of a capitalization system.

**Venezuela:** Some definitions are expected to avoid a worsening of the current humanitarian and political crisis. The international pressure to promote free elections are on the rise, and the US Gov't does not rule out any option, even the military intervention.

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