

# Monthly Economic Newsletter



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## KEY DATA

**Exchange rate.** On Monday 12 the US Dollar jumped from AR\$47 to AR\$ 62. At the closing of this newsletter it was oscillating around AR\$ 59.

## HIGHLIGHTS

**Primary elections and currency crisis.** Unexpectedly, the Gov't was beaten in last Sunday primaries. This surprising defeat triggered a run against the Argentine peso, leading to an exchange rate overshooting circa 33%. Foreign investors dumped Argentine bonds and the country risk premium (EMBI+) reached almost 1,900 b.p. The Gov't announced an emergency program to provide a relief to workers' disposable income. However uncertainty remains among local firms, households and both local and foreign investors.

**The economy under high risk.** High uncertainty remains on the potential occurrence of some of these adverse scenarios: a) a new wave of Argentine debt sell-off in New York, leading to a skyrocketing increase in the country risk premium, b) consumer price hikes with increasing scarcity of groceries, and a progressive flight from Argentine pesos to US dollars, leading to an unavoidable acceleration of the inflation rate, and c) new fears about the insolvency of either households or firms. Any of these might lead to a very dangerous situation before the presidential election next October 27.

**Towards a global great recession.** The truce between USA and China is broke and a currency war appears as unavoidable. Most of central banks are lowering their interest rates in order to avoid a global great recession,

**October: Brexit.** Boris Johnson, the new British PM, is intended to break with the European Union without any previous agreement. British investors bet against UK assets and sterling pounds, as no-deal Brexit looms, that might strengthen the support for Scottish independence.

## LOOKING AHEAD

**Probable changes in the Cabinet of Ministers.** According to recent rumours, a cabinet reshuffle is expected in the short-term. Mass media have emphasized the probable removal of the Finance Minister.

**Currency depreciation, prices and activity.** This week peso depreciation leads to an unavoidable acceleration of the inflation rate, and a downward review of the GDP growth estimates for this year.

**Trump vs. China:** The US President is expected to announce new trade barriers against China, given the recent yuan depreciation. However President Trump would postpone next September increase in tariffs to December.