FUNDACION DE
INVESTIGACIONES
ECONOMICAS
LATINOAMERICANAS

Stagflation

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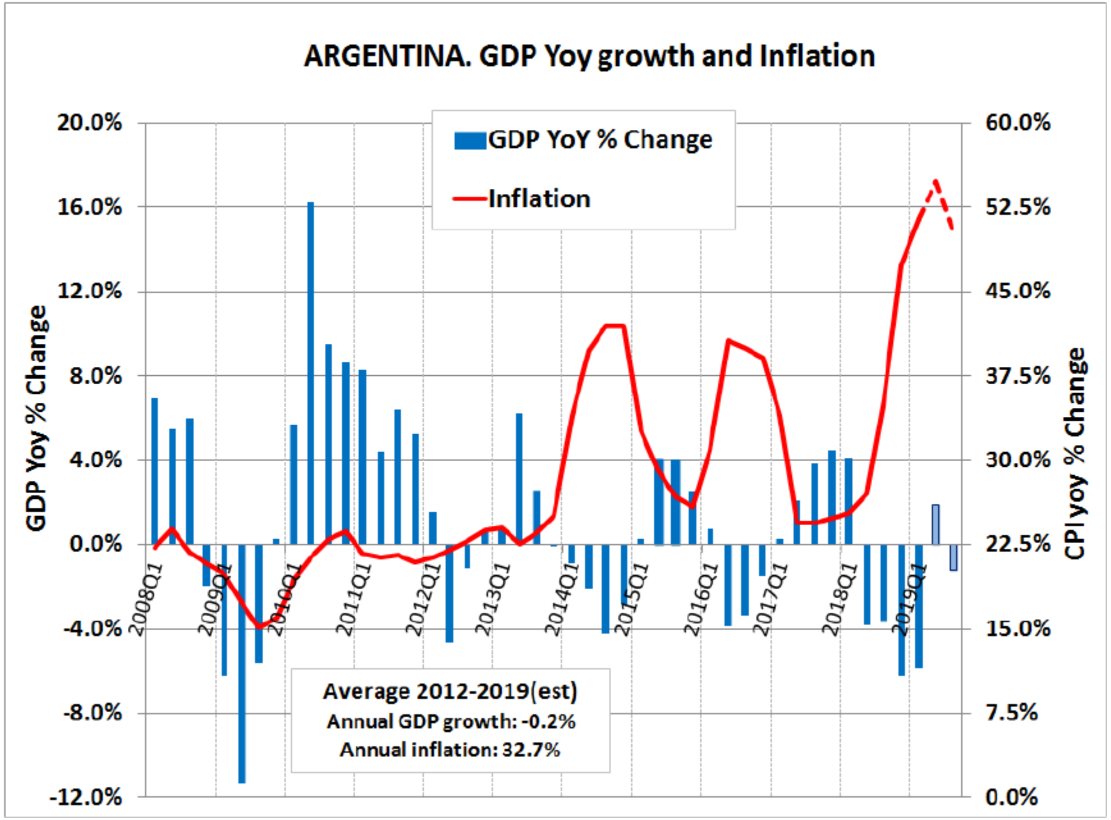
Council of Americas
New York, May 2nd 2019

A recession every two years, coupled with high inflation

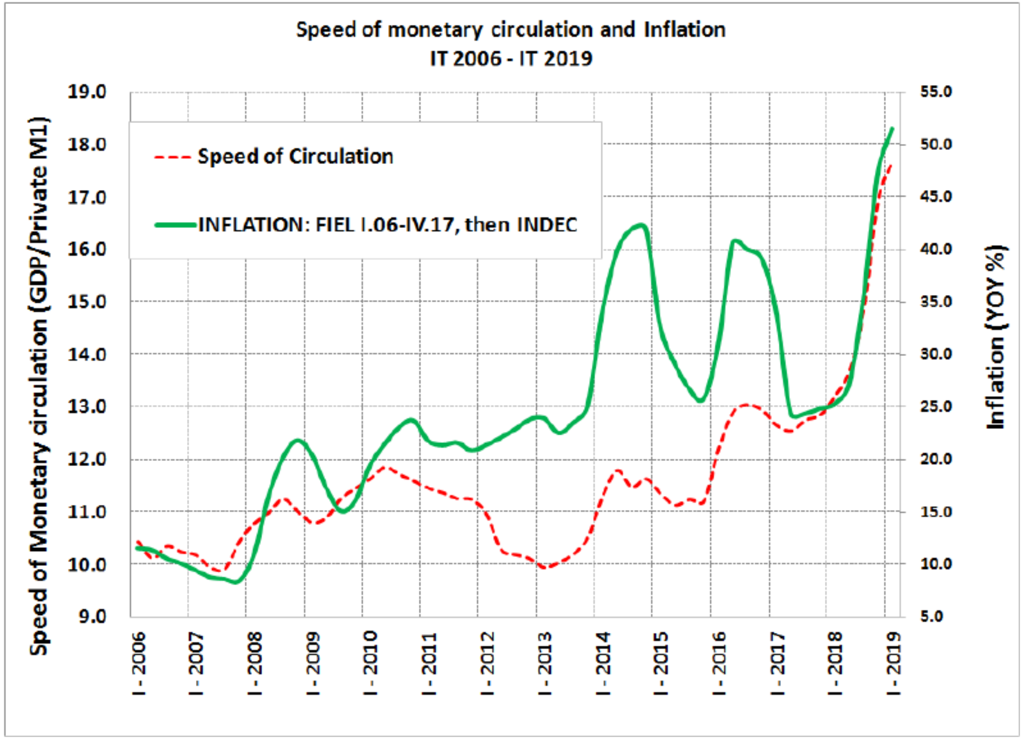


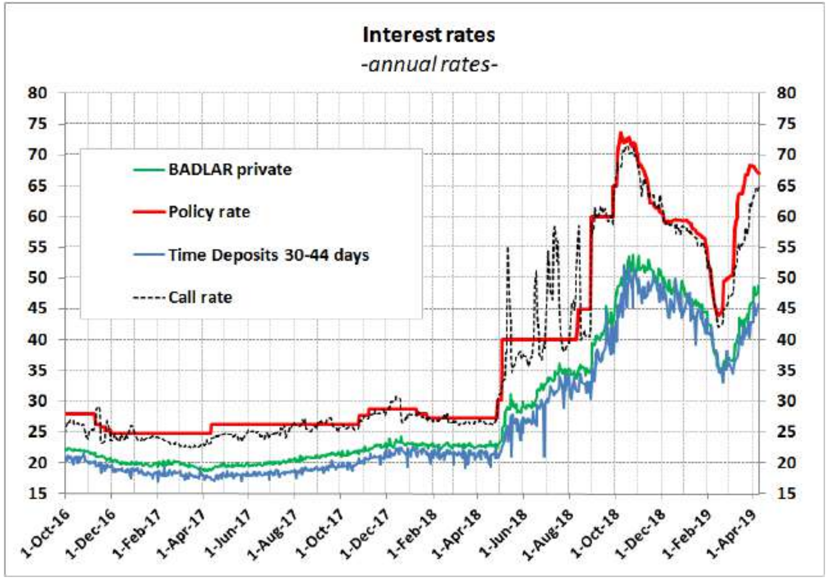
Average annual rates for the period

	2008-19	2012-19	2016-19
GDP growth	1.1	-0.2	-0.7
INFLATION	28.7	31.5	36.9

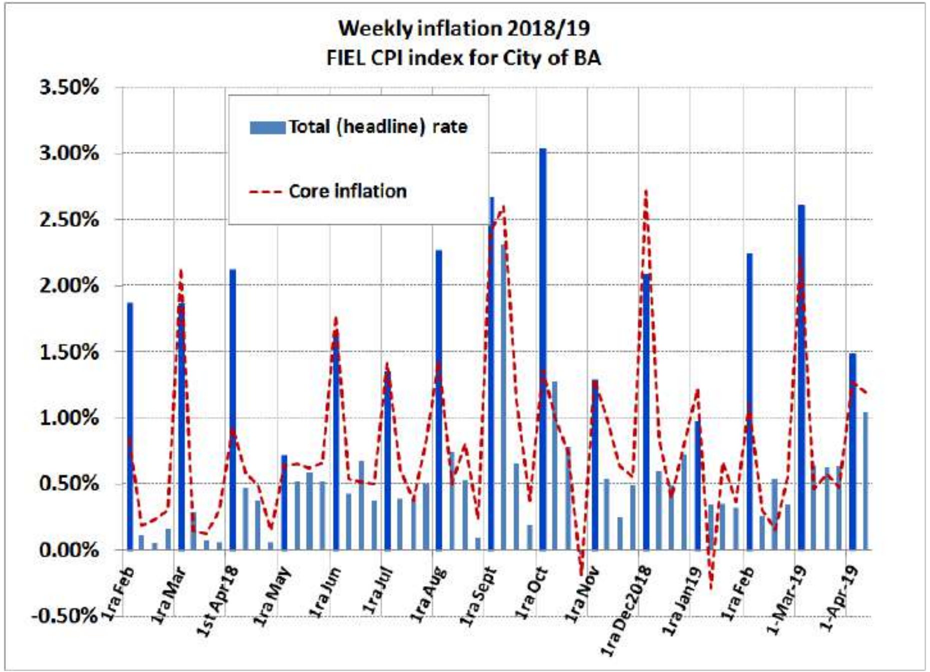
The current could be a long recession

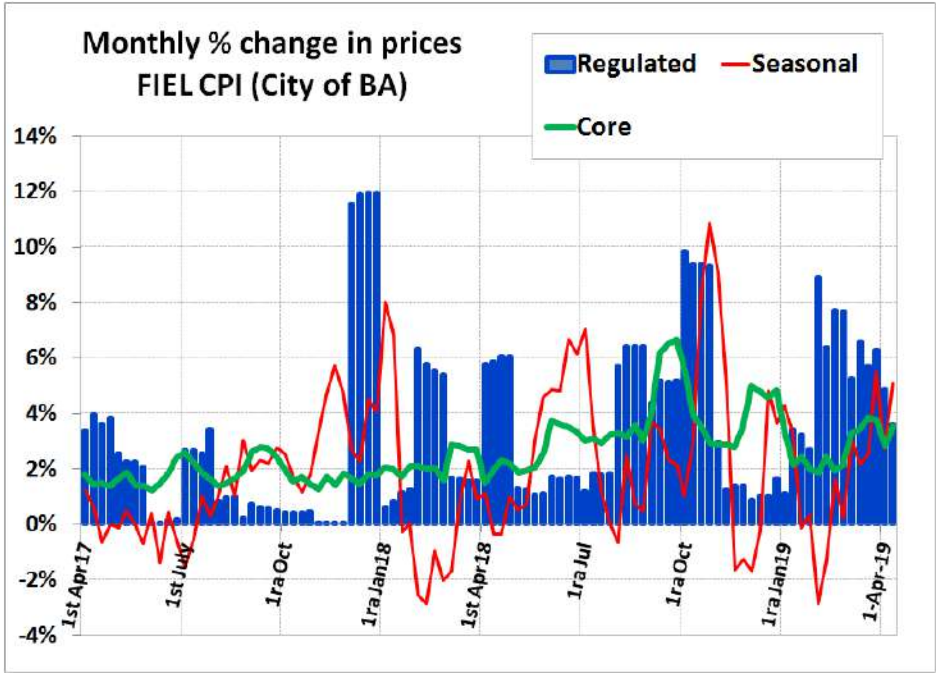
Economic agents fly from pesos (*even with high interest rates*)



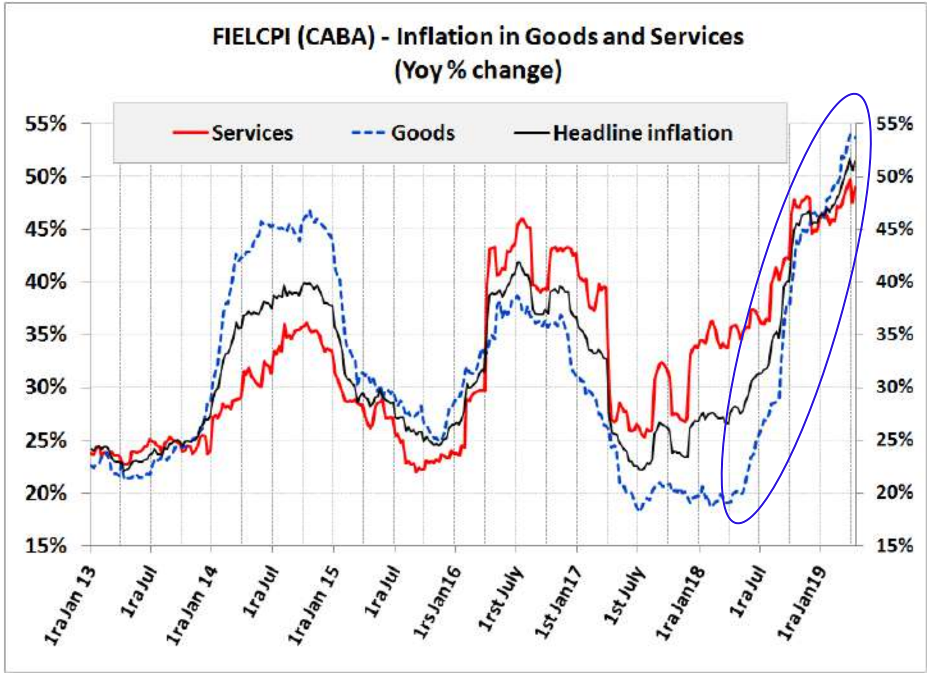


February-April: “high season” of tariff adjustments combined with devaluation and falling demand for AR$ led to a hike in inflation (4% average February-April)

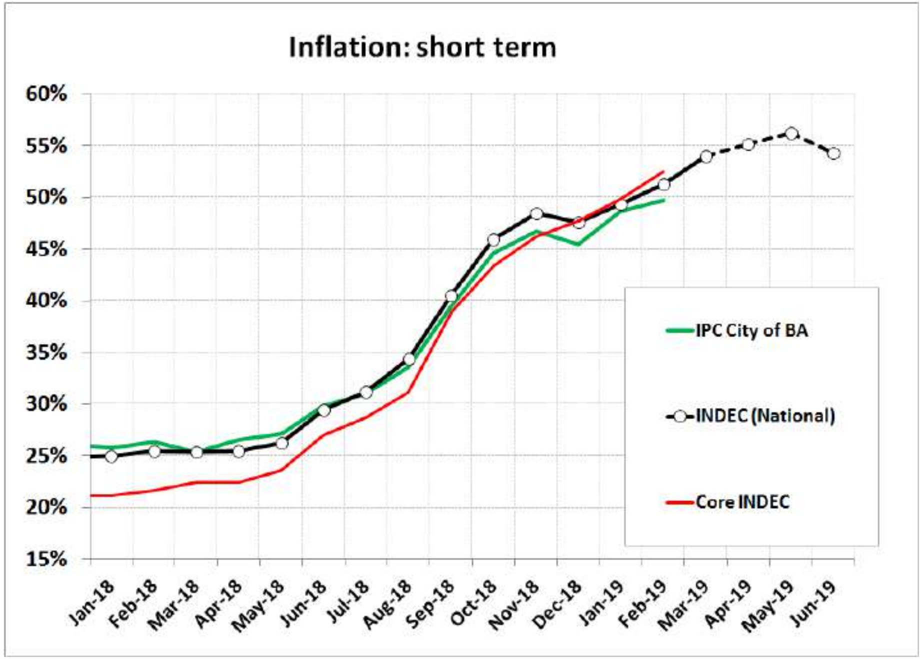




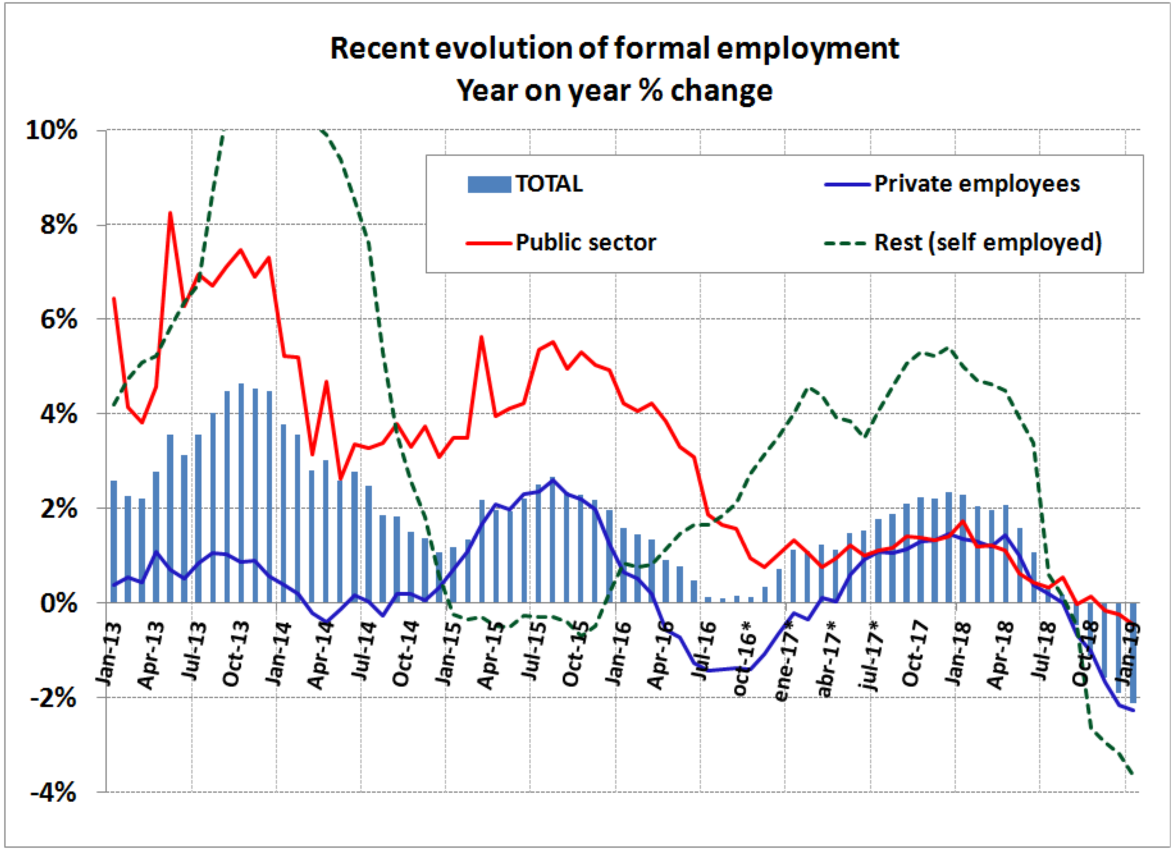
Impact of peso devaluation on inflation in goods (*see change of slope*)



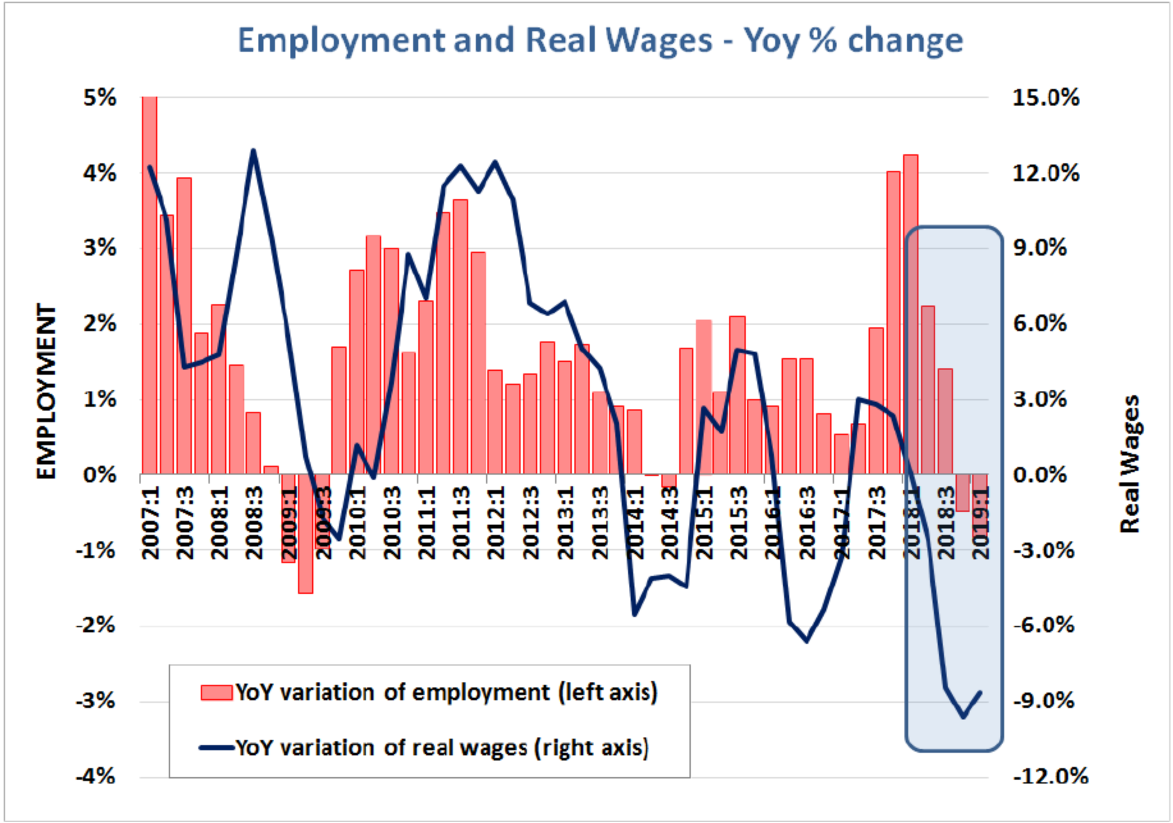
Very high YoY inflation (over 50%) will persist until 3rd quarter



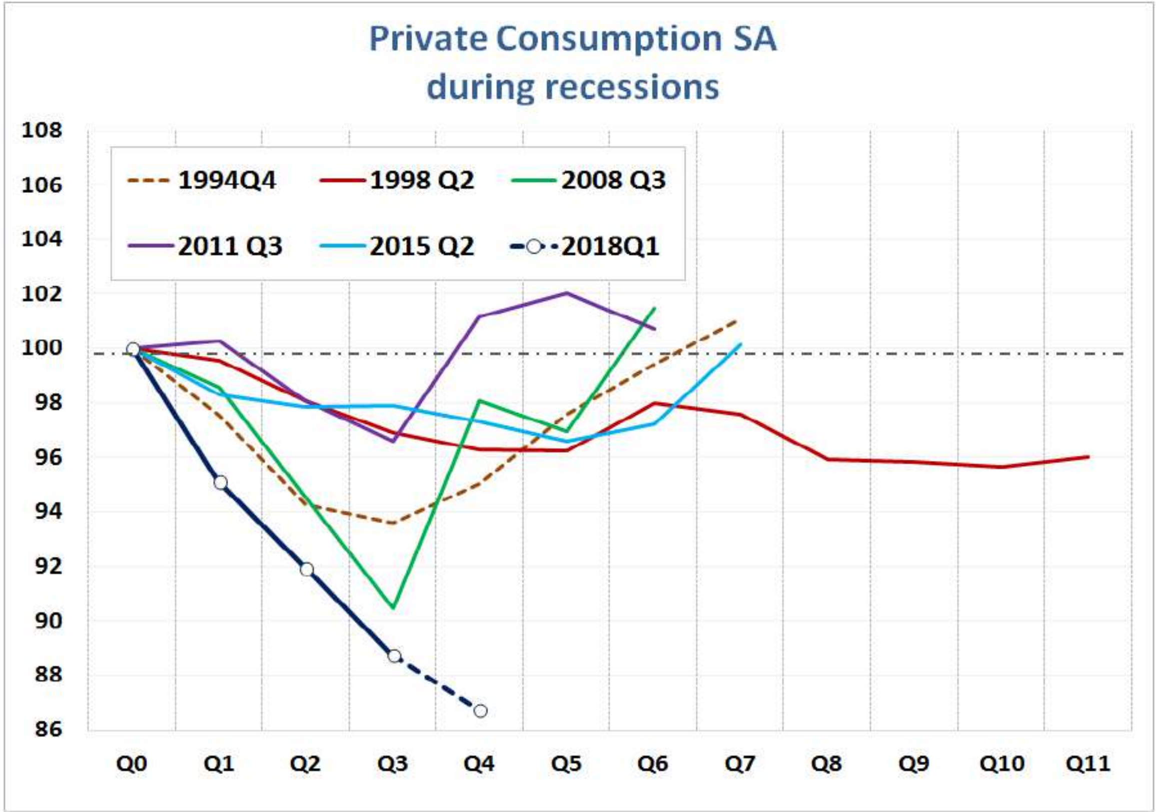
Private formal employment sinks over 2% Yoy (high elasticity to the cycle)
while *(quite a rare event) public employment was stable*



The wage bill fell 10% in recent months: total employment (formal/informal) fell 1% ***cushioned by a larger reduction (9%) in real wages***

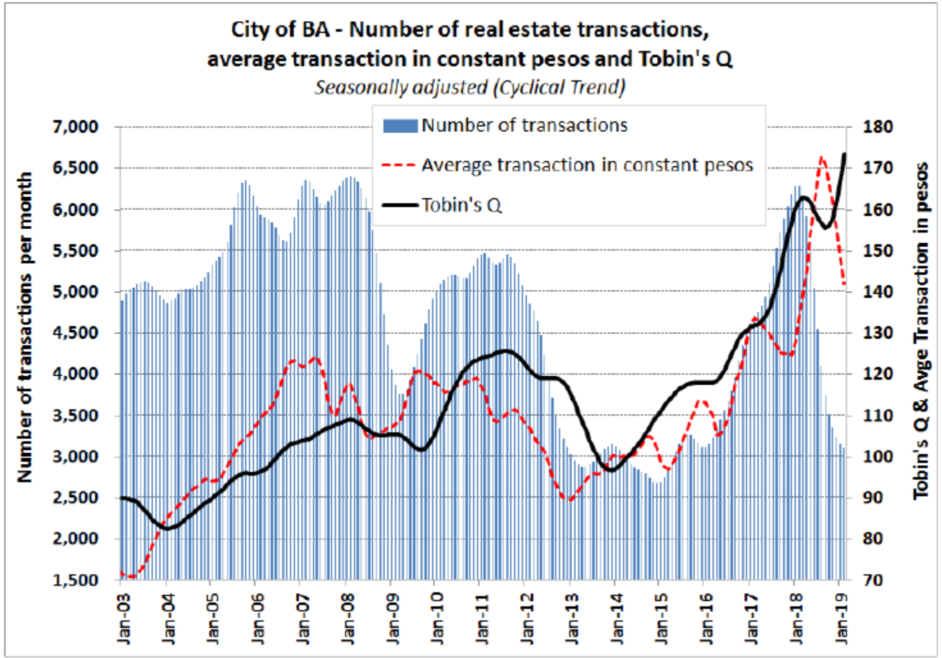


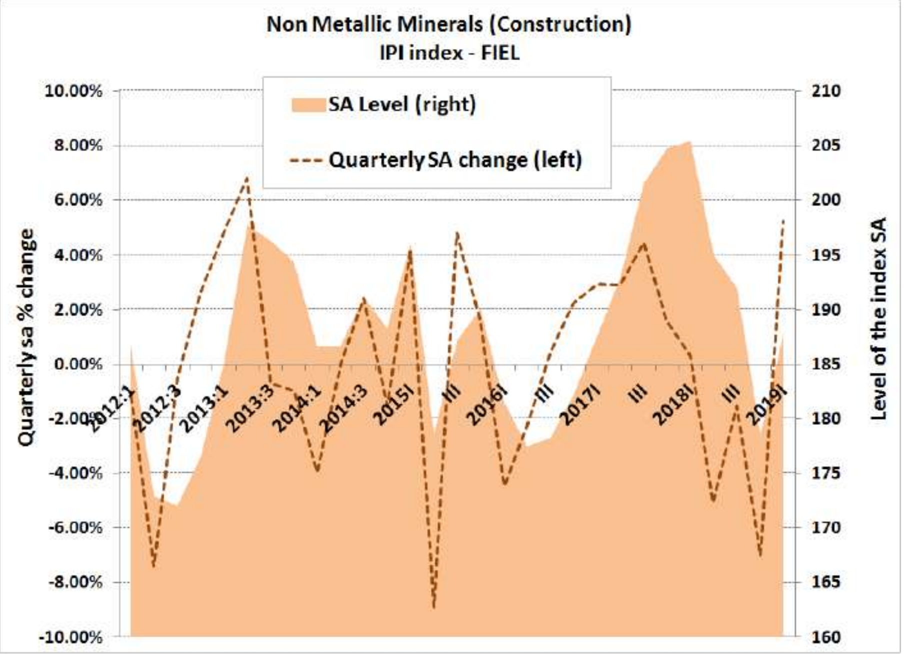
High real interest rates + major fall in real incomes + labor market uncertainty has led to *the largest consumption decline in private Consumption since 1995*



The "perception" of recession is stronger than in previous episodes, in spite of a lower GDP decline.

Apart from expected recovery in primary sector (Agriculture, Cattle breeding, Mining), signs of a (modest) rebound under way in private construction



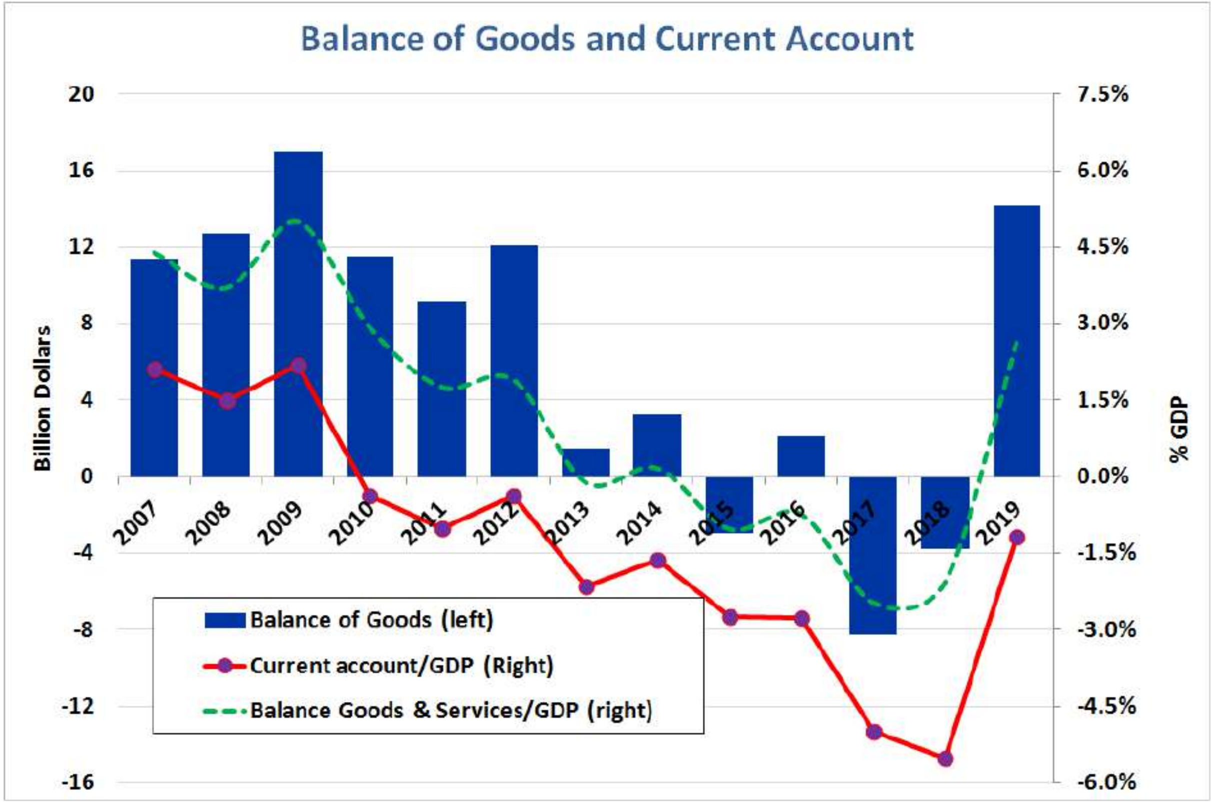


Argentine savings are (mostly) in USD. Huge decline in cost of construction in USD relative to property prices (Tobin's Q) prompted an acceleration in construction projects and small works

*Two/three positive readings of indexes of **inputs used in Construction** (sa) plus a rise in **total permits** of construction plus **stabilization in the total payroll***

The current account is converging to equilibrium (Trade surplus in Goods >14 BUSD)

-at least during recession in 2019-



Still *a long recession*: GDP may not recover previous peak (Q1 2018) until late-2021