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## ARGENTINA: CRISIS IN SIGHT?

The improvements perceived by the Argentinean society, after the disruptions of the lost decade of the nineties, seem to have reached the end. The end of this cycle is a consequence of the authoritarian and disastrous measures of the present government, further worsened by the aftermath of the international crisis in 2009. It would be realistic to state that, whilst acting in the margin of the economic sustainability on a long term basis, the governments searched for the populist policies way, which forced them out of the international economic game.

The fact is that they missed the tram, and the current situation of Argentina is complex exactly because of the rooted involvement of sectors which assumed nationalist conservative positions. Such statement is conclusive after the announcement of nationalization of Yacimientos Petrolíferos Fiscales - YPF S.A., one of the most important actions to keep these sectors happy. It is such a sensitive matter that even the opposition refrained to go against. The result of this? The president of Argentina, Cristina Kirchner, achieved high levels of approval from almost all social strata, thus hiding a sad reality. From the perspective of a more critical view, one may note that behind this populist curtain lies a frame of actions distorting the economy scenario. Disclosure of price indicators perhaps is the most sensitive of these actions and motivated the earful from IMF – the International Monetary Fund – which asked the Argentinean Government transparent and reliable indicators. The request confirms the suspicions of economy consultants working in Argentina that inflation would be double or even higher than the number officially presented by the local government.

In order to contain the spread of such contesting statistic data, the Argentinean government took measures to prohibit the disclosure of non-official projections, with harsh penalties. The numbers in the highlighted table - "Indicators of Argentinean Economy" - show the reason of the desperation of the current government faced to the real situation disclosed by IMF projections, which indicate strong economy slowdown, with the growth rate decreasing by half in 2012.

However, the nightmare is greater for the balance of payments calculations. In 2011, the current account deficit, which means the trade balance plus the services balance, was negative by US\$ 500 million. In 2012, the forecast indicates a US\$ 700 million deficit, jumping to a US\$ 1.1 billion deficit in 2013. As the country is closed to receive investments like loans, direct foreign investments remain as the only option to close the accounts.

Here, then, is the question: who will invest in production activities in Argentina against the several existing risks? Now the reader is able to understand the populist speech that led the government to "take" YPF S.A. by force from the Spanish: *they need foreign investments to close their accounts!*

The future of Argentinean economy is compromised, at least on the short and medium terms. The economy growth cannot be sustained by populist policies, which distort market rules, as such policies lead the legal uncertainty of the businesses to an extreme. And no signal was demonstrated by the main Argentinean government representatives that this will be changed in the near future. The feeling, therefore, is of crisis on the horizon. An environment of economic stability is mandatory to motivate the entrepreneurs to keep or increase their business activities. It is also a basic condition for investors wishing to initiate new businesses. Unfortunately, we do not hear these plans when we mention: Argentina! ■

### Indicators of Argentinean Economy

Year	GDP <sup>1</sup>	Current Account <sup>2</sup>	CPI (INDEC) <sup>3</sup>	CPI (Consultants) <sup>4</sup>
2011	8,9	-0,5	9,8	22,8
2012p	4,2	-0,7	9,9	25,0
2012p	4,0	-1,1	9,9	27,0

SOURCE: IMF, INDEC, Independent Consultants. Elaborated by the author.

#### Note:

<sup>1</sup> Gross Domestic Product. IMF (International Monetary Fund) projections.

<sup>2</sup> IMF projections.

<sup>3</sup> Consumer Price Index (CPI). IMF projections.

<sup>4</sup> CPI. Independent consultants projections.