

MAIN NEWS

- ▶ The debt swap issued under foreign legislation, which closed last Friday, obtained an ample backing of its offer. The adhesion amounted to **93.55%** of the total amount of the pending capital of the eligible bonds. This high level permits to activate the collective action clauses, and thus restructure **99.01% of the debt**.

After several months of tense negotiations, it will be relief for the Argentina economy, which now is in a better position to face reactivation [[“Public Debt Refinancing”](#)]. Argentina formally requested a negotiation with the IMF; it would have anticipated to the Fund its disposition to change time terms but not political concessions [[“Public Debt Refinancing”](#)].

- ▶ The news also allows Fernandez Administration to get some oxygen, which is already being questioned about its management capacity, its dependency on Cristina Kirchner, and also hurt by the strong pandemic rebound, despite the 165 quarantine days [[“Economic and Political Direction”](#)].
- ▶ The amount of coronavirus infected amount continue growing, as well as deaths. It would have become more stable in BAC and in some BAP districts, but new cases are appearing in the 2nd cordon of the GBA, the rest of BAP, and several provinces. With Argentina already part of the top 10 of cases in a global level, Alberto Fernández seeks to change the agenda and the format of the sanitary announcements [[“Coronavirus Crisis”](#)].
- ▶ However, most political and media attention was on the Judicial Reform and its scandalous aspects. The Senate approved it by an ample majority, but it is currently considered that it could not be ratified at the Lower House, already postponed or forgotten [[“Measures and announcements”](#)].
- ▶ The Economy Ministry is working on a tax reform (Income Tax), and it presented to Congress the exceptional project a wealth tax bill. [[“Measures and announcements”](#)].
- ▶ GDP: According to Ferreres Economic Activity Index, last July the general activity level showed an 8.9% year-on-year fall and a 0.5% monthly drop, seasonally corrected. In July Trade Surplus registered a US\$ 1,476 M surplus and the accumulated since January was +US\$ 9,573 M. [[“Economy”](#)]
- ▶ Several organizations and businesspersons toughly criticized the decision to declare as ‘essential and strategic public services’ I.T., of telephones, Internet and paid TV, and freeze their tariffs. The rejections indicate that it is a **grave Presidential error**, which will negatively impact on a dynamic economic sector, which is essential for digitalization and modernization. [[“Communications”](#)].

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CONTEXT

PUBLIC DEBT REFINANCING

Successful debt swap closing.

- 1) The debt swap issued under foreign legislation, which closed last Friday, obtained an ample backing of its offer. The adhesion amounted to **93.55%** of the total amount of the pending capital of the eligible bonds. The Government celebrated, because at these levels, it permits to activate the collective action clauses, and thus restructure **99.01% of the debt**.

The swap closing will allow to regularize the situation of some bonds which had fallen into default in the last few months.

"We are now facing other challenges; the first one will be to reactivate the domestic market," said President Alberto Fernández, when announcing about the swap results.

"Argentina will have a debt relief, in the next decade, amounting to US\$ 37,700, and the average interest rate will drop from 7% to 3.07%," explained the Economy Minister. (Reuters, 8/31.)

Almost all the Collective Actions Clauses (CAC), except the dollar and euro denominated Par bonds issued in 2010. Only some US\$ 600 M will be left out of the swap, with low possibilities to go to a law suit. (Cronista.)

The official portal published a technical report about the swap operation and its results:

> <https://www.argentina.gob.ar/noticias/la-republica-argentina-anuncia-los-resultados-del-canje-de-deuda-publica-externa-bajo-ley>



2) The parallel call for a swap of **debt issued under local law** (US\$ 41,700 M) concluded yesterday the first "early deadline" with a very strong acceptance, higher than **93%**. The final deadline is September, 15, and it is expected to reach no less than 95% acceptance. (Clarín, 9/2.)

3) Last Friday, the term that creditors have to formally accept the last offer made by the Government to swap bonds issued under foreign legislation concluded. The bondholders submitted their holdings, which will be exchanged by five new dollar and euro bonds, with an average net present value of US\$ 54.8% for each US\$ 100 of nominal value.

The settlement will be carried out on Friday, September 4th. As for bonds under local legislation, the early stage to enter the local swap will close on September 1st. ANSES and the BCRA already adhered to this swap (they have a 45% of the US\$ 41,715 M). (Cronista and Ámbito, 8/28.)

IMF

4) Argentina formally requested a negotiation with the IMF, to "agree on a new program."

5) Economy Minister Martín Guzmán and Banco Central president stressed "the need of a new agreement to include a re-programming of debt maturities with the IMF for some US\$ 44,000 M, under sustainability criteria for this process." (La Prensa, 8/26.)

6) After a telephone conversation between Alberto Fernández and the IMF managing director **Kristalina Georgieva**, she affirmed: "We are ready to work close with Minister Guzmán, BCRA president Miguel Pesce, and their respective teams, in order to support Argentina during this challenging times."

Fernández declared: "I had a long talk with the IMF head, and we coincided that, slowly but surely, **we will start working to order the disorder that we inherited from the previous Government and the Fund.**" (Nación, 8/27.)

7) **Georgieva** told **Fernández** that the **IMF is willing to give him time, but not political concessions**. The IMF is willing to accept a program of expanded facilities, and that would demand a commitment of the Government to carry out unpopular actions. The conversation was cordial, but the IMF head spoke clearly.

The President and Georgieva talked about a 10-year agreement and refinancing of the entire stand-by loan left by Macri.

8) **Julie** Kozack and Luis Cubeddu – the Fund representatives for Argentina – already started their mission in Argentina through videoconference, and would travel in October.

The functionaries informally circulated a memorandum, where they present the IMF **concrete demands**. There are 5 **central questions**, very hard, and are the IMF's traditional directions:

- Quantitative fiscal targets, to allow an equilibrium at the end of 2022, two years from now.
- Reform and more tributary pressure.
- Modifying the retirement system. This means going back to Cristina's formula for pensions' adjustment: a 30% per salaries and a 70% per collection.

- Labor flexibility.
- A dollar policy, accepting to maintain forex control.

These are the reasons why Alberto wishes to defer the agreement. He is making a strong political bet: he believes that Donald Trump is going to lose, and the “tough ones” will leave Washington. It is a risky bet. Democrat party candidate Joe Biden is winning in the polls, but Trump shortened the difference. ([Bonelli / Clarín, 8/28.](#))

9) **Mario Blejer**, one of the few Argentine economists that know the IMF from the inside, assured that the organization sees the Fund “somewhat discouraged” and “without too much influence on anything.” He believes that the negotiation with the IMF “*can be favorable for Argentina in the long term, if the country accepts that it has to make structural reforms*, to gain competition power, without being necessary to devaluate once and again.” (Nación, 8/26.)

POLITICAL and ECONOMIC DIRECTION

Heavy seas

1) Columnist **Morales Solá**: “Cristina Kirchner has no reason **to inflict a coup** to the President. Alberto Fernández has accepted all of his vice president’s positions, and has even go beyond, as when he decided to declare as a “public service” – and freeze their tariffs – to the Internet, cell phones, and cable TV, only because he did not like the media coverage of a social protest. He did not protest about the modifications that Cristina’s majority made at the Senate... Alberto Fernández seems to be very comfortable in his position. It even seems that he prefers to remain with the style and methods of the Cristina sector... (> [Nación, 8/29.](#))

2) Among several essays and articles about this matter, see > “[A President between angriness and frustration](#),” at Nación, 8/28. “These are not good weeks for the President. In his reactions and public appearances there are expressions of angriness or frustration by his initiatives’ failure...”

4) When former President Duhalde spoke about “a coup,” he also said that, “this (the current situation) is **such a great disaster that we cannot see a solution.**” Political analyst **Sergio Crivelli** comments: “Alberto Fernández has taken the sanitary and economic situations to the limit. After an exceptionally long quarantine, the pandemic is at its highest point, and the people, exhausted. Poverty, activity fall, companies closing, unemployment, money issuing, fiscal deficit, coronavirus contagions and deaths are record... Deaths were announced by a functionary accompanied by a clown...” “This Government has no economic plan, or financing, dollars, or a way out strategy. It commits errors such as the one with Vicentin, and is studying increasing income tax for the middle class, while it cancels Cristóbal López’ fiscal debt.”

“Duhalde is afraid... to have another Cristina Kirchner Government...” (La Prensa, 8/30.)

5) **Juntos por el Cambio** party will propose the Government **four basic agreements** for after the pandemic:

1. **An institutional agreement.**
2. **A social agreement.**
3. **A productive agreement.**
4. **An agreement of global integration.**

In an 8-page document each point has a brief description and concrete proposals (Clarín, 8/30.)

6) **Breaking news / Turmoil in Congress.** After the conclusion of an agreement on rules to manage on line sessions, official and opposition representatives gathered yesterday to discuss a system for the following months. Juntos para el Cambio 116 lawmakers block entered the Chamber looking for their chairs. Discussion and clashes with the official party lawmakers continued for 8-12 hours. Early this morning the Chamber’s President Sergio Massa ordered to vote the issue. But only on-line votes were accepted, and representatives present in the Chamber were ignored. A mayor scandal started and dialogue is over and seems impossible. (Clarín and other media, 9/2.)

THE CORONAVIRUS / COVID-19 CRISIS

Argentina is already part of the 10 world countries with more coronavirus contagions: the cases are currently (417,735), behind Spain (462,858) and surpassing Chile (411,726). There were 8,660 deaths, and those recovered amounted to 301,195, the 75.06% of those that were ill. (Nación, 8/31.)

After two days with more than 10,000 daily cases, last Friday 11,717 contagions were informed. (Nación, 8/29). Monday night, there were 9,309 contagions in 24 hours, and 203 deaths. (Nación, 8/31.)

According to Johns Hopkins University data, updated to last Monday night, at a global level, the pandemic surpassed the 25 M contagions, with 6 M in the US, almost 4 M in Brazil, and 3.6 M in India. Below the million, there are Russia, Peru, South Africa, Colombia, Mexico, Spain, Chile, and Argentina. There were **848,000** deaths world-wide. (ArgenMedios.)

1) "The pandemic has become national," admitted the Health Minister. The tendency indicates that, in the metropolitan area, where the higher amount of daily cases persists, the daily contagions curve will start falling in the next few weeks. However, **in the rest of the country, new cases are appearing**, which force to go back with partial re-openings. Travelling between jurisdictions, clandestine ways that connect provinces or cities, and, especially, social meetings are some of the causes for the virus spread.

- The provinces that show the higher amount of cases in the last two weeks are Buenos Aires, Mendoza, Santa Fe, Tucumán, Córdoba, and Jujuy. (Nación, 8/27.)

2) After more than 160 days of obligatory isolation, it was postponed until **September 20th**. "**The problem is no longer in the BA Metropolitan Area, it is all over the country.** A month and a half ago, a 93% of the cases were in the AMBA, and only 7% in the provinces. Now, **provinces represent a 37% of the cases.**" The Government is worried about the provincial contagions, where the medical system can be saturated.

In the next few hours, Fernández will define with each Governor which localities or regions will return to stricter isolation systems. The provinces that showed community virus circulation – besides BAC and BAP - are Chaco, Córdoba, Chubut, Entre Ríos, Jujuy, Mendoza, Neuquén, Rio Negro, Salta, Santa Fe, La Pampa, La Rioja, Santa Cruz, Santiago del Estero, Tierra del Fuego, and Tucumán.

Contagions have been increasing phenomenally in provinces where, until a few weeks ago, they continued with more flexible activities, mainly Jujuy, Mendoza, Córdoba, and Santa Fe. (Perfil, 8/29.)

3) Breaking news. "After more than five months of strict lockdowns, **Argentina's coronavirus crisis is only getting worse**, piling the problems onto a government that just restructured billions of dollars of debt. Almost 47% of people tested for virus get a positive result back. The higher the rate, the more testing is needed to detect, trace and isolate infections. (BATimes, 9/2.)

4) The President allowed outdoors social meetings, of up to 10 persons, to be ratified by each jurisdiction.

- As for the **Greater BA Area**, it will continue without advances or backtracking, but in the **Province's interior**, each locality could go back according to the contagions. **BAC Mayor Rodríguez Larreta** requested Fernández to enable several activities. (Nación, 8/29.)

5) BAC. The National Government rejected the protocol for allowing digital spaces in schools; the City Government will insist on their opening.

The City did obtain the permit for bars and restaurants to serve outside the premises, and "more permits for the private construction sector, and reactivating construction works that are about to be finished, as well as those of more than 5,000 sq. meters; employers must avoid that the workers use public transportation. (Cronista, 8/27; Perfil, 8/29.)

BAC Health Minister **Fernán Quirós** assured that the "worst moment" of BAC pandemic was at the beginning of August, and that the curve is stable. He admitted that the cases fall will be "slow and gradual." (Clarín, 8/31.)

6) BAP informed that there would not be changes. However, Mar del Plata City and some other districts "would drop to Phase 3" (more restrictions), due to contagions worsening. Yesterday, the Governor admitted that "the contagions are increasing." It is not criticism, it is data. "The **situation is not equal or better, it is worse than in the last few days.**" (Cronista, 8/31.)

7) The public announcements had a different format. This time, Alberto Fernández did not appear in TV in a joint communication with Kicillof and Rodríguez Larreta. It is due to the **shortcuts and tensions between the official party and opposition's Larreta**. A photograph of the three was shown, trying to maintain the image of coordinated work.

8) Education. A meeting of the Federal Education Council (with the 24 provinces) approved the following:

- 5-year old children will enter directly 1st grade. Those of 7th grade, with formation activity until March 2021 and an evaluation examination to enter first year of high school. High school fifth year students will have formation activities in February and March, with obligatory approval to graduate.
- The rest of the primary school and high school grades will have an only pedagogic unit, between 2020 and 2021, leaving the promotion definition for the end of 2021. The evaluations will be conceptual, and not with figure grades. Once the isolation is over and during the progressive return to schools, **the three systems will be together: being present, not present, and combined.** Besides, in each one of the levels, contents will be reorganized. (Cronista, Nación and Página/12, 8/26.)
- “No student will repeat this year,” according to several headings, but it is not true if we read well what was ruled. (ArgenMedios.)

) The Education Minister rejected the BAC Government project to open City schools and have classes for about 6,000 students with problems with distance schooling, which had generated rejection by teachers unions. (Clarín and Página/12, 8/26.) The President also vetoed Rodriguez Larreta allowing workers at private domiciles. (Nación, 8/29.)

OTHER MEASURES and ANNOUNCEMENTS

1) The Government has a hyperactive agenda for this week. On Monday, the announcement of the debt swap results, plus the energy plan. Then, a security plan for the Greater BA Area. The “60 measures” will be informed the other week...

It is a new communications stage, since the people are tired of the repetition of announcements about the pandemic. Fernandez and his management image have fallen, the lack of a horizon and the preoccupation about the economic crisis worsening. (Nación, 8/29.)

2) Through Administrative Decision No. 1553, the Cabinet Chief distributed, in 484 worksheets, the expansion of the Budget, for a total of \$ 1,875,383 M (due to more expenditures), voted by Congress.

- Expenditures due to the pandemic increased by \$ 869,500 M, especially the IFE (Emergency Family Income) and the ATP to pay part of the salaries.
- Another \$ 626,000 M correspond to social security programs.
- \$ 206.000 M are energy subsidies due to tariffs freezing, commitments with electricity generators and dollar revaluing. (Nación, 8/27.)

3) With Decree 696, Alberto Fernández partially promulgated Law 27,561, modification and **expansion of the Budget** (which was extended since 2019, as it was not voted for this year). However, he **vetoed Articles 18 and 19**, which opened a way to negotiate restarting some investments with **electricity distributors**.

The tariffs freezing has been applied during one and a half years, and in summer the energy cuts could be massive, due to the investments stoppage. (Cronista, 8/26.) So, why should the President veto those articles?

4) **ATP.** Cabinet vice chief Todesca anticipated that the 5th round of the “**ATP 5 program**” (**Work and Production Assistance**) to cover August salaries, will include a clause to boost the preservation and generation of jobs. (Cronista, 8/27.)

The **critical sectors will receive State assistance** until December 2020. Entertaining, tourism, and hotels have been already incorporated. Next September, long-distance and school transportation will be added, as well as gastronomy and nursery schools. In three rounds, the ATP program granted more than \$ 121,000 M. (Cronista, 8/27.)

5) The Labor Ministry again postponed, until December 31st, the payments for **unemployment**. (Clarín, 8/27.)

Monetary and forex policy



6) Banco Central president **Miguel Ángel Pesce**: “With this reserves level, we have the capacity to manage the forex market, as we have been doing until now.” “The reserves are the ones published by Banco Central, and are about US\$ 43,000 M; Banco Central does not make distinctions between liquid or net reserves.” This was said to deny that, “The **reserves fall does not resist for one more month**,” as it was said a week before.

Also, Pesce discarded new restrictions or toughening these in the short term, and predicted less forex pressure after closing the debt swap and as economy continues recovering. **He denied that there is a forex delay or competitiveness problems.** “We have a permanent contact with several areas of the productive sector, and none of these have complained about the forex, nor pymes or industrial sector or agriculture – and even less from service export sector.” (Nación, 8/25.)

Judicial Reform

7) The **Senate** approved the Federal Justice Reform project with an ample majority – 40 votes in favor and 26 against. However, new modifications were introduced:

- The creation of new Federal Courts in the provinces.
 - Oscar Parrilli (Neuquén) asked to change words in the polemic clause that he had introduced, against communication media.
 - Juntos por el Cambio rejected the initiative, as well as Carlos Reutemann (Santa Fe) and Lucila Crexell (Neuquén), of the Federal Inter-bloc. "The objective of this project is to colonize the Federal Justice," denounced Luis Naidenoff (UCR-Formosa), head of Juntos por el Cambio bloc.
- In the original project, there were 279 new jobs, and now there are more than 900. Esteban Bullrich (Pro-BAP), accused the official party of "exchanging votes for provincial appointments." (Nación, 8/28.)

The initiative will arrive at the Lower House deformed and objected by almost all the political and juridical sectors, by technical or opportunity reasons.

8) With the latest additions, the Judicial Reform would generate 1,387 new posts. (Perfil, 8/29). This figure was deduced from the latest draft of the project. The original project implied 279 new appointments, among judges, prosecutors, and defenders. (Clarín, 8/29). According to La Nación (8/29) the new appointments would be more than 1,700.

9) **Sergio Berenstein**: We can see a quick **Judicial Reform sinking**, which Cristina promoted, and then she left it aside, after the generalized rejection. (Nación, 8/28.)

10) "In the midst of the impacting insecurity growth and attacks to private property – including taking land over, tied to dark political businesses – **the ex-president follows her unilateral agenda, with total independence of the context.**" The probability that this curious political experiment of the Frente de Todos Government ends with an even greater crisis is constantly increasing. (Nación, 8/28.)

11) "The Government believes the Judicial Reform is dead; which will be debated in two months by the Lower House, and even so it is not going to obtain the votes. It was said that only by the end of October it could be dealt with at the Lower House. Meanwhile, the priority is the Budget, a new hydrocarbons law, and the tax reform. Also, the return to the adjustment formula in pensions that had been designed by Cristina Kirchner - and all of this accompanied by a tough negotiation with the IMF. (Clarín, 8/31.)

Other Legislative News

12) The Government is working on a tax reform, which it plans to send to Congress along with the 2021 Budget project. It will propose two key changes in the **Income Tax**: **a)** Increase, **from 35% to 41%**, the quota that physical persons pay in the highest scale. **b)** Increase the 4th category tax, and self-employed taxes. **c)** Eliminating some incentives for companies that reinvest. The changes will increase tax pressure on the middle class, professionals, and the companies that are trying to invest. (Clarín, 8/28.)

13) There could also be a **capitals whitewashing** for construction, in line with the project presented last July by the Construction Chamber, AEV and the UOCRA union. (Clarín, 8/29.)

14) **Wealth tax bill**. Four months after it was known, finally the Kirchner sector presented the law project that proposes an **extra-ordinary tax over large fortunes** of physical persons. This is Máximo Kirchner initiative, head of the official Representatives bloc, drafted by the Budget Commission chief, Carlos Heller (the "communist banker").

It is a **one time only tax**, with progressive quotas that will go from 2% [for net worth between **\$ 200 M** and \$ 300 M] to 3.5% [for patrimonies over \$ 3,000 M]. According to the authors, it would reach some 12,000 people. As for foreign assets, the tax will have a 50% extra charge about the corresponding quota. However, if the holder accepts to bring back to the country a 30% of the financial holdings, the difference is eliminated. (Nación, 8/29.)

Unions /Salaries

15) According to a **Mercer Consultants** poll, although during the year just 19% of private workers was able to agree on salary increases (between 23% and 30%), a **48% of companies granted increases to their personnel as part of the agreements**. Of this last group, a 43% gave an average increase between 15% and 30%. Only 30% of the companies did not do anything to soften the acquisition power loss of their employees that are part of the agreement... (Clarín, 8/27.)

Other news

16) **Alberto Fernández** refused to reveal who were his **clients** during the three years previous to his Presidency, when he worked as a lawyer and consultant. The Anti-corruption Office had requested a list of persons or companies for which he had worked, being State concession-holders or suppliers, or carry out regulated activities. (Nación, 8/26.)

17) **FIU**. The **Financial Information Unit** displaced 15 employees last month. Several of them participated of corruption investigations of Kirchner functionaries. (Nación, 8/31.)

18) Through a DNU, the **Energy Secretariat** was transferred to the Economy Ministry. Besides, due to multiple fires that affect the Parana River Delta, Cordoba province and several other northern provinces, the Government changed the name of the "National Fire Management System" to "**Federal Council of Fire Management**," and transferred it to the Environment and Sustainable Development Ministry. (Nación, 8/29.)

19) Alberto Fernández inaugurated a new speech line: "I am the more federal of BA City inhabitants." (ArgenMedios). Another Presidential gaffe? Or lying? Talking about telecommunications, he said he "**admires**" **Norway and Finland**: "In those countries, those are public services." The Finnish Embassy clarified that, in that country, the regulation guarantees the free competition to improve the service, without fixing tariffs. (Nación, 8/29.)

Security

20) The President will start this week a large operation against crime, which will imply an investment of around an investment around \$ 12,000 M, and land occupation, more than 4,000 federal agents. The operation wishes to rescue – promoted by Cristina – Kiciloff's management, increasingly questioned by official directives and the opposition. Cristina and La Campora group worries about what happens in BAP is as much or more than what happens in the country. Both their project and future is there. (Nación, 8/31.)

21) Villa Mascardi, an area close to Bariloche, neighbors that protested in defense of their homes, in view of the occupation of land and homes in the Mascardi Lake area by self-called **Mapuche Indian activists**, were criminally accused (!) by Security Minister Frederic. Previously, there had been pillaging and destructions by hooded persons from El Alto shanty town. The violent actions restarted since 2017. (Nación, 8/31.)

• Former Security Minister **Patricia Bullrich**: "They burn their houses, take over their land, and the Security Ministry, rather what she should do about the usurpations, she denounces those that protest to defend their property."



22) **Occupations. (I) In Guernica** (BAP) there is land occupied by more than 2,000 families, which were promoted by political groups such as OLP-Resistir y Luchar. (Nación, 8/31.)

(II) Among several land usurpations, between 12 and 15 families occupied the maneuvers yard of Mitre Railroad at Victoria station. The Federal Justice has delayed in evicting them, despite the fact that they endanger trains circulation. The occupiers are backed by unions and political heads. (Nación, 8/28.)

(III) The Lower House president **Sergio Massa** indicated about the **conflicto of the lands occupation**: "The State has to make the law be complied with, and evict them." (Nación, 8/31.)

OTHER POLITICAL NEWS

1) **Journalist Carlos Pagni** remarked that, on Monday August 17th, the day of the national protest, the President left being on the moderates' side. Even the Justicialista party moderates, who thought that he could prevail over Cristina's projects. However, these are pragmatic. They know that following the former president, they walk towards a probable electoral defeat, and – again – to an eventual power loss. **Nobody knows why, but Alberto Fernández kept hold of his vice president, her methods and her ideas.** (Nación, 8/26.)

2) Another one from **Pagni**: "**Cristina Kirchner has started displaying her leadership through an obsessive revision of Alberto's decisions.** Through prohibitions or vetoes, blows off the agreements the Government has reached in the most diverse fields. **The vice president is increasingly fencing in the President.**

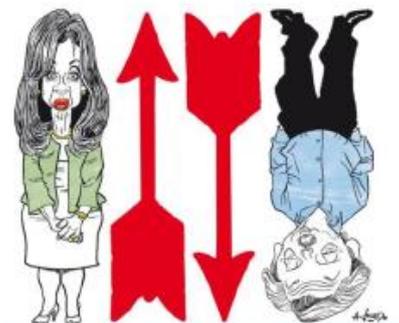
Last April, 67% of Juntos por el Cambio sympathizers approved the President's management. Currently, that percentage dropped to 36%. (>Nación, 8/27.)

4) Political head **Elisa Carrió is blunt**: "The one that is carrying out a coup is Cristina. She is getting power away from Fernández. We cannot be accomplices of that maneuver... We have to guarantee governance. That is the reason why I am with Rodríguez Larreta, to have a bridge to ensure it. I also told Mauricio. I do not back blind confrontations. Neither in the country nor in Juntos por el Cambio party. For us, it should not be 'the worst, the better for us.'" (Nación, 8/27.)

5) Columnist **Guillermo Kohan**: "May be there was a coup already, and Cristina is managing it." "The worst is that this is not only about personal ambitions; it is the country's model that is at stake." (> Cronista, 8/26.)

6) **Sergio Berenstein**: "The great paradox of current Argentine politics consists in it being dominated by a figure that:

- Is rejected by more than 60% of the people,
- Lost four of the last six elections.
- To avoid a new defeat, she was forced to decline the presidential candidacy and resign to occupy the vice presidency,
- She has a low acceptance even within her own party, and
- Continues being ignored by the main leaders of the civilized world.
- Besides, she is involved in numerous criminal causes, a difficulty growing due the rapid sinking of the (counter) Judicial Reform, which she promoted, and which she had to deny it after the generalized repudiation it caused. (Nación, 8/28.)



ARGENTINA'S ECONOMY DATA

1) The Government and most private analysts believe that the economic activity fall **bottomed out last April**, and in May and June, a **slight recovery started**, still below the levels previous to the pandemic. However, **Ferrerres** data (following point) have lit a **yellow light**. That data refute the official vision: Kulfas said a few days ago that "there is a gradual recovery: it is heterogeneous, but it is a gradual, sustained growth." (Clarín, 8/27.)

2) **GDP**. According to **Ferrerres** Economic Activity Index (IGA), last July the general activity level showed an **8.9% year-on-year fall**, accumulating in seven months a **10.1% contraction**. The variation vs. June showed a 0.5% monthly drop, seasonally corrected. That is to say, "**during July, economic activity detained the recovery that it had been showing** since the April fall. The IGA reveals marked year-on-year falls in almost all sectors. In the manufacturing industry, it amounted to 9.4%, retail commerce 14.9%, and -22% in construction. (OJF.com.)

3) **Trade exchange**. Last July, the Argentine foreign trade fell; according to the INDEC: **Exports** (US\$ 4,903 M) fell 16.3% year-on-year, and **Imports** (US\$ 3,427 M) by 30.1%. July trade surplus was US\$ 1,476 M.

In the 7-month accumulated, exports dropped 11.9% and imports 24.4%. Trade surplus he accumulated +US\$ 9,573 M.

- There were drops in all the exported items: industrial manufactures (-32.3%), fuels and energy (-20.3%), primary products (-10%), and agriculture manufactures (-9%). About imports, there were strong **capital goods** falls (-24%), intermediate goods (-15.9%), fuels and oils (-54.8%), capital goods parts and accessories (-50.9%), consumption goods (-16.7%), and passenger automotive vehicles (-51.6%).
- **China** is consolidating as the leading trade partner, with purchases from the country amounting to US\$ 553 M, and sales for US\$ 751, displacing **Brazil** (US\$ 557 and US\$ 692 M).

The highest trade surplus were with **India** (+US\$ 250 M), **Vietnam** (+US\$ 200 M), and Chile (+US\$ 191 M). (Clarín, 8/26.)

- **Ecolatina** Consultants indicated that, this year the trade balance would close around **US\$ 18,000 M**, 10% above the 2019 figure.

However, an importing slump is happening (20%), and exports would fall close to 50%. (Clarín, 8/26.)

- The **IARAF** maintains that, "foreign trade perspectives are not very clear. The dollar restrictions toughening, the liquidation obligation, and the retentions increase, will possibly impact negatively on the exports dynamics. On the other hand, the economic reactivation will pressure, little by little, on capital goods and intermediate goods to reconstruct productive process."

- **Exports.** BCRA president Pesce warned at the IAEF that, “if Argentina does not again export by US\$ 90,000 M, it will be a stoppage for its growth.” But most independent economists consider that it is impossible to surpass the “anti-exporting frame” for this year, place it around US\$ 60,000 M. (Clarín, 8/27.)
- 3) **Inflation.** After 4 months of contained prices, August could end with an increase between **2.5% and 3%**. (Nación, 8/28.)

MORE IMPORTANT BUSINESS

TELECOMMUNICATIONS

- Several organizations and businesspersons toughly criticized the decision to declare as essential and strategic public services I. T., of telephones, Internet and paid TV, and freeze their tariffs, which indicate that it is **a grave Presidential error**, which will negatively impact on a dynamic economic sector, which is essential for digitalization and modernization. (Nación, 8/25 to 29; Clarín, 8/27 and 30). We have not seen arguments defending this decision. (ArgenMedios.)
- Companies and chambers from the communications and information technology industry called for a reconsideration of decree 690 from President Alberto Fernández (see our previous report).
 - "Such an untimely and unconsented rule change has **a profound negative impact for all** ITC players, investors, their hundreds of thousands of employees across the country, in their value chain and across the digital community, shifting to the whole economy uncertainty about the quality of service delivery they receive in the future."
 - "Declaring internet services, Pay TV and cell phone as public services does not guarantee access to the entire population."
 - "There are more than 1,200 companies in this industry, including SMEs and cooperatives in the country under a licensing regime, not a public concession regime. In its various modalities - fixed, mobile or satellite - the ICT industry "has coverage of up to **95% of the country's population**". 82.9% of households have Internet access. In addition, there are more than 50 million cell lines in service..
 - "Accelerating digital inclusion requires intensive investments, on a recurring and long-term basis to expand services. The ITC industry is the sector that invests the most in Argentina, along with oil (US\$ 20,000 M) over the last 10 years, 2.4% of GDP). To continue investments, the industry needs certainty."
 - "We call for a reconsideration of this decisión and to re-establish a dialogue in which all parties find a way to connect Argentines and continue developing a high added-value industry." Signatures include Claro, DirectTV, Telecom, Telefónica, Telecentro, AmCham Argentina, Finnish, Italian and Spanish Trade Chambers, CAC, Cicomra, Huawei, etc. (Aug. 25 newspapers.)
- **Telecom** CEO Roberto Nobile informed that a bank and suppliers that were evaluating financing the company have already suspended it, The new scenario does not allow a forecast of future income. (Cronista, 8/26.)

- "This ruling is unconstitutional, and it is difficult to understand its reasons. If an investment project is subject to a government's decisions, the danger is that companies do not want to take such a risk and we will end up with outdated technologies - without even investing in maintenance. In other words, that Argentines in the information will again have serious difficulties in communicating and accessing information and entertainment precisely age. In a not-so-long time, the users and the economy across the country will pay the consequences. (> ["La Nación" Editorial, 8/27.](#))

- Countries around the world are beginning to bid and deploy, 5th generation networks, known as **5G**. Chile has just announced the 5G bid tender and expects investments for US\$ 3,000 M. In Argentina, such a tender was expected by the end of this year. Being larger and more inhabitants, the investment would have been higher than that of Chile. *Now there'll be nothing.* How to invest in an industry in which the state will decide what the investment will



be like and how much each company will earn? (Nación, 8/26.)

- **IDEA, ACDE and the AIU**, among other business organizations, demanded clear rules and predictability to grow. Daniel Funes de Rioja, COPAL president and AIU vice president, warns: "The decree of telecommunications alters the business climate" (Clarín, 8/30.) We have also seen letters from the AmCham and the US Council of Information Technology.

AGRICULTURE and AGRIBUSINESS

- International soy price increased 5.5% during last week, and reached US\$ 349 per ton. This is due to the US Middle West drought, which deteriorates crops, and the Chinese purchasing interest. (Nación, 8/29.)
- The **Vicentin Group holding** sold the 50% it had from **Friar Meatpackers**, to BAF, a Holland-based investment fund. (Cronista and *Ámbito*, 9/2.)

TEXTILES AND APPAREL

- TN&Platex Group announced new machinery investments for more than US\$ 30 M. (Soc. Rural Rosario, 8/26, *Agrofy*.)

LABORATORIES

- United States pharmaceutical company **Johnson & Johnson** has added Chile, Argentina, and Peru to the Latin nations where it plans to conduct Phase III trials for its vaccine against COVID-19, the company confirmed on Wednesday. (Mercopress, 8/28.)

OTHER INDUSTRIES

- Agriculture machinery sales grew by two digits in all sectors. (Cronista, 8/31.)
- The Argentine satellite Saocom 1B is already in orbit. (Cronista, 8/31.)

INFRASTRUCTURE and PUBLIC WORKS

- The Government will create two bureaucratic organizations to manage the water way, though they were contradictory versions about the future bid tender for dredging and maintenance, when the Emepa - Jan de Nul concession ends. (Capital/Rosario and Nación, 8/29.)

The President and 7 governors in Puerto San Martin, in a ceremony with the (coronavirus time) new format, and no public. >

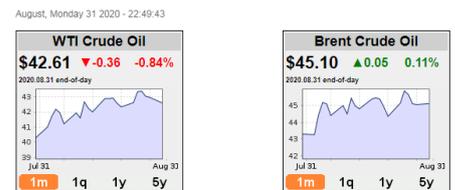


- Governor Kicillof will launch a "\$ 800,000 million" plan to develop BA Province economy. Some \$ 650.000 M would be for public works.

ENERGY

- Oil & Gas industry (and Vaca Muerta) stoppage: due to the pandemic and the quarantine, for this year, it is projected that the oil industry investments will reach a total of US\$ 2,660 M, below the ones of the last few years. (Nación, 8/31.)
- Oil and fisheries** will spearhead Argentina's new efforts in its sovereignty claims over the Malvinas Islands, according to Argentine columnist Martin Dinatale. This involves inviting international companies to a round of oil **exploration licenses in the South Atlantic**, in the extended area of the Argentine continental shelf, recognized by the United Nations. However this round will not include the adjoining area of the islands, to avoid a direct confrontation with the Islanders and London. The objective is to ensure a greater presence of Argentina in the South Atlantic. (Mercopress, 8/31.)
- International. Oil prices nudged up on Monday, with Brent futures set to post a fifth straight monthly gain, as global stimulus measures underpin prices even as demand struggles to return to pre-COVID levels in a well supplied market.
Brent crude futures for November were unchanged at US\$ 45.81 per barrel, while U.S. West Texas Intermediate crude was at US\$ 43.05 a barrel, up 8 cents.
A weak U.S. dollar has supported oil prices even though fuel demand has struggled to recover amid the coronavirus pandemic and supplies remain excessive, although crude may face hurdles going forward, analysts said.

Charts show crude oil prices in the last 30 days (up to Aug. 31st), from Oil-Price.net. >



REAL ESTATE

- The real estate market continues in a bad state. Last July, in BAC only 573 operations were closed, and in BAP, 4,260. (La Prensa, (Cronista, 8/26.)
- One exception: Dow company allocated its liquidity for the purchase of 12 floors in the Bouchard tower and 5 more floors in the Boston Tower.

CAPITAL MARKETS

- The success of the debt swap could not save Argentina's ADRs on Wall Street (with falls up to 10%) from the widespread decline suffered by emerging markets and currencies at the end of the month. The Brazilian real and the Chilean close fell 1.2% and 2.9%, to name two cases. However, local S&P Merval index gained 1%. In August it lost 5%. (Nación, 9/1.)
- Evolution of the leading variables of last week and last Monday and Tuesday.

	Monday, 8/24	Tuesday, 8/25	Wednesday, 8/26	Thursday, 8/27	Friday, 8/28	Monday, 8/31	Tuesday, 9/1
Country Risk	2,140 bp (-0.6%)	2,137 bp (-0.14%)	2,146 bp (+0.42%)	2,149 bp (+0.14%)	2,142 bp (-0.33%)	2,150 pb (+0.37%)	2,127 bp (-0.93%)
Wholesale Dollar	\$ 73.73	\$ 73.61	\$ 73.86	\$ 73.94	\$ 74.0	\$ 74.18	\$ 74.25
Retail Dollar	\$ 77.92	\$ 77.94	\$ 77.95	\$ 78.13	\$ 78.18	\$ 78.36	\$ 78.50
Fleeing dollar / "ccl"	\$ 132.95	\$ 130.54	\$ 128.42	\$ 125.57	\$ 125.84	\$ 125.79	\$ 130.78
Parallel/"Blue"	\$ 137	\$ 137	\$ 137	\$ 138	\$ 136	\$ 135	\$ 133
S&P Merval	46,736.74 (-1.4%)	46,579.29 (-0.34%)	45,831.7 (-1.61%)	44,254.91 (-3.44%)	46,396.58 (+4.84%)	46,835.42 (+0.95%)	46,545.52 (-0.62%)

Debt

- The Economy Ministry obtained \$ 113,000 M in a new placement of discount letters in pesos – due October 29, November 30, January and February 2021, with strong investing interest. (Cronista, 8/27.)

- Gross **BCRA`s reserves** were informed at **US\$ 43.843 M**. During August, the Central Bank sold about US\$ 1,150 M to sustain the value of the official exchange rate, with steady demand from importers and retail savers. (Ámbito, 9/1).

OTHER REGIONAL AND INTERNATIONAL NEWS

MERCOSUR

- Brazil vice president, General Hamilton Mourao, regretted that the large effort to obtain a free trade agreement between the Mercosur and the European Union, due to the lack of consensus to be ratified by both Parliaments. Mourao affirmed that, currently, Mercosur is facing three challenges in Argentina that prevent advancing on the agreement: it suffers a continued crisis with its public debt, the increase of COVID-19 cases, and delays to import automobiles. (AmericaEconomia, Cronista, 8/27.)
- After Germany's Chancellor Angela Merkel stated on Friday "considerable doubts" over whether to keep backing the European Union's (EU) trade deal with the Mercosur due to environmental threats that represent the deforestation in Brazil's Amazonia, the Association of German Chambers of Industry and Commerce (DIHK) responded defending the agreement that was reached last year. (Mercopress, 8/24.)

BRAZIL

- The estimated Brazil population amounts to **211.75 M**, according to the IBGE. The most populous states are Sao Paulo (46.3 M), Minas Gerais (21.3 M) and Rio de Janeiro (17.4M) (Radiobras, 27.8).
- After the popularity improvement, president Bolsonaro decided to increase social spending. He now pushes for assistance against pandemics to be maintained in 2021. A crisis opens up, because the austerity plan of the Economy ministry Guedes is at risk'. (Nación, 8/30).

The international context.

- "Covid generated a global economic cataclysm, with 12% drop for the first quarter, followed of a 20% for the second quarter. In the second half of the year, we will see an important recovery of 31% in the third quarter, and 4% in the second," according to **JP Morgan economist Luis Oganés**. "Some countries will be able to remount the fall during 2021, although we estimate that, in Latin America, it is going to have to wait until 2022 or after, to reverse the fall." (Cronista, 8/25.)

Coronavirus crisis

- Dutch and Belgian scientists confirmed two cases of patients that recovered from coronavirus and got **infected again**, one day after Hong Kong informed of the first case of this kind. (Nación, 8/25.)
- **Peru** is heading the world listing of countries with the highest coronavirus mortality rates, after surpassing 28,000 deaths: 85.8 for each 100,000 inhabitants in a country that has 36 M inhabitants. (Cronista, 8/28.)
- **India** had yesterday 78,700 people infected; it is a global records of contagions in one day. It already had 3.54 M infected people. (Nación, 8/31.)

Sources: [Ámbito Financiero](#), [Buenos Aires Times](#), [Clarín](#), [Cronista](#), [El Economista](#), [Infobae](#), [La Nación](#), [La Prensa](#), [Página/12](#) and [Perfil](#) newspapers, [América Economía](#), [Mercopress](#), other local and Mercosur media – [El País](#) and [El Observador](#) /Montevideo, Uruguay; [Folha](#), [Jornal do Brasil](#), and/or [Radiobras](#) / Brazil; [El Diario](#), [Estrategia](#) and [El Mercurio](#) / Santiago, Chile; Paraguayan and Bolivian media (mainly [ABC](#) / Asunción and [Los Tiempos](#) / Cochabamba), financial and business newsletters, Web sites and own sources.

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ARGENMEDIOS SRL

Emilio Mitre 515 - C1424 AYK Buenos Aires, Argentina - Tel. /Fax: (054 11) 4432 0094
E-mail: argenmedios@argenmedios.com.ar - Web site: www.ARGENMEDIOS.com.ar