
FISCAL CUTS IN ARGENTINA

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The government is forced to reach the fiscal goal

May 21st, 2018

The Argentinian Finance Minister, Nicolas Dujovne, asked today all ministers for proposals of budget cuts to be presented the first week of June. Dujovne, now named also as Economic Coordinator of the Government, wants to avoid any backdrop in the austerity plan set by the president Mauricio Macri. The goal is to cut the fiscal deficit from 3,9% to 2,7% by the end of the year, in line with the requirements set by the IMF in exchange of a rescue line of about US\$30 billion.

For 2019 the goal is a fiscal deficit of 2,2%. Something that could be easy to accomplish if there are no delays in the cuts expected for this year.

With the presidential election of October 2019 already in sight, the government is also under pressure to avoid a severe fiscal adjustment next year.

Popular demonstrations and strikes are challenging the plan of the government. The largest protests are led by the CGT and the CTA, the two most powerful unions of the country and close allies of the Peronist opposition and of the former president Cristina Kirchner.

The upcoming wage adjustment negotiations could become another obstacle for the government and the central bank in their plea to reduce inflation of 25,5% to 15% at the end of the year. This is a critical goal for Cambiemos, Macri's coalition, as try to improve the perspectives for a second term.

An imminent loan of the IMF could offer the Argentinian government more flexibility on the fiscal front as it seats to negotiate the wage adjustment with the unions. Meanwhile, the beginning of the Soccer World Cup could ease the social tension for the coming months.