

Analysis of first economic impacts of Covid-19 in Argentina



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As in the rest of the world, Argentina – Latin America's third largest economy – is affected by the Covid-19 pandemic. Alfredo Sese and Ricardo Javier Álvarez tell us about daily life in this period of containment and analyse the potential impact of the health crisis on an already struggling Argentinean economy.

The number of people infected with the coronavirus is growing exponentially. Added to this is the beginning of the winter period in the southern hemisphere that could accelerate the spread of the virus. Thanks to a implementation of strict containment rules, good quality health care system and the the

fear is more of an economic one. In 2018, a new economic crisis occurs, characterized by the depreciation of the Argentine peso, recession, inflation, a decline in economic activity, an increase in the number of unemployed, business failures and food insecurity.

The agricultural sector and export activities are affected by this crisis. The Paraná River allows ships carrying cereals, maize and soya to reach the Port of Rosario. In 2019, the marketing of these grains abroad doubled the country's exports. The economic slowdown will affect Argentina's ability to emerge quickly from the crisis.

State of health situation and the containment period

In Argentina, the quarantine period started on 19 March. It was originally scheduled to end on 31 March, but was finally extended to 26 April. Given the context, containment is likely to extend until the end of the month or continue into May.

We are all at home with our families. Outings are only allowed to go to the nearest supermarket or pharmacy. No one is allowed to walk in the streets and the use of the car is granted only to the personnel of essential services, i.e. health, logistics, security, food. It is a "strict" confinement.

As of 20 April 2020, there were 2930 people contaminated by Covid-19, 708 134 deaths. The epidemic is expected to peak on 20 May. Argentina is currently in autumn. Let me remind you that we are in the southern hemisphere: on 21 June, we will get into the winter months.

Globally, Argentines respect the containment:

- to 90% in the cities where the middle and upper classes live ;

- to 70% in the poor classes in the suburbs. There is group containment because of the precariousness and difficult living conditions.



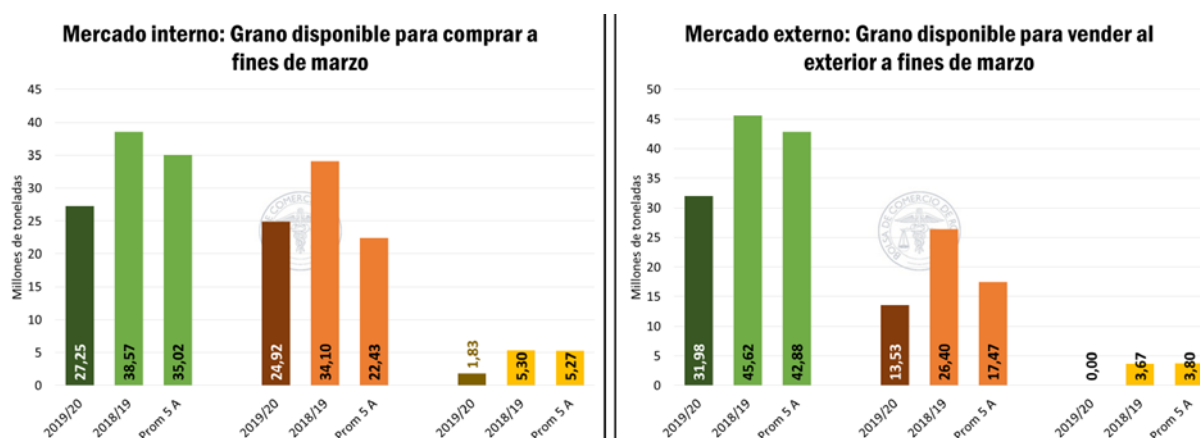
Older people in Buenos Aires rush to banks to get their retirement pensions back

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The Argentinian Parliament, made up mostly of centre left Peronist deputies, has tabled a bill to introduce an exceptional tax on the country's large fortunes.

Analysis of the situation on the grain market during the pandemic, by Emilce Terré of the Department of Economic Studies of the Rosario Stock Exchange.



On the Argentinean market, marketing of grains fell sharply between the beginning of March – *on the left* – and the end of the month – *on the right* –

On the world market, a gradual decline in sales of grains grown in Argentina during the first part of March – *on the left* – before becoming almost nil at the end of the month – *on the right* –

A look back at the crisis in Argentina

- **Between April and May 2018**, depreciation of the Argentine currency in 45 days. The depreciation rate is 20%.
- **Between June and August 2018**, protests and strikes broke out in Buenos Aires and other cities in the country to denounce the government policy and the agreement with the IMF - a loan of 50 billions euros in exchange for an austerity plan -.
- **On 19 September 2019**, the Parliament declares a "state of food emergency" and sets up funds for programmes that help the poorest people.
- **In December 2019**, the public debt reached nearly 93% of GDP. The poverty rate - calculated from the price of the basic food basket and median income - increases from 35% in the first semester of 2019 to 41% in mid-December. The government is implementing emergency measures such as a tax increase for the upper and middle classes, a 30% tax on all purchases in foreign currency, social benefits for disadvantaged populations, etc.
- **Since the beginning of containment in Argentina**, commercial trade between Argentina and China is suspended. China accounted for 14.3% of Argentina's foreign trade in 2019.