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# Monthly Economic Newsletter

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## KEY DATA

**Inflation rate.** January 2025 CPI rose 2.2% (m-o-m). It's the lowest since July 2020.

## HIGHLIGHTS

**Argentina.** Year 2025 is really challenging for President Milei and his economic team. Despite the significant achievements at taming down the inflation rate with a tight fiscal policy, it will not be easy to sustain such successful performance, and to return to positive GDP rates with a clear-cut improvement in social indicators. After the remarkable progress in 2024, Argentine financial markets dropped down last January. The 2025 outlook is promising, but some doubts remain on the effective lift of forex and capital controls. The government keeps the current exchange rate regime unchanged, lowering the crawling-peg speed to a monthly 1% as an anti-inflationary anchor. However, the lengthy negotiations with the IMF reignited the debates on the sustainability of the current exchange regime.

**Global markets.** In line with his electoral announcements, the US President Donald Trump launched an aggressive increase in import duties, with a likely positive impact on the US inflation rate. In January the FOMC opted to stop lowering the Fed Funds Rate, and it will probably remain unchanged until the end of this year.

## LOOKING AHEAD

**Argentina.** The government is expected to close a deal with the IMF. Neither President Milei's involvement in a recent scandal related to crypto assets nor Trump administration threats of higher tariff rates on steel and aluminium imports from Argentina are expected to have any influence on the negotiations with the IMF.

**Germany.** A snap election will be held on 23 February to elect the new members of the lower house (Bundestag) and to appoint a new chancellor. Recent polls indicate that Friedrich Merz, a millionaire from the Christian Democratic Union party is the current front-runner. He is pushing for a restrictive immigration policy, an increase in the military aid to Ukraine and a tight fiscal policy based on lower taxes and a decrease in social aid.

**Ukraine:** Armed hostilities in Ukraine are expected to stop after the last talks between Russian and American diplomats in Saudi Arabia.