

Latam Economic Update

- **Argentina:** Details of “managed quarantine”; possible lifting of capital controls after debt exchange
- **Peru:** The government doubles liquidity availability to businesses

ARGENTINA: DETAILS OF “MANAGED QUARANTINE”; POSSIBLE LIFTING OF CAPITAL CONTROLS AFTER DEBT EXCHANGE

On May 9, President Fernandez [announced](#) that contagion controls would be extended from May 10 to May 24 under a “managed quarantine”. Controls were initially imposed on March 20 for two weeks and this represents their third extension. Some measures have been relaxed in rural areas to support agricultural production in regions where COVID-19 case numbers are low. In cities, however, the lockdown remains strictly applied.

Under the extended, managed quarantine most public businesses (i.e., restaurants, shopping malls, bars, gyms, cultural centres, sporting events) and gatherings remain closed. Transport is limited to intra-urban trips; everything else remains under lockdown. Argentina’s borders remain closed. Senior citizens, pregnant women, and people in risk groups remain exempted from returning to work even in essential services. Provincial governors have discretion to restart additional activities, but Buenos Aires, which houses a third of the country’s population, remains under isolation restrictions, with only a small easing to allow children outside once a weekend.

The following industrial activities are now approved to restart, but staff cannot use public transport to get to work: vehicle, motorcycle, tire, and parts manufacturing; bicycle making; metals, machinery, and equipment; printed and graphic productions; electronics and appliance fabrication; textiles, shoes, and clothing; wood and furniture; pharmaceuticals; chemicals and petrochemicals; toys; and tobacco products.

In an interview on May 9, Economy Minister Guzman indicated that the government may consider relaxing Argentina’s capital controls after a restructuring of its external debt is concluded, but he avoided indicating any time frame for the move. He did note that an increase in Argentina’s FX reserves would be a necessary precondition for any loosening of the controls.

—Brett House

PERU: THE GOVERNMENT DOUBLES LIQUIDITY AVAILABLE TO BUSINESSES

On Sunday, May 10, the government doubled the Reactiva Perú program of government-sponsored and guaranteed bank loans to businesses, from PEN 30 bn to PEN 60 bn. This is a significant increase of resources on top of an already huge amount: available funds are rising from the equivalent of 4% of GDP

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to 8%, or from 15% of bank loans outstanding to 30%. Nearly 90% of the original PEN 30 bn has already been auctioned to participating banks which will channel the funds to businesses.

On Friday, May 8, the government established that the new fishing season will begin on May 13 and authorized a 2.4 mn tonne quota. The quota is a bit lower than the 2.8 mn that we were expecting, but not enough to significantly affect our aggregate GDP forecasts.

—Guillermo Arbe

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