



INTERVIEW
GUILLERMO OLIVETO

OLIVETO: “CONSUMPTION AND EMPLOYMENT ARE KEY VARIABLES FOR THIS GOVERNMENT”



The incentives have a political side. “Consumption is a source of governance”, affirms the specialist.

Viewed in perspective, consumption in 2016 leaves a bitter taste. Inflation, devaluation and loss of purchasing power created a scenario that the government seeks to reverse, especially in the coming electoral year. An analysis made by Consultora W says that all the items are affected by contraction of purchasing power in 2016 (of the order of 7% in the formal sector): food, beverages, cosmetics and cleaning (-4%), clothing (-8%), home appliances and technology (-15%) and gastronomy (-20%).

In this context, “the extra money that will enter a large part of Argentine households at the end of the year, should mitigate these contractions in all of them,” said its owner, Guillermo Oliveto, consumer, society, communication and trademark consultant. , In an interview with the Economic.

Q | What results can be expected from official and private consumption incentives?

A | Consumption is no longer a mere microeconomic issue and has acquired a strong social importance and, therefore, a strong political impact. Today, here and in the world, we live in a society of consumers where for people to lose capacity of consumption implies “to lose freedom”. Products and trademarks operate as vectors of identity. Depending on what I buy and show, I am. In this context, the strategic importance of employment must be framed, not only as a source of dignity but also as a natural facilitator of purchasing power. From this perspective, among others, phenomena such

as Brexit or Trump can be better understood. Employment as a priority and the need to consume as a source of satisfaction or anger.

Under this conceptual framework, recent political and economic measures extend their meaning. It is not just an “end-of-year bonus”, but an injection into this social machinery of the fundamental lubricant that allows it to function. Consumption is a great social buffer and a source of good governance.

Q | In which sectors will the announced incentives impact?

A | It should mitigate contractions in all sectors. Clearly, it will not be able to reverse the annual trend at this point, but it is probable that, in the proximity of Christmas shopping, it will be possible to oxygenate the four great engines of mass consumption.

Q | Is the consumption in 2016 more similar to 2014 or 2009?

A | Definitely looks much more like 2014 than 2009. Inflation was 38% in that year, and would be **40%** this year. The consumer confidence index is in November at the same value: **43.9%** now, 43.7 points in the same month of 2014. The purchasing power contraction was 5 points in 2014. It is 7 points east year. The sale of cars 0 km in the domestic market was 688,000 units in 2014, would be 700,000 this. The drop in the sale of appliances was **14%** in 2014, would be **15%** this year. Clothing was **5%**, it would be **8%** now. All values of similar range.

Q | Find differences?

A | The great difference between one year and another must be found in two elements. One of factual and symbolic character. The most concrete and tangible: the rates. The society had to start paying for something that for many years had withdrawn from its agenda because it was “almost free”. Household expenditure was reconfigured to be able to cope with increases in light, gas, water, collective, train and subway. It is necessary to look for the explanation to the greater fall in the products of daily consumption. The other difference, the one of symbolic character, occurs in the expectations. By 2014 there was much confusion as to what could happen in 2015. The prevailing sentiment was uncertainty. Today we see a society that maintains its positive expectations for next year.

15% | Say the country's current economic situation is good.

60% | Say it will be better in a year.

It is verified here that “the bridge” of which the president has spoken and a good part of the Government exists. A majority of Argentines think that 2017 will be better.

Q | The Government bet on investments to reactivate, but how much consumption impacts on the economy in general?

A | From my point of view, this installed idea of Macri's pro-investment government versus a CFK pro-consumption government is based more on prejudice than on facts. By choosing the path of gradualism, the current government has shown that employment and consumption matter as well. If it had applied a classical neoliberal adjustment, it would be pertinent to say that it forgot about microeconomics. But if the president himself wants his management to be measured by the capacity to reduce poverty, to generate quality employment, and to recover economic growth after 5 years of stagnation, he clearly is not taking that path that some assumed - in my opinion erroneously - that it would be the chosen one.

Q | In your opinion, what is the government's economic strategy?

A | What the current government has defined and aims is that the expansion of consumption is accompanied by an expansion of investment, so that the market growth can be carried out in a sustainable and consistent way in the medium term without the inflationary cost. Recall that between 2002 and 2015 **food consumption grew 70%, cars 580% and home appliances 700%**, all measured in units. But inflation was the price to be paid to expand demand without the investment growing in the same way. Accumulated, the general price increase was **1300%** between the end of the crisis and the end of the previous government. In promoting the “SMEs Law”, maintaining the “Now 12” plan and the “Prudential Pricing” program, developing a Productive Plan, setting progressive and gradual reduction of fiscal deficit and inflation, and not shock, He had already shown that employment and consumption were variables on his agenda.

The injection of end-of-year funds does nothing more than confirm this strategic decision that structures much of its economic and social policy.

Q | What prospects do you have for next year?

A | There is a strong consensus among those who follow the “macro” that the economy will grow **between 3 and 5%** in 2017. Under this scenario, we expect a massive consumption expansion of around **3%**. We would thus recover what was lost this year. The engines that promise to push are the countryside, public works, a better Brazil, money laundering clarification and some investments would have their consequent impact on the “micro”. There will be more money on the street. Nevertheless, to this it must be added, as an impulse, the condition of being a key election year. It is expected that in a scenario of inflation substantially lower than this year (in the range of 20 to 23%), wages can beat him by 4 or 5 points. The recovery of purchasing power in a context of more stable and comparable prices would help the recovery of consumption. As is well known, when voting in our country Argentines look at the ballot but also the pocket. The government clearly knows it.



WWW.ALMATRENDS.NET
NEWS@ALMATRENDS.NET
+54 11 4777 4342
@ALMATRENDS