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Argentina Powerless As Economy Plummets

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by [Larry Diffey](#) , [January 31, 2014](#)

Argentine-pesos-in-Buenos-Aires-AFP



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Argentina appears powerless in the face of the hemorrhage of the peso, as the central bank reported Thursday it had burned through \$2.1 billion in reserves in January alone.

The government is struggling to beat back a mounting rush into dollars that has stoked 26 percent inflation despite price controls on many items and pressure on businesses to avoid price increases.

Foreign reserves, crucial to service foreign debts and pay for needed imports like fuels, have tumbled from \$52 billion at the beginning of 2011 to \$28.5 billion as of January 30, according to Central Bank data.

The reserves fall points to the deep problems in Latin America's third largest economy, behind Brazil and Mexico.

"It's dangerous, coming at a time when Argentina cannot intervene any more via the central bank, and the peso is going to depreciate more," said French economist Stephane Straub of the Toulouse School of Economics.

The Central Bank has deployed its reserves regularly to slow the peso's slide, but it has not been able to halt it since laying down tough capital controls in 2011.

The currency lost 24 percent against the dollar last year and another 18 percent since the beginning of 2014.

Last week, the Central Bank stepped aside for two days, letting the peso drop more than 14 percent before stabilizing it on Friday at what appears to be a target level of 8.0 to the dollar.

On Friday, the government announced it would ease the exchange controls, allowing people to buy up to \$2,000 a month with their pesos in hopes of boosting confidence.

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About Author



[Larry Diffey](#)