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Argentina: Free Market Dollar Exchange Rate Jumps Over 25% On First Business Day After 53% Devaluation Of Austral

by John Neagle

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On Dec. 10, the Argentine government announced a 53% devaluation of the austral, and the establishment of a sanctioned free market exchange system alongside an official rate. (See Chronicle, 12/12/89.) The new official rate was set at 1,000 australs per US dollar. The government also declared a bank holiday for Monday. On Tuesday, when banks and exchanges were reopened, the free market exchange rate for the dollar jumped by over 25%. On Friday, the parallel rate was about 1,000 australs to the dollar. By the close of business on Tuesday, the dollar was quoted at 1,280 australs. Analysts said the huge jump equal to free market austral devaluation of the past six months in one day was fueled in part by Argentines who attempted to withdraw their savings and convert to US dollars on Tuesday. The government policy change was perceived by many as a sign that consumer price level inflation is not yet under control, will likely escalate in coming months. (Basic data from Notimex, 12/12/89)

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