

Economic downturn fueling Argentine crypto craze

4 May 2021, by Sonia Avalos



There are an estimated two million crypto trading accounts in Argentina, a country of 45 million people, as of May 2021

Argentina's economic downturn, with high inflation, a deflating currency and a shortage of US dollars to invest in, has in fact proved a shot in the arm for one sector: cryptocurrency.

As they seek safe havens for their dwindling nest eggs, Argentines—used to buffering against [economic crises](#)—have been putting their money into Bitcoin, Tether, Ethereum or Dai.

"The number of user accounts for investing in 'cryptos' has multiplied by ten in Argentina since 2020," said Maximiliano Hinz, Latin American director of cryptocurrency exchange Binance, the world's largest by trade volume.

There are now an estimated two million crypto trading accounts in the country of 45 million people.

Argentina has been in recession since 2018, with inflation averaging 45 percent over the last three years, and a GDP contraction of 9.9 percent in

2020.

Poverty haunts two in five people, and unemployment is at 11 percent.

For those wishing to put money aside for a rainy day, cryptocurrencies offer relief from low interest rates and a government-imposed limit on greenback purchases of \$200 per month in a population accustomed to dollarizing savings.

One Bitcoin is now worth about \$60,000, or 5.6 million pesos.

"It is no coincidence that Argentina and Venezuela, countries with high inflation, are the main crypto poles in South America," said Marcos Zocaró, a specialist in [digital assets](#).



Bitcoin cash and futures prices are seen in December 2017, as a single Bitcoin is worth about \$60,000 as of May 2021

'Digital gold'

Where previously cryptocurrency may have been the reserve of tech wizards, trading platforms "have

evolved to create bridges to a public without financial education," said Sebastian Valdecantos, an economist and founder of Moneda PAR, an online Argentine credit system.

On some platforms it requires just two clicks to make a purchase or sale.

Also no longer limited to the rich, Argentines from all backgrounds and age groups are getting on board, with investments possible from a single peso.

"I have older clients who used to be afraid of making a fixed deposit with a bank but are buying cryptocurrency without fear of risk," said Zocaro.

In Argentina, it is becoming increasingly common to buy and sell everything from cars or second-hand clothes to English lessons on sites operating in [virtual currency](#).

E-commerce giant Mercado Libre announced last week it would make it possible for people to buy Argentinian real estate—a commodity traded exclusively in US dollars—using Bitcoins.

In Argentina, crypto-investors tend to be people who are risk averse, said Emiliano Limia.

For this reason, many seek to avoid the Bitcoin price roller-coaster by opting for lesser-known currencies, particularly those linked to a basket of assets that include the dollar, to minimize volatility exposure.

There are global reasons too, for the new-found interest in cryptocurrencies, said Limia.

"Since the start of the pandemic, stimulus packages in all countries have devalued currencies against scarce goods such as Bitcoin, whose limited issuance turns it into digital gold."



Currency exchange values are displayed on the buy-sell board of a bureau de exchange in Buenos Aires, on October 28, 2019

Two Bitcoins can buy you an apartment in central Buenos Aires.

APA citation: Economic downturn fueling Argentine crypto craze (2021, May 4) retrieved 13 May 2021 from <https://techxplore.com/news/2021-05-economic-downturn-fueling-argentine-crypto.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.