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Argentina's Hyperinflation Challenge For Gambling Sector

Amid hyperinflation, Argentines may spend monthly wage faster on disposable goods

When financial markets fail, riskier investments like crypto can become more attractive

Hyperinflation may mean that Argentines are inclined to spend more of their income on gambling, although research regarding inflation's impact on gambling spending is limited and Argentina may see less of an impact than other countries, according to experts.

In October 2022, Argentina's rate of inflation spiked, rising to an annual rate of 88 percent. For perspective, this puts it ahead of Turkey to make it the country with the highest rate of inflation in the group of G20 nations.

As inflation soared, gambling remained a hot topic in the country, which is regulated by province. Both Mendoza and Cordoba are in the process of launching their online markets, with the latter attracting several major international bidders allied with local companies, despite fluctuating inflation.

For Argentina and its citizens, inflation problems are not new as it has consistently plagued the country for decades. In 1989, the inflation rate reached 3,079 percent.

A state of economic crisis, watchers say, is therefore actually the norm.

Hyperinflation can mean that people want to convert or spend their money as fast as it comes in, including by playing slot machines, table games or other forms of gambling, according to experts.

“We are used to spending money right away regardless of what we spend the money on and gambling could be one,” said Dr. Lucía Macchia, an Argentine and psychology lecturer at City

University of London whose behavioural science research examines consumer behaviour during inflation.

Macchia believes that in countries where citizens are less accustomed to inflation, the current crisis may affect their spending habits more than it would in seasoned Argentina.

“I would say that inflation is so common in Argentina that I don't see [a] turning point. So it could be more likely in England, for example, that suddenly there's inflation and people have to spend their money somehow.”

Macchia explained the phenomena of "present bias", a term in behavioural economics that refers to the phenomenon of giving stronger weight to payoffs that are closer to the present than those in the future. For example, a person may prefer to receive \$50 tomorrow than \$100 in three months' time.

Inflation has an exacerbating effect on the present bias, she said, adding that "people tend to be more biased when there's inflation ... they tend to spend their money today versus in the future because one pound today is less than one pound tomorrow”.

There has been little to no research on gambling as an industry during inflation, but, according to other studies, including ones conducted by Macchia, when money and salaries lose value, people rush to invest their income in other goods.

Tomás García Botta, an Argentine gambling lawyer based just outside Buenos Aires, told VIXIO GamblingCompliance that this investment is obvious.

“If you have the pesos, you need to use the pesos, because the pesos will devalue significantly If you go to shopping malls, you will see that people are buying like it's the end of the world.”

Zeno Ossko, the CEO of BetWarrior, which operates a new online casino and sports-betting platform in the capital and province of Buenos Aires, expressed more concern for a recession than for inflation at SBC Barcelona in September.

“Argentina has extremely high levels of inflation all the time, you see stakes moving with inflation, but that's because salaries, etc., are also adapted to inflation. So, I can't say people will gamble more, but if you only have inflation, salaries go hand in hand with inflation, the level of pay is going to stay the same,” he told delegates.

Evidence would contradict his statement, as historically salary adjustments cannot keep up with the level of inflation in Argentina. Just a few years ago, salaries would be adjusted quarterly or biannually for inflation, but when you have 88 percent inflation in one month, it becomes difficult

to keep up.

This is a lesson that other countries, such as the UK, where inflation reached 11 percent in October, are learning.

“Some [Argentine] employers are paying a part of salaries in the equivalent USD, but this is still, at a 10 percent inflation rate or an 8 percent inflation rate in two months, that no one is adjusting in a month ... it’s brutal for all the employees,” said García Botta.

According to Macchia, the next steps to know for certain would be to compare the rates of inflation in Argentina or other countries experiencing inflation with available gambling data in a study.

"You can't say that inflation is making more people gamble; I don't know," García Botta concluded. "But money has no value. You can keep pesos and you will have huge amounts, but at the end of the day, each month, the purchasing power will diminish."

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