

Market Expectations Survey (REM) Results (May 2019)



BANCO CENTRAL
DE LA REPÚBLICA ARGENTINA

The Market Expectations Survey (REM) consists of a systematic follow-up of the main short and medium term macroeconomic forecasts usually made by domestic and foreign expert analysts on the evolution of selected variables of the Argentine economy compiled by the Central Bank of Argentina (BCRA).

The survey includes the expectations about retail prices, interest rate, nominal exchange rate, economic activity and the primary result of the domestic non-financial public sector.

This report, published on June 4, 2019, discloses the results of the survey made from May 29 to 31. It encompasses the forecasts made by 48 participants (3 less than on the previous occasion), including 30 consulting firms and domestic research centers, 14 financial institutions from Argentina and 4 foreign analysts.¹

¹ The monthly results and the list of analysts authorized to participate in the survey are published in the [Internet Site of the BCRA](#). For enquiries, please write to rem@bcra.gob.ar.

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In May, market analysts reviewed their inflation forecasts. As a result, the median for the next 12 months stood at 31.0% year-on-year (y.o.y., -0.4 percentage points –p.p.– against the previous survey) while the median for the next 24 months stood at 22.6% y.o.y. (-0.4 p.p.).

Specialists estimate that May inflation would have been 3.0% monthly (-0.2 p.p. against the previous survey), a change rate that is below the average rate recorded during the first four-month period of 2019 (3.7% monthly); consequently, inflation is expected to go down to 2.1% in November. REM's participants have corrected upwards their monthly forecasts for the July-September period with 0.1 p.p. corrections per month against the previous survey.

For 2019, REM's analysts anticipate that core and headline inflation will be 40.3% y.o.y. and 40.5% y.o.y. respectively (+0.3 p.p. and +0.4 p.p. if compared to the REM of April). In terms of inflation expectations, for 2020, analysts anticipate that headline inflation will stand at 26.1% y.o.y. (+0.9 p.p.) while core inflation will reach 24.8% y.o.y. (+0.5 p.p.). Moreover, the inflation forecasts prepared by REM's analysts for 2021 went up to 19.1% y.o.y. in the case of headline inflation and to 18.1% y.o.y. in the case of core inflation (+0.1 p.p. above the survey carried out in April, in both cases).

REM's analysts foresee a -1.5% fall of the real Gross Domestic Product (GDP) for 2019 (-0.2 p.p. against the -1.3% forecasted in April) and corrected downwards the growth estimated for 2020 to 2.0% (before, it was 2.2%). Nevertheless, they have kept the expansion expectations in 2.5% for 2021. Likewise, analysts reduced their GDP quarter-on-quarter change expectations (seasonally-adjusted) at constant prices for the first quarter of 2019 (from 0.4% seasonally-adjusted to -0.2% seasonally-adjusted) but then increased their expectations for the second and third quarters (from 0.8% and 0.3% seasonally-adjusted to 1.0% and 0.4% seasonally-adjusted, respectively).

In terms of the monetary policy interest rate, REM's analysts have corrected upwards their forecasts and, for June, they estimate an average rate of 69.0% for LELIQs in pesos (+1.7 p.p. against the REM of April) and a declining path to reach 55% in December 2019 (+5 p.p. against the previous survey).

As regards the nominal exchange rate forecast, analysts anticipate an average value of \$45.8/US\$1 in June (+\$0.2 per dollar against the previous REM), with a growing trend to \$51.0/US\$1 in December (-\$0.2 per dollar against the previous survey).

Finally, participants forecasted a primary fiscal deficit of \$100 billion for 2019 (up \$4.4 billion of deficit against the latest REM) and a surplus of \$123 billion for 2020 (-\$18 billion against the previous survey).

Definition of the main statistics

The statistics of the forecasts for each variable/period are as follows:

a. Median:

The median is a measure of position of the variable which, if the group of numbers is ordered as per value from the smallest to the largest, it leaves 50% of answers below it and 50% of answers on top of it. It is worth mentioning that this measure is not sensitive to extreme values.

b. Average:

The average of each variable is the addition of all values divided by the number of answers.

c. Deviation:

The standard deviation is the measure of dispersion of values against the average value.

d. Percentile:

It is a measure of position that leaves a certain percentage (10, 25, 75 and 90%) of the variable with answers below the corresponding percentile and the rest of answers on top of such value.

All together, these measures contribute to a better understanding of the distribution of answers.