# Market Expectations Survey (REM)

## January 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 February 4, 2019, discloses the results of the survey made from January 29 to 31. It encompasses the forecasts made by 53 participants (4 more than on the previous occasion), including 33 consulting firms and domestic research centers, 13 financial institutions from Argentina and 7 foreign analysts.[1]

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[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.

# Market Expectations Survey (REM) Results

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Market analysts expect an inflation rate of 28.5% year-on-year (y.o.y.) for the next 12 months (-0.2 p.p. against the previous survey) and of 19.0% y.o.y. for the next 24 months (-0.9 p.p.).

The disinflation process expected by the analysts is non-linear. The inflation expected for the first quarter of 2019 still stands at levels similar to those recorded in December. The forecast stands at 2.5% for January, 2.6% for February and 2.5% for March (-0.1 p.p., +0.2 p.p. and +0.1 p.p. against the previous REM), but it goes down to 2.0% for June 2019.

For 2019, REM's participants anticipate that headline and core inflation will be 29.0% y.o.y. and 27.0% y.o.y., respectively (+0.3 p.p. and +0.1 p.p. against the REM of December). In terms of inflation expectations for 2020, analysts anticipate that headline inflation will stand at 19.5% y.o.y. (-0.4 p.p.), while core inflation will reach 18.5% y.o.y. (+0.3 p.p.). In addition, the inflation forecasts of REM's analysts for 2021 continued to stand at 15.0% y.o.y. in the case of headline inflation and at 14.0% y.o.y. in the case of core inflation.

REM's analysts maintained their forecasts of change in the real Gross Domestic Product (GDP) for 2019 (-1.2%), for 2020 (2.5%) and for 2021 (2.5%). Likewise, they have also kept their expectations of GDP quarter-on-quarter change (seasonally-adjusted) at constant prices for the first and second quarters of 2019 (0.0% and 1.5%, respectively).

In terms of the monetary policy interest rate, REM's participants have revised downwards their forecasts and, for February, they estimate an average rate of 52.8% for LELIQs in pesos (-1.8 p.p. against the REM of December) and a declining path to reach 37% in December 2019 (thus reducing their expectation for the latter against the previous survey by 1 p.p.).

As regards the nominal exchange rate, analysts have also revised their forecasts downward. They estimate an average value of $38.3/US$1 (-4.3% against the previous REM) for February and a value of $48.0/US$1 (-0.7% against the previous survey) for December.

Finally, participants forecasted a primary fiscal deficit of $6 billion for 2019 and a surplus of $190 billion for 2020, signaling an improvement against the previous survey.

# 1. 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.