Market Expectations Survey (REM)

February 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 March 6, 2019, discloses the results of the survey made from February 26 to 28. It encompasses the forecasts made by 55 participants (2 more than on the previous occasion), including 34 consulting firms and domestic research centers, 14 financial institutions from Argentina and 7 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.

Market Expectations Survey (REM) Results

February 2019

In February, market analysts revised upwards their inflation forecasts. As a result, the median for the next 12 months stood at 29% year-on-year (y.o.y, +0.5 percentage points —p.p.— against the previous survey) while the median for the next 24 months stood at 19.3% y.o.y (+0.3 p.p.).

In this context, the inflation expected for the rest of the first quarter of 2019 still stands at levels higher than those recorded in December and January. The forecast stands at 3.5% for February and 3.0% for March (+0.9 p.p. and +0.5 p.p. against the previous survey), even though the analysts expect that monthly inflation will go down to 2.0% in July 2019. This performance of expectations shows that the disinflation process estimated by the analysts is not linear, as already emphasized in the previous issue of the results of the Market Expectations Survey (REM).

For 2019, REM's participants anticipate that headline and core inflation will be 31.9% y.o.y. and 30.1% y.o.y., respectively (+2.9 p.p. and +3.1 p.p. against the REM of January). In terms of inflation expectations for 2020, analysts anticipate that headline inflation will stand at 20.3% y.o.y. (+0.8 p.p.) while core inflation will reach 19.1% y.o.y. (+0.6 p.p.). In addition, the inflation forecasts of REM's analysts for 2021 still stand at 15.0% y.o.y. in the case of headline inflation, but went up to 15.0% y.o.y. (+1.0 p.p.) in the case of core inflation.

REM's analysts revised slightly their forecast of change in the real Gross Domestic Product (GDP) for 2019 to -1.3% (it was -1.2% in January), leaving their forecasts for 2020 (2.5%) and 2021 (2.5%) unchanged. 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 March, they estimate an average rate of 49.0% for LELIQs in pesos (-1.76 p.p. against the REM of January) and a declining path to reach 37% in December 2019 (thus keeping unchanged their expectations for the latter against the previous REM).

As regards the nominal exchange rate forecast, analysts have changed slightly their forecast for March ($39.5/US$1, +0.2 against the previous REM) and for April ($40.5/US$1, +0.4 against the previous REM), leaving the path expected for subsequent months unchanged and estimating a value of $48.0 per dollar in December 2019 (the same value reported in the previous survey).

Finally, participants forecasted a primary fiscal deficit of $38.5 billion for 2019 and a surplus of $170.5 billion for 2020, signaling lower expected results if compared to 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.