

Market Expectations Survey (REM)

July 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 August 2, 2019, discloses the results of the survey made from July 29 to 31. It encompasses the forecasts made by 51 participants (3 less than on the previous occasion), including 33 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.

Market Expectations Survey (REM) Results

July 2019

In July, the forecast median of market analysts for the next 12 months of headline inflation stood at 30.2% year-on-year (y.o.y.) (+0.2 p.p. against the previous survey) while the average went down from 30.8% y.o.y. to 30.2% y.o.y. In turn, for the next 24 months, the forecast median of the accumulated inflation from August 2020 to July 2021 went up 0.6 percentage points (p.p.) to 22.7% y.o.y., and the average stood at 22.9% y.o.y.

Specialists estimate that July inflation would have been 2.4% monthly (-0.1 p.p. against the previous survey), a change rate that is below the rate recorded during the first half of 2019 (3.4% monthly, on average). For the second half of the year, monthly inflation is expected to go down to 2.1% in November, with a slight increase to 2.2% in December 2019, and such level will be maintained in January 2020.

For 2019, REM's participants anticipate that headline inflation will be 40.0% (unchanged against the previous survey) and core inflation will be 41.4% (-1.0 p.p. if compared to the REM of June). In terms of inflation expectations for 2020, analysts anticipate that headline inflation will stand at 28.0% y.o.y. (+1.0 p.p.) while core inflation will reach 26.5% (+0.5 p.p.). Moreover, the inflation forecasts provided by REM's analysts for 2021 stood at 20.0% y.o.y. in the case of headline inflation but went up to 19.2% y.o.y. in the case of core inflation (up 0.3 p.p. against the previous survey).

REM's analysts forecast a change in the Gross Domestic Product (GDP) in real terms for 2019 of -1.5% (estimating a drop that would be 0.1 p.p. higher than the 1.4% drop forecasted in June). At the same time, they revised downwards their estimated growth for 2020 to 2.0% (before it was 2.2%), while they kept the expansion expectation for 2021 unchanged at 2.5%. In addition, they also revised downwards their GDP quarter-on-quarter change expectations (seasonally-adjusted) at constant prices for the second quarter of 2019 (from 0.7% seasonally-adjusted to 0.5% seasonally-adjusted.), but kept unchanged their expectations for the third quarter (0.5% seasonally-adjusted). In turn, GDP expansion expectation for the fourth quarter was revised upwards (from 0.4% seasonally-adjusted to 0.5% seasonally-adjusted).

REM's participants have revised downwards their forecasts on the monetary policy interest rate and, for August, they estimate an average rate of 59.70% for LELIQs in pesos (-1.35 p.p. against the REM of June) and a declining path to 53% in December 2019 (-2.0 p.p. against the forecast of June).

As regards the nominal exchange rate forecast, analysts anticipate an average value of \$44.9/US\$ 1 in August (-\$1.1 per dollar against the previous REM), with an increasing path to \$50.0/US\$ 1 in December 2019 (-\$0.2 per dollar against the previous survey).

Finally, participants forecasted a primary fiscal deficit of \$101.5 billion for 2019 (up \$0.1 billion in terms of deficit against the latest REM) and a surplus of \$132.5 billion for 2020 (up \$2.5 billion in terms of surplus 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.