

# Market Expectations Survey (REM)

November 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 December 3, 2019, discloses the results of the survey made from November 27 to 29. It encompasses the forecasts made by 46 participants (1 more than on the previous occasion), including 28 consulting firms and domestic research centers, 14 financial institutions from Argentina and 4 foreign analysts.<sup>1</sup>

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<sup>1</sup> 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](mailto:rem@bcra.gob.ar).

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In November, the forecast median of headline inflation estimated by market analysts for the next 12 months stood at 45.6% year-on-year (y.o.y.) (down 2.6 percentage points (p.p.) against the previous survey), while the average contracted from 46.7% y.o.y. to 45.3% y.o.y. For the next 24 months, the forecast median of the accumulated inflation from December 2020 to November 2021 increased 0.5 p.p. to 30.5% y.o.y., while the average went up from 31.8% y.o.y. to 33.0% y.o.y.

Analysts estimate that November inflation would have been 4.1% monthly (remaining unchanged against the last survey), resulting in a change rate higher than that recorded in October (3.3%). For December, REM's participants estimate a monthly inflation rate of 4.3% (+0.3 p.p. against the previous REM) and anticipate a declining trend as from next year to a monthly inflation rate of 3.0% in May 2020.

For 2019, REM's participants estimate that headline inflation will stand at 54.6% y.o.y. (down 1.1 p.p. against the previous survey), while the core component will stand at 58.1% y.o.y. (down 1.4 p.p. against the REM of October). In terms of the inflation expectations for 2020, analysts anticipate that headline inflation will stand at 43.0% y.o.y. (+0.1 p.p.), while core inflation will reach 44.1% (+1.6 p.p.). In addition, the inflation forecasts provided by REM's analysts for 2021 stood at 30.0% y.o.y. for headline inflation and at 32.0% y.o.y. for core inflation (+0.9 p.p. and +3.6 p.p. against the previous survey, respectively).

REM's analysts forecast a change in the Gross Domestic Product (GDP) in real terms for 2019 of -2.8% (a drop that would be 0.2 p.p. lower than the drop anticipated in October). In turn, they estimate that the economic activity will shrink 1.7% in 2020 (the same as in the previous survey); at the same time, they anticipate a 1.5% expansion for 2021 (0.1 p.p. below the projections of October). Besides, they have also anticipated an increase for the third quarter of 2019 (0.4% seasonally-adjusted; +1.0 p.p. against the previous REM). For the last quarter of the year, participants revised upwards their quarter-on-quarter contraction expectations from 1.4% seasonally-adjusted to 2.0%. For the first quarter of 2020, they anticipate a 0.6% drop, seasonally-adjusted.

REM's participants revised downwards their forecasts on the monetary policy reference interest rate. For December, they foresee that the Liquidity Bills (LELIQs) average rate in pesos will stand at 59.0% (below the floor recently announced by the BCRA's Monetary Policy Committee (COPOM) for the month) with a declining path to 40.0% in December 2020 (the same level estimated in the REM of October).

As regards the average nominal exchange rate for December, analysts have revised downwards their forecasts to \$63.0/US\$1 (-\$2.0 per dollar against the previous REM), with an increasing path to reach a value of \$85.9/US\$1 in December 2020 (-\$1.4 per dollar against the previous survey).

Finally, participants forecasted a primary fiscal deficit of \$173.8 billion for 2019 (down \$3.3 billion of deficit against the REM of October) and a deficit of \$200.0 billion for 2020 (up \$50.0 billion 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.