Market Expectations Survey (REM)

December 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 January 3, 2020, discloses the results of the survey made from December 26 to 30. It encompasses the forecasts made by 40 participants (6 less than on the previous occasion), including 24 consulting firms and domestic research centers, 14 financial institutions from Argentina and 2 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 the last month of 2019, the retail inflation of December estimated by market analysts would have stand at a monthly rate of 4.1% (-0.3 percentage points (p.p.) against the previous survey), resulting in a change rate below the rate recorded in November (4.3%). For January 2020, REM's participants estimate a monthly inflation rate of 3.8% (the same as in the REM of November) and anticipate a downward trend over the year, reaching a monthly rate of 2.8% in June 2020.

For 2020, REM's participants estimate that headline inflation will stand at 42.2% year-on-year (y.o.y.) (down 0.8 p.p. against the previous survey) while the core component will stand at 42.7% y.o.y. (down 1.4 p.p. against the REM of November). In terms of the inflation expectations for 2021, analysts anticipate that headline inflation will stand at 30.1% y.o.y. (+0.1 p.p.), while core inflation will reach 31.5% (-0.5 p.p.). For 2022, the first inflation forecasts provided by REM's analysts stood at 25.5% y.o.y. for headline inflation and at 27.0% y.o.y. for core inflation.

REM's analysts estimate a change in the Gross Domestic Product (GDP) in real terms for 2020 of -1.6% (a drop that would be 0.1 p.p. lower than the drop anticipated in November). In turn, they forecast that the economic activity will expand 1.3% in 2021 (resulting in a growth rate that would be 0.2 p.p. lower than expected in the previous survey) while the first expansion forecast for 2022 stood at 2.0%. Likewise, they have estimated a GDP contraction during the fourth quarter of 2019 (-1.0% seasonally-adjusted; +1.0 p.p. against the previous REM). For the first quarter of 2020, the participants estimate that the activity level will drop 0.7% seasonally-adjusted (posting a slight increase in the contraction estimate of 0.6% seasonally-adjusted anticipated in the previous survey). For the second quarter of 2020, the participants' first forecast on GDP change was revised downwards by 0.1% seasonally-adjusted.

REM's participants have also revised downwards their forecasts on the monetary policy reference interest rate. For January, they anticipate that the Liquidity Bills (LELIQs) average rate in pesos will stand at 52.75% with a declining path down to 37.0% in December 2020 (down 300 basis points against the level estimated in the REM of November). The first forecast surveyed for late 2021 suggests that the interest rate would continue going down to 28%.

The analysts' forecasts of the average nominal exchange rate for December 2020 were revised downwards to \$80.5/US\$1 (-\$5.4 per dollar against the previous REM) with an increasing path to reach a value of \$98.5/US\$1 in December 2021, according to the first survey.

Finally, participants forecasted a primary fiscal deficit of \$164.7 billion for 2020 (down \$35.3 billion of deficit against the REM of November). The first forecast for 2021 suggests that the deficit would continue to narrow down to \$91.6 billion.

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.