Market Expectations Survey (REM)

April 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 May 3, 2019, discloses the results of the survey made from April 26 to 30. It encompasses the forecasts made by 51 participants (4 less than on the previous occasion), including 32 consulting firms and domestic research centers, 14 financial institutions from Argentina and 5 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 April, market analysts revised upwards their inflation forecasts. As a result, the median for the next 12 months stood at 31.4% year-on-year (y.o.y., +0.7 percentage points (p.p.) against the previous survey) while the median for the next 24 months stood at 23.0% y.o.y. (+2.0 p.p.).

Specialists estimate that April inflation would have been 4.0% monthly, closing the first four-month period of the year with an average rate of 3.8% monthly, and they expect inflation average will go down to 2.6% monthly in the second four-month period and to 2.1% monthly in the last four-month period of the current year. REM's participants have revised upwards their monthly forecasts for the April-September period, with the highest increases likely to occur in April and May (with +0.5 p.p. and 0.4 p.p. revisions against the previous survey, respectively).

For 2019, REM's analysts anticipate that headline and core inflation will be 40.0% y.o.y. and 40.1% y.o.y. respectively (+4.0 p.p. and +5.0 p.p. if compared to the REM of March). In terms of inflation expectations, for 2020, analysts anticipate that headline inflation will stand at 25.2% y.o.y. (+2.2 p.p.) while core inflation will reach 24.3% y.o.y. (+2.3 p.p.). Moreover, the inflation forecasts of REM's analysts for 2021 went up to 19.0% y.o.y. (+3.0 p.p.) in the case of headline inflation and to 18.0% y.o.y. (+2.5 p.p.) in the case of core inflation.

REM's analysts foresee a -1.3% drop of the real Gross Domestic Product (GDP) for 2019 (-0.1 p.p. against the -1.2% forecasted in March) and they revised downwards the growth estimated for 2020 to 2.2% (before, it was 2.4%). Nevertheless, they have kept the expansion expectations at 2.5% for 2021. In addition, analysts increased their expectations of GDP quarter-on-quarter change (seasonally-adjusted) at constant prices for the first quarter of 2019 (from 0.3% seasonally-adjusted to 0.4% seasonally-adjusted), but reduced their expectations for the second quarter (from 1.0% to 0.8% seasonally-adjusted) and for the third quarter (from 0.5% to 0.3% seasonally-adjusted).

In terms of the monetary policy interest rate, REM's participants have revised upwards their forecasts and, for May, they estimate an average rate of 70.0% for LELIQs in pesos (+8.45 p.p. against the REM of March) and a declining path to reach 50% in December 2019 (+5 p.p. against the previous survey).

As regards the nominal exchange rate forecast, analysts revised upwards their estimate from an expected average value of $44.7/US$1 in May (+$0.7 per dollar against the previous REM) to $51.2/US$1 in December 2019 (+$1.2 per dollar against the previous survey).

Finally, participants forecasted a primary fiscal deficit of $95.6 billion for 2019 (up $15.6 billion of deficit against the REM of March) and a surplus of $141 billion for 2020 (+$2.4 billion 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.