Market Expectations Survey (REM)

September 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 October 2, 2019, discloses the results of the survey made from September 26 to 30. It encompasses the forecasts made by 45 participants (6 more than on the previous occasion), including 27 consulting firms and domestic research centers, 13 financial institutions from Argentina and 5 foreign analysts.[1]

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[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 September, the forecast median of headline inflation estimated by market analysts for the next 12 months stood at 48.0% year-on-year (y.o.y.) (-0.3 p.p. against the previous survey), while the average contracted from 48.9% y.o.y. to 47.4% y.o.y. For the next 24 months, the forecast median of the accumulated inflation from October 2020 to September 2021 went up 0.5 p.p. to 30.5% y.o.y., while the average contracted from 32.4% y.o.y. down to 32.3% y.o.y.

Analysts estimate that September inflation would have been 5.8% monthly (the same as in the previous survey), resulting in a change rate above the average rate recorded during the first eight months of the year (3.3% monthly). For October, REM's participants estimate an inflation rate of 4.4% monthly (+0.1 p.p. against the previous REM) and foresee that a declining path of inflation will be resumed, reaching 3.6% monthly in December 2019 and 3.3% in February and March 2020.

For 2019, REM's participants estimate that headline inflation will stand at 54.9% (-0.1 p.p. against the previous survey) while core inflation will stand at 57.8% (+0.1 p.p. against the REM of August). In terms of inflation expectations for 2020, analysts anticipate that headline inflation will stand at 40.5% y.o.y. (+2.4 p.p.) while core inflation will reach 39.7% (+ 2.2 p.p.). Likewise, the inflation forecasts provided by REM's analysts for 2021 stood at 28.8% y.o.y. for headline inflation, and at 26.9% y.o.y. for the core component (+0.4 p.p. and -0.7 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 -2.9% (a drop that would be 0.4 p.p. higher than the drop anticipated in August). In turn, they estimate that the economic activity will shrink 1.5% in 2020 (resulting in a drop that would be 0.4 p.p. higher than the drop expected in the previous survey); at the same time, they revised growth expectations for 2021 downwards to 1.6% (before, it was 1.9%). Likewise, they kept unchanged the economic activity contraction estimated for the third quarter (-0.7%), and they also revised downwards their GDP quarter-on-quarter change expectations, seasonally-adjusted, for the last quarter of the year from -0.7% to -1.1%. Moreover, analysts estimate that the economic activity will go down 0.5%, seasonally-adjusted, in the first quarter of 2020.

REM's analysts kept unchanged their forecasts on the monetary policy interest rate and, for October, they estimate an average rate of 79.0% for LELIQs in pesos (the same as in the previous REM) and a declining path to 73.0% in December 2019 (-0.16 p.p. against the forecast of August).

As regards the average nominal exchange rate, analysts have revised downwards their forecasts to $59.3/US$1 for October (-$3.5 per dollar against the previous REM), with a decreasing path against the previous survey to reach $65.0/US$1 in December 2019 (-$1.7 per dollar against the survey of August).

Finally, participants forecasted a primary fiscal deficit of $162.5 billion for 2019 (up $19.9 billion of deficit against the REM of August) and a deficit of $100.0 billion for 2020 (down $14.5 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.