Market Expectations
Survey (REM)

October 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 November 4, 2019, discloses the results of the survey made from October 29 to 31. It encompasses the forecasts made by 45 participants (same participation than on the previous occasion), including 27 consulting firms and domestic research centers, 14 financial institutions from Argentina and 4 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 October, the forecast median of headline inflation estimated by market analysts for the next 12 months stood at 48.2% year-on-year (y.o.y.) (+0.2 p.p. against the previous survey), while the average contracted from 47.4% y.o.y. to 46.7% y.o.y. For the next 24 months, the forecast median of the accumulated inflation from November 2020 to October 2021 went down 0.5 percentage points (p.p.) to 30.0% y.o.y., while the average contracted from 32.2% y.o.y. to 31.8% y.o.y.

Analysts estimate that October inflation would have been 4.2% monthly (down 0.2 p.p. against the forecast of the previous survey), resulting in a change rate below the average rate recorded during September. For November, REM's participants estimate an inflation rate of 4.1% monthly (+0.1 p.p. against the previous REM) and foresee that the declining path of inflation will continue, reaching 4.0% monthly in December 2019 and 3.2% in April 2020.

For December 2019, REM's participants estimate that headline inflation will stand at 55.6% y.o.y. (+0.7 p.p. against the previous survey) while core inflation will stand at 59.5% y.o.y. (+1.8 p.p. against the REM of September). In terms of the inflation expectations for 2020, analysts anticipate that headline inflation will stand at 42.9% y.o.y. (+2.4 p.p.), while core inflation will reach 42.5% (+2.8 p.p.). Likewise, the inflation forecasts provided by REM's analysts for 2021 stood at 29.1% y.o.y. for headline inflation and at 28.4% y.o.y. for the core component (+0.3 p.p. and +1.5 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 -3.0% (a drop that would be 0.2 p.p. higher than the drop anticipated in September). In turn, they estimate that the economic activity will shrink 1.7% in 2020 (resulting in a drop that would be 0.2 p.p. higher than the drop expected in the previous survey); at the same time, they anticipate a 1.6% expansion for 2021 (0.1 p.p. below the projections of September). Likewise, they estimated a narrower contraction for the third quarter of 2019 (-0.6% seasonally adjusted; +0.1 p.p. against the previous REM). For the last quarter of the year, participants revised upwards their quarter-on-quarter contraction expectations from -1.1% seasonally-adjusted to -1.4%. For the first quarter of 2020, they anticipate a 0.5% drop, seasonally-adjusted.

REM's participants revised downwards their forecasts on the monetary policy reference interest rate. For November, they foresee that the Liquidity Bills (LELIQs) average rate in pesos will stand at 63.0% (the floor recently announced by the BCRA's Monetary Policy Committee (COPOM) for the month), with a declining path to 60.0% in December 2019 (-13 p.p. against the REM of September).

As regards the average nominal exchange rate, analysts have revised downwards their forecasts to $61.1/US$1 for November (-$0.9 per dollar against the previous REM), with an increasing path to reach a value of $65.0/US$1 in December of 2019 (remaining unchanged against the value of the previous survey).

Finally, participants forecasted a primary fiscal deficit of $177.1 billion for 2019 (up $14.6 billion of deficit against the REM of September) and a deficit of $150.0 billion for 2020 (down $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.