

Market Expectations Survey (REM)

March 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 April 3, 2019, discloses the results of the survey made from March 27 to 29. It encompasses the forecasts made by 55 participants (same quantity than on the previous occasion), including 34 consulting firms and domestic research centers, 14 financial institutions from Argentina and 7 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.

Market Expectations Survey (REM) Results

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In March, market analysts revised upwards their inflation forecasts. As a result, the median for the next 12 months stood at 30.7% year-on-year (y.o.y., +1.7 percentage points (p.p.) against the previous survey) while the median for the next 24 months stood at 21.0% y.o.y. (+1.7 p.p.).

In this context, experts estimate that March inflation would have been 3.8% monthly and expect that it will stand at 2.9% monthly in the second quarter and that it will go down to 2% monthly in the third quarter. REM's participants have revised their monthly forecasts upwards for the March-July period, and the highest increases are expected to occur in March and April (with revisions of +0.8 p.p. for each month against the previous survey).

For 2019, REM's analysts anticipate that headline and core inflation will be 36.0% y.o.y. and 35.1% y.o.y., respectively (+4.1 p.p. and +5.0 p.p. against the REM of February). In terms of inflation expectations, for 2020, analysts anticipate that headline inflation will stand at 23.0% y.o.y. (+2.7 p.p.) while core inflation will reach 22.0% y.o.y. (+2.9 p.p.). In addition, the inflation forecasts of REM's analysts for 2021 went up to 16.0% y.o.y. (+1 p.p.) in the case of headline inflation and to 15.5% y.o.y. (+0.5 p.p.) in the case of core inflation.

REM's analysts narrowed the expected drop of the real Gross Domestic Product (GDP) for 2019 to -1.2% (+0.1 p.p. relative to the -1.3% estimated in February) and revised downwards the expected growth for 2020 to 2.4% (before it was 2.5%), while they have kept the expansion expectations for 2021 at 2.5%. In addition, analysts raised their expectations of GDP quarter-on-quarter change (seasonally-adjusted) at constant prices for the first quarter of 2019 (from 0.0% to 0.3%) but reduced their expectations for the second quarter (from 1.5% seasonally-adjusted to 1.0% seasonally-adjusted). In the first measurement related to the third quarter of 2019, analysts are forecasting a growth rate of 0.5% seasonally-adjusted.

In terms of the monetary policy interest rate, REM's participants have revised upwards their forecasts and, for April, they estimate an average rate of 65.0% for LELIQs in pesos (+17.9 p.p. against the REM of February) and a declining path to reach 45% in December 2019 (+8 p.p. against the previous survey).

As regards the nominal exchange rate forecast, analysts have changed their upward forecast, from an expected average value of \$43.2/US\$1 in April (+\$2.7 per dollar against the previous REM) to \$50.0/US\$1 in December 2019 (+\$2 per dollar against the previous survey).

Finally, participants forecasted a primary fiscal deficit of \$80 billion for 2019 and a surplus of \$138.6 billion for 2020, signaling lower expected results if compared to 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.