Market Expectations Survey (REM)

August 2019

BANCO CENTRAL
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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 September 3, 2019, discloses the results of the survey made from August 28 to 30. It encompasses the forecasts made by 39 participants (12 less than on the previous occasion), including 23 consulting firms and domestic research centers, 11 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.

Market Expectations Survey (REM) Results

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In August, the forecast median of headline inflation estimated by market analysts for the next 12 months stood at 48.3% year-on-year (y.o.y.) (+18.1 p.p. against the previous survey), while the average increased from 30.5% y.o.y. to 48.9% y.o.y. For the next 24 months, the forecast median of the accumulated inflation from September 2020 to August 2021 went up 7.3 p.p. to 30.0% y.o.y., while the average rose from 22.9% y.o.y. to 32.4% y.o.y.

Analysts estimate that August inflation would have reached 4.3% monthly (+1.9 p.p. against the previous survey), resulting in a change rate higher than the rate corresponding to the first seven months of the year (monthly average of 3.3%). For September, the estimates of REM's participants point to a higher inflation rate, standing at 5.8% monthly (+3.5 p.p. against the previous REM), but anticipate that there may be a declining path once again as from October, reaching 3.4% monthly in December 2019 and 3% in February 2020.

For 2019, REM's participants estimate that headline inflation will stand at 55.0% (+15 p.p. against the previous survey), while core inflation will stand at 57.6% (+16.2 p.p. against the REM of July). In terms of inflation expectations for 2020, analysts anticipate that headline inflation will stand at 38.0% y.o.y. (+10 p.p.) while core inflation will reach 37.5% (+11 p.p.). Likewise, the inflation forecasts provided by REM's analysts for 2021 stood at 28.3% y.o.y. for headline inflation and at 27.6% y.o.y. for the core component (+8.3 p.p. and 8.4 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 -2.5% (estimating a drop that would be 1.1 p.p. higher than the drop anticipated in July). In turn, they estimate that the economic activity will shrink 1.1% in 2020 (while in the previous survey they had anticipated a 2% expansion for 2020); at the same time, they revised growth expectations for 2021 downwards to 1.9% (before, it was +2.5%). In addition, they also revised downwards their GDP quarter-on-quarter change expectations (seasonally-adjusted) for the last three quarters of the year: for the second quarter, they anticipate a 0.2% drop seasonally-adjusted (-0.7 p.p. against the previous REM) and, for the third and fourth quarters, they anticipate drops of 0.7% seasonally-adjusted (-1.2 p.p. against the previous survey in both cases).

REM's participants have revised upwards their forecasts on the monetary policy interest rate and, for September, they estimate an average rate of 80.0% for LELIQs in pesos (+22.0 p.p. against the REM of July) and a declining path to 73.2% in December 2019 (+20.2 p.p. against the forecast of July).

As regards the nominal exchange rate forecast, analysts have anticipated an average value of $60.0/US$ 1 in September (+$13.8 per dollar against the previous REM), with an increasing path to $66.7/US$ 1 in December 2019 (+16.7 per dollar against the previous survey).

Finally, participants forecasted a primary fiscal deficit of $142.6 billion for 2019 (up $41.1 billion of deficit against the REM of July) and a deficit of $114.5 billion for 2020 (and this result stands $247 billion below the result anticipated in 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.