

Fixed Income & Economics Daily

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FX & RATES STRATEGY RESEARCH

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ARGENTINA: Optimism pales among REM polls of economic forecasters

- Economists polled in the Central Bank's February survey raised their inflationary forecasts once again.
- December 2018 annual expected inflation is now at 19.9%; showing 10 consecutive increases in a row since April and reflecting a 590 basis points raise above the 14% annual inflation forecast one year ago.
- For the next 12 months, the inflation has been set at 17.6%, slightly below the 17.5% projected the month before. The December 2019 annual inflation forecast was also adjusted upward to 14%, or 0.5 percentage points above January's 13.5% forecast.
- The growth rate forecast, in turn, was adjusted downward to 2.7% in 2018, or 0.3 percentage points below the 3% expansion previously expected.
- The Monetary Policy Rate (MPR) and the expected USD quotation were both adjusted upward. The Monetary Policy easing cycle is expected to resume in April, when the MPR would be reduced to 26.5%, or 75 bps below the current 27.25% rate. By year end, the MPR is projected at 22%.
- The USD quote is now forecast at ARS22/USD in December 2018 and at ARS24.6/USD in December 2019. Both quotations are slightly higher than the ARS21.9/USD and the ARS24.5/USD projected in January 2018.
- Interestingly, REM polls conducted by the Central Bank have reflected a scenario of a smaller local currency appreciation for this year with a 19.9% inflation rate by year end, coupled with an 18.1% projected devaluation.
- The primary fiscal deficit for this year is expected to end at minus ARS409 billion from the minus ARS408 billion expected in January; but augmenting to minus ARS361 billion in 2019, above the ARS343.8 billion projected in January.

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