

Citibanamex Survey – Higher conviction of at least one rate cut by Banxico this year

July 8, 2019

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- *Citibanamex* published on Friday its bi-weekly survey of economic expectations
- The majority of analysts (65.2%) expect a lower reference rate by the end of the year, significantly above the 52.2% of the previous survey. Within this group, most anticipate a 25bps cut, albeit with a discrepancy on the exact date
- GDP forecasts for 2019 were revised down once again from 1.2% to 1.0% yoy, while consensus for 2020 stood at 1.7%
- Inflation for 2019 was lower by 7bps to 3.70% (Banorte: 3.50%). For 2020, the median stood at 3.60%
- For June, inflation is estimated at 0.06% m/m, slightly lower than our 0.07% forecast
- The FX forecast for year-end 2019 was revised to 19.90 pesos per dollar from 19.93 (Banorte: 20.30). Next year's forecast is also marginally higher, standing at 20.25 from 20.23 per dollar

Increased conviction of a rate cut after Banxico's recent dovish tilt. 15 out of 23 economists (65.2%) expect at least one rate cut in the reference rate this year, three more than in the previous survey. Among them, 10 –including us– expect only one 25bps cut, 4 expect an accumulated 50bps and only one forecasts a 100bps reduction. Within the former group, the majority shows a tie between September and December, with 4 analysts in each. As a result, the median stands in November, which is our expectation. On the remaining eight analysts, all but two do not foresee a lower reference rate by YE2020.

GDP forecast for 2019 revised down once again. In particular, GDP growth for this year reached 1.0% from 1.2% in the previous survey, 50bps lower than our forecast (range: 0.5% - 1.5%). For 2020, economists still anticipate a 1.7% expansion, in line with the previous survey (range: 0.8%-2.1%; Banorte: 2.1%).

Inflation for YE19 decreased to 3.70%. This represents a 7bps decline from the previous poll, inching closer to our 3.5%. Core inflation rose to 3.60% from 3.55%. For 2020, the forecast was revised down to 3.60% (previous: 3.63%). For June, economists expect the headline at 0.06% m/m, slightly below our estimate of 0.07% (range: 0.01% to 0.10%). The core component is expected at 0.31% (Banorte: 0.30%, range: 0.26% - 0.36%).

Marginally weaker MXN by year-end. The median forecast for year-end 2019 was pushed up to USD/MXN 19.93 from 19.90 in the previous survey (Banorte: 20.30). For next year, analysts' forecast was also slightly higher, from USD/MXN 20.23 to 20.25.

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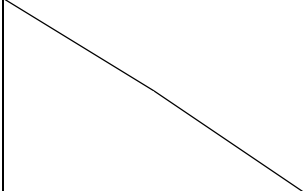
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	Reference
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