

## Citibanamex Survey – Consensus backtracks on possible rate cuts this year

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- *Citibanamex* published yesterday its bi-weekly survey of economic expectations
- The majority of analysts (57.9%) expect an unchanged reference rate by year-end, at 8.25%. Of those expecting a cut, most only see one 25bps rate cut
- GDP forecasts for 2019 were revised down from 1.4% to 1.3% yoy, while consensus for 2020 was left unchanged at 1.8%
- Inflation for 2019 was again higher by 3bps to 3.80% (Banorte: 3.5%). For 2020, the median remained at 3.68%
- Inflation for May is estimated at -0.23% m/m, slightly higher than our forecast of -0.25%
- The FX forecast for year-end 2019 was revised to 20.25 pesos per dollar from 20.00 (Banorte: 20.30). Next year's forecast is also higher, to 20.50 from 20.25 per dollar

**Analysts now expect the reference rate unchanged this year.** Considering only 19 respondents to this question out of a total of 21 participants, eleven (57.9%) now anticipate the reference rate to remain on hold for the rest of the year at 8.25%. Of this group, only one estimates an unchanged rate throughout 2020. From the eight left (42.1%), all expect at least one rate cut. In particular, five of them, including us, expect a -25bps move, two see a 50bps cut, and only one believes it will be of 100bps. In this respect, market analysts have updated their expectations meaningfully in the last month, which in our view is likely influenced at least partially by Banxico's more hawkish tone in its recent communications.

**GDP forecast for 2019 revised down, again.** In particular, the GDP growth estimate for this year reached 1.3% from 1.4% observed in the previous survey, 20bps below our forecast (range: 0.9% - 1.7%). For 2020, economists still forecast a 1.8% expansion (range: 0.8%-2.3%; Banorte: 2.1%).

**Inflation for YE19 increased to 3.80%.** This represents a 3bps increase from the previous poll, straying further from our forecast of 3.5%. Core inflation fell to 3.50% from 3.60%. For 2020, the forecast was unchanged at 3.68%. For May, economists expect the headline at -0.23% m/m, slightly above our -0.25% (range: -0.27% - -0.17%). The core component is expected at 0.15% (Banorte: 0.15%, range: 0.12% - 0.20%).

**Weaker MXN by year-end.** The median forecast for year-end 2019 was pushed up to USD/MXN 20.25 from 29.00 in the previous survey, virtually at our estimate of 20.30. For next year, analysts' forecast increased from USD/MXN 20.25 from 20.50.

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