

## Citibanamex Survey – Consensus expects Banxico to cut rates next week

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- **Citibanamex published its bi-weekly survey of economic expectations**
- **Consensus expects Banxico to cut the reference rate in 25pbs next week**
- **GDP growth estimates for 2019 were revised down once again from 0.5% to 0.4%/y/y, while leaving unchanged next year's forecast (1.3%/y/y)**
- **Meanwhile, YE2019 inflation was revised down to 3.2%/yoy from previous 3.3%**
- **For 2020, inflation is expected at 3.5%/y/y, in line with medium term expectations (2020-2024)**
- **Finally, economists expect inflation at 0.24%2w/2w in the first half of September (Banorte: 0.2%)**
- **In terms of the FX, analysts revised down their 2019 forecasts to USD/MXN19.8 (Banorte: 20.30). Next year's estimate also edged down to 20.23 per dollar**

**Analysts expect Banxico to cut the reference rate next Thursday.** All the analysts surveyed anticipate a rate cut in the reference rate (median: 25bps). In this context, the median of analysts expects the reference rate to end the year at 7.5%, which would imply another 25bp cut in December, accumulating a 75bp reduction in 2019. Nine out of the 21 analysts surveyed agree with this view, while another six estimates that the cycle could be up to 100 bp with the rate at the end of the year at 7.25%. Finally, 5 expect cuts this year in the area of 50 bp and only one analyst believes that the reference rate could close the year at 6.5%. For next year, the median of analysts expects Banxico to continue cutting the reference rate by around 62bp (median rate at the end of 2020: 6.88% vs. 7.5% in 2019).

**GDP growth estimates for 2019 are at 0.4%/y/y (Banorte: 0.8%; range: 0.1%-0.8%).** This figure is marginally lower than previous 0.5% y/y. Meanwhile, consensus forecast for 2020 is at 1.3%/yoy (range: 0.8%-1.8%; Banorte: 1.4% y/y), unchanged from previous survey.

**Inflation forecast for year-end 2019 was revised down to 3.2%/y/y from previous 3.3%.** Furthermore, core inflation is expected at 3.6%/y/y in 2019 from 3.54% in previous survey. For 2020 inflation is expected at 3.5%/y/y, in line with medium term expectations. For next inflation report (due next Tuesday), economists expect inflation at 0.24%2w/2w in the first half of September (Banorte: 0.2%; range: 0.07%-0.4%), while for core inflation they estimate a 0.22% increase during the period in question (Banorte: 0.25%, range: 0.16%-0.33%).

**Stronger FX at the end of the year.** The median forecast for the exchange rate at the end of this year is now at 19.8, slightly stronger than in previous survey (Banorte: USD/MXN 20.3). For next year, analysts expect the currency at USD/MXN20.23 at the end of 2020.

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### GDP growth expectations % yoy, median

	2019	2020
<b>Banorte</b>	<b>0.8</b>	<b>1.4</b>
<b>Consensus*</b>	<b>0.5</b>	<b>1.6</b>
Banxico Survey	0.5	1.4
Banxico (2Q19 QR)	0.5	2.0
Ministry of Finance	0.9	2.0
IMEF	0.4	1.3
Citibanamex survey	0.4	1.3
Bloomberg	0.5	1.3

\*For consensus, we take the simple average excluding Banxico QR and the MoF  
Source: Banorte

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We, Gabriel Casillas Olvera, Delia Maria Paredes Mier, Alejandro Padilla Santana, Manuel Jiménez Zaldivar, Tania Abdul Massih Jacobo, Katia Celina Goya Ostos, Juan Carlos Alderete Macal, Víctor Hugo Cortes Castro, Marissa Garza Ostos, Miguel Alejandro Calvo Domínguez, Hugo Armando Gómez Solís, Gerardo Daniel Valle Trujillo, José Itzamna Espitia Hernández, Valentín III Mendoza Balderas, Santiago Leal Singer, Francisco José Flores Serrano, Luis Leopoldo López Salinas, Jorge Antonio Izquierdo Lobato and Leslie Thalia Orozco Vélez, certify that the points of view expressed in this document are a faithful reflection of our personal opinion on the company (s) or firm (s) within this report, along with its affiliates and/or securities issued. Moreover, we also state that we have not received, nor receive, or will receive compensation other than that of Grupo Financiero Banorte S.A.B. of C.V. for the provision of our services.

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