

Citibanamex Survey – Revision lower in forecasts for GDP and inflation in 2019

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- *Citibanamex* published yesterday its bi-weekly survey of economic expectations
- 14 out of 24 analysts surveyed, including us, expect Banxico to maintain the reference rate at 8.25% this year, one more than in the previous survey. Five analysts expect a 25bps hike to close at 8.50%. From the five remaining, 3 expect a 25bps cut (to 8.00%) and two of them forecast -50bps, to end at 7.75%
- GDP forecasts were revised lower, from 1.8% to 1.7% in 2019 and from 2.0% to 1.8% in 2020
- Inflation this year was marginally lower, going from 3.96% to 3.90%. For 2020, consensus remained unchanged at 3.70%
- Additionally, no economist anticipates Banxico to modify the reference rate next Thursday, February 7th. Moreover, inflation for January is estimated at 0.18% m/m (Banorte: 0.19%)
- The FX forecast for year-end 2019 implies slightly more strength for the Mexican peso, at 20.17 from 20.33 per dollar (Banorte: 21.30), In 2020 the estimate ticked up from 20.00 to 20.08 pesos per dollar

Fourteen out of twenty-four analysts expect Banxico to maintain the reference rate unchanged at 8.25% in 2019. This expectation has been consolidating gradually among analysts, representing 58.3% of economists surveyed (previous: 54.2%). Five analysts expect a 25bps rate hike during the year to close at 8.50% (20.8%), lower than the 29.2% of the previous survey. Lastly, five analysts anticipate at least one rate cut during the year.

GDP growth estimates cut. For 2019, GDP was cut by 10bps, going from 1.8% to 1.7% (range: 1.0%-2.2%). For next year the reduction was more meaningfully, from 2.0% to 1.8% (range: 0.8%-2.3%).

Inflation this year was again revised slightly lower, to 3.90% yoy. This figure implies a 6bps reduction to the previous survey. Core inflation was also reduced, from 3.6% to 3.5%. For 2020, analysts forecast inflation at 3.7%. For the next inflation report, corresponding to January, economists expect the headline at 0.18% m/m (Banorte: 0.19%), still showing relatively high dispersion (range: 0.09%-0.55%). The core component is expected at 0.22% (Banorte: 0.24%, range: 0.19%-0.40%).

USD/MXN forecast remains above 20.00 per dollar. The median forecast for year-end 2019 was lowered to USD/MXN 20.17 from 20.33 previously (Banorte: 21.30). For next year, analysts expect the currency at USD/MXN 20.08, marginally above the previous estimate at 20.00 pesos per dollar.

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