

Citibanamex Survey – Analysts expect another rate cut by Banxico in September

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- *Citibanamex* published yesterday its bi-weekly survey of economic expectations
- The majority of analysts (92%) expect at least one more rate cut for the remainder of 2019, above the 87% of the previous survey. Among the latter, all except three expect a reduction on the reference rate in September
- The GDP forecast for 2019 remained at 0.6% after six consecutive downward revisions (Banorte: 0.8%). For 2020, the estimate was also unchanged, at 1.4%, in line with our expectation
- Year-end inflation was revised 6bps lower, to 3.64% (Banorte: 3.50%). For 2020, the median stood at 3.60%
- For 1H-August, inflation is estimated at 0.14% 2s/2s, above our 0.05% forecast. The estimate for the core component stands at 0.17% (Banorte: 0.13%)
- The FX for year-end 2019 was propped to 19.75 pesos per dollar from 19.80 (Banorte: 20.30). Next year's estimate stayed at 20.00 per dollar

Expectations of a more dovish stance by Banxico keep climbing. 24 out of 26 economists (92%) expect at least one more rate cut in the reference rate this year, one more than in the previous survey. Among them, 12 expect only one additional cut of 25bps in 2019, while 8 –including us– expect -50bps. Only four expect a total of 75bps of additional easing. In this respect, analysts' stance is more dovish following the 25bps cut in August 15th. Regarding the date of the first cut, all except three anticipate it in September (including us), with two in November and one in December. Of the remaining two analysts that expect an unchanged rate this year, both expect some easing in 2020.

The GDP forecast for 2019 remained at 0.6%. This came only after six consecutive downward revisions. In addition, it stands slightly below our 0.8% forecast (range: 0.1% - 0.9%). For 2020, economists were unchanged at 1.4% (Banorte: 1.4%; range: 0.8%- 1.8%).

Inflation for YE19 down to 3.64%. This represents a 6bps decrease from the previous poll, and remains above our 3.5%. Core inflation increased to 3.69% (previous: 3.65%). For 2020, the forecast was unchanged at 3.60%. For 1H-August, economists expect the headline at 0.14% 2w/2w, above our 0.05% estimate (range: 0.05% to 0.46%). The core component is expected at 0.17% (Banorte: 0.13%, range: 0.13% - 0.21%).

Few changes in MXN. The median forecast for year-end stood at USD/MXN 19.75, practically unchanged from the 19.80 in the previous survey (Banorte: 20.30). For next year, analysts' consensus forecast remained at 20.00 per dollar (Banorte: 21.30).

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GDP growth expectations % yoy, median

	2019	2020
Banorte	0.8	1.4
Consensus*	0.7	1.5
Banxico Survey	0.8	1.5
Banxico (1Q19 QR)	1.3	2.2
Ministry of Finance	1.6	1.9
IMEF	0.6	1.4
<i>Citibanamex</i> survey	0.6	1.4
Bloomberg	0.7	1.5

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

Document for distribution among public

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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 Thalía 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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