

Citibanamex Survey – Still two 25bps cuts expected this year

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- *Citibanamex* published yesterday its bi-weekly survey of economic expectations
- Out of 22 analysts surveyed, 13 (59.1%), including us, expect Banxico to cut the reference rate at least once in 2019. Of these, the majority sees a total accumulated rate cut of 50bps, with eight economists supporting this call
- For the fifth consecutive time, GDP forecasts were left unchanged at 1.5% for 2019 and 1.8% for 2020
- Inflation for 2019 increased 14bps to 3.74% (Banorte: 3.5%). For 2020, consensus was also higher at 3.65%
- Inflation for April is estimated at 0.05% m/m, slightly lower than our forecast of 0.10%
- The FX forecast for year-end 2019 was revised to 19.85 pesos per dollar from 19.95 (Banorte: 20.30). The estimate for 2020 was revised down to 20.00 from 20.10 pesos per dollar

Thirteen out of twenty-two analysts expect Banxico to cut the reference rate at least once this year. The share of surveyed analysts (59.1%) that expect a lower reference rate by the end of 2019 declined marginally from the 62.5% in the previous survey, adding two surveys on decline. Among them, five see only one 25bps cut, while the remaining eight forecast two (accumulated: -50bps). On the other hand, nine (40.9%) see an unchanged rate. Of these, eight expect cuts in 2020, while only one did not specify the moment of the next move. Still, no one expects a higher reference rate by year-end, albeit the distribution of responses points to more modest expectations in terms of the pace of easing.

GDP forecasts unchanged for a fifth consecutive time. For 2019, GDP stayed at 1.5%, in line with our expectations (range: 1.1%-1.7%) and 2020 at 1.8% (range: 0.8%-2.3%; Banorte: 2.1%).

Inflation for YE19 increases to 3.74%. This represents a 14bps rise from the previous survey, straying further from our forecast of 3.5%. Core inflation was unrevised at 3.5%. For 2020, analysts' forecast was also higher, going from 3.56% to 3.65%. For April, economists expect the headline at 0.05% m/m, lower than our 0.10% (range: -0.12% - 0.12%). The core is expected at 0.48% (Banorte: 0.52%, range: 0.20%-0.57%).

MXN year-end forecast continues to strengthen. The median forecast for year-end 2019 was lowered to USD/MXN 19.85 from 19.95 in the previous survey (Banorte: 20.30). For next year, analysts also lowered their forecast slightly to USD/MXN 20.00 from 20.10.

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