

Citibanamex Survey – Consensus maintains view of an unchanged reference rate in 2019

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- *Citibanamex* published yesterday its bi-weekly survey of economic expectations
- 13 out of 24 analysts surveyed, including us, expect Banxico to maintain the reference rate at 8.25% this year, in line with the previous survey. Seven analysts expect a 25bps hike to close at 8.50%. From the four remaining, 3 expect a 25bps cut (to 8.00%) and one of them forecasts two cuts, to end at 7.75%
- GDP forecasts remained unchanged at 2.1% yoy in 2018, 1.8% in 2019 and 2.0% in 2020
- The inflation forecast for 2019 was marginally lower, from 4.00% to 3.96%. For 2020, consensus expects inflation at 3.70%
- Additionally, economists expect inflation to rise 0.27% 2w/2w in the first half of January (Banorte: 0.26%)
- Finally, FX forecasts imply a stronger Mexican peso. For year-end 2019, the estimate was lowered from 20.50 to 20.33 (Banorte: 21.30), and for 2020 it went from 20.65 to 20.00 pesos per dollar

Thirteen out of twenty-four analysts expect Banxico to maintain the reference rate unchanged at 8.25% in 2019. This figure represents 54.2% of economists surveyed. Seven analysts expect a 25bps rate hike during the year to close at 8.50% (29.2%), lower than the 40.9% that expected at least one increase in the previous survey. Lastly, four analysts (16.7%) anticipate at least one 25bps rate cut during 2019.

GDP growth estimates unchanged for all tenors. For 2018, GDP remained at 2.1% yoy. Moreover, consensus stayed at 1.8% in 2019 (range: 1.0%-2.1%) and 2.0% in 2020 (range: 0.8%-2.4%).

Marginal downward revision to inflation for 2019, at 3.96% yoy. This figure implies a 4bps reduction when compared to the previous survey. Core inflation increased from 3.5% to 3.6% yoy. For both 2020 and the medium-term, the forecast stands at 3.5%. For the next inflation report, corresponding to the first half of January, economists expect the headline at 0.27% 2w/2w (Banorte: 0.26%), albeit showing higher dispersion (range: 0.13%-0.50%). The core component is expected at 0.20% (Banorte: 0.18%, range: 0.08%-0.40%).

Stronger MXN after the rally since December. The median forecast for year-end 2019 was lowered to USD/MXN 20.33, 0.8% below the 20.50 figure of the previous survey (Banorte: 21.30). For next year, analysts expect the currency to end at USD/MXN 20.00, also lower than the previous estimate of 20.65 pesos per dollar.

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