

Citibanamex Survey – Consensus increases their bets about reference rate cuts this year

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[@analisis_fundam](https://twitter.com/analisis_fundam)**Juan Carlos Alderete, CFA**
Senior Economist, Mexico
juan.alderete.macal@banorte.com**Francisco Flores**
Economist, Mexico
francisco.flores.serrano@banorte.com

- *Citibanamex* published on Friday its bi-weekly survey of economic expectations
- Out of 25 analysts surveyed, 16 (64%), including us, expect Banxico to cut the reference rate at least once in 2019. Most anticipate this to materialize in November (6 analysts) while 5 economists forecast it in June (Banorte included)
- GDP forecasts were left unchanged at 1.5% for 2019 and at 1.8% for 2020
- Inflation for 2019 stood at 3.7%, in line with the previous survey (Banorte: 3.5%). For 2020, consensus stood at 3.65%
- Inflation for March is estimated at 0.41% m/m, slightly higher than our forecast at 0.38%
- The FX forecast for year-end 2019 was not revised at 20.10 pesos per dollar (Banorte: 21.30). Meanwhile, the estimate for 2020 was revised to 20.00 from 20.15 pesos per dollar

Sixteen out of twenty-five analysts expect Banxico to cut the reference rate at least once in 2019. With this, the share of surveyed analysts that expect a lower reference rate by the end of the year picked up from 52.4% to 64%. In particular, six see only one 25bps cut and seven see two (accumulated: -50bps), 2 expect three reductions and only one forecasts a total of -100bps. Out of the nine economists left, six foresee a cut in 1Q20, while the last three did not specify the moment of the next move. In our view, the results further consolidate the perception of a more dovish bias, in line with what we have observed in the latest communications of the central bank

GDP forecasts unchanged. For 2019, GDP remained at 1.5%, in line with our expectations (range: 1.0%-1.9%). For next year, the estimate stood at 1.8% (range: 0.8%-2.3%; Banorte: 2.1%).

Inflation for YE19 stands at 3.7%, in line with the previous survey. Core inflation also came in line with the previous figure at 3.5%. For 2020, analysts' forecast was revised from 3.60% to 3.65%. For March, economists expect the headline at 0.41% m/m, above our 0.38% forecast (range: 0.12% -0.46%). The core component is expected at 0.34% (Banorte: 0.33%, range: 0.14%-0.38%).

Stronger FX for 2020. The median forecast for year-end 2019 stood at USD/MXN 20.10, in line with the previous survey (Banorte: 21.30). For next year, analysts expect the currency at USD/MXN 20.00 from 20.15.

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GRUPO FINANCIERO BANORTE S.A.B. de C.V.
Research and Strategy

Gabriel Casillas Olvera	Chief Economist and Head of Research	gabriel.casillas@banorte.com	(55) 4433 - 4695
Raquel Vázquez Godínez	Assistant	raquel.vazquez@banorte.com	(55) 1670 - 2967

Economic Analysis

Delia María Paredes Mier	Executive Director of Economic Analysis	delia.paredes@banorte.com	(55) 5268 - 1694
Katia Celina Goya Ostos	Senior, Global Economist	katia.goya@banorte.com	(55) 1670 - 1821
Juan Carlos Alderete Macal, CFA	Senior Economist, Mexico	juan.alderete.macal@banorte.com	(55) 1103 - 4046
Miguel Alejandro Calvo Domínguez	Economist, Regional	miguel.calvo@banorte.com	(55) 1670 - 2220
Francisco José Flores Serrano	Economist, Mexico	francisco.flores.serrano@banorte.com	(55) 1670 - 2957
Francisco Duarte Alcocer	Analyst, Global Economist	francisco.duarte.alcocer@banorte.com	(55) 1103 - 4000 x 2707
Lourdes Calvo Fernández	Analyst (Edition)	lourdes.calvo@banorte.com	(55) 1103 - 4000 x 2611

Fixed income and FX Strategy

Alejandro Padilla Santana	Head Strategist – Fixed income and FX	alejandro.padilla@banorte.com	(55) 1103 - 4043
Santiago Leal Singer	FX Senior Strategist	santiago.leal@banorte.com	(55) 1670 - 2144
Leslie Thalía Orozco Vélez	Fixed Income and FX Strategist	leslie.orozco.velez@banorte.com	(55) 5268 - 1698

Equity Strategy

Manuel Jiménez Zaldivar	Director Equity Research – Telecommunications / Media	manuel.jimenez@banorte.com	(55) 5268 - 1671
Victor Hugo Cortes Castro	Technical Analysis	victorh.cortes@banorte.com	(55) 1670 - 1800
Marissa Garza Ostos	Equity Research – Conglomerates / Financials/ Mining / Petrochemicals	marissa.garza@banorte.com	(55) 1670 - 1719
José Itzamna Espitia Hernández	Equity Research – Airlines / Airports / Cement / Infrastructure / REITs	jose.espitia@banorte.com	(55) 1670 - 2249
Valentín III Mendoza Balderas	Equity Research – Auto Parts/ Consumer Discretionary / Real Estate / Retail	valentin.mendoza@banorte.com	(55) 1670 - 2250
Jorge Antonio Izquierdo Lobato	Analyst	jorge.izquierdo.lobato@banorte.com	(55) 1670 - 1746
Itzel Martínez Rojas	Analyst	itzel.martinez.rojas@banorte.com	(55) 1670 - 2251

Corporate Debt

Tania Abdul Massih Jacobo	Director Corporate Debt	tania.abdul@banorte.com	(55) 5268 - 1672
Hugo Armando Gómez Solís	Senior, Corporate Debt	hugo.gomez@banorte.com	(55) 1670 - 2247
Gerardo Daniel Valle Trujillo	Manager, Corporate Debt	gerardo.valle.trujillo@banorte.com	(55) 1670 - 2248

Wholesale Banking

Armando Rodal Espinosa	Head of Wholesale Banking	armando.rodal@banorte.com	(55) 1670 - 1889
Alejandro Eric Faesi Puente	Head of Global Markets and Institutional Sales	alejandro.faesi@banorte.com	(55) 5268 - 1640
Alejandro Aguilar Ceballos	Head of Asset Management	alejandro.aguilar.cebillos@banorte.com	(55) 5268 - 9996
Arturo Monroy Ballesteros	Head of Investment Banking and Structured Finance	arturo.monroy.ballesteros@banorte.com	(55) 5004 - 1002
Gerardo Zamora Nanez	Head of Transactional Banking, Leasing and Factoring	gerardo.zamora@banorte.com	(81) 8318 - 5071
Jorge de la Vega Grajales	Head of Government Banking	jorge.delavega@banorte.com	(55) 5004 - 5121
Luis Pietrini Sheridan	Head of Private Banking	luis.pietrini@banorte.com	(55) 5004 - 1453
René Gerardo Pimentel Ibarrola	Head of Asset Management	pimentelr@banorte.com	(55) 5268 - 9004
Ricardo Velázquez Rodríguez	Head of International Banking	rvelazquez@banorte.com	(55) 5004 - 5279
Víctor Antonio Roldan Ferrer	Head of Corporate Banking	victor.rolan.ferrer@banorte.com	(55) 5004 - 1454