

## Citibanamex Survey – Consensus sees a slightly more aggressive easing cycle

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- **Citibanamex** published its bi-weekly survey of economic expectations
- Most analysts (63%), including us, expect Banxico to cut the reference rate by an additional 50bps in the remainder of the year, with the expectation of a 25bps reduction in November virtually unanimous
- The GDP growth forecast for 2019 inched lower to 0.3% from 0.4% (Banorte: 0.3%), with 2020 unchanged at 1.3% (Banorte: 1.4%)
- The estimate for year-end inflation was revised slightly down once again, from 3.14% to 3.11%, lower than our 3.3% forecast. For 2020, the median stayed at 3.50%
- For the 1<sup>st</sup> half of October, inflation is estimated at 0.43% 2w/2w (Banorte: 0.38%). The estimate for the core component stands at 0.16%, 2bps higher than our forecast
- The FX rate for year-end 2019 was unchanged at USD/MXN 19.80 (Banorte: 20.30). Next year's estimate was revised lower, to 20.10 per dollar from 20.42

**Analysts continue to expect additional easing from Banxico in 2019.** All 24 respondents expect at least one more rate cut this year. In particular, 6 anticipate one additional 25bps cut; 15 –including us– see an accumulated cut of 50bps, two more than in the previous survey. Two are still looking for -75bps while one keeps anticipating -100bps. Regarding the date of the next cut, all but two anticipate it in November (including us), with the remaining expecting it in the last meeting of the year. For 2020, the median points to three additional 25bps cuts, which is one more than in the previous survey, taking the reference by year-end to 6.50% (Banorte: 6.00%). Overall results show an expectation of a slightly more aggressive easing cycle by Banxico.

**The GDP forecast for 2019 inched lower again, to 0.3%.** The estimate stands in line with our forecast (range: 0.1% - 0.6%). For 2020, economists still anticipate a 1.3% expansion (Banorte: 1.4%; range: 0.8%- 1.8%).

**Inflation for YE19 declined slightly.** Consensus expects inflation at 3.11% yoy, 3bps below the previous forecast (Banorte: 3.3%). Core inflation was basically unchanged at 3.62%. For 2020, the forecast remained unchanged for both headline and the core at 3.50% and 3.40%, respectively. For the 1<sup>st</sup> half of October, economists expect the headline at 0.43% 2w/2w, lower than our 0.38% estimate (range: 0.34% to 0.56%). The core component is expected at 0.16% (Banorte: 0.14%, range: 0.14% - 0.28%).

**Unchanged MXN forecasts for 2019.** The median forecast for year-end stood at USD/MXN 19.80, unchanged third consecutive time and below our 20.30 estimate. For next year, analysts' consensus declined to 20.10 per dollar from 20.42 (Banorte: 21.30).

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### GDP growth expectations % yoy, median

	2019	2020
<b>Banorte</b>	<b>0.3</b>	<b>1.4</b>
<b>Consensus*</b>	<b>0.4</b>	<b>1.3</b>
Banxico Survey	0.5	1.4
Banxico (2Q19 QR)	0.5	2.0
Ministry of Finance	0.9	2.0
IMEF	0.3	1.3
Citibanamex survey	0.3	1.3
Bloomberg	0.5	1.3

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

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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 Thalia 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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