

## Citibanamex Survey – Lower conviction for rate cuts this year

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- *Citibanamex* published yesterday its bi-weekly survey of economic expectations
- Out of 25 analysts surveyed, 14 (56%), including us, expect Banxico to cut the reference rate at least once in 2019. Of these, the majority sees a only one 25bps rate cut, with seven economists supporting this call
- GDP forecasts for 2019 were revised down from 1.5% to 1.4% yoy, while consensus for 2020 was left unchanged at 1.8%
- Inflation for 2019 picked-up 3bps to 3.77% (Banorte: 3.5%). For 2020, the median was also higher at 3.68%
- Inflation for the first half of May is estimated at -0.26% 2w/2w, lower than our forecast of -0.19%
- The FX forecast for year-end 2019 was revised to 20.00 pesos per dollar from 19.85 (Banorte: 20.30). Next year's forecast was also revised up to 20.25 from 20.00 pesos per dollar

**Fourteen out of twenty-five analysts expect Banxico to cut the reference rate at least once this year.** The share of surveyed analysts (56.0%) that expect a lower reference rate by the end of 2019 declined marginally from the 59.1% share observed previously, adding three surveys in decline. Among them, seven see only one 25bps cut (including us) and six forecast two cuts (accumulated: -50bps). Only one analyst expects an accumulated 100bps cut. On the other hand, eleven (44.0%) see the reference rate unchanged. Out of these, ten expect cuts in 2020 while only one did not specify the moment of the next move.

**GDP forecast for 2019 revised down.** In particular, the GDP growth estimate for this year stood at 1.4%, lower than the 1.5% observed in the previous survey, which matched our forecast (range: 0.9% - 1.7%). For 2020, economists still forecast a 1.8% expansion (range: 0.8%-2.2%; Banorte: 2.1%).

**Inflation for YE19 increased to 3.77%.** This represents a 3bps increase from the previous poll, straying further from our forecast of 3.5%. Core inflation was revised to 3.60% from 3.51%. For 2020, the forecast was also higher, going from 3.65% to 3.68%. For the first half of May, economists expect the headline at -0.26% 2w/2w, lower than our -0.19% (range: -0.47% - 0.00%). The core component is expected at 0.10% (Banorte: 0.13%, range: 0.00% - 0.26%).

**MXN year-end forecast weakens.** The median forecast for year-end 2019 was pushed to USD/MXN 20.00 from 19.85 in the previous survey (Banorte: 20.30). For next year, analysts also increased their forecast to USD/MXN 20.25 from 20.00.

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