

## Citibanamex Survey – Analysts are more confident that Banxico will stand pat in 2019

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- *Citibanamex* published yesterday its bi-weekly survey of economic expectations
- 13 out of 21 analysts surveyed, including us, expect Banxico to maintain the reference rate at 8.25% this year. Only two analysts expect a 25bps hike to close at 8.50%. From the six remaining, 4 expect a 25bps cut (to 8.00%) and two of them forecast -50bps, to end at 7.75%
- GDP forecasts were broadly unchanged, staying at 1.7% in 2019 and from 1.8% to 1.9% in 2020
- Inflation for 2019 was adjusted lower once again following recent surprises, from 3.9% to 3.8%. For 2020, consensus remained at 3.7%
- Inflation for the 1<sup>st</sup> half of February is estimated at 0.06% 2w/2w, higher than our forecast at -0.09%
- The FX forecast for year-end 2019 was lowered to 20.00 from 20.17 per dollar (Banorte: 21.30). On the contrary, the estimate for 2020 ticked up from 20.08 to 20.25 pesos per dollar

Thirteen out of twenty-one analysts expect Banxico to maintain the reference rate at 8.25% this year. This translates into a slight increase in the percentage of analysts that see an unchanged reference rate in 2019, with 61.9% of economists surveyed from 58.3% in the previous survey. Only two expect a 25bps rate hike, to close at 8.50% (9.5%), significantly lower than the 20.8% of the previous survey. Lastly, six analysts (28.5%) anticipate at least one rate cut during the year, one more than in the latest release. All in all, results consolidate the expectation of no changes in the reference rate this year while they also suggest a slightly more dovish bias by market analysts.

**GDP forecasts broadly unchanged.** For 2019, GDP was maintained at 1.7% (range: 1.0%-2.0%). For next year the estimate was revised marginally higher, from 1.8% to 1.9% (range: 0.8%-2.3%).

**Inflation this year was revised lower after recent surprises, to 3.80% yoy.** This figure implies a 10bps reduction relative to the previous survey. Core inflation was also lower, from 3.55% to 3.5%. For 2020, analysts' forecast for inflation stood at 3.7%. For the 1<sup>st</sup> half of February, economists expect the headline at 0.06% 2w/2w, above our -0.09% forecast which is the second-lowest in the sample (range: -0.10%-0.33%). The core component is expected at 0.24% (Banorte: 0.13%, range: 0.13%-0.31%).

**Slightly stronger Mexican peso by year-end.** The median forecast for year-end 2019 was lowered to USD/MXN 20.00 from 20.17 previously (Banorte: 21.30). For next year, analysts expect the currency at USD/MXN 20.25, higher than the previous estimate of 20.08 pesos per dollar.

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