

Citibanamex Survey – A more dovish Banxico by the end of the year

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- *Citibanamex* published today its bi-weekly survey of economic expectations
- The majority of analysts (87%) expect a lower reference rate by the end of the year, above the 72.7% of the previous survey. Within this group, ten anticipate a 50bps cut, with the majority expecting the first move in September
- GDP forecasts were revised lower for sixth consecutive time. For 2019, consensus went from 0.9% to 0.6% yoy (Banorte: 0.8%), while for 2020 the estimate was cut from 1.5% to 1.4% (Banorte: 1.4%)
- Year-end inflation was revised 3bps lower, to 3.70% (Banorte: 3.50%). For 2020, the median was lowered by the same magnitude, to 3.60%
- For July, inflation is estimated at 0.38% m/m, in line with our forecast. The forecast for the core component is 0.25%
- The FX for year-end 2019 was lowered to 19.80 pesos per dollar from 19.78 (Banorte: 20.30). Next year's estimate remained unchanged at 20.00 per dollar

Expectations of a more dovish stance by Banxico. 20 out of 23 economists (87%) expect at least one rate cut in the reference rate this year, four more than in the previous survey. Among them, 10 –including us– expect an accumulated cut of 50bps in 2019, while 7 expect -25bps. Only two expect a total of 75bps or more. This is more dovish than the median of -25bps seen in the previous survey. Regarding the date of the first cut, 4 anticipate in August, 15 in September (including us), and one in December. Of the remaining three analysts that expect an unchanged reference rate this year, two expect a lower rate by year-end 2020 and only one still expects it without changes.

GDP forecast for 2019 again to the downside. Growth for this year stood at 0.6% from 0.9% previously (Banorte: 0.8%, range: 0.1% - 0.9%), resulting in its sixth consecutive downgrade. For 2020, economists anticipate a 1.4% expansion, also below the previous survey (Banorte: 1.4%; range: 0.8%- 1.9%).

Inflation for YE19 back to 3.70%. This represents a 3bps decrease from the previous poll, still above our 3.5%. Core inflation increased to 3.65% (previous: 3.60%) . For 2020, the forecast fell to 3.60% (previous: 3.63%). For July, economists expect the headline at 0.38% m/m, in line with our estimate (range: 0.25% to 0.42%). The core component is expected at 0.25% (Banorte: 0.26%, range: 0.07% - 0.28%).

Few changes in MXN. The median forecast for year-end is at USD/MXN 19.80, practically unchanged from the 19.78 in the previous survey (Banorte: 20.30). For next year, analysts' consensus forecast stayed at 20.00 per dollar (Banorte: 21.30).

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GDP growth expectations % yoy, median

	2019	2020
Banorte	0.8	1.4
Consensus*	0.8	1.5
Banxico Survey	0.8	1.5
Banxico (1Q19 QR)	1.3	2.2
Ministry of Finance	1.6	1.9
IMEF	0.9	1.5
<i>Citibanamex</i> survey	0.6	1.4
Bloomberg	1.0	1.7

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

Document for distribution among public

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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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