

Citibanamex Survey – Lower growth and reference rate, with stable inflation by year-end

July 22, 2019

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- *Citibanamex* published today its bi-weekly survey of economic expectations
- The majority of analysts (72.7%) expect a lower reference rate by the end of the year, significantly above the 65.2% of the previous survey. Within this group most anticipate a 25bps cut, with the majority seeing it in September
- GDP forecasts were revised lower once again. For 2019, consensus went from 1.0% to 0.9% yoy, while for 2020 the estimate was cut from 1.7% to 1.5%
- Inflation for 2019 was higher by only 3bps to 3.73% (Banorte: 3.50%). For 2020, the median stood unchanged at 3.60%
- For the first half of July, inflation is estimated at 0.26% 2w/2w, above our 0.22% forecast
- The FX forecast for year-end 2019 was revised to 19.78 pesos per dollar from 19.93 (Banorte: 20.30). Next year's estimate is also lower, standing at 20.00 from 20.25 per dollar

Expectations of a lower reference rate consolidating. 16 out of 22 economists (72.7%) expect at least one rate cut in the reference rate this year, one more than in the previous survey. Among them, 12 –including us– expect only one 25bps cut, while 3 expect an accumulated cut of 50bps. Only one expects a total of 75bps. Regarding the date of the first cut this year, 10 anticipate it in September, 2 in November (including us), 3 in December and one did not specify it. Of the remaining six analysts, three of them expect the reference rate to remain unchanged at 8.25% at least until year-end 2020.

GDP forecast for 2019 revised down, once again. Growth for this year reached 0.9% from 1.0% in the previous survey, (Banorte: 0.8%, range: 0.5% - 1.5%). For 2020, economists anticipate a 1.5% expansion, also below with the previous survey (Banorte: 1.4%; range: 0.8%- 2.0%).

Inflation for YE19 just an inch higher, to 3.73%. This represents a 3bps increase from the previous poll and is still above our 3.5%. Core inflation remained at 3.60%. For 2020, the forecast was also revised slightly up to 3.63% (previous: 3.60%). For the first half of July, economists expect the headline at 0.26% 2w/2w, higher than our 0.22% (range: 0.11% to 0.32%). The core component is expected at 0.16% (Banorte: 0.15%, range: 0.09% - 0.28%).

A stronger MXN by year-end. The median forecast for year-end 2019 was pushed to USD/MXN 19.78 from 19.93 in the previous survey (Banorte: 20.30). For next year, analysts' estimates are also slightly more favorable for the peso, from USD/MXN 20.25 to 20.00 (Banorte: 21.30).

GDP growth expectations % yoy, median

	2019	2020
Banorte	0.8	1.4
Consensus*	1.0	1.6
Banxico Survey	1.1	1.7
Banxico (1Q19 QR)	1.3	2.2
Ministry of Finance	1.6	1.9
IMEF	0.9	1.5
<i>Citibanamex</i> survey	0.9	1.5
Bloomberg	1.1	1.7

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

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