

Citibanamex Survey –The easing cycle will keep going into 2020

November 20, 2019

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- *Citibanamex* published its bi-weekly survey of economic expectations
- All but one analyst, including us, expect Banxico to cut the reference rate in the December 19th meeting by 25bps to 7.25%
- For 2020, the median expectation is of a 75bps accumulated cut, for a year-end rate at 6.50% (Banorte: 6.00%)
- The GDP growth forecast for 2019 stayed at 0.1% (Banorte: 0.3%), with 2020 down once again, to 1.1% (previous: 1.2%; Banorte: 1.4%)
- The estimate for year-end inflation was unchanged at 3.00%, in line with our view. For 2020 it was increased by 4bps, to 3.54%
- For the 1st half of November, inflation is anticipated at 0.65% 2w/2w (Banorte: 0.62%). The core component is estimated at 0.17%, in line with our forecast
- The FX rate for year-end 2019 was lowered once again, to USD/MXN 19.60 from 19.75 (Banorte: 20.30). Next year's estimate increased to 20.18 per dollar from 20.07

Analysts expect the easing cycle to continue in a prudent manner. All but one analyst see Banxico cutting the reference rate by 25bps in December 19th, less than the five contributors that saw a 50bps cut in the latest decision. In our view, this signals higher conviction that the central bank will keep reducing the reference rate in a prudent manner. For 2020, the path continues implying 75bps of accumulated rate cuts, taking the reference rate by year-end to 6.50% (Banorte: 6.00%). This shows most analysts believe there is room to cut going forward, continuing with the easing cycle.

GDP forecasts remain skewed to the downside. The estimate for this year was unchanged at 0.1% (range: -0.2% to 0.3%). For 2020, economists lowered their view once again and by 10pbs, standing at 1.1% (Banorte: 1.4%; range: 0.8% - 1.5%).

Inflation for YE19 stays at 3.00%, in line with our forecast. On the other hand, the core component stood at 3.60%, also in line with our expectation. For next year, headline inflation inched 4bps higher, to 3.54%. For the first half of November, economists expect the headline at 0.65% 2w/2w (Banorte: 0.62%, range: 0.54% to 0.85%). The core component is estimated at 0.17% (Banorte: 0.17%, range: 0.13% - 0.23%).

Mixed changes to MXN forecasts. The median forecast for year-end 2019 stood at USD/MXN 19.60, 15 cents below the previous figure (Banorte: 20.30). However, for 2020 it climbed to 20.18 per dollar from 20.07 (Banorte: 21.30).

GDP growth expectations % yoy, median

	2019	2020
Banorte	0.3	1.4
Consensus*	0.2	1.2
Banxico Survey	0.2	1.2
Banxico (2Q19 QR)	0.5	2.0
Ministry of Finance	0.9	2.0
IMEF	0.1	1.1
<i>Citibanamex</i> survey	0.1	1.1
Bloomberg	0.2	1.2

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

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