

Citibanamex Survey – Uncertainty about the magnitude of the easing cycle in 2020

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- *Citibanamex* published its bi-weekly survey of economic expectations
- All analysts expect Banxico to cut the reference rate in the December 19th meeting by 25bps to 7.25%.
- For 2020, opinions are more dispersed. The median calls for accumulated cuts of 75bps to 6.50%, lower than our -125bps (to 6.00%)
- The GDP growth forecast for 2019 was cut to 0.0% (Banorte: -0.1%), with 2020 declining again to 1.0% (previous: 1.1%; Banorte: 1.4%)
- The estimate for year-end inflation stands at 2.93%, slightly below our 3.00%. For 2020, it inched lower by 4bps, to 3.50%
- For November, inflation is anticipated at 0.82% m/m (Banorte: 0.85%). The core component is estimated at 0.22%, 1bp below our expectation
- The exchange rate for year-end 2019 was unchanged at USD/MXN 19.60 (Banorte: 20.30). Next year's estimate fell to 20.05 per dollar from 20.18

Analysts' opinions are spread about the depth of the easing cycle. All 25 analysts see Banxico cutting the reference rate by 25bps in December 19th, to 7.25%. Assuming this move materializes, the range of accumulated cuts for 2020 varies between 25 to 125bps, showing diverse opinions on the matter. The median and mode, comprised of 7 analysts, call for a 75bps decrease, with a year-end rate at 6.50%. Our view of -125bps is shared by 5 more, while the case for -50pb and -100bps is estimated by 5 analysts in each case. In our view, this is a clear signal regarding the high degree of uncertainty about the depth of the easing cycle, with all analysts agreeing in the direction but not the magnitude.

GDP forecasts still weakening. The estimate for this year was cut to 0.0% from 0.1% (range: -0.2% to 0.2%; Banorte: -0.1%). For 2020, economists also lowered their estimates, at 1.0% from 1.1% (range: 0.6% - 1.6%).

Inflation for YE19 lowered to 2.93%, slightly below our forecast. The core component stood at 3.59% (Banorte: 3.60%). For next year, headline inflation inched 4bps lower, to 3.50%. For November, economists expect the headline at 0.82% m/m (Banorte: 0.85%, range: 0.79% to 1.03%). The core component is estimated at 0.22% (Banorte: 0.23%, range: 0.18% - 0.27%).

Slight adjustments to the MXN. The median forecast for year-end 2019 remained at USD/MXN 19.60 (Banorte: 20.30). For 2020, it was reduced to 20.05 per dollar from 20.18 (Banorte: 21.30).

GDP growth expectations
% yoy, median

	2019	2020
Banorte	-0.1	1.4
Consensus*	0.1	1.2
Banxico Survey	0.0	1.1
Banxico (3Q19 QR)	0.0	1.3
Ministry of Finance	0.9	2.0
IMEF	0.1	1.1
<i>Citibanamex</i> survey	0.0	1.0
Bloomberg	0.2	1.2

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

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