

Citibanamex Survey – Stronger conviction about two 25bps cuts this year

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- *Citibanamex* published yesterday its bi-weekly survey of economic expectations
- Out of 24 analysts surveyed, 15 (62.5%), including us, expect Banxico to cut the reference rate at least once in 2019. Of these, the majority sees a total accumulated rate cut of 50bps, with nine economists from seven in the previous survey
- For the fourth consecutive time, GDP forecasts were left unchanged at 1.5% for 2019 and 1.8% for 2020
- Inflation for 2019 declined 10bps to 3.6% (Banorte: 3.5%). For 2020, consensus was also marginally lower at 3.6%
- Inflation for the 1st half of April is estimated at -0.20% 2w/2w, slightly lower than our forecast of -0.14%
- The FX forecast for year-end 2019 was revised to 19.95 pesos per dollar from 20.10 (Banorte: 20.30). The estimate for 2020 was revised marginally up, to 20.10 from 20.00 pesos per dollar

Fifteen out of twenty-four analysts expect Banxico to cut the reference rate at least once this year. The share of surveyed analysts (62.5%) that expect a lower reference rate by the end of 2019 declined marginally from the 64% in the previous survey. Among them, four see only one 25bps cut, nine forecast two (accumulated: -50bps), one expects three reductions and another estimates -100bps. On the other hand, eight (37.5%) see an unchanged rate. Of these, eight expect cuts in 2020, while only one did not specify the moment of the next move. It is worth noting that no one expects a higher reference rate by year-end, with a clear easing bias among analysts that is also reflected in market pricing for a one-year ahead horizon according to rates futures.

GDP forecasts unchanged for a fourth consecutive time. For 2019, GDP stayed at 1.5%, in line with our expectations (range: 1.0%-1.8%) and 2020 at 1.8% (range: 0.8%-2.4%; Banorte: 2.1%).

Inflation for YE19 declines to 3.6%. This represents a 10bps decline from the previous survey, inching closer to our long-held forecast of 3.5%. Core inflation was unrevised at 3.5%. For 2020, analysts' forecast was also slightly lower, going from 3.65% to 3.60%. For the 1st half of April, economists expect the headline at -0.20% 2w/2w, lower than our -0.14% (range: -0.34% -0.01%). The core is expected at 0.20% (Banorte: 0.29%, range: 0.04%-0.29%).

Stronger MXN after the recent rally. The median forecast for year-end 2019 was lowered to USD/MXN 19.95 from 201.0 in the previous survey (Banorte: 20.30). For next year, analysts increased their forecast slightly to USD/MXN 20.10 from 20.00.

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