

Citibanamex Survey – Diverse opinions remain about the reference rate in 2020

December 20, 2019

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- *Citibanamex* published yesterday its bi-weekly survey of economic expectations
- In line with the abovementioned decision, all but one analysts expected a 25bps cut in the reference rate, remembering that the survey was carried out before Banxico published its communiqué
- For 2020, opinions are still 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 remained at 0.0% (Banorte: -0.1%), with 2020 edging-up to 1.1% (previous: 1.0%; Banorte: 1.4%)
- The estimate for year-end inflation stands at 2.86%, down from 2.93% in the previous survey. For 2020, it stood at 3.50%
- For the first half of December, inflation is anticipated at 0.43% 2w/2w (Banorte: 0.38%). The core component is estimated at 0.38%, in line with our expectations
- The exchange rate for year-end 2019 was revised down to USD/MXN 19.26 from 19.60 (Banorte: 19.30). Next year's estimate fell to 20.00 per dollar from 20.05

Analysts' opinions are still spread about the depth of the easing cycle. All but one of the 25 analysts expected Banxico to cut the reference rate by 25bps at yesterday's meeting, remembering that the survey was carried out before the central bank published its communiqué. For 2020, the range of accumulated cuts for 2020 varies widely, between 25 to 125bps, showing several opinions on the matter. The median and mode, comprised of 9 analysts, calls for a 75bps accumulated decrease, with a year-end rate at 6.50%. Our view of -125bps is shared by 4 more, while the case for -50pb and -100bps is estimated by 6 and 4 analysts, respectively. Relative to the previous survey, there seems to be less conviction of a deeper easing cycle, although uncertainty is still quite high.

GDP forecasts largely unchanged. The estimate for this year was left at 0.0% (range: -0.2% to 0.1%; Banorte: -0.1%). For 2020, economists actually raised their estimates, at 1.1% from 1.0% (range: 0.8% - 1.5%).

Inflation for YE19 inched lower again, at 2.86% from 2.93%. The core component was unchanged at 3.59%. For next year, headline inflation was also flat at 3.50%. For the first half of December, economists expect the headline at 0.43% 2w/2w (Banorte: 0.38%, range: 0.31% to 0.57%). The core component is estimated at 0.38%, in line with our expectation (range: 0.18% - 0.45%).

Downward adjustments to the MXN. The median forecast for year-end 2019 fell to USD/MXN 19.26 from 19.60 (Banorte: 19.30). For 2020, it was reduced to 20.00 per dollar from 20.05 (Banorte: 20.20).

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GDP growth expectations % yoy, median

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

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

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