

Mexico central bank further slashes growth forecast for 2019

Mexico's central bank (Banxico) cut its economic growth forecast in 2019 for the fourth time on **Wednesday**, warning of global and domestic risks to investment and consumer sentiment in Latin America's No. 2 economy.

In its quarterly inflation report, the **Bank of Mexico** said pressures on the Mexican economy, which contracted 0.2% in the first quarter compared to the previous three-month period, ranged from lower U.S. industrial output, global trade disputes to uncertainty over domestic policies in Mexico.

The bank cut its gross domestic product growth forecast for 2019 to a range of **0.8%-1.8% from 1.1%-2.1%** previously.

Vowing to boost growth and investment, **Mexican President Andrés Manuel López Obrador** has said the economy will expand "at least" 2% in 2019 and 3% in 2020.

The central bank maintained its view for 2020 growth at 1.7%-2.7%, but said that the balance of risks for growth remains tilted to the downside due to rising uncertainty.

"We expect activity to rebound in the coming quarters," **Banxico governor Alejandro Díaz de León** told reporters after presenting the report.

A significant challenge for the economy is uncertainty over the credit rating of state oil firm Pemex, the bank said.

Ratings agencies **Fitch and Standard & Poor's** this year cut the standalone assessment of **Pemex**, which is burdened by **USD\$106 billion of debt**, and put it on negative outlook, inching the firm closer to a financial cliff.

Turning to the outlook on price developments, the bank said it sees inflation at 3.7% at the end of the year, versus a prior view of 3.4%. It also raised its projection for inflation at the end of 2020 to 3.0%, from 2.7% previously.

Banxico said it expects inflation to converge toward its target of 3.0% +/- one percentage point during the third quarter 2020, rather than in the first half of next year, as previously forecast.