

## Banxico's Survey – Most analysts anticipate a rate hike in December, although the percentage has reduced significantly

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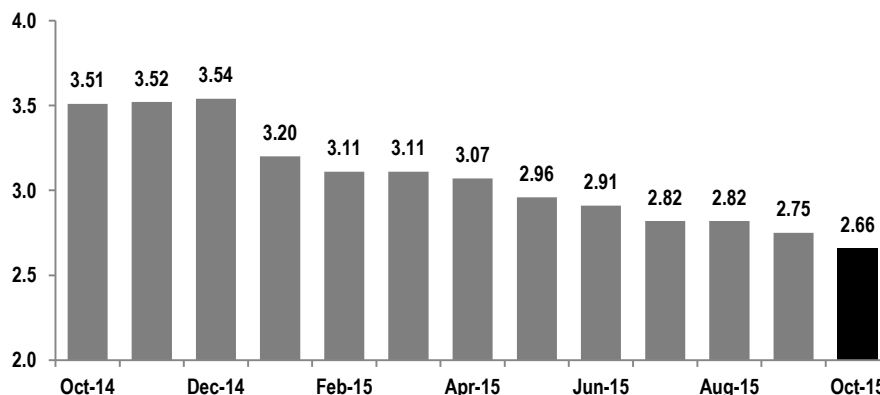
- Banxico just published its monthly survey of expectations for October 2015
- We highlight that **58%** of the analysts surveyed expect Banxico to hike rates in December 2015, although the percentage has reduced significantly (previous: 82%)
- Analysts' median for 2015 inflation stands at 2.66% yoy, below the 2.75% observed in the previous survey. For 2016, inflation is expected at 3.44%
- Medium-term inflation expectations stood at 3.4%
- GDP forecast for 2015 edged marginally down to 2.29% yoy (previous: 2.31%)
- Moreover, the exchange rate is expected to end 2015 at USD/MXN16.75, in line with August's survey

In terms of interest rates, **58%** of the analysts surveyed expect a rate hike in the next Banxico's meeting that will take place in December 17, although the percentage has reduced significantly (previous: 82%). Moreover, all analysts anticipate a higher fund rate in the third quarter of 2016. Similarly, the average of analysts estimates that the interest rate would close in 2016 around 4%. According to other surveys, such Banamex, the median analyst expects the next movement of the monetary authority to be a 25bps rate hike in December 2015, in line with our forecast.

**Year-end inflation estimate for 2015 is at 2.66%, below the 2.75% observed in the previous survey (Banorte-Ixe: 3%).** Consensus' estimate for core inflation in 2015 stood at 2.69% yoy. For the next 12-months, inflation is expected to be at 3.67% yoy, below the 3.76% observed in September.

Year-end for 2015 inflation expectations

% yoy



Source: Banorte-Ixe and Banxico

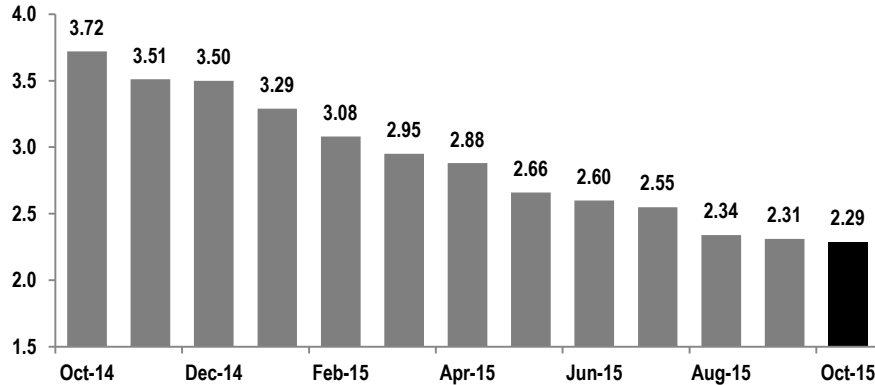
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**Medium-term inflation expectations edged marginally down.** Medium-term expectations (1-4 years) stood at 3.39% (previous: 3.41%), while long-term expectations (5-8 years) remain stable at 3.40% yoy (previous: 3.46%).

**Mexico’s 2015 GDP expectations were revised marginally down.** According to Banxico’s survey of expectations (October), analysts’ consensus forecast for Mexico’s GDP growth stand at 2.29%, marginally below the 2.31% observed in the previous survey, as shown in the chart below.

**GDP growth expectations**

% yoy



Source: Banorte-Ixe and Banxico

**Moreover, economists surveyed expect the Mexican peso to close 2015 at USD/MXN16.75, in line with the observed in September.** For 2016, analysts revised their FX forecast to USD/MXN16.55 from USD/MXN16.32.

**Finally, weak external market is the main factor that could hamper economic growth according to analysts.** Among the main factors which could affect Mexico’s economic performance Banxico’s survey includes: (1) Weak external market and world economy (25%); (2) international financial volatility (21% of respondents); (3) lower platform of oil production (15%); and (4) public security problems (13%).

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