

# Banxico's Survey – Marginally higher inflation for 2017

October 2, 2017

www.banorte.com  
www.ixe.com.mx  
@ analisis\_fundam

**Delia Paredes**  
Executive Director of Economic Analysis  
delia.paredes@banorte.com

**Francisco Flores**  
Economist, Mexico  
francisco.flores.serrano@banorte.com

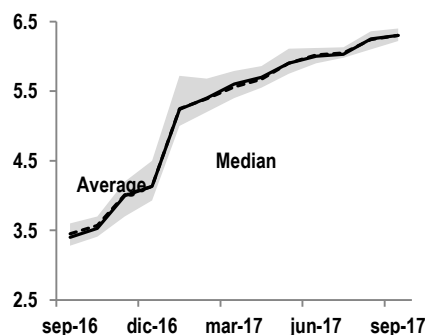
- Banxico just published its survey of expectations in September
- Consensus expects inflation at 6.3% at the end of 2017 above previous 6.25% (Banorte-Ixe: 6.4%)
- For 2018, consensus forecasts a 3.79% inflation, while medium term expectations are at 3.5% (Banorte-Ixe: 3.5%)
- Economists expect Banxico's reference rate at 7% by year-end (Banorte-Ixe: 7%)
- For this year, growth expectations were marginally revised at 2.1% from 2.15% (Banorte-Ixe: 1.9%)
- For next year, analysts expect growth in the area of 2.3% yoy below the previous estimate of 2.4%
- Exchange rate forecast for year-end was revised down to 18.05 USD/MXN from 18.2 (Banorte-Ixe: 18.1 USD/MXN)

**Banxico just published its survey of expectations in September.** Inflation forecasts for 2017 stand at 6.3% yoy, marginally above the 6.25% seen in the previous survey (Banorte-Ixe: 6.4%). In the meantime, expectations for core inflation in 2017 are at 4.9%, below the 4.99% from the previous survey. Inflation in the next 12-months is expected at 3.81% yoy, vs. previous 3.82%. For year-end 2018 inflation is forecasted at 3.79% (previous: 3.8%)

**Medium term expectations are in line with previous survey.** The median for medium term expectations (1- 4 years) are at 3.5%. Meanwhile, long term expectations (5- 8 years) are at 3.3%, in line with August's survey.

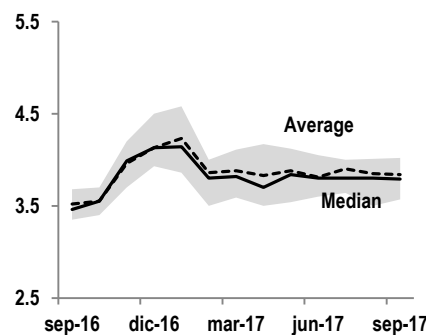
Document for distribution among public

**Inflation expectations for 2017**  
% yoy



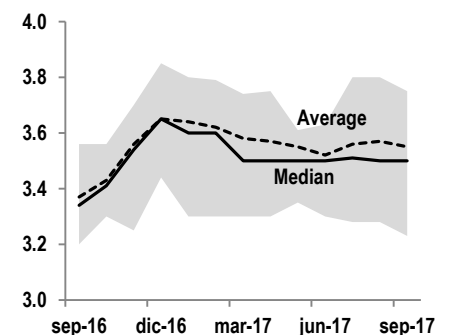
Source: Banxico

**Inflation expectations for 2018**  
% yoy



Source: Banxico

**Inflation expectations in the medium term**  
% yoy



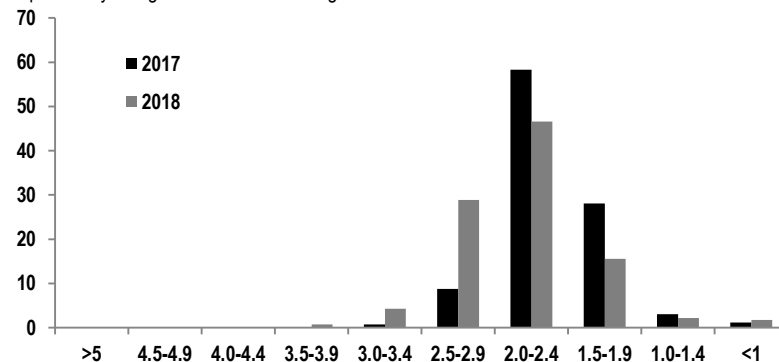
Source: Banxico

**Analysts expect the reference rate at 7% for year end.** For next year, they expect the monetary authority to cut the reference rate in about 50bps. This is in line with our own view that Banxico will remain on hold for the remainder of the year and that they will consider cutting rates in the second half of next year, once inflation starts to converge towards their target rate.

**Growth expectations for 2017 practically in line with previous survey.** According to Banxico's survey (September), analysts marginally revised their growth forecast to 2.1% from 2.15% (Banorte-Ixe: 1.9%), as shown below. For 2018, analysts downgraded their estimates to 2.3% from 2.4% (Banorte-Ixe: 2.5% yoy).

**GDP Growth estimates**

% probability that growth falls in each range

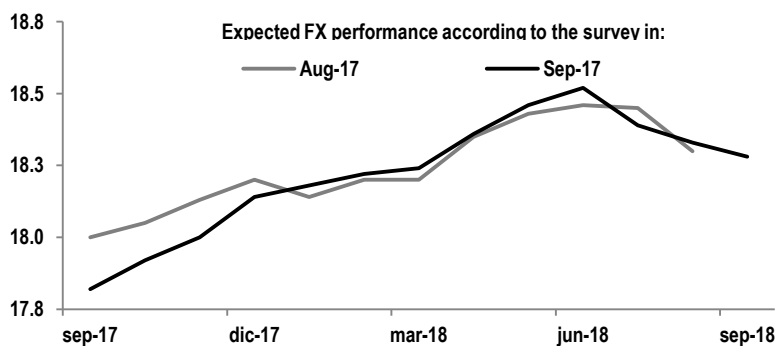


Source: Banxico

**Analysts expect a lower exchange rate for 2017.** Estimates stand at USD/MXN18.05 from USD/MXN18.2 (Banorte-Ixe: 18.1) for YE17. For 2018, they expect the currency to finish the year at USD/MXN18.15 from USD/MXN18.11 (Banorte-Ixe: 18.6).

**Expected FX performance**

MXN/USD



Source: Banxico

**Insecurity is one of the main obstacles for economic growth.** Among the factors that could have an adverse impact on Mexico's economic growth are: (1) Insecurity (18% of responses); (2) oil production output (14%); (3) domestic policy uncertainty (13%); (4) weakness in the domestic market (18%); and (5) inflation pressures (8%).

**Disclaimer**

The information contained in this document is illustrative and informative so it should not be considered as an advice and/or recommendation of anand kind. BANORTE is not part of and or political trend.

**GRUPO FINANCIERO BANORTE S.A.B. de C.V.**
**Research and Strategy**

Gabriel Casillas Olvera	Chief Economist and Head of Research	gabriel.casillas@banorte.com	(55) 4433 - 4695
Raquel Vázquez Godínez	Assistant	raquel.vazquez@banorte.com	(55) 1670 - 2967

**Economic Analysis**

Delia María Paredes Mier	Executive Director of Economic Analysis	delia.paredes@banorte.com	(55) 5268 - 1694
Alejandro Cervantes Llamas	Senior Economist, Mexico	alejandro.cervantes@banorte.com	(55) 1670 - 2972
Katia Celina Goya Ostos	Senior, Global Economist	katia.goya@banorte.com	(55) 1670 - 1821
Miguel Alejandro Calvo Domínguez	Economist, Regional & Sectorial	miguel.calvo@banorte.com	(55) 1670 - 2220
Juan Carlos García Viejo	Economist, International	juan.garcia.viejo@banorte.com	(55) 1670 - 2252
Francisco José Flores Serrano	Economist, Mexico	francisco.flores.serrano@banorte.com	(55) 1670 - 2957
Lourdes Calvo Fernández	Analyst (Edition)	lourdes.calvo@banorte.com	(55) 1103 - 4000 x 2611

**Fixed income and FX Strategy**

Alejandro Padilla Santana	Head Strategist – Fixed income and FX	alejandro.padilla@banorte.com	(55) 1103 - 4043
Juan Carlos Alderete Macal, CFA	FX Senior Strategist	juan.alderete.macal@banorte.com	(55) 1103 - 4046
Santiago Leal Singer	Strategist Fixed income and FX	santiago.leal@banorte.com	(55) 1670 - 2144

**Equity Strategy**

Manuel Jiménez Zaldivar	Director Equity Research — Telecommunications / Media	manuel.jimenez@banorte.com	(55) 5268 - 1671
Víctor Hugo Cortes Castro	Equity Research Analyst	victorh.cortes@banorte.com	(55) 1670 - 1800
Marissa Garza Ostos	Senior Equity Research Analyst – Conglomerates / Financials/ Mining / Chemistry	marissa.garza@banorte.com	(55) 1670 - 1719
José Itzamna Espitia Hernández	Equity Research Analyst – Airlines / Airports / Cement / Infrastructure / Fibras	jose.espitia@banorte.com	(55) 1670 - 2249
Valentín III Mendoza Balderas	Equity Research Analyst – Auto Parts/ Consumer Discretionary / Real Estate / Retail	valentin.mendoza@banorte.com	(55) 1670 - 2250
Itzel Martínez Rojas	Analyst	itzel.martinez.rojas@banorte.com	(55) 1670 - 2251

**Corporate Debt**

Tania Abdul Massih Jacobo	Director Corporate Debt	tania.abdul@banorte.com	(55) 5268 - 1672
Hugo Armando Gómez Solís	Senior, Corporate Debt	hugo.gomez@banorte.com	(55) 1670 - 2247
Gerardo Daniel Valle Trujillo	Analyst, Corporate Debt	gerardo.valle.trujillo@banorte.com	(55) 1670 - 2248

**Wholesale Banking**

Armando Rodal Espinosa	Head of Wholesale Banking	armando.rodal@banorte.com	(55) 1670 - 1889
Alejandro Eric Faesi Puente	Head of Global Markets and Institutional Sales	alejandro.faesi@banorte.com	(55) 5268 - 1640
Alejandro Aguilar Ceballos	Head of Asset Management	alejandro.aguilar.cebillos@banorte.com	(55) 5268 - 9996
Arturo Monroy Ballesteros	Head of Investment Banking and Structured Finance	arturo.monroy.ballesteros@banorte.com	(55) 5004 - 1002
Gerardo Zamora Nanez	Head of Transactional Banking, Leasing and Factoring	gerardo.zamora@banorte.com	(81) 8318 - 5071
Jorge de la Vega Grajales	Head of Government Banking	jorge.delavega@banorte.com	(55) 5004 - 5121
Luis Pietrini Sheridan	Head of Private Banking	luis.pietrini@banorte.com	(55) 5004 - 1453
René Gerardo Pimentel Ibarrola	Head of Asset Management	pimentelr@banorte.com	(55) 5268 - 9004
Ricardo Velázquez Rodríguez	Head of International Banking	rvelazquez@banorte.com	(55) 5004 - 5279
Víctor Antonio Roldan Ferrer	Head of Corporate Banking	victor.roldan.ferrer@banorte.com	(55) 5004 - 1454