

Banamex Survey – Analysts are divided in two fields between Banxico’s next rate hike

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- Banamex just published its bi-weekly survey of economic expectations
- The median of economists expect Banxico’s rate will close 2016 at 3.75%, unchanged from the previous survey and in line with our forecast
- In this context, analysts are divided in two fields for Banxico’s next rate hike, 45.8% in 1Q16 and the same share in 2Q16
- Inflation forecast for year-end 2016 stood at 3.1% yoy, slightly below the 3.2% observed previously (Banorte-Ixe: 2.8%)
- Similarly, economists expect inflation at 0.09% 2w/2w in the first half of January, in line with our estimate
- For 2015, analysts expect an economic expansion of 2.5% yoy, slightly above the 2.4% observed in the previous survey (Banorte-Ixe: 2.5%)
- Moreover, for 2016 GDP growth is expected at 2.44% yoy, marginally below the 2.5% observed in the last survey (Banorte-Ixe: 2.5%)
- The exchange rate forecast was strongly revised to USD/MXN 17.50 by YE16, significantly above the 17.10 of the latest survey

The median of economists expect Banxico’s next rate hike in May-16 (previous: April-2016). The median of analysts expect Banxico’s rate will close 2016 at 3.75%, in line with our forecast. In this context, 45.8% of the analysts surveyed (11 of 24) expect Banxico’s next rate hike in 1Q16, in line with our forecast. On the other hand, another equal share believes that Banxico’s next move will take place in 2Q16.

Slight changes in year-end 2016 inflation forecast. Inflation estimate for year-end 2016 stood at 3.1% yoy, slightly below the 3.2% observed in the previous survey. Furthermore, core CPI is expected to increase 3.06% yoy in 2016, also lower. For 2017, inflation is expected at 3.24% yoy, while medium term inflation expectations stand around 3.3% yoy. For January 22, economists expect inflation at 0.09% 2w/2w in the first half of January, in line with our estimate, while core inflation would stand at 0.19% in the same period (Banorte-Ixe: 0.17% 2w/2w).

GDP forecasts practically unchanged while a significantly weaker peso is expected. For 2015, GDP growth is expected at 2.44% yoy, marginally below the 2.5% observed in the previous survey (Banorte-Ixe: 2.5%; range: 2.2-2.6%). For 2016, consensus expects an economic expansion of 2.64% yoy, also lower from the 2.7% observed previously (Banorte-Ixe: 2.7; range: 1.8-3.5%). Similarly, for 2017, economists expect that GDP could grow 3% yoy (Banorte-Ixe: 3.1%). Moreover, the median exchange rate forecast for year-end 2016 stands at USD/MXN 17.50, significantly higher than the 17.10 estimate in the latest survey (Banorte-Ixe: 17.60). For 2017, analysts expect the currency to finish at 17.10 pesos per dollar (Banorte-Ixe: 16.90).

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