

Banamex Survey – Analysts expect Banxico to hike 50bps during 2016

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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%, in line with our forecast
- Inflation forecast for year-end 2016 stood at 3.2% yoy, slightly below the 3.3% observed previously (Banorte-Ixe: 2.8%)
- Similarly, economists expect inflation at 0.11% 2w/2w in the first half of January, above our -0.01% forecast
- For 2015, analysts expect an economic expansion of 2.5% yoy, slightly above the 2.4% observed in previous survey (Banorte-Ixe: 2.5%)
- Moreover, for 2016 the economists expect a GDP growth of 2.7% yoy, in line with our estimate
- The exchange rate forecast stands at USD/MXN 17.10 in YE16, above with the 16.65 estimate in the latest survey

The median of economists expect Banxico's rate will close 2016 at 3.75%. After Banxico's decision that took place last December, in which the board decided to increase the reference rate by 25bps, leaving it at 3.25% -as it was widely expected-, the median of economists 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 45.8% 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 3.3% yoy, slightly below the 3.2% observed in the previous survey. Furthermore, core CPI is expected to increase 3.05% yoy in 2016. For 2017, inflation is expected at 3.23% yoy, while medium term inflation expectations stand around 3.3% yoy. For next January-22, economists expect inflation at 0.11% 2w/2w in the first half of January, above our -0.01% forecast, while core inflation would stand at 0.2% in the same period (Banorte-Ixe: 0.11% 2w/2w).

GDP forecasts practically unchanged while a weaker peso is expected. For 2015 GDP estimate stands at 2.5% yoy, slightly above the 2.4% observed in the previous survey, but in line with our forecast (range: 2.2% - 2.6%). For 2016, consensus expects an economic expansion of 2.7% yoy, slightly above with the 2.6% observed in the latest survey (Banorte-Ixe: 2.7; range: 1.9% - 3.5%). Similarly, for 2017, economists expect that GDP could growth 3% yoy (Banorte-Ixe: 3.1%). Moreover, the median exchange rate forecast for year-end 2016 stands at USD/MXN 17.10, above the 16.65 estimate in the latest survey (Banorte-Ixe: 17.60). For 2017, analysts expect the currency to finish at 17.00 pesos per dollar (Banorte-Ixe: 16.90).

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