

Banxico’s Survey – FX forecasts continue seeing a weaker peso for year-end

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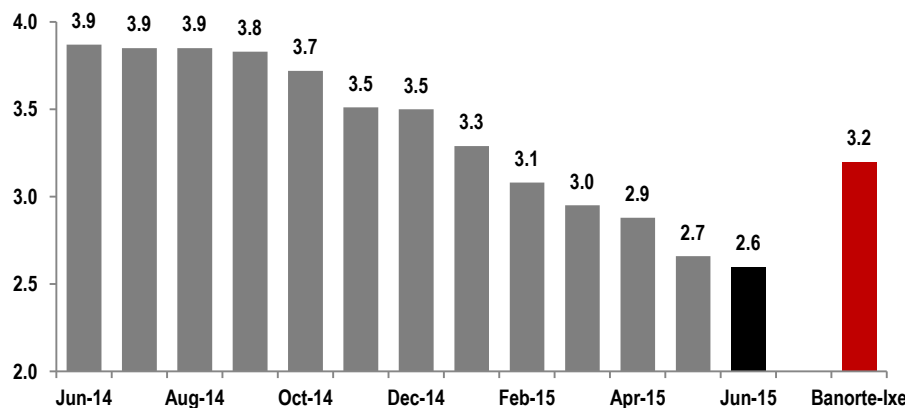
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- Banxico just published its monthly survey of expectations for June 2015
- GDP forecast for 2015 edged marginally down to 2.6% yoy (previous: 2.7%)
- Moreover, the exchange rate is expected to end 2015 at USD/MXN15.26, above May’s survey (USD/MXN15.08)
- Analysts’ median for 2015 inflation stands at 2.91% yoy, slightly below the 2.96% observed in the previous survey. For 2016, inflation is expected at 3.36%
- Medium-term inflation expectations stood at 3.43%
- Finally, analysts expect Banxico to remain on hold at least until 4Q15

Mexico’s 2015 GDP expectations were revised down for the tenth consecutive month. According to Banxico’s survey of expectations (June), analysts’ consensus forecast for Mexico’s GDP growth stand at 2.6% marginally below the 2.7% observed in the previous survey, as shown in the chart below.

Moreover, economists surveyed expect the Mexican peso to close 2015 at USD/MXN15.26, above the USD/MXN15.08 observed in May (Banorte-Ixe: 14.90). For 2016, analysts also revised their FX forecast to USD/MXN15.01 from USD/MXN14.81 (Banorte-Ixe: 14.50).

GDP growth expectations
% yoy



Source: Banorte-Ixe and Banxico

Year-end inflation estimate for 2015 is at 2.91%, slightly below the 2.96% observed in the previous survey. Consensus' estimate for core inflation in 2015 stood at 2.67% yoy. For the next 12-months, inflation is expected to be at 3.65% yoy, slightly below the 3.69% yoy observed in May.

Medium-term inflation expectations edged marginally up when compared to the previous survey. Medium-term expectations (1-4 years) stood at 3.43% (previous: 3.4%), while long-term expectations (5-8 years) stood similarly at 3.43% yoy (previous: 3.38%).

Finally, in terms of interest rates, analysts expect Banxico to remain on hold at least until 4Q15. Economists surveyed expect the reference rate to be above its current level until 4Q15. According to Banamex's survey, the median analyst expects the next movement of the monetary authority to be a 25bps rate hike in October 2015 (Banorte-Ixe: Sep-2015). Nevertheless, it is worth mentioning that the deadline for analysts' responses was before Banxico's calendar changes announced on Wednesday. For another details please refer to our note "*Banxico announces changes to its monetary policy meeting schedule for 2H15*", (July 1, 2015), [\[Here\]](#).

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