

## Banxico’s Survey – Analyst expect a stronger FX by year-end

August 1, 2017

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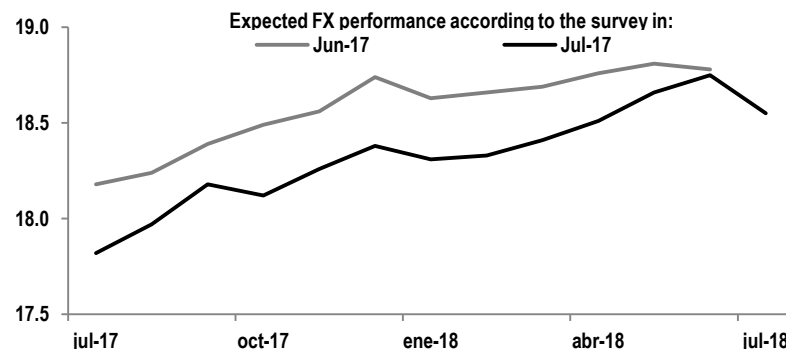
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- Banxico just published its survey of expectations in July
- The main change in the survey comes from the downward revision to FX estimates for year-end with analysts now expecting a level of USD/MXN from 18.38 (Banorte-Ixe: 18.1 USD/MXN)
- Meanwhile, consensus maintained its inflation expectation for year-end at 6.03% at the end of 2017 (Banorte-Ixe: 5.7%)
- For 2018, consensus forecasted a 3.8% inflation rate, while medium term expectations are at 3.51% (Banorte-Ixe: 3.5%)
- Economists expect Banxico's reference rate at 7% by year-end (Banorte-Ixe: 7%)
- For 2017, growth expectations remained unchanged at 2% (Banorte-Ixe: 1.9%)
- For next year, analysts expect growth in the area of 2.3% y/y in line with previous survey

**Banxico just published its survey of expectations in July.** The main change in the survey comes from the downward revision to FX estimates for year-end with analysts now expecting a level of USD/MXN from 18.38 (Banorte-Ixe: 18.1 USD/MXN) from USD/MXN18.7 in previous survey. For 2018, they expect the currency to finish the year at USD/MXN18.19 from USD/MXN18.46 (Banorte-Ixe: 18.6). This change came on the back of lower levels of uncertainty at a global level, in particular regarding NAFTA renegotiation conditions, which do not include market restriction issues. Moreover, S&P recently changed Mexico’s sovereign debt outlook from ‘negative’ to ‘stable’ drastically reducing the possibility of seeing a downgrade in the rating in the near future.

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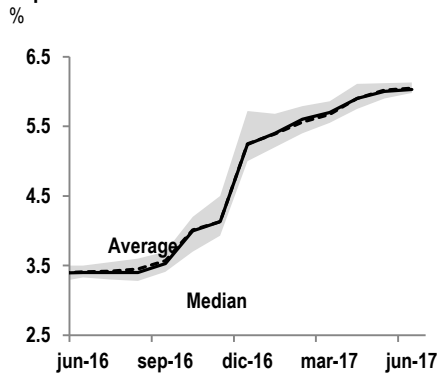
Exchange rate forecast  
USD/MXN



**Meanwhile, inflation forecasts for 2017 remained unchanged at levels of 6% (Banorte-Ixe: 5.7%).** In the meantime, expectations for core inflation in 2017 also remained at 4.92%. In the next 12-months, inflation is expected at 3.92% yoy, vs. previous 3.8%. For year-end 2018 inflation is expected at 3.8%, unchanged from previous survey.

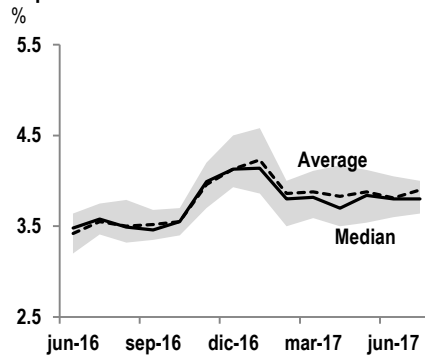
**Medium term expectations are also in line with previous survey.** The median for medium term expectations (1- 4 years) are at 3.51% (previous: 3.5%). Meanwhile, long term expectations (5- 8 years) are at 3.3%, in line with June's survey, as shown in the charts below.

**Expectations for 2017**



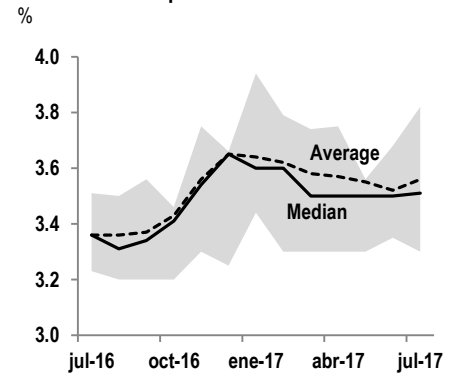
Source: Banxico

**Expectations for 2018**



Source: Banxico

**Medium-term expectations**



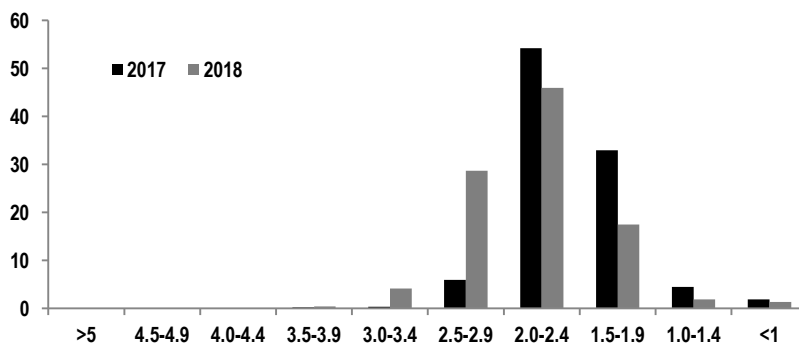
Source: Banxico

**Analysts expect the reference rate to remain unchanged at 7% year-end.** This figure did not change from previous survey and it is in line with our own expectation that the monetary authority will remain on hold for the rest of the year. In this context, we do not expect any changes in monetary policy at Banxico's next meeting on August 10, with a *communiqué* that will likely show a very similar tone to that of their last meeting (see note: "*Banxico's hiking cycle comes to an end*" [<here>](#)).

**Growth expectations for 2017 in line with previous survey.** According to Banxico's survey (July), analysts expect economic growth in the area of 2% (Banorte-Ixe: 1.9%) unchanged from previous survey, as shown below. For 2018, analysts expect an economic expansion of 2.3% (Banorte-Ixe: 2.5% yoy).

**Growth expectations 2017-2018**

% probability of growth in the range indicated



Source: Banxico

**Uncertainty about the country's politic situation is the main obstacle for economic growth.** Among the factors that could have an adverse impact on Mexico's economic growth are: (1) Uncertainty about the country's politic situation (16% of responses); (2) insecurity (16%); (3) oil production output (12%); (4) inflation pressures (16.1%); and (5) global political instability with 8% of responses.

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