

Banamex Survey – Analysts still expect an additional 50bps hike in the reference rate throughout 2016

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- Banamex just published its bi-weekly survey of economic expectations
- We highlight that this is the first survey published after last week's announcement in which the MoF announced a MXN\$132 billion fiscal cut (USD\$ 7.3 billion) and Banxico raised the reference rate by 50bps
- In this context, the median of economists now expects Banxico's rate will close 2016 at 4.25%, in line with our forecast
- Moreover, 40.9% of analysts expect Banxico's rate hike in June 30, while 27.3% expect it in 3Q16 (median: July)
- For 2016, analysts now expect an economic expansion of 2.4% yoy, below the 2.6% observed in the previous survey (Banorte-Ixe: 2.7%)
- Similarly, for 2017 GDP growth is expected at 3% yoy (Banorte-Ixe: 3.1%)
- Inflation forecast for year-end 2016 stood at 3.1% yoy, practically in line with the previous survey (Banorte-Ixe: 2.8%)
- Economists expect inflation at 0.17% 2w/2ws in the first half of February, below our 0.34% estimate
- The exchange rate forecast was revised to USD/MXN 17.93 by YE16, above the 17.60 of the latest survey (Banorte-Ixe: 17.60)

The median of economists still expect an additional 50bps hike in the reference rate throughout 2016. Banamex just published its bi-weekly survey of economic expectations. We highlight that this is the first survey published after last week's announcement in which the MoF announced a MXN\$132 billion fiscal cut (USD\$ 7.3 billion) and Banxico raised the reference rate by 50bps.

The median of analysts now expects Banxico's rate will close 2016 at 4.25%. In this context, 40.9% of the analysts surveyed (9 of 22) expect Banxico's next rate hike on June 30, in line with our forecast. On the other hand, 27.3% of analysts (6 of 22) believe that Banxico's next move will take place in 3Q16 (median: July). Finally, 2 economists consider that the next hike rate will take in 1Q17; while four analysts were uncertain about Banxico's decision.

GDP forecasts were revised after the fiscal cut announcement, while a slightly weaker peso is expected. For 2016, GDP growth is expected at 2.4% yoy, below the 2.6% observed in the previous survey (Banorte-Ixe: 2.3%; range: 1.8%–3.5%). For 2017, consensus expects an economic expansion of 3% yoy (Banorte-Ixe: 3.1; range: 2.2-4.5%). Moreover, the median exchange rate forecast for year-end 2016 stands at USD/MXN 17.93, higher than the 17.60 estimate in the latest survey (Banorte-Ixe: 17.60). For 2017, analysts expect the currency to finish at 17.50 pesos per dollar (Banorte-Ixe: 16.90).

Year-end 2016 inflation forecast practically unchanged. Inflation estimate for year-end 2016 stood at 3.1% yoy, practically in line with the observed in the previous survey (Banorte-Ixe: 2.8%). Furthermore, core CPI is expected to increase 3% yoy in 2016. For 2017, inflation is expected at 3.22% yoy, while medium term inflation expectations stand around 3.3% yoy. For February 24, economists expect inflation at 0.17% 2w/2w in the first half of February, below our 0.34% estimate, while core inflation would stand at 0.21% in the same period, also below our 0.28% forecast.

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