

# Banxico's Survey – Marginal tweaks to inflation and growth estimates for 2016

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**Delia Paredes**

Executive Director of Economic Analysis  
delia.paredes@banorte.com

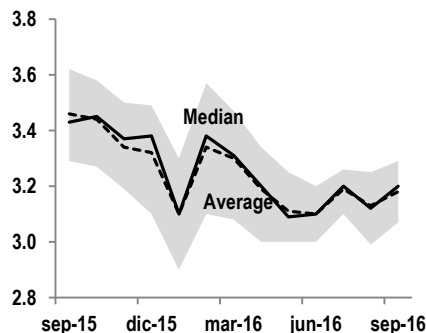
- Banxico just published its survey of expectations in August
- Consensus expects inflation at 3.12% at the end of 2016 below previous 3.2% (Banorte-Ixe: 2.8%)
- For 2017, consensus forecasts 3.4% inflation, while medium-term expectations are at 3.34% (Banorte-Ixe: 3%)
- Economists expect Banxico's reference rate at 4.75% by year-end (Banorte-Ixe: 5.25%)
- For this year, growth expectations were downgraded to 2.1% from 2.2% (Banorte-Ixe: 2.3%)
- Exchange rate forecast for year-end was revised up to 18.9 USD/MXN from 18.5 (Banorte-Ixe: 18.5 USD/MXN)

**Banxico just published its survey of expectations in September.** Inflation forecasts for 2016 are at 3.2%yoy, above the 3.12% from previous survey (Banorte-Ixe: 2.8%). In the meantime, expectations for core inflation in 2016 are at 3.21%, unchanged vs. previous survey. In the next 12-monhts, inflation is expected at 3.46% yoy, vs. previous 3.49%. For year-end 2017 inflation is expected at 3.4%.

**Medium term expectations are in line with previous survey.** The median for medium-term expectations (1- 4 years) are at 3.34% (previous: 3.31%). Meanwhile, long term expectations (5- 8 years) are at 3.2%, above August's survey.

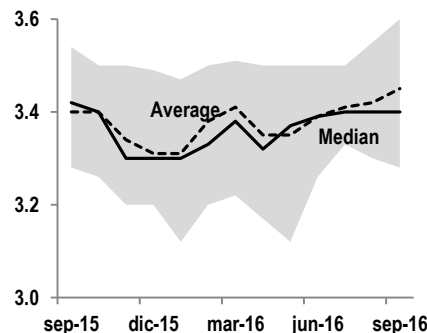
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Expectations for 2016  
%



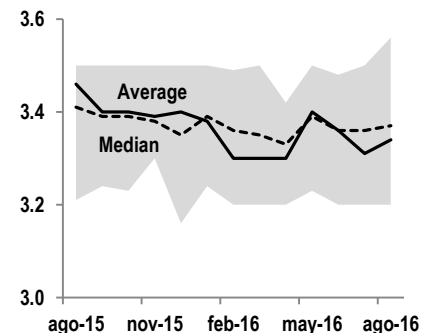
Source: Banxico

Expectations for 2017  
%



Source: Banxico

Medium-term expectations  
%

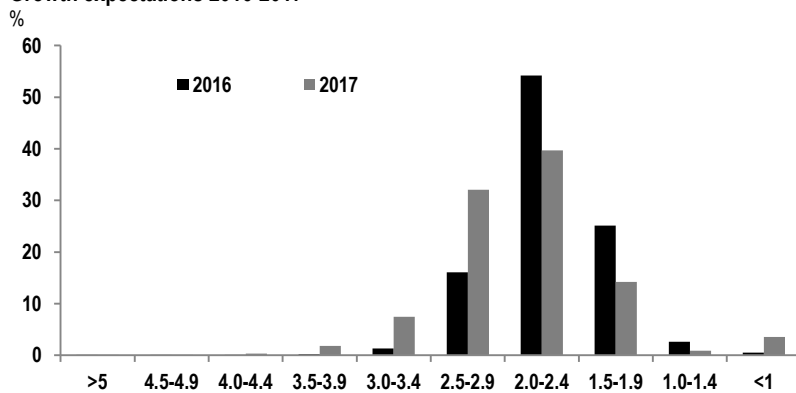


Source: Banxico

**Analysts expect the reference rate to close this year at 4.75%.** In our case, we consider the next move from the central bank remains subject to the performance of the exchange rate, particularly amid the electoral process in the United States. In this context, our base case is that Hillary Clinton wins the election and thus, Banxico will not have to act until December, in tandem with the Fed, when it will raise the rate again in 25bps. Nevertheless, we cannot rule out the possibility of a Trump's victory, in which case the Mexican monetary authority could hike reference rate in 75bps at its November monetary policy meeting and then again at December's to 6.25%.

**Growth expectations for 2016 below previous survey.** According to Banxico's survey (September), analysts revised down marginally its growth forecast to 2.1% from 2.2% (Banorte-Ixe: 2.3%), as shown below. For 2017, analysts downgraded their estimates to 2.4% from 2.6% (Banorte-Ixe: 2.5% yoy).

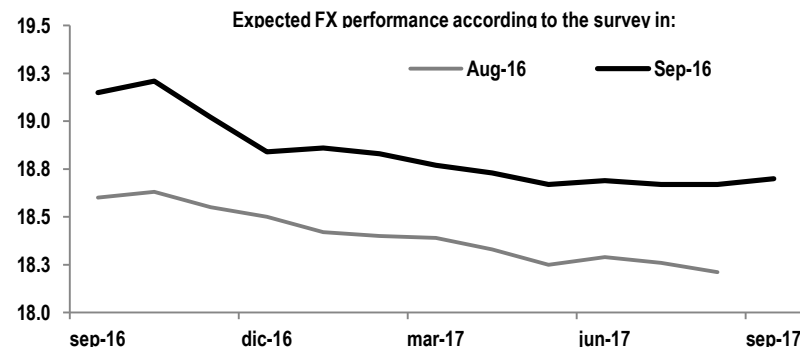
**Growth expectations 2016-2017**



Source: Banxico

**Analysts expect a higher exchange rate for 2016.** Estimates are at USD/MXN18.9 from USD/MXN18.5 (Banorte-Ixe: 18.5). For 2017, they expect the currency to finish the year at USD/MXN18.6 from USD/MXN18.22 (Banorte-Ixe: 19.8).

**Exchange rate expected path**  
USD/MXN



Source: Banxico

**Weakness in external markets and the global economy are the main obstacles for Mexico's economic growth.** Among the main factors that analysts mentioned as restricting growth are: (1) Weakness in external markets and the global economy (27% of answers); (2) the oil platform (13% of answers); (3) international financial instability (12% of answers); (4) public insecurity (8.4% of answers); and (5) oil prices (8% of answers).

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**GRUPO FINANCIERO BANORTE S.A.B. de C.V.**
**Research and Strategy**

Gabriel Casillas Olvera	Chief Economist and Head of Research	gabriel.casillas@banorte.com	(55) 4433 - 4695
Raquel Vázquez Godínez	Assistant	raquel.vazquez@banorte.com	(55) 1670 - 2967

**Economic Analysis**

Delia María Paredes Mier	Executive Director of Economic Analysis	delia.paredes@banorte.com	(55) 5268 - 1694
Alejandro Cervantes Llamas	Senior Economist, Mexico	alejandro.cervantes@banorte.com	(55) 1670 - 2972
Katia Celina Goya Ostos	Senior Global Economist	katia.goya@banorte.com	(55) 1670 - 1821
Miguel Alejandro Calvo Domínguez	Economist, Regional & Sectorial	miguel.calvo@banorte.com	(55) 1670 - 2220
Juan Carlos García Viejo	Economist, International	juan.garcia.viejo@banorte.com	(55) 1670 - 2252
Lourdes Calvo Fernández	Analyst (Edition)	lourdes.calvo@banorte.com	(55) 1103 - 4000 x 2611

**Fixed income and FX Strategy**

Alejandro Padilla Santana	Head Strategist – Fixed income and FX	alejandro.padilla@banorte.com	(55) 1103 - 4043
Juan Carlos Alderete Macal, CFA	FX Strategist	juan.alderete.macal@banorte.com	(55) 1103 - 4046
Santiago Leal Singer	Analyst Fixed income and FX	santiago.leal@banorte.com	(55) 1670 - 2144

**Equity Strategy**

Manuel Jiménez Zaldivar	Director Equity Research — Telecommunications / Media	manuel.jimenez@banorte.com	(55) 5268 - 1671
Victor Hugo Cortes Castro	Equity Research Analyst	victorh.cortes@banorte.com	(55) 1670 - 1800
Marissa Garza Ostos	Senior Equity Research Analyst – Conglomerates/Financials/ Mining/ Chemistry	marissa.garza@banorte.com	(55) 1670 - 1719
Marisol Huerta Mondragón	Equity Research Analyst – Food/Beverages	marisol.huerta.mondragon@banorte.com	(55) 1670 - 1746
José Itzamna Espitia Hernández	Equity Research Analyst – Airports / Cement / Infrastructure / Fibras	jose.espitia@banorte.com	(55) 1670 - 2249
Valentín III Mendoza Balderas	Equity Research Analyst – Auto Parts/ Consumer Discretionary / Real Estate	valentin.mendoza@banorte.com	(55) 1670 - 2250

**Corporate Debt**

Tania Abdul Massih Jacobo	Director Corporate Debt	tania.abdul@banorte.com	(55) 5268 - 1672
Hugo Armando Gómez Solís	Analyst, Corporate Debt	hugo.gomez@banorte.com	(55) 1670 - 2247
Idalia Yanira Céspedes Jaén	Analyst, Corporate Debt	idalia.cespedes@banorte.com	(55) 1670 - 2248

**Wholesale Banking**

Armando Rodal Espinosa	Head of Wholesale Banking	armando.rodal@banorte.com	(55) 1670 - 1889
Alejandro Eric Faesi Puente	Head of Global Markets and Institutional Sales	alejandro.faesi@banorte.com	(55) 5268 - 1640
Alejandro Aguilar Ceballos	Head of Asset Management	alejandro.aguilar.cebillos@banorte.com	(55) 5268 - 9996
Arturo Monroy Ballesteros	Head of Investment Banking and Structured Finance	arturo.monroy.ballesteros@banorte.com	(55) 5004 - 1002
Gerardo Zamora Nanez	Head of Transactional Banking, Leasing and Factoring	gerardo.zamora@banorte.com	(81) 8318 - 5071
Jorge de la Vega Grajales	Head of Government Banking	jorge.delavega@banorte.com	(55) 5004 - 5121
Luis Pietrini Sheridan	Head of Private Banking	luis.pietrini@banorte.com	(55) 5004 - 1453
René Gerardo Pimentel Ibarrola	Head of Asset Management	pimentelr@banorte.com	(55) 5268 - 9004
Ricardo Velázquez Rodríguez	Head of International Banking	rvelazquez@banorte.com	(55) 5004 - 5279
Victor Antonio Roldan Ferrer	Head of Corporate Banking	victor.rolan.ferrer@banorte.com	(55) 5004 - 1454