

## Banxico's Survey – Analysts revised their FX forecast

April 1, 2016

- Banxico just published its monthly survey of expectations for March
- The exchange rate is expected to end 2016 at USD/MXN17.66, below the 17.89 observed in February's survey (Banorte-Ixe: 17.60)
- The average of analysts' estimates that Banxico's interest rate will close in 2016 around 4.19% (Banorte-Ixe: 4.25%)
- GDP forecast for 2016 stands in 2.4% yoy, slightly below the 2.45% observed in the previous survey (Banorte-Ixe: 2.3%)
- Analysts' median for 2016 inflation stands at 3.3% yoy, practically in line with the 3.34% observed in the previous survey (Banorte-Ixe: 2.8%)
- For 2017, inflation is expected at 3.41%, while medium-term inflation expectations stand at 3.36% (Banorte-Ixe: 3%)

www.banorte.com  
www.ixe.com.mx  
@ analisis\_fundam

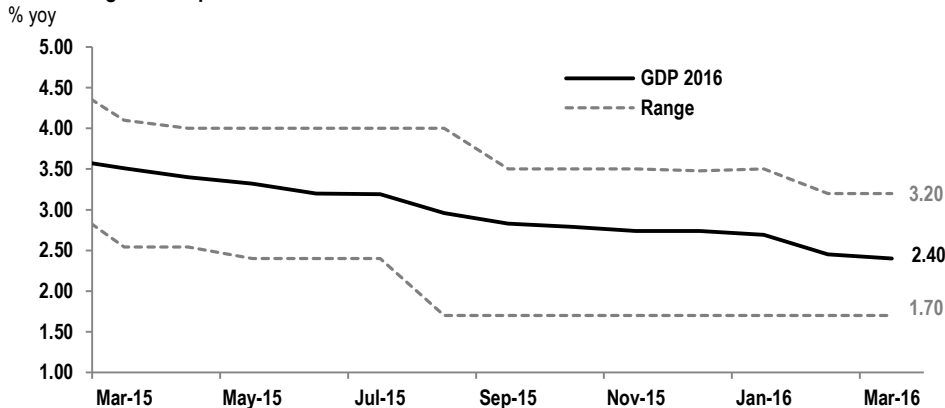
**Saúl Torres**  
Analyst, Mexico  
saul.torres@banorte.com

**Banxico just published its monthly survey of expectations for March.** Economists surveyed expect the Mexican peso to close 2016 at USD/MXN17.66, below the USD/MXN17.89 observed in February's survey (Banorte-Ixe: 17.60). For 2017, analysts also revised their FX forecast to USD/MXN17.30 from USD/MXN17.43, in line with our forecast.

**Analysts' estimate that the reference rate will close around 4.19% in 2016.** We highlight that this survey was made after Banxico's extraordinary decision on February 16, in which the board decided to increase the reference rate by 50bps, leaving it at 3.75%. According to the survey, 47% of analysts expect Banxico's next rate hike in 2Q16, while 81% in 3Q16. Finally, analysts' estimate that the reference rate will close around 4.19% in 2016 (Banorte-Ixe: 4.25%) and in 2017 around 4.87%.

**Mexico's 2016 GDP expectations were revised slightly down to 2.4% from 2.45%.** According to Banxico's survey of expectations (March), analysts' consensus forecast for Mexico's GDP growth stands at 2.4%, slightly below the 2.45% observed in the previous survey (Banorte-Ixe: 2.3%). We believe that this cut continues to reflect the government spending cut announced last month by the MoF of MXN132.3bn (refer to the following chart). For 2017, the estimate for GDP growth stands at 2.92%, also below the 2.98% observed in February's survey (Banorte-Ixe: 3.1%).

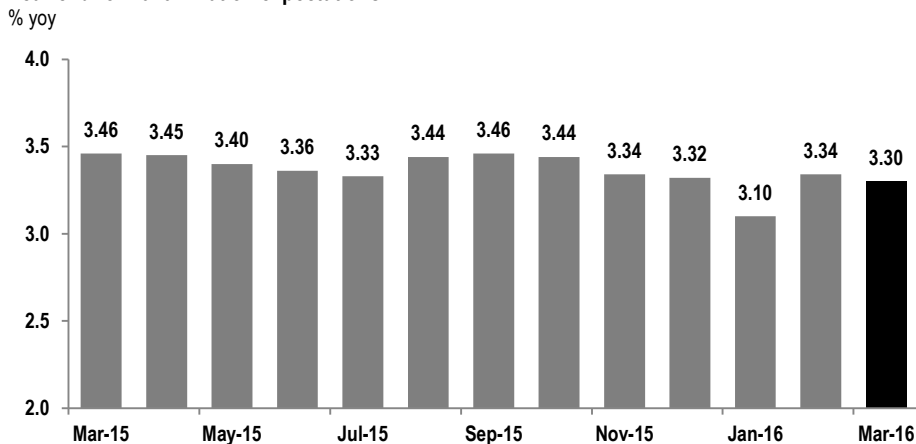
### 2016 GDP growth expectations



Source: Banorte-Ixe and Banxico

**Year-end inflation estimate for 2016 is at 3.3%, practically in line with the 3.34% observed in the previous survey (Banorte-Ixe: 2.8%).** Consensus' estimate for core inflation in 2016 stands at 3.11% yoy. For the next 12-months, inflation is expected to be at 3.27% yoy, compared with the 3.19% observed in February. Moreover, analysts expect an inflation of 3.38% yoy in 2017.

### Year-end for 2016 inflation expectations



Source: Banorte-Ixe and Banxico

**Medium-term inflation expectations stood practically in line with the previous survey.** Medium-term expectations (1-4 years) stood at 3.36% (previous: 3.39%), while long-term expectations (5-8 years) remain stable at 3.26% yoy (previous: 3.3%).

**Weak external market is the main factor that could hamper economic growth according to analysts.** Among the main factors which could affect Mexico's economic performance, Banxico's survey includes: (1) Weak external market and world economy (25%); (2) the oil export price (15%); (3) international financial volatility (14% of respondents); and (4) Mexico's security problems (12%).

### Disclaimer

The information contained in this document is illustrative and informative so it should not be considered as an advice and/or recommendation of any kind. BANORTE is not part of any party or political trend.

**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
Rey Saúl Torres Olivares	Analyst	saul.torres@banorte.com	(55) 1670 - 2957
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	valentin.mendoza@banorte.com	(55) 1670 - 2250
María de la Paz Orozco García	Analyst	maripaz.orozco@banorte.com	(55) 1670 - 2251

**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
Víctor Antonio Roldan Ferrer	Head of Corporate Banking	victor.rolan.ferrer@banorte.com	(55) 5004 - 1454