

Economists expect a significant increase in inflation during the first half of January

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- **Citibanamex just published its bi-weekly survey of economic expectations**
- **After the increases in gasoline prices minimum wage, further fueled by the depreciation of the Mexican peso, economists expect headline inflation at 1.04% 2w/2w in the first half of January (Banorte-Ixc: 1.27% 2w/2w), while the core component is expected at 0.31%, below our 0.36% forecast**
- **Taking into account the above-mentioned increases, economists now forecast inflation for YE17 at 4.84% from 4.7% (Banorte-Ixc: 4.7%)**
- **Core inflation by YE17 is expected to be 4% (Banorte-Ixc: 4.24%)**
- **All but one of the 21 economists surveyed believe that Banxico's next rate hike will probably take place in the first meeting of 2017 (February 9)**
- **Out of the 20 analysts that forecast a hike in February, 90%, including us, expect it to be a 50bp hike, while the remaining 10% forecast a 25bp increase in the reference rate**
- **For 2016, analysts continue expecting an economic expansion of 2.1% yoy, marginally above our 2% forecast**
- **Moreover, growth in 2017 is expected at 1.5%, below the previous survey's 1.7% (Banorte-Ixc: 1.1%)**
- **Growth for 2018 is forecasted at 2.2%, below our 2.7% estimate**
- **Finally, analysts expect the exchange rate at USD/MXN 22.13 by YE17, above the previous estimate of USD/MXN 21.50, but still below our USD/MXN 23.50 estimate**

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