

# Banxico's Survey – Just a few tweaks to analysts' forecast in October

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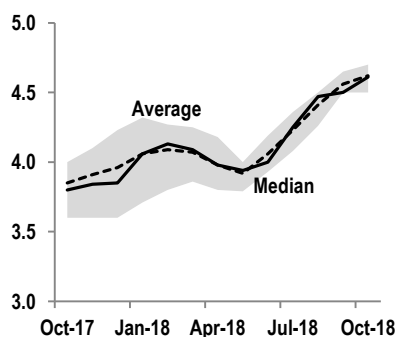
- Banxico just published its survey of expectations in October
- Consensus expects inflation at 4.61% at the end of 2018 above previous 4.5% (Banorte: 4.8%)
- For 2019, consensus forecasts inflation at 3.71%, while medium term expectations remain at 3.5% (Banorte: 3.5%)
- Economists expect Banxico's reference rate at 7.75% by year-end (Banorte: 8%)
- Growth expectations in 2018 remained unchanged at 2.1% (Banorte: 2.1%)
- For next year, analysts expect growth around 2.2% y/y in line with previous survey
- Exchange rate forecast for year-end was revised marginally up to 19 USD/MXN from 18.97

**Banxico just published its survey of expectations in October.** Inflation forecasts for 2018 are at 4.61% yoy, above the 4.5% from previous survey (Banorte: 4.8%). In the meantime, expectations for core inflation in 2018 are at 3.59%, above the 3.53% previous. In the next 12-months, inflation is expected at 3.8% vs. previous 3.7% y/y. For year-end 2019 inflation remained at 3.71% y/y.

**Medium term expectations are in line with previous survey.** The median for medium term expectations (1- 4 years) remains at 3.5%. Meanwhile, long term expectations (5- 8 years) are at 3.3%, also in line with September's survey.

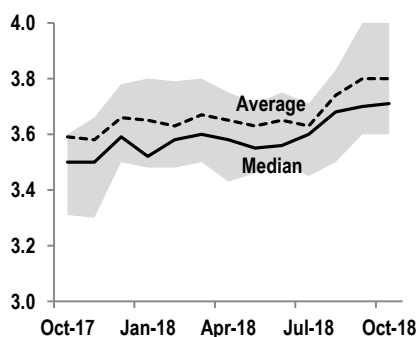
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**Inflation expectations for 2018**  
% yoy



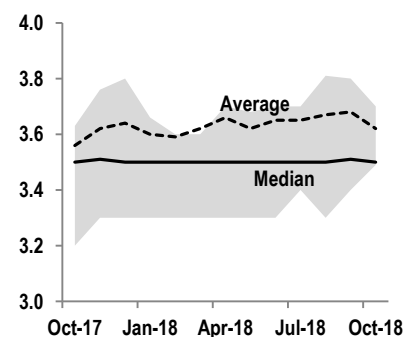
Source: Banxico

**Inflation expectations for 2019**  
% yoy



Source: Banxico

**Inflation expectations in the medium term**  
% yoy



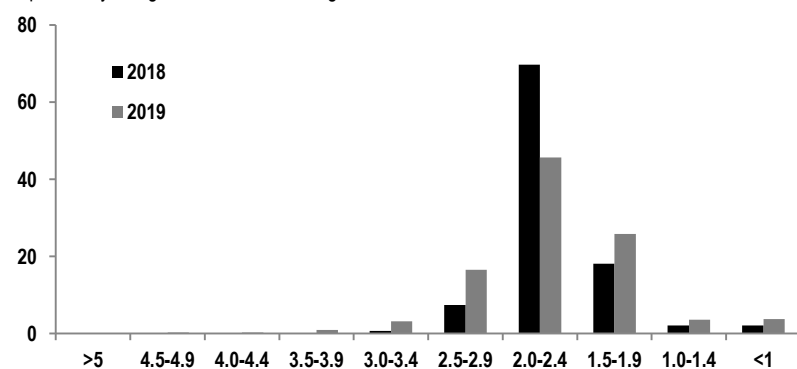
Source: Banxico

**Analysts expect the reference rate at 7.75% for year end.** Consensus do not expect any more movements in the reference rate for the rest of the year. This contrasts with our view that Banxico will likely hike once more in 2018 to leave the rate at 8% by year-end. Next monetary policy decision will be announced on November 15<sup>th</sup>.

**Growth expectations for 2018, in line with previous survey.** According to Banxico's survey (October), analysts maintained its growth forecast at 2.1% (Banorte: 2.1%), as shown below. Similarly, for 2019, analysts also maintained forecast at 2.2% (Banorte: 1.8% yoy). Lastly, growth in 2020 is expected around 2.4% y/y, while long-term growth (next 10-year average) is estimated at 2.4% (Banorte: 2.5% y/y).

**GDP Growth estimates**

% probability that growth falls in each range

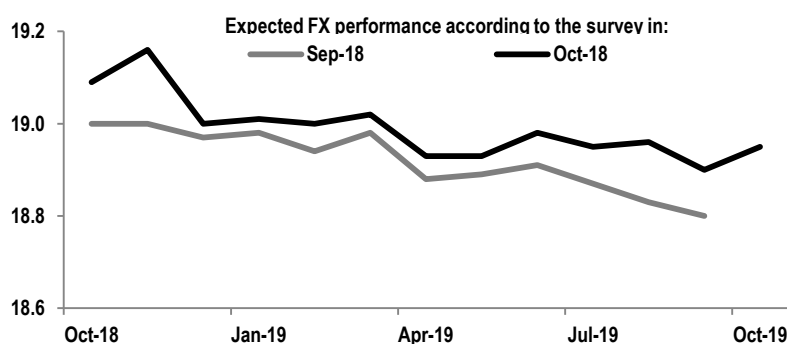


Source: Banxico

**Analysts maintained unchanged their forecasts for year-end exchange rate levels.** Estimates are at USD/MXN19 marginally up from USD/MXN18.97 previously. For 2019, they expect the currency to finish the year at USD/MXN18.9. Nevertheless, levels for the next 12 months were revised up, as shown in the chart below.

**Expected FX performance**

MXN/USD



Source: Banxico

**According to analysts, uncertainty about domestic politics 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 domestic politics (15% of responses); (2) public insecurity (13%); (3) lack of rule of law (11%); (4) foreign trade policy (15%); and (5) oil production output con el 6% of responses.

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