

Banxico’s Survey – Analysts continue to revise their GDP and FX forecasts

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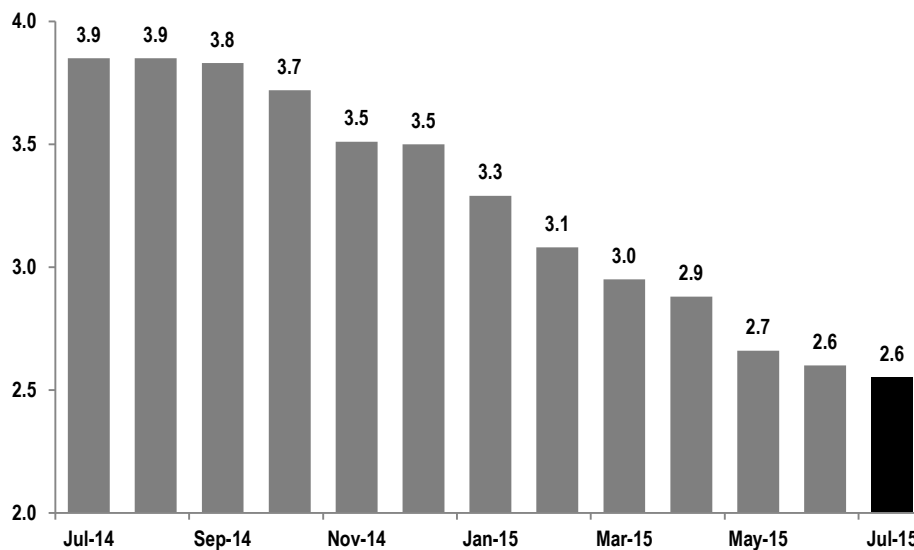
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- Banxico just published its monthly survey of expectations for July 2015
- GDP forecast for 2015 edged marginally down to 2.55% yoy (previous: 2.6%)
- Moreover, the exchange rate is expected to end 2015 at USD/MXN15.64, above June’s survey (USD/MXN15.26)
- Analysts’ median for 2015 inflation stands at 2.82% yoy, below the 2.91% observed in the previous survey. For 2016, inflation is expected at 3.33%
- Medium-term inflation expectations stood at 3.4%
- Finally, analysts expect Banxico to remain on hold at least until 4Q15

Mexico’s 2015 GDP expectations were revised down for the eleventh consecutive month. According to Banxico’s survey of expectations (July), analysts’ consensus forecast for Mexico’s GDP growth stand at 2.55%, marginally below the 2.6% observed in the previous survey, as shown in the chart below.

Moreover, economists surveyed expect the Mexican peso to close 2015 at USD/MXN15.64, above the USD/MXN15.26 observed in June (Banorte-Ixe: 15.60). For 2016, analysts also revised their FX forecast to USD/MXN15.37 from USD/MXN15.01 (Banorte-Ixe: 15.40).

GDP growth expectations
% yoy



Source: Banorte-Ixe and Banxico

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In terms of interest rates, analysts expect Banxico to remain on hold at least until 4Q15. Economists surveyed expect a rate hike until 4Q15. According to other surveys, such as Banamex, the median analyst expects the next movement of the monetary authority to be a 25bps rate hike in September 2015, in line with our forecast.

Year-end inflation estimate for 2015 is at 2.82%, below the 2.91% observed in the previous survey. Consensus' estimate for core inflation in 2015 stood at 2.63% yoy. For the next 12-months, inflation is expected to be at 3.67% yoy, practically in line with the forecast observed in June.

Finally, medium-term inflation expectations edged marginally down. Medium-term expectations (1-4 years) stood at 3.39% (previous: 3.43%), while long-term expectations (5-8 years) stood at 3.4% yoy (previous: 3.43%).

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