

Banxico's Survey – Analysts expect a rate hike in December

December 1, 2015

- Banxico just published its monthly survey of expectations for November 2015
- We highlight that 82% of the analysts surveyed (including us) expect Banxico to hike rates in the next meeting in December 17
- Analysts' median for 2015 inflation stands at 2.40% yoy, below the 2.66% observed in the previous survey. For 2016, inflation is expected at 3.34%
- Medium-term inflation expectations stand at 3.39%
- GDP forecast for 2015 edged slightly up for the first time in 15 months to 2.44% yoy (previous: 2.29%)
- Moreover, the exchange rate is expected to end 2015 at USD/MXN16.70, marginally below the 16.75 observed in October's survey

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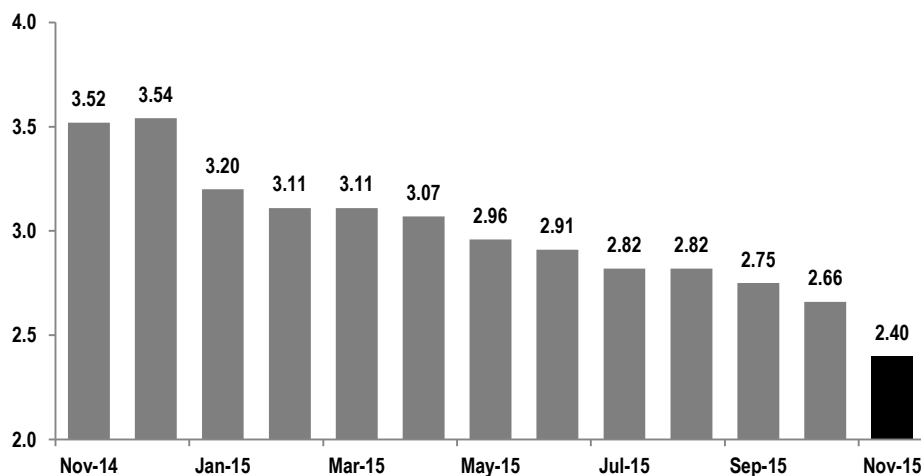
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Banxico's next move: Rate hike. We highlight that this in the last survey before Banxico's decision. According to the survey, 82% of the analysts surveyed expect a rate hike in the next Banxico's meeting that will take place in December 17. Finally, the average of analysts' estimates that the interest rate would close in 2016 around 4%. This is in line with other surveys, such as Banamex, where the median analyst expects the next movement of the monetary authority to be a 25bps rate hike in December's meeting (Dec'17), in line with own forecast.

Year-end inflation estimate for 2015 is at 2.40%, below the 2.66% observed in the previous survey (Banorte-Ixe: 2.5%). Consensus' estimate for core inflation in 2015 stood at 2.58% yoy. For the next 12-months, inflation is expected to be at 3.43% yoy, below the 3.67% observed in October.

Year-end for 2015 inflation expectations

% yoy



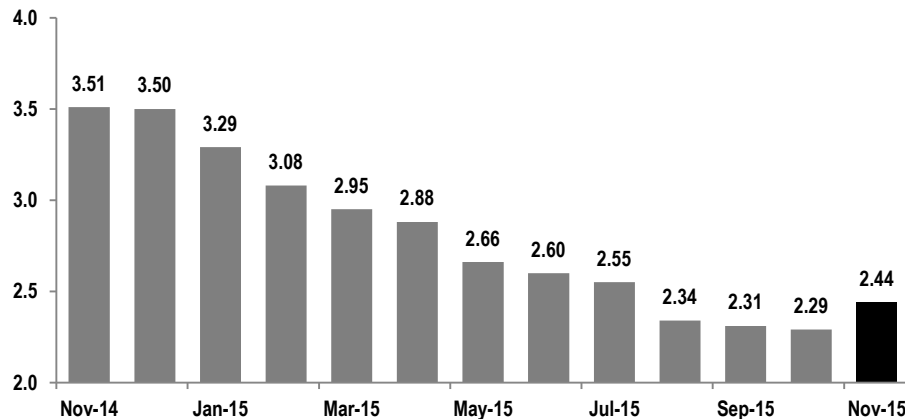
Source: Banorte-Ixe and Banxico

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Medium-term inflation expectations stood in line with the previous survey. Medium-term expectations (1-4 years) stood at 3.39%, while long-term expectations (5-8 years) remain stable at 3.35% yoy.

Mexico’s 2015 GDP expectations were revised slightly up for the first time in 15 months. According to Banxico’s survey of expectations (November), analysts’ consensus forecast for Mexico’s GDP growth stand at 2.44%, slightly above the 2.29% observed in the previous survey (Banorte-Ixe: 2.5%), as shown in the chart below, given that Mexico’s GDP showed a 2.6% yoy growth for 3Q15.

2015 GDP growth expectations
% yoy



Source: Banorte-Ixe and Banxico

Moreover, economists surveyed expect the Mexican peso to close 2015 at USD/MXN16.70, marginally below the USD/MXN16.75 observed in October. For 2016, analysts revised their FX forecast to USD/MXN16.68 from USD/MXN16.55.

Finally, 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 (23%); (2) international financial volatility (17% of respondents); (3) lower platform of oil production (16%); and (4) public security problems (14%).

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