

Banxico’s Survey – Weak peso and lower growth expected for this year

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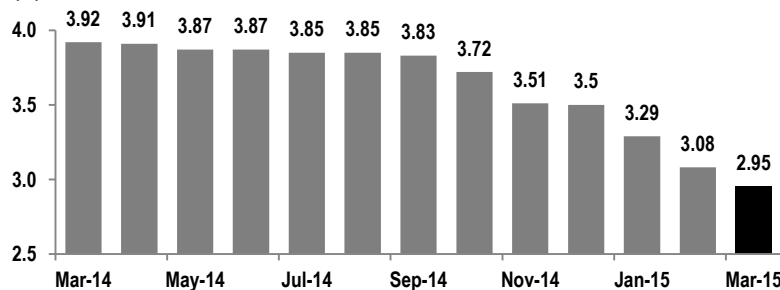
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- **Banxico just published its monthly survey of expectations for March 2015**
- **The exchange rate is expected to end 2015 at USD/MXN14.79, above February’s survey (USD/MXN14.54)**
- **Moreover, 2015 GDP’s forecast edged down to 2.95% (previous: 3.08%)**
- **Analysts’ forecast for inflation in 2015 is at 3.11%, in line with the previous survey. For 2016, inflation is expected at 3.46%**
- **Medium-term inflation expectations stood at 3.45%**
- **Finally, analysts expect Banxico to remain on hold at least until 3Q15**

According to Banxico’s survey of expectations (March), the economists surveyed expect the Mexican peso to close 2015 at USD/MXN14.79, above the USD/MXN14.54 observed in February’s survey. For 2016, analysts revised their FX forecast to USD/MXN14.69 from USD/MXN14.31.

Moreover, 2015 GDP’s forecast edged down to 2.95%. In terms of economic growth in 2015, analysts’ consensus forecast for Mexico’s GDP growth stand at 2.95% below the 3.08% observed in the previous survey, as shown in the chart below.

GDP growth expectations
% yoy



Source: Banorte-Ixe and Banxico

Year-end inflation estimate for 2015 is at 3.11% yoy, in line with the previous survey. Consensus’ estimate for core inflation in 2015 stood at 2.87% yoy. For the next 12-months, inflation is expected to be at 3.69% yoy, slightly above the 3.67% yoy observed in February.

Medium-term inflation expectations edged marginally up from the previous survey. Medium-term expectations (1-4 years) edged marginally down to 3.45% from February's survey (3.42%), while long-term expectations (5-8 years) stood at 3.43% yoy.

Finally, in terms of interest rates, analysts expect Banxico to remain on hold at least until 3Q15. Economists surveyed expect the reference rate to be above current levels until 3Q15, in line with Banamex's survey, where the median of analysts expect the next movement of the monetary authority to be a 25bps rate hike in September 2015 (Banorte-Ixe: July-2015).

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