

## Banxico Survey – Upward adjustments for GDP and inflation

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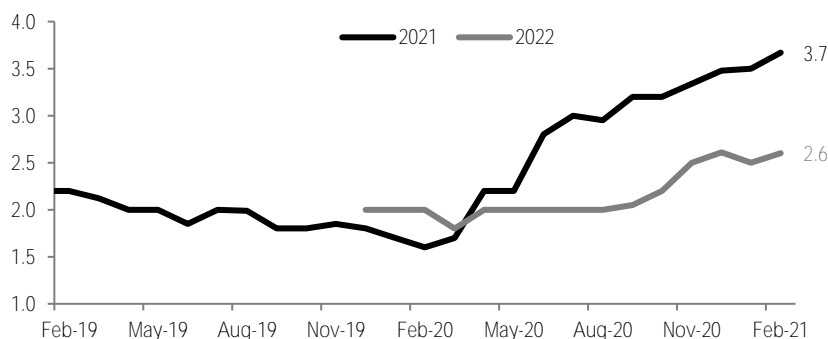
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- Banxico just published its survey of expectations from private sector analysts for February
- Forecasts for 2021 showed some relevant changes, especially on growth and inflation, possibly influenced by recent dynamics and significant market reactions
- The GDP estimate for 2021 was adjusted higher, to 3.7% y/y from 3.5%, still below our +4.1%. For 2022, it is expected at 2.6% (previous: 2.5%)
- Consensus expects inflation at 3.90% at the end of the year, 24bps higher than the previous survey and surpassing our 3.7%. This is likely influenced by recent pressures and expectations of higher commodities prices. For 2022, the estimate stood at 3.5%. Medium- and long-term expectations were unchanged at 3.5%, in line with our forecast
- On the central bank’s reference rate, analysts expect another 25bps cut relative to its current level of 4.00%. Specifically, they anticipate the last reduction to take place in the remainder of the quarter (in the March meeting), while we expect two more, with the last of the cycle taking place in May
- The year-end forecast for the USD/MXN exchange rate was revised slightly up, to 20.30 pesos per dollar from 20.20, still above our 19.80. For 2022, it is expected weaker at 20.85 per dollar (previous: 20.58)

**GDP forecast for 2021 improves again.** Analysts revised their GDP expectations for this year to 3.7% y/y (as seen in the following chart) from 3.5% in the previous survey. In our view this could be related to better expectations of a recovery in the second half of the year, despite higher short-term risks. Nevertheless, it is still lower than our forecast, at +4.1%. The minimum points to an expansion of 2.7%, with the maximum at 6.0%, This is a tighter range than last month. For 2022, expectations were slightly higher at 2.6% from 2.5% (minimum: 1.7%; maximum: 4.5%). Finally, long-term growth (10-year average) is unchanged at 2.0%, where it has hovered for close to one year and a half.

GDP growth estimates  
% y/y

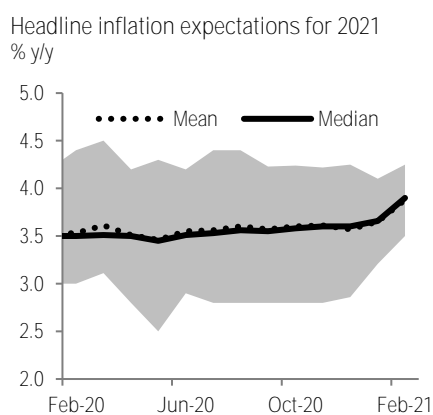


Source: Banxico

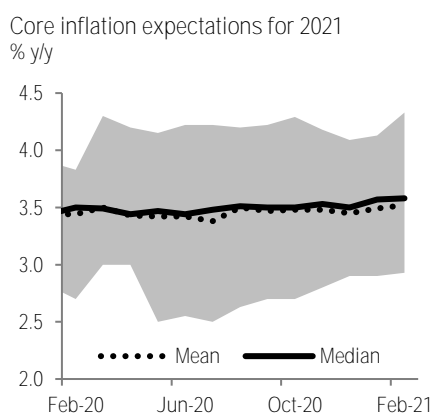
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**Year-end inflation up, likely reflecting concerns about higher commodities prices.** The figure for year-end 2021 came in at 3.90%, 24bps above the previous survey and surpassing our 3.7%. We think this is in response to recent market dynamics of rising commodities prices, especially in energy. The range was tighter relative to the last survey, with a maximum of 4.25% and minimum of 3.50%, as seen in the chart below on the left. Core inflation came in at 3.58%, considerably above our forecast (3.1%). Expectations for the next twelve months were lower, at 3.35%. Finally, estimates for year-end 2022 point to both the headline and core inflation reaching 3.5%.

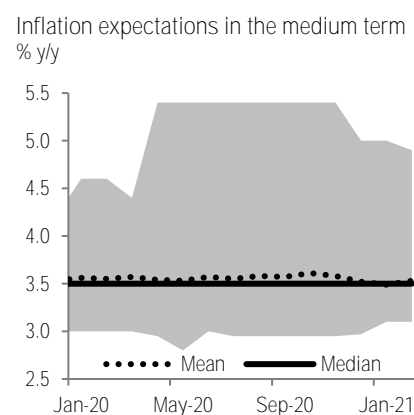
**Medium- and long-term expectations anchored slightly above target.** Medium-term (1-4 years) and long-term expectations (5-8 years) remain at 3.5%, adding seventeen months at this exact level. Moreover, estimates for medium- and long-term core inflation were also unchanged, with both at 3.5%.



Source: Banxico



Source: Banxico



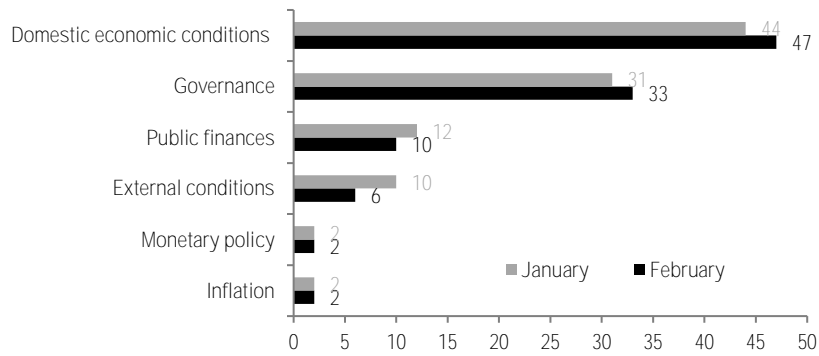
Source: Banxico

**Banxico to continue the easing cycle in 2021, albeit not for long.** Consensus sees another 25bps cut during the year. This is more modest than our call of an additional -50bps. Regarding the path, the median signals the reduction in 1Q21, probably in the March meeting. Meanwhile, our two cuts would be split up between March (1Q21) and May (2Q21).

**Exchange-rate revised up.** The year-end estimate came in at USD/MXN 20.30, slightly higher than 20.20 previously, still considerably above our 19.80. Both the minimum and maximum remained at 18.50 and 22.09, respectively. For 2022, consensus expects it to finish at 20.85 per dollar, higher than 20.58 before, with the range unchanged (minimum: 18.00; maximum: 23.31).

**Domestic economic conditions still the main obstacle for growth.** The main factors –grouped by categories–likely to impact economic growth are: (1) Domestic economic conditions, with 47% of responses; (2) governance (33%); (3) public finances (10%); and (4) external conditions (6%), among the most relevant. Within the first, we highlight domestic market weakness (23%) and uncertainty about the domestic situation (18%). In the second, uncertainty about domestic policies (19%) is the most important.

Main factors likely to impact economic growth  
% of responses



\*Note: Percentages might not add up to 100 given rounding effects  
Source: Banxico

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We, Gabriel Casillas Olvera, Alejandro Padilla Santana, Delia María Paredes Mier, Juan Carlos Alderete Macal, Manuel Jiménez Zaldívar, Marissa Garza Ostos, Tania Abdul Massih Jacobo, Francisco José Flores Serrano, Katia Celina Goya Ostos, Santiago Leal Singer, José Itzamna Espitia Hernández, Valentín III Mendoza Balderas, Víctor Hugo Cortes Castro, Hugo Armando Gómez Solís, Miguel Alejandro Calvo Domínguez, Luis Leopoldo López Salinas, Leslie Thalía Orozco Vélez, Gerardo Daniel Valle Trujillo, Eridani Ruibal Ortega and Juan Barbier Arizmendi, certify that the points of view expressed in this document are a faithful reflection of our personal opinion on the company (s) or firm (s) within this report, along with its affiliates and/or securities issued. Moreover, we also state that we have not received, nor receive, or will receive compensation other than that of Grupo Financiero Banorte S.A.B. of C.V for the provision of our services.

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