

## Banxico Survey – Upward changes to GDP and inflation estimates continue

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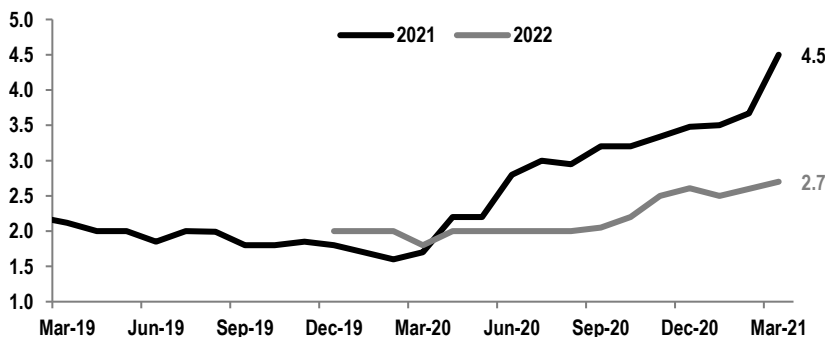
**Juan Carlos Alderete, CFA**  
Director of Economic Research  
juan.alderete.mactal@banorte.com

**Francisco Flores**  
Senior Economist, Mexico  
francisco.flores.serrano@banorte.com

- Banxico just published its survey of expectations from private sector analysts for March
- Forecasts for 2021 continued to show significant adjustments, in our view with recent developments and market dynamics weighing heavily on the revisions
- The GDP estimate for 2021 was adjusted higher, to 4.5% y/y from 3.7%, below our 5.3%. For 2022, it was also stronger at 2.7% (previous: 2.6%)
- Consensus expects inflation at 4.14% at the end of the year, 24bps higher than the previous survey (Banorte 3.7%). This is likely driven by recent pressures, resulting in upward surprises in the latest bi-weekly prints. For 2022, the estimate was revised to 3.6%. Medium- and long-term expectations were unchanged at 3.5%, in line with our forecast
- On the central bank’s reference rate, analysts do not expect further adjustments for the remainder of the year and through 2022, remaining at 4.00%
- The year-end forecast for the USD/MXN exchange rate was revised slightly up, to 20.50 pesos per dollar from 20.30, still above our 19.80. For 2022, it is also seen weaker, at 21.10 per dollar (previous: 20.85)

**GDP forecast for 2021 keeps going higher.** Analysts revised their GDP expectations for this year to 4.5% y/y (as seen in the following chart) from 3.7% in the previous survey. This is consistent with the generalized view of a greater boost from external demand, mainly from the US given the recent approval of new fiscal stimulus. Nevertheless, it is still below our forecast, at +5.3%. The minimum sees an expansion of 3.4%, and the maximum at 6.0%, This is a tighter range than last month. For 2022, expectations were slightly higher, at 2.7% from 2.6% (minimum: 1.5%; maximum: 4.5%). Finally, long-term growth (10-year average) was adjusted to the upside at 2.1%, its highest in little less than two years.

**GDP growth estimates**  
% y/y

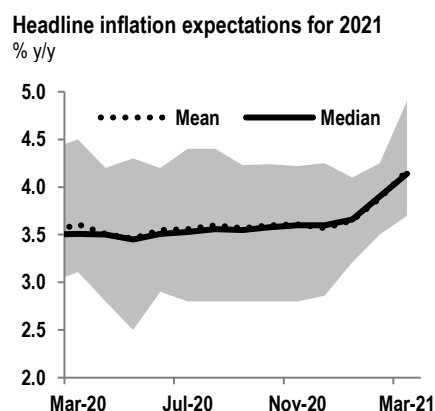


Source: Banxico

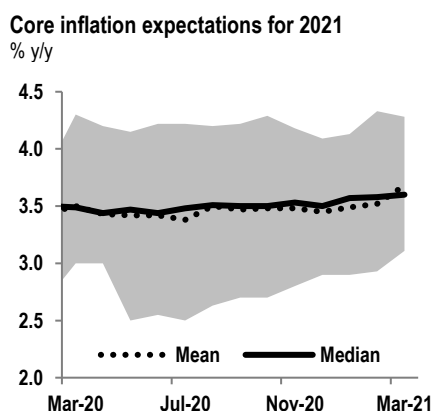
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**Year-end inflation surpasses the upper bound of Banxico’s target range.** The figure for year-end 2021 came in at 4.14%, 24bps above the previous survey, surpassing both our 3.7% as well as the 4% upper bound of the central bank’s target range. In our opinion, this obeys to the most recent dynamic in energy prices, albeit also with pressures in other categories which we believed would be lower due to conditions related to the pandemic. The range was wider relative to the last survey, with a maximum of 4.90% and minimum of 3.70%, as seen in the chart below on the left. Core inflation came in at 3.60%, considerably above our 3.1%. Expectations for the next twelve months were lower, at 3.30%. Finally, estimates for year-end 2022 point to the headline at 3.6% and the core reaching 3.5%.

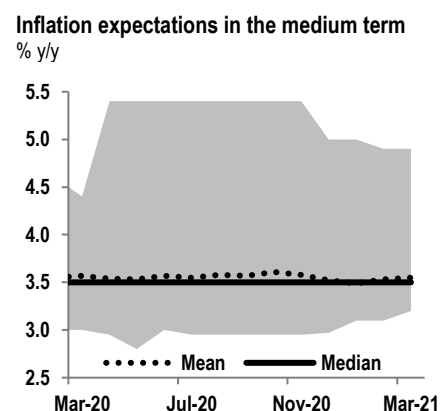
**Medium- and long-term expectations anchored slightly above target.** Medium-term (1-4 years) and long-term expectations (5-8 years) remain at 3.5%, adding 22 months at this exact level. Moreover, estimates for medium- and long-term core inflation were also unchanged, with both at 3.5%.



Source: Banxico



Source: Banxico



Source: Banxico

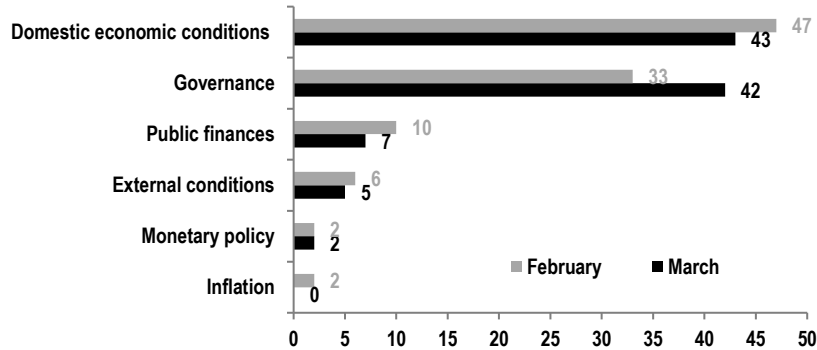
**Analyst forecasts suggest that Banxico’s easing cycle is over.** Consensus expects the reference rate to remain unchanged at 4.00% for the remainder of 2021 and through all of 2022. Nevertheless, by analyzing data within the survey, forecasts are more tilted to a rate hike than a cut in this time horizon, in line with our call. However, and similar to us, analysts seem quite uncertain about when the next move could happen. We believe this is related to the data-dependency approach of the central bank, especially in a still highly uncertain global environment.

**Exchange-rate once again revised up.** The year-end estimate came in at USD/MXN 20.50, slightly above 20.30 previously, still considerably above our 19.80. Specifically, the minimum was revised to 19.25 (previous: 18.50), with the maximum unchanged at 22.09. For 2022, consensus expects it to finish at 21.10 per dollar, higher than 20.85 before, with revisions for the low point at 19.00 (previous: 18.00) and the high at the same level of 23.31.

**Domestic economic conditions still the main obstacle for growth.** The main factors –grouped by categories– that are likely to impact economic growth are: (1) Domestic economic conditions, with 43% of responses; (2) governance (42%); (3) public finances (7%); and (4) external conditions (5%), among the most relevant. Within the first, we highlight domestic market weakness (21%) and uncertainty about the domestic situation (13%). In the second, uncertainty about domestic policies (19%) was 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

## Analyst Certification

We, Gabriel Casillas Olvera, Alejandro Padilla Santana, Delia María Paredes Mier, Juan Carlos Alderete Macal, Manuel Jiménez Zaldívar, Marissa Garza Ostos, 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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**GRUPO FINANCIERO BANORTE S.A.B. de C.V.**

<b>Research and Strategy</b>			
Gabriel Casillas Olvera	IRO and Chief Economist	gabriel.casillas@banorte.com	(55) 4433 - 4695
Raquel Vázquez Godínez	Assistant	raquel.vazquez@banorte.com	(55) 1670 - 2967
Lourdes Calvo Fernández	Analyst (Edition)	lourdes.calvo@banorte.com	(55) 1103 - 4000 x 2611
<b>Economic Research and Financial Market Strategy</b>			
Alejandro Padilla Santana	Executive Director of Economic Research and Financial Markets Strategy	alejandro.padilla@banorte.com	(55) 1103 - 4043
Itzel Martínez Rojas	Analyst	itzel.martinez.rojas@banorte.com	(55) 1670 - 2251
<b>Economic Research</b>			
Juan Carlos Alderete Macal, CFA	Director of Economic Research	juan.alderete.macal@banorte.com	(55) 1103 - 4046
Francisco José Flores Serrano	Senior Economist, Mexico	francisco.flores.serrano@banorte.com	(55) 1670 - 2957
Katia Celina Goya Ostos	Senior Economist, Global	katia.goya@banorte.com	(55) 1670 - 1821
Luis Leopoldo López Salinas	Economist, Global	luis.lopez.salinas@banorte.com	(55) 1103 - 4000 x 2707
<b>Market Strategy</b>			
Manuel Jiménez Zaldivar	Director of Market Strategy	manuel.jimenez@banorte.com	(55) 5268 - 1671
<b>Fixed income and FX Strategy</b>			
Santiago Leal Singer	Senior Strategist, Fixed Income and FX	santiago.leal@banorte.com	(55) 1670 - 2144
Leslie Thalia Orozco Vélez	Strategist, Fixed Income and FX	leslie.orozco.velez@banorte.com	(55) 5268 - 1698
<b>Equity Strategy</b>			
Marissa Garza Ostos	Director of Equity Strategy	marissa.garza@banorte.com	(55) 1670 - 1719
José Itzamna Espitia Hernández	Senior Strategist, Equity	jose.espitia@banorte.com	(55) 1670 - 2249
Valentín III Mendoza Balderas	Senior Strategist, Equity	valentin.mendoza@banorte.com	(55) 1670 - 2250
Víctor Hugo Cortes Castro	Senior Strategist, Technical	victorh.cortes@banorte.com	(55) 1670 - 1800
Eridani Ruibal Ortega	Analyst	eridani.ruibal.ortega@banorte.com	(55) 1103 - 4000 x 2755
Juan Barbier Arizmendi, CFA	Analyst	juan.barbier@banorte.com	(55) 1670 - 1746
<b>Corporate Debt</b>			
Hugo Armando Gómez Solís	Senior Analyst, Corporate Debt	hugoa.gomez@banorte.com	(55) 1670 - 2247
Gerardo Daniel Valle Trujillo	Analyst, Corporate Debt	gerardo.valle.trujillo@banorte.com	(55) 1670 - 2248
<b>Economic Studies</b>			
Delia María Paredes Mier	Executive Director of Economic Studies	delia.paredes@banorte.com	(55) 5268 - 1694
Miguel Alejandro Calvo Domínguez	Senior Analyst, Economic Studies	miguel.calvo@banorte.com	(55) 1670 - 2220
<b>Wholesale Banking</b>			
Armando Rodal Espinosa	Head of Wholesale Banking	armando.rodal@banorte.com	(81) 8319 - 6895
Alejandro Aguilar Ceballos	Head of Asset Management	alejandro.aguilar.cebillos@banorte.com	(55) 5268 - 9996
Alejandro Eric Faesi Puente	Head of Global Markets and Institutional Sales	alejandro.faesi@banorte.com	(55) 5268 - 1640
Alejandro Frigolet Vázquez Vela	Head of Sólida Banorte	alejandro.frigolet.vazquezvela@banorte.com	(55) 5268 - 1656
Arturo Monroy Ballesteros	Head of Investment Banking and Structured Finance	arturo.monroy.ballesteros@banorte.com	(55) 5004 - 1002
Carlos Alberto Arciniega Navarro	Head of Treasury Services	carlos.arciniega@banorte.com	(81) 1103 - 4091
Gerardo Zamora Nanez	Head of Transactional Banking, Leasing and Factoring	gerardo.zamora@banorte.com	(81) 8318 - 5071
Jorge de la Vega Grajales	Head of Government Banking	jorge.delavega@banorte.com	(55) 5004 - 5121
Luis Pietrini Sheridan	Head of Private Banking	luis.pietrini@banorte.com	(55) 5004 - 1453
Lizza Velarde Torres	Executive Director of Wholesale Banking	lizza.velarde@banorte.com	(55) 4433 - 4676
Oswaldo Brondo Menchaca	Head of Specialized Banking Services	osvaldo.brondo@banorte.com	(55) 5004 - 1423
Raúl Alejandro Arauzo Romero	Head of Transactional Banking	alejandro.arauzo@banorte.com	(55) 5261 - 4910
René Gerardo Pimentel Ibarrola	Head of Corporate Banking	pimentelr@banorte.com	(55) 5268 - 9004
Ricardo Velázquez Rodríguez	Head of International Banking	rvelazquez@banorte.com	(55) 5004 - 5279
Víctor Antonio Roldan Ferrer	Head of Commercial Banking	victor.rolan.ferrer@banorte.com	(55) 5004 - 1454