

## Banxico Survey – Modest revisions to macro forecasts

September 1, 2021

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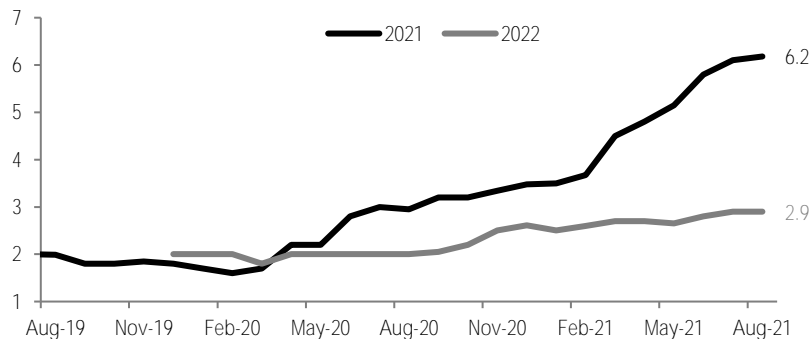
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- Banxico published its survey of expectations from private sector analysts for August
- Forecasts for 2021 were adjusted once again, albeit with more modest revisions than in previous surveys. In our view, this corresponds to several changes in the outlook, especially for activity and prices
- The GDP estimate for 2021 was adjusted to 6.2% y/y from 6.1%, in line with our forecast. For 2022, it was unchanged at 2.9%
- Consensus expects inflation at 6.05% at the end of the year, 5bps higher than the previous survey (Banorte: 6.10%). This is consistent with increased pressures so far in the year, albeit possibly more modest given the decline in LP gas prices. For 2022 it remained at 3.7%. Medium- and long-term remained at 3.5%
- On the central bank’s reference rate, analysts still expect it at 5.00% by year end, implying two additional 25bps hikes. This contrasts with our call of 25bps hikes in each of the three remaining scheduled meetings, taking the rate to 5.25%
- The year-end forecast for the USD/MXN exchange rate was revised to 20.36 pesos per dollar from 20.38, still above our 20.20. For 2022, it was unchanged at 21.00 per dollar

**Higher growth for 2021 for a seventh month in a row.** Analysts revised their GDP expectations for this year to 6.2% y/y (as seen in the following chart) from 6.1% in the previous survey. We should remember that these forecasts were compiled, at the latest, the day that [2Q21 final GDP](#) was released, leading us to believe that it already takes into account the most recent information. With this, it matches both our forecast and that of the central bank, unveiled yesterday in its [Quarterly Report](#). The minimum sees an expansion of barely 3.2% (previous: 5.0%), and the maximum of 6.6% (previous: 7.7%). This has a wider range than in the previous survey, possibly reflecting concerns about virus dynamics. For 2022, the median was unchanged at 2.9% (minimum: 2.1%; maximum: 3.7%). Finally, long-term growth (10-year average) stood at 2.2%.

GDP growth estimates  
% y/y

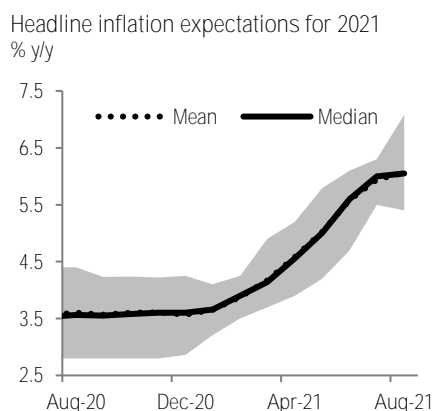


Source: Banxico

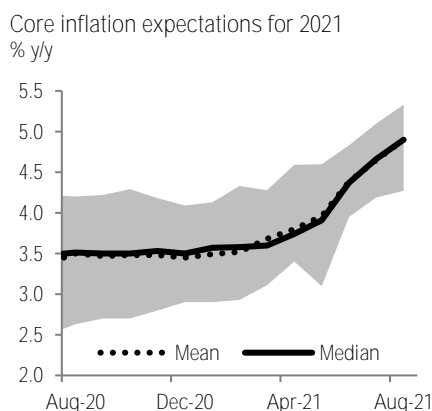
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**Year-end inflation higher at the margin.** The figure for end-2021 came at 6.05%, 5bps above the previous survey and with a +245bps adjustment in the last seven months. This is consistent with our most recent update, expecting the year-end print at 6.10%. In our view, estimates keep adjusting higher given prevailing upward surprises in data, especially at the core component. Nevertheless, it might have been more modest than in previous occasions given the [imposition of a price ceiling to LP gas](#). The range was wider, with a maximum of 7.1% (previous: 6.3%) and minimum of 5.4% (previous: 5.5%), as seen in the chart below on the left. Core inflation came in at 4.9%, above our estimate. Expectations for the next twelve months rose to 3.64%. Finally, estimates for year-end 2022 point to the headline at 3.75%, with the core at 3.70%.

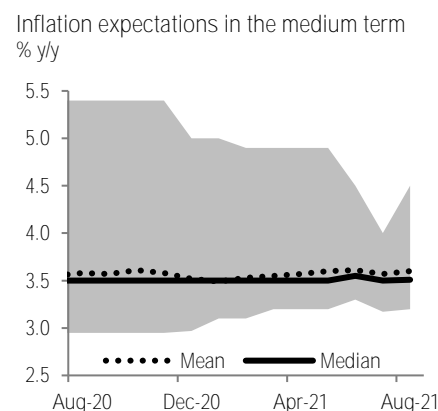
**Medium- and long-term expectations unchanged.** Medium-term expectations (1-4 years) stood at 3.5%, consistent with levels that have prevailed for the last couple of years. Long-term expectations (5-8 years) also remained at 3.5%, adding 41 months at the same level. Moreover, estimates for medium- and long-term core inflation were also unchanged, both at 3.5%.



Source: Banxico



Source: Banxico



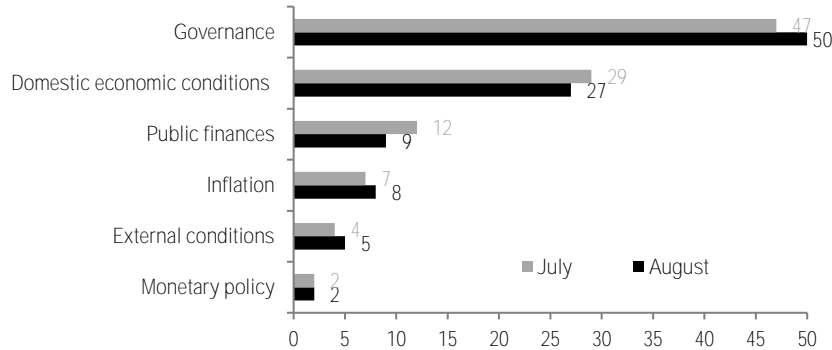
Source: Banxico

**Analyst forecasts suggest Banxico will continue hiking in 2021.** Specifically, consensus still expects the reference rate to close 2021 at 5.00%, implying two 25bps hikes in the year (previous: between two and three). This contrasts with our view that a hiking cycle has begun, with an accumulated 75bps increase carried out in 25bps clips in each of the three remaining meetings of the year. With this, the reference rate would end at 5.25%. For 2022, consensus points to a rate of 5.50%, with our estimate higher at 6.00%.

**Exchange-rate for 2021 practically unchanged.** The year-end estimate came in at USD/MXN 20.36, down from the 20.38 of the previous month, still slightly above our 20.20. Both the minimum and maximum were unchanged, at 19.00 and 21.00, respectively. For 2022, consensus remained at 21.00 per dollar, with the low slightly higher at 19.50 (previous: 19.40) and the maximum at 22.00, also with no modifications.

**Governance remains as the main obstacle for growth.** The main factors –grouped by categories– likely to impact GDP growth are: (1) Governance, with 50% of responses; (2) domestic economic conditions (27%); (3) public finances (9%); and (4) inflation (8%), among the most relevant. Within the first, we note public security issues (15%) and domestic political uncertainty (15%). In the second, uncertainty about the economic situation (10%) and domestic market weakness (10%).

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, Francisco José Flores Serrano, Katia Celina Goya Ostos, Santiago Leal Singer, José Itzamna Espitia Hernández, Alik Daniel García Álvarez, Víctor Hugo Cortes Castro, Hugo Armando Gómez Solís, Miguel Alejandro Calvo Domínguez, Luis Leopoldo López Salinas, Leslie Thalía Orozco Vélez, Gerardo Daniel Valle Trujillo 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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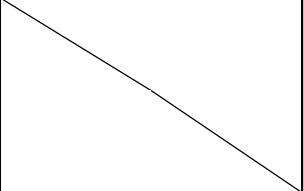
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|---|---|
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