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Mexico Consensus Economic Forecast, Volume 20, Number 3

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CONSENSUS ECONOMIC FORECAST

MÉXICO

University of Texas at El Paso
Border Region Modeling Project

3rd Quarter 2017

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Mexico Consensus Economic Forecast, Volume 20, Number 3
3rd Quarter 2017

Negotiating Inflation and Trade Relations

Second quarter 2017 annual real GDP growth decelerated to 1.8 percent. This represents a somewhat slower rate of expansion than what has been observed over the last three years. In spite of that, the consensus 2017 GDP growth forecast increased to 2.0 percent this quarter.

Domestic consumer spending remains relatively strong, bolstered by robust jobs growth. Private consumption is expected to increase by 2.4 percent during 2017. That is only slightly slower than the 2.7 percent growth rate registered last year.

Efforts to trim the federal budget deficit have constrained public spending in 2017. The consensus forecast calls for only 1.3 percent growth in government consumption. Most of the panelists predict that government consumption will grow more slowly than GDP this year.

In a context of rising interest rates and uncertainties over future trade relations, the consensus forecast calls for meager growth in total investment. The predicted rate of increase for this variable is 0.2 percent. Half of the panelists forecast a decline in total investment this year.

The forecast for exports has been revised markedly upward since last quarter to 5.8 percent. Relatively rapid growth in the value of Mexican petroleum exports and improving global economic conditions contribute to this prediction. Imports are forecast to grow by 4.8 percent.

Inflation has accelerated this year due partly to higher fuel and transportation prices. The consensus forecast calls for inflation to more than double to 5.7 percent this year. The peso has gradually appreciated from its January 2017 trough. Increased confidence that NAFTA will remain intact has bolstered the peso. The consensus forecast for the annual average peso-to-dollar exchange rate is 18.59.

In light of rising interest rates in the United States and domestic price inflation, Mexico's central bank has continued raising interest rates in 2017. The yield on 28-day Treasury Certificates (CETES) is now projected at 6.6 percent. By comparison, the yield last year was 4.2 percent.

The consensus forecast for 2018 calls for 2.2 percent GDP growth and a 2.5 percent increase in private consumption. Higher prices for Mexican oil exports may help boost government spending next year. On average, panelists predict that government spending will increase by 2.2 percent in 2018. Investment is also predicted to recover next year. The consensus forecast calls for 2.0 percent growth in that variable.

Though the renegotiation of NAFTA has increased uncertainties regarding Mexico's future trade competitiveness, it has also opened up new opportunities for diversified and enhanced trade partnerships with various countries. Solid trade growth is expected with exports predicted to grow by 4.6 percent in 2018 and imports by 4.3 percent. Inflation is expected to subside to 4.1 percent next year, just above the central bank target range. The 2018 consensus exchange rate forecast is 18.41 pesos per dollar and the predicted yield on CETES has moved up slightly this quarter to 6.7 percent.

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2017 Mexico Consensus Economic Forecast	Annual Percent Change, 2017 from 2016							Annual Average	
	GDP	Private Consumption	Government Consumption	Total Investment	Exports	Imports	Consumer Price Index	Exchange Rate	CETES 28 Day
Action Economics!	2.2	3.0	1.5	0.5	9.6	8.2	6.2	18.70	6.7
BBVA Bancomer	2.2	2.5	1.4	-0.8	9.6	8.3	6.2	18.95	6.7
Wells Fargo Bank	2.1	2.4	-0.1	-1.2	5.0	4.1	6.0	18.75	6.6
UACJ	2.0	2.6	1.9	1.8	2.0	1.8	5.3	17.86	6.3
ITESM	2.0	2.0	1.5	-1.0	4.0	1.0	6.1	18.50	7.2
COLEF	2.0	2.5	1.4	0.2	4.5	3.4	3.5	18.55	6.1
UAdeC	2.0	2.0	1.0	-0.5	8.0	7.5	6.0	18.90	7.0
UANL	1.5	2.5	1.6	2.6	3.6	4.3	6.2	18.50	6.2
Consensus -- this quarter	2.0	2.4	1.3	0.2	5.8	4.8	5.7	18.59	6.6
-- last quarter	1.7	2.0	1.3	-0.2	3.8	2.9	5.4	19.20	6.4

2018 Mexico Consensus Economic Forecast	Annual Percent Change, 2018 from 2017							Annual Average	
	GDP	Private Consumption	Government Consumption	Total Investment	Exports	Imports	Consumer Price Index	Exchange Rate	CETES 28 Day
Action Economics!	2.5	2.9	1.9	2.3	6.3	6.4	3.6	18.58	6.9
BBVA Bancomer	2.0	1.8	2.9	3.4	5.6	5.5	3.7	18.26	6.8
Wells Fargo Bank	2.3	2.4	2.3	2.3	2.8	4.4	5.0	17.25	7.2
UACJ	1.8	3.0	2.1	2.2	3.3	3.0	4.3	18.20	6.5
ITESM	2.1	2.2	2.0	0.0	3.0	2.0	4.0	18.20	7.5
COLEF	2.5	2.6	1.5	0.3	4.6	3.5	3.6	18.90	6.2
UAdeC	2.2	2.0	1.2	2.5	5.5	5.1	4.0	18.90	7.2
UANL	2.4	2.9	3.5	3.2	5.5	4.8	4.5	19.00	5.2
Consensus -- this quarter	2.2	2.5	2.2	2.0	4.6	4.3	4.1	18.41	6.7
-- last quarter	2.2	2.4	2.2	1.8	4.1	3.8	4.0	19.15	6.5

							Annual Averages		
Historical Data	GDP (2008 Pesos, billions)	Private Consumption (2008 Pesos, billions)	Government Consumption (2008 Pesos, billions)	Total Investment (2008 Pesos, billions)	Exports (2008 Pesos, billions)	Imports (2008 Pesos, billions)	Consumer Price Index Dec 2010 = 100	Nominal Exchange Rate Pesos/ Dollars	CETES 28 Day
2016	14,462.2	9,744.5	1,571.5	3,109.1	5,095.5	4,995.7	119.97	18.66	4.15
<i>Percent Change</i>	<i>2.29%</i>	<i>2.74%</i>	<i>1.20%</i>	<i>0.13%</i>	<i>1.24%</i>	<i>1.10%</i>	<i>2.82%</i>	<i>17.77%</i>	
2015	14,139.0	9,484.7	1,552.9	3,105.0	5,032.9	4,941.1	116.68	15.85	2.98
<i>Percent Change</i>	<i>2.65%</i>	<i>2.33%</i>	<i>2.32%</i>	<i>4.26%</i>	<i>10.37%</i>	<i>8.64%</i>	<i>2.72%</i>	<i>19.23%</i>	
2014	13,774.0	9,268.5	1,517.7	2,978.3	4,560.0	4,548.1	113.59	13.29	3.00
<i>Percent Change</i>	<i>2.27%</i>	<i>1.81%</i>	<i>2.14%</i>	<i>2.96%</i>	<i>6.95%</i>	<i>5.97%</i>	<i>4.02%</i>	<i>4.07%</i>	
2013	13,468.3	9,103.6	1,485.9	2,892.6	4,263.5	4,291.9	109.20	12.77	3.75
<i>Percent Change</i>	<i>1.36%</i>	<i>2.14%</i>	<i>1.04%</i>	<i>-1.55%</i>	<i>2.37%</i>	<i>2.58%</i>	<i>3.81%</i>	<i>-3.02%</i>	
2012	13,287.5	8,912.8	1,470.6	2,938.2	4,164.9	4,183.8	105.20	13.17	4.24
<i>Percent Change</i>	<i>4.02%</i>	<i>4.94%</i>	<i>3.48%</i>	<i>4.78%</i>	<i>5.84%</i>	<i>5.47%</i>	<i>4.11%</i>	<i>6.01%</i>	
2011	12,774.2	8,493.2	1,421.1	2,804.2	3,935.1	3,967.0	101.04	12.42	4.24
<i>Percent Change</i>	<i>4.04%</i>	<i>4.80%</i>	<i>2.45%</i>	<i>7.82%</i>	<i>8.22%</i>	<i>8.05%</i>	<i>3.41%</i>	<i>-1.68%</i>	
2010	12,277.7	8,103.9	1,387.1	2,600.8	3,636.4	3,671.4	97.71	12.64	4.40
<i>Percent Change</i>	<i>5.11%</i>	<i>5.67%</i>	<i>1.71%</i>	<i>1.27%</i>	<i>20.55%</i>	<i>20.46%</i>	<i>4.16%</i>	<i>-6.49%</i>	
2009	11,680.7	7,669.3	1,363.8	2,568.1	3,016.6	3,047.8	93.81	13.51	5.43
<i>Percent Change</i>	<i>-4.70%</i>	<i>-6.46%</i>	<i>2.25%</i>	<i>-9.27%</i>	<i>-11.78%</i>	<i>-17.59%</i>	<i>5.30%</i>	<i>21.42%</i>	
2008	12,256.9	8,198.8	1,333.8	2,830.4	3,419.4	3,698.3	89.09	11.13	7.68
<i>Percent Change</i>	<i>1.40%</i>	<i>1.90%</i>	<i>3.03%</i>	<i>4.95%</i>	<i>-1.35%</i>	<i>4.40%</i>	<i>5.12%</i>	<i>1.84%</i>	
2007	12,087.6	8,046.2	1,294.5	2,696.8	3,466.2	3,542.3	84.75	10.93	7.19
<i>Percent Change</i>	<i>3.15%</i>	<i>3.04%</i>	<i>2.45%</i>	<i>5.99%</i>	<i>3.65%</i>	<i>5.93%</i>	<i>3.97%</i>	<i>0.27%</i>	
2006	11,718.7	7,809.0	1,263.5	2,544.4	3,344.2	3,344.0	81.52	10.90	7.19
<i>Percent Change</i>	<i>5.00%</i>	<i>5.52%</i>	<i>3.40%</i>	<i>8.69%</i>	<i>7.67%</i>	<i>10.19%</i>	<i>3.63%</i>	<i>0.01%</i>	
2005	11,160.5	7,400.8	1,222.0	2,341.0	3,106.0	3,034.7	78.66	10.90	9.20
<i>Percent Change</i>	<i>3.03%</i>	<i>4.40%</i>	<i>3.05%</i>	<i>5.90%</i>	<i>5.71%</i>	<i>7.71%</i>	<i>3.99%</i>	<i>-3.44%</i>	
2004	10,832.0	7,088.9	1,185.9	2,210.5	2,938.2	2,817.5	75.64	11.29	6.82
<i>Percent Change</i>	<i>4.30%</i>	<i>5.57%</i>	<i>2.39%</i>	<i>7.52%</i>	<i>9.13%</i>	<i>9.71%</i>	<i>4.69%</i>	<i>4.61%</i>	
2003	10,385.9	6,715.1	1,158.2	2,055.9	2,692.3	2,568.1	72.26	10.79	6.23
<i>Percent Change</i>	<i>1.97%</i>	<i>2.19%</i>	<i>0.92%</i>	<i>0.77%</i>	<i>2.26%</i>	<i>0.36%</i>	<i>4.55%</i>	<i>12.04%</i>	
2002	10,185.5	6,570.9	1,147.6	2,040.1	2,632.8	2,558.8	69.11	9.63	7.09
*GDP: Producto Interno Bruto, INEGI, 2008 Pesos									
*Private Consumption: Consumo Privado, INEGI, 2008 Pesos									
*Government Consumption: Consumo de Gobierno, INEGI, 2008 Pesos									
*Total Investment: Formacion bruta de capital fijo, INEGI, 2008 Pesos									
*Exports: Exportacion de bienes y servicios, INEGI, 2008 Pesos									
*Imports: Importacion de bienes y servicios, INEGI, 2008 Pesos									
*CPI, Banco de Mexico, Annual Average, Base = Dec 2010									
*Exchange Rate, Banco de Mexico, Peso-to-dollar, Fecha de Liquidacion, Annual Average									
*CETES 28 Days, Banco de Mexico, Annual Average									

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