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CONSENSUS ECONOMIC FORECAST

MÉXICO

University of Texas at El Paso
Border Region Modeling Project

3rd Quarter 2011

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Squinting at the Future

The pace of growth decelerated during the second quarter of 2011. Gross Domestic Product (GDP) grew by 3.3 percent between the second quarter of 2010 and the same period in 2011, a substantial decline from the 4.6 percent growth rate observed in the first quarter of the year. In response, six of the eight panelists lowered their GDP forecasts for 2011 and the consensus outlook for 2011 GDP growth dropped from 4.2 percent to 3.8 percent.

There was less agreement on the forecast for private consumption. Although the overall growth rate declined slightly to 3.9 percent, only two panelists revised forecasted private consumption downward. The remaining four panelists increased their predictions, but not by enough to offset the declines.

Government consumption is expected to grow by 3.2 percent in 2011. Again, four panelists revised their estimates of government consumption upwards, while two lowered their estimates. Among other factors, high petroleum prices may contribute to this outlook via higher public sector revenue collections.

Although expectations of GDP growth have been revised downwards, growth in total investment is still predicted to gain momentum in 2011. The consensus forecast calls for a 5.3 percent increase in investment in 2011, which is modestly lower than the previous estimate. Although five of the panelists project that investment will grow by 5 percent or more in 2011, the range of estimates is fairly wide.

Expectations of increasing consumption in the United States underlie the consensus forecast of 14.8 percent growth in exports. The consensus prediction of import growth is 14.0 percent. Both the export and import figures reflect downward revisions in light of global economic uncertainties. The ranges for the estimates are noticeably large, 9 to 23.6 percent for exports and 8.4 to 20.2 percent for imports.

The consensus forecast of inflation in 2011 remains unchanged at 4 percent. Five of the panelists reduced their estimates of the growth in consumer prices, while two panelists increased their projections. Factors such as relatively slow growth in wages suggest that inflation will remain in check in the short term.

The consensus forecast predicts that, in 2011, the peso will be somewhat weaker with respect to the U.S. dollar than previously reported. The exchange rate is expected to average 12.23 pesos per dollar in 2011. All but one of the panelists revised their estimate of the exchange rate upward to reflect recent currency market jitters observed for the peso.

At 4.4 percent, the predicted yield on 28-day Treasury Certificates (CETES) is unchanged from the previous quarter. All but one of the panelists anticipate that yields on CETES will remain positive in real terms in 2011. The forecasts range from 4.2 percent to 4.7 percent.

Expectations of slower growth are also reflected in the 2012 forecasts. GDP and private consumption are both forecast to increase by 3.6 percent. Investment is predicted to grow by 5.4 percent and government consumption by 2.8 percent. Imports are expected to grow by 12.7 percent in 2012, while exports expand by 10.9 percent. Inflation is expected to edge upwards to 4.3 percent while the yield on 28-day CETES increases to 5.1 percent. The exchange rate is predicted to average 12.80 pesos per dollar in 2012.

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2011 Mexico Consensus Economic Forecast

	Annual Percent Change, 2011 from 2010						Annual Average		
	GDP	Private Consumption	Government Consumption	Total Investment	Exports	Imports	Consumer Price Index	Exchange Rate	CETES 28 Day
American Chamber Mexico	3.8	4.0	2.8	5.9	14.5	14.6	3.6	12.17	4.3
BBVA Bancomer	4.1	3.9	3.3	4.6	10.7	8.4	3.5	11.80	4.4
WellsFargo Bank	3.2	4.4	4.4	6.6	11.8	13.5	3.4	12.13	4.2
Center for Economic Forecasting of Mexico	3.8	4.0	2.4	8.0	9.0	9.8	5.5	12.15	4.3
UACJ	3.8	4.0	3.0	6.0	15.0	14.0	3.6	12.20	4.4
ITESM	3.5	3.0	3.0	5.0	20.0	15.0	3.6	12.50	4.5
COLEF	3.5	3.9	3.3	3.2	13.5	16.6	4.6	12.35	4.7
UAdeC	4.5	3.7	3.2	3.5	23.6	20.2	4.3	12.50	4.3
Consensus -- this quarter	3.8	3.9	3.2	5.3	14.8	14.0	4.0	12.23	4.4
-- last quarter	4.2	4.1	3.1	5.5	15.6	15.1	4.0	11.97	4.4

2012 Mexico Consensus Economic Forecast

	Annual Percent Change, 2012 from 2011						Annual Average		
	GDP	Private Consumption	Government Consumption	Total Investment	Exports	Imports	Consumer Price Index	Exchange Rate	CETES 28 Day
American Chamber Mexico	4.0	3.5	2.4	5.7	5.9	10.4	4.0	12.01	4.5
BBVA Bancomer	3.8	3.5	3.6	4.1	10.2	9.8	3.6	12.20	5.3
WellsFargo Bank	3.2	4.3	4.1	6.3	11.5	13.9	4.0	12.73	4.2
Center for Economic Forecasting of Mexico	4.8	4.9	3.6	7.6	5.5	8.0	5.8	13.40	5.9
UACJ	3.6	3.8	2.5	7.0	16.0	15.0	4.0	12.50	5.5
ITESM	3.5	3.0	3.0	4.0	17.0	14.0	3.8	12.50	4.8
COLEF	2.5	2.1	1.2	2.1	8.6	15.7	5.2	13.55	5.1
UAdeC	3.2	3.9	2.3	6.3	12.7	15.0	4.0	13.50	5.5
Consensus -- this quarter	3.6	3.6	2.8	5.4	10.9	12.7	4.3	12.80	5.1
-- last quarter	3.8	4.4	3.6	5.8	11.4	13.7	4.1	12.3	5.1

Historical Data	GDP (2003 Pesos, billions)	Private Consumption (2003 Pesos, billions)	Government Consumption (2003 Pesos, billions)	Total Investment (2003 Pesos, billions)	Exports (2003 Pesos, billions)	Imports (2003 Pesos, billions)	Consumer Price Index Dec 2010= 100	Nominal Exchange Rate Pesos/ Dollars	CETES 28 Day
2010	8860.7	6090.4	1005.9	1876.5	2882.5	2997.3	97.71	12.64	4.40
<i>Percent Change</i>	<i>5.50%</i>	<i>4.99%</i>	<i>2.78%</i>	<i>2.34%</i>	<i>24.34%</i>	<i>22.13%</i>	<i>4.16%</i>	<i>-6.47%</i>	
2009	8398.7	5801.1	978.7	1833.5	2318.2	2454.1	93.81	13.51	5.39
<i>Percent Change</i>	<i>-6.08%</i>	<i>-7.06%</i>	<i>3.47%</i>	<i>-11.27%</i>	<i>-13.73%</i>	<i>-18.64%</i>	<i>5.30%</i>	<i>21.27%</i>	
2008	8,942.4	6,241.6	945.9	2,066.3	2,687.2	3,016.3	89.09	11.14	7.68
<i>Percent Change</i>	<i>1.50%</i>	<i>1.77%</i>	<i>1.09%</i>	<i>5.88%</i>	<i>0.45%</i>	<i>2.81%</i>	<i>5.12%</i>	<i>1.92%</i>	
2007	8,810.1	6,133.1	935.7	1,951.6	2,675.1	2,934.0	84.7	10.93	7.19
<i>Percent Change</i>	<i>3.26%</i>	<i>3.99%</i>	<i>3.07%</i>	<i>6.94%</i>	<i>5.75%</i>	<i>7.08%</i>	<i>3.97%</i>	<i>0.28%</i>	
2006	8,532.0	5,897.9	907.8	1,824.9	2,529.7	2,740.0	81.5	10.90	7.19
<i>Percent Change</i>	<i>5.15%</i>	<i>5.67%</i>	<i>1.87%</i>	<i>9.88%</i>	<i>10.94%</i>	<i>12.57%</i>	<i>3.63%</i>	<i>-0.16%</i>	
2005	8,114.1	5,581.3	891.1	1,660.8	2,280.3	2,434.0	78.7	10.92	9.20
<i>Percent Change</i>	<i>3.21%</i>	<i>4.78%</i>	<i>2.52%</i>	<i>7.46%</i>	<i>6.75%</i>	<i>8.47%</i>	<i>3.99%</i>	<i>-3.29%</i>	
2004	7,862.1	5,326.6	869.2	1,545.6	2,136.1	2,243.8	75.6	11.29	6.82
<i>Percent Change</i>	<i>4.05%</i>	<i>5.63%</i>	<i>-2.76%</i>	<i>8.01%</i>	<i>11.50%</i>	<i>10.74%</i>	<i>4.69%</i>	<i>4.63%</i>	
2003	7,555.8	5,042.8	893.8	1,430.9	1,915.8	2,026.2	72.3	10.79	6.23
<i>Percent Change</i>	<i>1.35%</i>	<i>2.22%</i>	<i>0.81%</i>	<i>0.37%</i>	<i>2.69%</i>	<i>0.70%</i>	<i>4.55%</i>	<i>12.05%</i>	
2002	7,455.4	4,933.1	886.7	1,425.6	1,865.5	2,012.2	69.1	9.63	7.09
<i>Percent Change</i>	<i>0.09%</i>	<i>1.59%</i>	<i>-0.33%</i>	<i>-0.64%</i>	<i>1.44%</i>	<i>1.46%</i>	<i>5.03%</i>	<i>3.10%</i>	
2001	7,448.7	4,856.1	889.6	1,434.8	1,839.0	1,983.2	65.80	9.34	11.31
<i>Percent Change</i>	<i>-0.95%</i>	<i>2.48%</i>	<i>-1.98%</i>	<i>-5.64%</i>	<i>-3.60%</i>	<i>-1.63%</i>	<i>6.37%</i>	<i>-1.27%</i>	
2000	7,520.3	4,738.7	907.6	1,520.5	1,907.6	2,016.1	61.86	9.46	15.24

Note: 2010 data are preliminary and subject to revision

*GDP: Producto Interno Bruto, INEGI, 2003 Pesos

*Private Consumption: Consumo Privado, INEGI, 2003 Pesos

*Government Consumption: Consumo de Gobierno, INEGI, 2003 Pesos

*Total Investment: Formacion bruta de capital fijo, INEGI, 2003 Pesos

*Exports: Exportacion de bienes y servicios, INEGI, 2003 Pesos

*Imports: Importacion de bienes y servicios, INEGI, 2003 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, BancodeMexico, Annual Average

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