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# Mexico Consensus Economic Forecast, Volume 18, Number 4

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## CONSENSUS ECONOMIC FORECAST

# MÉXICO

University of Texas at El Paso  
Border Region Modeling Project

### 4<sup>th</sup> Quarter 2015

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### Slow Improvements

In the 3<sup>rd</sup> quarter of 2015, Mexico's real GDP was 2.6 percent higher than one year ago. This rate of growth is somewhat better than what has been observed in most recent quarters. The forecast for annual GDP growth in 2015 edged upward slightly to 2.3 percent this quarter.

Domestic consumer demand appears to be growing a bit faster in 2015 than in the previous two years. None of the panelists expect growth in private consumption below 2.3 percent this year and the average forecast is 2.6 percent. By contrast, public spending will likely represent a drag on GDP growth this year in light of limited government revenues from oil. The consensus forecast calls for a 2 percent increase in government consumption.

Growth in investment spending is likely to exceed the rates registered in 2013 and 2014. This expectation is underpinned by solid growth in manufacturing and rising construction spending for private-sector projects. Total investment is predicted to rise by 3.6 percent in 2015.

The consensus forecasts for Mexico's foreign trade have been revised upward this quarter. Growth in exports of some manufactured goods, aided by the low value of the peso, have partially compensated for reductions in oil exports. Exports are now projected to grow by 4.4 percent this year and imports are predicted to rise by 4.8 percent.

Inflation remains very low by historical standards. This is partially explained by relatively sluggish economic growth and reforms promoting competition in the telecommunications sector. The consensus inflation forecast for 2015 is 2.7 percent, which is below the central bank target rate.

The consensus forecast for the annual average exchange rate in 2015 is 16.23 pesos per dollar, which would represent a 22 percent year-over-year peso depreciation. However, as mentioned above, depreciation has not resulted in a substantial increase in inflation to date. Low inflation and relatively slow economic growth have resulted in a continuation of low interest rates. The yield on 28-day CETES is predicted to average just 3.1 percent this year.

The outlook for 2016 is largely similar to that for the current year. GDP growth is predicted to rise by a modest 2.5 percent and private consumption by 2.6 percent. In light of expectations that oil prices could remain relatively low in 2016, predicted growth in government consumption has been revised downward to 1.3 percent.

Total investment continues to be a bright spot in the 2016 consensus forecast. This variable is expected to increase by 4.5 percent. Growth prospects for foreign trade remain solid, though the possibility of a continued slump in oil prices dims those prospects slightly. The consensus forecast projects that exports will rise by 4.8 percent and imports by 5.6 percent.

The consensus forecast predicts that the peso will stabilize next year. The nominal exchange rate prediction for 2016 is 16.22 pesos per dollar. Inflation is projected to accelerate to 3.1 percent. Finally, interest rates on 28-day CETES are predicted to rise to 3.6 percent in response to anticipated higher rates in the United States.

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2015 Mexico Consensus Economic Forecast	Annual Percent Change, 2015 from 2014							Annual Average	
	GDP	Private Consumption	Government Consumption	Total Investment	Exports	Imports	Consumer Price Index	Exchange Rate	CETES 28 Day
Action Economics!	2.5	3.0	2.6	4.6	-3.1	5.7	2.7	15.84	3.0
BBVA Bancomer	2.5	2.6	2.1	3.4	7.4	3.4	2.4	15.95	3.1
Wells Fargo Bank	2.5	2.9	2.8	5.4	8.3	6.9	2.7	15.83	3.0
Center for Economic Forecasting of Mexico	-	-	-	-	-	-	-	-	-
UACJ	2.3	2.5	2.1	3.2	4.0	5.0	3.0	16.85	3.3
ITESM	2.0	2.5	0.5	2.8	-1.0	0.0	2.4	16.50	3.2
COLEF	2.1	2.3	1.6	2.9	3.9	3.2	3.2	16.35	3.0
UAdeC	2.5	2.6	2.0	3.5	7.0	9.0	2.6	16.00	3.3
UANL	2.3	2.6	2.6	3.2	8.7	5.3	2.7	16.50	3.0
Consensus -- this quarter	2.3	2.6	2.0	3.6	4.4	4.8	2.7	16.23	3.1
-- last quarter	2.2	2.5	1.9	3.3	3.9	3.3	3.0	16.29	3.3

2016 Mexico Consensus Economic Forecast	Annual Percent Change, 2016 from 2015							Annual Average	
	GDP	Private Consumption	Government Consumption	Total Investment	Exports	Imports	Consumer Price Index	Exchange Rate	CETES 28 Day
Action Economics!	2.9	3.2	-0.6	9.5	0.0	5.5	2.6	16.54	3.7
BBVA Bancomer	2.5	2.5	0.8	3.6	8.8	8.1	3.3	16.51	3.4
Wells Fargo Bank	2.7	2.9	2.6	5.9	7.0	7.5	3.1	16.42	3.4
Center for Economic Forecasting of Mexico	-	-	-	-	-	-	-	-	-
UACJ	2.4	2.6	2.0	3.6	4.5	5.5	3.5	16.70	3.8
ITESM	2.8	1.8	1.0	2.5	2.0	2.0	3.5	16.00	4.0
COLEF	1.9	2.2	1.5	2.9	4.0	3.1	3.5	16.55	3.3
UAdeC	2.6	2.8	0.9	5.4	6.5	8.9	3.3	14.50	4.0
UANL	2.5	3.1	2.4	2.5	5.9	4.6	2.4	16.55	3.2
Consensus -- this quarter	2.5	2.6	1.3	4.5	4.8	5.6	3.1	16.22	3.6
-- last quarter	2.7	2.6	2.0	4.1	5.8	5.3	3.6	16.30	3.9

							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
2014	13,769.3	9,296.9	1,525.7	2,959.7	4,573.3	4,534.5	113.59	13.29	3.00
Percent Change	2.25%	1.98%	2.48%	2.33%	7.28%	5.65%	4.02%	4.07%	
2013	13,466.3	9,116.2	1,488.7	2,892.2	4,262.8	4,291.9	109.20	12.77	3.75
Percent Change	1.35%	2.28%	1.24%	-1.57%	2.35%	2.58%	3.81%	-3.02%	
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
Percent Change	4.02%	4.94%	3.48%	4.78%	5.84%	5.47%	4.11%	6.01%	
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
Percent Change	4.04%	4.80%	2.45%	7.82%	8.22%	8.05%	3.41%	-1.68%	
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
Percent Change	5.11%	5.67%	1.71%	1.27%	20.55%	20.46%	4.16%	-6.49%	
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
Percent Change	-4.70%	-6.46%	2.25%	-9.27%	-11.78%	-17.59%	5.30%	21.42%	
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
Percent Change	1.40%	1.90%	3.03%	4.95%	-1.35%	4.40%	5.12%	1.84%	
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
Percent Change	3.15%	3.04%	2.45%	5.99%	3.65%	5.93%	3.97%	0.27%	
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
Percent Change	5.00%	5.52%	3.40%	8.69%	7.67%	10.19%	3.63%	0.01%	
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
Percent Change	3.03%	4.40%	3.05%	5.90%	5.71%	7.71%	3.99%	-3.44%	
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
Percent Change	4.30%	5.57%	2.39%	7.52%	9.13%	9.71%	4.69%	4.61%	
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
Percent Change	1.42%	1.11%	-0.54%	2.97%	0.89%	2.39%	4.55%	12.04%	
2002	10,240.2	6,641.5	1,164.5	1,996.7	2,668.6	2,508.1	69.11	9.63	7.09
Percent Change	0.13%	1.39%	-1.19%	0.53%	2.06%	2.74%	5.03%	3.10%	
2001	10,226.7	6,550.2	1,178.6	1,986.1	2,614.8	2,441.2	65.80	9.34	11.31
*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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