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# Mexico Consensus Economic Forecast, Volume 20, 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 2017

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### Economic Tremors

Revisions to historical data indicate that Mexico's economy grew at a somewhat faster pace over the last three years than previously estimated. Less encouraging, the data also indicate that real GDP grew at a relatively slow rate of 1.5 percent in the third quarter of 2017, a period marked by a major earthquake. The 2017 consensus growth forecast is 2.0 percent.

Consumer confidence has gradually recovered from the low levels observed in early 2017. It appears likely that expanding domestic consumer demand will bolster GDP growth this year. The consensus forecast calls for 2.7 percent growth in private consumption. Government consumption, in contrast, is projected to increase by just 1.4 percent this year.

Investment spending is sluggish as uncertainties regarding the future of North American trade policies breed caution and hesitancy among corporations considering the possibility of opening or expanding operations in Mexico. Construction activity has slumped so far this year. Total investment is projected to grow by a meager 0.2 percent in 2017.

A weak peso and improved economic conditions abroad have fueled relatively rapid growth in manufactured good exports in 2017. Exports are predicted to grow by 6.1 percent this year, while imports are projected to lag slightly behind and increase by 5.3 percent.

Inflation has remained comparatively high in 2017 due, in part, to higher energy prices. In that context, the consensus inflation forecast rose to 6.1 percent this quarter. The Mexican peso again depreciated against the US dollar in recent months and the 2017 average exchange rate forecast has increased to 18.96 pesos per dollar. In response to currency depreciation and persistent inflation, interest rates continued to increase this year. The yield on 28-day CETES is projected to average 6.6 percent in 2017.

The consensus forecast calls for 2.0 percent GDP growth in 2018, the same rate of growth expected for this year. Private consumption is expected to remain strong, increasing by 2.5 percent. On average, panelists also predict that government consumption will increase in 2018. Future public spending patterns depend partly on the outcome of the 2018 presidential election in Mexico. The consensus forecast predicts 1.9 percent growth in government consumption.

Investment growth and future interest rate developments will be affected by the outcome of NAFTA negotiations and the election results next year. At present, there is substantial uncertainty surrounding both of those exercises. Given that, panelist predictions for total investment growth

in 2018 range from 0 all the way up to 2.5 percent. The average forecast for total investment growth next year is 1.3 percent. Exports are projected to rise by 4.9 percent in 2018, with imports predicted to increase by 4.6 percent, as global economic conditions continue to slowly improve. The consensus inflation forecast for 2018 is 4.5 percent, which is above the Bank of Mexico target range. Also next year, the exchange rate is predicted to average 19.17 pesos per dollar and the yield on 28-day CETES is forecast to edge slightly upwards to 6.8 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!	2.1	3.0	1.5	0.5	9.8	9.3	6.6	18.84	6.7
BBVA Bancomer	1.9	2.9	1.4	-0.8	8.9	9.0	6.5	18.86	6.7
Wells Fargo Bank	2.0	3.1	0.7	-1.5	5.1	5.4	5.9	18.88	6.7
UACJ	2.2	3.2	1.9	1.8	2.2	1.8	6.3	18.77	5.0
ITESM	2.0	2.0	1.5	-1.0	4.0	1.0	6.3	18.70	7.3
COLEF	2.2	2.6	1.6	0.9	6.3	5.1	5.6	19.95	6.6
UAdeC	2.0	2.3	1.0	-0.4	8.2	7.0	6.0	18.90	7.1
UANL	2.0	2.3	1.4	1.9	4.4	3.9	5.7	18.81	7.0
Consensus -- this quarter	2.0	2.7	1.4	0.2	6.1	5.3	6.1	18.96	6.6
-- last quarter	2.0	2.4	1.3	0.2	5.8	4.8	5.7	18.59	6.6

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!	2.4	2.9	1.9	2.3	6.3	6.5	3.9	18.88	6.9
BBVA Bancomer	2.0	2.5	2.9	0.0	7.7	7.8	3.7	18.88	6.8
Wells Fargo Bank	1.9	3.1	2.2	1.7	3.9	4.4	5.0	19.25	7.2
UACJ	2.0	3.0	1.8	1.9	3.3	2.6	5.0	19.50	5.5
ITESM	2.1	2.2	2.0	0.0	3.0	2.0	4.0	18.80	7.5
COLEF	2.0	2.3	1.5	0.8	5.1	5.0	5.8	21.25	6.8
UAdeC	2.0	2.0	1.0	2.5	5.5	5.1	4.0	18.90	7.2
UANL	1.9	2.3	1.6	1.6	4.1	3.5	4.3	17.91	6.8
Consensus -- this quarter	2.0	2.5	1.9	1.3	4.9	4.6	4.5	19.17	6.8
-- last quarter	2.2	2.5	2.2	2.0	4.6	4.3	4.1	18.41	6.7

							Annual Averages		
Historical Data	GDP (2013 Pesos, billions)	Private Consumption (2013 Pesos, billions)	Government Consumption (2013 Pesos, billions)	Total Investment (2013 Pesos, billions)	Exports (2013 Pesos, billions)	Imports (2013 Pesos, billions)	Consumer Price Index Dec 2010 = 100	Nominal Exchange Rate Pesos/ Dollars	CETES 28 Day
2016	17,791.5	11,835.8	2,131.3	3,784.1	6,114.8	6,099.5	119.97	18.66	4.15
<i>Percent Change</i>	<i>2.91%</i>	<i>3.66%</i>	<i>2.39%</i>	<i>1.09%</i>	<i>3.46%</i>	<i>2.90%</i>	<i>2.82%</i>	<i>17.77%</i>	
2015	17,287.8	11,418.0	2,081.5	3,743.1	5,910.2	5,927.4	116.68	15.85	2.98
<i>Percent Change</i>	<i>3.27%</i>	<i>3.36%</i>	<i>1.94%</i>	<i>4.99%</i>	<i>8.41%</i>	<i>5.92%</i>	<i>2.72%</i>	<i>19.23%</i>	
2014	16,740.3	11,046.5	2,041.8	3,565.4	5,451.5	5,596.2	113.59	13.29	3.00
<i>Percent Change</i>	<i>2.85%</i>	<i>2.10%</i>	<i>2.89%</i>	<i>3.07%</i>	<i>6.98%</i>	<i>5.92%</i>	<i>4.02%</i>	<i>4.07%</i>	
2013	16,277.2	10,819.3	1,984.4	3,459.3	5,095.7	5,283.4	109.20	12.77	3.75
<i>Percent Change</i>	<i>1.35%</i>	<i>1.76%</i>	<i>0.54%</i>	<i>-3.35%</i>	<i>1.37%</i>	<i>2.12%</i>	<i>3.81%</i>	<i>-3.02%</i>	
2012	16,059.7	10,632.5	1,973.7	3,579.2	5,026.8	5,173.9	105.20	13.17	4.24
<i>Percent Change</i>	<i>3.64%</i>	<i>2.34%</i>	<i>3.36%</i>	<i>4.93%</i>	<i>6.52%</i>	<i>5.42%</i>	<i>4.11%</i>	<i>6.01%</i>	
2011	15,495.3	10,389.5	1,909.5	3,411.1	4,718.9	4,908.0	101.04	12.42	4.24
<i>Percent Change</i>	<i>3.66%</i>	<i>3.36%</i>	<i>3.04%</i>	<i>7.85%</i>	<i>7.71%</i>	<i>5.62%</i>	<i>3.41%</i>	<i>-1.68%</i>	
2010	14,947.8	10,051.7	1,853.2	3,162.9	4,381.0	4,646.9	97.71	12.64	4.40
<i>Percent Change</i>	<i>5.12%</i>	<i>3.59%</i>	<i>2.28%</i>	<i>4.71%</i>	<i>22.36%</i>	<i>17.06%</i>	<i>4.16%</i>	<i>-6.49%</i>	
2009	14,220.0	9,703.2	1,811.9	3,020.6	3,580.3	3,969.9	93.81	13.51	5.43
<i>Percent Change</i>	<i>-5.29%</i>	<i>-6.25%</i>	<i>2.94%</i>	<i>-11.67%</i>	<i>-10.85%</i>	<i>-15.95%</i>	<i>5.30%</i>	<i>21.42%</i>	
2008	15,013.6	10,350.2	1,760.1	3,419.6	4,016.3	4,723.2	89.09	11.13	7.68
<i>Percent Change</i>	<i>1.14%</i>	<i>0.71%</i>	<i>2.93%</i>	<i>6.56%</i>	<i>-1.02%</i>	<i>3.28%</i>	<i>5.12%</i>	<i>1.84%</i>	
2007	14,843.8	10,277.4	1,710.1	3,209.2	4,057.6	4,573.1	84.75	10.93	7.19
<i>Percent Change</i>	<i>2.29%</i>	<i>2.51%</i>	<i>1.82%</i>	<i>5.82%</i>	<i>1.97%</i>	<i>4.83%</i>	<i>3.97%</i>	<i>0.27%</i>	
2006	14,511.3	10,025.8	1,679.5	3,032.8	3,979.0	4,362.5	81.52	10.90	7.19
<i>Percent Change</i>	<i>4.50%</i>	<i>4.06%</i>	<i>2.71%</i>	<i>9.31%</i>	<i>7.81%</i>	<i>8.69%</i>	<i>3.63%</i>	<i>0.01%</i>	
2005	13,887.1	9,634.7	1,635.2	2,774.4	3,690.7	4,013.9	78.66	10.90	9.20
<i>Percent Change</i>	<i>2.31%</i>	<i>2.76%</i>	<i>2.26%</i>	<i>6.21%</i>	<i>6.31%</i>	<i>5.38%</i>	<i>3.99%</i>	<i>-3.44%</i>	
2004	13,573.8	9,376.1	1,599.1	2,612.3	3,471.5	3,809.0	75.64	11.29	6.82
<i>Percent Change</i>	<i>3.92%</i>	<i>4.77%</i>	<i>-0.97%</i>	<i>7.09%</i>	<i>9.87%</i>	<i>6.48%</i>	<i>4.69%</i>	<i>4.61%</i>	
2003	13,061.7	8,949.1	1,614.8	2,439.2	3,159.7	3,577.1	72.26	10.79	6.23
<i>Percent Change</i>	<i>1.45%</i>	<i>2.23%</i>	<i>-0.16%</i>	<i>1.05%</i>	<i>1.91%</i>	<i>2.51%</i>	<i>4.55%</i>	<i>12.04%</i>	
2002	12,875.5	8,753.9	1,617.3	2,413.8	3,100.5	3,489.5	69.11	9.63	7.09
*GDP: Producto Interno Bruto, INEGI, 2013 Pesos									
*Private Consumption: Consumo Privado, INEGI, 2013 Pesos									
*Government Consumption: Consumo de Gobierno, INEGI, 2013 Pesos									
*Total Investment: Formacion bruta de capital fijo, INEGI, 2013 Pesos									
*Exports: Exportacion de bienes y servicios, INEGI, 2013 Pesos									
*Imports: Importacion de bienes y servicios, INEGI, 2013 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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