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# Mexico Consensus Economic Forecast, Volume 22, Number 1

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## CONSENSUS ECONOMIC FORECAST

# MÉXICO

University of Texas at El Paso  
Border Region Modeling Project

### 1<sup>st</sup> Quarter 2019

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Mexico Consensus Economic Forecast, Volume 22, Number 1  
1<sup>st</sup> Quarter 2019

### First that Other Effect, Now the AMLO Effect

Initial estimates for 2018 gross domestic product (GDP) indicate that aggregate growth declined from approximately 2.1 percent in 2017 to 2 percent. While it is a small decline, the fact that this occurred during a presidential election year represents a noticeable departure from the usual business cycle boost provided by national politics in Mexico. The decline is partially attributable to trade and border disputes with the United States, but also reflects substantial private sector uncertainty regarding the policy agenda of the new López Obrador administration. The consensus forecast has now dipped to 1.6 percent for 2019 with almost no rebound next year.

In accordance with the projected GDP deceleration, the consensus forecast for private consumption has also waned. The new rate for 2019 is 2.2 percent, a 60 basis point drop from the prior report. Similar to GDP, only a minor increase is anticipated for 2020.

The consensus outlook for government consumption has declined to 1.5 percent for 2019. This indicator exhibits the widest range of forecasts, ranging from negative 0.5 percent to 2.4 percent. Part of this variation may be due to implementation lags in relation to large scale expenditure changes as part of the AMLO administration accession to power.

The consensus projection for total investment for 2019 has plummeted to only 0.7 percent. That reduction is partially related to border uncertainty, as supply chain disruptions temporarily stifle growth. Domestically, business groups continue to complain about business policy uncertainty associated with the new administration, also contributing to the more muted outlook. For 2020, the consensus estimate calls for a minor growth recovery to 1.6 percent.

Exports and imports are both projected to weaken in 2019. Reflective of the uncertain nature of trade relations with the United States, estimates fluctuate substantially amongst the panelists. In addition to legislative equivocations regarding the yet to be approved USMCA trade pact, Northern Triangle asylum seeking traffic through Mexico has angered the White House.

More optimistically, the panelists have lowered the consumer price projection for 2019 to 4.2 with a slight decline also predicted for 2020. Those adjusted outlooks reflect the steady hand on the monetary tiller of the Central Bank. Additional limited tightening is expected this year.

The consensus forecast for the 2019 peso per dollar exchange has essentially remained unchanged at 19.42 this quarter. Although the peso remains undervalued, the consensus still anticipates further depreciation in nominal terms this year. In 2020, some nominal currency market erosion is projected with the collective prediction averaging 19.94 pesos per dollar.

The panelists indicate the 28-day Treasury Certificate yield will average 7.8 percent in 2019, an increase of 18 basis points from 2018. Monetary policy is expected to ease slightly in 2020, with the average yield descending to 7.6 percent. That view is not unanimous, however, with three panelists anticipating at least some degree of tighter credit conditions next year. Should debt monetization become an issue under AMLO, higher interest rates may be unavoidable.



							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 Jul 2018 = 100	Nominal Exchange Rate Pesos/ Dollars	CETES 28 Day
2018	18,519.1	12,411.6	2,179.3	3,744.4	6,735.9	6,879.6	100.26	19.24	7.62
Percent Change	2.1%	2.2%	1.4%	0.6%	5.8%	6.2%	4.9%	1.7%	
2017	18,157.0	12,142.3	2,149.7	3,722.6	6,369.7	6,478.1	95.57	18.93	6.69
Percent Change	2.1%	3.1%	1.0%	-1.6%	3.9%	6.2%	6.0%	1.4%	
2016	17,788.8	11,775.0	2,128.9	3,782.3	6,128.5	6,100.4	90.13	18.66	4.15
Percent Change	2.9%	3.8%	2.6%	1.0%	3.7%	2.9%	2.8%	17.8%	
2015	17,283.9	11,346.4	2,075.0	3,743.9	5,910.2	5,927.4	87.65	15.85	2.98
Percent Change	3.3%	2.7%	1.9%	5.0%	8.4%	5.9%	2.7%	19.2%	
2014	16,733.7	11,046.5	2,036.3	3,565.4	5,451.5	5,596.2	85.33	13.29	3.00
Percent Change	2.8%	2.1%	2.6%	3.1%	7.0%	5.9%	4.0%	4.1%	
2013	16,277.2	10,819.3	1,984.4	3,459.3	5,095.7	5,283.4	82.04	12.77	3.75
Percent Change	1.4%	1.8%	0.5%	-3.4%	1.4%	2.1%	3.8%	-3.0%	
2012	16,059.7	10,632.5	1,973.7	3,579.2	5,026.8	5,173.9	79.03	13.17	4.24
Percent Change	3.6%	2.3%	3.4%	4.9%	6.5%	5.4%	4.1%	6.0%	
2011	15,495.3	10,389.5	1,909.5	3,411.1	4,718.9	4,908.0	75.91	12.42	4.24
Percent Change	3.7%	3.4%	3.0%	7.9%	7.7%	5.6%	3.4%	-1.7%	
2010	14,947.8	10,051.7	1,853.2	3,162.9	4,381.0	4,646.9	73.41	12.64	4.40
Percent Change	5.1%	3.6%	2.3%	4.7%	22.4%	17.1%	4.2%	-6.5%	
2009	14,220.0	9,703.2	1,811.9	3,020.6	3,580.3	3,969.9	70.48	13.51	5.43
Percent Change	-5.3%	-6.3%	2.9%	-11.7%	-10.9%	-16.0%	5.3%	21.4%	
2008	15,013.6	10,350.2	1,760.1	3,419.6	4,016.3	4,723.2	66.93	11.13	7.68
Percent Change	1.1%	0.7%	2.9%	6.6%	-1.0%	3.3%	5.1%	1.8%	
2007	14,843.8	10,277.4	1,710.1	3,209.2	4,057.6	4,573.1	63.67	10.93	7.19
Percent Change	2.3%	2.5%	1.8%	5.8%	2.0%	4.8%	4.0%	0.3%	
2006	14,511.3	10,025.8	1,679.5	3,032.8	3,979.0	4,362.5	61.24	10.90	7.19
Percent Change	4.5%	4.1%	2.7%	9.3%	7.8%	8.7%	3.6%	0.0%	
2005	13,887.1	9,634.7	1,635.2	2,774.4	3,690.7	4,013.9	59.09	10.90	9.20
Percent Change	2.3%	2.8%	2.3%	6.2%	6.3%	5.4%	4.0%	-3.4%	
2004	13,573.8	9,376.1	1,599.1	2,612.3	3,471.5	3,809.0	56.83	11.29	6.82
Percent Change	3.9%	4.8%	-1.0%	7.1%	9.9%	6.5%	4.7%	4.6%	
2003	13,061.7	8,949.1	1,614.8	2,439.2	3,159.7	3,577.1	54.28	10.79	6.23
Percent Change	1.5%	2.2%	-0.2%	1.1%	1.9%	2.5%	4.6%	11.7%	
2002	12,875.5	8,753.9	1,617.3	2,413.8	3,100.5	3,489.5	51.92	9.66	7.09
Percent Change	-0.0%	1.7%	0.3%	-2.3%	0.4%	1.2%	5.0%	3.4%	
*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 = Jul 2018									
*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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*México Consensus Economic Forecast*, a quarterly publication of the Border Region Modeling Project, a research unit within the Department of Economics & Finance at the College of Business Administration of The University of Texas at El Paso, is available on the Web at: <http://academics.utep.edu/border>. For additional information, contact the Border Region Modeling Project - CBA 236, UTEP Department of Economics & Finance, 500 West University Avenue, El Paso, TX 79968-0543, USA. (915) 747-7775.

