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Mexico Consensus Economic Forecast, Volume 22, Number 3

Thomas M. Fullerton Jr.
University of Texas at El Paso, tomf@utep.edu

Steven L. Fullerton
University of Texas at El Paso, sfullerton@miners.utep.edu

Ana Gutierrez Zubiate
University of Texas at El Paso, apgutierrez3@miners.utep.edu

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CONSENSUS ECONOMIC FORECAST

MÉXICO

University of Texas at El Paso
Border Region Modeling Project**Action Economics!**

Dr. Deborah L. Riner

BBVA Bancomer

Iván Martínez Urquijo

Cecilia Posadas

Javier Amador Díaz

Francisco Javier Morales

Arnulfo Rodríguez Hernández

**Universidad Autónoma de
Ciudad Juárez**

Dra. Patricia Barraza de Anda

Dra. Cely Ronquillo Chávez

Dra. Margarita Grajeda

**El Colegio de la Frontera
Norte**

Dr. Eduardo Mendoza Cota

**Instituto Tecnológico y de
Estudios Superiores de
Monterrey**

Dr. Jorge Ibarra Salazar

Independent Economist

Dr. Semei Coronado

**Universidad Autónoma de
Coahuila**

Dr. Alejandro Dávila Flores

**Universidad Autónoma de
Nuevo León**

Dra. Cinthya Caamal Olvera

Website

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Mexico Consensus Economic Forecast, Volume 22, Number 3, 3rd Quarter 2019**Policy Uncertainties and Economic Turmoil**

Impeachment related policy gridlock in Washington, DC is dampening prospects for near-term USMCA approval. That, plus ongoing energy sector and infrastructure issues within Mexico, have combined to worsen macroeconomic conditions. The consensus outlook for GDP growth has been slashed by 71 basis points to 0.72. None of the panelists expect GDP growth to keep pace with population growth this year.

The panel anticipates that the GDP deceleration will extend across all sectors of the Aztec economy before rebounding modestly in 2020. Private consumption forecasts have been reduced by 69 basis points to 1.30 percent. Government consumption is now projected to increase by only 0.82 percent in 2019. In reaction to all of the uncertainties hovering over both sides of the border, the panelists have, collectively, slashed the outlook for total investment by 50 basis points to -0.09 percent. Investment is expected to move back into positive territory in 2020, but businesses are noticeably upset by what is transpiring in DC and the DF.

Against that backdrop, it comes as no surprise that goods and services trade forecasts have also been cut. Exports, the majority of which go to the United States, are expected to increase by approximately 3.3 Percent in both 2019 and 2020. Import forecasts have been cut by even greater percentages than exports. The consensus outlook calls for imports to increase by only 3 percent in 2019. The forecast for 2020 is more optimistic, rising to nearly 4.5 percent. The latter still represents an 87 basis point decline from what was projected last quarter.

Slower economic activity generally translates into reduced price pressures, and the panel forecasts embody that basic historical pattern. The 2019 consumer price inflation forecast has been revised downwards by nearly 80 basis points to approximately 3.4 percent. During the first half of September, the annualized rate of inflation fell to 2.99 percent, lending credence to the consensus outlook for prices. In 2020, the CPI is expected to rise more quickly, advancing at a 3.8 percent clip.

Ironically, the exchange rate forecasts for the peso call for more depreciation in both 2019 and 2020. On the surface, that is surprising because inflation is subsiding in Mexico, and interest rates have declined in the United States. That is usually a recipe for peso appreciation against the greenback, but current account worries are seemingly affecting the currency market outlook. North of the border disinflation may also affect the outlook. In 2020, the exchange rate is projected to average 20.01 pesos per dollar.

Greater price stability in Mexico also seems to have affected the 2019 short-term interest rate forecasts submitted by the panelists. The 2019 predictions for the yield on 28-day Cetes (Treasury Certificates) moved down by 4 basis points to 7.65 percent. The 2020 consensus outlook for the 28-day Cetes rate inched upward by 2 basis points to 7.36 percent. Although the 2020 rate is higher than what was projected last quarter, it is also nearly 30 basis points lower than the 2019 forecast. That is surprising because consumer prices are expected to advance more rapidly in 2020 relative to 2019 and that generally forces interest rates to move up in response. Lower interest yields in the United States are the probable culprits behind this seeming anomaly.

In closing, *Mexico Consensus Economic Forecast* is pleased to welcome Dr. Semei Coronado to the panel. Dr. Coronado is an independent economic consultant in San Diego, California. Among other topics, Dr. Coronado has published nonlinear econometric research on stock market indices and commodity prices. He replaces Dr. Eugenio Alemán, who has accepted a banking economics job that is less internationally oriented than his prior position. MXC welcomes Dr. Coronado and thanks Dr. Alemán for his participation in prior years!

Thomas M. Fullerton, Jr., Steven L. Fullerton, and Ana Gutierrez Zubiarte.
University of Texas at El Paso Border Region Modeling Project

2019 Mexico Consensus Economic Forecast	Annual Percent Change, 2019 from 2018							Annual Average	
	GDP	Private Consumption	Government Consumption	Total Investment	Exports	Imports	Consumer Price Index	Exchange Rate	CETES 28 Day
Action Economics!	0.30	1.20	0.40	-1.10	3.40	1.60	3.10	19.48	7.90
BBVA Bancomer	0.70	0.90	-0.80	-2.40	2.40	1.00	3.68	19.28	7.82
UACJ	0.80	2.00	1.20	0.50	4.00	6.00	3.40	19.00	7.80
ITESM	0.50	0.50	0.50	-1.50	2.00	2.00	3.50	19.80	7.80
COLEF	0.80	1.75	1.55	0.55	4.55	4.65	3.95	19.95	7.25
UAdeC	0.60	2.20	0.80	0.40	7.00	5.00	4.00	20.00	7.70
UANL	1.22	1.23	1.98	0.43	2.24	3.53	4.43	19.85	7.74
Independent Economist	0.86	0.63	0.91	2.37	1.33	0.44	0.92	19.83	7.16
Consensus -- this quarter	0.72	1.30	0.82	-0.09	3.37	3.03	3.37	19.65	7.65
Consensus -- last quarter	1.43	1.99	1.20	0.49	3.95	5.28	4.14	19.41	7.69

2020 Mexico Consensus Economic Forecast	Annual Percent Change, 2020 from 2019							Annual Average	
	GDP	Private Consumption	Government Consumption	Total Investment	Exports	Imports	Consumer Price Index	Exchange Rate	CETES 28 Day
Action Economics!	1.30	1.90	1.00	1.00	4.10	4.30	3.60	20.00	7.40
BBVA Bancomer	1.80	2.20	1.50	0.80	3.10	4.10	3.53	19.80	6.74
UACJ	1.20	2.20	1.70	1.40	4.50	6.20	3.80	19.10	7.60
ITESM	1.20	1.00	1.00	-1.00	2.00	2.00	4.00	20.50	7.30
COLEF	1.90	1.95	2.40	1.55	5.55	6.10	4.25	20.25	7.15
UAdeC	1.00	1.20	0.80	1.00	4.20	4.40	3.90	21.00	7.70
UANL	1.73	1.90	1.46	0.69	3.33	4.98	4.19	19.21	7.72
Independent Economist	-0.74	0.24	-0.23	-0.63	-0.10	3.78	2.91	20.22	7.26
Consensus -- this quarter	1.17	1.57	1.20	0.60	3.34	4.48	3.77	20.01	7.36
-- last quarter	1.76	2.16	1.63	1.36	4.38	5.35	4.02	19.84	7.34

							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	1.99%	2.22%	1.37%	0.59%	5.75%	6.20%	4.90%	1.68%	
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	2.07%	3.12%	0.98%	-1.58%	3.94%	6.19%	6.04%	1.41%	
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	2.92%	3.78%	2.60%	1.02%	3.69%	2.92%	2.82%	17.77%	
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	3.29%	2.72%	1.90%	5.01%	8.41%	5.92%	2.72%	19.23%	
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	2.80%	2.10%	2.61%	3.07%	6.98%	5.92%	4.02%	4.07%	
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	1.35%	1.76%	0.54%	-3.35%	1.37%	2.12%	3.81%	-3.02%	
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	3.64%	2.34%	3.36%	4.93%	6.52%	5.42%	4.11%	6.01%	
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	3.66%	3.36%	3.04%	7.85%	7.71%	5.62%	3.41%	-1.68%	
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	5.12%	3.59%	2.28%	4.71%	22.36%	17.06%	4.16%	-6.49%	
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	-5.29%	-6.25%	2.94%	-11.67%	-10.85%	-15.95%	5.30%	21.42%	
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	1.14%	0.71%	2.93%	6.56%	-1.02%	3.28%	5.12%	1.84%	
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	2.29%	2.51%	1.82%	5.82%	1.97%	4.83%	3.97%	0.27%	
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	4.50%	4.06%	2.71%	9.31%	7.81%	8.69%	3.63%	0.01%	
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	2.31%	2.76%	2.26%	6.21%	6.31%	5.38%	3.99%	-3.44%	
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	3.92%	4.77%	-0.97%	7.09%	9.87%	6.48%	4.69%	4.61%	
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	1.45%	2.23%	-0.16%	1.05%	1.91%	2.51%	4.55%	11.73%	
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	-0.04%	1.69%	0.34%	-2.27%	0.40%	1.21%	5.03%	3.36%	
2001	12,880.6	8,608.1	1,611.8	2,470.0	3,088.3	3,447.9	49.43	9.34	11.31
*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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