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# Mexico Consensus Economic Forecast, Volume 14, 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 2011

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Dr. Alejandro Dávila FloresMexico Consensus Economic Forecast, Volume 14, Number 4  
4<sup>th</sup> Quarter 2011

### Recovery amid Concern

Mexico's GDP grew by 4.5 percent between the third quarter of 2010 and the same quarter of 2011. This represents a slight uptick when compared to the second quarter growth rate. Six of the eight panelists revised their projections of 2011 GDP growth upward and the consensus figure rose slightly to 4 percent.

The GDP forecast is undergirded by expectations of solid growth in private consumption. The consensus forecast projects that private consumption will grow at a rate of 4.1 percent. Panelist forecasts of the growth in both private consumption and GDP range from a low of 3.8 percent to a high of 4.5 percent.

The dispersion of estimates for government consumption is somewhat greater. The average forecast projects 3.1 percent growth in this variable. Since the last quarter, three panelists revised their government consumption forecasts upwards while an equal number made downward revisions.

Six panelists increased their predictions for private investment growth. As a consequence, the consensus forecast rose to 5.9 percent. Projections of investment growth span a wide range, from 2.3 to 8.5 percent, reflecting optimism mixed with concerns over crime at home and troubled financial markets abroad.

Estimates of the export growth rate also vary substantially, from 9.2 to 25.6 percent, implying divergent perspectives on the growth prospects of international markets. The consensus forecasts of export and import growth, at 14 and 12.4 percent respectively, both represent downward revisions. Six of eight projections suggest that export growth will differ from import growth by one percentage point or less.

Six panelists lowered their estimates of the inflation rate this quarter. The consensus forecast of the change in the consumer price index is 3.6 percent. In the context of slack overall demand in a still-recovering economy, the highest inflation rate predicted by any of the panelists is 4 percent.

Given the notable depreciation of the peso in recent months, all eight panelists increased their exchange rate estimates this quarter. The average exchange rate forecast rose from 12.23 to 12.91 pesos per dollar. The dispersion of projections also increased somewhat, with estimates ranging from 12.3 to 13.9.

The yield on 28-day Treasury Certificates (CETES) is expected to remain at 4.4 percent. Two panelists increased their projections and four others made downward revisions. All eight panelists expect that the yield on CETES will remain positive in real terms in 2011.

The consensus forecasts for GDP and private consumption growth in 2012 have been revised slightly downward to 3.5 percent each. Likewise, the consensus forecast of total investment growth for 2012 was amended from 5.4 to 4.5 percent. In contrast, the outlook for government consumption growth in the upcoming election year was revised slightly upward to 3.0 percent.

Six panelists increased their forecasts of the exchange rate for 2012 and the consensus estimate rose to 13.24. In the context of a higher expected exchange rate, the panelists forecast that exports will grow at a rate of 12 percent, faster than the import growth rate of 11.7 percent. The consensus inflation forecast is 4 percent and the estimated yield on 28 day CETES was lowered to 4.6 percent.

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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	4.0	4.3	2.8	7.2	17.1	17.1	3.6	12.42	4.2
BBVA Bancomer	3.8	4.0	3.4	4.8	9.2	8.8	3.4	12.30	4.2
Wells Fargo Bank	4.1	4.5	3.8	7.2	10.7	11.6	3.3	12.44	4.2
Center for Economic Forecasting of Mexico	4.0	3.8	2.4	8.5	9.2	9.5	4.0	12.75	4.5
UACJ	4.0	4.0	2.5	5.0	16.0	15.0	3.5	13.80	4.4
ITESM	3.8	4.0	4.0	8.0	15.0	13.0	3.6	13.00	4.3
COLEF	4.2	3.9	2.9	2.3	25.6	15.6	4.0	13.90	4.5
UAdeC	4.5	3.9	3.4	4.6	9.2	8.8	3.5	12.70	4.5
Consensus -- this quarter	4.0	4.1	3.1	5.9	14.0	12.4	3.6	12.91	4.4
-- last quarter	3.8	3.9	3.2	5.3	14.8	14.0	4.0	12.23	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	3.0	2.5	2.4	3.6	4.2	8.3	3.6	13.30	4.3
BBVA Bancomer	3.3	3.5	3.6	3.6	8.6	9.6	3.8	12.40	4.3
Wells Fargo Bank	4.3	4.6	3.9	6.3	11.5	13.9	4.9	13.90	4.4
Center for Economic Forecasting of Mexico	4.5	4.7	3.4	7.5	6.0	8.0	4.6	13.50	5.3
UACJ	3.0	3.8	2.3	5.5	14.0	16.0	4.0	13.00	4.8
ITESM	3.5	3.0	3.0	4.0	17.0	14.0	3.8	12.50	4.8
COLEF	3.4	3.2	2.5	2.2	24.7	14.6	3.9	13.80	4.7
UAdeC	3.1	3.0	2.5	3.2	10.3	9.2	3.5	13.50	4.6
Consensus -- this quarter	3.5	3.5	3.0	4.5	12.0	11.7	4.0	13.24	4.6
-- last quarter	3.6	3.6	2.8	5.4	10.9	12.7	4.3	12.8	5.1

<b>Historical Data</b>	<b>GDP (2003 Pesos, billions)</b>	<b>Private Consumption (2003 Pesos, billions)</b>	<b>Government Consumption (2003 Pesos, billions)</b>	<b>Total Investment (2003 Pesos, billions)</b>	<b>Exports (2003 Pesos, billions)</b>	<b>Imports (2003 Pesos, billions)</b>	<b>Consumer Price Index Dec 2010 = 100</b>	<b>Nominal Exchange Rate Pesos/Dollars</b>	<b>CETES 28 Day</b>
2010	8,820.0	6,080.3	1,008.6	1,863.2	2,912.4	3,030.1	97.71	12.66	4.40
<i>Percent Change</i>	<i>5.39%</i>	<i>4.97%</i>	<i>2.77%</i>	<i>2.37%</i>	<i>25.63%</i>	<i>23.47%</i>	<i>4.16%</i>	<i>-6.75%</i>	
2009	8,369.1	5,792.1	981.4	1,820.0	2,318.2	2,454.1	93.81	13.58	5.43
<i>Percent Change</i>	<i>-6.12%</i>	<i>-7.16%</i>	<i>3.77%</i>	<i>-11.91%</i>	<i>-13.73%</i>	<i>-18.64%</i>	<i>5.30%</i>	<i>20.97%</i>	
2008	8,915.0	6,238.7	945.8	2,066.0	2,687.2	3,016.3	89.09	11.22	7.68
<i>Percent Change</i>	<i>1.19%</i>	<i>1.72%</i>	<i>1.08%</i>	<i>5.86%</i>	<i>0.45%</i>	<i>2.81%</i>	<i>5.12%</i>	<i>2.71%</i>	
2007	8,810.1	6,133.1	935.7	1,951.6	2,675.1	2,934.0	84.8	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>0.03%</i>	
2006	8,532.0	5,897.9	907.8	1,824.9	2,529.7	2,740.0	81.5	10.92	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>0.64%</i>	
2005	8,114.1	5,581.3	891.1	1,660.8	2,280.3	2,434.0	78.7	10.85	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>-3.87%</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, Banco de Mexico, Annual Average

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