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Mexico Consensus Economic Forecast, Volume 19, Number 1

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CONSENSUS ECONOMIC FORECAST

MÉXICO

University of Texas at El Paso
Border Region Modeling Project

1st Quarter 2016

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Mexico Consensus Economic Forecast, Volume 19, Number 1
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Unspectacular Prospects

Mexico's real GDP grew by 2.55 percent in 2015. With economic slowdowns underway in key developing countries, none of the consensus forecast panelists expect a dramatic acceleration in Mexican economic activity in 2016. The average forecast calls for GDP growth of 2.3 percent.

While formal-sector employment appears to be growing at a steady pace, consumer confidence remains relatively subdued. Panelist estimates of private consumption growth in 2016 range from 1.8 to 3.1 percent. The consensus forecast is 2.4 percent.

A continuation of low oil prices and concerns about the size of fiscal deficits led the government to substantially cut planned expenditures. Public spending will likely dampen economic activity this year with government consumption expected to increase by just 1.3 percent.

Predicted investment spending for 2016 has been revised downward since last quarter. Uneven performance in the construction and manufacturing sectors contribute to the downward revision. Total investment is now expected to grow by 2.1 percent in real terms this year.

The consensus trade forecasts have also been revised downward. Increased risks of a global economic slowdown reduce prospects for vigorous export growth. Exports are predicted to increase by 3.9 percent and imports are forecast to rise by 4.0 percent.

After dropping below the central bank 3 percent target in 2015, inflation is expected to tick upward slightly in 2016. Among other factors, continued weakness of the peso in currency markets will exert upward pressure on prices. The consensus inflation forecast is 3.4 percent.

All panelists predict that the exchange rate will remain above 17 pesos per dollar, on average, in 2016. Conditions in global currency markets do not appear amenable to a substantial peso appreciation this year. The consensus exchange rate forecast is 17.9 pesos per dollar.

The central bank increased interest rates in February to stem the vertiginous depreciation of the peso. The consensus forecast for the yield on 28-day CETES is now 3.9 percent. That would represent an increase of 90 basis points relative to the average yield recorded last year.

The outlook for 2017 is somewhat more favorable than that for the current year. GDP is expected to grow by 2.6 percent, boosted by 2.7 percent growth in private consumption. On average, panelists predict 1.8 percent growth in government consumption in 2017 and a 3.3 percent increase in investment. Exports and imports are each expected to rise by 5.4 percent.

Inflation is predicted to remain in check at 3.6 percent in 2017. Most panelists predict an appreciation of the peso relative to 2016. The consensus forecast calls for an annual average exchange rate of 17.58 pesos per dollar. Contributing to that, the interest rate on 28-day CETES is expected to rise to 4.3 percent.

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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
2015	14,120.0	9,536.4	1,551.8	3,088.9	4,970.9	4,854.1	116.68	15.85	2.98
<i>Percent Change</i>	2.55%	2.87%	1.99%	3.76%	9.03%	6.72%	2.72%	19.23%	
2014	13,769.3	9,270.0	1,521.5	2,976.9	4,559.4	4,548.6	113.59	13.29	3.00
<i>Percent Change</i>	2.25%	1.80%	2.40%	2.91%	6.96%	5.98%	4.02%	4.07%	
2013	13,466.3	9,105.7	1,485.9	2,892.6	4,262.7	4,291.9	109.20	12.77	3.75
<i>Percent Change</i>	1.35%	2.16%	1.04%	-1.55%	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
<i>Percent Change</i>	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
<i>Percent Change</i>	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
<i>Percent Change</i>	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
<i>Percent Change</i>	-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
<i>Percent Change</i>	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
<i>Percent Change</i>	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
<i>Percent Change</i>	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
<i>Percent Change</i>	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
<i>Percent Change</i>	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
<i>Percent Change</i>	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
<i>Percent Change</i>	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

Note: The components of 4th quarter GDP for 2015 are estimated.

*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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