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# Mexico Consensus Economic Forecast, Volume 19, 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 2016

**Action Economics!**  
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### The Trump Effect

Mexico's real GDP grew by 2.0 percent in the 3<sup>rd</sup> quarter. Panelists project that the country's economy overall growth rate for 2016 will coincide with that same rate. In a reversal from previous quarters, the panelists now predict that economic growth will decelerate in 2017.

Increases in domestic consumer demand are among the factors supporting GDP growth this year. Private consumption is predicted to increase by 2.2 percent in 2016. By contrast, public spending has been curtailed due to low oil revenues. Government consumption is expected to grow by 0.9 percent this year, which would be its lowest rate of change in the last 12 years.

Higher interest rates, among other factors, are helping to dampen investment growth this year. Total investment is predicted to grow by only 0.9 percent. Currency market declines in the value of the peso may stimulate exports, but trade growth is constrained by global economic conditions. Exports and imports are predicted to rise by 2.6 and 2.2 percent, respectively.

The rate of inflation appears to be rising, at least partially as a consequence of continued peso weakness. The inflation forecast for 2016 has been revised upward to 3.5 percent. After losing ground for much of the year, the peso suffered an additional setback following the US presidential election. The consensus exchange rate forecast is 19.6 pesos per dollar. Higher interest rates result in part from peso depreciation and the consequent concerns about inflation prospects. The average yield on 28-day CETES for 2016 is now projected at 4.8 percent.

The outcome of the recent presidential election in the United States infused the economic outlook for 2017 with a large additional measure of uncertainty. Seven of the panelists lowered their 2017 GDP growth forecasts and the two other panelists declined to submit forecasts until more information is available. The consensus forecast for 2017 GDP growth is now 1.4 percent.

Relative strength in domestic consumer spending is expected to help buoy Mexico's economy next year. Private consumption is projected to grow by 1.8 percent. Also, the consensus forecast for government consumption growth in 2017 has been revised marginally upward to 1.2 percent.

Investment growth is likely to suffer at least a temporary setback due, in part, to uncertainty regarding the extent to which the incoming administration in the United States will enact protectionist trade policies. The consensus forecast for growth in total investment in 2017 has been revised downward to 1.2 percent. For similar reasons, forecasts of growth in exports and imports have been revised downward to 4.4 and 3.7 percent, respectively.

Panelists project that the peso will stabilize near its current levels in 2017. The consensus exchange rate forecast is 20.7 pesos per dollar. It is likely that increasing import prices will result in a higher overall rate of inflation next year. On average, panelists predict consumer

price inflation of 4 percent. In light of the Mexican central bank's ongoing efforts to stem inflation and the possibility of higher interest rates in the United States, the yield on 28-day CETES is projected to continue rising. The 2017 consensus forecast for this variable has been revised upward to 5.9 percent, a level not observed since 2009.

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2016 Mexico Consensus Economic Forecast	Annual Percent Change, 2016 from 2015							Annual Average	
	GDP	Private Consumption	Government Consumption	Total Investment	Exports	Imports	Consumer Price Index	Exchange Rate	CETES 28 Day
Action Economics!	2.0	2.7	3.1	0.8	-3.7	-3.3	3.5	18.69	4.2
BBVA Bancomer	1.8	2.1	0.9	-0.1	0.2	-1.1	3.4	18.69	4.3
Wells Fargo Bank	2.2	2.1	-0.6	-0.3	1.8	2.8	2.8	18.69	4.1
Center for Economic Forecasting of Mexico	-	-	-	-	-	-	-	-	-
UACJ	2.1	3.0	0.6	3.4	4.1	5.9	3.8	20.71	5.8
ITESM	2.0	2.0	-1.0	-1.0	2.0	-1.0	3.5	21.00	5.9
COLEF	1.8	1.9	2.6	3.4	8.6	4.9	3.9	21.50	5.0
UAdeC	2.0	1.9	-0.5	-1.2	1.9	4.7	3.1	18.20	4.0
UANL	2.1	2.2	1.9	2.0	6.3	4.9	3.6	19.27	5.2
Consensus -- this quarter	2.0	2.2	0.9	0.9	2.6	2.2	3.5	19.59	4.8
-- last quarter	2.1	2.3	0.3	1.0	2.4	2.3	3.1	18.45	4.0

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!	1.6	2.1	2.8	0.5	1.2	0.6	4.1	21.04	5.9
BBVA Bancomer	-	-	-	-	-	-	-	-	-
Wells Fargo Bank	-1.1	-0.6	-1.6	-2.8	3.0	4.8	4.4	20.40	5.8
Center for Economic Forecasting of Mexico	-	-	-	-	-	-	-	-	-
UACJ	2.0	2.7	2.0	3.2	4.7	4.9	3.9	20.30	6.0
ITESM	1.8	2.0	1.0	1.0	3.0	2.0	4.0	22.00	6.5
COLEF	1.5	1.7	2.2	3.2	8.2	4.7	4.0	22.50	5.3
UAdeC	2.0	2.5	0.0	1.5	4.0	4.1	3.6	20.00	6.0
UANL	2.1	2.3	2.0	2.1	6.5	5.0	3.7	18.67	5.8
Consensus -- this quarter	1.4	1.8	1.2	1.2	4.4	3.7	4.0	20.70	5.9
-- last quarter	2.3	2.5	1.0	2.3	4.8	4.1	3.5	18.57	4.7

							Annual Averages		
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	14,110.1	9,552.4	1,552.8	3,089.7	4,969.8	4,776.9	116.68	15.85	2.98
<i>Percent Change</i>	2.46%	3.10%	2.31%	3.79%	8.99%	5.03%	2.72%	19.23%	
2014	13,770.7	9,265.4	1,517.7	2,976.9	4,559.9	4,548.1	113.59	13.29	3.00
<i>Percent Change</i>	2.25%	1.78%	2.14%	2.91%	6.95%	5.97%	4.02%	4.07%	
2013	13,468.3	9,103.6	1,485.9	2,892.6	4,263.5	4,291.9	109.20	12.77	3.75
<i>Percent Change</i>	1.36%	2.14%	1.04%	-1.55%	2.37%	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
*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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