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Mexico Consensus Economic Forecast, Volume 17, Number 1

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CONSENSUS ECONOMIC FORECAST

MÉXICO

University of Texas at El Paso
Border Region Modeling Project

1st Quarter 2014

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Mexico Consensus Economic Forecast, Volume 17, Number 1
1st Quarter 2014

Edging Forward

Overall economic weakness in Mexico continued in the 4th quarter of 2013, with real GDP only 0.7 percent above the level attained during the last quarter of 2012. However, the consensus forecast predicts that GDP growth will accelerate this year, driven by higher government spending and an investment recovery. The consensus calls for 3.1 percent growth in real GDP.

Private consumption is expected to still grow at a moderate pace. Although recent tax increases may dampen consumer demand, this effect is likely to be muted by factors such as formal-sector job growth. Private consumption is predicted to grow by 3.1 percent in 2014.

Government consumption is expected to rise substantially in 2014. Higher tax revenues are anticipated and the government is planning extra spending to counteract recent deceleration in the economy. On average, panelists predict 3.8 percent growth in government consumption.

Investment spending declined in 2013, mainly as a result of a weak construction sector. With interest rates remaining relatively low and new public infrastructure projects in store, investment is expected to revive in 2014. The consensus forecast calls for 5 percent growth.

Improving economic conditions among several major trading partners buttress the consensus forecast of 4.2 percent export growth. Import growth is expected to be even higher at 6.2 percent. The latter forecast represents a substantial upward revision since last quarter.

The average of panelist inflation forecasts is 4.1 percent. This is slightly above the Central Bank of Mexico target range. While new taxes and peso depreciation are likely to nudge inflation upward, potential inflationary pressures from other sources seem to be fairly limited.

The consensus exchange rate forecast is 13.14 pesos per dollar. This is higher than last year's average exchange rate. Some factors behind the moderate peso depreciation are the potential for higher relative interest rates in a number of other countries and greater global risk aversion.

The predicted yield on 28-day CETES is 3.4 percent. This represents a downward revision since last quarter and is below the forecasted rate of inflation. The central bank has indicated a willingness to keep interest rates low given the relatively slow pace of recent economic growth.

Economic expansion is expected to accelerate slightly in 2015 with GDP and private consumption rising by 3.6 and 3.5 percent, respectively. Government spending is projected to grow by 4.4 percent, which is above the recent historical average. Estimated growth in total investment is projected to increase to 5.7 percent.

A steady expansion of foreign trade is also expected in 2015, with projected growth of 4.5 in exports and 5.5 percent in imports. The forecasted inflation rate is 3.7 percent and the exchange rate is predicted to remain steady at 13.14 pesos per dollar. As economic conditions improve, interest rates are expected to rise and the return on 28-day CETES is predicted to increase to 3.9 percent.

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							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
2013	13,404.6	9,055.6	1,478.4	2,909.9	4,165.8	4,239.8	109.20	12.77	3.75
<i>Percent Change</i>	<i>1.06%</i>	<i>2.14%</i>	<i>0.66%</i>	<i>-0.84%</i>	<i>-0.05%</i>	<i>1.46%</i>	<i>3.81%</i>	<i>-3.02%</i>	
2012	13,263.6	8,866.1	1,468.6	2,934.6	4,167.9	4,178.7	105.20	13.17	4.24
<i>Percent Change</i>	<i>3.91%</i>	<i>4.68%</i>	<i>3.28%</i>	<i>4.56%</i>	<i>5.92%</i>	<i>5.37%</i>	<i>4.11%</i>	<i>6.01%</i>	
2011	12,764.4	8,469.8	1,422.0	2,806.5	3,935.1	3,965.7	101.04	12.42	4.24
<i>Percent Change</i>	<i>3.96%</i>	<i>4.90%</i>	<i>2.51%</i>	<i>7.91%</i>	<i>8.22%</i>	<i>8.01%</i>	<i>3.41%</i>	<i>-1.68%</i>	
2010	12,277.7	8,074.1	1,387.1	2,600.8	3,636.4	3,671.4	97.71	12.64	4.40
<i>Percent Change</i>	<i>5.11%</i>	<i>5.28%</i>	<i>1.71%</i>	<i>1.27%</i>	<i>20.55%</i>	<i>20.46%</i>	<i>4.16%</i>	<i>-6.49%</i>	
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>	<i>-4.70%</i>	<i>-6.46%</i>	<i>2.25%</i>	<i>-9.27%</i>	<i>-11.78%</i>	<i>-17.59%</i>	<i>5.30%</i>	<i>21.42%</i>	
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>	<i>1.40%</i>	<i>1.90%</i>	<i>3.03%</i>	<i>4.95%</i>	<i>-1.35%</i>	<i>4.40%</i>	<i>5.12%</i>	<i>1.84%</i>	
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>	<i>3.15%</i>	<i>3.04%</i>	<i>2.45%</i>	<i>5.99%</i>	<i>3.65%</i>	<i>5.93%</i>	<i>3.97%</i>	<i>0.27%</i>	
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>	<i>5.00%</i>	<i>5.52%</i>	<i>3.40%</i>	<i>8.69%</i>	<i>7.67%</i>	<i>10.19%</i>	<i>3.63%</i>	<i>0.01%</i>	
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>	<i>3.03%</i>	<i>4.40%</i>	<i>3.05%</i>	<i>5.90%</i>	<i>5.71%</i>	<i>7.71%</i>	<i>3.99%</i>	<i>-3.44%</i>	
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>	<i>4.30%</i>	<i>5.57%</i>	<i>2.39%</i>	<i>7.52%</i>	<i>9.13%</i>	<i>9.71%</i>	<i>4.69%</i>	<i>4.61%</i>	
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>	<i>1.42%</i>	<i>1.11%</i>	<i>-0.54%</i>	<i>2.97%</i>	<i>0.89%</i>	<i>2.39%</i>	<i>4.55%</i>	<i>12.04%</i>	
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>	<i>0.13%</i>	<i>1.39%</i>	<i>-1.19%</i>	<i>0.53%</i>	<i>2.06%</i>	<i>2.74%</i>	<i>5.03%</i>	<i>3.10%</i>	
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
<i>Percent Change</i>	<i>-0.61%</i>	<i>2.01%</i>	<i>-3.13%</i>	<i>-3.30%</i>	<i>-3.40%</i>	<i>-0.60%</i>	<i>6.37%</i>	<i>-1.27%</i>	
2000	10,289.0	6,420.9	1,216.7	2,053.8	2,706.7	2,456.0	61.86	9.46	15.24

Note: The components of 4th quarter GDP for 2013 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: Formación bruta de capital fijo, INEGI, 2008 Pesos

*Exports: Exportación de bienes y servicios, INEGI, 2008 Pesos

*Imports: Importación de bienes y servicios, INEGI, 2008 Pesos

*CPI, Banco de México, Annual Average, Base = December 2010

*Exchange Rate, Banco de México, Pesos per Dollar, Fecha de Liquidación, Annual Average

*CETES, 28 Days, Banco de México, Annual Average

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