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# Mexico Consensus Economic Forecast, Volume 17, Number 3

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## CONSENSUS ECONOMIC FORECAST

# MÉXICO

University of Texas at El Paso  
Border Region Modeling Project

## 3<sup>rd</sup> Quarter 2014

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3<sup>rd</sup> Quarter 2014

### Waiting for a Breakthrough

Real GDP grew by 1.6 percent between the second quarter of 2013 and the second quarter of 2014. Most panelists expect that the rate of growth will pick up slightly in the last half of 2014. On average, panelists predict an annual GDP growth rate of 2.3 percent.

The consensus forecast for growth in private consumption is also 2.3 percent. This projected rate of increase is slightly below the growth rate observed last year, when private consumption helped buoy the economy. Among the factors that have contributed to relatively weak consumer demand are the tax increases that went into effect at the beginning of the year.

Panelists agree that growth in government consumption will accelerate in 2014, but there is little consensus on exactly how much public spending can be expected. The growth estimates range from 2.3 percent to 9.1 percent. The average percentage change forecast is 4 percent.

Panelist opinions are also mixed regarding the prospects for growth in total investment. While construction spending remained weak in the first half of the year, there are tentative signs of a recovery in that sector. On average, panelists project 2.6 percent growth in investment in 2014.

Solid growth in Mexico's foreign trade is expected for 2014. This prediction is motivated largely by expectations for steady economic growth in the United States and other foreign markets. Exports are predicted to increase by 4.1 percent this year and imports by 4 percent.

Despite tax increases at the beginning of the year, inflation is expected to remain moderate. The consensus forecast calls for a 4 percent increase in consumer prices. Given the ongoing accommodative monetary policy stance of the central bank, the yield on 28-day CETES is forecast to average just 3.1 percent this year.

The consensus peso/dollar exchange rate forecast is 13.11, reflecting a slight upward revision since last quarter. None of the panelists forecast that the rate will fall below 13 pesos per dollar on average this year. Somewhat tighter monetary policies in foreign countries are among the factors leading to a moderate depreciation of the peso relative to last year's average value.

The consensus forecast calls for a gradual improvement in economic conditions next year. Real GDP is expected to rise by 3.3 percent in 2015, while private consumption is predicted to increase by 3.4 percent. Government consumption is predicted to expand by 4.1 percent in 2015, a rate that is above the recent historical average rate of public spending growth.

With improving overall economic conditions and the introduction of major policy reforms, total investment is expected to rise by 5 percent in 2015. Panelist forecasts of growth in investment span a wide range, which is partially due to uncertainty regarding how reforms will be implemented. Economic expansion among important trading partners is predicted to result in a 4.9 percent increase in exports and a 5 percent increase in imports. The inflation forecast for 2015 is 3.6 percent and the forecasted return on 28-day CETES is 3.5 percent. The consensus exchange rate forecast is 13.01 pesos per dollar.

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2014 Mexico Consensus Economic Forecast	Annual Percent Change, 2014 from 2013							Annual Average	
	GDP	Private Consumption	Government Consumption	Total Investment	Exports	Imports	Consumer Price Index	Exchange Rate	CETES 28 Day
American Chamber Mexico	2.2	2.5	4.3	3.3	4.9	5.3	3.8	13.08	3.0
BBVA Bancomer	2.5	1.6	9.1	1.1	4.3	3.9	3.8	13.30	3.0
Wells Fargo Bank	1.9	2.2	2.4	1.5	4.0	3.5	3.9	13.10	3.0
Center for Economic Forecasting of Mexico	2.3	3.0	3.5	5.5	4.2	3.5	4.3	13.25	3.3
UACJ	2.5	2.0	3.0	5.0	4.0	3.5	4.1	13.00	3.0
ITESM	2.3	1.5	2.5	-1.0	4.0	3.0	4.0	13.00	3.0
COLEF	2.3	2.3	4.0	3.0	3.8	4.1	3.9	13.15	3.3
UAdeC	2.6	2.3	5.2	3.7	3.9	6.0	3.9	13.00	3.3
UANL	2.5	3.7	2.3	1.4	3.6	3.5	3.9	13.12	2.8
Consensus -- this quarter	2.3	2.3	4.0	2.6	4.1	4.0	4.0	13.11	3.1
-- last quarter	2.5	2.5	3.9	3.1	3.9	4.1	3.9	13.06	3.2

2015 Mexico Consensus Economic Forecast	Annual Percent Change, 2015 from 2014							Annual Average	
	GDP	Private Consumption	Government Consumption	Total Investment	Exports	Imports	Consumer Price Index	Exchange Rate	CETES 28 Day
American Chamber Mexico	3.7	3.5	5.4	8.1	7.6	8.8	3.7	12.96	3.4
BBVA Bancomer	3.5	3.0	6.9	6.1	4.0	4.8	3.3	13.00	3.5
Wells Fargo Bank	3.0	3.2	3.0	2.9	3.6	3.5	3.8	13.01	3.1
Center for Economic Forecasting of Mexico	3.5	4.5	4.2	8.5	4.5	5.2	4.0	13.00	3.5
UACJ	3.5	3.5	3.5	6.5	5.6	4.5	3.5	12.80	3.6
ITESM	3.0	2.5	2.0	1.0	2.0	1.0	3.5	12.95	3.5
COLEF	3.0	3.1	4.2	3.8	4.1	4.3	3.7	13.25	3.5
UAdeC	3.5	3.4	4.4	4.8	6.4	7.3	3.5	13.20	3.9
UANL	2.9	4.1	3.5	3.6	5.9	6.0	3.2	12.90	3.5
Consensus -- this quarter	3.3	3.4	4.1	5.0	4.9	5.0	3.6	13.01	3.5
-- last quarter	3.2	3.3	3.9	4.8	4.5	4.9	3.6	13.03	3.6

							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	13,425.2	9,131.6	1,486.9	2,878.6	4,217.3	4,244.6	109.20	12.77	3.75
<i>Percent Change</i>	1.07%	2.54%	1.16%	-1.77%	1.16%	1.45%	3.81%	-3.02%	
2012	13,283.1	8,905.2	1,469.8	2,930.5	4,168.8	4,183.8	105.20	13.17	4.24
<i>Percent Change</i>	3.98%	4.85%	3.43%	4.50%	5.94%	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
<i>Percent Change</i>	-0.61%	2.01%	-3.13%	-3.30%	-3.40%	-0.60%	6.37%	-1.27%	
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
*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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*México Consensus Economic Forecast*, a quarterly publication of the Border Region Modeling Project, a research unit within the Department of Economics & Finance at the College of Business Administration of The University of Texas at El Paso, is available on the Web at: <http://academics.utep.edu/border>. Econometric research assistance is provided by Juan Cárdenas and Alejandro Ceballos. For additional information, contact the Border Region Modeling Project - CBA 236, UTEP Department of Economics & Finance, 500 West University Avenue, El Paso, TX 79968-0543, USA. (915) 747-7775.

