



CONSENSUS ECONOMIC FORECAST

MÉXICO

University of Texas at El Paso
Border Region Modeling Project

2nd Quarter 2018

Action Economics!
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A Mixed Outlook

First quarter 2018 real GDP in Mexico grew 1.3 percent relative to the same period in 2017. That is the lowest rate of expansion recorded during the last four years. More optimistically, against a backdrop of improving global economic conditions, the consensus GDP forecast for 2018 rose slightly this quarter to 2.2 percent.

Stronger growth in private consumption is expected in 2018. The consensus forecast calls for a 2.7 percent increase in that variable. Factors contributing to private consumption gains include solid job growth, a predicted slowdown in price inflation, and recovering consumer confidence.

The presidential political cycle seems to be raising public expenditures in 2018. Also, because the budget balance improved last year and oil prices have increased, there is less pressure to curb public spending this year. In this context, government consumption is expected to rise by approximately 160 basis points to 1.8 percent.

Rising interest rates and the threat of US protectionism contributed to a 1.2 percent decline in total investment in 2017. This year, the same factors persist, although solid export demand may attenuate those effects somewhat. Investment growth of 0.4 percent is predicted for 2018.

Despite new steel and aluminum tariffs imposed by the United States, strong economic conditions in foreign markets may bolster export growth. The mean predicted rates of growth in trade are 5.1 percent for exports and 6.1 percent for imports. Reflecting the uncertainty of the past 17 months, panelist estimates span a wide range of predicted rates of change.

Tighter monetary policy in 2016 and 2017 has helped moderate inflationary pressures in recent months. All of the panelists forecast that inflation rates in 2018 will be below the 6.0 percent rate observed last year. The consensus CPI forecast for this year remains at 4.6 percent.

The dollar has appreciated due partly to higher US interest rates. The 2018 consensus exchange rate forecast rose to 19.5 pesos per dollar this quarter. The modest currency depreciation, in spite of increased market volatility, is partly due to ongoing high interest rates. The consensus forecast calls for an average yield of 7.5 percent on 28-day Treasury Certificates (CETES), a 60 basis point upswing relative to the 2017 average yield of 6.7 percent.

Persistent policy risks limit real GDP predicted growth to 2.3 percent in 2019, buoyed by a 3.0 percent increase in private domestic consumption. A surprisingly modest 1.7 percent increase in government consumption is predicted for the first full year of the next presidential term. Marginal recovery in total investment to a 1.4 percent growth rate is projected for 2019. Exports and imports are predicted to grow by 4.4 and 5.4 percent, respectively, next year.

Panelists expect the downward trend in inflation to continue into next year. The consensus inflation forecast for 2019 is 4.0 percent. That is accompanied by nominal currency appreciation to 19.09 pesos per dollar and a slight decline in the projected yield on 28-day CETES to 7.3 percent.

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2018 Mexico Consensus Economic Forecast	Annual Percent Change, 2018 from 2017							Annual Average	
	GDP	Private Consumption	Government Consumption	Total Investment	Exports	Imports	Consumer Price Index	Exchange Rate	CETES 28 Day
Action Economics!	2.2	2.9	1.9	1.1	10.7	10.2	3.8	18.99	7.5
BBVA Bancomer	2.6	2.7	1.2	-2.1	5.4	6.2	4.6	19.61	7.4
Wells Fargo Bank	2.2	2.7	1.5	1.6	4.5	4.5	4.7	18.90	7.4
UACJ	2.2	3.3	1.5	1.5	2.5	7.4	5.1	19.10	7.5
ITESM	2.0	3.0	1.5	-2.0	5.0	7.0	4.0	19.50	7.8
COLEF	1.6	2.1	1.2	1.2	3.3	3.8	6.0	20.55	7.5
UAdeC	2.3	2.5	0.8	0.7	4.4	3.5	4.5	20.00	7.5
UANL	2.1	2.8	4.5	1.1	4.6	6.2	3.8	19.30	7.6
Consensus -- this quarter	2.2	2.7	1.8	0.4	5.1	6.1	4.6	19.49	7.5
-- last quarter	2.0	2.8	1.6	0.4	4.1	5.2	4.6	18.77	7.3

2019 Mexico Consensus Economic Forecast	Annual Percent Change, 2019 from 2018							Annual Average	
	GDP	Private Consumption	Government Consumption	Total Investment	Exports	Imports	Consumer Price Index	Exchange Rate	CETES 28 Day
Action Economics!	1.9	2.6	2.8	0.7	5.5	5.6	3.7	18.54	7.0
BBVA Bancomer	2.0	3.0	1.6	-1.4	5.8	4.0	3.9	18.92	7.2
Wells Fargo Bank	3.1	3.0	2.0	1.7	4.6	4.8	4.1	17.75	7.7
UACJ	2.0	3.1	1.1	1.1	3.1	7.1	4.7	19.80	7.5
ITESM	2.3	3.5	1.0	0.0	3.0	4.0	3.8	19.00	7.3
COLEF	2.1	3.2	1.5	1.6	4.0	6.7	5.0	20.80	7.4
UAdeC	2.6	2.7	0.6	2.6	5.0	3.6	3.5	19.00	7.5
UANL	2.7	2.8	3.0	4.9	4.7	7.6	3.5	18.90	7.1
Consensus -- this quarter	2.3	3.0	1.7	1.4	4.4	5.4	4.0	19.09	7.3
-- last quarter	2.1	2.8	1.7	1.2	4.3	5.0	4.2	18.62	7.2

							Annual Averages		
Historical Data	GDP (2013 Pesos, billions)	Private Consumption (2013 Pesos, billions) ¹	Government Consumption (2013 Pesos, billions) ¹	Total Investment (2013 Pesos, billions) ¹	Exports (2013 Pesos, billions) ¹	Imports (2013 Pesos, billions) ¹	Consumer Price Index Dec 2010 = 100	Nominal Exchange Rate Pesos/ Dollars	CETES 28 Day
2017	18,153.8	12,222.4	2,135.8	3,739.9	6,293.5	6,539.6	127.22	18.93	6.69
<i>Percent Change</i>	2.04%	3.27%	0.21%	-1.17%	2.92%	7.22%	6.04%	1.41%	
2016	17,791.5	11,835.8	2,131.3	3,784.1	6,114.8	6,099.5	119.97	18.66	4.15
<i>Percent Change</i>	2.91%	3.66%	2.39%	1.09%	3.46%	2.90%	2.82%	17.77%	
2015	17,287.8	11,418.0	2,081.5	3,743.1	5,910.2	5,927.4	116.68	15.85	2.98
<i>Percent Change</i>	3.27%	3.36%	1.94%	4.99%	8.41%	5.92%	2.72%	19.23%	
2014	16,740.3	11,046.5	2,041.8	3,565.4	5,451.5	5,596.2	113.59	13.29	3.00
<i>Percent Change</i>	2.85%	2.10%	2.89%	3.07%	6.98%	5.92%	4.02%	4.07%	
2013	16,277.2	10,819.3	1,984.4	3,459.3	5,095.7	5,283.4	109.20	12.77	3.75
<i>Percent Change</i>	1.35%	1.76%	0.54%	-3.35%	1.37%	2.12%	3.81%	-3.02%	
2012	16,059.7	10,632.5	1,973.7	3,579.2	5,026.8	5,173.9	105.20	13.17	4.24
<i>Percent Change</i>	3.64%	2.34%	3.36%	4.93%	6.52%	5.42%	4.11%	6.01%	
2011	15,495.3	10,389.5	1,909.5	3,411.1	4,718.9	4,908.0	101.04	12.42	4.24
<i>Percent Change</i>	3.66%	3.36%	3.04%	7.85%	7.71%	5.62%	3.41%	-1.68%	
2010	14,947.8	10,051.7	1,853.2	3,162.9	4,381.0	4,646.9	97.71	12.64	4.40
<i>Percent Change</i>	5.12%	3.59%	2.28%	4.71%	22.36%	17.06%	4.16%	-6.49%	
2009	14,220.0	9,703.2	1,811.9	3,020.6	3,580.3	3,969.9	93.81	13.51	5.43
<i>Percent Change</i>	-5.29%	-6.25%	2.94%	-11.67%	-10.85%	-15.95%	5.30%	21.42%	
2008	15,013.6	10,350.2	1,760.1	3,419.6	4,016.3	4,723.2	89.09	11.13	7.68
<i>Percent Change</i>	1.14%	0.71%	2.93%	6.56%	-1.02%	3.28%	5.12%	1.84%	
2007	14,843.8	10,277.4	1,710.1	3,209.2	4,057.6	4,573.1	84.75	10.93	7.19
<i>Percent Change</i>	2.29%	2.51%	1.82%	5.82%	1.97%	4.83%	3.97%	0.27%	
2006	14,511.3	10,025.8	1,679.5	3,032.8	3,979.0	4,362.5	81.52	10.90	7.19
<i>Percent Change</i>	4.50%	4.06%	2.71%	9.31%	7.81%	8.69%	3.63%	0.01%	
2005	13,887.1	9,634.7	1,635.2	2,774.4	3,690.7	4,013.9	78.66	10.90	9.20
<i>Percent Change</i>	2.31%	2.76%	2.26%	6.21%	6.31%	5.38%	3.99%	-3.44%	
2004	13,573.8	9,376.1	1,599.1	2,612.3	3,471.5	3,809.0	75.64	11.29	6.82
<i>Percent Change</i>	3.92%	4.77%	-0.97%	7.09%	9.87%	6.48%	4.69%	4.61%	

¹ Components of GDP for 2017 are based on figures reported by INEGI for quarters 1 through 3 and estimates for quarter 4.

*GDP: Producto Interno Bruto, INEGI, 2013 Pesos

*Private Consumption: Consumo Privado, INEGI, 2013 Pesos

*Government Consumption: Consumo de Gobierno, INEGI, 2013 Pesos

*Total Investment: Formacion bruta de capital fijo, INEGI, 2013 Pesos

*Exports: Exportacion de bienes y servicios, INEGI, 2013 Pesos

*Imports: Importacion de bienes y servicios, INEGI, 2013 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 Omar Solis and Esmeralda Muñiz. 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.

