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Mexico Consensus Economic Forecast, Volume 21, Number 3

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CONSENSUS ECONOMIC FORECAST

MÉXICO

University of Texas at El Paso
Border Region Modeling Project

3rd Quarter 2018

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Nervous Optimism

As the inauguration of President-Elect Andrés Manuel López Obrador (AMLO) nears, concerns related to potential political business cycle upheavals are subsiding. That development is reflected in the consensus outlook for overall macroeconomic conditions. Predicted real GDP growth for 2018 is 2.1 percent.

Private consumption accounts for much of the 2018 GDP growth forecast. The consensus prediction for this variable is 2.8 percent. The consensus forecast calls for a 2.7 percent increase in that variable. Factors contributing to private consumption gains include strengthened consumer confidence and a robust labor market.

Government consumption is projected to increase by 1.8 percent this year. That is slightly lower than the overall aggregate rate of change for the economy as a whole, but is higher than what the panel predicts for total investment. Government tax revenues have exhibited more strength than anticipated through most of 2018 to date.

Rising interest rates and the threat of a trade war with the United States were prime factors behind a 1.5 percent decline in total investment in 2017. Although interest rates continue to increase, trade relations with the United States have improved and manufactured good exports have risen at double-digit rates this year. That combination has led the panelists to raise the projected rate of expansion for total investment by 80 basis points to 1.2 percent.

Given the above, it not surprising that forecasts for both exports and imports have increased this quarter. The projected increase in imports likely reflects several factors. Prime among them, greater purchases of capital goods equipment for the manufacturing sector. Greater volumes of manufactured exports, of course, require larger amounts of intermediate good components from abroad.

Tighter monetary policy has helped reduce inflationary pressures in 2018. All of the panelists forecast that inflation in 2018 will be noticeably below the 6.0 percent rate observed last year. The consensus CPI forecast for this year is 4.9 percent.

The 2018 consensus exchange rate forecast dropped by 40 basis points to 19.1 pesos per dollar this quarter. Nearly all of the panelists predict that dollar has already peaked, at least in nominal terms for 2018. 28-day Treasury Certificates (CETES) are also predicted to have peaked and the annual average rate for 2018 is now predicted at 7.5 percent.

Real GDP is forecast to improve to 2.4 percent in 2019. Private consumption is expected to leading the charge, but two panelists anticipate that government consumption will increase at an even faster clip next year. Projected rates of change for total investment range from negative 2.4 percent all the way up to positive 3.7 percent. Inflation is expected to subside in 2019, although one projection calls for prices to accelerate back to the 6 percent rate notched in 2017. In spite of all of the uncertainty, the 28-day CETES rate and the exchange rate both drop in nominal terms in 2019 according to the consensus forecasts for each of those variables.

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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	2.0	11.7	11.5	4.7	19.04	7.6
BBVA Bancomer	1.9	2.6	2.3	1.4	7.4	5.8	4.9	18.89	7.6
Dr. Eugenio J. Alemán	2.4	3.0	2.0	3.1	6.7	6.7	4.9	18.97	7.6
UACJ	2.2	3.3	1.5	1.5	2.5	7.4	5.5	18.50	7.7
ITESM	2.0	2.5	1.0	-1.0	5.0	4.0	4.5	19.00	7.8
COLEF	2.1	2.9	1.5	0.4	4.4	6.1	5.4	19.15	6.7
UAdeC	2.3	2.5	0.8	0.7	4.4	3.5	4.5	20.00	7.5
UANL	2.1	2.9	3.1	1.8	5.9	5.6	4.5	19.50	7.7
Consensus -- this quarter	2.1	2.8	1.8	1.2	6.0	6.3	4.9	19.13	7.5
-- last quarter	2.2	2.7	1.8	0.4	5.1	6.1	4.6	19.53	7.5

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	2.9	1.3	5.3	5.8	3.8	18.83	7.1
BBVA Bancomer	2.0	2.5	1.8	-2.4	6.2	3.7	4.1	18.65	7.3
Dr. Eugenio J. Alemán	3.1	3.1	3.1	3.7	6.2	6.2	4.7	18.55	7.8
UACJ	2.5	3.8	1.5	1.1	3.1	7.1	6.0	19.10	7.8
ITESM	2.0	3.0	1.0	-0.5	4.0	4.0	3.8	19.00	7.4
COLEF	2.7	3.1	1.8	0.8	4.9	6.7	4.6	20.15	6.6
UAdeC	2.6	2.7	0.6	2.6	5.0	3.6	3.5	19.00	7.5
UANL	2.3	3.5	3.7	2.9	4.7	4.1	4.2	19.20	7.5
Consensus -- this quarter	2.4	3.0	2.0	1.2	4.9	5.2	4.3	19.06	7.4
-- last quarter	2.3	3.0	1.7	1.4	4.4	5.4	4.0	19.14	7.3

							Annual Averages		
Historical Data	GDP (2013 Pesos, billions)	Private Consumption (2013 Pesos, billions)	Government Consumption (2013 Pesos, billions)	Total Investment (2013 Pesos, billions)	Exports (2013 Pesos, billions)	Imports (2013 Pesos, billions)	Consumer Price Index Jul 2018 = 100	Nominal Exchange Rate Pesos/ Dollars	CETES 28 Day
2017	18,147.8	12,133.8	2,124.8	3,726.9	6,350.1	6,495.3	95.57	18.93	6.69
<i>Percent Change</i>	<i>2.04%</i>	<i>3.03%</i>	<i>0.11%</i>	<i>-1.51%</i>	<i>3.82%</i>	<i>6.47%</i>	<i>6.04%</i>	<i>1.41%</i>	
2016	17,784.7	11,776.5	2,122.4	3,784.2	6,116.4	6,100.7	90.13	18.66	4.15
<i>Percent Change</i>	<i>2.90%</i>	<i>3.79%</i>	<i>2.29%</i>	<i>1.08%</i>	<i>3.49%</i>	<i>2.92%</i>	<i>2.82%</i>	<i>17.77%</i>	
2015	17,283.9	11,346.4	2,075.0	3,743.9	5,910.2	5,927.4	87.65	15.85	2.98
<i>Percent Change</i>	<i>3.29%</i>	<i>2.72%</i>	<i>1.90%</i>	<i>5.01%</i>	<i>8.41%</i>	<i>5.92%</i>	<i>2.72%</i>	<i>19.23%</i>	
2014	16,733.7	11,046.5	2,036.3	3,565.4	5,451.5	5,596.2	85.33	13.29	3.00
<i>Percent Change</i>	<i>2.80%</i>	<i>2.10%</i>	<i>2.61%</i>	<i>3.07%</i>	<i>6.98%</i>	<i>5.92%</i>	<i>4.02%</i>	<i>4.07%</i>	
2013	16,277.2	10,819.3	1,984.4	3,459.3	5,095.7	5,283.4	82.04	12.77	3.75
<i>Percent Change</i>	<i>1.35%</i>	<i>1.76%</i>	<i>0.54%</i>	<i>-3.35%</i>	<i>1.37%</i>	<i>2.12%</i>	<i>3.81%</i>	<i>-3.02%</i>	
2012	16,059.7	10,632.5	1,973.7	3,579.2	5,026.8	5,173.9	79.03	13.17	4.24
<i>Percent Change</i>	<i>3.64%</i>	<i>2.34%</i>	<i>3.36%</i>	<i>4.93%</i>	<i>6.52%</i>	<i>5.42%</i>	<i>4.11%</i>	<i>6.01%</i>	
2011	15,495.3	10,389.5	1,909.5	3,411.1	4,718.9	4,908.0	75.91	12.42	4.24
<i>Percent Change</i>	<i>3.66%</i>	<i>3.36%</i>	<i>3.04%</i>	<i>7.85%</i>	<i>7.71%</i>	<i>5.62%</i>	<i>3.41%</i>	<i>-1.68%</i>	
2010	14,947.8	10,051.7	1,853.2	3,162.9	4,381.0	4,646.9	73.41	12.64	4.40
<i>Percent Change</i>	<i>5.12%</i>	<i>3.59%</i>	<i>2.28%</i>	<i>4.71%</i>	<i>22.36%</i>	<i>17.06%</i>	<i>4.16%</i>	<i>-6.49%</i>	
2009	14,220.0	9,703.2	1,811.9	3,020.6	3,580.3	3,969.9	70.48	13.51	5.43
<i>Percent Change</i>	<i>-5.29%</i>	<i>-6.25%</i>	<i>2.94%</i>	<i>-11.67%</i>	<i>-10.85%</i>	<i>-15.95%</i>	<i>5.30%</i>	<i>21.42%</i>	
2008	15,013.6	10,350.2	1,760.1	3,419.6	4,016.3	4,723.2	66.93	11.13	7.68
<i>Percent Change</i>	<i>1.14%</i>	<i>0.71%</i>	<i>2.93%</i>	<i>6.56%</i>	<i>-1.02%</i>	<i>3.28%</i>	<i>5.12%</i>	<i>1.84%</i>	
2007	14,843.8	10,277.4	1,710.1	3,209.2	4,057.6	4,573.1	63.67	10.93	7.19
<i>Percent Change</i>	<i>2.29%</i>	<i>2.51%</i>	<i>1.82%</i>	<i>5.82%</i>	<i>1.97%</i>	<i>4.83%</i>	<i>3.97%</i>	<i>0.27%</i>	
2006	14,511.3	10,025.8	1,679.5	3,032.8	3,979.0	4,362.5	61.24	10.90	7.19
<i>Percent Change</i>	<i>4.50%</i>	<i>4.06%</i>	<i>2.71%</i>	<i>9.31%</i>	<i>7.81%</i>	<i>8.69%</i>	<i>3.63%</i>	<i>0.01%</i>	
2005	13,887.1	9,634.7	1,635.2	2,774.4	3,690.7	4,013.9	59.09	10.90	9.20
<i>Percent Change</i>	<i>2.31%</i>	<i>2.76%</i>	<i>2.26%</i>	<i>6.21%</i>	<i>6.31%</i>	<i>5.38%</i>	<i>3.99%</i>	<i>-3.44%</i>	
2004	13,573.8	9,376.1	1,599.1	2,612.3	3,471.5	3,809.0	56.83	11.29	6.82
<i>Percent Change</i>	<i>3.92%</i>	<i>4.77%</i>	<i>-0.97%</i>	<i>7.09%</i>	<i>9.87%</i>	<i>6.48%</i>	<i>4.69%</i>	<i>4.61%</i>	
2003	13,061.7	8,949.1	1,614.8	2,439.2	3,159.7	3,577.1	54.28	10.79	6.23
<i>Percent Change</i>	<i>1.45%</i>	<i>2.23%</i>	<i>-0.16%</i>	<i>1.05%</i>	<i>1.91%</i>	<i>2.51%</i>	<i>4.55%</i>	<i>11.73%</i>	
2002	12,875.5	8,753.9	1,617.3	2,413.8	3,100.5	3,489.5	51.92	9.66	7.09
<i>Percent Change</i>	<i>-0.04%</i>	<i>1.69%</i>	<i>0.34%</i>	<i>-2.27%</i>	<i>0.40%</i>	<i>1.21%</i>	<i>5.03%</i>	<i>3.36%</i>	
2001	12,880.6	8,608.1	1,611.8	2,470.0	3,088.3	3,447.9	49.43	9.34	11.31

*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 = Jul 2018

*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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