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# Mexico Consensus Economic Forecast, Volume 21, 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 2018

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**Independent Economist**  
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### Guarded Optimism

Multiple economic challenges ranging from a weak peso to trade disputes with the United States were encountered during 2018. With many unanswered policy questions still hovering over the economy, the 2019 consensus GDP growth forecast has been revised downwards to 2.2 percent. Individual forecasts range from 1.9 percent to 3.1 percent.

Private consumption still leads the way in 2019 with a 2.7 percent rate of increase projected for 2019. That rate represents a slower rate of growth than what the panelists collectively anticipated last quarter. Consumer confidence likely remains strong following the AMLO and Morena victories at the polls last July.

The consensus outlook for Government consumption is 2.2 percent in 2019. There is a wider spectrum of forecasts for this variable than others, ranging from a low of 1.0 percent to a high of 3.8 percent. Part of the uncertainty stems from questions over how many large scale expenditure changes will eventually be introduced by the new government.

Total investment for 2019 has been revised upward this quarter. This variable is now predicted to rise by 1.8 percent in 2019. That rate represents an improvement over what is projected for 2018 and a much stronger performance than what was tallied for both 2016 and 2017.

Exports and imports are both projected to grow more slowly in 2019. Estimates vary substantially among the panelists and demonstrate the continued uncertainty in the international trade environment. Fortunately, trade relations between Canada, Mexico, and the United States have stabilized somewhat now that the USMCA has been signed by all three presidents and awaits legislative ratification in each country.

Tighter monetary policy in recent years has helped moderate inflationary pressures in 2018. The consensus forecast is for consumer prices to rise by 4.5 percent in 2019. In spite of that apparent optimism, one forecast is much more skeptical and predicts overall inflation to rise to 6.0 percent. A nagging question is whether central bank autonomy will continue during the AMLO *sexenio*.

Ironically, optimism regarding inflation does not extend to the currency market. The 2019 consensus exchange rate forecast increased from 19.06 to 20.37 pesos per dollar this quarter. The greater depreciation is probably due to a greater projected inflationary gap between the two countries.

The panelists also indicate the 28-day Treasury Certificates (CETES) yield will now reach 7.6 percent in 2018, a 40 point basis point increase from the forecast last quarter. Nearly all of the panelists anticipate that the 28-day CETES rate will fall somewhere within a range between 7.6 and 8.5 percent. One forecast, potentially anticipating a change in the executive branch monetary policy stance, predicts a decline of the 28-day CETES rate to 6.6 percent in 2019. As the panelists have noted, it should prove to be an interesting year.

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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	3.0	1.9	1.9	11.4	12.2	4.6	19.27	7.6
BBVA Bancomer	1.9	2.4	2.2	1.4	7.3	6.1	4.9	19.23	7.6
Dr. Eugenio J. Alemán	2.6	3.0	2.4	3.1	6.7	6.7	4.9	19.11	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	4.7	20.00	7.8
COLEF	2.1	2.9	1.8	1.3	6.1	6.6	5.2	20.10	8.0
UAdeC	1.8	2.8	2.4	2.8	7.9	5.6	4.9	20.00	7.5
UANL	2.2	2.8	4.5	1.1	4.6	6.2	3.9	19.31	6.8
Consensus -- this quarter	2.1	2.8	2.2	1.5	6.4	6.8	4.8	19.44	7.6
-- last quarter	2.1	2.8	1.8	1.2	6.0	6.3	4.9	19.13	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	1.7	7.0	7.2	4.1	20.52	8.1
BBVA Bancomer	2.0	2.1	1.1	2.2	6.3	5.0	4.1	20.53	8.2
Dr. Eugenio J. Alemán	3.1	3.1	3.2	3.7	6.2	6.2	4.6	19.76	7.8
UACJ	2.0	3.5	1.5	1.0	3.0	7.0	6.0	21.00	7.8
ITESM	2.0	3.0	1.0	-0.5	4.0	4.0	4.0	20.00	8.0
COLEF	1.9	2.7	1.9	1.1	6.2	6.7	4.8	20.35	7.6
UAdeC	2.0	1.8	1.2	1.9	5.0	4.3	3.9	21.00	8.5
UANL	2.5	2.9	3.8	3.1	4.7	7.0	4.7	19.80	6.6
Consensus -- this quarter	2.2	2.7	2.1	1.8	5.3	5.9	4.5	20.37	7.8
-- last quarter	2.4	3.0	2.0	1.2	4.9	5.2	4.3	19.06	7.4

							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
Percent Change	2.04%	3.03%	0.11%	-1.51%	3.82%	6.47%	6.04%	1.41%	
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
Percent Change	2.90%	3.79%	2.29%	1.08%	3.49%	2.92%	2.82%	17.77%	
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
Percent Change	3.29%	2.72%	1.90%	5.01%	8.41%	5.92%	2.72%	19.23%	
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
Percent Change	2.80%	2.10%	2.61%	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	82.04	12.77	3.75
Percent Change	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	79.03	13.17	4.24
Percent Change	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	75.91	12.42	4.24
Percent Change	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	73.41	12.64	4.40
Percent Change	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	70.48	13.51	5.43
Percent Change	-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	66.93	11.13	7.68
Percent Change	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	63.67	10.93	7.19
Percent Change	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	61.24	10.90	7.19
Percent Change	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	59.09	10.90	9.20
Percent Change	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	56.83	11.29	6.82
Percent Change	3.92%	4.77%	-0.97%	7.09%	9.87%	6.48%	4.69%	4.61%	
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
Percent Change	1.45%	2.23%	-0.16%	1.05%	1.91%	2.51%	4.55%	11.73%	
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
Percent Change	-0.04%	1.69%	0.34%	-2.27%	0.40%	1.21%	5.03%	3.36%	
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

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