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# Mexico Consensus Economic Forecast, Volume 15, Number 1

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## CONSENSUS ECONOMIC FORECAST

# MÉXICO

University of Texas at El Paso  
Border Region Modeling Project

### 1<sup>st</sup> Quarter 2012

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### Building Momentum

Mexico's real GDP grew by 3.9 percent between 2010 and 2011 and exceeded pre-recession aggregate output levels for the first time. In 2012, all of the panelists expect GDP to grow by at least 3 percent. The consensus forecast of 3.6 percent growth points to generally favorable prospects for continued economic recovery.

Private consumption grew slightly faster than GDP in 2011. Reflective of stronger consumer confidence, the panelists project that it will continue to bolster overall economic growth in 2012. The consensus forecast for private consumption growth is 3.7 percent. The forecasts range from 3.2 to 4.9 percent.

According to preliminary estimates, government consumption grew by only 0.6 percent in 2011. Fiscal restraint is expected to continue in the near future. The consensus forecast for this year's growth in public sector consumption was revised downward from the last edition of the consensus forecast to just 2.3 percent. Better than expected oil sector tax collections may allow for higher levels of government spending later in 2012, something that would not be surprising during an election year.

The rapid growth of investment played an important role in the economic recovery in both 2010 and 2011. Most panelists believe this will also hold true in 2012. Total investment will grow by 6.2 percent according to the consensus forecast. Individual panelist estimates span a wide range of growth rates, from 3.5 to 9.1 percent.

The impact of muted growth in higher income economies has led to a downward revision of the consensus export forecast for 2012 from 12.0 to 7.4 percent. The export growth estimates run from 5.5 to 10.0, a considerably narrower range than last quarter. Imports are expected to grow by 8.4 percent. Six of the eight panelists forecast that imports will grow faster than exports.

Although all of the panelists expect inflation to remain in check in 2012, none of them predict that it will be lower than the rate of 3.4 percent observed in 2011. Rising commodity prices may contribute to higher levels of inflation. On average, the consumer price index is expected to rise by 4.0 percent.

The peso appreciated somewhat during the first two months of 2012. The consensus exchange rate forecast now stands at 12.92 for 2012. Only one panelist now forecasts that the annual average exchange rate will exceed 13.0 this year.

The yield on 28-day Treasury Certificates (CETES) is predicted at 4.5 percent in 2012. The panelist estimates, ranging from 4.3 to 5.0 percent, are all higher than the observed 2011 average of 4.24 percent. The potential for higher inflation, among other factors, is expected to nudge interest rates upward.

Projections for 2013 are being made available for the first time with this edition of the consensus forecast. GDP and private consumption are forecasted to grow by 3.5 percent each. Government consumption is expected to grow by 1.9 percent in 2013 and total investment is predicted to increase by 6.3 percent.

Most panelists expect the rate of growth in exports and imports to decline slightly in 2013 but to remain strong (6.9 percent and 7.4 percent, respectively). The consensus inflation forecast is 3.9 percent. The average exchange rate is expected to rise only slightly in 2013 to 13.02 and the yield on 28 day CETES is projected to increase to 4.8 percent. Overall, the economic outlook for 2013 is broadly similar to what is predicted for 2012.

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	Annual Averages								
	GDP (2003 Pesos, billions)	Private Consumption (2003 Pesos, billions)	Government Consumption (2003 Pesos, billions)	Total Investment (2003 Pesos, billions)	Exports (2003 Pesos, billions)	Imports (2003 Pesos, billions)	Consumer Price Index Dec 2010 = 100	Nominal Exchange Rate Pesos/ Dollars	CETES 28 Day
<b>Historical Data</b>									
2011	9167.3	6365.3	1003.0	2099.2	3017.9	3159.7	101.04	12.42	4.24
<i>Percent Change</i>	<i>3.94%</i>	<i>4.56%</i>	<i>0.60%</i>	<i>8.70%</i>	<i>6.73%</i>	<i>6.79%</i>	<i>3.41%</i>	<i>-1.68%</i>	
2010	8820.0	6087.7	997.0	1931.1	2827.5	2958.9	97.71	12.64	4.40
<i>Percent Change</i>	<i>5.52%</i>	<i>5.28%</i>	<i>2.13%</i>	<i>6.40%</i>	<i>21.66%</i>	<i>20.48%</i>	<i>4.16%</i>	<i>-6.49%</i>	
2009	8358.7	5782.2	976.2	1815.0	2324.1	2456.0	93.81	13.51	5.39
<i>Percent Change</i>	<i>-6.24%</i>	<i>-7.32%</i>	<i>3.21%</i>	<i>-11.81%</i>	<i>-13.51%</i>	<i>-18.38%</i>	<i>5.30%</i>	<i>21.42%</i>	
2008	8915.0	6238.7	945.8	2058.1	2687.2	3008.9	89.09	11.13	7.68
<i>Percent Change</i>	<i>1.19%</i>	<i>1.72%</i>	<i>1.08%</i>	<i>5.46%</i>	<i>0.45%</i>	<i>2.55%</i>	<i>5.12%</i>	<i>1.84%</i>	
2007	8810.1	6133.1	935.7	1951.6	2675.1	2934.0	84.8	10.93	7.19
<i>Percent Change</i>	<i>3.26%</i>	<i>3.99%</i>	<i>3.07%</i>	<i>6.94%</i>	<i>5.75%</i>	<i>7.08%</i>	<i>3.97%</i>	<i>0.27%</i>	
2006	8532.0	5897.9	907.8	1824.9	2529.7	2740.0	81.5	10.90	7.19
<i>Percent Change</i>	<i>5.15%</i>	<i>5.67%</i>	<i>1.87%</i>	<i>9.88%</i>	<i>10.94%</i>	<i>12.57%</i>	<i>3.63%</i>	<i>0.01%</i>	
2005	8114.1	5581.3	891.1	1660.8	2280.3	2434.0	78.7	10.90	9.19
<i>Percent Change</i>	<i>3.21%</i>	<i>4.78%</i>	<i>2.52%</i>	<i>7.46%</i>	<i>6.75%</i>	<i>8.47%</i>	<i>3.99%</i>	<i>-3.44%</i>	
2004	7862.1	5326.6	869.2	1545.6	2136.1	2243.8	75.6	11.29	6.84
<i>Percent Change</i>	<i>4.05%</i>	<i>5.63%</i>	<i>-2.76%</i>	<i>8.01%</i>	<i>11.50%</i>	<i>10.74%</i>	<i>4.69%</i>	<i>4.61%</i>	
2003	7555.8	5042.8	893.8	1430.9	1915.8	2026.2	72.3	10.79	6.24
<i>Percent Change</i>	<i>1.35%</i>	<i>2.22%</i>	<i>0.81%</i>	<i>0.37%</i>	<i>2.69%</i>	<i>0.70%</i>	<i>4.55%</i>	<i>12.04%</i>	
2002	7455.4	4933.1	886.7	1425.6	1865.5	2012.2	69.1	9.63	7.08
<i>Percent Change</i>	<i>0.09%</i>	<i>1.59%</i>	<i>-0.33%</i>	<i>-0.64%</i>	<i>1.44%</i>	<i>1.46%</i>	<i>5.03%</i>	<i>3.10%</i>	
2001	7448.7	4856.1	889.6	1434.8	1839.0	1983.2	65.80	9.34	11.26
<i>Percent Change</i>	<i>-0.95%</i>	<i>2.48%</i>	<i>-1.98%</i>	<i>-5.64%</i>	<i>-3.60%</i>	<i>-1.63%</i>	<i>6.37%</i>	<i>-1.27%</i>	
2000	7520.3	4738.7	907.6	1520.5	1907.6	2016.1	61.86	9.46	15.27

Note: 2011 data are preliminary and subject to revision

\*GDP: Producto Interno Bruto, INEGI, 2003 Pesos

\*Private Consumption: Consumo Privado, INEGI, 2003 Pesos

\*Government Consumption: Consumo de Gobierno, INEGI, 2003 Pesos

\*Total Investment: Formación bruta de capital fijo, INEGI, 2003 Pesos

\*Exports: Exportación de bienes y servicios, INEGI, 2003 Pesos

\*Imports: Importación de bienes y servicios, INEGI, 2003 Pesos

\*CPI, Banco de México, Annual Average, Base Period = 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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