Spring 2012

Mexico Consensus Economic Forecast, Volume 15, Number 2

Thomas M. Fullerton Jr.
University of Texas at El Paso, tomf@utep.edu

Adam G. Walke
University of Texas at El Paso, agwalke@utep.edu

Published by the College of Business Administration at the University of Texas at El Paso

CONSENSUS ECONOMIC FORECAST MÉXICO

University of Texas at El Paso
Border Region Modeling Project

2nd Quarter 2012

American Chamber México
Dr. Deborah L. Riner

Wells Fargo Bank
Dr. Eugenio J. Alemán

Center for Economic Forecasting of Mexico
Rodrigo Pulido
Dr. Alfredo Coutiño

BBVA Bancomer
Pedro Uríz
Cecilia Posadas

Universidad Autónoma de Ciudad Juárez
Dra. Patricia Barraza de Anda
Dra. Lisbeily Domínguez

El Colegio de la Frontera Norte
Dr. Eduardo Mendoza Cota

Instituto Tecnológico y de Estudios Superiores de Monterrey
Dr. Jorge Ibarra Salazar

Universidad Autónoma de Coahuila
Dr. Alejandro Dávila Flores

Mexico Consensus Economic Forecast, Volume 15, Number 2
2nd Quarter 2012

Real gross domestic product (GDP) grew by 4.6 percent between the first quarter of 2011 and the same period this year. Seven of the eight panelists project that GDP will increase by somewhat less than that figure over the course of the year. The consensus 2012 GDP growth forecast is now 3.8 percent, a slight increase from the figure published last quarter.

The improvement in GDP growth is supported by greater private consumption according to panelist estimates. Six panelists expect private consumption to grow faster than overall GDP. All but two of the forecasts expect private consumption growth of at least 4.0 percent this year.

Government consumption is projected to increase by 2.6 percent. All of the panelists anticipate that the public sector will serve as a drag on overall economic activity in 2012, a sharp reversal from the role played by the government in prior election years. Uncertainties over the revenue effects associated with the recent decline in oil prices may contribute to this outlook.

With interest rates remaining relatively low by historical standards, investment is forecast to increase substantially in 2012. All of the panelists expect investment growth to exceed the rate of change for GDP. The consensus forecast calls for 6.0 percent growth, a slight decline from last quarter.

Despite concerns over accounting fraud and financial fragility in parts of Europe plus a slow recovery in the United States, fairly robust growth is projected for international trade in 2012. Exports are forecast to grow by 7.4 percent, while imports are expected to swell by 7.6 percent. Both figures exceed their 2011 growth rates.

The consensus forecast for inflation is 3.9 percent, almost identical to the consensus rate from last quarter. None of the panelists expect inflation to surpass 4.5 percent. Although energy prices have weakened in recent weeks, the peso also faltered, causing an uptick in import prices.

Global financial market turbulence and declining oil prices have contributed to the unexpected second quarter depreciation of the peso. In response, seven of the panelists have revised their exchange rate predictions upwards and the new consensus forecast is 13.18. That suggests that the peso is likely to appreciate from its current level later this year.

The yield on 28-day CETES is expected to remain stable. The consensus forecast of 4.5 percent is unchanged since last quarter. Panelist forecasts remain tightly clustered around this figure.

In 2013, GDP and private consumption are expected to grow by 3.5 percent and 3.6 percent, respectively. A pattern of strong growth in investment is expected to continue, with this variable increasing by 6.1 percent. Moderate trade growth is also predicted to continue, with imports increasing by 7.1 percent and exports by 6.6 percent. The predicted rate of inflation is 3.8 percent and the average exchange rate forecast is 13.09 pesos per dollar. Six of eight panelists expect the yield on 28-day CETES to increase to 4.7 percent in 2013.

Thomas M. Fullerton, Jr. and Adam G. Walke
University of Texas at El Paso Border Region Modeling Project

2012 Mexico Consensus Economic Forecast

	Annual Percent Change, 2012 from 2011							Annual Average	
	GDP	Private Consumption	Government Consumption	Total Investment	Exports	Imports	Consumer Price Index	Exchange Rate	CETES 28 Day
American Chamber Mexico	3.8	4.1	3.2	6.6	9.1	10.1	3.5	13.18	4.3
BBVA Bancomer	3.7	3.4	1.6	5.1	5.6	5.9	3.8	12.96	4.4
Wells Fargo Bank	3.7	4.1	2.5	5.6	4.1	4.4	4.5	13.08	4.4
Center for Economic Forecasting of Mexico	4.7	5.0	3.6	8.5	6.5	8.3	4.5	13.40	4.8
UACJ	3.6	4.0	3.0	4.5	5.0	6.0	3.6	13.00	4.4
ITESM	3.7	4.0	3.2	5.5	12.0	8.0	3.7	13.40	4.5
COLEF	3.7	4.5	1.3	7.3	7.6	8.6	4.4	12.95	4.6
UAdeC	3.5	3.2	2.7	4.9	9.0	9.2	3.5	13.50	4.6
Consensus -- this quarter	3.8	4.0	2.6	6.0	7.4	7.6	3.9	13.18	4.5
-- last quarter	3.6	3.7	2.3	6.2	7.4	8.4	4.0	12.92	4.5

2013 Mexico Consensus Economic Forecast

	Annual Percent Change, 2013 from 2012							Annual Average	
	GDP	Private Consumption	Government Consumption	Total Investment	Exports	Imports	Consumer Price Index	Exchange Rate	CETES 28 Day
American Chamber Mexico	3.5	3.6	1.3	6.3	5.6	8.5	3.7	13.16	4.5
BBVA Bancomer	3.0	2.8	2.0	5.9	6.5	8.0	3.5	12.15	5.0
Wells Fargo Bank	3.7	3.9	2.5	5.9	4.6	4.5	4.1	12.97	4.5
Center for Economic Forecasting of Mexico	3.5	3.8	2.4	5.4	5.3	5.8	4.0	13.55	6.0
UACJ	3.5	4.5	3.5	5.5	6.0	5.5	3.7	13.20	4.5
ITESM	3.6	3.0	4.0	5.0	10.0	8.0	3.7	12.90	4.5
COLEF	3.8	3.9	1.8	7.4	7.9	8.7	4.2	13.25	4.3
UAdeC	3.5	3.3	2.0	7.4	6.8	8.2	3.5	13.50	4.6
Consensus -- this quarter	3.5	3.6	2.4	6.1	6.6	7.1	3.8	13.09	4.7
-- last quarter	3.5	3.5	1.9	6.3	6.9	7.4	3.9	13.02	4.8

								Annual Averages	
Historical Data	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
2011	9194.1	6365.3	1003.0	2099.2	3017.9	3159.7	101.04	12.42	4.24
Percent Change	*3.9%*	*4.6%*	*0.6%*	*8.7%*	*6.7%*	*6.8%*	*3.4%*	*-1.7%*	
2010	8848.1	6087.7	997.0	1931.1	2827.5	2958.9	97.71	12.64	4.40
Percent Change	*5.5%*	*5.3%*	*2.1%*	*6.4%*	*21.7%*	*20.5%*	*4.2%*	*-6.5%*	
2009	8384.2	5782.2	976.2	1815.0	2324.1	2456.0	93.81	13.51	5.39
Percent Change	*-6.0%*	*-7.3%*	*3.2%*	*-11.8%*	*-13.5%*	*-18.4%*	*5.3%*	*21.4%*	
2008	8915.0	6238.7	945.8	2058.1	2687.2	3008.9	89.09	11.13	7.68
Percent Change	*1.2%*	*1.7%*	*1.1%*	*5.5%*	*0.5%*	*2.6%*	*5.1%*	*1.8%*	
2007	8810.1	6133.1	935.7	1951.6	2675.1	2934.0	84.8	10.93	7.19
Percent Change	*3.3%*	4.0%	3.1%	6.9%	*5.7%*	*7.1%*	4.0%	*0.3%*	
2006	8532.0	5897.9	907.8	1824.9	2529.7	2740.0	81.5	10.90	7.19
Percent Change	*5.2%*	*5.7%*	*1.9%*	*9.9%*	*10.9%*	*12.6%*	3.6%	*0.0%*	
2005	8114.1	5581.3	891.1	1660.8	2280.3	2434.0	78.7	10.90	9.19
Percent Change	*3.2%*	*4.8%*	*2.5%*	*7.5%*	*6.8%*	*8.5%*	*4.0%*	*-3.4%*	
2004	7862.1	5326.6	869.2	1545.6	2136.1	2243.8	75.6	11.29	6.84
Percent Change	*4.1%*	*5.6%*	*-2.8%*	*8.0%*	*11.5%*	*10.7%*	*4.7%*	*4.6%*	
2003	7555.8	5042.8	893.8	1430.9	1915.8	2026.2	72.3	10.79	6.24
Percent Change	*1.3%*	*2.2%*	*0.8%*	*0.4%*	*2.7%*	*0.7%*	*4.5%*	*12.0%*	
2002	7455.4	4933.1	886.7	1425.6	1865.5	2012.2	69.1	9.63	7.08
Percent Change	*0.1%*	*1.6%*	*-0.3%*	*-0.6%*	*1.4%*	*1.5%*	*5.0%*	*3.1%*	
2001	7448.7	4856.1	889.6	1434.8	1839.0	1983.2	65.80	9.34	11.26
Percent Change	*-1.0%*	*2.5%*	*-2.0%*	*-5.6%*	*-3.6%*	*-1.6%*	*6.4%*	*-1.3%*	
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: Formacion bruta de capital fijo, INEGI, 2003 Pesos
*Exports: Exportacion de bienes y servicios, INEGI, 2003 Pesos
*Imports: Importacion de bienes y servicios, INEGI, 2003 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

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 Francisco Pallares and Carlos Morales. 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.