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Mexico Consensus Economic Forecast, Volume 15, Number 3

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CONSENSUS ECONOMIC FORECAST

MÉXICO

University of Texas at El Paso
Border Region Modeling Project

3rd Quarter 2012

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Moving Ahead with Trepidation

Figures released by INEGI, Mexico's government statistics agency, show that real GDP grew by more than 4 percent during the first two quarters of 2012, relative to the same periods last year. In spite of that good news, most panelists expect growth to moderate somewhat in the last half of the year. The consensus forecast calls for 3.8 percent annual GDP growth in 2012.

Steady growth in private consumption is expected to continue. Six of the eight panelists forecast that this variable will grow by 4 percent or more next year, while the other two panelists project somewhat lower growth rates. The consensus forecast is 3.9 percent.

Predictions of government consumption diverge more markedly, reflecting uncertainty over the magnitude of election-year spending. While three panelists expect spending growth of 1.5 percent or less, four other forecasts surpass 3 percent. The consensus forecast is 2.4 percent.

Domestic financial market conditions and favorable prospects for continued economic growth are expected to fuel the expansion of investment. The consensus forecast of investment growth has been revised slightly upward to 6.3 percent. However, none of the panelists project that the expansion of investment will equal the rate of 8.9 percent observed in 2011.

In light of uncertainties surrounding the future economic performance of developed countries, estimates of trade growth have been revised slightly downward since last quarter. Exports are expected to grow by 7.2 percent. Similarly, imports are predicted to increase by 7.1 percent.

Five panelists revised their inflation estimates upward this quarter. The consensus forecast rose slightly to 4 percent. Increases in the prices of some agricultural commodities and a sharp transitory depreciation of the peso have exerted additional inflationary pressures this year.

The peso has largely recovered the value lost during a sharp depreciation in the 2nd quarter. However, risks of higher inflation and turbulence in financial markets are still present. The consensus forecast of the 2012 average exchange rate changed little this quarter and is 13.13.

Four panelists lowered their estimates of the yield on 28-day treasury certificates (CETES). The consensus forecast now stands at 4.4 percent. The estimates are all fairly close to this figure.

The economic outlook for 2013 is broadly similar to that for 2012. GDP is predicted to grow by 3.4 percent. Growth in private and government consumption are estimated at 3.6 and 2.2 percent, respectively. The forecast of growth in total investment has been revised downward to 5.7 percent. Exports and imports are expected to increase by 6.8 percent and 7.1 percent, respectively. Predicted inflation is 3.8 percent and the annual average exchange rate is forecast to remain unchanged at 13.13 pesos per dollar. The most surprising change from 2012 is an increase in the expected yield on 28-day CETES.

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	3.1	6.2	7.7	8.1	3.9	13.24	4.3
BBVA Bancomer	3.7	3.4	1.5	6.0	9.4	8.8	4.0	13.00	4.4
Wells Fargo Bank	4.0	4.0	3.3	8.0	4.9	6.1	4.2	13.17	4.3
Center for Economic Forecasting of Mexico	4.3	4.2	2.8	7.5	4.8	6.5	4.7	13.25	4.6
UACJ	3.6	4.0	3.0	4.5	5.0	6.0	3.6	13.00	4.4
ITESM	3.8	4.0	3.0	6.0	10.0	8.0	4.0	13.00	4.4
COLEF	3.6	4.5	1.3	7.3	7.6	4.3	3.5	12.95	4.6
UAdeC	3.7	3.2	1.0	4.9	8.0	9.4	3.8	13.40	4.3
Consensus -- this quarter	3.8	3.9	2.4	6.3	7.2	7.1	4.0	13.13	4.4
-- last quarter	3.8	4.0	2.6	6.0	7.4	7.6	3.9	13.18	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	3.4	3.5	1.0	6.6	6.4	8.9	3.7	13.15	4.4
BBVA Bancomer	3.0	2.8	2.0	6.5	9.0	11.0	3.4	12.50	5.5
Wells Fargo Bank	3.6	3.7	3.5	4.4	5.2	6.2	4.5	12.79	4.4
Center for Economic Forecasting of Mexico	3.5	3.3	1.5	4.5	3.4	4.6	4.0	13.75	5.9
UACJ	3.5	4.5	3.5	5.5	6.0	5.5	3.7	13.20	4.5
ITESM	3.6	4.0	3.0	5.0	10.0	8.0	3.7	12.90	4.6
COLEF	3.5	3.8	1.3	7.2	7.3	4.1	3.6	13.25	4.7
UAdeC	3.5	3.1	1.8	5.9	6.8	8.2	3.5	13.50	4.4
Consensus -- this quarter	3.4	3.6	2.2	5.7	6.8	7.1	3.8	13.13	4.8
-- last quarter	3.5	3.6	2.4	6.1	6.6	7.1	3.8	13.09	4.7

Historical Data	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
2011	9194.1	6352.2	1005.8	2100.3	3017.8	3157.7	101.04	12.42	4.24
<i>Percent Change</i>	<i>3.91%</i>	<i>4.49%</i>	<i>0.61%</i>	<i>8.86%</i>	<i>6.73%</i>	<i>6.72%</i>	<i>3.41%</i>	<i>-1.68%</i>	
2010	8848.1	6079.3	999.7	1929.4	2827.5	2958.9	97.71	12.64	4.40
<i>Percent Change</i>	<i>5.53%</i>	<i>5.01%</i>	<i>2.41%</i>	<i>6.25%</i>	<i>21.66%</i>	<i>20.48%</i>	<i>4.16%</i>	<i>-6.49%</i>	
2009	8384.2	5789.2	976.2	1815.9	2324.1	2456.0	93.81	13.51	5.39
<i>Percent Change</i>	<i>-5.95%</i>	<i>-7.21%</i>	<i>3.21%</i>	<i>-11.77%</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	84.75	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	81.52	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	78.66	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	75.64	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	72.26	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	69.11	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: 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

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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 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.

