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Mexico Consensus Economic Forecast, Volume 16, 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

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CONSENSUS ECONOMIC FORECAST

MÉXICO

University of Texas at El Paso
Border Region Modeling Project

2nd Quarter 2013

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 16, Number 2
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Facing Hurdles

Real GDP grew at annualized rate of only 0.8 percent during the first quarter of 2013. Temporary disruptions to government spending, weak export performance, and calendar effects related to Easter vacation contributed to the slowdown. The consensus forecast of 3.0 percent GDP growth in 2013 implies that the sharp deceleration should be transitory.

INEGI also reported that retail sales declined early in 2013. All seven panelists submitting forecasts this quarter revised their estimates of private consumption downward this quarter (data from one panelist did not arrive). The consensus now calls for 3.0 percent growth.

Government consumption declined by 0.7 percent in the first quarter. However, public spending is expected to pick up slightly once the executive branch transition is completed. The consensus forecast of 1.5 percent growth is nearly equal to the rate recorded in 2012.

Having surpassed pre-recession levels in 2012, total investment is expected to increase more slowly in 2013. The consensus forecast calls for 3.4 percent growth this year. Recent ebbs in new foreign direct investment may contribute to the slowing of total investment growth.

Expectations for oil production and US economic growth contribute to relatively low predictions of export growth. All but one of the panelists revised their export forecasts downward this quarter. The consensus forecast for export growth is 3.7 percent and, for imports, 4.6 percent.

Despite higher price levels recorded in the spring related to climatic constraints on agricultural production, inflation is expected to remain largely in check. The consensus forecast calls for 3.9 percent inflation this year. Panelist estimates of inflation range from 3.3 to 4.5 percent.

In reaction to the recent decline in the value of the peso, the consensus exchange rate forecast rose to 12.74 pesos per dollar. That still represents substantial appreciation relative to the 2012 exchange rate of 13.17 pesos per dollar. The yield on 28-day CETES is expected to decline to 3.9 percent as the Bank of Mexico responds to somewhat weakened economic conditions.

Expectations for overall economic performance in 2014 have been revised downward, but prospects for economic policy reforms and global economic growth still make the 2014 forecast somewhat more optimistic than that for the current year. Real GDP is expected to grow by 3.5 percent in 2014, while private and government consumption are predicted to rise by 3.3 and 2.2 percent, respectively. The consensus forecast calls for strong investment growth of 5.4 percent.

Exports and imports are expected to increase by 4.6 and 5.4 percent, respectively, in 2014. The average forecast for inflation is 3.8 percent while the consensus exchange rate estimate is 12.79 pesos per dollar. Interest rates are forecasted to remain relatively low. The consensus estimate for the return on 4-week CETES is now 4.0 percent for 2014.

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

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	2.9	3.1	0.4	1.1	4.4	6.7	3.9	12.52	3.8
BBVA Bancomer	3.1	3.3	1.0	2.7	3.6	3.9	3.9	12.20	3.7
Wells Fargo Bank	1.9	2.9	2.3	2.6	3.8	4.3	4.5	12.67	3.9
Center for Economic Forecasting of Mexico	NA	NA	NA	NA	NA	NA	NA	NA	NA
UACJ	3.1	3.0	1.3	4.6	4.3	4.0	3.9	13.00	4.0
ITESM	3.0	3.5	2.0	4.0	1.0	4.5	4.0	12.80	4.0
COLEF	3.8	2.8	1.7	4.8	4.3	4.1	3.3	13.10	3.5
UAdeC	3.1	2.6	1.8	3.8	4.4	5.0	3.5	12.90	4.3
Consensus -- this quarter	3.0	3.0	1.5	3.4	3.7	4.6	3.9	12.74	3.9
-- last quarter	3.5	3.4	2.0	4.8	4.7	5.2	3.8	12.56	4.2

2014 Mexico Consensus Economic Forecast

	Annual Percent Change, 2014 from 2013						Annual Average		
	GDP	Private Consumption	Government Consumption	Total Investment	Exports	Imports	Consumer Price Index	Exchange Rate	CETES 28 Day
American Chamber Mexico	4.0	4.0	1.8	6.7	6.0	7.3	3.7	12.38	3.7
BBVA Bancomer	3.1	2.5	1.3	5.9	4.0	3.6	3.2	12.25	3.4
Wells Fargo Bank	2.9	3.5	3.2	3.9	5.7	6.0	5.2	12.77	3.9
Center for Economic Forecasting of Mexico	NA	NA	NA	NA	NA	NA	NA	NA	NA
UACJ	3.8	3.4	1.6	5.0	5.0	4.5	3.8	12.50	4.3
ITESM	3.8	3.5	2.5	5.0	1.0	4.5	3.8	12.80	4.3
COLEF	3.2	2.7	1.6	4.5	4.1	3.9	3.4	13.30	3.8
UAdeC	3.8	3.7	3.2	6.9	6.4	7.9	3.5	13.50	4.6
Consensus -- this quarter	3.5	3.3	2.2	5.4	4.6	5.4	3.8	12.79	4.0
-- last quarter	3.9	3.7	2.4	6.2	5.6	6.1	3.9	12.75	4.4

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
2012	9530.1	6550.7	1034.9	2085.1	3183.5	3275.1	105.20	13.17	4.24
<i>Percent Change</i>	<i>3.92%</i>	<i>3.33%</i>	<i>1.48%</i>	<i>5.86%</i>	<i>4.63%</i>	<i>4.14%</i>	<i>4.11%</i>	<i>6.01%</i>	
2011	9170.2	6339.4	1019.7	1969.6	3042.6	3144.9	101.04	12.42	4.24
<i>Percent Change</i>	<i>3.89%</i>	<i>4.37%</i>	<i>2.08%</i>	<i>8.11%</i>	<i>7.55%</i>	<i>7.05%</i>	<i>3.41%</i>	<i>-1.68%</i>	
2010	8827.0	6073.8	998.9	1821.9	2829.1	2937.7	97.71	12.64	4.40
<i>Percent Change</i>	<i>5.28%</i>	<i>4.94%</i>	<i>2.33%</i>	<i>0.33%</i>	<i>21.64%</i>	<i>19.58%</i>	<i>4.16%</i>	<i>-6.49%</i>	
2009	8384.2	5787.8	976.2	1815.9	2325.8	2456.8	93.81	13.51	5.39
<i>Percent Change</i>	<i>-5.95%</i>	<i>-7.22%</i>	<i>3.21%</i>	<i>-11.77%</i>	<i>-13.52%</i>	<i>-18.41%</i>	<i>5.30%</i>	<i>21.42%</i>	
2008	8915.0	6238.2	945.8	2058.1	2689.5	3011.1	89.09	11.13	7.68
<i>Percent Change</i>	<i>1.19%</i>	<i>1.71%</i>	<i>1.08%</i>	<i>5.46%</i>	<i>0.51%</i>	<i>2.61%</i>	<i>5.12%</i>	<i>1.84%</i>	
2007	8810.1	6133.3	935.7	1951.6	2675.8	2934.6	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>5.78%</i>	<i>7.11%</i>	<i>3.97%</i>	<i>0.27%</i>	
2006	8532.0	5897.9	907.8	1824.9	2529.6	2739.9	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>10.96%</i>	<i>12.60%</i>	<i>3.63%</i>	<i>0.01%</i>	
2005	8114.1	5581.3	891.1	1660.8	2279.9	2433.3	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>6.77%</i>	<i>8.45%</i>	<i>3.99%</i>	<i>-3.44%</i>	
2004	7862.1	5326.5	869.2	1545.6	2135.3	2243.7	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>11.46%</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: 2012 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 Alan Jimenez and Alejandro Ceballos. 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.

