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Mexico Consensus Economic Forecast, Volume 19, Number 2

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CONSENSUS ECONOMIC FORECAST

MÉXICO

University of Texas at El Paso
Border Region Modeling Project

2nd Quarter 2016

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Mexico Consensus Economic Forecast, Volume 19, Number 2
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Internal Momentum, External Risks

Real gross domestic product (GDP) grew by 2.6 percent during the first quarter. Most of the panelists expect somewhat slower progress for the remainder of the year. The consensus forecast calls for 2.3 percent GDP expansion for 2016 overall.

Expansion in domestic consumer demand is expected to buoy aggregate economic performance this year. Restrained consumer good inflation, among other factors, has helped fuel retail activity. On average, panelists project 2.7 percent growth in private consumption.

Reduced revenues from oil exports are likely to stunt public spending in 2016. Government consumption is expected to grow by just 1.2 percent in real terms. Most of the panelists forecast that government consumption will represent a drag on GDP growth this year.

Total investment is forecast to increase by 2.1 percent. Higher rates of investment were recorded over the two previous years. Factors behind the predicted deceleration include uneven growth in the manufacturing sector and constraints on infrastructure investment.

According to INEGI, Mexico's exports grew faster in 2015 than in any of the previous four years (in constant peso terms). The panelists predict that export growth will continue in 2016, though at a slower pace. Attenuated global economic prospects contribute to that expectation. Exports are forecast to increase by 4.3 percent and imports by 4.2 percent this year.

Exceptionally low rates of inflation have continued into the early months of the current year. Inflation is predicted to pick up slightly during the remainder of the year as a weak peso gradually translates into higher price levels. The consensus inflation forecast is 3.1 percent.

The nominal value of the peso has appreciated only slightly after plummeting to historic lows in February of this year. Panelist forecasts suggest that a large-scale peso appreciation is unlikely to occur this year. The average exchange rate forecast for 2016 is 18.06 pesos per dollar.

The consensus forecast of the average yield on 28-day CETES remains unchanged since last quarter at 3.9 percent. The central bank raised interest rates in February. However, low rates of inflation so far this year have reduced pressure on the bank to raise interest rates further.

In 2017, GDP is expected to increase by 2.5 percent, boosted by 2.9 percent growth in private consumption. Government consumption is forecast to grow by only 1.4 percent. The consensus forecast calls for total investment growth of 3.4 percent, well above the current year's forecast. Similarly, the rates of increase in exports and imports are projected to accelerate in 2017, to 5.7 and 5.5 percent, respectively.

Also in 2017, the rate of inflation is expected to rise slightly to 3.4 percent. This, combined with somewhat stronger overall economic activity, is predicted to help push the yield on 28-day CETES up to 4.5 percent. Higher interest rates in Mexico are likely to lead to some appreciation of the

peso. The consensus exchange rate forecast for next year is 17.93 pesos per dollar.

2016 Mexico Consensus Economic Forecast	Annual Percent Change, 2016 from 2015							Annual Average	
	GDP	Private Consumption	Government Consumption	Total Investment	Exports	Imports	Consumer Price Index	Exchange Rate	CETES 28 Day
Action Economics!	2.2	3.1	-1.2	4.0	-0.3	0.8	3.1	18.25	3.9
BBVA Bancomer	2.6	3.3	1.0	1.7	5.1	4.0	2.9	17.90	3.8
Wells Fargo Bank	2.6	3.0	1.6	1.4	6.9	7.0	2.9	18.31	3.7
Center for Economic Forecasting of Mexico	2.3	2.8	2.2	3.5	6.5	4.4	3.8	18.50	4.0
UACJ	2.4	2.4	1.4	2.5	4.5	4.6	3.4	17.95	4.0
ITESM	2.4	3.0	2.0	1.0	4.0	3.0	3.0	17.80	4.3
COLEF	2.2	2.4	2.2	2.1	4.1	4.3	3.1	18.10	4.2
UAdeC	2.2	2.3	0.0	1.3	3.2	5.8	3.0	18.00	3.7
UANL	2.0	2.3	1.8	1.1	4.7	4.0	2.8	17.69	3.6
Consensus -- this quarter	2.3	2.7	1.2	2.1	4.3	4.2	3.1	18.06	3.9
-- last quarter	2.3	2.4	1.3	2.1	3.9	4.0	3.4	17.90	3.9

2017 Mexico Consensus Economic Forecast	Annual Percent Change, 2017 from 2016							Annual Average	
	GDP	Private Consumption	Government Consumption	Total Investment	Exports	Imports	Consumer Price Index	Exchange Rate	CETES 28 Day
Action Economics!	2.6	3.2	-0.4	6.5	5.0	4.9	3.5	18.21	4.4
BBVA Bancomer	2.6	3.1	1.4	3.5	6.4	7.1	3.3	17.45	4.4
Wells Fargo Bank	2.8	3.0	2.0	2.6	6.1	6.8	2.8	18.39	3.9
Center for Economic Forecasting of Mexico	2.8	3.2	2.6	3.8	5.5	4.8	4.4	18.25	4.5
UACJ	2.5	2.5	1.6	3.5	5.3	5.4	3.5	17.65	4.2
ITESM	2.6	3.5	2.0	3.0	6.0	5.0	3.2	17.00	4.8
COLEF	2.1	2.3	2.1	2.1	4.0	4.2	3.2	18.50	4.5
UAdeC	2.5	2.7	-0.5	2.9	6.5	6.3	3.5	18.00	4.8
UANL	2.3	2.4	2.2	2.6	6.9	5.0	2.9	17.91	4.9
Consensus -- this quarter	2.5	2.9	1.4	3.4	5.7	5.5	3.4	17.93	4.5
-- last quarter	2.6	2.7	1.8	3.3	5.4	5.4	3.6	17.58	4.3

							Annual Averages		
Historical Data	GDP (2008 Pesos, billions)	Private Consumption (2008 Pesos, billions)	Government Consumption (2008 Pesos, billions)	Total Investment (2008 Pesos, billions)	Exports (2008 Pesos, billions)	Imports (2008 Pesos, billions)	Consumer Price Index Dec 2010 = 100	Nominal Exchange Rate Pesos/ Dollars	CETES 28 Day
2015	14,110.1	9,562.9	1,556.5	3,089.7	4,969.4	4,777.5	116.68	15.85	2.98
<i>Percent Change</i>	2.46%	3.16%	2.30%	3.79%	8.99%	5.03%	2.72%	19.23%	
2014	13,770.7	9,270.0	1,521.5	2,976.9	4,559.4	4,548.6	113.59	13.29	3.00
<i>Percent Change</i>	2.25%	1.80%	2.40%	2.91%	6.96%	5.98%	4.02%	4.07%	
2013	13,468.3	9,105.7	1,485.9	2,892.6	4,262.7	4,291.9	109.20	12.77	3.75
<i>Percent Change</i>	1.36%	2.16%	1.04%	-1.55%	2.35%	2.58%	3.81%	-3.02%	
2012	13,287.5	8,912.8	1,470.6	2,938.2	4,164.9	4,183.8	105.20	13.17	4.24
<i>Percent Change</i>	4.02%	4.94%	3.48%	4.78%	5.84%	5.47%	4.11%	6.01%	
2011	12,774.2	8,493.2	1,421.1	2,804.2	3,935.1	3,967.0	101.04	12.42	4.24
<i>Percent Change</i>	4.04%	4.80%	2.45%	7.82%	8.22%	8.05%	3.41%	-1.68%	
2010	12,277.7	8,103.9	1,387.1	2,600.8	3,636.4	3,671.4	97.71	12.64	4.40
<i>Percent Change</i>	5.11%	5.67%	1.71%	1.27%	20.55%	20.46%	4.16%	-6.49%	
2009	11,680.7	7,669.3	1,363.8	2,568.1	3,016.6	3,047.8	93.81	13.51	5.43
<i>Percent Change</i>	-4.70%	-6.46%	2.25%	-9.27%	-11.78%	-17.59%	5.30%	21.42%	
2008	12,256.9	8,198.8	1,333.8	2,830.4	3,419.4	3,698.3	89.09	11.13	7.68
<i>Percent Change</i>	1.40%	1.90%	3.03%	4.95%	-1.35%	4.40%	5.12%	1.84%	
2007	12,087.6	8,046.2	1,294.5	2,696.8	3,466.2	3,542.3	84.75	10.93	7.19
<i>Percent Change</i>	3.15%	3.04%	2.45%	5.99%	3.65%	5.93%	3.97%	0.27%	
2006	11,718.7	7,809.0	1,263.5	2,544.4	3,344.2	3,344.0	81.52	10.90	7.19
<i>Percent Change</i>	5.00%	5.52%	3.40%	8.69%	7.67%	10.19%	3.63%	0.01%	
2005	11,160.5	7,400.8	1,222.0	2,341.0	3,106.0	3,034.7	78.66	10.90	9.20
<i>Percent Change</i>	3.03%	4.40%	3.05%	5.90%	5.71%	7.71%	3.99%	-3.44%	
2004	10,832.0	7,088.9	1,185.9	2,210.5	2,938.2	2,817.5	75.64	11.29	6.82
<i>Percent Change</i>	4.30%	5.57%	2.39%	7.52%	9.13%	9.71%	4.69%	4.61%	
2003	10,385.9	6,715.1	1,158.2	2,055.9	2,692.3	2,568.1	72.26	10.79	6.23
<i>Percent Change</i>	1.42%	1.11%	-0.54%	2.97%	0.89%	2.39%	4.55%	12.04%	
2002	10,240.2	6,641.5	1,164.5	1,996.7	2,668.6	2,508.1	69.11	9.63	7.09
<i>Percent Change</i>	0.13%	1.39%	-1.19%	0.53%	2.06%	2.74%	5.03%	3.10%	
2001	10,226.7	6,550.2	1,178.6	1,986.1	2,614.8	2,441.2	65.80	9.34	11.31
*GDP: Producto Interno Bruto, INEGI, 2008 Pesos									
*Private Consumption: Consumo Privado, INEGI, 2008 Pesos									
*Government Consumption: Consumo de Gobierno, INEGI, 2008 Pesos									
*Total Investment: Formacion bruta de capital fijo, INEGI, 2008 Pesos									
*Exports: Exportacion de bienes y servicios, INEGI, 2008 Pesos									
*Imports: Importacion de bienes y servicios, INEGI, 2008 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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