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CONSENSUS ECONOMIC FORECAST

MÉXICO

University of Texas at El Paso
Border Region Modeling Project

3rd Quarter 2016

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Mexico Consensus Economic Forecast, Volume 19, Number 3
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Grasping for Prosperity, Grappling with Uncertainty

Mexico's real gross domestic product (GDP) increased by 2.5 percent in the second quarter of 2016 compared to one year earlier. This continues a multi-year trend of steady but modest economic growth. On average, the panelists forecast 2.1 percent GDP growth for all of 2016.

Multiple global uncertainties, plus civil discontent at home, contribute to relatively subdued consumer confidence. The consensus forecast calls for 2.3 percent growth in private consumption in 2016, a notable decline from the 3.1 percent rate tallied in 2015.

Growth in public spending is expected to be negligible amid sagging oil revenues and concerns over budget deficits. Most panelists revised their government consumption forecasts downward this quarter. Only slight growth of 0.3 percent is projected for the year as a whole.

The consensus outlook for total investment growth has also been revised downward. The 2016 forecast now stands at 1 percent. Business investment is likely to be hampered by higher interest rates while infrastructure investment is limited by constraints on public spending.

Slowdowns in key foreign economies and risks of greater protectionism abroad tarnish prospects for trade. The consensus forecast for export growth (in constant peso terms) has been revised downward to 2.4 percent. Imports are projected to increase by 2.3 percent.

Fairly stable inflation has been observed during the last 20 months. Most panelists still expect, however, that inflation will accelerate later this year owing in part to peso depreciation. The consensus forecast is for consumer prices to increase by 3.1 percent in 2016.

Currency markets have continued to be skittish in recent weeks. Low oil prices and increased caution regarding emerging-market currencies on the part of investors contribute to ongoing weakness for the peso. The consensus exchange rate forecast for 2016 now stands at 18.45 pesos per dollar. In light of continuing efforts by Mexico's central bank to halt the peso's fall, interest rates are predicted to rise. The consensus forecast now calls for the annual average yield on 28-day CETES to increase to 4 percent for 2016.

The outlook for 2017 is moderately more encouraging. GDP and private consumption are projected to rise by 2.3 and 2.5 percent, respectively. With efforts to reduce Mexico's federal budget deficits underway, government consumption is expected to increase by a meager 1.0 percent next year. Total investment, exports, and imports are all predicted to fare somewhat better in 2017 than in 2016, growing by 2.3, 4.8 and 4.1 percent year-over-year, respectively.

The exchange rate is projected to increase slightly to 18.57 pesos per dollar. The low currency-market value of the peso and potentially higher energy prices are factors that are likely to contribute to a slight uptick in inflation, which is forecast to rise to 3.5 percent. Finally, interest rates are projected to continue rising. The yield on 28-day CETES is forecast at 4.7 percent for 2017.

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	2.7	-1.2	2.4	-2.1	-1.0	3.1	18.33	4.0
BBVA Bancomer	1.8	1.9	-0.5	-1.2	1.5	-1.5	2.9	18.55	4.0
Wells Fargo Bank	2.4	2.3	1.1	0.6	2.9	3.9	2.6	18.41	3.9
Center for Economic Forecasting of Mexico	2.2	2.5	1.8	3.2	4.2	3.5	3.6	18.60	4.0
UACJ	2.3	2.5	1.0	2.5	3.1	4.0	3.3	18.05	3.9
ITESM	2.0	2.0	-1.0	-1.0	2.0	-1.0	3.1	18.50	4.3
COLEF	1.7	2.0	0.9	1.6	3.2	3.1	3.8	19.00	4.4
UAdeC	2.0	1.9	-0.5	-1.2	1.9	4.7	3.1	18.20	3.7
UANL	2.3	2.7	1.2	2.0	5.2	5.4	2.7	18.38	3.8
Consensus -- this quarter	2.1	2.3	0.3	1.0	2.4	2.3	3.1	18.45	4.0
-- last quarter	2.3	2.7	1.2	2.1	4.3	4.2	3.1	18.06	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!	2.5	2.9	0.4	4.0	4.6	4.9	3.5	18.46	4.6
BBVA Bancomer	2.2	2.2	1.2	0.5	3.8	1.8	3.4	18.74	4.6
Wells Fargo Bank	2.5	2.9	1.5	1.8	5.1	5.3	2.9	18.68	4.3
Center for Economic Forecasting of Mexico	2.3	2.2	1.5	3.5	3.8	3.2	4.2	18.50	4.8
UACJ	2.5	2.8	1.2	4.0	5.3	5.4	3.4	17.65	4.2
ITESM	2.3	2.5	1.0	1.0	3.0	2.0	3.4	18.00	5.0
COLEF	1.9	2.2	1.0	1.7	3.6	3.5	3.9	19.70	4.9
UAdeC	2.3	2.3	-0.4	1.0	6.5	5.0	3.5	18.30	4.8
UANL	2.5	2.9	1.9	3.4	7.1	5.5	2.9	19.06	5.1
Consensus -- this quarter	2.3	2.5	1.0	2.3	4.8	4.1	3.5	18.57	4.7
-- last quarter	2.5	2.9	1.4	3.4	5.7	5.5	3.4	17.93	4.5

							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	9,552.4	1,552.8	3,089.7	4,969.8	4,776.9	116.68	15.85	2.98
<i>Percent Change</i>	<i>2.46%</i>	<i>3.10%</i>	<i>2.31%</i>	<i>3.79%</i>	<i>8.99%</i>	<i>5.03%</i>	<i>2.72%</i>	<i>19.23%</i>	
2014	13,770.7	9,265.4	1,517.7	2,976.9	4,559.9	4,548.1	113.59	13.29	3.00
<i>Percent Change</i>	<i>2.25%</i>	<i>1.78%</i>	<i>2.14%</i>	<i>2.91%</i>	<i>6.95%</i>	<i>5.97%</i>	<i>4.02%</i>	<i>4.07%</i>	
2013	13,468.3	9,103.6	1,485.9	2,892.6	4,263.5	4,291.9	109.20	12.77	3.75
<i>Percent Change</i>	<i>1.36%</i>	<i>2.14%</i>	<i>1.04%</i>	<i>-1.55%</i>	<i>2.37%</i>	<i>2.58%</i>	<i>3.81%</i>	<i>-3.02%</i>	
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>	<i>4.02%</i>	<i>4.94%</i>	<i>3.48%</i>	<i>4.78%</i>	<i>5.84%</i>	<i>5.47%</i>	<i>4.11%</i>	<i>6.01%</i>	
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>	<i>4.04%</i>	<i>4.80%</i>	<i>2.45%</i>	<i>7.82%</i>	<i>8.22%</i>	<i>8.05%</i>	<i>3.41%</i>	<i>-1.68%</i>	
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>	<i>5.11%</i>	<i>5.67%</i>	<i>1.71%</i>	<i>1.27%</i>	<i>20.55%</i>	<i>20.46%</i>	<i>4.16%</i>	<i>-6.49%</i>	
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>	<i>-4.70%</i>	<i>-6.46%</i>	<i>2.25%</i>	<i>-9.27%</i>	<i>-11.78%</i>	<i>-17.59%</i>	<i>5.30%</i>	<i>21.42%</i>	
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>	<i>1.40%</i>	<i>1.90%</i>	<i>3.03%</i>	<i>4.95%</i>	<i>-1.35%</i>	<i>4.40%</i>	<i>5.12%</i>	<i>1.84%</i>	
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>	<i>3.15%</i>	<i>3.04%</i>	<i>2.45%</i>	<i>5.99%</i>	<i>3.65%</i>	<i>5.93%</i>	<i>3.97%</i>	<i>0.27%</i>	
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>	<i>5.00%</i>	<i>5.52%</i>	<i>3.40%</i>	<i>8.69%</i>	<i>7.67%</i>	<i>10.19%</i>	<i>3.63%</i>	<i>0.01%</i>	
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>	<i>3.03%</i>	<i>4.40%</i>	<i>3.05%</i>	<i>5.90%</i>	<i>5.71%</i>	<i>7.71%</i>	<i>3.99%</i>	<i>-3.44%</i>	
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>	<i>4.30%</i>	<i>5.57%</i>	<i>2.39%</i>	<i>7.52%</i>	<i>9.13%</i>	<i>9.71%</i>	<i>4.69%</i>	<i>4.61%</i>	
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>	<i>1.42%</i>	<i>1.11%</i>	<i>-0.54%</i>	<i>2.97%</i>	<i>0.89%</i>	<i>2.39%</i>	<i>4.55%</i>	<i>12.04%</i>	
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>	<i>0.13%</i>	<i>1.39%</i>	<i>-1.19%</i>	<i>0.53%</i>	<i>2.06%</i>	<i>2.74%</i>	<i>5.03%</i>	<i>3.10%</i>	
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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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 Juan Cárdenas 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.

