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Mexico Consensus Economic Forecast, Volume 16, Number 3

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CONSENSUS ECONOMIC FORECAST

MÉXICO

University of Texas at El Paso
Border Region Modeling Project

3rd Quarter 2013

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Lower Expectations

2nd quarter 2013 real GDP increased at a year-over-year rate of only 1.5 percent. Given this relatively slow pace of growth, most panelists have revised 2013 GDP projections downward. The consensus forecast now calls for a 1.8 percent increase in real GDP this year.

Continued growth in formal-sector employment, among other factors, buoyed private domestic consumption somewhat during the first half of the year. Most panelists predict that private consumption will grow faster than GDP in 2013. The consensus growth estimate is 2.3 percent.

By contrast, slow growth in government consumption is likely to exert downward pressure on GDP this year. Estimates of the change in government consumption range from 0.7 percent to 2.0 percent. The average of the panelist forecasts for this variable is 1.2 percent.

Total investment growth in the early part of 2013 was hampered by the weak performance of government investment and construction activity. All panelists revised their estimates of total investment growth downward this quarter. The forecasted growth rate is now 2.3 percent.

One of the principal factors behind the recent ebb in Mexico's economic growth rates is reduced global demand for the nation's major exports. According to the consensus forecast, exports will grow by only 2.7 percent this year. Imports are projected to grow by 3.0 percent.

Relatively weak demand and a general appreciation of the peso are expected to help keep inflation in check in 2013. The consensus inflation forecast is 3.7 percent. Most of the panelists agree that inflation will fall within the Bank of Mexico's target range of 2 to 4 percent.

The consensus exchange rate forecast for 2013 is 12.84 pesos per dollar, which is below the average exchange rate of 13.17 observed last year. Panelist estimates range from 12.50 to 13.25. The predicted yield on 28-day CETES remains unchanged this quarter at 3.9 percent.

Mexico's economic outlook for 2014 is brighter than that for the current year. GDP is expected to grow by 3.3 percent next year and private consumption is predicted to increase by 3.1 percent. The consensus forecast of government consumption growth in 2014 has been revised upward this quarter to 2.6 percent. Total investment is predicted to grow by 4.8 percent.

Expected improvements in the global economic panorama underlie predictions that exports will rise by 4.6 percent in 2014. Similarly, imports are expected to grow by 4.7 percent. The consensus forecasts of inflation and the yield on 4-week CETES remain unchanged this quarter at 3.8 percent and 4.0 percent, respectively. The exchange rate forecast for 2014 barely edged upward to 12.90 pesos per dollar.

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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	1.5	1.7	1.2	0.6	1.1	2.9	3.5	12.72	3.8
BBVA Bancomer	1.4	1.4	0.7	1.3	0.8	1.0	3.4	12.52	3.8
Wells Fargo Bank	1.7	2.6	0.8	1.4	3.0	3.8	3.7	13.10	3.9
Center for Economic Forecasting of Mexico	1.5	2.4	1.0	3.6	3.0	3.5	4.4	12.85	3.9
UACJ	2.0	2.3	1.2	2.0	2.0	3.0	3.8	12.50	3.8
ITESM	2.0	3.0	2.0	3.0	4.5	1.0	3.7	12.80	3.8
COLEF	3.1	3.2	1.4	4.7	4.2	4.0	3.9	13.25	4.4
UAdeC	1.5	1.5	1.6	1.5	3.0	4.5	3.5	13.00	3.8
Consensus -- this quarter	1.8	2.3	1.2	2.3	2.7	3.0	3.7	12.84	3.9
-- last quarter	3.0	3.0	1.5	3.4	3.7	4.6	3.9	12.74	3.9

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	3.6	2.8	4.9	5.7	4.0	5.7	4.7	12.78	3.6
BBVA Bancomer	3.1	2.8	1.8	4.8	3.7	3.3	3.4	12.25	3.4
Wells Fargo Bank	2.8	3.0	1.9	2.9	5.8	6.0	3.4	13.11	3.9
Center for Economic Forecasting of Mexico	4.0	3.6	3.4	6.5	4.2	5.6	4.4	13.15	4.7
UACJ	3.0	3.0	2.0	3.0	4.0	4.5	3.5	12.20	3.5
ITESM	3.5	3.5	2.0	4.0	4.5	1.0	3.8	12.80	4.0
COLEF	2.5	2.2	1.3	4.3	4.0	3.8	3.5	13.45	4.5
UAdeC	3.8	3.7	3.2	6.9	6.4	7.9	3.5	13.50	4.6
Consensus -- this quarter	3.3	3.1	2.6	4.8	4.6	4.7	3.8	12.90	4.0
-- last quarter	3.5	3.3	2.2	5.4	4.6	5.4	3.8	12.79	4.0

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.

