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Mexico Consensus Economic Forecast, Volume 22, Number 4

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CONSENSUS ECONOMIC FORECAST

MÉXICO

University of Texas at El Paso
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Website[For more information about the Border
Region Modeling Project \(click here\)](#)Mexico Consensus Economic Forecast, Volume 22, Number 4, 4th Quarter 2019**Smooth Sailing or more Obstacles in 2020?**

Late December marked a significant milestone for economic engagement in the Borderplex region, with United States House of Representatives approval of the United States-Mexico-Canada Agreement (USMCA). The next step is approval by the United States Senate. The calendar for that vote is still unclear, complicated, in part, by the looming presidential impeachment trial in the Senate. For now, at least, an important source of uncertainty has been somewhat mitigated since the House tends to be more volatile than the Senate.

The consensus forecast for 2019 economic growth declined to 0.24 percent, well below the rate of population growth in Mexico. Better performance is predicted for 2020, with gross domestic product (GDP) expected to increase by 1.08 percent. The consensus outlook calls for private consumption to accelerate to 1.35 percent in 2020. The latter is accompanied by a rebound in government consumption to 1.18 percent. Most encouragingly, the panelists also predict investment to partially recover in 2020 with a positive growth of 0.43 percent. That is a miniscule rate of change by most standards, but compares favorably to the -2.17 percent decline now projected for 2019.

Against that backdrop, it comes as no surprise that goods and services trade forecasts have also been cut. Exports, the majority of which go to the United States, are now expected to grow by only 2.87 in 2019, before accelerating to 3.77 percent in 2020. Import forecasts have been cut by even greater percentages than exports. The consensus outlook calls for imports to increase by only 1.51 percent in 2019. The forecast for 2020 is more optimistic, rising to nearly 3.8 percent. The latter still represents a 69 basis point decline from what was projected last quarter.

Another perplexing aspect of 2019 macroeconomic performance in Mexico is provided by inflation. In most cases, weak economic growth reduces price pressures. Although GDP growth faltered in 2019, the consumer price index accelerated. The panel CPI forecast has been raised to 4.24 percent. Fortunately, the panel does not appear to fear a bad case of stagflation for 2020 as the CPI is expected rise by a more moderate 3.75 percent. Given stronger GDP growth, the easing of inflationary strains next year will be a welcome development. Domestic goods and services supplies will be hampered by the relative lack of business investment in 2020. As noted above, imports are predicted to increase at a faster clip. It remains to be seen if that will be sufficient to alleviate the aggregate price trends that have been emerging in recent years.

Given that, an important factor affecting inflation in 2020 will be the exchange rate via its impact on import prices. The consensus calls for the peso to depreciate to P/\$ 20.19 in 2020. As long as USMCA is approved by the Senate, that forecast seems reasonable. It will also require policy stability from Mexico, DF or else currency market turbulence may become problematic.

Domestic financial markets have calmed down in recent weeks. Accordingly, the consensus outlook for yields 28-day CETES (Treasury Certificates) has abated. The 2020 forecast for 28-day CETES has been reduced by 21 basis points to 7.15 percent. That represents a 46 basis point decline from 2019. That is a hopeful development that bodes well for the Aztec economy and, barring any unforeseen developments, should help buttress business profitability.

2019 Mexico Consensus Economic Forecast	Annual Percent Change, 2019 from 2018							Annual Average	
	GDP	Private Consumption	Government Consumption	Total Investment	Exports	Imports	Consumer Price Index	Exchange Rate	CETES 28 Day
Action Economics!	0.00	1.00	-0.40	-2.10	2.60	-0.30	7.87	19.28	7.87
BBVA Bancomer	0.00	0.30	-1.60	-4.70	3.00	-0.20	3.63	19.25	7.85
UACJ	0.20	1.50	1.20	0.30	3.50	3.50	3.40	19.80	7.70
ITESM	0.00	0.50	0.50	-2.50	2.00	2.00	3.00	19.50	7.30
COLEF	0.00	1.55	0.85	0.25	3.90	5.55	3.85	19.75	7.55
UAdeC	0.00	0.20	-0.50	-8.50	2.50	-2.00	3.40	20.00	7.50
UANL	0.025	0.40	0.98	-0.15	2.55	2.85	3.48	19.52	7.32
Independent Economist	1.71	1.57	1.60	0.04	2.89	0.70	5.32	19.77	7.78
Consensus -- this quarter	0.24	0.88	0.33	-2.17	2.87	1.51	4.24	19.61	7.61
Consensus -- last quarter	0.72	1.30	0.82	-0.09	3.37	3.03	3.37	19.65	7.65

2020 Mexico Consensus Economic Forecast	Annual Percent Change, 2020 from 2019							Annual Average	
	GDP	Private Consumption	Government Consumption	Total Investment	Exports	Imports	Consumer Price Index	Exchange Rate	CETES 28 Day
Action Economics!	0.80	1.20	0.30	0.50	4.10	4.60	6.99	19.47	6.99
BBVA Bancomer	1.50	1.60	1.10	0.80	5.60	4.00	3.36	19.36	6.29
UACJ	1.00	2.00	1.60	1.20	4.00	5.00	3.80	20.50	7.30
ITESM	1.00	1.00	1.00	-1.50	2.00	2.00	3.50	20.00	7.00
COLEF	0.70	2.15	1.75	0.85	4.55	5.95	3.75	20.15	7.75
UAdeC	1.00	0.50	1.00	1.00	4.00	3.00	3.20	22.00	7.00
UANL	0.95	0.81	1.10	0.17	2.83	3.13	3.75	19.95	6.95
Independent Economist	1.69	1.55	1.58	0.44	3.11	2.65	1.64	20.08	7.91
Consensus -- this quarter	1.08	1.35	1.18	0.43	3.77	3.79	3.75	20.19	7.15
-- last quarter	1.17	1.57	1.20	0.60	3.34	4.48	3.77	20.01	7.36

							Annual Averages		
Historical Data	GDP (2013 Pesos, billions)	Private Consumption (2013 Pesos, billions)	Government Consumption (2013 Pesos, billions)	Total Investment (2013 Pesos, billions)	Exports (2013 Pesos, billions)	Imports (2013 Pesos, billions)	Consumer Price Index Jul 2018 = 100	Nominal Exchange Rate Pesos/ Dollars	CETES 28 Day
2018	18,519.1	12,411.6	2,179.3	3,744.4	6,735.9	6,879.6	100.26	19.24	7.62
Percent Change	1.99%	2.22%	1.37%	0.59%	5.75%	6.20%	4.90%	1.68%	
2017	18,157.0	12,142.3	2,149.7	3,722.6	6,369.7	6,478.1	95.57	18.93	6.69
Percent Change	2.07%	3.12%	0.98%	-1.58%	3.94%	6.19%	6.04%	1.41%	
2016	17,788.8	11,775.0	2,128.9	3,782.3	6,128.5	6,100.4	90.13	18.66	4.15
Percent Change	2.92%	3.78%	2.60%	1.02%	3.69%	2.92%	2.82%	17.77%	
2015	17,283.9	11,346.4	2,075.0	3,743.9	5,910.2	5,927.4	87.65	15.85	2.98
Percent Change	3.29%	2.72%	1.90%	5.01%	8.41%	5.92%	2.72%	19.23%	
2014	16,733.7	11,046.5	2,036.3	3,565.4	5,451.5	5,596.2	85.33	13.29	3.00
Percent Change	2.80%	2.10%	2.61%	3.07%	6.98%	5.92%	4.02%	4.07%	
2013	16,277.2	10,819.3	1,984.4	3,459.3	5,095.7	5,283.4	82.04	12.77	3.75
Percent Change	1.35%	1.76%	0.54%	-3.35%	1.37%	2.12%	3.81%	-3.02%	
2012	16,059.7	10,632.5	1,973.7	3,579.2	5,026.8	5,173.9	79.03	13.17	4.24
Percent Change	3.64%	2.34%	3.36%	4.93%	6.52%	5.42%	4.11%	6.01%	
2011	15,495.3	10,389.5	1,909.5	3,411.1	4,718.9	4,908.0	75.91	12.42	4.24
Percent Change	3.66%	3.36%	3.04%	7.85%	7.71%	5.62%	3.41%	-1.68%	
2010	14,947.8	10,051.7	1,853.2	3,162.9	4,381.0	4,646.9	73.41	12.64	4.40
Percent Change	5.12%	3.59%	2.28%	4.71%	22.36%	17.06%	4.16%	-6.49%	
2009	14,220.0	9,703.2	1,811.9	3,020.6	3,580.3	3,969.9	70.48	13.51	5.43
Percent Change	-5.29%	-6.25%	2.94%	-11.67%	-10.85%	-15.95%	5.30%	21.42%	
2008	15,013.6	10,350.2	1,760.1	3,419.6	4,016.3	4,723.2	66.93	11.13	7.68
Percent Change	1.14%	0.71%	2.93%	6.56%	-1.02%	3.28%	5.12%	1.84%	
2007	14,843.8	10,277.4	1,710.1	3,209.2	4,057.6	4,573.1	63.67	10.93	7.19
Percent Change	2.29%	2.51%	1.82%	5.82%	1.97%	4.83%	3.97%	0.27%	
2006	14,511.3	10,025.8	1,679.5	3,032.8	3,979.0	4,362.5	61.24	10.90	7.19
Percent Change	4.50%	4.06%	2.71%	9.31%	7.81%	8.69%	3.63%	0.01%	
2005	13,887.1	9,634.7	1,635.2	2,774.4	3,690.7	4,013.9	59.09	10.90	9.20
Percent Change	2.31%	2.76%	2.26%	6.21%	6.31%	5.38%	3.99%	-3.44%	
2004	13,573.8	9,376.1	1,599.1	2,612.3	3,471.5	3,809.0	56.83	11.29	6.82
Percent Change	3.92%	4.77%	-0.97%	7.09%	9.87%	6.48%	4.69%	4.61%	
2003	13,061.7	8,949.1	1,614.8	2,439.2	3,159.7	3,577.1	54.28	10.79	6.23
Percent Change	1.45%	2.23%	-0.16%	1.05%	1.91%	2.51%	4.55%	11.73%	
2002	12,875.5	8,753.9	1,617.3	2,413.8	3,100.5	3,489.5	51.92	9.66	7.09
Percent Change	-0.04%	1.69%	0.34%	-2.27%	0.40%	1.21%	5.03%	3.36%	
2001	12,880.6	8,608.1	1,611.8	2,470.0	3,088.3	3,447.9	49.43	9.34	11.31
*GDP: Producto Interno Bruto, INEGI, 2013 Pesos									
*Private Consumption: Consumo Privado, INEGI, 2013 Pesos									
*Government Consumption: Consumo de Gobierno, INEGI, 2013 Pesos									
*Total Investment: Formacion bruta de capital fijo, INEGI, 2013 Pesos									
*Exports: Exportacion de bienes y servicios, INEGI, 2013 Pesos									
*Imports: Importacion de bienes y servicios, INEGI, 2013 Pesos									
*CPI, Banco de Mexico, Annual Average, Base = Jul 2018									
*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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