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## Mexico Consensus Economic Forecast, Volume 23, Number 1

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## CONSENSUS ECONOMIC FORECAST

# MÉXICO

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Mexico Consensus Economic Forecast, Volume 23, Number 1,  
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**Capsized even before COVID-19**

Although Mexico tipped into a recession in 2019, most of the panelists agree that the worst is yet to come. The consensus forecast calls for real gross domestic product (GDP) to decline by 3.75 percent in 2020. That represents more than a 350 basis point adjustment to the admittedly weak forecast from last quarter. While policy uncertainties still abound, that cocktail mix has been made more toxic by an additional ingredient in the form of the coronavirus recession already sweeping across most of the major trading partners of Mexico.

In harmony with the negative GDP forecast, private consumption is also projected to plunge. The consensus calls for consumption to contract by 4.16 percent in 2020, a decrease of more than 400 basis points from the prior report. Government consumption is also projected to decline to negative 0.29 percent in 2020. That figure represents an improvement over the preliminary estimate for 2019, but hardly represents an optimistic assessment of what the public sector can deliver.

Total investment is forecast to plummet by negative 9.21 percent in 2020. Even though the consensus outlook for investment was decidedly pessimistic last quarter, this new forecast represents more than a 700 basis point decrease from the previous report. Six of the panelists anticipate greater than double digit declines in total investment this year, some of which are likely due to cutbacks in direct foreign investment.

The forecasts for imports and exports have tumbled to negative 4.64 percent and negative 4.27 percent, respectively. That is in large measure due to intra-industry trade with the United States. North-of-the-border industrial activity appears to be nosediving, and that will pull Mexico along in its wake.

In spite of weak aggregate demand, the panelists expect consumer price inflation to accelerate somewhat to 4.01 in 2020. Combined with higher unemployment, that represents a minor case of stagflation. If it materializes, that will pose a true policy quandary for the López Obrador administration.

Another significant change in the forecast is, not surprisingly, the outlook for the peso. The consensus calls for the nominal peso per dollar exchange rate to average 23.08 in 2020. Most of that weakness is probably attributable to the expected COVID-19 impacts on economic performance in the United States. Some of it is also due to reduced yields now anticipated for 28-Day CETES.

The consensus outlook calls for understandably dour economic conditions in 2020. The panelists do anticipate a partial turnaround in 2021. GDP is forecast to grow by 0.73 percent, led by muted rebounds for both private sector and public sector consumption. Most notably, consumer prices, the exchange rate, and 28-Day treasury certificate yields. As shown by its performance in 2009, the economy of Mexico handles north-of-the-border economic distress much better than it did during the 20<sup>th</sup> century. As long as inflation remains under control, that hard-won macroeconomic stability may remain in place in 2021.



							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
2019	18,524.6	12,502.9	2,175.0	3,572.2	6,832.6	6,791.1	103.901	19.26	7.84
Percent Change	-0.15%	0.60%	-1.48%	-4.92%	1.14%	-1.09%	3.64%	0.10%	
2018	18,551.6	12,428.5	2,207.6	3,757.1	6,755.5	6,865.8	100.26	19.24	7.62
Percent Change	2.14%	2.31%	3.01%	0.91%	5.94%	5.88%	4.90%	1.68%	
2017	18,163.7	12,142.3	2,143.1	3,723.3	6,376.7	6,484.6	95.57	18.93	6.69
Percent Change	2.12%	3.20%	0.67%	-1.58%	4.16%	6.37%	6.04%	1.41%	
2016	17,786.9	11,775.0	2,128.9	3,783.0	6,122.0	6,096.3	90.13	18.66	4.15
Percent Change	2.91%	3.75%	2.60%	1.04%	3.58%	2.85%	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%	
*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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