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Mexico Consensus Economic Forecast, Volume 23, Number 2

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CONSENSUS ECONOMIC FORECAST

MÉXICO

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Mexico Consensus Economic Forecast, Volume 23, Number 2,
2nd Quarter 2020

Deeper into the Yermo

Panelist forecasts for COVID-19 recession declines in real gross domestic product (GDP) worsened noticeably this quarter. The consensus now calls for GDP to shrink by 8.4 percent in 2020; a 465 basis point downward adjustment from an already fragile forecast in the prior report. This may be a consequence of worsening public health conditions. Mexico now ranks fifth in the world for confirmed novel coronavirus fatalities.

The consensus projection indicates that private consumption will slump by 6.8 percent this year. Reflective of the numerous complaints about national fiscal policy in recent weeks, government consumption is projected to drop by 1.55 percent in 2020. That contraction is in stark contrast to what is forecast for public sector expenditures in most other OECD countries.

COVID-induced economic uncertainty has caused the outlook for total investment to soften, again, this quarter. Panel economists now anticipate that total investment will fall by 14.4 percent in 2020. Underscoring the potential severity of the downturn, two panelists expect declines above 20 percent.

International trade is also projected to be dialed back even further this quarter, with imports expected to dwindle the most. With multiple reports of waning economic prospects throughout the world, reduced trade volumes are practically unavoidable. Exports are estimated to fall by 5.9 percent, while imports are forecast to decline by 6.2 percent. Much of the downward revision is related to bi-lateral trade with the United States. The May data for both imports and exports were more than 50 percent below the volumes notched in 2019.

Consumer price inflation is now predicted to decelerate to 3.8 percent in 2020. Panelist projections for the CPI are more tightly clustered than usual, ranging from 3.25 to 4.4 percent. That helps illustrate the economic oddities of the Novel Coronavirus on the Aztec economy. The peso has weakened, but inflation is not accelerating, a rarity in Mexico economic history.

On average, the panel outlook for the peso has strengthened this quarter. The consensus nominal exchange rate forecast moved downward by 20 centavos to 22.88 pesos per dollar. Although the peso appears undervalued, five of the eight panelists project the exchange rate to exceed 23 pesos per dollar in 2020. That may be driven by the decline in short-term interest rates in Mexico. The consensus outlook for 28-day CETES receded 5.32 percent in the current survey, a drop of nearly 80 basis points as loan demand has abated across Mexico.

On average, the panelist survey responses augur a more optimistic outlook for 2021. Gross domestic product is predicted to grow by 1.6 percent, supported by a reasonably balanced recovery in both the public and private sectors. Private consumption, government consumption, and total investment are expected to expand at rates of 1.2 percent or better. Forecasters expect exports to bounce back more quickly than imports next year, with growth rates of 6.2 percent and 5.8 percent, respectively. Although a modest business cycle rebound is projected for 2021, inflation is predicted to moderate further, descending to 3.7 percent. The peso per dollar exchange rate is projected to decline to 23.20 next year, potentially resulting from another decline in the 28-day CETES yield to only 4.89 percent.

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!	-8.8	-11.2	3.2	-18.7	-14.8	-14.7	3.5	22.09	5.48
BBVA Bancomer	-10.0	-10.5	-7.5	-23.0	-14.5	-21.5	3.3	21.9	5.15
UACJ	-0.9	-1.2	-1.0	-5.0	-2.1	-1.9	3.7	21.5	4.95
ITESM	-7.0	-6.0	-1.0	-8.0	-3.0	-3.0	4.0	23.00	4.5
COLEF	-10.5	-4.1	-0.8	-9.2	25.5	24.5	4.3	23.85	5.25
UAdeC	-12.0	-8.0	-6.0	-15.0	-22.0	-13.2	4.0	24.0	5.0
UANL	-11.3	-8.1	0.2	-23.8	-13.2	-15.1	3.5	23.4	4.5
Independent Economist	-6.7	-5.4	0.5	-12.6	-3.4	-4.8	4.4	23.30	7.73
Consensus -- this quarter	-8.4	-6.8	-1.6	-14.4	-5.9	-6.2	3.8	22.88	5.32
Consensus -- last quarter	-3.8	-4.2	-0.3	-9.2	-4.3	-4.6	4.0	23.08	6.10

2021 Mexico Consensus Economic Forecast	Annual Percent Change, 2021 from 2020							Annual Average	
	GDP	Private Consumption	Government Consumption	Total Investment	Exports	Imports	Consumer Price Index	Exchange Rate	CETES 28 Day
Action Economics!	2.8	-1.1	3.5	3.8	4.8	6.3	3.5	22.21	4.60
BBVA Bancomer	3.7	3.7	0.2	0.4	11.3	6.1	3.1	20.7	2.97
UACJ	0.8	1.3	1.3	-1.0	2.0	2.1	3.5	22.00	5.16
ITESM	-2.0	-2.0	0.0	-3.0	-2.0	-2.0	5.0	24.00	4.0
COLEF	2.5	2.3	0.8	1.5	10.5	11.5	2.5	24.25	5.50
UAdeC	3.5	4.0	0.0	2.0	18.0	15.7	4.0	26.0	5.0
UANL	1.5	2.4	1.1	8.5	7.5	9.6	3.9	22.5	5.3
Independent Economist	-0.1	2.0	2.3	-1.9	-2.5	-3.0	4.4	23.90	6.56
Consensus -- this quarter	1.6	1.6	1.2	1.3	6.2	5.8	3.7	23.20	4.89
Consensus -- last quarter	0.7	1.1	0.9	-0.3	2.6	2.5	4.1	23.19	6.23

							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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