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Mexico Consensus Economic Forecast, Volume 23, Number 3

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CONSENSUS ECONOMIC FORECAST

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Mexico Consensus Economic Forecast, Volume 23, Number 3,
3rd Quarter 2020

2020 Outlook Worsens

Although the outlooks have improved in recent weeks for some regions of the global economy, that is not the case for Mexico. The consensus forecast for real gross domestic product (GDP) now calls for it to fall at a double digit rate of decline. More hopefully, the panelists predict GDP to expand by 1.2 percent in 2021 when a slow turnaround begins.

Not surprisingly, private consumption is projected to decline by 9.2 percent this year. Although private consumption forecasts leading into 2021 are somewhat more optimistic, the recovery will take a while to gain strength. Private is projected to grow by only 1.5 percent in 2021. It should be noted that two panelists anticipate that consumption will fall further next year, possibly leading to interesting congressional election results across the country.

The forecasts this quarter dial back the estimates for total investment. Investment in 2020 is now expected to shrink by 15.5 percent. Those predictions range from a low of negative 9.2 percent to a high, in absolute terms, of negative 26.7 percent. With a spike in unemployment and underemployment accompanied by plummeting household spending, it is no surprise that investment activity has subsided during this period of exacerbated uncertainty. A small rebound of 1.4 percent is forecast for 2021.

Forecasts for exports of goods and services have also been revised downwards this quarter. Although the panel average indicates that goods and services exports will fall by 9.1 percent this year, individual survey responses range from negative 1.6 percent to negative 16.0 percent. The predominance of intra-industry trade between Mexico and the United States means that imports of goods and services will also fall in 2020. The consensus indicates that a decline of negative 10.6 percent is likely. Both trade categories are forecast to grow by 4.3 percent in 2021.

Consumer price inflation is projected to average 3.9 percent in 2020 with near unanimity existing among the panelists. In 2021, consumer prices are expected to climb by 3.8 percent. Those rates are below the average 4.5 percent rate of the first two decades of this century, but still relatively high for an economy bogged down by a global health pandemic. That may partially explain the reluctance of the central government to unleash the federal purse.

The outlook for 28-day CETES in 2020 and 2021 has stabilized this quarter. One forecast even calls for the 28-day CETES yield to fall below 3.2 percent next year. In spite of the lower interest rate yields anticipated in this forecast, the nominal exchange rate outlooks are also moderated. The consensus anticipates that the nominal conversion rate will average less than 23 pesos per dollar in both years. Those projections are reinforced by recent Federal Reserve announcements that accommodative monetary policies would be maintained well past the end of 2021 in the United States. Because the peso remains undervalued against the greenback, the exchange rate can easily remain stable in nominal terms for an extended period. Some uncertainty does exist concerning to 2021 as the currency market survey responses range from a low of 20.68 to a high of 26.00 pesos per dollar.

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!	-10.5	-12.6	-5.1	-20.6	-12.8	-15.8	3.9	21.91	5.31
BBVA Bancomer	-10.0	-10.5	-7.5	-20.5	-14.9	-21.5	3.5	21.80	5.25
UACJ	-10.0	-6.5	-1.0	-10.2	-1.6	-5.2	3.9	21.20	4.70
ITESM	-9.0	-6.0	-4.0	-10.0	-3.0	-3.0	4.2	23.00	4.00
COLEF	-13.2	-10.7	-3.1	-16.5	-6.4	-4.8	3.9	22.95	5.80
UAdeC	-12.0	-10.0	0.0	-26.7	-16.0	-15.0	4.0	24.00	5.00
UANL	-11.6	-9.6	0.5	-9.2	-10.6	-10.1	3.8	23.58	3.75
Independent Economist	-8.6	-7.4	0.6	-10.5	-7.8	-9.0	4.0	23.05	5.64
Consensus -- this quarter	-10.6	-9.2	-2.4	-15.5	-9.1	-10.6	3.9	22.69	4.93
Consensus -- last quarter	-8.4	-6.8	-1.5	-14.4	-5.9	-6.2	3.8	22.88	5.32

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!	3.2	3.5	3.5	4.4	4.4	5.5	3.5	22.03	4.21
BBVA Bancomer	3.7	3.7	0.2	2.7	7.1	6.1	3.2	20.68	3.12
UACJ	0.8	0.8	1.2	1.0	1.2	1.7	3.9	22.20	4.00
ITESM	-2.0	-2.0	0.0	-3.0	-2.0	-2.0	5.0	24.00	4.00
COLEF	1.5	1.8	0.9	1.2	1.1	1.2	2.8	23.30	5.50
UAdeC	3.5	4.0	1.6	2.4	10.3	10.0	4.0	26.00	4.00
UANL	1.3	1.9	1.6	2.5	6.9	5.8	3.5	21.50	4.25
Independent Economist	-2.0	-1.9	2.8	0.0	5.1	6.3	4.4	24.11	5.41
Consensus -- this quarter	1.2	1.5	1.5	1.4	4.3	4.3	3.8	22.98	4.31
Consensus -- last quarter	1.6	1.6	1.1	1.3	6.2	5.8	3.7	23.20	4.89

							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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