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Mexico Consensus Economic Forecast, Volume 23, Number 4

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CONSENSUS ECONOMIC FORECAST

MÉXICO

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Website[For more information about the Border
Region Modeling Project \(click here\)](#)Mexico Consensus Economic Forecast, Volume 23, Number 4,
4th Quarter 2020**The Clouds may be Starting to Lift**

Pandemic business cycle disruptions generally last 24 months, with deeper structural recovery requiring approximately 60 months. While Mexico has weathered COVID-19 better than many countries, vaccine distribution uncertainty, shaky consumer confidence, and weak capital spending still cloud overall prospects. The consensus forecast for real gross domestic product (GDP) anticipates a 9.4 percent decline for 2020. Once that dust settles, a partial recovery of 2.8 percent is predicted for Mexico in 2021.

Private consumption is expected to dip by 9.3 percent in 2020, followed by a 3.0 percent rate of growth in 2021. Government consumption, the source of many complaints this year, is expected to decline by a relatively modest 0.9 percent in 2020. Slightly better performance is expected in 2021, with government consumption expanding by 2.2 percent. Senate approval of a proposal to keep minimum wage increases above inflation may provide some additional stimulus next year, as passage in the lower Chamber is regarded as likely.

As is almost always the case during severe economic downturns, total investment will be dialed back further than any other macroeconomic aggregate in 2020. Panelist forecasts range from negative 10.2 percent to negative 20.2 percent, with a consensus outlook average of negative 16.1 percent. A plateau is prognosticated for 2021. Individual forecasts span a narrow sweep of positive growth rates from 1.2 to 4.4 percent for an average of 2.3 percent next year.

Exports and imports have been revised downward by the panelists this quarter. Exports of goods and services are now projected to shrink by 10.4 percent in 2020. At negative 13.1 percent, imports of goods and services are expected to fall even further this year. Fairly robust partial turnarounds are forecast for 2021. Sales abroad are calculated to improve by 5.9 percent, while imports are predicted to rise by 6.6 percent.

One of the biggest economic ironies of the pandemic is the relative stability of key nominal variables that are generally more skittish than the real variables reviewed in prior paragraphs. Namely, the 2020 and 2021 consensus outlooks for consumer prices, the exchange rate, and 28-day Treasury Certificates (CETES) hardly budged this quarter. Beyond that, the year-to-

year predicted movements of all three nominal variables are close to stationary. Consumer prices are projected to rise by 3.8 percent in 2020 and nearly identical 3.7 percent in 2021. A similar pattern is predicted for the exchange rate. The consensus calls for 21.46 pesos per dollar in 2020 and 2021, coincidentally.

A slightly greater degree of variability is forecast for 28-day CETES yields. The panel foresees a 4.92 percent rate of return on these instruments in 2020. In 2021, the collective estimate is that the CETES yield will decline by 71 basis points to 4.24 percent. Reflective of the expected stability for this market, the 2021 forecast range is substantially smaller than that of the current year! Given everything that has transpired over the course of the last 12 months, investors would surely welcome a little less volatility in 2021.

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!	-9.1	-10.7	-5.1	-17.2	-9.9	-14.4	3.4	21.49	5.32
BBVA Bancomer	-9.3	-9.9	3.1	-19.1	-15.1	-17.1	3.4	21.49	5.28
UACJ	-9.8	-7.0	-1.0	-10.2	-5.6	-7.5	3.9	21.20	5.60
ITESM	-9.5	-10.0	-2.0	-20.0	-13.0	-15.0	4.0	21.00	4.20
COLEF	-9.1	-7.9	-2.1	-13.3	-7.8	-9.1	3.9	21.50	4.25
UAdeC	-9.2	-11.6	0.0	-20.2	-12.0	-18.0	4.0	23.00	5.00
UANL	-9.6	-8.2	3.9	-13.9	-10.7	-11.6	3.7	21.94	4.20
Independent Economist	-9.4	-8.9	-3.9	-15.1	-9.4	-12.1	3.8	20.05	5.54
Consensus -- this quarter	-9.4	-9.3	-0.9	-16.1	-10.4	-13.1	3.8	21.46	4.92
Consensus -- last quarter	-10.6	-9.2	-2.4	-15.5	-9.1	-10.6	3.9	22.69	4.93

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!	3.4	3.6	3.5	4.4	5.4	8.9	3.5	20.08	4.21
BBVA Bancomer	3.7	3.8	1.3	3.8	7.3	7.2	3.1	19.80	3.94
UACJ	1.5	1.5	1.0	1.2	2.5	3.2	3.9	22.20	4.00
ITESM	3.5	3.5	2.0	3.0	10.0	10.0	4.0	22.00	4.00
COLEF	2.8	3.8	2.6	1.2	3.8	3.0	3.8	21.70	4.55
UAdeC	3.5	3.8	1.4	2.3	10.3	10.0	4.0	24.00	4.20
UANL	1.7	1.3	4.1	1.2	3.2	4.5	3.1	20.40	4.00
Independent Economist	2.2	2.8	1.9	1.3	5.1	6.0	4.1	21.50	5.00
Consensus -- this quarter	2.8	3.0	2.2	2.3	5.9	6.6	3.7	21.46	4.24
Consensus -- last quarter	1.2	1.5	1.5	1.4	4.3	4.3	3.8	22.98	4.31

							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	-0.1%	0.6%	-1.5%	-4.9%	1.1%	-1.1%	3.6%	0.1%	
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	2.1%	2.3%	3.0%	0.9%	5.9%	5.9%	4.9%	1.7%	
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	2.1%	3.2%	0.7%	-1.6%	4.2%	6.4%	6.0%	1.4%	
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	2.9%	3.8%	2.6%	1.0%	3.6%	2.9%	2.8%	17.8%	
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	3.3%	2.7%	1.9%	5.0%	8.4%	5.9%	2.7%	19.2%	
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	2.8%	2.1%	2.6%	3.1%	7.0%	5.9%	4.0%	4.1%	
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	1.4%	1.8%	0.6%	-3.4%	1.4%	2.1%	3.8%	-3.0%	
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	3.6%	2.3%	3.4%	4.9%	6.5%	5.4%	4.1%	6.0%	
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	3.7%	3.4%	3.0%	7.9%	7.7%	5.6%	3.4%	-1.7%	
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	5.1%	3.6%	2.3%	4.7%	22.4%	17.1%	4.2%	-6.5%	
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	-5.2%	-6.3%	2.9%	-11.7%	-10.9%	-16.0%	5.3%	21.4%	
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	1.1%	0.7%	2.9%	6.6%	-1.0%	3.3%	5.1%	1.8%	
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	2.3%	2.5%	1.8%	5.8%	2.0%	4.8%	4.0%	0.3%	
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	4.5%	4.1%	2.7%	9.3%	7.8%	8.7%	3.6%	0.0%	
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	2.3%	2.8%	2.3%	6.2%	6.3%	5.4%	4.00%	-3.4%	
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	3.9%	4.8%	-1.0%	7.1%	9.9%	6.5%	4.7%	4.6%	
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	1.5%	2.2%	-0.2%	1.1%	1.9%	2.5%	4.6%	11.7%	
*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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