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Mexico Consensus Economic Forecast, Volume 24, Number 1

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CONSENSUS ECONOMIC FORECAST

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Mexico Consensus Economic Forecast, Volume 24, Number 1,
1st Quarter 2021

Peaks, Troughs, and an Incipient Rebound

Similar to many other economies, Mexico experienced a severe business cycle downturn in 2020. Preliminary estimates indicate that real gross domestic product (GDP) plummeted by more than 8 percent. The consensus forecast indicates that full recovery will not occur until 2023. GDP is projected to increase by 3.9 percent this year and by 2.8 percent in 2022.

Private consumption is estimated to have tumbled by more than 10 percent in 2020. It is expected to increase by 3.5 percent in 2021 and by 3.0 percent in 2022. The panelists anticipate that fiscal discipline will continue to be a hallmark of the López Obrador administration. Government expenditures are predicted to grow by only 1.7 percent this year and edge upward by only 1.8 percent in 2022.

Total investment fell by an astonishing 18.2 percent last year. It is forecast to recover very slowly, growing by only 2.3 percent in 2021 and accelerating slightly to 2.8 percent next year. Although Foreign Direct Investment (FDI) is on the rise in Mexico, domestic fixed investment remains lethargic. The latter is partially due to private sector dismay over executive branch policy missteps in Mexico, DF.

Goods and services exports fell by 7.3 percent in 2020. Economic recovery in the United States is expected to cause exports to leap by 8.8 percent in 2021, with a more moderate 5.5 percent rate of increase projected for the following year. Preliminary data indicate that goods and service imports contracted by nearly 15 percent last year. Imports are forecast to expand by 7.2 percent in 2021 and come close to matching that growth rate in 2022. The road ahead remains bumpy. Microchip shortages place notable downside risks in the paths of both automotive and consumer electronics trade in 2021. If those bottlenecks do not ease, employment furloughs are likely. Too many payroll disruptions will affect private consumption in Mexico in a manner similar to what occurred in 2020.

In spite of the economic volatility that characterized 2020, inflation, the exchange rate, and interest rates remained largely in check during the lockdown recession in Mexico. The outlook for the next 24 months also remains relatively stable. The consensus outlooks for inflation has increased by 40 basis points to 4.1 percent for 2021. Somewhat surprisingly, the 2021 exchange rate and 28-day Treasury Certificates (CETES) declined this quarter. That seeming anomaly may be due to persistent peso undervaluation in recent years. Consumer prices are predicted to rise more slowly in 2022, decelerating to 3.7 percent. The exchange rate is expected to average 21.08 pesos per dollar for the year as a whole. Yields on 28-day CETES are projected to rise to 4.37 percent in 2022.

							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
2020	16,984.8	11,220.0	2,225.5	2,927.2	6,359.7	5,839.7	107.43	21.49	5.33
<i>Percent Change</i>	-8.2%	-10.4%	2.3%	-18.2%	-7.3%	-14.8%	3.4%	11.5%	
2019	18,509.9	12,522.1	2,175.5	3,577.8	6,859.4	6,851.3	103.90	19.26	7.84
<i>Percent Change</i>	-0.1%	0.1%	-1.3%	-4.6%	1.5%	-0.2%	3.6%	0.0%	
2018	18,520.0	12,446.6	2,204.3	3,750.6	6,759.5	6,865.8	100.26	19.24	7.62
<i>Percent Change</i>	2.2%	2.3%	2.9%	0.9%	6.0%	5.9%	4.9%	1.7%	
2017	18,122.3	12,139.3	2,143.1	3,716.4	6,376.7	6,484.6	95.57	18.93	6.69
<i>Percent Change</i>	2.1%	3.2%	0.7%	-1.2%	4.2%	6.4%	6.0%	1.4%	
2016	17,747.2	11,764.2	2,128.9	3,760.7	6,121.9	6,096.3	90.13	18.66	4.15
<i>Percent Change</i>	2.6%	3.7%	2.6%	0.8%	3.6%	2.9%	2.8%	17.8%	
2015	17,292.4	11,348.9	2,075.0	3,729.9	5,910.2	5,972.4	87.65	15.85	2.98
<i>Percent Change</i>	3.39%	2.7%	1.9%	4.8%	8.4%	5.9%	2.7%	19.2%	
2014	16,741.1	11,051.37	2,036.3	3,560.2	5,451.5	5,596.2	85.33	13.29	3.00
<i>Percent Change</i>	2.9%	2.2%	2.6%	2.9%	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
<i>Percent Change</i>	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
<i>Percent Change</i>	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
<i>Percent Change</i>	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
<i>Percent Change</i>	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
<i>Percent Change</i>	-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
<i>Percent Change</i>	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
<i>Percent Change</i>	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
<i>Percent Change</i>	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
<i>Percent Change</i>	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
<i>Percent Change</i>	3.9%	4.8%	-1.0%	7.1%	9.9%	6.5%	4.7%	4.6%	

*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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