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Mexico Consensus Economic Forecast, Volume 24, Number 2,

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CONSENSUS ECONOMIC FORECAST

MÉXICO

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Mexico Consensus Economic Forecast, Volume 24, Number 2, 2nd Quarter 2021

Better Prospects than Before

The 2021 consensus growth rate forecast for real gross domestic product (GDP) increased by 100 basis points to 4.9 percent this quarter. Six of the seven panelists who responded to the survey raised their projections. In overall terms, the entire panel is fairly optimistic about the remainder of 2021. All seven forecasts call for GDP growth rates of 4.0 percent or higher. The 2022 forecasts also call for faster growth with a consensus rate of 3.5 percent.

Private consumption in Mexico is expected to bounce back after experiencing a double-digit cutback in 2020. Consumption prospects have been ratcheted up to 4.4 percent this year. Although that is an improvement from the outlook last quarter, private consumption in 2021 will still be well below its pre-pandemic level. Panelist projections range from 3.0 to 7.7 percent for 2021. The 2022 outlook anticipates private consumption will expand by 3.1 percent, a 10 basis point improvement over the prior quarter forecast.

Panelist expectations for government expenditures also strengthened this quarter. The consensus rate of change increases by 30 basis points to 2.0 percent in this issue of the report. In spite of the pandemic, government spending has remained firmly in check under the López Obrador (AMLO) Administration. That fiscal discipline has surprised many observers, but the President views inflation as a scourge for low income households. Given that, it is understandable that the panelists believe government consumption will expand at the same slow pace in 2022.

Six of the seven panelists raised their total investment outlooks for 2021. The consensus rate of change for this year has increased by 260 basis points to 4.9 percent. Uncertainty abounds, with individual estimates ranging from 1.0 percent to 12.7 percent, respectively. Total investment growth is expected to decelerate to only 3.4 percent in 2022.

Economic recovery in the United States has buttressed IMMEX production in Mexico. All of the panelists raised their export projections this quarter and now expect goods and services exports to increase by 12.2 percent in 2021 and by 7.0 percent in 2022. Greater IMMEX output also raises imports. The consensus outlook calls for goods and service imports to expand by 12.1 percent in 2021. In 2022, imports of goods and services are forecast to grow by 7.3 percent.

Inflation prospects for 2021 have also changed this quarter. The consensus prediction for consumer prices has increased by 90 basis points to 5.0. That is a temporary development with inflation subsiding to 4.0 percent in 2022, a rate that is consistent with the pre-pandemic rate in Mexico. The consensus nominal exchange rate forecast for 2021 declined by 27 centavos to 20.35 per dollar, signaling an appreciating peso. A stronger peso is also projected for 2022 with the exchange rate expected to average 20.74 pesos per dollar.

Predicted yields on 28-day CETES (Treasury certificates) have also increased this quarter. In 2021, 28-day CETES are expected to average 4.41 percent in 2021. In 2022, the short-term rate of return is forecast to average 4.67 percent. There is a large degree of agreement among the panelist 28-day CETES forecasts for both years.

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| 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! | 5.7 | 5.9 | 3.5 | 8.8 | 16.4 | 23.3 | 5.7 | 20.25 | 4.34 |
| BBVA Bancomer | 6.3 | 7.7 | 0.9 | 12.7 | 10.6 | 16.6 | 5.3 | 19.88 | 4.42 |
| UACJ | 4.2 | 3.9 | 2.4 | 3.5 | 3.8 | 3.0 | 5.5 | 20.00 | 4.25 |
| ITESM | 5.0 | 3.0 | 3.0 | 4.0 | 30.0 | 20.0 | 5.0 | 20.50 | 4.50 |
| COLEF | 4.0 | 3.7 | 1.8 | 2.4 | 9.2 | 7.4 | 4.6 | 20.85 | 4.95 |
| UAdeC | 4.7 | 3.6 | 1.0 | 1.0 | 10.5 | 9.0 | 5.0 | 20.50 | 4.30 |
| UANL | 4.1 | 3.2 | 1.5 | 2.1 | 4.8 | 5.3 | 3.9 | 20.50 | 4.10 |
| | | | | | | | | | |
| Consensus -- this quarter | 4.9 | 4.4 | 2.0 | 4.9 | 12.2 | 12.1 | 5.0 | 20.36 | 4.41 |
| Consensus -- last quarter | 3.9 | 3.5 | 1.7 | 2.3 | 8.8 | 7.2 | 4.1 | 20.63 | 4.23 |

| 2022 Mexico Consensus Economic Forecast | Annual Percent Change, 2022 from 2021 | | | | | | | Annual Average | |
|---|---------------------------------------|---------------------|------------------------|------------------|---------|---------|----------------------|----------------|--------------|
| | GDP | Private Consumption | Government Consumption | Total Investment | Exports | Imports | Consumer Price Index | Exchange Rate | CETES 28 Day |
| Action Economics! | 2.7 | 2.9 | 1.3 | 5.1 | 4.0 | 5.8 | 3.8 | 20.64 | 4.61 |
| BBVA Bancomer | 3.0 | 2.7 | 1.8 | 4.1 | 9.0 | 11.0 | 4.0 | 20.19 | 5.03 |
| UACJ | 3.8 | 3.5 | 2.4 | 3.5 | 3.8 | 3.2 | 5.0 | 21.00 | 4.50 |
| ITESM | 4.0 | 3.0 | 3.0 | 4.0 | 10.0 | 10.0 | 4.5 | 21.00 | 5.00 |
| COLEF | 4.5 | 4.1 | 2.3 | 2.7 | 10.3 | 8.5 | 3.5 | 21.25 | 4.55 |
| UAdeC | 3.0 | 3.1 | 1.5 | 2.0 | 6.6 | 6.2 | 4.0 | 21.00 | 4.47 |
| UANL | 3.2 | 2.7 | 1.8 | 2.4 | 5.2 | 6.2 | 3.5 | 20.10 | 4.50 |
| | | | | | | | | | |
| Consensus -- this quarter | 3.5 | 3.1 | 2.0 | 3.4 | 7.0 | 7.3 | 4.0 | 20.74 | 4.67 |
| -- last quarter | 2.8 | 3.0 | 1.8 | 2.8 | 5.5 | 6.6 | 3.7 | 21.08 | 4.37 |

| | | | | | | | 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 | 16,951.2 | 11,189.2 | 2,227.1 | 2,918.9 | 6,358.9 | 5,854.1 | 107.43 | 21.49 | 5.33 |
| <i>Percent Change</i> | -8.3% | -10.5% | 2.3% | -18.3% | -7.3% | -14.6% | 3.4% | 11.5% | |
| 2019 | 18,487.3 | 12,496.8 | 2,176.4 | 3,570.8 | 6,859.6 | 6,851.4 | 103.90 | 19.26 | 7.84 |
| <i>Percent Change</i> | -0.2% | 0.4% | -1.3% | -4.8% | 1.5% | -0.2% | 3.6% | 0.1% | |
| 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% | 2.5% | 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> | 3.3% | 2.7% | 1.9% | 4.8% | 8.4% | 5.9% | 2.7% | 19.2% | |
| 2014 | 16,741.1 | 11,051.7 | 2,036.3 | 3,560.2 | 5,451.5 | 5,596.2 | 85.33 | 13.29 | 3.00 |
| <i>Percent Change</i> | 2.8% | 2.1% | 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% | 0.5% | -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% | 7.8% | 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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