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Mexico Consensus Economic Forecast, Volume 24, Number 3

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CONSENSUS ECONOMIC FORECAST

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Mexico Consensus Economic Forecast, Volume 24, Number 3, 3rd Quarter 2021

Improved Business Cycle Prospects

Panel expectations for real gross domestic (GDP) have improved this quarter. Real GDP is now predicted to increase by 5.3 percent in 2021, a 40 basis point acceleration from the consensus opinion last quarter. Five of the six panelists submitting responses anticipate that growth this year will average 4.9 percent or greater. Survey results call for real GDP in 2022 to decelerate to 3.6 percent as North America recovers from the pandemic.

Subsequent to the implementation of the federal government "Jornada de Sana Distancia" mandate, the consensus estimate for private consumption has been revised upwards by 20 basis points this quarter. Private consumption is now expected to increase to 4.6 percent, with one panelist predicting an increase of 7.7 percent. Similar to real GDP, the 2022 rate of change for private consumption is much more subdued at 3.1 percent.

Dating back to 2003, the compound annual growth rate of government expenditures is 2.0 percent. In spite of the pandemic and counter what many predicted when it took office, the Lopez Obrador (AMLO) administration has carefully avoided running a deficit in Mexico. The consensus prediction for government consumption to increase by 2.2 percent in 2021, a slight 20 basis point improvement from the previous estimate. Not surprisingly, estimations for next year is no different, with a consensus government expenditures outlook of 2.1 percent.

The 2021 forecast for total investment has been raised by 100 basis points to 5.9 percent. Among the six survey responses, two panelists calculate total investment to expand at rates of 9 percent or higher. The remaining estimates are all at rates of 4 percent or less. The consensus for total investment growth in 2022 is that it will drop to only 3.2 percent.

Forecasts for exports of goods and services in 2021 were revised downwards to 10.5 percent this quarter. Individual survey responses range from 3.9 percent to 15.0 percent. In 2022, exports are predicted to expand by 7.0 percent. Goods and services imports are anticipated to increase by 13.5 percent this year and by 7.7 percent in 2022.

With near unanimity, the panelists project consumer price inflation (CPI) to reach 5.7 percent in 2021. In 2022, the headline rate of inflation is expected to ease to 4.6 percent. The consensus forecast for the nominal exchange rate is that the annual average for 2021 will drop to 20.49 pesos per dollar and then depreciate by 55 centavos per dollar to 21.04 in 2022. Those projections essentially mean that the peso should hold steady in real terms, as well.

The outlook for 28-day CETES did not change much this quarter. In 2021, the 28-day CETES yield is projected to lag behind inflation by 100 basis points. In 2022, the short-term rate of return is forecast to average 5.23 percent. That is high enough to return the real rate of return to positive territory next year. The survey responses for 2022 are notably tight for 2022.

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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
BBVA Bancomer	6.3	7.7	0.9	12.7	10.6	19.7	5.5	20.02	4.44
UACJ	4.9	4.0	3.0	3.0	3.9	4.3	5.5	20.00	4.60
ITESM	5.0	3.0	0.5	3.0	15.0	25.0	6.0	20.50	5.00
COLEF	3.9	3.6	1.6	4.0	9.8	9.7	5.3	21.50	4.25
UAdeC	5.6	3.6	2.2	3.4	11.3	9.0	5.7	20.50	4.80
UANL	5.9	5.8	4.7	9.4	12.2	13.2	6.1	20.43	5.10
Consensus -- this quarter	5.3	4.6	2.2	5.9	10.5	13.5	5.7	20.49	4.70
Consensus -- last quarter	4.9	4.4	2.0	4.9	12.2	12.1	5.0	20.35	4.41

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
BBVA Bancomer	3.0	2.7	1.8	4.1	9.0	8.7	4.2	19.99	5.03
UACJ	5.5	4.8	3.5	3.3	3.9	5.1	5.5	21.00	5.00
ITESM	3.0	2.0	1.0	2.0	5.0	8.0	4.5	21.00	5.50
COLEF	3.4	3.1	1.4	3.5	8.5	8.5	5.5	21.75	5.25
UAdeC	3.0	3.1	1.6	2.0	6.6	6.2	4.0	21.70	5.30
UANL	3.8	2.9	3.2	4.3	8.9	9.5	3.9	20.78	5.30
Consensus -- this quarter	3.6	3.1	2.1	3.2	7.0	7.7	4.6	21.04	5.23
-- last quarter	3.5	3.1	2.0	3.4	7.0	7.3	4.0	20.74	4.67

							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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