

Winter 2022

## **Mexico Consensus Economic Forecast, Volume 25, Number 1**

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T.M. Fullerton, Jr. and S.L. Fullerton, 2022, "War Weakened Outlook," *Mexico Consensus Economic Forecast* 25(1), 1-4.

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## CONSENSUS ECONOMIC FORECAST

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Mexico Consensus Economic Forecast, Volume 25, Number 1, 1<sup>st</sup> Quarter 2022

### War Weakened Outlook

Mexico was poised for a productive 2022, but, similar to the United States and many other countries, inflation, infections, and interest rates are causing multiple difficulties. Panelist forecasts have dropped again this quarter. Real gross domestic product (GDP) is projected to grow by 2.0 percent in 2022. The overall growth projection rises slightly to 2.2 percent in 2023, still slow by historical standards.

Private consumption fell off a cliff in 2020 when the pandemic hit. Then, in 2021, it jumped by more than 7 percent and was expected to recover to pre-pandemic levels before the war in Ukraine. Estimates for private consumption growth have been revised downward to 3.0 percent for 2022. In 2023, private consumption is expected to expand by 2.8 percent. While that may seem slow, government consumption has been stifled since the beginning of the COVID-19 pandemic. The panelists estimate stagnant growth of 1.2 percent in both 2022 and 2023.

The collective outlook for the annual change in total investment has also been revised downward this quarter, declining by 100 basis points from 4.3 percent to 3.3 percent for 2022. Panelists' estimates range from 1.0 percent to 7.5 percent. A slight acceleration to 3.7 percent is posited for 2023, but that partial bounce back will still leave total investment well below its 2016 peak level. Although USMCA-induced nearshoring is driving IMMEX-related expansion throughout much of Northern Mexico, domestic commercial and industrial investment plans have been sidelined by multiple executive branch policy uncertainties.

Good and services exports increased by 6.9 percent in 2021. With continued export-oriented manufacturing expansion, the panel consensus calls for exports to increase by 7.1 percent in 2022, with a more moderate 6.3 percent rate of increase projected for the following year. Preliminary data indicate that imports increased by more than 15 percent in 2021 but remain below the pre-pandemic peak tallied in 2018. Imports are forecast to expand by 8.1 percent in 2022 and 7.7 percent in 2023.

As shown on Page 3, initial estimates indicate that consumer prices rose by 5.7 percent in 2021. The CPI is predicted to increase by 6.1 percent this year, before decelerating to 4.8 percent in 2023. The 28-day treasury certificate (CETES) rate of return dropped 91 basis points to 4.42 percent in 2021. Driven by higher domestic prices and ascending interest rates in the United States, yields on 28-day CETES are projected to rise to 7.14 percent in 2022 and to 7.23 percent in 2023. The peso recouped some of its pandemic losses by appreciating in nominal terms against the dollar in 2021. Although already somewhat undervalued, the consensus anticipates that the peso will lose ground in 2022. Further currency market attrition is forecast for 2023, with the peso per dollar exchange rate forecast to average P/\$ 21.58 during that year.



							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
2021	17,790.2	12,016.3	2,187.4	3,227.3	6,800.5	6,718.0	113.54	20.27	4.42
<i>Percent Change</i>	4.7%	7.1%	-1.7%	10.3%	6.9%	15.0%	5.7%	-5.7%	
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

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