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Mexico Consensus Economic Forecast, Volume 25, Number 2

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CONSENSUS ECONOMIC FORECAST

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Mexico Consensus Economic Forecast, Volume 25, Number 2, 2nd Quarter 2022

Could Easily be Worse

Preliminary data estimates show that gross domestic product (GDP) increased by 1.8 percent on a year over year basis during the first quarter of 2022. The panel consensus anticipates a 1.7 percent rate of growth for all of 2022. That represents a 30 basis point reduction from what was predicted last quarter. The slower rate undoubtedly reflects ongoing supply-chain disruptions, global economic deceleration, persistently high inflation rates, and steeper international interest rates. GDP is expected to bounce back only marginally in 2023, expanding at a rate of 1.9 percent.

Relative to the same period in 2021, private consumption increased by 7.2 percent during the first quarter of 2022. The panel forecast for all of 2022 is unchanged at 3.0 percent. The consensus prediction anticipates an almost identical rate of change of 2.9 percent for 2023. The outlook for government consumption is far less optimistic. Panelists estimate that public sector expenditures will increase by 0.8 percent in 2022 and by 0.9 percent in 2023.

Total investment performed much better in 2021 than it did in any of the previous 5 years. For 2022, the panel anticipates investment to increase by 3.2 percent, with a slight uptick to 3.3 percent predicted for 2023. Global supply chain restructuring has caused direct foreign investment to increase in Mexico. However, international and domestic business sector mistrust of the López Obrador administration is causing this category of economic activity to lag far behind the volumes it would otherwise reach under less adversarial conditions.

Good and service exports and imports both accelerated last year. The 2022 forecasts indicate that exports should grow by 8.2 percent while imports should increase by 9.3 percent. The outlook for 2023 is notably slower, with export growth declining to 5.5 percent and imports waning to 6.4 percent. The latter forecasts represent substantially slower rates of change relative to those reported in last quarter's report.

The 2022 consensus prediction for the consumer price index (CPI) has increased by 140 basis points to 7.5 percent. The CPI is expected to rise at a more moderate rate of 5.8 percent in 2023, but that is still nearly twice as fast as the central bank target rate of 3 percent. In spite of that, prices have been more stable in Mexico than in many other

Somewhat reflective of the latter, the panel forecast calls for the nominal exchange rate to average 20.89 pesos per dollar in 2022 and 21.49 pesos per dollar in 2023. Although those currency market outlooks may seem remarkably unchanging, it is important to note that the peso has been consistently undervalued against the dollar from 2016 through the present. Also, monetary and fiscal policies have been fairly pragmatic in recent months and large-scale reversals are unlikely. The inflationary outlook has, however, affected short-term interest rates in Mexico. The panel expects the 28-day treasury certificate (CETES-28) rate of return to average close to 8.2 percent in both 2022 and 2023. Those yields represent greater than 90 basis point increases relative to the projections in last quarter's report.

| | | | | | | | 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 | 17,806.7 | 12,042.2 | 2,183.0 | 3,215.4 | 6,797.4 | 6,713.3 | 113.54 | 20.27 | 4.42 |
| <i>Percent Change</i> | 4.8% | 7.5% | 1.0% | 9.5% | 6.9% | 13.6% | 5.7% | -5.7% | |
| 2020 | 16,993.9 | 11,203.1 | 2,161.7 | 2,936.9 | 6,358.2 | 5,908.3 | 107.43 | 21.49 | 5.33 |
| <i>Percent Change</i> | -8.1% | -10.3% | -0.2% | -17.7% | -7.3% | -13.8% | 3.4% | 11.5% | |
| 2019 | 18,483.2 | 12,495.2 | 2,165.0 | 3,569.1 | 6,858.8 | 6,851.3 | 103.90 | 19.26 | 7.84 |
| <i>Percent Change</i> | -0.2% | 0.4% | -1.8% | -4.7% | 1.5% | -0.7% | 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% | |

*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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