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Mexico Consensus Economic Forecast

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CONSENSUS ECONOMIC FORECAST

MÉXICO

University of Texas at El Paso
Border Region Modeling Project

3rd Quarter 2010

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Mexico Consensus Economic Forecast 3rd Quarter 2010 Summary

More stability. Less uncertainty

Third quarter 2010 evidence continues to signal steady progress for the Mexican economy on the road to economic recovery. INEGI data for the second quarter of 2010 show an annualized increase of 4.7 percent in real GDP compared to the first quarter of 2010. The year over year percentage change relative to the second quarter of 2009 is a robust increase of 7.6 percent. Export expansion continues to provide the primary fuel to the rebound process.

The current consensus forecast for real gross domestic product is in line with the optimism provided by the INEGI figures. Panelist projections call for a Real GDP increase of 4.4 percent during 2010. That represents a more optimistic assessment than the 4.1 percent forecast in last quarter's report. Expectations for private domestic consumption growth in 2010 are slightly weaker, with panelist forecasts declining from 3.2 percent last quarter to 3.0 percent in the current outlook. Panelist forecasts indicate government consumption will continue to be hampered by weak fiscal performance and reach only 1.8 percent. Total fixed investment in 2010 is now projected to expand at a rate of 4.2 percent, a substantially more optimistic assessment than the 3.6 percent tally documented last quarter.

In spite of the stronger predicted rate of GDP expansion, the consensus forecast for 2010 consumer price inflation has declined from 5.2 percent last quarter to 4.7 percent. Accompanying the latter change is a slower rate of depreciation for the peso. The annual average nominal exchange rate forecast has dropped from 12.92 pesos per dollar last quarter to 12.85 P/\$. Greater anticipated price stability is also partnered with a lower short-term interest rate forecast. The consensus outlook for 28-day Treasury Certificates (CETES) has declined by 20 basis points from the previous quarter to 4.8 percent.

The panelists are noticeably less optimistic regarding the outlook for 2011. The current consensus outlook projects real GDP growth to decline to 3.5 percent next year. Private consumption and government consumption are expected to increase by 2.8 and 1.9 percent, respectively. The latter are roughly equivalent to their forecasts for 2010. Total fixed investment is expected to increase by 5.6 percent in 2011, a visible improvement from the consensus for 2010. Exports and imports are projected grow at more moderate rates than in 2010, with a sharper decline for exports than imports. The anticipated decline in real GDP growth ushers in a lower rate of inflation, as well. The CPI is expected to rise by 4.2 percent in 2011. The panel forecasts the peso to depreciate in nominal terms to 13.16 P/\$ in 2011. The central bank is expected to tighten monetary policy in 2011 with the rate of return for 28-day CETES increasing by 60 basis points to 5.4 percent.

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2010 Mexico Consensus Economic Forecast
Annual Average
Annual Percent Change, 2010 from 2009

	GDP	Private Consumption	Government Consumption	Total Investment	Exports	Imports	Consumer Price Index	Exchange Rate	CETES 28 Day
American Chamber Mexico	4.6	3.9	2.6	4.5	23.7	24.8	4.2	12.68	4.5
BBVA Bancomer	4.5	1.9	-1.7	3.1	21.3	15.3	4.5	12.50	4.5
Wells Fargo Bank	5.0	3.7	2.4	3.8	11.3	10.8	4.0	12.89	4.6
Center for Economic Forecasting of Mexico	4.7	3.3	1.9	5.5	11.1	10.9	5.0	12.75	4.6
UACJ	5.0	3.5	2.5	5.5	9.0	10.0	4.5	13.10	5.0
ITESM	4.5	4.0	3.0	4.0	13.0	13.0	4.5	12.80	4.8
COLEF	3.2	1.5	2.0	3.0	10.0	10.5	6.0	13.10	5.8
UAdeC	4.0	2.5	1.5	4.5	14.8	15.3	5.0	13.00	5.0
Consensus -- this quarter	4.4	3.0	1.8	4.2	14.3	13.8	4.7	12.85	4.8
-- last quarter	4.1	3.2	1.9	3.6	12.2	10.9	5.2	12.92	5.0

2011 Mexico Consensus Economic Forecast
Annual Average
Annual Percent Change, 2011 from 2010

	GDP	Private Consumption	Government Consumption	Total Investment	Exports	Imports	Consumer Price Index	Exchange Rate	CETES 28 Day
American Chamber Mexico	3.5	3.1	2.2	6.1	8.2	10.5	3.9	12.70	5.0
BBVA Bancomer	3.7	2.6	0.9	6.7	8.0	7.0	3.9	12.00	5.4
Wells Fargo Bank	3.6	3.4	2.8	5.5	6.2	6.9	3.9	12.99	4.7
Center for Economic Forecasting of Mexico	3.5	2.7	-0.4	4.6	3.6	2.9	4.2	13.25	5.5
UACJ	4.5	3.0	2.0	5.0	8.0	9.0	4.0	13.50	6.0
ITESM	4.0	4.0	6.0	5.5	15.0	15.0	4.0	13.00	6.0
COLEF	1.9	2.0	1.5	3.2	7.0	7.5	5.2	14.00	4.8
UAdeC	3.2	1.8	0.5	7.9	10.5	9.2	4.3	13.80	6.0
Consensus -- this quarter	3.5	2.8	1.9	5.6	8.3	8.5	4.2	13.16	5.4
-- last quarter	3.3	3.0	2.4	6.9	8.7	9.9	4.4	13.24	5.8

		Annual Averages								
Historical Data		GDP (2003 Pesos, billions)	Private Consumption (2003 Pesos, billions)	Government Consumption (2003 Pesos, billions)	Total Investment (2003 Pesos, billions)	Exports (2003 Pesos, billions)	Imports (2003 Pesos, billions)	Consumer Price Index June 02 = 100	Nominal Exchange Rate Pesos/Dollars	CETES 28 Day
2009		8345.6	5820.0	953.0	1886.0	2290.0	2561.0	136.04	13.51	5.39
	<i>Percent Change</i>	-6.54%	-6.43%	2.42%	-8.03%	15.50%	16.24%	5.29%	21.27%	
2008		8,929.5	6,220.0	930.5	2,050.6	2,710.2	3,057.6	129.2	11.14	7.68
	<i>Percent Change</i>	1.49%	1.54%	0.59%	4.94%	1.40%	4.29%	5.13%	1.92%	
2007		8,798.3	6,125.5	925.0	1,954.0	2,672.9	2,931.7	122.9	10.93	7.19
	<i>Percent Change</i>	3.34%	3.86%	2.14%	7.17%	5.66%	7.00%	3.97%	0.28%	
2006		8,513.9	5,897.8	905.6	1,823.3	2,529.7	2,740.0	118.2	10.90	7.19
	<i>Percent Change</i>	4.93%	5.68%	1.72%	9.78%	10.94%	12.57%	3.63%	-0.16%	
2005		8,113.7	5,580.7	890.3	1,660.8	2,280.3	2,434.0	114.1	10.92	9.20
	<i>Percent Change</i>	3.21%	4.78%	2.44%	7.46%	6.75%	8.48%	3.99%	-3.29%	
2004		7,861.7	5,326.0	869.1	1,545.5	2,136.1	2,243.8	109.7	11.29	6.82
	<i>Percent Change</i>	4.05%	5.62%	-2.76%	8.01%	11.50%	10.74%	4.69%	4.63%	
2003		7,555.8	5,042.8	893.8	1,430.9	1,915.8	2,026.2	104.8	10.79	6.23
	<i>Percent Change</i>	1.35%	2.22%	0.80%	0.37%	2.70%	0.70%	4.55%	12.05%	
2002		7,455.4	4,933.1	886.7	1,425.6	1,865.5	2,012.2	100.2	9.63	7.09
	<i>Percent Change</i>	0.09%	1.59%	-0.33%	-0.64%	1.44%	1.46%	5.03%	3.10%	
2001		7,448.7	4,856.1	889.6	1,434.8	1,839.0	1,983.2	95.42	9.34	11.31
	<i>Percent Change</i>	-0.95%	2.48%	-1.98%	-5.64%	-3.60%	-1.63%	6.36%	-1.27%	
2000		7,520.3	4,738.7	907.6	1,520.5	1,907.6	2,016.1	89.71	9.46	15.24
	<i>Percent Change</i>	5.97%	8.18%	2.38%	11.36%	16.28%	21.47%	9.50%	-1.05%	
1999		7,097.0	4,380.3	886.5	1,365.4	1,640.5	1,659.7	81.93	9.56	21.41

Note: 2009 data are preliminary and subject to revision

*GDP: Producto Interno Bruto, INEGI, 2003 Pesos

*Private Consumption: Consumo Privado, INEGI, 2003 Pesos

*Government Consumption: Consumo de Gobierno, INEGI, 2003 Pesos

*Total Investment: Formacion bruta de capital fijo, INEGI, 2003 Pesos

*Exports: Exportacion de bienes y servicios, INEGI, 2003 Pesos

*Imports: Importacion de bienes y servicios, INEGI, 2003 Pesos

*CPI, Banco de Mexico, Annual Average, Base = June 2002

*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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México Consensus Economic Forecast, a quarterly publication of the Border Region Modeling Project, a research unit within the Department of Economics & Finance at the College of Business Administration of The University of Texas at El Paso, is available on the Web at: <http://academics.utep.edu/border>. Econometric research assistance is provided by Carlos Morales and Francisco Pallares. For additional information, contact the Border Region Modeling Project - CBA 236, UTEP Department of Economics & Finance, 500 West University Avenue, El Paso, TX 79968-0543, USA. (915) 747-7775.

