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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

## 4<sup>th</sup> Quarter 2010

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## Mexico Consensus Economic Forecast

4<sup>th</sup> Quarter 2010 Summary**Bicentennial Economic Recovery**

Forecasts for the final three months of 2010 indicate continued confidence in Mexico's economic performance and ongoing recovery from the global recession which began in late 2007. This confidence is backed by INEGI data which show a year-over-year increase of 5.3 percent in real GDP for the third quarter of 2010. In response, panelist forecasts for real GDP growth in 2010 have increased slightly to 4.5 percent this quarter. Optimism abounds, as all but one of the panelists predict GDP increases of 4.5 percent or higher.

The consensus outlook for private consumption has been revised upward to 3.5 percent. Panelist estimates for government purchases have also increased substantially relative to last quarter and now reside at 2.8 percent for 2010. The only category for which a downward revision has been tallied this quarter is total fixed investment. The panelists predict fixed investment to grow at a more sedate pace of 3.4 percent in 2010, a drop of 80 basis points from what was predicted last quarter.

Pronounced changes are also evident in current account forecasts. Exports of goods and services are projected to grow by 18.9 percent in 2010 compared to 14.3 percent last quarter. Panelist estimates in this category vary quite noticeably, however, as forecasts range from 5.3 percent to 29.6 percent. Imports of goods and services are also expected to grow at double digit rates with similar variability among the various panelist projections.

The consensus forecast for consumer prices has declined slightly to 4.5 percent this quarter. The latter is not surprising. The economy is not at full employment and the peso has appreciated in nominal terms against the dollar. Together, those developments have helped reduce inflationary pressures this year. Along with milder consumer price behavior, the outlook for short-term interest rates has retreated relative to what it was last quarter. The consensus forecast for the 28-day Treasury Certificates (CETES) yield has now dropped to only 4.5 percent.

Although 2010 is expected to end on a relatively positive note, the outlook for next year is more judicious. Real GDP is expected to increase by 3.2 percent and that represents a slower rate of growth than what was forecast last quarter. Ironically, prospects for private consumption in 2011 are now regarded more favorably than was the case in last quarter's report. An even greater upward revision occurs for government consumption in the table below. Fixed investment, however, is now expected to grow more slowly, as the business outlooks for both the domestic economy and the global economy have subsided. Exports of goods and services are projected to grow by approximately 8.2 percent next year, while the consensus forecast for imports is for 9.7 percent. Consumer price inflation is expected to abate further in 2011, dropping to 4.2 percent, but tighter monetary policy is projected with an increase in the 28-day CETES rate to 4.8 percent. Given that, the nominal exchange rate is predicted to depreciate almost imperceptibly to 12.72 pesos per dollar.

**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	5.1	3.8	3.2	2.5	29.6	28.9	4.5	12.61	4.5
BBVA Bancomer	4.5	2.7	1.9	1.2	25.7	26.9	4.2	12.50	4.4
Wells Fargo Bank	5.3	3.4	3.2	3.0	19.9	19.3	4.1	12.66	4.4
Center for Economic Forecasting of Mexico	4.8	4.0	3.5	2.5	17.5	17.0	4.2	12.65	4.4
UACJ	4.5	3.0	2.0	4.5	16.4	22.0	4.4	12.50	4.6
ITESM	5.0	4.0	3.0	4.0	13.0	13.0	4.5	12.40	4.6
COLEF	2.3	3.3	2.2	6.3	5.3	5.4	5.5	13.35	5.0
UAdeC	4.5	3.7	3.2	3.5	23.6	20.2	4.5	12.70	4.5
Consensus -- this quarter	4.5	3.5	2.8	3.4	18.9	19.1	4.5	12.67	4.5
-- last quarter	4.4	3.0	1.8	4.2	14.3	13.8	4.7	12.85	4.8

**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	2.9	2.7	2.2	3.1	7.0	10.1	3.9	12.40	4.5
BBVA Bancomer	3.4	1.9	1.3	4.8	2.8	5.1	3.8	12.00	4.6
Wells Fargo Bank	3.6	3.4	2.8	5.5	8.7	9.5	4.6	12.97	4.2
Center for Economic Forecasting of Mexico	3.3	3.0	1.5	3.0	4.5	4.0	4.3	12.50	4.0
UACJ	3.5	3.7	2.2	5.0	12.0	15.0	4.0	12.20	5.5
ITESM	3.5	3.0	4.0	4.0	15.0	15.0	4.0	12.50	5.0
COLEF	1.9	2.9	3.0	4.4	2.7	3.9	5.4	13.65	5.2
UAdeC	3.2	3.9	2.3	6.3	12.7	15.0	4.0	13.50	5.5
Consensus -- this quarter	3.2	3.1	2.4	4.5	8.2	9.7	4.2	12.72	4.8
-- last quarter	3.5	2.8	1.9	5.6	8.3	8.5	4.2	13.16	5.4

## 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: Formación bruta de capital fijo, INEGI, 2003 Pesos

\*Exports: Exportación de bienes y servicios, INEGI, 2003 Pesos

\*Imports: Importación de bienes y servicios, INEGI, 2003 Pesos

\*CPI, Banco de México, Annual Average, Base = June 2002

\*Exchange Rate, Banco de México, peso-to-dollar, Fecha de Liquidación, Annual Average

\*CETES 28 Days, Banco de México, 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 Enedina Licerio and Teodulo Soto. 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.

