

Summer 2022

Mexico Consensus Economic Forecast, Volume 25, Number 3

Thomas M. Fullerton Jr.

Steven L. Fullerton

Follow this and additional works at: https://scholarworks.utep.edu/border_region



Part of the [Regional Economics Commons](#)

Comments:

T.M. Fullerton, Jr. and S.L. Fullerton, 2022, "Aztec Monetary Aggravation," *Mexico Consensus Economic Forecast* 25(3), 1-4.



CONSENSUS ECONOMIC FORECAST

MÉXICO

University of Texas at El Paso
Border Region Modeling Project

Action Economics!

Dr. Deborah L. Riner

BBVA Bancomer

Iván Martínez Urquijo

Cecilia Posadas

Javier Amador Díaz

Dr. Arnulfo Rodríguez Hernández

Universidad Autónoma de Ciudad Juárez

Dra. Patricia Barraza de Anda

Dra. Cely Ronquillo Chávez

El Colegio de la Frontera Norte

Dr. Eduardo Mendoza Cota

Instituto Tecnológico y de Estudios Superiores de Monterrey

Dr. Jorge Ibarra Salazar

Universidad Autónoma de Coahuila

Dr. Alejandro Dávila Flores

Universidad Autónoma de Nuevo León

Dra. Cinthya Caamal Olvera

UTEP Miner Shoppe

[Click Here](#)

BRMP Website

[Border Region Modeling
Project](#)

Mexico Consensus Economic Forecast, Volume 25, Number 3, 3rd Quarter 2022

Aztec Monetary Aggravation

Similar to most other economies around the world, prices continue to ascend at rates that exceed the central bank target in Mexico. Core and headline consumer prices have risen at annualized rates of more than 7 percent throughout 2022, more than double the central bank 3 percent target rate of inflation. Against that backdrop, Banco de México raised the interbank overnight interest rate target by 75 basis points to 9.25 percent. That rate is the Mexico equivalent of the north of the border Federal Funds Rate that has increased substantially in 2022.

In response to that policy move, the panelists have introduced several modifications to their respective forecasts. Because tighter monetary policy does not come as a complete surprise, the forecast changes are less dramatic than what some of the more colorful media accounts have presaged. However, higher credit costs affect the outlook for 2023 in several notable manners.

Overall economic expansion is expected to decelerate next year. The 2023 consensus forecast for real gross domestic product (GDP) has been adjusted downward by 60 basis points to 1.3 percent. That means that economic activity in Mexico will remain below the peak level attained in 2018 for a fifth consecutive year.

The higher interest rates are expected to cut the rate of expansion for private consumption to 2.3 percent in 2023. That should be partially offset by a projected increase in government consumption as the consensus has been adjusted upwards by 90 basis points to 1.8 percent next year. Understandably, the biggest downward revision for 2023 is total investment. That category is now expected to grow by only 1.8 percent, a 150 basis point drop relative to what was anticipated last quarter.

The 2023 outlooks for goods and service exports and imports have both been cut by 130 basis points relative to last quarter. Exports are projected to grow by 4.2 percent next year as global economic performance continues to be hampered by the lingering effects of sequential and overlapping supply chain disruptions. With slower growth, the demand for imports is expected to decelerate in 2023. That development is in spite of USMCA super charged investment flows to export-oriented manufacturing projects, especially in Northern Mexico.

The panel forecast for the consumer price index (CPI) has been revised upwards to an 8.5 percent inflation rate for 2022. Fiscal discipline combines with tighter monetary policy to achieve substantial disinflationary success in 2023, when the CPI is projected to rise by only 5.4 percent. The 28-day CETES rate forecast has been raised to 9.3 percent for 2022, with a 50 basis point decline to 8.8 percent anticipated for 2023.

The combined outlooks for inflation and interest rates have led the panelists to slightly dial back the currency market projections for the peso this quarter. The 2022 peso per dollar nominal exchange rate is now projected at 20.60, while the 2023 forecast is expected to reach 21.40. Continued undervaluation of the peso is still expected for another 12 months.

Thomas M. Fullerton, Jr. and Steven L. Fullerton,
University of Texas at El Paso Border Region Modeling Project

							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

University of Texas at El Paso
Heather Wilson, President
John Wiebe, Provost
Roberto Osegueda, Vice President for Research

UTEP College of Business Administration
Jim Payne, Dean
Erik Devos, Associate Dean
Faith Xie, Associate Dean
Eddie Wei, Hedrick Professor of Trade & Finance

UTEP Border Region Modeling Project Corporate and Institutional Sponsors:

El Paso Water
Raiz FCU
UTEP College of Business Administration
UTEP Department of Economics & Finance
UTEP Center for the Study of Western Hemispheric Trade

Mexico Consensus Economic Forecast is a quarterly publication of the Border Region Modeling Project (BRMP), a research unit within the Department of Economics & Finance at the College of Business Administration of The University of Texas at El Paso. BRMP information is available at: <https://www.utep.edu/business/border-region-modeling-project/index.html>. 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.