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Mexico Consensus Economic Forecast, Volume 26, Number 1

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T.M. Fullerton, Jr. and S.L. Fullerton, 2023, "Soft Landing or Worse?" *Mexico Consensus Economic Forecast* 26(1), 1-4.

CONSENSUS ECONOMIC FORECAST

MÉXICO

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UTEP Miner Shoppe[Click Here](#)**BRMP Website**[Border Region Modeling
Project](#)**Mexico Consensus Economic Forecast, Volume 26, Number 1, 1st Quarter 2023****Soft Landing or Worse?**

Against the backdrop of an ongoing war in Europe plus tighter monetary policy being implemented in Mexico and nearly every corner of the global economy, the panel anticipates substantially slower growth in 2023. There is fairly close agreement with individual GDP forecasts ranging from 0.6 percent to 1.3 percent. Notable changes include notably slower rates of change predicted for private consumption and total investment in 2023.

In the case of private consumption, the annual growth rate is projected to fall by 190 basis points. A similarly sharp decline of 200 basis points is expected for total investment. Higher credit costs contribute to both of those slowdowns. Policy uncertainty is also depressing private sector investment plans this year throughout much of Mexico.

With slower growth forecast for the United States, exports of goods and services are forecast to grow much more slowly in 2023, falling by 420 basis points. The deceleration in exports combines with slower business sector investment to reduce the rate of change on the other side of the trade ledger. Imports of goods and services are predicted to expand by 6.4 percent in 2023, a 370 basis point drop relative to 2022.

The silver lining associated with the more muted rate of overall growth comes in the form of reduced price pressures. Consumer prices are forecast to increase by 5.2 percent this year. That represents a 280 basis point improvement over what was posted in 2022. Continued fiscal discipline by the AMLO administration helped foster the recent emergence of disinflation in Mexico.

Further buttressing easing aggregate price pressures, the peso has appreciated against the dollar in recent weeks. This is big change relative to the consistent undervaluation of the peso that has been observed since mid-2015. That it occurs during a period of serious business cycle downturn risks is unusual. The consensus forecast calls for the peso to gain ground in real terms against the greenback this year. In nominal terms, the panelists collectively predict that the exchange rate will average P/\$ 20.50 in 2023. There is less than a 6.3 percent range among the currency forecasts. That degree of unanimity for an exchange rate is impressive.

The anticipated strength of the peso is partially due incipient disinflation in Mexico. It is also a consequence of higher interest rates. The 28-day CETES rate forecast is for it to hold steady at 9.2 percent for 2023. That represents a notable change from the prior report when a 50 basis point decline relative to last year was anticipated for 2023.

Taken as a whole, the consensus outlook is moderately favorable. Fiscal and monetary discipline are setting Mexico apart from many of the larger countries in Latin America where macroeconomic prospects are decidedly weaker. If a soft landing is achieved, it will distinguish Mexico from the troubles likely to be observed throughout much of the global economy.

							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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