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## **Mexico Consensus Economic Forecast, Volume 26, Number 2**

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## CONSENSUS ECONOMIC FORECAST

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## Mexico Consensus Economic Forecast, Volume 26, Number 2, 2<sup>nd</sup> Quarter 2023

### Pins and Needles

Business cycles are always difficult to gauge. This is especially true in 2023. Abundant uncertainty plus steadily rising interest rates have caused the consensus 2023 forecast to drop by 60 basis points to 1.6 percent. Categorically, the biggest downward revisions private consumption, total investment, exports and imports. While that represents a less optimistic outlook than what was published last quarter, it is followed by a 90 basis point upgrade to the predicted rate of macroeconomic growth in 2024.

In the case of private consumption, the 2023 annual growth rate has been cut by 160 basis points to 2.2 percent. A similarly pronounced decline of 140 basis points is expected for total investment. Higher credit costs contribute to both of those slowdowns as private sector activities decelerate in many sectors. In spite of the latter, consumption and investment are both expected to rebound in 2024.

Uneven economic growth in the United States causes the consensus rate of change for exports of goods and services to drop to 5.2 percent in 2023. It should be noted that the individual predicted export growth rates for 2023 range from -0.9 percent to 9.5 percent. Imports of goods and services are also expected to increase more slowly in 2023 with individual forecasts ranging from -1.1 percent to 10.0 percent. Rebounds are anticipated for both sides of the trade ledger in 2024.

Although political uncertainty currently causes substantial private sector frustration in Mexico, there is notable agreement among the panelists with respect to inflation. Consumer prices are forecast to increase by 6.0 percent this year. Nearly all of the panelists also anticipate that the AMLO administration will exhibit further fiscal discipline in 2024 and limit inflation to only 4.5 percent during the election year.

Tight monetary policy is expected to force 28-day Treasury Certificate yields (CETES) to average 10.93 percent in 2023, before subsiding to 8.93 percent in 2024. Those money market fluctuations help the peso appreciate to an exchange rate of P/\$ 19.17 this year, before nominally slipping to P/\$ 19.90 in 2024. The individual panelist forecasts exhibit considerable degree of unanimity for both the money market and the currency market in 2023. In 2024, that is also the case for the currency market, but the 28-day CETES yields range from a minimum of 5.25 percent to a maximum of 10.45 percent.

As noted last quarter, part of the anticipated strength of the peso is due to disinflation policy success in Mexico. That development is also a contributing factor to the lower 28-day CETES yields projected by all but one of the panelists for 2024. The election year is likely to bring with it at least a few surprise economic developments.

Against the backdrop of global political turmoil, the forecast this quarter is fairly encouraging. Fiscal and monetary discipline set Mexico apart from many of the larger countries in Latin America where economic prospects are decidedly weaker. If the predicted soft landing depicted in this report is achieved, Mexico will have defied the odds once again.



							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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