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## Mexico Consensus Economic Forecast, Volume 26, Number 3

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T.M. Fullerton, Jr. and S.L. Fullerton, 2023, "Improved Growth Outlook" *Mexico Consensus Economic Forecast* 26(3), 1-4.

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## CONSENSUS ECONOMIC FORECAST

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## Mexico Consensus Economic Forecast, Volume 26, Number 3, 3<sup>rd</sup> Quarter 2023

### Improved Growth Outlook

The consensus forecast for gross domestic product (GDP) staged a comeback this quarter. The 100 basis point improvement more than erased the 60-point dip that was detailed in last quarter's report. The forecast now calls for a 2.6 percent rate of expansion for GDP in 2023.

One of the biggest contributors to the higher forecast is private consumption. The 2023 annual growth rate has been increased by 130 basis points to 3.5 percent, reversing most of the decline that occurred last quarter. Government consumption is also expected to grow faster with panelists raising the forecast 60 basis points to 1.8 percent. The largest wellspring to the improved growth rate is total investment. While private sector concerns over federal policy mismanagement and democracy erosion have worsened, unabated direct foreign investment (DFI) inflows have seemingly catalyzed a 210 basis point increment to a 3.9 percent rate of change for total investment.

International trade also helped boost the consensus outlook for GDP this quarter. The projected rate of increase for exports of goods and services has been increased by 70 basis points to 5.9 percent. In spite of the robust DFI showing this year, imports of goods and services strengthened by a more moderate 10 basis points to 5.6 percent.

On a fairly optimistic note, the faster rate of GDP expansion is accompanied by a slower inflation forecast this quarter. The consensus calls for the consumer price index to rise by 5.6 percent this year, a 40 basis point improvement. While most panelists lowered their CPI forecasts, one projection was unchanged and another increased. All of the panelists do anticipate that the AMLO administration will continue to exhibit fiscal discipline in 2024 and limit inflation to only 4.6 percent during the election year.

Tight monetary policy is expected to remain in place during the next 16 months. Consequently, 28-day Treasury Certificate yields (CETES) are projected to average 10.80 percent in 2023, before subsiding to 9.52 percent in 2024. Could the 28-day rate decline below what is forecast during the election year? Currently at 11.25 percent, all of the panelists anticipate substantial downside potential next year with two respondents predicting it to decline to less than 8.80 percent.

The peso has appreciated substantially against the dollar in 2023 due to disinflation policy success in Mexico and robust DFI. The consensus calls for the exchange rate to average 18.50 pesos per dollar for 2023 as a whole. The exchange rate is then projected to depreciate to 19.29 pesos per dollar in 2024. The election year may bring a few surprise economic developments. If political turmoil intensifies next year, the currency market is likely to become much more agitated and a faster rate of depreciation will result. For now, however, the joint fiscal and monetary discipline of the AMLO administration sets Mexico apart from many of the larger countries in Latin America where economic prospects are less encouraging. Banco de México and Secretaría de Hacienda y Crédito Público may be on the verge of achieving a highly elusive Latin American soft landing.



							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
2022	18,355.0	12,795.7	2,167.8	3,440.4	7,322.5	7,440.9	122.5	20.12	7.63
<i>Percent Change</i>	3.1%	6.1%	1.0%	6.0%	7.5%	8.9%	7.9%	-0.8%	
2021	17,809.6	12,056.0	2,145.9	3,244.3	6,809.2	6,834.8	113.54	20.28	4.42
<i>Percent Change</i>	4.7%	7.6%	-0.6%	10.5%	7.1%	15.6%	5.7%	-5.7%	
2020	17,006.8	11,207.1	2,158.3	2,936.6	6,358.3	5,910.7	107.43	21.49	5.33
<i>Percent Change</i>	-8.0%	-10.3%	-0.3%	-17.7%	-7.3%	-13.7%	3.4%	11.6%	
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%	0.1%	
2018	18,520.0	12,450.3	2,204.3	3,746.5	6,759.5	6,901.5	100.26	19.24	7.62
<i>Percent Change</i>	2.2%	2.6%	2.9%	0.8%	6.0%	6.4%	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	18.92	6.69
<i>Percent Change</i>	2.1%	3.2%	0.7%	-1.2%	4.2%	6.4%	6.0%	1.2%	
2016	17,747.2	11,764.2	2,128.9	3,760.7	6,121.9	6,096.3	90.13	18.69	4.15
<i>Percent Change</i>	2.6%	3.7%	2.6%	0.8%	3.6%	2.8%	2.8%	17.8%	
2015	17,292.4	11,348.9	2,075.0	3,729.9	5,910.2	5,927.4	87.65	15.87	2.98
<i>Percent Change</i>	3.3%	2.7%	1.9%	4.8%	8.4%	5.9%	2.7%	19.3%	
2014	16,741.1	11,051.7	2,036.3	3,560.2	5,451.5	5,596.2	85.33	13.31	3.00
<i>Percent Change</i>	2.8%	2.1%	2.6%	2.9%	7.0%	5.9%	4.0%	4.2%	
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%	0.5%	-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	13.16	4.24
<i>Percent Change</i>	3.6%	2.3%	3.4%	4.9%	6.5%	5.4%	4.1%	5.8%	
2011	15,495.3	10,389.5	1,909.5	3,411.1	4,718.9	4,908.0	75.91	12.44	4.24
<i>Percent Change</i>	3.7%	3.4%	3.0%	7.8%	7.7%	5.6%	3.4%	-1.5%	
2010	14,947.8	10,051.7	1,853.2	3,162.9	4,381.0	4,646.9	73.41	12.63	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>	-5.3%	-6.3%	2.9%	-11.7%	-10.9%	-15.9%	5.3%	21.1%	
2008	15,013.6	10,350.2	1,760.1	3,419.6	4,016.3	4,723.2	66.93	11.15	7.68
<i>Percent Change</i>	1.1%	0.7%	2.9%	6.6%	-1.0%	3.3%	5.1%	2.0%	
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%	0.1%	

\*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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