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Mexico Consensus Economic Forecast, Volume 27, Number 2

Thomas M. Fullerton Jr.

Steven L. Fullerton

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T.M. Fullerton, Jr. and S.L. Fullerton, 2024, "Landslides, Pragmatism, and Financial Markets"
Mexico Consensus Economic Forecast 27(2), 1-4.



Consensus Economic Forecast

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Mexico Consensus Economic Forecast, Volume 27, Number 2, 2nd Quarter 2024

Landslides, Pragmatism, and Financial Markets

On the heels of the landslide victories of President-Elect Claudia Sheinbaum-Pardo and the MORENA Party, the consensus real gross domestic product (GDP) growth forecast declined by 20 basis points to 2.2 percent. In spite of substantial federal policy uncertainty, the panelist GDP forecasts are somewhat tightly clustered within a 50 basis point band. Expansion is expected to decelerate slightly to 2.0 percent in 2025.

Private consumption growth is now forecast to grow by 2.9 percent in 2024, a 60 basis point drop from the previous estimate of 3.4 percent. The 2024 predictions range from 2.5 percent to 3.8 percent. The 2025 private consumption projection has declined by a modest 10 basis points to 2.5 percent. The 2025 consumption forecasts start at 1.4 percent and top out at 3.1 percent.

Government consumption is now expected to increase by 3.7 percent in 2024, a 70 basis point increase from the 2.8 percent anticipated last quarter. Fiscal realities are likely to subdue real government outlays in 2025 as the panel anticipates government consumption moderating to 2.0 percent. Belt-tightening debates will undoubtedly abound next year.

Total investment growth in 2024 has been revised down from 4.8 percent to 4.4 percent. Panelist forecasts vary fairly widely from 2.4 percent to 5.6 percent. MORENA policy uncertainties abound this summer in Mexico. For 2025, real investment growth is projected to slow to 3.3 percent.

Among the various real growth components, the outlook for exports has been downsized the most this quarter. The consensus now calls for exports to grow by 1.4 percent in 2024. That contrasts with real import growth of 4.2 percent. Export growth in 2025 is expected to recover to 2.4 percent, accompanied by imports growth of 4.7 percent. Trade issues with China complicate the outlook for this NIPA category.

The 2024 consensus forecast for the consumer price index (CPI) has increased by 30 basis points to 4.3 percent this quarter. The anticipated fiscal discipline that many predict for the president-elect allows inflation to subside to 3.8 percent in 2025. Prospective financial market stability contributes to the quasi-unanimity exhibited by the panelist inflation predictions tabulated below.

The 2024 exchange rate forecast budged by only 6 centavos per dollar down to 18.08 MXN/USD. Slightly more erosion is now augured for the peso in 2025, with the consensus exchange rate dropping by 42 centavos per dollar to 19 MXN/USD. For 2025, the exchange rate forecast has been elevated by 42 centavos per dollar to 19.00 MXN/USD. Relative to last quarter, the 28-Day CETES treasury bill rate has been increased by 62 basis points to 10.83 percent for 2024. Slower inflation allows the 28-day CETES yield to decline to 9.29 percent in 2025. Interest rate, exchange rate, and equity market volatility are likely to increase once the new Congress takes office on 1 September, a full month before the new president takes her oath of office.

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

							Annual Averages		
Historical Data	GDP (2018 Pesos, billions)	Private Consumption (2018 Pesos, billions)	Government Consumption (2018 Pesos, billions)	Total Investment (2018 Pesos, billions)	Exports (2018 Pesos, billions)	Imports (2018 Pesos, billions)	Consumer Price Index Jul 2018 = 100	Nominal Exchange Rate Pesos/ Dollars	CETES 28 Day
2023	25,002.88	16,746.8	2,728.4	6,220.4	9,628.8	11,414.1	129.3	17.76	11.10
Percent Change	3.2%	5.2%	2.1%	8.7%	-6.9%	5.7%	5.53%	-11.8%	
2022	24,220.85	16,746.8	2,673.0	5,206.7	10,346.6	10,797.0	122.5	20.12	7.63
Percent Change	3.9%	5.2%	1.2%	7.7%	8.7%	8.3%	7.90%	-0.8%	
2021	23,300.7	15,921.6	2,642.5	4,834.2	9,520.0	9,969.1	113.5	20.28	4.42
Percent Change	5.7%	8.1%	-0.5%	9.7%	7.2%	15.0%	5.69%	-5.7%	
2020	22,036.0	14,729.8	2,654.5	4,406.1	8,879.2	8,665.0	107.4	21.49	5.33
Percent Change	-8.6%	-10.6%	-0.7%	-17.3%	-7.0%	-12.0%	3.40%	11.6%	
2019	24,115.9	16,483.1	2,674.1	5,327.5	9,549.4	9,845.6	103.9	19.26	7.84
Percent Change	-0.3%	1.2%	-1.7%	-4.4%	1.2%	-1.1%	3.64%	0.1%	
2018	24,176.7	16,292.9	2,721.4	5,572.1	9,439.5	9,953.2	100.3	19.24	7.62
Percent Change	2.0%	1.5%	3.1%	0.6%	6.5%	5.6%	4.90%	1.7%	
2017	23,709.1	16,058.0	2,640.8	5,537.1	8,861.1	9,425.0	95.6	18.92	6.69
Percent Change	1.9%	1.7%	0.4%	-0.5%	3.2%	5.6%	6.04%	1.2%	
2016	23,273.5	15,785.9	2,631.5	5,567.5	8,586.6	8,921.1	90.1	18.69	4.15
Percent Change	1.8%	1.9%	1.9%	0.6%	3.1%	2.5%	2.82%	17.8%	
2015	22,868.2	15,487.6	2,582.9	5,536.4	8,331.0	8,700.7	87.7	15.87	2.98
Percent Change	2.7%	2.7%	1.7%	4.4%	7.0%	4.9%	2.72%	19.3%	
2014	22,266.4	15,082.4	2,538.9	5,300.6	7,783.9	8,290.4	85.3	13.31	3.00
Percent Change	2.5%	2.0%	2.3%	2.4%	7.6%	6.0%	4.02%	4.2%	
2013	21,722.6	14,789.6	2,481.4	5,176.5	7,236.0	7,823.9	82.0	12.77	3.75
Percent Change	0.9%	2.6%	0.8%	-4.0%	2.7%	3.6%	3.81%	-3.0%	
2012	21,539.0	14,418.2	2,461.7	5,390.5	7,045.6	7,549.9	79.0	13.16	4.24
Percent Change	3.6%	2.2%	3.0%	3.7%	7.9%	5.6%	4.11%	5.8%	
2011	20,800.0	14,114.3	2,390.0	5,196.5	6,528.7	7,146.3	75.9	12.44	4.24
Percent Change	3.4%	4.7%	3.2%	8.7%	9.3%	6.2%	3.41%	-1.5%	
2010	20,107.5	13,485.1	2,316.5	4,781.1	5,973.9	6,726.9	73.4	12.63	4.40
Percent Change	5.0%	4.6%	2.0%	6.2%	23.1%	17.1%	4.16%	-6.5%	
2009	19,155.2	12,887.5	2,271.0	4,500.6	4,853.7	5,744.0	70.5	13.51	5.43
Percent Change	-6.3%	-7.1%	2.9%	-11.9%	-10.1%	-16.4%	5.30%	21.1%	
2008	20,442.1	13,877.4	2,207.6	5,110.1	5,399.2	6,869.8	66.9	11.15	7.68
Percent Change	0.9%	1.0%	2.8%	6.5%	-2.1%	3.8%	5.12%	2.0%	
2007	20,251.0	13,740.7	2,148.5	4,796.8	5,512.5	6,617.5	63.7	10.93	7.19
Percent Change	2.1%	1.2%	1.9%	7.0%	2.5%	5.7%	3.97%	0.3%	

*GDP: Producto Interno Bruto, INEGI, 2018 Pesos

*Private Consumption: Consumo Privado, INEGI, 2018 Pesos

*Government Consumption: Consumo de Gobierno, INEGI, 2018 Pesos

*Total Investment: Formacion bruta de capital fijo, INEGI, 2018 Pesos

*Exports: Exportacion de bienes y servicios, INEGI, 2018 Pesos

*Imports: Importacion de bienes y servicios, INEGI, 2018 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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