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## **Mexico Consensus Economic Forecast, Volume 27, Number 3**

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## Mexico Consensus Economic Forecast, Volume 27, Number 3, 3<sup>rd</sup> Quarter 2024

### Judicial Misgivings plus Trade Pact Uncertainty

Economic uncertainty has rarely reached the levels currently observed in Mexico. Judicial branch independence may be on the verge of at least partially disappearing as the 32 state governments appear close to ratifying the approach of Bolivia and directly elect judges at all levels of the judiciary. President-elect Sheinbaum-Pardo has also indicated that her administration will seek closer relations with both Moscow and Beijing, raising trade agreement concerns in both Washington and Ottawa.

Against that backdrop, the consensus outlooks for both 2024 and 2025 has turned decidedly more pessimistic. The 2024 forecast for real gross domestic product (GDP) has shrunk by 70 basis points to 1.5 percent. Individual forecasts range from 1.1 percent to 1.8 percent. In 2025, growth is now predicted to be equally lethargic at 1.4 percent.

The 2024 collective outlook for private consumption growth has been axed by 100 basis to 1.9 percent. The likely reflects anticipated increases in pre-cautionary savings on the part of consumers. This pattern is expected to continue to 2025, with private consumption predicted to rise by only 1.7 percent, essentially matching the GDP forecast.

The forecast for government consumption growth in 2024 has been cut by 110 basis points, dropping it to 2.6 percent this quarter. Panelist responses vary widely, from a low of 1.7 percent to a high of 4.2 percent for this GDP category. The consensus for 2025 held steady, with government consumption projected to expand by 2.0 percent.

Most alarmingly, the 2024 prediction for total investment growth for 2024 has been slashed by 160 basis points to 2.8 percent. Individual forecasts run the gamut from 0.7 percent to 5.4 percent. That degree of variability highlights the many questions surrounding the Aztec investment climate under the burgeoning Morena Party dominance of the political landscape. Real investment growth is expected to drop to only 2.1 percent in 2025.

The 2024 aggregate forecast for the consumer price index (CPI) has increased by 40 basis points to 4.7 percent this quarter. The anticipated fiscal discipline that many predict for the president-elect allows inflation to subside to 3.9 percent in 2025. The incoming government will not be able to run down trust fund balances and deficits may rise.

The 2024 exchange rate forecast jumped by 100 centavos per dollar down to 19.08 MXN/USD. More erosion is expected 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 146 centavos per dollar to 20.46 MXN/USD. Relative to last quarter, the 28-Day CETES treasury bill rate has subsided by 31 basis points to 10.52 percent for 2024. Lower U.S. interest rates allow the 28-day CETES yield to decline to 9.06 percent in 2025. Even after the president-elect takes office on 1 October, episodic financial market upheavals are likely to continue occurring.

**Thomas M. Fullerton, Jr. and Steven L. Fullerton,**  
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							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	25,044.84	16,746.8	2,745.1	6,179.6	9,590.7	11,332.0	129.3	17.76	11.10
Percent Change	3.2%	5.2%	2.1%	8.7%	-7.4%	5.0%	5.53%	-11.8%	
2022	24,268.26	16,859.9	2,688.4	5,239.1	10,353.2	10,795.1	122.5	20.13	7.63
Percent Change	3.7%	4.9%	1.7%	7.5%	8.9%	7.6%	7.90%	-0.7%	
2021	23,404.8	16,070.2	2,642.5	4,873.8	9,508.3	10,029.6	113.5	20.27	4.42
Percent Change	6.0%	8.4%	-0.5%	10.5%	7.1%	15.7%	5.69%	-5.6%	
2020	22,069.9	14,822.6	2,654.5	4,411.2	8,879.2	8,665.1	107.4	21.49	5.33
Percent Change	-8.4%	-9.8%	-0.7%	-17.2%	-7.0%	-12.0%	3.40%	11.5%	
2019	24,081.7	16,439.2	2,674.1	5,325.2	9,549.4	9,845.6	103.9	19.26	7.84
Percent Change	-0.4%	0.9%	-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	18.93	6.69
Percent Change	1.9%	1.7%	0.4%	-0.5%	3.2%	5.6%	6.04%	1.4%	
2016	23,273.5	15,785.9	2,631.5	5,567.5	8,586.6	8,921.1	90.1	18.66	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	15.85	2.98
Percent Change	2.7%	2.7%	1.7%	4.4%	7.0%	4.9%	2.72%	19.2%	
2014	22,266.4	15,082.4	2,538.9	5,300.6	7,783.9	8,290.4	85.3	13.29	3.00
Percent Change	2.5%	2.0%	2.3%	2.4%	7.6%	6.0%	4.02%	4.1%	
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	13.17	4.24
Percent Change	3.6%	2.2%	3.0%	3.7%	7.9%	5.6%	4.11%	6.0%	
2011	20,800.0	14,114.3	2,390.0	5,196.5	6,528.7	7,146.3	75.9	12.42	4.24
Percent Change	3.4%	4.7%	3.2%	8.7%	9.3%	6.2%	3.41%	-1.7%	
2010	20,107.5	13,485.1	2,316.5	4,781.1	5,973.9	6,726.9	73.4	12.64	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%	21.4%	
2008	20,442.1	13,877.4	2,207.6	5,110.1	5,399.2	6,869.8	66.9	11.13	7.68
Percent Change	0.9%	1.0%	2.8%	6.5%	-2.1%	3.8%	5.12%	1.8%	
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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