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## **Aztec Economic Woes Continue**

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# México Consensus Economic Forecast

## Aztec Economic Woes Continue

2nd Quarter 2009

Initial estimates for the first quarter of 2009 indicate that the Mexican economy declined by 8.2 percent from the same period in 2008. The leading economic indicator index of INEGI, the national statistics institute, points to additional economic contraction in the coming months. The Consensus Mexico survey results are in agreement with the INEGI barometer.

Panelist projections for real gross domestic product point to a comparatively steep decline. The current consensus forecast calls for a real GDP decrease for Mexico of -4.8 percent for the year as a whole. A broad spectrum of individual projections is reported for private consumption. While one forecast calls for slight growth, other panelists anticipate declines ranging from less than one percent to approximately six percent. The consensus outlook is for Mexican consumers to reduce spending by 3.0 percent.

Economic stimulus outlays cause government consumption is expected to increase in 2009 at a consensus rate of 2.5 percent. As business cycle conditions remain unstable in 2009, sharp declines in total fixed investment will likely be observed. The protracted U.S. recession will continue to be a drag on Mexico's export economy. Amidst this economic climate, imports and exports are both expected to shrink at double digit rates by the panelists.

There is little unanimity within panelist expectations for inflation. Consumer price increases of 4.5 percent or less are predicted by two forecasters, while others expect increases in excess of 6 percent. The consensus projection suggests that consumer prices are likely to increase by more than 5.5 percent in 2009. In spite of the troubles facing Mexico, the consensus outlook for the peso has improved this quarter with the annual nominal peso per dollar exchange rate now at 13.63. The forecast for 28-day Treasury Certificates (CETES) now predicts a 6.3 percent rate of return for all of 2009.

The current consensus forecast calls for the Mexican economy to recover only moderately in 2010. GDP and private consumption are projected to exhibit increases of 1.6 percent and 1.3 percent, respectively. Government spending is expected to grow more slowly in 2010 as counter cyclical spending is cut back. As global economic prospects improve, fixed investment is expected to help lead the recovery in 2010. Not surprisingly, Mexico's import and export sectors are also projected to recover. Consumer price inflation is projected to decline to 4.6 percent for 2010, in part due to stable import prices. That outlook results from a stronger Mexican peso, which is expected to appreciate moderately to 13.60 P/\$. The panel expects monetary policy to continue to be relatively neutral as the 28-day CETES yield is forecast to remain at 6.3 percent in 2010.

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### 2009 Mexico Consensus Economic Forecast

2nd Quarter 2009

Annual Percent Change, 2009 from 2008

Annual Average

	GDP	Private Consumption	Government Consumption	Total Investment	Exports	Imports	Consumer Price Index	Exchange Rate	CETES 28 Day
American Chamber Mexico	-5.1	-5.1	1.3	-16.0	-27.1	-24.2	4.5	13.63	5.7
JPMorgan Chase Bank	-5.0	n/a	n/a	-8.1	-13.6	-18.2	5.3	13.50	6.8
BBVA Bancomer	-4.5	-2.2	-0.5	-12.7	-14.4	-11.2	3.8	13.48	5.4
Wells Fargo Bank	-5.5	-5.8	2.7	-7.5	-5.6	-5.5	6.1	13.37	6.2
Center for Economic Forecasting of Mexico	-5.8	-4.8	-1.9	-7.8	-7.6	-6.9	5.4	13.45	5.0
UACJ	-2.0	1.0	-0.5	2.0	5.0	3.0	9.0	14.00	7.8
ITESM	-4.0	-2.5	1.0	-5.0	-30.0	-20.0	4.5	13.20	5.5
COLEF	-5.4	-0.4	15.0	6.0	-12.0	-5.0	6.5	14.00	7.9
UAdeC	-5.5	-4.2	2.8	-8.1	-22.0	-19.0	5.0	14.00	6.0
Consensus -- this quarter	-4.8	-3.0	2.5	-6.4	-14.1	-11.9	5.6	13.63	6.3
-- last quarter	-2.2	-1.1	2.8	-2.1	-10.5	-6.6	5.1	14.32	7.2

**2010 Mexico Consensus Economic Forecast**

**Annual Average**

**Annual Percent Change, 2010 from 2009**

	GDP	Private Consumption	Government Consumption	Total Investment	Exports	Imports	Consumer Price Index	Exchange Rate	CETES 28 Day
American Chamber Mexico	0.1	-0.8	0.7	7.3	-2.0	-1.8	3.8	13.59	5.3
JPMorgan Chase Bank	3.4	n/a	n/a	14.8	17.5	20.4	3.4	13.00	4.8
BBVA Bancomer	1.7	1.1	1.4	5.4	-5.8	-3.8	3.4	12.86	5.1
Wells Fargo Bank	2.5	2.5	2.8	1.8	2.7	2.3	5.3	12.93	6.6
Center for Economic Forecasting of Mexico	3.0	3.2	3.5	6.9	4.9	5.7	3.7	12.95	5.3
UACJ	1.5	2.0	2.0	3.5	5.0	4.0	6.0	13.50	8.0
ITESM	2.0	1.0	3.0	3.0	15.0	10.0	4.0	13.40	6.0
COLEF	-0.8	0.0	0.0	-2.0	0.0	-2.0	6.0	16.00	8.5
UAdeC	1.2	1.3	-0.7	2.4	2.7	2.9	5.5	14.20	7.5
Consensus -- this quarter	1.6	1.3	1.6	4.8	4.4	4.2	4.6	13.60	6.3
-- last quarter	1.7	1.8	2.4	4.1	4.1	3.4	4.5	13.98	7.1

		<i>Annual Averages</i>								
<b>Historical Data</b>		GDP (2003 Pesos, billions)	Private Consumption (2003 Pesos, billions)	Government Consumption (2003 Pesos, billions)	Total Investment (2003 Pesos, billions)	Exports (2003 Pesos, billions)	Imports (2003 Pesos, billions)	CPI June 2002 = 100	Nominal Exchange Rate Pesos/ Dollars	CETES 28 Day
2008		8,928.6	6,220.0	930.5	2,050.6	2,710.2	3,057.6	129.2	11.14	7.68
	<i>Percent Change</i>	1.35%	1.54%	0.59%	4.94%	1.40%	4.29%	5.13%	1.92%	
2007		8,809.9	6,125.5	925.0	1,954.0	2,672.9	2,931.7	122.9	10.93	7.19
	<i>Percent Change</i>	3.33%	3.86%	2.14%	7.17%	5.66%	7.00%	3.97%	0.28%	
2006		8,526.0	5,897.8	905.6	1,823.3	2,529.7	2,740.0	118.2	10.90	7.19
	<i>Percent Change</i>	5.13%	5.68%	1.72%	9.78%	10.94%	12.57%	3.63%	-0.16%	
2005		8,110.2	5,580.7	890.3	1,660.8	2,280.3	2,434.0	114.1	10.92	9.20
	<i>Percent Change</i>	3.21%	4.78%	2.44%	7.46%	6.75%	8.48%	3.99%	-3.29%	
2004		7,857.7	5,326.0	869.1	1,545.5	2,136.1	2,243.8	109.7	11.29	6.82
	<i>Percent Change</i>	4.00%	5.62%	-2.76%	8.01%	11.50%	10.74%	4.69%	4.63%	
2003		7,555.8	5,042.8	893.8	1,430.9	1,915.8	2,026.2	104.8	10.79	6.23
	<i>Percent Change</i>	1.35%	2.22%	0.80%	0.37%	2.70%	0.70%	4.55%	12.05%	
2002		7,455.0	4,933.1	886.7	1,425.6	1,865.5	2,012.2	100.2	9.63	7.09
	<i>Percent Change</i>	0.83%	1.59%	-0.33%	-0.64%	1.44%	1.46%	5.03%	3.10%	
2001		7,393.9	4,856.1	889.6	1,434.8	1,839.0	1,983.2	95.42	9.34	11.31
	<i>Percent Change</i>	-0.16%	2.48%	-1.98%	-5.64%	-3.60%	-1.63%	6.36%	-1.27%	
2000		7,405.5	4,738.7	907.6	1,520.5	1,907.6	2,016.1	89.71	9.46	15.24
	<i>Percent Change</i>	6.60%	8.18%	2.38%	11.36%	16.28%	21.47%	9.50%	-1.05%	
1999		6,946.9	4,380.3	886.5	1,365.4	1,640.5	1,659.7	81.93	9.56	21.41

Note: 2008 Data are preliminary and subject to revision

\*GDP: Producto Interno Bruto, INEGI, 2003 Pesos

\*Private Consumption: Consumo Privado, INEGI, 2003 Pesos

\*Government Consumption: Consumo de Gobierno, INEGI, 2003 Pesos

\*Total Investment: Formación Bruta de Capital Fijo, INEGI, 2003 Pesos

\*Exports: Exportación de Bienes y Servicios, INEGI, 2003 Pesos

\*Imports: Importación de Bienes y Servicios, INEGI, 2003 Pesos

\*CPI, Banco de México, Annual Average, Base = June 2002

\*Exchange Rate, Banco de México, Peso-to-Dollar, Fecha de Liquidación, Annual Average

\*CETES 28 Days, Banco de México, Annual Average