



MÉXICO
Consenso de Pronósticos Económicos

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2002 OUTLOOK BRIGHTENS FOR NATION'S ECONOMY

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As the first quarter was drawing to a close, growth prospects for 2002 were looking better than they did late last year. With trade accounting for over a quarter of Mexico's Gross Domestic Product and around four-fifths of that trade going to or coming from the United States, the speed at which the U.S. economy bounces back is critical for Mexico's recovery. And, as the projections for the U.S. economy's performance keep rising, so does the projection of Mexico's 2002 growth rate.

Last year's extraordinarily low inflation rate of just 4.4 percent virtually ensures higher inflation this year. Meeting this year's 4.5 percent inflation objective would have been difficult in any case. The year got off to a bad start with January's 0.9 percent jump in consumer prices, followed by the Administration's decision to reduce, as of Feb. 8, the subsidy for residential consumers of electricity. More expensive electricity will add about 0.6 percentage points to inflation in 2002, and Hacienda is talking about the need to reduce subsidies for water usage as well. However, contrary to all expectations, the first half of February saw deflation, as measured by the Consumer Price Index. Fruit and vegetable prices plunged, more than offsetting the increase in prices in other components of the index. If the peso remains strong this year, as expected, and if nature favors harvests, inflation could come in surprisingly close to the 4.5 percent target.

Interest rates will average less this year than last, but will be higher than their historic lows of the last quarter of 2001. The Central Bank's decision to increase the "short" in early February underscored Banco de Mexico's commitment to keeping the lid on inflation, even at the cost of slowing down growth.

AmCham expects direct foreign investment (DFI) to drop by almost half this year. Unless there are more deals of the size of Citibank's acquisition of Banamex, we expect DFI flows to return to their average annual levels of the Zedillo sexenio. Structural reforms, whether in the energy sector or in improvements to the judicial system, will be necessary to boost DFI from its \$12 to \$14 billion a year average (excluding the Citibank transaction) to significantly higher levels.

A widening trade and current account deficit, combined with a smaller capital account surplus resulting from the reduction in DFI, should cause the peso to weaken this year. Don't look for a significant devaluation, though: although the year-end rate will be weaker, this year's average exchange rate should be about the same as last year's. This year's current account deficit of just over 3 percent of GDP should be easily financed in the international capital markets.

Barring an international or domestic catastrophe, 2002 should be a better year than had been expected. Achieving the 7 percent growth rates featured in campaign rhetoric isn't on the horizon without additional structural reforms. Continuing with structural reform isn't a matter of knowing what to do; it's a question of forging the political coalitions that allow them to be made.

— DR. DEBORAH L. RINER

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2002 MEXICO CONSENSUS ECONOMIC FORECAST

	Annual Percent Change 2002 from 2001						Annual Average		
	GDP 1993 Peso	Private Con- sumption	Government Con- sumption	Total Invest- ment	Exports	Imports	Consumer Price Index	Exchange Rate	CETES 28 Day
AMERICAN CHAMBER MEXICO	2.2	3.1	-0.8	3.2	4.0	5.6	4.8	9.310	8.1
BANAMEX	1.8	1.8	0.9	1.5	0.6	1.8	4.8	9.290	7.6
BANCOMER	1.2	1.8	2.2	-0.2	1.7	3.5	4.4	9.100	6.8
CAIE-ITAM	1.7	1.1	1.8	3.5	3.4	4.2	5.4	9.440	7.4
CIEMEX-WEFA	1.7	2.6	1.8	4.8	4.6	5.0	5.3	9.150	6.9
CONSULTORES ECONOMICOS									
ESPECIALIZADOS	1.5	1.6	1.0	4.3	1.5	3.8	4.8	9.310	8.6
GEA	0.8	1.1	4.9	1.6	0.6	0.8	4.7	9.280	7.7
GRUPO FINANCIERO INVERLAT	1.5	1.2	0.0	2.9	0.9	3.5	5.3	9.390	8.3
LATIN SOURCE MEXICO	0.9	1.5	-1.5	3.6	-1.4	-0.6	4.6	9.326	8.0
Consensus — This Quarter	1.5	1.7	1.1	2.8	1.8	3.1	4.9	9.288	7.7
— Last Quarter (Q4)	-0.2	2.5	-2.0	-5.8	-4.0	-3.2	5.4	9.362	11.5

2003 MEXICO CONSENSUS ECONOMIC FORECAST

	Annual Percent Change 2003 from 2002						Annual Average		
	GDP 1993 Peso	Private Con- sumption	Government Con- sumption	Total Invest- ment	Exports	Imports	Consumer Price Index	Exchange Rate	CETES 28 Day
AMERICAN CHAMBER MEXICO	3.6	4.2	2.0	4.7	5.6	6.5	3.9	9.990	7.7
BANAMEX	3.8	4.1	3.2	2.0	10.3	11.1	3.6	9.590	7.7
BANCOMER	4.8	5.1	5.5	3.2	13.1	15.2	3.2	9.300	7.4
CAIE-ITAM	—	—	—	—	—	—	—	—	—
CIEMEX-WEFA	4.5	3.8	3.8	7.7	13.2	13.5	4.5	9.780	6.8
CONSULTORES ECONOMICOS									
ESPECIALIZADOS	4.8	4.2	3.0	9.7	13.2	13.3	4.8	9.970	10.4
GEA	3.3	2.4	9.3	3.6	0.0	0.0	3.8	9.640	7.9
GRUPO FINANCIERO INVERLAT	4.5	4.5	1.4	8.9	7.2	9.9	4.7	10.010	8.3
LATIN SOURCE MEXICO	5.4	6.0	0.8	11.7	0.9	-0.2	3.4	9.758	8.2
Consensus — This Quarter	4.3	4.3	3.6	6.4	7.9	8.7	4.0	9.755	8.0
— Last Quarter (Q4)	1.3	1.4	1.2	3.3	0.0	1.4	5.5	9.690	9.0

HISTORICAL DATA

	GDP – 1993 Pesos (billions)	Private Consumption 1993 Pesos (billions)	Government Consumption 1993 Pesos (billions)	Total Investment* 1993 Pesos (billions)	Exports** US Dollars (billions)	Imports** US Dollars (billions)	Consumer Price Index 1994 Base Dec./Dec.	Exchange Rate (Pesos/Dollars)	CETES 28 Day
2000	1,609.1	1,119.0	158.0	372.6	166.4	174.4	323.8	9.5	15.4%
% Change	7.2	9.4	6.6	12.5	22.1	22.9	9.5	-1.1	
1999	1,501.0	1,022.8	148.1	331.1	136.3	141.9	295.8	9.6	21.4%
% Change	3.7	4.3	1.0	1.5	16.1	13.2	16.6	4.7	
1998	1,448.1	980.3	146.7	326.1	117.5	125.4	253.7	9.1	24.5%
% Change	4.8	5.4	2.2	9.6	6.4	14.2	15.9	15.4	
1997	1,381.5	930.2	143.6	297.4	110.4	109.8	218.8	7.9	19.8
% Change	6.8	6.5	2.9	24.9	15.0	22.7	20.6	4.2	
1996	1,293.9	873.7	139.6	238.2	96.0	89.5	184.4	7.6	31.4%
% Change	5.1	2.2	-0.7	25.6	20.7	23.5	34.4	18.4	

Source: INEGI and Banco de México. *Due to data unavailability, the annual average of the gross fixed capital formation was used for 1999 **Trade balance



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