

CONSENSUS ECONOMIC FORECAST

MÉXICO

W. P. CAREY
SCHOOL of BUSINESS

Consenso de Pronósticos Económicos

Bank One Economic Outlook Center • L. William Seidman Research Institute

ASU ARIZONA STATE
UNIVERSITY

Manufacturing, agriculture sectors lead in second quarter growth

CONTRIBUTORS

American Chamber Mexico

Dr. Deborah L. Riner

BANAMEX

Lic. Eduardo Gonzalez

Lic. Arturo Vieyra Fernandez

BANCOMER

Lic. Fernando Gonzales Cantú

Lic. Octavio R. Gutierrez

**Center for Economic
Forecasting of Mexico**

Lic. J. Alfredo Coutiño

Grupo Financiero**INVERLAT**

Lic. Francisco Gutiérrez

Guzmán

Latin Source Mexico

Jesús Reyes Heróles

Ernesto Cervera

Lic. Lorena Dominguez

The Mexican economy registered 3.9 percent annualized growth in the second quarter of the year, the highest since the end of 2000.

The rapid recovery of consumption and investment in the United States explains, for the most part, the vitality in Mexico's manufacturing production. Domestic conditions also have contributed to growth, especially in financial stability and employment. This is evident in the advance of telecommunications, financial services, construction and commercial activity.

The international situation has increased the likelihood that the price of petroleum will put the brakes on global economic advances. This risk factor may be reflected in Mexico's GDP until the end of the year. Agriculture also has contributed to the faster pace of GDP growth. The combination of high international prices, good climatic conditions and more planted acreage has added a possible two- or three-tenths to GDP in the first and second quarter.

In the manufacturing sector, eight of the nine divisions registered higher rates in the second quarter compared to the first. The most important increases relate to those activities with higher exports, like machinery, equipment and "other manufactures." Also, the textile division, whose participation in the foreign market had maintained a low level from the beginning of 2001, finally reached positive figures. The restart of manufacturing has translated into higher employment. In the January to June period, the number of jobs created in the formal sector (insured by IMSS), ascended to 194 million, of which almost half (49.5 percent) relate to manufactures. Of those, the maquiladoras (export assembly plants near the United States border) have generated two-thirds.

The ability to maintain conditions for growth in the third and fourth quarter depends largely on the global economic cycle. If oil prices negatively affect consumption in the United States and raise the cost of energy in Mexico, this could offset the benefits associated with more available income from petroleum.

Indicators in the United States such as manufacturing employment, industrial production and capital investment, suggest that (at least in the third quarter) consumption will maintain its vigor. There is no doubt that petroleum prices will slow consumption growth, even though the response in Mexico to changes in economic conditions take about a quarter. This implies that, in the scenario of progressive deceleration of consumption in the United States in the second half of 2004 due to high petroleum prices, the effects in Mexico could be visible in the last part of this year, or at the beginning of 2005.

Our forecast for growth in the third and fourth quarters incorporates the risks of the decline of benefits associated with the agricultural cycle and the effects of petroleum prices in the world market, and consequently in the exports of manufactures. In this context, GDP could once again register an higher increase in the third quarter (4.8 percent annual), even though it might lose some momentum in the fourth quarter (3.7 percent). With this, the average increase in the July-to-December period would average 4.2 percent, higher than that observed in the first half of the year (3.8 percent) and sufficient to maintain our original forecast of 4 percent growth in the economy for 2004.

— Lic. Octavio R. Gutierrez
BANCOMER

2004 MEXICO CONSENSUS ECONOMIC FORECAST

	Annual Percent Change 2004 from 2003						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	4.0	3.9	2.1	6.3	13.0	12.5	4.2	11.400	6.7
BANAMEX	3.8	4.0	2.9	3.4	7.8	8.0	4.2	11.300	6.5
BANCOMER	4.0	3.9	3.5	6.0	12.4	11.8	4.1	11.400	6.5
CENTER FOR ECONOMIC FORECASTING OF MEXICO	4.1	4.0	2.8	6.5	13.5	13.7	4.2	11.350	6.7
GRUPO FINANCIERO INVERLAT	3.9	4.2	0.6	4.1	12.4	12.4	4.7	11.400	6.8
LATIN SOURCE MEXICO	3.5	3.9	1.1	5.3	9.1	8.3	4.2	11.360	6.6
CONSENSUS — THIS QUARTER	3.9	4.0	2.2	5.3	11.4	11.1	4.3	11.368	6.6
— LAST QUARTER	3.2	3.4	2.4	3.3	6.4	7.5	4.3	11.315	6.3

2005 MEXICO CONSENSUS ECONOMIC FORECAST

	Annual Percent Change 2005 from 2004						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	3.8	2.7	2.9	3.0	4.4	3.1	4.0	11.980	8.1
BANAMEX	3.9	3.9	2.3	3.3	7.7	8.1	3.9	11.600	7.1
BANCOMER	3.8	4.1	5.2	5.6	4.5	7.1	3.7	11.800	7.1
CENTER FOR ECONOMIC FORECASTING OF MEXICO	3.9	4.2	3.8	6.1	10.2	10.9	3.5	11.750	7.6
GRUPO FINANCIERO INVERLAT	4.4	3.8	3.0	3.4	3.5	4.5	4.3	12.100	8.0
LATIN SOURCE MEXICO	3.7	4.0	2.3	3.6	6.3	7.0	3.8	11.677	6.1
CONSENSUS — THIS QUARTER	3.9	3.8	3.3	4.2	6.1	6.8	3.9	11.818	7.3
— LAST QUARTER	4.0	4.0	1.9	4.8	6.6	8.4	3.9	11.780	7.2

HISTORICAL DATA

Source: INEGI	GDP – 1993 Pesos (billions)	Private Consumption 1993 Pesos (billions)	Government Consumption 1993 Pesos (billions)	Total Investment 1993 Pesos (billions)	Exports (Trade Bal.) US Dollars (millions)	Imports (Trade Bal.) US Dollars (millions)	Consumer Price Index June 02=100 Dec./Dec.	Exchange Rate Pesos/Dollars (annual av.)	CETES 28 Day (annual av.)
2003	1,633.1	1,207.7	158.5	331.8	164.9	170.5	107.0	10.91	6.2
Percent Change	1.3%	3.2%	2.5%	-8.1%	2.6%	1.1%	4.0%	11.3%	-12.1%
2002	1,612.1	1,170.3	154.6	361.1	160.8	168.7	102.9	9.8	7.1
Percent Change	0.7%	1.1%	0.1%	-0.9%	1.5%	0.2%	5.7%	4.6%	-37.3%
2001	1,600.4	1,157.0	154.4	364.3	158.4	168.4	97.4	9.4	11.3
Percent Change	-0.1%	2.1%	-2.0%	-3.8%	-4.8%	-3.5%	4.4%	-1.7%	-25.8%
2000	1,602.3	1,133.3	157.5	378.7	166.5	174.5	93.2	9.5	15.2
Percent Change	6.6%	7.6%	2.4%	11.4%	22.0%	22.9%	9.0%	-1.0%	-28.8%
1999	1,503.5	1,053.5	153.8	339.9	136.4	142.0	85.6	9.6	21.4
Percent Change	3.7%	3.9%	4.7%	4.0%	16.1%	13.2%	12.3%	3.6%	-13.5%
1998	1,449.3	1,013.8	146.9	327.0	117.5	125.4	76.2	9.3	24.8
Percent Change	4.9%	5.3%	2.3%	9.9%	7.7%	14.2%	18.6%	16.3%	25.0%

W. P. CAREY
SCHOOL of BUSINESS



México Consenso de Pronósticos Económicos, a quarterly publication of the Bank One Economic Outlook Center in the L. William Seidman Research Institute, W. P. Carey School of Business, Arizona State University is published on the World Wide Web and is accessed at: <http://www.wpcarey.asu.edu/seid/eoc/mexico>. A printed version is available is \$20.00 per year (4 issues) or \$5.00 per issue. Contact the Bank One Economic Outlook Center, P.O. Box 874011, Arizona State University, Tempe, AZ 85287-4011, USA. (480) 965-5543 or (800) 448-0432.

©2004, Arizona Board of Regents for Arizona State University. Reprinting permission contained in this publication requires the prior written permission of the Bank One Economic Outlook Center. Authors are solely responsible for the accuracy and content of their articles.

Publisher: Robert Mittlestaedt • Executive Editor: Robert J. Eggert, Sr. • Editor: Lee R. McPheters
Managing Editor: Dawn McLaren • Editorial Coordinator: Nancy A. Maneely