

CONSENSUS ECONOMIC FORECAST

MÉXICO

W. P. CAREY
SCHOOL of BUSINESS

Consenso de Pronósticos Económicos

BANK ONE ECONOMIC OUTLOOK CENTER • L. WILLIAM SEIDMAN RESEARCH INSTITUTE

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Regional Outlooks for Ciudad Juárez and Chihuahua City

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Total employment reversed three consecutive years of declines in Ciudad Juárez in 2004. The catalyst was better economic conditions in the United States, resulting in increased orders for the maquiladora sector and substantial increases in the numbers of workers on payroll. It will take time to reverse the job losses tallied between 2001 and 2003, but new plant openings and greater investment from abroad have initiated that process. Significant deregulation and market-oriented reforms are not likely in 2006 due to the looming presidential election. Consequently, further erosion in competitiveness with Central American and Far East Asian countries is likely. Given that, the maquiladora sector will probably operate at less than full capacity for the foreseeable future. Still, rapid population growth is projected in Ciudad Juárez as new workers migrate from other regions within Mexico. That, plus income growth causes the demand for municipal water service to remain very strong.

Increases in borderplex economic activity cause northbound personal and cargo vehicle bridge flows from Ciudad Juárez into El Paso to swell over the course of the forecast period. As security concerns continue to be more efficiently addressed via new equipment investments and administrative safety procedures, pedestrian traffic at the Paso del Norte and Ysleta bridges is expected to decline in 2006, but not below pre-2001 levels. Total cargo vehicle traffic is expected to exceed 750,000 trucks by 2007. Personal vehicle traffic across the Bridge of the Americas has increased in response to shorter wait times. The rapid growth observed since 2004 should subside in 2006 and be followed by moderate growth again in 2007.

Healthy gains in maquiladora payrolls are also forecast for the Chihuahua City metropolitan economy. Simulations with the borderplex model indicate that the number of plants in operation should surpass the previous peak number attained in 2000 by the end of 2006. Formal sector employment has taken longer to recover from the recent downturn, but is anticipated to reach nearly 195,000 jobs by 2007. Real water rate increases are expected to lower per capita consumption, but not by enough to prevent total water usage from growing to more than 71.6 million cubic meters in 2007.

Legislative gridlock in Mexico City continues to derail the approval process for important structural reforms. Closer to home, the private sectors in the two smaller cities continue to struggle with complex business licensing requirements, further preventing these markets from attaining their respective economic potentials. Whether the policy outlooks for these regional markets improve after the July 2006 elections is unknown, but substantial progress is regarded as very unlikely.

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Note: The Border Region Modeling Project (University of Texas at El Paso, Economics and Finance Department) houses the Borderplex Econometric Forecasting system, a 197-equation structural model of economic activity in four metropolitan economies. The borderplex model is used to generate short-term cyclical and long-term trend forecasts every year for all four of these important regional markets.

2006 MEXICO CONSENSUS ECONOMIC FORECAST

	Annual Percent Change 2006 from 2005						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	3.2	2.8	2.1	4.1	5.6	7.9	3.9	11.140	8.8
BANAMEX	3.5	4.0	0.5	5.8	10.3	11.7	3.3	10.890	7.2
BANCOMER	3.2	4.4	1.9	6.1	11.3	10.8	3.6	11.010	7.3
CENTER FOR ECONOMIC FORECASTING OF MEXICO	4.5	4.9	3.5	8.5	9.3	10.3	3.7	10.950	7.3
SCOTIABANK INVERLAT	3.7	4.3	3.1	7.7	4.7	9.7	4.1	12.170	9.7
LATIN SOURCE MEXICO	3.1	4.4	0.5	4.8	8.1	7.2	3.7	10.637	7.6
UTEP BORDER REGION MODELING PROJECT	3.9	4.2	3.6	3.1	8.8	10.3	3.8	11.600	8.4
CONSENSUS — THIS QUARTER	3.6	4.1	2.2	5.7	8.3	9.7	3.7	11.200	8.0
— LAST QUARTER	3.6	4.1	1.9	5.9	6.6	8.6	3.7	11.436	8.8

2007 MEXICO CONSENSUS ECONOMIC FORECAST

	Annual Percent Change 2007 from 2006						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	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
BANAMEX	3.2	3.3	0.7	5.4	8.6	10.1	3.3	11.270	6.7
BANCOMER	3.1	4.3	1.4	5.7	5.2	7.3	3.5	11.370	7.1
CENTER FOR ECONOMIC FORECASTING OF MEXICO	1.5	2.2	-0.5	2.5	5.1	4.6	3.3	11.800	7.8
SCOTIABANK INVERLAT	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
LATIN SOURCE MEXICO	3.9	4.4	1.2	2.7	10.0	9.2	3.4	10.777	7.3
UTEP BORDER REGION MODELING PROJECT	3.6	3.9	3.2	3.4	7.7	7.9	3.9	11.900	8.2
CONSENSUS — THIS QUARTER	3.1	3.6	1.2	3.9	7.3	7.8	3.5	11.423	7.4

HISTORICAL DATA

	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.)
2005	1756.2	1320.6*	155.2*	372.3*	213.7	221.3	116.3	10.918	9.2
Percent Change	3.0%	4.1%	1.3%	5.7%	13.7%	12.4%	3.3%	-4.0%	35.3%
2004	1705.8	1268.6	153.2	352.2	188.0	196.8	112.6	11.368	6.8
Percent Change	4.2%	5.6%	-1.2%	1.5%	14.1%	15.4%	5.2%	4.2%	9.7%
2003	1637.4	1200.8	155.1	346.9	164.8	170.5	107	10.906	6.2
Percent Change	1.4%	2.3%	0.8%	-4.2%	2.3%	1.1%	4.0%	11.1%	-12.7%
2002	1615.6	1173.4	153.9	362	161.0	168.7	102.9	9.813	7.1
Percent Change	0.8%	1.4%	-0.3%	-1.1%	1.4%	0.2%	5.6%	4.7%	-37.2%
2001	1602.3	1157.7	154.4	366.2	158.8	168.4	97.4	9.371	11.3
Percent Change	-0.2%	2.2%	-2.0%	-3.9%	-4.4%	-3.5%	4.5%	-1.7%	-25.7%
2000	1604.8	1133.3	157.5	381.2	166.1	174.5	93.2	9.535	15.2
Percent Change	6.6%	7.6%	2.4%	11.5%	21.8%	22.9%	8.9%	-1.0%	-29.0%

* Consensus

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