

CONSENSUS ECONOMIC FORECAST

MÉXICO

W. P. CAREY
SCHOOL of BUSINESS

Consenso de Pronósticos Económicos

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Regional economic indicators for the U.S.-Mexico border

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Editor's Note: The North American Free Trade Agreement (NAFTA) was expected to increase business activity and economic integration along the U.S.-Mexico border. Since 1997, The University of Arizona, with partial financial support from the Arizona-Mexico Commission, has been assessing the performance of Arizona and Sonora as an integrated economic region.

Short-term changes in the indicators show improvement in three key areas. In 2005, the Arizona-Sonora region's share of NAFTA markets increased, albeit modestly, from 1.6 percent in 2004 to 1.7 percent in 2005. This reflects a steady rise in the absolute value of exports since 2002. Moreover, in 2005, the region's exports reached the highest dollar value ever exported to NAFTA markets; exports also grew faster than the average for all of the U.S. and Mexico.

The region's share of global markets also increased modestly from 1.9 percent in 2004 to 2.0 percent in 2005. This reflects both an increase in the dollar value of exported commodities, and higher annual growth than the U.S.-Mexico average.

In 2005, the region's border ports of entry processed 7.1 percent of all commodities shipped across the U.S.-Mexico border, compared to 6.5 percent in 2004. The dollar value of commodities shipped through the region's border points of entry experienced faster growth than the average for all U.S.-Mexico border ports of entry.

Despite these short-term improvements, the region's relative position in 2005 was below the 1997 level. Its share of NAFTA trade declined from 1.7 percent in 1997 to 1.6 percent in 2005, share of global exports declined from 2.3 percent in 1997 to 2.0 percent in 2005, and the region's share of total commodities shipped across the U.S.-Mexico border declined from 8.3 percent in 1997 to 7.1 percent in 2005.

Regional Economic Indicators help identify areas in which focused efforts can be made to better leverage the region's complementary capabilities: building high-tech industry clusters, investing in infrastructure for a knowledge-based economy, and improving the region's border ports of entry.

The Arizona-Sonora region has a strong presence in several industries such as aerospace, software and computer services, precision instruments and pharmaceuticals. While the idea of regional transboundary clusters is not new, the conditions for resource integration and workforce coordination need to be reevaluated.

Several factors, including R&D investment, creation of a highly skilled workforce and communication networks are vital building blocks of a knowledge-based economy. Developing the infrastructure for a knowledge-based economy requires significant investments in education and technology to improve the region's level of performance. Moreover, it requires close crossborder coordination, particularly in the area of workforce education and training to meet regional demands. Continuing to focus on improving the efficiency of the physical infrastructure and quality of service is also necessary in order to keep the region's border ports of entry competitive in the U.S.-Mexico border region.

— **Dr. Vera Pavlakovich-Kochi and Dr. Juliet King**
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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	4.3	4.2	1.8	6.0	20.0	18.1	3.4	10.930	7.2
BANAMEX	4.5	5.2	4.6	6.3	17.1	16.3	3.8	10.910	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	5.2	5.5	7.5	15.0	13.7	4.1	10.950	7.3
SCOTIABANK INVERLAT	3.7	4.3	3.1	7.7		9.7	4.1		
LATIN SOURCE MEXICO	4.6	5.2	4.4	8.1	17.9	15.8	3.9	10.910	7.2
UTEP BORDER REGION MODELING PROJECT	3.8	4.1	3.6	5.5	14.2	11.2	3.2	10.800	7.3
CONSENSUS – THIS QUARTER	4.1	4.7	3.6	6.7	15.9	13.7	3.7	10.918	7.2
– LAST QUARTER	4.0	4.6	2.6	7.1	13.0	12.6	3.5	11.105	7.6

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	3.2	2.8	0.2	4.6	7.8	10.3	3.3	11.180	7.1
BANAMEX	3.4	4.0	1.1	4.7	9.8	12.8	3.3	11.140	6.6
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	2.5	-1.5	1.2	6.5	6.6	3.5	11.500	7.7
SCOTIABANK INVERLAT
LATIN SOURCE MEXICO	3.9	4.4	1.2	4.6	5.8	7.5	3.4	11.030	7.2
UTEP BORDER REGION MODELING PROJECT	3.7	3.4	3.4	4.4	7.0	8.0	3.3	11.500	7.7
CONSENSUS – THIS QUARTER	3.1	3.6	1.0	4.2	7.0	8.8	3.4	11.287	7.2
– LAST QUARTER	3.1	3.5	1.1	4.6	7.5	8.7	3.3	11.358	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.)
2005	1756.2	1291.5	155.2	364.1	214.2	221.8	116.3	10.918	9.2
<i>Percent Change*</i>	3.0%	5.4%	0.5%	7.6%	14.0%	30.1%	3.3%	-4.0%	35.3%
2004	1705.8	1225.6	154.5	338.3	188.0	170.5	112.6	11.368	6.8
<i>Percent Change</i>	4.2%	4.1%	-0.4%	7.5%	14.1%	-5.0%	5.2%	4.2%	9.7%
2003	1637.4	1177.4	155.1	314.7	164.8	179.5	107.0	10.906	6.2
<i>Percent Change</i>	1.4%	2.2%	0.8%	0.4%	2.3%	6.4%	4.0%	11.1%	-12.7%
2002	1615.6	1151.8	153.9	313.5	161.0	168.7	102.9	9.813	7.1
<i>Percent Change</i>	0.8%	1.6%	-0.3%	-0.6%	1.4%	0.2%	5.6%	4.7%	-37.2%
2001	1602.3	1133.9	154.4	315.5	158.8	168.4	97.4	9.371	11.3
<i>Percent Change</i>	-0.2%	2.5%	-2.0%	-5.6%	-4.4%	-3.5%	4.5%	-1.7%	-25.7%
2000	1604.8	1106.5	157.5	334.4	166.1	174.5	93.2	9.535	15.2
<i>Percent Change</i>	6.6%	5.0%	2.4%	-2.2%	21.8%	22.9%	8.9%	-1.0%	-29.0%

* Consensus

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