

## CONSENSUS ECONOMIC FORECAST

## MÉXICO

W. P. CAREY  
SCHOOL of BUSINESS

Consenso de Pronósticos Económicos

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## Mexican economy slows considerably in first quarter 2007

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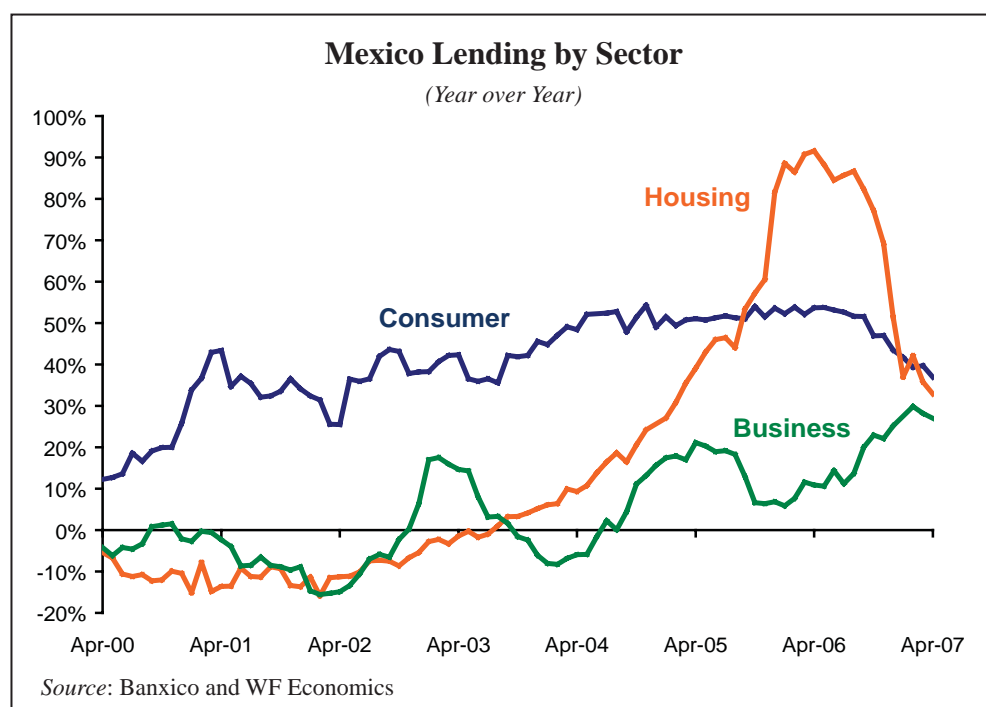
The Mexican economy slowed considerably during the first quarter of the year, posting a growth rate of only 2.6 percent compared to first quarter 2006, after surging by 4.8 percent for 2006 as a whole. The major culprit, once again, has been the concomitant slowdown in the U.S. economy. However, although there are clear signs that the U.S. economy has recovered strength during the second quarter of 2007, the same may not be true for the Mexican economy. While U.S. manufacturing activity is on the mend, many factors are contributing to a continuation of the Mexican economy's weakness during the rest of the year. A slowdown in consumer and mortgage credit (see graph), and in remittances from Mexicans living in the U.S., will continue to put a dent in the Mexican economy's expansion this year.

Also contributing to the slowdown will be the construction market and government expenditures. The construction industry has been one of the most dynamic industries in the Mexican economy for almost two years, and while mortgage lending is still providing some support, the slowdown in credit compared to last year is going to put a lid on that sector's ability to expand.

Meanwhile, it is clear that the Fox administration's effort to help President Calderón beat the PRD presidential candidate Andrés Manuel López Obrador was very intense. Government expenditures grew by 7.5 percent in 2004, 7.6 percent in 2005, and 10 percent in 2006 to help deliver the presidency to Felipe Calderón Hinojosa. This component of GDP is expected to fall significantly during the next couple of years, especially if the administration does not want the fiscal situation to deteriorate, and thus it will contribute to the slowdown in economic activity.

In addition, remittances from Mexicans living in the U.S. have started to slow considerably, limiting the ability of domestic consumption to continue to provide support to economic activity. Mexican remittances grew at an average of 3.6 percent during the first quarter of this year, compared to an increase of 27.5 percent during the same period a year earlier. If we consider the effects of inflation, then remittances growth is almost flat compared to last year. Furthermore, since a large number of Mexican workers worked in the U.S. construction sector, don't expect remittances to start growing faster any time soon.

— Dr. Eugenio J. Alemán  
Wells Fargo & Company



# 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	3.5	4.2	3.1	7.6	4.0	9.3	3.7	11.110	7.0
BANAMEX	3.4	3.9	0.3	6.6	4.3	8.4	3.4	10.900	7.2
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	2.0	2.8	-2.5	2.5	5.0	5.5	4.0	11.150	7.2
LATIN SOURCE MEXICO	3.4	4.7	2.5	7.1	5.2	7.6	3.6	11.040	7.2
UTEP BORDER REGION MODELING PROJECT	3.4	3.2	3.5	5.0	12.4	9.2	3.7	11.000	7.3
WELLS FARGO BANK	2.0	2.2	-0.9	2.4	6.6	7.7	3.5	11.000	7.2
<b>CONSENSUS – THIS QUARTER</b>	<b>3.0</b>	<b>3.6</b>	<b>1.1</b>	<b>5.3</b>	<b>6.1</b>	<b>7.9</b>	<b>3.6</b>	<b>11.081</b>	<b>7.2</b>
<b>– LAST QUARTER</b>	<b>3.1</b>	<b>3.6</b>	<b>1.0</b>	<b>4.2</b>	<b>7.0</b>	<b>8.8</b>	<b>3.4</b>	<b>11.287</b>	<b>7.2</b>

# 2008 MEXICO CONSENSUS ECONOMIC FORECAST

	Annual Percent Change 2008 from 2007						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	3.7	4.3	2.9	8.4	10.5	12.5	3.5	11.400	6.9
BANAMEX	3.8	4.3	0.4	7.5	9.0	9.2	3.2	11.150	6.8
CENTER FOR ECONOMIC FORECASTING OF MEXICO	4.0	4.2	3.4	7.5	8.5	9.5	3.5	11.450	7.0
LATIN SOURCE MEXICO	3.8	3.7	3.8	5.4	11.5	9.1	3.3	11.500	7.0
UTEP BORDER REGION MODELING PROJECT	3.5	5.6	1.4	8.6	0.0	0.0	3.6	11.200	6.9
WELLS FARGO BANK	3.1	2.5	4.8	6.9	8.3	8.6	3.5	11.100	7.2
<b>CONSENSUS – THIS QUARTER</b>	<b>3.7</b>	<b>4.1</b>	<b>2.8</b>	<b>7.4</b>	<b>8.0</b>	<b>8.2</b>	<b>3.4</b>	<b>11.300</b>	<b>7.0</b>
<b>– LAST QUARTER</b>	<b>3.8</b>	<b>4.5</b>	<b>2.3</b>	<b>6.5</b>	<b>6.9</b>	<b>7.9</b>	<b>3.4</b>	<b>11.410</b>	<b>6.8</b>

## 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.)
2006*	1,826.5	1,350.9	159.2	389.9	242.1	249.8	120.4	12.1	9.9
Percent Change	4.0%	4.6%	2.6%	7.1%	13.0%	12.6%	3.5%	11.1%	7.6%
2005	1,756.2	1,291.5	155.2	364.1	214.2	221.8	116.3	10.9	9.2
Percent Change	3.0%	1.8%	0.5%	3.4%	14.0%	12.7%	3.3%	-4.0%	35.3%
2004	1,705.8	1,268.6	154.5	352.2	188.0	196.8	112.6	11.4	6.8
Percent Change	4.2%	5.6%	-0.4%	1.5%	14.1%	15.4%	5.2%	4.2%	9.7%
2003	1,637.4	1,200.8	155.1	346.9	164.8	170.5	107.0	10.9	6.2
Percent Change	1.4%	2.3%	0.8%	-4.2%	2.3%	1.1%	4.0%	11.1%	-12.7%
2002	1,615.6	1,173.4	153.9	362.0	161.0	168.7	102.9	9.8	7.1
Percent Change	0.8%	1.4%	-0.3%	-1.1%	1.4%	0.2%	5.6%	4.7%	-37.2%
2001	1,602.3	1,157.7	154.4	366.2	158.8	168.4	97.4	9.4	11.3
Percent Change	-0.2%	2.2%	-2.0%	-3.9%	-4.4%	-3.5%	4.5%	-1.7%	-25.7%

\* Consensus

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