

Trade balance – Mixed signals in October as supply chain issues remain

November 26, 2021

www.banorte.com
@analisis_fundam

Juan Carlos Alderete, CFA
Director of Economic Research
juan.alderete.macal@banorte.com

Francisco Flores
Senior Economist, Mexico
francisco.flores.serrano@banorte.com

- **Trade balance (October): -US\$2,701.0 million; Banorte: -US\$1,721.0mn; consensus: -US\$1,960.5mn (range: -US\$3,293mn to +US\$1,100mn); previous: -US\$2,398.4mn**
- **The balance showed a deficit for a fourth consecutive month, in our view mostly because of supply chain disruptions. In annual terms, exports were unchanged (0.0%) and imports grew 25.1%, still biased by base effects**
- **With seasonally adjusted figures, exports grew 0.2% m/m. Specifically, oil-related goods accelerated to 11.4% with non-oil at -0.6%. In the latter, manufacturing was weak (-1.3%), with weakness centered in autos**
- **Imports rebounded 1.1%. Oil was up 2.7% after a strong fall in the previous month. In non-oil (0.9%), we highlight the 3.2% rebound in consumption, possibly in preparation of the discount season. Intermediate (+0.7%) and capital goods (0.0%) were more modest**
- **Despite modest results, we believe signals point to a recovery in activity in 4Q21, at least from consumption, with prevailing risks for industry**

US\$2,701.0 million deficit in October. This was wider than consensus (-US\$1,960.5mn) and our -US\$1,721.0 million estimate. This represents a fourth consecutive month in negative territory, in our view still reflecting persistent supply chain disruptions. In annual terms, exports did not grow (0.0%), while imports are still advancing strongly (25.1%), still helped by a base effect, as shown in [Chart 1](#). In the former, oil exports accelerated to 105.9% y/y, helped by higher prices of the Mexican oil mix (109.8%). Non-oil fell 3.5%, in part because of a more challenging base effect. Agricultural goods (4.7%) and mining (6.0%) improved at the margin, with manufacturing weaker (-4.0%). Within the latter, the auto sector weakened even more (-21.8%), albeit with 'others' (6.2%) also lower. In imports, oil remains high (72.8%). Non-oil increased 21.2%. In them, we highlight consumption. Details are presented in [Table 1](#). The trade balance accumulated a US\$2.8 billion deficit in the last twelve months, with a US\$22.9bn deficit in oil and a US\$20.0bn surplus in non-oil (see [Chart 2](#)).

Mixed signals in terms of sequential performance. Total exports barely grew 0.2% m/m, with imports stronger at 1.1%, albeit up after falling in the previous month (see [Table 2](#)). Specifically, dynamics within several components suggest that supply chain issues are still a key determinant behind flows. Moreover, we are cautious about the data as it could be skewed higher in nominal terms due to high inflation pressures worldwide.

In oil, shipments abroad accelerated 11.4%, which seems explained mainly by higher prices, with preliminary reports showing weak volumes. This would be consistent with reports about delays in shipments and unfavorable weather. Imports were up 2.7%, rebounding after falling 7.5% in the previous month. Strength centered in intermediate goods (5.1%), with consumption stringing its third consecutive month on the downside at -2.7%. The latter is in line with reports about the reopening of the Tula refinery, which may have helped compensate for fuel imports.

Document for distribution among the
general public

In non-oil, exports fell 0.6%, which is not very surprising after considering the 3.0% advance of the previous month. Only non-oil mining went up (50.7%), in part because of a base effect. Meanwhile, agricultural goods fell 2.8%, even after reports of few climatological distortions in the month. In manufacturing (-1.3%), we saw contractions in autos (-3.8%) and 'others' (-0.3%). In the former, we believe the shortage of semiconductors remains a key issue, with reports of additional stoppages in several plants. Nevertheless, this contrast with better signals from AMIA (at the margin), as well as from the same sector in the US. In 'others', it seems that disruptions have had a more modest impact, albeit they are also impacting dynamism. At the margin, the sector seems to be still benefitted by strong demand, although it is also likely translating into higher prices. In imports (0.9%), strength was centered in consumption, up 3.2%. We believe this is associated with preparations ahead of the discount season in November and year-end shopping. Intermediate goods were more modest at 0.7%, in part because of the slowdown in manufacturing. Lastly, capital goods were unchanged, possibly resenting exchange rate depreciation.

Further signs of a recovery, albeit with higher uncertainty about the pace.

We believe today's results are somewhat mixed, with cautious signals for industry and dynamism in imports that may be amplified by the recent increase in prices. Despite of this, it is our take that conditions are more favorable than in the previous quarter, which should provide an additional push higher to economic activity. At the margin, most recent data support this view. In the US, November's PMI manufacturing rebounded to 59.1pts after three months lower. The report mentions that this was driven by new orders, consistent with strong demand. Nevertheless, managers still complain about the supply of raw materials, both because of their scarcity and cost, so delays increased further in the period.

This suggests that challenges at the domestic level are still in place. In this respect, we will watch closely to the ISM manufacturing in the US and IMEF indicators in our country. So far, we have had news about additional factory stoppages, such as VW. Regarding supply chains, the problem with semiconductors seems to be diminishing according to some producers such as *Micron*, with waiting times falling at the margin. Nevertheless, others have mentioned that distortions will remain at least until 2022. In this backdrop, the secretary of Economic Development of the state of Aguascalientes, Alejandro González, stated that stoppages will likely continue at least until 1Q22 according to automotive companies. Related to this, *Fitch Ratings* said that the lack of chips will impact GDP about 1% this year, with these problems persisting in the first half of 2022. In other issues, China is still implementing some lockdowns. This not only affects production but also adds to the uncertainty about the planning of shipments. It also represents an additional logistic challenge, further complicating the situation.

On domestic demand, marginal signals seem better, with the possibility of an acceleration in year-end purchases given a more favorable epidemiological backdrop. Nevertheless, our main concern in this front is still price pressures that affect households' purchasing power. Looking ahead, we will watch closely the potential impact from the new wave of COVID-19 during the winter, especially after a new variant has emerged in South Africa and other countries in the continent which may be more contagious than 'delta'.

We believe this may have a more immediate impact on investment as it adds additional risks about the recovery and the adequate moment to invest.

Lastly, we will continue monitoring price dynamics in oil, especially after the recent announcement of the release of strategic reserves by several countries, waiting for the response from OPEC+. In this environment, prices have moderated after reaching highs not seen since 2014. On the other hand, we believe that some restrictions remain in terms of volumes. In contrast, we could see stronger fuel imports given higher mobility.

Table 1: Trade balance
% y/y nsa

	Oct-21	Oct-20	Jan-Oct'21	Jan-Oct'20
Total exports	0.0	2.9	19.4	-12.7
Oil	105.9	-26.8	67.3	-35.7
Crude oil	97.1	-27.5	68.5	-38.5
Others	144.7	-24.0	61.1	-16.8
Non-oil	-3.5	4.3	17.4	-11.3
Agricultural	4.7	3.2	6.1	3.8
Mining	6.0	66.4	34.2	17.3
Manufacturing	-4.0	3.5	17.6	-12.4
Vehicle and auto-parts	-21.8	12.8	16.3	-21.1
Others	6.2	-1.2	18.2	-7.5
Total imports	25.1	-13.9	32.8	-18.8
Consumption goods	35.0	-30.4	35.2	-27.4
Oil	51.8	-43.9	44.1	-38.9
Non-oil	30.6	-25.6	32.4	-22.8
Intermediate goods	24.0	-9.2	33.8	-17.1
Oil	83.3	-26.5	85.9	-34.1
Non-oil	20.0	-7.8	30.0	-15.5
Capital goods	21.7	-25.2	21.1	-21.5

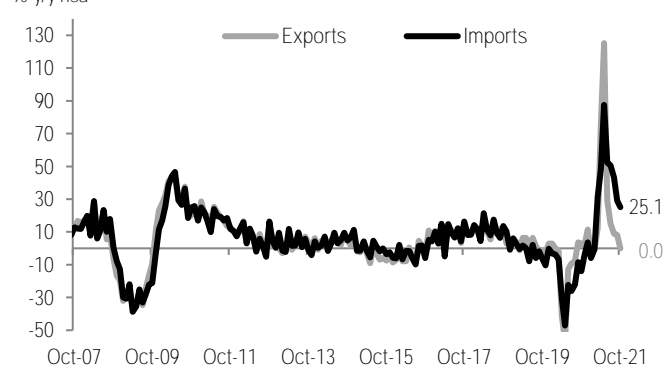
Source: INEGI

Table 2: Trade balance
% m/m, % 3m/3m sa

	Oct-21	% m/m Sep-21	Aug-21	% 3m/3m Aug-Oct'21	Jul-Sep'21
Total exports	0.2	2.8	-4.6	-1.9	-0.3
Oil	11.4	0.5	-6.8	4.6	10.5
Crude oil	9.2	-4.9	-4.6	0.9	8.6
Others	21.1	34.5	-18.8	26.1	21.4
Non-oil	-0.6	3.0	-4.4	-2.3	-1.0
Agricultural	-2.8	3.3	3.4	3.1	3.9
Mining	50.7	-28.9	1.5	-5.7	-0.1
Manufacturing	-1.3	3.8	-4.9	-2.4	-1.2
Vehicle and auto-parts	-3.8	5.3	-4.9	-9.0	-10.8
Others	-0.3	3.1	-4.9	0.7	3.6
Total imports	1.1	-0.6	-3.5	0.0	4.3
Consumption goods	1.6	0.2	-6.2	-5.2	0.8
Oil	-2.7	-2.1	-7.2	-6.7	4.9
Non-oil	3.2	1.1	-5.8	-4.7	-0.7
Intermediate goods	1.2	-0.9	-3.2	0.9	5.2
Oil	5.1	-9.6	3.9	6.8	17.2
Non-oil	0.7	0.1	-4.0	0.3	4.0
Capital goods	0.0	1.2	-2.5	0.0	1.3

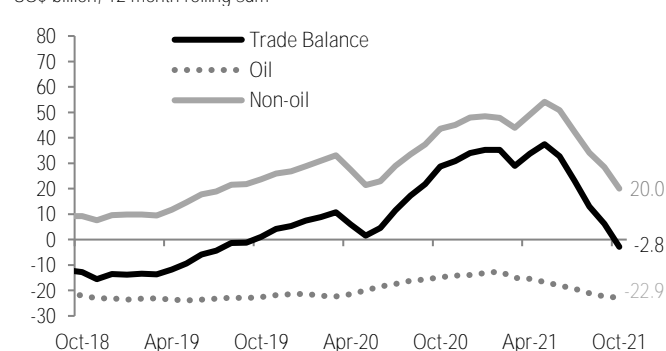
Source: INEGI

Chart 1: Exports and imports
% y/y nsa



Source: INEGI

Chart 2: Trade balance
US\$ billion, 12 month rolling sum



Source: INEGI

Analyst Certification

We, Alejandro Padilla Santana, Juan Carlos Alderete Macal, Manuel Jiménez Zaldivar, Marissa Garza Ostos, Francisco José Flores Serrano, Katia Celina Goya Ostos, Santiago Leal Singer, José Itzamna Espitia Hernández, Víctor Hugo Cortes Castro, Hugo Armando Gómez Solís, Miguel Alejandro Calvo Domínguez, Luis Leopoldo López Salinas, Leslie Thalía Orozco Vélez and Gerardo Daniel Valle Trujillo, certify that the points of view expressed in this document are a faithful reflection of our personal opinion on the company (s) or firm (s) within this report, along with its affiliates and/or securities issued. Moreover, we also state that we have not received, nor receive, or will receive compensation other than that of Grupo Financiero Banorte S.A.B. of C.V. for the provision of our services.

Relevant statements.

In accordance with current laws and internal procedures manuals, analysts are allowed to hold long or short positions in shares or securities issued by companies that are listed on the Mexican Stock Exchange and may be the subject of this report; nonetheless, equity analysts have to adhere to certain rules that regulate their participation in the market in order to prevent, among other things, the use of private information for their benefit and to avoid conflicts of interest. Analysts shall refrain from investing and holding transactions with securities or derivative instruments directly or through an intermediary person, with Securities subject to research reports, from 30 calendar days prior to the issuance date of the report in question, and up to 10 calendar days after its distribution date.

Compensation of Analysts.

Analysts' compensation is based on activities and services that are aimed at benefiting the investment clients of Casa de Bolsa Banorte and its subsidiaries. Such compensation is determined based on the general profitability of the Brokerage House and the Financial Group and on the individual performance of each analyst. However, investors should note that analysts do not receive direct payment or compensation for any specific transaction in investment banking or in other business areas.

Last-twelve-month activities of the business areas.

Grupo Financiero Banorte S.A.B. de C.V., through its business areas, provides services that include, among others, those corresponding to investment banking and corporate banking, to a large number of companies in Mexico and abroad. It may have provided, is providing or, in the future, will provide a service such as those mentioned to the companies or firms that are the subject of this report. Casa de Bolsa Banorte or its affiliates receive compensation from such corporations in consideration of the aforementioned services.

Over the course of the last twelve months, Grupo Financiero Banorte S.A.B. C.V., has not obtained compensation for services rendered by the investment bank or by any of its other business areas of the following companies or their subsidiaries, some of which could be analyzed within this report.

Activities of the business areas during the next three months.

Casa de Bolsa Banorte, Grupo Financiero Banorte or its subsidiaries expect to receive or intend to obtain revenue from the services provided by investment banking or any other of its business areas, by issuers or their subsidiaries, some of which could be analyzed in this report.

Securities holdings and other disclosures.

As of the end of last quarter, Grupo Financiero Banorte S.A.B. of C.V. has not held investments, directly or indirectly, in securities or derivative financial instruments, whose underlying securities are the subject of recommendations, representing 1% or more of its investment portfolio of outstanding securities or 1 % of the issuance or underlying of the securities issued.

None of the members of the Board of Grupo Financiero Banorte and Casa de Bolsa Banorte, along general managers and executives of an immediately below level, have any charges in the issuers that may be analyzed in this document.

The Analysts of Grupo Financiero Banorte S.A.B. of C.V. do not maintain direct investments or through an intermediary person, in the securities or derivative instruments object of this analysis report.

Guide for investment recommendations.

	Reference
BUY	When the share expected performance is greater than the MEXBOL estimated performance.
HOLD	When the share expected performance is similar to the MEXBOL estimated performance.
SELL	When the share expected performance is lower than the MEXBOL estimated performance.

Even though this document offers a general criterion of investment, we urge readers to seek advice from their own Consultants or Financial Advisors, in order to consider whether any of the values mentioned in this report are in line with their investment goals, risk and financial position.

Determination of Target Prices

For the calculation of estimated target prices for securities, analysts use a combination of methodologies generally accepted among financial analysts, including, but not limited to, multiples analysis, discounted cash flows, sum-of-the-parts or any other method that could be applicable in each specific case according to the current regulation. No guarantee can be given that the target prices calculated for the securities will be achieved by the analysts of Grupo Financiero Banorte S.A.B. C.V., since this depends on a large number of various endogenous and exogenous factors that affect the performance of the issuing company, the environment in which it performs, along with the influence of trends of the stock market, in which it is listed. Moreover, the investor must consider that the price of the securities or instruments can fluctuate against their interest and cause the partial and even total loss of the invested capital.

The information contained hereby has been obtained from sources that we consider to be reliable, but we make no representation as to its accuracy or completeness. The information, estimations and recommendations included in this document are valid as of the issue date, but are subject to modifications and changes without prior notice; Grupo Financiero Banorte S.A.B. of C.V. does not commit to communicate the changes and also to keep the content of this document updated. Grupo Financiero Banorte S.A.B. of C.V. takes no responsibility for any loss arising from the use of this report or its content. This document may not be photocopied, quoted, disclosed, used, or reproduced in whole or in part without prior written authorization from Grupo Financiero Banorte S.A.B. of C.V.

GRUPO FINANCIERO BANORTE S.A.B. de C.V.

Research and Strategy			
Alejandro Padilla Santana	Chief Economist and Head of Research	alejandro.padilla@banorte.com	(55) 1103 - 4043
Raquel Vázquez Godínez	Assistant	raquel.vazquez@banorte.com	(55) 1670 - 2967
Itzel Martínez Rojas	Analyst	itzel.martinez.rojas@banorte.com	(55) 1670 - 2251
Lourdes Calvo Fernández	Analyst (Edition)	lourdes.calvo@banorte.com	(55) 1103 - 4000 x 2611
Economic Research			
Juan Carlos Alderete Macal, CFA	Director of Economic Research	juan.alderete.macal@banorte.com	(55) 1103 - 4046
Francisco José Flores Serrano	Senior Economist, Mexico	francisco.flores.serrano@banorte.com	(55) 1670 - 2957
Katia Celina Goya Ostos	Senior Economist, Global	katia.goya@banorte.com	(55) 1670 - 1821
Luis Leopoldo López Salinas	Economist, Global	luis.lopez.salinas@banorte.com	(55) 1103 - 4000 x 2707
Market Strategy			
Manuel Jiménez Zaldívar	Director of Market Strategy	manuel.jimenez@banorte.com	(55) 5268 - 1671
Fixed Income and FX Strategy			
Santiago Leal Singer	Senior Strategist, Fixed Income and FX	santiago.leal@banorte.com	(55) 1670 - 2144
Leslie Thalia Orozco Vélez	Strategist, Fixed Income and FX	leslie.orozco.velez@banorte.com	(55) 5268 - 1698
Equity Strategy			
Marissa Garza Ostos	Director of Equity Strategy	marissa.garza@banorte.com	(55) 1670 - 1719
José Itzamna Espitia Hernández	Senior Strategist, Equity	jose.espitia@banorte.com	(55) 1670 - 2249
Víctor Hugo Cortes Castro	Senior Strategist, Technical	victorh.cortes@banorte.com	(55) 1670 - 1800
Corporate Debt			
Hugo Armando Gómez Solís	Senior Analyst, Corporate Debt	hugo.gomez@banorte.com	(55) 1670 - 2247
Gerardo Daniel Valle Trujillo	Analyst, Corporate Debt	gerardo.valle.trujillo@banorte.com	(55) 1670 - 2248
Economic Studies			
Miguel Alejandro Calvo Domínguez	Senior Analyst, Economic Studies	miguel.calvo@banorte.com	(55) 1670 - 2220
Wholesale Banking			
Armando Rodal Espinosa	Head of Wholesale Banking	armando.rodal@banorte.com	(55) 1670 - 1889
Alejandro Aguilar Ceballos	Head of Asset Management	alejandro.aguilar.cebillos@banorte.com	(55) 5004 - 1282
Alejandro Eric Faesi Puente	Head of Global Markets and Institutional Sales	alejandro.faesi@banorte.com	(55) 5268 - 1640
Alejandro Frigolet Vázquez Vela	Head of Sólida Banorte	alejandro.frigolet.vazquezvela@banorte.com	(55) 5268 - 1656
Arturo Monroy Ballesteros	Head of Investment Banking and Structured Finance	arturo.monroy.ballesteros@banorte.com	(55) 5004 - 5140
Carlos Alberto Arciniega Navarro	Head of Treasury Services	carlos.arciniega@banorte.com	(81) 1103 - 4091
Gerardo Zamora Nanez	Head of Transactional Banking, Leasing and Factoring	gerardo.zamora@banorte.com	(81) 8173 - 9127
Jorge de la Vega Grajales	Head of Government Banking	jorge.delavega@banorte.com	(55) 5004 - 5121
Luis Pietrini Sheridan	Head of Private Banking	luis.pietrini@banorte.com	(55) 5249 - 6423
Lizza Velarde Torres	Executive Director of Wholesale Banking	lizza.velarde@banorte.com	(55) 4433 - 4676
Osvaldo Brondo Menchaca	Head of Specialized Banking Services	osvaldo.brondo@banorte.com	(55) 5004 - 1423
Raúl Alejandro Arauzo Romero	Head of Transactional Banking	alejandro.arauzo@banorte.com	(55) 5261 - 4910
René Gerardo Pimentel Ibarrola	Head of Corporate Banking	pimentelr@banorte.com	(55) 5004 - 1051
Ricardo Velázquez Rodríguez	Head of International Banking	rvelazquez@banorte.com	(55) 5004 - 5279
Víctor Antonio Roldan Ferrer	Head of Commercial Banking	victor.rolan.ferrer@banorte.com	(55) 1670 - 1899