

## Trade balance – Manufacturing exports surge after a couple of rough months

September 27, 2018

www.banorte.com  
@ analisis\_fundam

**Juan Carlos Alderete, CFA**  
Senior Economist, Mexico  
juan.alderete.macal@banorte.com

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

- Trade balance (August): US\$-2,590.5mn; Banorte: US\$-2,037.3mn; consensus: US\$-2,643.8mn (range of estimates: US\$-4,500mn to US\$-1,122mn); previous: US\$-2,889mn
- Total exports increased 3.6% m/m as a result of the 3.4% expansion in manufacturing exports. Inside the latter, autos picked up 1.5% m/m, while the rest advanced 4.4%
- Total imports increased 2.7% m/m on the back of higher non-oil imports (3.4%), signaling a better outlook for consumption going forward
- Today's report is consistent with our view more vigorous growth outlook for 3Q18

**Trade balance for August with a US\$2,590.5 million deficit.** According to Banxico and *INEGI's* report published today, trade balance posted a US\$2,590.5 million deficit, below our US\$2,037.3mn deficit forecast (consensus: US\$2,643.8mn deficit).

In its year-on-year comparison, oil exports increased 47.2% yoy, as a result of the 39.1% yoy growth in the price of Mexico's crude oil basket. In this respect and with oil prices remaining at relatively elevated levels, we believe oil exports will maintain relatively high growth rates. In addition, manufacturing exports expanded 8.5%, mostly driven by the 11.8% expansion in vehicle and auto-parts.

On the other hand, total imports posted a 9.4% yoy expansion, relatively low considering the 50.9% increase in oil-consumption imports, resulting in a YTD 42.1% expansion, while capital goods imports edged-up 9.3% yoy (refer to the following table).

### Trade Balance in August

% yoy, nsa

	Aug-18	Aug-17	Jan-Aug, '18	Jan-Aug, '17
<b>Total exports</b>	<b>10.0</b>	<b>10.7</b>	<b>10.3</b>	<b>10.1</b>
Oil	47.2	5.0	43.0	25.1
Crude oil	47.4	5.4	51.3	25.8
Others	46.1	2.5	6.4	22.1
Non-oil	8.0	11.1	9.4	9.3
Agricultural	-7.4	17.6	6.3	8.2
Mining	10.3	19.2	24.7	30.6
Manufacturing	8.5	10.7	9.4	9.1
Vehicle and autoparts	11.8	15.6	12.8	11.8
Others	6.8	8.3	7.6	7.8
<b>Total imports</b>	<b>9.4</b>	<b>12.2</b>	<b>12.0</b>	<b>8.2</b>
Consumption goods	15.0	12.0	14.4	8.4
Oil	50.9	28.1	42.1	29.4
Non-oil	3.4	7.7	5.0	2.7
Intermediate goods	8.4	12.8	11.3	8.9
Oil	10.1	53.4	33.2	37.7
Non-oil	8.2	9.8	9.4	7.0
Capital goods	9.3	8.0	14.2	2.8

Source: INEGI

Document for distribution among public

**In seasonally-adjusted terms, total exports exhibited a strong performance.**

These increased 3.6% m/m, with vehicles and auto parts picking up 1.5% m/m. Furthermore, manufacturing non-auto exports advanced 4.4%, reversing two months of declines and now stand at its highest level so far this year. In our view, this suggests that economic activity in 3Q18 is strengthening when compared to the previous quarter, and is also consistent with other indicators such as July's IGAE. Moreover, agro exports grew at a healthy 7.1% pace after declining in the last four months, now representing about 55% of oil exports (when summing up the last 12-month flow).

**Total imports increased 2.7% m/m in spite of 2.9% decline in oil-related products.**

With respect to the latter, oil-consumption goods fell 3.3% and oil-intermediate goods by 2.7%, aided by the monthly decrease in oil prices. On the contrary, non-oil imports advanced 3.4%, which is a significant improvement when compared to the increase of 0.3% in the previous month. Consumption stood at 4.2% and intermediate goods at 4.1%, although capital goods fell 1.7%. In this sense, we believe this figures suggest that consumption and industrial activity could exhibit better dynamics in coming months.

**Trade Balance in August**

% m/m sa

	Ago-18	Jul-18	Jun-18
<b>Total exports</b>	3.6	0.2	-0.7
Oil	5.7	-2.6	-3.5
Crude oil	-1.1	4.3	-2.4
Others	76.5	-42.0	-9.6
Non-oil	3.4	0.4	-0.5
Agricultural	7.1	-2.4	-0.2
Mining	-2.4	8.4	-16.5
Manufacturing	3.4	0.4	-0.2
Vehicle and autoparts	1.5	1.7	6.1
Others	4.4	-0.4	-3.5
<b>Total imports</b>	2.7	-0.1	0.1
Consumption goods	1.6	0.2	2.3
Oil	-3.3	4.7	8.6
Non-oil	4.2	-2.0	-0.4
Intermediate goods	3.4	-0.6	-0.6
Oil	-2.7	-6.1	4.5
Non-oil	4.1	0.1	-1.1
Capital goods	-1.7	3.6	2.2

Source: INEGI

**Today's report is consistent with our view of a more vigorous growth outlook for 3Q18.**

Similar to the previous month, we continue expecting an exports rebound in coming months. In this respect, we highlight two main factors that could support performance: (1) Lower uncertainty after the preliminary trade deal reached by Mexico and the US at the end of August which could foster exports, although this could also incentivize higher non-oil imports (intermediate and capital goods) due to a better local investment outlook, particularly for FDI; and (2) strength in US industrial production, as portrayed in recent data, which could help support growth in the auto sector.

**Disclaimer**

The information contained in this document is illustrative and informative so it should not be considered as an advice and/or recommendation of any kind. BANORTE is not part of any party or political trend.

## Analyst Certification.

We, Gabriel Casillas Olivera, Delia Maria Paredes Mier, Alejandro Padilla Santana, Manuel Jiménez Zaldívar, Tania Abdul Massih Jacobo, Katia Celina Goya Ostos, Juan Carlos Alderete Macal, Víctor Hugo Cortes Castro, Marissa Garza Ostos, Miguel Alejandro Calvo Domínguez, Hugo Armando Gómez Solís, Gerardo Daniel Valle Trujillo, José Itzamna Espitia Hernández, Valentín III Mendoza Balderas, Santiago Leal Singer and Francisco José Flores Serrano 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 Ixe 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.

<b>Reference</b>	
<b>BUY</b>	<i>When the share expected performance is greater than the MEXBOL estimated performance.</i>
<b>HOLD</b>	<i>When the share expected performance is similar to the MEXBOL estimated performance.</i>
<b>SELL</b>	<i>When the share expected performance is lower than the MEXBOL estimated performance.</i>

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**

Gabriel Casillas Olvera	Chief Economist and Head of Research	gabriel.casillas@banorte.com	(55) 4433 - 4695
Raquel Vázquez Godínez	Assistant	raquel.vazquez@banorte.com	(55) 1670 - 2967

**Economic Analysis**

Delia María Paredes Mier	Executive Director of Economic Analysis	delia.paredes@banorte.com	(55) 5268 - 1694
Katia Celina Goya Ostos	Senior, Global Economist	katia.goya@banorte.com	(55) 1670 - 1821
Juan Carlos Alderete Macal, CFA	Senior Economist, Mexico	juan.alderete.macal@banorte.com	(55) 1103 - 4046
Miguel Alejandro Calvo Domínguez	Economist, Regional	miguel.calvo@banorte.com	(55) 1670 - 2220
Francisco José Flores Serrano	Economist, Mexico	francisco.flores.serrano@banorte.com	(55) 1670 - 2957
Lourdes Calvo Fernández	Analyst (Edition)	lourdes.calvo@banorte.com	(55) 1103 - 4000 x 2611

**Fixed income and FX Strategy**

Alejandro Padilla Santana	Head Strategist – Fixed income and FX	alejandro.padilla@banorte.com	(55) 1103 - 4043
Santiago Leal Singer	Strategist Fixed income and FX	santiago.leal@banorte.com	(55) 1670 - 2144
Leslie Thalía Orozco Velez	Fixed Income and FX Strategist	leslie.orozco.velez@banorte.com	(55) 1670 - 1698

**Equity Strategy**

Manuel Jiménez Zaldivar	Director Equity Research — Telecommunications / Media	manuel.jimenez@banorte.com	(55) 5268 - 1671
Victor Hugo Cortes Castro	Technical Analysis	victorh.cortes@banorte.com	(55) 1670 - 1800
Marissa Garza Ostos	Equity Research – Conglomerates / Financials/ Mining / Petrochemicals	marissa.garza@banorte.com	(55) 1670 - 1719
José Itzamna Espitia Hernández	Equity Research – Airlines / Airports / Cement / Infrastructure / REITs	jose.espitia@banorte.com	(55) 1670 - 2249
Valentín III Mendoza Balderas	Equity Research – Auto Parts/ Consumer Discretionary / Real Estate / Retail	valentin.mendoza@banorte.com	(55) 1670 - 2250
Francisco Duarte Alcocer	Analyst	francisco.duarte.alcocer@banorte.com	(55) 1670 - 2707
Itzel Martínez Rojas	Analyst	itzel.martinez.rojas@banorte.com	(55) 1670 - 2251

**Corporate Debt**

Tania Abdul Massih Jacobo	Director Corporate Debt	tania.abdul@banorte.com	(55) 5268 - 1672
Hugo Armando Gómez Solís	Senior, Corporate Debt	hugo.gomez@banorte.com	(55) 1670 - 2247
Gerardo Daniel Valle Trujillo	Analyst, Corporate Debt	gerardo.valle.trujillo@banorte.com	(55) 1670 - 2248

**Wholesale Banking**

Armando Rodal Espinosa	Head of Wholesale Banking	armando.rodal@banorte.com	(55) 1670 - 1889
Alejandro Eric Faesi Puente	Head of Global Markets and Institutional Sales	alejandro.faesi@banorte.com	(55) 5268 - 1640
Alejandro Aguilar Ceballos	Head of Asset Management	alejandro.aguilar.cebillos@banorte.com	(55) 5268 - 9996
Arturo Monroy Ballesteros	Head of Investment Banking and Structured Finance	arturo.monroy.ballesteros@banorte.com	(55) 5004 - 1002
Gerardo Zamora Nanez	Head of Transactional Banking, Leasing and Factoring	gerardo.zamora@banorte.com	(81) 8318 - 5071
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) 5004 - 1453
René Gerardo Pimentel Ibarrola	Head of Asset Management	pimentelr@banorte.com	(55) 5268 - 9004
Ricardo Velázquez Rodríguez	Head of International Banking	rvelazquez@banorte.com	(55) 5004 - 5279
Victor Antonio Roldan Ferrer	Head of Corporate Banking	victor.rolan.ferrer@banorte.com	(55) 5004 - 1454