

## Trade balance – Manufacturing exports fell in July

August 28, 2017

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- **Trade balance (July): US\$ -1,522.6mn; Banorte-Ixe: US\$ -2,470.4mn; consensus: US\$ -1,035mn; previous: US\$ 61.5mn**
- **In seasonally adjusted terms, manufacturing exports fell 2.6% m/m, as a result of the 3.7% reduction in non-vehicle manufacturing exports**
- **We believe that July's trade balance report is reflecting the deceleration of the manufacturing industry, as a result of the lower uncertainty surrounding Mexico's trade relation with the US**

**Trade balance figures for July show a US\$ 1,522.6 million deficit.** According to Banxico and *INEGI's* report published today, trade balance posted a US\$ 1,522.6 million deficit, above our US\$ 2,470.4mn deficit forecast (consensus: US\$ -1,035.5mn). The difference between today's figure and our forecast comes as a result of the 19.3% expansion of oil exports. Year-to-date, Mexico's trade balance adds a US\$ 4,432.4 million deficit.

**Total exports fell 2.2% m/m.** Analyzing the seasonal adjusted figures, oil exports increased 2.4% m/m. By contrast, non-oil exports fell 2.4% m/m, derived from the 2.6% contraction in manufacturing exports. Taking a look at the breakdown, vehicle-industry exports fell 0.6%, while the rest of manufacturing exports decreased 3.7% m/m (refer to the table on the following page).

**Total imports fell 1.6% m/m.** Non-oil consumption imports –associated with private spending– posted a 0.7% m/m contraction. Moreover, non-oil imports of intermediate goods –usually used as inputs in the manufacturing sector– fell 2.2% in July. Finally, capital goods imports remained unchanged.

**Negative report.** As we have mentioned throughout our publications, manufacturing exports growth during the first half of the year was mostly explained by the uncertain trade relation with the US, which fostered a higher flow of exports, hedging a scenario of future tariffs. Given that there is a consensus that the renegotiation of NAFTA will maintain the *status quo*, it is likely that the external demand for Mexican manufacturing exports, -particularly within the US- has diminished. As a result, we believe that both manufacturing production and exports will decelerate during the third quarter of the year.

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## Trade Balance in July

% m/m sa

	Jul-17	Jun-17	May-17	Apr-17
<b>Total exports</b>	<b>-2.2</b>	<b>3.0</b>	<b>0.7</b>	<b>-1.8</b>
Oil	2.4	15.2	-18.2	-0.1
Crude oil	10.4	16.6	-18.9	2.7
Others	-29.8	9.9	-15.4	-10.2
Non-oil	-2.4	2.4	1.9	-1.9
Agricultural	0.5	-3.6	7.9	-3.5
Mining	2.3	-0.3	-10.5	25.7
Manufacturing	-2.6	2.7	1.8	-2.2
Vehicle and autoparts	-0.6	3.3	3.2	-1.6
Others	-3.7	2.4	1.1	-2.5
<b>Total imports</b>	<b>-1.6</b>	<b>2.1</b>	<b>2.0</b>	<b>-4.3</b>
Consumption goods	-0.2	2.0	0.4	-3.4
Oil	1.5	0.0	1.9	-16.6
Non-oil	-0.7	2.6	-0.1	1.4
Intermediate goods	-2.0	2.7	2.5	-5.5
Oil	0.7	2.4	-8.7	-2.7
Non-oil	-2.2	2.7	3.5	-5.8
Capital goods	0.0	-2.1	0.5	4.0

Source: INEGI

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