

Trade balance – June’s surplus explained by the upward trend in manufacturing exports

July 27, 2017

www.banorte.com
www.ixe.com.mx
@ analisis_fundam

Alejandro Cervantes
Senior Economist, Mexico
alejandro.cervantes@banorte.com

- **Trade balance (June): US\$ 61.5mn; Banorte-Ixe: US\$ -1,256.5mn; consensus: US\$ -318mn; previous: US\$ -1,079.2mn**
- **Manufacturing exports increased 11.3% yoy in June (2.8% m/m), as a result of the 17.8% yoy expansion in vehicle and autoparts exports (3.2% m/m)**
- **In addition, imports increased 9.5% yoy (2.1% m/m), as a result of the significant appreciation of the Mexican currency**
- **We believe that June’s trade balance report continues to support our view of a stronger external demand**

Trade balance figures for June show a US\$ 61.5 million surplus. According to Banxico and *INEGI*’s report published today, trade balance posted a US\$ 61.5 million surplus, above our US\$ 1,256.5mn deficit forecast (consensus: US\$ -318mn). The difference between today’s figure and our forecast comes as a result of the 10.4% expansion of oil exports. Year-to-date, Mexico’s trade balance adds a US\$ 2,909.8 million deficit.

Total exports increased 11.5% yoy. Non-oil exports also increased 11.5% yoy. In particular, manufacturing exports expanded 11.3%, as a result of a 17.8% growth in car-industry exports, while the rest of manufacturing exports increased 8% (refer to the table on the following page).

Total imports expanded 9.5% yoy as a result of the significant appreciation of the Mexican currency. In addition, non-oil consumption imports –associated with private spending– posted a 10.2% expansion in annual terms. Moreover, non-oil imports of intermediate goods –usually used as inputs in the manufacturing sector– increased 10.1% in June. Finally, capital goods imports edged-down to -2.2% yoy during the period in question.

In seasonally adjusted terms, manufacturing exports increased 2.8% m/m. Taking a look at the breakdown, car-industry exports posted a 3.2% m/m expansion, while the rest of manufacturing exports expanded 2.6% m/m. In addition, non-oil consumption increased 2.6% m/m, while non-oil intermediate goods imports posted a 2.7% m/m expansion. By contrast, capital goods imports fell 2% m/m.

Positive report. As we have mentioned throughout our publications, the expected growth in manufacturing exports has been explained by: (1) The higher growth of global trade, which has translated in a recovery of Mexico’s external demand; and (2) Mexico’s uncertain trade relation with the US, which has fostered a higher flow of exported goods, hedging a future scenario of tariffs on exports. We believe that manufacturing exports will be supported by these factors in the second half of the year.

Document for distribution among public

In addition, we believe that the positive impact of the appreciation of the Mexican currency on consumption goods imports will translate into higher retail and private consumption figures in June.

Trade Balance in June

% yoy; nsa

	Jun-17	Jun-16	Jan-Jun, '17	Jan-Jun, '16
Total exports	11.5	-5.4	8.7	-5.1
Oil	10.4	-27.7	30.5	-36.7
Crude oil	8.5	-22.0	30.8	-37.5
Others	18.9	-45.6	29.3	-33.8
Non-oil	11.5	-3.8	9.5	-2.8
Agricultural	11.1	5.4	9.0	10.5
Mining	26.8	-39.0	36.0	-22.7
Manufacturing	11.3	-3.4	9.2	-3.0
Vehicle and autoparts	17.8	-6.7	10.9	-3.5
Others	8.0	-1.6	8.3	-2.8
Total imports	9.5	-6.1	7.8	-3.4
Consumption goods	11.7	-12.5	8.7	-7.3
Oil	16.7	-13.9	40.0	-21.5
Non-oil	10.2	-12.1	0.9	-2.9
Intermediate goods	10.8	-5.1	8.4	-2.4
Oil	21.3	-7.8	38.9	-13.0
Non-oil	10.1	-4.9	6.4	-1.6
Capital goods	-2.2	-5.1	2.3	-6.0

Source: INEGI

Trade Balance in June

% m/m; sa

	Jun-17	May-17	Apr-17	Mar-17
Total exports	2.9	0.8	-1.8	0.2
Oil	12.8	-17.2	-0.6	-9.8
Crude oil	13.4	-17.7	2.3	-14.8
Others	10.4	-15.2	-10.7	12.6
Non-oil	2.5	1.9	-1.9	0.9
Agricultural	-3.5	8.0	-3.5	5.5
Mining	-0.3	-10.4	25.8	-19.3
Manufacturing	2.8	1.8	-2.1	1.0
Vehicle and autoparts	3.2	3.2	-1.7	-0.2
Others	2.6	1.2	-2.4	1.6
Total imports	2.1	2.0	-4.3	2.9
Consumption goods	2.1	0.5	-3.3	1.0
Oil	0.4	2.3	-16.4	1.4
Non-oil	2.6	-0.1	1.4	0.9
Intermediate goods	2.7	2.5	-5.6	3.7
Oil	2.5	-8.7	-2.7	-0.4
Non-oil	2.7	3.5	-5.8	4.1
Capital goods	-2.0	0.3	4.4	-0.8

Source: INEGI

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.

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
Alejandro Cervantes Llamas	Senior Economist, Mexico	alejandro.cervantes@banorte.com	(55) 1670 - 2972
Katía Celina Goya Ostos	Senior, Global Economist	katia.goya@banorte.com	(55) 1670 - 1821
Miguel Alejandro Calvo Domínguez	Economist, Regional & Sectorial	miguel.calvo@banorte.com	(55) 1670 - 2220
Juan Carlos García Viejo	Economist, International	juan.garcia.viejo@banorte.com	(55) 1670 - 2252
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
Juan Carlos Alderete Macal, CFA	FX Senior Strategist	juan.alderete.macal@banorte.com	(55) 1103 - 4046
Santiago Leal Singer	Strategist Fixed income and FX	santiago.leal@banorte.com	(55) 1670 - 2144

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
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.roldan.ferrer@banorte.com	(55) 5004 - 1454