

Trade balance – Manufacturing exports maintained a downward trend in December

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- **Trade balance (December): US\$-157mn; Banorte: US\$147.4mn; consensus: US\$202.5mn range of estimates (US\$-600mn to US\$850mn); previous: US\$ 399.2mn**
- **In seasonally adjusted terms, manufacturing exports fell 1.1% m/m, as a result of the 1.8% reduction in non-vehicle manufacturing exports**
- **We believe that both manufacturing production and exports will show a higher growth in the first quarter of 2018**

Trade balance for 2017 shows a US\$10,875 million deficit. According to Banxico and *INEGI*'s report published today, trade balance posted a US\$157 million deficit, marginally below our US\$147.4mn surplus forecast (consensus: US\$202.5mn). In addition, we highlight that with today's figures, Mexico's trade balance during 2017 added a US\$10,875 million deficit.

Taking a look at the breakdown, oil exports increased 46.9% yoy in December, as a result of the 26.1% yoy growth in the price of Mexico's crude oil basket. In addition, manufacturing exports expanded 5.3%, given the 9.3% growth in vehicle and auto-parts exports. Moreover, total imports posted a 8.4% yoy growth, as a result of the 12.7% growth in non-oil consumption goods imports and the 4.7% yoy expansion in capital goods imports.

Total exports increased 0.6% m/m. Analyzing the seasonal adjusted figures, oil exports expanded 22.6% m/m. By contrast, non-oil exports fell 0.9% m/m, derived from the 1.1% reduction in manufacturing exports. Taking a look at the breakdown, vehicle-industry exports increased 0.1%, while the rest of manufacturing exports edged-down to -1.8% m/m (refer to the table on the following page).

Total imports added a 4.4% m/m gain. Non-oil consumption imports –associated with private spending– posted a significant 11.1% m/m expansion. Moreover, non-oil imports of intermediate goods –usually used as inputs in the manufacturing sector– increased 3.3% in December. In addition, capital goods imports increased 3.1% m/m.

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Manufacturing production and exports will recover in 1Q18. Despite the contraction observed in manufacturing exports during December, we believe that Mexican exports will show a higher growth in the next months. As we have mentioned throughout our publications, manufacturing exports growth during the first half of 2017 was mostly explained by the uncertain trade relation with the US, which fostered a higher flow of exports, hedging a scenario of future tariffs.

In recent months, market participants have discounted a higher probability that the US will exit NAFTA, which has reflected in the volatility of the Mexican currency. In this context, we consider that external demand –particularly from the US– for Mexican manufactured products will increase during the first quarter of the year, which will also have a positive impact on Mexican manufacturing production.

Trade Balance in December

% m/m sa

	Dec-17	Nov-17	Oct-17	Sep-17
Total exports	0.6	6.0	-0.9	0.6
Oil	22.6	16.0	7.9	7.4
Crude oil	21.7	15.9	12.6	7.3
Others	30.3	17.0	-20.5	7.5
Non-oil	-0.9	5.4	-1.4	0.2
Agricultural	4.0	-5.4	1.5	4.2
Mining	-1.8	-7.6	8.9	0.2
Manufacturing	-1.1	6.1	-1.7	0.0
Vehicle and autoparts	0.1	4.4	-1.0	2.8
Others	-1.8	7.1	-2.0	-1.4
Total imports	4.4	1.8	-0.8	0.6
Consumption goods	9.2	-0.9	0.8	4.2
Oil	4.8	3.5	8.7	12.4
Non-oil	11.1	-2.7	-2.0	1.5
Intermediate goods	3.8	2.5	-1.4	0.6
Oil	8.6	0.4	9.1	-10.4
Non-oil	3.3	2.7	-2.4	1.7
Capital goods	3.08	0.2	1.6	-4.0

Source: INEGI

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