

Trade balance – Marginal growth of manufacturing exports in May

June 27, 2018

www.banorte.com
@analisis_fundam

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

- **Trade balance (May): US\$-1,586.8mn; Banorte: US\$-480.4mn; consensus: US\$-885mn range of estimates (US\$-1,500mn to US\$-200mn); previous: US\$-289.1mn**
- **In seasonally adjusted terms, total exports increased only 0.1% m/m, as a result of the 0.3% expansion in manufacturing exports**
- **Moreover, total imports posted a 1.7% growth on the back of higher oil related imports**
- **We believe that manufacturing production will continue to show positive results**

Trade balance for May shows a US\$1,586.8 million deficit. According to Banxico and *INEGI*'s report published today, trade balance posted a US\$1,586.8 million deficit, above our US\$480.4mn deficit forecast (consensus: US\$-885mn surplus).

Taking a look at the breakdown, oil exports increased 73.6% yoy in May, as a result of the 45.4% yoy growth in the price of Mexico's crude oil basket. In addition, manufacturing exports expanded 7.8%, given the 5.5% growth in vehicle and auto-parts exports. Moreover, total imports posted a 11.5% yoy expansion, as a result of the 12.6% increase in consumption imports and 11.7% in intermediate imports. In addition, capital goods imports edged-up 9.1% yoy (refer to Table 1).

Total exports increased 0.1% m/m. Analyzing the seasonally adjusted figures, oil exports decreased 4% m/m. By contrast, non-oil exports posted a 0.4% m/m growth, derived from the 0.3% m/m expansion in manufacturing exports. Taking a look at the breakdown, the vehicle-industry exports posted a 6.8% m/m fall, while the rest of manufacturing exports increased 4.4% m/m (refer to Table 2).

Total imports posted a 1.7% m/m expansion. Oil imports showed greater dynamism in May, given that the ones related to consumption goods edged up 0.6% m/m, while the ones associated to intermediate goods increased 8.5% m/m. By contrast, non-oil consumption imports –associated with private spending-, posted a 1.8% m/m reduction. Moreover, non-oil imports of intermediate goods –usually used as inputs in the manufacturing sector-, grew 1.8% m/m. In addition, capital goods imports declined 0.7% m/m.

We believe that manufacturing production will continue to show positive results. We believe that the prospects for greater dynamism in the US economy will continue to support both production and manufacturing exports. In addition, the uncertainty related to the renegotiation of NAFTA may foster a larger flow of exports. Regarding imports, particularly those of consumer goods, they may present a better performance once the uncertainty associated with the electoral process and NAFTA renegotiation starts to dissipate and begins to be reflected in the exchange rate.

Document for distribution among public

Table 1: Trade Balance in May

% yoy, nsa

	May-18	May-17	Jan-May, '18	Jan-May, '17
Total exports	10.9	12.5	10.0	10.1
Oil	73.6	-3.5	44.5	35.5
Crude oil	82.6	-6.3	55.5	36.6
Others	37.9	9.7	1.6	31.5
Non-oil	7.8	13.4	10.4	8.9
Agricultural	0.0	16.0	9.4	7.2
Mining	38.5	60.5	32.5	38.5
Manufacturing	7.8	12.9	10.1	8.7
Vehicle and autoparts	5.5	13.8	13.9	9.4
Others	9.0	12.4	8.1	8.3
Total imports	11.5	14.7	12.3	7.4
Consumption goods	12.6	10.7	14.3	8.1
Oil	47.2	25.1	32.1	45.7
Non-oil	2.5	7.1	8.0	-0.9
Intermediate goods	11.7	16.0	11.8	7.9
Oil	53.6	21.9	33.0	43.1
Non-oil	8.7	15.6	9.9	5.6
Capital goods	9.1	10.0	14.4	3.3

Source: INEGI

Table 2: Trade Balance in May

% m/m, sa

	May-18	Apr-18	Mar-18	Feb-18
Total exports	0.1	-2.6	2.8	4.0
Oil	-4.0	4.5	-1.9	3.3
Crude oil	-5.7	4.8	-5.6	4.6
Others	6.1	2.5	28.5	-6.6
Non-oil	0.4	-3.1	3.1	4.1
Agricultural	-0.7	-1.4	2.8	-1.4
Mining	5.0	-1.1	13.1	-13.8
Manufacturing	0.3	-3.2	3.0	4.7
Vehicle and autoparts	-6.8	-4.0	3.7	9.6
Others	4.4	-2.8	2.6	2.1
Total imports	1.7	-2.4	3.0	2.3
Consumption goods	-1.1	-0.7	1.6	3.2
Oil	0.6	0.1	-0.6	16.6
Non-oil	-1.8	-1.0	2.5	-1.8
Intermediate goods	2.5	-2.8	3.7	2.1
Oil	8.5	-8.2	9.6	13.9
Non-oil	1.8	-2.2	3.1	1.0
Capital goods	-0.7	-1.2	-0.7	3.0

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
Katía Celina Goya Ostos	Senior, Global Economist	katia.goya@banorte.com	(55) 1670 - 1821
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
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.rolan.ferrer@banorte.com	(55) 5004 - 1454