

Trade balance – Manufacturing exports maintain a downward trend in October

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- **Trade balance (October): US\$ -2,066mn; Banorte: US\$ -2,238.4mn; consensus: US\$ -912mn range of estimates (US\$ -2,238.4mn to US\$ -534mn); previous: US\$ -1,886.4mn**
- **In seasonally adjusted terms, manufacturing exports fell 1.2% m/m, as a result of the 1.6% reduction in non-vehicle manufacturing exports**
- **We believe that both manufacturing production and exports will show a higher growth in the next months**

Trade balance for October shows a US\$2,066 million deficit. According to Banxico and *INEGI's* report published today, trade balance posted a US\$ 2,066 million deficit, marginally above our US\$ 2,238.4mn deficit forecast (consensus: US\$ -912mn). Year-to-date, Mexico's trade balance adds a US\$ 11,117.2 million deficit.

Taking a look at the breakdown, oil exports increased 16.5% yoy, as a result of the 18.5% yoy growth in the price of Mexico's crude oil basket. In addition, manufacturing exports expanded 12.6%, given the 18.8% growth in vehicle and auto-parts exports. Moreover, total imports posted a 16.6% yoy growth, given the 15.2% growth in non-oil consumption goods imports and the 9.2% yoy expansion in capital goods imports.

Total exports fell 0.6% m/m. Analyzing the seasonal adjusted figures, oil exports expanded 5.3% m/m. By contrast, non-oil exports fell 1% m/m, derived from the 1.2% reduction in manufacturing exports. Taking a look at the breakdown, vehicle-industry exports decreased 0.5%, while the rest of manufacturing exports edged-down to -1.6% m/m (refer to the table on the following page).

Total imports posted a 1.1% m/m reduction. Non-oil consumption imports –associated with private spending– posted a 2.2% m/m contraction. Moreover, non-oil imports of intermediate goods –usually used as inputs in the manufacturing sector– declined 2.6% in October. However, capital goods imports increased 1.5% m/m.

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Manufacturing production and exports will recover in 4Q17. Despite the collapse observed in manufacturing exports during September and October, 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 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.

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 has increased during the fourth quarter of the year, following the depreciation of the peso, which will have a positive impact on Mexican manufacturing production.

Trade Balance in October

% m/m sa

	Oct-17	Sep-17	Aug-17
Total exports	-0.6	-0.3	1.8
Oil	5.3	6.1	-4.7
Crude oil	9.8	5.8	-5.8
Others	-20.7	7.9	2.4
Non-oil	-1.0	-0.6	2.2
Agricultural	1.3	4.2	4.5
Mining	9.0	0.3	3.4
Manufacturing	-1.2	-0.8	2.1
Vehicle and autoparts	-0.5	1.7	0.2
Others	-1.6	-2.2	3.1
Total imports	-1.1	0.4	3.6
Consumption goods	0.4	3.5	0.1
Oil	7.9	10.0	3.2
Non-oil	-2.2	1.4	-0.9
Intermediate goods	-1.7	0.4	4.1
Oil	8.2	-11.0	25.5
Non-oil	-2.6	1.6	2.3
Capital goods	1.45	-3.9	5.3

Source: INEGI

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