

Balance of payments continues to reflect a difficult global backdrop

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- **Current account balance (3Q16): -US\$7.6bn (Banorte-Ixe: -US\$7.9bn; consensus: -US\$7.6bn; previous: -US\$7.8bn)**
- **Trade balance amounted to -US\$5.3bn, while services balance was -US\$2.9bn**
- **Moreover, remittances amounted to US\$6.8bn in the period in question, as previously reported**
- **FDI flows amounted to US\$19.9bn year to date (US\$7.7bn in 3Q16)**
- **Finally, net portfolio investments have totaled US\$14.5bn year to date, with a US\$7.7bn inflow in 3Q16**

According to Banxico, the current account deficit amounted to US\$7.6bn in 3Q16. This number is equivalent to 2.9% of GDP, and it was explained by a US\$5.3bn trade deficit in addition to the shortfalls observed in the services (-US\$2.9bn) and the income accounts (-US\$6.1bn). Meanwhile, remittances amounted to US\$6.8bn as it was already reported, 5.3% yoy above same period last year. Year-to-date, remittances amounted to US\$18.6bn, 7.6% yoy higher than in Jan-Sep, '15.

The poor performance of oil exports continues. Oil exports continue to show weakness after posting an 8.9% yoy contraction, vs. a 0.6% yoy decrease of non-oil exports. This weakness was explained by the low oil prices (41.42dpb in 3Q15 vs 38.09dpb in 3Q16), despite a slight increase in oil output. In addition, imports decreased 3.2% as a result of reductions in the imports of consumer goods (-9.5%); in intermediate goods (-1.1%) and capital goods (-1%).

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Current account in 3Q16

US\$bn

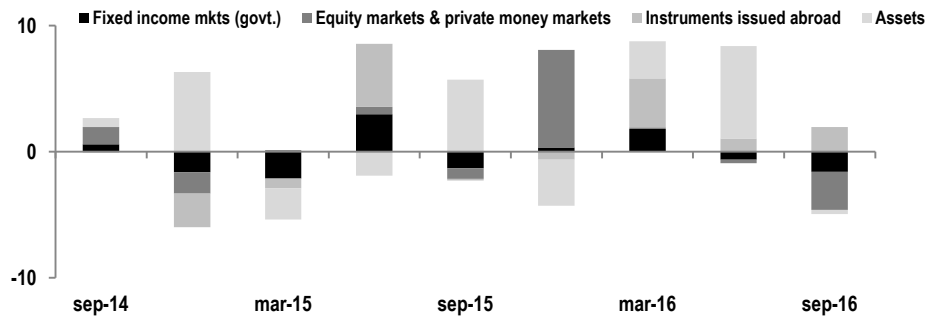
	Sep-16	Jun-16	Jan-Sep,'16	Jan-Sep,'15
Current account	-7,571.1	-8,040.9	-23,085.5	-25,741.5
Revenues	108,748.9	107,853.8	317,375.0	327,559.7
Exports	94,896.1	93,774.4	273,896.6	284,666.4
Services (non-factorial)	5,624.1	5,905.9	17,840.3	17,334.6
Tourism	4,411.0	4,805.3	14,474.4	13,204.8
Transport	334.0	380.1	1,079.8	1,094.3
Other	879.1	720.5	2,286.1	3,035.5
Primary income	1,237.8	1,113.2	5,282.3	6,612.5
Interest	629.2	636.7	1,929.2	1,824.6
Other	608.6	476.6	3,353.1	4,787.8
Transfers	6,990.9	7,060.2	20,355.8	18,946.2
Remittances	6,888.6	6,953.5	20,046.3	18,620.0
Other	102.4	106.7	309.5	326.2
Spending	116,320.0	115,894.6	340,460.5	353,301.2
Imports	100,236.4	96,887.7	286,321.5	295,418.0
Services (non-factor)	6,578.2	5,682.0	23,715.7	24,633.2
Freights & insurance	2,718.7	2,603.6	7,671.4	7,561.9
Tourism	2,772.3	2,391.7	7,453.3	7,352.9
Transportation	1,087.3	686.7	2,571.4	2,715.7
Services (factor)	2,010.2	2,121.4	6,019.6	7,002.8
Comissions	216.2	29.7	299.5	271.6
Other	1,794.0	2,091.7	5,720.1	6,731.2
Primary spending	7,325.3	11,028.8	29,888.6	32,555.0
Remitted earnings	762.7	1,292.9	3,222.1	4,446.5
Reinvested earnings	1,059.0	2,032.3	7,881.2	9,951.0
Interests	5,503.6	7,703.5	18,785.4	18,157.5
Public	2,305.4	4,459.0	9,189.5	8,865.9
Private	3,198.2	3,244.5	9,595.9	9,291.6
Transfers	169.9	174.8	534.7	694.9
Trade balance	-5,340.4	-3,113.3	-12,424.9	-10,751.6
Services balance	-2,964.3	-1,897.5	-11,895.0	-14,301.4
Primary balance	-6,087.5	-9,915.5	-24,606.3	-25,942.6
Net transfers	6,821.1	6,885.4	19,821.1	18,251.3

Source: Banxico

The financial account posted a US\$4.2bn surplus. This was mainly explained by net inflows of US\$7.7bn in direct investment along with a net inflow of portfolio investments amounting to US\$7bn, while other investments subtracted US\$10.4bn. FDI flows to Mexico amounted to US\$4.3bn in the third quarter of the year, while investments of Mexican companies abroad totaled US\$3.4bn in the same period.

Inflows in portfolio investment amounted to US\$7bn in 3Q16. There was a , additionally, +US\$5.7bn flowed into government bond markets, while +US\$3.6bn went into equity markets and private money markets. Investments in instruments issued abroad totaled US\$4.6bn (US\$3bn in public instruments plus US\$1.6bn from private instruments).

Quarterly portfolio investment flows
US\$bn



Source: Banorte Ixe with data from Banxico

BoP outlook deteriorates after the US elections. We believe that the 50 bps rate hike in November from will not be enough to counter the increase in the country’s risk perception. In addition, given Trump’s protectionist speech, uncertainty around the future performance of Mexican exports has increased, which could affect Mexico’s trade balance outlook.

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