Trade balance – Manufacturing exports continue its upward trend

March 27, 2017

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

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

- **Trade balance (February): US$ 684.4mn; Banorte-Ixe: US$ 100.2mn; consensus: US$ -350mn; previous: US$ -3.3bn**
- **Manufacturing exports increased 5.5% yoy in February (+3.6% m/m)…**
- **…however, capital goods imports fell 4.4% yoy (-0.2% m/m)**
- **We believe that February's trade balance report supports our call for a 1.1% GDP growth throughout the year**

Trade balance figures for February show a US$ 684.4 million surplus. However, year-to-date, trade balance adds a US$2.6 billion deficit. Today's figure comes as a result of a 7.9% yoy expansion in exports and a 2.8% increase in imports.

Total exports increased 7.9% yoy. Oil exports edged up 69% yoy, as a result of the higher price of Mexico's crude oil basket. In addition, non-oil exports increased 5.5% yoy. In particular, manufacturing exports expanded 5.5%, as a result of a 4.9% growth in car-industry exports, while the rest of manufacturing exports increased 5.7% (refer to the table on the following page).

Total imports expanded 2.8% yoy as a result of a 65% yoy increase in oil imports. However, non-oil consumption imports –associated with private spending– posted a 6% reduction in annual terms, as a result of the accumulated depreciation of the Mexican currency. In addition, non-oil imports of intermediate goods –usually used as inputs in the manufacturing sector– decreased 0.2% in February. Finally, capital goods imports fell 4.4% yoy during the period in question.

In seasonally adjusted terms, manufacturing exports increased 3.6% m/m. Taking a look at the breakdown, car-industry exports posted a 1.7% m/m expansion, while the rest of manufacturing exports expanded 4.7% m/m. In addition, non-oil consumption increased 6.8% m/m, while capital goods imports posted a 0.2% m/m contraction.

Mixed report. As we have mentioned throughout our publications, the expected growth in manufacturing exports was explained by Mexico's uncertain trade relation with the US, which fostered a higher flow of exported goods, hedging a future scenario of higher taxes on exports. While today's report suggest that manufacturing exports are likely to rebound in the first half of the year, they are likely to decelerate as the uncertainty dissipates. In addition, we believe that the negative impact of the depreciation of the Mexican currency on capital goods imports will continue throughout the first quarter of 2017, which will translate into a slower growth in private and investment. All in all, today's report supports our view that the Mexican economy will grow 1.1% throughout the year.

Trade Balance in February
% yoy; nsa

	Feb-17	Feb-16	Jan-Feb, '17	Jan-Feb, '16
Total exports	7.9	-2.6	9.5	-4.7
Oil	69.0	-46.3	71.6	-47.2
Crude oil	74.6	-49.0	79.0	-49.0
Others	49.0	-33.7	45.7	-39.9
Non-oil	5.5	0.7	6.9	-1.3
Agricultural	-9.5	22.2	4.3	14.0
Mining	102.7	-54.6	56.3	-39.7
Manufacturing	5.5	0.8	6.5	-1.4
Vehicle and autoparts	4.9	7.8	4.5	5.0
Others	5.7	-2.6	7.6	-4.5
Total imports	2.8	2.1	6.3	-2.1
Consumption goods	6.1	-2.3	7.3	-7.6
Oil	64.3	-26.9	61.3	-29.4
Non-oil	-6.0	5.0	-5.6	-0.2
Intermediate goods	3.2	2.5	7.0	-0.8
Oil	65.4	-25.1	62.6	-27.5
Non-oil	-0.2	4.6	3.7	1.4
Capital goods	-4.4	5.6	0.1	-3.7

Source: INEGI

Trade Balance in February
% m/m; sa

	Feb-17	Jan-17	Dec-16	Nov-16
Total exports	**3.1**	**-4.7**	**5.4**	**4.4**
Oil	-1.9	4.7	25.8	-8.0
Crude oil	-4.3	7.4	17.9	-4.6
Others	11.6	-8.3	83.4	-27.2
Non-oil	3.4	-5.3	4.3	5.1
Agricultural	-7.8	-1.3	-3.2	2.4
Mining	23.7	4.0	-18.5	-2.4
Manufacturing	3.6	-5.5	5.0	5.4
Vehicle and autoparts	1.7	-5.0	5.5	6.7
Others	4.7	-5.8	4.7	4.8
Total imports	**2.0**	**-4.6**	**7.4**	**2.1**
Consumption goods	4.9	0.0	6.2	-3.0
Oil	-0.1	-0.4	25.5	-9.2
Non-oil	6.8	0.1	0.2	-0.9
Intermediate goods	1.8	-5.7	8.1	3.5
Oil	1.0	3.1	9.4	-0.4
Non-oil	1.8	-6.5	8.0	3.9
Capital goods	-0.2	-1.9	2.8	-1.7

Source: INEGI

Disclaimer

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 Godinez	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
Katia 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, National	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 Strategist	juan.alderete.macal@banorte.com	(55) 1103 - 4046
Santiago Leal Singer	Analyst 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	Equity Research Analyst	victorh.cortes@banorte.com	(55) 1670 - 1800
Marissa Garza Ostos	Senior Equity Research Analyst – Conglomerates / Financials/ Mining / Chemistry	marissa.garza@banorte.com	(55) 1670 - 1719
José Itzamna Espitia Hernández	Equity Research Analyst – Airlines / Airports / Cement / Infrastructure / Fibras	jose.espitia@banorte.com	(55) 1670 - 2249
Valentín III Mendoza Balderas	Equity Research Analyst – Auto Parts/ Consumer Discretionary / Real Estate / Retail	valentin.mendoza@banorte.com	(55) 1670 - 2250

Corporate Debt

Tania Abdul Massih Jacobo	Director Corporate Debt	tania.abdul@banorte.com	(55) 5268 - 1672
Hugo Armando Gómez Solís	Analyst, Corporate Debt	hugoa.gomez@banorte.com	(55) 1670 - 2247
Idalia Yanira Céspedes Jaén	Analyst, Corporate Debt	idalia.cespedes@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.ceballos@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
Víctor Antonio Roldan Ferrer	Head of Corporate Banking	victor.roldan.ferrer@banorte.com	(55) 5004 - 1454