

Trade balance – Recovery in auto exports in July

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- **Trade balance (July): US\$-2,889.2mn; Banorte: US\$-1,919.4mn; consensus: US\$-1,520mn (range of estimates: US\$-2,518mn to US\$-1,100mn); previous: US\$-869.9mn**
- **In seasonally adjusted terms, total exports increased 0.1% m/m, as a result of the 0.4% expansion in manufacturing exports**
- **Moreover, total imports posted a 0.2% m/m contraction on the back of lower intermediate goods imports**
- **Today's report could point to a greater dynamism in 3Q18**

Trade balance for July shows a US\$2,889.2 million deficit. According to Banxico and *INEGI's* report published today, trade balance posted a US\$2,889.2 million deficit, below our US\$1,919.4mn deficit forecast (consensus: US\$1,520mn deficit).

Taking a look at the breakdown, oil exports increased 34.2% yoy in July, as a result of the 52.2% yoy growth in the price of Mexico's crude oil basket. In addition, manufacturing exports expanded 13.1%, given the 16.4% growth in vehicle and auto-parts exports. Moreover, total imports posted a 17.6% yoy expansion, as a result of the 19.7% increase in consumption imports and 16.5% in intermediate imports. In addition, capital goods imports edged-up 23.5% yoy (refer to the following table).

Table 1: Trade Balance in July

% yoy, nsa

	Jul-18	Jul-17	Jan-Jul, '18	Jan-Jul, '17
Total exports	14.2	8.0	10.1	10.0
Oil	34.2	20.0	42.4	28.8
Crude oil	38.4	24.6	51.9	29.8
Others	2.2	-6.8	1.9	24.8
Non-oil	12.9	7.3	9.7	9.1
Agricultural	4.0	9.0	7.9	7.2
Mining	19.9	14.5	26.9	32.5
Manufacturing	13.1	7.2	9.5	8.9
Vehicle and autoparts	16.4	13.1	12.9	11.2
Others	11.5	4.4	7.7	7.7
Total imports	17.6	6.6	12.4	7.6
Consumption goods	19.7	2.4	14.3	7.8
Oil	75.0	-11.6	40.7	29.6
Non-oil	1.9	7.9	5.3	1.9
Intermediate goods	16.5	8.2	11.8	8.3
Oil	47.2	15.7	37.8	35.0
Non-oil	13.8	7.6	9.6	6.6
Capital goods	23.5	0.9	15.0	2.0

Source: INEGI

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Total exports rose 0.1% m/m. Analyzing the seasonally adjusted figures, oil exports decreased 3% m/m. However, non-oil exports posted a 0.4% m/m growth, derived from the 8.5% m/m expansion in mining exports (ex. oil) and the 0.4% m/m advance in manufacturing exports. Taking a look at the breakdown, the vehicle-industry exports posted a 1.6% m/m increase, while the rest of manufacturing exports fell 0.3% m/m (refer to Table 2).

Total imports posted a 0.2% fall in the monthly comparison. This contraction was explained by a lower dynamism in the imports of intermediate goods (-0.7%), particularly oil imports, falling 6.3%, while non-oil imports –usually used as inputs in the manufacturing sector– presented a null growth. Moreover, imports of consumer goods presented a marginal growth (0.2%) after an increase of 4.4% in the oil component, while non-oil items –associated with private spending– posted a 1.8% contraction. Finally, imports of capital goods showed a strong growth, rising 3.2% m/m.

Table 2: Trade Balance in July
% m/m sa, % 3m/3m saar

	% m/m		% 3m/3m saar	
	Jul-18	Jun-18	May-Jul '18	Apr-Jun '18
Total exports	0.1	-1.1	-6.1	0.1
Oil	-3.0	-3.7	-19.6	1.8
Crude oil	3.8	-2.6	-19.3	-8.7
Others	-42.2	-9.4	-21.3	100.9
Non-oil	0.4	-0.9	-5.0	0.0
Agricultural	-2.5	-0.3	-8.0	-3.7
Mining	8.5	-16.7	-8.4	-6.1
Manufacturing	0.4	-0.7	-4.8	0.2
Vehicle and autoparts	1.6	6.0	-14.8	-4.9
Others	-0.3	-4.0	1.2	3.2
Total imports	-0.2	0.0	3.7	5.6
Consumption goods	0.2	2.2	0.5	4.2
Oil	4.4	8.4	31.7	34.0
Non-oil	-1.8	-0.6	-11.2	-6.6
Intermediate goods	-0.7	-0.6	4.1	6.5
Oil	-6.3	4.4	29.5	43.1
Non-oil	0.0	-1.2	1.6	3.1
Capital goods	3.2	2.4	5.6	0.8

Source: INEGI

Today's report could point to a greater dynamism in 3Q18. Considering the lackluster performance of exports during the 2Q18, we believe that exports could post a rebound in the coming months. Despite the recent appreciation of the Mexican currency after the electoral process, which fosters imports while discouraging exports, we think that the considerable improvement in the outlook for the negotiation of NAFTA will have a favorable effect in overall exports, and an outperformance in manufacturing exports. In addition, the prospects of a greater dynamism in the US economy could incentivize Mexican exports.

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