

Trade balance – The devil is in the details

February 27, 2017

- **Trade balance (January): US\$ -3.3bn; Banorte-Ixe: US\$ -2.3bn; consensus: US\$ -2.5bn; previous: US\$ 28.2mn**
- **Manufacturing exports increased 7.7% yoy in January...**
- **...however, in seasonally adjusted terms, manufacturing exports posted a 5.8% m/m contraction**
- **In addition, non-oil consumption goods imports fell 0.1% m/m, while capital goods imports declined 4.4% m/m**
- **We believe that January's trade balance report suggest a less positive outlook for manufacturing production and investment**

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

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

Trade balance figures for January show a US\$ 3.3 billion deficit. Today's figure comes as a result of a 11.4% yoy expansion in exports and a 10% increase in imports.

Total exports increased 11.4% yoy. Oil exports edged up 74.4% vs. January 2016, as a result of the higher price of Mexico's crude oil basket. In addition, non-oil exports increased 8.5% yoy. In particular, manufacturing exports expanded 7.7%, as a result of a 3.9% growth in car-industry exports, while the rest of manufacturing exports increased 9.7% (refer to the table on the following page).

Total imports expanded 10% yoy as a result of a 59.6% yoy increase in oil imports. However, non-oil consumption imports –associated with private spending– posted a 5.2% 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– increased 8% in January. Finally, capital goods imports increased 4.4% yoy during the period in question.

However, in seasonally adjusted terms, manufacturing exports fell 5.8% m/m. Taking a look at the breakdown, car-industry exports posted a 5% m/m contraction, while the rest of manufacturing exports declined 6.2% m/m. In addition, non-oil consumption imports fell 0.1% m/m, while capital goods imports posted a 1.8% m/m contraction.

Document for distribution among public

Negative report. We believe that January's trade balance report suggest a less positive outlook for manufacturing production and investment. In the first case, we were expecting a higher flow of manufacturing exports, as a result of Mexico's uncertain trade relationship with the US, which could had fostered a higher flow of goods to the United States in the first quarter of the year, hedging a future scenario of higher tariffs on exports. Despite January's 5.8% m/m contraction, we believe that manufacturing exports will continue to grow throughout the first quarter of the year, although we do acknowledge that this growth rate could be lower than we initially anticipated.

In addition, we believe that the negative impact of the depreciation of the Mexican currency on consumption and capital goods imports will continue throughout the first quarter of 2017, which will translate into a slower growth in private consumption 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 January

% yoy; nsa

	Jan-17	Jan-16	2016	2015
Total exports	11.4	-7.0	-1.8	-4.1
Oil	74.4	-48.2	-19.1	-45.3
Crude oil	83.8	-49.1	-16.3	-48.0
Others	42.4	-45.1	-30.2	-30.9
Non-oil	8.5	-3.5	-0.6	0.8
Agricultural	20.6	5.7	13.7	6.5
Mining	16.6	-16.1	-3.0	-11.0
Manufacturing	7.7	-3.8	-1.1	0.8
Vehicle and auto parts	3.9	1.8	-1.0	4.7
Others	9.7	-6.6	-1.2	-1.1
Total imports	10.0	-6.2	-2.1	-1.2
Consumption goods	8.6	-12.4	-7.7	-3.5
Oil	58.9	-31.4	-11.3	-17.1
Non-oil	-5.2	-5.2	-6.6	1.6
Intermediate goods	11.1	-4.1	-0.8	-1.6
Oil	60.0	-29.6	-1.2	-21.4
Non-oil	8.0	-1.8	-0.7	0.3
Capital goods	4.4	-11.3	-3.8	5.2

Source: INEGI

Trade Balance in January

% m/m; sa

% m/m	Jan-17	Dec-16	Nov-16	Oct-16
Total exports	-4.9	5.7	4.4	-5.6
Oil	4.9	25.9	-7.9	0.4
Crude oil	7.7	18.1	-4.4	0.6
Others	-8.4	83.4	-27.2	-1.0
Non-oil	-5.5	4.6	5.2	-5.9
Agricultural	-1.3	-2.6	1.9	-7.7
Mining	4.0	-18.5	-2.4	28.0
Manufacturing	-5.8	5.3	5.5	-6.3
Vehicle and auto parts	-5.0	5.8	6.7	-5.5
Others	-6.2	5.1	4.8	-6.6
Total imports	-4.5	7.3	2.3	-6.3
Consumption goods	-0.3	6.1	-3.3	-1.8
Oil	-0.7	25.9	-10.0	-3.2
Non-oil	-0.1	0.0	-1.1	-1.3
Intermediate goods	-5.5	8.0	3.8	-7.4
Oil	3.1	9.5	-0.5	7.8
Non-oil	-6.2	7.9	4.2	-8.5
Capital goods	-1.8	2.9	-1.7	-4.0

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
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	hugo.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.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.roldan.ferrer@banorte.com	(55) 5004 - 1454