

Trade balance – Significant deceleration in manufacturing exports

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- **Trade balance (August): US\$ -2,800.5 mn; Banorte-Ixe: US\$ -2,280.4 mn; consensus: US\$ -1,825 mn (range: US\$ -2,905 mn to US\$ -738.3 mn); previous: US\$ -2,266.9 mn**
- **Total exports decreased 6.8% yoy, while imports edged-down 1.9% yoy**
- **Manufacturing exports fell 2.2% yoy (-7.2% m/m)**
- **Despite the significant fall in manufacturing exports, we believe that the depreciation of the Mexican currency will result in a higher growth for exports**

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Trade balance figures for August show a US\$ 2,800.5 million deficit. This figure was below our US\$ 2,280.4 mn deficit estimate and comes as a result of a decrease in both exports (-6.8% yoy) and imports (-1.9%). With this number, Mexico's trade balance now adds a US\$ 9,119.6 million deficit year-to-date.

Total exports decreased 6.8% yoy. Oil exports fell 48.3% vs. August 2014, as a result of the reduction in Mexico's oil production, and the significant decline in international crude oil prices. Moreover, non-oil exports decreased 1.6% yoy. In particular, manufacturing exports edged-down 2.2% yoy, on the back of a 3.2% yoy contraction in car-industry exports, while the rest of manufacturing exports fell 1.6% yoy, as shown in the following table.

Total imports edged-down 1.9% yoy. Non-oil consumption imports – associated with private spending– increased 1.6% yoy. Moreover, non-oil imports of intermediate goods –usually used as inputs in the manufacturing sector– fell 4.7% yoy in August. Finally, capital goods imports grew 5.6% yoy during the period in question.

Trade Balance in August % yoy

	Aug-15	Jul-15	Jan-Aug,'15	Jan-Aug,'14
Total exports	-6.8	-2.6	-2.8	3.9
Oil	-48.3	-36.8	-43.8	-9.2
Crude oil	-50.8	-39.1	-46.5	-10.8
Other	-33.5	-20.4	-28.4	1.7
Non-oil	-1.6	1.2	2.6	5.9
Agriculture	25.0	2.3	8.4	6.9
Mining	-2.4	-48.7	-13.9	15.0
Manufacturing	-2.2	2.0	2.6	5.7
Car industry	-3.2	5.3	7.2	10.6
Other	-1.6	0.5	0.5	3.5
Total imports	-1.9	1.1	-0.2	3.4
Consumption	9.5	-3.6	-3.0	-0.8
Oil	31.5	-7.7	-13.9	-12.6
Non-oil	1.6	-2.1	1.3	4.7
Intermediate imports	-5.0	1.9	-0.6	4.7
Oil	-7.8	1.6	-17.4	2.8
Non-oil	-4.7	1.9	1.0	4.9
Capital goods	5.6	1.9	6.4	0.2

Source: INEGI

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In seasonally adjusted terms, manufacturing exports fell 7.2% m/m. Taking a look at the breakdown, car-industry exports decreased 5.5% m/m, while the rest of manufacturing exports edged-down 8% m/m. Moreover, non-oil consumption imports increased 2.1% m/m despite the significant depreciation of the Mexican currency, while non-oil imports of intermediate goods edged-down 8.1% m/m. Finally, capital goods imports expanded 0.4% m/m.

We believe that the depreciation of the Mexican currency will result in a higher growth for exports. Despite the deceleration observed in August's total exports, we believe that the significant depreciation that still maintains the Mexican currency will motivate a further growth of Mexican manufacturing production and exports, which will be reflected in a larger dynamic growth for the Mexican economy.

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