

Trade balance – Weakness in non-oil exports in June

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- **Trade balance (June): US\$-896.9mn; Banorte: US\$437.2mn; consensus: US\$-275mn range of estimates (US\$-1,500mn to US\$437.2mn); previous: US\$-1,586.8mn**
- **In seasonally adjusted terms, total exports decreased 0.8% m/m, as a result of the 0.3% contraction in manufacturing exports**
- **Moreover, total imports posted a null growth on the back of higher oil related imports and a fall in non-oil imports**
- **This is our first glance at June's economic activity figures, which point to a more moderate rate of expansion in 2H18**

Trade balance for June shows a US\$896.9 million deficit. According to Banxico and *INEGI's* report published today, trade balance posted a US\$896.9 million deficit, below our US\$437.2mn surplus forecast (consensus: US\$275mn deficit).

Taking a look at the breakdown, oil exports increased 41% yoy in June, as a result of the 56.9% yoy growth in the price of Mexico's crude oil basket. In addition, manufacturing exports expanded 3.5%, given the 5.9% growth in vehicle and auto-parts exports. Moreover, total imports posted an 8% yoy expansion, as a result of the 9.4% increase in consumption imports and 7.5% in intermediate imports. In addition, capital goods imports edged-up 9.8% yoy (refer to the following table).

Table 1: Trade Balance in June
% yoy, nsa

| | Jun-18 | Jun-17 | Jan-Jun, '18 | Jan-Jun, '17 |
|-----------------------|--------|--------|--------------|--------------|
| Total exports | 5.4 | 11.3 | 9.4 | 10.3 |
| Oil | 41.0 | 10.5 | 43.9 | 30.5 |
| Crude oil | 50.1 | 8.6 | 54.6 | 30.8 |
| Others | 3.2 | 18.9 | 1.9 | 29.3 |
| Non-oil | 3.6 | 11.3 | 9.1 | 9.4 |
| Agricultural | 2.3 | 6.2 | 8.4 | 7.0 |
| Mining | 9.5 | 26.8 | 28.0 | 36.0 |
| Manufacturing | 3.5 | 11.3 | 8.9 | 9.2 |
| Vehicle and autoparts | 5.9 | 17.8 | 12.4 | 10.9 |
| Others | 2.2 | 8.0 | 7.1 | 8.3 |
| Total imports | 8.0 | 9.5 | 11.6 | 7.8 |
| Consumption goods | 9.4 | 11.7 | 13.4 | 8.7 |
| Oil | 51.4 | 16.7 | 35.3 | 40.0 |
| Non-oil | -3.8 | 10.2 | 5.9 | 0.9 |
| Intermediate goods | 7.5 | 10.8 | 11.0 | 8.4 |
| Oil | 51.8 | 21.3 | 36.2 | 38.9 |
| Non-oil | 4.0 | 10.1 | 8.9 | 6.4 |
| Capital goods | 9.8 | -2.5 | 13.6 | 2.2 |

Source: INEGI

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Total exports fell 0.8% m/m. Analyzing the seasonally adjusted figures, oil exports decreased 3.7% m/m. Moreover, non-oil exports posted a 0.6% m/m growth, derived from the 16.9% m/m reduction in mining exports (ex. oil) and the 0.3% m/m contraction in manufacturing exports. Taking a look at the breakdown, the vehicle-industry exports posted a 5.8% m/m increase, while the rest of manufacturing exports fell 3.3% m/m (refer to Table 2).

Total imports posted a null growth in the monthly comparison. Oil imports showed greater dynamism in June, given that the ones related to consumption goods edged up 8.5% m/m, while the ones associated to intermediate goods increased 4.6% m/m. By contrast, non-oil consumption imports –associated with private spending–, posted a 0.5% m/m reduction. Moreover, non-oil imports of intermediate goods –usually used as inputs in the manufacturing sector–, fell 1.2% m/m. However, capital goods imports were up 1.7% m/m.

Today's report is our first glance at the June's figures. Although in the first quarter of the year we observed a significant recovery in oil exports, the 2Q18 figures point to a lower activity in the sector. Additionally, we have seen a considerable deceleration regarding non-oil exports, particularly in the manufacturing sector. Moreover, there is also a lower dynamism in imports, particularly in non-oil imports. Considering this information, we believe that the slowdown in both exports and imports could translate into a more moderate rate of expansion of economic activity in the second half of the year, in line with our expectations. However, the prospects for a greater dynamism in the US economy as well as an improvement in the prospects for the renegotiation of NAFTA could help reverse this trend.

Table 2: Trade Balance in June

% m/m sa, % 3m/3m saar

| | Jun-18 | May-18 | Apr-Jun '18 | Jan-Mar '18 |
|----------------------|-------------|------------|-------------|-------------|
| Total exports | -0.8 | 0.0 | 0.7 | 17.0 |
| Oil | -3.7 | -4.8 | -1.6 | 51.6 |
| Crude oil | -2.8 | -6.6 | -12.1 | 40.3 |
| Others | -8.8 | 6.0 | 99.1 | 171.1 |
| Non-oil | -0.6 | 0.4 | 0.8 | 14.8 |
| Agricultural | 0.0 | -0.7 | -2.1 | -11.8 |
| Mining | -16.9 | 4.3 | -5.2 | 86.4 |
| Manufacturing | -0.3 | 0.3 | 1.1 | 15.2 |
| Vehicle and autparts | 5.8 | -6.7 | -5.3 | 14.9 |
| Others | -3.3 | 4.3 | 4.7 | 15.4 |
| Total imports | 0.0 | 1.7 | 5.6 | 14.0 |
| Consumption goods | 2.3 | -1.1 | 5.2 | 11.1 |
| Oil | 8.5 | 0.5 | 35.2 | 13.3 |
| Non-oil | -0.5 | -1.8 | -5.5 | 10.3 |
| Intermediate goods | -0.6 | 2.5 | 6.6 | 12.5 |
| Oil | 4.6 | 8.7 | 44.5 | 20.3 |
| Non-oil | -1.2 | 1.8 | 3.2 | 11.7 |
| Capital goods | 1.7 | -0.7 | -2.0 | 30.4 |

Source: INEGI

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