

Balance of payments in 2017 shows solid external fundamentals amid an uncertain backdrop

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- **Current account balance (4Q17): -US\$3.2bn (Banorte-Ixe: -US\$3.5bn; consensus: -US\$3.2bn; previous: -US\$5.5bn)**
- **Current account in 2017 showed a US\$18.8bn deficit, equivalent to 1.8% of GDP**
- **Trade balance deficit amounted to US\$10.9bn, while services balance was -US\$9.8bn last year**
- **Meanwhile, remittances amounted to US\$7.5bn in the period in question, as already reported, amounting to a total US\$28.7bn in 2017, 6.6% higher than in previous year**
- **FDI flows amounted to US\$29.7bn in the period in question, slightly below the US\$29.8bn in 2016**
- **Finally, portfolio investments registered a net inflow amounting to US\$4.2bn in 2017, while in 4Q17 there was a US\$3bn inflow**

According to Banxico, the current account deficit amounted to US\$18.8bn in 2017 (US\$3.2bn in 4Q17). This number is equivalent to 1.8% of GDP, and it was explained by a US\$10.9bn trade deficit (-US\$1.85bn in 4Q17), in addition to the shortfalls observed in the services (US\$9.8bn for the year and US\$2bn deficit in the last quarter) and the primary income accounts (-US\$26.3bn in 2017, -US\$6.6bn in the fourth quarter). Meanwhile, remittances amounted to US\$28.8bn as it was already reported, 6.6% yoy higher than in 2016, as shown in the table below.

Trade balance deficit was mainly explained by a US\$18.4bn deficit in the oil trade balance. This was partially offset by a slight surplus in non-oil balance (US\$7.5bn), on the back of a 11.8% y/y growth in car-industry exports, along with a 6.8% increase in the rest of manufacturing exports. Meanwhile, non-oil imports increased 6.4% y/y during 2017, with consumer imports 10.4%, imports of intermediate goods increasing 9% y/y and capital goods imports expanding 3.2%.

Current account in 4Q17

US\$bn

	Dec-17	Sep-17	Jan-Dec,'17	Jan-Dec,'16
Current account	-3.2	-5.2	-18.8	-22.8
I. Credit	127.4	118.8	477.5	435.0
A. Goods	110.3	101.8	409.9	374.3
Ex ports	110.2	101.8	409.5	373.9
Goods acquired in ports by means of transport	0.1	0.1	0.4	0.4
B. Services	7.2	6.3	27.1	24.6
Transportation	0.5	0.5	1.9	1.6
Tourists	5.4	4.9	21.3	19.6
Insurance and pension services	1.2	0.8	3.3	2.9
Financial services	0.1	0.1	0.3	0.2
Others	0.1	0.1	0.3	0.3
C. Primary income	2.3	3.2	11.5	8.8
Profits and dividends	0.4	1.6	4.9	3.2
Profits	0.4	1.2	3.8	2.2
Dividends	0.0	0.4	1.1	1.1
Interests	1.3	1.2	4.7	3.9
Others	0.5	0.5	1.9	1.7
D. Secondary income	7.6	7.4	29.1	27.3
Remittances	7.5	7.3	28.8	27.0
Others	0.1	0.1	0.3	0.3
II. Debit	130.6	124.0	496.3	457.8
A. Goods	112.1	108.0	420.8	387.4
Imports	112.0	107.9	420.4	387.1
Goods acquired in ports by means of transport	0.1	0.1	0.4	0.3
B. Services	9.3	9.7	36.9	33.5
Transportation	4.0	4.0	14.9	13.2
Services	3.1	2.9	10.8	10.3
Insurance and pension services	0.8	1.3	4.5	4.3
Financial services	0.4	0.5	2.1	1.9
Others	0.9	1.0	4.6	3.9
C. Primary income	8.9	6.0	37.7	36.2
Profits and dividends	2.6	1.1	16.1	16.0
Profits	-0.2	0.1	9.6	9.4
Dividends	2.9	1.0	6.5	6.6
Interests	6.3	4.9	21.6	20.2
Public sector	3.7	2.5	13.2	12.8
Private sector	2.5	2.4	8.4	7.3
Others	0.0	0.0	0.0	0.0
D. Secondary income	0.3	0.2	1.0	0.7
Remittances	0.2	0.2	0.8	0.7
Others	0.1	0.0	0.2	0.1
Trade balance	-1.9	-6.2	-10.9	-13.1
Oil balance	-5.1	-5.1	-8.2	-3.8
Non-oil balance	3.3	-1.0	5.3	3.7
Services balance	-2.0	-3.4	-9.8	-9.0
Primary income balance	-6.6	-2.8	-26.2	-27.3
Secondary income balance	7.3	7.2	28.1	26.5

Source: Banxico

The capital account showed a scant US\$150mn surplus in 2017 (US\$200mn in 4Q17). This was mainly explained by a US\$24.6bn inflow in direct investment coupled with a US\$4.2bn inflow into portfolio investments, while other investments subtracted US\$7.4bn (refer to table below). Net financial asset purchases amounted to US\$6.5bn in 2017, while net liabilities totaled US\$31bn in the same period

FDI flows to Mexico amounted to US\$29.7bn in 2017, while investment from Mexicans abroad totaled US\$5.1bn. During the fourth quarter of the year, FDI flows amounted to US\$5.9bn while investments of Mexican companies abroad totaled US\$3.4mn in the same period.

Total portfolio investment registered a US\$4.2bn inflow in 2017, vs. the US\$31.6bn inflow last year. From this amount, US\$309mn are outflows from government bond markets (vs. the US\$1.5bn outflow in 2016), while US\$10.2bn went to equity markets and private money markets. Investments in instruments issued abroad represented US\$14bn (US\$6.1bn in the public sector and US\$8bn in the private sector). Finally, assets totaled US\$4.7mn in the period in question.

Capital account (previous methodology) in 4Q17

US\$ bn

	dic.-17	sep.-17	Jan-Dec,'17	Jan-Dec,'16
Capital account	0.20	-0.02	0.15	0.04
Financial account	12.90	9.18	21.50	31.47
Foreign direct investment	2.44	8.82	24.61	28.15
In Mexico	5.90	5.52	29.70	29.76
From Mexicans abroad	-3.47	3.30	-5.08	-1.60
Portfolio investment	3.01	0.01	4.24	31.57
Liabilities	4.37	8.72	23.99	29.67
Public sector	-1.65	2.42	5.76	21.42
Securities issued abroad	0.30	3.19	6.07	22.90
Money markets	-1.95	-0.77	-0.31	-1.48
Private sector	6.02	6.30	18.23	8.25
Securities issued abroad	2.25	4.54	8.01	-1.23
Money & equity markets	3.76	1.77	10.22	9.48
Pidiregas	0.00	0.00	0.00	0.00
Assets	-1.35	-8.71	-19.75	1.90
Other investments	7.45	0.35	-7.35	-28.26
Liabilities	-1.07	-2.45	-2.64	-3.50
Public sector	-0.52	0.95	2.20	-2.59
Private sector	-0.54	-3.40	-4.84	-0.91
Pidiregas	0.00	0.00	0.00	0.00
Assets	8.52	2.80	-4.71	-24.76

Fuente: Banxico

Capital account (previous methodology) in 4Q17

US\$ bn

	Dec 17	Sep 17	Jan-Dec 17	Jan-Dec 16
Capital Account	0.20	-0.02	0.15	0.04
Financial account [Net borrowing (+) / net indebtedness (-)]	-12.61	-10.37	-26.26	-31.60
I. Direct investment	-2.44	-8.82	-24.61	-28.15
Net acquisition of financial assets	3.04	-2.64	6.46	6.60
Net liabilities	5.48	6.18	31.07	34.75
II. Portfolio investment	-2.42	-2.15	-7.92	-31.22
Net acquisition of financial assets	1.95	6.57	16.07	-1.55
Net liabilities	4.37	8.72	23.99	29.67
III. Financial derivatives (net transactions)	-0.60	2.14	3.68	-0.35
IV. Other investments	-7.45	-0.35	7.35	28.26

Source: Banxico

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