

Trade balance – Manufacturing exports maintained their downward trend

June 27, 2016

- **Trade balance (May): US\$ -527.4mn; Banorte-Ixe: US\$ -2,155.3mn; consensus: US\$ -2,155.3mn (range: US\$ -2,863mn to US\$ -1,230mn); previous: US\$ -2,079mn**
- **Total exports increased 0.3% yoy, given the 27.9% yoy reduction in oil exports and the 2.5% increase in non-oil exports**
- **Manufacturing exports increased 2.4% yoy; however in seasonally-adjusted terms, manufacturing exports fell 1.6% m/m**
- **Moreover, imports declined 1.6% yoy**
- **We believe that today's report suggests that manufacturing production and exports could delay their recovery**

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Trade balance figures for May show a US\$ 527.4 million deficit. This figure was above consensus forecast of a 2,155.3 deficit (Banorte-Ixe: 2,155.3). Today's figure comes as a result of a 0.3% increase in exports and a 1.6% reduction in imports.

Total exports increased 0.3% yoy. Oil exports fell 27.9% vs. May 2015, as a result of the reduction in Mexico's oil production, and the significant decline in international crude oil prices. Moreover, non-oil exports increased 2.5% yoy. In particular, manufacturing exports edged-up 2.4%, as a result of an 1.3% fall in car-industry exports, while the rest of manufacturing exports increased 4.4% (refer to the table on the following page).

Total imports decreased 1.6% yoy. Non-oil consumption imports –associated with private spending– posted a 3% reduction in annual terms. Moreover, non-oil imports of intermediate goods –usually used as inputs in the manufacturing sector– fell 1.1% in May. Finally, capital goods imports edged-down to -4% yoy during the period in question.

In seasonally adjusted terms, manufacturing exports fell 2.7% m/m. Taking a look at the breakdown, car-industry exports posted a 1.8% m/m reduction, while the rest of manufacturing exports edged-down to -3.1% m/m. Moreover, non-oil consumption imports increased 1% m/m, while non-oil imports of intermediate goods fell 8.6% m/m. Finally, capital goods imports increased 2.4% m/m.

With today's figures, manufacturing exports continued to trend down, now showing a 12.4% 3m/3m saar contraction, explained by the 23.3% fall in vehicle and auto-parts exports and the 6.2% decline in other manufacturing exports (refer to the chart on the next page). In addition, non-oil imports of intermediate goods edged-down to -6.6% 3m/3m saar, while capital goods imports posted a 9.8% saar contraction.

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Negative report. Today's report shows a significant decline in manufacturing exports and intermediate goods imports (seasonally-adjusted figures), which suggest that the manufacturing industry could delay its recovery. Moreover, capital goods imports now add a 6.3% YTD contraction. If this trend continues, it is likely that GFI will decelerate significantly during the coming months.

Trade Balance in May

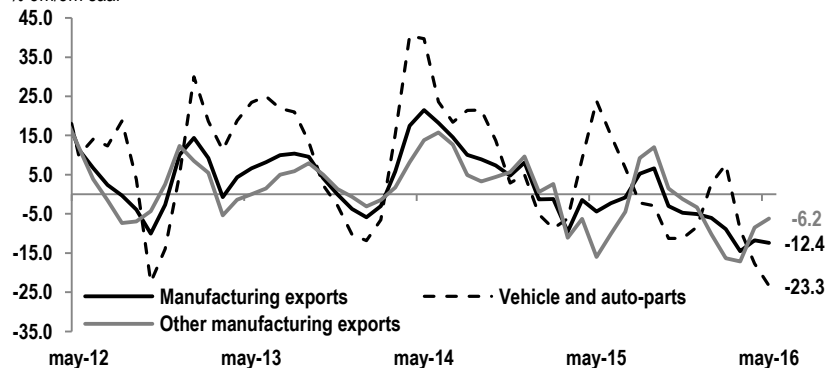
% yoy

	May-16	Apr-16	Jan-May,'16	Jan-May,'15
Total exports	0.3	-7.7	-5.0	-2.8
Oil	-27.9	-30.8	-38.7	-44.6
Crude oil	-25.2	-34.3	-40.6	-47.1
Other	-38.1	-14.0	-30.5	-30.0
Non-oil	2.5	-6.3	-2.6	2.9
Agriculture	8.5	7.3	10.6	5.9
Mining	-10.0	1.6	-16.9	-15.8
Manufacturing	2.4	-7.0	-3.0	3.0
Car industry	-1.3	-8.4	-2.7	9.1
Other	4.4	-6.3	-3.1	0.2
Total imports	-1.6	-1.6	-2.9	-1.2
Consumption	-4.0	-4.1	-6.1	-6.6
Oil	-7.9	-16.5	-23.2	-23.6
Non-oil	-3.0	0.0	-0.8	0.3
Intermediate imports	-0.8	-0.9	-1.8	-0.9
Oil	3.9	-1.8	-14.1	-23.8
Non-oil	-1.1	-0.9	-0.9	1.3
Capital goods	-4.0	-4.1	-6.3	4.6

Source: INEGI

Manufacturing exports

% 3m/3m saar



Source: Banorte-Ixe

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