

Trade balance – Imports in March supported by the appreciation of the MXN

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

- **Trade balance (March): US\$ -182.9mn; Banorte-Ixe: US\$ 1.5bn; consensus: US\$ 985.5mn; previous: US\$ 684.4mn**
- **Manufacturing exports increased 13.9% yoy in March (0.9% m/m)**
- **In addition, imports increased 15% yoy as a result of the 7.4% m/m appreciation of the Mexican currency (+2.8% m/m)**
- **We believe that March's trade balance report continues to support our view of a stronger external demand as Mexico's main growth driver**

Trade balance figures for March show a US\$ 182.9 million deficit. According to Banxico and *INEGI's* report published today trade balance posted a US\$ 182.9mn deficit, below our US1.5bn surplus forecast. Today's figure comes as a result of a 15% yoy expansion in imports given the 7.4% appreciation of the Mexican currency during the period in question. In addition, exports increased 14.1% increase in imports.

Total exports increased 14.1% yoy. Oil exports edged up 34.7% yoy, as a result of the higher price of Mexico's crude oil basket. In addition, non-oil exports increased 13.2% yoy. In particular, manufacturing exports expanded 13.9%, as a result of a 18.7% growth in car-industry exports, while the rest of manufacturing exports increased 11.5% (refer to the table on the following page).

Total imports expanded 15% yoy as a result of 7.4% appreciation of the Mexican currency. In addition, non-oil consumption imports –associated with private spending– posted a 6.2% expansion in annual terms. Moreover, non-oil imports of intermediate goods –usually used as inputs in the manufacturing sector– increased 12.1% in March. Finally, capital goods imports edged-up to 10.5% yoy during the period in question.

In seasonally adjusted terms, manufacturing exports increased 0.9% m/m. Taking a look at the breakdown, car-industry exports posted a 0.4% m/m reduction, while the rest of manufacturing exports expanded 1.5% m/m. In addition, non-oil consumption imports increased 0.7% m/m, while non-oil intermediate goods imports posted a 3.8% m/m contraction.

Positive report. As we have mentioned throughout our publications, the expected growth in manufacturing exports was explained by Mexico's uncertain trade relation with the US, which fostered a higher flow of exported goods, hedging a future scenario of higher tariffs on exports. While today's report suggest that manufacturing exports are likely to rebound in the first half of the year, they are likely to decelerate as the uncertainty dissipates.

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In addition, we believe that the positive impact of the appreciation of the Mexican currency on capital goods imports will translate into higher investment figures in March, which supports our view of a 2.5% yoy growth for Mexico's GDP in the first quarter of the year.

Trade Balance in March

% yoy; nsa

	Mar-17	Mar-16	Jan-Mar, '17	Jan-Mar, '16
Total exports	14.1	-7.9	11.2	-5.9
Oil	34.7	-40.9	58.1	-45.1
Crude oil	34.6	-46.2	63.0	-48.0
Others	34.9	-13.9	41.6	-32.0
Non-oil	13.2	-5.6	9.2	-2.9
Agricultural	4.2	9.7	4.3	12.4
Mining	-3.9	11.2	28.5	-23.5
Manufacturing	13.9	-6.5	9.2	-3.3
Vehicle and autoparts	18.7	-10.4	9.6	-1.1
Others	11.5	-4.4	9.1	-4.5
Total imports	15.0	-6.7	9.4	-3.7
Consumption goods	19.2	-7.3	11.4	-7.5
Oil	85.7	-31.4	68.7	-30.0
Non-oil	6.2	-0.4	-1.5	-0.3
Intermediate goods	14.8	-5.5	9.8	-2.5
Oil	60.2	-15.0	61.7	-23.5
Non-oil	12.1	-4.8	6.7	-0.9
Capital goods	10.5	-14.8	3.6	-7.8

Source: INEGI

Trade Balance in March

% m/m; sa

	Mar-17	Feb-17	Jan-17	Dec-16
Total exports	0.1	3.5	-4.8	5.1
Oil	-10.3	-3.2	5.0	25.0
Crude oil	-15.3	-5.9	7.9	16.9
Others	12.7	11.5	-8.3	83.4
Non-oil	0.8	4.0	-5.5	4.0
Agricultural	6.8	-8.4	-1.2	-3.0
Mining	-20.2	23.1	3.9	-18.6
Manufacturing	0.9	4.3	-5.7	4.7
Vehicle and autoparts	-0.4	1.6	-5.1	5.5
Others	1.5	5.7	-6.1	4.3
Total imports	2.8	2.0	-4.6	7.5
Consumption goods	1.7	4.9	-0.5	6.4
Oil	4.4	0.4	-0.1	26.2
Non-oil	0.7	6.7	-0.6	0.3
Intermediate goods	3.5	1.8	-5.6	8.3
Oil	-0.1	1.2	3.2	10.1
Non-oil	3.8	1.9	-6.3	8.2
Capital goods	-1.0	-0.3	-1.9	2.8

Source: INEGI

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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