

Trade balance – December’s surplus explained by the uncertainty regarding US-Mexico’s trade relationship

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- **Trade balance (December): US\$ 28.2mn; Banorte-Ixe: US\$ -504.3mn; consensus: US\$ -1,417mn; previous: US\$ -1,607.6mn**
- **We believe that December’s surplus was explained by the uncertainty regarding Mexico’s future trade relationship with the US, which accelerated the flow of Mexican exports**
- **Manufacturing exports increased 4.6% yoy (+3.9% m/m seasonally adjusted)**
- **In addition, non-oil consumption goods imports fell 12.7% yoy (+0.8% m/m, seasonally adjusted)**
- **Capital goods imports declined 0.8% yoy (3.9% m/m, seasonally adjusted)**
- **We believe that Mexico’s trade balance will show a surplus in the first quarter of the year**

Trade balance figures for December show a US\$ 28.2 million surplus. Today’s figure comes as a result of a 6.6% expansion in exports and a 4.1% increase in imports. With today’s figures, trade balance posted a US\$ 13,134.9 million deficit in 2016.

Total exports increased 6.6% yoy. Oil exports edged up 49.9% vs. December 2015, as a result of the higher price of Mexico’s crude oil basket. In addition, non-oil exports increased 4.9% yoy. In particular, manufacturing exports expanded 4.6%, as a result of a 6.5% growth in car-industry exports, while the rest of manufacturing exports increased 3.7% (refer to the table on the following page).

Total imports expanded 4.1% yoy. Non-oil consumption imports –associated with private spending– posted a 12.74% reduction in annual terms, as a result of the accumulated depreciation of the Mexican currency. In addition, non-oil imports of intermediate goods –usually used as inputs in the manufacturing sector– increased 4.8% in December. Finally, capital goods imports posted a 0.8% yoy contraction during the period in question.

In seasonally adjusted terms, manufacturing exports increased 3.9% m/m. Taking a look at the breakdown, car-industry exports posted a 4.2% m/m growth, while the rest of manufacturing exports increased 3.7% m/m. Moreover, non-oil consumption imports increased 0.8% m/m, while capital goods imports posted a 3.9% m/m expansion.

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We believe that Mexico's trade balance will show a surplus in the first quarter of the year. Today's report reflects the greater flow of exports as a result of the statements made by Donald Trump regarding the future prospects of the US-Mexico trade relationship. In this context, we consider that given this uncertain environment, it is likely that Mexican exporters will increase the flow of goods to the United States in the first quarter of the year, hedging a scenario of higher tariffs on their exports.

In addition, we believe that the negative impact of the depreciation of the Mexican currency on consumption and capital goods imports will continue throughout the first quarter of 2017. In the aggregate, the higher flow of exports coupled with the fall in imports will result in a trade surplus during the first quarter of the year.

Trade Balance in December

% yoy

	Dec-16	Nov-16	2016	2015
Total exports	6.6	11.1	-1.8	-4.1
Oil	49.9	6.8	-19.1	-45.3
Crude oil	64.9	16.5	-16.3	-48.0
Other	7.6	-32.5	-30.2	-30.9
Non-oil	4.9	11.3	-0.6	0.8
Agriculture	11.9	31.0	13.7	6.5
Mining	2.1	28.6	-3.0	-11.0
Manufacturing	4.6	10.3	-1.1	0.8
Car industry	6.5	13.1	-1.0	4.7
Other	3.7	8.9	-1.2	-1.1
Total imports	4.1	5.1	-2.1	-1.2
Consumption	-5.2	-5.1	-7.7	-3.5
Oil	20.6	6.9	-11.3	-17.1
Non-oil	-12.7	-7.9	-6.6	1.6
Intermediate imports	6.8	7.8	-0.8	-1.6
Oil	34.6	35.5	-1.2	-21.4
Non-oil	4.8	6.1	-0.7	0.3
Capital goods	-0.8	1.0	-3.8	5.2

Source: INEGI

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