

Trade balance – Seasonally adjusted figures suggest a stronger recovery in vehicle exports

May 25, 2016

- **Trade balance (April): US\$ -2,079mn; Banorte-Ixe: US\$ -1,859mn; consensus: US\$ -579mn (range: US\$ -1,859mn to US\$ -342mn); previous: US\$ 155mn**
- **Total exports decreased 7.8% yoy, given the 30.8% yoy reduction in oil exports**
- **Manufacturing exports fell 7% yoy; however in seasonally-adjusted terms, manufacturing exports increased 3% m/m**
- **Moreover, imports declined 1.7% yoy**
- **We believe that today’s report suggests that manufacturing production and exports could show a more vigorous recovery in 2Q16**

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Alejandro Cervantes
Senior Economist, Mexico
alejandrocervantes@banorte.com

Trade balance figures for April show a US\$ 2,079 million deficit. This figure was below consensus forecast of a 579 deficit, but similar to our US\$ 1,859mn deficit estimate. Today’s figure comes as a result of a decrease in exports (-7.8% yoy) and a 1.7% reduction in imports.

Total exports fell 7.8% yoy. Oil exports fell 30.8% yoy vs. April 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 decreased 6.3% yoy. In particular, manufacturing exports edged-down 7%, as a result of an 8.4% fall in car-industry exports, while the rest of manufacturing exports declined 6.3%, as shown in the following table.

Total imports decreased 1.7% yoy. Non-oil consumption imports –associated with private spending– posted a null growth in annual terms. Moreover, non-oil imports of intermediate goods –usually used as inputs in the manufacturing sector– fell 0.9% in April. Finally, capital goods imports edged-down 4.1% yoy during the period in question.

In seasonally adjusted terms, manufacturing exports increased 3% m/m. Taking a look at the breakdown, car-industry exports increased 10.2% m/m, while the rest of manufacturing exports edged-down 0.3% m/m. Moreover, non-oil consumption imports fell 2.9% m/m, while non-oil imports of intermediate goods showed edged-up 3% m/m. Finally, capital goods imports fell 1.4% m/m.

Trade Balance in April

% yoy

| | Apr-16 | Mar-16 | Jan-Apr,'16 | Jan-Apr,'15 |
|-----------------------------|--------|--------|-------------|-------------|
| Total exports | -7.8 | -7.9 | -6.4 | -1.1 |
| Oil | -30.8 | -40.9 | -41.8 | -46.2 |
| Crude oil | -34.3 | -46.2 | -44.8 | -47.9 |
| Other | -14.0 | -13.9 | -28.1 | -36.9 |
| Non-oil | -6.3 | -5.6 | -3.8 | 5.2 |
| Agriculture | 7.3 | 9.7 | 11.1 | 7.3 |
| Mining | 1.6 | 11.2 | -18.2 | -10.0 |
| Manufacturing | -7.0 | -6.5 | -4.3 | 5.3 |
| Car industry | -8.4 | -10.4 | -3.1 | 11.1 |
| Other | -6.3 | -4.4 | -4.9 | 2.6 |
| Total imports | -1.7 | -6.7 | -3.2 | 0.0 |
| Consumption | -4.1 | -7.3 | -6.6 | -7.2 |
| Oil | -16.5 | -31.4 | -26.5 | -25.6 |
| Non-oil | 0.0 | -0.4 | -0.2 | 0.9 |
| Intermediate imports | -0.9 | -5.5 | -2.1 | 0.7 |
| Oil | -1.8 | -15.0 | -18.2 | -21.9 |
| Non-oil | -0.9 | -4.8 | -0.9 | 2.9 |
| Capital goods | -4.1 | -14.8 | -6.8 | 5.5 |

Source: INEGI

Positive report on the margin. Today's report shows a significant recovery in vehicle exports and intermediate goods imports (seasonally-adjusted figures), which suggest that manufacturing production and exports could show a more vigorous recovery in 2Q16. However, capital goods imports now add three consecutive months in contraction (seasonally-adjusted figures). If this trend continues, it is likely that GFI will decelerate significantly during the second quarter of 2016.

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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 |
| Rey Saúl Torres Olivares | Analyst | saul.torres@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 |
| Marisol Huerta Mondragón | Equity Research Analyst – Food/Beverages | marisol.huerta.mondragon@banorte.com | (55) 1670 - 1746 |
| José Itzamna Espitia Hernández | Equity Research Analyst – Airports / Cement / Infrastructure / Fibras | jose.espitia@banorte.com | (55) 1670 - 2249 |
| Valentín III Mendoza Balderas | Equity Research Analyst – Auto parts | 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.cebaldos@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.rolan.ferrer@banorte.com | (55) 5004 - 1454 |