

Trade balance – SA figures show that the external demand is gaining momentum

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- **Trade balance (April): -US\$85.3 mn; Banorte-Ixe: -US\$557.6 mn; consensus: -US\$26 mn (range: -US\$985 mn to US\$400 mn); previous: US\$505.8 mn**
- **Total exports decreased 3.2% yoy, while imports edged-down 1.6% yoy**
- **Manufacturing exports expanded 3.2% yoy (2.2% m/m)**
- **In our view, today's report continues to show that external demand is gaining momentum**

Trade balance figures for April show a US\$ 85.3 million deficit. This figure was above our US\$557.6 mn deficit estimate and comes as a result of a reduction in both exports and imports. With this number, Mexico's trade balance now adds a US\$ 2,285.8 million deficit in the first four months of the year.

Total exports decreased 3.2% yoy in April. Oil exports fell 50.4% vs. April 2014, as a result of the reduction in Mexico's oil production, and the significant decline in international crude oil prices. However, non-oil exports expanded 2.7% yoy. In particular, manufacturing exports increased 3.2% yoy, on the back of a 12.2% yoy expansion in car-industry exports, while the rest of manufacturing exports fell 0.9% yoy, as shown in the following table.

Total imports edged-down 1.6% yoy. Non-oil consumption imports –associated with private spending– fell 4.4% yoy. Moreover, non-oil imports of intermediate goods –usually used as inputs in the manufacturing sector–, increased 0.4% yoy in April. Finally, capital goods imports grew 3% yoy during the period in question.

In seasonally adjusted terms, manufacturing exports grew 2.2% m/m. Taking a look at the breakdown, car-industry exports expanded 2.8% m/m, while the rest of manufacturing exports increased 2% m/m. In this regard, we believe that the deceleration observed in Mexico's manufacturing exports during the first quarter of the year was simply explained by the adverse weather conditions in the U.S., and today's figures show the recovery in the external demand for Mexican manufactured goods. Similarly, non-oil consumption imports grew 1% despite the significant depreciation of the Mexican currency, while non-oil imports of intermediate goods edged-up 4.4% m/m.

In our view, this report continues to show that external demand is gaining momentum. We believe that the better performance in manufacturing exports, particularly in auto-industry, suggest that the growth momentum of the external demand will continue in the next months, and will support Mexico's economic growth. Similarly, even though the Mexican currency will continue to show a substantial depreciation, we believe that the recovery of non-oil consumption goods and capital goods imports will continue over the coming given the significant recovery of the Mexican labor market.

Trade Balance in April

% yoy

	Apr-15	Mar-15	Jan-Apr,'15	Jan-Apr,'14
Total exports	-3.2	2.7	-1.2	3.2
Oil	-50.4	-43.7	-46.7	-11.3
Crude oil	-48.6	-46.6	-48.5	-13.5
Other	-57.8	-23.5	-36.8	3.3
Non-oil	2.7	8.6	5.2	5.6
Agriculture	-0.1	14.9	7.6	5.8
Mining	-25.3	-20.0	-10.0	14.9
Manufacturing	3.2	8.8	5.3	5.4
Car industry	12.2	13.8	11.1	10.2
Other	-0.9	6.2	2.6	3.3
Total imports	-1.6	4.3	0.0	1.8
Consumption	-14.2	-0.7	-7.2	-4.0
Oil	-34.8	-11.5	-25.6	-15.4
Non-oil	-4.4	2.9	0.9	2.0
Intermediate imports	0.4	4.0	0.7	3.4
Oil	-25.4	-27.1	-21.9	4.8
Non-oil	2.9	7.1	2.9	3.3
Capital goods	3.0	13.2	5.5	-1.5

Source: INEGI

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