

Trade balance – Temporary recovery of manufacturing exports

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- **Trade balance (August): US\$ -2,732.5mn; Banorte-Ixe: US\$ -1,959.8mn; consensus: US\$ -1,606mn range of estimates (US\$ -1,959.8mn to US\$ -1,000mn); previous: US\$ -1,522.6mn**
- **In seasonally adjusted terms, manufacturing exports increased 2.3% m/m, as a result of the 3.5% expansion in non-vehicle manufacturing exports**
- **Despite manufacturing exports recovery in August, we continue to believe that both manufacturing production and exports will decelerate in the second half of the year**

Trade balance figures for August show a US\$ 2,732.5 million deficit. According to Banxico and *INEGI*'s report published today, trade balance posted a US\$ 2,732.5 million deficit, below our US\$ 1,959.8mn deficit forecast (consensus: US\$ -1,606mn). The difference between today's figure and our forecast comes as a result of the 11.7% contraction in the volume of oil exports. Year-to-date, Mexico's trade balance adds a US\$ 7,164.9 million deficit.

Total exports increased 2% m/m. Analyzing the seasonal adjusted figures, oil exports declined 6.4% m/m. By contrast, non-oil exports increased 2.4% m/m, derived from the 2.3% expansion in manufacturing exports. Taking a look at the breakdown, vehicle-industry exports increased a scant 0.2%, while the rest of manufacturing exports edged-up 3.5% m/m (refer to the table on the following page).

Total imports expanded 3.4% m/m. Non-oil consumption imports –associated with private spending– posted a 0.9% m/m contraction. Moreover, non-oil imports of intermediate goods –usually used as inputs in the manufacturing sector– increased 2.2% in August. Finally, capital goods imports expanded 3.5% m/m.

Temporary recovery. Despite the higher growth of non-vehicle manufacturing exports during August, we continue to believe that both manufacturing production and exports will decelerate in the second half of the year.

As we have mentioned throughout our publications, manufacturing exports growth during the first half of the year was mostly explained by the uncertain trade relation with the US, which fostered a higher flow of exports, hedging a scenario of future tariffs. Given that there is a consensus that the renegotiation of NAFTA will maintain the *status quo*, it is likely that the external demand for Mexican manufacturing exports, –particularly within the US– has diminished. As a result, we believe that both manufacturing production and exports will decelerate during the third and fourth quarter of the year.

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Trade Balance in August

% m/m sa

	Aug-17	Jul-17	Jun-17	May-17
Total exports	2.0	-2.2	3.0	0.7
Oil	-6.4	3.1	14.4	-18.1
Crude oil	-7.8	11.3	15.6	-18.8
Others	2.3	-29.9	9.9	-15.4
Non-oil	2.4	-2.5	2.4	1.9
Agricultural	4.2	0.6	-3.6	8.1
Mining	3.3	2.4	-0.2	-10.5
Manufacturing	2.3	-2.7	2.7	1.8
Vehicle and autoparts	0.2	-0.7	3.3	3.2
Others	3.5	-3.7	2.4	1.1
Total imports	3.4	-1.5	2.2	2.0
Consumption goods	-1.1	-0.3	1.9	0.3
Oil	-1.8	1.3	-0.1	1.9
Non-oil	-0.9	-0.8	2.6	-0.2
Intermediate goods	3.9	-1.9	2.7	2.5
Oil	25.0	1.3	2.8	-8.5
Non-oil	2.2	-2.2	2.7	3.5
Capital goods	4.8	0.0	-1.6	0.6

Source: INEGI

Trade Balance in August

% yoy nsa

	Aug-17	Aug-16	Jan-Aug, '17	Jan-Aug, '16
Total exports	10.3	4.6	9.0	-4.4
Oil	4.1	-7.6	24.9	-31.5
Crude oil	4.4	-3.3	25.5	-31.3
Others	2.5	-26.7	22.1	-32.6
Non-oil	10.6	5.4	9.4	-2.4
Agricultural	4.1	26.0	8.7	11.3
Mining	19.2	13.0	30.6	-12.3
Manufacturing	10.7	4.8	9.1	-2.8
Vehicle and autoparts	15.6	1.5	11.8	-3.7
Others	8.3	6.5	7.8	-2.4
Total imports	12.2	1.5	8.2	-3.7
Consumption goods	12.0	-15.4	8.4	-8.8
Oil	28.1	-43.3	29.4	-22.7
Non-oil	7.7	-2.5	2.7	-4.1
Intermediate goods	12.9	4.6	9.0	-2.6
Oil	53.4	-9.7	37.7	-12.2
Non-oil	9.9	5.9	7.0	-1.8
Capital goods	7.2	5.7	2.8	-5.0

Source: INEGI

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