

Balance of payments in 2018 reflected a highly uncertain global backdrop

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- **Current account balance (4Q18): -US\$3.4bn (Banorte: -US\$4.4bn; consensus: -US\$4.1bn; previous: -US\$5.7bn)**
- **Trade balance amounted to -US\$3.5bn, while services balance was -US\$1.7bn**
- **Meanwhile, remittances amounted to US\$8.8bn in the period in question, as already reported**
- **FDI flows amounted to US\$24.7bn in 2018 (US\$4.1bn in 4Q18)**
- **Finally, portfolio investments have registered a net inflow amounting to US\$14.8bn in 2018, while in 4Q18 there was a US\$2bn outflow**

According to Banxico, the current account deficit amounted to US\$22.2bn in 2018, equivalent to 1.8% of GDP. This number was explained by a US\$13.9bn trade deficit in addition to the shortfalls observed in the services (-US\$8.7bn) and the primary income accounts (-US\$32.3bn). Meanwhile, remittances amounted to US\$33.8bn, 10.5% yoy higher than in 2017.

Trade balance deficit was mainly explained by a US\$23.2bn deficit in the oil trade balance. This was partially offset by a slight surplus in non-oil balance (US\$9.5bn), on the back of a 12.2% y/y growth in car-industry exports, along with a 7.4% increase in the rest of manufacturing exports. Meanwhile, non-oil imports increased 8.5%y/y during 2018, with non-oil consumer imports up 3.1%, imports of intermediate goods (non-oil) increasing 8.8%y/y and capital goods imports expanding 11.9%.

Current account in 4Q18 (1/2)

US\$bn

	Dec-18	Sep-18	Jan-Dec,'18	Jan-Dec,'17
Current account	-3.4	-5.7	-22.2	-19.4
I. Credit	136.2	132.7	525.4	478.7
A. Goods	117.5	114.2	450.9	409.8
Exports	117.4	114.1	450.6	409.4
Goods acquired in ports by means of transport	0.1	0.1	0.4	0.4
B. Services	7.7	6.5	29.0	27.6
Transportation	0.6	0.5	2.2	1.9
Tourists	5.9	5.1	22.5	21.3
Insurance and pension services	1.0	0.8	3.5	3.7
Financial services	0.1	0.1	0.4	0.4
Others	0.1	0.1	0.3	0.3

Source: Banxico

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Current account in 4Q18 (2/2)

US\$bn

	Dec-18	Sep-18	Jan-Dec,'18	Jan-Dec,'17
Current account	-3.4	-5.7	-22.2	-19.4
I. Credit	136.2	132.7	525.4	478.7
C. Primary income	2.2	3.5	11.7	10.7
Profits and dividends	0.2	1.5	4.0	4.9
Profits	0.2	1.3	3.7	3.3
Dividends	0.0	0.2	0.3	1.6
Interests	1.5	1.5	5.6	3.8
Others	0.5	0.5	2.1	2.0
D. Secondary income	8.8	8.5	33.8	30.6
Remittances	8.8	8.5	33.5	30.3
Others	0.1	0.1	0.3	0.3
II. Debit	139.6	138.4	547.6	498.1
A. Goods	121.1	119.9	464.8	420.8
Imports	120.9	119.7	464.3	420.4
Goods acquired in ports by means of transport	0.1	0.1	0.5	0.4
B. Services	9.3	9.5	37.7	37.5
Transportation	3.9	4.1	15.5	14.8
Services	3.1	2.9	11.3	10.8
Insurance and pension services	1.0	1.1	4.8	5.0
Financial services	0.4	0.5	2.3	2.2
Others	0.9	1.0	3.9	4.7
C. Primary income	8.9	8.8	44.0	39.0
Profits and dividends	2.3	3.2	21.2	17.5
Profits	0.4	0.4	12.3	10.8
Dividends	1.9	2.8	9.0	6.7
Interests	6.6	5.6	22.7	21.5
Public sector	3.5	2.9	13.2	13.2
Private sector	3.1	2.8	9.5	8.3
Others	0.0	0.0	0.0	0.0
D. Secondary income	0.3	0.3	1.1	0.9
Remittances	0.3	0.2	1.0	0.8
Others	0.0	0.0	0.1	0.1
Trade balance	-3.5	-5.7	-13.9	-11.0
Oil balance	-6.9	-6.0	-10.3	-5.5
Non-oil balance	3.4	0.4	5.7	2.7
Services balance	-1.7	-2.9	-8.7	-9.8
Primary income balance	-6.8	-5.3	-32.3	-28.3
Secondary income balance	8.6	8.3	32.7	29.7

Source: Banxico

The financial account showed a US\$35.9bn deficit in 2018. This was mainly explained by net outflows of US\$24.7bn in direct investment along with a net outflow of portfolio investments amounting to US\$15.2bn, while financial derivatives and other investments added US\$3.6bn (refer to table below). Net financial asset purchases amounted to US\$9.9bn in the year in question, while net liabilities totaled US\$34.6bn in 2017. It is worth noting that FDI flows amounted to US\$31.6bn in 2018 vs. US\$ 32.1 in same period last year. Meanwhile, investment from Mexicans abroad totaled US\$6.9bn.

Capital account (current methodology) in 4Q18

US\$ bn

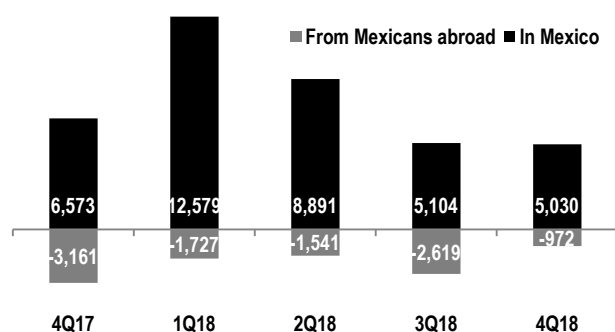
	Dec-18	Sep-18	Jan-Dec,'18	Jan-Dec,'17
Capital account	0.0	0.0	-0.1	0.1
Financial account	-11.3	-7.0	-35.9	-29.0
[Net creditor (+) / Net borrower (-)]				
I. Direct investment	-4.1	-2.5	-24.7	-28.0
Net financial asset acquisitions	0.4	2.9	9.9	3.0
Net liabilities	4.5	5.4	34.6	31.0
II. Portfolio investment	-6.1	-0.7	-15.2	-7.3
Net financial asset acquisitions	-8.1	-2.6	-5.7	16.7
Net liabilities	-2.0	-1.8	9.5	24.0
III. Financial derivatives (net transactions)	-1.2	1.0	0.4	3.1
IV. Other investments	1.8	-3.9	3.2	8.0

Source: Banxico

Total portfolio investment registered a US\$14.8bn inflow in 2018, vs. the US\$4.2bn inflow last year. From this amount, US\$113mn are inflows to government bond markets (vs. the US\$310mn outflow in 2017), while US\$2.6bn went to equity markets and private money markets. Investments in instruments issued abroad represented US\$7.3bn (US\$10.6bn from the public sector and -US\$3.8bn from the private sector). Finally, assets totaled US\$5.3mn in the period in question. In 4Q18, total portfolio investment registered a US\$7.2bn inflow vs. the US\$2.4bn inflow in the same quarter last year. Outflows from government bond markets amounted to US\$1.5bn (vs.-US\$2bn in 4Q17) while US\$249mn went to equity markets and private money markets. Investments in instruments issued abroad decreased in US\$797mn (US\$1.9 bn from the public sector and -US\$2.7bn from the private sector). Finally, assets totaled US\$9.2mn in the period in question (see table below).

Foreign direct investment in 2018

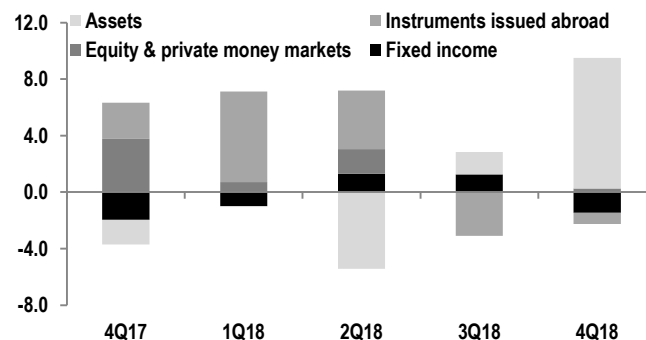
US\$bn



Source: Banxico

Portfolio investment in 2018

US\$bn



Source: Banxico

Capital account (previous methodology) in 4Q18

US\$ bn

	dic.-18	sep.-18	Jan-Dec,'18	Jan-Dec,'17
Capital account	0.0	0.0	-0.1	0.1
Financial account	9.5	6.2	36.4	24.2
Foreign direct investment	4.1	2.5	24.7	28.0
In Mexico	5.0	5.1	31.6	32.1
From Mexicans abroad	-1.0	-2.6	-6.9	-4.1
Portfolio investment	7.2	-0.3	14.8	4.2
Liabilities	-2.0	-1.8	9.5	24.0
Public sector	0.4	0.0	10.7	5.8
Securities issued abroad	1.9	-1.3	10.6	6.1
Money markets	-1.5	1.2	0.1	-0.3
Private sector	-2.4	-1.8	-1.2	18.3
Securities issued abroad	-2.7	-1.8	-3.8	8.0
Money & equity markets	0.2	-0.1	2.6	10.2
Pidiregas	0.0	0.0	0.0	0.0
Assets	9.2	1.6	5.3	-19.8
Other investments	-1.8	3.9	-3.2	-8.0
Liabilities	-0.6	2.5	6.3	-2.4
Public sector	-0.9	2.4	-0.7	2.2
Private sector	0.3	0.2	7.1	-4.6
Pidiregas	0.0	0.0	0.0	0.0
Assets	-1.1	1.4	-9.5	-5.5

Fuente: Banxico

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