

Trade balance – Manufacturing exports grew 6.5% m/m in July

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- **Trade balance (July): -US\$2,266 mn; Banorte-Ixe: -US\$1,630.8 mn; consensus: -US\$1,300 mn (range: -US\$1,893 mn to -US\$341.7 mn); previous: -US\$749 mn**
- **Total exports decreased 2.6% yoy, while imports edged-up 1.1% yoy**
- **Manufacturing exports expanded 2% yoy (6.5% m/m)**
- **In our view, today's report shows that external demand is gaining momentum**

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Trade balance figures for July show a US\$ 2,266 million deficit. This figure was below our US\$1,630.8 mn deficit estimate and comes as a result of a decrease in exports (-2.6% yoy) and a 1.1% increase in imports. With this number, Mexico's trade balance now adds a US\$ 6,319.2 million deficit year-to-date.

Total exports decreased 2.6% yoy in July. Oil exports fell 36.8% vs. July 2014, as a result of the reduction in Mexico's oil production, and the significant decline in international crude oil prices. However, we highlight that this contraction is lower than the average of 43.2% observed year-to-date. Moreover, non-oil exports expanded 1.3% yoy. In particular, manufacturing exports increased 2% yoy, on the back of a 5.3% yoy expansion in car-industry exports, while the rest of manufacturing exports edged-up 0.5% yoy, as shown in the following table.

Total imports edged-up 1.1% yoy. Non-oil consumption imports –associated with private spending– decreased 2.1% yoy. Moreover, non-oil imports of intermediate goods –usually used as inputs in the manufacturing sector–, expanded 1.9% yoy in July. Finally, capital goods imports grew 1.9% yoy during the period in question.

Trade Balance in July % yoy

	Jul-15	Jun-15	Jan-Jul,'15	Jan-Jul,'14
Total exports	-2.6	1.2	-2.2	4.2
Oil	-36.8	-41.0	-43.2	-8.7
Crude oil	-39.1	-44.9	-45.9	-10.5
Other	-20.4	-23.4	-27.8	2.5
Non-oil	1.3	6.8	3.2	6.2
Agriculture	2.3	10.7	7.0	7.1
Mining	-48.7	13.9	-15.2	22.4
Manufacturing	2.0	6.5	3.4	5.9
Car industry	5.3	11.5	8.9	10.4
Other	0.5	4.0	0.8	4.0
Total imports	1.1	4.7	0.0	3.2
Consumption	-3.6	2.4	-4.9	-1.0
Oil	-7.7	-16.6	-20.4	-12.7
Non-oil	-2.1	10.1	1.3	4.6
Intermediate imports	1.9	3.0	0.1	4.4
Oil	1.6	-12.6	-18.8	3.5
Non-oil	1.9	4.3	1.9	4.5
Capital goods	1.9	21.7	6.6	0.3

Source: INEGI

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In seasonally adjusted terms, manufacturing exports grew 6.5% m/m. Taking a look at the breakdown, car-industry exports expanded 4.3% m/m, while the rest of manufacturing exports increased 7.7% m/m. In this regard, we believe that the deceleration observed in Mexico's manufacturing exports during the first months 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 in the second half of the year. Moreover, non-oil consumption imports decreased 5%, while non-oil imports of intermediate goods edged-up 5.6% m/m. Finally, capital goods imports edged-down 5.5% m/m.

In our view, this report shows that external demand is gaining momentum. Despite the deceleration observed in July's total exports, we believe that the significant depreciation that still maintains the Mexican currency will motivate a further growth of Mexican production and manufacturing exports, which will be reflected in a larger dynamic growth for the Mexican economy.

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