

## Balance of payments in 3Q17 – Deficit widens due to more dynamism of imports

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- **Current account balance (3Q17): -US\$5.5bn (Banorte-Ixe: -US\$8.9bn; consensus: -US\$6.5bn; previous: -US\$0.3bn)**
- **Trade balance amounted to -US\$6.2bn, while the services balance was -US\$3.4bn**
- **Meanwhile, remittances amounted to US\$7.1bn in the period in question, as previously reported**
- **FDI flows amounted to US\$21.8bn year to date (US\$5.7bn in 3Q17)**
- **Finally, portfolio investments have registered a net inflow amounting to US\$17.7bn year to date, while in 3Q17 there was a US\$7.2bn inflow**

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According to Banxico, the current account deficit amounted to US\$5.5bn in 3Q17. This number is equivalent to 1.8% of GDP, and it was explained by a US\$6.2bn trade deficit as a result of a US\$5.1bn deficit in the oil trade balance, with a marginal negative balance in the non-oil trade sector (US\$1bn) on the back of a recovery of non-oil intermediate goods imports. To the trade deficit we should add the shortfalls observed in the services (-US\$3.4bn) and the primary income accounts (-US\$3.1bn). Meanwhile, remittances amounted to US\$7.1bn as it was already reported, 5.3% yoy above same period last year. Year-to-date, remittances amount to US\$20.7bn, 5.7% yoy higher than in 2016.

#### Current account in 3Q17 (1/2)

US\$bn

	3Q17	2Q17	1Q-3Q17	1Q-3Q17
Current account	-5.5	0.1	-13.7	-20.3
I. Credit	118.2	120.1	349.8	318.6
A. Goods	101.8	102.9	299.6	274.1
Exports	101.8	102.8	299.3	273.8
Goods acquired in ports by means of transport	0.1	0.1	0.3	0.3
B. Services	6.3	6.6	19.8	18.2
Transportation	0.5	0.4	1.4	1.2
Tourists	4.9	5.3	16.0	14.6
Insurance and pension services	0.8	0.7	2.1	2.1
Financial services	0.1	0.1	0.2	0.1
Others	0.1	0.1	0.2	0.2
C. Primary income	2.7	3.3	8.9	6.1
Profits and dividends	1.0	1.7	4.2	2.0
Profits	0.7	1.3	3.1	1.4
Dividends	0.4	0.4	1.1	0.6
Interests	1.1	1.1	3.3	2.8
Others	0.5	0.5	1.3	1.3
D. Secondary income	7.4	7.4	21.5	20.3
Remittances	7.3	7.3	21.3	20.1
Others	0.1	0.1	0.2	0.2

Source: Banxico

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**Current account in 3Q17 (2/2)**

US\$bn

	3Q17	2Q17	1Q-3Q17	1Q-3Q17
II. Debit	123.8	120.0	363.5	338.9
A. Goods	108.0	103.1	308.6	286.3
Imports	107.9	103.0	308.3	286.1
Goods acquired in ports by means of transport	0.1	0.1	0.3	0.2
B. Services	9.7	8.8	27.6	24.7
Transportation	4.0	3.5	10.9	9.7
Services	2.9	2.5	7.7	7.4
Insurance and pension services	1.3	1.3	3.7	3.5
Financial services	0.5	0.4	1.7	1.3
Others	1.0	1.1	3.7	2.8
C. Primary income	5.8	8.0	26.6	27.3
Profits and dividends	0.9	1.7	11.3	13.2
Profits	0.3	0.6	8.3	9.4
Dividends	0.6	1.1	3.0	3.8
Interests	4.9	6.2	15.3	14.1
Public sector	2.5	4.2	9.4	8.8
Private sector	2.4	2.0	5.9	5.3
Others	0.0	0.0	0.0	0.0
D. Secondary income	0.2	0.2	0.6	0.5
Remittances	0.2	0.2	0.6	0.5
Others	0.0	0.0	0.1	0.1
<b>Trade balance</b>	<b>-6.2</b>	<b>-0.1</b>	<b>-9.0</b>	<b>-12.3</b>
Oil balance	-5.1	-3.8	-8.2	-3.8
Non-oil balance	-1.0	3.7	5.3	3.7
<b>Services balance</b>	<b>-3.4</b>	<b>-2.2</b>	<b>-7.8</b>	<b>-6.5</b>
<b>Primary income balance</b>	<b>-3.1</b>	<b>-4.7</b>	<b>-17.8</b>	<b>-21.3</b>
<b>Secondary income balance</b>	<b>7.1</b>	<b>7.2</b>	<b>20.8</b>	<b>19.7</b>

Source: Banxico

**The financial account showed a US\$9.2bn deficit.** This was mainly explained by net inflows of US\$6.8bn in direct investment along with a net inflow of portfolio investments amounting to US\$7.2bn, while other investments added US\$3.8bn. Net financial asset purchases amounted to US\$1.3bn in the third quarter of the year, while net liabilities totaled US\$15.3mn in the same period (refer to table below).

**Capital account in 3Q17**

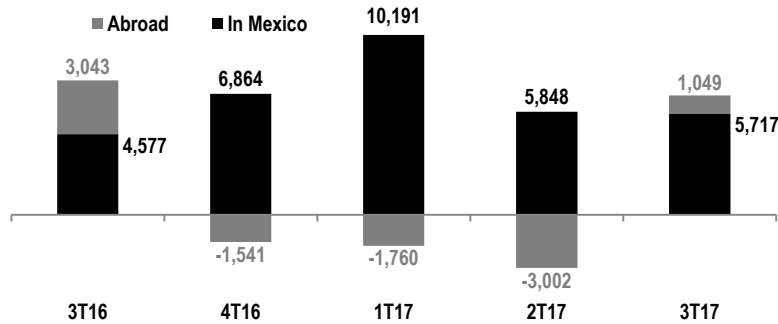
US\$bn

	3Q17	2Q17	1Q-3Q17	1Q-3Q17
<b>Capital account</b>	<b>0.00</b>	<b>-0.01</b>	<b>-0.01</b>	<b>0.01</b>
<b>Financial account</b>				
[Net credit (+) / net indebtedness(-)]	<b>-9.21</b>	<b>-6.94</b>	<b>-20.16</b>	<b>-24.30</b>
<b>I. Direct investment</b>	<b>-6.77</b>	<b>-2.85</b>	<b>-18.04</b>	<b>-22.48</b>
Net financial assets acquisition	-0.35	3.27	5.28	3.93
Net liabilities	6.42	6.11	23.32	26.40
<b>II. Portfolio investment</b>	<b>-7.22</b>	<b>-0.51</b>	<b>-17.68</b>	<b>-21.27</b>
Net financial assets acquisition	1.65	-0.64	2.10	-2.17
Net liabilities	8.87	-0.13	19.78	19.10
<b>III. Financial derivatives (net transactions)</b>	<b>2.16</b>	<b>1.51</b>	<b>4.30</b>	<b>0.65</b>
<b>IV. Other investments</b>	<b>3.81</b>	<b>-1.11</b>	<b>16.31</b>	<b>18.12</b>
<b>V. Reserve assets</b>	<b>-1.19</b>	<b>-3.99</b>	<b>-5.05</b>	<b>0.68</b>

Source: Banxico

**FDI flows are still positive.** In the third quarter of the year, FDI flows to Mexico amounted to US\$5.7bn, while investments of Mexican companies abroad totaled US\$1bn in the same period. Year to date, FDI flows amount to US\$21.8bn vs. US\$22.5 in same period last year.

**Foreign direct investment**  
US\$bn



Source: Banxico

**Portfolio investments show a slightly less uncertain backdrop.** Total portfolio investment registered a US\$7.2bn inflow in 3Q17, vs. the US\$9.7bn inflow in the same quarter last year. An inflow was registered in public sector money markets (US\$2.6bn vs. the US\$3bn outflow in previous quarter). Nevertheless, US\$4.7bn went to equity markets and private money markets.

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