

Trade balance – FX depreciation weights on consumption and capital goods imports

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Alejandro Cervantes
Senior Economist, Mexico
alejandrocervantes@banorte.com

- **Trade balance (October): US\$ -899.5mn; Banorte-Ixe: US\$ -81.9mn; consensus: US\$ -1,417mn; previous: US\$ -1,607.6mn**
- **Manufacturing exports fell 6.1% yoy (-5.9% m/m seasonally adjusted)**
- **In addition, non-oil consumption goods imports fell 14.7% yoy (-1.2% m/m seasonally adjusted), while capital goods imports declined 6.9% yoy (-7.9% m/m seasonally adjusted)**
- **We believe that today's report suggests a more negative outlook for private consumption and investment**

Trade balance figures for October show a US\$ 899.5 million deficit. Today's figure comes as a result of a 4.4% contraction in exports and a 5.9% reduction in imports. With today's figures, trade balance now adds a US\$ 13,363.5 million deficit.

Total exports fell 4.4% yoy. Oil exports edged up 4.4% vs. October 2015. However, non-oil exports decreased 4.9% yoy. In particular, manufacturing exports edged-down 6.1%, as a result of a 4.9% contraction in car-industry exports, while the rest of manufacturing exports fell 6.7% (refer to the table on the following page).

Total imports declined 5.9% yoy. Non-oil consumption imports –associated with private spending– posted a 14.7% reduction in annual terms. In addition, non-oil imports of intermediate goods –usually used as inputs in the manufacturing sector– fell 6.1% in October. Finally, capital goods imports posted a 6.9% yoy contraction during the period in question, as a result of the accumulated depreciation of the Mexican currency.

In seasonally adjusted terms, manufacturing exports fell 5.9% m/m. Taking a look at the breakdown, car-industry exports posted a 5.8% m/m contraction, while the rest of manufacturing exports declined 6% m/m. Moreover, non-oil consumption imports fell 1.2% m/m, while capital goods imports posted a 7.9% m/m contraction.

Negative report. Today's report reflects the negative impact of the depreciation of the Mexican currency on consumption and capital goods imports. Following the US election result, we believe that the depreciation of the Mexican peso will continue to affect imports of consumption and capital goods, which will be reflected in lower levels of consumption and investment within the Mexican economy.

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Trade Balance in October

% yoy

	Oct-16	Sep-16	Jan-Oct,'16
Total exports	-4.4	1.3	-3.8
Oil	4.4	5.7	-25.2
Crude oil	11.5	21.8	-23.3
Other	-26.4	-40.8	-33.0
Non-oil	-4.9	1.1	-2.4
Agriculture	16.5	21.6	12.0
Mining	57.0	-7.7	-6.6
Manufacturing	-6.1	0.7	-2.8
Car industry	-4.9	3.2	-3.1
Other	-6.7	-0.6	-2.7
Total imports	-5.9	1.7	-3.4
Consumption	-9.4	-3.1	-8.2
Oil	16.3	14.5	-16.1
Non-oil	-14.7	-7.7	-5.8
Intermediate imports	-5.1	2.7	-2.3
Oil	9.1	16.7	-7.4
Non-oil	-6.1	1.7	-1.9
Capital goods	-6.9	1.3	-4.6

Source: INEGI

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GRUPO FINANCIERO BANORTE S.A.B. de C.V.
Research and Strategy

Gabriel Casillas Olvera	Chief Economist and Head of Research	gabriel.casillas@banorte.com	(55) 4433 - 4695
Raquel Vázquez Godínez	Assistant	raquel.vazquez@banorte.com	(55) 1670 - 2967

Economic Analysis

Delia María Paredes Mier	Executive Director of Economic Analysis	delia.paredes@banorte.com	(55) 5268 - 1694
Alejandro Cervantes Llamas	Senior Economist, Mexico	alejandro.cervantes@banorte.com	(55) 1670 - 2972
Katia Celina Goya Ostos	Senior Global Economist	katia.goya@banorte.com	(55) 1670 - 1821
Miguel Alejandro Calvo Domínguez	Economist, Regional & Sectorial	miguel.calvo@banorte.com	(55) 1670 - 2220
Juan Carlos García Viejo	Economist, International	juan.garcia.viejo@banorte.com	(55) 1670 - 2252
Francisco José Flores Serrano	Economist, National	francisco.flores.serrano@banorte.com	(55) 1670 - 2957
Lourdes Calvo Fernández	Analyst (Edition)	lourdes.calvo@banorte.com	(55) 1103 - 4000 x 2611

Fixed income and FX Strategy

Alejandro Padilla Santana	Head Strategist – Fixed income and FX	alejandro.padilla@banorte.com	(55) 1103 - 4043
Juan Carlos Alderete Macal, CFA	FX Strategist	juan.alderete.macal@banorte.com	(55) 1103 - 4046
Santiago Leal Singer	Analyst Fixed income and FX	santiago.leal@banorte.com	(55) 1670 - 2144

Equity Strategy

Manuel Jiménez Zaldivar	Director Equity Research — Telecommunications / Media	manuel.jimenez@banorte.com	(55) 5268 - 1671
Victor Hugo Cortes Castro	Equity Research Analyst	victorh.cortes@banorte.com	(55) 1670 - 1800
Marissa Garza Ostos	Senior Equity Research Analyst – Conglomerates / Financials/ Mining / Chemistry	marissa.garza@banorte.com	(55) 1670 - 1719
José Itzamna Espitia Hernández	Equity Research Analyst – Airlines / Airports / Cement / Infrastructure / Fibras	jose.espitia@banorte.com	(55) 1670 - 2249
Valentín III Mendoza Balderas	Equity Research Analyst – Auto Parts/ Consumer Discretionary / Real Estate / Retail	valentin.mendoza@banorte.com	(55) 1670 - 2250

Corporate Debt

Tania Abdul Massih Jacobo	Director Corporate Debt	tania.abdul@banorte.com	(55) 5268 - 1672
Hugo Armando Gómez Solís	Analyst, Corporate Debt	hugo.gomez@banorte.com	(55) 1670 - 2247
Idalia Yanira Céspedes Jaén	Analyst, Corporate Debt	idalia.cespedes@banorte.com	(55) 1670 - 2248

Wholesale Banking

Armando Rodal Espinosa	Head of Wholesale Banking	armando.rodal@banorte.com	(55) 1670 - 1889
Alejandro Eric Faesi Puente	Head of Global Markets and Institutional Sales	alejandro.faesi@banorte.com	(55) 5268 - 1640
Alejandro Aguilar Ceballos	Head of Asset Management	alejandro.aguilar.cebillos@banorte.com	(55) 5268 - 9996
Arturo Monroy Ballesteros	Head of Investment Banking and Structured Finance	arturo.monroy.ballesteros@banorte.com	(55) 5004 - 1002
Gerardo Zamora Nanez	Head of Transactional Banking, Leasing and Factoring	gerardo.zamora@banorte.com	(81) 8318 - 5071
Jorge de la Vega Grajales	Head of Government Banking	jorge.delavega@banorte.com	(55) 5004 - 5121
Luis Pietrini Sheridan	Head of Private Banking	luis.pietrini@banorte.com	(55) 5004 - 1453
René Gerardo Pimentel Ibarrola	Head of Asset Management	pimentelr@banorte.com	(55) 5268 - 9004
Ricardo Velázquez Rodríguez	Head of International Banking	rvelazquez@banorte.com	(55) 5004 - 5279
Victor Antonio Roldan Ferrer	Head of Corporate Banking	victor.roldan.ferrer@banorte.com	(55) 5004 - 1454