

Trade balance – The MXN depreciation resulted in a significant reduction of Mexico’s imports

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- **Trade balance (December): US\$ -926.5 mn; Banorte-Ixe: US\$ 556 mn; consensus: US\$ -800 mn (range: US\$ -1,850 mn to US\$ 556 mn); previous: US\$ -926 mn**
- **Total exports decreased 9.3% yoy, given the 50.8% yoy reduction in oil exports**
- **Manufacturing exports fell 6.1% yoy (+0.6% m/m)**
- **Moreover, imports decreased 5.8% yoy as a result of the significant depreciation of the Mexican currency**
- **We believe that the depreciation of the Mexican currency will result in a higher growth for exports of final goods in 1Q16**
- **However, exports of intermediate goods will continue to fall given the deceleration of the U.S. manufacturing industry**

Trade balance figures for December show a US\$926.5 million deficit. This figure was below our US\$556 mn surplus estimate and comes as a result of a decrease in exports (-9.3% yoy) and a 5.8% reduction in imports. With this number, Mexico’s trade balance added a US\$14,460.4 million deficit in 2015.

Trade Balance in December
% yoy

	Dec-15	Nov-15	2015	2014
Total exports	-9.3	-4.1	-4.1	4.5
Oil	-50.8	-50.2	-45.0	-13.9
Crude oil	-55.4	-52.2	-47.6	-16.1
Other	-30.9	-40.2	-30.9	-0.6
Non-oil	-6.1	0.9	0.8	7.3
Agriculture	-6.9	1.5	5.6	8.3
Mining	-0.3	-1.6	-11.0	7.4
Manufacturing	-6.1	0.9	0.8	7.2
Car industry	2.7	-0.3	4.7	11.9
Other	-9.9	1.5	-1.1	5.1
Total imports	-5.8	-2.4	-1.2	4.9
Consumption	-1.9	-7.3	-3.5	1.7
Oil	-10.1	-38.5	-17.1	-6.9
Non-oil	0.7	5.3	1.6	5.3
Intermediate imports	-7.0	-2.1	-1.6	6.0
Oil	-28.8	-34.4	-21.4	7.5
Non-oil	-4.9	0.9	0.3	5.9
Capital goods	-3.0	2.5	5.2	1.5

Source: INEGI

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Total exports decreased 9.3% yoy. Oil exports fell 50.8% vs. December 2014, as a result of the reduction in Mexico's oil production, and the significant decline in international crude oil prices. Moreover, non-oil exports decreased 6.1% yoy. In particular, manufacturing exports edged-down 6.1% yoy, as a result of a 2.7% yoy increase in car-industry exports, while the rest of manufacturing exports fell 9.9% yoy, as shown in the following table.

Total imports fell 5.8% yoy. Non-oil consumption imports –associated with private spending– increased 0.7% yoy. Moreover, non-oil imports of intermediate goods –usually used as inputs in the manufacturing sector– fell 4.9% yoy in December. Finally, capital goods imports decreased 3% yoy during the period in question.

In seasonally adjusted terms, manufacturing exports grew 0.6% m/m. Taking a look at the breakdown, car-industry exports increased 3% m/m, while the rest of manufacturing exports edged-down 0.6% m/m. Moreover, non-oil consumption imports decreased 1.5% m/m, while non-oil imports of intermediate goods fell 1.6% m/m. Finally, capital goods imports tumbled 3.8% m/m.

We believe that the depreciation of the Mexican currency will result in a higher growth for exports of final goods. Despite the deceleration observed in December's annual growth of total exports, the seasonally adjusted figures showed that the Mexican manufacturing sector is gradually improving. We believe that the depreciation that still maintains the Mexican currency will motivate a further growth of Mexican manufacturing production and exports for final goods, which will be reflected in a larger dynamic growth for the Mexican economy. However, exports of intermediate goods will continue to fall given the deceleration of the U.S. manufacturing industry.

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