

## Balance of payments in 2Q17 – External accounts reflect a slightly less uncertain backdrop

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- **Current account balance (2Q17): -US\$0.3bn (Banorte-Ixe: -US\$4.4bn; consensus: -US\$4.5bn; previous: -US\$8.4bn)**
- **Trade balance amounted to -US\$0.1bn, while the services balance was -US\$2.2bn**
- **Meanwhile, remittances amounted to US\$7.3bn in the period in question, as previously reported**
- **FDI flows amounted to US\$11.7bn year to date (US\$3.3bn in 2Q17)**
- **Finally, portfolio investments have registered a net inflow amounting to US\$8.9bn year to date, while in 2Q17 there was a US\$0.5bn outflow**

**Delia Paredes**

Executive Director of Economic Analysis  
delia.paredes@banorte.com

According to Banxico, the current account deficit amounted to US\$0.3bn in 2T17. This number is equivalent to 1.6% of GDP, and it was explained by a US\$0.1bn trade deficit as a result of a US\$3.8bn deficit in the oil trade balance, offset by a surplus of similar magnitude (+US\$3.7bn) in the non-oil trade balance on the back of a recovery of manufacturing exports in particular. To the trade deficit we should add the shortfalls observed in the services (-US\$2.2bn) and the primary income accounts (-US\$0bn). Meanwhile, remittances amounted to US\$7.3bn as it was already reported, 4.9%yoy above same period last year. Year-to-date, remittances amount to US\$13.9bn, 5.9%yoy higher than in 2016.

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

US\$bn

	Jun-17	Mar-17	Jan-Jun,'17	Jan-Jun,'16
Current account	-0.3	-8.4	-8.7	-14.1
I. Credit	119.6	111.0	230.7	209.1
A. Goods	102.9	94.8	197.7	179.1
Exports	102.8	94.7	197.5	178.9
Goods acquired in ports by means of transport	0.1	0.1	0.2	0.2
B. Services	6.6	7.0	13.5	12.4
Transportation	0.4	0.4	0.9	0.8
Tourists	5.3	5.8	11.1	10.1
Insurance and pension services	0.7	0.6	1.3	1.3
Financial services	0.1	0.0	0.1	0.1
Others	0.1	0.1	0.1	0.2
C. Primary income	2.8	2.5	5.3	4.3
Profits and dividends	1.3	1.0	2.3	1.5
Profits	0.9	0.9	1.8	1.1
Dividends	0.4	0.1	0.5	0.3
Interests	1.1	1.1	2.2	2.0
Others	0.5	0.4	0.8	0.8
D. Secondary income	7.4	6.7	14.1	13.3
Remittances	7.3	6.6	13.9	13.2
Others	0.1	0.1	0.1	0.1

Source: Banxico

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

US\$bn

	Jun-17	Mar-17	Jan-Jun,'17	Jan-Jun,'16
II. Debit	120.0	119.4	239.4	223.3
A. Goods	103.1	97.6	200.6	186.1
Imports	103.0	97.5	200.4	185.9
Goods acquired in ports by means of transport	0.1	0.1	0.2	0.1
B. Services	8.8	9.1	17.9	15.7
Transportation	3.5	3.4	6.9	6.1
Services	2.5	2.3	4.8	4.7
Insurance and pension services	1.3	1.1	2.4	2.3
Financial services	0.4	0.7	1.1	0.7
Others	1.1	1.6	2.6	1.9
C. Primary income	7.9	12.5	20.5	21.1
Profits and dividends	1.7	8.3	10.1	11.2
Profits	0.3	7.1	7.5	8.1
Dividends	1.4	1.2	2.6	3.1
Interests	6.2	4.2	10.4	9.9
Public sector	4.2	2.7	6.9	6.7
Private sector	2.0	1.5	3.5	3.2
Others	0.0	0.0	0.0	0.0
D. Secondary income	0.2	0.2	0.4	0.4
Remittances	0.2	0.2	0.3	0.3
Others	0.0	0.1	0.1	0.1
<b>Trade balance</b>	<b>-0.1</b>	<b>-2.7</b>	<b>-2.9</b>	<b>-7.0</b>
Oil balance	-3.8	-4.4	-8.2	-3.8
Non-oil balance	3.7	1.6	5.3	3.7
<b>Services balance</b>	<b>-2.2</b>	<b>-2.1</b>	<b>-4.4</b>	<b>-3.3</b>
<b>Primary income balance</b>	<b>-5.1</b>	<b>-10.0</b>	<b>-15.1</b>	<b>-16.8</b>
<b>Secondary income balance</b>	<b>7.2</b>	<b>6.5</b>	<b>13.7</b>	<b>12.9</b>

Source: Banxico

**The financial account showed a US\$8.3bn deficit.** This was mainly explained by net outflows of US\$3.3bn in direct investment along with a net outflow of portfolio investments amounting to US\$0.5bn, while other investments subtracted US\$1.5bn. Net financial asset purchases amounted to US\$2.5bn in the second quarter of the year, while net liabilities totaled US\$5.8mn in the same period (refer to table below).

**Capital account in 2Q17**

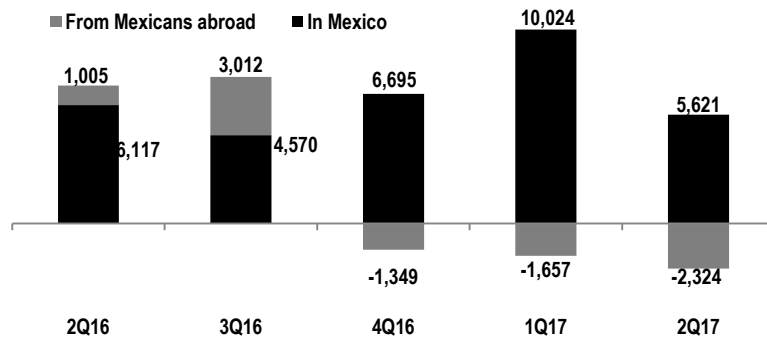
US\$bn

	Jun-17	Mar-17	Jan-Jun,'17	Jan-Jun,'16
<b>Capital account</b>	<b>-0.01</b>	<b>0.01</b>	<b>0.00</b>	<b>-0.03</b>
<b>Financial account</b>	<b>-8.29</b>	<b>-3.67</b>	<b>-11.96</b>	<b>-22.93</b>
<b>[Net credit (+) / net indebtedness(-)]</b>				
<b>I. Direct investment</b>	<b>-3.30</b>	<b>-8.37</b>	<b>-11.66</b>	<b>-15.49</b>
Net financial assets acquisition	2.49	2.12	4.61	3.61
Net liabilities	5.79	10.48	16.27	19.10
<b>II. Portfolio investment</b>	<b>-0.51</b>	<b>-9.96</b>	<b>-10.47</b>	<b>-11.57</b>
Net financial assets acquisition	-0.64	1.08	0.44	-3.15
Net liabilities	-0.13	11.04	10.91	8.42
<b>III. Financial derivatives (net transactions)</b>	<b>0.99</b>	<b>0.63</b>	<b>1.61</b>	<b>-0.22</b>
<b>IV. Other investments</b>	<b>-1.48</b>	<b>13.90</b>	<b>12.42</b>	<b>5.34</b>

Source: Banxico

**FDI flows are still positive.** In the second quarter of the year, FDI flows to Mexico amounted to US\$5.6bn, while investments of Mexican companies abroad totaled US\$2.3bn in the same period. Year to date, FDI flows amount to US\$15.6bn vs. US\$ 17.7 in same period last year.

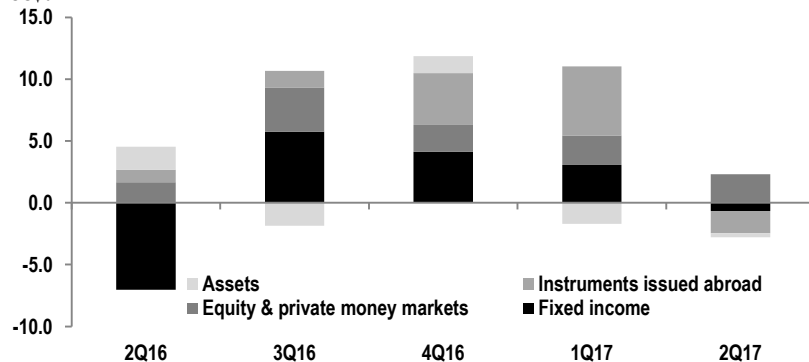
**Foreign direct investment**  
US\$bn



Source: Banxico

**Portfolio investments show a slightly less uncertain backdrop.** Total portfolio investment registered a US\$0.5bn outflow in 2Q17, vs. the US\$2.5bn outflow in the same quarter last year. A small outflow was registered in public sector money markets (-US\$0.7bn vs. the US\$3bn inflow in previous quarter). Nevertheless, US\$2.3bn went to equity markets and private money markets, similar to the inflows observed in the previous quarters as shown in the chart below. Investments in instruments issued abroad decreased in US\$1.8bn (-US\$2.3bn in the public sector and US\$0.5bn in the private sector). Finally, assets totaled US\$0.3bn in the period in question.

**Portfolio investments**  
US\$bn



Source: Banxico

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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, Mexico	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 Senior Strategist	juan.alderete.macal@banorte.com	(55) 1103 - 4046
Santiago Leal Singer	Strategist 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
Itzel Martínez Rojas	Analyst	itzel.martinez.rojas@banorte.com	(55) 1670 - 2251

**Corporate Debt**

Tania Abdul Massih Jacobo	Director Corporate Debt	tania.abdul@banorte.com	(55) 5268 - 1672
Hugo Armando Gómez Solís	Senior, Corporate Debt	hugo.gomez@banorte.com	(55) 1670 - 2247
Gerardo Daniel Valle Trujillo	Analyst, Corporate Debt	gerardo.valle.trujillo@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