

Balance of payments – Mexico’s external accounts resent adverse external backdrop

May 25, 2015

www.banorte.com
www.ixe.com.mx
@analisis_fundam

- **Current account balance (1Q15): -US\$9.5bn (Banorte-Ixe: -US\$5.6bn; consensus: -US\$7.1bn; previous: -US\$5.3bn)**
- **Trade balance amounted to -US\$2.2bn, while services balance was -US\$2.6bn**
- **Meanwhile, remittances amounted to US\$5.7bn in the period in question, as already reported**
- **FDI flows amounted to US\$7.6bn in 1Q15**
- **Finally, net portfolio investments have totaled US\$8.9bn in 1Q15**

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

According to Banxico, the current account deficit amounted to US\$9.4bn in 1Q15. This number is equivalent to 3.2% of GDP in 1Q15, and it was explained by a US\$2.2bn trade deficit in addition to the shortfalls observed in the services (-US\$2.6bn) and the income accounts (-US\$10.4bn). Meanwhile, remittances amounted to US\$5.7bn as it was already reported, 4.9% yoy above same period last year.

Current account				
US\$mn				
	Mar-15	Dec-14	Jan-Mar,'14	Jan-Mar,'13
Current account	-9,445.8	-5,082.7	-10,409.3	-8,124.1
Revenues	103,307.4	116,783.4	104,085.2	102,033.9
Exports	90,404.2	103,379.2	90,758.8	88,228.1
Services (non-factorial)	5,796.2	5,621.9	5,316.7	4,695.9
Primary income	1,148.2	1,492.7	2,240.7	3,934.4
Transfers	5,842.7	6,149.1	5,551.9	4,970.5
Remittances	5,727.3	6,052.1	5,459.5	4,888.9
Other	115.5	97.0	92.4	81.6
Spending	112,753.2	121,866.1	114,494.5	110,157.9
Imports	92,604.7	104,209.2	92,064.4	89,346.8
Services (non-factor)	5,558.5	6,690.8	8,149.8	7,257.0
Services (factor)	2,790.1	2,357.6	2,568.5	2,220.6
Primary spending	11,510.4	8,232.4	13,950.2	13,204.6
Transfers	204.2	269.4	218.3	245.4
Trade balance	-2,200.5	-5,082.7	-10,409.3	-8,124.1
Services balance	-2,552.4	-3,426.5	-5,401.6	-4,781.8
Primary balance	-10,362.2	-6,739.7	-11,709.5	-9,270.2
Net transfers	5,638.5	5,879.7	5,333.6	4,725.1

Source: Banco de México

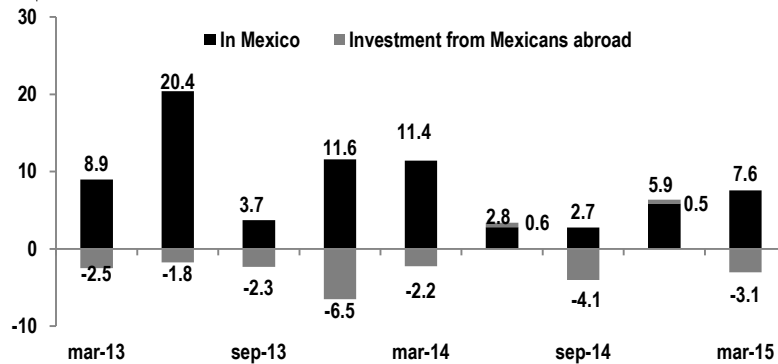
Document for distribution among public

Exports in the first quarter of the year were supported by car-industry exports. Total exports declined 0.4% yoy on the back of a 45.5% yoy drop in oil exports while non-oil increased 6.2% yoy. In particular, car industry exports increased 10.7% yoy, while the rest of non-oil exports expanded 4.2% yoy. Meanwhile, non-oil imports increased 3.3% yoy, as a result of a 2.8% yoy expansion in non-oil consumption imports; a 3% increase in intermediate imports (ex. oil) and 6.4% higher capital imports.

The financial account showed a US\$7.4bn surplus. This was mainly explained by net inflows of US\$4.5bn in net direct investment along with a net inflow of portfolio investments amounting to US\$8.9bn, while other investments subtracted US\$6bn. FDI flows to Mexico amounted to US\$7.6bn in the first quarter of the year, while investments of Mexican companies abroad totaled US\$3.1mn in the same period.

Foreign direct investment

US\$ billion

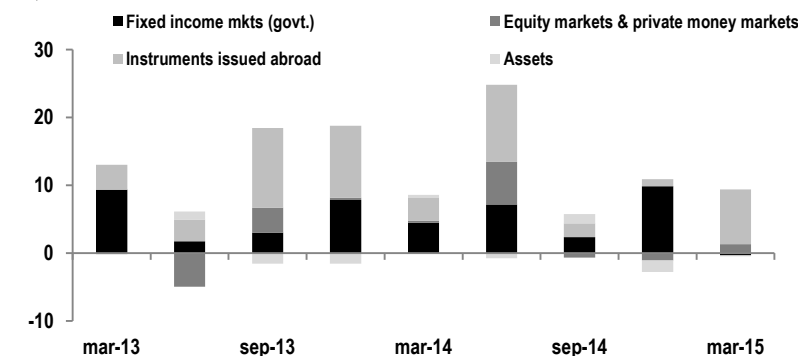


Source: Banco de México

In the meantime, portfolio investment resented volatility in global financial markets. Total portfolio investment amounted to US\$8.9bn in 1Q15, US\$0.4 million more than in the same quarter last year. There was a net outflow from government bond markets (-US\$0.3bn vs. +US\$4.5bn in 1Q14), while there were US\$1.3bn of inflows to equity markets and private money markets. Investments in instruments issued abroad totaled US\$8bn, as a result of a positive flow of US\$9.4bn in public instruments, while there was a negative flow amounting to US\$1.4bn from instruments issued abroad by the private sector). Finally, assets totaled US\$136mn in the period in question.

Portfolio investment by quarter

US\$bn



Source: Banxico

In our view, Mexico's external fundamentals continue to be robust, despite an adverse global backdrop. Current account deficit has deteriorated as a result of lower levels of oil export, but that have been offset by lower oil imports along with the dynamism of the car industry, which has translated in higher manufacturing exports. In terms of flows, money markets are resenting the volatility of global financial markets, although international reserves increased US\$2.1bn during the period in question and foreign direct investment continues flowing amid the recovery of economic activity and the implementation of structural reforms.

Disclaimer

The information contained in this document is illustrative and informative so it should not be considered as an advice and/or recommendation of any kind. BANORTE is not part of any party or political trend.

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
Rey Saúl Torres Olivares	Analyst	saul.torres@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) 5004 - 1275
Victor Hugo Cortes Castro	Equity Research Analyst	victorh.cortes@banorte.com	(55) 5004 - 1231
Marissa Garza Ostos	Senior Equity Research Analyst – Conglomerates/Financials/ Mining/ Chemistry	marissa.garza@banorte.com	(55) 5004 - 1179
Marisol Huerta Mondragón	Equity Research Analyst – Food/Beverages	marisol.huerta.mondragon@banorte.com	(55) 5004 - 1227
José Itzamna Espitia Hernández	Equity Research Analyst – Airports / Cement / Infrastructure / Fibras	jose.espitia@banorte.com	(55) 5004 - 1266
Valentín III Mendoza Balderas	Equity Research Analyst	valentin.mendoza@banorte.com	(55) 5268 - 9000 x 1267
María de la Paz Orozco García	Analyst	maripaz.orozco@banorte.com	(55) 5004 - 5262

Corporate Debt

Tania Abdul Massih Jacobo	Director Corporate Debt	tania.abdul@banorte.com	(55) 5004 - 1405
Hugo Armando Gómez Solís	Analyst, Corporate Debt	hugo.gomez@banorte.com	(55) 5004 - 1340
Idalia Yanira Céspedes Jaén	Analyst, Corporate Debt	idalia.cespedes@banorte.com	(55) 5004 - 1437

Wholesale Banking

Armando Rodal Espinosa	Head of Wholesale Banking	armando.rodal@banorte.com	(55) 1670 - 1889
Alejandro Eric Faesi Puente	Managing Director – Global Markets and Institutional Sales	alejandro.faesi@banorte.com	(55) 5268 - 1640
Jorge de la Vega Grajales	Managing Director – Government Banking	jorge.delavega@banorte.com	(55) 5004 - 5121
Luis Pietrini Sheridan	Managing Director – Private Banking	lpietrini@ixe.com.mx	(55) 5004 - 1453
René Gerardo Pimentel Ibarrola	Managing Director – Asset Management	pimentelr@ixe.com.mx	(55) 5268 - 9004
Ricardo Velázquez Rodríguez	Managing Director – International Banking	rvelazquez@ixe.com.mx	(55) 5268 - 9879
Victor Antonio Roldan Ferrer	Managing Director – Transactional Banking	voldan@ixe.com.mx	(55) 5004 - 1454