

## Trade balance – Lower manufacturing exports behind September’s higher than expected deficit

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**Alejandro Cervantes**  
Senior Economist, Mexico  
alejandro.cervantes@banorte.com

- **Trade balance (September): US\$ -1,886.4mn; Banorte-Ixe: US\$ -538mn; consensus: US\$ -1,331.5mn range of estimates (US\$ -1,799mn to US\$ -538mn); previous: US\$ -2,732.5mn**
- **In seasonally adjusted terms, manufacturing exports fell 0.3% m/m, as a result of the 1.5% reduction in non-vehicle manufacturing exports**
- **We continue to believe that both manufacturing production and exports will decelerate in the last quarter of the year**

**Trade balance figures for September show a US\$ 1,886.4 million deficit.** According to Banxico and *INEGI*'s report published today, trade balance posted a US\$ 1,886.5 million deficit, below our US\$ 538mn deficit forecast (consensus: US\$ -1,331.5mn). The difference between today's figure and our forecast comes as a result of the moderate 1% increase in oil exports, and a lower than expected increase in manufacturing exports (3.5% yoy). Year-to-date, Mexico's trade balance adds a US\$ 9,051.2 million deficit.

**Total exports increased 0.1% m/m.** Analyzing the seasonal adjusted figures, oil exports expanded 5.5% m/m. By contrast, non-oil exports fell 0.2% m/m, derived from the 0.3% reduction in manufacturing exports. Taking a look at the breakdown, vehicle-industry exports increased 1.8%, while the rest of manufacturing exports edged-down to -1.5% m/m (refer to the table on the following page).

**Total imports expanded 0.5% m/m.** Non-oil consumption imports –associated with private spending– posted a 1.5% m/m expansion. Moreover, non-oil imports of intermediate goods –usually used as inputs in the manufacturing sector– increased 1.8% in September. However, capital goods imports decreased 3.7% m/m.

**Manufacturing production and exports will decelerate in 4Q17.** As we have mentioned throughout our publications, manufacturing exports growth during the first half of the year was mostly explained by the uncertain trade relation with the US, which fostered a higher flow of exports, hedging a scenario of future tariffs. Given that there is a consensus that the renegotiation of NAFTA will maintain the *status quo*, it is likely that the external demand for Mexican manufacturing exports, –particularly within the US– has diminished. As a result, we believe that both manufacturing production and exports will decelerate during the fourth quarter of the year.

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### Trade Balance in September

% m/m sa

	Sep-17	Aug-17	Jul-17	Jun-17
<b>Total exports</b>	<b>0.1</b>	<b>2.0</b>	<b>-2.2</b>	<b>3.0</b>
Oil	5.5	-5.2	2.0	14.5
Crude oil	5.0	-6.4	9.9	15.7
Others	8.2	2.3	-29.9	9.9
Non-oil	-0.2	2.4	-2.4	2.4
Agricultural	3.8	4.5	0.8	-3.5
Mining	0.2	3.3	2.4	-0.1
Manufacturing	-0.3	2.3	-2.6	2.7
Vehicle and auto-parts	1.8	0.3	-0.6	3.3
Others	-1.5	3.4	-3.7	2.4
<b>Total imports</b>	<b>0.5</b>	<b>3.5</b>	<b>-1.3</b>	<b>2.4</b>
Consumption goods	3.8	-0.2	0.0	2.1
Oil	11.2	1.7	2.3	0.3
Non-oil	1.5	-0.8	-0.8	2.6
Intermediate goods	0.5	4.0	-1.7	3.0
Oil	-12.3	25.7	1.2	2.7
Non-oil	1.8	2.2	-1.9	3.0
Capital goods	-3.68	5.2	0.1	-1.9

Source: INEGI

### Trade Balance in September

% yoy nsa

	Sep-17	Sep-16	Jan-Sep, '17	Jan-Sep, '16
<b>Total exports</b>	<b>3.4</b>	<b>1.6</b>	<b>8.4</b>	<b>-3.7</b>
Oil	1.0	5.4	21.5	-28.0
Crude oil	2.6	21.3	22.1	-26.6
Others	-7.9	-40.8	18.7	-33.7
Non-oil	3.6	1.4	8.7	-2.0
Agricultural	-2.7	31.8	7.5	13.0
Mining	25.7	-7.7	29.9	-11.7
Manufacturing	3.5	0.7	8.5	-2.4
Vehicle and autoparts	7.7	3.2	11.3	-2.9
Others	1.3	-0.6	7.0	-2.2
<b>Total imports</b>	<b>4.3</b>	<b>1.7</b>	<b>7.8</b>	<b>-3.1</b>
Consumption goods	7.0	-3.1	8.2	-8.1
Oil	11.5	14.5	26.8	-18.9
Non-oil	5.6	-7.7	3.0	-4.5
Intermediate goods	4.9	2.7	8.5	-2.0
Oil	21.7	16.7	35.6	-9.2
Non-oil	3.5	1.7	6.6	-1.4
Capital goods	-3.1	1.3	2.0	-4.3

Source: INEGI

### Disclaimer

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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
Katía 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	Technical Analysis	victorh.cortes@banorte.com	(55) 1670 - 1800
Marissa Garza Ostos	Equity Research – Conglomerates / Financials/ Mining / Petrochemicals	marissa.garza@banorte.com	(55) 1670 - 1719
José Itzamna Espitia Hernández	Equity Research – Airlines / Airports / Cement / Infrastructure / REITs	jose.espitia@banorte.com	(55) 1670 - 2249
Valentín III Mendoza Balderas	Equity Research – 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.rolan.ferrer@banorte.com	(55) 5004 - 1454