

Trade balance – Manufacturing exports maintain an upward trend

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- **Trade balance (May): US\$ -1,079.2mn; Banorte-Ixe: US\$ 345.3mn; consensus: US\$ 273mn; previous: US\$ 617.7mn**
- **Manufacturing exports increased 12.9% yoy in May (1.6% m/m)**
- **In addition, imports increased 14.7% yoy (2.9% m/m), as a result of the significant appreciation of the Mexican currency**
- **We believe that May's trade balance report continues to support our view of a stronger external demand**

Trade balance figures for May show a US\$ 1,079.2 million deficit. According to Banxico and *INEGI's* report published today trade balance posted a US\$ 1,079.2mn deficit, below our US\$ 345.3mn surplus forecast (consensus: US\$ 273mn). The difference between today's figure and our forecast comes as a result of the 3.5% contraction of oil exports. The exported volume fell 20.4%, while the price of the Mexican crude oil basket increased 18.3%.

Total exports increased 12.9% yoy. Non-oil exports increased 13.8% yoy. In particular, manufacturing exports expanded 12.9%, as a result of a 13.8% growth in car-industry exports, while the rest of manufacturing exports increased 12.5% (refer to the table on the following page).

Total imports expanded 14.7% yoy as a result of the significant appreciation of the Mexican currency. In addition, non-oil consumption imports –associated with private spending– posted a 7.1% expansion in annual terms. Moreover, non-oil imports of intermediate goods –usually used as inputs in the manufacturing sector– increased 15.5% in March. Finally, capital goods imports edged-up to 11.1% yoy during the period in question.

In seasonally adjusted terms, manufacturing exports increased 1.6% m/m. Taking a look at the breakdown, car-industry exports posted a 2.9% m/m expansion, while the rest of manufacturing exports expanded 0.9% m/m. In addition, capital goods increased 0.5% m/m, while non-oil intermediate goods imports posted a 4.8% m/m expansion. By contrast, non-oil consumption imports fell 0.3% m/m.

Positive report. As we have mentioned throughout our publications, the expected growth in manufacturing exports has been explained by: (1) The higher growth of global trade, which has translated in a recovery of Mexico's external demand; and (2) Mexico's uncertain trade relation with the US, which has fostered a higher flow of exported goods, hedging a future scenario of tariffs on exports. We believe that manufacturing exports will be supported by these factors in the second half of the year.

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In addition, we believe that the positive impact of the appreciation of the Mexican currency on capital goods imports will translate into higher investment figures in May. However, the Federal Government's fiscal consolidation plan will continue to weigh on investment figures.

Trade Balance in May

% yoy; nsa

	May-17	May-16	Jan-May, '17	Jan-May, '16
Total exports	12.9	0.5	10.2	-5.0
Oil	-3.5	-28.1	35.5	-38.6
Crude oil	-6.3	-25.5	36.6	-40.5
Others	9.7	-38.1	31.5	-30.5
Non-oil	13.8	2.9	9.0	-2.5
Agricultural	24.3	15.8	8.6	11.4
Mining	60.5	-10.0	38.5	-16.9
Manufacturing	12.9	2.4	8.7	-3.0
Vehicle and autoparts	13.8	-1.3	9.4	-2.7
Others	12.5	4.4	8.3	-3.1
Total imports	14.7	-1.6	7.4	-2.9
Consumption goods	10.7	-4.0	8.1	-6.1
Oil	25.1	-7.9	45.7	-23.2
Non-oil	7.1	-3.0	-0.9	-0.8
Intermediate goods	15.9	-0.8	7.8	-1.8
Oil	21.9	3.9	43.1	-14.1
Non-oil	15.5	-1.1	5.6	-0.9
Capital goods	11.1	-4.0	3.4	-6.3

Source: INEGI

Trade Balance in May

% m/m; sa

% m/m	May-17	Apr-17	Mar-17	Feb-17
Total exports	0.7	-2.0	0.1	4.2
Oil	-15.6	-1.0	-9.9	-3.3
Crude oil	-15.7	1.9	-15.0	-6.0
Others	-15.2	-10.7	12.7	11.5
Non-oil	1.7	-2.1	0.7	4.8
Agricultural	8.7	-3.4	5.7	6.7
Mining	-9.2	25.9	-19.3	23.9
Manufacturing	1.6	-2.4	0.8	4.4
Vehicle and autoparts	2.9	-1.9	-0.4	1.6
Others	0.9	-2.6	1.5	5.9
Total imports	2.9	-5.8	3.0	2.0
Consumption goods	0.4	-3.5	1.0	4.8
Oil	2.6	-16.5	1.8	-0.2
Non-oil	-0.3	1.3	0.8	6.7
Intermediate goods	3.7	-7.5	3.9	1.7
Oil	-8.6	-2.6	-0.3	1.1
Non-oil	4.8	-7.9	4.2	1.8
Capital goods	0.5	4.2	-0.6	0.1

Source: INEGI

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