

## Better than expected current account deficit in 1Q19

May 24, 2019

- **Current account balance (1Q19): -US\$5.6bn (Banorte: -US\$9.2bn; consensus: -US\$9bn; previous: -US\$2.9bn)**
- **Trade balance amounted to -US\$1.9bn, while services balance was -US\$0.2bn**
- **Meanwhile, remittances amounted to US\$7.7bn in the period in question, as already reported**
- **FDI flows amounted to US\$8.3bn in 1Q19**
- **Finally, portfolio investments registered a US\$5.3bn inflow in 1Q19 vs. US\$5.6bn in same period last year**

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According to Banxico, the current account deficit amounted to US\$5.6bn in 1Q19, below expectations. This number is equivalent to 1.8% of GDP, and it was explained by a US\$1.9bn trade deficit in addition to the shortfalls observed in the services (-US\$0.2bn) and the primary income accounts (-US\$11.1bn). Meanwhile, remittances amounted to US\$7.7bn as it was already reported ,6.6% yoy above same period last year.

Trade balance deficit was mainly explained by a US\$4.7bn deficit in the oil trade balance. This was partially offset by a slight surplus in non-oil balance (US\$2.9bn), on the back of a 2.6% y/y growth in car-industry exports, along with a 4% increase in the rest of manufacturing exports. Meanwhile, non-oil imports increased 3.4%y/y in the period in question, with non-oil consumer imports down 0.6%, imports of intermediate goods (non-oil) increasing 4.4%y/y and capital goods imports remaining flat in the period in question.

### Current account in 1Q19 (1/2)

US\$bn

	Mar-19	Dec-18	Jan-Mar,'18	Jan-Mar,'17
<b>Current account</b>	<b>-5.6</b>	<b>-2.9</b>	<b>-21.6</b>	<b>-19.6</b>
<b>I. Credit</b>	<b>128.0</b>	<b>136.8</b>	<b>526.1</b>	<b>478.7</b>
A. Goods	108.1	117.6	451.1	409.8
Exports	108.1	117.5	450.7	409.4
Goods acquired in ports by means of transport	0.1	0.1	0.4	0.4
B. Services	8.5	7.4	28.8	27.6
Transportation	0.6	0.6	2.2	1.9
Tourists	7.0	5.9	22.5	21.3
Insurance and pension services	0.7	0.8	3.3	3.7
Financial services	0.1	0.1	0.4	0.4
Others	0.1	0.1	0.3	0.3

Source: Banxico

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**Current account in 1Q19 (2/2)**

US\$bn

	Mar-19	Dec-18	Jan-Mar,'18	Jan-Mar,'17
<b>Current account</b>	<b>-5.6</b>	<b>-2.9</b>	<b>-21.6</b>	<b>-19.6</b>
<b>I. Credit</b>	<b>128.0</b>	<b>136.8</b>	<b>526.1</b>	<b>478.7</b>
C. Primary income	3.7	2.9	12.5	10.7
Profits and dividends	1.6	0.9	4.8	4.9
Profits	1.1	0.8	4.1	3.3
Dividends	0.5	0.1	0.6	1.6
Interests	1.5	1.5	5.6	3.8
Others	0.6	0.5	2.1	2.0
D. Secondary income	7.7	8.8	33.8	30.6
Remittances	7.7	8.8	33.5	30.3
Others	0.1	0.1	0.3	0.3
<b>II. Debit</b>	<b>133.7</b>	<b>139.7</b>	<b>547.7</b>	<b>498.3</b>
A. Goods	110.0	121.1	464.8	420.8
Imports	109.9	120.9	464.3	420.4
Goods acquired in ports by means of transport	0.1	0.1	0.5	0.4
B. Services	8.7	9.4	37.8	37.5
Transportation	3.6	3.9	15.4	14.8
Services	2.3	3.1	11.3	10.8
Insurance and pension services	1.3	1.0	4.8	5.0
Financial services	0.5	0.4	2.2	2.2
Others	1.1	1.0	3.9	4.7
C. Primary income	14.7	9.0	44.0	39.1
Profits and dividends	9.4	2.4	21.3	17.6
Profits	8.5	0.4	12.1	10.8
Dividends	0.9	2.0	9.2	6.8
Interests	5.3	6.6	22.7	21.5
Public sector	3.5	3.5	13.2	13.2
Private sector	1.9	3.1	9.6	8.3
Others	0.0	0.0	0.0	0.0
D. Secondary income	0.2	0.3	1.1	0.9
Remittances	0.2	0.3	1.0	0.8
Others	0.0	0.0	0.1	0.1
<b>Trade balance</b>	<b>-1.9</b>	<b>-3.4</b>	<b>-13.8</b>	<b>-11.0</b>
Oil balance	-4.7	-7.0	-10.2	-5.5
Non-oil balance	2.9	3.6	5.7	2.7
<b>Services balance</b>	<b>-0.2</b>	<b>-2.0</b>	<b>-9.0</b>	<b>-9.9</b>
<b>Primary income balance</b>	<b>-11.1</b>	<b>-6.1</b>	<b>-31.5</b>	<b>-28.4</b>
<b>Secondary income balance</b>	<b>7.5</b>	<b>8.6</b>	<b>32.7</b>	<b>29.7</b>

Source: Banxico

**The financial account showed a US\$4.6bn deficit.** This was mainly explained by net outflows of US\$8.3bn in direct investment along with a net outflow of portfolio investments amounting to US\$5.2bn, while other investments added US\$4.5bn (refer to table below). Net financial asset purchases amounted to US\$1.1bn in the first quarter of the year, while net liabilities totaled US\$9.4bn in the same period. FDI flows to Mexico amounted to US\$10.2bn in the first quarter of the year, while investments of Mexican companies abroad totaled US\$1.9mn in the same period

**Capital account (current methodology) in 1Q19**

US\$ bn

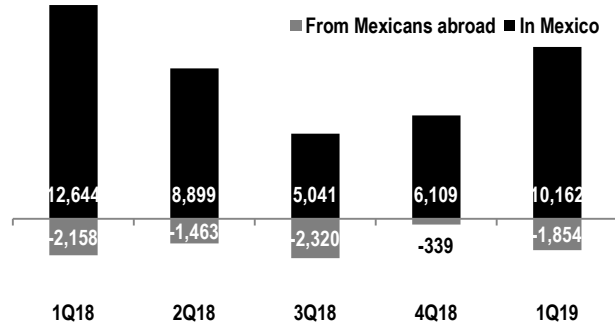
	Mar.-19	Dec.-18	Jan-Mar,'18	Jan-Mar,'17
<b>Capital account</b>	<b>0.0</b>	<b>0.0</b>	<b>-0.1</b>	<b>0.1</b>
<b>Financial account</b>	<b>-4.6</b>	<b>-9.7</b>	<b>-32.9</b>	<b>-32.6</b>
[Net credit (+) / Net indebtedness (-)]				
<b>I. Direct investment</b>	<b>-8.3</b>	<b>-5.8</b>	<b>-26.4</b>	<b>-28.8</b>
Net acquisition of financial assets	1.1	0.5	10.5	3.2
Net liabilities	9.4	6.2	36.9	32.0
<b>II. Portfolio investment</b>	<b>-5.2</b>	<b>-2.4</b>	<b>-10.0</b>	<b>-10.1</b>
Net acquisition of financial assets	3.1	-4.4	-0.5	14.0
Net liabilities	8.3	-2.0	9.5	24.0
<b>III. Financial derivatives (net)</b>	<b>-0.1</b>	<b>-1.1</b>	<b>0.4</b>	<b>3.1</b>
<b>IV. Other investments</b>	<b>4.5</b>	<b>1.3</b>	<b>2.6</b>	<b>8.0</b>

Source: Banxico

**Total portfolio investment registered a US\$5.3bn inflow in the first quarter of the year, vs. the US\$5.6bn inflow in the same quarter last year.** Flows to government bond markets amounted to US\$4.9bn (vs. the US\$979mn outflow in 1Q18) while US\$2.2bn went to equity markets and private money markets. Investments in instruments issued abroad increased in US\$1.2 (US\$0.7 bn in the public sector and US\$0.5 bn in the private sector). Finally, assets totaled US\$3mn in the period in question.

**Foreign direct investment in 1Q19**

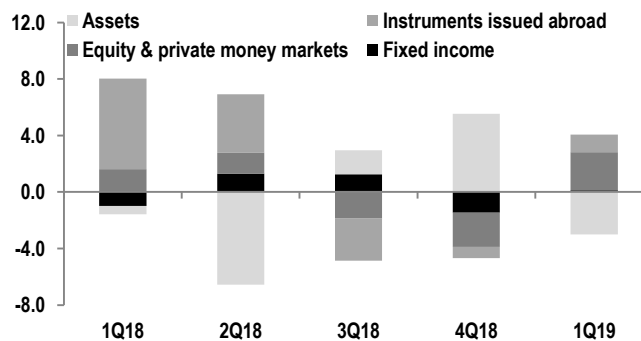
US\$bn



Source: Banxico

**Portfolio investment in 1Q19**

US\$bn



Source: Banxico

**Capital account (previous methodology) in 1Q19**

US\$ bn

	Mar.-19	Dec.-18	Jan-Mar,'18	Jan-Mar,'17
<b>Capital account</b>	<b>-0.03</b>	<b>-0.01</b>	<b>-0.06</b>	<b>0.15</b>
<b>Financial account</b>	<b>9.06</b>	<b>7.98</b>	<b>33.34</b>	<b>27.84</b>
<b>Foreign direct investment</b>	<b>8.31</b>	<b>5.77</b>	<b>26.41</b>	<b>28.82</b>
In Mexico	10.16	6.11	32.69	32.91
From Mexicans abroad	-1.85	-0.34	-6.28	-4.09
<b>Portfolio investment</b>	<b>5.28</b>	<b>3.52</b>	<b>9.57</b>	<b>6.98</b>
Liabilities	8.28	-2.01	9.50	24.01
Public sector	5.56	0.42	10.68	5.76
Securities issued abroad	0.68	1.88	10.57	6.07
Money markets	4.88	-1.46	0.11	-0.31
Private sector	2.72	-2.43	-1.18	18.25
Securities issued abroad	0.54	-2.68	-3.82	8.03
Money & equity markets	2.17	0.25	2.64	10.22
Pidiregas	0.00	0.00	0.00	0.00
Assets	-3.00	5.53	0.07	-17.03
<b>Other investments</b>	<b>-4.53</b>	<b>-1.31</b>	<b>-2.65</b>	<b>-7.96</b>
Liabilities	-0.29	-0.34	6.65	-2.42
Public sector	3.64	-0.92	-0.74	2.21
Private sector	-3.93	0.58	7.40	-4.63
Pidiregas	0.00	0.00	0.00	0.00
Assets	-4.23	-0.97	-9.30	-5.54

Fuente: Banxico

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