January 26, 2024

Trade balance – Strong surplus in December, with a modest deficit through 2023

- **Trade balance (December): US$4,242.4 million; Banorte: US$2,182.4mn; consensus: US$1,836.5mn (range: -US$100.0mn to US$4,400.0mn); previous: US$629.9mn**
- **Exports fell 0.1% y/y, returning to negative territory. Imports declined 6.9%, its largest contraction since July. Some of the main drivers include a moderation in oil prices, a limited advance in US industry and the relative strength of the MXN. Thus, the trade balance accumulated US$5.5 billion deficit in 2023**
- **With seasonally adjusted figures, exports grew 1.3% m/m, with oil strong (8.8%), but with non-oil also positive at 0.9%. In the latter, we note the 0.8% expansion in manufacturing, driven by autos (4.4%)**
- **Imports came in at -2.3% m/m, adding three months of declines. Performance was mostly to the downside, with oil falling 15.7%, and with non-oil down 1.2%. Within these, we highlight the 2.4% decline in intermediate goods**
- **As we enter 2024, headwinds for international trade have increased. However, with relatively more favorable conditions in the US and locally, we believe that flows could be better for our country**

US$4,242.4 surplus in December, the largest for the year. Overall, conditions were sufficiently different from November to explain this performance. Thus, some of the main drivers include the downward trajectory of energy prices, a slight recovery in the auto sector, and an increase in shipping costs relative to previous months. In this context –and with fewer distortions than in previous months– exports came in at -0.1%, back in negative territory after two months positive. On the other hand, imports fell 6.9%, its largest contraction since July (Chart 1). For more details, see Table 1. With this, the trade balance accumulated a US$5.5 billion deficit in 2023, with the oil balance at -US$18.5 billion and a surplus of US$13.1 billion in the non-oil balance (Chart 2).

Sequential rebound in exports, with imports adding three months of declines. The former managed a 1.3% m/m increase, with gains across several sectors. On the other hand, the latter came in at -2.3%, with relatively generalized losses. Regarding oil flows, exports climbed 8.8%, with imports down 15.7%. While lower prices affected both components, the differences are explained by a greater divergence in terms of volumes. In non-oil components we saw a more varied performance. Exports advanced 0.9%, with much of the strength concentrated in manufacturing (0.8%). However, in these, base effects dictated much of the performance, with autos rebounding 4.4% (previous: -6.3%) and with 'others' falling 1.3% (previous: 3.2%). In addition, agriculture fell 0.7%, while mining advanced 15.9%, as seen in Table 2. In imports (-1.2%), we highlight the 2.4% decline in intermediate goods, contrasting with improvements in manufacturing. On a more positive note, consumption goods climbed 4.2%, in our view supported by the additional strength of the MXN.

Increased risks for international trade, although conditions for our country's flows seem to be better. The start of the year has been characterized by the effects on international trade from the conflict in the Middle East –with attacks on commercial vessels by Yemeni Houthi groups in the Red Sea–, causing the Suez Canal route to be avoided. As a result, the time taken to move goods has increased, freight costs have risen and misalignments in production chains have increased, with the latter being the relatively limited effect for the time being.


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Focusing on exports, we believe that some of the main drivers include: (1) Energy prices; and (2) the evolution of industrial production in the US. On the first point, despite the increase in geopolitical tensions, we believe that pressures could be limited, even with a slight downward bias. Specifically, we believe that the expectation of further weakness in global economic activity along with high inventory levels will help to compensate for this. In addition, we believe there is a possibility that the OPEC+ alliance could break down to some extent, rendering output constraint measures less effective. Regarding US demand for manufactured goods, signs at the end of 2023 were more positive than expected, highlighting the 4Q23 GDP figure at 3.3% q/q saar –with consumption being the main driver, albeit with a moderation in imports. According to our view for 2024, activity in the US will moderate, although consumption could be relatively resilient. Thus, we believe that demand for our country's products, especially in the auto sector, could be relatively strong.

Regarding imports, we continue to see room for the MXN to keep positively impacting the flow of consumer and intermediate goods inflows. On the other hand, the dynamism we expect for consumption leads us to believe that inflows will maintain a positive trend, at least in the first half of the year. Finally, we believe that imports of agricultural goods will continue to increase, albeit at a slower pace, given a more challenging outlook for local production.

Table 1: Trade balance

% y/y nsa

	Dec-23	Dec-22	2023	2022
Total exports	**-0.1**	**3.0**	**2.6**	**16.7**
Oil	-8.7	-3.6	-14.8	32.6
Crude oil	13.1	-14.7	-12.7	29.4
Others	-58.8	37.0	-23.6	48.7
Non-oil	0.4	3.5	3.9	15.7
Agricultural	-7.9	9.4	2.8	6.4
Mining	-14.4	11.7	0.2	-4.2
Manufacturing	1.1	3.1	4.0	16.6
Vehicle and auto-parts	13.2	13.8	14.3	18.2
Others	-4.9	-1.5	-0.9	15.8
Total imports	**-6.9**	**2.6**	**-1.0**	**19.6**
Consumption goods	12.0	-1.0	9.3	29.4
Oil	-67.1	-14.6	-28.2	50.8
Non-oil	36.6	4.2	25.1	22.1
Intermediate goods	-11.8	2.1	-4.9	18.1
Oil	-37.3	1.3	-31.1	32.2
Non-oil	-9.0	2.2	-1.8	16.6
Capital goods	7.9	13.2	20.0	18.9

Source: INEGI

Table 2: Trade balance

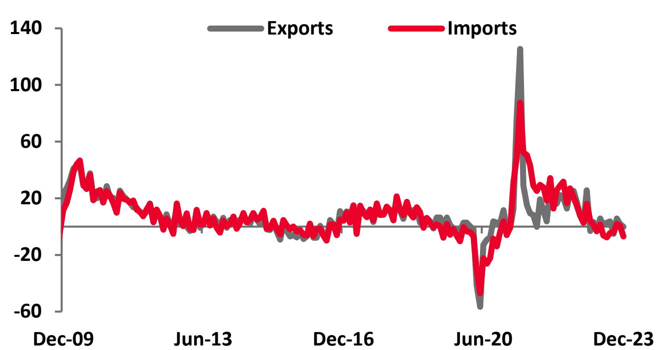
% m/m, % 3m/3m sa

	% m/m			% 3m/3m	
	Dec-23	Nov-23	Oct-23	Oct-Dec'23	Sep-Nov'23
Total exports	**1.3**	**-1.7**	**-0.3**	**-0.9**	**-0.4**
Oil	8.8	-19.2	-6.3	-4.9	10.5
Crude oil	15.2	-24.0	-1.4	-3.6	9.9
Others	-19.8	13.3	-29.4	-11.7	14.2
Non-oil	0.9	-0.5	0.1	-0.7	-1.0
Agricultural	-0.7	-1.3	1.3	0.9	0.9
Mining	15.9	-6.2	-19.3	-7.4	-10.8
Manufacturing	0.8	-0.4	0.5	-0.7	-0.9
Vehicle and auto-parts	4.4	-6.3	4.5	-0.8	0.5
Others	-1.3	3.2	-1.9	-0.5	-1.7
Total imports	**-2.3**	**-1.1**	**-2.5**	**-2.3**	**0.0**
Consumption goods	-2.6	0.7	-8.6	-4.1	4.3
Oil	-44.1	-10.5	-29.5	-36.1	2.3
Non-oil	4.2	2.9	-3.2	3.5	4.7
Intermediate goods	-2.6	-1.5	-1.1	-2.0	-0.7
Oil	-4.3	-7.4	-6.0	-4.0	8.6
Non-oil	-2.4	-1.1	-0.7	-1.8	-1.4
Capital goods	0.0	-0.2	-3.2	-1.5	-0.4

Source: INEGI

Chart 1: Exports and imports

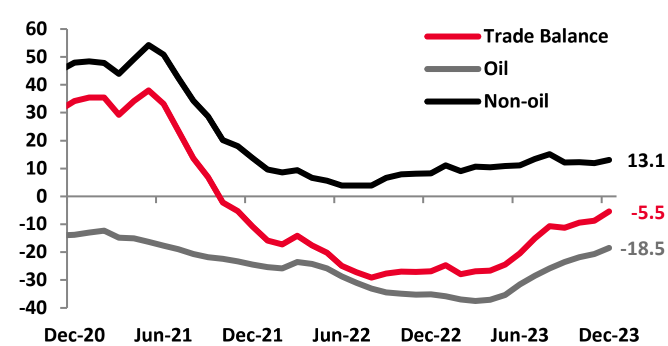
% y/y, nsa



Source: INEGI

Chart 2: Trade balance

US$ billion, 12 month rolling sum



Source: INEGI

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HOLD	When the share expected performance is similar to the MEXBOL estimated performance.
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