February 27, 2024

Trade balance – Imports rebound while exports moderate at the start of the year

- **Trade balance (January): -US$4,314.7 million; Banorte: -US$3,016.8mn; consensus: -US$2,390.0mn (range: -US$3,480.0mn to -US$500.0mn); previous: US$4,242.4mn**
- **Exports declined 1.5% y/y, with imports also negative at -1.0%, both adding two months with declines. Some of the main drivers include a slight uptick in oil prices and MXN strength**
- **With seasonally adjusted figures, exports fell 2.5% m/m. Inside, oil climbed 5.7%, with non-oil weaker at -3.0%. In the latter, we highlight manufacturing (-3.4%), dragged by autos (-8.9%)**
- **Imports grew 1.5%, ending with three months of declines. Oil rebounded 16.5%, with non-oil more modest at +0.5%. Performance in this last branch was supported by capital (3.3%) and consumption goods (0.7%)**
- **We believe the trend for our country's foreign trade will remain dictated by the resilience of US activity and the strength of domestic demand –driving consumer and capital goods imports. However, external factors persist that could introduce some volatility into the figures**

US$4,314.7 million deficit in the first month of 2024. Trade flows at the beginning of the year have a relevant seasonal skew, impacted both by lower local activity –after the year-end holidays and a slow restart due to vacations– and an uptick in the arrival of goods prior to the Lunar New Year festivities in China and other Asian countries. However, other factors impacted trade, such as: (1) An increase in oil prices; (2) the spread of shipping disruptions; and (3) MXN strength, to name a few. In this context, exports came in at -1.5% y/y, with imports also negative at -1.0%, both adding two months of declines (Chart 1). For more details, see Table 1. With these results, the trade balance accumulated a US$5.7 billion deficit in the last twelve months, with the oil balance at -US$16.4 billion and a US$10.8 billion surplus in the non-oil balance (Chart 2).

Mixed performance in exports, with imports rebounding at the margin. The former fell 2.5% m/m. Meanwhile, imports came in at 1.5%, their first improvement in three months. Regarding oil, exports rocketed 5.7% –with 'others' at +57.1%–, with imports also up by 16.5% –with consumption goods as the main driver at +32.7%. Considering price dynamics –with a modest advance–, performance points to higher volumes. Turning to non-oil, goods shipped abroad were negative (-3.0%), dragged by the 3.4% decline in manufacturing. Inside, autos (-8.9%) were probably impacted by the deceleration in production in the previous month, while 'others' (-0.2%) may have been impacted by a moderation of the sector in the US. With a lower weight, agriculture added a third month of declines (-0.7%) while mining remains volatile (16.5%). Turning to imports (0.5%), we highlight strength in capital goods (3.3%), accelerating after a more modest performance in the last months. Consumer goods kept growing (0.7%), benefiting strongly from the strength of the MXN. Lastly, and consistent with the moderation in manufacturing, intermediate goods were unchanged (0.0%). For more details, see Table 2.


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The trend for our country's foreign trade is positive, although we do not rule out some effects from other factors. Overall, we believe that the outlook for Mexico's trade flows is positive. This is supported by a more resilient outlook for the US economy (benefiting manufacturing), and the strength of local demand, at least in 1H24 (driving imports of consumer and capital goods).

However, we believe there are some external factors that could skew this dynamic, with risks to the downside. While the *World Trade Organization's* views for 2024 are positive, in their latest *Goods Trade Barometer* they commented that estimates for short-term performance consider that "*...uncertainty remains high due to mixed economic data and rising geopolitical tensions...*". Nevertheless, they recognize some headwinds that would be mainly associated with a greater dynamism in the auto industry and higher demand for minerals (*e.g.* cobalt, copper, lithium, nickel, etc.). It is worth making a parenthesis on this last point. In Mexico, it is foreseeable that there will be an increase in copper, cobalt, and nickel imports in the medium-term, as well as higher lithium exports. In addition, the *United Nations Conference on Trade and Development* has mentioned that supply chain disruptions due to the Houthi attacks in the Red Sea may cause significant problems to world trade. As we have elaborated previously, the effects on maritime transit through the Suez Canal are significant, impacting both delivery times and transportation costs. In addition, another transit point with problems is the Panama Canal, with traffic through the locks restricted by the country's authorities due to water shortages.

Taking the latter into account, we recognize that the start of the year was challenging for world trade and that some additional issues may induce relevant pressures globally. Nevertheless, regional conditions –associated with both the US and our own country–will continue to support a positive flow of goods in coming months.

Table 1: Trade balance

% y/y nsa

	Jan-24	Jan-24	2023	2022
Total exports	**-1.5**	**25.6**	**2.6**	**16.7**
Oil	0.2	9.0	-14.8	32.6
Crude oil	0.3	3.3	-12.7	29.4
Others	-0.2	33.7	-23.6	48.7
Non-oil	-1.6	26.9	3.9	15.7
Agricultural	0.7	9.7	2.8	6.4
Mining	12.1	9.6	0.2	-4.2
Manufacturing	-2.0	28.3	4.0	16.6
Vehicle and auto-parts	-6.5	64.9	14.3	18.2
Others	0.6	13.8	-0.9	15.8
Total imports	**-1.0**	**16.3**	**-1.0**	**19.6**
Consumption goods	1.5	30.2	9.3	29.4
Oil	-61.8	21.2	-28.2	50.8
Non-oil	24.4	33.8	25.1	22.1
Intermediate goods	-4.0	13.5	-4.9	18.1
Oil	-25.8	20.3	-31.1	32.2
Non-oil	-1.5	12.7	-1.8	16.6
Capital goods	21.6	19.7	20.0	18.9

Source: INEGI

Table 2: Trade balance

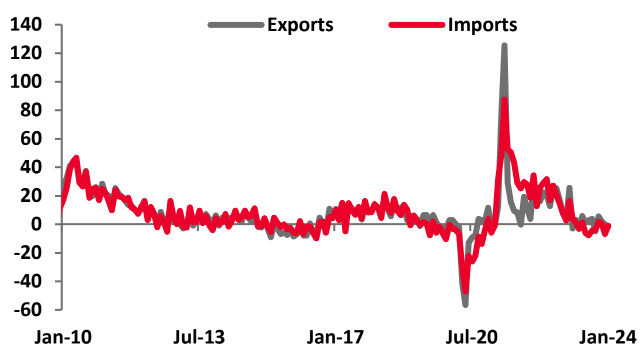
% m/m, % 3m/3m sa

	% m/m			% 3m/3m	
	Jan-24	Dec-23	Nov-23	Jan-'24-Nov'23	Oct-Dec'23
Total exports	**-2.5**	**1.0**	**-1.7**	**-2.1**	**-1.3**
Oil	5.7	7.0	-18.7	-13.4	-5.1
Crude oil	-2.0	14.5	-23.7	-15.5	-3.9
Others	57.1	-25.6	13.8	-1.9	-11.8
Non-oil	-3.0	0.7	-0.6	-1.3	-1.1
Agricultural	-0.7	-1.4	-1.3	-1.7	0.6
Mining	16.5	16.1	-6.0	-1.9	-7.3
Manufacturing	-3.4	0.6	-0.5	-1.3	-1.0
Vehicle and auto-parts	-8.9	4.0	-6.5	-4.3	-1.6
Others	-0.2	-1.3	3.2	0.4	-0.6
Total imports	**1.5**	**-2.5**	**-1.1**	**-3.2**	**-2.3**
Consumption goods	3.3	-2.5	0.6	-4.5	-4.2
Oil	32.7	-44.4	-10.9	-44.5	-36.6
Non-oil	0.7	4.4	2.7	4.7	3.5
Intermediate goods	0.9	-2.8	-1.5	-3.4	-2.0
Oil	12.7	-7.4	-6.7	-8.1	-3.9
Non-oil	0.0	-2.5	-1.1	-3.1	-1.9
Capital goods	3.3	0.2	0.0	0.1	-1.2

Source: INEGI

Chart 1: Exports and imports

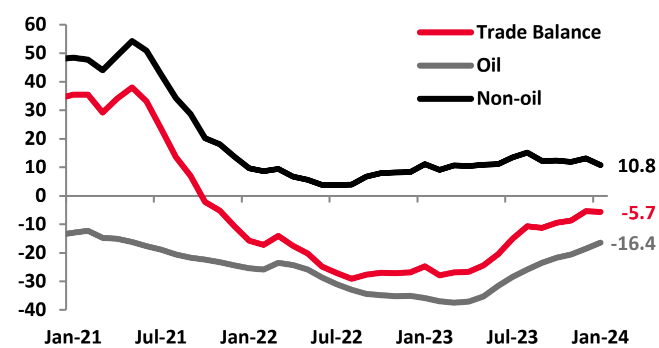
% y/y, nsa



Source: INEGI

Chart 2: Trade balance

US$ billion, 12 month rolling sum



Source: INEGI

Analyst Certification.

We, Alejandro Padilla Santana, Juan Carlos Alderete Macal, Alejandro Cervantes Llamas, Marissa Garza Ostos, Katia Celina Goya Ostos, Francisco José Flores Serrano, José Luis García Casales, Santiago Leal Singer, Víctor Hugo Cortes Castro, José Itzamna Espitia Hernández, Leslie Thalía Orozco Vélez, Hugo Armando Gómez Solís, Carlos Hernández García, Yazmín Selene Pérez Enríquez, Cintia Gisela Nava Roa, Miguel Alejandro Calvo Domínguez, José De Jesús Ramírez Martínez, Daniel Sebastián Sosa Aguilar, Gerardo Daniel Valle Trujillo, Luis Leopoldo López Salinas, Isaías Rodríguez Sobrino, Juan Carlos Mercado Garduño, Jazmin Daniela Cuautencos Mora, Andrea Muñoz Sánchez and Paula Lozoya Valadez, certify that the points of view expressed in this document are a faithful reflection of our personal opinion on the company (s) or firm (s) within this report, along with its affiliates and/or securities issued. Moreover, we also state that we have not received, nor receive, or will receive compensation other than that of Grupo Financiero Banorte S.A.B. of C.V for the provision of our services.

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