

Trade balance – Wide deficit in April, with a deceleration in flows

- Trade balance (April): -US\$3,746.2 million; Banorte: -US\$655.1 mn; consensus: -US\$601.1mn (range: -US\$2,000.0mn to US\$1,520.0mn); previous: US\$1,992.3mn
- Exports grew 11.4% y/y, with imports also positive at 15.4%, remembering that both figures are helped by a calendar effect. Nevertheless, data is also impacted by higher oil prices and MXN strength, among others
- With seasonally adjusted figures, exports fell for a second time in the year at -2.6% m/m. The oil component backtracked 1.5% –extending March’s decline–, while non-oil contracted 2.6%. Inside of the latter, performance was mixed, noting manufacturing at -3.1%, with ‘others’ at -4.9%
- Imports declined 0.4%. In detail, oil fell 13.8%, with non-oil at +0.6%. On the latter, gains were widespread, highlighting consumption goods at +3.2%, and with capital goods at +1.2%
- We believe our country’s foreign trade will continue to be determined by several factors, both from abroad as well as from domestic drivers. As such, we believe some risks persist for exports, while the outlook for imports remains more positive

Wide deficit in the fourth month of the year. The trade balance came in at -US\$3,746.2 million. Trade flows continue to be impacted by several relevant factors, although it is relevant to mention that a point that seems to have a smaller incidence is the one associated to geopolitical problems, with companies assimilating cost and freight and travel time issues. However, some of the most relevant drivers in the period included: (1) An increase in oil prices –both in annual and sequential terms; (2) MXN strength; and (3) uncertainty regarding the performance of industrial activity in the US, still with no clear signs of recovery and with a relevant divergence among its different items. In this context, exports grew 11.4% y/y, with imports also up by 15.4% ([Chart 1](#)), highlighting an additional boost in the figures due to the Easter distortions in the annual comparison. For more details, see [Table 1](#). With these results, the trade balance accumulated a US\$5.5 billion deficit in the last twelve months, with the oil balance at -US\$12.1 billion and a US\$6.6 billion surplus in the non-oil balance ([Chart 2](#)).

Declines in both exports and imports. The former was weaker at -2.6% m/m. Meanwhile, the latter only fell by 0.4%. Regarding oil, exports contracted 1.5% –dragged by crude oil at -4.3%. On inflows, the total posted a 13.8% decline, with consumption leading lower at -20.6%, while intermediate ones backtracked 10.8%. The result is somewhat surprising considering price dynamics –with a sequential uptick–, thus suggesting a relevant fall in volumes shipped. Turning to non-oil, outflows came in at -2.6%. There were losses in both agriculture (-0.3%) and manufacturing (-3.1%). In the latter, performance was somewhat mixed, with autos rebounding slightly at 0.3% –consistent with AMIA figures but contrasting with those from ANPACT–, but with ‘others’ at -4.9% –facing a more challenging base along a moderation in US output figures. On imports (+0.6%), all components showed an improvement, in our view still with a relevant support from MXN strength, introducing substitution patterns across a number of categories. In particular, the expansion was driven by consumer goods at 3.2%, with capital goods also quite strong at 1.2% –with six consecutive months of increases. Lastly, intermediate goods were more modest at 0.1%, in line with a lackluster result in manufacturing outflows.

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We believe that trade dynamics will continue to be dictated by different factors, albeit with the balance of risks skewed toward deficits rather than surpluses. All in all, we believe that foreign trade will maintain a relatively limited position in terms of its contribution to GDP growth this year. Thus, while the outlook for exports remains somewhat complex, the scenario appears to have improved at the margin. Despite a somewhat uncertain outlook for US industrial production, some resilience in the sector is likely to remain, which should have a positive spillover for our manufacturing exports. In addition to this, there is a more favorable environment on autos, a situation that we expect will continue in the remainder of the year. On the oil sector, recent statements by Pemex and the federal government had suggested a greater preference for reducing crude oil exports to favor local refining. However, in practice there are still some doubts as to how this could materialize. In addition, risks from geopolitical events and OPEC+ actions persist, probably keeping supply restraint measures in place for a good part of the year. For imports, the scenario remains more favorable in our view, finding support from both the strength of domestic demand—which continues to drive inflows of both consumer and capital goods—and from the level of the Mexican peso, which continues to imply that foreign goods remain relatively cheap. Nevertheless, we will be watching for the possible effects of the slowdown in activity in 3Q24 on these flows.

Regarding potential challenges of a more global nature, while the geopolitical backdrop remains relevant, we believe that disruptions in international trade could have less weight at the margin. In detail, the latest increases in ocean freight costs—of up to 30% in recent weeks—remain focused on diversion routes from the Red Sea. While these are likely to continue to rise over the summer, the evidence so far this year suggests that this has not translated into a significant impact on Mexico's trade with the world.

On USMCA, and with more medium-term implications, we remain attentive to the conversations between the Economy Minister, Raquel Buenrostro, and the US Trade Representative, Katherine Tai, regarding consultations on energy issues and the participation of Chinese companies in the manufacture/assembly of EVs in Mexico. On the latter issue, US lawmakers have been vocal about Chinese steel potentially displacing their local industry through cars and auto parts from Mexico. Based on the experience of recent years, these concerns could lead to a consultation through USMCA by the US. For the moment, Representative Tai has mentioned the possibility of imposing additional tariffs on such manufacturers if they try to move their production to Mexico to avoid tariffs, specifically stating that *"...as for Mexico, there could be some changes in the rules or laws, affecting only products from China that originate in Mexico and other countries..."*.

Table 1: Trade balance

% y/y nsa

	Apr-24	Apr-23	Jan-Apr'24	Jan-Apr'23
Total exports	11.4	-3.1	4.1	4.1
Oil	-17.5	-34.2	-5.4	-20.9
Crude oil	-22.5	-34.9	-7.5	-22.5
Others	4.2	-31.3	2.6	-14.3
Non-oil	13.1	-0.4	4.7	6.0
Agricultural	22.6	-6.6	10.7	3.0
Mining	-3.5	18.0	-8.3	7.2
Manufacturing	12.9	-0.4	4.6	6.2
Vehicle and auto-parts	27.7	-2.7	10.4	12.2
Others	6.1	0.7	1.7	3.3
Total imports	15.4	-3.3	4.0	3.9
Consumption goods	25.6	2.8	8.7	13.9
Oil	-43.6	-20.1	-49.8	-0.6
Non-oil	48.7	13.7	28.4	19.7
Intermediate goods	11.5	-6.3	1.6	0.6
Oil	-19.1	-31.3	-27.1	-4.4
Non-oil	14.0	-3.4	4.4	1.1
Capital goods	32.5	17.3	16.4	21.7

Source: INEGI

Table 2: Trade balance

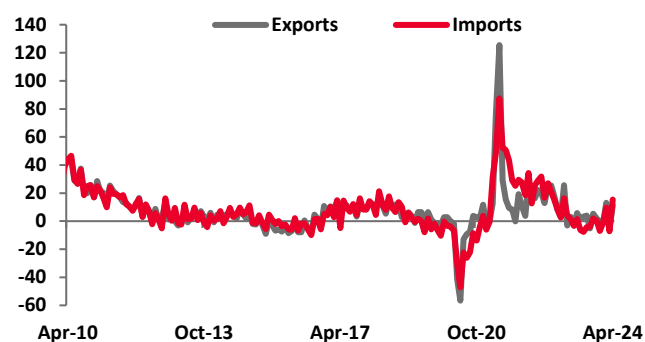
% m/m, % 3m/3m sa

	Apr-24	% m/m Mar-24	Feb-24	% 3m/3m Feb-Apr'24	Jan-Mar'24
Total exports	-2.6	0.1	4.0	2.1	0.8
Oil	-1.5	-24.6	1.2	-10.7	-4.6
Crude oil	-4.3	-18.9	-4.8	-15.4	-11.3
Others	10.8	-42.3	25.7	11.9	33.3
Non-oil	-2.6	1.6	4.1	2.8	1.1
Agricultural	-0.3	-4.5	8.7	7.5	7.2
Mining	24.1	-9.3	-13.6	0.5	10.5
Manufacturing	-3.1	2.0	4.3	2.6	0.7
Vehicle and auto-parts	0.3	-1.8	7.0	1.1	-4.2
Others	-4.9	4.2	2.8	3.5	3.6
Total imports	-0.4	-0.6	6.7	6.7	4.4
Consumption goods	-0.1	2.7	5.0	8.3	6.2
Oil	-20.6	15.2	29.6	24.9	0.9
Non-oil	3.2	0.9	2.3	6.3	7.0
Intermediate goods	-0.6	-1.5	7.8	6.6	3.9
Oil	-10.8	-2.9	-3.5	-4.9	-0.8
Non-oil	0.1	-1.4	8.7	7.5	4.3
Capital goods	1.2	1.2	1.6	5.3	5.2

Source: INEGI

Chart 1: Exports and imports

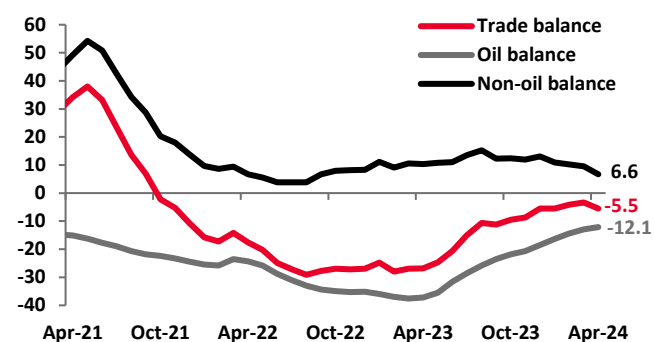
% y/y, nsa



Source: INEGI

Chart 2: Trade balance

US\$ billion, 12 month rolling sum



Source: INEGI

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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, Marcos Saúl García Hernández, Juan Carlos Mercado Garduño, Ana Gabriela Martínez Mosqueda, 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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