

August 27, 2024

Trade balance – Modest deficit as exports gather momentum

- Trade balance (July): -US\$72.0 million; Banorte: -US\$1,473.7mn; consensus: -US\$1,705.5mn (range: -US\$4,567.7mn to US\$663.0mn); previous: -US\$1,036.9mn
- Both exports and imports returned to positive territory in the annual comparison, standing at 14.7% and 13.3%, respectively. Flows were partly determined by a slight recovery in oil prices, a weaker Mexican peso, and a slim moderation in exchanged volumes
- With seasonally adjusted figures, exports expanded 5.8% m/m, with broad increases inside. The oil component climbed 12.4% on a more favorable base effect. Non-oil flows came in at +5.5%, highlighting manufacturing at +6.1% –driven by both autos and ‘others’
- Imports added a second month to the upside, now at +0.4%. Oil inflows were negative again at -0.9%, but non-oil climbed 0.5%. In the latter, strength centered in consumption goods (4.2%), with capital goods dragging the total at -2.2%
- We believe the outlook for trade flows in the remainder of the year holds some challenges, recognizing more headwinds given signs of a moderation in the US. Nevertheless, the recent MXN adjustment could improve export’s competitiveness

Deficit of US\$72.0 million in July. Overall, the outlook for global trade improved at the margin, with transportation costs moderating slightly and some relief in port delays. Nevertheless, certain bottlenecks prevail, particularly in Asia. In addition, other drivers for the month included: (1) Higher oil prices both sequentially and in annual terms –with the Mexican oil mix averaging US\$/bbl 75.05; (2) the consolidation of a weaker peso –being reflected better in flows; (3) some signs of moderation in US industrial output; and (4) the resumption of exports of some agricultural products to the US. In this context, exports improved to 14.7% y/y, with imports also positive at 13.3% ([Chart 1](#)). For more details, see [Table 1](#). With these results, the trade balance accumulated a US\$3.9 billion deficit in the last twelve months, with the oil balance at -US\$10.1 billion and a US\$6.2 billion surplus in the non-oil balance ([Chart 2](#)).

Broad gains in exports, but more mixed in imports. Exports expanded 5.8% m/m while imports added a second month to the upside at +0.4% ([Table 2](#)). Regarding oil flows, exports rebounded 12.4% on a more positive base effect and higher prices, despite lower volumes. On the other hand, imports fell 0.9%, with weakness centered in intermediate goods (-2.0%). In non-oil, goods shipped abroad were at +5.5%. Performance was favorable within manufacturing (6.1%), with autos up 5.4% –better than AMIA figures– and ‘others’ at +6.5%. Agricultural exports picked up 4.8%, helped by the normalization in the trade of some goods with the US. However, non-oil mining contracted 18.5%, ending with three months of gains amid a moderation in prices. In imports (+0.4%), consumption goods rebounded 4.2% despite the consolidation of a weaker Mexican peso. Intermediate goods were more stable at 0.2% –positive considering the 2.8% expansion of the previous month–, while capital goods were the main drag at -2.2%.

The outlook in coming months holds some challenges, although certain opportunities might arise to dampen them. Recently, the *World Trade Organization* reiterated their view of a recovery in global trade this year, although they signaled that it has been heterogeneous among regions. We believe that the impact stemming from geopolitical conflicts and other issues has weighed on performance, also affecting freight costs.



Juan Carlos Alderete Macal, CFA
Executive Director of Economic Research and Market Strategy
juan.alderete.macal@banorte.com



Francisco José Flores Serrano
Director of Economic Research, Mexico
francisco.flores.serrano@banorte.com



Yazmín Selene Pérez Enríquez
Senior Economist, Mexico
yazmin.perez.enriquez@banorte.com



Cintia Gisela Nava Roa
Senior Economist, Mexico
cintia.nava.roa@banorte.com




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As such, we maintain some doubts about overall dynamism. Focusing more on the region, most recent signals point to a moderation in US activity, which on top of a mostly lateral path for that country's industrial sector, represents an alert for local exports. We must also consider the uncertainty surrounding the electoral process in that country as Donald Trump's rhetoric throughout his campaign shows strong protectionist overtones, both with opponents –such as China– and allies –including the European Union and Mexico.

However, we believe that recent MXN depreciation could have a positive effect on exports, helping offset some of these challenges. Specifically, various business chambers had been concerned about Mexican peso strength, a situation we have previously addressed in [View from the Top](#). However, the adjustment in recent months should help boost some competitiveness, in addition to supporting companies whose cost structures are more heavily dependent on the local currency. On the other hand, we will be watching for a possible impact on imports, where foreign goods had become cheaper and are now more expensive.

Regarding local ports, volumes have increased. Regarding the two most important ones in the Pacific –Lázaro Cárdenas and Manzanillo–, *Eternity Group Mexico* comments that such increases represent “...*enormous operational challenges...*”, generating delays of between 10 and 20 additional days. However, investment and renovation projects at various terminals continue, with expectations that spillovers in coming months and years will help alleviate some of these issues. On the agricultural front, shipments tend to accelerate at the end of the summer as several crops reach maturity, which could pressure freight costs. However, we will be keeping a close eye on production due to droughts in previous months and the effects of more recent rains.

Table 1: Trade balance

% y/y nsa

	Jul-24	Jul-23	Jan-Jul'24	Jan-Jul'23
Total exports	14.7	3.4	4.3	3.8
Oil	-10.2	-27.1	-6.3	-24.1
Crude oil	-21.0	-24.2	-12.9	-24.4
Others	56.9	-40.9	22.5	-22.7
Non-oil	16.2	6.1	4.9	6.1
Agricultural	16.9	6.3	7.7	3.5
Mining	33.7	-25.9	6.3	3.9
Manufacturing	15.9	6.8	4.8	6.2
Vehicle and auto-parts	7.2	35.7	6.6	17.0
Others	21.1	-5.2	3.8	1.2
Total imports	13.3	-7.7	3.7	0.2
Consumption goods	16.5	-9.1	6.9	5.7
Oil	-38.3	-52.4	-47.4	-26.2
Non-oil	30.4	18.4	23.0	21.2
Intermediate goods	13.3	-10.4	2.3	-3.0
Oil	-3.7	-49.8	-20.5	-29.1
Non-oil	14.6	-4.6	4.3	0.2
Capital goods	8.7	23.3	10.5	23.2

Source: INEGI

Table 2: Trade balance

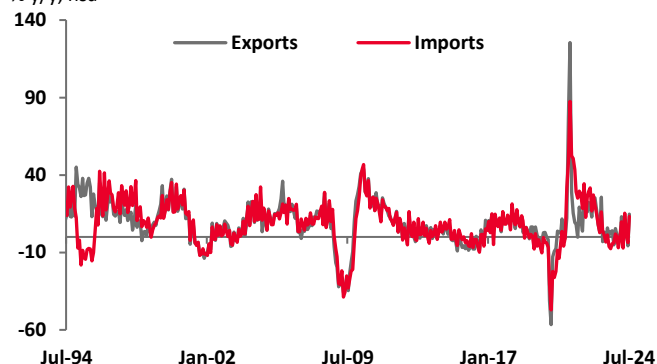
% m/m, % 3m/3m sa

	Jul-24	% m/m Jun-24	May-24	% 3m/3m May-Jul'24	Apr-Jun'24
Total exports	5.8	-3.2	4.6	2.7	0.9
Oil	12.4	-31.6	41.1	3.4	-8.4
Crude oil	6.6	-20.0	20.8	-4.1	-14.3
Others	34.4	-55.8	117.0	31.3	14.3
Non-oil	5.5	-1.5	3.0	2.6	1.4
Agricultural	4.8	-0.4	-1.0	-1.6	-1.6
Mining	-18.5	17.8	3.0	21.0	21.1
Manufacturing	6.1	-1.9	3.2	2.5	1.2
Vehicle and auto-parts	5.4	-0.8	1.8	2.7	2.5
Others	6.5	-2.5	3.9	2.4	0.5
Total imports	0.4	1.8	-1.6	-0.9	0.5
Consumption goods	4.0	-2.4	-3.2	-3.0	-0.2
Oil	2.7	-16.5	-3.8	-23.2	-14.1
Non-oil	4.2	-0.7	-3.2	-0.2	1.7
Intermediate goods	0.1	2.9	-1.2	-0.4	0.6
Oil	-2.0	3.6	0.1	-7.1	-13.1
Non-oil	0.2	2.8	-1.3	0.0	1.5
Capital goods	-2.2	0.2	-1.7	-1.5	0.7

Source: INEGI

Chart 1: Exports and imports

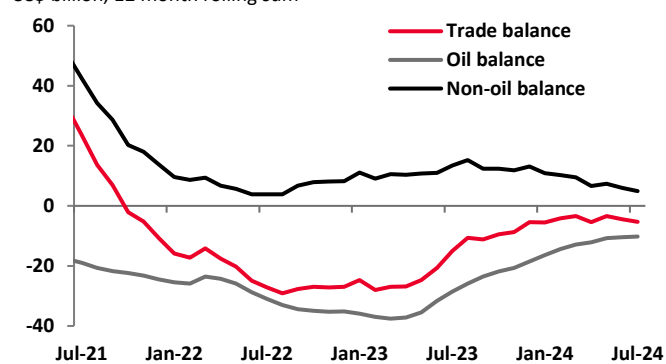
% y/y, nsa



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, 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, Jazmín 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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Raquel Vázquez Godínez
Assistant
raquel.vazquez@banorte.com
(55) 1670 - 2967



María Fernanda Vargas Santoyo
Analyst
maria.vargas.santoyo@banorte.com
(55) 1103 - 4000 x 2586

Economic Research



Juan Carlos Alderete Macal, CFA
Executive Director of Economic Research and Market Strategy
juan.alderete.macal@banorte.com
(55) 1103 - 4046



Yazmín Selene Pérez Enríquez
Senior Economist, Mexico
yazmin.perez.enriquez@banorte.com
(55) 5268 - 1694

Market Strategy



Santiago Leal Singer
Director of Market Strategy
santiago.leal@banorte.com
(55) 1670 - 1751



Carlos Hernández García
Senior Strategist, Equity
carlos.hernandez.garcia@banorte.com
(55) 1670 - 2250



Marcos Saúl García Hernandez
Analyst, Fixed Income, FX and Commodities
marcos.garcia.hernandez@banorte.com
(55) 1670 - 2296



Ana Gabriela Martínez Mosqueda
Strategist, Equity
ana.martinez.mosqueda@banorte.com
(55) 5261 - 4882

Quantitative Analysis



Alejandro Cervantes Llamas
Executive Director of Quantitative Analysis
alejandro.cervantes@banorte.com
(55) 1670 - 2972



José De Jesús Ramírez Martínez
Senior Analyst, Quantitative Analysis
jose.ramirez.martinez@banorte.com
(55) 1103 - 4000



Andrea Muñoz Sánchez
Strategist, Quantitative Analysis
andrea.muñoz.sanchez@banorte.com
(55) 1105 - 1430



Alejandro Padilla Santana
Chief Economist and Head of Research
alejandro.padilla@banorte.com
(55) 1103 - 4043



Itzel Martínez Rojas
Analyst
itzel.martinez.rojas@banorte.com
(55) 1670 - 2251



Francisco José Flores Serrano
Director of Economic Research, Mexico
francisco.flores.serrano@banorte.com
(55) 1670 - 2957



Cintia Gisela Nava Roa
Senior Economist, Mexico
cintia.nava.roa@banorte.com
(55) 1105 - 1438



Marissa Garza Ostos
Director of Equity Strategy
marissa.garza@banorte.com
(55) 1670 - 1719



Hugo Armando Gómez Solís
Senior Analyst, Corporate Debt
hugo.gomez@banorte.com
(55) 1670 - 2247



Gerardo Daniel Valle Trujillo
Analyst, Corporate Debt
gerardo.valle.trujillo@banorte.com
(55) 1670 - 2248



Paula Lozoya Valadez
Analyst, Equity
paula.lozoya.valadez@banorte.com
(55) 1103 - 4000 x 2060



José Luis García Casales
Director of Quantitative Analysis
jose.garcia.casales@banorte.com
(55) 8510 - 4608



Daniel Sebastián Sosa Aguilar
Senior Analyst, Quantitative Analysis
daniel.sosa@banorte.com
(55) 1103 - 4000 x 2124



Lourdes Calvo Fernández
Analyst (Edition)
lourdes.calvo@banorte.com
(55) 1103 - 4000 x 2611



Katia Celina Goya Ostos
Director of Economic Research, Global
katia.goya@banorte.com
(55) 1670 - 1821



Luis Leopoldo López Salinas
Economist, Global
luis.lopez.salinas@banorte.com
(55) 1103 - 4000 x 2707



Víctor Hugo Cortes Castro
Senior Strategist, Technical
victorh.cortes@banorte.com
(55) 1670 - 1800



Leslie Thalía Orozco Vélez
Senior Strategist, Fixed Income and FX
leslie.orozco.velez@banorte.com
(55) 5268 - 1698



Juan Carlos Mercado Garduño
Strategist, Equity
juan.mercado.garduno@banorte.com
(55) 1103 - 4000 x 1746



Miguel Alejandro Calvo Domínguez
Senior Analyst, Quantitative Analysis
miguel.calvo@banorte.com
(55) 1670 - 2220



Jazmin Daniela Cuautencos Mora
Strategist, Quantitative Analysis
jazmin.cuautencos.mora@banorte.com
(55) 1670 - 2904