October 28, 2024

Trade balance – Broad slowdown in flows during September

- **Trade balance (September): -US$578.9 million; Banorte: -US$2,503.1mn; consensus: -US$2,000.0mn (range: -US$3,300.0mn to -US$777.0mn); previous: -US$4,868.0mn**
- **Exports recovered some ground in annual terms (0.0%) while imports fell back to contraction (-1.8%). Some of the drivers of the period include rising commodity prices –albeit with oil falling– and continued volatility in the Mexican peso**
- **Sequentially, exports contracted 1.0% m/m, with broad declines inside. The main drag came from oil (-14.3%), impacted by both production and prices. Non-oil flows came in at -0.4%, with manufacturing at -1.0%, erasing other gains**
- **Imports decreased 5.7%, ending three months of progress. Oil flows returned to negative, at -3.1%. Non-oil declined 5.9%, noting sharp losses in intermediate (-6.9%) and consumer goods (-3.5%)**
- **We believe that trade flows will moderate in 4Q24, consistent with lower global and local growth. We will continue monitoring other events that may impact flows, such as changes in crude oil prices and the Mexican peso, especially after the US elections**

US$578.9 million trade deficit in September. This month is usually characterized by higher flows. Factors such as China's Golden Week (with a holiday in the first week of October) and the preparation for the year-end season are among the drivers. However, the relative weakness of global activity seemed to weigh more. Other factors to highlight in the period included: (1) Lower oil prices –with the Mexican oil mix averaging 70.02 US$/bbl; (2) continued volatility in the Mexican peso; (3) a drop in US industrial production and manufacturing, with a challenging base effects in both; (4) uncertainty about a possible worker strike of US ports in the Eastern Coast; and (5) the temporary closure of Pacific ports (Lázaro Cardenas, Manzanillo and Salina Cruz) due to hurricane John. In this context, exports came in at 0.0% y/y and imports were down 1.8% (Chart 1). For more details, see Table 1. With these results, the trade balance accumulated a US$6.6 billion deficit in the last twelve months, with the oil component at -US$9.7 billion and a surplus of US$3.1 billion in non-oil (Chart 2).

Sequential declines in both exports and imports. The former fell 1.0% m/m and the latter ended a three-month streak higher at -5.7% (Table 2). On oil, exports retreated 14.3% –impacted by both lower prices and volumes– with a more modest decline in imports at -3.1% –with intermediate goods as the main drag at -6.5%. In non-oil, exports were also negative (-0.4%), driven by the 1.0% contraction in manufacturing. Within the latter, autos explained the decline at -4.5% –adding two months of strong losses–, while 'others' advanced 0.8% despite the setback in the sector in the US. Conversely, agriculture (5.0%) and mining (25.7%) were more positive. Turning to imports (-5.7%), results were negative across the board. The largest contraction was in intermediate goods at -6.9% –with a somewhat challenging base effect after a 5.5% expansion in August. Consumer goods ended a two-month positive streak at -3.5%. Lastly, capital goods kept declining, now at -0.8%.

We continue to expect less dynamism in flows given a more challenging economic outlook, attentive to the evolution of circumstantial factors. There are several headwinds for international trade, most notably the unfavorable trajectory of US industry, additional signs of a Chinese slowdown, and our view of greater volatility in the Mexican peso in coming weeks.


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In addition, we will keep an eye on oil prices on the back of different drivers such as geopolitical tensions, expectations of lower global growth, and possible actions to influence supply from OPEC+ and the US government.

On a structural basis, we should point out that installed capacity can be a hindrance to exploit the expected uptrend in trade flows, especially with nearshoring in the background. Several projects and measures currently seek to solve this issue across different distribution channels. Some examples are: (1) Updated operating rules in the Port of Manzanillo in September 2024, taking into account observations from terminal users; (2) the expansion plans for the deep-sea port in Progreso, Yucatán –which contemplates the installation of an 80-hectare platform over three years of work; (3) the alliance between Aeroméxico and Amazon to expand their air cargo transportation network, which could mean a 200% y/y expansion in volumes; and (4) the call by port operators in Lazaro Cardenas and Manzanillo to extend operation hours for the customs office and proceed with the digitalization of some processes to increase the terminals' efficiency.

In this sense, we believe that the medium- and long-term trajectory will continue to be favorable, with Mexico consolidating its position as the main trading partner of the US. In addition, it will be very important to see what strategies the new administration will propose locally, given the comments of some officials who talk of reducing the dependence on imports of inputs from Asian countries. Finally, companies and governments worldwide are focused on the potential implications of a new US administration on global trade, cooperation among multilateral institutions (*e.g.* WTO), and the trend towards regionalization in politically friendly blocs. Specifically, there is more concern about what a new Trump presidency could entail in this regard as the former president has signaled the possibility of higher tariffs across the board, among other measures that could affect global flows meaningfully.

Table 1: Trade balance

% y/y nsa

	Sep-24	Sep-23	Jan-Sep'24	Jan-Sep'23
Total exports	**0.0**	**-5.1**	**3.2**	**2.7**
Oil	-44.9	4.3	-14.1	-19.0
Crude oil	-51.4	9.8	-21.0	-17.8
Others	-13.2	-16.2	18.3	-24.1
Non-oil	3.3	-5.8	4.2	4.4
Agricultural	12.5	12.1	7.2	4.3
Mining	26.4	24.4	8.2	6.7
Manufacturing	2.6	-6.6	4.0	4.4
Vehicle and auto-parts	-7.4	3.7	3.7	14.5
Others	8.7	-11.9	4.2	-0.4
Total imports	**-1.8**	**-3.9**	**3.3**	**-0.9**
Consumption goods	-5.3	10.3	4.3	6.5
Oil	-48.0	-24.4	-47.7	-26.5
Non-oil	5.4	24.7	19.3	22.2
Intermediate goods	-0.7	-8.8	2.7	-4.4
Oil	-26.2	-35.0	-20.2	-31.2
Non-oil	1.5	-5.5	4.6	-1.1
Capital goods	-4.5	19.6	7.2	22.2

Source: INEGI

Table 2: Trade balance

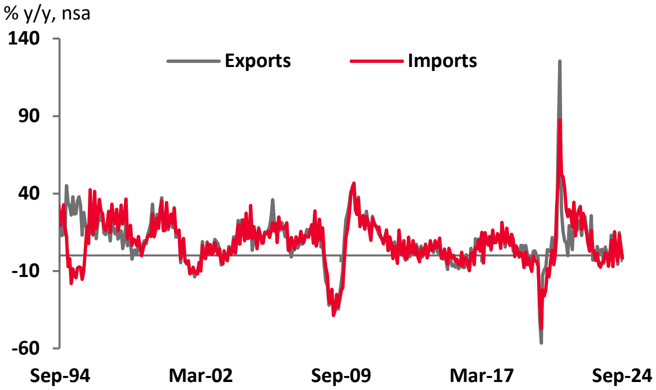
% m/m, % 3m/3m sa

	% m/m			% 3m/3m	
	Sep-24	Ago-24	Jul-24	Jul-Sep'24	Jun-Ago'24
Total exports	**-1.0**	**-2.9**	**5.5**	**2.5**	**1.6**
Oil	-14.3	-4.5	11.4	-11.8	-10.6
Crude oil	-16.8	-5.1	6.0	-12.0	-9.7
Others	-7.0	-2.7	31.3	-11.4	-13.5
Non-oil	-0.4	-2.8	5.2	3.2	2.2
Agricultural	5.0	-3.5	4.9	3.6	1.0
Mining	25.7	-4.5	-24.6	-6.6	15.1
Manufacturing	-1.0	-2.7	6.0	3.4	2.1
Vehicle and auto-parts	-4.5	-4.3	4.7	-0.1	1.5
Others	0.8	-1.9	6.7	5.4	2.4
Total imports	**-5.7**	**4.2**	**0.4**	**2.0**	**2.3**
Consumption goods	-2.4	0.9	4.0	0.9	-1.9
Oil	7.7	6.7	3.2	-2.3	-20.6
Non-oil	-3.5	0.3	4.1	1.3	0.6
Intermediate goods	-6.9	5.5	0.1	2.9	3.9
Oil	-6.5	5.1	-2.0	2.0	0.9
Non-oil	-6.9	5.5	0.3	3.0	4.0
Capital goods	-0.8	-0.3	-2.4	-3.4	-2.6

Source: INEGI

Chart 1: Exports and imports

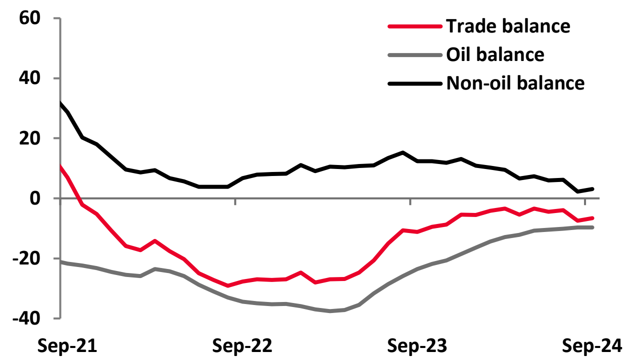
% y/y, nsa



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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