January 27, 2025

Trade balance – Surplus in December, albeit with sequential declines in flows

- **Trade balance (December): US$2,566.8 million; Banorte: US$1,945.8mn; consensus: US$2,761.0mn (range: US$1,040mn to US$4,600mn); previous: -US$113.3mn**
- **In annual terms, exports accelerated to 4.9%, with imports also higher at +9.1%. Some factors to consider were higher oil prices, an additional depreciation of the MXN, and a relevant improvement in US industrial production**
- **With seasonally adjusted figures, exports fell 2.3% m/m, their eighth decline in all of 2024. Oil exports contracted 4.5% despite higher prices. Non-oil exports fell 2.2%, down for the second month in a row. In the latter, we highlight an additional drop in manufacturing (-2.7%), dragged by autos (-5.9%)**
- **Imports also fell by 2.3% m/m. The oil component increased by 5.0%, with non-oil at -2.7%. Within the latter, declines were widespread, with consumption goods down by 5.6%, while capital (-2.7%) and intermediate items (-2.2%) were also weak**
- **Donald Trump's protectionist measures will be key in defining trade flows in 2025. The definition of these actions, their eventual entry into force, and the correspondence or not by Mexico, will be the main drivers**

Surplus of US$2,566.8 million in December, the highest in the year and broadly in line with expectations. Broadly, the end of the year brought some challenges for international trade, with labor tensions in US ports, weather restrictions (*e.g.* Panama Canal), and increased freight rates. Nonetheless, the New York Fed's *Global Supply Chain Pressures Index* managed to stay in negative territory. Focusing on factors that directly impact the country's balance, we highlight: (1) A slight increase in oil prices, with the Mexican mix averaging 66.7 US$/bbl; (2) an additional depreciation of the MXN; and (3) a relevant improvement in US industrial production (0.9% m/m), although with manufacturing more modest (0.4%). In this context, exports came in at +4.9% y/y and imports at +9.1% (Chart 1). For more details, see Table 1. With these results, the trade balance accumulated a US$8.2 billion deficit in all of 2024, with the oil component at -US$10.0 billion and a US$1.8 billion surplus in non-oil (Chart 2).

Sequential declines in both imports and exports. The former declined 2.3% m/m, with widespread weakness, while the latter also came in at -2.3%, dragged by non-oil (Table 2). Oil exports fell 4.5%, which is not entirely surprising. This comes after a challenging base effect, coupled with a drop in volumes shipped which could not be offset by the slight increase in prices. On the other hand, inflows of the same nature were positive by 5.0% –with intermediate as the main driver (7.9%). Turning to non-oil, exports were negative again at -2.2%. Within this, losses centered in manufacturing (-2.7%) –with a relevant drag from autos (-5.9%). Similarly, non-oil imports fell 2.7%, with negative results across the board, noting declines in consumption (-5.6%) and capital goods (-2.7%).

Trade flows in 2025 will be determined by protectionist measures in the US, although with other cyclical issues also skewing them. By the end of January, the trade stance of Trump's administration is becoming clear to some extent, very much in line with what he expressed in his campaign. Currently, uncertainty remains as the final decisions have not been issued. On the other hand, we recognize other factors that will influence the exchange of goods, such as the oil prices and our trade relationship with China.


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On the first point, President Trump reaffirmed throughout his first week in office that a 25% tariff will be imposed on all goods from Mexico as of February 1st –arguing migratory and drug trafficking problems, taking the trade approach as part of the overall negotiation with our country. It should be noted that something similar already happened with Colombia on the weekend, although the situation seems to have been resolved favorably. The US government has formally asked the Office of the US Trade Representative (USTR) for an assessment of the current situation of the trade balance. The report is due on April 1st and is likely to serve as a basis for the implementation of tariffs, although such measures could be more focused on specific goods and/or sectors. On the other hand, we do not rule out that US companies with a high dependence on Mexican manufactured goods or inputs could play an active role in discouraging or mitigating the final decision on these policies.

On oil, the expectation of a downward trend in oil prices throughout 2025 is high. On the demand side, China could continue exhibiting relative weakness, while Europe's main economies are teetering between technical recessions. The reading on global supply is for growth, considering the new production policies by the US and Trump's request to OPEC and Saudi Arabia to reduce prices –in the quest to contribute to the end of the conflict in Ukraine and combat inflation. In that sense, OPEC's decision could come next week, at its February 3rd meeting.

The goal of reducing the trade deficit with China, as well as Mexico's first measures already announced are described in our last *View from the Top*. In our opinion, it is likely that additional actions will be unveiled throughout the year, focused on other sectors, especially those classified as strategic in the *Plan Mexico*, which include pharmaceuticals and medical devices, agribusiness, automotive and electromobility, semiconductors, chemicals and petrochemicals, as well as consumer goods, among others.

Table 1: Trade balance
% y/y nsa

	Dec-24	Dec-23	Jan-Dec'24	Jan-Dec'23
Total exports	**4.9**	**-0.1**	**4.1**	**2.6**
Oil	-16.0	-8.6	-14.4	-14.7
Crude oil	-22.0	13.3	-21.0	-12.7
Others	21.7	-58.8	18.3	-23.6
Non-oil	6.1	0.4	5.2	3.9
Agricultural	12.3	-7.2	7.1	2.9
Mining	57.1	-14.4	18.6	0.2
Manufacturing	4.9	1.1	4.8	4.0
Vehicle and auto-parts	-7.7	13.2	2.6	14.3
Others	12.3	-4.9	6.1	-1.0
Total imports	**9.1**	**-6.9**	**4.5**	**-1.0**
Consumption goods	1.6	12.0	3.6	9.3
Oil	63.5	-67.1	-41.5	-28.2
Non-oil	-3.1	36.6	14.5	25.1
Intermediate goods	11.5	-11.8	4.4	-4.9
Oil	4.8	-37.3	-17.9	-31.1
Non-oil	11.9	-9.0	6.3	-1.8
Capital goods	4.0	7.9	6.4	20.0

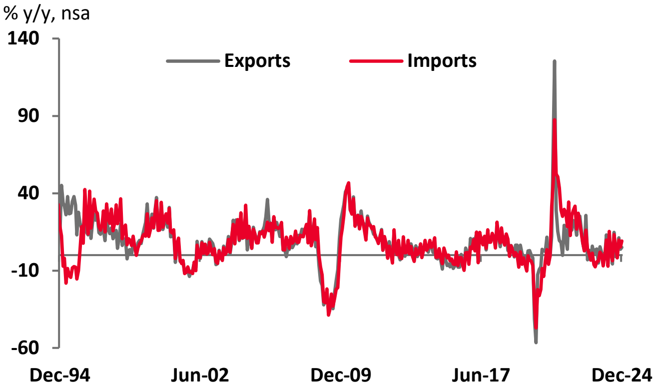
Source: INEGI

Table 2: Trade balance
% m/m, % 3m/3m sa

	% m/m			% 3m/3m	
	Dec-24	Nov-24	Oct-24	Oct-Dec'24	Sep-Nov'24
Total exports	**-2.3**	**-0.2**	**3.4**	**0.9**	**1.1**
Oil	-4.5	5.7	20.4	9.1	0.1
Crude oil	-3.3	6.8	28.1	15.0	0.3
Others	-9.1	1.9	-0.6	-8.2	-0.5
Non-oil	-2.2	-0.5	2.8	0.5	1.1
Agricultural	1.3	-0.9	-5.3	-3.2	0.7
Mining	17.8	-6.9	0.2	16.2	7.5
Manufacturing	-2.7	-0.3	3.2	0.4	1.0
Vehicle and auto-parts	-5.9	-4.4	10.2	0.1	-1.0
Others	-1.0	1.9	-0.3	0.5	2.1
Total imports	**-2.3**	**1.7**	**2.6**	**0.4**	**-0.8**
Consumption goods	-5.2	3.0	-2.5	-3.8	-1.7
Oil	-2.1	12.4	-2.1	13.7	17.9
Non-oil	-5.6	1.9	-2.6	-5.8	-3.8
Intermediate goods	-1.7	1.4	3.8	1.0	-0.7
Oil	7.9	0.3	1.0	1.3	-2.7
Non-oil	-2.2	1.4	4.0	1.0	-0.6
Capital goods	-2.7	2.8	1.1	1.6	0.3

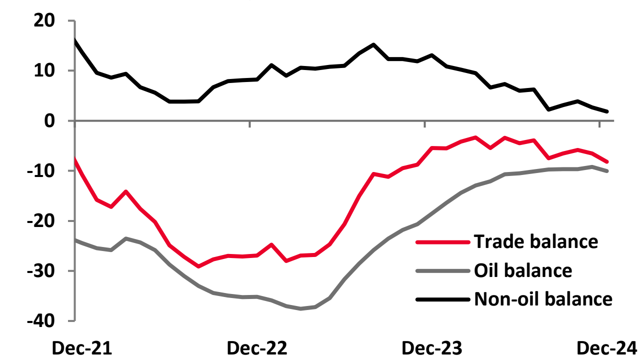
Source: INEGI

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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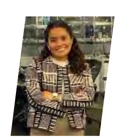

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