February 27, 2025

Trade balance – Uptick in flows likely driven by trade uncertainty

- **Trade balance (January): -US$4,558.0 million; Banorte: -US$4,773.2mn; consensus: -US$3,808.0mn (range: -US$5,021.0mn to US$1,000.0mn); previous: US$2,566.8mn**
- **In annual terms, exports accelerated to +5.5%, with imports moderating to +5.9%. Trade uncertainty likely weighed on flows, with some other factors to consider including higher oil prices, a Mexican peso that continued to depreciate, and an expansion in US industrial production –albeit with a slight contraction in manufacturing, mainly due to the auto sector–**
- **With seasonally adjusted figures, exports increased 1.0% m/m. Oil outflows fell 24.7% despite higher prices. Non-oil shipments grew 2.1%, influenced by tariff threats from the US. In the latter, we highlight an increase in manufacturing (2.2%)**
- **Imports rebounded by 0.5% m/m. The oil item increased by 3.0%, with non-oil up by 0.3%. Within the latter, declines were seen in consumer (-0.5%) and capital goods (-3.4%), with intermediate ones (0.9%) advancing at the margin**
- **We will keep a close eye on the flow of goods in the coming months, with uncertainty over our country's trade position with the US likely weighing on performance**

Deficit of US$4,558.0 million in January, with uncertainty weighing on certain items. The period has a clear seasonal pattern, with deficits influenced by local holidays, as well as earlier orders from China ahead of the Lunar New Year celebrations. However, the Trump administration and its protectionist discourse drove further uncertainty, with the possibility of tariffs being imposed on our country's exports. Thus, we think that the increase in some flows throughout the month may have sought to avoid the increase in costs. In this regard, according to GEP's *Global Supply Chain Volatility Index*, the region's supply chains operated at full capacity. Regarding other factors, we highlight: (1) An increase in oil prices, with the Mexican mix averaging 70.4 US$/bbl; (2) an additional depreciation of the Mexican peso; and (3) an increase in US industrial production (0.5% m/m), although with manufacturing retreating at the margin (-0.1%). In this context, exports came in at +5.5% y/y, with imports at+5.9% (Chart 1). For more details, see Table 1. With these results, the trade balance accumulated an US$8.6 billion deficit in the last twelve months, with the oil component at -US$11.3 billion and with a US$2.7 billion surplus in the non-oil item (Chart 2).

Modest upticks in exports and imports in the sequential comparison. The former increased 1.0% m/m, with the latter at +0.5%, (Table 2). Oil shipments fell 24.7%, with volumes accounting for the decline and despite the rise in prices. Meanwhile, oil inflows increased 3.0% –with intermediate as the main driver (3.1%), adding four months higher. Turning to the non-oil component, exports advanced 2.1%, with manufacturing up 2.2% –with autos climbing 1.2%, but with others higher by 2.7%. Meanwhile, agricultural shipments came in at 7.1%, with non-oil mining at -10.4%. Finally, non-oil imports recorded a modest expansion at +0.3%. As in previous months, the depreciation of the Mexican peso continued to weigh on certain items, with declines in consumer (-0.5%) and capital goods (-3.4%) standing out. Meanwhile, intermediate goods advanced 0.9%.

Nervousness continues regarding the possible imposition of tariffs on Mexican exports to the US. Last Monday, President Trump mentioned that "*...tariffs will be implemented on time, as scheduled...*", which meant their start on March 4th. He reaffirmed this today in a publication on *TruthSocial*. However, we believe that efforts will continue these days to try and avoid their implementation, with meetings regarding security measures taking place today and in coming days.


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In this sense, during the last working meeting between both countries (which included Secretary of Economy, Marcelo Ebrard, and the US Secretary of Commerce, Howard Lutnick), the US requested our government to impose tariffs on Chinese imports to prevent them from imposing duties on our imports. To date, the Mexican government has not announced any new tariff measures against China. However, the *Plan Mexico* recognizes the need to reduce the trade deficit with China. When questioned on this issue, President Claudia Sheinbaum has asked North America to focus on its own trade agreement, mentioning that "*...we must prioritize* [...] *the relationship and the trade agreement with the US and we ask the US to prioritize its trade agreement with Mexico and Canada in the so-called USMCA...*". It should be noted that the decision on duties related to security and migration is not the only one that could define trade balance flows in the short-term. The application of tariffs on imports of specific goods by the US –subject to USTR's assessment of the current trade balance situation to be delivered on April 1st–, the threat to impose countervailing duties on countries that use value-added taxes, and a possible advancement of the USMCA review –which President Sheinbaum said is likely to happen– will be additional issues that will add uncertainty to trade flows.

In this context, several chambers and business organizations have expressed their opinion on the subject, calculating the effects, possible measures or rethinking if tariffs materialize. Focusing on the auto sector, there are conflicting positions, the global CEO of Nissan has expressed that the company would have to analyze its production in Mexico in case the tariffs are confirmed. Meanwhile, the CEO of General Motors confirmed that at the moment the projects for increased production in Mexico continue, adding the production of a third electric vehicle at the Ramos Arizpe plant. For its part, the *American Automotive Policy Council* (AAPC) has advocated that the production rules within USMCA must be considered, indicating that cars that comply with them should be exempt. Thus, under the lack of definition of the new US trade policies, the direct impact on trade balance flows is not yet easy to estimate.

Table 1: Trade balance

% y/y nsa

	Jan-25	Jan-24	2024	2023
Total exports	**5.5**	**-1.1**	**4.1**	**2.6**
Oil	-40.6	2.7	-14.4	-14.7
Crude oil	-44.6	3.6	-21.0	-12.7
Others	-26.8	-0.2	18.3	-23.6
Non-oil	8.7	-1.4	5.2	3.9
Agricultural	6.1	6.6	7.1	2.9
Mining	15.2	12.1	18.6	0.2
Manufacturing	8.8	-2.0	4.8	4.0
Vehicle and auto-parts	-2.0	-6.5	2.6	14.3
Others	14.5	0.6	6.1	-1.0
Total imports	**5.9**	**-1.0**	**4.5**	**-1.0**
Consumption goods	-5.6	1.5	3.6	9.3
Oil	23.0	-61.8	-41.5	-28.2
Non-oil	-8.8	24.4	14.5	25.1
Intermediate goods	10.4	-4.0	4.4	-4.9
Oil	0.3	-25.8	-17.9	-31.1
Non-oil	11.3	-1.5	6.3	-1.8
Capital goods	-8.5	21.6	6.4	20.0

Source: INEGI

Table 2: Trade balance

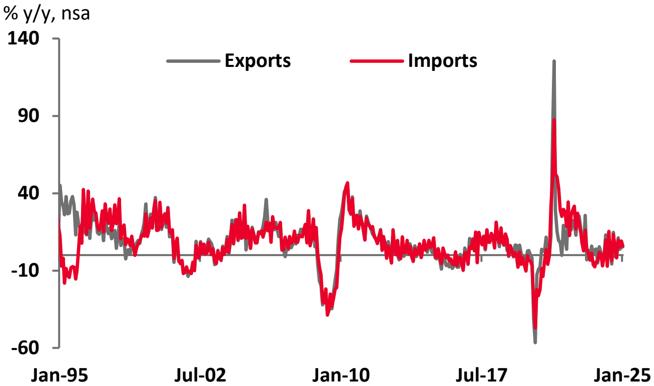
% m/m, % 3m/3m sa

	% m/m			% 3m/3m	
	Jan-25	Dec-24	Nov-24	Nov'24-Jan'25	Oct-Dec'24
Total exports	**1.0**	**-2.4**	**-0.1**	**0.5**	**0.8**
Oil	-24.7	-7.7	7.1	-0.6	7.1
Crude oil	-28.7	-7.1	8.8	2.9	12.7
Others	-9.4	-10.2	1.3	-11.2	-9.2
Non-oil	2.1	-2.1	-0.5	0.5	0.6
Agricultural	7.1	1.7	-0.8	1.0	-2.7
Mining	-10.4	17.7	-6.9	8.0	16.3
Manufacturing	2.2	-2.7	-0.3	0.4	0.4
Vehicle and auto-parts	1.2	-6.0	-4.5	-3.5	-0.2
Others	2.7	-0.9	2.0	2.4	0.7
Total imports	**0.5**	**-2.3**	**1.7**	**0.1**	**0.3**
Consumption goods	-0.1	-5.2	2.7	-3.6	-4.3
Oil	2.7	-2.4	12.0	12.3	12.6
Non-oil	-0.5	-5.6	1.5	-5.5	-6.2
Intermediate goods	1.0	-1.6	1.4	0.8	1.1
Oil	3.1	9.0	0.5	6.0	1.8
Non-oil	0.9	-2.2	1.4	0.5	1.1
Capital goods	-3.4	-4.0	3.2	-0.3	1.1

Source: INEGI

Chart 1: Exports and imports

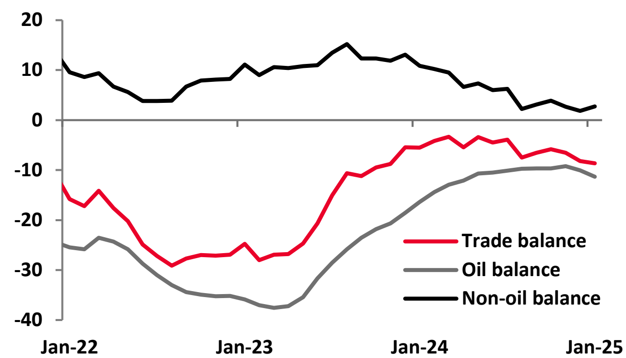
% y/y, nsa



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, Leslie Thalía Orozco Vélez, Hugo Armando Gómez Solís, Carlos Hernández García, Yazmín Selene Pérez Enríquez, Cintia Gisela Nava Roa, José De Jesús Ramírez Martínez, Daniel Sebastián Sosa Aguilar, Gerardo Daniel Valle Trujillo, Luis Leopoldo López Salinas, Marcos Saúl García Hernandez, Juan Carlos Mercado Garduño, Ana Gabriela Martínez Mosqueda, Ana Laura Zaragoza Félix, 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.
SELL	When the share expected performance is lower than the MEXBOL estimated performance.

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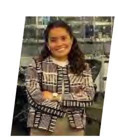

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