

Trade balance – Dynamism prevailed in August, but watch for possible disruptions ahead

- Trade balance (August): -US\$1,377.1 million; Banorte: -US\$1,704.6mn; consensus: -US\$1,100.0mn (range: -US\$3,600.0mn to US\$1,000mn); previous: -US\$881.2mn
- Exports grew 3.8% y/y, with imports still negative at -4.3%. Results are skewed by several factors, including higher energy prices and MXN strength, among others
- With sa figures, exports fell 0.3% m/m. Oil-related goods increased significantly by 11.4%, driven by prices. Non-oil flows declined 0.9%, with 'autos' (-6.7%) within manufacturing dragging the headline, albeit with a rather challenging base effect
- Imports rebounded 1.5% m/m, not enough to offset July's decline (-2.1%). Oil imports kept advancing (+9.1%), while non-oil flows improved (+0.8%), supported by consumption goods (4.2%)
- We believe that in coming months deficits will continue, with some effects due to the relative strength of the Mexican peso and the extension of energy price increases. In addition, we remain on the look to the possible fallout of the strike from US auto workers in our country

US\$1,377.1 million deficit in August, with some favorable signs for activity. Flows were once again influenced by ongoing factors, albeit also skewed by some seasonal patterns. In annual terms, exports grew again, up 3.8%. Imports remained negative, albeit more modest at -4.3% ([Chart 1](#)). The oil component once reflected price changes –remembering that OPEC+ decided to prolong output cuts. In addition, a strong Mexican peso keeps inducing higher demand of imported goods. For more details, see [Table 1](#). With this, the trade balance accumulated a US\$10.7 billion deficit in the last twelve months, with oil at -US\$25.8 billion and a US\$15.1 billion surplus in non-oil (see [Chart 2](#)).

Progress in key components give us some optimism. Exports fell 0.3% m/m after three months up. Meanwhile, imports rebounded 1.5%, not enough to offset the decline from the previous month (-2.1%). For both components, oil categories climbed, with the former at +11.4%, and the latter at 9.1% ([Table 2](#)). Nevertheless, dynamics in non-oil sectors were more mixed. In exports (-0.9%), agriculture (2.5%) and mining (26.4%) recovered partially. More relevant, manufacturing came in at -1.4%, with weakness in autos at -6.7%, where we believe a challenging base effect drove results (as these exports grew 14.4% in the previous month). Meanwhile, 'others' picked up 1.9%. At the margin we believe that Mexican peso strength, along with some stagnation in this sector in the US, help explain the relative moderation in the last couple of months. Non-oil imports (+0.8%) remain supported by solid domestic demand, with the stronger currency making goods from abroad cheaper. As such, consumption goods grew strongly at 4.2% –not ruling out early preparations for the holiday discount season–, with intermediate items higher by 0.4% –consistent with the moderation in manufacturing output. Lastly, capital goods increased just 0.1%, which considering previously accumulated gains, we believe is still positive.



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Going forward, we keep an eye on the effects of disruptions to manufacturing. We believe that trade flows in the coming months could be impacted by both external and domestic factors. On the former, the most relevant are: (1) Restrictions on crude oil output that will continue at least for the remainder of the year; (2) activity in China, which remains relatively limited despite the implementation of some counter-cyclical measures; (3) greater pressures on global transportation costs; and (4) uncertainty about the full impact of the UAW strike in the US against the three major automakers from said country.

We consider this last point as the most relevant in terms of immediacy due to its importance for exports (both auto parts and final vehicles, remembering that Mexico is the main supplier of this type of goods to the US). The timing is very unfortunate as it happens at a time of recovery for the sector. The strike has lasted for 13 days so far, impacting initially around 13 thousand workers, but currently totaling around 18 thousand throughout 20 states. According to Mexico's National Auto Parts Industry (INA in Spanish), the impact for the domestic sector would be around US\$76 million for each week of strike, which they estimate is equivalent to 0.1% of the annual exports of auto parts from Mexico to the US.

Related to domestic demand dynamics, we believe the exchange rate remains relatively strong despite its recent weakness. Thus, we anticipate that the substitution effect across categories –particularly for consumer goods– will continue. Meanwhile, capital goods will remain highly favored by investment demand, with spillovers from nearshoring spreading.

In this context, we reiterate our view of a trade deficit in coming months. On top of the factors already outlined, we remain alert to other potential disruptions, including commodity price adjustments –especially if China begins to show further strength–, the implications of further monetary tightening in the US, and the development of geopolitical tensions (*e.g.* sanctions on Russia, US-China trade war).

Table 1: Trade balance

% y/y nsa

	Aug-23	Aug-22	Jan-Aug'23	Jan-Aug'22
Total exports	3.8	24.7	3.8	18.8
Oil	-4.6	18.8	-22.0	49.5
Crude oil	5.5	8.1	-21.2	43.2
Others	-40.8	83.7	-25.2	85.6
Non-oil	4.3	25.1	5.8	16.9
Agricultural	-0.1	5.3	2.9	9.2
Mining	12.6	-24.1	4.9	-6.3
Manufacturing	4.3	27.1	6.0	17.8
Vehicle and auto-parts	11.0	42.5	16.1	15.2
Others	0.9	20.5	1.2	19.1
Total imports	-4.3	27.0	-0.5	24.1
Consumption goods	7.4	43.8	5.9	39.6
Oil	-30.3	73.0	-26.8	77.1
Non-oil	25.7	32.9	21.9	26.5
Intermediate goods	-8.6	24.2	-3.8	22.2
Oil	-40.4	40.1	-30.7	40.6
Non-oil	-4.5	22.4	-0.5	20.3
Capital goods	18.2	30.1	22.5	19.9

Source: INEGI

Table 2: Trade balance

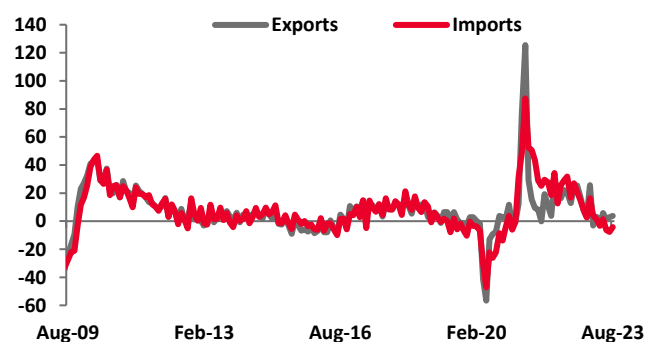
% m/m, % 3m/3m sa

	Aug-23	% m/m Jul-23	% 3m/3m Jun-23	% 3m/3m Jun-Aug'23	% 3m/3m May-Jul'23
Total exports	-0.3	1.3	1.0	2.6	3.2
Oil	11.4	-3.0	-0.6	2.0	0.9
Crude oil	14.3	-2.7	0.3	5.6	3.3
Others	-3.2	-4.5	-4.9	-13.7	-9.4
Non-oil	-0.9	1.5	1.1	2.6	3.3
Agricultural	2.5	-3.1	1.3	0.1	0.0
Mining	26.4	-41.7	74.0	1.9	-12.8
Manufacturing	-1.4	2.7	0.1	2.8	3.8
Vehicle and auto-parts	-6.7	14.4	-4.2	10.4	15.3
Others	1.9	-3.4	2.5	-1.1	-1.8
Total imports	1.5	-2.1	1.9	0.3	-0.7
Consumption goods	5.8	2.7	-4.7	-0.9	-1.1
Oil	12.8	18.8	-26.2	-21.3	-26.2
Non-oil	4.2	-0.3	0.9	5.1	7.2
Intermediate goods	0.8	-2.9	2.5	-0.2	-1.4
Oil	7.2	2.2	4.3	-13.5	-26.9
Non-oil	0.4	-3.2	2.4	1.0	1.1
Capital goods	0.1	-2.7	6.7	5.8	5.5

Source: INEGI

Chart 1: Exports and imports

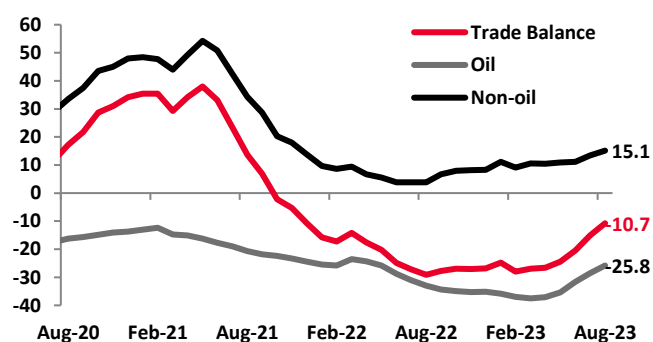
% y/y, nsa



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, Manuel Jiménez Zaldívar, Marissa Garza Ostos, Katia Celina Goya Ostos, Francisco José Flores Serrano, José Luis García Casales, Víctor Hugo Cortes Castro, José Itzamna Espitia Hernández, Carlos Hernández García, Leslie Thalia Orozco Vélez, Hugo Armando Gómez Solís, Yazmín Selene Pérez Enríquez, Cintia Gisela Nava Roa, Miguel Alejandro Calvo Domínguez, José De Jesús Ramírez Martínez, Gerardo Daniel Valle Trujillo, Luis Leopoldo López Salinas, Isaías Rodríguez Sobrino, Juan Carlos Mercado Garduño, Daniel Sebastián Sosa Aguilar, Jazmin Daniela Cuautencos Mora and Andrea Muñoz Sánchez, 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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