

## Trade balance – Imports keep climbing as domestic demand remains strong

- Trade balance (September): -US\$1,481.4 million; Banorte: -US\$223.8mn; consensus: -US\$437.0mn (range: -US\$2,700.0mn to US\$220.0mn); previous: -US\$1,377.1mn
- Exports fell 5.1% y/y. Imports were also down, but more modestly at -3.9%. The latter added four months with negative rates. These figures reflect moves in the prices of some commodities, as well as some timely events regarding the transit of goods
- Seasonally adjusted, exports rose 0.3% m/m, driven by oil-related goods (+13.0%) given an acceleration in prices. Non-oil flows declined 0.5%, with a decline in manufacturing (-0.7%) despite some support from non-oil mining (10.7%)
- Imports grew 1.7% m/m. Similar to exports, oil-related ones were stronger (+6.3%), albeit with non-oil also improving (+1.2%), with capital goods (3.6%) being the main driver
- Recent events, both on the local and global front, will be key to determine the flow of goods in coming months, highlighting higher volatility in oil prices and the auto sector strike in the US

**US\$1,481.4 million deficit in September, skewed by the increase in oil prices and other timely factors.** The period was characterized by an increase in oil prices (+9.7% m/m), with other timely elements being key in terms of volumes for some categories. We believe that the seasonal effect related to inventory build-up ahead of the end of the year has started to become more evident. In annual terms, exports declined 5.1%. Imports also fell, coming in at -3.9%, adding a fourth month in negative territory ([Chart 1](#)). For more details, see [Table 1](#). With this, the trade balance accumulated a US\$11.7 billion deficit in the last twelve months, with oil at -US\$25.6 billion and a US\$13.9 billion surplus in non-oil ([Chart 2](#)).

**Mixed exports but with a generalized increase in imports.** Exports rose 0.3% m/m, back in expansion after a 0.4% drop in August. Imports climbed 1.7%, quite positive considering gains from the previous month (1.5%). Oil-related goods advanced in both components, up 13.0% in the former and 6.3% in the latter ([Table 2](#)). Nevertheless, dynamics in non-oil categories were more mixed. In exports (-0.5%) we highlight mining (-10.7%), with agriculture unchanged (0.0%). More importantly, manufacturing fell once again (-0.7%), despite a small improvement in autos (0.5%) and with a contraction in 'others' at -1.4%. On imports (+1.7%), we believe performance was once again supported by domestic demand. Both intermediate (+0.6%) and capital goods (+3.6%) improved relative to August. Nevertheless, the 2.3% depreciation of the Mexican peso in the month could have been one of the drivers behind the moderation in the pace of growth in consumption goods (at +3.0% from +4.5%).

**Greater uncertainty in coming months, in line with a more complex outlook for global economic activity.** We believe that the trade balance will be defined by two major factors in the remainder of the year: (1) Oil prices; and (2) the strike in the US auto sector and its effects on production and inventories in the local auto parts industry. On top of these points, we recognize other drivers. Unfortunately, these look mostly negative, with some being: (1) Uncertainty about activity in China; (2) geopolitical tensions; (3) logistics issues and longer wait times in the country's ports and border crossings; and (4) the performance of the exchange rate and prices of some commodities, among others.



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Regarding oil, international benchmarks have moderated from the year's highs seen in September, but prices remain elevated relative to the levels seen since last December. OPEC+ actions will be key, with attention to the next ministerial meeting on November 26<sup>th</sup>. In addition, we note that the conflict in the Middle East could add to volatility if the battle widens to other countries in the region. Nevertheless, some pessimism continues weighing on China's economic activity –despite the possibility that the extension of stimulus measures could revive some dynamism– and in the Eurozone. On the UAW strike –which is now in its sixth week, albeit with a preliminary agreement for one of the three companies– has put pressure on the local auto parts industry. The effects are related to production chains, technical stoppages, and inventory management, which in turn could translate into lags in the export-import timing of inputs (which could be reflected as early as October's report). The latest estimate from the *Industria Nacional de Autopartes* (11 days ago) estimated losses of US\$600 million, which is equivalent to 0.8% of the exports sent to the US by this sector in 2022.

On top of the latter, another relevant issue for Mexico's international trade is related to the movement of goods by land and sea. During the months of September and October, some measures were implemented by American authorities that caused significant delays for cargo trucks in the US-Mexico border –specifically in Texas. Regarding ports, there were higher unloading times due to higher-than-expected flows. For example, in the port of Manzanillo, the effect of nearshoring has increased by 50% the arrival of containers of semi-finished products from Asia (according to José Antonio Contreras, president of the Association of Terminals and Operators of Manzanillo). Similarly, the arrival and dispatch of Asian light vehicles in Pacific ports shows historical rates so far in 2023 (e.g. Mazatlán +1,664.6% y/y, Lazaro Cardenas +13.4%). In this regard, we highlight the latest investments announced for some ports in the region that will allow for the coverage of the increased arrival of goods. *Hutchison Ports* will invest US\$200 million to expand the 'Specialized Container Terminal I' at the Lázaro Cárdenas port. The company's director indicated that this would guarantee a more agile clearance of cargo –from a capacity of 1.3 million TEUs to 2 million.

**Table 1: Trade balance**

% y/y nsa

	Sep-23	Sep-22	Jan-Sep'23	Jan-Sep'22
<b>Total exports</b>	<b>-5.1</b>	<b>25.3</b>	<b>2.7</b>	<b>19.6</b>
Oil	5.0	31.6	-19.1	47.4
Crude oil	10.7	27.6	-17.9	41.4
Others	-16.2	49.3	-24.1	80.3
Non-oil	-5.8	24.9	4.4	17.9
Agricultural	11.4	-7.2	3.5	7.7
Mining	24.4	1.8	6.7	-5.6
Manufacturing	-6.6	26.4	4.4	18.8
Vehicle and auto-parts	3.7	42.1	14.5	18.2
Others	-11.9	19.6	-0.4	19.2
<b>Total imports</b>	<b>-3.9</b>	<b>20.8</b>	<b>-0.9</b>	<b>23.7</b>
Consumption goods	10.3	34.2	6.5	38.9
Oil	-24.4	50.5	-26.5	73.8
Non-oil	24.7	28.4	22.2	26.8
Intermediate goods	-8.8	18.5	-4.4	21.8
Oil	-35.0	44.5	-31.2	41.1
Non-oil	-5.5	15.9	-1.1	19.8
Capital goods	19.6	22.6	22.2	20.2

Source: INEGI

**Table 2: Trade balance**

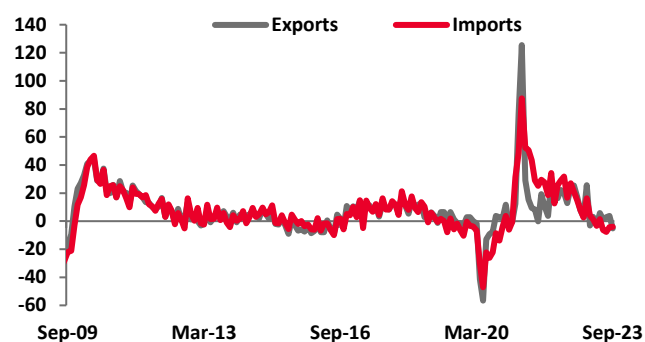
% m/m, % 3m/3m sa

	Sep-23	% m/m Aug-23	Jul-23	% 3m/3m Jul-Sep'23	Jun-Aug'23
<b>Total exports</b>	<b>0.3</b>	<b>-0.4</b>	<b>1.4</b>	<b>2.9</b>	<b>2.7</b>
Oil	13.0	14.2	-2.3	12.2	4.4
Crude oil	9.6	17.4	-2.0	14.5	8.2
Others	33.7	-2.5	-3.9	1.4	-12.0
Non-oil	-0.5	-1.2	1.6	2.3	2.6
Agricultural	0.0	2.4	-3.1	-1.2	0.0
Mining	10.7	26.5	-41.7	-11.9	2.4
Manufacturing	-0.7	-1.7	2.8	2.8	2.7
Vehicle and auto-parts	0.5	-6.8	14.6	13.0	10.6
Others	-1.4	1.5	-3.4	-2.5	-1.4
<b>Total imports</b>	<b>1.7</b>	<b>1.5</b>	<b>-2.1</b>	<b>-0.3</b>	<b>0.3</b>
Consumption goods	3.5	6.2	3.0	4.9	-0.3
Oil	5.5	13.4	19.8	2.1	-20.2
Non-oil	3.0	4.5	-0.1	5.7	5.5
Intermediate goods	1.0	0.8	-3.0	-1.6	-0.3
Oil	6.7	7.9	2.7	2.8	-12.9
Non-oil	0.6	0.3	-3.4	-2.0	0.8
Capital goods	3.6	0.2	-2.4	2.7	5.9

Source: INEGI

**Chart 1: Exports and imports**

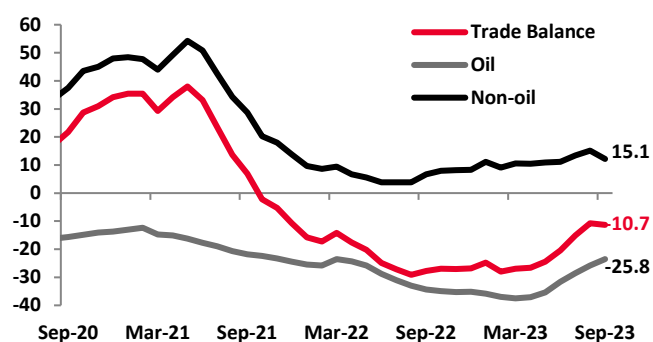
% y/y, nsa



Source: INEGI

**Chart 2: Trade balance**

US\$ billion, 12 month rolling sum



Source: INEGI

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