Economic and Financial Markets Research
Economic Research, Mexico

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Trade balance – Trade flows picked up in October, with manufacturing exports leading

- **Trade balance (October): US$370.8 million; Banorte: -US$748.4mn; consensus: -US$659.2mn (range: -US$2,191.8mn to US$688.0mn); previous: -US$578.9mn**
- **Exports grew 11.2% in annual terms, with imports rebounding by 9.7%. Some of the drivers included a recovery in oil prices, the three-day strike in US ports, and a Mexican peso that kept depreciating**
- **Sequentially, exports expanded 3.6% –erasing the declines of the previous month. Inside we note an uptick in the oil component (22.6%), helped by higher prices. On the other hand, non-oil flows advanced 2.8%, highlighting manufacturing (3.2%)**
- **Imports grew by 2.6%, with a mixed performance. The oil component fell 0.2%, with non-oil imports at +2.7%. Within the latter, the expansion was driven by both intermediate (3.9%) and capital goods (1.1%), with some weakness in consumption goods (-2.4%)**
- **Some headwinds will dampen trade flows in the final months of 2024, anticipating continued weakness in US industry and the Mexican peso. 2025 will be a year of actions and reactions on our trade relationship with North America and China, with the review of USMCA in 2026 also on the horizon**

Modest surplus in the tenth month of the year. The result is slightly surprising considering the period's seasonality. In the month, conditions were relatively stable, with sea freight rates declining and the *Global Supply Chain Pressures Index* returning to negative territory after two months of gains. Despite this, it is worth mentioning some one-off events that added uncertainty to trade, such as the brief US port strike at the beginning of the month. Other factors to highlight included: (1) Higher oil prices –with the Mexican mix averaging 66.50 US$/bbl; (2) a slightly more depreciated Mexican peso relative to September; and (3) an additional decline in both industrial production (-0.3% m/m) and manufacturing output (-0.5%) in the US. In this context, exports came in at 11.2% y/y, with imports also up at 9.7% (Chart 1). For more details, see Table 1. With these results, the trade balance accumulated a US$5.8 billion deficit in the last twelve months, with the oil component at -US$9.7 billion and a US$3.9 billion surplus in non-oil (Chart 2).

Sequential increase in both exports and imports, albeit with some sectors lagging. The former advanced 3.6% m/m, with the latter up by 2.6% (Table 2). On the oil front, exports ended a streak of two months lower at +22.6% –with an increase in prices more than offsetting for a decline in volumes shipped. On the other hand, imports came in at -0.2%, with losses concentrating in consumption goods (-2.4%). Regarding non-oil, exports recovered by +2.8%. Within these, performance was rather mixed. Manufacturing advanced 3.2% –with strength in autos (10.1%) but with 'others' stalling (-0.3%). In addition, non-oil mining was unchanged (0.0%) after relevant gains in September, with agriculture down 4.4%, showing a more volatile trend. Non-oil imports rose 2.7%, with positive results in both intermediate (3.9%) and capital goods (1.1%), in both cases favored by a base effect. Finally, consumption goods strung a second month down at -2.4%.

The end of 2024 could be characterized by lower trade flows, while 2025 will be impacted by greater uncertainty on several fronts. Considering today's figures and with additional headwinds in sight, we think the trade balance will show less dynamism in the last quarter of the year.


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The performance of the US manufacturing, the sluggishness of the global economy –especially China–, as well as the weakness of the Mexican peso are some of the elements that will impact both exports and imports. This is in addition to some uncertainty in energy prices, with the latest OPEC+ forecasts for oil demand in 2024 and 2025 being cut for a fourth consecutive time. However, we cannot rule out that a worsening conflict in Ukraine or the Middle East could lead to higher prices.

Focusing on 2025, Mexico's international trade will be determined by; (1) The start of Trump's second term; (2) the trade and investment position with China; and (3) the beginning of planning around the review of USMCA in 2026. On the first point, we began to address the issue in the last *View from the Top*. However, it is worth noting that the new Secretary of the Treasury, Scott Bessent, was announced last weekend. His profile could be considered as more moderate regarding import taxes, especially in comparison with the nominee for Secretary of Commerce, Howard Lutnick. In that regard, the former has stated that tariffs are more of a negotiating tool and not a predetermined policy position. However, his view is that the US has not had a fair or reciprocal position on trade issues. Moreover, on Monday, Trump doubled down on tariff threats, with a 10% levy on China and a 25% for both Canada and Mexico on grounds of a lack of progress regarding drug trafficking and migration. On point two, the federal government made additional statements about our trade position with China. It is worth remembering that one of the first comments on the subject was made at the *US-Mexico CEO Dialogue* meeting, where the Ministry of Economy announced that it is seeking to develop value chains with North America with the aim of increasing domestic content and reducing imports from Asia, specifically from China. Last week, President Claudia Sheinbaum took up the issue, announcing that there is a plan for Chinese imports, increasing domestic production or importing from the region. "*We have a plan that is being developed by the Finance Minister with the Economy Minister, with the objective of substituting those inflows from China and most of them being produced in Mexico. Be it with Mexican companies or with companies soon to come from North America and, if not, in relation to other companies that we have a relationship with, such as Europe...*". Along the same lines, Finance Minister, Rogelio Ramírez de la O, indicated that: "*...*[there] *is an imbalance with China that is growing every year* [...] *and the difference is almost US$80 billion and is growing over time...*". Regarding the final point; different government officials have reiterated that two of the main arguments from our country will be: (1) The benefit and complementarity between the three countries; and (2) to demonstrate that –in the words of the President– "*...this idea that Chinese products are entering through Mexico to take them to the United States, is not correct...*".

Table 1: Trade balance
% y/y nsa

	Oct-24	Oct-23	Jan-Oct'24	Jan-Oct'23
Total exports	**11.2**	**5.4**	**4.0**	**3.0**
Oil	-24.2	12.3	-15.2	-16.4
Crude oil	-32.4	13.7	-22.4	-15.1
Others	28.6	4.1	19.2	-22.2
Non-oil	13.5	5.0	5.2	4.5
Agricultural	3.1	8.8	6.9	4.7
Mining	57.1	-15.1	12.5	4.3
Manufacturing	13.2	5.2	5.0	4.5
Vehicle and auto-parts	6.1	20.9	4.0	15.2
Others	17.6	-2.5	5.5	-0.6
Total imports	**9.7**	**1.8**	**4.0**	**-0.6**
Consumption goods	3.1	20.5	4.2	7.8
Oil	-27.2	-15.4	-46.3	-25.8
Non-oil	8.0	29.5	18.0	23.0
Intermediate goods	11.6	-3.1	3.6	-4.2
Oil	-14.9	-28.5	-19.7	-31.0
Non-oil	13.7	-0.3	5.6	-1.0
Capital goods	5.8	19.4	7.0	21.9

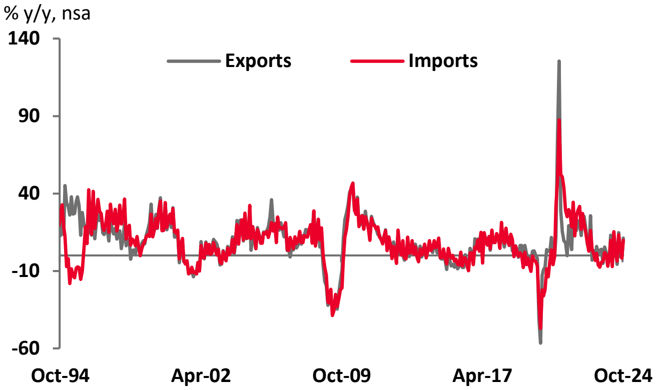
Source: INEGI

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

	% m/m			% 3m/3m	
	Oct-24	Sep-24	Ago-24	Ago-Oct'24	Jul-Sep'24
Total exports	**3.6**	**-1.0**	**-2.9**	**0.2**	**2.7**
Oil	22.6	-16.8	-4.0	-14.5	-11.6
Crude oil	31.3	-20.0	-4.3	-12.4	-11.5
Others	0.2	-7.4	-3.0	-20.0	-11.8
Non-oil	2.8	-0.2	-2.8	0.9	3.4
Agricultural	-4.4	4.8	-3.5	1.0	3.4
Mining	0.0	26.4	-4.4	0.1	-6.1
Manufacturing	3.2	-0.9	-2.8	0.9	3.6
Vehicle and auto-parts	10.1	-4.0	-4.2	-0.9	0.4
Others	-0.3	0.7	-2.0	2.0	5.3
Total imports	**2.6**	**-5.7**	**4.2**	**2.0**	**2.0**
Consumption goods	-2.4	-2.5	0.7	-0.2	0.5
Oil	-2.4	8.1	6.9	7.9	-2.0
Non-oil	-2.4	-3.7	0.0	-1.0	0.8
Intermediate goods	3.7	-6.9	5.4	2.9	3.0
Oil	0.6	-6.2	5.3	1.3	2.5
Non-oil	3.9	-6.9	5.4	3.0	3.0
Capital goods	1.1	-0.5	-0.3	-1.7	-3.1

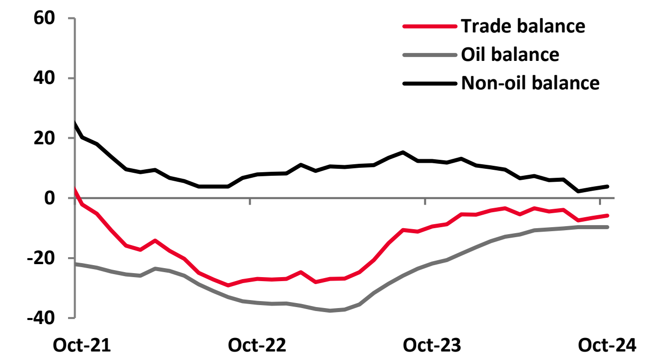
Source: INEGI

Chart 1: Exports and imports
% y/y, nsa



Source: INEGI

Chart 2: Trade balance
US$ billion, 12 month rolling sum



Source: INEGI

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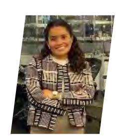

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