

International Trade

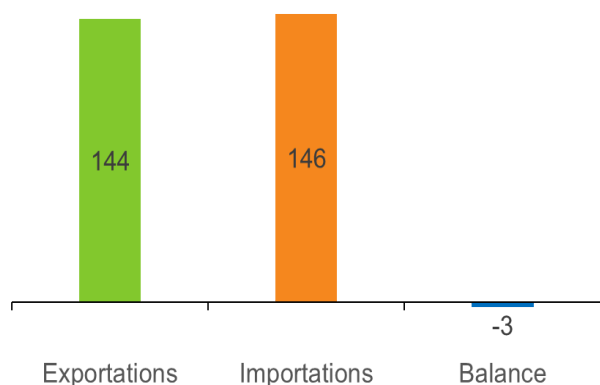
Mexico's trade is even more concentrated

Diego López / Samuel Vázquez
June 26th, 2024

During the first quarter of 2024 (1Q24), Mexican exports totaled \$144 billion dollars, while imports totaled \$146 billion, resulting in a trade deficit of just \$3 billion. A year earlier, the deficit was \$6 billion. Albeit, a trade surplus of \$2 billion was reported in March 2024, which could not offset the deficits in January and February. The monthly dynamics of the commercial banking balance do not present an evident seasonal pattern, probably because products that usually have seasonal behavior, as is the case in the Agricultural and Mining sectors, do not have a relevant weight in the commercial portfolio of Mexico.

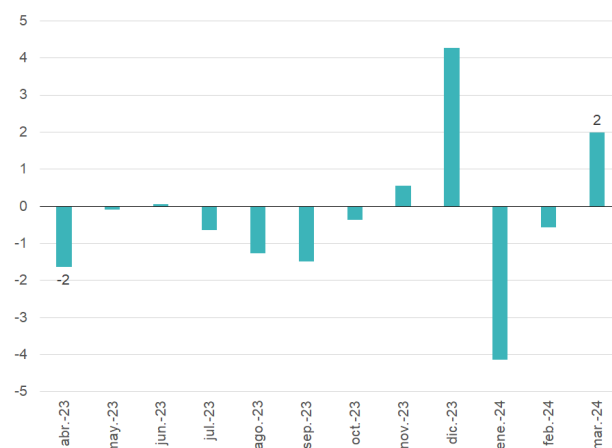
The 144 billion dollars in exports represents an increase of 1.7% compared to the same quarter of the previous year. This resulted from higher sales of agricultural products (7.0%), agroindustrial (5.8%), oil products (5.6%), and manufacturing (1.9%). Imports rose only 0.2% in the same period since most sectors decreased their sales abroad, except for agroindustrial (8.4%) and manufacturing (5.5%).

Figure 1. **TRADE BALANCE: GOODS 24T1**
(BILLIONS USD\$, CURRENT PRICES)



Source: BBVA Research with data from Inegi

Figure 2. **TRADE BALANCE: GOODS 24T1**
(BILLIONS USD\$, CURRENT PRICES)



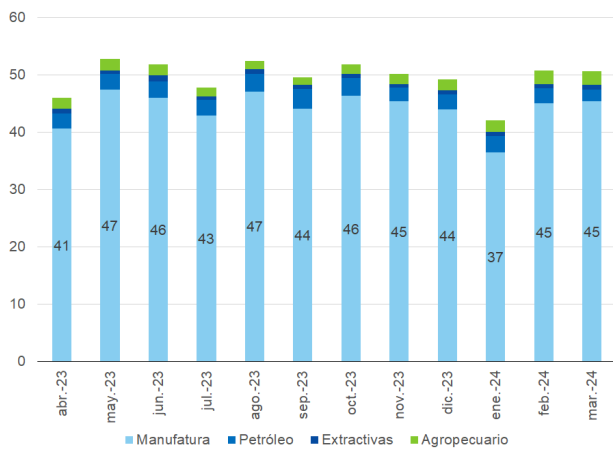
Source: BBVA Research with data from Inegi

Increased trade flow from Mexico within North America

Manufacturers remain the most internationally traded goods. 1Q24 manufacturing exports totaled 127.1 billion dollars, 1.9% more than in 1Q23, contributing 88.5% of the total. Similarly, imports of the same type of merchandise reached 130.4 billion dollars in the same period, 5.5% more than a year before, and participation in Mexican purchases abroad reached 89.2%, which means a negative trade balance for this particular industry. Sales of processed foods grew the most (5.6%). Other manufacturing exports with good performance in this first quarter of 2024 were chemicals and heavy industry, with rates of 2.8% in both cases. Food and textile manufacturing also presented the most significant increases. In both cases, Mexican heavy industry exported more and imported more, just over 2%, thus maintaining its dynamism but at a slower pace.

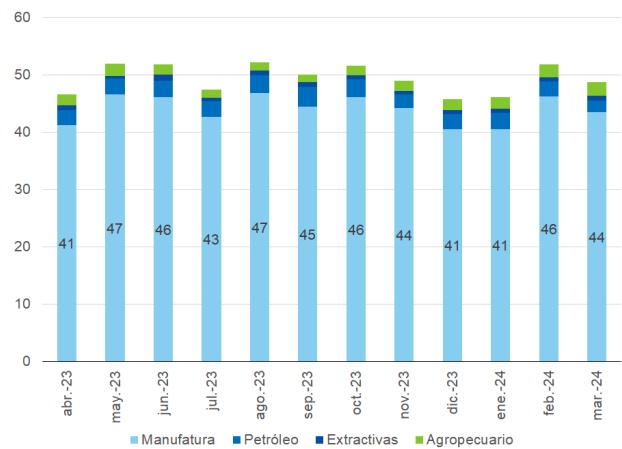
On the other hand, agricultural exports closed 1Q24 at 6.7 billion dollars, a growth of 7.0% in annual rate. With this, they contributed 4.7% of the export portfolio, a level that had not occurred since 2020. Foreign sales of cattle, beans, and mangoes present the best performance, with annual growth rates of 38.4%, 213.8%, and 30.7%, respectively. Imports of this sort accounted for 5.2 billion dollars, a drop of just over 10% compared to the same quarter of the previous year. They were explaining the increase in the surplus of this particular balance. International purchases of eggs, cereals and wheat stand out among those that decreased the most. The case of beans is a story apart since its exports and imports grew over 100%, but the former did so at twice the latter's rate.

Figure 3. **MEXICO: EXPORTS OF GOODS**
(BILLIONS USD\$, CURRENT PRICES)



Source: BBVA Research with data from Inegi

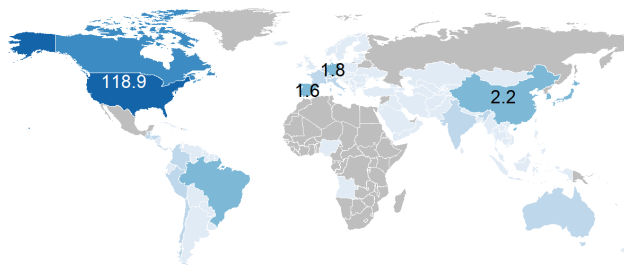
Figure 4. **MEXICO: IMPORTS OF GOODS**
(BILLIONS USD\$, CURRENT PRICES)



Source: BBVA Research with data from Inegi

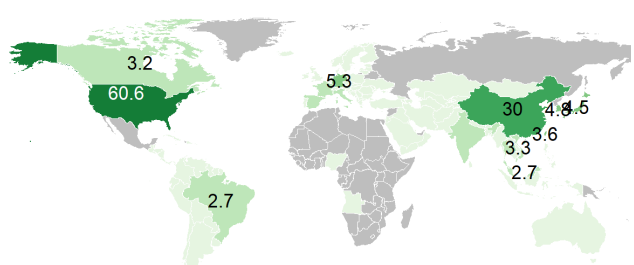
In this first quarter of the year, 82.7% of Mexican exports go to the United States of America (US). In second place is Canada with just 3.0%. China, Germany, and South Korea complement the top five positions. According to Inegi, as of 1Q24, Mexico exported 118.9 billion dollars to the USA, while only 3.9 billion dollars to Canada, implying that sales to the US increased by 2.1%. Still, in the Canadian case, they fell by 2.9%.

Figure 5. **MEXICO: EXPORTS OF GOODS 24T1**
(MILLIONS USD\$, CURRENT PRICES)



Source: BBVA Research with data from Inegi

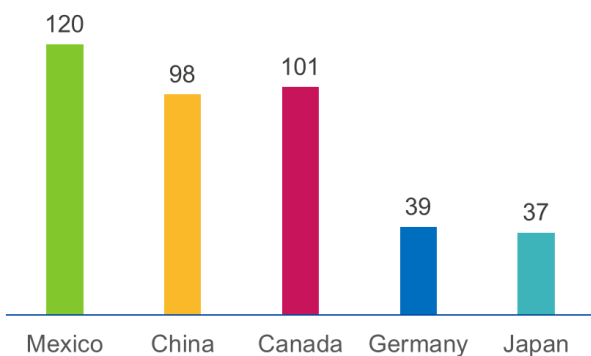
Figure 6. **MEXICO: IMPORTS OF GOODS 24T1**
(MILLIONS USD\$, CURRENT PRICES)



Source: BBVA Research with data from Inegi

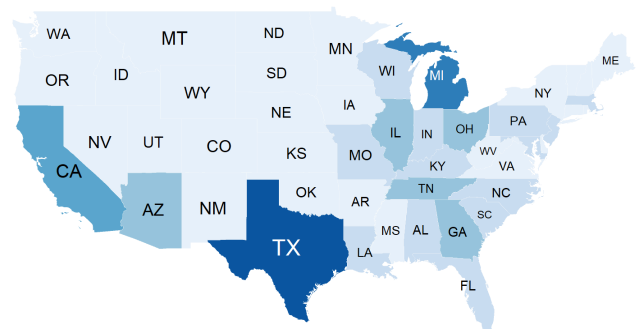
Exports to China totaled \$2.2 billion this quarter, the lowest since 2018 and 5.7% lower than the previous year. Imports from the US were 60.6 billion dollars, 7.2% less than in 1Q23, and good imports from Canada were worth 3.2 billion dollars. In contrast, imports from China increased 17.1% in current terms to reach \$30.0 billion. In this 1Q24, for the first time, merchandise of more significant value was imported from South Korea than from Japan, in the first case for 4.8 billion dollars and in the second for 4.5 billion dollars. However, this could change during the rest of 2024. Mexico has a trade deficit with both countries since it exported just over a billion dollars to each.

Figure 7. **US IMPORTS BY COUNTRY 24T1**
(BILLIONS USD\$, CURRENT PRICES)



Source: BBVA Research with data from Census

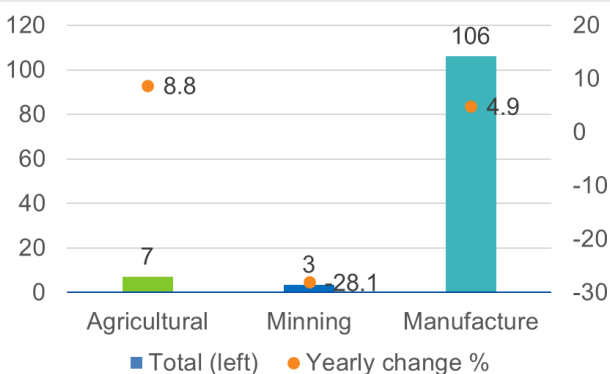
Figure 8. **US IMPORTS FROM MEXICO 24T1**
(BILLIONS USD\$, CURRENT PRICES)



Source: BBVA Research with data from Census

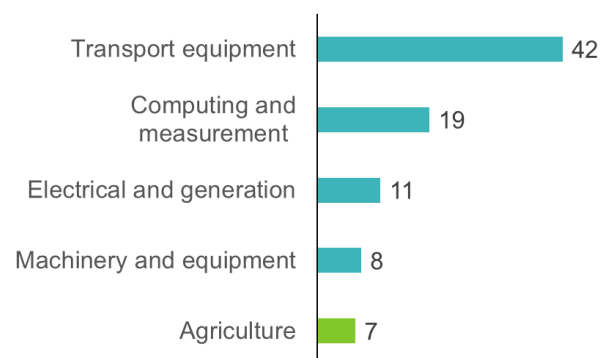
According to Census figures, Mexico continues to be the leading trading partner and supplier of goods to the United States. Official statistics from that country report Mexican imports for 120 billion dollars, 3.8% more than a year ago. On the other hand, China continues to lose ground; its sales decreased by 2.0% in this 1Q24, totaling 97.6 billion dollars. In this way, Canada now surpasses China as an exporter to the USA, exporting 100.9 billion dollars. Germany and Japan are far behind, which complements the set of the first five US trading partners. Germany exported \$39.0 billion to the US, 2.4% less than in 1Q23, while Japan sold US\$36.6 billion, an increase of 3.7% in the same terms.

Figure 9. **US IMPORTS FROM MEXICO 24T1**
(BILLIONS USD\$, CURRENT PRICES, RHS VAR. Y/Y)



Source: BBVA Research with data from Inegi

Figure 10. **US IMPORTS FROM MEXICO 24T1**
(BILLIONS USD\$, CURRENT PRICES)



Source: BBVA Research with data from Inegi

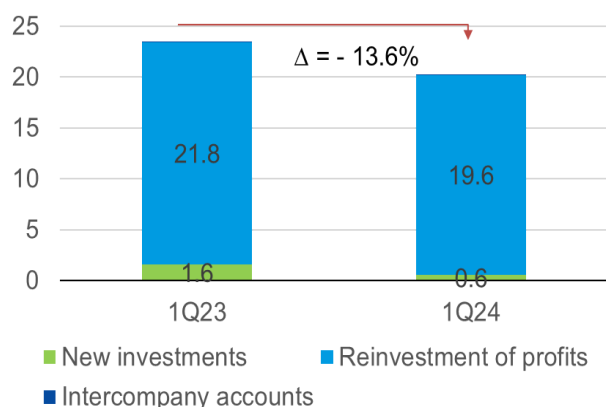
The US imported manufactures from Mexico for 106 billion dollars, 4.9% more than in 1Q23. There was also an increase in agricultural products but in a more significant proportion. In 1Q24, purchases from Mexico for these products reached 7.0 billion dollars a year before they were 6.5 billion dollars. On the other hand, mining imports decreased to 3.5 billion dollars, 28.1% less. Transportation Equipment products remain the most in-demand in the US of total imports from Mexico, accounting for 42 billion dollars, followed by Computer and Measurement goods, Electrical, and Agricultural products already mentioned. In this way, the USA purchased 10.8% more Transportation Equipment and 4.5% more Computing and Measurement than in the first three months of 2023.

Foreign Direct Investment continues to decline in 1Q24

The Ministry of Economy figures show that Mexico received 20.3 billion dollars of Foreign Direct Investment (FDI) in 1Q24, representing a drop of 13.6% compared to the same quarter of the previous year. FDI does not present clear seasonality patterns, so this could change during the rest of the year. Of the total FDI, reinvestments amounted to 19.6 billion dollars, almost 97%, while only 3.0% are new investments, nearly 600 million dollars. On the one hand, the low FDI classified as new investment usually reveals that the relocation phenomenon is not fully taken advantage of. Still, from another point of view, it is optimistic that companies that have already invested in the country continue to do so, showing that their previous investments were a good decision.

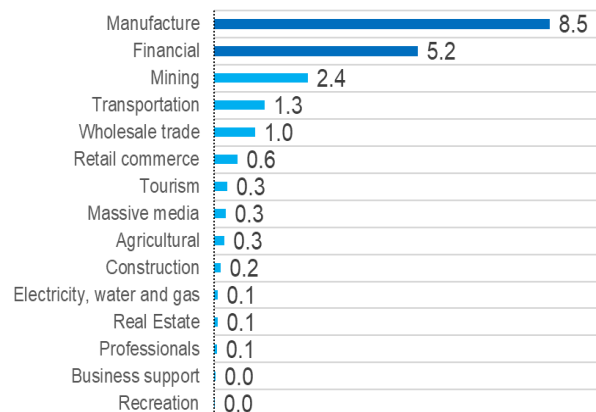
As has been the case for some time, the Manufacturing sector is the leading recipient of this type of investment, followed by Financial Services, which together captured 67.3 of the 20 billion dollars in 1Q24. By adding sectors such as Mining, Transportation Services, and Wholesale trade, we have just over 90% of the FDI, which, except for mining, are the most relevant economic sector in the Mexican economy. However, Manufacturing and Mining can be more related to global trade since their goods are commonly internationally tradable. Still, services such as Financial, Transportation, and Wholesale Trade focus more on the domestic market, implying that they do not obtain network benefits from international trade.

Figure 11. **MEXICO FDI INFLOW 24T1**
(BILLIONS USD\$, CURRENT PRICES)



Source: BBVA Research with data from Ministry of Economy (SE)

Figure 12. **MEXICO FDI INFLOW 24T1**
(BILLIONS USD\$, CURRENT PRICES)

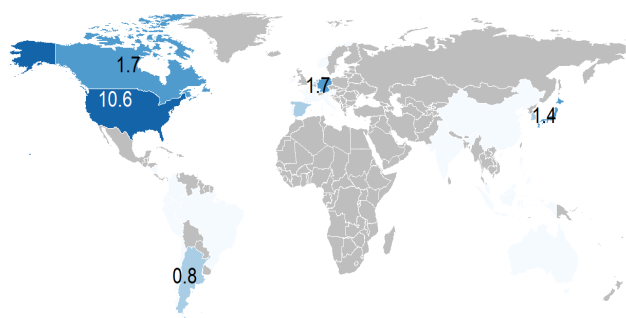


Source: BBVA Research with data from Ministry of Economy (SE)

FDI remains highly concentrated depending on the country of origin, and its concentration increases when comparing the first quarters of 2024 and 2023. In 1Q24, the US invested \$10.6 billion in Mexico, followed by Germany and Canada with \$1.7 billion each. FDI from the US increased 8.3% from \$9.9 billion in 1Q23. Therefore, US alone increased its participation as an investor in Mexico from 41.7% to 52.3%. Adding FDI from Germany,

Canada, and Japan for 1.4 billion dollars accumulates 76.3% of the total. Contrary to the increase in FDI from the USA, FDI from China went from 20.6 billion dollars in 1Q23 to only 2.7 billion dollars IN 1Q24. At the state level, Mexico City captured \$12.0 billion in FDI, followed by Nuevo León and Baja California, where only Zacatecas presents disinvestment of this type. Nuevo Leon received 1.6 billion dollars in investment, and Baja California 1.1 billion dollars. These two states have a clear export profile, while Mexico City focuses on the domestic market.

Figure 13. **MEXICO FDI INFLOW 24T1**
(BILLIONS USD\$, CURRENT PRICES)



Source: BBVA Research with data from Ministry of Economy (SE)

Figure 14. **MEXICO FDI INFLOW 24T1**
(BILLIONS USD\$, CURRENT PRICES)



Source: BBVA Research with data from Ministry of Economy (SE)

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