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Mexico Reports Trade Surpluses in April, January-April

by LADB Staff

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On May 18, the Finance Secretariat (SHCP) announced preliminary statistics indicating that Mexico obtained a trade surplus of about US\$620 million in April, compared with a trade deficit of almost US\$1.42 billion during the same month in 1994. The April figure brought the accumulated trade surplus for January-April to US\$1.16 billion, compared with a deficit of US\$5.716 billion in the same four-month period during 1994. Government and private economists have generally attributed the change in Mexico's trade balance from deficit to surplus to the devaluation of the peso, which effectively increased the costs of imports while reducing the price of exports. This trend was evident in the April statistics released by the SHCP, which showed exports that month amounted to US \$5.756 billion, an increase of 23.7% from April of last year. Similarly, the value of imports in April declined to about US\$5.138 billion, down about 15.4% from the same month in 1994.

According to the SHCP, the increase in exports was led by non-petroleum extractive goods, such as mining products, which totaled US\$42.7 million, an increase of 69.4% from April of 1994. Similarly, exports of agricultural goods that month totaled US\$415 million, an increase of 62.3% from April of last year. The statistics also showed that exports of manufactured items not produced at maquiladora plants rose by about 22.2% to US\$4.614 billion. Exports from maquiladora plants increased by 16%. The greatest declines among imports were for consumer products, which fell by 49.1% from a year ago to US\$388 million. This decline reflected both a sharp drop in the purchasing power of most consumers and the loss of competitiveness against domestic consumer items due to the devaluation of the peso.

Several US-based retailers with operations in Mexico, such as K-Mart and J.C. Penney, have begun to restock their shelves with Mexican-made goods to substitute for higher-cost US imports (see SourceMex, 05/10/95). Imports of capital goods and machinery also dropped markedly during April to US\$568 million, a drop of 46.2% relative to the same month last year. On the other hand, imports of intermediate goods only declined by 1.7%, to US\$4.1 billion. Meantime, the trade surplus of US \$1.16 billion for January-April represented an improvement of about US\$6.8 billion from the same four-month period in 1994, when a deficit of US\$5.716 billion was reported.

According to the SHCP, total exports in January-April of this year surpassed US\$24.4 billion, an increase of 32.9% from the same period last year. Increases were especially evident in the export of agricultural products in the first four months of the year, which rose by about 67% from a year ago. Among the agricultural items in greatest demand by US and other overseas customers during the four-month period were coffee beans, tomatoes, fruits, vegetables, and live cattle. On the other hand, imports for January-April of this year were about US\$23.3 billion, a decline of 3.4% from the same four-month period during 1994. According to the SHCP, imports of capital goods declined by 28.3% in the four-month period, while purchases of consumer products were down 34.4%. During May, the SHCP also released revised statistics for March, which indicated that Mexico attained a trade surplus of US\$460 million that month. In the preliminary statistics released in mid-April,

the SHCP had reported the trade surplus for March at US\$383 million. On a related matter, the US Department of Commerce reported the US trade deficit with Mexico in March rose by 36% to a record US\$1.71 billion, partly because of a large decline in US exports to Mexico and to a surge in imports of crude oil, fruits, vegetables, and other products. The statistics showed that Mexico's accumulated trade surplus with the US during January-March totaled US\$3.8 billion, compared with a deficit of US\$534 million in the same period last year.

According to the Commerce report, Mexican exports to the US have reached a staggering US\$14.9 billion in January-March, an increase of 32.2% from a year ago. On the other hand, Mexican imports of US products during the three-month period totaled only US\$11.157 billion, a decline of 5.9% relative to January-March of last year. Mexico has also managed to expand its trade surplus with Canada, its other partner under the North American Free Trade Agreement (NAFTA). According to a report released in May by the state statistics agency Statistics Canada, Mexico obtained a trade surplus of US\$740.2 million with Canada in January-March, an increase of 25.2% from the same period last year. Mexican exports to Canada totaled US\$947.3 million, an increase of 20.8% from the US\$783.8 million reported in the first quarter of 1994. However, the report showed that Mexican imports of Canadian products also increased slightly, but not enough to offset the increase in exports.

Mexican importers acquired about US\$207.2 million worth of Canadian goods in the first quarter of the year, an increase of 7.6% relative to the same period in 1994. In addition to the US and Canada, other countries with whom Mexico has a trade agreement have reported sharp declines in exports to Mexico during the first several months of this year. For example, Costa Rica's ambassador to Mexico City, Sergio Fumero, told reporters in mid-May that exports from his country to Mexico have fallen by 50% this year as a result of the devaluation. Ironically, he said, the decline has come at a time when Mexico opened its markets to Costa Rican products through a bilateral Costa Rica-Mexico free trade agreement, which went into effect on Jan. 1, 1995. (Sources: La Jornada, 05/11/95; El Financiero International, 05/15/95; Notimex, 05/13/95, 05/18/95; Associated Press, Agence France-Presse 05/18/95; New York Times, Reforma, 05/19/95)

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