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LADB Staff

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## **Mexico Attains Trade Surplus of US\$2.2 Billion in First Five Months of 1995**

*by LADB Staff*

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In early July, the Finance Secretariat (SHCP) reported that Mexico attained a trade surplus of US\$2.2 billion during January-May, primarily as the result of the devaluation of the peso, which reduced the cost of exports and increased the cost of imports. According to the SHCP report, the trade surplus was a sharp contrast to the deficit of more than US\$7.2 billion incurred by Mexico in the first five months of 1994. Exports in January-May totaled US\$31.4 billion, an increase of 33.5% from the same five-month period last year.

Conversely, imports in January-May were down by 5.1% to about US\$29.2 billion. The greatest decline was in imports of consumer goods, which were down about 37.5% from the same period last year. For May alone, Mexico reported a trade surplus of US\$866 million. Exports in May surpassed US\$6.9 billion, an increase of 35.5% from the same month last year. In contrast, imports amounted to less than US\$6.1 billion, a decline of 8.6% from the same period last year. The SHCP report said exports of non-petroleum products in January-May increased to about US\$27.8 billion, an increase of 34.3% from the same five-month period in 1994. For May alone, exports of non-petroleum products increased by 37.6% from last year.

Still, despite the apparently positive aspects of the trade surplus, in early July the foreign trade organization Asociacion Mexicana de Importadores y Exportadores de la Republica Mexicana (ANIERM) released a report pointing out that the rapid turnaround in the trade balance reveals several disturbing trends for the Mexican economy. For one, said ANIERM, many companies that increased exports did so to survive because of the severe contraction of the domestic market. Other factors also helped boost Mexican exports during the first five months of the year, including the drought in northern Mexico, which forced cattle ranchers to sell more of their breeding animals to overseas customers rather than risk heavy losses due to drought-related deaths. According to ANIERM calculations, exports of agricultural products and foodstuffs during January-May increased by 62% from the same period last year.

ANIERM said another factor that affected Mexico's trade balance was the inability of companies to import because of the contraction in the Mexican economy. Many companies that would have normally imported items such as capital goods or foreign components were unable to do so this year because of tight cash flow or the inability to obtain loans. Imports of equipment and capital goods from companies not involved in the maquiladora industry declined by 48.6% during January-May.

In contrast, maquiladora facilities which have benefitted from the devaluation increased imports of these products by 49.8%. In fact, a separate report in early July by Mexico's official statistics agency Instituto Nacional de Estadística, Geografía e Informática (INEGI) noted that the maquiladora sector was responsible for about US\$1.9 billion of Mexico's total trade surplus in January-May. In the five-month period, maquiladora plants exported US\$11.7 billion worth of products, or about 38.7% of

Mexico's total exports. At the same time, maquiladora plants imported US\$10.1 billion worth of products, an increase of 32.6% compared with the same period in 1994. In fact, Maquiladora plants accounted for 35% of Mexico's total imports in the January-May period. INEGI said this means that only US\$350.4 million of the total manufacturing exports can be attributed to non- maquiladora factories. INEGI said maquiladora plants increased their production by 18% during January-April relative to last year, due to the devaluation of the peso.

Meantime, the change in the trade balance appears to have tipped the balance of Mexican-Chilean trade strongly in favor of Mexico. According to statistics released by Chile's Central Bank, the devaluation of the peso and other factors brought Mexico's trade surplus with Chile during the five- month period to US\$121 million, a significant increase from the US\$3.6 million surplus Mexico incurred with the South American country in January-May 1994. "The Mexico-Chile trade balance had slightly favored Mexico until the second half of last year," said the report. "But the balance became very favorable to Mexico in the first part of this year."

According to the report, Mexican exports to Chile in January-May totaled US\$178.9 million, an increase of more than 83% from the US\$97.5 million exported in the same period in 1994. At the same time, Mexico imported only US\$57.9 million worth of Chilean products in January-May, a decline of 38.4% from the US\$93.9 million imported in same five-month period last year. On the other hand, the report said the one positive aspect for Chile in its commercial relations with Mexico this year has been an overall increase of 18% in bilateral trade between the two countries. Total Mexico-Chile trade in January-May reached US\$235.8 million, compared with only US\$191.3 million in January-May of 1994. (Sources: Notimex, 06/27/95, 07/07/95, El Economista, 07/05/95, 07/07/95; La Jornada, 07/07/95, 07/08/95)

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