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Mexico Attains Trade Surplus of Nearly US\$3 Billion in First Half of 1995

by LADB Staff

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According to reports released by the US and Mexican governments in mid-July, Mexico's trade surplus continues to grow as a result of the devaluation of the peso. In a preliminary report released in mid-July, the Finance Secretariat (SHCP) reported that Mexico's trade surplus in January-June 1995 totaled US\$2.89 billion, an immense improvement compared with the staggering deficit of US\$8.8 billion in the first six months of 1994. The SHCP report said the surplus was based on exports of US\$38.086 billion and imports of US\$35.19 billion. Exports for the six-month period increased by 32% from January-June of last year. Similarly, imports declined by 6.6% relative to the first semester of last year. For June alone, exports totaled US\$6.682 billion, compared with imports of US\$5.995 billion, resulting in a surplus of US\$687 million.

The June surplus, the fifth consecutive month of a positive trade balance, was led by manufacturing exports. The manufacturing sector exported about US\$5.6 billion in June, an increase of 25.7% relative to a year ago. Exports of manufactured products for January-June amounted to US\$30.7 billion, an increase of almost 31% from a year ago. Exports of agricultural products during June totaled US\$280 million, an increase of 73.4% relative to a year ago. Agricultural exports in January-June totaled US\$2.7 billion, an increase of 63.3% from a year ago. Exports of petroleum products reached US\$755 million in June, an increase of 12.8% relative to June of last year. The total imports of US\$5.9 billion in June represented a decrease of 13.6% from the same month last year. Imports of US\$35.19 billion are down about 6.6% from last year.

In a separate report in July, the US Department of Commerce's report on the US merchandise trade deficit reported a growing US trade deficit with Mexico since the start of the year. The report released statistics for May and January-May. According to the report, the US trade deficit with Mexico in May was US\$1.63 billion, the second highest on record. In contrast, the US had a trade surplus of US\$384 million with Mexico in May of last year. Mexican exports to the US in May totaled US\$5.25 billion, an increase of US\$500 million from April. Mexican imports of US products during May totaled US\$3.616 billion, an increase of US\$400 million from April. The pattern appears to reflect an increase in Mexican exports, but not a significant reduction in imports. "Mexican imports of US goods in May were US\$400 million higher than during the same month in 1994, putting to rest widespread fears that the crash of the Mexican financial sector would wreck the progress of NAFTA," said columnist Alva Senzek of *El Financiero* International weekly business newspaper.

For January-May, the US trade deficit with Mexico grew to US\$6.931 billion, compared with a surplus of US\$885 million in the same period in 1994. For the five month period, Mexican exports to the US increased by 30% to US\$24.937 billion. However, Mexican imports of US products were also higher, increasing by 10.2% from a year ago to US\$18.006 billion. According to the Commerce Department, the trade deficit with Mexico was the US's third largest during the five month period, surpassed only by negative trade balances with Japan and China. Specifically, Mexican exports to

the US during May included increases in such categories as electric machinery, domestic appliances and electronics, motor vehicles, and telecommunications equipment.

The widening of the US trade deficit with Mexico since the start of the year, however, has been driven in large measure by an increase in the volume of imports of crude oil from Mexico and other countries. US overall imports of crude oil alone rose 15% to US\$4.05 billion, the highest level since the buildup of crude oil prior to the Persian Gulf War in November 1990. The cost of imports was boosted by a rise in foreign crude prices in May for the fifth consecutive month this year. Indeed, the US-Mexico trade statistics confirm the connection of crude oil trade to the overall balance of trade.

According to separate statistics from the state-run oil company Pemex, more than 77% of Mexico's total exports of crude oil in January-June were shipped to the US. Pemex attributed its own trade balance of US\$3.57 billion, which was about US\$700 million higher than expected, in large measure to a surge in the value of crude oil exports. The average export price of crude oil for January-June was about US\$3.38 per barrel higher than during the first half of 1994. According to Secofi, Mexico's largest import from the US in January-May was electric machinery. Some analysts are beginning to release projections for Mexico's trade balance for 1995 as a whole. One estimate produced by the US-based financial analysis company First Boston said Mexico's exports this year could total US\$75 billion, while imports are expected to reach US\$69 billion, leaving a trade surplus of US\$6 billion for this year. The report noted that a number of manufacturing companies in Mexico have succeeded in reorienting their marketing efforts toward exports to compensate for a sharp decline in sales at the domestic level.

Separately, the Canadian statistics agency Statistics Canada in July reported that Mexican exports to Canada during January-May totaled US\$1.6 billion, an increase of 15% relative to the same period in 1994. Similarly, Mexican exports to Canada during May totaled US\$340 million, an increase of 2.5% relative to the same month in 1994. In contrast, Canadian exports to Mexico totaled US\$46 million in May and US\$344 million in January-May. According to the report, automobile exports accounted for 56% of total sales to Canada during January-May. Other significant exports from Mexico to Canada included agricultural and food products, energy-related items, industrial goods, industrial machinery, and consumer goods. (Sources: Associated Press, *El Economista*, *Reforma*, *Reuter*, *Wall Street Journal*, 07/19/95; *Agence France-Presse*, 07/20/95; *Notimex*, 07/23/95; *La Jornada*, 07/14/95, 07/19/95, 07/21/95, 07/24/95; *El Financiero International*, 07/24/95)

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