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Finance Secretariat Reports Trade Surplus For January-July at US$3.67 Billion

by LADB Staff
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In early September, the Finance Secretariat (SHCP) announced Mexico's trade surplus for January-July totaled US$3.67 billion, due in large part to the devaluation of the peso. According to the SHCP, exports during the seven-month period reached US$44.398 billion, an increase of 32% from a year ago. Manufacturers of electronic appliances and related products accounted for the largest share of exports, due in large measure to increased production by the maquiladora sector. The automobile and auto parts industries also contributed heavily to the export surge.

The SHCP report said imports totaled US$40.728 billion, a decline of about 7.4% from the same period last year. Imports of consumer products totaled only US$2.9 billion during January-July, a decline of 41.6% from a year ago. The drop in demand for consumer goods was in large part the result of a slowdown in economic activity. Mexico's GDP declined by more than 10% in the second quarter of the year and by more than 5% in the first half of 1995. Another category where imports fell sharply was in capital goods and machinery, which totaled only US$5.1 billion a drop of 31.5% from a year ago. For July alone, the SHCP reported a trade surplus of US$583 million, based on exports of US$6.086 billion and imports of US$5.503 billion. Following a trend similar to recent months, exports during July were up about 27.9%, while imports were down about 12.7%. The devaluation of the peso is expected to continue to boost Mexico's monthly trade surplus for at least the rest of the year.

In a report in early September, the financial broker Casa de Bolsa Vector estimated that Mexico's accumulated trade surplus for this year will approach US$7 billion. The forecast is based on an assumption that Mexico will attain an average trade surplus of US$670 million each month between August and December. On a related matter, the government's statistics agency (Instituto Nacional de Estadistica, Geografia e Informatica, INEGI) reported that in the first half of 1995 Mexico attained a positive trade balance with six of the seven countries with whom a free-trade agreement has been signed. The INEGI report, released in mid-September and published by the Mexican daily Excelsior, said Mexico enjoyed a trade surplus during January-June with the US, Canada, Colombia, Chile, Bolivia, and Costa Rica. Mexico has signed bilateral trade agreements with Chile, Bolivia, and Costa Rica. In addition, Mexico is a partner with the US and Canada in the North American Free Trade Agreement (NAFTA), and along with Colombia and Venezuela it is also a member of the Group of Three (G-3) trade bloc.

The positive trade balance with these countries in large part reflected the impact of the devaluation of the peso in late December, which has increased the price of imports into Mexico, while at the same time reducing the cost of Mexico's exports. In fact, according to INEGI, of all the seven trade partners, the only country with whom Mexico attained a trade deficit in January-June was Venezuela. Mexico's trade deficit with Venezuela for the six-month period reached US$5.9 billion, according to the Excelsior version of the INEGI report. In contrast, Mexico attained a trade surplus of US$124.6 million with Colombia, its other partner in the G-3 agreement.
According to INEGI, Mexico's trade surplus with Chile during January-June reached US$107.8 million, based on exports of US$181.6 million and imports of US$73.8 million. The total value of Mexican exports to Chile during January-June represented an increase of 129.4% from the same six-month period last year. At the same time, the figure for imports was down by about 25.6% from a year ago. Chile was the first of the seven countries to negotiate a free-trade agreement with Mexico. That accord took effect in January, 1992. Trade with Costa Rica and Bolivia whose agreements with Mexico went into effect at the start of 1995 also strongly reflected the devaluation of the peso. Mexico attained a trade surplus of US$48.5 million with Costa Rica, resulting from a 26% increase in exports and a decline of 70% in imports.

Similarly, Mexico's trade surplus of US$3.8 million with Bolivia was based on 35.5% increase in exports to that country and a reduction of 50.8% in imports, relative to the same period last year. Still, notwithstanding the increase in the trade surpluses with Chile, Costa Rica, Bolivia, and Colombia, these countries, along with Venezuela, accounted for less than 1% of Mexico's total trade during January-June. On the other hand, the US continued as Mexico's largest trading partner, accounting for 74.1% of all Mexican exports and 64.6% of all products imported into Mexico. For January-June, Mexico enjoyed a trade surplus of US$8.5 billion with the US.

In contrast, Mexico reported a trade deficit of about US$1.1 billion with the US in January-June of 1994. Reflecting the impact of the devaluation, Mexican exports to the US so far this year have increased by 41%, while imports have declined by about 16.8%. In reaction to the INEGI report, the Mexican finance executives institute (Instituto Mexicano de Ejecutivos de Finanzas, IMEF) urged President Ernesto Zedillo's administration to intensify efforts to open markets for Mexican products in other parts of the world. "The recent commercial opening will become a positive factor for Mexico to the extent that our country is able to diversify its foreign trade," said IMEF.

Indeed, notwithstanding the improvement in the trade balance with partners in the Americas, Mexico continued to face a disadvantage in trade with countries in the Pacific Rim. According to the INEGI report, exports to Japan totaled only US$378.7 million in January-June, a decline of about 7.4% from the first half of last year. On the other hand, imports of Japanese products totaled US$1.8 billion, an increase of 16% from a year ago. Similarly, exports to South Korea and Taiwan were virtually non-existent in the first half of the year. In contrast, Mexican imports of South Korean products totaled US$379.5 million in January-June, an increase of 38.2% from a year ago. Imports of products from Taiwan totaled US$300.8 million, a decline of about 3.8% from last year. (Sources: Agence France-Presse, 09/07/95; Reforma, 08/18/95, 09/15/95; Excelsior, 09/12/95, 09/15/95, 09/18/95)