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LADB Staff

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Impact of Peso Devaluation Continues to Boost Mexico's Trade Surplus

by LADB Staff

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In a preliminary report released in mid-November, the Finance Secretariat (SHCP) said Mexico's trade surplus reached US\$277 million in October, based on exports of almost US\$9.226 billion and imports of US\$8.949 billion. With the October data, Mexico has attained a trade surplus for 21 consecutive months, due in large measure to the impact of the peso devaluation in late 1994. According to the SHCP report, the October statistics brought the accumulated trade surplus for January-October to about US\$5.8 billion.

The SHCP said both the export and import totals set records for October. The surge in exports was led by the manufacturing sector, which increased shipments overseas by almost 20% from October of last year to about US\$7.8 billion. Within the manufacturing sector, exports from the maquiladora industry grew by almost 24% from a year ago, while overseas sales from non-maquiladora plants increased by 15.2%. The report said the accumulated value of manufacturing exports for January-October surpassed US\$66 billion.

The SHCP report said exports of crude oil and petroleum products more than doubled from October of last year to reach US\$1.227 billion. The SHCP said agricultural exports in October reached US\$168 million and mining and extractive industries accounted for US\$38 million. The SHCP report projected total exports for the current calendar year at US\$100 billion. As of January-October, exports stood at US\$79 billion, only US\$21 billion short of that forecast.

Meantime, the SHCP said the strong trade activity during October was also the result of heavy imports during the month. The value of imports during October, which surpassed US\$8.9 billion, was 35% higher than during October 1995. The SHCP said the increase in imports was driven by strong demand for a wide cross section of products, including consumer, intermediate, and capital goods. According to the SHCP, import demand increased by almost 32% to US\$7.2 billion for intermediate products and by almost 50% to nearly US\$1.1 billion for capital goods. The most surprising trend among imports was the strong demand for consumer products, which increased by more than 51% to about US\$700 million.

The SHCP said many consumers in Mexico were beginning to make their Christmas purchases, which accounted partly for the surge in imports of these types of products. The SHCP report coincided with separate reports released by the US and Canada, Mexico's partners in the North American Free Trade Agreement (NAFTA). Both reports contained statistics on trade with Mexico. The US report, issued by the US Commerce Department in November, said the US trade deficit with Mexico reached US\$1.7 billion in September, which was almost 10% wider than the deficit of US\$1.5 billion reported in August. In fact, the report noted that the US deficit with Mexico for September widened slightly from the average of about US\$1.4 billion during the previous eight months.

The US deficit in September brought the accumulated deficit with Mexico to US\$12.9 billion for January-September. During that nine-month period, Mexican exports to the US reached US\$53.6 billion, while US exports to Mexico amounted to about US\$40.7 billion. If recent trends continue, the US trade deficit with Mexico this year could surpass last year's record of US\$15.4 billion. US officials partly attribute the widening of the deficit to the increase in the global price of crude oil, which is one of the main products acquired from Mexico. In fact, Commerce Secretary Mickey Kantor was quick to point out that US exports to Mexico have increased by 19% so far this year. In September, US exports to Mexico totaled US\$4.67 billion, an increase of 15% from September 1995.

In Ottawa, the federal agency Statistics Canada reported that bilateral trade between the two countries reached US\$3.95 billion during January-September of this year, an increase of 11% relative to the same period in 1995. Mexican exports to Canada during this period increased by 12%, while Canadian exports to Mexico grew by 7%. The report showed bilateral trade continued to favor Mexico, which attained a trade surplus of US\$2.6 billion with Canada during the nine-month period. Mexican exports to Canada in January-September reached US\$3.29 billion, compared with imports of US\$654.5.

Mexico's principal exports to Canada include automobiles and auto parts, industrial machinery, timber and paper, grains, and seafood. Canada's main exports to Mexico include agricultural, fisheries, industrial, forestry, and energy-related items. (Sources: Reuter, Notimex, Spanish news service EFE, 11/20/96; Novedades, The News, El Universal, El Economista, 11/21/96; Excelsior, 11/21/96, 11/25/96)

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