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LADB Staff

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by LADB Staff
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Mexico's global trade surplus which totalled about US$6.5 billion in 1996 is expected to narrow to between US$3 billion and US$4 billion in 1997, partly because of an expected increase in imports. According to private economists, the extent of the trade-surplus reduction will be determined primarily by the strength of the Mexican peso relative to the US dollar. The economists, interviewed by Associated Press-Dow Jones news service, agreed that imports will generally grow at a slightly faster rate than exports, in large measure because of expected growth in the Mexican economy during 1997.

President Ernesto Zedillo's administration has forecast 4% GDP growth for 1997, following a similar growth rate in 1996. Sergio Martin, chief economist at ING Barings in Mexico City, said the growth in imports reflects greater demand for machinery and capital equipment, which are signs of a recovering economy. "The prospects for the trade balance are perhaps not as good in 1997 as in previous years," said Martin. "But the imports are allowing Mexican companies to eventually increase their export capacity." Statistics indicate slight decline in surplus in 1996 Statistics published in mid-January by Mexico's export- import bank (Banco Nacional de Comercio Exterior, BANCOMEXT) show that Mexico's trade surplus reached US$5.4 billion in the nine-month period from January-September 1996.

A subsequent report from the Finance Secretariat (SHCP) indicates that the surplus eventually expanded to US$6 billion by November 1996 and to US$6.5 billion by the end of the year. The final figure for 1996, however, represents a decline of about US$800 million compared with 1995, when the annual surplus totalled US$7.3 billion. According to the data, exports increased by 20% in January-November 1996, but this was not sufficient to balance an increase of 23% in imports. Meanwhile, the BANCOMEXT data shows the positive trade balance in January-September was influenced heavily by the North American Free Trade Agreement (NAFTA).

According to the report, Mexico's trade surplus with NAFTA partners Canada and the US surpassed US$10 billion in January-September. In contrast, in the same nine-month period, Mexico maintained trade deficits of US$2.8 billion with the European Union, US$2.1 billion with Japan, and US$1.1 billion with four Asian countries that include South Korea, Taiwan, Hong Kong, and Singapore. Mexican share of the US market continues to grow A separate report from the Trade Secretariat (SECOFI) estimates that total trade between the US and Mexico reached US$107 billion in the 10-month period from January-October 1996, an increase of US$3 billion from the same 10-month period in 1995.

The report credits NAFTA for helping Mexico capture a greater share of the total goods and services imported by the US. According to SECOFI, Mexican goods and services now account for 10% of the US's total imports, compared with only 6% before NAFTA went into effect in January 1994. "We

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consider this a quick and successful penetration of the US market," said deputy trade secretary Jaime Zabludovsky. Zabludovsky predicted that Mexico will become the principal source of all US textile imports this year and will also rank third among suppliers of steel. On the other hand, the steady growth in Mexican exports to the US has tended to exacerbate trade tensions with Mexico's northern neighbor, particularly among agricultural producers. The growing tensions over trade have raised concerns among Mexican exporters.

According to Humberto Soneen Ardila, vice president of the national association of exporters and importers (Asociacion Nacional de Importadores y Exportadores de la Republica Mexicana, ANIERM), his organization is worried that the growth in Mexican exports to the US may lead the Clinton administration to impose further nontariff barriers on Mexican products. In recent years, the two countries have become involved in disputes regarding US restrictions on imports of Mexican straw brooms, tuna, cement, tomatoes, avocadoes, and transportation access. In some of cases such as steel, tuna, and cement Mexico has either brought or threatened to bring the matter to a special dispute-resolution panel (see SourceMex, 09/18/96 and 12/18/96). In others cases, such as tomatoes and avocadoes, the disputes have been resolved, at least temporarily, through bilateral negotiations (see SourceMex, 10/16/96). [Sources: La Jornada, 12/23/96; Novedades, 01/06/97; Excelsior, 01/15/97; El Economista, 01/07/97, 01/16/97]

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