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Mexico Reports Narrowing of Trade Deficit in First Quarter

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Mexico incurred a trade deficit of US$1.121 billion in the first quarter of this year, although the trade imbalance narrowed by more than 35% from a year ago. Mexico reported a trade deficit of US$1.746 billion in January-March 1998. In late April, a Secretaria de Hacienda y Credito Publico (SHCP) report said the narrower trade balance reflected a recovery in oil prices, strong demand for Mexican goods in the US market, and sluggish sales of imported consumer goods in Mexico.

Exports during the first quarter of the year were reported at US$30.078 billion, an increase of 6.6% from January-March 1998. The increase was attributed primarily to a relatively strong US economy, since the US accounts for almost 80% of Mexico's total exports. "A slowdown in the US would be very bad for Mexico," said analyst Lars Schonander of Santander brokerage in Mexico City in an interview with Bloomberg news service.

The surge in exports was led by the manufacturing sector, including shipments from maquiladora plants. Exports were particularly strong during March in the automotive, plastics, and textile sectors, the SHCP said. A recovery in global oil prices during March also contributed to an improved trade balance for Mexico, even though the petroleum sector comprises only about 5% of Mexico's total exports. The average price of Mexican crude oil reached US$10.77 per barrel in March, bringing export earnings of US$548 million that month.

In contrast, the average price of US$8.26 per barrel in February resulted in export revenues of US $348 million, the SHCP said. Mexico's imports during the first quarter of the year reached US$31.999 billion, an increase of 4% from a year ago. The increase was attributed primarily to strong demand in Mexico for intermediate goods, which account for almost 77% of all imports.

Imports of intermediate goods in March increased by 6.2% from a year ago, following increases of 4.5% in January and 6% in February. But domestic demand has been slow for consumer products, which account for 8% of all imports. Imports of consumer goods were down only 2.3% from a year ago in March, after falling 13.6% in February and 18.9% in January. (Sources: Reuters, 02/22/99, 03/22/99, 04/22/99; Bloomberg news service, 04/22/99; El Economista, Excelsior, Novedades, The News, El Universal, 04/23/99)