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Mexico's trade deficit expanded by about US$2.7 billion during 2004, as imports of consumer goods outstripped the rise in exports of crude oil and other products. In a report published in late January, the Secretaria de Hacienda y Credito Publico (SHCP) put last year's trade deficit at US$8.5 billion, compared with about US$5.8 in 2003.

The SHCP data varied slightly from an earlier report published by the government statistics agency (Instituto Nacional de Estadisticas, Geografia e Informatica, INEGI), which put the deficit at slightly more than US$8.1 billion. Moderate growth in the Mexican economy proved to be a double-edged sword last year, helping promote an increase in exports but also encouraging a surge in imports of consumer goods.

Mexico's GDP growth was reported at slightly more than 4% in 2004 (see SourceMex, 2005-02-09). INEGI reported imports at US$197 billion in 2004, an increase of almost 16% from 2003. The US supplied about US$110.8 billion of the imports last year, an increase of 13.5% from 2003.

Imports of luxury goods on the increase

Some of the imports from all sources included luxury automobiles, wines, gems, fur coats, yachts, and other products, said the Mexico City daily newspaper La Jornada in quoting the INEGI report. Expenditures on these types of items totaled US$25.4 billion, an increase of 17.9% from 2003. "Overseas purchases of products intended to satisfy the vanity of Mexican consumers are on the rise," said La Jornada, which noted that imports of luxury goods were higher in 2004 than those of machinery and capital goods, which reached about US$22.6 billion. INEGI reported imports of raw materials at US$149.3 billion last year, an increase of 15.9% from 2003.

The increase was attributed in large measure to a recovery in the maquiladora sector, which is responsible for a large share of these imports. Exports totaled US$189 billion last year, an increase of 14.7% from 2003, INEGI reported. The Asociacion Nacional de Importadores y Exportadores de la Republica Mexicana (ANIERM) noted that Mexico is currently one of the top exporting countries in the world. This trend, however, has resulted in meager job creation in Mexico because the maquiladora sector and the oil industry account for 86% of total exports. "The growth in the export sector cannot be considered satisfactory as long as it does not reflect an integrated growth in the Mexican economy," said ANIERM president Filiberto Villalon Herrera.

US remains principal destination for exports

The lion's share of last year's exports about US$155.8 billion went to the US market. Total exports to the US increased by 12.8%, in large part because of the rise in global oil prices and the recovery in the maquiladora sector. Mexico exported about US$23.7 billion of crude oil in 2004, of which US $17.9 billion went to the US. This is about US$3.3 billion higher than crude-oil exports to the US in 2003. Some analysts agreed Mexico's industrial policies have to move away from dependence on

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the maquiladora sector for exports. "The problem is that 77.4% of our exports to the world's largest market depend on maquiladoras," financial columnist Alberto Barranco wrote in the Mexico City daily newspaper El Universal. And even with the increase in exports to the US, Mexico continued to lose some of its share of that market to China. China's share of the US market rose by about 1.2 percentage points to 13.3% in 2004, while Mexico's share fell 0.4 of a percentage point to 10.6%, Merrill Lynch said in a recent report. According to the report, Mexico lost market share to China in nine of its top 10 export industries. (Sources: Todito.com, 02/09/05; La Jornada, 01/25/04, 02/10/04; El Universal, 01/27/05, 02/16/05; La Cronica de Hoy, 01/31/05, 02/11/05, 02/16/05; Bloomberg news service, 02/16/05)

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