

Balance of payments in 1Q20 – Lower than expected current account deficit

May 25, 2020

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- **Current account balance (1Q20): -US\$982mn (Consensus: -US\$1.2bn; previous: US\$3.2bn)**
- **Trade balance amounted to US\$3.7bn, while services balance was -US\$1.2bn**
- **Meanwhile, remittances amounted to US\$9.3bn in the period in question, as already reported**
- **FDI flows amounted to US\$9.1bn in 1Q20**
- **Finally, portfolio investments have registered a net inflow amounting to US\$1.3bn in the first quarter of the year**

According to Banxico, the current account deficit amounted to US\$982mn in 1Q20. This number is equivalent to 0.4% of GDP, and it was explained by (1) A US\$3.7bn trade surplus; in addition to the shortfalls observed in the services (-US\$1.2bn) and the primary income accounts (-US\$12.6bn). Meanwhile, remittances amounted to US\$9.3bn as it was already reported, 18.4% yoy above same period last year. Year to date, remittances amount to US\$36,045.5bn, 7% yoy higher than in 2019.

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Trade figures in 1Q20 are explained by the US\$5.5bn deficit in the oil trade balance. This number was partially offset by the surplus observed in the non-oil balance (US\$9.2bn), on the back of an expansion of 4.5% y/y in car-industry exports while the resto of manufacturing exports increased 5.6%. Meanwhile, non-oil imports edged down 0.8% during the period in question with non-oil consumption imports decreasing 5.3% while imports of intermediate goods were up 1.7% and, finally, capital goods imports resulted 14.3% lower than in same period last year.

Current account in 1Q20 (1/2)

US\$bn

	Mar-20	Dec-19	Jan-Mar,'19	Jan-Mar,'18
Current account	-1.0	3.2	-4.3	-25.3
I. Credit	128.2	137.3	543.3	527.0
A. Goods	108.6	117.1	461.0	451.1
Exports	108.5	117.0	460.7	450.7
Goods acquired in ports by means of transport	0.1	0.1	0.3	0.4
B. Services	7.8	8.1	31.7	29.0
Transportation	0.7	0.7	2.9	2.2
Tourists	6.0	6.0	24.6	22.5
Insurance and pension services	0.8	1.1	3.1	3.3
Financial services	0.1	0.1	0.4	0.3
Others	0.1	0.1	0.6	0.7

Source: Banxico

Current account in 1Q20 (2/2)

US\$bn

	Mar-20	Dec-19	Jan-Mar,'19	Jan-Mar,'18
Current account	-1.0	3.2	-4.3	-25.3
I. Credit	128.2	137.3	543.3	527.0
C. Primary income	2.4	3.0	14.2	12.9
Profits and dividends	1.0	1.1	5.9	5.2
Profits	1.0	1.1	5.3	4.5
Dividends	0.0	0.0	0.7	0.7
Interests	0.8	1.3	5.7	5.6
Others	0.6	0.7	2.6	2.1
D. Secondary income	9.4	9.2	36.4	34.0
Remittances	9.3	9.1	36.0	33.7
Others	0.1	0.1	0.3	0.3
II. Debit	129.2	134.1	547.7	552.3
A. Goods	104.9	113.9	455.8	464.8
Imports	104.8	113.8	455.3	464.3
Goods acquired in ports by means of transport	0.1	0.1	0.5	0.5
B. Services	9.0	9.5	40.0	40.2
Transportation	3.2	3.7	14.8	15.4
Services	1.9	2.6	9.8	11.2
Insurance and pension services	1.6	1.2	6.2	4.8
Financial services	0.9	0.7	3.9	3.9
Others	1.4	1.3	5.2	4.8
C. Primary income	15.1	10.5	50.8	46.1
Profits and dividends	9.5	2.5	24.3	23.0
Profits	7.9	1.1	17.7	13.1
Dividends	1.6	1.4	6.6	9.9
Interests	5.5	8.0	26.5	23.1
Public sector	3.5	3.9	14.3	13.2
Private sector	2.0	4.1	12.2	10.0
Others	0.0	0.0	0.0	0.0
D. Secondary income	0.2	0.3	1.1	1.1
Remittances	0.2	0.3	1.0	1.0
Others	0.0	0.0	0.1	0.1
Trade balance	3.7	3.2	5.2	-13.8
Oil balance	-5.5	-5.3	-10.6	-5.9
Non-oil balance	9.2	8.5	13.9	11.0
Services balance	-1.2	-1.4	-8.3	-11.2
Primary income balance	-12.6	-7.4	-36.6	-33.2
Secondary income balance	9.1	8.9	35.3	32.9

Source: Banxico

The financial account showed a US\$3.5bn deficit. This was mainly explained by net outflows of US\$9.1bn in direct investment along with a net outflow of portfolio investments amounting to US\$3.1bn, while other investments added US\$2.6bn (refer to table below). Net financial asset purchases amounted to US\$5bn in the first quarter of the year, while net liabilities totaled US\$14.1bn in the same period.

Financial account (current methodology) in 1Q20

US\$bn

	mar.-20	dic.-19
Capital account	0.0	0.0
Financial account [Net credit (+) / Net indebtedness (-)]	-3.5	-2.2
I. Direct investment	-9.1	-3.0
Net acquisition of financial assets	5.0	0.8
Net liabilities	14.1	3.8
II. Portfolio investment	-3.1	1.7
Net acquisition of financial assets	-0.3	2.2
Net liabilities	2.8	0.6
III. Financial derivatives (net)	1.9	1.6
IV. Other investments	2.6	-2.2

Fuente: Banxico

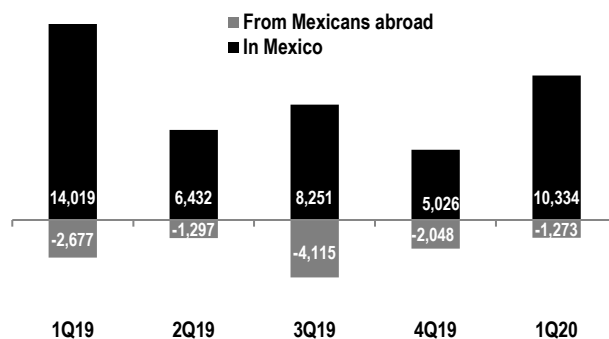
FDI flows to Mexico amounted to US\$9.1bn in the first quarter of the year.

From this number, US\$10.3bn are investments in Mexico -most of it (US\$7.9bn) are reinvestments of earnings. Meanwhile, investments of Mexican companies abroad totaled US\$1.3bn in the same period with most of it being reinvestment of earnings.

Meanwhile, total portfolio investment registered a US\$1.3bn inflow in 1Q, vs. the US\$8.5bn inflow in the same quarter last year. Government bond markets observed a US\$5.5bn outflow (vs. +US\$4.9bn in 1Q19), while US\$0.2bn left equity and private money markets. Investments in instruments issued abroad increased in US\$8.5 (US\$7.2 bn in the public sector and US\$1.3 bn in the private sector). Finally, assets totaled US\$1.6bn in the period in question.

Foreign direct investment in 1Q20

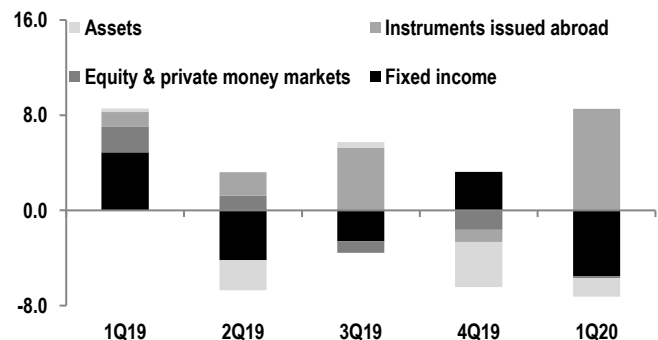
US\$mn



Source: Banxico

Portfolio investment in 1Q20

US\$bn



Source: Banxico

Capita account (previous methodology)

US\$bn

	mar.-20	dic.-19
Capital account	-7.9	-10.4
Financial account	7.8	2.0
Foreign direct investment	9.1	3.0
In Mexico	10.3	5.0
From Mexicans abroad	-1.3	-2.0
Portfolio investment	1.3	-3.2
Liabilities	2.8	0.6
Public sector	1.7	0.6
Securities issued abroad	7.2	-2.7
Money markets	-5.5	3.2
Private sector	1.1	0.0
Securities issued abroad	1.3	1.7
Money & equity markets	-0.2	-1.6
Pidiregas	0.0	0.0
Assets	-1.6	-3.8
Other investments	-2.6	2.2
Liabilities	2.5	3.3
Public sector	-0.1	1.2
Private sector	2.6	2.1
Pidiregas	0.0	0.0
Assets	-5.0	-1.1

Source: Banxico

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