

REGIONAL SECTORIAL

Destinations and sectors behind the relatively weak momentum of non-automotive manufactured exports

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- **Non-automotive manufactured exports represent around 58% of Mexico's total exports.**
 - **The growth of these manufactured exports has slowed down considerably from 2013 to the first half of 2015.**
 - **Consequently, non-automotive manufactures only contributed 15% to the overall growth of manufactured exports in the first half of this year.**
 - **The slowdown in the growth of non-automotive manufactured exports that has been observed since 2013 is due to both their loss of competitiveness in conjunction with a less dynamic US market and economic weakness in other regions of the world.**
 - **Countries such as China, Germany and South Korea have gained ground in the US import market for non-automotive manufactures.**
 - **The loss of buoyancy in the US market for this type of Mexican exports is mainly explained by the poor performance of the electronics and computer equipment industry.**
 - **Although automotive exports have been growing at a decent pace so far, the heavy concentration on these exports could pose a risk either in a scenario of economic recession in the United States or when consumer preferences suddenly shift towards other transport technologies.**

Introduction

In the first half of this year, Mexico's total exports showed an annual rate of -2.1% vs. 4.2% for the same period in 2014. This poor performance was mainly due to oil exports, which posted an annual contraction of 44.2% in 1H15. Even though the share of oil exports is only 6.8% in overall exports, the sudden drop in the price per barrel for the Mexican oil mix (compared to the first half of the previous year) has meant that this export item has shaved 5.3% off overall annual export growth (see Table 1). Meanwhile, non-oil export growth, which came in at an annual rate of 3.1%, was not enough to fully counteract the negative effect from oil exports. Among non-oil exports, non-automotive manufactured exports stand out for their weight. During the past three years this type of exports has been notably affected by a slowdown in its growth.

Table 1
Growth and structure of Mexico's exports

	YoY % change 1H14	YoY % change 1H15	Share in total exports 1H15 (%)	Contribution to total exports growth 1H15 (pp)
Total exports	4.2	-2.1	100.0	-2.1
Petroleum exports	-6.7	-44.2	6.8	-5.3
Non-petroleum exports	5.9	3.6	93.2	3.1
Agricultural and livestock	5.8	7.6	3.9	0.3
Extractive exports	19.3	-9.6	1.3	-0.1
Manufactures	5.7	3.6	88.0	3.0
Automotive	9.7	9.5	30.1	2.6
Non-automotive	3.8	0.8	57.9	0.5

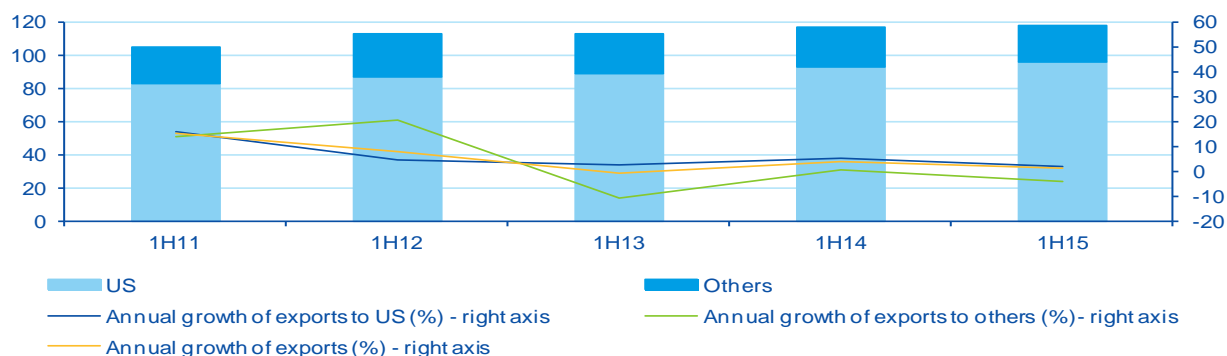
Source: BBVA Research with INEGI data

This analysis seeks to establish a breakdown by export destination and sector to facilitate the identification of those international trade flows of non-automotive manufactures that are holding back the export performance of manufacturing as a whole.

Recent performance of Mexico's non-automotive manufactured exports

In the first half of 2015, non-automotive exports (which also include the relatively lower shares of agricultural and livestock, and extractive exports) exhibited annual growth of 1.0% vs. 4.2% in 1H14. When considering export destinations, this lower performance during the current year is attributed to both a slowdown in the growth of exports into the US market and to the annual drop in exports to other countries to which Mexico ships non-automotive products (see Figure 1).

Figure 1
Mexico's non-automotive exports to the United States and other countries (USD bn)



Source: BBVA Research with INEGI & AMIA data

In contrast to what was described in the previous paragraph, automotive manufactured exports have remained strong as they registered an annual growth rate of 9.5% in the first half of 2015 (the corresponding figure for the same period in the previous year was 9.7%). It is worth noting that Mexico has lifted its market share among US imports of products of this kind (see Table 2). Nevertheless, automotive manufactured exports to destinations other than the United States have shown a substantial slowdown in the past three years (see Figure 2).

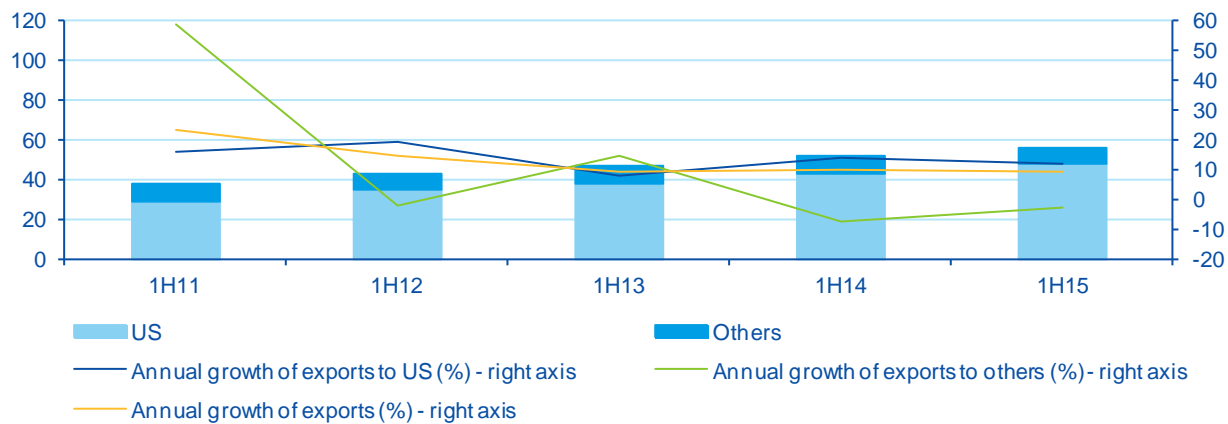
Although the automotive manufactured segment's export performance has been outstanding after the restructuring of the automotive sector in North America, the high concentration on exports from this particular industry could pose a risk either in a scenario of economic recession in the United States or when consumer preferences suddenly shift towards other transport technologies.

Table 2
Market share in the US automotive manufactured imports
(% of total)

	1H11	1H12	1H13	1H14	1H15
Mexico	26.7	25.8	27.3	29.2	30.6
Canada	24.6	23.2	22.0	20.3	18.5
Japan	16.6	20.8	18.6	16.5	15.4
Germany	11.7	10.5	11.5	12.0	10.8
South Korea	5.7	6.3	6.8	7.2	7.9

Source: BBVA Research with US Department of Commerce data

Figure 2
Mexican automotive exports to the United States and other countries
(USD bn)



Source: BBVA Research with AMIA data

Although only around one-fifth of non-automotive Mexican exports goes to destinations other than the United States, the current economic slowdown in Asia and Latin America, combined with Europe’s sluggish economic growth, has taken a toll on Mexico’s export performance for this kind of manufactures. As for the performance of these manufactures in the US import market, the slowdown in the growth of exports from Mexico has been due to a large extent to a reduced share (in comparison with 1H12) in such market. This is a consequence from an average annual growth rate of 1.1% for these exports to the United States over the first halves of 2013-15, figure which is below the average annual rise of 2.1% in total US imports of non-automotive manufactures (see Table 3). In contrast, countries such as China, Germany and South Korea have gained share in this market (see Table 4).

Table 3
US imports of non-automotive manufactures (YoY % change)

	1H12	1H13	1H14	1H15	Average 1H13-1H15
Total	4.7	0.5	3.7	2.2	2.1
China	8.0	2.4	5.2	5.8	4.5
Mexico	8.4	-1.6	0.2	4.6	1.1
Canada	0.6	3.2	-2.3	-2.1	-0.4
Japan	12.1	-5.4	-1.6	0.3	-2.2
Germany	11.1	0.7	10.8	2.3	4.6
South Korea	-3.7	5.2	5.5	5.5	5.4

Source: BBVA Research with US Department of Commerce data

Table 4
Market share of US non-automotive manufactured imports (% of total)

	1H11	1H12	1H13	1H14	1H15
China	24.2	25.0	25.5	25.9	26.8
Mexico	9.9	10.3	10.0	9.7	9.9
Canada	10.7	10.3	10.6	10.0	9.6
Japan	5.5	5.8	5.5	5.2	5.1
Germany	4.5	4.8	4.8	5.1	5.1
South Korea	2.9	2.7	2.8	2.9	3.0

Source: BBVA Research with US Department of Commerce data

The slowdown in the growth of non-automotive manufactured exports to the US market over the first halves of 2013-15 was mainly due to the weak performance by electronic and computer products, whose exports dropped at an average annual rate of 0.8% (see Table 5). In contrast, exports of electrical equipment and household electrical appliances, as well as non-electrical machinery products, displayed average growth rates of 5.0% and 4.9%, respectively (see Tables 6 and 7). Among exports of electronic and computer products, the performance was mixed when compared with the corresponding US imports of such products. Among the groups that showed lackluster performance over such period, three of them have a relatively large weight in the total figure: i) computer equipment; ii) communications equipment, and iii) audio and video equipment. The first group showed an average growth of -1.0%. Even though this figure was better than the average growth rate of -3.6% for US imports of computer equipment, the significant drops during the first halves of 2013 and 2014 had a substantial negative impact on non-automotive manufactured exports (see Table 8).¹

¹ For more in-depth information on the performance of Mexican exports of computer equipment, please see the Mexico Economic Watch “[Mexican computer exports: excessive industrial focus on desktops](#)” of September 2013

Table 5
US imports of electronic products and computer equipment (YoY % change)

	1H12	1H13	1H14	1H15	Average 1H13-1H15
Total	4.4	0.3	1.1	3.8	1.8
China	9.1	3.5	2.4	3.9	3.3
Mexico	9.5	-4.2	-7.3	9.0	-0.8
Malaysia	0.5	3.9	5.8	27.8	12.5
Japan	5.1	-11.7	-5.8	-2.0	-6.5
Taiwan	-22.6	-3.9	8.3	-6.3	-0.7
South Korea	-23.1	19.9	-3.1	-7.5	3.1
Thailand	7.9	3.8	3.2	16.1	7.7

Source: BBVA Research with US Department of Commerce data

Table 6
US imports of electrical equipment and household electrical appliances (YoY % change)

	1H12	1H13	1H14	1H15	Average 1H13-1H15
Total	9.4	4.0	7.1	6.3	5.8
China	6.3	10.3	7.2	11.7	9.8
Mexico	13.3	1.9	7.5	5.6	5.0
Japan	23.4	5.5	2.9	-1.2	2.4
Germany	4.0	-2.0	11.0	-5.1	1.3
South Korea	1.2	-7.1	2.5	5.2	0.2
Canada	5.1	-2.3	-5.4	-3.5	-3.7
Taiwan	6.7	3.1	1.0	15.1	6.4

Source: BBVA Research with US Department of Commerce data

Table 7
US imports of non-electrical machinery (YoY % change)

	1H12	1H13	1H14	1H15	Average 1H13-1H15
Total	16.0	-6.0	9.9	2.1	2.0
China	14.1	-1.0	13.8	5.7	6.2
Japan	22.5	-8.6	-2.8	-0.4	-3.9
Germany	16.2	-2.1	7.8	0.3	2.0
Mexico	16.0	0.5	8.0	6.1	4.9
Canada	10.0	-3.7	0.6	0.1	-1.0
Italy	17.4	-2.3	17.9	-3.2	4.2
South Korea	34.4	-13.7	24.5	11.3	7.4

Source: BBVA Research with US Department of Commerce data

Table 8
US computer equipment imports (YoY % change)

	1H12	1H13	1H14	1H15	Average 1H13-1H15
Total	12.0	-6.9	-4.0	0.0	-3.6
China	8.4	-4.5	-5.4	-4.2	-4.7
Mexico	30.1	-18.2	-6.0	21.1	-1.0
Thailand	45.2	4.3	1.7	15.1	7.1
Vietnam	46.3	143.9	102.9	-33.7	71.0
Taiwan	-22.5	-1.4	5.9	-8.0	-1.2
Malaysia	6.8	-15.0	-14.1	-1.3	-10.1
Japan	-0.4	-17.6	-13.4	-4.7	-11.9

Source: BBVA Research with US Department of Commerce data

As for communications equipment, this group registered an average growth of -3.0% while the US import figure in this category was 7.1% (see Table 9). Finally, in the case of audio and video equipment, average growth for Mexican exports was -4.3% vs. -4.2% for US imports of these products (see Table 10).

Table 9
US imports of communications equipment (YoY % change)

	1H12	1H13	1H14	1H15	Average 1H13-1H15
Total	-0.9	15.5	-1.3	7.2	7.1
China	17.5	25.3	2.9	9.3	12.5
Mexico	9.7	9.5	-29.7	11.1	-3.0
South Korea	-34.8	27.5	6.2	-25.1	2.9
Malaysia	10.0	2.0	6.4	0.1	2.8
Taiwan	-50.2	-10.9	3.1	-8.6	-5.5
Vietnam	48.5	74.7	86.5	219.7	126.9
Thailand	-7.1	8.5	-0.2	34.5	14.3

Source: BBVA Research with US Department of Commerce data

Table 10
US imports of audio and video equipment (YoY % change)

	1H12	1H13	1H14	1H15	Average 1H13-1H15
Total	-1.7	-11.6	2.2	-3.0	-4.2
China	-1.8	-13.0	5.8	2.4	-1.6
Mexico	-8.5	-5.4	2.5	-9.9	-4.3
Japan	27.0	-35.7	-15.3	-17.8	-22.9
Thailand	-4.6	-20.4	7.2	-3.6	-5.6
Taiwan	54.3	0.3	-19.8	12.0	-2.5
South Korea	11.0	11.6	-1.9	3.5	4.4
Malaysia	-19.4	-8.4	-29.4	18.3	-6.5

Source: BBVA Research with US Department of Commerce data

Conclusions

The performance by non-automotive manufactured exports has stunted the manufacturing industry growth in Mexico during the past few years. It is worth mentioning that non-automotive manufactured exports represent around 58% of total Mexican exports. The growth of these manufactured exports has slowed down considerably from 2013 to the first half of 2015. Consequently, non-automotive manufactures only contributed 15% to the overall growth of manufactured exports in the first half of this year. The slowdown in the growth of non-automotive manufactured exports that has been observed since 2013 is due to both their loss of competitiveness in conjunction with a less dynamic US market and economic weakness in other regions of the world. Countries such as China, Germany and South Korea have gained ground in the US import market for non-automotive manufactures. Mexico's loss of export vigor in the US import market for such products is above all attributed to a poor performance by the electronics and computer equipment industry.

References

Mexico Economic Watch, "[Mexican computer exports: excessive industrial focus on desktops](#)", September 2013, BBVA Research.

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