

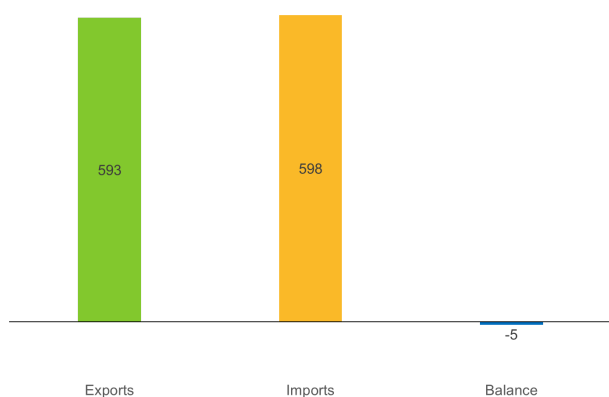
International Trade

# Mexico is now the largest exporter to the US

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March 14, 2024

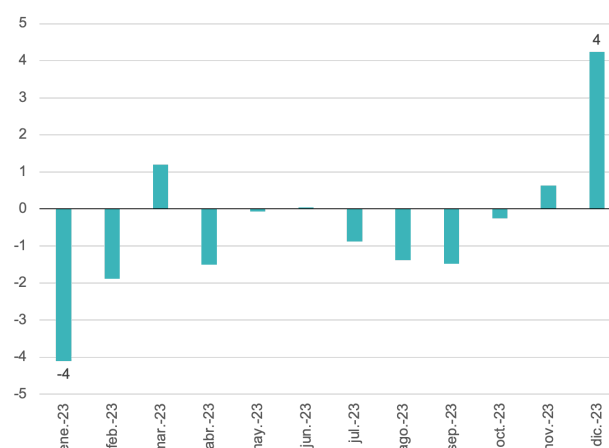
By the end of 2023, Mexico recorded a trade deficit of 5,463 million dollars (\$5.46 bn). The trade balance accounts for the difference between the total exports (\$593.0 bn) and imports (\$598.5 bn) in this year. In current figures, the total value of Mexico's international merchandise trade reached \$1.2 trillion dollars in this period, just 0.8% above 2022.

Figure 1. **TRADE BALANCE: GOODS 2023**  
(BILLIONS USD\$, CURRENT PRICES)



Source: BBVA Research with data from Inegi

Figure 2. **TRADE BALANCE: GOODS 2023**  
(BILLIONS USD\$, CURRENT PRICES)



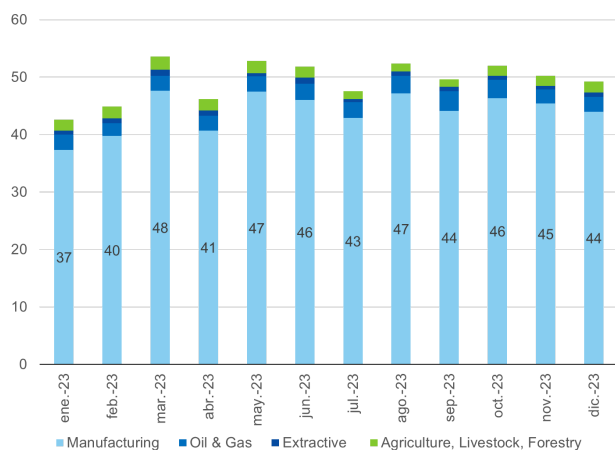
Source: BBVA Research with data from Inegi

## Manufacturing leads both exports and imports.

In the same period, Mexican goods exports grew by 2.6%/y/y, also in current figures, while imports fell by 1.0%. Of the \$593 bn in exports during 2023, manufactured goods represented 89.2%, followed by oil and gas exports, which only accounted for 5.6% of the total, similar to agricultural exports (3.7%). Manufacturing exports grew 4.0%/y/y in 2023, where heavy industry contributed \$402 bn of the total \$529 bn (approximately 76% of manufacturing exports). In contrast, oil exports fell 14.8%, going from \$39.0 bn to \$33.2 bn. On the other hand, although its participation is small in Mexico's export portfolio, exports of agricultural and agro-industrial products uphold a positive pace and grow for another year.

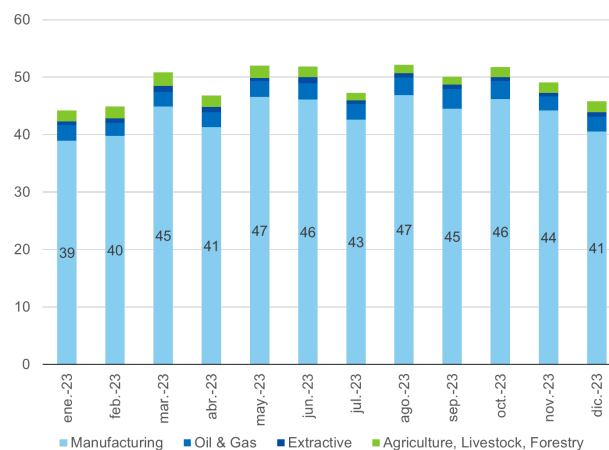
From the import side, manufactured goods accounted for 87.3% of the total imports, equivalent to \$522.5 bn, growing only 3.3% compared to 2022. Metal products and Machinery totaled \$307 bn in 2023, which is 6.0% more than the previous year. Within this manufactured goods classification, imports of electrical equipment and appliances totaled 118.1 billion dollars, 3.2% more than in 2022. Imports from the chemical industry, as well as plastic and rubber products, hold their relevance in participation with 7.9% and 6.6%, respectively; although in the first case, they increased by 1.0%/y/y, and in the second, they decreased by 1.6%.

Figure 3. **MEXICO: EXPORTS OF GOODS**  
(BILLIONS USD\$, CURRENT PRICES)



Source: BBVA Research with data from Inegi

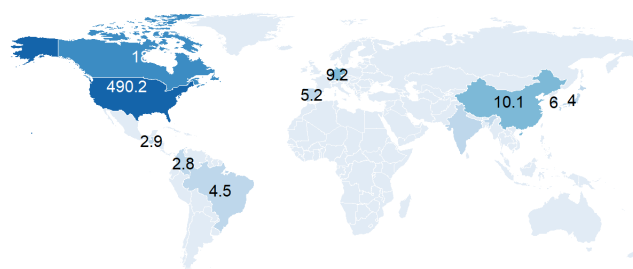
Figure 4. **MEXICO: IMPORTS OF GOODS**  
(BILLIONS USD\$, CURRENT PRICES)



Source: BBVA Research with data from Inegi

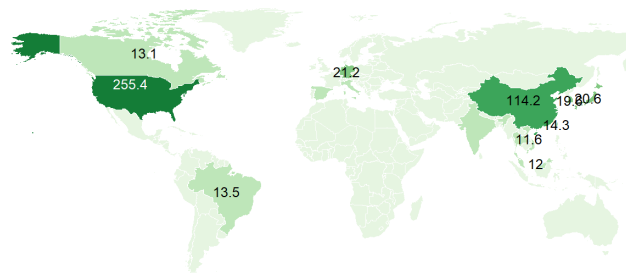
In second place for Mexican imports we found oil & gas products, totaling \$51.8 bn, 30.2% less than the previous year. On the other hand, agricultural imports decreased 2.0% in the same period with \$21.1 bn. Within this industry, corn imports accounted for 27.8% of the total, while soybeans accounted for 17.3%. Bean imports stand out, which doubled compared to the previous year. In 2022, Mexico imported \$111 bn of beans; in 2023, this figure reached \$369 bn, a significant increase of 231.5%/y.

Figure 5. **MEXICO: EXPORTS OF GOODS 2023**  
(MILLIONS USD\$, CURRENT PRICES)



Source: BBVA Research with data from Inegi

Figure 6. **MEXICO: IMPORTS OF GOODS 2023**  
(MILLIONS USD\$, CURRENT PRICES)



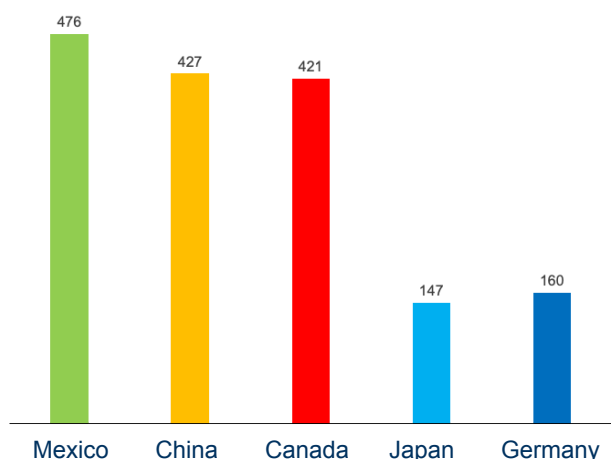
Source: BBVA Research with data from Inegi

The United States (US) remains Mexico's leading trading partner. The total trade value between countries reached \$745.6 bn, of which \$490.2 bn were goods exported from Mexico to the US. This balance represents a trade surplus favorable to Mexico of \$234.7 bn. America accounted for 83.3% of Mexican exports, and Canada and China were far behind with only 3.1% and 1.7% respectively. The amount of sales to the US increased by 3.7%/y

and Canada by 15.5%. In this way, North America increases its commercial relevance for Mexico, assuring regional consolidation in the face of global uncertainty. Exports to Europe also grew, 4.2% to this continent and 4.0% to the European Union. In contrast, exports to Asia decreased by 10.9%/y/y, and in the case of China, the drop was 7.9%. In 2023, only \$10.0 bn was sold to China, while in 2022, the amount was 10.9 billion dollars.

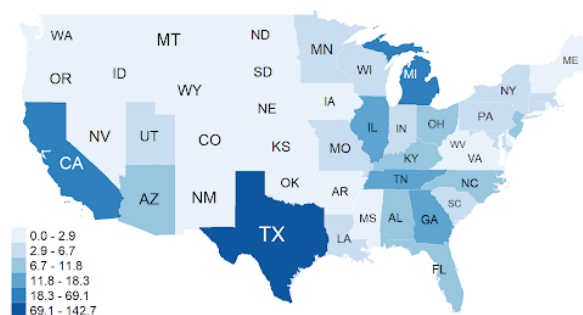
From the import perspective, there is greater diversification, although the US holds its position as Mexico's leading supplier, followed by China and Germany. In the first case, the participation was 42.7% in 2023, while the other two countries contributed 19.1% and 3.5%, respectively. Mexican imports from the US fell 3.6% during 2023 to close at \$255.4 bn. Likewise, imports from Canada fell by 0.6%, although this country only contributed 2.2% of the total. In contrast, European imports grew by 9.6%, and in the case of the European Union, up to 10.5%. Particularly in the German case, imports rose 15.1% in 2023, totaling \$21 bn. Imports from China dropped 3.8% in 2023, totaling 114.2 billion dollars.

Figure 7. **US IMPORTS BY COUNTRY 2023**  
(BILLIONS USD\$, CURRENT PRICES)



Source: BBVA Research with data from Census

Figure 8. **US IMPORTS FROM MEXICO 2023**  
(BILLIONS USD\$, CURRENT PRICES)



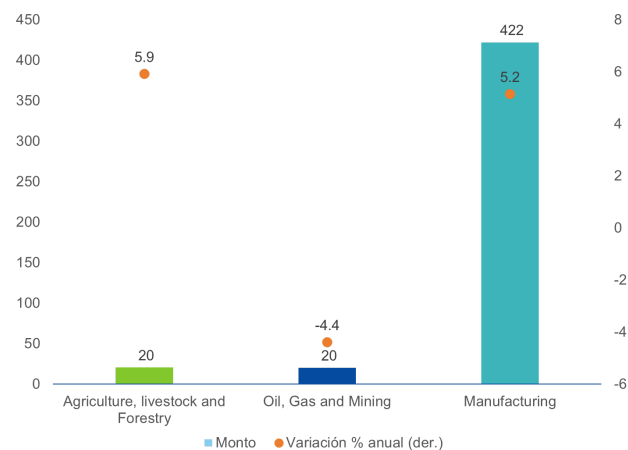
Source: BBVA Research with data from Census

## Mexico solidified its position as the leading supplier in the US market.

According to the Census Bureau, the US imported \$476 bn from Mexico, while the value of goods imported from China was \$427 bn. In this way, Mexico's leadership in exports to the US becomes substantial and verifies Mexico's position. Canada follows closely, and although the share difference is larger than 10%, it is in a good position to compete with Mexico for the first place. In contrast, while Japan and Germany are among the top five suppliers, they are distant contenders for the position of the top three countries.

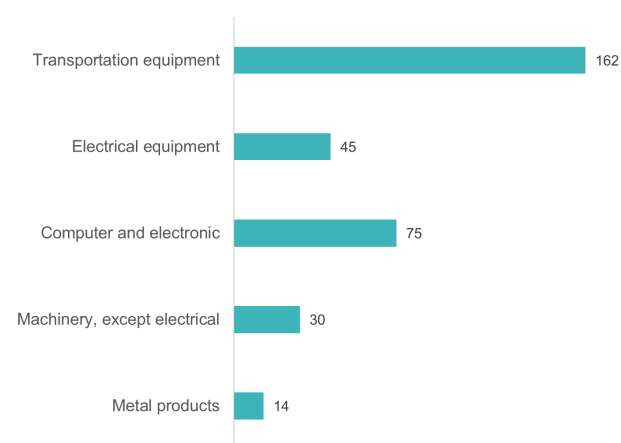
Texas and California concentrate most of the US demand for Mexican goods. This demand suggests a geographical pattern linked to industrial zones rather than demand from the main cities regarding consumption, establishing the link between the industries of both countries. This trend is also verified by observing the correlation between both industrial/business cycles.

Figure 9. **US IMPORTS FROM MEXICO 2023**  
(BILLIONS USD\$, CURRENT PRICES, RHS VAR. Y/Y)



Source: BBVA Research with data from Inegi

Figure 10. **US IMPORTS FROM MEXICO 2023**  
(BILLIONS USD\$, CURRENT PRICES)



Source: BBVA Research with data from Inegi

According to official US sources, the purchase of Mexican manufactured totaled \$422 bn in 2023, an increase of 5.2% compared to the previous year. This amount exceeds US imports in other industries, such as agriculture or mining, by more than 20 times. In these two industries, the amount reached \$20 bn, representing an advance of 5.9% y/y in agriculture but a contraction of 4.4% in mining. As such, the demand for Mexican agricultural products continues to rise for another year, and it is no longer a temporary result due to the pandemic episode.

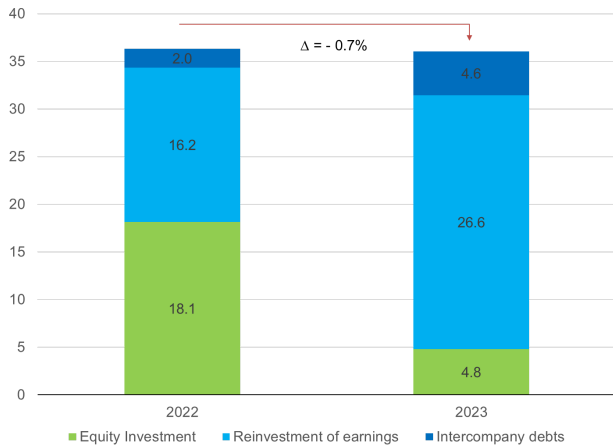
## FDI dropped slightly in 2023

In 2022, there was a substantial increase of 14.1% in Foreign Direct Investment (FDI) flows into Mexico. That year, this figure rose to \$36.3 bn, while a year before, the FDI inflow totaled \$31.8 bn. Conversely, during 2023, Mexico attracted FDI flows of \$36.1 bn, a contraction of 0.7% in current figures<sup>1</sup>. The reinvestment of earnings remains the leading category in FDI inflows to Mexico, 74% of the total. In 2023, reinvestment increased 64.4%, while new investments decreased 73.5%. In our opinion, the high participation of reinvested profits is a remarkably positive sign from companies that already believe in the Mexican market and prove it is worth investing in. However, the country could do more to attract new investments.

As in previous years, manufacturing is the industry that draws the most FDI, followed by financial services; in the first case, \$18.1 bn, and in the second, \$7.2 bn. This flow represents a 28.3% increase y/y in FDI towards manufacturing and a 38.6% increase in financial services. These two industries sum up 70% of total FDI. The subsequent industries that attract FDI are mining, tourism (accommodation), and transportation. Unsurprisingly, the electricity industry is experiencing a disinvestment, but what stands out is the same result in the case of mass media.

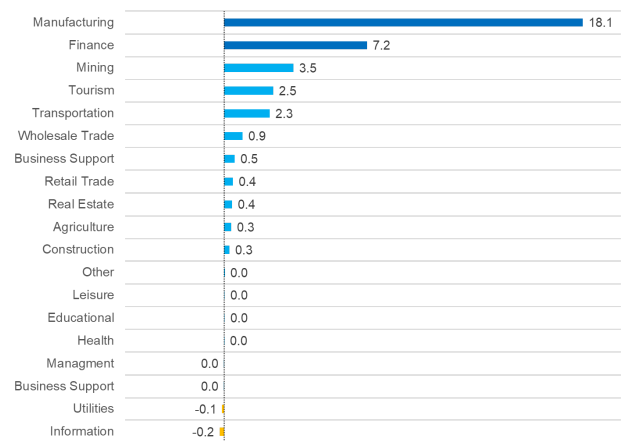
<sup>1</sup> Approximately 6.87 billion dollars of the total FDI inflow registered in 2022 refers to the Televisa - Univisión Merger and the restructuring of Aeroméxico. Some sources subtract these transactions while reporting this year's total investment and the 2023 growth rates.

Figure 11. **MEXICO FDI INFLOW 2023**  
(BILLIONS USD\$, CURRENT PRICES)



Source: BBVA Research with data from Ministry of Economy (SE)

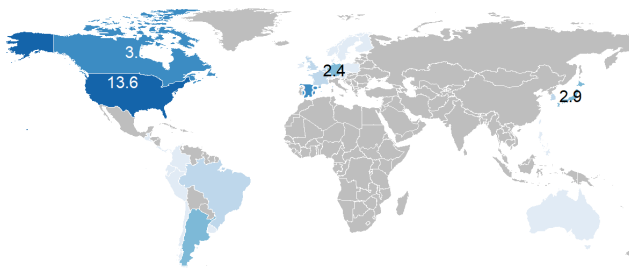
Figure 12. **MEXICO FDI INFLOW 2023**  
(BILLIONS USD\$, CURRENT PRICES)



Source: BBVA Research with data from Ministry of Economy (SE)

The US is the country that invests the most in Mexico, \$13.6 bn, representing 37.8% of the total FDI. However, this amount is 30.5% less than observed in 2022, when the amount of FDI summed \$19.6 bn. Spain and Canada follow with 3.7 billion dollars and 3.4 billion dollars, respectively. There needs to be more than the 76.2% increase in Spanish investment compared to the previous year to compensate for the fall in North American investment since Canada also contracted the amount of investment by 8.2%. The Asian country that directs the most FDI into Mexico is Japan, \$2.9 bn, representing just 8.1% of the total. By adding the 2.4 billion dollars of FDI from Germany, only these five countries concentrate just over 70% of the total FDI in Mexico.

Figure 13. **MEXICO FDI INFLOW 2023**  
(BILLIONS USD\$, CURRENT PRICES)



Source: BBVA Research with data from Ministry of Economy (SE)

Figure 14. **MEXICO FDI INFLOW 2023**  
(BILLIONS USD\$, CURRENT PRICES)



Source: BBVA Research with data from Ministry of Economy (SE)

From a regional perspective, Mexico City seized \$11.2 bn of total FDI inflows. Although, as we have mentioned on other occasions, there may be a high bias due to the tax domiciles of companies that register in CDMX, the money does not necessarily stay in this city. In 2023, Sonora rose to second position with \$2.7 bn of FDI, followed by Nuevo León and Jalisco with \$2.5 bn and \$2.0 bn, respectively. These four states account for 51% of the total FDI. Other exporting entities such as Chihuahua, the State of Mexico, Baja California, and Aguascalientes grasped an FDI of 6.7 billion dollars. There is an evident pattern between FDI and export manufacturing activity, except for financial services that aim more at the domestic market.

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