US-Mexico Trade Balance

December 2017
NAFTA created a thriving regional market of 480 million people and a combined GDP of over $21 trillion.

North America exports $2.2 trillion in goods worldwide.

North America represents 18% of global exports with under 7% of world’s population.

NAFTA trilateral trade has tripled

Source: SE-Washington with import data from Statistics Canada, Banxico, and USDOC.
Bilateral trade grows as trade balance steadies

US – Mexico Trade

US Exports to Mexico  US Imports from Mexico  Trade Balance  Trade Balance as % of Total Trade

Source: SE-Washington with data from USDOC.
Relatively, the US has one of the smallest trade balances with Mexico

U.S. trade deficit with top 15 partners as percentage of total trade value (2016)

Source: SE-Washington with import data from USDOC.
Eliminating US trade deficit with Mexico is equivalent to decreasing Mexico’s GDP by 6%, a larger contraction than Mexico’s economic crisis of 1995 (5.8%) and 2009 (4.7%).

Economic growth = more imports

Growing the pie

Percentage of GDP spent on imports from the US for US top 15 trade partners

2016

- Mexico: 22.1%
- Canada: 17.4%
- Netherlands: 5.2%
- Taiwan: 4.9%
- Switzerland: 3.4%
- Ireland: 3.3%
- Korea: 3.0%
- U.K.: 2.1%
- Brazil: 1.7%
- Germany: 1.4%
- Japan: 1.3%
- France: 1.3%
- China: 1.0%
- India: 1.0%
- Italy: 0.9%

- Controlling for income, Mexico is the main customer of US goods.
- In comparison, US spends merely 1.6% of its GDP on Mexican imports.

Imports from the US per capita and US imports per capita from partner in top 10 US trade partners

2016, US dollars

- Mexico is the 2nd largest US importer per capita.

- Mexicans buy from the US twice the amount that Americans buy from Mexico.

Source: SE with data from IMF and US Census Bureau.
There is room to further expand trade in services

**US-Mexico Trade in Services**

- **US Exports**
  - Travel: 52%
  - Transportation: 14%
  - Royalties: 10%
  - Financial services: 5%
  - Telecommunications: 3%
  - Other: 16%

- **US Imports**
  - Travel: 62%
  - Transportation: 14%
  - Royalties: 17%
  - Financial services: 5%
  - Other: 10%
  - Telecommunications: 3%
  - Transport: 11%

**Source:** USDOC with data from BEA. Trade in services by sector with 2015 data. Financial services include financial and insurance services, telecommunications include IT services, royalties include charges for the use of intellectual property.

- **US-Canada Trade in Services**
  - US Exports to Canada in 2016: $54.6 B
  - US Imports from Canada in 2016: $31.1 B

- **Comparison with 1999**
  - US Exports to Canada in 1999: $23.8 B
  - US Imports from Canada in 1999: $14.1 B

**Observations:**
- US-Mexico trade in services has doubled since 1999.
- US exports more services to Mexico than it imports.
- Including more sectors.

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**Including more sectors**

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- Including more sectors.
Mexico’s FTA partners (minus USA)

USA

China

$180 billion

$78 billion

Non-FTA countries

$130 billion

Competing together

US could potentially gain share in Mexico’s total imports up to $130 billion from non-FTA countries.

Source: SE-Washington with data from UN Comtrade, as reported by Wisertrade.
Mexico buys mostly electronics from non-FTA countries

Mexico’s imports from non-FTA countries by main products

- **Electronic Integrated Circuits** $12.8
- **Office Machine Parts** $5.5
- **Line Telephony Parts** $11.4
- **Data Process Machines** $8.8
- **Motor Vehicle Parts** $3.9
- **Liquid Crystal Devices** $3.3
- **Insulated Wire** $1.5
- **Printed Circuits** $1.8
- **Steel Articles** $2.2
- **Passenger Vehicles** $2.8
- **Semiconductors** $1.1

The top 10 types of products make up nearly $60 billion.

US’ exports to Mexico by main products

- **Motor vehicle parts** $6.1
- **Refined oil** $15.6
- **Office machine parts** $10.9
- **Data process machines** $4.8
- **Electronic integrated circuits** $2.5
- **Engine parts** $2.2
- **Natural gas** $3.3
- **Plastics** $2.6
- **Corns** $2.6
- **Steel articles** $1.8

The US providers could potentially gain market share in several of those products.

2016, value $ billion

Source: SE-Washington with data from UN Comtrade and US Census Bureau, as reported by Wisertrade, using 4 digit HS codes.
US trade deficit with Mexico is mostly explained by one industry…

### 2016 US-Mexico Trade in Goods by Sector

<table>
<thead>
<tr>
<th>Sector</th>
<th>US imports from Mexico (Billion of US dollars)</th>
<th>US exports to Mexico (Billion of US dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transportation equipment</td>
<td>99.5</td>
<td>31.8</td>
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<tr>
<td>Computer &amp; electronic products</td>
<td>58.4</td>
<td>42.9</td>
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<tr>
<td>Electrical equipment</td>
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<tr>
<td>Machinery</td>
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<td>Chemicals</td>
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<td>Primary metal manufacturing</td>
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<tr>
<td>Fabricated metal products</td>
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<tr>
<td>Processed foods</td>
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<tr>
<td>Agricultural products</td>
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<tr>
<td>Refined oil products</td>
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<tr>
<td>Plastics</td>
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<td></td>
</tr>
<tr>
<td>Oil &amp; gas</td>
<td>7.6</td>
<td></td>
</tr>
</tbody>
</table>

### 2016 US-Mexico Trade Balance by Sector

- **Transportation Equipment**: Deficit $67.8 Billion
- **Computers & electronics**: Surplus $15.6 Billion
- **Refined oil**: Surplus $14.6 Billion
- **Chemicals**: Deficit $16.3 Billion
- **Plastics**: Deficit $5.4 Billion
- **Oil**: Deficit $4.2 Billion
- **Paper**: Surplus $3.5 Billion
- **Special classifications**: Surplus $4.3 Billion
- **Electrical equipment, appliances and components**: Surplus $9.9 Billion

Source: SE-Washington with data from USDOC
...Motor vehicle production growth drives trade deficit

US trade deficit with Mexico 2008-2016
($ billion)

Motor vehicle production 2007-2016
(millions of units)

Source: SE-Washington with data from US Census Bureau as reported by Wisertrade, using NAICS, and OICA
Team NAFTA WORKS: auto industry

- **NAFTA vehicles production:** 18.1 million in 2016
- **NAFTA vehicles exports:** $173 billion in 2016

Source: SE with data from IMF, WTO, and OICA.
U.S. exports to Mexico:
$20 billion in auto parts
$4 billion in vehicles

Auto Industry Integration

- 12.2 million vehicles produced in the US needed $46 billion in Mexican auto parts
- 3.6 million vehicles produced in Mexico needed $20 billion in US auto parts

The different size of both auto markets generates a $26 billion trade deficit

There is a 70% higher value for U.S.-made parts in each vehicle produced in Mexico

Source: SE-Washington with 2016 data from US Census Bureau as reported by Wisertrade, using NAICS, and OICA
US auto parts contained per car produced
($ value, 2016)

NAFTA partners include more US auto parts per car produced than any other country.

Source: SE-Washington with data from US Census Bureau as reported by Wisertrade, using NAICS, and OICA
The U.S. auto industry GDP has grown **124%** since 2009.

U.S. auto vehicles exports have grown **65%** since 2009.

Mexican auto parts are key for U.S. auto industry competitiveness.

- U.S. imports of Mexican auto parts grew by **198%**.
- This growth was driven mainly by an increase in the U.S. auto industry GDP and market share gains in the U.S. auto parts import market.

Source: SE-Washington with data from US Census Bureau as reported by Wisertrade, using NAICS, and Bureau of Economic Analysis.
Trade is not a zero-sum game

• Our bilateral trade relationship has:
  ✓ Created greater economic growth,
  ✓ Promoted a stronger manufacturing industry through the synergies of the globally competitive North American value chain,
  ✓ Supported nearly 5 million jobs in the United States,
  ✓ Boosted the service sector, and
  ✓ Provided consumers in North America access to a larger set of high-quality products at better prices.
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