

## TRADE REPORT

# Mexican Trade Increasingly Slows in Second Half of Year

- Exports decline to Asia and Europe, dropping 10% and 3% in the third quarter
- Imports remain strong with Europe outpacing expectations at 21%
- USMC Trade Agreement to remove uncertainty for 2019
- The possibility of bunker fuel costs rising in 2019 is already raising concern
- Intermodal to provide opportunities into North and Central America

# Mexican Trade Report - 2018

Mexican trade is slowing in the second half of 2018 after a better-than-expected performance in the first six months of the year thanks to the World Cup.

Exports are hurting in the third quarter as China clamps down on waste recycling restrictions, taking the shine off another healthy double-digit performance in imports during the same period. This adds to expectations that Mexican trade will be slower in 2019 than in 2018.

“We were already cautiously optimistic about the second half of 2018, but we now expect that the fourth quarter will be slower than the third, making for a positive but slower Christmas than the previous year,” says Jaap de Mots, Trade and Marketing Manager at Maersk Line for Mexico and Central America. “For 2018, we will probably end up slightly ahead of our initial expectations in January thanks to the World Cup but as we had expected, the second half is slowing as retailers have already built up their inventories,” he adds.

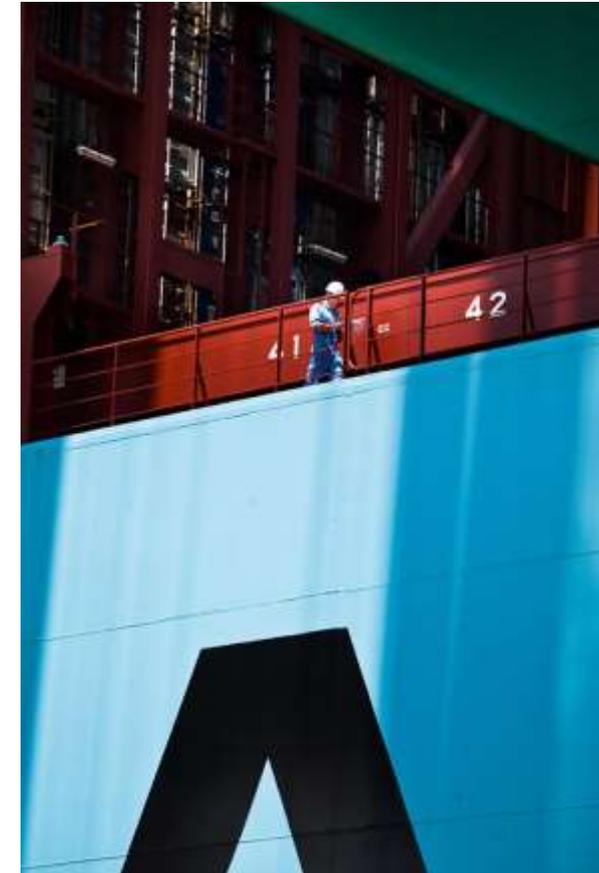
Maersk forecast total European and Asian imports and exports to grow 6% in 2018 with imports seen expanding 7% and exports rising 4%.

This comes after total Mexico trade including imports and exports with Asia and Europe increased 8% in the third quarter year on year. Total Asian and European imports gained 12% year on year while total Asian and European exports declined 6% year on year on the back of China’s “National Sword” policy on recycling waste products such as plastics (-31% in third quarter) and ores, slag and ash (-28%).

Trade/Quarter	Q3 2018 vs Q3 2017 ( YoY)
Market - Asia Exports	-10%
Market- Asia Imports	7%
Market - Europe Exports	-3%
Market- Europe Imports	21%
Market - Asia + Europe Exports	-6%
Market -Asia + Europe Imports	12%
Market- Asia + Europe Imports and Exports	8%

All statistics are provided to Maersk by IHS

Asia imports grew in line with Maersk’s expectations in the third quarter, rising 7% thanks to a strong performance from segments such as appliances and kitchenware, up 21%. Europe imports growth registered a 21% gain. Items like food finished the third quarter 70% higher and textiles and apparel 30% stronger.



# Intra-Americas Trade

Intra-Americas trade still managed to expand double-digits in the third quarter, however, they are slower than the much better-than-expected performance of the second. Climactic challenges during the 2018 hurricane season (first-ever to include seven hurricanes that were sub-tropical at some point in their cycle) had an impact as retailers slowed the pace ahead of Christmas in line with inventories. That said, trade with Central America and North America performed strongly again.

This comes as uncertainty around the North America Free Trade Agreement is fading now that a US, Mexico and Canada accord will be signed November 29 during a G-20 meeting in Buenos Aires. However, it will still need to be ratified by the congresses and parliament of the three countries. For North America, exports and imports grew a strong 32% and 19% respectively underpinned by strong US demand and logistics challenges in terms of Mexican trucking capacity, which is seen worsening in 2019. On the growth side, segments leading the pack include kitchenware, beverages, vehicles and fruits and nuts. “There are plenty of healthy indicators and we see that a new North America trade accord will encourage in the short-term fresh investments across this region, providing further growth opportunities,” says Patricia Perez Salazar, General Manager, SeaLand for Mexico.

This comes as companies look to diversify the way they move goods primarily to Central America and the US on the back of the trucker shortage.

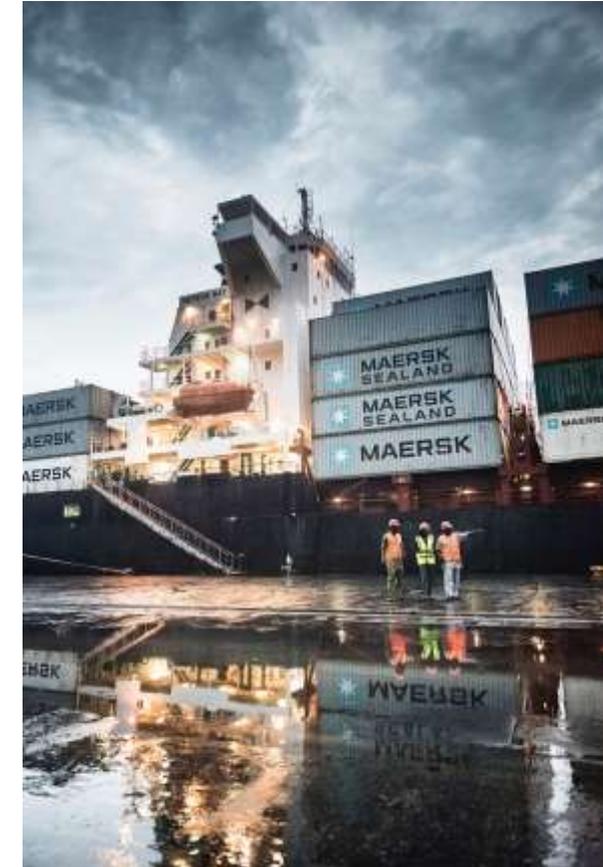
“Companies saw the trucking capacity issue as a temporary problem but growing political discussions on the matter are highlighting that this is indeed a problem that is going to stay. Bigger accounts are now diversifying the way they transport their goods across Mexican borders and are increasingly opting for ocean. We saw the start of this trend in the last quarter. What we now expect is that this is going to put greater stress on infrastructure because this issue is not going to stop”, Patricia adds.

Trade/Quarter	Q3 2018 vs Q2 2018
Market - North America Exports	32%
Market- North America Imports	19%
Market - South America Exports	-6%
Market- South America Imports	18%
Market - Central America Exports	14%
Market - Central America Imports	12%

Intra Americas exports	Q3 2018 vs Q3 2017
APPLIANCES AND KITCHENWARE	11%
BEVERAGES	37%
PLASTIC AND RUBBER	16%
METAL	16%

Intra Americas imports	Q3 2018 vs Q3 2017
WOOD	17%
PAPER	4%
APPLIANCES AND KITCHENWARE	54%
PLASTIC AND RUBBER	35%

All statistics are provided to Maersk by IHS



# Bunker Fuel Prices

Another issue that importers and exporters will need to factor into future trade movements is an expected increase in fuel costs starting January 1, 2020 as a result of IMO 2020 regulation requiring a maximum sulphur content of 0.5% versus 3.5% today. The regulation will bring significant benefit to the environment and human health. It is expected the use of the new bunker fuel will likely begin in the fourth quarter of 2019.

‘It is tough to predict how bunker will perform next year but we know that costs will increase in 2020 on the back of IMO 2020 regulations bringing tighter restrictions on sulphur emissions, a regulation that we fully support,’ says de Mots.

‘Fuel costs are expected to increase in January 2019 when China brings into effect a New Emission Control Area, much like what is already in existence in Europe and North America. This will impact the Mexico and China trade routes,’ says de Mots.





### **About Maersk Line**

- Maersk Line is the world's largest container logistics company with more than 33,000 employees and 630 plus vessels. Providing integrated sea and inland container logistics solutions.
- Maersk Line serves customers through 306 offices in 114 countries.

### **About A.P. Moller-Maersk**

- The first Maersk vessel to arrive in North America was the Laura Maersk in December 1913 when she docked at Galveston, Texas.
- Maersk has more than 89,000 staff in the world and is present in more than 130 countries.
- Other subsidiaries include Svitzer, which operates 430 tugs, Maersk Supply Service runs 70 support ships and Maersk Drilling has 22 vessels.
- Maersk vessels call at a port every 15 minutes.

### **For more information, please contact:**

Rafael Luna at PR Consulting Americas  
cel 52155 49155530 or [rafael@prconsultingamericas.com](mailto:rafael@prconsultingamericas.com)