

Contributors

Juan Manuel Herrera

Senior Economist/Strategist
Scotiabank GBM
+44.207.826.5654
juanmanuel.herrera@scotiabank.com

Guillermo Arbe, Head Economist, Peru
+51.1.211.6052 (Peru)
guillermo.arbe@scotiabank.com.pe

Sergio Olarte, Head Economist, Colombia
+57.601.745.6300 Ext. 9166 (Colombia)
sergio.olarte@scotiabankcolpatria.com

Jorge Selaive, Head Economist, Chile
+56.2.2619.5435 (Chile)
jorge.selaive@scotiabank.cl

Eduardo Suárez, VP, Latin America Economics
+52.55.9179.5174 (Mexico)
esuarezm@scotiabank.com.mx

TODAY'S CONTRIBUTORS:

Daniela Silva, Junior Economist
+57.601.745.6300 (Colombia)
daniela1.silva@scotiabankcolpatria.com

Latam Daily: Colombia Consumer Confidence Recap

- Colombia: Consumers have a better perception of current economic conditions and are more willing to expend

The Consumer Confidence Index (CCI) stood at -9.0 percentage points in July 2024, improving by 3.7 p.p. compared to the June balance (-12.7 p.p.), and recording the best result since January 2024 (chart 1). The result reflects a more favourable perception of households regarding their current economic conditions, coupled with a greater willingness to buy durable goods (chart 2).

The Economic Conditions Index increased for the third consecutive month, standing at -11.4 p.p. Households' perception of their current economic conditions increased by 4 p.p. compared to the previous month, reaching -10.8 p.p., while the willingness to buy durable goods increased by 10.5 p.p. compared to the previous month, reaching -12 p.p., and reaching the best level since February 2020. The increasing willingness to buy by households may be associated with more favourable purchase prices, since goods inflation has remained below the target range for 3 months and even in July reached the lowest level since April 2021. Additionally, lower interest rates also help households to think in higher consumption.

The Expectations Index also improved, showing households more optimism about the future of the country. Households see the country as more likely to have good times in a 12-month period, however, the expectation about the future economic conditions of households and the country deteriorated, perhaps in response to economic growth that remains uneven among different sectors.

Consumer confidence has maintained a good dynamic in recent months, showing that the macroeconomic adjustment would contribute to a better perception of households regarding their economic conditions, while better prices and more favourable rates contribute to a greater willingness to buy. In the future, this dynamic could continue to contribute to easing the financial burden of households and supporting a gradual reactivation of domestic demand.

June retail sales and 2Q-2024 GDP data that will also be released this week could broaden the outlook on the behavior of commercial activity, this being a key sector for the country's economy, representing nearly 17% of GDP. Household consumption of durable goods is expected to remain weak, however, this would not be a significant concern for BanRep for the moment, since some sectors such as agriculture and public administration

Chart 1

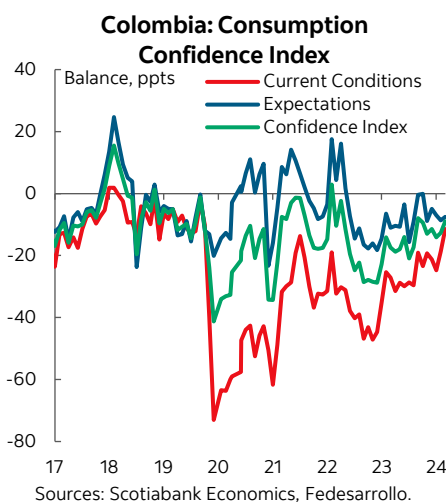
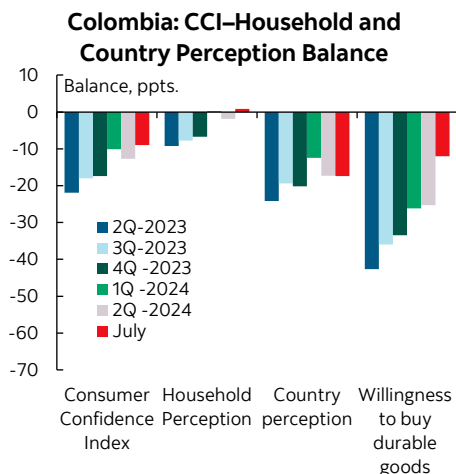


Chart 2



August 13, 2024

would continue to counteract the slowdown in the commercial sector. A 75bps cut to 10% is our expectation for September monetary policy meeting; however, we continue to think that inflation data will guide the next step for BanRep.

Looking at the July details:

- The Consumer Expectations Index stood at -7.5 p.p in July, showing an improvement of 1.2 p.p compared to the previous month. Consumers see more likely that the country will have good economic times in the future, however, they are less optimistic that the economic conditions in their households within 12 months will improve.
- The Economic Conditions Index increased by 7.3 p.p compared to the previous month, standing at -11.4%. Consumers' perception of their current economic conditions improved, while their willingness to buy durable goods increased. The willingness to buy housing increased substantially, standing at -26.6 p.p compared to -41.7 p.p the previous month, which is associated with much more favourable interest rates for this modality. Meanwhile, the willingness to buy vehicles fell by 3.1 p.p and stands at -54.1%.
- By socioeconomic level, consumer confidence increased at all income levels in July. At the middle-income and high-income levels, consumer confidence increased by 5.3 p.p. compared to June 2024, reaching -7.1 p.p. and -38.5 p.p., respectively. Low-income confidence increased by 1 p.p. compared to the previous month, reaching -8.1 p.p.

—Sergio Olarte & Daniela Silva

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