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Latam Daily: Colombia Manufacturing Production Falls, Retail Sales Rebound in June

Colombia: Manufacturing production remains weak, while retail sales grow in June

On Wednesday, August 14th, the National Institute of Statistics (DANE) published the data on manufacturing production and retail sales for June 2024. Manufacturing production fell by -4.8% compared to June 2023 (chart 1 and 2) below the -2.2% expected by the market. Meanwhile, retail sales grew by 1.5% year-on-year, exceeding the 0.7% estimated by the market.

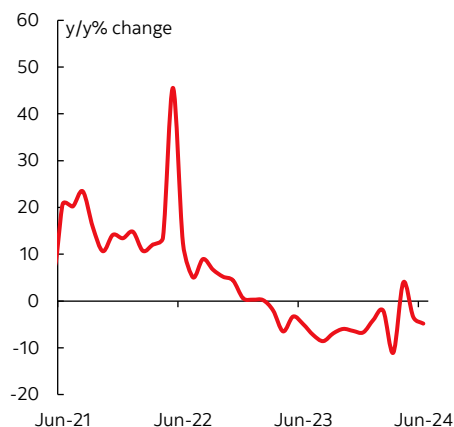
The results demonstrate once again that manufacturing production remains weak. The data for June showed that only 9 of the 39 activities had positive variations, reflecting a greater deterioration in activities related to the manufacture of vehicles and parts, given a lower market share. There is also evidence of lower manufacturing of mineral products and fuel refining, as well as lower processing in food production. The June result shows that in the second quarter of 2024 manufacturing production had a negative balance with a fall of -1.45%, which could weigh on the GDP results that will be known tomorrow.

Retail sales had a rebound in June; however, it is not ruled out that it is a transitory dynamic. In June, retail sales broke the negative streak of the last 16 months, growing 1.5% y/y. On a seasonally adjusted basis, retail sales also showed what would be a gradual recovery (chart 3 and 4), increasing 1.16% compared to May 2024. It should be noted that in June different types of sporting events were held, including the Copa América and the Euro Cup, which would have boosted the purchase of electronic equipment and televisions, therefore, it is too early to say that retail sales would maintain this positive dynamic. Vehicle and food sales also contributed positively to the result, a dynamic attributed to more favorable purchase prices and lower interest rates, while the textile sector maintains repressed sales.

GDP results for 2Q, which will be released on August 15th, should provide a broader picture of economic activity. A mixed dynamic has recently been perceived in the different sectors, with agriculture leading the growth, services gradually cooling down and the industrial and commercial sectors struggling to recover. In any case, the overall balance of the economy in 2Q is expected to be positive, but this is attributed to events that may not be transitory, such as better harvests and a public sector that has contributed significantly to growth.

Chart 1

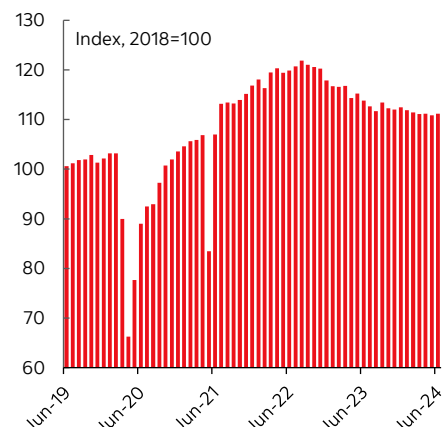
Colombia: Manufacturing y/y NSA



Sources: Scotiabank Economics, DANE.

Chart 2

Colombia: Manufacturing Index SA



Sources: Scotiabank Economics, DANE.

Key Highlights:

- Manufacturing production fell by 4.8% year-on-year, showing that the effects of a restrictive monetary policy continue to weigh on the industry, amid lower domestic demand. Vehicle manufacturing was the one that contracted the most in June, falling by -63.9% y/y, with a contribution to real production of -60 bps, followed by non-metallic mineral manufacturing, which contracted by -9.9% y/y and -50 bps, the latter being the one that has contributed the most to the negative performance so far this year. On the positive side, in the year to June, the manufacturing of personal hygiene products, the production of beverages, and the manufacturing of electrical appliances and equipment stand out.
- Retail sales grew 1.5% annually in June, this being the first positive variation in 16 months. Of the 19 activities, 11 registered positive variations, highlighting the increase in the sale of computer and telecommunications equipment (+13.3% y/y), the sale of televisions (+27.6% y/y), the sale of vehicles (+6.0% y/y), and the sale of food (+2.3% y/y). On the negative side, sales of textile products remained depressed, despite various purchasing incentives from retailers. Clothing sales have been in negative territory for more than 20 months, falling by -9.6% YoY in June.
- In marginal terms, retail sales show a somewhat more encouraging picture. Retail sales grew by 1.16% compared to May 2024, showing a gradual recovery in the last 2 months. The June results were due to a higher demand for products for the display of sporting events that were held in June.

Chart 3

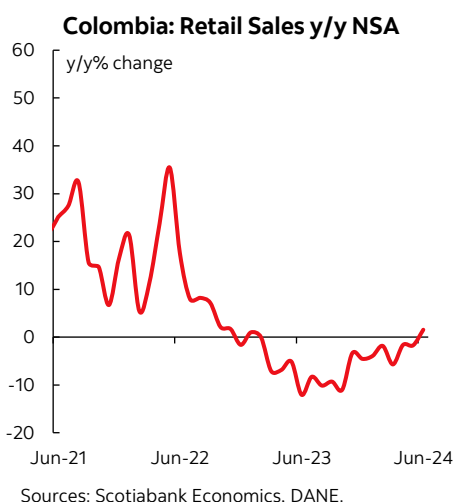
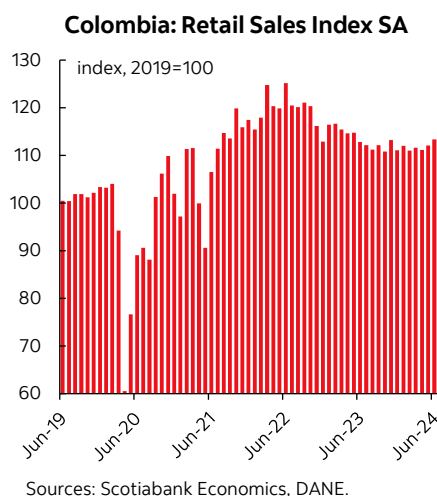


Chart 4



—Sergio Olarte & Daniela Silva

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