

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

Jackeline Piraján, Head Economist, Colombia
+57.601.745.6300 Ext. 9400 (Colombia)
jackeline.pirajan@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 Econ Activity Beats Thanks to Public Sector and Agriculture

- Colombia: Economic activity grows more than expected in July**

On Wednesday, September 18th, DANE published data on the Economic Activity Indicator (ISE) for July. The indicator stood at 3.7% y/y (chart 1), exceeding the 2% expected by the market and showing positive variations in the nine activities. In marginal terms, economic activity showed a positive performance compared to June's performance, when the economy grew 2.5% m/m (chart 2).

Economic activity performed better than expected, but again, it was concentrated in a few activities. Public administration activities, health, and leisure were those that showed the greatest growth with an expansion of 7.7% y/y and 8.9% m/m, after having shown falls in June; leisure activities was the main contributor to the overall activity as during July there were many traditional celebrations that took place which coincides with gambling activity around a huge number of sports events.

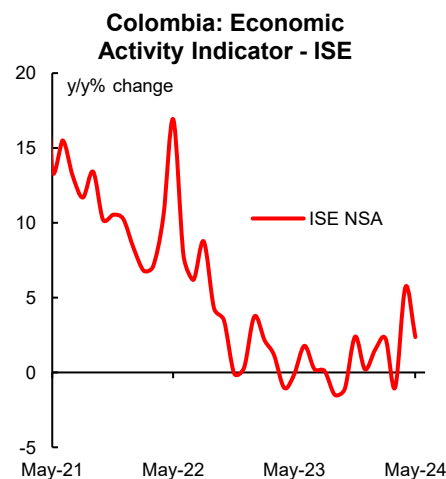
Agriculture was the second activity with the greatest expansion (+7.5% y/y and +6.4% m/m), reflecting that the harvest boom is not stopping, contrary to what was evident in June when activity fell -0.6% y/y. However, the lack of rain has lasted longer than expected, which could have some adverse effects on the production of agricultural products for the rest of the year. Professional activities, communications, and trade were the only activities to show an expansion below 1%, and in marginal terms, trade was the only activity to register a fall (-0.4% m/m).

Although the results may suggest that BanRep will not be in a hurry to accelerate the easing cycle, we continue to think that there are more points in favour of a 75bps cut. The problems with economic growth are structural, the lack of investment continues to weigh on industry and construction, and the high cost of borrowing continues to pressure consumption. At the September 30th meeting, we expect the rate to fall from 10.75% to 10%, with inflation and international financial conditions being the main factors supporting the acceleration in the pace of cuts.

Highlights:

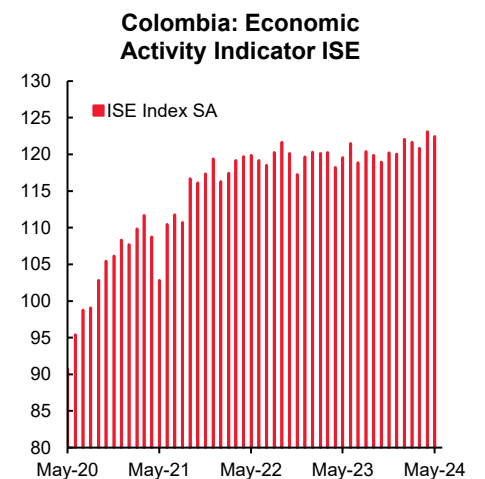
- The primary sector is having a good run.** In July, agricultural and mining activities grew 7.5% year over year, with coffee and bananas being the best-performing products. According to July exports, coffee exports grew 27.3% year over year, and bananas 33.9% year over year. Fruit and rice also complement the better picture for

Chart 1



Sources: Scotiabank Economics, DANE.

Chart 2



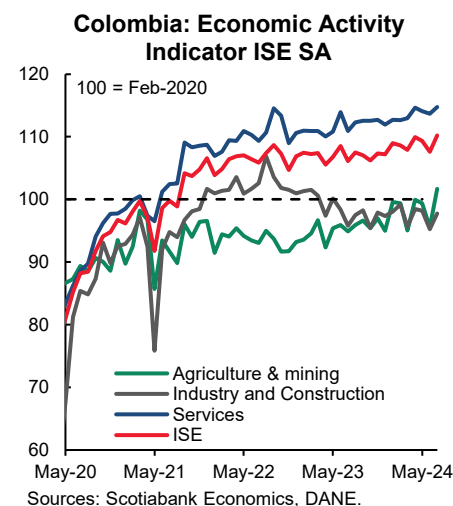
Sources: Scotiabank Economics, DANE.

the sector. In terms of livestock, the activity is also expanding. When it comes to mining, coal is in a contraction mode due to lower domestic demand (chart 3).

- Secondary activities grew 1.5% y/y.** The expansion of manufacturing and construction can be associated with a greater number of business days in July 2024 compared to July 2023, which contributes to the good dynamics of the industry. Meanwhile, construction could have a positive performance associated with civil construction, since the housing sector continues to have a weak performance.
- The services sector continues to be supported by growth in public administration, leisure, and health activities.** In annual terms, all service activities showed positive variations, with public administration standing out (+7.7% y/y), financial activities (+2.6% y/y), and public services (+2.3% y/y). In marginal terms, trade was the only activity to fall, with a variation of -0.4% m/m. In the case of the public sector, payment of bonuses in some entities is leading the behaviour; in the leisure sector, gambling activity contributes the most, while in the case of health, the current context in which the government intervenes with some health services providers is imposing the demand for private health services.

—Jackeline Piraján & Daniela Silva

Chart 3



This report has been prepared by Scotiabank Economics as a resource for the clients of Scotiabank. Opinions, estimates and projections contained herein are our own as of the date hereof and are subject to change without notice. The information and opinions contained herein have been compiled or arrived at from sources believed reliable but no representation or warranty, express or implied, is made as to their accuracy or completeness. Neither Scotiabank nor any of its officers, directors, partners, employees or affiliates accepts any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

These reports are provided to you for informational purposes only. This report is not, and is not constructed as, an offer to sell or solicitation of any offer to buy any financial instrument, nor shall this report be construed as an opinion as to whether you should enter into any swap or trading strategy involving a swap or any other transaction. The information contained in this report is not intended to be, and does not constitute, a recommendation of a swap or trading strategy involving a swap within the meaning of U.S. Commodity Futures Trading Commission Regulation 23.434 and Appendix A thereto. This material is not intended to be individually tailored to your needs or characteristics and should not be viewed as a “call to action” or suggestion that you enter into a swap or trading strategy involving a swap or any other transaction. Scotiabank may engage in transactions in a manner inconsistent with the views discussed this report and may have positions, or be in the process of acquiring or disposing of positions, referred to in this report.

Scotiabank, its affiliates and any of their respective officers, directors and employees may from time to time take positions in currencies, act as managers, co-managers or underwriters of a public offering or act as principals or agents, deal in, own or act as market makers or advisors, brokers or commercial and/or investment bankers in relation to securities or related derivatives. As a result of these actions, Scotiabank may receive remuneration. All Scotiabank products and services are subject to the terms of applicable agreements and local regulations. Officers, directors and employees of Scotiabank and its affiliates may serve as directors of corporations.

Any securities discussed in this report may not be suitable for all investors. Scotiabank recommends that investors independently evaluate any issuer and security discussed in this report, and consult with any advisors they deem necessary prior to making any investment.

This report and all information, opinions and conclusions contained in it are protected by copyright. This information may not be reproduced without the prior express written consent of Scotiabank.

™ Trademark of The Bank of Nova Scotia. Used under license, where applicable.

Scotiabank, together with “Global Banking and Markets”, is a marketing name for the global corporate and investment banking and capital markets businesses of The Bank of Nova Scotia and certain of its affiliates in the countries where they operate, including: Scotiabank Europe plc; Scotiabank (Ireland) Designated Activity Company; Scotiabank Inverlat S.A., Institución de Banca Múltiple, Grupo Financiero Scotiabank Inverlat, Scotia Inverlat Casa de Bolsa, S.A. de C.V., Grupo Financiero Scotiabank Inverlat, Scotia Inverlat Derivados S.A. de C.V. – all members of the Scotiabank group and authorized users of the Scotiabank mark. The Bank of Nova Scotia is incorporated in Canada with limited liability and is authorised and regulated by the Office of the Superintendent of Financial Institutions Canada. The Bank of Nova Scotia is authorized by the UK Prudential Regulation Authority and is subject to regulation by the UK Financial Conduct Authority and limited regulation by the UK Prudential Regulation Authority. Details about the extent of The Bank of Nova Scotia's regulation by the UK Prudential Regulation Authority are available from us on request. Scotiabank Europe plc is authorized by the UK Prudential Regulation Authority and regulated by the UK Financial Conduct Authority and the UK Prudential Regulation Authority.

Scotiabank Inverlat, S.A., Scotia Inverlat Casa de Bolsa, S.A. de C.V., Grupo Financiero Scotiabank Inverlat, and Scotia Inverlat Derivados, S.A. de C.V., are each authorized and regulated by the Mexican financial authorities.

Not all products and services are offered in all jurisdictions. Services described are available in jurisdictions where permitted by law.