

Contributors

Juan Manuel Herrera, Senior Economist
+52.55.2299.6675 (Mexico)
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:

Valentina Guio, Senior Economist
+57.601.745.6300 Ext. 9166 (Colombia)
daniela.guio@scotiabankcolpatria.com

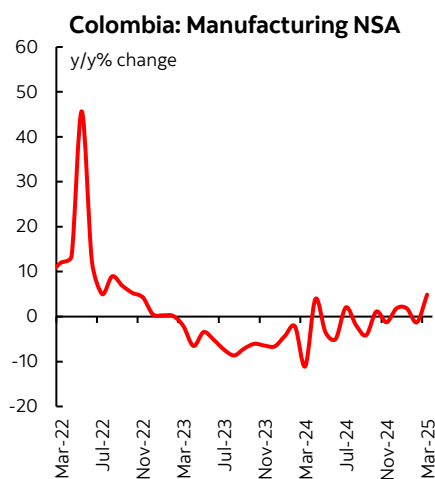
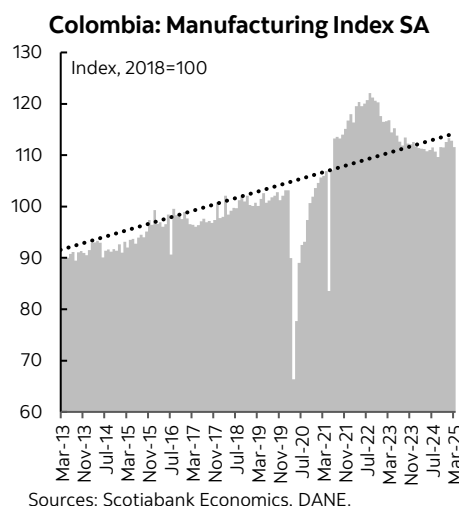
Latam Daily: Colombia Retail Sales and Manufacturing Output Beat

- Colombia: March's retail sales and manufacturing beat expectations, partly explained by calendar effects

On Wednesday, May 14th, the National Institute of Statistics (DANE) published manufacturing production and retail sales data for March 2025. Manufacturing production increased 4.9% y/y, above market expectations (1.9% y/y), and retail sales increased 12.7% y/y above market expectations (10.0% y/y). March's result is partially due to a calendar effect, as Easter fell in March in 2024 but in April in 2025, generating a low base of comparison. Therefore, the seasonally adjusted data showed only a 0.3% y/y acceleration in manufacturing production. In the case of retail sales, the recovery was due to a surge in demand for durable and semi-durable goods, affirming that Colombia is experiencing a robust first stage in the economic recovery. It will be important to monitor if recent FX depreciation has some impact on imported prices, and if so if there is any slowdown in household demand, added to a context of very sticky services prices that leave inflation reluctant to go down. For now, we still see private demand as the main driver of the economic recovery in 2025.

As in February, manufacturing output increased by 4.9% y/y a figure mostly explained by calendar effects (chart 1). March results showed a positive performance in the manufacturing sector compared to the previous year (chart 2). However, the seasonally adjusted data showed an 0.3% y/y expansion, which suggest that the boost in the original data is due to Easter last year and a lower comparison base; additionally, we saw a -1.1% m/m contraction. In this context, cleaning products, food, apparel, and chemicals contribute to the increase, offset by beverage, sugar, iron and steel, oil and fuel industry and pharmaceutical products.

Retail sales continued their positive trend for the tenth consecutive month, showing a significant expansion. In March, retail sales increased by 12.7% y/y (chart 3), explained by a boost in vehicle sales, telecommunication equipment sales, and durable goods such as household appliances and other domestic products, which together explained 83% of total growth. As in February, it is important to highlight the increase in the apparel sector since January, after almost two years of contraction, but this could be explained by a base effect due to the 9.3% y/y drop in March 2024. In contrast, alcoholic and non-alcoholic beverages were the activities that registered a drop in the period. The overall positive performance in retail sales is taking place in a context in which interest rates remain high

Chart 1

Chart 2


and inflation hasn't normalized completely, and it could suggest that households in Colombia are getting used to the current context and engaging their consumption decisions with better confidence. A curious characteristic in the consumption recovery is that households are using credit moderately and instead the savings buffers remain solid, leading us to think that the recovery has stronger bases compared to the post-pandemic rebound.

In monthly seasonal adjustment terms, retail sales in March (excluding other vehicles) decreased slightly by -0.05% m/m. However, the performance in retail sales offers further signs of the start of a new cycle (chart 4) in which commerce is expected to drive economic growth in 2025, despite the increases in informality.

On Thursday, May 15th, DANE will release the general picture of economic activity for Q1-2025. Yesterday's data skew to the upside of our GDP forecast, which is currently at 2.5% y/y. It will be relevant to monitor whether the sectors that had a positive dynamic during the first half of 2024 would lose traction due to transitory effects in agriculture and public administration, restricted by a tight fiscal position. Despite the economic performance at the beginning of 2025 being a reason for the central bank to maintain caution, the Board decided to resume the easing cycle with a 25bps cut in the last meeting (April 30th) in line with Scotiabank Colpatria's expectations. In our take, despite economic activity performing well, the output gap remains negative, that said, despite today's numbers are not a concern, we see room for a rate cut in BanRep's meeting of June 27th, taking the rate to 9%, this meeting is taking place after the Medium-Term Fiscal Framework release (June 13th), so it will be also important to see market reaction to fiscal news as if the MoF release decent news, the monetary policy could consider moderate the contractionary stance.

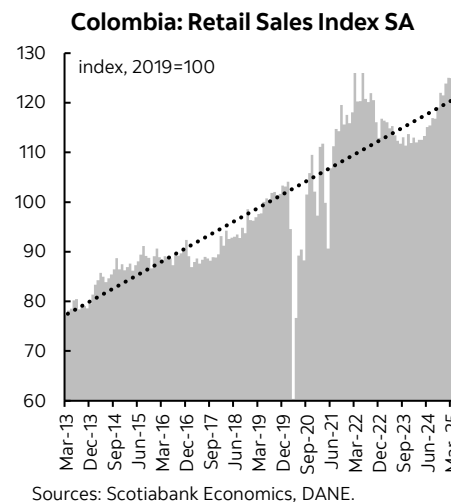
Highlights:

- Manufacturing production increased 4.9% y/y. 28 of the 39 activities showed annual expansion.** On the positive side, cleaning products (+16.2% y/y), food (+13.3% y/y in average), apparel (+15.6% y/y), chemical industry (+16.8% y/y) and electrical appliances (+12.8% y/y) contributed +3.6 p.p. to the result. On the negative side, beverage industry (-4.8% y/y), sugar (-22.7% y/y), iron and steel industry (-13.7% y/y) and oil and fuel industry (-3.5% y/y) were the main sectors offsetting the boost in the period, contributing with -1.9 p.p.
- Retail sales grew by 12.7% y/y. 17 of the 19 activities registered gains.** Vehicle sales (+32.8% y/y for household vehicles and +21.7% y/y for other ones), telecommunications equipment sales (+53.9% y/y), and household appliances such as electronic devices and furniture (+19.4% y/y) were the ones that contributed the most to retail sales growth. It's important to highlight the increase in apparel sales since January (+2.5% y/y) after almost two years of contraction, but still below pre-pandemic performance. Meanwhile, alcoholic, and non-alcoholic beverages (-5.6% y/y in average) remain with a negative trend.
- From April 2024 to March 2025, retail sales expanded by +5.4% y/y where apparel sales experienced the greatest deterioration with a drop of 7.3%,** while the sales of telecommunications equipment, the ones that have had the best contribution to the result with an expansion of +30.5. **Furthermore, the manufacturing output dropped -0.2% y/y** explained by the pharmaceutical industry (-8.2% y/y), oil and fuel production (-5.2% y/y) and minerals industry (-5.8% y/y). In contrast, cleaning industry (+5.3%) and transport equipment (+32.9%) maintain a positive contribution in the indicator.

Chart 3



Chart 4



—Jackeline Piraján & Valentina Guio

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