

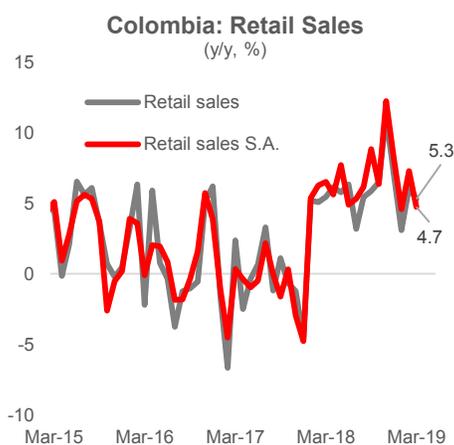
LATAM Market Update

- **Colombia: Coincident indicators although they came in line with consensus, manufacturing, in our opinion disappointed in March**

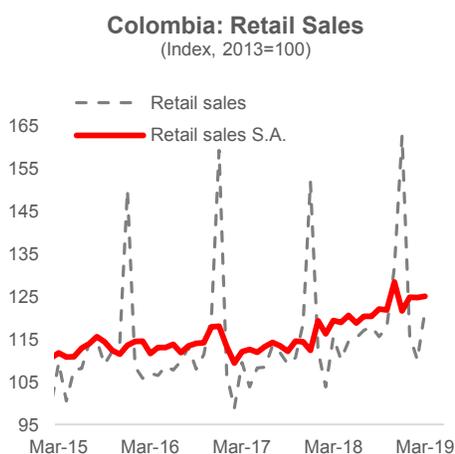
DANE released March-2019 manufacturing and retail sales (RS) data. RS figure continues to show an annual expansion that came in at 5.3% y/y. Manufacturing came in at 3.2% y/y, a bit below market expectations. Manufacturing did not show the expected rebound on the back of one more business day in March 2019 with respect to March 2018.

March coincident indicators are in line with the gradual economic recovery (especially domestic demand) for our base line scenario, although, in our opinion, manufacturing disappointed in March and showed that economic activity recovery has been very gradual and continue running below potential. Having said that, we still think that expansionary monetary policy rate (MPR), a relatively stable and depreciated exchange rate, headline and core inflation under control, contribute to recovery in economic activity. March coincident indicators data, in our opinion, do not change the authorities' or market base line scenario. Therefore, we think the government will keep 2019 GDP growth forecast at 3.6% and BanRep will continue on the sidelines, at least for 1H19 waiting for more data to confirm that the output gap is closing up.

Retail sales expansion was especially on the back of foodstuff sales that grew 6.4% y/y and added 1.5pp to headline annual expansion. Telecommunications added 1.5pp to total RS expansion. On the negative side, gasoline sales dropped 3.2% y/y and subtracted 0.5pp from headline expansion.



Sources: DANE, Scotiabank.



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CONTACTS

Eduardo Suárez, VP, Latin America Economics
52.55.9179.5174 (Mexico)
Scotiabank Economics
eduardo.suarez@scotiabank.com

Guillermo Arbe
511.211.6052 (Peru)
Scotiabank Peru
guillermo.arbe@scotiabank.com.pe

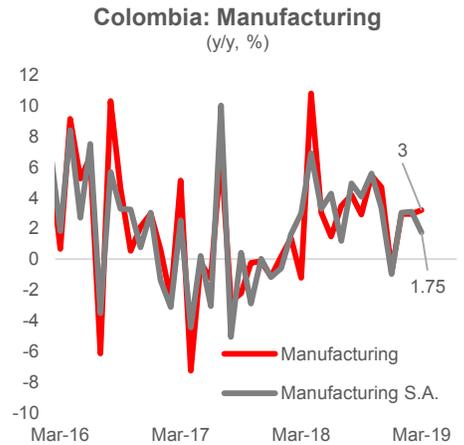
Mario Correa
52.55.5123.2683 (Mexico)
Scotiabank Mexico
mcorrea@scotiabank.com.mx

Sergio Olarte
57.1.745.6300 (Colombia)
Scotiabank Colombia
sergio.olarte@co.scotiabank.com

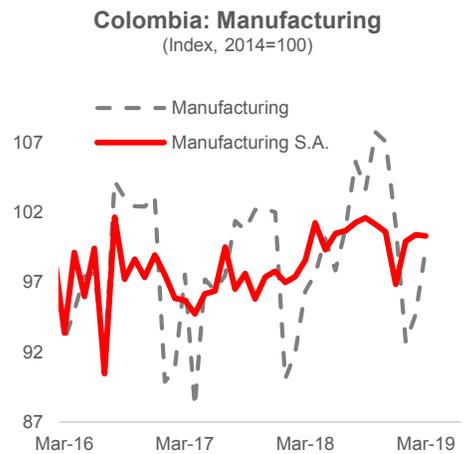
Benjamin Sierra
56.2.2619.4974 (Chile)
Scotiabank Chile
benjamin.sierra@scotiabank.cl

On the manufacturing side, although y/y expansion came in similar to market expectations, we expected a higher annual expansion due to March 2019 having had one more business day than March last year that normally it represents around 3pp more of annual expansion. In fact, once DANE cleaned the series from seasonal and calendar effects manufacturing showed a fall of 0.1% m/m (-1.21% annualized), which show that at the margin manufacturing weakened a bit from the recovery showed in February.

All in, although March coincident indicators came close to market expectations and do not change our GDP forecast, we think that manufacturing data disappointed in March and show that economic activity is still running below potential output. We expect a gradual recovery in economic activity to continue in the coming months. In terms of monetary policy, we do not expect that today's results will affect the base case scenario for BanRep, therefore we are of the view that the board's unanimous decision will keep the MPR at 4.25% in June meeting.



Sources: DANE, Scotiabank.



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