

## LATAM Market Update

- **Colombia: April exports expanded 2.17% y/y; Non-traditional exports fell 0.41% y/y due to high statistical effect base; The current account deficit increased in the first quarter**

According to DANE, exports in the fourth month of 2019 were US\$3.9bn and expanded +2.17% y/y. Traditional exports grew 3.6% y/y with mix signals. On one hand oil-related exports (44% of total exports) expanded 22% y/y in April due to both, higher oil prices and higher quantity of oil export. On the other hand, coal exports (16% of total exports) dropped 24.7% y/y, especially due to higher statistical effect (April 2018 coal exports were exceptionally high) and coffee exports fell 10.8% y/y. Having said that, coal exports continue showing good behaviour and next month will return to a positive y/y variations. In the case of coffee exports (4.5% of total exports), the recent drop in the international price will continue affecting annual variations. Non-traditional exports fell 0.41% y/y, also affected by a high statistical effect. In fact April non-traditional figure is the highest number since May of last year.

1Q19 current account deficit increased to 4.6% of GDP (US\$ 3.6bn), from 3.5% of GDP in 1Q18 and 4.5% of GDP last quarter. For 2019 BanRep staff think that it will be 4.2% of GDP. Although the deficit financing continues to be healthy (FDI was US\$3.3bn), external imbalance continues to be one of the main concerns for the Colombian economy, especially since despite recent strong depreciation exports have not respond while domestic demand recovery continues to push raw materials imports and capital imports up.

The trade balance (good and services) came in at US\$2.8bn, US\$1.2bn higher than in 1Q18 due to imports expansion of 10% y/y, while exports came flattish in annual basis. Imports significant expansion was mainly on the back of capital and raw materials imports (8.3% y/y and 11.5% y/y respectively).

On the financing account, it is worth to note that FDI continued to be the most important source of CAD financing (US\$3.3bn). 1Q19 FDI was 44% in oil and mining sector, 15 % in manufacturing sector, 10% in financial system, 7% in hospitality, and 24% in other sectors. Portfolio investment during the first quarter of 2019 recovered a bit and came in at US\$666mn.

On monetary policy, current account deterioration continues to be a difficult call for BanRep. Although the Board has stressed many times that monetary policy is not the right instrument to fight a structural high current account deficit, second round effects as currency depreciation and higher risk perception because of higher external imbalance can help inflation to increase and force central bank to return to a pro-cyclical and uncomfortable position. Having said that, a more dovish developed countries central banks and much lower economic activity recovery can more than net-off tradable goods upward pressure. Therefore, we do not think that these results will be significant for BanRep in terms of rates, although we think it will be a source of concern in terms of longer run sustainability within the board.

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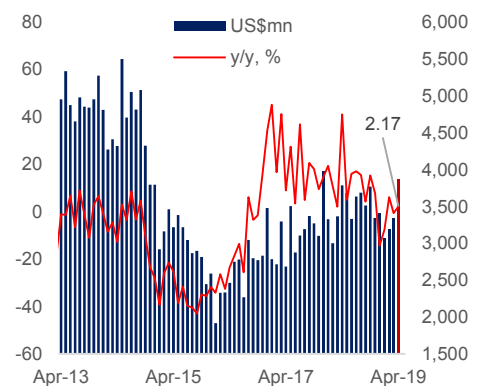
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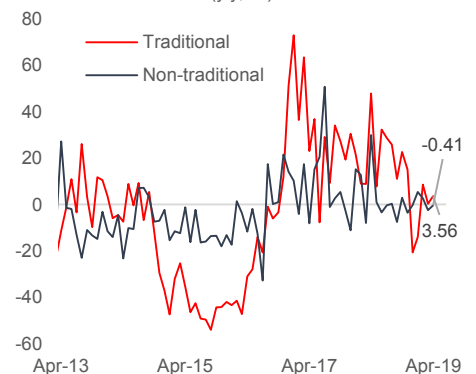
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### Colombia: Total Exports

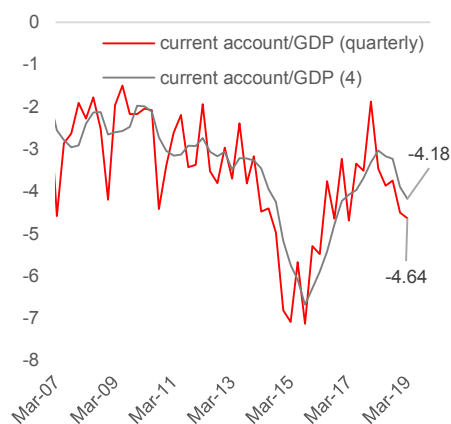


Sources: DANE, Scotiabank.

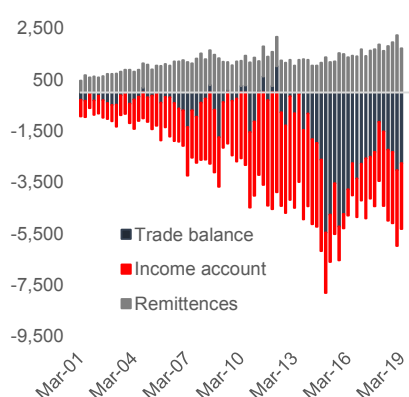
### Colombia: Exports Traditional vs Non-Traditional (y/y, %)



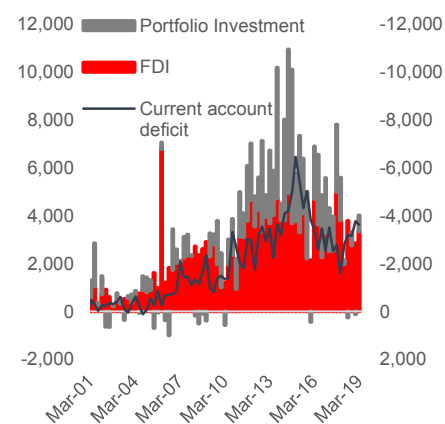
Sources: DANE, Scotiabank.

**Colombia: Current Account Deficit**  
(% of GDP)


Sources: BanRep, Scotiabank.

**Colombia: Current Account by Component**  
(US\$ mn)


Sources: BanRep, Scotiabank.

**Colombia: BoP Financial Account Inflows**  
(US\$ mn)


Sources: BanRep, Scotiabank.

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