

LATAM Market Update

- Colombia: July exports contracted 9.9% y/y; Mining and oil exports are to blame for the decline

DANE released July exports data. Colombia's monthly exports were US\$3.3bn, decreasing by 9.94% y/y. The weak July result was due to a fall in mining exports (-19.1% y/y) which more than offset the exports increased in manufacturing (5.6% y/y), agricultural (3.2% y/y) and other sectors (4.8% y/y).

Traditional exports contracted 16.78% y/y with mix signals. On one hand, coffee exports grew at the strongest pace in two years (+24.1% y/y), while mining-related exports contracted due to both price and volume effects. Coal exports (14% of total exports) contracted 36.7% y/y; it is worth saying that the coal-related sector is currently in crisis in Colombia due to some environmental and bottlenecks issues which have made production to decline in the last six quarters. Additionally, international prices are falling too. Oil-related exports (40% of total exports) contracted 10.51% y/y due to, especially, lower prices. Non-traditional exports were US\$1.2bn (+3.34% y/y), showing positive performance in the month. YTD total exports, have decreased US\$0.6bn to US\$23.6bn, or -2.5%, compared with the same period of 2018, traditional exports have contracted by 3.7% while non-traditional exports have contracted 0.5%.

July's export results support the expectation of a widening current account this year; exports deterioration has been explained by a decline in mining and oil-related exports this month. We expect coal exports to continue deteriorating in the forthcoming months, while oil exports could be hurt by price effects, although oil production has been a bit higher this year.

All-in, Exports' behavior is compatible with our expected current account deficit of 4.2% of GDP. It is worth saying that the Central Bank has explicitly stated the external deficit as a major concern and expects the external deficit to remain over 4.0% of GDP this year; a factor that continues to play against the possibilities of rate cuts and also could encourage BanRep to resume international reserves accumulation program in the future if FX levels show some appreciation.

—Jackeline Piraján

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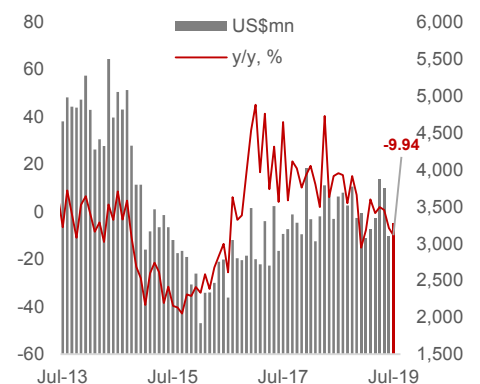
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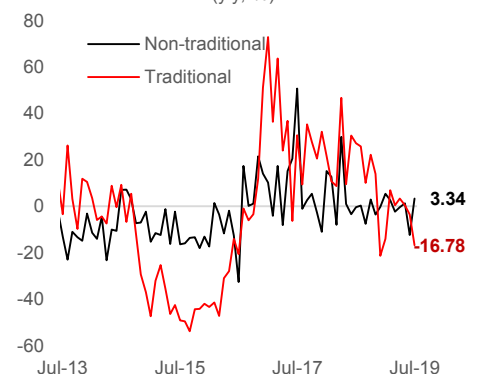
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Colombia: Total Exports



Sources: DANE, Scotiabank.

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



Sources: DANE, Scotiabank.

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