

## LATAM Market Update

- **Colombia: September's Citi survey: Repo rate stability for the rest of 2019; Imports increased by 5.0% in July, external deficit keeps widening; August's consumer confidence declined and posted the lowest level in nine months**
- **Peru: Cement sales up a robust 6.3% in August**

### COLOMBIA: SEPTEMBER'S CITI SURVEY: REPO RATE STABILITY FOR THE REST OF 2019; IMPORTS INCREASED BY 5.0% IN JULY, EXTERNAL DEFICIT KEEPS WIDENING; AUGUST'S CONSUMER CONFIDENCE DECLINED AND POSTED THE LOWEST LEVEL IN NINE MONTHS

This survey is used by BanRep as one of the expectations measures on inflation, monetary policy rate (MPR), GDP, and COP.

Bottom line:

- BanRep's repo rate will likely remain at 4.25% for the rest of the year. Out of 24 analysts surveyed, none expect a rate movement in the September meeting (Monday, September 23<sup>rd</sup>). For year-end, one respondent expects a cut of 25bps, 21 analysts expect the MPR to stay at 4.25% (including us), two expect the MPR to end 2019 at 4.5%.
- August monthly inflation on average is expected at 0.16 % m/m and 3.74 % y/y, slightly below our expected 0.20 %m/m. For December 2019 average projection is 3.74%, 8bps lower than last month.
- Growth forecasts broadly unchanged. Consensus for 2019 GDP growth forecast stands at 3.13% (previous 3.14%), slightly below our expected 3.2%. Analysts continue to forecast higher growth for 2020 and 2021, GDP growth forecast stands at 3.23% and 3.36%, respectively.
- USDCOP forecasts increased by 14 pesos for Dec-2019. On average, respondents expect COP 3301 for 2019 (eop) (previous: 3287) and COP 3275 by the end of 2020. Both increased by around 14 pesos.

July imports came in at +5.0% y/y or US\$4.6bn, external deficit keeps widening. Capital imports grew 10.9% y/y, especially in the industrial sector (+16.4%/y/y), agricultural sector capital imports interrupted four months of double-digit contraction and increased by 4.6% y/y in July, transportation sectors imports expanded by 3.4% y/y. Consumption imports increased 7.1% y/y due to non-durable goods imports (10.0% y/y). External deficit continued to widen, and July's trade deficit was US\$1.1bn. YTD, the deficit increased by US\$2.2bn to US\$5.5bn.

In July, imports grew again despite the contraction in June, manufacturing was the group with the highest contribution mainly explained by an increase of 10% in imports of machinery and transport equipment. Regarding consumption imports, both durable and non-durable goods imports were positive even with a depreciated exchange rate. YTD results are in line with our expectation of a gradual recovery in domestic demand.

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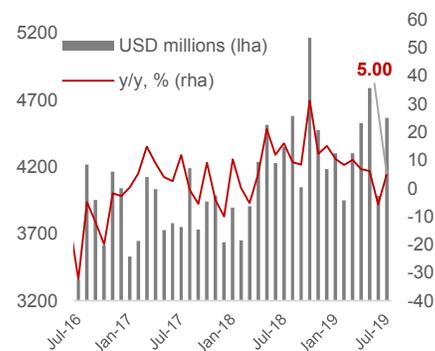
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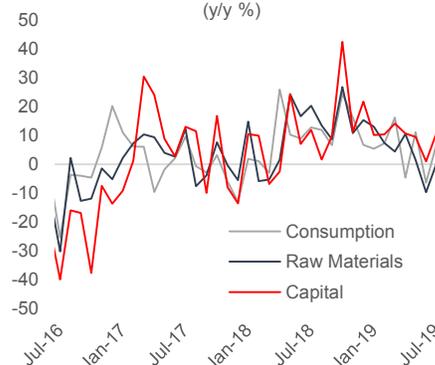
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**Colombia: Imports**  
(USD millions, y/y %)



Sources: DANE, Scotiabank Economics.

**Colombia: Imports by Economic Sector**  
(y/y %)



Sources: DANE, Scotiabank Economics.

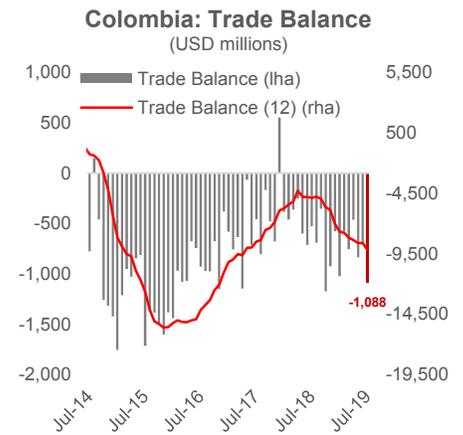
Colombia's external imbalance continues to be one of the biggest concerns for the Colombian economy in the short run, although so far it still enjoys healthy financing from FDI. It is worth saying that import dynamics is associated with a high investment activity; however, the increase in import of non-durable goods is one thing to keep an eye on.

Fedesarrollo released August's consumer confidence index (CCI). The index now stands at -11.8%, down from -5.1% in July, and lower compared to August 2018. The CCI deterioration was due to a decline in both components: Economic Condition Index and Consumer Expectation Index. Consumer confidence decreased in five cities, and also the willingness to buy durable goods decreased.

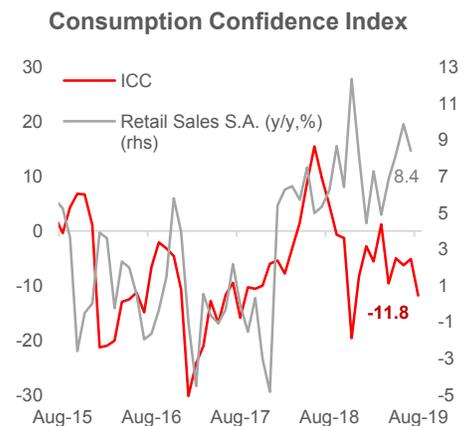
August's consumer confidence result was negative, but it continues to show divergence between consumers' assessment of the country's situation and the assessment of the households' situation. In August, consumers' assessment on the latter decreased by 2.7 pps compared with the 2Q-2019; on the other hand, consumers' assessment of the country decreased by 4.3 pp. It is worth to stress out that in August, the country faced bad news, such as, the announcements of Ex-FARC leaders returning to insurgency, which could weigh on consumer sentiment. So, perception about the overall economy is the part of the indicator that drags down the most the confidence indicator, and it could explain the different behaviour between sentiment surveys and retail sales data. In fact, ahead of October local election, the ICC could be affected again.

Consumers' willingness to buy durable goods was -5.2%, increasing by 0.4 pps compared with the 2Q-2019 average, but deteriorating from the previous month. Exchange rate depreciation is one of the challenges to the durable goods demand recovery. However, the import of durable goods remains positive.

All in, we think yesterday's results reinforces our base case scenario, which implies that private consumption will continue supporting the economic recovery and that the Central Bank would leave its policy rate constant for the time being.



Sources: DANE, Scotiabank Economics.

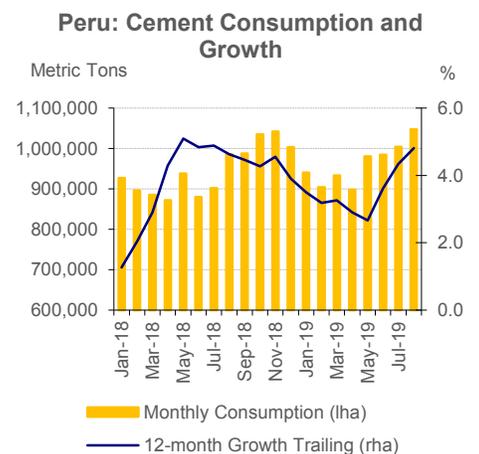


Sources: DANE, Fedesarrollo, Scotiabank Economics.

—Jackeline Piraján

## PERU: CEMENT SALES UP A ROBUST 6.3% IN AUGUST

Cement sales rose 6.3%, y/y, in August. This is a good sign that construction growth continues to be robust. The 12-month growth trend has now risen to 5%. The data is provided by the cement producer association, and includes most, but not all producers.



Sources: INEI, Asocem. Elab.: Scotiabank Peru.

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