

## LATAM Market Update

- Colombia: Imports data released; Consumer confidence deteriorated in November; Citi survey

### COLOMBIA: IMPORTS DATA RELEASED; CONSUMER CONFIDENCE DETERIORATED IN NOVEMBER; CITI SURVEY

Although imports remain on a favourable level, they showed a contraction of 16.1% y/y in October

October imports data came in at US\$4.3bn, near the YTD average, but it meant a contraction of 16.1% y/y. Capital imports fell 24.2% y/y, especially in the transport sector (-48.3% y/y), industrial and construction sectors imports contracted by 10.6% y/y and 14.4% y/y, respectively. Consumption imports fell by 4.4% y/y due to durable goods imports (-14.1% y/y). The external deficit continued to widen. In fact, October's trade deficit was US\$0.8 bn. YTD, the deficit increased by US\$3.0bn to US\$8.6bn.

In October, although imports posted the worst contraction since oct-2016, the level in USD is aligned with the YTD monthly average, which suggests that the import's contraction is a statistical effect. It is worth saying that a year ago imports grew by 31% y/y. Although most of the imports groups contracted in y/y basis, non-durable goods imports increased +5.05% y/y, and have expanded for the last four months on at 9.3% in average. Durable goods imports contracted 14.11% y/y. Raw material imports contracted 16.4% y/y, on the back of lower fuel-related imports (-48.7% y/y) and industrial sector imports (-12.3% y/y).

In October, the external deficit was US\$813.3 million, almost half of the deficit shown in October-2018, which could suggest that, although the external imbalance continues to be a major concern, it would moderate the rate of deterioration. The external deficit, so far, has been financed via a healthy FDI. As we mentioned in previous reports, the expansion of non-durable goods imports is one thing to keep an eye on since it is not necessarily sustainable in time.

**November's consumer confidence deteriorated, although it was higher than a year ago. Protests' effects probably were not completely absorbed in the survey**

November's consumer confidence index (CCI) decreased in m/m terms but increased in y/y terms. The index now stands at -14.4pps, worse than the -9.8pps in October, but better compared to November 2018 (-19.6%). Monthly CCI deterioration was due to a reduction in Consumer Expectation Index and Economic Condition Index. The willingness to buy durable goods continued to worsen.

November's consumer confidence remained in a negative territory, and it continues to show divergence between consumers' assessment of the country's situation and the assessment of the households' situation, which is consistently higher. Having said that, November's report showed a deterioration in the assessment of the households' future situation (10.3 pp vs. 18.5pps in October).

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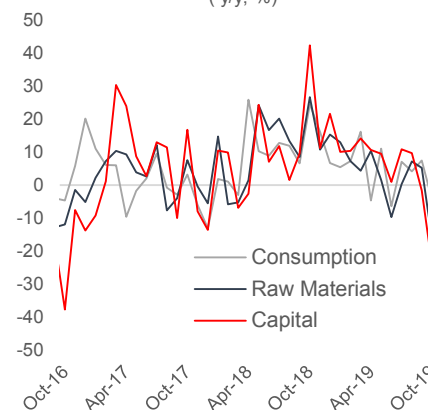
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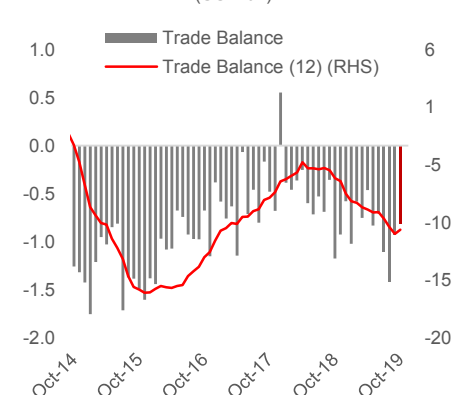
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### Imports by Economic Sector (y/y, %)



Sources: DANE, Scotiabank.

### Trade Balance (USD bn)



Sources: DANE, Scotiabank.

Additionally, the assessment of the country's future situation deteriorated; we think that November's nationwide protests weighed partially on CCI results since the survey is performed during the whole month and the protests affected only the last week of November. In December's print we will have the whole impact of the nationwide protests in consumer confidence.

It is worth to stress out, that the households' expectation index is the only CCI's component with positive balance, which is a positive signal (or leader indicator) to keep a base case scenario of a good dynamic of private consumption. However, Consumers' willingness to buy durable goods deteriorated again and is at the worst level since Dec-2017. These signals are compatible with the recent exchange rate depreciation and are one of the reasons why the FX pass-through could be moderate (people could be sensitive to price changes). The willingness to buy houses deteriorated in the medium and low-income population at the same time that the unemployment rate is pointing north.

All in, the survey's result doesn't change our base case scenario, which implies that private consumption will continue supporting economic growth, but probably at a more moderate pace. We expect an additional deterioration of the CCI in December due to nationwide protests.

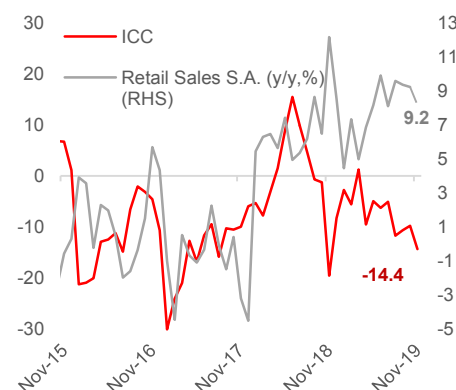
### December's Citi survey; In 2020-21 inflation will remain in the target range; A rate hike is expected next year

December's Citi survey came out. BanRep uses this survey as one of the expectations measures on inflation, monetary policy rate (MPR), GDP, and COP.

#### Bottom line:

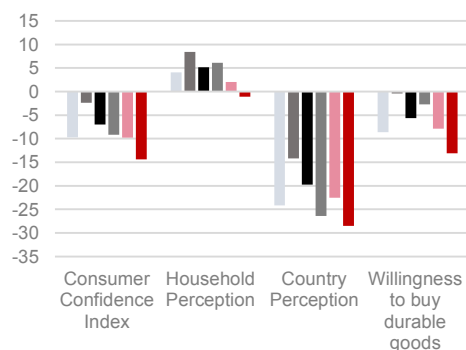
- BanRep's repo rate will close at 4.25% in 2019, in 2020 a rate hike is expected. Out of 27 analysts surveyed, none expect a rate movement on the December 20<sup>th</sup> meeting. For 2020 expectations are divided, but the consensus points to one rate hike of 25bps: two analysts expect 25 bps cut, fourteen expect 25 bps hike (including us), and four analysts expect 50bps hike. And seven analysts expect stability.
- December's monthly inflation on average is expected at 0.29 % m/m and 3.89% y/y, we expect 0.23% m/m. For December 2020 average projection is 3.40%, unchanged from the previous survey.
- Growth forecasts broadly unchanged. Consensus for 2019 GDP growth forecast stands at 3.18% (previously 3.20%). Analysts continue to forecast higher growth for 2020 and 2021, GDP growth forecast stands at 3.24% and 3.36%, respectively.
- USDCOP forecast points to a COP appreciation in Dec-2020 and Dec-2021. On average, respondents expect COP 3355 for 2019 (eop) (previously 3354), COP 3290 by the end of 2020 and 3250 in 2021.

#### Consumption Confidence Index



Sources: DANE, Fedesarrollo, Scotiabank.

#### CCI- Household and Country Perception Balance (%)



Sources: Fedesarrollo, Scotiabank.

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