

Latam Daily: Colombia Exports Improve Amid Increased Demand, Improved Conditions

- Colombia: Exports improve amid increased demand for agricultural and manufacturing products; high commodity prices

COLOMBIA: EXPORTS IMPROVE AMID INCREASED DEMAND FOR AGRICULTURAL AND MANUFACTURING PRODUCTS; HIGH COMMODITY PRICES

According to statistical agency DANE's data release on Monday, August 30, July's monthly exports stood at USD 3.25 bn (up 27.4% y/y, chart 1), slightly higher by value than those observed June, which amounted to USD 3.05 bn. Manufacturing-related exports led the gains rebounding by 42.4%; while Oil & Mining and Agricultural-related exports expanded 32.6.4% y/y and 2.6% y/y, respectively.

Traditional exports as a whole were up 27.5% y/y in July (chart 2), again benefitting from higher commodity prices. Oil-related items represented 25% of July's total exports, still below the average of 40% in 2019. The better international oil prices offset Colombia's lower production, resulting in a dollar terms increase of 27% y/y, despite the sector's export volumes being down by -30.42% y/y. The value of coal exports also expanded by 38.54% y/y, also owing to higher prices, while by volume it contracted by -14.05% y/y. Coffee exports contracted by -13.72% y/y in July, however, these recovered from the previous month's contraction (-43.2% y/y), showing an improvement in export volumes and as conditions normalized following the nationwide strike of April and May. In August, we expect the mining exports to continue leading the recovery.

The value of non-traditional exports was USD 1.75 bn in July, an increase of 27.5% y/y (chart 2 again). It is worth noting that manufacturing exports' expansion was 42.4% y/y, on the back of chemical products (a 34.2% y/y rise). Agricultural products such as bananas (+53.5% y/y gain) and plants used for perfumery (+52.4% y/y) drove the overall advance in non-traditional goods exports.

All in all, July's exports again showed positive effects from rising international commodity prices and improved demand for some manufacturing products. In July,

coffee exports presented better volumes compared to previous months affected by atypical transport conditions due to the national strike. As conditions normalized in July, we expect better numbers to continue in the future. There is also room for further improvements as the world solidifies its recovery path. While exports seem poised to keep rising in 2021, imports could see even more significant gains as domestic demand expands: we still expect a current account deficit of about -4.0% of GDP or wider in 2021, larger than the -3.3% deficit observed in 2020.

—Sergio Olarte & Jackeline Piraján

Chart 1

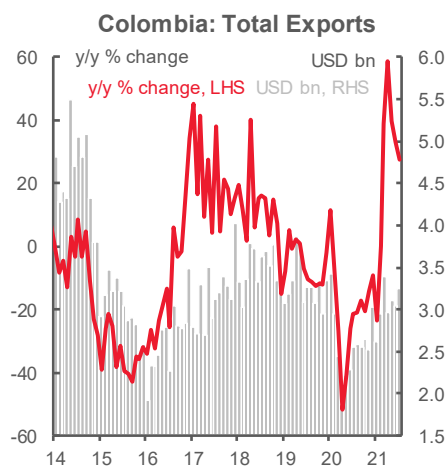
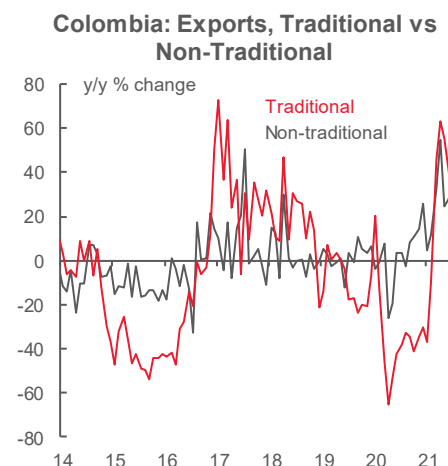


Chart 2



CONTACTS

Adriana Vega
613.564.5204
Scotiabank Economics
adriana.vega@scotiabank.com

Guillermo Arbe
+51.1.211.6052 (Peru)
Scotiabank Peru
guillermo.arbe@scotiabank.com.pe

Sergio Olarte
+57.1.745.6300 Ext. 9166 (Colombia)
Scotiabank Colombia
sergio.olarte@scotiabankcolpatria.com

Jorge Selaive
+56.2.2619.5435 (Chile)
Scotiabank Chile
jorge.selaive@scotiabank.cl

Eduardo Suárez
+52.55.9179.5174 (Mexico)
Scotiabank Mexico
esuarezm@scotiabank.com.mx

TODAY'S CONTRIBUTORS:

Jackeline Piraján
+57.1.745.6300 Ext. 9400 (Colombia)
Scotiabank Colombia
jackeline.pirajan@scotiabankcolpatria.com

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