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Latam Daily: Mexico Retail Sales and Economists Survey

Colombia: Imports moderated for seventh consecutive month in May

The PBoC's strong CNY fix, more support measures floated in China, and a beat in Aussie jobs carried markets overnight ahead of relatively quiet Europe and Americas calendars. Aside from a couple of outsized movers in FX markets, today's USD mood is mixed in +/-0.2% ranges against most majors (the MXN lags, down 0.3%), while rates markets suffer losses on nothing obvious but continuing yesterday's US hours weakness.

US equity futures are on the backfoot, especially in tech due to a Tesla profit warning and chipmaker TSMC guiding overnight a weaker than expected sales outlook and pointing to a less encouraging economic backdrop than three months ago (highlighting China). Oil prices are flat, while copper (+1.7%) and iron ore (+2.5%) get a nice lift from reports that authorities in China are looking into relaxing restrictions on home buyers and a China NDRC official saying that specific measures will be announced soon to support the private economy.

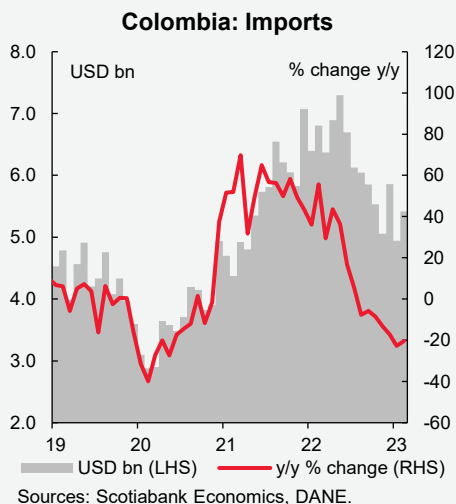
We close out the Latam data week today with Mexican retail sales for May out at 8ET and later in the day the results of the latest Citibanamex survey of economists. Tomorrow's regional calendar is bare of data or events but next week starts with the key release of Mexican H1-Jul CPI. That print will ultimately prove much more important for markets and Banxico expectations than May retail sales that are seen little changed m/m (+0.1%) while holding roughly around the year-on-year growth pace recorded in April (at 3.5% vs 3.8%).

Colombian markets are closed today for Independence Day but that doesn't mean we won't monitor developments in the country. Yesterday, Mining and Energy Minister Velez resigned her post amid accusations of influence peddling and we're on the lookout for who will replace her at the head of this key ministry. Velez had advocated for no more extraction/exploration permits in the country's oil and gas sector, so her departure could open the door for someone more market friendly to take her seat that would provide an additional tailwind to Colombian assets. On the other hand, Pres Petro could also choose someone that shares Velez's policy goals—but whether these can be realized remains to be seen.

In Peru, protests yesterday against the Boluarte government (that may continue in smaller numbers today) were relatively ordered and non-violent with only pockets of clashes and limited disruptions far from those seen earlier in the year after then-President Castillo's arrest in December.

—Juan Manuel Herrera

Chart 1



COLOMBIA: IMPORTS MODERATED FOR SEVENTH CONSECUTIVE MONTH IN MAY

On Wednesday, July 19th, the DANE (National Administrative Department of Statistics) published the import data for May 2023, which amounted to USD 5.4 billion CIF, representing a seventh consecutive month of annual contraction with a YoY decline of 20.4% compared to May 2022 (chart 1). This decline was primarily driven by a 17.8% decrease in manufactured goods, which contributed -12.5 p.p. to the overall variation.

In May 2023, manufactured goods accounted for 72.6% of the total CIF value of imports, followed by agricultural, food, and beverage products at 15.3%, fuels, and extractive industries at 12.0%, and other sectors at 0.04%.

Regarding Colombia's trade balance, a deficit of USD 599.2 million FOB was recorded in May 2023 (chart 2), compared to a deficit of USD 1.6 billion FOB last year. Therefore, the trade deficit decreased by 35.1% on a month-on-month basis (a deficit of USD 923.3 million FOB in April 2023).

The import data for May aligns with the gradual moderation of economic activity, inflation moderation, and the appreciation of the exchange rate, reaffirming our estimation that BanRep will maintain a stable monetary policy interest rate in the upcoming July meeting.

Regarding product groups, imports of manufactured goods in May 2023 amounted to USD 3.9 billion CIF, representing a year-on-year decrease of 17.8%. The second largest import group was fuels and extractive industries, with imports amounting to USD 651.0 million CIF, experiencing a contraction of 36.4% YoY. Within this group, petroleum, petroleum derivatives, and related products contributed the most to the decline (-36.3%), accounting for -31.5 percentage points of the total group's variation. The third largest import group was agricultural, food, and beverage products, with imports amounting to USD 830.2 million CIF, representing a decrease of 13.4% YoY in May 2023.

From the perspective of imports by economic use or destination, all three major groups remained in negative territory (chart 3):

- Imports of consumer goods amounted to USD 1.2 billion CIF, contracting by 8.7% YoY in May 2023. Non-durable consumer goods decreased by 8.0% YoY, driven by declines in beverages (-26% YoY), clothing and textiles (-25.2% YoY), food products (-19.4% YoY), and other goods (-10.2% YoY). As for durable consumer goods, they declined by 9.5% YoY, mainly due to decreases in weapons and military equipment (-98.9% YoY), domestic appliances (-34% YoY), furniture and household equipment (-13.9% YoY), and domestic utensils (-9.2% YoY). However, vehicle imports experienced an annual growth of 7.7% YoY in May 2023.
- Imports of raw materials and intermediate goods amounted to USD 2.6 billion CIF, representing a decrease of 26.9% YoY in May 2023. Notably, there was a 36.9% YoY decline in imports of fuels, lubricants, and convex products. This was followed by a 25.6% YoY contraction in raw materials and intermediate goods for the industry (excluding construction), and a 9.1% YoY decrease in raw materials and intermediate goods for agriculture.
- Imports of capital goods reached a value of USD 1.6 billion, experiencing a contraction of 16.2% YoY in May 2023. This decline was driven by decreases in transportation equipment (-21.5% YoY), capital goods for the industry (-14.6% YoY), and construction materials (-10%). On the other hand, imports of capital goods for the industry grew by 15.4% YoY in May 2023.

The May imports balance and trade deficit reflect the gradual adjustment process underway in the Colombian economy, aligning with the recent results for economic activity in May. Therefore, considering the appreciation of the exchange rate, inflation reduction, improved consumer confidence data, and the moderation of inflation expectations, Scotiabank Economics expected that the Central Bank will maintain stable interest rates at least until the fourth quarter of 2023.

Chart 2

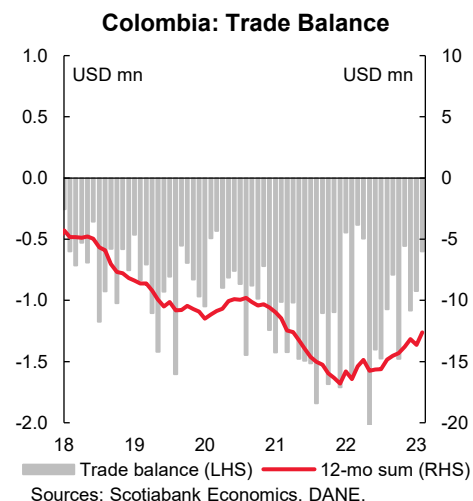
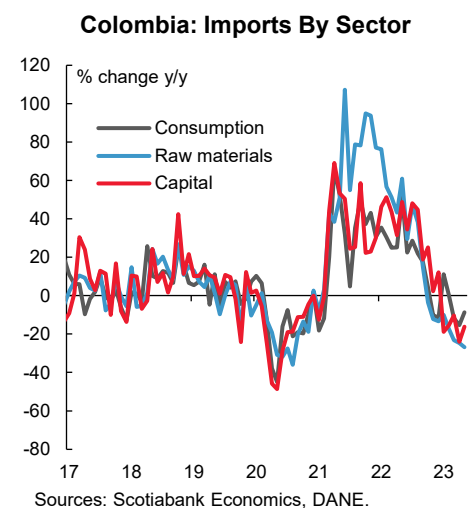


Chart 3



—Sergio Olarte, Jackeline Piraján & Santiago Moreno

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