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Latam Daily: Colombia Manufacturing Rebounds While Retail Sales Remain Negative

- **Colombia: Manufacturing broke the negative trend, while retail sales contracted again**

On Friday, June 14th, the National Institute of Statistics (DANE) published manufacturing and retail sales data for April 2024. Manufacturing production rebounded in annual terms with 4.1% after remaining in negative territory for thirteen months, while retail sales completed fourteen months with negative annual variations, standing at -1.6% y/y (chart 1).

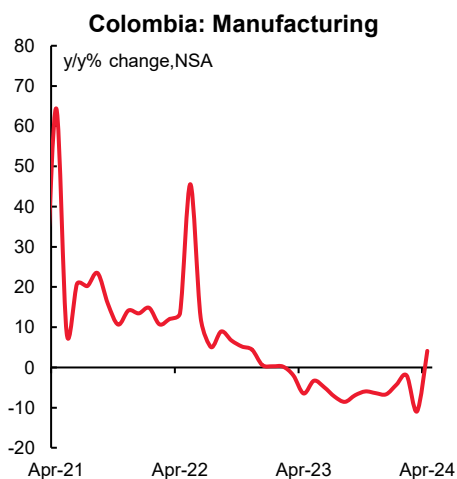
The real production of the manufacturing industry presented an annual variation of 4.1%, interrupting the negative trend of thirteen consecutive months. The result is positive for the dynamics of economic activity with twenty-two of the thirty-nine industries contributing positively to the total variation. It should be noted that the result includes a greater number of business days compared to the same month of the previous year, which contributes to a greater production volume. Among the industries that contributed to the positive variation, the production of beverages, the manufacturing of hygiene products, and the production of plastic products stand out, contributing 2.4 p.p. to the total.

In monthly seasonally adjusted terms, manufacturing production slightly recovered, increasing 0.13% compared to March. When analyzing the behaviour of the index (chart 2), a certain stagnation in production can be noted, which means that manufacturing activity would be hitting a floor, suggesting a moderate and progressive recovery in the coming months.

Regarding retail sales, the negative dynamic continued in April, but with a more moderate decline. In annual terms, retail sales fell 1.6%, while retail sales excluding sales of vehicles and motorcycles fell 1.8% y/y. The food component was one of the largest contributors to the negative variation, subtracting 1 percentage point from the variation, followed by the clothing items, which subtracted 0.8 p.p. On the positive side, automobiles and products associated with this segment compensated for part of the drop, a behaviour associated with a drop in the price of vehicles, which stimulates purchases (chart 3).

Although the result of manufacturing production is positive for economic activity, it is not ruled out that it is a seasonal behaviour and favoured by the business days; however, the result of retail sales does represent a recovery in consumption of some durable goods that had a negative dynamic, especially vehicles. It will be the result of the economic activity

Chart 1



Sources: Scotiabank Economics, DANE.

Chart 2



Sources: Scotiabank Economics, DANE.

indicator (ISE) that provides a broader overview of economic activity in general and adds to the key inputs for the next decision of the Bank of the Republic. At Scotiabank Colpatría Economics, a 50bps cut is expected at the June 28th meeting, bringing the rate to 11.25% (chart 4).

Key Highlights:

- Manufacturing production had a significant boost in April, registering a variation of 4.1% annually and 0.13% monthly. However, so far this year until April, there has been a -3.5% contraction in real production.
- The manufacturing of pharmaceutical products, the manufacturing of personal hygiene products, and the production of beverages are the areas with the best performance so far this year, being the ones that contribute the most to the accumulated total manufacturing production. Meanwhile, vehicle manufacturing has had the worst dynamics with a drop so far this year that exceeds 40%.
- Retail sales remain in negative territory with a variation of -1.6% y/y in April, but with a moderate growth of 0.5% in monthly terms. So far this year to April, sales were -3.3%.
- Food sales registered a drop of 5.3% y/y, subtracting 1 p.p. from the variation in total sales, which can be associated with the seasonal difference of Holy Week, given that in 2023 this holiday was celebrated in April, while in 2024 the holiday was in March. This generates an unfavourable statistical basis considering that greater food consumption is common on these dates.
- So far this year, sales of clothing and textiles have fallen the most with a variation of -14.3%. Meanwhile, sales of household appliances and furniture have had the best performance with a variation so far this year of 7.5%.
- In April 2024, fifteen of the eighteen service subsectors presented a positive variation in total income, compared to April 2023. Subsectors associated with communications are the only ones to present a negative behaviour.

—Daniela Silva

Chart 3

Colombia: Retail Sales

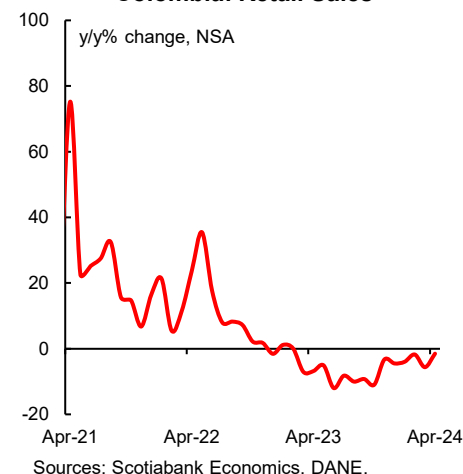
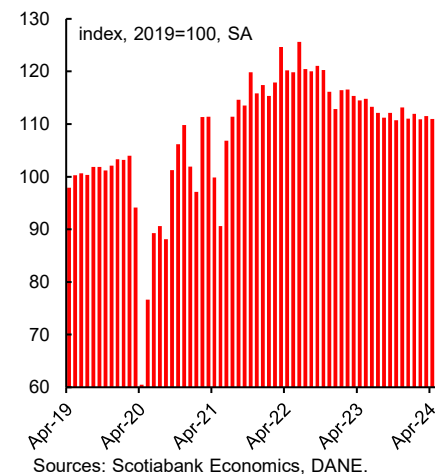


Chart 4

Colombia: Retail Sales Index



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