

Contributors

Juan Manuel Herrera
Senior Economist/Strategist
Scotiabank GBM
+44.207.826.5654
juanmanuel.herrera@scotiabank.com

Guillermo Arbe, Head Economist, Peru
+51.1.211.6052 (Peru)
guillermo.arbe@scotiabank.com.pe

Sergio Olarte, Head Economist, Colombia
+57.601.745.6300 Ext. 9166 (Colombia)
sergio.olarte@scotiabankcolpatria.com

Jorge Selaive, Head Economist, Chile
+56.2.2619.5435 (Chile)
jorge.selaive@scotiabank.cl

Eduardo Suárez, VP, Latin America Economics
+52.55.9179.5174 (Mexico)
esuarezm@scotiabank.com.mx

TODAY'S CONTRIBUTORS:

Daniela Silva, Junior Economist
+57.601.745.6300 (Colombia)
daniela1.silva@scotiabankcolpatria.com

Latam Daily: Colombia Econ Activity Recap

- **Colombia: Agricultural and public sectors drive growth, while the secondary sector contracts**

On Thursday, July 18th, DANE published the data from the Economic Activity Indicator (ISE) for May. The indicator stood at 2.4% (chart 1), exceeding the 1.2% expected by the market. The results illustrated that five of the nine sectors showed positive behaviour compared to the previous month, with the agricultural sector and public sector activities being the ones that added the most to the general result. In inter-monthly terms, the indicator contracted -0.4% (chart 2). Public sector activities in this case were the ones that decreased the most.

Economic activity was driven only by specific sectors due to seasonal effects. In April, economic activity showed a growth of 5.6% y/y, reflecting favourable behaviour in eight of the nine activities; however, May shows that the results of the previous month were the product of more working days for manufacturing production, and the response of the agricultural sector and utilities to the El Niño phenomenon. On top of that, economic activity remains weak, showing that the secondary industry and commerce continues to have difficulties in recovery, amid a lower consumer appetite.

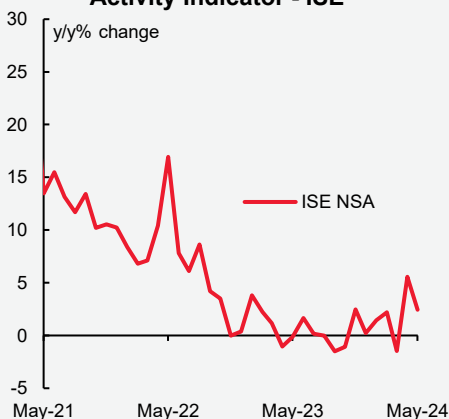
We believe that BanRep will cut its interest rate by 50 basis points at its meeting on July 31st. The data provides room for the Board to feel some peace of mind to continue with the cautious stance, however, the time for an acceleration in the rate cut could be close, if inflation returns to its downward path and if eventually the Board is somewhat worried about the low domestic demand.

Highlights:

- **The agricultural sector continues to drive the economy.** The primary industry had a growth of 4.60% y/y, associated with a better coffee and banana harvest that is reflected in better exports of both products.
- **Secondary activities fell -2.95% y/y in May.** The recovery observed in April is associated with more working days in 2024, something that could happen again in June. However, structurally, a sustained recovery in manufacturing is not seen, while the construction sector does not maintain good dynamics.
- **Tertiary activities maintain a positive performance, growing 3.15% y/y.** Activities related to the public sector continue to show good performance, growing 9.0% y/y in May. The utilities reflect the use of thermoelectric power for energy supply during the “El Niño” phenomenon. On the negative side, trade fell 0.2% y/y, reflecting weak demand behaviour (chart 3).

Chart 1

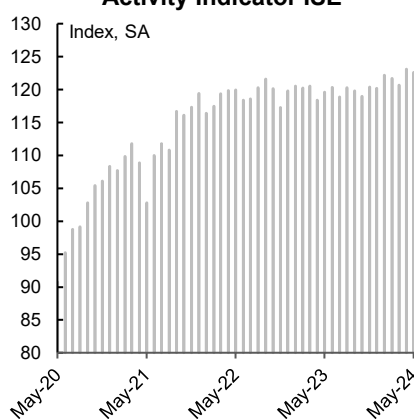
Colombia: Economic Activity Indicator - ISE



Sources: Scotiabank Economics, DANE.

Chart 2

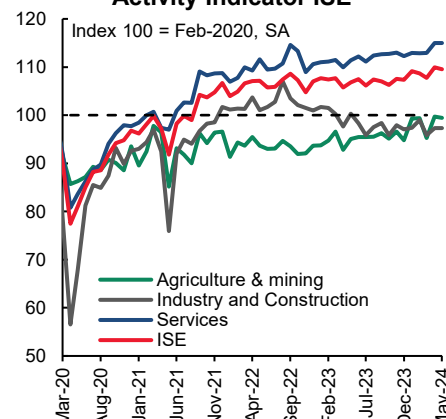
Colombia: Economic Activity Indicator ISE



Sources: Scotiabank Economics, DANE.

Chart 3

Colombia: Economic Activity Indicator ISE



Sources: Scotiabank Economics, DANE.

—Sergio Olarte & Daniela Silva

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