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# Latam Daily: Mexico Econ Activity; Colombia Imports Recap

## Colombia: Imports increase amid a favourable outlook for the agricultural sector

Markets are trading about how one would expect after Pres Biden quit the US presidential race on Sunday, with USTs flattening on slightly lower odds of Trump winning. All things considered, the 2.5bps 2s30s flattening is relatively modest, as markets may have already built in high odds of a Biden exit, but it could also reflect some caution while we await Harris-Trump polls and who Harris may choose as her running mate. It also remains to be seen whether US hours see a bigger reaction to the news.

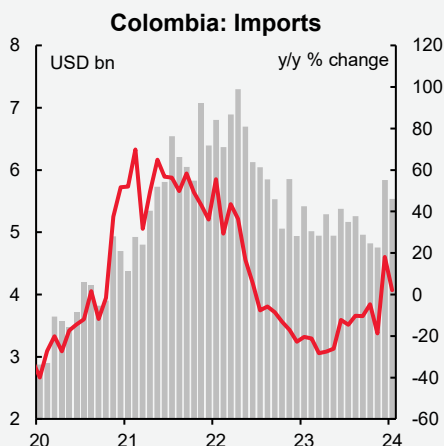
The risk mood is clearly positive in European stock indices in what may be a higher conviction trade on lower odds of a Trump-triggered global trade war, with Euro Stoxx up 1.2%. Chinese bourses failed to be lifted by a surprise PBoC 7-day repo rate cut that aimed to comfort the growth outlook after last week's Third Plenum disappointed with little announced in terms of support. US futures are up about half a ppt on average as Biden news and a simple retracement from last week's losses share the responsibility. The USD is mixed to weaker—with the MXN among the best performers, up 0.5% on reverse Trump trade action. Crude oil and copper are roughly flat while iron ore sheds 1%.

The Latam week kicks off with Mexican economic activity and retail sales data out today at 8ET, followed by the Citibanamex survey of economists in the afternoon. After a very strong performance in April, with a 5.4% y/y expansion that owed to the timing of Easter, Mexico's economy is forecast to have expanded by around 1.5% in May. Mexican economic growth has looked a bit more sluggish since Q4-2023 and today's print is a better reflection of that. The data should act as a reminder to markets that Banxico is facing a tough balancing act between weak growth and 5%+ inflation.

The bank's August 8 decision is too close to call, but we could have a very good idea of what awaits by the end of this week; as things stand, we expect a cut. Weak economic activity figures today and soft underlying inflation in the H1-Jul print on Wednesday means a 25bps reduction is in store. But, upside surprises to both data releases and/or core prices being clearly pressured by non-core inflation (i.e. higher food and energy prices passed on to consumers in services prices) leave the decision closer to a toss-up. We'll see what other economists have to say in today's Citibanamex survey results; in the early-July results, 19 of 33 expected an August cut, versus 10 for September, and 4 in November.

—Juan Manuel Herrera

Chart 1



Sources: Scotiabank Economics, DANE.

## COLOMBIA: IMPORTS INCREASE AMID A FAVOURABLE OUTLOOK FOR THE AGRICULTURAL SECTOR

On Friday, July 19<sup>th</sup>, DANE published import data for May 2024, which reached US 5.53 billion CIF, one of the highest levels of the last year. Compared to May 2023, imports grew by 2.16%, however, they slowed down slightly compared to the previous month (chart 1). Imports of raw materials were the ones that contributed the most to the variation (+2.9 ppts), while importing of capital goods offset the result.

May imports demonstrate the good dynamics that the agricultural sector has had so far this year. The agricultural sector was leveraging the growth of the economy. In May, the Economic Monitoring Indicator showed that the primary sector grew 4.6% y/y, which is reflected in greater imports of raw materials for agricultural production (+2.4%) related to better harvests, since the bulk of imports for agriculture fell -14.9% y/y, due to a significant drop in animal feed (-34.2 % y/y).

Regarding the secondary sector, it is evident that the construction sector maintains a negative dynamic. Imports of construction materials fell 20.1% y/y, related to a lower initiation of housing projects that have fallen by around 12% in the last year. Meanwhile, the industrial sector has had better dynamics in importing of raw materials and capital goods, especially related to the food, agricultural products, and pharmaceutical products sectors, as well as an increase in the importing of machinery.

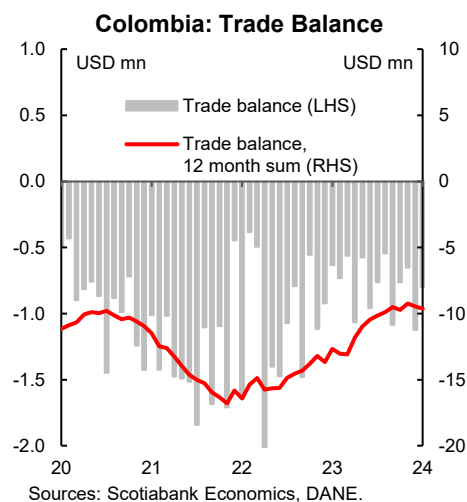
Regarding the imports of consumer goods, it can be assumed that there is a rearrangement of inventories by companies, given that demand has not yet shown a recovery. Non-durable consumer goods, especially food, show good dynamics and make us think that consumers would be adapting their consumption basket, demanding more defensive goods, and reducing their appetite for the demand for durable goods. The import of durable goods was positive (+1.3% y/y), however, the import of vehicles continues to be repressed.

The trade balance stood at US 789.5 million in May 2024 (chart 2), widening the gap compared to May 2023 (US 632.5 million), due to lower growth in imports compared to exports. However, compared to April 2024, the deficit was reduced by US 324.3 million. Exports have maintained good dynamics in recent months, given greater exports of agricultural goods and an oil sector that has been favoured by international prices, which contributes to the fall in the trade deficit.

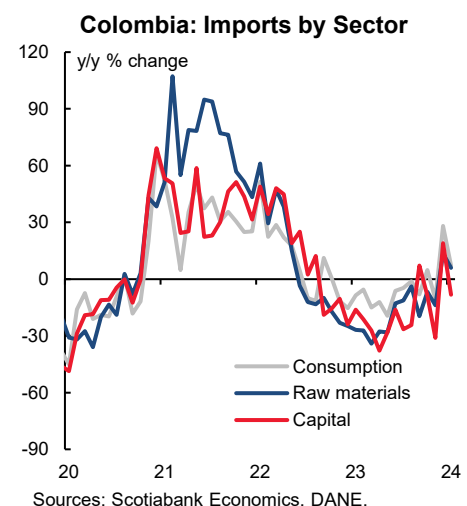
**Highlights:**

- Imports of intermediate goods and raw materials reached US 2.7 billion. Without considering the previous month, exports of intermediate goods in May are at the highest level since January 2023, growing 6.02% annually, and contributing 2.9 pts to the general result. Importing of raw materials for the industrial and fuel sectors increased by 9.13% y/y and 8.09%, respectively, while for the agricultural sector, they decreased by -14.9%, due to a lower purchase of animal feed.
- The importing of consumer goods increased 7.2% y/y, contributing 1.6 pts to the total. Non-durable consumer imports grew 12% y/y, while durable imports grew 1.31%. Importing of machines and appliances for domestic use stands out with a growth of 47.6% y/y and a contribution of 0.7 pts while the importing of vehicles is what offsets it with a contribution of -0.8 pts.
- The importing of capital goods saw a fall of 8.34% y/y and a contribution of -2.4 p.p (chart 3). Importing of transportation equipment and construction materials fell the most with -24.2% y/y and -20.8%, respectively. Meanwhile the industrial sector had an increase in its imports of 2.2% y/y.

**Chart 2**



**Chart 3**



—Sergio Olarte & Daniela Silva

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