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Latam Daily: Colombia September Retail Sales Increase While Manufacturing Production Decreases

- **Colombia: Retail sales and manufacturing production results were below expectations**

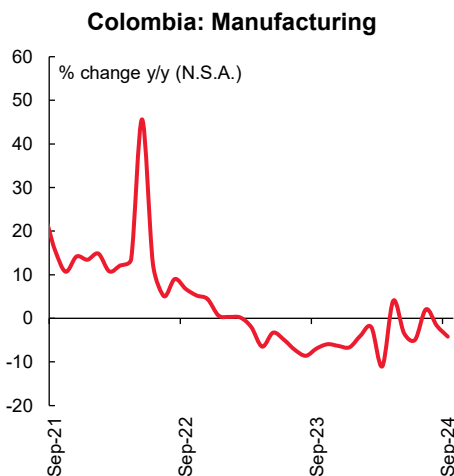
On Thursday, November 14th, the National Institute of Statistics (DANE) published the manufacturing production and retail sales data for September 2024. Manufacturing production decreased 4.2% compared to September 2023, below the -1.4% expected by the market (chart 1). Meanwhile, retail sales increased 1.5% y/y, below the 3.9% expected by the market.

Manufacturing output continued its negative trend and fell significantly during this period. The results for September showed a more positive performance of the manufacturing sector compared to the previous year (-4.2% y/y), but still with negative results. On a seasonally adjusted basis, activity appears to have stagnated (chart 2). In this context, the beverage industry, chemical products, and the steel industry recorded a negative trend and contributed significantly to the decline. In addition, the automotive market is still in the red due to the closure of Colmotores at the beginning of this year.

Retail sales remained in positive territory for the fourth consecutive month, but lost traction during this period. In September, retail sales recorded a 1.5% y/y growth, mainly due to higher vehicle sales (+14.8%) and telecommunication equipment sales (+25.4% y/y), which is positive and could respond to the price stability in tradable goods for many months, however, the impact of the FX volatility is something that we have to monitor. On the negative side, sales related to vehicle fuels, which fell by 7.1%, and the textile sector are the most worrying as they have been declining for twenty consecutive months, falling by 12.4% y/y during this period. In marginal terms, retail sales in September decreased by 0.54%, which is a significant deterioration compared the sector's recent behaviour (charts 3 and 4).

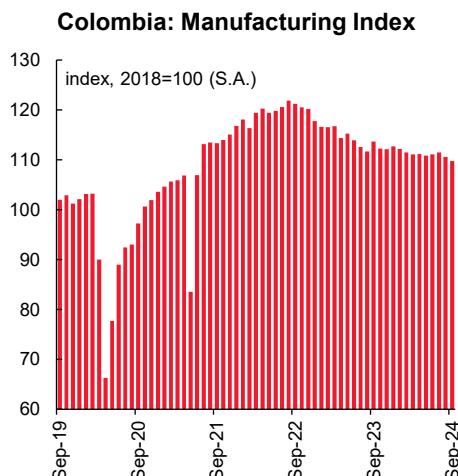
On Monday, November 18th, a broader picture of economic activity will be released with the publication of the ISE Economic Activity Index, in which we could see the recent figures for retail and the deceleration in manufacturing as well. However, it will be relevant to monitor whether the sectors that had a positive dynamic during the first half of the year continue this month in the same way or whether it will be time to see if the transitory effects in agriculture and public administration will weigh against growth. All in all, the economic performance so far this year is a reason for the central bank to continue the easing cycle, however it won't motivate an acceleration of this process. At Scotiabank Colpatria, the expectation is a 50bps rate cut at the monetary meeting on December 20th.

Chart 1



Sources: Scotiabank Economics, DANE.

Chart 2



Sources: Scotiabank Economics, DANE.

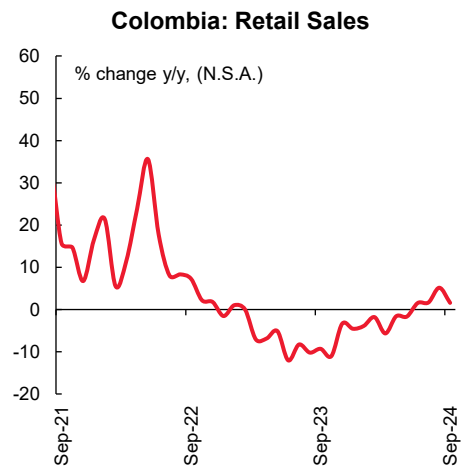
Ahead of Q3-GDP results, which will be released on November 18th, we project a 1.9% y/y expansion. However, our projection has an upside skew given the cumulated results of July and August. Despite today’s data being below expectations, we maintain our upside skew for the overall quarter.

Key Highlights:

- Manufacturing production decreased 4.2% y/y. Twenty-seven of the thirty-nine activities showed an annual decrease.** The beverage industry (-9.2% y/y), pharmaceutical industry (-19.2% y/y), mining products (-10% y/y) and iron and steel industry (-16.9% y/y) were the ones that contributed to the negative result for this month, contributing -3.4 pts. On the positive side, transport equipment (+35.4% y/y) and sugar and raw cane sugar production (+9.1% y/y) contributed +0.5 pts to the result.
- Retail sales grew 1.5% y/y. Eleven of the nineteen activities registered positive variations.** Vehicle sales (+14.8% y/y), telecommunication equipment sales (+25.4% y/y), other vehicle sales (+12.5% y/y) and household appliance sales (+9.5% y/y) were the ones that contributed the most to retail sales growth. Meanwhile, on the negative side, vehicle fuels (-7.1% y/y), clothing (-12.4% y/y) and vehicle parts (-4.5% y/y) were the ones that subtracted the most from the total.
- So far this year, from January to September, the sale of textile products has registered the greatest deterioration** with a drop of -12.8% compared to the same period in 2023, while the sales of telecommunication equipment and household appliances have had the best performance.

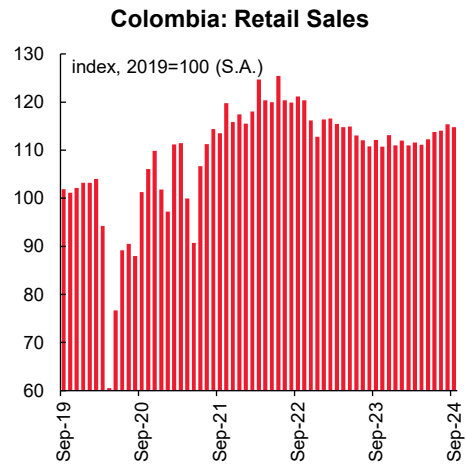
—Jackeline Piraján & Valentina Guio

Chart 3



Sources: Scotiabank Economics, DANE.

Chart 4



Sources: Scotiabank Economics, DANE.

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