Scotiabank

GLOBAL ECONOMICS

LATAM DAILY

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Latam Daily: Colombia Imports Maintain Positive Trend in September; Peru Cement Sales Up

- **Colombia: Imports support expectations of domestic demand recovery**
- **Peru: Cement sales growth in October**

COLOMBIA: IMPORTS SUPPORT EXPECTATIONS OF DOMESTIC DEMAND RECOVERY

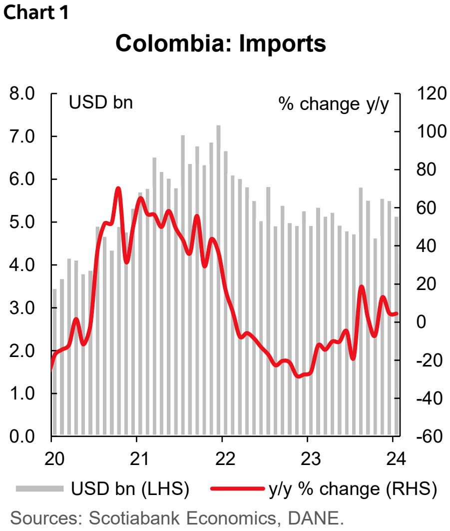
On Wednesday, November 20th, DANE published the import data for September 2024. Imports reached USD 5.16 bn CIF, a level lower than that of August 2024 (-6.7% m/m) but registering a growth of 4.4% in annual terms, maintaining the positive trend for the third consecutive month (chart 1). The import of manufactured products was the one that contributed the most to the annual growth, with a share of 75.7% (US$ 3.90 bn) contributing 3.8 ppts to the total variation, followed by the import of agricultural products, food, and beverages that contributed 2.4 ppts, while the import of fuels countered with 1.8 ppts.

The results of economic activity in the third quarter showed a recovery in the consumption of durable and non-durable goods, a behaviour that can be reflected in an increase in imports of consumer goods. Imports of consumer goods in September increased 13.8% y/y, with a more pronounced growth in the import of durable goods (+19.9% y/y) mainly associated with an increase in the import of vehicles. The figures lead us to assume a better dynamic of consumption, however, it should not be ruled out that the average exchange rate in September 2024 was around 200 pesos higher than the average level of September 2023.

The import of raw materials registered a positive balance despite the contraction of fuel imports. The growth of imports of raw materials for the agricultural sector stands out, which had remained in negative territory for 8 consecutive months but rebounded in September with 9.1% y/y. For its part, the industrial sector shows a positive dynamic in the import of raw materials and capital goods, while the import of construction materials continues to grow in double digits, which could mean a better dynamic for the sector in the coming months.

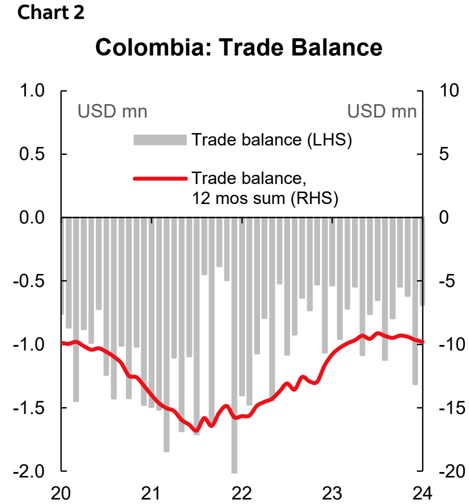
The trade balance stood at USD 687 million, widening the deficit compared to September 2023 (USD 534.7 million) (chart 2). In September, exports contracted mainly due to the export of traditional products, especially mining products that have been impacted by the fall in oil prices internationally.

Chart 1



Sources: Scotiabank Economics, DANE.

Chart 2



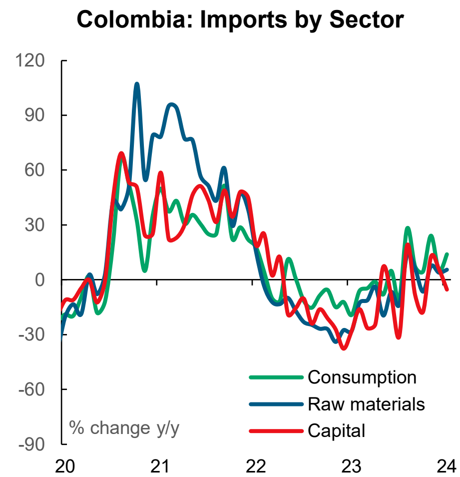
Sources: Scotiabank Economics, DANE.

Key Highlights:

- **Consumer imports remain positive. In September, imports of consumer goods grew 13.9% y/y, contributing 3.6 ppts to total import growth.** Imports of non-durable goods grew 9.6% y/y, driven by food and beverage products, while the textile sector remains negative. Exports of durable goods increased 19.9% y/y, driven by imports of automobiles and household items.
- **Imports of raw materials grew 5.4% y/y (chart 3).** Imports of intermediate goods and raw materials increased in the agricultural and industrial sectors with growth of 9.1% y/y and 11.6% y/y, respectively, while fuel imports partially offset the result with a contraction of -16.8% y/y.
- **Imports of capital goods represent an encouraging outlook for construction.** Imports of capital goods contracted by -5.4% y/y, however, imports of construction materials increased by 36.5% y/y, which is associated with civil works, since building works presented a negative balance in the results of the Q3 GDP. Imports of capital goods for agriculture and industry also showed growth of 27.8% y/y and 5.4% y/y, respectively. However, imports of transport equipment were the ones that offset the result with a fall of -36.3% y/y.

—Valentina Guio & Daniela Silva

Chart 3



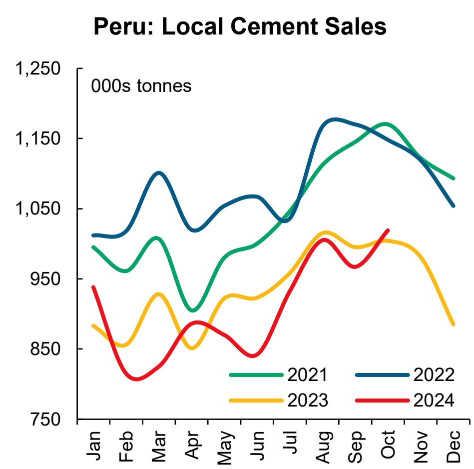
Sources: Scotiabank Economics, DANE.

PERU: CEMENT SALES GROW IN OCTOBER

Local cement sales grew in October, after five consecutive months of decline. Cement sales grew 1.5% YoY in October, a positive result not seen since April of this year (+4.1%), see chart 4. In October, sales reached 1.02 millions of tons, the highest monthly volume in 2024, and the highest since December 2022, according to the Cement Producers Association (Asocem). However, in cumulative terms, local cement sales fell 2% between January and October of this year compared to the same period of the previous year.

October's result was somewhat above what we were expecting, as we were projecting growth of close to 1%. The higher availability of extraordinary revenues, due to the release of pension funds, as well as lower inflationary pressures, both in food and construction materials, explained the demand for cement for the self-construction segment. Demand in this segment is significant, as it accounts for approximately 70% of cement demand in the domestic market. In addition, there was strong demand in public investment projects and in the real estate market, especially in the residential segment in Lima.

Chart 4



Sources: Scotiabank Economics, Asocem.

For the remaining months, we expect a positive performance in cement demand. As a result, cement sales would grow by just over 2% for Q4-24, and thus annual cement demand at the end of 2024 would be similar to what was recorded in 2023. This projection considers the anticipated increase in real income levels for the population for the remainder of 2024, due to lower inflationary pressures. This situation is expected to boost demand in the self-construction segment. Additionally, we expect a strong performance in public investment and the real estate market in Lima. It's also important to note the base effect, as local cement sales declined by nearly 13% in Q4-24.

—Carlos Asmat