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Latam Daily: Colombia's Imports Increased in May

- **Colombia: High imports widen trade deficit**

COLOMBIA: HIGH IMPORTS WIDEN TRADE DEFICIT

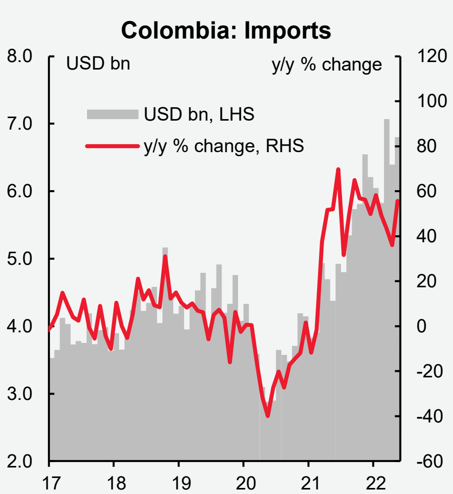
Import data for May released by the Dane statistical agency on July 19 came in at USD 6.80 bn (CIF terms), increasing by 55.6% y/y (chart 1), and up from the previous month's figure (USD 6.39 bn). The monthly trade deficit stood at USD 1.7 billion, higher than the May 2021 figure of USD 1.01 bn, while the year-to-date trade deficit was USD 7.07 bn, 31% above from the same period of 2021 (chart 2). The wider trade deficit reflects an asymmetrical impact with respect to international import prices, which have increased by more than export prices, but also the effects of a robust recovery in economic activity. **These results affirm our projection of a current account deficit equal to 5% of GDP in 2022.**

Purchases of fuel oil and transport equipment rebounded in May, while imports of capital goods for the industrial sector continued to moderate. Mining-related exports grew by 207.3% y/y, accounting for the biggest positive contribution to annual imports growth, while agriculture-related imports increased by 47.4% y/y, fueled by higher international prices. Manufacturing-related imports grew by 41.5% y/y.

From the perspective of imports by use, three major components showed strong increases compared with May 2021 (chart 3):

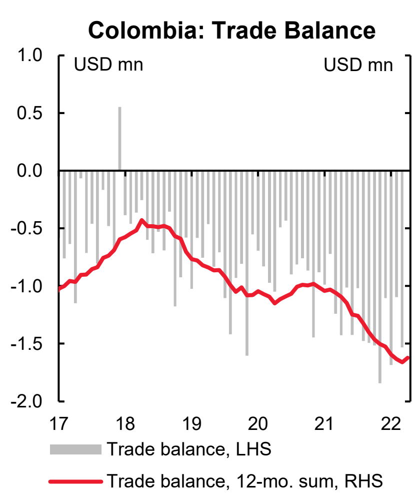
- **Consumption goods imports (USD 1.34 bn) increased by +10.4% y/y.** Durable and non-durable goods imports increased by +54.0% y/y and +49.5% y/y respectively. In the case of non-durable goods, food purchases (+58% y/y) led the increase, while vehicle purchases (+41.8% y/y) drove durable good imports.
- **Raw-materials imports grew by 61.1% y/y, to USD 3.61 bn, and remained the main contributor to the overall increase in imports.** Imports of fuel oil (+238% y/y) reached a new historical high, reflecting the effect of higher international prices. Raw material imports for agriculture (+68.4% y/y) and industrial activities (+33.4% y/y) posted strong annual increases.
- **Capital good imports (USD 1.86 bn) were up 48.9% y/y.** Purchases of investment-related goods led the gains (+37.7% y/y), though moderated somewhat from the previous month. Imports of transportation equipment (+83% y/y) increased, which may be a sign of sustained economic recovery.

Chart 1



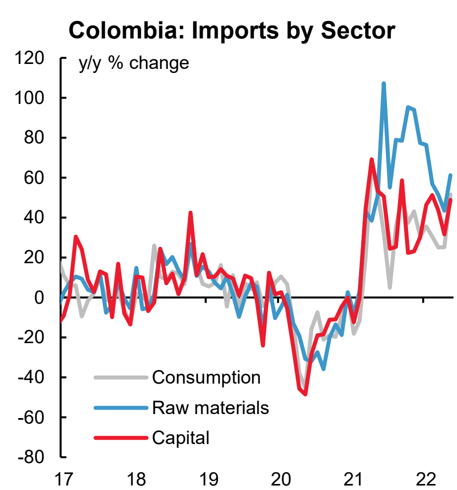
Sources: Scotiabank Economics, DANE.

Chart 2



Sources: Scotiabank Economics, DANE.

Chart 3



Sources: Scotiabank Economics, DANE.

While imports in May posted strong results on a year-over-year basis, import growth is moderating in monthly terms, possibly pointing to supply difficulties with respect to some raw materials and capital goods, especially in the agricultural and manufacturing-related sectors.

We expect the current account deficit to total USD 17 bn in 2022, equivalent to 5% of GDP. In terms of financing, the prevalence of capital goods imports points to higher FDI, which relieves financing pressures. **However, the external deficit remains a key issue of concern, one that could limit the peso's upside over the medium-term.**

—Sergio Olarte, Maria (Tatiana) Mejía & Jackeline Pirajián