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Latam Daily: Chile's Exchange Rate; Colombia's Exports

- **Chile:** Measures to support households against inflation coming as exchange rate nears CLP 1,000
- **Colombia:** Exports moderate in May as non-commodity exports reach a new high

CHILE: MEASURES TO SUPPORT HOUSEHOLDS AGAINST INFLATION COMING AS EXCHANGE RATE NEARS CLP 1,000

The CLP has been the worst performing emerging market currency in recent days (chart 1). In our view, the depreciation of the CLP goes beyond external factors and is driven by higher domestic political uncertainty and portfolio balance effects (see our [Latam Flash June 22](#)). After the exchange rate reached CLP 919, on June 24, the Ministry of Finance (MoF) announced the sale of USD 5 bn at a rate of USD 200 million per day as we predicted. Now, the MoF has indicated that “Chile’s government is monitoring the exchange rate situation and will define support measures to alleviate the effect that the weakness of the peso may have on local prices”, in a context in which the CLP is close to the CLP 1,000. We interpret that phrase as signaling forthcoming direct transfers/subsidies to low-income families. But, additionally, it may also foreshadow the announcement of macro- and/or micro-prudential measures to contain the volatility and limit speed of depreciation of the CLP associated with dollarization by households and companies.

—Anibal Alarcón

COLOMBIA: EXPORTS MODERATE IN MAY AS NON-COMMODITY EXPORTS REACH A NEW HIGH

According to statistical agency DANE’s data release on Wednesday, July 6, monthly exports stood at USD 4.55 bn in May, up 47.0% y/y, (chart 2), down from April’s figure of USD 5.46 bn. On a year-over-year basis, traditional commodity (mining and coffee) exports contributed the most to exports, reflecting higher commodity prices and statistical base effects on coffee exports (attributable to the nationwide strike last year). Non-traditional exports also increased, growing 36.9% y/y and reaching a new historical high.

- **Traditional exports were up 55.5% y/y in May (chart 3), again showing a positive reaction to higher commodity prices. Coffee exports rebounded 125.2% y/y, partially as a result of a statistical base effect from the nationwide strike one year ago.** Oil shipments expanded by 44% y/y, with a contraction of 11.89% y/y in metric tons, while coal sales expanded by 60% y/y, though export volumes contracted by 42.3% y/y. It is worth noting that in monthly terms, coal exports contracted significantly (63% m/m).

Chart 1

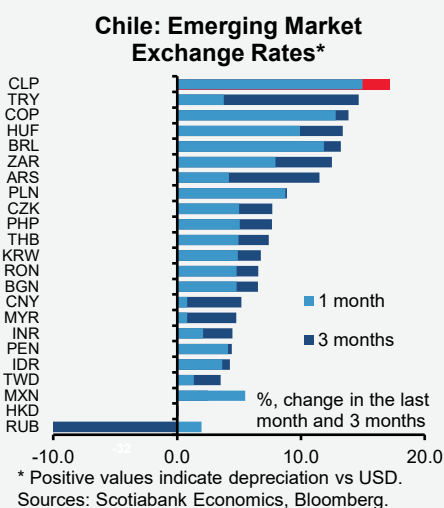


Chart 2

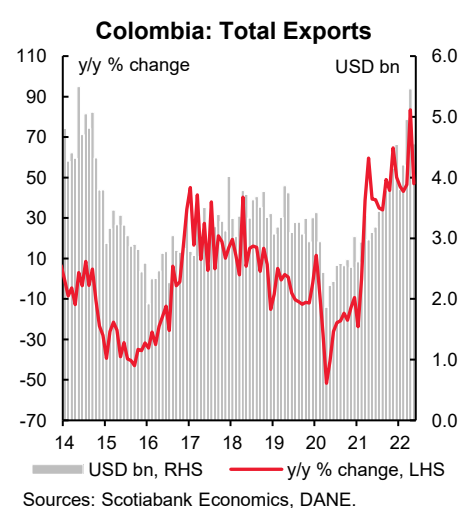
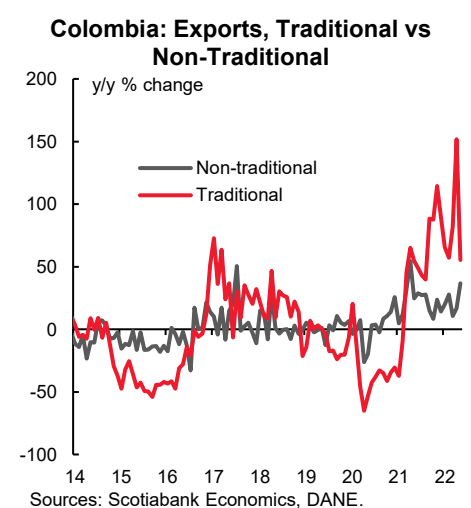


Chart 3



July 7, 2022

- **The value of non-traditional exports was USD 1.92 bn (+36.8% y/y) in May, a new historical high (chart 3).** Manufacturing exports drove the overall advance, with an expansion of 68.1% y/y, on the back of diverse manufacturing goods (+98.5% y/y). In the case of agricultural products (+49.6% y/y), the main contributions came from palm oil (+48.1% y/y), flower exports (+16.6% y/y), and other agricultural products (+57.6% y/y). Agricultural exports are also driven by higher international prices.

On balance, exports in May paint a mixed picture. The positive contribution from higher commodity prices continued, but monthly coal exports retreated as delays in maintenance and investment led to a moderation in production. The good news on the non-traditional side is probably associated with stronger economic activity in main trading partners as well as higher international prices. We estimate the current account deficit in 2022 will be around USD 17 bn as imports are also increasing robustly. As a percentage of GDP, however, the deficit would represent around 5% or less owing to better-than-expected economic activity. Nevertheless, a high external deficit would limit the upside potential of the Colombian peso.

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

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