

#### Contributors

**Guillermo Arbe**, Head Economist, Peru  
+51.1.211.6052 (Peru)  
[guillermo.arbe@scotiabank.com.pe](mailto:guillermo.arbe@scotiabank.com.pe)

**Sergio Olarte**, Head Economist, Colombia  
+57.1.745.6300 Ext. 9166 (Colombia)  
[sergio.olarte@scotiabankcolpatria.com](mailto:sergio.olarte@scotiabankcolpatria.com)

**Jorge Selaive**, Head Economist, Chile  
+56.2.2619.5435 (Chile)  
[jorge.selaive@scotiabank.cl](mailto:jorge.selaive@scotiabank.cl)

**Eduardo Suárez**, VP, Latin America Economics  
+52.55.9179.5174 (Mexico)  
[esuarezm@scotiabank.com.mx](mailto:esuarezm@scotiabank.com.mx)

#### TODAY'S CONTRIBUTORS:

**María Mejía**, Economist  
+57.1.745.6300 (Colombia)  
[María1.Mejía@scotiabankcolpatria.com](mailto:María1.Mejía@scotiabankcolpatria.com)

**Jackeline Piraján**, Senior Economist  
+57.1.745.6300 Ext. 9400 (Colombia)  
[jackeline.pirajan@scotiabankcolpatria.com](mailto:jackeline.pirajan@scotiabankcolpatria.com)

## Latam Daily: Colombia's Imports Widen Trade Deficit

- Colombia: Imports remain elevated, as higher prices and strong domestic demand widen the trade deficit

### COLOMBIA: IMPORTS REMAIN ELEVATED, AS HIGHER PRICES AND STRONG DOMESTIC DEMAND WIDEN THE TRADE DEFICIT

February import data, released by DANE on Thursday, April 21, came in at USD 5.83 bn (CIF terms), expanding by 49.2% y/y (chart 1), down slightly from the historical high reached in November 2021 (USD 6.55 bn). The monthly trade deficit stood at USD 1.1 bn, and the YTD trade deficit was USD 2.79 bn, 63% above from the same period of 2021, showing that the external deficit remains a challenge in 2022 (chart 2).

February's imports decreased from January, mainly on lower purchases of raw materials by the industrial sector, which points to possible logistical difficulties and supply chain disruptions. Manufacturing imports grew by 45.9% y/y, accounting for the biggest positive contribution to annual imports growth, while agriculture-related imports increased by 17.1% y/y, and mining-related imports grew by 64.8% y/y.

From the perspective of imports by use, three major segments increased significantly compared with February 2021 (chart 3):

- Consumption-goods imports** increased by +30.5% y/y and stood at USD 1.15 bn. Both durable and non-durable goods imports increased over previous months and in annual terms expanded by +30.5% y/y and +56.9% y/y, respectively. In the case of non-durable goods, pharma and cleaning-related products led the annual increase (+34.4% y/y) reflecting the effect of vaccines purchases by the government. Purchases of beverages contracted by 25.9% y/y. In the case of durable goods, vehicles purchases (+11.2% y/y) and machines and home appliances (+46.2% y/y) increased, with both components reflecting the effect of high international prices.
- Raw-materials imports** grew by 56.9% y/y to USD 2.95 bn and remained the main contributor to the overall increase in imports. Industry sector imports (+48.3% y/y) lead the gains, followed by fuel imports (+109.0% y/y). The latter increase points to the spike in international prices compared with one year ago. In this regard, imports related to chemical products and mining products led to the gains in the raw materials group, which reflect high international prices and still-strong domestic demand.

Chart 1

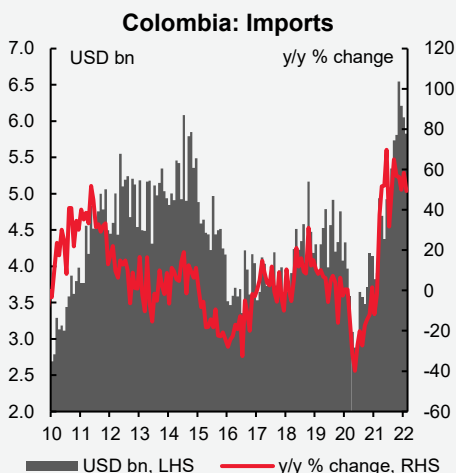


Chart 2

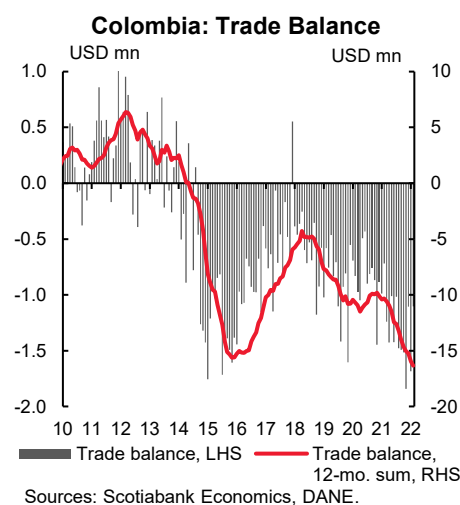
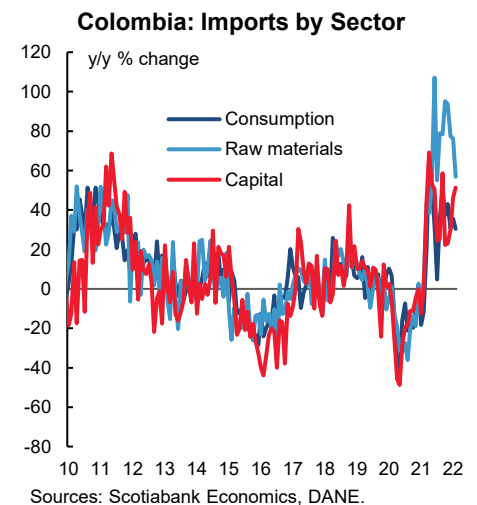


Chart 3



April 22, 2022

- **Capital-goods imports** were up by 51.3% y/y to USD 1.72 bn. Purchases of investment-related goods by industry (+37.5% y/y) accounted for the largest contribution, followed by transport equipment (+92.8% y/y). The overall group remains strong, though purchases of capital goods for the agricultural sector weakened. (This development is worth monitoring going forward, especially on the back of higher international prices and bottlenecks in international trade transportation.)

**All in all, imports remained high in February, reflecting higher international prices as well as the ongoing economic recovery.** The trade deficit continued to widen, affirming the asymmetric impact of international prices on imports and exports. Despite these trends, however, we expect the current account deficit to fall to 5% of GDP in 2022 owing to a growing denominator (GDP), as the nominal current account deficit is likely to remain around USD 17 bn. In terms of financing, the prevalence of capital goods imports points to high FDI, which generate debt-servicing capacity. Nevertheless, in our view, external deficits remain a key issue of concern in Colombia's macroeconomic metrics.

—Sergio Olarte, Maria Mejía, & Jackeline Piraján

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