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Latam Daily: Chile's Debt Outlook; Commodity Prices Drive Colombia's Exports

- **Chile:** MoF estimates that public debt will stabilize below 45% of GDP by 2026
- **Colombia:** Exports increased 46.9% y/y in March, reflecting higher commodity prices

CHILE: MOF ESTIMATES THAT PUBLIC DEBT WILL STABILIZE BELOW 45% OF GDP BY 2026

On Tuesday, May 3, the Ministry of Finance (MoF) published its quarterly Public Finance report for the first quarter of 2022. A key change from the last report was the downward revision in the GDP projection for 2022, which decreased from 3.5% in December to 1.5%. According to the MoF, the projection is consistent with a -1.0% contraction in domestic demand in 2022 (from +2.6%). Scotiabank Economics projects GDP growth of 3.0% this year. The MoF also revised its CPI inflation forecast upwards, from 6.5% to 8.9% on average for 2022.

For 2022, the MoF projects a structural fiscal deficit of 3.3% of GDP (compared to 2.8% of GDP in the December projection) and a slight increase in public debt from 38.7% of GDP to 38.8%. The government expects the structural deficit will decrease by 0.75% of GDP per year, to -0.3% of GDP to 2026. This path is consistent with a fiscal balance of -1.7% of GDP in 2022, reaching -0.5% of GDP to 2026. Lastly, the MoF projects an increase in public debt to 43.9% of GDP to 2026, above the 39.8% of GDP estimated in the December's report.

—Jorge Selaive, Anibal Alarcón, & Waldo Riveras

COLOMBIA: EXPORTS INCREASED 46.9% Y/Y IN MARCH, REFLECTING HIGHER COMMODITY PRICES

According to statistical agency DANE's data release on Tuesday, May 3, monthly exports stood at USD 4.97 bn in March, up 46.9% y/y (chart 1). Growth came from continuing robust traditional exports, with non-traditional exports also contributing to the strong export performance.

Traditional exports were up 82.8% y/y in March (chart 2), driven by higher international commodity prices. Oil exports expanded by 78.11% y/y in value terms, with an increase of only 2.4% y/y in metric tonnes. Coffee and coal expanded by 49.6% y/y and 134.1% y/y, respectively, as higher prices offset a decrease in quantity of coffee exported (-6.99% y/y) and added to a moderate expansion in coal exports (+18.32% y/y).

Chart 1

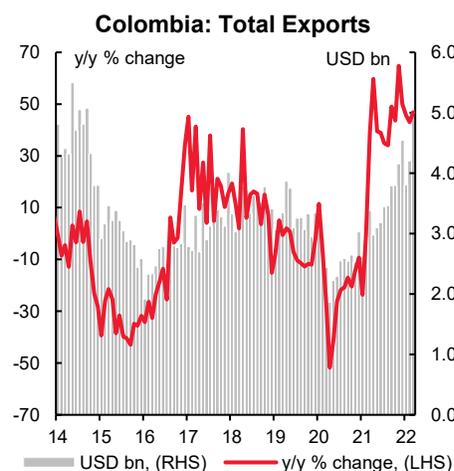
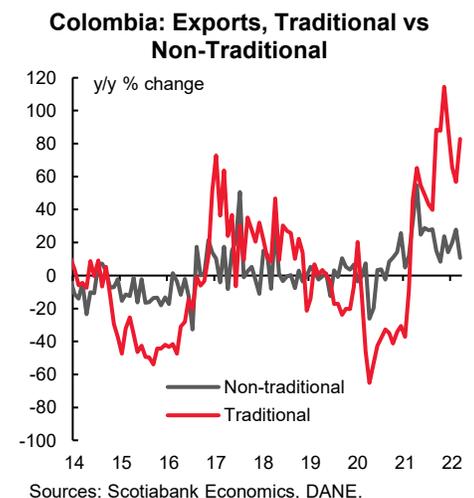


Chart 2



May 4, 2022

The value of non-traditional exports was USD 1.87 bn in March, up 10.7% y/y, reaching a historical high (chart 2 again). Manufacturing exports drove the overall advance in non-traditional goods exports with an expansion of 28.3% y/y on the back of diverse manufacturing goods (+45.3% y/y) and chemical products (+27.6% y/y). The contribution of agricultural products was more modest but still showed good dynamics in cattle exports (+71.2% y/y) and flowers exports (+10% y/y).

All in all, exports reflect a positive performance supported mainly by higher commodity prices. Non-traditional exports are also posting new records, especially manufacturing exports, as external demand remains supportive. However, the current account deficit remains high in nominal terms this year (USD 17 bn) as imports are also increasing. As a percentage of GDP, the deficit is around 5% given better-than-expected economic activity. That said, the currency faces real-side headwinds, which point to challenges in terms of a sustained appreciation relative to the USD.

—Sergio Olarte, Maria Mejía, & Jackeline Piraján

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