

Colombia's economic growth

Economic activity recovered strongly at the beginning of 2021

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First-quarter GDP grew 1.0% YoY

In the first quarter of 2021, GDP grew 1.0% over the same period in 2020 (YoY) and had a significant increase, of 2.9%, over the previous quarter (QoQ). The economic dynamics went from less to more, as at the beginning of the year it was affected by the confinements located in many cities of the country. Then, in February and March, the recovery consolidated, mainly driven by consumption and investment. Especially in March, many sectors had already recovered to their pre-pandemic level, a milestone that we believed would be achieved later in the year.

- Domestic demand (1.6% YoY and 2.3% QoQ) continues to be the main support for the economic recovery, although exports are already showing better performance at the margin (-8.3% YoY and +13.3% QoQ).
- Household consumption performed better in goods (4.0% YoY) than in services (-0.5% YoY), the latter still affected by restrictions on social interaction sectors, especially at the beginning of the year. The group of goods, led by durable goods (13.1% YoY, which includes automobiles) and semi-durables (11.7% YoY, which includes some household appliances), continues to show a remarkable recovery and is already 9% above its pre-pandemic levels.
- In final consumption, the 4.6% growth in public consumption was also important.
- Fixed investment continued its recovery. The dynamism of the machinery and equipment component was maintained, which had been occurring since last year, and a better performance of construction, a sector that had fallen sharply in 2020, was added. As a result, investment in machinery is 17% above its pre-pandemic level, while construction is 18% below.
- By economic sector, eight of the twelve economic sectors had a positive year-on-year change. Those falling are: mining, utilities, construction, and trade, transportation and tourism.
- The monthly economic tracking index -ISE by spanish name- grew by 11.8% YoY in March, for the first time since the beginning of the pandemic, reflecting the good performance of most of the indicators in that month. Indeed, retail sales grew by 20.1%, manufacturing production by 20.7% and building construction by 15.1%.
- The confinements due to the pandemic that occurred in April and the beginning of May and, mainly, the economic effect of the protests may have set back the dynamism of the economy. Added to this is the sharp drop in consumer confidence, which may halt some household spending decisions.
- Although the second quarter will undoubtedly have positive growth compared to the same period a year ago, because at that time the economy was in much greater confinement, its performance compared to the first quarter may reflect a quarter-on-quarter decline.
- All in all, BBVA Research estimates 5.5% growth for the full year 2021, for now without significant biases, as the strong growth in the first quarter, which we estimated with a lower dynamism, is offsetting the negative effect of the second quarter protests and confinements. However, we will continue to analyze the impact of the

protests because the final effect on production and economic agents' expectations will depend on their prolongation and intensity and their effect on the country's productive structure.

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