

Colombia's economic growth

Recovery continued, albeit limited by logistical problems in the second quarter

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Second-quarter GDP grew 17.6% YoY

In the second quarter, GDP grew by 17.6% year-on-year. The low statistical base boosted the result, while resilience was maintained despite logistical problems stemming from the protests. GDP fell 2.4% quarter-on-quarter, with negative results in April and May and a rebound in June.

- Domestic demand continues to be the basis for explaining the result with growth of 23.0% year-on-year and a contribution of 24.4 percentage points (p.p.) to the total variation in GDP. Meanwhile, external demand contributed negatively to GDP (-6.8 p.p.) due to the better balance of imports over exports.
- In domestic demand, fixed investment had the best dynamics (+32.0% year-on-year), thanks to the impulse of investment in machinery and equipment (+58.7%) and housing (+29.4%).
- Final consumption grew 21.8% year-on-year, with a significant acceleration in private consumption (25% year-on-year and +2.2% quarter-on-quarter) and an outstanding performance of public consumption (9.9%). The latter was driven by public health expenditures associated with vaccines.
- Among the 12 major branches of activity, seven sectors have already surpassed their pre-pandemic production levels and the remaining five show a significant recovery dynamic (with the exception of mining).
- Compared to the previous months, the economy fell in April and May, by 1.7% and 5.3% month-on-month, respectively. Then, in June, activity rebounded by 7.4% compared to May. The declines are explained by the localized confinements in April and the logistical effects of the protests in April and May. In June, there was a better balance in the transportation and warehousing sector, reflecting a gradual return to normal conditions.
- In June the economy was very close to its pre-pandemic level: only 0.2% below (at 99.8%). This strengthens our view that in the third quarter the economy will fully reach its pre-COVID-19 level.
- BBVA Research expects 7.5% growth by 2021. In the coming quarters, the annual growth rate is expected to decelerate due to the moderation of statistical base effects. Nevertheless, the economy will continue to expand at the margin, as shown by the most advanced indicators available for the third quarter: household and business confidence is on a recovery path, energy demand continues to grow (corresponding to increased productive activity) and BBVA's digital spending continues to expand.
- We will have to keep an eye on the progress of the pandemic, the risks associated with the new delta variant and the socio-political context, which will become more relevant in the coming months as the 2022 elections draw nearer.

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