

Economic growth in Colombia

The first quarter of a year of economic transition

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Main messages

- In the first quarter of 2023, GDP grew 3.0% YoY and 1.4% QoQ.
- Domestic demand fell 0.1% YoY (a drop for the first time since Q4 2020) and 0.6% QoQ, completing the second consecutive quarter with QoQ declines. This deterioration in demand was led by fixed investment and inventory deaccumulation. Private consumption, on the other hand, had a heterogeneous performance: positive in services and non-durable goods, and negative in durable and semi-durable goods.
- The services sectors led the performance of the economy, especially those corresponding to financial activities, arts and entertainment activities, and public administration, education and health. In addition, the agriculture and mining sectors returned to growth in YoY terms, after two consecutive negative periods and a negative result for the total of 2022 in the case of agriculture and a quarter with a drop in the case of mining.
- The exception to these results is the construction sector and, within this, investment in civil engineering works, both with negative results. It is striking that since this is the last year of mayors and governors, the execution of investment budgets has not accelerated and that the GDP of this sector, so dependent on the execution capacity of local governors, has accelerated its fall at the beginning of the last year of their term of office. At a time of economic slowdown, it is necessary for public spending to be executed quickly and efficiently, as this will help to offset the negative effects on employment and the general dynamics of the economy.
- BBVA Research maintains a forecast of 0.7% for GDP growth for the full year 2023, although the first quarter result implies a positive, but minor, bias on this figure. In line with the first quarter result, we believe that the services sectors will perform the best during the year. This will determine that household consumption in this type of expenditure and the tertiary economic sectors will have the best results. On the contrary, consumption in durable and semi-durable goods and, as a reflection of this, sectors related to the production of this type of goods, will have declines, which may be strong due to the high levels of activity they achieved last year.

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