

Colombia's Economic Growth

# The Colombian economy grew 2.7% in the first quarter of 2025

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May 15, 2025

## Household consumption drives growth in the first quarter, while investment loses momentum

- **Colombia's GDP grew by 2.7% year-over-year in the first quarter of 2025—its highest annual variation since 2022—and expanded 0.8% compared to the previous quarter.** This result reflects an acceleration in economic activity, driven mainly by stronger domestic demand, particularly household consumption. The trend of moderate recovery was also visible in the quarterly performance, which outpaced that of the previous two quarters. Meanwhile, the seasonally adjusted Monthly Economic Activity Indicator (ISE) showed a decelerating monthly growth path: 0.2% in January, 0.3% in February, and a 0.9% contraction in March, indicating a loss of momentum toward the end of the quarter.
- **In March, the economy grew 4.5% year-over-year, led by gains in commerce, agriculture, and entertainment.** However, the monthly figures for January (2.3%) and February (1.4%) were revised downward from 2.6% and 1.8%, respectively. Despite the overall improvement, March's performance still revealed weakness in key sectors. Mining, construction, and electricity generation remained sluggish, underscoring that the recovery remains partial and uneven across sectors.
- **Domestic demand grew 4.6% year-over-year, fueled primarily by household consumption and, to a lesser extent, by fixed investment.** Household spending remained strong, with notable rebounds in durable and semi-durable goods, and more moderate growth in services. Public consumption also contributed, supported by higher budget execution. On the investment front, gains were concentrated in machinery and equipment, while housing and non-residential structures continued to lag. Overall, domestic demand outpaced GDP growth, reflecting a still-active spending environment, albeit with significant variation across components.
- **Sectoral activity remained mixed, with stronger performance in consumption-related sectors and persistent weakness in investment-intensive ones.** Commerce, transportation, entertainment, and communications posted solid growth, driven by household demand. Manufacturing returned to positive territory after several quarters of decline, although its pace of recovery remained modest. In contrast, construction and mining continued to contract, affected by structural challenges, low project execution, and weak extractive output.
- **In 2025, domestic demand is expected to remain the main driver of GDP growth, which BBVA Research forecasts at around 2.5%.** Private consumption will likely retain its strength, with more pronounced growth in goods and a gradual recovery in services. Fixed investment could gain traction if pressure on installed capacity persists, though its consolidation will depend on business confidence. Under this scenario, domestic demand is expected to once again outpace GDP growth, contributing to a further increase in imports.

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