

Growth in 2026 continues to be driven by final consumption

Alejandro Reyes González

Main messages

- **GDP grew by 2.2% in the first quarter of 2026**, a figure very similar to that reported for the fourth quarter of 2025 (2.1%, revised down from 2.3% in the original report); however, it was below the growth rate for the full year of 2025 (2.6%).

Historical revisions for 2025 and Q4 2025

- **There were no significant revisions to the annual figures for 2025, with growth remaining at around 2.6%.** However, the fourth-quarter figure was revised downward, from the originally reported 2.3% to 2.1% in the current revision.
- **On the demand side, the revisions are more significant.** On the one hand, private consumption was revised downward to 2.3% from 3.1%. At the same time, public consumption was revised upward (to 9.2% from 5.9%), fixed investment (to -2.0% from -2.9%), exports (to 3.7% from 1.2%), and imports (to 2.9% from 1.4%).

Results by expenditure (demand) approach

- **Growth continued to be driven by consumption.** Final consumption grew by 3.4%, slightly lower than the figure reported in the fourth quarter of 2025 (3.9%). Breaking it down, private consumption continues to outpace GDP growth (2.7%), while public consumption remains strong (7.8%).
- Within consumption, **durable goods stood out with 12.7% growth, followed by semi-durable goods with 5.6% growth.** This trend is similar to that observed in the second half of last year. Meanwhile, **government spending showed strong growth, supported by increases in compensation** (wages and bonuses). This is particularly relevant for election spending, defense spending, and non-market education spending.
- **Fixed investment performed well, growing by 3.7%, recovering from the contraction reported in the fourth quarter of 2025 (-2.0%).** This performance was

driven by a recovery in investment in machinery and equipment, which expanded by 12.8%. However, construction continues to show weak performance, with growth of -2.2% for other buildings and structures and -3.2% for housing.

- Despite this improved performance in fixed investment, **gross investment contracted by 3.0%, a figure explained by a sharp decline in inventories** (although they remain in positive territory). This trend is primarily due to a lower inflow of residential and non-residential buildings into inventories of work in progress.
- In the external sector, exports grew by 3.5% compared to the 3.7% reported for the fourth quarter of 2025. This performance was led by goods exports (4.4%), while services exports showed relatively low growth (0.6%). On the other hand, imports grew by 3.5%, showing a better performance compared to the fourth quarter of 2025 (2.9%). In this case, the growth was more evenly distributed between goods and services.

Results by production (supply) approach

- **The public administration, defense, education, and health sector posted strong annual growth of 5.7%, accounting for 0.9 percentage points of total GDP growth—that is, nearly 40% of the quarter’s growth.** This result was primarily driven by public administration and defense, where compensation played a very significant role, both in operating expenses (elections, the judicial branch, among others) and in defense (minimum wage and bonuses). Significant momentum was also observed in non-market education, particularly in tertiary education.
- **The trade and repair, transportation, and accommodation sector also showed strong momentum, with growth of nearly 2.9% and a contribution of 0.6 percentage points to quarterly growth.** In this case, the contribution of wholesale and retail trade stands out. The trend in household spending on technology products may explain this performance.
- On the other hand, **construction continues to perform weakly, with a contraction of -5.4% for the quarter.** Notable in this sector is the -8.2% contraction in residential and non-residential construction. In contrast, civil engineering construction showed a slight increase of 0.6%, driven by railways and secondary roads.
- **The agricultural sector also saw a contraction of 1.4% in the first quarter, marking a significant slowdown compared to the first quarter of 2025 (5.8%).** This result was largely explained by base effects in coffee (a contraction of 30.4% vs. growth of 28.5% a year ago) and fishing and aquaculture (a contraction of -19.5% vs. growth of 22.4% a year ago). The performance of livestock and non-coffee temporary and permanent crops was more favorable, with growth of 6.4% and 3.8%, respectively.

Behavior at the margin

- **On the margin, the first quarter of 2026 saw an acceleration in economic activity, with quarterly growth of 0.6%** (up from the 0.04% reported in the fourth quarter of 2025). In turn, based on the ISE, a recovery in economic momentum is evident throughout the quarter, with growth of 1.0% in January, 1.3% in February, and 4.0% in March.

Implications and Analysis

- **Although GDP growth remains below the levels observed in 2025, it continues to be supported by strong domestic demand, particularly from household and government consumption.** This outcome is partly driven by the strong performance of household income from both labor and non-labor sources, which we believe will maintain some upward pressure on inflation in the coming months.
- Investment showed a targeted improvement in machinery and equipment, but construction continues to perform very weakly. **Overall, the economy continues to face a structural imbalance between the performance of final consumption expenditure and investment.**
- The observed trend in the variables is in line with expectations, except for the behavior of external demand (which was more dynamic than anticipated, in both exports and imports) and especially the behavior of inventory changes. This is a highly volatile variable, but it points to a downward bias for GDP performance this year, even though the dynamics of domestic spending remain favorable. **With this in mind, we believe there is a downside bias to our growth forecast for the year.**
- The reported results are consistent with the acceleration in inflation and, consequently, with the monetary policy measures—specifically interest rate hikes—observed in the first quarter of the year. **In this regard, given the available information and the economic trends during the quarter, further interest rate hikes by the Central Bank could be expected in the coming months.**

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