

## Colombia's economic growth

# Private consumption continues to lead the recovery

Mauricio Hernández-Monsalve

November 16, 2021

## Third quarter GDP grew 13.2% YoY and 5.7% QoQ.

GDP maintained double-digit YoY growth, not only driven by the low statistical base, but also by good dynamics at the margin. In annual terms, it grew by 13.2%. And, with respect to the second quarter, it grew 5.7%. Private consumption stood at 107% of its pre-pandemic level, and public consumption remains very strong thanks to spending associated with the vaccination program. Conversely, investment, although recovering, remains constrained by non-residential construction and has yet to reach its pre-pandemic levels.

- Domestic demand continued to grow above GDP (16.8% vs. 13.2% YoY), but this time the difference was smaller than in the previous quarter. This has to do with the significant rebound in exports and higher consumption of services, the latter with a smaller component of imports. Nevertheless, the contribution of external demand to GDP remains negative, although less than three months ago.
- Domestic demand continues to be driven mainly by final consumption, which grew 20.0% YoY (20.2% private and 19.1% public) and 4.1% QoQ, with a significant increase in public consumption (+10.3% QoQ), associated with the continuation of the vaccination program.
- Fixed investment, which grew 7.5% YoY, maintains a great heterogeneity in its components and has not yet recovered the level it had already reached in the first quarter, before the impacts of the logistical problems associated with the national strike and the temporary drop in business confidence between April and May. Residential construction investment rebounded after the sharp pullback in the second quarter, but still did not return to the values it had consolidated in the recovery of late 2020 and early 2021. Investment in non-residential buildings and civil works fell, both year-on-year and quarter-on-quarter.
- The civil works sector is quite behind in the recovery and will need the commitment of national, regional and local governments to relaunch it as a sector that supports the economic reactivation of other activities, as has happened in other countries and in Colombia in the past.
- Improved export performance and strong domestic demand drove growth in manufacturing and commerce, the best performers in the quarter, both in annual and quarterly terms. Among the 12 major sectors of the economy, only mining and construction failed to return to pre-pandemic levels. Surprisingly, the entertainment sector is the one with the strongest recovery due to the boom in online gambling, which has recently been joined by the gradual dynamism of other services with greater social interaction. Manufacturing is in second place and is 10% above its pre-pandemic level.
- Between July and September, the economy accumulated more inventories than the historical average for that period, in contrast to the strong deaccumulation recorded in the second quarter. However, inventories accumulated in the first three quarters of the year are still below the average levels for that period.
- BBVA Research expects growth of 9.2% for the full year 2021. Household consumption will consolidate as the main driver of growth, giving way to a greater role for exports and investment in 2022. By 2022 we expect a 4.0% expansion in GDP.

## DISCLAIMER

The present document does not constitute an “Investment Recommendation”, as defined in Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (“MAR”). In particular, this document does not constitute “Investment Research” nor “Marketing Material”, for the purposes of article 36 of the Regulation (EU) 2017/565 of 25 April 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council as regards organisational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive (MIFID II).

Readers should be aware that under no circumstances should they base their investment decisions on the information contained in this document. Those persons or entities offering investment products to these potential investors are legally required to provide the information needed for them to take an appropriate investment decision.

This document has been prepared by BBVA Research Department. It is provided for information purposes only and expresses data or opinions regarding the date of issue of the report, prepared by BBVA or obtained from or based on sources we consider to be reliable, and have not been independently verified by BBVA. Therefore, BBVA offers no warranty, either express or implicit, regarding its accuracy, integrity or correctness.

This document and its contents are subject to changes without prior notice depending on variables such as the economic context or market fluctuations. BBVA is not responsible for updating these contents or for giving notice of such changes.

BBVA accepts no liability for any loss, direct or indirect, that may result from the use of this document or its contents.

This document and its contents do not constitute an offer, invitation or solicitation to purchase, divest or enter into any interest in financial assets or instruments. Neither shall this document nor its contents form the basis of any contract, commitment or decision of any kind.

The content of this document is protected by intellectual property laws. Reproduction, transformation, distribution, public communication, making available, extraction, reuse, forwarding or use of any nature by any means or process is prohibited, except in cases where it is legally permitted or expressly authorised by BBVA.