

## Latam Daily: Resilient Growth in Colombia in Q2-2021 y/y Despite Lockdowns, Strike

- Colombia: Real year-on-year GDP posted sustained growth in Q2-2021 despite mobility restrictions and nationwide strike

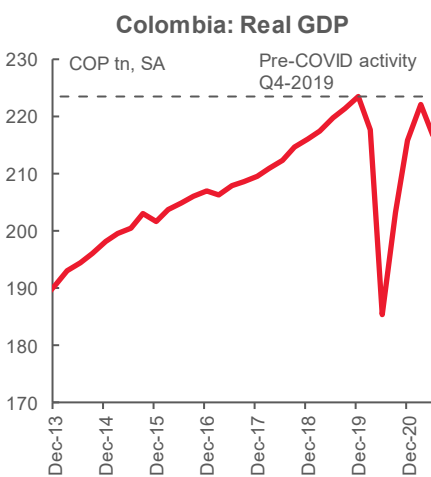
### COLOMBIA: REAL YEAR-ON-YEAR GDP POSTED SUSTAINED GROWTH IN Q2-2021 DESPITE MOBILITY RESTRICTIONS AND NATIONWIDE STRIKE

Data released on Tuesday Aug 17 by Colombia’s statistical agency, DANE, showed Colombia’s real GDP grew by 17.6% y/y in Q2-2021, slightly below consensus (18.5% y/y according to Bloomberg) and above our own expectations of 16.9% y/y. On a sequential basis, the economy fell -2.4% q/q, an expected effect of the mobility restrictions implemented in April and May on the back of the COVID-19 third wave, social unrest and the nationwide strike. This led Q2-2021 to erase important gains made at the beginning of the year (chart 1), which we [discussed in May](#). Despite the setbacks in early Q2, June showed significant economic resiliency, as the economy grew 14.5% y/y and 7.4% m/m in that month alone. Q2-2021 GDP data puts a upward bias to our annual 7.2% GDP growth forecast for 2021; however, we remain cautious as we do not discount the possibility of future COVID-19 waves that might require renewed mobility restrictions in Q4-2021.

According to the monthly economic activity indicator (ISE), the economy strongly rebounded in June; on a yearly basis, as stated above, the gain was 14.5% (in line with market consensus; 14.6% y/y), while in a monthly seasonally adjusted activity increased by 7.4% m/m. June’s result was led by commerce-related activities (+37.4% y/y), industry (+ 23% y/y), and services related sectors (+12.9% y/y). It is worth noting that up to June, the overall economy was just 0.2% below pre-pandemic levels (chart 2). The services-related sectors are above pre-pandemic levels (Feb 2020).

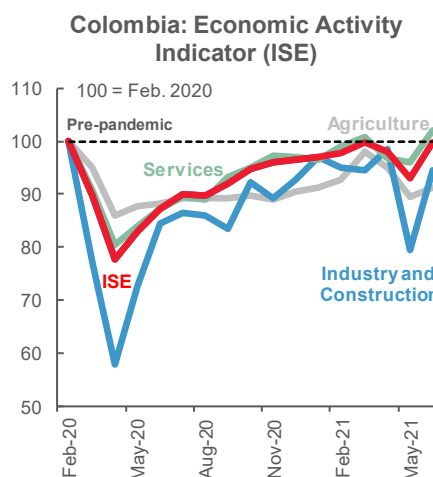
On the supply-side (charts 3 and 4), annually, all sectors benefitted from the low statistical base of an economy on lockdown in Q2-2020, as all twelve sectors showed positive annual expansions in Q2-2021. This also reflects the

Chart 1



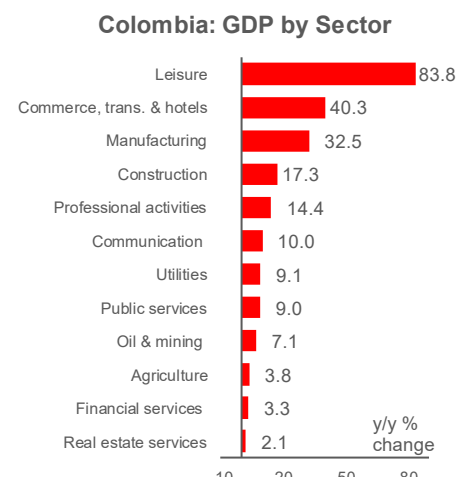
Sources: Scotiabank Economics, DANE.

Chart 2



Sources: Scotiabank Economics, DANE.

Chart 3



Sources: Scotiabank Economics, DANE.

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Chart 4

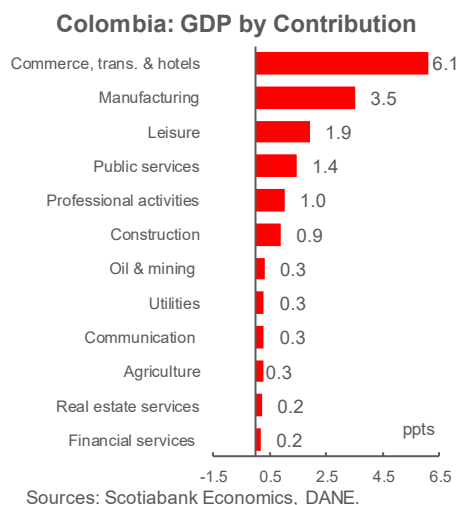


Chart 5

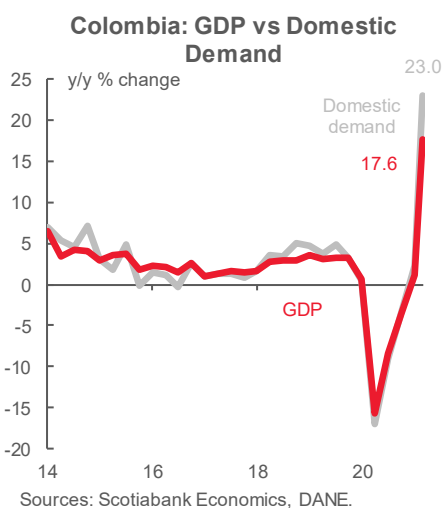
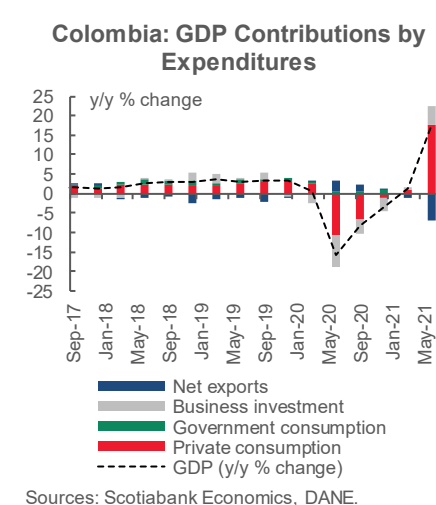


Chart 6



much stronger resilience of the economy in June. The most relevant increments were in commerce, transport, and hotels that increased by 40.3% y/y and added 6.1 ppts to the headline figure; industry expanded by 32.5% y/y and added 3.5 ppts to the total GDP expansion; and the arts-related sector expanded by 83.8% y/y (+1.9 ppts to the Q2-2021 GDP growth). It is worth noting, that construction and mining also showed a significant recovery and expanded by 17.3% and 7.1% y/y respectively but remain well below pre-pandemic levels. Financial services grew 3.3% y/y and agriculture +3.8% y/y.

**From the expenditure side**, domestic demand increased by 23% y/y in Q2-2021 (chart 5) on the back of a 0.6% q/q sa sequential gain. Private spending expanded by 25% y/y, and grew by 2.2% q/q sa on better services consumption growth (up 3.8% q/q sa and 27.3% y/y); non-durables consumption fell -1.3% q/q due to the mobility restriction and bottle necks produced by the nationwide strike in May. **Government spending, meanwhile, was up 9.7% y/y in Q2-2021**, a robust expansion, while in sequential terms it grew by 5.5%. **Investment expanded by 32% y/y, but fell -15.5% q/q sa, again affected by the nationwide strike.**

**Net exports contributed negatively to Q2-2021 growth (-6.8 ppts, chart 6) on the back of a very strong performance of imports, which expanded 45.8% y/y, against exports growth of 15.4% y/y.** Two forces were at play here: the strong recovery in demand boosted imports, notably raw materials and capital goods; while commodity prices galvanized a faster recovery in oil production and higher external demand has also helped non-traditional exports.

**All in all, Colombia's economic activity continued showing a faster recovery despite the temporary negative shock of the nationwide strike in May.** Additionally, the Colombian economy is learning to live with the pandemic at the same time as the vaccination process has speeded up, thus accelerating the re-opening of more sectors of the economy. This was particularly evident in the arts and recreational services which showed a strong rebound in Q2-2021. Going forward, we continue to see a recovery consolidation of the economy and ratify our forecast of 7.2% GDP growth, although with upside bias.

—Sergio Olarte & Jackeline Piraján

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