

Economics Group

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Colombia's GDP Improves in Q3 2017

The Colombian economy grew 2.0 percent compared to a year earlier while printing 0.8 percent sequentially. Personal consumption expenditures increased 1.7 percent while government consumption surged 3.9 percent.

Government Consumption Helped the Bottom Line

Although Colombian GDP rose in Q3 compared to the second quarter, the domestic economy was a bit weaker than expected with domestic demand growing just 1.6 percent compared to 1.9 percent during the previous quarter.

Personal consumption expenditures (PCE) were up 1.7 percent during the year while government consumption surged 3.9 percent, both on a year-earlier basis. However, the weakness in economic activity was fundamentally reflected by the performance of gross fixed capital formation, which increased only 0.2 percent on a year-earlier basis compared to 1.2 percent in Q2. Another important contributor to the economy during the quarter was real exports of goods and services, which rose 4.5 percent versus a year earlier. Exports of goods and services grew 1.3 percent sequentially. Imports, which enter the GDP calculation with a negative sign, increased 2.5 percent, down from a 3.3 percent increase in Q2. On a quarter-on-quarter basis, imports increased 0.6 percent.

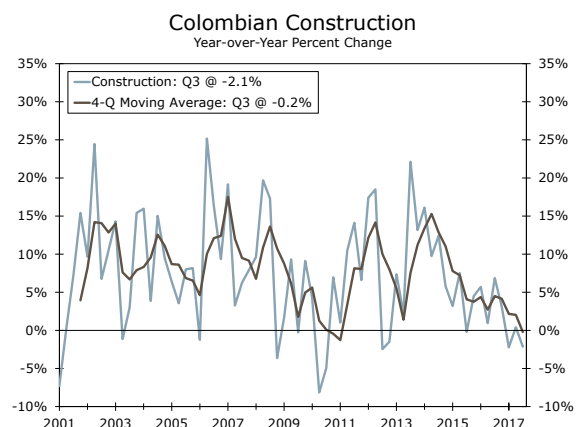
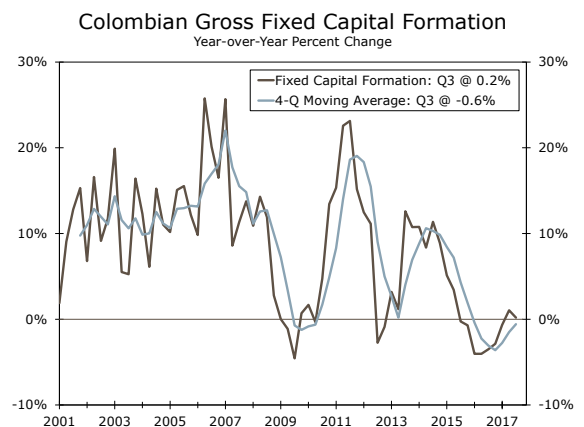
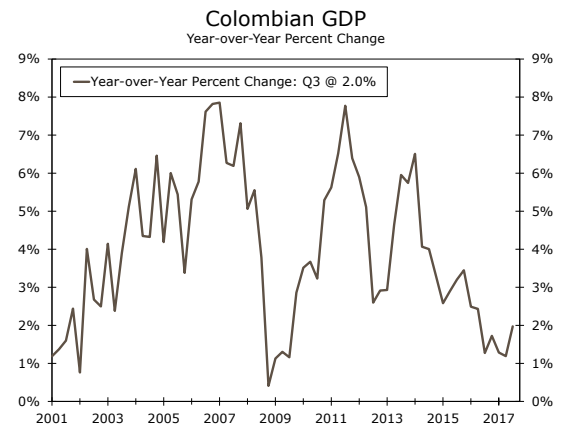
Much of the weakness in investment was due to a 15.8 percent plunge in construction investment, while investment in transportation equipment dropped 5 percent. Meanwhile, investment in public works increased 8.9 percent while investment in machinery and equipment did so by 6.4 percent, year over year, counteracting the strong decline in construction investment.

Supply Side Results Are Mixed

The results from the supply side still show a relatively weak economy with the construction sector leading such softness. Non-residential construction activity plunged 27.4 percent on a year-earlier basis while residential construction was down 4.5 percent. Commerce, maintenance and auto repairs and hotels and restaurants increased 1.4 percent on a year-earlier basis and 0.8 percent sequentially. Within this sector, commerce was up only 0.6 percent versus a year earlier while it was up 0.2 percent sequentially. The strongest sub-sector was hotels, bars and restaurant activities, which increased 3.1 percent year over year and 2.2 sequentially.

Agriculture activity was strong, up 7.1 percent year over year, while posting an increase of 3.7 percent sequentially. While mining was down 2.1 percent on a year-earlier basis, the sector grew 1.4 percent sequentially. Manufacturing, on the other hand, was down 0.6 percent versus a year earlier while it was up 0.9 percent sequentially.

Thus, although the Colombian economy improved its performance in Q3, the details are still showing a relatively weak economy. We expect the economy to continue to improve in the short to medium term.



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