



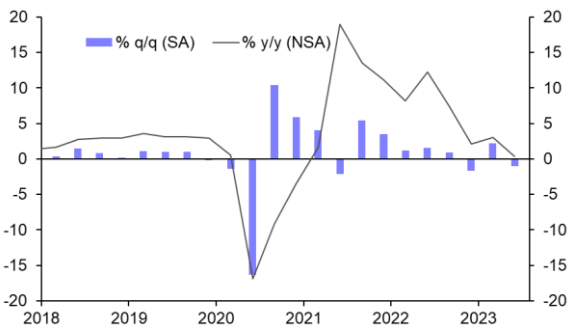
# LATIN AMERICA RAPID RESPONSE

## Colombia GDP (Q2)

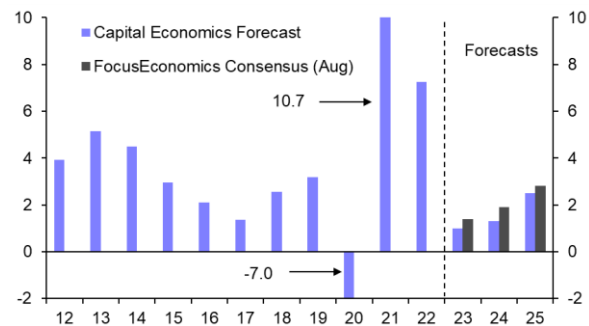
Entering a period of weakness

- **The larger-than-expected 1.0% q/q contraction in Colombia’s GDP in Q2 is likely to be followed by weak growth over the coming quarters. We expect this to prompt BanRep to join other central banks in the region in lowering interest rates but, with price pressures still strong, we expect monetary policy to remain restrictive this year.**
- The outturn was worse than both our own and the consensus forecast (for a 0.4% and 0.6% contraction respectively) and marked a sharp slowdown from Q1’s (upwardly revised) 2.2% q/q expansion. (See Chart 1.) In year-on-year terms, growth slowed to just 0.3%, from 3.0% in Q1.
- **The expenditure breakdown showed that the contraction was driven by weak domestic demand.** Having expanded for seven consecutive quarters, private consumption fell by 0.1% q/q while fixed investment also dropped. (See Table 1.) The weakness of domestic demand was reflected in a 7.6% q/q plunge in imports. The crumb of comfort is that this, combined with a rise in exports, suggests that Colombia’s worryingly large current account deficit narrowed in Q2.
- **We suspect that the economy will contract again in Q3 on the back of tight fiscal and monetary policy, tipping it into a technical recession.** Overall, we expect GDP growth to come in at a below-consensus 1.0% this year, down from 7.3% in 2023. (See Chart 2.)

**Chart 1: GDP**



**Chart 2: Real GDP (%y/y)**



Sources: Refinitiv, FocusEconomics, DANE, Capital Economics

**Table 1: Colombia GDP by Expenditure**

	Headline	Private Cons.	Investment	Govt Cons.	Exports	Imports
	% q/q (% y/y)	% q/q (% y/y)	% q/q (% y/y)	% q/q (% y/y)	% q/q (% y/y)	% q/q (% y/y)
<b>Q3 2022</b>	0.9 (7.4)	0.5 (9.2)	2.9 (14.6)	-7.0 (-2.2)	2.1 (16.9)	4.3 (22.1)
<b>Q4 2022</b>	-1.7 (2.1)	0.0 (4.0)	0.0 (7.9)	-3.2 (-6.3)	-4.8 (-0.4)	-6.3 (7.6)
<b>Q1 2023</b>	2.2 (3.0)	0.3 (3.1)	-3.2 (-0.9)	7.8 (-0.7)	2.7 (2.7)	-5.3 (-7.3)
<b>Q2 2023</b>	<b>-1.0 (0.3)</b>	<b>-0.1 (0.7)</b>	<b>-5.3 (-7.8)</b>	<b>5.3 (2.5)</b>	<b>2.6 (2.4)</b>	<b>-7.6 (-14.5)</b>

Sources: Refinitiv, DANE



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