

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

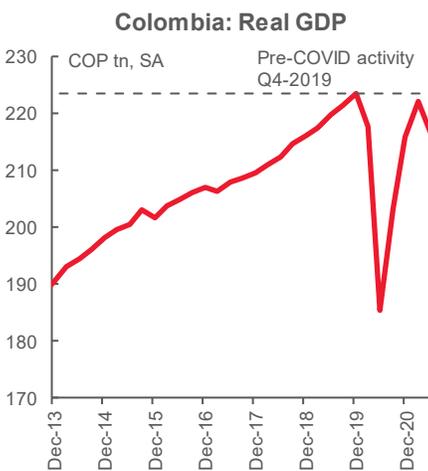
COLOMBIA: REAL YEAR-ON-YEAR GDP POSTED SUSTAINED GROWTH IN Q2-2021 DESPITE MOBILITY RESTRICTIONS AND NATIONWIDE STRIKE

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).

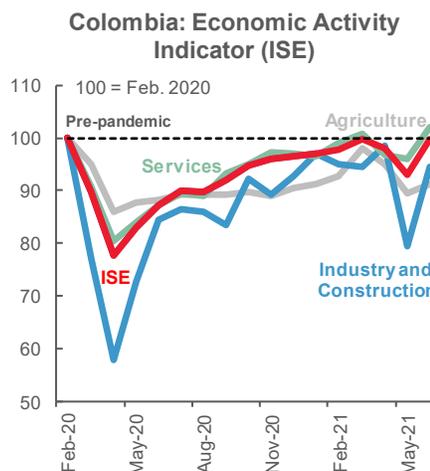
On the supply-side (charts 3 and 4), annually, all sectors benefitted from the low statistical base of an economy on lockdown in Q2-2020, as all twelve sectors showed positive annual expansions in Q2-2021. This also reflects the

Chart 1



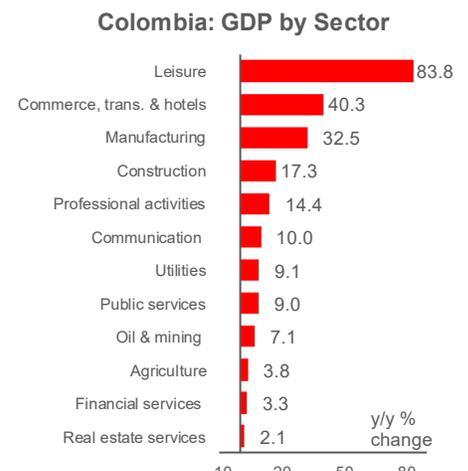
Sources: Scotiabank Economics, DANE.

Chart 2



Sources: Scotiabank Economics, DANE.

Chart 3



Sources: Scotiabank Economics, DANE.

CONTACTS

Adriana Vega
613.564.5204
Scotiabank Economics
adriana.vega@scotiabank.com

Guillermo Arbe
+51.1.211.6052 (Peru)
Scotiabank Peru
guillermo.arbe@scotiabank.com.pe

Sergio Olarte
+57.1.745.6300 Ext. 9166 (Colombia)
Scotiabank Colombia
sergio.olarte@scotiabankcolpatria.com

Jorge Selaive
+56.2.2619.5435 (Chile)
Scotiabank Chile
jorge.selaive@scotiabank.cl

Eduardo Suárez
+52.55.9179.5174 (Mexico)
Scotiabank Mexico
esuarezm@scotiabank.com.mx

TODAY'S CONTRIBUTORS:

Jackeline Piraján
+57.1.745.6300 Ext. 9400 (Colombia)
Scotiabank Colombia
jackeline.pirajan@scotiabankcolpatria.com

Chart 4

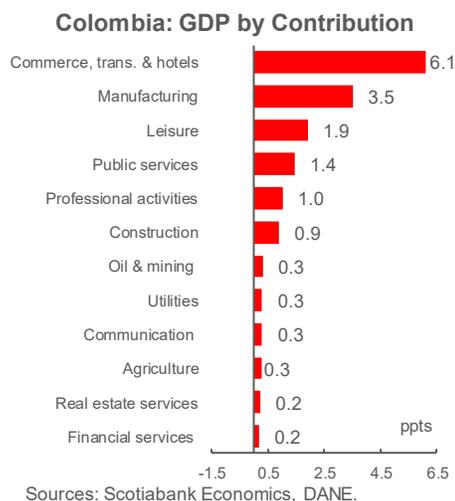


Chart 5

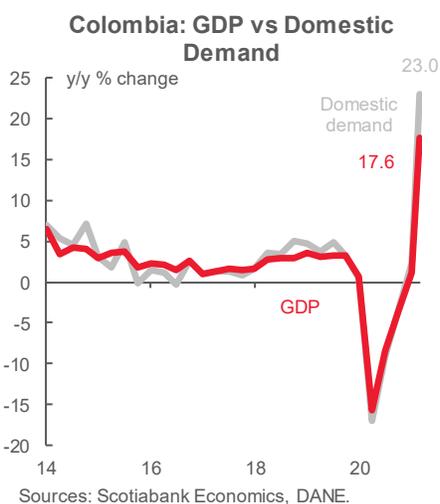
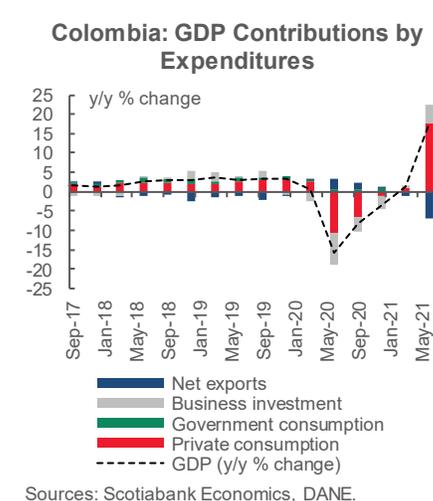


Chart 6



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

This report has been prepared by Scotiabank Economics as a resource for the clients of Scotiabank. Opinions, estimates and projections contained herein are our own as of the date hereof and are subject to change without notice. The information and opinions contained herein have been compiled or arrived at from sources believed reliable but no representation or warranty, express or implied, is made as to their accuracy or completeness. Neither Scotiabank nor any of its officers, directors, partners, employees or affiliates accepts any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

These reports are provided to you for informational purposes only. This report is not, and is not constructed as, an offer to sell or solicitation of any offer to buy any financial instrument, nor shall this report be construed as an opinion as to whether you should enter into any swap or trading strategy involving a swap or any other transaction. The information contained in this report is not intended to be, and does not constitute, a recommendation of a swap or trading strategy involving a swap within the meaning of U.S. Commodity Futures Trading Commission Regulation 23.434 and Appendix A thereto. This material is not intended to be individually tailored to your needs or characteristics and should not be viewed as a “call to action” or suggestion that you enter into a swap or trading strategy involving a swap or any other transaction. Scotiabank may engage in transactions in a manner inconsistent with the views discussed this report and may have positions, or be in the process of acquiring or disposing of positions, referred to in this report.

Scotiabank, its affiliates and any of their respective officers, directors and employees may from time to time take positions in currencies, act as managers, co-managers or underwriters of a public offering or act as principals or agents, deal in, own or act as market makers or advisors, brokers or commercial and/or investment bankers in relation to securities or related derivatives. As a result of these actions, Scotiabank may receive remuneration. All Scotiabank products and services are subject to the terms of applicable agreements and local regulations. Officers, directors and employees of Scotiabank and its affiliates may serve as directors of corporations.

Any securities discussed in this report may not be suitable for all investors. Scotiabank recommends that investors independently evaluate any issuer and security discussed in this report, and consult with any advisors they deem necessary prior to making any investment.

This report and all information, opinions and conclusions contained in it are protected by copyright. This information may not be reproduced without the prior express written consent of Scotiabank.

TM Trademark of The Bank of Nova Scotia. Used under license, where applicable.

Scotiabank, together with “Global Banking and Markets”, is a marketing name for the global corporate and investment banking and capital markets businesses of The Bank of Nova Scotia and certain of its affiliates in the countries where they operate, including; Scotiabank Europe plc; Scotiabank (Ireland) Designated Activity Company; Scotiabank Inverlat S.A., Institución de Banca Múltiple, Grupo Financiero Scotiabank Inverlat, Scotia Inverlat Casa de Bolsa, S.A. de C.V., Grupo Financiero Scotiabank Inverlat, Scotia Inverlat Derivados S.A. de C.V. – all members of the Scotiabank group and authorized users of the Scotiabank mark. The Bank of Nova Scotia is incorporated in Canada with limited liability and is authorised and regulated by the Office of the Superintendent of Financial Institutions Canada. The Bank of Nova Scotia is authorized by the UK Prudential Regulation Authority and is subject to regulation by the UK Financial Conduct Authority and limited regulation by the UK Prudential Regulation Authority. Details about the extent of The Bank of Nova Scotia's regulation by the UK Prudential Regulation Authority are available from us on request. Scotiabank Europe plc is authorized by the UK Prudential Regulation Authority and regulated by the UK Financial Conduct Authority and the UK Prudential Regulation Authority.

Scotiabank Inverlat, S.A., Scotia Inverlat Casa de Bolsa, S.A. de C.V., Grupo Financiero Scotiabank Inverlat, and Scotia Inverlat Derivados, S.A. de C.V., are each authorized and regulated by the Mexican financial authorities.

Not all products and services are offered in all jurisdictions. Services described are available in jurisdictions where permitted by law.