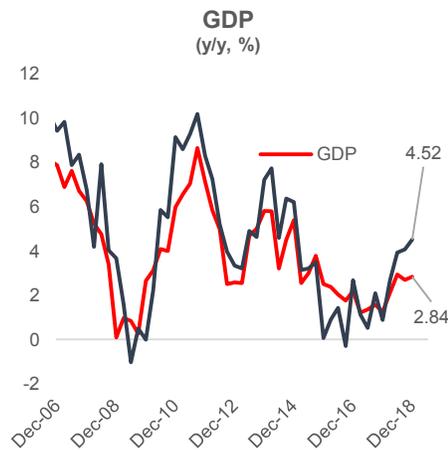


Colombia: 4Q18 GDP Growth Confirms Economic Activity is Recovering

- Public consumption boosted 2018 GDP. Investment remained stagnant.

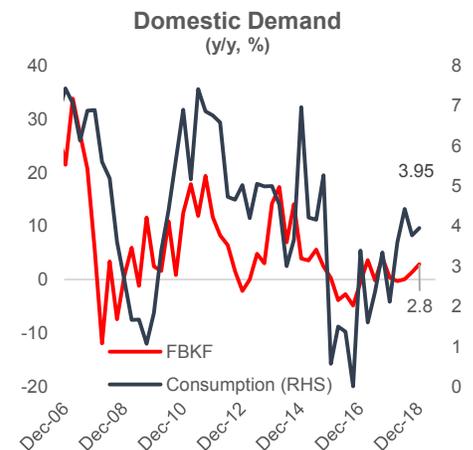
DANE released 18Q4 GDP growth. It came in at 2.8% y/y, while Consensus (according to Bloomberg) had 2.9% y/y. This resulted in growth of 2.7% for the year as a whole. DANE also revised 2017 GDP growth to 1.4% from 1.8% implying that the terms of trade shock that Colombia suffered due to the sharp oil prices drop was stronger than initially estimated. For the seasonal and calendar adjusted figure 18Q4 economic activity grew 0.6% q/q or 2.36% annualized. 2018 GDP results confirm that the worst, in terms of deceleration, is behind us and the Colombian economy is in gradual recovery. Our growth forecast of 3.4% in GDP for 2019 remains on track.



Sources: DANE, Scotiabank.

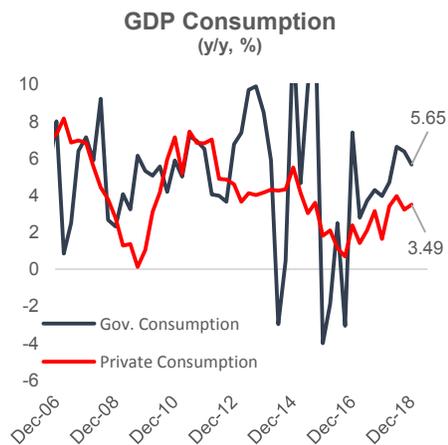
CONTACTS

Sergio Olarte, Senior Economist
 57.1.745.6300 (Colombia)
 Scotiabank Colombia
sergio.olarte@co.scotiabank.com



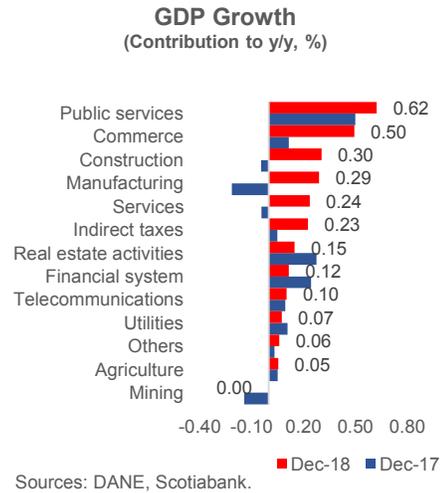
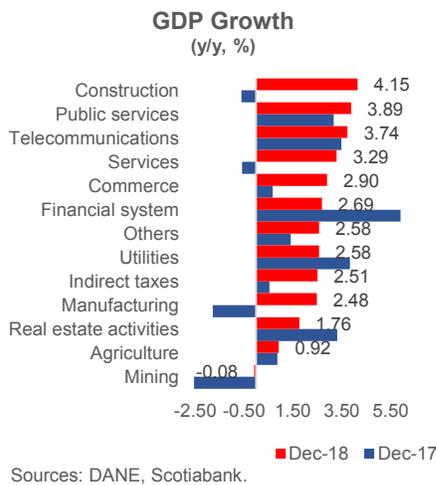
Sources: DANE, Scotiabank.

From the demand point of view the GDP accounts confirmed a recovery in domestic demand last year, boosted by government consumption. The recovery in private consumption continued last year, nearly doubling the growth recorded in 2017 (3.93% in 2018 and 2.36% in 2017) owing to lower interest rates, a more stable exchange rate, lower inflation and higher oil prices. Investment remained stagnant as the 4G program did not add the expected value added to economic activity and building construction did not show signs of recovery last year. Having said that, the recent pick up in capital and raw materials imports suggest better investment prospects this year. In real terms, the trade balance deteriorated in 2018 due to lower exports growth (in quantities) and higher capital imports.



Sources: DANE, Scotiabank.

The supply side of the economy showed that services were the most important sectors in 2018. In fact, commerce added half of a percentage point to total GDP growth in 2018, private services (consulting and scientific services) added 0.35pp to the headline, public services 0.6pp and financial system services added 0.14pp to 2018 GDP growth. The only sector that fell in 2018 was mining (-0.78%). Although agriculture grew 2%, it decelerated from the 5.6% growth observed in 2017. Finally, construction remained flat, in line with stagnant construction investment on the demand side.



Bottom line, 2018 economic activity figures showed that economic activity is in a gradual recovery path and suggest that brighter skies are ahead. Recent coincident indicators in manufacturing, retail sales, and energy demand and capital imports, lead us to believe that the recovery will continue in 2019 and that investment will finally pick up.

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.

™ 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, Scotiabanc Inc.; Citadel Hill Advisors L.L.C.; The Bank of Nova Scotia Trust Company of New York; Scotiabank Europe plc; Scotiabank (Ireland) Limited; Scotiabank Inverlat S.A., Institución de Banca Múltiple, Scotia Inverlat Casa de Bolsa S.A. de C.V., 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 authorised 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 authorised 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., and Scotia 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.