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Latam Daily: Strong Colombian Economic Activity

- Colombia: Economic activity exceeded expectations in January and a new cycle is consolidating**

On Tuesday, March 18th, DANE released January's Economic Activity Indicator (ISE) data. The indicator registered a 2.65% y/y increase (chart 1), exceeding market expectations of 1.9% y/y and showing positive variations in seven of the nine activities included in the indicator. In marginal terms, economic activity grew 0.8% m/m s.a., maintaining the positive trend but lower than the monthly variation in December (+1.5% m/m s.a) (chart 2).

Economic activity performed better than expected, driven primarily by the services sector. Services began 2025 in positive territory, accounting for 96% of the month's economic growth. Public sector and leisure activities were the best performers, followed by commerce, transportation, and housing, which implies an improvement in domestic demand. In contrast and in line with our take, the primary sector started to decelerate at the beginning of 2025 showing a slight contraction. Similarly, the secondary sector (manufacturing and construction) showed signs of recovery which reflects the beginning of a new cycle in the Colombian economy, in line with the improvement in manufacturing real production.

In our take, BanRep will not be in a hurry to accelerate the easing cycle. We affirm our call for rate stability at BanRep's meeting on March 31st. The increase in inflation expectations and global uncertainty support the board's cautious approach. In addition, the central bank is more concerned about political issues related to fiscal policy (see [Fiscal Scenarios for 2025: The Balance Between Fiscal Needs and Available Funding](#)) and the impact of the minimum wage.

Key Highlights:

- The primary sector showed a slight contraction.** In January, both agricultural and mining activities dropped by -0.1% y/y. In the agricultural sector, coffee exports grew by 108.5% y/y and overall agriculture exports grew by 4.3% y/y. On the domestic front, the supply of agricultural products registered a decrease by 0.5% y/y which shows the stabilization compared to 2024 when agriculture supply increased by 7.6% y/y on average. Moreover, mining, coal, and extractive industries showed signs of contraction reflected in a 22.8% y/y decline in mining exports.
- Secondary activities grew by 0.5% y/y.** Both the manufacturing and construction sectors registered a positive trend, which was in line with the manufacturing output

Chart 1

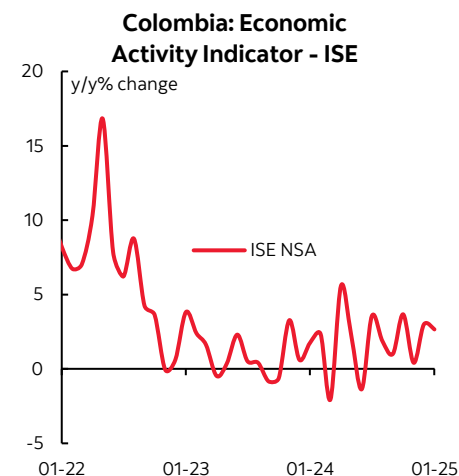
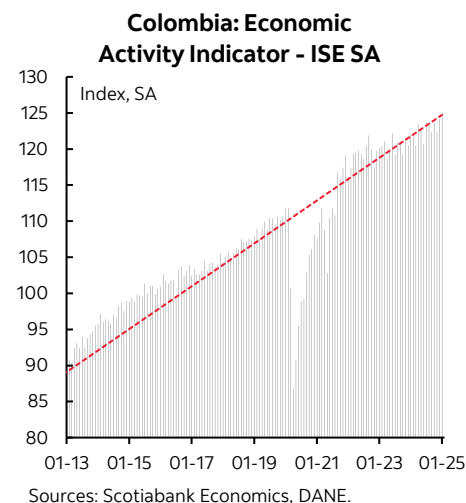
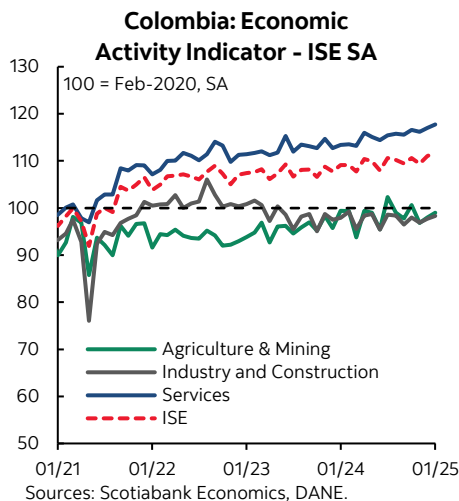
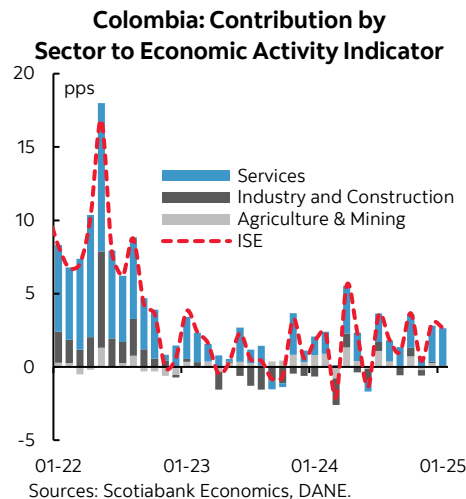


Chart 2



March 19, 2025

indicator that increased by 1.9% y/y during the same period. Therefore, the notable contributors to the manufacturing output included the cleaning industry (+7.9% y/y), electrical equipment (+15.7% y/y), beverages (+2.7% y/y), and food (7.9% y/y) which together contributed +5.4 ppts to the result. In contrast, the pharmaceutical industry (-18.0% y/y), the oil and fuel industry (-7.0% y/y), and paper and cardboard production (-6.8% y/y) were the main sectors driving the negative outcome for the month, collectively contributing -1.6 ppts. On the other hand, construction registered an acceleration. Despite the negative results in 2024, construction has a possibility of accelerating due to a potential better performance in civil works and recovery in the housing sector as home sales have increased +25% y/y in January.

Chart 3

Chart 4


- The services sector continued expanding but with heterogeneous performance compared to the previous month.** On an annual basis, six of the seven service sectors registered positive variations. In general, services such as public administration and leisure (+6.2% y/y) and commerce, transportation, and housing (+5.2 y/y) contributed with 92% of the general positive performance. Elsewhere, real estate (+1.8% y/y), professional activities (+0.9% y/y), financial and insurance activities (+1.0% y/y) returned to positive territory, and communication services (+1.1% y/y) continued with positive numbers. In contrast, utilities drop by -0.3% y/y (charts 3 and 4).

—Valentina Guio & Daniela Silva

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