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Latam Daily: Colombian Economic Activity Misses

- Colombia: Economic activity in February fell short of analysts' expectations and was affected by the leap year**

On Monday, April 21st, DANE released February's Economic Activity Indicator (ISE) data. The indicator registered a 1.77% y/y increase (chart 1), below market expectations of 1.9% y/y, while showing positive variations in six of the nine activities included in the indicator. However, February's result is partly due to a calendar effect, as 2024 was a leap year with one more working day; therefore, the seasonally adjusted data showed a 2.9% y/y expansion in economic activity (chart 2). In sequential terms, economic activity grew 0.2% m/m s.a., maintaining the positive trend but lower than the monthly gain in January (+0.8% m/m).

Economic activity was 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 financial and insurance activities, communications, and real estate. In contrast, and in line with our expectations, the primary sector continued to decelerate showing a slight contraction. Similarly, the secondary sector (manufacturing and construction) showed signs of deceleration due to the impact of the leap year.

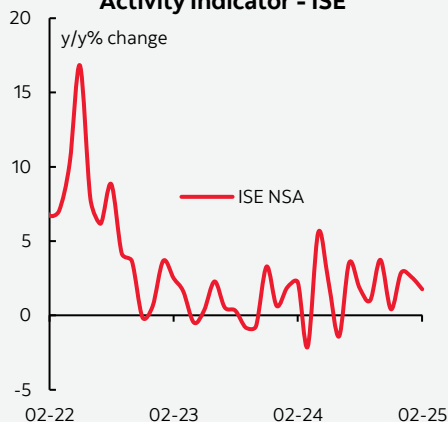
All in all, yesterday's result is compatible with our GDP projection of 2.6% expansion in 2025. In the case of monetary policy, the output gap is still negative, and despite the economy improving the sustainability of the economic recovery needs a less restrictive monetary policy in the future. Thus, we affirm our expectation for a 25 bps rate cut in April's meeting to 9.25%.

Highlights:

- The primary sector showed a slight contraction.** In February, both agricultural and mining activities fell by -1.0% y/y, however, on a seasonally adjusted basis this sector grew by 0.8% y/y (chart 3). In the agricultural sector, coffee exports grew by 71% y/y and overall agriculture exports grew by 19% y/y. On the domestic front, the supply of agricultural products registered a decrease of 3.0% y/y which show a slight deceleration compared to 2024 when agriculture supply increased by 18% y/y on average. However, mining, coal, and extractive industries showed signs of contraction reflected in a 17% y/y decline in mining exports.
- Secondary activities dropped by 3.1% y/y.** Both the manufacturing and construction sectors registered a negative trend in line with the manufacturing

Chart 1

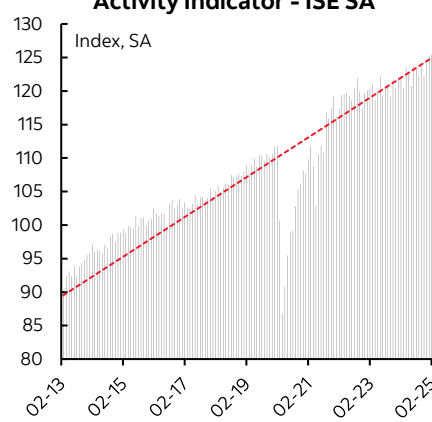
Colombia: Economic Activity Indicator - ISE



Sources: Scotiabank Economics, DANE.

Chart 2

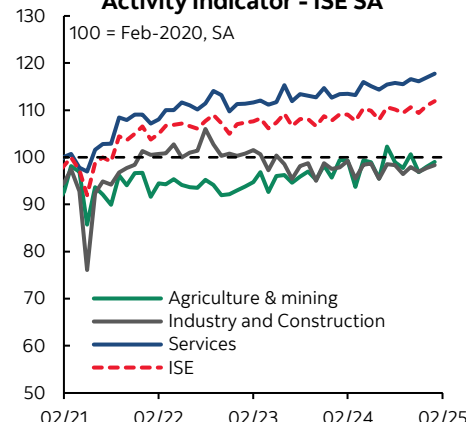
Colombia: Economic Activity Indicator - ISE SA



Sources: Scotiabank Economics, DANE.

Chart 3

Colombia: Economic Activity Indicator - ISE SA



Sources: Scotiabank Economics, DANE.

April 22, 2025

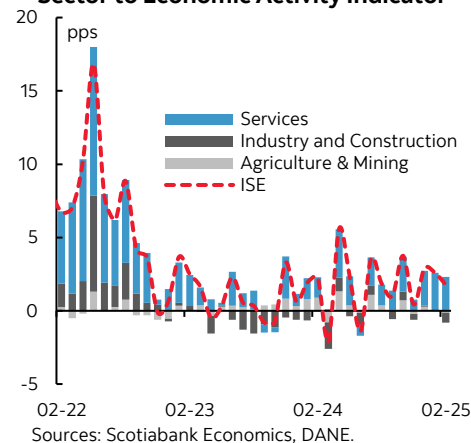
output indicator which dropped by 1.2% y/y during the same period. Oil and fuel industry (-13.3 y/y), the beverage industry (-6.0% y/y), mineral (-7.0% y/y), the pharmaceutical industry (-7.0% y/y), and paper and cardboard production (-7.5% y/y) were the main sectors driving the negative outcome for the month. In contrast, the chemical industry (+11.5% y/y), transport equipment (+30.8% y/y), and coffee (+62.9% y/y) contributed +0.8 p.p. to the result.

- **The services sector continued expanding but with a mixed performance compared to the previous month.** On an annual basis, six of the seven service sectors registered positive variations (chart 4). In general, services such as public administration and leisure (+7.6% y/y) and commerce, transportation, and housing (+1.7 y/y) contributed the most to the general positive performance. Besides, financial and insurance activities (+3.5% y/y), communication services (+2.2% y/y), real estate (+1.8% y/y) and professional activities (+0.9% y/y) continued with positive numbers. In contrast, utilities drop by -1.9% y/y.

—Valentina Guio

Chart 4

Colombia: Contribution by Sector to Economic Activity Indicator



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