



# Economics Group

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## The Colombian Economy Slowed Down Further in 2017

*Economic growth slowed down further in 2017, up only 1.8 percent compared to 2.0 percent in 2016. The weakest sector in 2017 was the mining sector, down 3.6 percent for the year as a whole.*

### Mining and Manufacturing Lead the Weakness

The Colombian economy grew 1.8 percent during 2017 after posting a growth rate of 2.0 percent the previous year. As was the case in 2016 when output in the sector dropped 7.0 percent, the mining sector led the weakness as output declined further, this time by 3.6 percent during the year. Meanwhile, output in the manufacturing industry joined the mining sector by declining 1.0 percent during the year after posting strong growth of 3.4 percent in 2016. Construction activity also declined in 2017, dropping 0.7 percent after being the strongest growth sector in 2016, up 4.5 percent, while output in the transportation, depot and communications sector declined slightly, down 0.1 percent during the year after growing 0.6 percent in 2016. The strongest sector in 2017 was the primary sector (i.e. agriculture, cattle and fisheries), where output rose 4.9 percent during the year after posting a growth rate of 1.6 percent in 2016. Coming in second was the financial, insurance, real estate and business services sector where output rose 3.8 percent during the year, slowing down from 4.4 percent the previous year.

Meanwhile, output in commerce, repairs, restaurants and hotel services rose 1.2 percent during the year after growing 2.6 percent in 2016. Another strong sector was social, communal and personal services, where output rose 3.4 percent for the year. Public utilities output, on the other hand, increased 1.1 percent during the year after falling 0.8 percent in 2016.

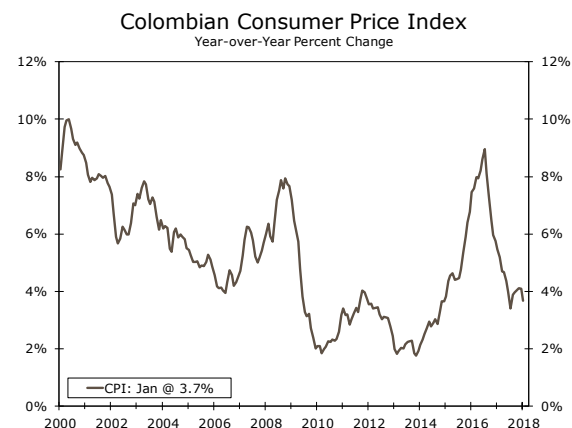
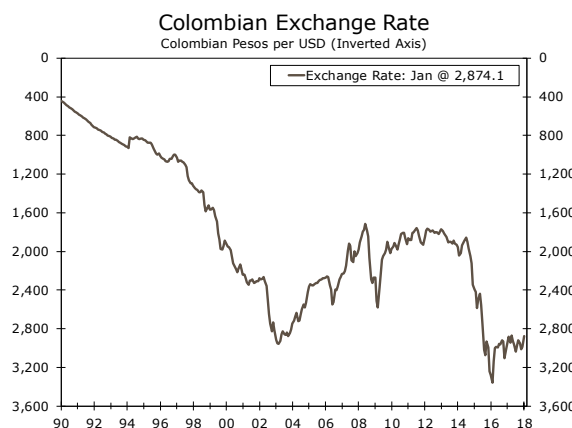
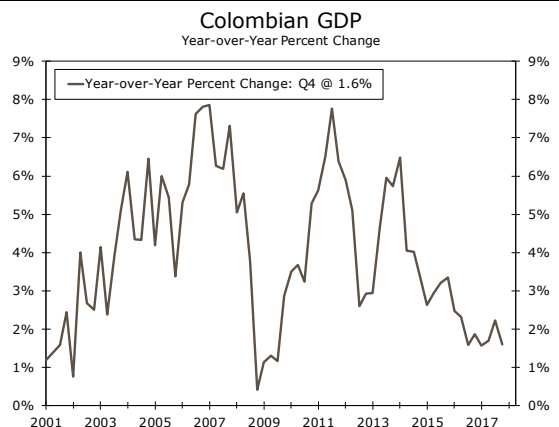
### Still Struggling to Recover Strength

All of this information tends to indicate that the Colombian economy is still having issues growing and that domestic demand remains constrained. Although we do not yet have the results for the demand side of the Colombian economy, it is clear that the economy is very weak and that this weakness is being driven by a further slowdown in personal consumption expenditures.

It is clear that the increase in inflation and the strong depreciation of the Colombian peso several years ago is still lingering and affecting the prospects of the Colombian economy.

Consumer price inflation has slowed down, to a year-over-year rate of 3.7 percent in January 2018 from a high of 9.0 percent in July 2016, which will continue to help the domestic economy and especially consumption going forward. Furthermore, the recent appreciation of the Colombian peso will also help consumption. However, the recovery in the domestic economy will be slow and there are some political risks brewing as the country embarks on a new presidential campaign that is, as of today, uncertain.

The good news is that the global economy continues to expand and the U.S. economy is expected to improve this year, which is normally good news for the Colombian economy.



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