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Abstract

Colombia saw a drop in investment as a result of the COVID-19 shock, which resulted in a negative gap in the second quarter of 2020 of -2.8% of the GDP. In the context of the region, Peru was hardest hit, while countries such as Mexico, Chile, and Brazil suffered minor setbacks. The recovery of investment in Colombia has been relatively slow, although strengthened by sustained and growing dynamics in machinery and equipment purchases. This paper analyzes the macroeconomic factors that explain this type of investment and its behavior during the pandemic. The results confirm the expected effects: purchases of machinery and equipment fall when the cost of capital use and the real exchange rate rise, while increase in response to rise in economic activity and industrial confidence, which have longer-lasting effects. Control variables include additional factors that may affect investment decisions, such as loan availability and degree of openness.