
[Download](#)

Keep in mind

The series Working Papers on Economics is published by the Office for Economic Studies at the *Banco de la República* (Central Bank of *Colombia*). It contributes to the dissemination and promotion of the work by researchers from the institution. This series is indexed at Research Papers in Economics (RePEc).

On multiple occasions, these works have been the result of collaborative work with individuals from other national or international institutions. The works published are provisional, and their authors are fully responsible for the opinions expressed in them, as well as for possible mistakes. The opinions expressed herein are those of the authors and do not necessarily reflect the views of Banco de la República or its Board of Directors.

AUTHOR OR EDITOR

Arlen Guarín

Juliana Londoño-Vélez

Christian Manuel Posso-Suárez

The series [Borradores de Economía \(Working Papers on Economics\)](#) contributes to the dissemination and promotion of the work by researchers from the institution. On multiple occasions, these works have been the result of collaborative work with individuals from other national or international institutions. This series is indexed at Research Papers in Economics (RePEc). The opinions contained in this document are the sole responsibility of the author and do not commit Banco de la República or its Board of Directors.

Publication Date:

Tuesday, 06 June 2023

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.