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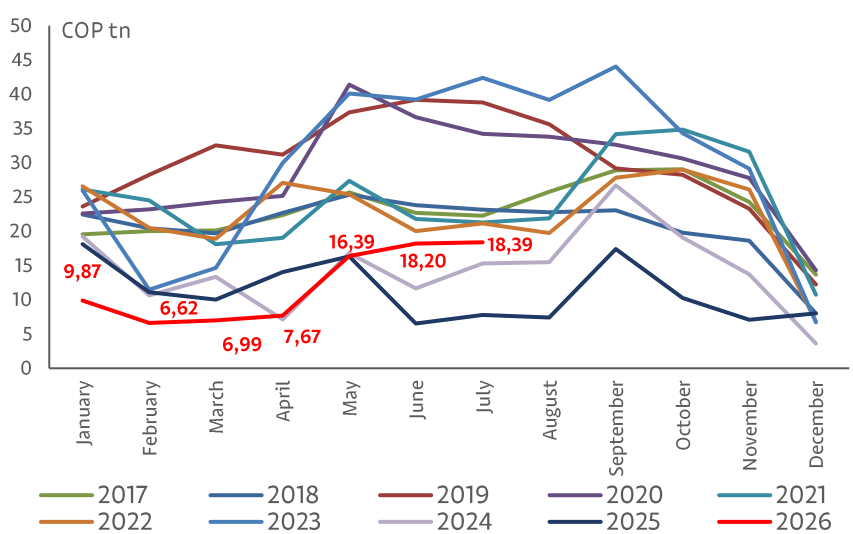
Colombia Macro Insight: Fiscal situation, liquidity and the first tests for the new administration

Colombia's fiscal position has been one of the main sources of market concern in recent years, with attention increasingly focused on the structural deficit and the government's liquidity position. The new administration took office on August 7, 2026, with a policy agenda centered on security, energy, economic growth and fiscal sustainability. Colombian assets have reacted positively to the initial messages from the new government, although the key question is whether those signals will translate into a credible financing strategy and a realistic fiscal adjustment plan. In the near term, liquidity provides some breathing space. Over the medium term, the fiscal trajectory remains challenging and will require early policy clarity. In this piece, we provide a brief overview of the fiscal and liquidity conditions inherited by the new administration.

The new government starts with a cash position that buys some time, even within a difficult fiscal backdrop. The Central National Government's liquidity stood at around COP 18 tn as of July 31 (Chart 1), COP 10 tn below the previous week, yet still large enough to avoid immediate payment stress during the first weeks of the new administration. In our preliminary view, this cash buffer should allow the government to operate smoothly for a couple of months, or even close to a quarter, while it defines its fiscal and financing strategy. If additional funding becomes necessary, we believe the government would initially prefer to rely on multilateral financing.

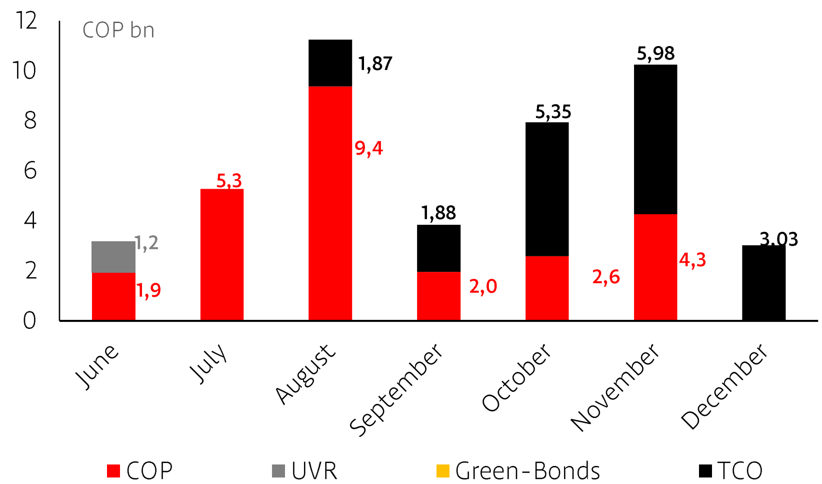
Chart 1. Central Government cash position



Source: Banco de la República, DAVIbank Economics.

That liquidity buffer, however, will tighten quickly. During the first month of the new administration, COP 11.2 tn in debt maturities fall due, including COP 1.9 tn in short term securities and COP 9.4 tn in long term debt (Chart 2). This means that almost two thirds of the government's available cash balance could be absorbed almost immediately by debt service, reducing the resources available for budget execution and other near term financing needs. This is particularly relevant given the strong seasonality of public spending, as government disbursements usually accelerate toward year end.

Chart 2. COLTES maturities in 2026



Source: Ministry of Finance, DAVIbank Economics.

The current financing plan also leaves limited room for comfort. Based on the most recent plan and the pace of execution, the issuance program should be completed by the end of August, with the auction calendar already above 96% at the time this report was written. However, this plan was designed to finance an optimistic fiscal deficit target of 5.3% of GDP for this year. We currently expect the deficit to be higher by roughly 1.7 to 2.5 percentage points of GDP, implying that the government will need to revise its financing plan and probably resort to pre financing strategies to continue issuing debt and rebuilding liquidity.

The accumulated fiscal deficit reached 2.5% of GDP by May, leaving limited room to meet the previous administration's annual target, especially considering that the last months of the year usually concentrate a larger share of the deficit. For this reason, one of the first relevant signals from the Ministry of Finance should be the release of an updated financing plan. The administration could wait for the traditional calendar and publish the adjustment later in the year, potentially closer to December or early 2027. However, that would leave several months of uncertainty around the government's actual financing needs. An early update, ideally in September, would be a more valuable signal of fiscal discipline.

The financing strategy will also depend on the guidance provided by the new Director of Public Credit, César Arias. If liquidity and debt management practices return to the framework used before 2022, we believe the Ministry of Finance could place greater emphasis on foreign currency borrowing, even though the exchange rate remains close to seven-year highs, limiting the local currency benefit of external funding. On the domestic front, the main challenge will be to smooth the concentration of debt maturities between 2027 and 2030. This will likely require a shift in issuance toward longer dated tenors and a more active liability management strategy.

Budget management will be the first political test of the new fiscal strategy. The required COP 12 tn cut to the 2026 budget will be the first concrete signal of the government's ability to adjust spending before year end. If the cut shows credible expenditure prioritization and an initial effort to address rigid spending pressures, it could help improve the perception of the fiscal outlook.

The 2027 budget process will be even more important. This will be the first fiscal document that truly belongs to the new administration and will need to show whether the government can implement meaningful spending cuts in the short term. The market will closely monitor the growth of operating expenditure, the quality of investment spending, especially large infrastructure projects and multi-year budget commitments, and the credibility of revenue assumptions. If the 2027 budget relies on overly optimistic revenue or growth projections, as has happened in previous years, market confidence could deteriorate quickly.

In this context, independent analyses, including ANIF's assessment[1], have proposed a broad spending rationalization agenda focused on reducing public employment, merging government entities, cutting goods and services procurement, gradually adjusting fuel subsidies, reviewing inefficient and low execution investment spending, and improving subsidy targeting. Taken together, these measures would imply a spending adjustment of COP 41 tn, split between COP 14 tn in operating expenditure and COP 27 tn in investment spending. This estimate is broadly aligned with the analysis presented in the box of our quarterly report, where we also argue that a spending adjustment of around COP 40 tn is both necessary and realistic. Such spending-side measures are particularly relevant considering growing empirical evidence showing that expenditure-based fiscal consolidations tend to

[1] ANIF, *Respuestas al desafío fiscal* (julio de 2026).

be more durable and effective over the medium term than tax-based adjustments, while also imposing lower costs on economic growth[2].

Even so, a tax reform will likely be needed to help place public finances back on a sustainable path, as spending cuts alone are unlikely to deliver an adjustment of around 3% of GDP in the short term. While revenues are not the main source of Colombia's fiscal imbalance, a well-designed tax reform could support consolidation while improving incentives. Measures such as reducing the corporate tax burden and removing distortive taxes and exemptions would help improve investment conditions, strengthen potential growth and broaden the tax base over time.

Overall, the new administration starts with enough liquidity to avoid immediate financial stress, but with limited room for delay. The market will now look for three early signals: a revised financing plan, a credible 2026 budget cut, and a 2027 budget built on realistic assumptions. Together, these elements will determine whether the initial improvement in sentiment toward Colombian assets can be sustained.

[2] López, J. I., & Malagón, J. (2026). Fiscal adjustments in Latin America: The role of composition and public debt. Initiative for Policy Dialogue, Columbia University.

Macroeconomic forecast DAVIbank Economics Colombia

Forecast	2019	2020	2021	2022	2023	2024	2025pr	2026pr	2027 pr
National Accounts									
Real GDP growth (yearly %)	3.2	-7.2	11.1	7.6	0.9	1.5	2.6	2.4	2.7
Domestic demand (y/y. %)	4.0	-7.5	13.8	10.5	-2.3	1.6	3.9	2.9	3.2
Consumption (y/y. %)	4.3	-4.3	14.1	9.5	0.7	1.4	4.4	3.4	3.1
Private (y/y. %)	4.0	-5.0	15.3	11.1	0.6	1.6	3.5	3.2	3.6
Goverment (y/y. %)	5.5	-0.9	10.3	2.2	1.1	0.0	8.3	4.4	0.8
Gross capital formation (y/y. %)	3.2	-7.2	11.1	7.6	0.9	1.5	2.6	2.4	2.7
Exports (y/y. %)	3.3	-22.3	15.7	13.6	3.1	0.3	1.8	1.9	1.7
Imports (y/y. %)	7.7	-19.8	28.5	25.0	-9.8	1.3	8.8	3.0	4.2
Laboral Market									
Unemployment (%. Average)	10.9	16.7	13.8	11.2	10.2	10.2	8.9	9	9.4
Balance of Payments									
Trade Balance (USD$. B)	-14.15	-13.10	-20.00	-16.10	-7.81	-9.77	-14.89	-16.61	-19.91
Exports (USD$. B)	51.3	38.2	50.9	73.5	68.7	69.1	71.5	79.22	82.1
Imports (USD$. B)	65.5	51.3	70.9	89.6	76.5	78.9	86.3	97.05	103.10
Current account (USD$ Balance. B)	-14.81	-9.27	-17.95	-20.88	-8.32	-7.10	-11.02	-13.4	-16.18
Current account (% of GDP)	-4.6	-3.4	-5.6	-6.0	-2.3	-1.7	-2.4	-2.3	2.7
Prices. Rates & Exchange Rates									
CPI (y/y. %. End period)	3.80	1.61	5.62	13.12	9.28	5.20	5.10	6.87	4.87
CPI (y/y. %. Average)	3.52	2.53	3.49	10.15	11.77	6.63	5.14	6.01	5.67
CPI without food (y/y. %. End period)	3.45	1.03	3.44	9.99	10.33	5.60	5.11	6.50	4.77
COP ($. End period)	3297	3422	4077	4850	3902	4405	3780	3567	3701
COP ($. Average)	3281	3694	3766	4254	4322	4153	4052	3643	3629
BanRep's rate (%. End period)	4.25	1.75	3.00	12	13.0	9.50	9.25	12	10
Fiscal projections*									
Net Debt of CNG (% of GDP)	48.4	60.7	60.1	57.6	53.4	59.3	58.5	61	62.9
Primary Balance of CNG (% del PIB)	0.4	-5.0	-3.6	-1.0	-0.3	-2.4	-3.5	-4.1	0.5
Deficit of CNG (% of GDP)	-2.5	-7.8	-7.1	-5.3	-4.3	-6.8	-6.4	-7.4	-5.1

*Source: CARF Report June 2026 about MTFF. For 2027 the projection assumes a 3.7% of GDP adjustment

Source: DAVIbank Economics Colombia.

VIGILADO SUPERINTENDENCIA FINANCIERA DE COLOMBIA

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