Economics Colombia
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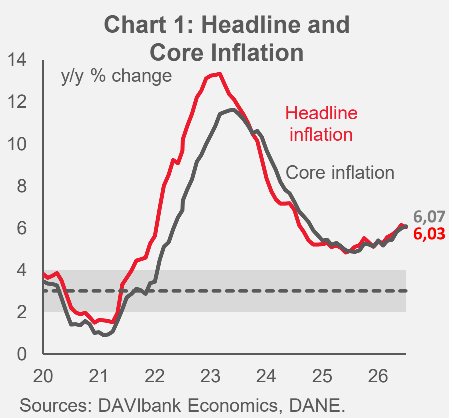
Chart 1. Headline and Core Inflation



Sources: DAVIbank Economics, DANE.

Colombia: Does July's downside inflation surprise validate Banrep's dovish group?

Colombia's monthly CPI inflation stood at 0.17% m/m in July, according to data published by DANE on Monday, August 10, 2026. This time, the result came in below economists' consensus of 0.31% m/m, according to BanRep's survey, and DAVIbank expectations of 0.37%. In July, 8 out of the 12 CPI groups posted positive inflation, although housing and utilities accounted for virtually all of the headline increase (+0.55% m/m), as key categories, including food, posted negative monthly prints. Meanwhile, core inflation excluding food stood at 0.35% m/m, while core inflation excluding both food and regulated items came in at 0.27% m/m.

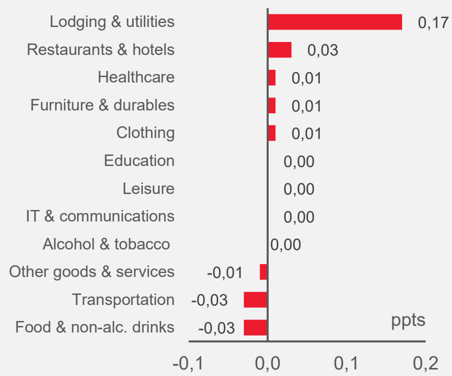
Annual inflation decreased for the first time since February, from 6.14% y/y in June to 6.03% y/y in July (-11 bps, chart 1). Core inflation measures posted a mixed result: inflation excluding food increased 9 bps to 6.07% y/y, while inflation excluding food and regulated prices decreased by 4 bp to 6.03% y/y. Goods inflation eased to 3.17% y/y (- 3bps), and services inflation decreased to 7.06% y/y (-4bp). In the case of regulated inflation, it again increased sharply to 6.23% y/y (+60bps), reaching its highest level since February 2025, mainly reflecting higher electricity prices as market participants keep anticipating the effects of "El Niño" phenomenon.

Indexation dynamics remain present in the Colombian economy, particularly in restaurants and accommodation services (+9.53% y/y), a division that is highly sensitive to labor costs, and in housing (+5.47% y/y), which continues to show persistent increases and accounts for roughly 25% of the CPI basket.

Inflation came in below economists' consensus, with part of the downside surprise driven by food prices, which fell by 0.13% m/m, compared with +0.82% m/m in July 2025 and our expectation of +0.42% m/m. The weaker-than-expected reading was largely explained by lower prices for perishable food items, particularly fruits and vegetables.

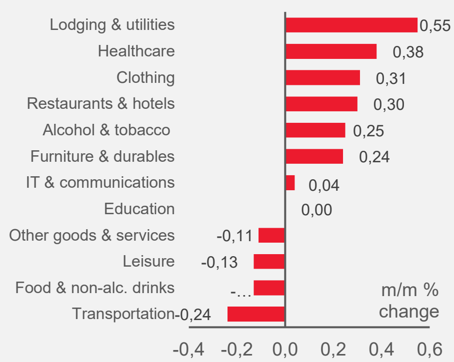
With the information currently available, we maintain our view that inflation will peak in December 2026. However, July's price dynamics provide support for a more accommodative monetary policy stance and reinforce the dovish surprise delivered by Banco de la República in July. Thus, we have revised our policy rate forecast to 12.0% through at least year-end, although the outlook remains subject to considerable uncertainty, particularly around geopolitical developments, "El Niño" weather phenomenon, minimum wage negotiations, and exchange rate movements.

Chart 2. Consumer Price Index Components



Sources: DAVIbank Economics, DANE.

Chart 3. Consumer Price Index Components



Sources: DAVIbank Economics, DANE.

Complementary Highlights:

- **July's inflation provided a mixed picture (Charts 2 and 3).** The Housing and Utilities group (+0.55% m/m) contributed 17 bps, while the Food (-0.13% m/m), Transport (-0.24% m/m), and Other Goods and Services (-0.11% m/m) groups acted as offsetting forces. In the case of Housing and Utilities, rent and electricity prices were the main contributors (9 bps and 8 bps, respectively). As in previous months, electricity tariffs reflected the shift in energy generation sources from hydroelectric to thermoelectric generation in preparation for the "El Niño" weather phenomenon. It is worth noting that water tariffs in Bogotá are expected to increase significantly in August, which will add pressure to the inflation indicator over the next two months.
- **Restaurants and Accommodation (+0.30% m/m; contribution of 3 bps) was the second largest contributor.** Within this group, we continue to observe significant price pressures, likely associated with still-resilient household demand, as well as seasonal factors related to the World Cup and holiday periods in Colombia. This category reached annual inflation of 9.53% y/y and remains the third-largest contributor to headline inflation.
- **Food inflation was the main offsetting force.** Monthly food inflation stood at -0.13% m/m, highlighting the volatility of food prices throughout the year. In July, most food categories recorded relatively mild price changes, with positive contributions from meat (+0.84% m/m), onions (+5.33% m/m), milk (+0.39% m/m), and legumes (+1.17% m/m). However, downside pressures came mainly from plantains (-6.82% m/m) and fresh fruits (-1.30% m/m). Our internal seasonal tracker suggests that fruit prices could continue exerting downward pressure on inflation. However, it is worth noting that food prices have shown considerable volatility in 2026. As mentioned in previous reports, the main source of risk, particularly for 2027, is the "El Niño" weather phenomenon. However, its impact will depend on both the intensity and duration of the event. For now, we expect the Food group to remain the second-largest contributor to inflation this year. Annual inflation in this category currently stands at 5.82% and could accelerate further, ending the year above 7%.
- **The Transport and Other Goods and Services groups contributed negatively, subtracting 3 bps and 1 bp, respectively.** In the case of Transport, we are observing the impact of the FX appreciation on vehicle prices (-0.68% m/m), which posted their largest contraction since May 2024. We also attribute this behaviour to increased competition following Tesla's arrival in the Colombian market. Overall, we believe that the combination of FX tailwinds and stronger competition is masking the effects of still-significant household demand for vehicles. In the case of Other Goods and Services, vehicle insurance was the main contributor to the downside, subtracting 1 bp.

- **Goods and Services inflation.** Goods inflation stood at +0.04% m/m and 3.24% y/y (+1 bp compared with the previous month), reflecting offsetting forces from Transport and other imported goods. Services' inflation stood at +0.24% m/m, while the annual rate slowed from 7.03% in June to 6.96% in July. During the month, some categories such as cinemas recorded negative contributions, which, when compared with inflationary readings a year ago, added volatility to the indicator. It is worth noting that despite the moderation in services inflation, the level remains elevated and continues to reflect the effects of minimum-wage indexation, as well as still-strong domestic demand.

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	12.75	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: Medium Term Fiscal Framework 2026.

Source: DAVIbank Economics Colombia.

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