

Economics Colombia

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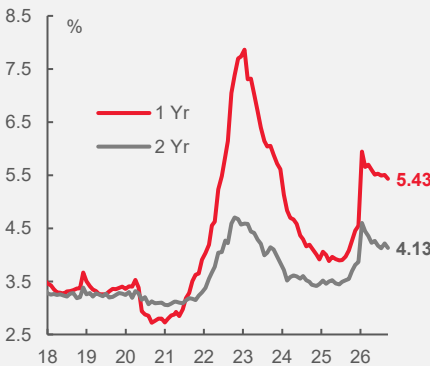
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Colombia: Inflation expectations rise for end-2026, while remaining broadly stable over longer horizons; BanRep expected to hold rates steady in September.

The Central Bank (BanRep) published its September survey of economists' expectations on Tuesday, September 15th. Inflation expectations increased for December 2026 to 6.77% (+10 bps) and for December 2027 to 5.10% (+1 bp), but decreased for the one- (5.43%, -7 bps) and two-year (4.13%, -8 bps) horizons. The medium-term expectation changed modestly probably reflecting that prices will experience significant shocks in the short term (Dec 2026) that are expected to vanish in the medium term. Either way, expectations also affirm that the convergency towards the target will take longer than expected as the year-end expectation for 2027 consolidates above 5%.

Chart 1. Average Headline Inflation Expectations



Sources: DAVIbank Economics, BanRep.

Expectations for the monetary policy rate have not changed significantly and still point to the possibility of a final 25 bps hike at the December meeting. For year-end 2027, the expected policy rate stands at 10.75% (+25 bps compared with the previous survey), while the beginning of the easing cycle is, on average, anticipated in April 2027. The September meeting will be important in assessing how the Board's risk outlook has evolved following further rate hikes by most central banks in developed markets, the change in the Colombian government, and the reassessment of the country's public finances perspectives.

At DAVIbank, inflation expectations are skewed to the upside relative to consensus for this year and broadly aligned for next year, as we now expect inflation to remain above 5% through end-2027. We project annual inflation to reach 6.91% in December 2026 and decline to 5.06% in December 2027. Regarding the monetary policy rate, we expect it to remain unchanged at 12% until July 2027. By then, inflation expectations should have converged toward the target range of 2% to 4%, allowing Banrep to begin a gradual easing cycle. Under this scenario, we project the policy rate to end 2027 at 11%.

Table 1. Headline Inflation Expectations

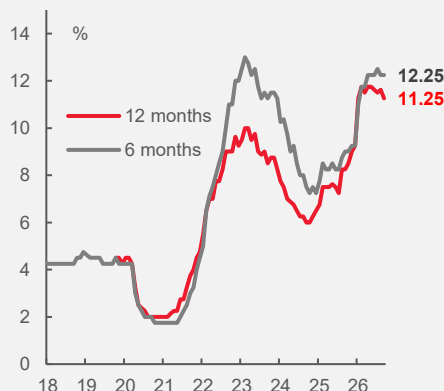
	Average	Change vs previous survey, bps
September-2026, m/m % change	0,39	...
Dec-2026, y/y % change	6,77	10
1Y ahead, y/y % change	5,43	-7
Dec-2027, y/y % change	5,10	1
2Y ahead, y/y % change	4,13	-8

Sources: DAVIbank Economics, BanRep.

Key details from the survey

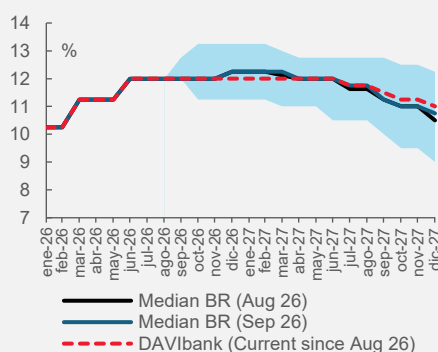
- Short-term inflation expectations. Monthly inflation in September is expected to average 0.39% m/m, 15 bps higher than one year ago, taking the annual figure to 6.31% y/y (Table 1). DAVIbank's August projection is below the economists' consensus (0.36% m/m, 6.28% y/y). We expect inflationary pressures to be driven by continued increases in food prices and the traditional adjustment in education fees in September. However, we anticipate some moderation in utility fees this month, particularly in electricity prices. The

Chart 2. Average Policy Rate Expectations



Sources: DAVIbank Economics, BanRep.

Chart 3. Expected Monetary Policy Path



Sources: DAVIbank Economics, BanRep.

survey indicates that core inflation (excluding food) is expected to reach 0.34% m/m, while DAVIbank's projection stands at 0.22% m/m, suggesting that the main difference between the forecasts lies in the assumptions regarding food inflation.

- Medium-term inflation expectations.** Expectations for December 2026 increased to 6.77% (+10 bps vs. the previous survey), and the one-year horizon (September 2027) decreased by 7 bps to 5.43%. Expectations for December 2027 increased slightly to 5.10% (+1 bp vs. the previous survey) while the two-year horizon decreased by 8 bps to 4.13%, still showing limited confidence in achieving the target range despite the decrease. At DAVIbank, our projection for end-2026 is above the consensus: we expect year-end inflation to reach 6.91%, while our projection for 2027 is broadly in line with the consensus.
- Monetary policy rate.** The economists' consensus points to a 25 bps rate hike in December, bringing the policy rate to 12.25% until March 2027. Rate expectations for the 6-month and 12-month horizons stand at 12.25% and 11.25%, respectively (Chart 2).
- At DAVIbank, we expect stability in 12% until July 2027 (Chart 3).** In contrast to the average economist consensus, that expects a cut as early as April 2027, we expect a prolonged period of stability, with the trigger for rate cuts being the signal that 1-year inflation expectations have consolidated below 4%.
- FX projections:** For December 2026, analysts expect the exchange rate to reach COP 3,236 per USD (previous survey: COP 3,325 per USD), while the forecast for December 2027 stands at COP 3,387 per USD. At DAVIbank, we expect the exchange rate to remain below our estimate of its macroeconomic fundamental value of approximately COP 3,500 per USD. It is worth noting that, under its international reserves accumulation program, the central bank purchased USD 696.2 million between August and September.

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	2.5	2.3
Domestic demand (y/y. %)	4.0	-7.5	13.8	10.5	-2.3	1.6	3.9	3.9	2.8
Consumption (y/y. %)	4.3	-4.3	14.1	9.5	0.7	1.4	4.4	4.1	2.3
Private (y/y. %)	4.0	-5.0	15.3	11.1	0.6	1.6	3.5	3.2	2.5
Government (y/y. %)	5.5	-0.9	10.3	2.2	1.1	0.0	8.3	9.5	1.4
Gross capital formation (y/y. %)	3.2	-7.2	11.1	7.6	0.9	1.5	2.6	3.2	5.9
Exports (y/y. %)	3.3	-22.3	15.7	13.6	3.1	0.3	1.8	0.1	1.7
Imports (y/y. %)	7.7	-19.8	28.5	25.0	-9.8	1.3	8.8	3.0	3.7
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 of period)	3.80	1.61	5.62	13.12	9.28	5.20	5.10	6.94	5.06
CPI (y/y. %. Average)	3.52	2.53	3.49	10.15	11.77	6.63	5.14	6.05	5.31
CPI without food (y/y. %. End of period)	3.45	1.03	3.44	9.99	10.33	5.60	5.11	6.21	4.43
COP (\$. End of period)	3297	3422	4077	4850	3902	4405	3780	3290	3610
COP (\$. Average)	3281	3694	3766	4254	4322	4153	4052	3422	3397
BanRep's rate (%. End of period)	4.25	1.75	3.00	12	13.0	9.50	9.25	12	11
Tax Codes*									
Net Debt of CNG (% of GDP)	48.4	60.7	60.1	57.6	53.4	59.3	58.5	59.7	66.2
Primary Balance of CNG (% of GDP)	0.4	-5.0	-3.6	-1.0	-0.3	-2.4	-3.5	-3.3	-4.5
Deficit of CNG (% of GDP)	-2.5	-7.8	-7.1	-5.3	-4.3	-6.8	-6.4	-7.2	-9.4

*Source: 2027 National Budget.

Source: DAVIbank Economics Colombia.

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