

Economics Colombia

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Colombia: Inflation surprises on the upside as food price volatility persists; BanRep likely to remain on hold in September.

Colombia's monthly CPI inflation stood at 0.39% m/m in August, according to data published by DANE on Monday, September 7th, 2026. The result came in above economists' consensus of 0.27% m/m, according to BanRep's survey, and below DAVIbank's expectations of 0.43% m/m. In August, 11 out of the 12 CPI groups posted positive inflation, with Food (+0.71% m/m) and Housing (+0.38%) accounting for around 40% of the headline increase, while Clothing and footwear was the only category with a negative variation (-0.14%). Meanwhile, core inflation excluding food stood at 0.32% m/m, while core inflation excluding both food and regulated items came in at 0.37% m/m.

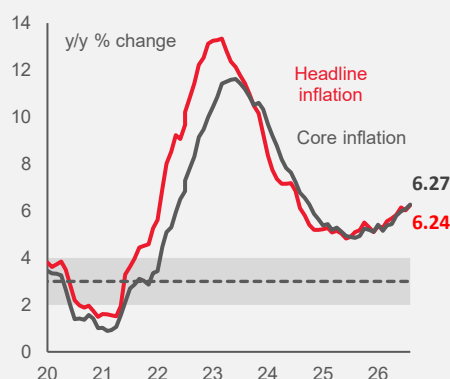
Annual inflation increased again after the pause last month, from 6.03% y/y in July to 6.24% y/y in August (+21 bps, chart 1). Inflation excluding food increased 20 bps to 6.27% y/y, while inflation excluding food and regulated prices increased 16 bps to 6.19% y/y. Goods inflation increased to 3.30% y/y (+13bps), its higher print since February 2024, and services inflation increased to 7.22% y/y (+16bps), the higher reading since end-2024. In the case of regulated inflation, it again increased to 6.62% y/y (+39bps), mainly reflecting higher electricity prices as market participants keep anticipating the effects of "El Niño" phenomenon, but also a shift from hydroelectric to thermoelectric generation.

Indexation dynamics remain entrenched in the Colombian economy, particularly in Housing inflation (+5.62% y/y), which increased by 15 bps relative to July, continues to exhibit persistent price pressures, and represents roughly 25% of the CPI basket. Restaurants and accommodation services, a category highly sensitive to labor costs, showed a modest easing in inflationary pressures, with annual inflation declining to 9.36% from 9.53% in the previous month.

Inflation came in above economists' consensus expectations, with part of the upside surprise driven by food prices, which increased by 0.71% m/m, above the +0.34% m/m expected in BanRep's survey, although below our projection of +1.0% m/m. The stronger-than-expected reading was largely explained by higher prices for perishable food items, particularly fruits. It is worth noting that most of the inflation surprises observed this year have been driven by the volatile behavior of food prices. Looking ahead, we expect more persistent upward pressure on food inflation, reflecting the impact of wildfires in several regions of Colombia and the development of the El Niño weather phenomenon, which has proven more intense and is likely to last longer than initially anticipated.

Based on the information available so far, we continue to expect inflation to peak in December 2026, with monetary policy remaining

Chart 1. Headline and Core Inflation



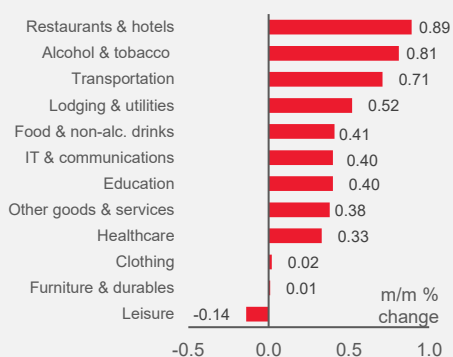
Sources: DAVIbank Economics, DANE.

Chart 2. Consumer Price Index Components



Sources: DAVIbank Economics, DANE.

Chart 3. Consumer Price Index Components



Sources: DAVIbank Economics, DANE.

restrictive for several months thereafter. It is worth noting that we are entering the most challenging phase of the inflation cycle, during which further acceleration is expected to materialize. This stage is likely to place additional pressure on the central bank, which, according to its latest communications, remains in a holding pattern, adopting a wait-and-see approach while assessing the impact of the tightening measures implemented earlier this year on key macroeconomic variables.

We maintain our call that BanRep will keep the policy rate unchanged at 12% in September and through mid-2027. However, the outlook remains subject to significant uncertainty, particularly regarding geopolitical tensions, the El Niño weather phenomenon, and minimum wage negotiations, all of which represent upside risks to inflation. Exchange rate developments remain another key factor to monitor, although for now they continue to provide the most relevant disinflationary tailwind.

Finally, DANE disclosed that a portion of the sample used for CPI data collection was suspended following the August 10 earthquake. In the main affected cities, around 10% to 20% of observations could not be collected, while in Pereira the figure was close to 50%. In this city, the largest impact was concentrated on the clothing, restaurants, and leisure categories.

Complementary Highlights:

- **August's inflation provided a widespread increase in prices across almost all sectors (Charts 2 and 3).** Food (+0.71% m/m) was the main driver of monthly inflation, contributing 13 bps to the headline figure, followed by Housing (+0.38% m/m) and Restaurants (+0.33% m/m), which contributed 12 bps and 4 bps, respectively.
- **Food inflation was largely driven by higher prices for fruits and vegetables, particularly oranges, tomatoes, and potatoes.** Also, as in previous months, electricity tariffs continued to reflect the gradual shift in power generation from hydroelectric to thermoelectric sources ahead of the expected El Niño weather conditions. In addition, water tariffs in Bogotá increased significantly in August and are expected to rise again in September, albeit at a more moderate pace. Finally, restaurants are still a major contributor to inflation due to the pass-through of higher labor costs after the 23% increase in minimum wage for 2026.
- **Clothing and footwear was the only category that exerted downward pressure on inflation.** Prices declined by 0.14% m/m, reflecting lower clothing and accessories inflation, likely supported by the stronger exchange rate, which reduced import costs. However, given its relatively small weight in the CPI basket (around 4%), the category's contribution to headline inflation was negligible. **Transport and Education**

also posted positive monthly inflation readings, although their impact on headline inflation was also minimal given their small participation in the overall CPI basket.

- **Goods and Services inflation.** Goods inflation stood at 0.26% m/m and 3.30% y/y, up 13 bps from the previous month and reaching its highest level since 2024. However, price dynamics still reflect offsetting pressures in categories like vehicles, household appliances, and other imported goods, which benefited from the strength of the Colombian peso. **Services inflation stood at 0.41% m/m, while the annual rate increased from 7.06% in July to 7.22% in August.** As in previous months, Housing and Restaurants, two of the most highly indexed components, accounted for the largest contributions.

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	2.5	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	6.89	4.94
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	10.50
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
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*Source: 2027 National Budget.

Source: DAVIbank Economics Colombia.

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