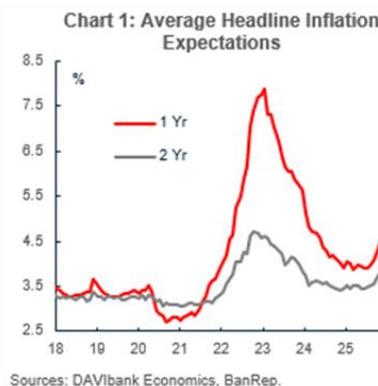


Colombia: BanRep’s Survey: Inflation in 2026 will miss the target, while rate cuts are discarded

The Central Bank (BanRep) published its November survey of economists’ expectations late on Tuesday, December 16. Inflation expectations showed mixed behavior after the downside surprise in the previous CPI reading. Expectations for December 2025 inflation stand at **5.19%**, almost the same level observed at the end of 2024 (5.20%), while projections for December 2026 are at **4.54%**, above the central bank’s target range of **2%–4%**. Consistent with this inflation outlook, the economist consensus largely rules out rate cuts in 2026. However, the survey is divided, as some analysts are even projecting rate hikes starting with next Friday’s meeting.

The debate over rate hikes has intensified since October, as the minutes reflected warnings from some board members who are highly concerned about inflationary risks. At DAVIbank, we project inflation at 4.23%, and we see a chance of rate cuts only at the very end of 2026, bringing the policy rate down to 8.75%. Our projection assumes an **11% increase in the minimum wage**, which is not expected to accelerate inflation since it matches the increase seen in 2025. We recognize that the main source of risk for now is the minimum wage adjustment, which is not expected to be known before BanRep’s meeting. On the other hand, starting the year with expectations already de-anchored poses a challenge for the central bank, making this one of the key points to watch in the upcoming meeting.



Key details from the survey

- **Short-term inflation expectations.** For December, the consensus estimate is **0.35% m/m (Table 1)**, implying annual inflation of **5.19% y/y**, down from the previous **5.30% previously**. The highest estimate is **0.53%**, and the **lowest is 0.09%**. DAVIbank projects **0.30% m/m** and **5.14% y/y**. Core inflation (excluding food) is projected at **0.37% m/m** and **5.12% y/y**; our forecast is **0.30% m/m** and **5.05% y/y**.

Colombia: Headline Inflation Expectations

	Average	Change vs previous survey, bps
Nov-2025, m/m % change	0.35	...
Dec-2025, y/y % change	5.19	-16
1Y ahead, y/y % change	4.54	9
Dec-2026, y/y % change	4.54	11
2Y ahead, y/y % change	3.86	5

Sources: DAVIbank, BanRep.

Table 1

- **Medium-term inflation expectations.** December 2025 expectations fell by **16 bps to 5.19%**. One-year horizon expectations increased **9 bps to 4.54%**, and two-year horizon expectations rose **5 bps to 3.86%**. DAVIbank forecasts slightly below consensus: **Dec-2025 at 5.14% y/y** and **Dec-2026 at 4.24% y/y**. We expect inflation to enter the target range in H2-2027.
- **Monetary policy rate.** The median expectation is for prolonged stability (Chart 2), with cuts taking place in March 2027. The more hawkish projections point to a Dec-2026 rate at 10.75%, while the more dovish is at 6%, showing a huge difference in the opinions. In DAVIbank we project two cuts in 2026 as we think that inflation will maintain a trend of moderation most of the year, while economic activity is not showing yet an overheated stance.



- **FX projections:** For December 2025, analysts estimate COP 3,838 per USD, down 8 pesos from the previous survey. For 2026, the forecast is COP 3,953. DAVIbank’s fundamental value for the exchange rate is around COP 4,150; however, in the short term, we expect USDCOP to remain below fundamentals due to expectations of a still-high real interest rate and the possibility of continued government monetizations. Our year-end projections are COP 3,865 for 2025 and COP 4,045 for 2026.

Research Colombia

- **Jackeline Piraján – Head Economist**
- **Valentina Guio – Senior Economist**

Banco Davibank S.A.

Buzón: economicscolombia@davibank.com

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