

## Economics Colombia

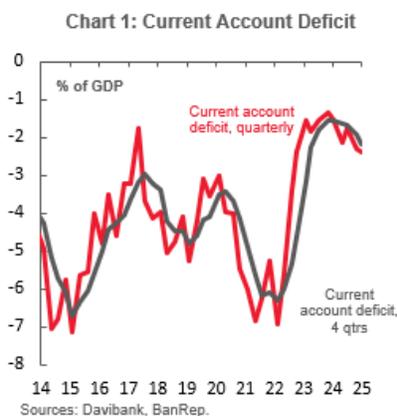
December 3, 2025

### Current Account deficit widens, while government's debt is a relevant source of financing.

On Monday, December 1, the central bank (BanRep) released the Q3 2025 Balance of Payments (BoP). The current account deficit stood at USD 2.85 billion, equivalent to 2.4% of GDP—similar to the Q2 2025 figure but 0.7 percentage points wider compared to Q3 2024 (Chart 1). By components, the trade deficit continued to widen, the income account posted lower outflows, and transfers—especially remittances—remained supportive, growing at a double-digit pace of 12.5% y/y.

On the financing side, during Q3 2025, portfolio investments remained robust, signaling that a significant source was public indebtedness, while FDI inflows weakened slightly. Year-to-date through September, the current account deficit stood at USD 7.15 bn (2.2% of GDP), while in the financial account, inflows totaled USD 5.79 billion and international reserves reached USD 1.62 bn.

At Davibank, we project a current account deficit of 2.4% of GDP for the full year 2025, reflecting a wide trade deficit amid ongoing economic recovery. For 2026, we expect the deficit to reach 2.5% of GDP, with potential for further widening if investment activity picks up more strongly by year-end.



Overall, the current account deficit and its financing are under control; however, their composition and sources of financing remain a concern, supporting the cautious stance adopted by the central bank. The wider trade deficit signals robust domestic demand, particularly on the consumption front. On the financing side, public debt is a significant contributor, which aligns with the high level of the fiscal deficit. **In 2022, the wider external deficit was a reason to tighten monetary policy.** Under the current stance, we do not see this possibility; however, it is a strong argument for at least maintaining stability.

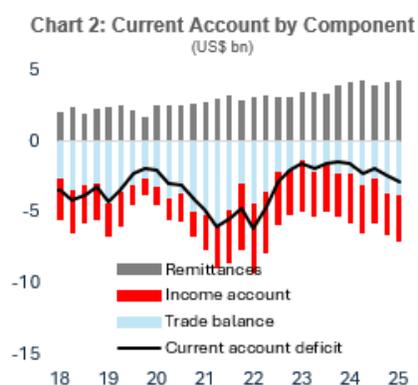
**Regarding the FX side, the trade deficit is at its highest level since Q1 2023.** Nevertheless, the USDCOP has remained under control, supported by remittances and significant international operations from the Ministry of Finance. **At Davibank Economics, we estimate a long-term level for the USDCOP around 4,000 to 4,150 pesos.** In the short term, however, the FX could remain below this range, driven by expectations of a restrictive monetary policy rate and the likelihood of continued government funding operations in international markets.

Further details about the Balance of Payments numbers.

#### Current account:

In Q3 2025, the current account deficit stood at USD 2.85 billion (2.4% of GDP; see Chart 2), marking the widest level since Q3 2022 in dollar terms and the highest as a percentage of GDP since Q3 2023. For the year-to-date (YTD) period through September, the deficit reached USD 7.15 billion (2.2% of GDP), an increase of USD 2.55 billion compared to the same period in 2024.

The main driver of this deterioration was a higher trade deficit (USD 10.35 billion, up 60.6% year-over-year), reflecting robust domestic demand that fueled import growth, in contrast to the weak performance of traditional exports, particularly coal and oil. Remittances remained strong, significantly offsetting the impact on the current account deficit.



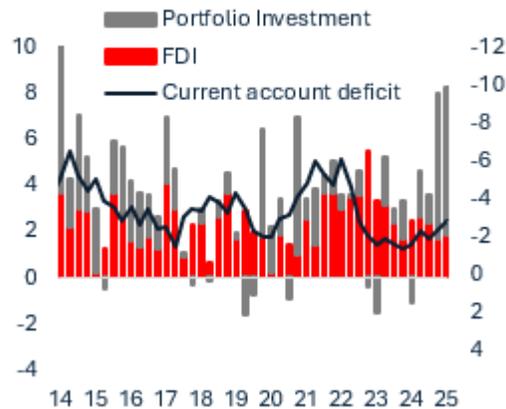
Sources: Davibank, Banrep

- **Trade balance of goods: In the YTD up to September 2025, the trade deficit in goods was USD \$10.73 bn.** Exports increased by 0.9% y/y, mainly better coffee exports due to better prices (+55.4% y/y) and quantities (+16.8% y/y), manufactured products, foog and gold exports also expanded, offsetting the contraction oil (-1% y/y volume, and -12% y/y prices), and the contraction from coal (-24.9% y/y quantities, and -8.4% y/y in prices).
- **Imports of goods stood at USD 49.02 bn in the YTD up to 2025 (+9.2% y/y).** Still the positive characteristic is that purchases of inputs and capital good for the industry is leading the gains (+9.7% y/y), however consumption goods are also expanding at a significant change (+20% y/y). On the negative side, we have imports of fuel (-3.9% y/y) and transport equipment (-2.3% y/y).
- **The services trade balance posted a surplus.** In the YTD services had a surplus of USD \$385 m (an increase of USD 1.5 bn vs the previous year). The most relevant part of exports is still in tourism-related (+663 m y/y), modern exports (+13% y/y) related with the IT services sector.
- **Income account:** During the YTD up to September, the income account deficit stood at USD \$9.01 bn, lower by USD \$446 m compared to the deficit in the same period of 2024, which reflects lower interest payments on hard currency credits (USD 347 m lower outflows), and lower earning of FDI investments in Colombia (USD 211 m).
- **Transfers:** Transfers continued contributing to a lower current account deficit. Net inflows in the YTD were USD \$12.2 bn (+8% y/y); remittances were at USD \$9.76 bn, increasing by 12.5% and representing 3% of GDP and 13.2% of current inflows of the BoP. The US and Spain are the main source of remittances for Colombia, and according to the central bank this increase is due to increases in migrant population and job creation in the countries that receive our migrants.

#### **Financial account:**

**The financial account registered net inflows of USD \$5.792 bn (1.8% of GDP), including the International Reserve Increase of USD 1.27 bn (chart 3).** During this period, investment inflows came mainly from portfolio investments (+ USD 13.85bn), that outpaced the FDI inflows (+9.16 bn). The nature of financing is the most concerning part since is related to the deterioration in the fiscal situation, and despite that shows Colombia has decent access in the international market, could also pose a challenge if structural fiscal accounts doesn't improve.

**Chart 3: BoP Financial Account Inflows**  
(US\$ bn)



Sources: Davibank, Banrep.

- Foreign Direct Investment:** FDI gross inflows stood at USD \$9.16 bn in the YTD (2.8% of GDP), falling 4.8% y/y. The main destinations were oil and mining (27%), financial services (26%), and manufacturing (16%). Around half of FDI inflows corresponds to capital investments (USD 4.48 bn), while USD 3.49 bn are due to reinvested earnings and USD 1.18 bn responds to higher debt. The main contraction was due to lower inflows of capital, that is probably related to lower capitalization activity in the financial sector.
- Portfolio investments:** Total inflows stood at USD 13.85 billion, with public sector financing playing a significant role. Inflows to the public sector reached USD 9.28 billion (+USD 8.62 billion y/y), of which USD 5.3 billion came from issuances in global markets, while USD 3.88 billion corresponded to COLTES purchases by foreign investors. It is worth noting that purchases in the COLTES market could be strongly related to TRS structuring, while other investors largely remained on the sidelines.

**On the private side, activity also increased:** bond issuance totaled USD 3.38 billion, while offshore investors' purchases of local market instruments amounted to USD 1.19 billion.

## Research Colombia

### Bloomberg Contacts:

- **Jackeline Pirajan - Head Economist**
- **Daniela Guio – Senior Economist**

**Buzón:** [economicscolombia@davibank.com](mailto:economicscolombia@davibank.com)

**Banco Davibank S.A. / Bogotá Colombia.**

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