



Economics Colombia

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Colombia: November's headline inflation eased to 5.30% y/y, while core measures also provided relief affirming expectation for rate stability.

Colombia's monthly CPI inflation stood at 0.07% m/m in November, according to data published by DANE on Friday, December 5, 2025. This result was below analysts' expectations in the BanRep survey and Scotiabank Colpatría's forecast (0.20% m/m). During the month, 8 of the 12 consumption groups registered positive monthly variations, with lodging & utilities and restaurants & hotels contributing the most to total inflation but offset by food prices.

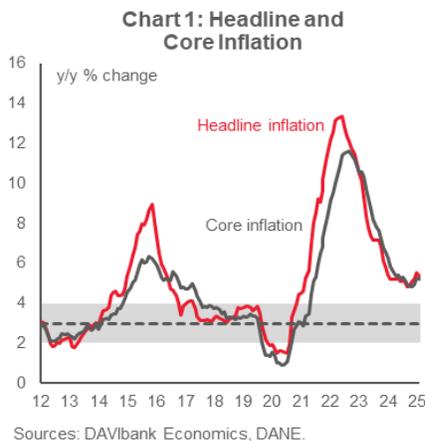
Annual inflation decelerated from 5.51% to 5.30% in November, interrupting with the upward trend observed in the previous months. The result was mainly driven, again, by lodging and utilities which increased by 0.28% m/m and 5.29% y/y, especially due to significant increases on water and rent fees, the former one continued showing the indexation effect to the previous year's inflation, followed by restaurants & hotels which increased by 0.38% m/m and 7.65% y/y due to restaurants. However, this result was offset by a significant decrease in food inflation (-0.72% m/m), driven by fruits and vegetables such as tomatoes and onions.

Regarding core measures, ex-food inflation decreased from 5.25% y/y to 5.20% y/y, while core inflation (excluding food and regulated prices) showed a decrease from 5.00% y/y to 4.87% y/y. Services inflation (excluding food and regulated prices) decreased from 5.90% y/y to 5.72% y/y, with rental prices increasing by 5.24% y/y (0.21% m/m). Meanwhile, goods inflation slightly decreased from 2.59% to 2.58% y/y, and still within the target range (2%–4%). Regulated prices increased from 6.10% y/y to 6.34% y/y, mainly due to rebound in utilities' inflation (8.52% y/y on water and housing services).

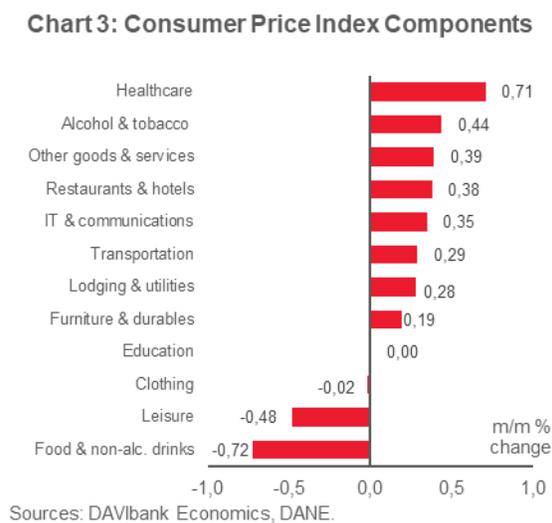
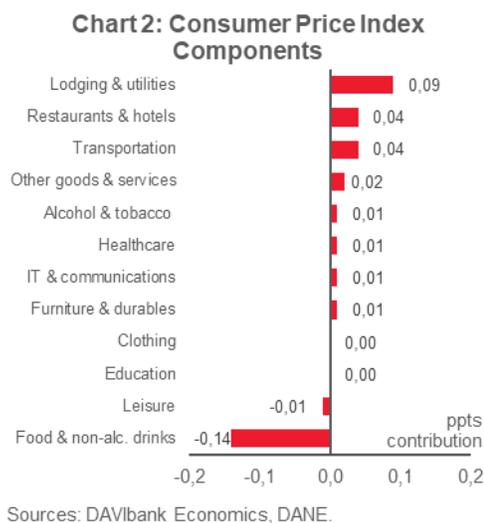
These results were significantly lower than market expectations; however, they still support our view that inflation will likely close above 5% in 2025. We project year-end inflation at around 5.2% for December 2025 and above 4% for December 2026. This trajectory will largely depend on the increase in the minimum wage, as public announcements indicate that the government supports a double-digit adjustment, which typically impacts service prices. Our current inflation projection assumes a minimum wage increase of about 11%, exceeding the traditional rule of inflation plus productivity.

However, if the adjustment is higher, it will continue to skew our inflation forecast to the upside.

Despite the downside surprise on inflation, we rule out any interest rate cuts by the central bank for the remainder of 2025, primarily because both downward and upward pressures stem from factors independent of the central bank's decision. The possibility of resuming the easing cycle in 2026 is increasingly fading; in fact, we now tend to expect the interest rate to remain unchanged at 9.25% in 2026. However, we do not rule out the possibility of future rate cuts once it is confirmed that the effects of indexation will not prevent inflation from continuing to decline.



Complementary highlights:



- **Two groups accounted significantly on total inflation.** Lodging and utilities were the largest contributor with a monthly increase of 0.28% (5.29% y/y) and a contribution of 9 bps. Rent fees rose by 5.01% y/y (0.23% m/m) making the

largest contribution to total inflation, followed by water fees which increased by 8.05% y/y (1.26% m/m) and represented the highest figure since March 2024. Electricity prices (0.05% m/m) recorded a positive trend in annual terms (0.74% y/y) due to regular price adjustment. Restaurant and hotels increased by 7.65% y/y (0.38% m/m).

- **Other items offset the overall increase.** Food and non-alcoholic drinks decreased by 0.72% m/m, offsetting the monthly headline inflation by 14 bps. Within food group, fruits and vegetables such as tomatoes, carrots and onions contributed negatively to total inflation, in contrast with meat which grew by 0.95% m/m (9.14% y/y). On an annual term, food inflation decelerated to 5.74% y/y. Food supply continued to show positive figures but declined by -8.8% m/m (4.88% y/y) in November. Leisure activities then decreased by -0.48% m/m (0.57% y/y) due to packages holidays, which fell by -2.53% m/m (-1.28% y/y).
- **Services inflation decelerated to 5.72% y/y.** The deceleration was associated to services related to leisure. **Goods-related prices registered a slightly decrease to 2.58% y/y**, a curious dynamic since in 2025 the FX appreciation (more than 25% YTD) is a tail wind that could promote more stable prices of tradable goods. Booth, the stickiness in services and increasing goods inflation are probably reflecting the effect of a robust households' demand.

Research Colombia

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