Economics Colombia
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Research Team Colombia
Jackeline Piraján
Head of Research
jackeline.pirajan@davibank.com

Paula Andrea Patiño
Intern
paula.patino@davibank.com

Colombia: Inflation expectations show mixed signals; consensus anticipates 50 bp Hike in April

The Central Bank (BanRep) published its April survey of economists' expectations late on Friday, April 17. Inflation expectations increased for December 2026, while they declined for the one- and two-year horizons. **Despite this mixed behavior, it is worth highlighting that the results are consistent with a scenario in which we expect inflation to peak by the end of this year and to begin moderating from early 2027 onward.** Even so, the survey indicates that inflation will remain above the target range by the end of 2027 (4.77% y/y), which implies that the central bank will need to maintain a contractionary stance for a prolonged period.

The expected terminal rate of the hiking cycle increased. At April's meeting, the consensus among economists points to a peak policy rate of 12.25% (previously 11.75%). This path implies a 50 bp hike in April and an additional 25 bp hike in July, assuming a temporary pause in the tightening cycle between meetings. That said, the policy rate is expected to stand at 12.25% by the end of the year, while easing is projected to begin in January 2027, with the rate closing that year at 10.25%.

Dispersion among projections persists, and unlike what was observed in the previous month, it is no longer the case that only the upper bounds of expectations increased. For inflation, the highest estimate for end-2026 is 7.16%, while the lowest is 5.78%. For interest rates, the upper bound of expectations now implies a terminal rate of 12.75%. At DAVIbank Economics, we project inflation to end 2026 at 6.58%. Regarding monetary policy, we believe the Finance Ministry will attend the meeting, and if that occurs, we expect a 75 bp hike, which would leave the policy rate at 12% for the remainder of 2026.

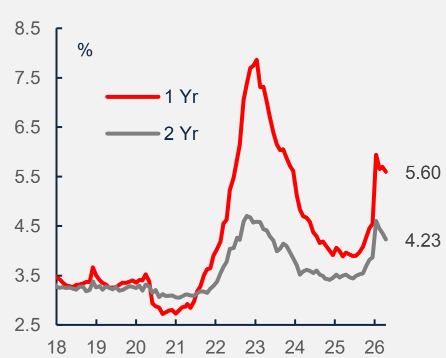
Inflation in March came in slightly above our estimate, as IT and communication services posted an unexpected increase; however, the overall result was in line with our expectation that inflation would begin to show a sustained upward trend from March onward. **Looking ahead to April, we expect annual inflation to continue trending higher, reaching 5.63% y/y, amid still-elevated food inflation, rising labor and other cost pressures in services, and increases in some regulated prices, such as gasoline.** As mentioned previously, we expect inflation to rise consecutively toward the end of 2026 and then ease again during 2027.

Table 1: Colombia: Headline Inflation Expectations

	Average	Change vs previous survey, bps
Apr-2026, m/m % change	0.73	...
Dec-2026, y/y % change	6.34	16
1Y ahead, y/y % change	5.60	-10
Dec-2027, y/y % change	4.77	3
2Y ahead, y/y % change	4.23	-13

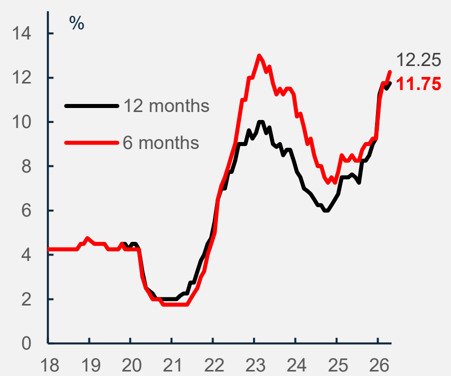
Sources: Banrep, DAVIbank Economics.

Chart 2: Average Headline Inflation Expectations



Sources: BanRep, DAVIbank Economics.

Chart 2: Average Policy Rate Expectations (%)



Sources : BanRep, DAVIbank Economics.

Key Details from the survey.

- **Short-term inflation expectations.** Monthly inflation for April is expected to average 0.73% m/m (equivalent to 5.63% y/y), falling within the survey's forecast range of 0.50%–1.08% (Table 1). DAVIbank's April projection is aligned with the economists' consensus (0.73% m/m). We expect inflation to reflect still-elevated food prices, while gasoline prices will contribute positively. At the same time, utility prices are expected to moderate slightly. Regarding the remaining components, we anticipate that services inflation will continue to show the impact of higher labor costs. As a result, several service segments are likely to maintain double-digit annual inflation, particularly domestic services, transportation, laundry services, and restaurants. The survey shows core inflation (excluding food) is expected to reach 0.62%, while DAVIbank projection is at 0.69% m/m.

- **Medium-term inflation expectations.** Expectations for December 2026 increased to 6.34% (+16 bps), while the one-year horizon (April 2027) declined by 10 bps to 5.60%. Expectations for the two-year horizon stand at 4.23% **(chart 1)**, down 13 bps from the previous survey and still slightly above the target range. At DAVIbank, our projections remain above the consensus: we expect year-end inflation at 6.58%, with our one-year-ahead expectation at 5.72%. In our projection we are not involving yet strong prices impacts coming from international conflicts or extreme weather conditions derived from the expected "El Niño" weather phenomenum.

- **Monetary policy rate.** The economists' consensus points to a new rate hike in April, with a 50 bp increase to 11.75%. Rate expectations for the 6-month and 12-month horizons stand at 12.25% and 11.75%, respectively (Chart 2). However, there are differences regarding the peak of the hiking cycle. The most hawkish projections anticipate a peak rate of 12.75% in June 2026, while the median consensus expects the peak to occur in July 2026 at 12.25% (Chart 3). At DAVIbank, we expect a final 75 bp increase in April, bringing the policy rate to 12%. This path is consistent with a contractionary monetary stance, reflected in an estimated real rate of approximately 6.5% (based on the average of ex-ante and ex-post measures) by the end of 2026, above the current estimated real rate of 6%.

- **FX projections**: For December 2026, analysts estimate COP 3744 per USD (previous survey COP 3,800 pesos); while for Dec-2027 is at 3,802 pesos. In DAVIbank our year-end projections are now at COP 3,822 for 2026 and COP 3,924 for 2027.

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Macroeconomic forecast DAVIbank Economics Colombia

Forecast	2019	2020	2021	2022	2023	2024	2025pr	2026pr
National Accounts								
Real GDP growth (yearly %)	3,2	-7,2	11,1	7,6	0,9	1,5	2,6	2,7
Domestic demand (y/y. %)	4,0	-7,5	13,8	10,5	-2,3	1,6	3,9	3,4
Consumption (y/y. %)	4,3	-4,3	14,1	9,5	0,7	1,4	4,2	3,5
Private (y/y. %)	4,0	-5,0	15,3	11,1	0,6	1,6	3,4	3,5
Goverment (y/y. %)	5,5	-0,9	10,3	2,2	1,1	0,0	7,4	3,6
Gross capital formation (y/y. %)	2,5	-21,1	13,4	16,6	-16,3	3,4	7,8	2,8
Exports (y/y. %)	3,3	-22,3	15,7	13,6	3,1	0,3	0,6	0,5
Imports (y/y. %)	7,7	-19,8	28,5	25,0	-9,8	1,3	8,8	3,4
Laboral Market								
Unemployment (%. Average)	10,9	16,7	13,8	11,2	10,2	10,2	8,9	9,8
Balance of Payments								
Trade Balance (USD$. B)	-14,1	-13,1	-20,0	-16,6	-8,2	-9,77	-14.87	-19.27
Exports (USD$. B)	51,3	38,2	50,9	73,1	67,8	68,87	71,08	73,16
Imports (USD$. B)	65,5	51,3	70,9	89,6	76,0	78,63	85,95	92,44
Current account (USD$ Balance. B)	-15	-9	-18	-21,3	-9,7	-7,412	-10,88	-10,88
Current account (% of GDP)	-4,6	-3,4	-5,6	-6,2	-2,7	-1,8	-2,4	-2,4
Exchange terms (y/y. %)	4,04	-12,62	20,74	5,94	-8.22	8.56	1.46	
Prices. Rates & Exchange Rates								
CPI (y/y. %. End period)	3,80	1,61	5,62	13,12	9,28	5,20	5,10	6,58
CPI (y/y. %. Average)	3,52	2,53	3,49	10,15	11,77	6.63	5,14	5,81
CPI Ex food (y/y. %. End period)	3,45	1,03	3,44	9,99	10,33	5.60	5,11	6,39
COP ($. End period)	3297	3422	4077	4850	3902	4405	3780	3918
COP ($. Average)	3281	3694	3766	4254	4322	4153	4050	3924
BanRep's rate (%. End period)	4,25	1,75	3,00	12	13,0	9,50	9,25	12,00
Tax Codes*								
Net Debt of CNG (% of GDP)	48,4	60,7	60,1	57,6	53,4	59,3	58,5	58,5
Primary Balance of CNG (% del PIB)	0,4	-5,0	-3,6	-1,0	-0,3	-2,4	-3,5	-2,1
Deficit of CNG (% of GDP)	-2,5	-7,8	-7,1	-5,3	-4,3	-6,8	-6,4	-5,1

*Source: Financing Plan 2026.

Source: DAVIbank Economics Colombia.

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