Economics Colombia
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Chart 1. Nationwide and Urban Unemployment s.a. (%)

Sources: DAVIbank Economics, DANE.

Colombia: Unemployment Hit a Historic Low in 2025.

On January 30, DANE released the labor market figures for December 2025. The national unemployment rate stood at 8.0%, down 1.1 percentage points (ppts) from the 9.1% recorded in December 2024. Urban unemployment showed the largest improvement, declining from 9.0% in December 2024 to 7.8% in the latest report. In rural areas, the unemployment rate fell by 0.2 ppts to 6.2%. Meanwhile, in the seasonally adjusted series, the national unemployment rate remained unchanged. For the full year 2025, unemployment averaged 8.9%, the lowest level since DANE began reporting the indicator.

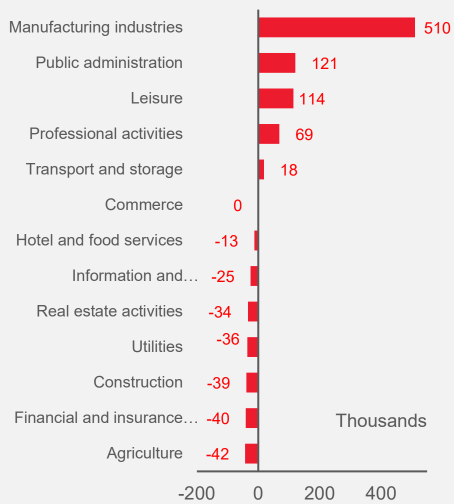
In December, job creation slowed, with 601 thousand new jobs generated (+2.5% y/y). This represents a decline from the 993 thousand jobs created in November, as urban gains offset the reduction observed in rural areas (-111 thousand). Additionally, women accounted for 41% of the new jobs (+249 thousand), contributing to a 1.2-ppt year-over-year narrowing of the unemployment gap between men and women. Unemployment stood at 6.4% for men and 10.1% for women.

By sector, manufacturing (+510 thousand), public administration (+121 thousand), leisure-related activities (+114 thousand), and professional services (+69 thousand) were the main contributors to job creation. Within manufacturing, the food and furniture industries recorded notable employment gains. In contrast, 7 out of 13 sectors reported job losses, including agriculture (–42 thousand), financial and insurance activities (–40 thousand), construction (–39 thousand), and utilities (–36 thousand), among others.

Labor informality declined to 55.5% at the national level. Between December 2024 and December 2025, approximately 91% of the jobs created were formal, driven by the strong expansion of salaried employment (+920 thousand), particularly in urban areas, alongside a reduction of 499 thousand self-employed positions. In rural areas—where informality reached 83.2% (-0.4 ppts y/y)—informal employment fell by 110 thousand, largely explaining the contraction in agricultural employment. Sectors with informality rates below the national average include financial activities (12.5%), public administration (11.9%), and communication services (13.3%).

In 2025, the unemployment rate stood at 8.9%, the lowest since DANE began reporting the indicator in 2001. This outcome was below DAVIbank Economics' forecast (9.2%) and marked a significant improvement from 10.2% in 2024. Labor-force participation (64.3%) and employment (58.6%) increased, with nearly 800,000 jobs created during the year and all 13 economic sectors posting employment gains. As a result, informality averaged 55.7%, showing a slight improvement from 2024. Despite these gains, participation and employment rates remain below pre-pandemic levels, although the recent improvement is positive in a context where greater labor participation is needed as the population ages more rapidly.

Chart 2. Annual job creation by sector.



Sources : DAVIbank Economics, DANE.

Despite this favorable backdrop, the labor market is expected to face mixed impacts during the year. On one hand, the decree increasing the minimum wage by 23% for 2026 will raise labor costs, especially in sectors where a large share of formal workers earn the minimum wage—such as real estate activities, manufacturing, construction, and commerce, where between 33% and 40% of workers receive minimum-wage earnings. In addition, Colombia's legally mandated reduction of the workweek will continue in 2026, reaching 42 hours. Both developments will put upward pressure on employers' labor costs, though their effects on hiring may be mixed.

For now, the improvement in employment is not a concern for the central bank; rather, the focus is on the effects of the significant increase in the minimum wage. Lower unemployment has supported the recovery of private consumption throughout the year, contributing to economic growth close to the economy's estimated potential. This, in turn, could generate additional inflationary pressures on top of those arising from the minimum-wage increase. Looking ahead, central bank decisions will be guided by the need to counteract any de-anchoring of inflation expectations.

DAVIbank

Macroeconomic forecast DAVIbank Economics Colombia

Forecast	2019	2020	2021	2022	2023	2024	2025pr	2026pr
National Accounts								
Real GDP growth (yearly %)	3,2	-7,2	10,8	7,3	0,7	1,6	2,8	2,9
Domestic demand (y/y. %)	4,0	-7,5	13,4	10,3	-2,5	2,0	4,3	3,3
Consumption (y/y. %)	4,3	-4,2	13,8	9,0	0,6	1,4	4,1	3,8
Private (y/y. %)	4,1	-5,0	14,7	10,8	0,4	1,6	3,6	3,9
Goverment (y/y. %)	5,3	-0,8	9,8	1,0	1,6	0,7	6,5	3,6
Gross capital formation (y/y. %)	3,0	-20,7	11,6	16,0	-16,0	5,2	5,0	0,8
Exports (y/y. %)	3,1	-22,5	14,6	12,5	3,1	2,5	1,2	1,5
Imports (y/y. %)	7,3	-20,1	26,7	24,0	-9,9	4,4	8,9	3,1
Laboral Market								
Unemployment (%. Average)	10,9	16,7	13,8	11,2	10,2	10,2	9,2	9,8
Balance of Payments								
Trade Balance (USD$. B)	-14,1	-13,1	-20,0	-16,6	-8,2	-9,77	-12,91	-14,10
Exports (USD$. B)	51,3	38,2	50,9	73,1	67,8	68,87	69,6	72,6
Imports (USD$. B)	65,5	51,3	70,9	89,6	76,0	78,63	82,54	86,6
Current account (USD$ Balance. B)	-15	-9	-18	-21,3	-9,7	-7,412	-10,05	-11,29
Current account (% of GDP)	-4,6	-3,4	-5,6	-6,2	-2,7	-1,8	-2,4	-2,5
Exchange terms (y/y. %)	4,04	-12,62	20,74	5,94	-18,0	-0,7	-1,0	
Prices. Rates & Exchange Rates								
CPI (y/y. %. End period)	3,80	1,61	5,62	13,12	9,28	5,20	5,10	6,34
CPI (y/y. %. Average)	3,52	2,53	3,49	10,15	11,77	6.63	5,14	5,79
CPI without food (y/y. %. End period)	3,45	1,03	3,44	9,99	10,33	5.60	5,11	7,06
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	61,3	63,0
Primary Balance of CNG (% del PIB)	0,4	-5,0	-3,6	-1,0	-0,3	-2,4	-2,4	-1,4
Deficit of CNG (% of GDP)	-2,5	-7,8	-7,1	-5,3	-4,3	-6,8	-7,1	-6,2

*Source: MTFF 2025.

Source: DAVIbank Economics Colombia.

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