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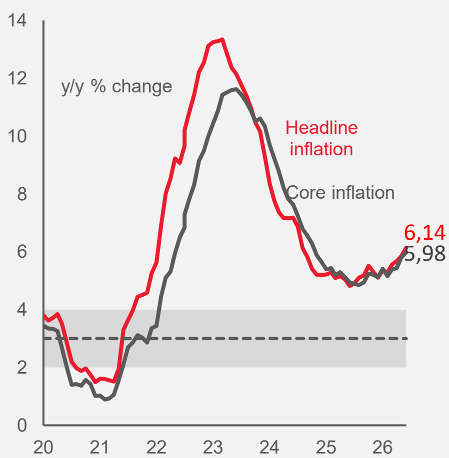
Colombia: June inflation upside surprise increases chances for a 75 bps hike in July

Colombia's monthly CPI inflation stood at 0.39% m/m in June, according to data published by DANE on Tuesday, July 8, 2026. This time, the result came in above economists' consensus of 0.32% m/m, according to BanRep's survey, and DAVIbank expectations of 0.29%. In June, 10 out of the 12 CPI groups posted positive inflation. Three groups accounted for ~87% of total inflation: housing and utilities (+0.52% m/m), food (+0.67% m/m), and restaurants and accommodation (+0.39% m/m). Core inflation excluding food and excluding food and regulated prices both came in at 0.32%.

Annual inflation increased again, from 5.84% y/y in May to 6.14% y/y in June (+30 bps, chart 1), the highest level since July 2024. Core inflation measures posted a less significant spike: inflation excluding food increased 18 bps to 5.98% y/y, while inflation excluding food and regulated prices increased by just 1 bp to 6.00% y/y, still the highest reading since mid - 2024. Goods inflation increased to 3.23% y/y (+ 11bps), the highest level since February 2024 due to higher alcohol and cigarettes prices, while services inflation decreased slightly to 7.03% y/y (-1bp). In the case of regulated inflation, it increased by 71 bps to 5.90% y/y mainly reflecting higher electricity and gas tariffs as market participants anticipated the effects of "El Niño" phenomenon.

Chart 1. Headline and Core Inflation



Sources: DAVIbank Economics, DANE.

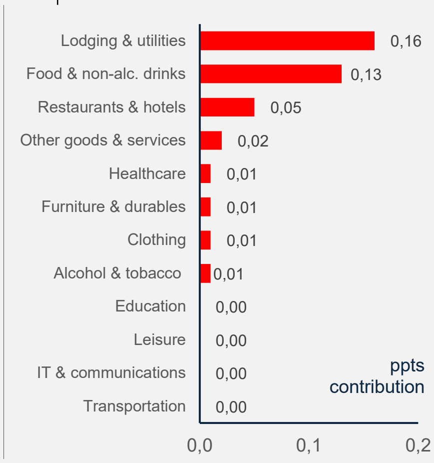
Even though indexation dynamics are not as strong as at the beginning of the year, we continue to see that inflation groups associated with labor costs are still contributing to the inflation acceleration. On an annual basis, the main contribution to inflation came from housing and utilities (+5.02% y/y), food (+6.83% y/y), and restaurants and accommodation (+9.59% y/y), the latter being one of the most representative of the labor cost increase.

In monthly terms, inflation was above economists' consensus, and part of the upside surprise is attributed to higher food and regulated prices inflation, with both categories' monthly inflation higher than one year ago.

For now, we affirm our expectation that inflation will reach a peak in December 2026. Also, June price dynamics are supportive of a higher monetary policy rate. We updated our projection to 12.75% which involves a hike of 75 bps at the July meeting. Despite we believe we are close to reach the peak in the monetary policy tightening, we expect to have better information after July's meeting with the update of the Monetary Policy Report. After reaching the peak the potential start of the easing cycle is expected in mid - 2027; however, it will strongly depend on how inflation shocks evolve, especially the "El Niño" weather phenomenon and decisions regarding the minimum wage at the end of the year.

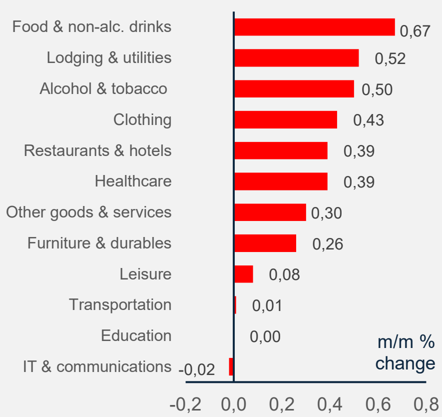
Complementary Highlights:

Chart 2. Consumer Price Index Components



Sources: DAVIbank Economics, DANE.

Chart 3. Consumer Price Index Components



Sources: DAVIbank Economics, DANE.

- **Three groups accounted for 87% of monthly inflation (Charts 2 and 3). Housing and Utilities (+0.52% m/m) contributed 16 bps,** showing a balanced contribution between rent fees (+0.42% m/m, contribution 8 bps) and the increase in utility fees (+0.73% m/m, contribution 8 bps), which, in our opinion, reflects the effect of changing energy generation sources from hydroelectric to thermoelectric generation in preparation for the "El Niño" weather phenomenon.
- **The second-largest contribution came from food inflation** (+0.67% m/m; contribution of 13 bps). Within this group, potatoes (+9.85% m/m; cont.: 4 bps), meat (+1.14% m/m; cont.: 3 bps), and onions (+13.18% m/m; cont.: 3 bps) drove most of the increase. Food inflation is showing a very erratic behavior; however, we still cannot attribute recent results to an extraordinary weather situation, which in turn creates a challenging starting point for assessing the potential impact of the "El Niño" phenomenon. Another issue to monitor is how fluctuations in international fertilizer prices could affect forthcoming readings.
- **Restaurants and accommodation (+0.39% m/m; contribution of 5 bps) was the third-largest contributor.** In this group, we are probably seeing the impact of the vacation season and demand associated with the World Cup. The main contributor within this group was the category associated with delivery services, mobile food stalls, and catering services.
- **Goods and services inflation inverted roles.** Goods inflation stood at +0.27% m/m and 3.23% y/y (+11 bps compared with the previous month), which we associate with the performance of alcoholic beverages, whose demand may have increased due to the World Cup. It is also worth noting that COP appreciation is a tailwind that will help keep goods-related inflation under control in the coming months. However, it is not sufficient to fully offset the demand pressures and indexation effects that currently concern the central bank. In the case of services (+0.33% m/m), we observed relative stability at 7.03% y/y (previously 7.04% y/y); however, it remains close to its highest level since the end of 2024 and provides the clearest evidence that indexation effects remain strong.

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Macroeconomic forecast DAVIbank Economics Colombia

Forecast	2019	2020	2021	2022	2023	2024	2025	2026pr
National Accounts								
Real GDP growth (yearly %)	3,2	-7,2	11,1	7,6	0,9	1,5	2,6	2,4
Domestic demand (y/y. %)	4,0	-7,5	13,8	10,5	-2,3	1,6	3,9	2,9
Consumption (y/y. %)	4,3	-4,3	14,1	9,5	0,7	1,4	4,2	3,4
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	0,3
Exports (y/y. %)	3,3	-22,3	15,7	13,6	3,1	0,3	0,6	1,9
Imports (y/y. %)	7,7	-19,8	28,5	25,0	-9,8	1,3	8,8	3,0
Laboral Market								
Unemployment (%. Average)	10,9	16,7	13,8	11,2	10,2	10,2	8,9	9
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	6,60
CPI (y/y. %. Average)	3,52	2,53	3,49	10,15	11,77	6.63	5,14	5,93
CPI without food (y/y. %. End period)	3,45	1,03	3,44	9,99	10,33	5.60	5,11	6,35
COP ($. End period)	3297	3422	4077	4850	3902	4405	3780	3625
COP ($. Average)	3281	3694	3766	4254	4322	4153	4050	3600
BanRep's rate (%. End period)	4,25	1,75	3,00	12	13,0	9,50	9,25	12,75
Tax Codes*								
Net Debt of CNG (% of GDP)	48,4	60,7	60,1	57,6	53,4	59,3	58,5	58,9
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	-5,3

*Source: Medium Term Fiscal Framework 2026.

Source: DAVIbank Economics Colombia.

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