

Economics Colombia

March 9, 2026

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Colombia: Headline inflation eased slightly; however, the core measure excluding food and regulated prices remains supportive of further rate hikes.

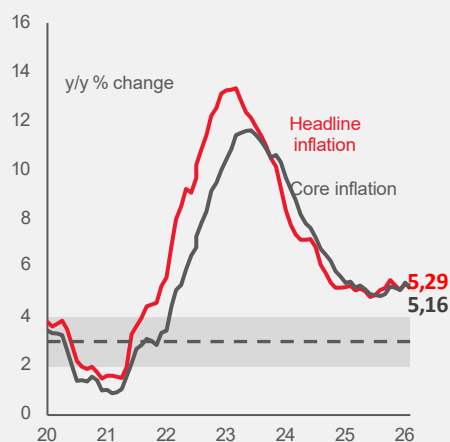
Colombia's monthly CPI inflation stood at 1.08% m/m in February, according to data published by DANE on Friday, March 6, 2026. The result was below the analyst consensus of 1.26% m/m (BanRep's survey average) and closer to DAVIbank's expectation of 1.11% m/m. February 2026 recorded the seventh-highest monthly inflation print in the past 18 years, and although it may not sound as severe given the expected indexation effect, it is important to note that the moderation was driven by specific reductions in regulated prices. Meanwhile, several indexed groups ranked among the highest, or very close to the highest, inflation readings in recent years (for instance, mass transport system fees, restaurants, hotels, health services, among others). **Core inflation ex food registered 1.03% m/m, and inflation ex food and regulated prices came in at 0.90% m/m.**

In February, all twelve CPI divisions posted positive monthly inflation. About 85% of the monthly variation was explained by five components, with the largest contributions coming from food (1.30% m/m, contribution 24 bps), education (+5.64% m/m, contribution 23 bps), and restaurants and hotels (+1.38% m/m, contribution 16 bps). The latter continued reflecting indexation effects. Education fees, according to our forecast, were expected to be higher; in that regard, we observed that fees for higher education levels posted a very weak variation—something that warrants monitoring, as it could be associated with weaker demand.

Annual inflation fell from 5.35% in January to 5.29% in February (Chart 1). Ex-food inflation declined by 25 bps to 5.16%, while inflation ex-food and regulated prices reached 5.51% y/y, the highest since August 2024. Services inflation printed 6.45% y/y (previous: 6.33% y/y), while goods inflation accelerated 12 bps to 3.02%. Regulated inflation declined 143 bps to 4.04%, largely due to lower gasoline prices and subdued utility fee inflation, the latter benefiting from favorable weather conditions (especially electricity).

All in all, despite the downside surprise in February's headline inflation, several components continue to support a scenario in which BanRep delivers further hikes in upcoming meetings. Recent macro indicators—such as weaker-than-expected GDP and weaker-than-expected inflation—likely complicate the central bank's discussion; however, underlying forces in both data series remain aligned with DAVIbank's expectation of a 100 bps hike in March and a terminal rate of 12% in April. It will be a challenging year, as although the central bank is expected to conclude the hiking cycle in the first half of 2026, headline inflation is projected to peak only by December 2026 at around 6.3% y/y.

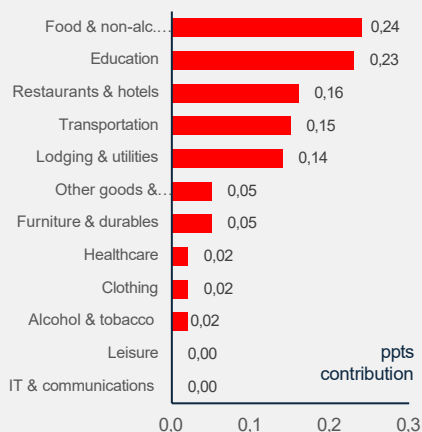
Chart 1. Headline and Core Inflation



Sources: DAVIbank Economics, DANE.

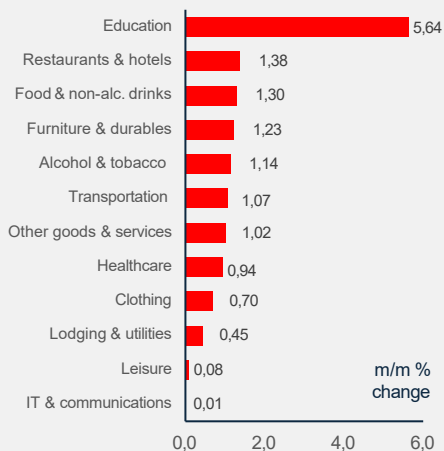
Complementary Highlights:

Chart 2. Consumer Price Index Components



Sources: DAVIbank Economics, DANE.

Chart 3. Consumer Price Index Components



Sources: DAVIbank Economics, DANE.

- February's inflation continued to reflect indexation effects.** Services' inflation stood at 1.08% m/m, higher than the 0.96% m/m observed one year ago. Compared to February 2024, the categories that accelerated the most were restaurants (+1.89% m/m), hotels (+1.26% m/m), and domestic services (+3.29% m/m). All of these increases are related to higher labor costs, pushing annual services inflation further up to 6.45%.
 - Food posted another strong inflation reading. Food inflation came in at 1.30% m/m, contributing 24 bps to headline inflation.** Annual food inflation increased from 5.11% y/y to 5.84% y/y. The main contributors in February were potatoes (+10.58% m/m), tomatoes (+13.22% m/m), fresh fruits (+3.04% m/m), and meat (+1.09% m/m). Notably, 76% of food items registered positive inflation, a moderate increase compared to 71% one year ago. As highlighted in our January report, low statistical base effects for food inflation toward the end of 2025 support the case for inflation peaking in December 2026.
 - Education fee inflation (+5.64% y/y) was the second-largest contributor in the month, adding 23 bps.** However, monthly inflation was not significantly higher than the level observed one year ago, a phenomenon apparently explained by a very moderate increase in graduate program fees. This could be the result of weak demand or delays in the reporting of price adjustments to DANE. We expect to confirm this once next month's data is released.
 - Regulated prices provided a tailwind to both monthly and annual inflation.** Compared to one year ago, utilities inflation was substantially lower (0.03% m/m vs. 2.52% m/m in February 2025). This was partially expected, as gas prices increased 14.42% m/m one year ago, whereas in 2026 the variation was moderate (0.22% m/m). Electricity tariffs also declined (-1.23% m/m), as electricity generation was concentrated in hydro sources rather than thermal ones.
- Another significant downward force was gasoline prices (-2.56% m/m in 2026 vs. +0.46% m/m in 2025),** subtracting 8.8 bps from annual headline inflation. In March, the Government reduced gasoline prices again by COP 500, which will have an effect similar to that observed in February. It will be important to monitor whether the Government continues reducing gasoline prices, especially as the international conflict in Iran has led to a significant spike in oil prices, putting pressure on the Fuel Price Stabilization Fund (FEPC).
- Certain regulated and tradable components provided additional relief.** Despite labor-cost-driven increases in some

service categories, utility tariffs declined by 0.51% m/m, driven by contractions in electricity rates (−0.91% m/m) and water fees (−0.59% m/m). It is worth noting that several utilities typically adjust labor-related costs in February—most notably garbage collection services.

On the tradables side, goods—particularly transport-related items—contributed negatively (−0.61% m/m), largely due to seasonal effects in air transport fares. Going forward, it will be relevant to monitor vehicle prices in the context of currency appreciation and a contractionary monetary policy stance.

- **March inflation is typically the third-largest monthly reading of the year.** Inflation in March is expected to reflect adjustments in housing-related expenditures. We anticipate a moderate acceleration in annual inflation, driven mainly by indexation effects and the absence of the offsetting utility-price relief observed in February. Gasoline prices are still expected to contribute negatively, but not enough to counteract the upward pressure on the annual headline rate.

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
Government (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	-14,10
Exports (USD\$. B)	51,3	38,2	50,9	73,1	67,8	68,87	71,08	72,6
Imports (USD\$. B)	65,5	51,3	70,9	89,6	76,0	78,63	85,95	86,6
Current account (USD\$ Balance. B)	-15	-9	-18	-21,3	-9,7	-7,412	-10,88	-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	1,46	
Prices. Rates & Exchange Rates								
CPI (y/y. %. End period)	3,80	1,61	5,62	13,12	9,28	5,20	5,10	6,34
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	58,5	63,0
Primary Balance of CNG (% del PIB)	0,4	-5,0	-3,6	-1,0	-0,3	-2,4	-3,5	-1,4
Deficit of CNG (% of GDP)	-2,5	-7,8	-7,1	-5,3	-4,3	-6,8	-6,4	-6,2

*Source: MTFF 2025.

Source: DAVIbank Economics Colombia.

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