

Economics Colombia

March 17, 2026

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Colombia: Inflation expectations ease slightly, and expected tightening path remains stable.

The Central Bank (BanRep) published its March survey of economists' expectations on Monday, March 16. Inflation expectations declined slightly for December 2026 and for the one- and two-year horizons, likely reflecting the downside surprise relative to consensus in February's inflation result. Although moderating inflation expectations are good news for the central bank, they remain elevated compared with the target range (2% to 4%), implying that additional tightening is still required.

The average forecast for the monetary policy rate remained broadly stable. Economist consensus points to a peak in the tightening cycle at 11.75%, with projected rate increases of 75 bps in March, 50 bps in April, and 25 bps in June, followed by the potential start of an easing cycle in March 2027, ending next year at 10%.

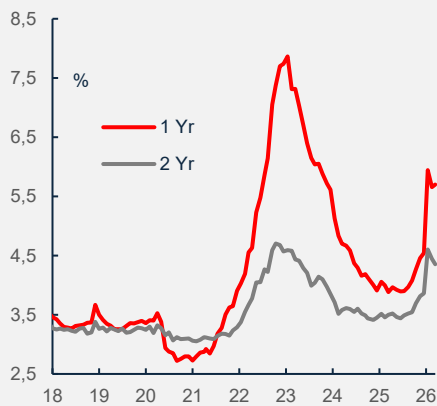
It is worth noting that dispersion among projections persists; however, the upper bounds are trending downward compared with previous surveys. For inflation, the highest estimate for end-2026 is 6.70%, while the lowest is 4.84%. For interest rates, the upper bound of expectations now implies a terminal rate of 12.75% (down from 13%). At DAVIbank Economics, we project inflation to end 2026 at 6.3%. We anticipate a 100-bp hike in March, followed by a 75-bp hike in April, which would leave the policy rate at 12% for the remainder of 2026.

Inflation through February came in slightly below our estimate; however, we expect it to resume its upward trend beginning in March and to peak in December. Inflation in 2026 will reflect a combination of moderate regulated price dynamics (due to gasoline price cuts), moderate goods inflation (linked to FX behavior), higher food inflation driven by less favorable weather conditions, and rising services inflation reflecting the impact of higher labor costs.

Key details from the survey

- Short-term inflation expectations.** The Central Bank (BanRep) published its March survey of economists' expectations on Monday, March 16. Inflation expectations declined slightly for December 2026 and for the one- and two-year horizons, likely reflecting the downside surprise relative to consensus in February's inflation result. Although moderating inflation expectations are good news for the central bank, they remain elevated compared with the target range (2% to 4%), implying that additional tightening is still required.

Chart 1. Average Headline Inflation Expectations



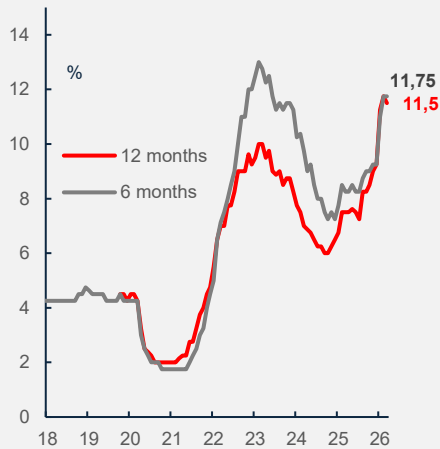
Sources: DAVIbank Economics, BanRep.

Table 1. Headline Inflation Expectations

	Average	Change vs previous survey, bps
Mar-2026, m/m % change	0,67	...
Dec-2026, y/y % change	6,18	-2
1Y ahead, y/y % change	5,70	4
Dec-2027, y/y % change	4,75	-2
2Y ahead, y/y % change	4,36	-9

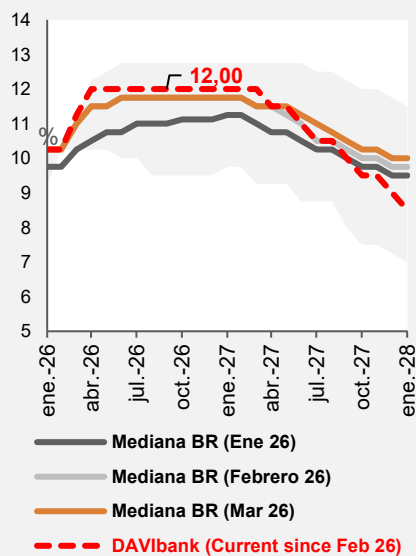
Sources: DAVIbank Economics, BanRep.

Chart 2. Average Policy Rate Expectations



Sources: DAVIbank Economics, BanRep.

Chart 3. Expected Monetary Policy Path BanRep Survey vs DAVIbank Economics.



Sources: DAVIbank Economics, BanRep.

- **The average forecast for the monetary policy rate remained broadly stable vs previous survey.** Economist consensus points to a peak in the tightening cycle at 11.75%, with projected rate increases of 75 bps in March, 50 bps in April, and 25 bps in June, followed by the potential start of an easing cycle in March 2027, ending next year at 10%.
- **It is worth noting that dispersion among projections persists; however, the upper bounds are trending downward compared with previous surveys.** For inflation, the highest estimate for end-2026 is 6.70%, while the lowest is 4.84%. For interest rates, the upper bound of expectations now implies a terminal rate of 12.75% (down from 13%). At DAVIbank Economics, we project inflation to end 2026 at 6.3%, a path in which the most significant rebound will be in December due to low statistical base effects of food inflation. We anticipate a 100-bp hike in March, followed by a 75-bp hike in April, which would leave the policy rate at 12% for the remainder of 2026.
- **Inflation through February came in slightly below our estimate;** however, we expect it to resume its upward trend beginning in March and to peak in December. Inflation in 2026 will reflect a combination of moderate regulated price dynamics (due to gasoline price cuts), moderate goods inflation (linked to FX behavior), higher food inflation driven by less favorable weather conditions, and rising services inflation reflecting the impact of higher labor costs.
- **Medium-term inflation expectations.** Expectations for December 2026 are at 6.18% (-2 pbs vs previous survey). One-year-horizon expectations increased 4 bps to 5.70%, and two-year-horizon expectations decrease 2 bps to 4.75%. DAVIbank's forecast is above consensus: we project December 2026 inflation at 6.32% y/y, and by 2027 we expect it to continue falling to 4.56%.
- **Monetary policy rate.** Economists' consensus points expect a new hike in March with a +75 bps move to 11%. The 6-month and 12-month rate expectation stands at 11.75% and 11.5%, respectively (chart 2). However, there are differences regarding the peak of the cycle: the most hawkish expectation projects a peak of 12.75% in June 2026, while the consensus median expects the peak in June 2026 at 11.75% (chart 3).

At DAVIbank, we project consecutive 100 bps hike in March and a final 75 bps increase in April, reaching 12%. This path is consistent with a contractionary stance reflected in a ~6.5% real rate (average of ex-ante and ex-post measures) by the end of 2026, higher than the current estimated real rate of 4.3%.

- **FX projections:** For December 2026, analysts estimate COP 3800 per USD (previous survey COP 3,789 pesos); while for Dec-2027 is at 3,865 pesos. In DAVIbank our year-end projections are now at COP 3,822 for 2026 and COP 3,924 for 2027. We revised to the downside our projection as in our model the parameter of rate differentials (Colombia vs the US) increased its weight as explanatory variable for the FX movement.

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	-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	6,34
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	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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