

Economics Colombia

March 18, 2026

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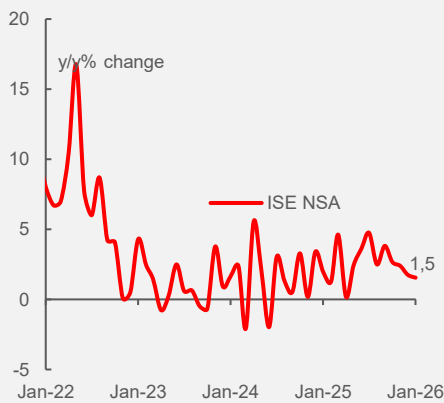
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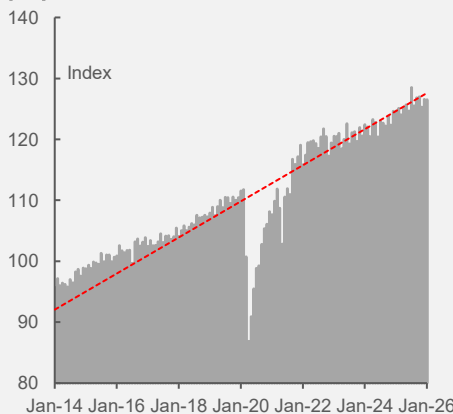
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Chart 1. Economic Activity Indicator - ISE



Sources: DAVIbank Economics, DANE.

Chart 2. Economic Activity Indicator – ISE SA



Sources: DAVIbank Economics, DANE.

Colombia: Economic Activity decelerates at the beginning of 2026

On Wednesday, March 18, DANE released the Economic Activity Indicator (ISE) for January. The indicator posted a 1.5% y/y increase (Chart 1), below expectations in the Bloomberg's survey of 2.2% y/y. This is the weakest performance since April 2025, reflecting a broad-based deceleration across sectors. **In seasonally adjusted terms, activity contracted 0.1% m/m (chart 2). Primary activities (agriculture and mining) contracted by 2.4%, secondary activities (manufacturing and construction) declined by 1%, and services-related activities slowed to +2.7% y/y.**

Within primary activities, agriculture has been showing signs of deceleration for months ago, with contractions in key segments such as coffee due to less favorable weather conditions. In secondary activities, construction has posted persistent contractions since 2025 and does not appear to be recovering, while manufacturing performance has remained erratic. In services, most major components decelerated; leisure and public administration expanded the most (+4.5% y/y) but also slowed. Commerce grew 2.6% y/y, marking its weakest result since early 2025.

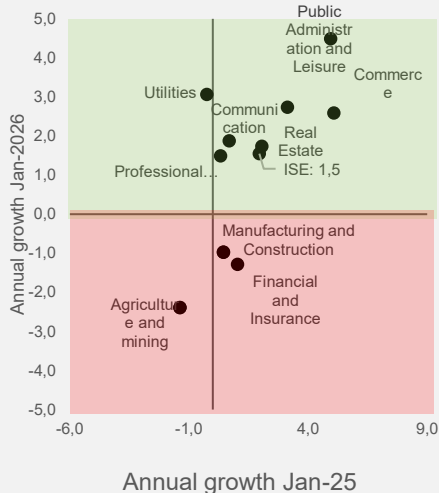
The slowdown in economic activity likely reflects shifting conditions, including higher labor costs, elevated inflation, higher current and expected interest rates, and new challenges in the agricultural sector. According to the central bank staff in the latest Monetary Policy Report (released in January), the economy was operating above capacity at the end of 2025, and staff projections indicate that achieving the inflation target within the policy horizon (18 months) will require the economy to move toward a negative output gap, which preliminary suggest a tolerance to see the economy underperforming for a while.

All in all, the central bank faces an increasingly uncomfortable scenario: inflation expectations remain high, economic activity is decelerating significantly at the start of 2026, and the external sector remains volatile amid heightened fiscal concerns. **For now, we maintain our call for a 100bps hike in March, primarily due to still-elevated inflation expectations and fiscal risks. However, given today's data, the board's discussion will begin to confront dilemmas that were far less pronounced in 2025.**

Key Highlights:

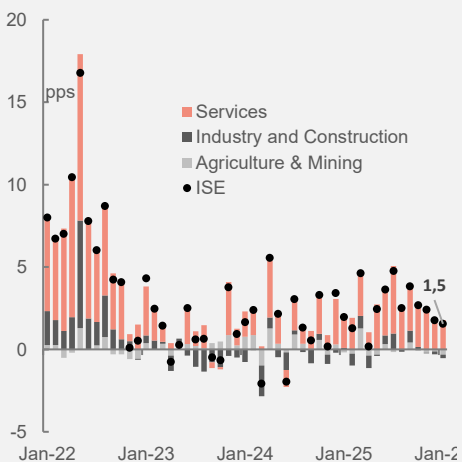
- **The primary sector (agricultural and mining activities) contracted by 2.4% y/y, subtracting 0.3 ppts from overall performance (Chart 3 and 4).** Coffee production posted another contraction, reflecting less favorable

Chart 3. Economic Activity Indicator by Sector (%)



Sources: DAVIbank Economics, DANE.

Chart 4. Expected Contribution by sector to Economic Indicator (p.p)



Sources: DAVIbank Economics, DANE.

weather conditions and a natural slowdown in the production cycle after a strong performance throughout 2024 and part of 2025. In mining, the main contractions came from oil, while gold production continued trending upward. In seasonally adjusted terms, the sector contracted 0.8% m/m, driven mainly by weaker coffee activity and lower coal and gold output.

- Secondary activities (construction and manufacturing) fell 1% y/y, subtracting 0.01 ppts from overall economic growth (Chart 3 and 4)..** Manufacturing output contracted 0.5% y/y in January, driven by weaker performance in food-related industries. This was partially offset by growth in oil refining (+6.6% y/y), transport equipment (+26.6% y/y), and clothing (+8% y/y). Construction began the year with a weaker balance, as projects under execution contracted relative to 2025 across residential and most non-residential segments. In contrast, civil works expanded by approximately 2.7% y/y due to progress in regional infrastructure projects, particularly in sports facilities, irrigation systems, and dams.

According to DANE’s technical conference, leisure activities remained strong, with the best contribution now coming from leisure services instead of gambling activities. Retail sales expanded by 7.8% y/y, supported by robust demand for durable goods in the context of a favorable exchange rate. However, it is important to note that although the strong Colombian peso is a tailwind for some activities, it poses challenges for sectors with USD-denominated earnings, such as certain hotels, events services, and logistics transport fees.

Utilities expanded 3.1% y/y (+1 bps), supported by adequate reservoir levels and solid demand from the mining and manufacturing sectors. On the negative side, the financial sector contracted by 1.3% y/y, mainly due to a decline in insurance company activity as reserve portfolios increased. This contraction offset the positive performance observed in other components such as investment funds and banking intermediation activities. In the case of insurance companies, the increase in reserve portfolios responded to a negative impact of the minimum wage, which weighed on sector output, contributing to the overall decline.

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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