Economics Colombia
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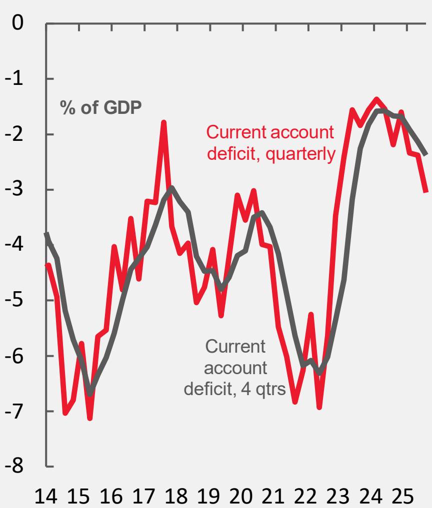
Chart 1. Current Account Deficit



Sources: DAVIbank Economics, BanRep.

Colombia BoP 2025: Current Account deficit reflects strong domestic demand, while financing structure seems fragile.

On Monday, March 2, the central bank (BanRep) released the 2025 Balance of Payments (BoP). The current account deficit stood at USD 10.88 bn, equivalent to 2.4% of GDP (chart 1) , increasing by USD 3.87 bn (+0.7 ppts of GDP) versus 2024. The widening of the current account deficit was mainly explained by the increase in the goods trade deficit, reflecting a significant rebound in imports consistent **with the strong domestic demand observed throughout the year. Part of the larger trade deficit was partially offset by a modest reduction in the income account deficit and the still-solid expansion in remittances inflows (+10.6% y/y). On the financing side, the net capital account reached USD 9.05 bn (2.0% of GDP). Portfolio investment flows strengthened notably, registering net inflows of USD 7.48 bn compared to net outflows of USD 2.27 bn in the previous year; most of this improvement can be attributed to government financing operations. In contrast, FDI net inflows declined by USD 1.86 bn to USD 7.31 bn.**

The Balance of Payments results help explain why the currency maintained relatively strong levels in previous year. On the current account side, the wider trade deficit has been offset by significant remittances inflows, while on the financing side, portfolio investment strengthened. However, both fundamentals remain fragile to justify a structurally strong Colombian peso. Looking ahead to 2026, DAVIbank Economics projects a current account deficit of 2.9% of GDP (USD 15 bn), consistent with a scenario of still-rising imports, stagnant exports, a mild increase in remittances, and moderate yet sufficient financing inflows. This projection aligns with expectations of the USDCOP depreciating toward ~3,900 pesos by year-end.

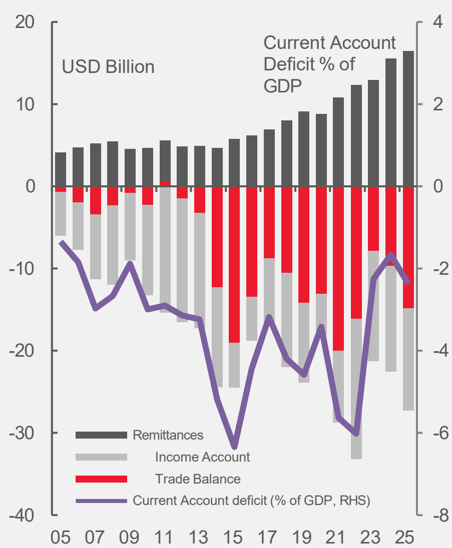
The wider trade deficit is one of the concerns BanRep has highlighted in its communications, as it increases vulnerabilities in a context of global volatility. That said**, the BoP results align with expectations of a tighter monetary policy stance, which in our view is consistent with a 100 bps hike in March and a final 75 bps increase in April to bring the policy rate to 12%.** Over the medium term, it will be important to monitor how the current account deficit evolves, as it could continue widening either due to rising consumption and public spending or due to an investment rebound if confidence improves. In this context, ensuring a healthier financing composition will be crucial.

Further details on the Balance of Payments numbers:

Current account:

In the last quarter of 2025, the current account deficit reached USD 3.81 bn (3.1% of GDP), the widest level since the end of 2022. It is worth noting that the trade deficit, at USD 4.5 bn, is now comparable to the level observed at the beginning of 2022, underscoring the strength of domestic demand. For 2025 as a whole, the current account deficit amounted to USD 10.88 bn (2.4% of GDP; see Chart 2). The trade deficit totaled USD 14.87 bn, while the income account posted a deficit of USD 12.45 bn, partially offset by net transfers of USD 16.44 bn.

Chart 2. Current Account Deficit by components



Sources: DAVIbank Economics, BanRep.

- **Trade balance of goods:** In 2025, the trade deficit widened by USD 5.67 bn versus 2024, reaching USD 14.83 bn, despite a 3% improvement in terms of trade compared to one year earlier. Goods exports increased by 0.8% y/y to USD 51.49 bn, supported mainly by higher coffee exports (USD 2.4 bn) driven by a 52% rise in international prices and a 13.3% y/y increase in export volumes. Exports of manufactured goods and gold also expanded. Offsetting dynamics came from oil (-6.1% y/y in volume and -12.4% y/y in prices) and from coal (-20.3% y/y in quantities and -11% y/y in prices). In 2026, coffee is losing momentum as weather conditions are less favorable for Colombia's production and international prices are weakening. In the oil sector, production is expected to remain stagnant, while prices could be higher than in 2025 due to geopolitical volatility.

  Imports of goods totaled USD 66.33 bn in 2025 (+10.1% y/y). The composition is less favorable than in previous reports, as the increase came mainly from purchases of consumer goods (+21.8% y/y; +USD 3.2 bn), while imports of investment goods for industry expanded more moderately (+8.9% y/y; +USD 2.72 bn).

- **Services trade balance:** The services balance registered a deficit of USD 39 million. Exports rose 8.9% y/y, while imports were up 5.7% y/y. Exports remained concentrated in traditional services (65%), largely associated with travel-related services, consistent with the historical arrival of foreign travelers (~5.9 million, +4% y/y).

- **Income account:** In 2025, the income account deficit was USD 12.45 bn, narrowing by USD 391 million relative to 2024. Lower outflows were mainly due to reduced interest payments and lower profit repatriation associated with FDI in Colombia, indicating a moderate performance in formal sectors that typically attract foreign investment.

- **Transfers:** Transfers continued to help mitigate the current account deficit. Net inflows reached USD 16.44 bn in 2025 (+6% y/y). Remittances amounted to USD 13.1 bn, rising 10.6% y/y and representing 2.9% of GDP and 13.2% of current inflows in the BoP. The United States and Spain remain the main sources of remittances to Colombia, and according to the central bank, the increase reflects both the growing Colombian migrant population and job creation in host countries.

Financial account

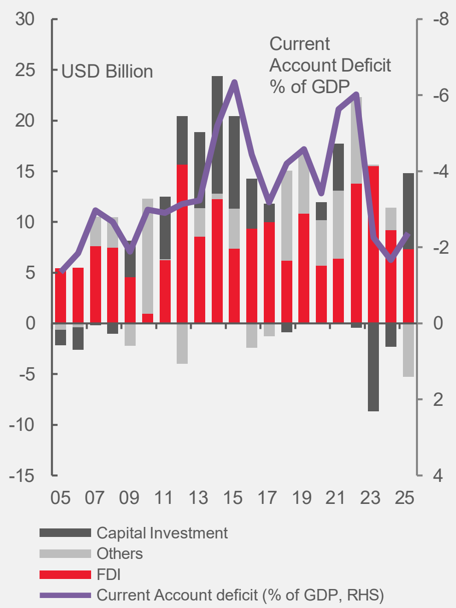
- **The financial account recorded net inflows of USD 3.47 bn in Q4-2025, and USD 9.05 bn for the year as a whole (2.0% of GDP; see Chart 3).** During this period, inflows came mainly from portfolio investment (USD 19.87 bn), while FDI inflows decreased to USD 11.47 bn. The financing side remains a concern, as it reflects Colombia's fiscal deterioration and the country's increasing reliance on external market funding. For now, Colombia retains solid access to global markets, but this could change in the future if fiscal pressures continue to build.

- **Foreign Direct Investment (FDI):** FDI gross inflows stood at USD 11.47 bn (2.5% of GDP), declining 16.2% y/y. The main recipient sectors were financial services (32%), oil and mining (23%), and manufacturing (15%). Approximately half of total inflows corresponded to capital investments (USD 5.4 bn), while USD 5.11 bn came from reinvested earnings and USD 949 million from higher intercompany debt. It is notable that the financial sector again received the largest share of FDI inflows, likely reflecting ongoing challenges that required further capitalization of certain institutions.

- **Portfolio investments:** Total portfolio inflows reached USD 19.87 bn (4.3% of GDP), with public-sector financing playing a significant role. Portfolio investment in the public sector totaled USD 15.29 bn, divided between USD 4.68 bn in bonds issued in international markets and USD 10.6 bn associated with increased foreign investor participation in local-currency government debt. Most of this activity is explained by the financing operations structured with specific investors, including TRS-related transactions and the direct portfolio sale to PIMCO. For 2026, public-sector activity implies unwinding the TRS structure, while net new external issuances are expected to reach USD 4.9 bn in bonds, USD 2.9 bn in multilateral disbursements, and USD 2 bn from other sources, according to the issuance schedule presented by the Ministry of Finance in early February.

- **Private-sector portfolio flows:** Private-sector activity also strengthened. Bond issuance reached USD 3.33 bn, while offshore investors' purchases of local-market instruments totaled USD 1.26 bn.

Chart 3. BoP Financial Account Net Inflows



Sources: DAVIbank Economics, BanRep.

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
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	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	-10.08	-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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