

## Economics Colombia

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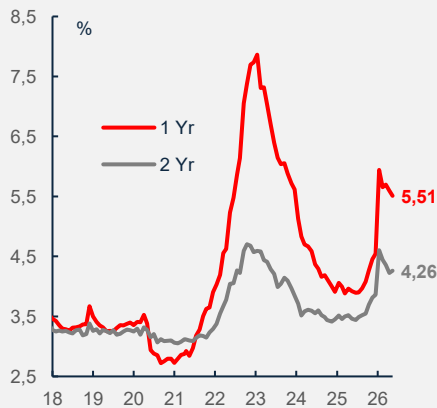
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**Chart 1.** Average Headline Inflation Expectations



Sources: DAVIbank Economics, BanRep.

**Table 1.** Headline Inflation Expectations

	Average	Change vs previous survey, bps
May-2026, m/m % change	0,53	...
Dec-2026, y/y % change	6,48	648
1Y ahead, y/y % change	5,51	551
Dec-2027, y/y % change	4,91	491
2Y ahead, y/y % change	4,26	426

Sources: DAVIbank Economics, BanRep.

## Colombia: Inflation expectations rise as tightening cycle set to resume in June

The Central Bank (BanRep) published its May survey of economists' expectations on Tuesday, April 17. Inflation expectations increased for December 2026 to 6.48%, declined for the one-year horizon, and increased for the two-year horizon. This result is clearly a challenge for the central bank, as long-term expectations are no longer showing strong progress toward the target range. At DAVIbank, we still project that inflation will peak in December 2026; however, it could take longer to converge to the target. In addition to the minimum wage shock, we must account for at least two additional shocks: the effects of the Iran war and potential impacts from the "El Niño" weather phenomenon, which is expected to develop in the coming months. Inflation expectations for December 2027 stand at 4.91%, well above BanRep's projection of 3.7%.

**Regarding the monetary policy rate, economists' consensus expects BanRep to resume the hiking cycle in June, reach the peak of the tightening cycle in October at 12.25%, and begin easing in December.** By the end of 2027, the monetary policy rate is expected to be 10.5%, which still suggests the need to maintain a contractionary stance.

It is worth noting that in the most recent Monetary Policy Report, BanRep's staff indicated that its implicit monetary policy path was, on average, lower than expected by market consensus. This difference was attributed to lower inflation expectations projected by the central bank staff for 2027. In any case, the most recent survey suggests that, after the recent pause, BanRep is not expected to reach higher rate levels but rather to maintain rates at contractionary levels for a longer period.

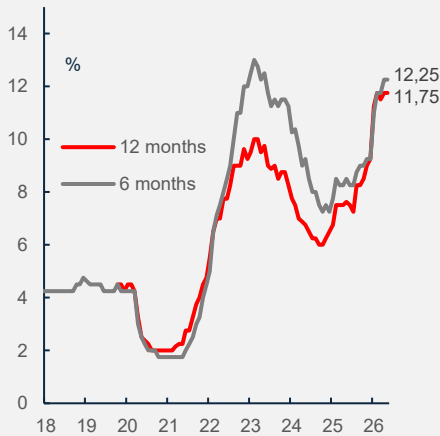
**Dispersion among projections persists and still shows an upside skew.** For inflation, the highest estimate for end-2026 is 7.16%, while the lowest is 5.72%. For interest rates, the upper bound of expectations now implies a terminal rate of 13%. **At DAVIbank Economics, we project inflation to end 2026 at 6.74%. Regarding monetary policy, we expect the policy rate to close 2026 at 12%.** Our base case scenario is for BanRep to resume the hiking cycle in July; however, the possibility of a June move remains, although it could be influenced by the post-election environment.

Inflation in April came in above our estimate. Food inflation remains under pressure, while services inflation continues to reflect the impact of higher labor costs. Looking ahead to May, we expect annual inflation to continue trending higher, reaching 5.99% year-over-year,

amid still-elevated food inflation, wages, and the recent increase in gasoline prices.

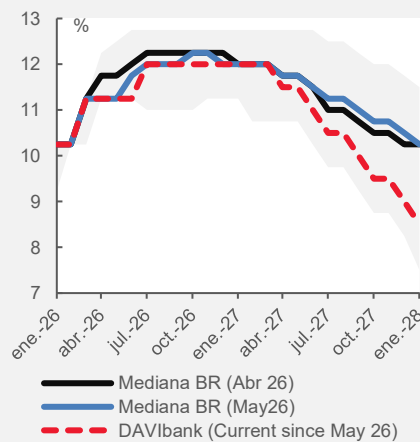
### Key details from the survey

Chart 2. Average Policy Rate Expectations



Sources: DAVIbank Economics, BanRep.

Chart 3. Expected Monetary Policy Path



Sources: DAVIbank Economics, BanRep.

- Short-term inflation expectations.** Monthly inflation for May is expected to average 0.53% m/m, which is 21 bps higher than the observed one year ago and will take the annual figure to 5.89% y/y, monthly inflation expectation falls within the survey's forecast range of 0.31%–1.00% (Table 1). DAVIbank's May projection is above the economists' consensus (0.61% m/m and 5.99% y/y). We expect inflation to reflect still-elevated food prices, while gasoline prices will contribute positively. Services inflation will continue to show the impact of higher labor costs. As a result, several service segments are likely to maintain double-digit annual inflation, which in our calculations will take services inflation to hit again the 7% mark. The survey shows core inflation (excluding food) is expected to reach 0.46%, while DAVIbank projection is at 0.54% m/m.
- Medium-term inflation expectations.** Expectations for December 2026 increased to 6.48% (+14 bps vs previous survey), while the one-year horizon (May 2027) declined by 9 bps to 5.51%. Expectations for the two-year horizon stand at 4.26%, up 4 bps from the previous survey and still slightly above the target range. At DAVIbank, our projections remain above the consensus: we expect year-end inflation at 6.74%, with our one-year-ahead expectation at 5.64%.
- Monetary policy rate.** The economists' consensus points to a new rate hike in June, with a 50 bp increase to 11.75%. Rate expectations for the 6-month and 12-month horizons stand at 12.25% and 11.75%, respectively (Chart 2). **Something notable in the current survey is that the consensus points to a more volatile monetary policy stance, as the peak rate of 12.25% is expected to last only two months.** In the case of the most hawkish analysts, the peak interest rate is projected at 13%, but similarly to the consensus, it is also expected to last only two months. **This contrasts with IBR market expectations, which now point to a peak policy rate of 13.80% and interest rates remaining above 13% until the end of 2027.**

At DAVIbank, we expect a final 75 bp increase in July, bringing the policy rate to 12%. This path is consistent with a contractionary monetary stance, reflected in an estimated real rate of approximately 6.5% (based on the average of ex ante and ex post measures) by the end of 2026, above the current estimated real rate of 6%. **In contrast to the average economist consensus, we expect a lower peak in the tightening cycle, but one that lasts at least one year.**

- **FX projections:** For December 2026, analysts estimate COP 3763 per USD (previous survey COP 3,744 pesos); while for Dec-2027 is at 3,826 pesos. In DAVIbank our year-end projections are at COP 3,822 for 2026 and COP 3,924 for 2027.

## Macroeconomic forecast DAVIbank Economics Colombia

Forecast	2019	2020	2021	2022	2023	2024	2025pr	2026pr
<b>National Accounts</b>								
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
<b>Laboral Market</b>								
Unemployment (%. Average)	10,9	16,7	13,8	11,2	10,2	10,2	8,9	9,8
<b>Balance of Payments</b>								
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	
<b>Prices. Rates &amp; Exchange Rates</b>								
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
<b>Tax Codes*</b>								
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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