

Economics Colombia

April 10, 2026

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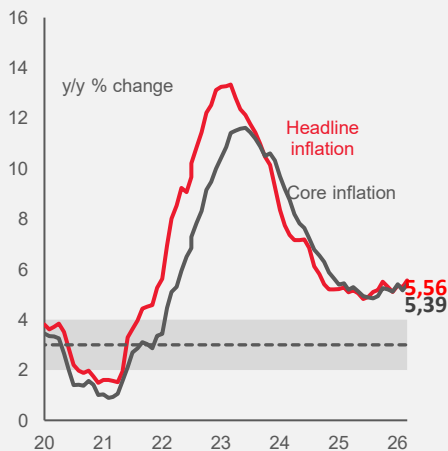
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Colombia: Headline inflation accelerated more than expected to 5.56%, higher labor cost effects are becoming more evident and the escenario supports the need of a new hike.

Colombia's monthly CPI inflation stood at 0.78% m/m in March, according to data published by DANE on Thursday, April 9, 2026. The result came in above the analyst consensus of 0.67% m/m (BanRep's survey average) and DAVIbank's expectation of 0.71% m/m. In March, 10 out of the 12 CPI groups recorded positive inflation, with housing and utilities (+0.85% m/m, contribution of 26 bps) and food (+1.27% m/m, contribution of 24 bps) accounting for more than 60% of total monthly inflation. **The two groups that posted inflation declines were alcoholic beverages (-0.37% m/m, subtracting 1 bp), reflecting the reversal of some taxes imposed in January under the economic emergency decree issued in December 2025; and transport (-0.22% m/m, subtracting 3 bps), mainly due to lower gasoline prices.** Core inflation excluding food registered 0.67% m/m, while inflation excluding food and regulated prices came in at 0.74% m/m.

Chart 1: Headline and Core inflation



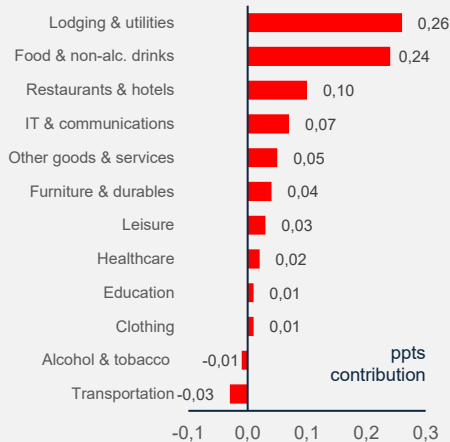
Sources: DAVIbank Economics, DANE.

Annual inflation increased from 5.29% in February to 5.56% in March (Chart 1). Inflation excluding food rose by 23 bps to 5.39% y/y, while inflation excluding food and regulated prices reached 5.79% y/y, the highest reading since July 2024. Services inflation printed 6.80% y/y (previous: 6.45% y/y), also the highest since February 2024, while goods inflation stood at 3.05% y/y. Regulated inflation increased by 10 bps to 4.14% y/y, reflecting the surpass of the high statistical base effects from gas prices in February 2025, as well as relevant increases in utilities during March 2026, which were partially offset by lower gasoline prices.

As expected, March inflation provided a cleaner picture of the impact of higher labor costs on prices. Looking ahead, we expect annual headline inflation to follow a more consistent upward trajectory in the coming months, reaching a peak of 6.3% in December 2026. It is worth noting that several price categories are already posting double-digit annual inflation, particularly those related to labor-intensive activities, which are also reflected in core inflation measures. This constitutes a strong argument for continued monetary policy rate hikes.

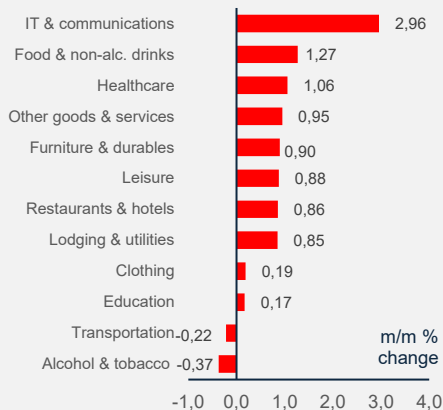
From our perspective, the rate increases implemented by BanRep in January and March were aimed at restoring a contractionary stance following the announcement of the minimum wage increase. However, to increase the probability of converging to the inflation target more rapidly, the central bank should move further into contractionary territory.

Chart 2: Consumer Price Index Components



Sources: DAVIbank Economics, DANE.

Chart 3: Consumer Price Index Components



Sources: DAVIbank Economics, DANE.

Despite the fact that, unfortunately, the actions taken by the Minister of Finance have cast doubt on the holding of the April meeting, we want to believe the session will ultimately take place. **At that meeting, the board is expected to raise the policy interest rate once again; our call is for a 75 bp hike to 12%.** From our perspective, this could be the final increase—or one of the last—of the tightening cycle, after which a prolonged period of rate stability would follow through 2027, as previously implemented measures begin to take effect in moderating inflation expectations toward that horizon. In fact, the central bank has emphasized that acting early could prevent from reaching higher rates, in that scenario, we think the pause could come after April's meeting.

Complementary Highlights:

- March inflation continues providing signals of the impact of higher labor costs on prices.** After noisy headline inflation readings in January—and especially in February—March inflation more clearly reflects the impact of the minimum wage shock on prices. Services inflation jumped to 6.80%, the highest readings since the beginning of 2024. However, other labor-intensive items are again reaching double-digit annual inflation, including laundry services (10.68% y/y), domestic services (13.21% y/y), transport related to public transportation systems (+10.87% y/y), and restaurants (10.07% y/y). Additionally, we observe that price movements in other items have become more aggressive than before, likely indicating that higher costs are being passed through to consumers more rapidly.
- A surprise in March was the increase in IT & Communication services (+2.96% m/m and a 7 bp contribution).** This group had remained relatively stable for a long time, amid a context in which the entry of a new competitor pushed cellphone plan prices lower. In recent months, we observed some modest and erratic price increases, but in March there was a strong increase, suggesting that pricing behavior in this segment is normalizing.
- Food posted another elevated inflation reading.** Food inflation came in at 1.27% m/m, contributing 24 bps to headline inflation. Annual food inflation increased from 5.84% y/y to 6.27% y/y. Approximately 73% of items recorded price increases, with the main contributions coming from fresh fruits (+8.66% m/m), tomatoes (+13.58% m/m), meat (+0.97% m/m), and milk (+1.2% m/m). Food price behavior is consistent with weather conditions normalizing after the atypically favorable conditions observed between 2024 and 2025. It is also worth noting that low statistical base effects for food inflation toward the end of 2025 support the

case for inflation peaking in December 2026. On the other hand, in March we likely did not yet see a significant impact from the war in Iran, something we will monitor in upcoming readings.

- **Regulated prices reflected a mix of offsetting forces.** Gasoline prices fell by 2.83% m/m; however, this was not enough to offset increases in other components. In fact, gasoline prices increased ahead of April in response to higher international oil prices, suggesting gasoline will not be a tailwind in the short term. Utility fees increased by 1.79% m/m, explained by increases of 2.78% m/m in electricity and 1.39% m/m in gas. It is important to highlight that garbage collection services rose by 5.07% m/m, making it one of the items that also reflects higher labor costs.
- **Goods inflation remains moderate.** Monthly goods inflation stood at 0.28% m/m, bringing the annual rate to 3.05% y/y. The exchange rate continues to act as a tailwind for tradable goods inflation; items such as vehicles (-0.09% m/m) have contributed significantly to overall inflation stability. However, we observe some inflationary dynamics in categories such as home appliances, which may be related to still-strong domestic demand. It will be interesting to assess consumer behavior as the World Cup approaches; for now, inflation in TV and audio equipment remains contained.
- **Ahead of April's release, we expect headline annual inflation to remain broadly unchanged.** A calendar effect related to Easter could generate some erratic price movements between March and April. Additionally, it will be relevant to assess whether the effects of the war in Iran begin to materialize. In March, we attribute part of the increase in airfares to adjustments in international oil prices, although higher demand related to Easter likely also played a role. These dynamics will be closely monitored in upcoming inflation releases.

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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