

Economics Colombia

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Colombia: January inflation meet expectations reflecting initial effects of indexation.

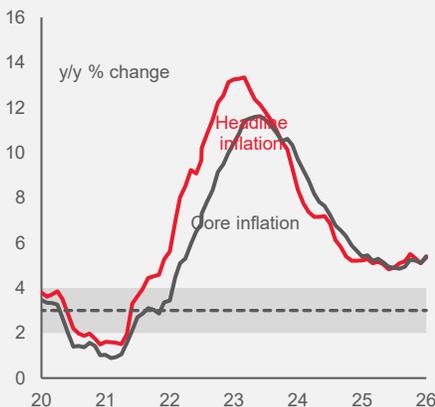
Colombia's monthly CPI inflation stood at 1.18% m/m in January, according to data published by DANE on January 6, 2026. The result was aligned with analysts' expectations in BanRep's survey and slightly below DAVIbank's forecast (1.24% m/m). Food inflation surpassed expectations, while core inflation came in below projections. In any case, January's inflation confirmed that indexation effects remain significant. The monthly print is the highest since January 2023, when Colombia was close to post pandemic inflation peaks driven by global and domestic shocks. **Compared with the 2023 episode, service-related inflation is very similar, highlighting the impact of labor cost increases on consumer prices, while regulated and tradable goods inflation provided some relief relative to that period.**

Annual inflation accelerated from 5.10% in December to 5.35% in January, the highest level since November 2024. It is worth noting that, in the absence of new shocks, the inflation peak is expected in December 2026 at around 6.3%. Eleven out of the twelve CPI divisions posted positive monthly inflation. Seventy-nine percent of the monthly variation was explained by Restaurants and Hotels (+2.94% m/m), Transport (+2.14% m/m), and Food and Non-Alcoholic Beverages (+1.66% m/m), most of which reflect indexation dynamics. It is also worth noting that January typically accounts for around 20% of annual inflation; however, the highest monthly inflation usually materializes in February due to adjustments in education fees. Some relief came from regulated prices, as electricity and water tariffs declined.

On the core-inflation front, ex-food inflation accelerated from 5.11% y/y to 5.63% y/y, while core inflation (excluding food and regulated prices) increased from 5.51% y/y to 5.87% y/y. Services inflation printed 6.33% y/y, while goods inflation accelerated 28 bps to 2.90%. Regulated inflation rose 7 bps to 5.47%, as some components are indexed.

January's result confirms that Colombia continues to face strong indexation effects. The magnitude of the minimum-wage increase is unprecedented, making it critical to monitor its passthrough to consumer prices—especially during the first quarter. The central bank's 100 bps hike at its January meeting shows a more proactive stance, and the staff's language in the Monetary Policy Report suggests an intention to reach the peak of the tightening cycle sooner rather than later given the magnitude of the inflationary shock. **At DAVIbank, we see the CPI print consistent with our scenario of inflation remaining above ~6.50% by year-end, with the peak expected in December. We also expect the central bank to reach a 12% policy rate at the April meeting, following a 100 bps hike in March and a 75 bps hike in April.**

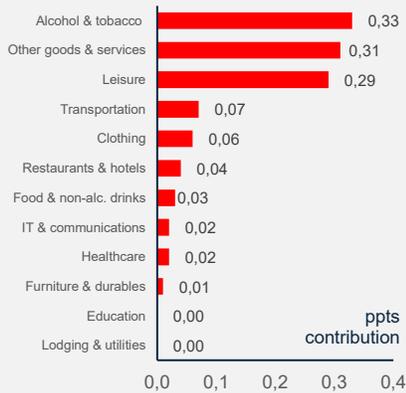
Chart 1. Headline and Core Inflation.



Sources: DAVIbank Economics, DANE.

Complementary highlights:

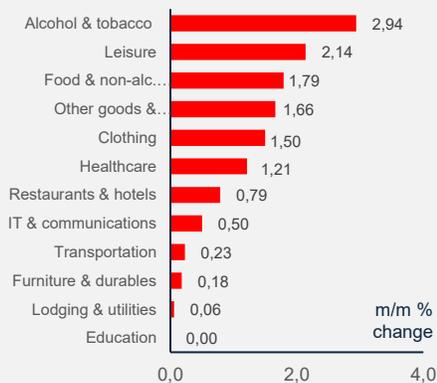
Chart 2. Consumer Price Index Components.



Sources: DAVIbank Economics, DANE.

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Chart 3. Consumer Price Index Components.



Sources: DAVIbank Economics, DANE.

- January inflation reflected strong indexation effects.** Services inflation reached 1.18% m/m, the highest monthly reading since 2023. Within this category, the most significant increases were observed in restaurants (+3.04% m/m), transport (+4.86% m/m) due to the rise in public transport fares, rent (+0.47% m/m), and domestic services (+5.16% m/m). In the latter, inflation exceeded the level recorded in January 2023, when Colombia was also experiencing intense indexation pressures. These dynamics highlight the impact of labor costs on inflation, particularly in labor-intensive sectors with limited substitution possibilities. Consequently, annual services inflation once again surpassed the 6% threshold, reaching 6.33%. Services account for 57% of the CPI basket and represent the most sticky component of inflation.
- Food inflation contributed modestly to the overall acceleration.** Food inflation came in at 1.66% m/m, raising the annual rate from 5.07% to 5.11%. Toward the end of 2025, food inflation was relatively low, creating a base effect that will impact year-end 2026 comparisons—in fact, this is one reason we expect inflation to peak only by December 2026. In January, the main contributors were meat (+2.55% m/m), tomatoes (+19.6% m/m), and potatoes (+10.39% m/m). Only 24% of food items registered negative monthly variations. In February, floods in certain regions should be monitored closely, as it could influence short-term inflation dynamics.
- Certain regulated and tradable components provided relief.** Despite labor-cost-driven increases in some service categories, utility tariffs declined by 0.51% m/m, due to contractions in electricity rates (-0.91% m/m) and water fees (-0.59% m/m). It is important to note that some utilities typically adjust labor-related costs in February—the most notable being garbage collection services. On the tradables side, goods, particularly transport-related items, contributed negatively (-0.61% m/m), largely due to seasonal factors reflected in air transport fares. Going forward, it will be relevant to track vehicle prices within a context of currency appreciation and a contractionary monetary policy stance.
- February inflation is expected to capture the bulk of indexation effects.** February typically reflects adjustments in education fees, along with pending price updates in several service categories. Additionally, the government will implement a COP 500 reduction in gasoline prices, which we estimate could shave approximately 8 bps off headline inflation—an effect likely to be more than offset by broader indexation pressures. As noted throughout this report, we continue to expect the inflation peak to materialize in December 2026.

Macroeconomic forecast DAVIbank Economics Colombia

Forecast	2019	2020	2021	2022	2023	2024	2025pr	2026pr
National Accounts								
Real GDP growth (yearly %)	3,2	-7,2	10,8	7,3	0,7	1,6	2,8	2,9
Domestic demand (y/y. %)	4,0	-7,5	13,4	10,3	-2,5	2,0	4,3	3,3
Consumption (y/y. %)	4,3	-4,2	13,8	9,0	0,6	1,4	4,1	3,8
Private (y/y. %)	4,1	-5,0	14,7	10,8	0,4	1,6	3,6	3,9
Government (y/y. %)	5,3	-0,8	9,8	1,0	1,6	0,7	6,5	3,6
Gross capital formation (y/y. %)	3,0	-20,7	11,6	16,0	-16,0	5,2	5,0	0,8
Exports (y/y. %)	3,1	-22,5	14,6	12,5	3,1	2,5	1,2	1,5
Imports (y/y. %)	7,3	-20,1	26,7	24,0	-9,9	4,4	8,9	3,1
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	-12,91	-14,10
Exports (USD\$. B)	51,3	38,2	50,9	73,1	67,8	68,87	69,6	72,6
Imports (USD\$. B)	65,5	51,3	70,9	89,6	76,0	78,63	82,54	86,6
Current account (USD\$ Balance. B)	-15	-9	-18	-21,3	-9,7	-7,412	-10,05	-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	-1,0	
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	61,3	63,0
Primary Balance of CNG (% del PIB)	0,4	-5,0	-3,6	-1,0	-0,3	-2,4	-2,4	-1,4
Deficit of CNG (% of GDP)	-2,5	-7,8	-7,1	-5,3	-4,3	-6,8	-7,1	-6,2

*Source: MTFF 2025.

Source: DAVIbank Economics Colombia.

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