

Economics Colombia

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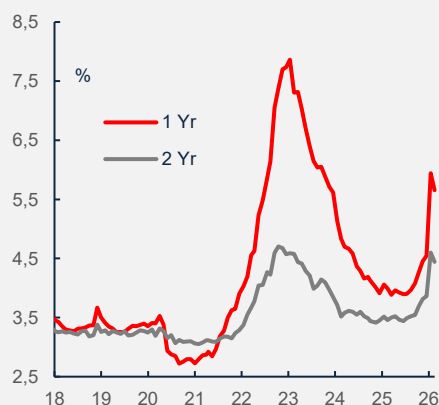
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Chart 1. Average Headline Inflation Expectations



Sources: DAVIbank Economics, BanRep.

Table 1. Headline Inflation Expectations

	Average	Change vs previous survey, bps
Ene-2026, m/m % change	1,26	...
Dec-2026, y/y % change	6,19	0
1Y ahead, y/y % change	5,66	-29
Dec-2027, y/y % change	4,77	6
2Y ahead, y/y % change	4,44	-16

Sources: DAVIbank Economics, BanRep.

Colombia: Inflation expectations moderate a bit, while analysts expect the peak of the hiking cycle at 11.75%

The Central Bank (BanRep) published its February survey of economists' expectations late on Monday, February 16. Inflation expectations remained stable for December 2026, while one- and two-year horizons declined, which is potentially positive news for the central bank after its significant 100 bps hike in January's meeting. In any case, consensus expects inflation to remain above BanRep's target range (defined between 2% and 4%) over the two year horizon, implying that additional tightening is still required.

Regarding monetary policy projections, consensus now expects the peak of the tightening cycle to be reached earlier compared with January's survey. The survey points to a 75-bps hike in March, followed by 50 bps in April, and a final 25 bps increase in June, taking the policy rate to 11.75%. Easing is expected to begin in January 2027 with a 25-bps cut, ending 2027 at 9.75%.

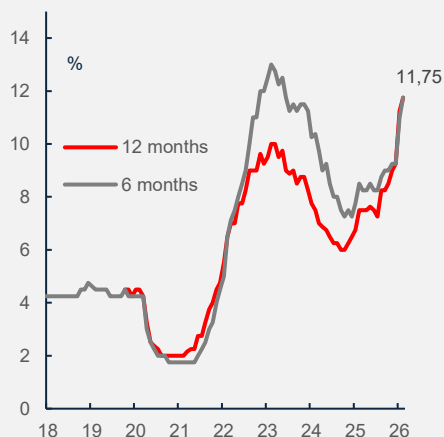
It is worth noting that substantial dispersion in projections persists across the short and medium term. For inflation, the highest estimate for end 2026 stands at 7%, while for interest rates, the upper bound of expectations implies a terminal rate of 13%. At DAVIbank Economics, we project inflation to close 2026 at 6.3%, and we anticipate a 100-bps hike in March followed by a 75-bps hike, leaving the policy rate at 12% for the remainder of 2026. We emphasize that the coming months will be critical for fully assessing the impact of the minimum wage shock—signals that could be further affected by government decisions, such as taking down gasoline prices.

Another relevant topic to analyze is how the board interprets the recent downside surprise in economic activity relative to its own estimates. In our view, the economy's underperformance could at least justify ending the tightening cycle at 12%, rather than at the level implied by the Taylor Rule, which would suggest a terminal rate closer to 13%.

Key details from the survey:

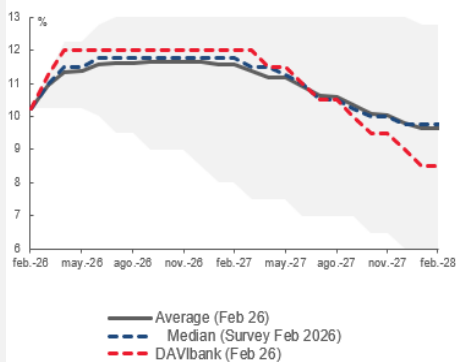
- **Short-term inflation expectations.** For February, the consensus estimate stands at 1.26% m/m (Table 1), implying annual inflation of approximately 5.47% y/y, up from the previous reading of 5.35%. The highest estimate is 1.64%, while the lowest is 0.96%. DAVIbank projects 1.11% m/m and 5.33% y/y. Core inflation (excluding food) is projected at 1.28% m/m and 5.43% y/y; our forecast is 1.14% m/m and 5.28% y/y. February is an interesting month because inflationary pressure typically comes from education fees. For

Chart 2. Average Policy Rate Expectations



Sources: DAVIbank Economics, BanRep.

Chart 3. Expected Monetary Policy Path BanRep Survey vs DAVIbank Economics



Sources: DAVIbank Economics, BanRep.

this category, we project a 7.2% m/m increase, which should capture a significant component of indexation effects.

- Medium-term inflation expectations.** Expectations for December 2026 remained at 6.19%. One year horizon expectations fell 29 bps to 5.66%, and two year horizon expectations decrease 16 bps to 4.44%. DAVIbank's forecast is above consensus: we project December 2026 inflation at 6.27% y/y, and by 2027 we expect it to continue falling to 4,20%.
- Monetary policy rate.** Economists' consensus points expect a new hike in March with a +75 bps move to 11%. The 6-month and 12 month rate expectation stands at 11.75% (chart 2). However, there are differences regarding the peak of the cycle: the most hawkish expectation projects a peak of 13% in July 2026, while the consensus median expects the peak in June 2026 at 11.75% (chart 3). **At DAVIbank, we project consecutive 100 bps hike in March and a final 75 bps increase in April, reaching 12%.** This path is consistent with a contractionary stance reflected in a ~6.5% real rate (average of ex ante and ex post measures) by the end of 2026, higher than the current estimated real rate of 4.3%.
- FX projections:** For December 2026, analysts estimate COP 3,789 per USD (previous survey COP 3,819 pesos); while for Dec-2027 is at 3,841 pesos. In DAVIbank our year-end projections are COP 3,918 for 2026 and COP 4,006 for 2027.

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	2,9
Domestic demand (y/y. %)	3,1	-6,9	11,2	7,7	0,4	1,5	0,0	3,3
Consumption (y/y. %)	4,3	-4,3	14,1	9,5	0,7	1,4	4,2	3,8
Private (y/y. %)	4,0	-5,0	15,3	11,1	0,6	1,6	3,4	3,9
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	0,8
Exports (y/y. %)	3,3	-22,3	15,7	13,6	3,1	0,3	0,6	1,5
Imports (y/y. %)	7,7	-19,8	28,5	25,0	-9,8	1,3	8,8	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	-16,37	-14,10
Exports (USD\$. B)	51,3	38,2	50,9	73,1	67,8	68,87	50,2	72,6
Imports (USD\$. B)	65,5	51,3	70,9	89,6	76,0	78,63	66,57	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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