

Economics Colombia

March 13, 2026

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Colombia: Financing Plan 2026. Fiscal deficit set to decline, but based on strong assumptions; financing plan unchanged vs the information disclosed earlier in February

On March 11, the Ministry of Finance (MoF) released the **Financing Plan 2026 (FP-2026)**. The FP typically discloses the fiscal outcome for the previous year, fiscal balance projections (above-the-line calculations) for the current year, and the financing plan (below-the-line projections) for the current year. This publication usually takes place between December and February; however, this year it was released later than usual and without the traditional official press conference.

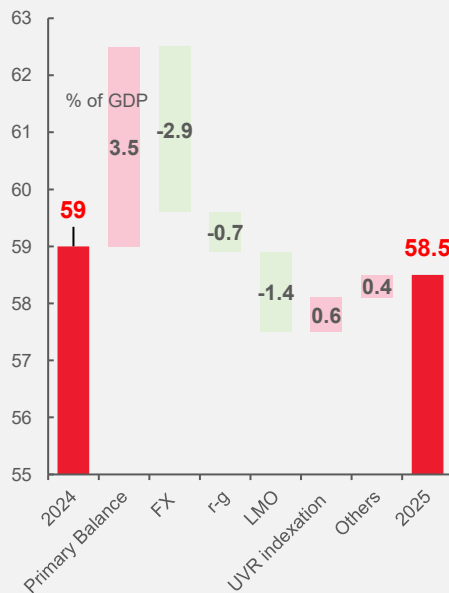
Before the release of the Financing Plan 2026, the Government had published the fiscal results for 2025, confirming a fiscal deficit of 6.4% of GDP, composed of lower-than-expected interest payments but a wider primary fiscal deficit of 3.5% of GDP. The net debt-to-GDP ratio stood at 58.5%, falling by 0.5 percentage points compared to 2024. The better-than-expected headline deficit reflects efficiencies from liability-management operations that reduced interest payments, while the wider primary balance reflects higher pressure from the payment of outstanding 2024 accounts (the *budgetary lag*—*rezago presupuestal*).

The main novelty of the financing plan is the set of projections for 2026. The government expects the fiscal deficit to decline to 5.1% of GDP, reflecting a primary balance of -2.1% of GDP and interest payments of 3% of GDP. The figures in the published tables suggest that the government is targeting ambitious—and likely challenging—projections, particularly on the expenditure front, which is expected to increase slightly below 1% y/y in nominal terms. This occurs in a context of rising inflation and increased fiscal pressures associated with the minimum-wage hike.

Regarding financing, the Uses and Sources chart remains unchanged from the version presented at the Asobancaria event in early February. The plan continues to show domestic-currency sources of COP 85.3 trillion, of which COP 60 trillion come from auctions, and foreign-currency sources of USD 9.8 billion (including USD 4.9 billion in bond issuances). However, developments during February suggest a divergence from the published plan, reducing the informational value of this week's FP-2026 release.

The next relevant milestone is the publication of the Medium-Term Fiscal Framework 2026, which must be released no later than mid-June. In the meantime, recent months have shown—and likely will continue to show—that a key government focus is managing liquidity risk to meet regular fiscal commitments and to unwind the

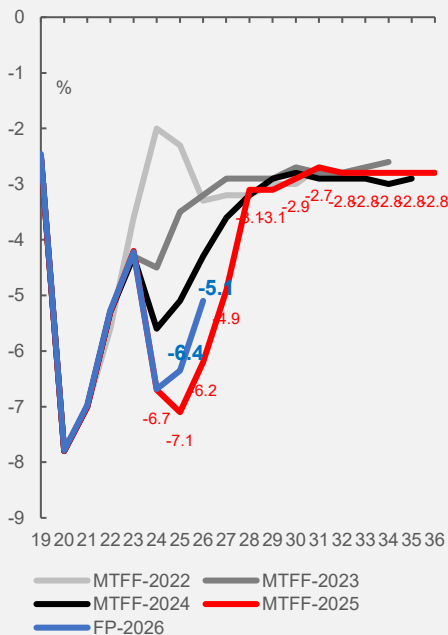
Chart 1. Change in the Net Debt to GDP 2024 vs 2025.



Sources: DAVIbank Economics, CARF Statement 19th.

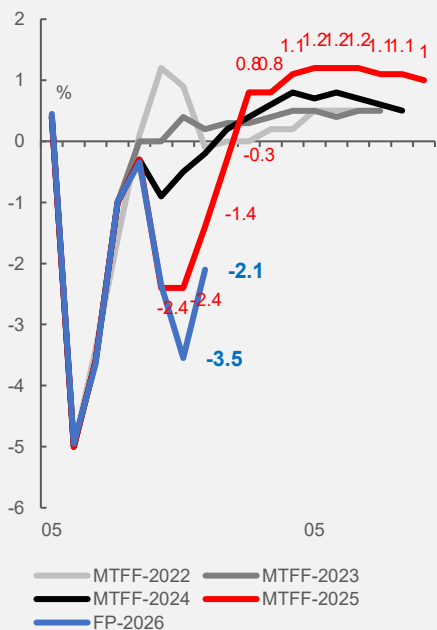
*Note: LMO operations accounts for reduction in the nominal value of the debt and early redemption of global bonds.

Chart 2. Fiscal Deficit – Central Government (% of GDP).



Sources: DAVIbank Economics, MoF.

Chart 3. Primary Fiscal Balance – Central Government (% of GDP).



Sources: DAVIbank Economics, MoF.

TRS before July 2026. Episodes such as those seen in December and February highlight that COLTES rates have become more sensitive during periods when MoF operations signal urgency to raise funding. **On the other side, as the structural fiscal risk remains and the context of high rates favors continue taking refinancing risk in the issuance strategy, the COLTES curve is expected to continue penalizing the belly of the curve, which favors continuing seeing an inverted yield curve for a while.**

Financing Plan 2026 – Takeaways

Fiscal Results 2025:

- **The fiscal deficit of 6.4% of GDP was below the estimate of the Medium-Term Fiscal Framework (MTFF). However, compared with historical levels, it remains high, in a context in which financing plans have repeatedly overestimated revenue dynamics and underestimated spending.** Fiscal revenue stood at 16.3% of GDP, above the 10-year pre-pandemic average of 15.7% of GDP, and grew 7.6% versus 2024. Expenditures represented 22.1% of GDP, above the pre-pandemic average of 18.4% of GDP, and increased 6.14% versus 2024.
- **In 2025, fiscal revenue fell 0.55% of GDP below MTFF-2025 expectations, even after considering the government’s increase in the income-tax withholding rate.** On the expenditure side, the reduction versus the MTFF-2025 projection stemmed from Liability Management Operations (LMOs), while primary spending increased by 0.7 percentage points of GDP due to the payment of budgetary reserves (2024 payable accounts). These payables were 2.6 times higher than the payments made in 2024 and represented 55.6% of total fiscal investment spending during the year. Looking ahead to 2026, the stock of budgetary reserves is slightly below what was registered in 2025 (96.2% of the 2025 level). As a tailwind, FEPC payments decreased by 0.8% of GDP in 2025; however, we do not expect this to repeat in 2026, as the government is reducing gasoline price subsidies.

All in all, the fiscal deficit reached 6.4% of GDP in 2025, below the MTFF-2025 projection of 7.1% of GDP. However, the composition changed, showing a higher-than-expected primary deficit of 3.5% of GDP, compared with the 2.4% projected in June. The increase in the primary deficit offset the impact of the LMOs, which reduced the interest burden by 1.5 percentage points of GDP from the initial estimate of 4.7% of GDP.

- **Gross debt increased from 61.3% of GDP in 2024 to 64.4% of GDP in 2025 due to the structuring of the TRS in September, which required the issuance of COLTES and TCOs equivalent to 1.8% of GDP.** Net debt stood at 58.5% of GDP, below the 59% observed in 2024. It is worth noting that the COP

appreciation was the main determinant in the reduction of the debt burden, contributing 2.9 ppts of GDP to the decline in the debt-to-GDP ratio, while Liability Management Operations contributed 1.4 ppts. These two major effects were offset by the increase in the primary deficit (chart 1).

Fiscal projections for 2026

- **Macroeconomic assumptions.**

The MoF projects that economic activity will maintain an expansion pace of 2.6% in 2026, while in terms of inflation, the forecast of 5.8% appears low compared with the most recent expectations surveys, which anticipate inflation rising to around 6.5%. However, even the MoF's inflation projection could already be incorporating the impact of higher labor costs on consumer prices.

Brent prices are projected to average USD 59.2/b, a scenario that—given the current international environment—could face significant changes. However, in terms of fiscal impact, the effect will largely depend on the government's decisions regarding the ongoing adjustment of gasoline prices and whether it chooses to reopen a deficit in the fuel stabilization fund.

Table 1: Macroeconomic Scenario

Macroeconomic Forecast for 2026		
Variable	2025	2026
Real GDP (growth %)	2.6	2.6
Nominal GDP (growth %)	8.2	7.8
Inflation eop (%)	5.1	5.8
Exchange rate avg. (USDCOP)	4053	3801
Brent avg.(USD per barrel)	68.2	59.2
Current account balance (%GDP)	-2.4	-2.9
Imports , USD (growth %)	10.1	6.5

Sources: Financial Plan 2026, DAVIbank Economics.

- **Fiscal Plan for 2026**

The fiscal deficit is projected to decline to 5.1% of GDP, reflecting a primary balance of –2.1% of GDP (chart 2 and 3) and interest payments of 3% of GDP. These projections suggest that the government is targeting ambitious—and likely challenging—conditions, particularly on the expenditure front.

Table 2: Fiscal projections 2026 vs 2024 and 2025

Fiscal scenario - Projection 2026 vs 2024 and 2025								
	2024		2025		2026 (Projection)		Change 2026 vs 2025	
	COP tn	% of GDP	COP tn	% of GDP	COP tn	% of GDP	percentage change	Points of GDP
Fiscal Income	281.46	16.4	302.77	16.3	322.30	16.1	6.5	-0.2
Fiscal Expenditures	395.97	23.1	420.57	22.7	424.50	21.2	0.9	-1.5
Interest	74.21	4.3	52.09	2.8	60.80	3	16.7	0.2
Primary spending	321.91	18.8	368.59	19.9	363.70	18.2	-1.3	-1.7
							0	0
Primary balance	-40.30	-2.4	-65.72	-3.5	-41.41	-2.1	-37.0	1.4
Total balance	-114.51	-6.7	-117.81	-6.4	-102.20	-5.1	-13.2	1.3

Sources: Financial Plan 2026, DAVI/bank Economics.

- On the income side, tax collection is expected to increase 6.5% y/y**, slightly below the projected nominal GDP growth of 7.8%. This could be considered reasonable; however, as a share of GDP, revenues are expected to represent 16.1% of GDP, as the government anticipates lower financial income from Ecopetrol and Grupo Bicentenario, which will be partially offset by the BanRep earnings distribution. Regarding tax revenues, these are expected to decline due to COP appreciation and its impact on taxes related to international trade.
- The most challenging aspect lies on the expenditure side**, as the government is projecting less than 1% nominal growth versus 2025, despite the ~23% increase in the minimum wage, which affects its most significant spending categories. Total spending is expected to decline by 1.5 pts of GDP, reaching 21.2% of GDP. This reflects an adjustment to the spending target following the rejection of the 2025 Financing Law, as well as lower payments of budgetary reserves (a reduction of 0.4% of GDP). Interest payments are projected to increase to 3% of GDP. The main challenges in this area remain the level of interest rates on public debt and the Ministry of Finance's ability to continue generating efficiencies through Liability Management Operations (LMOs).
- Financing planning for 2026 again appears challenging.** In fact, CARF projects that, without any extraordinary fiscal measures, the primary deficit could be 1.6 pts higher (approximately COP 31 tn / ~3.6% of GDP), implying a potential increase versus 2025. Even under this scenario, CARF notes additional risks—for example, a possible deterioration if the pension reform is implemented.
- What about the fiscal rule escape clause?** The path to gradually return to fiscal-rule compliance by 2028 is even more challenging. Recall that the official primary-deficit targets for 2027 and 2028 are -0.3% of GDP and 0.8% of GDP, respectively, which would require a significant adjustment from the current deficit levels—an outcome that appears unlikely. In fact, CARF's calculations indicate that even with full adherence to the return path, the debt-to-GDP ratio is expected to rise to 61.9% of GDP.

Financing Plan 2026 – Uses and Sources Chart

Regarding the Uses and Sources chart, there were no changes compared to what had already been presented at the Asobancaria event (early February, Table 3). The plan continues to show domestic-currency sources of COP 85.3 tn, of which COP 60 tn come from auctions, and foreign-currency sources of USD 9.8 bn (including USD 4.9 bn in bond issuances). However, developments in February suggest divergence from the plan. In fact, during his February presentation, the Public Credit Director noted that, beyond what appears in the Uses and Sources chart, the nation will continue to be active in liability-management operations, which could temporarily move Colombia away from the net-issuance targets shown in the chart.

It is worth noting that in 2026 there is significant emphasis on managing liquidity risk. In our view, this explains the market reaction in COLTES during the last quarter of 2025 and February 2024, as in both periods the supply of debt increased substantially, likely attributable to MoF operations aimed at securing funding for ongoing fiscal pressures and potentially to unwind the TRS.

From the issuance perspective, it is important to remember that in a macroeconomic environment where inflationary risks favor higher monetary-policy rates, the potential issuance strategy is likely to continue tilting toward assuming refinancing risk. Therefore, we expect the MoF to continue increasing supply in the short end and belly of the curve more than in the long end. This dynamic helps explain why the fiscal-risk premium is being priced through a more pronounced belly and an inverted structure between the belly and the long end.

Table 3: Uses and Sources 2026

Uses and Sources 2026					
Sources (COP tn)	2025	2026 (Financing Plan Projection)	Uses (COP tn)	2025	2026 (Financing Plan Projection)
	194,0	155,0		194,0	155,0
Disbursements	134,2	128,4	Fiscal Deficit	117,8	102,2
Foreign Sources (USD 10.71 bn)	43,0 (USD 9.8 bn)	43,2	Primary Deficit		41,3
Bonds (USD 7.84 bn)	31,8 (USD 4.90bn)	21,6	Local interests	37,7	49,9
Multilaterals (USD 2.8bn)	11,2 (USD 2.9 bn)	12,8	External interest/USD 3.59 bn)	14,3 (USD2.80 bn)	10,9
		(USD 2 bn)			
Local Sources	91,2	85,3	Amortizations	48,7	15,3
COLTES Auctions	64,0	60,0	External (USD9.49 bn)	37,6 (USD 2.79 bn)	10,8
Direct Placements	27,2	9,0	Local	11,1	4,5
Green Bond	0,0	2,0			
Public Entities operations		8,00	Payment of obligations with debt service	0,9	1,5
Pensional Bonds		4,5			
			Liability Management Operations (Prepayments Globals)		
Payments with COLTES		1,8		(USD 4.66bn)	18,2
Treasury operations	54,0	8,0	Payment of obligations with TES	0,04	1,8
TCOs		1,0			
Managed Funds		4,0			
Others		3,0			
		USD 781 M			
Accrual Adjustments	-10,3	8,7	Final availability	26,6	17,6
Initial availability	16,1	27,3			
COP	20,5				
Foreign currency (USD 1.95 bn)	8,3				

Source: Financing Plan 2026, DAVIbank Economics.

Upcoming Fiscal Milestones

- **As managing liquidity risk is a key component of the financing strategy**, markets should remain attentive to potential scenarios that could trigger liquidity stress. In Colombia, a strong tax-payment season begins in April, and during this period the impact on markets could be contained. However, as we approach July 31, when we expect the TRS to be fully unwound, there could be operations aimed at securing the cash needed to continue reducing the size of this structure.

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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