

Economics Colombia

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Colombia: Inflation accelerated more than expected, strengthening the case for future rate hikes.

Colombia's monthly CPI inflation stood at 0.78% m/m in April, according to data published by DANE on Friday, May 8, 2026. Once again, the result came in above economists' consensus of 0.73% m/m, according to BanRep's survey and DAVIbank Expectations. In April, 11 out of the 12 CPI groups posted positive inflation. Three groups accounted for ~80% of total inflation: food inflation (+1.51% m/m), housing and utilities (+0.70% m/m), and transport (+0.81% m/m). Core inflation excluding food was 0.61% m/m, while inflation excluding food and regulated prices came in at 0.57% m/m, broadly aligned with BanRep's survey expectations (0.62% m/m for both measures), suggesting that the main surprise came from food inflation.

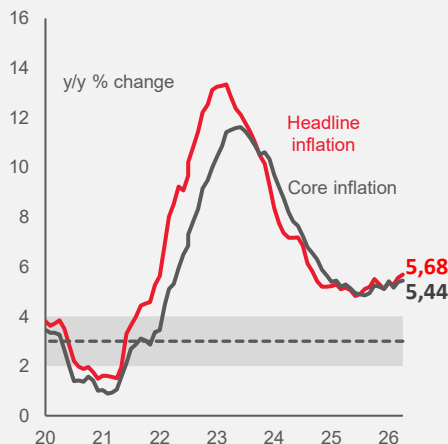
Annual inflation increased again, from 5.56% y/y in March to 5.68% y/y in April (+12 bps), the highest level since September 2024. However, core inflation measures showed mixed behavior: inflation excluding food increased 5 bps to 5.44% y/y, while inflation excluding food and regulated prices was unchanged at 5.79% y/y, still the highest reading since February 2024. Goods inflation increased from 3.05% y/y in March to 3.13% y/y, while services inflation decreased 3 bps m/m to 6.77% y/y. In the case of regulated inflation, it increased 20 bps to 4.34% y/y.

It is worth noting that some key inflation groups continue to show the impact of higher labour costs. This is the case for housing and utilities (+4.11% y/y), food (+6.71% y/y), and restaurants and hotels (+9.61% y/y). These three groups account for 64% of total annual inflation, and in the case of housing and restaurants, some components are strongly associated with the increase in the minimum wage. Specifically for housing, this is due to management fees and the indexation of rent to the previous year's inflation.

That said, despite most of the annual inflation being influenced by indexation effects, the short-term April result was heavily driven by high food inflation that is probably showing some impacts of weather conditions and from the international conflict, explaining the uneven behaviour between core and non-core annual inflation. Regarding inflation expectations, recent data remain consistent with an inflation peak in December 2026, while we expect survey-based inflation expectations to continue moderating over one- and two-year horizons.

That said, after Friday's data, we reaffirm our expectation that the hiking cycle will be resumed at the July meeting, when we expect not only headline inflation but also core inflation to confirm upward pressures, approaching 6%. Our interest rate path currently includes a 50 bps hike in July and a final move of 25 bps in September, reaching

Chart 1. Headline and Core Inflation

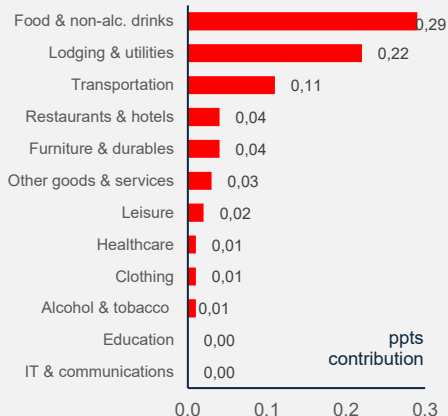


Sources: DAVIbank Economics, DANE.

a 12% terminal policy rate. We expect this level to remain in place until April 2027, when the easing cycle would begin.

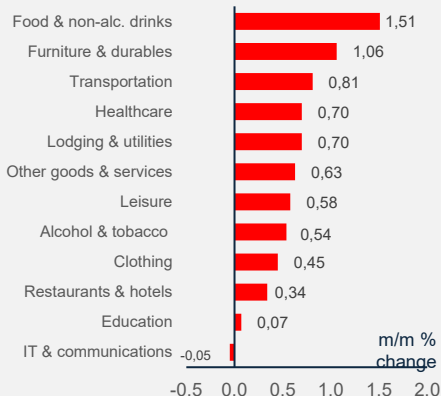
Complementary Highlights:

Chart 2. Consumer Price Index Components



Sources: DAVIbank Economics, DANE.

Chart 3. Consumer Price Index Components



Sources: DAVIbank Economics, DANE.

- Food inflation was the main source of inflation in April, contributing 29 bps (Chart 2 and 3), as 45 out of 59 food items posted positive monthly variations.** The largest individual contribution came from fresh fruits (5.51% m/m and a 3.9 bps contribution). Pork (+1.68% m/m) and eggs (+3.92% m/m) were the second and third main contributors. These items were likely affected by higher input costs, potentially signaling early price impacts from international conflict effects. Other items with significant contributions were potatoes (+8.05% m/m) and onions (+7.55% m/m), both reflecting cyclical effects amid less favourable weather conditions. Food inflation will remain a relevant driver for the rest of the year and is one of the main reasons we expect inflation to peak in December 2026. Inflation risks could increase if weather conditions related to the “El Niño” phenomenon materialize and become strong and long-lasting; however, its full impact would likely be felt in 2027.
- April’s inflation continued to reflect indexation effects, along with rising gasoline prices.** Housing and utilities (+0.70% m/m, contributing 22 bps) showed significant increases in property management fees (+3.83% m/m; +12.8% y/y), which are closely linked to labour costs. Within regulated prices, we also observed a spike in gas prices (+2.13% m/m) and a lagged adjustment in garbage collection services (+1.55% m/m; +18.65% y/y), also related to higher labour costs. In the transport group (+0.81% m/m, contributing 11 bps), airfares rebounded (+6.16% m/m), likely associated with the impact of the Iran conflict on jet fuel prices. Additional pressures came from gasoline price increases (+2.48% m/m, adding 7.21 bps) and further hikes in public transport fares (+1.02% m/m), particularly in secondary cities.
- Goods and services inflation were broadly stable.** Goods inflation stood at 0.36% m/m and 3.13% y/y (+8 bps vs the previous month). Despite FX remaining a tailwind for imported goods, we are seeing rebounds in tradable goods such as home appliances, medicines, personal care, and cleaning products. Vehicle prices continued to decline, reflecting increased competition as electric vehicles enter the market at lower prices. Services inflation was 0.65% m/m and 6.77% y/y (down 3 bps vs the previous month). Notably, part of the annual disinflation came from restaurants, which, while still a major contributor, registered lower inflation compared with one year ago. This trend warrants close monitoring, as it may suggest that moderating demand could begin to constrain price increases in the sector.

- **Ahead of May's release, we expect inflation to continue trending upward.** Gasoline price increases in May are expected to add around 7 bps to inflation. It will be important to monitor whether food prices remain under pressure and whether recent dynamics continue to drive a divergence between core and non-core inflation measures. For now, we expect the central bank to resume the hiking cycle in July with a 50-bps hike, given anticipated inflation spikes in the June reading, which will be available to policymakers ahead of the July meeting.

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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