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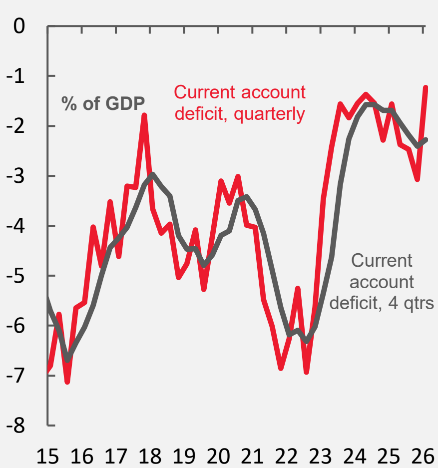
Colombia BoP QI-2026: Current Account Deficit hits 20-year low, signaling softer domestic demand and tailwinds from commodity prices. FDI rebounded.

On Monday, June 1st, the central bank (BanRep) released the Q1-2026 Balance of Payments. The current account deficit stood at USD 1.57 bn, equivalent to 1.2% of GDP (chart 1), decreasing by USD 2.35 bn (-1.9 ppts of GDP) versus 2025-IV. **A deficit this low had not been seen since 2005, when commodity prices were in a strong increasing trend.** The narrowing of the current account deficit was mainly explained by the decrease in the goods trade deficit and the sign reversal in the services trade balance, which is now positive. While income account inflows remained relatively stable, outflows were down by USD 400 m versus 2025-IV. The lower trade deficit and income account outflows were partially offset by a stagnation in transfers, with remittances growing at 7% y/y, half the 15% pace observed a year ago.

Chart 1. Current Account Deficit



Sources: DAVIbank Economics, BanRep.

On the financing side, the net capital and financial account reached net inflows of USD 954 bn (0.75% of GDP). FDI net inflows increased by USD 2.34 bn q/q to USD 3.44 bn, the highest level since mid-2023, due to both a decrease of USD 765 m in Colombian foreign investment and an increase of USD 1.47 bn in FDI inflows. In contrast, portfolio investment remained relatively stable, registering net inflows of USD 1.53 bn, with government financing operations remaining as the main source of inflows.

The balance of payments results help explain why the Colombian peso (COP) maintained relatively strong levels during the quarter, as they signal moderate net demand for dollars in the real side of the economy, allowing financial channels more space to influence FX movements. In fact, we can attribute the recent COP appreciation mainly to the attractive carry trade opportunity in Colombia, which, according to our internal exercise, contributed around 300 pesos of appreciation from October 2025 to the end of May (pre-elections).

Looking ahead, DAVIbank Economics is expected to reduce its projection of the current account deficit (currently at 2.9% of GDP / USD 15 bn) in 2026, as the international scenario points to sustained high oil prices, while imports are now starting to moderate. The post-election scenario will be a key determinant of the future dynamics of investment, growth, and, in turn, external accounts.

On the monetary policy front, the widening trade deficit is a point of concern for the central bank, as it increases vulnerabilities in a context of global volatility and signals excess demand. The Q1-2026 BoP results, despite pointing to a lower deficit, combine signals of slightly softer domestic demand and that the positive impact of

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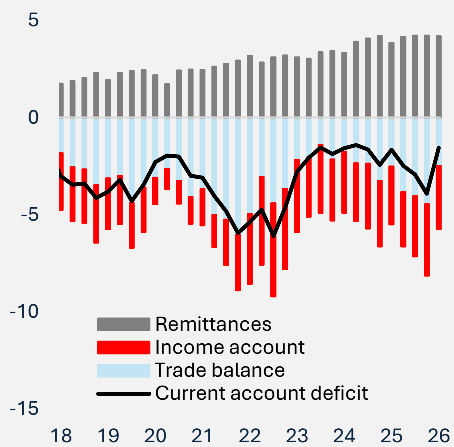
international export prices is starting to materialize. **BoP results are consistent with our view that the central bank will continue the tightening cycle, with a final 75 bps increase over the remainder of 2026, bringing the policy rate to 12%.** Over the medium term, it will be important to monitor how the current account deficit evolves, as it could widen again due either to rising consumption and public spending or to an investment rebound if confidence improves. In this context, ensuring a healthy financing composition will be crucial.

Further details on the Balance of Payments numbers:

Chart 2. Current Account by Component (US$bn).



Sources: DAVIbank Economics, BanRep.

Current account:

In the first quarter of 2026, the current account deficit reached USD 1.57 bn (1.2% of GDP), the lowest level since 2005. The trade deficit, at USD 2.5 bn, is the lowest in 6 quarters and it's an early signal of moderating domestic demand plus better commodity prices, especially in oil. The income account posted a deficit of USD 3.25 bn, offset by net transfers of USD 4.18 bn.

- **Trade balance of goods:** In 2026-I, the goods trade deficit narrowed by USD 1.22 bn versus 2025-IV and by USD 159 m versus a year ago, reaching USD 2.91 bn, amidst a 3.1% improvement in terms of trade compared to one year earlier and a 58,4% y/y change in Brent prices. Goods exports increased by 14.2% y/y to USD 13.97 bn, supported mainly by higher gold exports (+ USD 1.25 bn) driven by a 71,3% rise in its prices and a 33.3% y/y increase in export volumes. Exports of bananas, coal and manufactured goods also expanded. Offsetting dynamics came from coffee (-17.7% y/y in volume despite +19.7% y/y in prices) and from ferronickel (-52.0% y/y in quantities and -9.9% y/y in prices). In the first half of 2026, coffee lost momentum as weather conditions became less favorable for Colombia's production, with negative perspectives for the rest of the year given the high probability of an El Niño phenomenon in August/September. In the oil sector, production is expected to remain stagnant, although with higher prices due to geopolitical volatility.

  Imports of goods totaled USD 16.88 bn, (+10.3% y/y). As in the previous quarter, the increase in imports came mainly from purchases of consumer goods (+33.5% y/y; +USD 1.24 bn), while imports of investment goods for industry expanded more moderately (+3.5% y/y; +USD 275 m).

- **Services trade balance:** The services balance registered a surplus of USD 406 million, the first positive balance in a year. Exports rose 11.3% y/y, while imports were up 15.9% y/y. Exports remained concentrated in traditional services (67%), with a volume of foreign tourism reaching 1,6 million in the quarter (3% y/y). The main driver behind the growth of

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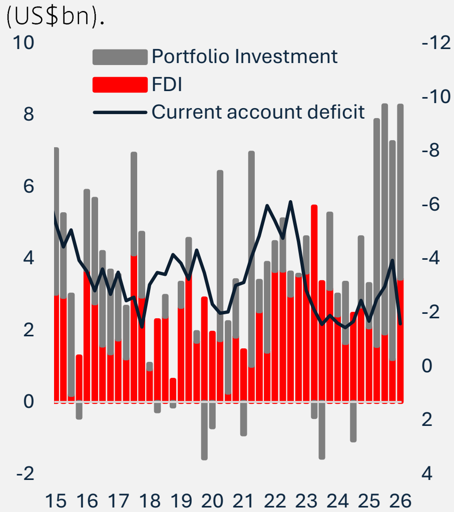
services imports was the demand of financial and insurance services.

- **Income account:** The income account deficit was USD 3.25 bn, narrowing by USD 428 million relative to 2025-IV but expanding by USD 268 million versus a year ago. The higher outflows versus a year ago were mainly due to higher net outflows from portfolio and FDI profits in Colombia, partially compensated by a reduction of interest payments. The higher FDI profits were concentrated in the oil, manufacturing and commerce sectors, while profits in mining, public services and transport sectors contracted.

- **Transfers:** Transfers continued to help lower the current account deficit, with net inflows reaching USD 4.18 bn (+8.6% y/y). Remittances amounted to USD 3.35 bn, rising 6.9% y/y (half the growth registered in 2025-I) and amounting to 2.6% of GDP and 12.7% of current inflows in the BoP. The United States and Spain remain the main sources of remittances to Colombia, and according to the central bank, the increase reflects both the growing Colombian migrant population and job creation in host countries.

Chart 3. BoP Financial Account Inflows (US$bn).



Sources: DAVIbank Economics, BanRep.

Financial account

- **The financial account recorded net inflows of USD 954 m (2.0% of GDP; see Chart 3), registering the lowest level since 2009.** During the quarter, inflows came mainly from portfolio investment (USD 4.82 bn), which decreased by USD 1.22 bn versus the previous quarter due to lower Government debt issuances. FDI inflows increased to USD 3.79 bn, also due to higher debt inflows.

- **Foreign Direct Investment (FDI):** FDI gross inflows stood at USD 3.79 bn (3.0% of GDP), increasing 34.4% y/y. The main recipient sectors were transport and communications (24%), financial services (24%), and manufacturing (22%). Total inflows were distributed equally between sources, with USD 1.34 bn corresponding to capital investments, USD 1.22 bn came from reinvested earnings and USD 1.24 from higher intercompany debt. Debt FDI inflows were the higher since 2022-I, likely reflecting big corporate moves such as the transaction regarding the buying of Cemex operations in Colombia by Holcim. In this quarter, FDI inflows accounted for 2.4 times the current account deficit, significantly higher than in 2025-IV (0.6 times) and the historical average (1.2 times), showing a healthier financing of the deficit.

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- **Portfolio investments:** Total portfolio inflows reached USD 4.82 bn (3.8% of GDP), with public sector financing playing a significant role. Portfolio investment in the public sector totaled USD 4.74 bn, divided between USD 3.86 bn in bonds issued in international markets and USD 960 m associated with increased foreign investor participation in local-currency government debt. Most of this activity is explained by financing operations structured with specific investors, including TRS-related transactions. **For 2026, public sector activity implies the unwinding of the TRS structure, which ended in May. Next week, we expect the release of the Medium-Term Fiscal Framework, which will include the updated Financial Plan for 2026 and the initial outlook for 2027.** It will be important to assess how issuance plans have evolved, particularly regarding distribution. The Public Credit Directorate has emphasized that it expects to reduce the size of hard-currency bond issuance.

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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
Goverment (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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