

## Economics Colombia

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## Colombia: May inflation increased less than expected but still supports a higher rates scenario

Colombia's monthly CPI inflation stood at 0.47% m/m in May, according to data published by DANE on Friday, June 6, 2026. This time, the result came in below economists' consensus of 0.52% m/m, according to BanRep's survey and DAVIbank expectations of 0.61%. In April, 11 out of the 12 CPI groups posted positive inflation. Three groups accounted for ~80% of total inflation: housing and utilities (+0.86% m/m), transport (+0.61% m/m), and restaurants and accommodation (+0.38% m/m). Core inflation excluding food was 0.59% m/m, while inflation excluding food and regulated prices came in at 0.48% m/m.

Annual inflation increased again, from 5.68% y/y in April to 5.84% y/y in May (+16 bps, chart 1), the highest level since August 2024. Core inflation measures posted a more significant spike: inflation excluding food increased 35 bps to 5.80% y/y, while inflation excluding food and regulated prices increased by 20 bps to 5.99% y/y, still the highest reading since mid-2024. Goods inflation was almost unchanged at 3.12% y/y (-1 bp), while services inflation increased to 7.04% y/y. In the case of regulated inflation, it increased by 85 bps to 5.19% y/y.

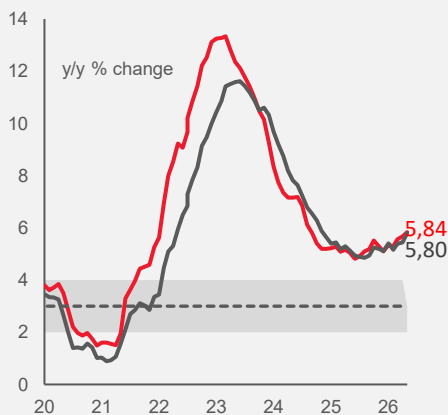
Despite the fact that in May and in forthcoming months indexation dynamics are not as strong as at the beginning of the year, we continue to see that inflation groups associated with labor costs are contributing significantly to the inflation acceleration. On an annual basis, the main contribution to inflation came from housing and utilities (+4.50% y/y); in second place is food (+6.04% y/y), and in third place is restaurants and accommodation (+9.62% y/y), the latter being one of the most representative of the labor cost increase.

In monthly terms, inflation was below economists' consensus, and part of the downside surprise is attributed to lower food inflation, which interrupted four months in a row of inflation above 1%.

Either way, monthly inflation was above that observed one year ago, also fueled by the increase in services-related components (rent fees, management of housing buildings, restaurants) and by the increase in regulated prices (utilities and gasoline prices).

For now, we affirm our expectation that inflation will reach a peak in December 2026. Recent dynamics are also supportive of a higher monetary policy rate, and we maintain our projection of 12% as the potential peak of tightening, which involves a final hike of 75 bps at the July meeting. The potential start of the easing cycle is expected in mid-2027; however, it will strongly depend on how inflation shocks

Chart 1. Headline and Core Inflation



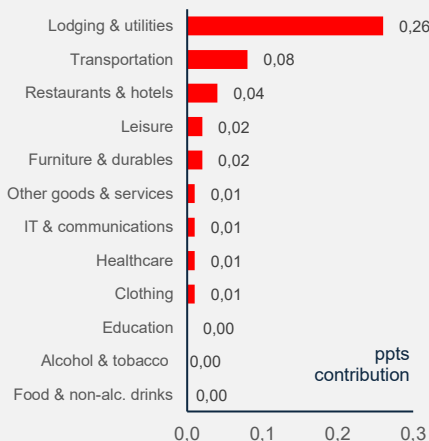
Sources: DAVIbank Economics, DANE.

evolve, especially the “El Niño” weather phenomenon and decisions regarding the minimum wage at the end of the year.

### Complementary Highlights:

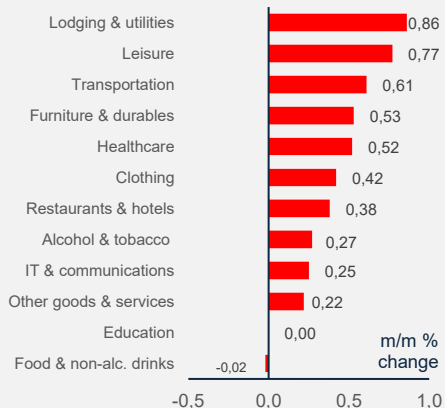
- **Three groups contributed 81% of monthly inflation ( Chart 2 and 3). Housing and Utilities (+0.86% m/m) contributed 26 bps, showing increases in rent fees (+0.71% m/m) that are significant given the time of the year, but also showing the impact of the increase in property management fees, which on an annual basis stands at 13.42% y/y. Utilities (+1.32% m/m) reflected higher water (+2.38% m/m) and electricity (+1.04% m/m) fees; we have to say that for now those prices are not exhibiting the potential impact of the “El Niño” weather phenomenon that is expected to develop with higher intensity between the third and fourth quarters of the year.**
- **Transport (+0.61% m/m) accounted for 17% of monthly inflation, contributing 8 bps.** The increase in gasoline prices contributed 7 bps to monthly inflation, while 1 bp was attributed to the increase in airfares; we could say that both are reflecting the impact of higher oil prices due to the conflict in Iran, however it could also involve the effect of the World Cup in the case of airfares.
- **Restaurants and Accommodation (+0.35% m/m) contributed 4 bps.** On that front, restaurants were the main source of inflation, being a group that represents the pressure of higher labor costs, but also a situation of still strong domestic demand. On an annual basis, restaurant inflation is close to reaching double digits (9.73% y/y), being a significant contributor to inflation acceleration.
- **Food inflation provided relief with -0.02% m/m and no impact on the month.** Meat (+1.36% m/m) and fresh fruits (+0.88% m/m) led the increases, while tomatoes (-13.36% m/m), bananas (-5.54% m/m), and pork (-0.99% m/m) were the main negative contributions. Food is a group that could be impacted by the development of the “El Niño” weather phenomenon if it is long-lasting and strong; for now, we expect the potential higher impact of “El Niño” to materialize in food prices in the first half of 2027 if we have a strong event. However, as the 2026 statistical bases for food are high, we do not expect, for now, inflation to be a challenge to reaching the peak of headline inflation in December 2026.

Chart 2. Consumer Price Index Components



Sources: DAVIbank Economics, DANE.

Chart 3. Consumer Price Index Components



Sources: DAVIbank Economics, DANE.

- **Goods and services inflation posted mixed behavior.** Goods inflation stood at 0.22% m/m and 3.12% y/y (-1 bp vs. the previous month), confirming that an appreciated USDCOP remains a tailwind for imported goods. Services inflation was 0.58% m/m and 7.04% y/y (up 27 bps vs. the previous month), being the main demonstration that the increase in labor costs due to the minimum wage is moving the CPI basket.

## Macroeconomic forecast DAVIbank Economics Colombia

Forecast	2019	2020	2021	2022	2023	2024	2025pr	2026pr
<b>National Accounts</b>								
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
<b>Laboral Market</b>								
Unemployment (%. Average)	10,9	16,7	13,8	11,2	10,2	10,2	8,9	9,8
<b>Balance of Payments</b>								
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	
<b>Prices. Rates &amp; Exchange Rates</b>								
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
<b>Tax Codes*</b>								
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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