

## Economics Colombia

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[paula.patino@davibank.com](mailto:paula.patino@davibank.com)**Colombia: S&P downgrades sovereign credit rating to BB- (outlook stable), citing less predictable fiscal policy as a sustainability risk**

Today, S&P downgraded Colombia's sovereign credit rating again. The long-term foreign currency rating was lowered from BB to BB- (the third notch below investment grade), while the outlook was "Stable."

Most of S&P's arguments center on a less predictable fiscal policy, which puts negative pressure on economic growth prospects and fiscal sustainability. Overall, the S&P statement summarizes the context that has led Colombia to a significant debt burden, with side effects on other macroeconomic indicators such as inflation, which is now expected to take longer to converge to the target.

S&P also explicitly refers to the political situation, showing that the outlook is far from rosy. S&P recognizes that Congress for the 2026–2030 period is fragmented and that traditional parties do not have a strong track record of fiscal prudence. They also mention that there are no clear policy proposals aimed at fiscal sustainability from the three leading candidates ahead of the presidential elections. **Under this framework, S&P places Colombia at a credit rating level comparable to countries such as Turkey, the Bahamas, Honduras, and Mongolia. In fact, the BB- level is the lowest rating in recent history and reflects the critical point reached by public finances.**

Different from previous statements, S&P now also sees as a negative risk the possibility of losing the central bank's credibility and capacity to implement fiscal policy. This statement, in our view, reflects the uncertainty triggered at the March meeting following the sudden withdrawal of Finance Minister Ávila and the risk of weakening relations between the government and the central bank.

All in all, S&P further lowers Colombia's credit rating benchmark in a statement that we also read as a warning for the next government and a reminder of the importance of maintaining a credible fiscal framework. Looking at 5-year CDS levels (~208), Colombia had already been trading at levels similar to lower-rated countries for some time. After today's downgrade, spreads look more aligned with its credit rating peers; however, we do not rule out a negative impact on domestic assets.

It is also important to note that in Colombia, in addition to structural fiscal challenges, there is evidence of short-term liquidity pressures. In our opinion, this has fueled negative volatility in fixed income assets since October 2025. Today's downgrade coincides with a statement from the Finance Ministry confirming another debt operation to reduce the local-currency debt burden. While this may

help improve the immediate fiscal picture, it does not solve the broader structural fiscal challenges or the issue of low cash buffers after August 7, when a new government will take the office.

**For now, we do not expect additional significant credit rating actions before the elections. Fitch downgraded Colombia to BB in mid-December, while Moody's maintains the country at the Baa3 level. However, today's S&P statement can be seen as a strong call for prudence in economic policy for the next president, who will need to design a smart strategy to foster stronger economic growth and restore public finances and credibility.**

## 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.

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