Macro scenario - Colombia

March 30, 2026

As inflation risks increase, caution prevails

- The inflation outlook remains challenging, with underlying indexation pressures keeping inflation sticky, along with lingering uncertainty from the minimum wage hike. In addition, elevated international oil prices point to renewed upside risks. We kept our year-end 2026 inflation forecast at 6.7%, with a moderate decline to 5.7% by end-2027. Consistent with this outlook, we maintain our year-end policy rate projection at 12% (a further 175bps of hikes), followed by a gradual easing to 10.75% by end-2027.

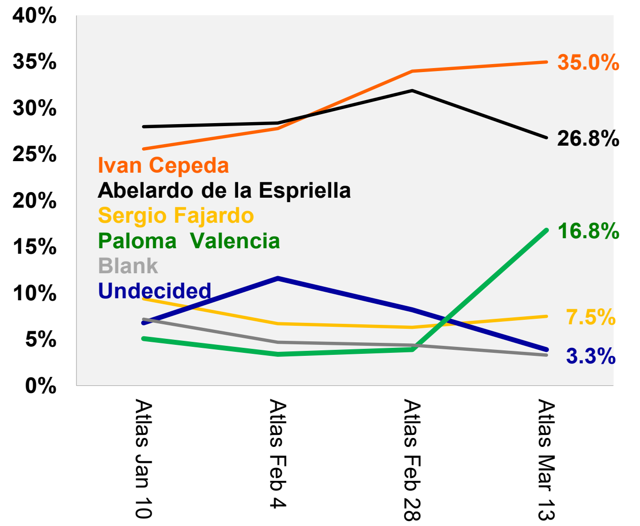
A fragmented Congress puts the spotlight on the presidential race

The governing coalition improved its standing in a fragmented Congress. The vote for 103 senators drew 20.9 million ballots, with turnout rising to 50.6% (48% and 18.6 million voters in 2022). The government party Pacto Histórico emerged as the leading force in the Senate with 22.7% of the vote, followed by opposition parties Centro Democrático (15.6%) and the Liberal Party (11.7%). Despite these gains, the fragmented outcome implies no clear majorities, increasing the Executive's reliance on negotiations to advance legislation.

The presidential primary vote saw one clear winner. With low participation (8.3 million votes; 20.1% vs. 31% in 2022), the right-wing Gran Consulta por Colombia dominated, securing 5.8 million votes (82.8%). Paloma Valencia won the primary with 3.2 million votes (55.2%), followed by Juan Daniel Oviedo (1.2 million; 21.5%). In contrast, the center-left and left primaries underperformed, as Consulta de las Soluciones and Frente por la Vida each received about 0.6 million votes (≈9%). The first presidential round will take place on May 31, with a potential runoff on June 21.

Polls point to growing momentum in the center right following March's legislative elections. The latest public Atlas poll (March 10–12) shows that Iván Cepeda, the governing coalition's candidate, still leads the first round of the presidential election scheduled for May 31. However, in a potential runoff (June 21), both Paloma Valencia (45.7%) and De La Espriella (43.5%) would defeat Cepeda (38.4%–39.2%), with undecided voters accounting for 15%–17%. Meanwhile, President Petro's approval rating fell by 1.8pp to 37.5% in March.

Leftist Leads First Round as Valencia Gains Ground



Source: Atlas – Semana Magazine; Itaú

Fiscal consolidation rests mainly on projected spending restraints

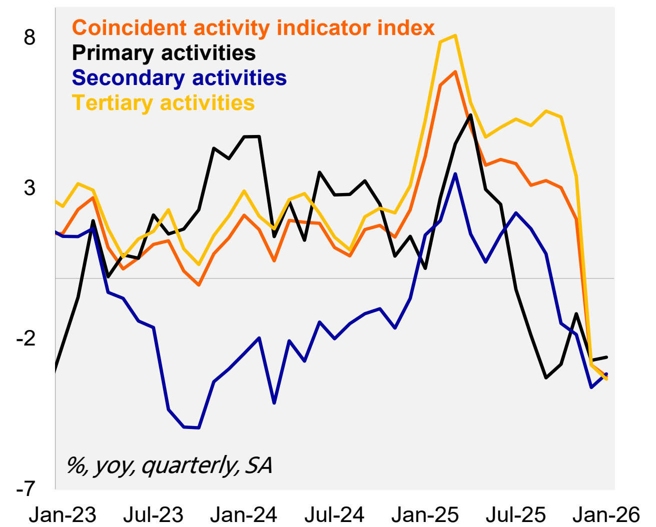
The government presented an updated fiscal plan. After a nominal fiscal deficit of 6.4% of GDP in 2025 (6.7% in 2024), the Ministry of Finance (MoF) projects a sharp narrowing to 5.1% in 2026, mainly driven by an ambitious spending cut of roughly 1.5% of GDP. The primary deficit is forecast at 2.1% of GDP, down from 3.5% in 2025 and 2.4% in 2024. Central government net debt is expected to remain broadly stable at 58.7% of GDP, while this year's gross financing needs are projected at 5.1% of GDP. The 2026 financing mix targets 66% local currency and 34% foreign currency issuance. However, the Fiscal Council takes a more cautious view, forecasting a wider 2026 primary deficit of 3.7% of GDP, similar to 2024 levels, citing a revenue shortfall of 1.6% of GDP versus official projections. The Council maintains its estimates for the overall deficit and net debt at 6.7% and 60.3% of GDP.

Activity loses momentum

At the start of the year, activity continued to decelerate. In January, the coincident activity indicator (ISE) increased by 1.5% year on year, down from 1.8% in the previous month. On a sequential basis, the ISE contracted by -0.1% MoM SA from December to January (-1% in December). Overall, activity contracted by -1% QoQ/Saar in January, improving slightly from the -2.0% in 4Q25.

The trade deficit widened last year, while rising transfers partially contained the overall current account deficit widening. The 2.4% of GDP current account deficit in 2025 was explained by weak exports (+0.8% YoY; -2.9% in 2024), and strong imports (+10.1% YoY; +1.3% YoY in 2024). Nevertheless, rising transfers (+6.0% YoY; +20% YoY in 2024) contained the CAD widening. Meanwhile, the income deficit narrowed amid low oil prices and weak activity in the sector. Overall, FDI no longer fully covers the CAD, with 91% coverage of the CAD (133% in 2024; 187% in 2023).

Activity Continues to Moderate



Source: Dane; Itaú

Inflation risks still call for caution

Inflation rose sequentially in the quarter ending in February. CPI rose by 1.08% MoM in February, elevated yet below consensus (1.27%), leading to an annual print of 5.29%, while core inflation increased by 14bps to 6.08%, the highest level since September 2024. Services inflation jumped back above the 7% threshold. At the margin, we estimate inflation accumulated in the quarter reached 5.4% (SA, annualized, +4.4% in 4Q25). Core inflation rose to 7.2%, up from 6.4% in 4Q25 (SA, annualized).

Medium-term survey-based inflation expectations rise further. According to BanRep's monthly analyst survey, 12-month and 27YE inflation expectations increased marginally by 5bps and 3bps to 5.81% and 4.79%, respectively in March. Regarding monetary policy, analysts continue to expect a 75-bps interest rate hike to 11% at the March meeting, with a terminal rate of 11.75% expected by mid-2026.

Rising inflation concerns call for caution

GDP growth is forecast to remain at 2.3% in 2026 and 2027, as restrictive monetary policy continues to dampen consumption and limit investment.

The inflation outlook remains challenging, with underlying indexation pressures keeping inflation sticky, along with lingering uncertainty from the minimum wage hike. In addition, elevated international oil prices point to renewed upside risks. We kept our year-end 2026 inflation forecast at 6.7%, with a moderate decline to 5.7% by end-2027.

With inflation expectations still above target, upside risks persist, particularly from energy and food prices amid elevated oil prices and rising El Niño risks in 2H26, supporting the case for further 100bps monetary policy adjustment under a cautious stance. We maintain our year-end policy rate projection at 12% (a further 175bps of hikes), followed by a gradual easing to 10.75% by end-2027.

Amid a narrowing trade deficit relative to 2025, and with remittances still providing support to the current account deficit (CAD), we now expect the latter to close the year at 2.7% of GDP (down from 3.2% previously). Our end-2026 and 2027 FX forecast remains at COP 3,700 per USD, supported by wide interest rate spreads and a softer dollar, although election-year volatility risks remain elevated.

Vittorio Peretti
Carolina Monzón
Juan Robayo
Angela Gonzalez

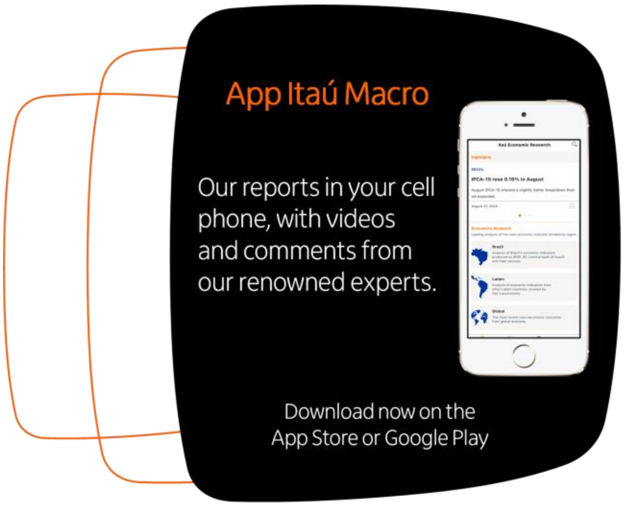
Colombia | Forecasts and Data

	2022	2023	2024	2025	2026F		2027F	
					Current	Previous	Current	Previous
Economic Activity								
Real GDP growth - %	7.3	0.7	1.5	2.6	**2.3**	2.3	**2.3**	2.3
Nominal GDP - USD bn	345	364	389	493	**524**	524	**547**	547
Population (millions)	51.8	52.2	52.7	53.2	**53.4**	53.4	**53.7**	53.7
Per Capita GDP - USD	6,657	6,972	7,375	9,276	**9,820**	9,820	**10,190**	10,190
Unemployment Rate - year avg	11.2	10.2	10.2	8.9	**10.2**	10.2	**10.2**	10.2
Inflation								
CPI - %	13.1	9.3	5.2	5.1	**6.7**	6.7	**5.7**	5.7
Interest Rate								
Monetary Policy Rate - eop - %	12.00	13.00	9.50	9.25	**12.00**	12.00	**10.75**	10.75
Balance of Payments								
COP / USD - eop	4,810	3,822	4,409	3,757	**3,700**	3,700	**3,700**	3,700
Trade Balance - USD bn	-14.5	-9.7	-10.8	-16.4	**-13.0**	-12.3	**-11.8**	-10.9
Current Account - % GDP	-6.1	-2.4	-1.7	-2.4	**-2.7**	-3.2	**-3.2**	-3.6
Foreign Direct Investment - % GDP	5.0	4.6	3.4	2.3	**3.7**	3.7	**4.0**	4.0
International Reserves - USD bn	56.7	59.1	61.9	65.7	**66.5**	66.5	**68.0**	68.0
Public Finance								
Primary Central Govt Balance - % GDP	-1.0	-0.3	-2.4	-3.5	**-3.3**	-3.1	**-2.8**	-2.6
Nominal Central Govt Balance - % GDP	-5.3	-4.2	-6.7	-6.4	**-6.5**	-7.4	**-5.8**	-5.6
Central Govt Gross Public Debt - % GDP	60.8	56.3	61.6	64.3	**60.1**	67.1	**62.9**	67.6

Source: IMF, Bloomberg, Dane, Banrep, Haver and Itaú

Macro Research – Itaú
Mario Mesquita – Chief Economist

To access our reports and forecast visit our website:
https://www.itau.com.br/itaubba-pt/macroeconomic-analysis



Relevant Information

1. This report has been prepared and released by the Macro Research Department of Itaú Unibanco S.A. ("Itaú Unibanco"). This report is not a product of the Equity Research Department of Itaú Unibanco or Itaú Corretora de Valores S.A. and shall not be construed as a research report ("relatório de análise") for the purposes of Article 1 of the CVM Instruction NR. 20, dated 2021.
2. The exclusive purpose of this report is to provide macroeconomics information and it does not constitute and shall not be construed as an offer to buy or sell or a solicitation of an offer to buy or sell any financial product, or to participate in any particular trading strategy in any jurisdiction. The information herein is believed to be reliable as of the date on which this report was released and it has been obtained from public sources believed to be reliable. However, Itaú Unibanco does not make any explicit or implied representation or warranty as to the completeness, reliability or accuracy of such information, nor does this report intend to be a complete statement or summary of the markets or developments referred to herein. Itaú Unibanco has no obligation whatsoever to update, modify or amend this report and inform the reader accordingly.
3. The opinions contained herein reflect exclusively the personal views of the analyst responsible for this report and were prepared independently and autonomously, including in relation to Itaú Unibanco, Itaú Corretora de Valores S.A. and any other companies within their economic group.
4. This report may not be reproduced or redistributed to any other person, in whole or in part, for any purpose, without the prior written consent of Itaú Unibanco. Additional information on the financial products mentioned in this report may be available upon request. Itaú Unibanco and/or any other company within its economic group is not and shall not be liable for any investment decisions (or otherwise) based on the information provided herein.
5. This report may include sections generated with the support of artificial intelligence tools. All content has been reviewed and validated by the authors to ensure the accuracy and integrity of the information presented.

Additional Note: This material does not take into consideration the objectives, financial situation or specific needs of any particular client. Clients must obtain financial, tax, legal, accounting, economic, credit and market advice on an individual basis, based on their personal characteristics and objectives, prior to making any decision based on the information contained herein. By accessing the material, you represent and confirm that you understand the risks related to the financial instruments described in this material and the laws in your jurisdiction relating to the provision and sale of financial service products. You acknowledge that this material contains proprietary information and you agree to keep this information confidential for your exclusive use.

SAC Itaú: For inquiries, suggestions, complaints, criticisms and compliments, talk to Itaú's CSCC: 0800 728 0728. Or contact us through our portal https://www.itau.com.br/atendimento-itau/para-voce/. If you are not satisfied with the proposed solution, please contact the Itaú Corporate Ombudsman: 0800 570 0011 (on weekdays from 9 AM to 6 PM) or our PO Box 67.600, São Paulo-SP, Zip Code 03162-971. Hearing impaired, every day, 24h, 0800 722 1722.