

# Macro scenario - Colombia



September 19, 2025

## Inflation is still a concern

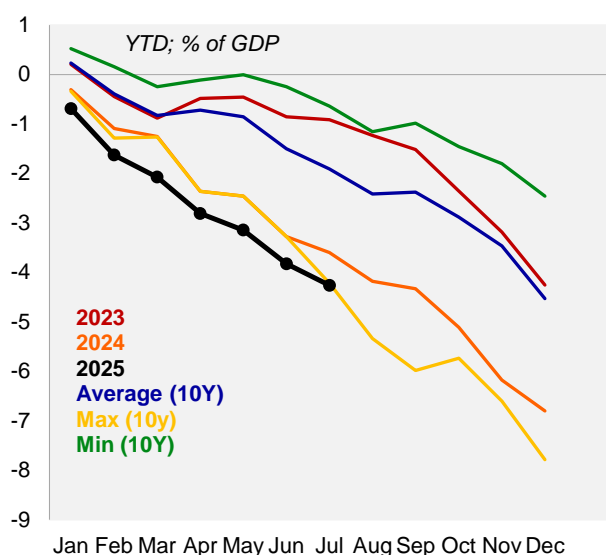
- ▶ Although domestic demand remains strong, exports have underwhelmed. We revised our 2025 GDP growth forecast down by 0.2pp to 2.7% for 2025. For next year, we anticipate growth at 2.8%, an increase of 0.2pp, given lower base effects. We maintained our 2025 year-end rate forecast at 9.25% with no cuts, and 8.25% for 2026, in line with our previous scenario.
- ▶ Wider interest rate differentials with the US led us to envisage a moderate appreciation of our yearend COP forecasts to COP 4,000 per USD, down from COP 4,100 in the previous report.

## Fiscal pressure persists despite improved revenue performance

### Primary and total deficits at record highs for July.

The Ministry of Finance (MoF) reported a fiscal deficit of 0.4% of GDP in July (-0.2% of GDP one year ago). Furthermore, the budget deficit stood at 4.3% of GDP on a YTD basis, which is far from the cumulative deficit of 3.4% of GDP a year ago and the average of 2.2% of GDP for the first seven months of the year. Tax collection in the year has risen by a meaningful 5.2%, yet well below the 9.7% official forecast.

### Fiscal deficit remains above historical levels



Source: MoF, Itaú

## Mining weighs on growth

### After several quarters of faster than expected growth, activity disappointed at the margin in 2Q25.

GDP increased by 2.1% YoY in 2Q25, compared to 2.7% YoY in 1Q25, and fell short of BanRep's staff forecast of 2.7% YoY. Sequentially, GDP rose 0.5% in 2Q25, after +0.3 in 1Q25. On an annual basis, activity was boosted by the entertainment, commerce, and agriculture sectors, but was offset by significant declines in mining (-10.2% YoY) and construction (-3.5% YoY). Gross fixed investment, however, is gradually improving, rising by 1.7% YoY compared to 1.5% in 1Q25. Meanwhile, domestic demand continues to boost activity, growing by 4.2% YoY (+4.5% in 1Q25), while total consumption grew by 3.8% YoY, with private consumption up by 3.7% YoY. Despite the disappointment in 2Q25, labor market dynamics suggest private consumption should remain resilient, despite elevated inflation and interest rates. Separately, household and business confidence indicators remain at multi-year highs.

## Inflation rebounds

**Inflation remained sticky in August.** Consumer prices rose by 0.19% MoM in August, driven by food prices, hotels and restaurants and housing and utilities. CPI increased by 20bps from July to reach 5.1% YoY in August, while core inflation held steady at 5.36%. On a quarterly basis, we estimate that inflation accumulated to 5.1% (SA, annualized; +5.5% in 2Q25). Core inflation remains elevated at 5.2% (SA, annualized, 5.3% in 2Q25). Meanwhile, BanRep's monthly analyst survey reflected upward adjustments in both the twelve-month and 26YE expectations,

rising by 14 bps and 11 bps to 4.14% and 4.02%, respectively, marking the highest levels in 2025. Core inflation expectations also deteriorated, rising 19 bps and 9 bps to 4.63% and 3.91% for December 2025 and December 2026, respectively, while the one-year-ahead measure remained broadly stable at 4.05%.

### Cautious messaging

**In public appearances, Governor Villar has continued to advocate for a restrictive monetary policy stance to ensure inflation converges to the target in 2026.** He noted that inflation has not decelerated as much as anticipated and pointed out that inflation expectations remain above the long-term target of 3%. While emphasizing that the current policy stance is a key instrument to guide inflation toward the target, he does not believe it is too restrictive to impede the economic recovery. Additionally, Governor Villar highlighted that fiscal imbalances are another factor limiting the possibility of a more accommodative stance, as they contribute to higher neutral rates via term premia.

### A stronger COP

**Although domestic demand remains strong, key sectors of the economy have experienced a sharper-than-expected slowdown.** Consequently, we revised our GDP growth forecast down to 2.7% for 2025, but up to 2.8% for 2026, compared to previous projections of 2.9% and 2.6%, respectively.

**High remittances are helping to offset the impact of a widening trade deficit, keeping the current account deficit (CAD) contained.** We now project a CAD of 2.8% for this year, up from our previous estimate of 2.7%. Meanwhile, greater interest rate differentials with the Fed led us to revise our yearend exchange rate forecast to COP 4,000 per USD, revised from COP 4,100 in the previous report.

**Persistent inflationary pressures, stemming from a tight labor market, are likely to keep headline inflation above 5% through the end of the year.** Upward pressure from gas prices will also constrain further disinflation. We maintain our year-end CPI forecast for 2025 and 2026 at 5.1% and 4.0%, respectively.

**Sticky inflation in the context of above-target inflation expectations, and fiscal concerns leave limited room for interest rate cuts in the near term.** We maintain our forecast of no rate cuts during the remainder of the year (9.25%), with 100bps cycle to 8.25% in 2026.

**Vittorio Peretti**  
**Carolina Monzón**  
**Juan Robayo**  
**Angela Gonzalez**

## Colombia | Forecasts and Data

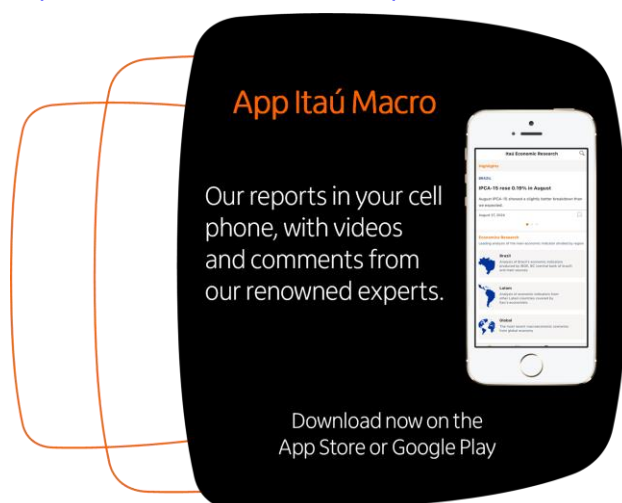
	2020	2021	2022	2023	2024	2025F		2026F	
						Current	Previous	Current	Previous
<b>Economic Activity</b>									
Real GDP growth - %	-7.2	10.8	7.3	0.7	1.6	<b>2.7</b>	2.9	<b>2.8</b>	2.6
Nominal GDP - USD bn	270	322	345	364	420	<b>428</b>	423	<b>474</b>	462
Population (millions)	50.9	51.4	51.8	52.2	52.7	<b>53.1</b>	53.2	<b>53.4</b>	53.5
Per Capita GDP - USD	5,312	6,272	6,657	6,972	7,968	<b>8,059</b>	7,956	<b>8,877</b>	8,639
Unemployment Rate - year avg	16.7	13.8	11.2	10.2	10.2	<b>9.0</b>	9.0	<b>9.2</b>	9.2
<b>Inflation</b>									
CPI - %	1.6	5.6	13.1	9.3	5.2	<b>5.1</b>	5.1	<b>4.0</b>	4.0
<b>Interest Rate</b>									
Monetary Policy Rate - eop - %	1.75	3.00	12.00	13.00	9.50	<b>9.25</b>	9.25	<b>8.25</b>	8.25
<b>Balance of Payments</b>									
COP / USD - eop	3,433	3,981	4,810	3,822	4,409	<b>4,000</b>	4,100	<b>4,000</b>	4,100
Trade Balance - USD bn	-10.1	-15.3	-14.5	-9.7	-10.8	<b>-12.7</b>	-12.4	<b>-11.3</b>	-11.0
Current Account - % GDP	-3.4	-5.6	-6.1	-2.4	-1.8	<b>-2.8</b>	-2.7	<b>-3.2</b>	-3.1
Foreign Direct Investment - % GDP	2.8	3.0	5.0	4.6	3.4	<b>3.5</b>	3.5	<b>3.7</b>	3.7
International Reserves - USD bn	58.5	58.0	56.7	59.1	61.9	<b>66.0</b>	62.5	<b>66.5</b>	63.0
<b>Public Finances</b>									
Primary Central Govt Balance - % GDP	-5.0	-3.6	-1.0	-0.3	-2.4	<b>-2.7</b>	-2.7	<b>-2.5</b>	-2.5
Nominal Central Govt Balance - % GDP	-7.8	-7.1	-5.3	-4.2	-6.7	<b>-7.5</b>	-7.5	<b>-6.8</b>	-6.8
Central Govt Gross Public Debt - % GDP	65.0	63.0	60.8	56.7	63.3	<b>65.0</b>	65.0	<b>66.5</b>	66.5

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.itaú.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.

**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.

For inquiries, suggestions, complaints, criticisms and compliments, talk to Itaú's CSMC: 0800 728 0728. Or contact us through our portal <https://www.itaubr.com.br/atenda-itaubr/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.