



Macroeconomic Research  
**COLOMBIA: Top themes for 2025**

# Colombia: Top themes for 2025

## 1. Six consecutive years of above-target inflation?

- We increased our CPI forecast to 4.2% in 2025 after the minimum wage hike

## 2. Inflation indexation, FX depreciation and fiscal uncertainty narrow the room for cuts

- We raised our YE25 call up to 8.0%

## 3. GDP growth is projected to rise above 2024 but remain below potential in 2025

- Still elevated borrowing costs weigh on economic activity

## 4. Fiscal accounts will remain stressed

- A deficit of 5.1% of GDP in 2025 seems challenging amid persistent revenue underperformance.

## 5. Structural reform discussions to continue in 2025

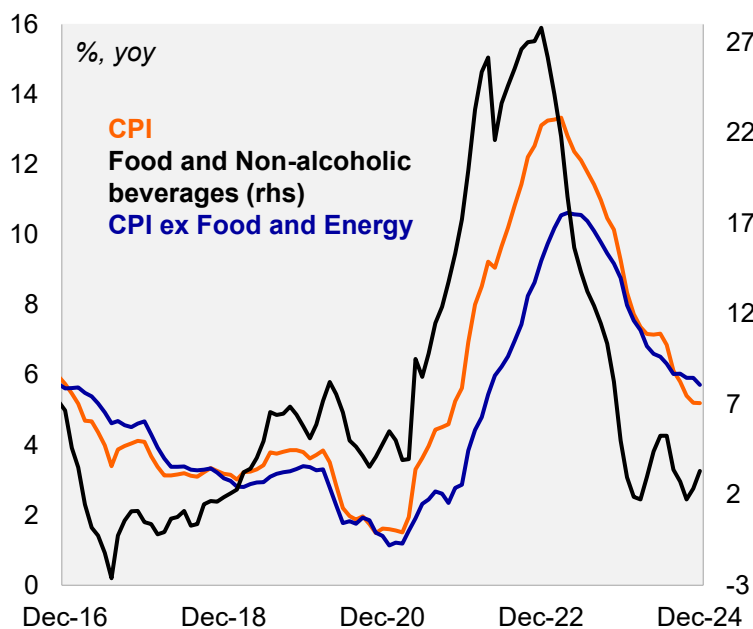
- Several reforms are projected to be discussed in the administration's third year in office.

# 1. Six consecutive years of above-target inflation?

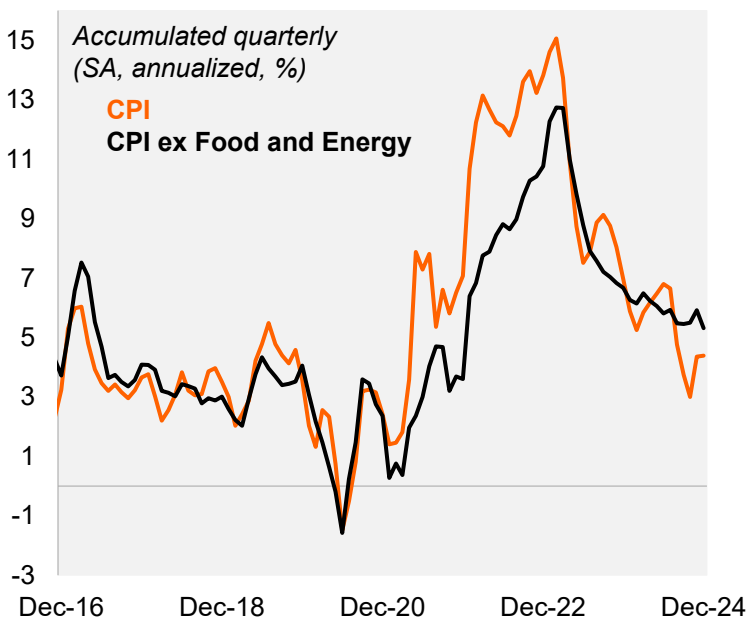
## Headline inflation ended 2024 at 5.2%

- Headline inflation remained stable from November at 5.2%, resulting in a total drop of 408bps in inflation throughout 2024. Core inflation dropped by 20bps from November to 5.75% (vs.10.60% peak in April last year).
- At the margin, we estimate that inflation accumulated in the quarter was 4.4% (SA, annualized; 3.7% in 3Q24). Core inflation fell to 5.3% from 5.5% in 4Q24 (SA annualized).

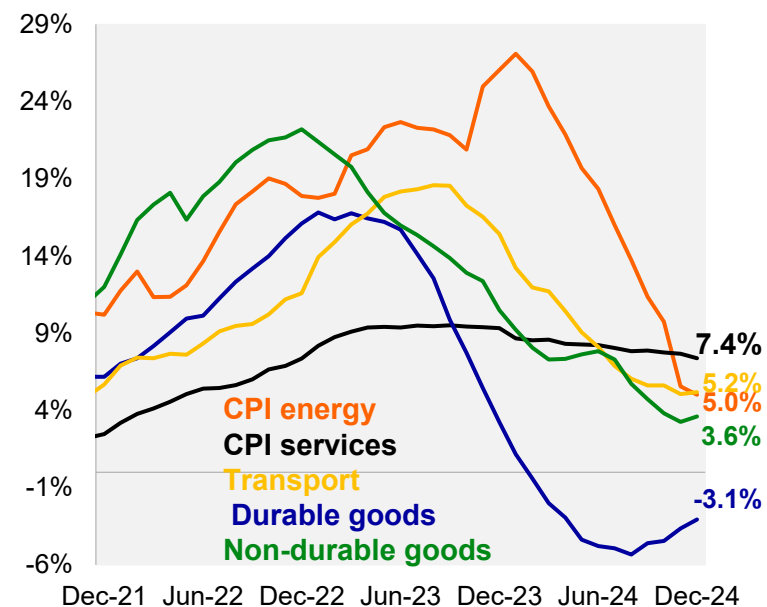
Core inflation decelerated...



... while headline CPI stagnated at the margin



Services inflation remains sticky

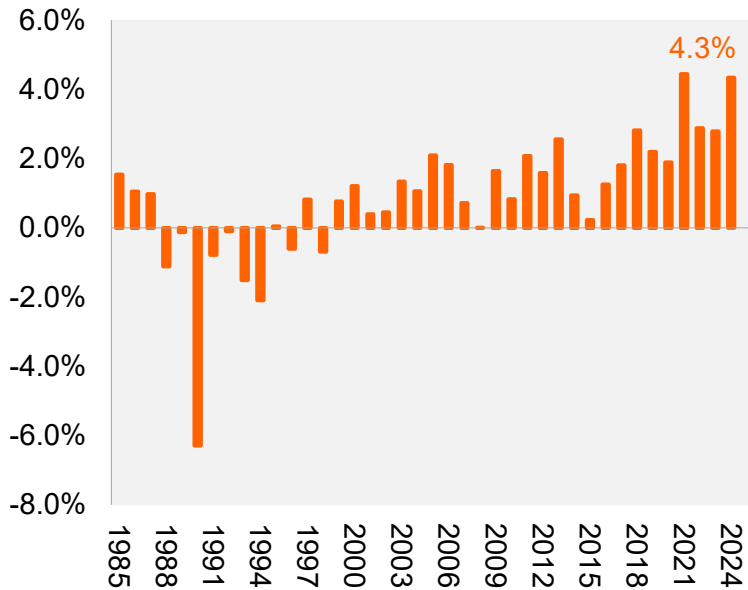


# 1. Six consecutive years of above-target inflation?

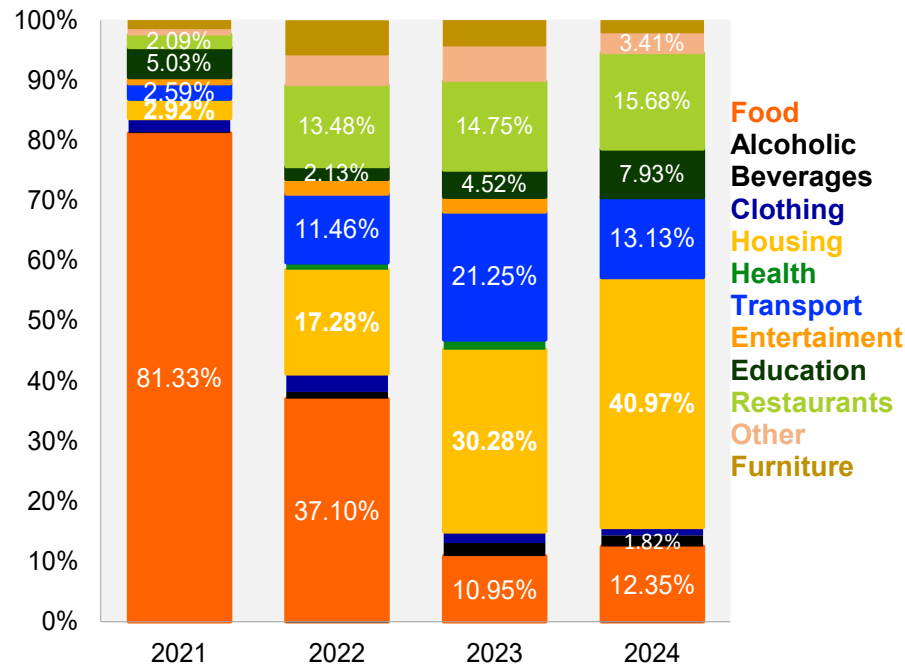
## The disinflation process is set to slow this year

- The 9.5% minimum wage adjustment adds 45bp to our YE inflation forecast. However, considering the net increase after the inclusion of transport subsidies the impact could be up to even greater (+23bp)
- We increased our CPI forecast from 3.7% up to 4.2% in Dec-25. BanRep had penciled in a 6.5% minimum wage hike in order to reach the target in 4Q25.

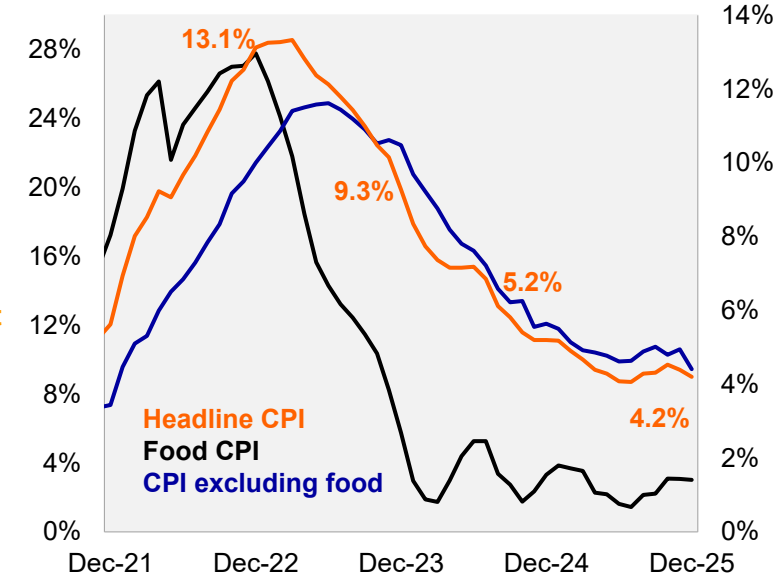
Real minimum wage hike averages 3.6pp since 2021 compromising inflation



Services and housing will be for third year in a row the main CPI contributors



Inflation will not break the 4.0% threshold in 2025

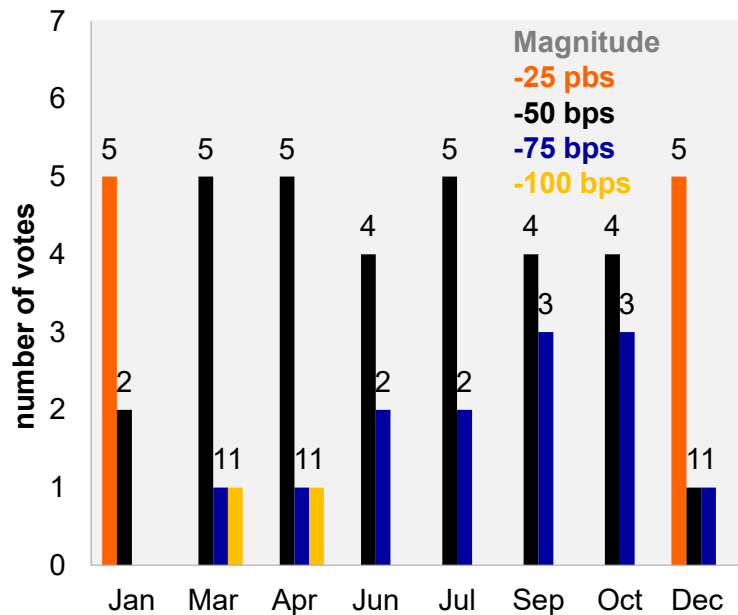


## 2. Inflation indexation, FX depreciation, and fiscal uncertainty narrow the room for cuts

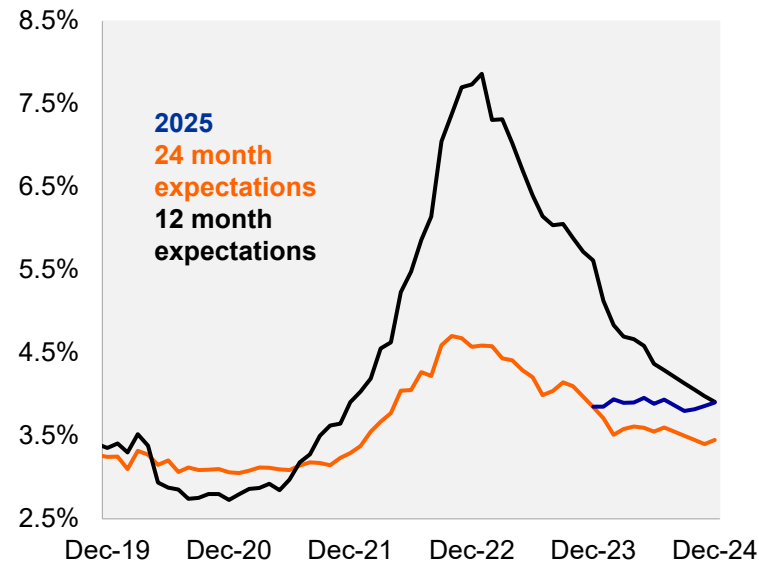
### BANREP board to change its composition in early 2025

- Tighter global financial conditions along with sticky domestic services inflation, 2025's minimum wage increase and short-term stress in the fiscal accounts are likely to weigh on the next decisions.

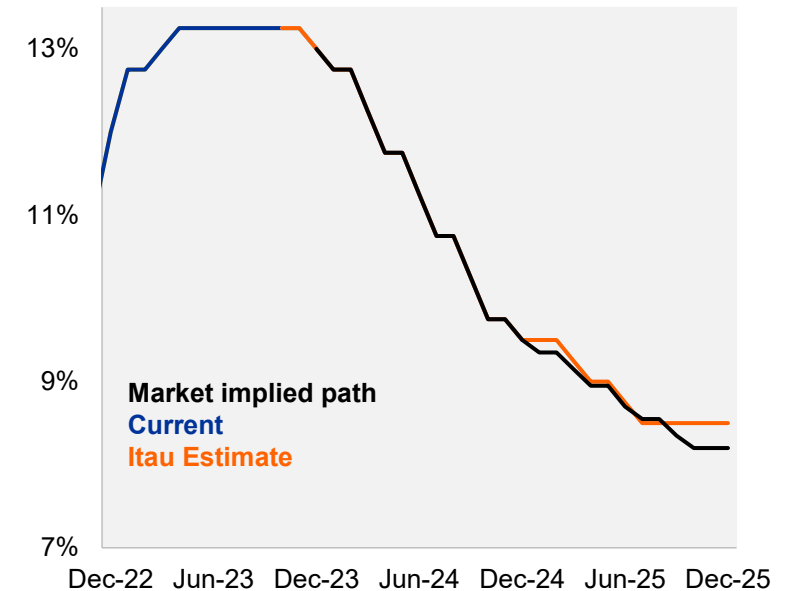
BanRep votes look more divided



Inflation expectations would derail from the target after minimum wage adjustment



Fewer cuts penciled in

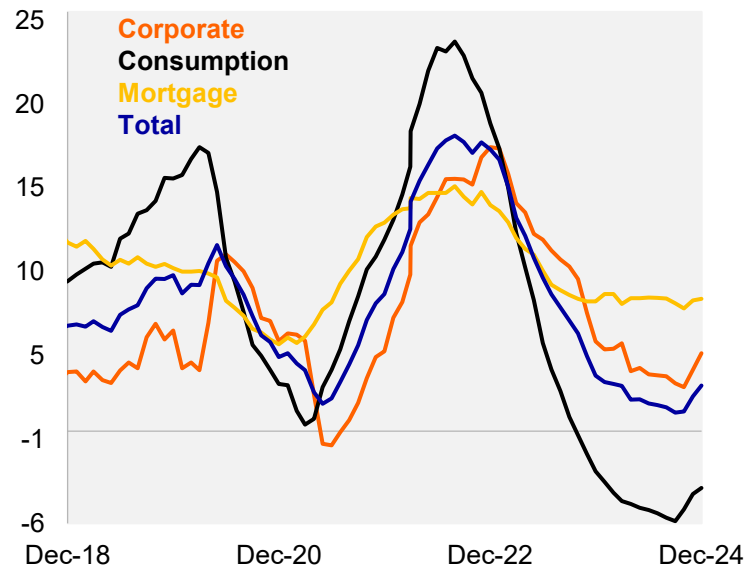


### 3. GDP growth is projected to accelerate, but remain below potential in 2025

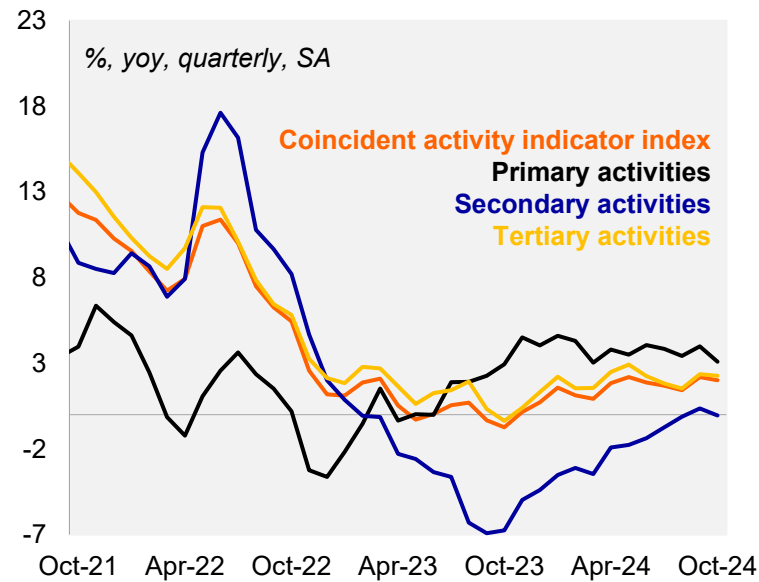
#### GDP to rise by 2.2% in 2025

- In 2024 agriculture led the economic recovery, while secondary activities lagged.
- In 4Q24 corporate loans fueled the increase of total portfolio, while consumption loans continued in negative territory.
- After a 2% expansion in 2024, GDP growth will continue to be modest. We now expect an expansion of 2.2% in 2025 (2.4% previously)

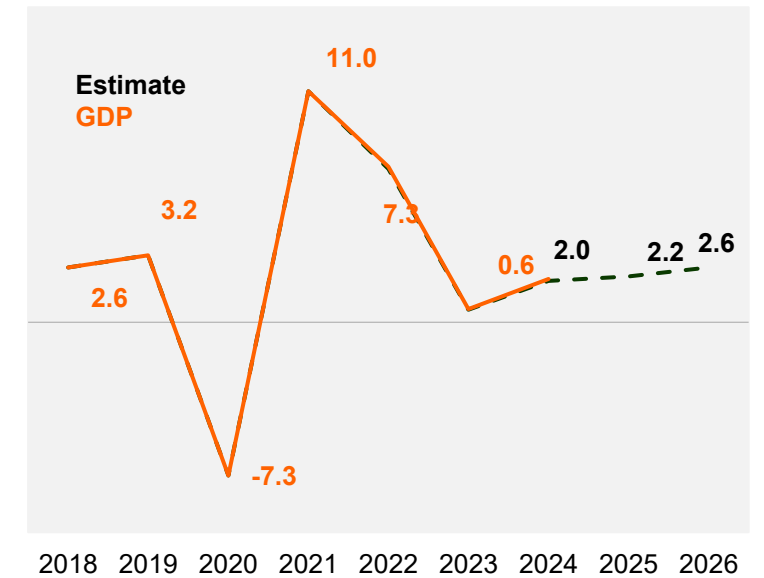
Loan portfolio reached an inflection point in 4Q24



Still high borrowing costs should weigh on construction in 2025



Amid high interest rates, activity recovery will continue to be gradual



Source: Dane, BanRep, Itaú.

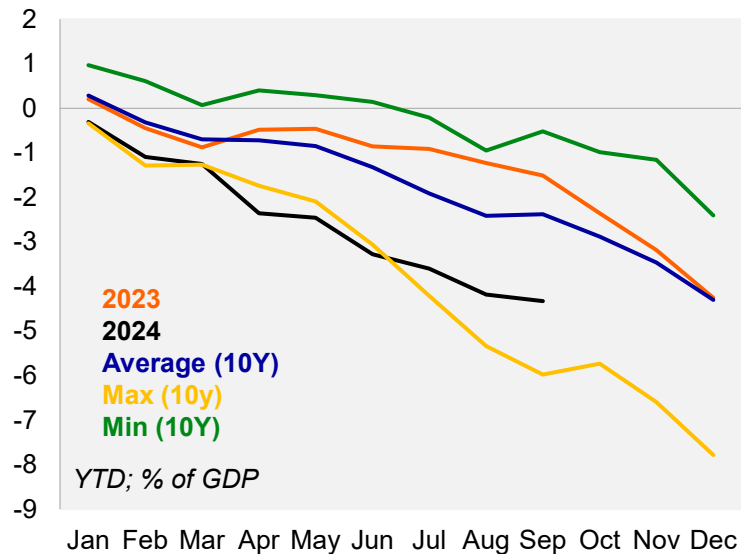
## 4. Fiscal accounts will remain stressed

A recovery in revenues and spending cuts should provide some relief

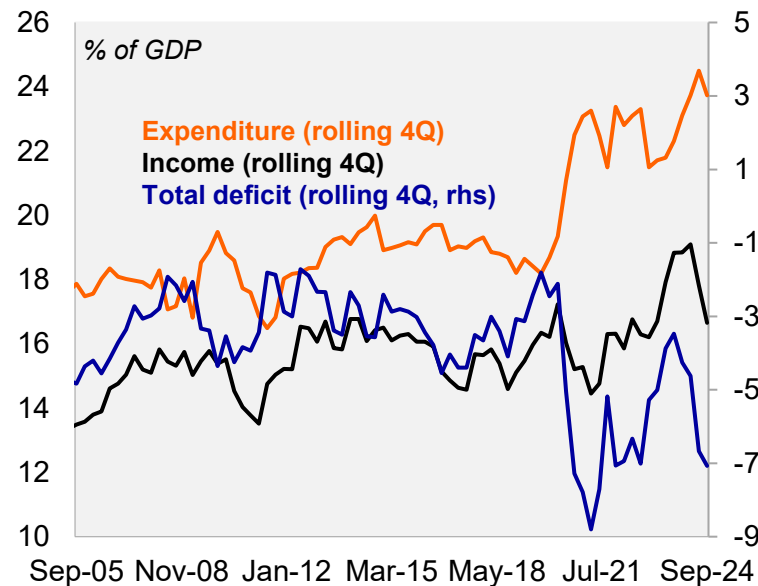
- We forecast a fiscal deficit of 5.5% this year
- MoF Guevara has proposed the modification at the energy cycle and the exclusion of green investments from fiscal accounts

As of September, the accumulated deficit stands at 4.3% of GDP

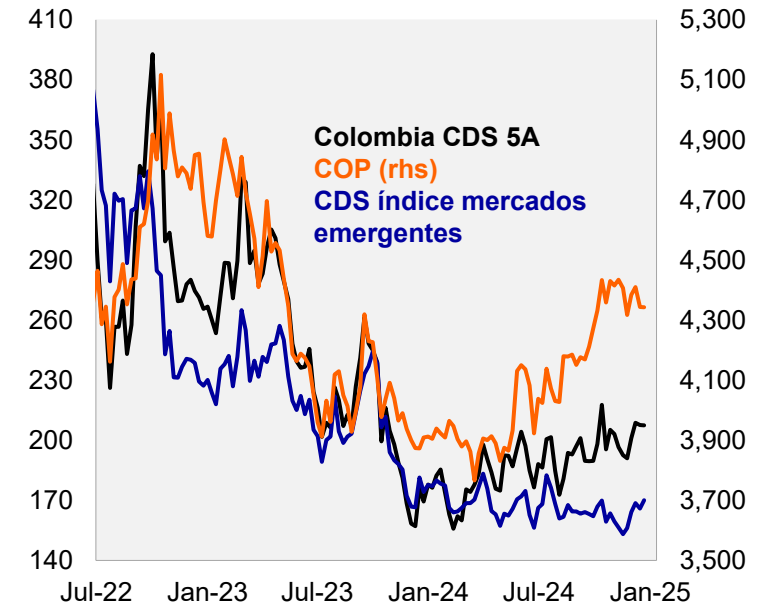
(vs. the 5.6% targeted in 2024)



Revenues decreased down to 3% of GDP by 3Q24



Risk premium stands above EM

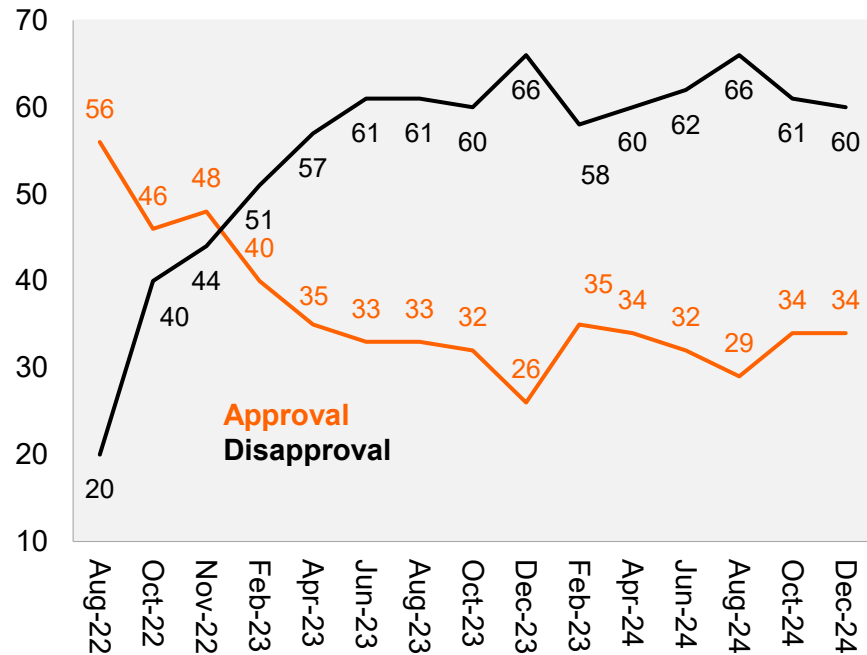


Source: Dian, Bloomberg, Itaú.

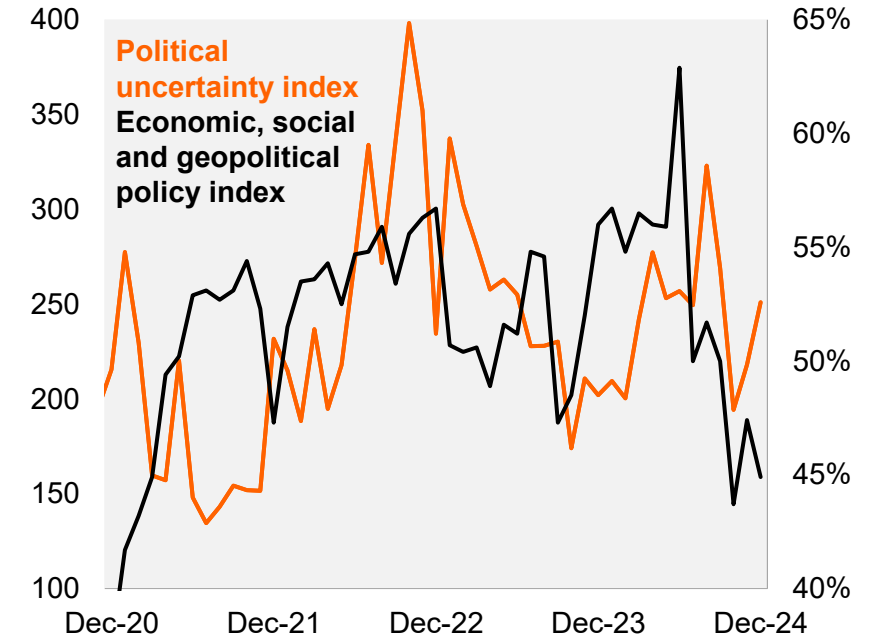
# 5. Structural reform discussions to continue in 2025

Support for Petro's agenda will continue on a case-by-case basis

### Presidential approval improved in the year end, but remains low



### Political uncertainty index continues to increase



Source: Fedesarrollo, Invamer, research, Itaú



# COLOMBIA | Forecasts

	2019	2020	2021	2022	2023	2024F		2025F		2026F	
						Current	Previous	Current	Previous	Current	Previous
<b>Economic Activity</b>											
Real GDP growth - %	3.2	-7.2	10.8	7.3	0.6	<b>2.0</b>	2.0	<b>2.2</b>	2.4	<b>2.6</b>	3.0
Nominal GDP - USD bn	323	270	322	345	364	<b>411</b>	416	<b>414</b>	410	<b>450</b>	440
Population (millions)	50.4	50.9	51.4	51.8	52.2	<b>52.7</b>	52.7	<b>53.2</b>	53.2	<b>53.5</b>	53.5
Per Capita GDP - USD	6,411	5,312	6,272	6,659	6,976	<b>7,792</b>	7,893	<b>7,777</b>	7,710	<b>8,396</b>	8,225
Unemployment Rate - year avg	10.9	16.7	13.8	11.2	10.2	<b>10.3</b>	10.3	<b>10.2</b>	10.2	<b>10.2</b>	10.2
<b>Inflation</b>											
CPI - %	3.8	1.6	5.6	13.1	9.3	5.2	-	<b>4.2</b>	3.7	<b>3.3</b>	3.0
<b>Interest Rate</b>											
Monetary Policy Rate - eop - %	4.25	1.75	3.00	12.00	13.00	9.50	-	<b>8.00</b>	6.75	<b>6.50</b>	6.00
<b>Balance of Payments</b>											
COP / USD - eop	3,287	3,428	4,070	4,850	3,855	4,400	-	<b>4,400</b>	4,500	<b>4,200</b>	4,200
Trade Balance - USD bn	-10.8	-10.1	-15.3	-14.5	-9.7	<b>-7.5</b>	-7.5	<b>-7.0</b>	-7.0	<b>-8.0</b>	-8.0
Current Account - % GDP	-4.6	-3.4	-5.6	-6.2	-2.7	<b>-2.0</b>	-2.0	<b>-2.8</b>	-2.8	<b>-3.0</b>	-3.0
Foreign Direct Investment - % GDP	4.3	2.8	3.0	5.0	4.8	<b>3.3</b>	3.3	<b>3.6</b>	3.7	<b>3.7</b>	3.7
International Reserves - USD bn	52.7	58.5	58.0	56.7	59.1	61.9	-	<b>61.0</b>	61.0	<b>64.0</b>	64.0
<b>Public Finances</b>											
Primary Central Govt Balance - % GDP	0.4	-5.0	-3.6	-1.0	-0.3	<b>-0.9</b>	-0.9	<b>-0.9</b>	-0.9	<b>-0.2</b>	-0.2
Nominal Central Govt Balance - % GDP	-2.5	-7.8	-7.1	-5.3	-4.3	<b>-5.6</b>	-5.6	<b>-5.5</b>	-5.5	<b>-4.5</b>	-4.5
Central Govt Gross Public Debt - % GDP	50.3	65.0	63.0	60.8	56.7	<b>61.9</b>	61.3	<b>63.6</b>	64.5	<b>63.0</b>	63.1

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

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