

Macroeconomic Research  
**COLOMBIA: Top themes for 2026**

# Colombia: Top themes for 2026

## 1. Seven years of above target inflation

- We increased our CPI forecast to 6.7% for 2026 (from 4.7%, prior to the minimum wage announcement)

## 2. BanRep rate hikes to begin this month

- Frontloading is necessary to arrest the deterioration of inflation expectations

## 3. Fiscal accounts are still under pressure

- We revised our 2026 nominal deficit forecast up to 7.4% of GDP

## 4. Colombia's presidential elections: A tight race

- Polls show right wing candidates are slightly ahead in voting intention

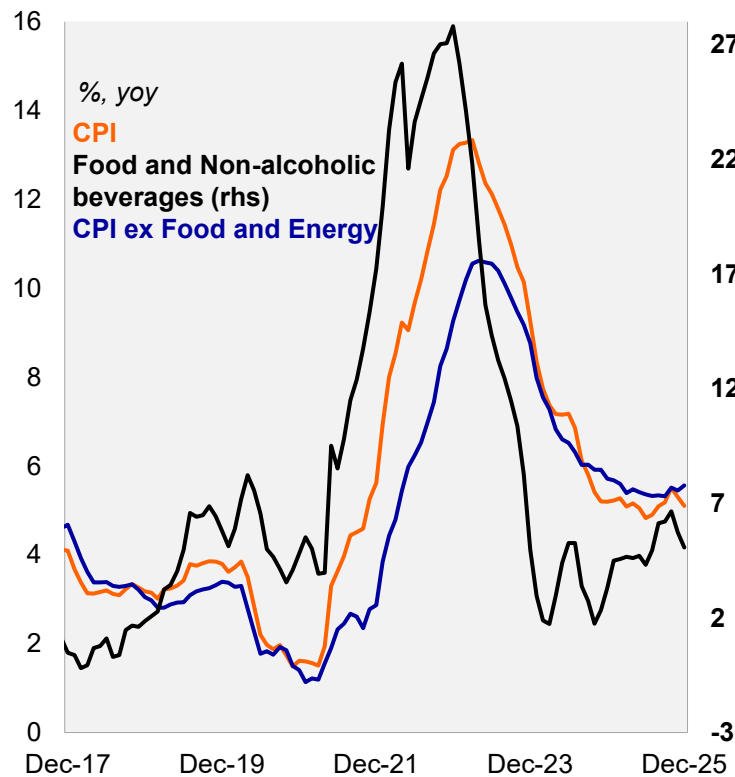
## 5. Key reform discussions amid elections

- A challenging reform outlook

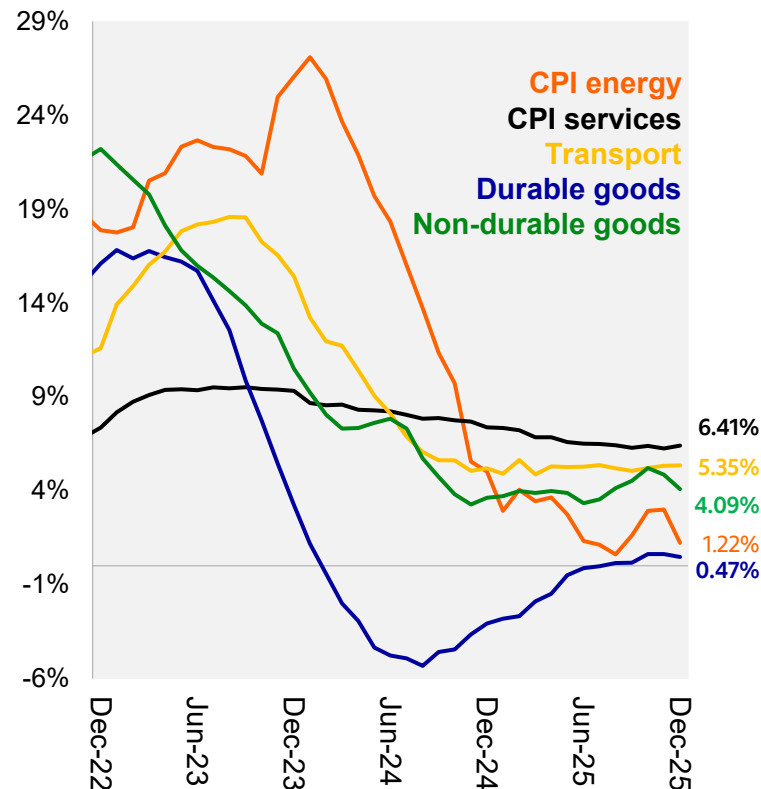
# 1. Seven years of above target inflation

Headline inflation ended 2025 at 5.1% as core accelerated at the margin

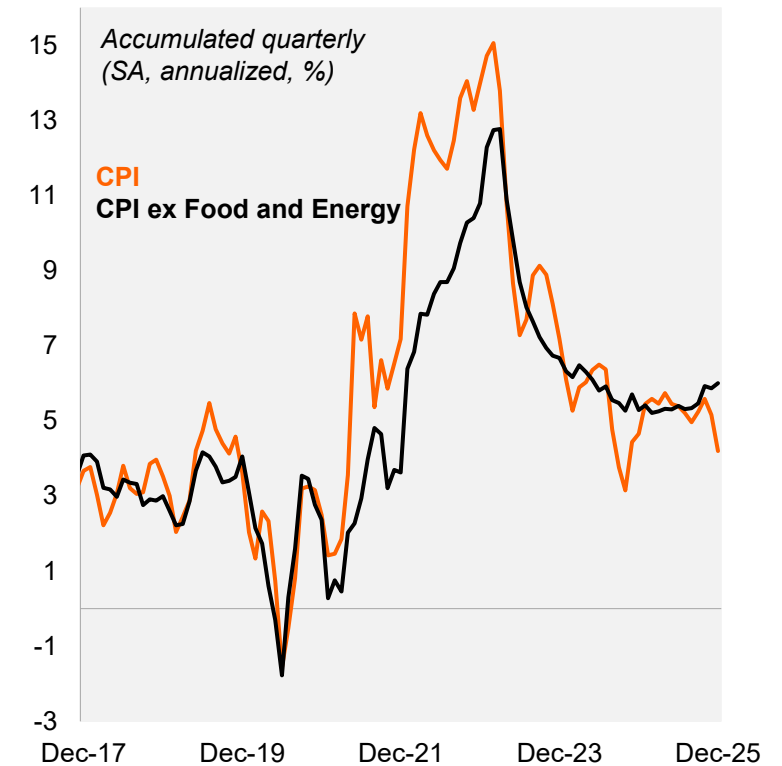
## The disinflation process stalled in 2025



## Despite a stronger COP, goods inflation returned to positive territory



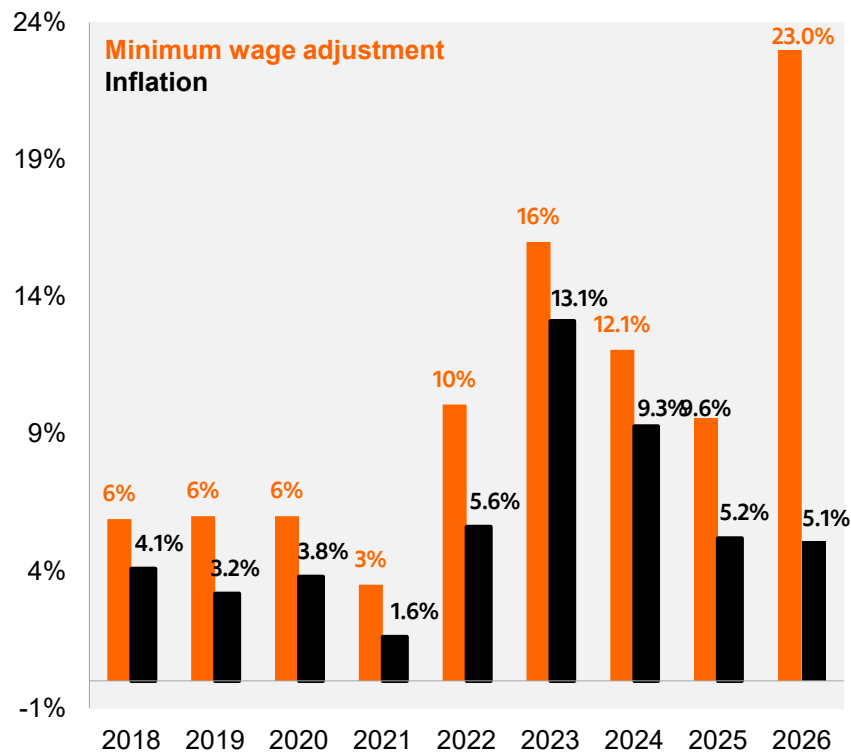
## Core inflation accelerated at the margin to 6.0%



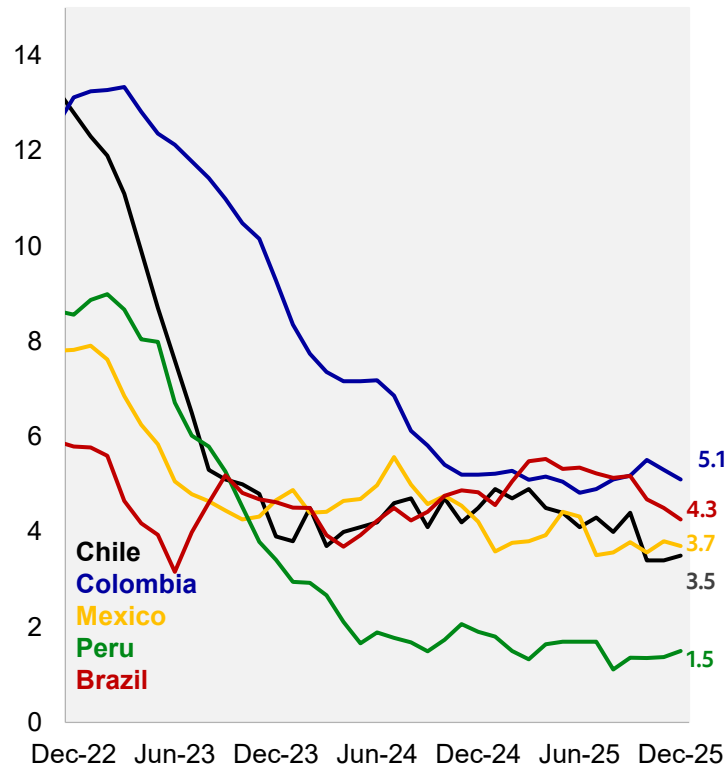
# 1. Seven years of above target inflation

We increased our CPI forecast to 6.7% for 2026 (4.7% previously), inflation will only fall to target in 2028

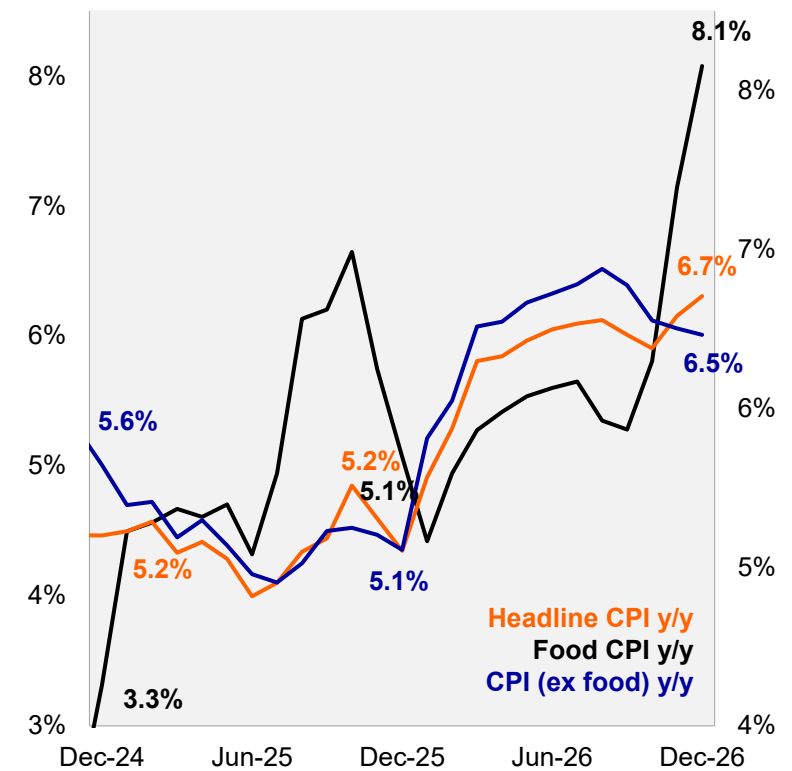
## An unprecedented minimum wage hike



## Colombia's inflation stands out among LATAM peers

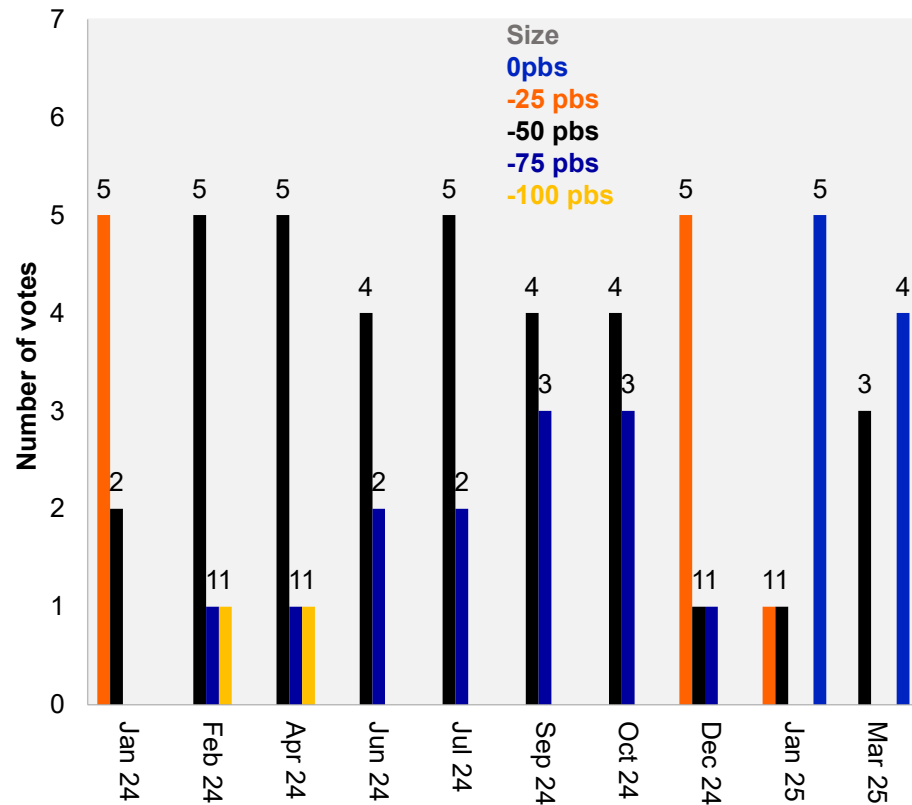


## We expect inflation to return to BanRep's target in December 2028

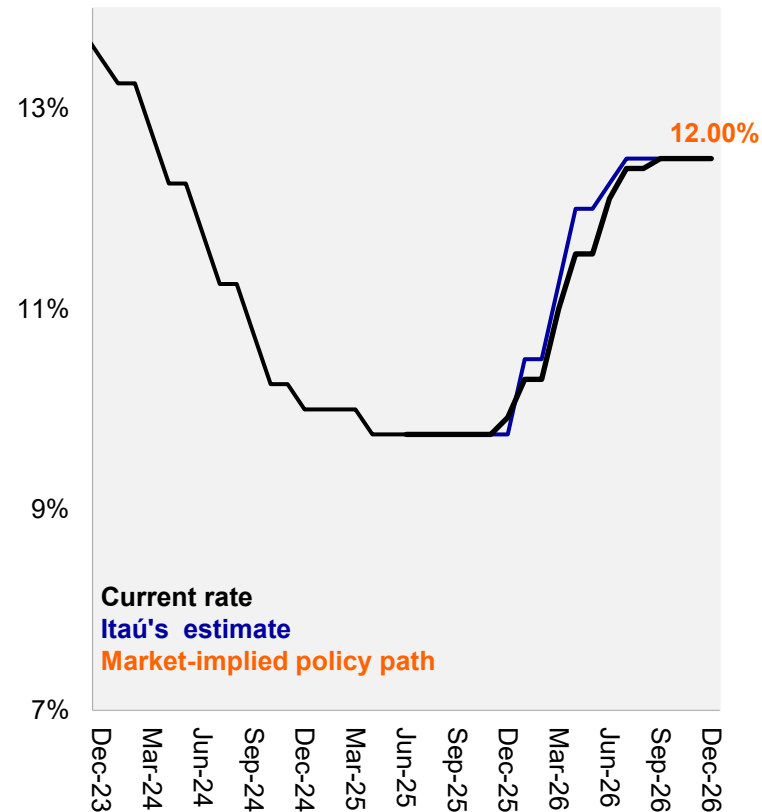


## 2. BanRep rate hikes to begin this month

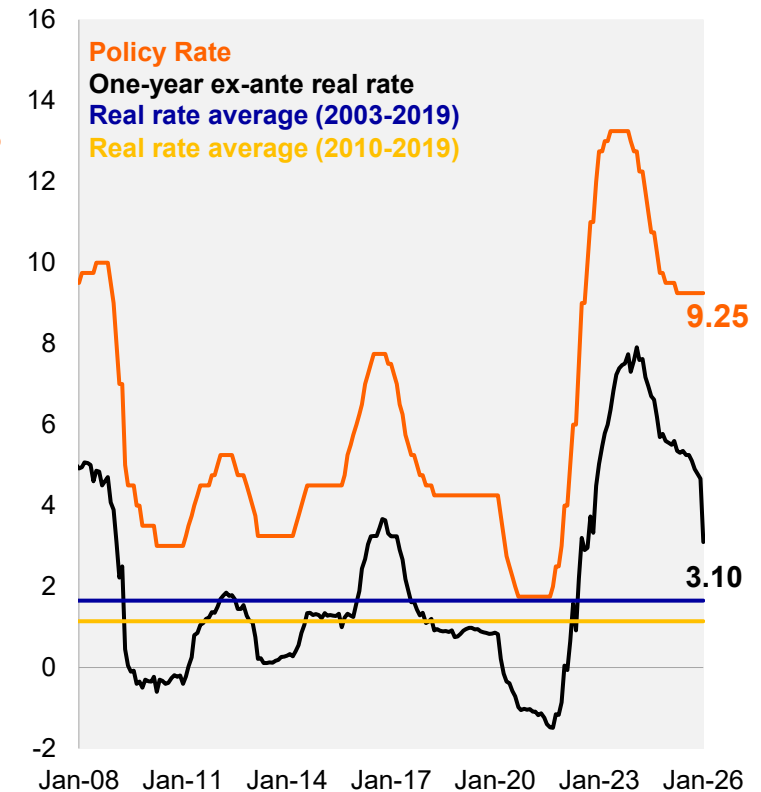
### Board to remain strongly divided



### Our terminal rate now reaches 12%



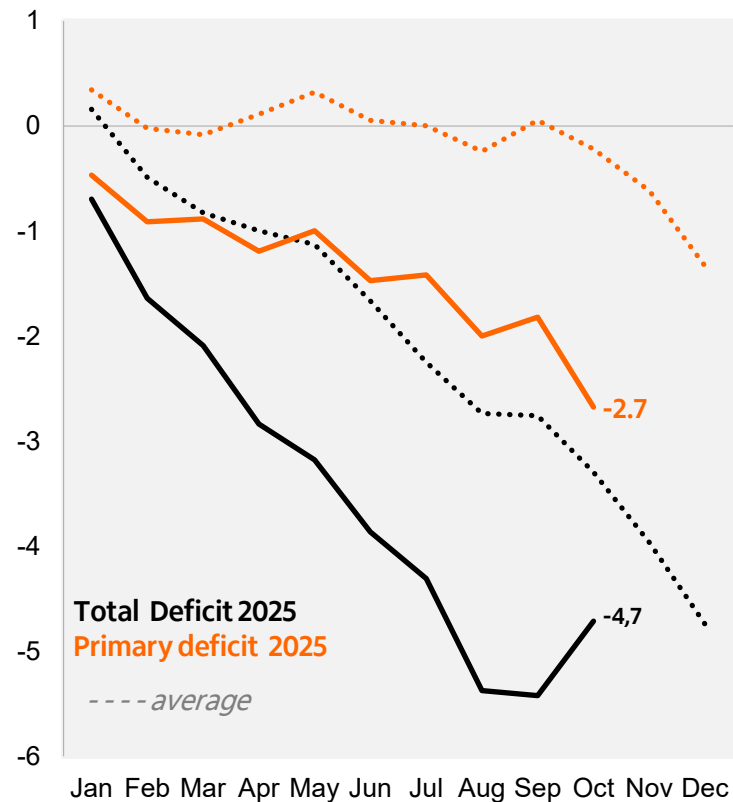
### Higher inflation expectations led to passive easing



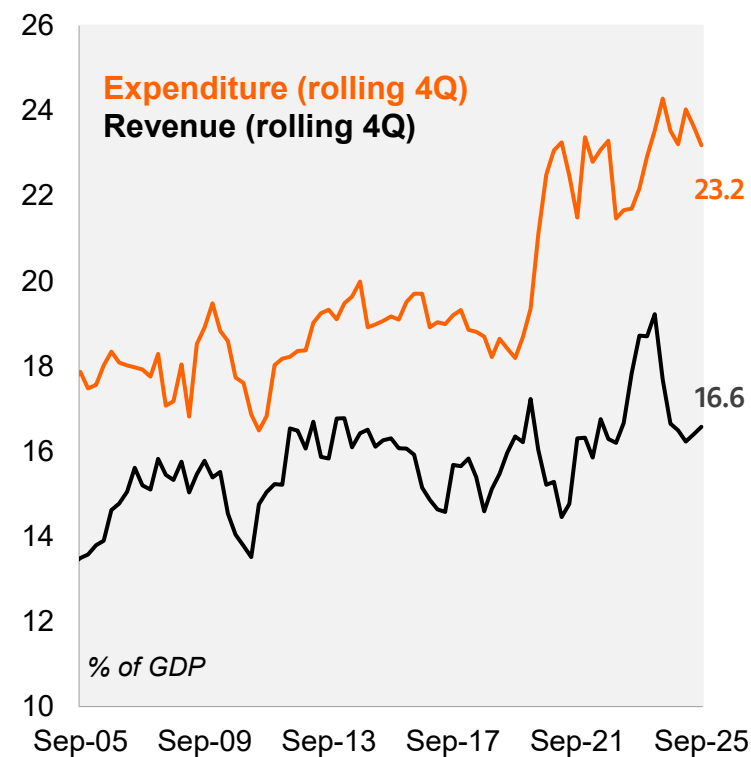
### 3. Fiscal accounts are still under pressure

We expect a nominal fiscal deficit of 7.4% of GDP in 2026, and 5.6% in 2027

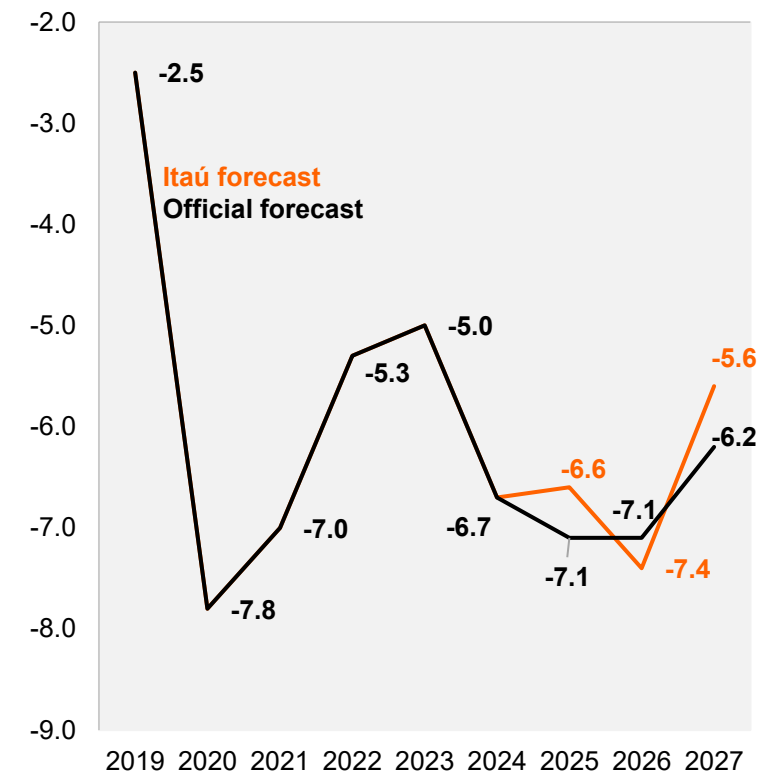
Deficits remained large in 2025



Revenue recovery was below the official forecast, while expenditure reached record high



Nominal deficit to remain elevated



### 3. Fiscal accounts are still under pressure

An economic emergency decree allows for transitory revenue enhancing measures totaling 0.6% of GDP

#### Economic emergency assumptions

##### Economic Emergency

Effective for 30 days

Extendable up to 90 days

Allows authority to enact decrees having the force of law

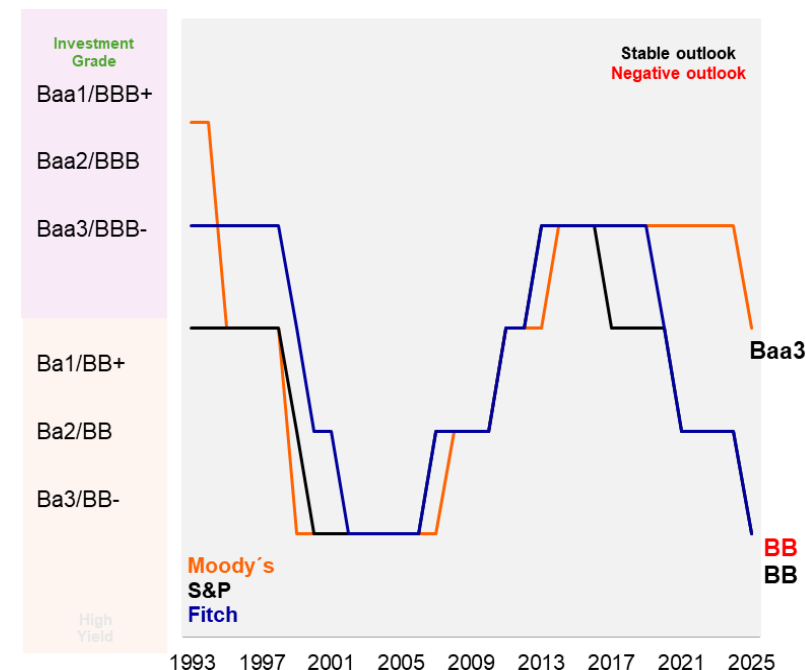
Congressional political oversight: within 10 days after the state of emergency ends

The judicial recess ends on January 10; until then, the Constitutional Court will not review the emergency decree

#### Emergency declaration taxes aim to raise 0.6% of GDP

Tax	Sector	Applied policy	%GDP
Wealth tax	Individuals	Lower threshold of USD530 M (USD950 M)	0,18%
Income tax	Financial sector	Additional income tax levy of 15pp on income rent	0,14%
VAT	VAT on gambling platforms	New VAT application of 19%	0,06%
	VAT on luxury goods	Differential VAT rate of 19%–22%	0,10%
	VAT on alcoholic beverages, cigarettes	VAT increase from 5% up to 19%	0,08%
	VAT on international platforms	Reinforced VAT and customs duties	0,07%
Extractive activities	Mining, hydrocarbons	An additional levy (above existing income tax and royalties)	0,08%
Total			0,63%

#### Fiscal policy weighs on the sovereign's risk rating

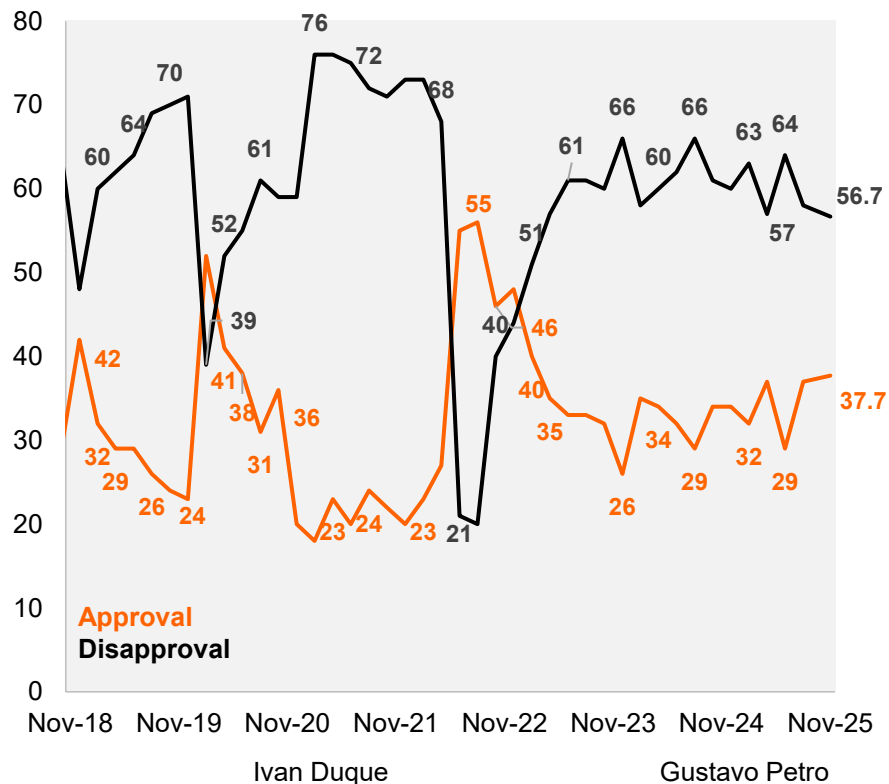


Source: DAPRE, MoF, El Espectador.

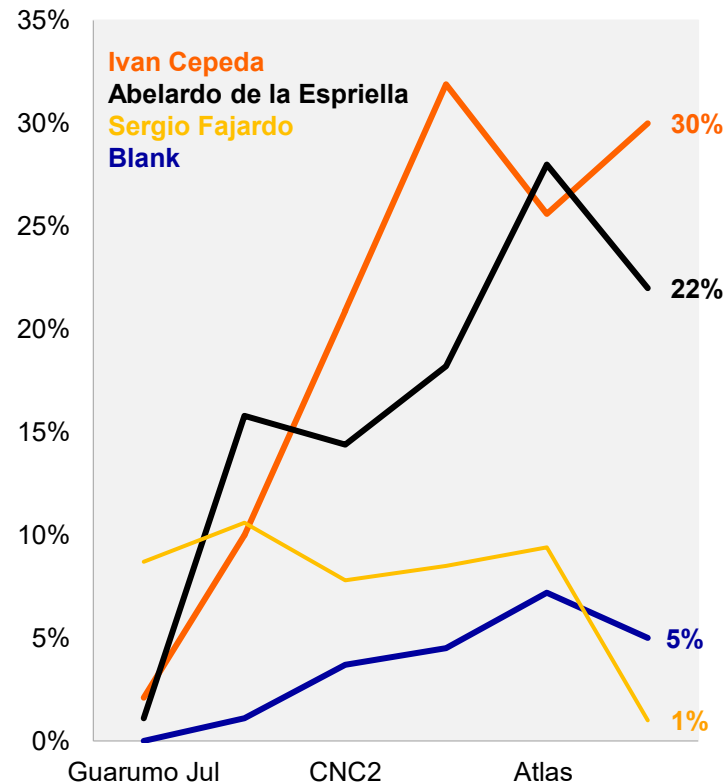
## 4. Colombia's presidential elections: A tight race

Congressional elections and the first round of Colombia's presidential election will take place on March 8<sup>th</sup> and May 31<sup>st</sup>, respectively.

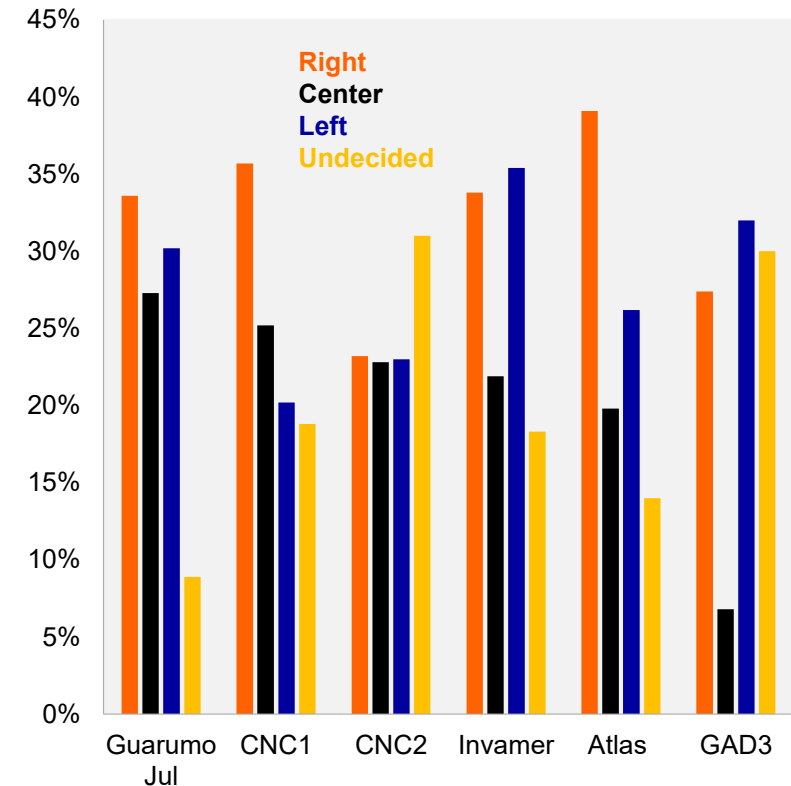
President Petro's approval increased in 2025



Presidential voting intentions across surveys



Share of undecided voters remains high





## 5. Key discussions amid elections

Reform	Key Points	Estimated Fiscal Impact or Cost	Latest Status
<b>Minimum Wage</b>	Nominal increase of 23% (18% real)	Fiscal pressures mainly due to pensions	The congressional review and the potential review by the <b>Council of State</b> were announced.
<b>Economic emergency</b>	19% VAT over Liquors and online gambling platforms; Wealth and financial sector taxes (50%)	Expected revenue of <b>COP 11.1 trillion</b> (0.6% of GDP).	<b>Constitutional Court</b> review pending
<b>Pension reform</b>	<ul style="list-style-type: none"><li>- Pillar-based system;</li><li>- Change in the role of Colpensiones;</li><li>- Gradually eases pension access for women</li></ul>	MoF stated that the net cost of the pension reform for 2070 would be <b>71.8% of the GDP</b>	Approved by Congress, under review by the <b>Constitutional Court</b>
<b>Pension savings repatriation</b>	Limits offshore investments, with the objective of raising domestic investment, over time	<b>Greater investments in domestic assets</b>	Draft decree was presented in Jan-26

# Colombia Scenario

	2022	2023	2024	2025F		2026F		2027F	
				Current	Previous	Current	Previous	Current	Previous
<b>Economic Activity</b>									
Real GDP growth - %	7.3	0.7	1.6	<b>2.8</b>	2.8	<b>2.3</b>	2.7	<b>2.3</b>	3.0
Nominal GDP - USD bn	345	364	420	<b>491</b>	440	<b>531</b>	498	<b>567</b>	512
Population (millions)	51.8	52.2	52.7	<b>53.2</b>	53.2	<b>53.5</b>	53.5	<b>53.7</b>	53.7
Per Capita GDP - USD	6,657	6,972	7,968	<b>9,224</b>	8,266	<b>9,914</b>	9,303	<b>10,557</b>	9,522
Unemployment Rate - year avg	11.2	10.2	10.2	<b>9.0</b>	9.0	<b>10.2</b>	9.2	<b>10.2</b>	9.2
<b>Inflation</b>									
CPI - %	13.1	9.3	5.2	<b>5.1</b>	-	<b>6.7</b>	4.7	<b>5.7</b>	3.7
<b>Interest Rate</b>									
Monetary Policy Rate - eop - %	12.00	13.00	9.50	<b>9.25</b>	-	<b>12.00</b>	9.25	<b>10.75</b>	8.25
<b>Balance of Payments</b>									
COP / USD - eop	4,810	3,822	4,409	<b>3,757</b>	-	<b>3,700</b>	3,900	<b>3,700</b>	3,900
Trade Balance - USD bn	-14.5	-9.7	-10.8	<b>-15.2</b>	-15.2	<b>-12.3</b>	-12.3	<b>-10.9</b>	-10.9
Current Account - % GDP	-6.1	-2.4	-1.8	<b>-2.5</b>	-2.5	<b>-3.2</b>	-3.2	<b>-3.6</b>	-3.6
Foreign Direct Investment - % GDP	5.0	4.6	3.4	<b>3.5</b>	3.5	<b>3.7</b>	3.7	<b>4.0</b>	4.0
International Reserves - USD bn	56.7	59.1	61.9	<b>66.0</b>	66.0	<b>66.5</b>	66.5	<b>68.0</b>	68.0
<b>Public Finances</b>									
Primary Central Govt Balance - % GDP	-1.0	-0.3	-2.4	<b>-3.0</b>	-3.0	<b>-3.1</b>	-2.5	<b>-2.6</b>	-2.0
Nominal Central Govt Balance - % GDP	-5.3	-4.2	-6.7	<b>-6.6</b>	-6.6	<b>-7.4</b>	-6.8	<b>-5.6</b>	-5.0
Central Govt Gross Public Debt - % GDP	60.8	56.3	61.6	<b>61.3</b>	61.3	<b>67.1</b>	66.5	<b>67.6</b>	67.0

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

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