

Macroeconomic Research

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

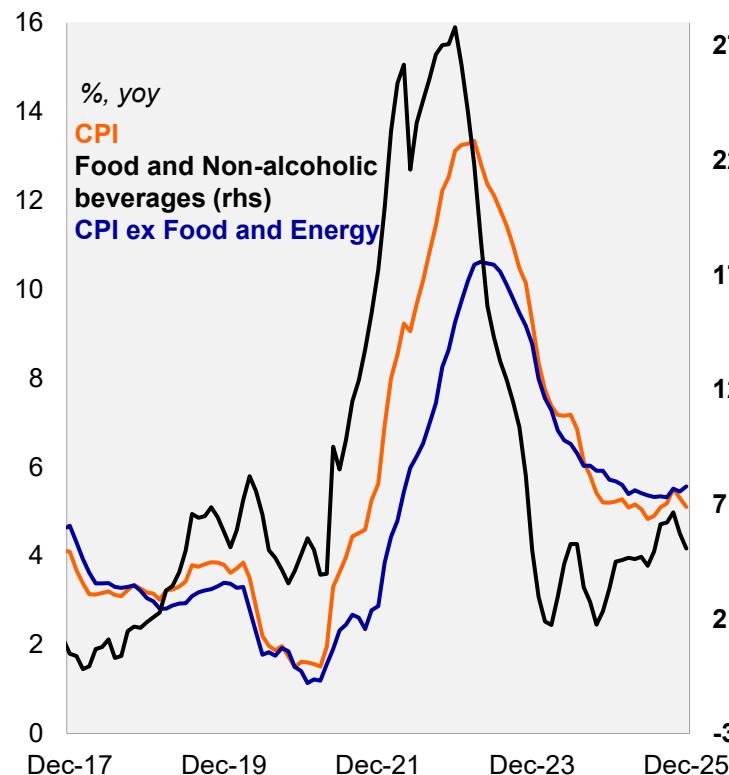
5. Key reform discussions amid elections

- A challenging reform outlook

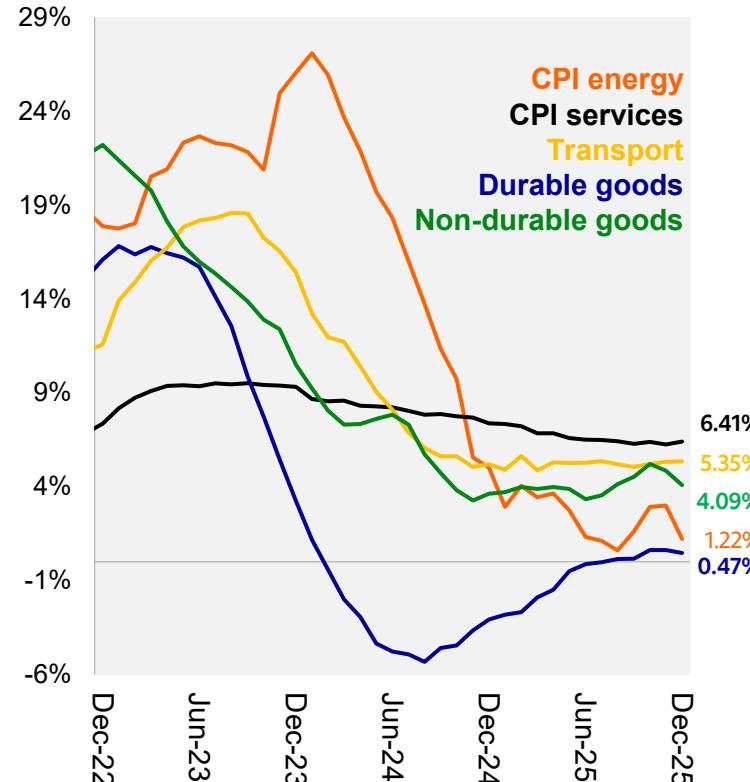
1. Seven years of above target inflation

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

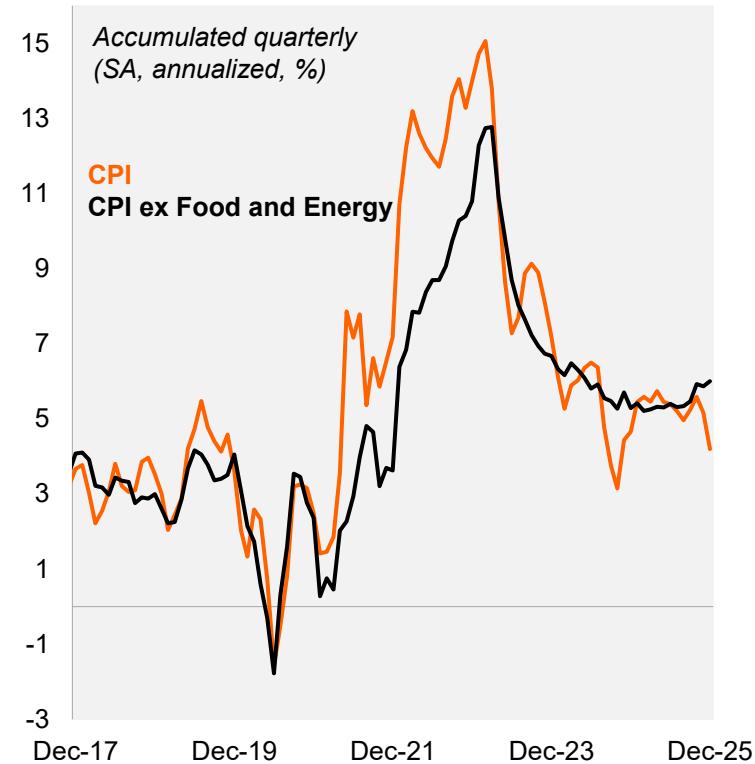
The disinflation process stalled in 2025



Despite a stronger COP, goods inflation returned to positive territory



Core inflation accelerated at the margin to 6.0%

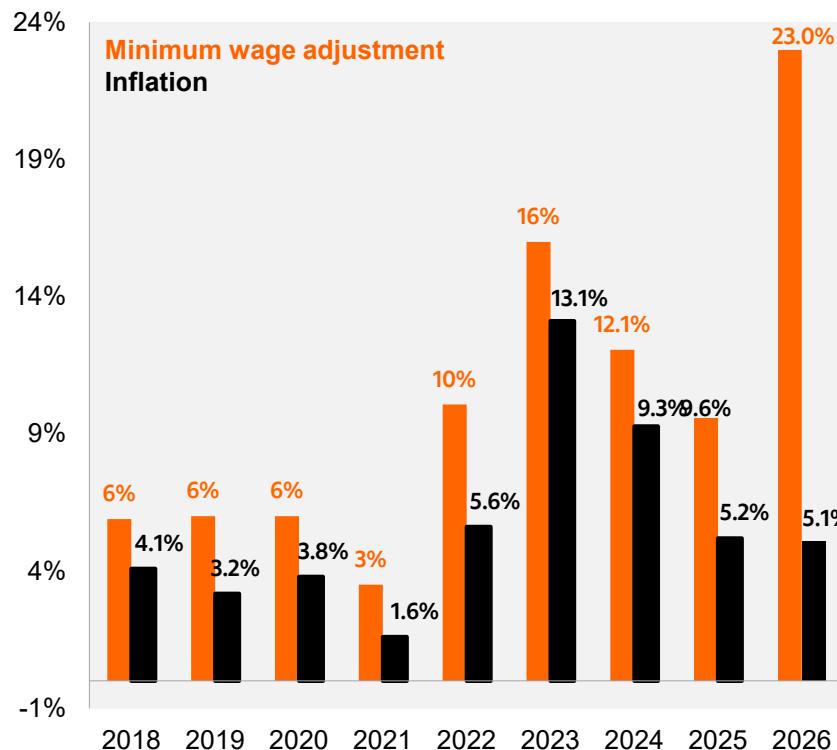


Source: DANE, Itaú.

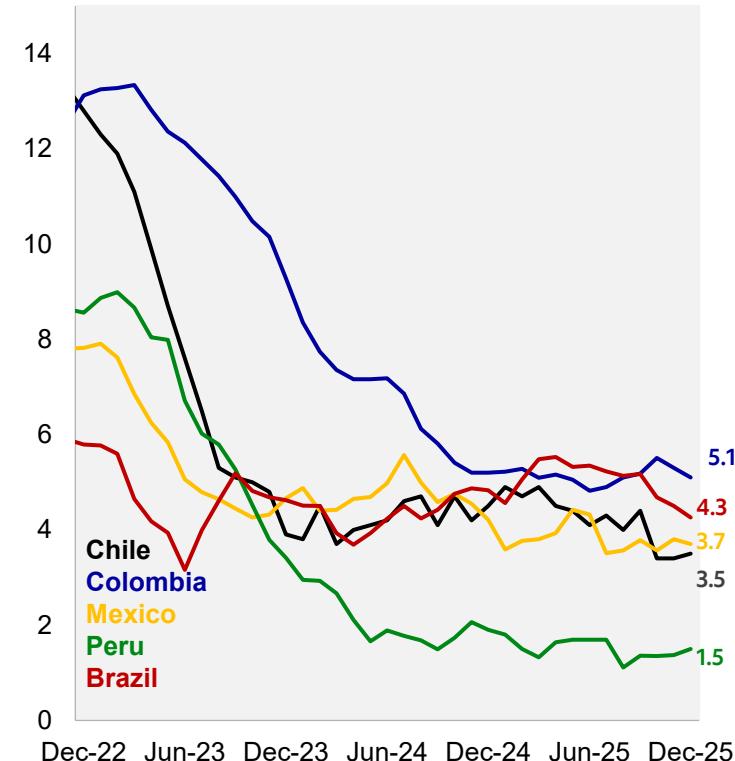
1. Seven years of above target inflation

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

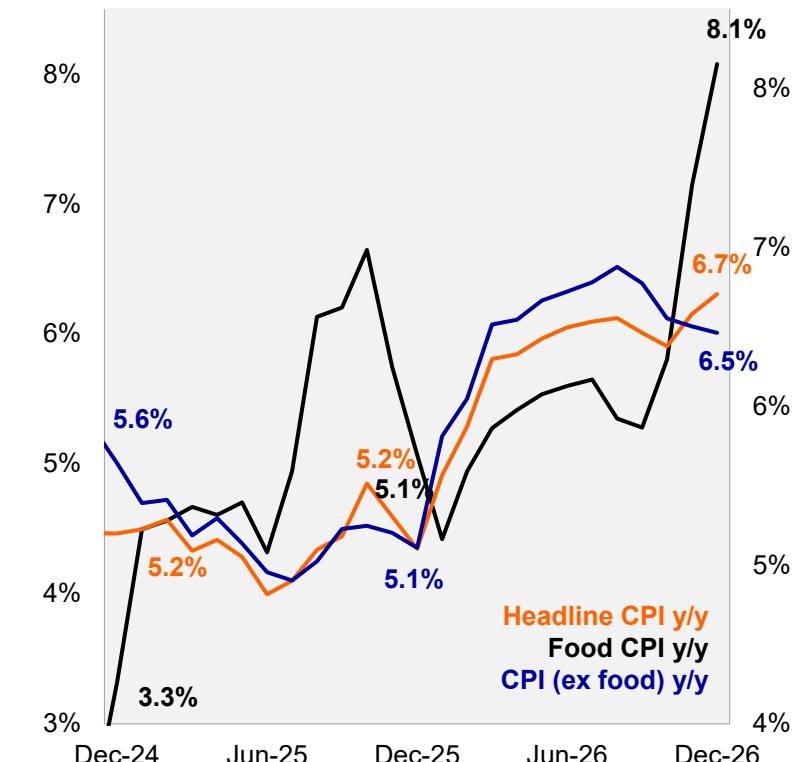
An unprecedented minimum wage hike



Colombia's inflation stands out among LATAM peers



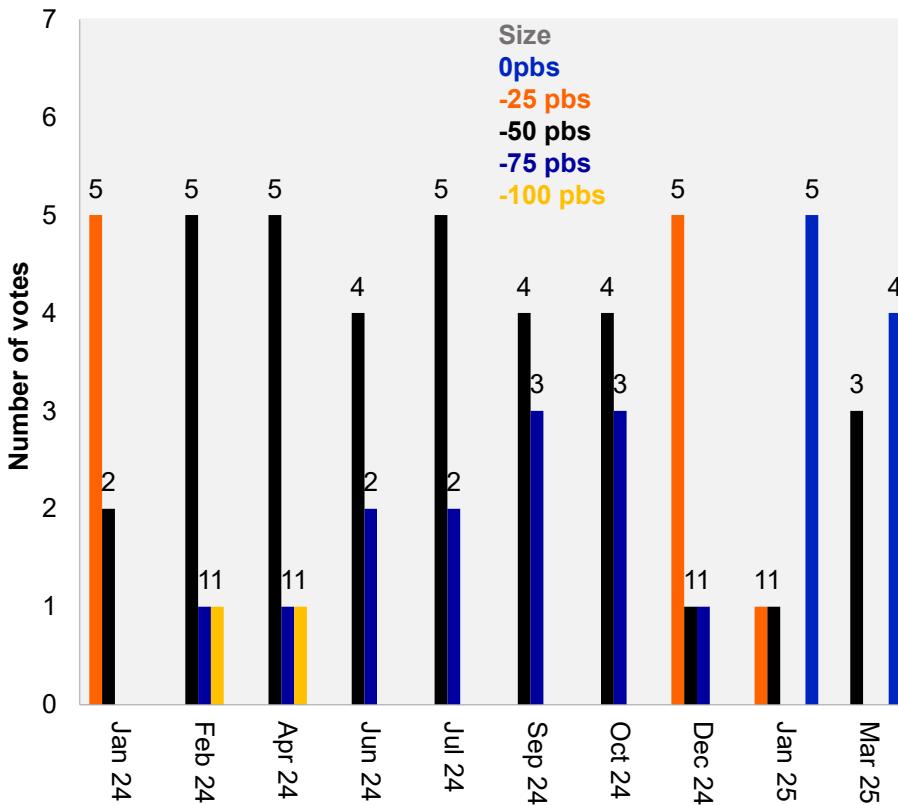
We expect inflation to return to BanRep's target in December 2028



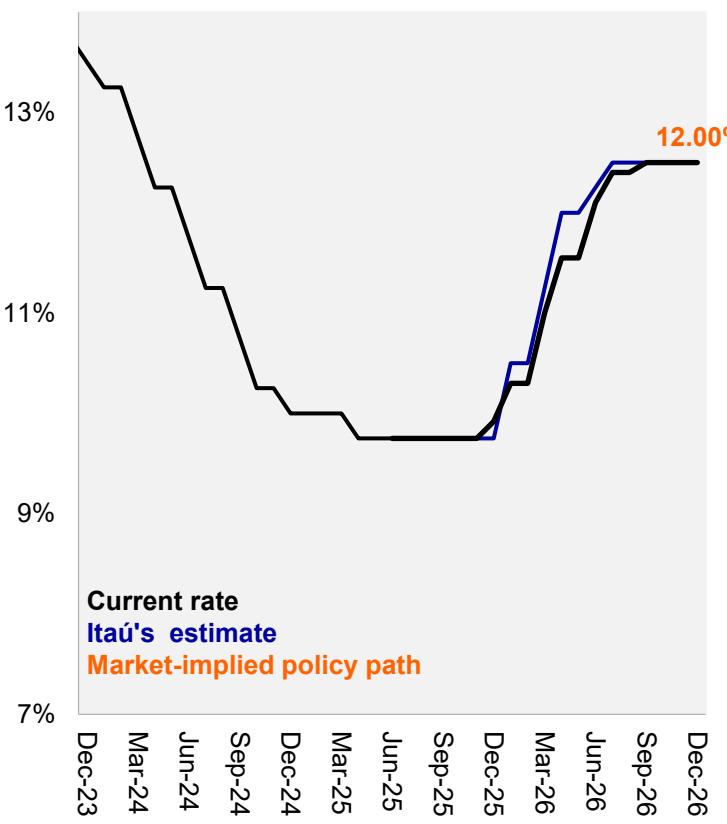
Source: DANE, MoF, Bloomberg, Itaú.

2. BanRep rate hikes to begin this month

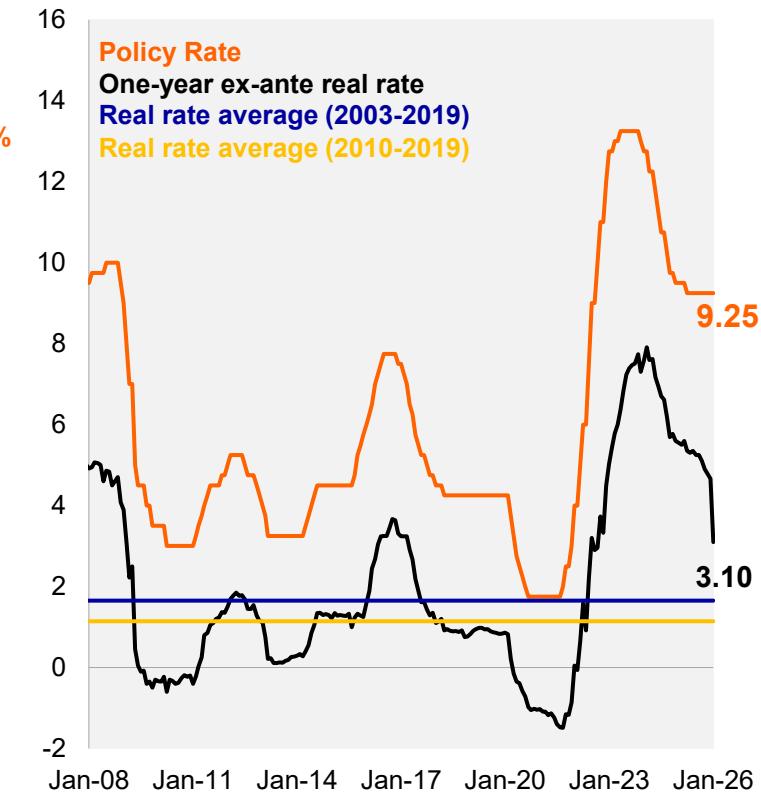
Board to remain strongly divided



Our terminal rate now reaches 12%



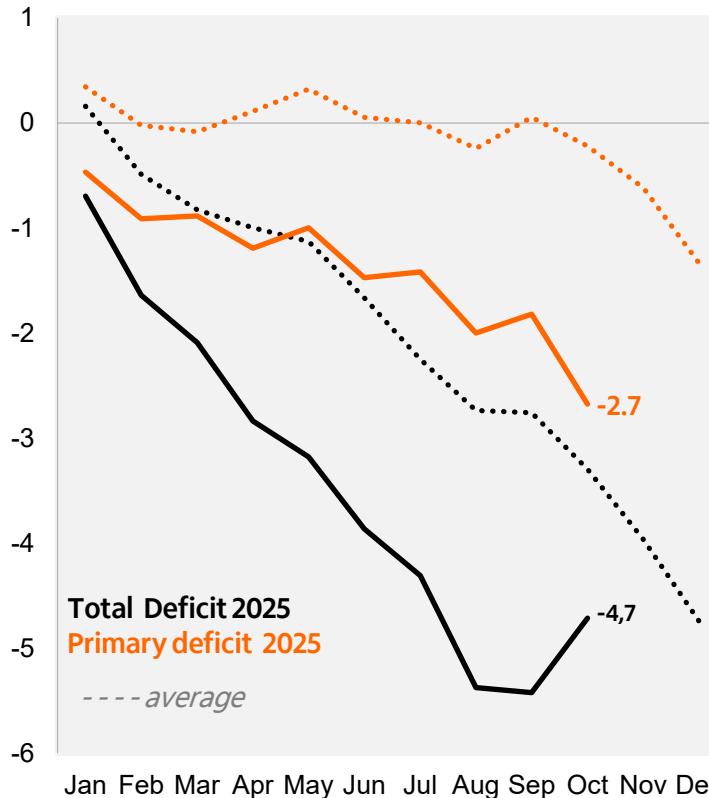
Higher inflation expectations led to passive easing



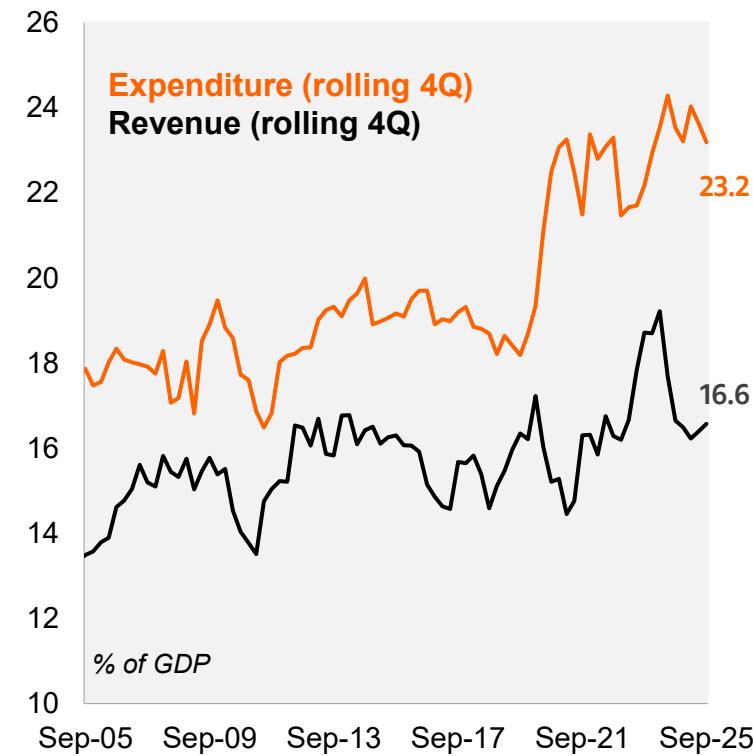
3. Fiscal accounts are still under pressure

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

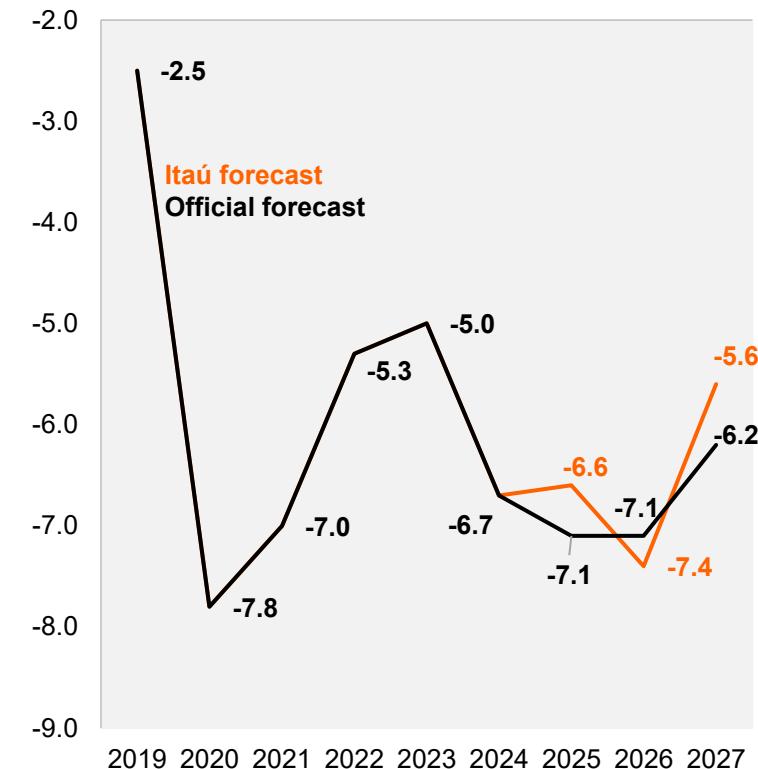
Deficits remained large in 2025



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

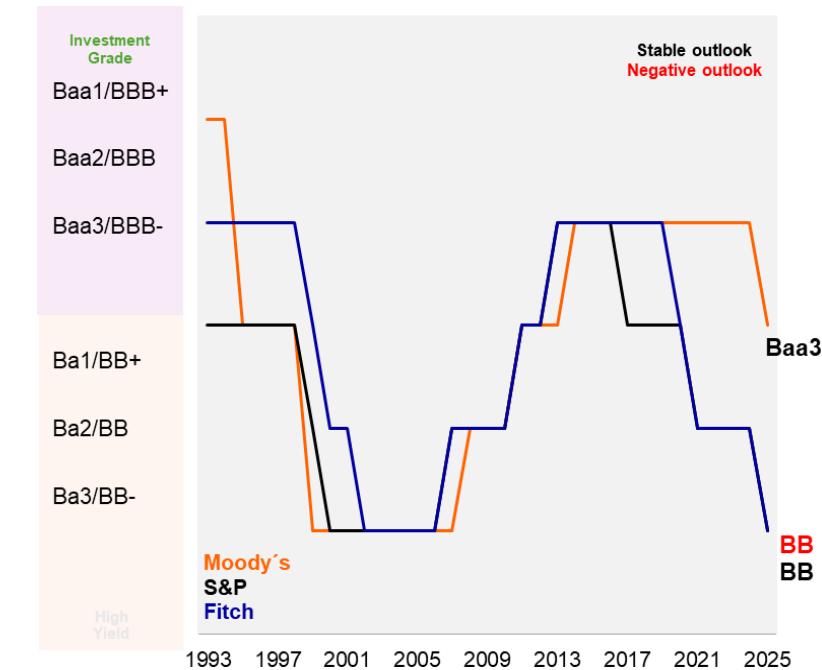
Congressional political oversight: within 10 days after the state of emergency ends

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	An additional levy (above existing income tax and royalties)	0,08%
Total			0,63%

Fiscal policy weighs on the sovereign's risk rating

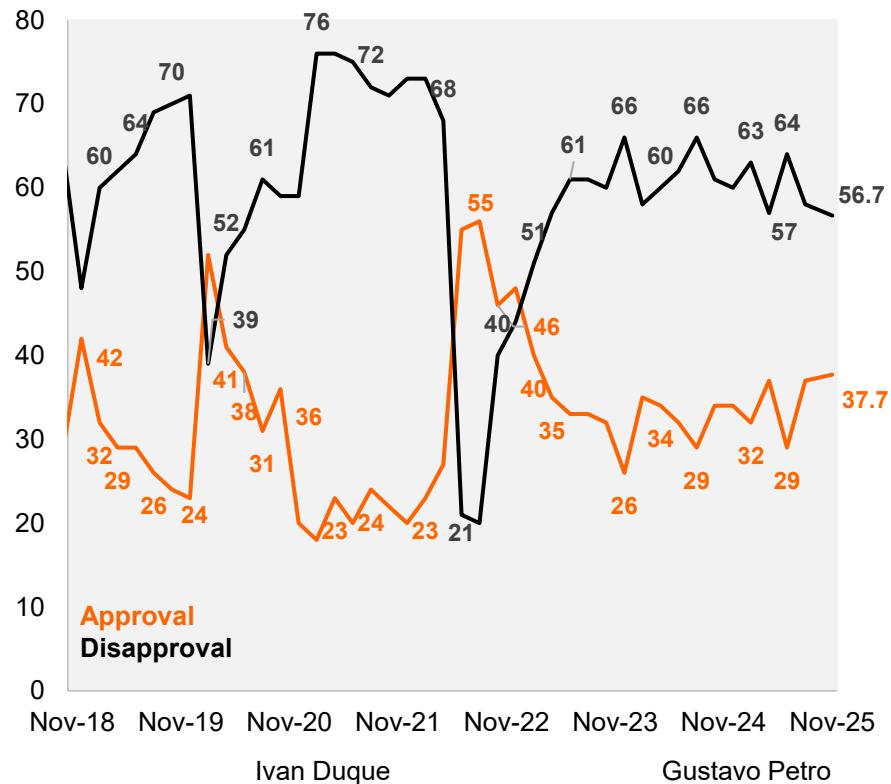


Source: DAPRE, MoF, El Espectador.

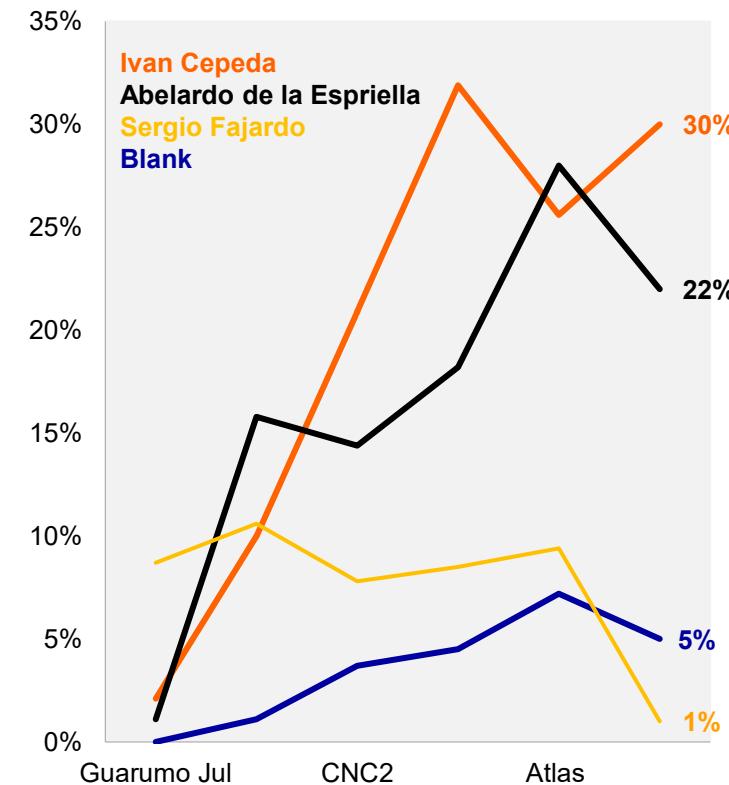
4. Colombia's presidential elections: A tight race

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

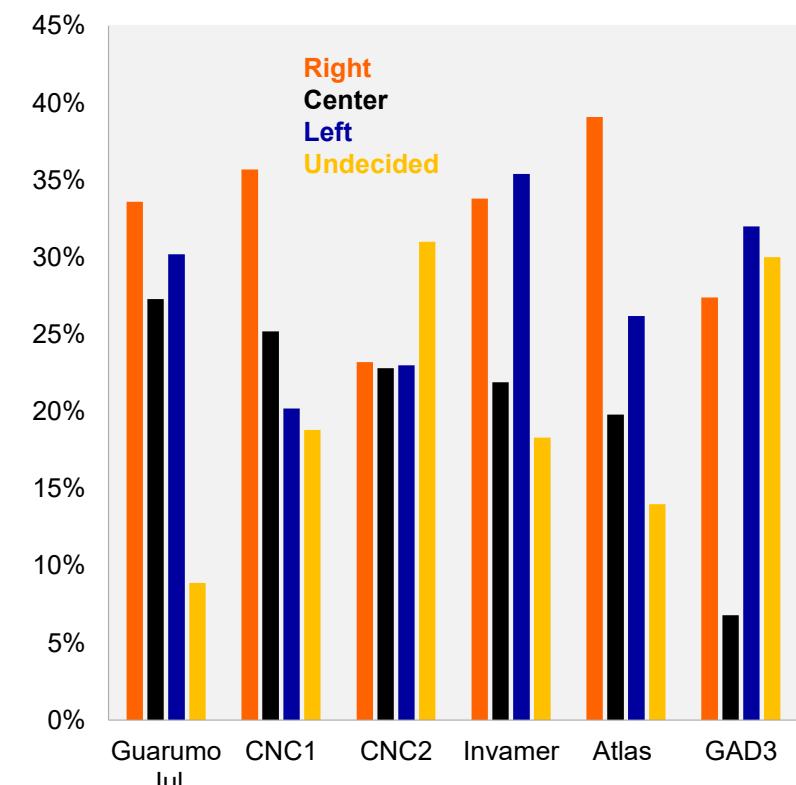
President Petro's approval increased in 2025



Presidential voting intentions across surveys



Share of undecided voters remains high



Source: CNC, Invamer, Itaú

5. Key discussions amid elections

Reform	Key Points	Estimated Fiscal Impact or Cost	Latest Status
Minimum Wage	Nominal increase of 23% (18% real)	Fiscal pressures mainly due to pensions	The congressional review and the potential review by the Council of State were announced.
Economic emergency	19% VAT over Liquors and online gambling platforms; Wealth and financial sector taxes (50%)	Expected revenue of COP 11.1 trillion (0.6% of GDP).	Constitutional Court review pending
Pension reform	- Pillar-based system; - Change in the role of Colpensiones; - Gradually eases pension access for women	MoF stated that the net cost of the pension reform for 2070 would be 71.8% of the GDP	Approved by Congress, under review by the Constitutional Court
Pension savings repatriation	Limits offshore investments, with the objective of raising domestic investment, over time	Greater investments in domestic assets	Draft decree was presented in Jan-26

Colombia Scenario

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

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

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