BBVA Research

JUNE 2025

Moving forward but with dark clouds ahead: that’s the prognosis for the Colombian economy

Colombia Economic Outlook

Content

1. Global growth remains resilient amid trade tensions

The world

Main messages

Economic uncertainty

US tariffs have risen sharply. Although levies on China are now around 30%, lower than the expected 60% and well below the post-“Liberation Day” peak of 145%, they remain high and the uncertainty about where they will eventually settle is a persistent source of risk. In this context, and given prospects of large fiscal deficits, the US premium risk has risen. Growth remains resilient and inflation has eased, despite early signs of tariff-related deterioration.

Growth outlook

Protectionism and uncertainty will weigh on economic activity. Growth will likely slow more than previously anticipated in the US, but not necessarily in China and the Eurozone. In the former, lower-than-expected US tariffs back an upward revision of growth forecasts. In the latter, the impact of expected US tariffs will likely be mitigated by fiscal spending, mainly in defense.

Inflation and rates outlook

Tariffs are likely to push US inflation higher, prompting the Fed to keep rates unchanged for longer. Monetary easing could resume by the end of 2025 if price pressures prove transitory. The rate-cutting cycle could be over, or at least near to the end, in the Eurozone, and remains underway in China.

Risks

Lingering policy uncertainty and rising US risk premium are important sources of concern. Tariff risks have augmented, but now appear more balanced.

Global economy under pressure by US policies

High US tariffs; although lower on China, they are larger than assumed on others, and a greater source of uncertainty

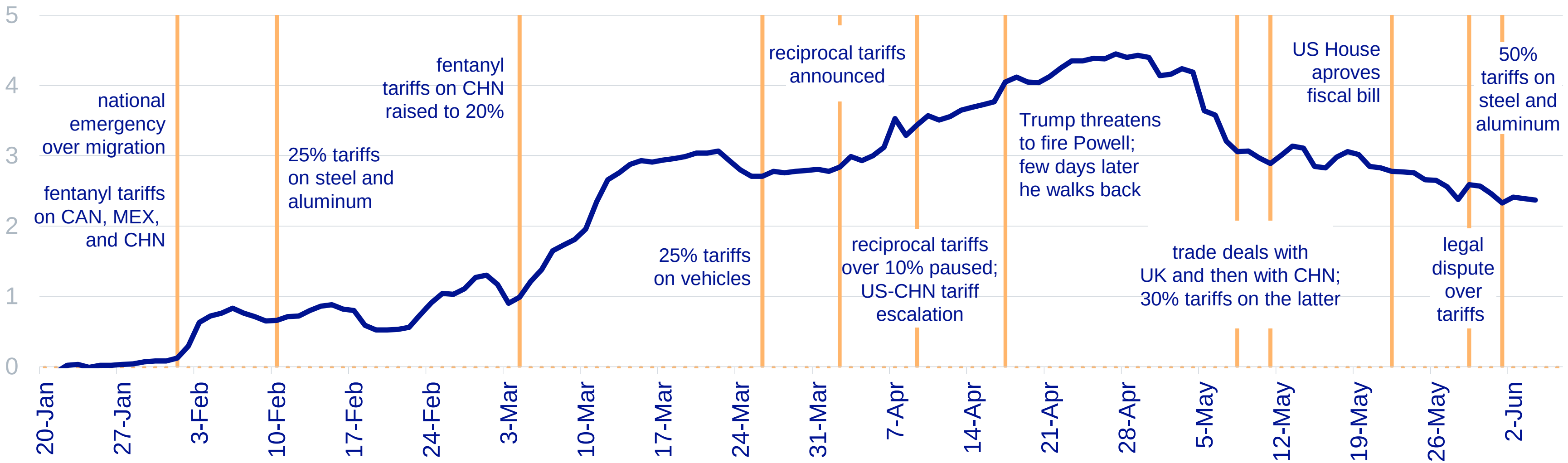
Resilient growth; confidence deteriorated, but impact of tariffs on activity and inflation is limited, so far

Larger US risk amid increasing concerns on fiscal accounts and uncertainty on US policies

Weaker USD, higher long term yields, and a cautious Fed; policy rates fell further in China and Europe

Uncertainty remains in place

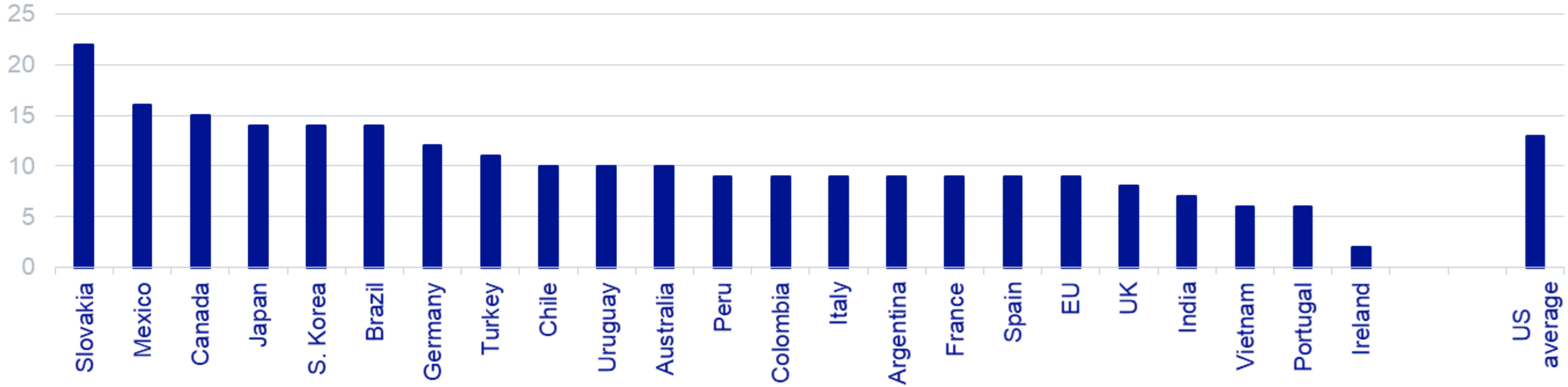
BBVA RESEARCH ECONOMIC POLICY UNCERTAINTY INDEX (*)
(28-DAY MOVING AVERAGE, AVERAGE SINCE 2017 EQUALS TO ZERO)



(*) Last available data: June 4, 2025
Source: BBVA Research.

US tariffs have risen sharply and erratically

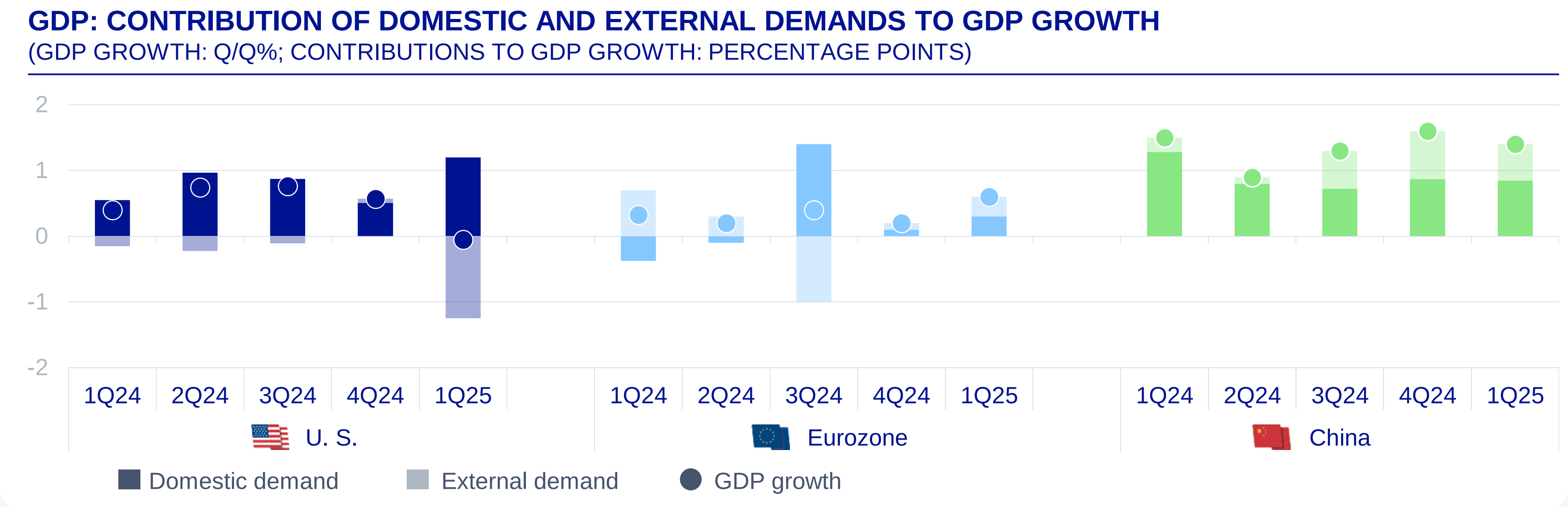
US TARIFFS: ESTIMATED INCREASE SINCE THE BEGINNING OF 2025 UNTIL JUNE 9, 2025 (*)
(PP)



(*) Based on i) 25% tariffs on vehicles and vehicles parts and 50% tariffs o aluminum and steel (lower rates for the UK, Mexico and Canada), ii) 0% tariffs on pharmaceutical goods, oil, copper and selected electronic goods, iii) fentanyl tariffs on China, Mexico and Canada, and iv) 10% reciprocal tariffs.
Source: BBVA Research.

After some de-escalation, US tariffs rose again in late May/25, with steel and aluminum levies at 50%; trade talks continue and legal disputes over the tariffs remain

GDP stagnated in the US and grew by more than expected in the EZ and China in 1Q25 amid preemptive trade flows

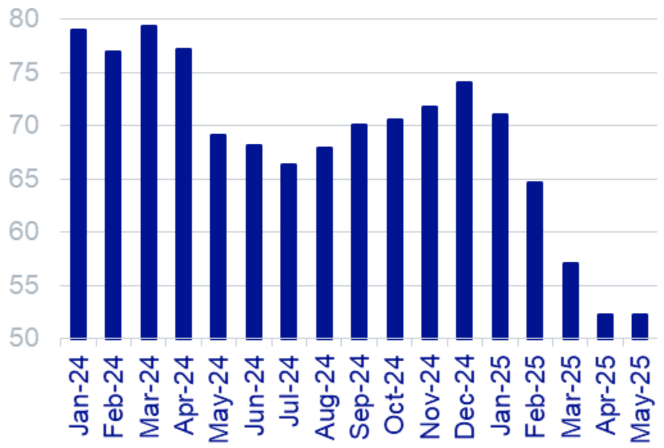


Source: BBVA Research based on data from Haver and China's NBS.

Ahead of tariffs, imports and inventories increased sharply and private consumption weakened somewhat in the US; exports performance helped to sustain growth in China and the Eurozone

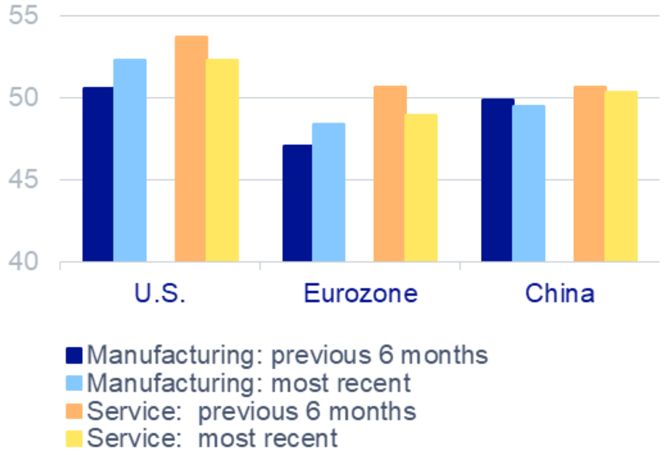
Growth remains relatively resilient, but there are incipient signs of tariff effects on activity

US CONSUMER SENTIMENT
(INDEX)



Source: BBVA Research based on data from Survey of Consumers, University of Michigan

PMI INDICATORS: 2H24 AVERAGE AND MOST RECENT DATA (*) (MORE THAN 50: EXPANSION; LESS THAN 50: CONTRACTION)



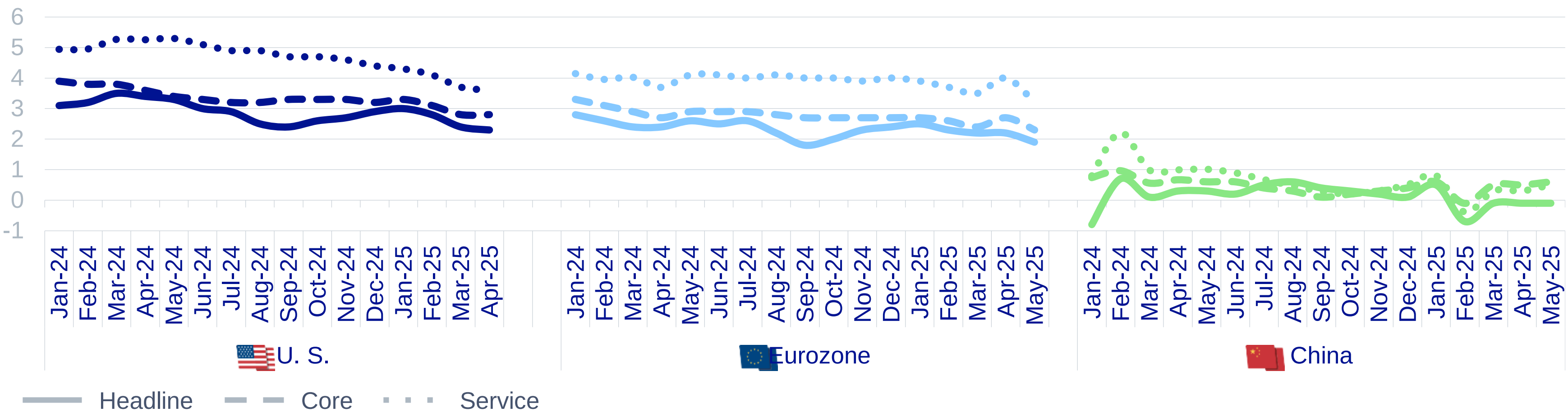
(*) Most recent data: May 2025.
Source: BBVA Research based on data from Haver.

Confidence weakened, services softened, and industry benefited from lower rates and pre-tariff trade flows; labor markets are losing momentum but remain solid

Inflation has eased more than expected lately; limited effects of tariffs so far

CPI INFLATION: HEADLINE, CORE AND SERVICE

(Y/Y %)

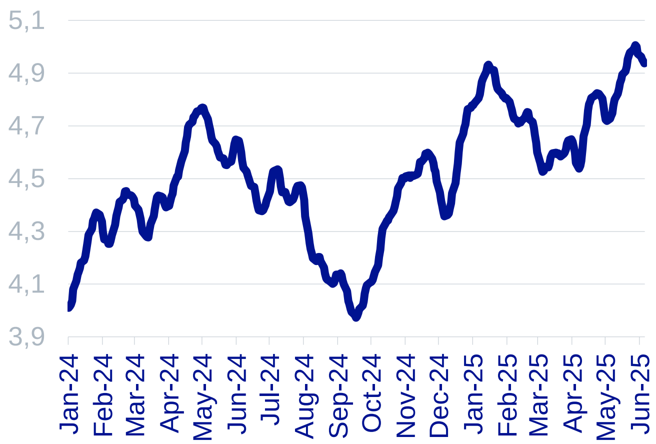


Source: BBVA Research based on data from Haver.

Weaker demand pressures and falling energy prices have eased inflation, which remains above 2% in the US (but no longer in the Eurozone), partly due to services prices

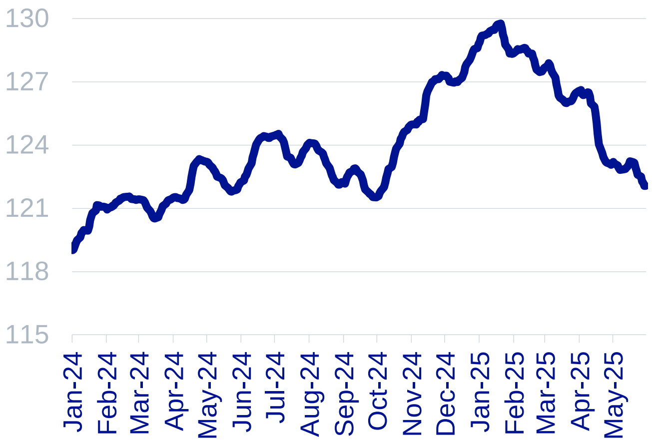
The US risk premium has edged higher, weighing on long-term yields and the dollar

YIELDS ON US 30-YEAR SOVEREIGN BONDS (*) (%, 7-DAY MOVING AVERAGE)



(*) Last available data: June 5, 2025
Source: BBVA Research based on data from the Fed

NOMINAL BROAD US DOLLAR INDEX (*)
(INDEX: JAN/06=100; 7-DAY MOVING AVERAGE)

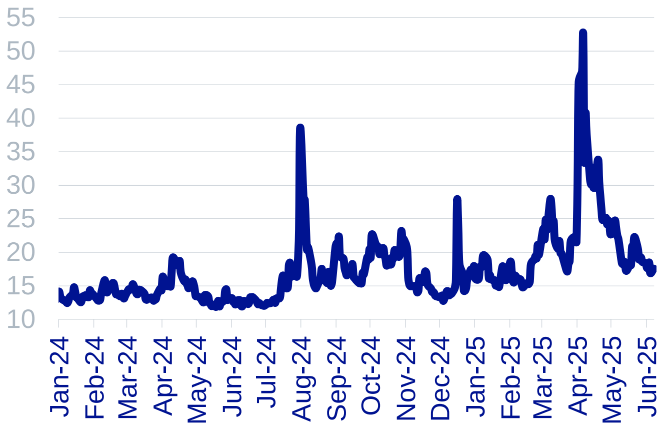


(*) A weighted average of the foreign exchange value of the U.S. dollar against currencies of a broad group of major U.S. trading partners. Last available data: May 30, 2025
Source: BBVA Research based on data from the Fed

Policy uncertainty, prospects of larger fiscal deficits, threats to the Fed independence, talks about a dollar devaluation, a potential tax on foreign investors, among other factors, have pushed US risk up

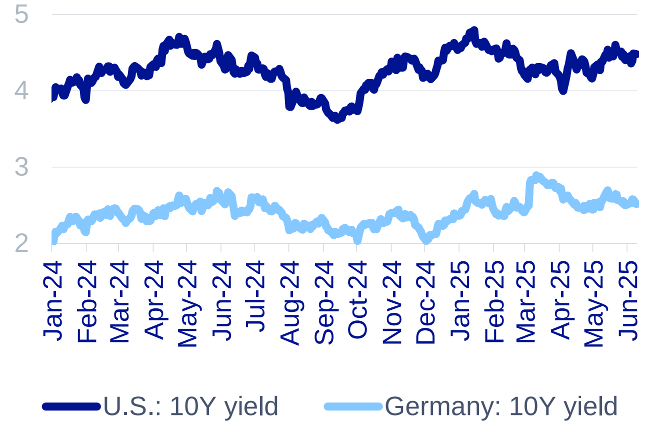
Financial volatility has eased more recently, after having surged in April, but remains elevated

EQUITY VOLATILITY: VIX (*)
(%)



(*) Last available data: June 9, 2025
Source: BBVA Research based on data from Haver

SOVEREIGN YIELDS (*)
(%)

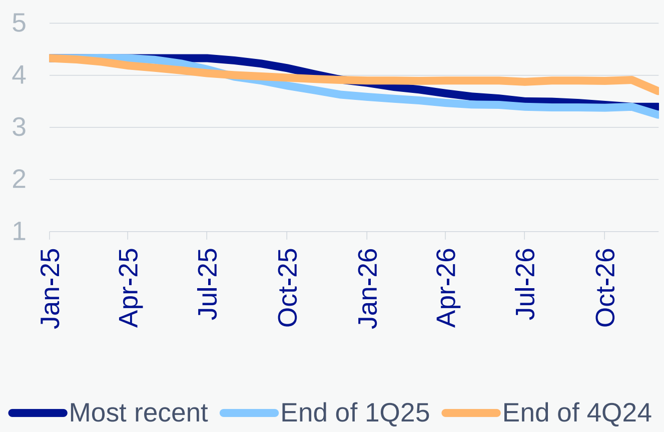


(*) Last available data: June 9, 2025
Source: BBVA Research based on data from Haver

Upward pressure on 10-year sovereign yields due to rising risk premium in the US and fiscal spedning prospects in the EZ, to some extent offset by growth concerns, mainly in the Eurozone

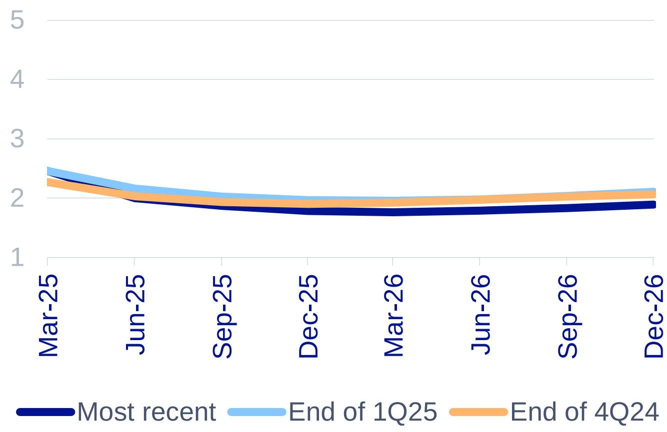
Despite lower inflation, the Fed remains cautious and markets see limited room for extra easing in the short run

US: IMPLICIT RATE IN FED FUND FUTURES (*)
(%)



(*) Last available data: June 9, 2025
Source: BBVA Research based on data from Haver

EZ: IMPLICIT RATE IN EURIBOR FUTURES (*)
(%)



(*) Last available data: June 9, 2025
Source: BBVA Research based on data from Haver

The likely inflationary impact of tariffs has supported the Fed's recent decision to hold rates; in the Eurozone, uncertainty remains over the terminal rate: 2% or lower?

Base scenario: protectionism and uncertainty will hit the global economy; stimulus will support China and Eurozone

Growth will moderate, faster than forecast in the US although tariffs may be lower than expected; policy stimulus will support China and Europe

Inflation is set to rebound in the US, at least in the short-term, thanks to higher tariffs, but will be around 2% in Eurozone and low in China

A cautious Fed will keep rates on hold through year-end; ECB's easing cycle is likely over, but extra cuts are dependent on tariffs

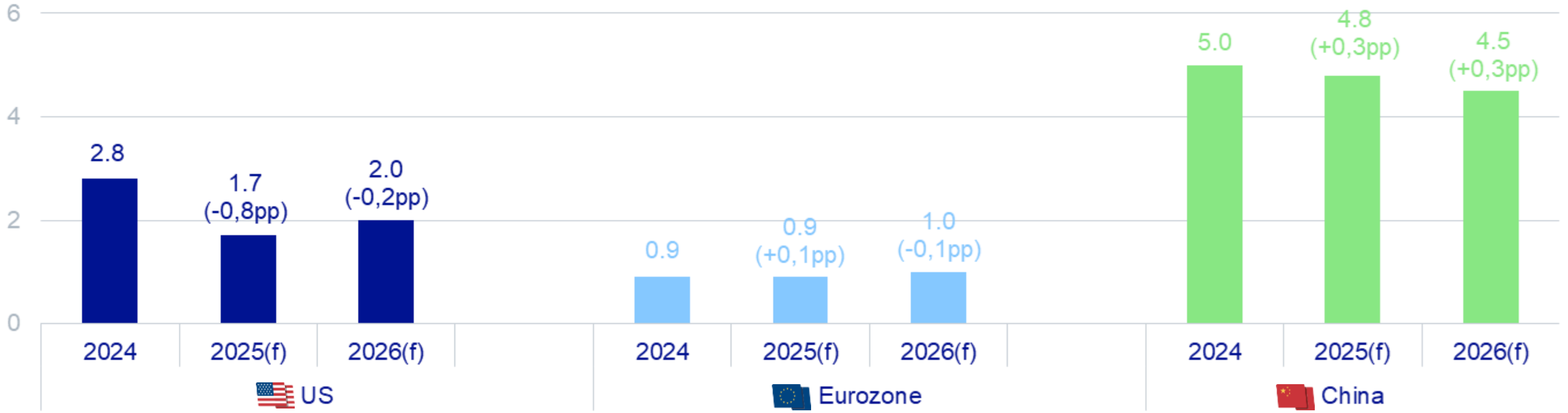
Market volatility will likely persist amid lasting uncertainty and rising US risk, potentially hitting the dollar

Prospects for US policies

	Main US policies
Tariffs	**Higher for longer uncertainty, although lower levies on China would imply smaller US average tariffs than anticipated**. Working assumption: around 30% on China, 10% on Mexico/Canada, average of current (as of end of May) and reciprocal (as of "Liberation day") tariffs for others, implying a 13pp increase in the overall US tariffs (vs. 60% on China and 10% on others, which implied a 17pp increase in US tariffs, assumed in 1Q25).
Fiscal Policy	**Potentially larger fiscal deficits**, driven by significant tax cuts and limited offsetting revenue, will likely weigh on US yields and the dollar.
Monetary and FX Policy	**Higher-than-expected noise** will help keep market volatility and US assets under pressure. Still, the Fed is expected to maintain its independence, and the dollar should remain the dominant global reserve currency.
Other policies	**Migration policies will not have a significant impact on labor markets** in the forecast horizon. No shocks related to foreign and regulatory policies are being assumed.

Growth prospects have deteriorated in the US, but not in China or the Eurozone

GDP GROWTH (*)
(%, CHANGE WITH RESPECT TO PREVIOUS FORECAST IN PARENTHESES)



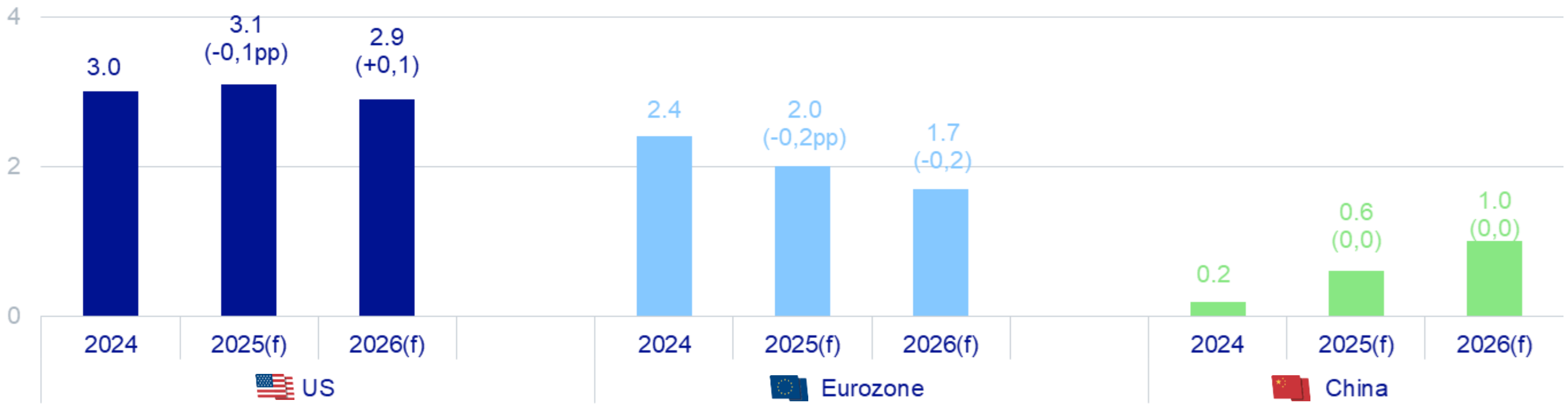
(*) Global GDP grew by 3.4% in 2024 and is forecast to expand by 3.0% in 2025 and 3.1% in 2026, respectively three and two decimal points below the expected in 1Q25.
(f): forecast.
Source: BBVA Research

US: slower growth amid uncertainty and weak data (potential rebound in Q2/25); China: growth driven by lower tariffs and stimulus; EZ: higher fiscal spending and lower rates

Inflation is still likely to rebound in the US following tariff hikes, and to remain contained in the Eurozone and China

HEADLINE CPI INFLATION

(Y/Y %, AVERAGE OF THE PERIOD, CHANGE WITH RESPECT TO PREVIOUS FORECAST IN PARENTHESES)

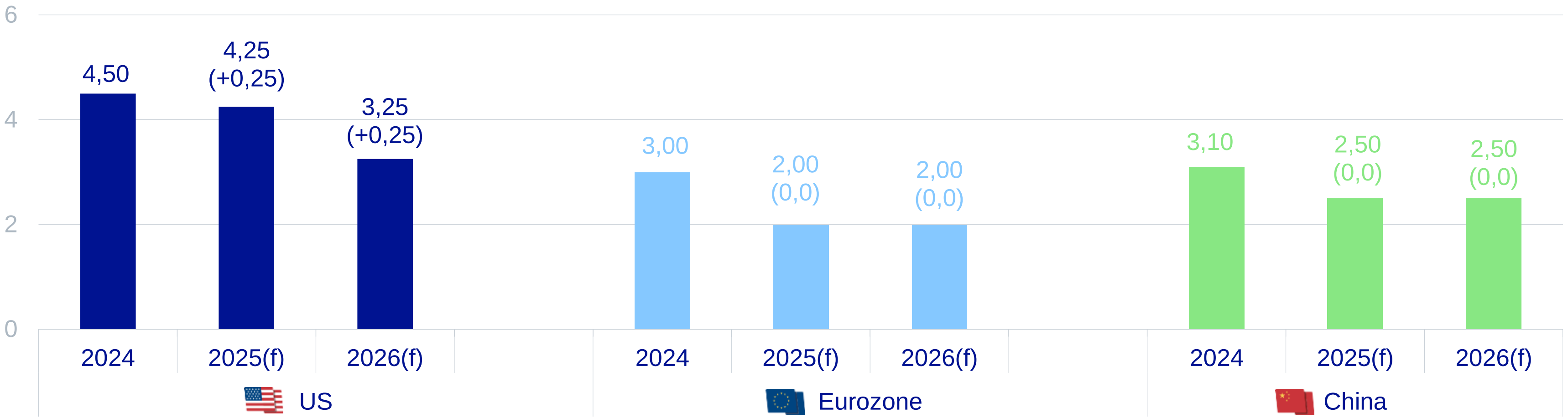


(f): forecast.
Source: BBVA Research

Menor precio de energía y débil demanda apoyan inflación contenida, salvo en EE.UU., pues aranceles subirán los costos de producción; euro más fuerte también limitará presiones de precios en Europa

The Fed will keep rates unchanged for longer given tariff uncertainty; ECB monetary tightening is (likely) over

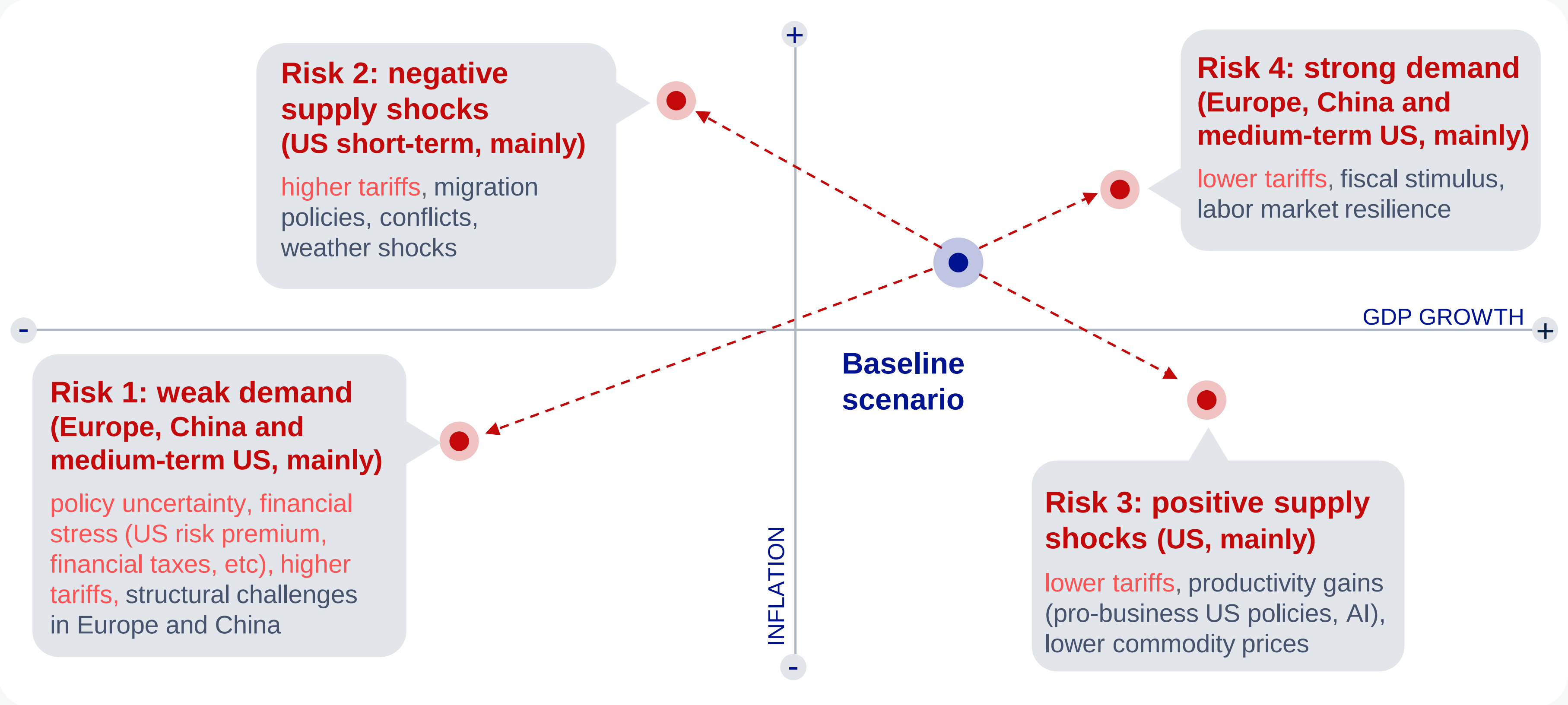
POLICY INTEREST RATES (*)
(%, END OF PERIOD, CHANGE WITH RESPECT TO PREVIOUS FORECAST IN PARENTHESES)



(f): forecast.
(*) In the case of the Eurozone, interest rates of the deposit facility.
Source: BBVA Research.

Fed to cut rates once by year-end, with further easing in 2026 if tariff pressure proves temporary; EZ: rates to hold at 2%, but weak GDP and subdued inflation may prompt additional cuts

Risks: mainly on greater uncertainty and rising US risk premium; tariff risks are also higher, but more balanced



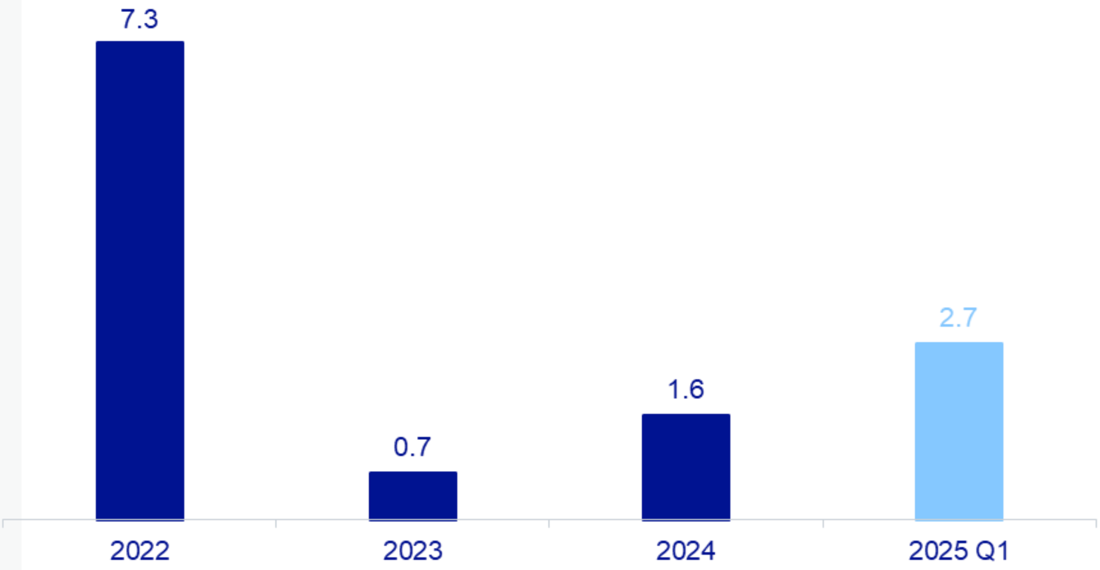
2. The economic recovery is underway, but with stubborn inflation

How are we faring?

Recovery underway

While the obstacles have not disappeared, the path is steadily clearing

GDP
(REAL ANNUAL CHANGE, %)

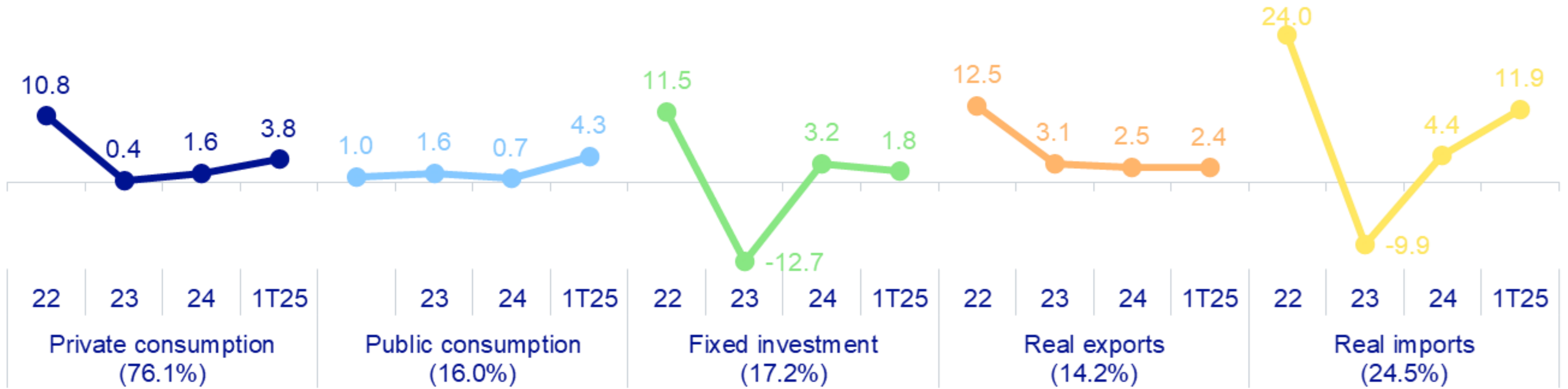


Source: BBVA Research, based on DANE data.

Consumption leads domestic demand; investment lagging behind

GDP: COMPONENTS OF DEMAND

(REAL ANNUAL CHANGE, %, BRACKETS ON THE X-AXIS: SHARE IN AVERAGE GDP, 12 MONTHS TO MARCH 2025)

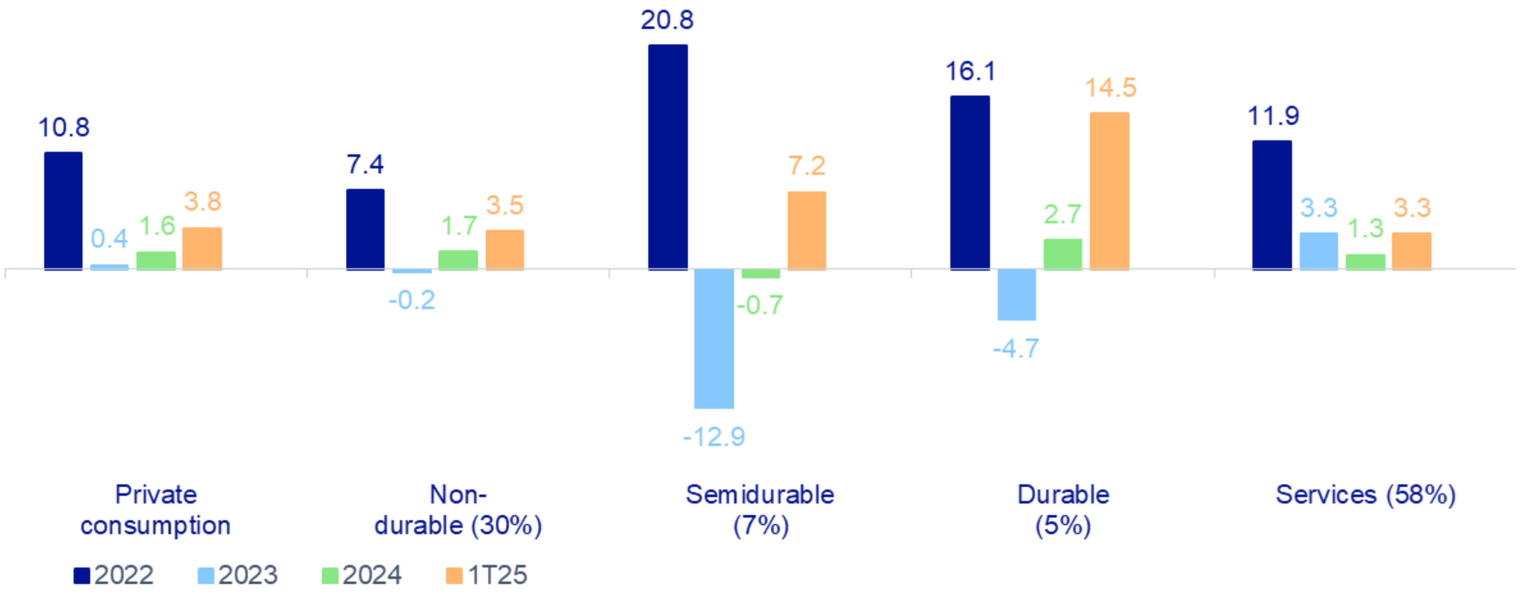


Source: BBVA Research with data from DANE,

Two-speed growth: final consumption continues to contribute more to the GDP tally, reaching 92.2% (76.1% private and 16.0% public), while investment, at 17.2% of GDP, remains sluggish

Private consumption: goods lead the way; services improve

PRIVATE CONSUMPTION: COMPONENTS
(REAL ANNUAL CHANGE, %, BRACKETS ON X-AXIS: SHARE IN AVERAGE GDP, 12 MONTHS TO MARCH 2025)

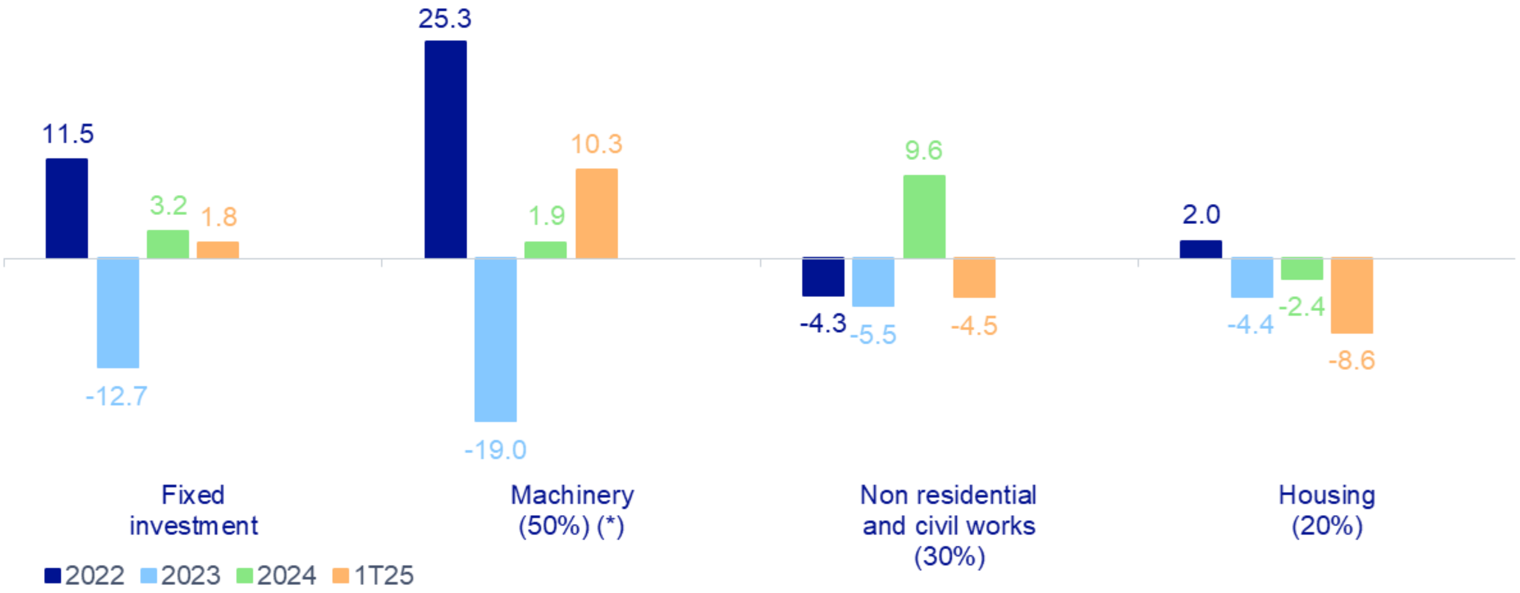


Source: BBVA Research, based on DANE data.

Fixed investment: machinery rallies; construction slows

FIXED INVESTMENT: COMPONENTS

REAL ANNUAL CHANGE (%) BRACKETS ON THE X-AXIS: SHARE IN AVERAGE GDP, 12 MONTHS TO MARCH 2025)

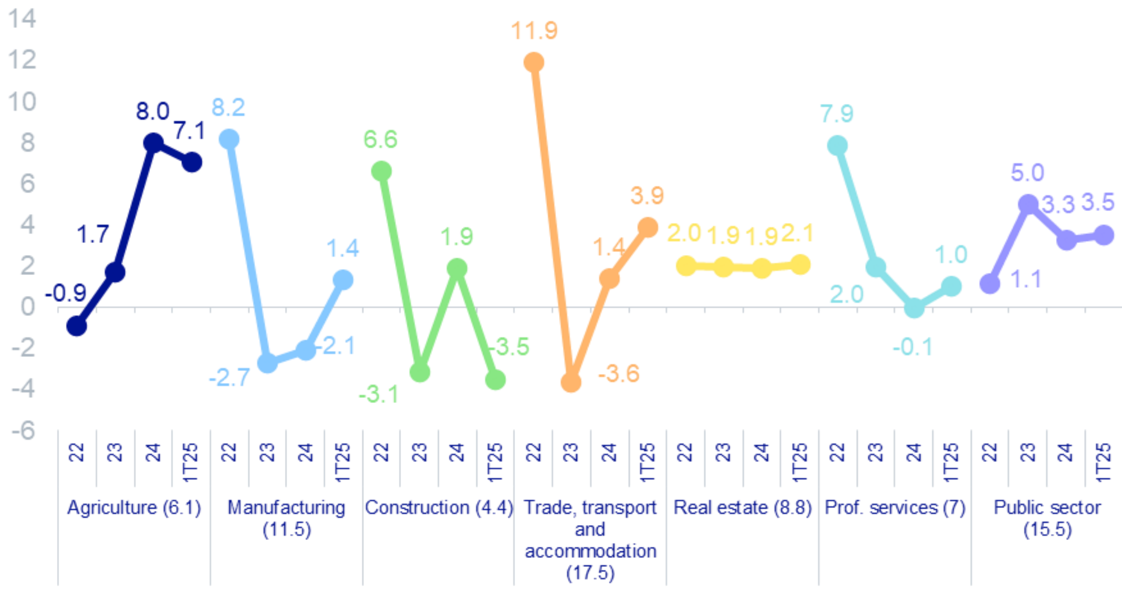


(*): Includes machinery and equipment, biological resources, and intellectual property.
Source: BBVA Research, based on DANE data.

Agriculture continues to lead the way

Trade, manufacturing, and professional services continue to rebound; mining and construction lag behind

GDP BY SUPPLY (*)
(REAL ANNUAL CHANGE, %. BRACKETS ON THE X-AXIS: SHARE IN AVERAGE GDP, 12 MONTHS TO MARCH 2025)



(*) Annual data (2022–2024) and annual change for the last available quarter (1Q25).
Source: BBVA Research, based on DANE data.

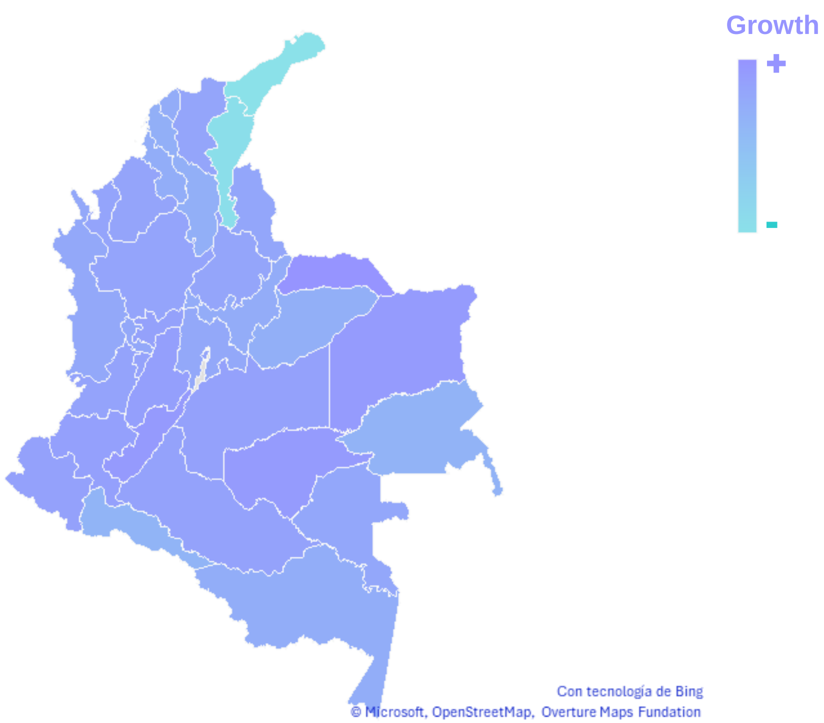
Growth has been higher in the periphery

In 2024, GDP growth stood out in Arauca (3.7%), Guaviare (3.0%), Huila (3.0%), Vichada (2.9%), Tolima (2.5%), Cauca (2.4%), Meta (2.3%) and Nariño (2.2%)

All of them grew above Colombia's GDP

The main outlier was La Guajira (-4.8%)

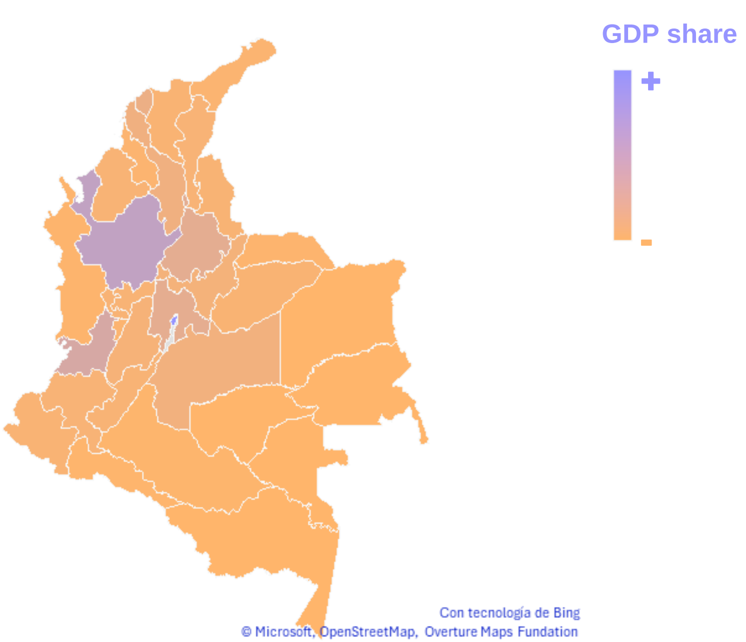
GDP IN 2024: DEPARTMENTAL PERFORMANCE
(REAL ANNUAL CHANGE)



Source: BBVA Research, based on DANE data.

However, large regions(*) still account for 71% of the country’s GDP

GDP IN 2024: DEPARTMENTAL PERFORMANCE
(SHARE IN NATIONAL GDP)

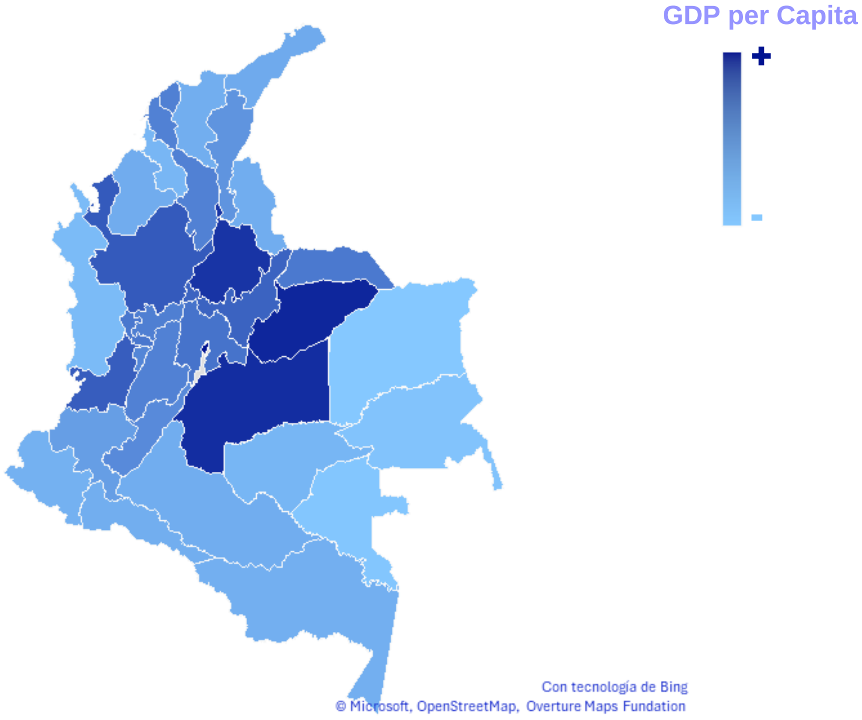


(*): Bogotá D. C. (25%), Antioquia (15%), Valle del Cauca (10%), Santander (6%), Cundinamarca (6%), Atlántico (5%), Bolívar (4%).
Source: BBVA Research, based on DANE data.

Differences in average per capita income remain

While some peripheral departments performed well in 2024, sizable differences in living standards can still be seen when compared with the departments in the center of the country

GDP PER CAPITA IN 2024: REGIONAL PERFORMANCE
(MILLIONS OF PESOS PER YEAR)



Source: BBVA Research, based on DANE data.

The recovery of GDP is related to:

Employment

While the labor market is improving and wage growth remains strong, challenges in terms of job quality and formality persist

Interest rate

Less restrictive financial conditions continue to boost activity, especially household consumption and machinery investment

Inflation

Inflation gradually eases, giving more room for maneuver

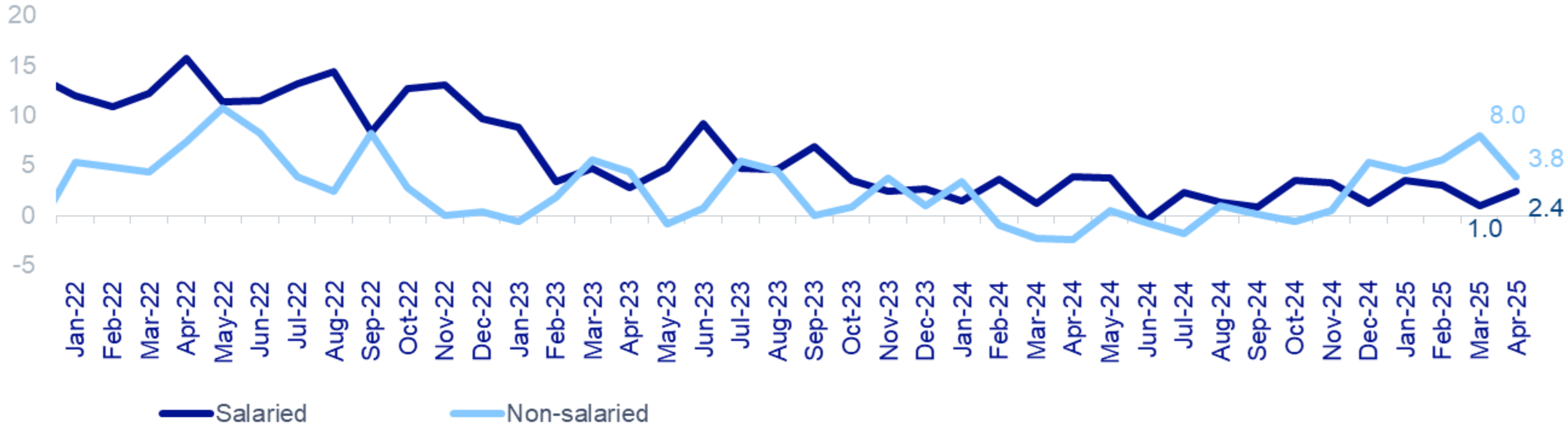
GDP recovery is supported by employment, inflation, and interest rates, though the latter remain elevated

The trend in economic policy will be key to sustaining the recovery

The recovery is gaining traction, but challenges remain

Employment grows at high rates, keeping unemployment low

NATIONAL EMPLOYMENT: FORMAL AND INFORMAL (*)
(ANNUAL CHANGE, %)

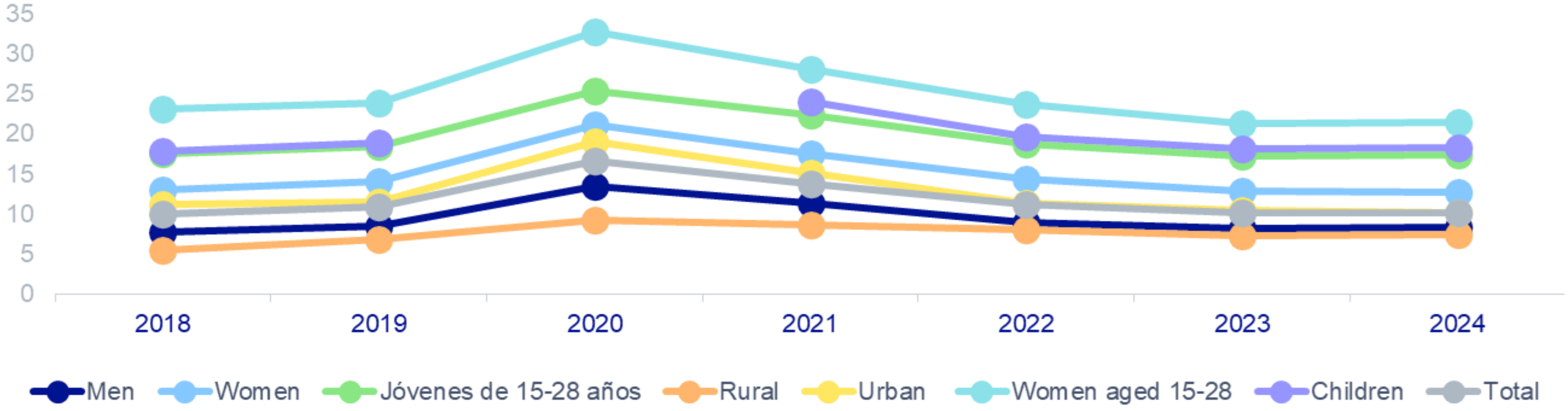


(*): Informal employment refers to non-wage earners, while formal refers to wage earners
Source: BBVA Research with data from DANE

However, there is some deterioration in the quality of new employment. As of April 2025, an average of 906,000 jobs were created annually, of which 639,000 were non-salaried

Even so, some groups continue to present high unemployment

NATIONAL UNEMPLOYMENT RATE
(% OF ACTIVE POPULATION)

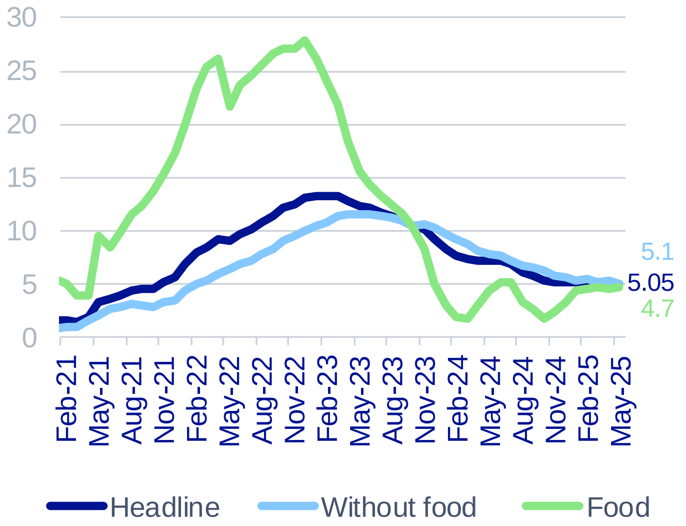


Source: BBVA Research with data from DANE.

Young people encounter the greatest difficulties in finding employment and more so if they are women

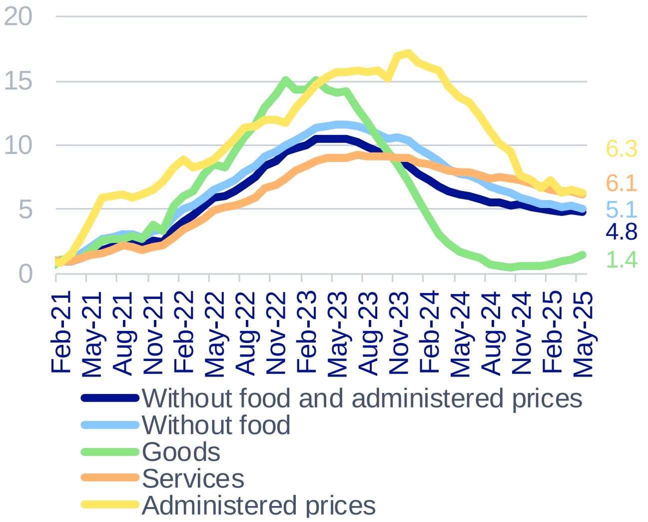
Inflation moderates marginaly in the year to date

INFLATION: MAIN BASKETS
(ANNUAL CHANGE, %)



Source: BBVA Research with DANE data.

CORE INFLATION: COMPONENTS
(ANNUAL CHANGE, %)



Source: BBVA Research with DANE data.

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BanRep resumed its rate-cutting cycle in April with a unanimous vote

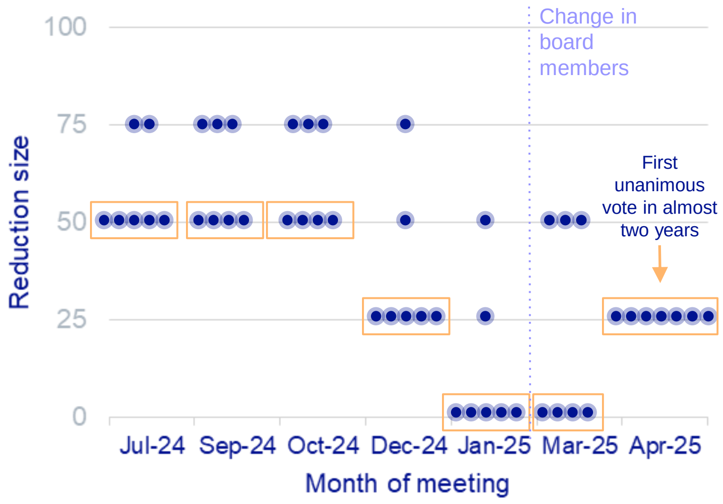
Monetary policy rate developments

- Since April 2025, the policy interest rate stands at 9.25%, down 400bps from its peak of 13.25% before the start of the easing cycle. Despite this significant decline, the current rate remains high compared to its historical average. In real terms, it stands slightly below 5.0%.

- After a series of 50bp cuts per meeting in 2024, the Central Bank Board adopted a more cautious stance, with 25bp cuts in December 2024 and April 2025, and rate holds in January and March 2025.

- BanRep's Board assesses that the recent decline in inflation has been slow, while economic performance has remained solid and the fiscal outlook has worsened. On this basis, it has adopted a more cautious approach to the easing cycle.

BANREP BOARD VOTE
(BASI POINTS, NUMBER OF VOTES)



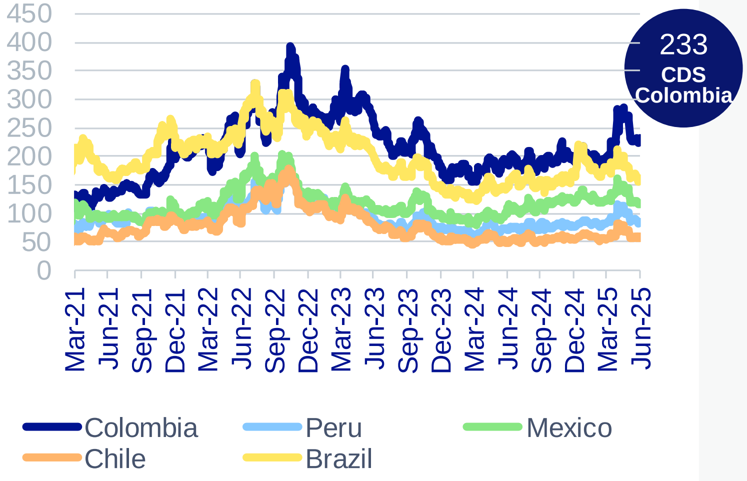
Source: BBVA Research with BanRep data.

3. Volatility and global uncertainty amid earnings season

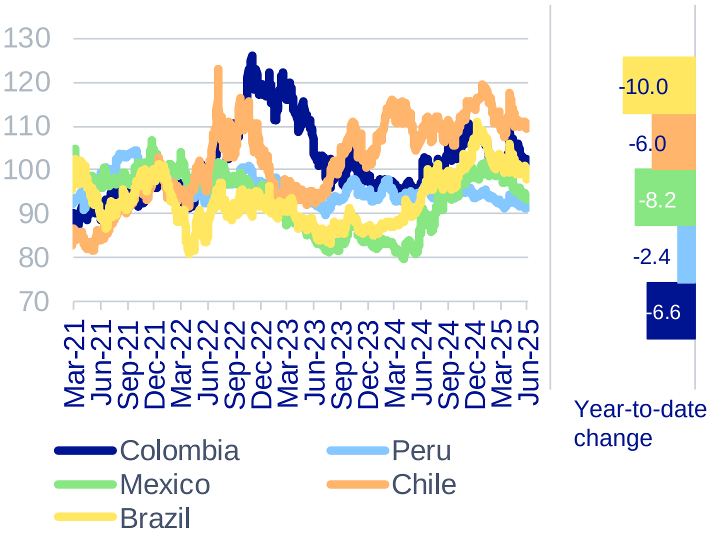
Financial assets

Colombia's risk premium remains high and continues to widen its spread relative to regional peers

CDS: COUNTRIES OF THE REGION
(BASIS POINTS)



CURRENCIES: COUNTRIES OF THE REGION (INDEX JAN 2022 = 100; YTD CHG., %)

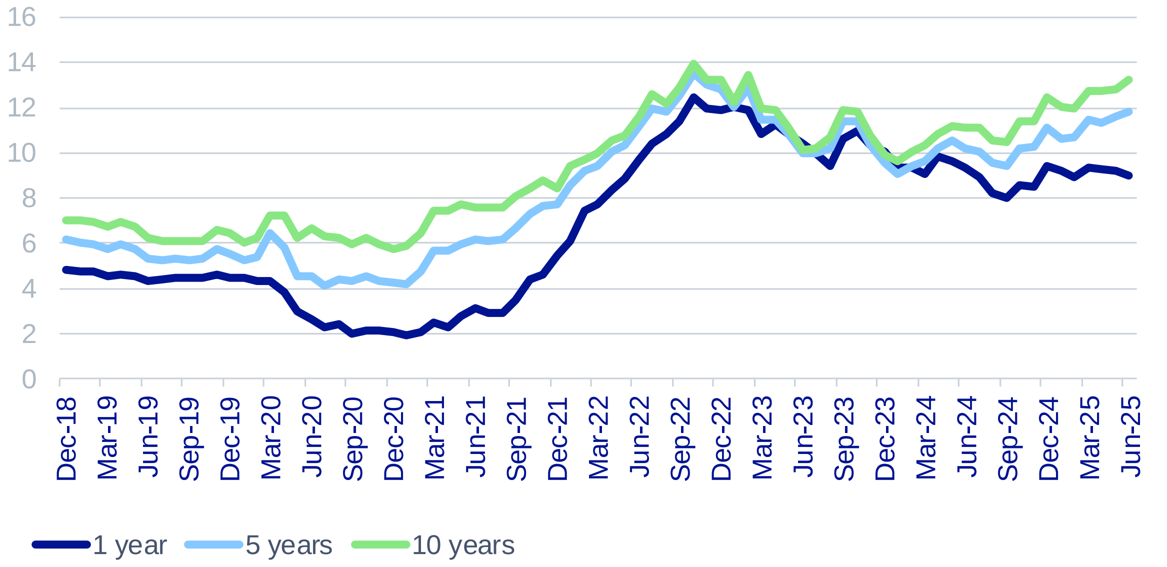


Source: BBVA Research with Central Bank data as of June 6, 2025.

Fiscal challenges and global environment exert upward pressure on rates

Rates on public debt securities have deteriorated sharply in the last year

RATES ON PUBLIC DEBT SECURITIES RATES (*)
(ZERO COUPON SECURITIES, %)



(*): End-of-month data for each month, except for June 2025, which uses data as of June 6.
Source: BBVA Research with data from BanRep.

4.1. The economy will continue to recover amid an uncertain scenario

Outlook

The economic landscape: key factors in 2025

● Positive factor ● Intermediate factor ● Negative factor

ECONOMIC GROWTH: SLOW BUT SURE

Purchasing power
- Lower rates
- Strong employment, but slowing
- Better consumption of goods and services

Sectoral rally
- High use of installed capacity fuels investment

Public support
- Regional execution
- Civil works (ports and hydroelectric)

External uncertainty
- U.S. tariffs
- Growth and geopolitical global

EMPLOYMENT AND WAGES: GROWING, BUT WILL SLOW

Activity will continue to gain momentum
- Labour-intensive sectors recover
- Public employment growing

Labor costs are a barrier
- Increase in the minimum wage and reduction of hours
- Labor reform imposes new costs

The construction of buildings: another challenge
- Indicators point to quiet levels of activity this year

INFLATION: IT WILL CONTINUE TO FALL, ALBEIT MORE SLOWLY

Lower overall costs
- Lower logistics and external raw material costs
- Low inflation: China and Eurozone

Domestic demand exerts upward pressure
- High salary: Rising costs

Depreciation and supply factors
- Moderate devaluation puts pressure on imported goods
- Low housing supply drives rental costs

INTEREST RATES: SPACE TO COME DOWN, BUT NOT A LOT

Macroeconomy allows for lower rates
- GDP below potential, with a negative gap
- Falling inflation means high real rates
- Inflation expectations anchored
- Low external deficit

Inflation, fiscal deterioration, and external uncertainty are conditioning the rate-cutting cycle
- High fiscal deficit
- Sticky inflation

MACROECONOMIC BALANCES: HETEROGENEOUS

Low and well-funded current account
- Although it will deteriorate (due to higher taxation), it will do so from low levels
- Remittances-tourism grow
- Exports resist

Fiscal deficit remains a challenge and pushes up financing costs

The economic landscape: key factors in 2026

● Positive factor ● Intermediate factor ● Negative factor

ECONOMIC GROWTH: CLOSER TO POTENTIAL

Purchasing power and spending
- Lower rates
- Higher spending by regional governments

Building construction also on the rise
- Employment-intensive and interlinked. Boosts investment

Exports readjusting
- The global tariff hike is being gradually absorbed

Electoral uncertainty

EMPLOYMENT AND WAGES: GROWING, BUT MORE INFORMAL

Activity will continue to gain momentum

Labor costs will continue to slow
- Rising wages and shorter hours
- Labor reform imposes new costs

Employment is likely to show a higher share of informality

INFLATION: ENTERS THE TARGET RANGE

Lower overall costs
- External inflation remains low, and the United States joins the fray

Domestic demand slows and leadership changes hands
- Less consumption, more investment

Devaluation and supply factors
- Moderate devaluation puts pressure on imported goods
- Low housing supply drives rental costs

INTEREST RATES: CONTINUES TO RETREAT

Macroeconomy and BanRep rates
- GDP below potential, with a negative gap
- Falling inflation means high real rates
- Inflation in the target range and anchored inflation expectations
- Low external deficit
- Fed lowering rates faster

Fiscal considerations
- he National Government's fiscal deficit remains elevated

MACRO BALANCES: REMAIN UNEVEN

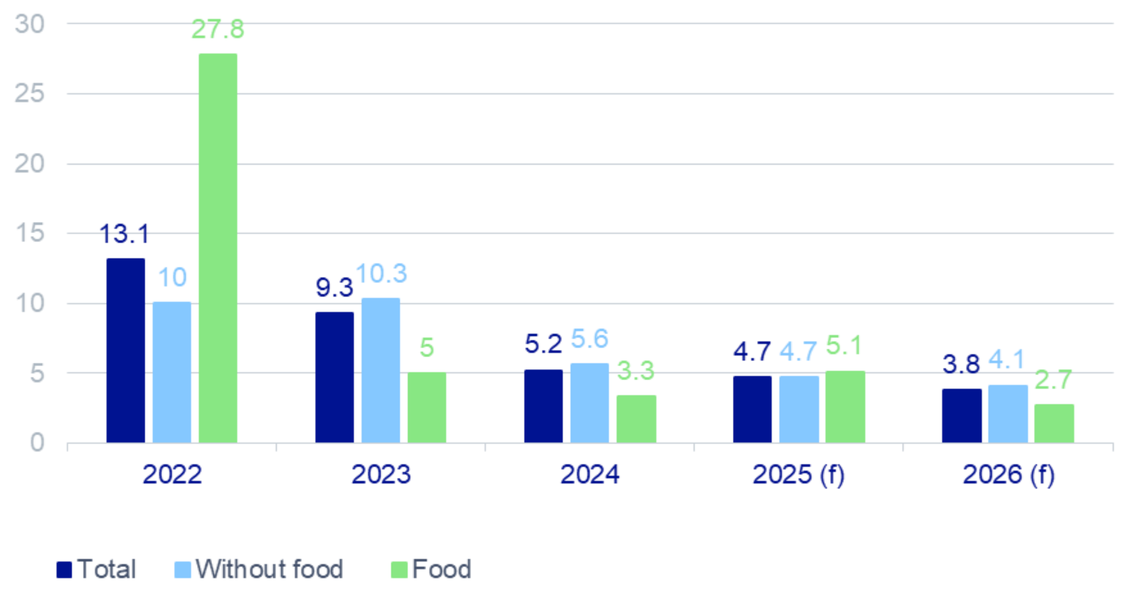
Low and well-funded current account

The fiscal deficit remains a challenge for the new government

Inflation will ease gradually

Inflation will reach 4.7% in 2025 and 3.8% in 2026, above BanRep's target

INFLATION: MAIN COMPONENTS
(YEAR-END ANNUAL CHANGE, %)

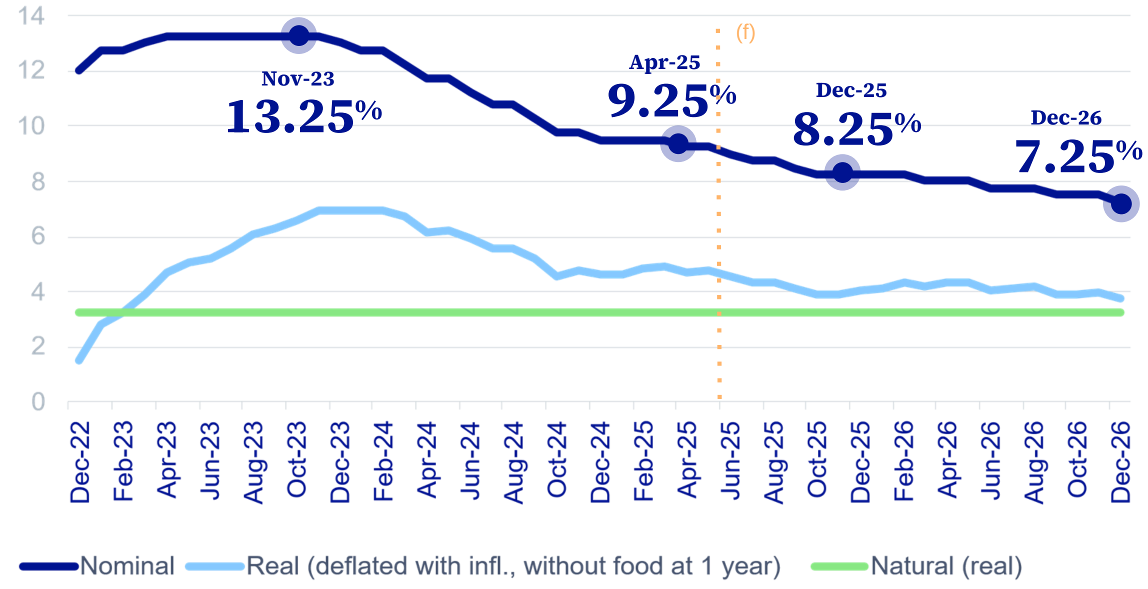


(f): BBVA Research forecasts.
Source: BBVA Research with data from DANE.

A more gradual cycle of rate cuts is expected

Policy rate will close 2025 at 8.25% and 2026 at 7.25%, still in contractionary territory

NOMINAL AND REAL INTEREST RATE
(%)



(f): BBVA Research forecasts.
Source: BBVA Research with data from BanRep and DANE.

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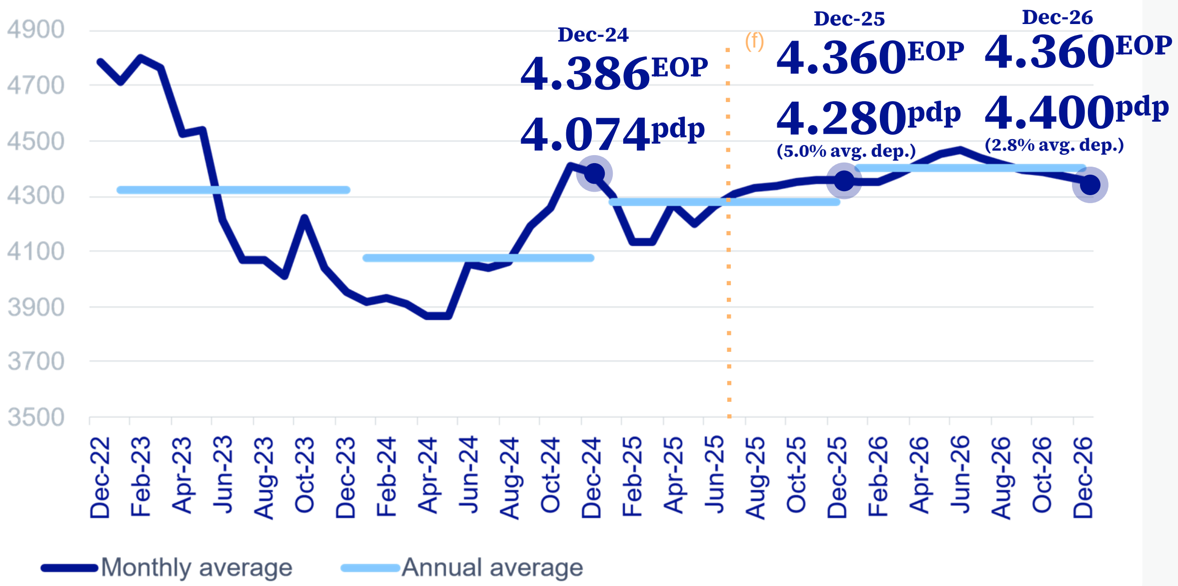
We expect to see pressure on the peso

The peso will depreciate in the coming months, mainly due to internal factors

COLOMBIAN PESO
(PESOS PER DOLLAR, AVERAGES)

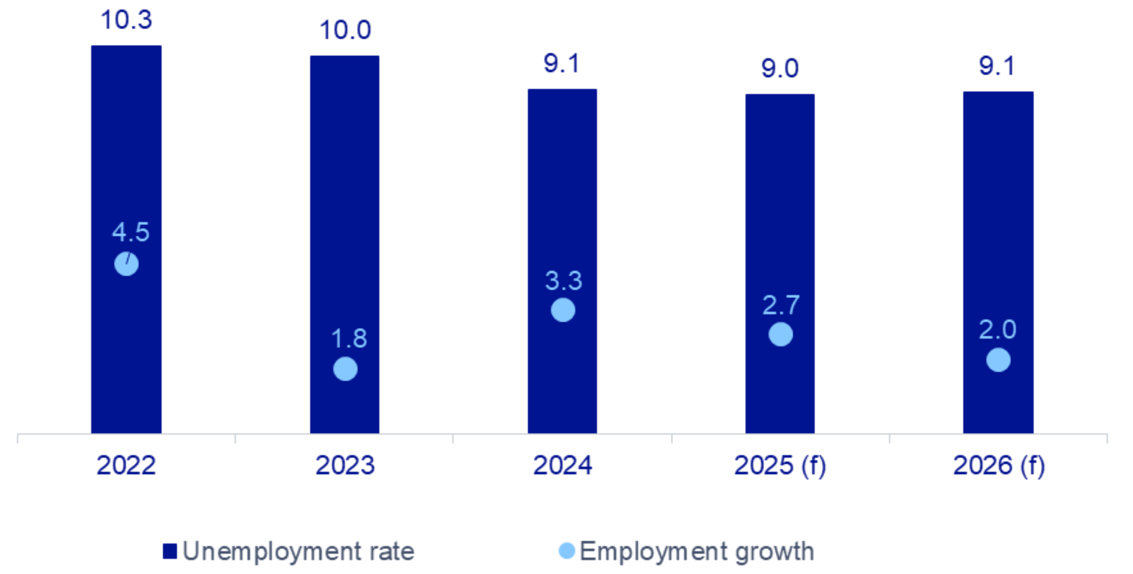


(f): BBVA Research forecasts.
Source: BBVA Research with BanRep data

Unemployment will remain low

Employment will remain resilient but may weaken somewhat due to the rise in informal employment participation

UNEMPLOYMENT RATE AND NATIONAL EMPLOYMENT GROWTH
(% OF WORKFORCE AND YOY, EOP, %)

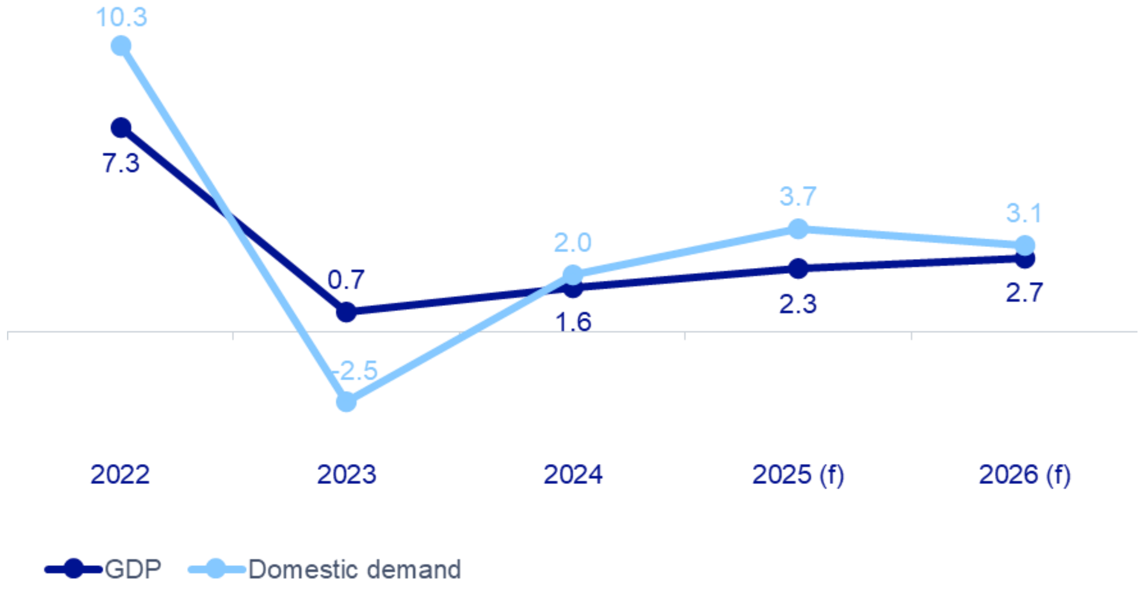


(f): BBVA Research forecasts.
Source: BBVA Research with data from DANE.

Domestic demand boosts GDP

Demand support will be higher in 2025, slowing in 2026, but still be above GDP

GDP AND DOMESTIC DEMAND
(REAL ANNUAL CHANGE, %)

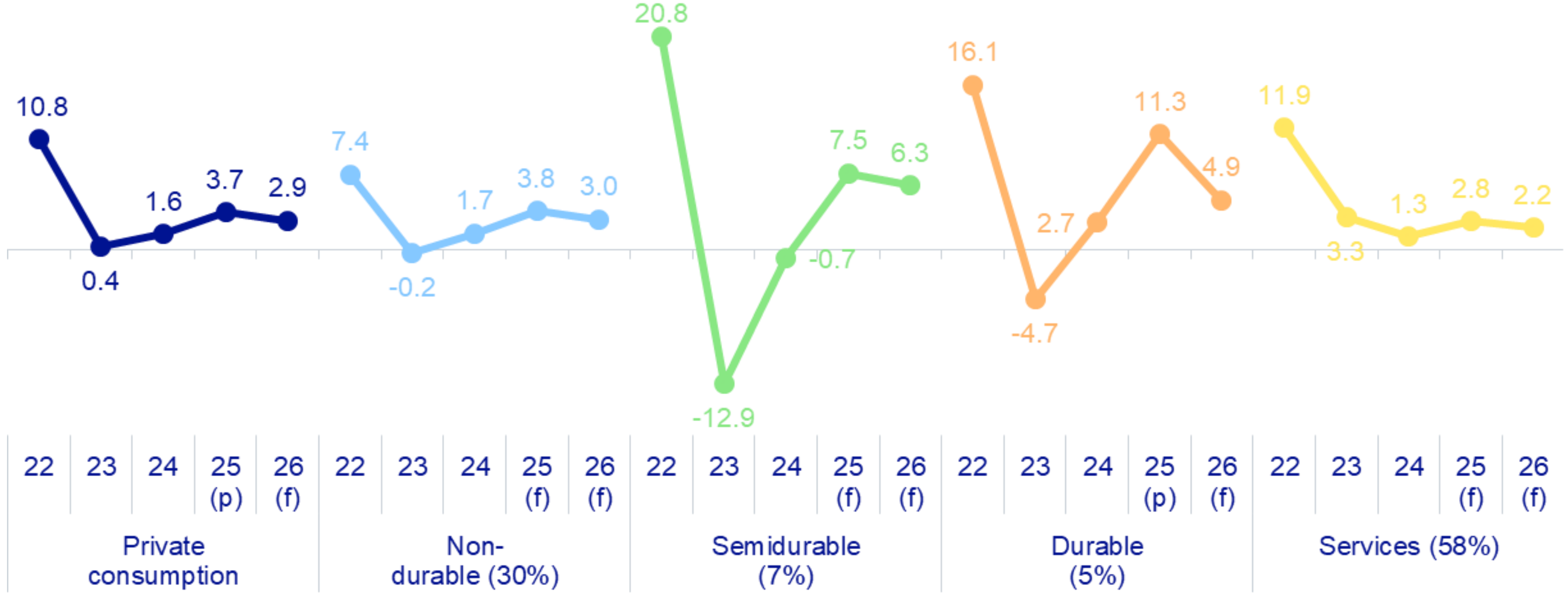


(f): BBVA Research forecasts.
Source: BBVA Research, based on DANE data.

Private consumption: forward momentum in 2025, slowing in 2026

PRIVATE CONSUMPTION: COMPONENTS

(REAL ANNUAL CHANGE, %, BRACKETS ON THE X-AXIS: SHARE IN AVERAGE GDP, 12 MONTHS TO MARCH 2025)

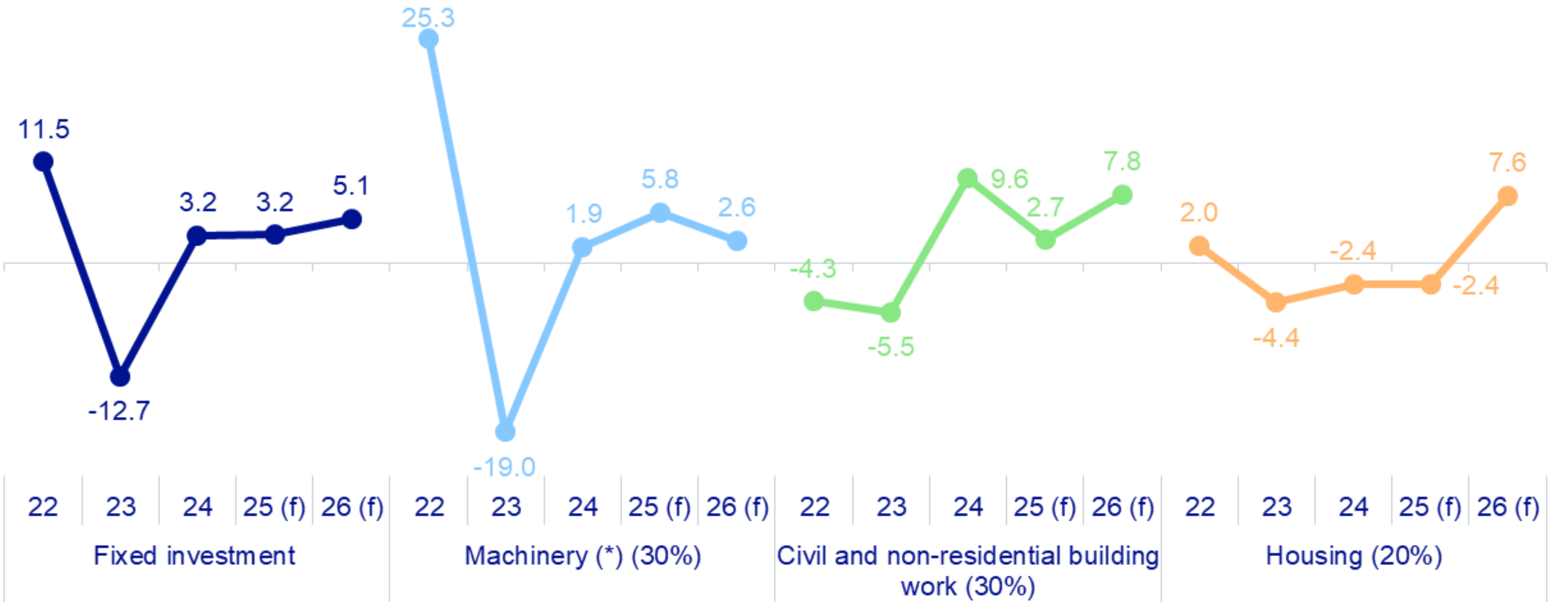


(f): BBVA Research forecasts.
Source: BBVA Research, based on DANE data.

Fixed investment: greater contribution to growth in 2026

FIXED INVESTMENT: COMPONENTS

(ANNUAL CHANGE, %. BRACKETS ON THE X-AXIS: SHARE IN AVERAGE GDP, 12 MONTHS TO MARCH 2025)



(f): BBVA Research forecasts.
(*): Includes machinery and equipment, biological resources, and intellectual property.
Source: BBVA Research, based on DANE data.

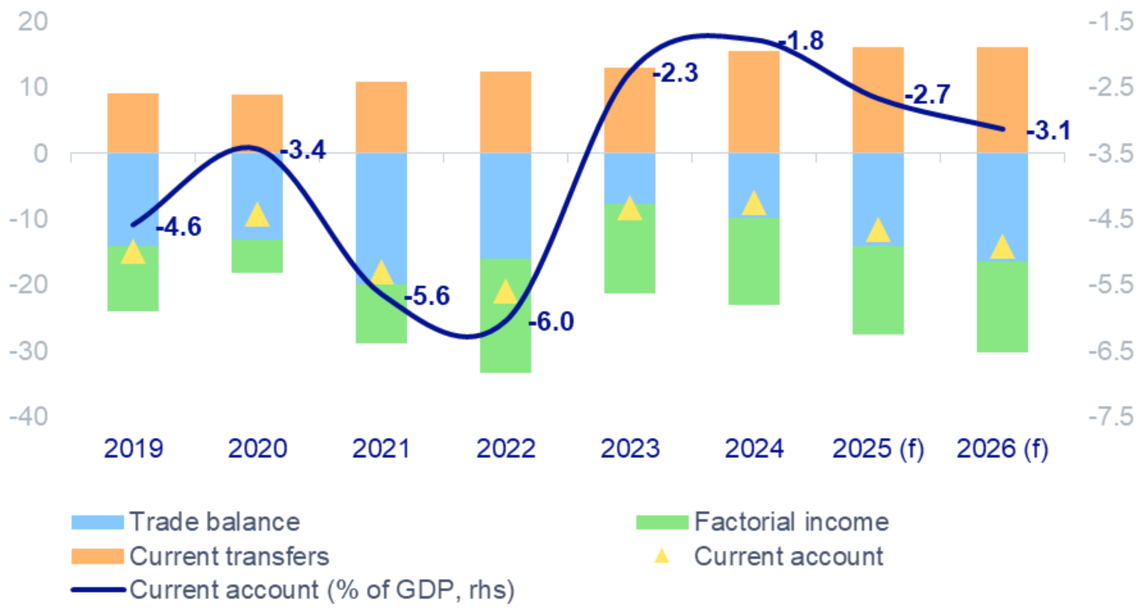
4.2. Stable external accounts with a demanding fiscal outlook

Outlook

The external deficit widens

The wider deficit is explained by stronger domestic demand and lower revenues from oil and mining exports, partially offset by higher remittance inflows and lower factor income outflows

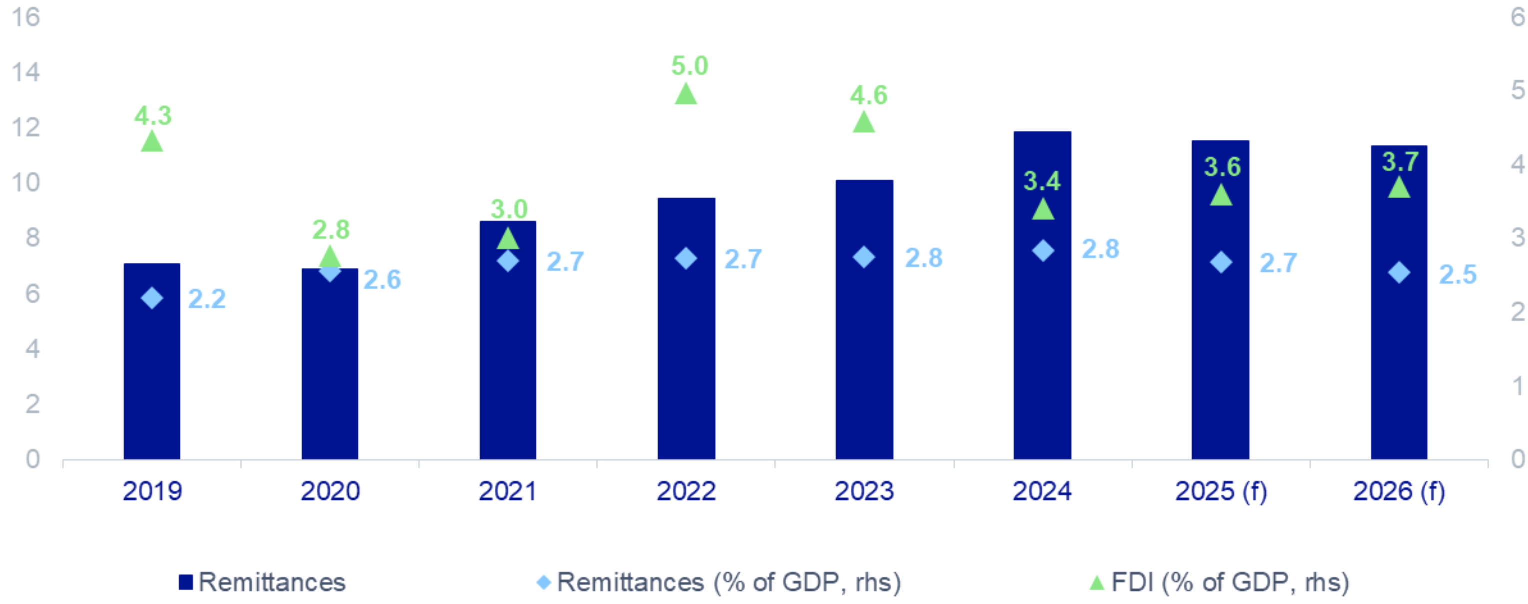
CURRENT ACCOUNT
(MILLIONS OF DOLLARS; % OF GDP FOR THE CURRENT ACCOUNT LINE)



(f): BBVA Research forecasts.
Source: BBVA Research: data from Banco de la República.

High remittance inflows continue to support growth

REMITTANCES AND FOREIGN DIRECT INVESTMENT (FDI)
(BILLIONS OF DOLLARS; % OF GDP)



(f): BBVA Research forecasts.
Source: BBVA Research based on data from Banco de la República.

Fiscal pressures remain elevated and are shaping economic policy decisions

The imbalance between revenues and expenditures of the Central National Government will remain high, contributing to increased debt this year and next

The fiscal deficit has widened since the pandemic, as revenues have grown more slowly than expenditures

Government spending rose from an average of 18.7% of GDP between 2017 and 2019 to 23.2% in 2024, while revenues increased from 15.7% to 16.5%. A recently issued decree has brought forward corporate tax withholdings, which will help boost revenues this year.

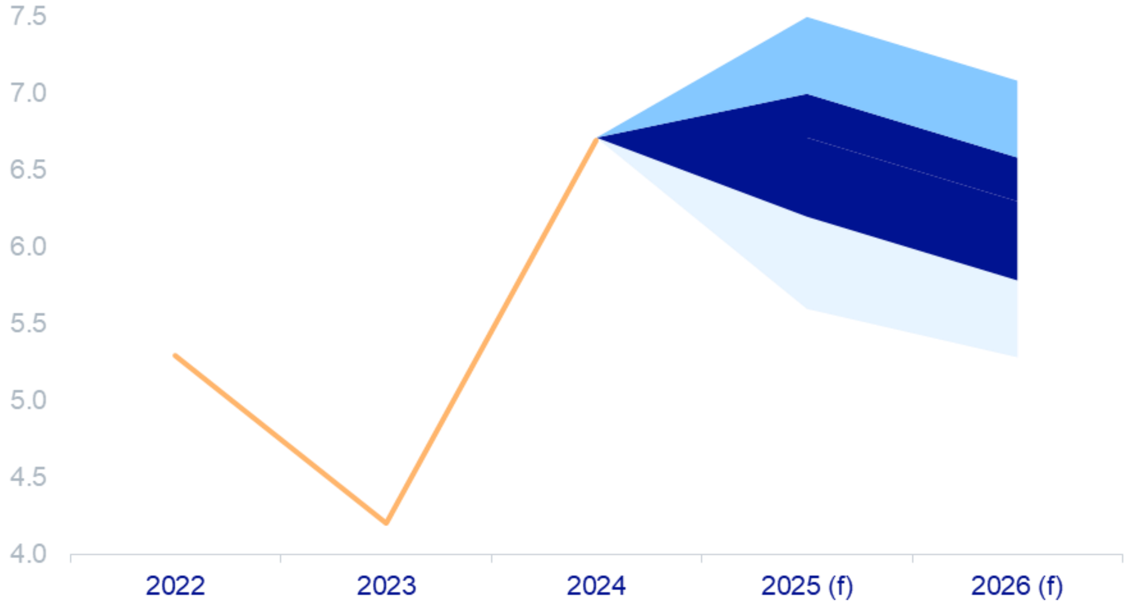
The fiscal deficit—at 6.7% of GDP in 2024—is twice the average level observed between 2017 and 2019 and remains under strong upward pressure. In fact, the 2025 deficit, estimated at 5.1% of GDP in the February 2025 Financial Plan, will likely be revised in the upcoming Medium-Term Fiscal Framework.

The Central National Government's gross debt has increased from 34.2% of GDP in 2012 to 50.3% in 2019 and to 61.6% in 2024. The higher projected primary deficit for 2025 is expected to continue driving this ratio upward.

Fiscal deficit at high levels

A deficit similar to that of 2024 is expected in 2025. In 2026, it will fall only slightly

DEFICIT OF THE CENTRAL NATIONAL GOVERNMENT
(% OF GDP)



(f): BBVA Research forecasts.
Source: BBVA Research with data from the Ministry of Finance

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The fiscal outlook poses a challenge to the sovereign credit rating

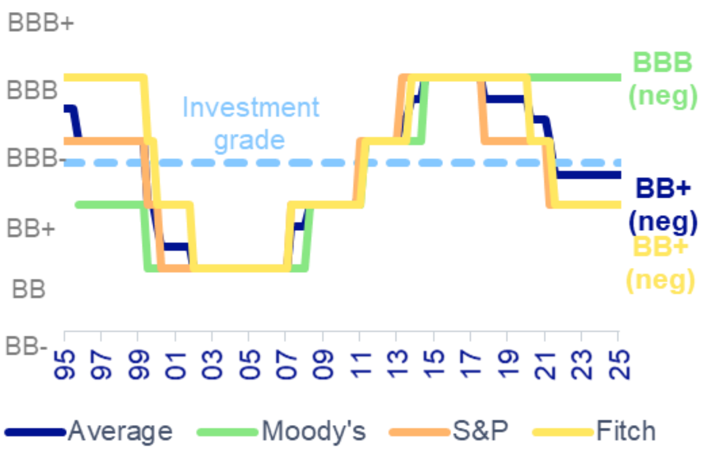
Recent announcements and stance

- **Moody's:** It reaffirmed the negative outlook in May 2025, citing concerns over the deteriorating fiscal outlook; however, it highlighted institutional strength and improvements in activity and the current account.
- **Standard and Poor's:** It reaffirmed the negative outlook in January 2025. It noted a deterioration in fiscal metrics alongside an improvement in economic dynamics.
- **Fitch:** It revised the outlook to negative in March 2025, highlighting the deterioration in the fiscal outlook. Improvements in economic activity and the strength of macroeconomic policy institutions were noted as positive factors.

Main milestones in the short term

- **Medium-Term Fiscal Framework (MTFF):** Rating agencies are closely monitoring the fiscal planning the government includes in the MTFF.

CREDIT RATINGS: MAIN RATING AGENCIES
(RISK RATING SCALE)



Source: BBVA Research with data from rating agencies.

5. A tense external scenario and an uncertain fiscal one

Challenges

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Challenges facing the Colombian economy (I)

Tensions in global trade

Upward pressure on financing costs

Pressure on energy prices

Domestic demand is skewed toward consumption rather than investment

Challenges facing the Colombian economy (II)

Economic reforms underway with uncertain impact

Possible deterioration in the quality of employment

Elections and possible episodes of social unrest

And the medium term? More challenges for Colombia

Stagnant productivity: Without structural improvements, the country's potential growth is limited

Education and job skills lagging behind: Does the education system cater to current demand?

Infrastructure and logistics with little forward momentum: Dampening the country's external competitiveness

Poor integration into global value chains: Opportunities should not be missed

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6.

Appendix

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Colombia: annual economic outlook

	2021	2022	2023	2024	2025 (f)	2026 (f)
GDP (% YoY)	10.8	7.3	0.7	1.6	2.3	2.7
Private consumption (% YoY)	14.7	10.8	0.4	1.6	3.7	2.9
Public consumption (% YoY)	9.8	1.0	1.6	0.7	2.9	3.4
Fixed investment (% YoY)	16.7	11.5	-12.7	3.2	3.2	5.1
Inflation (% YoY, EOP)	5.6	13.1	9.3	5.2	4.7	3.8
Inflation (% YoY, average)	3.5	10.2	11.7	6.6	5.0	4.0
Exchange rate (EOP)	3,968	4,788	3,954	4,386	4,360	4,360
Depreciation (%, EOP)	14.4	20.7	-17.4	10.9	-0.6	0.0
Exchange rate (average)	3,744	4,256	4,326	4,074	4,280	4,400
Depreciation (%, average)	1.4	13.7	1.6	-5.8	5.0	2.8
Monetary policy rate (%, EOP)	3.00	12.00	13.00	9.50	8.25	7.25
Current account (% GDP)	-5.6	-6.0	-2.2	-1.8	-2.7	-3.1
Urban unemployment rate (%, EOP)	11.4	10.8	10.2	9.0	9.1	9.1

BBVA Research forecasts.
Source: BBVA Research with DANE, IMF and Banco de la República data.

Colombia: quarterly economic forecasts

	GDP (% YoY)	Inflation (% YoY, EOP)	Exchange rate (vs. USD, EOP)	Monetary policy rate (%, EOP)
Q1 23	2.6	13.3	4,627	13.00
Q2 23	0.4	12.1	4,191	13.25
Q3 23	-0.6	11.0	4,054	13.25
Q4 23	0.6	9.3	3,822	13.00
Q1 24	0.3	7.4	3,842	12.25
Q2 24	1.7	7.2	4,148	11.25
Q3 24	1.8	5.8	4,164	10.25
Q4 24	2.5	5.2	4,386	9.50
Q1 25	2.7	4.8	4,133	9.50
Q2 25	2.0	4.9	4,265	9.00
Q3 25	2.4	4.8	4,340	8.50
Q4 25	1.9	4.7	4,360	8.25
Q1 26	2.4	4.3	4,380	8.00
Q2 26	2.2	4.0	4,470	7.75
Q3 26	2.8	3.9	4,395	7.50
Q4 26	3.5	3.8	4,360	7.25

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