

Inflation moderates in June, standing at 4.8%

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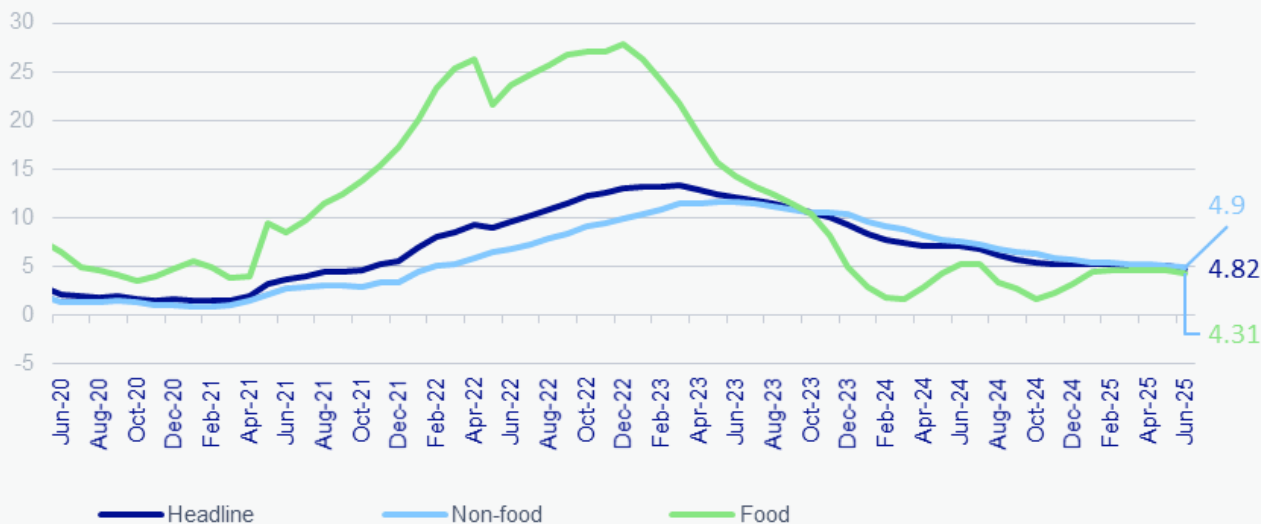
Perishable foods and administered prices accounted for most of the moderation in inflation in June

Monthly inflation in June was 0.10%, lower than the 0.19% expected by analysts in Banco de la República's survey. With this, the annual variation stood at 4.8%, below 5.0% for the first time since October 2021. This result implied a 23bp moderation in total inflation, the highest so far this year.

- **The decrease in inflation in June was mainly explained by the food basket**, which registered an annual variation of 4.3% (40 bps less than that reported in May). Within it, the decrease was explained by perishable foods, with an annual variation of 1.6%, due to a strong drop in the annual inflation of potatoes and onions, both in negative territory. The other two aggregations, meat and processed foods, remained relatively stable in June.
- **Annual inflation excluding food, one of the core inflation measures, stood at 4.9%, a reduction of 19 bps compared to May.** The result was again a limited moderation in the annual inflation of this item due to conflicting trends within it. On the one hand, administered price inflation showed a sharp decline, which was only partially offset by a marginal decline in services inflation and an upward trend in goods inflation for the fifth consecutive month.
- **Within this basket, the reduction in the annual inflation of regulated products stands out, with a 5.5% reduction (a reduction of 82 bps compared to May).** Within this basket, the behavior of electricity stands out, which presented a price reduction of 1.95% in the month, bringing the annual variation to -4.8%. Additionally, water supply services also presented an important decrease in annual inflation, but this time it is mainly due to a base effect of a marked increase a year ago.
- **In the same trend, but with a much more limited adjustment, are services, which reached an annual change of 6.0%, a scarce 6 bps lower than that observed a month earlier.** Among services, rents showed a favorable performance, with a reduction in their annual price change of 15 bps. The other items showed marginal adjustments.

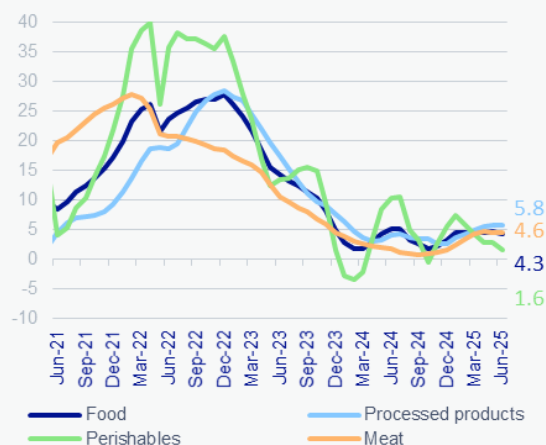
- **In the opposite direction are goods, which showed an upward trend already for the fifth consecutive month, reaching 1.6% (14bp above May's record).** In the interior, no marked trends were observed, however vehicles, beer and beer coolers, and information processing devices and hardware, showed some upward pressures. The exchange rate, especially the depreciation observed in late 2024 and early 2025, may have influenced this behavior. However, the recent appreciation of the exchange rate may partially moderate the upward effects on this basket.
- **June's result is favorable, since it allows us to see a greater correction of total inflation, placing it below 5.0% for the first time since the beginning of 2022.** This result may open the door to a cautious reduction of the policy rate in July. However, most of the inflationary relief came from food and administered prices. Annual core inflation, which is most closely monitored by the Central Bank, excluding food and regulated products, was stable at around 4.8%. This could be used as an argument to continue favoring a gradual and cautious posture of interest rate cuts.
- **The result is a positive surprise with respect to analysts' estimates, by at least 9bp at least with the average of Banco de la República's survey.** But it also stands out that the annual variation reached in June, 4.82%, is very similar to that expected by the average of analysts for the end of the current year. It is therefore possible that this result will lead to a downward revision of inflation in the following surveys.

TOTAL, FOOD AND NON-FOOD INFLATION (ANNUAL CHANGE, %)



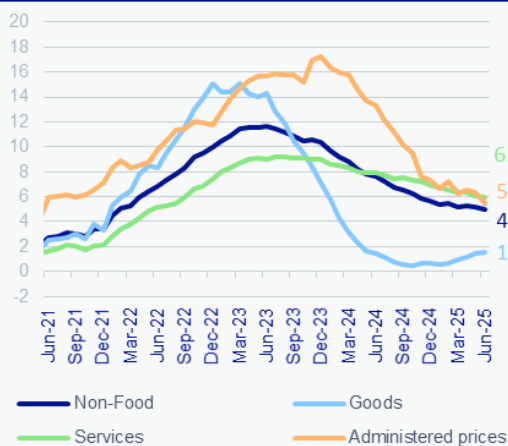
Source: BBVA Research with DANE data

FOOD INFLATION AND MAIN BASKETS (ANNUAL CHANGE, %)



Source: BBVA Research with DANE data

INFLATION OF MAIN NON-FOOD BASKETS (ANNUAL CHANGE, %)



Source: BBVA Research with DANE data

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