

SEPTEMBER 2025

Colombia 2026: the economic future is discussed today. Perspectives, challenges and proposals to grow better and more

Colombia Outlook

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01. Global growth continues amid trade tensions

The world

Main messages

US policies are an increasing source of concerns.



Tariffs have recently risen beyond expectations and immigration curbs and attacks on the Fed have been harsher than anticipated. Still, despite some moderation signs, the global economy remains broadly resilient. Growth has expanded more than expected, while US inflation has surprised to the downside. Financial volatility has been surprisingly low, backed by prospects of a more significant monetary easing by the Fed.

Global growth will likely ease ahead, from 3.3% in 2024 to around 3.0% in 2025 and 3.1% 20226. Although fiscal policy, less strict monetary conditions and the AI boom will provide some support, activity iwill likely be hit by raising protectionism, immigration curbs, persistent uncertainty, geopolitical tensions... Still, recent data suggest that the impact of these factors could be more gradual than anticipated.



Tariff effects are still likely to keep US inflation relatively high, around 3% in 2025-26. Still, growth deceleration is expected to allow the Fed to drive rates down to 3% in 2026. In Europe, inflation is forecast to remain close to the target level and interest rates to remain at 2%.



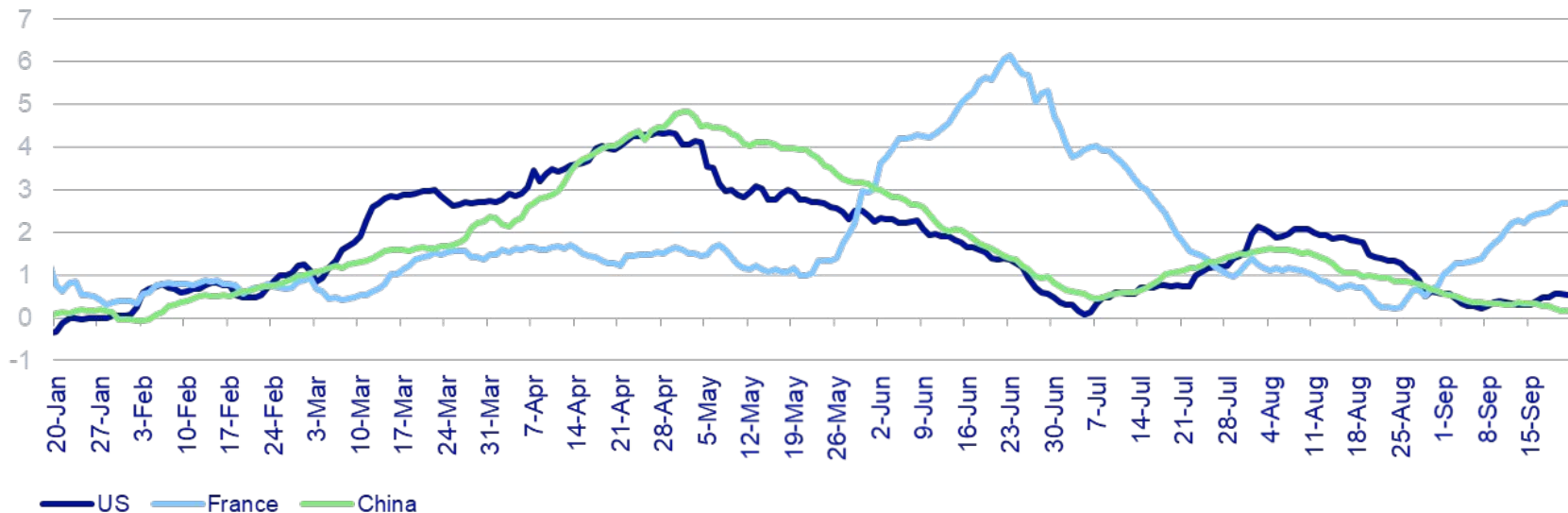
Risks are mounting amid heightened uncertainty, recurring shocks, weaker global cooperation and potential non-linearities. On top of trade and immigration policies, threats to the Fed independence are among the main concerns.



Protracted uncertainty on tariff news, pressure on the Fed, immigration policies, debt risks, geopolitical tensions...

ECONOMIC POLICY UNCERTAINTY INDEX (2025): UNITED STATES, FRANCE AND CHINA (*)

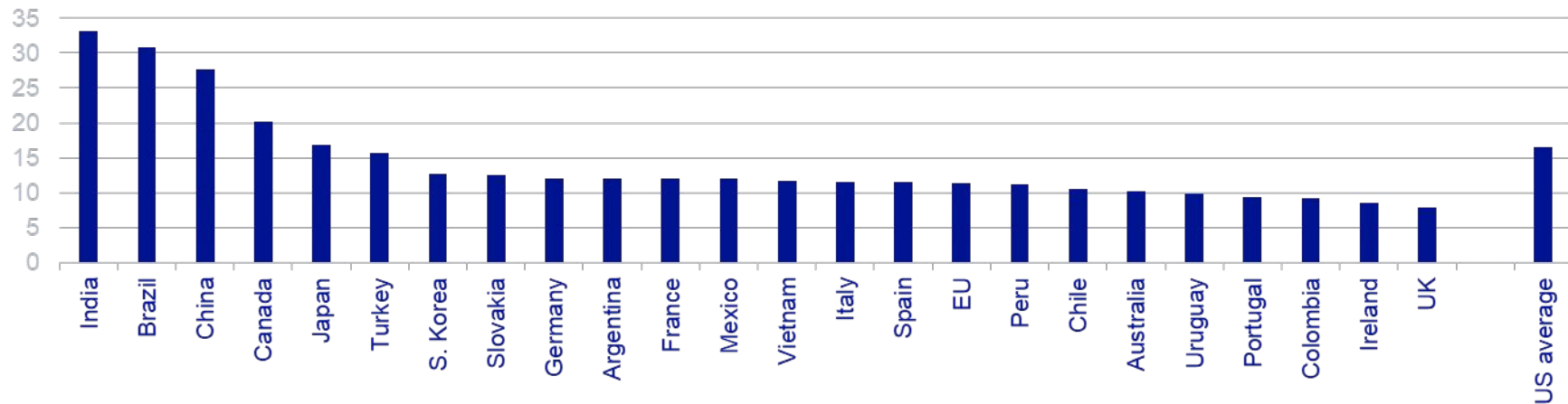
(INDEX: HISTORICAL AVERAGE = 0; 28-DAY MOVING AVERAGE)



(*) Last available data: September 21, 2025
Source: BBVA Research

Protectionism: US tariffs have reached high levels, especially for some targeted countries

US TARIFFS: ESTIMATED INCREASE SINCE THE BEGINNING OF 2025 UNTIL SEPTEMBER 22 (*)
(PP)



(*) Following recent trade deals and unilateral US announcements. Based on general tariffs set for each country (reciprocal and/or fentanyl), specific tariffs on some sectors (steel, aluminum, automobiles, autoparts...) and exempted goods (selected electronics, oil...). Sectoral weights are calculated according to 2024 trade flows.

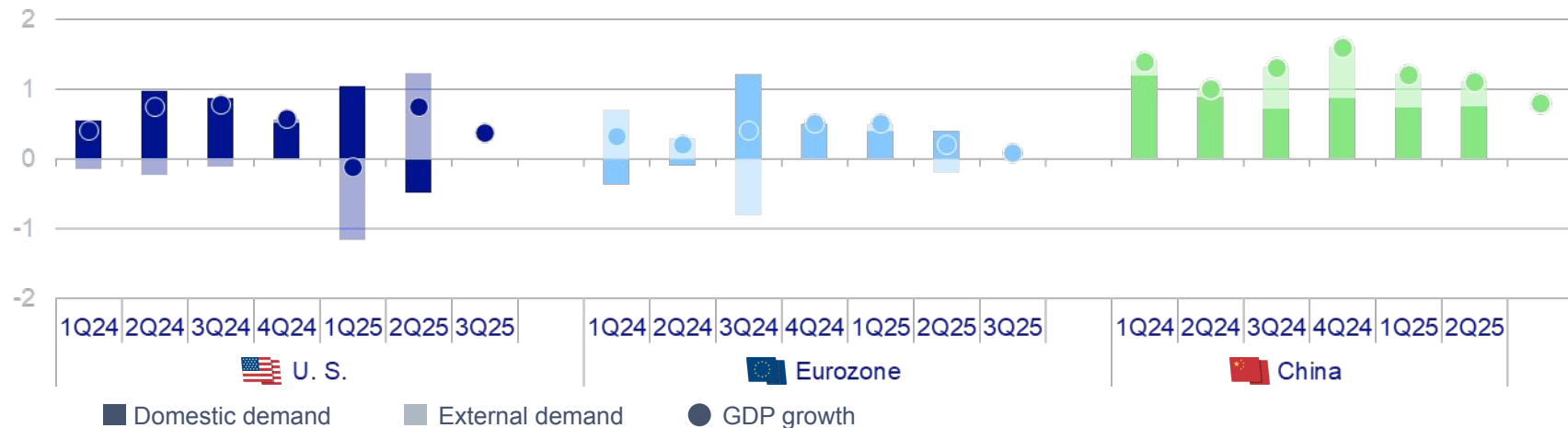
Source: BBVA Research

Despite US trade deals with the EU, UK, Japan, Vietnam, etc., uncertainty on tariffs remain given still unsettled negotiations, legal challenges and the view that they are now part of the US policy toolkit; preliminary evidence suggest that effective tariffs are below face-value tariffs

GDP growth has remained broadly resilient in the first half of the year, despite deceleration signs

GDP: CONTRIBUTION OF DOMESTIC AND EXTERNAL DEMANDS TO GDP GROWTH (*)

(GDP GROWTH: Q/Q%; CONTRIBUTIONS TO GDP GROWTH: PERCENTAGE POINTS)



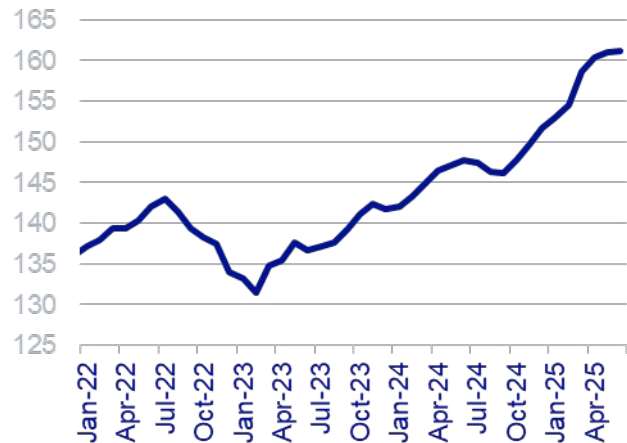
(*) 3Q25 figures: BBVA Research estimations

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

GDP data surprised upwards in 1H25; consumption has slowed, but remained relatively robust; investment has been supported by AI spending; exports have stayed resilient

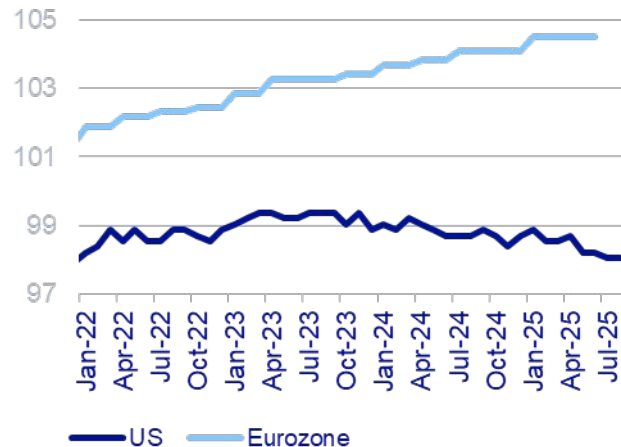
Global trade surged ahead of tariffs, but has slowed lately; US labor markets have eased amid lower immigration flows

GLOBAL EXPORTS OF GOODS: VOLUME
(4Q19=100; THREE-MONTH MOVING AVERAGE)



Source: BBVA Research based on data from Haver

EMPLOYMENT TO POPULATION RATIO
(INDEX: 2019 AVERAGE = 100)

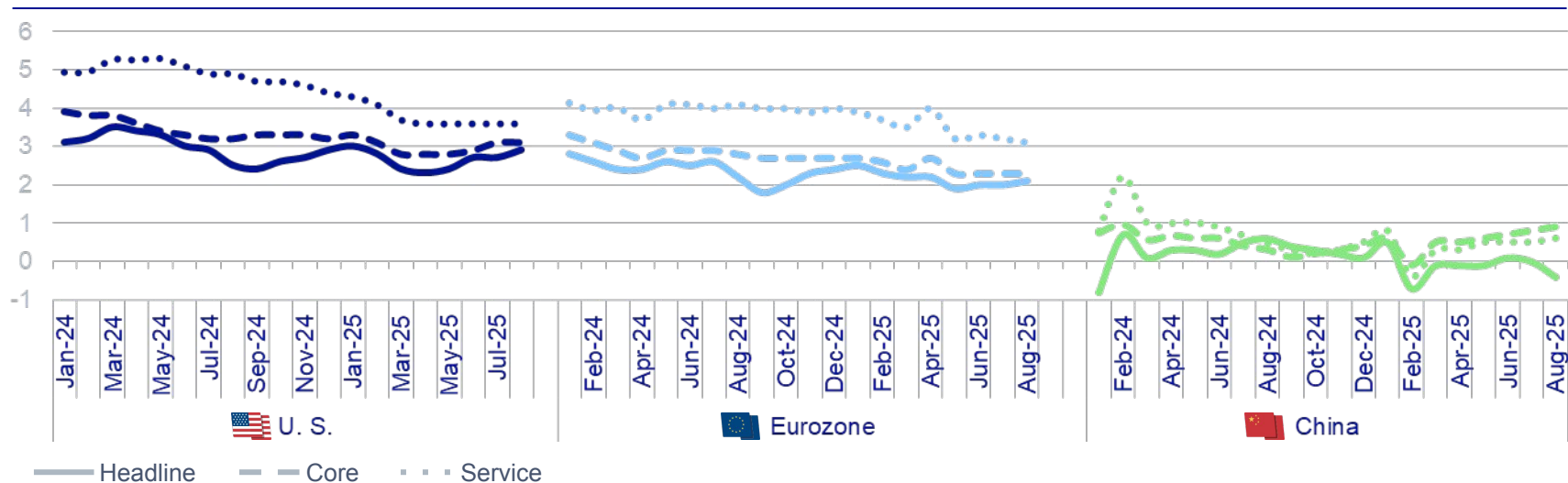


Source: BBVA Research based on data from Fred and Eurostat

Inflation has risen (but less than expected) in the US; it remains close to 2% in the Eurozone and very low in China

CPI INFLATION: HEADLINE, CORE AND SERVICE

(ANNUAL CHANGE %)

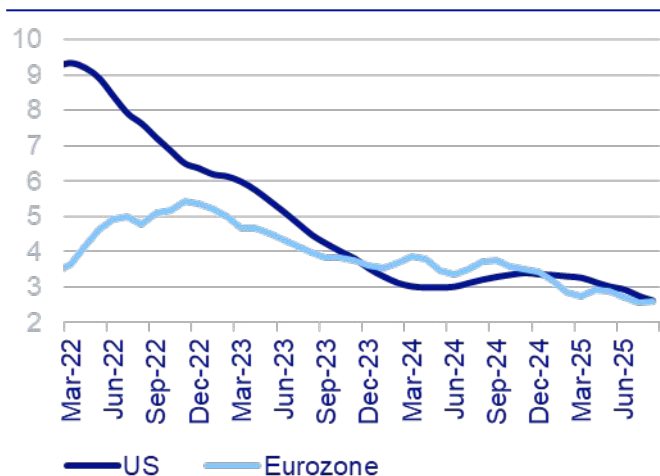


Source: BBVA Research based on data from Haver

Wage moderation and lower energy prices have taken some pressure off inflation

NOMINAL WAGES: INDEED WAGE TRACKER

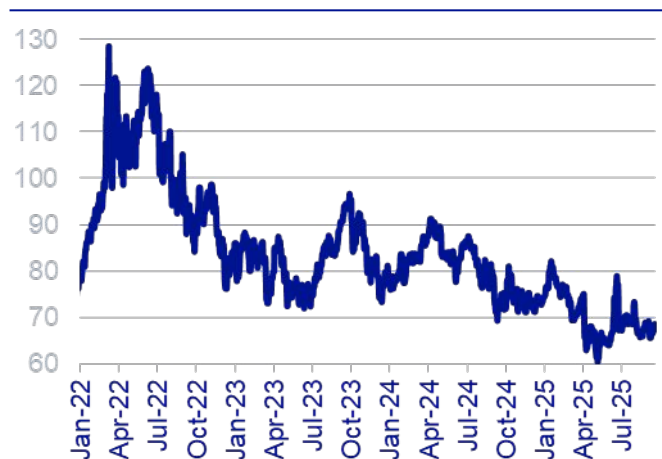
(ANNUAL CHANGE, %, 3-MONTH MOVING AVERAGE)



Source: BBVA Research based on data from Indeed

BRENT PRICES (*)

(USD PER BRENT BARREL)

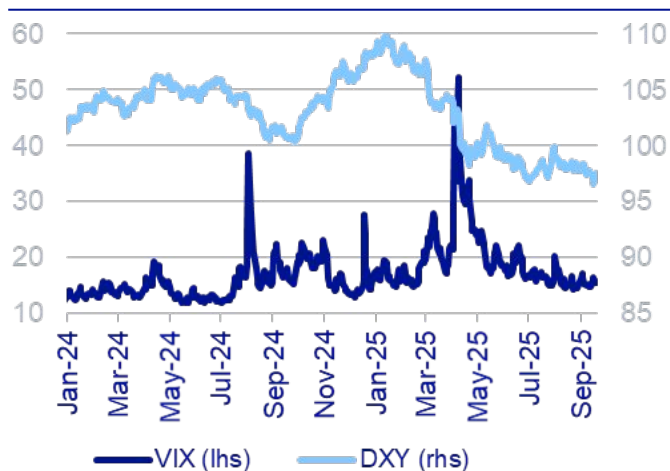


(*) Last available data: September 17, 2025
Source: BBVA Research based on data from Haver

Wage growth has slowed despite immigration curbs while oil prices have remained low despite ongoing geopolitical tensions; their effects are helping to offset the initial impact of tariffs

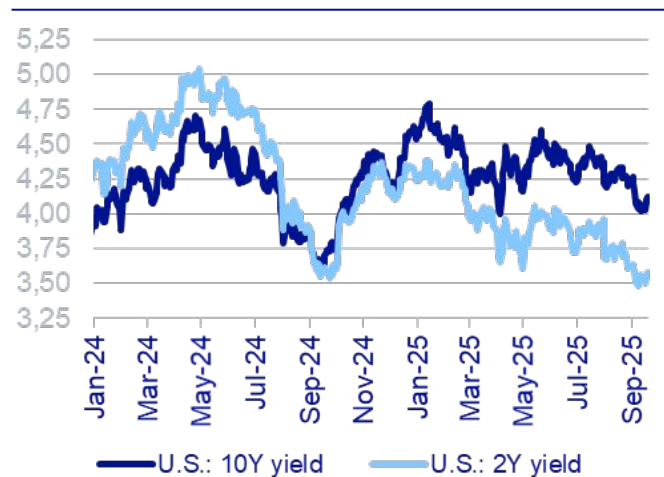
Financial markets continue to exhibit a positive tone, supported by prospects of lower interest rates in the US

EQUITY VOLATILITY (VIX); US DOLLAR (DXY)
(INDEXES)



(*) A lower DXY represents a weaker US dollar. Last available data: September 19, 2025.
Source: BBVA Research based on data from Haver

US SOVEREIGN YIELDS
(%)



(*) Last available data: September 19, 2025.
Source: BBVA Research based on data from Haver

Unsettling US policies are likely to hit the global economy, even though impact could be more gradual than expected

Global resiliency, so far, due to fiscal stimulus, AI boom, looser monetary conditions, weaker dollar, preemptive exports, effective tariffs below nominal levels, etc.



More disruptive US policies: tariffs rose beyond expectations, attacks on institutions and immigration curbs have been harsher than anticipated, fiscal deficits will stay high, geopolitical conflicts remain unresolved...



Global growth will likely slow; policy rates are expected to converge to 3% in the US and remain at 2% in Europe; inflation to remain high in the US, under control in Europe and low in China



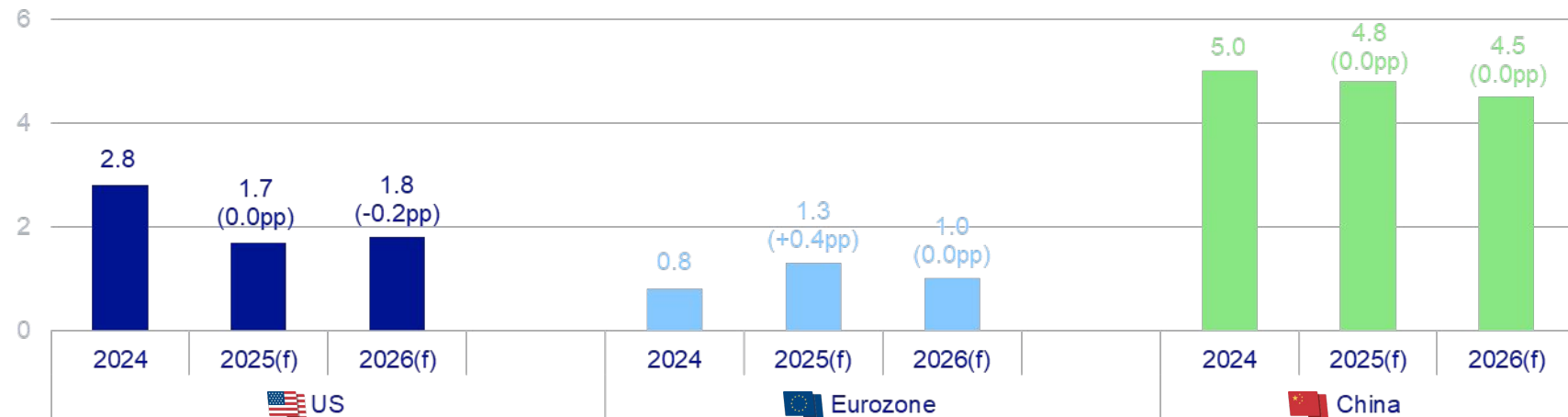
Risks are rising; they include more negative supply shocks on tariffs, immigration policies... and stress due to Fed intervention; and also a positive AI wave



Global growth is forecast to moderate gradually moving forward, from 3.3% in 2024 to 3.0% in 2025 and 3.1% in 2026

GDP GROWTH

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



(*) Global GDP grew by 3.3% in 2024 and is forecast to expand by 3.0% in 2025 and 3.1% in 2026, unchanged in comparison to previous forecasts.

(f): forecast.

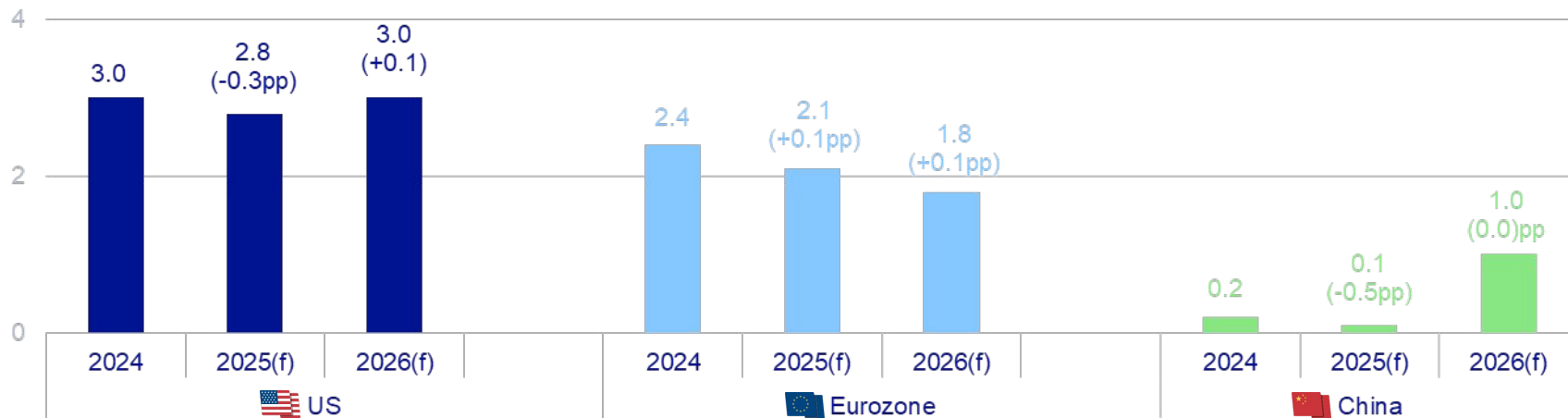
Source: BBVA Research

In the US, more disruptive policies favor weaker growth despite supportive 2Q25 GDP data and positive AI effects; in Europe, recent data support higher growth in 2025, while 2026 outlook stays unchanged: defense stimulus to offset tariff impact; in China, slowdown prospects remain in place

Inflation: tariff effects are still expected; mostly unchanged prospects in Europe; lingering deflation risks in China

HEADLINE CPI INFLATION

(ANNUAL CHANGE, %, PERIOD AVERAGE, CHANGE WITH RESPECT TO PREVIOUS FORECAST IN PARENTHESES)



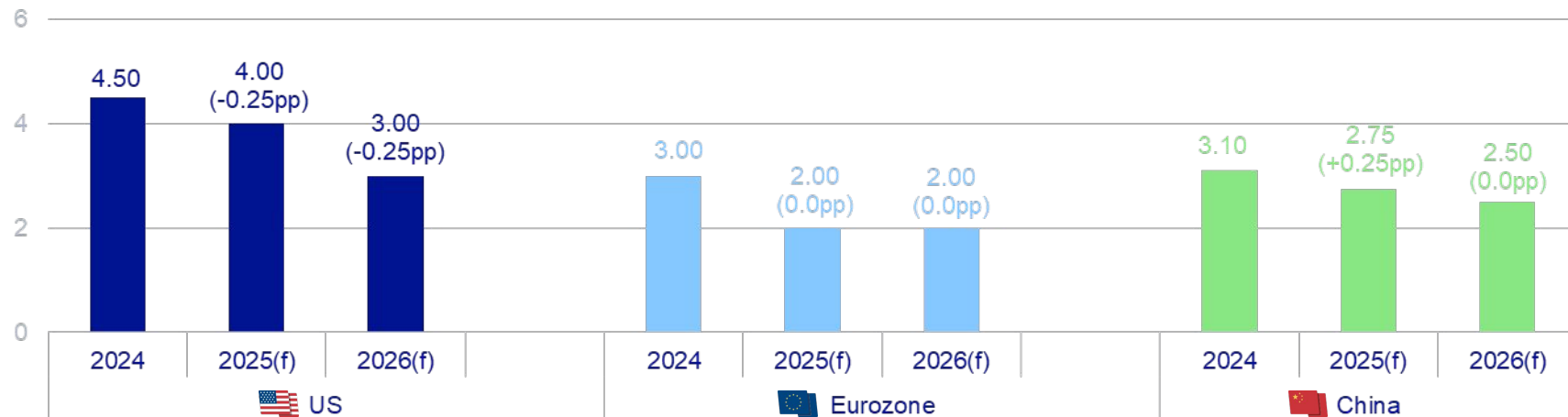
(f): forecast.
Source: BBVA Research

**US inflation has surprised downward, but tariffs and immigration curbs will keep it around 3%;
in the Eurozone inflation will likely be slightly higher than previous forecasts but still very close to 2%;
In China, moving out of the low-inflation regime is proving increasingly challenging**

A more dovish Fed will keep easing monetary conditions, likely lowering rates to 3% in 2026; ECB to hold at 2%

POLICY INTEREST RATES^(*)

(%, END OF PERIOD, CHANGE WITH RESPECT TO PREVIOUS FORECAST IN PARENTHESES)



(f): forecast.

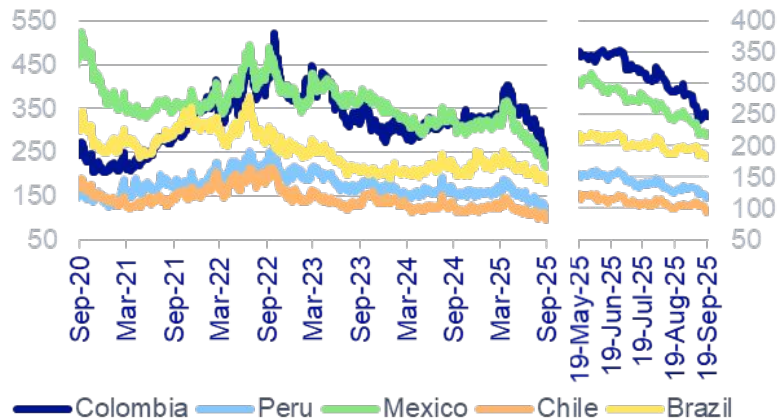
(*) In the case of the Eurozone, interest rates of the deposit facility.

Source: BBVA Research.

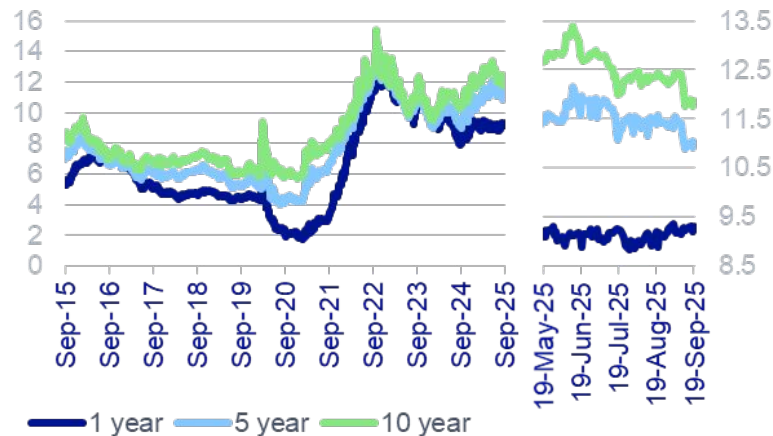
Fed's easing path towards 3% in 2026 will depend on upcoming inflation and labor market outcomes; the risk is that rates are cut twice, rather than only once, in 4Q25; ECB expected to hold rates at 2%, with risk of one more cut on weak growth, trade uncertainty, and euro strength

The global easing of risk premiums is evident in Colombia, although they still remain high

EMBI FOR COUNTRIES IN THE REGION
(BPS, AND 4-MONTH ZOOM)



COLOMBIAN LOCAL CURRENCY PUBLIC DEBT
(ZERO COUPON, %, AND 4-MONTH ZOOM)



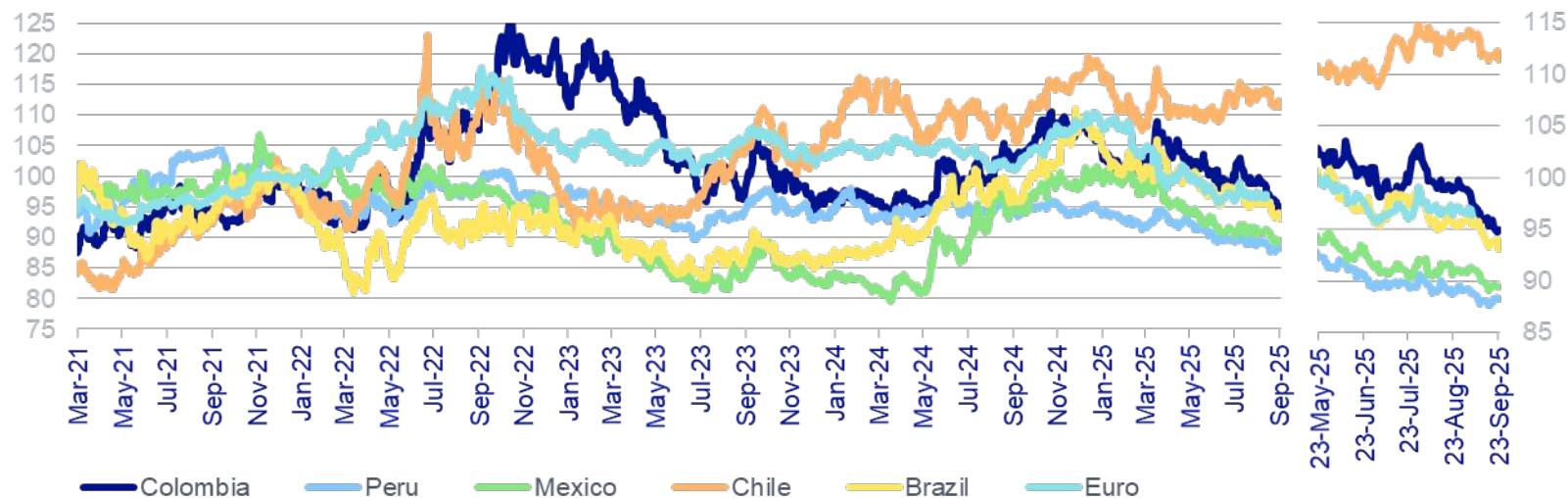
Data for TES and EMBI up to 19 September 2025
Source: BBVA Research, with data from Banco de la República and the Central Reserve Bank of Peru

The local debt curve has appreciated recently, this responds, mainly, to a change in the financing strategy of the National Government

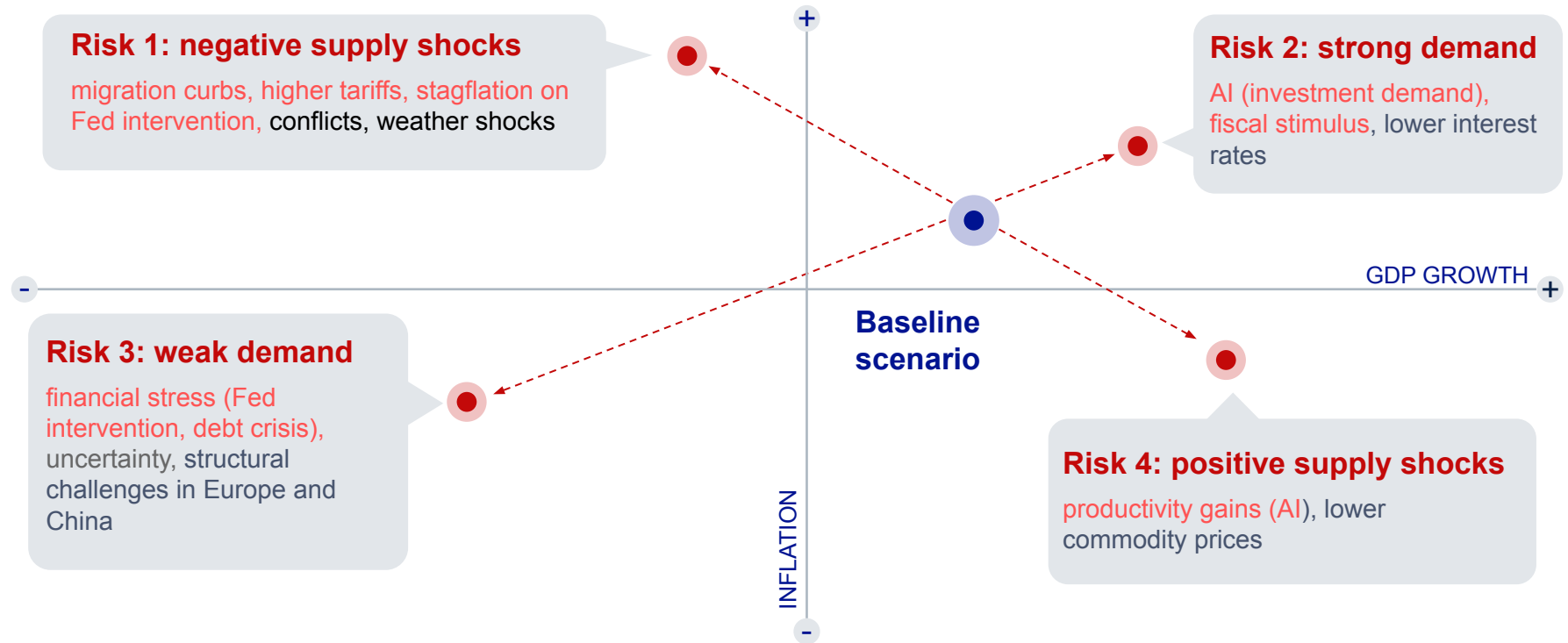
The dollar has weakened globally. The Colombian peso has closed part of the gap with other currencies in the region

EXCHANGE RATES ACROSS THE REGION AND EURO

(CURRENCY PER DOLLAR, INDEX JANUARY 3, 2022 = 100; 4-MONTH CLOSE-UP)



Risks are mounting amid heightened uncertainty, recurring shocks, weaker global cooperation and potential non-linearities



02. Domestic demand boosts GDP. Sticky inflation is conditioning rates

Where are we now?

Domestic demand is supporting growth. Robust consumption, inflation and fiscal concerns are holding back rate cuts

What is driving growth?

The recent pick-up in activity has been largely driven by domestic demand. Private consumption (driven by employment, wages, remittances, lower interest rates, and other factors), along with investment in machinery and equipment, are responsible for the bulk of the growth in GDP. In contrast, construction continues to lag behind and exports are contributing little.

Inflation remains stable

Inflation has increased and shows downward rigidity in some components. Robust demand, especially in services (restaurants, rentals), keeps the pressure on. In tandem, items with their own dynamics—food and administered prices—add both persistence and volatility, making disinflation harder to achieve.

Total deficit on the rise, with a weaker primary balance

Public spending has been supporting economic activity in 2025. For the whole of the year, a fiscal deficit higher than in 2024 and above initial estimates is anticipated. Moreover, the government's primary balance has disappointed, pushing up financing needs and the pressure for fiscal consolidation.

The central bank (BanRep) secured a majority to maintain a cautious stance in the monetary policy cycle.

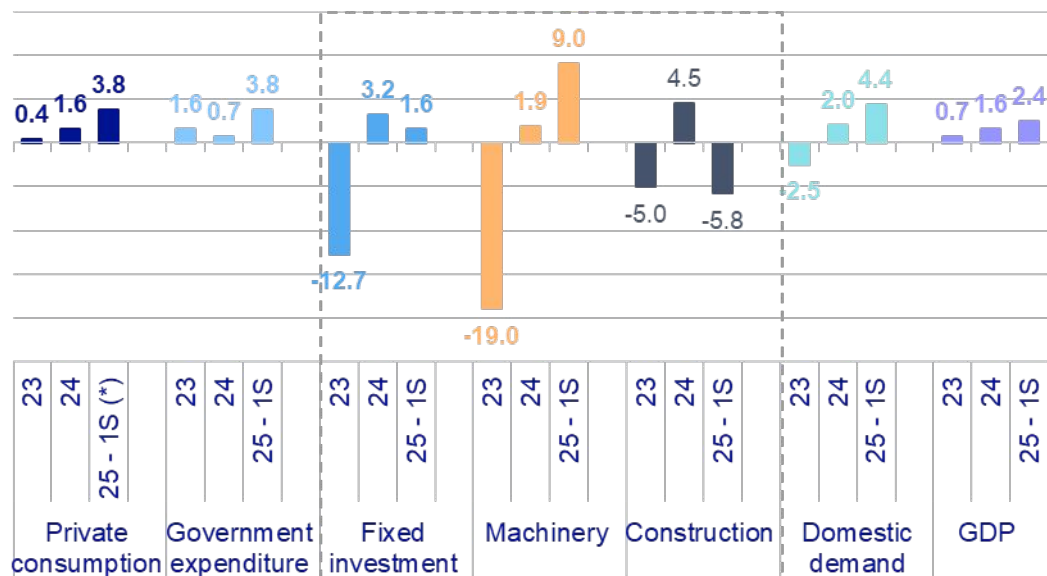
A combination of robust consumption, an uptick in inflation with rigidities in services and other components (food and regulated items), and a more challenging fiscal outlook, increases the risk of inflation persistence. With this in mind, the Monetary Policy Board is prioritizing the need to get inflation back on target and is temporarily pausing rate cuts until clearer signals emerge.

The recent expansion came mainly from consumption and investment in machinery; in parallel, inflation picked up and the country's fiscal position weakened. Against this backdrop, the central bank has put rate cuts on hold

The economy is gradually recovering

The economic reactivation is being supported by domestic demand: private consumption is picking up and public consumption is keeping pace. In fixed investment, machinery is growing strongly while construction is contracting. All in all, domestic demand is rallying and exceeds GDP growth

GDP AND DOMESTIC DEMAND: COMPONENTS (REAL ANNUAL CHANGE, %)

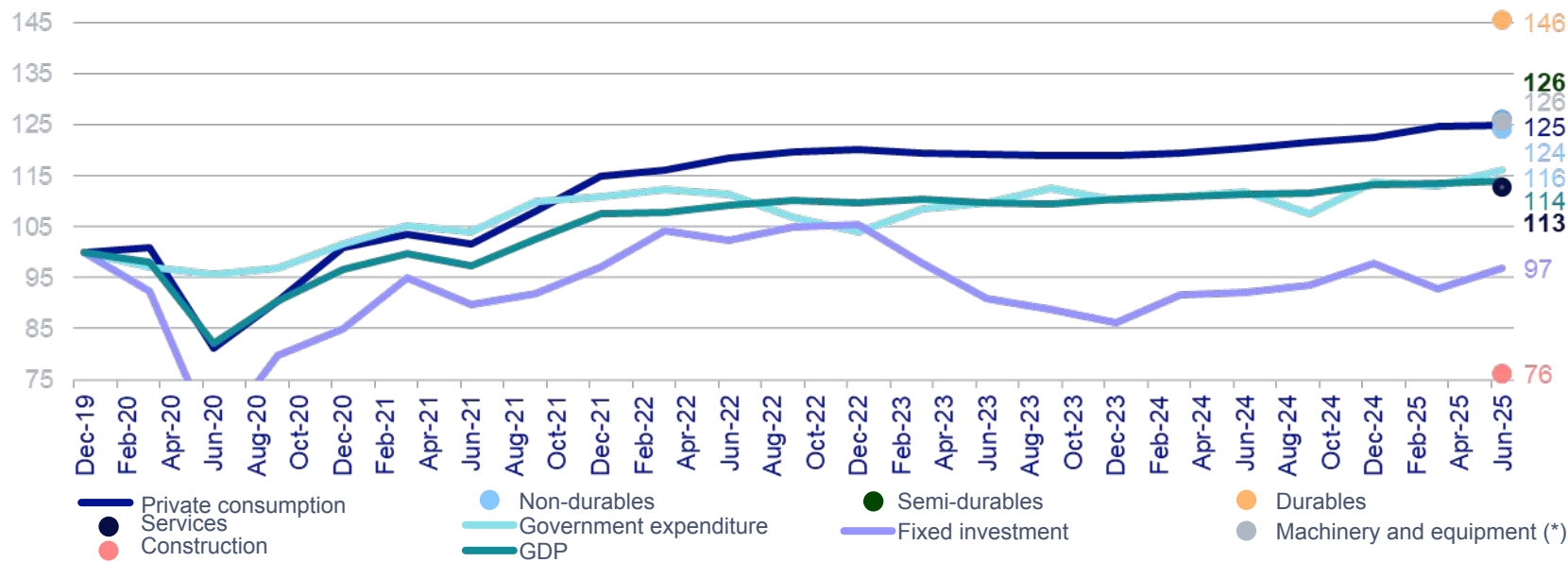


(*): 25 – 1H: YTD change in the first half of 2025
Source: BBVA Research, based on DANE data.

Private consumption has outpaced GDP growth this decade. Investment is limited by construction

PRIVATE CONSUMPTION, FIXED INVESTMENT AND GDP

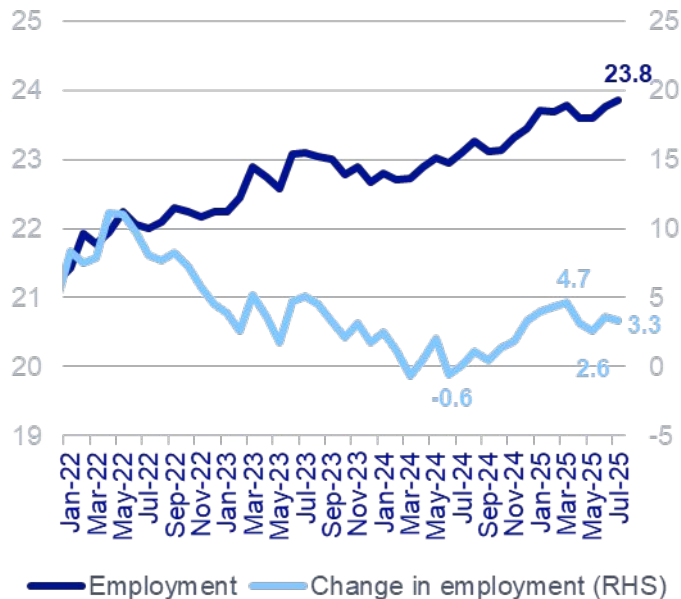
(INDEX: DEC-19 = 100)



A resilient labor market is boosting consumption

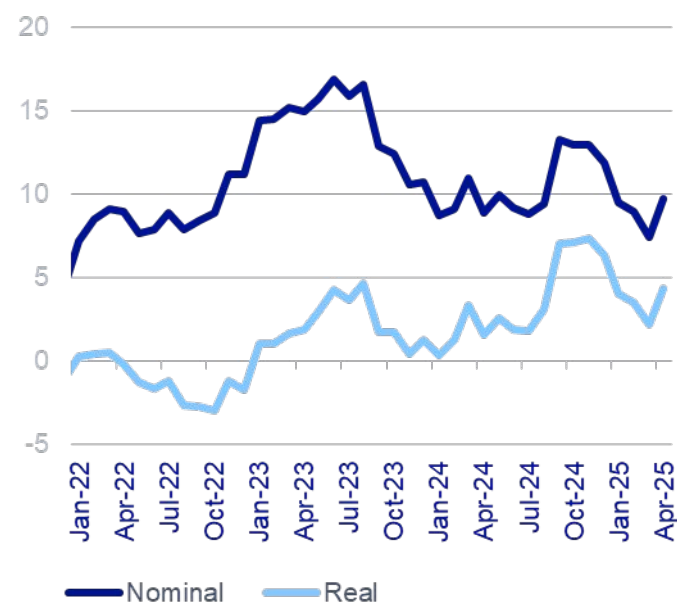
NATIONAL EMPLOYMENT

(MILLIONS, SEASONALLY. ADJ., % CHG. ORIGINAL)



WAGES

(NOMINAL AND REAL ANNUAL CHANGE, %)

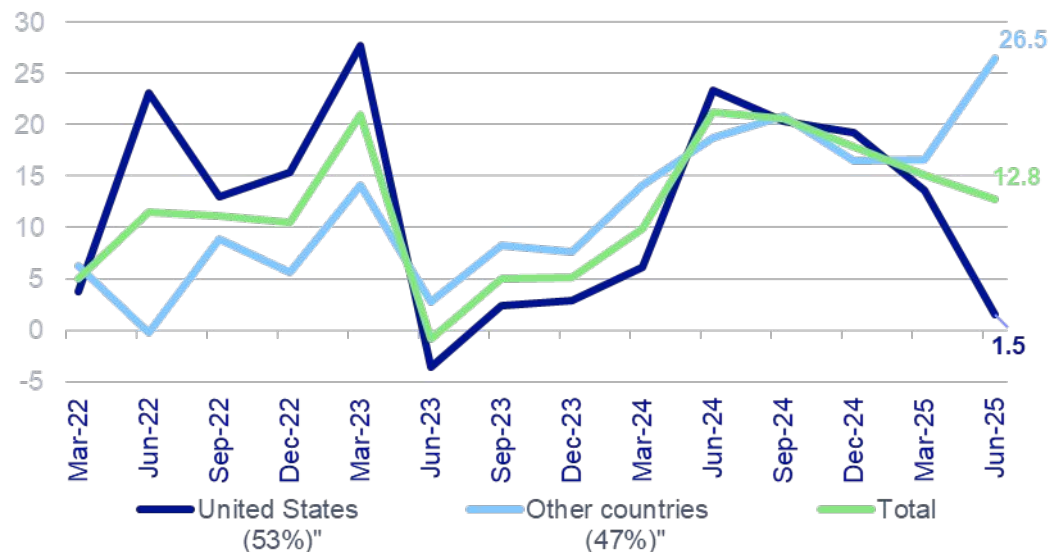


(1) Source: BBVA Research with data from DANE.

Remittances support household income

While remittances from the United States have decelerated, an increase from other countries is keeping the total figure strong

REMITTANCES FROM THE UNITED STATES AND OTHER COUNTRIES TO COLOMBIA (2024 SHARE IN PARENTHESES, ANNUAL CHANGE %; QTR DATA)



Source: BBVA Research, with Bank of the Republic data.

Beyond employment and remittances, four levers are shoring up consumption

Decline in consumer NPLs: could allow credit to pick up; the interest rate gap between consumer loans and the policy rate is at low levels



Lower debt service burden: debt service has declined relative to income, creating more space for spending/borrowing



Exchange rate and sectorial revenues: currency appreciation improves purchasing capacity; higher revenues from coffee and tourism

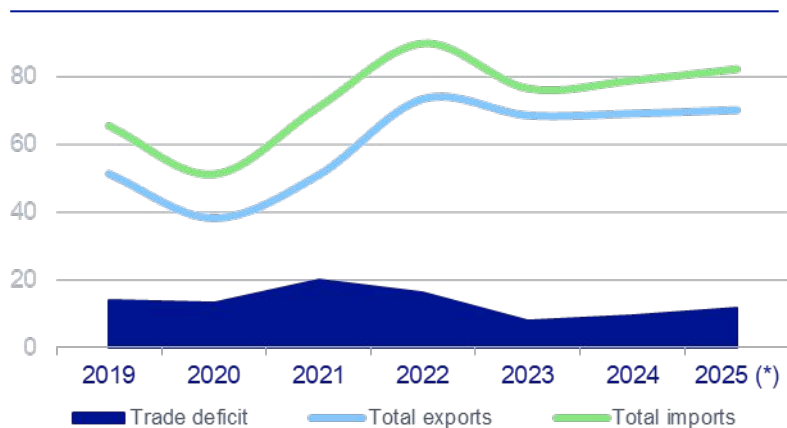


'Non-traditional' income: locally channeled public contracts, external (services/streaming).

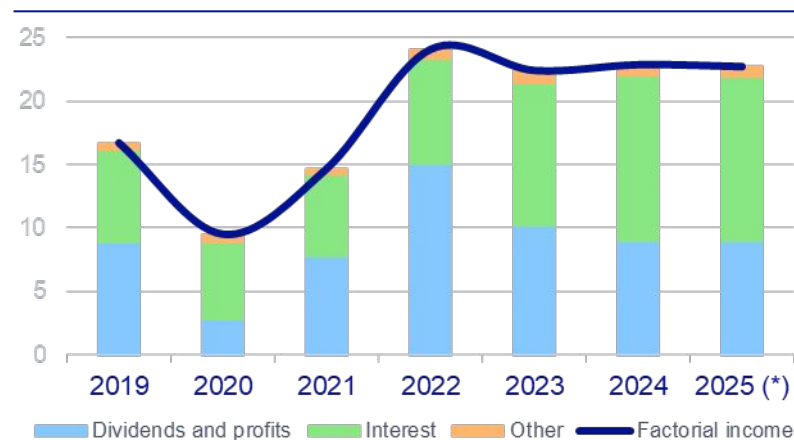


Strong domestic demand boosted imports and widened the trade deficit

TRADE BALANCE
(BILLION DOLLARS)



FACTOR INCOME OUTFLOWS
(BILLIONS OF DOLLARS)

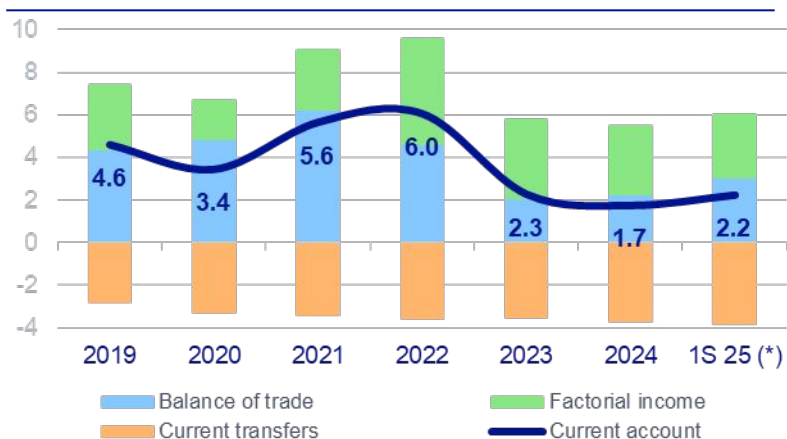


(*) Corresponds to the aggregate figures running from the third quarter of 2024 to the second quarter of 2025
Source: BBVA Research based on data from Banco de la República.

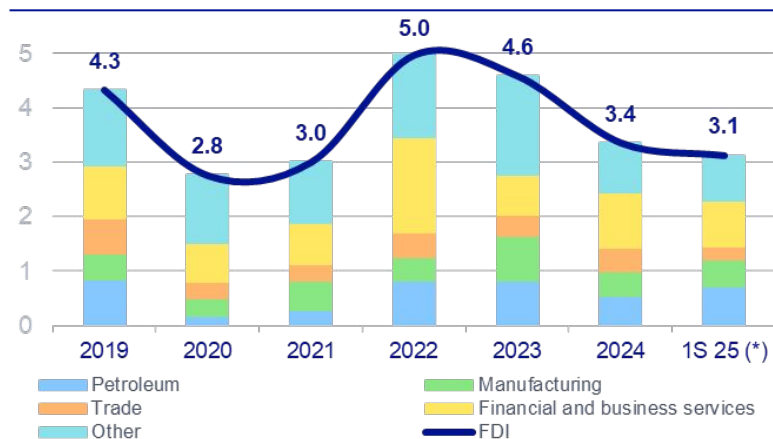
Factor income outflows in the current account decreased due to lower dividends and profit reimbursements, but the increase in interest payments partially offset this fall

Despite the weakening trade balance, the current account deficit widened slightly due to a smaller factor income deficit

CURRENT ACCOUNT & COMPONENTS
(% OF GDP)



FOREIGN DIRECT INVESTMENT INCOME
(% OF GDP)

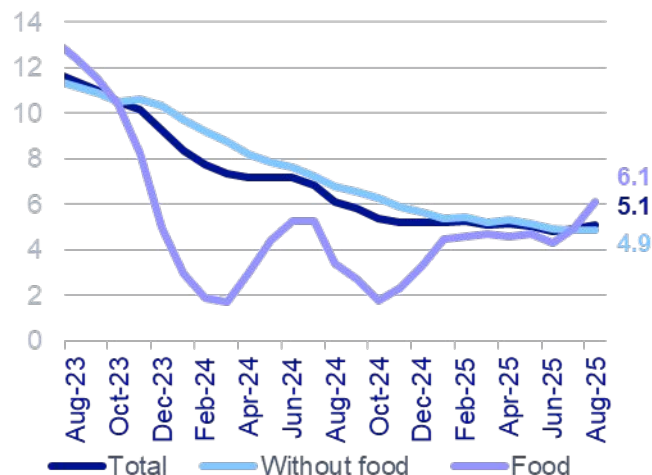


(*) Corresponds to the aggregated figures for the first half of 2025 relative to the GDP for the period
Source: BBVA Research, based on data from Banco de la República.

FDI inflows continue to finance the current account deficit. Investment in financial and business services has offset the decline in the oil and extractive sector

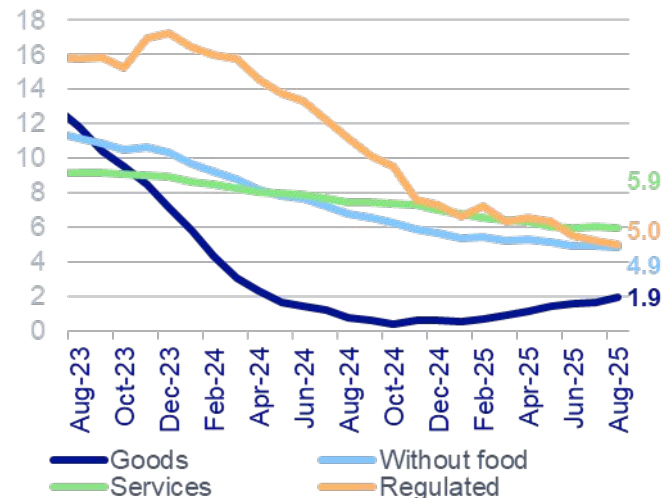
Persistent inflation: sticky services, with food prices on the rise

INFLATION: MAIN BASKETS
(ANNUAL CHANGE, %)



Source: BBVA Research with DANE data.

INFLATION WITHOUT FOOD: COMPONENTS
(ANNUAL CHANGE, %)



Source: BBVA Research with DANE data.

03. The fiscal front is a key concern: a necessary adjustment

Fiscal environment

Fiscal policy has come to the center stage in Colombia: It is currently the variable where most focus is placed

Expenditure has risen, despite adjustments in investment

Public expenditure has grown strongly over the decade: Fuel Price Stabilization Fund (FEPC), health, and interest rates on the rise. In terms of GDP, the government spent 23.2% in 2024, compared with 18.7% in 2019. Cutbacks in investment failed to offset this, and total spending and primary spending remain high.

Income rising, but still falling short

While National Government (GNC) income has risen, it continues to trail expenditure. As a percentage of GDP, it has moved from 16.2% (2019) to 16.5% (2024), despite three tax reforms

Primary fiscal balance and debt deteriorate

The primary deficit widened to reach 2.4% of GDP in 2024, after a more balanced print in 2023. Net debt is around 60% of GDP (48.4% in 2019; 36.7% in 2014) and its financing became more expensive in a non-investment grade environment: interest payments stood at 4.4% of GDP in 2024.

Higher spending than revenue, along with rising interest costs, are currently constraining fiscal space.

The relentless increase in expenditure, with revenues climbing more slowly, is pushing up the nation's deficit, debt and borrowing costs. This reduces the scope for reallocating resources, competes with households and businesses for financing, and moves further away from a sustainable path, which is a public good.

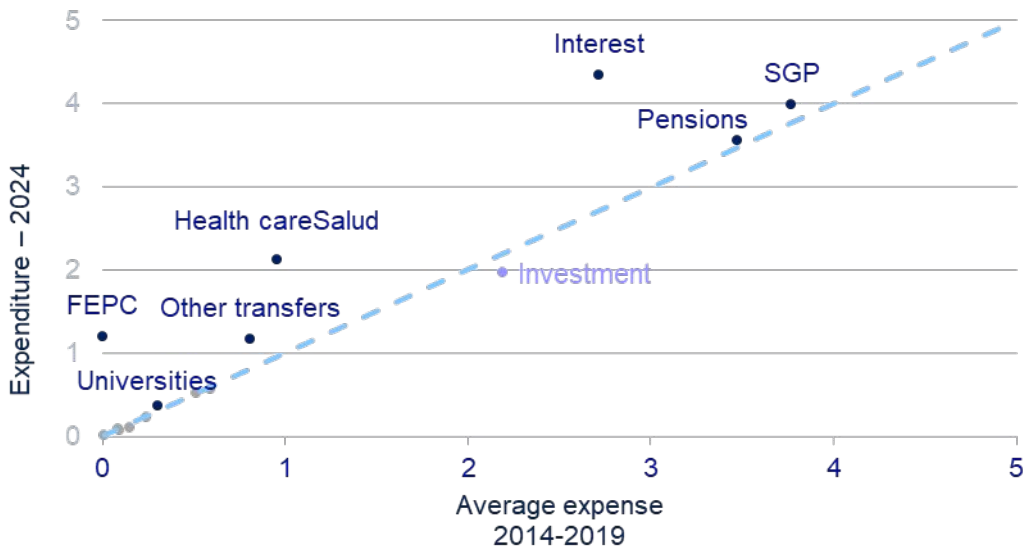
The country must decide on the scale of the expenditure it can sustainably fund and be efficient: fiscal sustainability should be an asset for Colombia

Government expenditures have risen significantly

In 2024, most government expenditure items rose relative to 2014–2019, driven in part by substantial interest payments.

Investment, the most flexible type of spending, was scaled back

CENTRAL NATIONAL GOVERNMENT EXPENDITURES BY TYPE, 2014–2019 AVERAGE AND 2024 (% OF GDP)

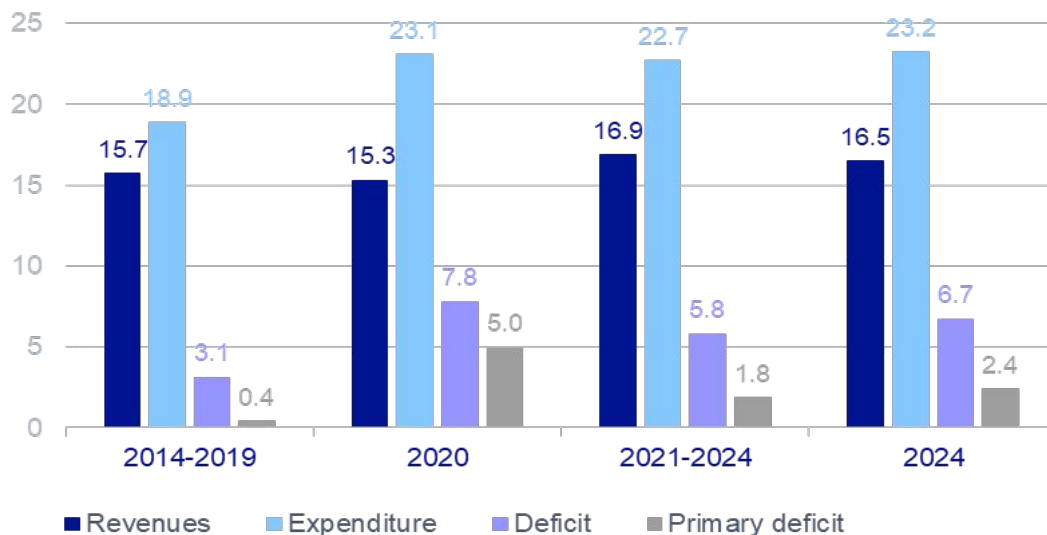


Source: BBVA Research with data from the Ministry of Finance.

Expenditure and the fiscal deficit are high

In 2024, the deficit widened to climb above the 2021–24 average, a period that had already doubled the levels seen earlier in 2010–19. Spending also increased significantly—especially primary spending

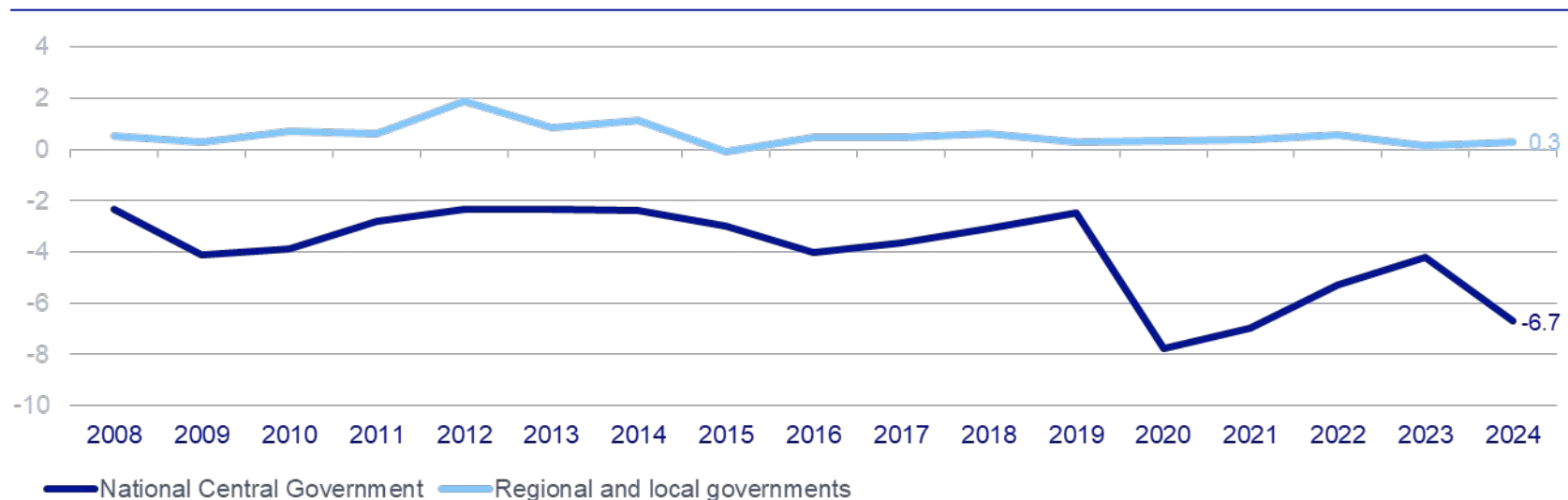
REVENUES, EXPENDITURE AND DEFICIT OF THE CENTRAL NATIONAL GOVERNMENT (% OF GDP)



(*): Government scenario for 2025 and 2026; based on the 2025 Medium-Term Fiscal Framework for 2025 and the National General Budget for 2026. Source: BBVA Research based on data from the Ministry of Finance.

Surpluses at the regional and local level attenuate the deficit for the General Gov., mainly driven by the Central Gov.

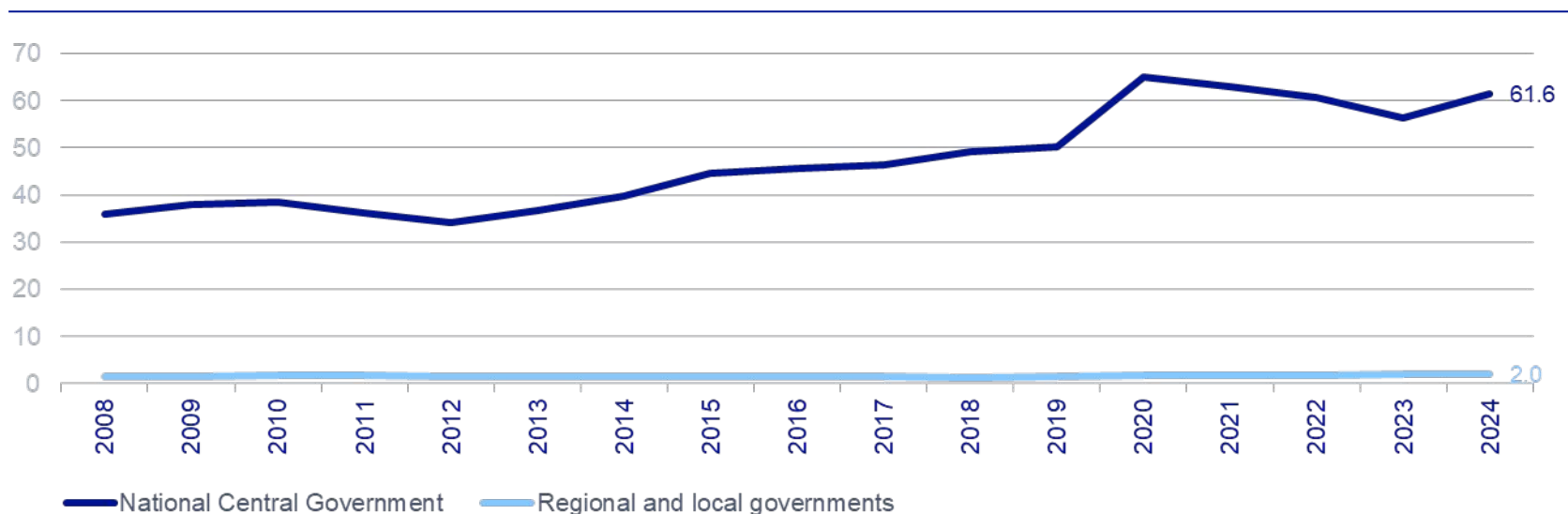
BALANCE OF THE NATIONAL CENTRAL GOVERNMENT AND REGIONAL AND LOCAL GOVERNMENTS
(% OF GDP)



(*): General Government comprises regional and local governments, social security bodies, and the rest of the central government.
Source: BBVA Research, based on data from the Ministry of Finance.

In 2024, the debt of territorial governments was low, at 2% of GDP, compared with 61.6% for the central government

GROSS DEBT OF THE NATIONAL CENTRAL GOVERNMENT AND OF REGIONAL AND LOCAL GOVERNMENTS
(% OF GDP)



(*): General Government comprises regional and local governments, social security bodies, and the rest of the central government.
Source: BBVA Research, based on data from the Ministry of Finance.

Fiscal deficit could exceed official estimates in 2025-26. Uncertainty on revenues and expenditure adjustments

2025: lower income and high expenditure exert pressure on the deficit

Tax revenue is expected to be lower than officially assumed, while primary expenditure is expected to remain above its recent trend. With this combination, the total deficit could be higher than the official forecast.

2026: fiscal outcome uncertain and dependent on key decisions

The fiscal balance is hard to predict and will depend on the tax reform (approval, scope, and timing), spending discipline, revenue dynamics, and the cost of debt. As a result, the deficit may improve or widen, but will remain high in either case.

The fiscal rule will be suspended until 2027, but the adjustment has to start right away

Sustained stronger primary results will stabilize debt. With the rule suspended, such a path would serve to anchor credibility: healthier markets, lower rates, and with lasting effects on current financing transactions.

The fiscal path will remain under strain and any improvement will depend on achieving revenues and effectively adjusting primary spending.

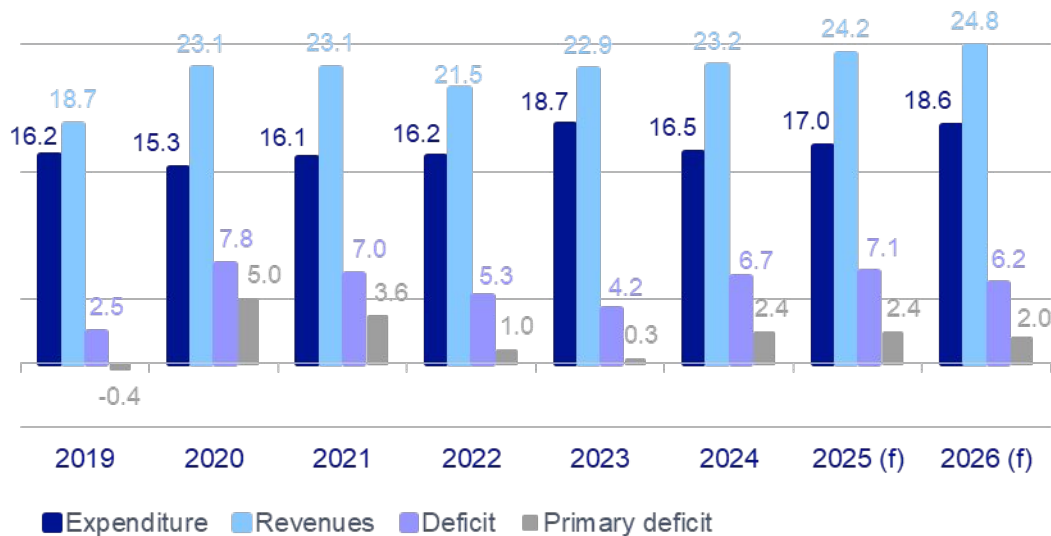
With lower-than-expected tax revenues and spending set to remain high, the deficit will likely exceed the official benchmark unless new revenue sources materialize and/or spending growth slows.

In the absence of reforms or spending restraint, the deficit will remain high; with new revenue and primary balance discipline, the path will gradually move toward a more sustainable position

Spending growth continues and the fiscal deficit will remain high

In 2026, the fiscal deficit is expected to exceed the Government's estimate, due to an overestimation of revenue carried over from 2025. Based on official figures, the 2026 deficit would be 2.5 times that of 2019.

NATIONAL CENTRAL GOVERNMENT REVENUE, EXPENDITURE AND DEFICIT – OFFICIAL FIGURES – (% OF GDP)



(*): Government scenario for 2025 and 2026; based on the 2025 Medium-Term Fiscal Framework for 2025 and the National General Budget for 2026. Source: BBVA Research, based on data from the Ministry of Finance.

From this point forward: fiscal priorities for the country in terms of expenditure and revenue

Expenditure

SUSTAINABLE EXPENDITURE

Expenditure path compatible with permanent revenue growth and responsible primary balance.

EFFICIENT EXPENDITURE

More value per public peso: targeting and evaluating programs, eliminating overlaps, regressivity, and leakages, and improving execution so that expenditure yields better results.

INVESTMENT MATTERS

Public investment should not serve as the automatic adjustment item for government expenditure. Safeguarding projects with high social returns and productive spillovers; prioritizing and ensuring agile execution.

Revenues

COMPARISON WITH OECD

Colombia collects most of its tax revenues via companies and VAT; personal income has a fairly narrow base. In the OECD, personal taxes generate more tax revenue than corporate taxes.

TOWARD THE OECD STRUCTURE

Broadening the personal income tax base with progressivity and better compliance; easing the burden on businesses; simplifying VAT, with fewer tariffs and targeted rebates; and coordinating between national and local authorities (property tax, ICA) to reduce distortions.

TAXABLE BASE

The country needs a new national agreement on who and what is taxed.

04. Investment will relay gradually consumption; inflation will remain sticky

Where are we heading?

Domestic demand will continue at center stage: gradual shift to investment; construction and exports gain momentum

Domestic demand: Consumption leads today, investment takes over tomorrow

Private consumption will continue to drive activity, although it will slow, especially in goods, while services will pick up. Investment will take the lead as construction normalizes and machinery and equipment growth remains robust, albeit slowing slightly.

Housing will pick up again, a broad-based recovery

The indicators point to a healthier housing market: home sales on the rise (since 2024), building permits growing (since early 2025), and household savings improving. This will boost related manufacturing subsectors, making the recovery broader and more sustained.

External sector and public expenditure: Higher net contribution

Despite the threat of US tariffs, exports may well grow: Colombia was handed fairly low tariffs, with nearly half of shipments to that market exempted. Moreover, public spending could remain high in 2026, buoyed by a faster pace of execution by local governments in their third year in office.

Projection: growth is rebalancing and GDP is steadily converging towards its potential level

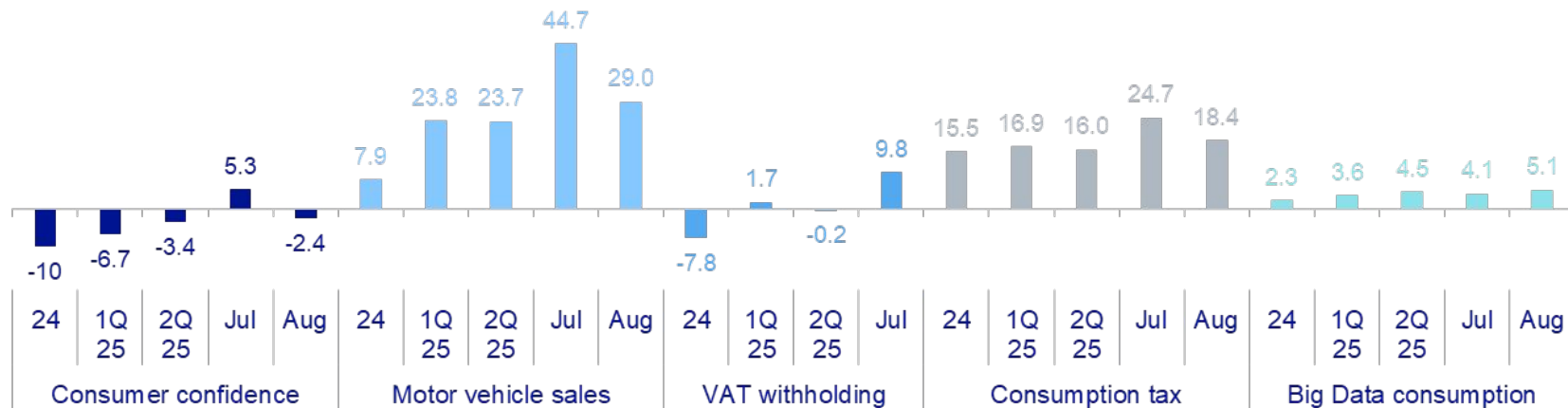
Domestic demand will continue to lead the way, although its gap with GDP will narrow due to **slower growth in goods consumption**, stronger **investment** (construction and machinery), and an improved performance by exports. The gradual normalization of the construction sector is providing a welcome boost to related **manufacturing and making the expansion** a more balanced affair across sectors.

Domestic demand will remain dominant and investment will rally, with the housing market steadily recovering and exports contributing more: With this broad composition, GDP will approach its potential growth

Leading indicators continue to show momentum in consumption

LEADING CONSUMPTION INDICATORS

(BALANCE OF RESPONSES—FOR SENTIMENT ONLY—AND REAL ANNUAL CHANGE, %)



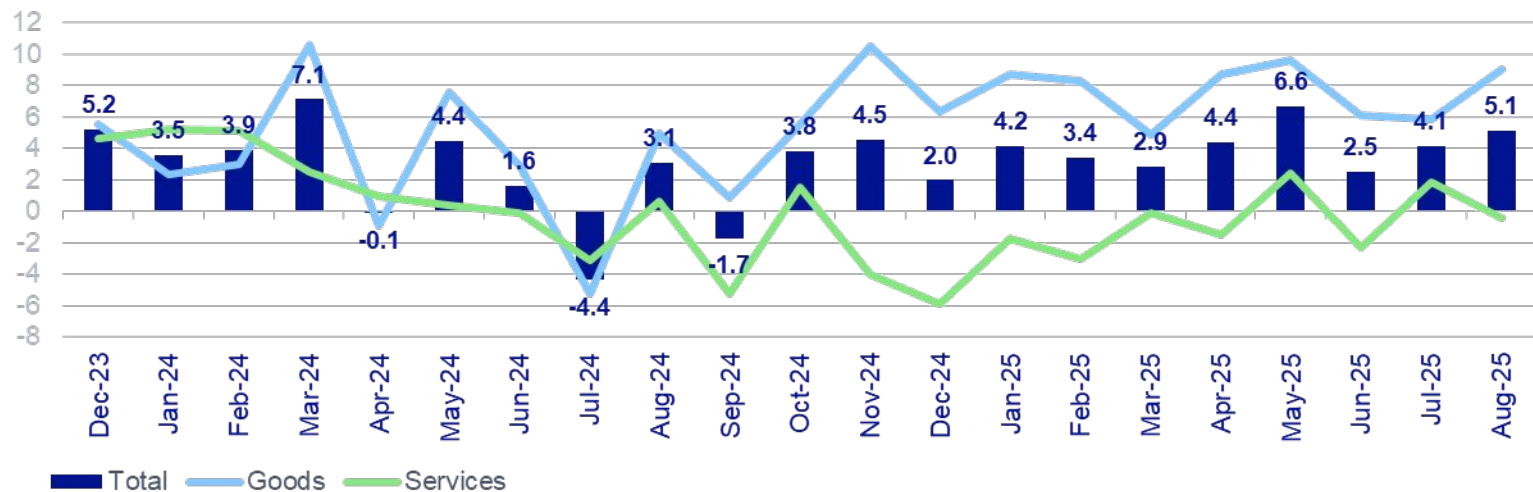
source: BBVA Research, with data from Fedesarrollo, Fenalco, ANDI, DIAN, DANE and BBVA Colombia.

The upturn has been largely seen in durable goods, but is beginning to extend to services; declining sentiment and its future path will be crucial for this trend to continue

High-frequency data from BBVA Research point to a robust consumption dynamic, especially in goods

BBVA RESEARCH INDICATOR *BIG DATA CONSUMPTION TRACKER*

(REAL ANNUAL CHANGE, %)

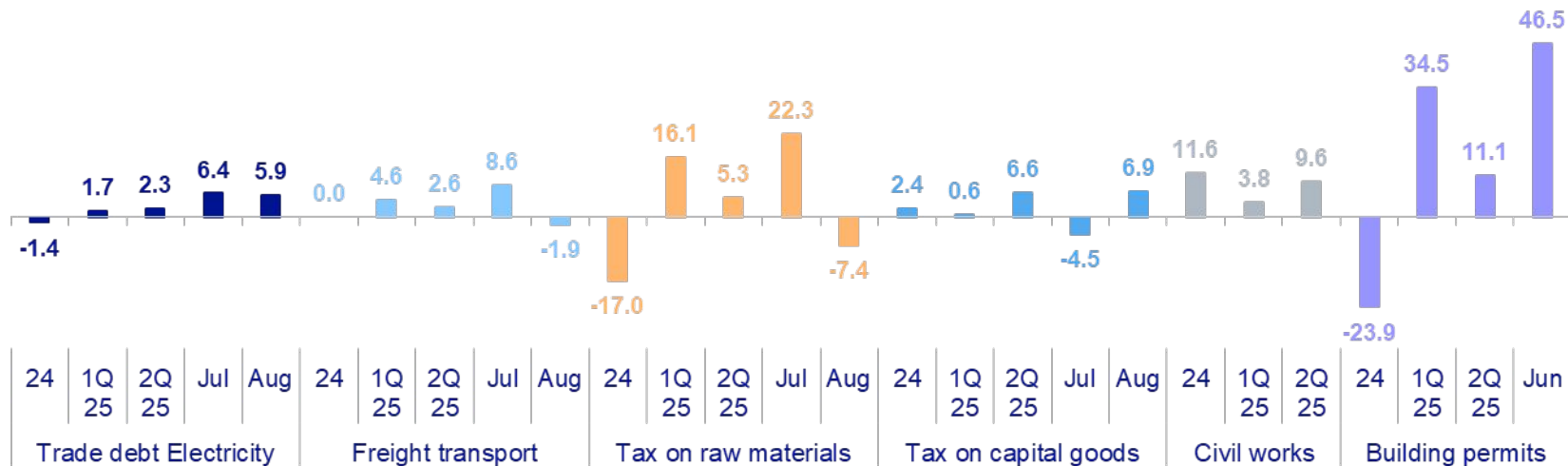


(*): Data up to August 2025.
Source: BBVA Research, with transactional data from BBVA Colombia.

Signs of improvement in construction: capital and raw materials investment supporting dynamic with fluctuations

LEADING INVESTMENT INDICATORS

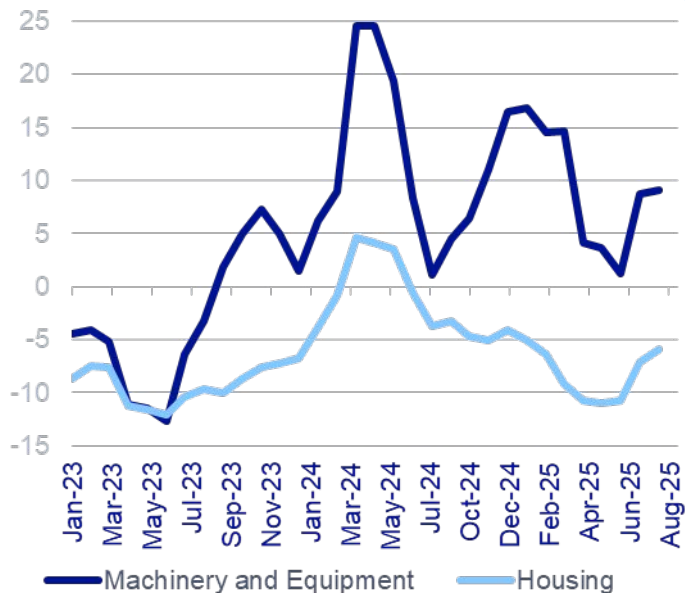
(REAL ANNUAL CHANGE, %)



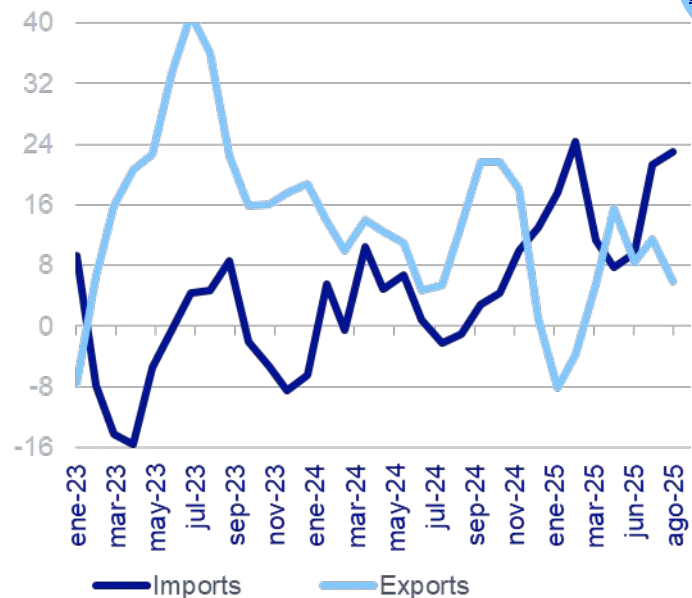
Source: BBVA Research, with data from XM, Ministry of Transport, DANE, and DIAN.

BBVA Research high-frequency data: machinery leads, housing begins to recover, and the trade deficit increases

BBVA RESEARCH *BIG DATA INVESTMENT TRACKER* (REAL ANNUAL CHG., MOVING QUARTERLY, %)



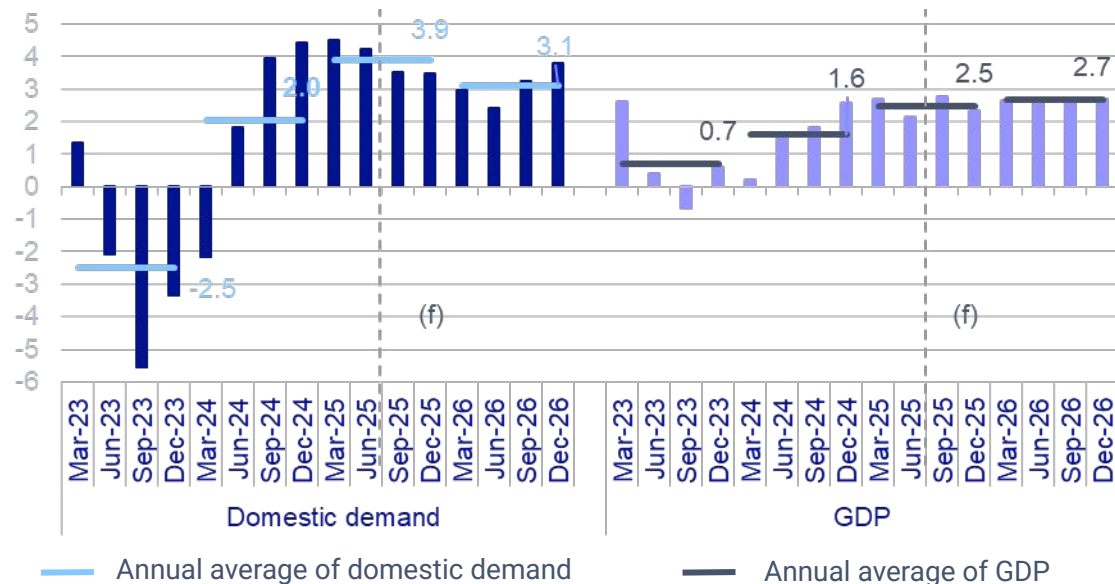
BBVA RESEARCH *BIG DATA EXTERNAL TRACKER* (REAL ANNUAL CHG., MOVING QUARTERLY, %)



Domestic demand to lead gradual GDP expansion

In 2026, domestic demand will slow, following several quarters of growth well above output, reflecting a normalization of its growth rates

GDP AND DOMESTIC DEMAND: COMPONENTS (REAL ANNUAL CHANGE, %)

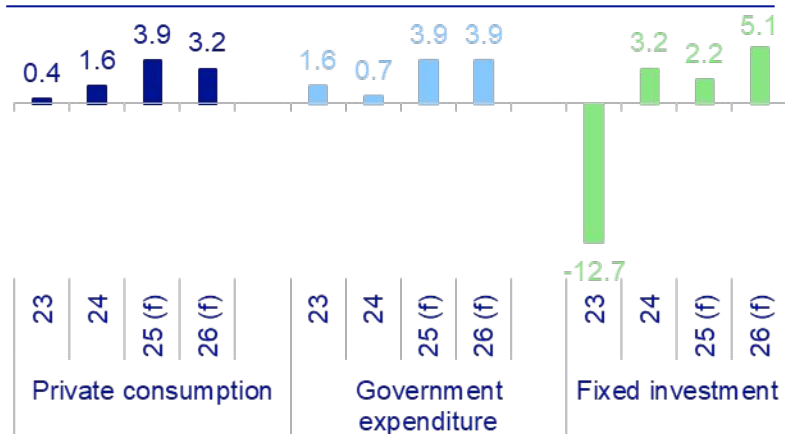


(f): BBVA Research forecasts.
Source: BBVA Research, based on DANE data.

Gradually, consumption will give way to investment

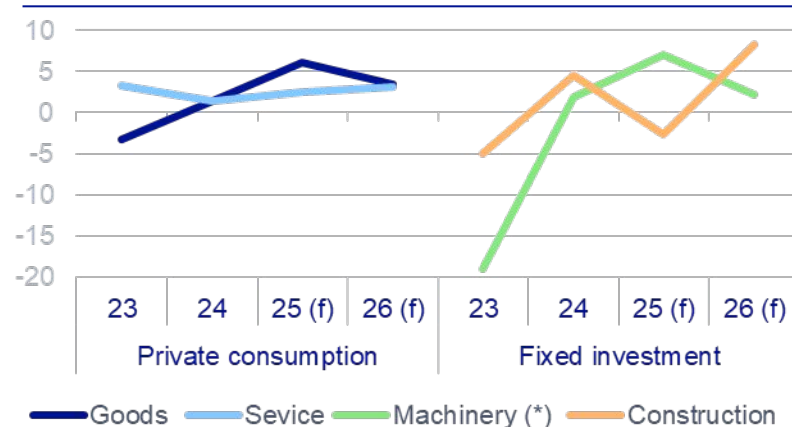
CONSUMPTION AND INVESTMENT

(REAL ANNUAL CHANGE, %)



PRIVATE CONSUMPTION AND INVESTMENT: COMPONENTS

(REAL ANNUAL CHANGE, %)

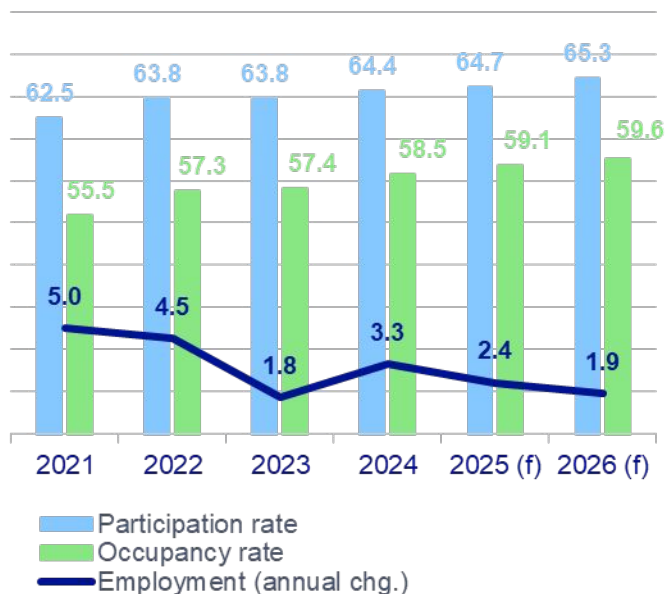


(f): BBVA Research forecasts.
Source: BBVA Research, based on DANE data.

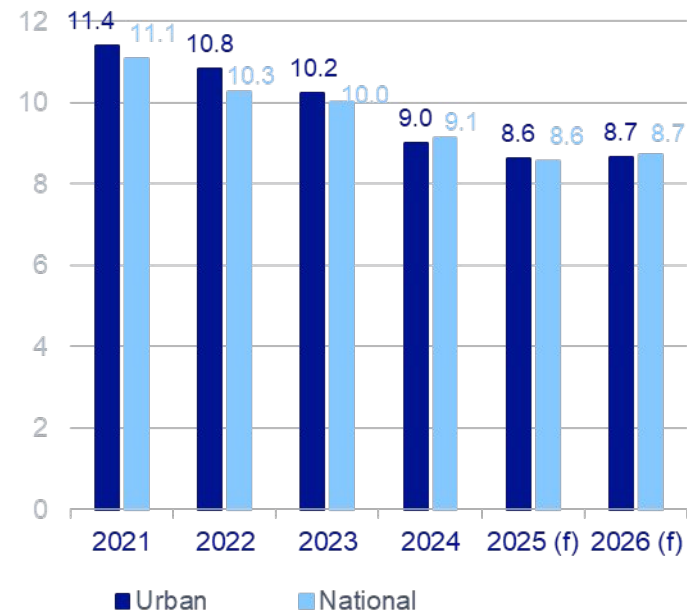
The shift will also take place within private consumption, with goods slowing and services improving, and within investment, where construction will play an increasingly important role

High labor force participation may slow the decline in unemployment, even amid strong job creation

NATIONAL LABOR MARKET (% ANNUAL CHANGE, % OF POPULATION OF WORKING AGE)



URBAN AND NATIONAL UNEMPLOYMENT RATE (% OF LABOR FORCE)



Inflation will ease slowly: services and indexation will exert pressure; administered items to add persistence

Demand for services will continue to support inflation stickiness

Slower growth in goods will relieve part of the pressure, although the stronger performance of services, coupled with persistently high labor costs, will lead to a gradual decline in non-tradable items.

High real minimum wage increase will prolong the existing momentum

The high real minimum wage adjustment and the resulting indexation will increase pressure on services and other non-tradables. These mechanisms will continue to push up inflation, even in an environment of more contained external costs.

Alert factors

Administered prices: further updates will keep inflation sticky.

Energy and gas: lower domestic supply could raise costs and trigger second-round effects.

Exchange rate: expected depreciation will make imports and durables more expensive.

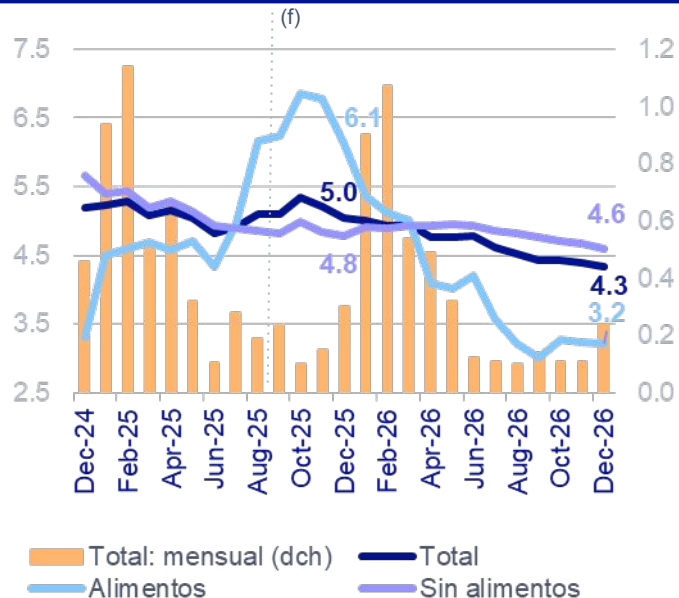
Inflation will remain outside the target range in 2025 and 2026. As a result, Colombia will make it 6 years running without meeting the 2–4% target band

Scenario of slow disinflation conditional on various factors: rigidities in services, indexation, and regulated items will steer the course, while goods will provide only partial relief

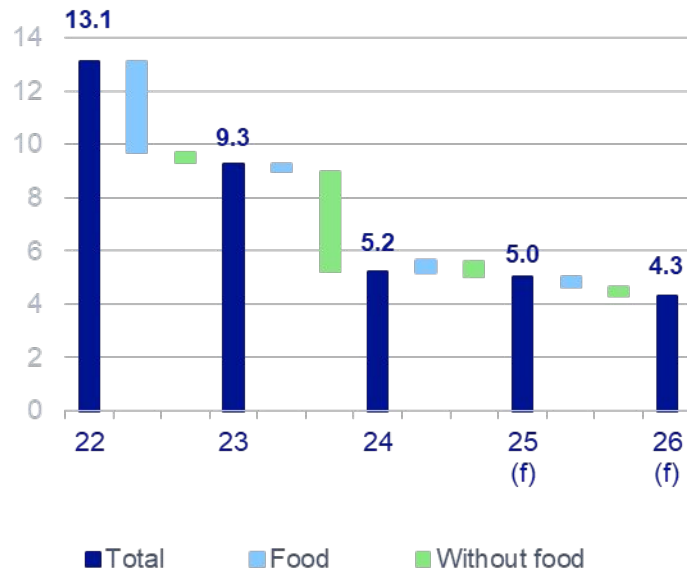
Inflation will continue to ease, albeit more slowly

INFLATION: MAIN BASKETS

(ANNUAL AND MONTHLY CHANGE, %)



ANNUAL INFLATION: CONTRIBUTION OF COMPONENTS IN BRINGING DOWN INFLATION (%)



(f): BBVA Research projections
 Source: BBVA Research, with data from DANE

Current account: higher deficit due to domestic demand; FDI will cover financing and remittances will cushion

Domestic demand will widen the trade deficit

Strong domestic spending should drive imports of consumer and capital goods faster than exports, which are not expected to play a major role. The trade balance steadily worsen against this backdrop.

Primary income shows a larger deficit; remittances continue to offer a buffer

Heightened activity will drive profit remittances abroad, while a higher debt stock will push up interest payments, thus widening factor income outflows. Remittances will continue to partially offset the deficit, albeit with remittances from the United States slowing.

FDI finances the deficit; reserves remain robust

External financing will be shored up by FDI, with opportunities in agriculture, trade, manufacturing (as production improves), mass public transport, and services. International reserves will remain at comfortable levels and act as a buffer.

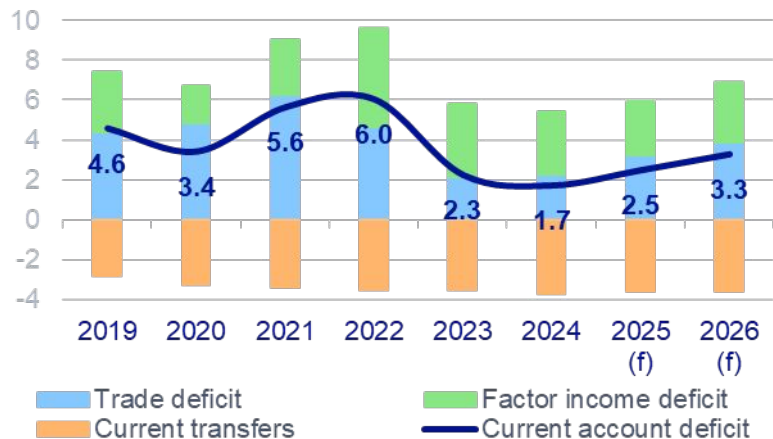
The current account will grow, financed mainly by FDI and supported by adequate reserves.

Stronger domestic demand is driving imports, with exports failing to offset this, and factor income outflows are increasing. Remittances are easing the imbalance, while FDI, supported by non-extractive sectors, along with sufficient reserves, will sustain the Colombia's financing capacity.

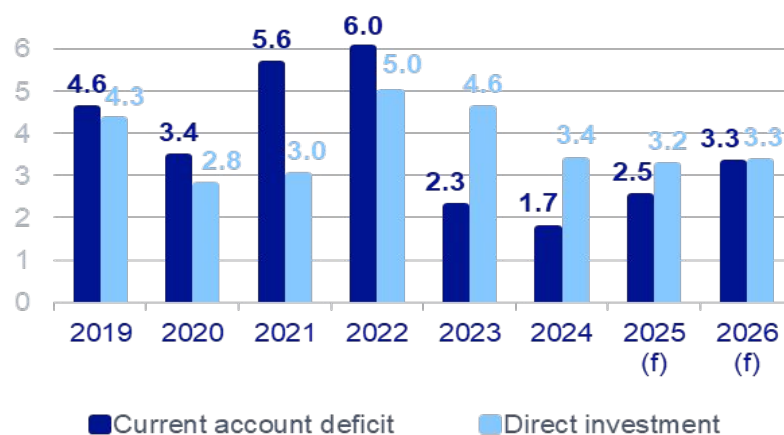
Stronger domestic momentum will create external pressures; the financing mix (more FDI, lower dependence on volatile liabilities) and the reserve buffer will be key to maintaining this resilience

The current account deficit is expected to expand, driven by a worsening trade balance and increased outflows of profits and dividends

CURRENT ACCOUNT DEFICIT: COMPONENTS
(% OF GDP)



CURRENT ACCOUNT DEFICIT AND FDI
(% OF GDP)



(f): BBVA Research projections
Source: BBVA Research, with Bank of the Republic data.

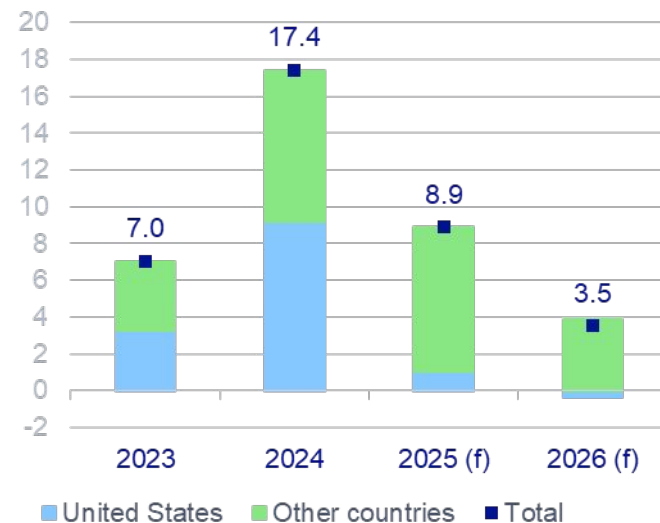
The largest external imbalance will be financed mainly by FDI, with remittances acting as a buffer, thus reducing dependence on volatile flows

Demand-driven imports are widening the deficit, with rising remittances only partially mitigating this

TOTAL EXPORTS AND IMPORTS (BILLIONS OF DOLLARS)



ENTRY OF REMITTANCES (ANNUAL CHANGE CONTRIBUTION, %)



(f): BBVA Research projections
Source: BBVA Research, with Bank of the Republic data.

BanRep will exercise caution: the speed of reduction in inflation and evolution of the fiscal deficit will set the pace

BanRep balance with eyes set on inflation stickiness

The BanRep will require relevant and persistent signals of inflation and expectations moderation before restarting rate reductions. Will avoid to undertake decisions that could be reversed if inflation surprises.

Strong activity: careful calibration so as not to over-boost demand

With consumption and the labor market still strong, along with a gradual deterioration of the current account, BanRep will pace its monetary easing cycle so as not to over-stimulate demand. It will take a steady course forward and look closely at the real rate and the pass-through to credit and spending.

Fiscal challenges

High fiscal deficits, total and primary, exert pressure on demand, causing potential inflationary risks.

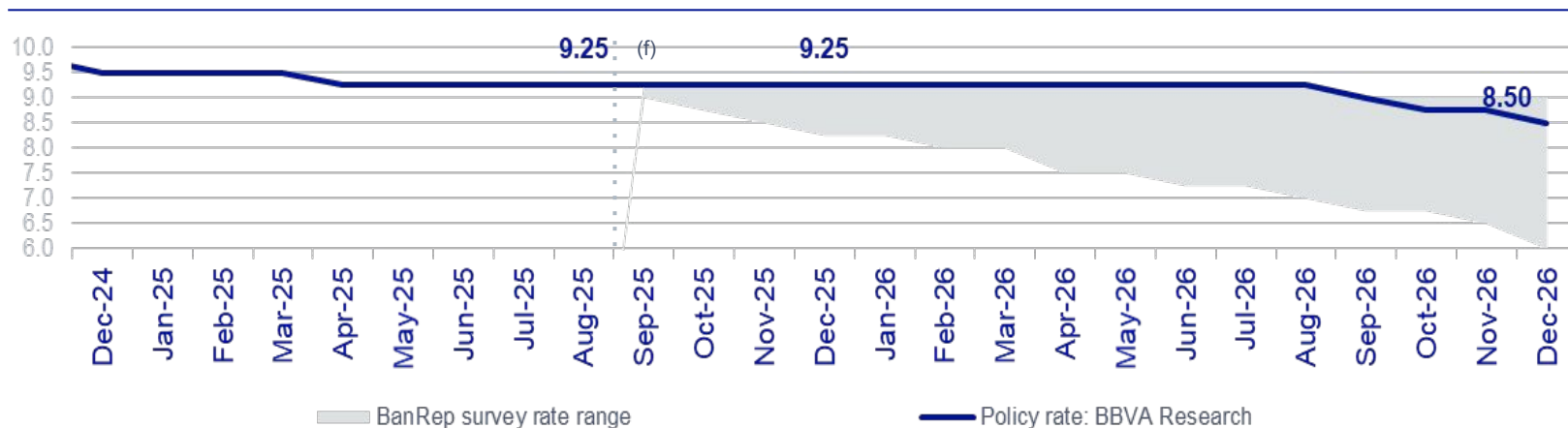
Potential effects of the wide deficits and its financing capabilities, can cause tensions in financial assets, risk premia and the exchange rate, conditioning the capacity of reaction of the monetary policy

Prolonged period of stability, awaiting for relief signals on the inflationary and fiscal fronts. Possible restart of the reduction cycle late next year.

Prudent and data-dependent monetary policy: for BanRep to pick up the pace, it will need to see clear evidence and a more favorable environment for fiscal and inflationary variables

BanRep will resume its rate cuts once core inflation comes down

MONETARY POLICY RATE (%)



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

As a result, the rate will close 2025 at 9.25% and will remain there until the latter part of next year, when further rate cuts will bring it down to the 8.50% mark by year-end.

The Fed's policy shift and government financing support a strong COP in the short run; fundamentals will weaken it down the line.

Observed signals that condition the short term

The Fed's change of tone weakened the global dollar; locally, the government's external financing operations are progressing, creating room for monetization. A more cautious stance by BanRep relative to the Fed supports a relatively stronger COP.

Volatility: increased sensitivity of the COP to fiscal factors

The sensitivity of the COP may exceed that of other emerging economies due to a relatively high fiscal deficit and more reactive risk premiums. Upswings and downswings in the dollar, coupled with global shifts in risk appetite, could be amplified in the COP.

Medium term: fundamentals conducive to depreciation

Further down the line, the exchange rate will have to contend with depreciation pressures due to the widening current account deficit, the completion of the government financing operations, and the local political cycle, which could raise risk premiums and market sensitivity.

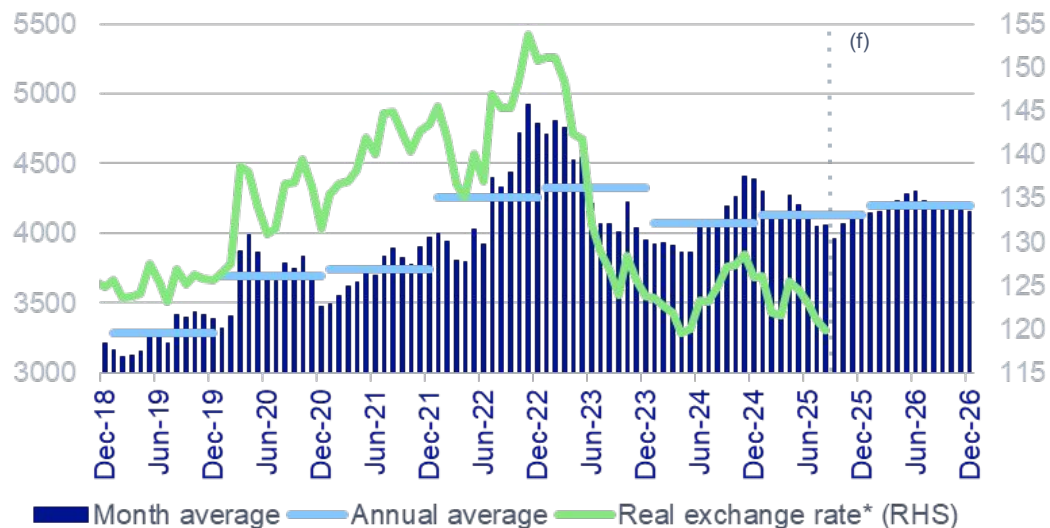
Two-phase path forward: strength in the short term, supported by flows and external sentiment, followed by gradual depreciation as and when fundamentals prevail.

The COP will remain sensitive to the schedule of monetizations, any unexpected developments in the current account, and political uncertainty; the global dollar trend will slow the pace of any forward momentum

A contained depreciation of the Colombian peso is expected against both the dollar and the euro

NOMINAL AND REAL EXCHANGE RATE

(MONTHLY AND ANNUAL AVERAGE, PESOS PER DOLLAR)



	Period average		End of period	
	Level	Chg. (%)	Level	Chg. (%)
vs. Dollar (PESOS PER DOLLAR)				
2024	4,074	-5.8	4,386	10.9
2025 (f)	4,130	1.4	4,150	-5.4
2026 (f)	4,200	1.7	4,150	0
vs. Euro (PESOS PER EURO)				
2024	4,406	-5.8	4,588	6.3
2025 (f)	4,674	6.1	4,882	6.4
2026 (f)	5,023	7.5	5,049	3.4

(f): BBVA Research projections; (*): Real exchange rate based on non-traditional trade weights and deflated with the PPI
Source: BBVA Research with data from BanRep

05. Challenges of the next government: what can it achieve in its first 100 days?

Challenges

Proposals for the first 100 days of the government

Topic	Proposal 1	Proposal 2	Proposal 3	Proposal 4	Proposal 5
Reactivation and investment	Unblock top-50 projects (infrastructure/energy/housing) with a 24/7 committee, traffic light system, and performance goals.	Prompt payment to State suppliers to boost the cash flow of companies.	One-stop shop for licenses and permits for maintenance and extensions already approved.	Express housing plan: subsidies and agile permitting for authorized land.	Credit guarantees (working capital for 12 months), with development banking.
Fiscal order and transparency	Austerity decree: freezing new positions, per diems, non-essential purchases, among others.	Monthly Fiscal Dashboard: expenditure, revenue, primary balance, and interest (open data).	Cash flow traffic light system: monthly spending caps, triggering automatic freezes if cash receipts decline.	Strengthen execution capabilities with planning and managerial targets. Monitor evolution, with defined responsibilities and early alerts	
Employment and formal labor	Bonus for formal hiring of young people and women (funded through reallocations).	Support for first-time employment: co-financing six months of contributions for young people and women in new formal hires.	Integrated National Employment Exchange: SENA + governments + private agencies + sectoral (public works, energy, services).	Female employment with childcare support: childcare bonus and expanded slots/hours at ICBF.	
Productivity and country cost	24/7 ports and customs service: coordinated and digital inspection based on risk management.	Pick up the pace with transmission lines and critical maintenance.	Review the 50 most costly procedures for companies.	Public procurement with local value: points awarded for industrial linkages and verifiable domestic content.	"Fast-track" licensing for industrial expansions where the facility's environmental footprint or location remains unchanged.

6.

Appendix

Colombia: Annual economic forecasts

	2021	2022	2023	2024	2025 (f)	2026 (f)
GDP (% y/y)	10.8	7.3	0.7	1.6	2.5	2.7
Private consumption (% YoY)	14.7	10.8	0.4	1.6	3.9	3.2
Public consumption (% YoY)	9.8	1.0	1.6	0.7	3.9	3.9
Fixed investment (% YoY)	16.7	11.5	-12.7	3.2	2.2	5.1
Inflation (% YoY, EOP)	5.6	13.1	9.3	5.2	5.0	4.3
Inflation (% YoY, average)	3.5	10.2	11.7	6.6	5.1	4.7
Exchange rate (EOP)	3,968	4,788	3,954	4,386	4,150	4,150
Depreciation (% , EOP)	14.4	20.7	-17.4	10.9	-5.4	0.0
Exchange rate (average)	3,744	4,256	4,326	4,074	4,130	4,200
Depreciation (% , average)	1.4	13.7	1.6	-5.8	1.4	1.7
Monetary policy rate (% , EOP)	3.00	12.00	13.00	9.50	9.25	8.50
Current account (% GDP)	-5.6	-6.0	-2.2	-1.7	-2.5	-3.3
Urban unemployment rate (% , EOP)	11.4	10.8	10.2	9.0	8.6	8.7

Colombia: Quarterly economic forecasts

	GDP (% YoY)	Inflation (% YoY, EOP)	Exchange rate (vs. USD, EOP)	Monetary policy rate (%, EOP)
Q1 23	2.6	13.3	4,761	13.00
Q2 23	0.4	12.1	4,214	13.25
Q3 23	-0.7	11.0	4,008	13.25
Q4 23	0.6	9.3	3,954	13.00
Q1 24	0.2	7.4	3,909	12.25
Q2 24	1.7	7.2	4,054	11.25
Q3 24	1.8	5.8	4,192	10.25
Q4 24	2.6	5.2	4,386	9.50
Q1 25	2.7	5.1	4,133	9.50
Q2 25	2.1	4.8	4,116	9.25
Q3 25	2.8	5.1	3,960	9.25
Q4 25	2.3	5.0	4,150	9.25
Q1 26	2.7	5.0	4,180	9.25
Q2 26	2.7	4.8	4,300	9.25
Q3 26	2.6	4.4	4,190	9.00
Q4 26	2.7	4.3	4,150	8.50

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