

DECEMBER 2025

Colombia 2026 - 2027: Between caution and impulse

Colombia Outlook

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1. The global economy is performing better than expected

Global

Main messages

The global economy remains unstable but is faring better than expected. The AI boom is boosting aggregate demand, adding to other tailwinds like fiscal stimulus, lower interest rates, financial wealth effects, and low energy prices. Together, they are offsetting the negative—but so far milder than expected—effects of protectionism, migration curbs, and uncertainty.



Global growth will likely be around 3.2% between 2025 and 2027—higher than previously anticipated, but slightly below the two-decade average. Growth is projected to stay near 2% in the US, slightly above 1% in the Eurozone, and to slow in China from 5% in 2025 to 4% in 2027. Short-term forecasts have been revised slightly upwards, mainly due to positive incoming data.



Inflation prospects remain broadly unchanged.

In the US, tariffs and other shocks will likely keep inflation near 3%, limiting the Fed's room to further cut rates. In the Eurozone, inflation is expected to stay around 2%, with no further monetary easing anticipated. In China, deflation concerns may prompt some (limited) rate cuts.



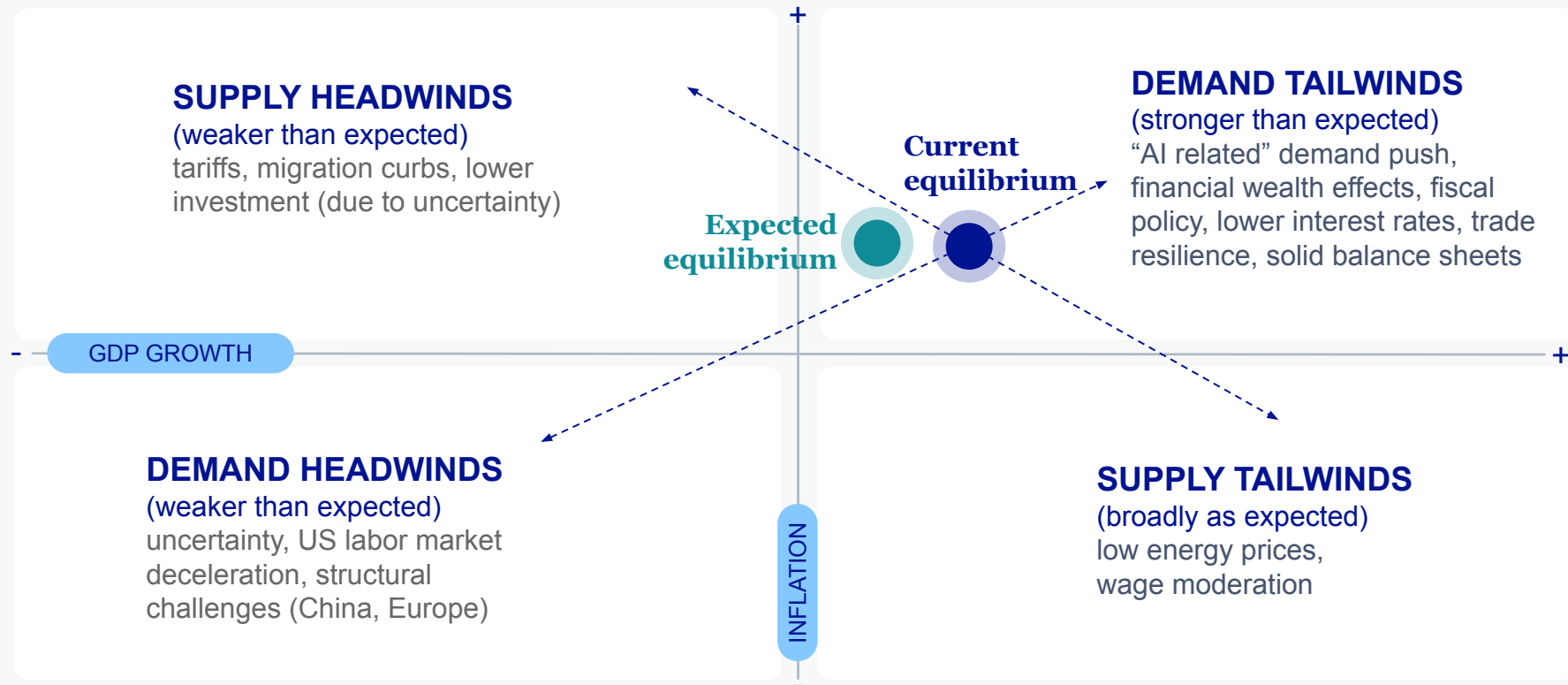
Risks are now somewhat more balanced.

Tariffs, migration policies, US policy uncertainty, and geopolitical tensions remain key concerns. However, upside risks linked to AI are growing. Beyond boosting demand, AI could eventually lift productivity. A stock market correction, however, remains a distinct possibility.



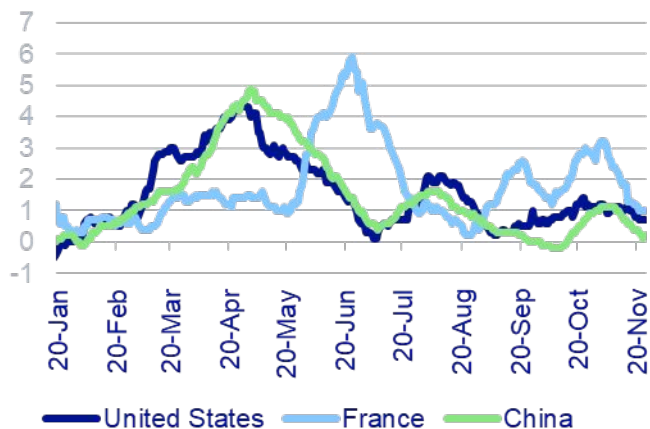
The global economy remains unstable, but is faring better than expected

GLOBAL ECONOMY: KEY DRIVERS OF THE CURRENT EQUILIBRIUM



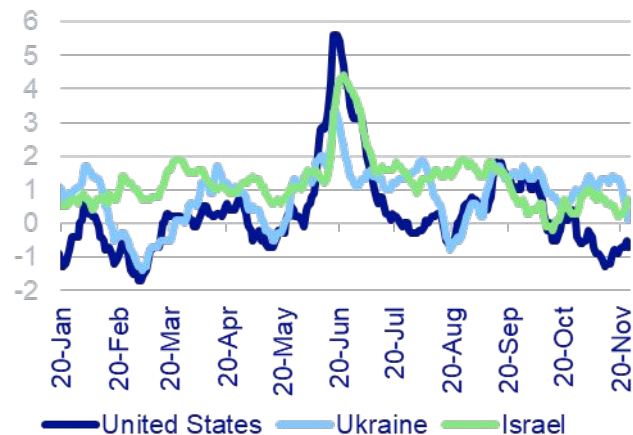
Supply and demand headwinds: uncertainty remains in place, despite recent signs of easing

ECONOMIC POLICY UNCERTAINTY INDEX: 2025
(HISTORICAL AVERAGE = 0; 28-DAY MOVING AVERAGE)



Source: BBVA Research

GEOPOLITICAL RISK INDEX: 2025
(HISTORICAL AVERAGE = 0; 28-DAY MOVING AVERAGE)



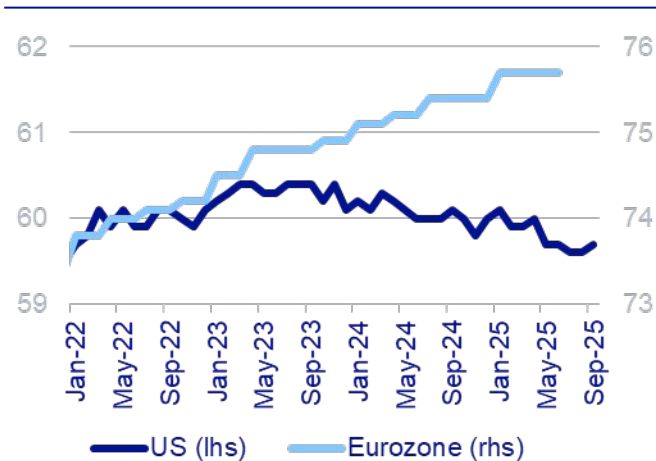
Source: BBVA Research

The US-China trade deal, US tariff cuts (mostly on some agricultural goods), the Gaza ceasefire, talks about a peace deal in Ukraine, among other factors, have contributed to reduce concerns on economic policies and geopolitics in the last few months

Demand headwinds: labor markets are losing steam, mainly in the US

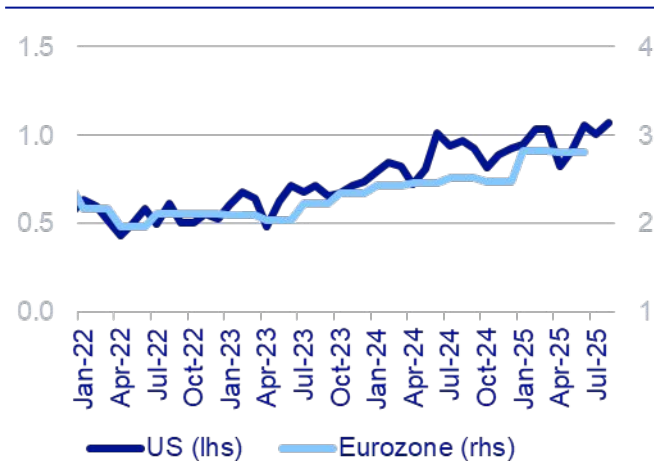
EMPLOYMENT-POPULATION RATIO (%)

(%)



UNEMPLOYED PERSONS PER JOB VACANCY (NUMBER OF PERSONS)

(NUMBER OF PERSONS)



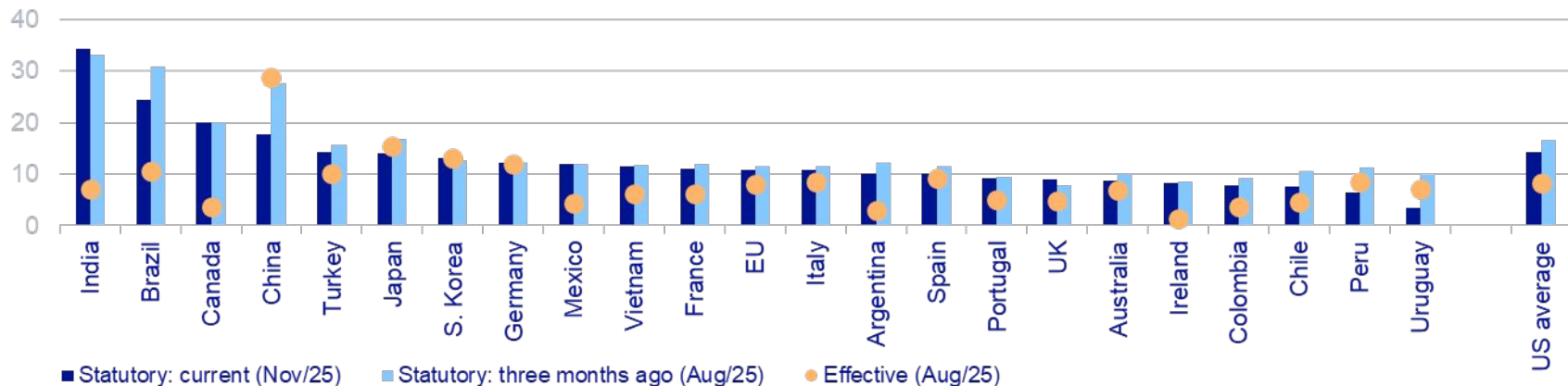
Source: BBVA Research based on data from Fred and Eurostat

Source: BBVA Research based on data from Fred and Eurostat

The unemployment rate has reached 4.4% in Sep/25 in the US, 1pp higher than the post-pandemic low, but still relatively low; in the Eurozone, it remains close to historical lows (6.3% in Sep/25)

Supply headwinds: US tariffs have recently declined, with effective rates in general below statutory levels

US STATUTORY AND EFFECTIVE TARIFFS: ESTIMATED INCREASE SINCE THE BEGINNING OF 2025 (*) (PP)



(*) Statutory tariffs: BBVA Research calculation following recent trade deals and US announcements. Based on general tariffs set for each country (reciprocal and/or fentanyl), specific tariffs on some sectors (steel, aluminum, automobiles, autoparts, pharma...) and exempted goods (selected electronics, oil...). Considering measures announced until November 26. Sectoral weights are calculated according to 2024 trade flows. Effective tariffs: BBVA Research calculations (total US tariff revenues divided by total US imports, by country) based on data from the USITC. Source: BBVA Research

US trade deals—including with China—and exemptions for some goods (mainly agricultural) imply lower tariff levels; yet uncertainty persists, mainly due to possible legal overruling of reciprocal and fentanyl tariffs

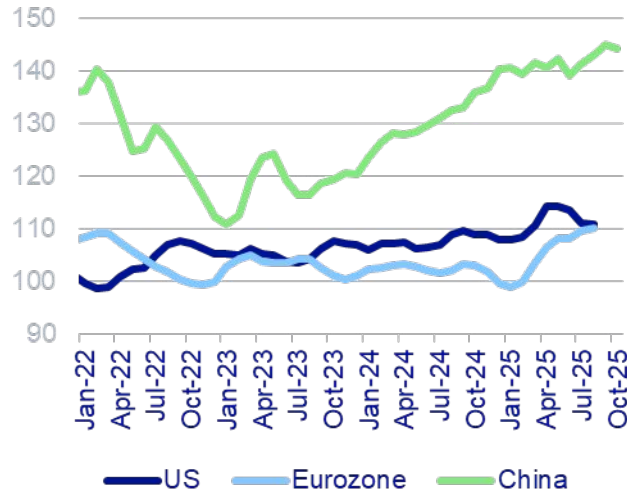
Demand tailwinds: global trade has surged ahead of tariffs; and it remains resilient despite moderation signs

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



Source: BBVA Research based on data from Haver

EXPORTS OF GOODS (VOLUME): US, CHINA AND EUROZONE
(4Q19=100; THREE-MONTH MOVING AVERAGE)

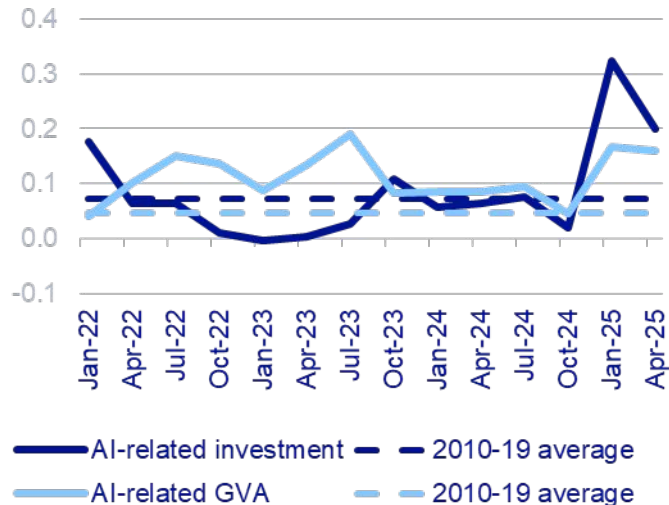


Source: BBVA Research based on data from Haver

Demand tailwinds: the AI boom is supporting US demand

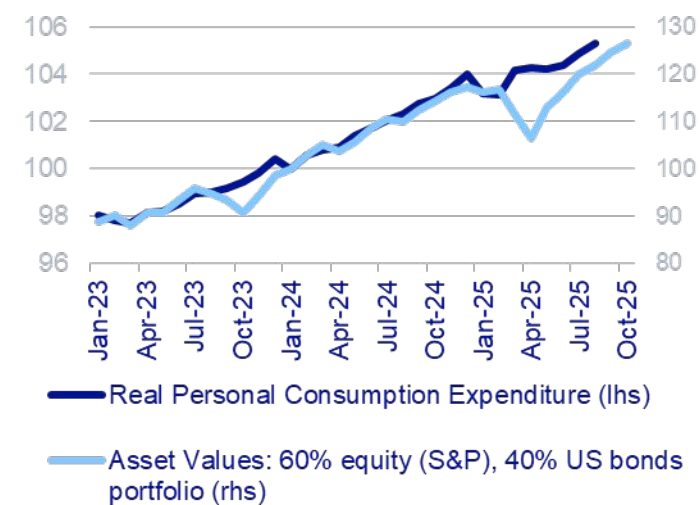
US: AI-RELATED INVESTMENT AND GROSS VALUE ADDED (GVA) (*)

(CONTRIBUTION TO QUARTERLY GDP GROWTH: PP)



US: PERSONAL CONSUMPTION AND ASSET VALUES: IN REAL TERMS (*)

(INDEX: JAN/24=100)

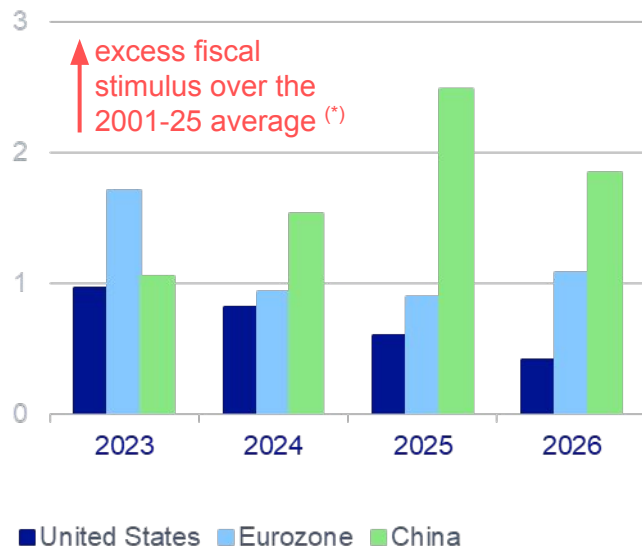


(*) AI-related investment defined as investment in information processing and investment in softwares.
Source: BBVA Research based on data from FRED and US Census Bureau

Source: BBVA Research based on data from FRED and Haver

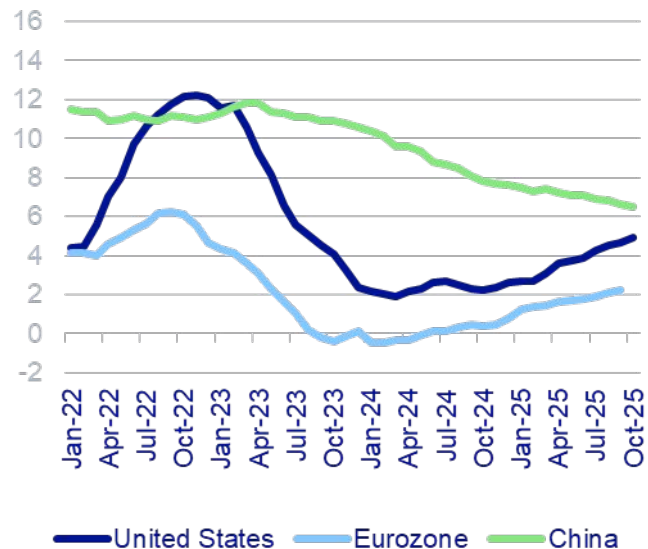
Demand tailwinds: fiscal policy remains supportive, and lower interest rates are now feeding through the economy

CYCLICALLY-ADJUSTED PRIMARY FISCAL BALANCE GAP (*) (% OF GDP)



(*) Deviation of the cyclically-adjusted primary balance (CAPB) from its estimated equilibrium (average relationship between the CAPB and GDP growth over 2001–2025). 2025 and 2026 estimates are based on GDP and fiscal forecasts by the IMF.
Source: BBVA Research based on data from the IMF

BANKING CREDIT: STOCK (Y/Y %)



Source: BBVA Research based on data from FRED and Eurostat

Supply tailwinds: energy prices remain at low levels, while wages continue to slow

BRENT PRICES

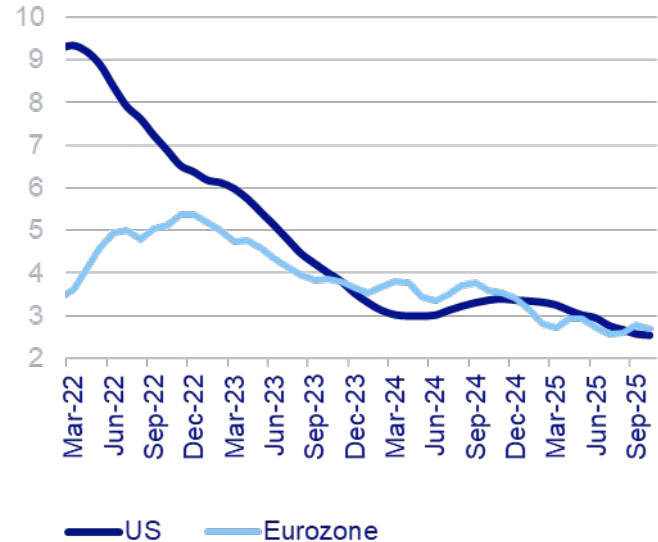
(USD PER BRENT BARREL)



Source: BBVA Research based on data from Haver

NOMINAL WAGES: INDEED WAGE TRACKER

(Y/Y %, 3-MONTH MOVING AVERAGE)

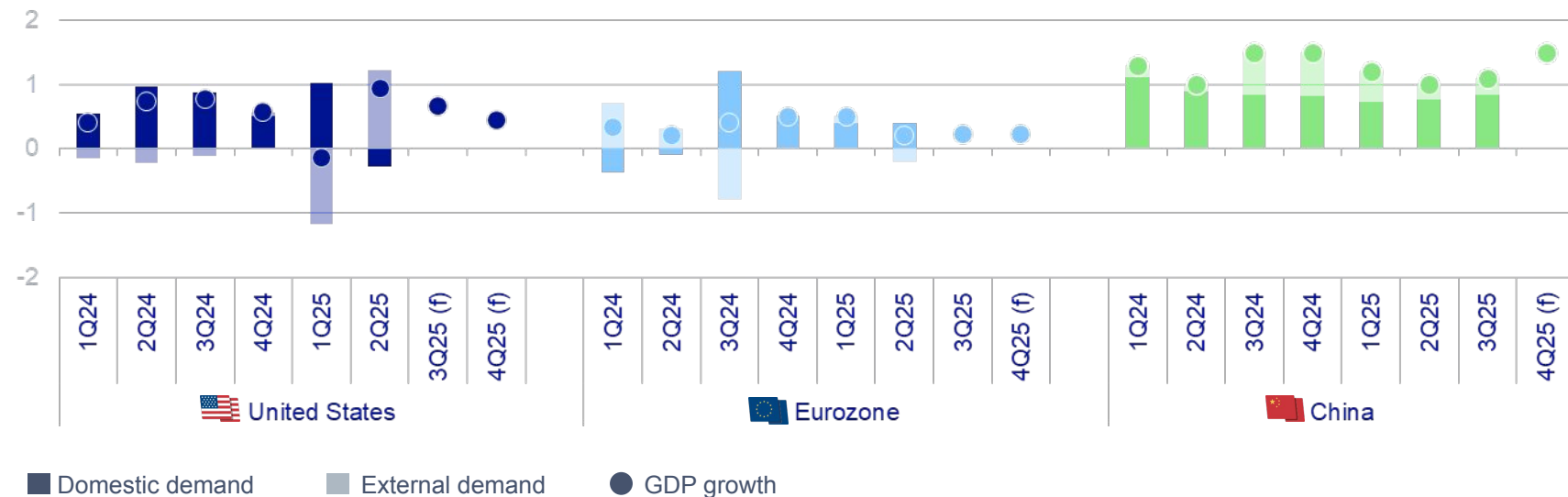


Source: BBVA Research based on data from Indeed

Activity: GDP growth has remained broadly resilient, in general beating expectations

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

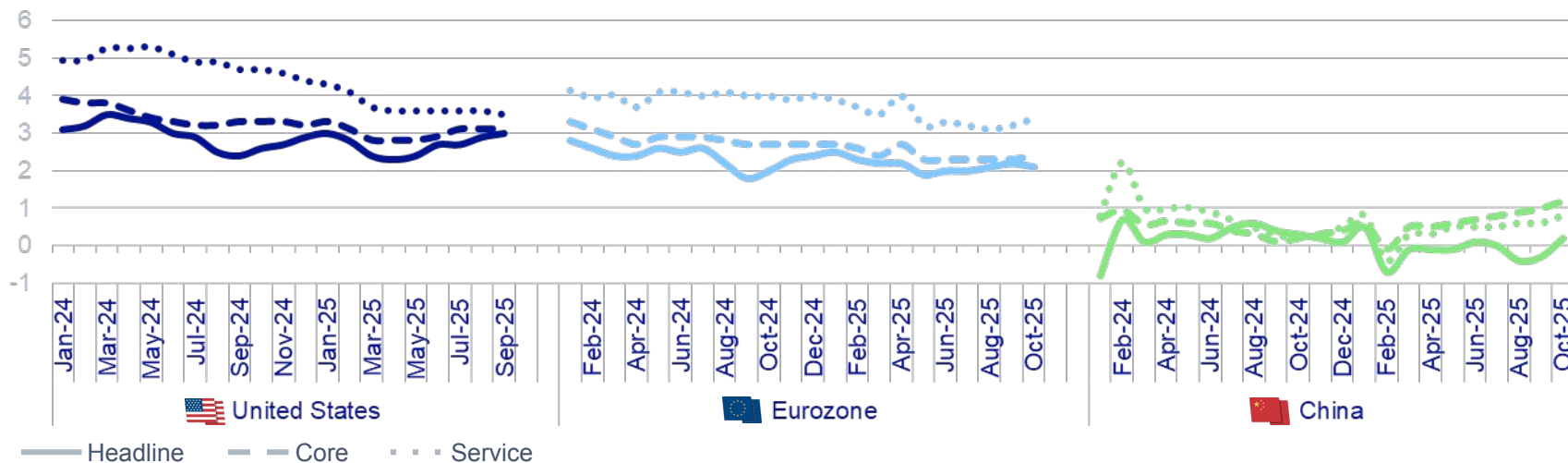
(GDP GROWTH: Q/Q%; CONTRIBUTIONS TO GDP GROWTH: PERCENTAGE POINTS)



(*) BBVA Research forecast for 3Q25 in the US, and for the 4Q25 in the US, Eurozone and China
Source: BBVA Research based on data from Haver and China's NBS

Inflation: increasing due to tariff effects in the US, stable around 2% in the Eurozone, and still very low in China

CPI INFLATION: HEADLINE, CORE AND SERVICE (YY %)



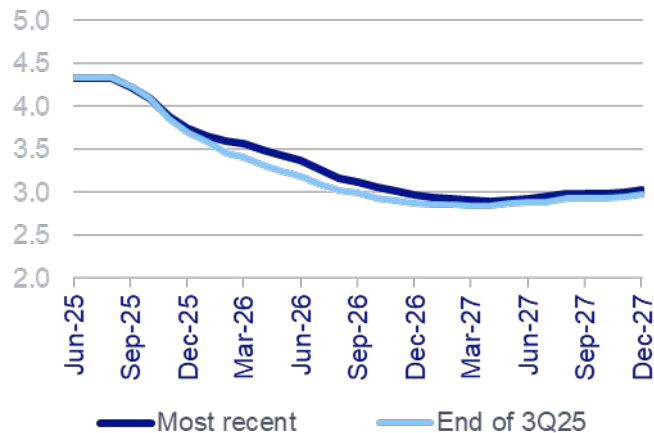
Source: BBVA Research based on data from Haver

In the US, goods inflation is rising amid high tariffs, offsetting the deceleration in services, led by a moderation in shelter prices; in contrast, industrial prices are under control and service prices are increasing at a faster pace in the Eurozone, and to some extent also in China

Rate expectations: a more gradual easing and a higher terminal rate for the Fed and stability for the ECB

US: IMPLICIT RATE IN FED FUND FUTURES

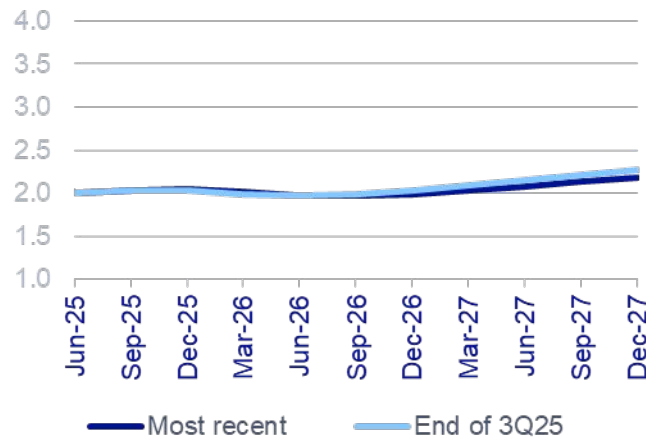
(%)



Source: BBVA Research based on data from Haver

EZ: IMPLICIT RATE IN EURIBOR FUTURES

(%)

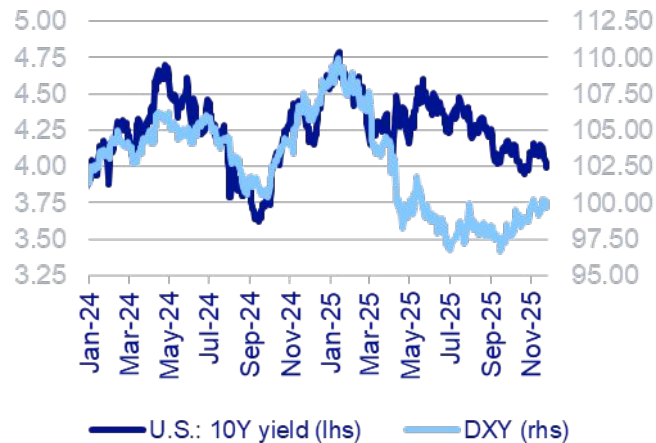


Source: BBVA Research based on data from Haver

The Fed has cut rates by 25 bps in each of its last two meetings to reduce risks of labor market deceleration, but has recently sounded more hawkish due to rising inflation; the ECB has kept rates unchanged at 2% lately and suggested risks are now more balanced

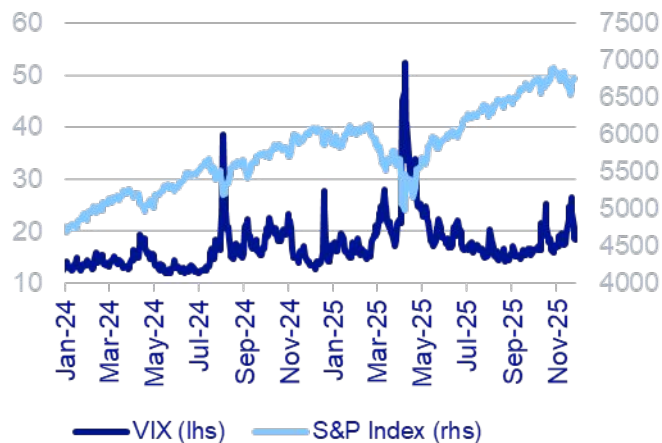
Markets: prospects of higher US rates have driven yields up, backed the USD, and helped triggering an equity correction

US SOVEREIGN YIELDS; US DOLLAR (DXY)
(%)



Source: BBVA Research based on data from Haver

VOLATILITY (VIX); US EQUITY (S&P)
(INDEXES)



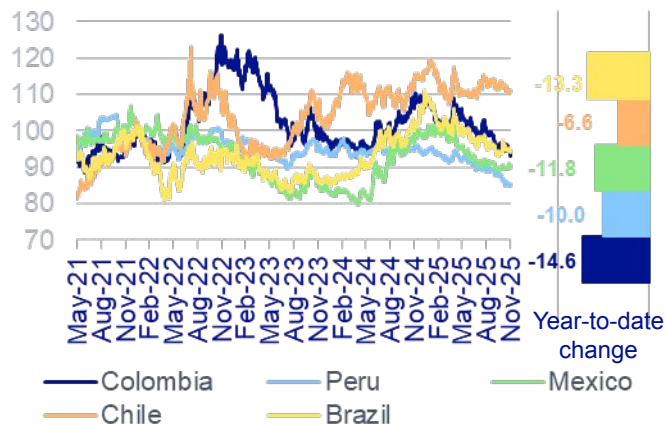
Source: BBVA Research based on data from Haver

Following a rally in US equity markets, driven by AI-related stocks, concerns have recently emerged over excessive valuations, with subsequent market corrections and increased volatility

Regional currencies have appreciated in the year to date, this movement has moderated in the past few weeks

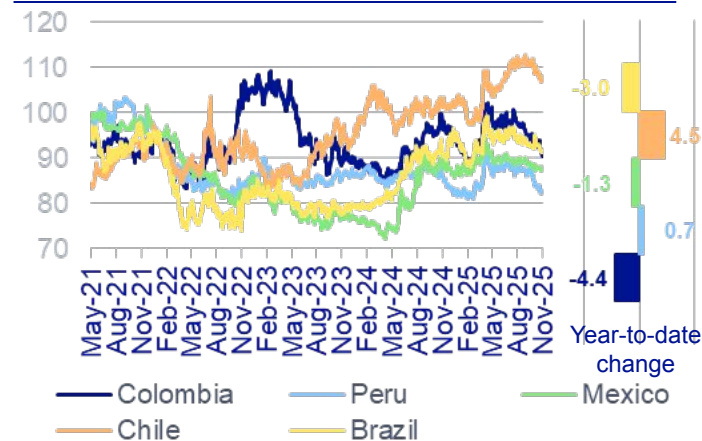
REGIONAL CURRENCIES VS. US DOLLAR

(INDEX JAN 2022 = 100; YTD CHG., %)



REGIONAL CURRENCIES VS. EURO

(INDEX JAN 2022 = 100; YTD CHG., %)

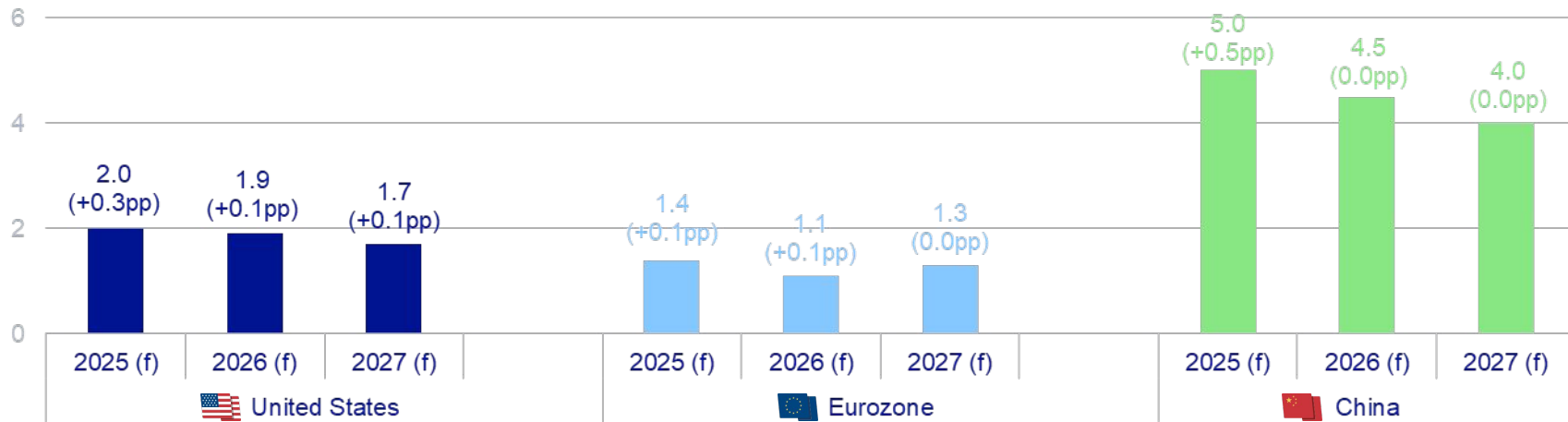


Data as of November 26, 2025
Source: BBVA Research with data from Central Banks

The accumulated appreciation is supported by the change in stance from the Fed mid 2025, milder effects of the new tariff policies and by idiosyncratic factors in some economies.

Growth forecasts have been revised slightly to the upside, mostly on incoming data

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

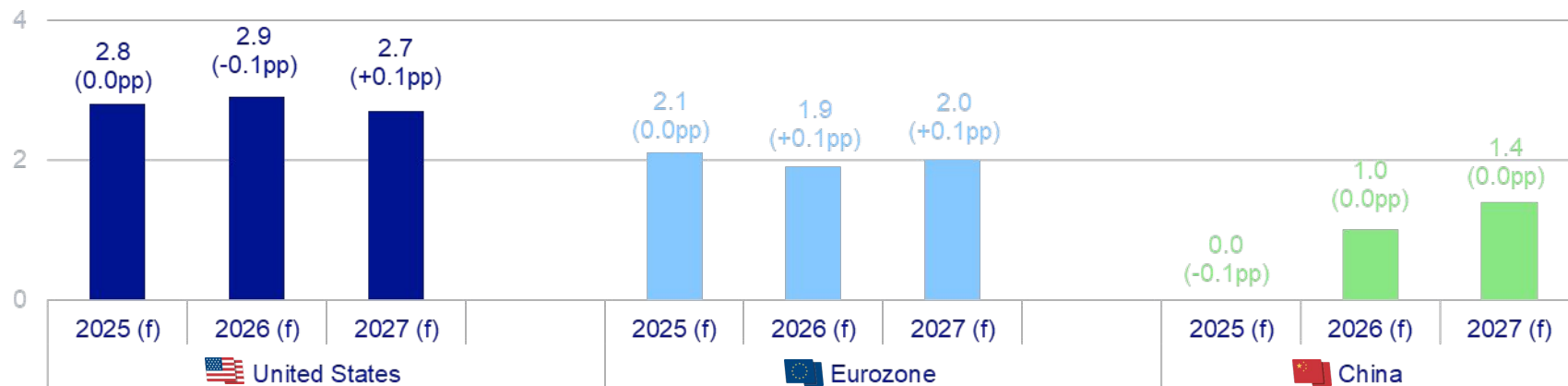


(*) Global GDP is forecast to grow 3.2% in 2025, 3.1% in 2026 and 3.2% in 2027, respectively 0.2pp, 0.0pp and 0.0 higher than the previous forecasts.
(f): forecast
Source: BBVA Research

The negative impact of tariffs and other supply shocks is expected to be broadly offset by AI demand (mainly in the US) and fiscal spending (mainly in the Eurozone); higher AI-driven productivity is an upward risk in the medium term; a structural slowdown is still expected in China

Inflation prospects remain broadly unchanged, with smaller downside risks in Europe and upward risks in the US

HEADLINE CPI INFLATION (Y/Y %, PERIOD AVERAGE, CHANGE WITH RESPECT TO PREVIOUS FORECAST IN PARENTHESES)

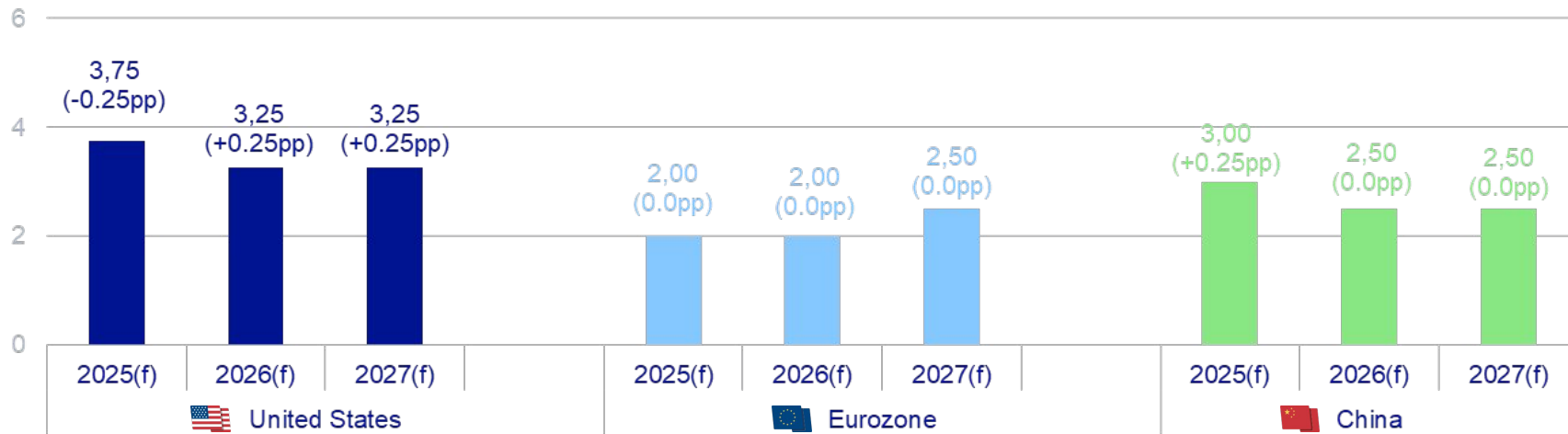


(f): forecast.
Source: BBVA Research

Inflation is still expected to hover around 3% in the US, driven by tariffs, and near 2% in the Eurozone; in China, while further government measures are anticipated to address deflation concerns, risks remain tilted to the downside

Growth resilience and inflation pressures will limit the Fed easing; no additional cuts by the ECB are expected

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

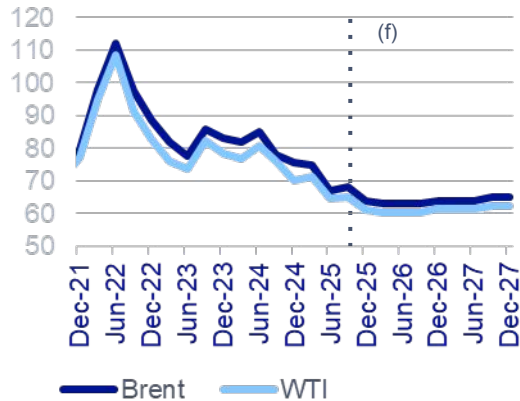
Source: BBVA Research

US rates are now closer to neutral levels and the convergence to the (higher-than-expected) terminal rate could be more gradual, but there is uncertainty related to the upcoming changes in the Fed board; in the Eurozone, there is room for rates to get closer to the estimated neutral rate in the medium run

Oil and grain prices are expected to remain stable, although relatively low compared with recent historical levels

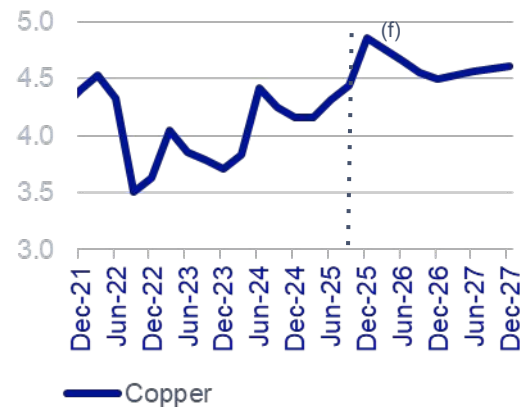
OIL PRICE

(DOLLARS PER BARREL)



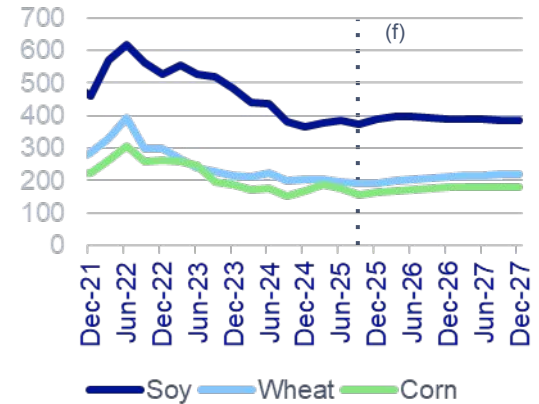
COPPER PRICE

(DOLLARS PER TON)



GRAIN PRICES

(DOLLARS PER TON)

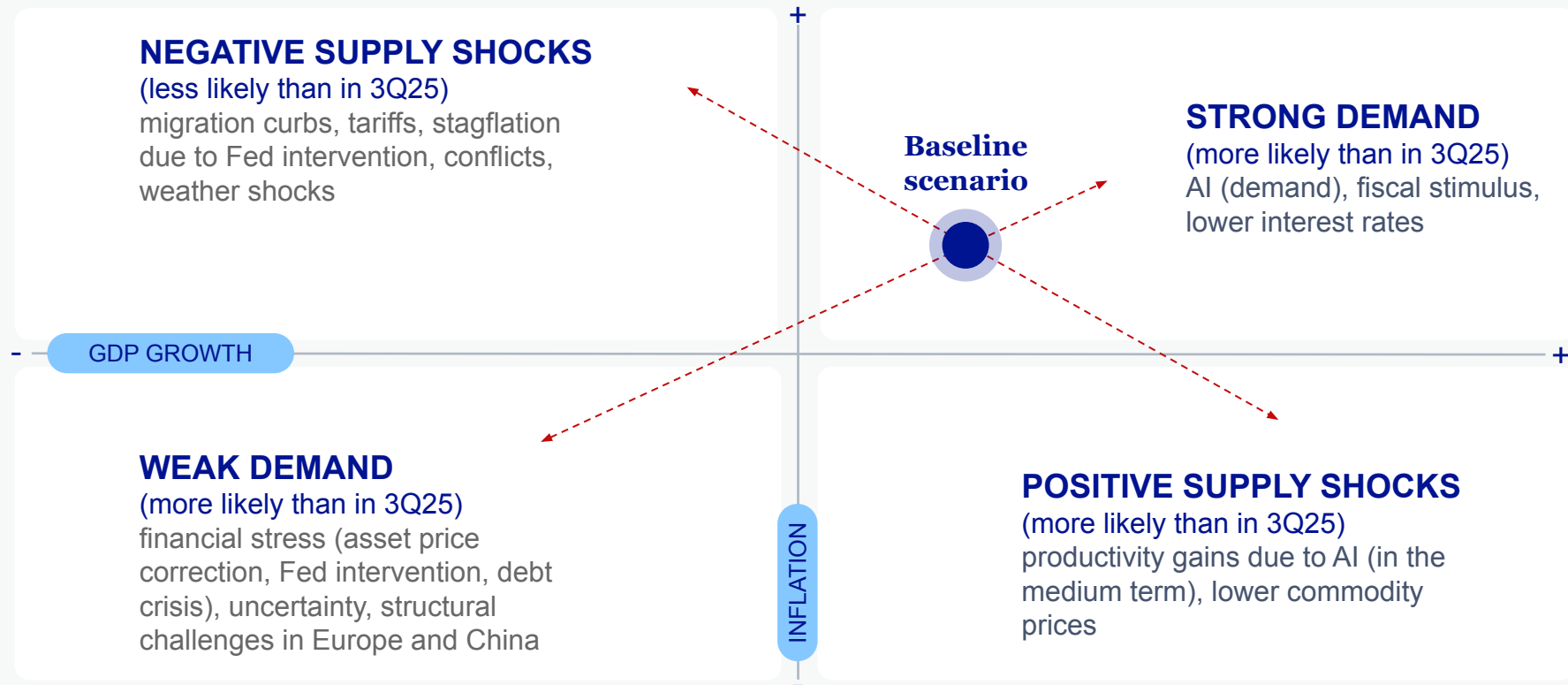


(f): forecast.
Source: BBVA Research with data from Haver.

In contrast, copper prices are expected to maintain an upward trend in the short-term due to supply disruptions, and remain relatively high in the coming years, supported by strong demand

More balanced risks: rising odds of medium-term AI productivity gains amid persistent supply concerns

GLOBAL ECONOMY: MAIN RISKS AROUND BBVA RESEARCH BASELINE SCENARIO



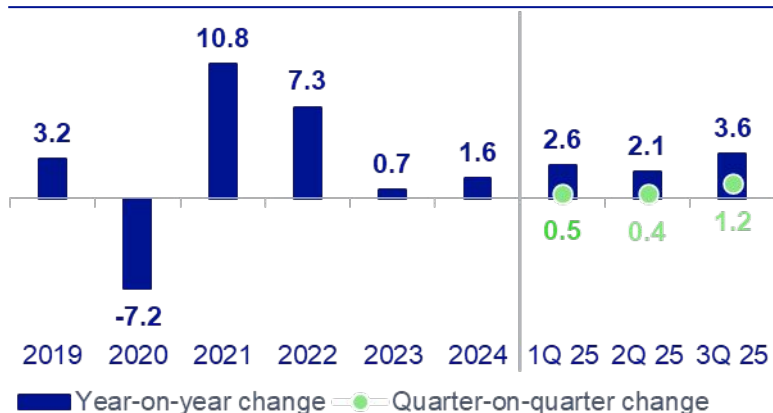
2. Colombia: the economy moves at the pace of final consumption

Recent performance

GDP in the third quarter accelerated significantly, both in the annual and quarterly rates

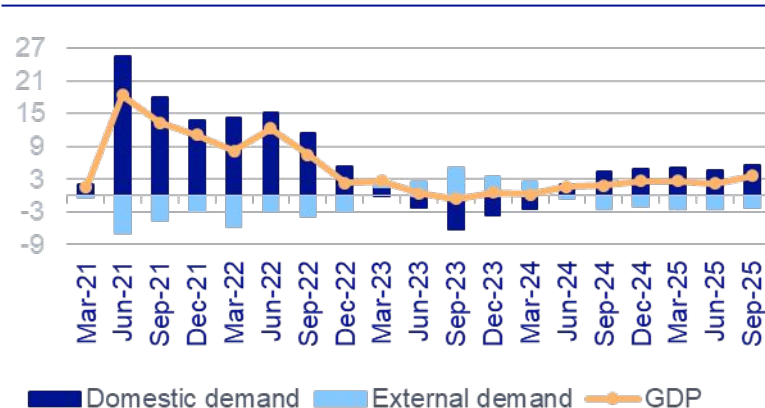
GDP

(ANNUAL AND QUARTERLY CHANGE, REAL, %)



GDP: CONTRIBUTION TO ANNUAL CHANGE

(CONTRIBUTION TO THE REAL ANNUAL CHANGE, %)

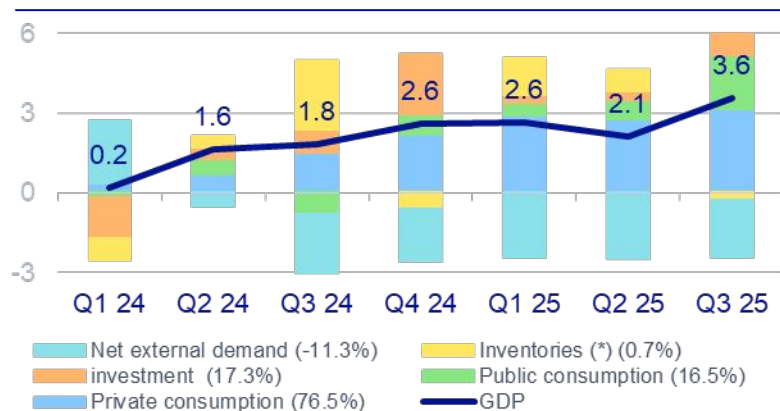


Source: BBVA Research, based on DANE data

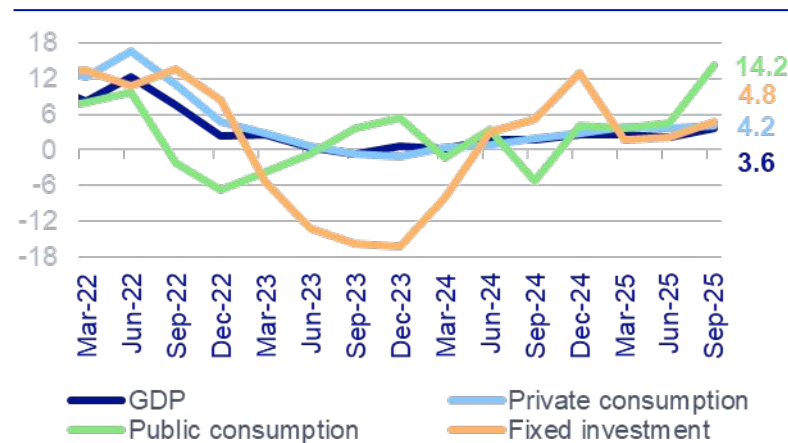
GDP growth was led by domestic demand, while net external demand subtracted from it

In the domestic demand, the contribution of consumption stood out. However, all its components grew above GDP

GDP: CONTRIBUTION TO ANNUAL CHANGE
(CONTRIBUTION TO THE REAL ANNUAL CHANGE, %)



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



The value in parentheses is the share of each component in GDP; net external demand has a negative number recognizing imports exceed exports on average.

(*): It also includes statistical discrepancy.

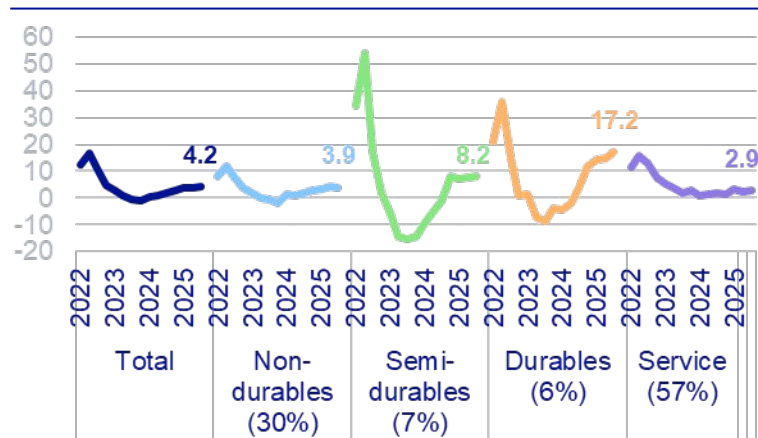
Source: BBVA Research, based on DANE data

The dynamic of Government expenditure was noteworthy: 14.2% annual, a combination of statistical base effects (-5.2% annual in Sep-24) and an acceleration in the margin (+1.4% q/q in Sep-25 and +3.2% q/q in Jun-25)

Spending on durable and, to a lesser extent, semi-durable goods explained the rebound in private consumption

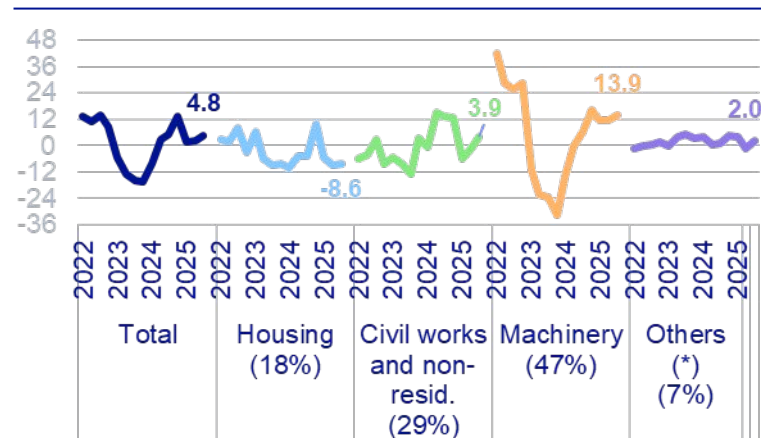
PRIVATE CONSUMPTION: COMPONENTS(**)

(REAL ANNUAL CHANGE, QUARTERLY DATA, %)



FIXED INVESTMENT: COMPONENTS(**)

(REAL ANNUAL CHANGE, QUARTERLY DATA, %)



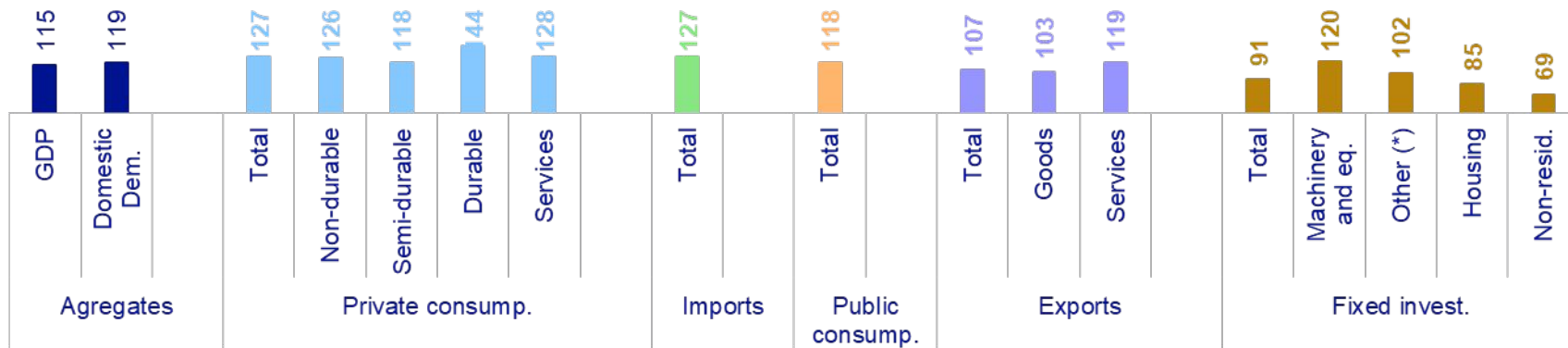
The share of each component to the total in parentheses.
 (*): Includes biological resources and intellectual property. (**): Last available data to 3Q25.
 Source: BBVA Research, based on DANE data

In the case of fixed investment, the disparity between the leading role of machinery and the lagging performance of construction remains. However, civil engineering works performed very well (13.1% annual growth in 3Q25)

Consumption and imports have increased significantly this decade compared to 2019 levels

GDP: COMPONENTS OF DEMAND

(INDEX, FULL YEAR 2019 = 100. THE LEVEL CORRESPONDS TO THE ROLLING YEAR TO SEPTEMBER 2025)



(*): Includes Other investment; biological resources and intellectual property.

(**): It becomes 9.3% of GDP if biological resources and intellectual property are included (i.e. when the importance of investment other than construction is calculated)

Source: BBVA Research, based on DANE data

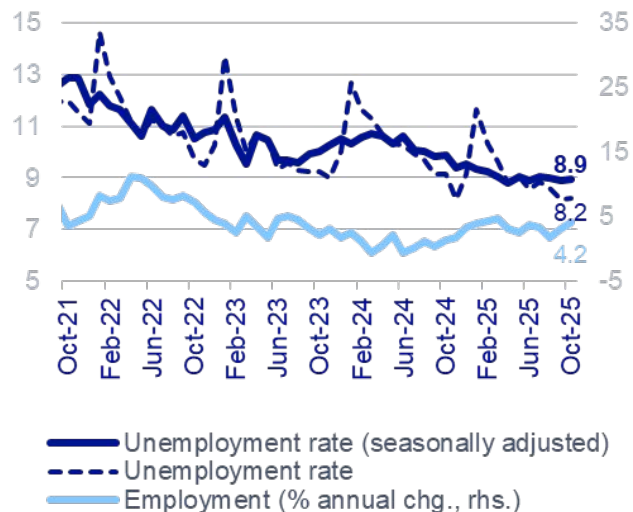
Investment shows a significant lag, largely explained by the construction sector. Investment in machinery and equipment has a positive dynamic (8.2% of GDP() vs. 7.7% in 2010-19)**

Drivers of consumption

The labor market remains robust. Salary income continues to show strong growth

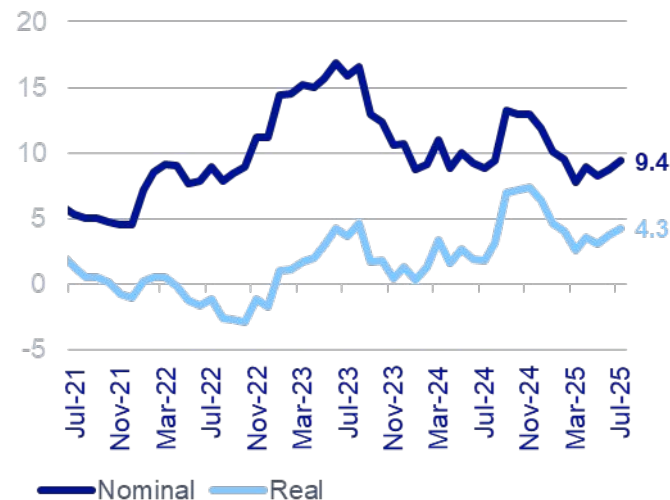
UNEMPLOYMENT RATE AND EMPLOYMENT

(PERCENTAGE OF THE ECONOMICALLY ACTIVE POPULATION AND ANNUAL CHANGE, %)



SALARY INCOME

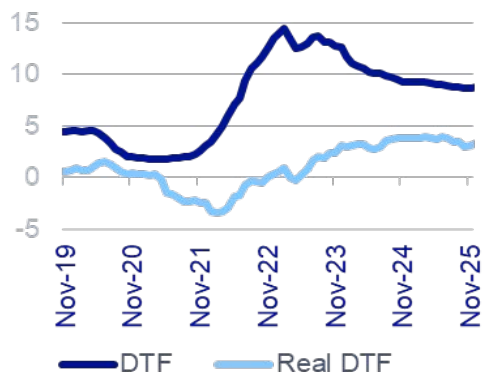
(NOMINAL AND REAL ANNUAL CHANGE, %)



The valuation of financial assets also helps to leverage household consumption

SAVING RATE: DTF^(*)

(90-DAY RATE, NOMINAL AND REAL, %)



COLOMBIA SHARES: COLCAP

(DAILY INDEX)



COLOMBIAN PESO: TRM^(**)

(DAILY TRM, PESOS PER DOLLAR)



(*): Corresponds to the 90 day term deposit rate.

(**): TRM corresponds to the daily weighted average by the amounts negotiated in the COP-USD local market.

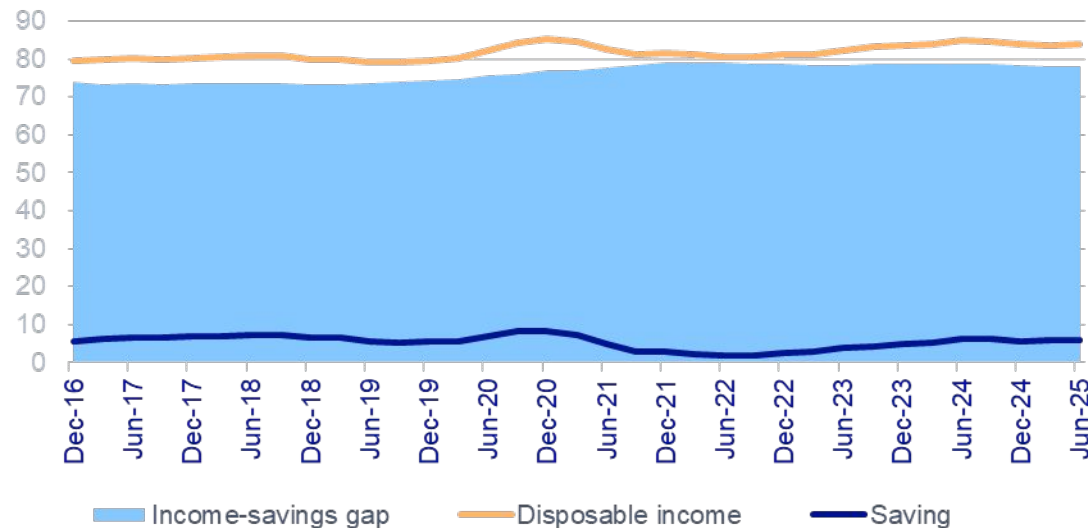
Source: BBVA Research with data from Banco de la República

Households have a positive momentum of: real return on savings, stock valuation and appreciation of the Colombian peso. The latter, in addition, improves the ability to pay for imported products

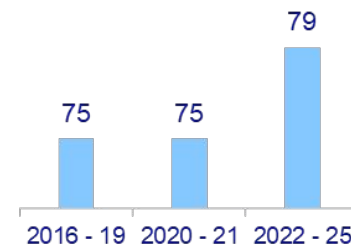
The higher disposable income of households was not transmitted with the same intensity to savings



DISPOSABLE INCOME AND HOUSEHOLD SAVINGS: GAP (% OF GDP)



INCOME-SAVINGS GAP (AVERAGE)



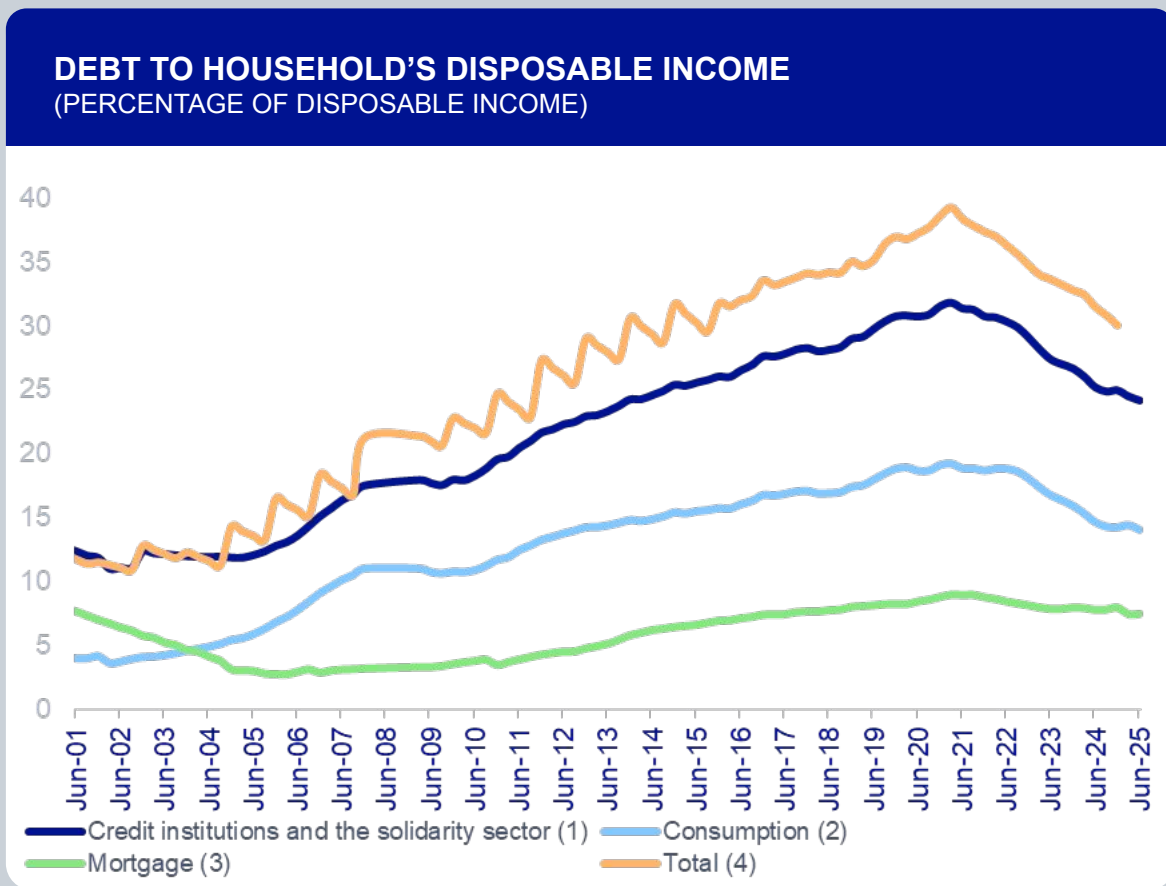
INCREASE IN THE GAP (PERCENTAGE POINTS)

+3.7pp

Households have a lower debt burden

Debt service relief provides room for potential greater household spending and borrowing.

The sustained decline in the debt-to-income ratio since 2021 reflects not only gradual deleveraging and reduction in interest rates, but also improving household income.

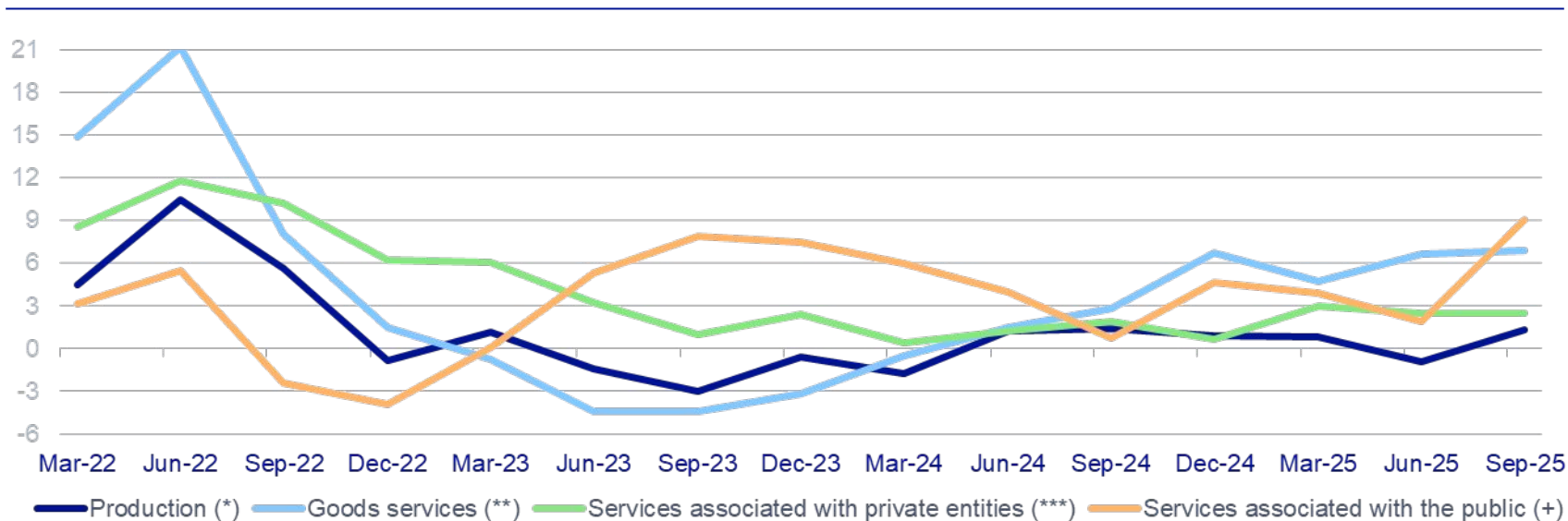


(*): The graph shows four measures of household debt: (1) Household debt with credit institutions, savings and credit cooperatives, employee funds, and securitization companies. (2) Consumer loans with credit institutions. (3) Housing loans with credit institutions. (4) Household debt from financial account balances published by BanRep: in addition to 1, this includes microcredits and commercial loans taken out by individuals and obligations with other financial institutions.
Source: BBVA Research with data from Banco de la República

Sectors related to the production of goods show a lagging performance for several quarters

GDP: GROUPING BY ECONOMIC SECTORS

(REAL ANNUAL CHANGE, %)



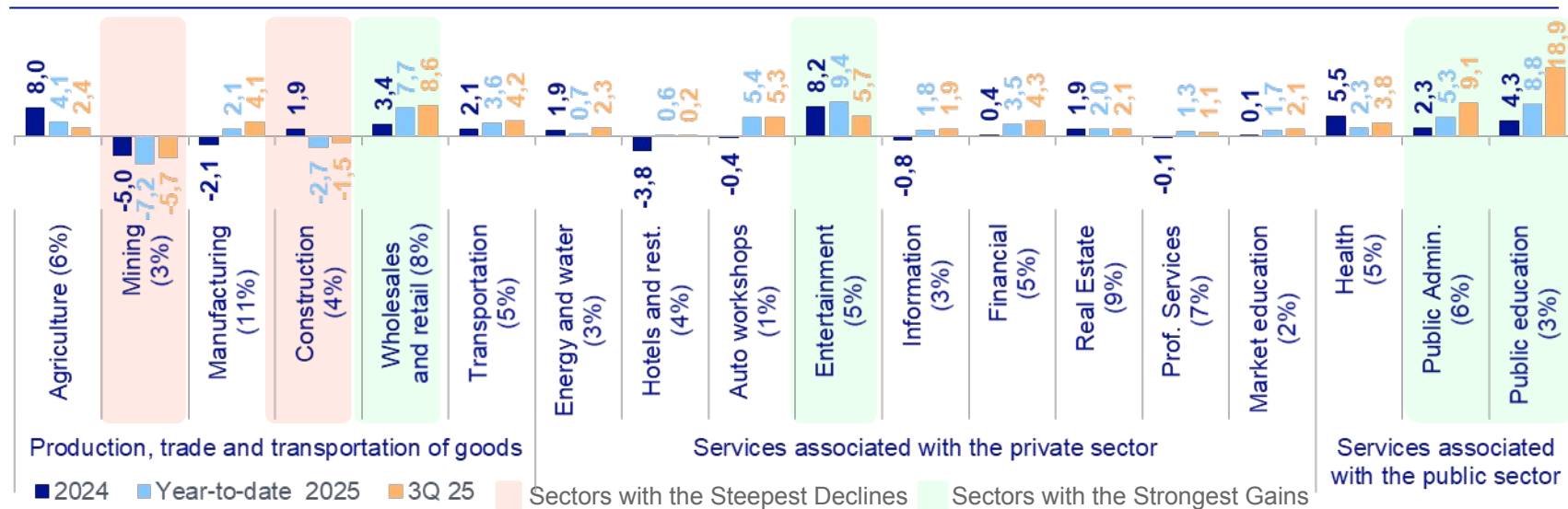
(*): Agriculture, mining, manufacturing and construction. (**): Wholesales and retail, auto workshops and transportation. (***): Utilities, hotels, restaurants, Information and Communication, finance, real estate, professional services, private education, and arts and entertainment. (+): Public administration and defense, health and public education.

Source: BBVA Research, based on DANE data

Economic sectors related to wholesale and retail and transport of goods and the public sector grow more

GDP: ECONOMIC SECTORS

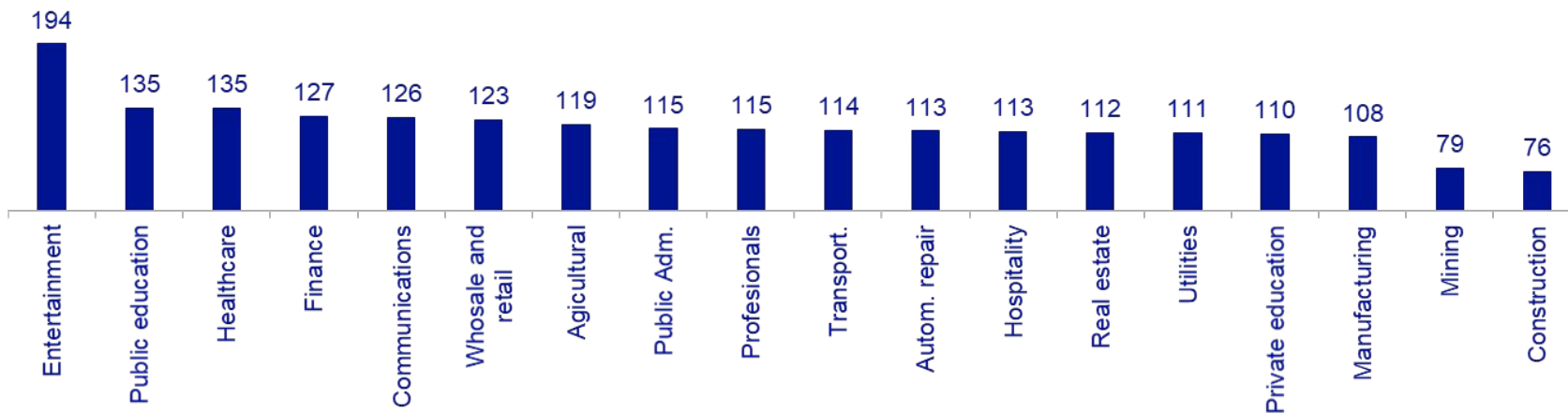
(REAL ANNUAL CHANGE, %)



Overall, entertainment and services linked to public expenditure have shown the strongest dynamics the decade

GDP: ECONOMIC SECTORS

(INDEX, FULL YEAR 2019 = 100. THE LEVEL CORRESPONDS TO THE ROLLING YEAR TO SEPTEMBER 2025)



Source: BBVA Research, based on DANE data

Sectors related to the production of goods (manufacturing, mining and construction) are behind their demand. This potentially generates inflation pressures and trade deficits (boost to imports)

3. Economic policy faces complex decisions

Dilemmas

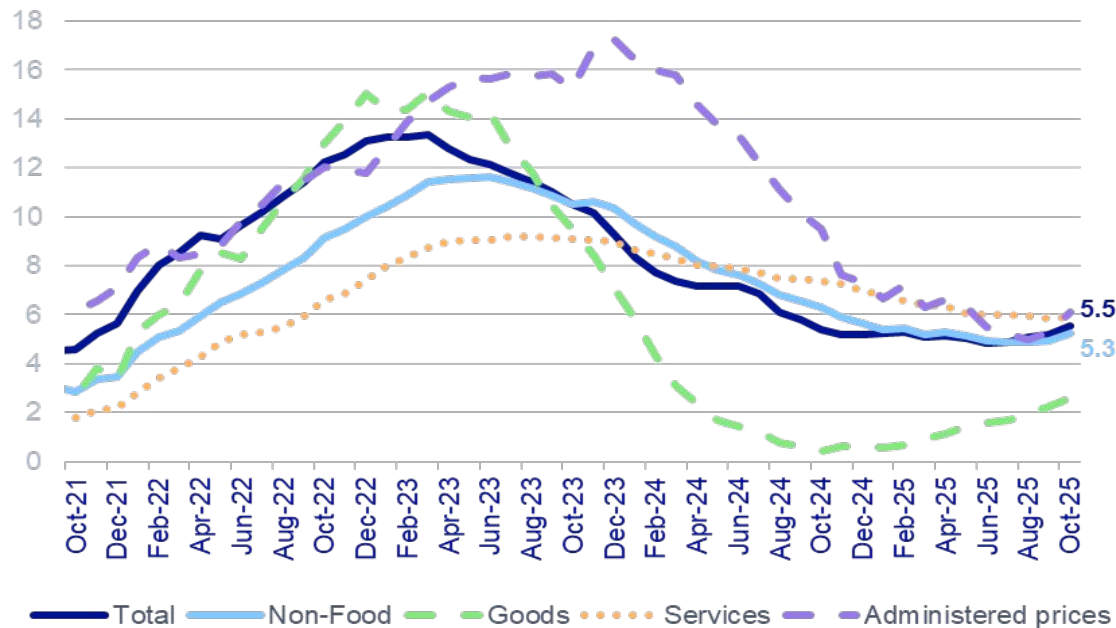
Inflation remains sticky above 5%

Inflation showed relief until June, due to moderation in administered prices and services.

Since July, it has rising again to 5.5% in October. Food prices were the dominant source of upward pressure; however, the ex-food basket also made a measurable contribution, driven primarily by regulated items and core goods. The latter, with pressures throughout the year, reflect potential demand pressures.

INFLATION: MAIN COMPONENTS

(ANNUAL CHANGE, %)

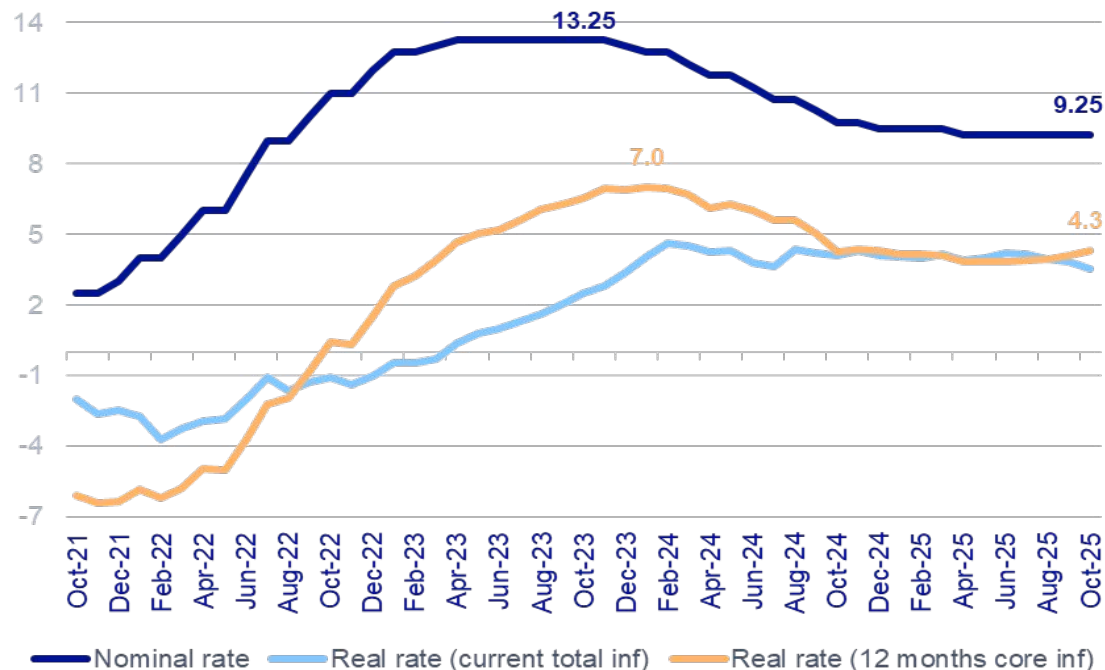


Source: BBVA Research, based on DANE data

Cycle of rate reductions paused this year

Persistent inflation, strong spending, especially in consumption, and fiscal challenges have led BanRep to halt its cycle of rate cuts at a high real and nominal level, in contractionary territory. In 2024, the central bank cut the policy rate by a cumulative 350 basis points. Year to date in 2025, the rate has been reduced by 25 basis points (the latest reduction in April).

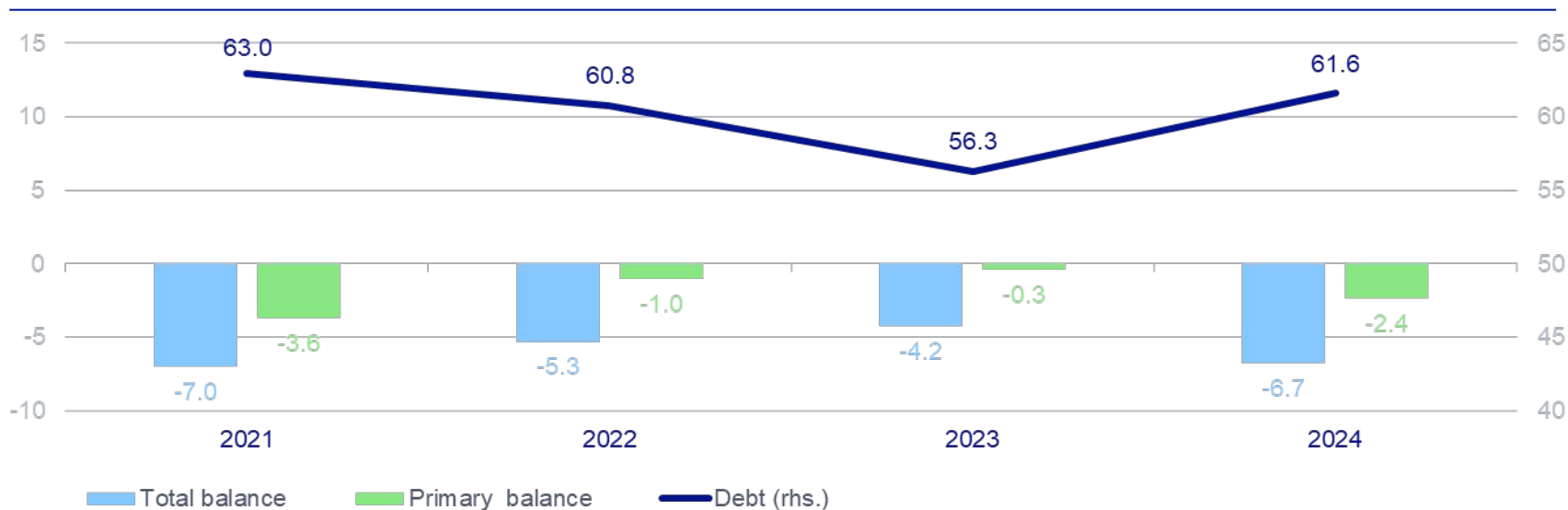
MONETARY POLICY RATE: NOMINAL AND REAL
(%)



Source: BBVA Research with data from Banco de la República, DANE, and inflation forecasts without core inflation from BBVA Research

In 2024, the national government total and primary deficits increased, standing at 6.7% and 2.4% of GDP

BALANCE AND GROSS DEBT: NATIONAL CENTRAL GOVERNMENT
(% OF GDP)



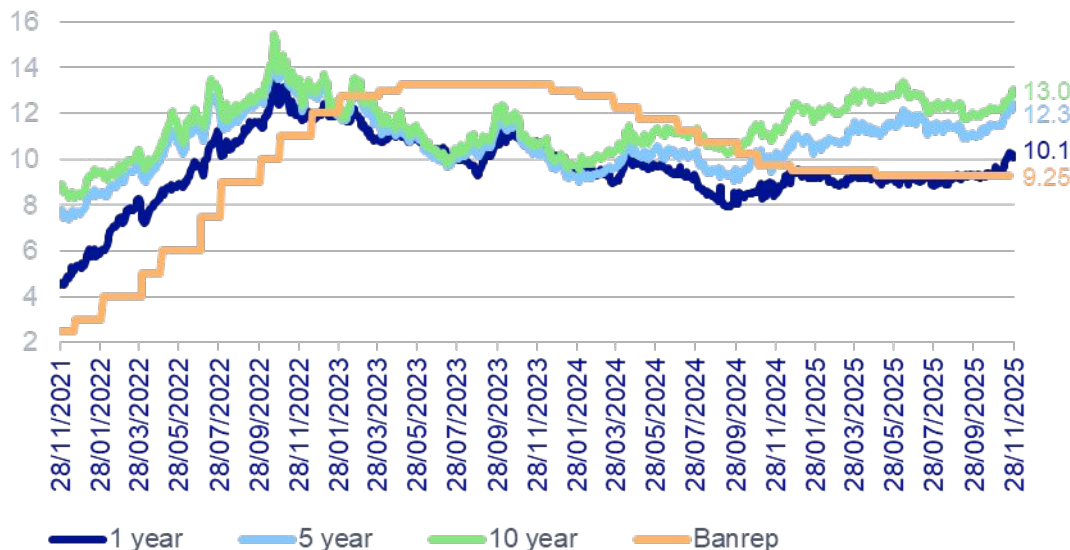
The fiscal deterioration is reflected in the TES curve

At the end of 2023, 10 year TES had a yield of 10% compared with the recent 13% and the 9% of 2015.

This year, the TES curve appreciated between May and August, supported by the financing strategy of the Government; however, in recent weeks, yields have inched higher, erasing most of the year to date gains.

This movement has been more significant in the shorter tenures

ZERO COUPON RATES OF TES AND BANREP RATE (%, TES AT 1, 5 AND 10 YEARS)



Source: BBVA Research with data from Banco de la República

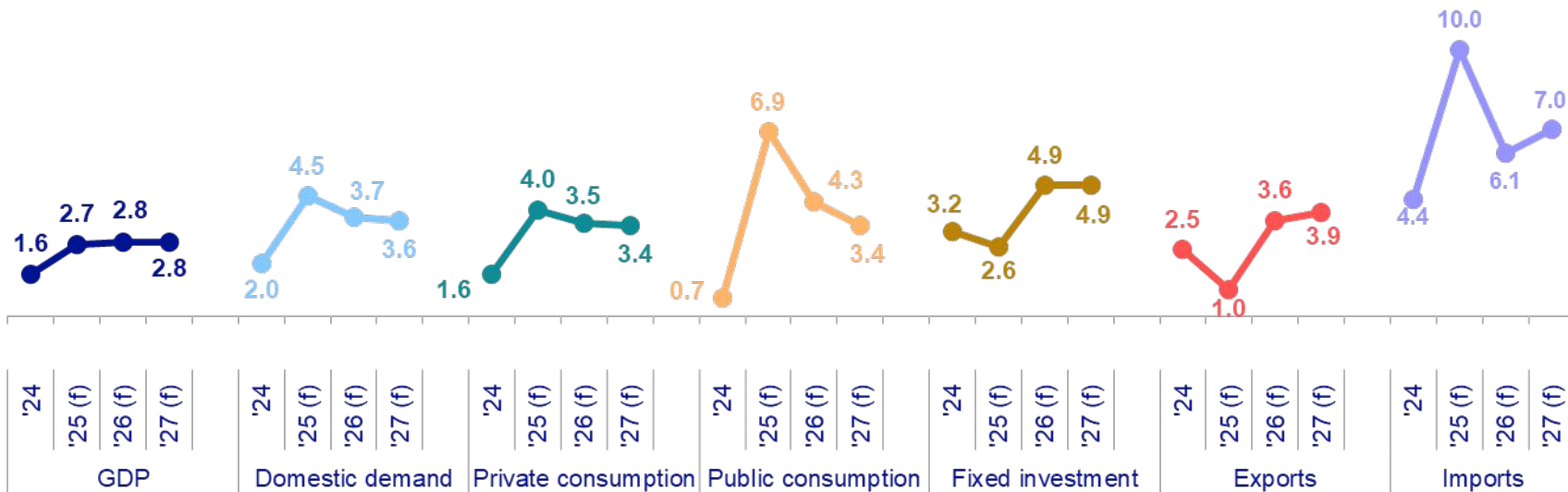
4. Domestic demand will continue to support growth

Macro outlook

Consumption leads growth; public spending adds momentum. Imports rise. Investment rebound gradually

GDP: COMPONENTS OF DEMAND

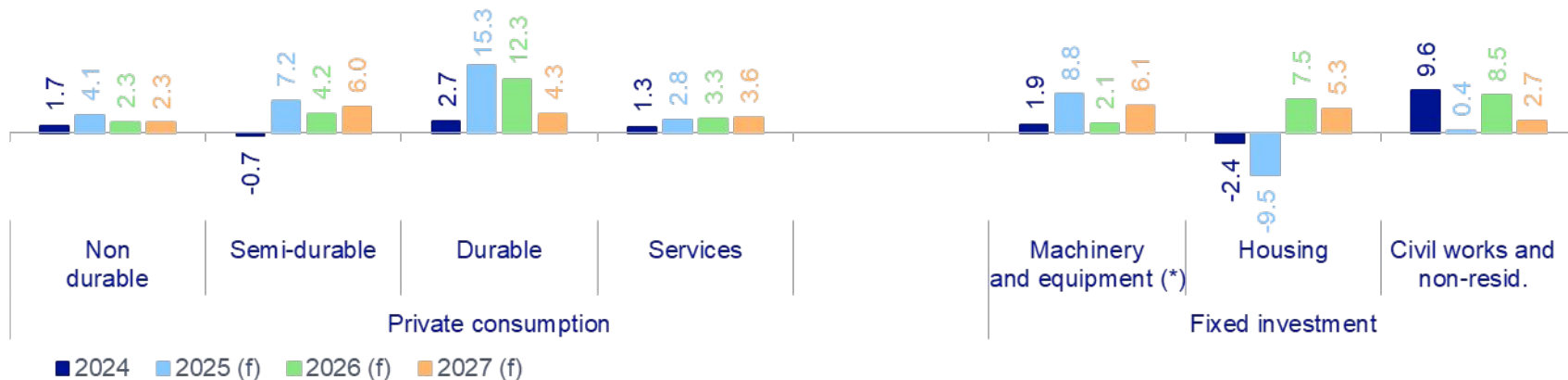
(REAL ANNUAL CHANGE, %)



Consumption, although it will remain dynamic, will gradually concede the lead to investment

CONSUMPTION AND INVESTMENT: COMPONENTS

(REAL ANNUAL CHANGE, %)



(f): BBVA Research forecasts

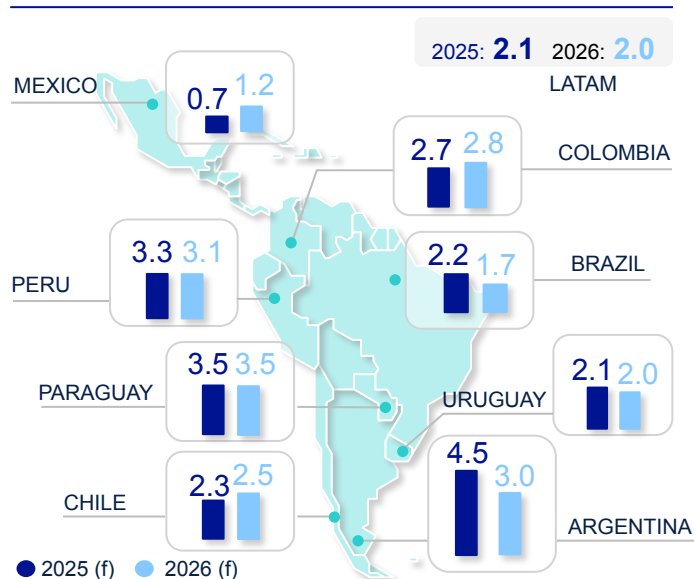
(*): Includes transportation machinery and equipment, biological resources, and intellectual property.

Source: BBVA Research, based on DANE data

Greater construction activity will be key for investment to regain traction. In terms of consumption, spending on durable goods, which is traditionally cyclical, will remain strong through 2026, driving total spending

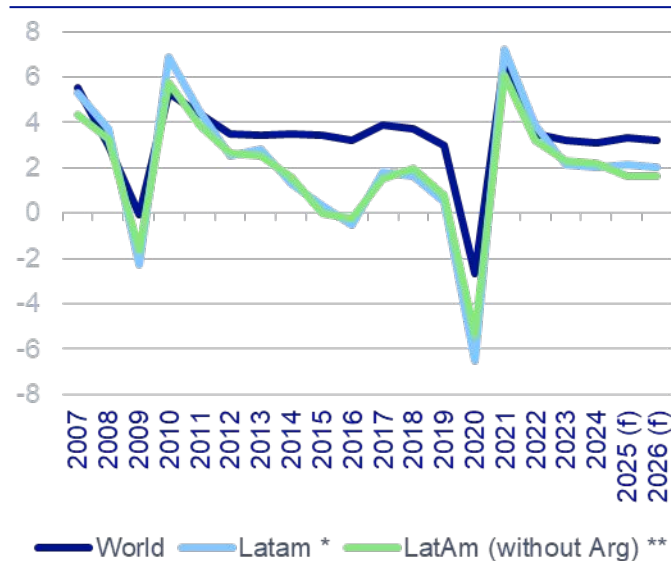
The region continues to record growth figures below both its historical average and the global average

GDP GROWTH (ANNUAL CHANGE, %)



(f): BBVA Research forecasts.
Source: BBVA Research.

WORLD AND LATAM GDP (ANNUAL CHANGE, %)



(f): BBVA Research forecasts.

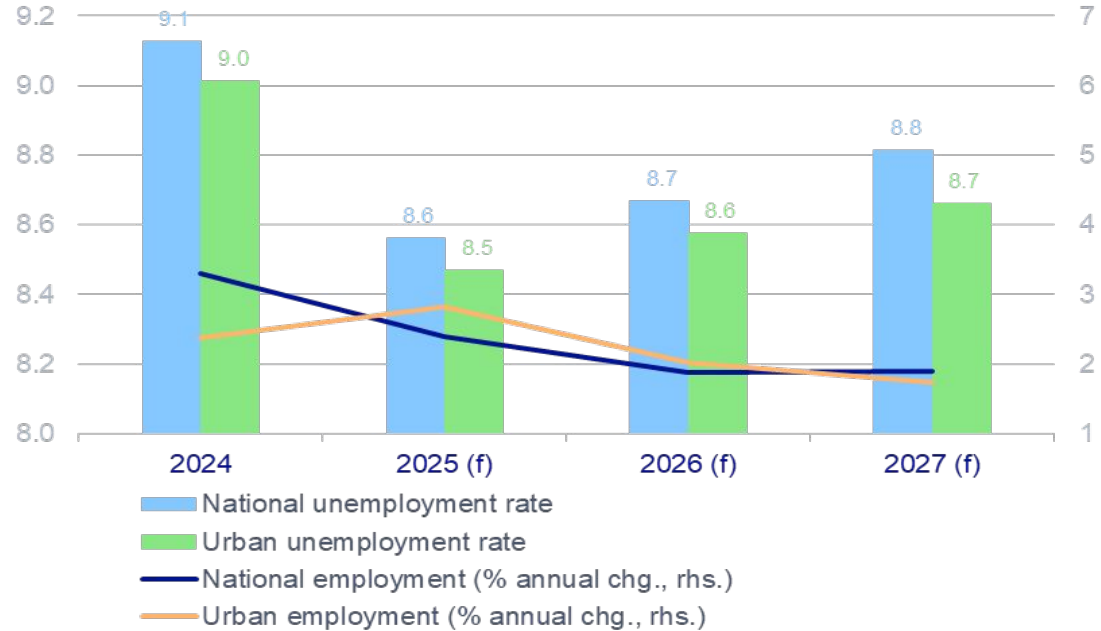
(*) Includes Argentina, Brazil, Chile, Colombia, Mexico, Paraguay, Peru and Uruguay.

(**) Includes Brazil, Chile, Colombia, Mexico, Peru, Paraguay and Uruguay.

Job creation will continue, although at a slower pace

The unemployment rate will remain at historically low levels, but further declines look unlikely, as we expect a gradual increase in labor participation from the current low levels.

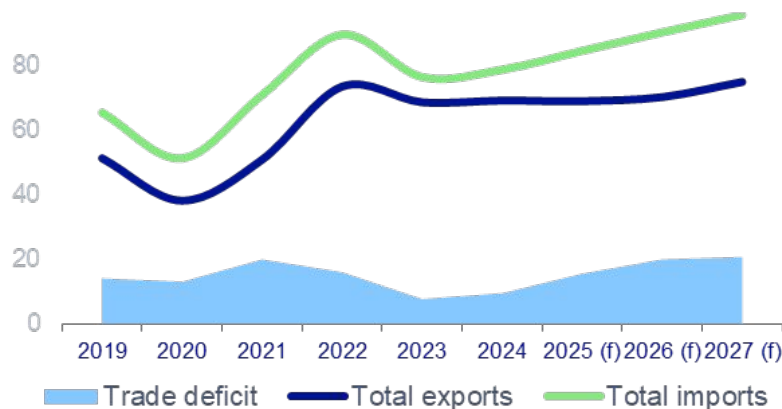
LABOR MARKET: UNEMPLOYMENT RATE AND EMPLOYMENT GROWTH (RATE AND ANNUAL CHANGE, END OF PERIOD, %)



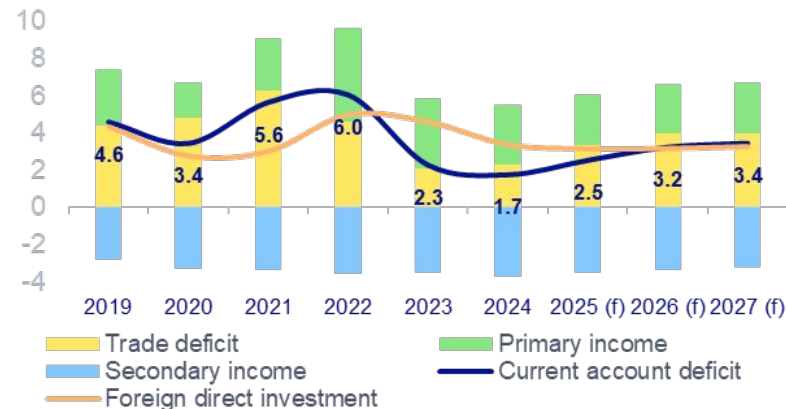
(f): BBVA Research forecasts
Source: BBVA Research, based on DANE data

The current account deficit will widen mainly due to a larger trade deficit

TRADE BALANCE
(BILLIONS OF DOLLARS)



CURRENT ACCOUNT DEFICIT AND FOREIGN DIRECT INVESTMENT (% OF GDP)



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

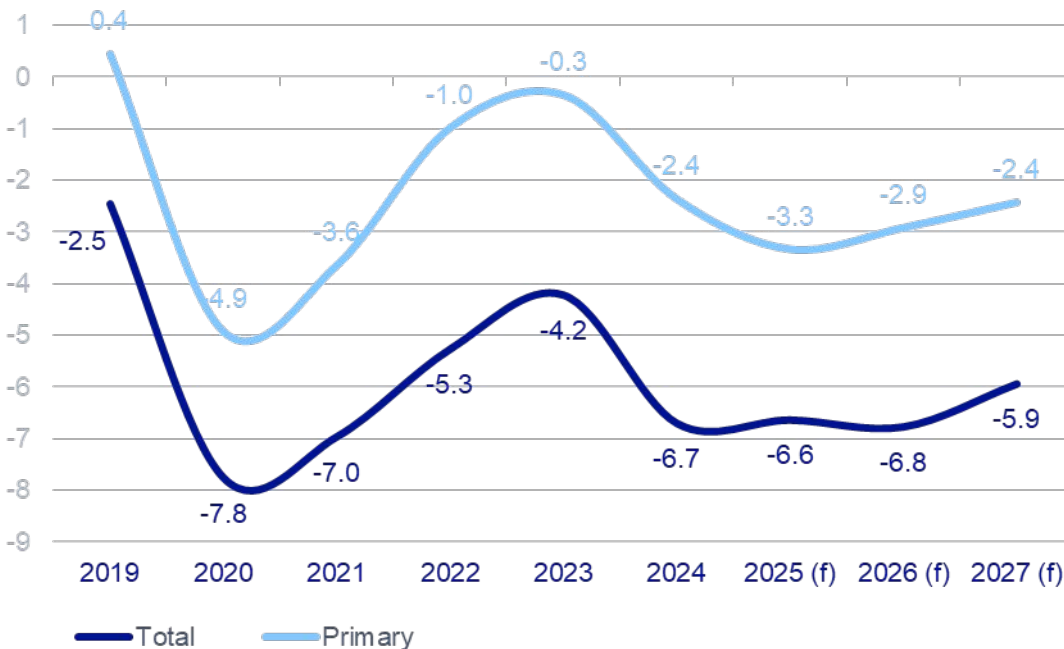
Greater internal dynamism will accelerate imports and widen the trade deficit. Even so, FDI stability will remain a strong source of financing

The fiscal deficit of the national government remains high

The government deficit will remain around 7% of GDP in 2025-2026 and will reduce to 5.9% in 2027, a print still high for the colombian economy.

For its part, the primary deficit will stand at 3.3% of GDP in 2025, and 2.9% in 2026. Will only marginally reduce to 2.4% in 2027, a high level that will difficult debt stabilization.

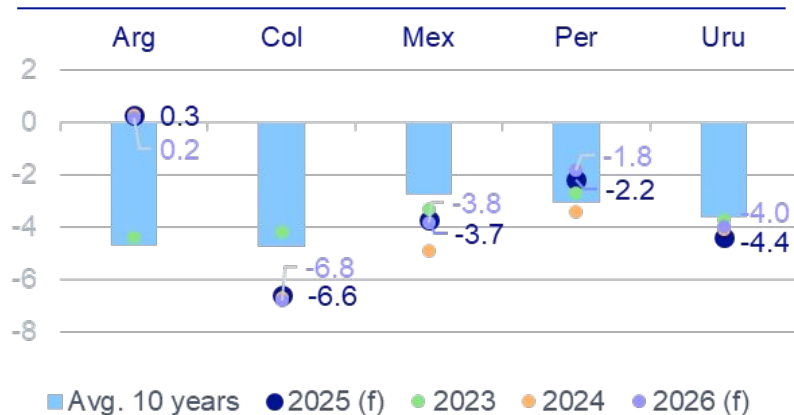
CENTRAL GOVERNMENT BALANCE – TOTAL AND PRIMARY – (% OF GDP)



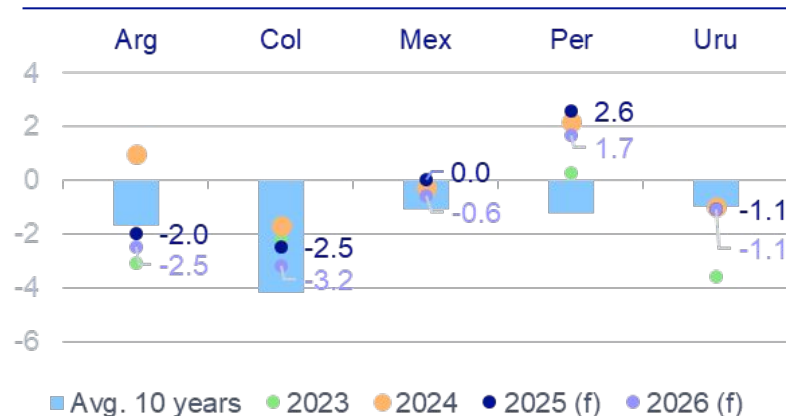
(f): BBVA Research forecasts
Source: BBVA Research with data from the Ministry of Finance

Despite the relief in some financial costs, the region's fiscal situation remains challenging

FISCAL BALANCE
(% OF GDP)



CURRENT ACCOUNT BALANCE
(% OF GDP)



(f) BBVA Research forecasts.

Source: BBVA Research with data from the Central Banks and Ministries of Economy of the region.

Good terms of trade in some countries and a relatively more favorable environment under the new U.S. tariff policies favor external balances, although some deterioration is expected in 2026

5. Inflationary pressures and caution in interest rates

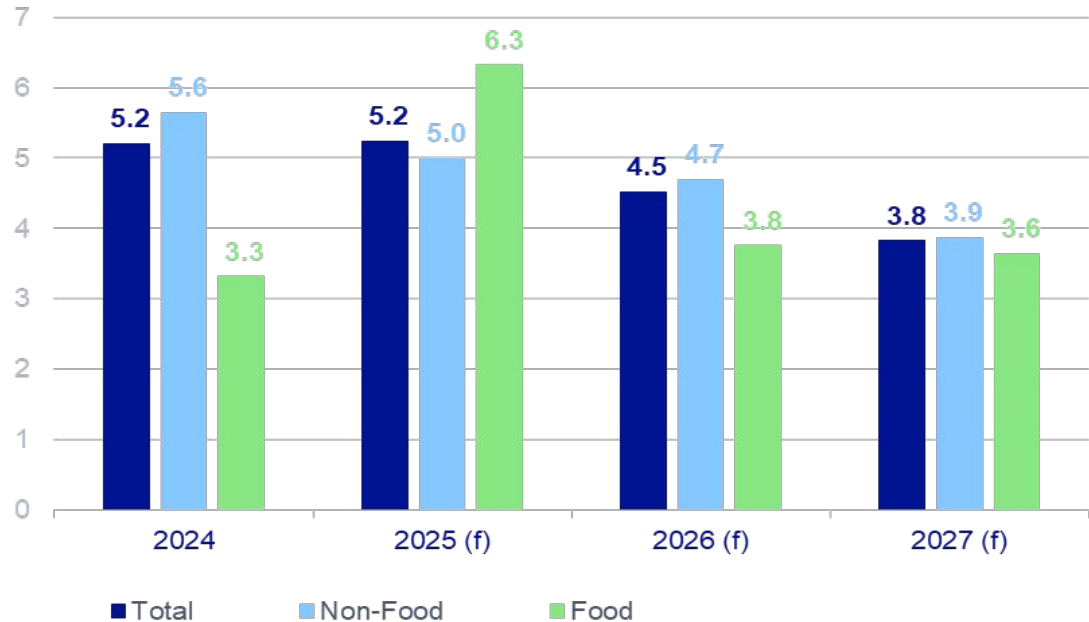
Inflation and interest rates

Inflation will subside gradually

Inflation will remain elevated at the beginning of 2026, driven by the increase in the minimum wage, which is expected to be significant, the inertia implied by indexing and pressure both on private and public expenditure.

Towards the second half of the year, the reactivation of the housing sector and the fall in food prices will help to moderate inflation, although the lower supply of gas will maintain upward pressure throughout the year.

INFLATION: MAIN COMPONENTS
(ANNUAL CHANGE, END OF PERIOD, %)

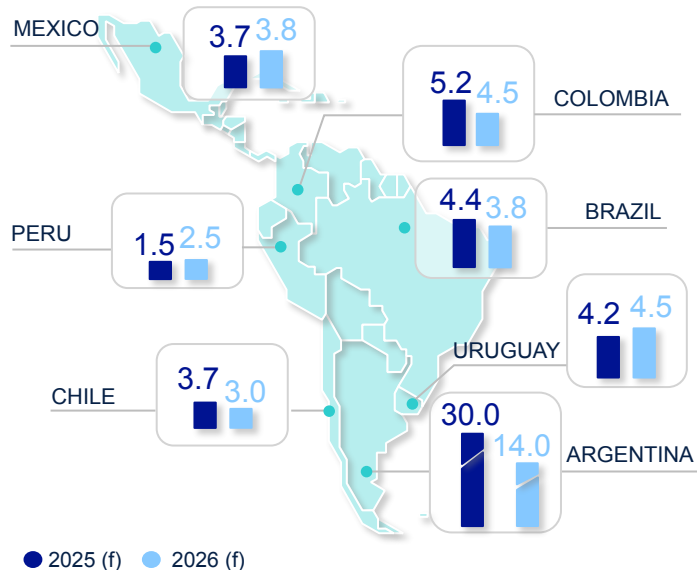


(f): BBVA Research forecasts
Source: BBVA Research, based on DANE data

In 2026, most countries are expected to keep inflation within the target range, with exception of Colombia, due to greater persistence

INFLATION

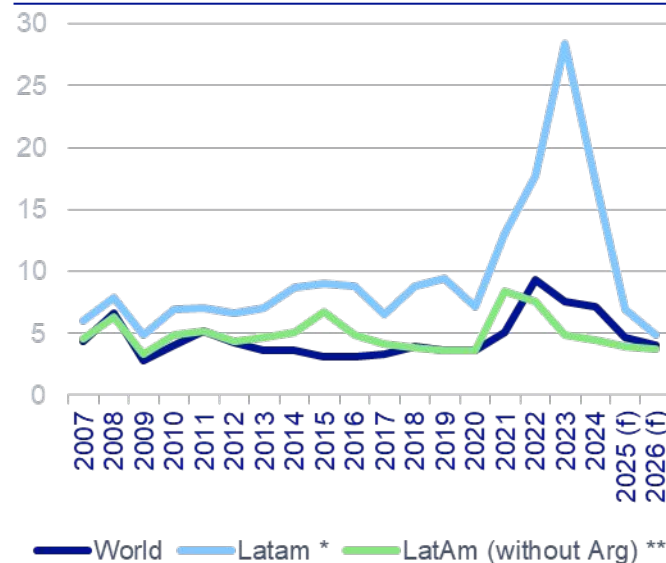
(ANNUAL CHANGE, END OF PERIOD, %)



(f): BBVA Research forecasts.
Source: BBVA Research.

WORLD & LATAM INFLATION

(ANNUAL CHANGE, END OF PERIOD, %)



(f): BBVA Research forecasts.

(*) Includes Argentina, Brazil, Chile, Colombia, Mexico, Paraguay, Peru and Uruguay.

(**) Includes Brazil, Chile, Colombia, Mexico, Peru, Paraguay, and Uruguay.

Banrep will keep the policy rate stable for a longer period amid the challenges they face

BanRep's board has **consolidated a more cautious** stance on monetary policy that will lead to a **prolonged cycle of stability**.

This is based on:

The **observed and expected rigidity in inflation** and the pressures coming from factors such as the increase in the **minimum wage and gas prices**.



The **dynamics of private and public spending**, which already show some **possible demand pressures** on inflation in specific items.



With this, the **policy rate will remain at its current level** of 9.25% throughout 2025 and 2026, with reductions anticipated from April 2027 onwards, closing that year at 8.25%.



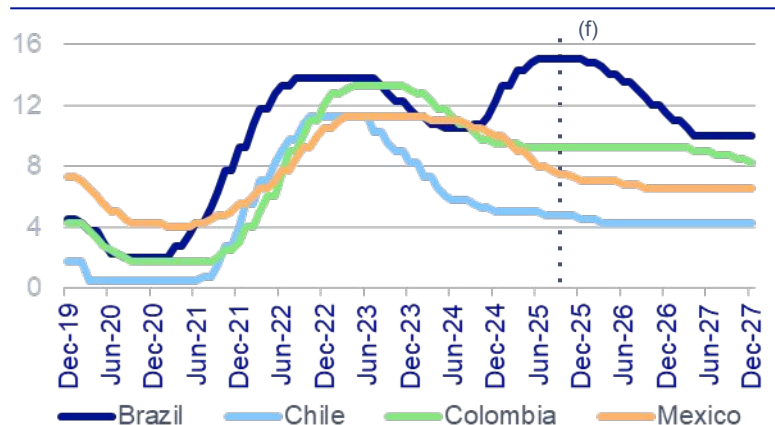
In the midst of the challenges BanRep faces, it is necessary to monitor factors such as:

- 1 Size of the **increase in the minimum wage** and its impact on inflation, in a context of greater strength in demand and higher capacity utilization.
- 2 Behavior of the **exchange rate**, risk of accelerated depreciation.
- 3 **Greater fiscal deterioration**, both due to direct effects on demand and indirect effects on risk premiums and exchange rate depreciation.
- 4 Accelerated expansion of **consumer credit**.
- 5 Possible **de-anchoring of inflation expectations** (as a result of the prolonged stickiness of inflation).
- 6 Possible **supply shocks**, which in a context of prolonged deviation from the targets can lead to a greater impact on inflation expectations.

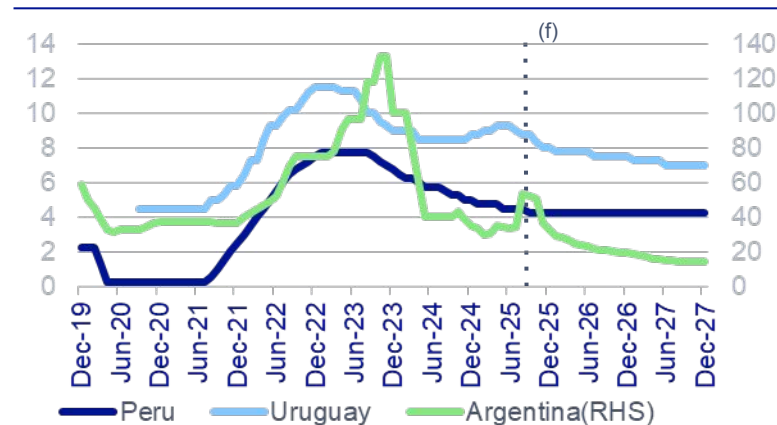


A cycle of greater rate stability is expected in most economies, with Colombia being the most lagging

MONETARY POLICY RATE
(%)



MONETARY POLICY RATE*
(%)



(f): BBVA Research projection; (*): For Argentina, it refers to the wholesale deposit remuneration rate.
Source: BBVA Research with data from Central Banks.

Brazil, following its upward adjustment, opens the possibility of a significant easing cycle at the beginning of 2026, while Argentina, as long as the monetary adjustment cycle continues, could see substantial rate cuts

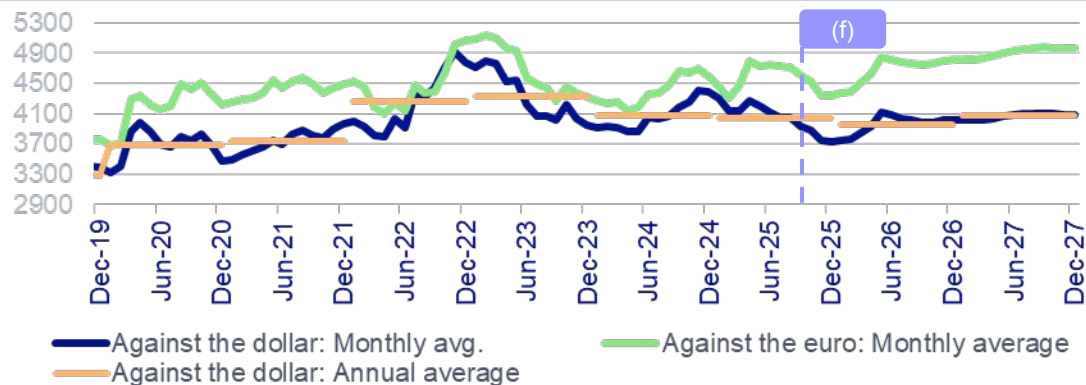
Highly volatile colombian peso with a bias towards depreciation

The recent appreciation is supported by government inflows, global weakness of the US dollar, and a more cautious stance of the BanRep.

In 2026, we anticipate high volatility and a depreciation trend for the colombian peso. This scenario includes a milder inflow of government resources, a deterioration in the current account and the volatility related with the electoral cycle.

COLOMBIAN PESO

(PESOS PER DOLLAR AND PESOS PER EURO, MONTHLY AND ANNUAL AVERAGE)



AGAINST THE DOLLAR

	Year-end		Annual average	
	Level (\$)	Change (%)	Level (\$)	Change (%)
2024	4,386	10.9	4,074	-5.8
2025 (f)	3,730	-15.0	4,045	-0.7
2026 (f)	4,020	7.8	3,960	-2.1
2027 (f)	4,085	1.6	4,067	2.7

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

By 2026, the region's currencies will appreciate against the dollar

With the exception of Argentina, which continues its cycle of exchange rate liberalization

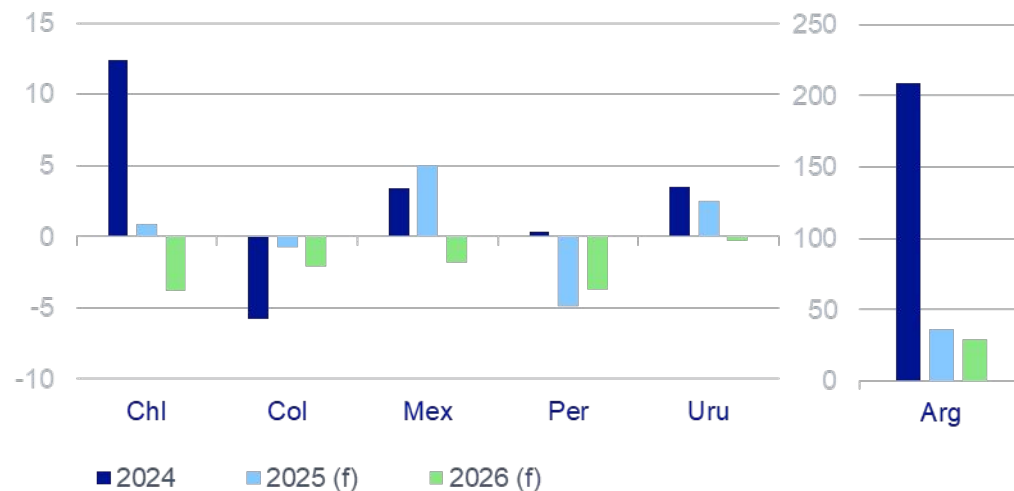
So far this year, the region's currencies have appreciated markedly, in line with the observed global weakening of the U.S. dollar.

For 2025, a relatively weaker starting point means that no significant average appreciation is expected, and some depreciation may even occur against 2024; however, in 2026, appreciation is expected to be more widespread.

It is worth noting that the political cycle facing several countries in the region over the coming months could lead to increased uncertainty and volatility.

Peru stands out, with a more structural strengthening of its currency, mainly due to a strong export sector cycle and favorable terms of trade. The real multilateral exchange rate has appreciated significantly. Against this backdrop, the Central Bank recently intervened in the *spot* foreign exchange market to moderate the strengthening of the local currency, something it had not done since 2020.

AVERAGE EXCHANGE RATE FOR THE YEAR (ANNUAL CHANGE AGAINST THE US DOLLAR, %)



6. Between caution and impulse to medium term growth of Colombia

Lower country cost

The "Colombia cost" is less in the inputs and more in the regulatory, fiscal and risk environment

Operate in Colombia is costly

Inputs explain part of the extra cost; the price of electricity is similar to that for developed countries and that of mobile data is far lower than the regional and world average.

But the context explains more: upper management dedicates more than 25% of their time in red tape, the effective corporate tax rate is amongst the highest in the world and the minimum wage is very close to the average salary. The country risk is high and security issues prevail, increasing the cost of capital and logistics.

INDICATOR	COLOMBIA	LATAM	EMERGING	DEVELOPED	WORLD
Electricity ⁽¹⁾ (USD/kWh)	0.234	0.173	0.148	0.210	0.148
Logistics performance ⁽²⁾ (score 0-5. 139 countries)	2.90	2.69	2.71	3.52	3.00
Time to comply with regulations ⁽³⁾ (% management time)	26.2	11.4	8.7	8.1	8.2
Secure Internet servers ⁽⁴⁾ (per million people)	1.126	3.702	1.956	85.835	16.379
Cost per 1GB of data ⁽⁵⁾ (USD)	0.20	3.74 (**)	NA	NA	2.61
Minimum/average wage ⁽⁶⁾ (%)	92.31	52.00	57.25 (*)	55.55	45.00
Effective Corporate Tax Rate ⁽⁷⁾ (%)	29.7	23.9	17.1	21.9	NA
Intentional homicides ⁽⁸⁾ (per 100 thousand inhabitants)	24.9	19.7	5.5 (**)	2.9	5.2
10-year USD Global Bond ⁽⁹⁾ (%)	6.90	5.39	6.00	4.01	NA

(1): GlobalPetrolPrices, 2025 (2): World Bank, 2022: perception of logistics operators about: customs efficiency, quality of the transport infrastructure, easiness to dispatch at competitive prices, quality of logistical services, traceability and time fulfilment. (3): World Bank, 2024. (4): World Bank, 2024. (5): Cable.co.uk, data for 2023. (6): OECD, 2024; IADB, 2023. (7): US Treasury Department, 2022; IADB, 2023. (8): World Bank, 2023.(9): National webpages and JP Morgan. (*): Emerging economies measured by the OECD. (**): Data for 2015

What should Colombia do in the short term to reduce its "country cost"?

Moving from an expensive environment in terms of regulation, taxes, security and financing to one that, from 2026, reduces country risk, frees up managerial time and makes investment, formality and logistics cheaper compared to other emerging markets.

Less paperwork, more time for business

Launch a program to simplify regulations and make processes digital.

Tax and labor framework supportive of formal investment

Redesign the corporate income tax to lower the effective rate. Gradually reduce the gap between the minimum and average wage with more productivity.

Addressing the sources of country risk

Strengthen security, reinforce justice and the fight against corruption, and anchor fiscal and debt policy to lower the EMBI and the cost of financing.

Improve logistics and infrastructure

Prioritize logistics projects in key corridors: 6G infrastructure. Comprehensive reform of customs. Ensure power quality and reliability (not just price) and connectivity/access for industrial areas.

Increase financial depth / access

Develop the local capital market in pesos and dollars to reduce the cost of public and private funding.

More AI

Accelerate the ongoing adoption of artificial intelligence in companies and the State to gain productivity, simplify procedures and improve public services.

7. Economic forecasts

Overview of the numbers

Colombia: Annual economic forecasts

	2022	2023	2024	2025 (f)	2026 (f)	2027 (f)
GDP (% y/y)	7.3	0.7	1.6	2.7	2.8	2.8
Private consumption (% YoY)	10.8	0.4	1.6	4.0	3.5	3.4
Public consumption (% YoY)	1.0	1.6	0.7	6.9	4.3	3.4
Fixed investment (% YoY)	11.5	-12.7	3.2	2.6	4.9	4.9
Inflation (% YoY, EOP)	13.1	9.3	5.2	5.2	4.5	3.8
Inflation (% YoY, average)	10.2	11.8	6.6	5.2	4.9	4.0
Exchange rate (EOP)	4,788	3,954	4,386	4,150	4,150	4,085
Depreciation (% , EOP)	20.7	-17.4	10.9	-5.4	0.0	1.6
Exchange rate (average)	4,256	4,326	4,074	4,130	4,200	4,067
Depreciation (% , average)	13.7	1.6	-5.8	1.4	1.7	2.7
Monetary policy rate (% , EOP)	12.00	13.00	9.50	9.25	8.50	8.25
Current account (% GDP)	-6.0	-2.2	-1.7	-2.5	-3.2	-3.4
Urban unemployment rate (% , EOP)	10.8	10.2	9.0	8.5	8.6	8.7

Colombia: quarterly economic forecasts

	GDP (% YoY)	Inflation (% YoY, EOP)	Exchange rate (vs. USD, EOP)	Monetary policy rate (%, EOP)
Q1 24	0.2	7.4	3,909	12.25
Q2 24	1.6	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	2.6	5.1	4,133	9.50
Q2 25	2.1	4.8	4,116	9.25
Q3 25	3.6	5.2	3,960	9.25
Q4 25	2.4	5.2	4,150	9.25
Q1 26	2.8	5.2	4,180	9.25
Q2 26	2.4	5.1	4,300	9.25
Q3 26	2.2	4.6	3,980	9.25
Q4 26	3.7	4.5	4,020	9.25
Q1 27	2.9	4.1	4,020	9.25
Q2 27	3.3	4.0	4,085	9.00
Q3 27	2.4	4.0	4,105	8.75
Q4 27	2.4	3.8	4,085	8.25

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