

Inflation decreased to 5.3% in November, after four consecutive months of increases

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In November, food prices explained the largest part of the reduction in headline annual inflation

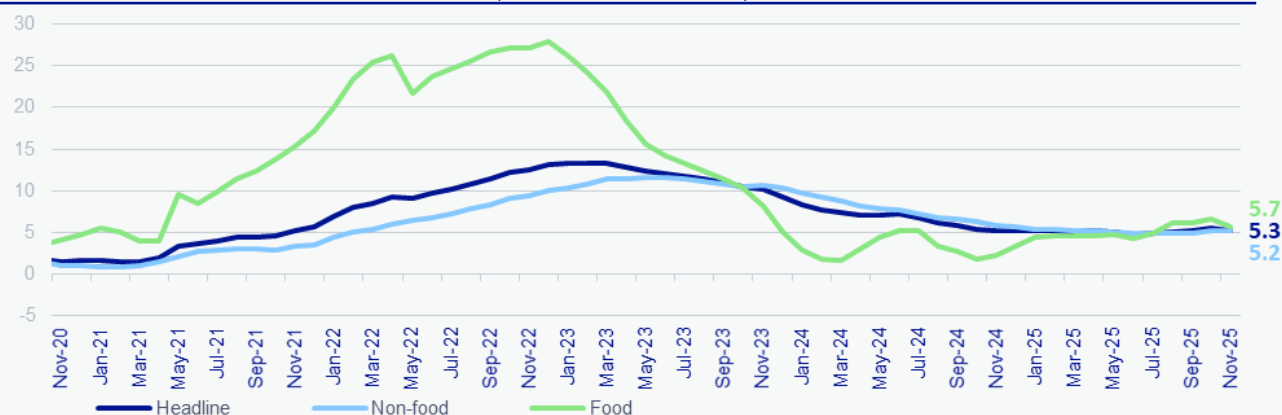
Monthly inflation in November stood at 0.07%, a result significantly lower than expected by analysts (0.21%, according to the Central Bank survey) and by BBVA Research (0.17%). Consequently, annual inflation fell to 5.3%, decreasing by 21 basis points (bp) compared to October and registering its first drop after four consecutive months of increases.

- **The reduction in annual inflation was mainly explained by the behavior of food prices, which had a monthly variation of -0.72% and an annual variation of 5.74% (-90 bp compared to October).** Among the components that contributed most to this annual decrease were perishable (-242 bp) and processed foods (-69 bp). In perishables foods, carrots (-3,171 bp), tomatoes (-3,148 bp), onions (-615 bp), and fresh fruits (-397 bp) stood out. However, some products pushed prices up, such as potatoes (+462 bp). In processed foods, the decrease was largely due to rice (-190 bp). In contrast, meat registered an increase of 36 bp, mainly explained by beef (+82 bp).
- **As for the non-food basket, there was a slight decrease in annual inflation, which stood at 5.2% (-5 bp compared to October).** This result was mainly explained by the behavior of the services sub-basket. Inflation excluding food and regulated items, closely monitored by the Central Bank, also decreased to 4.86% (-14 bp compared to October).
- **Within the non-food basket, services presented an annual inflation of 5.7% (-19 bp compared to October).** This decrease was mainly due to the behavior of cinemas and theaters (-940 bp), package tours (-898 bp), and rents (-12 bp). However, some services pressured prices upward, such as fixed and mobile communication (+35 bp).
- **Goods showed stability, with their annual inflation remaining at 2.6% (-1 bp compared to October), stopping the uninterrupted upward trend observed between February and October.** This was the result of a combination of upward and downward pressures that ultimately cancelled each other out. Products that increased their annual variation include mobile phone equipment (+76 bp) and pharmaceutical and

dermatological products (+32 bp). Meanwhile, products that decreased their annual variation include clothing for both men (-36 bp) and women (-32 bp).

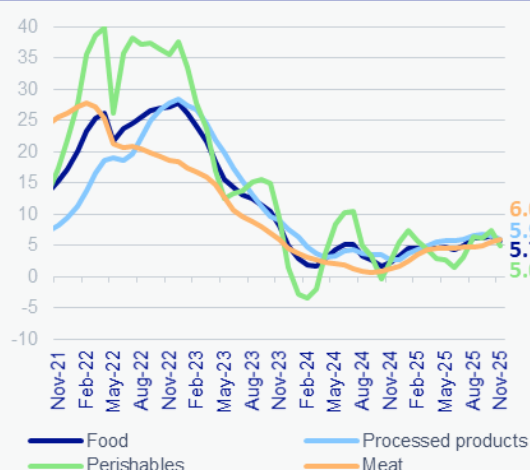
- **Administered prices, for their part, registered an increase in annual inflation, which stood at 6.3% (+23 bp compared to October).** This result was mainly explained by increases in water supply (+121 bp) and vehicle fuels (+47 bp). In contrast, residential gas presented a significant relief of 182 bp.
- **In summary, November inflation was a downside surprise.** The reduction was mainly explained by the behavior of food prices—especially perishables and processed foods—although a reduction in non-food inflation was also observed, particularly in services, which had not shown a relief of this magnitude since June. Likewise, the stability of goods halted a prolonged upward trend, while administered prices continue to show increases for the third consecutive month. Despite the favorable result, the disinflationary process in Colombia remains challenging; however, we expect inflation to continue moderating in December and close the year at around 5.2%.
- **The November result reinforces the cautious stance adopted by the Board of the Central Bank in its recent monetary policy meetings.** Although headline inflation moderated—registering its first drop after four consecutive months of increases—it remains above 5%. Similarly, inflation excluding food and regulated items showed relief, but it is still around 4.9%. In this context, stability in interest rates by the Board is anticipated in the last meeting of the year, and likely until a more marked and sustained relief in inflation is observed.

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



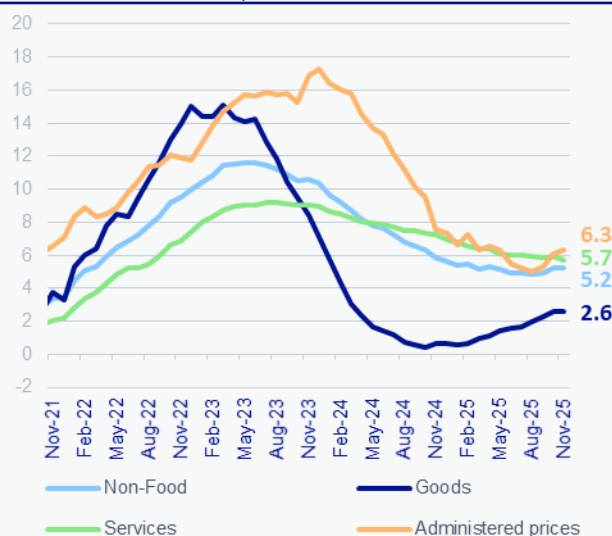
Source: BBVA Research with DANE data.

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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