BBVA Research

MARCH 2026

Macroeconomic imbalances and uncertainty condition economic activity

Colombia Economic Outlook


World

1. Recovery underway amid a demanding geopolitical environment

Global environment

Main messages

Global growth soft-landed in 2025, despite slowdown fears linked to geopolitical tensions, policy uncertainty, and US tariffs. The global economy proved resilient, supported by falling inflation and interest rates, fiscal stimulus, AI adoption, and low energy prices.

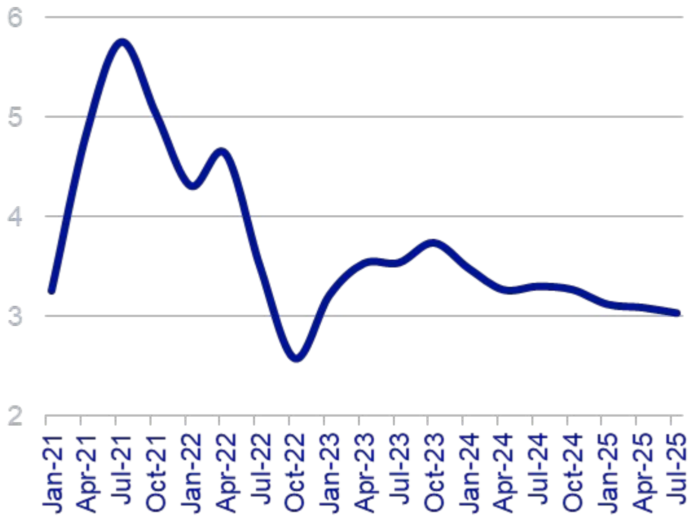
The outbreak of war in Iran adds a new headwind for the global economy. A short-lived conflict with limited macro impact remains the baseline, but uncertainty has risen. A more prolonged war that keeps energy prices and financial tensions elevated would lift inflation while also weakening growth.

Global growth could remain relatively dynamic, around 3.2% in 2026-27, driven by economic policies and AI-related spending, provided the war in Iran is brief. While inflation has lately eased, several factors could keep it more persistent than expected, particularly in the US.

Despite larger uncertainty, the Fed is still likely to cut rates after pausing in 1H26, favoring a weaker US dollar. The ECB is not expected to deliver further cuts. Still, if the Middle-East turmoil persists, central banks would again face the reinforced trade-off between higher inflation and weaker demand.

Despite negative shocks, the world economy has showed resilience, backed by policy tailwinds and the AI boom

GLOBAL GDP GROWTH: QUARTERLY
(Y/Y %, SEASONALLY ADJUSTED, CONSTANT PRICES)



Global growth soft-landed in 2025 despite deceleration fears, underpinned by several factors:

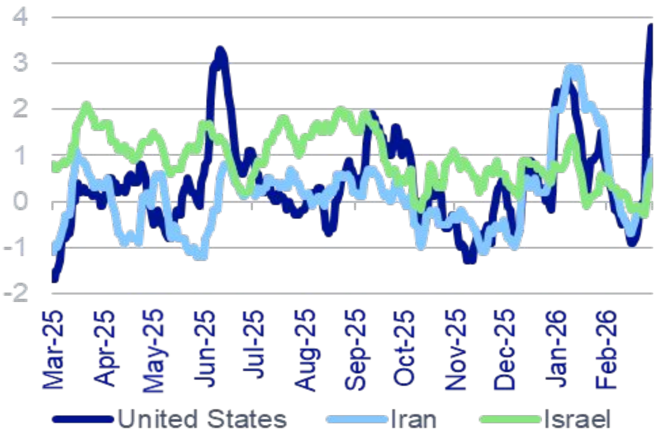
- limited impact of geopolitical tensions, protectionism and policy uncertainty, so far
- fall in inflation and interest rates
- weak USD
- fiscal stimuli
- AI spending
- low energy prices

Early-2026 macro data is broadly positive, but the **war in Iran** has increased uncertainty ahead.

Source: BBVA Research based on data from the IMF

The outbreak of conflict in Iran has lifted energy prices from their lows, reinforcing global uncertainty and risks

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



Source: BBVA Research

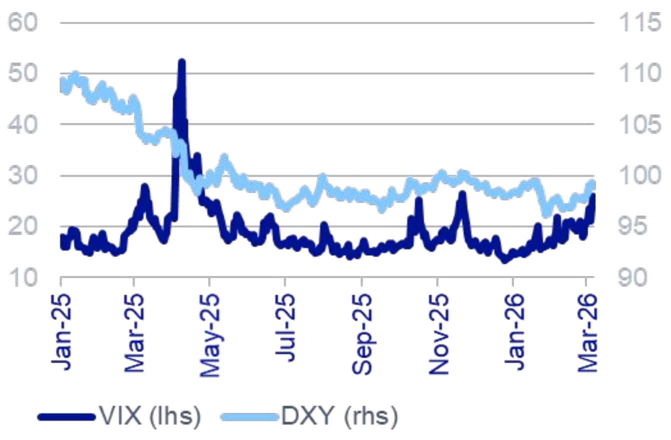
BRENT PRICES
(USD PER BRENT BARREL)

Source: BBVA Research based on data from Haver

US-Israel attacks on Iran, and the ensuing escalation of the conflict reignited geopolitical tensions in the Middle East; energy prices have jumped amid production and transportation disruptions across the region

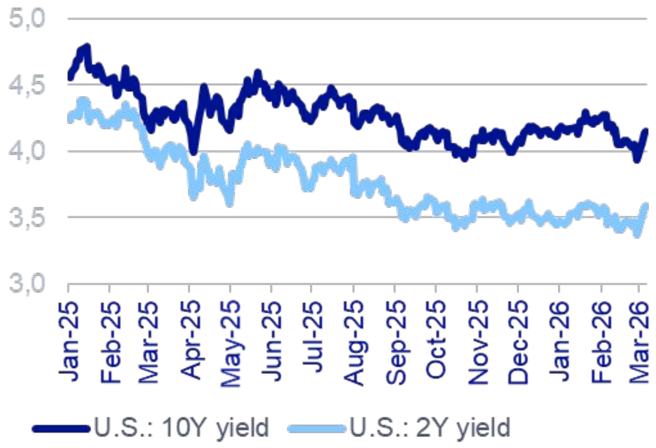
Market impact from Middle East tensions has been strong but contained, consistent with a short-lived war view

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



Source: BBVA Research based on data from Haver

US SOVEREIGN YIELDS
(%)

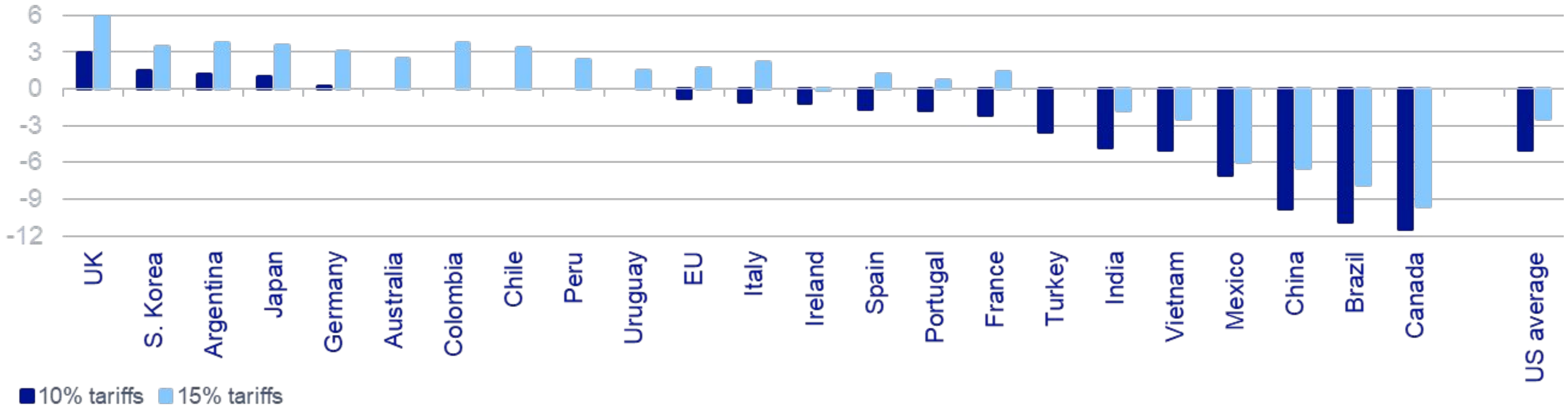


Source: BBVA Research based on data from Haver

Following initial attacks on Iran, volatility has increased, the USD has appreciated (while remaining relatively weak), and US yields rose as inflation fears outweigh safe haven demand; markets are now pricing in fewer US rate cuts this year and higher odds of an ECB rate hike

US tariffs continue at historically high levels despite the decline following the IEEPA-tariffs overruling

US STATUTORY TARIFFS: CHANGE DUE TO THE SHIFT FROM IEEPA TO SECTION 122 (*) (PP)

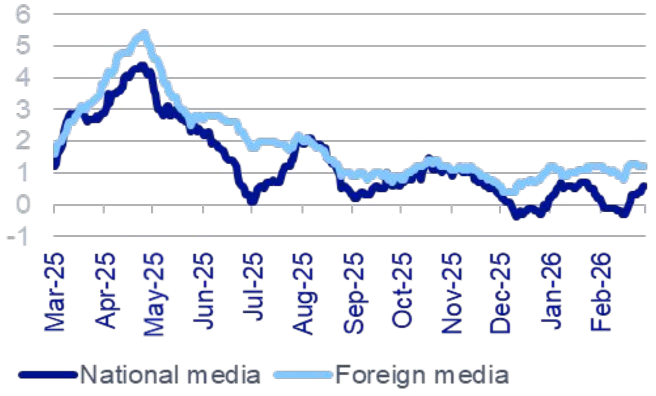


(*) These estimations are based on 2024 trade flows. They assume that previously announced trade deals do not remain in place.
Source: BBVA Research

Statutory US tariffs fell somewhat, from an overall level around 15%, following the announcement of new import duties, based on Section 122 of the Trade Act of 1974, to replace overruled reciprocal and fentanyl tariffs; these temporary duties could be eventually replaced by more permanent ones

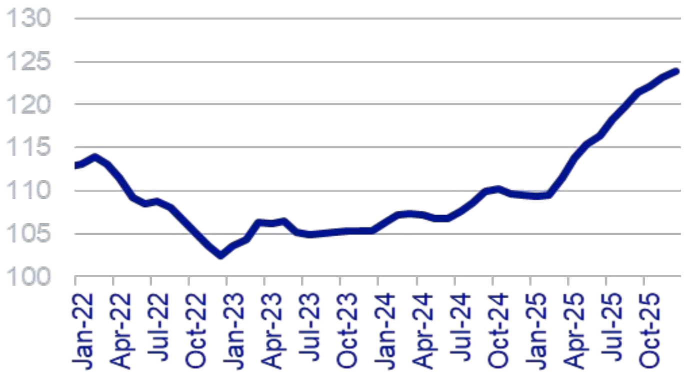
Tariff-related uncertainty persists but appears to be a diminishing source of concern; global trade remains solid

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



Source: BBVA Research

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

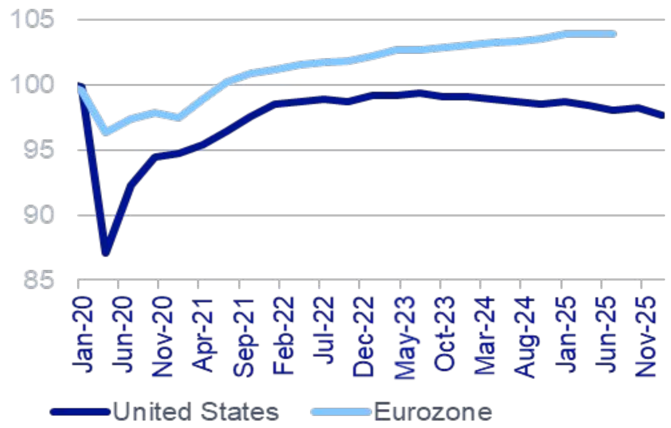


Source: BBVA Research based on data from Haver

Global trade remains resilient, particularly in China, but also in the US; the incipient impact of higher tariffs is being offset by factors such as import frontloading effects, effective tariffs below statutory levels, and the boom in AI-related imports

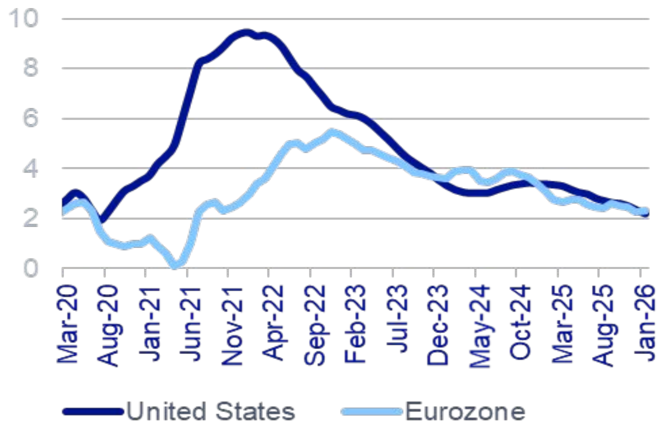
Lower immigration could be contributing to lower employment in the US; wages, however, continue to ease

EMPLOYMENT-POPULATION RATIO (*)
(INDEX: 2019 AVERAGE = 100)



(*) US: 16 years and over; EZ: from 15 to 74 years.
Source: BBVA Research based on data from Fred and Eurostat

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

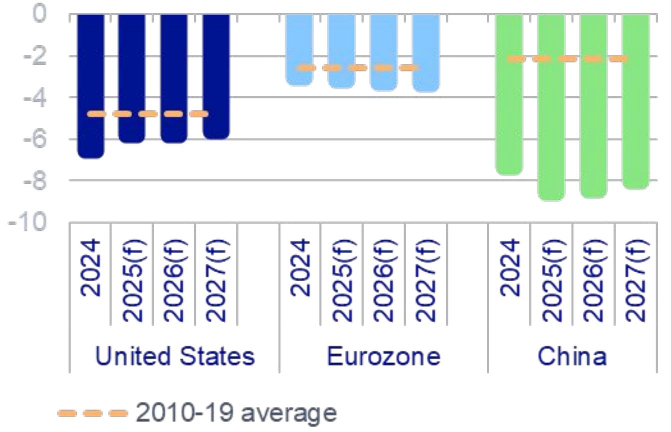


Source: BBVA Research based on data from Indeed

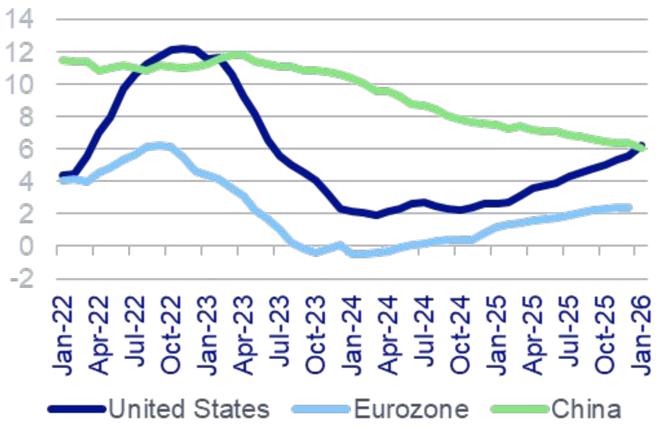
The US unemployment rate has fallen more recently (4.4% in Feb/26) easing labor deceleration concerns; in the Eurozone, it continues at low levels (6.2% in Dec/25) and real wages are growing at a positive rate

Economic policies are providing a significant cyclical support to economic activity

FISCAL BALANCE (*)
(% OF GDP)



BANKING CREDIT: STOCK
(Y/Y %)



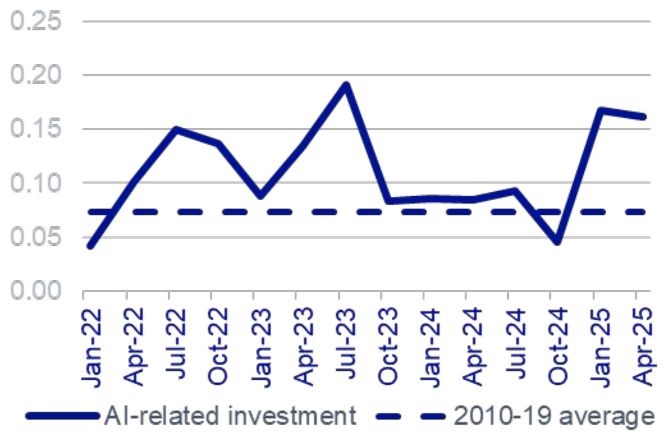
(f): forecast
(*) Forecasts by BBVA Research for the Eurozone, by the CBO for the US and by the IMF for China.
Source: BBVA Research based on data from the IMF

Source: BBVA Research based on data from FRED and Eurostat

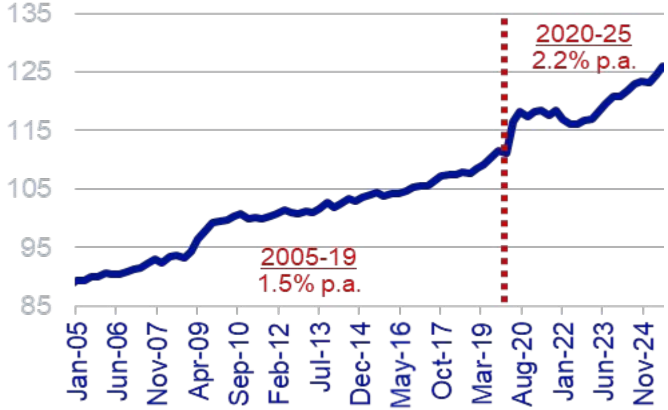
Supportive fiscal policies remain in place, led by defense spending in the Eurozone and tax cuts (partially offset by tariff revenues) in the US; policy rates have fallen by 175 bps in the US and 200bps in the Eurozone since mid-2024, contributing to growth resilience

AI spending has been one of the main drivers of US growth

US: AI-RELATED INVESTMENT (*)
(CONTRIBUTION TO GDP GROWTH; 12-MONTHS MOVING AVERAGE: PP)



US: LABOR PRODUCTIVITY PER HOUR
(INDEX: 2005-2019 AVERAGE = 100)



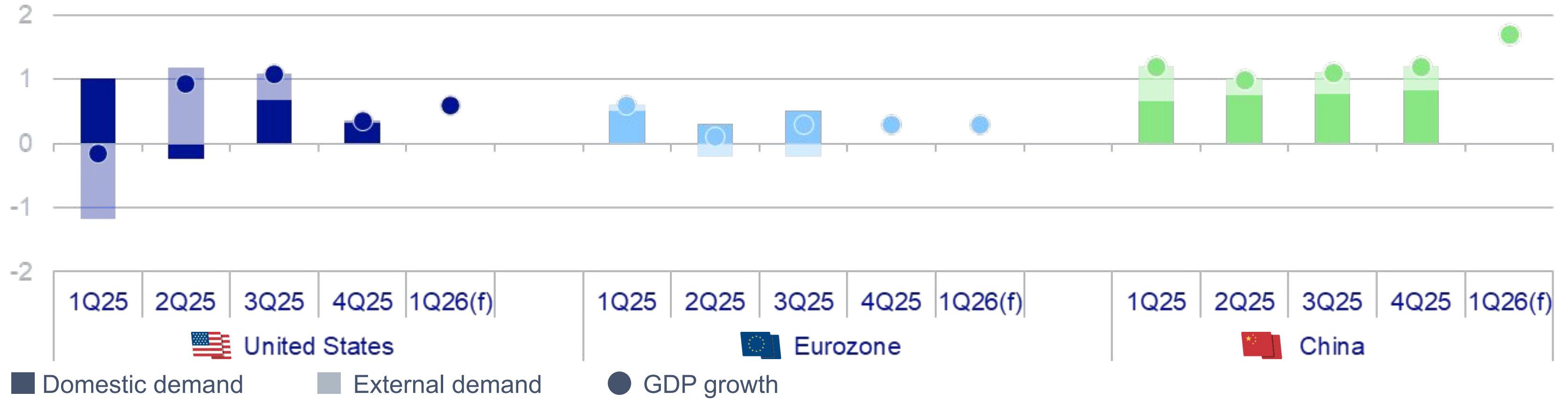
(*) AI-related investment defined as investment in information processing and investment in softwares.
Source: BBVA Research based on data from FRED and US Census Bureau

Source: BBVA Research based on data from FRED

AI-adoption has been contributing to investment and private consumption (due to wealth effects from AI-equity gains); AI-related imports are also increasing

2025 growth was higher than expected; preliminary data suggest that dynamism persisted at the start of 2026

GDP: CONTRIBUTION OF DOMESTIC AND EXTERNAL DEMANDS TO GDP GROWTH (*)
(GDP GROWTH: Q/Q%; CONTRIBUTIONS TO GDP GROWTH: PERCENTAGE POINTS)

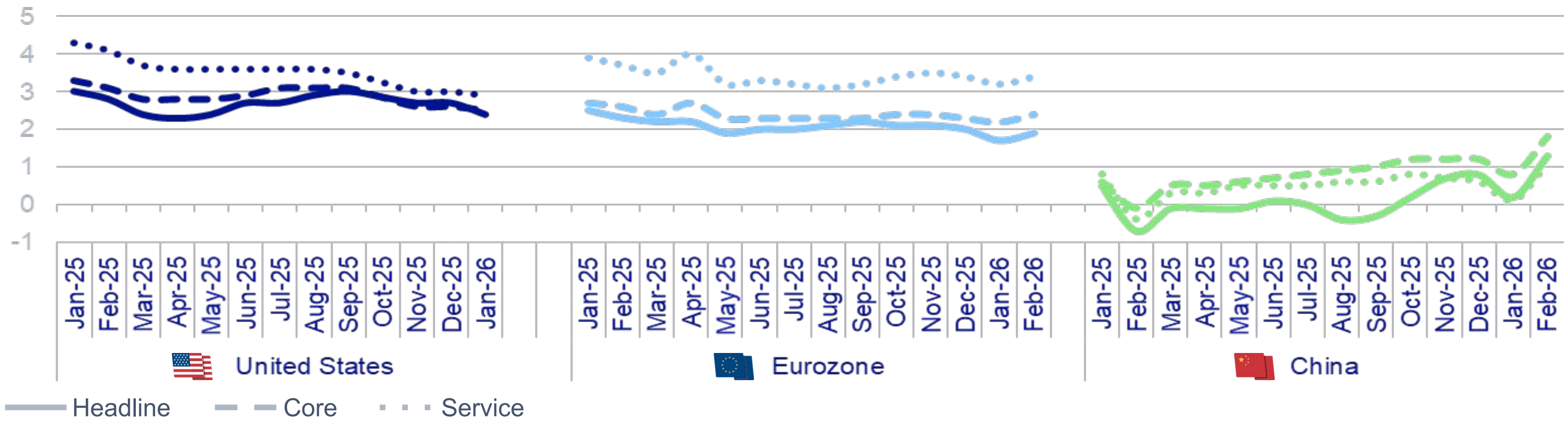


(*) 1Q26: BBVA Research forecasts
Source: BBVA Research based on data from Haver and China's NBS

Growth has been backed mostly by domestic demand and the service sector in the US and the Eurozone; external demand has been key to keep growth relatively stable in China

Inflation has in general moderated more than expected ahead of the recent surge in energy prices

CPI INFLATION: HEADLINE, CORE AND SERVICE (Y/Y %)

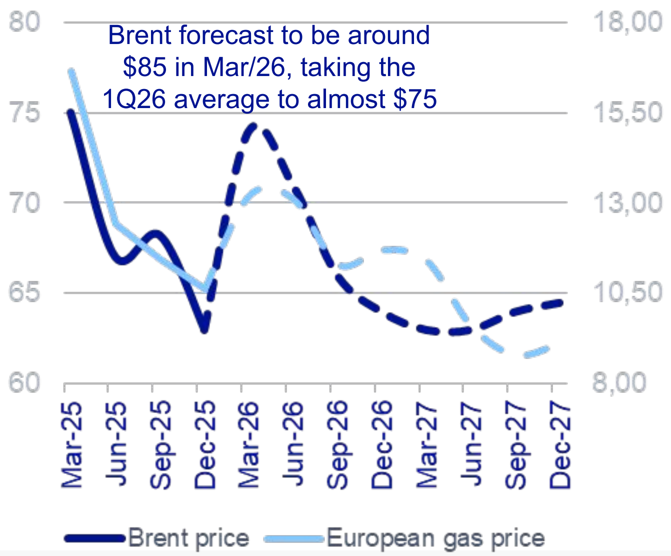


Source: BBVA Research based on data from Haver

Inflation moderation was driven by low energy prices ahead of the conflict in Iran, smaller pressure from service (mainly shelter) prices in the US, and controlled goods inflation in the Eurozone

Middle-East tensions: a temporary conflict, with limited macro impact, is likely, despite large uncertainty

ENERGY PRICES: BBVA RESEARCH FORECASTS (BRENT: USD/BARREL, GAS: USD/MMBtu; QUARTERLY AVERAGES)



Source: BBVA Research based on data from Haver

The war in Iran can affect the global economy through different channels: i) higher energy prices, ii) supply disruptions, iii) financial risk-off, and iv) weaker confidence.

Measures to reduce the transmission of global energy prices to domestic markets and support economic activity are likely.

A short war would allow energy prices, financial conditions and confidence to normalize soon, limiting negative effects on inflation and growth.

A more prolonged conflict would imply a sharp negative shock to the global economy, mainly for net energy importers (Europe, China) and riskier assets (particularly in emerging markets).

Beyond the evolution of the conflict in Iran, many other factors will shape the global economy moving ahead

Main drivers of macroeconomic dynamics

United States

- continued **fiscal stimulus.**
- potentially lower **Fed** rates.
- **AI** support to demand and eventually to productivity.
- structurally weaker **dollar.**
- robust **consumption,** led by top earners (wealth effects).
- **tariffs** to remain in place.
- large **uncertainty** on domestic policy-making.

Eurozone

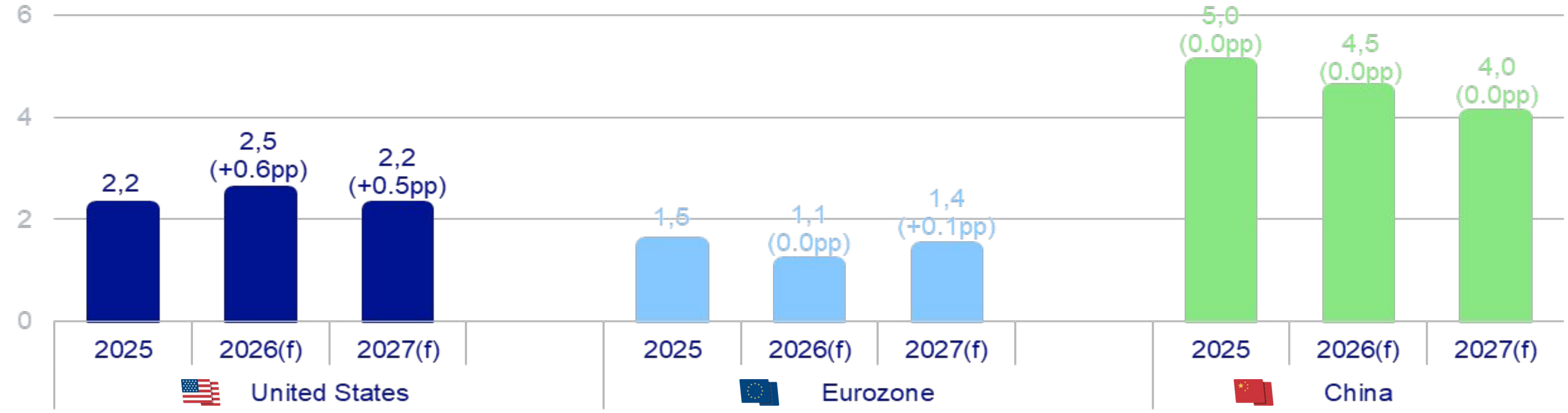
- **fiscal impulse**, mainly through **defense spending.**
- stable **interest rates.**
- large exposure to higher **energy prices.**
- stronger **euro.**
- gradual **AI** adoption.
- challenging adaptation to **new global order.**

China

- **supply-demand imbalance.**
- strong **exports**, but likely to decelerate.
- still weak **yuan.**
- production **overcapacity.**
- **“anti-involution”** campaign.
- measured **policy stimulus.**
- subdued **confidence.**
- **housing market** correction.

Global growth is likely to remain dynamic, driven by policy tailwinds and AI, at least if the Iran war proves short-lived

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

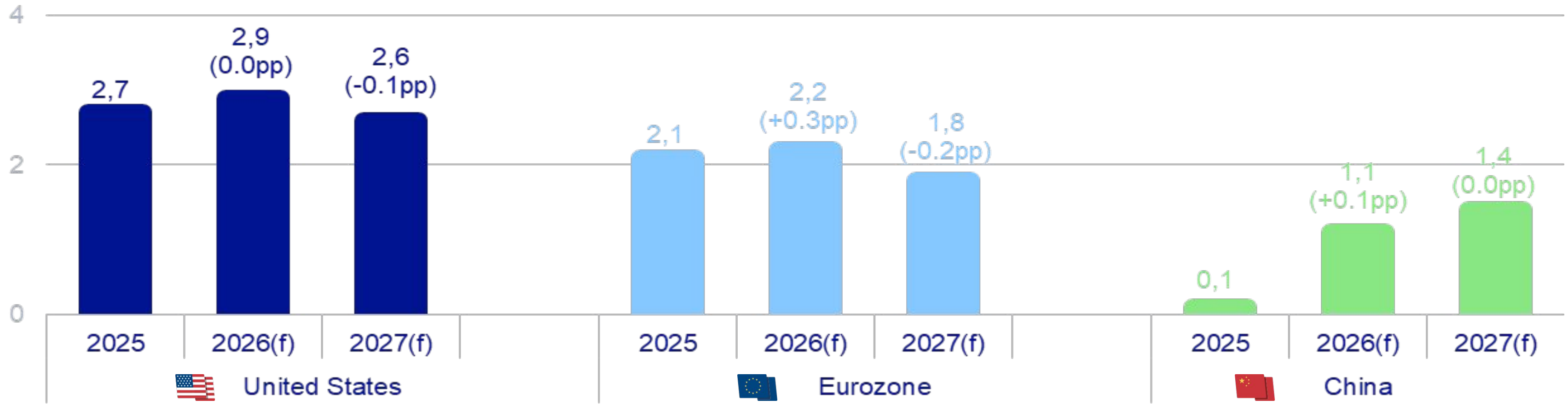


(*) Global GDP is forecast to grow 3.2% in 2025, 3.2% in 2026 and 3.3% in 2027, respectively 0.0pp, 0.1pp and 0.1 higher than the previous forecasts.
(f): forecast.
Source: BBVA Research

Incoming data and expectations of a larger AI-driven contribution support growth prospects, especially in the US, and offset the negative effects of a temporary rise in energy prices, which weighs more on the Eurozone than on the US or China

Inflation will remain relatively high in the US, and is likely to be be slightly 2% in the Eurozone and to edge up in China

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

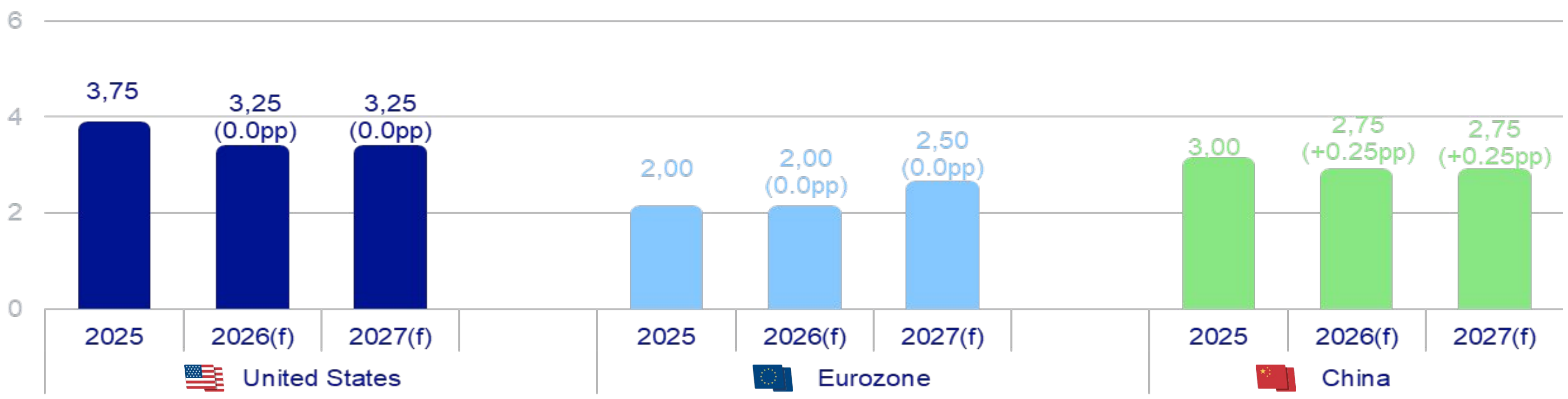


(f): forecast.
Source: BBVA Research

Energy prices, resilient demand, US tariff pass-through, sticky euro-area services inflation, and China's "anti-involution" drive, among other factors, are likely to keep global inflation under pressure

Higher energy prices could reduce the room for monetary easing, especially if they prove persistent

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

A more prolonged war in Iran would lift inflation and weaken demand, posing a dilemma for central banks, which would nonetheless be more likely to turn hawkish, especially the Fed, given greater inflation concerns in the US

Risks are mostly tilted to the downside

Main risks	Main potential impacts
Geopolitical tensions	— Iran: prolonged high energy prices, supply disruptions, financial tensions, emigration flows. — Ukraine war, US-China rivalry, China-Japan, Venezuela.
AI	— higher demand, GDP growth and inflation due to AI spending (short-term). — higher productivity and potential GDP (medium-term). — wealth effects on private consumption driven by AI equities.
US policies and institutions	— monetary policy miscalibration: inflation persistence vs. recession risks. — erosion of Fed independence: lower policy rates, higher inflation, weaker USD, financial volatility. — impairment of checks and balances.
Debt and credit markets	— large public debt: sovereign crises, fiscal dominance leading to higher inflation. — credit markets: commercial real estate, shadow banking, leveraged credit, Middle-East exposure.
Protectionism	— higher costs and lower trade volumes: weaker global growth. — fragmentation, supply-chain re-routing: relative price shocks, productivity drag.
Labor supply	— tighter labor supply on migration curbs and ageing: wage/inflation persistence.
China's slowdown	— structural growth deceleration, housing market crisis, deflation.
Climate change	— extreme events: price spikes, output disruptions. — transition investment, adjustment costs.

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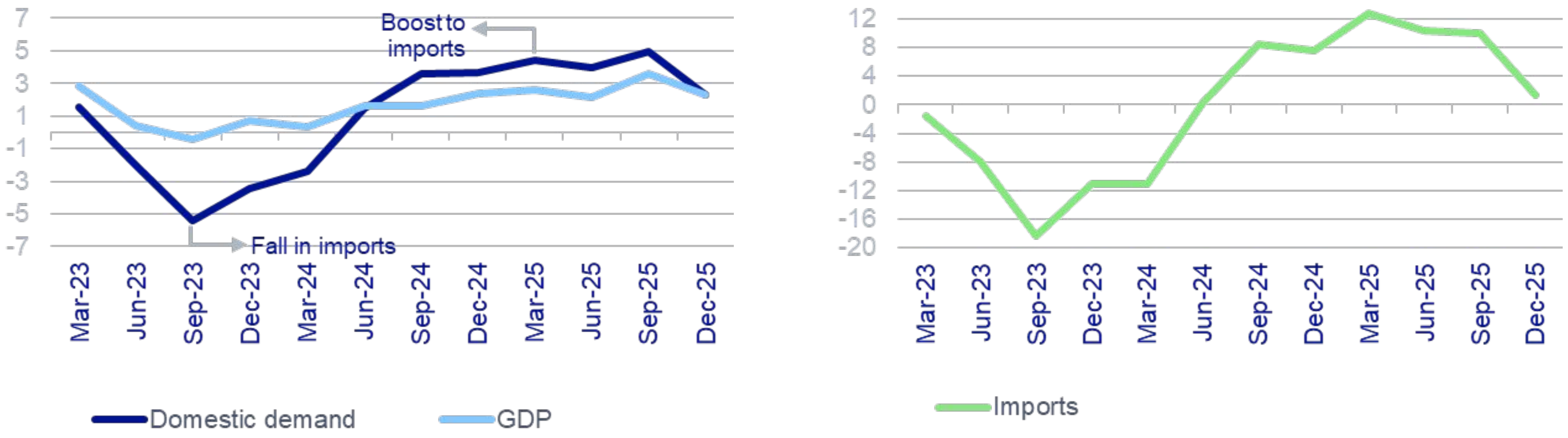
2. A cycle driven by consumption and marked by uneven investment

Activity today

The economy continued its recovery in 2025, with growth of 2.6%, after 0.8% in 2023 and 1.5% in 2024

GDP, DOMESTIC DEMAND AND IMPORTS
(REAL ANNUAL CHANGE, %)

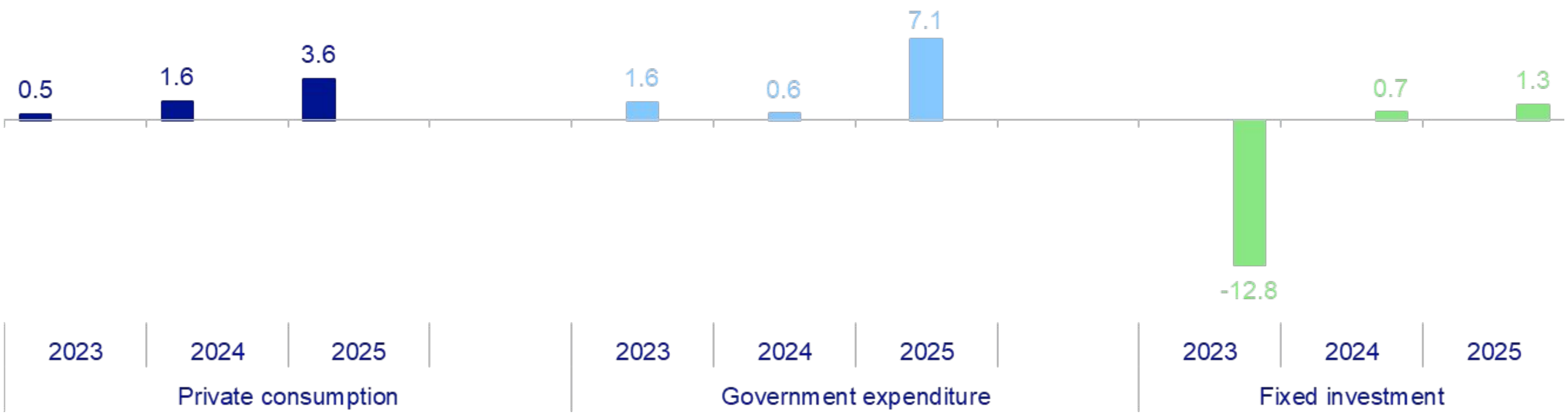


Source: BBVA Research, based on DANE data

GDP is moving at the pace of domestic demand, the main driver of growth. This dynamic has driven an increase in imports, which implies greater leakage abroad

Final consumption, both private and public, led domestic demand; investment lagged behind

DOMESTIC DEMAND: COMPONENTS
(REAL ANNUAL CHANGE, %)

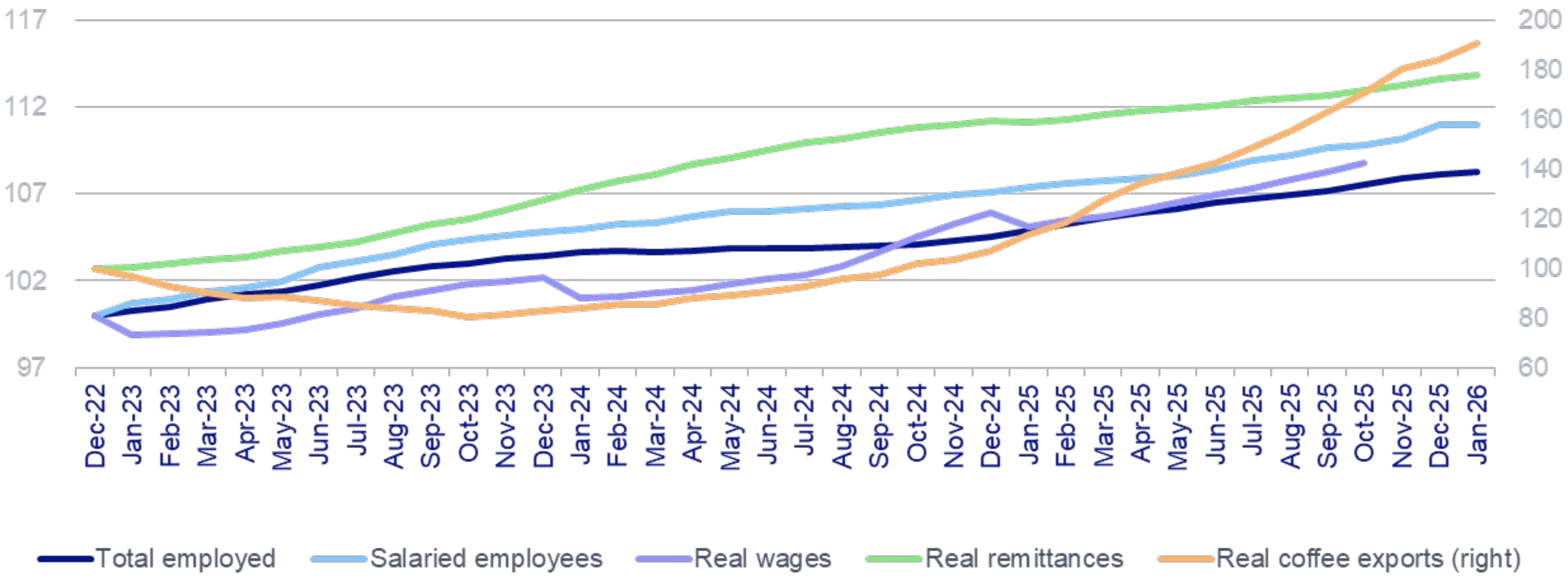


Source: BBVA Research, based on DANE data

Investment has been growing below GDP for three years: After a notable expansion in 2022, it fell sharply in '23 and showed weak performance in '24-25

Employment, remittances, formal wages, coffee sector revenues, returns on capital explain spending strength

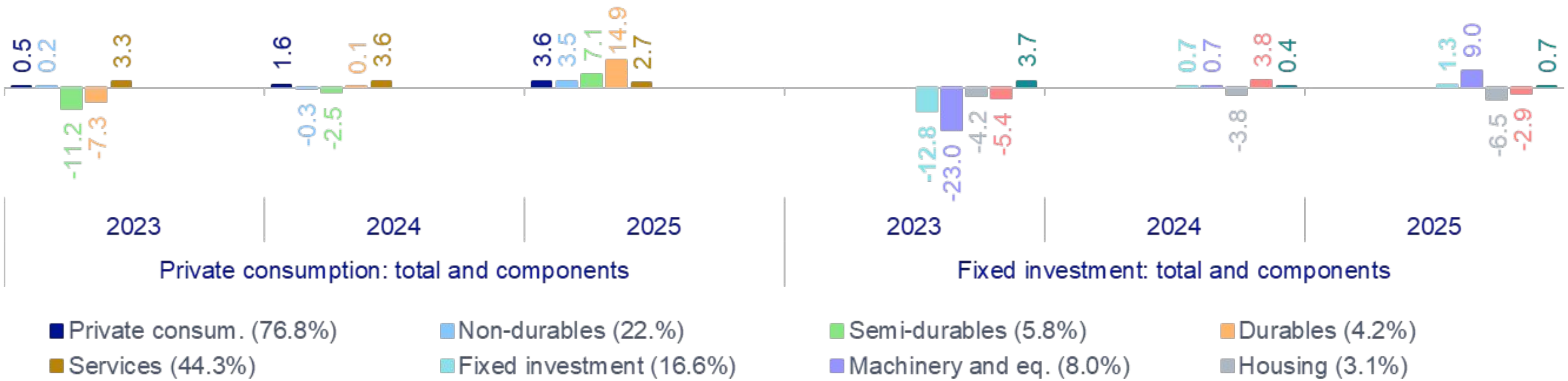
DETERMINING FACTORS OF CONSUMPTION
(INDEX: AVERAGE YEAR 2022 = 100, ROLLING YEAR, MONTHLY)



Source: BBVA Research, with data from DANE and Banco de la República

Household spending was sustained by semi durable and durable goods, a typical expansion pattern in upward cycles

PRIVATE CONSUMPTION AND FIXED INVESTMENT: COMPONENTS
(REAL ANNUAL CHANGE, %) (*)

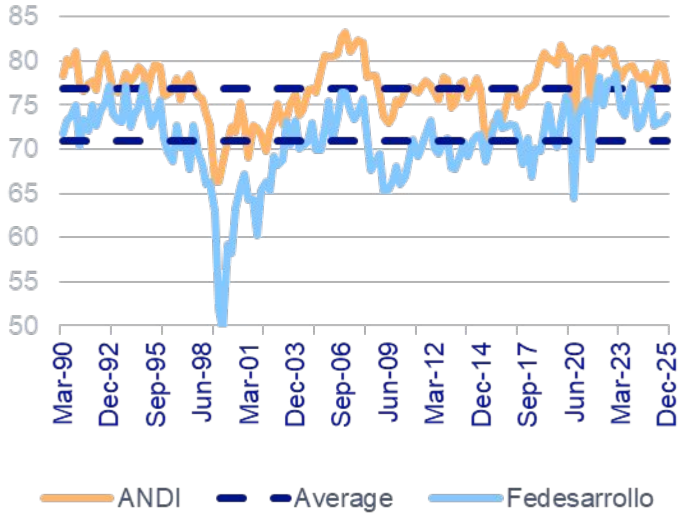


(*): The numbers in parentheses in the legend are the share of that component in GDP in 2025, as a percentage.
Source: BBVA Research, based on DANE data

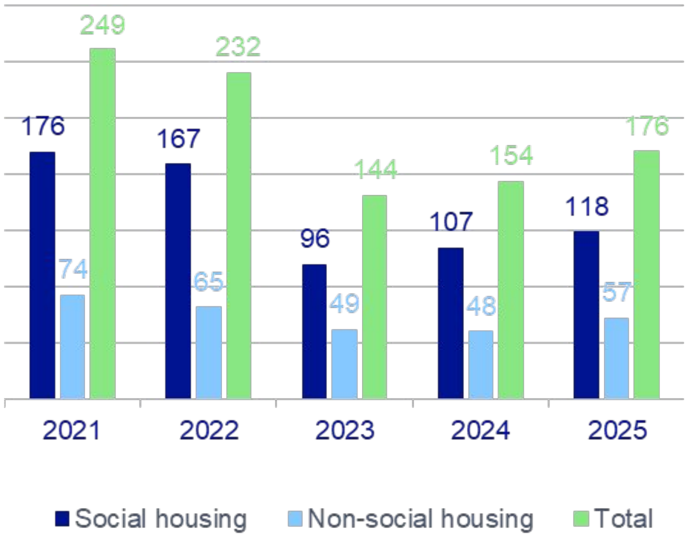
Investment is heterogeneous: it is growing in machinery and transportation equipment; construction is still lagging behind. The better performance of civil works does not compensate for the falls in housing and non-residential buildings

Boost in investment through the use of industrial capacity; lag in housing, other destinations and strategic sectors

USE OF INSTALLED CAPACITY
(PERCENTAGE OF TOTAL)



HOME SALES BY TYPE
(THOUSAND OF UNITS)



Source: BBVA Research with data from ANDI, Fedesarrollo and Coordenada Urbana — Camacol

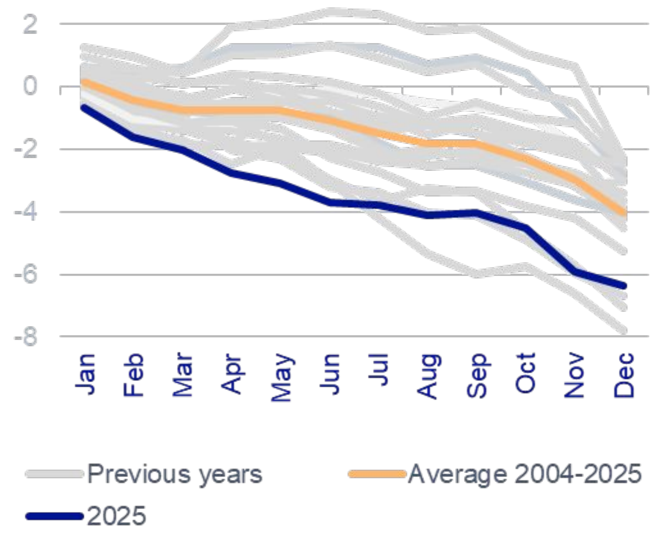
Research

3. Deficits and higher financing costs affect macroeconomic margin

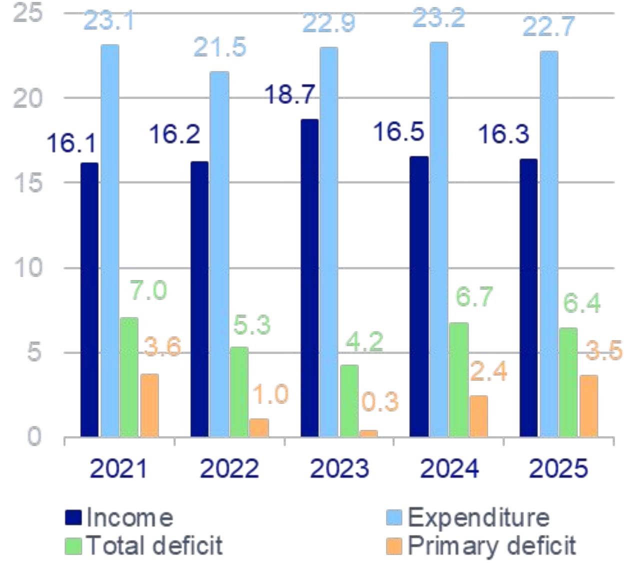
Macro balances

Public finances remain tense and fiscal challenges remain at the center of the economic agenda

CENTRAL GOVERNMENT FISCAL BALANCE
(% OF GDP, ACCUMULATED YEAR-TO-DATE)



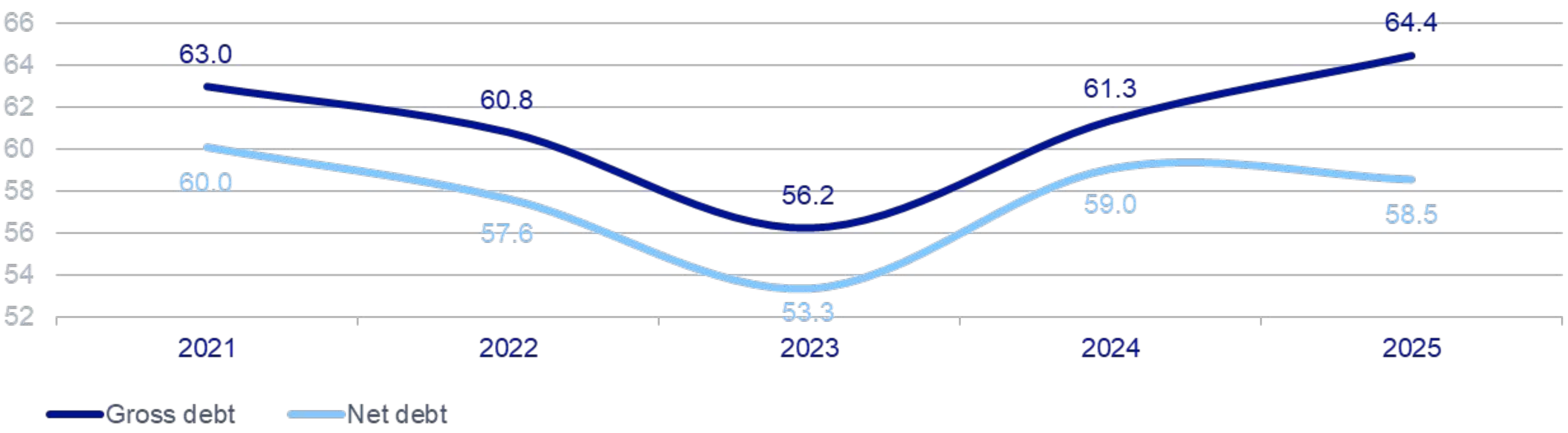
CENTRAL GOVERNMENT REVENUE, EXPENDITURE AND DEFICIT (% OF GDP)



Source: BBVA Research with data from the Ministry of Finance

Net debt remained at similar levels between 2024 and 2025, but gross debt rose sharply

GROSS AND NET DEBT OF THE CENTRAL NATIONAL GOVERNMENT(*)
(% OF GDP)

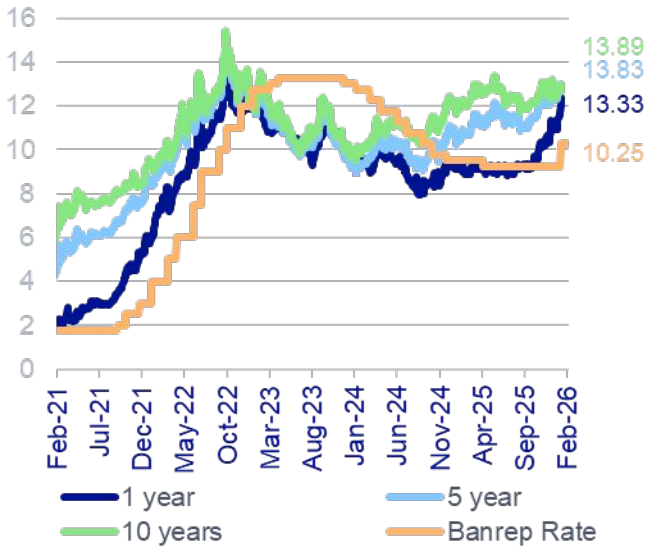


(*): The difference between gross debt and net debt is the liquid assets held by the government.
Source: BBVA Research based on data from the Ministry of Finance.

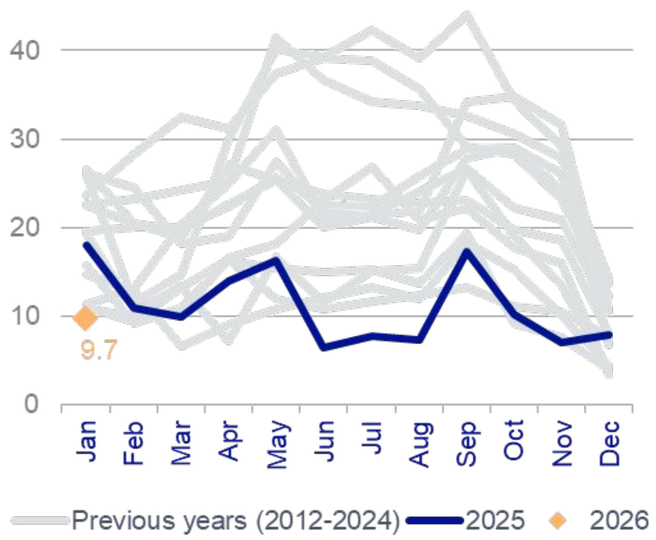
At the end of 2025, government assets (*) stood at 5.9% of GDP, compared to 2.3% of GDP at the end of 2024

Fiscal deterioration goes hand in hand with high interest rates on public debt and low levels of government liquidity

ZERO-COUPON TES IN PESOS
(%)



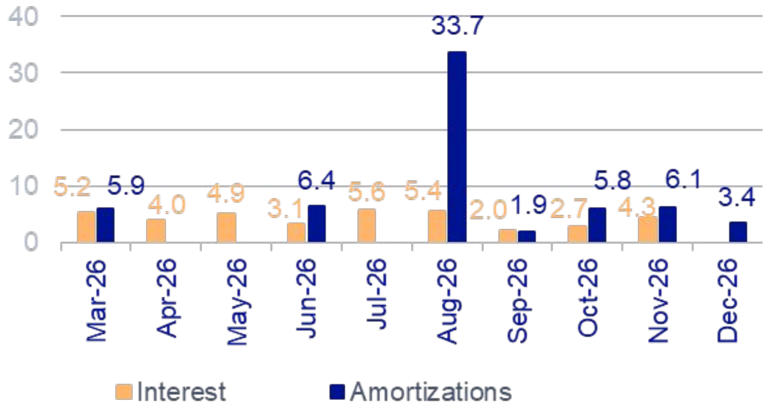
CENTRAL GOVERNMENT DEPOSITS IN THE NATIONAL TREASURY (TRILLIONS OF PESOS)



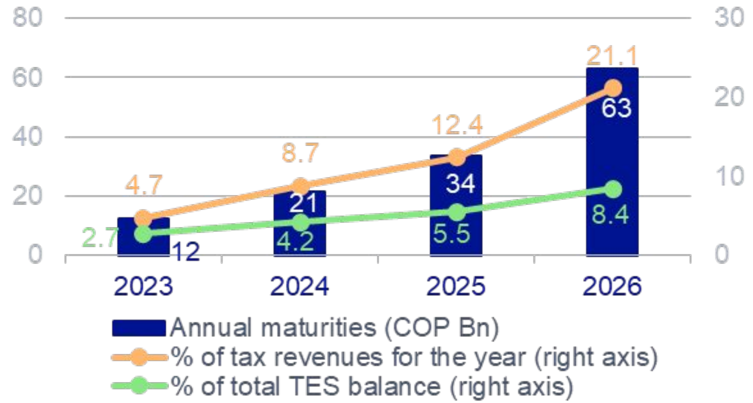
Source: BBVA Research with data from the Ministry of Finance and Banco de la República

The government faces a heavy schedule of interest payments and domestic debt maturities this year

MONTHLY CENTRAL GOVERNMENT DOMESTIC DEBT SERVICE IN 2026 (COP TRILLIONS)(*)



ANNUAL CENTRAL GOVERNMENT DOMESTIC DEBT AMORTIZATIONS (COP TRIILLIONS, %)(**)

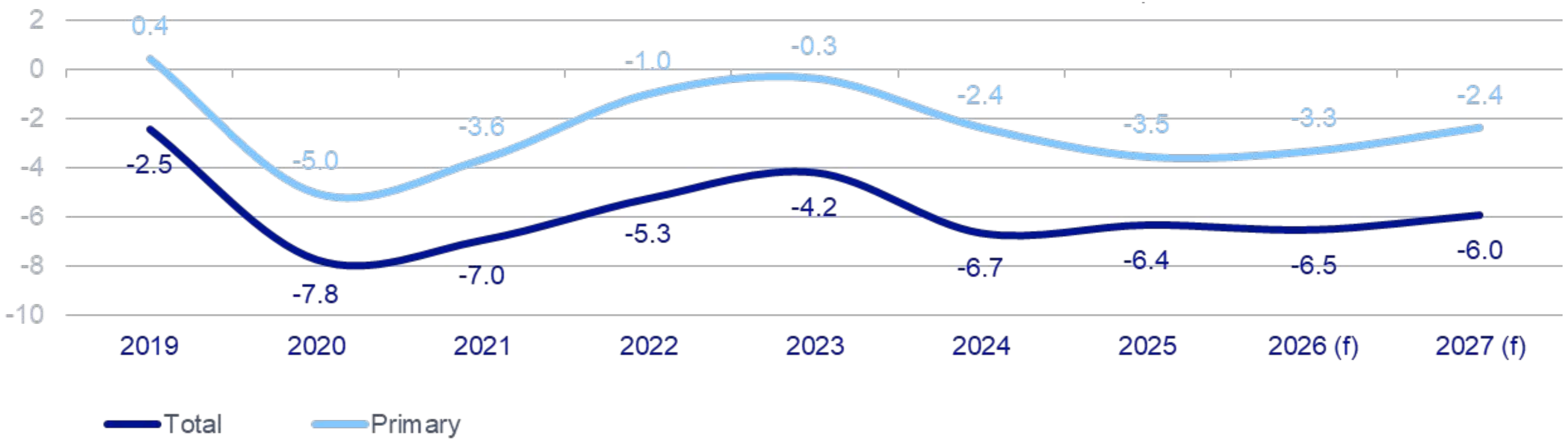


(*): Outstanding issuances as of February 27, 2026. Includes short-, medium-, and long-term TES. (**): Expected principal repayments for the current year, as of the end of February of each year. Net tax revenues for 2026 are estimated by BBVA Research at COP 299.2 trillion, and the total outstanding TES balance is COP 750.8 trillion, as of February 27, 2026.
Source: BBVA Research with data from the Ministry of Finance at the end of February 2026.

The government's domestic debt principal repayments due in 2026 amount to COP 63 trillion, equivalent to 8.4% of the total TES balance and 21.1% of tax revenues

Fiscal outlook shows need for Short-Term adjustment to reduce Primary Deficit

TOTAL AND PRIMARY FISCAL DEFICIT OF THE CENTRAL GOVERNMENT
(% OF GDP)

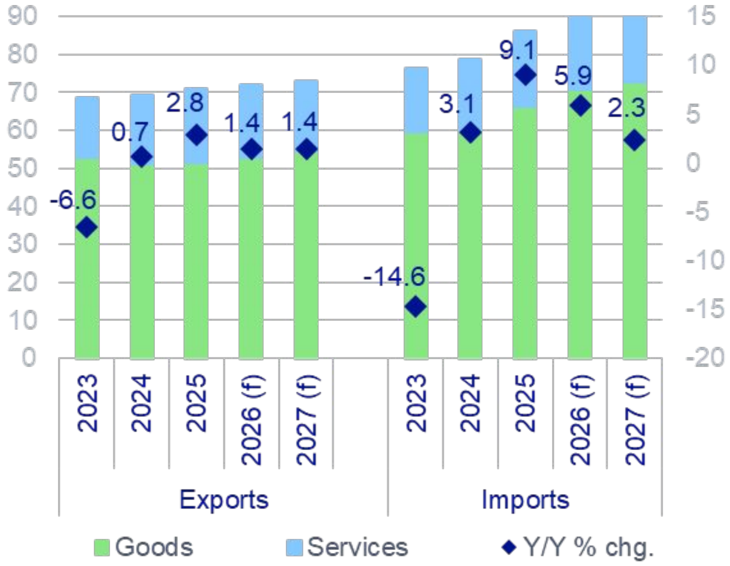


(f): BBVA Research forecasts
Source: BBVA Research based on data from the Ministry of Finance

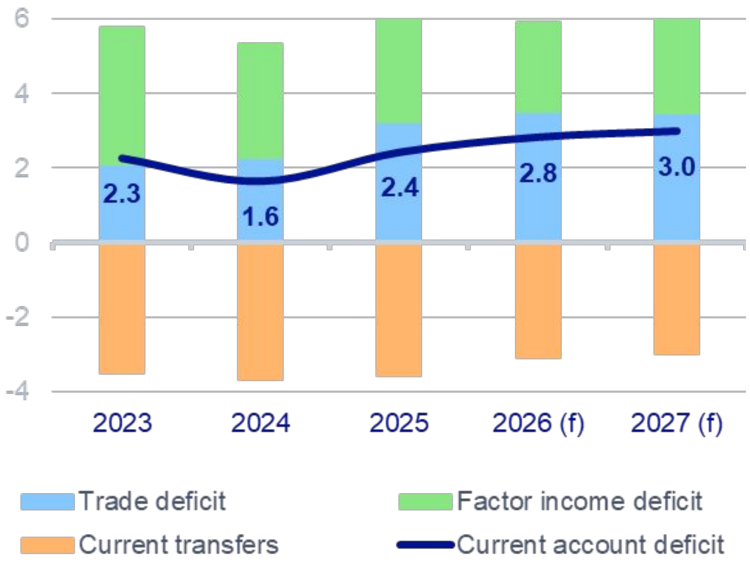
The new government will have to quickly send a message of fiscal adjustment, including both revenues and expenditures to contain the rising cost of debt

The external deficit will continue to widen, both due to the trade imbalance and factor income

TOTAL EXPORTS AND IMPORTS
(USD MILLIONS)



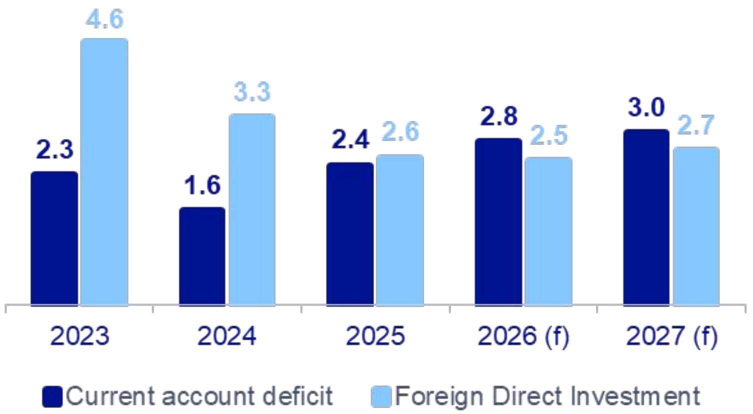
EXTERNAL DEFICIT: COMPONENTS
(% OF GDP)



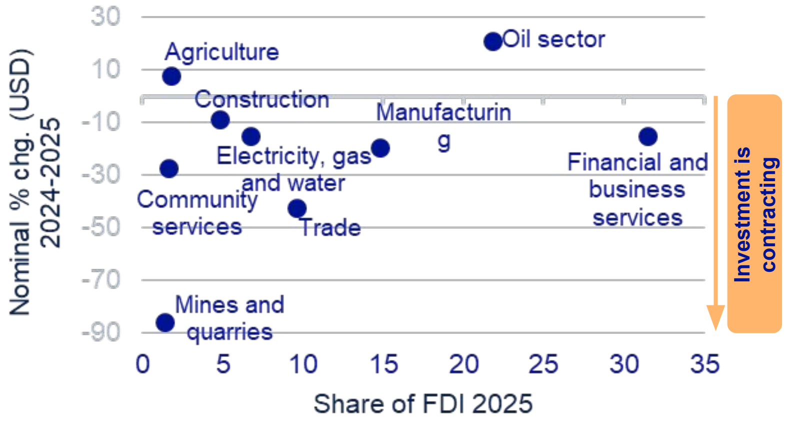
(f): BBVA Research forecasts.
Source: BBVA Research with data from Banco de la República

Deficit financing will continue to rely on FDI, but the role of remittances will remain relevant

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



DIRECT INVESTMENT INFLOW: BY SECTOR (2025 SHARE AND ANNUAL CHANGE, %)



Note: Mines and quarries includes the extraction of non-oil solid minerals.
(f): BBVA Research forecasts.
Source: BBVA Research, based Banco de la República data.

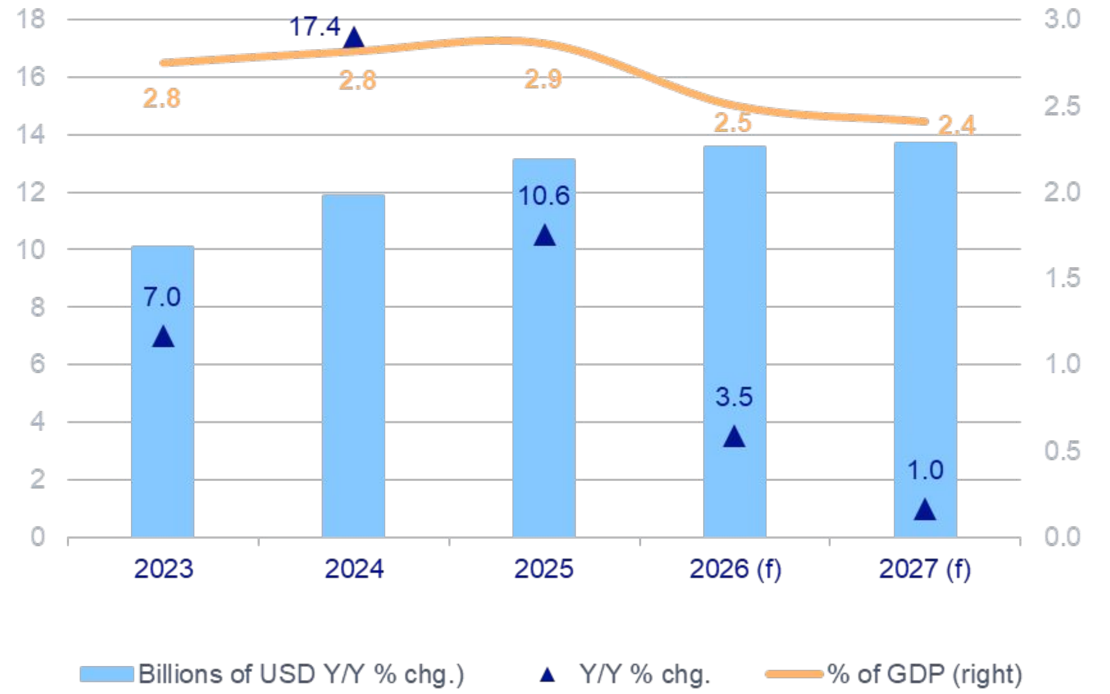
FDI is expected to remain stable compared to 2025, after falling from 3.3% to 2.6% of GDP in 2024–25. Last year all sectors received less investment, with the exception of agriculture and oil

Remittances will remain strong and help reduce the external deficit while supporting consumption

In **2025** they became: **2.7 times** the coal exports, **2.3 times** the coffee exports, and **1.1 times** the exports of oil and derivatives. They were even 18.4 **%** of total exports and **15.2%** of total imports.

In January 2026 they grew 1% year-on-year.

ENTRY OF REMITTANCES
(USD BILLIONS, % OF GDP)



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

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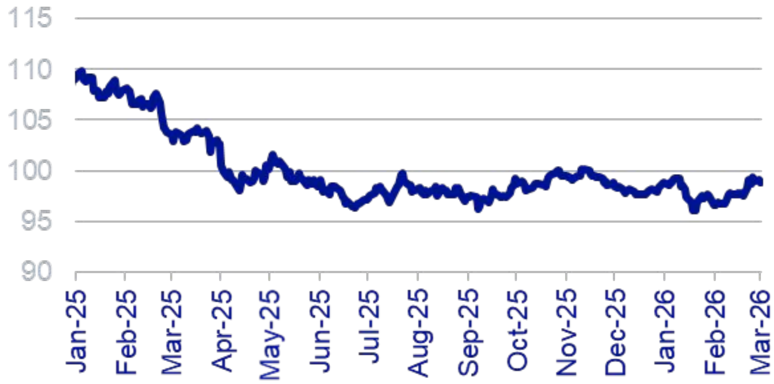
4. Rising inflation calls for tighter monetary policy

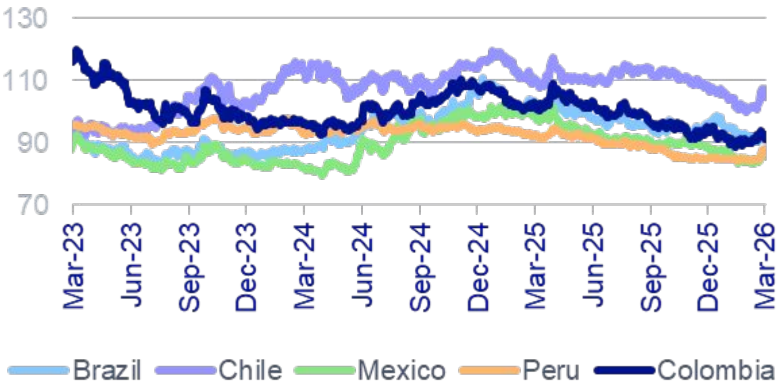
Rates and inflation

The U.S. dollar remains weak and highly volatile against world currencies

BASKET OF CURRENCIES AGAINST THE DOLLAR
(DXY; INDEX: 1973 = 100)



CURRENCIES OF THE REGION
(INDEX: JAN 3, 2021 = 100)



Source: BBVA Research with data from the central banks of the region and HAVER.

The Colombian peso follows the trend of regional currencies, although it has been supported by significant foreign currency operations, mainly by the public sector

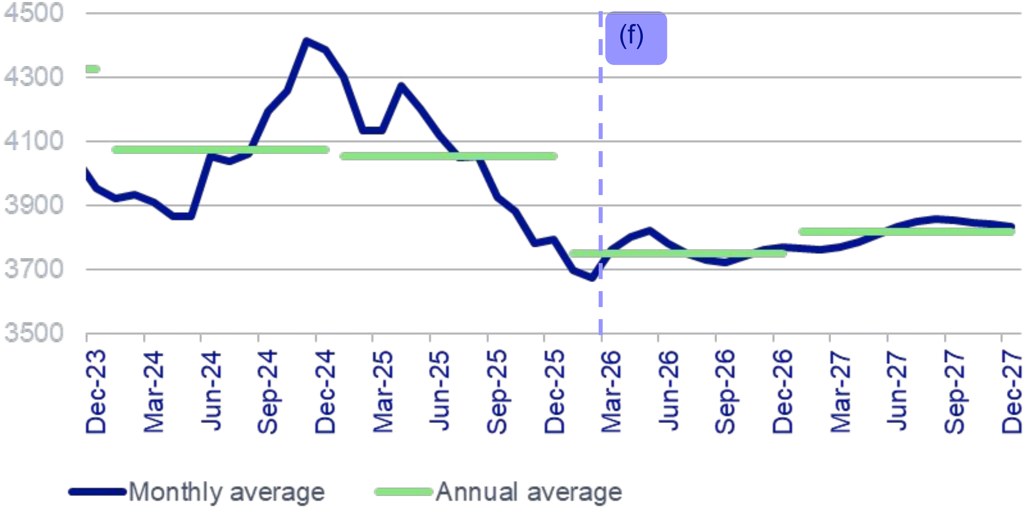
The exchange rate will depreciate gradually, from low levels, this year and in 2027

In the short term, expectations for the inflow of pensions and public financing could generate appreciative pressures that offset volatility/depreciation due to the electoral cycle.

In the medium term, higher fiscal and external deficits prevail, driving a depreciation.

Thus, the exchange rate will cease to contribute to disinflation, as it did recently.

EXCHANGE RATE OF THE PESO AGAINST THE U.S. DOLLAR
(PESOS PER DOLLAR)



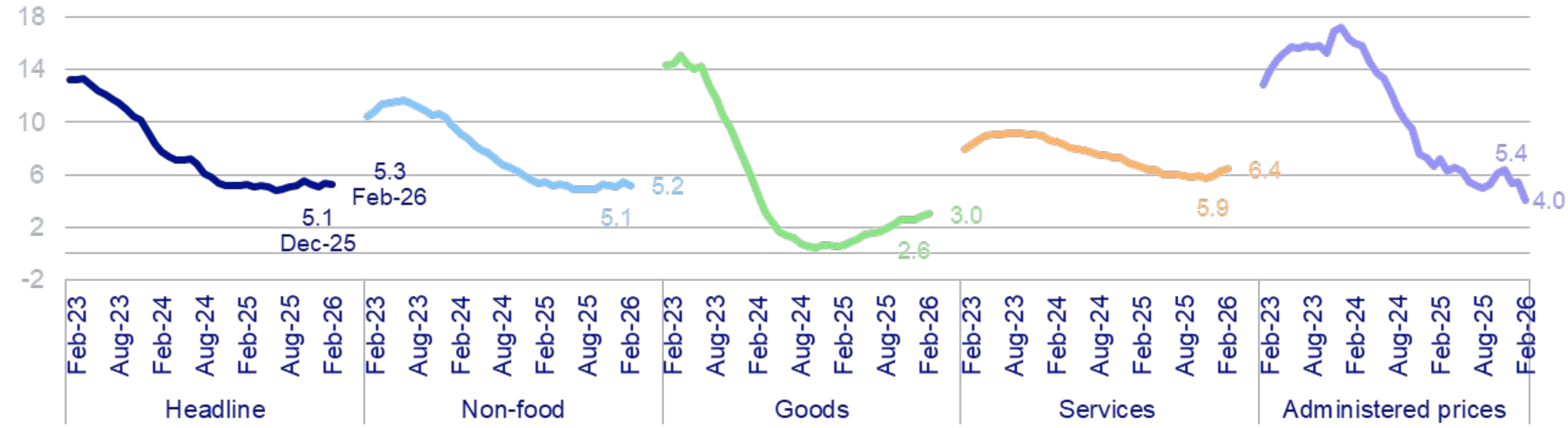
Average exchange rate and depreciation

4,053 (2025) — -7.5% — 3,750 (2026 (f)) — 1.8% — 3,817 (2027 (f))

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

Inflation persists: it ended 2025 at 5.1% and rose in early 2026 due to indexation and climate factors

INFLATION: HEADLINE AND MAIN COMPONENTS
(YOY % CHANGE)



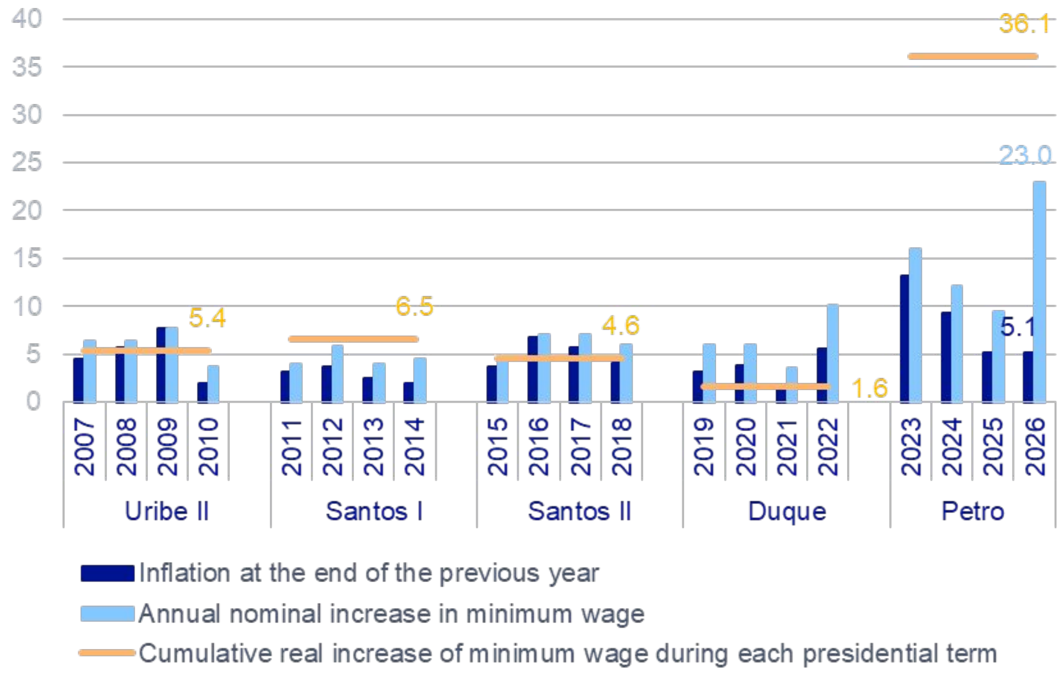
Source: BBVA Research with data from DANE

Previous demand, gas, and rent pressures were joined by climate shocks and a higher minimum wage. Recent currency appreciation offered some relief, though this trend is reversing

The minimum wage increased significantly

The increase introduces additional inflationary pressures—direct and indirect via indexation—raises formal labor costs and places the minimum wage at 91% of the average wage (**), accentuating rigidities in the labor market, increasing costs and reducing business margins.

MINIMUM WAGE AND INFLATION OF THE PREVIOUS YEAR (*)
(YOY % CHANGE - DIVIDED BY PRESIDENTIAL CYCLE)



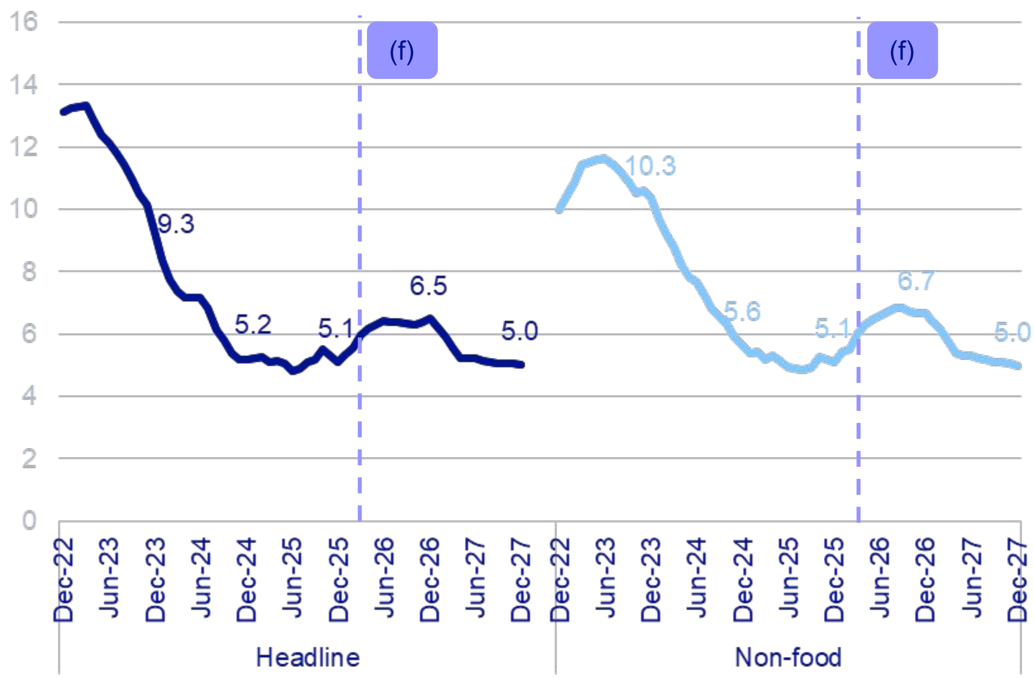
(*): Inflation for 2026, to calculate the cumulative real increase in the minimum wage during President Petro's term, corresponds to BBVA Research's forecast.
(**): The average wage corresponds to the weighted average of the wages of wage earners and self-employed workers between January and October 2025, according to their share of total employment, updated using BBVA Research's inflation projection for 2026.
Source: BBVA Research, with data from DANE and Banco de la República

Inflation will continue to rise in 2026 and still high in 2027

Inflation will close 2026 at 6.5% and, although it will moderate in 2027, it will end up around 5%.

The pressures will come mainly from the increase in the minimum wage, climate impacts, rent adjustments, the expected increase in the price of gas and the persistence of domestic demand.

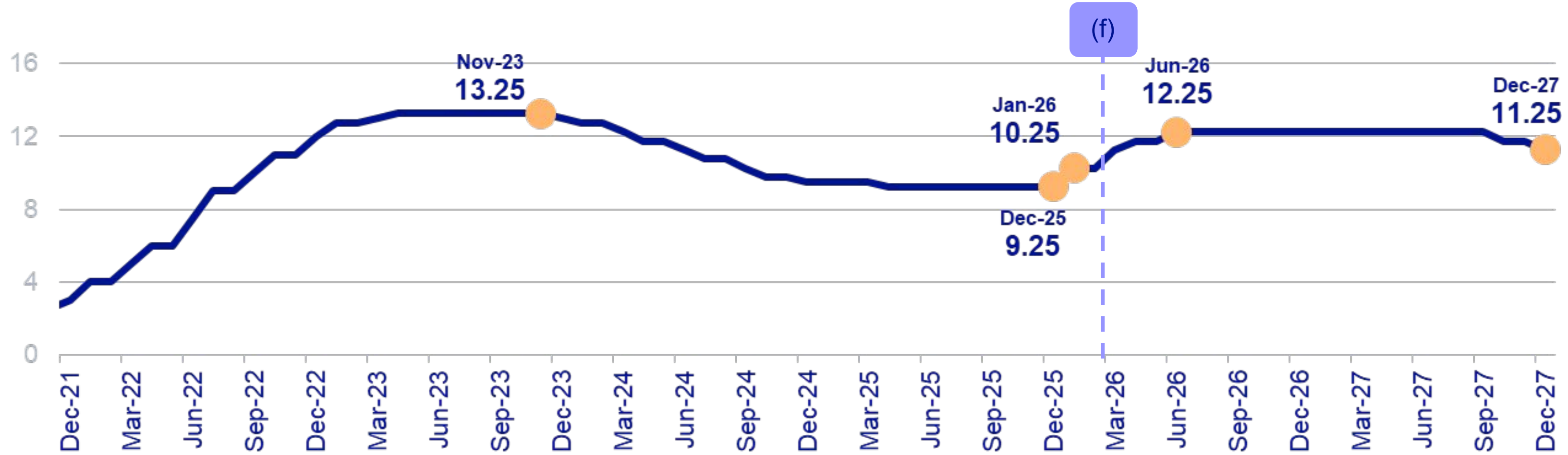
INFLATION: HEADLINE AND NON-FOOD
(YOY % CHANGE)



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

BanRep will hike rates to 12.25% due to higher expected inflation, with cuts starting in late 2027

MONETARY POLICY RATE (E.A., %)

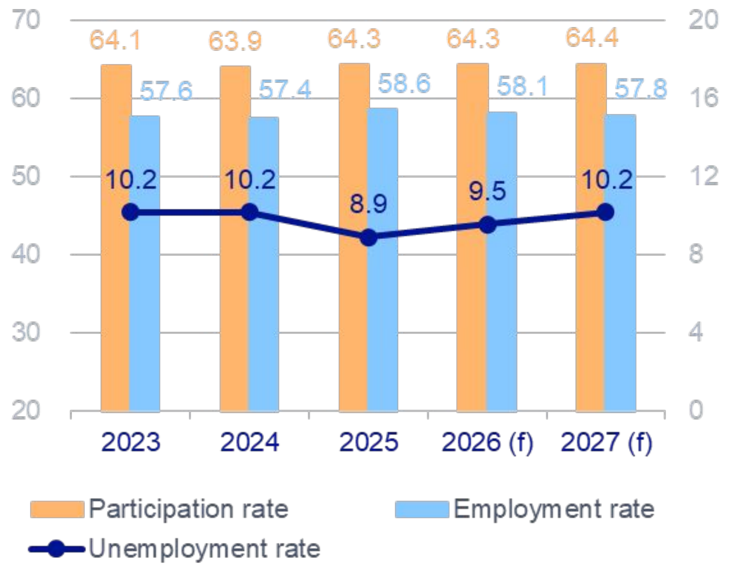


(f): BBVA Research forecasts.
Source: BBVA Research with data from Banco de la República

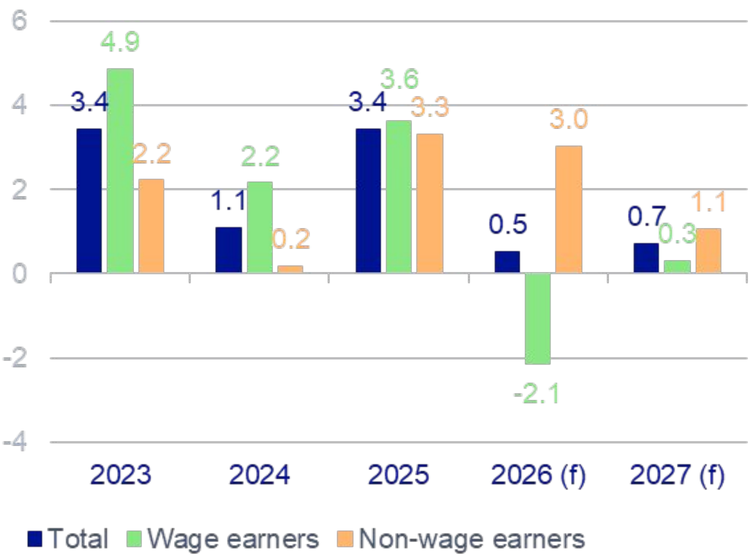
Tightening responds to rebound in inflation expectations and strength in economic activity. The rate will remain in restrictive territory for much of 2027, in a neutral real rate environment with an upward bias

Employment will gradually slow and lose quality in line with higher costs and lower growth

NATIONAL LABOR FORCE PARTICIPATION, EMPLOYMENT, AND UNEMPLOYMENT RATES
(%, ANNUAL AVERAGE)



NATIONAL EMPLOYEES BY LABOR DEPENDENCY
(ANNUAL CHANGE, %, ANNUAL AVERAGE)



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

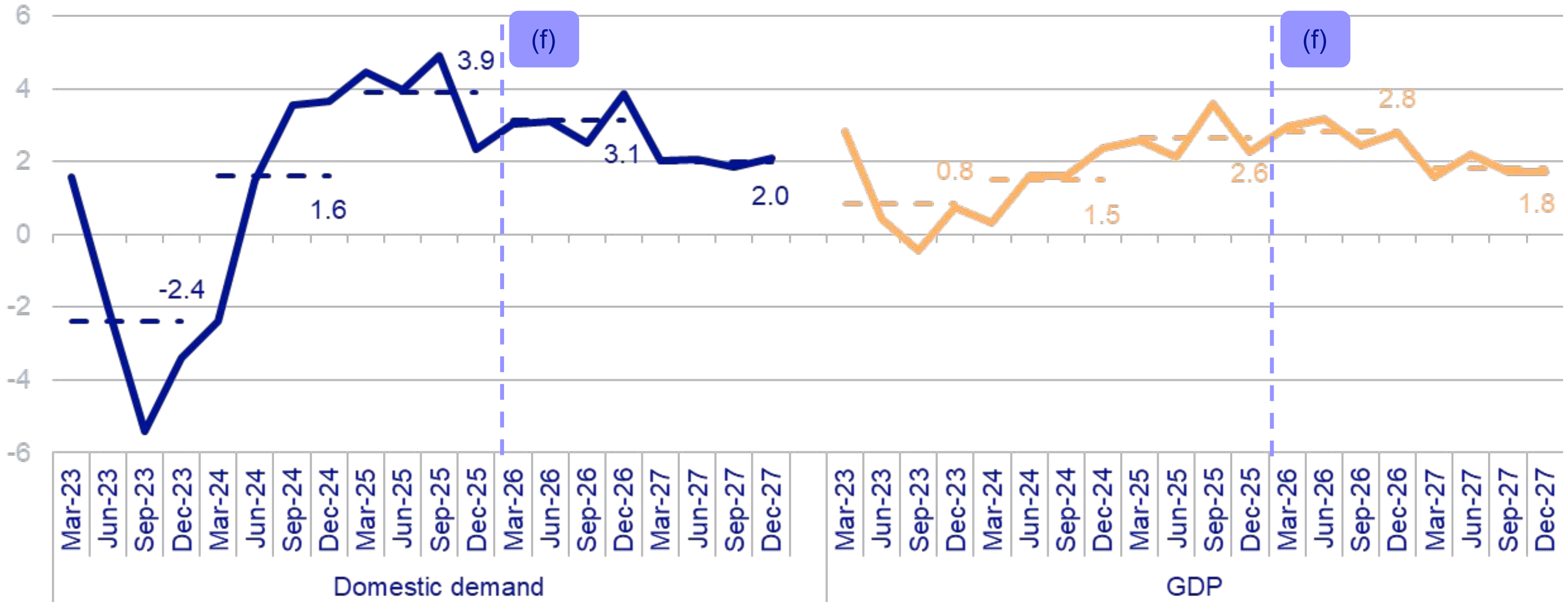
Research

5. Growth will lose traction

GDP forecasts

GDP slows from 2H26 due to less dynamism in domestic demand and tighter financial conditions

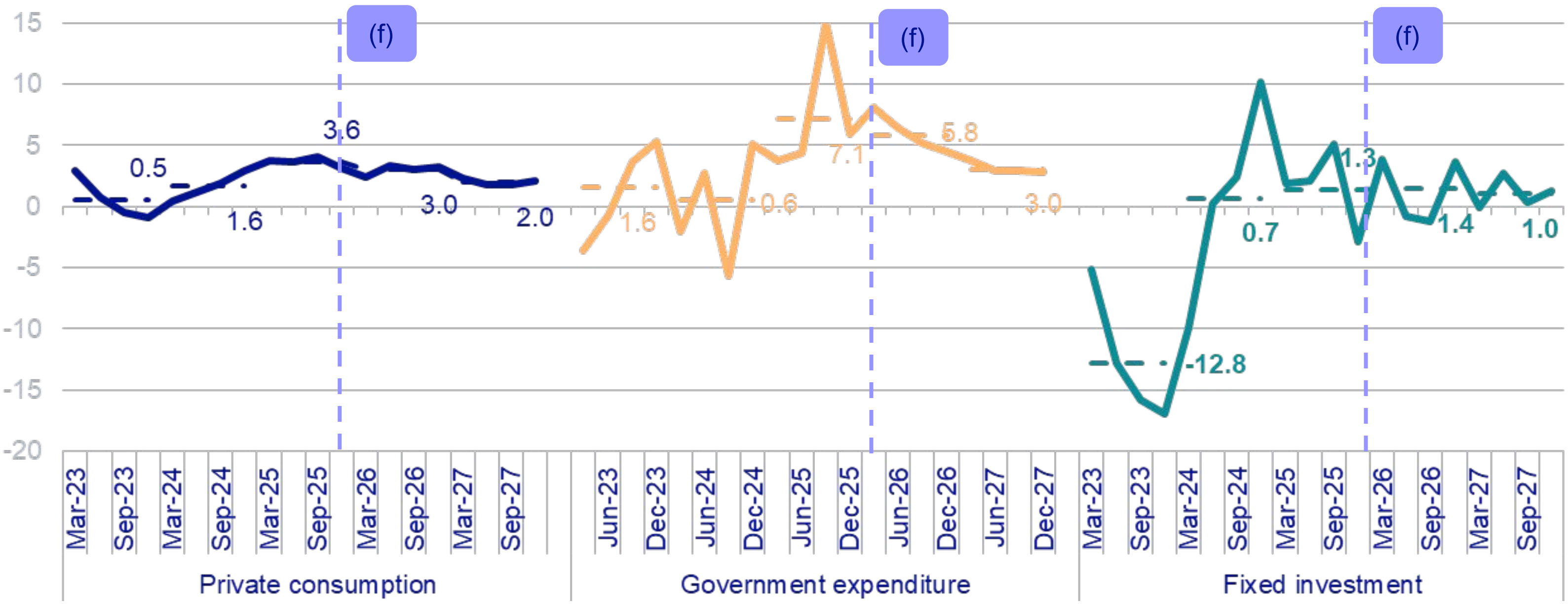
GDP AND DOMESTIC DEMAND
(REAL ANNUAL CHANGE, %)



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

Government expenditure will cushion the moderation in household spending and low growth in investment

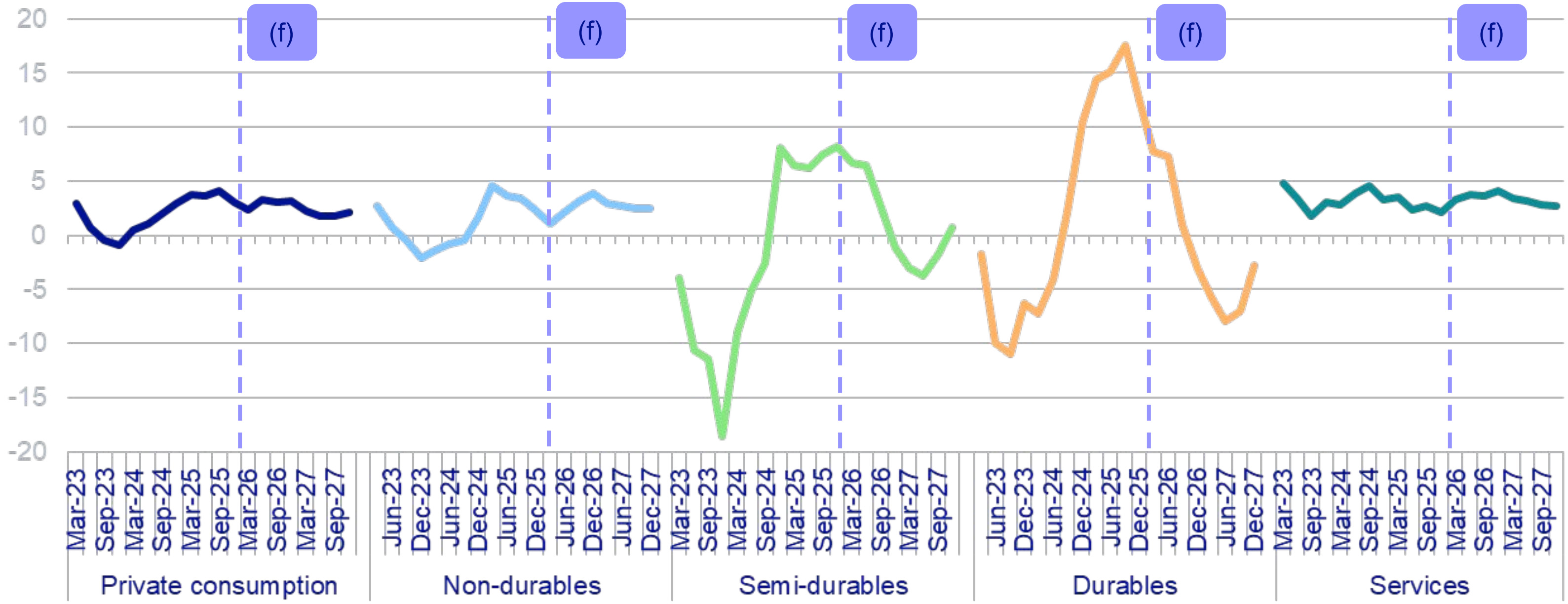
DOMESTIC DEMAND: COMPONENTS
(REAL ANNUAL CHANGE, %)



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

Private consumption is slowing as the durable goods cycle ends, despite strong non-durable and service spending

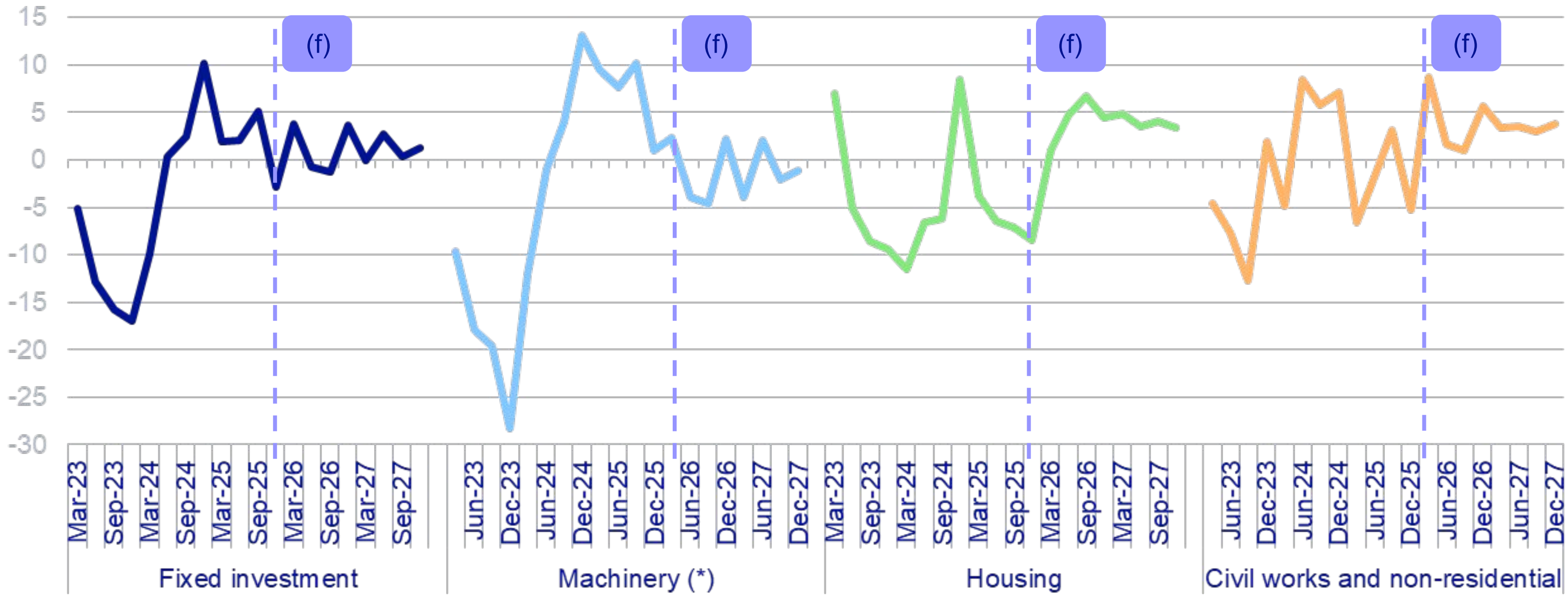
PRIVATE CONSUMPTION: COMPONENTS
(REAL ANNUAL CHANGE, %)



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

Fixed investment will grow as construction recovers, despite a dip in machinery

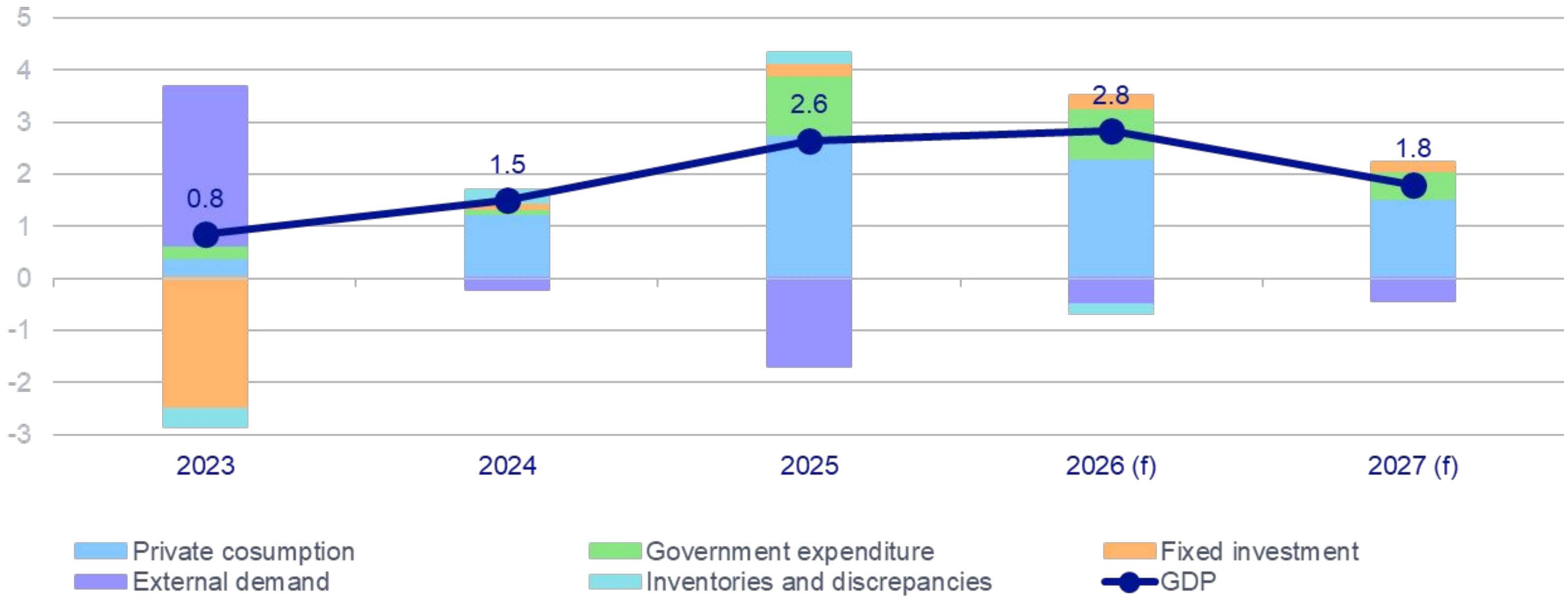
FIXED INVESTMENT: COMPONENTS
(REAL ANNUAL CHANGE, %)



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

Net external demand will continue to detract from growth in an environment of lower domestic traction

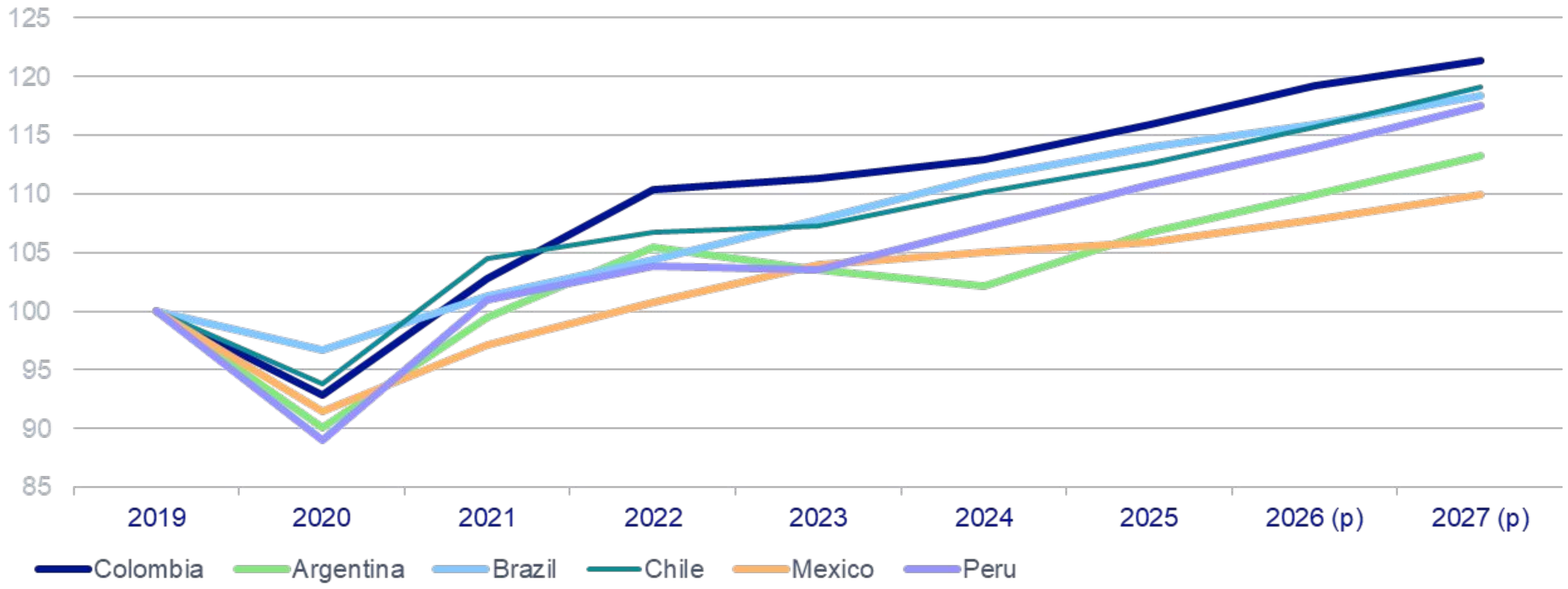
GDP: COMPONENTS
(CONTRIBUTION TO REAL YOY CHG., %)



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

Colombia maintains an outstanding recovery compared to Latin America so far this decade

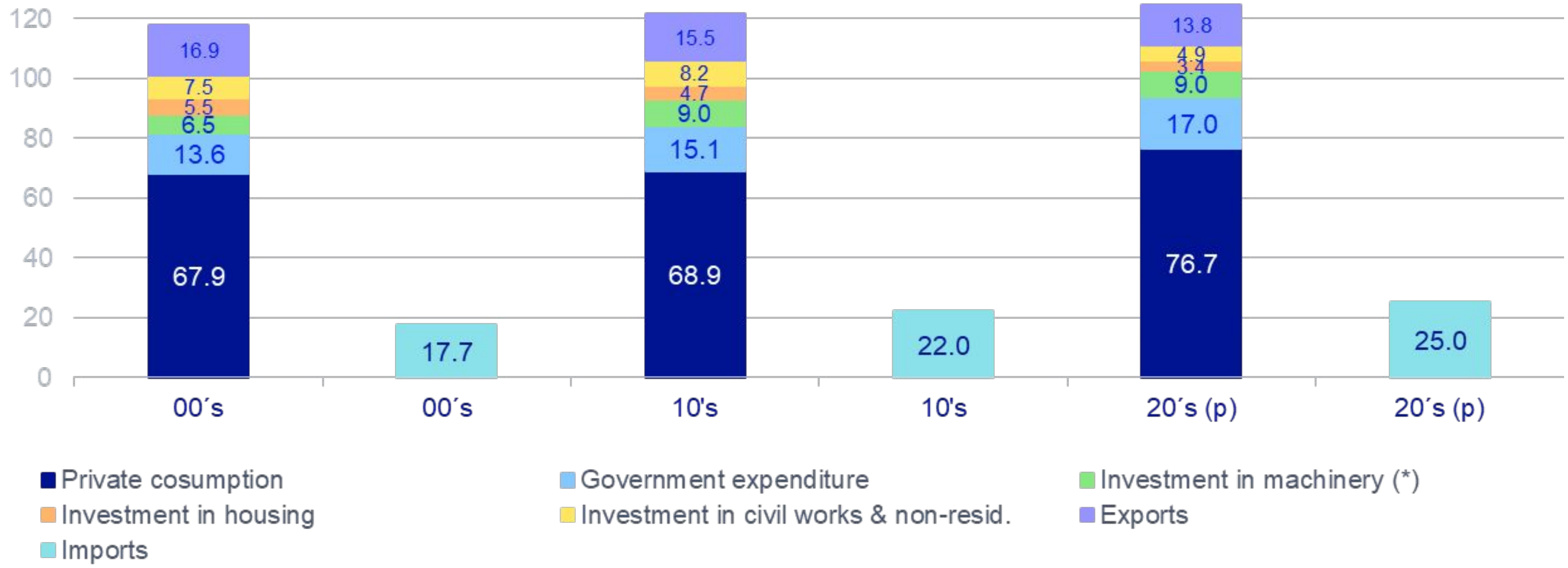
GDP: SELECTED COUNTRIES
(INDEX: 2019 = 100)



(f): BBVA Research forecasts.
Source: BBVA Research with data from statistics centers in each country

Still, performance leaned toward consumption and imports, as investment and exports lagged

GDP: COMPONENTS
(% OF GDP)



(*): Includes: Machinery and equipment, biological resources and intellectual property. (f): BBVA Research forecasts for data beyond 2026, covering up to 2030.
Source: BBVA Research, based on DANE data

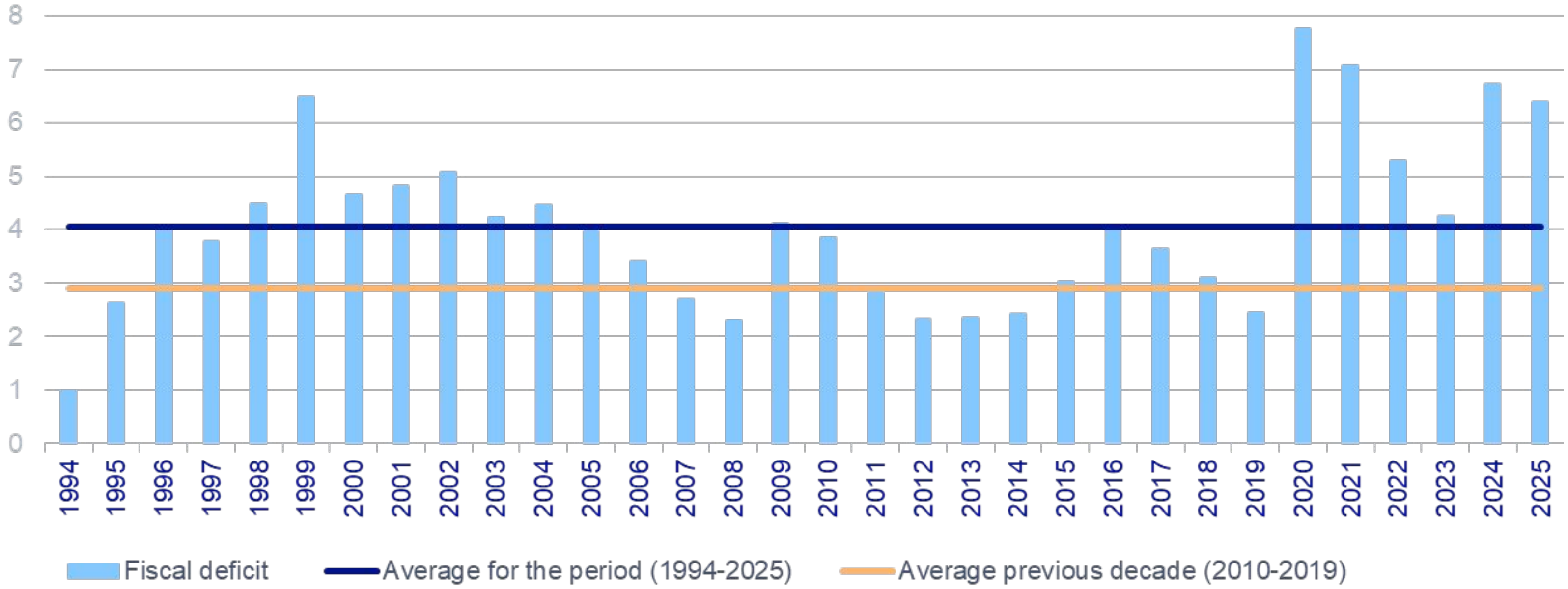
Research

6. Colombia and the world in a regime of higher cost of capital

Closing

The high fiscal deficit implies a macroeconomic risk, beyond its own financing and sustainability…

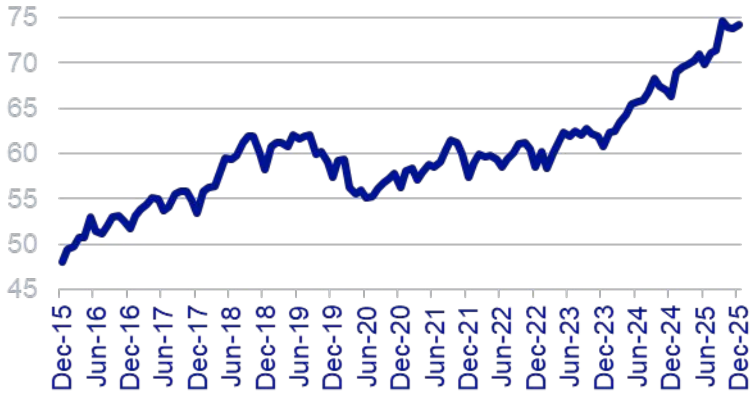
FISCAL DEFICIT OF THE CENTRAL GOVERNMENT
(% OF GDP)



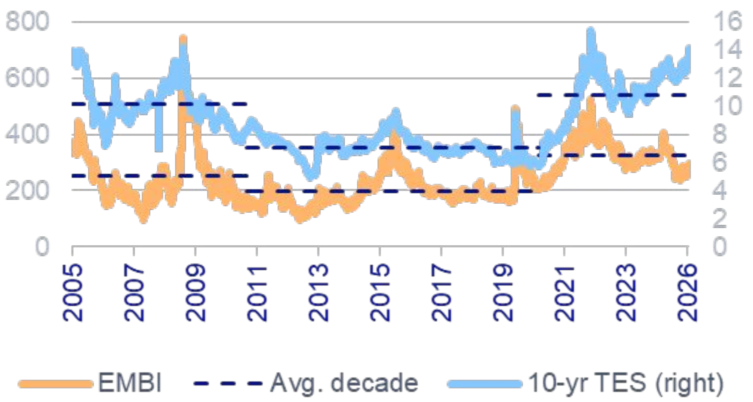
Source: BBVA Research, based on data from the Ministry of Finance

... It poses three private sector challenges: liquidity availability, rising financing costs, and inflation pressures

TES BALANCE IN PESOS
(% OF M3)



EMBI AND 10-YEAR TES RATE
(BASIS POINTS AND %)



Source: BBVA Research with data from Banco de la República and Banco de la Reserva de Perú

Greater savings absorption by the public sector, a higher risk premium, and pressures on inflation raise the cost of capital and limit the space for private investment

It is time for the public sector to hand over the baton to private sector investment as a catalyst for growth

Trust

Local and international information that facilitates decision-making.

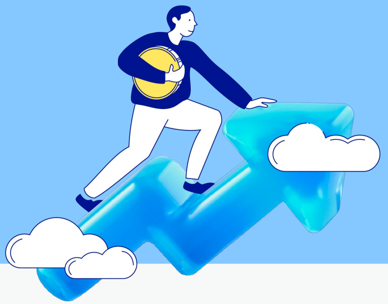
Lower cost of capital

Lower public deficit (expenditure/income adjustment) and commitment to fiscal sustainability.

Public policy as a facilitator of private investment

Fiscal constraints do not allow the public sector to play a leading role at this time.

The priority for greater growth, current and potential, and poverty reduction is **to increase private investment.**



Clear rules

Predictable regulation and supervision.

Availability of resources

Lower public absorption of resources.

Lower inflation

Commitment to inflation targeting and the control of expectations.


It is time for the public sector to transfer leadership to the private sector investment as the driver of growth

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7. Economic forecasts

The numbers

Colombia: Annual economic forecasts

	2022	2023	2024	2025	2026 (f)	2027 (f)
GDP (% y/y)	7.3	0.8	1.5	2.6	2.8	1.8
Private consumption (% YoY)	10.8	0.5	1.6	3.6	3.0	2.0
Public consumption (% YoY)	1.0	1.6	0.6	7.1	5.8	3.0
Fixed investment (% YoY)	11.5	-12.8	0.7	1.3	1.4	1.0
Inflation (% YoY, EOP)	13.1	9.3	5.2	5.1	6,5	5.0
Inflation (% YoY, average)	10.2	11.8	6.6	5.1	6.2	5.3
Exchange rate (EOP)	4,788	3,954	4,386	3,795	3,770	3,835
Depreciation (%, EOP)	20.7	-17.4	10.9	-13.5	-0.7	1.7
Exchange rate (average)	4,256	4,326	4,074	4,053	3,750	3,817
Depreciation (%, average)	13.7	1.6	-5.8	-0.5	-7.5	1.8
Monetary policy rate (%, EOP)	12.00	13.00	9.50	9.25	12.25	11.25
Current account (% GDP)	-6.0	-2.3	-1.6	-2.4	-2.8	-3.0
Urban unemployment rate (%, EOP)	10.8	10.2	9.0	7.8	9.0	9.5

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

Colombia: quarterly economic forecasts

	GDP (% YoY)	Inflation (% YoY, EOP)	Exchange rate (vs. USD, EOP)	Monetary policy rate (%, EOP)
Q1 24	0.3	7.4	3,909	12.25
Q2 24	1.6	7.2	4,054	11.25
Q3 24	1.6	5.8	4,192	10.25
Q4 24	2.4	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	3,924	9.25
Q4 25	2.3	5.1	3,795	9.25
Q1 26	3.0	6.0	3,760	11.25
Q2 26	3.2	6.4	3,780	12.25
Q3 26	2.5	6.3	3,720	12.25
Q4 26	2.8	6.5	3,770	12.25
Q1 27	1.6	5.6	3,770	12.25
Q2 27	2.2	5.2	3,835	12.25
Q3 27	1.7	5.1	3,855	12.25
Q4 27	1.7	5.0	3,835	11.25

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

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