

Inflation's upward trend continues: it exceeds 6% and has accumulated more than 100 bps of acceleration in 2026

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- **Inflation in June continued its upward trend, reaching 6.14% year-on-year, in line with BBVA Research expectations**, representing an increase of 30 bps compared to May and 104 bps relative to the end of last year.
- **The increase relative to May was mainly explained by food and, to a lesser extent, by regulated items.**
- **In food, the increase was driven by the rebound in perishables**, associated with supply shocks related to the lower availability of these products. As a result, the moderation in inflation observed in May was temporary.
- **In regulated items, the increase was explained by higher electricity and gas tariffs.**
- **Meanwhile, services inflation remained relatively stable**, reflecting offsetting forces within the basket. While some components, such as cinemas and theaters, residential property management services, and rents exerted upward pressure, air transport showed moderation.
- **Looking ahead, we expect inflation to continue increasing over the remainder of the year, reaching levels close to 7.0%**, driven by the lingering effects of the minimum wage increase, strong domestic demand, the imminent arrival of the El Niño phenomenon, and the risk of the conflict in the Middle East resuming.

Monthly inflation in June stood at 0.39%, in line with BBVA Research expectations (0.38%) and slightly above analysts' forecasts (0.34%). As a result, annual inflation stood at 6.14%, representing an increase of 30 basis points (bps) compared to May and 104 bps relative to the end of last year, completing four consecutive months of increases.

The acceleration in annual inflation was mainly explained by the food basket, whose annual variation stood at 6.83%, increasing by 79 bps compared to the previous month. As a result, the moderation in inflation observed in May was temporary. This behavior was mainly explained by perishables and, to a lesser extent, by meat.

In perishables, the moderation observed in May inflation was also temporary, and annual inflation increased to 12.98% (+303 bps). This increase mainly came from potatoes, fresh fruits, onions, and tomatoes. The increase in perishables prices was mainly explained by supply shocks related to the lower availability of these products. In the case of potatoes, they have now completed eight consecutive months with significant monthly increases. In fact, the perishables with the largest cumulative increases during the first half of the year were potatoes (50.26%), tree tomatoes (47.02%), and tomatoes (41.51%).

In meat, annual inflation increased to 7.19% (+45 bps), mainly driven by chicken and beef. With this, this category has now completed three consecutive months of increases, driven mostly by beef. In particular, this product has accumulated 20 consecutive months of monthly increases, associated with stronger domestic demand. Meanwhile, processed foods continued to exert downward pressure, mainly due to the behavior of coffee, which led annual inflation in this category to decline to 2.73% (-35 bps).

In addition to the pressures already identified, the imminent arrival of the El Niño phenomenon during the second half of the year could generate new pressures on food inflation. In June, the National Oceanic and Atmospheric Administration (NOAA) declared that El Niño conditions were already present and raised the probability of a very strong event to 63% between November of this year and January of next year. Therefore, **risks to food inflation remain elevated.**

Likewise, annual inflation excluding food increased to 5.98%, representing an increase of 19 bps compared to the previous month and marking its fourth consecutive month of increases. This behavior was mainly driven by the increase in the regulated items sub-basket.

In regulated items, annual inflation increased to 5.91% (+72 bps), mainly driven by higher electricity and gas tariffs. As a result, this category has now completed four consecutive months of increases. In the case of electricity, the increase was concentrated mainly in Bucaramanga, Bogotá, and Cali, where monthly variations stood at 2.01%, 1.97%, and 1.88%, respectively. Additionally, in electricity and gas there was a base effect that contributed to a larger increase. In particular, while monthly variations in electricity and gas in June 2026 were 0.91% and 1.19%, respectively, in June 2025 they had been -1.95% and -0.50%.

Despite the ceasefire that had been announced in relation to the conflict in the Middle East, in recent hours President Trump announced its termination. Therefore, the conflict in the Middle East could once again exert upward pressure on international fuel prices and force the National Government to adjust gasoline prices upward. Additionally, the imminent arrival of El Niño during the second half of the year could generate new pressures on electricity tariffs.

In goods, annual inflation increased slightly to 3.23% (+10 bps), mainly driven by cleaning and personal care products, men's clothing, and beer and *refajo*. The behavior of cleaning and personal care products is not surprising, as they have maintained a similar trend in recent months, partly because they are petrochemical products. Additionally, the behavior of beer and *refajo* may have been related to the World Cup season.

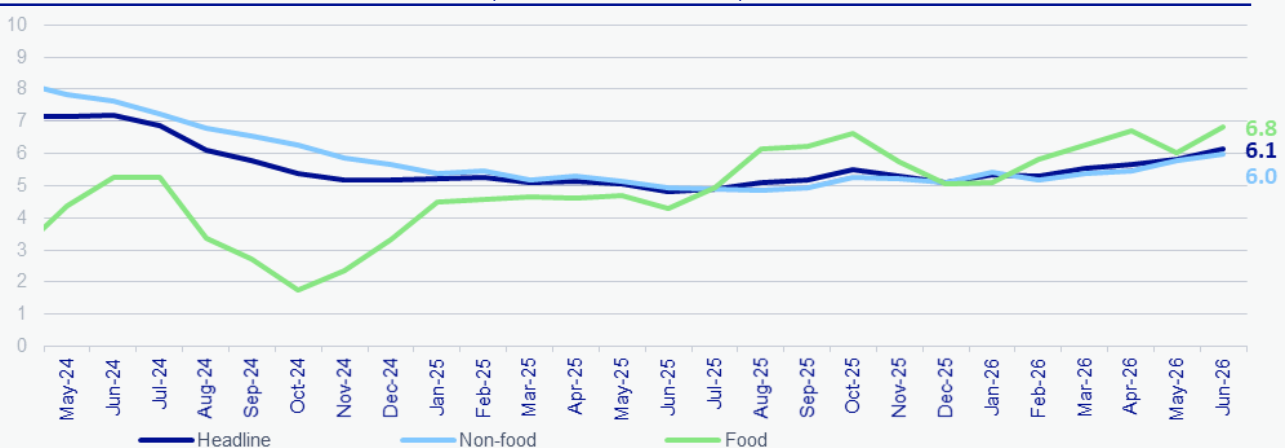
In services, annual inflation remained relatively stable at 7.03% (-1 bp), reflecting offsetting forces within the basket. While cinemas and theaters, residential property management services, and rents exerted upward pressure, air transport showed moderation in annual inflation after a month in which it increased significantly due to the holiday season. The behavior of cinemas and theaters may also have been related to the holiday season, while residential property management services would reflect the lingering effects of the minimum wage increase.

Meanwhile, rents maintained the change in trend observed in May, although with a very slight increase in annual inflation to 4.92% (+3 bps). Although the monthly variation of this component moderated compared to the 0.67% registered in May, as a result of its own seasonality, it stood at 0.36% in June, above the 0.33% observed one year earlier and above its pre-pandemic average. This behavior may be reflecting demand pressures in a context of limited housing supply. However, it will be necessary to continue monitoring the evolution of this component over the coming months to assess whether this trend consolidates.

In this context, annual inflation excluding food and regulated items—a measure closely monitored by the Central Bank—remained relatively stable at 6.01% (+2 bps). A relevant aspect is that headline inflation closed the first half of the year slightly above what was expected by the Central Bank’s technical staff, which, together with the other arguments—elevated inflation expectations, resilient economic activity, and a robust labor market—reinforces the possibility of an additional increase in the policy rate in the coming meetings.

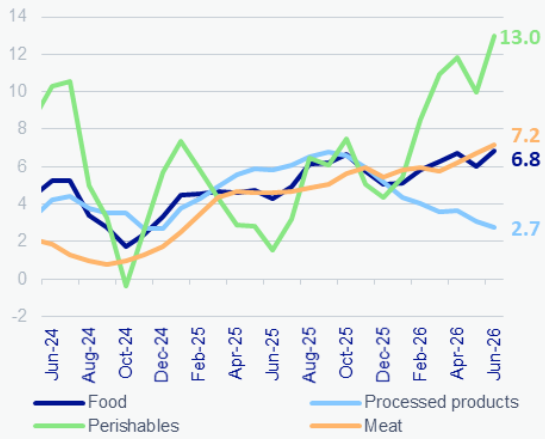
In conclusion, inflation broke above the 6% threshold in June and reached a level not seen since August 2024, driven during the month mainly by food and, to a lesser extent, by regulated items. **We expect inflation to continue increasing over the remainder of the year**, driven by the lingering effects of the minimum wage increase, strong domestic demand, the imminent arrival of the El Niño phenomenon, and the risk of the conflict in the Middle East resuming, **closing 2026 around 7%**.

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



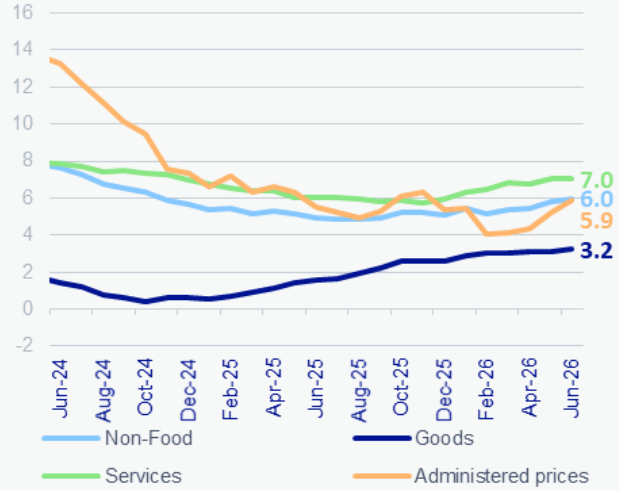
Source: BBVA Research with DANE data.

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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