

# Inflation moderates to 6.03% in July, but risks persist

Mariana Quinche Bustamante

August 11, 2026

- **Annual inflation declined to 6.03% in July, after four consecutive months of increases.** As a result, it decreased by 11 bps compared to June, although it remains 93 bps above the level observed at the end of last year.
- **The moderation relative to June was mainly explained by food.**
- **In food, the relief was mainly explained by perishables.** However, we believe this moderation will be temporary, given the risk of lower availability of some products as a result of the recent earthquake (August 10, 2026) and the materialization of the effects of El Niño during the fourth quarter.
- **In contrast, inflation excluding food increased slightly, completing five consecutive months of increases. This behavior was mainly explained by regulated items, particularly higher electricity and gas tariffs.**
- **Services inflation declined slightly, while services inflation excluding rents fell for the second consecutive month.** This could suggest that some pressures, such as those associated with the minimum wage increase, are beginning to dissipate, although upward pressures persist in some components and new pressures stemming from higher labor costs could emerge.
- **We expect the decline in inflation observed in July to be temporary and inflation to resume an upward trend in the coming months,** in a context marked by the materialization of the effects of El Niño, strong domestic demand, higher labor costs, and risks stemming from the conflict in the Middle East. **We maintain our forecast of 7.0% inflation at the end of 2026.**

**Monthly inflation in July stood at 0.17%,** below BBVA Research expectations (0.27%) and analysts' forecasts (0.31%). **As a result, annual inflation declined to 6.03%, 11 basis points (bps) lower than in June, although it remains 93 bps above the level observed at the end of last year.**

**The moderation in annual inflation was mainly explained by the food basket,** whose annual variation declined to 5.82%, 101 bps below the level recorded in the previous month. This behavior was mainly explained by perishables and, to a lesser extent, processed foods.

**In perishables, annual inflation declined to 9.83% (-315 bps).** The relief mainly came from fresh fruits and plantains, although tomatoes, cassava, and onions also contributed. This behavior could be associated with greater availability of these products.

**In processed foods, annual inflation declined to 2.33% (-40 bps),** mainly driven by coffee, which has now completed nine consecutive months of moderation. In contrast, meat inflation continued to increase and stood at 7.37% (+18 bps), with increases in beef, pork, and chicken. As a result, this sub-basket has now completed four consecutive months of increases.

**We believe that the moderation in food inflation, particularly in perishables, will be temporary and that this basket could resume an upward trend in the coming months.** On the one hand, the effects of the earthquake recorded on August 10 could generate upward price pressures due to the lower availability of some products resulting from disruptions to transportation routes.

On the other hand, the National Oceanic and Atmospheric Administration (NOAA) confirmed in July that El Niño conditions remained in place and raised the probability of a very strong event between October and December of this year from 63% to 81%. We expect the effects of El Niño on perishables to begin materializing during the fourth quarter, generating renewed upward price pressures.

**In contrast, annual inflation excluding food increased slightly to 6.08% (+9 bps), completing five consecutive months of increases.** This behavior was mainly driven by higher inflation in regulated items.

**In regulated items, annual inflation increased to 6.44% (+53 bps),** mainly driven by higher electricity and gas tariffs. In the case of electricity, the largest increases were concentrated in Bogotá, Medellín, Cali, and Barranquilla. In gas, a base effect also contributed to amplifying the increase in annual inflation. With this result, the regulated items sub-basket has now completed five consecutive months of increases.

**In goods, annual inflation remained relatively stable at 3.25% (+2 bps),** reflecting offsetting forces within the basket. While mobile phone equipment and men's clothing exerted upward pressure, new and used private vehicles continued to show moderation. In particular, vehicle inflation has now completed ten consecutive months of declines. This behavior suggests that pressures stemming from strong domestic demand could be partially offsetting the disinflationary effect of the peso appreciation.

**Meanwhile, annual services inflation declined to 6.96% (-7 bps),** mainly due to the moderation in rents and fixed and mobile communication services. Air transport, cinemas and theaters, and package holidays also contributed. In rents, the monthly variation stood at levels similar to its pre-pandemic average, contributing to the decline in annual inflation. In air transport, the moderation reflects the fading of pressures observed between March and May, associated, among other factors, with the holiday season. Similarly, the deceleration in cinemas and theaters and package holidays would be related to the end of this season.

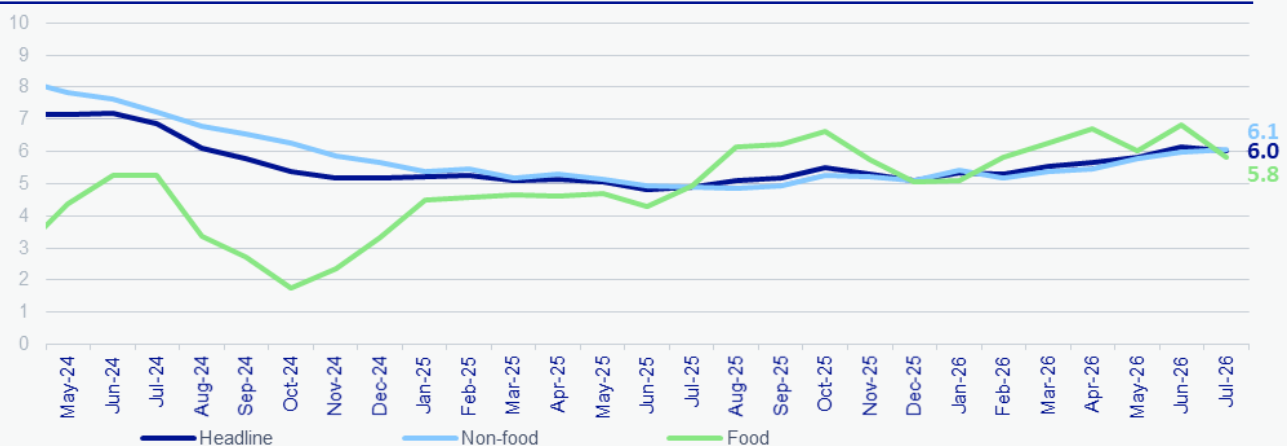
**In this context, services inflation excluding rents also declined, to 8.98% (-4 bps), completing two consecutive months of slight reductions, although it remains at very high levels.** This behavior could be a sign that some pressures, such as those associated with the minimum wage increase, are beginning to dissipate. However, this signal remains heterogeneous: in July, for example, inflation in residential property management services continued to increase significantly, probably still reflecting the effects of the minimum wage increase. Looking ahead, additional pressures on services could emerge from higher labor costs associated with the reduction in maximum working hours and higher Sunday and public holiday premiums. It is worth noting that services inflation excluding rents remains 233 bps above the level observed at the end of last year and at levels not seen since early 2024.

**Risks to inflation excluding food remain elevated, particularly for regulated items.** The conflict in the Middle East continues to exert pressure on oil prices. At the same time, El Niño could generate additional pressures on electricity tariffs and increase gas import requirements. Imported gas, in addition to being more expensive, could generate second-round effects on sectors such as industry and transportation.

**In this context, annual inflation excluding food and regulated items—a measure closely monitored by the Central Bank—declined slightly to 5.96% (-4 bps).** This result reinforces the decision of the Central Bank's Board of Directors to keep the policy rate unchanged at 12% at its July meeting.

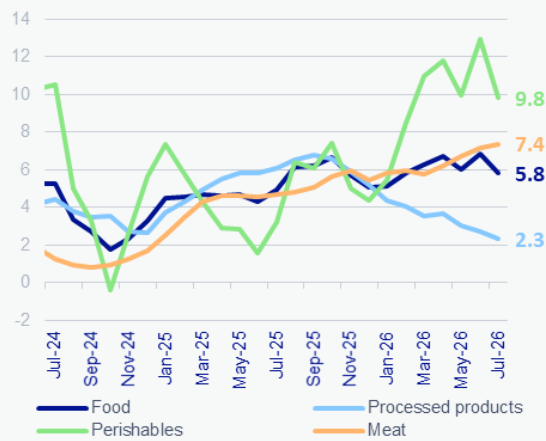
In conclusion, annual inflation declined in July for the first time after four consecutive months of increases. However, the moderation was mainly explained by food. **We expect this decline to be temporary and inflation to resume an upward trend in the coming months,** in a context marked by the materialization of the effects of El Niño, strong domestic demand, higher labor costs, and risks stemming from the conflict in the Middle East. Under this scenario, **we maintain our forecast of 7.0% inflation at the end of 2026.**

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



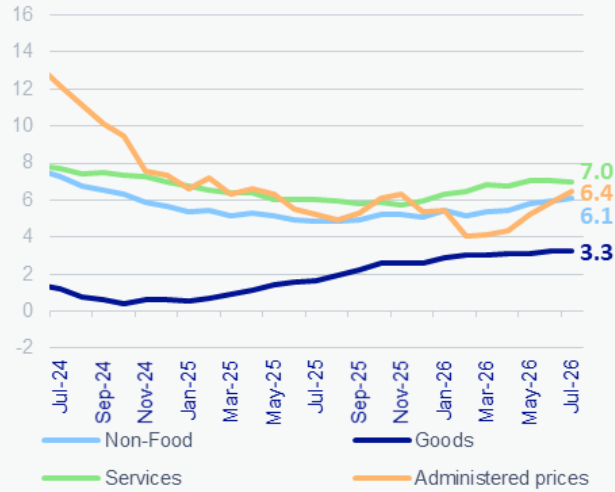
Source: BBVA Research with DANE data.

**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.

## DISCLAIMER

This document, prepared by the BBVA Research Department, is informative in nature and contains data, opinions or estimates as at the date of its publication. These arise from the department's own research or are based on sources believed to be reliable and have not been independently verified by BBVA. BBVA therefore offers no express or implicit guarantee regarding its accuracy, completeness or correctness.

Any estimates contained in this document have been made in accordance with generally accepted methods and are to be taken as such, i.e. as forecasts or projections. Past trends for economic variables, whether positive or negative, are no guarantee of future trends.

This document and its contents are subject to change without prior notice, depending on variables such as the economic context or market fluctuations. BBVA is not responsible for updating this content or for giving notice of such changes.

BBVA accepts no liability for any direct or indirect loss that may result from the use of this document or its contents.

Neither this document nor its contents constitute an offer, invitation or request to acquire, disinvest or obtain any interest in assets or financial instruments, nor can they form the basis for any kind of contract, undertaking or decision.

The content of this communication or message does not constitute a professional recommendation to make investments under the terms of Article 2.40.1.1.2 of Decree 2555 of 2010 or the regulations that modify, replace or supplement it.

With particular regard to investment in financial assets that could be related to the economic variables referred to in this document, readers should note that under no circumstances should investment decisions be made based on the contents of this document; and that any persons or entities who may potentially offer them investment products are legally obliged to provide all the information they need to make such decisions.

The content of this document is protected by intellectual property laws. Reproduction, transformation, distribution, public communication, making available, extraction, reuse, forwarding or use of any nature by any means or process is prohibited, except in cases where it is legally permitted or expressly authorised by BBVA on its website [www.bbvaresearch.com](http://www.bbvaresearch.com).