Research

SEPTEMBER 2026

Colombia anchors its growth process in investment

Colombia Economic Outlook

BBVA Research

The World

Main messages

The global economy continues to grow, with higher but contained inflation and limited financial stress. AI demand, defense spending and inflation-focused central banks are helping offset global headwinds, including escalating Middle East tensions, which have further pushed energy prices up, and fueled the ongoing trend of rising long-term yields.

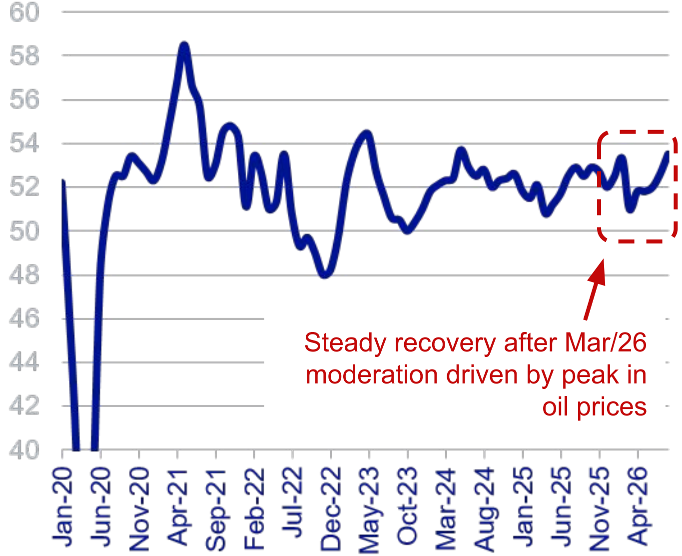
Growth prospects remain broadly unchanged. In the US, GDP growth will likely stay just above 2%, while in China it is forecast to keep converging down toward 4%. In the Eurozone, this year's outlook has improved on stronger incoming data, but prospects for next year remain largely stable despite higher oil prices, rates and inflation.

Commodity prices will keep inflation under pressure in the short run. Still, inflation could ease next year if tensions in Iran subside as assumed in our baseline scenario. Tighter monetary conditions should also help contain inflation: policy rates are likely to soon reach 4.25% in the US and 2.75% in the Eurozone.

Uncertainty remains very high. Escalation in the Middle East or in Ukraine, weather shocks, policy uncertainty, rising public debt and sovereign yields, protectionism, AI and other factors could eventually erode global resilience and trigger macro and financial instability. Higher oil prices for longer would make inflation and rates edge higher.

The global economy has remained resilient despite multiple shocks, which have lately shown little sign of abating

GLOBAL COMPOSITE PMI
(HIGHER THAN 50: EXPANSION; LOWER THAN 50: CONTRACTION)



GLOBAL HEADWINDS

- geopolitical fragmentation, conflicts
- energy and commodity shocks
- climate shocks
- rising public debt and long-term yields
- policy uncertainty
- protectionism
- China's structural slowdown
- ageing

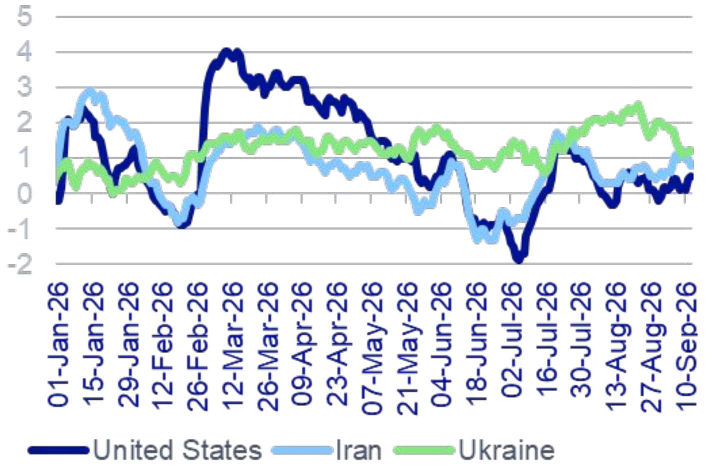
GLOBAL TAILWINDS

- AI adoption
- defense spending
- inflation-focused central banks
- solid private balance sheets
- fiscal impulse
- resilient labor markets
- supply-chain reconfiguration
- green investment, energy diversification

Source: BBVA Research based on data from Haver, JP Morgan, S&P.

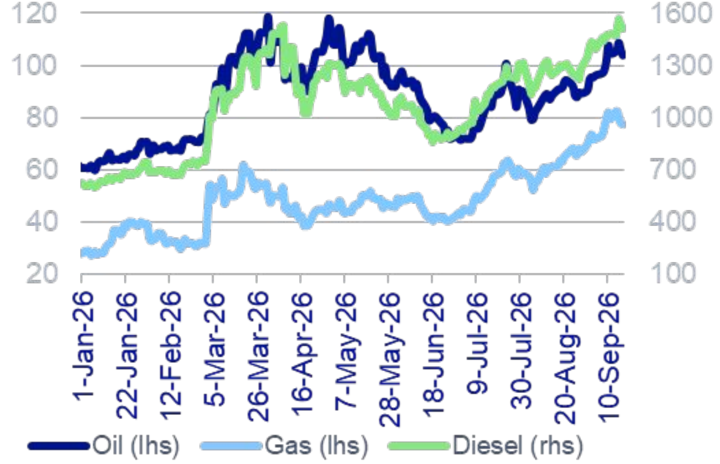
US-Iran tensions escalated again, with conflict spreading to the Red Sea, pushing up energy prices and uncertainty

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



Source: BBVA Research

BRENT, EUROPEAN GAS AND DIESEL PRICES(*) (USD PER BRENT BARREL; EUROS PER MWh, USD PER METRIC TONS)

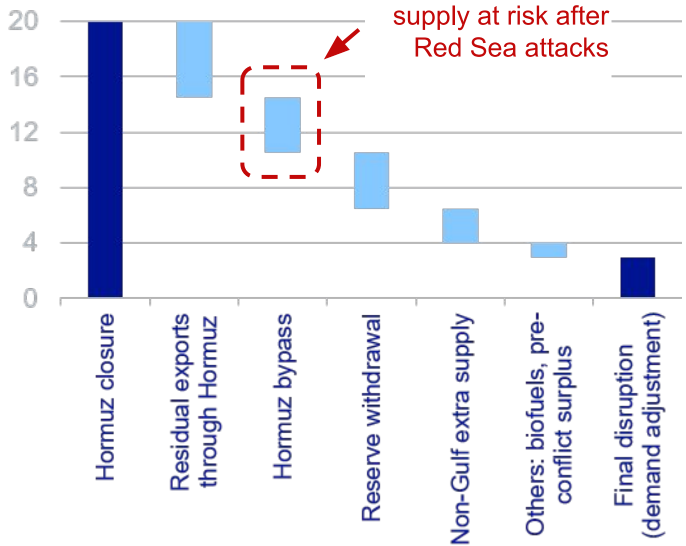


(*) Diesel: low sulphur gas oil future (ICE Futures Europe)
Source: BBVA Research based on data from Haver

US-Iran diplomacy stalled over ceasefire terms and control of Hormuz; Washington then intensified economic pressure by expanding sanctions on Iran's allies. Fighting has since resumed, with the Houthis attacking alternative oil routes in the Red Sea

Supply disruptions persist, with some offsetting factors now at risk, adding volatility to energy prices

OIL MARKET BALANCE: AUG/26
(MILLION BARRELS A DAY)

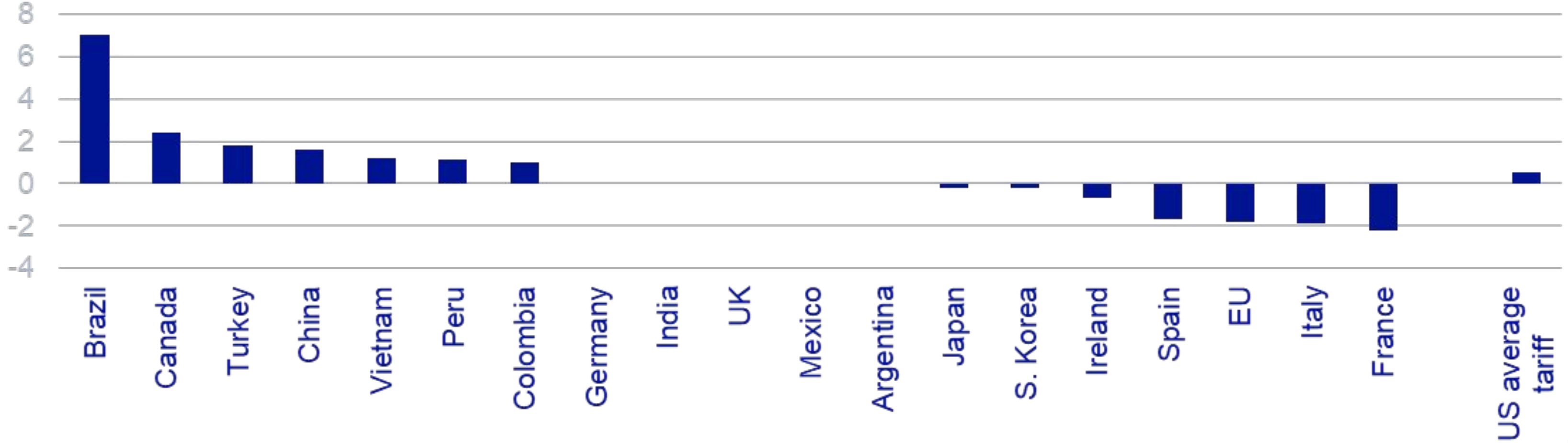


- **Despite data uncertainty, there are signs that oil exports through Hormuz have increased**, due to a larger flow of oil from US allies
- **Bypassing routes through the Red Sea have helped cushion supply losses**, but escalating attacks in the region have caused fresh disruptions; their closure is seen to raise oil prices by up to $20/b
- **Reserve liberation, particularly by China, continues to provide support**, but non-linearity risks remain in place
- **Increasing production by other countries**, especially in the Americas, is also preventing oil prices from moving even higher

Source: BBVA Research

Tariffs: the recent changes leave the average US tariff mostly unchanged, despite varying effects across countries

US STATUTORY TARIFFS: CHANGES DUE TO THE EXPIRATION OF "UNIVERSAL" TARIFFS (BASED ON SECTION 122), ADOPTION OF "FORCED LABOR" TARIFFS (BASED ON SECTION 301) AND IMPLEMENTED NEW TARIFFS ON CANADA AND BRAZIL (*) (PP)

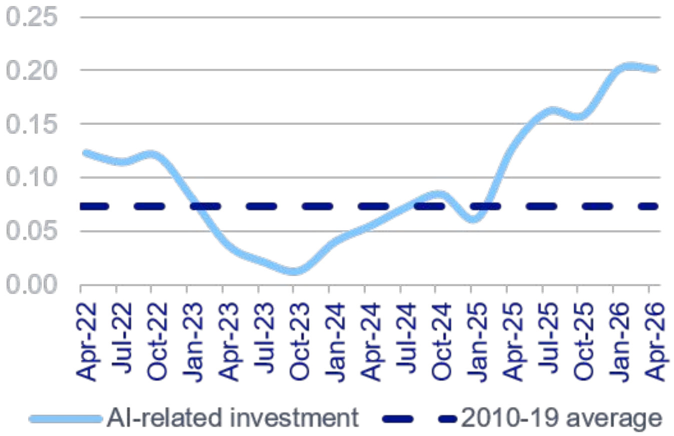


(*) Does not consider higher tariffs on Canadian cars, trucks, automobiles parts and steel announced to take place on January 2027
Source: BBVA Research

The average effective US tariff is likely to remain close to 7%; extra US tariffs scheduled to be effective next year would raise Canada's average tariff by 2pp to 6pp, depending on whether the new targeted goods will still benefit or not from USMCA-related exemptions

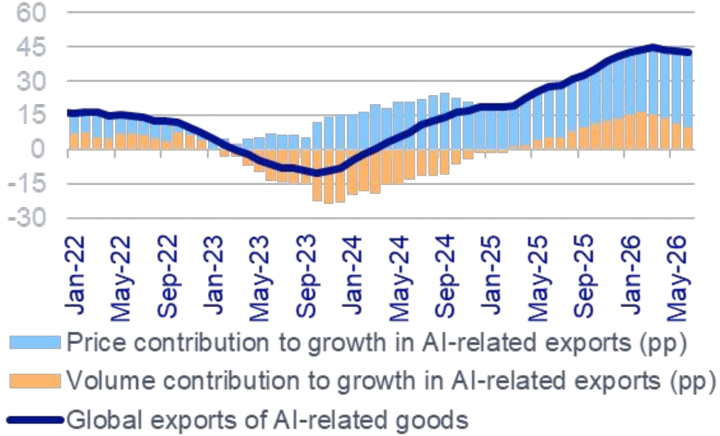
Increasing AI investment in the US is supporting demand in the country and abroad, putting pressure on AI prices

US: AI-RELATED INVESTMENT (*)
(CONTRIBUTION TO QUARTERLY GDP GROWTH; FOUR-QUARTERS MOVING AVERAGE: PP)



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

GLOBAL EXPORTS OF AI-RELATED GOODS
(Y/Y%, 12-MONTH MOVING AVERAGE)

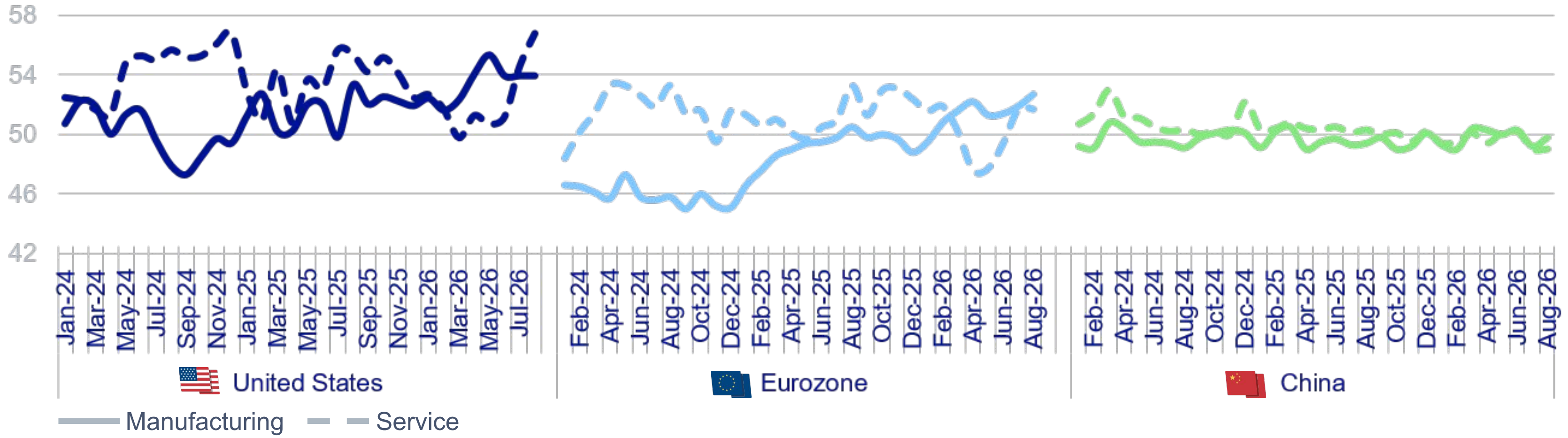


(*) AI-related goods exports include key inputs at the 6-digit level (energy and power, the semiconductor ecosystem, AI hardware, and connectivity) used in AI production.
Source: BBVA Research based on data from UN Comtrade, China's GAC, and Taiwan Customs.

Extraordinary AI demand is also putting strong pressure on related prices, potentially creating risks to global inflation

High-frequency indicators reinforce the view that growth is still robust in the US and is improving in Europe

PMI INDICATORS (HIGHER THAN 50: EXPANSION; LOWER THAN 50: CONTRACTION)

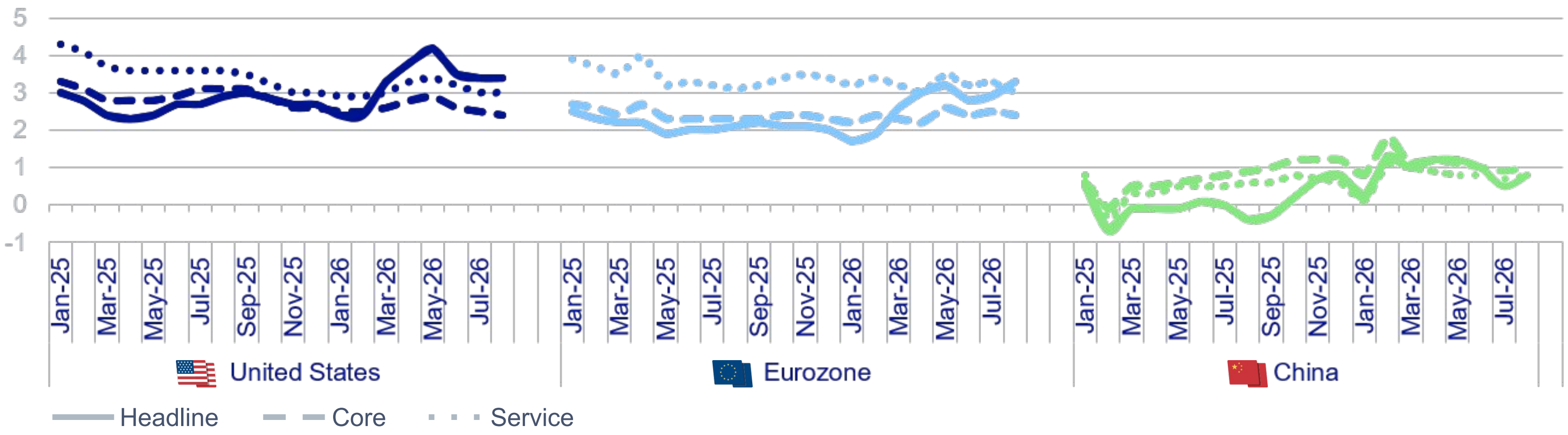


Source: BBVA Research based on data from Haver

2Q26 GDP surprised to the upside in the Eurozone, supported by resilient consumption and stronger net exports, but disappointed in the US despite robust domestic demand, and mainly in China despite very strong exports

Inflation is running above 3% both in the US and in the Eurozone amid higher energy prices and resilient demand

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

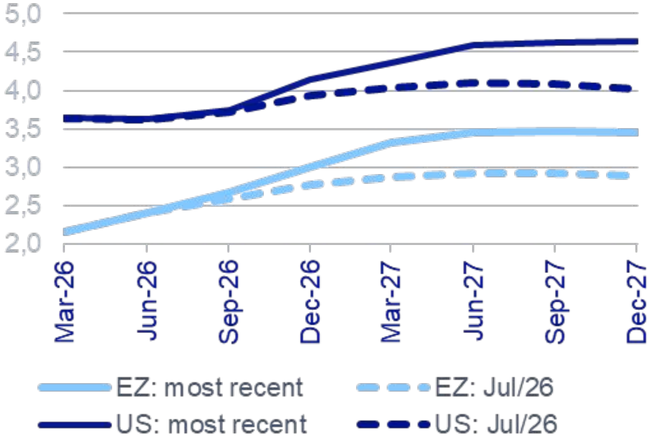


Source: BBVA Research based on data from Haver

Although headline inflation continues to be under pressure, core and service figures have exhibited a (timid) downward trend over the last few months, which suggest no significant second-order effects from the commodity shock so far

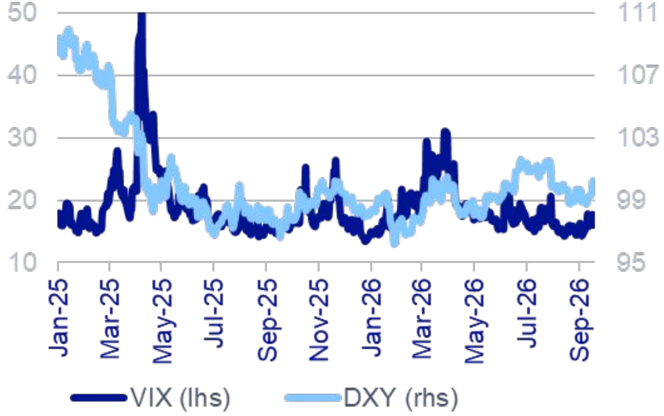
Markets expect both the Fed and the ECB to continue tightening monetary conditions ahead

INTEREST RATES IMPLIED BY FED FUNDS AND EURIBOR FUTURES (%)



Source: BBVA Research based on data from Haver

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

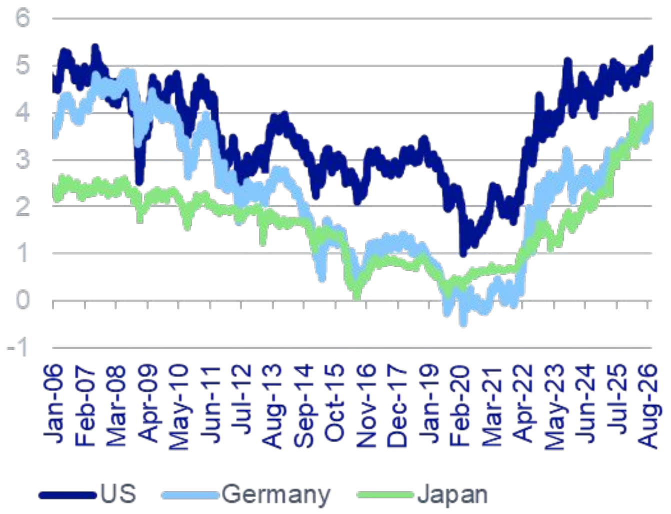


(*) A higher DXY represents a stronger US dollar
Source: BBVA Research based on data from Haver

The ECB and the Fed, amid considerable uncertainty over the decision, have recently raised rates to 2.5% and 4.0%, respectively, with markets pricing in further hikes; the VIX has remained subdued, while the US dollar has appreciated somewhat

Long-term sovereign yields continue to rise globally, prompting a policy response from the US Treasury

30-YEAR SOVEREIGN YIELDS
(%)

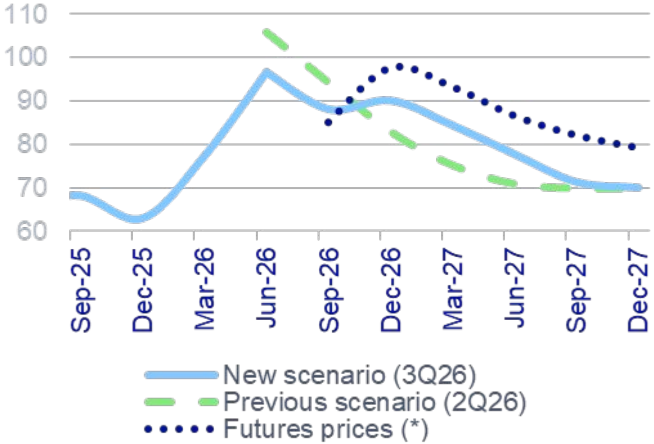


Source: BBVA Research based on data from Haver

- **Long-term sovereign yields have continued to trend up, accelerating recently,** due to higher inflation and policy rates, large public financing needs, private bond issuance (mostly AI-related) and higher term premia
- **The US Treasury has tried to contain the trend** by increasing bond buybacks and supporting the yen, while seeking to limit Japan's sales of US Treasuries
- **The moves had only limited impacts** as they don't structurally address the drivers of their upward trend; moreover, they may eventually clash with Fed's goals
- **Higher Fed rates may help contain inflation expectations,** eventually easing pressures on long-term yields

Our scenario assumes that oil prices will be contained and decline gradually next year, despite risks

BRENT PRICES: BBVA RESEARCH FORECASTS, FUTURES PRICES (USD/BARREL)



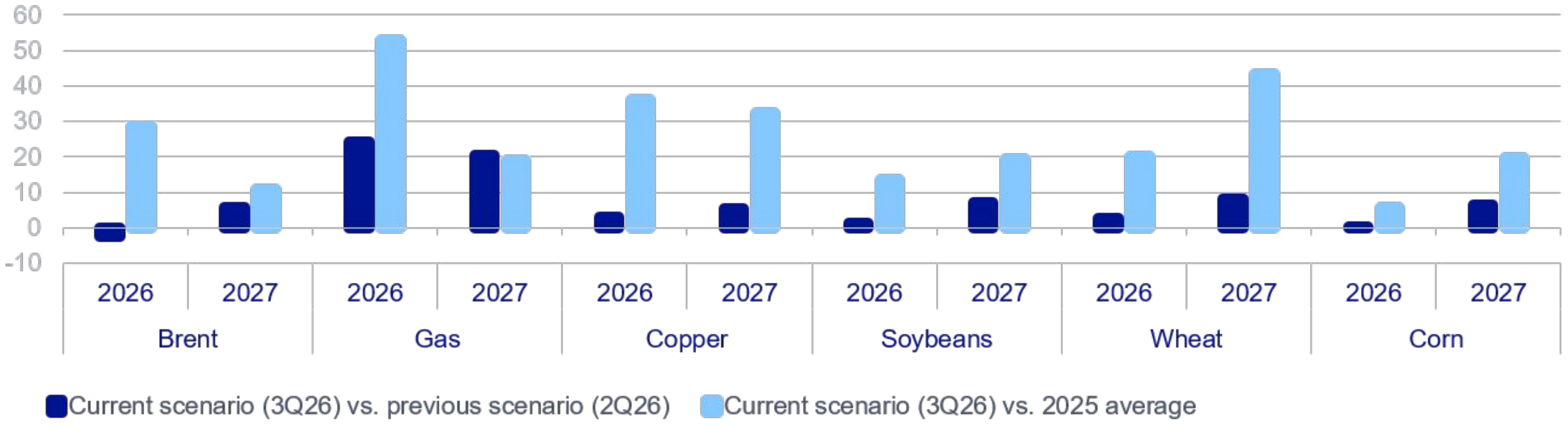
	2026 average	2027 average
New baseline scenario (3Q26)	88	76
Previous baseline scenario (2Q26)	90	72

(*) As of September 17, 2026.
Source: BBVA Research based on data from Haver

- **With Hormuz transit constrained for longer, prices are assumed to be slightly higher** than the previous assumption, although they were below the previous forecast in 3Q26
- **The new scenario is still consistent with a gradual improvement of energy flows** through Hormuz moving forward
- **Upside risks** to the oil baseline are relevant as tensions could avoid a reopening of the Strait, severely hit bypassing routes through the Red Sea and trigger nonlinearities
- **But oil prices could decline faster than forecast** if eventually a new deal is reached

Commodity prices will be supported not only by geopolitical tensions, but also by weather shocks and AI demand

COMMODITY PRICE FORECASTS, COMPARED TO PREVIOUS FORECASTS AND 2025 LEVELS
(%, ANNUAL AVERAGES)

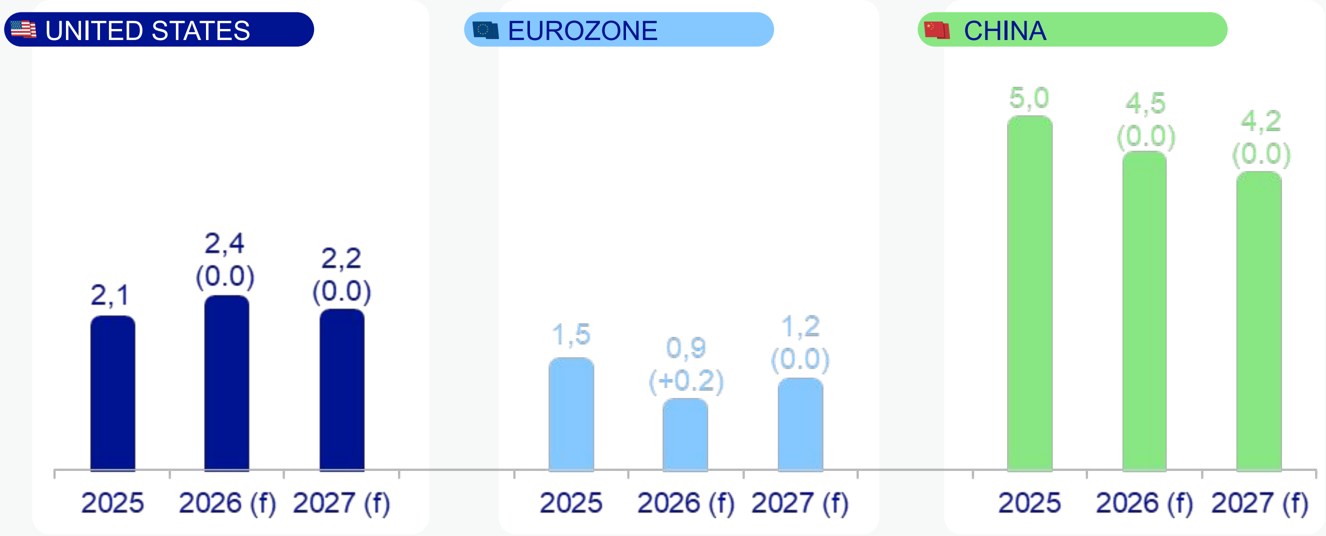


Source: BBVA Research

While the Middle East conflict is pushing up a broad range of input prices (notably energy and fertilizers), further pressure will come from low inventories (gas), the Russia-Ukraine war (now hitting wheat exports), weather shocks (El Niño and hot weather in the EU and US) and resilient demand (particularly AI-related demand for copper, energy and other inputs)

Broadly unchanged GDP forecasts despite a better outlook for Europe this year, supported by stronger incoming data

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



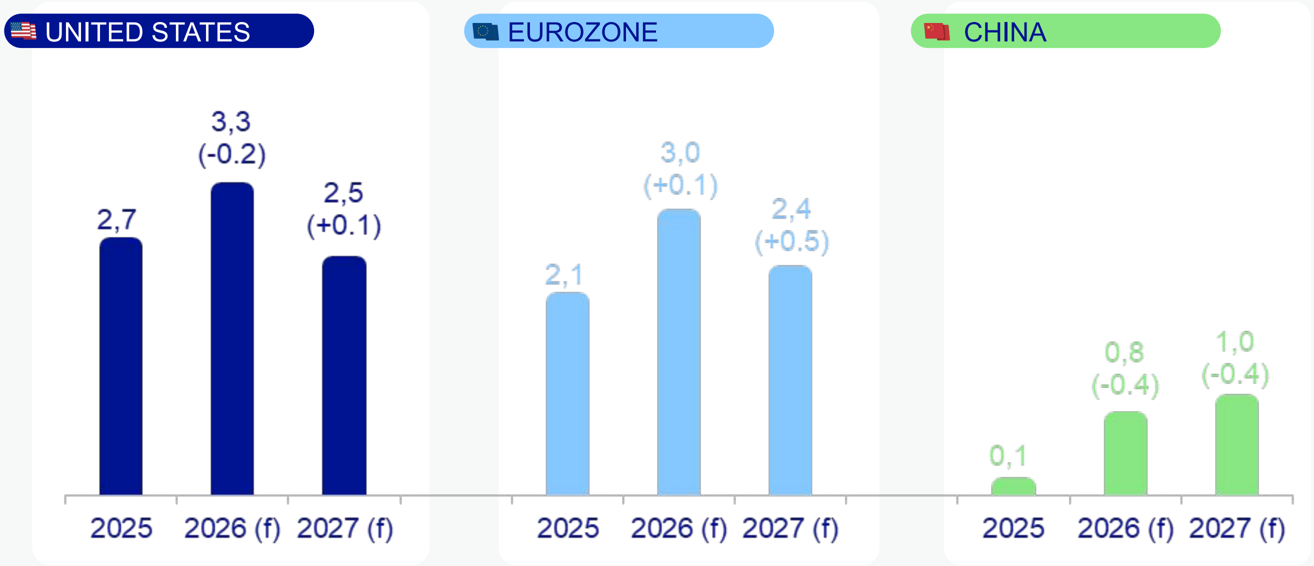
Growth is expected to be slightly above 2% in the US and converge to 4% in China, despite 2Q26 negative surprises.

In **Europe,** the impact of higher interest rates will be mostly offset by the effects of a weaker euro

(*) After expanding by 3.5% in 2025, global GDP is still forecast to grow by 3.1% in 2026 and by 3.3% in 2027 (unchanged figures).
(f): forecast.
Source: BBVA Research

Commodity prices and demand resilience will help to keep inflation under pressure, at least in the short-run

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



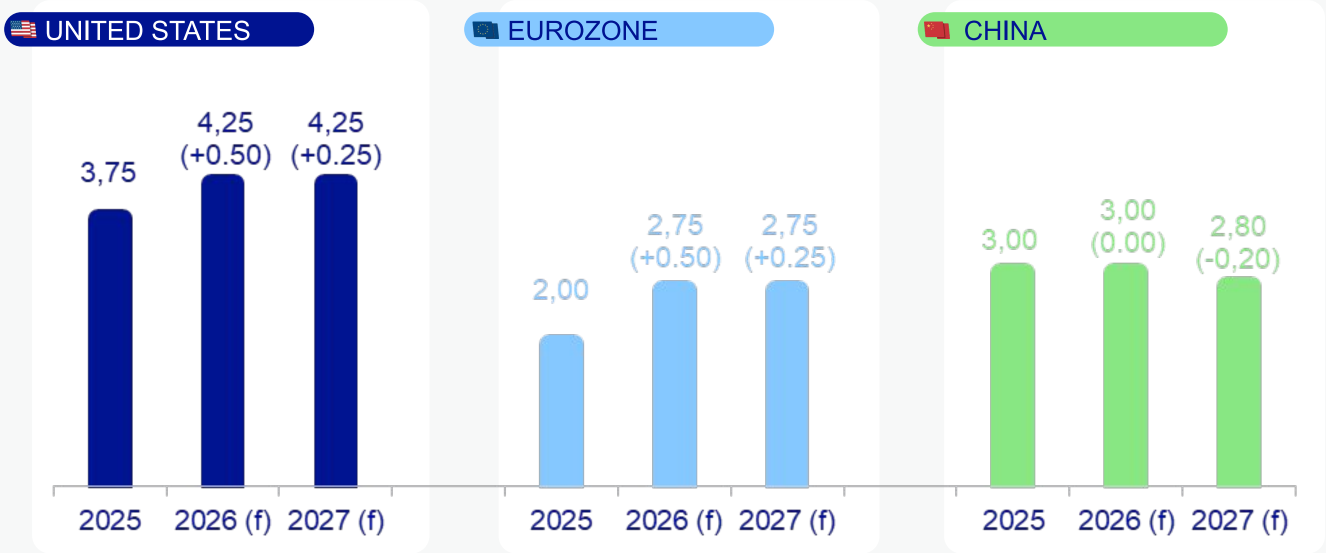
Inflation will remain high, above previous expectations in Europe, amid higher energy prices and resilient growth

It is forecast to ease next year, with core prices staying contained, provided energy prices decline as assumed

(f): forecast.
Source: BBVA Research

Fed and ECB are now expected to deliver one final hike this year and keep rates unchanged next year

POLICY INTEREST RATES (*)
(%, END OF PERIOD, CHANGE WITH RESPECT TO PREVIOUS FORECAST IN PARENTHESES)



Policy rates will be higher than previously expected to address increasingly challenging inflation risks

Further tightening will likely be limited, if inflation eases as expected during 2027, but risks are tilted upwards

(f): forecast.
(*) In the case of the Eurozone, interest rates of the deposit facility.
Source: BBVA Research

Risks remain in place given ongoing conflicts, weather shocks, high public debt, protectionism, AI…

GLOBAL ECONOMY: MAIN RISKS AROUND BBVA RESEARCH BASELINE SCENARIO

Many factors create upside risks to inflation

NEGATIVE SUPPLY SHOCKS

escalation of Iran-US war (reserve depletion, non-linearities), **weather shocks** (El Niño, climate change), **geopolitical tensions**, protectionism, ageing

STRONG DEMAND

AI (demand), fiscal stimulus, defense spending, robust labor markets and private balance sheets

\+

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GDP GROWTH

\+

WEAK DEMAND

financial stress (**sovereign debt markets**, **equity correction**, private credit, shadow banking), uncertainty, structural challenges in Europe and China

POSITIVE SUPPLY SHOCKS

faster normalization of energy markets, productivity gains (mainly due to **AI,** in the medium term)

INFLATION

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Colombia

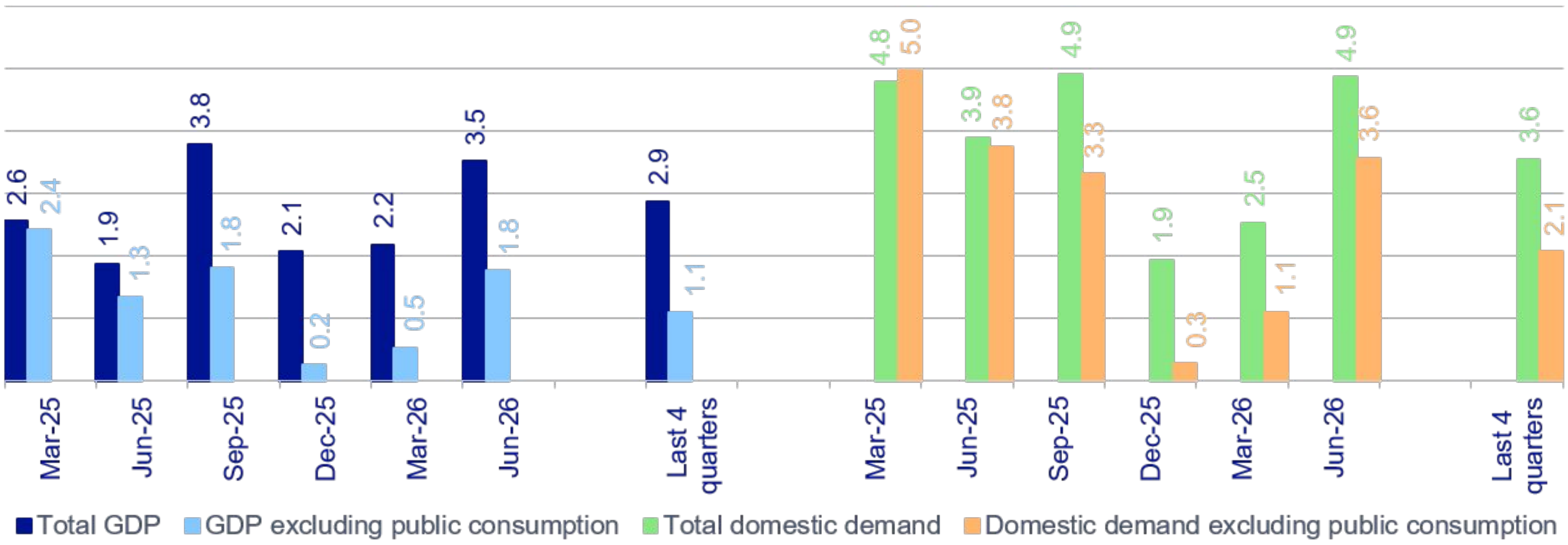
BBVA Research

1. Growth with a large public-sector component

Where do we stand?

Recent strong economic growth has five particular features: 1. Strong public-sector impetus

ECONOMIC GROWTH
(REAL ANNUAL CHANGE, %)



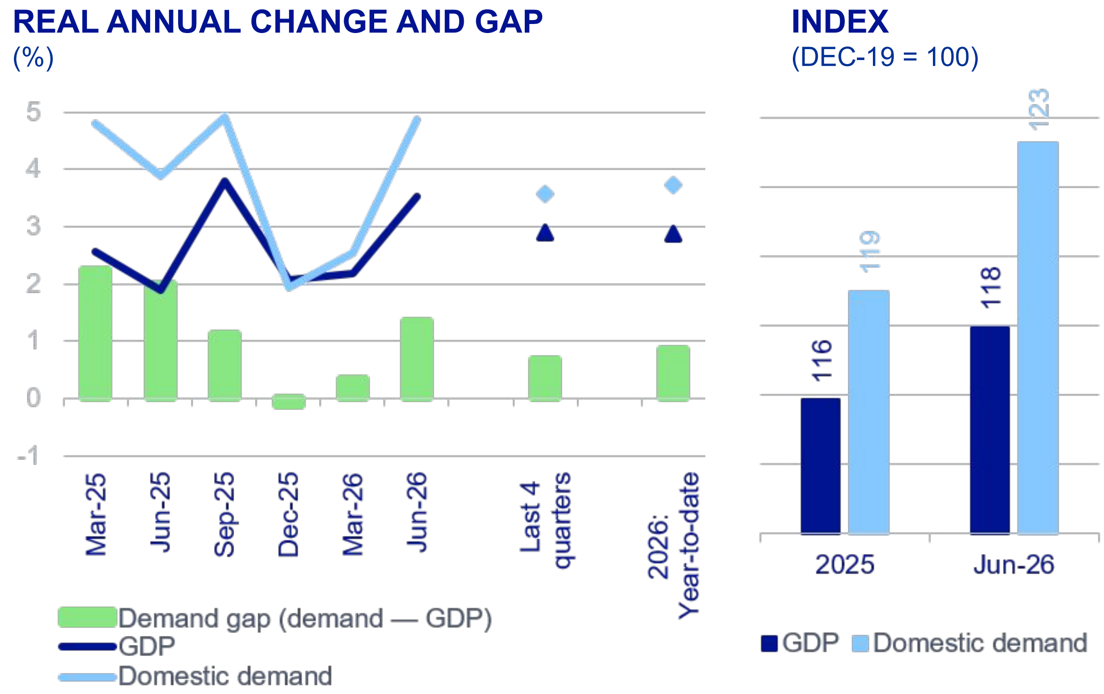
Source: BBVA Research based on DANE data

2. GDP is lagging behind domestic demand, except in the data at end-2025

Why does this matter?

- It increases exposure to imports
- It is an inflationary growth (or less disinflationary)
- It may be less sustainable over time

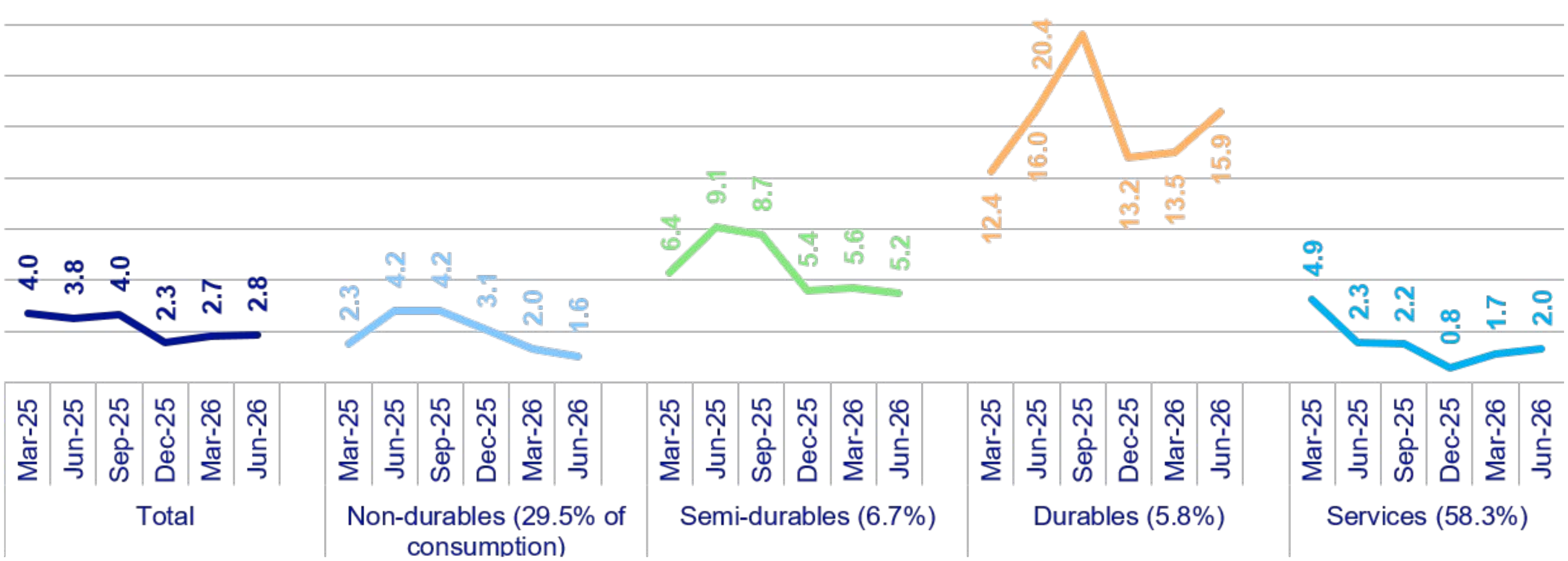
GDP AND DOMESTIC DEMAND
(REAL ANNUAL CHANGE AND INDEX LEVEL: DEC-19 = 100, %) (USD BN, % OF GDP)



Source: BBVA Research based on DANE data

3. Private consumption is strongly driven by durable and semi-durable goods

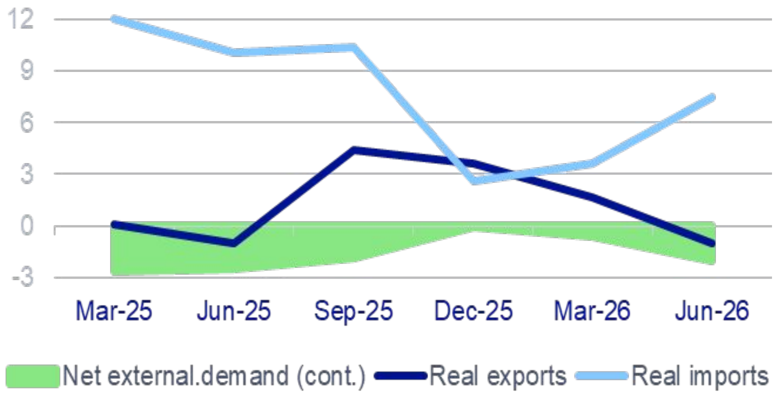
PRIVATE CONSUMPTION: COMPONENTS
(REAL ANNUAL CHANGE, %)



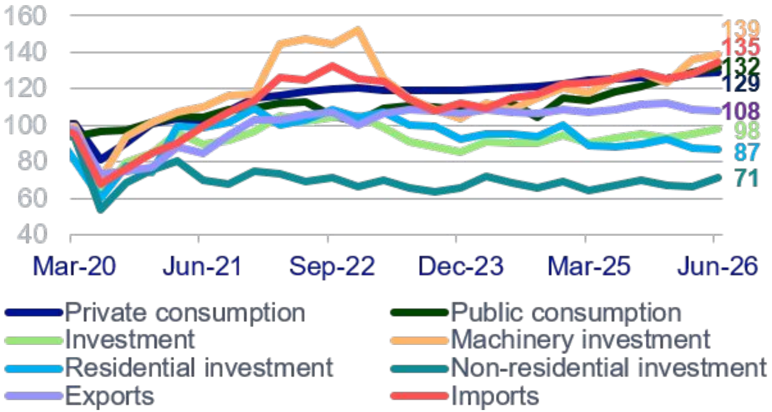
Source: BBVA Research based on DANE data

4. Imports are exceptionally dynamic, tied to higher consumption and investment in machinery…

IMPORTS, EXPORTS AND NET EXTERNAL DEMAND
(REAL ANNUAL CHANGE, CONTRIBUTION, %)



GDP BY DEMAND COMPONENT: LEVEL
(INDEX: DEC-19 = 100)

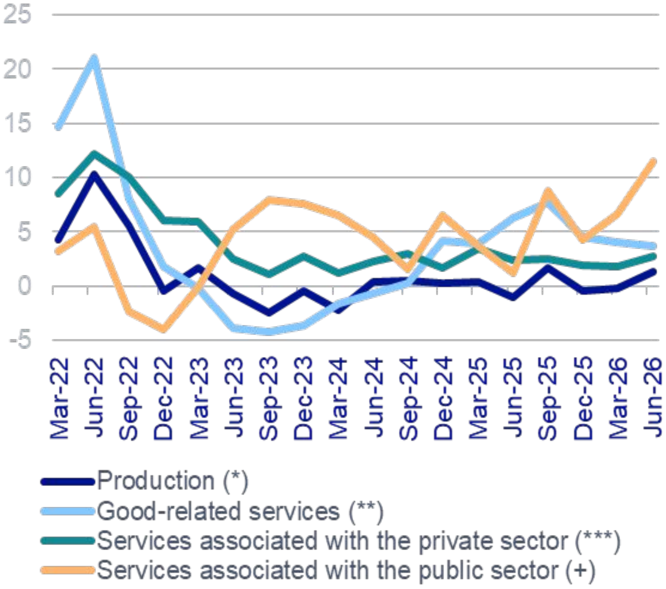


Source: BBVA Research based on DANE data

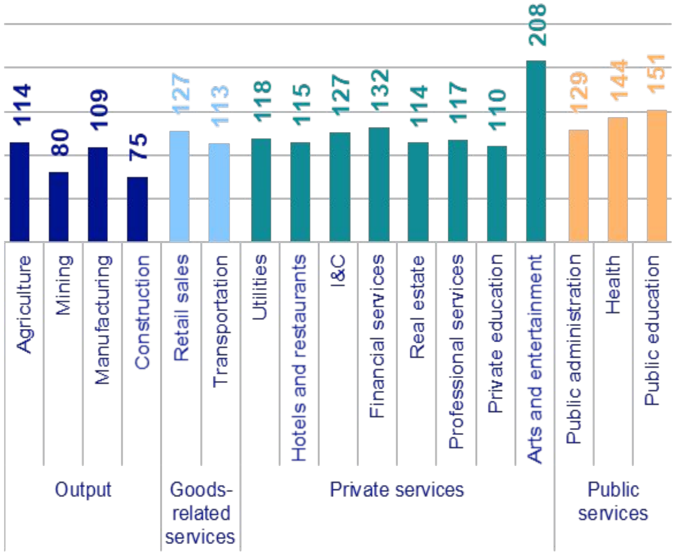
…while exports remain sluggish, resulting in a negative contribution from net external demand to GDP: growth leakage abroad

5. Sectoral growth is uneven and concentrated in services and industries related to the public sector

SECTORAL GROWTH: GROUPS
(REAL ANNUAL CHANGE, %)



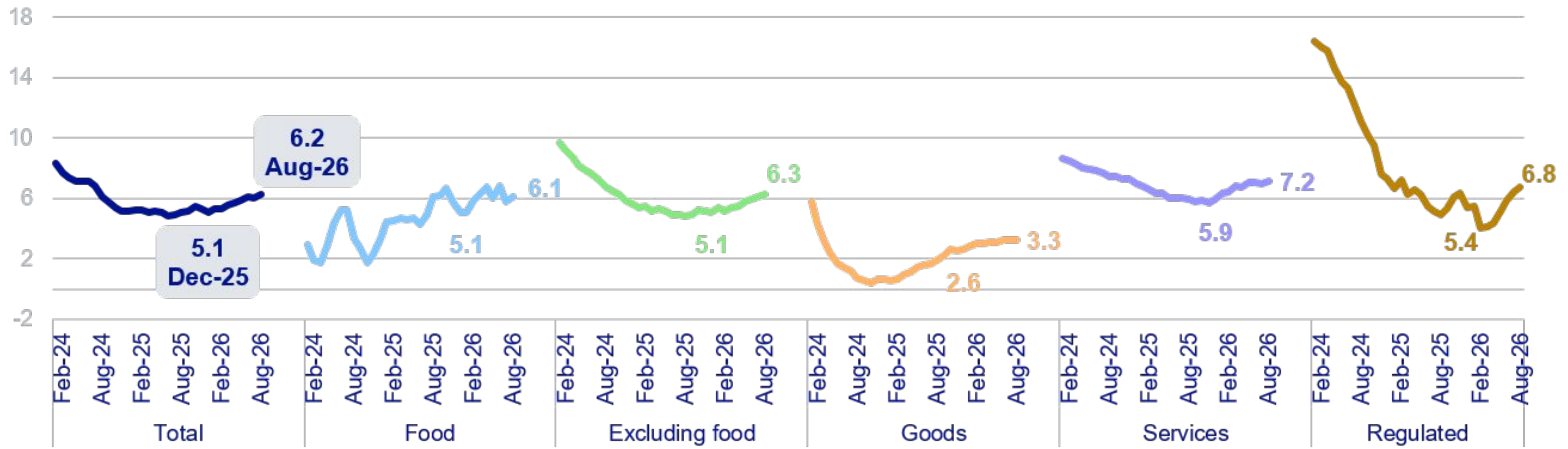
GDP BY SECTOR: LEVEL
(INDEX: DEC-19 = 100)



(*): Agriculture, mining, manufacturing and construction. (**): Retail and wholesales, auto repair shops and transportation. (***): Utilities, hotels, restaurants, information & communications, financial services, real estate, professional services, private education, and arts and entertainment. (+): Public administration and defense, healthcare and public education.
Source: BBVA Research based on DANE data

Given this type of growth, coupled with supply shocks and wage pressures, inflation is trending upward

INFLATION: MAIN COMPONENTS
(ANNUAL CHANGE, %)

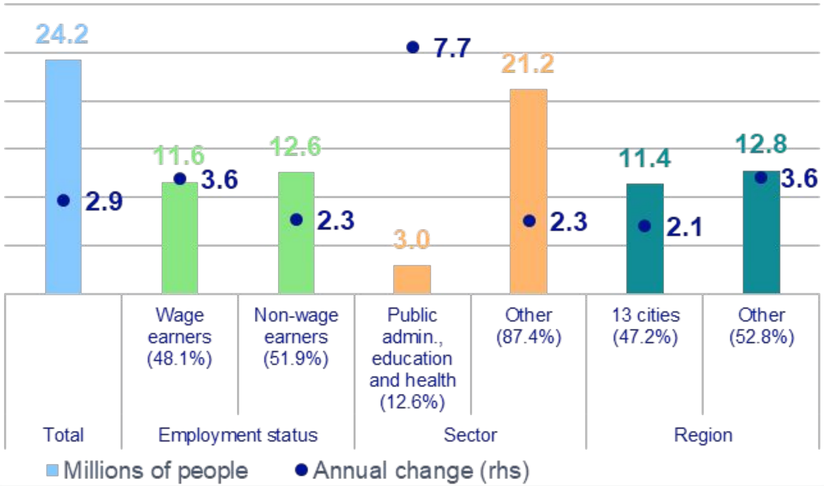


Source: BBVA Research based on DANE data

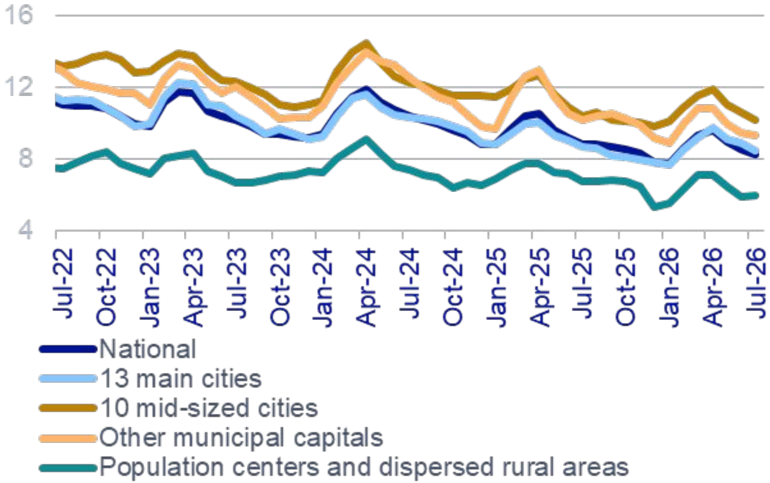
This trend persists despite currency appreciation, a factor that moderates the impact of imported products on local prices

The labor market is resilient, with particularly strong momentum from the public sector and outside the major cities

NATIONAL EMPLOYMENT (MILLIONS OF PEOPLE AND AVGE ANNUAL CHANGE OVER THE LAST 12 MONTHS, %; IN PARENTHESES: GROUP'S SHARE OF TOTAL EMPLOYMENT)



UNEMPLOYMENT RATE (*)
(PERCENTAGE OF THE LABOR FORCE, %, ROLLING QUARTER)

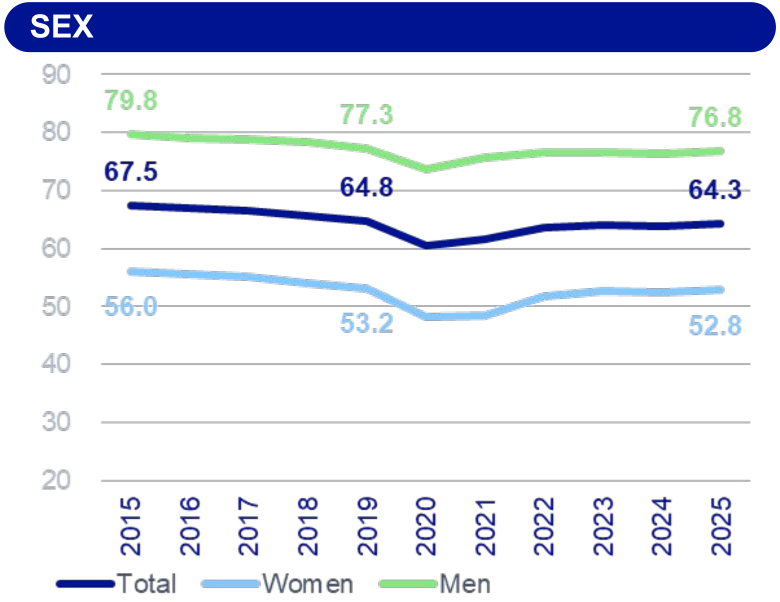


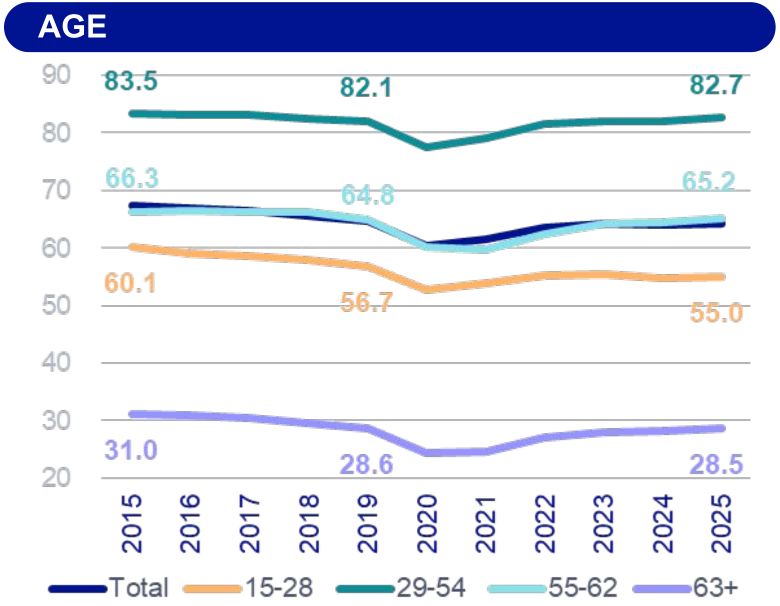
(*): The 13 main cities are: Bogotá, Medellín, Cali, Barranquilla, Bucaramanga, Manizales, Pereira, Cúcuta, Pasto, Ibagué, Montería, Cartagena and Villavicencio. The 10 mid-sized cities are Tunja, Neiva, Florencia, Riohacha, Popayán, Santa Marta, Valledupar, Armenia, Quibdó and Sincelejo.
Source: BBVA Research based on DANE data

The unemployment rate is at its lowest level this century, due both to strong job creation and lower labor-force participation among some population groups

Young people, older adults and women, who have low labor-force participation, reduce labor-supply pressure in the market

LABOR-FORCE PARTICIPATION RATE
(PERCENTAGE OF THE WORKING-AGE POPULATION, %, ANNUAL AVERAGE)





Source: BBVA Research based on DANE data

2. New developments are changing the outlook. Asset prices are strengthening

Recent trends

Events reshaping the outlook: continuation of the conflict in the Middle East, climate, geology and the presidential election

Middle East conflict

- Keeps global volatility elevated
- Raises gold, oil and gas prices
- Higher transportation and input costs

Climate

- Very intense El Niño event in 2026-27
- Reduces rainfall in Colombia
- Will imply inflationary pressures on food and energy

Geology: August 10 earthquake

- Major human tragedy, destruction of capital and a halt in the economy
- Pressures on some supply chains and short-term inflation
- In the medium term, it may boost GDP

Presidential election: a new vision for the country

- Different government priorities. New strategic pillars
- Appreciation of Colombian financial assets

Source: BBVA Research based on DANE data

El Niño hits agriculture and energy first; the shock spreads to industry and services. It is positive for construction

Less rainfall and more heat constrain water supply, reduce hydropower generation, raise energy costs and push up food prices, mainly in the Andean and northern regions. The benefits of dry weather are localized and conditional.

El Niño

CLIMATE SHOCK

- less rainfall
- more heat
- wildfires and water stress

DOMINANT IMPACT CHAIN: NEGATIVE

1 · DIRECT EXPOSURE

Agriculture, fishing and forestry

Dry conditions and heat reduce yields, pasture availability and supply; they disrupt production calendars and animal/plant health and increase in wildfire risk.

Inflation

Reduces harvests, crops (sugar cane, coffee, rice, corn and pastures) and reservoir levels. Higher costs of energy (gas), irrigation and fertilizers.

2 · TRANSMISSION

Electricity, gas and water

Lower river flows reduce hydropower generation; thermal generation and gas demand increase. Water utilities: scarcity and poorer quality.

Energy-intensive manufacturing

Cement, steel, chemicals and food processing absorb higher energy, gas, water and input costs; productivity falls.

3 · PRESSURE ON MARGINS

Transportation and logistics

Low river levels restrict navigation and increase dredging; competition for gas raises operating costs.

Restaurants, trade and hotels

Food, refrigeration, energy and water squeeze margins; heat and fires curb operations and tourism.

Cross-cutting impact: heat, fires and air quality increase the burden on health and emergency services.

POSITIVE WINDOWS

Construction and civil works

More dry days may reduce rain-related stoppages and facilitate access and earthmoving.

Solar power and self-generation

Less cloud cover may increase solar irradiation and provide backup when hydropower generation declines.

Adaptation providers

Irrigation, storage, pumping, refrigeration and fire-control services face higher demand.

Strong earthquake with major social costs helped foster unity at the start of the new government*

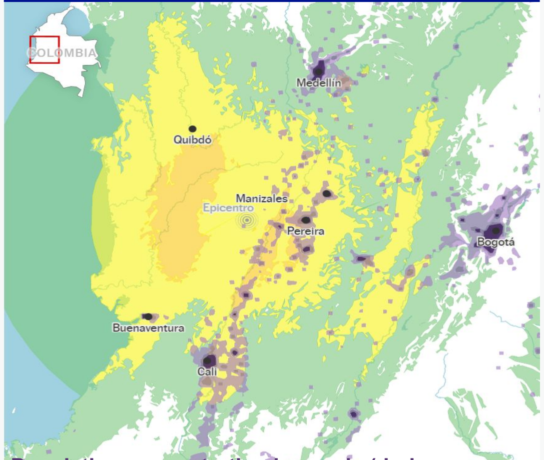
Magnitude **7.4**
Depth **103 km**
Departments affected **16** (out of 32)
Municipalities affected **498** (out of 1,103)
Epicenter San José del Palmar, Chocó

Deaths **331**
Missing **111**
Rescued **364**
Injured **4,505**

Homes destroyed **36,326**
Homes damaged **202,002**
Educational facilities **4,313**
Healthcare facilities **400**

Roads **531**
Water systems **141**
Airports **5**

EARTHQUAKE INTENSITY
(MERCALLI SCALE: MODERATE, STRONG OR VERY STRONG)

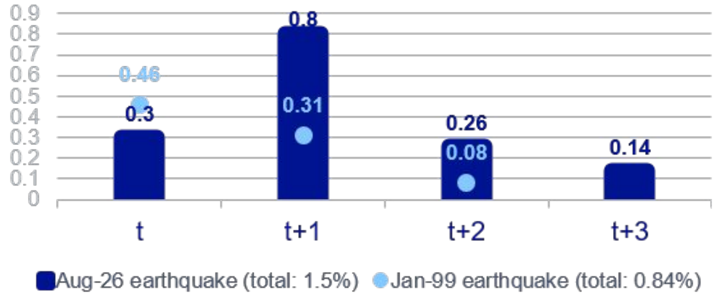


Population concentration in purple (darker = more concentrated).

MEASURES TAKEN

- An **Economic and Social Emergency** was declared, allowing the government to expedite the response, obtain/allocate resources and issue decrees with the force of law.
- The **Milagro Fund** was created to receive resources and manage the recovery of affected territories.
- **Subsidies and assistance** were established for those affected, covering public utilities and rent.
- A **relief program** for borrowers was launched (COP1.1bn).

Investment in earthquake response
(% of GDP per year (**))



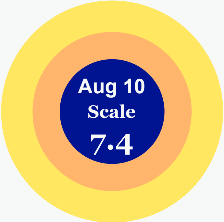
- The cost is estimated at close to COP30bn (1.5% of GDP). Most of the recovery program will be concentrated in 2027.
- National and international support has been significant (+COP2bn)
- The earthquake also had implications for Colombia's domestic economic and political agenda.

(*) UNGRD figures as of September 9, 2026 (**) t = 2026 and t = 1999
Source: United States Geological Survey.

(**): t = 2026 and t = 1999. Data for 1999 correspond only to public spending and total 0.84% GDP. Total cost was 2.2% GDP. Source: BBVA Research with information from the Government

The earthquake brings activity to a standstill in the short term, while reconstruction may represent an opportunity

The initial damage is concentrated in retail and wholesale, tourism, housing, essential networks and mobility. Subsequently, demand shifts toward reconstruction and financing, with potentially positive effects.



CAPITAL LOSS AND DISRUPTION

IMMEDIATE

Weeks/months · disruption and losses

- **Housing and real estate**
  Uninhabitability and evacuations displace households, slow transactions and put upward pressure on rents.
- **Transportation and essential networks**
  Closures and failures in water, energy or connectivity hamper production, mobility and supplies: inflation.
- **Trade, tourism and restaurants**
  Closures, lower footfall and inventory losses weaken sales, employment and corporate cash flow.
- **Health and education**
  Capacity falls as demand for care rises and classes are disrupted.

SHORT TERM

First year

- **Construction, engineering and materials**
  Demolition, upgrades, housing and public works increase demand, provided execution advances.
- **Industry, agriculture and logistics**
  Reopening requires access, public works, services, productive assets, inventories and working capital.
- **Banking and insurance**
  Claims and relief measures weigh on earnings. Credit, refinancing and insurance payouts support the recovery.

MEDIUM TERM

Max. 4 years · reconstruction

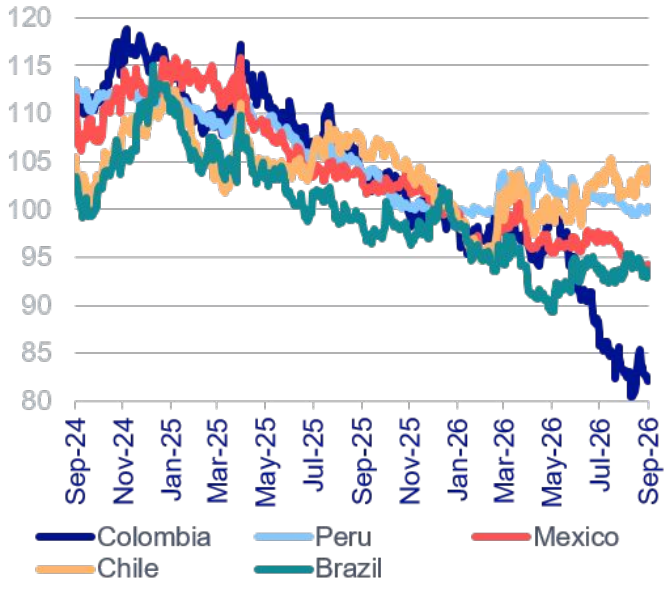
- **Infrastructure and urban development**
  Resilient reconstruction can improve connectivity, capital quality and regional productivity.
- **Tourism, trade and real estate**
  Reconstruction boosts confidence, spending and households' return, as well as the restoration of urban centers and tourism.
- **Public sector and investment**
  Reconstruction supports local activity, but may crowd out other projects and increase fiscal pressure.
- **Insurance and risk engineering**
  Coverage, seismic retrofitting and business continuity become more important.

Overall: **After the initial negative shock, well-executed reconstruction boosts sectors, but also generates additional fiscal pressures**

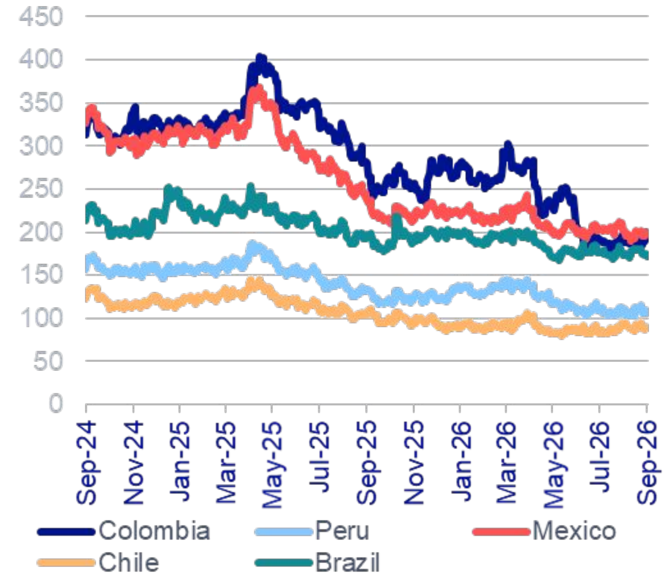
Sources: BBVA Research

The exchange rate and risk premia moved more strongly than in LatAm, although the premium remains high by comparison

EXCHANGE RATES
(INDEX, JAN 1, 2026 = 100)



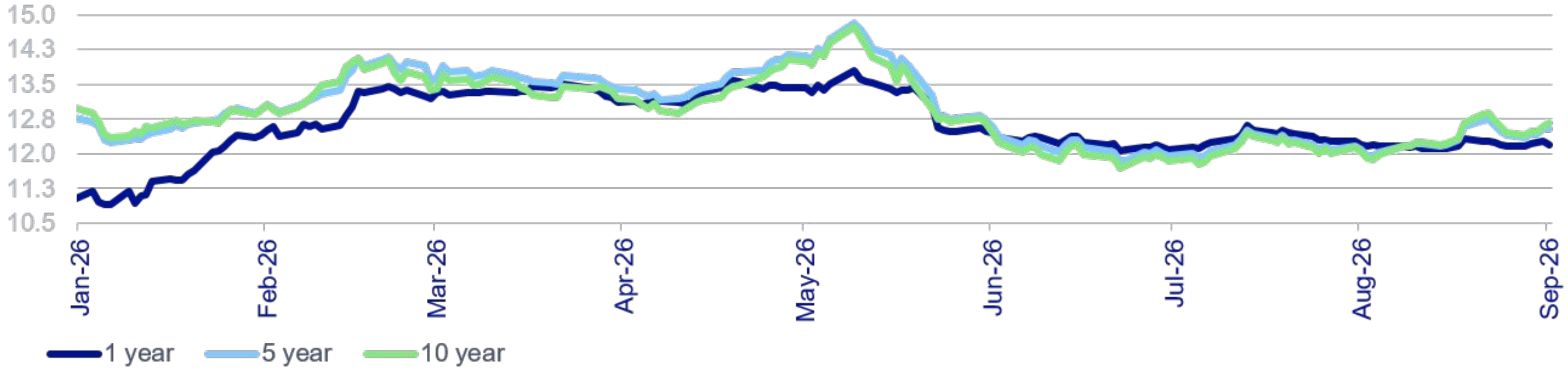
RISK PREMIA (EMBI)
(BASIS POINTS)



Source: BBVA Research based on data from each country's central bank and BCRP's EMBI

Something similar was observed in the local public debt market after the first round of Colombia's elections

ZERO-COUPON TES
(%)



Source: BBVA Research based on BanRep data

Nevertheless, the fiscal and external outlook still weighs on asset values and keeps interest rates for domestic government financing elevated

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3. The fiscal outlook is the main challenge

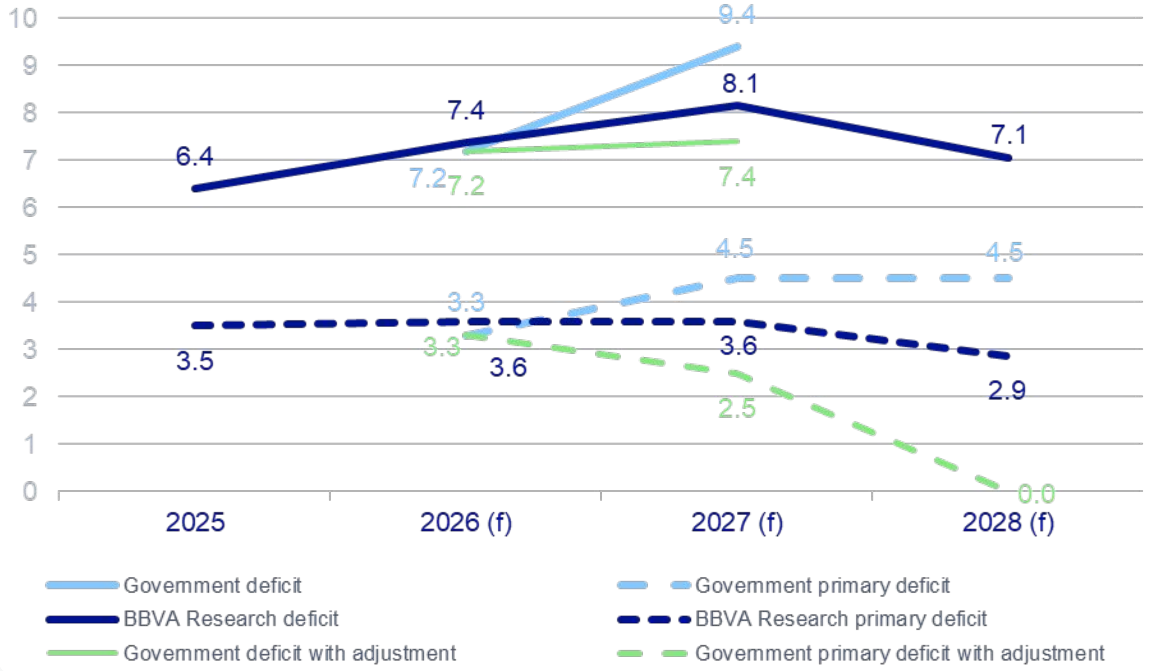
Macro balances

The fiscal accounts show substantial deterioration that must be corrected gradually

In 2027, the primary deficit will stand at 3.6% of GDP, remaining at around 3.5% of GDP for the third consecutive year. In 2028, the deficit will improve somewhat.

The government has begun to roll out a fiscal strategy that has led Congress and investors

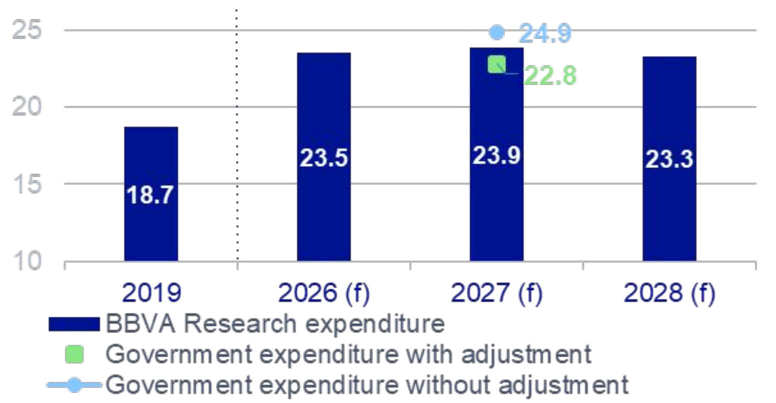
CENTRAL GOVERNMENT OVERALL AND PRIMARY DEFICIT
(% OF GDP)



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

Central government spending is at very high levels and is not matched by increases in revenue

CENTRAL GOVERNMENT EXPENDITURE
(% OF GDP)



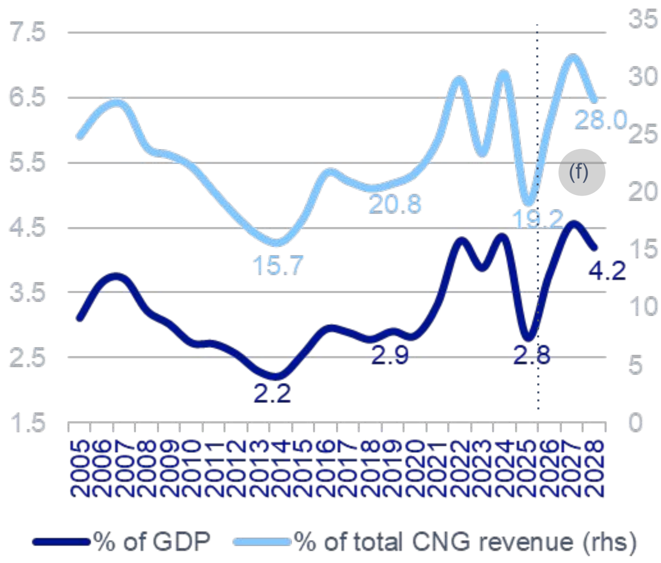
CENTRAL GOVERNMENT REVENUE
(% OF GDP)

(F): BBVA Research forecasts
Source: BBVA Research based on Ministry of Finance data

The Fiscal Adjustment Law will specify the new composition of spending for 2027. At BBVA Research, our 2027 forecast includes a smaller adjustment in primary spending than the one proposed by the government, slightly higher revenues and lower interest payments

The primary deficit projections imply a major commitment in terms of debt and interest payments

INTEREST PAYMENTS
(% OF GDP AND % OF TAX REVENUE)



CENTRAL GOVERNMENT GROSS DEBT
(% OF GDP)

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

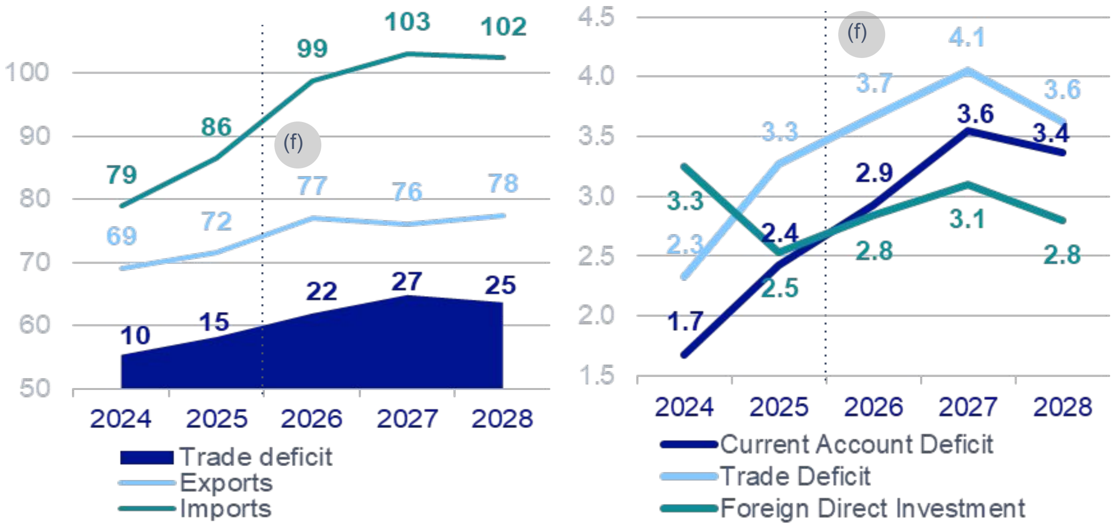
The external deficit, which will widen over the coming years, will also require access to financing

The deterioration in the trade balance will deepen, with imports tracking the positive domestic-demand cycle and exports being affected by currency appreciation and the decline in commodity prices in 2027. In 2028, external sales could rebound on higher domestic production.

CURRENT ACCOUNT DEFICIT: COMPONENTS
(USD BN, % OF GDP)

GOODS AND SERVICES BALANCE (USD BN)

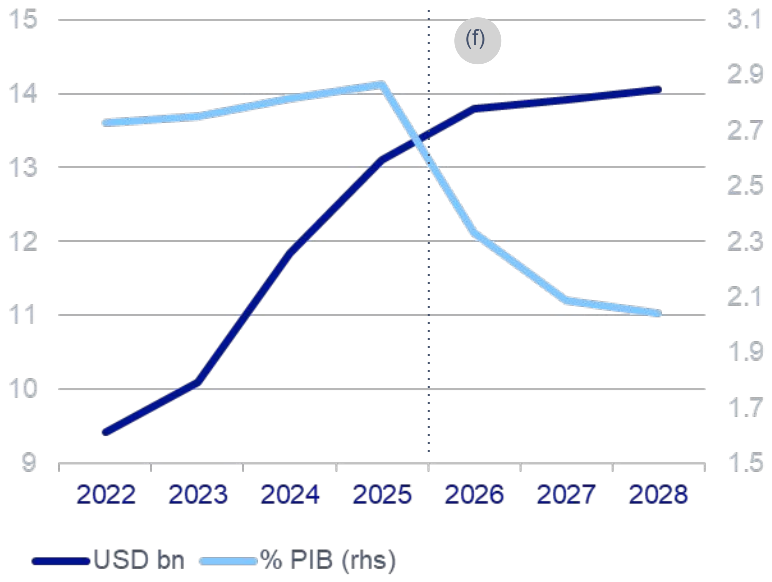
CURRENT ACCOUNT AND TRADE DEFICIT AND FDI (% OF GDP)



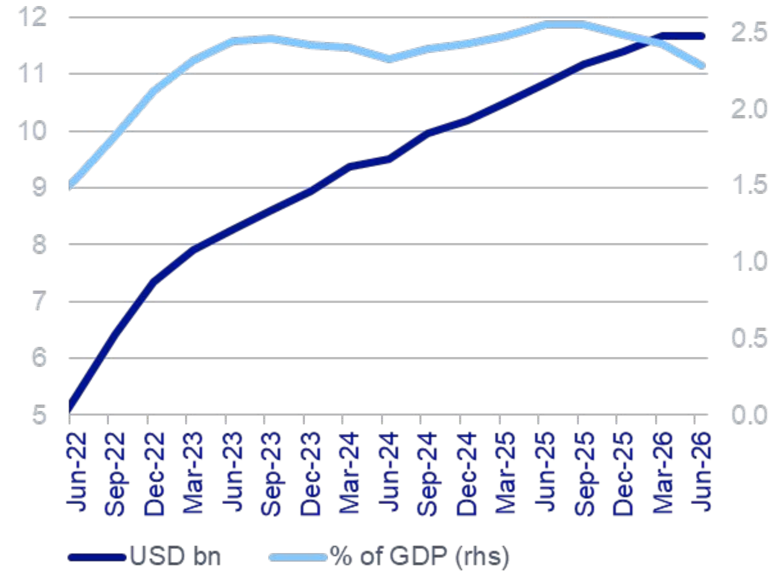
(f): BBVA Research forecasts.
Source: BBVA Research based on Banco de la República data

Two inflows have been helping to reduce the external deficit: remittances and tourism

REMITTANCE INFLOWS
(USD THOUSANDS OF MILLIONS, % OF GDP)



TOURISM REVENUE
(USD THOUSANDS OF MILL, % OF GDP, ROLLING YEAR)



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

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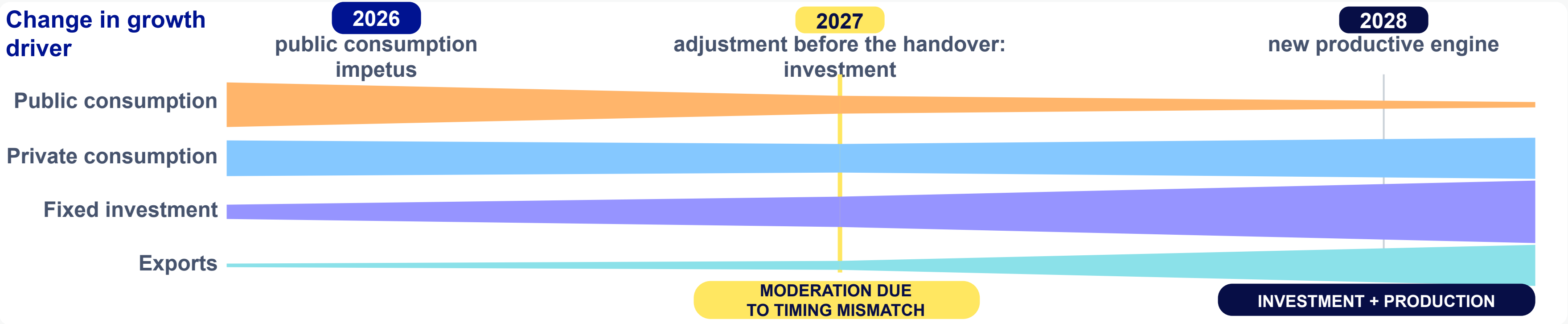
4. Growth will consolidate on the back of investment and private spending

GDP forecasts

Public-sector adjustment moderates GDP in 27, before investment consolidates and reactivates production and exports in 28

The private sector is gaining momentum, particularly through investment, but does not immediately offset the decline in government support. The new composition expands productive capacity and export support from 2028 onward.



01 Temporary mismatch in 2027

Public spending adjusts faster than the private-sector response. Consumption remains dynamic and investment accelerates, but they do not align in either magnitude or timing enough to prevent moderation. The handover is completed in 2028.

02 Domestic demand

Fixed investment gains weight and total consumption moderates. Growth depends less on public-sector impetus and more on expanding capacity.

03 Resilient private consumption

Employment moderates, but still supports income. Confidence remains high and appreciation keeps durable-goods spending dynamic, partly offsetting the impact of high interest rates.

Consumption loses momentum in 2027 and accelerates again in 2028, led by services.

04 Fixed investment takes the lead

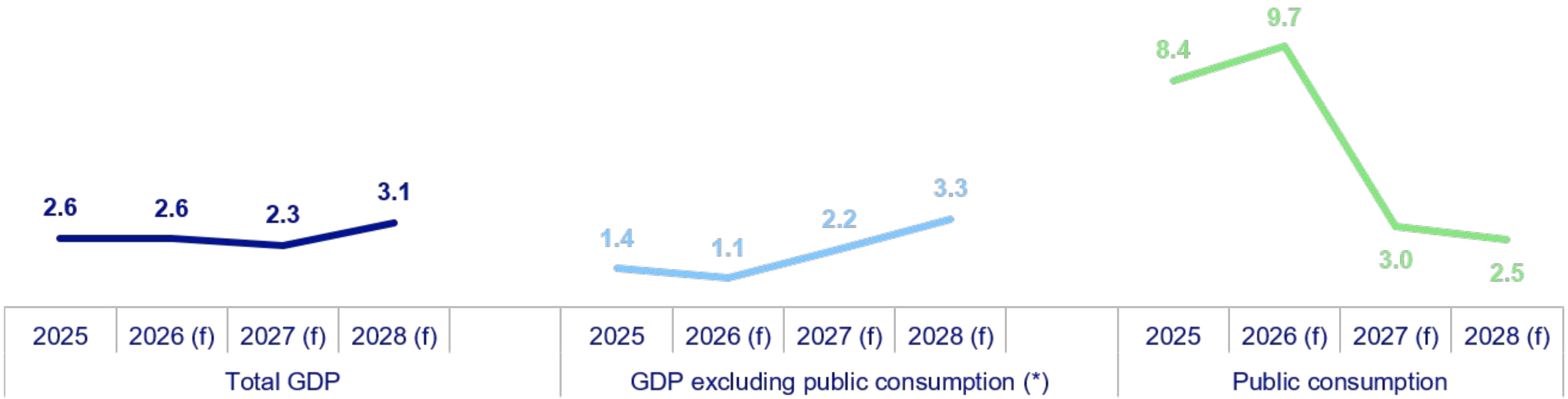
Machinery and equipment: slows due to interest rates and high installed capacity, but maintains a solid pace. Appreciation favors capital goods, which are mostly imported.
Construction: regional and national works, post-earthquake reconstruction and housing drive the rebound. Confidence reactivates projects that had been postponed in housing and civil works.

05 External sector and new productive structure

Imports channel some of the impetus abroad. In 2028, new capacity generates surpluses and supports the export rebound.

GDP growth will moderate marginally in 2027 due to a temporary mismatch between public-sector slowdown and private-sector rebound

GDP: COMPONENTS
(REAL ANNUAL CHANGE, %)



(f): BBVA Research forecasts (*): Corresponds to the annual change of GDP discounting public consumption
Source: BBVA Research based on DANE data

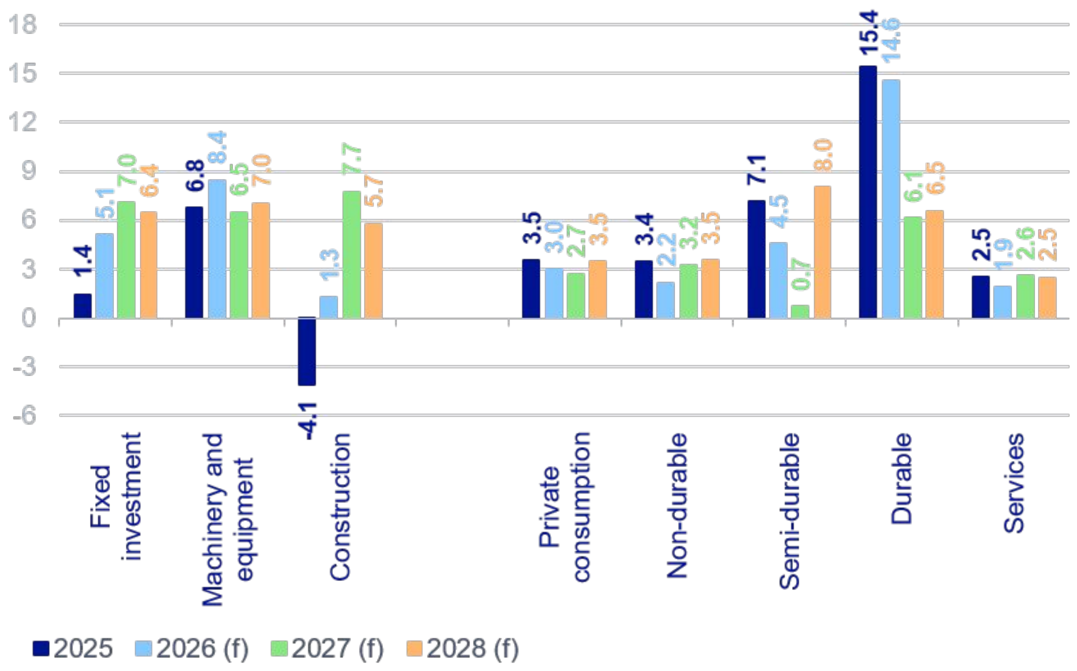
Then, in 2028, the private sector will maintain strong growth and manage to outweigh the slowdown in public spending, allowing overall GDP growth to accelerate

Investment leads the acceleration in GDP; private consumption remains dynamic

This type of growth allows for:

- Lower inflationary pressures in the medium term.
- Higher future production.
- A different allocation of household income: more toward housing (investment) and less toward spending (consumption).
- Less pressure on imports.

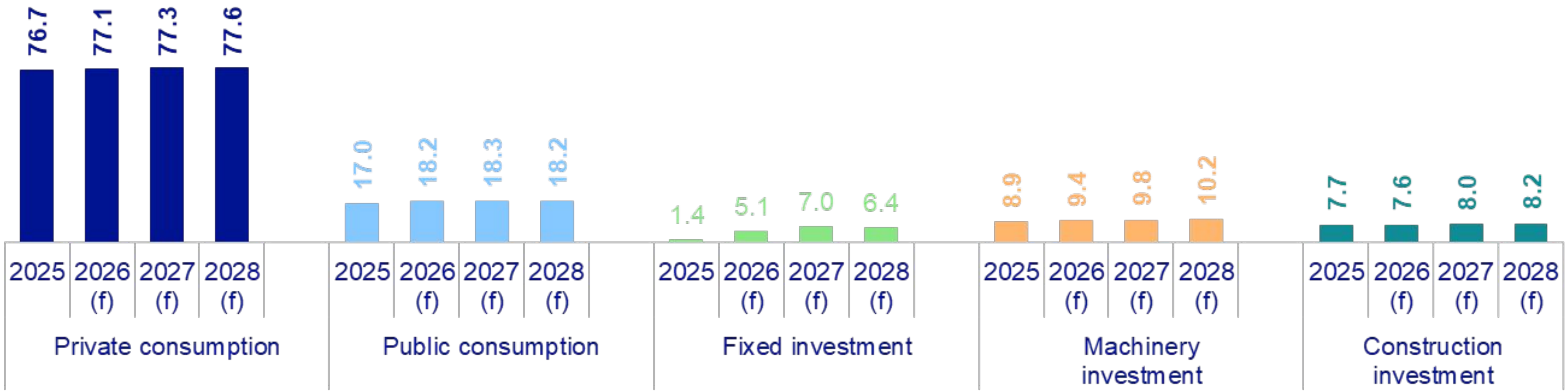
INVESTMENT AND CONSUMPTION
(REAL ANNUAL CHANGE, %)



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

Investment will gain importance in the economy over the coming years, more so than consumption-related variables

CONSUMPTION AND INVESTMENT
(% OF GDP)



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

In 2028, a production surplus consolidates (as production increases more than demand), supporting a better export performance. Investment will gain more weight in GDP than consumption

In 2027, construction takes over and growth depends less on services and the public sector

Households will allocate more resources to housing and less to current spending. Activity favors investment and production, although services continue to grow. Activities related to the public sector lose momentum.

2026 and part of 2027

Services + public sector still lead

Public administration
Supports 2026. Fiscal adjustment reduces its weight thereafter.

Retail and wholesale
Boost from households' nominal income and appreciation.

Public education and healthcare
Tied to public spending.

Entertainment
Services continue to advance.

2027
Handover of the growth engine

The turning point: 2027

Construction accelerates in 2027

Construction takes over

Housing
Greater confidence, structural demand (housing deficit) and a resilient labor market reactivate postponed projects. Potential subsidies and reconstruction broaden demand.

Infrastructure
Regional and national works, reconstruction and the continuation of major projects underpin an especially strong year.

It is the first productive sector to accelerate

LOSES RELATIVE MOMENTUM

Goods and services linked to public consumption and affected by interest rates and inflation (retail sales).

GAINS SHARE

Housing, infrastructure and materials, as well as sectors, jobs and financing associated with construction.

In 2028, investment turns into production, generating exportable surpluses

Industry accelerates first. Energy and agriculture recover after temporary shocks. Mining and oil receive capital from 2027 onward, but their production responds mainly from 2029.

2026 - H1 27

Short-term frictions

Agriculture

El Niño limits supply and, together with appreciation, profitability.

Electricity and gas

Gas shortages and climate conditions increase risk. Better regulatory environment

Industry

Energy costs and appreciation put pressure on margins, although the sector receives a boost from Venezuela's recovery and construction.

From the beginning of 2027

Investment first

Industry, energy, gas, mining and oil receive capital early.

Sectors linked to construction and Venezuela

Construction is a leading sector that demands inputs from other sectors: manufacturing, mining and wood products.
Agro-industrial exports to Venezuela.

2028

Production responds

Industry

New capacity raises productivity. More moderate domestic demand frees up exportable surpluses.

Energy and agriculture

Climate conditions normalize, renewables increase supply, and agriculture recovers its export potential.

Construction

Consolidates its growth pace.

2029+

Mining and oil

Licensing, new and existing conventional and offshore projects, and enhanced recovery support investment. Volumes respond with a longer lag.

Services continue

Retail and wholesales advances at a moderate pace. Credit gradually recovers. Entertainment remains dynamic, while the public sector loses relative importance.

Source: BBVA Research

Job creation slows in 2027 due to fiscal adjustment and rebounds in 2028 with the economic recovery

Starting point: strong public-sector job creation

Public administration, healthcare and education have driven employment (*)

The sector accounts for 12.6% of total employment and contributed 0.97 pp to total annual employment growth of 2.9% over the last year.

Public-sector employment has expanded strongly over the past decade.

Employees in the executive branch increased from 872,000 in 2016 to 885,000 in 2022 and 945,000 in 2026. These figures exclude Service Provision Orders (*OPS* in spanish), which have also gained relevance, especially over the last year.

2027: fiscal adjustment cools job creation

Fiscal adjustment will reduce the public sector's contribution.

Fiscal consolidation will slow hiring and reduce employment, mainly through *OPS* contracts and, to a lesser extent, permanent positions.

The private-sector recovery will partially mitigate the decline.

Greater business momentum will offset part of the decline in public-sector employment, although overall job creation will lose momentum in 2027.

2028: GDP acceleration revives job creation

Stronger economic growth will boost hiring.

The acceleration in activity, led by labor-intensive sectors such as construction and manufacturing, will support job creation, mainly in the private sector.

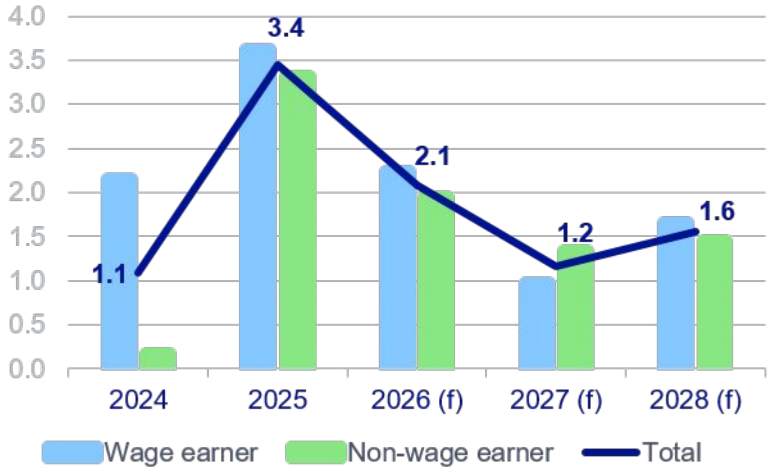
Structural constraints will persist

AI, automation and high labor costs could limit job creation and keep employment below historical averages.

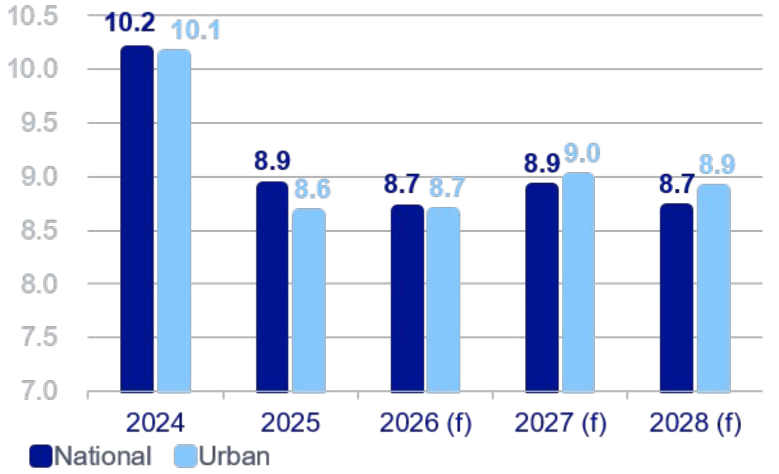
(*): Education and healthcare include both public- and private-sector employment. In addition, "last year" refers to the latest 12 months.
Source: BBVA Research based on DANE and Función Pública data
.

The slowdown in job creation in 2027 will temporarily push the unemployment rate higher

NATIONAL EMPLOYMENT BY EMPLOYMENT RELATIONSHIP (ANNUAL CHANGE, %, ANNUAL AVG.)



NATIONAL AND URBAN UNEMPLOYMENT RATE
(PERCENTAGE OF THE LABOR FORCE, %, ANNUAL AVERAGE)



Source: BBVA Research based on DANE data

In 2028, the rebound in job creation will allow the unemployment rate to decline. Stable labor-force participation, associated with population aging, will limit upward pressure on unemployment

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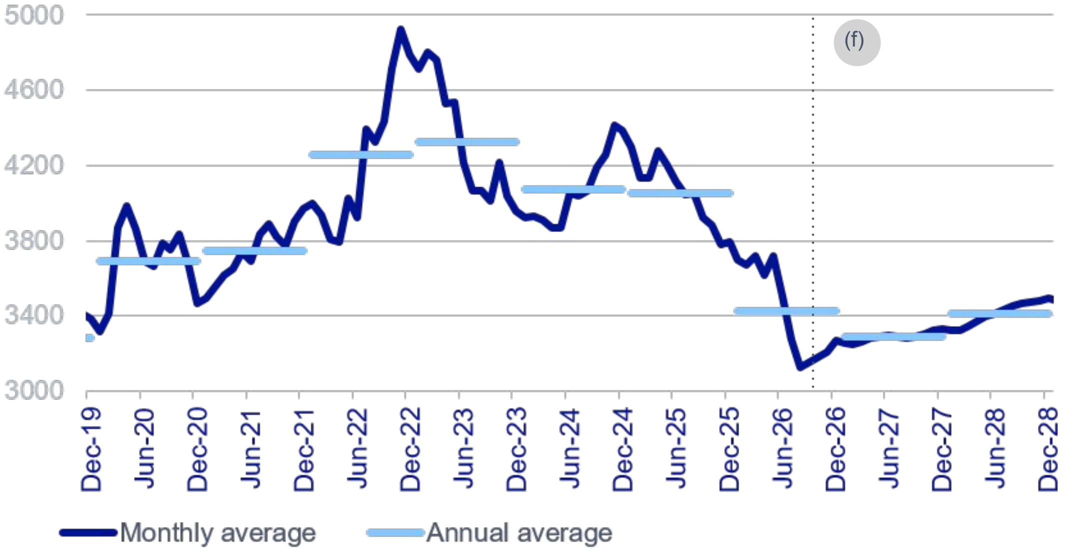
5. Inflation accelerates, stressed by *El Niño*; subsequent decline opens the door to lower rates

Rates and inflation

Following a marked appreciation, the exchange rate is expected to remain more stable

- A marked appreciation has been observed over the last year, driven by significant government-related inflows and expectations associated with the new administration.
- Over the coming quarters, the exchange rate is expected to be more stable, with a slightly upward trend, reflecting the current account deficit, fiscal adjustment and the eventual start of an easing cycle toward the end of 2027.

EXCHANGE RATE
(PESOS PER DOLLAR)

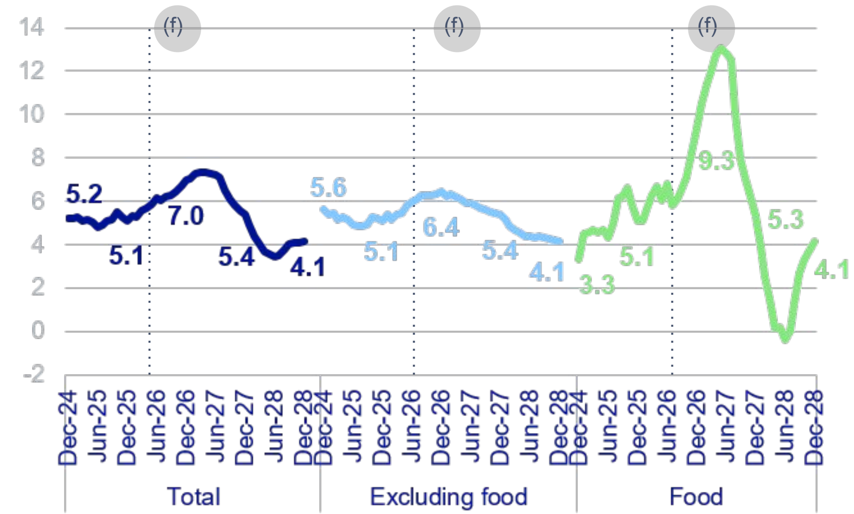


	Annual average			Year-end		
	2026	2027	2028	2026	2027	2028
Nivel	3413	3537	3670	3325	3475	3600
Variación	3.8	3.6	3.8	2.3	4.5	3.6

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

Supply and demand shocks will take inflation to 7.0% in 2026, before it falls to 5.4% in 2027 and 4.1% in 2028

HEADLINE, CORE EX-FOOD AND FOOD INFLATION
(ANNUAL CHANGE, %)



FACTORS THAT INFLUENCE INFLATION TO THE UPSIDE AND TO THE DOWNSIDE

▲ Domestic demand momentum

▼ Greater productive capacity and less demand-side pressure

▲ Impacts of the conflict in the Middle East

▼ Recovery in the housing sector: relief in rents

2026 — 2027 — 2028

▼ Peso appreciation

▼ Minimum-wage increases linked to inflation and productivity

▲ Very strong but temporary El Niño: pressure on food, gas, electricity and industry (second-round effects)

Source: BBVA Research based on DANE data

The decline in food inflation after *El Niño* dissipates, together with confidence in the Central Bank, explains much of the lower inflation expected in 2027 and 2028

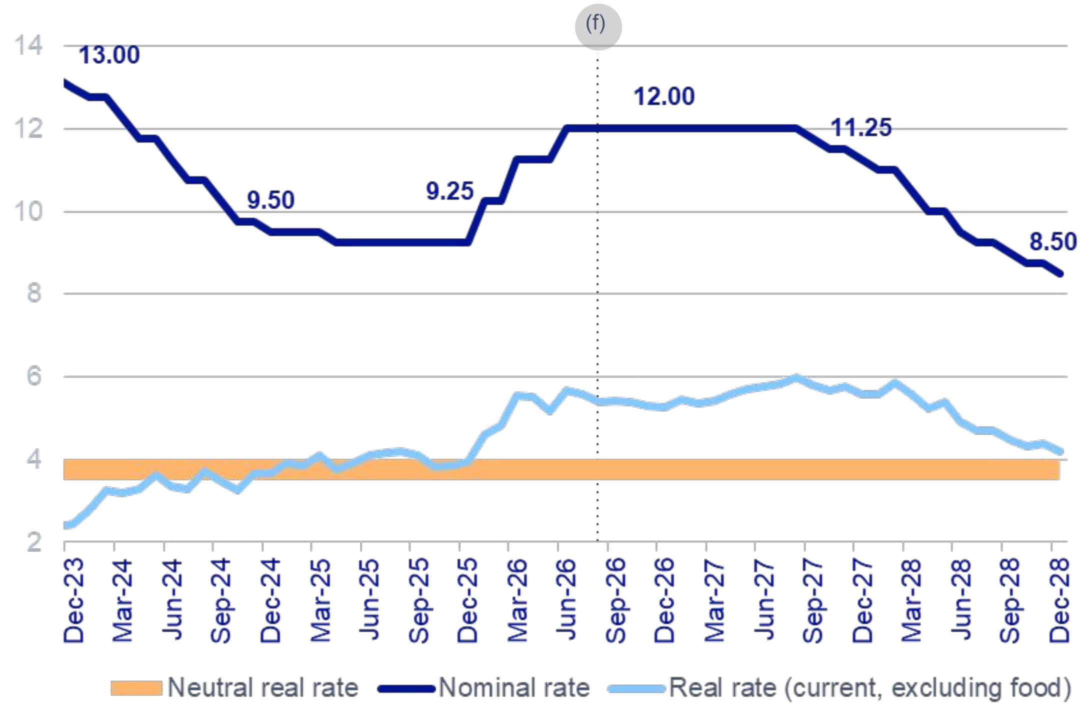
BanRep: prolonged pause at 12.0%; easing cycle would begin toward the end-2027

We expect BanRep to remain cautious, postponing the start of the easing cycle until the final part of 2027.

Resilient demand, persistent inflation due to *El Niño* and the rapid widening of the trade deficit act as barriers to earlier easing.

The real interest rate will remain in restrictive territory for an extended period

MONETARY POLICY RATE
(NOMINAL AND REAL —USING CURRENT INFLATION—; EFFECTIVE ANNUAL RATE, %)



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

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6. Dare to dream: Colombia in 2036

Closing section

Dare to dream: we have an opportunity to raise potential growth over the next decade

The previous forecasts explain the cycle. The 2036 agenda identifies what must change for investment and productivity to sustain growth after the rebound.

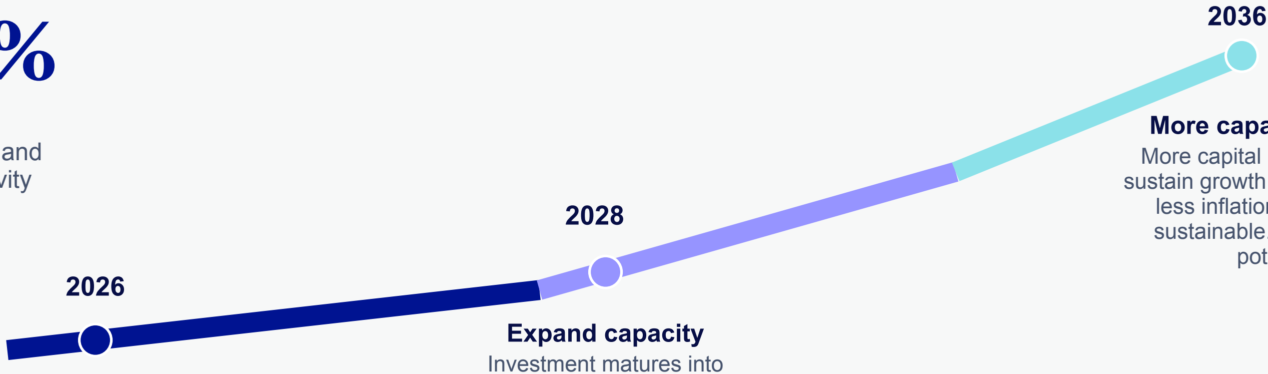
Today growth

≈2.5%

Starting point
Weak investment and stagnant productivity

≥4%

Prolonged and stable growth



More capacity to grow
More capital and productivity sustain growth.Growth becomes less inflationary and more sustainable.Higher growth potential.

Expand capacity
Investment matures into production and exports. Reduce inflationary pressures

Secure the foundation
Stability, reconstruction and disinflation

IT IS A TARGET, NOT A FORECAST

The 2026-2028 scenario provides the initial impetus. A lasting return depends on executable projects, more productive firms and an economy capable of exporting consistently. At the end of the decade, potential growth could stand above 4.0% and will be more sustainable.

Source: BBVA Research, Dare to dream: Ideas for Colombia to grow faster and better over the next decade

Medium-term growth needs a firm foundation starting today

Urgent needs do not compete with the productivity agenda. They determine confidence, the cost of capital and the ability to execute investment over the next decade.

CONFIDENCE + PRIVATE INVESTMENT + PUBLIC-SECTOR EXECUTION

01
EARTHQUAKE RECONSTRUCTION
Temporary management, an open dashboard and resilient standards.

02
PUBLIC FINANCES
A credible path and protection of high-return investment.

03
HEALTH
Liquidity, medicines and operational continuity while the system changes.

04
SECURITY
Effective control of productive corridors and state presence.

05
INFLATION
Fiscal, wage and regulatory coherence. More productive supply.

06
STRATEGIC SECTORS
Executable projects, time-bound permitting and energy supply.

THE FOUNDATION IS BUILT STARTING NOW

Well-executed reconstruction, selective and credible fiscal adjustment, and macroeconomic and regulatory stability reduce today's risks and raise tomorrow's return on investment.

Source: BBVA Research, Dare to dream: Ideas for Colombia to grow faster and better over the next decade

The dreams for 2036 converge on one task: better allocation of five productive assets

The country grows faster when capital, talent, technology, territory and state capacity move to where they generate higher productivity.

CAPITAL

- Investment ≥25% of GDP

- Non-mining and energy exports x2 per capita

TALENT

- Poverty <15%
Extreme poverty <3%, rural poverty <20%
- PISA level 2+: 60% mathematics 70% reading and science

TECHNOLOGY

- Labor informality <40%
Business informality cut by at least half
- R&D ≥1.5% of GDP
1 in 2 SMEs adopts new technologies

TERRITORY

- Logistics cost <10% of sales
- Agricultural productivity and supply
Multiply x2

STATE AND ENERGY

- Zero electricity deficit
- Financially sustainable size of the state
- Central government net debt <55% | Primary surplus ≥2%
- Imported gas <10% | Cap. ≥36 GW

TARGETS, NOT FORECASTS

GROW ≥4% | **PROGRESS** | **PRODUCTIVITY** | **MARKETS** | **CONFIDENCE**

Productivity changes when the levers reach firms and territories

Policy delivers results when it changes concrete decisions on investment, learning, formalization, technology adoption and market access.

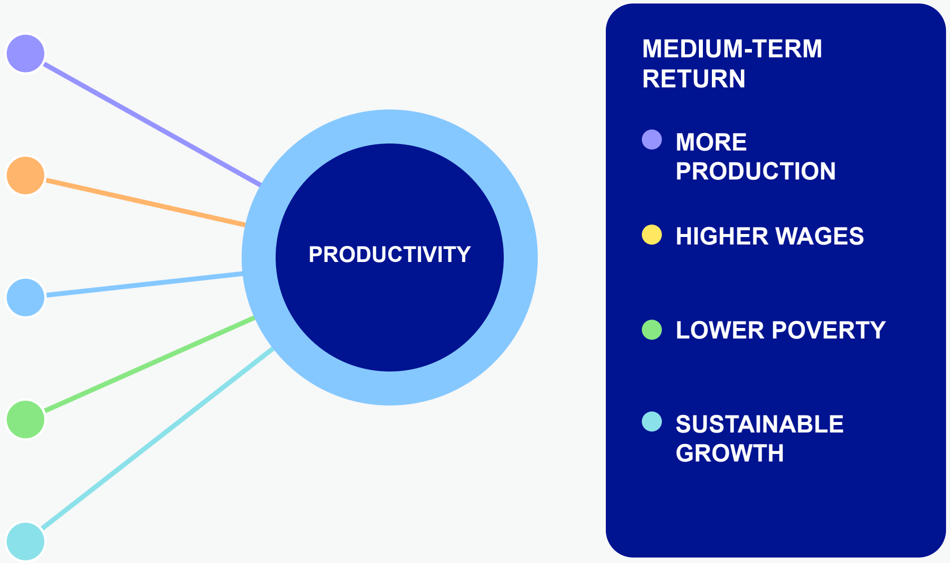
CAPITAL
Ready-to-launch projects, PPPs and stable rules
Capital arrives sooner and stays longer

TALENT
Foundational learning, dual education and care
Skills and labor-force participation improve

FIRMS AND TECHNOLOGY
Simple formalization, productive extension services and comprehensive financing
Firms grow and adopt technology

TERRITORY
Secure corridors, digital logistics, irrigation and risk management
Reduce time and uncertainty

STATE AND ENERGY
Transmission first, firm energy and evaluated spending
Costs decline and execution improves



Source: BBVA Research, Dare to dream: Ideas for Colombia to grow faster and better over the next decade

This change in the allocation of capital, talent, technology, territory and state capacity will make Colombia a more productive with a more sustainable growth and improvement in living standards.

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7. Economic forecasts

The numbers

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Colombia: annual economic forecasts

	2023	2024	2025	2026 (f)	2027 (f)	2028 (f)
GDP (% y/y)	0.8	1.5	2.6	2.6	2.3	3.1
Private consumption (% y/y)	0.5	1.6	3.5	3.0	2.7	3.4
Public consumption (% y/y)	1.6	0.6	8.4	9.7	3.0	2.5
Fixed investment (% y/y)	-12.8	0.7	1.4	5.1	7.0	6.4
Inflation (% y/y, eop)	9.3	5.2	5.1	7.0	5.4	4.1
Inflation (% y/y, average)	11.8	6.6	5.1	6.0	6.7	4.0
Exchange rate (eop)	3,954	4,386	3,795	3,265	3,330	3,490
Depreciation (%, eop)	-17.4	10.9	-13.5	-14.0	2.0	4.8
Exchange rate (average)	4,326	4,074	4,053	3,427	3,287	3,413
Depreciation (%, average)	1.6	-5.8	-0.5	-15.4	-4.1	3.8
Monetary policy rate (%, eop)	13.00	9.50	9.25	12.00	11.25	8.25
Fiscal deficit (% of GDP)	-4.2	-6.7	-6.4	-7.4	-8.1	-7.1
Current account (% of GDP)	-2.3	-1.6	-2.4	-2.9	-3.6	-3.4
Urban unemployment rate (%, eop)	10.2	9.0	7.8	8.5	8.4	8.2

(f): BBVA Research forecasts.
Source: BBVA Research based on DANE and Banco de la República data

Colombia: quarterly economic forecasts

	GDP (% y/y)	Inflation (% y/y, eop)	Exchange rate (vs. USD, eop)	Monetary policy rate (%, eop)
Q1 25	2.6	5.1	4,133	9.50
Q2 25	1.9	4.8	4,116	9.25
Q3 25	3.8	5.2	3,924	9.25
Q4 25	2.1	5.1	3,795	9.25
Q1 26	2.2	5.6	3,717	11.25
Q2 26	3.5	6.1	3,505	12.00
Q3 26	1.5	6.3	3,150	12.00
Q4 26	3.0	7.0	3,265	12.00
Q1 27	1.6	7.3	3,260	12.00
Q2 27	1.9	7.2	3,295	12.00
Q3 27	3.3	6.1	3,290	11.75
Q4 27	2.4	5.4	3,330	11.25
Q1 28	3.7	4.1	3,340	10.50
Q2 28	2.9	3.4	3,410	9.50
Q3 28	2.7	4.0	3,465	8.75
Q4 28	3.3	4.1	3,490	8.25

BBVA Research forecasts.
Source: BBVA Research based on DANE and Banco de la República data

BBVA Research

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