

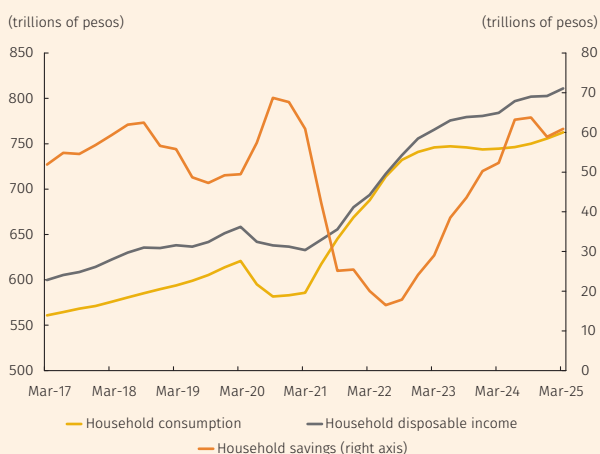
Box 1 Potential Drivers of Private Consumption

As noted in recent reports from the Board of Directors of *Banco de la República* to Congress, in recent quarters much of the strength of economic activity, particularly domestic demand, has relied on household consumption, whose outstanding performance has been characterized by growth rates exceeding those of GDP since the third quarter of 2024, and levels that, according to the most recent figures, are well above those suggested by the pre-pandemic trend¹. Some of the factors that may be influencing this favorable performance of private consumption can be divided into three main groups: 1) increases in household disposable income; 2) slightly more favorable credit dynamics; and 3) a gradual recovery in consumer confidence.

First, household disposable income has recently shown significant increases. In real terms, using the private consumption deflator, this aggregate grew by 2.8% in 2024 and by 4.4% annually in the first quarter of 2025 (Graph B1.1). Several components have contributed to this increase. One of them is compensation to employees, whose real growth (4.4% in 2024 and 2.9% annually in the first quarter) has been driven, among other things, by improved employment performance over the last year² and by the cumulative increase in the real minimum wage in recent years (around 16% between 2023 and 2025³), which benefits both minimum-wage earners and those receiving equivalent pensions⁴. However, these cumulative minimum wage increases, which have substantially exceeded observed inflation plus the country's productivity gains, would have a temporary effect on consumption, as the upward pressure they have generated on inflation could negatively affect household disposable income. Indeed, part of the significant minimum wage increases have been transmitted to several important CPI groups, such as food away from home, building administration, and hairdressing services, among others. They have also put upward pressure on wage costs in sectors of the economy that are intensive in unskilled labor (e.g., agriculture), affecting the inflation expectations of price setters. These factors, which have contributed to high inflation and a slowdown in its convergence toward the 3.0% target, would be detrimental to the future of household disposable income.

Another factor that has contributed to the increase in household disposable income is transfers from other institutional sectors. This group includes, for example, income from workers' remittances,

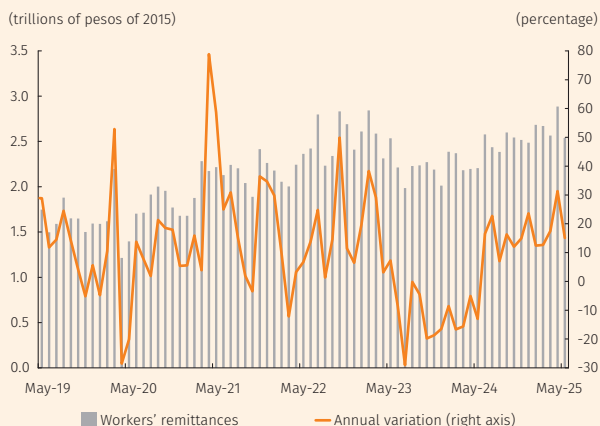
Graph B1.1
Household Private Consumption, Disposable Income, and Savings^{a/}
(4-quarter cumulative)



a/ Series deflated using the private consumption deflator.
Source: DANE; calculations by *Banco de la República*.

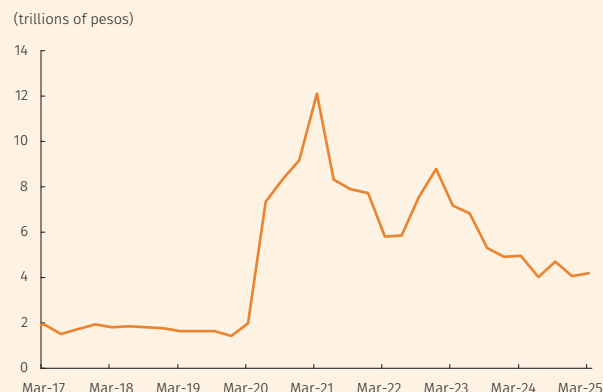
- 1 Calculated between 2015 and 2019.
- 2 With seasonally adjusted figures as of May, the unemployment rate stood at 9.0% at the national level, representing a decrease of 1.3 percentage points (pp) compared to the same month in 2024.
- 3 This corresponds to the real increase in the minimum wage, including the transportation allowance, using the headline inflation observed at the end of the year as a deflator. For 2025, the headline inflation forecast by the technical staff in its April 2025 *Monetary Policy Report* is used.
- 4 Some calculations, based on the GEIH, suggest that 10.3% of total employed individuals (approximately 2.3 million people) earned between 0.9 and 1.1 minimum wages. Likewise, figures from Colpensiones suggest that 1.7 million pensioners receive a pension equivalent to one minimum wage.

Graph B1.2
Workers' Remittances to Colombia, in Real Pesos^{a/}
(monthly and annual variation)



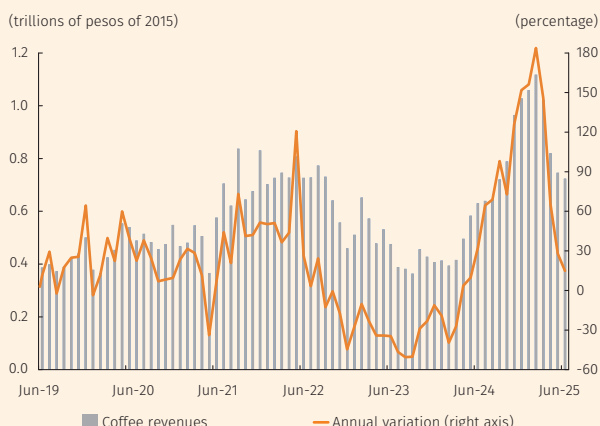
a/ Series deflated using the Consumer Price Index (CPI), seasonally adjusted and calendar effects corrected.
Source: DANE; calculations by Banco de la República.

Graph B1.3
CNG Transfers to Households, Four-Quarter Cumulative^{a/}
(quarterly)



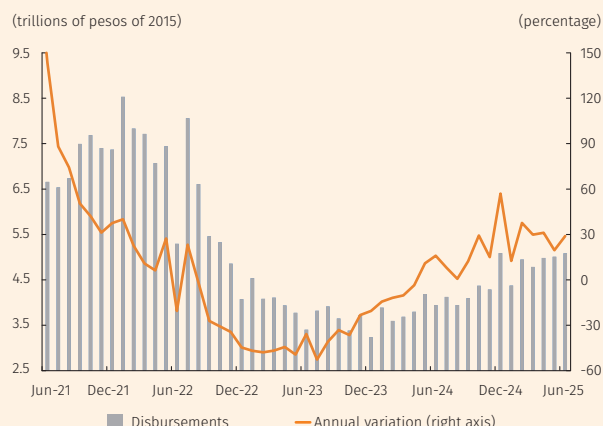
a/ Series deflated using the CPI.
Source: Ministry of Finance; calculations by Banco de la República.

Graph B1.4
Coffee Revenues, Calculated Using the Domestic Benchmark Price, in Real Pesos^{a/}
(monthly and annual variation)



a/ Series deflated using the CPI, seasonally adjusted, and calendar effects corrected.
Source: Federación Nacional de Cafeteros (Colombian Coffee Growers Federation-FNC); calculations by Banco de la República.

Graph B1.5
Consumer Credit Disbursements, in Real Pesos^{a/ b/}
(monthly and annual variation)



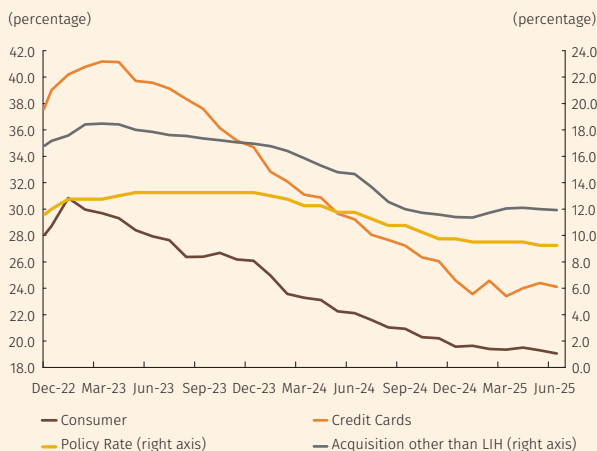
a/ Disbursement information includes revolving credit, unrestricted loans, loans covered by automatic payroll deductions, vehicle loans, and current account overdrafts to individuals. It does not include credit cards.
b/ Series deflated using the CPI, seasonally adjusted, and calendar effects corrected.
Source: Financial Superintendency of Colombia; calculations by Banco de la República.

which reached historic levels in the April-May two-month period, growing at an annual rate of over 20% in real terms, after having expanded by 16.6% in 2024 (Graph B1.2). This category also includes money transfers from the government to households—Graph B1.3 shows the evolution of these transfers, originating from the Central National Government (CNG). Although these transfers decreased in 2023 and 2024, coinciding with the end of the most critical period of the pandemic and the subsequent consolidation of various government programs into the *Renta Solidaria* (Solidarity Income) program, transfers from the CNG currently account for around 0.5% of household disposable income.

An additional factor is the increase in the income of coffee-growing households, which, according to the Colombian Coffee Growers Federation, number around 557,000. The same source reports coffee production and the domestic reference price, which are used to estimate the income generated by this activity. Some calculations indicate that this income accounted for 1.0% of household disposable income in 2024. In February of 2025, coffee income reached its all-time high of COP 1.1 trillion (Graph B1.4). Despite the recent decline in the domestic coffee price and in production, which caused coffee income to fall in recent months, the annual growth of this income remains positive and significant (14.8% in June).

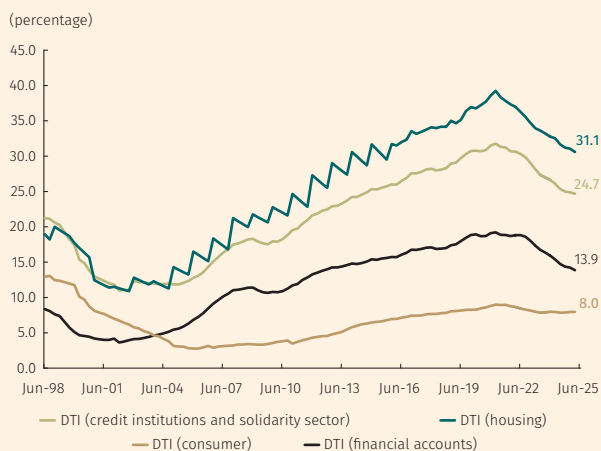
Graph B1.6
Household Financial Conditions

A. Household Interest Rates



Source: Financial Superintendency of Colombia (Form 414); calculations by Banco de la República.

B. Household Debt to Disposable Income (DTI)



Source: Financial Superintendency of Colombia and DANE; calculations by Banco de la República.

Graph B1.7
Consumer Confidence Index



Source: Fedesarrollo.

A second aspect worth considering relates to the gradual recovery of consumer credit in recent months. Graph B1.5 shows the evolution of consumer loan disbursements in real terms, also deflated by the CPI. Although these disbursement levels remain below the highs recorded in 2021 and part of 2022, they show a recent recovery in the context of lower credit interest rates and a reduction in households' financial burden (Graph B1.6). This performance suggests that the recovery of the consumer loan portfolio may continue. However, despite the good performance of disbursements, annual growth remains limited. Some analyses by the technical staff of *Banco de la República* indicate that these disbursements exhibit a positive and significant correlation with private consumption, particularly in durable and semi-durable goods.

The third factor that may be contributing to the good performance of household consumption is the recovery of consumer confidence. Figures from Fedesarrollo's *Consumer Opinion Survey*, shown in Graph B7.1, indicate a gradual increase in confidence since the beginning of 2023, mainly driven by the recovery in the component measuring households' perceptions of economic conditions. Although the correlation between this indicator and private consumption is not high, it is positive and, in the recent period, its improvement coincides with the strength of consumption.

Finally, it is important to note that, as shown in Graph B1.1, based on real figures accumulated over four quarters, during 2023 and 2024 the growth of disposable income exceeded that of private consumption in real terms. This resulted in increases in household savings in both years, a trend that appears to have continued into the first quarter. This suggests that there are sufficient available resources that could support private consumption throughout the remainder of the year and possibly into part of 2026.