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MONETARY **POLICY REPORT**

* Presented by the technical staff to the Board of Directors for its meeting on 30 April 2026.

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Monetary Policy in Colombia

Banco de la República (the Central Bank of Colombia) is required by the Constitution to maintain the purchasing power of Colombia's currency in coordination with general economic policy.[1] In order to fulfill this mandate, *Banco de la República's* Board of Directors (hereafter BDBR) has adopted a flexible inflation-targeting scheme, by which monetary policy actions (MP) seek to lead inflation to a specific target and achieve maximum levels of sustainable output and employment.

The flexibility of this scheme allows the BDBR to maintain an adequate balance between reaching its inflation target and smoothing output and employment fluctuations around their sustainable growth paths. The BDBR has set a 3.0% inflation target based on annual change in the consumer price index (CPI). In the short term, inflation may be affected by factors outside of monetary policy control, such as changes in food prices due to climate-related phenomena. To factor in this reality, the BDBR has also set a ±1 percentage point range outside its inflation target (i.e., 3.0 ± 1 pp). This range does not represent a monetary policy target, but rather reflects the fact that inflation can fluctuate around the target and will not always be equal to 3.0%.

The main instrument the BDBR uses to control inflation is the policy interest rate (overnight repo rate, or benchmark interest rate). Given that monetary policy actions take time to fully affect the economy and inflation,[2] the BDBR assesses the inflation forecast and inflation expectations vis-à-vis the inflation target, as well as the current situation and outlook of the economy, in order to determine their value.

The BDBR meets once a month, producing monetary policy decisions in eight of its meetings (January, March, April, June, July, September, October, and December). In principle, no such decisions are made in the BDBR's four remaining meetings (February, May, August, and November).[3] At the end of the meetings in which monetary policy decisions are produced, a press release is published, and a press conference is held by the Governor of the Central Bank and the Minister of Finance. The minutes of the meeting describing the positions that led the BDBR to its decision are published on the third business day. Additionally, the Monetary Policy Report (MPR),[4] produced by the Central Bank's technical staff, is published in January, April, July, and October, on the second business day. On the fourth business day following the Board meeting, the Bank's Deputy Technical Governor presents the MPR. This dissemination scheme[5] seeks to deliver relevant and up-to-date information to contribute to better decision-making by the agents of the economy.

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1 Political Constitution of Colombia (1991), Article 373 and Decision C-481/99 of the Constitutional Court.

2 For further details, see M. Jalil and L. Mahadeva (2010). "Transmission Mechanisms of Monetary Policy in Colombia", Universidad Externado de Colombia, School of Finance, Government, and International Relations, ed. 1, vol. 1, no. 69, October.

3 A Board Member may request an extraordinary meeting at any time to make MP decisions.

4 Formerly known as the Inflation Report.

5 The current communication scheme was approved by the BDBR in its May 2023 meeting.

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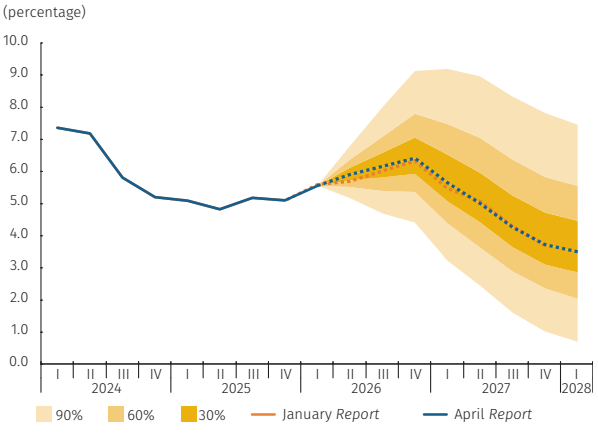
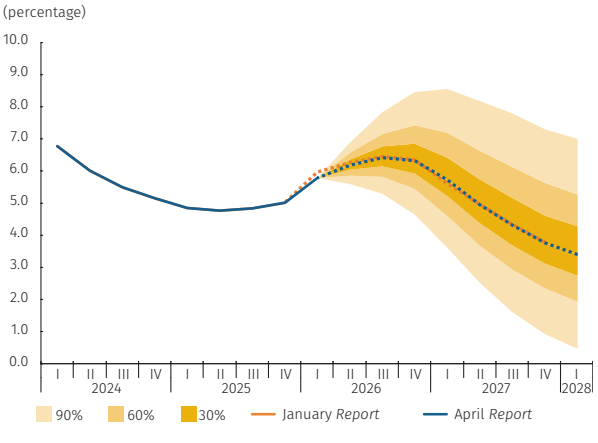
1. Summary

Graph 1.1
Consumer Price Index [a/b/]
(annual change; end-of-period)



a/ This graph presents the forecast probability distribution on an eight-quarter time horizon. Density characterizes the prospective balance of risks with areas of 30%, 60%, and 90% probability surrounding the central forecast (mode), through a combination of densities from the Patacon and the 4GM-LM monetary policy models.
b/ The probability distribution corresponds to the forecast exercise from the April report.
Source: DANE; calculations and projections by *Banco de la República.*

Graph 1.2
CPI excluding food and regulated items [a/b/]
(annual change; end-of-period)



a/ This graph presents the forecast probability distribution on an eight-quarter time horizon. Density characterizes the prospective balance of risks with areas of 30%, 60%, and 90% probability surrounding the central forecast (mode), through a combination of densities from the Patacon and the 4GM-LM monetary policy models.
b/ The probability distribution corresponds to the forecast exercise from the April report.
Source: DANE; calculations and projections by *Banco de la República.*

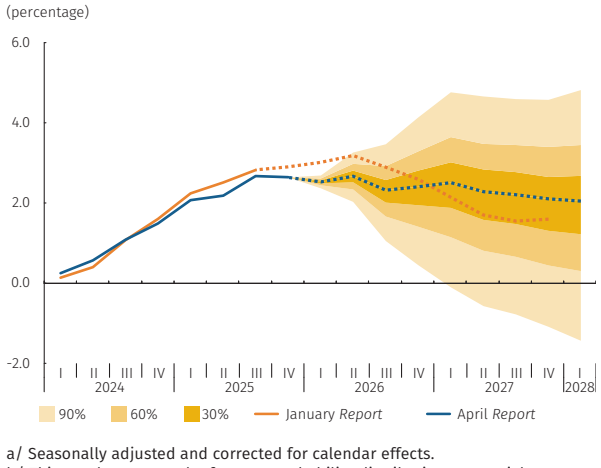
1.1 Macroeconomic Summary

In the first quarter of the year, headline inflation (5.6%) and core inflation excluding food and regulated items (5.8%) increased, moving further from the 3% target. The new forecast for December 2026 indicates that inflation would rise to 6.4%, before gradually converging toward the target in 2027. As anticipated, annual inflation rose in the first quarter, largely due to the effects of the sharp increase in the minimum wage on consumer prices. All CPI groups recorded increases in their annual variation, except for regulated items. As a result, March inflation is in line with the projection published in January. By component, the year-on-year change in food prices was higher than projected, reflecting the behavior of perishable products. For regulated items, the annual variation was lower than expected owing to more pronounced declines in energy prices, as well as unanticipated reductions in gas and gasoline prices. For goods, annual inflation was somewhat lower than projected, due in part to the suspension of the Economic Emergency Decree, which had increased VAT on liquor and cigarettes, and to a lower exchange rate. The increase in the CPI for services was also lower than projected, due to downward surprises in rents and increases in food away from home, which, although significant, were smaller than expected. The latter occurred in a context in which the costs of some restaurant inputs including electricity and gas services surprised to the downside, which may have mitigated the impact of higher minimum wage and food prices. When these surprises are incorporated into the forecasts, the projections for headline and core inflation suggest an estimated path for 2026 and 2027 similar to that published in the *January Report*. Compared with the previous *Report*, the real exchange rate gap is estimated to be somewhat more negative, implying downward pressures on imported prices, together with a positive but smaller output gap for most of 2026. The forecast assumes no further increases in domestic fuel prices, food production without significant supply shocks, and an active monetary policy response that ensures inflation resumes converging toward the 3% target. Accordingly, by December 2026, headline and core inflation are forecast at 6.4% and 6.3%, respectively (previously 6.3% for both measures). By the end of 2027, they are expected to fall at 3.7% and 3.8%, respectively, unchanged from the *January Report* (Graphs 1.1 and

1.2). These projections continue to face high uncertainty, mainly associated with the evolution of the conflict in the Middle East and its effects on international commodity prices and the exchange rate, the magnitude of the effects of the minimum wage increase on prices, possible adverse weather conditions, and adjustments to the prices of regulated goods and services.

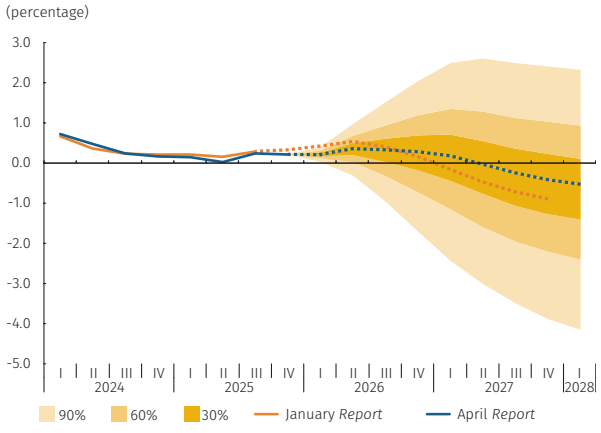
Economic growth in the fourth quarter of 2025 (2.2%) and for the full year (2.6%) was lower than the January estimate. These figures, together with the new indicators of economic activity for the current quarter, suggest that GDP would grow by 2.4% in 2026 and by 2.1% in 2027 (previously 2.6% and 1.6%, respectively). The weaker-than-expected performance at the end of 2025 coincided with downward revisions to several expenditure series, indicating less robust domestic demand, mainly due to investment remaining below pre-pandemic levels. Although total consumption continued as the main driver of economic growth, its performance at year-end was weaker than expected. Public consumption, for its part, continued to grow at high annual rates. The real trade deficit in the last quarter of 2025 was smaller than expected, and the series for the previous two years was also revised downward, owing to steeper reductions in imports than in exports. For the first quarter of 2026, economic indicators suggest growth could stand at 2.1% (down from 3.2%). However, part of the observed slowdown would be associated with transitory supply shocks that are expected will be corrected. Looking ahead, several factors are foreseen to continue supporting household spending, including persistent fiscal stimulus, the strength of foreign tourism, positive labor market indicators, and the favorable terms-of-trade shock from higher international oil and coal prices. In the short term, rising real wages are also forecast to support spending, while remittances and coffee income would moderate their contribution. This evolution would take place in an environment of active monetary policy that would adjust to levels compatible with the process of inflation converging toward the 3% target over the forecast horizon and with the reduction of excess demand. Against this backdrop, the economic growth projection for 2026 was revised downward to 2.4% from 2.6% estimated in January, while that for 2027 was revised upward to 2.1% (previously 1.6%) (Graph 1.3). The new forecasts for economic activity and the revisions to the National Accounts series suggest that, compared with the January estimates, the output gap would be positive but smaller for most of 2026, then turn negative toward the end of 2027 (Graph 1.4). These projections are subject to a high degree of uncertainty arising from external factors (such as the conflict in the Middle East, its effects on international fuel prices, and financial markets' reactions to monetary policy in advanced economies), as well as domestic factors, especially uncertainty surrounding fiscal policy.

Graph 1.3
Gross Domestic Product, four quarter accumulation [a/b/c/]
(annual change)



a/ Seasonally adjusted and corrected for calendar effects.
b/ This graph presents the forecast probability distribution on an eight-quarter time horizon. Density characterizes the prospective balance of risks with areas of 30%, 60%, and 90% probability surrounding the central forecast (mode), through a combination of densities from the Patacon and the 4GM-LM monetary policy models.
c/ The probability distribution corresponds to the forecast exercise from the April report.
Source: DANE; calculations and projections by *Banco de la República.*

Graph 1.4
Output gap [a/b/c/] - Predictive Densities
(four-quarter accumulation)



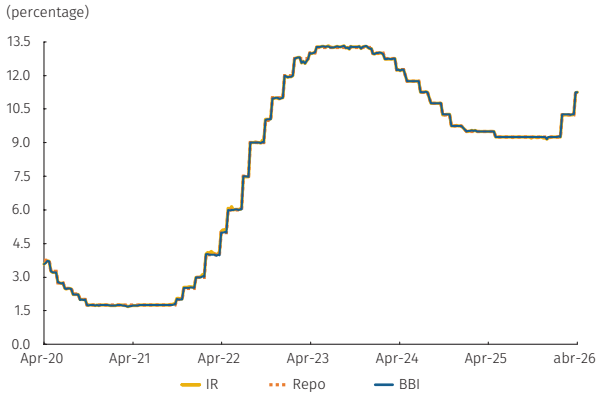
a/ The historical output gap estimate is calculated as the difference between observed GDP (four-quarter accumulation) and potential GDP (trend; four-quarter accumulation) based on the 4GM-LM model.
b/ This graph presents the forecast probability distribution on an eight-quarter time horizon. Density characterizes the prospective balance of risks with areas of 30%, 60%, and 90% probability surrounding the central forecast (mode), through a combination of densities from the Patacon and the 4GM-LM monetary policy models.
c/ The probability distribution corresponds to the forecast exercise from the April report.
Source: DANE; calculations and projections by *Banco de la República.*

In 2025, the country's external demand was somewhat more dynamic than previously estimated. However, in 2026, the world economy faces heightened geopolitical tensions that have affected trade, increased energy prices, and heightened volatility in financial conditions, thereby limiting growth and increasing perceptions of global risk. In 2025, several of Colombia's trading partners recorded stronger-than-expected performance. As a result, growth in the country's external demand would have reached 2.7%, slightly above the 2.4% projected in the previous *Report*. However, since the end of February, the global economy has faced heightened uncertainty owing to the conflict in the Middle East, which has pushed up oil and gas prices, disrupted trade, and heightened financial volatility. In March, the Federal Reserve kept its interest rate unchanged amid higher inflationary risks largely tied to rising international energy prices. At the same time, futures on the monetary policy interest rate increased and were higher than in previous months. Accordingly, this *Report* revised the expected path of the U.S. benchmark rate and now projects a single 25-basis-point reduction in the first half of 2027 (previously, one reduction was expected in the first half of 2027 and another in the second half of 2027). Taking all these factors into account, Colombia's external demand is estimated to moderate growth to 2.0% in both 2026 and 2027, while the expectations for the international price of oil and the terms of trade were revised upward. The risk premium would continue to trend higher over the forecast horizon, amid greater global uncertainty, a rising path of public debt, and uncertainty regarding international financial conditions.

Domestic demand exceeding the economy's productive capacity, rising headline and core inflation, and elevated inflation expectations indicate the need to set the real monetary policy interest rate on a path consistent with inflation's convergence toward the 3% target. GDP growth at the end of 2025 and economic activity indicators for the first quarter of 2026 suggest that economic expansion would have moderated. However, spending levels still exceed those considered sustainable over the long term. In 2025, the external deficit as a percentage of GDP widened after having adjusted over the previous two years. In the labor market, the unemployment rate remains low relative to historical levels, and employment continues to trend higher. Headline and core inflation have increased and remain well above the target. These developments in economic activity, the labor market, and prices indicate excess demand, reflected in a positive output gap. Inflation forecasts and expectations remain elevated, driven by the sharp increase in wages. In addition, there are significant inflationary risks stemming from the evolution of external financial conditions and pressures on international gas and oil prices, amid domestic fiscal deterio-

ration. Also adding to these risks is the increased likelihood of an *El Niño* event toward the end of the year, as well as the risk of a persistent de-anchoring of inflation expectations. The prospect of higher inflation in 2026, aggregate demand exceeding the economy's productive capacity, and upside risks to inflation require a monetary policy stance that favors a return of inflation to a downward path and seeks convergence toward the 3% target over the next two years.

Graph 1.5
Monetary policy interest rate, interbank rate and BBI/
(weekly data)



Sources: Financial Superintendency of Colombia and *Banco de la República.*
1/ IR: interbank rate. BBI: benchmark banking indicator. Repo: Monetary Policy interest rate.

1.2 Monetary Policy Decision

The Board of Directors of *Banco de la República* (BDBR) decided by majority vote to increase the monetary policy interest rate by 100 basis points (bp) at its March 2026 meeting and, unanimously, to keep it unchanged at 11.25% at its April meeting (Figure 1.5).

2. Macroeconomic forecasts and risk analysis[1]

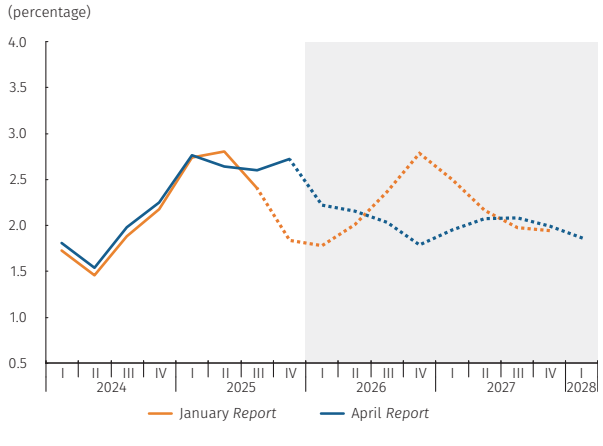
2.1 International outlook

2.1.1 Foreign demand

During 2025, economic performance among several of Colombia's trading partners exceeded expectations, leading to an estimated 2.7% annual increase in external demand. In the United States, fourth-quarter 2025 GDP growth was revised downward in a third update to an annualized quarter-over-quarter rate of 0.5%, bringing full-year growth to 2.1%, below market expectations. At the beginning of 2026, economic activity in the United States has been marked by weaker consumer confidence and elevated uncertainty, factors that could weigh on economic momentum in the coming quarters.[2] Among Colombia's other trading partners, several economies posted stronger-than-expected growth in 2025. In Mexico and China, economic activity remained strong throughout the year, supported by external demand, while in the eurozone and Peru, domestic demand proved more dynamic than anticipated. In Ecuador, the economy grew by 3.7% in 2025, exceeding expectations, driven by consumption and the recovery of several productive sectors. Given the stronger-than-expected performance among some major trading partners, economic activity in Colombia's main partner economies is estimated to have grown by an average of 2.7% in 2025.

Growth among Colombia's trading partners is expected to moderate to 2.0% in both 2026 and 2027 (Graph 2.1), a downward revision from the January *Report*. This forecast is set against an environment of elevated global uncertainty associated with the conflict in the Middle East and its effects on global economic activity. Thus far in 2026, the global economy has faced heightened geopolitical and trade-related uncertainty linked to the intensification of the conflict in the Middle East and its potential effects on global trade and prices, particularly energy prices. The International Monetary Fund's (IMF) latest report projects global growth of 3.1% in 2026 and 3.2% in 2027, lower than forecast in its previous *Report* (3.3% and 3.2%, respectively), owing to the escalation of the conflict in the Middle East and under the assumption of a gradual normalization of

Graph 2.1
Real GDP, main trade partners
(Annualized change, projections according to full-year assumption)



Sources: Bloomberg; statistics offices and central banks; calculations and projections by *Banco de la República*.

1 The projections presented in this chapter are based on estimates from the Patacon and 4GM central forecast models. For more details on these models, see https://www.banrep.gov.co/es/node/149 and https://www.banrep.gov.co/en/4gm-new-model-monetary-policy-analysis-colombia

2 According to preliminary information available at the time this Report was being written, figures indicated that during the first quarter of 2026 GDP in the United States registered a 2.0% growth in annualized quarterly terms.

Table 2.1
Economic Growth among Major Trade Partners [a/]

Main partners	2024 (pre)	2025 (proj)	2026 (proj)	2027 (proj)
United States	2.8	2.1	2.0	1.9
Eurozone	0.9	1.5	0.9	1.1
China	5.0	5.0	4.4	4.2
Ecuador	-1.9	3.7	1.8	2.0
Brazil	3.4	2.3	1.5	1.9
Peru	3.5	3.5	2.8	2.7
Mexico	1.3	0.6	1.2	1.6
Chile	2.6	2.6	1.8	2.1
All trade partners [a/]	1.9	2.7	2.0	2.0

(pre): preliminary, (proj): projected
a/ Projections calculated based on the contribution of non-traditional trade.
Sources: Bloomberg; Focus Economics, statistics offices, and central banks (observed data); *Banco de la República* (projections and calculations).

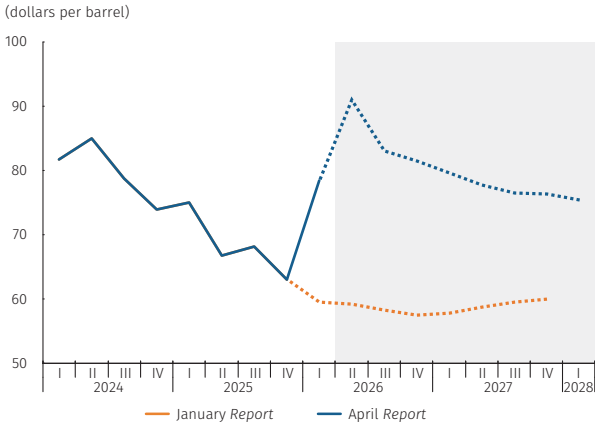
trade disruptions. The IMF notes that risks to global growth remain highly uncertain and tilted to the downside. In particular, the institution warns that more adverse scenarios for global growth and inflation could materialize due to intensifying geopolitical tensions, greater disruptions in energy markets, tighter global financial conditions, and increased fragmentation of international trade. Against this backdrop, growth of 2.0% is projected for Colombia's main trading partners in both 2026 and 2027, below both historical averages[3] and the forecasts presented in the January *Report* (Table 2.1). Uncertainty surrounding this assumption remains high, not only because of developments in the Middle East conflict and their potential effects on international oil prices, maritime transportation, and global inflation, but also because of trade tensions between Colombia and Ecuador stemming from bilateral tariff announcements and trade restrictions that could disrupt regional trade flows.

2.1.2 International price developments

The oil price assumption was revised upward over the forecast horizon owing to disruptions to vessel transit through the Strait of Hormuz and lower production among members of the Organization of the Petroleum Exporting Countries (OPEC). In the first quarter of 2026, Brent crude averaged close to USD 78 per barrel (bl), while in the second quarter to date (through April 20), the average price has been close to USD 99 per barrel. This upward trend reflects heightened volatility and uncertainty stemming from increased geopolitical tensions associated with the ongoing conflict in the Middle East. These tensions have disrupted oil tanker transit through the Strait of Hormuz and significantly reduced production in several OPEC member countries. Over the forecast horizon, oil prices are expected to remain above the levels observed in the previous year, owing to a significant contraction in global supply, explained by lower production in OPEC countries, disruptions affecting refineries in several Middle Eastern economies, higher insurance costs for oil tankers, and restrictions on oil export transit through the Strait of Hormuz. These disruptions are expected to persist, particularly during the first half of 2026, affecting production levels and leading to a decline in inventories of crude oil and refined products in Organization for Economic Cooperation and Development (OECD) member countries. However, part of this increase would be offset by higher production in non-OPEC countries, which is expected to continue rising, led by the United States, Brazil, Canada, Guyana, and Argentina. In addition, Saudi Arabia retains some—albeit limited—capa-

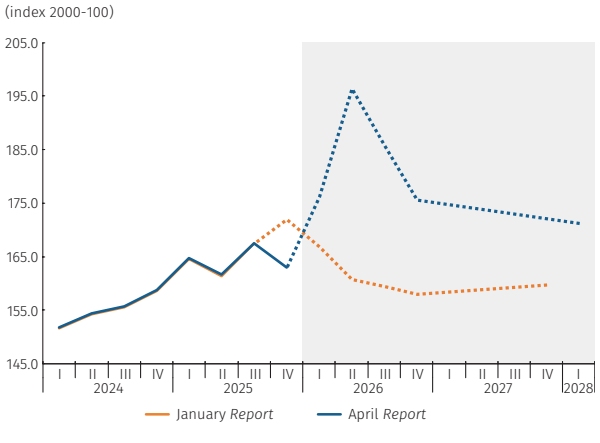
3 Historically, the average annual growth in trading partners between 2001 and 2024 is 2.9%.

Graph 2.2
Assumed quarterly oil price



Source: Bloomberg; calculations, and projections by *Banco de la República.*

Graph 2.3
Assumed quarterly terms of trade[a/]



a/ Terms of trade index based on chain-linked export and import price indices.
Source: Calculations, and projections by *Banco de la República.*

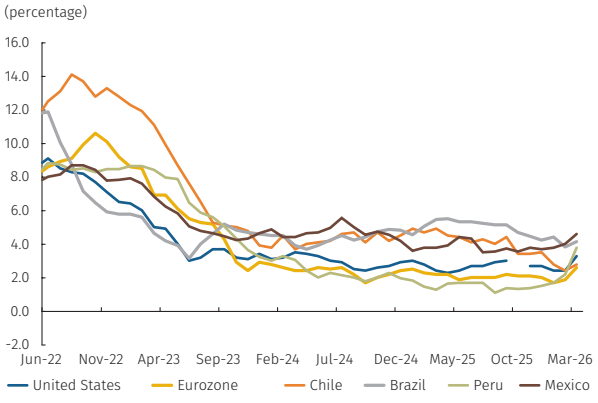
city to redirect crude exports to the Red Sea via the East-West Pipeline, thereby bypassing the Strait of Hormuz. The outlook also incorporates the possibility of increased oil and by-product production in Russia following the temporary suspension of sanctions. Against this backdrop, this *Report* assumes an average Brent price of approximately USD 83 per barrel in 2026 and USD 78 per barrel in 2027, representing an upward revision across the entire forecast horizon relative to the previous *Report* (USD 59 per barrel in both 2026 and 2027) (Graph 2.2). Uncertainty surrounding oil prices remains high amid alternating announcements regarding the operation of the Strait of Hormuz and a negotiation process marked by temporary advances followed by setbacks. Additional sources of uncertainty include the duration of the conflict, future OPEC decisions, the potential rebound in Venezuelan production, and possible trade or foreign policy measures adopted by the United States.

The terms of trade are expected to improve in 2026, mainly owing to higher prices for oil, gold, and coal, while in 2027 they are projected to deteriorate in line with the expected moderation in prices for Colombia's main export commodities (Graph 2.3). In 2025, the terms of trade increased by an average of approximately 5.8% annually. In 2026, the indicator is projected to grow by around 11.7% annually (compared with the -3.1% forecast in the previous *Report*), driven primarily by geopolitical tensions in the Middle East, which have raised expected prices for oil, gold, and coal, the latter serving as a substitute energy source amid sharply higher gas prices. This increase would be partially offset by higher U.S.-dollar prices for Colombia's imports, particularly intermediate and consumer goods, which are also affected by higher oil prices. In 2027, the terms of trade are expected to decline by approximately 5.5% relative to 2026 owing to lower prices for coffee, coal, and oil. In the case of oil, lower prices would reflect a partial recovery in Middle Eastern production. The projected decline would also be reinforced by rising prices for imported consumer goods, driven by higher international food prices.

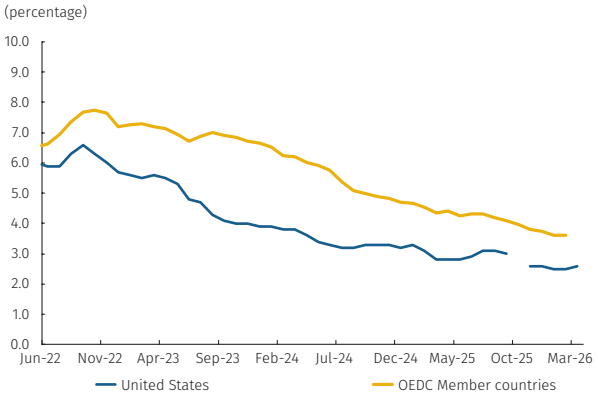
During 2026, headline inflation is expected to remain above target in several advanced economies amid persistent trade tensions and elevated geopolitical uncertainty associated with the conflict in the Middle East, which could continue to generate upward pressure on energy, food, and transportation prices. According to the latest OECD data, annual headline inflation in member countries stood at 3.4% in February 2026, up from 3.3% in January, while core inflation remained stable at 3.6%. However, these figures do not yet fully incorporate the recent increase in international oil prices resulting from the conflict, the effects of which would become more evident in March inflation data. In the United States, annual headline inflation rose to 3.3% in March 2026 from 2.4% in February,

Graph 2.4
Inflation, select main trading partners

A. Headline Inflation

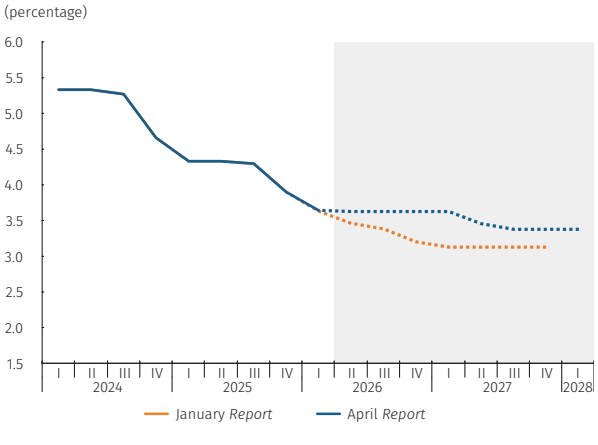


B. Inflation excluding food and energy



Source: Bloomberg and the Organization for Economic Development and Cooperation (OEDC)

Graph 2.5
Assumed US Federal Reserve quarterly interest rate



Source: Federal Reserve Bank of Saint Louis; calculations, and projections by *Banco de la República*.

while core inflation increased to 2.6% from 2.5% in the previous month (Graph 2.4). This increase was driven mainly by a sharp rise in the energy component, due to recent hikes in international crude oil prices, which raised gasoline costs in that country. Increases in several freight transportation services are also noteworthy. Consistent with the above, the IMF's latest report projects global inflation to rise from 4.1% in 2025 to 4.4% in 2026, then moderate to 3.7% in 2027. This forecast already incorporates the effects of the conflict in the Middle East. The IMF also warns that a prolongation or intensification of the conflict could generate additional effects on global and U.S. inflation through both direct effects from higher oil and gas prices and indirect effects on inflation expectations and transportation costs. Against this backdrop, upside risks to the future path of inflation remain elevated.

2.1.3 International financial developments

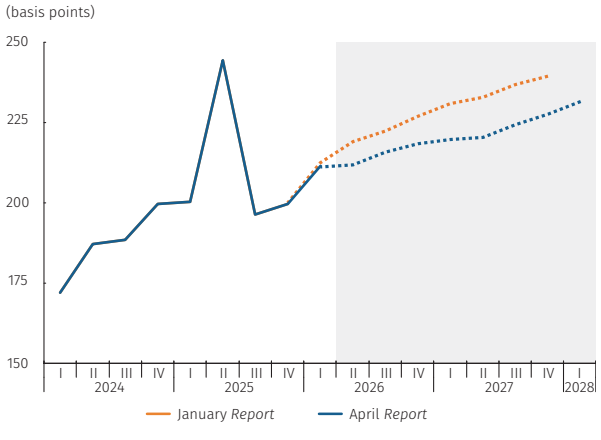
This *Report* projects a higher path for the U.S. benchmark rate than previously anticipated, in an environment characterized by elevated geopolitical and trade uncertainty, stronger inflationary pressures, and a labor market that is gradually moderating (Graph 2.5). At its March and April 2026 meetings, the Federal Open Market Committee (FOMC) decided to keep the target range for the benchmark rate unchanged at 3.50%–3.75%, in line with both market expectations and *Banco de la República's* technical staff forecast. The minutes of the March meeting reflected a more cautious stance by the U.S. monetary authority in a context of upside inflation risks associated with higher energy prices and persistent price pressures in some service components, reinforcing the need to maintain a restrictive monetary policy stance for longer. In its latest projections, the FOMC median path for interest rates remained unchanged relative to the previous report, while projecting GDP growth of 2.4% for the fourth quarter of 2026 and 2.3% for the fourth quarter of 2027. Meanwhile, the unemployment rate would stand at 4.4% in 2026 and 4.3% in 2027, while the projections for the headline and core personal consumption expenditures (PCE) implicit deflators would stand at 2.7% in 2026 and 2.2% in 2027, still above the 2.0% target. These projections are consistent with an economy that continues to show solid growth alongside persistent inflationary pressures that limit the scope for faster interest rate cuts. In recent weeks, futures associated with the federal funds rate have increased significantly relative to levels observed several months earlier[4] and currently imply no policy rate cuts during 2026 or the first half of 2027, placing market expectations on a more restrictive path than that implied by

4 By the end of 2026 and 2027, and with figures as of April 21, 2026, the futures associated with the Fed's monetary policy interest rate stood at 3.56% and 3.38%, respectively (previously 3.19% and 3.21%, taken on January 20).

the FOMC projections. Accordingly, this *Report* revises the projected path for the U.S. policy interest rate upward. Specifically, no rate cuts are now expected during 2026, and only one 25-basis-point (bp) reduction is anticipated during the first half of 2027, compared with the January *Report*, which contemplated two 25-bp cuts over this horizon. This assumption reflects an environment in which inflation remains above target for longer amid pressures from energy prices and persistent external uncertainty. In this context, the expected path of the U.S. policy rate continues to face substantial uncertainty associated with the evolution of inflation, labor market conditions, trade policy, and risks to economic growth.

The projection for Colombia's sovereign risk premium continues to assume an upward trend over the forecast horizon, reflecting elevated domestic uncertainty, persistently rising public debt dynamics, and the possibility of tighter international financial conditions (Graph 2.6). So far in 2026, the spread between Colombia's sovereign risk premium and that of peer countries in the region has continued to widen, reaching 130 basis points above the regional peer average (Graph 2.7). Externally, the conflict with Iran has significantly disrupted global energy supply, resulting in a sharp increase in oil and gas prices, with mixed implications for Colombia's sovereign risk premium. On the one hand, inflationary pressures could lead to tighter global financial conditions if interest rates remain elevated for longer, thereby restricting capital flows to emerging economies and increasing financing costs. Domestically, uncertainty regarding the fiscal outlook has intensified, as reflected in the recent downgrade of Colombia's foreign-currency sovereign debt rating in April [5]. In its report, Standard & Poor's (S&P) highlighted the high level of indebtedness, the rigidity of public spending, and a less predictable fiscal policy environment following the suspension of the fiscal rule in July 2025. All these factors, together with uncertainty associated with the electoral cycle, are expected to continue exerting upward pressure on Colombia's five-year credit default swaps (CDS) throughout 2026 and 2027. In contrast, some factors—including improved terms of trade and lower sovereign risk premiums across the region—could partially contain the increase in Colombia's risk premium in the short term. Nevertheless, these elements do not alter the medium-term risk assessment in the central scenario, in which the sovereign risk premium is expected to trend upward due to persistently rising public debt and higher refinancing costs. Against this backdrop, the path projected in the April *Report's* central scenario remains broadly similar to that presented in January, assuming an ave-

Graph 2.6
Colombia's assumed quarterly risk premium (CDS) a/

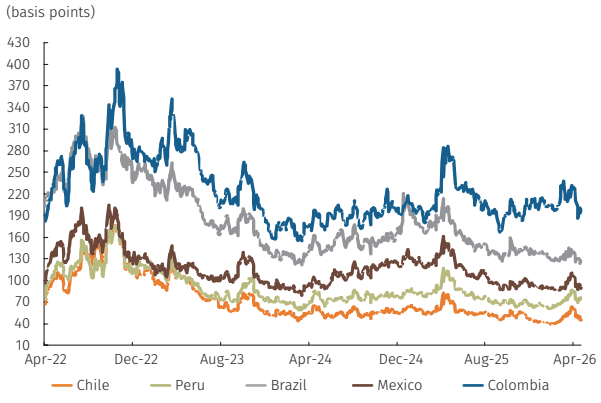


a/ Five-year credit default swaps.
Source: Bloomberg; calculations, and projections by *Banco de la República.*

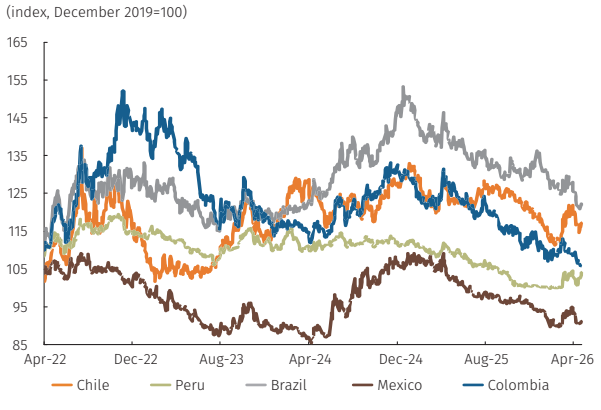
5 S&P Global Ratings, Colombia Long-Term Foreign Currency Rating Lowered; available at: https://www.spglobal.com/ratings/en/regulatory/article/-/view/sourceId/101679375

Graph 2.7
Behavior of nominal exchange rate and risk premium for select Latin American countries

A. Five-year credit default swaps

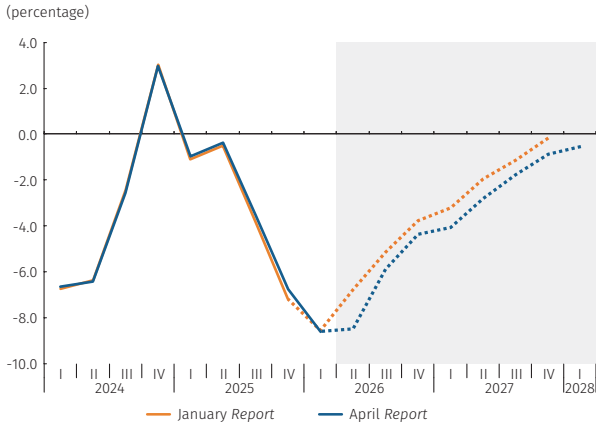


B. Nominal exchange rate



Note: Data to April 24, 2026.
Source: Bloomberg; calculations by *Banco de la República.*

Graph 2.8
Quarterly RER inflationary gap [a/]
(annual change, end-of-period)



a/ The real exchange rate (RER) inflationary gap captures inflationary pressures caused by the exchange rate. Positive values imply upward inflation pressures. The gap is calculated as the deviation in the real exchange rate relative to a non-inflationary trend estimate under the 4GM monetary policy model.
Source: *Banco de la República.*

rage five-year CDS spread of 214 basis points in 2026, rising to 223 basis points in 2027.

2.2 Macroeconomic projections[6]

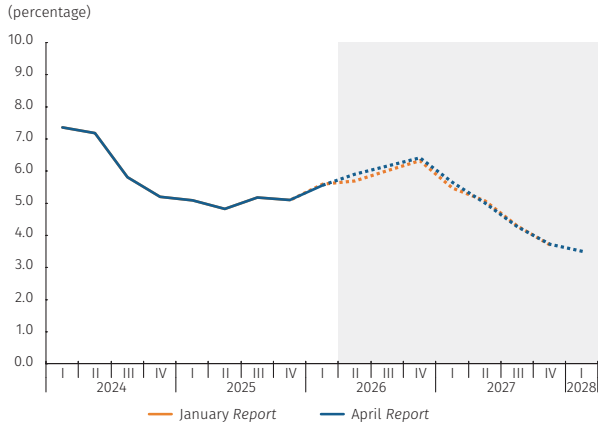
2.2.1 Inflation

Annual consumer inflation is expected to continue rising over the remainder of the year, then resume convergence toward the target beginning in 2027, partly due to the cumulative effects of monetary policy. Persistent upward pressures suggest that both headline and core inflation will continue to trend upward during the remainder of the year. In particular, both indicators are expected to continue increasing over the coming quarters as the rise in the minimum wage (23.2%, including the transportation allowance) passes through to consumer prices. Aggregate demand would also contribute to inflationary pressures, remaining at elevated and growing levels, as reflected in an output gap that is projected to remain in positive territory throughout 2026. Relative to the January *Report*, the inflation forecast path for 2026 was revised slightly upward owing to multiple shocks. First, the effects of the conflict in the Middle East on prices for certain agricultural products and production inputs, as well as on oil prices, which affect air and maritime transportation costs. Second, a temporary supply shock affecting food prices in the second quarter of 2026 associated with road blockades reported in April. Third, larger-than-expected adjustments in public utility tariffs (electricity, water, sewerage, and waste collection) and shortages of electronic components affecting prices for some technology goods. Finally, wage increases beyond the minimum wage have also exceeded projections. It is worth noting that the forecast also incorporates the increase in gasoline prices implemented in April (COP 400 per gallon) and anticipated increases in natural gas tariffs. These upward pressures would be partially offset by disinflationary effects stemming from the exchange rate, reflected in a real exchange rate gap that is now estimated to be more negative over much of the forecast horizon (Graph 2.8), partly as a result of the positive terms-of-trade shock described above. It is important to note that the central scenario does not incorporate adverse weather conditions or additional increases in gasoline prices.[7] Against this backdrop, annual headline inflation is projected to stand at 6.4% at the end of 2026, slightly above the 6.3% forecast in the previous *Report*. By 2027, infla-

6 Projections are based on an active monetary policy wherein *Banco de la República*'s monetary policy interest rate is adjusted to guarantee alignment with the inflation target.

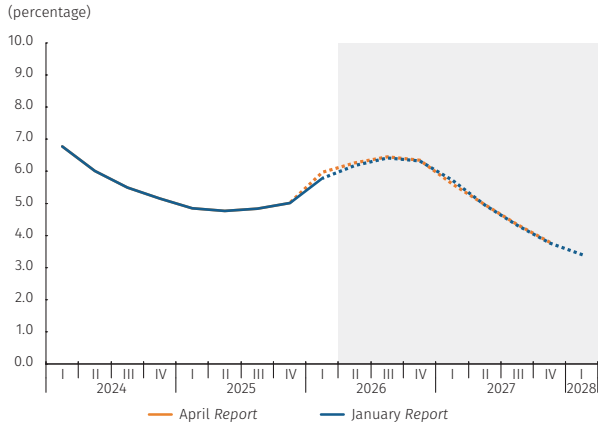
7 At the time of publication of this *Report*, the National Government announced an increase of four hundred pesos in the price of gasoline as of May 4.

Graph 2.9
Consumer Price Index (CPI)
(Annual change, end-of-period)



Source: DANE; calculations and projections by *Banco de la República.*

Graph 2.10
CPI excluding food and regulated items
(Annual change, end-of-period)



Source: DANE; calculations and projections by *Banco de la República.*

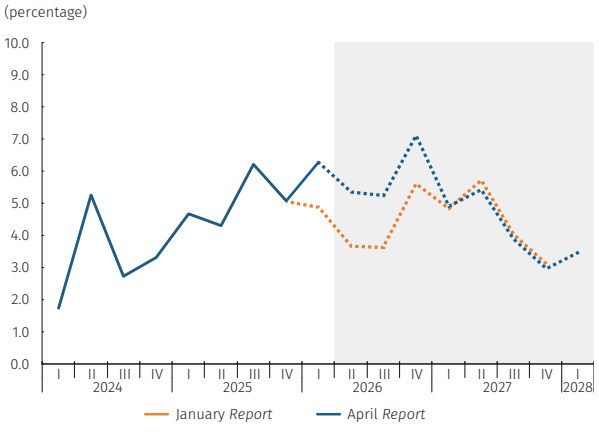
tion is expected to decline to 3.7% (Graph 2.9). The convergence path toward the target in 2027 would reflect, in part, the cumulative effects of monetary policy measures aimed at steering inflation toward the 3% target, together with the gradual dilution of supply and demand shocks affecting prices.

For the remainder of the year, core inflation will continue to face upward pressure, mainly associated with rising labor costs and the presence of excess demand, although these pressures are expected to begin easing toward the end of 2026. Annual core inflation, measured as the variation in the annual CPI excluding food and regulated items, increased during the first quarter, albeit at a slower pace than projected in the January Report, owing to downside surprises in both the services and goods baskets. Nevertheless, developments during the first months of the year suggest that the increase in the minimum wage has affected this sub-basket, particularly service prices, which—with the exception of food away from home—have evolved broadly in line with the technical staff's projections. At the same time, other wages in the economy rose more than expected through February. The pass-through from higher minimum wages and labor costs is expected to continue over the coming quarters in both goods and services baskets, accounting for part of the projected increase in annual inflation during the remainder of the year. The upward trend in these two sub-baskets also reflects an annual output gap that, although estimated to be somewhat smaller than in the January *Report*, is expected to remain in positive territory throughout the year. In the case of CPI for goods, the projected increase in annual inflation also incorporates higher prices for certain technology goods resulting from shortages of electronic components within the context of strong demand for data-processing centers, as well as upward pressures from international prices and costs associated with the conflict in the Middle East. However, additional increases in the CPI for goods would be partly constrained by disinflationary exchange-rate effects, as suggested by a more negative real exchange rate gap than projected in the previous *Report*. For CPI for services, in addition to the effects of higher minimum wages and resilient domestic demand, the forecast incorporates greater pressures arising from higher fuel prices on passenger transportation services. The forecast also considers the role of inflation indexation, particularly in rents. Against this backdrop, this *Report* expects annual inflation excluding food and regulated items to increase during most of 2026 before resuming a downward trend toward the end of the year. As a result, annual core inflation is projected at 6.3% at year-end 2026 and 3.8% at year-end 2027, broadly unchanged from the January *Report* (Graph 2.10).

Food prices are facing renewed upward pressures, leading to an upward revision of the projected path over the forecast horizon. This revision of the annual variation in the CPI of food

incorporates the surprises observed in perishables during the first quarter, associated with a stronger-than-anticipated phase of price increases in the agricultural cycle amid unusually heavy rainfall for this time of year linked to *La Niña*[8] conditions, as well as stronger external demand for meat. The forecast also incorporates the effects of the temporary supply shock in April associated with road blockades in several regions of the country, which affected the supply of certain food products, including eggs, fruits, and vegetables. Relative to the previous *Report*, the forecast also incorporates upward pressures that had not previously been contemplated, including higher international prices for agricultural inputs (fertilizers) and agricultural commodities (grains and oils), as well as higher beef prices associated with the lagged effects of flooding earlier in the year. Over the coming quarters, food inflation is expected to continue fluctuating with the production cycle of perishable goods under assumptions of normal weather conditions and relatively abundant agricultural supply. By year-end, owing to these cyclical effects, annual food inflation is expected to close above the levels observed at the end of 2025 and the beginning of 2026. Accordingly, annual CPI for food is projected at 7.1% in 2026 (previously 5.6%) and 3.0% in 2027 (previously 3.1%) (Graph 2.11). The food inflation forecast remains subject to substantial uncertainty because food prices depend heavily on production and distribution conditions, exchange-rate movements, fertilizer prices, international food prices, and climate-related shocks, all of which contribute to their high volatility. In this regard, it is worth noting that the probability of an *El Niño* event occurring during the second half of 2026 has increased (see Box 2).

Graph 2.11
CPI for foods
(Annual change, end-of-period)



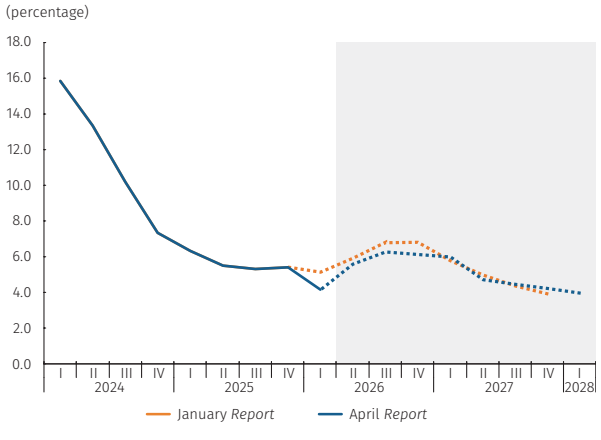
Source: DANE; calculations and projections by *Banco de la República*.

The projected path for the annual variation of the CPI for regulated items was revised downward in this *Report* due to lower-than-expected outcomes in gasoline and public utility prices. Nevertheless, this forecast continues to face significant upside risks. Annual variation in CPI for regulated items in the first quarter came in below the level projected in the previous *Report*, reflecting unanticipated declines in gasoline prices and lower-than-expected adjustments in CPI for public utilities (gas, electricity, water supply, and sewerage services). Despite these developments, the forecast path continues to point to an upward trend over the remainder of the year. This reflects the incorporation of the increases implemented in April in gasoline prices (COP 400 per gallon) and diesel fuel prices (Diesel fuel/ACPM; COP 100 per gallon). For the remainder of 2026, the forecast assumes no additional adjustments in domestic fuel

8 In the last month, the National Oceanic and Atmospheric Administration (NOAA) published its new Relative Oceanic Niño Index (RONI), which replaces the ONI and suggests that weak *La Niña* conditions were present from October 2025 to February 2026.

prices in the absence of new government announcements.[9] At the same time, the forecast continues to incorporate increases in natural gas tariffs, in a context in which domestic demand is not expected to be fully met by national production and international prices remain elevated due to the conflict in the Middle East. Likewise, the pass-through of minimum wage increases to several regulated services is expected to continue, particularly in regulated education fees, public transportation fares, parking fees, and garbage collection services, among others. The current forecast path also incorporates future increases in electricity tariffs. Although these adjustments are marginally larger than those anticipated in January, they are expected to remain moderate under assumptions of normal weather conditions and relatively high reservoir levels, which would support hydroelectric power generation. In addition, the forecast incorporates upward indexation effects on water and sewerage tariffs, consistent with the observed and projected path of headline inflation during the remainder of 2026. Taken together, these factors imply that the variation to the annual CPI for regulated items is projected to reach 6.1% by the end of 2026 (compared with 6.8% in the January *Report*) and 4.2% by December 2027 (previously 3.9%) (Graph 2.12). It should be noted that the forecast for gas and fuel prices continues to face significant upside risks due to rising international oil prices linked to the conflict in the Middle East. In addition, the probability of an El Niño event has increased and, if it materializes, could place additional upward pressure on energy prices, particularly electricity prices (see Box 2).

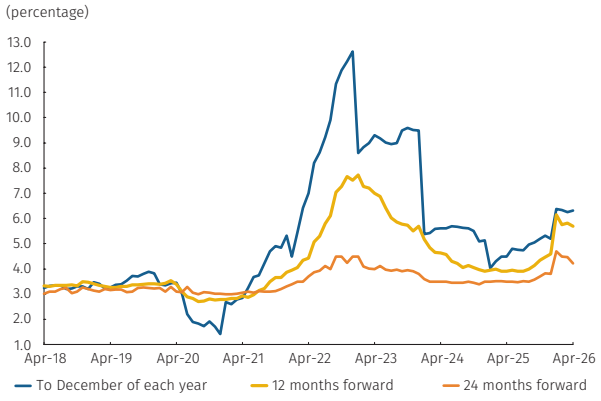
Graph 2.12
CPI for regulated items
(Annual change, end-of-period)



Source: DANE; calculations and projections by *Banco de la República.*

Compared with January, inflation expectations remain significantly above the 3% target. Survey-based expectations declined at shorter horizons but remained relatively stable at longer horizons, whereas expectations, derived from public debt securities, increased across all horizons. According to *Banco de la República's* monthly survey of economic analysts conducted between April 9 and 14 (Graph 2.13), the median expectation for headline and core inflation by year-end 2026 stands at 6.3%, below the levels reported in the January survey (6.4% and 6.7%, respectively). By the end of 2027, headline inflation expectations remained unchanged at 4.8% relative to January, while core inflation expectations increased slightly to 4.9% (from 4.8%). Median five-year-ahead headline inflation expectations increased to 3.5%, compared with 3.4% in January. Meanwhile, as of April 24, inflation expectations derived from public debt securities (break-even inflation, BEI), adjusted for inflation and liquidity risk premiums, increased across all maturities. For the two-, three-, and five-year horizons, adjusted inflation expectations stood at 6.7%, 6.4%, and 5.7%, res-

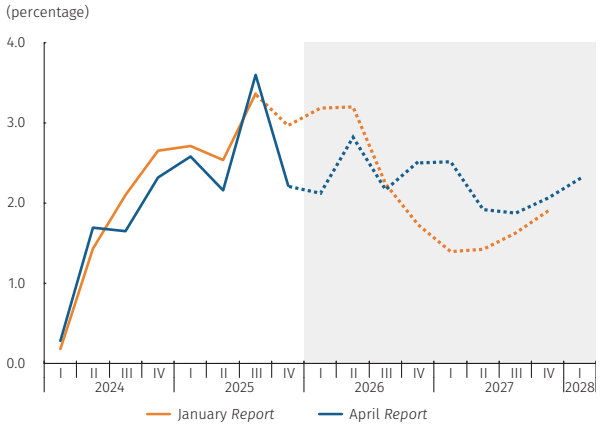
Graph 2.13
Bank and stockbroker inflation forecast [a/]



a/ Corresponds to the median response of the Monthly survey of economic analyst expectations conducted by *Banco de la República.*
Source: DANE; calculations and projections by *Banco de la República.*

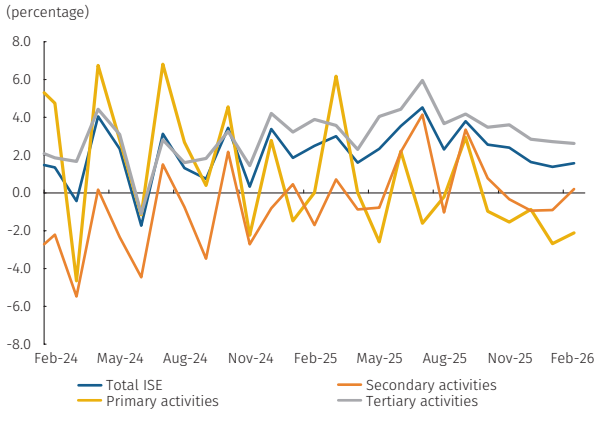
9 At the time of publication of this Report, the National Government announced an increase of four hundred pesos in the price of gasoline as of May 4.

Graph 2.14
Quarterly GDP [a/]
(Annual change)



a/ Seasonally adjusted and corrected for calendar effects.
Source: DANE; calculations and projections by *Banco de la República.*

Graph 2.15
Economic Tracking Indicator (ISE), and ISE by sectors [a/, b/]
(Annual change)



a/ Seasonally adjusted and corrected for calendar effects.
b/ Primary activities: agriculture, hunting, forestry and fishing, mine and quarry exploitation. Secondary activities: manufacturing industries and construction. Tertiary activities: electricity, gas, and water supply; commerce, repairs, transportation and lodging; information and communications, financial and insurance activities; real estate activities; professional, scientific and technical activities; administrative and support services; public administration and defense, education and health; arts and entertainment.
Source: DANE; calculations and projections by *Banco de la República.*

pectively, compared with 6.1%, 5.9%, and 5.5% in January. As of April, all measures of inflation expectations across maturities remained above the 3% target, although they continue to show a declining trajectory over the forecast horizon.

2.2.2 Economic activity

At the end of 2025 and the beginning of 2026, the Colombian economy faced several negative shocks, leading to a downward revision of the GDP growth forecast for the first quarter of 2026. Some of these shocks are expected to be transitory. Available indicators suggest that economic activity grew by 2.1% year-on-year, a result similar to that observed at the end of 2025 (Graph 2.14). In quarterly terms, this corresponds to 1.5% annualized quarter-on-quarter growth, based on the seasonally and calendar-adjusted series. This forecast is lower than that presented in the January *Report* (3.2%), mainly reflecting the historical revisions made by DANE to the previous year's GDP levels and the adverse effects of several shocks, primarily supply-side in nature, which affected the performance of multiple sectors during the period. Among the indicators supporting this assessment is the Economic Monitoring Indicator (ISE), which recorded annual growth of 1.5% in the January-February period, driven by the strong performance of tertiary activities, particularly public administration, health and education services, artistic activities, and domestic trade. This contrasts with the weak performance of the primary and secondary sectors, which continued to register annual contractions (Graph 2.15). It should be noted that economic activity in the first quarter was also affected by several shocks, including flooding in different regions associated with the La Niña event, disruptions to production processes in some industrial plants, and increases in import tariffs imposed by certain countries, among other factors.

Domestic demand continued to expand during the first months of the year, although at a slower pace than that observed throughout much of 2025, largely due to weaker annual consumption growth. In the first quarter of 2026, domestic demand is estimated to have grown by 1.9% year-on-year, remaining above the level recorded at the end of the previous year despite the moderation. This dynamic was mainly explained by consumption, the largest component of domestic demand, whose annual growth slowed relative to the fourth quarter. Investment continued to contract in annual terms, although at a slower pace than at the end of 2025, partly reflecting a recovery in fixed investment levels relative to the previous quarter.

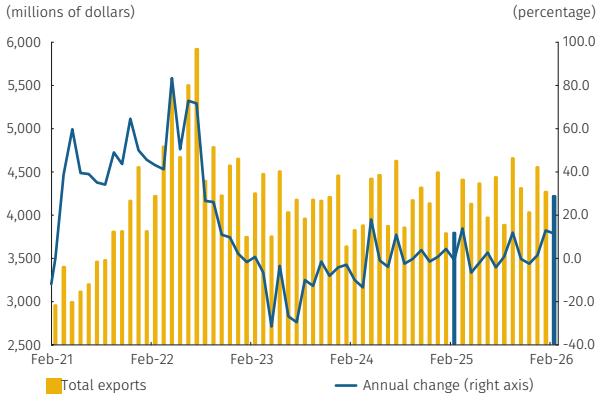
Total consumption maintained a favorable performance, supported by strong public consumption growth, while private consumption continued to decelerate. In the first quarter, total

consumption slowed to 3.5% year-on-year, relative to year-end 2025, although it remained above GDP growth. This outcome mainly reflected the moderation in private consumption growth, estimated at 2.4% annually. Most components of private consumption are estimated to have increased both quarterly and annually, with durable and semi-durable goods remaining the most dynamic categories, driven by spending on vehicles, motorcycles, household appliances, IT equipment, clothing, and footwear. Nevertheless, both segments recorded slower annual growth rates. Services consumption continued to expand gradually, supported mainly by spending on entertainment and gaming activities. By contrast, consumption of non-durable goods stagnated relative to the previous year, reflecting a lower supply of perishable food products associated with the agricultural production cycle and adverse weather effects on several crops. The moderation in private consumption also occurred amid weaker contributions from factors that boosted household disposable income during 2025, such as remittances and coffee-related income, both of which showed slower growth at the beginning of 2026. Even so, private consumption remained at historically high levels. Meanwhile, public consumption grew by 7.3% year-on-year, above the rate observed at the end of 2025, thereby consolidating its position as the most dynamic component of demand amid a historically high primary fiscal deficit. This performance reflected expenditures associated with the electoral process, which boosted public spending during the first quarter and are expected to continue doing so in the second quarter.

Investment growth continued to be constrained by weak construction activity. During the first quarter, gross fixed capital formation exceeded the levels observed in the previous quarter, posting annual growth of approximately 2.1%. By component, investment in machinery and equipment increased both quarterly and annually, in line with the behavior of capital goods imports, particularly transport equipment and industrial capital goods, according to preliminary data through March. In contrast, housing investment declined in both quarterly and annual terms, consistent with the continued deterioration in new residential construction and the resulting slowdown in project completions, amid reduced availability of housing subsidies, higher long-term interest rates since early 2025, and increased abandonments. Investment levels in other buildings and structures are also estimated to have declined, although they posted positive annual growth due to a low base for comparison, without any significant contribution from individual subcomponents. Civil works activity continued to be constrained by weakness in projects linked to the mining sector, despite contributions from regional and national road projects — including 5G highways and the Bogotá metro — as well as budget additions aimed at mitigating the effects of the rainy season, particularly on the country's northern coast. Similarly, the non-residential segment continued to register quarterly and annual declines. Finally, gross capital formation, in the component that includes statistical discrepancy and changes in inventories, increased significantly in quarterly terms (18.3%), although it still recorded a substantial annual contraction (-6.1%).

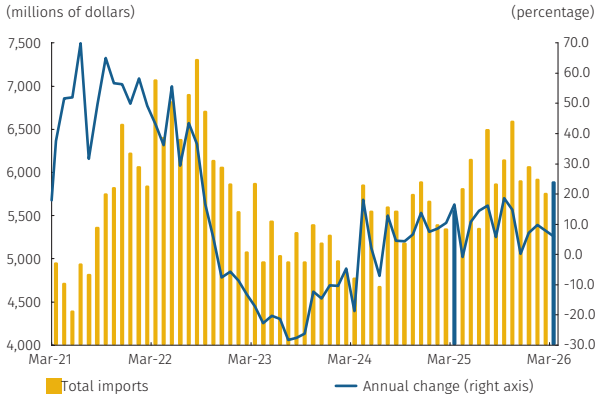
During the first three months of the year, exports expanded at a moderate annual pace, outpacing imports, resulting in a positive contribution from net external demand to annual GDP growth. Exports are estimated to have grown by 2.3% year-on-year, remaining close to the levels observed at the end of 2025. Real goods exports contracted annually despite the expected quarterly increase. Data through February (Graph 2.16) show increases in exports of certain industrial and agricultural goods, particularly food products, chemicals, bananas, flowers, coal, and oil, while declines were observed in coffee and ferronickel exports. This outcome occurred despite

Graph 2.16
Total goods exports (FOB)
(Monthly)



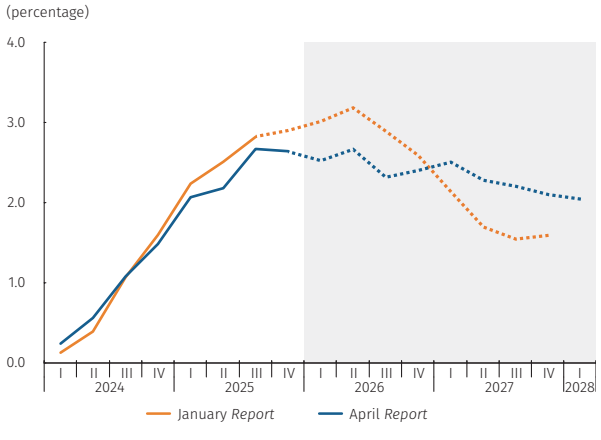
Source: DANE; calculations by *Banco de la República.*

Graph 2.17
Total goods imports (CIF)
(Monthly)



Source: DANE and DIAN (preliminary foreign trade data); calculations by *Banco de la República.*

Graph 2.18
GDP, four-quarter cumulative [a/]
(annual change)



a/ Seasonally adjusted and corrected for calendar effects.
Source: DANE; calculations and projections by *Banco de la República.*

the negative effects of tariffs imposed by Ecuador, particularly on energy products and certain manufactured goods, which were partly offset by a recovery in industrial and agricultural trade with Venezuela. Services exports remained at high levels, posting double-digit annual growth, supported in particular by non-resident tourism, according to international passenger arrival data. Imports recorded modest annual growth of 0.5% (Graph 2.17), driven by increases in durable consumer goods and capital goods imports. As a result, the real external balance remained slightly below the levels observed in the fourth quarter of 2025, yet above those prevailing during most of that year, thereby allowing net external demand to contribute positively to annual GDP growth for the first time in two years.

On the supply side, growth continued to be driven by favorable dynamics in tertiary activities. This sector expanded by close to 3.0% year-on-year and remained at historically high levels, mainly reflecting the strength of services associated with public administration, education, and health, as well as artistic and entertainment activities, in an environment marked by electoral processes, a large number of concerts, and growth in online gaming activity. Trade, transportation, and accommodation services also contributed positively, supported by sustained growth in real retail sales and increased air passenger traffic. By contrast, primary activities registered another annual contraction, due to the adverse effects of heavy rainfall on coffee production and other crops, as well as weak mining sector performance, characterized by historically low levels of oil and coal production, declines in gas and metallic mineral extraction, and disruptions associated with public order disturbances. Secondary activities, meanwhile, remained close to the levels observed at the end of 2025, posting very low annual growth, reflecting weak agricultural and mining production, disruptions in some manufacturing plants, weak construction activity, and the impact of higher tariffs imposed by Ecuador, which, amid rigidities in accessing new markets, could have affected domestic production.

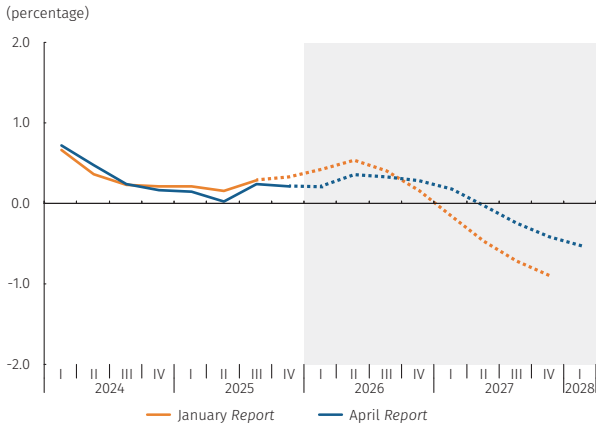
For the remainder of the year and into 2027, the Colombian economy is expected to maintain growth above 2%, once the effects of the adverse shocks recorded at the beginning of 2026 dissipate (Graph 2.18). This *Report* projects that the economy will continue on a slightly lower growth path than previously expected, amid heightened external and domestic uncertainty. Externally, international financing conditions are expected to remain available to the country, albeit at less favorable costs than previously estimated, as discussed in section 2.1. This scenario unfolds in a global environment characterized by heightened uncertainty and geopolitical tensions, which are expected to constrain growth among Colombia's main trading partners. In addition, remittance growth is expected to moderate due to slower outward migration flows, while coffee-re-

lated income is projected to weaken as a result of lower coffee production and international prices that are expected to remain relatively stable in 2026 before declining thereafter. These factors are expected to contribute to a moderation in domestic demand growth, particularly in private consumption. By contrast, public consumption is expected to receive a temporary boost during the first half of the year in the context of the electoral cycle and in line with the Government's Financial Plan. Regarding investment, this *Report* assumes a gradual recovery in levels, supported in part by a sustained increase in civil works activity. As a result, GDP growth of 2.4% is projected for 2026, lower than the 2.6% forecast in the January *Report*, mainly due to the negative effects of transitory shocks — particularly supply-side shocks — that affected productive activity during the first half of the year. By 2027, economic growth is expected to moderate further to 2.1%, with monetary policy aimed at correcting excess demand and facilitating the convergence of inflation toward the 3% target. This growth path also incorporates the favorable effects of improved terms of trade projected in this *Report*. This scenario remains subject to a high degree of uncertainty (see Section 2.3), associated both with the duration of recent supply shocks and with the possible effects of the conflict in the Middle East on Colombia's external demand and external financing conditions. Additional sources of uncertainty include the challenges associated with fiscal adjustment, which could materialize through expenditure cuts or higher tax burdens, as well as upward pressures on interest rates arising from the inflationary risks described in section 2.3.

Forecasts for the unemployment rate (UR) in the thirteen major cities continue to point to an upward trend over the forecast horizon. Seasonally adjusted data available for the rolling quarter ending in February from the Integrated Household Survey (GEIH for its Spanish acronym) show a labor market that continues to exhibit favorable year-on-year dynamics. The employed population continued to increase, while the inactive population rose as well, albeit at a somewhat faster pace than that of employment. This lower pressure on the labor supply allowed the unemployment rate to decline year-on-year in both the national aggregate and urban levels, reaching 8.5% in each case. Against this backdrop, the unemployment rate forecast presented in this *Report* incorporates recent labor market developments together with the economic activity projections discussed above, among other variables. Accordingly, the urban unemployment rate is expected to follow an upward trajectory, averaging 8.9% in 2026, slightly below the 9.0% projected in the January *Report*. By 2027, the urban unemployment rate is expected to continue increasing, averaging 9.8%.

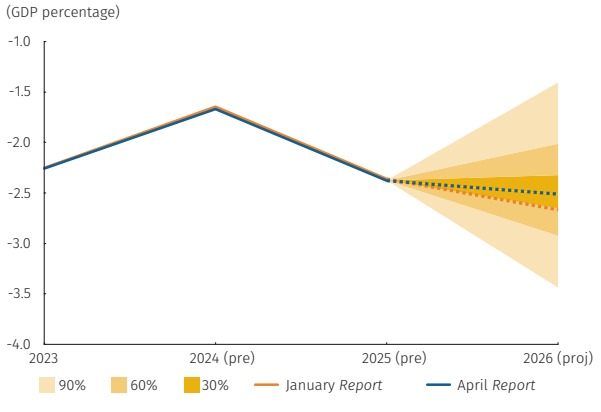
For the first quarter of 2026, the annual output gap is estimated to be somewhat smaller than that presented in the previous *Report*, although it remains positive and consistent with robust domestic demand, low unemployment rates, and rising headline and core inflation above target. Although still estimated to be in positive territory, the output gap path for the first quarter is lower than that presented in the January *Report* (Graph 2.19). This update primarily reflects historical revisions to the GDP series, which resulted in lower annual growth in domestic demand than previously estimated. Going forward, the output gap is still expected to remain positive, consistent with domestic demand performance —particularly consumption— which, despite the recent weaker results relative to the January *Report*, continues to reflect spending levels above the economy's productive capacity. This assessment is also supported by labor market conditions, including low unemployment rates, as well as core inflation, which is expected to continue trending upward during the remainder of the year. Over the forecast horizon, excess demand is expected to gradually diminish, leading to a closing of the output gap between the first and second

Graph 2.19
Output gap [a/]
(four-quarter cumulative)



a/ The historical estimate of the output gap is calculated as the difference between observed GDP (four-quarter cumulative) and potential GDP (trend; four-quarter cumulative) from the 4GM model; for the forecast, it is calculated as the difference between the technical staff's GDP estimate (four-quarter cumulative) and potential GDP (trend; four-quarter cumulative) from the 4GM model.
Source: DANE; calculations and projections by *Banco de la República.*

Graph 2.20
Annual current account [a/, b/]
(four-quarter cumulative)



(pre): preliminary, (proj): projected
a/ The graph displays the probability distribution and its most likely path for an eight-quarter horizon. Densities characterize the balance of potential risks with areas of 30%, 60% and 90% probability around the central forecast (mode), using primarily as reference the densities from the Patacon model.
b/ The probability distribution is derived from the forecasting exercise of the April Report.
Source: *Banco de la República.*

quarters of 2027, partly as a result of the restrictive monetary policy required to reduce inflation. This adjustment process is expected to continue through the remainder of the horizon, with the output gap turning negative by the end of 2027, signaling excess productive capacity consistent with the gradual convergence of inflation toward the target. Accordingly, this *Report* estimates an output gap of 0.3% in 2026 and -0.4% in 2027. Potential GDP growth is projected at 2.4% in 2026, below the 2.8% projected in the previous *Report*. Estimates of the output gap and potential output remain subject to considerable uncertainty, associated in part with the duration of the supply shocks that have recently affected the economy, the real and financial effects of the conflict in the Middle East, persistent changes in the sectoral composition of economic activity, and demographic factors affecting the economy's long-term growth potential, among other factors.

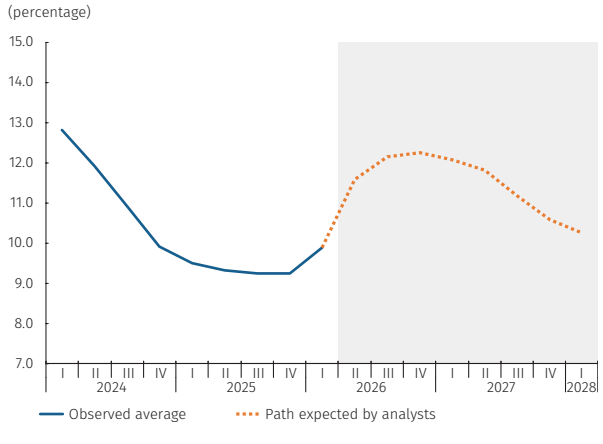
2.2.3 Balance of payments

By 2026, the current account deficit is projected to widen further to 2.5% of GDP (Graph 2.20).[10] The larger external imbalance would reflect a wider primary income deficit and a deterioration in the goods and services trade balance relative to the previous year. In particular, higher interest payments on public external debt and larger profit remittances abroad by firms with foreign direct investment (FDI) would increase the primary income deficit. Regarding the trade balance in goods, import growth is expected to outpace export growth, reflecting stronger domestic economic activity and higher international prices for imported goods. This would occur despite the increase in prices for some of Colombia's main commodity exports. Meanwhile, the services deficit is also projected to widen, driven by higher expected imports across all service categories. In contrast, the current transfers account is expected to post a larger surplus than in 2025, supported by continued growth in workers' remittances, albeit at a more moderate pace than in previous years. These projections incorporate higher international prices for commodities such as oil, coal, and gold associated with the ongoing conflict in the Middle East, as well as trade tensions with Ecuador. The forecast for the current account balance remains subject to a high degree of uncertainty, given the volatility of international commodity prices, risks to domestic and global growth, uncertainty surrounding global trade policy, and the uncertain evolution of domestic and external financial conditions, among other factors.

10 For the first quarter of 2026, a current account deficit of close to 1.9% of GDP is projected. This result would be explained by the higher deficit for factor income and the lower surplus for services.

By year-end 2026, Colombia is expected to maintain full access to external financing, with FDI remaining the main source of external funding. FDI inflows are projected to increase in 2026 amid sectoral reallocation, with lower investment in the oil and mining sectors offset by stronger inflows into other sectors, supported by the strength of domestic demand. In particular, the projected decline in FDI directed toward the mining and energy sectors would occur despite higher expected international prices for these commodities, within the framework of the domestic energy transition policy, which would limit expansion in these activities. In addition, both the public and private sectors are expected to contribute to external financing needs, in the context of a high fiscal deficit and recent regulatory changes affecting pension funds' holdings of foreign assets. External financing conditions are expected to remain shaped by U.S. interest rates staying higher for longer than anticipated in the previous *Report*, together with a Colombian risk premium that would remain above its historical average.

Graph 2.21
Monetary policy interest rate: average observed quarterly, and rate expected by analysts [a/]



a/ These projections are calculated considering the quarterly average of the current rate according to the median response of the Monthly survey of economic analyst expectations conducted by *Banco de la República* for April 2026.
Source: *Banco de la República.*

2.2.4 Monetary policy and interest rates expected by analysts

The median analysts' expectation for the policy interest rate is 11.6% for the second quarter of 2026, 12.3% for the fourth quarter of 2026, and 10.6% by the end of 2027 (Graph 2.21). The median response to *Banco de la República's* monthly survey of analysts' expectations conducted in early April suggests that the average policy interest rate for the second quarter of 2026 would stand at 11.6%, up from the 9.9% average observed during the first quarter. Analysts anticipate further increases over the remainder of the year, which would bring the policy rate to 12.3% by year-end 2026, before declining to 10.6% in the fourth quarter of 2027. On average, the policy rate path expected by analysts is higher than that implied by the macroeconomic forecast presented in this *Report*. The survey results also indicate that analysts' inflation expectations at the end of the forecast horizon are higher than those projected by the technical staff in this *Report*. This suggests that the baseline scenario in this Report assumes a faster dissipation of the shocks currently driving elevated inflation than that incorporated in analysts' expectations.

2.3 Balance of macroeconomic risks

Compared with the January *Report*, uncertainty surrounding external assumptions has increased and, on balance, poses upside risks to inflation. Among the external risk factors considered in the predictive density (PD) exercise,[11] the most rele-

11 Technical details on the construction of the risk balance through the predictive densities exercise can be found in the document "Caracterización

vant relates to the conflict in the Middle East and its effects on external financing conditions and international commodity prices. In this context, the balance of risks associated with external assumptions is tilted to the upside, reflecting inflationary risks linked to oil prices, international food prices, U.S. inflation, the Federal Reserve's policy rate, and Colombia's sovereign risk premium, the latter associated with both tighter global financial conditions and domestic fiscal developments. In addition, the terms of trade are subject to upside risks, as oil and coal prices could exceed the levels assumed in the central forecast scenario, partially offset by higher imported goods prices. By contrast, growth among Colombia's trading partners presents slight downside risks. Overall, external risks imply moderately upward pressures on inflation.

Domestic factors also skew the balance of inflation risks to the upside over the forecast horizon. Among the main upside risks are the possibility of a stronger pass-through of wage increases to prices than contemplated in the central scenario, as well as the risk of minimum wage increases in 2027 exceeding both inflation and productivity growth. In addition, the probability of an *El Niño* event occurring toward the end of 2026 has increased, including the possibility of a strong or very strong intensity, which could generate additional pressures on food and energy prices. Further upside risks include larger increases in gas prices associated with a higher imported component, as well as stronger upward pressures on fertilizer and fuel prices resulting from heightened geopolitical tensions. By contrast, the main downside risks include the expansion of the agricultural frontier associated with land restitution processes, which could moderate prices for some food products; the ban on meat exports to China; and a greater supply of imported goods from Asia. Nevertheless, on balance, upside risks predominate across all CPI baskets, particularly those with a higher labor cost component.

The balance of risks for economic activity is broadly balanced for the first quarter of 2026 but tilts to the downside for the remainder of the forecast horizon. Compared with the previous *Report*, uncertainty regarding demand components has increased, particularly for 2027. In the PD exercise, the main downside risks considered include weaker remittance inflows and coffee-related income, the materialization of supply shocks (such as strikes and weather-related disruptions associated with *El Niño*), and the prolonged weakness of investment in residential housing amid heightened uncertainty regarding construction costs. Additional downside risks stem from uncertainty surrounding the execution of investment projects and the short-term contractionary effects of fiscal consolidation. Conversely, the main upside risks include stronger consumption dynamics, as suggested by retail sales performance, particularly for durable goods, alongside a resilient labor market characterized by high employment levels and unemployment projections that remain historically low. The possibility of more favorable terms of trade also represents an upside risk. Overall, the balance of risks for the first quarter of 2026 is assessed as broadly balanced; however, for the remainder of the forecast horizon, downside risks to economic activity predominate, reflecting the balance of upside risks to inflation and, consequently, to interest rates. In this context, the PD exercise also points to downside risks for the output gap, reflecting the possibility of weaker aggregate demand.

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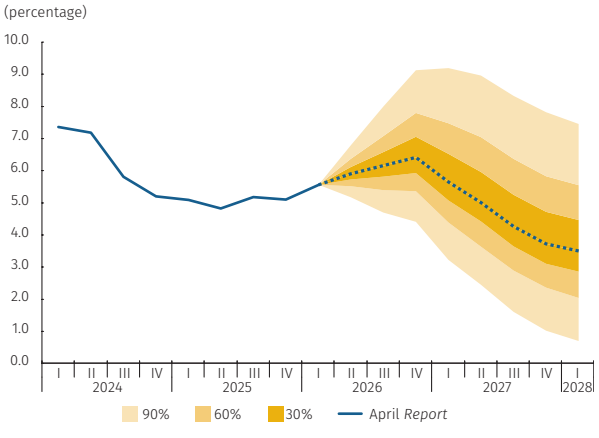
y comunicación del balance de riesgos de los pronósticos macroeconómicos: un enfoque de densidad predictiva para Colombia" (Méndez-Vizcaíno et al., 2021) and in Box 1 of the July 2021 Monetary Policy Report.

In summary, the balance of risks reflects greater uncertainty than in the previous *Report*, resulting in upside risks to inflation throughout the forecast horizon (Figures 2.22 and 2.23) and downside risks to economic growth (Figures 2.24 and 2.25). In this context, headline inflation is expected, with a 90% probability, to fall between 4.4% and 9.1% at the end of 2026, and between 1.0% and 7.8% at the end of 2027. Core inflation, with the same confidence level, would range between 4.6% and 8.5% at the end of 2026, and between 0.9% and 7.3% by the fourth quarter of 2027. The probabilities that headline and core inflation fall below 4% by the fourth quarter of 2026 are estimated at 3% and 1%, respectively, and increase to 43% and 48%, respectively, by the end of 2027. Regarding economic activity, annual GDP growth is expected, with a 90%, to fall between 0.5% and 4.1% in 2026, and between -1.1% and 4.6% in 2027.

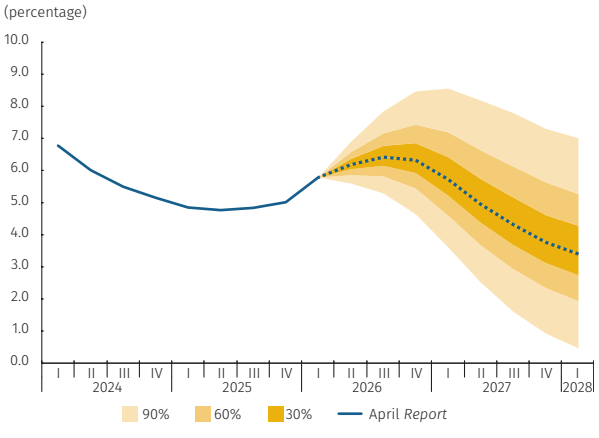
Graph 2.22
Consumer price index, predictive density [a/, b/]
(annual change, end-of-period)



	II Q 2026	IV Q 2026	IV Q 2027
Mode	5.9	6.4	3.7
< Mode	45%	42%	38%
	Intervals		
<2	0%	0%	12%
2 to 4	0%	3%	31%
>4	100%	97%	57%

a/ The graph displays the probability distribution and its most likely path on an eight-quarter forecast horizon. Densities characterize the balance of potential risks with areas of 30%, 60% and 90% probability around the central forecast (mode), using a combination of densities from the Patacon and 4GM models.
b/ The probability distribution is derived from the forecasting exercise of the April Report.
Source: DANE; calculations and projections by *Banco de la República*

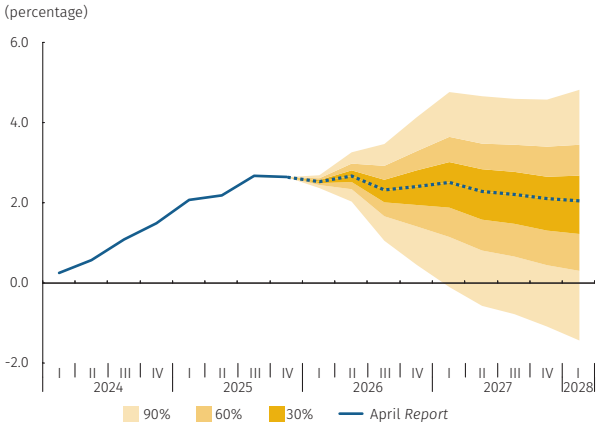
Graph 2.23
CPI excluding food and regulated items, predictive density [a/, b/]
(annual change, end-of-period)



	II Q 2026	IV Q 2026	IV Q 2027
Mode	6.2	6.3	3.8
< Mode	47%	43%	43%
	Intervals		
<2	0%	0%	14%
2 to 4	0%	1%	34%
>4	100%	99%	52%

a/ The graph displays the probability distribution and its most likely path on an eight-quarter forecast horizon. Densities characterize the balance of potential risks with areas of 30%, 60% and 90% probability around the central forecast (mode), using a combination of densities from the Patacon and 4GM models.
b/ The probability distribution is derived from the forecasting exercise of the April Report.
Source: DANE; calculations and projections by *Banco de la República.*

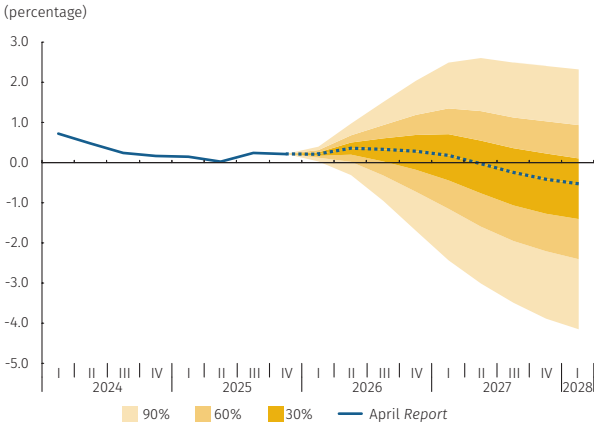
Graph 2.24
GDP, four-quarter cumulative, predictive density [a/, b/, c/]
(annual change)



	IV Q 2026	IV Q 2027
Mode	2.4	2.1
< Mode	54%	59%
	Intervals	
<1	13%	35%
1 to 2	27%	23%
2 to 3	34%	20%
>3	27%	23%

a/ The graph displays the probability distribution and its most likely path on an eight-quarter forecast horizon. Densities characterize the balance of potential risks with areas of 30%, 60% and 90% probability around the central forecast (mode), using a combination of densities from the Patacon and 4GM models.
b/ The probability distribution is derived from the forecasting exercise of the April Report.
Source: DANE; calculations and projections by *Banco de la República.*

Graph 2.25
Output gap, predictive density [a/, b/, c/]
(four-quarter cumulative)

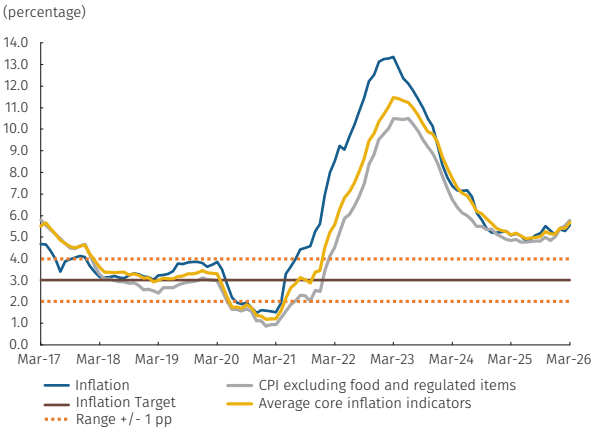


	IV Q 2026	IV Q 2027
Mode	0.3	-0.4
< Mode	53%	58%
	Intervals	
<-1	15%	46%
1 to 0	29%	20%
0 to 1	33%	16%
>1	23%	18%

a/ The graph displays the probability distribution and its most likely path on an eight-quarter forecast horizon. Densities characterize the balance of potential risks with areas of 30%, 60% and 90% probability around the central forecast (mode), using a combination of densities from the Patacon and 4GM models.
b/ The probability distribution is derived from the forecasting exercise of the April Report.
Source: DANE; calculations and projections by *Banco de la República.*

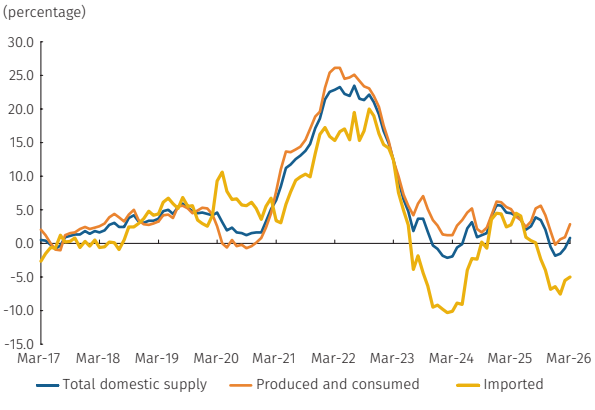
3. Current economic situation

Graph 3.1
CPI and core inflation indicators
(annual change)



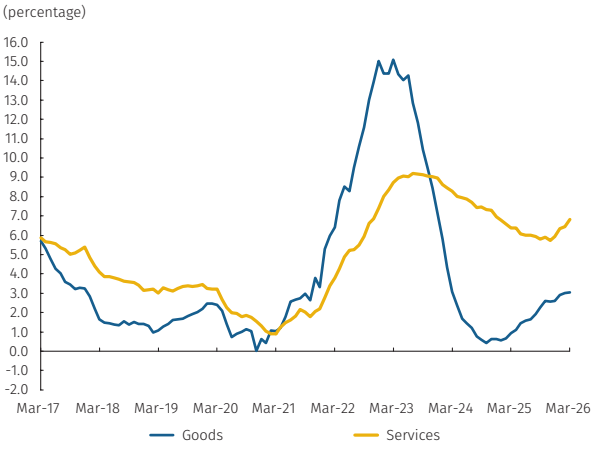
Sources: DANE and *Banco de la República.*

Graph 3.2
PPI by origin
(annual change)



Sources: DANE; calculations by *Banco de la República.*

Graph 3.3
CPI for goods and services, excluding food
and regulated items (annual change)



Sources: DANE; calculations by *Banco de la República.*

3.1 Inflation and price behavior

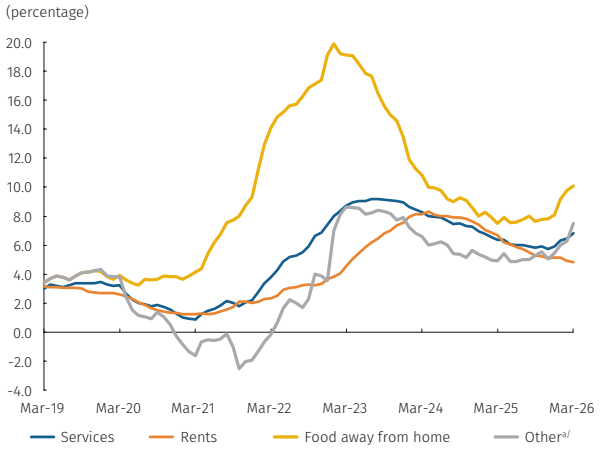
In the first quarter, headline inflation rose, diverging from the 3.0% target due to several upward shocks. The consumer price index (CPI) registered an annual change of 5.6% in March, up from 5.1% at the end of 2025, placing inflation 2.6 percentage points (pp) above the target. This aligns with the expectations outlined in the January *Report* by the technical staff. Core inflation, measured as the annual change in the CPI excluding food and regulated items, also climbed from 5.0% in December to 5.8% in March (see Graph 3.1). The rise in inflation so far in 2026 results from various pressure factors, most notably higher payroll costs driven by increases in the minimum wage and labor reforms, as well as prices indexed at rates well above the 3.0% target. This occurs amid historically low unemployment and a positive output gap, indicating demand pressures. Recent increases in food prices, due to adverse weather and the conflict with Iran, have also contributed, causing substantial rises in raw material costs (notably for fertilizers and fossil fuels) and logistics costs. This higher-cost environment, transmitted through the productive sector, is reflected in the reversal of the deflationary trend in the producer price index (PPI), with the annual change in internal supply shifting from -1.9% in December to 0.9% in March, driven by a rebound in the domestic component to 2.9% and a smaller deflation in the imported component, which fell to -5.0% (see Graph 3.2).[1]

Annual price adjustments in the goods basket continued to rise during the first quarter, amid dynamic private consumption and greater cost pressures. The annual change in goods prices increased between December (2.6%) and March (3.0%) (Graph 3.3). However, this was a downside surprise relative to expectations in the previous *Report*, largely attributable to a stronger appreciation of the COP-to-USD exchange rate, and growing competition in the automobile market. The rise in the annual change in goods prices early in the year reflected robust private consumption and higher input costs, including those for gold, silver, fossil fuel derivatives, and specific active ingredients used in pharmaceutical manufacturing. In March, the Iran conflict significantly contributed to higher import prices, fueled by increased maritime freight costs and global supply chain disruptions. Accordingly, jewelry, hygiene products, and medicines registered the largest price increases during the first three months of the year. In contrast, certain goods with a high import content continued to show negative annual price changes, favored by the exchange rate's behavior and a downward

trend in cell phone prices. Vehicle prices also fell year-to-date, mostly due to intense price competition among electric vehicle dealerships.

Service prices also escalated, largely due to the pass-through of higher labor costs. This CPI component rose from 5.9% in December to 6.8% in March on a year-on-year basis (see Graph 3.4). However, this is slightly lower than projected in the January *Report*, due to downward surprises in rent and food-away-from-home prices. Ultimately, the steeper annual change in the services CPI was mainly driven by the high share of labor costs in its cost structure—particularly the cost pressures arising from the increase in the minimum wage, the surcharges for Sunday, holiday, and night-shift work established in Law 2466 of 2025, and the gradual reduction of the weekly working day provided for in Law 2101 of 2021. The latter, together with the increase in food prices, markedly influenced the food-away-from-home component, whose annual adjustment climbed from 8.1% in December to 10.1% in March. Other labor-intensive services also reflected these higher labor costs: domestic service experienced a significant adjustment between December (7.8%) and March (13.2%), and air passenger transport prices rose sharply in March, attributable to a steep rise in international fuel prices resulting from the conflict in the Persian Gulf. Despite the upward trend in these two items, the Other[1] category, to which they both belong, experienced only a slight annual increase from December (5.1%) to March (5.2%). This is because its other components either declined annually (vehicle insurance) or saw minor increases (educational services). Finally, and in contrast to what was observed in the food-away-from-home and Other categories, such as household rents, fell from 5.2% in December to 4.8% in March as rent price adjustments in Bogotá eased.

Graph 3.4
CPI for services, excluding food and regulated items (annual change)



a/ This group mainly includes the following items: communication, recreation, and cultural events; education (non-regulated); miscellaneous services (beauty/hair salons, childcare, financial, etc.); transportation; property management; domestic service; nightclubs and hotels; healthcare; and laundry services.
Sources: DANE; calculations by *Banco de la República*.

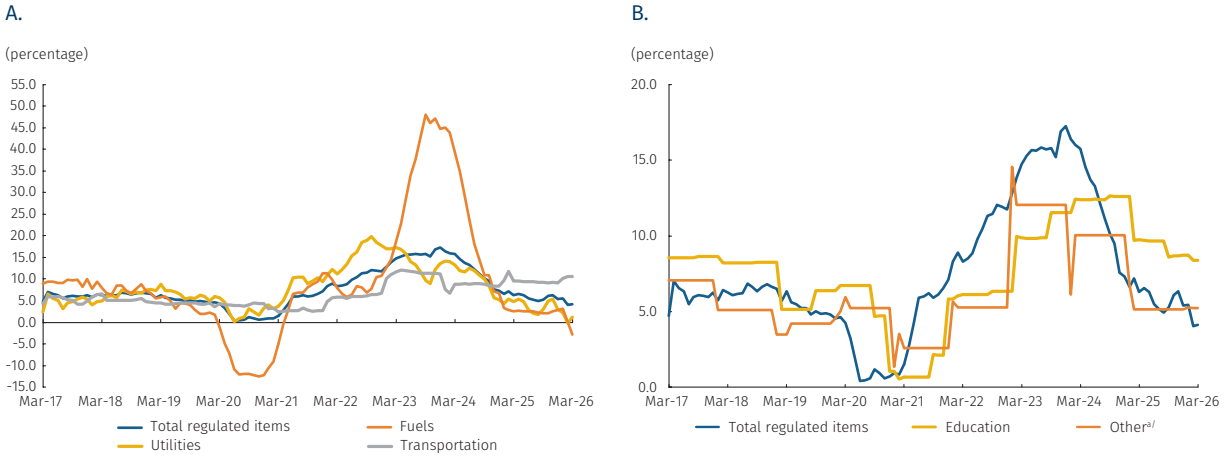
At the start of 2026, regulated prices slowed amid controlled tariffs. The annual price adjustment for this group fell from 5.4% in December to 4.1% in March (Graph 3.5, panel A). This reduction exceeded that expected in the January Report, due to steeper declines in energy prices and unanticipated annual drops in gas and gasoline prices. The decrease in the year-on-year change of these regulated prices was mainly driven by the public services subcomponent, which fell from 3.0% to 1.2% over the same period, primarily influenced by a significant annual decline in natural gas prices, largely attributable to a

1 The key components of this grouping are: communications, recreation and cultural events, education (non-regulated), miscellaneous services (beauty/hair salons, childcare, financial, etc.), transportation, property management, domestic services, nightclubs and hotels, healthcare, and laundry services.

statistical effect.[2] This was further supported by the absence of new tariff shocks and greater flexibility in gas contracting programs. Additionally, the annual contraction in the CPI for vehicle fuels, which went from 2.8% in December to -2.9% in March, contributed to the slowdown in regulated prices following two consecutive price cuts of COP 500 per gallon in February and March. For its part, the annual change in the regulated transport subgroup rebounded in the first quarter (from 10.0% to 10.6%), despite lower fuel prices, possibly because of the higher payroll costs. The annual adjustments to the prices of regulated education (pre-school, elementary, and high school) and the remaining regulated items did not show significant changes during the first quarter of 2026 (Graph 3.5, panel B).

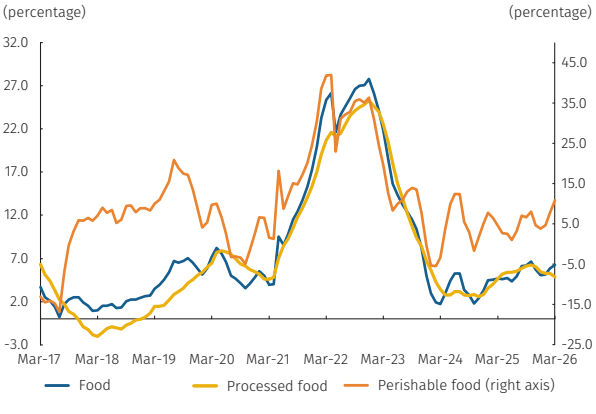
Food prices accelerated during the first quarter of 2026, driven by perishable foods. Following the downward trend in the annual change in the CPI for food at the end of 2025, there has been a rebound so far this year, with the year-on-year variation climbing since December (5.1%) to March (6.3%) (Graph 3.6). This increase exceeded the January *Report* expectations due to a more significant-than-anticipated upward trend in perishable food prices, climbing from December (3.8%) to March (10.8%), reflecting a notably severe winter that impacted certain agricultural activities (see Box 2), especially along the Atlantic coast. Thus, although greater supply has been observed in the country's wholesale supply centers so far this year, adverse weather conditions have caused quality losses and product shortfalls, reducing the supply of some marketable foods and exerting upward price pressure. Furthermore, at the local level, there were increases in labor and non-labor production costs, as measured by the PPI, recently aggravated by an external supply shock to agrochemicals and

Graph 3.5
CPI for regulated items and its components
(annual change)



a/ Includes EPS affiliate co-payments, administrative certificates and documents, and professional fee payments
Sources: DANE; calculations by *Banco de la República.*

Graph 3.6
CPI for food and its components
(annual change)



Sources: DANE; calculations by *Banco de la República.*

2 In February 2025, natural gas prices rose by nearly 30% in some cities served by the supplier Vanti (including Bogotá and Bucaramanga), whereas no such adjustments were observed in February 2026.

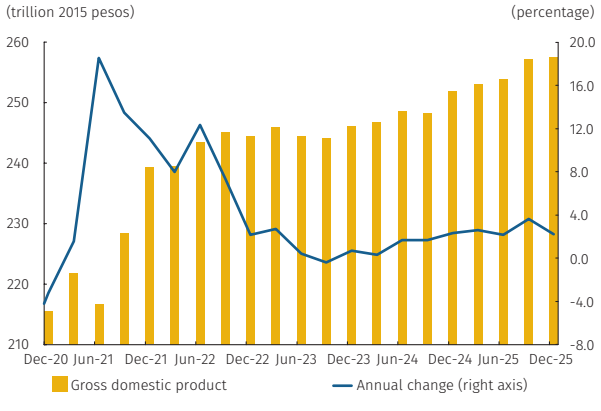
some foodstuffs, as international prices rebounded due to the war in Iran. This same conflict also exerted upward pressure on fuel prices, increasing freight and transport costs. In contrast, the annual change in the CPI for processed foods fell from 5.5% in December to 4.9% in March, mostly due to a decrease in the prices of animal proteins (except beef) and a winding down of the upward effects of the healthy tax on ultra-processed foods.[4]

3.2 Growth and domestic demand

In the fourth quarter of 2025, Colombian economic activity continued to grow steadily, though at a slower pace than previously anticipated in the last *Report*. During this period, the Colombian economy recorded annual growth of 2.2% and quarterly growth of 0.5%, using seasonally and calendar-adjusted figures (Graph 3.7). This number was lower than the figure foreseen by the technical staff (3.0%), largely due to adverse effects on productive activity, particularly from unanticipated supply shocks (see Box 3). Moreover, significant historical revisions to gross domestic product (GDP) levels were published by the Administrative Department of Statistics (DANE). On the expenditure side, domestic demand continued to contribute positively to growth, although it recorded lower-than-expected annual and quarterly growth, mirroring a decline in investment, primarily in machinery and equipment and in other buildings and structures. In contrast, both public and private consumption maintained favorable momentum, reinforcing its position as the most dynamic demand segment. As for external demand, its accounting contribution to annual growth remained negative, although to a lesser extent than in previous quarters (Graph 3.8). On the supply side, the sectors that drove growth were services, particularly artistic and entertainment activities, public administration, education, healthcare, retail, transportation, and lodging services. All told, the Colombian economy expanded by 2.6% throughout 2025, after expanding by 1.5% in 2024.

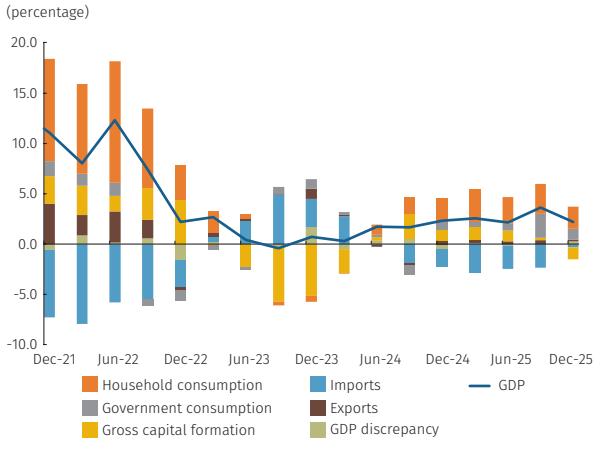
Domestic demand fell short of expectations, mainly because of the regression of investment. In the fourth quarter, annual domestic demand growth slightly exceeded overall economic growth of 2.4%, but ended below expectations, with a 3.8% year-on-year decrease at the margin. This behavior can be attributed to the considerable decline in gross capital formation, both in quarterly (-31.0%) and annual (-7.0%) terms. By investment components, the largest quarterly decline was recorded by the machinery and equipment segment, whose annual level and change (2.2%) also fell below expectations. The data on capital goods imports point to the agriculture subcompo-

Graph 3.7
Gross Domestic Product [a/]
(quarterly and annual change)



a/ Seasonally adjusted and corrected for calendar effects
Sources: DANE; calculations by *Banco de la República.*

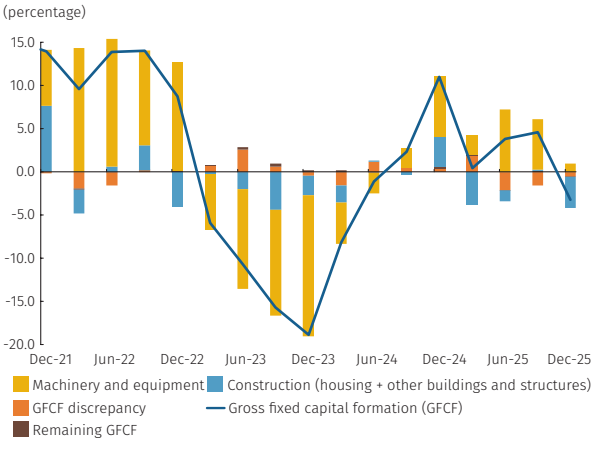
Graph 3.8
Contributions to annual changes to quarterly GDP [a/]
(annual change, contribution)



a/ Seasonally adjusted and corrected for calendar effects
Sources: DANE; calculations by *Banco de la República.*

nent as the primary culprit of this decline. Similarly, investment in other buildings and structures fell on both a level and an annual basis (-5.3%). This behavior, according to DANE, was a consequence of the unfavorable performance of civil works in the mining and non-residential buildings sectors. It should be noted that the seasonally adjusted series of this component underwent notable revisions in the most recent report, reducing its historical levels since 2024. As a result, the earlier indications of recovery, primarily associated with civil works, have become less evident. Finally, although housing investment increased quarter-on-quarter, it continued to display a significant annual decline (-10.0%), largely due to lower completion of works for the middle socio-economic strata. Thus, gross fixed capital formation fell annually (-3.2%) (Graph 3.9) and quarterly (-10.8%). Nevertheless, a negative statistical discrepancy value and variation in the inventory component exacerbated the decline in gross total capital formation.

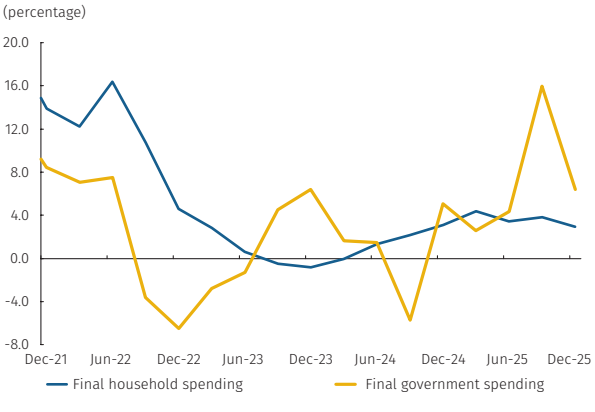
Graph 3.9
Quarterly gross fixed capital formation [a/]
(annual change, contribution)



a/ Seasonally adjusted and corrected for calendar effects
Sources: DANE; calculations by *Banco de la República.*

Consumption maintained favorable momentum, with levels remaining above their pre-pandemic levels, despite the annual slowdown recorded in the fourth quarter. A similar pattern was observed in private consumption, whose annual growth (2.9%) eased relative to the third quarter (Graph 3.10), while still surpassing domestic demand and GDP. Although the expansion of this aggregate was lower than expected, it continued on a gradual upward trajectory, exceeding pre-pandemic levels. By component, the most dynamic segments continued to be expenditure on durable and semi-durable goods, which recorded significant three-month and annual increases, driven mainly by vehicle purchases, furniture, and computer and telecommunications equipment in the first case, with clothing and footwear consumption following closely. Consumption of services also continued to grow, albeit at a more moderate pace, propelled by gaming and entertainment spending. It should be noted that the slowdown in private consumption occurs in the context of slower growth in certain components of households' disposable income, including remittances and coffee income, compared to previous quarters. In addition, this expenditure would have been affected by transitory shocks, such as disruptions at certain beverage production plants or adverse effects of excessive rainfall on certain crops. Furthermore, the figures in the most recent DANE publication indicate a negative and atypical value for the statistical discrepancy in private consumption. Public consumption grew on a quarterly basis, leading the demand aggregates in annual growth (6.4%), characterized by higher expenditure associated with the organization of electoral processes and increased hiring of personnel in the educational, defense, and judicial sectors. Consequently, total

Graph 3.10
Final household and general government spending [a/]
(annual change)

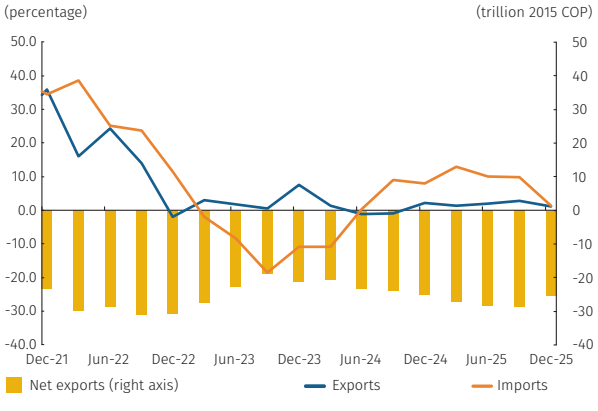


a/ Seasonally adjusted and corrected for calendar effects
Sources: DANE; calculations by *Banco de la República.*

consumption grew at an annual rate of 3.7% in the fourth quarter and continued to be the largest contributor to GDP growth.

The external deficit decreased relative to the previous quarter, as exports increased at the margin and imports declined. Exports also grew slightly year-on-year (1.1%), with external sales of services leading the expansion, followed by tourism by non-residents and exports of certain goods, mainly manufactured products such as chemicals and food, as well as agricultural products, with banana exports performing particularly well. Imports also recorded a moderate annual increase (1.3%), albeit lower than expected, but fell significantly on a quarterly basis (-16.8%). The figures, both in quantities and in real pesos, suggest that this decline resulted from lower purchases of intermediate and some capital goods. Furthermore, a quarterly decline in service imports was observed, associated with lower purchases by residents abroad. As a result, the external deficit was smaller than in the third quarter (Graph 3.11), and its negative accounting contribution to the annual change in GDP also declined compared with previous quarters.

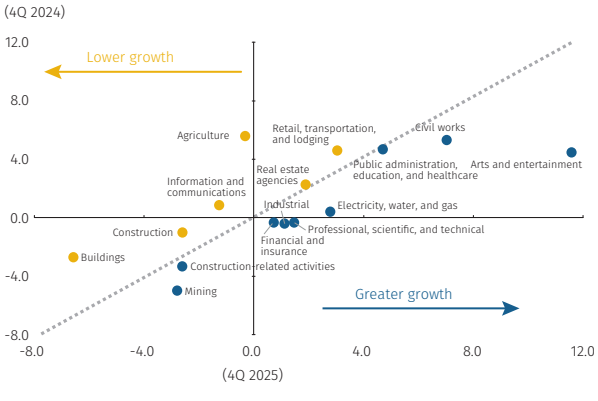
Graph 3.11
Exports, imports, and trade balance [a/]
(annual change and trillion 2015 COP)



a/ Seasonally adjusted and corrected for calendar effects
Sources: DANE; calculations by *Banco de la República.*

From a supply perspective, the main drivers of the Colombian economy continued to be the tertiary sectors. The level of these activities remained relatively high, expanding by 3.3% annually in the fourth quarter of 2025 (Graph 3.12). Factors such as high demand for internet gaming, sports betting, and massive concerts in various cities across the country allowed artistic and entertainment activities to continue among the drivers of growth. Likewise, positive dynamics were registered in public administration, education and healthcare services, and retail, transportation, and lodging services. The latter were marked by real sales from domestic retail, which remained at relatively high levels due to greater demand for vehicles and computer equipment among households. In contrast, the primary branches registered an annual decline (-1.2%) for the third consecutive quarter, marked by low levels of mining activity and slower growth in agriculture, driven by a fall in coffee production. In the mining sector, factors such as weak daily oil production and lower external demand for metalliferous minerals, such as gold and nickel, contributed to the sector's annual decline, despite an increase in coal production. Finally, secondary branches maintained levels similar to those observed a year ago, although with a significant quarterly decline resulting from lower manufacturing output, mainly in the precious metals, iron and steel, and beverage industries, as well as the weak performance of the construction sector, both for buildings and for civil works. It should be noted that economic activity in the first quarter of the year would have been affected by some significant shocks, such as floods in several areas of

Graph 3.12
Sectoral value-added growth levels:
4Q 2024 relative to 2025 [a/]



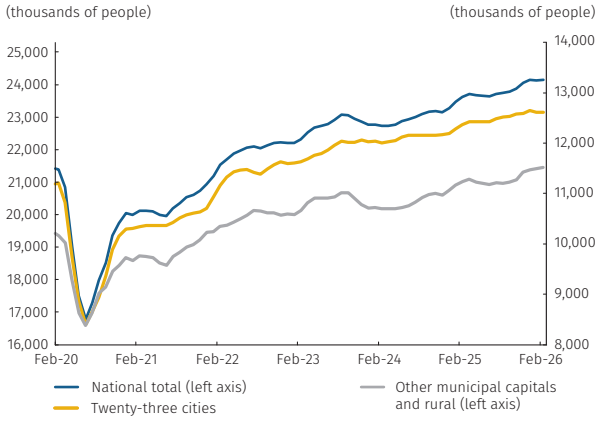
a/ Seasonally adjusted and corrected for calendar effects
Sources: DANE; calculations by Banco de la República.

the country associated with the ongoing La Niña phenomenon, intermittency in the production processes of some industrial plants, and increases in import tariffs from some countries, among others.

3.3 Labor market[3,4]

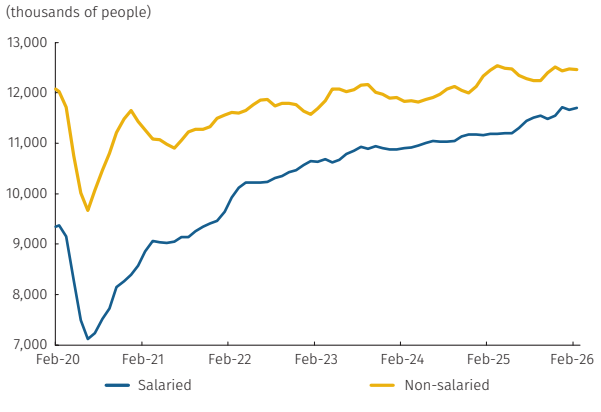
The most recent labor market figures continued to show an upward trend in national employment on an annual basis, although urban employment lost momentum at the margin. For the rolling quarter ended in February, seasonally adjusted data from the Integrated Household Survey (GEIH for its Spanish acronym) indicate that national employment increased relative to the same period last year in both the twenty-three major cities and rural areas (Graph 3.13). This favorable behavior led to a 2.2% year-on-year increase in employment nationally, driven mainly by 2.5% growth in other municipal capitals and rural areas and a 2.0% increase in urban areas. However, the employment rate lost momentum in the last quarter. Specifically, the quarterly variation for the national aggregate was 0.4%, and for the urban areas, 0.2%. By economic sectors, national employment grew in most activities, especially manufacturing, professional activities, and public administration. However, the real estate, agriculture, and retail sectors recorded declines in hiring.

Graph 3.13
Employed population by location



Note: Rolling quarterly seasonally adjusted data
Sources: DANE (GEIH), calculations by *Banco de la República.*

Graph 3.14
Jobs by type of employment (national total)



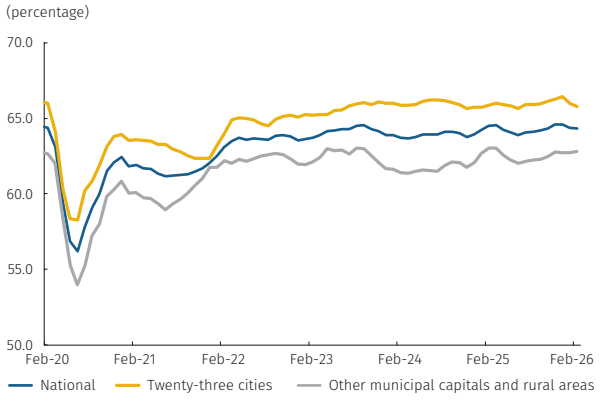
Note: Rolling quarterly seasonally adjusted data
Sources: DANE (GEIH), calculations by *Banco de la República.*

The annual growth in employment is primarily focused on salaried positions, although its momentum has diminished slightly at the margin. In the rolling quarter ended in February, salaried employment grew 4.6% annually, while non-salaried employment grew 0.1% (Graph 3.14). In particular, private- and government-sector employees, which comprise this category, increased by 4.8% and 2.8% annually, respectively, representing contributions of 4.4 pp and 0.2 pp to total employment growth. Among non-salaried employment, the employer category was the largest contributor to this segment's annual growth, whereas unpaid family workers and self-employed had a negative impact. This upward trend in formal salaried employment is also reflected in other data sources, such as records of contributors to the Integrated Contribution Settlement Form (PILA, for its Spanish acronym), where the number of contributors rises in line with the GEIH salaried data. However, in the January-February two-month period, salaried employment contracted by

3 For a more detailed analysis of the labor market, please see *Banco de la República's* Labor Market Report, available only in Spanish at https://www.banrep.gov.co/es/reporte-mercado-laboral

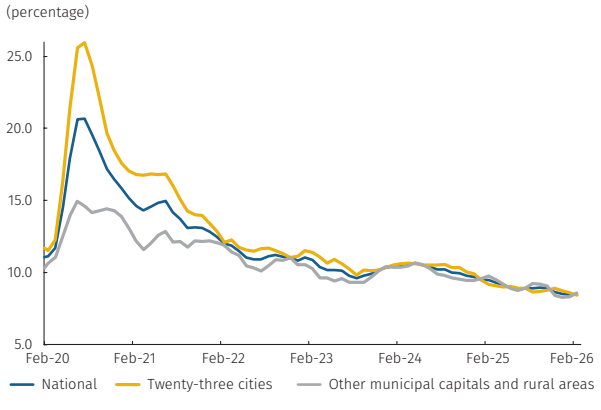
4 The labor market figures referenced in this section of the Report are primarily for the rolling quarter ending in February 2026.

Graph 3.15
National Global Participation Rate (GPR) rate by location



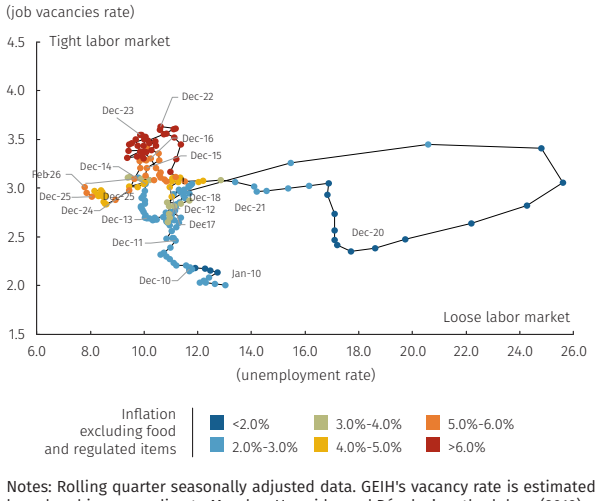
Note: Rolling quarter seasonally adjusted data
Sources: DANE (GEIH), calculations by *Banco de la República.*

Graph 3.16
Unemployment rate by location



Note: Rolling quarter seasonally adjusted data
Sources: DANE (GEIH), calculations by *Banco de la República.*

Graph 3.17
Beveridge curve for the seven main cities



Notes: Rolling quarter seasonally adjusted data. GEIH's vacancy rate is estimated based on hires according to Morales, Hermida, and Dávalos' methodology (2019)
Sources: DANE (GEIH), calculations by *Banco de la República.*

2.5% relative to the November-December two-month period, with a sharp fall in the twenty-three major cities. In contrast, non-salaried employment grew by 2.6% over the same term.

The overall labor force participation rate has declined, mirroring the growth of the inactive population. In the rolling quarter ended in February, the population outside the labor force increased nationally by 1.8% year-on-year, with increases of 2.5% in rural areas and 1.5% in the twenty-three major cities (Graph 3.15). This behavior is reflected in the national labor force participation rate, which stood at 64.3%, representing an annual decrease of 0.15 pp. This reduction reflects the fall in the labor force participation rate in rural areas and the twenty-three major cities, which decreased by 0.24 pp and 0.07 pp, respectively. By gender, women's labor force participation rate stood at 53.0%, representing an annual decrease of 0.2 pp. Similarly, the labor force participation rate of men fell annually (0.1 pp) and stood at 76.6%. However, the gender gap decreased as of February 2026 to 3.3 pp, reaching an all-time low.

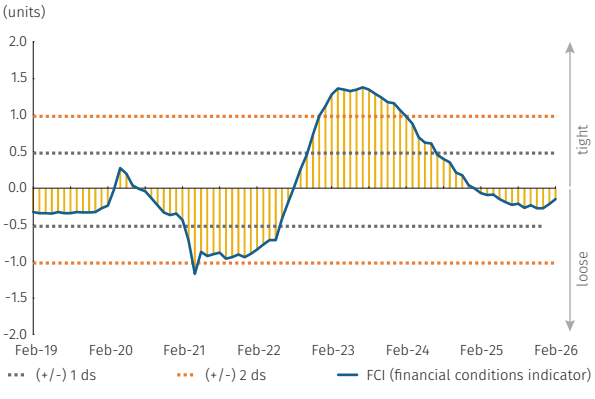
In recent months, the national aggregate unemployment rate has fallen and continues below its historical average. In the rolling quarter ending in February, the national unemployment rate stood at 8.5%, down from 9.5% a year earlier, though still higher than the rate for the rolling quarter ending in January. This decrease is the result of the lower pressure exerted by the labor supply, as noted in the previous paragraph (Graph 3.16). Despite this improvement, wide differences persist among cities. In particular, Bogotá registered the lowest unemployment rate (6.8%), followed by Villavicencio (7.2%) and Neiva (7.3%). In contrast, Quibdó had the highest unemployment rate (23.3%), followed by Cartagena (13.7%) and Armenia (12.7%). Compared to the previous year, the unemployment rate saw the most substantial decreases in Quibdó (-8.1 pp), Florencia (-5.3 pp), and Riohacha (-4.0 pp), and the largest increases in Cartagena (+4.2 pp), Medellín (+1.7 pp), and Armenia (+1.4 pp).

Hiring expectations indicators present conflicting signals. Short-term hiring expectations, as reported in the Manpower-Group survey, remained positive. Nonetheless, the medium-term hiring outlook (over three to six months) from *Banco de la República's* Quarterly Survey of Economic Expectations (ETE) declined, with a negative balance in January 2026 signaling reduced activity in the formal sector during that period. In turn, the joint behavior of the urban unemployment and job vacancy rates, as depicted by the Beveridge curve[7] (Graph 3.17), suggests that the labor market continued to show signs of tightness, with figures on the left side of the curve, in the context of low unemployment and a relatively stable vacancy rate.

3.4 Financial and monetary market

During the first quarter of 2026, local financial conditions tightened somewhat in response to an environment characterized by interest rate hikes and higher inflation expectations. In this context, the loan portfolio maintained a steady recovery, although signs of slowing down became apparent, linked to a decreased perception of demand, higher loan requirements, and the recent stabilization of disbursements. At the same time, interest rates, both active and passive, increased in the first quarter of the year, in line with the recent increase in the monetary policy interest rate (MPR) and inflation expectations. In parallel, the financial system remained on solid ground, as reflected in positive loan portfolio quality indicators, although experiencing a slight deterioration at the margin. Additionally, profits continued to recover, and solvency levels remained well above the regulatory minimums. As a result, local financial conditions would have remained looser at the start of the year (see Box 4), although with a reduction at the margin, mainly due to less favorable expectations about credit conditions and higher market interest rates (Graph 3.18). This adjustment could translate into a lower future contribution of credit to overall economic activity, particularly private consumption.

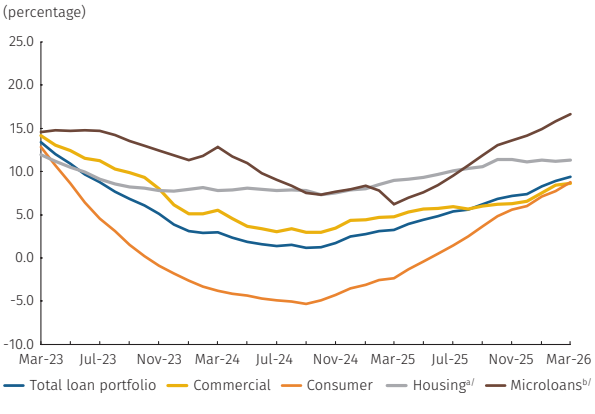
Graph 3.18
Financial condition indicator for Colombia



Source: calculations by *Banco de la República.*

The loan portfolio continued to recover during the first quarter of the year, although the recent stabilization in disbursements, signs of lower demand, and higher credit requirements suggest a gradual slowdown throughout 2026. As of March, the loan portfolio continued to recover gradually. In nominal terms, the total loan portfolio recorded annual growth of nearly 9% in March, while the consumer, commercial, and housing loan types grew by 8.8%, 8.7%, and 11.3%, respectively (Graph 3.19). In real terms, all credit types also showed positive annual changes. Although the recovery was broad-based, it was more evident in the consumer and commercial loan portfolios after the contraction recorded in previous years. According to the results up to December 2025 of the credit survey conducted by *Banco de la República* (*Encuesta de situación del crédito en Colombia*), the loan demand perception indicator remained positive across all loan types in the fourth quarter of 2025, except for housing. Looking ahead to the first quarter of 2026, the entities surveyed anticipate that perceptions of demand for housing loans would remain negative, while demand for consumer and commercial loans would begin to decline, with the latter moving into negative territory. Regarding loan requirements, for the first three months of 2026, expectations are for the indicator to increase across the board, with tighter lending standards, higher limits on consumer loans, continued restrictions in the commercial loan portfolio, and a stable situation for housing and micro-

Graph 3.19
Gross loan portfolio in Colombian pesos
(annual change, monthly averages)



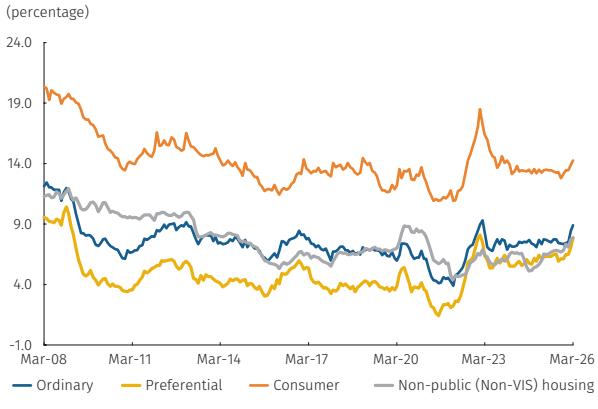
a/ Adjusted housing: bank loan portfolio plus securitizations
b/Microloans as of March 1, 2024, includes "Banco Contactar", entity that had previously operated as "Corporación de Crédito Contactar" under the oversight of the Superintendency of Corporate Affairs
Sources: Financial Superintendence of Colombia, calculations by *Banco de la República.*

Table 3.1
Interest rates
(average monthly, percentage)

	Mar 25	Jun-25	Sep 25	Dec 25	Mar 26
Interbank					
Interbank policy rate	9.50	9.25	9.25	9.25	10.25
Interbank overnight	9.50	9.25	9.25	9.21	10.24
BBI overnight	9.50	9.25	9.25	9.22	10.26
BBI 1-month	9.45	9.24	9.24	9.30	10.76
BBI 3-months	9.31	9.17	9.19	9.47	11.45
BBI 6-months	9.12	9.06	9.11	9.84	12.11
BBI 12-months	8.80	8.87	8.96	10.31	12.70
Deposits					
Savings	4.30	4.04	3.99	3.83	4.60
DTF 90-days	9.26	8.94	8.76	8.95	9.83
CDT* 180-days	9.25	9.11	8.85	9.11	10.32
CDT 360-days	9.89	9.53	9.39	9.91	12.08
CDT > 360-days	10.26	10.16	9.94	10.58	12.12
Loans					
Preferential	11.78	11.59	11.17	11.91	13.71
Ordinary	13.35	12.79	12.74	12.95	14.78
Non-public housing purchases	12.07	11.96	12.09	12.84	13.69
Public housing purchases	11.64	11.50	11.55	12.26	12.34
Consumer personal loan	21.16	20.46	20.33	20.37	21.84
Consumer payroll loan	16.79	16.76	16.57	16.59	17.99
Credit card	23.40	24.11	23.56	23.36	23.87

*CDT (term deposit certificates)
Sources: Financial Superintendence of Colombia, calculations by *Banco de la República.*

Graph 3.20
Real loan interest rates
(monthly average data deflated by the CPI excluding food)



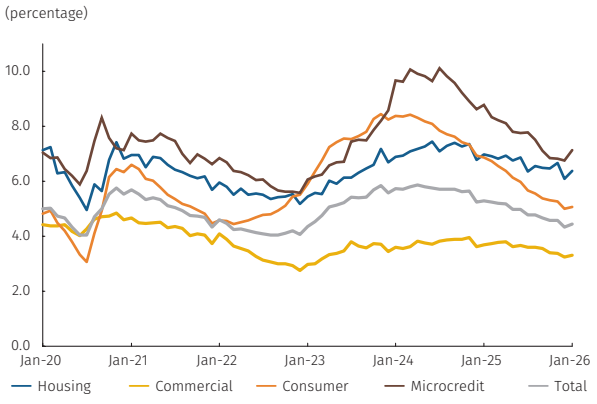
Sources: Financial Superintendence of Colombia, calculations by *Banco de la República.*

credit loans. Moreover, during the same period, disbursements have stabilized after the increases observed during 2025. This could imply a restraint in the loan portfolio's behavior, especially in the consumer modality. However, the loan portfolio would continue to be backed by local financial conditions that remain relaxed (though gradually tightening), continued dynamism in households' disposable income, and low unemployment rates.

Active and passive lending rates increased during the first months of the year, in line with the adjustment of the MPR, the increase in inflation expectations, and the rise in interest rates on public debt. In January, inflation expectations rose significantly relative to their December levels, translating into an easing of the monetary policy stance, given the *ex ante*[8] reduction in the real interest rate (see Box 1). In this environment, *Banco de la República* increased the MPR by 100 basis points (bps) in each of its January and March meetings. This behavior was closely reflected in market interest rates. With information as of March, the one-, three-, six-, and twelve-month benchmark banking indicators increased by 146, 198, 227, and 239 bps, respectively, during the first quarter of the year (Table 3.1). The steeper increase in longer-term monetary market interest rates also reflected expectations of additional benchmark rate increases, consistent with the magnitude of the change in inflation expectations. On the other hand, interest rates on certificates of deposit (CDT for its Spanish acronym) also increased across all maturities. In particular, the interest rate on the 360-day CDTs recorded the largest increase (217 bps), in anticipation of additional adjustments to the MPR. Lending rates also increased moderately during the period. In real terms, interest rates across all loan types increased and were above their 10-year averages (Graph 3.20). It should be noted that, for housing loans interest rates, recent developments pushed increases before those resulting from the MPR, reflecting the behavior of public debt interest rates at comparable maturities (see Box 5). Indeed, mortgage market interest rates stopped falling at the end of 2024 and rose throughout 2025, in line with the behavior of ten-year TES interest rates (TES are bonds issued by the Colombian government and managed by *Banco de la República*). Finally, so far in 2026, expectations, both from surveys and implicit in public debt securities, for the MPR to rise continue across the entire forecast horizon. This behavior is consistent with an environment of higher inflation expectations and, therefore, a higher MPR, in line with the objective of ensuring inflation convergence toward the target.

The loan portfolio quality indicator remained at relatively low levels at the end of 2025, although with a marginal increase in the first month of this year for all loan types. Profits from

Graph 3.21
NPL Indicator
(past due loan portfolio[a/] / total loan portfolio)



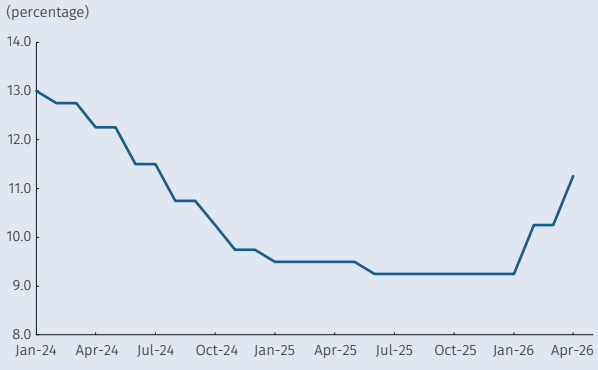
a/ Refers to loans past-due over 30 days
Sources: Financial Superintendence of Colombia, calculations by *Banco de la República.*

credit-providing institutions continued to recover, and solvency levels remained well above regulatory minimums. Based on information as of January 2026, the loan portfolio quality indicator registered slight increases for the different types of loans (Graph 3.21). However, the non-performing loans indicator levels remained relatively low, consistent with favorable loan portfolio quality. The financial system maintained a strong position, with credit-providing institutions reporting a total of COP 18.2 trillion (t) in twelve-month cumulative profits as of January 2026 and total (15.1%) and basic (17.8%) solvency levels well above the regulatory minimums (9.0% and 4.5%, respectively).

Box 1
A 200-Basis-Point Increase in the Monetary Policy Interest Rate Between January and March 2026

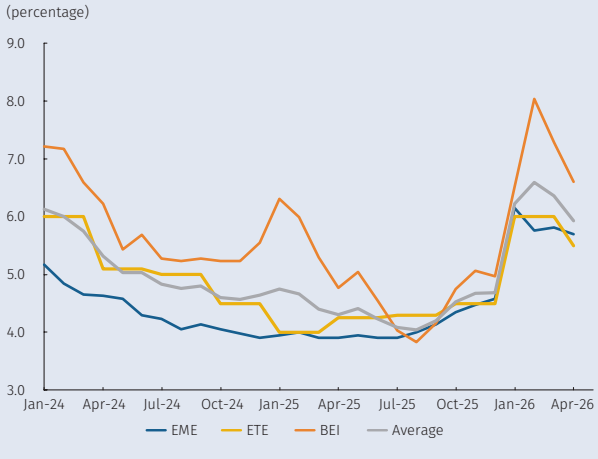
Juan José Ospina*

Graph B1.1
Monetary policy interest rate (MPR)



Source: *Banco de la República.*

Graph B1.2
Measures of inflation expectations (to 12 months)



EME: Monthly survey of economic analysts' inflation expectation—median
ETE: Quarterly survey of economic expectations (businesspeople, unions, and academia) – median
BEI: Breakeven inflation expectations
Source: *Banco de la República.*

During January and March 2026, the Board of Directors of *Banco de la República* (BDBR) increased the monetary policy interest rate from 9.25% to 11.25% (Graph B1.1). The pace of this increase was faster than that of typical benchmark-rate adjustments. It was adopted in a context where many individuals, companies, and economic analysts began to expect inflation to exceed previous estimates due to the sharp rise in companies' labor costs early in the year. This relatively swift rise in policy rates was intended to curb inflation's impact on prices and safeguard households' purchasing power, particularly that of the most vulnerable populations. An illustrative explanation of this monetary policy interest rate adjustment is provided below.

During January 2026, inflation expectations across all measures monitored by *Banco de la República* rose significantly, reaching levels above 6% (Graph B1.2), continuing to increase on average through February. By January, the various economic agents whose inflation expectations are surveyed—including businesspeople, unions, academia, financial analysts, and buyers and sellers of public debt—revised their 2026 outlooks relative to their earlier responses, indicating they expected prices to escalate further in the year than they previously forecast, and thus inflation would deviate further from its target. Simply put, in January, they expected a larger overall increase in prices, meaning households' purchasing power would decline.

Notably, this increase in inflation expectations was quite abrupt. For all measures of inflation expectations monitored by the Bank, this single-month jump was the largest in its tracked history (Graph B1.3). In light of this scenario, *Banco de la República* sought to neutralize the effect of this increase in expectations on the real borrowing and savings conditions. The example presented below illustrates why this was necessary, what variables could influence the decision, and how the mechanism functions.

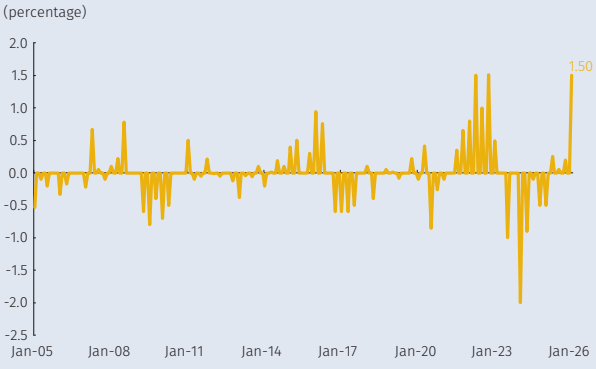
1. What is the real *ex ante* interest rate, and why is it so important?

When *Banco de la República* raises its policy rate, it is not always seeking to make credit more expensive or make savings more affordable

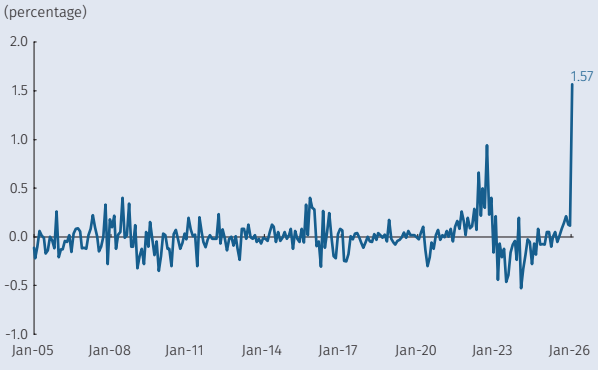
* The author is the Chief Officer of Monetary Policy and Economic Information. The opinions herein expressed are solely the responsibility of the author and do not necessarily reflect those of the Bank nor its Board of Directors.

Graph B1.3
Changes in inflation expectations

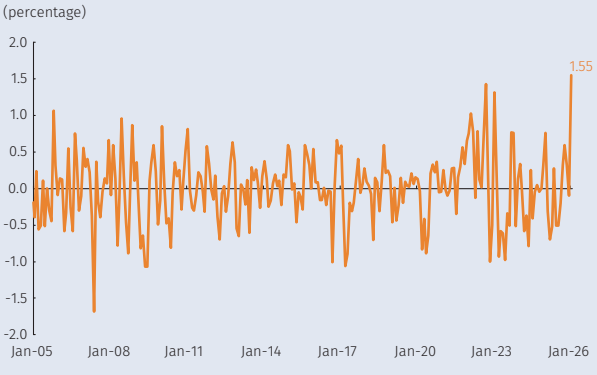
A. Quarterly survey of inflation expectations—businesspeople, unions, and academia (ETE for its Spanish acronym)



B. Monthly survey of economic analysts' expectations (EME for its Spanish acronym)



C. Inflation expectations derived from the public securities market (BEI)



Sources: *Banco de la República*, author's own calculations.

in real terms. To understand why the benchmark rate is increased, a key concept must be understood: the real ex ante interest rate.

This rate refers to the difference between the nominal interest rate—such as that set by *Banco de la República* or other rates, such as those on public debt securities or CDTs—and the inflation expected by economic agents in the future. Namely:

Real *ex ante* interest rate = nominal interest rate – expected inflation

What really matters when deciding whether to spend, save, or borrow is not the nominal interest rate but the real interest rate. The following example illustrates this concept:

In January, a merchant orders 1,000 T-shirts, costing $10,000 each, to sell in December. The current market price for these T-shirts is $12,000, but since he must wait a year to sell them, the price at which he can sell them will depend on how much prices increase over that year, which reflects inflation. To finance the purchase, he takes out a loan of $10,000,000 at a 10% nominal interest rate.

To understand why the real interest rate is the key variable, let's compare two merchants who have identical operations, credit conditions, and a 10% nominal interest rate, but differ in their inflation expectations.

Merchant 1 believes prices will rise by 3% over the year, so he expects to sell each T-shirt for $12,360. His expected income is $12,360,000, and after paying the $10,000,000 product cost

and $1,000,000 of interest on the loan, he expects a profit of $1,360,000. Thus, for merchant 1, the real interest rate is 7% (10% – 3%).

Merchant 2 believes that prices will rise by 13% over the year. Therefore, he expects to sell each T-shirt for $13,560, his expected income is $13,560,000, and, after paying the same interest costs, his expected profit is $2,560,000. For this merchant, the real interest rate is –3% (10% – 13%).

The conclusion is clear: at the same nominal interest rate, merchant 2 expects to earn nearly twice as much as merchant 1, making him more willing to take on the loan. The key difference lies not in the nominal interest rate itself but in the inflation each merchant expects. Therefore, the real interest rate, rather than the nominal rate, primarily influences economic decisions. This reasoning can also be applied to savings, consumption, and credit choices.

2. What happens when the components of the real ex ante interest rate change?

	Merchant 1	Merchant 2
Nominal interest rate	10 %	10 %
Expected inflation	3 %	13 %
Real interest rate	+7 %	–3 %
Expected sale price	$12,360	$13,560
Expected profit	$1,360,000	$2,560,000

Using Merchant 1 as a benchmark (nominal interest rate of 10%, expected inflation of 3%, real interest rate of +7%, and expected profit of $1,360,000), let's observe what happens when inflation expectations increase, and the central bank raises or keeps the nominal interest rate unchanged. In this example, we assume the interest rate applicable to the merchant changes in lockstep with the monetary policy interest rate. In reality, interest rates can also fluctuate due to increases in country risk, increases in other benchmark interest rates, such as those on public debt bonds (see Box 5 of this *Report*), or factors related to the person applying for the loan.

Scenario 1: inflation expectations rise by 200 bps, and *Banrep* does not adjust the policy rate

Expected inflation increases from 3% to 5%, but the nominal interest rate remains at 10%. The real rate falls from +7% to +5%. The expected sale price rises to $12,600, loan interest remains at $1,000,000, and the expected profit totals $1,600,000. The transaction becomes more attractive: real borrowing costs have declined, and the merchant has greater incentives to borrow and spend.

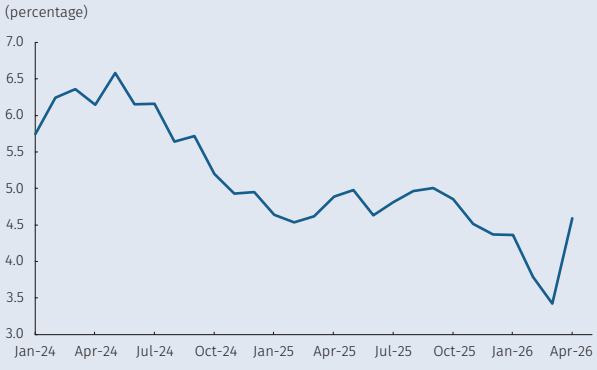
Scenario 2: inflation expectations rise by 200 bps, and Banrep reacts by raising the interest rate by 200 bps

Expected inflation increases from 3% to 5%, and the nominal interest rate rises from 10% to 12%. The real rate remains at +7%. The expected sale price rises to $12,600, the loan interest rises to $1,200,000, and the expected profit is $1,400,000. The business remains practically the same as in the benchmark situation (profit of $1,360,000) because the Bank neutralized the effect of the increase in inflation expectations.

Scenario 2 mirrors *Banco de la República's* actions during January and March 2026: by raising its nominal interest rate by an amount similar to the increase in inflation expectations in the first two months of the year, it prevented credit from becoming cheaper in real terms and from generating additional incentives to spend and borrow at a time when inflation was already high and expected to rise. In other words, the Bank did not seek to restrain economic activity; it simply avoided overstimulating it in an environment of rising inflation.

Scenario	Nominal interest rate	Expected inflation	Real interest rate	Expected profit
Base	10%	3%	+7%	$1,360,000
1. Inflation increases, the Bank does not react	10%	5%	+5%	$1,600,000
2. Both inflation & MPR increase	12%	5%	+7%	$1,400,000

Graph B1.4
Ex ante benchmark rate (12-month average inflation expectations)



Note: The calculation uses the 12-month average inflation expectations (ETE, EME, BEI) available at the time of the monetary policy decision.
Sources: *Banco de la República*; author's calculations.

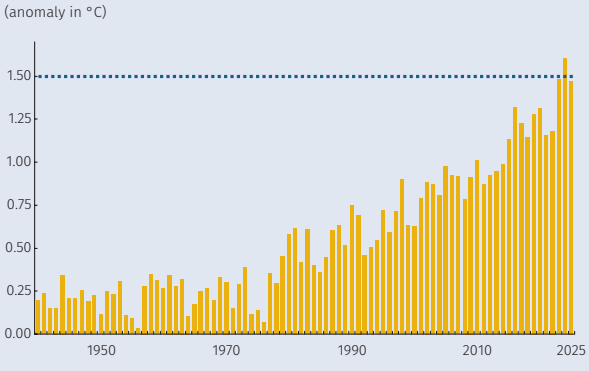
3. So, what actually happened to the real benchmark interest rate?

Graph B1.4 shows *Banco de la República's* real *ex ante* interest rate calculated as the difference between the nominal monetary policy interest rate and the average of the different measures of inflation expectations presented (Graph B1.2). As observed, despite the 200 bps increase in the nominal interest rate between January and March 2026, the real *ex ante* interest rate is similar to that recorded in December. In January, it fell sharply due to an increase in inflation expectations, a decline that was then corrected by an increase in the monetary policy interest rate, leaving it at levels comparable to those in December. Thus, the BDBR's decisions sought to offset the effects of the rise in inflation expectations without tightening monetary conditions, thereby continuing to reduce inflation and protect the purchasing power of all Colombians.

Box 2
The New RONI: An Improved Indicator for Characterizing Climate Anomalies

Edgar Caicedo García
Juan Camilo Vallejo Peña*

Graph B2.1
Annual change in global temperature anomalies relative to preindustrial levels



Source: Copernicus, https://climate.copernicus.eu/GCH2025-graphics-gallery.

In recent decades, Earth's average temperature has steadily increased, with the average over the past three years surpassing the 1.5 °C threshold set by the 2016 Paris Agreement[1] (Graph B2.1). The Agreement states that higher levels of global warming would substantially raise the risks of droughts, floods, and forest fires. It would exacerbate the decline of terrestrial and marine ecosystems, increase food insecurity, and pose greater risks to human health. Additionally, it would generate ongoing pressures on supply chains and living costs, resulting in economic and social effects worldwide. Consequently, the U.S. National Oceanic and Atmospheric Administration (NOAA) recently replaced the Oceanic *El Niño* Index (ONI) with the Relative Oceanic *El Niño* Index (RONI) to better track *El Niño* Southern Oscillation (ENSO) phases in a scenario of warmer oceans. This box explains the key differences between the two indices and their implications for reclassifying and forecasting climate anomalies.

1. What is *El Niño*, how is it measured, and when is it officially declared?

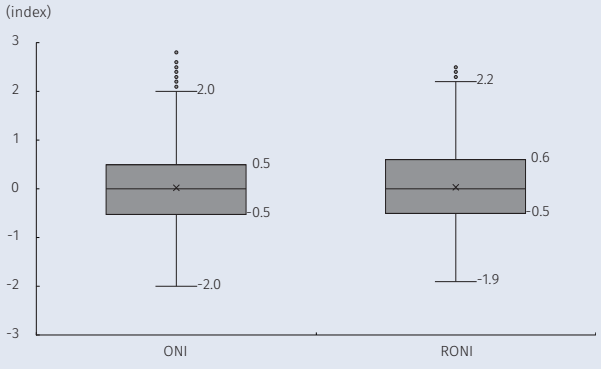
ENSO is a climatic phenomenon, involving both atmospheric and oceanic interactions, that occurs in the tropical Pacific Ocean and can exhibit three states: warm (*El Niño*), cold (*La Niña*), and neutral (no extreme climatic event is present). The *El Niño* phenomenon involves an anomalous warming of the surface waters of the central and eastern tropical Pacific, in the so-called Niño 3-4 region, and develops when the trade winds weaken and the warm waters from the Pacific Ocean, off Australia, move towards northwestern South America, weakening the cold Humboldt ocean currents.

To monitor *El Niño*, NOAA previously used the ONI to measure sea surface temperature anomalies in the equatorial Pacific relative to its climatological average over the last three decades. For an *El Niño* event to be declared, ONI values must be equal or exceed 0.5 °C for at least five consecutive periods, where each period corresponds to

* The authors are both analysts in the Programming and Inflation Department. The opinions herein expressed are solely the responsibility of the authors and do not necessarily reflect those of the Bank nor its Board of Directors.

1 The Paris Agreement is an international treaty on climate change, signed in late 2015 and adopted in 2016 by 194 countries. It sets temperature rise thresholds; sustained exceedance of these thresholds would significantly increase the risk of severe and potentially irreversible climate impacts. See: https://unfccc.int/process-and-meetings/the-paris-agreement

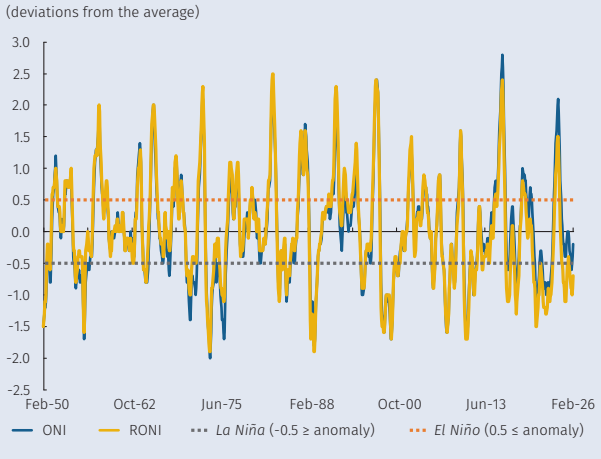
Graph B2.2
ONI and RONI distribution



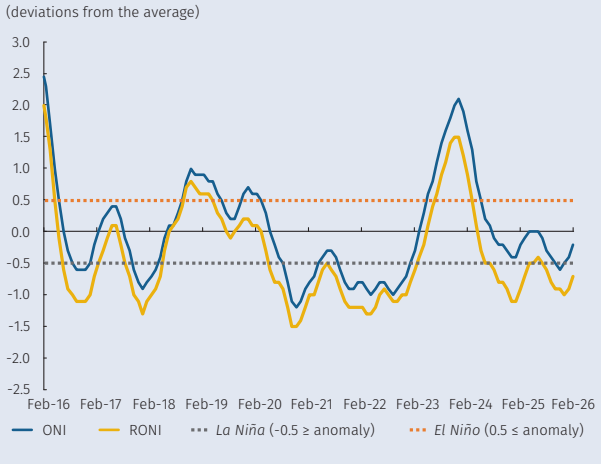
Note: The graph shows that the variability of the two indicators is similar, as are their central tendency measures (the line inside the box represents the median, and the "X" corresponds to the mean).
Source: Authors' own elaboration using NOAA data.

Graph B2.3
Comparison of ONI and RONI estimates

A. Historical ONI vs. RONI



B. ONI vs. RONI



Source: Authors' own elaboration using NOAA data.

a 3-month moving average. Additionally, the strength of an *El Niño* event is determined by the magnitude of the temperature anomaly, as follows: when temperatures range between 0.5°C and 1.0°C, it is considered weak; from 1.0°C to 1.5°C, it is considered moderate; from 1.5°C to 2.0°C, it is considered strong; and, when the temperature exceeds 2.0°C, it is classified as a very strong event.[2] To classify the intensity of an El Niño event, anomalies must fall within defined ranges for at least three consecutive months.

To conduct rigorous monitoring, it is important to distinguish among warm conditions, *El Niño* conditions, and an actual *El Niño* event. Warm conditions are recorded when temperature anomalies are between 0 and 0.5°C, while *El Niño* conditions occur when temperatures equal or exceed 0.5°C but do not persist for five consecutive observations. An official event is declared when temperature anomalies equal or exceed 0.5°C for five or more consecutive observations (Graph B2.3, panel A).[3]

2. What is the Relative Oceanic *El Niño* Index (RONI) and how is it constructed?

The RONI, calculated by NOAA's Climate Prediction Center, is the new official index adopted in February 2026 for identifying ENSO states. It aims to correct the climate-change bias inherent in the ONI. Although both indicators have numerically similar values, the RONI exhibits more consistent statistical behavior by isolating the relative signal of the equatorial Pacific Ocean from the average warming of the tropical oceans. It is calculated by subtracting the average sea surface temperature anomaly across the entire global tropical belt, defined as the region between 20° S and 20° N latitude (NOAA, 2026), from the original ONI value. Following L'Heureux et al. (2024), the result of this subtraction must be adjusted to ensure the RONI has the same variability as the ONI, thereby ensuring comparability between the two indices. The formal expression of the RONI is:

$$RONI = \left(ONI - \frac{1}{n} \sum_{i=1}^{n} A_i \right) \cdot \frac{\sigma_{ONI}}{\sigma_{(ONI - Tropical\ Average)}}$$

Where A_i is the sea surface temperature (SST) anomaly at point *i* within the tropical belt; *n* is the total number of measurement points[4] in the tropical belt; σ_{ONI} is the standard deviation of the ONI in the referenced period; and, finally, $\sigma_{(ONI - Tropical\ Average)}$ is the standard deviation of the relative series. Once the RONI has been obtained, the reclassification of the ENSO events is performed using the same criteria as the ONI, as already mentioned.

Graph B2.2 summarizes the distributions of ONI and RONI using a box plot. The analysis shows that while the two indicators are largely similar, a key difference is the higher prevalence of positive outliers in the ONI, indicating a greater relative frequency of episodes classified as El Niño events. This result is consistent with the RONI indicator's objective of correcting the positive bias induced by the generalized

2 This section is excerpted and summarized from a work by Eduardo Caicedo and Pablo Bonilla (2023).

3 See https://www.climate.gov/enso

4 Where a measurement point corresponds to a specific geographic location where an ocean surface temperature anomaly value has been recorded.

increase in surface ocean temperature in the tropical Pacific belt, associated with global warming. In short, the RONI does not incorporate new climate information; it only corrects the ONI's climate-change sensitivity, thereby enabling better identification of ocean temperature anomalies and their climate impact.

3. Why was ONI skewing the intensity of El Niño in recent decades?

Within the ONI framework, *El Niño* events are identified based on deviations from the historical average temperature in the central tropical Pacific Ocean (in Niño region 3-4). However, this statistic has been gradually adjusted and no longer accurately reflects the recent increasing trend caused by the intensification of global warming. Consequently, ENSO's neutral conditions would tend to lag behind the current warming trend in the Pacific Ocean, leading to an exaggeration of positive anomalies associated with *El Niño*. Indeed, analysis of data from the past ten years (see Graph B2.3, panel B) shows that the ONI, unlike the RONI, tends to overestimate anomalies in the Niño 3-4 region. This results in more frequent, longer, and more intense *El Niño* events, while simultaneously reducing the detection of *La Niña* events. Such bias affects accurate tracking and precise historical identification of ENSO phases, diminishing the reliability of analyses and forecasts that rely on the ONI as a reference.

4. What differences are noted when the RONI replaces the ONI in characterizing historical ENSO episodes?

NOAA data[5] were used to update the table originally compiled by Bejarano et al. (2020), providing a similar characterization of climatic anomalies for RONI (see Appendix B2.1). Along with its methodology update, NOAA introduced three important changes in the historical characterization of ENSO events. First, the RONI calculation generates three additional *La Niña* episodes that were not recognized under the ONI. The first extends from August 1955 to January 1956, while the remaining two occurred between June 2024 and May 2025, and July 2025 and March 2026. Second, the new classification reduces the total number of *El Niño* events from 25 episodes under ONI to 24 using RONI. In addition, it reduces the number of episodes and the average duration of very strong *El Niño* events: from 9 events under ONI to 8 under RONI, and from 16 months under ONI to less than 14 months under RONI. Finally, the RONI indicator reduces the average duration of both neutral ENSO conditions (from 9.3 months under ONI to 9 months under RONI) and *La Niña* periods (from 12.4 months to 11 months).

5. What is ENSO's forecast for the coming months?

ENSO is currently in a neutral phase, following two consecutive *La Niña* episodes between June 2024 and February 2026. Forecasts point to a higher risk of an *El Niño* event as of mid-year, with the probability rising above 60% and exceeding 90% by the end of the year (Appendix B2.1 and Graph B2.4, panel A). In addition, NOAA CPC recently began publishing a graph that details ENSO probabilities by strength (Graph R2.4, panel B). Their analysis suggests that once *El Niño* conditions begin to manifest, a moderate event is most likely in the coming months. However, in the final quarter of 2026, the likelihood of a more intense event, ranging from strong to very strong, begins to increase significantly. In conclusion, the above suggests an increase in the probability and intensity of an *El Niño* occurrence relative to that reported in previous months, with a growing risk of a strong or even very strong event.

5 Available at: https://www.cpc.ncep.noaa.gov/products/analysis_monitoring/ensostuff/ONI_v5.php (ONI) and https://www.cpc.ncep.noaa.gov/products/analysis_monitoring/enso/roni/#:~:text=The%20RONI%20is%20one%20measure,atmosphere%20phenomenon%20accompanied%20these%20periods (RONI)

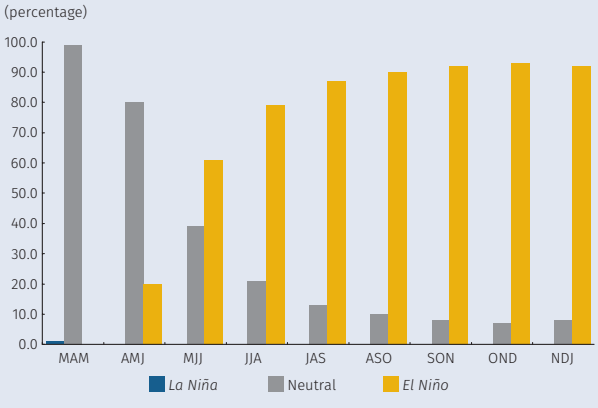
Table B2.1
Characterization of *El Niño* events

ONI				RONI			
El Niño intensity	Average duration in months	Maximum duration in months	Maximum number of consecutive events	*El Niño* intensity	Average duration in months	Maximum duration in months	Maximum number of consecutive events
Weak	6.8	13	3	Weak	7.9	14	2
Moderate	8.3	9	1	Moderate	9.0	12	2
Strong	14.0	18	1	Strong	16.0	18	1
Very strong	16.0	20	1	Very strong	13.8	15	1

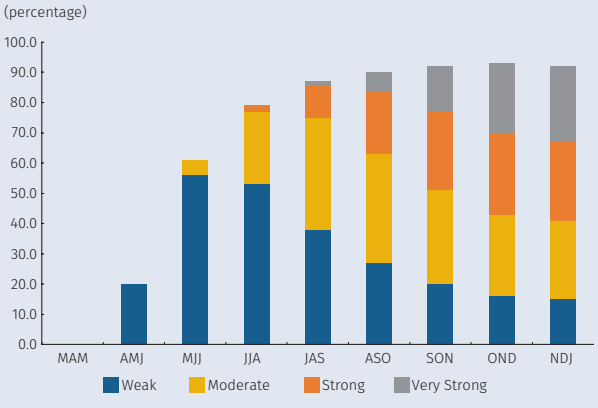
Source: Authors' own elaboration using NOAA data.

Graph B2.4
Probability of occurrence of an *El Niño* phenomenon

A. NOAA CPC ENSO official probabilities



B. NOAA CPC ENSO intensity probabilities



Fuente: Columbia Climate School, IRI, https://iri.columbia.edu/our-expertise/climate/forecasts/enso/current/

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Appendix B2.1
ENSO Characterization (ONI vs RONI)

ONI				RONI			
Dates	Episodeo	Duration in months	Neutral conditions	Dates	Episode	Duration in months	Neutral conditions
Jan-50 to Jul-50	*La Niña*	7	10	Jan-50 to Jun-50	*La Niña*	6	9
Jun-51 to Jan-52	*El Niño*	8	12	Apr-51 to Jan-52	*El Niño*	10	11
Feb-53 to Feb-54	*El Niño*	13	2	Jan-53 to Feb-54	*El Niño*	14	4
May-54 to Sep-56	*La Niña*	29	6	Jul-54 to Nov-54	*La Niña*	5	8
Apr-57 to Jul-58	*El Niño*	16	3	Aug-55 to Jan-56	*La Niña*	6	13
Nov-58 to Mar-59	*El Niño*	5	50	Mar-57 to Jul-58	*El Niño*	17	59
Jun-63 to Feb-64	*El Niño*	9	2	Jul-63 to Feb-64	*El Niño*	8	2
May-64 to Jan-65	*La Niña*	9	3	May-64 to Dec-64	*La Niña*	8	4
May-65 to Apr-66	*El Niño*	12	29	May-65 to May-66	*El Niño*	13	24
Oct-68 to May-69	*El Niño*	8	2	Jun-68 to Apr-69	*El Niño*	11	4
Aug-69 to Jan-70	*El Niño*	6	5	Sep-69 to Jan-70	*El Niño*	5	5
Jul-70 to Jan-72	*La Niña*	19	3	Jul-70 to May-71	*La Niña*	11	10
May-72 to Mar-73	*El Niño*	11	1	Apr-72 to Mar-73	*El Niño*	12	1
May-73 to Jul-74	*La Niña*	15	2	May-73 to Jun-74	*La Niña*	14	9
Oct-74 to Apr-76	*La Niña*	19	4	Apr-75 to Feb-76	*La Niña*	19	4
Sep-76 to Feb-77	*El Niño*	6	6	Jul-76 to Mar-77	*El Niño*	9	4
Sep-77 to Jan-78	*El Niño*	5	20	Aug-77 to Feb-78	*El Niño*	7	19
Oct-79 to Feb-80	*El Niño*	5	25	Oct-79 to Feb-80	*El Niño*	5	25
Apr-82 to Jun-83	*El Niño*	15	2	Apr-82 to Jun-83	*El Niño*	15	2
Sep-83 to Jan-84	*La Niña*	5	8	Sep-83 to Jan-84	*La Niña*	5	8
Oct-84 to Aug-85	*La Niña*	11	12	Oct-84 to Jun-85	*La Niña*	9	13
Sep-86 to Feb-88	*El Niño*	18	2	Aug-86 to Jan-88	*El Niño*	18	2
May-88 to May-89	*La Niña*	13	23	Apr-88 to May-89	*La Niña*	14	23
May-91 to Jun-92	*El Niño*	14	26	May-91 to Jul-92	*El Niño*	15	5
Sep-94 to Mar-95	*El Niño*	7	4	Jan-93 to Sep-93	*El Niño*	9	6
Aug-95 to Mar-96	*La Niña*	8	13	Apr-94 to Mar-95	*El Niño*	12	4
May-97 to May-98	*El Niño*	13	1	Aug-95 to Mar-96	*La Niña*	8	12
Jul-98 to Feb-01	*La Niña*	32	15	Apr-97 to Apr-98	*El Niño*	13	1
Jun-02 to Feb-03	*El Niño*	9	16	Jun-98 to Jun-00	*La Niña*	25	3
Jul-04 to Feb-05	*El Niño*	8	8	Oct-00 to Apr-01	*La Niña*	7	13
Nov-05 to Mar-06	*La Niña*	5	5	Jun-02 to Feb-03	*El Niño*	9	15
Sep-06 to Jan-07	*El Niño*	5	4	Jun-04 to Jan-05	*El Niño*	8	9
Jun-07 to Jun-08	*La Niña*	13	4	Nov-05 to Mar-06	*La Niña*	5	5
Nov-08 to Mar-09	*La Niña*	5	3	Sep-06 to Jan-07	*El Niño*	5	4
Jul-09 to Mar-10	*El Niño*	9	2	Jun-07 to Jun-08	*La Niña*	13	4
Jun-10 to May-11	*La Niña*	12	2	Nov-08 to Mar-09	*La Niña*	5	5
Aug-11 to Mar-12	*La Niña*	8	30	Sep-09 to Mar-10	*El Niño*	7	1
Oct-14 to May-16	*El Niño*	20	2	May-10 to May-11	*La Niña*	13	2
Aug-16 to Dec-16	*La Niña*	5	9	Aug-11 to Apr-12	*La Niña*	9	34
Oct-17 to Mar-18	*La Niña*	6	5	Mar-15 to Apr-16	*El Niño*	14	1

Appendix B2.1 (continuation)
ENSO Characterization (ONI vs RONI)

ONI				RONI			
Dates	Episode	Duration in months	Neutral conditions	Dates	Episode	Duration in monthss	Neutral conditions
Sep-18 to Jun-19	*El Niño*	10	4	Jun-16 to Feb-17	*La Niña*	9	5
Nov-19 to Mar-20	*El Niño*	5	4	Aug-17 to Apr-18	*La Niña*	9	5
Aug-20 to Apr-21	*La Niña*	9	4	Oct-18 to Apr-19	*El Niño*	7	12
Sep-21 to Jan-23	*La Niña*	17	3	May-20 to Feb-23	*La Niña*	34	4
May-23 to May-24	*El Niño*	13	21	Jul-23 to Mar-24	*El Niño*	9	2
				Jun-24 to May-25	*La Niña*	12	1
				Jul-25 to Feb-26	*La Niña*	8	
Episode	Av. duration in months	Max. duration in months	Intensity with greater occurrence	Episode	Av. duration in months	Max. duration in months	Intensity with greater occurrence
El Niño	10	20	Weak	*El Niño*	10.5	18	Weak and Moderate
La Niña	12.35	32	-	*La Niña*	11.04	34	-
Neutral	9.27	50	-	Neutral	9.04	59	-

Note: The number of months with neutral conditions is reported after each anomalous episode (El Niño or La Niña). Specifically, the most recent ONI record of neutral conditions spans 21 months, from June 2024 to February 2026.
Source: Authors' own elaboration based on NOAA data. This table re-computes and updates Bejarano's (2020) conclusions. The new information can be found at: https://www.cpc.ncep.noaa.gov/products/analysis_monitoring/ensostuff/ONI_v5.php, https://www.cpc.ncep.noaa.gov/products/analysis_monitoring/enso/roni/

Box 3
Forecast Errors and Macroeconomic Shocks in 2025

Cristian David González Téllez
José David Pulido Pescador
Cristian Camilo Quesada Paipa*

In 2025, the Colombian economy continued on its path of recovery, with economic activity registering an annual growth of 2.6%, surpassing the 1.5% observed in 2024. In turn, annual headline inflation converged more slowly toward the target, ending 2025 at 5.1%, close to the 5.2% recorded at the end of 2024. Inflation's behavior was influenced by an easing of annual price adjustments for regulated goods and services, which was offset by increased price volatility for food and other goods.

Relative to the projection provided by *Banco de la República's* technical staff in January 2025,[1] economic growth continued in line with expectations, but its components offered varied surprises. On the one hand, total consumption growth exceeded expectations in both the private and public segments. On the other hand, gross capital formation was weaker than anticipated, mainly due to weaker investment in housing and civil works. Inflation was above the forecasts made at the beginning of 2025. Both core inflation, excluding food and regulated items, and food and regulated inflation surpassed the technical staff's forecast during 2025.

This box uses one of the central forecasting models (4GM)[2] to analyze the surprises in the observed inflation data and the GDP gap estimate for 2025 relative to the technical staff's forecast. The purpose of this exercise is to interpret forecast errors, measured as the difference between the observed data for the macroeconomic variables at the end of 2025 and the corresponding projections prepared by the technical staff in January of the same year, and to relate these errors to the explanatory shocks identified by the model. This analysis is similar to that described in De Castro Valderrama et al. (2021) and is part of the internal evaluation carried out annually by the technical staff on its forecasting process. The following exercise analyzes annual headline and core inflation, as well as the GDP gap.

1. Headline and core inflation

Throughout 2025, headline and core inflation were higher than projected, indicating that the technical staff underestimated inflationary pressures in both baskets (Graph R3.1).

Relative to the forecasts of early 2025, the upward surprise in core inflation occurred in the second half of the year and is explained by the supply shocks that affected the prices of the goods and services baskets in the fourth quarter, possibly associated with a more pronounced transmission of the minimum wage increase than the one anticipated for that quarter. This was aggravated by the second round of inflationary supply shocks in the food and regulated products baskets, as detailed below, and by stronger-than-expected demand. This set of fac-

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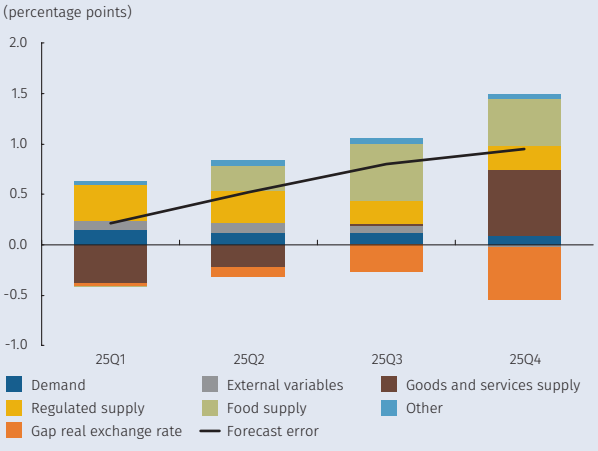
* The authors are members of the Macroeconomic Models Department. The opinions herein expressed are solely the responsibility of the authors and do not necessarily reflect those of the Bank nor its Board of Directors.

1 This Box compares and analyzes the forecasts made in January 2025 with the actual results of 2025

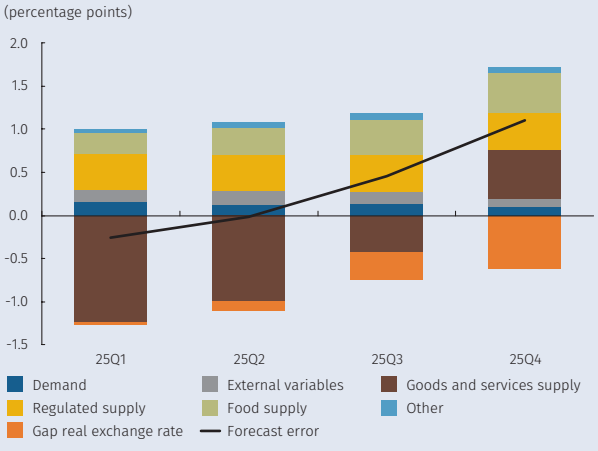
2 See González et al. (2020).

Graph B3.1
Inflation forecast error in 2025
(annual change, end of period)

A. Total inflation (annual change)



B. Inflation excluding food and regulated items (annual change)



Note: The forecast error is the difference between the observed value and the January 2025 projections. A positive value means that the actual observed figure was higher than expected, indicating an underestimation of the variable. Each quarter's bars show the cumulative shocks from the past four quarters that account for the gap between the forecast and the actual data. Therefore, a bar above the horizontal axis signifies that more shocks occurred than initially anticipated by the technical staff.
Source: Authors' own calculations.

tors more than offset the higher-than-expected disinflationary pressures on the real exchange rate. By component, the upward surprises were largely attributable to underestimating the goods component, particularly in the prices of alcoholic beverages, health, and miscellaneous goods, resulting in higher-than-expected inflation. Likewise, the annual variation in the CPI for services was greater than forecast, amid upward surprises in items such as rents, lodging, and domestic services, and food away from home.

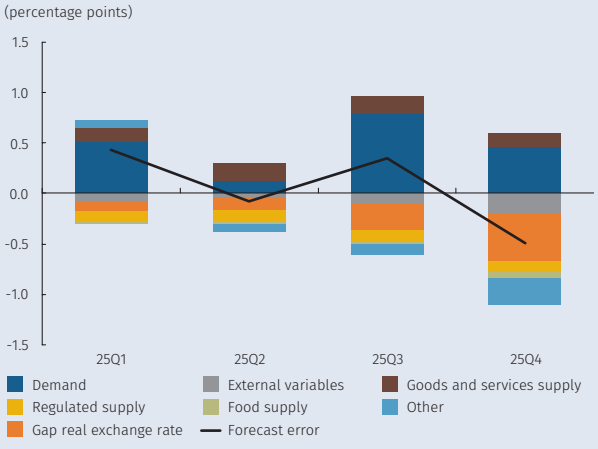
For headline inflation, the forecast error shows that the technical staff underestimated inflation across all quarters of the year. These upward surprises in headline inflation are mainly explained by greater supply shocks in the regulated and food baskets, along with the other factors previously mentioned for core inflation. Regarding food, the underestimation of annual price changes was largely concentrated in the second half of the year and was partly explained by a more unfavorable agricultural cycle than expected, which, together with adverse weather conditions, led to higher prices of perishables. Added to the above were higher prices for processed foods, driven by higher-than-expected international prices and costs. With regard to regulated items, the adjustments in fuel prices, public transport fares, and the price of public utilities[3] turned out to be greater than what was incorporated in the initial macroeconomic forecast.

2. GDP gap

The macroeconomic forecast for GDP at the beginning of 2025 assumed international financial conditions would remain broadly similar to those of the previous year, with external demand growth equal to that of 2024. Regarding domestic factors, private consumption was expected to accelerate at a moderate pace during the year, continuing the economic recovery process that began in 2024. This, together with a recovery in investment, would boost the growth of domestic demand. All of the above would allow economic activity to recover throughout the year and narrow the negative output gap the economy has been experiencing since 2024.

3 The upward surprise in the price of public services was mainly explained by a greater increase in water, sewerage, and gas rates.

Graph B3.2
Change in output gap estimate
(annualized quarterly)



Note: The forecast error is the difference between the observed value and the January 2025 projections. A positive value means that the actual observed figure was higher than expected, indicating an underestimation of the variable. Each quarter's bars show the cumulative shocks from the past four quarters that account for the gap between the forecast and the actual data. Therefore, a bar above the horizontal axis signifies that more shocks occurred than initially anticipated by the technical staff.
Source: Authors' own calculations.

The output gap, estimated using observed GDP data for 2025 and compared with early 2025 forecasts, showed heterogeneous behavior throughout the year (Graph B3.2). The quarterly GDP gap was underestimated in the first and third quarters of the year, was in line with expectations in the second quarter, and was overestimated in the fourth quarter. The underestimated gap in both the first and third quarters was primarily due to stronger-than-expected demand, driven by more positive demand shocks. This was associated with household consumption exhibiting higher spending on durable and semi-durable goods than projected, as well as increased final consumption expenditure by the government.

In contrast, the overestimation of the GDP gap in the fourth quarter, despite lower-than-expected GDP growth, was mainly explained by an unforeseen slowdown in demand (fewer cumulative demand shocks), a smaller-than-expected real exchange rate gap, and lower oil prices than projected. These shocks are classified under the "Other" category in Graph B3.2. By components, the narrower output gap was driven by lower dynamism and revisions to fixed and total investment levels, which remained well below their pre-pandemic levels.

In summary, although the Colombian economy recorded a 2.6% increase in 2025, matching expectations at the beginning of the year, the estimated output gap relative to observed GDP data shows heterogeneous forecast errors throughout the year. In particular, the data for the first and third quarters of the year showed stronger-than-anticipated excess demand, a pattern that was reversed in the last quarter. Conversely, inflation was higher than anticipated due to both inflationary supply shocks and stronger domestic demand, primarily in the first three quarters of the year.

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Box 4
Estimating a Local Financial Conditions Index (FCI) for Colombia

Tatiana Andrea Mora Arbeláez
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1. Introduction

Financial conditions reflect the state of financial factors that, through various channels (e.g., leverage), influence the current and future evolution of key economic variables (Hatzius et al., 2010). Accordingly, the Financial Conditions Index (FCI) for Colombia is constructed to synthesize information from a wide range of indices across different financial markets, enabling the timely identification of signals of economic activity.

The literature highlights that financial condition indices are a valuable tool for monetary policy purposes because they facilitate comparison of financial conditions across periods and serve as inputs to macroeconomic forecasting models. (Angelopoulou et al., 2014). Studies such as those of Hatzius et al. (2010) and Koop and Korobilis (2014) show that these indices incorporate information about the business cycle that is not directly reflected in traditional variables, thereby capturing temporary signals associated with key episodes in the economic and financial analysis of an economy. In addition, financial condition indices play an important role as a communication tool, synthesizing the economy's financial situation in a clear and understandable manner, helping to shape public expectations and strengthen the credibility of monetary policy. (Blinder et al., 2009). In Colombia, a small and open economy vulnerable to external shocks and periods of high financial volatility, using a synthetic indicator of domestic financial conditions helps anticipate risks, enhances macroeconomic analysis, and contributes to informed decision-making. This, in turn, supports more effective monetary policy.

2. Methodology

The literature presents multiple methodologies for constructing this type of index. The most widely used is principal component analysis, which summarizes information from a broad set of financial variables into one or a few common factors that capture most of their variability. Following this approach, Gómez et al. (2011) estimated an FCI for Colombia to identify early signs of economic activity evolution. Building on this contribution and recognizing the growing importance of capturing changes in the dynamics of different financial markets over time, this new ICF estimate adopts the methodology proposed by Koop and Korobilis (2014), which is based on a TVP-FAVAR model.[1] This approach, among its benefits, allows dynamic changes in factor weights as new information is incorporated via the Kalman filter, thus creating a more adaptable relationship between financial variables and the indicator's construction.

The proposed methodology follows three main steps:

1. A database of 72 factors is constructed using a sectoral approach, which in principle incorporates the most relevant relationships of households, companies, and the government with the financial sector.

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* The authors are members of the Programming and Inflation Department. The opinions herein expressed are solely the responsibility of the authors and do not necessarily reflect those of the Bank nor its Board of Directors.

1 Time-Varying Parameter Factor-Augmented Vector Autoregression (TVP-FAVAR)

2. The number of variables is reduced using the algorithm proposed by Kursa, M. B., and Rudnicki, W. R. (2010), known as Boruta, to retain only the most relevant variables for estimating the indicator. This methodology assesses the importance of each financial indicator by comparing it with what could be obtained by pure chance, selecting only those with the greatest explanatory power regarding economic activity. For this exercise, the economic activity indicator (ISE for its Spanish acronym) is used as the objective variable, given its high frequency and its ability to reflect the evolution of economic activity in a timely manner.

3. The variables selected in the previous step are employed to estimate the index following the DVT-Favar methodology. Specifically, those selected are broken down into components attributable to their relationship with the macroeconomic variables included in the analysis and to financial behavior alone.

For this last step, a TVP-Favar is followed as follows:

$$x_t = \lambda_t^y y_t + \lambda_t^f f_t + u_t$$

$$\begin{bmatrix} y_t \\ f_t \end{bmatrix} = c_t + B_{.1} \begin{bmatrix} y_{t-1} \\ f_{t-1} \end{bmatrix} + \cdots + B_{.p} \begin{bmatrix} y_{t-p} \\ f_{t-p} \end{bmatrix} + e_t$$

where x_t corresponds to the financial variables; y_t corresponds to the macroeconomic variables of interest (ISE and core inflation); and f_t corresponds to the ICF. Errors are distributed in the manner $u_t \backsim N(0, V_t)$ y $e_t \backsim N(0, Q_t)$. The regression coefficients are contained in λ_t^y, λ_t^f, which are the weights of the financial variables in the indicator, and $(B_{t,1}, \ldots, B_{t,p})$ are the VAR coefficients that are modeled by a random walk:

$$\lambda_t = \lambda_{t-1} + v_t$$
$$\beta_t = \beta_{t-1} + \eta_t$$

where $v_t \backsim N(0, W_t)$ and $\eta_t \backsim N(0, R_t)$.

3. Databases

The variables were selected using a sectoral approach that analyzes how households, the government, and companies interact with the financial sector, enabling the identification of indices that represent savings, financing, and investment mechanisms in each sector. For households, the primary ways they relate to the financial system through financial savings and debt instruments were considered. Based on these relationships, factors such as gross household savings, interest rates on CDTs and savings accounts, and portfolio composition were selected. A similar exercise was conducted for the government, examining its connection to financial markets via public debt and potential effects on financial conditions, as well as for companies, focusing on their access to investment and operational resources through credit and capital markets.

Consequently, a comprehensive database was created, comprising 72 indicators from various financial markets, including equity market, monetary data, public debt, the external sector, and surveys primarily focused on credit supply and demand. This database features series with varying frequencies: 15 daily, 13 weekly, 29 monthly, and 16 quarterly. The original data underwent three preprocessing stages: first, symbols were assigned so that positive values indicate tighter financial conditions and negative values indicate looser conditions; second, variables were standardized monthly to ensure comparability in scale and frequency; third, the stationarity of each series was assessed and adjusted as needed.[2] Table B4.1 summarizes the indices used to estimate the FCI.

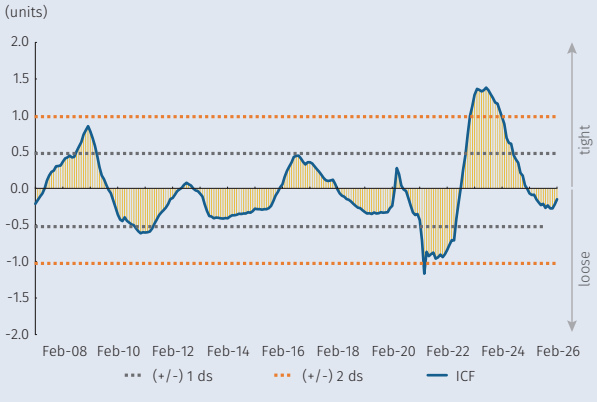
2 Most of the variables did not need transformation and remained at level form. Seventeen were transformed using annual growth, and six were transformed using first differences.

Table B4.1
Savings, investment, and financing mechanisms for households within the financial sector

Name	Frequency
Bid-Ask Spread TES Pesos, MPR, Spread: TES 10-3 years, TES-TIB, mortgage interest rate-TES 10 years, TES 2 years-3 months, Price to book Colcap, ISA and Ecopetrol Capitalization, CDS 5 years, TIB United States, DXY Index and Colcap. Interest rate of savings and CDT accounts. Disbursements of the mortgage portfolio (construction and acquisition), consumer, commercial, FED ICF, M3 (cash + deposits held by the public).	Daily and weekly
Real interest rate on consumer, mortgage, and commercial loans (ordinary and preferential). Spread between the interest rates of the loan portfolio and TES, TIB-TPM. Buyer/seller position of foreigners in TES, government bonds outstanding, and profits of credit institutions. Gross portfolio and mortgage, commercial, and consumer NPL indices. Volatility of TRM (representative market exchange rate), Colcap, and Brent. Fedesarrollo survey: good/bad time to buy housing and durable goods.	Monthly
Price index of used housing, gross household savings, and debtors with exchange rate risk. Survey on the perception of supply/demand and changes in the standards for new loans in the mortgage, consumer, and commercial loan portfolios. Survey on the availability of credit in the sectors included in the Quarterly Survey of Economic Expectations (ETE for its Spanish acronym). Survey on the external debt quota of credit-granting establishments.	Quarterly

Source: Authors' own elaboration.

Graph B4.1
Financial Conditions Index for Colombia



Source: Authors' own calculations.

4. Results

Positive FCI values for Colombia indicate tighter financial conditions, while negative values reflect looser conditions. The historical performance of the index indicates that it effectively reflects key episodes of tightening and easing in Colombia's financial conditions. (Graph B4.1), as well as changes in trends across different economic cycles.

During the 2008 global financial crisis, the FCI reflected a marked tightening of local financial conditions, consistent with reduced foreign investment flows, heightened risk aversion, and a deteriorating international financial environment. This episode resulted in greater financial constraints on the Colombian economy, accompanied by a deterioration in credit indicators and a decline in credit perceptions among some surveys, among other factors, in a context of a restrictive monetary policy stance.

Between 2010 and 2011, the indicator suggested a gradual normalization toward looser financial conditions, consistent with the recovery of economic activity, the return to a more stable growth path, and the appreciation of the peso, amid a progressive improvement in global financial conditions.

Between 2011 and 2016, financial conditions remained comfortable on average, consistent with a period of sustained growth, high international commodity prices - particularly oil and coal, and dynamic inflows of foreign investment, all of which furthered GDP growth. However, from 2014 onwards, there was a gradual tightening of these conditions, associated with falling oil prices, a decline in fiscal revenues, a sharp depreciation of the currency, and a deterioration in Colombia's macroeconomic outlook.

From 2016 to the end of 2021, initial financial conditions were tighter than before but gradually eased. From 2020 onward, this loosening persisted as a result of the measures adopted in the context of the pandemic, aimed at guaranteeing ample liquidity conditions for the financial system and economic activity, in an environment characteri-

zed by low interest rates mirroring *Banco de la República's* decisions, relatively stable credit growth, and inflation close to the target.

From the beginning of 2022 to mid-2024, the FCI pointed to tighter financial conditions, reflecting greater uncertainty about global economic growth and the persistence of internal and external inflationary pressures. Domestically, this environment was characterized by increases in the monetary policy rate amid inflationary pressures, resulting in higher market interest rates. At the same time, lower disbursement growth and a gradual deterioration in loan portfolio quality indices, among other factors, were observed.

Since the end of 2024, the FCI has been close to zero, suggesting slightly looser financial conditions. This behavior occurred in a context of some recovery of the credit market, consistent with stable interest rates on average. However, at the margin, the index shows signs of a slight tightening, in line with recent increases in the monetary policy interest rate, stable disbursements, a signaling of decreased activity in the loan portfolio, and slight deteriorations in loan portfolio quality indices.

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Box 5
Recent Shifts in Interest Rate Dynamics in the Colombian Economy

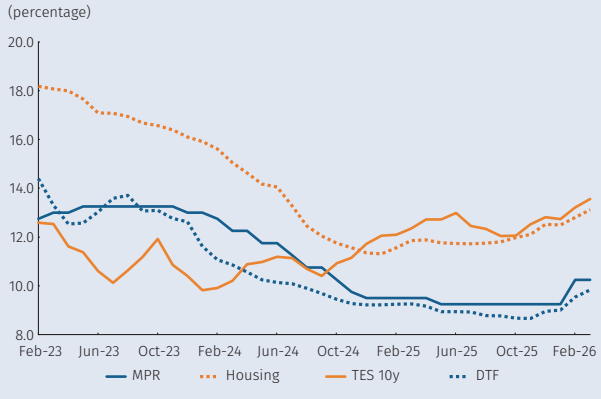
Daniel Esteban Osorio Rodríguez*

In recent discussions of Colombia's macroeconomic environment, relatively little attention has been paid to the changing relationship between *Banco de la República's* (Banrep) monetary policy rate and market interest rates. Such discussions often assume that Banrep's policy rate is the sole — or at least the main — determinant of the lending rates faced by households and firms within the financial system. However, in recent periods, the interest rate on government bonds has exerted a growing influence on long-term lending rates set by credit institutions, a development that has often been overlooked.

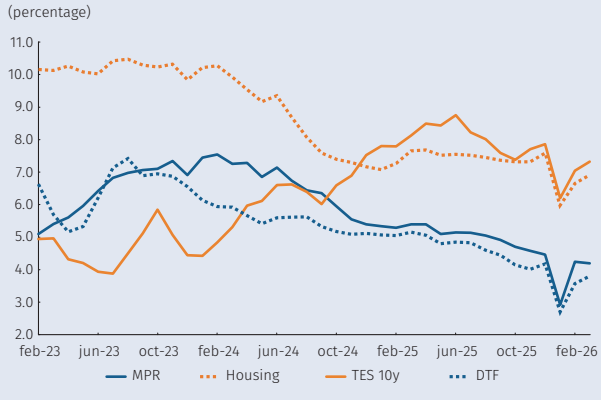
To illustrate this phenomenon, Graph B5.1 shows the behavior of interest rates on 90-day term deposits (DTF for its Spanish acronym), monetary policy (MPR), ten-year public debt (10-year TES), and home purchase loan disbursements since February 2023.

Graph B5.1
Interest rates

A. Nominal



B. Reales



Sources: Financial Superintendence of Colombia, Colombian Ministry of Finance and Public Credit, and *Banco de la República.*

In both panels showing nominal and real interest rates, it is evident that the deposit rate (that is, the rate that measures the marginal cost of banking operations) closely follows the monetary policy rate (MPR), with the exception of the interest rate on home purchase loans, otherwise referred to as the housing loan rate. During 2023 and 2024, the latter declined in both nominal and real terms, following the downward trend in the MPR and in inflation. However, beginning in late 2024, although the MPR continued to decline, the housing loan rate stopped falling. In fact, once it was surpassed by the 10-year government bond interest rate, the housing loan rate began to rise rapidly, closely tracking the government bond yield rather than the MPR.

It is important to emphasize that the 10-year public debt interest rate is responding mainly to factors other than the MPR[1] in the current environment. Both the 10-year public debt interest rate and the housing loan rate increased significantly during 2025, long before Banrep increased the MPR. In fact, the sharp increase in the MPR in the first quarter of 2026 did not appear to affect the interest rate on home purchases, which continued to track the 10-year government bond rate closely. Note that the housing loan rate only begins to closely track the government bond interest rate after the latter has surpassed it.

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1 See https://www.banrep.gov.co/en/blog/performance-interest-rates-government-bonds.

This explains the discrepancy with the MPR: when interest rates on government bonds exceed the loan interest rate, borrowers have to pay the financial system at least the interest rate on public debt. This compensates the financial system for the opportunity cost of allocating depositors' funds to loans rather than investing in government bonds.[2]

The conclusions drawn from these graphs are corroborated by computing correlations using simple regression analyses. Table B5.1 presents four regressions using housing loan rate and the term deposit interest rate as dependent variables, and the monetary policy rate and the 10-year government bond interest rate as independent variables, all in nominal terms.[3]

Table B5.1
Correlations using simple regressions

	Regression 1	Regression 2	Regression 3	Regression 4
	Dependent variable: housing loan rate		Dependent variable: 90-day term deposit certificates	
Estimation	OLS	OLS	OLS	OLS
Sample	2003:01-2024:12	2025:01-2026:03	2003:01-2024:12	2025:01-2026:03
MPR	0.25*** (0.03)	0.04 (0.26)	0.84*** (0.01)	0.82*** (0.15)
10-year TES	0.77*** (0.04)	0.79*** (0.19)	0.14*** (0.01)	0.04 (0.11)
n	264	15	264	15
F	505.95	13.67	3633.31	27.64
R2 Adjusted	79.34%	64.41%	96.51%	79.19%

Source: Prepared by the author.

Regressions 1 and 3 examine the period from January 2003 to December 2024. According to regression 1, over this long horizon both the monetary policy interest rate and the public debt interest rate are directly linked to the housing loan rate; in fact, the association with the government bond interest rate is quantitatively greater than with the MPR. Something similar occurs when the term deposit interest rate is used as a dependent variable in regression 3: the policy and government bond interest rates are closely linked to the fixed-term deposit rate, although in this case, the association is stronger with the MPR

Regressions 2 and 4 focus on the period under study, as shown in the graphical analysis: the 15 months after December 2024. In regression 2, it is evident that the link between the housing loan rate and the policy rate fades in that period, while the link between the MPR and the government debt interest rate continues to show statistical significance (the coefficient estimated for 10-year TES in regression 2 is practically the same as in regression 1). The opposite occurs with the fixed-term deposit rate: the relation between it and the government debt rate disappears in that period, while the relation between the fixed-term deposit rate and the monetary policy rate remains statistically significant, as the MPR coefficient estimated in regression 4 is practically the same as in regression 3.

2 This exercise used the ten-year government bond interest rate, considering it closely aligns with the average term of loan disbursed for home purchases. (see: https:// www.banrep.gov.co/ en/publications-research/ special-reports-financial-stability/credit-risk-September-2025).

3 Since the deflators are the same for these three rates, using real interest rates would not alter the regression results.

These correlations are consistent with the concept that, in the current environment, the interest rate on housing loans is more responsive to the government bond interest rate than to the MPR, in contrast to past behavior.[4] Likewise, the results of the simple regression are consistent with the concept that the fixed-term deposit rate has recently been more responsive to the policy rate. From a macroeconomic standpoint, these results show that the worsening of the fiscal situation has not only made public debt more expensive but also increased the cost of housing loans and the financing of long-term investment projects. From a financial system perspective, fiscal deterioration, by raising the cost of credit (ceteris paribus), tends to increase the intermediation margin on loans, thereby increasing the net margin that credit institutions earn. At the same time, the results show that recent adjustments in the MPR have mitigated the increase in those margins, as they are also associated with a recent increase in the deposit rate and, therefore, in the marginal costs of credit institutions.

4 These results do not reflect measures of elasticities, as the relationship between various interest rates in the economy involves a more complex dynamic structure that is beyond this descriptive scope. However, the post-2024 disappearance of the correlation between the housing interest rate and the monetary policy rate, and between the deposit rate and the public debt rate, is evidence consistent with the weakening of the link between those rates in the recent period.

Appendix 1
Macroeconomic Forecasts by local and Foreign Analysts[a/, b/]

	Unit	Apr 26	Dec 26	Apr 27	Dec-27	Apr 28
Headline CPI	Monthly variation (average)	0.73	n. a.	n. a.	n. a.	n. a.
CPI excluding food	Monthly variation (average)	0.62	n. a.	n. a.	n. a.	n. a.
CPI excluding food and regulated	Monthly variation (average)	0.62	n. a.	n. a.	n. a.	n. a.
CPI food	Monthly variation (average)	1.22	n. a.	n. a.	n. a.	n. a.
CPI regulated	Monthly variation (average)	0.62	n. a.	n. a.	n. a.	n. a.
Headline CPI	Annual variation (average), end of period	5.63[c/]	6.34	5.60	4.77	4.23
CPI excluding food	Annual variation (average), end of period	5.46[c/]	6.12	5.59	4.78	4.19
CPI excluding food and regulated	Annual variation (average), end of period	5.84[c/]	6.34	5.66	4.87	4.54
CPI food	Annual variation (average), end of period	6.40[c/]	7.18	5.82	4.70	3.93
CPI regulated	Annual variation (average), end of period	4.22[c/]	6.31	5.82	5.17	4.44
Nominal exchange rate	COP per USD, end of period	3,611	3,750	3,759	3,827	3,854
Monetary policy rate	Percentage, end of period	11.75	12.25	11.75	10.25	9.63

	Unit	I-2026	II-2026	III-2026	IV 2026	2026	I-2027	II-2027	III-2027	IV 2027	2027	I-2028
GDP	Annual change, original series	2.5	2.7	2.4	2.5	2.5	2.3	2.4	2.4	2.4	2.4	n. a.
Unemployment	Thirteen cities, quarterly average	9.8	9.2	8.9	8.9	n. a.	10.0	9.5	9.3	9.2	n. a.	n. a.
IBR (90 days)	Effective annual rate, end of period	n. r.	12.1	12.1	12.1	n. a.	12.1	11.4	10.7	10.3	n. a.	9.9
Fiscal Deficit (GNC) [d/]	Share of GDP	n. a.	n. a.	n. a.	n. a.	6.7	n. a.	n. da.	n. a.	n. a.	6.0	n. a.
Direct Account Deficit[d/]	Share of GDP	n. a.	n. a.	n. a.	n. a.	2.8	n. a.	n. a.	n. a.	n. a.	3.0	n. a.

n.a.: Not available.
n.r.: Not relevant, given that the data has already been observed.
a/ The survey excluded the question related to the DTF starting with the April 2023 *Banco de la República*'s Monthly Survey of Economic Analyst Expectations.
Expectations (EME for its Spanish acronym) conducted by *Banco de la República.*
b/ Is the response median to *Banco de la República's Monthly Survey of Economic Analyst Expectations*, except for the CPI and CPI excluding food, which are the response average.
c/ Data calculated based on the results of *Banco de la República's* Monthly Survey of Economic Analyst Expectations (EME).
d/ Positive values represent deficit and negative values represent surplus.
Sources: *Banco de la República*, Monthly Survey of Economic Analyst Expectations, conducted in January 2026.

Appendix 2
Main Macroeconomic Forecasting Variables

		Years										
		2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Exogenous variables												
External [a/]												
GDP of trading partners [b/]	Percentage, annual var., seasonally adjusted	3.1	2.5	1.5	-6.6	8.3	3.7	2.4	1.9	2.7	**2.0**	**2.0**
Oil price (Brent benchmark)	Dollars per barrel, average of the period	55	72	64	43	71	99	82	80	68	**83**	**78**
Terms of trade[c/]	Index, 2000 = 100	128	140	138	117	140	170	154	155	164	**183**	**173**
Federal funds effective rate (Fed)	Percentage, average for the period	1.0	1.8	2.2	0.4	0.1	1.7	5.0	5.1	4.2	**3.6**	**3.5**
5-year Credit Default Swap for Colombia	Basis points, average for the period	129	114	99	142	142	259	246	187	210	**214**	**223**
Internal												
Neutral real interest rate for Colombia	Percentage, average for the period	1.3	1.3	1.2	1.3	1.5	2.0	2.2	2.4	2.7	3.1	3.4
Potential GDP for Colombia (trend)	Percentage, annual change	2.5	2.7	2.8	-1.5	4.0	3.8	2.9	2.7	2.6	2.4	2.8
Endogenous variables												
Prices												
Total CPI [d/]	Percentage, annual change, end of period	4.1	3.2	3.8	1.6	5.6	13.1	9.3	5.2	5.1	**6.4**	**3.7**
CPI excluding food [e/]	Percentage, annual change, end of period	5.0	3.5	3.5	1.0	3.4	10.0	10.3	5.6	5.1	.	.
CPI for goods (excluding food and regulated items)	Percentage, annual change, end of period	3.2	1.4	2.2	0.6	3.3	15.0	7.1	0.6	2.6	.	.
CPI for services (excluding food and regulated items)	Percentage, annual change, end of period	5.4	3.1	3.5	1.3	2.2	7.4	9.0	7.0	5.9	.	.
CPI for regulated items	Percentage, annual change, end of period	6.3	6.7	4.8	0.7	7.1	11.8	17.2	7.3	5.4	**6.1**	**4.2**
CPI for food [f/]	Percentage, annual change, end of period	0.5	1.9	5.8	4.8	17.2	27.8	5.0	3.3	5.1	**7.1**	**3.0**
CPI for perishable food	Percentage, annual change, end of period	5.8	8.9	8.7	2.5	24.4	36.4	-0.5	5.1	3.8	.	.
CPI for processed food	Percentage, annual change, end of period	-0.9	-0.1	5.0	5.4	15.3	25.3	6.7	2.8	5.5	.	.
Core inflation indicators [g/]												
CPI excluding food	Percentage, annual change, end of period	5.0	3.5	3.5	1.0	3.4	10.0	10.3	5.6	5.1	.	.
Core CPI 15	Percentage, annual change, end of period	4.2	3.2	3.8	1.9	4.4	11.6	9.5	5.4	5.3	.	.
CPI excluding food and regulated items	Percentage, annual change, end of period	4.7	2.6	3.1	1.1	2.5	9.5	8.4	5.2	5.0	**6.3**	**3.8**
Average of all core inflation indicators	Percentage, annual change, end of period	4.6	3.1	3.4	1.3	3.4	10.4	9.4	5.4	5.1	.	.
Representative market exchange rate	Pesos per dollar, average for the period	2,951	2,957	3,282	3,691	3,747	4,257	4,330	4,074	4,053	.	.
Real exchange rate Inflationary gap	Percentage, average for the period	-2.7	-1.4	2.5	4.7	1.9	7.9	0.6	-3.2	-2.9	**-6.8**	**-2.4**
Economic activity												
Gross domestic product (sats)*	Percentage, annual change, sats	1.4	2.6	3.2	-7.2	10.8	7.3	0.8	1.5	2.6	**2.4**	**2.1**
Final consumption expense	Percentage, annual change, sats	2.3	4.0	4.3	-4.2	13.8	9.0	0.7	1.5	4.2	.	.
Household final consumption expenditure	Percentage, annual change, sats	2.1	3.2	4.1	-5.0	14.7	10.8	0.5	1.6	3.6	.	.
General government final consumption expenditure	Percentage, annual change, sats	3.6	7.4	5.3	-0.8	9.8	1.0	1.6	0.6	7.1	.	.
Gross capital formation	Percentage, annual change, sats	-3.2	1.5	3.0	-20.7	11.6	16.0	-16.1	2.4	2.1	.	.
Gross fixed capital formation	Percentage, annual change, sats	1.9	1.0	2.2	-23.6	16.7	11.5	-12.8	0.7	1.3	.	.
Housing	Percentage, annual change, sats	-1.9	-0.4	-8.9	-32.7	39.8	2.0	-4.2	-3.8	-6.5	.	.
Other buildings and structures	Percentage, annual change, sats	4.6	-3.5	1.1	-30.8	0.9	-4.3	-5.4	3.8	-2.9	.	.
Machinery and equipment	Percentage, annual change, sats	1.4	8.6	12.3	-13.3	23.3	30.5	-23.0	0.7	9.0	.	.
Cultivated biological resources	Percentage, annual change, sats	0.3	-3.1	7.9	-1.8	-0.9	-12.5	5.0	7.9	4.7	.	.
Intellectual property products	Percentage, annual change, sats	1.2	1.5	-0.7	-8.3	3.4	7.3	3.1	-3.1	-1.4	.	.
Domestic demand	Percentage, annual change, sats	1.1	3.5	4.0	-7.5	13.4	10.3	-2.4	1.6	3.9	.	.
Exports	Percentage, annual change, sats	2.6	0.6	3.1	-22.5	14.6	12.5	3.1	0.4	1.8	.	.
Imports	Percentage, annual change, sats	1.0	5.8	7.3	-20.1	26.7	24.0	-10.0	1.2	8.4	.	.
Product gap [h/]	Percentage	-0.7	-0.8	-0.5	-6.4	-0.1	3.3	1.3	0.2	0.2	**0.3**	**-0.4**
Short-term indicators												
Real production of manufacturing industry	Percentage, annual change, seasonally adjusted	0.0	3.0	1.3	-8.2	16.4	10.3	-4.7	-2.5	2.2	.	.
Retail trade sales, excluding fuels or vehicles	Percentage, annual change, seasonally adjusted	-0.1	5.4	8.1	-1.5	12.0	9.3	-3.9	1.5	11.3	.	.
Coffee production	Percentage, annual change, cum. for period	-0.3	-4.5	8.8	-5.8	-9.5	-11.9	2.4	23.4	-2.3	.	.
Oil production	Percentage, annual change, period average	-3.6	1.3	2.4	-11.8	-5.8	2.4	3.0	-0.6	-3.4	.	.
Labor market [i/]												
Total national												
Unemployment rate	Percentage, annual change, period average	9.7	10.0	10.9	16.7	13.8	11.2	10.2	10.2	8.9	.	.
Occupancy Rate	Percentage, annual change, period average	60.0	59.1	57.7	50.4	53.1	56.5	57.6	57.4	58.6	.	.
Overall participation rate	Percentage, annual change, period average	66.4	65.7	64.8	60.4	61.5	63.6	64.1	63.9	64.3	.	.
Thirteen cities and metropolitan areas												
Unemployment rate	Percentage, annual change, period average	11.0	11.1	11.5	19.1	15.2	11.4	10.4	10.1	8.6	**8.9**	**9.8**
Occupancy Rate	Percentage, annual change, period average	60.5	59.6	58.8	50.8	53.8	58.1	59.5	59.9	61.0	.	.
Overall participation rate	Percentage, annual change, period average	67.9	67.1	66.4	62.7	63.5	65.5	66.3	66.7	66.7	.	.
Balance of payments [j/ k/]												
Current account (A + B + C)	Millions of dollars	-9,924	-14,041	-14,809	-9,267	-17,949	-20,878	-8,320	-7,012	-10,883	**-13,475**	.
Percentage of GDP	Percentage, nominal terms	-3.2	-4.2	-4.6	-3.4	-5.6	-6.0	-2.3	-1.7	-2.4	**-2.5**	.
A. Goods and services	Millions of dollars	-8,762	-10,556	-14,148	-13,105	-20,001	-16,093	-7,803	-9,682	-14,871	**-16,182**	.
B. Primary income (factor income)	Millions of dollars	-8,046	-11,442	-9,716	-4,950	-8,723	-17,086	-13,439	-12,837	-12,446	**-14,147**	.
C. Secondary income (current transfers)	Millions of dollars	6,883	7,957	9,055	8,788	10,775	12,301	12,922	15,507	16,435	**16,853**	.
Financial account (A + B + C + D)	Millions of dollars	-9,625	-12,954	-13,298	-8,113	-16,693	-20,466	-7,849	-5,577	-9,047	.	.
Percentage of GDP	Percentage, nominal terms	-3.1	-3.9	-4.1	-3.0	-5.3	-5.9	-2.1	-1.3	-2.0	.	.
A. Foreign investment (ii - i)	Millions of dollars	-10,011	-6,172	-10,836	-5,725	-6,381	-13,799	-15,525	-9,172	-7,310	.	.
i. Foreign Investment in Colombia (FDI)	Millions of dollars	13,701	11,299	13,989	7,459	9,561	17,182	16,794	13,684	11,469	.	.
ii. Colombian abroad	Millions of dollars	3,690	5,126	3,153	1,733	3,181	3,384	1,269	4,512	4,159	.	.
B. Portfolio investment	Millions of dollars	-1,800	862	24	-1,768	-4,595	427	8,663	2,272	-7,480	.	.
C. Other investment (loans, other credits, and derivatives)	Millions of dollars	1,641	-8,831	-5,820	-4,949	-6,371	-7,665	-2,705	-2,270	3,578	.	.
D. Reserve assets	Millions of dollars	545	1,187	3,333	4,328	654	571	1,718	3,593	2,165	.	.
Errors and omissions (E&O)	Millions of dollars	299	1,087	1,510	1,153	1,256	412	471	1,435	1,835	.	.
Interest rates												
Policy interest rate [l/]	Percentage, period average	6.1	4.4	4.3	2.9	1.9	7.2	13.0	11.4	9.3	.	.
Policy rate expected by analysts [m/]	Percentage, period average										**11.5**	**11.4**
IBR overnight	Percentage, period average	6.1	4.3	4.3	2.9	1.9	7.2	13.0	11.4	9.3	.	.
Commercial interest rate [n/]	Percentage, period average	11.1	9.3	8.8	7.4	6.2	13.3	18.7	14.5	12.5	.	.
Consumer interest rate [o/]	Percentage, period average	19.4	17.9	16.5	15.0	14.3	21.1	27.9	21.7	19.1	.	.
Mortgage interest rate [p/]	Percentage, period average	11.6	10.6	10.4	10.1	9.1	12.9	17.7	13.5	12.1	.	.

Note: values in bold are forecasts or assumptions.
sats: seasonally adjusted time series, modified to eliminate the effect of seasonal and calendar influences.
a/ Quarterly data in bold are assumptions based on the annual forecast of each variable.
b/ Calculated with the main trading partners (excluding Venezuela) weighted by their share of trade.
c/ Terms of trade index based on chained indices of export and import prices.
d/ The medium term forecast corresponds to the average of the estimates obtained from the technical staff's central models (4GM and PATACON).
e/ Calculations by *Banco de la República*; excluding the CPI item weight for food and non-alcoholic beverages. Consult González, E.; Hernández, R.; Caicedo, E.; Martínez-Cortés, N.; Grajales, A.; Romero, J. (2020). "Nueva clasificación del Banrep de la canasta del IPC y revisión de las medidas de inflación básica en Colombia", *Borradores de Economía*, No. 122, *Banco de la República*, available at: https://investiga.banrep.gov.co/es/be-1122.
f/ Calculations by *Banco de la República*; equal to the division of the CPI of food and non-alcoholic beverages produced by DANE (not including the subclasses corresponding to meals outside the home). See González, E.; Hernández, R.; Caicedo, E.; Martínez-Cortés, N.; Grajales, A.; Romero, J. (2020). "Nueva clasificación del Banrep de la canasta del IPC y revisión de las medidas de inflación básica en Colombia", Working Papers on Economics, No. 122, *Banco de la República*, available at: https://investiga.banrep.gov.co/es/be-1122.
g/ Calculations by *Banco de la República*. See González, E.; Hernández, R.; Caicedo, E.; Martínez-Cortés, N.; Grajales, A.; Romero, J. (2020). "Nueva clasificación del Banrep de la canasta del IPC y revisión de las medidas de inflación básica en Colombia", Working Papers on Economics, No. 122, *Banco de la República*, available at: https://investiga.banrep.gov.co/es/be-1122.
h/ The historical gap estimate is calculated based on the difference between observed GDP (cumulative 4 quarters) and potential GDP (trend; cumulative 4 quarters) resulting from the 4GM model; in the forecast it is calculated from the difference between the technical staff's estimate of GDP (cumulative 4 quarters) and potential GDP (trend; cumulative 4 quarters) resulting from the 4GM model.
i/ Rates are calculated based on seasonally adjusted annual populations.
j/ The results presented follow the recommendations of the sixth edition of the Balance of Payments and International Investment Position Manual (BPM6). See additional information and method changes at http://www.banrep.gov.co/ balance-payments.
k/ Results for 2024 and 2025 are preliminary
l/ Corresponds to the average annual monetary policy interest rate calculated with the working days of the series.
m/ These projections are calculated as the average of the interest rate that would be in effect in each year according to the median of the monthly responses to the Monthly Survey of Economic Analyst Expectations (EME) conducted by *Banco de la República* in April 2026.
n/ Weighted average of interest rates on ordinary, treasury and preferential loans.
o/ Does not include loans granted through credit cards.
p/ Corresponds to the weighted average of interest rate of the disbursements in COP and UVR (real value unit for its Spanish acronym) for the acquisition of No VIS housing (housing that is not social interest housing).

Appendix 2 (continuation)
Main Macroeconomic Forecasting Variables

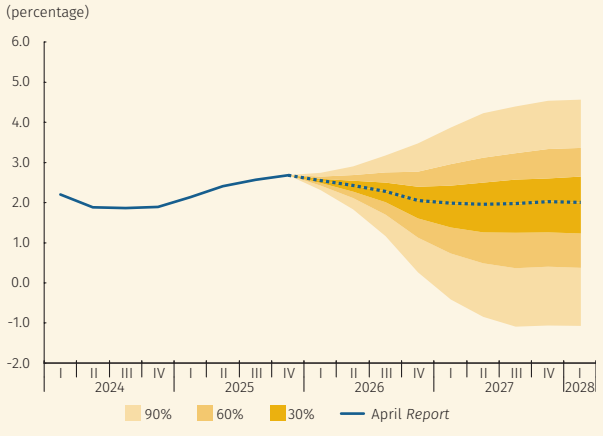
		2020		2021				2022	
		Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Exogenous variables									
External [a/]									
GDP of trading partners [b/]	Percentage, annual var., seasonally adjusted	-6.7	-3.0	0.3	18.9	9.0	6.4	5.2	4.0
Oil price (Brent benchmark)	Dollars per barrel, average of the period	43	45	61	69	73	80	98	112
Terms of trade [c/]	Index, 2000 = 100	121	125	135	133	140	150	163	178
Federal funds effective rate (Fed)	Percentage, average for the period	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.8
5-year Credit Default Swap for Colombia	Basis points, average for the period	132	104	110	131	143	185	209	238
Internal									
Neutral real interest rate for Colombia	Percentage, average for the period								
Potential GDP for Colombia (trend)	Percentage, annual change								
Endogenous variables									
Prices									
Total CPI [d/]	Percentage, annual change, end of period	2.0	1.6	1.5	3.6	4.5	5.6	8.5	9.7
CPI excluding food [e/]	Percentage, annual change, end of period	1.6	1.0	1.1	2.7	3.0	3.4	5.3	6.8
CPI for goods (excluding food and regulated items)	Percentage, annual change, end of period	1.2	0.6	1.1	2.6	3.0	3.3	6.4	8.3
CPI for services (excluding food and regulated items)	Percentage, annual change, end of period	1.9	1.3	0.9	1.6	2.0	2.2	3.8	5.2
CPI for regulated items	Percentage, annual change, end of period	1.2	0.7	1.5	5.9	5.9	7.1	8.3	9.8
CPI for food [f/]	Percentage, annual change, end of period	4.1	4.8	3.9	8.5	12.4	17.2	25.4	23.6
CPI for perishable food	Percentage, annual change, end of period	-3.4	2.5	1.6	8.7	14.8	24.4	41.9	31.2
CPI for processed food	Percentage, annual change, end of period	6.4	5.4	4.6	8.5	11.7	15.3	20.7	21.5
Core inflation indicators [g/]									
CPI excluding food	Percentage, annual change, end of period	1.6	1.0	1.1	2.7	3.0	3.4	5.3	6.8
Core CPI 15	Percentage, annual change, end of period	2.3	1.9	1.7	3.4	3.8	4.4	6.9	8.4
CPI excluding food and regulated items	Percentage, annual change, end of period	1.7	1.1	0.9	1.9	2.3	2.5	4.5	6.1
Average of all core inflation indicators	Percentage, annual change, end of period	1.9	1.3	1.2	2.7	3.0	3.4	5.6	7.1
Representative market exchange rate	Pesos per dollar, average for the period	3,731	3,662	3,559	3,695	3,847	3,882	3,910	3,919
Real exchange rate Inflationary gap	Percentage, average for the period	4.4	1.4	-1.4	1.6	3.6	3.7	2.7	1.8
Economic activity									
Gross domestic product (sats)*	Percentage, annual change, sats	-9.1	-3.3	1.6	18.5	13.5	11.1	8.0	12.3
Final consumption expense	Percentage, annual change, sats	-7.4	1.0	3.7	21.9	18.5	12.8	11.4	14.9
Household final consumption expenditure	Percentage, annual change, sats	-8.6	0.9	2.7	25.3	19.6	13.9	12.2	16.4
General government final consumption expenditure	Percentage, annual change, sats	-2.7	1.5	8.9	9.0	13.0	8.4	7.0	7.5
Gross capital formation	Percentage, annual change, sats	-17.6	-22.6	-5.8	33.5	8.1	16.1	15.6	7.8
Gross fixed capital formation	Percentage, annual change, sats	-24.9	-15.0	3.1	42.1	15.3	14.0	9.6	13.9
Housing	Percentage, annual change, sats	-30.0	-26.1	22.8	64.1	31.3	47.8	1.0	4.7
Other buildings and structures	Percentage, annual change, sats	-37.1	-24.3	-13.6	30.9	-0.4	-1.1	-8.9	-1.3
Machinery and equipment	Percentage, annual change, sats	-9.4	1.2	8.6	55.5	23.5	15.2	35.2	33.6
Cultivated biological resources	Percentage, annual change, sats	-7.9	-3.0	5.8	1.2	-4.2	-6.7	-16.2	-16.2
Intellectual property products	Percentage, annual change, sats	-10.9	-9.1	-3.2	3.4	8.3	5.6	6.9	9.9
Domestic demand	Percentage, annual change, sats	-9.7	-2.8	1.7	24.4	16.7	12.9	12.8	13.6
Exports	Percentage, annual change, sats	-28.1	-24.7	-9.6	13.7	25.8	35.9	16.1	24.4
Imports	Percentage, annual change, sats	-25.9	-15.5	-5.1	46.8	40.3	34.5	38.6	25.2
Product gap [h/]	Percentage	-5.5	-6.4	-6.1	-3.9	-2.1	-0.1	1.1	2.6
Short-term indicators									
Real production of manufacturing industry	Percentage, annual change, seasonally adjusted	-7.5	-0.1	6.6	28.2	20.3	13.3	12.1	20.6
Retail trade sales, excluding fuels or vehicles	Percentage, annual change, seasonally adjusted	-3.6	5.5	4.0	19.3	15.7	10.6	12.6	22.0
Coffee production	Percentage, annual change, cum. for period	-3.6	-4.6	13.3	-24.7	-1.9	-18.8	-16.3	9.7
Oil production	Percentage, annual change, period average	-15.4	-14.1	-14.6	-5.1	-0.1	-1.7	-0.1	5.1
Labor market [i/]									
Total national									
Unemployment rate	Percentage, annual change, period average	18.5	15.8	14.3	15.0	13.1	12.8	11.9	10.9
Occupancy Rate	Percentage, annual change, period average	48.9	52.5	52.8	52.0	53.3	54.1	56.0	56.7
Overall participation rate	Percentage, annual change, period average	60.0	62.4	61.7	61.2	61.3	62.1	63.5	63.7
Thirteen cities and metropolitan areas									
Unemployment rate	Percentage, annual change, period average	21.9	17.7	16.5	16.6	14.2	13.4	12.3	11.2
Occupancy Rate	Percentage, annual change, period average	48.9	53.2	53.6	53.2	54.3	54.3	57.5	58.0
Overall participation rate	Percentage, annual change, period average	62.6	64.6	64.2	63.8	63.2	62.7	65.5	65.3
Balance of payments [j/ k/]									
Current account (A + B + C)	Millions of dollars	-2,013	-2,997	-3,105	-4,047	-4,835	-5,962	-5,398	-4,748
Percentage of GDP	Percentage, nominal terms	-3.0	-4.0	-4.0	-5.5	-6.0	-6.9	-6.3	-5.3
A. Goods and services	Millions of dollars	-3,263	-4,092	-3,688	-5,022	-5,259	-6,032	-4,958	-3,046
B. Primary income (factor income)	Millions of dollars	-1,172	-1,380	-1,867	-1,652	-2,339	-2,865	-3,617	-4,531
C. Secondary income (current transfers)	Millions of dollars	2,422	2,475	2,450	2,627	2,763	2,935	3,176	2,829
Financial account (A + B + C + D)	Millions of dollars	-1,857	-2,584	-2,789	-3,761	-4,504	-5,640	-5,037	-4,952
Percentage of GDP	Percentage, nominal terms	-2.8	-3.4	-3.6	-5.1	-5.6	-6.5	-5.8	-5.5
A. Foreign investment (ii - i)	Millions of dollars	-258	-1,818	-1,438	-1,013	-2,528	-1,402	-3,651	-3,661
i. Foreign Investment in Colombia (FDI)	Millions of dollars	844	2,069	2,307	1,997	2,707	2,550	4,934	5,043
ii. Colombian abroad	Millions of dollars	586	251	869	984	179	1,149	1,284	1,382
B. Portfolio investment	Millions of dollars	323	1,506	1,319	-6,089	851	-675	1,866	-759
C. Other investment (loans, other credits, and derivatives)	Millions of dollars	-2,127	-3,976	-2,860	3,167	-2,981	-3,697	-3,379	-606
D. Reserve assets	Millions of dollars	205	1,705	190	174	154	135	127	74
Errors and omissions (E&O)	Millions of dollars	155	413	316	287	331	322	361	-204
Interest rates									
Policy interest rate [l/]	Percentage, period average	2.2	1.8	1.8	1.8	1.8	2.4	3.7	5.7
Policy rate expected by analysts [m/]	Percentage, period average								
IBR overnight	Percentage, period average	2.2	1.7	1.7	1.7	1.8	2.4	3.7	5.7
Commercial interest rate [n/]	Percentage, period average	7.0	6.2	6.0	5.7	6.0	6.9	8.6	10.8
Consumer interest rate [o/]	Percentage, period average	14.8	14.2	14.0	13.7	14.3	14.8	16.7	19.1
Mortgage interest rate [p/]	Percentage, period average	10.2	9.6	9.2	8.9	9.0	9.3	9.9	11.5

Note: values in bold are forecasts or assumptions.
sats: seasonally adjusted time series, modified to eliminate the effect of seasonal and calendar influences.
a/ Quarterly data in bold are assumptions based on the annual forecast of each variable.
b/ Calculated with the main trading partners (excluding Venezuela) weighted by their share of trade.
c/ Terms of trade index based on chained indices of export and import prices.
d/ The medium term forecast corresponds to the average of the estimates obtained from the technical staff's central models (4GM and PATACON).
e/ Calculations by *Banco de la República*; excluding the CPI item weight for food and non-alcoholic beverages. Consult González, E.; Hernández, R.; Caicedo, E.; Martínez-Cortés, N.; Grajales, A.; Romero, J. (2020). "Nueva clasificación del Banrep de la canasta del IPC y revisión de las medidas de inflación básica en Colombia", *Borradores de Economía*, No. 122, *Banco de la República*, available at: https://investiga.banrep.gov.co/es/be-1122.
f/ Calculations by *Banco de la República*; equal to the division of the CPI of food and non-alcoholic beverages produced by DANE (not including the subclasses corresponding to meals outside the home). See González, E.; Hernández, R.; Caicedo, E.; Martínez-Cortés, N.; Grajales, A.; Romero, J. (2020). "Nueva clasificación del Banrep de la canasta del IPC y revisión de las medidas de inflación básica en Colombia", Working Papers on Economics, No. 122, *Banco de la República*, available at: https://investiga.banrep.gov.co/es/be-1122.
g/ Calculations by *Banco de la República*. See González, E.; Hernández, R.; Caicedo, E.; Martínez-Cortés, N.; Grajales, A.; Romero, J. (2020). "Nueva clasificación del Banrep de la canasta del IPC y revisión de las medidas de inflación básica en Colombia", Working Papers on Economics, No. 122, *Banco de la República*, available at: https://investiga.banrep.gov.co/es/be-1122.
h/ The historical gap estimate is calculated based on the difference between observed GDP (cumulative 4 quarters) and potential GDP (trend; cumulative 4 quarters) resulting from the 4GM model; in the forecast it is calculated from the difference between the technical staff's estimate of GDP (cumulative 4 quarters) and potential GDP (trend; cumulative 4 quarters) resulting from the 4GM model.
i/ Rates are calculated based on seasonally adjusted annual populations.
j/ The results presented follow the recommendations of the sixth edition of the Balance of Payments and International Investment Position Manual (BPM6). See additional information and method changes at http://www.banrep.gov.co/ balance-payments.
k/ Results for 2024 and 2025 are preliminary
l/ Corresponds to the average annual monetary policy interest rate calculated with the working days of the series.
m/ These projections are calculated as the average of the interest rate that would be in effect in each year according to the median of the monthly responses to the Monthly Survey of Economic Analyst Expectations (EME) conducted by *Banco de la República* in April 2026.
n/ Weighted average of interest rates on ordinary, treasury and preferential loans.
o/ Does not include loans granted through credit cards.
p/ Corresponds to the weighted average of interest rate of the disbursements in COP and UVR (real value unit for its Spanish acronym) for the acquisition of No VIS housing (housing that is not social interest housing).

2022		2023				2024				2025				2026				2027				2028
Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	T1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
3.2	2.5	2.6	2.8	2.1	2.1	1.8	1.5	2.0	2.3	2.8	2.6	2.6	2.7	**2.2**	**2.2**	**2.0**	**1.8**	**2.0**	**2.1**	**2.1**	**2.0**	**1.9**
98	89	82	78	86	83	82	85	79	74	75	67	68	63	78	**91**	**83**	**81**	**80**	**78**	**77**	**76**	**75**
174	166	159	152	155	150	152	154	156	159	165	162	167	163	**176**	**196**	**186**	**176**	**175**	**174**	**173**	**172**	**171**
2.2	3.6	4.5	5.0	5.3	5.3	5.3	5.3	5.3	4.7	4.3	4.3	4.3	3.9	3.6	**3.6**	**3.6**	**3.6**	**3.6**	**3.5**	**3.4**	**3.4**	**3.4**
275	314	283	275	219	207	172	187	189	199	201	245	197	200	211	**212**	**216**	**218**	**220**	**220**	**224**	**228**	**231**
11.4	13.1	13.3	12.1	11.0	9.3	7.4	7.2	5.8	5.2	5.1	4.8	5.2	5.1	5.6	**5.9**	**6.2**	**6.4**	**5.7**	**5.0**	**4.3**	**3.7**	**3.5**
8.3	10.0	11.4	11.6	10.9	10.3	8.8	7.6	6.5	5.6	5.2	4.9	4.9	5.1	5.4	.	.	.	.	.	.	.	.
11.6	15.0	15.1	14.3	10.4	7.1	3.1	1.4	0.6	0.6	0.9	1.6	2.2	2.6	3.0	.	.	.	.	.	.	.	.
5.9	7.4	8.7	9.0	9.1	9.0	8.3	7.9	7.5	7.0	6.4	6.0	5.8	5.9	6.8	.	.	.	.	.	.	.	.
11.5	11.8	14.7	15.6	15.8	17.2	15.8	13.3	10.2	7.3	6.3	5.5	5.3	5.4	4.1	**5.6**	**6.2**	**6.1**	**6.0**	**4.7**	**4.4**	**4.2**	**4.0**
26.6	27.8	21.8	14.3	11.5	5.0	1.7	5.3	2.7	3.3	4.7	4.3	6.2	5.1	6.3	**5.3**	**5.2**	**7.1**	**4.9**	**5.4**	**3.9**	**3.0**	**3.5**
35.5	36.4	19.7	10.1	13.9	-0.5	-3.4	12.5	2.9	5.1	4.6	1.0	6.6	3.8	10.8	.	.	.	.	.	.	.	.
24.1	25.3	22.5	15.6	10.7	6.7	3.4	3.2	2.7	2.8	4.7	5.4	6.1	5.5	4.9	.	.	.	.	.	.	.	.
8.3	10.0	11.4	11.6	10.9	10.3	8.8	7.6	6.5	5.6	5.2	4.9	4.9	5.1	5.4	.	.	.	.	.	.	.	.
10.0	11.6	12.4	11.6	10.3	9.5	7.6	7.1	6.2	5.4	5.3	5.1	5.3	5.3	5.9	.	.	.	.	.	.	.	.
7.5	9.5	10.5	10.5	9.5	8.4	6.8	6.0	5.5	5.2	4.8	4.8	4.8	5.0	5.8	**6.2**	**6.4**	**6.3**	**5.7**	**4.9**	**4.3**	**3.8**	**3.4**
8.6	10.4	11.4	11.2	10.2	9.4	7.7	6.9	6.1	5.4	5.1	4.9	5.0	5.1	5.7	.	.	.	.	.	.	.	.
4,384	4,812	4,758	4,424	4,044	4,074	3,921	3,919	4,097	4,348	4,190	4,201	4,015	3,822	3,696	.	.	.	.	.	.	.	.
11.0	16.3	10.7	2.3	-5.9	-4.6	-6.7	-6.4	-2.6	3.0	-1.0	-0.4	-3.5	-6.7	-8.6	**-8.5**	**-5.9**	**-4.4**	**-4.1**	**-2.8**	**-1.8**	**-0.9**	**-0.6**
7.3	2.2	2.7	0.4	-0.4	0.7	0.3	1.7	1.7	2.3	2.6	2.2	3.6	2.2	**2.1**	**2.8**	**2.2**	**2.5**	**2.5**	**1.9**	**1.9**	**2.1**	**2.3**
8.2	2.3	1.8	0.4	0.1	0.4	-0.1	1.5	0.9	3.6	4.0	3.7	5.6	3.7	**3.5**	.	.	.	.	.	.	.	.
10.7	4.6	2.8	0.6	-0.5	-0.8	0.0	1.3	2.2	3.1	4.4	3.4	3.8	2.9	**2.4**	.	.	.	.	.	.	.	.
-3.6	-6.5	-2.8	-1.3	4.5	6.4	1.6	1.4	-5.7	5.0	2.6	4.4	15.9	6.4	**7.3**	.	.	.	.	.	.	.	.
16.4	24.8	-0.6	-12.0	-26.4	-23.7	-12.3	2.2	16.6	6.5	8.2	6.2	1.2	-7.0	**-6.1**	.	.	.	.	.	.	.	.
14.1	8.8	-5.9	-10.7	-15.7	-18.8	-8.1	-1.1	2.3	11.0	0.4	3.8	4.6	-3.2	**2.1**	.	.	.	.	.	.	.	.
6.9	-4.0	6.5	-3.3	-8.3	-11.2	-11.7	-5.3	-5.8	8.8	-3.6	-5.8	-6.5	-10.0	**-1.7**	.	.	.	.	.	.	.	.
4.9	-10.4	-5.4	-5.2	-10.4	-0.4	1.6	4.7	3.5	5.6	-10.5	-0.4	5.1	-5.3	**4.4**	.	.	.	.	.	.	.	.
24.3	29.3	-12.7	-22.4	-24.9	-31.9	-10.2	-5.2	5.2	16.1	4.9	16.7	13.0	2.2	**3.0**	.	.	.	.	.	.	.	.
-11.9	-4.4	1.3	7.2	7.4	4.4	2.7	4.8	11.2	12.9	11.6	4.8	1.8	1.4	**1.5**	.	.	.	.	.	.	.	.
6.8	5.7	0.9	3.7	4.8	2.7	2.8	-4.6	-7.5	-2.9	-0.7	-2.8	1.7	-3.6	**-4.3**	.	.	.	.	.	.	.	.
10.2	5.0	1.4	-2.2	-5.4	-3.3	-2.3	1.4	3.6	3.9	4.5	3.9	4.7	2.4	**1.9**	.	.	.	.	.	.	.	.
14.0	-2.0	3.0	1.8	0.4	7.5	1.3	-1.1	-0.8	2.2	1.4	2.0	2.8	1.1	**2.3**	.	.	.	.	.	.	.	.
23.7	11.5	-2.0	-8.4	-18.4	-10.9	-10.9	0.4	8.9	7.9	12.9	10.1	9.9	1.3	**0.5**	.	.	.	.	.	.	.	.
3.6	3.3	3.3	2.6	1.8	1.3	0.7	0.5	0.2	0.2	0.1	0.0	0.2	0.2	**0.2**	**0.4**	**0.3**	**0.3**	**0.2**	**0.0**	**-0.3**	**-0.4**	**-0.5**
6.9	3.2	-1.0	-4.5	-7.4	-6.0	-4.9	-3.0	-1.6	-0.3	1.3	2.3	3.8	1.3	.	.	.	.	.	.	.	.	.
6.0	-1.1	-2.0	-5.4	-4.4	-3.6	-3.7	-0.7	3.4	7.4	11.2	12.5	11.9	9.8	.	.	.	.	.	.	.	.	.
-18.2	-17.0	-0.7	-14.3	-2.1	24.9	3.5	30.3	22.9	33.9	35.7	-19.9	14.6	-24.3	-33.4	.	.	.	.	.	.	.	.
1.3	3.6	3.2	3.7	3.7	1.5	0.7	1.0	-1.0	-2.9	-2.1	-6.4	-2.8	-2.2	.	.	.	.	.	.	.	.	.
11.2	10.8	10.4	10.1	9.8	10.4	10.5	10.4	10.0	9.7	9.3	8.8	8.9	8.5	.	.	.	.	.	.	.	.	.
56.7	56.7	57.2	57.8	58.2	57.3	57.0	57.3	57.7	57.7	58.5	58.2	58.4	59.1	.	.	.	.	.	.	.	.	.
63.8	63.6	63.9	64.3	64.5	63.9	63.7	63.9	64.1	63.9	64.5	63.9	64.2	64.6	.	.	.	.	.	.	.	.	.
11.1	10.9	11.0	10.3	9.9	10.2	10.5	10.2	10.0	9.7	9.1	8.7	8.3	8.5	**8.6**	**8.8**	**9.0**	**9.3**	**9.6**	**9.8**	**9.9**	**10.0**	**10.0**
58.3	58.4	58.7	59.3	60.1	59.8	59.6	60.1	60.1	59.8	60.7	60.6	61.1	61.3	.	.	.	.	.	.	.	.	.
65.6	65.5	66.0	66.1	66.7	66.5	66.7	66.9	66.8	66.3	66.8	66.4	66.7	67.0	.	.	.	.	.	.	.	.	.
-6,107	-4,625	-2,810	-2,083	-1,547	-1,880	-1,602	-1,428	-1,650	-2,333	-1,696	-2,458	-2,817	-3,912	.	.	.	.	.	.	.	.	.
-6.9	-5.6	-3.5	-2.4	-1.6	-1.8	-1.6	-1.4	-1.5	-2.2	-1.6	-2.3	-2.4	-3.1	.	.	.	.	.	.	.	.	.
-4,416	-3,673	-2,177	-2,057	-1,404	-2,166	-1,781	-2,360	-2,380	-3,161	-2,549	-3,828	-4,037	-4,457	.	.	.	.	.	.	.	.	.
-4,795	-4,144	-3,727	-3,056	-3,508	-3,148	-3,152	-2,965	-3,343	-3,377	-2,993	-2,780	-2,993	-3,680	.	.	.	.	.	.	.	.	.
3,104	3,193	3,094	3,029	3,365	3,434	3,331	3,897	4,073	4,206	3,846	4,151	4,213	4,224	.	.	.	.	.	.	.	.	.
-5,736	-4,741	-2,591	-2,699	-1,376	-1,182	-1,486	-1,080	-1,024	-1,988	-1,475	-1,850	-2,251	-3,471	.	.	.	.	.	.	.	.	.
-6.5	-5.8	-3.2	-3.1	-1.4	-1.2	-1.4	-1.0	-1.0	-1.9	-1.4	-1.8	-1.9	-2.7	.	.	.	.	.	.	.	.	.
-2,959	-3,529	-3,600	-5,442	-3,335	-3,148	-2,408	-1,646	-2,456	-2,662	-2,128	-1,561	-1,859	-1,762	.	.	.	.	.	.	.	.	.
3,113	4,092	4,164	5,335	3,838	3,457	3,547	2,766	3,305	4,066	2,766	3,298	2,883	2,522	.	.	.	.	.	.	.	.	.
154	563	563	-107	503	309	1,140	1,120	849	1,404	638	1,737	1,024	760	.	.	.	.	.	.	.	.	.
-233	-447	1,111	1,520	4,527	1,504	1,416	-451	3,489	-2,182	2,941	-3,760	-4,963	-1,698	.	.	.	.	.	.	.	.	.
-2,703	-976	-467	824	-3,026	-35	-1,445	104	-3,104	2,175	-2,852	2,946	4,037	-554	.	.	.	.	.	.	.	.	.
159	210	366	399	457	496	951	914	1.046	682	564	525	534	543	.	.	.	.	.	.	.	.	.
371	-116	219	-616	171	697	117	348	625	345	221	607	566	441	.	.	.	.	.	.	.	.	.
8.6	10.8	12.5	13.2	13.3	13.2	12.8	11.9	10.9	9.9	9.5	9.3	9.3	9.3	9.9	.	.	.	.	.	.	.	.
															11.6	**12.2**	**12.3**	**12.1**	**11.8**	**11.2**	**10.6**	**10.3**
8.6	10.8	12.5	13.2	13.3	13.2	12.8	11.9	10.9	9.9	9.5	9.3	9.3	9.2	9.9	.	.	.	.	.	.	.	.
14.2	17.8	19.9	18.6	18.6	18.0	16.2	15.1	14.2	13.0	12.7	12.6	12.3	12.5	13.5	.	.	.	.	.	.	.	.
22.9	27.2	30.1	28.5	26.7	26.3	23.9	22.5	21.2	20.0	19.5	19.3	18.9	19.0	19.9	.	.	.	.	.	.	.	.
13.4	16.4	18.2	18.1	17.5	17.1	16.4	14.9	12.8	11.6	11.7	12.0	12.0	12.5	13.3	.	.	.	.	.	.	.	.

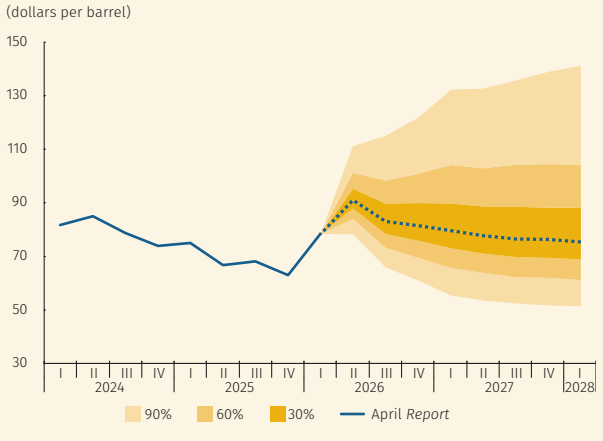
Appendix 3
Predictive Densities for other relevant Macroeconomic Forecasting Variables

Graph A3.1
Quarterly assumptions of 12-month growth of trading partners based on annual projections, predictive density[a/]



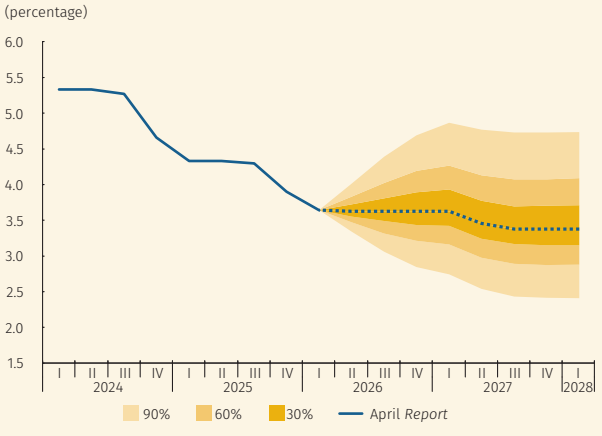
a/ The graph displays the probability distribution and its most likely path on an eight-quarter forecast horizon. Densities characterize the balance of potential risks with areas of 30%, 60% and 90% probability around the central forecast (mode).
Sources: Bloomberg, statistics bureaus, central banks; calculations and projections by *Banco de la República*.

Graph A3.2
Quarterly oil price assumption, predictive density[a/]



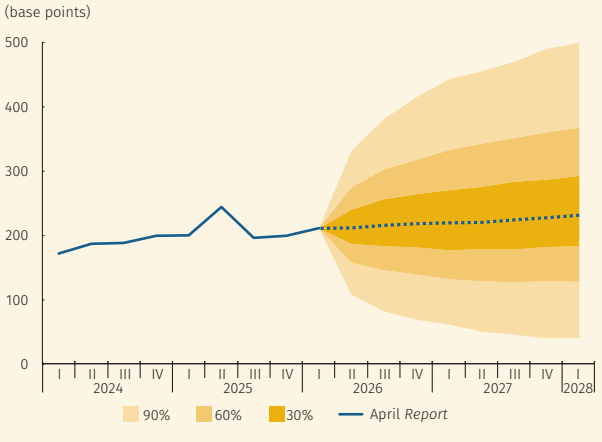
a/ The graph displays the probability distribution and its most likely path on an eight-quarter forecast horizon. Densities characterize the balance of potential risks with areas of 30%, 60% and 90% probability around the central forecast (mode).
Source: Bloomberg, calculations and projections by *Banco de la República*.

Graph A3.3
U.S. Federal Reserve quarterly interest rate assumption, predictive density[a/]



a/ The graph displays the probability distribution and its most likely path on an eight-quarter forecast horizon. Densities characterize the balance of potential risks with areas of 30%, 60% and 90% probability around the central forecast (mode).
Source: Federal Reserve Bank of Louis, calculations and projections by *Banco de la República*.

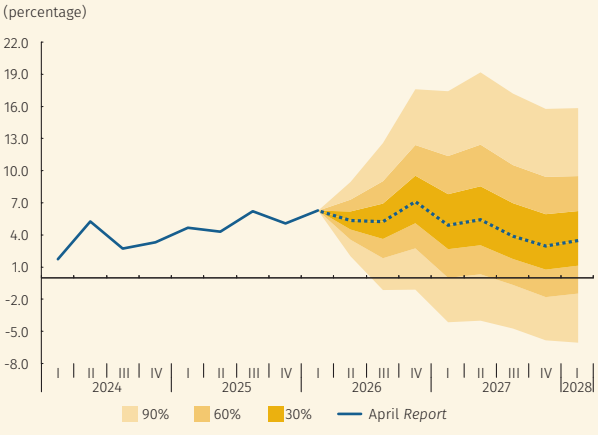
Graph A3.4
Colombia's quarterly risk premium (CDS) assumption, predictive density[a/,b/]



a/ Five-year credit default swaps
b/ The graph displays the probability distribution and its most likely trajectory on an eight-quarter forecast horizon. Densities characterize the balance of potential risks with areas of 30%, 60% and 90% probability around the central forecast (mode), using a combination of densities from the Patacon and 4GM-LM models.
Source: Bloomberg, calculations and projections by *Banco de la República*.

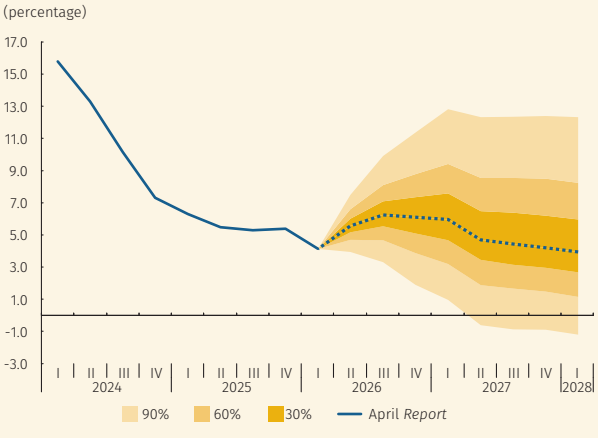
Appendix 3 (continuation)
Predictive Densities for other relevant Macroeconomic Forecasting Variables

Graph A3.5
CPI for foods, predictive density [a/]
(annual change, end-of-period)



a/ The graph displays the probability distribution and its most likely trajectory on an eight-quarter forecast horizon. Densities characterize the balance of potential risks with areas of 30%, 60% and 90% probability around the central forecast (mode), using a combination of densities from the Patacon and 4GM-LM models.
Source: calculations and projections by *Banco de la República*.

Graph A3.6
CPI for regulated items, predictive density [a/]
(annual change, end-of-period)



a/ The graph displays the probability distribution and its most likely trajectory on an eight-quarter forecast horizon. Densities characterize the balance of potential risks with areas of 30%, 60% and 90% probability around the central forecast (mode), using a combination of densities from the Patacon and 4GM-LM models.
Source: calculations and projections by *Banco de la República*.

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