Introduction

In 2024, the inflation reduction process, which began in 2023, continued, and the current account deficit in the balance of payments continued to contract. This macroeconomic adjustment process occurred in the context of a contractionary monetary policy in which *Banco de la República's* policy interest rates were gradually and cautiously reduced.

Headline inflation closed at 5.2% in 2024. With this result, inflation declined by 4.1 percentage points (pp) compared to the 9.3% recorded at the end of 2023 and 8.1 pp compared to the peak observed in March 2023. Similarly, core inflation, defined as inflation excluding food and regulated items, decreased from 8.4% in 2023 to 5.2% in 2024. Inflation in other important items in the consumer basket, such as food and regulated items, also moderated. In the case of food, the annual price variation decreased from 5.0% to 3.3%, while for regulated items, it decreased from 17.2% to 7.3%.

These favorable trends should not overshadow the fact that inflation remained more than 2.0% pp above the target set by the Board of Directors of *Banco de la República* (BDBR) at the end of 2024, a situation that the Board had already anticipated in November 2023. Additionally, in the last months of 2024, inflation expectations for 2025, which had been decreasing throughout the year, showed a concerning reversal amid increasing uncertainty about the evolution of the global economy and the deterioration of public finances, which reduces the scope for monetary policy action to lower interest rates and provide greater stimulus to economic activity. Added to this are various inflationary risks, such as the increase in the minimum wage substantially above observed inflation and restrictive trade policies in the United States that could lead to global price increases, which calls for greater caution in monetary policy decisions to ensure inflation convergence to the 3.0% target.

In this context, it is worth noting that while the Colombian economy started the mentioned recovery process, the growth observed in 2024 was 1.7%, below its long-term trend. From a sectoral perspective, this dynamic was driven by agriculture, entertainment, and some government services. However, key productive sectors, such as manufacturing and mining, contracted. On the demand side, fixed capital investment registered positive growth, but its level remained low, still below pre-pandemic levels. In contrast, consumption remained high, exceeding its pre-pandemic trend. This growth pattern could weaken the economy's potential output in the medium term. However, for 2025 and 2026, the technical staff forecasts gross domestic product (GDP) growth of 2.6% and 3.4%, respectively. On the other hand, the labor market performed well throughout the year, with increases in employment and declines in the labor force participation rate, which resulted in lower unemployment rates.

These results were driven by a monetary policy that maintained a contractionary stance throughout the year amid high uncertainty on both the fiscal and external fronts. Starting with a peak of 13.25% in November 2023 for the monetary policy rate (MPR), the BDBR initiated a cycle of MPR cuts in December 2023, which continued through 2024, totaling a reduction of 375 basis points (bp) to 9.5%. This process included 50-bp cuts in each session held between March and October. In December, the pace of cuts slowed to 25 bp, and in January 2025, in response to emerging inflationary pressures, the BDBR decided to pause, awaiting further information on the determinants of future inflation, its expectations, and other key factors needed to determine the magnitude and pace at which monetary policy easing could continue without jeopardizing the achievement of the inflation target.

As is typical of monetary policy, all interest rate decisions have been cautiously made, given the limited information and uncertainty surrounding the future. Acting this way ensures that monetary policy decisions are sustainable over time and not at risk of being reversed in the short term. This helps guide expectations and serves as a reference framework for private-sector decisions. The BDBR is supported by a team of experts whose recommendations are backed by high-quality technical documents that provide valuable input for Board discussions. This decision-making protocol, characteristic of the inflation-targeting framework, has been working effectively in Colombia, as evidenced by the results described, which will be further analyzed in this Report to Congress.

01/ Executive Summary

International Macroeconomic Environment

The International Monetary Fund (IMF) and the World Bank estimate that the global economy grew by 3.2% in 2024, a rate similar to that observed in 2023 (3.3%). This occurred in a context of moderating inflation, which led central banks in advanced economies to initiate a cycle of monetary policy interest rate cuts, while several Latin American countries continued with the cuts they had begun earlier. This easing provided a stimulus to private consumption in many countries, boosting growth in the United States beyond initial projections. Other economies, such as Brazil, also experienced positive growth surprises driven by increased private consumption and higher public spending. In China, economic growth reached the government's 5.0% target following the implementation of fiscal and monetary stimulus measures. In Europe, a slight economic recovery was observed, supported by lower inflation and interest rate cuts, although some economies in the region, such as Germany, continued to face difficulties in their industrial sector and low economic growth.

Inflation moderation across several countries, following the high levels observed over the previous two years, was limited during the second half of 2024 due to increases in energy costs and persistent services inflation. As a result, in some advanced economies, such as Canada, the Eurozone, and the United Kingdom, where headline inflation had returned to central bank targets in September, inflation rebounded again in the last months of the year. Similarly, in the United States, inflation increased toward the end of the year, reaching 2.9% in December. This constrained the inflation correction in member countries of the Organization for Economic Co-operation and Development (OECD), which between 2023 and 2024 declined from 5.9% to 4.7% for headline inflation and from 6.7% to 4.9% for core inflation. In Latin America, where the monetary policy tightening cycle had started earlier than in advanced economies, inflationary dynamics were mixed. In countries such as Chile, Brazil, and Mexico, inflation increased in the last months of the year, and by the end of 2024, it stood at 4.5% in Chile, 4.8% in Brazil, and 4.2% in Mexico. In contrast, in Peru, inflation continued to decrease, reaching 2.0% at the end of the year, the midpoint of its target range. In Colombia, inflation continued to moderate throughout the year, but it ended at 5.2% in 2024, a figure above the level recorded in the major region countries.

Regarding oil, the Brent crude reference price declined by approximately 3.0% between 2023 and 2024, averaging around USD 80 per barrel (bl). This decline was partly due to increased crude oil production in countries outside the Organization of the Petroleum Exporting Countries (OPEC+) and allies, particularly in the United States, Guyana, Norway, and Brazil. The decrease in demand for crude in China due to the increased use of alternative energies in that country contributed to this decline. However, production cuts by OPEC+ member countries and escalating geopolitical tensions due to the conflict in the Middle East limited further reductions in prices. Growth in production levels by non-OPEC+ countries, led by the United States in response to the Trump administration policies, would increase crude inventories in 2025, putting additional downward pressure on prices. In line with this, the U.S. Energy Information Administration, in its January report, projected an average oil price of approximately USD 74 bl amid high uncertainty.

Throughout 2024, the U.S. dollar appreciated in response to expectations of a more gradual monetary policy rate-cutting cycle by the U.S. Federal Reserve (Fed). The most significant strengthening of the currency occurred in the last quarter of the year amid expectations of rising inflationary pressures that could materialize under President Trump's new administration, arising from the resurgence of trade tensions, fiscal pressures, and immigration policies. Meanwhile, during 2024, global risk indicators exhibited episodes of volatility, driven by adjustments in monetary policy expectations in major developed economies and greater global political and economic uncertainty following election results in several economies, particularly in the United States, the European Parliament, the United Kingdom, and France.

By 2025, global economic growth is expected to remain similar to that observed in 2024, amid further inflation moderation, wage recovery, sustained employment growth, and a less restrictive monetary policy, which would boost demand. This outlook carries a high degree of uncertainty associated with ongoing geopolitical tensions and U.S. trade policy, which could lead to tariff increases, retaliations, and additional pressures on commodity prices. In terms of monetary policy, a more gradual cycle of interest rate cuts by the Fed is anticipated, with the possibility of a complete halt if new inflationary pressures emerge in the U.S. In Latin America, most central banks are expected to continue cutting monetary policy interest rates, although these rates would remain in contractionary territory in countries where inflation levels have not yet aligned with central bank targets, limiting domestic demand stimulus in 2025. Furthermore, several countries in the region have recently raised interest rates.

Economic Activity in Colombia

Colombia's GDP recovered moderately in 2024 with an annual growth of 1.7%, contrasting with the low dynamism recorded in 2023 (0.7%). This improvement in growth occurred within the context of a reduction in interest rates and a strengthening of domestic demand. This outcome was also supported by a more favorable external environment, characterized by lower international interest rates, an increase in remittances from Colombians abroad, and growth in exports. Private consumption, which represents the main component of domestic demand, began to exhibit an upward trend starting in the second quarter, ultimately expanding by 1.6% in 2024, remaining at high levels, above its pre-pandemic trend. Similarly, fixed capital investment showed signs of recovery, with a 3.0% growth in 2024, contrasting with the significant contraction recorded in 2023. However, this component still remains at low levels, below those recorded in pre-pandemic. The improvement observed in fixed investment during 2024 came from the item "other buildings and structures", thanks to the progress of projects such as the Bogotá metro and some 5G roads, although the recovery is still at a very early stage. Investment in machinery and equipment also exhibited a moderate increase. In contrast, housing investment contracted in 2024, continuing the trend of low levels observed in 2023.

During 2024, the loan portfolio registered a low nominal growth, with some recovery towards the end of the year, and an annual real variation that continues to be negative in a context of higher economic activity. Particularly, commercial credit boosted the recovery of the loan portfolio during the last quarter of the year. In households' credit, the housing loan portfolio exhibited the highest nominal growth by type of loan, while the consumer loan portfolio continued to decrease. In real terms, both consumer and commercial loans continued to show annual declines, although at lower rates than those observed in previous quarters. A better performance of the loan portfolio is expected by 2025, in a context of lower inflation, lower interest rates, and an investment recovery.

On the supply side, primary and tertiary sector activities led the growth. Among the primary activities, crop and livestock activities related to crops, mainly coffee, stood out, as its production reached historically high levels in 2024, along with livestock activities. However, this performance was partially offset by the contraction in mining, which saw declines in coal and oil production throughout 2024. The tertiary sectors also grew, mainly driven by artistic and entertainment activities, commerce, repairing services, transportation, and accommodation, as well as public administration, health, and education. As for secondary sectors, the manufacturing industry experienced another annual decline, while construction exhibited better performance, driven by civil works.

Economic activity is expected to continue recovering and approaching its potential in 2025, stimulated by an environment of lower interest rates than those observed in 2024, aligned with the process of inflation convergence toward the target. Regarding external financing costs, a high degree of uncertainty persists, linked to both the performance of international interest rates, in an environment of potential inflationary pressures generated by a restrictive trade policy, along with the immigration restrictions announced by the new U.S. government, and the Colombia's country risk performance in the face of fiscal imbalance.

Employment

In 2024, employment continued an upward trend, registering a 2.2% annual variation in the national aggregate by December, which represented the creation of 508,000 jobs. Geographically, employment growth was largely driven by the recovery of jobs in rural areas. Particularly, employment in other municipalities and rural areas grew by 3.2% between December 2023 and 2024, a higher figure than the one observed in urban areas (1.4%). By economic sector, the largest contributions to the annual employment variation in the national aggregate came from commerce and accommodation, manufacturing, public administration, health, and education.

Salaried employment increased by 2.7% in 2024, reaching 11.1 million employed individuals by the end of the year, exceeding the pre-pandemic level (9.3 million in December 2019). In turn, non-salaried employment registered a more moderate annual increase of 1.8%. The greater dynamism of salaried employment compared to non-salaried employment was reflected in the reduction of the informality rate (TI in Spanish), which fell to 55.6% by December 2024.

As a result of the growth in employment and a slight reduction in labor supply due to increases in inactivity in certain segments of the population, the unemployment rate exhibited a slight downward trend in 2024. Thus, with seasonally adjusted figures, the unemployment rate (UR) decreased by 0.6 pp between December 2023 and 2024, ending the year at 9.7% for the national aggregate. Geographically, the reduction in the UR was more pronounced in the other municipalities and rural areas, where UR ended at 9.4%, while in urban areas, it stood at 10%. Given the improved economic activity outlook for 2025, the domestic UR is expected to remain relatively stable throughout the year.

Inflation and Monetary Policy

Annual consumer price inflation stood at 5.2% at the end of 2024, 4.1 pp lower than the rate observed at the end of 2023 (9.3%) and 8.1 pp lower than the peak reached in March 2023 (13.3%). This significant decline in inflation has largely been the result of the cumulative effects of a restrictive monetary policy that moderated domestic demand growth toward more compatible levels with the economy's productive capacity. This adjustment also helped reduce the external imbalance from current account deficit levels exceeding 6.0% of GDP in 2022 to an estimated level of 1.8% of GDP by 2024. Additionally, the reversal of various external and domestic supply shocks, which generated strong inflationary pressures at the time, mainly on food prices, was another important factor contributing to reducing inflationary pressures over the course of the year. Despite these advances, inflation in Colombia was still far from the 3.0% target and higher than in most other countries in the region at the end of 2024.

An alternative inflation measure to assess price developments is core inflation (excluding food and regulated products). This is considered to be a useful measure because, by excluding food (whose prices are often affected by supply shocks) and regulated products (whose prices depend on administrative decisions), it provides a core inflation indicator that is closely related to the demand performance and monetary policy actions. Between 2023 and 2024, core inflation (excluding food and regulated products) fell from 8.4% to 5.2%. The downward trend in this inflation measure demonstrates the effectiveness of contractionary monetary policy in reducing excess demand and containing inflationary pressures. Within core inflation, it is convenient to distinguish between the sub-baskets of goods and services, as their performance differs. Between 2023 and 2024, goods inflation decreased from 7.1% to 0.6%. Besides the contractionary monetary policy, this sharp decline was due to other factors, including: the resolution of logistics and goods transport issues that emerged internationally after the pandemic; the fall in international prices of some imported goods (such as cars, electronic devices, and mobile phones); and the appreciation of the peso against the dollar. In contrast, services inflation exhibited significant inertia over the course of the year, decreasing only from 9.0% to 7.0% between 2023 and 2024, despite the restrictive stance of monetary policy. This rigidity is explained by the high degree of indexation of services to observed inflation and increases in the legal minimum wage.

Regarding food prices, their annual variation decreased from 5.0% to 3.3% between 2023 and 2024. This decrease was driven by processed food prices, thanks to low pressures from imported raw materials and the favorable exchange rate performance. As for perishable foods, more favorable weather conditions allowed for price declines, particularly during the second half of the year. On the other hand, the annual variation of regulated prices fell to 7.3% during the previous year, from a level of 17.2% in 2023. This significant decline occurred as a result of smaller price adjustments for gasoline, after continuous increases in 2023 to bring this price to its international level. Additionally, rates for electricity and other utilities, except natural gas, also showed reductions in their annual variations.

It is expected that inflation will continue to converge toward the 3.0% target in 2025, although more slowly than initially anticipated. While moderate adjustments for food and regulated items are forecasted, new factors have emerged that generate risks to price performance. These include: 1) the increase in producer inflation, which increased from 1.6% in October to 5.8% in December 2024, as a result of both local and imported upward pressures; 2) the increase in the minimum wage for 2025 which, including the transportation subsidy, exceeded observed inflation by nearly 6 pp and the inflation target by 8 pp, and 3) the upturn in all inflation expectations measures, which place inflation slightly above 4.0% by the end of 2025, according to surveys conducted in February, or even higher levels, based on measures drawn from the financial markets. All of this occurs in the context of fiscal uncertainty and a volatile exchange rate.

These new pressures are already beginning to be reflected in the headline inflation performance, which interrupted its downward trend from November 2024, standing at 5.2%, a level that remained unchanged in December and January 2025. However, core inflation has continued to decline, reaching 5.02% in January, down from 5.15% in December 2024. Current inflation forecasts are subject to significant uncertainty and upside risks, including a higher pass-through of the minimum wage adjustment to other wages and corporate cost structures, as well as increased fiscal pressures that could lead to a further depreciation of the exchange rate if the risk premium rises. Additionally, the risk of significant increases in natural gas rates has recently gained importance. With all this, the most likely forecast path suggests that annual headline inflation will continue to decrease, reaching around 4.0% by the end of 2025, and will continue its convergence toward the 3.0% target during 2026.

Balance of Payments

The current account deficit of the balance of payments between January and September 2024 decreased to 1.7% of GDP, compared to a deficit of 2.5% of GDP recorded in the same period of 2023. This correction of the external imbalance was driven by the increase in net income from current transfers, the reduction of the deficit in the services trade balance, and the lower net outflows from factor income. These results were partially offset by a widening of the trade deficit in goods in the period indicated.

The higher net income from current transfers was mostly due to higher remittances received from abroad. These remittances mainly came from the United States and Spain, in an environment of lower unemployment in these countries and an increase in the migratory flow of Colombians abroad. It should be noted that income from workers' remittances reached a historically high level during 2024, totaling USD 11,848 million (m) by December of that year, representing an annual increase of 17.4%.

The improvement in the factor income balance was mainly due to the reduction in profits of firms with foreign direct investment (FDI) in Colombia, which was reflected in lower outflows from profit remittances. The lower profits of these firms occurred mainly in the oil and coal sectors, in an environment of lower prices for these commodities. On the other hand, income from Colombia's investments abroad increased as a result of higher returns on international reserve assets and increased income from portfolio and financial investments, in addition to returns on Colombia's direct investments abroad.

These results were partially offset by an increase in the trade deficit through September 2024, as a result of a larger trade deficit in goods versus a smaller services trade deficit. The improvement in the latter was due to good dynamics in services exports, especially in the travel sector, thanks to the increase in the number of international travelers arriving in the country. The trade deficit in goods increased by September compared to a year ago, mainly due to the decrease in the value of exports, explained by lower coal prices and reduced value of re-exports. This occurred despite the good dynamics of agricultural and industrial exports. According to preliminary trade figures from the National Administrative Department of Statistics (DANE in Spanish), goods exports throughout 2024 remained at very similar levels to those of 2023, maintaining a positive trend in exports excluding oil and mining, while the latter continued to show annual reductions. On the other hand, imports showed a slight expansion for the entire year, which, together with the performance of exports, suggests a widening of the trade deficit in goods for all of 2024.

During the reference period, the financial account recorded net capital inflows equivalent to 1.1% of GDP, lower than the 2.5% of GDP observed a year earlier. Among these inflows, the resources received from FDI stand out, which, for the first nine months of the year, decreased from 5.0% of GDP in 2023 to 3.2% in 2024. This FDI dynamic is mainly explained by the reduction in investments received in mining, transportation, and communications sectors, as well as oil, which was partially offset by the increase in FDI in financial and business services.

The financing of the external deficit was also supported by net income from foreign credits. These resources correspond to the difference between net disbursements received by the private sector and net amortizations made by the public sector.

Additionally, during this period, foreign portfolio investments were received as a result of placements of long-term debt securities in international markets and net purchases of financial instruments in the local market by non-residents.

For all of 2024, it is estimated that the current account deficit would have been close to 1.8% of GDP. By 2025, the technical staff projects a widening of the current account deficit to 2.5% of GDP, in line with expected higher economic growth and improved domestic demand performance.

Public Finances

According to preliminary figures of the recent Financial Plan 2025 (PF-25 in Spanish) presented by the Ministry of Finance and Public Credit (MHCP in Spanish)[1], the General Government (GG)[2] deficit stood at 4.8% of GDP in 2024, representing an increase of 2.1 pp compared to 2023. This deterioration was mainly due to a worsening in the balances of the Central National Government (CNG) (2.6 pp) and the Social Security subsector (0.4 pp). The reduction in the deficit position of the Fuel Price Stabilization Fund (FEPC in Spanish) is highlighted, which was the result of the adjustments made by the national government to the price of gasoline since the end of 2022. This was reflected in the closing of the gap between the reference price and the price of gasoline in the local market at the end of 2023, a trend that continued during 2024. However, fiscal pressures still persist due to the compensation differential in the case of diesel fuel (ACPM in Spanish), which underscores the importance of beginning to reduce the subsidy granted to this fuel.

The data presented by the Government for 2024 indicate that the total and primary deficit of the CNG would have reached 6.8% and 2.4% of GDP, respectively. The deterioration in the total balance for 2024 was due both to a 2.3 pp decline in total revenues and a 0.3 pp increase in expenditure. The decrease in the Nation's revenues was mainly due to lower income tax and external VAT collections plus tariffs, as well as reduced oil revenues due to lower dividends paid by Ecopetrol. On the other hand, the increase in spending was concentrated in transfers from the General Participation System (GPS) and the interest and social security items (health and pension), as well as personnel expenses.

The depreciation of the peso at year-end 2024, together with the higher fiscal deficit, were reflected in an increase in the CNG's net debt as a percentage of GDP. According to PF-25 figures, the CNG's net debt to GDP ratio stood at 60.0% at the end of 2024, up from 53.8% of GDP observed in 2023. This represents not only an annual increase in public debt but also an upward revision compared to what was projected in the 2024 Medium-Term Fiscal Framework (MTFF-24), where it was anticipated to reach 55.3% of GDP in 2024, close to the fiscal rule's anchor level of 55.0% of GDP.

A total and primary deficit of 5.1% and 0.2% of GDP is projected for 2025, which implies an adjustment of 1.8 pp and 2.2 pp, respectively, compared to 2024, according to the scenario presented in PF-25. This would be explained by the 22.6% increase in tax collection, partly driven by greater management by the National Directorate of Taxes and Customs (DIAN in Spanish), which would increase collections by COP 30 trillion (t), as stated in the 2025 Government Budget bill (PGN-25 in Spanish). The expected dynamism in tax collection would more than offset the growth in primary spending, which is expected to increase by 3.8% annually, driven by higher resources

1 Preliminary figures provided by the MHCP not yet approved by the CONFIS.

2 The GG is composed of the Central National Government (CNG), regional and local governments, the social security sector (pensions and health), and other entities at the central level, including the Fuel Price Stabilization Fund (FEPC).

allocated to the GPS and pension spending. The Independent Fiscal Rule Committee (CARF in Spanish) points out risks associated with these projections, noting that compliance with the fiscal rule in 2025 and the stabilization of public finances will require a fiscal adjustment of around COP 46 b[3]. The need for this adjustment is mainly explained by an overestimation of the projected revenues in the PGN-25.

For the MHCP, the 2024 result and the projection for 2025 would be consistent with compliance with the fiscal rule, which establishes a net structural primary balance (NSPB) target[4]. The level of NSPB determined to comply with the fiscal rule is -0.2% of GDP for 2024 and 0.5% of GDP for 2025. A determining factor in the calculation of the 2024 NSPB was the inclusion of one-off transactions (TUVs in Spanish) for COP 32 t (1.9% of GDP), among which the following stand out: COP 25.8 t for unanticipated drop in collections, COP 2.3 t for deductibility of coal royalties, and COP 1.9 t for expenses associated with the winter emergency, among others[5].

Regarding the above, CARF expressed some concerns regarding the one-off transactions approved by the Confis[6]. The NSPB estimate presented by the Government for 2025 does not include one-off transactions.

Fiscal policy decisions and credibility play an essential role in avoiding overburdening the macroeconomic adjustment on interest rates. Colombia's risk premiums remain high and distant from those of other emerging countries with similar characteristics. In this context, deteriorations in the fiscal situation lead to increases in risk premiums, which is reflected in higher interest rates payable by the government and the economy as a whole. Therefore, it is essential to maintain a fiscal deficit trajectory that ensures the sustainability of public finances and promotes a balanced adjustment among economic agents.

Foreign Reserves

As of 31 December 2024, net foreign reserves totaled USD 62,481 m, representing an increase of USD 2,873 m during 2024. The return on foreign reserves in 2024, excluding the exchange rate component, stood at 3.65% (USD 2,230 m), which was one of the main factors explaining the increase in reserves. This result was mainly due to higher interest rates, which had a positive impact on the profitability of foreign reserves through higher interest earned on investments. Additionally, the reserves accumulation program announced by the BDBR in December 2023, which presented a reserve accumulation of USD 1,479.4 m at the end of December 2024, contributed to the increase in reserves during the year. The above was partially offset by the depreciation of other reserve currencies against the U.S. dollar, which generated a negative exchange effect of USD 759.55 m.

3 See Pronouncement No. 15, of 17 February 2025 (www.carf.gov.co.).

4 Law 2155 of 2021 stipulates that the operational targets of the fiscal rule should be defined on the NSPB. This variable corresponds to the fiscal balance after discounting interest expenses, income from financial yields, one-time transactions, and the components associated with the economic and oil cycle. Law 2155 of 2021 established a transition regime for the fiscal rule between 2022 and 2025, with specific targets on the NSPB, regardless of the value of the debt observed at any given time.

5 See: one-off transactions applicable for the 2024 period (https://www.minhacienda.gov.co/politica-fiscal/documentos-planeacion-financiera/plan-financiero/2025).

6 Of the one-off transactions for COP 32 t that the Government included in the 2024 balance, only about COP 6.2 t had a favorable opinion from the CARF, which correspond to the non-structural component of the FEPC, the deductibility of coal royalties, the ruling of the Council of State that extends the times for the correction of tax returns, and the expense associated with the winter emergency. Therefore, the NSPB would have been -1.8% of GDP in 2024, higher level than the deficit of -0.2% of GDP allowed by the Law. See Pronouncement No. 15, dated 17 February 2025. (www.carf.gov.co).

An indicator widely used internationally to measure the adequate level of foreign reserves is the one proposed by the IMF's Assesing Reserve Adequacy (ARA) methodology. This metric establishes that reserves should cover the main balance of payments risks during periods of pressure in the foreign exchange market. According to the IMF, this indicator aims to cover the risks associated with the loss of access to external financing, the loss of confidence in the local currency, the reversal of capital flows, and a potential contraction in external demand. An economy is considered to maintain adequate levels of reserves if the ARA is between 1.0 and 1.5. With the information available as of December 2024, the IMF's ARA calculated for Colombia was 1.29. This shows that Colombia maintains an adequate level of reserves, but without exceeding what is necessary to meet the country's external needs in the face of extreme external scenarios.

Banco de la República's Profits

In 2024, the Central Bank's profits amounted to COP 10,041 billion (b), reaching its historical maximum, as a result of revenues of COP 13,948 b and expenses of COP 3,907 b (Table 6.2). This profit was COP 815 b higher than that observed in 2023 due to the annual reduction in expenses, partially offset by the decrease in revenues.

For 2025, a profit of COP 10,512 b is projected, COP 167 b higher than that considered in the budget approved for 2024, in a context where a high profitability of foreign reserves would persist. This forecast has a high degree of uncertainty, mainly associated with the evolution of the returns on foreign reserves and with the growth and sources of expansion of the monetary base.