

Colombia



						Forecasts		
	2020	2021	2022	2023	2024	2025	2026	2027
GDP growth (%)	−7.2	10.8	7.3	0.7	1.6	2.5	2.3	2.5
CPI inflation (%)*	2.5	3.5	10.2	11.7	6.6	4.9	3.5	3.0
Fiscal balance (% of GDP)	−8.1	−6.8	−5.3	−4.2	−6.7	−7.1	−6.9	−4.9
Public debt (% of GDP)	65.3	64.4	61.3	55.5	61.2	58.9	61.9	63.0
Reference rate (%)*	2.86	1.92	7.21	13.04	11.38	9.33	8.18	7.05
Exchange range (COP/USD)*	3693.1	3748.6	4261.4	4321.9	4073.8	4059.0	4255.4	4330.2
Current balance (% of GDP)	−3.4	−5.6	−6.0	−2.3	−1.7	−2.3	−2.6	−2.8
External debt (% of GDP)	53.2	51.0	58.1	49.9	49.2	47.8	48.6	49.9

Note: * Annual average.

Source: CaixaBank Research, based on data from LSEG Datastream.

Outlook

The Colombian economy has shown signs of stabilising in recent quarters. The upturn in activity is being supported by private consumption, which is 6 pp above its pre-pandemic level, thanks to a strong labour market – with the unemployment rate remaining below the historical average – and rising real household incomes, boosted by the increase in the minimum wage (+23% since 2023) and the expansion of social programmes. The improving labour market and easing inflation have boosted private consumption since 2024, after three years of sluggishness, supporting GDP growth. Investment, on the other hand, continues to lag behind pre-pandemic levels, reflecting political uncertainty, particularly in key sectors such as hydrocarbons (where regulatory changes to promote the ecological transition and restrict exploration have reduced foreign investment) and construction. However, stress points remain, such as fiscal deterioration, weak investment and institutional uncertainty.

Economic policies

The monetary authorities have managed to rein in inflation from its peak in 2023 (13.3% in March 2023). The IMF expects it to stand at 4.4% at the end of 2025 and to meet the Central Bank's target of 3% in 2027. Core inflation has also fallen, albeit less sharply, due to lingering inflation in services and broad price indexing. The Central Bank is continuing to ease monetary policy, albeit at a slower pace than in previous years (after cuts totalling 350 bp in 2024, rates have been reduced by just 25 bp in 2025 to 9.25%).

The fiscal deficit has grown in recent years amid ongoing primary expenditure and declining tax revenues due – among other reasons – to the fall in global coal prices and lower revenues from the mining and energy sectors. Thus, consolidated public sector gross debt reached 61.2% of GDP in 2024 and is expected to exceed 63% in 2027, above the legal fiscal anchor of 55%.

The improvement in the foreign sector does not appear to be sustainable. After improving the balance of payments in 2024 (when the current account deficit fell to 1.7% of GDP, its lowest level in 20 years) due to strong growth in remittances (+17% in the year) and tourism, and a fall in foreign dividend payments, the IMF does not expect this improvement to be sustainable. It forecasts that from 2025 onwards the deficit will widen again due to worsening terms of trade and higher domestic demand.

Exchange rate

The Colombian peso has appreciated sharply in 2025, by around 15% against the dollar, driven by a positive real interest rate differential versus the US and a large international reserve buffer (131% of the IMF threshold). This appreciation was also supported by the aforementioned improvement in the current account deficit, thanks to lower dividend payments and higher remittances. However, in the coming quarters, the combination of subdued oil prices, domestic fiscal vulnerabilities and a widening current account deficit points to a gradual depreciation of the peso in 2026. Monetary policy will remain tight and support the currency, but the global financial climate and Colombia's relationship with the US will be sources of volatility with a slightly bearish bias for the currency.

Main risks

The balance of risks to the Colombian economy is skewed to the downside. Notable risks include:

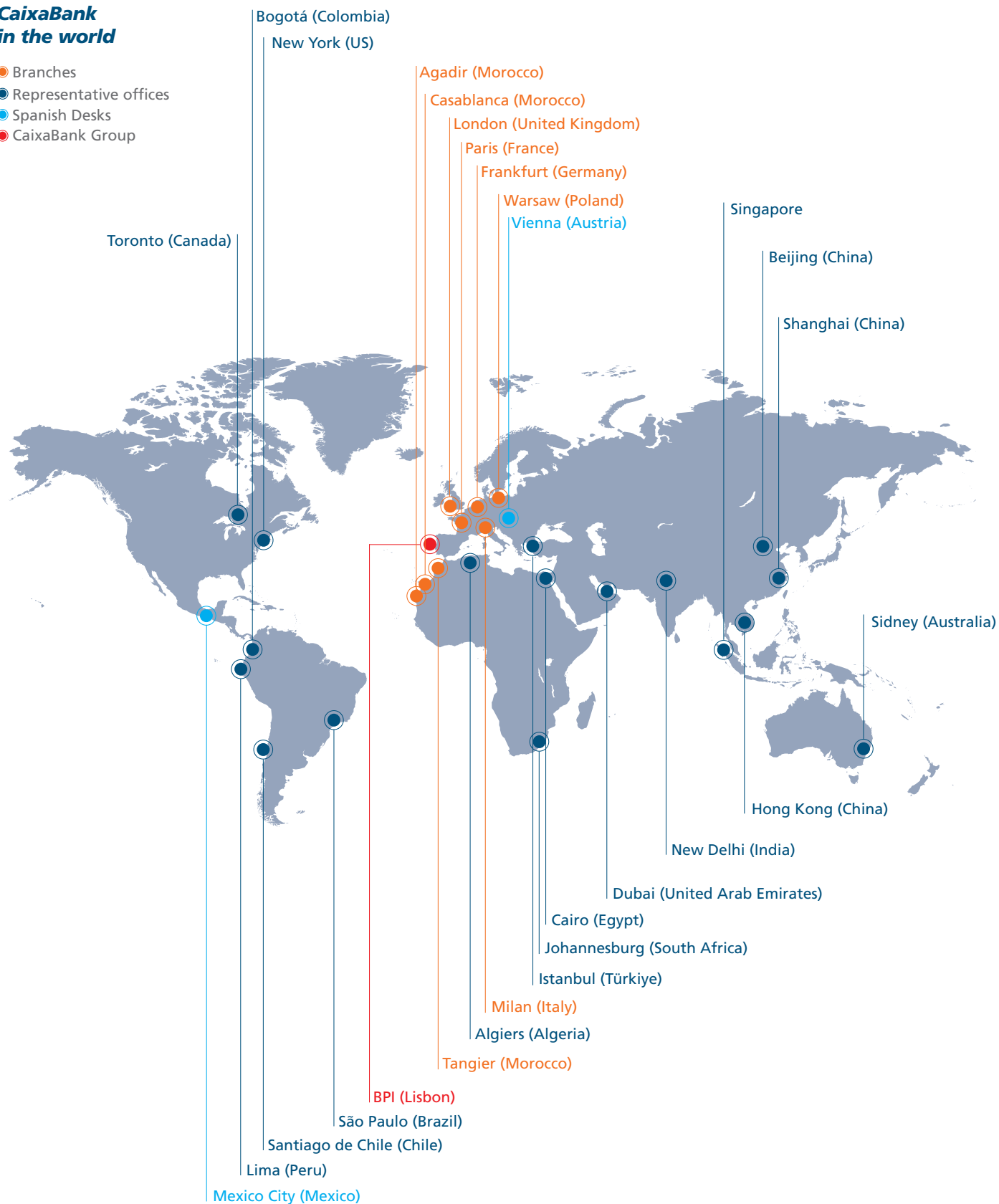
- **Fiscal risks:** fiscal deterioration poses the biggest macroeconomic risk. The suspension of the fiscal rule until 2027 has allowed the government to ramp up spending without an equivalent, sustainable increase in public revenues to back it up, and although the Medium-Term Fiscal Framework anticipates consolidation in 2028 based on a tax reform that seeks to raise an additional 1.4 pp of GDP, approving that reform will be complicated by the lack of a parliamentary majority and 2026 being an election year. Furthermore, there are still budget arrears due to a lack of liquidity, which could potentially become liabilities, and the country remains dependent on highly volatile revenues from the mining and energy sectors. According to the IMF, to return to the fiscal rule in 2028, Colombia will need to implement a structural adjustment equivalent to at least 3.2 pp of GDP between 2026 and 2028. Even then, net debt would not return to the fiscal anchor of 55% of GDP until the 2040s. If no such adjustment is made, debt could exceed 70% of GDP by 2033.
- **Political and geopolitical risks:** Colombia is highly polarised as it enters an election year in 2026. The implementation of structural reforms (pensions, health, decentralisation) has already faced legislative hurdles: the approved pension reform was returned to Congress by the Constitutional Court, the health reform remains stalled in the Senate and decentralisation is dependant on a law on competencies that is yet to be introduced. Moreover, the geopolitical pivot towards China – joining the Belt and Road Initiative and the BRICS bank – and the souring of relations with the US (including threats of sanctions and tariffs) could hit direct foreign investment and international trade.
- **External risks:** Colombia's economy is vulnerable to external *shocks*, such as further falls in oil and coal prices, global trade restrictions or a slowdown in the US, the country's main export destination and source of remittances. The energy transition also poses risks for fiscal revenue and the trade balance (oil revenues accounted for around 10% of the budget up to 2024).

Sovereign credit rating				
Rating agency	Rating*	Last changed	Outlook	Last changed
STANDARD & POOR'S	BB	26/06/25	Negative	26/06/25
MOODY'S	Baa3	26/06/25	Stable	26/06/25
FitchRatings	BB+	01/07/21	Negative	06/03/25

Note: *A shaded cell indicates "investment grade" and an unshaded cell indicates "speculative grade".

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