

Economic Analysis

November inflation stood at 5.2%, in line with expectations

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A decline in core inflation offset the acceleration in food inflation

In November, monthly inflation was 0.27%, with an annual rate of 5.20%, consistent with our expectations and closely aligned with market analysts' projections, which, according to the Central Bank of Colombia's survey, anticipated a monthly variation of 0.21%. This result places inflation 21 basis points (bps) below the previous month's figure.

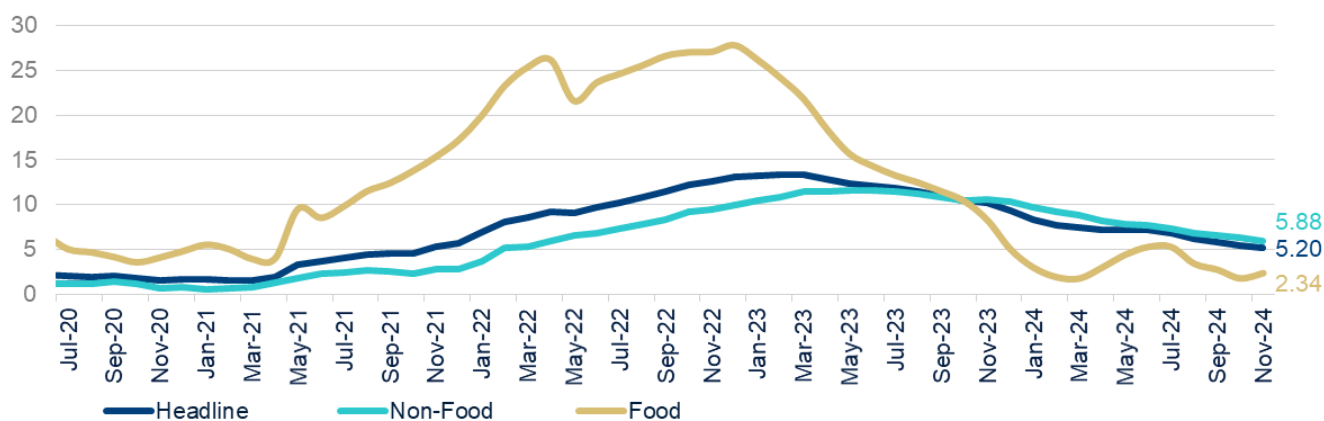
- **As expected, annual food inflation accelerated from 1.75% in October to 2.34% in November, an increase of 59 bps.** This rise is primarily attributed to base effects, as November 2023 reported a negative monthly inflation for food. The main upward pressure came from the perishables basket, which increased by approximately 300 bps, shifting from negative annual inflation the previous month (-0.40%) to 2.57% in November. This sharp increase in perishables was moderated by an 82 bps decline in processed goods, bringing this basket's annual variation to 2.71%, again reflecting base effects. Additionally, the meat basket saw a moderate increase of 30 bps, reaching 1.28% in annual variation.
- **Annual core inflation (excluding food) more than offset the rise in food inflation, registering a sharper decline than in previous months, settling at 5.88%.** The three baskets within this aggregation exhibited different trends: administered prices items declined, services remained at levels similar to the previous month, and goods exerted upward pressure.
- **The annual inflation for the administered prices basket accelerated its decline in November, primarily due to base effects.** The downward adjustment was 190 bps, bringing the annual variation to 7.59%. This decrease is explained by fuel price hikes and electricity tariff increases implemented in November 2023, which were not applied this year, resulting in a high comparison effect. Additionally, monthly energy inflation registered a low figure this month, likely reflecting prior tariff adjustments in the northern coast.
- **The services basket continued to show persistence, with annual inflation at 7.28%, just 6 bps below October's figure.** Upward pressures in this basket mainly came from the tourist package subcategory, which reached a historic monthly variation for November amid consumer preparations for the holiday season. Additionally, rents, while lower than last year's levels, remain above pre-pandemic historical highs. Cinemas and theaters also contributed upward pressure, posting the highest monthly variation in the last 16 years following price adjustments after two months of declines due discounts. Restaurant dining experienced pressures likely tied to year-end dynamics, slightly exceeding pre-pandemic historical averages (2009-2019), suggesting lingering resilience in service demand.
- **The annual inflation for the goods basket rose for the first time since June 2023, recording an annual variation of 0.62%.** This marks a 20 bps increase from October's figure (0.42%), driven by pressures in subcategories with a higher imported component, such as beer, pharmaceuticals, and cleaning and

maintenance products. Additionally, base effects from the vehicles subcategory played a role, as it recorded its first positive monthly variation in 17 months.

In foresight:

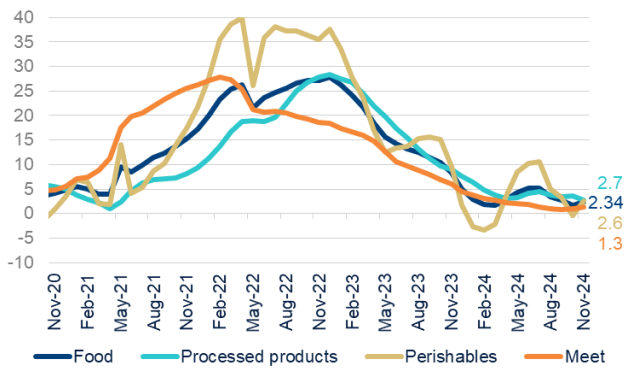
- **Food inflation will continue to rise in the last month of the year, ending near 3.2%, a moderate level.** As in November, year-end increases in food inflation will primarily be associated with low comparison levels in 2023. However, potential impacts from climatic factors on year-end prices cannot be ruled out.
- **Service inflation will continue to decline in 2024 but at a slow pace.** Rents will close the year as the main source of pressure within the services basket, largely explaining the persistence observed in this category throughout the year and establishing a high starting point for this subcategory in 2025. Additionally, year-end seasonality will sustain pressures through subcategories like dining out, despite the moderation in service demand. Consequently, service inflation will decrease gradually, reflecting some persistence.
- **Administered prices inflation will moderate its decline toward year-end but will remain on a downward trajectory.** For December, base effects in electricity inflation are expected, along with low levels in other subcategories linked to public utilities.
- **Overall, BBVA Research expects inflation to continue its downward trend in the last month of the year, closing near 5.1% in 2024.** Food inflation is expected to experience a further increase in the final month of the year, ending around 3.2%. Meanwhile, core inflation will continue to decline, supported by base effects and weaker demand for services.

Figure 1. **HEADLINE, NON-FOOD AND FOOD INFLATION (ANNUAL CHANGE, %)**



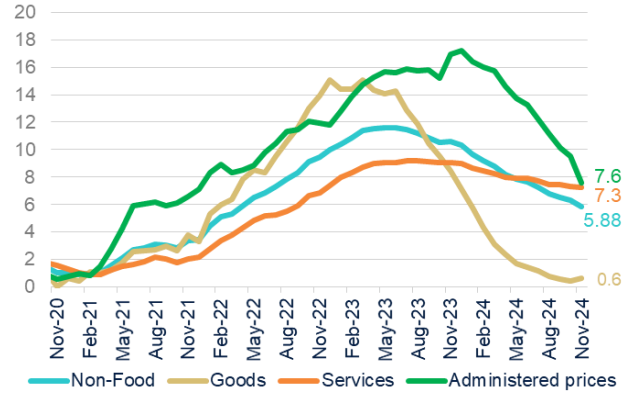
Source: BBVA Research with data from DANE

Figure 2. **FOOD INFLATION MAIN SUB-BASKETS**
(ANNUAL CHANGE, %)



Source: BBVA Research with data from DANE

Figure 3. **NON-FOOD INFLATION MAIN BASKETS**
(ANNUAL CHANGE, %)



Source: BBVA Research with data from DANE

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