BBVA Research

Colombia Economic Outlook

The Colombian economy will keep strengthening its recovery, but still faces important challenges

March 2025

Creating Opportunities

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Creating Opportunities

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01

Global environment:

A positive, but moderate performance, with geopolitical, trade and monetary risks prevailing

Main messages

RECENT DEVELOPMENTS

The global economy is facing major geopolitical and economic shifts with uncertain consequences, mostly due to the policies of the new Trump administration. US growth remains resilient despite recent negative signs, while the Eurozone stays weak and China recovers. Inflation continues above target, mainly in the US. The Fed has kept rates steady and the ECB has continued its easing cycle in 1Q25.

GROWTH OUTLOOK

Global growth is set to slow amid rising uncertainty and protectionism. While some recent growth momentum supports upward forecast revisions for the US and China, both are still expected to decelerate. In the Eurozone, growth prospects have worsened as trade and geopolitical uncertainty weigh negatively, but fiscal spending (particularly in defense) may provide support.

INFLATION AND RATES OUTLOOK

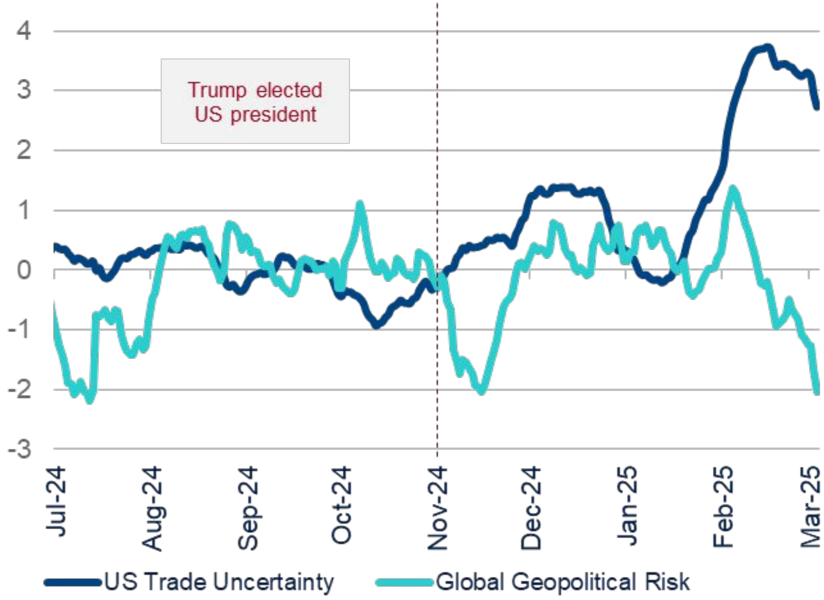
US inflation is expected to rise, partly due to tariffs, while in the Eurozone it should converge to target. The Fed will likely hold rates steady in the short term, but monetary easing could resume from 2H25. The ECB is preparing to end its easing cycle as monetary conditions are now less restrictive; two rate cuts in 2Q25 are still likely. Controlled inflation should clear the path for lower interest rates in China.

RISKS

The balance of risks for the global economy remains skewed to the downside. The main source of concerns are higher US tariffs and persistent uncertainty. Even though talks on ending the war in Ukraine are a positive development, geopolitical risks will remain in the radar.

The policies of the new U.S. administration create significant uncertainty

US TRADE UNCERTAINTY AND GLOBAL GEOPOLITICAL RISK INDEXES (*)
(MEAN SINCE JAN/23 EQUALS TO 0; 28-DAY MOVING AVERAGE)



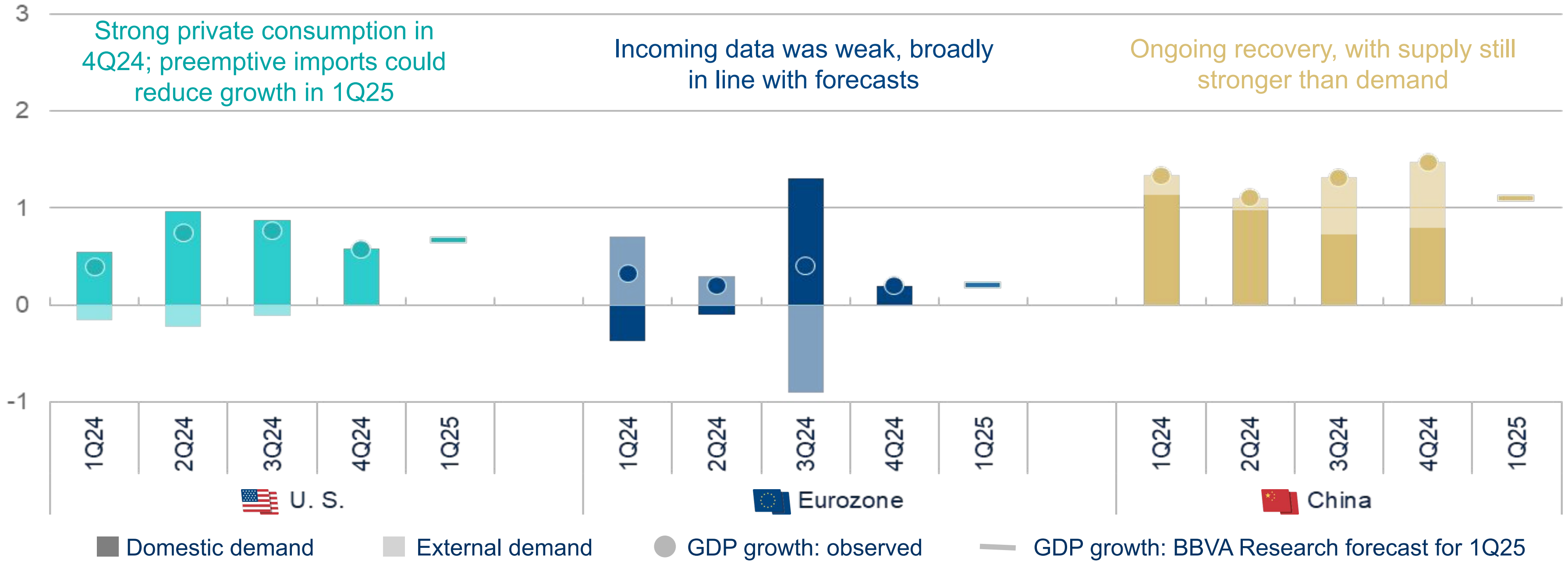
(*) Last available data: March 5th, 2025
Source: BBVA Research Geopolitics Monitor.

- Higher uncertainty on Trump's policies:
  - Trade: 20% tariffs on China, 25% on some Western allies (later delayed), 25% tax on steel and aluminum, etc., along with various threats of further protectionism measures.
  - Other: policies to tighten immigration controls, promotion of fossil fuels, cus in public spending and lower taxes, less multilateral institution support, etc.
- Short-term geopolitical risk has eased, easing pressure on energy prices, given the negotiations to end the war in Ukraine and the truce between Israel and Hamas.
- Still, geopolitics will remain a concern given latent US rivalry with China and the rising US tensions with Western allies, which are triggering a determined increase in defense spending in Europe.

Growth still has strong inertia: it remained robust in the US and China but was barely positive in the Eurozone by late 2024

GDP: CONTRIBUTION OF DOMESTIC AND EXTERNAL DEMAND TO GDP GROWTH

(GDP GROWTH: Q/Q%; CONTRIBUTIONS TO GDP GROWTH: PERCENTAGE POINTS)

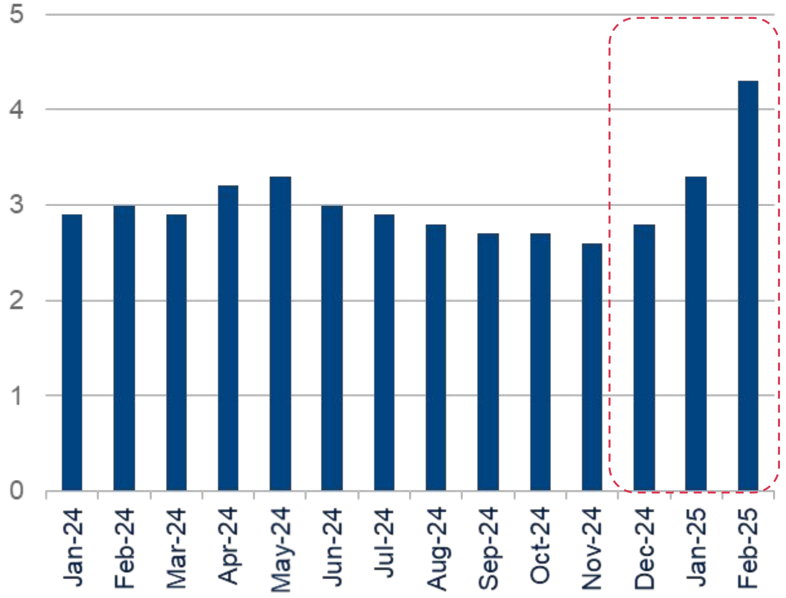


Source: BBVA Research based on data from Haver and China's NBS.

Despite the recent resilience of US growth, uncertainty already appears to be weighing on consumer confidence and inflation expectations

US CONSUMER INFLATION EXPECTATIONS: ONE YEAR AHEAD

(Y/Y %)



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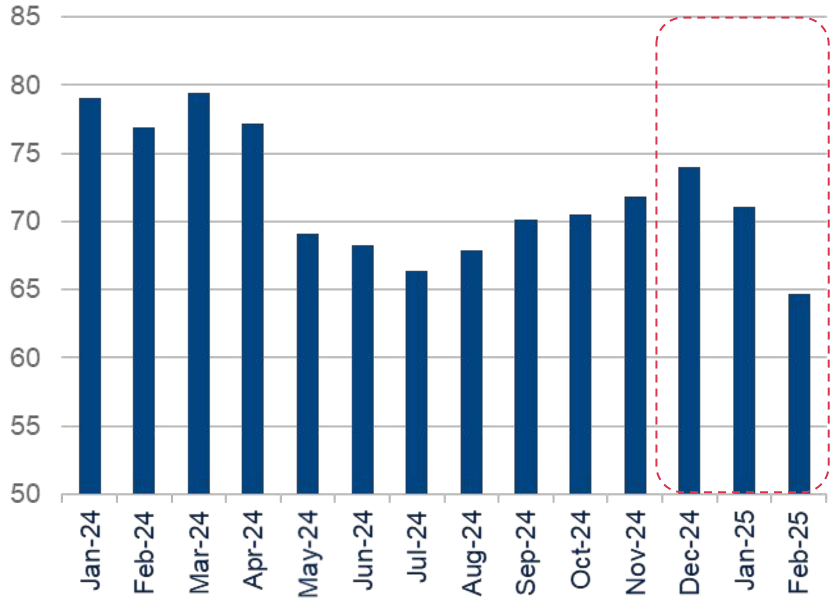
Source: BBVA Research based on data from Survey of Consumers, University of Michigan.

US CONSUMER SENTIMENT

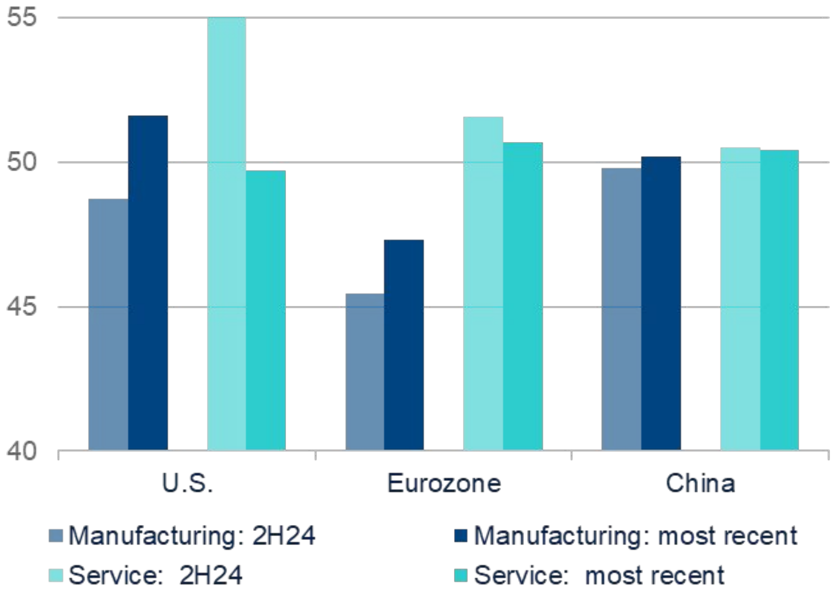
(INDEX)



Source: BBVA Research based on data from Survey of Consumers, University of Michigan.

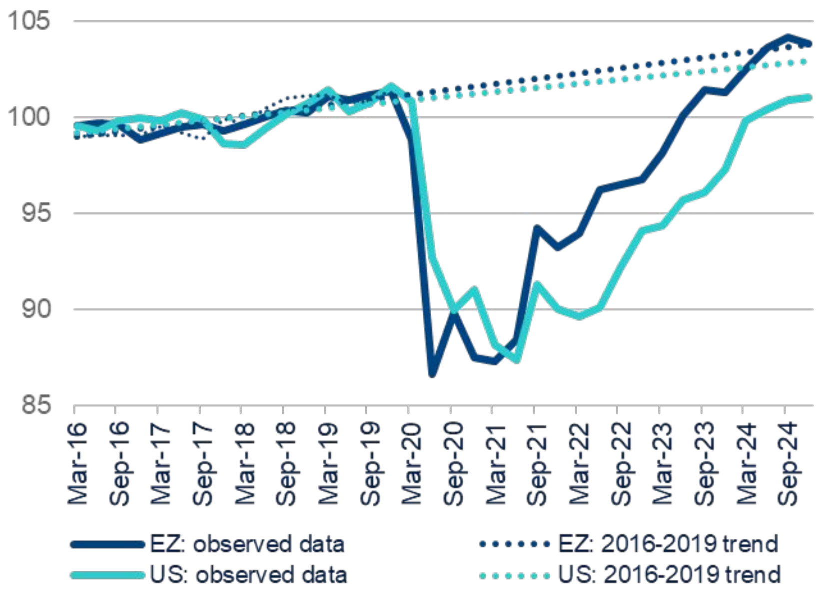
The slowdown in services and signs of recovery in manufacturing raise questions about the persistence of the post-pandemic growth model

PMI INDICATORS: 2S24 AVERAGE AND MOST RECENT DATA (*)
(MORE THAN 50: EXPANSION; LESS THAN 50: CONTRACTION)



(*) Most recent data: February 2025.
Source: BBVA Research based on data from Haver.

PRIVATE CONSUMPTION: SERVICES/GOODS RATIO (*)
(INDEX: 2016-19 AVERAGE = 100; BASED ON NOMINAL VALUES)

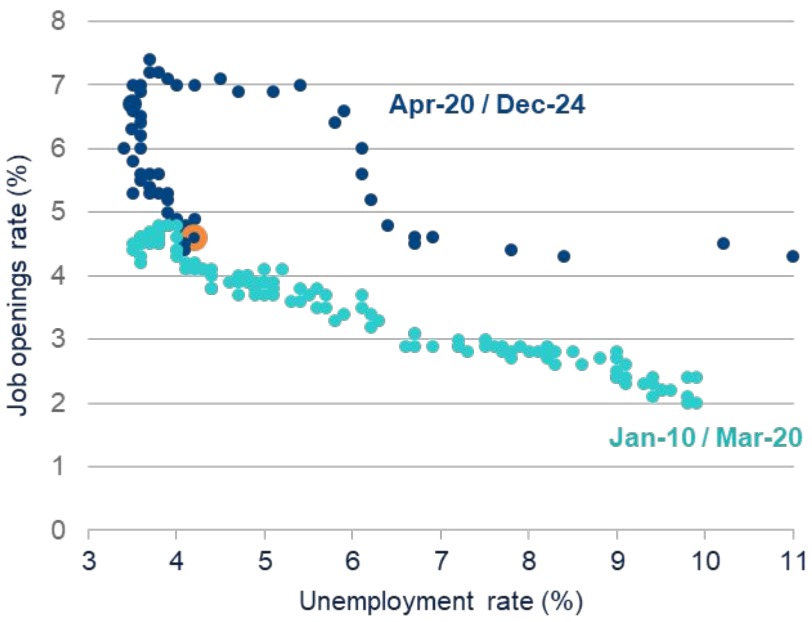


(*) 4Q24 data for the Eurozone is based on preliminary figures for Denmark, Germany, Spain, France, Netherlands and Slovenia.
Source: BBVA Research based on BEA and Eurostat data.

Labor markets remain resilient despite recent moderation: job openings have fallen sharply, but unemployment continues to be at low levels

US: BEVERIDGE CURVE (*)

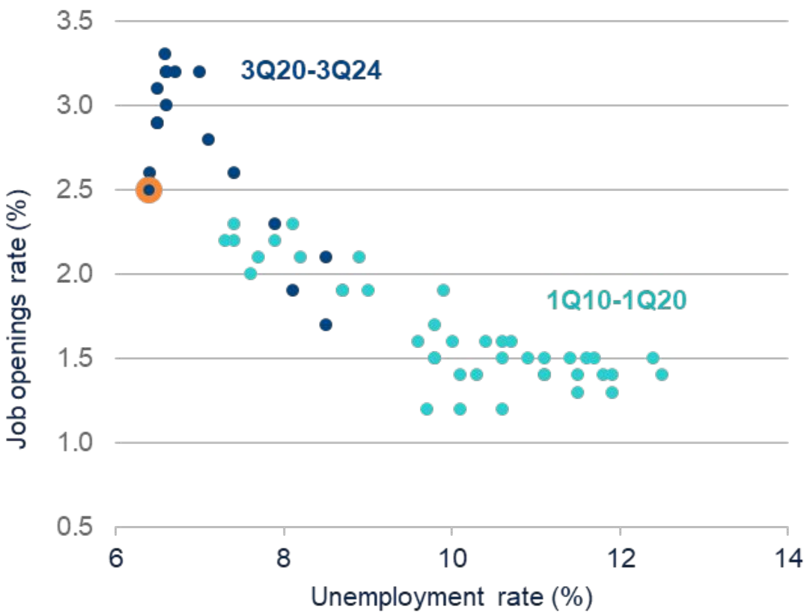
(MOST RECENT MONTHLY DATA HIGHLIGHTED IN ORANGE)



(*) Unemployment: share of labor force. Job openings: share of sum of employment and job openings.
Source: BBVA Research based on data from FRED.

EUROZONE: BEVERIDGE CURVE (*)

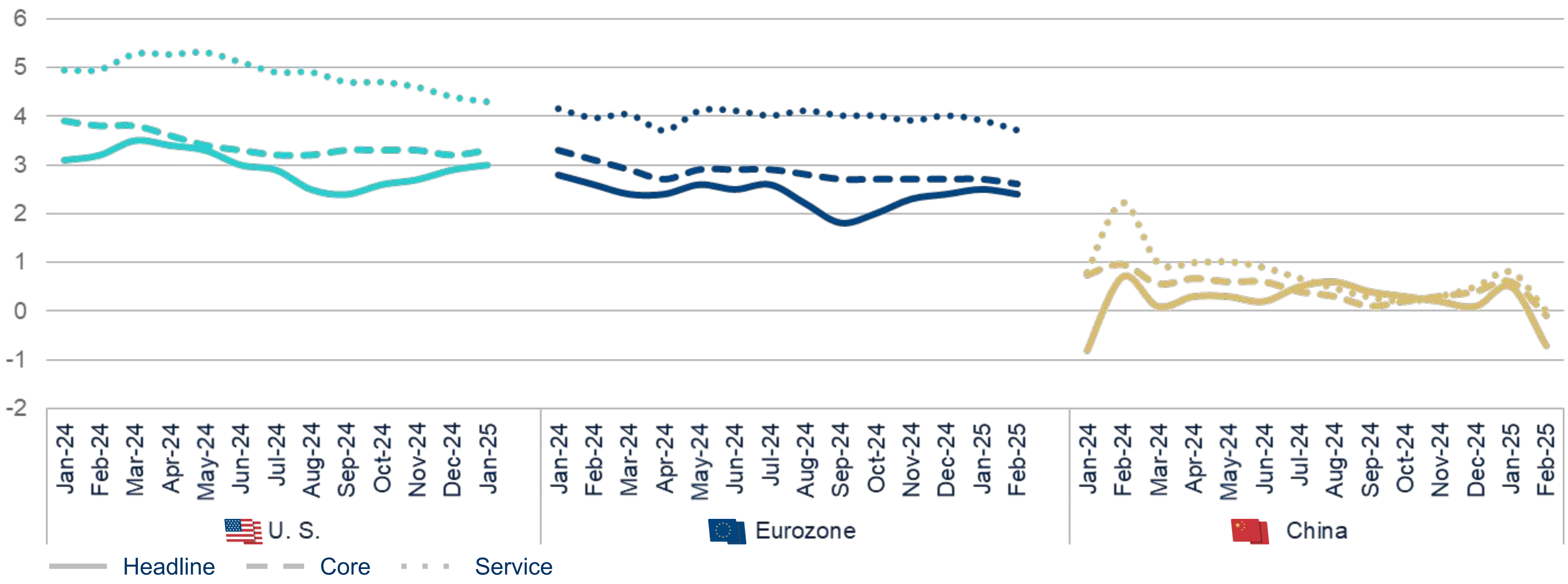
(MOST RECENT QUARTERLY DATA HIGHLIGHTED IN ORANGE)



(*) Unemployment: share of labor force. Job openings: share of sum of employment and job openings.
Source: BBVA Research based on data from Eurostat.

Inflation remains above target, particularly in the US but to a lesser extent also in the Eurozone, after having rebounded more than expected in recent months

CPI INFLATION: HEADLINE, CORE AND SERVICE
(Y/Y %)

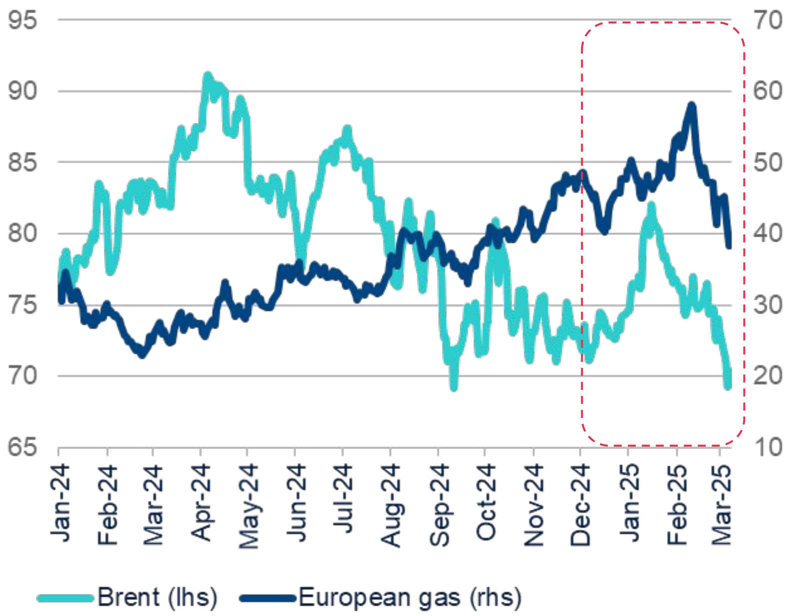


Source: BBVA Research based on data from Haver.

Energy prices have eased on more positive supply prospects and recent geopolitical developments, but remain volatile; wages seem to have lost steam

OIL AND GAS PRICES (*)

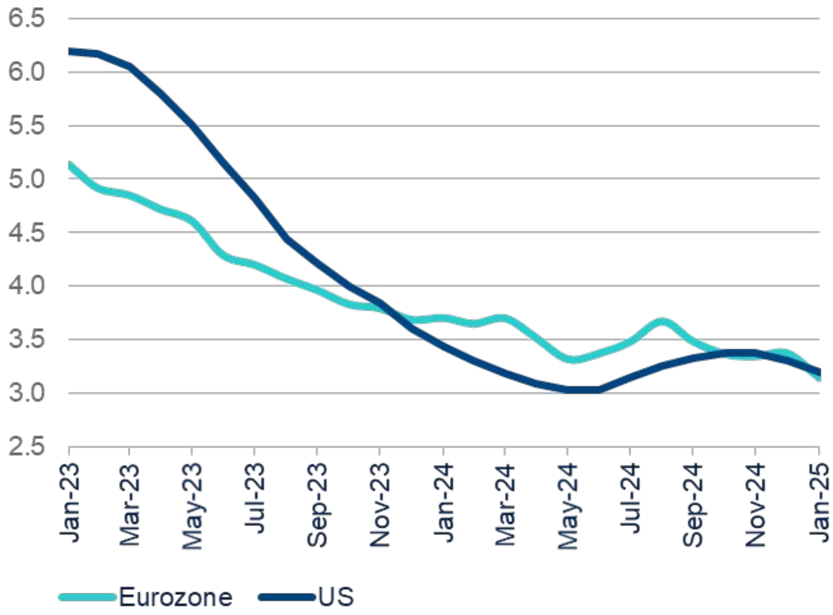
(OIL: USD PER BRENT BARREL; GAS: EURO /MWH)



(*) Last available data: March 7th, 2025.
Source: BBVA Research based on data from Haver.

NOMINAL WAGES: INDEED WAGE TRACKER

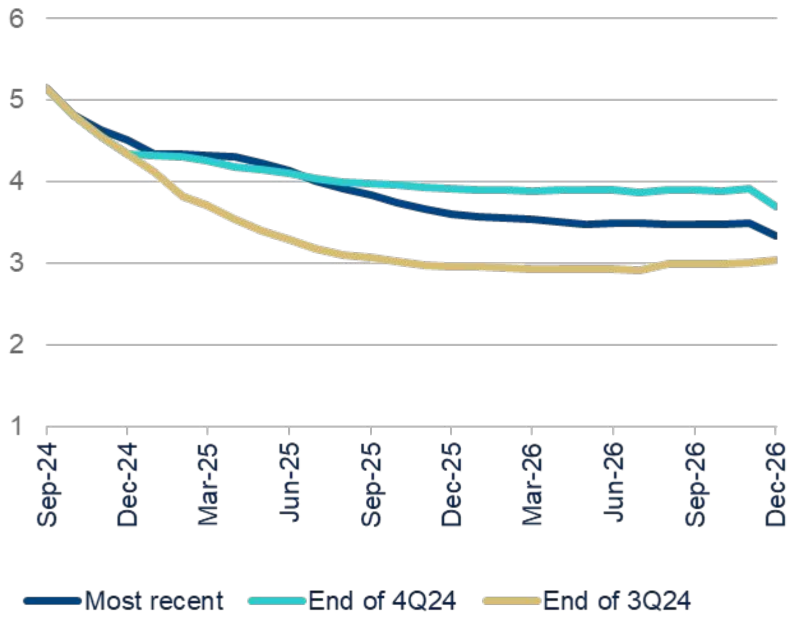
(Y/Y %, 3-MONTH MOVING AVERAGE)



Source: BBVA Research based on data from Indeed.

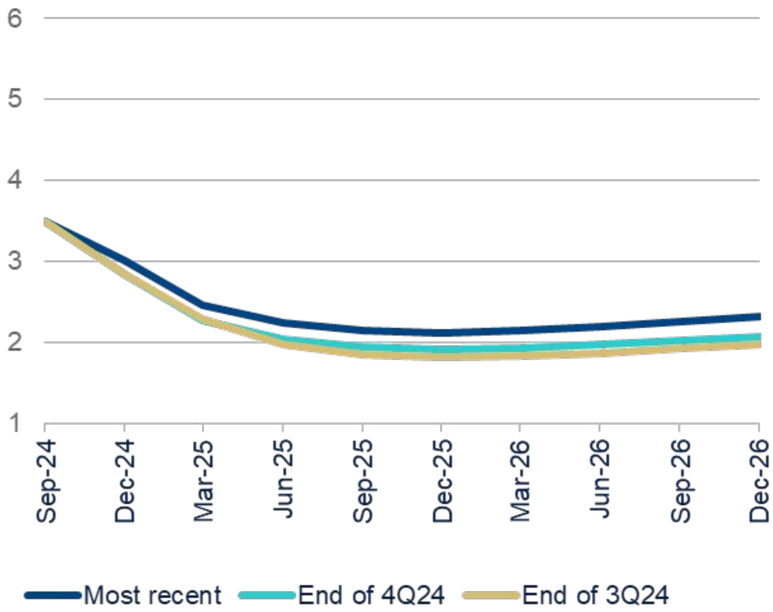
Central bank caution: the Fed kept rates unchanged and the ECB continued to cut in 1Q25, without ruling out a pause later on

US: IMPLICIT INTEREST RATE IN FED FUND FUTURES (*)
(%)



(*) Last available data: March 5th, 2025.
Source: BBVA Research based on data from Haver.

EZ: IMPLICIT INTEREST RATE IN 3-MONTH EURIBOR FUTURES (*)
(%)

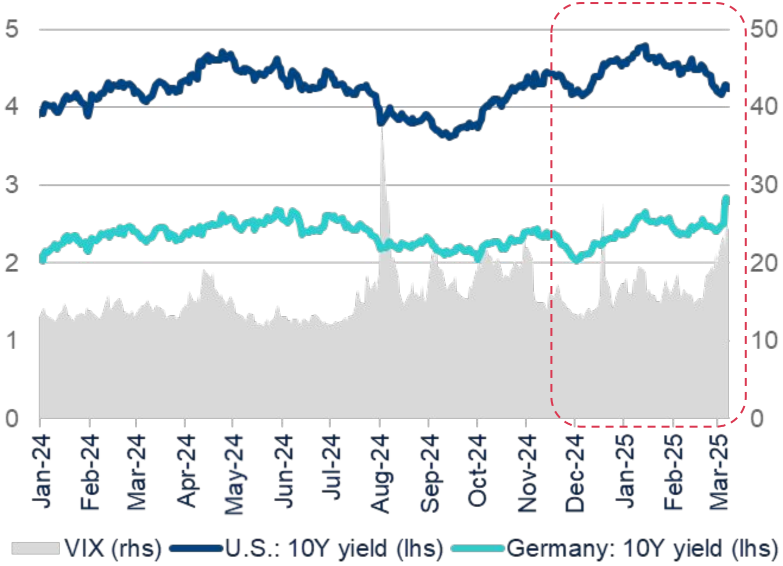


(*) Last available data: March 5th, 2025.
Source: BBVA Research based on data from Haver.

Financial volatility rises as markets assess Trump's policies; spending plans boost sovereign yields in Europe

SOVEREIGN YIELDS AND VOLATILITY (VIX) (*)

(SOVEREIGN YIELDS: %; VIX: INDEX)



(*) Last available data: March 5th, 2025.
Source: BBVA Research based on data from Haver.

US DOLLAR: DXY (*)

(INDEX)

(*) A lower DXY index represents a weaker US dollar. Last available data: March 5th, 2025.
Source: BBVA Research based on data from Haver

The new US administration's erratic policies are set to bring major shifts, posing growing challenges to the global economy

BBVA RESEARCH BASELINE SCENARIO ON MAIN TRUMP POLICIES

TRADE POLICY	US tariffs are more than a negotiating tool. Working assumption: a 10% blanket tariff from 2Q25 and 60% tariffs on China from 2H25.
GEOPOLITICS	No changes in the current status quo; risks are tilted to the downside, although the eventual end of the war in Ukraine will have positive effects.
MIGRATION	No strong impact on labor markets; deportations will rise, but not sharply.
FISCAL POLICY	Deficits will be large, pressured by low taxes, despite some spending cuts.
MONETARY POLICY	The Fed will remain independent, but Trump's criticism may create noise.
DEREGULATION	No significant positive effects are being assumed.

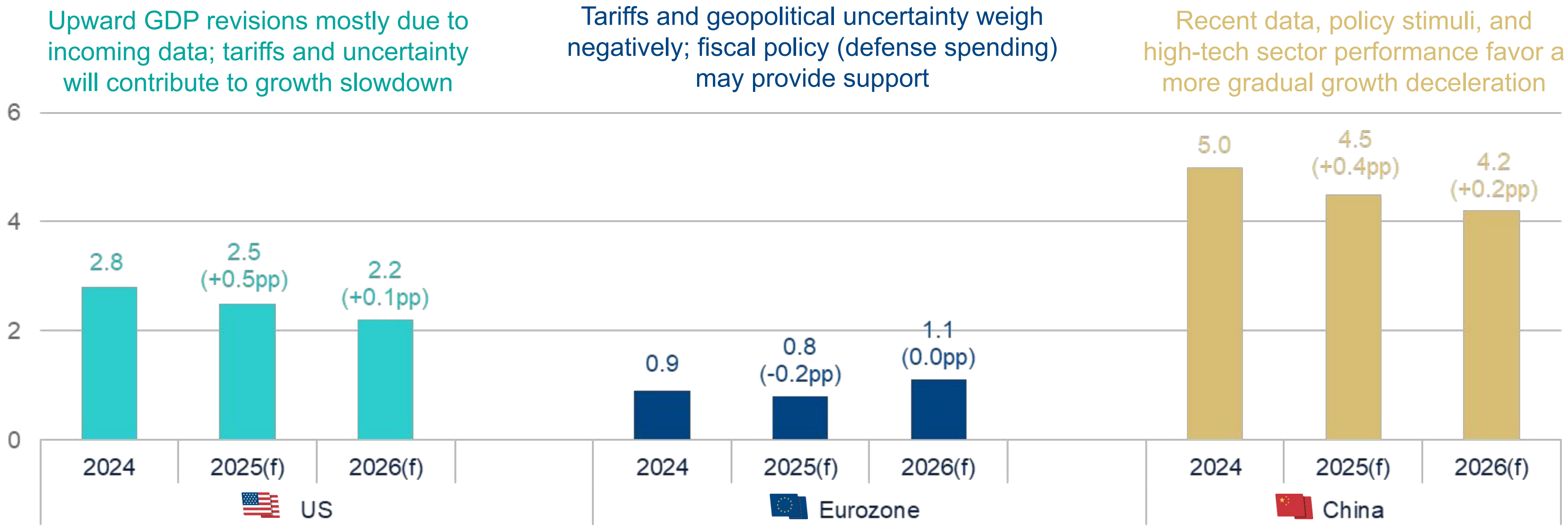
US tariffs are set to create negative supply and uncertainty shocks

	BASELINE SCENARIO	MAIN RISKS
SHOCKS CREATED BY US POLICIES	Negative supply and uncertainty (demand) shocks	Very negative supply and uncertainty (demand) shocks
US TARIFF LEVELS	Tariffs as a negotiation and policy tool (working assumption: 60% on China, 10% on other countries)	Tariffs mostly as a policy tool (25% or higher permanent tariffs on most important trade partners)
TARIFF ESCALATION	Moderate	Large and dynamically unstable
GROWTH IMPACT	Significant	Very significant and potentially disruptive
INFLATION IMPACT	Upwards in the US, downwards elsewhere	Upwards if supply shock prevails; downwards if uncertainty shock dominates

Growth is expected to lose momentum amid rising uncertainty and protectionism, despite positive incoming data in the U.S. and China

GDP GROWTH

(Y/Y %, CHANGE WITH RESPECT TO PREVIOUS FORECAST IN PARENTHESES)

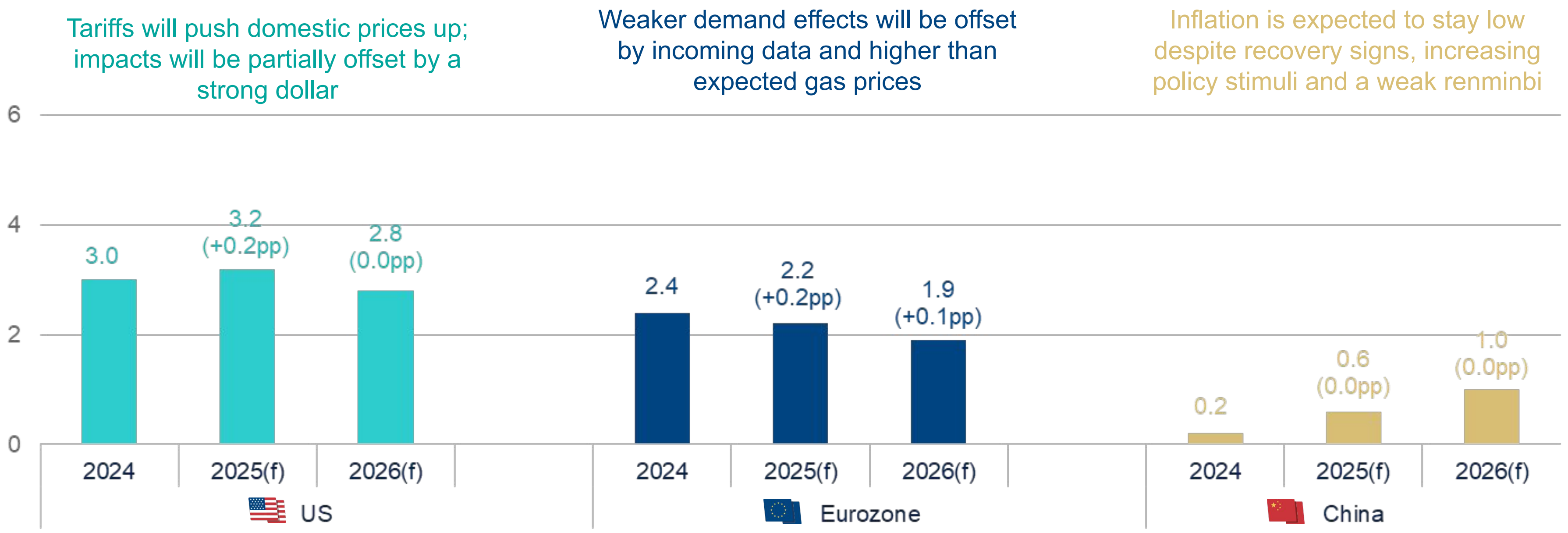


(f): forecast.

Source: BBVA Research.

US inflation is set to rise further, partly due to tariffs, while in the Eurozone it will likely keep converging to target

HEADLINE CPI INFLATION
(Y/Y %, AVERAGE OF THE PERIOD, CHANGE WITH RESPECT TO PREVIOUS FORECAST IN PARENTHESES)

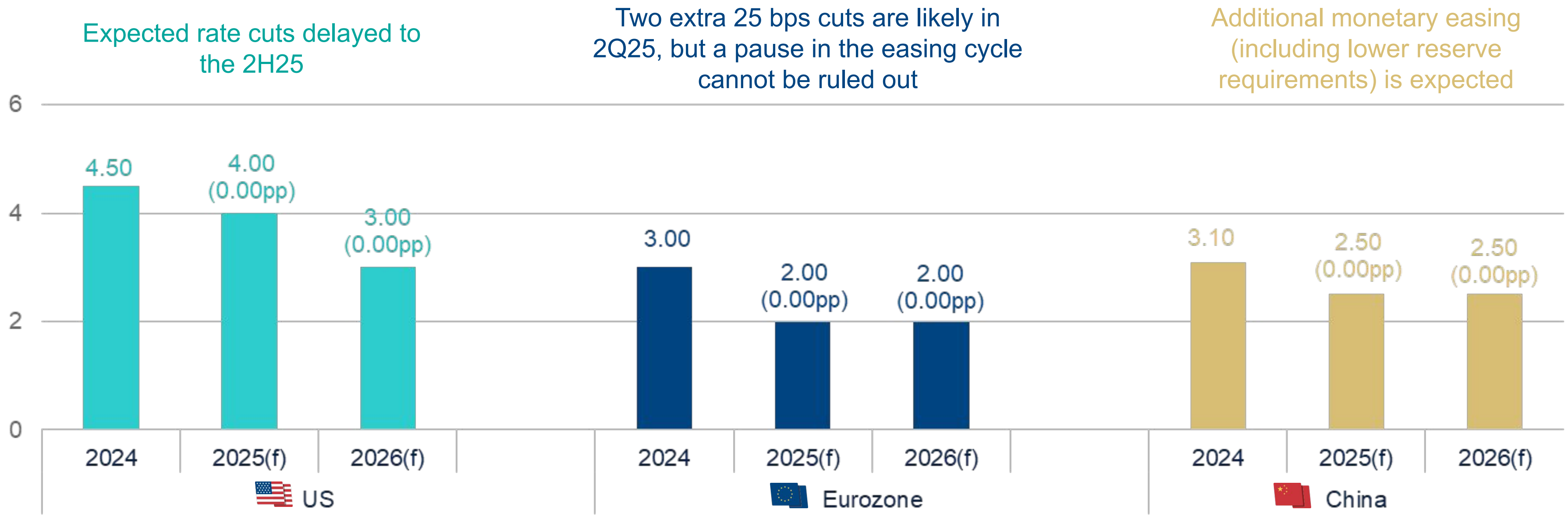


(f): forecast.
Source: BBVA Research.

The Fed will hold rates steady before resuming cuts in 2H25; the ECB is preparing to end its easing cycle but extra reductions in 2Q25 are still likely

POLICY INTEREST RATES (*)

(%, END OF PERIOD, CHANGE WITH RESPECT TO PREVIOUS FORECAST IN PARENTHESES)

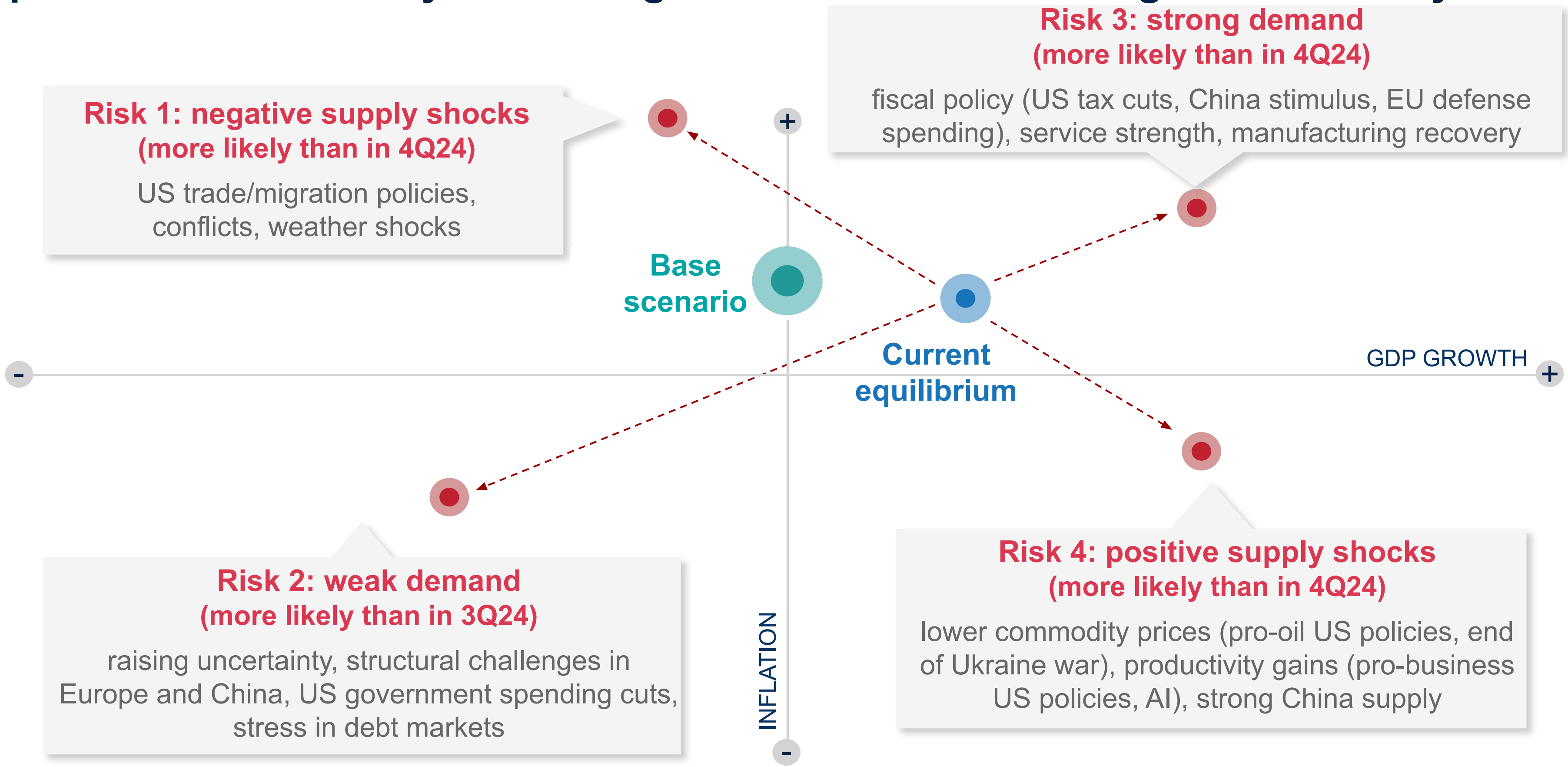


(f): forecast.

(*) In the case of the Eurozone, interest rates of the deposit facility.

Source: BBVA Research.

Risks continue to build up: US trade policies and the negative impact of persistent uncertainty are among the main threats to the global economy



The Global Environment and Colombia

Section 2

In 2024, the global outlook – characterized by a resilient global economy and stable demand for commodities – supported the recovery of economic activity in Colombia and other emerging markets. However, international trade volatility and global financial uncertainty, coupled with domestic factors, held back the recovery in investment and international trade.

Section 3

Moderate global economic growth, alongside trade tensions and geopolitical uncertainty, could affect Colombian exports, remittance inflows and the current account deficit, which will also be driven by a rise in Colombian imports. In addition, the still restrictive international financial conditions, especially in the United States, could make external financing more expensive, exacerbating pressures on the country's fiscal accounts.

Section 4

While interest rates and inflation are set to fall more rapidly in Europe, in the United States, trade and fiscal policy could keep inflation high, thus limiting Fed rate cuts. This will continue to weigh on the decisions taken by the Colombian central bank (Banco de la República).

Section 5

Global growth in 2025 and 2026 could support financial assets in Colombia, but market conditions will continue to be defined by monetary policy: if Fed rates remain high, this will continue to put pressure on TES bonds and the Colombian peso; if rate cuts are faster than expected, risk appetite will increase, benefiting investment and reducing financial costs.

Section 6

The global economy continues to expand moderately, which favors external demand and commodity prices. However, the slower pace of global trade and international financial uncertainty may affect exports and investment. Moreover, interest rates at intermediate levels still make it challenging to obtain external financing flows.

Research

02

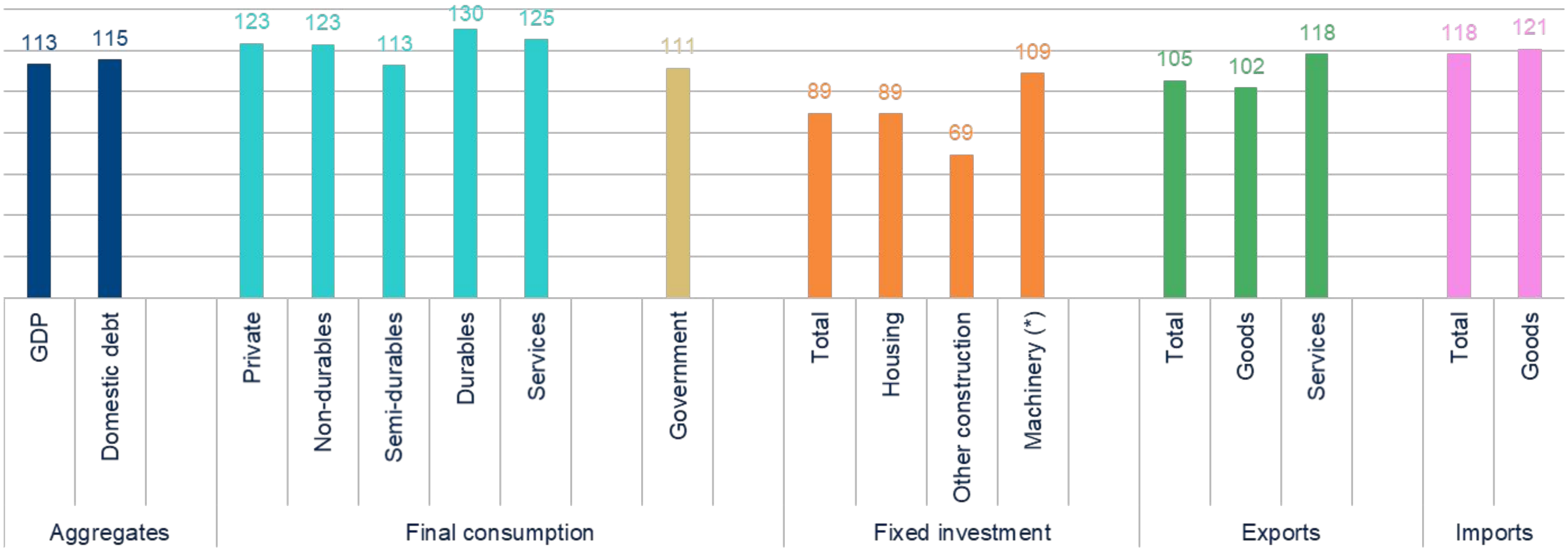
Recent economic outlook:

The Colombian economy recovered in 2024 and laid the foundations to maintain the good performance of domestic demand in 2025 and 2026

While consumption led the GDP recovery during this decade, investment continues to lag behind, especially in construction

GDP: DEMAND COMPONENTS AT 2024

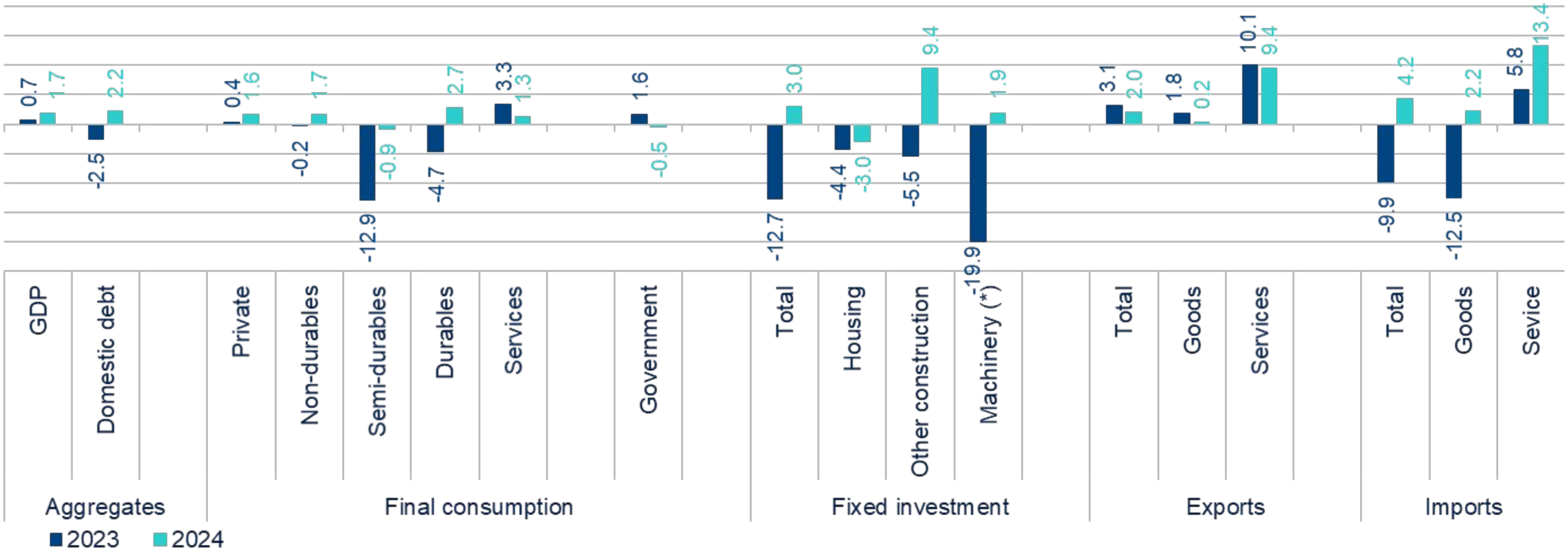
(LEVEL: 2019 = 100)



(*): Includes machinery and equipment, biological resources and intellectual property.
Source: BBVA Research, based on DANE data.

Domestic demand, except for government expenditure, was more dynamic in 2024. This boosted imports. Exports slowed down

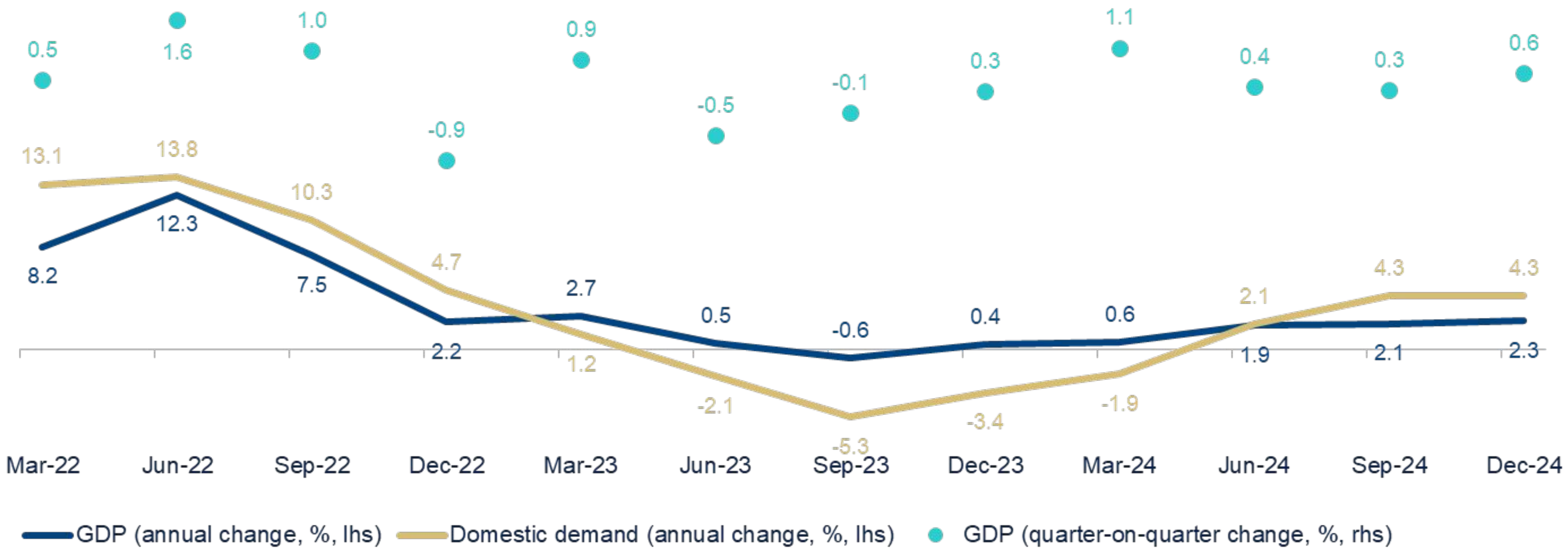
GDP: DEMAND COMPONENTS
(REAL ANNUAL CHANGE, %)



(*): Includes machinery and equipment, biological resources and intellectual property.
Source: BBVA Research, based on DANE data.

The economy ended 2024 with a good dynamic due to domestic demand, which could indicate that the recovery underway will continue

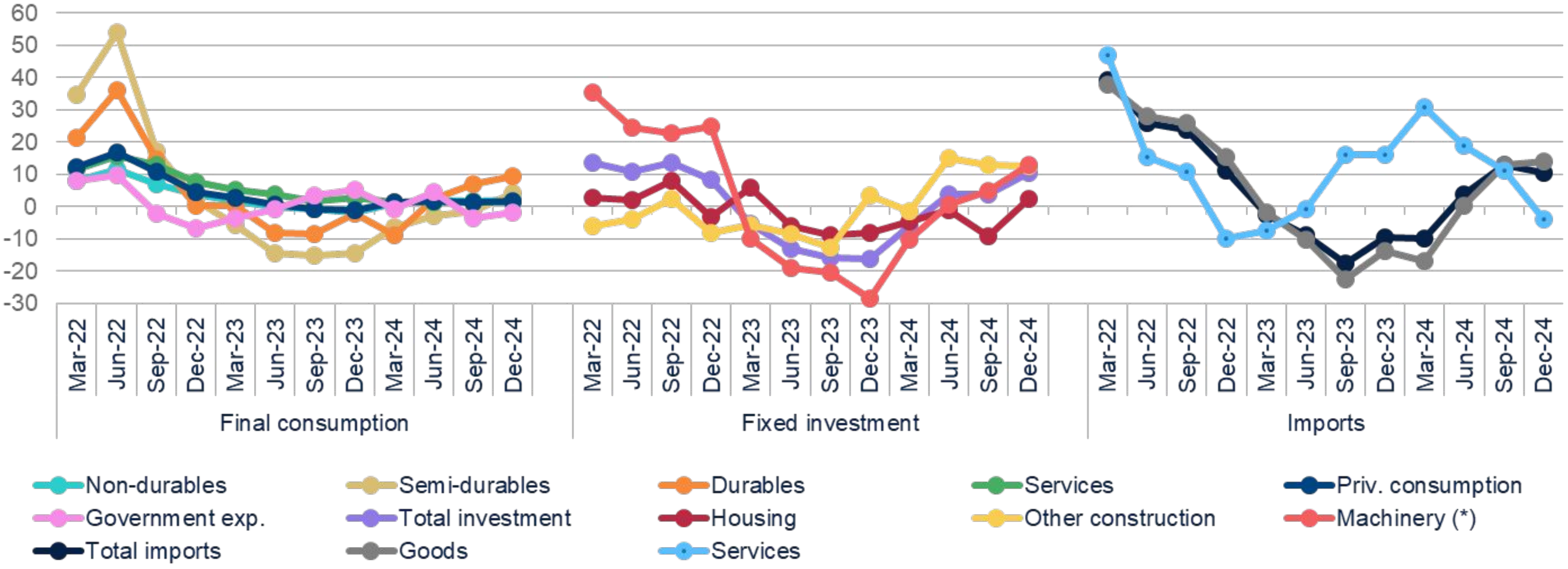
GDP AND DOMESTIC DEMAND
(REAL ANNUAL AND QUARTER-ON-QUARTER CHANGES, %)



Source: BBVA Research, based on DANE data.

At the end of 2024, durable goods led the dynamism in private consumption, and civil construction and machinery in fixed investment.

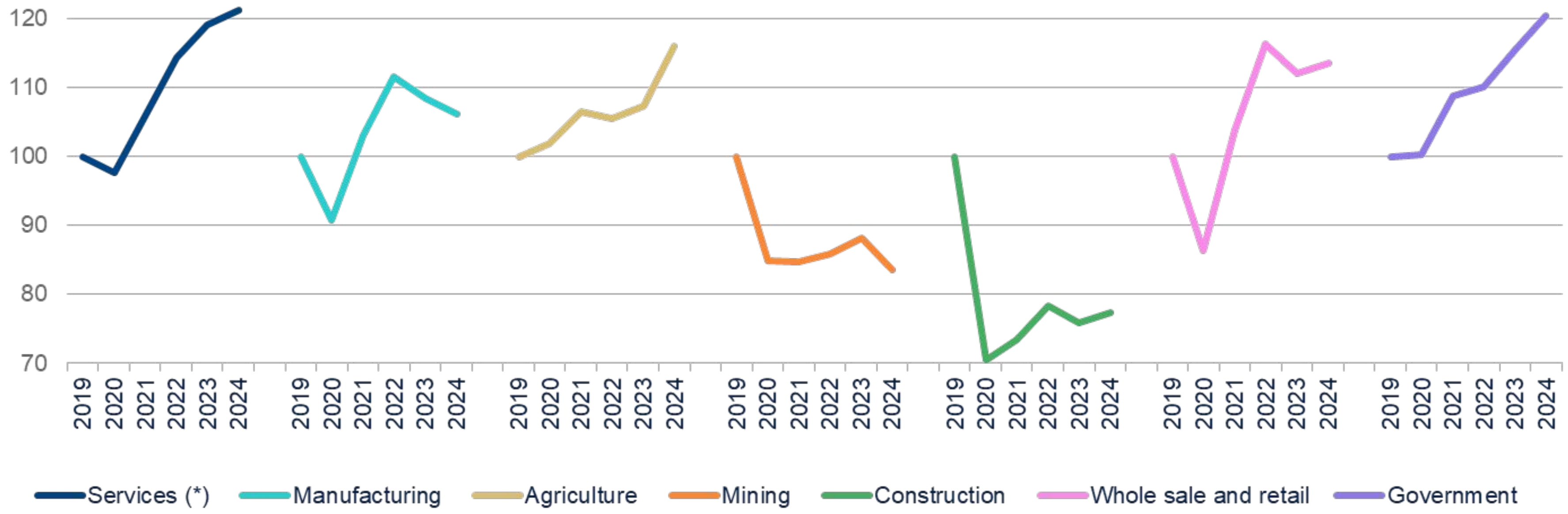
GDP: DEMAND COMPONENTS
(REAL ANNUAL CHANGE, %)



(*): Includes machinery and equipment, biological resources and intellectual property.
Source: BBVA Research, based on DANE data.

By sector, services and government led activity, meanwhile construction and mining are lagging

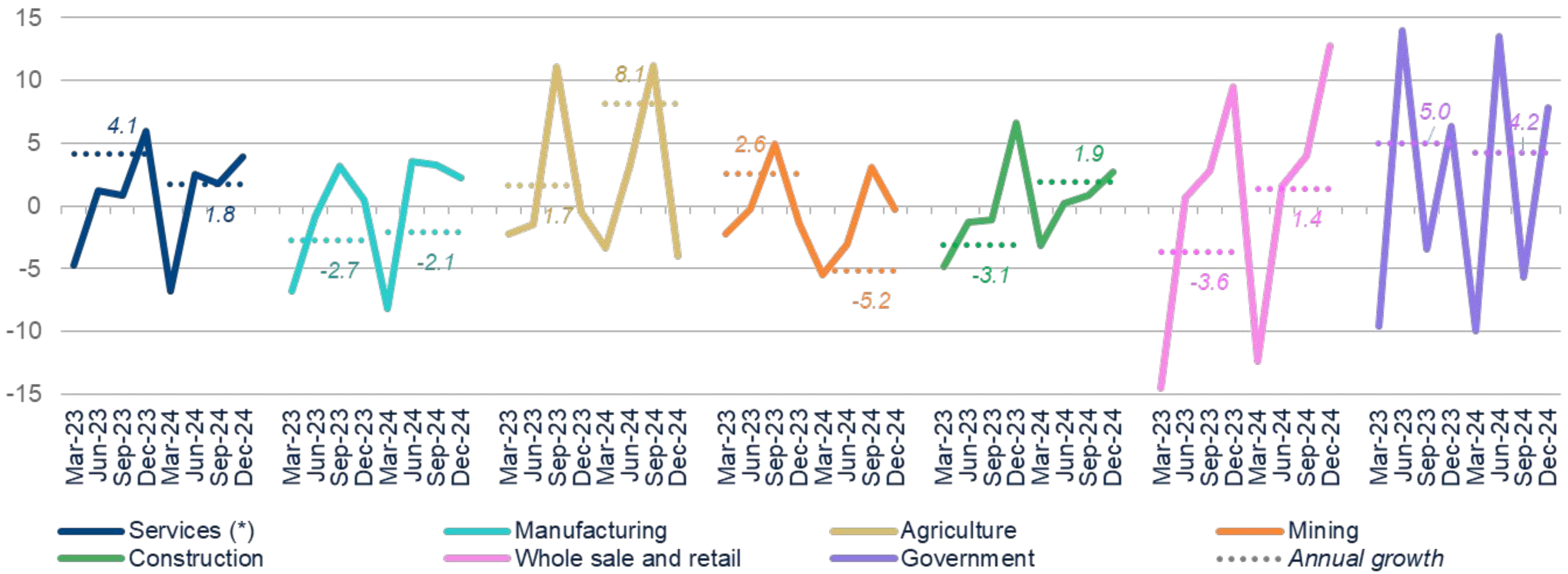
GDP: SUPPLY COMPONENTS
(LEVEL: 2019 = 100)



(*): Services include utilities, financial, real estate, professional, communications, and entertainment.
Source: BBVA Research, based on DANE data.

At the end of 2024, growth picked up in sectors related to the production, sales and distribution of goods, in addition to hotels and restaurants

GDP: SUPPLY COMPONENTS
(REAL QUARTERLY AND ANNUAL CHANGE, %)

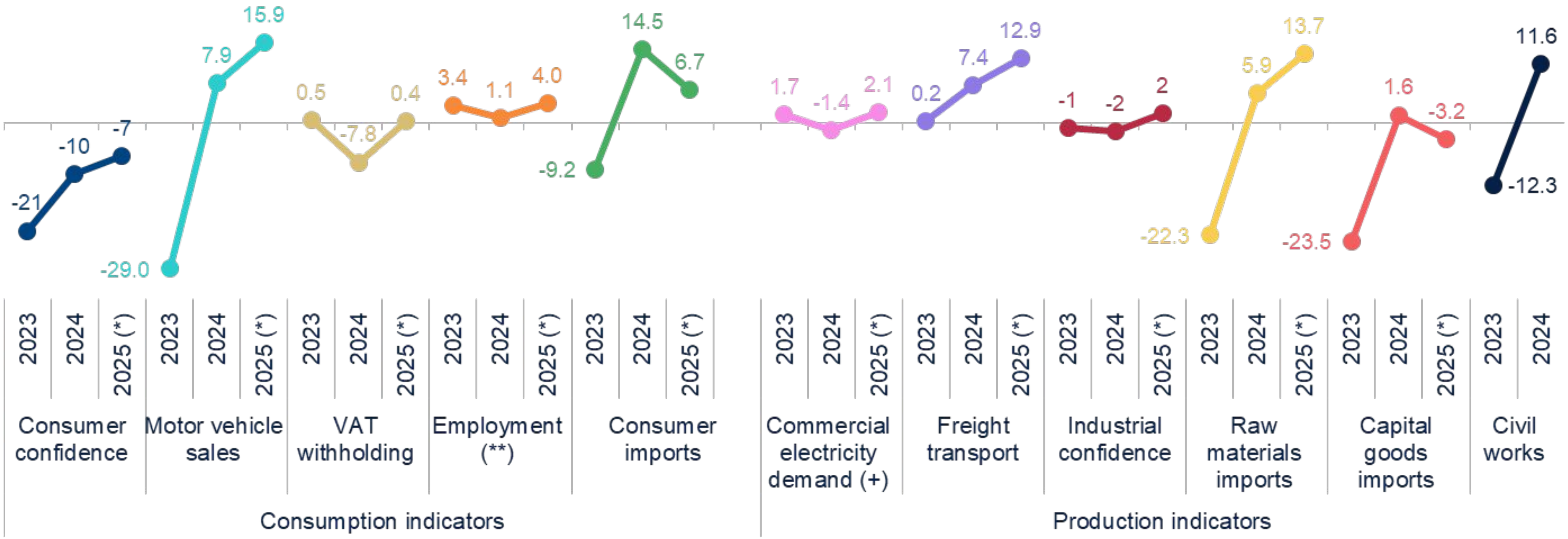


(*): Services include utilities, financial, real estate, professional, communications, and entertainment.
Source: BBVA Research, based on DANE data.

After the rebound in consumption in 2024, leading indicators seem to confirm the next step: the recovery of productive activity

LEADING INDICATORS OF THE ECONOMY

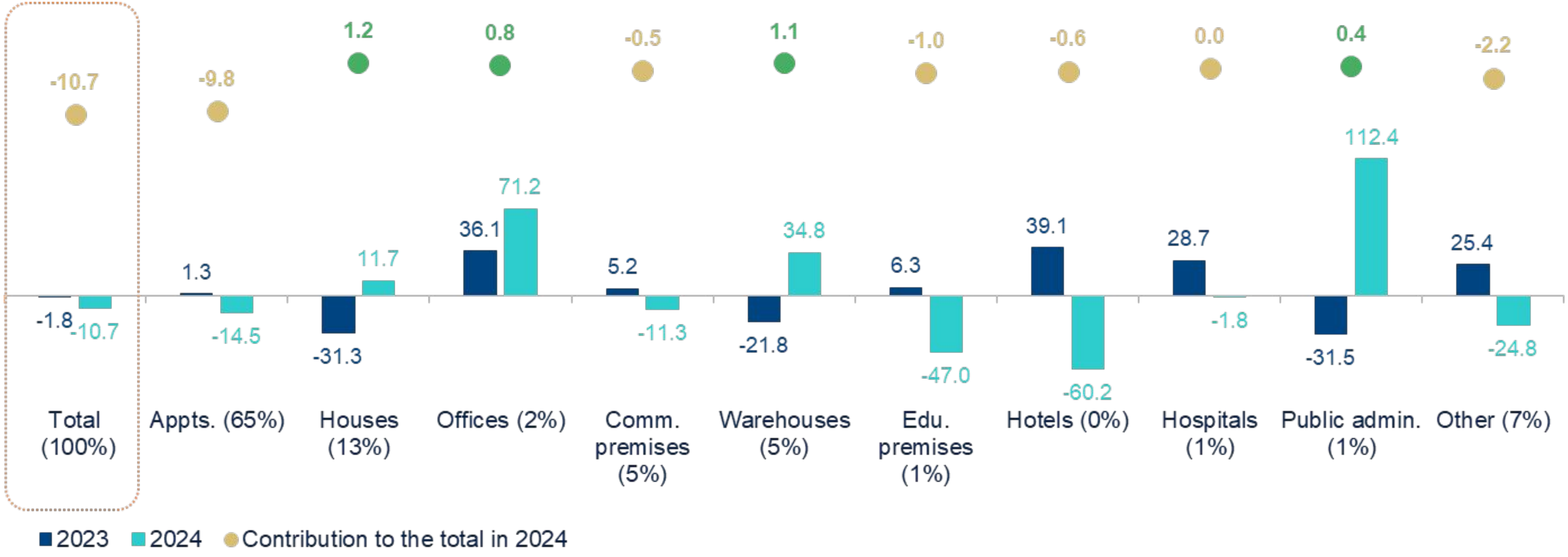
(REAL ANNUAL CHANGE, EXCEPT FOR THE BALANCE OF RESPONSES FOR CONFIDENCE ONLY, %)



(*): Year-to-date data: data for confidence, VAT and employment are up to January. Data for motor vehicles, imports, electricity demand and freight transport are up to February. (**): It measures national employment. Average of the period. (+): Data as at February 19, 2025.
Source: BBVA Research, based on DANE data.

By contrast, buildings indicators remain weak, signaling the recovery of this segment is lagging behind the rest of the economy

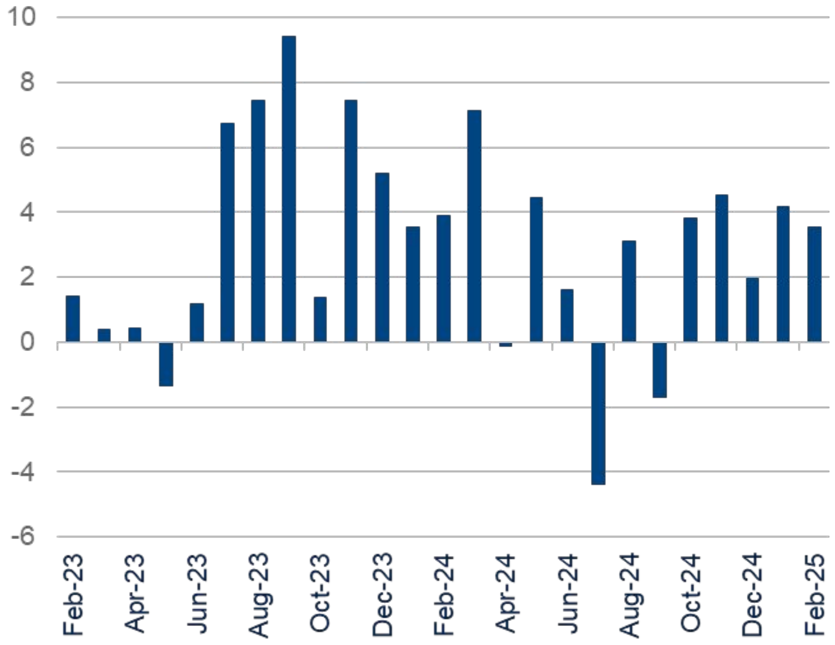
CENSUS OF BUILDINGS UNDER CONSTRUCTION: TYPES OF WORK
(ANNUAL CHANGE IN THE BALANCE OF WORKS AT THE END OF EACH PERIOD, %)



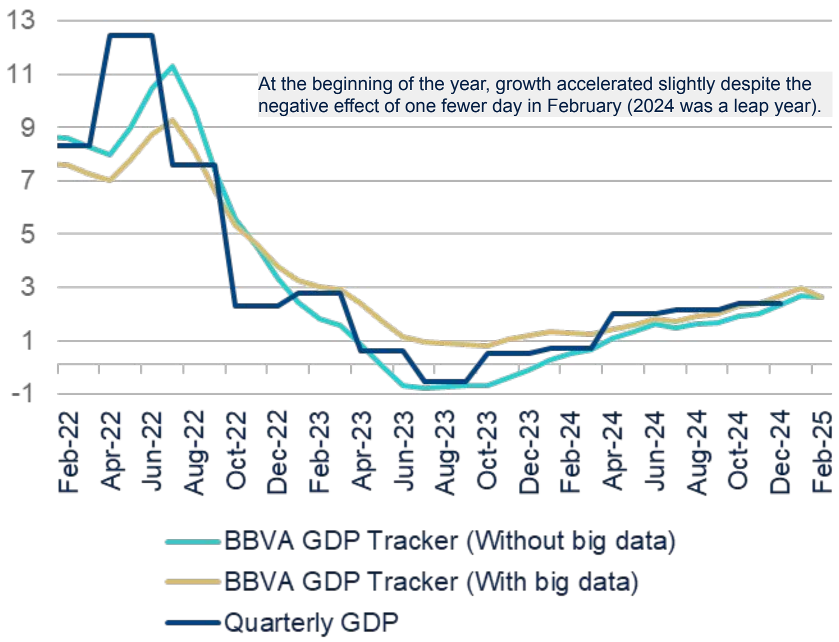
Source: BBVA Research, based on DANE data.

Consumption stayed strong early in the year, and real-time data shows ongoing economic dynamism

BBVA *CONSUMPTION BIG DATA TRACKER*
(REAL ANNUAL CHANGE, MONTHLY AVERAGE, %)



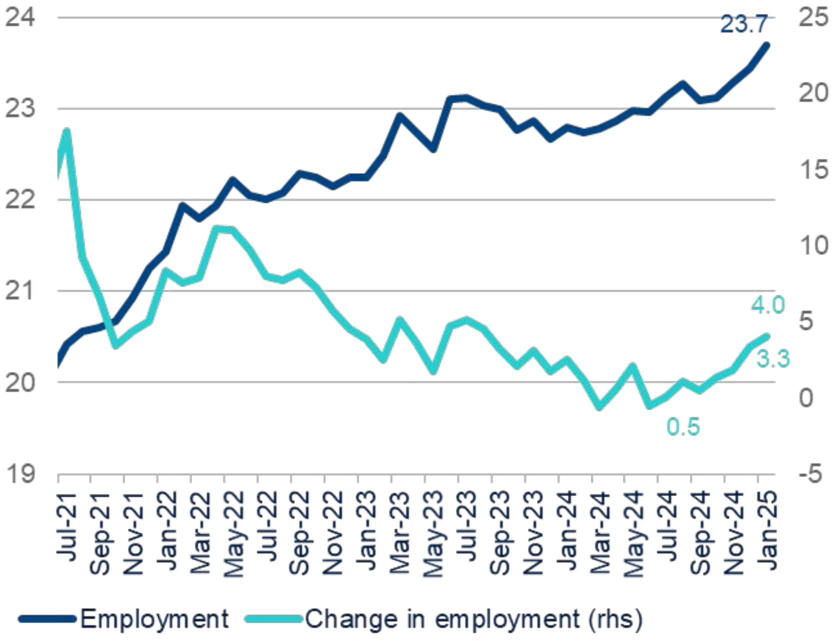
NOWCASTING
(REAL ANNUAL CHANGE, %)



Source: BBVA Research, based on daily transactions; data as at the end of February.

The labor market remains strong and real wages continue to grow at a good pace, boosting purchasing power and household consumption

NATIONAL EMPLOYMENT
(MILLIONS OF PEOPLE AND ANNUAL CHANGE, %, SEASONALLY ADJUSTED)

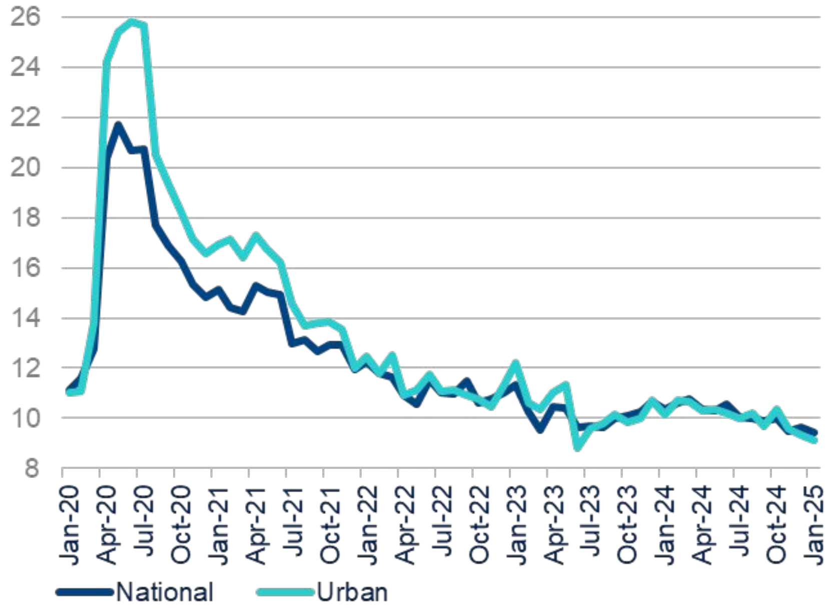


WAGES OF FORMAL EMPLOYEES
(REAL ANNUAL CHANGE, %)

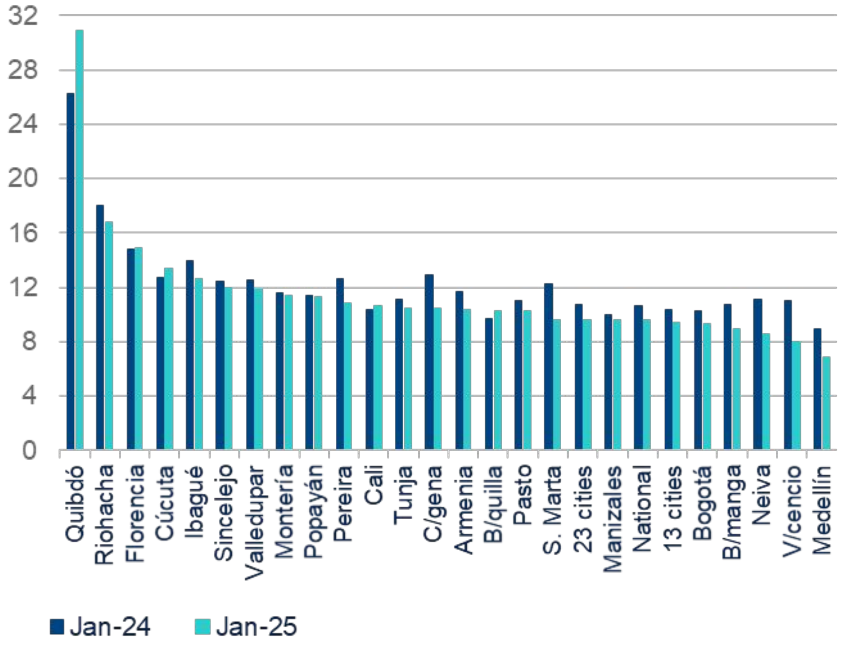
Source: BBVA Research, based on DANE data.

Unemployment recently reached historic lows, with high occupation and lower participation, comparable only to those in 2014-2015

URBAN AND NATIONAL UNEMPLOYMENT RATE
(% OF ECONOMICALLY ACTIVE POPULATION; SEASONALLY ADJUSTED SERIES)



UNEMPLOYMENT RATE BY CITY
(% OF THE ECONOMICALLY ACTIVE POPULATION, QUARTERLY DATA)

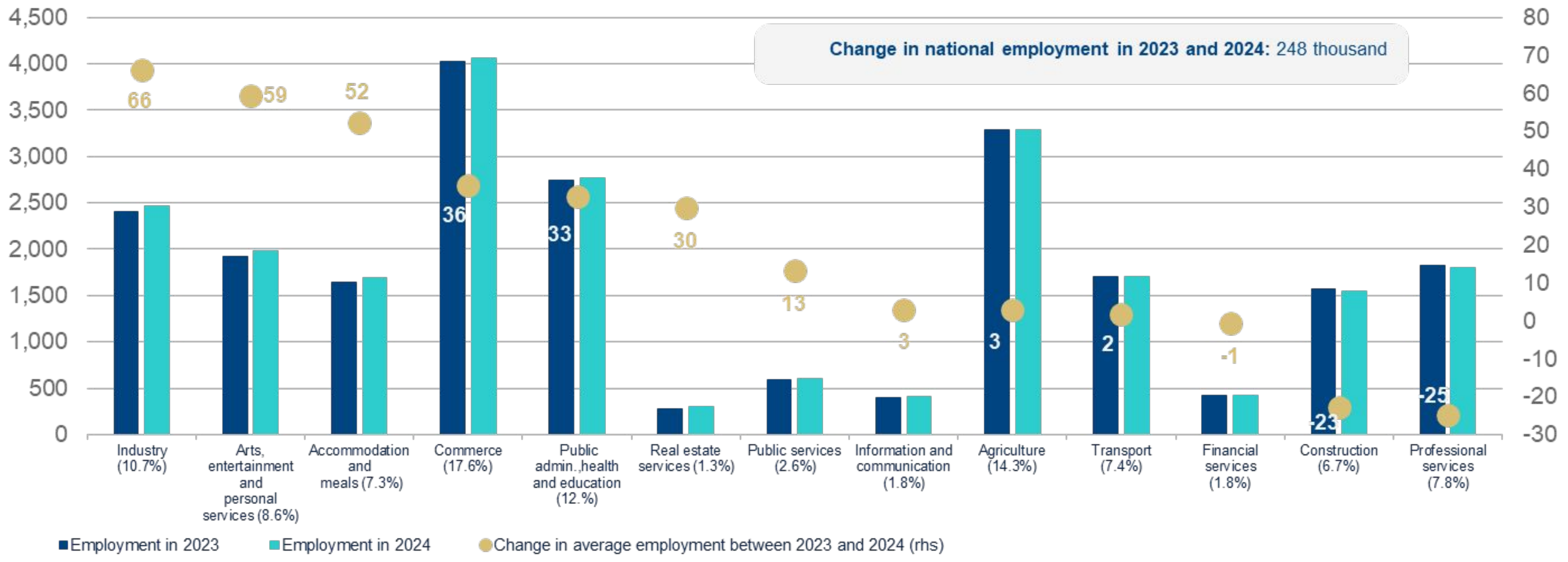


Source: BBVA Research, based on DANE data.

Services have created the most jobs and, individually, industry. Retail employment has been strong since August 2024

NATIONAL EMPLOYMENT: BY ECONOMIC SECTORS

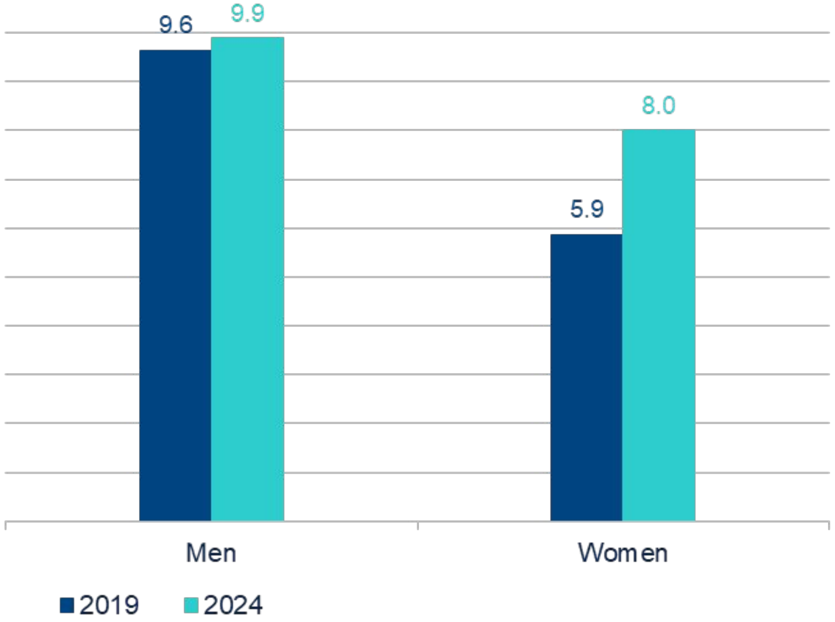
(THOUSANDS OF PEOPLE; IN PARENTHESES: % SECTORAL EMPLOYMENT AS A SHARE OF THE NATIONAL TOTAL IN 2024)



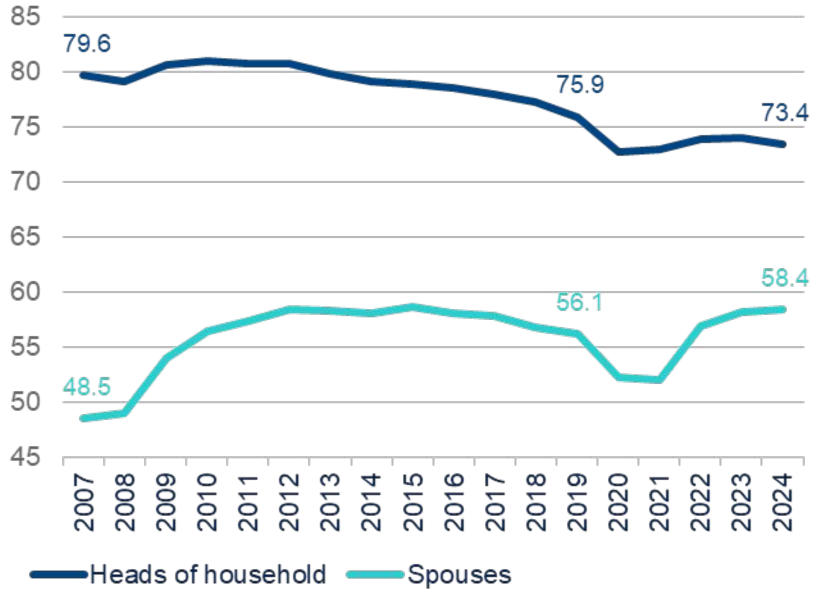
Source: BBVA Research, based on DANE data.

The labor market changed: more women became household heads. While the household heads participation stagnated, spouses' participation increased

HEADS OF HOUSEHOLD
(NUMBER OF PEOPLE)



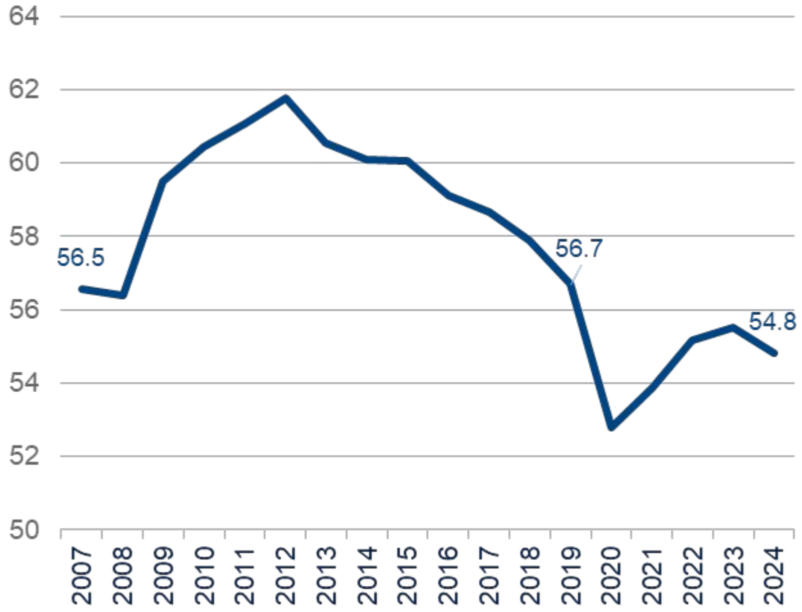
LABOR PARTICIPATION RATE
(% OF WORKING-AGE POPULATION)



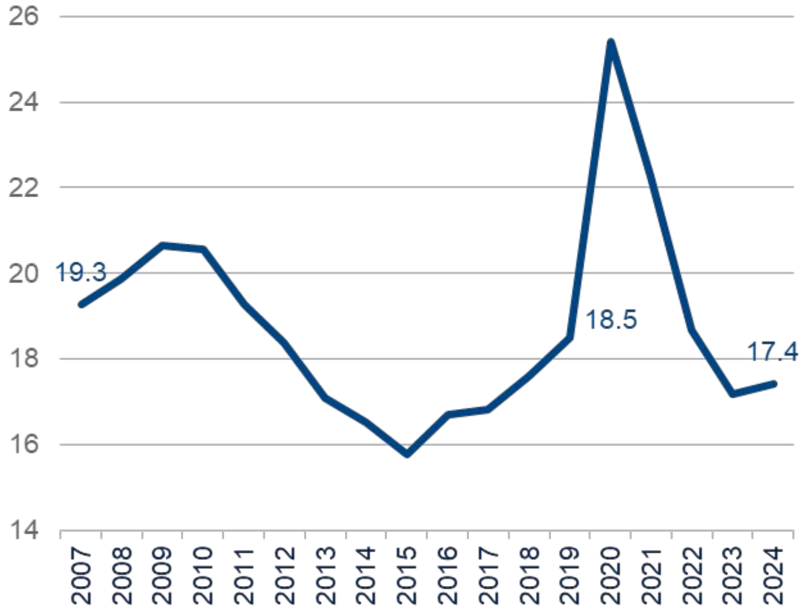
Source: BBVA Research, based on DANE data.

The participation of young people is also low, despite this youth unemployment rates are higher than the national average

LABOUR FORCE PARTICIPATION RATE OF YOUNG PEOPLE
(% OF THE YOUTH POPULATION: 15 TO 28 YEARS OLD)



YOUTH UNEMPLOYMENT RATE
(% OF THE YOUTH LABOR FORCE: 15 TO 28 YEARS OLD)



Source: BBVA Research, based on DANE data.

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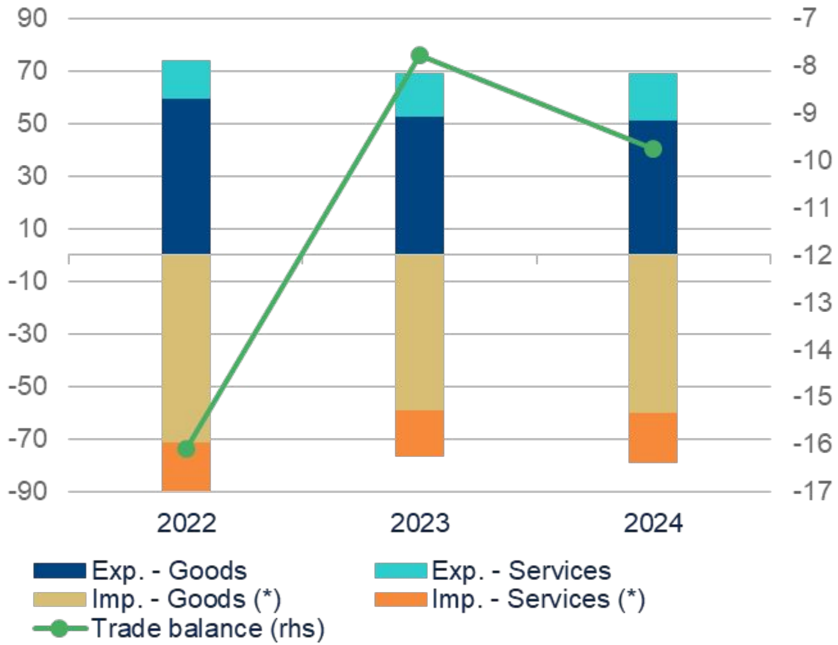
03

Structural balances:

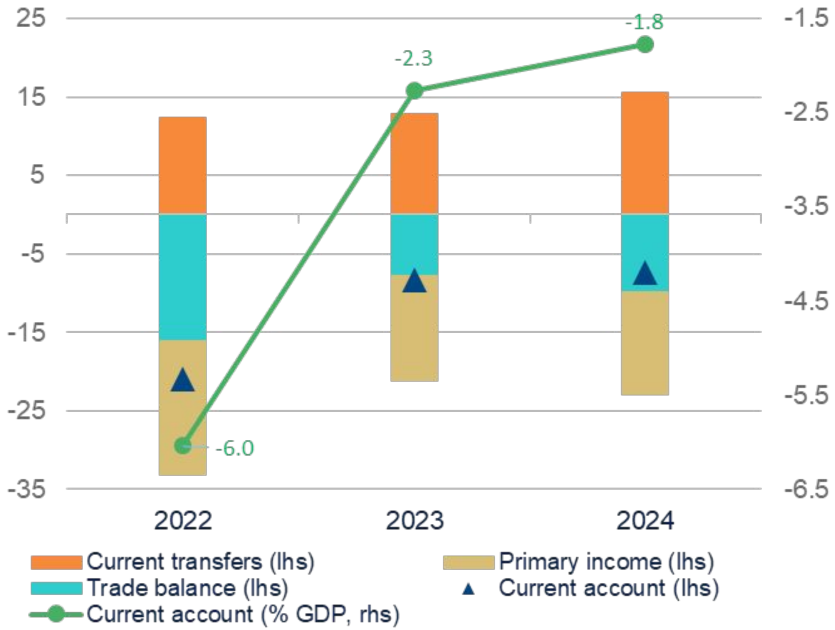
The economic recovery underway will lead to a larger current account deficit. Fiscal accounts remain tight.

External deficit at historic lows, despite the trade imbalance, driven by tourism, remittances and increased receipt of dividends from abroad

TRADE BALANCE
(BILLIONS OF DOLLARS)



CURRENT ACCOUNT BALANCE: COMPONENTS
(BILLIONS OF DOLLARS AND % GDP)



(*) Imports are shown with a negative value to reflect their outflow impact on the trade balance.
Source: BBVA Research, based on data from Banco de la República.

The U.S. is the country's main trading partner. The effect of possible tariffs will be different if they are imposed across the board or focused on Colombia

EXPORTS: DESTINATION BY COUNTRY

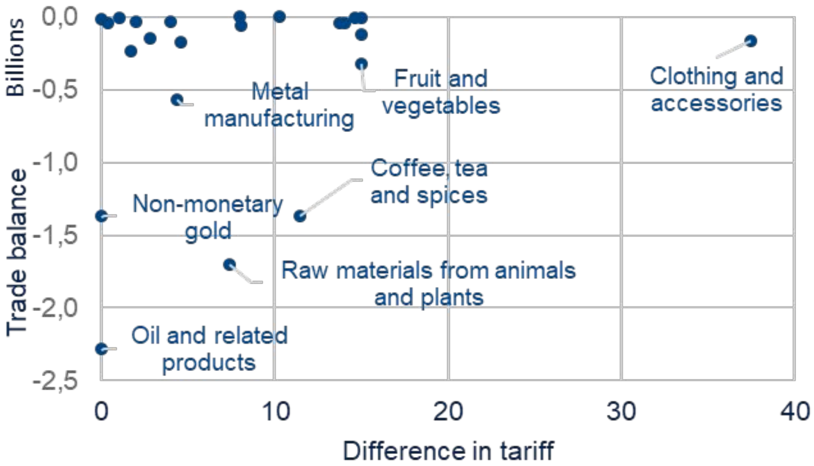
(% TOTAL)

2014		2024	
EE.UU.	25.9	EE.UU.	28.9
UE	17.2	UE	9.4
China	10.5	Panama	8.7
Panama	6.6	CAN	5.8
CAN	5.9	China	4.8
Other	33.9	Other	42.3

CAN: Andean Community.
Source: BBVA Research based on DANE data.

TRADE RELATIONS WITH THE U.S.

*PP TARIFF; BILATERAL TRADE BALANCE IN DOLLARS)

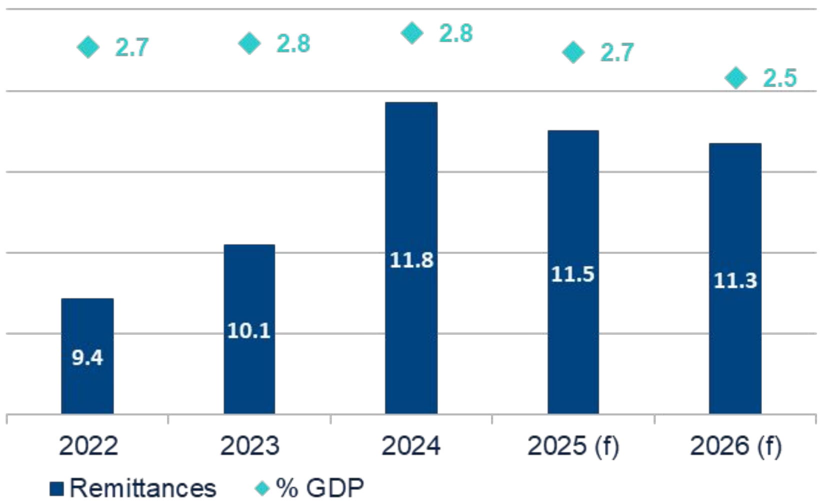


Note: The trade balance is the difference between Colombian imports to the U.S. and U.S. imports to Colombia. The tariff difference is the rate that U.S. applies on Colombian imports compared with the rate applied by Colombia on U.S. imports.
Source: BBVA Research based on World Integrated Trade Solution data.

If the tariff is the same and applied equally to all countries, the impact on Colombian exports will be lower (the U.S. domestic market price effect will prevail), but if the tariff is higher than for other comparable countries, the substitution effect will come into play and Colombian exports will be more affected.

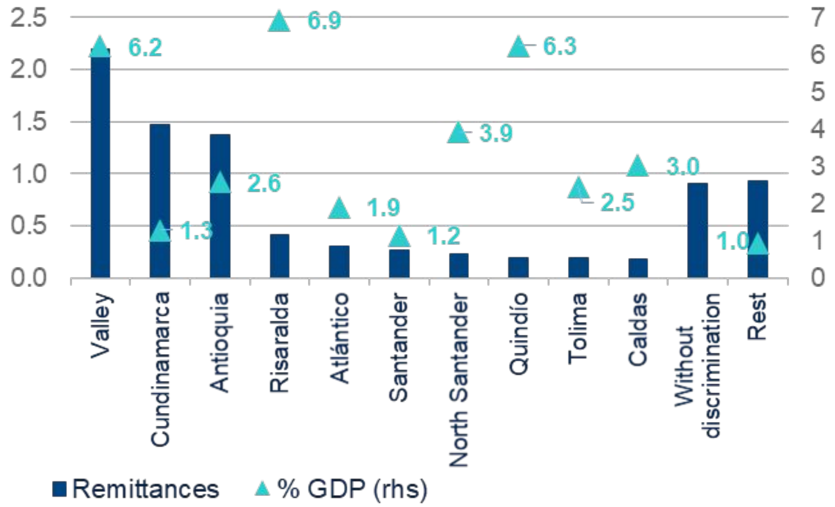
Remittances stand at 2.8% of GDP. A value that exceeds exports such as bananas (11 times), flowers (10 times), coffee (3 times) or coal (1.6 times)

REMITTANCE INFLOWS
(BILLIONS OF DOLLARS AND % OF GDP)



(f): BBVA Research forecasts.
Source: BBVA Research with data from Banco de la República and DANE.

REMITTANCE INFLOWS(*)
(BILLIONS OF DOLLARS AND % OF DEPARTMENTAL GDP)

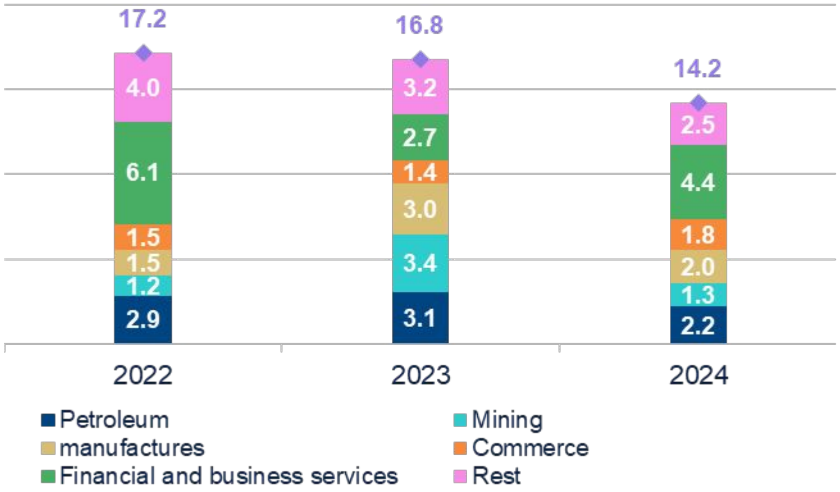


(*) Accumulated remittances to the third quarter of 2024.
Note: GDP for 2023. Cundinamarca includes Bogotá.

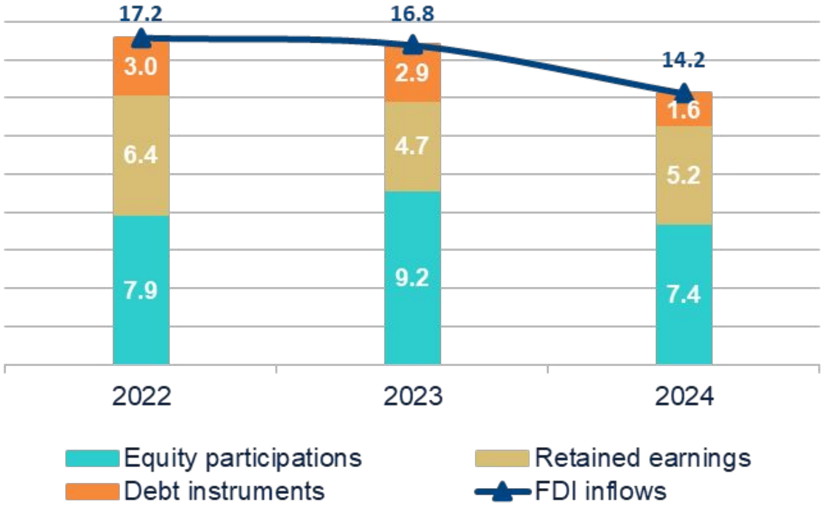
Since 2020, remittances from the U.S. have accounted for more than 50% of the total. A slight reduction is expected due to migration policies, but it will be limited

Foreign direct investment (FDI) is concentrated in the extractive sector, which will have weak growth in 2025 and 2026

DIRECT FOREIGN INVESTMENT (FDI): BY ECONOMIC SECTOR (BILLIONS OF DOLLARS)



FDI BY TYPE (% GDP)

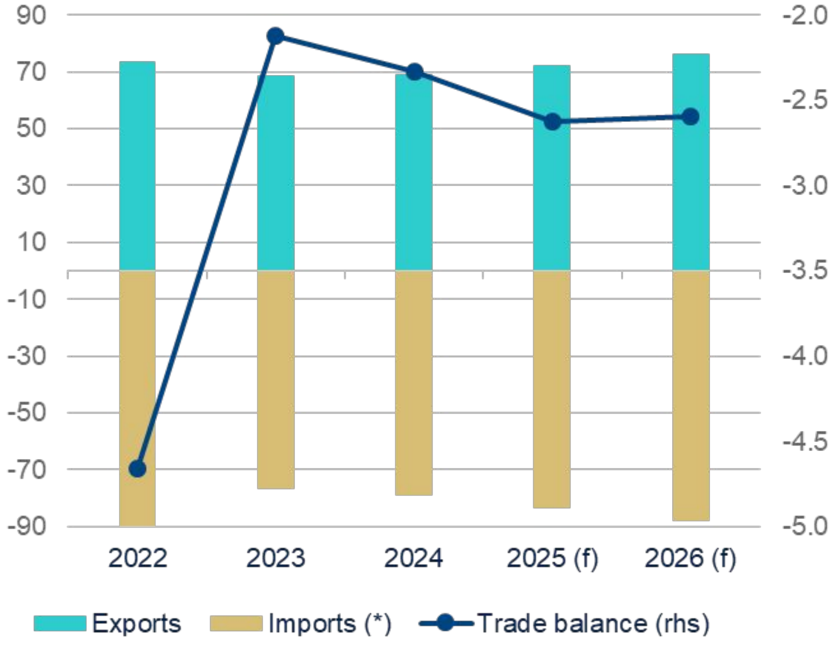


Source: BBVA Research with data from Banco de la República.

FDI in the extractive sector dropped significantly, while investment in financial business services increased. This shift will raise external vulnerability if the extractive sector is not offset by stable sources of funds.

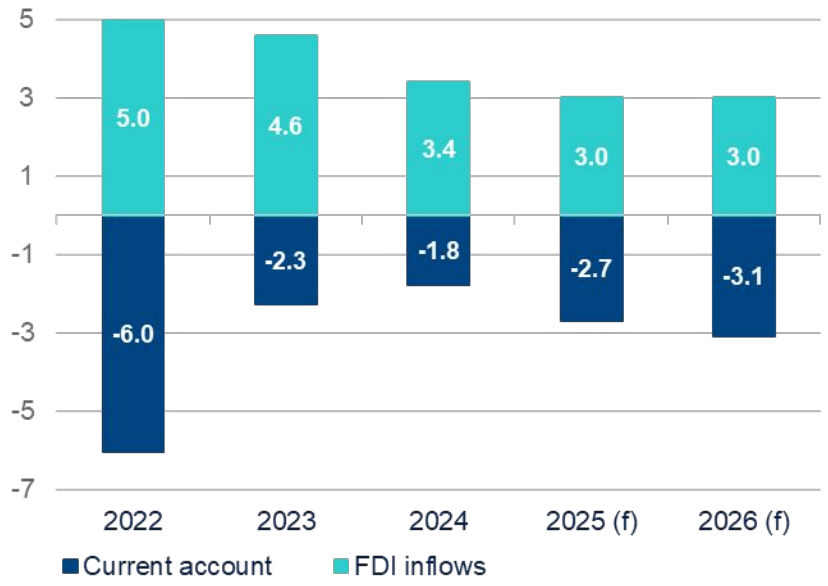
The internal recovery will lead to a larger external deficit, mainly due to increased imports with uncertainty surrounding remittances

TRADE BALANCE OF GOODS AND SERVICES
(BILLIONS OF DOLLARS)



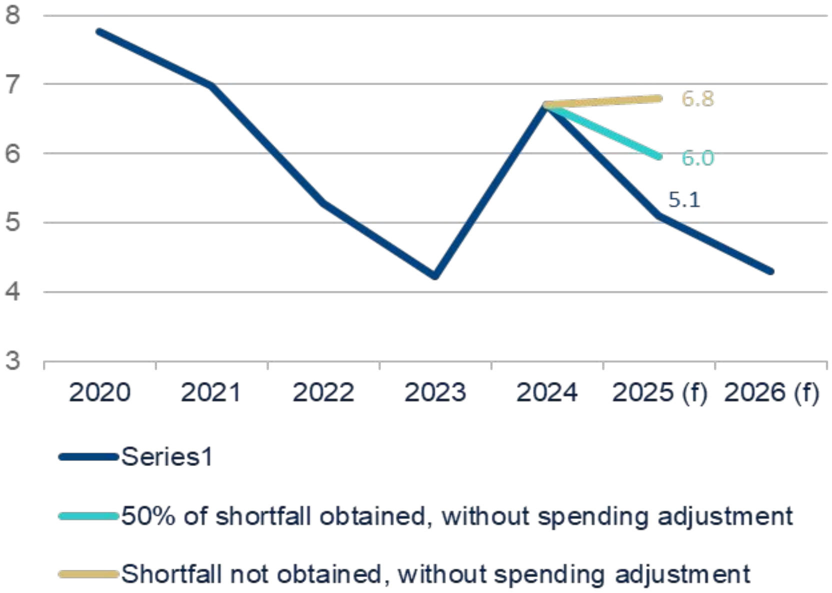
(*) Imports are shown with a negative value to reflect their outflow impact on the trade balance.
(f): BBVA Research forecasts.
Source: BBVA Research, based on data from Banco de la República.

CURRENT ACCOUNT BALANCE AND FDI
(% GDP)



On the fiscal front, the national government deficit will decline in 2025-26, but the adjustment will be gradual and remain at high levels

NATIONAL GOVERNMENT FISCAL BALANCE
(% OF GDP, GOVERNMENT SCENARIO)



The factors behind the government's projection:

- **Revenues**: in 2025, the government has already incorporated the reduction in revenues from the non-approval of the financing law (0.7% of GDP).
- **Expenses:** government expenditure in stands at 23.5% of GDP in 2025, higher than the average for this decade so far (average for 2020-24: 22.8%). In 2025, the fuel price stabilization fund (FEPC) payment is lower by around 0.7% of GDP (12 billion Colombian pesos) compared with 2024.
- **Deficit**: the deficit in the government's scenario stands at 5.1% of GDP in 2025 and 4.3% of GDP in 2026. There is a risk that this figure will be exceeded in 2025.

(f): Government forecasts in the 2025 Financial Plan (for 2025) and the Medium-Term Financial Framework thereafter.
Source: BBVA Research with data from the Ministry of Finance.

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04

Inflation and interest rates:

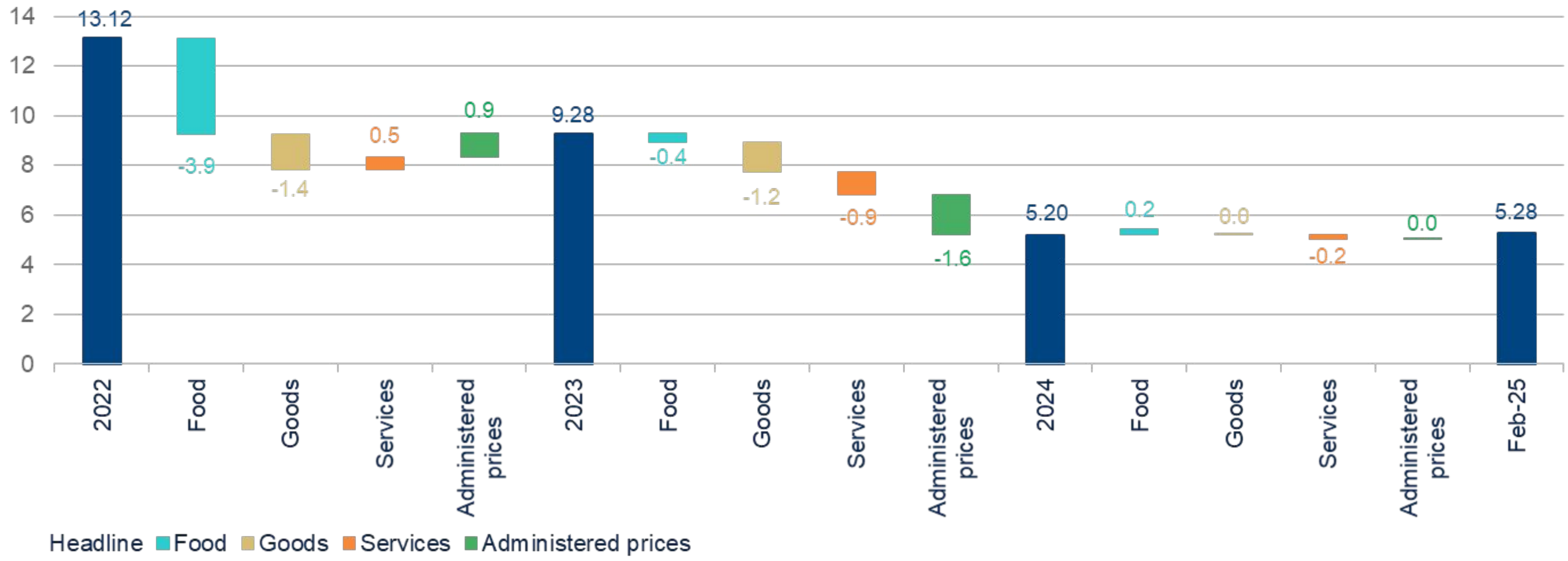
Financial conditions will improve, but more slower than in 2024

Creating Opportunities

In 2024, inflation fell by 410 bps, mainly due to a reduction in the non-food component; in 2025, it has remained relatively stable

INFLATION: EXPLANATION OF THE CHANGES

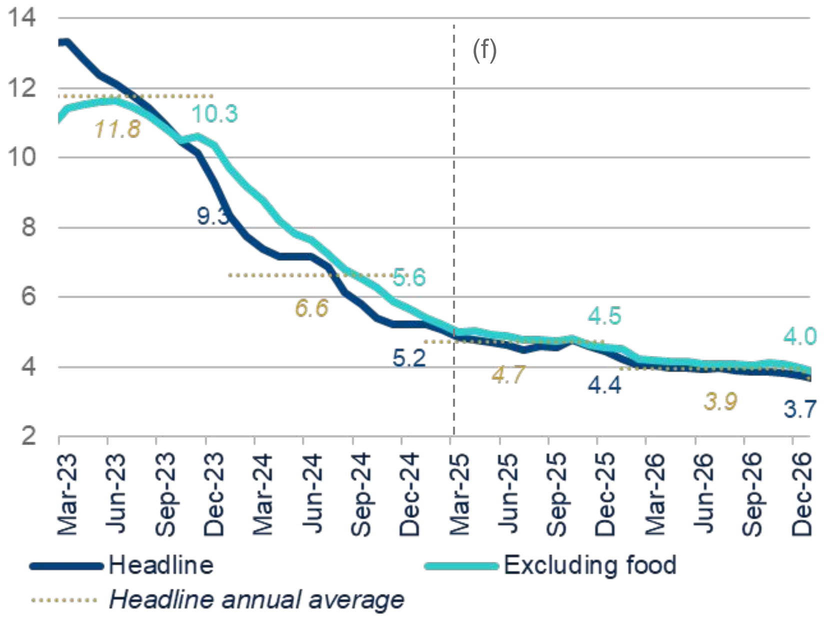
(ANNUAL CHANGE, %, END OF PERIOD)



Source: BBVA Research, based on DANE data.

Inflation will continue to fall, but at a slower pace than in 2024. Energy prices and indexation remain a challenge

INFLATION: OUTLOOK
(ANNUAL CHANGE, %)



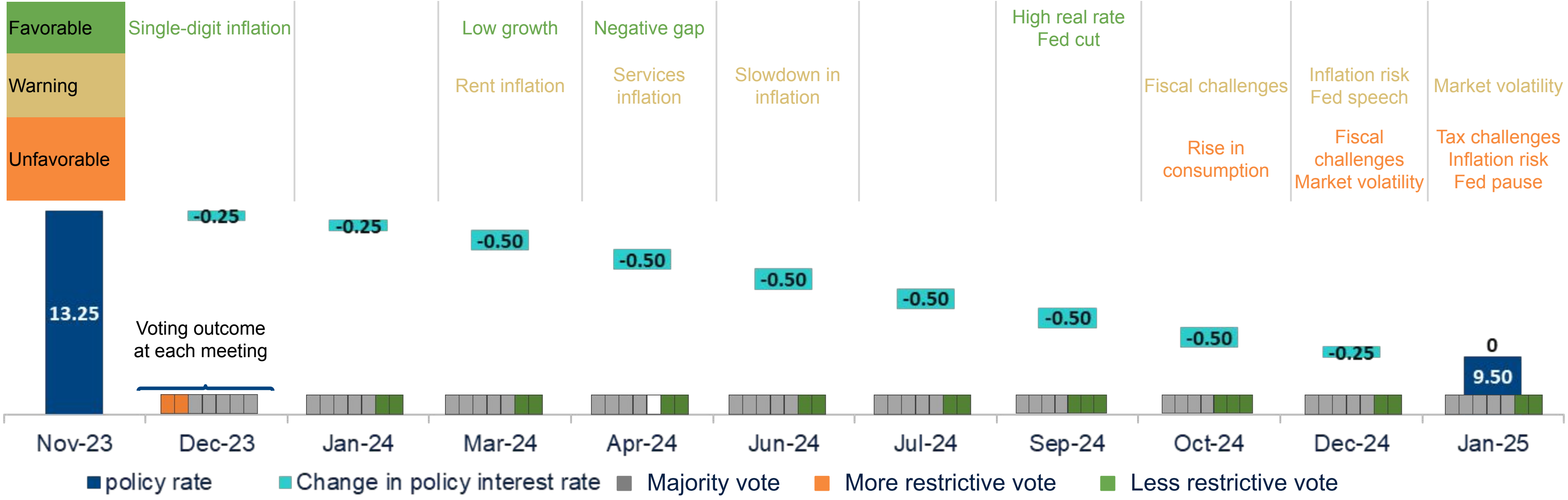
(f): BBVA Research forecasts.
Source: BBVA Research, based on DANE data.

The factors behind the inflation projection for 2025-2026:

- **Rents:** stable in 2025, with a slowdown expected in 2026.
- **Services:** better growth of services consumption in 2025.
- **Energy:** supply restrictions will, again, put additional pressure on gas tariffs in 2026. Diesel price increases in 2025 and 2026.
- **Indexing:** persistence of inflation on some goods and services, with still high levels in 2024 and 2025, in a context in which real minimum wage increases exceed productivity gains.
- **Goods:** higher domestic consumption of goods in combination with a moderate exchange rate pass-through.

Lower inflation and the pick-up in activity have shaped monetary policy decisions, while taking account of fiscal policy challenges

POLICY RATE: FUNDAMENTAL FACTORS IN THE DECISION (%)

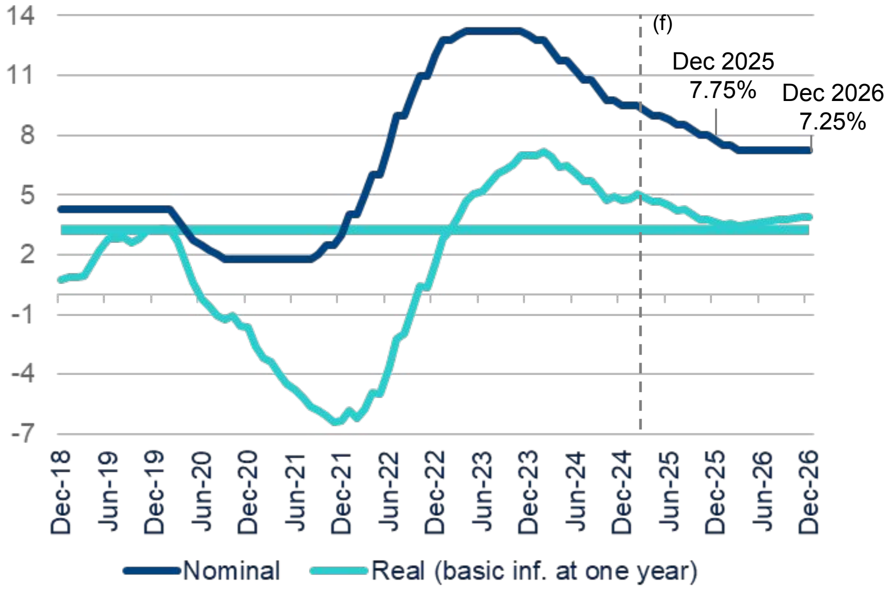


Source: BBVA Research with data from DANE and Banco de la República.

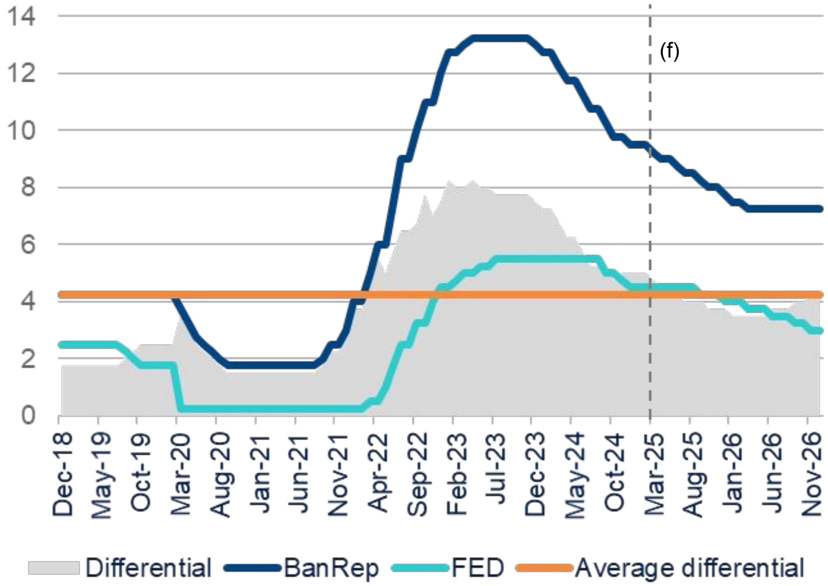
The fiscal situation limited the reduction in the interest rate, which could have been greater if only inflation and economic growth were considered. Exchange rate devaluations in certain periods also limited rate reductions.

Monetary policy will be cautious due to inflationary risks and accelerating growth, as well as the fiscal outlook and foreign monetary policy

POLICY INTEREST RATE
(NOMINAL AND REAL, %)



POLICY INTEREST RATE: COLOMBIA AND THE UNITED STATES (%)



(f): BBVA Research forecasts.
Source: BBVA Research, based on data from Banco de la República and the U.S. Federal Reserve.

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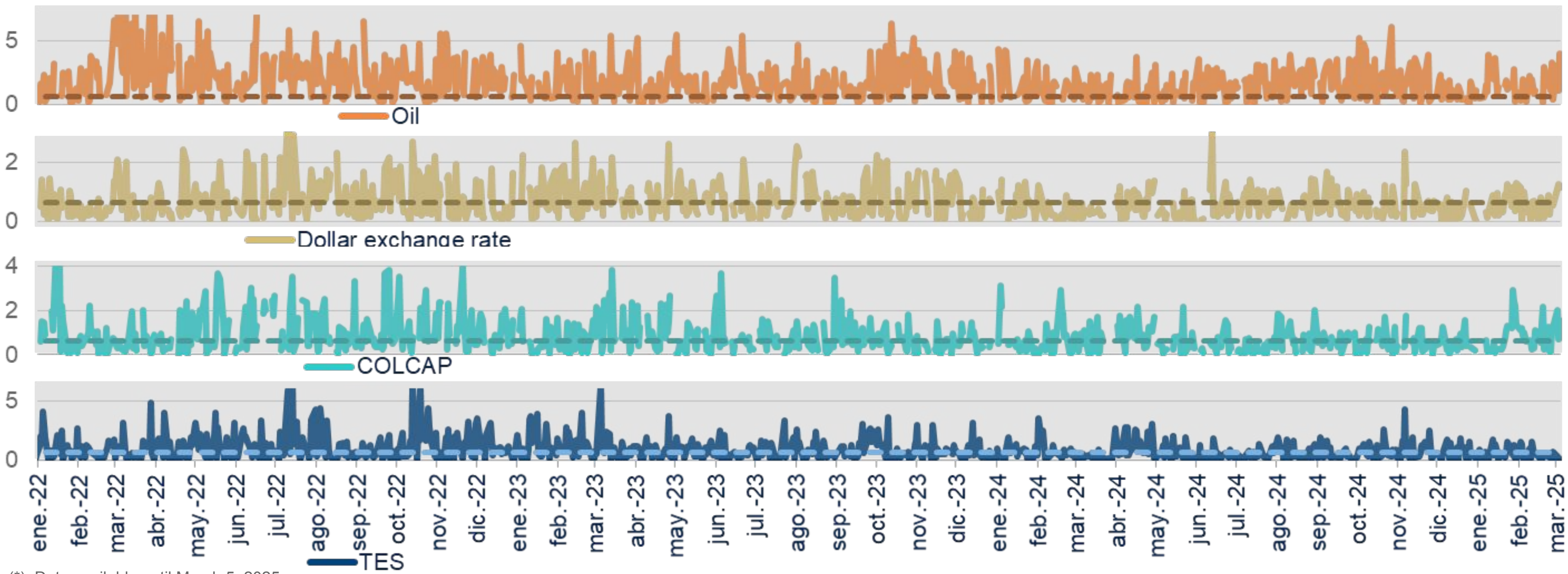
05

Markets:

Despite the financial market appreciation, high volatility will remain in place due both to internal and external factors

Some relevant local assets continue to show high volatility

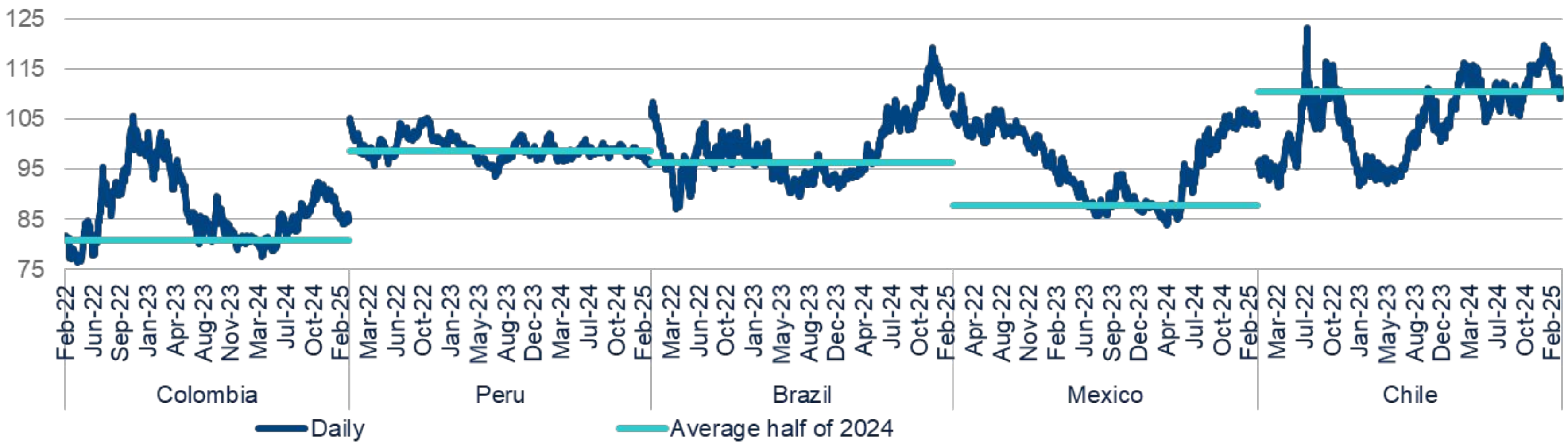
DOMESTIC ASSETS: VOLATILITY
(ABSOLUTE VALUE OF DAILY EXCHANGE RATE)



(*): Data available until March 5, 2025.
Source: BBVA Research, based on data from Banco de la República.

This has resulted in higher risk premiums compared with historical levels and has exerted additional pressure on the exchange rate recently

EXCHANGE RATES: SELECTED COUNTRIES
(LOCAL CURRENCY PER DOLLAR; INDEX DEC 2021 = 100)

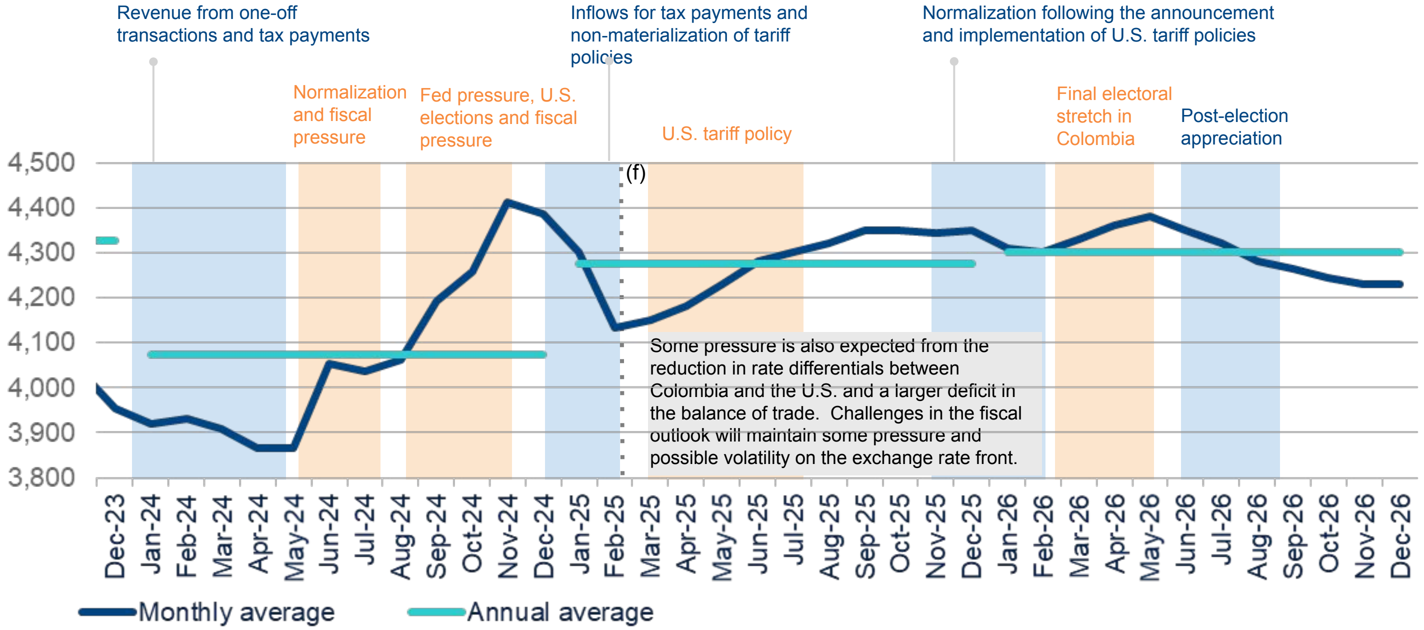


Source: BBVA Research based on data from the Central Reserve Bank of Peru (BCRP) and the central banks of each country.

However, this has not only been a consequence of greater global and domestic volatility. The higher fiscal deficit and its slow reduction in the post-pandemic period have partly explained this behavior.

Against this backdrop, the exchange rate will remain at high levels during 2025 and 2026, with still substantial volatility

EXCHANGE RATE: VALUE AND KEY EVENTS
(PESOS PER DOLLAR)



	Avg.	End
2023	4,326	3,954
dep. (%)	1.6	-17.4
2024	4,074	4,386
dep. (%)	-5.8	10.9
2025 (f)	4,274	4,350
dep. (%)	4.9	-0.8
2026 (f)	4,300	4,230
dep. (%)	0.6	-2.8

(f): BBVA Research forecasts.
Source: BBVA Research, based on data from Banco de la República.

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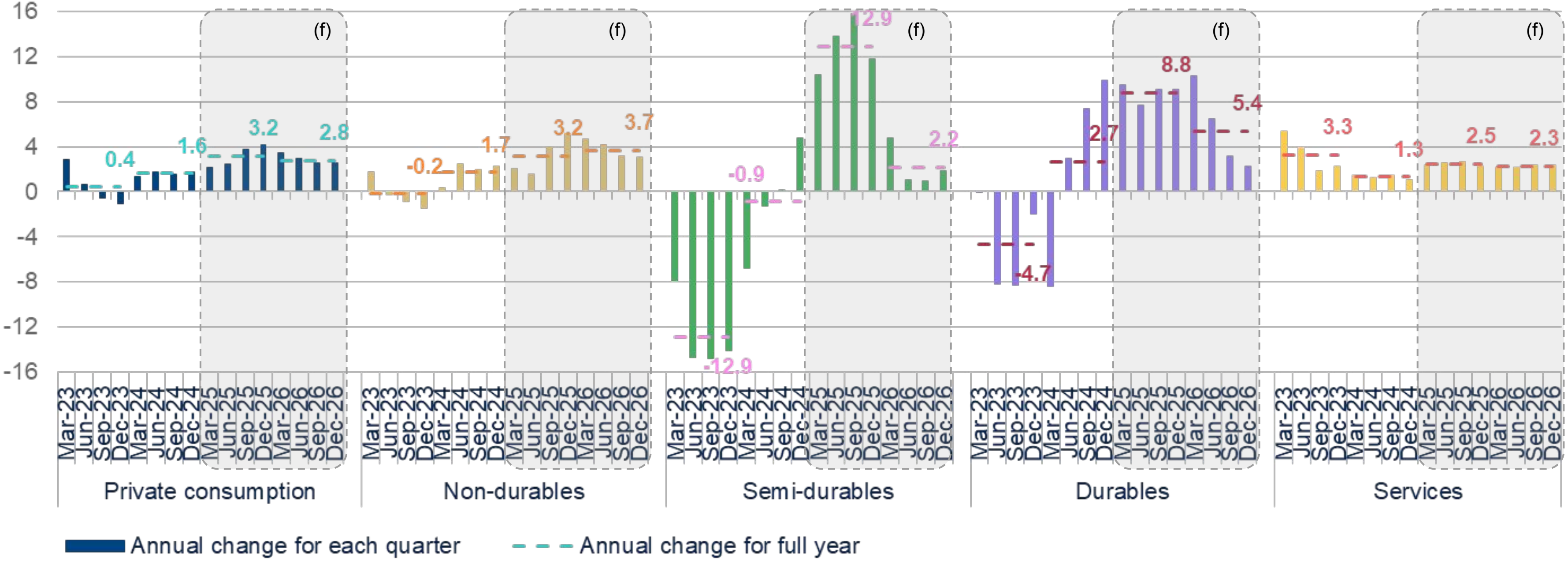
06

Economic activity forecasts:

The current economic recovery is set to continue, but global risks in the area of foreign trade will be closely monitored

In 2025 and 2026, private consumption will be driven by spending on goods, but services will also make a relevant contribution

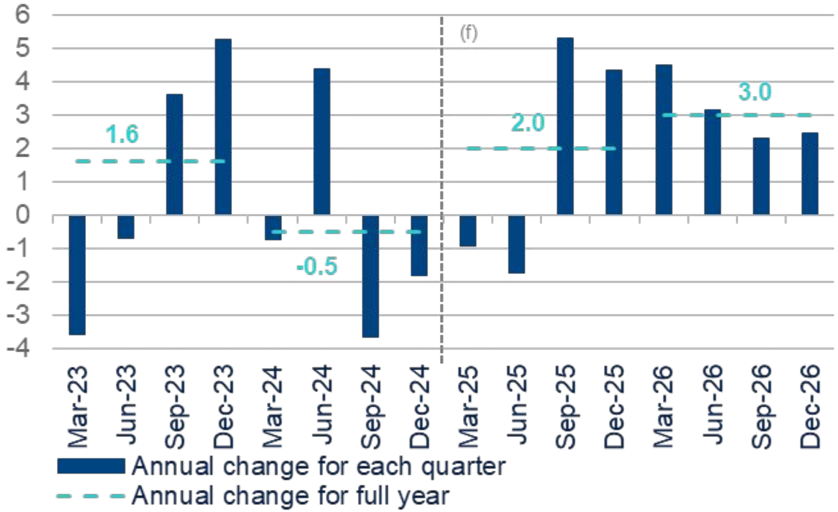
PRIVATE CONSUMPTION: COMPONENTS
(REAL ANNUAL CHANGE, %)



(f): BBVA Research forecasts.
Source: BBVA Research, based on DANE data.

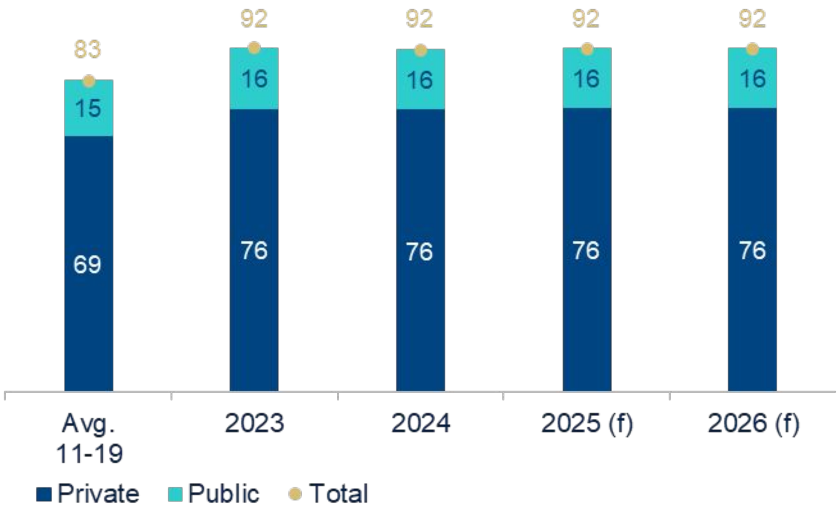
Consumption to GDP share will likely rise, driven by households, as public spending grows below GDP

GOVERNMENT EXPENDITURE
(REAL ANNUAL CHANGE, %)



(f): BBVA Research forecasts.
Source: BBVA Research with data from DANE.

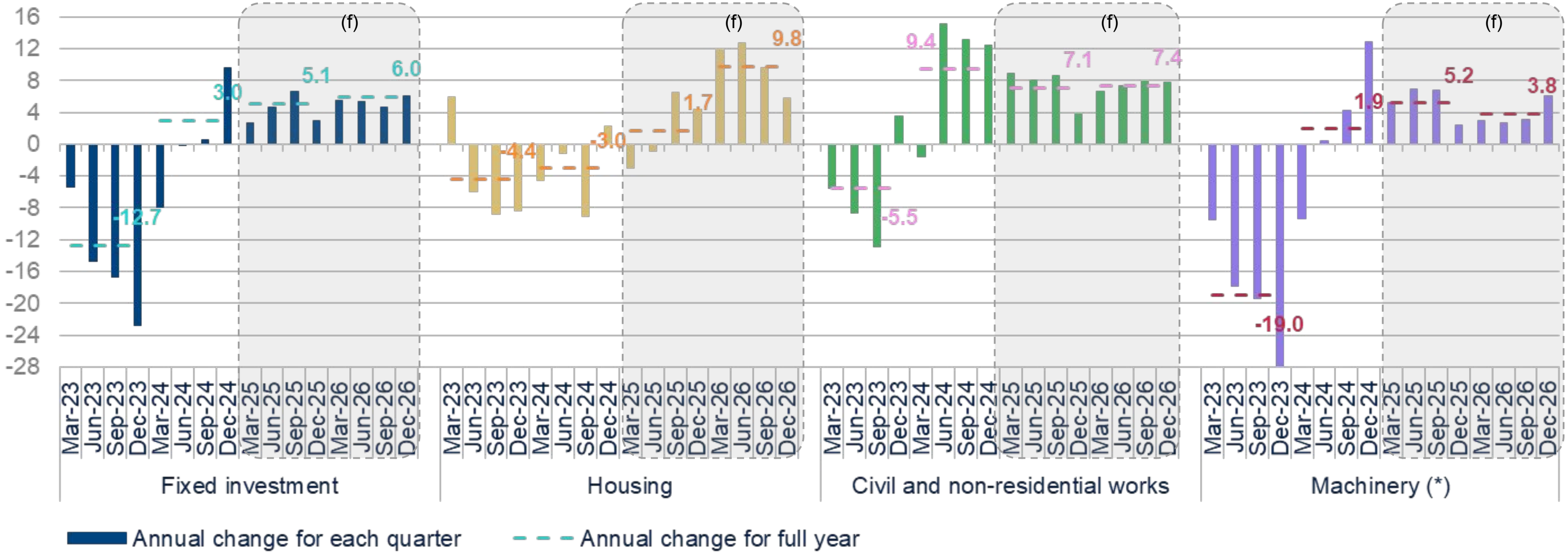
FINAL CONSUMPTION
(% GDP)



Government expenditure will be driven by regional and local government expenditure, rather than by the national government's capacity to contribute to growth.

Fixed investment will lead the gradual acceleration of GDP: in 2025 by machinery and civil works, in 2026 by buildings

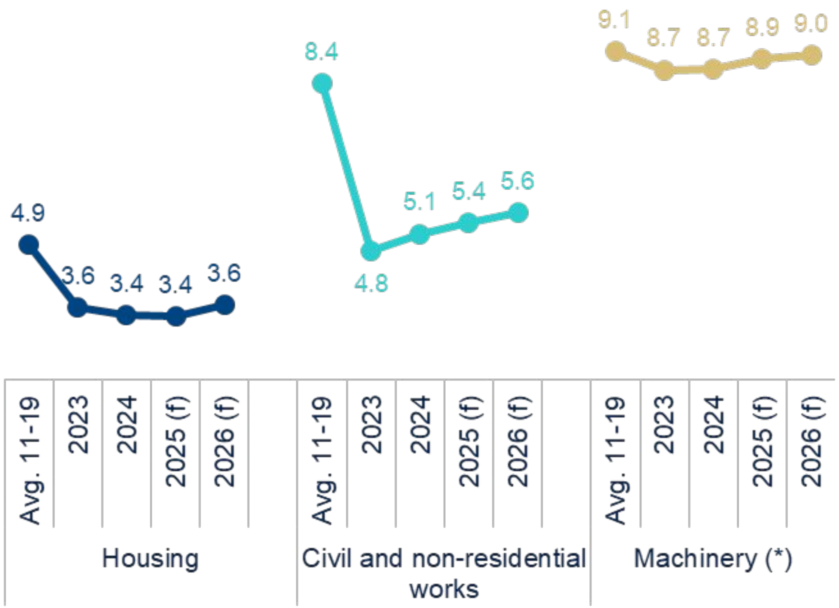
FIXED INVESTMENT
(REAL ANNUAL CHANGE, %)



(f): BBVA Research forecasts. (*): Includes machinery and equipment, biological resources and intellectual property.
Source: BBVA Research, based on DANE data.

Investment ratio will grow, but will remain below the average of the previous decade. Machinery will deliver the best performance

FIXED INVESTMENT
(% GDP)



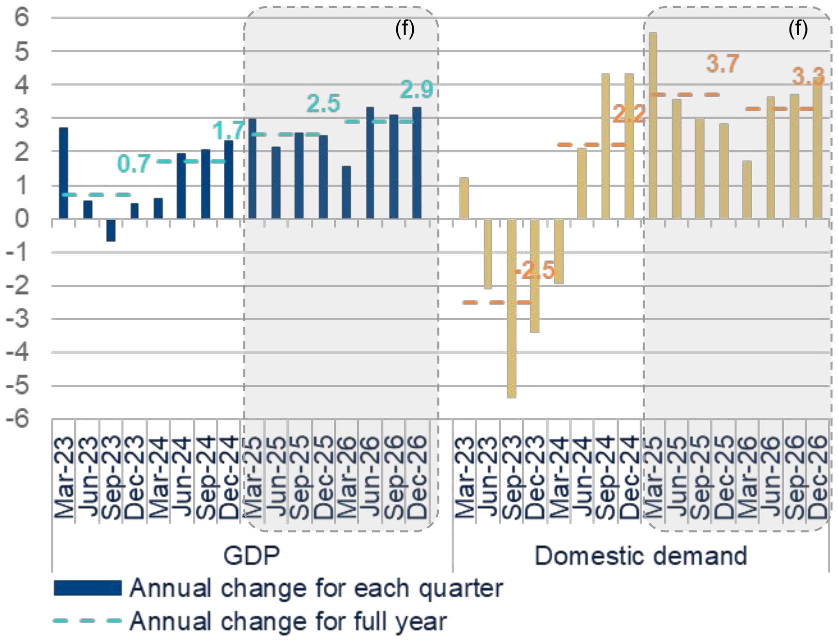
(f): BBVA Research forecasts. (*):Includes machinery and equipment, biological resources, and intellectual property.
Source: BBVA Research, based on DANE data.

The factors behind the investment:

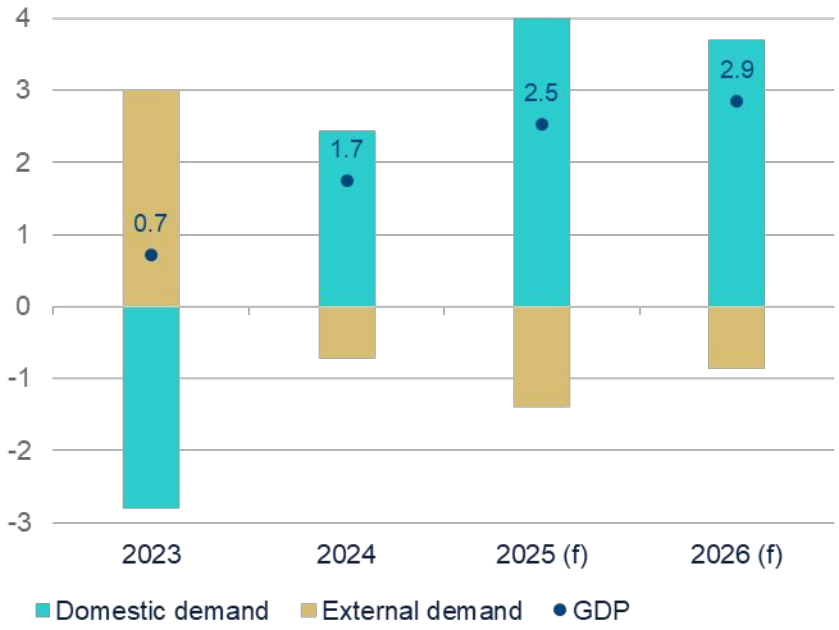
- **Investment in construction has declined as a % of GDP** due to the increased share of social housing (VIS), the slow recovery of civil works after the pandemic and the sharp fall in buildings constructed since 2023. The rise in civil works carried out by municipalities and departments and higher pre-sales of homes this year will help boost the sector's recovery.
- **Investment in machinery will remain dynamic,** although it moderated in 2023 and part of 2024.
- **The lower relative cost of capital could favor investment in the future,** since labor has become more expensive due to increases in the minimum wage above inflation.

As a result, domestic demand is set to outpace GDP growth in 2025-26. This usually occurs in cycles of economic recovery or expansion

GDP AND DOMESTIC DEMAND
(REAL ANNUAL CHANGE, %)



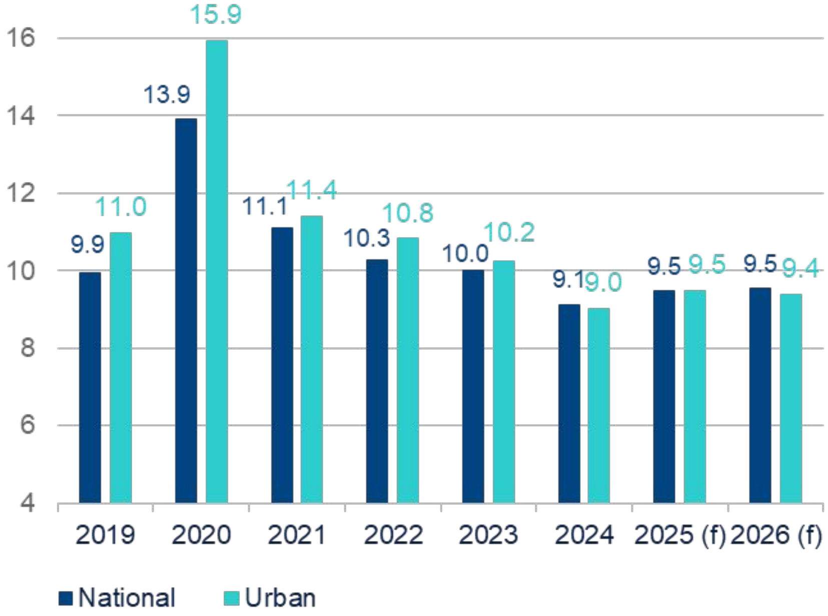
GDP: DEMAND CONTRIBUTIONS
(REAL ANNUAL CHANGE, %)



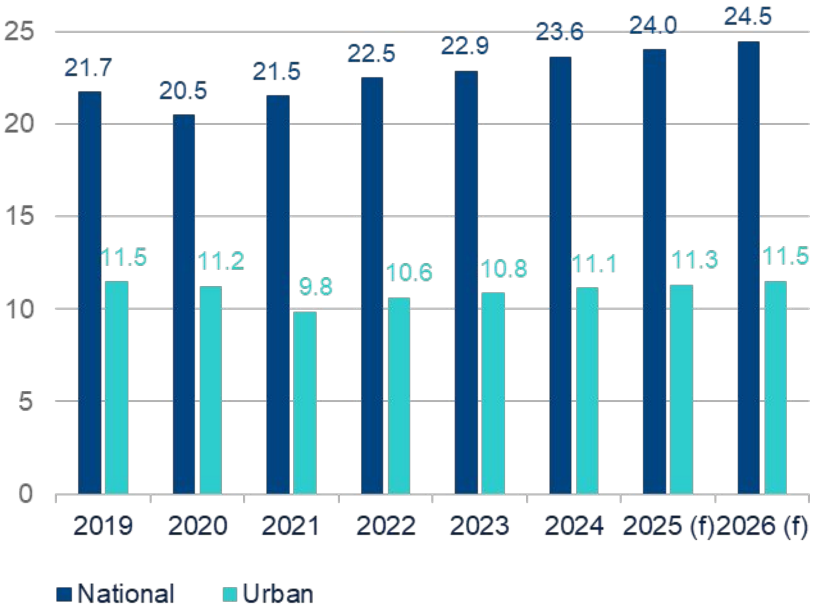
(f): BBVA Research forecasts.
Source: BBVA Research, based on DANE data.

Low unemployment and increase in employment will be key to supporting private consumption. They will also benefit from greater sectoral activity

UNEMPLOYMENT RATE AND PEOPLE EMPLOYED
(% OF ECONOMICALLY ACTIVE POPULATION)



PEOPLE EMPLOYED
(MILLIONS OF PEOPLE)



(f): BBVA Research forecasts.
Source: BBVA Research with data from xxxxx

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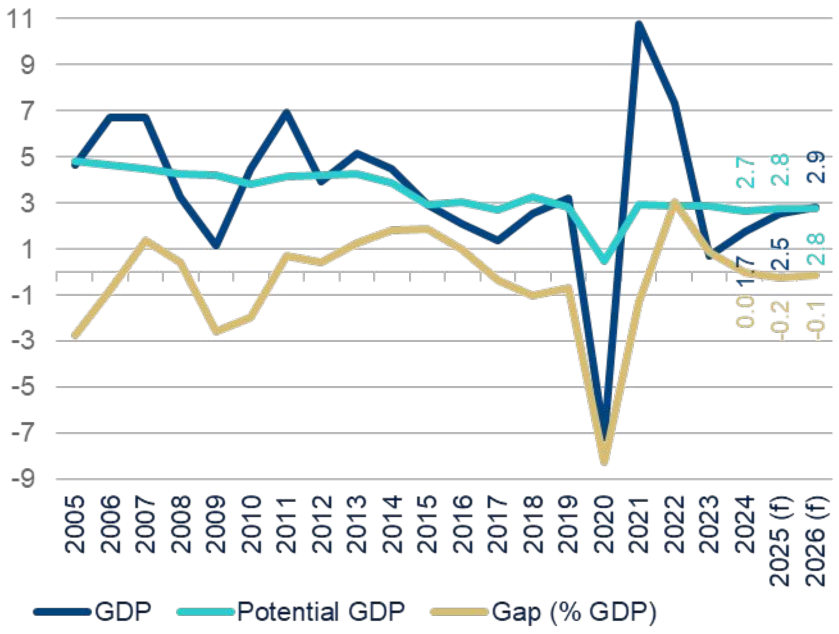
07

The medium term:

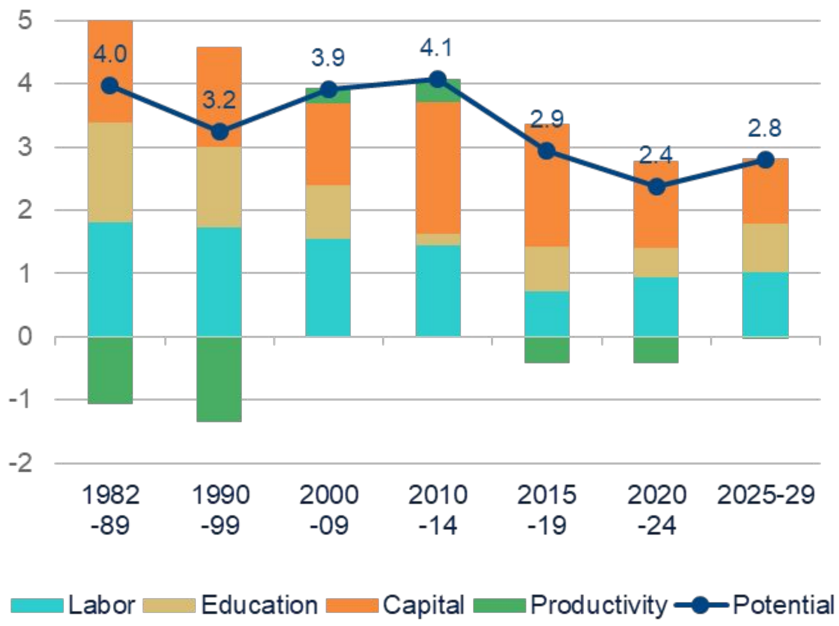
Back to basics, with growth based on investment, savings and productivity

Growth will draw near to potential, which is somewhat lower than in the past decade, reducing the output gap by 2026

GDP: EFFECTIVE, POTENTIAL AND GAP
(REAL ANNUAL CHANGE IN %, AND % GDP)



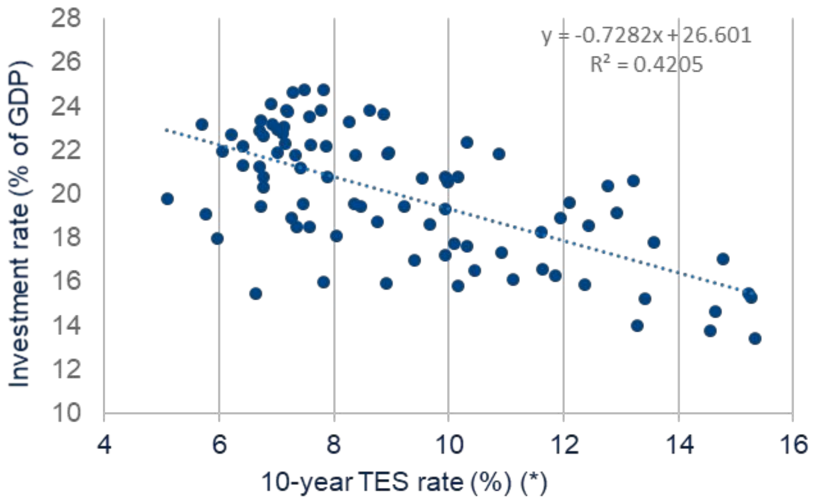
POTENTIAL GDP: FACTOR CONTRIBUTIONS
(REAL ANNUAL CHANGE, %)



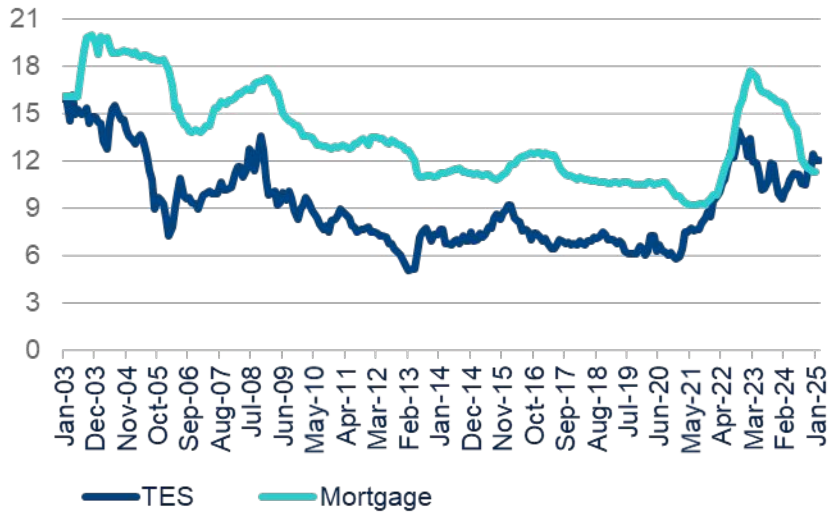
(f): BBVA Research forecasts.
Source: BBVA Research, based on DANE data.

With the observed lower birth rate, future potential growth will depend more on the expected performance of investment and productivity...

TES 10-YEAR RATE (*) AND INVESTMENT RATE
(ANNUAL EFFECTIVE RATE AND % GDP, PERIOD: 2003 - 2024)



10-YEAR TES RATE AND MORTGAGE RATE
(ANNUAL EFFECTIVE RATE, %)

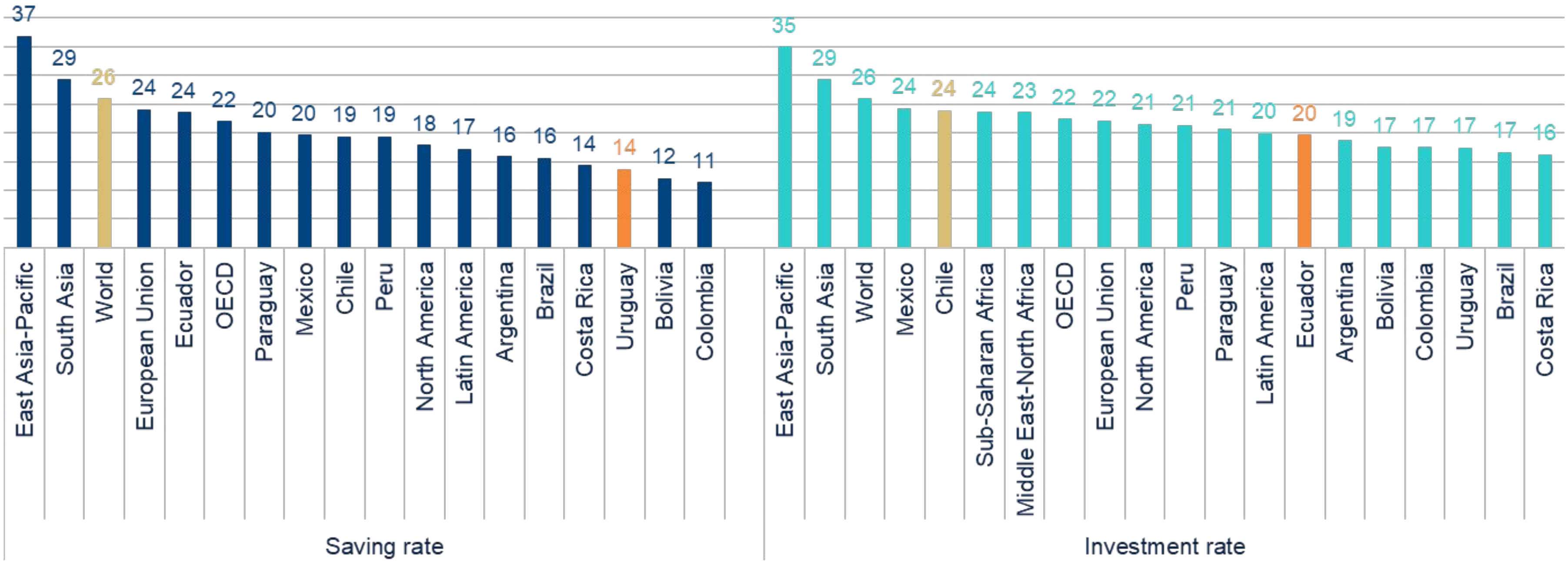


(*): Difference between the 10-year TES rate and the BanRep rate. Therefore, it refers to the excess yield paid by the Colombian government for reasons other than monetary policy.
Source: BBVA Research with data from Banco de la República.

…thus, the right conditions must be in place to enable investment and productivity. Fiscal responsibility, leading to lower interest rates, is essential to attract investment. Currently, government bonds pay higher yield than a mortgage rates.

Colombia continues to have low saving and investment rates: the recovery of both variables will be key to increasing physical capital in the economy

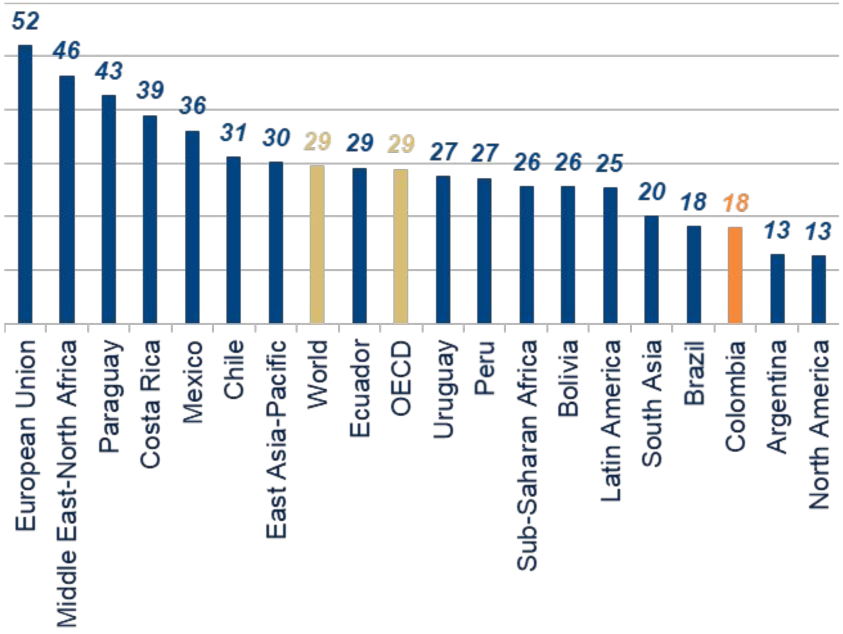
SAVINGS AND FIXED INVESTMENT: REGIONS OF THE WORLD AND LATIN AMERICAN COUNTRIES
(% OF GDP, YEAR 2023)



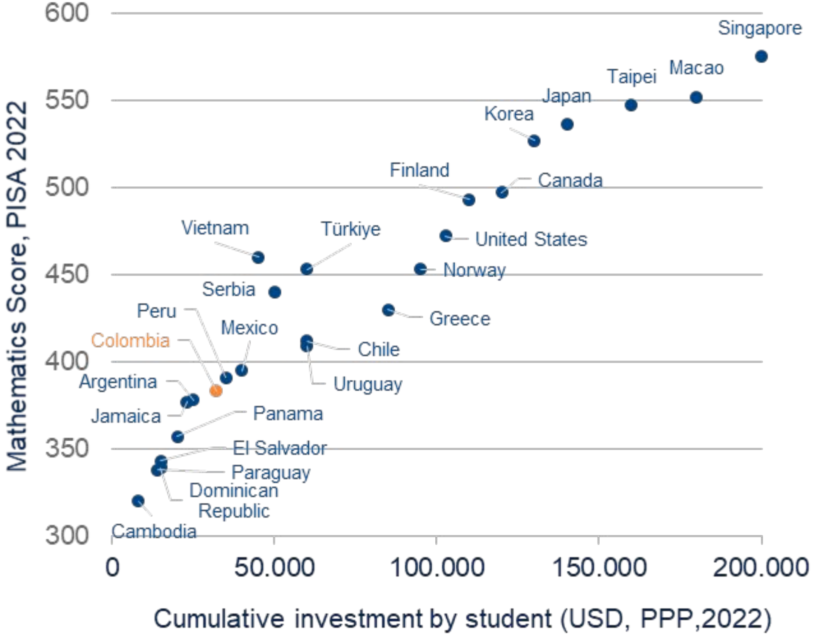
Source: BBVA Research with data from the World Bank.

On the other hand, economic openness and education are necessary measures to increase total factor productivity and labor productivity

EXPORT ORIENTATION: SELECTED COUNTRIES
(EXPORTS AS GDP %, 2023)



EDUCATION: AVERAGE YEARS PER COUNTRY
(USD AND SCORE)



Source: BBVA Research with data from the World Bank and OECD.

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08

Overview of macroeconomic forecasts

Key macroeconomic variables

	2021	2022	2023	2024	2025 (f)	2026 (f)
GDP (% YoY)	10.8	7.3	0.7	1.7	2.5	2.9
Private consumption (% YoY)	14.7	10.7	0.4	1.6	3.2	2.8
Government expenditure (% YoY)	9.8	1.0	1.6	-0.5	2.0	3.0
Fixed investment (% YoY)	16.7	11.5	-12.7	3.0	5.1	6.0
Inflation (% YoY, EOP)	5.6	13.1	9.3	5.2	4.4	3.7
Inflation (% YoY, average)	3.5	10.2	11.7	6.6	4.7	3.9
Exchange rate (EOP)	3,968	4,788	3,954	4,386	4,350	4,230
Devaluation (%, EOP)	14.4	20.7	-17.4	10.9	-0.8	-2.8
Exchange rate (average)	3,744	4,256	4,326	4,074	4,274	4,300
Devaluation (%, average)	1.4	13.7	1.6	-5.8	4.9	0.6
Monetary policy rate (%, EOP)	3.00	12.00	13.00	9.50	7.75	7.25
Current account (% GDP)	-5.6	-6.0	-2.2	-1.8	-2.7	-3.1
Urban unemployment rate (%, EOP)	11.4	10.8	10.2	9.0	9.5	9.4

(f): BBVA Research forecasts.
Source: BBVA Research, with data from DANE and Banco de la República.

Key macroeconomic indicators

	GDP (% YoY)	Inflation (% YoY, EOP)	Exchange rate (vs. USD, EOP)	Monetary policy rate (%, EOP)
Q1 23	2.7	13.3	4,627	13.00
Q2 23	0.5	12.1	4,191	13.25
Q3 23	-0.6	11.0	4,054	13.25
Q4 23	0.4	9.3	3,822	13.00
Q1 24	0.6	7.4	3,842	12.25
Q2 24	1.9	7.2	4,148	11.25
Q3 24	2.1	5.8	4,164	10.25
Q4 24	2.3	5.2	4,386	9.50
Q1 25	3.0	4.8	4,150	9.25
Q2 25	2.1	4.6	4,280	8.75
Q3 25	2.6	4.6	4,350	8.25
Q4 25	2.5	4.4	4,350	7.75
Q1 26	1.6	4.0	4,330	7.25
Q2 26	3.3	3.9	4,350	7.25
Q3 26	3.1	3.8	4,265	7.25
Q4 26	3.3	3.7	4,230	7.25

Source: BBVA Research, based on data from DANE and Banco de la República.

Disclaimer

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Colombia Economic Outlook

The economic recovery in Colombia will continue to gain strength, but significant challenges still lie ahead

March 2025

Creating Opportunities