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Latam Daily: Economists in BanRep Survey Eye July Cut

Colombia: BanRep Survey—Steady inflation forecasts for 2025 as analysts anticipate July rate cut

The central bank (BanRep) published its survey of economists' expectations for July. Inflation expectations remained unchanged from the previous survey, despite the surprise in the June inflation reading (chart 1). For December 2025, headline inflation expectations decreased 2bps to 4.79%. Over a 2-year horizon, the expectations increased 5bps, however, the expectation remains within BanRep's target range (defined between 2% and 4%).

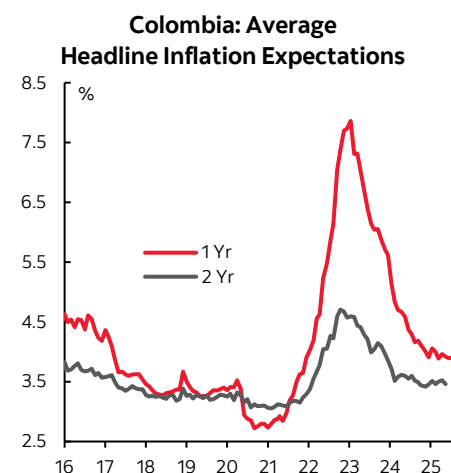
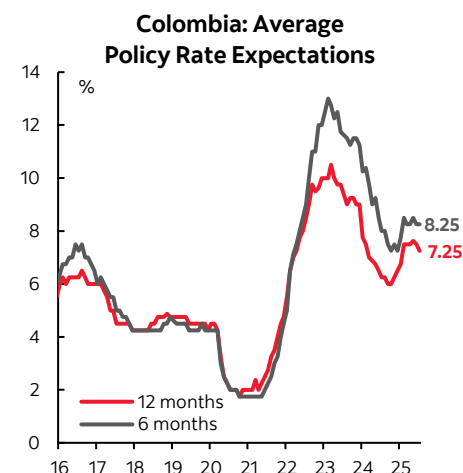
Those results are lower compared to the trajectory expected by Scotiabank Colpatria, as we estimate year-end inflation of 5.17%, and inflation for 2026 is expected to remain in the limit of the target, closing at 3.97% and higher than 3.79% consensus forecast.

In the short term, the inflation expectation is 0.18% for July, which reduces annual inflation from 4.82% in June to 4.80% in July. Scotiabank Colpatria expects July inflation to be 0.20% m/m and 4.82% y/y, above the consensus expectation. Furthermore, we continue to perceive that inflation will rebound in the second half of the year, closing at 5.17%.

Regarding monetary policy, analysts expect a 25bps rate cut at the July meeting. At the June meeting, the board decided to keep rates stable at 9.25%, in a split decision. The four members in favour of stability highlighted inflationary risks associated with US trade policies and, on the domestic front, uncertainty about the 2026 wage increase, which could delay the decline in inflation to the target.

The fiscal outlook remains a relevant factor for the board and could continue to influence greater caution. Furthermore, economic activity has performed better than expected, reducing the urgency for accelerated cuts. Scotiabank Colpatria's expectations for the July meeting align with the consensus of analysts. Analysts project rates of 8.50% by December 2025 and 7.00% by December 2026—both below Scotiabank Colpatria's forecasts of 8.75% and 7.50%, respectively.

Regarding the exchange rate, the consensus revised its outlook downwards for 2025 and 2026. For December 2025, analysts estimate an exchange rate of 4,149 pesos, lower than the previous forecast of 4,250 pesos. For 2026, the expectation is 4,127 pesos, 46 pesos lower than the previous survey. Scotiabank Colpatria's projection for 2025 is 4,249 pesos, and for 2026, 4,200 pesos.

Chart 1

Chart 2


Key points from the survey:

- Short-term inflation expectations.** For July, the consensus estimate is 0.18% m/m, implying annual inflation of 4.80% y/y, lower than the current 4.82%. The high is 0.37% and the low is 0.05%, which shows a high dispersion among analysts, mainly due to regulated services and food that have been showing surprising numbers in recent months. Scotiabank Colpatría Economics’ projection is 0.20% m/m and 4.82% y/y. Core inflation, excluding food, projected by analysts is 0.17% m/m.
- Medium-term inflation expectations.** Inflation expectations for December 2025 decreased 2bps to 4.79% (table 1). Expectations for a 1-year horizon slightly increased 1bps to 3.90%, and expectations for a 2-year horizon increased 5bps to 3.49%. Scotiabank Colpatría’s expectations are above the market consensus; however, our bias is primarily explained by low food statistical bases in the third quarter of 2024, which will be difficult to replicate.
- Monetary policy rate.** The median expectation is for a 25bps cut at the July meeting, which would bring the rate down to 9%. By the end of 2025, the rate is estimated to fall to 8.50%, implying two additional rate cuts over the remainder of the year (chart 2).
- FX.** Projections for the US dollar exchange rate for the end of 2025 averaged 4,149 pesos (100 pesos lower than the previous survey). By December 2026, respondents, on average, expect an exchange rate of 4,127 pesos.

Table 1: Colombia—Headline Inflation Expectations		
	Average	Change vs previous survey, bps
Jul-2025, m/m % change	0.18	...
Dec-2025, y/y % change	4.79	-2
1Y ahead, y/y % change	3.90	1
Dec-2026, y/y % change	3.79	5
2Y ahead, y/y % change	3.49	5
Sources: Scotiabank Economics, BanRep.		

—Daniela Silva

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