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Latam Daily: BanRep Survey Recap

- **Colombia: BanRep Survey—Economist consensus affirms expectations for a 50bps cut in July while inflation expectations fluctuate slightly**

The Central Bank of Colombia (BanRep) released the economist expectation survey for July. Inflation expectations were relatively stable. For Dec-2024 and Dec-2025, expectations are at 5.77% and 3.94%, respectively. The inflation forecast for one-year is at 4.29%, falling by 8bps, while at the two-year horizon (July 2026) it rose by 5bps to 3.60%. Regarding short-term inflation expectations for July, the median sees a 0.28% m/m rise, which could take inflation down from 7.16% to 6.94% y/y. Scotiabank Colpatria's projection is 0.26% m/m, and 6.92% y/y. We expect modest increases in food and utilities inflation, which will allow annual headline inflation to resume the disinflationary trend.

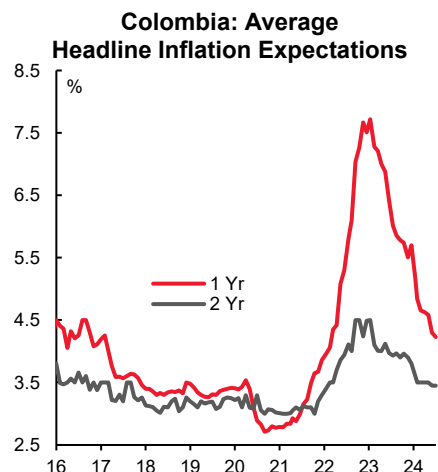
For the monetary policy rate, the market consensus projects a 50bps cut at the July 31st meeting, which is the same as our forecast at Scotiabank Colpatria. For year-end, the economist consensus expectation stayed at 8.50%; for Dec-2025, the expectation is at 6%, while the terminal rate is still projected at 5.50%; however, according to analyst's consensus, this level could be achieved by Q2-2026. The economist consensus expectation is similar to the expectation at Scotiabank Colpatria. We project an acceleration of the easing cycle since September, cutting the interest rate at a 75bps pace to reach the terminal rate of 5.50% by mid-2025.

Inflation and monetary policy rate expectations have been relatively stable in recent BanRep surveys, which suggests that the volatility in Colombian macro readings has eased. The expectation for lower rates in the medium-term is affirmed, and the survey shows a gradual anchoring of inflation expectations to the target range. In the last quarter of 2024, we expect to see a more solid anchoring of inflation expectations, which will give confidence to the board to accelerate the easing cycle in September (chart 1).

Survey highlights:

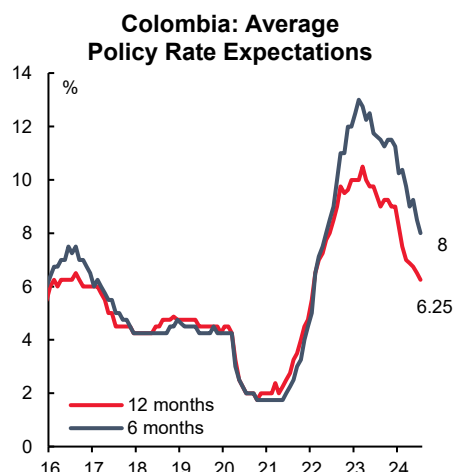
- **Short-term inflation expectation.** For July, the consensus is 0.28% m/m, which implies an annual inflation rate of 6.94% y/y (down from 7.16% in June). The highest expectation is 0.46%, and the lowest is 0.11%. Scotiabank Economics forecast is 0.26% m/m and 6.92% y/y. Regarding core metrics, inflation ex-food is expected to close the year at 5.83%, and for Dec-2025 is at 3.87%.

Chart 1



Sources: Scotiabank Economics, BanRep.

Chart 2



Sources: Scotiabank Economics, BanRep.

- Medium-term inflation expectations were broadly stable.** Inflation expectations for December 2024 increased by 5bps to 5.77% y/y (table 1). However, the headline inflation expectation for the one-year horizon continued decreasing and stood at 4.29% (-8bps). The two-year inflation expectation increased by 5bps to 3.60% y/y.
- Policy rate.** The median expectation points to a 50bps rate cut at July’s meeting, while in the rest of the meetings during 2024, expectations point to 75bps rate cuts in each one (September, October and December). With previous expectations, economists consensus points to an 8.50% level for Dec-2024 and 6.0% for Dec-2025. Scotiabank Colpatria’s projection is similar, for Dec-2024 we expect 8.50% and 5.50% for Dec-2025 (chart 2).
- FX.** The projections for the USDCOP exchange rate for the end of 2024 averaged 4049 pesos (two pesos below previous survey). For December 2025, respondents, on average, expect the exchange rate at USDCOP 4056 pesos (previous 4045 pesos).

Table 1: Colombia—Headline Inflation Expectations

	Average	Change vs previous survey, bps
Jun-2024, m/m % change	0.28	...
Dec-2024, y/y % change	5.77	5
1Y ahead, y/y % change	4.29	-8
Dec-2025, y/y % change	3.94	5
2Y ahead, y/y % change	3.60	5

Sources: Scotiabank Economics, BanRep.

—Sergio Olarte & Jackeline Piraján

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