Blog BanRep: Macroeconomic Results in 2024 and Outlook for 2025

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As part of the accountability process required by law, the Board of Directors of *Banco de la República* (the Central Bank of Colombia) submits twice a year a report to Congress on the situation and outlook of the Colombian economy, along with the results of its management.

The most recent Report to Congress was presented on February 28. It analyzed the results of the economy in 2024 and discussed the outlook for 2025. This Report will serve as the basis for upcoming debates in the economic committees of the Senate and the House of Representatives, with the participation of the Board of Directors of *Banco de la República* (BDBR). Given its relevance and for the interest of our readers, this Blog summarizes the key points of this Report, along with some updates on the evolution of the economy during the early months of 2025, as detailed in the Monetary Policy Report published on May 5.

During 2024, the Colombian economy continued the macroeconomic adjustment process started in 2023, within the context of a contractionary monetary policy stance marked by gradual and cautious policy interest rate cuts by the BDBR.
Annual consumer price inflation declined from 9.3% at the end of 2023 to 5.2% at the end of 2024. This represented an 8.1 percentage point (pp) drop from the peak observed in March 2023. Similarly, core inflation, calculated as inflation excluding food and regulated items, decreased from 8.4% in 2023 to 5.2% in 2024. Other key components of the consumer basket, such as food and regulated items, also exhibited a moderated inflation. Annual food price inflation declined from 5.0% to 3.3%, while regulated items decreased from 17.2% to 7.3%.

Economic activity grew by 1.7% in 2024, contrasting with the low dynamics seen in 2023 (0.7%). This improvement occurred amid stronger domestic demand, supported by lower interest rates. A more favorable external environment also contributed, including lower international interest rates, an increase in remittances from Colombians abroad, and growth in exports. In this context, private consumption exhibited an upward trend, expanding by 1.6% in 2024. Fixed capital investment also recovered, growing by 3.0% in 2024 after a sharp contraction in 2023. From a sectoral perspective, growth was driven by agriculture, entertainment, commerce, and certain public services such as public administration, health, and education. Likewise, construction activity improved, encouraged by civil works. However, key productive sectors such as manufacturing and mining contracted, with the latter affected by declines in coal and oil production.

The acceleration in economic activity translated into a somewhat more dynamic labor market. As a result, national employment grew by 2.2% year-on-year in December 2024, resulting in 508,000 new jobs. This employment growth was largely driven by a recovery in rural employment, which grew by 3.2% in 2024, a figure higher than the one observed in urban areas (1.4%). By economic sector, the main contributors to employment growth were commerce and accommodation, manufacturing, public administration, health, and education. Salaried employment increased by 2.7% in 2024, reaching 11.1 million workers, while non-salaried employment registered a more moderate annual increase of 1.8%. The greater growth in salaried employment contributed to a decline in the labor informality rate, which stood at 55.6% in December 2024. As a result of increased employment and a slight reduction in the labor supply, the unemployment rate decreased slightly over the year, ending 2024 at 9.7% for the national aggregate, according to seasonally adjusted figures. The decline in the unemployment rate was more pronounced in other municipalities and rural areas, where it reached 9.4%, compared to 10% in urban areas.

Another important result of the adjustment process was a narrowing of the country's external imbalance, reflected in a decrease in the current account deficit of the balance of payments from 2.5% to 1.8% of gross domestic product (GDP) between 2023 and 2024. This correction was explained by an increase in net income from current transfers, the reduction of the deficit in the services trade balance, and lower net outflows of the factor income item. The higher net income from transfers was explained by the increase in remittances received from abroad, which reached a record high of USD 11.8 million at the end of 2024 and meant an annual increase of 17.4% and an amount equivalent to 2.8% of GDP. On the other hand, the improvement in the services trade balance was due to the solid performance of services exports, which grew by nearly 11% in 2024. This was partly due to strong travel-related activity stemming from increased tourism, as well as growth in sales of modern services such as telecommunications, insurance, financial, and business services associated with the increased use of information and communication technologies. Finally, the improvement in the balance of factor income was explained by lower profits reported by foreign direct investment firms in Colombia, leading to reduced profit remittances abroad. The lower earnings occurred mainly in oil and coal activities, in an environment of declining commodity prices.

The Report to Congress also includes a summary of the country’s public finance situation at the end of 2024. Although this does not fall under the direct responsibility of the BDBR, it is important to consider it because the situation of public finances influences the effectiveness and leeway for monetary policy. According to data from the Ministry of Finance, the National Government's deficit stood at 6.8% of GDP at the end of 2024, higher than the 4.2% of GDP recorded in 2023. The greater fiscal imbalance was explained both by a decline in total revenues in 2024 and an increase in spending. The fall in the Nation's revenues was mainly due to lower tax revenues (-2.2% of GDP) as well as reduced oil revenues caused by lower dividends paid by Ecopetrol (-0.7% of GDP). On the other hand, the increase in expenditure was driven by transfers through the General Participation System (+0.6% of GDP), higher interest payments on public debt (+0.5% of GDP), increased spending on social security (health and pension) (+0.5% of GDP), and higher personnel costs (+0.1% of GDP). The higher fiscal deficit, together with the depreciation of the Colombian peso at the end of 2024, resulted in an increase in the National Government’s net debt to 60.0% of GDP at the end of 2024, above the 53.8% of GDP observed in 2023. This level exceeds the fiscal rule’s debt anchor of 55.0% of GDP.

As summarized above, Colombia’s macroeconomic situation strengthened in 2024, as shown by most macroeconomic indicators. This positive trend has continued along the first quarter of 2025. Headline inflation continued to decline, reaching 5.1% year-over-year in March. Similarly, core inflation, excluding food and regulated items, maintained its downward trend, falling to 4.8% in March. Economic activity also accelerated, with first-quarter growth estimated at 2.5% year-on-year, exceeding the expansion of the last quarter of 2024 (2.4%). This was supported by robust domestic demand, led by private consumption and investment. Likewise, labor market indicators continued to improve. At the end of March, national employment had grown by 4.7% year-on-year and by 3.4% in the thirteen main cities. This resulted in a decrease in the seasonally adjusted national unemployment rate to 9.1% in March, down from 9.7% at the end of 2024.

In the short term, growth is expected to moderate due to the negative impact of tariff increases in the United States on global economic activity. Accordingly, the technical staff of *Banco de la República* forecasts growth figures of 2.6% for 2025 and 3.0% for 2026. The current external environment, marked by high uncertainty and volatility in financial markets, tends to increase risk aversion. The Colombian economy is particularly vulnerable to this situation, given its substantial fiscal imbalance. In this context, monetary policy must act with special caution to continue driving inflation towards its target and preserve market confidence. Similarly, the Government's efforts to strengthen public finances would contribute greatly to this end.

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