Box 1 - Possible macroeconomic effects of the minimum wage - Monetary Policy Report, January 2026

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This Box quantifies the potential effects of a real increase in the minimum wage on a set of macroeconomic variables when the increment exceeds the sum of inflation and labor productivity growth by 17.2 percentage points (pp), as the one established for 2026. The analysis is conducted by updating the exercise presented in chapter 3.2 of the journal *Ensayos sobre Política Económica* (ESPE), 103, which studies the macroeconomic effects of the minimum wage in Colombia. The benchmark exercise in ESPE considered a 1 pp increment; consequently, the results presented in this Box should be interpreted in the context of a larger shock. For a detailed description of the model and transmission mechanisms, see *Borradores de Economía* 1264 Below, we summarize the model employed, its main transmission channels, and its effects on the labor market, economic activity, and prices.

In practical terms, the model describes a small open economy inhabited by two types of households: one with high productivity and access to capital markets, and another with lower productivity and no access to capital markets. The latter type of household supply both formal and informal labor, which is its only mechanism for smoothing income fluctuations.

Fuente: https://d1b4gd4m8561gs.cloudfront.net/en/publications-research/monetary-policy-report/box1-january-2026