Download

Keep in mind

Pursuant to Article 5 of Law 31 of 1992, the Board of Directors of Banco de la República (the Central Bank of Colombia) submits a report to the Honorable Congress of Colombia, informing about the performance of the economy and its outlook. This report is submitted twice a year, in March and July, within ten business days following the start date of the sessions of the Congress.

AUTHORS AND/OR EDITORS

Banco de la República

Publication Date:
Wednesday, 01 October 2025

As noted in recent reports from the Board of Directors of Banco de la República to Congress, in recent quarters much of the strength of economic activity, particularly domestic demand, has relied on household consumption, whose outstanding performance has been characterized by growth rates exceeding those of GDP since the third quarter of 2024, and levels that, according to the most recent figures, are well above those suggested by the pre-pandemic trend1. Some of the factors that may be influencing this favorable performance of private consumption can be divided into three main groups: 1) increases in household disposable income; 2) slightly more favorable credit dynamics; and 3) a gradual recovery in consumer confidence.

First, household disposable income has recently shown significant increases. In real terms, using the private consumption deflator, this aggregate grew by 2.8% in 2024 and by 4.4% annually in the f irst quarter of 2025 (Graph B1.1). Several components have contributed to this increase. One of them is compensation to employees, whose real growth (4.4% in 2024 and 2.9% annually in the first quarter) has been driven, among other things, by improved employment performance over the last year2 and by the cumulative increase in the real minimum wage in recent years (around 16% between 2023 and 20253), which benefits both minimum-wage earners and those receiving equivalent pensions4. However, these cumulative minimum wage increases, which have substantially exceeded observed inflation plus the country's productivity gains, would have a temporary effect on consumption, as the upward pressure they have generated on inflation could negatively affect household disposable income. Indeed, part of the significant minimum wage increases have been transmitted to several important CPI groups, such as food away from home, building administration, and hairdressing services, among others. They have also put upward pressure on wage costs in sectors of the economy that are intensive in unskilled labor (e.g., agriculture), affecting the inflation expectations of price setters. These factors, which have contributed to high inflation and a slowdown in its convergence toward the 3.0% target, would be detrimental to the future of household disposable income.