[Determinantes de las Dinámicas de los Mercados de Capitales (Only Available in Spanish).](#)
[Statistical Annex (Only Available in Spanish)](#)

Below is the description provided by the technical staff of the Central Bank on macroeconomic conditions, their projections, and risks for the meeting of the Board of Directors on 21 June 2019.

1. The relevant external demand for Colombia will continue slowing down somewhat faster than anticipated. Thus, for 2019 and 2020, it is projected that GDP growth of the country's trading partners will be lower than in 2018 and than the forecast in the previous report. Global growth exhibits significant downside risks from both advanced and emerging economies.
2. Despite the recent increase in the risk premia, in historical terms, international financial conditions remain favorable for Colombia. The baseline forecast scenario considers that, given the greater uncertainty about the future performance of global economy, convergence of the Colombian risk premia to its historical average would be faster than was forecasted in the latest report. It must be clarified that the baseline scenario does not include the increase of the likelihood of an interest rate cut by the FED after its meeting on 19 June.
3. In line with what has been forecast in previous reports, the increase of international oil prices observed at the beginning of the year would have been transitory; henceforth, given the conditions for supply and demand in this market, it shall converge to a level close to USD 62 per barrel (Brent).
4. Forecasts suggest that the country's external deficit as a share of GDP in 2019 will widen *vis-à-vis* 2018 as a result of a higher deficit in the balance of trade for goods. This is due to lower expected external sales and a dynamics of imports in line with the projected growth in economic activity. It is expected that the remaining items of the current account will partially offset the performance of the estimated trade balance.
5. In the first quarter of 2019, GDP slowed down, growing at a slower pace than had been forecast by the technical staff. The results on spending show that domestic demand continues to be the main engine for growth despite the slowdown observed during that period. Negative shocks were observed mainly in construction investment (both for housing as well as for other buildings and structures) and public consumption. For the second quarter, economic growth is expected to be slightly higher than the 2.3% figure from the first quarter, with seasonally adjusted data and corrected for calendar effects.
6. Recovery of growth at rates slightly higher than the natural output of the economy is also expected, particularly toward the second half of the year. In the remainder of the year, the economy will continue to be driven mainly by a greater dynamism of domestic demand, while net exports will continue subtracting from growth.
7. Annual consumer inflation continued to rise so far during the second quarter, although more than expected, reaching 3.31% in May. The annual inflation rate was driven mainly by the annual adjustment in food prices, explained by climatic phenomena and transitory supply shocks, and, to a lesser extent, by the tradable component, affected in late months by the recent depreciation of the peso and by the transitory effect of taxes on alcoholic beverages. In the past two months, core inflation has remained at stable levels very close to 3.0%.
8. The different measures of inflation expectations remain slightly above the target (3.0%). Analysts' expectations stand between 3.3% and 3.4% to horizons not greater than 24 months, and those embedded in public debt bonds stand around 3.2%.

In all, inflation stands slightly above the target, while the average of core inflation indicators remains below 3.0%. Economic activity faced negative shocks in the first quarter, but a good part of them are expected to reverse along the remainder of the year, in a context of persistence of an excess spare capacity in the economy. With this, the output gap is expected to reduce in the remainder of the year. Monetary policy actions taken so far should consolidate the convergence of inflation to the target and maintain a favorable path for GDP expansion. Uncertainty on the external context remains high.