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Minutes of the Meeting of the Board of Directors of Banco de la República on 26 July 2019

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A regular meeting of the Board of Directors of *Banco de la República* took place in the city of Bogotá D.C. on Friday, July 26, 2019. In attendance were Alberto Carrasquilla Barrera, Minister of Finance and Public Credit; Juan José Echavarría, Governor of the Central Bank; and Board Members Gerardo Hernández Correa, Ana Fernanda Maiguashca Olano, José Antonio Ocampo Gaviria, Carolina Soto Losada, and Juan Pablo Zárate Perdomo.

The main monetary policy discussions considered by the Board are summarized as follows:

1. DISCUSSION AND POLICY OPTIONS
The Board members emphasized that inflation remains consistent with its convergence to the target in 2020. Although the forecasts suggest that it may divert from the target over the next few months, this is due to transitory supply shocks. According to this, the average of core inflation indicators continues below 3.0%. In the Board's opinion, the most likely scenario is that inflation converges to the target once the transitory supply shocks fade, which is consistent with the forecasts by the technical staff and with the behavior of inflation expectations.

Regarding economic activity, the Board continues to consider that the pace of growth will pick up in the second half of 2019. However, this acceleration would be insufficient to close the current spare capacity of the economy. In the same sense, the Members of the Board highlighted the increase in the unemployment rate.

As for the external context, they highlighted several negative signals regarding global and regional growth. Specifically, they referred to the low growth of global investment and retail, as well as decreases in economic growth forecasts for Latin America. On the other hand, they agreed that more expansionary monetary policies, especially in the U.S., will strengthen an environment of liquidity for international financial conditions.

The Board discussed the forecasts of the balance of payments, assessing both the vulnerabilities of the level of the current account deficit and the benefits of having most funding based on foreign direct investment. Some Board Members emphasized the country's need to increase exports other than energy and mining products consistently in order to balance the external accounts without major damage.

In this context, the Board unanimously decided to maintain the benchmark interest rate unaltered, which it considers as moderately expansionary.

2. POLICY DECISION
The Board of Directors unanimously decided to maintain the benchmark interest rate unaltered at 4.25%.