Minutes of the Meeting of the Board of Directors of Banco de la República on 23 September 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 Monday, September 23, 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, and Carolina Soto.

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. Projections show that over the next few months inflation will remain away from the 3.0% target, but in August a reversal of its upward trend was observed. 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 Members emphasized that, contrasting the data from the rest of the region, economic growth in Colombia has exhibited a greater dynamism throughout the first half of the year. They also believe that there will be an acceleration in the pace of economic growth in the second half of 2019. However, this acceleration would be insufficient to close the current spare capacity of the economy. The members of the Board reiterated their concern about the performance of the labor market, albeit noting that urban indicators have slightly improved.

On this occasion, they highlighted the good performance of credit, particularly that of consumption, and the recovery of the commercial loans. Some Board Members highlighted that a full transmission of the policy interest rate to portfolio interest rates including consumption can already be observed.

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

The members of 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.

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%.

Fuente: https://www.banrep.gov.co/en/minutes-meeting-board-directors-banco-republica-23-september-2019