Minutes of the Meeting of the Board of Directors on 20 December 2019

Attachments
Determinantes de las Dinámicas de los Mercados de Capitales (Only Available in Spanish)
Anexo estadístico (Only Available in Spanish)

A regular meeting of the Board of Directors of *Banco de la República* took place in the city of Bogotá D.C. on Friday, 20 December 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 Roberto Steiner Sampedro.

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

1. DISCUSSION AND POLICY OPTIONS

Inflation results in November were in line with the forecasts of the technical staff for the end of the year and for 2020. Inflation is expected to stand at the higher part of the range defined by the Board of Directors (2.0% - 4.0%), and to converge to the 3.0% target in 2020. This convergence will start at the beginning of next year, inasmuch as the supply shocks that took place in 2019 begin fading. As indicated in the minutes of the October meeting, this convergence will be slower that had been expected initially due mainly to the performance of prices in the group of tradable goods.

Regarding economic activity, the Board Members emphasized that in 2019 the Colombian economy will record its best performance (with an expected growth figure of 3.2%) since the negative shock caused by the fall in oil prices in mid-2014. Also, they emphasized that this growth figure will be the highest among the major Latin American economies. This positive dynamic is expected to continue in 2020, led by consumption and private investment, with which the gradual closing of the negative output gap would continue.

On the other hand, the Board analyzed the recent results of the labor market, and particularly highlighted its concern about the high unemployment rate and its trend.

The external context is still characterized by low growth and high liquidity in international markets, although with volatile flows towards emerging economies. As a consequence, international interest rates are expected to continue at low levels in 2020, while the external demand from the main trading partners is recovering slowly.

The members of the Board discussed the projections of the balance of payments, assessing the potential vulnerabilities posed by the level of the current account deficit as well as the benefits of having a majority of funding based on foreign direct investment. They highlighted that this greater deficit takes place in an environment of lower external demand, wide international liquidity, and higher growth of the economy.

In this context, the Board unanimously decided to maintain the current level of the benchmark interest rate for monetary policy intervention, 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%.

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