BDBR Report to Congress

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The main purposes of the first Report that the de Board of Directors of *Banco de la República* (BDBR) submits to Congress at the beginning of its regular meetings each year are: to examine the performance of the country's economy during the immediately preceding year; to explain the actions for monetary policy and its contribution to the implementation of the inflation target; to report on the administrative management of the Central Bank and the management of the country's foreign reserves; and to discuss the economic outlook for the current year. While undergoing the preparation of this Report according to these guidelines, the pandemic of coronavirus arose and the collapse in oil prices took place. The strong reaction of capital and exchange markets reflect the stress and the bewilderment of economic agents in the face of this situation. The BDBR is aware that due to the timing of this report it will not be possible to provide all the answers that the Congress and the country are expecting. Market volatility and uncertainty about the future evolution of the pandemic and of oil prices demand caution when analyzing the new economic outlook resulting from this unexpected event.

At the time of writing this Report, the Board of Directors had taken measures to ensure the liquidity of the economy in both pesos and US dollars. Regarding liquidity in pesos, the total allotment for liquidity operations (repos) with public and private debt instruments was increased up to COP 23.5 trillion (t); the group of institutions with access to the auctions and the liquidity window of the Central Bank was expanded; the use of private debt instruments eligible to be used in repo operations was allowed; the maturities for liquidity operations were extended from thirty to ninety days with private debt instruments, and from one to sixty days for liquidity operations with public debt instruments. Also, the permanent injection of liquidity into the economy was authorized through the purchase of public debt instruments and securities issued by credit institutions to a wide group of financial agents. As for liquidity in US dollars, a new mechanism of intervention in the foreign exchange market to sell dollars through non-delivery forwards (NDF) was announced, originally offering USD 1,000 million (m). Additionally, it decided to carry out FX swaps auctions in dollars for USD 400 m, in which Banco de la República sells US dollars in cash and purchases them as futures (at 60 days). These measures facilitate the flow of enough credit resources and the proper operation of the payments system, also helping to alleviate the pressures in the foreign exchange market.

Banco de la República has deployed all available resources to tackle this emergency. The analysis tools developed by the Central Bank, along with the experience of the technical staff, will continue to be of great assistance to develop a complete diagnosis of the situation that will serve as a basis to take further policy measures as may be required. The results of these analyses will be announced in the upcoming Monetary Policy Reports and will be collected in the July edition of the Report of the Board of Directors to the Congress of Colombia.

Fuente: https://www.banrep.gov.co/en/bdbr-report-congress