Minutes of the Meeting of the Board of Directors of Banco de la República on 30 October 2020

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The Central Bank's Board of Directors (BDBR) considered recent information related to economic activity and inflation, as well as the technical staff's revised forecasts. It noted a slight improvement in growth projections for 2020, though still in the context of significant economic contraction. The BDBR viewed the flexibilization of lockdown measures, fiscal support for homes and businesses, and low interest rates and ample liquidity provided by the Bank all as factors that contributed at the margin to improved economic expectations.

The directors referenced the fact that inflation expectations based on survey results for the end of 2021 had stabilized at 2.8%. Meanwhile, inflation expectations at two years based on public sector debt rose to 2.52%, nearing levels derived from the survey results.

While Colombia's national unemployment rate is expected to fall in the fourth quarter of 2020 and finish the year between 15.1% and 16.9%, it continues to be a factor of significant concern for the board, in particular given high levels of urban unemployment and among certain sectors of the population, including young people and women.

The directors emphasized the fact that reductions in the policy rate have been reflected significantly in interest rates within the financial system. They noted that credit agency Standard & Poor's had maintained its sovereign risk rating for the country, giving the national government time to consolidate its fiscal adjustment efforts.

The BDBR's international outlook continued to be one in which the world's major central banks maintain broadly expansive monetary policy and ensure elevated levels of liquidity. The directors reiterated their view that the current account deficit continues to reflect Colombia's reduced financing needs and emphasized the International Monetary Fund's decision to expand its flexible credit line for the country, strengthening the availability of external liquidity amid a high degree of uncertainty in the global economy.

The directors expressed their concern over an upsurge in COVID-19 cases in numerous countries, most notably in Europe, and suggested that recent pandemic dynamics had added an additional degree of uncertainty to economic policy in general and monetary policy in particular.

In considering the balance of risks, the BDBR unanimously decided to maintain its benchmark interest rate at 1.75%.

The board emphasized that future decisions will depend on the evolution of macroeconomic variables and of the risk factors mentioned above.

Fuente: https://www.banrep.gov.co/en/minutes-meeting-board-directors-banco-republica-30-october-2020