Monetary Policy Report - October 2020

Complete Report Principales variables del pronóstico macroeconómico (Only available in Spanish) Presentation (Only available in Spanish) Keep in mind
The Monetary Policy Report presents the Bank's technical staff's analysis of the economy and the inflationary situation and its medium and long-term outlook. Based on it, it makes a recommendation to the Board of Directors on the monetary policy stance. This report is published on the second business day following the Board of Directors' meetings in January, April, July, and October.

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Starting in October 2019, the quarterly Inflation Report produced by the technical staff of the Central Bank will be known as the *Monetary Policy Report*. The document, which is used for the technical staff´s monetary policy recommendation, will be published on the working day after the meeting of the BDBR in January, April, July, and October, simultaneously with the Board minutes.

Publication Date: Tuesday, 2 of February 2021 1.1 Macroeconomic summary [Pág. 1]

- Recent data suggest that the technical staff’s appraisals of the condition and development of economic activity, inflation and the labor market have been in line with current trends, marked by a decline in demand and the persistence of ample excess productive capacity.
- The Colombian economy is likely to undergo a significant recession in 2020 (GDP contraction of 7.6%), though this may be less severe than projected in the previous report (-8.5%). Output is expected to have begun a slow recovery in the second half of this year, though it is not projected to return to pre-pandemic levels in 2021 amid significant global uncertainty.
- Labor market deterioration has been significant, and the unemployment rate remains at historically high levels despite some improvement in total employment, particularly among informal urban workers.
- Inflation projections have been revised upward but remain below 2% for the end of 2020 and 3% for the end of 2021. Average inflation expectations for December are below 2%, and at five years or less continue below or close to the targetrate.
- Both foreign demand and oil prices should continue to recover slowly in 2021, though without returning to pre-pandemic levels. Uncertainty over the pace and sustainability of this recovery is high.
- Global and domestic financial conditions have improved in the context of ample liquidity, though some indicators have not yet returned to pre-pandemic levels.

1.2 Monetary policy decision [Pág. 3] The Central Bank’s Board of Directors (BDBR) reduced the policy interest rate by a quarter of one percentage point in both its August and September meetings. In October the BDBR decided to keep the rate at 1.75% Boxes

- Box 1 - Evaluation of the Predictive Capacity of Expected Inflation Measures

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- Box 2 - Literature Review: Weighing the Drivers of Portfolio Flows to Emerging Market Economies

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Fuente: https://www.banrep.gov.co/en/monetary-policy-report-october-2020