Minutes of the Board of Directors' Meeting - 27 November 2020

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The Board of Directors reviewed the latest available information on economic activity, inflation, and international conditions in their November 27 session. The monetary policy discussion took the following aspects into account:

The Board concluded that the results of economic activity were in line with the expected forecast and path of recovery. The data on economic growth for the third quarter have confirmed the sharp contraction of the economy in 2020 and the recovery of the majority of the productive sectors and demand components from the previous quarter. The latest high frequency indicators – EMI, energy demand, home sales, and consumer and business confidence – confirm this trend.

The Board members noted that inflation expectations for the end of 2021 are anchored around 3%. Total inflation stood at 1.75% and core inflation excluding food and regulated items was at 1.55%. The inflation expectations that are drawn from the public debt papers for maturities of 2 and 3 years are 2.32% and 2.66% respectively.

Board members expressed concern about the labor market situation. Although the data as of September have confirmed a gradual recovery in employment, job creation is concentrated in the informal/non-wage segment, and the unemployment rate remains very high. This reflects the structural rigidities of the Colombian labor market and calls for prudence in setting the minimum wage.

They also emphasized the effective transmission of the policy rate to both lending and borrowing rates. The balances in the loan portfolios have grown significantly, especially in the housing and commercial sectors.

Last of all, the Board members pointed out that leeway in international financial conditions prevails. Recent announcements by the central banks of the major advanced economies suggest that high liquidity and low international interest rates will remain on the policy horizon. There have been significant reductions in risk premiums and a recovery in capital flows in emerging economies.

In this context, and taking the risk balance into account, all the board members judged that the current benchmark of 1.75% will maintain a monetary policy that supports the recovery of the Colombian economy. They considered it prudent to hold to this position while waiting for new information about the shocks and the variables that could affect the policy reaction.

POLICY DECISION

The Board of Directors unanimously decided to keep the *Banco de la Republica*'s benchmark interest rate at 1.75%.

Fuente: https://www.banrep.gov.co/en/minutes-meeting-board-directors-banco-republica-27-november-2020