Statement on the closure of the IMF’s Article IV Consultation for Colombia

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On March 22, the Executive Board of the International Monetary Fund (IMF) met to finalize the Article IV annual consultation with Colombia. On March 23, the IMF published the staff report discussed at that meeting, as well as a press release illustrating the discussion held at the IMF board and the statement made by Colombia´s representative to the Fund.

The Fund highlighted that the country’s economic policy framework remains solid and focused on correcting macroeconomic imbalances accumulated during the pandemic, while protecting the most vulnerable and advancing on structural reforms. In this regard, the report notes that, despite the current complex international landscape, the country's strong policies and institutional policy frameworks continue to support the resilience and ability of the economy to respond to shocks.

The IMF executive board highlighted Colombia’s economic growth in 2022 as one of the fastest among emerging economies. After a strong economic rebound last year, this trend is expected to shift towards a more sustainable growth path, driven by tighter macroeconomic policies. The IMF expects spending excesses to moderate and disappear this year.

The report published by the IMF emphasizes the need to continue tightening macroeconomic policies to address the country's internal and external imbalances. The cooling of the economy would support the reduction of inflation, which continues at high levels, and would reduce the current account deficit, which widened last year despite very favorable terms of trade. Likewise, the flexible exchange rate regime stands out as one of the pillars of the country's solid inflation targeting framework and, therefore, it is considered appropriate to facilitate the required external adjustment. Given this, a progressive reduction of these imbalances is expected. The IMF expects inflation to gradually decline in the coming months and reach the central bank's target by the end of 2024. The current account deficit is also expected to narrow to 4% in the medium term and continue to be financed by FDI flows, whose strength in 2022 is highlighted in the report.

In addition, the Fund highlights the importance of Colombia’s access to the FCL, since it is an instrument that provides additional buffers that complement the international reserves against extreme risks in a precautionary manner, and at the same time indicates confidence in the existence in the country of solid macroeconomic fundamentals.
In terms of financial sector policies and structural reforms, the report mentions the resilience of the financial sector and acknowledges the significant progress made in implementing the Financial Sector Assessment Program (FSAP) recommendations. It also emphasizes the need to continue close supervision of the financial sector, with special emphasis on credit to households. In addition, the IMF points to the need to implement the reform agenda carefully and prudently to preserve fiscal and financial stability.

Statement on the IMF

Article IV

Fuente: https://www.banrep.gov.co/en/news/statement-closure-imfs-article-iv-colombia