Box 4: The Recent Changes in the Exchange Rate and their Effects on the Economy - Report of the Board of Directors to the Congress of Colombia - March 2023

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Pursuant to Article 5 of Law 31 of 1992, the Board of Directors of Banco de la República (the Central Bank of Colombia) submits a report to the Honorable Congress of Colombia, informing about the performance of the economy and its outlook. This report is submitted twice a year, in March and July, within ten business days following the start date of the sessions of the Congress.

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1. Performance of the Exchange Rate and some of its Determinants

The US dollar became stronger with respect to the major currencies of developed countries and against the average for emerging economies in 2022 (Table B4.1). Factors such as the uncertainty about the global economic performance caused by the invasion of Ukraine, the sharp increase in global inflation, and a more restrictive monetary policy by the Federal Reserve increased the demand for less risky and higher yielding safe-haven assets and put upward pressure on the dollar against the main currencies. In some emerging economies, the dollar exchange rate was also impacted by declines in the prices of export commodities in the second half of 2022 (such as crude oil and copper) and by idiosyncratic factors related to political uncertainty and macroeconomic imbalances.

Fuente: https://www.banrep.gov.co/en/publications-research/report-board-directors-congress/box-4-march-2023