The monetary and macroprudential policy framework in Colombia in the last 30 years: the lessons learnt and the challenges for the future

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Publication Date: Tuesday, 6 of June 2023 Abstract
Over the past 30 years, monetary and macroprudential policy in Colombia evolved towards the pursuit of a low and credible inflation target and a stable financial system. The protracted inflation that began in the early seventies was defeated at the turn of the century with the help of the new framework for monetary policy formulation, inflation targeting. In the field of macroprudential policy, the financial crisis of the late nineties led to important institutional developments in the formulation and coordination of macroprudential policy, as well as in the assessment of systemic risk. Along with these developments, important lessons have been learnt. One is that, to preserve macroeconomic stability, the price stability objective must be complemented with the financial stability objective, as well as with macroprudential policy. Another lesson is that the new institutional framework for monetary policy formulation helped Banco de la República overcome 25 years of inflation, then called moderate inflation. The challenges for the future include to continue preserving price and financial stability, strengthening the role of the Banco de la República in macroprudential policy, and to continue strengthening the channels of international coordination and cooperation in macroprudential policy.

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