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On March 27, the Executive Board of the International Monetary Fund (IMF) met to finalize the Article IV annual consultation with Colombia. On March 28, the IMF published the staff report discussed at that meeting, as well as a press release summarizing the discussion that took place at the meeting and the statement made by Colombia´s representative to the Fund.

The Fund highlighted that the country’s macroeconomic policy framework remains very strong and focused on correcting the internal and external macroeconomic imbalances accumulated during 2021 and 2022. The tight macroeconomic policies adopted by the authorities in recent years have allowed the Colombian economy to reach a more sustainable path. This process has been marked by a significant reduction in inflation, a slowdown in domestic demand, and a correction of the external deficit. In this context, the Fund projects for 2024 a slight increase in growth to 1.1% and a reduction in inflation to 5.3%. Likewise, the current account deficit is expected to be around 3% of GDP this year.

The report also points out that although risks have moderated, they remain elevated. On the external front, risks include an intensification of geopolitical tensions, tighter global financial conditions and supply chain disruptions. On the domestic front, risks would emanate from a stronger than expected impact of El Niño, weaker private demand, miscalibration of macroeconomic policies, and reform uncertainties. All these factors could negatively affect growth and lead to higher inflation. However, the IMF executive board recognizes that the country’s very strong policies and institutional policy frameworks continue to support the resilience and ability of the economy to respond to shocks.

To cope with the current juncture, policies will need to be carefully calibrated to reduce remaining imbalances on a durable basis, strengthen public finances, and manage a smooth transition towards potential medium-term economic activity levels. Emphasis is placed on the importance of continuing with a gradual normalization process of macroeconomic policies to ensure the convergence of inflation to the central bank's target and sustained fiscal consolidation. It is also mentioned that the exchange rate flexibility regime should continue to be the first line of defense against external shocks. In addition, the Fund highlights the importance of Colombia’s access to the Flexible Credit Line as a precautionary instrument that complements external liquidity to face extreme risks and, at the same time, sends a signal of confidence in the country's macroeconomic policy management.

The report highlights the resilience of the financial system and acknowledges the progress made in implementing the IMF's Financial Sector Assessment Program (FSAP) recommendations. It also emphasizes the need for continued close supervision of the sector's intermediaries. The IMF also notes the need to advance the structural reform agenda to boost productivity, encourage investment, and diversify the economy. These reform efforts should be undertaken within the existing macroeconomic frameworks, with clear communication on policy

direction and in close consultation with relevant stakeholders. Continued efforts to strengthen governance, transparency, and reducing corruption risks is also recommended.

The IMF press release and other documents referenced herein are available at the following links:

- IMF Press release
- IMF Article IV and Technical Staff Report
- IMF Article IV – Selected Issues

Fuente: https://www.banrep.gov.co/en/news/imf-press-release-28-march-2024