Minutes of the Meeting of the Board of Directors of Banco de la República on 21 June 2019

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A regular meeting of the Board of Directors of *Banco de la República* was held in the city of Bogotá D.C. on Friday, 21 June 2019. In attendance were Alberto Carrasquilla Barrera, Minister of Finance and Public Credit; Juan José Echavarría, Governor of the Central Bank; and Board Members Gerardo Hernández Correa, Ana Fernanda Maiguashca Olano, José Antonio Ocampo Gaviria, Carolina Soto Losada, and Juan Pablo Zárate Perdomo.

The following is a summary of the main discussions on monetary policy considered by the Board of Directors (section 1).

1. DISCUSSION AND POLICY OPTIONS
The Board Members emphasized the performance of inflation, which continues to be stable. The average of core inflation indicators fell below the 3.0% target for the sixth consecutive month. Inflation in May (3.31%) was slightly higher than expected by the Central Bank's technical staff driven by the behavior of food prices due to climatic effects. The members of the Board considered that, given the composition of this increase and the general price dynamics, inflation will return to levels close to the target. According to the forecasts by the technical staff, it will reach the target in 2020. On the other hand, inflation expectations continue to be close to the target.

Regarding economic growth, the members of the Board considered that the Colombian economy continues its recovery path, driven mainly by domestic demand. While the results of the GDP for the first quarter were lower than expected, the dynamics of economic activity continues to be positive, and is expected to pick up in the second half of the year. A factor of concern, however, is the negative results in terms of employment, as expressed by several members of the Board. Unemployment continues to increase due to low labor demand.

In the international context, uncertainty associated with commercial and geopolitical tensions continues. At the same time, lower global growth projections have led several of the advanced economies to reverse their monetary policy stance. Particularly, the announcements by the Fed and the European Central Bank suggest that they could relax their monetary policy.

The Board also expressed its concern about the external imbalance. The current account deficit for the first quarter of 2019 stood at 4.6% as a share of GDP, and forecasts suggest that it will end the year above 4.0%. Foreign direct investment and portfolio capital flows have widely financed the current account. However, the international conditions of liquidity remain very volatile.

Thus, the Board unanimously considered that the current monetary policy stance should be maintained, closely monitoring the evolution of the different economic activity indicators and the implications of monetary policy decisions from advanced economies.

2. POLICY DECISION
The Board of Directors of *Banco de la República* unanimously decided to maintain the benchmark interest rate unaltered at 4.25%.

Fuente: https://www.banrep.gov.co/en/news/board-directors/minutes-june-2019