Minutes of the Meeting of the Board of Directors on 31 January 2020

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The ordinary meeting of the Board of Directors of *Banco de la República* took place on 31 January 2020 in Bogotá D.C. In attendance were the Minister of Finance and Public Credit, Alberto Carrasquilla Barrera, the Governor of the Central Bank, Juan José Echavarría Soto, and Board Members Gerardo Hernández Correa, Ana Fernanda Maiguashca Olano, Carolina Soto Losada, and Roberto Steiner Sampedro.

The main monetary policy discussions considered by the Board are summarized as follows.

1. DISCUSSION AND POLICY OPTIONS
Inflation in December 2019 (3.8%) was in line with the projections by the technical staff. For 2020, the Board Members anticipate that inflation will continue its convergence toward the 3% target, given that supply shocks continue to fade. They also expect lower pressures on the level of prices from the exchange rate, in an environment of low international interest rates and reduced risk premia. This could be affected by the economic effects of the recently declared international health emergency.

The Board considers that economic activity in 2020 will maintain a positive dynamics, led by the private sector, with which the gradual closing of the negative output gap would continue. They stressed that such dynamism is framed in an environment of low interest rates, wide credit conditions, and stimuli to private investment.

The Board highlighted that the external context is still characterized by low growth and high liquidity of international markets, added to the uncertainty about the already mentioned effects of Coronavirus. They agreed that the partial trade agreement between USA and China, as well as the finalization of the Brexit, reduce the likelihood of further deterioration of global trade. As a consequence, international interest rates are expected to continue at low levels in 2020, while the external demand from the country's main trading partners recovers, albeit slowly.

The members of the Board discussed the projections of the balance of payments, assessing the potential vulnerabilities posed by the level of the current account deficit as well as the benefits of having a majority of funding based on foreign direct investment. They highlighted that this greater deficit takes place in an environment of lower external demand, wide international liquidity, and higher growth of the economy.

In this context, the Board unanimously decided to maintain the current level of the monetary policy intervention rate, which the majority of Board Members considers is still moderately expansionary.

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