Minutes of the Meeting of the Board of Directors of Banco de la República on 29 May 2020

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The ordinary meeting of the Board of Directors of *Banco de la República* took place on 29 May 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 Arturo José Galindo Andrade, Gerardo Hernández Correa, Ana Fernanda Maiguashca Olano, Carolina Soto Losada, and Roberto Steiner Sampedro.

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

1. DISCUSSION AND POLICY OPTIONS

The Board considered that the annual 1.1% growth figure for the first quarter and the extension of the isolation measures anticipate a significant contraction of economic activity in 2020. Both employment and household and corporate income have been severely affected, and despite their foreseeable recovery starting in May, there will continue to be a significant amount of spare production capacity.

The Board Members highlighted the fact that inflation reduced from 3.86% in March to 3.5% in April, when the average of core inflation indicators stood at 2.9%. They also referred to the continued decline of inflation expectations in line with the 3.0% inflation target, consistent with a weak aggregate demand.

They underscored that the financial markets have stabilized in recent weeks, and that financing conditions have improved. Particularly, the peso has appreciated, country risk has declined, and, as in a number of other emerging markets, access to external financing has improved. Among other factors, the measures adopted by the Central Bank, the National Government, and the recent recovery in the price of oil have also contributed to these results.

In this context, the members of the Board considered that the monetary policy stance could provide an additional boost to economic activity without compromising the inflation target, the financing of the current account deficit, and the macroeconomic balance.

The majority of the Board considered that the additional stimulus should be half a percentage point. Given the proximity to a zero real interest rate, a minority suggested a more gradual adjustment in order to give continuity to the support provided by monetary policy to the significant recovery of financial stability and to facilitate additional movements as may be required in the future.

The Board will continue to follow up on the indicators of economic activity, financial markets, inflation, and inflation expectations, and will take additional measures as may be appropriate given the evolution of the risk balance.

2. POLICY DECISION

The Board of Directors of *Banco de la República*, by majority, decided to reduce the benchmark interest rate by half a percentage point to 2.75%.

Fuente: https://www.banrep.gov.co/en/minutes-meeting-board-directors-banco-republica-29-may-2020