Minutes of the Meeting of the Board of Directors on 30 June 2020

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The Board of Directors considered that the recent information on economic activity and the revisions to the forecasts made by several agents suggest that the contraction of economic activity for 2020 will be greater than anticipated at the beginning of the pandemic. Data reflecting a recovery are expected to be seen after the second quarter, but the impact on employment as well as on household and corporate income has been significant. With this, the spare capacity of the economy is anticipated to increase.

The members of the Board highlighted the reduction of inflation in all indicators. The change in the CPI fell below the target (2.85%), and there was a strong fall in the indicator of inflation excluding food (1.84%). The average of core inflation indicators stood at 2.4%, and inflation expectations for the end of this year continue to fall.

As for financial markets, the Board of Directors highlighted that their performance has been better than in the initials weeks of the crisis, although global uncertainty prevails. Colombian assets have followed the trends of the movements of global financial assets. The US dollar weakened *vis-à-vis* other currencies, including the Colombian peso, and country risk declined since the last Board meeting.

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.

By majority, the Board decided to reduce the pace of the cuts to the benchmark interest rate to a quarter of a percentage point. This decision considered that, given the current level of real interest intervention rate, the space for monetary policy has to be calibrated as new information is gathered from the macroeconomic and financial variables, in order to prevent risky imbalances to the economy in the medium term. Some Board Members considered that current forecasts of falls in the economic activity, the substantial deterioration of employment, and the response of inflation provide the space to keep the pace of the cuts at half a percentage point.

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 25 bp to 2.5%.

Fuente: https://www.banrep.gov.co/en/minutes-meeting-board-directors-30-june-2020