Box 5: Considerations for Banco de la República's Intervention in the Foreign Currency Market - Report of the Board of Directors to the Congress of Colombia - March 2023

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Pursuant to Article 5 of Law 31 of 1992, the Board of Directors of Banco de la República (the Central Bank of Colombia) submits a report to the Honorable Congress of Colombia, informing about the performance of the economy and its outlook. This report is submitted twice a year, in March and July, within ten business days following the start date of the sessions of the Congress.

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Since the end of 2021, the growth of inflationary pressure brought about by a combination of supply and demand factors has generated a scenario of tightening international financial conditions in an environment of normalization of monetary policy interest rates and a new cycle of dollar appreciation. In this context, emerging economies have seen devaluation pressure on their currencies.

Colombia has not been immune to this scenario. It has also been exposed to important events, such as the loss of the foreign currency investment grade by two rating agencies and high uncertainty associated with the outcome of the last presidential elections and the future of economic policy in addition to its possible repercussions from the fiscal point of view. Furthermore, foreign imbalances, reflected in a high current account deficit have raised agents' concerns about the country's foreign financing needs in an adverse global environment.

Fuente: https://www.banrep.gov.co/en/publications-research/report-board-directors-congress/box-5-march-2023