Box 1: The Role of Credibility in Central Bank Monetary Policy Actions - Report of the Board of Directors to the Congress of Colombia, March 2024

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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.

AUTHORS AND/OR EDITORS Banco de la República Publication Date: Tuesday, 10 of September 2024
Monetary policy plays a fundamental role in the pursuit of economic stability and its effectiveness is closely linked to its credibility. In the context of monetary policy, credibility refers to the degree of confidence that economic agents have that the central bank will achieve its objectives of price stability, support for sustained economic growth, and contribution to financial stability while acting consistently and transparently. Credibility is, therefore, a key ingredient for the success of monetary policy since it influences agents' expectations about the future path of inflation. A transparent and credible monetary policy facilitates predictable decision-making by economic agents.

Fuente: https://www.banrep.gov.co/en/publications-research/report-board-directors-congress/march-2024-box1