



Macroeconomic Outlook for 2022

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April 2022

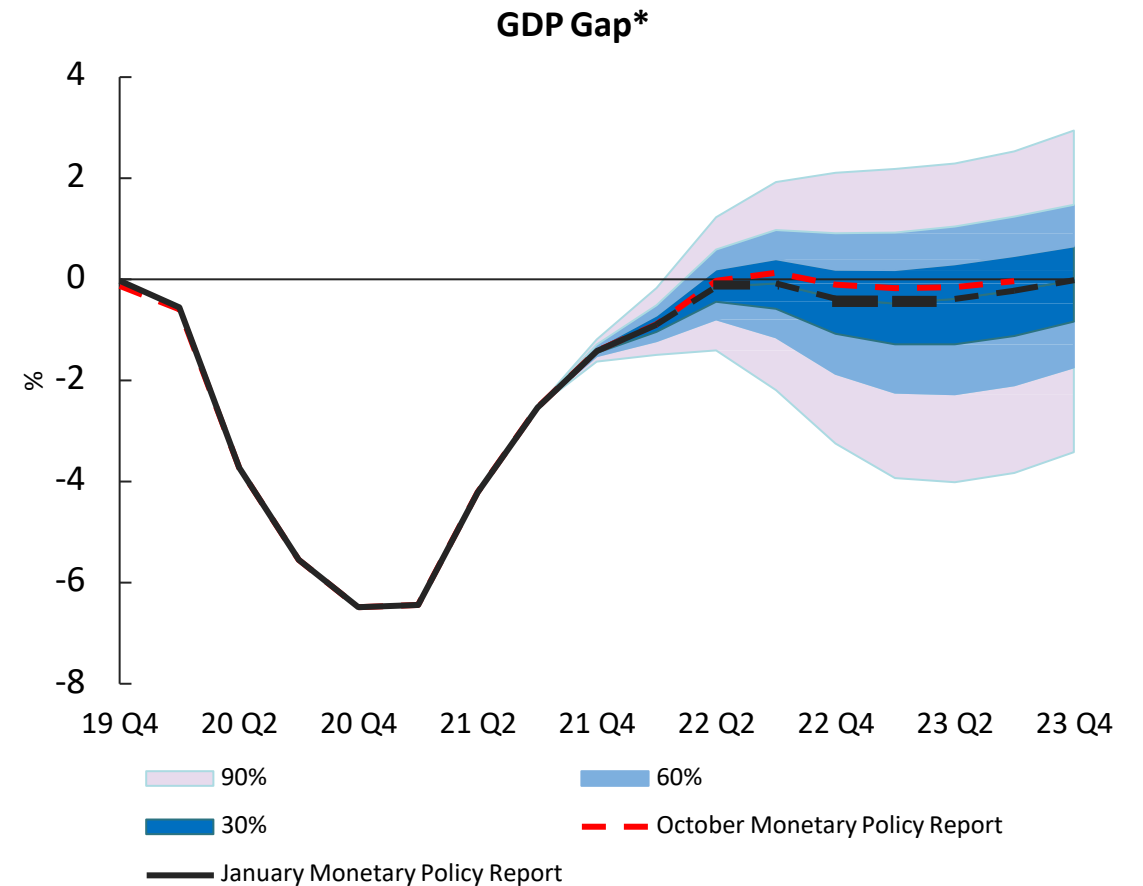
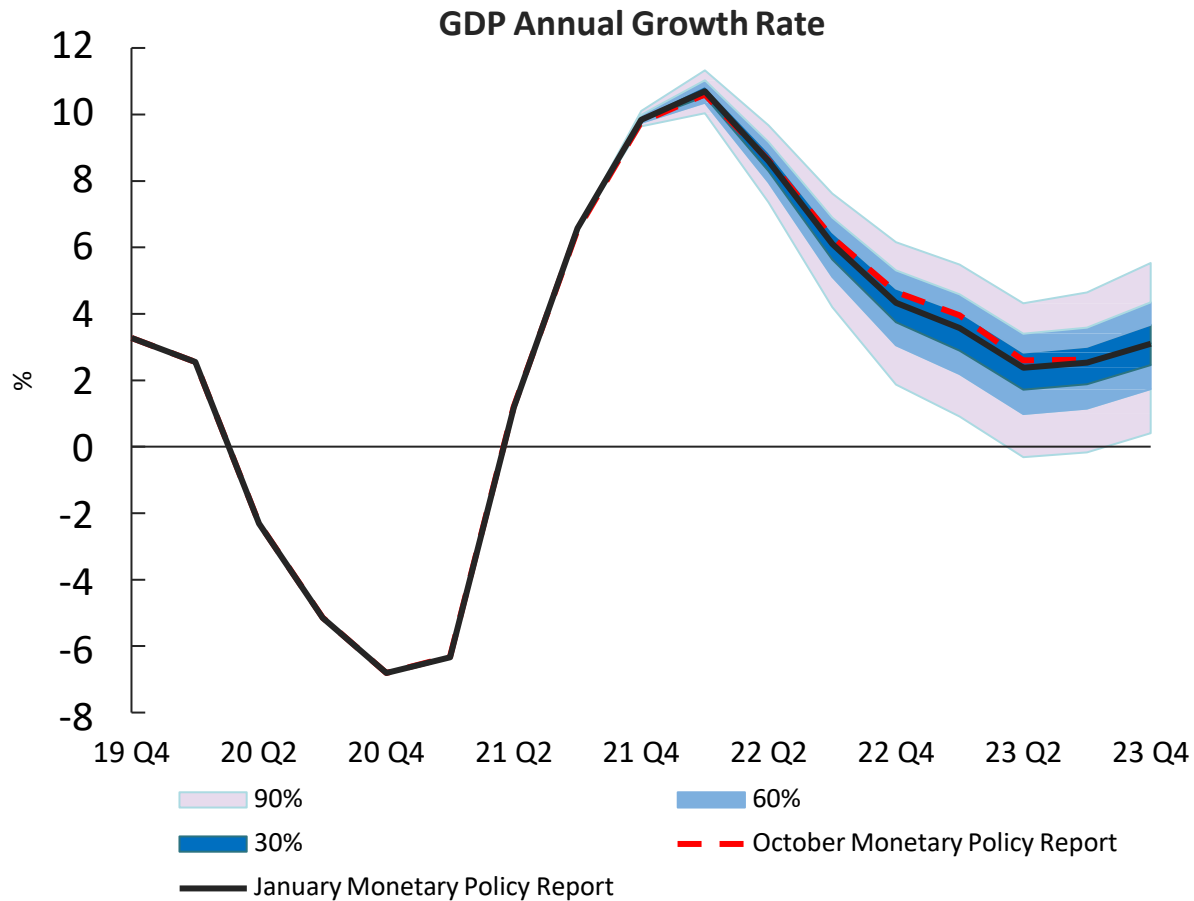
*The opinions presented here do not represent the position of the Board of Directors of the *Banco de la República*.



1. GDP

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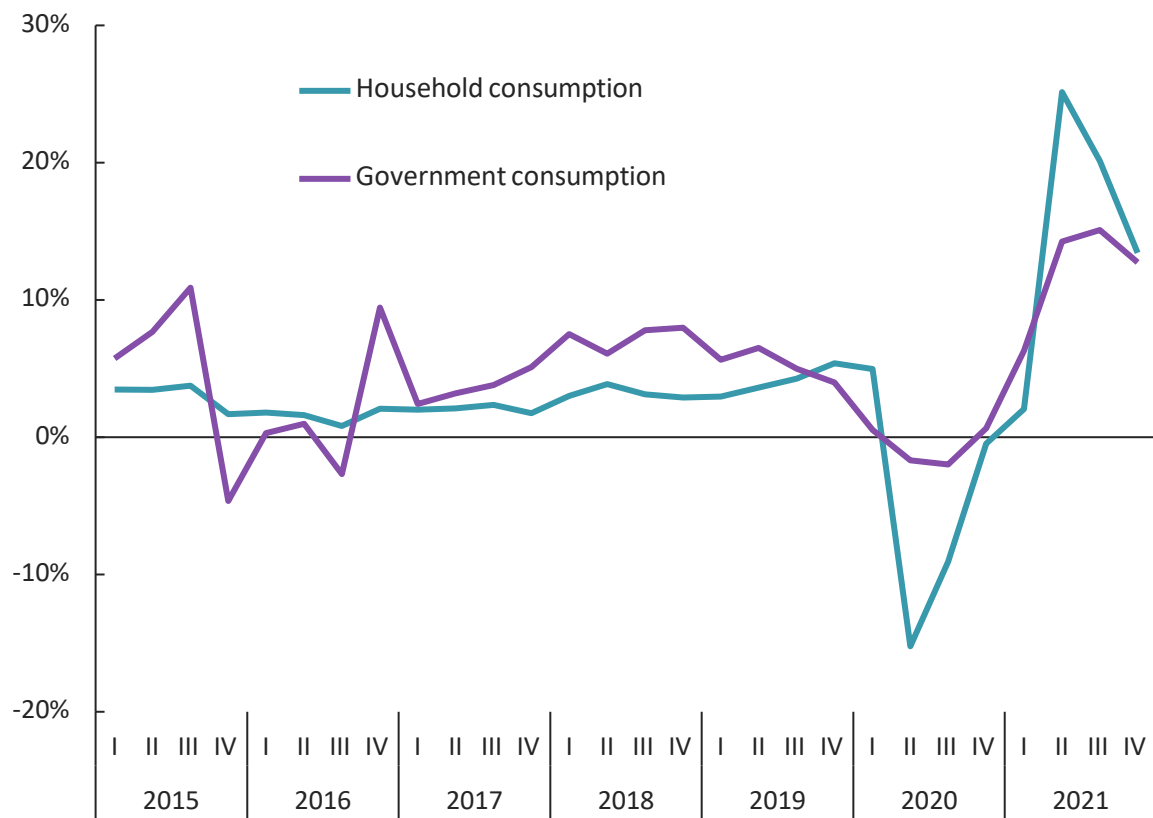
- Economic activity recovered faster than expected.
- Output level in 2021 was greater than in 2019 – growth rate reached 10,6%.



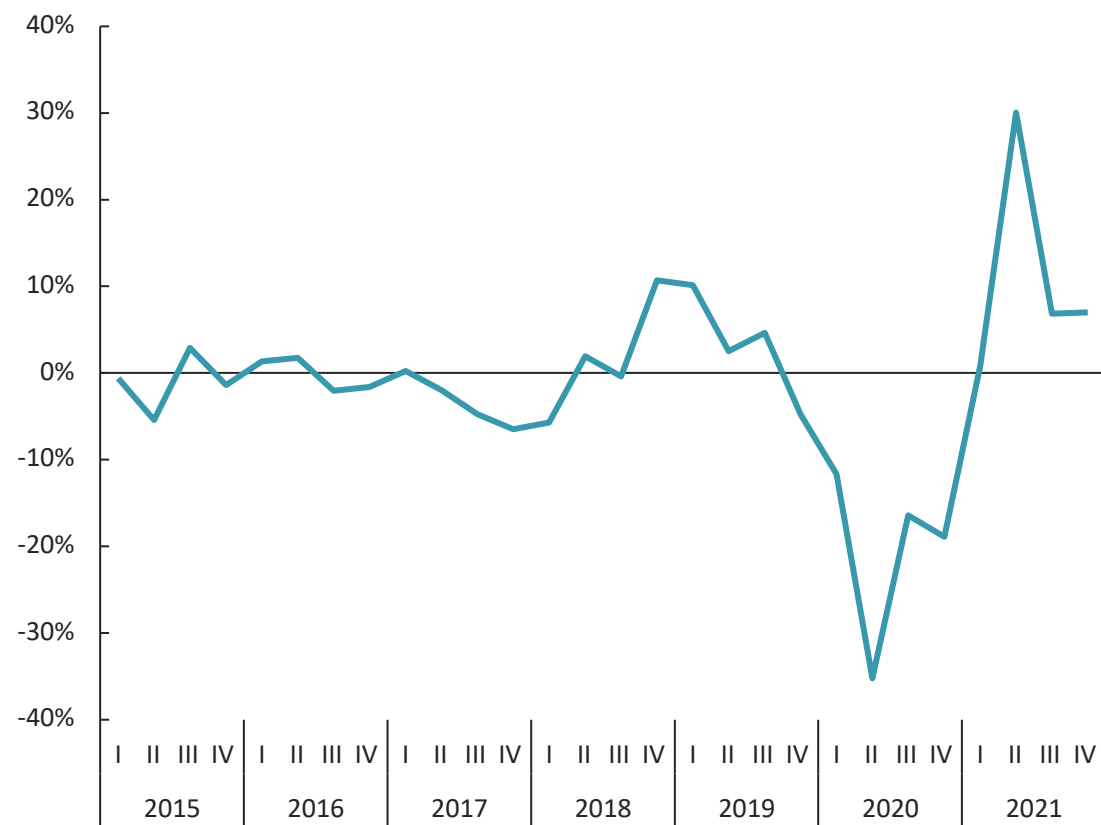
Source: *Banco de la República – October Monetary Policy Report*. *Seasonally adjusted series *Difference between the observed GDP and potential GDP obtained from the 4GM model.

- Economic activity in 2021 was supported by the strong recovery of internal demand, particularly of private consumption.
- Investment is still lagging, but it is expected to become the most dynamic component of internal demand in 2022.

Consumption
(Annual Growth Rate)



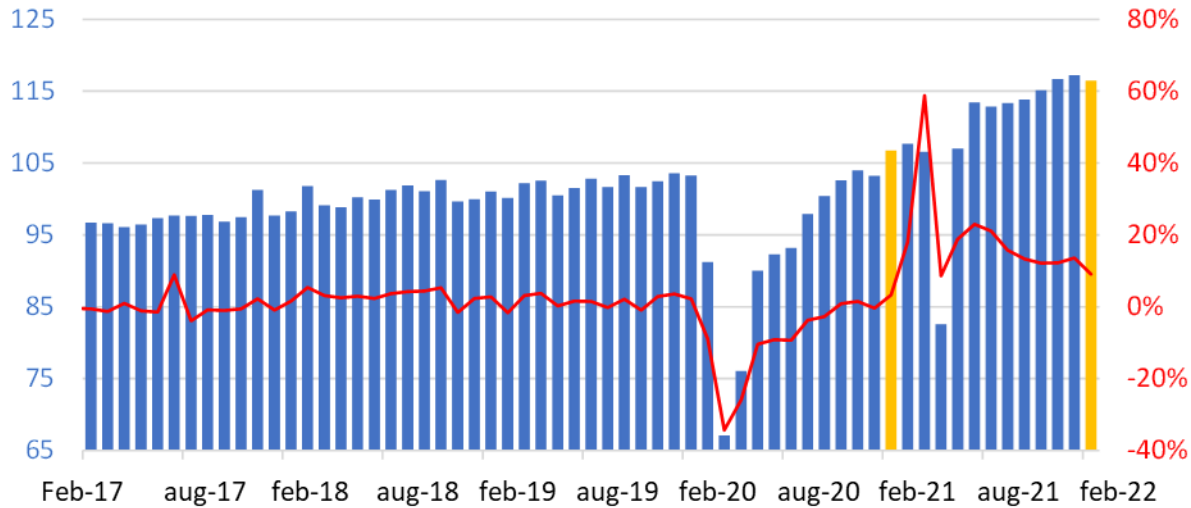
Gross Capital Formation
(Annual Growth Rate)



Source: DANE (dec 2021). *Seasonally adjusted series.

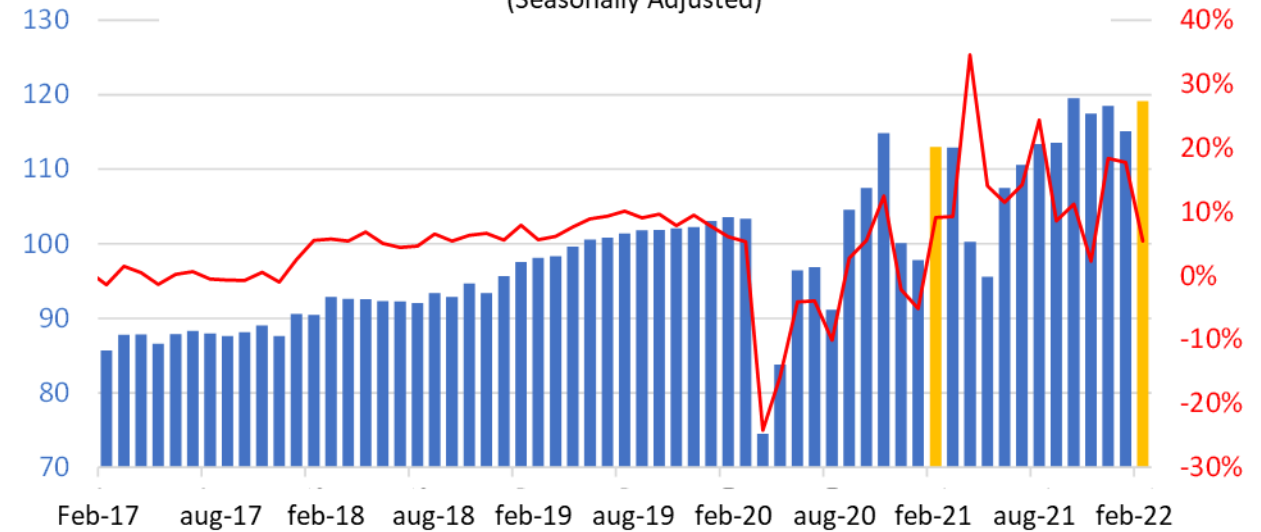
- In January and February, manufacturing production and retail have continued increasing and close to maximum historical levels.

Manufacturing Production
(Seasonally Adjusted)



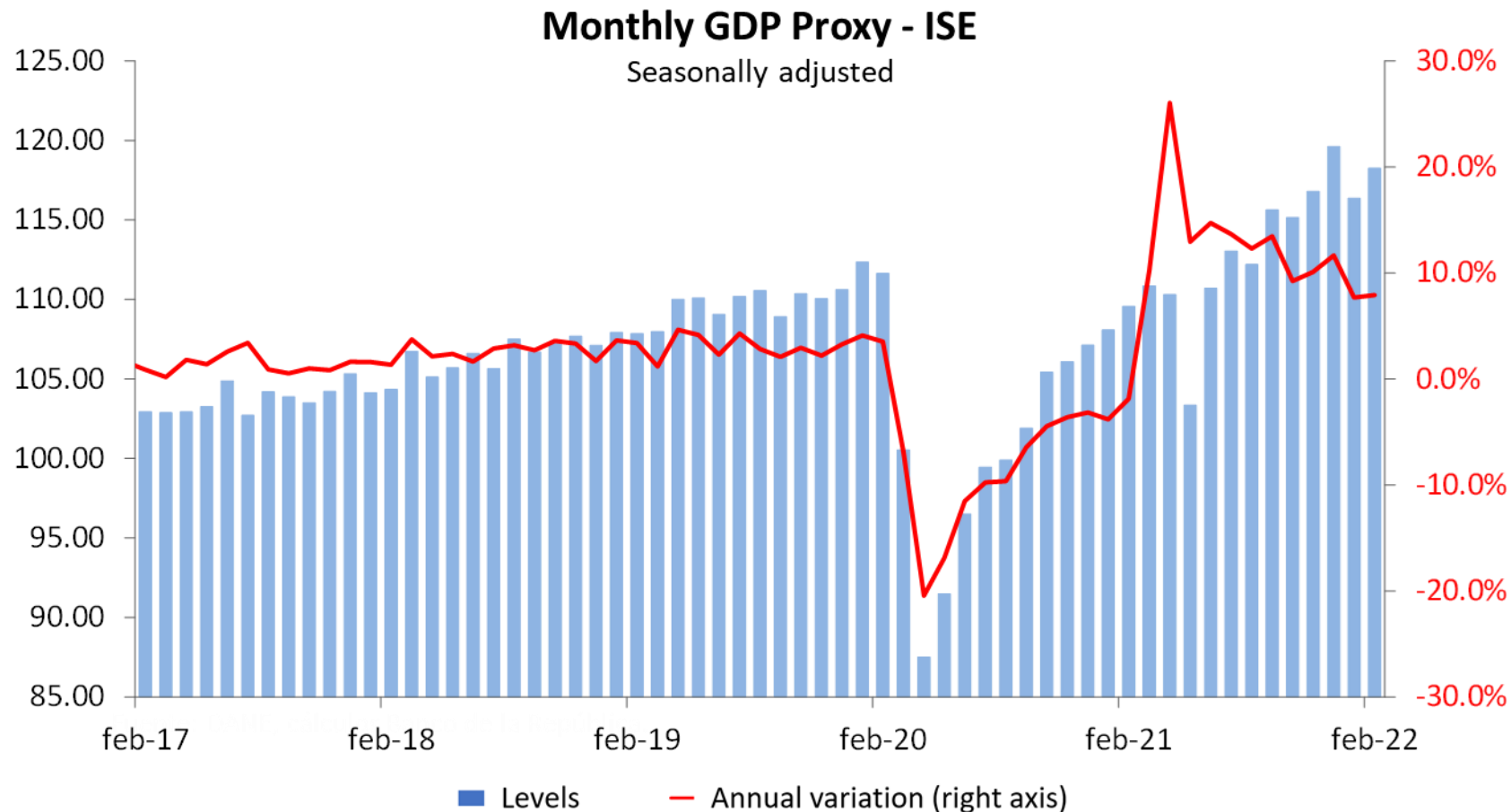
■ Levels — Annual variation (right axis)

Retail
Excluding fuel and vehicles
(Seasonally Adjusted)



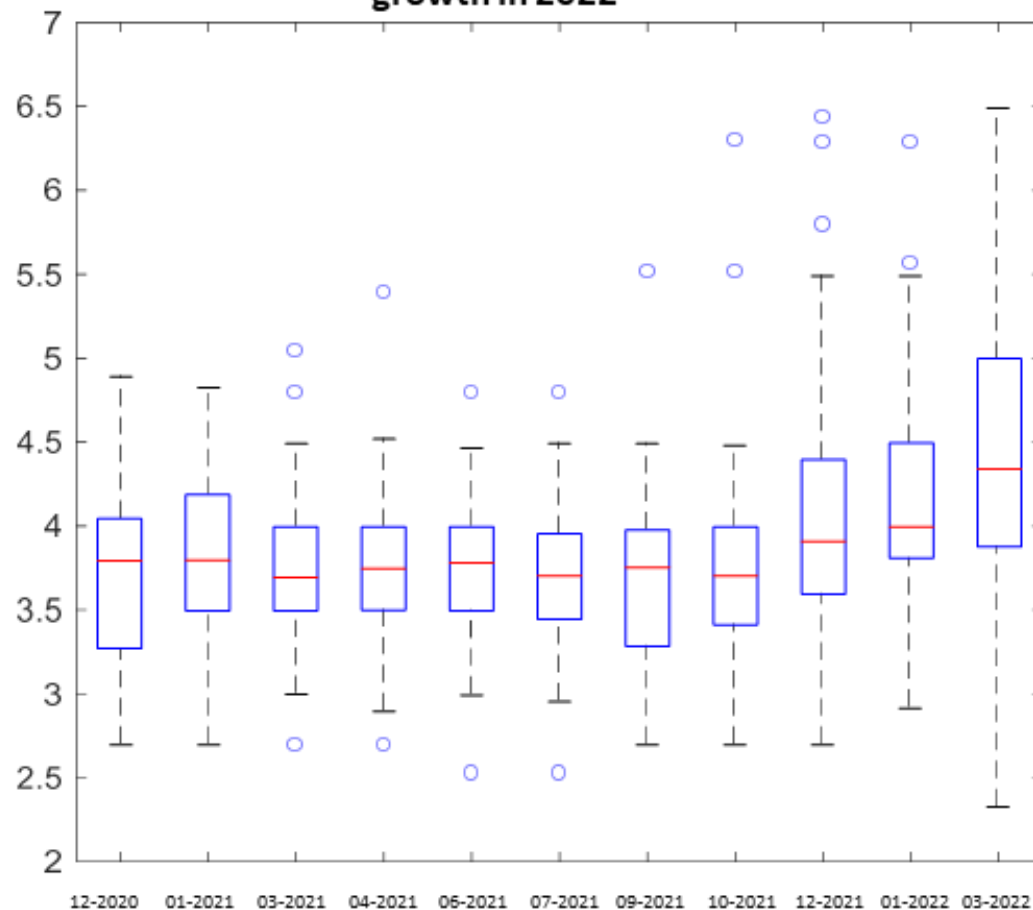
■ Levels — Annual variation (right axis)

- In February, the seasonally adjusted GDP proxy indicator showed a monthly variation of 1,6%, and an anual variation of 7,9% (vs. 7,7 % in January).



- The Bank's growth forecast for 2022 was updated to 4.7%.
- Investment and exports are expected to be the main drivers of growth in 2022.
- Analysts expect Colombia to grow over 4% in 2022 and have revised their projections upward.

Answers of analysts in Latin Focus about growth in 2022



Growth Y/Y 2022.Q1

Source	Forecast	Range
Bloomberg (median) ^{a/}	5,8%	[4,0% ; 8,8%]
LatinFocus – March	6,0%	-

a/ Consulted 17 of march of 2022.

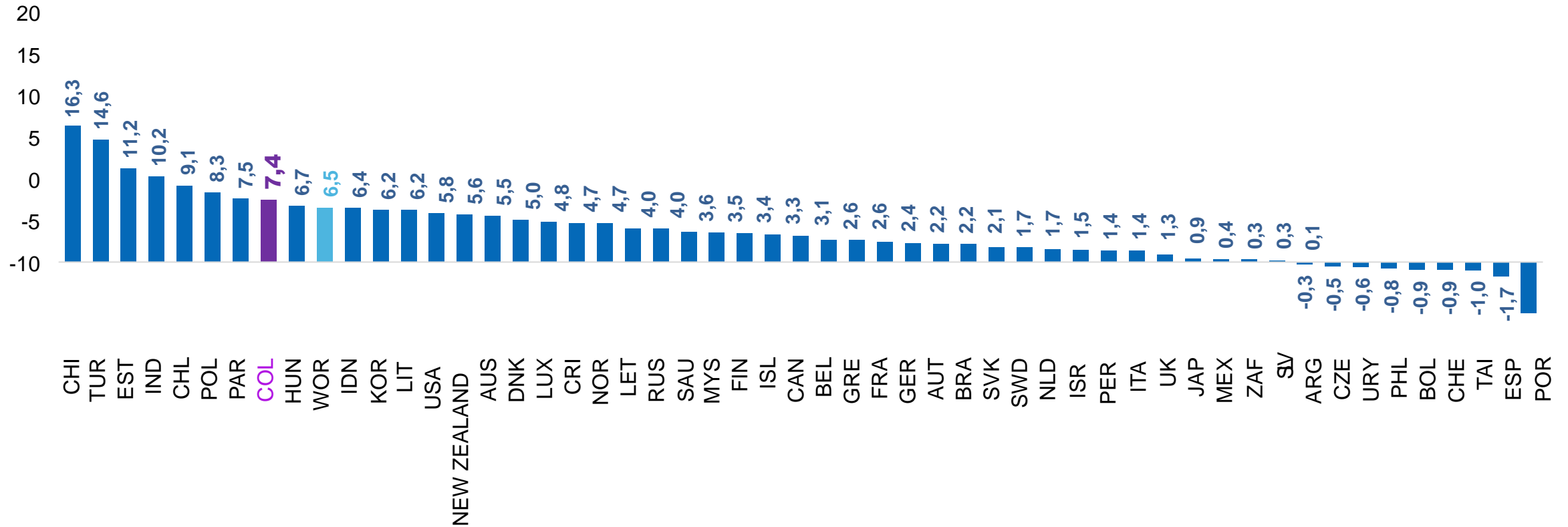
Growth 2022

Source	Forecast	Range
Bloomberg (median) ^{a/}	4,5%	[3,3% ; 6,5%]
LatinFocus – March (median)	4,3%	[2,3% ; 6,5%]

a/ Consulted 17 of march of 2022.

- Economic growth in Colombia is expected to be among the largest in a 52-country sample including emerging, Latin American and OECD countries.

**Economic Growth
2022 vs 2019***



Source: *Financial Plan 2022, OECD, LCF and WEO (Oct 2021).*

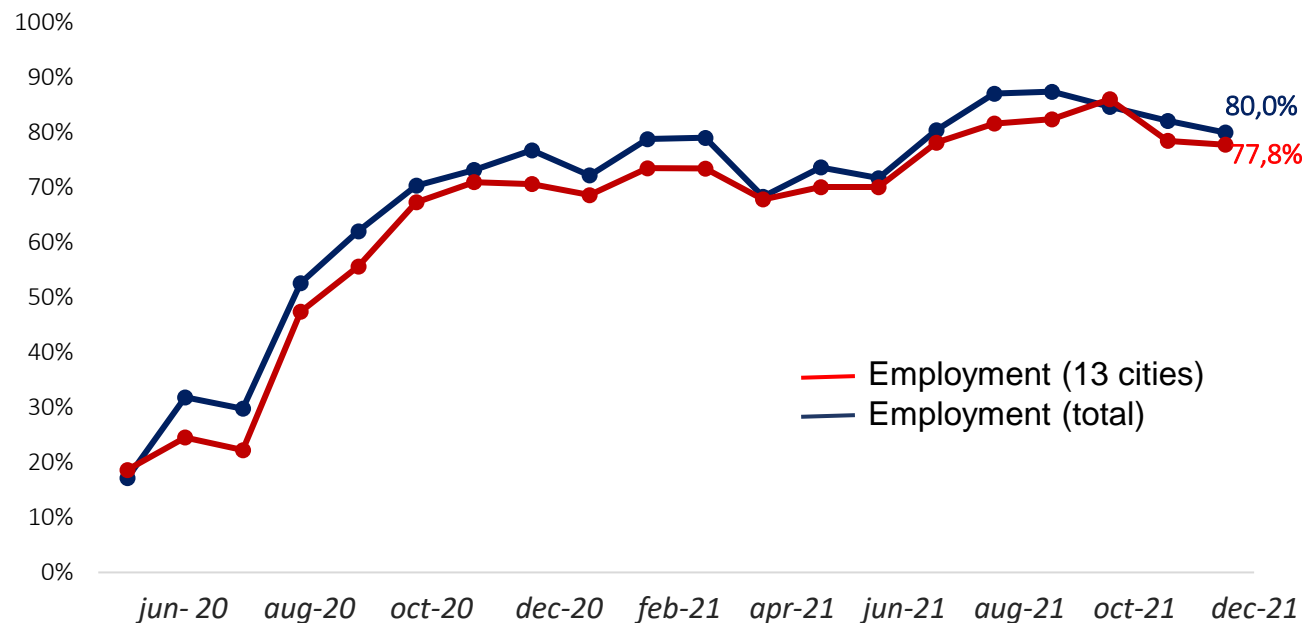


2. Labor market

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- In December 2021, nearly 80% (4.6 million) and 78% (2.5 million) of the jobs lost during the pandemic were recovered, at the national level and in the 13 main cities.

Percentage of Jobs Recoverd



Number of employees (thousand people)

	Total	13 Cities
February 2020	22,320	10,933
April 2020	16,511	7,772
December 2021	21,157	10,230

Absolute change of employees

	Total	13 Cities
April 2020 - February 2020	-5,810	-3,161
December 2021 - April 2020	4,646	2,458

Recovered front their lost

	National	13 Cities
Ratio	80.0%	77.8%



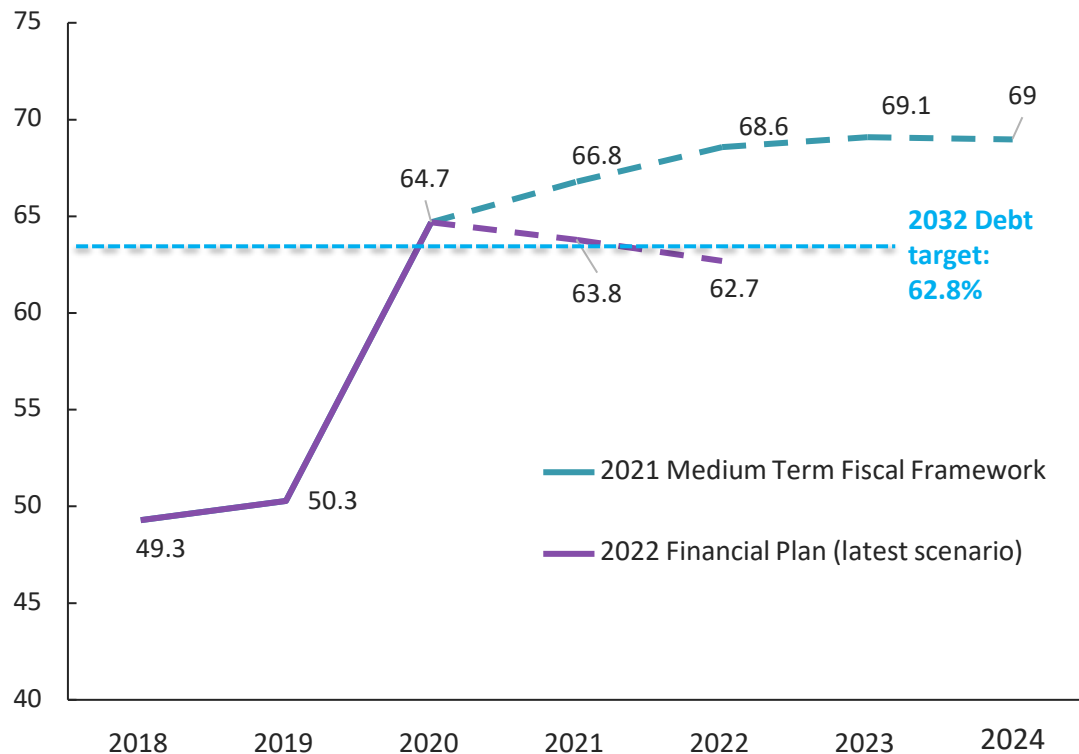
3. Fiscal Situation

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- While fiscal challenges are still significant, the strong economic recovery improved the public finance outlook.
- In 2021, deficit was lower than expected – 7,1% instead of 8,6%. The forecasted public debt path also improved.

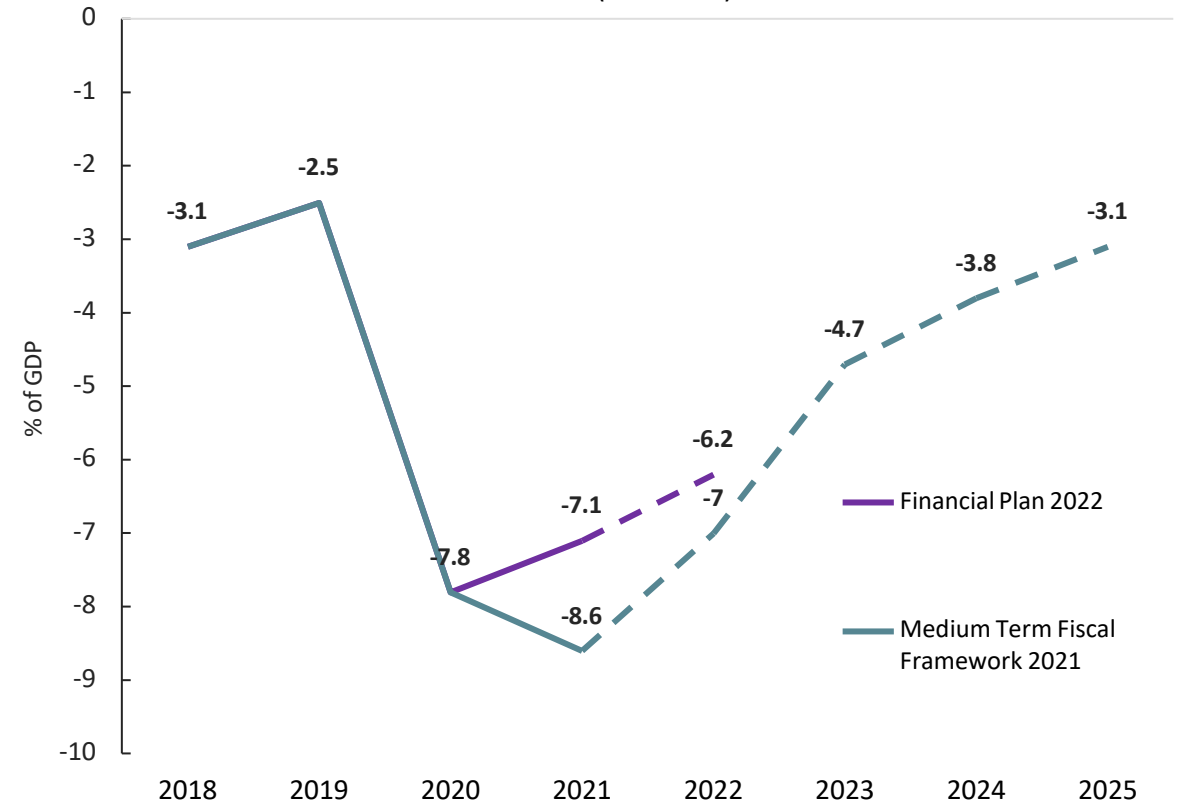
Gross Debt of the National Government

(% of GDP)



Balance of the Central National Government

(% of GDP)



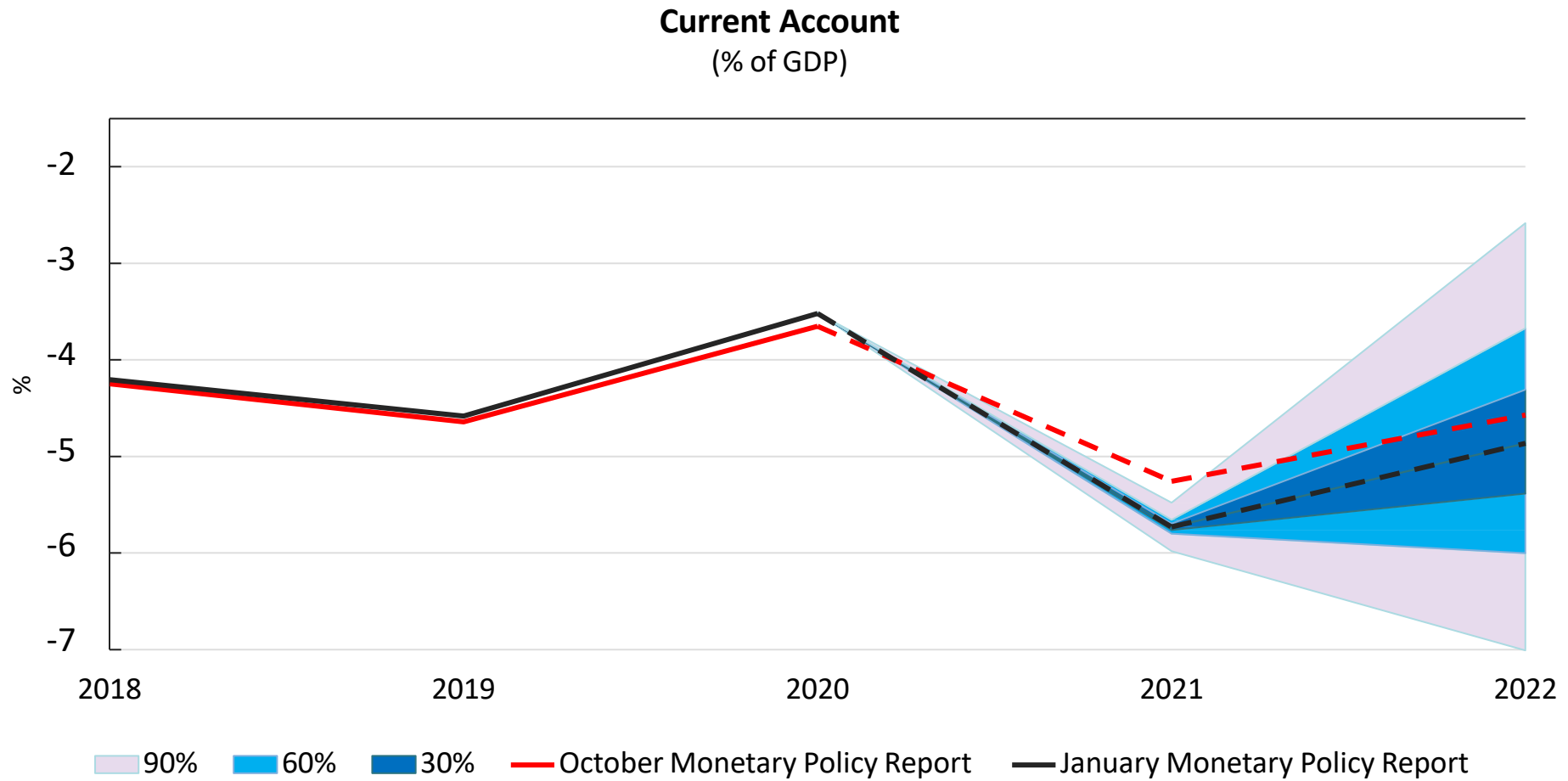
Source: Ministry of Finance – Medium Term Fiscal Framework 2021 and Financial Plan 2022.



4. External Situation

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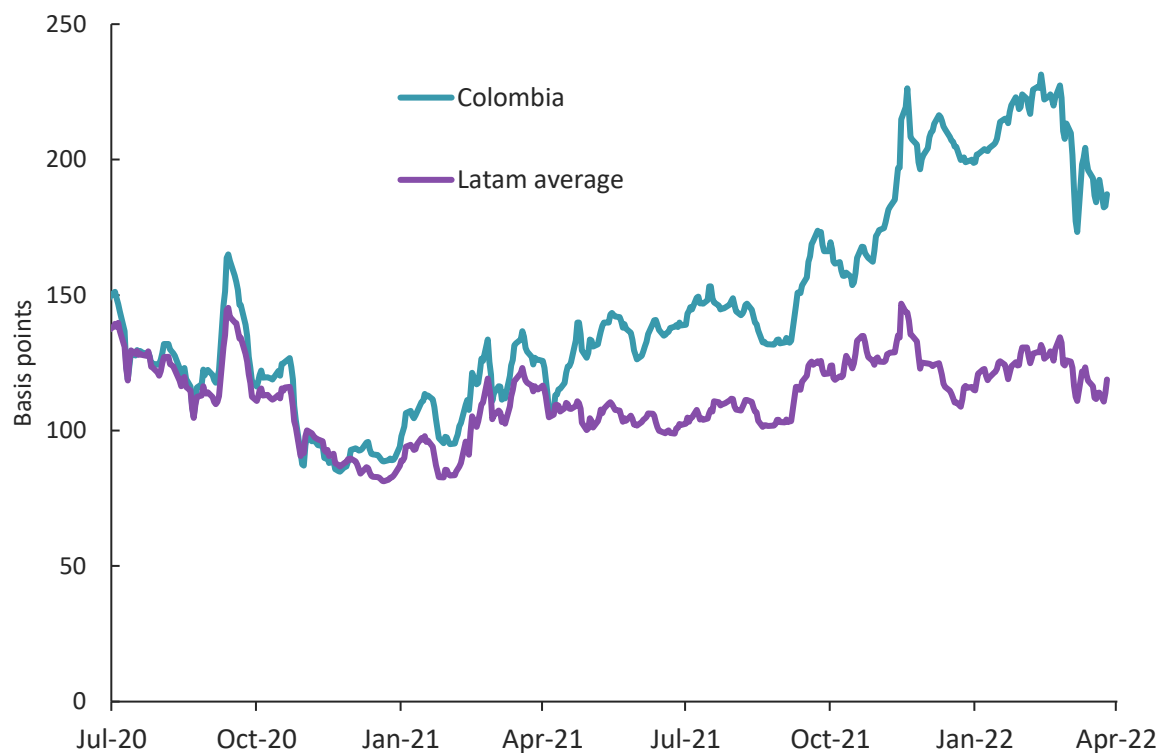
- Despite better terms of trade, the current account deficit is estimated to have reached 5.7% of GDP in 2021.
- The external deficit is expected to decrease to 4.9% in 2022.



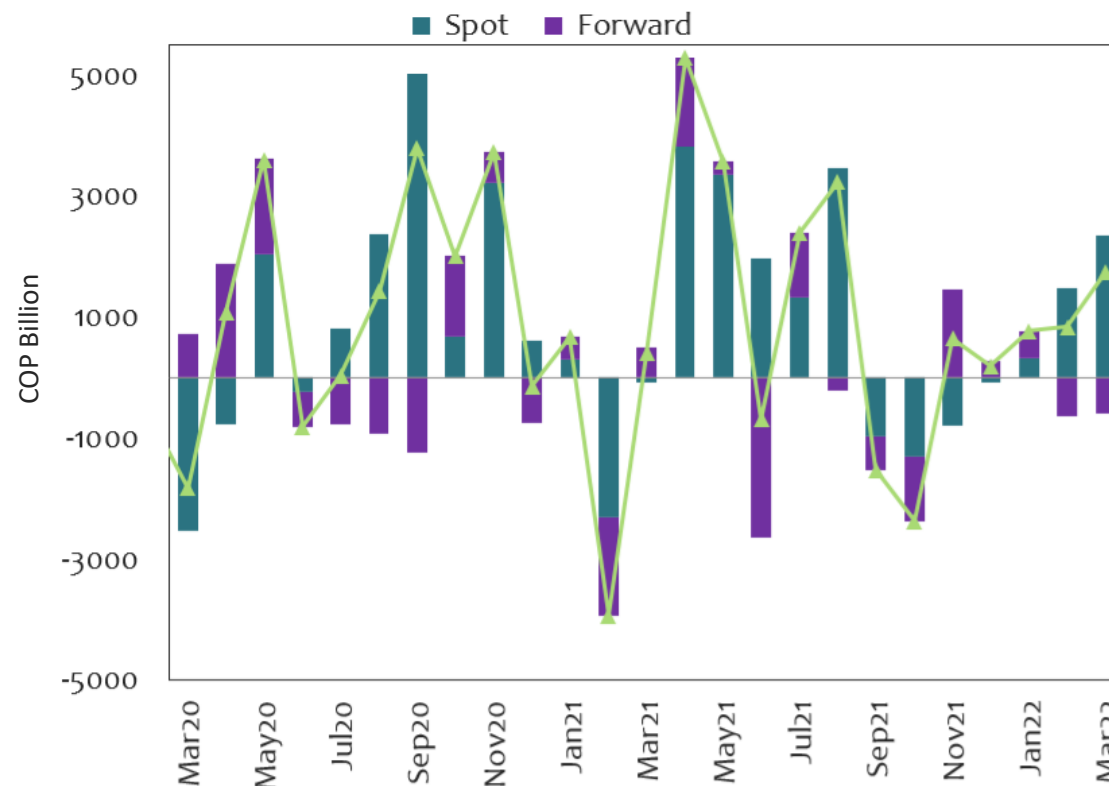
Source: Banco de la República – Monetary Policy Report January 2022

- International liquidity is still abundant, but the speed of monetary policy normalization in advanced economies is a risk.
- Sovereign risk premia have risen– possibly due to fiscal imbalances and political and fiscal uncertainty.
- The pace of net capital inflows has been slowing down in recent months.
- However, during the last weeks, portfolio flows have increased, sovereign risk premia have come down, and the currency has appreciated.

5-year CDS*



Foreign flows to the local public debt (TES) market



Source: Bloomberg (apr 2022). * Latam average = Simple average of 5-year CDS for Chile, Brasil, Perú y México.

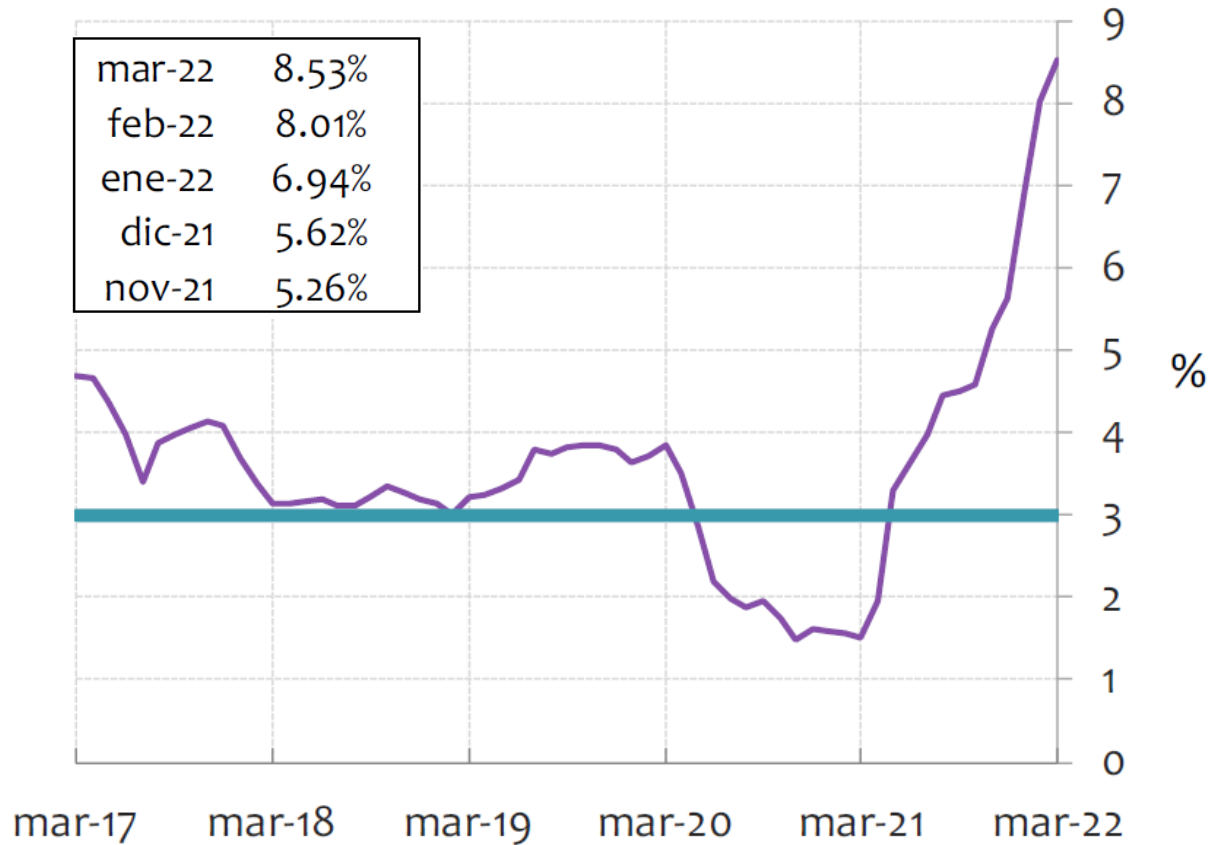


5. Inflation

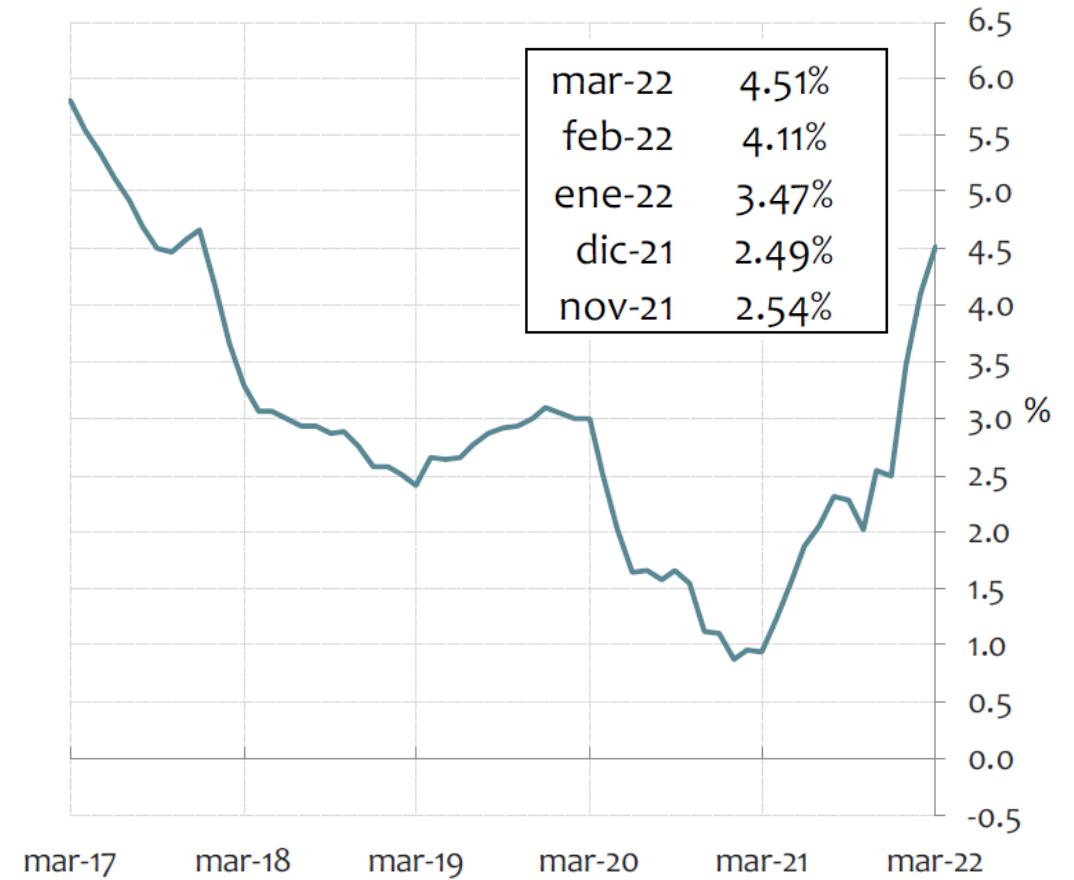
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- Inflation has jumped mainly due to the price of food, more persistent cost shocks, and a rapid recovery in domestic demand. The latter and the reversion of price relief measures have pushed core inflation upwards.

Headline Inflation



Core Inflation

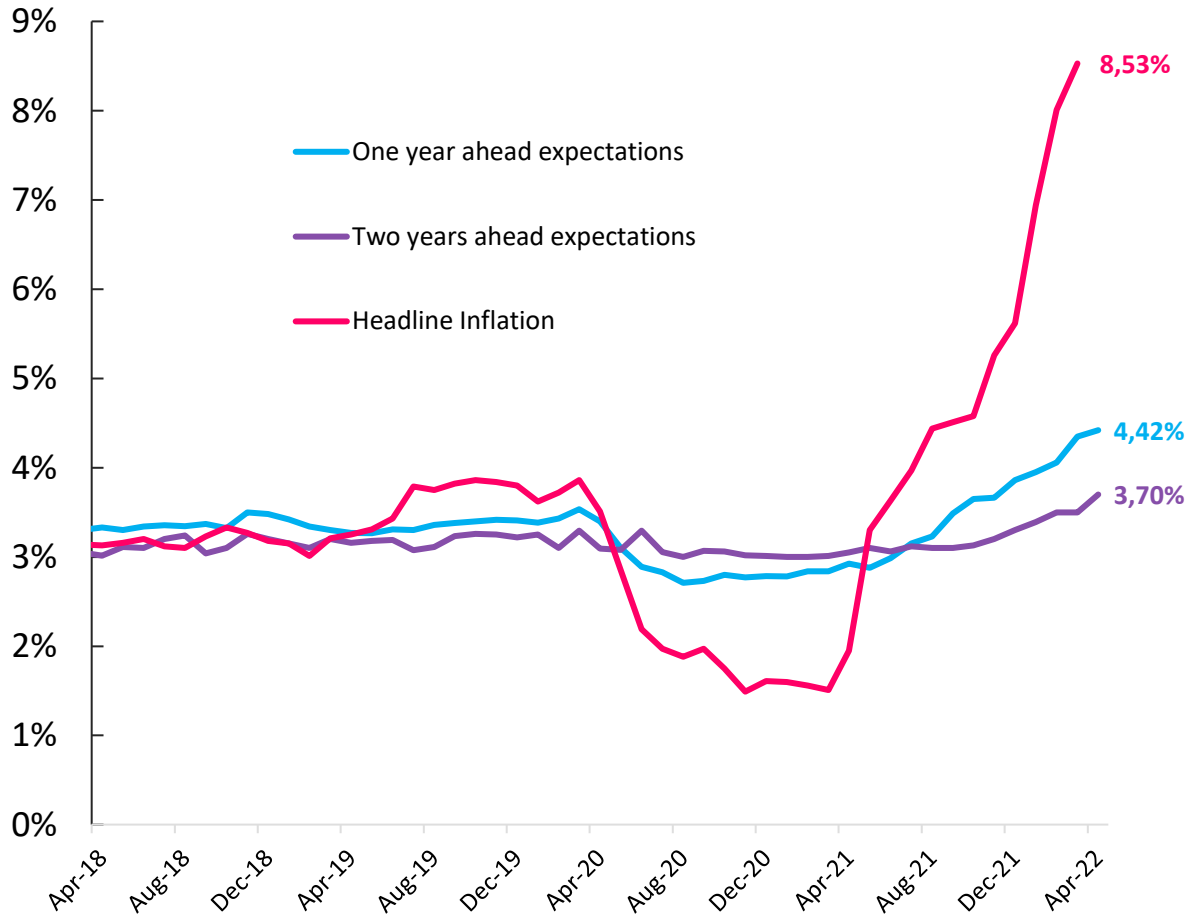


- The price of some items in the CPI basket is indexed to past inflation or to increases in the minimum wage. This could lead to more persistent inflationary shocks.

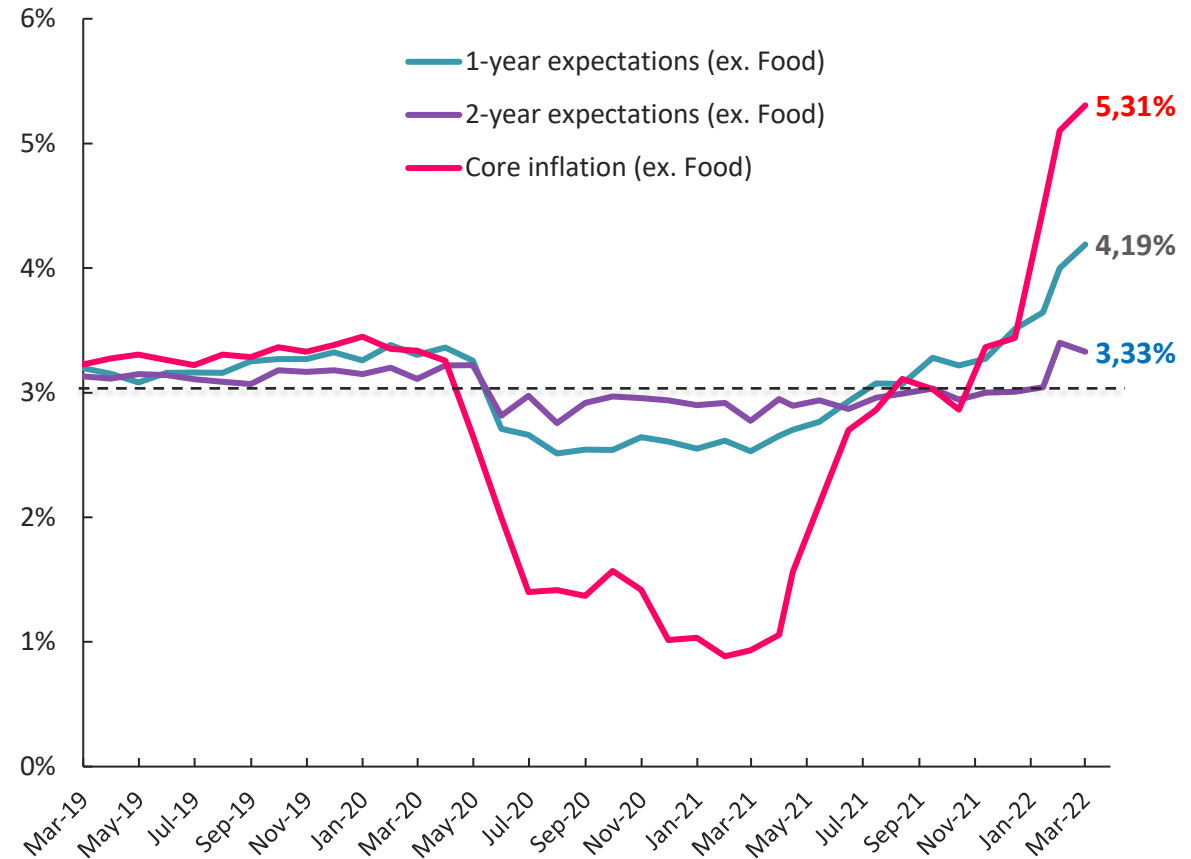
	Regulated items	Services ex. Food and Regulated items	Total CPI basket
Indexation factor	Weight in the CPI (%)	Weight in the CPI (%)	Weight in the CPI (%)
Minimum Wage	2.57	6.63	9.2
Headline inflation	6.2	30.14	36.34
Minimum wage and Headline inflation	4.62	9.75	14.37
Sum	13.39	46.53	59.91

- Inflation expectations have risen considerably but remain relatively well anchored in the two-year horizon.

Inflation and Inflation Expectations



Core Inflation and Proxy Core Inflation Expectations



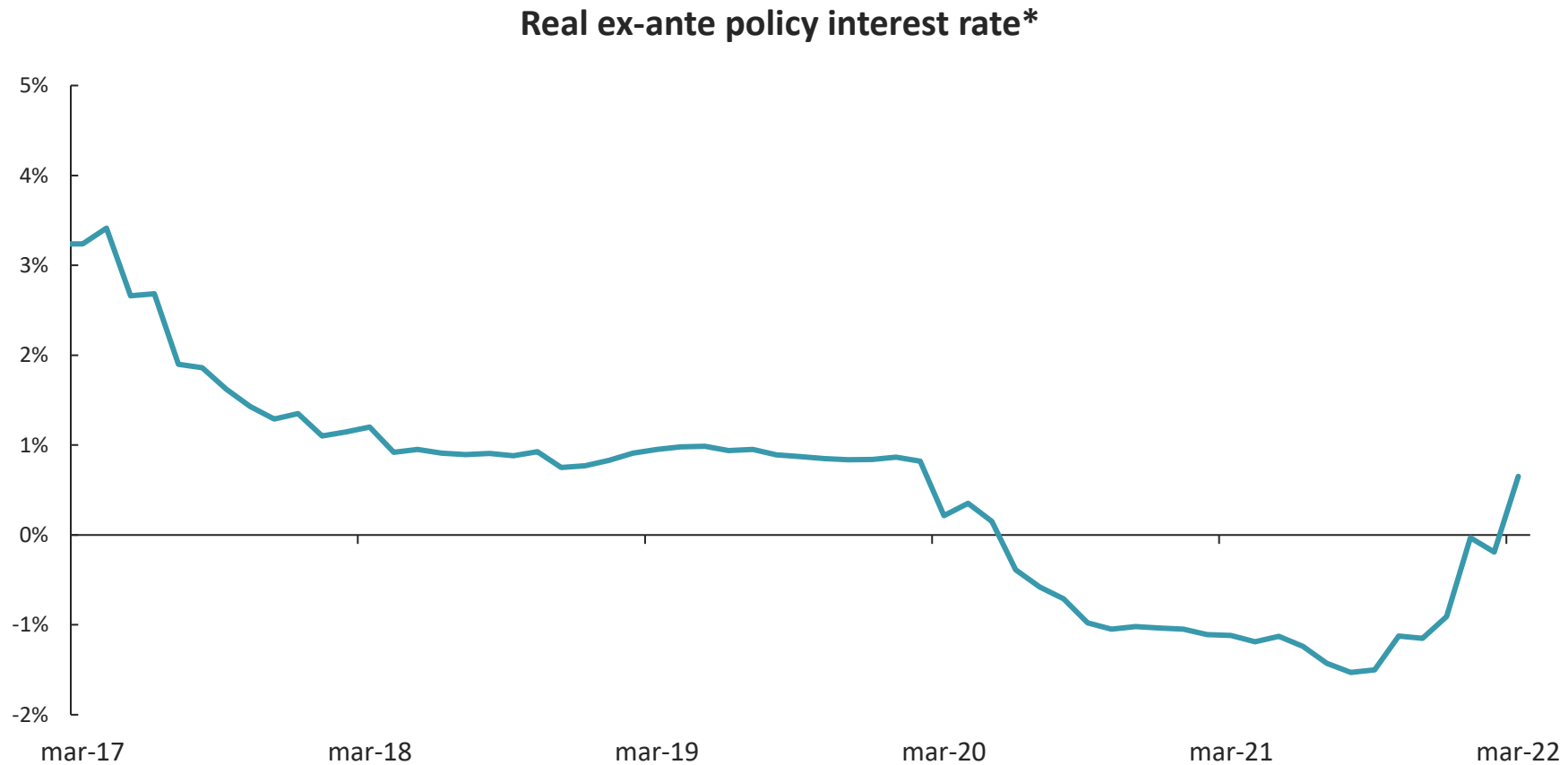
Source: Banco de la República – Monthly expectations survey (Apr 2022) and DANE.



6. Monetary Policy

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- The Central Bank began a process of monetary policy normalization in September 2021.
- The policy interest rate has been raised four times for a total of 325 bp, placing it at 5.0% today.
- The high level of uncertainty requires a data-dependent adjustment process.





Thank you!
