

Latam Daily: BanRep Minutes Underscored Board's Vigilance

- **Colombia: BanRep's March 26 minutes underscored Board's vigilance regarding international financing conditions and the economic recovery**

COLOMBIA: BANREP MINUTES UNDERSCORED BOARD'S VIGILANCE

On Monday, March 29, the central bank released the [minutes](#) from its Board's most recent monetary-policy meeting on Friday, March 26, where Directors decided to maintain the benchmark rate at 1.75% in a unanimous vote. From the minutes, we highlight that:

- **Despite the fact that annual headline inflation remains at historically low levels, the Board emphasized that inflation expectations are anchored.** February's inflation print was an upside surprise, which lightened pressures for further easing and brought actual inflation closer to the BanRep staff's forecasts in January's [Monetary Policy Report](#);
- **The economic recovery was stronger than expected in late-2020, and despite the lockdowns in January, some indicators point to better economic performance in February.** This led the staff to revise upward its real GDP growth projection for 2021 from January's forecast of 4.5% y/y to 5.2% y/y. However, the labour market remained a concern for the Board;
- **Although liquidity in international markets is still abundant, the Board noted that recent increases in medium- and long-term rates have somewhat tightened financial conditions;** and
- **The Board also emphasized that Colombia's authorities need to approve a fiscal reform package to avoid being hit harder by international market conditions.** The Board noted that a fiscal-reform package would be necessary to ensure the sustainability of public finances and to allow the BanRep to maintain its current expansionary monetary policy without undermining macroeconomic stability.

All in all, the minutes from the March 26 BanRep Board meeting reinforced the messages communicated by Governor Villar in the press conference that followed the meeting. In particular, the minutes underscored the importance of the fiscal-reform package for the balance of risks.

The coming months will be crucial to the near-term future of monetary policy in Colombia. Fiscal-reform proposals will start their course through Congress and hard data about the second re-opening could lead to further revisions in the BanRep staff's macroeconomic projections. We maintain our call of rate hikes in the H2-2021 to close the year at 2.50%.

—Sergio Olarte & Jackeline Piraján

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