

Latam Daily: Colombia BanRep Minutes; Peru Awaits New Minister of Interior

- **Colombia: BanRep minutes reveal differing assessments about economic recovery and future risks**
- **Peru: Minister of the Interior resigns after hosting Halloween party**

COLOMBIA: BANREP MINUTES REVEAL DIFFERING ASSESSMENTS ABOUT ECONOMIC RECOVERY AND FUTURE RISKS

On Wednesday, November 3, the central bank released the minutes of its most recent monetary policy meeting held on [Friday, October 29](#), in which the Board of Director's decision to increase the benchmark rate by 50 bps to 2.5% was taken with a split vote (5–3). From the minutes, we would highlight that:

- The Board agreed that economic recovery sped up in the third quarter despite the third COVID-19 wave and earlier nationwide strike, notably led by robust private consumption. The Board also agreed that external conditions will remain positive for terms of trade. Both arguments led to an upside revision of the GDP growth to 9.8% for 2021 and 4.7% for 2022. On the inflation side, current shocks are showing to be more lasting than expected, prompting the staff to revise their forecast to the upside.
- Regarding the labour market, the Board expects the current positive momentum in the economic growth to be reflected in employment in the future.
- There was a consensus that the economy needs less monetary stimulus since the output gap is closing at a faster pace and maintaining the current stimulus would compromise the macroeconomic stability.
- The five members who voted for a 50 bps hike expressed that private consumption is getting a boost by a credit rebound and rates should increase to avoid potential imbalances. In the same vein, increasing inflation expectations are a source of concern since they reflect indexation effects. Additionally, they said that in increasing the monetary policy rate more this time would prevent the need for a more restrictive policy in the future.
- The two members who voted for a 25 bps hike said that uncertainty remains high and that the current recovery would come at the expense of a reduction in households' savings. Additionally, employment and investment continue showing relevant lags and SMEs would be impacted by a harder hiking cycle. Moreover, a faster hiking cycle would impact negatively the credit recovery. Regarding inflation dynamics, they considered that the recent increase is a response to supply factors and should not be a source of higher concern.

Minutes revealed that despite the overall positive view on economic growth, there are varying levels of concern about the source of this growth but also regarding future risks. That said, the hawkish group expressed they are

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uncomfortable with the recent credit and inflation dynamics, while the dovish group is worried about the implication of a stepped hiking cycle would mean for the recovery. All in all, we expect BanRep to make a new 50 bps rate hike in the December's meeting, as staff signaled the GDP gap would close faster and core inflation would close 2022 close to the ceiling of the target range. For 2022, we expect gradual hikes, closing the year at 5%.

—Sergio Olarte & Jackeline Piraján

PERU: MINISTER OF THE INTERIOR RESIGNS AFTER HOSTING HALLOWEEN PARTY

Peru's Minister of the Interior, Luis Barranzuela, resigned on Tuesday night, after having come under intense criticism from the press and opposition parties pretty much since being sworn in on October 6. At the time of this writing, a new Minister of Interior has not been appointed. Although officially Barranzuela resigned, stating that he did so for the sake of "governability" (political stability), the Head of the Cabinet Mirtha Vásquez stated on social media that the decision had been made by President Castillo.

Barranzuela was a controversial figure since being appointed, due to claims that his performance when he was part of the police force had been questionable, and for charges of conflict of interest, since, until his designation, he had been the lawyer for Vladimir Cerrón (founder of the ruling party, Peru Libre) who is facing corruption charges. However, what actually triggered Barranzuela's exit was a party/reunion he held at his home on Halloween, despite the Ministry of the Interior itself having banned such gatherings due to COVID-19. The Head of the Cabinet, Mirtha Vásquez, publicly reprimanded Barranzuela, and is likely to have pursued his ouster before President Castillo.

Barranzuela's dismissal increases the likelihood that Congress will award the Vásquez Cabinet a vote of confidence, which is pending, and should be decided this week. Barranzuela's permanence in the cabinet was the main point of contention for much of Congress. Barranzuela is not the only issue, however, so the vote of confidence is not quite a given, but his removal helps things considerably. Assuming, that his replacement is seen as an acceptable pick. The new designation should be announced very shortly, as the cabinet is scheduled to present itself before Congress today, Thursday, unless the session is postponed to give the government more time.

—Guillermo Arbe

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