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# Latam Daily: Colombia's Expectations Survey Signals Higher Rates

- **Colombia: Citi survey shows higher inflation expectations and elevated terminal policy rate**

## COLOMBIA: CITI SURVEY SHOWS HIGHER INFLATION EXPECTATIONS AND ELEVATED TERMINAL POLICY RATE

March's Citi Survey—which BanRep uses to assess market expectations of inflation, the monetary policy rate, GDP, and the COP—came out on Tuesday, March 29.

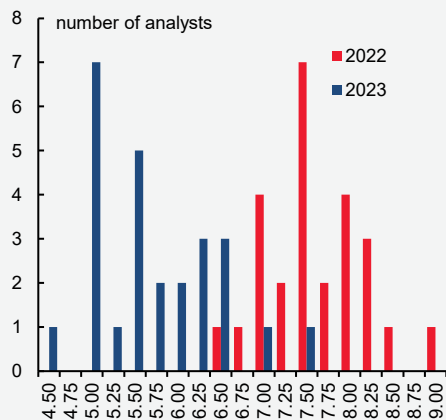
### Key highlights include:

- **Growth forecasts stabilize.** 2022 economic growth is expected to hit 4.91%, slightly above the previous forecast (4.71%). However, the consensus for 2023 growth fell somewhat, to 2.97% (previous: 3.21%). 2024 growth is expected to be 3.21%.
- **Inflation expectations rise.** March's monthly inflation rate is, on average, expected to be 0.92% m/m and 8.45% y/y. Scotiabank Economics expects 0.80% m/m and 8.32% y/y. In our view, analysts may be incorporating high food inflation, which would strongly offset the effect of the VAT holiday. For end-2022, consensus expects inflation of 6.66%, well above the ceiling of the 2%–4% target range, and above the previous survey estimate of 5.49%.
- **Higher policy rates.** Ahead of the March 31 monetary policy meeting, 19 of 26 analysts expect a 150 bps hike in the monetary policy rate, while 5 anticipate 125 bps; one analyst expects a 100 bps hike and another a 200 bps hike (chart 1). Meanwhile, the monetary policy rate is expected to close 2022 at 7.50%, with consensus expecting the monetary policy to fall back to 5.5% in 2023. Scotiabank Economics expects a 7.5% terminal rate in 2022 and 5.0% in 2023.
- **COP appreciation.** The USDCOP forecasts point to a mild appreciation in the currency through December 2022. On average, respondents expect a level of USDCOP 3,794 by the end of 2022 (previous survey: 3,836) and 3,728 pesos by 2023.

—Sergio Olarte & Jackeline Piraján

Chart 1

Colombia: Repo Rate Expectations for End-2022 & 2023



Sources: Scotiabank Economics, Citi Survey.

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