July 2019 Report to Congress

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In an environment of greater restrictions to world trade and deterioration of global confidence, economic growth for the first quarter of the year in a number of emerging economies including Colombia was lower than expected, and the forecasts for 2019 decreased.

In the first three months of the year, the Colombian economy slowed and grew less than expected, a fact explained mainly by a weaker-than-estimated public consumption and an unexpected fall in housing investment.

For the third quarter and for the rest of the year, these items are expected to record a better performance. Also, private consumption is expected to maintain its good dynamics, investment is expected to accelerate, and net exports are expected to subtract from growth. According to the forecasts by the technical staff, in 2019 the economy would grow close to 3.0% (instead of 3.5% as estimated a quarter ago). The greater dynamics of domestic demand *vis-à-vis* output would be reflected on a wider deficit in the current account.

Regarding prices, in the first half of 2019 inflation was close to the 3.0% target, albeit with an increasing trend due to some supply shocks that affected it. Among them was the presence of a moderate *El Niño* phenomenon due to which food prices increased, and further adjustments in the prices of liquor due to the increase in the *ad valorem* tax. The average of core inflation indicators remained below 3.0%. The greatest impact of these shocks on prices is expected in the third quarter of 2019. Also, inflation is expected to return to the convergence to 3.0%.

This macroeconomic context with spare capacity of the economy, along with an inflation rate that would transitorily drift from its 3.0% target, has allowed for a slightly expansionary monetary policy stance. This stance has been reflected on interest rates on loans that remain below their historical averages.

The present *Report to the Congress* presents the vision of the Board of Directors of *Banco de la República* (BDBR) on the current economic situation and its short and medium term prospects. It also informs about the management of the international reserves and the financial situation of *Banco de la República*. The last chapter analyzes the payment systems in the Colombian economy.

Fuente: https://d1b4gd4m8561gs.cloudfront.net/en/july-2019-report-congress