International Monetary Fund concludes Article IV consultation with Colombia

International Monetary Fund concludes Article IV consultation with Colombia The Executive Board of the International Monetary Fund (IMF) met on April 9 to conclude the Article IV consultation with Colombia. In its report, the IMF highlights the country's macroeconomic policy framework and the short-term response to the effects of the COVID-19 pandemic. The flexible exchange rate and the liquidity provision measures recently taken by the Central Bank are among the mechanisms highlighted by the IMF in its annual review.
The report published by the IMF highlights the country's very strong macroeconomic policy framework, based on an inflation targeting regime with exchange rate flexibility, adequate banking supervision and a fiscal policy subject to the fiscal rule, which has allowed the country to successfully face external shocks.

The report indicates that the Colombian economy was standing out in the region for its growth, driven by a dynamic domestic demand, while inflation was converging to the 3% target. Likewise, it highlights the fiscal balance result in 2019, which was better than the limit established by the Committee of the Fiscal Rule, despite the expenditures needed to deal with migration flows. On the external balance, the report emphasizes that the deficit was being financed with foreign direct investment flows; regarding the financial sector, it highlights the regulatory framework and the progress made towards the implementation of Basel III standards.

Following the shock caused by the pandemic and the drop in international oil prices, the IMF estimates a 2.4% decrease in economic growth for this year and a slight widening of the external deficit. The Fund considers that the Colombian authorities are taking adequate measures to confront the current situation and anticipates that the country will resume a positive growth path in 2021. For the medium term, the Fund recommends advancing in the structural reform agenda to improve competitiveness and inclusive growth.

In the discussion of the report, the Executive Directors of the IMF expressed their agreement with the policies taken by the Colombian authorities to confront the shocks that the economy is facing. They consider that the liquidity measures implemented by the Banco de la República have been successful and emphasized the role of the exchange rate as the first line of defense against external shocks. Likewise, they were in favor of using fiscal policy to support the economy and greater efforts to reduce informality and facilitate the migrants' integration.

To read the full press release, please visit:

https://www.imf.org/en/News/Articles/2020/04/17/pr20169-colombia-imf-ex…;

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