The Board of Directors Report to the Congress of Colombia

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In Colombia, as well as in the rest of the world, the Covid-19 pandemic has seriously damaged the health and well-being of the people. In order to limit the damage, local and national authorities have had to order large sectors of the population to be confined at their homes for long periods of time.

An inevitable consequence of isolation has been the collapse of economic activity, expenditure, and employment, a phenomenon that has hit many countries of the world affected by the disease. It is an unprecedented crisis in modern times, not so much for its intensity (which is undoubtedly immense), but because its origin is not economic.

That is what makes it so unpredictable and difficult to manage. Naturally, its economic consequences are enormous. Governments and central banks from all over the world are struggling to mitigate them, but the final solution is not in the hands of the economic authorities. Only science can provide a way out.

In the meantime, the economic indicators in Colombia and in the rest of the world cause concern. The output falls, the massive loss of jobs, and the closure of businesses of all sizes have become daily news. Added to this, there is the deterioration in global financial conditions and the increase in the risk indicators. Financial volatility has increased and stock indexes have fallen. In the face of the lower global demand, export prices of raw materials have fallen, affecting the terms of trade for producing countries. Workers' remittances have declined due to the increase of unemployment in developed countries.

This crisis has also generated a strong reduction of global trade of goods and services, and effects on the global value chains.

Central banks around the world have reacted decisively and quickly with strong liquidity injections and significant cuts to their interest rates. By mid-July, such determined response had succeeded to revert much of the initial deterioration in global financial conditions. The stock exchanges stopped their fall, and in several countries showed significant recovery. Risk premia, which at the beginning of the crisis took an unusual leap, recorded substantial corrections. Something similar happened with the volatility indexes of global financial markets, which exhibited significant improvement. Flexibilization of confinement measures in some economies, broad global liquidity, and fiscal policy measures have also contributed to improve global external financial conditions, albeit with indicators that still do not return to their pre-Covid levels.

Fuente: https://d1b4gd4m8561gs.cloudfront.net/en/board-directors-report-congress-colombia