Financial Markets Report - Fourth Quarter 2022

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Banco de la República (the Central Bank of Colombia) produces information for decision-making, accountability, and public dissemination. Particularly, the Financial Markets Report is framed within the principle of public dissemination and contributes to the Bank’s service of providing quality economic information and research.

In line with the above, this report aims to provide the public with a general analysis of the behavior and trends of domestic and international financial markets. Additionally, the report highlights the key factors that elucidate the behavior of these markets, along with their interactions. The report also provides a description of the main changes in monetary policy and central bank decisions worldwide.

The year 2022 was characterized by an economic slowdown compared to the high growth observed in the previous year following the recovery from the COVID-19 crisis. On the other hand, the increase in inflation accelerated in most countries, which had been rising since the end of 2021 and reached levels not seen in the last two decades. This is mainly attributed to supply chain disruptions, rapid recovery of domestic demand due to significant monetary and fiscal stimuli implemented during the pandemic, and higher commodity prices, exacerbated by the conflict between Russia and Ukraine. In response, most central banks adopted more contractionary monetary policies: the US Federal Reserve raised its reference rate to the range of 4.0% to 4.25% (the highest level since 2007), and the European Central Bank raised its reference rate to 2.0% (the highest level since 2009). This led to a significant devaluation of debt securities globally, and to a greater extent, in emerging economies.

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