Banco de la República (the Central Bank of Colombia) presented its Report to the Congress of the Republic

Banco de la República (the Central Bank of Colombia) presented its Report to the Congress of the Republic
Economic Growth
The growth of the Colombian economy in 2022 (7.5%) was considerably higher than that of its Latin American peers and more than doubled the world's growth average. Such a vigorous expansion over a GDP that had already exceeded its pre-pandemic level, growing by 11.0% in 2021, was a remarkable result.

Inflation and Monetary Policy Rate
In Colombia, as in other countries, inflation continued to increase during 2022 as a combined result of supply and demand shocks that placed it far from the target proposed by the monetary authority. Thus, at the end of the year, annual consumer inflation stood at 13.1%, a figure more than twice the one recorded at the end of 2021 (5.6%).

The BDBR initiated the process of monetary policy adjustment in its September 2021 session, guided by its goal of keeping inflation close to the target and the economy's growth around its potential. The signs of recovery exhibited by the economy at that time suggested that the monetary stimulus granted during the pandemic had already achieved its purpose of reactivating economic activity and that its gradual withdrawal was advisable, given the inflationary pressures that were beginning to be observed.

The acceleration of the pace of inflation observed toward the end of 2021, which was more pronounced in the first months of 2022, together with the upward revision of inflation expectations induced by it, required the BDBR to opt for a faster tightening of monetary policy, thus resorting to 100-bps increases in the policy rate in its first three decision-making sessions of 2022, 150-bps increases in the following two sessions, and 100 bps in the last three sessions of the year. Consequently, the policy interest rate went from 3.0% at the end of 2021 to 12.0% at the end of 2022.

The increase in the monetary policy interest rate (nominal and real) has begun to be reflected in a slower pace of growth of domestic demand.

Foreign Reserves
As of 31 December 2022, the country's net foreign reserves totaled USD $57,269.2 m, which reflects a USD $1,310 m decrease during 2022. The main factor behind this decline is the negative return on reserves as a result of the devaluation of investments in the face of increases in short- and medium-term interest rates. The devaluation of other reserve currencies vis-à-vis the US dollar also contributed to the decline in the level of the reserves.

Banco de la República's Profit
In 2022, the Central Bank obtained an operational result of COP $1,506 b as a result of income by COP 4,448 b and expenditures by COP 2,942 b. These profits were COP $875 b higher than those obtained by the Bank in 2021.

Fuente: https://d1b4gd4m8561gs.cloudfront.net/en/news/presented-report-congress-march-2023