Box 1: Behavior of the current account deficit and its long-term relationship with some critical determinants in the case of Colombia and other regional countries - Monetary Policy Report, july 2024

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After facing the adverse effects brought on by the COVID-19 pandemic, in 2021 and 2022 the Colombian economy grew at a remarkable pace, reflected in a widening of the current account deficit to levels close to its historical maximums (-5.6% and -6.1% of GDP, respectively). In contrast, 2023 saw a slowdown in local economic growth due to a restrictive monetary policy and a reduction in the fiscal deficit. This, together with the revitalization of tourism and high levels of remittance income, resulted in a significant correction to the current account deficit, which reached its lowest level in the last thirteen years (-2.5% of GDP). This Box seeks to explain the dynamics that drove the widening of the deficit in 2021 and 2022 and those that facilitated its correction in 2023. It also evaluates the level of the current account deficit against a projection of its long term relationship with some key determinants for Colombia and for other economies in the region.

Fuente: https://d1b4gd4m8561gs.cloudfront.net/en/publications-research/monetary-policy-report/box-1-july-2024