

The Central Bank of Colombia's Monetary Policy Decision- Making and Communications Process

Office for Monetary Policy and Economic Information
/ Office of the Deputy Technical Governor

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Hernando Vargas

Working Document

BANCO DE LA REPÚBLICA - COLOMBIA
(CENTRAL BANK OF COLOMBIA)





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November 2019.



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Introduction

Monetary policy in Colombia is constitutionally mandated to "preserve the purchasing power of the peso in line with general economic policy¹." To that end, the Central Bank of Colombia's Board of Directors (BDBR) has instituted a flexible inflation targeting framework in which monetary policy actions aim to keep inflation at a predetermined level (currently 3%) while pursuing a maximum sustainable level of output and employment.

Built-in flexibility allows the BDBR to strike an appropriate balance between meeting its inflation target and smoothing out fluctuations in inflation and employment. The 3% target, based on annual change in the Consumer Price Index (CPI), allows for a +/- 1 percentage point (3±1 pp) band of variation. The use of this range is based on the fact that short-term inflation can be affected by factors outside the influence of monetary policy, for example changes in food prices as the result of adverse weather conditions. Falling within the band should not be understood as a goal in itself, but rather as a reflection of the fact that inflation can fluctuate around the target without always being exactly equal to it.

The main tool employed by the BDBR to control inflation is the benchmark interest rate (one-day Repo²), or policy rate. This is set by the BDBR and is informed by its evaluation of the current state of the economy, the economic forecast, and inflation expectations with regard to the target. Changes to the benchmark interest rate are passed through to the economy at large and can affect major macroeconomic variables, primarily output and inflation³.

The Bank's monetary policy decision-making process, which it uses to set the benchmark interest rate, involves input from diverse sector-level experts, the use of economic modeling, and numerous meetings between the Central Bank's technical staff and the BDBR itself. This process is described in sections 2 and 3 of this document.

Section 4 highlights the basic characteristics of the Bank's communications strategy, which has recently been revamped to better deliver relevant and timely information to help inform the decisions of diverse economic agents⁴. The BDBR meets once per month, but in general only makes monetary policy decisions in eight months of the year (January, March, April, June, July, September, October, and December). In its four remaining ordinary meetings (in February, May, August, and November), the BDBR does not normally make decisions about the benchmark interest rate. For those meetings in which a monetary policy

1 Political Constitution of Colombia of 1991, Article 373 and Constitutional Court Sentence C-481/99.

2 Each business day, the Central Bank injects (or removes) financial system liquidity through Repo operations at a cost equal to the policy interest rate. This induces market interbank interest rates to converge to the policy rate and also guarantees liquidity in the economy, which is another function of the bank.

3 For more detail, see *Mecanismos de Transmisión de la Política Monetaria en Colombia*, Munir Jalil and Lavan Mahadeva, December 2010.

4 The current communications strategy was approved by the BDBR at its August meeting in 2019.

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decision is made, the Central Bank Governor and the sitting Colombian Treasury Minister hold a press conference to provide information about the basis for the decision. A press release is also provided, and the minutes of the meeting, describing the rationale behind the monetary policy decision in more detail, are published on the second business day after the meeting takes place. In January, April, July, and October, the Bank's technical staff also publishes its Monetary Policy Report (MPR), which provides an evaluation of the state of the economy and forecasts major macroeconomic variables, such as inflation and output. The Bank's Governor clarifies any doubts over the minutes and the Deputy Technical Governor presents the MPR on the Wednesday following the BDBR meeting. The conclusions in the MPR do not necessarily reflect the position of the BDBR or its members.

Institutional Framework for Monetary Policy in Colombia

The normative basis for monetary policy decision-making in Colombia is derived from the constitution. The Bank is mandated to perform the functions of a central bank and is organized as a legal entity under public law with administrative, financial, and technical autonomy, and subject to its own specific legal regimen⁵. As a result, the law gives the BDBR independence to set the inflation target and establish the type and value of the operative instrument it uses to achieve it.

The BDBR is composed of seven members, each with one vote: five full-time members plus the Governor, whom they appoint, and the sitting Colombian Treasury Minister. The full-time members and the Governor serve twice renewable four-year terms, meaning they can remain in their positions for a maximum of 12 years. Two of the five full-time members are replaced by the Colombian President every four years, after the mid-way point of his or her term in office⁶. The composition of the BDBR and the rules for replacing the Bank's members help ensure its policy independence, while at the same time allowing for coordination between monetary policy and economic policy in general.

The Bank's technical staff meets several times with the BDBR prior to each monetary policy meeting, presenting and providing analysis on any newly available information or changes to its macroeconomic forecasts. The conclusions drawn from these meetings, outlined in more detail below, are synthesized in the MPR. That report is drafted by the Bank's technical staff and includes its analysis on the current state and future evolution of the economy. The MPR also provides the technical staff's assessment of potential deviations from its economic forecasts and its evaluation of inflation expectations with regard to the target rate. Based on this analysis, the technical staff offers its own recommendation of the optimal value and trajectory of the benchmark interest rate. This represents the technical staff's view on the policy rate that would best bring inflation to the target and help drive output to its sustainable long-term level. The BDBR's perspective may differ from this recommendation, based on its own evaluation of the macroeconomic forecast and its assessment of the risks and economic costs associated with controlling inflation.

Monetary policy meetings are attended by the members and Secretary of the BDBR and provide a venue for discussion and debate of the technical staff's evaluations, as well as of those of the members themselves. Final interest rate decisions are made by majority, and the main considerations that informed that decision are published in a press release

⁵ Political Constitution of Colombia of 1991, Articles 371, 372 and 373 and Constitutional Court Sentence C-481/99.

⁶ This description of the BDBR's composition is taken from: <http://www.banrep.gov.co/es/gobierno-corporativo/junta-directiva> (accessed May 26, 2019).

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following the meeting. The Governor and the Treasury Minister, who presides over the BDBR, also hold a press conference to offer more detail over the decision to the public. Minutes are published on the second business day after the meeting is held, again providing further detail on the rationale behind the monetary policy decision. In January, April, July, and October, the technical staff also publishes the MPR. On the Wednesday of the week following a monetary policy decision after its publication, the Governor clears up any doubts about the minutes and the Deputy Technical Governor presents the MPR.

The Monetary Policy Decision-Making Process

The Central Bank follows a comprehensive process before making any monetary policy decision. The BDBR, the Deputy Technical Governor, the Chief Officer for Monetary Policy and Economic Information, and the departments within this division all take part in an effort to answer the following questions: What is the current state of the economy? Where is the economy headed? What is the optimal interest rate trajectory to bring inflation to the target and stabilize output over the long term? And finally, what uncertainty is there over this potential course of action?

Assessing the current state of the economy

The monetary policy decision-making process consists of an analysis of the factors that could explain the deviations between existing inflation, output, the real exchange rate, and the real interest rate and its deviations from non-inflationary levels. Understanding the origins of these gaps is essential to forecasting future behavior and designing the appropriate monetary policy response. For example, a positive output gap (when observed GDP is greater than potential GDP) could be the result of strong demand beyond the utilization rate of installed capacity in the economy. This could exert upward pressure on inflation, as strong aggregate demand can drive the use of installed capacity and increase production costs. In this case, the risk of output exceeding its sustainable level would coincide with a risk of inflation above the target rate. In response, the Bank would likely increase its benchmark interest rate in order to stabilize spending and output around their sustainable levels, and in so doing bring inflation to the target.

Upward pressures on inflation can also come from temporary supply restrictions in the economy. In these cases, production costs increase, firms reduce output and employment, and there is a risk that a deviation in inflation away from the target might persist beyond the temporary supply restriction itself. Nevertheless, if the target inflation rate is credible⁷ and inflation expectations remain anchored to the target rate, the BDBR can ensure future compliance with the target without significant effects on output and employment.

Numerous factors are considered in determining the current state of the economy, including international and domestic financial conditions, the behavior of the most relevant external variables as they pertain to the Colombian economy, their impact on the balance of payments, and real and nominal exchange rates. The labor market, GDP by sector and expenditure approaches, and current and expected inflation are also analyzed.

⁷ This happens when the public and financial markets can anticipate that the BDBR will not allow persistent deviation between observed inflation and the target.

All of this analysis, as well as the use of economic modeling and the judgments of the technical staff, are used to identify the principal behavior determinants in economic activity and inflation. The primary causes of deviations in inflation with regard to the target are also identified and could include the following: changes in terms of trade, changes in international financial conditions, temporary shocks on the supply of goods and services⁸, effects from price-indexation mechanisms⁹, changes in production costs due to excesses or deficits in the use of installed capacity, and other factors.

Macroeconomic forecast and economic outlook

Monetary policy instruments work slowly, and as a result the BDBR needs to be proactive, calibrating its actions to ensure that inflation converges with the target rate and output with its sustainable long-term level over the course of the policy horizon. This underlines the need to continually conduct and evaluate economic forecasts.

The Central Bank's macroeconomic forecast is an iterative exercise that involves meetings among members of the technical staff and between the technical staff and the BDBR. Macroeconomic models are an indispensable part of this process, providing the common language with which the BDBR and the technical staff discuss both the existing state of the economy and the future evolution of inflation and output. However, the technical staff's forecasts are not simply the result of a macroeconomic model; they also incorporate input from an array of experts. This is a practice that is also followed by the Central Bank of the Czech Republic and the Central Bank of Norway.

The Bank's economic analysis is based on different economic models whose use and relevance depends on the analysis horizon in question. Short-term forecasts (one or two quarters) use statistical and reduced-form relationship models, while medium-term forecasts (six months to three years) use general equilibrium structural models. This is a common practice among central banks, as macroeconomic models tend to produce better forecasts in the medium term and statistical models, which extrapolate recent trends, tend to produce better forecasts in the short term. Expert judgments are a part of the Bank's analysis for all forecast horizons.

⁸ For example, changes in the climate, or transportation or other work stoppages that temporarily affect prices.

⁹ For example, the indexation of rentals to the CPI or the level of goods and services to the minimum wage.

Medium-term modeling

The Bank's medium-term forecasts are based on two general equilibrium models, PATACON¹⁰ and 4GM¹¹. Both are constructed on economic theory and account for the main characteristics of the Colombian economy. The term "general" here implies that these models aim to explain macroeconomic behavior and not sector-level or specific cases¹². The concept of equilibrium in this case suggests that, for each market, the interaction between supply and demand is what determines the value of endogenous variables. These models allow for an ordered, well-founded, and coherent discussion on the benchmark interest rate trajectory expected to push inflation to the target rate and output to sustainable long-term levels.

Another advantage of the Bank's central forecasting models is that their results can be explained in terms of the behavior of exogenous variables (that is, indicators on which the Colombian economy itself has no effect¹³). This is useful in designing risk scenarios, as it allows for an evaluation of the macroeconomic effects on the Colombian economy of changes in variables, such as the international oil price or foreign interest rates, compared to a central scenario. Allowing for and analyzing these alternative scenarios makes for a more rigorous debate during the forecast process, and ultimately facilitates the creation of a consensus forecast scenario.

The Bank's central forecasting models are used to interpret the behavior of the economy, make medium- and long-term projections, study alternative scenarios, and estimate the effects of monetary policy on economic activity and inflation. Nevertheless, as with the majority of general equilibrium models, PATACON and 4GM do not include all sectors of the economy, including the public and financial sectors. As a result, they are in some cases complemented by estimates from so-called satellite models. FISCO (Fiscal Model for Colombia, Rincón et al., 2017), which has been used to estimate the effects of tax reform on economic growth, is one such example.

Short-term modeling

For its short-term analysis, the Bank uses models with superior predictive capacity with regard to economic growth and inflation over shorter time horizons. These models are better than the medium-term models at accounting for the effects of temporary shocks on

10 Policy analysis tool applied to Colombian needs.

11 Four-good model.

12 For example, private consumption in durable goods.

13 For example, international interest rates, the price of oil, foreign demand, etc.

the economy, such as temporary restrictions on supply¹⁴, changes in taxes or regulations, or methodological changes in measuring variables¹⁵.

The short-term models are used to estimate GDP growth for periods in progress¹⁶, and to forecast GDP growth at one quarter and inflation at one and two quarters in the future.

- Current quarter GDP growth estimate (Nowcasting): The estimate for the period in progress incorporates the most recent available measures of economic activity and is based on econometric methods and input from experts. This exercise also allows the Bank to identify temporary shocks affecting the economy that might persist in subsequent quarters. The economic growth estimate for this period and the shocks identified in the analysis are included in the central forecasting models.
- Short-term forecast (STF) of inflation: Estimates of large groups of the CPI (foods, regulated items, tradables, and non-tradables) are conducted for the current quarter and for two quarters in the future using econometric tools¹⁷ and input from the technical staff. An estimate of the STF, obtained by aggregating the estimates above, is included in the central models. The economy regularly faces climate shocks (El Niño) or regulatory changes that can affect price behavior for more than two quarters, and the effects of these shocks on prices for foods and regulated items are also included in the central forecasting models.

In sum, GDP growth for the period in progress and inflation for two quarters in the future are estimated using a combination of short-term economic models and the judgments of the technical staff. These are then used as initial inputs for the Bank's medium-term models. As a result, the longer the time horizon, the greater the influence of monetary policy and its transmission channels; this influence is then taken into account in the medium-term models.

Monetary policy recommendation

Analysis of the current state and future outlook of the economy, along with evaluations of the macroeconomic forecast and expected inflation compared to the target rate, provide the basis for a recommendation on the optimal benchmark interest rate. This recommendation seeks to find a balance between the different criteria that are considered in its formulation:

14 For example, changes in weather due to El Niño.

15 For example, a change in the basic basket of the CPI, or in the base period for the national accounts.

16 The current GDP figure is produced on a time-lag by DANE and needs to be estimated as part of the evaluation of the current state of the economy.

17 ARIMA models and neural networks.

- If an analysis of current and expected inflation and its determinants suggests a persistent deviation from the target rate, the monetary policy recommendation can be expected to include a modification of the benchmark interest rate in an effort to move inflation toward the target over an appropriate time horizon. Meanwhile, if the deviation is exclusively due to temporary factors¹⁸ and inflation expectations remain anchored to the target, the monetary policy stance may not necessarily change.
- The recommendation for the benchmark interest rate is fixed in pursuit of an appropriate balance between reaching target inflation and the need to smooth out fluctuations in output and employment around their sustained growth trajectories.
- Given the uncertainty that often surrounds the future performance of macroeconomic variables and in estimating the relationships between them, the benchmark interest rate is generally adjusted gradually. Only in the event that a considerable deviation from target inflation or of output growth with respect to its sustainable trajectory is highly probable will interest rates be adjusted rapidly.

¹⁸ For example, supply problems that create a temporary increase in food prices.

The process

The Bank's Deputy Technical Governor is responsible for the technical staff's macroeconomic assessment and aims to ensure coherence between its monetary policy, exchange rate, and macroprudential analyses. The Office for Monetary Policy and Economic Information, the division's department directors, and its section chiefs also participate, either directly or indirectly, in the forecast process. The Chief Officer for Monetary Policy and Economic Information coordinates the macroeconomic forecast and works to ensure its coherence while facilitating interaction between working groups, promoting deliberation among the forecast team members and between it and the BDBR, and continually improving the tools of analysis.

The Programming and Inflation Department (DPI), in particular the Inflation Section, evaluates the current state of the economy and produces short-term forecasts on inflation and growth; the Programming Section is responsible for external assumptions and estimates regarding the balance of payments. The Macroeconomic Modeling Department (DMM) is tasked with the construction, updating, and use of the Bank's medium-term central forecast models. Diagram 1 provides an illustration of the other sections that collaborate directly in the process, or that periodically supply information related to the variables they cover.

The technical staff divides the BDBR's eight annual monetary policy meetings into four macroeconomic forecast cycles, each consisting of two and a half months (Diagram 2). The first month and a half of each forecast cycle is referred to as the "preliminary phase." Although GDP growth figures for the preceding quarter will be available at this time, some current quarterly data will not be or will have been available for too short a period of time to fully analyze (e.g. current account, industrial production, retail commerce) when the macroeconomic forecast is made. In March and December, the Holy Week and end-of-year holidays further reduce the time available for some estimates. As a result, these forecasts may change as new information from the quarter during which the analysis is being conducted becomes available.

Diagram 1: Office of the Deputy Technical Governor and primary divisions, departments, and sections that participate in the drafting of the Monetary Policy Report (MPR)

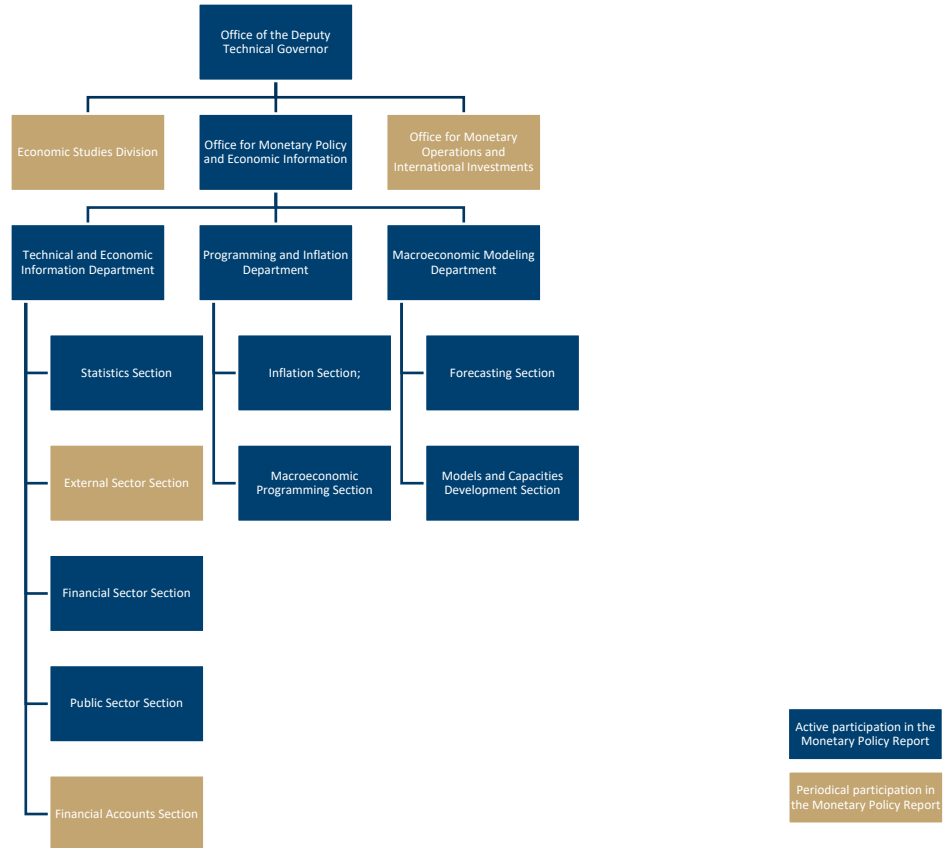
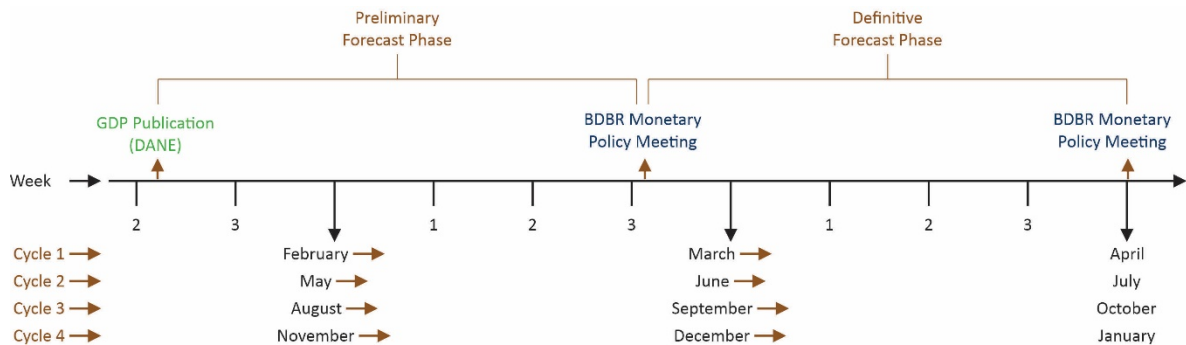


Diagram 2: Macroeconomic Forecast Cycles



More information on current and previous quarters becomes available in the second month of the forecast cycle (referred to as the "definitive phase"), contributing to more solid forecasts. The public-facing version of the Monetary Policy Report is drafted at this time and is published one business day after the BDBR's monetary policy meeting (see the section on changes to the Bank's communication strategy on page 20 of this document for more information).

Preliminary phase of the macroeconomic forecast cycle

The preliminary phase of each forecast cycle begins after DANE, the national statistics agency, publishes its GDP figures (supply and demand) for the previous quarter. The phase ends with the corresponding monetary policy meeting in March, June, September, or December. During this period, the technical staff holds nine internal meetings and five meetings with the BDBR (Diagram 3). A general outline of the agenda for the technical staff's meetings with the BDBR is as follows¹⁹:

I. Presentation of economic conditions: The first presentation to the BDBR focuses on observations of the most relevant international and domestic economic variables and how they might have changed with respect to market and technical staff expectations:

- External conditions: growth among trade partners, prices for main export commodities and terms of trade, international interest rates, the risk premium, the exchange rate, and the main components of the balance of payments.
- Economic growth: GDP results from the previous quarter and the major forecast errors. The most recent indicators of economic activity for the quarter in progress are also presented (industry, trade, confidence indicators, etc.).
- Non-labor and labor costs: Producer Price Index (PPI), unemployment rates, total employment and total labor force participation, salaries, etc.
- Inflation: the most recent results from the CPI and variation with respect to the forecast. Finally, diverse measures of expected inflation and a preliminary forecast of short-term inflation, updated with the most recently available data, are presented.

II. Presentation of the current state of the economy: This presentation is conducted in two stages. In the first, the technical staff presents its analysis and the preliminary results of its macroeconomic forecasts. In the second, the BDBR offers comments on the results to the Deputy Technical Governor and the Chief Officer for Monetary Policy and Economic Information. The technical staff holds five internal meetings to prepare for this presentation, focused on the following:

¹⁹ The order of the meetings is shown in parenthesis in Diagram 3.

- External variables: forecasts with a two-year time horizon for average growth among trade partners, the Federal Reserve (FED) interest rate, international oil prices, terms of trade, and Colombia's risk premium.
- Economic growth: estimates from the demand side and supply side for the current quarter and the main shocks that could explain output behavior.
- Total inflation and its main components (food, regulated items, and tradables and non-tradables excluding food and regulated items): forecasts for the current quarter and the two subsequent quarters.
- Unobservable variables: refers to variables that cannot be measured with quantifiable empirical methods and that stem from economic theory. Gaps in output, the real exchange rate, and the real policy interest rate would be examples. Each of these gaps is defined as the observed value of the variable minus the non-inflationary theoretical value of the variable. These gaps are estimated for the quarter in progress.
- Preliminary central macro forecast scenario and potential risk scenarios: two-year forecasts for growth, inflation, the exchange rate, and the policy interest rate that would allow for inflation at the target and for growth to stabilize at its potential level are presented. Alternative scenarios that could be of interest to the members of the board are also discussed in this presentation.

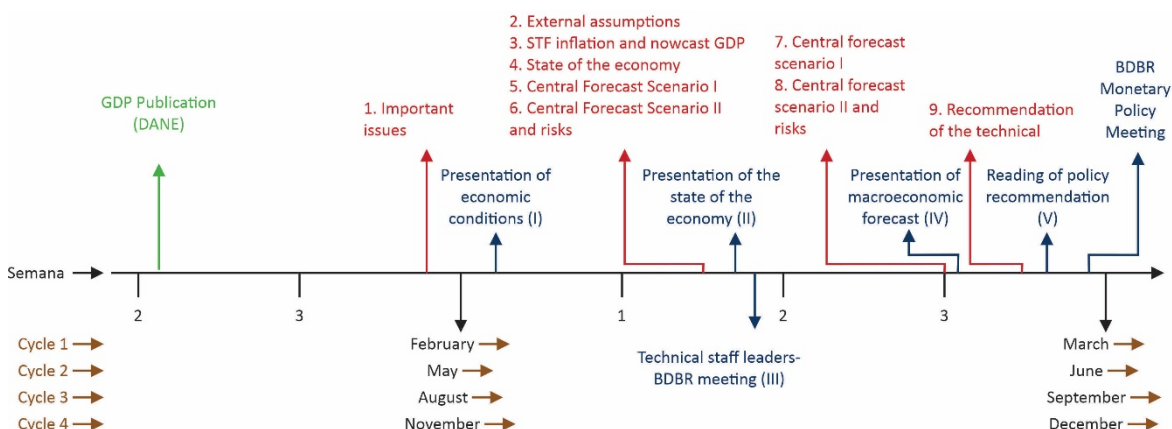
III. Meeting of the leaders of the technical staff and the BDBR: In this meeting the BDBR meets with the Technical Deputy Governor, the Chief Officer for Monetary Policy and Economic Information, the Director of the Macroeconomic Modeling Department, and the Director of the Programming and Inflation Department to discuss in detail the central forecast scenario, possible risks to that forecast, and to posit risk scenarios (or sensitivity scenarios) that should be considered in the forecast model simulations.

IV. Presentation of the macro forecast: The technical staff presents its central forecast scenarios, which include a response to observations made by the BDBR. Simulations of the main risk scenarios are also presented. The technical staff holds two meetings prior to this presentation (see Diagram 3).

V. Reading of policy recommendations: Prior to this stage, the various technical staff working groups will have proposed paragraphs summarizing the major findings and conclusions in each of the previous meetings. These proposals form the basis of a written policy recommendation presented to the BDBR by the technical staff. Before the BDBR reads this document, the Deputy Technical Governor, the Chief Officer for Monetary Policy and Economic Information, the DPI and DMM directors, and the section chiefs for these departments meet to discuss the monetary policy recommendation. Finally, the document is read by the BDBR a day before its official meeting. The policy recommendation document,

incorporating the BDBR's final observations, serves as the basis for the MPR, and as a result that report contains the information from the recommendation document.

Diagram 3: Preliminary forecast phase, technical staff meetings, and presentations to the BDBR



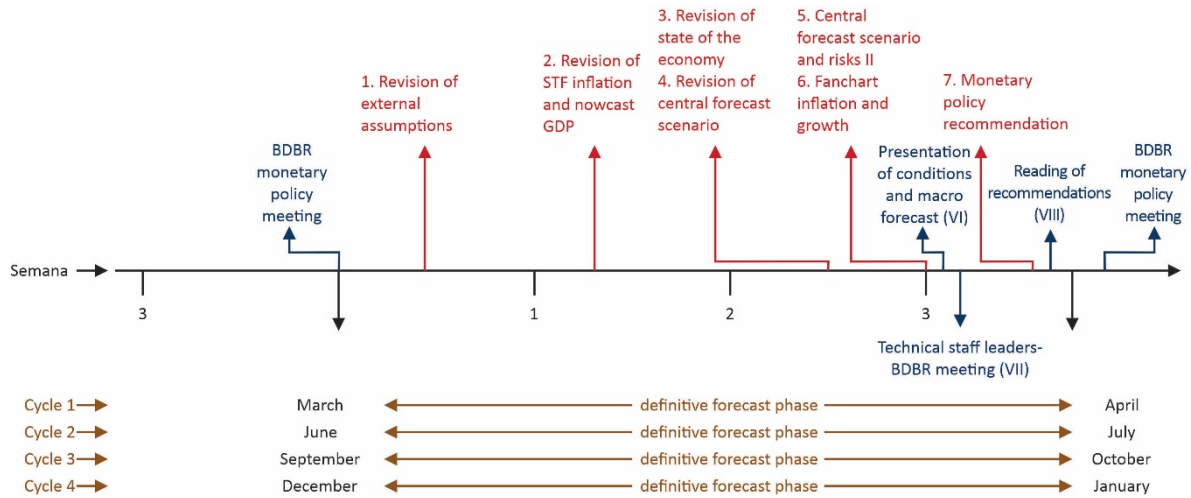
The definitive-phase forecasts are presented in January, April, July, and October. In each case, the technical staff conducts seven internal meetings and holds two meetings with the BDBR (see Diagram 4):

VI. Updated presentation of economic conditions and modeling results: the most relevant new information on economic activity and inflation is presented, alongside modeling results with updated data for the central scenario and for risk scenarios.

VII. Meeting of technical staff leaders and the BDBR: This meeting is similar to the corresponding meeting from the preliminary phase. The goal is to gather the BDBR's final observations related to the central scenario and, if merited, propose new risk scenarios in accordance with changes in the economic situation. This meeting also offers an opportunity to consider possible adjustments in the risk scenarios that have already been presented.

VIII. Reading of policy recommendations: Over the course of this period, the various technical staff working groups will have proposed language summarizing the major findings and conclusions from previous meetings. These proposals form the basis of the written policy recommendation and, ultimately, the MPR. As with the preliminary phase, before the BDBR reads this document the same members of the technical staff meet to discuss it, and the document is read for final comment by the BDBR a day before its official meeting. The recommendation serves as the basis for the MPR, and as a result that report contains the information from the recommendation document (see the section on changes in monetary policy communication on page 20 of this document).

Diagram 4: Definitive phase, technical staff meetings, and presentations to the BDBR



Communication of monetary policy

A central bank's communication objectives can be defined as providing the public with information regarding its monetary policy goals and objectives, the country's economic outlook, and an explanation of its policy decisions (De Haan et al., 2007). This can be achieved through an array of channels, including press conferences, minutes from policy meetings, reports, and speeches or interviews provided by board members.

Communication is today considered an essential part of implementing effective monetary policy, but this wasn't always the case. The trend in recent decades to guarantee central bank independence has brought with it the need to communicate monetary policy decisions more transparently, and in so doing provide accountability to the public. Sound communication is not just important from the public's perspective; it also has consequences on the effectiveness of monetary policy itself, and as a result has become a decisive element in central bank strategy.

As suggested by Woodford (2005), the importance of communication resides fundamentally in the fact that the decisions economic agents make are affected not just by monetary policy actions, but also by those agents' expectations regarding monetary policy interventions and the future course of a country's economy. As a result, it is now understood that effective monetary policy requires, among other things, that the public understands and to the highest degree possible is able to anticipate a central bank's actions (see, for example, Issing, 2005 and De Haan et al., 2007). To that end, the Bank tries to ensure that market expectations are in line with its stated objectives.

Communication is thus a fundamental element in the Central Bank's monetary policy. As a result, the Bank uses multiple channels to convey information:

1. **Minutes, Press Releases, and Press Conferences:** Following each monetary policy meeting (January, March, April, June, July, September, October, and December) the BDBR publishes a press release and holds a press conference with the Governor (the BDBR spokesperson) and the Treasury Minister (the president of the BDBR)²⁰ to explain the major factors considered in the meeting. Since August 2016, the press release has included a breakdown of the BDBR's vote on the monetary policy decision. Minutes of the meeting, which provide a more detailed summary of the discussion and points of view presented, are made publicly available on the second business day following the meeting. Full transcripts of the monetary policy meetings are held in reserve for 15 years, in accordance with relevant regulations.
2. **Monetary Policy Report (MPR):** The technical staff's quarterly MPR is published on the business day after the BDBR's meetings in January, April, July, and October. This

²⁰ Since 2018, the BDBR has met eight times per year to make monetary policy decisions. These decisions were formerly made monthly.

report includes the technical staff's economic analysis, macroeconomic projections, and risk outlook; the information it contains, along with additional details and assumptions, are presented to the BDBR²¹ as part of the process described above. The technical staff produces these reports and projections independently and, as a result, they do not necessarily reflect the analysis or opinion of the BDBR. Still, the information and analysis contained in the MPR is an important input for the BDBR's decisions. Interaction in this and the forecast process help ensure that the technical staff and the BDBR are working from the same base of information. The technical staff also independently provides a policy recommendation to the BDBR, which is held in reserve for 15 years and later published in accordance with relevant regulations. More detail on the contents of the MPR are presented in the next section.

3. **Presentations and speeches:** The Governor and other board members also provide information to the public through presentations and speeches to a wide range of audiences. The Governor is the official spokesperson of monetary policy. The individual opinions of the BDBR board members, including those of the Treasury Minister, are solely their own.
4. **BDBR reports to Congress:** In an effort to ensure accountability and in accordance with Article 5 of Law 31 of 1992, twice a year the Board of Directors presents a report to Congress in which it informs the body not just over the state of the economy and its inflation targets, but also on the administration of international reserves, the country's payments systems, and the Bank's financial status.

The reports, meetings and presentations mentioned above are available on the Central Bank's website, which is itself a key element of the Bank's communication with the public.

Academic publications produced by the Bank's team of researchers also enrich the debate and analysis related to the Colombian economy. However, these publications are not related to the Bank's official monetary policy communication objectives and do not reflect official positions of the Bank or its board.

Changes to the Monetary Policy Report (MPR)

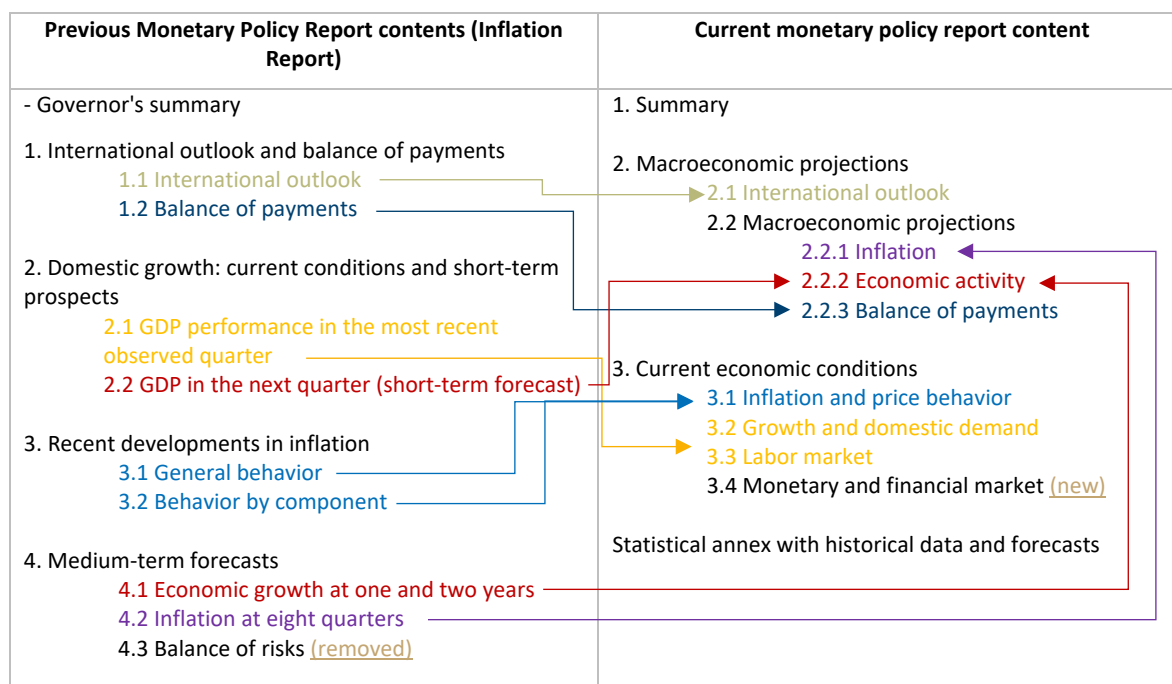
After reviewing the relevance and depth of the information presented in the MPR²², the Central Bank has made modifications to improve the quality of its content and implement best practices used by other central banks around the world. The changes, which were implemented starting in October 2019, allow for better communication of the technical

21 The main difference between the MPR that is published and the one that is presented to the BDBR is that parts of the latter are held in reserve and not made available to the public, for example the interest rate recommendation provided by the technical staff.

22 One change was to the name: The Monetary Policy Report was formerly called the Inflation Report.

staff's analysis on the current state of the economy and forecasts, while also providing more concrete and easier-to-read information. The report is now timelier and places more emphasis on macroeconomic projections. The changes in the structure to the MPR are explained in the following graph:

Graph 1. Monetary Policy Report: Old vs. New



Changes in Monetary Policy Communication

In order to improve the quality and timeliness of the information delivered by the Bank, the monetary policy communication strategy will be as follows²³:

1. The MPR will be published on the business day following the monetary policy meetings in January, April, July, and October.
2. The minutes of the BDBR's meeting will be published on the second business day following the meeting.
3. The press conference with the Treasury Minister and the Bank's Governor will remain in place, as will the publication of the corresponding press release.

²³ This strategy was approved by Internal Resolution No. 3 of 2019 (August 30. of 2019).

4. The Bank's Governor and Deputy Technical Governor will present the MPR to the public during a meeting with analysts and journalists on the Wednesday of the week following the relevant monetary policy meeting. This presentation will also be transmitted live on digital media channels.

5. In an effort to improve market understanding of the technical staff's analysis and perspectives, the MPR will include a section with a qualitative description of the differences between the policy interest rate trajectory produced in the forecast with the trajectory expected by the market.

6. Monetary policy communication tools, both aimed at the general public and for specific audiences, will continue to be developed and evaluated.

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