# LATAM Market Update

- **Colombia: BanRep keeps the MPR unchanged at 4.25%, closing 2019 with the most extended period of rate stability in history**

BanRep kept its monetary policy rate (MPR) at 4.25% in a unanimous decision, meeting market consensus. The MPR marks its twentieth month at the same level. The Board made the decision considering the transitory inflation deviation from the target and the uncertainty of a possible FX pass-through, output gap dynamics, and international uncertainty.

Central Bank staff did not change the GDP forecast for 2019 and 2020, which remains at 3.2% and 3.3%, respectively. Governor Echavarría said that recent protests had a mild impact on economic activity, for now.

Regarding the exchange rate, Echavarría explains that the FX pass-through has been low as usual, but there is some uncertainty about potential additional effects. Moreover, he emphasized that the Board is not discussing FX-intervention because they consider that international reserves are at a good level.

Current account deficit has been a concern for the central bank, but Governor Echavarría highlighted that the financing has been healthy via FDI, and international liquidity looks favourable in the foreseeable future given the recent FED guidance.

December's meeting was a non-event since the result had been amply anticipated by the market consensus. BanRep concluded the year in a passive mode; Governor Echavarría said that current macroeconomic conditions would guarantee additional months of rate stability. At Scotiabank, we expect that a rate hike will likely take place in H1-2020 in a context of a closing output gap, inflation convergence towards the 3% target, and a wider current account deficit.

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