

The Board of Directors' Report to the Congress of Colombia (March 2020)

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Please Read Me

- Check the message **Welcome greeting** published in the News Bulletin Board.
- Dear student please edit your profile uploading a photo where your face is clearly visible.
- The purpose of the virtual meetings is to answer questions and not to make a summary of the study material.
- This presentation is based on (Banco de la República 2020, Chapter 2)

Purpose

Examine an application of the macroeconomic concepts seen throughout the course.

Why read the Board of Directors' Report to the Congress of Colombia?

- The Bank of the Republic of Colombia publishes different institutional reports such as:
 - The Board of Directors' Report to the Congress of Colombia
 - Monetary Policy Report (former Inflation Report)
 - Governor's Report
 - Financial Stability Report
 - Foreign Reserve Management Report
 - Payment Systems Report

Why read the Board of Directors' Report to the Congress of Colombia?

- One way to know in general the macroeconomic environment that affects companies is the **The Board of Directors' Report to the Congress of Colombia** where by law¹ the Bank of the Republic presents to the congress the execution of monetary, exchange and credit policies, the foreign reserve management and the financial situation of the central bank.
- This report usually includes information about economic activity, the labor market, inflation, the financial sector and a balance of the external sector. The above aspects are relevant to understand the macroeconomic environment of the companies in Colombia.

¹Ley 31 de 1992, Artículo 5

Why read the Board of Directors' Report to the Congress of Colombia?

- Although there are other more detailed reports regarding certain aspects², this report gives an overview of the landscape facing Colombian companies.

²For example the **Monetary Policy Report (former Inflation Report)**, **Financial Stability Report**, **Foreign Reserve Management Report** and the **Payment Systems Report**

Variables indicated in the report and seen throughout the course

● Real GDP growth (Banco de la República 2020, p 33, table 2.1)

Cuadro 2.1
Crecimiento real anual del PIB por tipo de gasto
(corregido por estacionalidad y efectos calendario, base 2015)

	2018	2019				2019
	Año completo	I trim.	II trim.	III trim.	IV trim.	Año completo
Gasto de consumo final	3,7	4,3	4,7	4,7	4,6	4,6
Gasto de consumo final de los hogares	3,0	4,3	4,5	4,9	4,7	4,6
Bienes no durables	2,0	4,4	4,4	5,8	5,6	5,1
Bienes semidurables	3,7	4,7	5,9	6,1	6,2	5,7
Bienes durables	11,6	7,7	6,8	6,3	6,2	6,7
Servicios	2,6	3,7	4,1	4,5	3,4	3,9
Gasto de consumo final del gobierno general	7,0	2,4	5,7	4,7	4,4	4,3
Formación bruta de capital	2,1	0,1	3,8	5,4	7,7	4,3
Formación bruta de capital fijo	1,5	4,3	5,9	6,8	1,3	4,6
Vivienda	-0,4	-7,0	-8,6	-5,6	-7,6	-7,2
Otros edificios y estructuras	-3,3	1,6	6,6	6,6	3,3	4,5
Maquinaria y equipo	9,4	12,9	21,4	14,0	8,8	14,3
Recursos biológicos cultivados	5,6	4,0	2,0	1,1	-4,7	0,5
Productos de propiedad intelectual	1,5	1,3	0,9	3,3	5,0	2,6
Demanda interna	3,4	4,3	4,2	5,3	4,3	4,5
Exportaciones	0,9	4,2	6,6	1,7	0,2	3,1
Importaciones	5,8	7,4	9,4	11,6	8,2	9,2
PIB	2,5	2,8	3,6	3,4	3,4	3,3

Fuente: DANE; cálculos del Banco de la República.

Variables indicated in the report and seen throughout the course

- “Gasto de consumo final de los hogares”: \widehat{C}_t
- “Gasto de consumo final del gobierno general”: \widehat{G}_t
- “Formación Bruta de Capital”: \widehat{I}_t
- “Demand Interna”: $\widehat{C}_t + \widehat{I}_t + \widehat{G}_t$
- “Exportaciones”: \widehat{X}_t
- “Importaciones”: \widehat{IM}_t
- “PIB”³: $\widehat{Z}_t \equiv \widehat{C}_t + \widehat{I}_t + \widehat{G}_t + \widehat{X}_t - \widehat{IM}_t$

³Measure using the macroeconomic identity

Variables indicated in the report and seen throughout the course

● Real GDP growth by sectors (Banco de la República 2020, p 34, table 2.2)

Cuadro 2.2
Crecimiento real anual del PIB por ramas de actividad económica
(corregido por estacionalidad y efectos calendario, base 2015)

	2018	2019				2019
	Año completo	I trim.	II trim.	III trim.	IV trim.	Año completo
Agropecuaria, silvicultura, caza y pesca	2,4	0,4	1,5	2,1	3,9	2,0
Explotación de minas y canteras	-1,9	5,0	1,7	1,4	0,3	2,1
Industria manufacturera	1,8	1,0	2,0	1,7	1,6	1,6
Electricidad, gas y agua	2,5	2,8	3,0	2,9	2,5	2,8
Construcción	-0,4	-3,1	1,3	-2,9	-0,6	-1,3
Edificaciones	-0,6	-7,8	-4,7	-11,0	-7,1	-7,7
Obras civiles	0,4	8,9	11,5	12,3	10,1	10,7
Actividades especializadas para la construcción	-0,9	-2,9	0,8	-3,2	-2,5	-2,0
Comercio, reparación, transporte y alojamiento	2,7	4,1	4,9	5,8	4,6	4,9
Información y comunicaciones	2,9	3,3	3,8	-0,3	0,3	1,7
Actividades financieras y de seguros	3,6	6,1	4,3	8,0	4,5	5,7
Actividades inmobiliarias	2,7	3,0	3,1	2,9	2,8	3,0
Actividades profesionales, científicas y técnicas	3,8	3,5	3,6	4,0	3,7	3,7
Administración pública y defensa, educación y salud	4,6	4,0	5,0	5,0	5,6	4,9
Actividades artísticas, de entretenimiento y recreación	2,3	4,0	3,2	4,0	2,5	3,4
Subtotal valor agregado	2,5	2,8	3,6	3,2	3,2	3,2
Impuestos menos subsidios	2,9	3,6	4,0	5,1	5,5	4,6
PIB	2,5	2,8	3,6	3,4	3,4	3,3

Fuente: DANE, cálculos del Banco de la República

Variables indicated in the report and seen throughout the course

- “PIB”⁴: \hat{Y}_t which includes taxes minus subsidies, \hat{T}_t ⁵, and where 12 sectors are taking into account:

Sector
Agriculture, hunting, forestry and fishing
Mining and quarrying
Manufacturing Industries
Electricity, gas and water supply
Construction
Wholesale and retail trade, repair, transport and accommodation
Information and communication
Financial and insurance activities
Real estate activities
Professional, scientific and technical activities
Public administration and defence, education and human health
Arts, entertainment and recreation

⁴Measure as the sum of the aggregate value of companies

⁵An explanation about, \hat{T}_t , can be found in (United Nations 2004, Chapter 1, p 5, Item 1.5)

Observations about data of the Labor Market used in the report

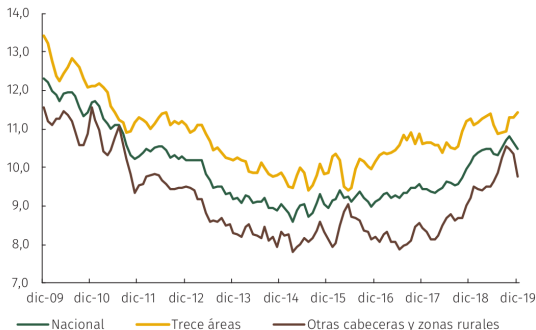
- Unemployment rate (Banco de la República 2020, p 37, plot 2.2)

Gráfico 2.2

Tasa de desempleo y de ocupación por dominios
(trimestre móvil desestacionalizado)

A. Tasa de desempleo

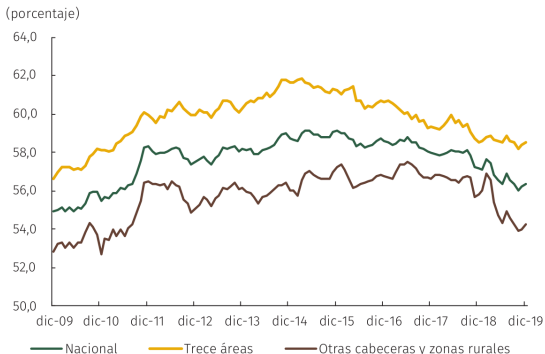
(porcentaje)



Observations about data of the Labor Market used in the report

- Employment rate (Banco de la República 2020, p 37, plot 2.2)

B. Tasa de ocupación



Fuente: DANE (GEIH); cálculos del Banco de la República.

Observations about data of the Labor Market shown in the report

- **Seasonally adjusted series** (*Serie desestacionalizada*)⁶: result of adjusting and removing from the original series the effects of the seasonal component and the calendar effect (**Holy week and holidays**) in order to make a reasonable comparison of the data between different periods.
- **Quarterly moving average** (*Trimestre Móvil*):

$$\bar{x}_{t,qma} = \frac{1}{3} \sum_{n=t-2}^t x_n$$

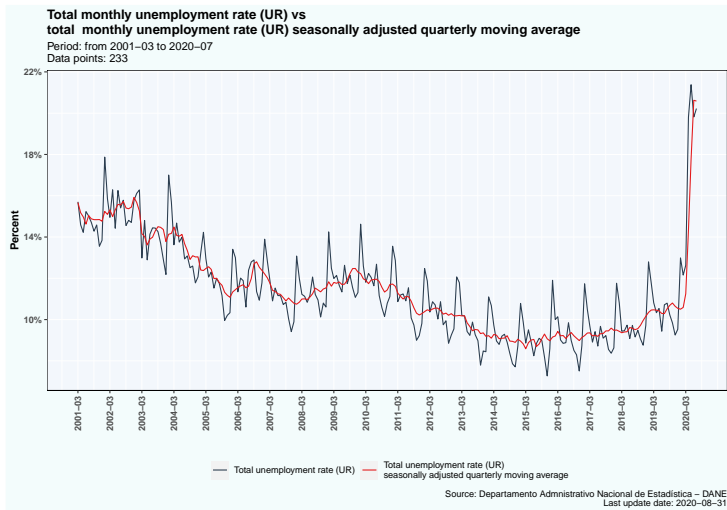
- Where x_n is monthly data.

⁶For more information about the methods used please check (Bee Dagum and Bianconcini 2016)

Observations about data of the Labor Market shown in the report

- The data used to generate **“Gráfico 2. Tasa de desempleo y de ocupación por dominios (trimestre móvil desestacionalizado)”** can be examine in:
 - <https://www.dane.gov.co/> > “Estadísticas por Tema” > Mercado Laboral > “Gran Encuesta Integrada de Hogares - GHEI -” > “Empleo y Desempleo” > “Series desestacionalizadas”

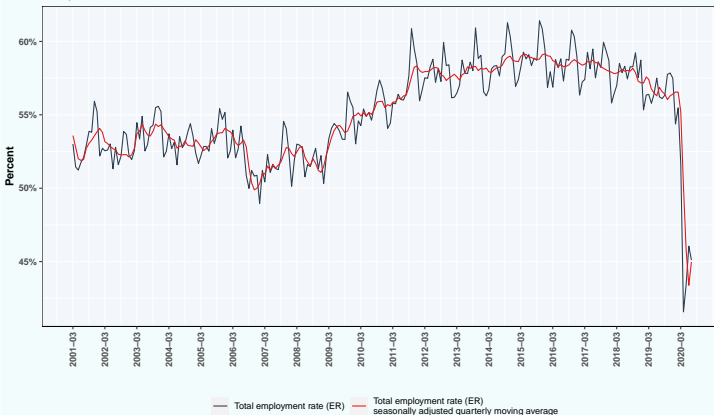
Observations about data of the Labor Market shown in the report



Observations about data of the Labor Market shown in the report

**Total monthly employment rate (ER) vs
total monthly employment rate (ER) seasonally adjusted quarterly moving average**

Period: from 2001-03 to 2020-07
Data points: 233



Source: Departamento Administrativo Nacional de Estadística - DANE
Last update date: 2020-08-31

Inflation measures mentioned in the report

● Inflation (Banco de la República 2020, p 41, table 2.3)

Cuadro 2.3
Indicadores de precios al consumidor y de inflación básica
(a febrero de 2020)

Descripción	Ponderaciones nuevo IPC ^{a/}	Dic-18	Mar-19	Jun-19	Sep-19	Oct-19	Nov-19	Dic-19	Ene-20	Feb-20
Total	100	3,18	3,21	3,43	3,82	3,86	3,84	3,80	3,62	3,72
Sin alimentos ^{b/}	76,16	3,48	3,26	3,15	3,28	3,23	3,28	3,37	3,30	3,30
Transables	19,16	1,09	0,90	1,17	1,65	1,89	2,08	2,24	2,49	2,51
No transables	42,31	3,79	3,29	3,36	3,53	3,44	3,37	3,49	3,33	3,34
Arrendios	25,16	3,42	3,16	3,06	3,03	2,80	2,76	2,68	2,70	2,68
Indexados ^{c/}	9,08	5,43	4,38	4,63	5,03	5,04	5,05	5,01	4,87	5,03
Afectados por tipo de cambio ^{d/}	6,99	3,29	2,00	3,05	3,35	3,42	3,49	4,55	3,59	3,52
Resto ^{e/}	1,08	-0,42	3,86	3,48	3,47	4,90	3,70	2,78	3,23	2,82
Regulados	14,69	6,37	6,42	5,33	4,74	4,43	4,55	4,48	4,25	4,22
a. Servicios públicos	6,69	7,47	8,80	7,01	5,61	5,51	6,23	6,02	4,90	5,93
b. Combustible	2,91	7,28	5,85	3,18	3,98	2,91	1,97	1,90	2,31	1,81
c. Transporte	5,09	4,76	4,26	4,57	4,20	3,91	3,77	3,92	4,50	3,37
Alimentos ^{f/}	23,84	2,43	3,26	4,46	5,58	5,84	5,61	5,20	4,66	5,05
Perecederos	3,15	8,88	9,98	15,46	17,50	17,28	13,59	8,66	4,11	5,36
Procesados	11,90	-0,08	1,43	2,18	3,57	4,11	4,52	5,04	5,42	6,01
Comidas fuera del hogar	8,79	3,68	3,43	3,80	4,12	4,13	4,24	4,18	3,84	3,65
Indicadores de inflación básica										
Sin Alimentos		3,48	3,26	3,15	3,28	3,23	3,28	3,37	3,30	3,30
Núcleo 20		3,23	3,09	3,28	3,51	3,53	3,46	3,42	3,36	3,25
IPC sin perecederos, ni combustibles ni servicios públicos		2,76	2,57	2,87	3,21	3,28	3,34	3,46	3,60	3,59
Inflación sin alimentos ni regulados ^{g/}		2,64	2,38	2,54	2,87	2,92	2,96	3,10	3,07	3,08
Promedio indicadores de inflación básica		3,03	2,82	2,96	3,22	3,24	3,26	3,34	3,33	3,31

a/ Ponderaciones de la nueva metodología, utilizadas para los cálculos del IPC a partir de enero de 2019.

b/ Cálculos del Banco de la República con la nueva metodología, incluye la división de alimentos y las subclases correspondientes a comidas fuera del hogar.

c/ Costos ecuación vivienda, educación, salud, seguros privados y de salud, servicios personales y otros.

d/ Muebles del hogar, turismo, senos de TV, y exámenes de laboratorio e imágenes, etc.

e/ Servicios relacionados con la diversión, juego de azar, correo y servicios bancarios, etc.

f/ Cálculos del Banco de la República con la nueva metodología, incluye la división de alimentos y las subclases correspondientes a comidas fuera del hogar.

g/ Cálculos del Banco de la República.

Fuente: DANE, cálculos realizados por el Banco de la República con clasificaciones provisionales.

Inflation measures mentioned in the report

- **Tradable inflation**

- Include domestic market products that compete with foreign products and therefore their prices are affected by external factors.

- **Non-Tradable inflation**

- Include domestic market products that do not compete abroad and their price is determined by domestic demand.

- **Regulated products inflation**

- Products whose prices have a defined regulatory framework:
 - Fuels
 - Public services
 - Some transportation services

Inflation measures mentioned in the report

- **Food inflation**

- Food prices are affected by supply factors. Therefore they are not easily predictable and are not directly affected by monetary policy decisions.

- **Core Inflation Indicators**

- Is the inflation that is directly affected by monetary policy decisions. Therefore, items with volatile prices or that are outside the control of monetary policy are excluded from the Consumer Price Index (CPI) basket like:
 - Food
 - Fuels, public services or transportation services that are regulated

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