2015 LIMA
ANNUAL MEETINGS
WORLD BANK GROUP
INTERNATIONAL MONETARY FUND

Governor's Statement No. 10

October 9, 2015

Statement by the Hon. **MAURICIO CARDENAS SANTAMARIA,**
Governor of the Bank for **COLOMBIA**

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Governor of the Bank for Colombia

We are living in unique times for the world economy, and particularly challenging ones for policy makers, especially for those of us in emerging markets.

Colombia has remained a leader in economic growth in Latin America, and a firm example of sound macroeconomic policies for emerging markets.

In the first half of this year, Colombia grew at a rate of 2.9%, in a region that is expected to grow only 0.5% this year.

On the domestic front, Colombia's economic strategy has secured a growing middle-class. In the past five years, 4.5 million Colombians, roughly the population of Ireland, came out of poverty.

Employment figures are robust. Our domestic market is and will remain the main source of our future economic growth.

We have achieved this, in order to offset the significant decline in the price of our exports.

We have understood the importance of adapting to these new circumstances, and we have done so with a strategy of resolved fiscal adjustment.

In the past two years, the government has drastically cut expenditures and raised revenues.

For the upcoming 2016 Budget, we are including explicit provisions to further curb spending, and guarantee a fiscal result consistent with our Fiscal Rule, which imposes a ceiling of 3.6% of GDP to the fiscal deficit for next year.

It has been a pragmatic and balanced response to the decline in fiscal revenues. We must bear in mind, oil rents accounted for about 20% of our fiscal revenues in 2013. And next year, they're going to be only 2.6%.

Then there is also the challenge on our external accounts. As our current account deficit has increased with the decline in exports, we have continued to allow our currency to float freely. There has been no intervention.

A 40% real depreciation of our currency in the last 12 months has been unprecedented, and has helped in our external adjustment.

Our current account deficit fell from 7% of GDP in the first quarter of this year to 5.5% in the second quarter. This transition, as we expected, did not require a major economic deceleration.

However, we depend on external sources of growth and external events affect us.

We see with great concern the manipulation of currencies with the intention of engaging in competitive devaluations. So we advocate for less intervention in foreign exchange rates.

Although we feel that capital flows will remain strong for those economies with strong fundamentals, we want to minimize the risks associated with increased interest rates by the Federal Reserve. Commitment to macroeconomic stability is our strategy in order to be prepared.

As the world economy has weakened, our commitment to free trade has only increased. Colombia has free trade agreements with 60 countries, and the idea of keeping our economy open is at the very core of our economic vision.

We advocate strongly against the idea of reviving protectionism in any way, shape or form. And that's the message we would like to deliver and see others deliver as well.

Colombia's economy has been resilient, and despite these uncertain times, there are great upsides on the horizon for us.

Earlier in September, under the leadership of President Juan Manuel Santos, the Colombian Government and FARC rebels announced that, within six months, Colombia could finally end its 50 year armed conflict.

By the most conservative estimates, peace could boost Colombia's economic growth by one percentage point per year.

Additionally, this year our 33 billion dollar road-building program, one of the most ambitious infrastructure programs in the world, is set to kick in.

We expect it will add an extra 1% of GDP growth, generating around 200,000 of jobs along the way.

All in all, we expect our growth rate to be close to 3.3% this year, similar to the world forecast, and far above the expectations for Latin America.