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## Latam Daily: Inflation Expectations Rise in Colombia

- Colombia: Citi Survey reveals higher inflation expectations and an expected policy rate between 7.5% to 8%

### COLOMBIA: CITI SURVEY REVEALS HIGHER INFLATION EXPECTATIONS AND AN EXPECTED POLICY RATE BETWEEN 7.5% TO 8%

April's Citi Survey of market analysts, which BanRep uses to assess expected inflation as well as expectations with respect to the monetary policy rate, GDP, and the COP, was published Tuesday, April 26.

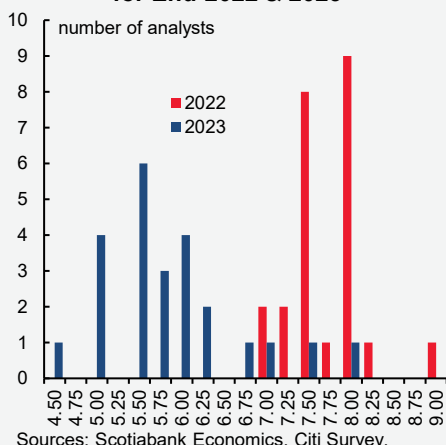
Key points include:

- Projections of economic activity still show robust growth for 2022, which is expected to hit 5.06%, close to the previous forecast (4.91%). For 2023, expected growth is 3.03% (from 2.97% in the previous survey). Growth in 2024 is expected to come in at 3.18% (previously 3.21%).
- Inflation expectations increased. The average of expectations for April inflation is 0.82% m/m and 8.77% y/y. Scotiabank Economics has the highest level of expected inflation, at 1.07% m/m and 9.04% y/y. In April, prices will reflect the reversal of the VAT holiday, further pressures on food inflation, and high utility fee increases. By the end of 2022, the consensus has inflation at 7.17%, well above the previous expectation of 6.66%. The probability that inflation closes 2023 above the central bank target range is high, with the average of expectations for year-end inflation at 4.13%.
- Ahead of the April 29 monetary policy meeting, 23 out of 24 analysts expect a 100 bps hike, while one analyst is calling for a 150 bps hike for the monetary policy rate. Meanwhile, the survey shows the monetary policy rate at 7.75% by end-2022, with expectations concentrated between 7.5% and 8% (chart 1). For end-2023, the consensus has the monetary policy rate falling to 5.50%. Scotiabank Economics anticipates a terminal policy rate for this tightening cycle of 8% in 2022, with the rate dropping to 5.5% by end-2023.
- The USDCOP forecasts point to a mild appreciation in the currency through December 2022. On average, respondents expect a level of USDCOP 3,971 by the end of 2022 (previous survey: 3,794) and 3,711 pesos by 2023.

—Sergio Olarte, Maria Mejía, & Jackeline Piraján

Chart 1

#### Colombia: Repo Rate Expectations for End-2022 & 2023



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