1. Editorial

Perspectives for world growth have increased slightly in the last quarter for the Eurozone and especially for China. In the United States, we are keeping to our forecasts of 2.3% growth this year and 2.4% in 2018. As a result, we expect to see world growth of 3.3% in 2017 and 3.4% in 2018.

In Colombia, 2017 began slowly, with growth affected by the low level of consumer confidence and sluggish public and private investment. However, we expect both investment and consumer spending to pick up in the second half of the year. In particular, consumer spending will be boosted by lower interest rates, lower inflation and improved consumer confidence, meaning that the all-time lows recorded in the first months of the year will not be seen again. Private consumer spending will grow 2% in 2017 and 2.6% in 2018, at rates very similar to those we forecast for GDP growth.

Investment will continue to be the variable that sustains faster economic growth, moving forward. Growth will recover from -3.6% in 2016 to +2.4% in 2017 and +3.8% in 2018. Public investment will speed up with the implementation of a number of 4G infrastructure programmes. It will gradually increase as the projects come online and there is greater activity by regional governments in 2017 and 2018 compared to the levels recorded in 2016 – the first year of local government. Private investment will also accelerate, albeit at a slower rate than the public side. This will be due to the higher investment levels we expect to see in the agricultural, industrial and mining sectors, which will benefit from lower interest rates and the incentives introduced through tax reforms affecting the purchase of capital goods.

Annual consumer inflation will continue to fall to the forecast level of 4.1% at the close of 2017 and 3.4% at the close of 2018. Key to this process will be the drop in the annual variation in food prices over a large part of 2017 and the expected evolution of the dollar exchange rate. In particular, we expect to see the exchange rate remain relatively stable with an average appreciation of around 3% in 2017 and a devaluation of 1% in 2018, which will contribute to an ongoing moderation in consumer good price variations.

Banco de la República – the Colombian Central Bank – will continue to cut its monetary policy rate, taking it to 5.5% at the close of this year and 5% at the close of 2018. The weakness of the economy, growth at below potential level and the downward inflationary trend will open up space that ensures that monetary policy cuts will continue throughout this year. It should be noted that we expect to see gradual cuts to these rates as the Central Bank remains vigilant that inflation forecasts converge with the target figure of 3%, something which has not yet occurred.

The origins of the main risks facing the economy are of an idiosyncratic nature, related to the greater-than-expected delay in public and private investment decision making. These delays may in turn have an impact on the labour market and on private consumer spending, affecting not only short-term growth but also the potential growth of the in the medium term.