## CENTRAL BANK POLICY RATE

In December 2022, the Board of Directors of the Central Bank increased the intervention rate by 100 bps to 12,0%. The next meeting of the Board of Directors, in which a monetary policy decision will be announced, will take place on January 27, 2023.

For January 2023, analysts expect the rate to increase to 13,0% at the end of the month and stay at 13,0% for April 2023. Finally, they anticipate a reduction throughout 2023 to 10,50% in December (vs. 9,00% in the previous edition), reaching 10,0% in January 2024 (Graph 1).

### Graph 1. Central Bank interest rate
(%)
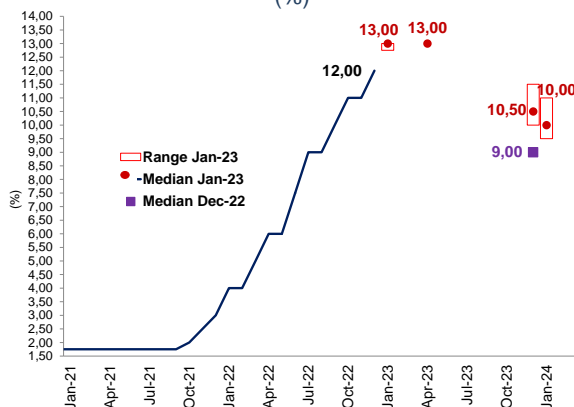
Source: Financial Opinion Survey, Fedesarrollo - BVC

ECONOMIC GROWTH

In January, the economic growth forecast for 2022 ranges between 7,8% and 8,1%, with 8,0% as median response (8,0% in the previous FOS) (Graph 2). **The economic growth forecast for 2023 was at 1,5%, ranging between 1,0% and 2,0%.**

Expectations for fourth quarter 2022 growth ranged between 3,6% and 5,0% with 4,3% as the median response (4,0% in the previous FOS). **On the other hand, analysts expect the first quarter's economic growth to be 2,5%** (Graph 3).

Graph 2. GDP annual growth forecast-2022 and 2023
(Annual Change, %)
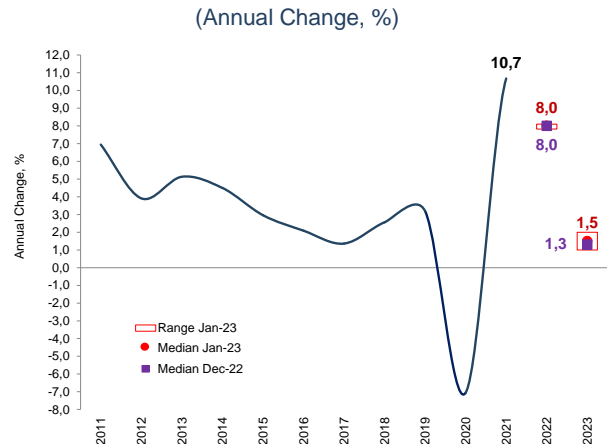
Source: Financial Opinion Survey, Fedesarrollo - BVC

Graph 3. GDP growth forecast – fourth quarter 2022 and first quarter 2023
(Annual Change, %)
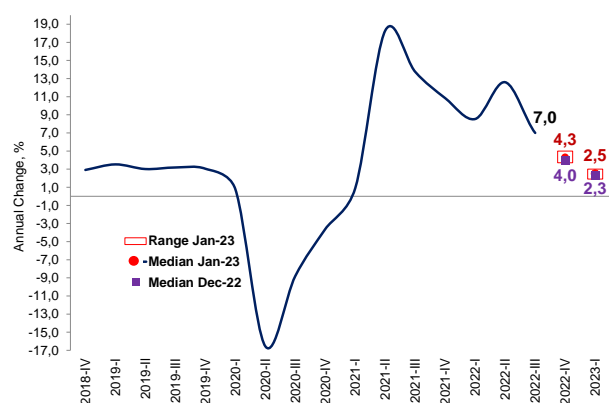
Source: Financial Opinion Survey, Fedesarrollo - BVC

INFLATION

In December, the annual inflation reached 13,12%, above the analysts forecast in the previous edition (12,66%). **In January, the analysts expect inflation to reach 13,36% (in a range between 13,03% and 13,66%)** (Graph 4)**, which means that inflation expectations remain above the target range (2,0% to 4,0%) of the Central Bank.**

On the other hand, **the experts foresee that the inflation at the end of 2023 will reach the value of 8,89% (in a range between 8,50% and 9,96%). This means that the prediction made at this edition is higher than the one made on the previous month (7,64%).**

Graph 4. Inflation forecast
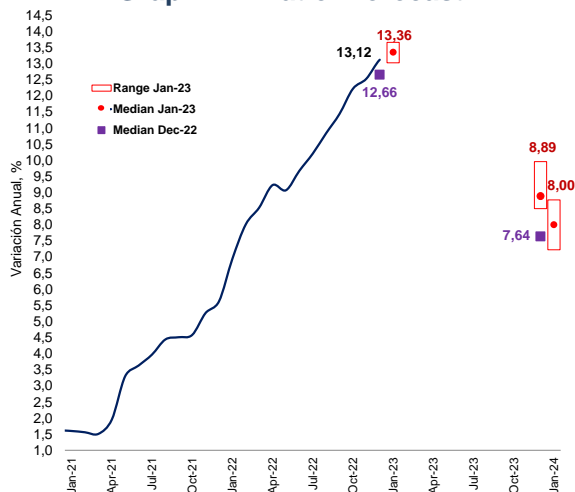
Source: Financial Opinion Survey, Fedesarrollo - BVC

Particularly, 9,4% expects it to be between 11,5%-12,0%, 53,1% projects it amidst 12,0%-13,0%, 34,4% considers between 13,0%-14,0% and 3,1% expects it above 14,0% (Graph 6).

For TES maturing in 2032, **15,6% projects it to be between 10,5%-11,0%, 15,6% expects it to be amidst 11,5%-12,0%, 25,0% locate it to be between 12,5%-13,0%, 18,8% establish it amidst 13,5%-14,0%, and 3,1% considers a rate more than 14,0%** (Graph 7).

Graph 6. Expectation of TES 2028 performance rate within 3 months
(% of answers)

Source: Financial Opinion Survey, Fedesarrollo – BVC

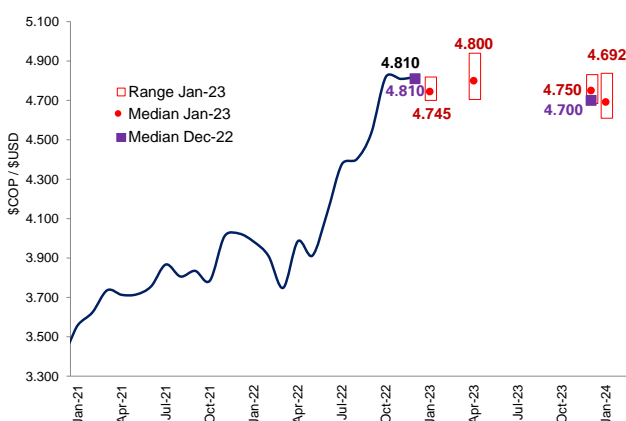### Graph 7. Expectation of TES 2032 performance rate within 3 months
(% of answers)
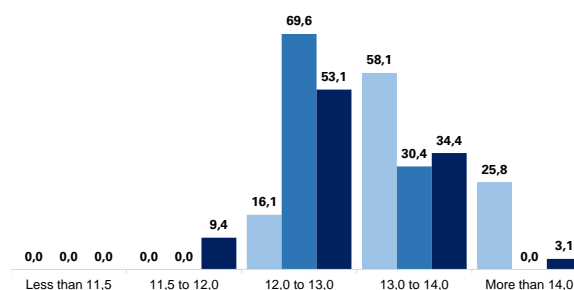
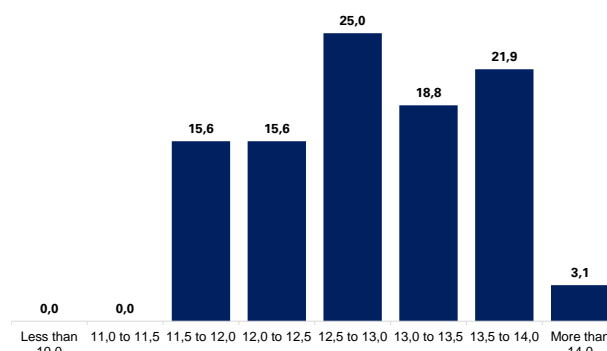Source: Financial Opinion Survey, Fedesarrollo - BVC

EXCHANGE RATE

In December, the exchange rate closed at $4.810,20 with a monthly depreciation of 0,01%. On December 13 it reached a maximum value of $4.836,24 pesos per dollar and on December 27 it reached a minimum value of $4.745,04 pesos per dollar. **The exchange rate forecast by the end of the month ranges between $4.700 and $4.819, with $4.745 as median response** (Graph 5). **For the end of 2023, analysts expect it to be at $4.750, higher than the previous month ($4.700)**.

Graph 5. Exchange rate - end of period

Source: Financial Opinion Survey, Fedesarrollo – BVC

TES 2028 and 2032 RATE

In this edition, the percentage of analysts who considers that **the interest rate on the treasury bonds maturing in 2028 will be higher than 11,5% in three months are 100,0% (the same as the previous month).**

DEBT SPREAD – EMBI G COLOMBIA

The debt spread (EMBI G Colombia)[1] closed at 369-bps in December. **In January 28,1% of the analysts** (15,3-pps less than the previous FOS) **expects the spread to increase in the next three months, while 40,6%** (10,2-pps plus than previous FOS) **expects it to decrease. The remaining 31,3% of the respondents expects for the spread to**

[1] The debt spread (EMBI G Colombia) is defined as the difference between the yield of Colombian bonds issued abroad and the yield of American treasury securities.

remain equal (5,2-pps plus than the previous FOS) (Graph 8).

Graph 8. Expectation 3-months debt spread
(% of answers)

■ Dec-22 ■ Jan-23
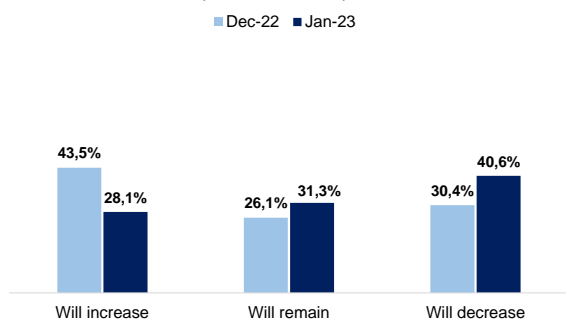
Source: Financial Opinion Survey, Fedesarrollo - BVC

INVESTMENT DETERMINANTS

In this edition, economic growth ranks as the most important aspect considered for investing decisions, reaching 22,6% of participation (vs. 22,7% in the previous month)**.** The monetary policy placed second with 22,6% (vs. 18,2% in the previous month). This was followed by fiscal policy with 19,4% (vs. 31,8% in the previous month) and sociopolitical conditions with 19,4% (vs. 18,2% in the previous month). External factors and other factors regained importance, rising from 4,5% to 9,7% and from 4,5% to 6,5%, respectively. Finally, security conditions are not relevant reasons for analysts (Graph 9).

Graph 9. Most relevant factors for investment decisions
(% of answers)

■ Dec-22 ■ Jan-23
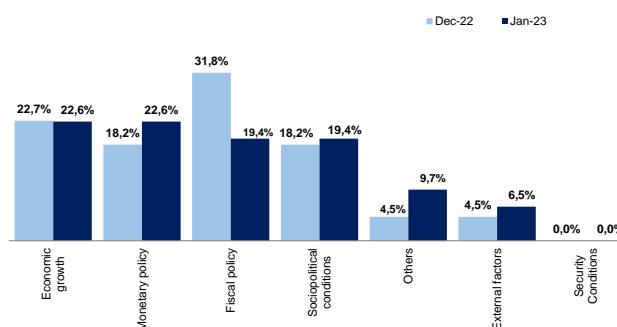
Source: Financial Opinion Survey, Fedesarrollo – BVC

INVESTMENT PREFERENCES

Compared to December 2022, **portfolio managers increased their preferences local and international stocks, private equity funds, commodities, and UVR and fixed rate TES.** In contrast, there is evidence of a deterioration in preferences for foreign bonds, cash, and private debt indexed to IBR, DTF, IPC and fixed rate. (Graph 10).

Graph 10. Projection of positions in the next 3 months for different assets
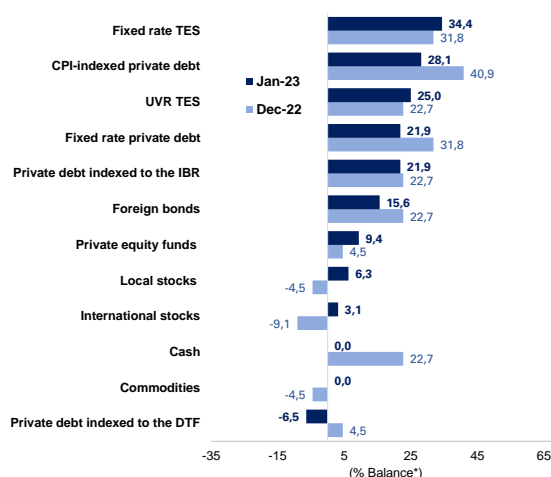
*Balance: % of respondents who will increase their position minus% of respondents that will decrease their position
Source: Financial Opinion Survey, Fedesarrollo – BVC
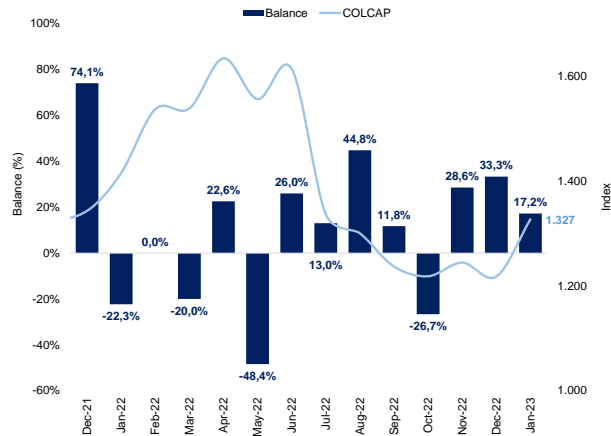
MSCI COLCAP

The MSCI COLCAP index is a market-capitalization weighted index that reflects price changes on the most liquid stocks listed in the Colombia's stock exchange. **In January, the 58,6% of the analysts** (vs. 66,7% in the previous FOS) **expects a valuation of the index within three months** (Table 1), **while the remaining 41,4% of the analysts expects the index to devaluate** (vs. 33,3% in the previous FOS).

Table 1. Expectations about the MSCI COLCAP index price at 3 months
(% of answers)

Index COLCAP Price Level	December 2022	January 2023
Will increase 10% or more	4,8%	0,0%
Will increase between 5% and 9,99%	23,8%	20,7%
Will increase between 0,01% and 4,99%	38,1%	37,9%
Will remain	0,0%	0,0%
Will decrease between 0,01% and 4,99%	14,3%	27,6%
Will decrease between 5% and 9,99%	19,0%	10,3%
Will decrease between 10% or more	0,0%	3,4%

Source: Financial Opinion Survey, Fedesarrollo – BVC

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## Graph 11. Balance on the price of the MSCI COLCAP index 3 months*
(% of answers)

Source: Financial Opinion Survey, Fedesarrollo – BVC
* Balance: % of respondents expecting a valuation minus % of respondents expecting a devaluation. The calculations use the index corresponding to the day on which the EOF was enabled.

MOST ATTRACTIVE COLCAP SHARES

The FOS inquires the analysts for the most attractive stocks compounding the MSCI COLCAP index. **In January, the stock of Ecopetrol was ranked in the first place with 55,6%. It was followed by Bancolombia's stock (33,3%) and Bancolombia's preferential stock (22,2%)** (Graph 12).

Graph 12. More attractive MSCI COLCAP stocks for investors
(% of the respondents who consider the stock as one of the three more attractive)
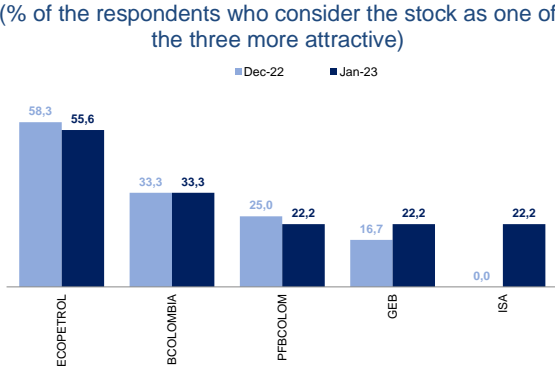
Source: Financial Opinion Survey, Fedesarrollo – BVC

Compared to the last month, there is greater appetite among respondents for shares of financial, oil, energy and holdings (Graph 13).

Graph 13. Most attractive MSCI COLCAP sectors for investors
(% of the respondents who consider the stock as one of the three most attractive)
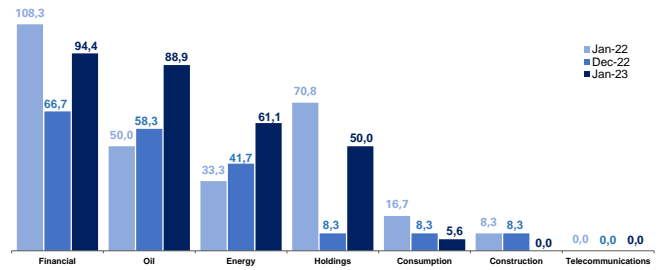
Source: Financial Opinion Survey, Fedesarrollo – BVC

RISK COVERAGE

The FOS inquires portfolio managers about the types of risk for which they plan to hedge against, in the next three months. **In January, 53,1% of the respondents** (34,4% in December) **were planning to hedge against the exchange rate in the short term** (Graph 14)**. The percentage of managers who expect to hedge against the interest rate is 37,5% and 21,9% against inflation** (21,9% and 12,5% in December, respectively).

Graph 14. Coverage of the different types of risk for the next 3 months
(% of answers)
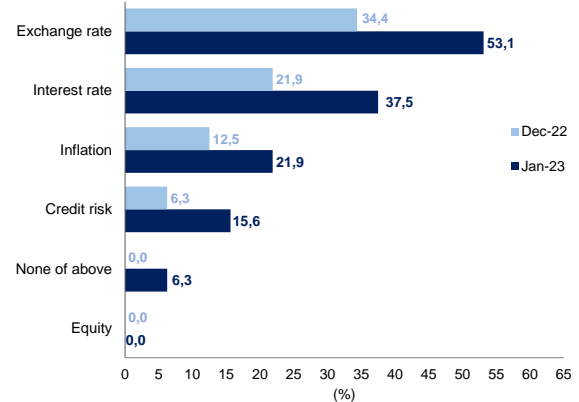
Source: Financial Opinion Survey, Fedesarrollo – BVC

Table 2. Summary of the Macroeconomic Expectations

Variable	Temporality	Observed	Forecast (Median of answers)	
		Dec-22	Dec-22	Jan-23
Inflation (Annual variation, %)	End of month	13,12	12,66	13,36
	End of year 2023		7,64	8,89
Exchange rate ($)	End of month	4.810	4.810	4.745
	End of year 2023		4.700	4.750
Monetary policy interest rate (%)	End of month	12,00	12,00	13,00
	End of year 2023		9,00	10,50
Growth (%)*	IVQ-2022		4,0	4,3
	IQ-2023		2,3	2,5
	2022		8,0	8,0
	2023		1,3	1,5

Source: Financial Opinion Survey – BVC
* Original series

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