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An analysis of the economic and fiscal challenges 2022-2023 indicates that economic growth at the end of 2022 will be close to 7%, the interest rate at 12.3%, inflation at 12.5% and the exchange rate at 4,750 pesos



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An inescapable constitutional commitment to **fiscal sustainability and economic growth** are the main **economic challenges** that the administration of President **Gustavo Petro must take on**, after clearing the financial path for this year and 2023, with the approvals of the **Budget Law and the tax reform**.

This was stated by the professor of Public Finance and Budget of the Faculty of Jurisprudence of the Universidad del Rosario, **Henry Amorocho**, when analyzing the economic and fiscal challenges 2022-2023.

Amorocho explained that, in order to honor the criteria of fiscal sustainability, it is necessary for the State as a whole to initiate dialogues to avoid **volatility and speculation in the dollar**, supported by the application of the principle of macroeconomic coherence that contemplates coordination between the **Banco de la República and the national government** in terms of monetary and fiscal goals, for which it is expected that rates will begin to drop **of interest and immediately inflation stabilizes** at the end of the first quarter of next year.

"The Banco de la República must demonstrate the muscle it has, as a monetary authority, so that through persuasive control it does not allow subnormal forces of the economy to continue influencing the speculative devaluation of the exchange rate, which ostensibly harms the productive activity and the aggregate demand of Colombians", indicated the academic.

In his opinion, it is also necessary to have a grounded discussion of the increase in the **minimum wage** by 2023, using inflation as a reference for **indexation** basic.

Regarding economic growth, Amorocho explained: if the outlook for an economy that on various fronts shows promising signs such as the **increase in non-oil exports in about 23%**, as well as international reserves, foreign direct investment and remittances, it is necessary to have a clear path of **public investment** that does not allow economic growth to fall below 2.8% in 2023, despite the lower estimates than it has been calculating the **Banco de la República, the International Monetary Fund (IMF), the OECD and the World Bank**.

"It is expected that the State will strengthen the agricultural and manufacturing sector with the announced subsidies for fertilizers and the zero tariff for agricultural inputs and also with a comprehensive policy of support for minor exports with financing encrypted in the additional budget that, together with the National Development Plan, it will be processed in the legislature as of February 2023", commented the professor.

Signals for the national and international market

In his analysis of the fiscal challenges and economic challenges 2022-2023, Amorocho pointed out that, despite the approval of the tax reform, the socialization and debate became critical and left a confusing panorama in the national economic scenario and in international markets.

He highlighted the emotional component that was generated by statements that were out of a technical tone, such as those of the **industrial guild**, which stated that **businessmen would have a 60% tax burden**, before which the Minister of Finance, **José Antonio Ocampo**, with official figures, showed that it was 30%.

He also said that the Government calmed the storm of the crisis in the mining-energy sector by give continuity to the **Presidency of Ecopetrol** and generate kind signals, although not forceful, regarding the suspension or not of the execution of **new oil exploration and exploitation contracts**. p>

"This generated uncertainty and speculation in the exchange market, which kept the dollar over devalued in October and part of November at around 4,600 pesos due to its overbought. The currency goes through successive days of abrupt downward and upward volatility movements that keep it at around 4,900 pesos. It is expected to continue going down and up until reaching a behavior close to 4,750 pesos at the end of December 2022", indicated Amorocho.

Closing of economic variables

In the analysis, Amorocho pointed out that **economic growth** lost momentum. According to him, the growth of 7% in the **third quarter of this year** is indicative that **consumption is beginning to lag** due to a continuous increase in the **interest rate** which translates into a **slowdown in growth**, as recorded in August with a behavior of 9% and in September with 4.2%.

“The decline in household consumption, which fell by a nominal 2.2%, has been one of the consequences of constantly facing inflation with interest rates and without actions that lead to promoting production in the different sectors of the Colombian economy. In addition, consumption is also affected by the triptych of inflation, devaluation and the decrease in the demand for credit”, affirmed the university professor.

For the expert in Public Finance and Budget, Given the behavior of the economic variables analyzed and an active and adequate execution of the budget and public policy of the State, economic growth is expected at the end of 2022 close to 7%, an interest rate close to 12.3%, inflation of 12.5%, an exchange rate close to 4,750 pesos, projected growth of 2.8% with inflation of 7% for 2023 and a decrease in the fiscal deficit of close to 5 % of gross domestic product (GDP) without fuel funds.

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