

Agree to disagree – dissenting votes in monetary policy decisions in LatAm

- ▶ A common feature of committee-based monetary policy decisions relates to voting patterns. This report digs deeper into divided monetary policy decisions in inflation targeters in LatAm, using the Fed and the BoE as benchmarks. Within the region, BanRep has the highest share of divided decisions within our sample at 61%, above Banxico (27%), the BCB (15%), and the BCCh (9%). Considering the 1970s and 1990s period, roughly half of the decisions at the Fed and BoE had at least one dissenting vote. BanRep also has the highest share of dovish dissenters, with more than half of the minority votes favoring larger cuts or smaller hikes, likely to reflect differing governance and institutional characteristics. Banxico and BCCh have shown no clear bias among dissenting votes, while the BCB has a modest hawkish tilt, particularly during the 2009-12 period.
- ▶ On average, nearly 30% of all dissenting votes in our sample predict the next policy rate move, suggesting limited predictive information from dissents. This pattern holds for all analyzed central banks, both LatAm and DM, except for Chile, possibly due to its lower share of dissenting episodes (only 23 out of 258 meetings).

This report is part of a series of Macro Visions on monetary policy in LatAm¹. A key characteristic of modern inflation targeting regimes tends to be committee-based policy decision-making, in contrast to the single-based decision-making of earlier decades. The collective deliberation process is, in principle, strengthened by the diversity of views, particularly important in a process that is conducted under important degrees of uncertainty. In this context, committee decisions are not always unanimous, and dissents may communicate relevant information.

Along these lines, in this report, we focus on dissenting votes in monetary policy decisions in major LatAm inflation targeters. We account for a divided decision as one in which at least one board member publicly votes against the prevailing monetary policy rate decision, as reported by the respective statement or minutes. We analyze data from the Central Banks of Brazil (BCB), Mexico (Banxico), Chile (BCCh), and Colombia (BanRep).² Data on the Federal Reserve (Fed) and the Bank of England (BoE) decisions are presented for comparison.

Within the region, BanRep has the highest share of dissenting votes: 61% of all decisions are not unanimous, compared to 27% for Banxico, 15% for BCB, and only 9% for BCCh. Roughly half of the decisions at the Fed and BoE have at least one dissenting vote. BanRep also has the highest share of dovish dissenters, with more than half of the minority votes favoring larger cuts or smaller hikes, particularly in recent years. Specifically, 35% of all BanRep decisions have dovish dissents, while 21% are hawkish dissents, and the remaining 5% are mixed, meaning some members voted more dovish than the decision while others were at the hawkish end. Banxico and BCCh have shown no clear bias among dissenting votes, while the BCB has a modest hawkish tilt, particularly during the 2009-12 period.

Most importantly, a dissenting vote offers little to no predictive power regarding the next steps in monetary policy. On average, close to 30% of all dissenting votes indicate the next move for the policy rate, whether a dovish or hawkish turn. This pattern holds for all analyzed central banks, both LatAm and developed markets (DM), except for Chile, although their share of dissents is also smaller than others (only 23 out of 258 meetings in our sample).

¹ Available at <https://www.itaub.com.br/itaubba-pt/analises-economicas/latam>.

² The Central Bank of Peru, also an inflation targeter, was not included in our analysis since the institution only announces the final decision (not reporting whether it was unanimous or divided).

Dissenting votes in monetary policy decisions in LatAm

This section presents voting information for Central Banks (CBs) in LatAm.³ Data on the Fed and BoE decisions are presented for comparison (see table below).

Central bank	Sample	#board members	#meetings	% meetings on hold	% meetings with policy rate changes	% hikes	% cuts	% dissenting votes	% 1 dissent vote	% 2 dissent votes	% >2 dissent votes	% dissent dovish vote*	% dissent hawkish vote	% dissent "mixed" vote †
Fed	Jan71-Jun25	12	495	59%	41%	22%	19%	40%	26%	9%	5%	11%	25%	4%
BoE	Jun97-Jun25	9	305	78%	22%	11%	11%	50%	21%	16%	13%	23%	23%	4%
BCB	Jan03-Jun25	9	192	33%	67%	30%	36%	15%	1%	7%	7%	6%	9%	-
Banxico	Jan11-Jun25	5	117	53%	47%	26%	21%	27%	21%	7%	-	15%	13%	-
BCCh	Aug01-Jun25	5	258	62%	38%	20%	18%	9%	6%	3%	-	4%	5%	0.4%
BanRep	Aug16-Jun25	7	80	46%	54%	18%	36%	61%	8%	35%	19%	35%	21%	5%

Source: Fed, BoE, BCB, Banxico, BCCh, BanRep and Itaú

we only consider dovish/hawkish votes for the policy rate (not for the forward guidance, discount rate, quantitative programs, and other decisions)

**no info for BCB Jan04

† both dovish and hawkish dissenting votes

Data has been available since the 1970s for the US and the late 1990s for the UK, while LatAm data is more recent, beginning in mid-2001 for Chile and 2016 for Colombia. It is worth mentioning that dissenting votes are more likely to occur within larger boards, with the sample ranging from twelve voting members at the Fed to five in Mexico and Chile. The study focuses only on whether a monetary policy decision was unanimous or not, regardless of which board members dissented, the order in which voting took place in the meetings, and other decisions within the scope of the meeting, such as unconventional monetary policy, for instance. While central banks in our sample currently hold eight monetary policy meetings per year, some transitioned from monthly meetings within our sample (Chile), which the frequency maybe influencing the incentive to dissent.

The table above presents the share of divided decisions, breaking them down by the number of dissenters (ranging from 1 to more than 2 members) and categorizing them as dovish, hawkish or “mixed” dissent. A dovish dissent is classified as a vote for a larger cut or smaller hike (or even a on hold during a hiking cycle), while a hawkish dissent is the opposite. A “mixed” minority occurs when some members vote more dovish and others more hawkish than the majority decision. The table also shows the share of monetary policy decisions that involved changes in the current policy rate, indicating whether it was a cut or a hike, to provide more information about the profile of each CB.

Looking at the DM benchmark, we notice that in 40% of all monetary policy decisions at the Fed there was a dissenting vote (26% with only one member) with a bias toward the hawkish side, especially during the 2010-13 period, when policy reached the effective lower bound. The BoE has a 50% incidence of divided decisions, split almost evenly between dovish and hawkish dissents, with a smaller share of “mixed” votes; the greater presence of dissident voting at the BoE may represent the committee’s composition with both internal and external voting members.

Moving to LatAm, BanRep stands out due to the frequency of divided decisions: 61% of all decisions have at least one dissenting vote (8% have one, 35% have two, and the remaining 19% have more than two members voting against the prevailing majority). Additionally, there is a clear dovish bias, with more than half of the decisions favoring larger cuts or smaller hikes, particularly in recent years. The frequency of divided monetary policy decisions is likely associated with differing characteristics of BanRep’s governance and institutional framework. Importantly, even though BanRep is independent, the Minister of Finance of Colombia is a voting member in monetary policy decisions, the only case in our sample. Second, in contrast to regional peers, BanRep’s monetary policy report is signed by the technical staff, not necessarily endorsed by the board. In doing so, there may be

³ Special thanks to the LatAm Macro team who helped organize the historical database about the decisions for all Central Banks.

disagreements among board members with respect to the appropriate monetary policy path in BanRep's forecasts to ensure inflation convergence at the policy horizon⁴.

Slightly less than a third (27%) of Banxico's meetings are divided, also with no clear bias toward the dovish or hawkish side.

In Brazil, dissents occurred in 15% of all decisions in our sample, with most involving two or more members voting against the prevailing decision. Historically, the BCB has shown modest bias toward hawkish dissents, particularly during the 2009-12 period.

Finally, the BCCh has the lowest frequency of divided decisions in our sample at only 9%, split between dovish and hawkish twists. A visual inspection of BCCh dissents over time suggests these are more likely to take place towards the beginning or end of cycles, potentially implying tactical differences in preferences across board members. The annex presents graphs of the time series of all monetary policy decisions for the CBs in our sample.

Dissenting votes offer little to no predictability regarding the next monetary policy decisions

On average, nearly 30% of all dissenting votes in our sample predict the next move policy rate move. We capture this by analyzing whether a hawkish/dovish dissent leads to a larger hike or smaller cut/larger cut or smaller hike in the following meeting for each CB. This pattern holds for all Central Banks analyzed, both LatAm and DM, except for Chile in which 65% of the dissents anticipated the next policy decision. However, Chile's share of dissents is smaller than others, with only 23 out of 258 meetings in our sample, which can introduce some bias to the exercise.

Central bank	% meetings with dissenting votes	Dissent vote anticipated next move? %
Fed	40%	29%
BoE	50%	33%
BCB	15%	36%
Banxico	27%	34%
BCCh	9%	65%
BanRep	61%	31%

Source: Fed, BoE, BCB, Banxico, BCCh, BanRep and Itaú

While the lack of unanimity shows some disagreement among board members, it does not necessarily provide information about the next decision. A lot can happen between meetings, and a dissenting vote is not necessarily a good indicator that the board will change its direction in the next decision.

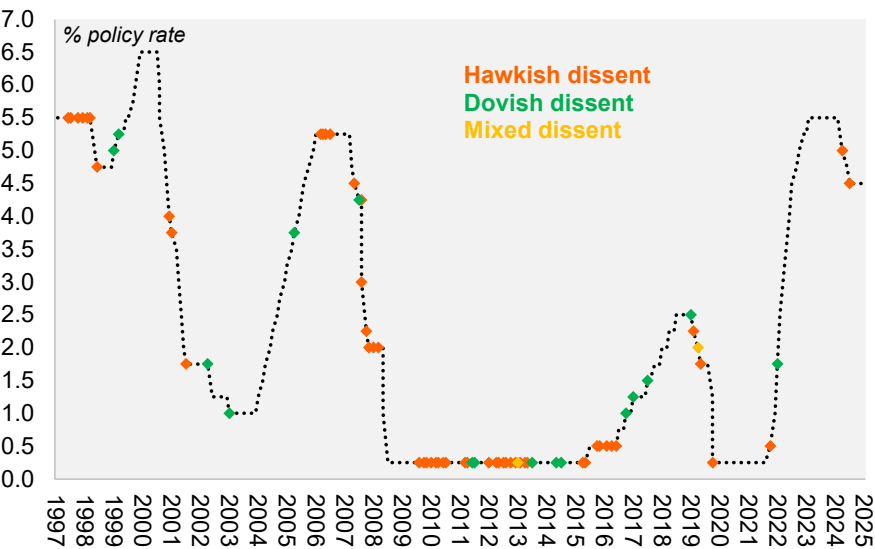
⁴ For comparison purposes, we also analyze all CBs using the same sample period (Aug16-June25). The results are largely consistent, except for the Fed and BCB, both of which have fewer divided decisions. Dissenting votes for DMs occur in 19% of meetings for the Fed and 57% for the BoE (compared to 40% and 50% when using the entire sample), which should not be a surprise considering the presence of external members in the latter. BCB has had a greater share of unanimous decisions since 2016, with only 4% of meetings having dissenting votes in the adjusted sample. For Banxico and BCCh the share of meetings with dissenting votes remains relatively close, at 34% and 12%, respectively (vs 27% and 9%).

Final remarks

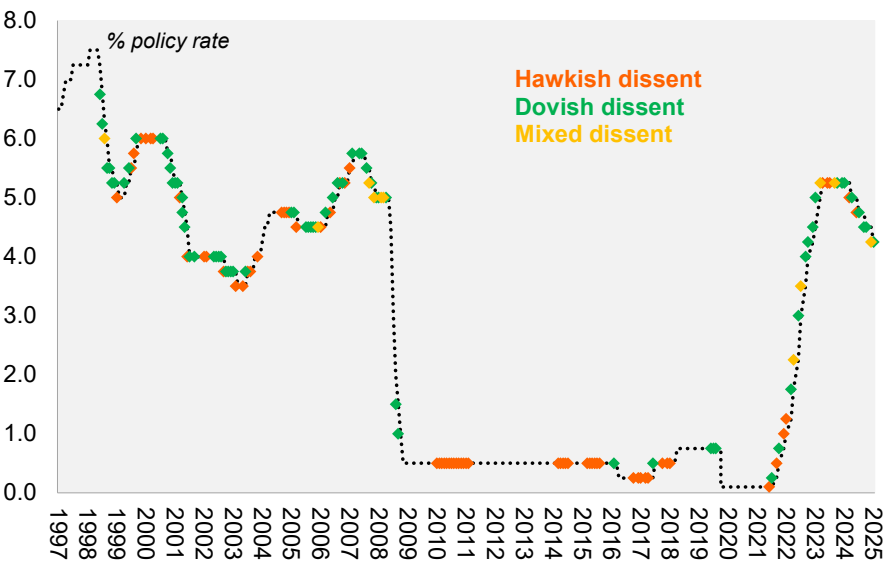
This report is part of a series of Macro Visions on monetary policy in LatAm. Here, we focus on accounting for the role of dissenting votes, their bias towards dovish or hawkish decisions, and whether they can provide insights into the next monetary policy decision. BanRep has the greatest share of divided decisions (61% of all meetings in our sample), with a dovish bias, likely to reflect differing governance and institutional characteristics, including the participation of the Minister of Finance as a voting member on the committee, the only case in our sample. The BCCh, BCB and Banxico have substantially fewer dissenting votes (9%, 15% and 27% in order) with a hawkish tilt in the BCB minority and no clear bias for Chile or Mexico. Most importantly, a dissenting vote does not help us predict the next policy rate move, except for Chile.

ANNEX

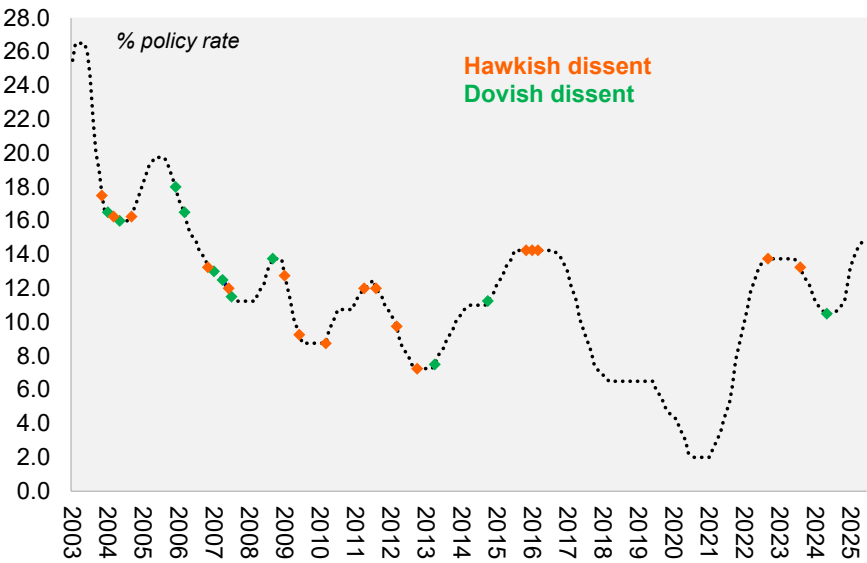
Fed - meetings with dissent votes



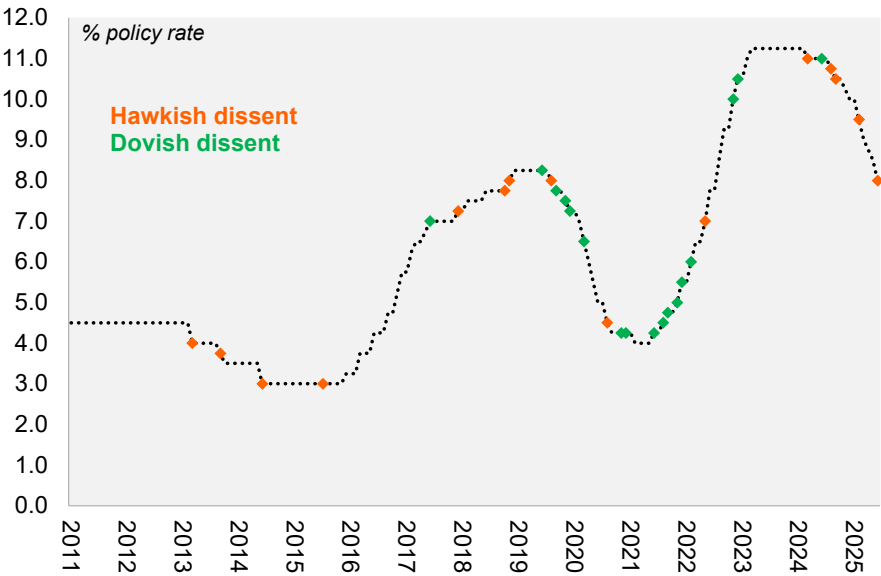
BoE - meetings with dissent votes



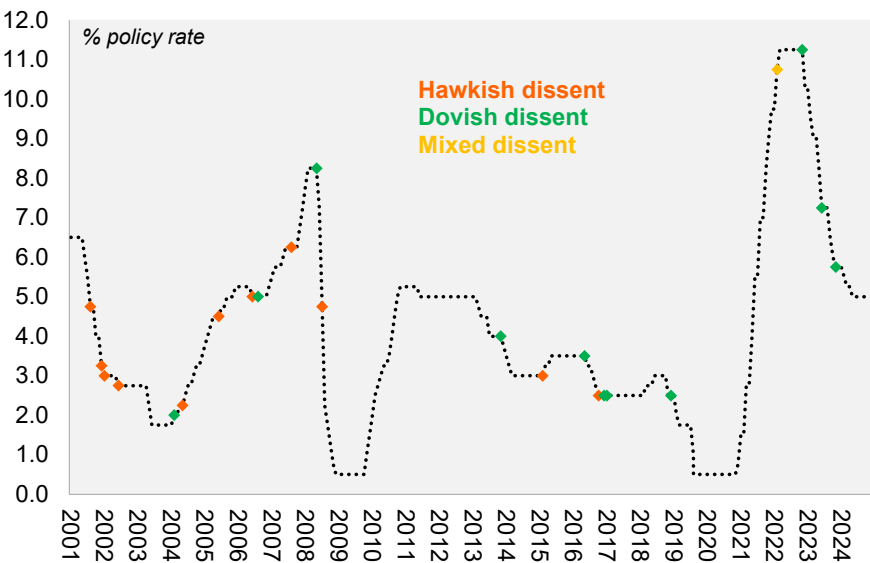
BCB - meetings with dissent votes



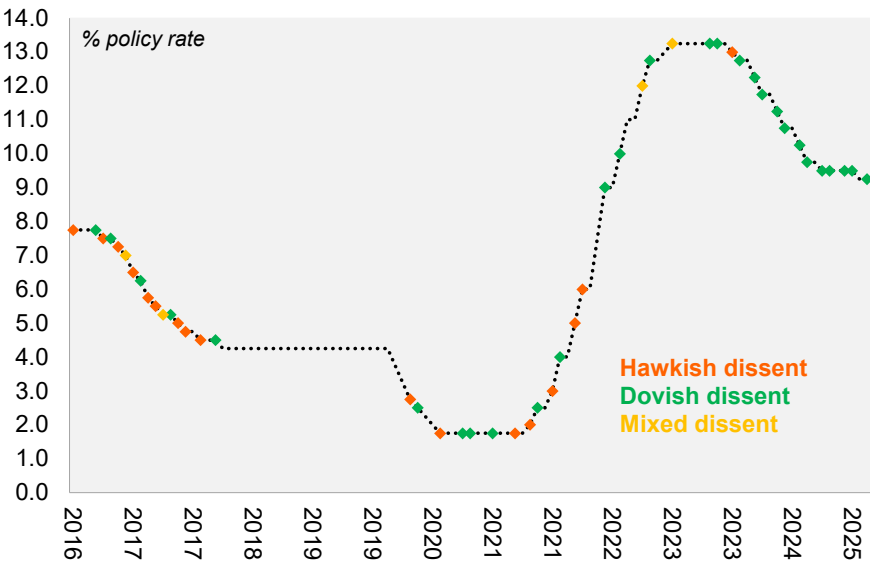
Banxico - meetings with dissent votes



Bcch - meetings with dissent votes



BanRep - meetings with dissent votes



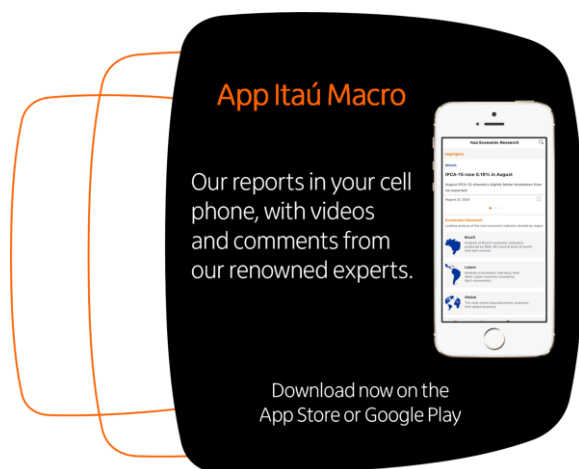
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