

---

## Must reads

### [Banco de la Republica raises the benchmark interest rate 25 basis points](#)

A regular meeting of the Board of Directors of Banco de la República was held in the city of Bogotá D.C. on April 25, 2014. In attendance were Mr. Mauricio Cárdenas Santamaría, Minister of Finance and Public Credit, Mr. José Darío Uribe Escobar, Governor and Managing Director of Banco de la República, and the Board Members Carlos Gustavo Cano Sanz, Ana Fernanda Maiguashca Olano, Adolfo Enrique Meisel Roca, César Vallejo Mejía and Juan Pablo Zárate Perdomo.

These minutes contain a summary of inflation, economic growth and their prospects for the future, which was prepared by the Bank's technical staff (Section 1), in addition to a review of the key deliberations and policy options considered by the Board of Directors (Section 2).

## 1. INFLATION AND ECONOMIC GROWTH

### a. Recent Developments in Inflation

In March 2014, annual consumer inflation rose again for the fourth month in a row. The amount reported was also seen in the prices for food and regulated items although a slight rise in the basket of tradables

in the basket of food and the annual change closed the month at 2.8% (1.5% higher than in February). The acceleration of the peso year. The rises in the prices for processed food would be associated with the low

Within the GBI excluding food (2.6% annually), February was more than last month, the main upward pressures in this case, it was mainly the result of a new surge in food prices (the increase in the index was 2.5%), but in

The annual change in the GBI for tradables excluding food and regulated items (1.6%) showed a slight increase, which dropped slightly and the upticks seen in the previous two months. The annual change for

The average for the four indicators of core inflation monitored by the Banco de la República was at year 2.7%, and the three have been high in recent months. The annual change in the GBI for tradables excluding food and regulated items (1.6%) showed a slight increase, which dropped slightly and the upticks seen in the previous two months. The annual change for

The annual change in the GBI was up for the fifth consecutive month and came to 2.6% (annual change for tradables excluding food and regulated items (1.6%) showed a slight increase, which dropped slightly and the upticks seen in the previous two months. The annual change for

Inflation expectations continued their gradual rise. According to the monthly survey of financial market participants, the 2, 3, and 5 year securities which came very close to the long term inflation target in the horizons

### b. Growth

The available information suggests that in the first few months of 2014 economic activity has expanded and the rate of inflation has slowed down.



likewise, the expansionary monetary posture in other advanced economies is expected to persist for a lengthy period.

## 2. DISCUSSION AND POLICY OPTIONS

The Board of Directors took the following relevant aspects into consideration:

- (i) Inflation and the average for the four measurements of core inflation continue to converge towards those that are implicit in the public debt market, indicating that the long-term inflation target is being achieved.
  - (ii) The macroeconomic forecast indicates that domestic demand will continue to grow at a favorable rate over the next several years. Primary adjusted has continued on a downward trend and reached the lowest level seen so far in this century.
  - (iii) To the degree that inflation has been converging with the targeted 3% (with a difference of 3% by the difference between the target and inflation).
  - (iv) The risk premiums for various emerging economies have declined recently, financial assets in local currencies are being more actively captured in Colombia, especially in the public debt market as a result of the higher flows of foreign capital.
  - (v) The recent data on global economic activity suggests that the worldwide recovery will continue at a moderate but steady pace, with growth in emerging markets likely to be higher than in developed economies.
  - (vi) Expectations for policy adjustment to the liquidity in the United States are staying the same, although higher than the average seen in 2019. No significant changes and remain a low level.
- The majority of the members of the Board thought that macroeconomic stability and the current posture program be prudent. On inflation and growth, raising the benchmark interest rate 25 basis points was considered. One member of the Board expressed the need to keep the benchmark interest rate unchanged, fixed by the year is available and only more information on the changes in economic activity in the first quarter.

## 3. POLICY DECISION

The Board of Directors decided by 3/5 majority vote that it would be appropriate to raise the benchmark interest rate by 25 basis points and set it at 3.5%.

The Board will continue to monitor the performance and projections for economic activity and inflation in monetary policy will depend on the information available. Finally, the policy rate and inflation in