The Board of Directors of Banco de la República (the Central Bank of Colombia, BDBR) reduced the benchmark interest rate by a quarter percentage point to 1.75% with a 4-3 vote

The Board of Directors of Banco de la República (the Central Bank of Colombia, BDBR) reduced the benchmark interest rate by a quarter percentage point to 1.75% with a 4-3 vote
For this decision, the Board mainly took into account the following elements:

- Inflation in August stood at 1.88%, and inflation excluding food and regulated items stood at 1.57%. Inflation expectations from surveys to the end of 2021 stand at 2.75%, while two-year expectations embedded in public debt instruments are at 2.05%.
- In response to the easing of isolation measures, there is a slower rate of deterioration of the economic activity. Nevertheless, it continues to contract. In this regard, the technical staff at the Central Bank estimates that the economy will contract between 6.0% and 10% in 2020.
- While July data reflect a slight improvement in the national unemployment rate (19.8%), they show a strong deterioration of the labor market and the available household income.
- Most interest rates in the financial system have significantly reflected the reduction in the monetary policy rate, in a context in which increases in commercial and consumer credit volumes are evident.
- External financial conditions remain favorable, and the dynamics of the current account reflect lower external financing needs.

Under these conditions, the monetary policy risk balance suggests that it is appropriate to reduce the benchmark interest rate.

The decision to reduce the benchmark interest rate by one fourth of a percentage point was approved by four members of the Board. The remaining Board Members voted to maintain the policy rate unaltered.

Rueda de prensa de #JuntaBanrep - 25 de septiembre de 2020 from Banco de la República - Colombia on Vimeo.

Fuente: https://www.banrep.gov.co/en/board-directors-banco-republica-central-bank-colombia-bdbr-reduced-benchmark-interest-rate-quarter