Banco de la República's board of directors (BDBR) raises interest rates by 50 basis points

Banco de la República's board of directors (BDBR) raises interest rates by 50 basis points
The board voted 4-3 to raise the benchmark interest rate by 50 basis points to 3.0%; three board members voted for a 75-basis point increase.

The decision was based on the following considerations:

- Annual inflation in November exceeded expectations, rising 68 basis points from October to 5.26%. Annual core inflation (CPI excluding food and regulated items) rose 52 basis points to 2.54%. These results led to a revision in the inflation forecast to 5.3% in 2021 and 3.7% in 2022.
- Leading indicators suggest that GDP continued on a significant growth trajectory in the fourth quarter, surpassing pre-pandemic levels. The technical staff reaffirmed its 2021 GDP growth projection at 9.8%.
- The current account deficit is expected to rise to 5.6% of GDP in 2021, largely explained by growth in domestic demand. The deficit would decrease to 4.9% of GDP in 2022 amid tighter international financial conditions.
- Inflation expectations rose above the 3% target, even in the medium term, implying a risk of indexation processes at higher inflation rates.
- The BDBR reiterated its commitment to ensuring that inflation converges to the 3% annual target.

Friday, December 17, 2021

Press conference

Fuente: https://www.banrep.gov.co/en/banco-republicas-board-directors-bdbr-raises-interest-rates-50-basis-points