Banco de la República’s Board of Directors agreed to a 150-Basis Point (b.p.) Increase in the Benchmark Interest Rate

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The decision to raise the benchmark interest rate to 7.5% was unanimous, and was based on the following considerations:

- Headline annual inflation rate is still high, having reached 9.23% in April and 9.07% in May. At the same time, core inflation excluding food and regulated items went from 5.26% in April to 5.87% in May. Inflation expectations continued to rise and are well above the 3.0% target for the policy horizon.
- Economic growth surprised on the upside in the first quarter (8.2% vs. 7.2% expected by the technical staff), thanks to the build-up in domestic demand driven by household consumption. As of mid-June, the consumer portfolio was growing at an annual rate of 22.1%. The economic tracking indicator (ISE) showed an annual variation of 11.8% in April, which is higher than the anticipated 8.6%. On this basis, the technical staff revised its growth forecast for 2022 upward from 5.0% to 6.3%.
- The sustained recovery in GDP continues to favor the momentum in the job market, which has shown continued growth in employment. With figures up to May, employment registered an annual increase of 11% in terms of the national total and 10.5% for the 13 major cities.
- The current account in the balance of payments showed a 6.4% deficit as a share of quarterly GDP in the first quarter of the year, exceeding the deficit of 4.1% of GDP for the same period in the previous year. This excess of demand is happening in an environment where external financing is becoming more costly due to tighter international financial conditions.

Today's decision is consistent with the strength of economic activity in recent quarters and will help to position monetary policy more quickly on a path that lowers inflation and converges with the target in the medium term. Going forward, the pace of changes in monetary policy will be data dependent.

Fuente: https://www.banrep.gov.co/en/banco-republicas-board-directors-agreed-150-basis-point-bp-increase-benchmark-interest-rate