The Board of Directors of Banco de la República determined by majority vote to reduce the monetary policy rate by 25 basis points (bps) to 13%

- Inflation remains on a downward path, falling for eight consecutive months and reaching 10.15% in November. This trend was aided in November by the positive performance of food prices, whose annual inflation stood at 8.25%, falling by more than two percentage points below that recorded in October. Regulated items continued exerting an upward pressure on inflation, attributable to the increases in fuel and energy prices.
- Inflation expectations at different horizons showed mixed results. The sample median of economic analysts surveyed by Banco de la República increased their forecast for the end of 2024 from 5.2% in November to 5.7% in December but maintained their two- and five-year inflation expectations stable at 3.8% and 3%. Inflation expectations derived from the government debt securities (TES) market have fallen significantly since October.
- Economic activity continues to decelerate. The economic tracking indicator (ISE) showed an annual change of -0.4% in October. The technical staff revised its growth forecast for 2023 downward from 1.2% to 1.0%.
- Adjustment in the country's economic activity toward levels more compatible with the economy's productive capacity has contributed to reducing the current account deficit, which is expected to decrease from 6.2% of the national GDP in 2022 to 2.8% in 2023. This improvement in the country's external position makes the economy less vulnerable to potential global deterioration.
- External financial conditions have improved against a backdrop of declining, albeit still high, global inflation levels. In the case of the United States, the most recent projections suggest that the Federal Reserve Bank's policy interest rate path will adopt a lower trend than previously expected. In this context, the Colombian peso appreciated against the US dollar, and Colombia's sovereign risk premium decreased.
- The Board of Directors calls for restraint in the upcoming adjustment of the minimum wage so that its increase does not significantly exceed the annual change of the consumer price index in 2023. The latter considering the purchasing power gains seen in 2023 and expected for 2024 resulting from the expected drop in inflation.

The Board of Directors reiterates that today's decision is consistent with the objective to bring inflation towards its 3% target and reaffirms that any future decisions will be taken considering any new information.

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