Box 2: Determinants of the Adjustment Speed of the MPR - Report of the Board of Directors to the Congress of Colombia, July 2024

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Pursuant to Article 5 of Law 31 of 1992, the Board of Directors of Banco de la República (the Central Bank of Colombia) submits a report to the Honorable Congress of Colombia, informing about the performance of the economy and its outlook. This report is submitted twice a year, in March and July, within ten business days following the start date of the sessions of the Congress.

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The levels of the monetary policy interest rate (MPR) are periodically set after deliberation processes within the Board of Directors of *Banco de la República* (the Central Bank of Colombia). These discussions are informed by a detailed assessment of the performance of inflation, inflation expectations, economic growth, and other key variables affecting macroeconomic stability. This analysis is regularly carried out by the technical staff of *Banco de la República* (the Central Bank of Colombia) and is presented quarterly in the Monetary Policy Report.

The current phase of interest rate cuts, which began in December 2023, has been made possible by the observed decline in headline and core inflation (excluding food and regulated items). This annual inflation peaked during the first half of 2023 (13.3% for headline inflation in March and 10.5% for core inflation in June), which began declining to 7.2% and 6.0% in June 2024 for headline and core inflation, respectively. This decline in inflation is largely due to the adjustment in economic activity, particularly in domestic demand. This adjustment, partially driven by a contractionary monetary policy that aimed at correcting significant internal and external imbalances of the post-pandemic economy, helped to reduce inflationary pressures stemming from domestic demand.

Fuente: https://www.banrep.gov.co/en/publications-research/report-board-directors-congress/box-2-july-2024