Box 2: Dynamics of the Monetary Policy Interest Rate and the Main Long-Term Interest Rates in the Economy - Report of the Board of Directors to the Congress of Colombia, July 2026

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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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In Colombia, interest rates play a fundamental role in the economy, access to credit, and the fiscal soundness of the Central Government. The Board of Directors of *Banco de la República* is responsible for determining the monetary policy interest rate (MPR), which corresponds to the economy's overnight reference interest rate and generally guides the performance of other market interest rates.

Other highly relevant interest rates are those paid by the government to access financing through the issuance of bonds. The public debt market, through the trading of these bonds, determines the cost of acquiring debt for the Central Government at different maturities. In these markets, factors such as the level of debt, the soundness of public finances and the risk of default are key to determining the level of interest rates. Participants in these markets include credit institutions, which, in addition to investing in these bonds, can extend loans to the public at different maturities, a function in which reference interest rates, as well as those of alternative investments, play a fundamental role in making credit allocation decisions.

In this context, it is essential to analyze the dynamics of interest rates on public debt instruments together with other market interest rates, rather than in isolation, given that their performance may be related to or affect instruments traded at similar maturities. For example, interest rates on short-term securities tend to be more closely related to the performance of the monetary policy interest rate, while interest rates on long-term bonds may affect mortgage credit interest rates, since, if they are sufficiently high, these two instruments could be seen as substitutes when making investment decisions.

Fuente: https://www.banrep.gov.co/en/publications-research/report-board-directors-congress/box2-july-2026