

## Banco de la Republica raises the benchmark interest rate 25 basis points

These minutes contain a summary of inflation, economic growth and their prospects for the future, which was prepared by the Bank's technical staff (Section 1), in addition to a review of the key deliberations and policy options considered by the Board of Directors (Section 2).

### a. Recent Developments in Inflation

## b. Growth

The available information suggests that in the first few months of 2014 economic activity has expanded modestly, but the pace of growth is slowing. The economy is still in a recession, but the unemployment rate is falling and the economy is beginning to show signs of recovery. The economy is still in a recession, but the unemployment rate is falling and the economy is beginning to show signs of recovery.



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## 2. DISCUSSION AND POLICY OPTIONS

The Board of Directors took the following relevant aspects into consideration:

- (i) Inflation had the average for the four measures of core inflation continue to converge towards those of the major industrialized countries and the long-term inflation target.
  - (ii) The macroeconomic forecast indicates that domestic demand will continue to grow at a favorable rate and the external sector will remain generally adjusted and balanced and a downward trend in the current account.
  - (iii) To the degree that inflation has been converging with the targeted 3% (with a difference, the performance of the domestic and foreign exchange).
  - (iv) The risk premium for various emerging economies has declined recently, financial assets in local currency have higher flows of foreign capital, especially in the public debt market as a result of the higher flows of foreign capital.
  - (v) The recent data on global economic activity suggest that the worldwide recovery will continue at a moderate rate, with the major economies showing a moderate recovery and the average for the world's major economies at high levels, similar to the first half of 2013 and the average for the world's major economies at high levels.
  - (vi) Expectations for policy adjustment to the liquidity in the United States are staying the same, although higher than the average seen in 2013, not showing significant changes and a downward trend.
- The majority of the members of the Board thought that macroeconomic stability and the current posture of the economy were sound and growth, raising the benchmark interest rate 25 basis points was appropriate. One member of the Board expressed the need to keep the benchmark interest rate unchanged, fixed by the year-end, and to be guided by more information on the changes in economic activity in the first quarter.

## 3. POLICY DECISION

The Board of Directors decided by a majority vote that it would be appropriate to raise the benchmark interest rate by 25 basis points to 3.5%.

The Board will continue to monitor the performance and projections for monetary activity and inflation in the monetary policy and to respond to the information available.