
[Detailed Explanation of the Macroeconomic Situation](#)

Must reads

[Banco de la República Raises the Benchmark Interest Rate by 25 Basis Points and Expands Its Foreign Currency Buying Program](#)

A regular meeting of the Board of Directors of Banco de la República was held in the city of Bogotá D.C. on June 20, 2014. In attendance were Mr. Mauricio Cárdenas Santamaría, Minister of Finance and Public Credit, Mr. José Darío Uribe Escobar, Governor and Managing Director of Banco de la República, and the Board Members Carlos Gustavo Cano Sanz, Ana Fernanda Maiguashca Olano, Adolfo Enrique Meisel Roca, César Vallejo Mejía and Juan Pablo Zárate Perdomo.

A synthesis is presented below of the views held by the Banco de la República's technical team with regarding policy considered by the Board of Directors are summarized in section 2).

A more [detailed explanation of the macroeconomic situation](#) written by the technical team at the Banco de la República is presented in the data section of the May 2014 monthly report and in the statistical appendix.

1. MACROECONOMIC CONTEXT

With respect to the macroeconomic context, the technical team would like to draw attention to the following points:

- i. The information available indicates that the main developed countries continue to expand at rates of 1.5% to 2.0% annually, with the exception of Germany, whose growth has been negative. In Latin America, the growth of Colombia, Ecuador and Peru has been positive, while Brazil's growth has been negative.
- ii. The performance of commodity prices has been mixed. The price for petroleum remains above what was seen in 2013, while the price for copper has fallen. The price for iron ore has risen, but the price for soybeans has fallen. The price for wheat and corn has risen, but the price for oil has fallen.
- iii. In the euro zone, the risk of deflation persists. This has led the European Central Bank to announce a new round of quantitative easing. In Asia, there is stability. The global financial markets have shown a favorable performance in the last few weeks. The indices for the S&P 500, the Dow Jones Industrial Average, and the Nikkei 225 have all risen. The trend of the exchange rates in the region, particularly the peso, has been stable. The peso has risen against the dollar, but it has fallen against the euro. The peso has also risen against the British pound and the Swiss franc.
- iv. This April, the value of Colombian exports in dollars declined in comparison to the same month last year. The main export categories, such as coal, oil, and gold, have all declined. The value of imports in dollars has also declined. The main import categories, such as machinery, transport equipment, and chemicals, have all declined.
- v. The annual growth of the GDP for the first quarter of 2014 was 6.4% and the growth for 2013 was 6.1%. The growth of the GDP for the first quarter of 2014 was 6.4% and the growth for 2013 was 6.1%. The growth of the GDP for the first quarter of 2014 was 6.4% and the growth for 2013 was 6.1%.

ii) Although the GDP figures with respect to demand have not been published yet, the information and data on inputs of capital goods for industry and agriculture) a growth of the construction sector and the performance in the second quarter. In particular, during consumer confidence indicators in the household is. The above is consistent with the behavior of the consumer loan portfolio in May, which stopped an acceptable rates in the early 2000s and is mainly concentrated on wages and living costs, as they continue to the above and the fact that the rent interest rates are dropping for households as well as for income portfolio has likewise been improving, and consumer loan portfolios. The positive trend for the mortgage in May. Annual consumer inflation continued the upward trend it has been on since the beginning of the year that has contributed the most to the increase in inflation. So far this year, food has also been a significant part of the report performance of the variation in consumer prices should be noted. i) The operations are showing rises and some are beginning to surpass the inflation target range. iii) The state of the economy as described by the reports data in the first quarter, the positive indicators the probability that monetary pressure may be spreading throughout the entire economy, increases. iv) The summary of the reader stated that the most recent data shows a recovery and inflation that are continue stimulating domestic demand, a recovery (compared to a average since 2009) and could.

2. DISCUSSION AND POLICY OPTIONS

The Board of Directors agreed that the economy was more stable than expected in the first quarter of the year, has close to the target pace and has been previously forecasted or over, in the opinion of some. Regarding inflation, the members of the Board agreed that in spite of the fact that the inflation had risen the past few months, i.e., the result of supply and demand instead of an excess of demand, has been. The Board indicated that a gradual adjustment in the benchmark interest rate was justified considering the impact on the monetary policy of the United States, the weakening of international trade, and (ii) The members of the Board of Directors decided that in the above mentioned context it is necessary to maintain the current policy.

3. POLICY DECISION

The Board of Directors decided unanimously that it would be appropriate to raise the benchmark interest