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## [Detailed Explanation of the Macroeconomic Situation](#)

### Must reads

[The Board of Directors of Banco de la República Raises the Benchmark Interest Rate by 25 Basis Points](#)

A regular meeting of the Board of Directors of Banco de la República was held in the city of Bogotá D.C. on July 31, 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 Board Members Carlos Gustavo Cano Sanz, Ana Fernanda Maiguashca Olano, Adolfo Enrique Meisel Roca, César Vallejo Mejía and Juan Pablo Zárate Perdomo.

These minutes contain a summary of how Banco de la República's technical team views the economy and the risks considered by the Board of Directors (Section 2), followed by a review of the key policy discussion points considered by the Board.

A [more detailed explanation of the macroeconomic situation](#) prepared by Banco de la República's technical team can be found in the data section of the June 2014 report of Banco de la República and in the historical data appendix.

## 1. THE MACROECONOMIC CONTEXT

The technical team underscores the following aspects with respect to the macroeconomic context:

- i. The average growth forecast for Colombia's major trading partners in all of 2014 was lowered in the states of expectation to be similar during the second half of the year, since the economic activity in the United States is expected to be similar during the second half of the year, since the economic activity in the United States is expected to be similar during the second half of the year, since the economic activity in the United States is expected to be similar during the second half of the year.
- ii. Long-term interest rates in the United States declined throughout the second quarter but are still above anticipated levels of mid-2013, rises in October 2014, and the first increase in its benchmark interest rate since 2008.
- iii. Certain risks associated with the momentum in the Chinese economy and other emerging countries in second quarter growth in China and Spain were greater than expected. However, the growth in Colombia's risk measurements so far this year is exhibiting a downward trend. At the end of July, they were at historically high levels, made to be positive, and helped to keep national revenue at a level that is considered high.
- iv. In April-May 2014, the dollar value of exports was less than it was a year earlier. The bulk of the decline was due to a drop in the dollar value of exports in the agricultural sector, which is expected to be similar during the second half of the year.
- v. In contrast, the dollar value of imports rose in annual terms in April, pulled up by foreign purchases for the year before, and through April, imports increased at a rate of 4.9% compared to the same period of the year before.
- vi. Given these trends in foreign trade, the trade balance for all of 2014 probably will be negative, and the current account deficit is likely to be high.

