The Board of Directors of Banco de la República by majority vote opted to reduce the monetary policy interest rate by 25 basis points to 12.75%

The Board of Directors of Banco de la República by majority vote opted to reduce the monetary policy interest rate by 25 basis points to 12.75%

- For December, total headline inflation dropped for the ninth consecutive month and closed at 9.28%, in line with the technical staff's expectations. Food and beverages spearheaded the decline, falling more sharply than anticipated. Conversely, the services basket defied expectations, continuing to exhibit rising annual variations in all its components, except for food away from home.
- Most future inflation expectation measures fell, suggesting a downward trend over time. The Bank's monthly survey of economic analyst expectation survey found that, according to the sample median, one-year expectations dropped from 5.7% to 5.2%, and two-year expectations from 3.8% to 3.6% between December and January. Similarly, adjusted expectations drawn from the public debt markets showed a decrease across all maturities.
- The technical staff maintains a growth estimate of 1% for 2023 and 0.8% for 2024 . The current account deficit has narrowed significantly, from 6.2% of GDP in 2022 to 2.8% in 2023 and expected to stand at 2.9% in 2024. The correction of the external imbalance makes the economy more resilient to potential external shocks and global uncertainties.
- External financial conditions have improved in an environment of declining global inflation and a slower-than-projected deceleration of the world economy. In 2023, Colombia's sovereign risk premium was reduced and the peso appreciated at a higher rate than comparable countries in the region.
- The increase in the minimum wage for 2024 was higher than expected, which influences the price path projected by the technical staff, especially in the services basket. There are also potential risks derived from the El Niño phenomenon and the adjustment in the prices of regulated items which may impact the outlook.

The Board of Directors underscores that, with the observed reduction in inflation and with today's decision, the economy continues on the adjustment path necessary for inflation to converge towards the target by the first half of 2025 at the latest. Likewise, it reiterates that future decisions will be determined based on new information available.

Fuente: https://www.banrep.gov.co/en/news/jdbr-majority-vote-opted-reduce-monetary-policy-interest-rate