Blog BanRep: Why has the Performance of Interest Rates on Government Bonds been so different from the Policy Interest Rate since 2024?

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Since early 2024, interest rates on long-term Colombian government debt bonds, hereafter referred to as government bonds, have been increasing. This means that the government must pay more interest on its debt, so a larger share of its revenues must be allocated to cover such interest payments instead of other expenditures such as healthcare, education, security, or infrastructure. Another way of looking at this is that if these other expenditures are not reduced, the government will have to take on more debt, which, in turn, will lead to higher interest payments. Therefore, it is essential to understand which factors explain the performance of interest rates on government bonds.

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Fuente: https://www.banrep.gov.co/en/news/blog-performance-interest-rates-government-bonds