Banco de la República's board decides unanimously to continue monetary policy normalization

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The board voted 5-2 to raise the benchmark interest rate by 50 basis points to 2.5%; the two dissenting board members voted for a 25-basis point increase.

This decision was based on the following considerations:

- Economic activity continued to recover at a greater pace than previously expected, a reflection of strengthening domestic demand that has benefited largely from monetary, fiscal, and regulatory policies implemented since the start of the pandemic. As a result, GDP growth projections have been revised upward to 9.8% for 2021 and 4.7% for 2022.

- Annual inflation at the end of September was above expectations at 4.51%, in large part due to the price behavior of foods and regulated items. Banco de la República's technical staff has revised its year-end inflation projections upward to 4.9% for 2021 and 3.6% for 2022.

- Recent labor market trends have been positive, as significant increases in employment levels have allowed for a continued decline in national and urban unemployment rates. While these figures remain above historical averages, the recovery in economic activity suggests that favorable labor market trends should continue in the coming months.

- The current account deficit is expected to expand to 5.3% of GDP in 2021, reflecting significant growth in domestic demand. This deterioration in the balance of payments comes amid a tightening of international conditions.

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Press Release

Fuente: https://d1b4gd4m8561gs.cloudfront.net/en/banco-republicas-board-decides-unanimously-continue-monetary-policy-normalization