Banco de la República's board of directors (BDBR) raises interest rates by 50 basis points

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The board voted 4-3 to raise the benchmark interest rate by 50 basis points to 3.0%; three board members voted for a 75-basis point increase.

The decision was based on the following considerations:

- Annual inflation in November exceeded expectations, rising 68 basis points from October to 5.26%. Annual core inflation (CPI excluding food and regulated items) rose 52 basis points to 2.54%. These results led to a revision in the inflation forecast to 5.3% in 2021 and 3.7% in 2022.
- Leading indicators suggest that GDP continued on a significant growth trajectory in the fourth quarter, surpassing pre-pandemic levels. The technical staff reaffirmed its 2021 GDP growth projection at 9.8%.
- The current account deficit is expected to rise to 5.6% of GDP in 2021, largely explained by growth in domestic demand. The deficit would decrease to 4.9% of GDP in 2022 amid tighter international financial conditions.
- Inflation expectations rose above the 3% target, even in the medium term, implying a risk of indexation processes at higher inflation rates.
- The BDBR reiterated its commitment to ensuring that inflation converges to the 3% annual target.

Friday, December 17, 2021

Press conference

Fuente: https://d1b4gd4m8561gs.cloudfront.net/en/banco-republicas-board-directors-bdbr-raises-interest-rates-50-basis-points