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- Annual inflation resumed its downward trend between February and March, declining from 5.3% to 5.1%. By components, results were mixed: inflation for goods and food increased, while that for regulated items and services decreased. Core inflation—excluding food and regulated items—continued to decline, falling from 4.9% to 4.8%. Inflation expectations derived from financial markets fell, while those from surveys remained stable. Both sources continue to indicate inflation expectations above the 3% target over the two-year horizon.
- Available indicators for the first quarter suggest that the annual pace of economic growth accelerated to 2.5%, slightly above the 2.4% recorded in the last quarter of 2024. This stronger momentum was likely supported by stronger domestic demand, driven by increases in private consumption and investment. Recent labor market indicators point to rising employment, higher labor force participation, and a decline in the unemployment rate. However, growth is expected to moderate in the coming quarters due to the negative effects of recent tariff increases in the United States on global economic activity. In this context, the technical staff revised the GDP growth forecast to 2.6% for 2025 and 3.0% for 2026.
- Colombia’s external financing conditions have tightened amid heightened trade uncertainty and increased volatility in international financial markets, driven by U.S. tariff measures and retaliatory actions announced by China and other countries. The rise in trade barriers represents a negative shock to external demand and to the prices of key export commodities, such as oil, coal, and nickel, that are significant sources of revenue for the national government.
- The deterioration of the external environment—marked by increased risk aversion—together with uncertainty surrounding the domestic fiscal outlook, has contributed to a rise in Colombia’s risk premium. As a result, the country’s credit risk spreads measured by credit default swaps (CDS) increased at a faster pace and reached levels significantly above those of regional peers. This trend was further influenced by lower oil prices, the announcement of the suspension of the Flexible Credit Line, and the postponement of the Article IV consultation by the International Monetary Fund.

In this context, the Board members discussed the policy decision from different individual perspectives, which gradually united toward a consensus to reduce the policy interest rate by 25 basis points. The Board agreed on the importance of maintaining a cautious monetary policy stance, given the high level of uncertainty in the external environment and the significant fiscal challenges facing the country. Some members highlighted that the observed decline in both headline and core inflation, along with the decrease in inflation expectations as inferred from public debt markets, justified a cautious reduction in the nominal benchmark rate. This is particularly relevant in an environment where domestic economic activity could be adversely affected by the anticipated slowdown in global growth. They also noted that the recent appreciation of the exchange rate has contributed, at least temporarily, to easing inflationary pressures, particularly on producer prices.

Although the Board’s decision was unanimous, underscoring the directors’ efforts to reach a consensus, Board members expressed different preferences during the discussion regarding the appropriate monetary policy stance.

Directors who initially favored maintaining the policy interest rate unchanged emphasized that there is considerable ambiguity in the current complex and uncertain global environment regarding the impact of higher tariffs and financial market volatility on economic activity and inflation. Nevertheless, they noted that the balance of risks remains tilted toward the upside for inflation. These members highlighted the potential pressures on the exchange rate stemming from declining prices of key export commodities, which could adversely affect fiscal revenues in a context of fiscal fragility and elevated risk premiums. Accordingly, they stressed the need for the National Government to provide transparent and credible signals of fiscal adjustment, which would contribute to containing the rise in country risk. They argued that such signals would not only reduce public sector borrowing costs but also enhance market confidence and stimulate private investment. Consequently, they noted that the 2025 Medium-Term Fiscal Framework and the forthcoming update of this year’s Financial Plan provide valuable opportunities to reinforce the fiscal commitment. Some directors in this group also pointed to inflationary risks associated with substantial increases in the minimum wage and gas prices, particularly in a context where domestic demand is increasingly being met through imports. They further stressed that the monetary policy stance has become less contractionary due to a rise in the estimated neutral interest rate. While acknowledging the recent exchange rate appreciation, partly driven by global dollar weakness, they cautioned that sudden and persistent exchange rate movements cannot be ruled out given the prevailing financial market uncertainty and volatility.

Board members who supported a larger reduction in the policy rate maintained that keeping the interest rate unchanged since December is not consistent with the progress made by the Colombian economy in reducing inflation, achieving positive economic growth, and narrowing the current account deficit. They underlined that recent growth has had redistributive effects, supported by stronger private consumption driven by increases in the minimum wage, remittance inflows, and exports of coffee, flowers, bananas, and tourism services. They emphasized that as inflation continues to decline, the real interest rate becomes increasingly contractionary, which justifies a more pronounced adjustment in the policy rate. These directors reasoned that there is room for a more significant cut, considering the high level of real interest rates and the Colombian peso’s tendency to appreciate amid global U.S. dollar weakness. They also stressed that, although inflation forecasts remain above target, inflation expectations are not on an upward path; rather, they have declined based on information from debt markets and have remained stable in analyst surveys.

The directors agreed that the unanimous decision continues to support economic recovery without jeopardizing the convergence of inflation toward the target. They emphasized that future decisions will be determined based on the latest information available.

Fuente: https://d1b4gd4m8561gs.cloudfront.net/en/news/board-directors/minutes-april-2025