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## Colombia—BanRep Cuts the Monetary Policy Rate by 50bps in a Split Vote

- **The meeting did not provide signals about future steps**

The board of Colombia's central bank (BanRep) cut the monetary policy rate by 50bps to 10.75%, with five members voting for a 50bps cut and two voting for 75bps—the same split as previous meetings. The communique was very straight forward and factual. The only new piece of information was the increase in the GDP growth projection for 2024 to 1.8%, from the previous quarter estimation of 1.4%. The Monetary Policy Report that will be released on Friday, August 2<sup>nd</sup> will provide further details about the new forecast. During the press conference, Governor Villar highlighted that BanRep maintains a cautious approach; however, continuing to cut rates is a support for economic growth.

At Scotiabank Colpatria Economics, we still expect an acceleration in the easing cycle starting in September to a pace of 75bps because headline inflation will resume the downward trend in July, while economic activity is expected to continue showing weak signals. For Dec 2024, we project an 8.50% rate, and in the 2H-2025, the monetary policy rate is expected to be closer to the terminal rate of 5.5%.

### Key points about July's BanRep meeting:

- **Governor Villar said that the staff anticipated the stable headline inflation figure in June; however, it was good news to see core inflation going down.** This suggests core inflation will be a relevant indicator to monitor in forthcoming meetings. Additionally, Villar said that inflationary pressures have eased.
- **About the neutral real monetary policy rate.** Governor Villar said that the question about the neutral rate in the international market is an ongoing discussion; however, in the case of Colombia, it also depends on the risk spread.
- **Villar said fiscal policy has been consistent with the monetary policy.** Villar highlighted the government's commitment to comply with the fiscal rule and that the announcement of spending cuts reflects prudence and contributes to better prospects for inflation.
- **Governor Villar said that the deterioration in the unemployment rate in June's report needs to be analyzed further before any monetary policy action is taken.**
- **As usual, there weren't significant details about the updated macro scenario provided by the central bank's staff during the press conference.** We must wait until Friday, August 2<sup>nd</sup>, for the release of the Monetary Policy Report; this report will be relevant to monitor if the inflationary risk has eased and if the central bank staff scenario is compatible with the current economist consensus that points to a monetary policy rate ending 2024 at 8.50% with a terminal rate of around 5.50%.
- **Minutes will be released next Monday, August 5<sup>th</sup>, after 5pm (local time).**
- **The next monetary policy rate decision will be on Monday, September 30<sup>th</sup>.**

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