

## Contributors

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## Colombia—BanRep Caution Continues, but Hikes Are Not Under Discussion

- **BanRep remains cautious and kept the interest rate stable at 9.25%. Rate hikes are not under active discussion**

BanRep held the monetary policy rate steady at 9.25%. There were no major surprises, as the vote division was the same as in the previous session: four members voted for stability, two for a 50-bps cut, and one for a 25-bps cut. The communiqué was very straightforward. The central bank highlighted the increase in inflation expectations and the fact that current inflation is at the same level as in December 2024. The assessment of economic activity remains positive, especially due to strong domestic demand. On the external front, they noted that financing conditions remain loose, while again emphasizing that the trade deficit is widening.

During today's session, Minister Ávila was absent; in his place, Vice-Minister Betancourt attended.

It is worth noting that for October's session, the central bank had a fresh set of projections from its staff. However, no significant details were disclosed. We expect more information in the Monetary Policy Report to be published on Wednesday, November 5<sup>th</sup>, and in the press conference on Friday, November 7<sup>th</sup>.

The start of the press conference maintained the neutral tone of previous meetings. However, there were repeated questions from the press and analysts about whether rate hikes were considered in today's discussion. On that front, Governor Villar emphasized that although all risks are discussed, the central bank's base case scenario is inflation converging to the target range by 2027. Therefore, the main options under discussion were rate stability or the minority position of a cut. Governor Villar stated that although there are some risks that could lead to discussions about hikes, these currently have a low probability. Overall, the tone of today's meeting was more moderate compared to recent movements in the IBR market.

It is also worth noting that the next rate decision meeting will be held on December 19<sup>th</sup>. In the meantime, Colombia will begin minimum wage negotiations. In that regard, Governor Villar was prudent, noting that an increase in the minimum wage has a redistributive effect, but also presents challenges on the inflation front that must be considered.

In contrast to the language typically used by the central bank at this time of year—usually calling for a prudent wage hike—Governor Villar's comments today were more conservative. On the other hand, the Vice-Minister of Finance emphasized that increasing the minimum wage under the current government aims to close a historical gap with workers, and they also see benefits in boosting domestic demand.

Our view is that the government will pursue a real increase in the minimum wage above the technical rule of inflation plus productivity. In that regard, the reaction of the majority of the board in 2026 will depend on how the wage adjustment impacts inflation at the beginning of next year.

Scotiabank Colpatria projects a minimum wage hike ranging between 11% and 12%. With this, we expect the stickiness of services inflation to continue. However, for now, we do not see a significant probability of an acceleration in headline inflation. Our inflation forecast for the year end 2025 is at 5.31%, and for Dec-2026 is at 4.34%

That said, a "wait and see" approach remains our base case scenario. We maintain our call for rate stability until mid-2026, potentially resuming easing in the second half of 2026 to close the year at 8.25%. However, we recognize that risks are tilted to the upside and strongly dependent on the decision regarding the minimum wage.

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October 31, 2025

During the press conference, Vice-Minister Betancourt was asked about fiscal perspectives and how they could constrain monetary policy decisions. He responded that fiscal policy is playing a countercyclical role. He also stated that the economy needs to focus on increasing fiscal revenue rather than considering spending cuts. He expressed confidence in the approval of the fiscal reform, saying that next year's fiscal projections include successfully passing the reform. Colombia's fiscal situation has been a focus for the central bank, as noted in previous [minutes](#). Therefore, it will be important to follow how the discussion evolves in the minutes to be published on Thursday, November 6<sup>th</sup> (6 p.m. local time).

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