

## Colombia | BanRep increased its monetary policy rate to 6% in line with expectations

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In December, BanRep's Board increased its monetary policy rate 25bp up to 6%, in line with both market and our own in-house expectations. According to the communiqué, BanRep expects that GDP growth stood at 3% in 2015. For 2016, the CB expects GDP growth to stand between 1,5% and 3,2% with a most likely outcome of 2,7%. In our view the challenge for the CB's Board is assure the convergence of inflation and inflation expectations back to the target avoiding an overreaction to the downside of domestic demand. That being said, we anticipate an additional 25bp increase in February's meeting, taking the repo rate to 6,25%, and keeping that level for the rest of 2016.