

## Colombia | BanRep increased its monetary policy rate to 6,25% in line with expectations

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In February, BanRep's Board increased its monetary policy rate 25bp up to 6,25%, in line with both market and our own in-house expectations. It is important to note that the communiqué highlighted the importance of monetary and fiscal policy coordination. That being said, the Board said that the reduction of oil prices reduce national income and Government revenues. Accordingly, the communiqué highlighted the importance of the reduction of government's expenditure and a structural tax reform. During the press conference, Minister Cardenas said that the government will reduce its expenditure in COP6 trillion (0.6% of GDP or 2.8% of the budget). Mr. Cárdenas said that this reduction will help the government to achieve the 3,6% of GDP central government deficit target. Finally, the Board decided to modify the threshold for FX option intervention mechanism from 5% to 3%. The FX intervention options are going to be announced when the TRM is higher than the 20-day moving average by 3%. The rest of the conditions remained unaltered according to the communiqué.