

**January 26, 2007**

**Banco de la República Raises Its Intervention Interest Rates by 25 Basis Points**

At a meeting today, the Board of Directors raised Banco de la República's intervention interest rates by 25 basis points. The base rate for repo auctions will increase from 7.50% to 7.75% as a result.

The Board emphasized the fact that the inflation target for 2006 has been met (4.48%) and expressed confidence that the 2007 target will be met as well (in the 3.5% to 4.5% range). The Board also ratified its commitment to adopting the measures that are necessary to guarantee convergence towards the long-term target for inflation (3%  $\pm$  1 percentage points).

A look at the state of the economy and its prospects suggest that growth in aggregate demand will continue to accelerate, with sizeable increases in private consumption, investment and credit. Coupled with the trend in core inflation indicators and the prices for certain non-tradable goods and services, this suggests the normalization process of the monetary policy should continue.

The Board decided to intervene in the foreign exchange market in a major way, to curb the temporary pressure derived from the sale of assets belonging to the public sector. This measure can be implemented without jeopardizing the inflation target, thanks to coordination between the Central Bank and the Colombian government.

Bogotá, January 26, 2007 (1:08 p.m.).