



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

At a meeting on June 17, the Board of Directors of Banco de la República agreed to an increase of 25 b.p. in its intervention interest rates. This will raise the base rate for expansion auctions from 9% to 9.25%.

As projected, third-quarter inflation showed a downward trend following the steady increase witnessed since the end of 2006. This was due not only to a drop in food inflation, but also to core inflation, including non-food inflation.

Economic growth during the first quarter (8%) remained quite strong, with one of the highlights being the sharp increase in domestic demand (11%). Coupled with the added growth anticipated for investment and exports to Venezuela, this appears to indicate the economy will expand more than was estimated initially.

According to a range of indicators, the various monetary policy measures adopted by the Board have begun to have the desired effect on price behavior and the momentum in credit and monetary aggregates. The Bank believes this policy is consistent with the goal of sustainable economic growth and guaranteed convergence of inflation towards the long-term target (3% \pm 1 percentage point).

Bogotá, Colombia

July 27, 2007