**UNIVERSITY OF WAIKATO**

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**Interest Rate Pass-Through**

**and Asymmetries in Retail Deposit and Lending Rates:**

**An Analysis using Data from Colombian Banks**

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**Working Paper in Economics 05/15**

April 2015

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**Abstract**

Using a sample of Colombian banks, we examine retail interest rate adjustment in response to changes in wholesale interest rates. Interest rate pass-through running from wholesale to retail rates is found to be both partial and heterogeneous across banks. This suggests that the effectiveness of monetary policy is limited. Further investigation reveals that the behaviour of retail deposit rates appears consistent with collusive behaviour between banks insofar as interest rates are more rapidly adjusted downwards than upwards. In the case of retail lending rates, it appears that banks more rapidly reduce than increase rates. This suggests that expansionary monetary policy in Colombia may be relatively more effective than contractionary policy.

**Key words**

interest rate pass-through

asymmetries

M/TAR model

**JEL Classification**

C33; E43

**Acknowledgements**

We thank Jeremy Smith for useful discussions on an earlier version of the paper and Erika Londoňo for excellent research assistance. We are also grateful to an anonymous referee and the Editor for their valuable comments and suggestions. The opinions expressed herein are those of the authors and do not necessarily reflect the views of the Banco de la República or its Board of Directors.