**UNIVERSITY OF WAIKATO**

**Hamilton**

**New Zealand**

**Interest Rate Pass-Through**

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

**An Analysis using Data from Colombian Banks**

 Mark J. Holmes, Anna Maria Iregui and Jesús Otero

**Department of Economics**

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| *Corresponding Author***Mark J. Holmes**Economics DepartmentUniversity of WaikatoHamilton, 3240NEW ZEALAND Email: holmesmj@waikato.ac.nz | **Ana María Iregui**Unidad de InvestigacionesBanco de la RepúblicaCOLOMBIAEmail: airegubo@banrep.gov.co |

**Jesús Otero**

Facultad de Economía

Universidad del Rosario

COLOMBIA

Email: jesus.otero@urosario.edu.co

**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

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