Box 2: Elasticities in Exchange Rate Pass-Through to Prices

Box 2: Inflation Report March 2016 Keep in mind
The Monetary Policy Report presents the Bank's technical staff's analysis of the economy and the inflationary situation and its medium and long-term outlook. Based on it, it makes a recommendation to the Board of Directors on the monetary policy stance. This report is published on the second business day following the Board of Directors' meetings in January, April, July, and October.

AUTHOR OR EDITOR Edgar Caicedo Paola Andrea Jaramillo Nicolás Martínez AUTHORS AND/OR EDITORS Caicedo-García, Edgar
Monetary policy in Colombia is governed by an inflation targeting scheme designed to keep the rate of inflation low and stable. For this reason, it is important to measure and understand how prices in the economy respond to fluctuations in the exchange rate, an effect known in economic literature as pass-through (PT). Annual consumer inflation trended sharply upward during 2015 and in 2016 to date, reaching in 7.98% by March 2016. This was due to a variety of variables, one of which is the considerable extent to which the peso has depreciated against the dollar since July 2014. This trend peaked in February 2016, when the monthly average exchange rate was COP 3,357.5 per dollar.

Fuente: https://d1b4gd4m8561gs.cloudfront.net/en/publications/inflation-report/box-2-elasticities-in-exchange-rate-pass-through-to-prices