



# Efficient policy rule for Inflation Targeting in Colombia

Working Paper No. 240 Keep in mind

The series Working Papers on Economics is published by the Office for Economic Studies at the *Banco de la República* (Central Bank of *Colombia*). It contributes to the dissemination and promotion of the work by researchers from the institution. This series is indexed at Research Papers in Economics (RePEc).

On multiple occasions, these works have been the result of collaborative work with individuals from other national or international institutions. The works published are provisional, and their authors are fully responsible for the opinions expressed in them, as well as for possible mistakes. The opinions expressed herein are those of the authors and do not necessarily reflect the views of Banco de la República or its Board of Directors.

AUTHORS AND/OR EDITORS López-Piñeros, Martha Rosalba

In a small macroeconomic model of the Colombian economy I investigate the problem of selecting a policy rule that is consistent with inflation targeting. I spell out the characteristics of the optimal feedback and output parameters in the rule, as well as for the optimal forecasting horizon for inflation targeting. Using stochastic simulations of the model it is found that, as expected, rules that use forecasts of inflation rather than just contemporaneous inflation have better stabilization properties.

Fuente: <https://d1b4gd4m8561gs.cloudfront.net/en/en/efficient-policy-rule-inflation-targeting-colombia>