Box 1: Instantaneous inflation in Colombia - Monetary Policy Report - January 2025

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Annual inflation is computed using the consumer price index (CPI), the twelve months included in this calculation are weighted equally. Consequently, price variations during the period analyzed may lead to an underestimation or overestimation of the signifcance of the information included in the most recent inflation concerning inflationary dynamics. Nevertheless, the measure of instantaneous inflation for Colombia provides an alternative to correct this bias, calculated by assigning greater weight to the most recent data and reducing the influence of more remote data through a Kernel function. This potential bias resulting from the overweighting of older data exists because information from more distant months may be less relevant for understanding the current behavior of consumer prices. In addition, we explore below the possibility of instantaneous inflation presiding over offcial annual inflation.

Fuente: https://d1b4gd4m8561gs.cloudfront.net/en/publications-research/monetary-policy-report/box-1-january-2025