Working papers economics - A Level-Dependence Approach for Assessing De-Anchoring of Inflation Expectations: Evidence from Colombia

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"This study integrates the notions of level and dependence to assess the degree of de-anchoring of inflation expectations in Colombia."

Publication Date: Wednesday, 9 of July 2025 **Abstract**
This study introduces a methodology for evaluating the de-anchoring of inflation expectations by proposing indicators to measure deviations in short- and long-term inflation expectations from the Central Bank's target, analyzing their dependency over time using traditional and hierarchical statistical copulas, the latter incorporating the effect of the monetary policy stance. Using data from the Colombian financial market, the findings reveal that during inflationary episodes (2008–2009, 2015–2016, and 2022–2023), the dependency between short- and long-term expectations increased, indicating de-anchoring. This pattern was also observed during periods when inflation was below the target (2013 and 2020). Conversely, in years such as 2006, 2010, 2014, 2017, and 2021, and towards the end of 2023, the decrease in this dependency suggests that expectations were anchoring. Additionally, when the monetary policy stance was considered, there was a strong negative dependency during contractionary episodes, while progressive interest rate reductions were associated with a positive dependency.

Fuente: https://d1b4gd4m8561gs.cloudfront.net/en/publications-research/working-papers-economics/level-dependence-approach-assessing-deanchoring