

Keep in mind

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Inflation expectations in Colombia are characterized. Empirical evidence following conventional tests suggests that they might not be rational, although the period of disinflation included in the sample makes it difficult to ascertain this conclusion. Inflation expectations display close ties with observed past and present headline inflation and are affected by exogenous shocks in a possibly non-linear way. A model-based core inflation measure is computed that addresses the shortcomings of traditional exclusion measures when temporary supply shocks have widespread effects and are persistent.

