

Essays on Economic Policy (ESPE in Spanish) - Exchange Rate Pass - Through to Domestic Prices: the Case of Colombia

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The relatively large depreciation of the Colombian peso to the US dollar during 2002 has posed a challenge for Colombian monetary policy. From end-2001 to end-2002 the USD/COP rate of exchange depreciated by some 20.0 percent,¹ while consumer prices during the same period increased by 7.0 percent and producer prices by 9.3 percent. If not countered by the right monetary policies, such a rate of depreciation could easily transform into higher inflation.