

Box 2: Inflationary Impact of The New Tax Reform and The Liquor Law

Box 2: Inflation Report December 2016 Keep in mind

The Monetary Policy Report presents the Bank's technical staff's analysis of the economy and the inflationary situation and its medium and long-term outlook. Based on it, it makes a recommendation to the Board of Directors on the monetary policy stance. This report is published on the second business day following the Board of Directors' meetings in January, April, July, and October.

AUTHOR OR EDITOR Edgar Caicedo Carlos Daniel Rojas AUTHORS AND/OR EDITORS Caicedo-García, Edgar The new tax reform (Law 1819 passed on December 29, 2016) and the liquor law (Law 1816 of December 19, 2016) introduce changes that will affect future developments in the consumer price index (CPI). Among other measures, the new regulations include a change in the value added tax (VAT) on a number of goods and services, the creation of a national carbon tax, and changes in the levies on fuel and tobacco. In addition, the new liquor law will have an upward impact on consumer prices. The main changes implied by these reforms are outlined in this section, specifically those that might have some impact on the momentum in the CPI. The adopted methodology and quantification of the possible inflationary impact of these laws are presented as well.