Effects of the central bank’s communications in Colombia. A content analysis

Borrador número 1024 Keep in mind
The series Working Papers on Economics is published by the Office for Economic Studies at the *Banco de la República* (Central Bank of *Colombia*). It contributes to the dissemination and promotion of the work by researchers from the institution. This series is indexed at Research Papers in Economics (RePEc).

On multiple occasions, these works have been the result of collaborative work with individuals from other national or international institutions. The works published are provisional, and their authors are fully responsible for the opinions expressed in them, as well as for possible mistakes. The opinions expressed herein are those of the authors and do not necessarily reflect the views of Banco de la República or its Board of Directors.

AUTHOR OR EDITOR Luis E. Arango Javier Pantoja Carlos Velásquez AUTHORS AND/OR EDITORS Luis E. Arango Javier Pantoja Velásquez, Carlos Alberto
We carry out a reading analysis that consists of two elements. First, we observe the coherence between monetary policy actions and press releases. In this case, we found that inflation and growth are significant themes in the adoption of the policy measures between September 2004 and March 2016. Moreover, when inflation and economic growth are both raising the monetary actions becomes tighter. Nevertheless, economic activity has always coefficients greater than those of inflation. In second place, the monetary authority goes beyond explanations in the press releases: there are some traces of forward guidance in a number of communications with different degrees of commitment. We also assess whether Colombia’s Central Bank uses its communications as a complementary monetary policy tool and estimate the effectiveness of this strategy. To do so, we use a machine learning technique to unveil the semantic structure of the central bank´s communications. This technique allows us to extract some semantic factors that are used in a structural VAR to identify and measure the impact of these communications on inflation expectations. Our results indicate that Colombia’s Central Bank uses communications as a monetary policy tool and that this strategy influences market inflation expectations.

The series Borradores de Economía is published by the Economic Studies Department at the Banco de la República (Central Bank of Colombia). The works published are provisional, and their authors are fully responsible for the opinions expressed in them, as well as for possible mistakes. The opinions expressed herein are those of the authors and do not necessarily reflect the views of Banco de la República or its Board of Directors.

Fuente: https://www.banrep.gov.co/en/borrador-1024