Box: 2 Economic Effects of Indexation and its Prevalence in Colombia - Report of the Board of Directors to the Congress of Colombia - July 2023

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Automatic price adjustment mechanisms, known as indexing, have mainly been a relatively common practice in developing economies even under different macroeconomic environments. These mechanisms often arise spontaneously in agents' private contracts as a tool to protect themselves from high and unpredictable inflation. However, on other occasions they are the product of regulations resulting from various institutional arrangements. The economic effects of indexing have been a relatively active area of study and a subject of debate. This box presents a brief review of some of the effects of indexing documented in the specialized literature and quantifies the prevalence of its ffect on consumer prices in Colombia.

Fuente: https://www.banrep.gov.co/en/publications-research/report-board-directors-congress/box-2-july-2023