
[Download](#)

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

[Rincón-Torres, Andrey Duván Salas-Ávila, Andrés Felipe Julio-Román, Juan Manuel](#)

The series [Borradores de Economía](#) (Working Papers on Economics) contributes to the dissemination and promotion of the work by researchers from the institution. On multiple occasions, these works have been the result of collaborative work with individuals from other national or international institutions. This series is indexed at Research Papers in Economics (RePEc). The opinions contained in this document are the sole responsibility of the author and do not commit Banco de la República or its Board of Directors.

Publication Date:

Wednesday, 27 of December 2023

Abstract

We study the behaviour of three quantitative sample surveys and a non sample inflation expectation report for Colombia. We found that expectations in Colombia; (i) are not strongly, i.e. a la Muth, rational because they show cross-section disagreement, (ii) expectations, however, show some features of weak rationality, (iii) expectations disagreement is time varying and relate to inflation, inflation changes and the output gap, thus suggesting a staggered information flow to agents, (iv) the forecast error loss function employed by agents is not symmetric and increasingly penalizes higher expectations than finally observed inflation as the horizon grows, and (v) this fact also explains the stylised fact that observed expectation share with theoretical rational expectations that expectations look like lagged versions of inflation that dampen with the horizon. The latest finding also arises from a very general econometric set up we develop in this paper. These results imply that the effect of weakening the rational expectations assumption in Colombian monetary policy models should be assessed, especially when compared to sticky information and heterogeneous agents choosing non Mean Square forecast Error losses.