
[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

[Zárate-Solano, Hector Manuel Rodríguez-Niño, Norberto](#)

The series [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:
Monday, 23 December 2024

Abstract

Colombia's annual inflation reached 13.3% in March of 2023, the highest rate since the start of the inflation-targeting regime for monetary policy in 2000. However, some groups in the basket show signs of lower inflation, while others show higher inflation. The persistence of this trend is a matter of active debate that involves analyzing the trend component of both year-to-year and month-to-month changes in the price indices. This paper employs time series models to identify inflation shift levels based on the 188 price indices in the basket. We categorize trend breaks as positive or negative and further classify them into tradable versus non-tradable, core versus regulated, and other CPI categories. Using trend models that incorporate these breaks, we forecast total and group inflation. Our results show that including trend breaks enhances prediction accuracy for monthly annual inflation across all time horizons