Box 2: Assessment of the macroeconomic forecast error for 2024 - Monetary Policy Report, April 2025

Download 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.

AUTHORS AND/OR EDITORS Muñoz-Martínez, Jonathan Alexander Pérez-Amaya, Julián Mauricio
Publication Date: Friday, 20 of June 2025
In 2024, the Colombian economy began a comeback in its economic activity recovery process, recording an annual growth rate of 1.7%, surpassing the 0.6% seen in 2023. Furthermore, headline annual inflation continued its convergence to the target, concluding 2024 at 5.2%, amid moderated yearly adjustments in food and regulated items, the resolution of supply disruptions, downward pressures in the foreign exchange market, and a restrictive monetary policy approach.

Relative to the forecasts made in January 2024 by the technical staff of *Banco de la República*, economic activity for the entire year exceeded expectations. Household expenditure on the non-durable goods component surpassed the anticipated growth. Similarly, gross capital formation exhibited increased dynamism, propelled by the robust performance of civil works projects. The decline in the annual fluctuations of the CPI for food and regulated items exceeded the technical staff’s expectations during 2024. Core inflation (excluding food and regulated items) saw a downward unanticipated decline attributed to the goods component, which displayed a more significant reduction than expected due to favorable trends in international prices. Conversely, the services basket aligned closely with expectations, with slight downward deviations for the 2024 closing outcome.

This Box employs one of the central forecasting models (4GM) to analyze the technical staff’s forecast errors concerning the behavior of inflation and annual GDP growth in 2024. This exercise aims to analyze the forecast errors, defined as the discrepancy between the actual data of macroeconomic variables at the conclusion of 2024 and the projections developed by the technical staff in January of that year, predicated on the shocks that, according to the model’s framework, would explain these errors. This analysis parallels that outlined in *De Castro-Valderrama et al.* (2021) and constitutes a component of the annual internal assessment conducted by the technical staff on its forecasting methodology. The results of this exercise, including headline and core annual inflation and GDP growth, are presented below.

Fuente: https://www.banrep.gov.co/en/publications-research/monetary-policy-report/box2-april-2025