

[Box 1: Inflation Report December 2016](#)

Keep in mind

Los análisis y pronósticos incluidos en este informe son producidos por el equipo técnico del Banco. Es la base principal sobre la cual se realiza la [recomendación de política monetaria](#) a la Junta Directiva del Banco de la República (JDBR) y por estas razones no refleja necesariamente la opinión de sus [miembros](#).

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In an economic cycle, one sees supply and demand shocks that can affect how agents in the market decide to allocate resources. Determining the impact, transmission and nature (transitory or permanent) of those shocks poses a challenge to economists, and understanding them can be very useful in economic policy-making. Being able to fathom transmission channels allows us to appreciate to what extent shocks can be extended or restricted in the short term, and how these effects can influence the long term, as well as their propagation towards relevant variables such as prices and quantities (Campbell and Mankiw , 1987).