Box 1: Supply Shocks and Their Impact on Economic Activity

Box 1: Inflation Report December 2016 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.

AUTHOR OR EDITOR Daniel Parra Mariana Escobar Carlos Daniel Rojas 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).

Fuente: https://www.banrep.gov.co/en/publications/inflation-report/box-1-supply-shocks-and-their-impact-on-economic-activity