

## **Food inflation and its relationship with non-food inflation in Bolivia**

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### **Abstract**

In this document the determinants of food inflation in Bolivia for the period 2000-2014 are analyzed using monthly data. A dynamic OLS model indicates that the factors of supply and demand were significant in the short term, although the first one had a greater impact.

The most important determinant turned out to be the external inflation since an increase of 1% would generate an increase of 0.11% in the monthly local food inflation. Although there is a strong relationship between these variables, it is not constant. Other significant variables were the weather events, level of yield and the output gap. The inclusion of money is a controversial issue; however, excess of money was accepted as an explanatory variable in the model. It should be noted that it had a low impact because the money supply was in line with its fundamentals in recent years.

Analyzing the interaction between inflation of food and non-food, it was discovered that the first has an effect on the second, since an increase of 1% of food prices cause a rise of 0,04% on monthly inflation non-food, although it would be reflected after a period.

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