

Borrador número 1034

Keep in mind

La serie Borradores de Economía es una publicación de la Subgerencia de Estudios Económicos del Banco de la República. Los trabajos son de carácter provisional, las opiniones y posibles errores son responsabilidad exclusiva del autor y sus contenidos no comprometen al Banco de la República ni a su Junta Directiva.

Autor o Editor

J. Sebastián Amador-Torres

Fecha de publicación

Tuesday the 16th of January, 2018

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.

This paper proposes new monthly estimates for the non-accelerating inflation rate of unemployment (NAIRU) and the output gap for Colombia. These rely on a New Keynesian small open economy model following González et al (2013), augmented by an Okun's Law equation. The resulting output gap closely follows the business cycle, as identified by other estimates currently employed by the central bank. The unemployment gap is negatively correlated to the output gap, in a magnitude consistent with simple Okun Law's estimations. Unlike previous works, this paper presents shocks decompositions, which allow for some economic interpretation of the unemployment dynamics in terms of macroeconomic shocks. This framework might be well suited to evaluate the effects of monetary policy on the labor market, as suggested by an evaluation of forecasting accuracy.