Journal
Keep in mind

Autor o Editor
Sarmiento, Miguel
Cardozo-Alvarado, Nathali
Gamboa-Estrada, Fredy
Gómez-Pineda, Javier
León-Rincón, Carlos
Miguélez-Márquez, Javier
Ojeda-Joya, Jair

Publication Date
Tuesday the 7th of March, 2023

Abstract

This paper discusses the implications of the Global Financial Cycle (GFC) in emerging economies. We found three main results. First, using microdata on interbank and corporate loans between 2004 and 2019, we identify that contractions of the GFC are associated with reductions in the supply of foreign credit to banks and firms in Colombia, but also on local corporate credit. We also find that the incidence of the CFG on the financial intermediation is significantly reduced in the presence of temporary controls on capital inflows. Second, we identify that the CFG affects the behavior of foreign portfolio investment in Colombia and that the Federal Reserve's unconventional monetary policy announcements between 2010 and 2018 accentuated its effects on portfolio flows. Third, using a VAR panel with a sample of 24 emerging economies with data for 2004-2019, we identify that the CFG affects the dynamics of portfolio and international credit flows. The countries with greater use of macroprudential policies and those that have a flexible exchange rate regime exhibit lower influence of the CFG on the dynamics of capital flows and less procyclical monetary policy responses.