Working Paper No. 625

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Capital controls and intervention in the foreign exchange market are two controversial policy options that many countries have adopted in the past in order to influence the exchange rate and moderate capital flows. Colombia has a long record in the use of these policies with mixed results and often non negligible costs. The objective of this paper is to evaluate for the case of Colombia the effectiveness of capital controls and central bank intervention for depreciating the exchange rate, reducing its volatility, and moderating the exchange rate vulnerability to external shocks. The paper uses high frequency data from 1993 to 2010, and a GARCH model of the peso/US dollar exchange rate return. The main findings

indicate that neither capital controls nor central bank intervention used separately were successful for depreciating the exchange rate. On the contrary, they augmented its volatility. Nonetheless, during the period 2008-2010 when both policies were used simultaneously, a statistical significant effect was obtained by which the interaction of capital control and intervention in the foreign exchange market were effective to produce a daily average depreciation of the exchange rate, without increasing its volatility. In addition, it is found that the fundamental determinants of the daily average behavior of the exchange rate return are its own past behavior, the risk in Emerging and Global Markets, theprice of commodities and the misalignment of the real exchange rate.

Updated 06/04/2015 04:00 p.m.