Banco de la República | Colombia
Somos el banco central de Colombia

Inflation Targeting, Reserves Accumulation, and Exchange Rate Management in Latin America

Working Paper No. 487 Keep in mind
The series Working Papers on Economics is published by the Office for Economic Studies at the *Banco de la República* (Central Bank of *Colombia*). It contributes to the dissemination and promotion of the work by researchers from the institution. This series is indexed at Research Papers in Economics (RePEc).

On multiple occasions, these works have been the result of collaborative work with individuals from other national or international institutions. The works published are provisional, and their authors are fully responsible for the opinions expressed in them, as well as for possible mistakes. The opinions expressed herein are those of the authors and do not necessarily reflect the views of Banco de la República or its Board of Directors.

AUTHOR OR EDITOR Roberto Chang AUTHORS AND/OR EDITORS Roberto Chang
This paper examines whether central banks in Latin America have implemented conventional inflation targeting (IT) prescriptions, with a focus on foreign exchange intervention and official reserves accumulation policies. To this end, the paper reviews the experiences of Brazil, Chile, Colombia, and Peru, and finds significant departures from the dominant theory of IT. Foreign exchange intervention has often been used to prevent excessive financial volatility, bubbles, and panics. Ongoing patterns of reserves accumulation have been the outcome of an effort to build ?war chests? against speculative attacks and, more recently, of a fight against real exchange appreciation. Possible justifications of the discrepancies between conventional IT theory and practice are discussed and generally found unsatisfactory.

The series Borradores de Economía is published by the Economic Studies Department at the Banco de la República (Central Bank of Colombia). The works published are provisional, and their authors are fully responsible for the opinions expressed in them, as well as for possible mistakes. The opinions expressed herein are those of the authors and do not necessarily reflect the views of Banco de la República or its Board of Directors.

Fuente: https://www.banrep.gov.co/en/en/inflation-targeting-reserves-accumulation-and-exchange-rate-management-latin-america