

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

Gerencia Técnica

When managing international reserves, central banks generally face the problem of determining what their optimum or adequate level is. A critical review of some methodologies for calculating the optimum amount of reserves is presented in this document. Also, a combination of international liquidity indicators is shown to shed light on the proper level of international reserves, based on a method recently proposed by the International Monetary Fund (IMF). Different exercises are used to illustrate the high sensitivity of the optimum level or reserves when feasible variations in the models' parameters are considered. In addition, these models rely on the questionable assumption that the country has a level of short term external liabilities that is independent of the level of reserves. These factors significantly limit the practical usefulness of these models in assessing the adequate level of international reserves.

The views expressed in the paper are those of the authors and do not represent those of the Banco de la Republica or its Board of Directors.