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

Risk, Aggregate Demand, and Commodity Prices: An Application to Colombia

Working Paper No. 859 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 Javier Guillermo Gómez Juan Manuel Julio
We embed a small open economy model for Colombia into the global risk model of Gómez-Pineda, Guillaume, and Tanyeri (2014). The small open economy model is estimated by Bayesian methods and used for analysis and projections. The model enable us to give a consistent treatment of shocks to global risk, country risk, and oil and commodity prices. This treatment is consistent because these shocks affect the global economy as a whole, as dictated by a structural global model, in contrast with other treatments that deal with “rest of the world" shocks as univariate auto regressive processes. The a-priori parameter distributions were found by calibrating for impulse response functions, the evolution of latent variables, equation fit, error decompositions, and model forecast performance. Among other results, we found that the identified episodes of retrenchment and buoyancy in global risk were transmitted to Colombia's country risk premium and that global risk shocks are important drivers of Colombia's output and unemployment gaps. Furthermore, aggregate demand-related shocks are not important as drivers of non-core inflation in Colombia, in contrast with the findings for other countries.

The opinions expressed here do not necessarily correspond neither to the Banco de la República nor its Board of Directors.

Updated: 20/10/2015 12:33 p.m.

Fuente: https://www.banrep.gov.co/en/borrador-859