



Exchange Rate Pass-Through Effects: A Disaggregate Analysis of Colombian Imports of Manufactured Goods

Working Paper No. 330 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 Hernán Rincón Edgar Caicedo Norberto Rodríguez AUTHORS AND/OR EDITORS Caicedo-García, Edgar

Colombian monthly data covering the period from 1995:01 to 2002:11 and ECM, fixed and time-varying parameters and Kalman filter techniques are used in this paper to quantify the exchange rate pass-through effects on import prices within a sample of manufactured imports. Also, whether the foreign exchange and inflation regimes affect the degree of pass-through is evaluated. The analytical framework used was a mark-up model. The main finding is that the long-run pass-through elasticities for the industries in the sample are stable and go from 0.1 to 0.8 and the short-run ones are unstable and go from 0.1 to 0.7, supporting mark-up hypotheses, in contrast to the hypotheses of perfect market competition and complete pass-through. The findings also show evidence of the variability and different degrees of pass-through among manufacturing sectors, which confirm the importance of using dynamic models and disaggregate data for an analysis of the pass-through. Both, the hypothesis that under a floating regime there is a low degree of pass-through and the hypothesis that a low inflation environment has the same result are not supported.

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.