

# Supply Shocks and Monetary Policy Responses in Emerging Economies

---

LATIN AMERICAN JOURNAL OF CENTRAL BANKING

**Número:**

4

**DOI:**

<https://doi.org/10.1016/j.latcb.2022.100071>

**Publicado:**

Domingo, 11 Septiembre 2022

**Authors:**

Jose Antonio Ocampo,

[Jair Neftali Ojeda-Joya](#)

**Clasificación JEL:**

E52

[Descargar documento](#)

## Lo más reciente

[Evaluación de los efectos de las recientes normas de provisiones sobre la asignación del crédito de consumo en Colombia](#)

Diego Fernando Cuesta-Mora, Fredy Alejandro Gamboa-Estrada, Camilo Eduardo Sánchez-Quinto

[Educación e inclusión financieras en América Latina y el Caribe: programas de los bancos centrales y las superintendencias financieras](#)

María José Roa-García, Gloria Amparo Alonso Masmela, Nidia García Bohórquez, Diego A. Rodríguez-Pinilla

[Deuda Pública, Expectativas sobre el Déficit Fiscal y su Transmisión al Componente Cíclico de las Tasas de Interés de Largo Plazo](#)

José Vicente Romero-Chamorro, Hernando Vargas-Herrera

[Otras Publicaciones](#)

Supply shocks bring about important dilemmas for monetary policy in emerging economies. We compute monetary policy responses to supply shocks using quarterly data and a Bayesian panel VAR for 24 emerging economies during the period 2004–2019. In this framework, we identify supply shocks as unexpected and temporary total factor productivity innovations which are orthogonal to demand related shocks. We highlight three results from this econometric exercise. First, monetary policy is, in average, procyclical in emerging economies after temporary supply shocks. Second, monetary policy is more procyclical in fixed than in flexible exchange-rate regimes. Third, monetary policy is more procyclical in economies with a higher degree of financial openness. The latter result is a central dilemma for emerging economies during supply shocks, since it implies that financial openness prevents less procyclical monetary policy reactions due to the trade-off between exchange rate and income volatility.