Latin American Falls and Rebounds since the COVID-19

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Authors:
Campos Luciano[e],
Leiva-León Danilo[e],
Steven Zapata-Álvarez[a]
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[e]Externo
[a]Banco de la República, Colombia
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Abstract

This paper proposes comprehensive measures of the Latin American business cycle that help to inferthe expected deepness of recessions, and strength of expansions, as they unfold in real time. Thesemeasures are based on the largest country economies in the region by accounting for intrinsic featuresof real activity, such as comovement, nonlinearities, asymmetries, and are also robust to unprecedentedshocks, like the COVID-19 pandemics. The proposed measures provide timely updates on (i) infer-ences on the state of the regional economy and (ii) the underlying momentum embedded in short-termfluctuations of real activity. We evaluate as well the time-varying effects of U.S. financial conditions onthe Latin American economy by employing the proposed measures and identify periods of persistentinternational spillovers.Keywords:Business Cycles, Factor Model, Nonlinear, Latin America.JEL codes:E32, C22, E27.*We would like to thank David Argente, Javier P´erez, Enrique Mart´ınez, Agust´ın Casas and seminar participants at the2021 Joint Research

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