

Changes over time on the effects of commodity prices in Bolivia

Mauricio Mora Barrenechea

Abstract

Bolivia is a small, open and exporting of primary products economy, so it has been exposed to external shocks, mainly to fluctuations in commodity prices. In this paper, I used a Bayesian TVP-SVAR model with stochastic volatility to assess whether there were changes in the relationship between commodity prices and the main macroeconomic variables. Results show that the effect of the international oil price on economic growth decreased between 2000 and 2018 due to a volumen effect (lower external demand) as a value effect (low oil prices). The pass-through of international food prices to domestic inflation is significant and shows a slight decrease since 2015 due to a moderation in the growth rate of food imports. The nominal exchange rate initially was appreciated to mitigate the imported inflationary pressures and subsequently its degree of response decreased over time thanks to a greater entry of foreign currency to the economy.

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