

# Estimating an exchange rate pressure index\*

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## ABSTRACT

After reviewing the literature of currency crises, a mapping of variables that determines general conditions for exchange rate markets is developed. On this base, this paper has the goal to estimate an exchange rate pressure index, which shall summarize all the information that the original set of variables contains. In order to achieve the goal, two approaches are followed: first, a multifactor analysis is adopted; second, a Factor Augmented VAR model with time varying parameters (TVP-FAVAR) is estimated. In this context, the index is expected to provide a measurement of the pressures that are relevant to Bolivian exchange rate market.

**JEL Classification:** *C59, F31*

**Keywords:** *Currency markets, factor estimation, TVP-FAVAR*

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\* The conclusions, opinions and points of view expressed in this document do not necessarily represent those of the Central Bank of Bolivia or its authorities and are the sole responsibility of the author. The comments and suggestions of the participants to the BCB Internal Economic Research Workshop held on June 11, 2021 are appreciated.