

Transmission mechanisms of monetary policy: The credit channel

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ABSTRACT

This document evaluates the main transmission channel of monetary policy in Bolivia, the credit channel. Unlike previous studies, the pass-through effect of monetary instrument rates to market rates was analyzed. The 3-month OMO rate and the repo rate were considered as monetary policy instruments, while, as market rates, the TRe, the BBV repo rate and the unregulated lending rate by sector were taken into account. An ARDL model was used to estimate the short- and long-term effect, using monthly data for the period 2002-2022. The results reflect that there would be a degree of pass-through effect, although incomplete. The Central Bank should monitor interbank rates, TRe and BBV repo rates more closely, which are those that would respond, to a greater extent, to the direction of monetary policy.

Clasificación JEL: E43, E52, G21

Palabras clave: Pass-through effect, interest rates, monetary policy, ARDL