

Estimating the natural rate of interest from a Bayesian Time Varying Coefficient VAR model (BTVC-VAR)*

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ABSTRACT

The estimation of the natural interest rate is considered relevant for the design and implementation of monetary policy. Although this indicator is especially relevant in economies that operate under inflation targets, it is still important in other schemes because it allows us to know at what level of interest rate inflationary pressures or a curb on economic growth would not be generated. In this sense, in the present research its estimation is proposed through a Bayesian Time Varying Coefficient VAR model for the Bolivian economy, considering the period between the first quarter of 2010 and the fourth quarter of 2019, identified as the one that had good conditions of macroeconomic stability, immediately after the crisis of the late 2000s and before the crisis of the Covid-19 pandemic.

JEL Classification: E43, E47, E31, E23, E52

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