Estimation of an indicator of pressures on International Reserves in a context of global geopolitical tensions: A Dynamic Conditional Correlation and Synthetic Control approach*

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ABSTRACT

The purpose of this paper is to construct an indicator of pressures on international reserves for Bolivia through a MULTI GARCH – DCC Dynamic Conditional Correlation and Synthetic Control model. The results of the first model show that the presence of an adverse external context, which impacts the prices of the main export commodities, international interest rates, and world market expectations, significantly explains the volatility of international reserves and the persistent negative pressures on the flow of foreign currency. Likewise, the results of the second model show that the balance of international reserves would have been almost USD1.000 million higher as of April 2024 in the absence of an adverse international scenario of geopolitical tensions, economic slowdown, and high levels of inflation worldwide, a situation that worsened in 2022 with the war between Russia and Ukraine.

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*   Estimation, simulation methods, time series models, prices and cyclical fluctuations, empirical studies of international trade.