

Keep in mind

The series Working Papers on Economics is published by the Office for Economic Studies at the *Banco de la República* (Central Bank of *Colombia*). It contributes to the dissemination and promotion of the work by researchers from the institution. This series is indexed at Research Papers in Economics (RePEc).

On multiple occasions, these works have been the result of collaborative work with individuals from other national or international institutions. The works published are provisional, and their authors are fully responsible for the opinions expressed in them, as well as for possible mistakes. The opinions expressed herein are those of the authors and do not necessarily reflect the views of Banco de la República or its Board of Directors.

AUTHOR OR EDITOR

[Javier G. Gómez](#)

AUTHORS AND/OR EDITORS

[Gómez-Pineda, Javier](#)

The world economy has recently been hit by commodity price fluctuations, with first round effects on

---

---

noncore inflation and second round effects on core inflation. The policy response to commodity price fluctuations depends on the first and second round effects as well as on the strength of the central bank reaction to noncore inflation. The impulse responses and the historical error decomposition exercises show that the second round effects have followed two cycles, the first one before and after Lehman crisis; the second one, that started in 2010, exerted particularly strong downward pressure on interest rates during 2015-2016. The results are obtained with a global model of the largest five systemic economies plus one non systemic economy. In the model, latent variables are obtained with the multivariate Kalman filter and parameters are estimated with Bayesian methods.

The series Borradores de Economía is published by the Economic Studies Department at the Banco de la República (Central Bank of Colombia). The works published are provisional, and their authors are fully responsible for the opinions expressed in them, as well as for possible mistakes. The opinions expressed herein are those of the authors and do not necessarily reflect the views of Banco de la República or its Board of Directors.

Update 15/06/2017, 11:42 a. m.